Duncan Rowe talks to Mark Harms from Global Leisure Partners about his thoughts on the state of the UK leisure sector, and what he sees in its future

Harms around the world

Mark Harms, chief executive of Global Leisure Partners, is a man with his finger on the pulse of the industry. I met with him in July, when he told me to be on the lookout for increased activity in the health and fitness sector, which he thought was "ripe for a second round of consolidation", while the BETonSPORTS furore was "likely, although not certain, to prove company specific".

Four weeks later, his predictions have thus far proved uncannily accurate, with news of an impending auction for Esporta and possibly Cannons, and no further US legal action against online gaming operations to date.

But this is what you'd expect from the man behind the company that provides specialist advisory and principal investment services to the global leisure industry, and was a key player in some of the key deals of the past few years; including the Gala/Coral Eurobet marriage, HG Capital's acquisition of Sporting Index and BC Partner's £835m purchase of Fitness First.

Based in London, GLP's business was established and capitalised in Spring 2004 by Mark and Lindsay Harms, and Robert L. Decker. Later that year, the company formed a strategic alliance with Tri-Artisan Partners, a New York-based merchant banking boutique, and in April 2005 it completed its first capital raising, to create its unique Operating Executive Investor Network of more than 25 current and former chief executives and business decision-makers.

This network provides GLP with enhanced deal flow, due diligence support, incremental portfolio company management and board talent. In addition it delivers co-investment capital, and of course, the sort of information that can blur the line between well-informed and prescient.

The network is also a source of portfolio company management, board talent, and focused due diligence support. Operating executive investors provide post-transaction operational management and consulting services as well.

Harms says the network is the key differentiator between GLP and its rivals, as each operating executive is also an investor, so their interests are aligned with those of the firm. The formula is clearly working well, as the business is growing, and has completed in excess of £5bn of transactions in the past 12 months.

As you would expect from a company which specialises in the gaming, lodging and leisure industries, the roll-call of operating executives reads like a who's who - including Mike Balfour, and David Giampaolo from the fitness world, Alan Goodenough and Bob Scott from the gaming industry, and many more luminaries.

Harms himself has been heavily involved in the gaming sector for more than 15 years, having assisted in the development of Atlantic City and the transformation of Las Vegas, financed and advised many of the early entrants in riverboat gaming,

Mark Harms: Finger on the pulse of the industry

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and been extensively involved in consolidation in the US, before advising on the deal which created the UK's largest gaming group, Gala Coral. He is also something of an expert in the pari-mutuel betting field.

The epithet 'partners' is the key to his business, and he is keen to emphasise the point. "We work closely with investment banks, as well as private equity and the companies involved in a deal," he says. GLP ties itself in with its partners' investment time-horizons, as well as offering the chance to bring the skills and knowledge of its advisors to bear. "Getting comfortable with the business in question helps our partners to feel comfortable with us," explains Harms. "Traditionally, banks are widely viewed as buyers or sellers, whereas we are co-investors. As a result, both companies and private equity are much more willing to work with us – there's a feeling that we are putting our money where our mouth is", he continues.

The percentage GLP and its investors will put into a deal varies with each transaction, but with around Eu50m invested in four deals this year, is significant. In addition, the firm plans, identifies and executes development opportunities and complex asset repositioning, with its partners, but steers clear of forming 'preferred relationships', to ensure its advice remains impartial.

It is selective, however. "We will only partner with people we regard as the best in the industry, to create value for all the stakeholders", says Harms.

Reflecting this, GLP wanted to be involved with the *Leisure Report Awards*, which will be held this November at Claridge's in London, and will provide the champagne reception for the gala event. GLP joins an impressive list of sponsors which includes KPMG, Royal Bank of Scotland, Marsh, Berwin Leighton Paisner, and Capitis Partners, at the event created to recognise business excellence in the UK leisure sector.

The company also selects its markets carefully. For instance, it seeks to identify the leading providers of goods and services to the ageing 'baby boomers' and their children – populations which are growing rapidly in both the US and Europe, and control a significant portion of the world's wealth.

So what does Harms think is in store for the UK leisure sector in the near future? Well, he is confident that the majority of the sector is "pretty recession resilient", for one thing. "The economy is healthy enough at the moment," he offers, "and there will be plenty of scope for consolidation as well."

The impending smoking ban is an issue – "We believe there will be an adverse impact for the first six months across a lot of operations," but as an American, Harms is closely aware of the effect of the similar ban in New York. "Six months down the line, and sales were up 9% in the city", he says, "and it's clear that the ban could be beneficial for the more creative marketers. We are definitely pleased that it will be a blanket ban, though, that was critical to creating a level playing field for businesses to operate in."

In the gaming sector, Harms thinks there will be "plenty of scope" for pan-European opportunities, and room for growth outside the UK, in particular. There is a "robust pipeline for deals in all the gaming sectors," he adds. He is also convinced the health and fitness industry's mooted consolidation is likely, partly as a result of the "wide disparity in management quality." In addition, he believesthere will be an eventual round of asset swapping in the sector.

And Harms also think there is a possibility for a small-scale American invasion of the UK. "The regulatory burden involved in a listing on the Alternative Investment Market, in particular, is a lot less than that of a listing in the US, and companies have noticed this," he says.

If all the American newcomers can bring as much expertise and enthusiasm to the UK leisure sector as Harms has done, they will be more than welcome.

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