




GAMBLING AND LOTTERY MARKET

RESEARCH AND ANALYSIS

BDO CONSULTING LTD, ZAGREB

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INTRODUCTION

In this report, we briefly discuss the evolution of the official online gambling market in the European union („EU”) with a focus on the CEE countries.

Focus of the Report is primarily on the Slovenian market compared to certain CEE countries that have successfully liberalized their gambling market in the last few years.

We have chosen this comparison due to historical differences between gambling habits and customs where the Western Europe is more focused on betting on different games including animals (horse racing, dog racing, polo...) while Eastern Europe is more focused on betting on sports (football, basketball, handball...).

The official market covers the activities of operators with the required permits / licenses to conduct business (the so-called local operators or onshore operators).

In addition to locally licensed operators, offshore operators can also be distinguished on the online gambling market.

Offshore operators do not have local permits and provide their services without authorization or based on authorizations issued in other jurisdictions.

Currently, due to the regulation of the online gambling market in most EU countries, the activities of offshore entities in these countries are not allowed and can be identified with the shadow economy there.



Focus of this Report will be on CEE countries that had successfully liberalized its gambling and lottery game market in recent years.



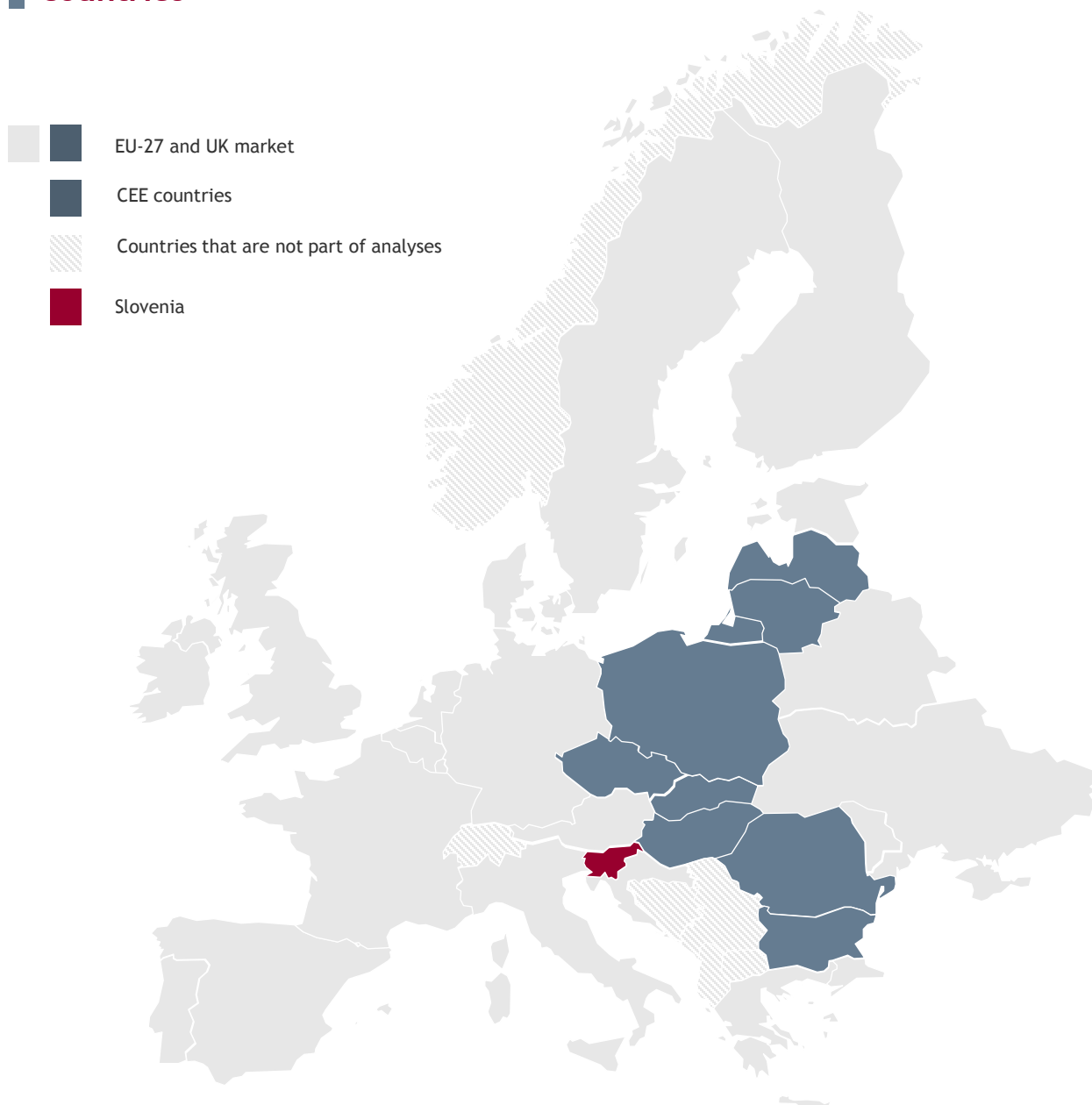
Trends in the official online gambling market in the EU countries are presented based on onshore market data from the H2 Gambling Capital 2 database. H2 Gambling Capital distinguishes four segments of the online gambling market:

- I. Lotteries**, i.e., number games and other cash lotteries,
- II. Online casinos** where table games, slot games and bingo are organized,
- III. Mutual bets**, i.e., money bets or material consisting in guessing Mutual bets, i.e., money bets or material consisting in guessing the results sports or events,
- IV. Other games**, mainly poker and bingo organized outside online casinos.





Gambling market overview with focus on Slovenian market in comparison to certain EU/CEE countries







KEY AREAS OF THE REPORT









KEY AREAS

LEGAL FRAMEWORK - Key findings

-  Current legal framework in Slovenia is one of the most restrictive within EU. Majority of the Member states have chosen to liberalize the gambling/ betting market in order to ensure not only significant increase in national budget income and GDP, but also to ensure control over the gambling industry and to reduce illegal gambling/ betting.
-  This means not only to change direct legal framework regarding gambling and betting games and concessions but also tax laws to ensure proper taxation in place.

TYPES OF GAMES - Key findings

-  Lottery games
 Betting
 Gambling
 Bingo games
-  Our focus within this report is on betting and gambling games primarily online betting and gambling platforms since it is standard that in lottery games 1 to 2 concessioners in each country have ore than 90% of the total market.
-  However online gambling and betting is constantly rising with the online market predicted to rise at the level of 11.5% CAGR till 2027 Worldwide.
-  This is a huge opportunity for every country to increase its revenues from gambling/ betting taxes but also a warning that illegal part of the system will rise as well if not monitored and regulated as should.



