



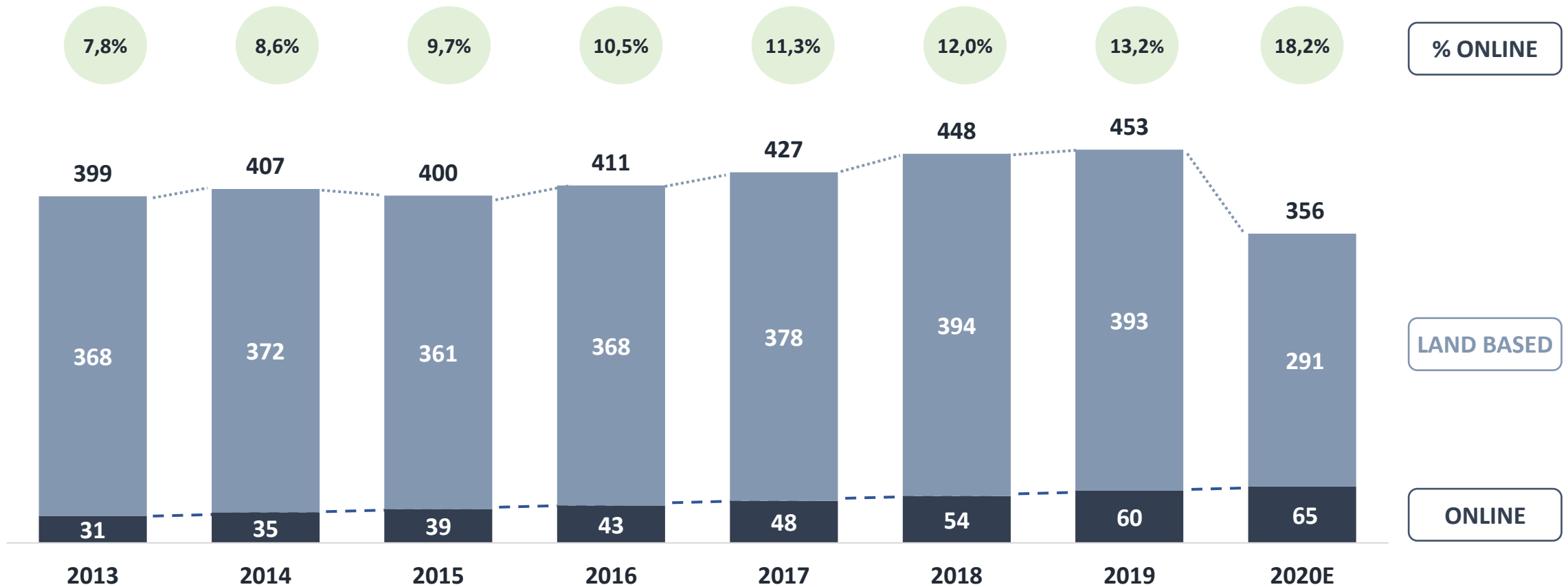
Benchmarking Germany's new gambling regulatory regime

October 19th, 2020

GAMING **IN** GERMANY

Global gaming market (\$bln)

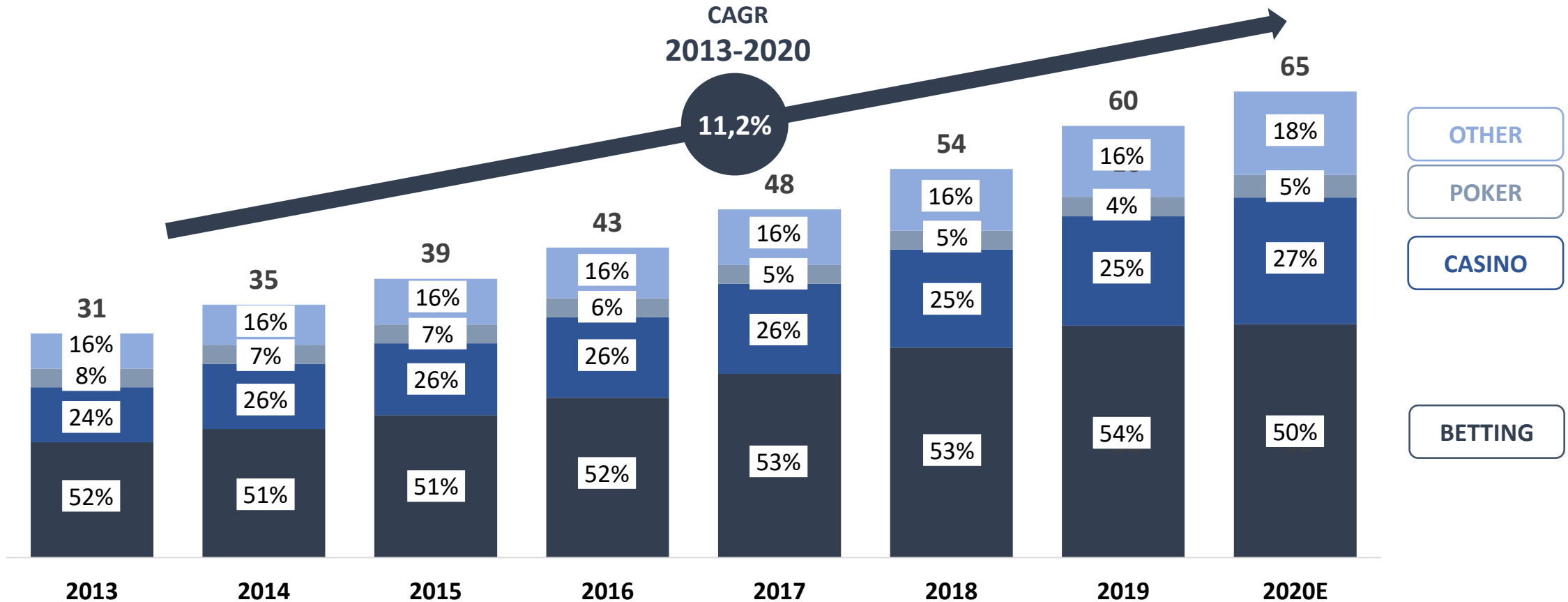
The online gaming market incidence is increasing globally, notwithstanding the impact of the COVID-19 crisis



Source: Elaboration MDF Partners on H2GC data

Global online gaming market (\$bln)

