

GEMM Insights

ONLINE GAMING INDUSTRY TRENDS

12TH EDITION

JULY 2023

Table of contents

	Pages
Introductory message	3
Principal markets & value chain	4-5
Industry statistics	6-8
Popularity of crypto	9-10
Growth drivers	11-12
M&A activity	13-14
GEMM's tailor made solutions	15-16
Contact details	17



Sports betting



Online casino



Online poker

Introductory Message

Dear reader,

GEMM Insights 12th edition will focus on the global online gaming industry trends and developments.

The growth for online casino is underpinned by new regulated markets, technical progress and new distribution channels, but above all, strong demand from the gaming operators and their end users.

The online gambling market has been experiencing continuous growth on account of the legalisation and wider acceptance of online betting in many developed and developing countries. Legalising online gambling offers various advantages such as providing a safe and regulated environment for players and generating additional revenue for governments. In addition to this it protects players from fraud, thereby escalating the overall demand.

With the advent of technology, virtual reality, blockchain, and mobile platforms have been widely implemented in the gambling industry worldwide. The increased penetration of smartphones is leading to an increase in several mobile application-based lottery games. The end-user has the convenience and comfort of gambling within the comfort of their own space, which is one of the major drivers of the segment. Casino gambling has been one of the rapidly growing gambling categories, owing to the convenience of usage and optimal user experience.

The strong growth trend over recent years for live casino has encouraged more systems providers to develop live casino solutions. The barriers to entry are relatively low, while the barriers to success are considerably higher. Live casino is a highly complex product that, in addition to a technical solution, requires both a certain volume and outstanding operational excellence to be profitable and perform satisfactorily.

In this edition we will endeavour to provide you with some insight information in connection with the following:

1. Gambling industry segmentation and value chain.
2. Industry statistics
3. Online gambling and Crypto
4. Online gambling growth drivers
5. M&A activity

We hope that you will find our newsletter interesting and useful and welcome your feedback.

Yours faithfully,



George M. Ioannides

Founder & CEO



Principal markets & value chain

Principal markets & value chain

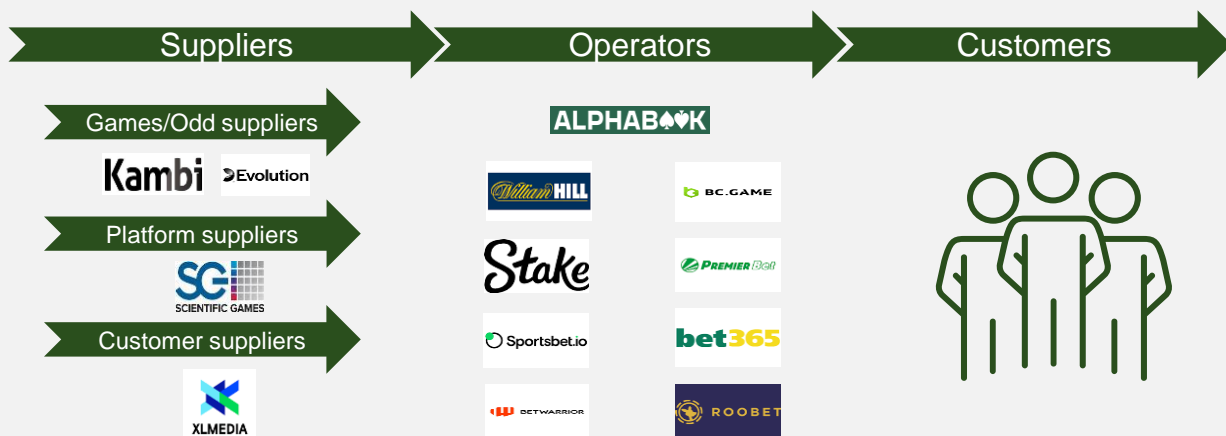
Principal markets

Gambling is the overarching term used to include all land based and online forms of gambling, games of chance etc. The different segments within the gambling industry are illustrated by the below table.



