



Portuguese online gambling market

Market Survey

FINAL
VERSION

Market Research
November 2017

EUROGROUP
CONSULTING

 citizen of nextcontinent



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01

Foreword & Introduction

A CHALLENGING OBJECTIVE THAT EUROGROUP CONSULTING WAS ABLE TO MEET

In July 2017, the Remote Gambling Association (RGA) commissioned Eurogroup Consulting Portugal (EgC) to conduct a survey of the Portuguese online gambling market. The present market study, which was launched in August, was primarily designed to provide the RGA with an estimate of the size of the current online gambling market in Portugal, across all segments (i.e. sports betting, casino games and poker), including the onshore and offshore offering. In doing so, the study attempts to determine the channeling rate of Portugal's online gambling market, which is defined by the proportion of consumers gambling with locally licensed operators.

Studying the impact of the online gambling legislation and determining how much it has contributed to a transfer of gamblers from the offshore to the onshore market is always a challenge for a varied set of reasons, the most important of which is the fact that admitting to participate in offshore gambling is a delicate issue for most online gamblers. Also, regardless of any discretion and confidentiality we use, some of the relevant stakeholders in the market may prove difficult to be reached out and some may even refuse to contribute. Finally, official statistics provided by the regulator may be partial and thus may prevent us from drawing final conclusions.

However, we have used our experience at EgC in conducting market studies to get a relevant insight of the Portuguese online gambling market and the most relevant consumption habits and patterns. In particular, whenever required throughout this report, we have adopted a best effort approach and set out a number of assumptions.

The report provides a good basis for discussing to which extent has the Portuguese legislation contributed to the reduction in offshore online gambling. In that regard, the report primarily provides strong evidence to assess the channelling rate of the onshore sector in terms of turnover and limits itself to providing indicative figures for the channelling rate in terms of turnover.

A REPORT THAT WAS PRODUCED TO COMPLY WITH RGA'S REQUIREMENTS

The study, which took approximately 8 weeks in calendar time, has been conducted as follows:

- EgC launched and analysed a survey of online gamblers that was distributed with the support of Associação Nacional de Apostadores Online⁽¹⁾ (henceforward ANAOn), to whom we wish to extend our thanks;
- Desk research: we conducted further analysis of the most relevant available data, be it from official sources, market players and/or press/media;
- Field research: EgC performed a set of 7 meetings with key stakeholders in the market (see appendix 01 to 03), including the gambling regulator - Serviço de Regulação e Inspeção de Jogos (SRIJ); and
- EgC used the findings of desk and field research to confront, adjust and validate the findings of the survey.

To sum up, the report is primarily based on inputs from individual online gamblers , whilst other parts of the work have been kept for the exclusive use by RGA and its members, whom we would very much like to thank for their contribution to this outcome.

⁽¹⁾ Online Portuguese Gamblers Association was created in August 2012 aiming to defend and support Portuguese online gamblers.

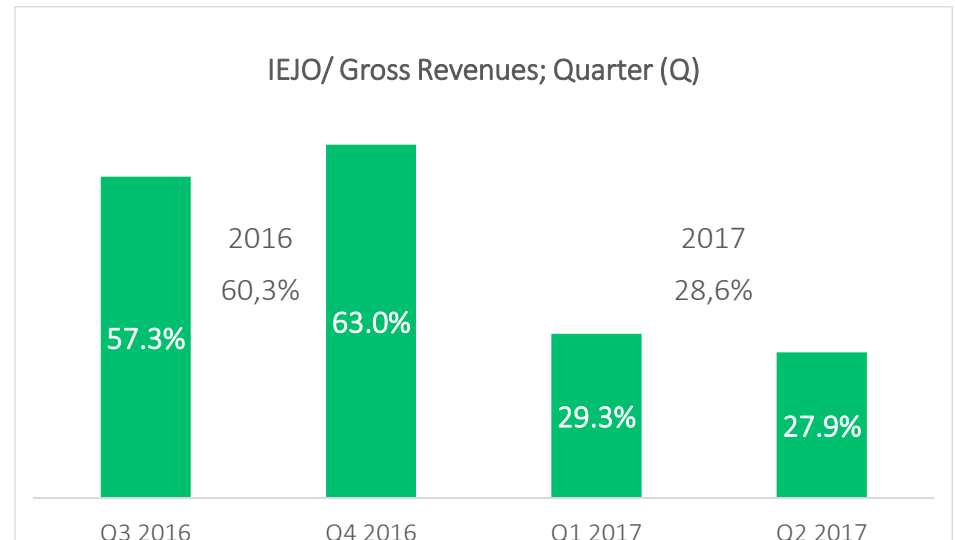
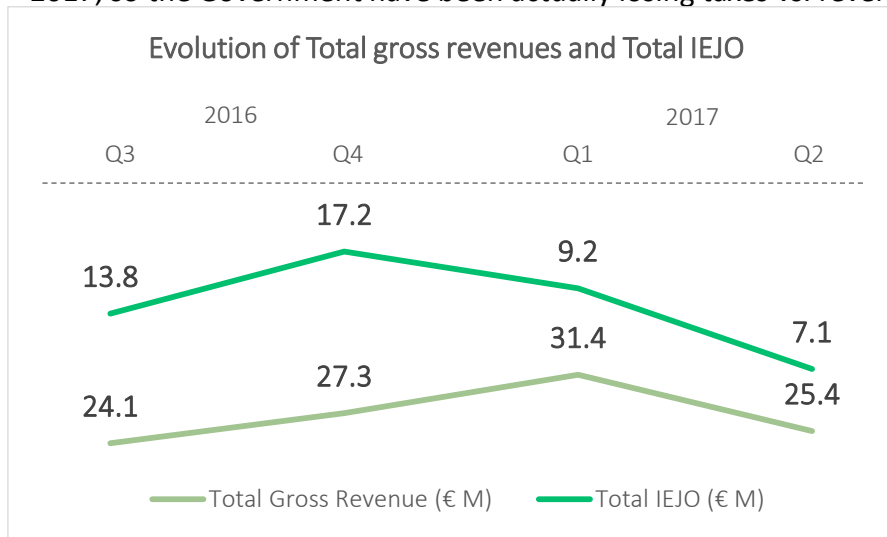
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The Regulator's Public Report