The online industry is driven mainly by Betting and Casino

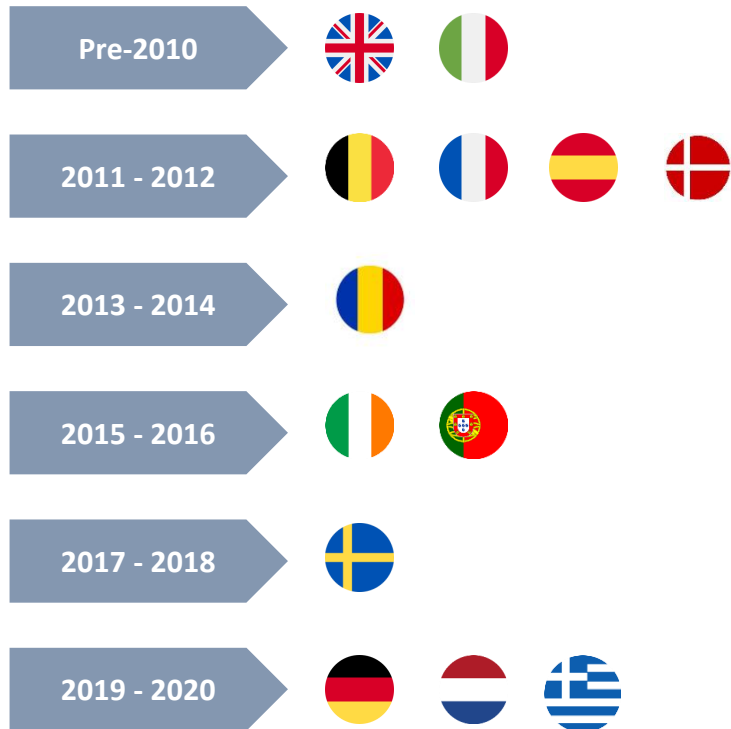


Source: Elaboration MDF Partners on H2GC data

Gambling regulation in Europe

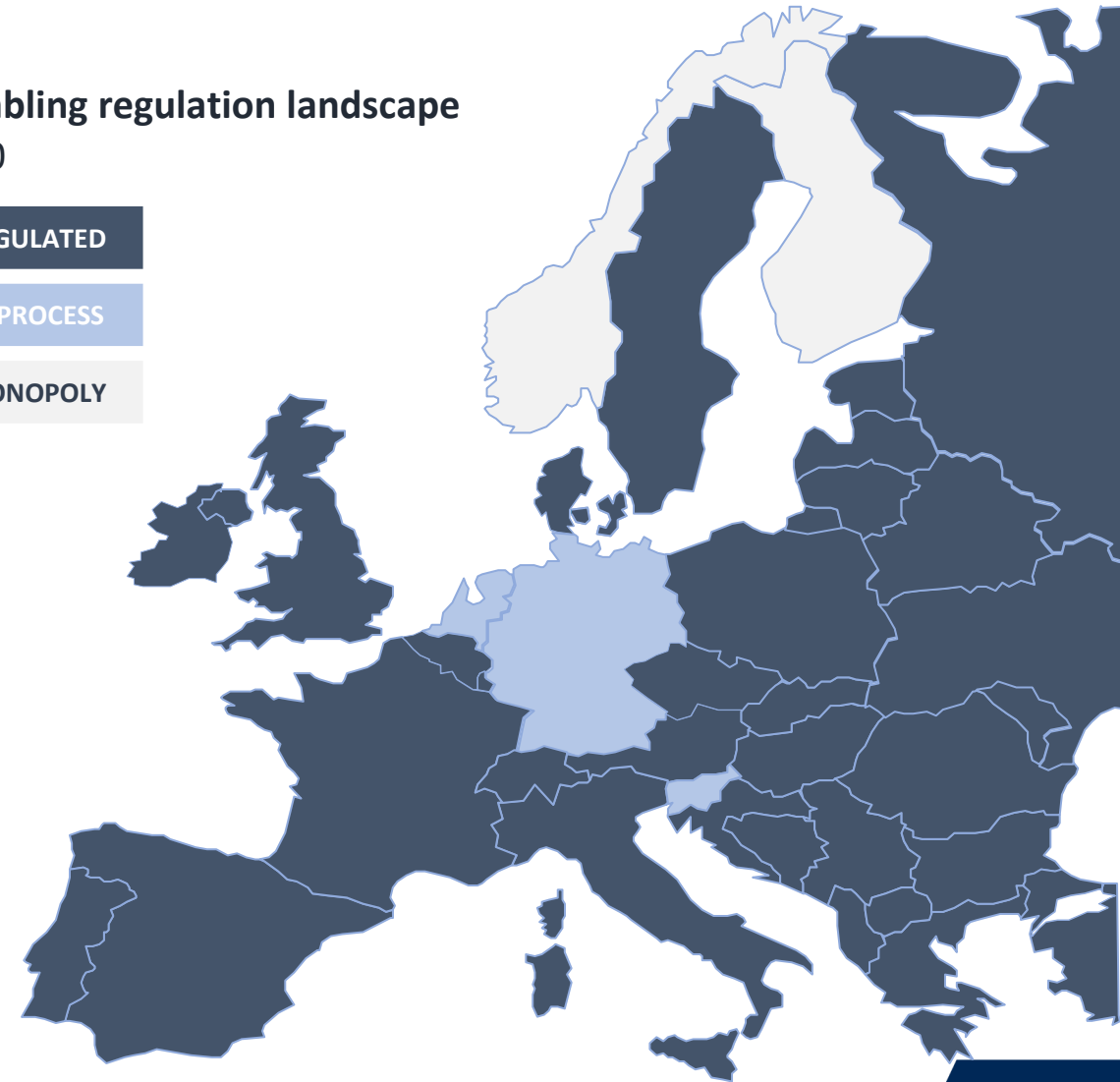
Most of the European countries regulated online gaming during the last 20 years