Legal framework improvement as the base for increase in GGR and revenues with more control over the illegal areas of gambling and betting





ILLEGAL MARKET/ GRAY MARKET - Key findings

- 🔑 Illegal and gray market is present Worldwide, but the liberalization of the market will ensure that majority of the players will seek security and will change of legal operators within their Country or Region.
- 🔑 It should be noted that terms such as regulated/unregulated and gray markets are used in some betting circles; even though they are not generally part of the lottery domain's vocabulary. The lotteries generally follow the definition of illegal betting set out in the International Convention on the Manipulation of Sports Competitions of the Council of Europe (CETS 215), which entered into force on 1 September 2019, and which was drafted by various continents and international stakeholders. For lotteries, the label of illegal and legal applies to betting operators in function of whether they respect the national betting regulatory framework to protect consumers or whether they go beyond the limits of the jurisdiction. The lotteries' approach to the topic is based on three types of markets with legislation that always falls in within three regulatory models: monopoly, license and prohibition. These models can differ according to the distribution channels.





ILLEGAL MARKET/ GRAY MARKET

- Key findings - continued

- 🔑 With the entry into force in September 2019 of the International Convention on the Manipulation of sports competitions (CETS 215) adopted by the Council of Europe - commonly known as the Macolin Convention- the unique concepts of national platforms was born.
- 🔑 The Convention, which was drafted by over 50 stakeholders from 4 continents, as well as by international organizations such as Interpol, the International Olympic Committee and FIFA among others, was adopted in 2014 before entering into force in 2019.
- The Convention encourages co-operation and co-ordination between all relevant stakeholders involved in the fight against the manipulation of sports competitions, including activities to fix competitions both on and off the field of play. A national platform, explained in articles 123 and 134 of the Convention, is meant to be an official entity that combines and centralizes national actions from operational to strategic activities between public and private entities, supported by national legislation and the Council of Europe. This is how many sports organizations and regulators are today endeavoring to develop coordinated national actions with operations, investigations, education and prevention.
- 🔑 The Illegal and gray market is estimated in the range of EUR 21bn - EUR 42bn (20%-40% of the total GGR) in EU and is representing a big problem for national economies.
- 🔑 Furthermore, it is not only the lost income that counts or is important but there are major benefits from legal market players that are currently a part of Europe Casino Association or World Tote Association and European Lotteries with more than 150 members in Europe that annually contribute to good causes with more than EUR 35 bn and employee more than 1 million people. The Members promote the Digital Service Act package that foresees a notice-and-action mechanism. Such mechanism will enable all users to notify online intermediaries about potentially illegal online content or activities and to help the latter to react quickly and be more transparent regarding the actions taken.
- 🔑 The Alliance sees this as an important improvement in the fight against illegal online gambling offerings and looks forward the enforcement and implementation of these measures by the involved stakeholders to protect the interests of all EU citizens.





FOREIGN IP ADRESSES AND MONEY LAUNDERING - Key findings

- 🔑 One of the key areas that can be covered in new improved legal framework is to ban foreign IP addresses. This leads to the fact that only licensed and contracted (concession) entities can provide gambling and betting services for domestic customers only hence leading to reduction of potential money laundering and other illegal activities.
- 🔑 All this need to be in line with Anti-money laundering and counter terrorist financing act in line with the EU Directive 2015/849.

TAXATION - Key findings

- 🔑 Key question of the taxation policy for majority of Member states refers to the tax base. All the different types of games have different types of taxation.
- 🔑 Some Member states as Austria for example have taxation of lottery games on the total turnover.
- 🔑 As stated, there is no straight forward answer n the best model but due to differences in games as well as in the segment of profit funds, we estimate that the best and most efficient tax base would be the GGR regarding online betting and Lottery games which is line with majority of Member states.



“

GGR as base for betting and lottery games tax base.

”





„REVERSE” TAXATION - Key findings



Since currently there are multiple entities operating on the Slovenian Market through different offshore basis it is essential to take this into consideration if the market will be improved. Legal framework improvements should predict that all the entities that will participate in the concession obtaining process that currently have Slovenian players be taxed in reverse for the last couple of years in total to be able to obtain the concession. This would mean that all the gray area market players will need to pay taxes to the Slovenian Government for the past period in order to be able to legalize its business on the market in future. The number of years to be taxed can be as much as the legal statute if limitation for taxes in Slovenia.







All of the market players need to be taxed for the whole period of their operations






BENEFITS FROM LEGALIZED BETTING AND GAMBLING - Key findings

-  As mentioned before in Europe more than EUR 35 bn is yearly donated/ paid in for good causes by the industry players as well as sponsorships of all kinds of sports teams. Betting sponsorships have become ubiquitous in sports, with more than two-thirds of the teams examined in this study having some form of partnership with a betting-related website or sportsbook operator.
-  This is especially pronounced in football, where 70% of teams have betting sponsors and one-quarter of teams display the logos of betting companies on their shirts. Of all 188 sports teams examined, 30% were associated with sponsorship by firms which are operating in markets that are not subject to specific legislation for sports betting or practice prohibition hence the new legislation is to be instated.

In the last market analysis out of 188 sport clubs that were analysed 66% or 125 clubs had partnerships with betting operators. There is an increasing trend of betting sponsorships on sports - on shirts, at stadiums, in marketing materials and being affiliated betting partners of the teams and even the competitions. The growth of these sponsorships, as evident in the elite football and basketball competitions, might bring short-term financial gains to the teams. However, integrity risks and impacts might arise when the unregulated betting operators could ride on sponsorships or marketing deals to advertise their brands and products in overseas markets where betting is illegal and advertising of it may be restricted.
-  Furthermore, current trends on the market lead to new investments from the betting entities for example there is a significant transition towards live betting from the „obsolete” classic betting since this is a new and dynamic experience for the player and has positive effects for the betting entity due to more compulsive player actions.
-  For instance, it is currently possible to view multiple live transmitted games on your desktop or mobile device which you can bet live hence leading to the fact that all those rights to transmit the games live were paid by the betting entity to the sport club/ clubs that are being transmitted in live broadcast. This is also a new revenue stream for sport entities that arise directly from legal betting companies on the market. Furthermore, it is crucial to point out that this is specific to every country meaning the right for live transition will be directed in national sports based on the local preferences of the players.

NUMBER OF CONCESSIONS - Key findings

-  The total number of concession to be issued needs to be considered carefully due to the fact that more entities mean lack of monopoly and more freedom for players but at the same time a vast number of entities in the market means potential lack of current and timely control and hence leading to potential exploitation of gray areas by some market players.