The authority responsible for the regulation of all gambling activities in the country is Instituto do Turismo de Portugal (ITP) but the integrated body that regulates, controls and inspects land-based and online gambling is Serviço de Regulação e Inspeção de Jogos (henceforward SRIJ).

SRIJ recently published a report that evaluates the online gambling activity in Portugal – it evaluates the online gambling market performance on a quarterly basis from Q3 2016 to Q2 2017. The total Gross Gaming Revenues (GGR) generated over this period amounts to € 108,2M. Following the publication of the report, SRIJ granted additional licensed to date, a total of 11 licenses granted – sports betting (4) and games of chance (7) – have been granted to 7 operators.

According to the reported data, the total gross revenue per quarter reached its maximum in the Q1 2017, but fell to € 6M the very next quarter (vs. total increase of € 7m). The Gambling Tax revenues (IEJO) reached a peak in Q4 2016 and have been decreasing ever since (it dropped by almost € 11m). Even though the Portuguese government was able to collect up to € 46,8m in taxes during this period, € 31m were collected in 2016 in comparison to only € 15,8m in 2017, over a similar period of time. Also, GGR vs. IEJO dropped 32.5% between 2016 and 2017, so the Government have been actually losing taxes vs. revenues.



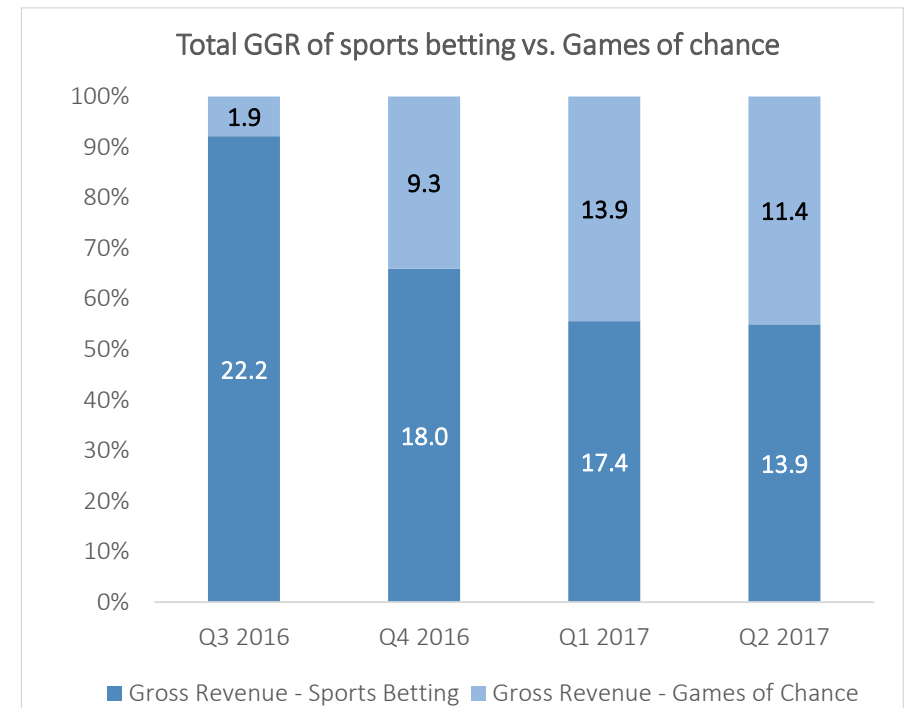
MARKET EVOLUTION: GGR PER GAMBLING SEGMENT

Sports betting generated GGR of € 71,5m, which accounts for 66% of overall revenue – the largest share online gambling market with only 3 licenses given; but revenues started dropping over the last quarters.

On the other hand, games of chance generated a total GGR of € 36,5m, accounting only for 34% overall revenue, but revenues actually increased during the first three quarters, which also corresponded to the entrance of new operators. Last quarter, 4 licenses were already granted and revenues dropped approximately 18%.

Total revenues each quarter have ranged between € 24m and € 31m, with the last quarter accounting for € 25,3m also meaning decreasing revenues of both sports betting and games of chance.

