

Securing a second success

After the success of CryptoLogic and now FUN, it's no surprise Andrew Rivkin and Lorne Abony are rubbing shoulders with the likes of Liberty's John Malone, writes Scott Longley

There is something of the 'been there, seen it, done it, got the t-shirt' about meeting up with Lorne Abony [pictured] and Andrew Rivkin, founders of FUN Technologies.

No-one involved in the egaming industry will need reminding that the pair were behind one of the early successes of the sector, CryptoLogic, and as such the rise of FUN has given them – and probably the industry as well – a distinct feeling of déjà vu.

"It is a very exciting time," says Rivkin. "Likewise it was an exciting time in the early days of CryptoLogic. We are proud of what we did there. The sense around the

company is this is equally, if not more, of an exciting time."

FUN Technologies is in another area where growth across the sector is expected to be sizeable – the casual egaming market – and if the figures from the company's recent third-quarter results are anything to go by, something of this expectation is already close to turning into reality.

"We had a tremendous quarter," says Abony, chief executive of the company. "Our business is growing in a super-normal way. Our skill gaming revenue was up 33% sequentially quarter-on-quarter, the third consecutive quarter like that. On an

annualised basis, last year we did £3.7m (US\$6.3m) and this year it is closer to £12m, growing over 300% on the skill side."

No surprise, then, that Abony says he and Rivkin are "very comfortable with the way our businesses are growing", or that the company was recently recognised by the Deloitte Technology Fast 50 awards programme as one of the companies to watch.

They're jamming

FUN Technologies actually comprises two divisions – the skill gaming business based in LA (SkillJam) and a fantasy sports business based in Minneapolis.

In its recent results statement, FUN makes much of the significance of the recent performance of its SkillJam division. Revenue growth was powered by improved performance including major agreements with eBay and Virgin. By the end of the quarter, the total number of registered users topped nine million.

The deal with Virgin will see SkillJam develop, operate and support customised Virgin-branded skill gaming websites for the US, UK and European markets while the deal with eBay sees FUN create content-driven, co-branded, tournament-style trivia games where players compete for prizes.

But perhaps the development FUN are most excited about is the deal signed with the Game Show Network (GSN) in the US.

Abony explains: "Our largest customer is GSN, a cable channel in the US which reaches around 75 million homes. Very quickly they have catapulted themselves

Confident analysis

The analysts are just as enthusiastic as the company itself about FUN Technologies' prospects. Writing after the Q3 results, analysts at Desjardins Securities in Canada said the figures were "better-than-expected".

They added: "The company also performed operationally in the quarter with significant deals with Sportingbet and Verizon. We believe these significant transactions demonstrate the company's continued business development momentum. This momentum on the skill gaming side of the business combined with revenue contribution from the [fantasy sports] acquisition should provide excellent revenue growth in the short- to mid-term."

Such confidence was echoed by analysts at CIBC World Markets who likewise pointed to greater-than-expected demand for SkillJam and higher-than-expected fantasy football subscriptions. CIBC point out geographic expansion, distribution expansion of SkillJam via television and kiosks, and skill gaming sponsorship of tournaments to promote the brand should be key drivers going forward. In light of the results, CIBC has reiterated its sector outperformance rating on the stock and raised its target price on the shares.

CIBC said: "The shares are currently trading at 15 times our 2006 estimate; the peer group is at 18 times. After this strong performance and outlook, we believe the shares remain attractive and should be purchased."

into being one of our largest clients by proving the internet does not have to cannibalise cable, that it can provide incremental revenues.”

Abony explains GSN has a show on the channel called *Lingo*, a spelling game, where the host asks contestants questions in real time, while at the bottom of the screen there is a message to the viewers saying ‘play along in real time at www.gsn.com’.

“It allows the folks at home to play online and win cash prizes online,” says Abony.

“That has been a tremendous success for us. It is a real business case on the power of cable television. I think the intersection of internet and television, going forward, will be the big driver.”

This, of course, is not the only area of application in which FUN is involved and Rivkin points out how important mobile gaming (mgaming) will be to the company.

“As the phones get better, there will always be that bit of time when you have 15 minutes to kill, when skill gaming can be something exciting to do. Mgaming could be really big as well,” he says.

FUN by name...

What is clear from both these channels – and through the fantasy sports business – is ‘gaming’ is something of a misnomer for the FUN business. As its very name suggests, it is aiming more towards the entertainment side of the equation.

“We bought SkillJam, which was based in Los Angeles, and if it ain’t broke, don’t fix it. We have key people in LA. You have to step outside the egaming world. We are casual gaming, which is all about entertainment. And LA is the entertainment capital of the world. It is the right place for the company.”

When such a distinction is made obvious, it opens up a further route to revenue – advertising.

“We have launched a million-dollar tournament [the Skill Games World Championship launched in September this year], giving our skill gaming customers the chance to win a life-changing amount of money,” says Abony.

“We have been approached – and are being well-received – by national advertisers. Our fantasy business is highly attractive to potential advertisers.”

Abony is quick to point out that although the results have yet to show the signs of advertising making its mark, it is something to look out for.

“We have taken the position that we are offering our customers the richest games experience possible,” says Abony.



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“We are not really generating any meaningful revenue from advertising yet, but it is fair to say that when we reach a real critical mass, we have really exciting, clearly definable demographics,” he adds.

Notably, in both divisions of the business, FUN is aiming at different markets. The fantasy sports side, has a predominantly male audience, around 95%, which is largely college-educated and above-average income.

In comparison, the skill gaming market is female dominated – around two-thirds to a third male participants.

“The fantasy customer will be an inveterate sports enthusiast,” says Abony, “whereas the skill gaming customer is more casual. Think of her as either a ‘soccer mom’ or a desperate housewife. What is amazing is the community nature of skill gaming. If you visit some of the chatrooms, there is a huge degree of collaboration.”

Of course, this isn’t just about the US

market. Abony says the company is focused on expanding internationally, (the company has recently signed a deal with Eurosport).

“We plan to expand into continental Europe next year,” he says.

Abony suggests the market is reaching what he says is the “inflection” point.

“We are just about getting there with the nine million customers,” he says. “We could only really have launched something such as the million-dollar initiative when we had scale.”

Staying sane

For FUN, recent developments in the worlds of cable, internet and mobile usage are, says Abony, “the second stage of interactivity. These are not businesses that are negative gross margin businesses. These are not businesses where you get to generate a dollar by spending a US\$1.20. The days of businesses that didn’t make sense for the customer are gone”.

As Abony says, back then analysts, investors and companies were all talking “crazy numbers”. This, however, is a business based on what might be termed ‘sane numbers’, figures that resonate far beyond the confines of the egaming world.

“This isn’t about 19-year-olds in Silicon Valley,” Abony concludes. “Major media companies are taking these types of initiatives seriously.”

Like John Malone, in fact.