KEY FIGURES





KEY FIGURES

EUROPEAN GAMING & BETTING ASSOCIATION MEMBERS



CUSTOMERS

- A total of 16m online customers
- Customers placed 44bn online bets, an increase of 39% from 2018
- The value of customers bets was worth EUR 111bn, an increase of 17% from 2018
- With customers winning 94.3% of their bets, an increase from 93% in 2018
- Which was worth EUR 105bn in winnings, an increase of 18% from 2018



INVESTMENT IN EUROPEAN SPORTS

- Invested EUR 107.1m in European sports through sponsorships of European sports federations, leagues, clubs, and events, an increase of 25% from 2018
- Contributed EUR 233m in streaming rights payments to European sports to televise various sports on members' websites, an increase of 76% from 2018



REVENUE

- Combined EUR 5.6bn online gross gaming revenue¹ an increase of 4% from 2018
- Representing 23% of the European online gambling market revenue*

* All EGBA members data is for the 2019 year and covers online gambling in EU-27 and UK markets only.



PRODUCTS

- Combined 55% of gross gaming revenue from sports betting
- Sports betting share of 55% in-play and 45% pre-match betting





KEY FIGURES

EUROPEAN GAMING & BETTING ASSOCIATION MEMBERS - continued



SAFER GAMBLING

- Conducted 1.2m direct interventions with customers to promote safer gambling an increase of 50% from 2018
- 63% of customers used a safer gambling tool¹ such as a reality check, deposit limit, or time limit, an increase from 37% of customers in 2018
- Helped to protect self-excluded customers by closing 800,000 customer accounts, either temporarily or permanently*

* All EGBA members data is for the 2019 year and covers online gambling in EU-27 and UK markets only.



REGULATORY COMPLIANCE

- A total of 145 licenses held across 17 EU countries to provide online gambling services
- 45 licensing audits completed
- Subject to 25 anti money-laundering audits
- Completed 49 audits on IT security
- At least 548 cyber attacks prevented to protect customer data
- Employed 965 dedicated compliance experts in KYC, customer due diligence, anti-money laundering, fraud prevention and betting integrity
- At least 1.8m customer accounts closed due to failure to verify identity, age requirements, anti-money laundering, fraud prevention or betting integrity concerns
- Reported 1000 suspicious financial transactions to financial regulator



EMPLOYMENT

- Sustained 43,000 European jobs
- Europe-wide with offices in 17 European countries
- 27 different European nationalities employed
- All 24 official EU languages represented in workforce

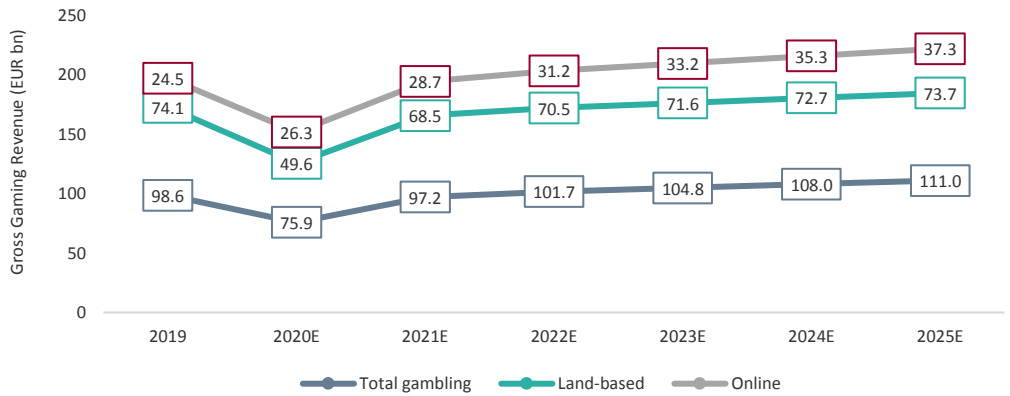




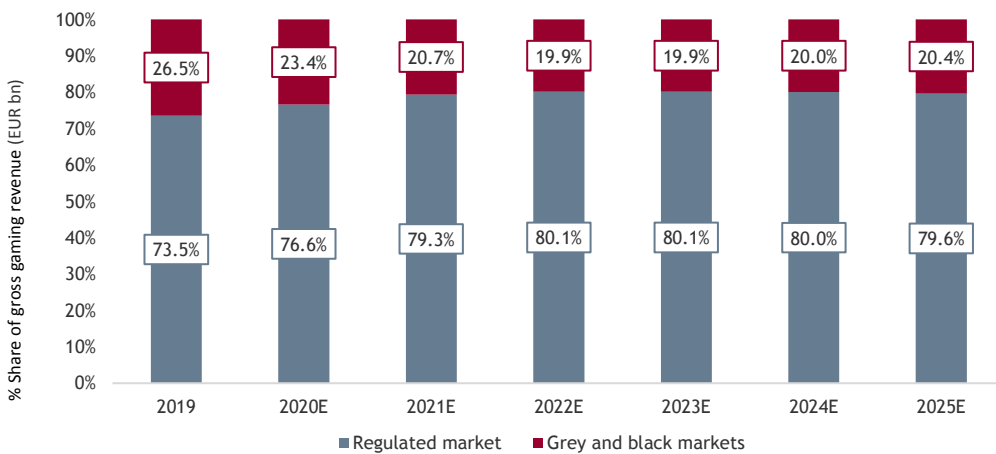
KEY FIGURES

In 2019, the total European gambling market was worth €98.6bn, with online gambling accounting for EUR 24.5bn and land-based gambling accounting for EUR 74.1bn in GGR

Gambling market revenue



Source: H2 Gambling Capital
* EU-27 and UK markets only



Source: H2 Gambling Capital
* EU-27 and UK markets only

Regulated online gambling market is growing

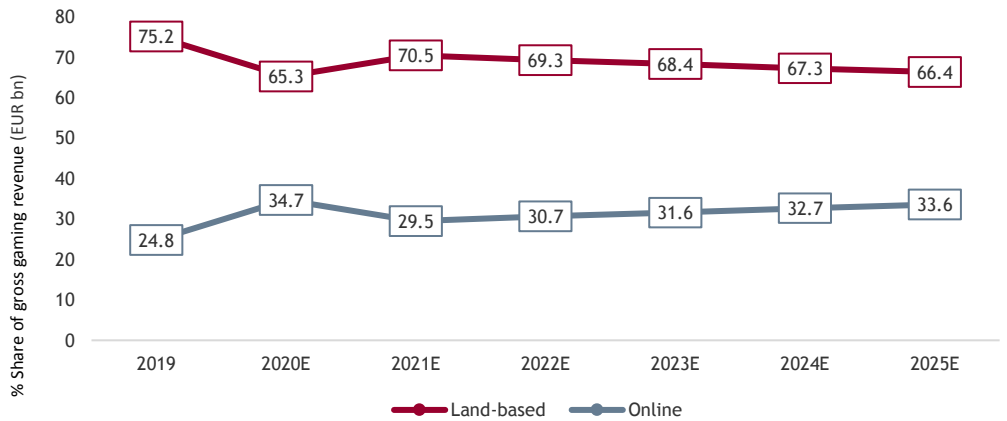




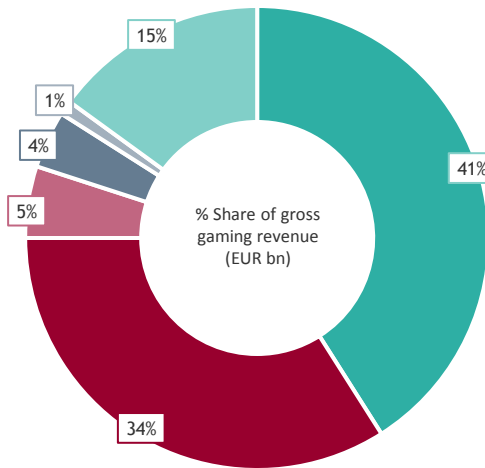
KEY FIGURES

The market share of online gambling is growing steadily and is expected to reach 33.6% of Europe’s GGR by 2025

