

# **BUSINESS PLAN**

LGE  
ENTERTAINMENT  
N.V.

## Table of Contents

|                                                                                          |    |
|------------------------------------------------------------------------------------------|----|
| Executive Summary                                                                        | 3  |
| Mission Statement                                                                        | 4  |
| Company Profile and Structure                                                            | 5  |
| Management and Staff                                                                     | 7  |
| Products and Services                                                                    | 7  |
| Markets and Marketing                                                                    | 11 |
| SWOT Analysis                                                                            | 14 |
| Financial Resources & Estimates                                                          | 16 |
| The resource of all investments is by the Shareholder of LGE Entertainment Mr Agim Zani. | 16 |

## Executive Summary

The online gaming industry, also known as iGaming or remote online gambling, is a sector with strong growth that attracts more and more established companies to create branches in the industry as well as to build up starting firms.

LGE ENTERTAINMENT N.V. is a new company and the purpose of this business plan is to cover the requirements of the application for a remote gaming license.

We realize the success of the online gambling industry considering gathered statistics from trusted sources which could be explored in the next sections of this document.

The directors in the business for years and is familiar with the nature of company's creation, the targeted market and the financial potential of the future firm.

The company intends to develop on markets in Europe.

From a financial point the shareholder has invested as a share capital 30.000 euro in order to provide an efficient start of the company.

The positive aspects which attract us to the gaming market again are the very rapid growth of the market and the spectacular reported profits.

We decided to focus our efforts to the sports betting as it is becoming more and more popular and its growth depends of factors such as new regulations penetration and new player groups. In 2012, online gambling's growth has been primarily driven by sportsbetting, which now represents over 50% of the value of the market. Sport betting began to be offered by specialized online companies in the late 1990s and the market has since enjoyed tremendous growth. With an expected annual 8% growth rate, revenue from sports betting was expected to reach 2.3 billion in Europe by 2012. The statistics exceed expectations and the iGaming market was estimated to €10.5bn in gross in 2012. The main growth area in sportsbetting is football, with in-play betting being the fastest growing element.

As a starting company we have previously made analysis of the critical issues for the success and the market barriers. We found the following factors as crucial:

- New competitors- there are many iGaming companies in the industry; most of them are exclusively successful. We will invest in current marketing strategies in order to attract new gamblers, as our statistics prove the excessive and growing number of players. In many cases players have more than one favourite Sportsbook and we are going to benefit from this treat.
- The presence of ring-fence on many markets. Our company is not going to serve US gamblers, because of restrictions and payment blocking. We will be focused on the Brazilian Markets.

More considerably, we focus on issues as regulatory changes; changing gambler requirements and managing capital spend. We understand the forces that are impacting these issues and continue to develop solutions to achieve our strategic and operational objectives.

## **Mission Statement**

LGE ENTERTAINMENT N.V. is going to be a start-up business that will provide a unique form of sports betting services through our website with the purpose of generating growth while serving clients honestly and accurately.

In the first years as an operating company we are going to operate in Brasil and expand worldwide with the integration of the translated website worldwide<sup>1</sup>, in addition we will try to penetrate emerging regional markets with resident country managers and staff. We are going to increase our business mainly by affiliate marketing whose aim is to step up the company into very competitive market with our affiliate partners and their strategies. In the next stages of the development the company we will expand relying on contemporary marketing and financial strategies.

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Worldwide except USA market. US accounts are prohibited and any transmissions from these accounts will be terminated.

The iGaming industry is known before many years ago and continue to become very famous in vary groups of nations. The shareholder stopped his attention to field of betting and the main product that the company will be offering sports betting services to clients such as football and basketball betting.

The shareholder has provided all the resources for the realization of the company while investing share capital of 25.000 euro. Further resources can be obtained by credit from the shareholder.

Our company intend to realize gross revenue which will vary depending on the outcome of our events and our bookmaker's ability to manage the risk. We will always invest a capital in improving ideas and quality management.