Value chain

- The value chain is straightforward – B2B companies, such as games and sportsbook suppliers license their generic and customised solutions to gaming operators with a revenue share commission model, enabling significant operating scalability.
- The gambling operators thereafter provide these services to consumers.
- In order to attract new customers operators often work with customer suppliers/affiliates, typically operating on a revenue share agreement.
- Players tend to pass through an affiliate site on their way to operators as they may want help finding the best bonus, specific gaming content, or the highest jackpot.





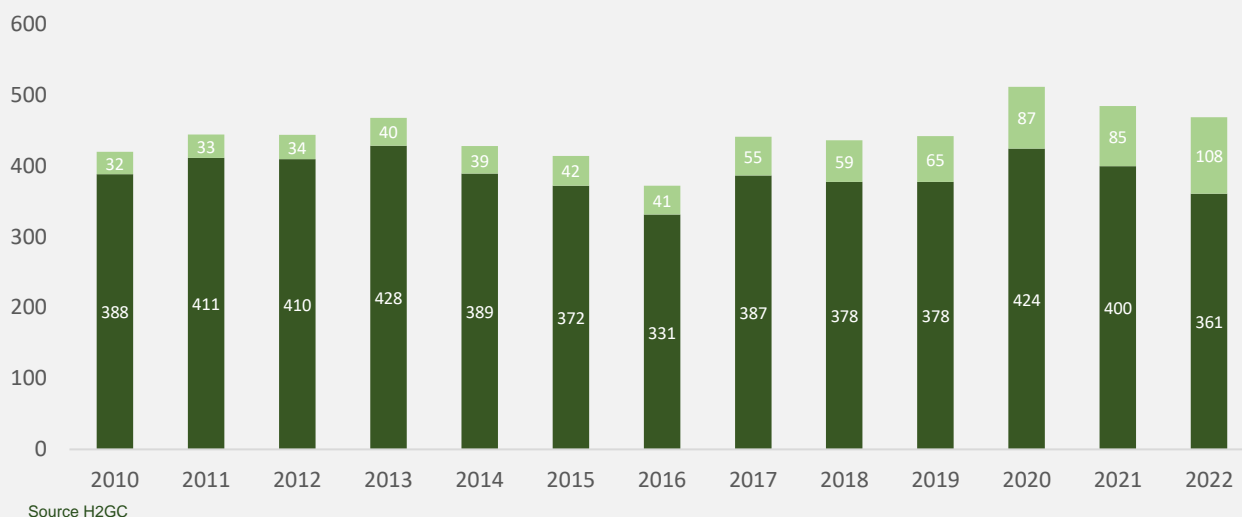
Industry statistics

The global gambling market (1/2)

Introduction

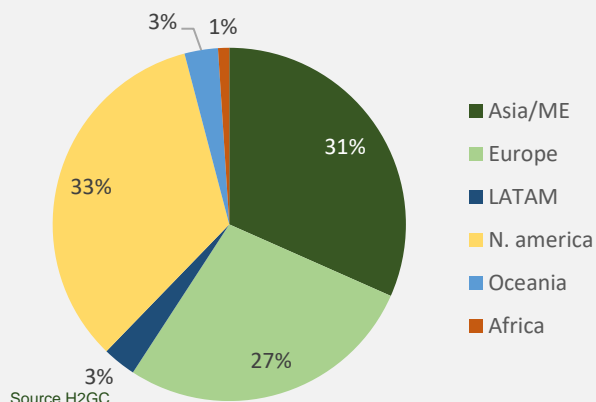
- The global gambling market, including both land-based and online was estimated to be a US\$476 billion in 2022. As illustrated by the chart below, the gambling industry is a non-cyclical market with a stable CARG of 0,92%. Although a relatively small share of the total gambling market, online gambling has experienced the greatest growth over the period from 2020 to 2022, with an estimated CAGR of 10,71% (period: 2010-2022).