Online share of total gambling is growing steadily



- Sports Betting
- Casino
- Poker
- Bingo
- Other / Skill Gaming
- Lottery



Sports betting is Europe’s most popular activity

Source: H2 Gambling Capital
* EU-27 and UK markets only

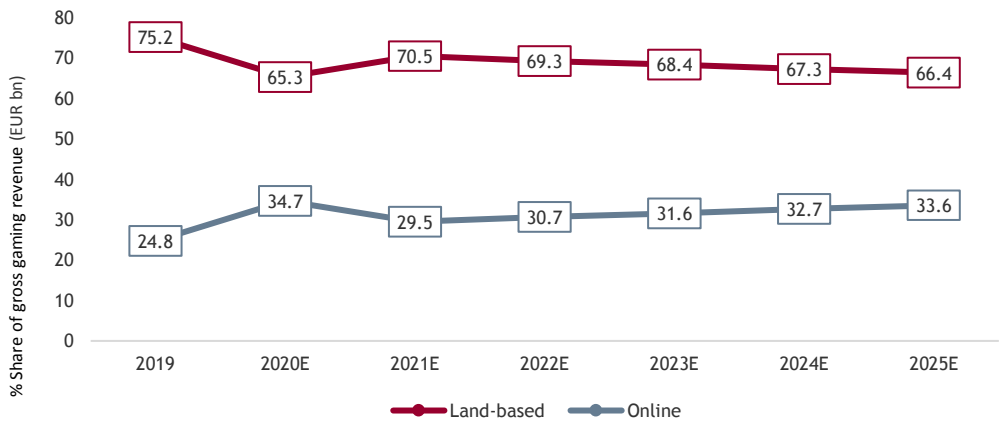




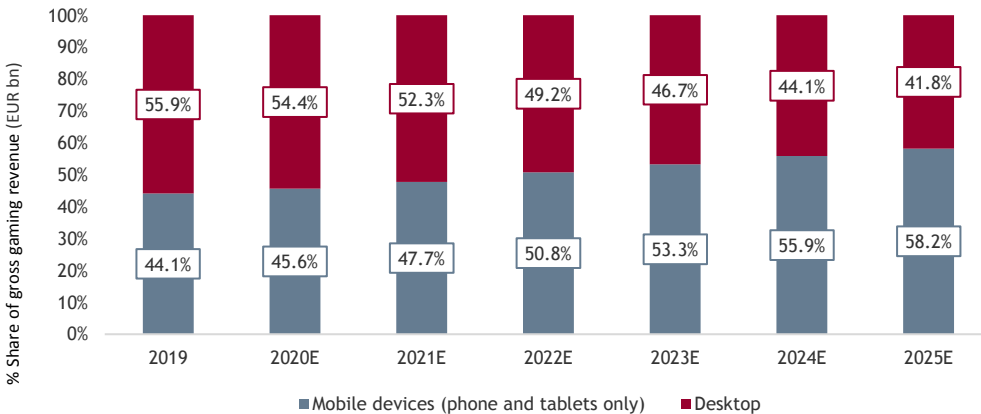
KEY FIGURES

A shift to mobile betting is expected, with mobile reaching 58.2% of all online bets by 2025

Online gambling is going mobile



Source: H2 Gambling Capital
* EU-27 and UK markets only



Sports betting is Europe's most popular activity

Source: H2 Gambling Capital
* EU-27 and UK markets only





KEY FIGURES

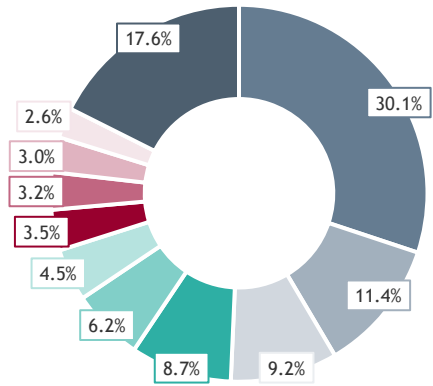
UK accounted for the largest portion of Europe’s online gambling market revenue of 30.1%

Online gambling market

- In 2019, the UK (30.1%) accounted for the largest portion of Europe’s online gambling market revenue.
- Germany (11.4%), France (9.2%) and Italy (8.7%) were the next biggest national markets.



- United Kingdom
- Germany
- France
- Italy
- Sweden
- Spain
- Finland
- Denmark
- Belgium
- Ireland
- Other countries combined