Main countries regulating online gambling 2000 - 2020



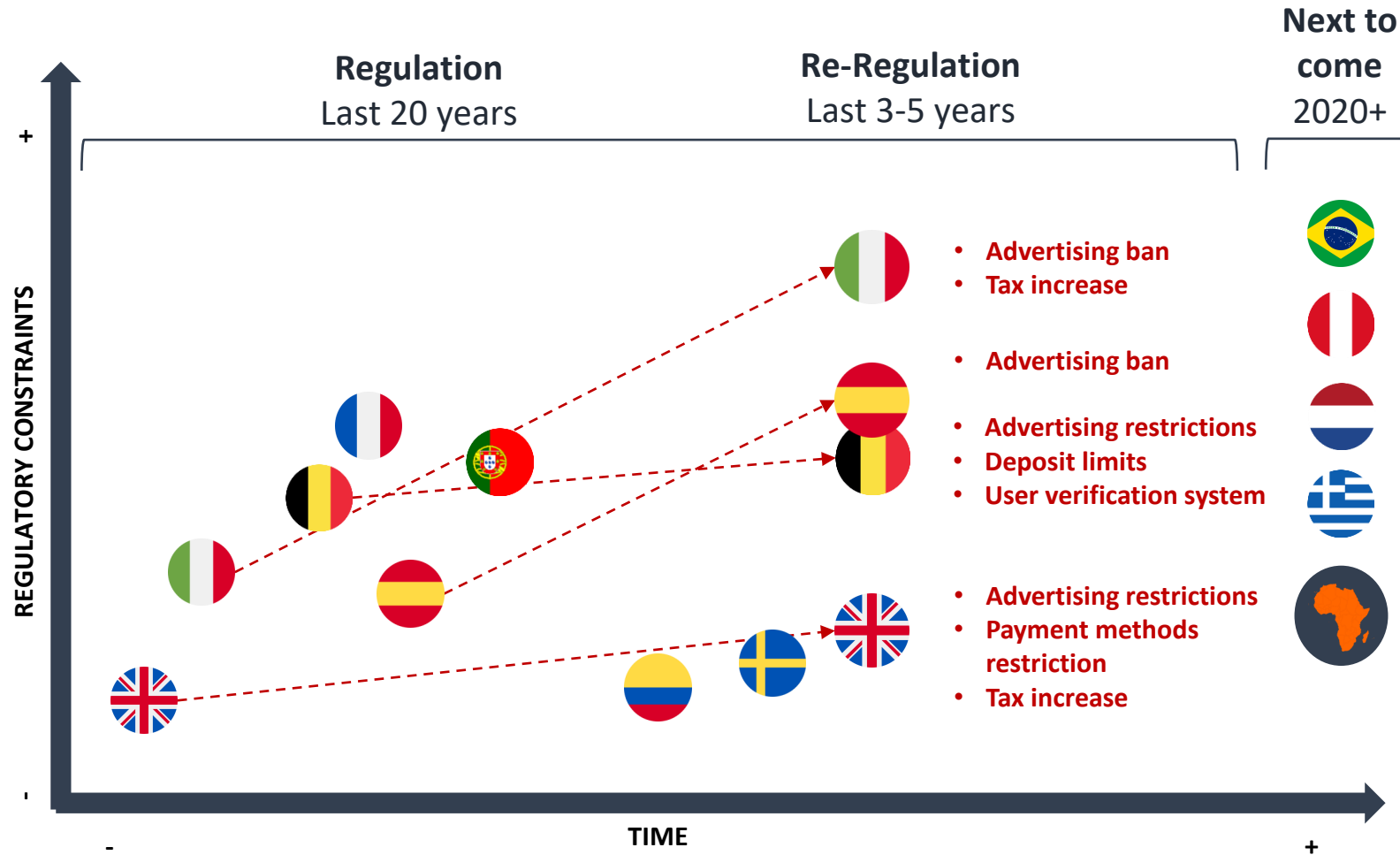
Source: MDF Partners, EGBA

Gambling regulation landscape 2020



The path towards the Re-Regulation

Some countries are now planning and implementing a new approach on taxation, advertising and responsible gaming



Impact for the industry

- **Increased regulatory costs:** Financial, technical, operational requirements, etc.
- **Higher complexity:** Advertising and other constraints limit the entrance of new players
- **New strategy and marketing approach:** Responsible gaming as key element and differential factor

The European online gaming market (GGR 2019; mln€)

The online regulated European gaming market reached 13,3 bln€ in 2019, driven by the top 10 countries that represent the 90% of total GGR