Global gambling market (US\$bln)

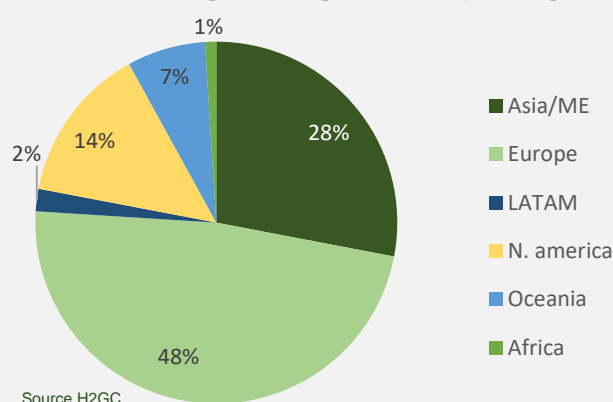


- Asia and the Middle East (“AME”), North America and Europe dominate the market with a total market share of approximately 90%. Between the markets, there are several structural differences as follows:
 - In Europe and AME, betting is significantly more popular than in US, where casino is by far the largest vertical.
 - The European market stands out as the most mature market when it comes to online gambling.

Global gambling revenue per region



Global online gambling revenue per region

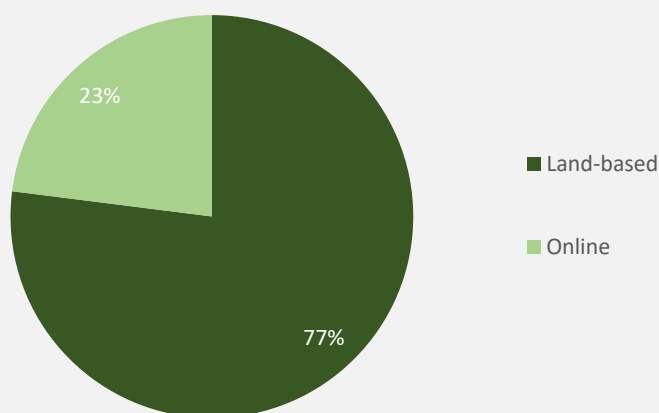


The global gambling market (2/2)

Online casino

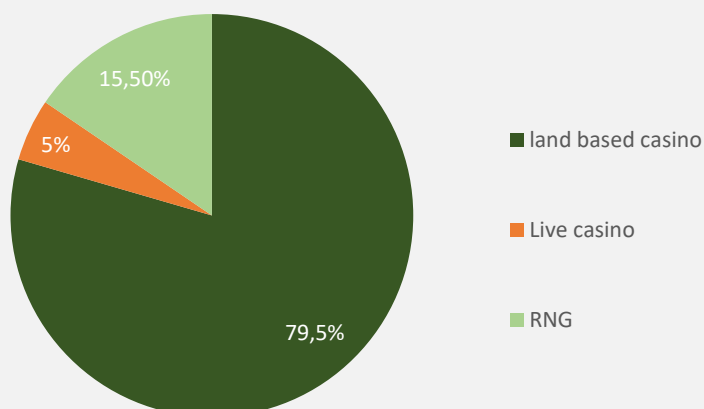
- Globally online casino (live, RNG-tables and slots) has had an annual growth rate of close to 20% between 2018 and 2022. Live casino has been the fastest growing segment within online casino, with an annual growth rate of 21.5% in the same period and the growth rate for slots/RNG amounts to 19.5%.
- According to H2GC, the global online casino market (live, RNG & slots) had an estimated growth of 13% compared with the year before. The live casino market had an estimated growth of close to 18% percent from 2021. The share of online amounted to 20.5% percent of the total casino market in 2022. The share of live, i.e., live casino's share of the total online casino market, was 24.5% in 2022.
- The pie charts below illustrate the gaming market and casino market segmentation for the year 2022.

Total gaming market in 2022



Source H2GC

Global casino market in 2022



Source H2GC

Compound annual growth rate (CAGR) 2018-2022

land based casino	-4,7%
Live casino	+21,5%
RNG	+19,5%



Popularity of Crypto

Crypto focus

Introduction

- The online gambling business has also evolved to embrace crypto currency.
- Currently 25% of all gambling payments are made with cryptos, and 48,6% of crypto owners use it for online gambling.