Source: H2 Gambling Capital
 * EU-27 and UK markets only

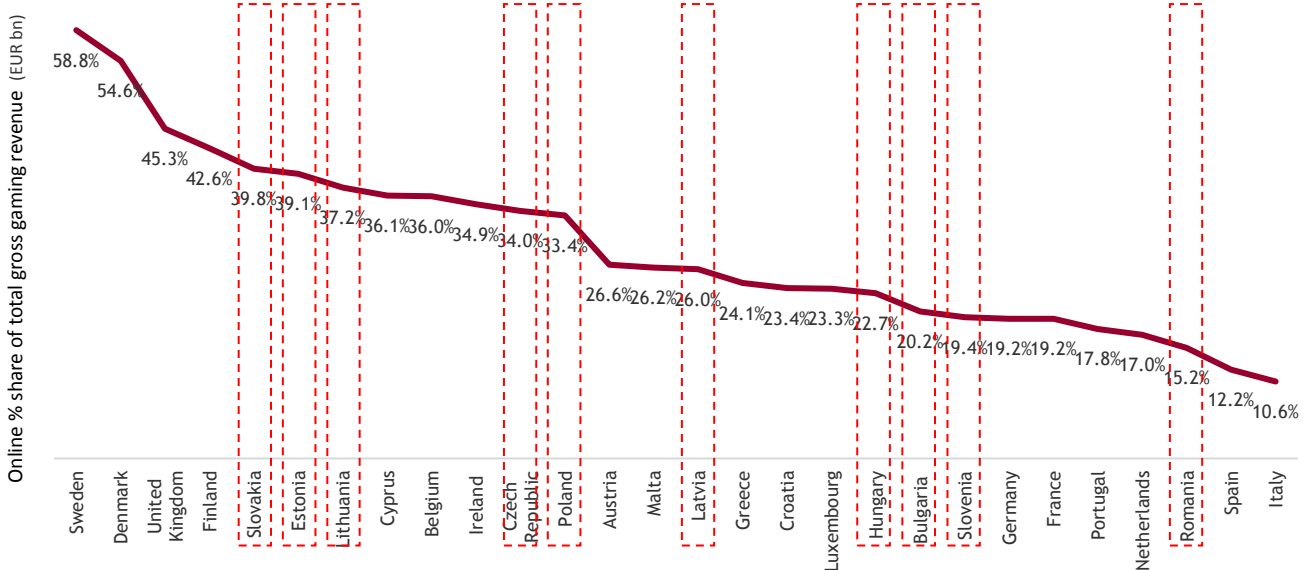




KEY FIGURES

Sweden is the European country which had the highest share (58.8%) of its gambling activity taking place online

- In 2019, Sweden was the European country which had the highest share (58.8%) of its gambling activity taking place online, followed by Denmark (54.6%), UK (45.3%), Finland (42.6%) and Slovakia (39.8%).
- Some of the larger gambling markets such as Germany, France, Italy, and Spain had relatively low online shares of their total gambling markets.



Source: H2 Gambling Capital
* EU-27 and UK markets only





BRIEF OVERVIEW OF EU AND CEE MARKET



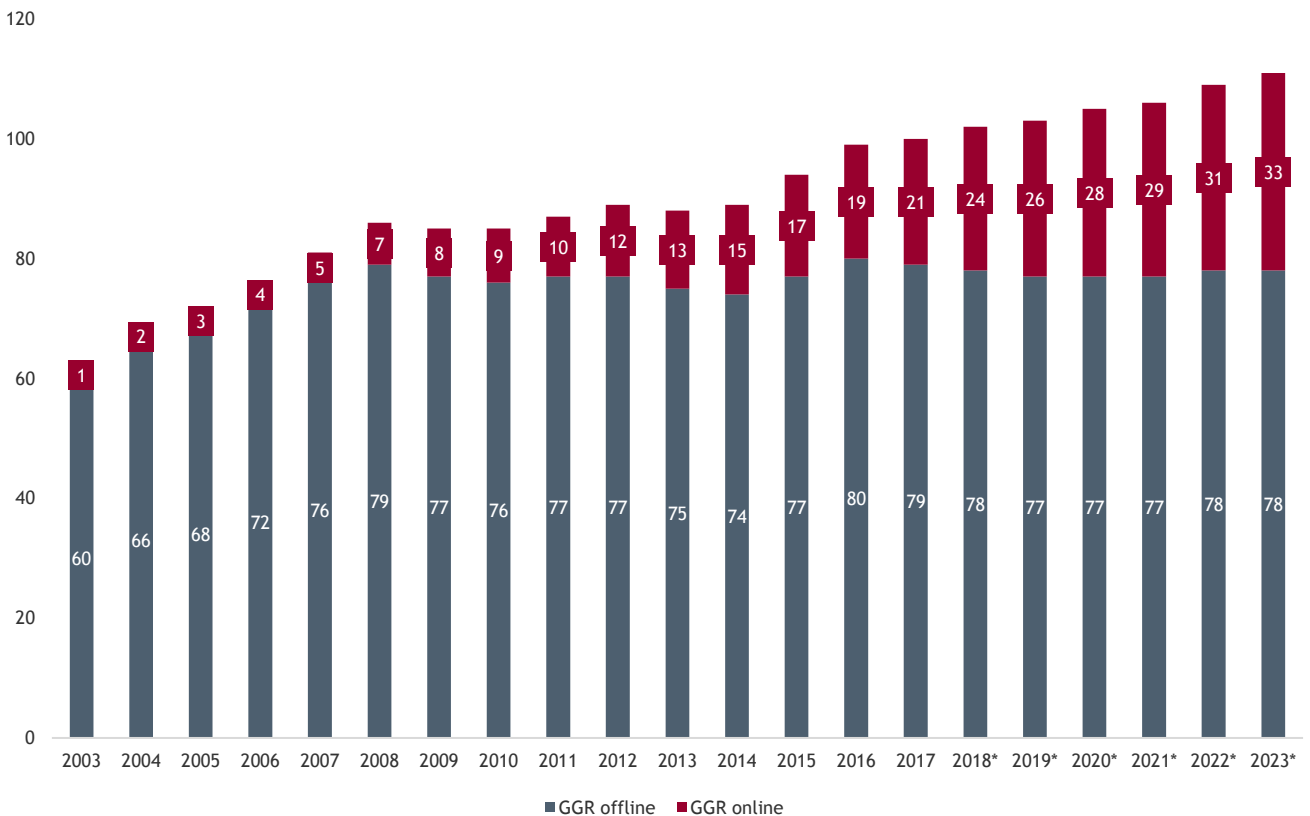


GAMBLING IN EUROPE

Online gambling has shown a steady increase over the last 2 decades

- It is clearly shown that the total GGR from gambling is rising constantly in Europe from the level of EUR 61 bn in 2003 to predicted EUR 111 bn in 2023.
- Furthermore, the significant increase in achieved in online gambling that has risen from EUR 1 bn in 2003 to EUR 33 bl in 2023 (expected) which means that the total share of GGR in gambling raised from 1.6% in 2003 to expected 29.7% in 2023.

