

CAN YOU REALLY TRUST WHAT ANALYSTS TELL YOU?

CANADIAN BUSINESS

EXCLUSIVE
e-SURVEY RESULTS

A new power play

Cash in the attic

WWW.CANADIANBUSINESS.COM

APRIL 2, 2001

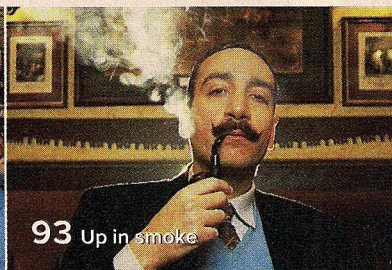
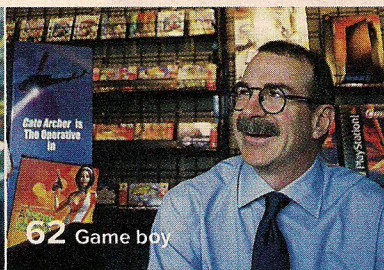
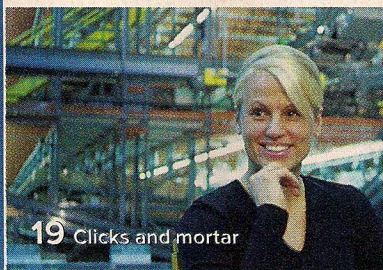
Inside
Canada's
most
lucrative
sports
empire

Toronto
Maple Leafs
goaltender
Curtis Joseph

How the game is played

\$4.25





CANADA'S BUSINESS NEWSMAGAZINE

DEPARTMENTS

DCEG's Scott White
has software
he hopes can convince
blue-haired grannies
to go online
instead of to the
bingo hall

Page 20



6 EDITOR'S NOTE

Is it just me, or is anyone else feeling gadget fatigue?

9 LETTERS

Deregulation isn't always a money saver

11 INVESTING

- Conglomerate Brascan may be holding steady. But why penalize your portfolio with a holding company discount?
- Why is itemus on the TSE 300?
- You're really paying for "no commission" bonds
- **KEITH KALAWSKY** wonders if Steve Hudson will be the next comeback kid

19 TECHNOLOGY

- An e-commerce model that works
- Can DCEG hit the jackpot with online bingo?
- An *Antiques Roadshow*-style service for the Net
- After a visit to Microsoft headquarters, **ANDREW WAHL** says the spin is as strong as ever

85 COMMENTARY

- Is a sugar oligopoly sweet for consumers?
- A cross-border spud war is burying PEI
- Should Canada introduce tax-prepaid savings plans to complement RRSPs?
- Neil Young may be a rock 'n' roll god, but on Napster, **JASON KIRBY** says, he's out to lunch

93 PERKS

Cigars are passé. Cigarettes just scream addiction. Pipes, however, are a timeless classic

96 MEMO

TREVOR COLE on a plan to improve John Roth's image



GAMBLING

Under the O: Online BINGO!
Or so says DCEG CEO
Scott White



Beach blanket bingo

Offshore gambling sites could make you rich

Every year in cavernous halls filled with smoke, blue-haired, dauber-wielding grannies spend more than US\$70 billion on bingo cards, or so says *International Gaming and Wagering Business Magazine*. But bingo halls may soon be a thing of the past, if dot com Entertainment Group Ltd. (DCEG) has its way.

For the past five years, DCEG has been developing online bingo software from its office in Oakville, Ont., and recently started designing casino programs, as well. You might think that's a risky venture, considering that setting up online gambling sites is illegal in Canada and most of the US. Lucky for DCEG, though, it's perfectly legal to develop the software for those sites. And the market is growing, especially in the Caribbean and Central America, where there are no laws against online gambling. DCEG (OTC: DCEG) has licensed its bingo programs to 10 online operators—seven

of them since January—including Cyberbingo.com of Antigua, BingoPalace.com of Costa Rica and the mysterious Company X Corp. of Belize.

But Scott White, DCEG's CEO, is betting governments in North America will soon succumb to the lure of online gaming. "Three states in the US have tabled legislation that allows for Internet gaming," says White, "and all the Canadian provinces are looking at it." No wonder: the average Internet casino generates about 50% net income, according to David Hartley, a technology analyst with Toronto-based First Associates Investments. Pretty lucrative, and online bingo can generate an even bigger payout—up to 90%. "There's too much tax money at stake," says Hartley. "Eventually, provincial, state and municipal governments will want a piece of this." The UK legalized it in March, and Hartley thinks both Canada

and the US could follow suit within the year.

Even if governments get in on the action, there's still plenty left over for DCEG, which takes home up to half of its licensees' profits. In 2000, the company raked in almost US\$2 million, and White projects it will generate US\$6 million in revenue this year. After all, there's nothing like a clientele of gamblers to keep the cash flowing. Online gambling sites—just like their land-based counterparts—are very sticky. If players win \$100, they don't cash out; instead, they stay online to try to double their money. "You spend it on the next game," says Hartley. "And the odds are always against you."

Players don't seem to mind. "I play almost 24/7!!" enthuses one person at Cyberbingo.com. "I am addicted. Keep up the great work." Despite the happy gamblers, though, it can be difficult attracting players to bingo sites because "you don't have a brand name presence with bingo," says Hartley.

www.dceg.com

White hopes to remedy that

soon: he's in the process of developing partnerships with a few land-based casinos, but so far has no deals to report.

In the meantime, DCEG will just have to hope its licensees down south can convince those blue-haired grannies to go online instead of to the bingo hall down the street. If the sites can capture just 1% of worldwide bingo wagers, DCEG—the first and only player in the bingo software game—could be looking at profits of about US\$35 million. And with its stock trading at US\$1.05, or less than the price of a night of bingo, DCEG sounds like a pretty good bet.

RAIZEL ROBIN