Year	Games of chance generated	... which accounts for	Sports betting generated	... which accounts for	TOTAL
2016	€ 11,2M	22%	€ 40,2M	78%	€ 51,4M
2017	€ 25,3M	45%	€ 31,3M	55%	€ 56,6 M
TOTAL	€ 36,5M	66%	€ 71,5M	34%	€ 108 M



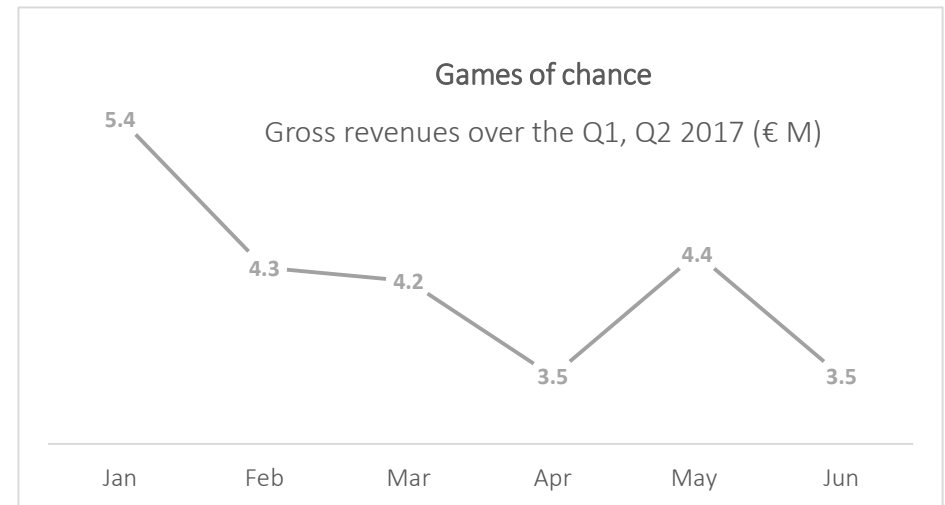
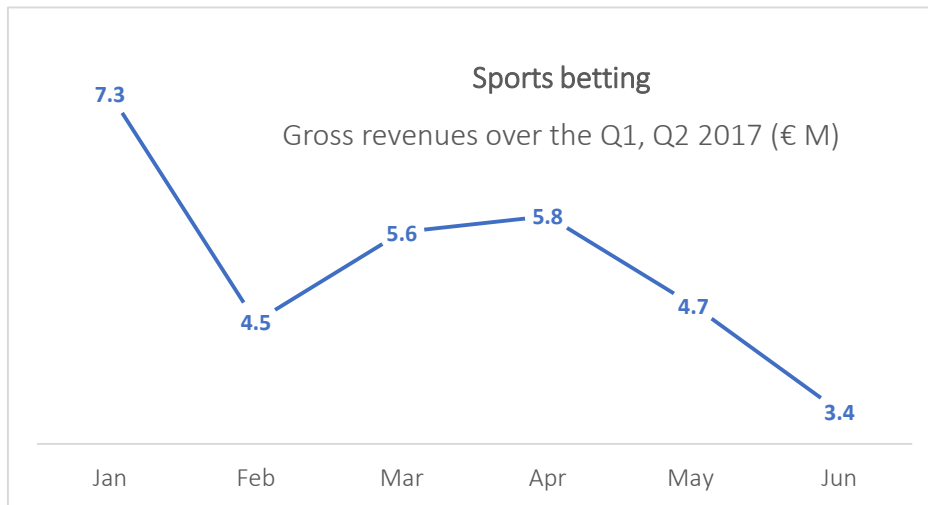
In the SRIJ report there is no data regarding the last half of 2016 neither on sports betting nor games of chance. Concerning the data available on the 1st half of 2017:

Sports betting experienced a gross revenue peak in January, but dropped 62% in February (€ 7,3m). From April to June gross revenues have declined over the last 3 months, reaching a minimum of € 3,4m in June 2017.

- Football accounts for 75,4% (€ 24m), by far the largest sporting modality, and Tennis accounts for 14,0% (€ 4m).

Games of chance have also experienced a gross gaming revenue peak in January (€ 5,4M), dropping 26% in February. The minimum gross gaming revenue was € 3,5m in both April and June 2017.

- Slot games are the preferred game of chance, representing 38,1% of overall segment revenues (€ 10m);
- Poker (single licensed provider – PokerStars) accounts for approximately € 8M: cash poker representing 23,9% vs. tournament poker representing only 8,7%.



The registration of new gamblers on regulated online platforms peaked during Q4 2016 but it has been slowing down every quarter ever since.

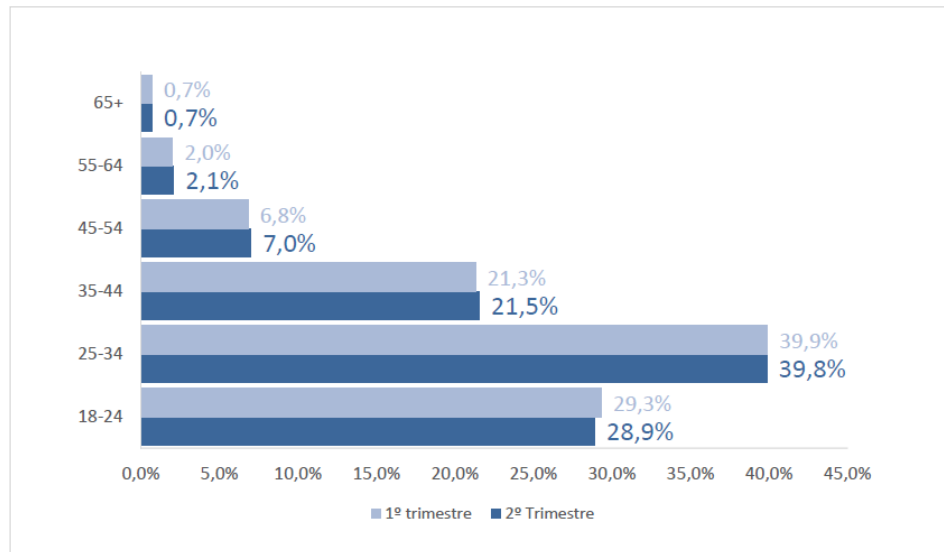
Unfortunately, the data available does not allow to distinguish the number of registrations between segments (sports betting vs. games of chance), which blocks a further analysis, likely to accurately explain the peaks on the number of registrations (could be based on promotions and campaigns – e.g. the registrations' peak in Q4 2016 could relate to the November's launch of Amaya Gambling's PokerStars brand).