## **Company Profile and Structure**

The company is formed as follows:

### **LGE ENTERTAINMENT N.V.**

Country of Incorporation : Curacao

Business Sector : Gambling, betting services

Shareholder: Agim Zani

Mr Zani is experienced in the Gaming Sector and fully owns LGE Entertainment B.V.

Nominee Director: SMES N.V.

SMES N.V. is the nominee Director of LGE Entertainment B.V for the local administration of the Company in Curacao. SMES N.V is represented by Ms Vivian

Controlling Person:

Mr Zani is solely responsible for the control and administration of the Company.

## **Partners**

The products and services under the brand name LGE ENTERTAINMENT N.V. NV are distributed over local partners in Europe and Asia. The strategic focus of the management and employees with experience in the online gaming market for many years.

SMES N.V. is the Partner in Curacao offering consultancy and company nominee Directorship. SMES N.V will be providing all the necessary regulatory framework for the company upkeeping in line with Curacao Laws.

Morix SH.P.K will be providing the software and platform services to LGE Entertainment Limited.

The company is intending to source out a affiliate service provider once the license is issued and the company employs a marketing manager.

The company intends to make business relationships with Netent and Evolution for the Casino Products and grow the business slowly and steadily in the future. In order to guarantee continual enhancements in all directions and ensure the quality of the offered products/services and customer satisfaction.

The Bank Account of the Company will be held at Transferwise which as an online bank, the company will be applying for online payment processing with Moneto and also seek out other options as such as Neteller and Skrill.

The Main creditors of the company is SMES, Curacao Egaming and Morix.

## **Management and Staff**

As the company has been newly setup the management of the company, there is further staff that we want to deploy in Europe. Currently the company is looking to outsource some of the functions so that it can focus better on the market. New recruitments will be at a later stage, once the operations are more evolved. The main roles of can be delineated as follows:

### **Management & Marketing**

The company provides the necessary infrastructure to be able to operate online. The used marketing strategy is going to be an affiliation program.

### **Staff**

Additional employees are initially calculated as workforce for a 7/7 weekday coverage for database maintenance, event and odds creation, and player support services.

**CEO- AGIM ZANI**

**NOMINEE DIRECTOR : SMES N.V**

**Responsible Gaming: Martin Hoxha**

**CTO: Martin Hoxha**

**Information Security Manager**

**CFO Agim Zani**

## **Products and Services**

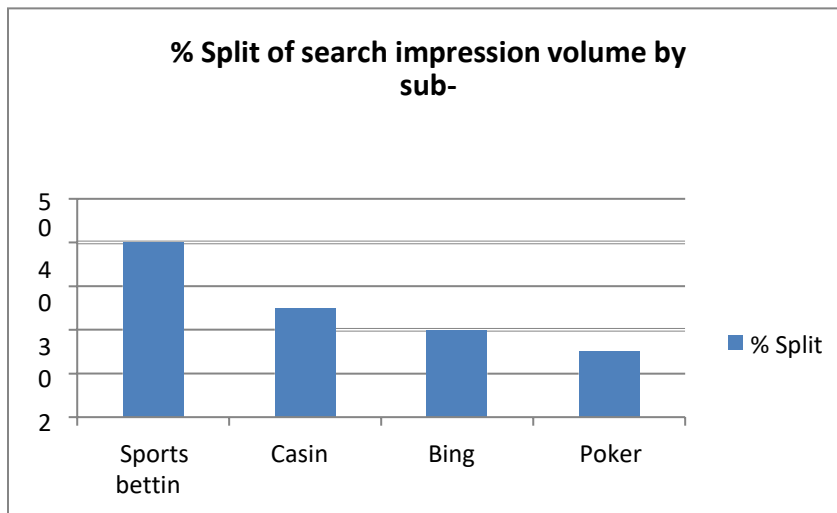
Our company now founds fully fledged Sportsbook offering sports betting services to clients such as basketball, volleyball and football betting. Our company intend to introduce exactly

these services to clientele after to have been performing detailed examinations of the market, the competitors, and the positive and negative factors in the industry.

