CANADIAN BUSINESS

CANADA'S BUSINESS NEWSMAGAZINE MARCH 14-27, 2005

CANADA ENTREPRENEURSHIP

Fun and Games

At 35, Lorne Abony is a young, ambitious—and very accomplished—CEO

BY THOMAS WATSON

Ask most business leaders what they do for fun and you'll get a variety of answers, some a tad more thrilling than others. Bill Gates and Warren Buffett, for example, kick back by playing a mean game of bridge. Former Bombardier boss Paul Tellier and Barrick Gold's Gregory Wilkins, on the other hand, tear up the pavement with sport bikes and race cars. Lorne Abony—a.k.a the youngest corporate honcho of a TSX-listed company—is different in more ways than one. Meet the 35-year-old CEO for dinner and he won't feel obliged to order a fancy meal with expensive Bordeaux. "Whenever I don't know what to eat, which is always, I eat burgers," admits Abony. That applies even when dining at posh spots like the Four Seasons, which is why he has had weeks in which he eats burgers twice a day, every day. As for fun, well, Abony could say he works on his tennis swing or that he plays with Scoobie, his German shepherd pup. He could also talk about his addiction to R&B music, which could lead to an admission not often heard from lips attached to public companies: he's seen Janet Jackson 16 times. But what Abony really does for fun is run the company. And investors are taking Toronto's FUN Technologies PLC (TSX: FUN) very seriously, indeed.

Formerly known as CES Software PLC, the firm launched its first product—a technology platform that allowed licensed companies in Europe and Asia to offer Internet sports betting exchanges—in 2002, after Abony and Andrew Rivkin raised $1.8 million from friends. Early investors included former Yorkton Securities chief Scott Paterson, whom Abony is proud to call a shareholder despite Paterson's 2001 run-in with regulators over conflict-of-interest allegations.

In 2003, FUN floated its shares on London's Alternative Investment Market, where punters were excited by its association with Toronto-based CryptoLogic, the largest publicly traded online gambling software company in the

▲ 'FUN' chief executive Lorne Abony

DONALD WEBER

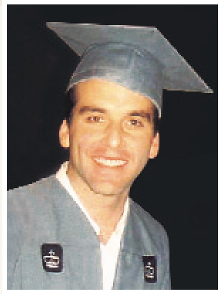
world. Rivkin, FUN's executive chairman, co-founded CryptoLogic with his brother; Abony helped with the business plan and is a non-executive director of the company. FUN's technology was also developed by Guerman Kopytov, a former Soviet military programmer who was the brains behind CryptoLogic's software.

After raising $11 million with the London IPO, Abony's firm conducted a third round of financing that netted $12 million in June 2004. FUN completed its first acquisition soon after when it bought SkillJam Technologies for US$8 million. The acquired business allows portals like AOL and MSN to offer skill-game players (think chess geeks and solitaire moms) the ability to compete for a pool of cash.

FUN went public in Canada late last year. Prior to the October IPO, Abony went hunting for the 300 retail investors required to list on the Toronto Stock Exchange. He expected to raise between $300,000 and $1 million. Instead, he got $56 million, after retail demand led to private placements with institutions such as the Ontario Teachers' Pension Fund, AGF and CI Mutual Funds. The enthusiasm among FUN investors is natural, says John Albright of J. L. Albright Venture Partners, one of the firm's institutional shareholders. "These are two experienced serial entrepreneurs targeting the [$8.4-billion] online gaming industry," he says. Albright describes Abony as a dynamic and energetic workaholic, someone with a gift for raising money. Simply put, Abony's fans say he is on a mission to prove he can create value. And that helps explain why FUN's CEO wasn't resting over the holidays. In January, FUN completed a fifth round of financing, raising $19 million. It also completed its second acquisition, spending US$47 million on Las Vegas–based Don Best Sports, a Bloomberg-like service that provides sports-wagering information to the gambling industry.