SRIJ reports a total number of registrations of 588k, but SRIJ is simply summing up the registrations across licensed platforms not taking into account neither NIF nor Number of Citizen Card, which means the same gambler could (most likely) be registered in 1+ platform. Thus, this cannot be taken as the total number of registered gamblers in Portugal since it is inflated and not accurate. Besides, SRIJ's report makes no distinction between registrations and active accounts – a useful concept used in other countries' reports (e.g. Spain).

Although the cumulative number of registrations has increased, the number of new registrations has slowed down since Q4 2016 (112k vs. 64,4k new registrations in Q1 and Q2 2017, respectively). In 2017, there was a new registrations' peak in April (40,6k), once again, most probably due to some promotion or campaign, since it rapidly decreased again to a minimum of 9,6k new registrations in June 2017.

By the end of June 2017, the number of gamblers who have requested self-exclusion from Portuguese-licensed sites was 11,5k, or roughly 1.9% of the total theoretical number of gamblers. Of these, 2,5k had gone on to rescind their self-exclusion request.

With regard to demographics, the SRIJ report states that the majority of the registered online gamblers are between 18 and 44 years old (90,3%), from which 39,8% and 28,9% are in the age range of 25 to 34 and 18 to 24, respectively. The data reported about the second half of 2016 and first half of 2017 corroborate these age ranges.



Distribution of online gamblers per age range, SRIJ report Q2 2017

According to the report, the highest portion of registered online gamblers is in Porto (21,5%). Lisbon (19,9%) is the 2nd region with the highest number of registered online gamblers and then Braga (9,5%). These 3 cities have been pointed out as the main areas since the first report was published (last half in 2016), with almost no percentage variability.

Aveiro and Setúbal together account for 15% of total registrations within the country. The lowest number of registrations is in Portalegre (less than 1%).

When disclosing figures for Q1 2017 (including 2016/2017 information), SRIJ mentioned some data on fighting measures applied against unregulated market:

- Notifications – 220 offshore operators have been notified (cease-and-desist notices) since 29 June 2015;
- PT IPS DNS Blocking – Communications Service Providers⁽¹⁾ were requested to block 146 offshore operators;
- Criminal proceedings – Public Ministry has initiated 9 cases of criminal proceedings against offshore operators.

The last report does not mention anything concerning enforcement measures against offshore operators. This could indicate that SRIJ has put less emphasis during that last quarters on those measures, which have been heavily criticized for being ineffective and inefficient in channeling consumers towards onshore operators.

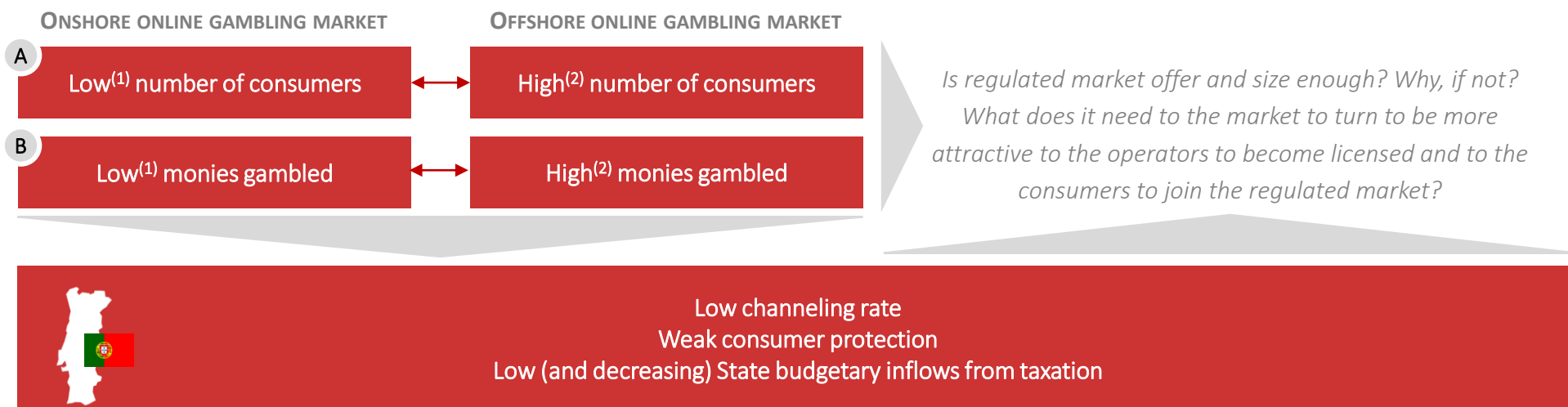
⁽¹⁾ MEO, NOS and Vodafone

IS THE REGULATED MARKET MAKING THE BEST OF IT?