76%

84%

78%

81%

90%

80%

87%

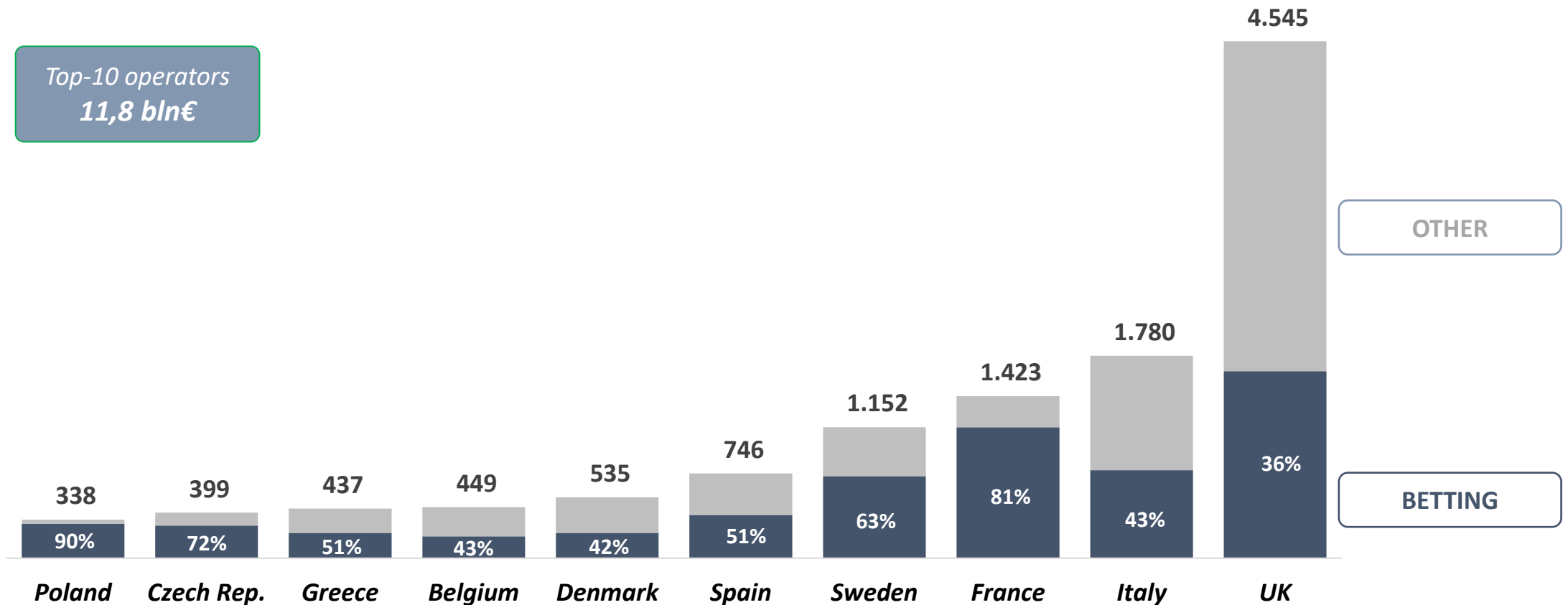
70%

80%

79%

ESTIMATED CHANNELIZATION

Top-10 operators
11,8 bln€



Source: Elaboration MDF Partners on H2GC data

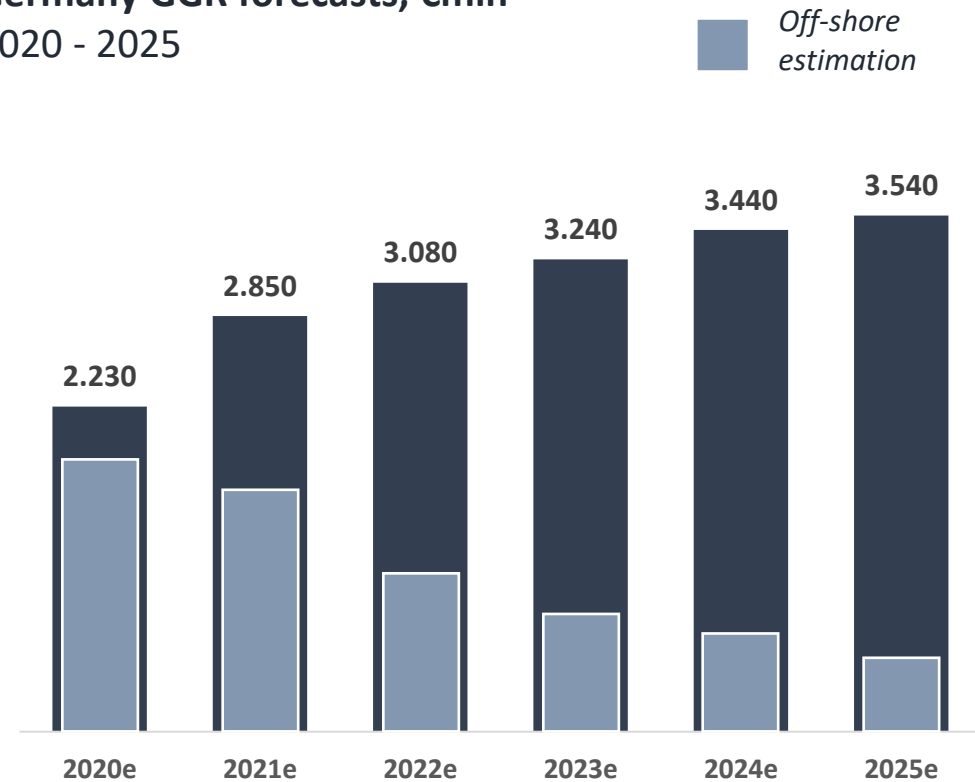
The current state of the German regulation

Effective channelization will really depend on the regulatory framework. The new treaty is scheduled to come into force since the 1st of July 2021

Main aspects of the current regulation (Inter-State Treaty)

AREA	DESCRIPTION
PRODUCT	<ul style="list-style-type: none"> • Betting: Live betting limits (only to result and next/number of goals) • Poker • Virtual slots: Max 1€ spin & 5 sec • Table games
MARKET STRUCTURE	<ul style="list-style-type: none"> • Betting, Poker and Virtual Slots: Unlimited licenses • Table games: One license per land-based casino (Lander regulation)
TAXES	<ul style="list-style-type: none"> • Betting: 5% Turnover • Virtual slots, table games & Poker: VAT applicable
ADVERTISING	<ul style="list-style-type: none"> • Casino & Poker: Limited to 9pm-6am • Betting on broadcasted events not permitted
OTHER	<ul style="list-style-type: none"> • Cross-operators deposit limit of 1.000€/month • €5M guarantee • Players cannot log to more than one website simultaneously • Detailed technical requirements to be defined