GGR Gambling revenue in EUR bn



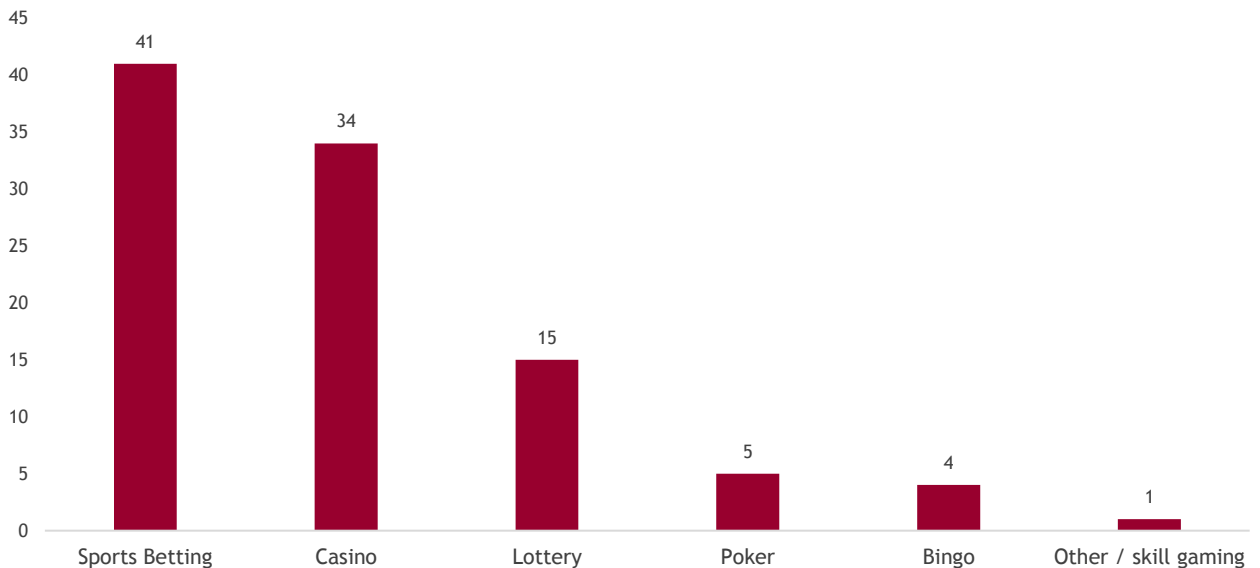


DISTRIBUTION OF ONLINE GAMBLING IN EUROPE

41% of total online gambling in EUROPE refers to sports betting

- Online gambling distribution in EU based on the formal statistics shows that more than 41% of total online gambling refers to Sports Betting.
- This indicates that the market of online Sports Betting is around EUR 10.4 bn in EU.
- Furthermore, it is crucial to point out that the online gambling market will rise in the future with a predicted double digit CAGR till 2030.

Online gambling distribution in EU in 2019 in %



Source: Statista





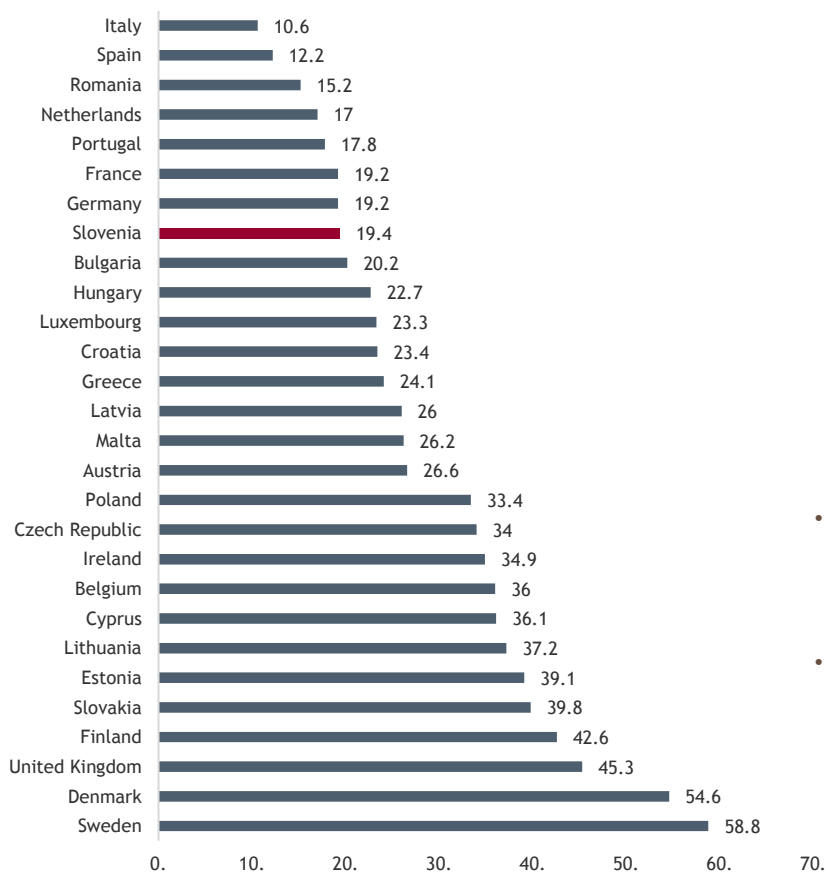
SHARE OF GAMBLING MARKET IN EU

Italians prefer to gamble offline while the Swedes prefer to gamble online

In Sweden majority of gambling is done online while in Italy it is only 10.6%.

- Sweden and Denmark are the only two countries in EU where online gambling represent majority of their gambling.
- All other EU countries have majority of gambling done offline especially Italy with only 10.6% of gambling done online while the rest is done offline.

Share of online gambling market in EU in %



- Slovenia is on 20th place with the share of 19.4% of its market being online meaning most players still prefers „old school” offline gambling and betting. This however represents also an opportunity for market players since this number will grow in the future. Statista.com has currently data for 2019 but it will be interesting to see how COVID 19 impacted this data since majority of the players had to switch to online gambling and it is presumed that a lot will stay in this mode even when the pandemic ends.
- It is estimated that the low share of online gambling in Slovenia is a result of vast amount of illegal online betting.
- Furthermore, the vicinity of Italy and Austria encourages some players to go and gamble in these countries.