BRIEF HYPOTHESIS ON MARKET DYNAMICS

GGR vs. IEJO, even though comparing different quarters, have dropped significantly. Correspondingly, in the period under analysis, it is in fact clear that there is a steep decrease in State revenues coming from gambling taxation. After a year and half, it remains a small legal online gambling market with little evidence that many more operators are willing to join, most especially among international operators.

The new law was mainly designed to protect consumers, reduce the so-called “grey area” by channeling consumers towards onshore operators, and increase budgetary inflows from gambling taxation. Even by looking over a short period of time, we might draw a couple of hypothesis on the market dynamics, which will be confronted to the market survey as outlined in the following sections.



Seasonality might take a role in here but the timeline and data are not sufficient to determine it. In both A and B hypothesis, we are assuming that there are neither players giving up gambling nor new playing coming in – the same number of active players move between regulated and unregulated market. The flow (consumers and/ or monies gambled) towards unregulated market should be the most obvious explanation for the decreasing of IEJO; SRIJ’s report doesn’t give information of IEJO by gambling segment, but its decrease would be mainly occurring due to sports betting (tax on stakes).

⁽¹⁾ Could also be decreasing, even though there is not enough available data and information directly suggesting it

⁽²⁾ Could also be increasing, even though there is not enough available data and information directly suggesting it

03

Market Research Survey

EgC developed and conducted an online survey (in Portuguese) aiming to ascertain the size of the online Portuguese gambling market through the responses of Portuguese online gamblers. The online survey touched upon essentially two main themes (see appendix 8):

1. Online gambling Portuguese players' profile;
2. Online gambling Portuguese players' habits and preferences.

The survey's questions were structured in a way that allowed us to provide an estimate for the offshore market in Portugal, even though we must admit that there are limitations to this approach. Importantly also, one of the questions allowed us to identify and rank the reasons why Portuguese online gamblers choose to gamble with offshore operators, where applicable.

The survey was sent by e-mail to a list of contacts, published on the *website* "Academia das Apostas" and a couple of private group Facebook pages on which we were able to reach out to Portuguese online gamblers, with the support of ANAon.

The survey was designed to be easy to fill in (respondents spent 3 minutes on average to complete it) in order to collect as many responses as possible and get a sizeable sample. From the 1 363 responses we received, 39 did not come from online gambling players and 282 were incomplete. We excluded both sets of responses from the survey. Ultimately, we had a total of 1 042 complete and valid responses.

Based on a total number of registrations in the Portuguese market, i.e. 588k according to SRIJ's most recent report, a confidence interval of 95% and a margin of error of 5%, we concluded that we should collect at least 384 responses for the sample to be representative⁽¹⁾. It must be pointed out that SRIJ confirmed that 588k refers only to the number of registrations across all licensed operators and does not actually constitute the number of individual online gamblers on the market. Following interviews with licensed operators, we estimate the number of individual online gamblers to be around 120k, which would require at least 383 responses for the sample to be representative.

Therefore, we considered the 1 042 complete and valid responses to be sufficiently representative to assess the Portuguese online gambling market dynamics. However, it must be noted that although we reached out to a statistically representative sample, we did not consider any stratification (e.g. age or geography), which would have further fine-tuned our methodology.

⁽¹⁾ www.surveymonkey.com/mp/sample-size-calculator

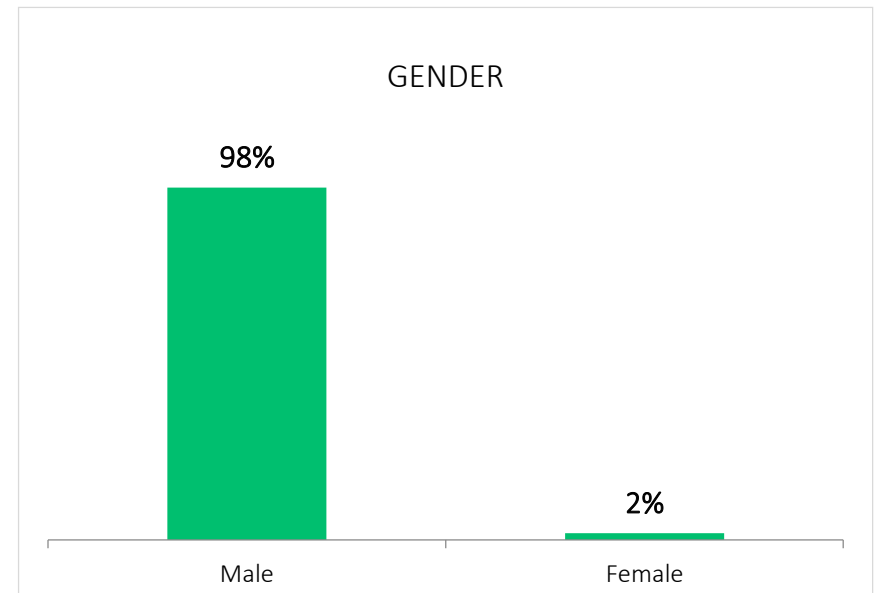
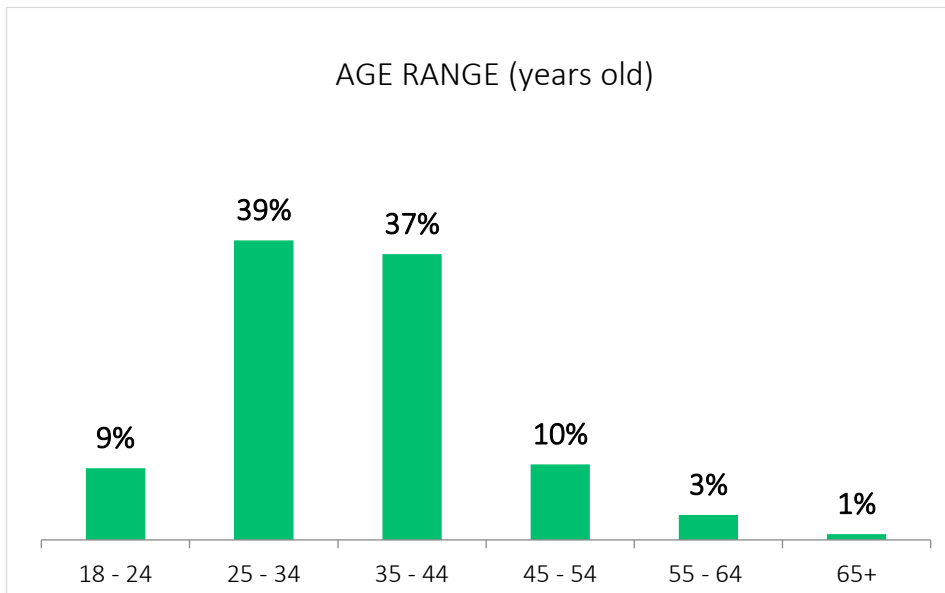
DEMOGRAPHICS OF THE PORTUGUESE ONLINE GAMBLER'S PROFILE