Germany GGR forecasts, €mln 2020 - 2025

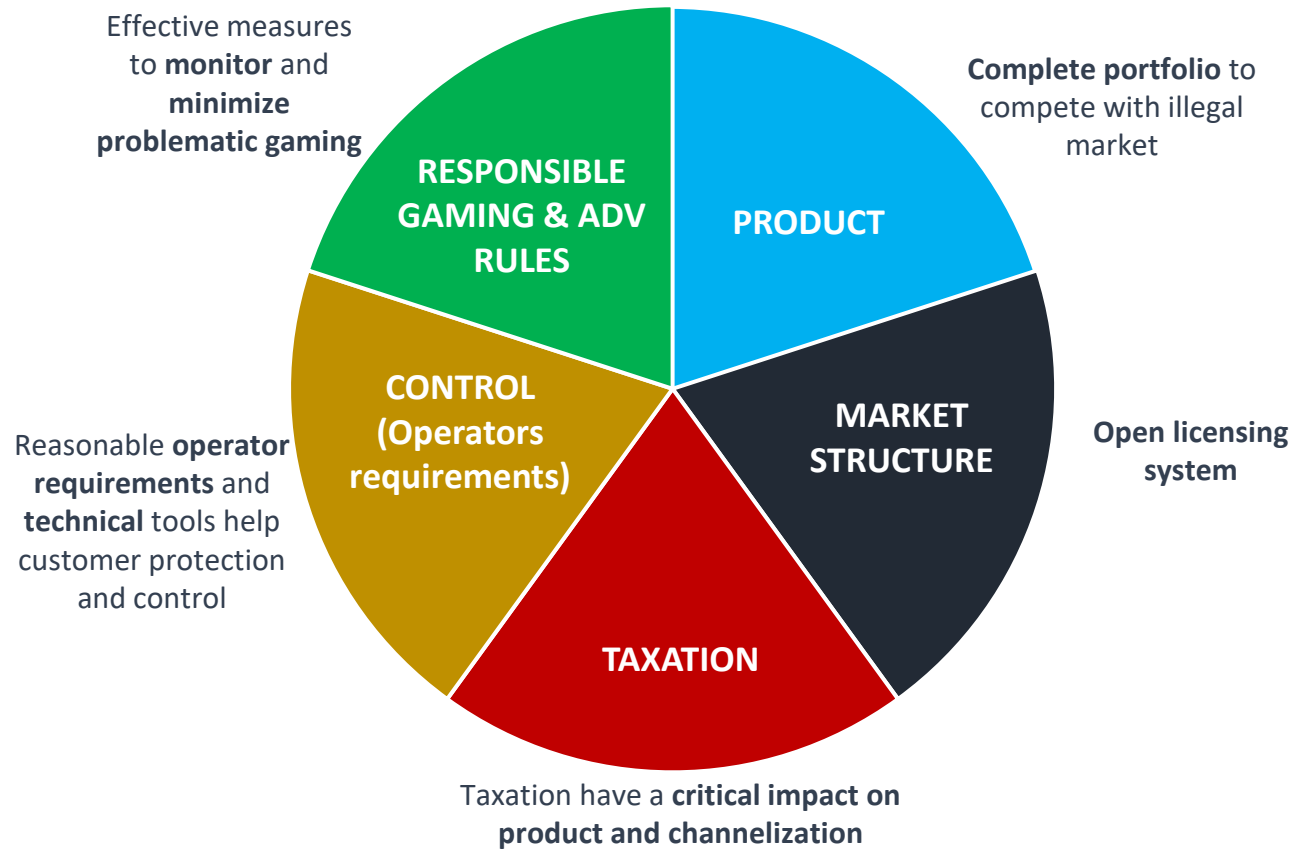


Source: Elaboration MDF Partners on H2GC data

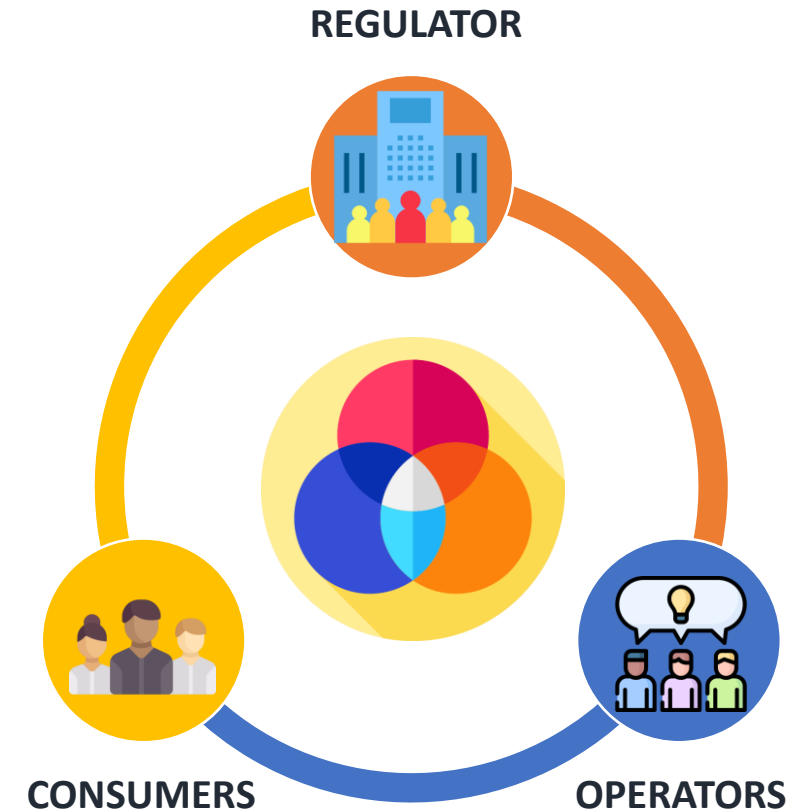
How to define a sustainable regulatory framework

Principles-based rules allows to adapt the regulation to the dynamic market evolution

PILLARS FOR A SUSTAINABLE REGULATION

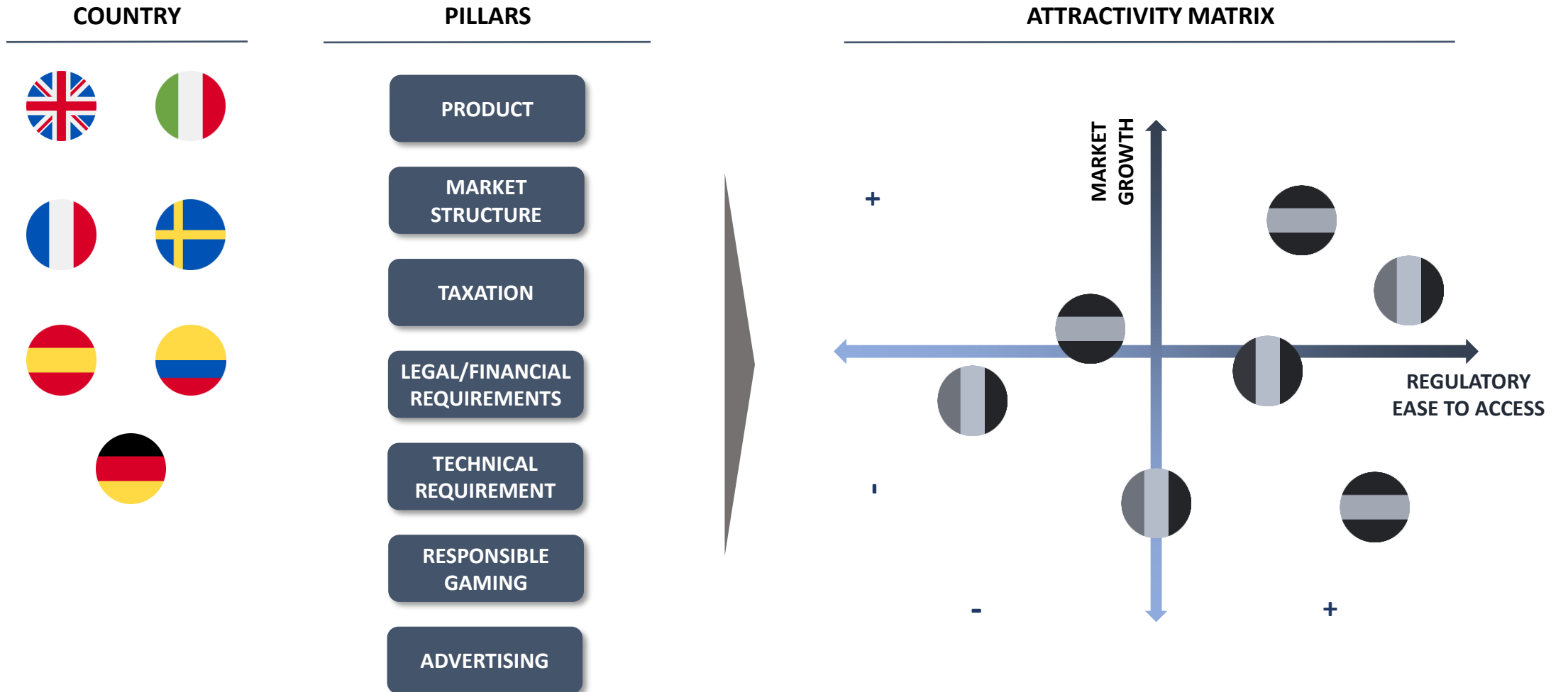


THE GAMING ECOSYSTEM



MDF Partners analysis

The market attractivity and sustainability is the result of an effective regulatory strategy