Since floating at $3.22 on the TSX, FUN shares have jumped about 50%, blowing away indexes like the Nasdaq 100 and the Nasdaq biotech. The stock has outperformed the S&P 100 and Dow Jones Internet composite, not to mention the S&P/TSX capped REIT. All that, of course, isn't saying much. But FUN has even bested the hot S&P/TSX metals and mining index. That's why analysts at major Canadian financial institutions like GMP Securities and CIBC will soon start covering the stock. Abony isn't surprised by the interest in his company; he actually has a knack for developing ideas that excite the market. FUN's CEO, however, was somewhat surprised when TSX officials told him he was the youngest top dog on the exchange. After all, he's not *that* young, and FUN isn't his first kick at the corporate can, not by a long shot. In fact, over the last third of his 35 years, Abony has seen more action than most entrepreneurs see in a lifetime.

Meet the youngest boss on the TSX



Lorne Abony

CEO AND CO-FOUNDER, FUN TECHNOLOGIES PLC
DIRECTOR, CRYPTOLOGIC AND BIOSCULPTURE TECHNOLOGY

Born: Aug. 26, 1969, Toronto

Parents: George, a plumber; Rhonda, a real estate agent

Family: Single with one dependent: Scoobie, a German shepherd puppy

Education: BA from McGill University; Law degree from University of Windsor; Juris doctor from University of Detroit; MBA from Columbia Business School

Work History: Called to Bar of Ontario in 1996, then articled and practised corporate law with Aird & Berlis in Toronto. In 1998, Abony founded Paw.net, which became Petopia and raised more than $100 million. Sold Petopia to Petco in 2000, then joined Elucid Technology Ventures, a New York–based private equity outfit. Launched CES Systems to enter booming online gaming industry in 2002. Since then, CES has been renamed FUN Technologies and raised more than $100 million in five financing rounds, including London and Toronto IPOs

Addictions: Hamburgers from Licks (Toronto), Pink's (Los Angeles), Hard Rock Cafe (London), the Balmoral Hotel (Edinburgh), Rue 57 (New York)

After earning a BA from McGill University and law degrees from the University of Windsor and the University of Detroit, not to mention an MBA from Columbia Business School in New York, he practised securities law at Aird & Berlis in Toronto. While still in his late 20s, however, the Ayn Rand disciple suddenly realized that being a securities lawyer was something he was doing for his plumber dad and real-estate-agent mom. Ever since his first entrepreneurial venture—a high-school battle of the bands—Abony has really wanted to build companies. "Being well educated and a lawyer made my parents proud," he says. "But practising in a large corporate organization didn't fit. I wanted to shape ideas and create value." So in January 1998, Abony quit his day job and launched Paw.net, a pet supply and services company that became Petopia.com and gave Abony a taste of Amazonesque business fame and fortune during the dot-com bubble.

> 'I wanted to shape ideas and create value,' says the entrepreneur

San Francisco–based Petopia attracted venture capitalists and major corporate investors, including General Electric. It raised more than US$100 million and was set to go public in 2000, but crashed along with other high-profile pet-coms when reality reared its head. The company eventually rolled over and played dead permanently. That, however, was *after* Abony and his partners (who included Heather Reisman's daughter, Andrea) sold for an undisclosed sum to Petco Animal Supplies.

After the bubble burst, Abony moved from San Francisco to New York, where he spent about 18 months as a principal with Elucid Technology Ventures, a boutique private equity and investment adviser. But like being a lawyer, working on the mergers and acquisitions of other people's companies wasn't Abony's thing.

FUN's CEO says he could write a book on lessons learned from CryptoLogic and Petopia. He won't; he'll use them to help build FUN instead. The major lesson of the dot-com days, of course, is the importance of revenue. "Earnings didn't matter in the bubble," says Abony, "and that's just wrong. What I love about online gaming businesses is that they are incredibly profitable once they hit critical mass." FUN—which posted a $3-million loss for the nine months ended Sept. 30—isn't there yet, but industry watchers expect to see positive earnings-per-share numbers this year. Much of that, Abony says, will come from organic growth. You can, however, bet on more acquisitions. After all, the youngest CEO on the TSX is extremely hungry, and not just for hamburgers. CB