PROFILE OF ONLINE GAMBLERS MATCHES OFFICIAL DATA FROM SRIJ

In the survey, featured a couple of questions related to demographics: i.e. age and gender. With regard to age range, the conclusions we drew are in fact similar to those from the SRIJ report, which further evidences the representativeness of our sample. An overwhelming majority of Portuguese online gamblers are between 25 and 44 years old and a small minority are 55+ and even smaller so 65+.

The predominance of male gender is a reality in the Portuguese gambling market, at least since 2012⁽¹⁾. There is only one exception, i.e. a particular gambling national product “Raspadinha”, which is owned by SCML. In that case only, male and female gender both gamble somewhat equally.

We can simply conclude that the Portuguese online gambler profile is male and young.



⁽¹⁾ “Perfil do Jogo e dos Jogadores em Portugal”, SICAD (2012)

REGISTRATIONS ON THE ONLINE GAMBLING PLATFORMS

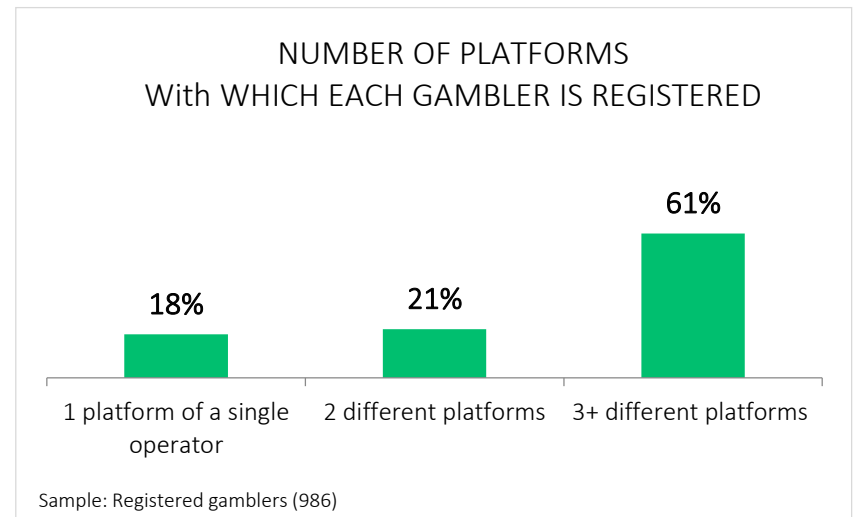
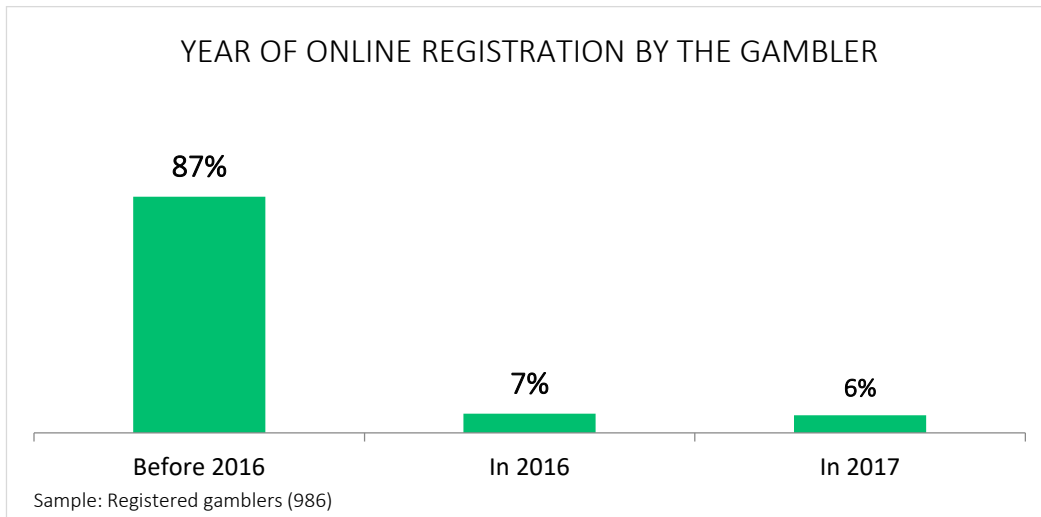
A SMALL PORTION OF GAMBLERS REGISTERED SINCE 2016, A MAJORITY GAMBLE WITH 3+ OPERATORS