Product offer


A complete gaming offer is essential for targeting the channeling goals

AREA								
BETTING	PREMATCH							
	LIVE							
	VIRTUAL							
	HORSES				State monopoly			
CASINOS	TABLE GAMES							
	SLOTS							
	LIVE GAMES					Only live roulette		
OTHER	POKER							
	BINGO							
	SKILL GAMES							

Source: MDF Partners analysis

Market structure

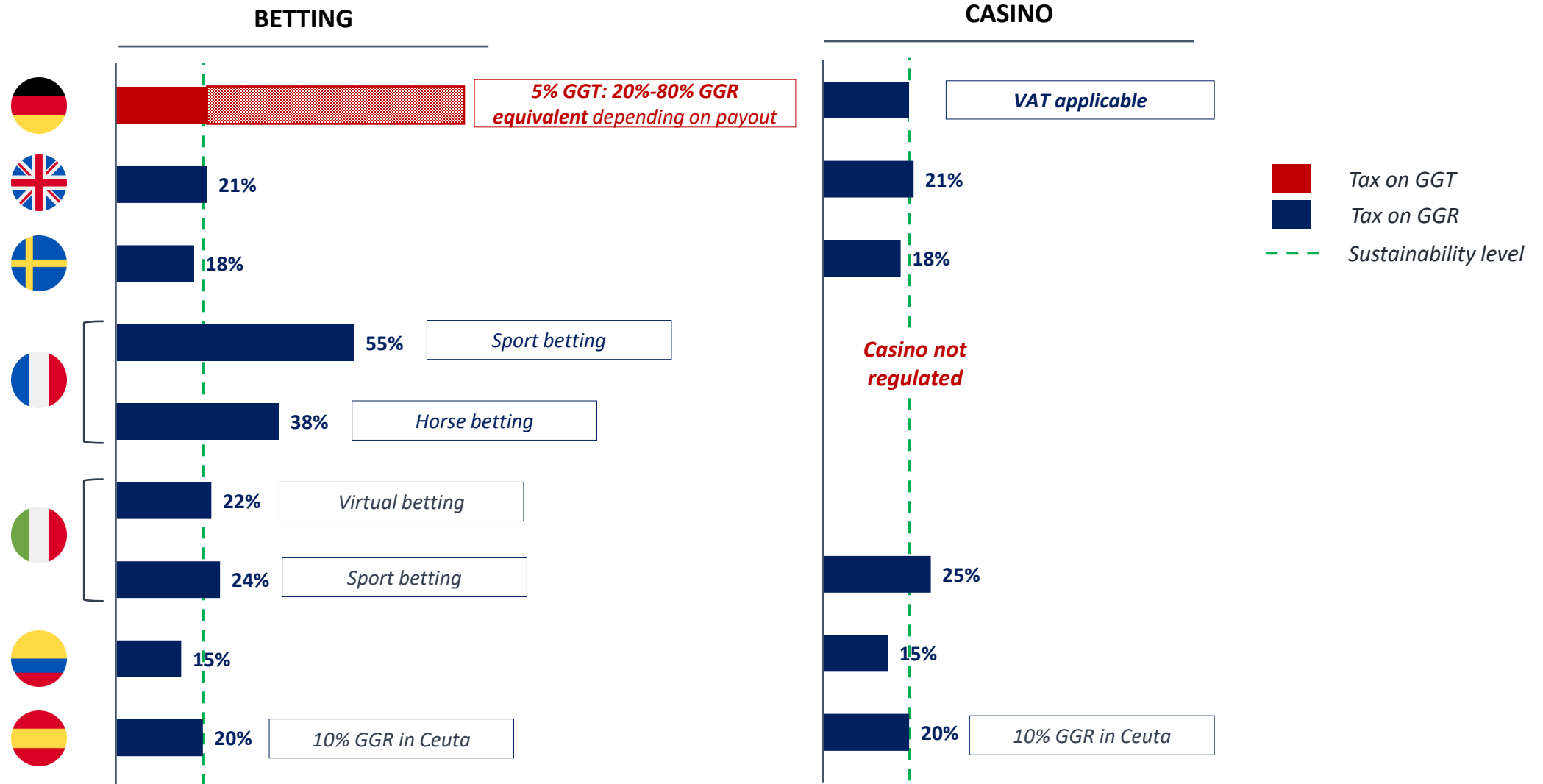
Limits on the number of licenses affect negatively the natural market development

COUNTRY	MARKET STATUS	# LICENSES	# OPERATORS
	OPEN	NO LIMIT	+300
	CLOSED <i>Open every ~6 years</i>	LIMITED TO 200	120 ← Expected to be reduced to 40 in 2023
	OPEN	NO LIMIT	14
	OPEN	NO LIMIT	72
	CLOSED <i>Open every ~3 years</i>	NO LIMIT	79
	OPEN	NO LIMIT	16
	HYBRID	BETTING: NO LIMIT CASINO: ONE PER LANDER	