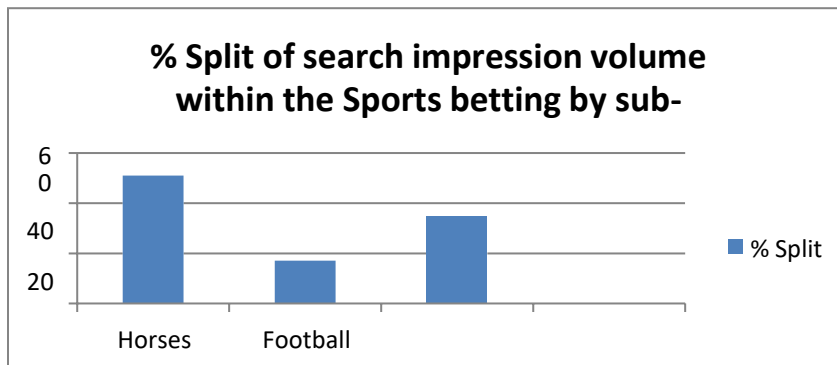
Within online gambling, sports betting terms have the largest share of search impression volume with 40 percent of the total.<sup>2</sup>

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Source: Digital marketing agency



Within the sports betting market, horseracing betting dominates with 51 %, the second largest being football with 15%.



Generic sports betting terms are typically used to develop search exposure and help initiate the search journey. Sport phrases such as 'football' and 'horse betting' help users to refine their search, while the more specific event or competition-related phrases (i.e. Champions League) help drive specificity and the conversion process. Within the generic sports betting market, over 90 percent of the search impression volume comes from the following phrases: 'betting', 'online betting', 'sports betting', 'betting site', 'betting online', 'betting websites' and 'online betting sites'.

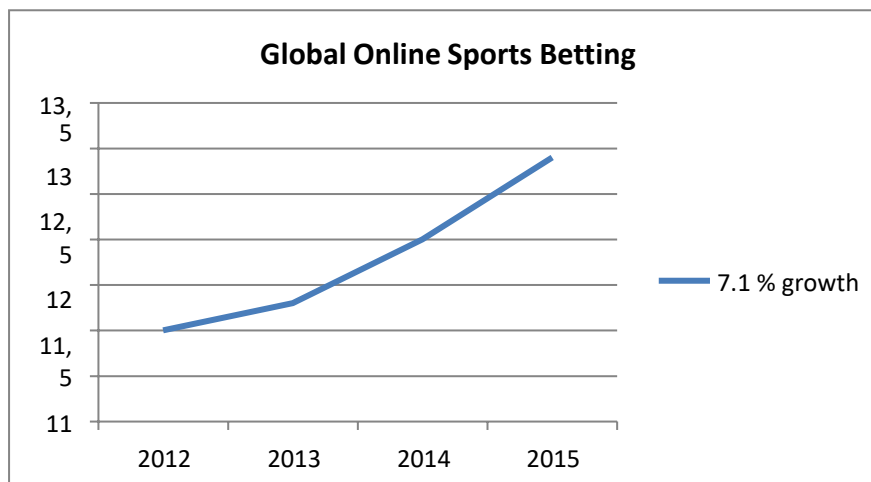
There are 217 million online gamers worldwide in 2007. Definitely it offers many opportunities for entrepreneurs like us. The lucrative billion dollar industry is constantly booming inspite of the economic decline all over the world. This is the reason why we entered this arena.

Aside from that, the growing online platform has contributed so much for the success of online gaming. Now with advanced technology, it is easier to play and bet using modern gadgets like Smartphone and tablets. Surprisingly, online gaming is somewhat equally divided between genders, at 58% male players and 42% female players. With progresses in technology and Internet, online gaming is becoming more popular across all boards.

Our latest research shows that queries from mobile devices account for 25.83% of all brand and non-brand searches. Moreover, during 2012, search impression volume via mobile devices grew by 75 %, with sportsbetting having the largest share.

## Markets and Marketing

Online gaming business has been involved in the iGaming sector for over 10 years. The global online sports betting market is highly fragmented, with a large number of privately owned companies in addition to a few large publicly-listed operators. Excluding the US, the global online sports betting market was estimated to €10.5bn in gross gaming revenue in 2012, an increase of 8.7% on the prior year. This growth is forecast to continue, with the market worth an estimated €12.9bn by 2015.