Out of 1 042 respondents, 95% responded to be registered at least with one online gambling operator (onshore or/and offshore) and 5% did not. With regard to the 5% that were not registered, we later on found out that they were mainly respondents who gamble with offshore operators and who know the law, so they were probably telling us that they were not registered with operators licensed in Portugal.

Those that answered “Yes” when asked if they were registered online, were also asked for how long and with how many platforms they use for their gambling activities.

The number of registrations in 2016 (7%) and 2017 (6%) is small compared with 87% of respondents who admitted to be registered before 2016. Importantly also, most of the respondents registered with an online gambling platform between 2010 and 2015.

Registered online gamblers mostly use 3+ different platforms (61%), and they are less likely to gamble with one operator only (18%). This means that a very large majority of these gamblers are registered with 1+ gambling platforms, so by summing up registrations of all licensed operators, SRIJ appears to inflate significantly the number of actual online gamblers in the Portuguese market. To support this finding, later on in the survey, we realized that 32% of the gamblers who are registered online gamble with licensed operators only.



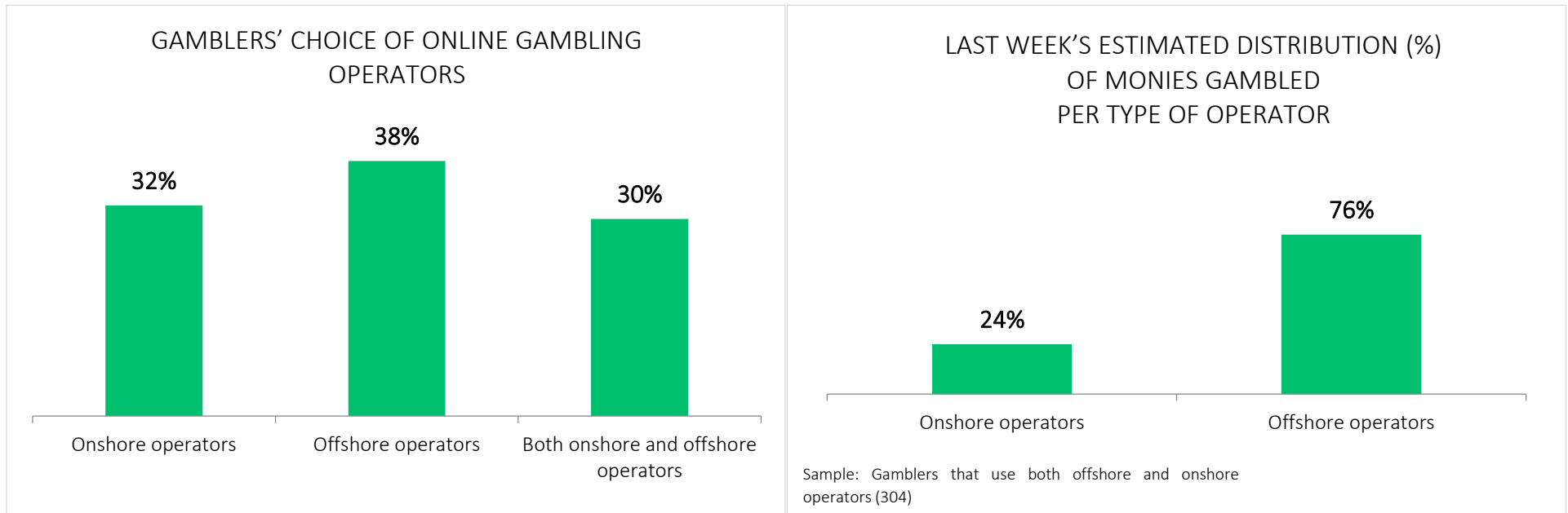
PREFERENCES TOWARDS ONLINE GAMBLING OPERATORS

LEGISLATION IS KNOWN, BUT STILL 38% OF GAMBLERS USE OFFSHORE OPERATIONS ONLY

The vast majority of the respondents told us that they know the new legislation for online gambling in Portugal, only 8% admitted they did not know it.

With regard to the offshore market in Portugal, we can conclude that it remains very significant from a consumer point of view: 38% of gamblers choose to gamble with offshore operators only and 30% gambling with both offshore and onshore operators. In the latter case, they appear to gamble much more money with offshore than they do with onshore platforms (76% vs. 24%). The overall funds gambled on the Portuguese online gambling market appear to be mainly gambled offshore.

Interestingly also, the most important group of online gamblers, i.e. those between 25 to 44 years old, tend to use offshore platforms or both onshore and offshore ones.