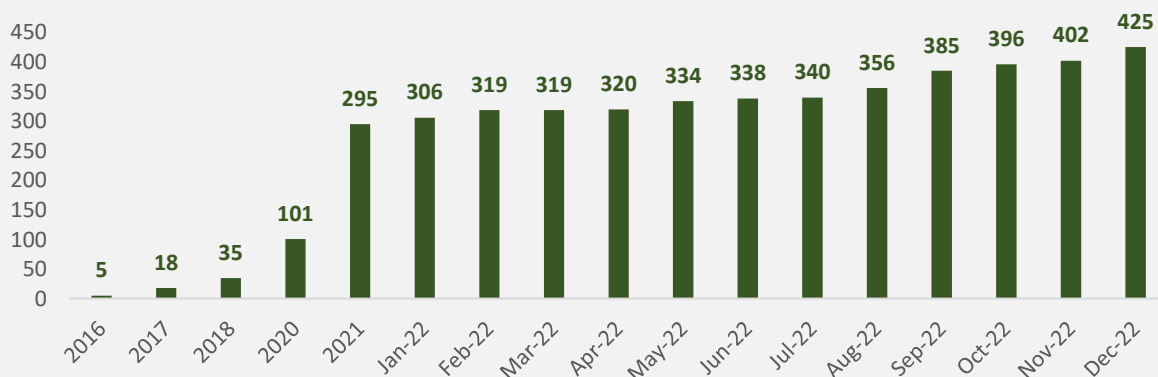
Crypto focus

- Gambling with crypto removes many of the obstacles and annoyances related to FIAT money and are generally related to anonymity, speed, security and more.
- Crypto solves one of the biggest risks on the internet – protecting the user's personal information.
- With cryptocurrency, users can increase the speed of transactions, making and receiving payments instantly, minus the banking fees and regulations making online gamblers feel safer.
- Blockchain technology provides a high level of security during payments, protects keys and stops the illegal trade of digital assets.
- VIP online gambling players tend to prefer to transact with crypto due to faster processing times and reduced red flags compared with traditional FIAT transaction methods.
- By design Crypto Casinos offer lower fees compared to other platforms and instant withdrawal options. Being decentralised allows the casino to have no restrictions on the amount of money a player can deposit or withdraw.
- Crypto Casinos like Dancing Diamonds embrace the full dimension of Web3. NFT's offer users the ability to own shares of games and profits. Tokens allow users to participate in stacking pools and earn rewards.

Crypto user growth

- The graph below illustrates the number of identity-verified crypto-asset users from 2016 to December 2022

Crypto-asset users from 2016 to Dec. 2022 (millions)



Growth drivers

Growth drivers

Future growth drivers for the online gambling sector

The global online gambling market size is predicted to reach an amount of US\$154 billion by 2030, recording a CAGR of 11,3% from 2022 to 2030. The future growth drivers that will lead to the expected growth of the only gambling sector are the following:

- The increased smartphone and internet penetration and easy access to casino gaming platforms are positively influencing the market. According to GMSA, the Asia Pacific region is expected to witness 333 million new mobile internet subscribers by 2025.
- The availability of cost-effective betting application is expected to favor market growth in the near future. According to data published by the New York state government, over 650.000 unique accounts were created on mobile betting apps in 2021.
- Online gambling developers have partnered with online casino software suppliers to cater to the demand for immersive casino games.
- Legacy online gambling platforms are entering new markets through partnerships. For instance, in January 2023, PokerMatch entered the Indian market through a partnership with Paytech Plc. Due to the growing number of online players in the region.
- The adoption of various options for digital payments with safe payment gateways is also stimulating the adoption of online gambling applications. The market growth will be further accelerated by the increased adoption of digital currency and websites provided by betting and gambling companies.
- Innovation is an important driver for growth in the online gaming industry. Adding new products and content services stands out as a significant driver for revenues. Examples of these innovation that have made a significant impact on the online gambling industry are live casinos (i.e., blackjack, roulette etc.,) and development of mobile gaming. These types of innovations are supported and facilitated by the better quality of hardware and internet, as more sophisticated games and software can be developed.