## PEST Analysis

The following analysis is based on research of macro-factors that affect all companies. PEST represents Political, Economic, Social, Technological factors of the external environment. These factors stand above the company control and sometimes exist as threats. On the other hand changes in the external environment can lead to new opportunities.

**Political-** Gambling legislation is put in place in order to prevent consumers been taken advantage and also help control consumers with gambling problems. The internet is open to great abuse in all areas of the internet and gambling is no exception. Our company will be more responsible for caring for our customers. We will invent a system which our customers can use. The system is going to offer the customer control of how much they can deposit in a designated time period, this helps the customers control their spending. Though this may affect profits for the company, it proves that we care for the players.

**Economic-** In times of economic downturn consumers become more reserved in their spending. With the market been worldwide the economic stability of different countries should balance the market out at such times. Interest rates and level of inflation must be considered as threats to the online gambling industry.

**Social-** This kind of control on the internet is done in a different way and there is an obligation for companies to offer this service. Our company tends to offer protection against gambling addiction. The way it is done on the internet is to let customers set there deposit limit with a desired time period. The company emphasize the ease at which it is to gamble online, which is the main reason behind the success of the market.

**Technological-** Gambling has been revolutionised in recent years by technological change and this is the reason for the rapid growth in the industry, making it easier than ever to gamble. The idea of online gambling is the ease of placing a bet. New software is constantly been developed to offer an enhanced experienced for the consumers.

## **Marketing Methods- Affiliation**

One of the key areas we looked at within the formation of the strategy was to compare and contrast the different marketing strategies and to choose the most successful. For example, are brands mainly using price and product promotions or are they striking up conversation through predicting of the outcome of a football match? The research showed that product and price promotions have the largest volume of occurrence with approximately 40%; this is closely followed by sports news and betting insight with 35.39%.

Affiliate marketing will play a crucial role in the marketing tactics of our brand. This is a performance-based strategy in which our business will reward our affiliates for each visitor or customer brought by the affiliate's own marketing efforts. In our case we have build up a strong network with German affiliates.

Our marketing performance is going to be based on signed agreement. Therefore we will pay to the Affiliate a percentage based commission depending on the traffic generated to

our sports betting online website. The corresponding commission is going to be related to the terms and conditions of our prospective agreement.

When a sports bettor joins our affiliate site identified by our unique website address, the sports betting affiliate then is going to share a portion of the prepared marketing data-newsletter. The sports betting affiliate will be fully rewarded with regard to their part in generating new customers; it will become their responsibility and duty to carry on bringing us an increasing number of players.

We will be sending weekly newsletters to the affiliates containing our future promotions and last updates. This offline marketing media will provide an access to a number of features and downloads to attract new players. The company intend to conceal our activities through banners sent to users as well. We will stick to content to be easily read. We will organize content so that it can be easily navigated and searched. The newsletter will lead on the quality of the content to be well written and well edited.

The affiliates will deliver messages reaching people who have chosen to receive emails targeting their specific interests and needs. Our website will reach targeted prospects and current customers through online promotions. When a sports bettor joins through our affiliate site, identified by our unique website address, the sports betting affiliate then shares a portion of our product's updates. The sports betting affiliate will have the responsibility and duty to carry on bringing us an increasing number of customers.

In addition it is vital for our growth to recruit more affiliates from other countries seeing future development of our services worldwide<sup>3</sup>. We will estimate the performance and the earnings of this program through a reporting system which is going to be invented in next first steps of growth.

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## **SWOT Analysis**

In consideration of our company and its proposals, the following elements are taken into consideration:

### **Strengths:**

1. Deep understanding of regulatory issues and know-how in the business environment.
2. Product possesses capabilities of adjusting to new markets.
3. The affiliate marketing culture would advertise unique products and services that meet our customer's needs.
4. The growth in new consumers is constant.

### **Weaknesses:**

1. Gambling laws and taxes imposed in Europe.
2. Most reputable organisations have the capability to overpower smaller competitors.