Source: MDF Partners analysis

Taxation

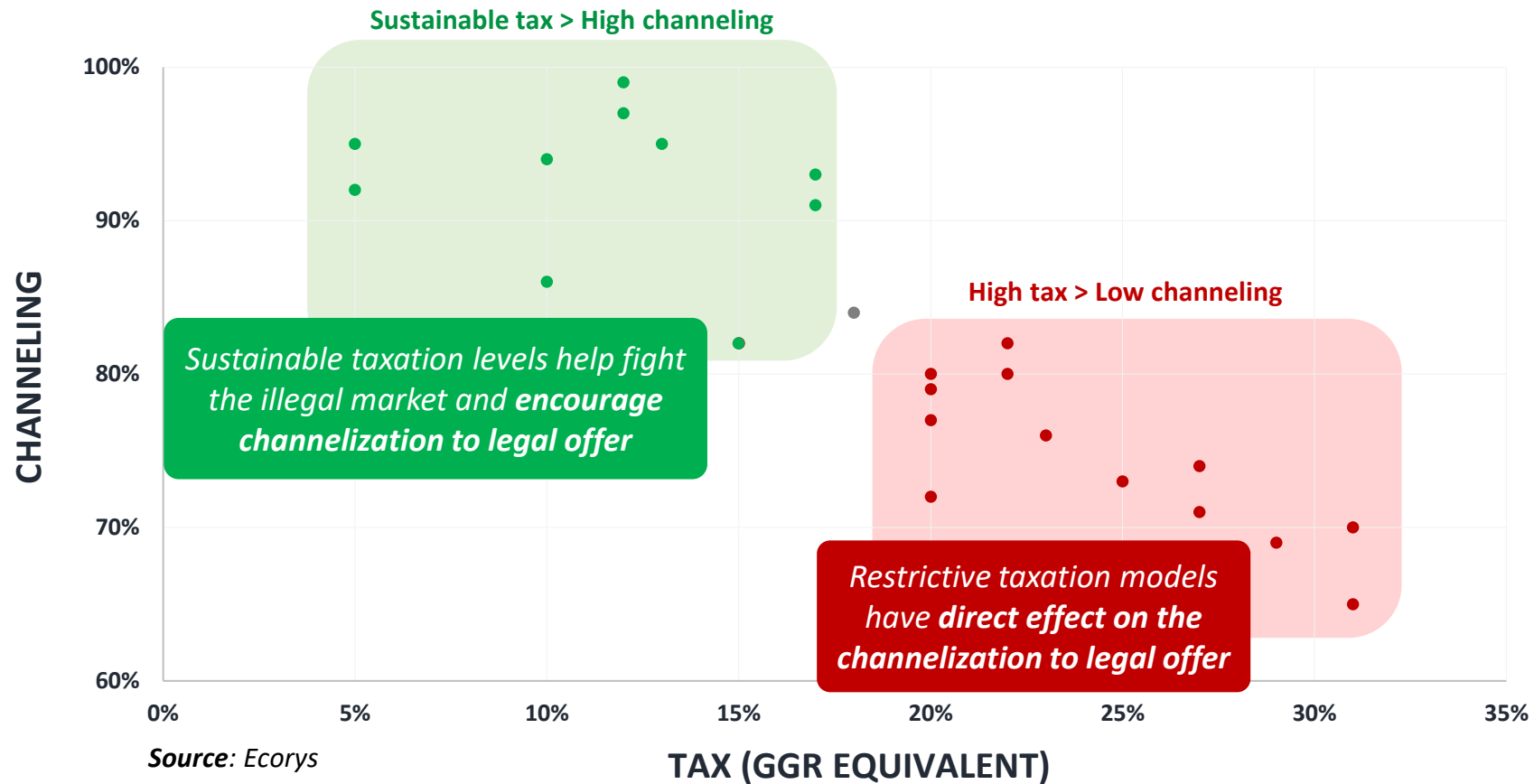
High taxation levels represent a strong limitation for channeling and sustainability of the market



The critical taxation effect





















































Taxes are the most impactful factor for the channeling to the legal offer

Channeling to the legal market in Europe



Legal/Financial/Business requirements

It is critical to check applicant companies' reliability











































AREA								
FINANCE	GUARANTEE		Provisional: 100k € Definitive: >100K €			First year: 4 mln € N. years: >1 mln €	Depending on contract value (1,5 - 2 mln€)	5 mln €
	MIN. SHARE CAPITAL							ND
BUSINESS	EXPERIENCE							
	MIN. REVENUE							ND
	BUSINESS PLAN							
LEGAL	REGISTERED OFFICE							
	LEGAL STRUCTURE							ND
	SHAREHOLDER IDENTIFICATION	3%	2%		10%	2%		





 Required  Not required

Source: MDF Partners analysis

Technical requirements: looking for the good balance

Effective and feasible control mechanisms guarantee the security and compliance of the operators






















AREA								
TECH. REQUIREMENT	SERVER LOCATION							
	CONTROL MODEL							
	CERTIFICATION							
	USER VERIFICATION							
	B2B LICENSE							

 Regulator real time control
  Internal Control System
  Required
  Not required

Source: MDF Partners analysis

Responsible gaming

A key area that is being increasingly targeted by regulators to guarantee the player's protection

AREA								
DEPOSIT LIMITS	TYPOLOGY	Daily, weekly, monthly (optional)	Weekly	Not defined	Daily, weekly, monthly	Daily, weekly, monthly	Not defined	Monthly
	COOLING - OFF	24h	1w	48h	72h	1w	ND	1w
	PAYMENT LIM.	Ban of credit cards	ND	ND	ND	ND	ND	ND
SELF EXCLUSION	TYPOLOGY	Temporary	Temporary & Permanent	Temporary & Permanent	Temporary & Permanent	Temporary & Permanent	Temporary	Temporary (min. 3 months)
	NATIONAL REGISTER							
OTHER	TIME LIMIT							
	SOCIAL RESPONS.	Contribution to charities	Warning message	National assistance phone	Self-assessment test	ND	Bet limits (time and amount)	ND

 Required  Not required

Source: MDF Partners analysis

Advertising: stigma on gaming led to backlash?