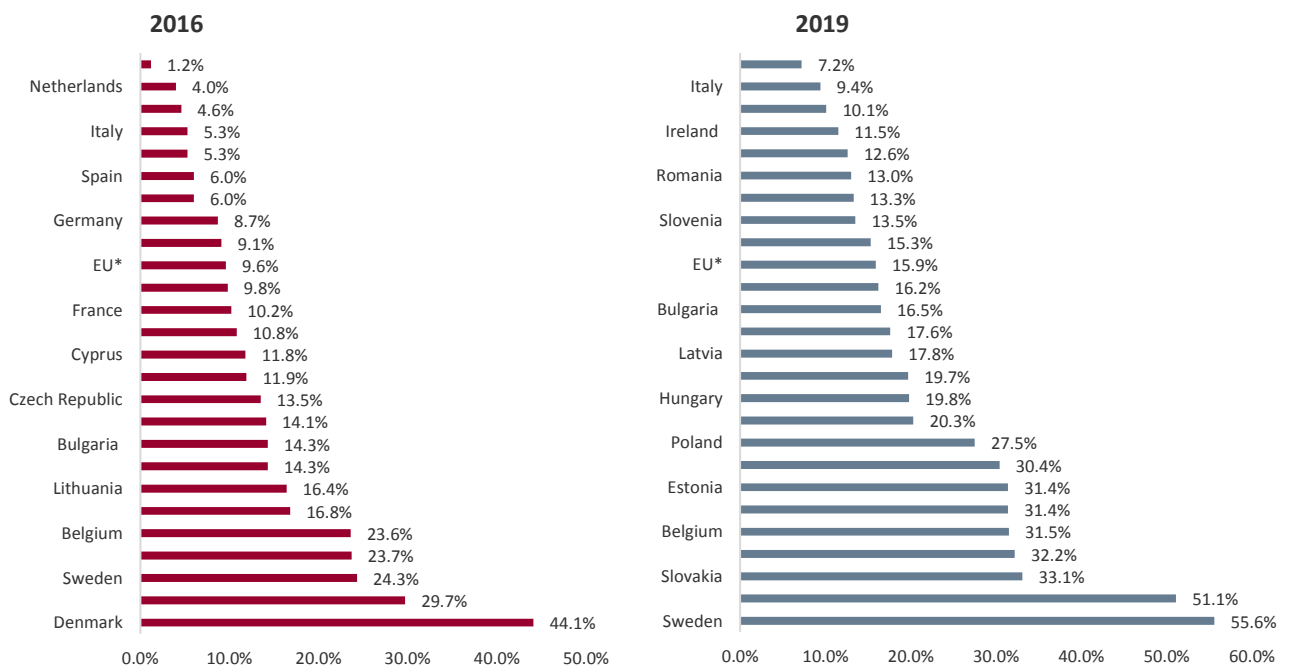


ONLINE GAMBLING MARKET

The most significant climb among the EU countries analyzed in terms of online market share in the overall legal gambling market had Poland (from 24th to 9th place).

Online gambling market provided by legal operators (onshore) in the EU countries in 2016 and 2019, % net revenues on the gambling market (stationery and internet onshore).

- Between 2016 and 2019, among the EU countries analyzed, in terms of online market share in the overall legal gambling market, Sweden climbed from 3rd to 1st place.
- The most significant climb had Poland, from 23rd to 9th place among the EU countries analyzed, in terms of online market share in the overall legal gambling market.
- In 2016, Slovenia was in 16th place and in 2019 dropped to 19th place.
- When we look at Slovenia the online gambling rose only around 35% while Croatia raised around 50% which can also be due to illegal online gambling.



Source: calculations based on H2 Gambling Capital and Eurostat data
 * Value for the EU (current composition) excluding Malta and Luxembourg





SPORT SPONSORSHIPS AND OTHER BENEFITS FROM LEGAL BETTING AND GAMBLING





BRIEF OVERVIEW OF SPONSORSHIP MARKET

FOOTBALL

- According to the governing body of European football, UEFA, sponsors from the betting industry now account for 11% of sponsorship market share in Europe's top divisions¹⁹, trailing only the financial services and retail sectors. The findings from this analysis are thus aligned with broader market trends.
- In 2019/20 season, 17 (85%) of 20 clubs in the EPL have at least one betting partner. Half of them have betting firm logos on their shirts. In Spanish La Liga, 19 (95%) out of 20 clubs have betting partners; in German Bundesliga, all 18 clubs do.
- The increasing trend of betting sponsorship in different forms will be discussed in this study

BASKETBALL

- The phenomenon is also seen in basketball. Twelve of the 18 teams in the Euro League are now partnered with betting companies. The league itself is sponsored by betting companies, which collectively account for 10% of the league's sponsorship revenue.
- The trend has spread to the US where gaming sponsorships of sport - virtually nonexistent before changes to sports betting laws in 2018 - are increasing. The NBA became the first American sports competition to enter a gaming partnership in the 2018/19 season, striking a deal with US casino operator MGM. Thirteen teams (43%) out of thirty now have partnerships with a casino, lottery or sports betting operator.





BRIEF OVERVIEW OF SPONSORSHIP MARKET



OTHER SPORTS

- The sponsorship issue is not restricted to football, with 12% of UK sport sponsored by the gaming industry, behind only the car, airline and financial industries.²⁰
- Though tennis has now banned²¹ player sponsorship, there remains significant betting sponsor involvement in many other sports such as snooker. While betting sponsorship is not limited to any particular sport and can easily expand into new sports, it is clear that individual sports should be more active in assessing the pros and cons of allowing betting sponsorships.
- It is crucial to note that sponsorship of sports teams by betting operators is not in itself a negative trend, nor discouraged. However, when assessing risks and vulnerabilities, the risks are higher with the occurrence of activities such as sharing of inside information, or conflicts of interest. The Macolin Convention of the Council of Europe guides
- States Parties on this point, through its article 10 referring to betting operators, thus highlighting that these sponsorships need to be regulated effectively to minimize the potential risks in the endeavor to safeguard sporting competitions and sporting values.





OVERVIEW OF SLOVENIAN MARKET



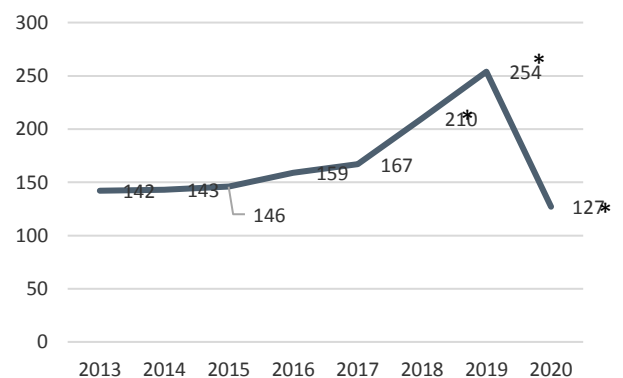


KEY MARKET TRENDS

Slovenian casino market is growing slowly and under the market growth.

- Slovenia's casinos are regulated by Slovenia's Ministry of Finance and supervised by its Tax Administration.
- Casinos were all closed in the country for large parts of 2020 and 2021 in an attempt to slow the spread of COVID-19.
- The HIT group owns seven of the country's ten casinos and is a publicly-listed company, with government bodies, municipalities and public employee pension funds owning 60 percent of its shares.
- Online gambling can only be offered by operators in possession of a classic games licence or a casino licence.
- Under the existing Gaming Act, the Slovenian government can award a maximum of 15 concessions for casinos and 45 concessions for gaming halls with slot machines.
- Casino concessions are awarded for a period of ten years but can be extended for five-year periods.
- In 2015, the Ministry of Finance published a proposal for a Gaming Act amendment, eliminating the requirement that the concessionaire must have its registered seat in the Republic of Slovenia, and instead providing for a corporate entity established within the European Economic Area to obtain a concession.
- A requirement to obtain equity shares of the concessionaire was also removed with the broad intention of establishing a legislative framework compatible with European Union law, enabling socially responsible gambling activities and increasing the quality and modernity of the gaming offer.
- The draft includes proposals to allow online casino games, to eliminate the requirement for online casino operators to have a land-based casino license and would place additional restrictions on gambling advertising.
- At the beginning of 2018, a group of deputies of the National Assembly submitted a proposal for amending and supplementing the existing Gaming Act, with the aim of liberalizing and regulating the field of betting as a special type of gambling (including online betting).
- However, to date, both bills have ultimately failed to complete their passage into law.
- In December 2020, the European Commission was notified of proposed changes to the control information systems of gambling devices which dictate the information shared between the regulator and operators.
- Huge decrease in revenues in 2020 is the result of COVID 19 pandemic and the fact that a casinos were closed for a long period of time during the year.