Although the abovementioned factors are highly significant, regulations are the most important driver of growth in the industry. We are of the opinion that the positive effects have the potential to outweigh the negative effects particularly in the long term. The table below illustrates the + & - of regulatory effects in the online gambling industry

Regulatory positive & negative effects on the online gambling industry		
Category	Positive effects	Negative effects
Increased market share	+	
New & more efficient marketing channels	+	
Less competition due to increased compliance	+	
More & improved payment solutions	+	
Lower regulatory risk due to visibility	+	
Taxes		-
Increased compliance costs		-

Source: GEMM analysis

M&A activity

M&A activity

On-line gambling M&A activity

- The gaming and betting value chain is complex and includes suppliers with varying capabilities, growth drivers, revenue streams and cost bases.
- Ongoing regulation of online sports betting in the US has injected a new vigour in the global M&A landscape for gaming and betting, with new partnerships and mergers announced on a very frequent basis.
- The growth in the B2C segment is driving growth and investor interest in the B2B value chain that supports the industry.
- The past couple of years were significantly characterised by a prevailing sentiment of uncertainty driven by global macroeconomic pressures and the introduction of new regulations in mature markets such as Germany and the Netherlands. These factors have contributed to a subdued deal activity throughout 2021, which activity gradually picked up in 2022. An upturn in deals worldwide is expected within 2023 and beyond as the larger players in the field aim to consolidate their position within the market.
- The intensifying competition in the sports betting market and the demand for inorganic innovation has resulted in market consolidation. Many major market vendors are engaging in M&A to grow inorganically and increase their market share.
- 2022 was monumental for M&A within the global iGaming industry. Several leading companies with deeper resources, which have been better able to manage the impact of the pandemic and inflationary pressures, have completed several billion deals.
- Some of the most noticeable deals in 2022 are presented in the table below:

M&A transaction in 2022

Acquiring company	Acquired company	Transaction deal value
888 Holdings (betting & gaming)	William Hill non-US assets from Caesars Entertainment	US\$1.95 billion
Flutter (online gaming)	Tombola (Bingo operator)	£402 million
Flutter (online gaming)	Sisal (online gaming)	€1.91 billion
Entain	BetEnt BV	€850 million
Gambling.com	NDC Media, the publisher of BonusFinder.com	€60 million
Endeavour (sports entertainment)	OpenBet (provider of content, platforms & services to sports betting industry)	US\$800 million

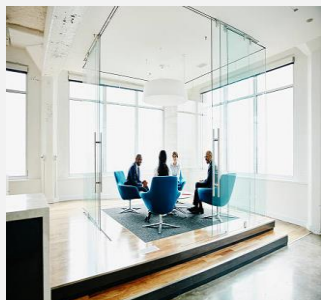


GEMM's tailored made solutions

How can we help

At GEMM we can provide practical guidance and help you navigate the challenges your business is facing.

Our tailor-made online gambling and start up solutions, which are addressed to all gambling value chain parties, investors, VC & PE offices etc., comprise of the following:



Investor services

- Feasibility reports
- Financial modelling & scenario analysis
- Appraisals & valuations
- Mergers & Acquisitions (“M&A”) opportunities
- Market research & analysis



Start-ups advisory services

- Preparation of business plans and investment documents (i.e., Teasers, Information memorandum etc.,)
- Development of financial projections / financial modelling
- Business valuation to support capital raises or investment decisions
- Valuation of intellectual property (“IP”) including patents.
- Derivative valuation

Credentials

Details of some of our most important and key credentials are illustrated below:



Private Equity

External Valuer
ongoing
engagement for
tech. start-up
companies



Online gambling

Equity valuation
report for capital
raise



Agricultural start up

Intellectual
property (“IP”)
valuation

Contact details

ADDRESS

Arch. Makariou III, 88
1077 Nicosia, Cyprus

Contact Person & Position

George M. Ioannides
Founder & CEO

HOURS

Mon-Fri 08:30 to 18:00
weekends closed

Mobile

+357 – 99 - 566558

E-MAIL

gioannides@gemmcy.com

info@gemmcy.com

Phone

+357 – 22 - 267105

WEBSITE

www.gemmcy.com

LinkedIn / Facebook / Instagram

GEMM Business Consultants
Limited



www.gemmcy.com

The information contained herein is of general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future.

© Copyright 2022-2023 GEMM Business Consultants Limited, a Cyprus Limited Liability companies. Copyright protected with ProtectMyWork.com Reference Number: 20483190423S034