Most of the countries are currently evaluating tighter advertising controls, but advertising ban is not an effective way to protect the customer



PERMISSIVE MODEL WITH MINOR RESTRICTIONS

PERMISSIVE MODEL WITH MINOR RESTRICTIONS
TV BAN EXCEPT FROM 9PM

CASINO, POKER AND SLOTS BANNED EXCEPT 9PM-6AM

BAN TO BE APPROVED IN OCTOBER
AFFILIATION, SEM AND OTHERS TO BE ALLOWED

ADVERTISING & SPONSORSHIP BAN
AFFILIATION ALLOWED

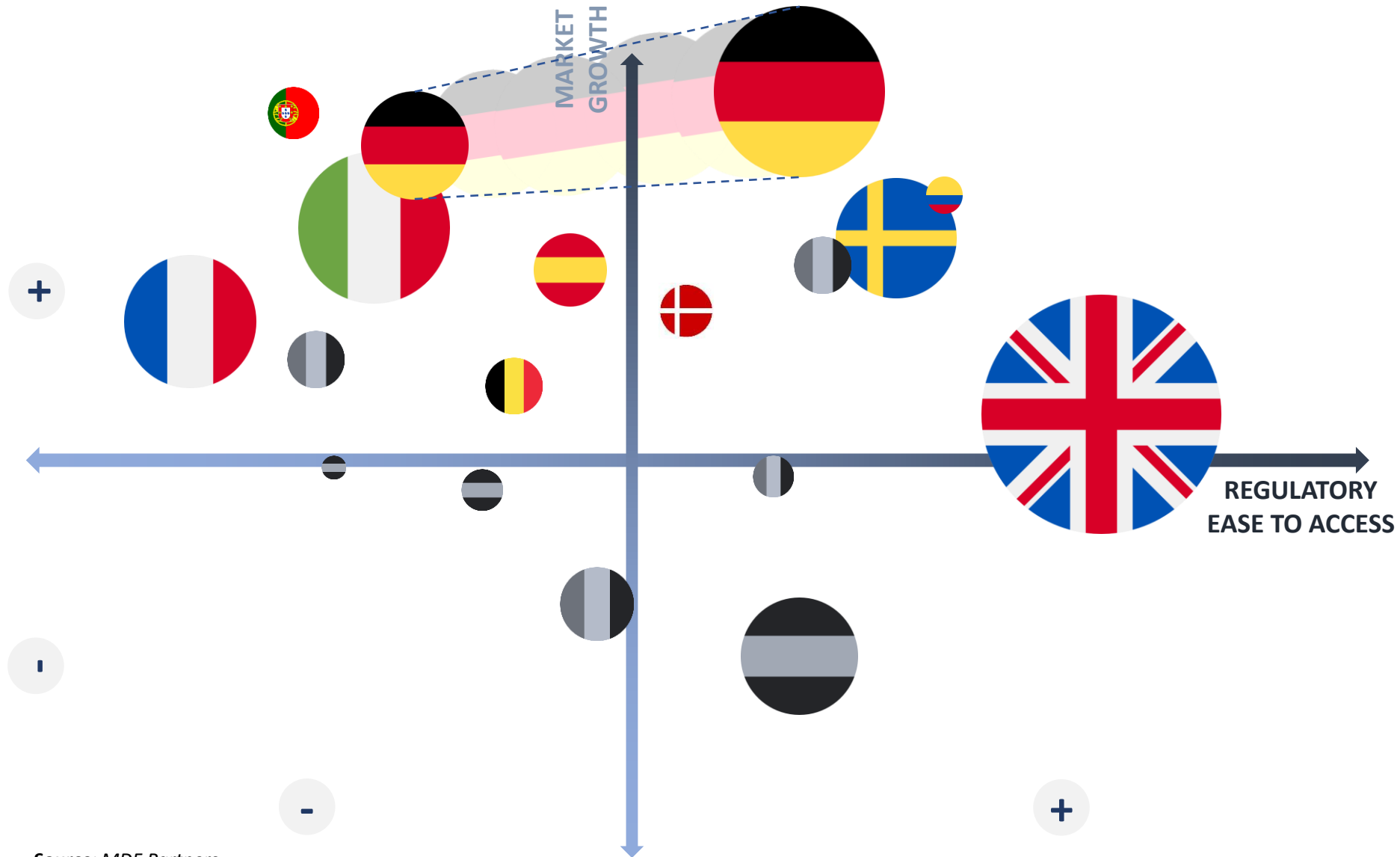
Open

Restrictive

Source: MDF Partners

The opportunity for Germany: Attractivity Matrix first results

Germany is set to become one of the leading regulated countries in Europe, but...



In progress

- Brazil
- Hungary
- Greece
- Denmark
- Africa

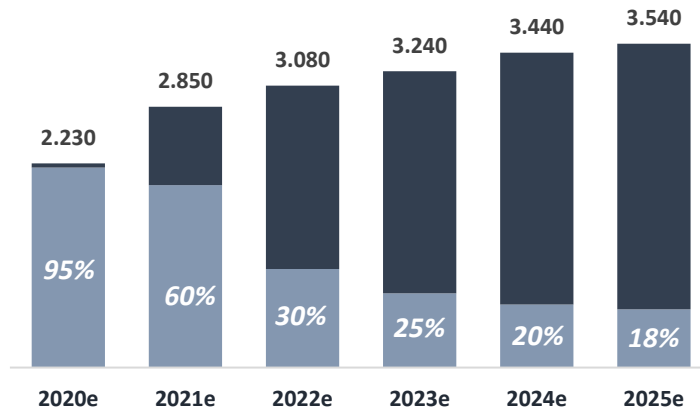
Source: MDF Partners

The opportunity for Germany: Sizing and recommendations

...some key improvements are required to build a sustainable environment and effectively fight versus the illegal offer

EFFECTIVE REGULATION

Market growth
Progressive channeling to regulated market

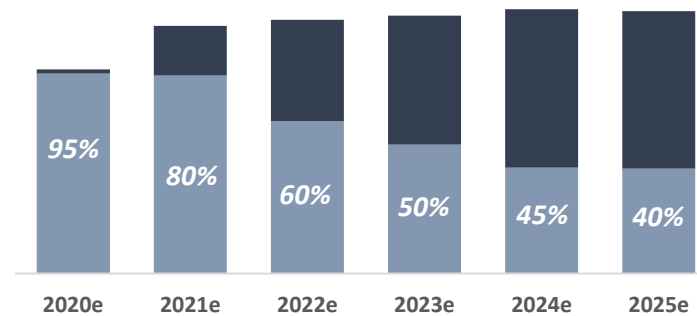


Regulated Offshore

Source: MDF Partners estimates

NOT EFFECTIVE REGULATION

Low market growth
Slow channeling to regulated market



RECOMMENDATIONS

- Set-up a central **Regulatory Authority**
- Define an **open licensing system**
- Define a **sustainable tax level**
- **Review live betting and slots limits** to allow a competitive product vs the off-shore
- **Execute** and fine-tune the regulatory model



***“Competition is only one
click away”***

Larry Page, Google Co-Founder



MDF PARTNERS

“We partner with operators and public institutions, in regulated environments, helping to build effective and sustainable models in the gaming and entertainment sector”

***Mauro De Fabritiis
Founder MDF Partners
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Thank you