Casino revenues in Slovenia in EUR m





KEY MARKET TRENDS

Currently Slovenian market is highly regulated and monopolized

Countries that have liberalized and improved its legal framework have achieved significant growth rates in GGR and hence in budget revenues.

Legal framework improvement leads to better control of illegal and grey market with significant increase in GGR and hence budget revenues

- Since the deregulation of the gambling market in 2016 in Czech Republic, an increase of GGR of the state lottery Sazka of 9,2% has been recorded in 2017.
- In Slovakia gambling and lottery market deregulation example shows an increase in operating revenue of 26,4%, from EUR 541m in 2019 to EUR 684m in 2020.
- Romania gambling market after deregulation generated higher growth rates, with a significant benefits for the state, a 71% yoy increase in collected tax proceeds.
- Both Cyprus and Estonia have implemented ISPs blocking measures to prohibit residents from accessing unlicensed gambling websites.
- In Italy the last tender process for remote gambling licenses applications in 2018 had positive impact on GGR and resulted with 2,9% higher GGR compared to the prior year.
- Polish gaming legislative is one of the most restrictive in Europe and Poland has the potential to become one of the most relevant gaming markets, with GGR worth almost €5bn in 2020.

Slovenian market

- Although the government has tried to regulate the sports stave (sports betting) market with the 1995 Gambling Act, the online aspect has been left out in its entirety.
- Clearly, local players have much more to benefit from by registering with an international bookmaker, rather than with the state-owned monopoly; that limits their earning potential and is known for its lack of promotions, low payouts and scarcity of sports betting markets.

What do we expect from legal framework improvements?

Based on the analysis of other EU countries we can expect that the legal framework improvements towards more liberalized market can and will lead to:

- Higher GGR
- Higher concession fees
- Higher budget revenues
- Higher employment in the industry
- Better control of illegal and gray market





Due to EU legislative, Slovenia is not able to block or prosecute companies which accept players from Slovenia illegally, because there is no legal way to acquire a local license.

- New Gaming Act is necessary in order make online gambling expressly legal and allow private operators to obtain a license in the country. This will regulate the illegal online players without violating free competition.

The EU online gambling market gross profit is estimated at EUR 24,7bn in 2020, and Slovenian players are part of it regardless of the highly regulated internal market.

- Market liberalization per se would increase GGR by min 20%, leading to the conclusion that Slovenia is currently losing all license and tax revenues derived from higher GGR.





BEST PRACTICE IN EU AND CEE REGION





BEST PRACTICE CASES

CZECH REPUBLIC



- Since the deregulation of the gambling market in 2016, an increase of GGR of the state lottery Sazka of 9,2% has been recorded in 2017.

SLOVAKIA



- Since the Slovakia gambling and lottery market deregulation example shows an increase in operating revenue of 26,4%, from EUR 541m in 2019 to EUR 684m in 2020.

ROMANIA



- Romania gambling market after deregulation generated higher growth rates, with a significant benefits for the state, a 71% yoy increase in collected tax proceeds.

CYPRUS AND ESTONIA



- Both Cyprus and Estonia have implemented ISPs blocking measures to prohibit residents from accessing unlicensed gambling websites.

ITALY



- The last tender process for remote gambling licenses applications in 2018 had positive impact on GGR and resulted with 2,9% higher GGR compared to the prior year.
- In 2019, the amount wagered in the Italian gambling industry peaked at roughly EUR 110bn, with the highest amount of money spent on casino games, poker cash and poker tournaments, with GGR of EUR 19,5bn.

POLAND



- Polish gaming legislative is one of the most restrictive in Europe and Poland has the potential to become one of the most relevant gaming markets, with GGR worth almost €5bn in 2020.
- Deregulation in Poland has had a significant impact on gambling market (casinos) with an increase of GGR in the amount of EUR 1,65bn. Despite the huge growth, the authorities are struggling with the illegal gambling market.





ILLEGAL GAMBLING AND GRAY AREAS





GRAY MARKET

Regardless liberalisation and highly regulated markets, illegal gambling accounts for **up to 25% of gross gambling revenues** and affects the state budget.





INDICATIVE VALUATION OF THE MARKET POTENTIAL





MARKET POTENTIAL

The „Reverse taxes and concession fees” could be in excess of EUR 600M

- We have analyzed historical data for the Republic of Slovenia where we can see a constant increase in total gambling GGR with a sharp decrease in 2020 due to COVID 19 pandemic and the fact that casinos and betting places were closed for quite some time during the year.
- Average tax on gambling amounted to around 15% of GGR or around 11% of total revenues in the observed period while the concession fees amounted around 33-36% of GGD on average or around 17% of total revenues.
- Based on the market analysis we have made indicative future predictions regarding gambling market in Slovenia if the market will grow at least 40% instantly due to new regulations (refers to market analysis of gray and illegal market), the base year for calculation is 2019 and not 2020 due to COVID 19 pandemic, the total further growth is based on predictions from Statista.com for the total market in Europe.
- Furthermore, we have estimated that the tax rate will be flat at the level of 16% of total GGR and that the Concession fees will amount to 35% of GGR.
- „Reverse tax” is planned as 40% of illegal taxes and concessions to be paid out for the last 5 years (due to tax statute of limitations).
- All the calculations are based on the market analysis made and specific earlier in the document with the special emphasis on countries that have successfully implemented new regulations (Slovakia, Romania, Poland, Czech Republic...)

Not only will the Slovenian Government benefit from liberalization but also other subjects on the market

- Based on the available data and analysis as well as the example of Croatian, Czech and Slovak Lottery we can assume that not only will the Government of Slovenia benefit from liberalization but also will the two major current concessioners, **Loterija Slovenije d.d.** and **Športna Loterija d.d.**
- For both companies we have analyzed key data from 2018 and 2019 based on the publicly available Annual Reports from Slovenia national data base (AJPES).
- As stated above and based on local experience we assumed that the **Loterija Slovenije d.d.** will rise in the period of 5 years in the same amount planned by **Croatian Lottery** while **Športna loterija d.d.** will rise 5,5% annually which is also in line with local experience and market analysis.
- It is crucial to point out that the indicative calculation shows high benefits for the Government in the sense of projected taxation, concessions and net income.
- Furthermore, we have seen that the company **Športna Loterija d.d.** invests around EUR 7.6m in sport clubs and associations annually which is also predicted to increase in the future period.
- The total increase is based on the results that were achieved from other countries that have improved their legal framework.





MARKET POTENTIAL

Total indicative estimation of benefits for Slovenia is projected at the level of EUR 1.200m in 5 years or 2.74% of average GDP

> EUR 1.200m
Is benefit expected in 5 years



> EUR 600m
Might be collected in „reverse”
taxes and concession fees

> 2.7% of GDP
Might be the total positive benefit





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