### **Opportunities:**

1. The international virtual markets and environments offer new opportunities to expand the business owing to the presence of many multilingual consumers.
2. The overflowing new technologies permit highly potential to gain a lead.

### **Threats:**

1. Significant barriers to building a large, successful online gambling firm due to the varied range of the same products and services offered by big number of similar companies.  
LGE ENTERTAINMENT B.V. BV will be investing in continuous advertising of our services through the proven affiliate marketing method.

## Technology

LGE ENTERTAINMENT N.V. will be using the Software of Morix sh.p.k (L52107165I) Albania. The company offer complete solutions for individual betting shops to international betting companies. An experienced team of bookmakers and software developers has created a solution that is perfectly tailored to the industry and leaves no wishes unfulfilled.

The goal of the software is the ideal connection between bookmakers. We achieve this through a symbiosis of shop software, advanced hardware and excellent service.

With our international and dynamic team of various professionals and industry experts, the company offers our customers solutions at the highest level. The sports betting software includes a sophisticated risk management, cash accounting, reporting features, flexible configurations, and other features limit for all sports. We offer for your betting shop or their activity as a bookmaker everything you need.

The Key features of this system will include :

- Innovative total solution
- Risk-minimizing online technology
- Efficient risk management
- Excellent usability
- Flexible extensibility
- Secure encryption technology
- Multilingualism
- Integration of all modern betting types
- Standardized data import/export

Integration of external information  
systems

## **Financial Resources & Estimates**

The resource of all investments is by the Shareholder of LGE Entertainment Mr Agim Zani.

## **Estimated Income**

LGE Entertainment estimates an annual income of after tax 400.000 - 500.000 EUR per annum.

## **Capital from Shareholders**

The owners invested € 100.000 into the business.

**3. Total Cash Receipts.** The Gross Gaming Revenue (GGR) or “margin” from the operations. It is conservatively estimated at 15 % overall margin through all type of online games and activities.

4. Total Available Cash. Total of sources of cash.

5. Operating expenses (cash out).

## **Payroll Estimation**

Workforce wages total € 10.000 a month. This total includes six employee working 5 days a week.

## **Marketing**

An estimated 5000 Euro will be spent for online promotion and media generation

## **Intermediaries' commission granted**

“Cost of distribution of betting service” is based on the sales in the first year of operation and is estimated to be an average of 20% of GGR. This information is a value figure provided for our first year of operation. This is a variable amount and will increase in future years.

## **Office Rent/Utilities**

Lease payments are € 800 month, included energy, furniture and basic amenities for a small office.

## **Risk Management**

(Purchase of Odds, event creation and live betting events). There is a monthly fee of € 10.000 depending on which service we utilize in that particular month totalling to € 1200k for the first year. This cost involves as major risk management expenses, which will be used during our operations for all Betradar services. This 24/7 monitoring service is cheaper and more cost-effective than the employment of an own team of approx. 5 employees. The hired team of bookmaking experts is dedicated to offering the company

around-the-clock monitoring of betting risks, ensuring that the Internet-based threats can largely be avoided.

### **Legal and Accounting**

Accountants provides all the bookkeeping, accounting, and the legal services. Currently the Accountancy services amount to 1500 EUR to 1800 EUR per month. The Legal costs are charged according the services being used in the current situation.

### **Miscellaneous Expenses**

This item includes all office-related expenses including copying and paper supplies. € 12.000 has been estimated for miscellaneous expenses based actual prices for office connectivity (Broadband, phone line, fax line), copy machine lease, travel expenses, and insurance premium for liability and damage.

### **Subtotal**

This information is obtained from all monthly operating expenses incl. variable costs e.g. intermediaries commissions and marketing expenses and fixed costs e.g. Office rent and server housing. This amount is increased in future years.

**6. Total Cash Paid Out.** Total uses of cash. Operating expenses (subtotal) plus prizes won by the customers (winnings).

**7. Net Cash Flow.** Total cash available (no 4) less Operating Expenses (Subtotal line 28). Please note that balance remaining can never be a negative number because the Cash Flow Projections assume cash spent during the period.