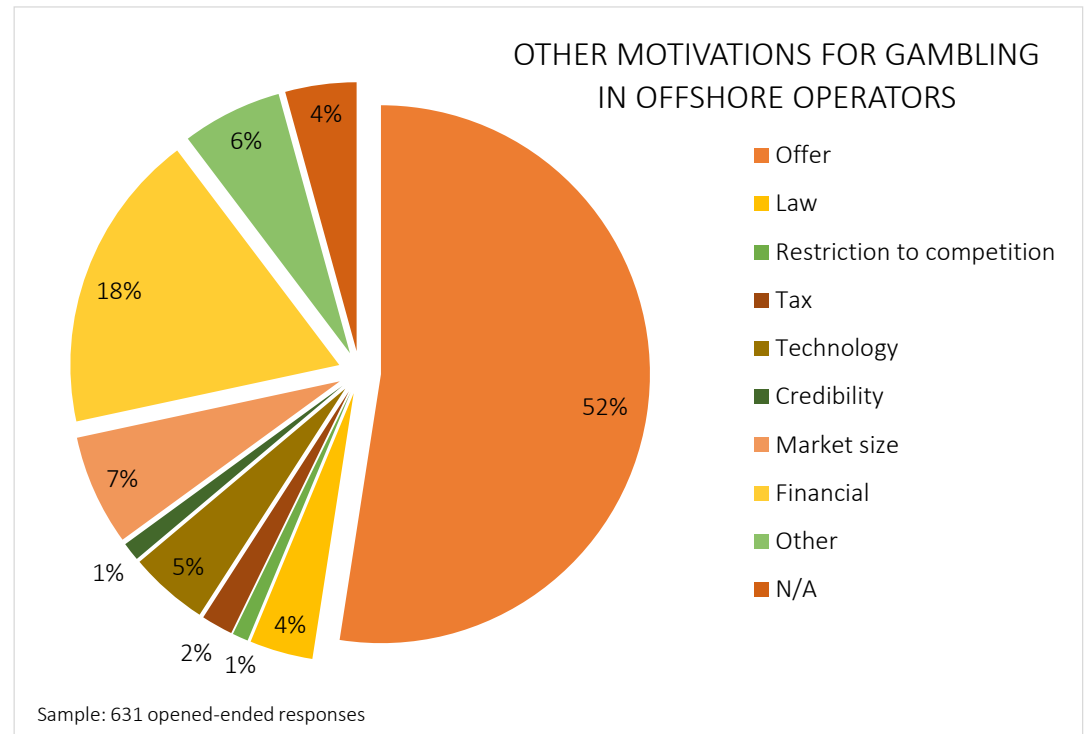


WHY ARE THERE GAMBLERS USING OFFSHORE OPERATORS?

BETTER ODDS IS GAMBLERS' PRIMARY CONCERN WHEN GOING OFFSHORE

Four of the main reasons why gamblers choose to use offshore operators were ranked by the respondents by order of importance. Portuguese gamblers told us that the most important reason why they go for offshore platforms is that they offer better odds and the least important reason would be better bonuses. Better service and higher payout were more or less equally ranked by respondents. It must be noted also that better odds and higher pay-outs constitute very similar concerns for customers when it comes to online betting as it relates to the return to the player but this is not necessarily the case when it comes to online gaming where no odds are offered, which explains why we decided to keep them separately. In any case, better odds being the primary reason why consumers go offshore is consistent with the fact that online sports betting constitutes the biggest segment of the online gambling market in Portugal and also the most restricted due to taxation.

631 respondents also provided additional motivations for choosing to go offshore, based on a open question. We grouped them as follows.

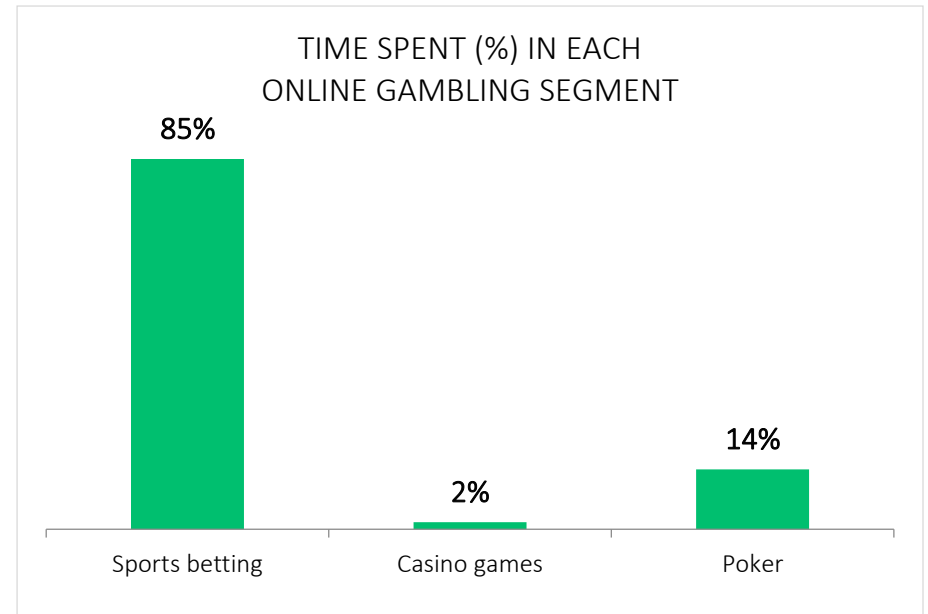
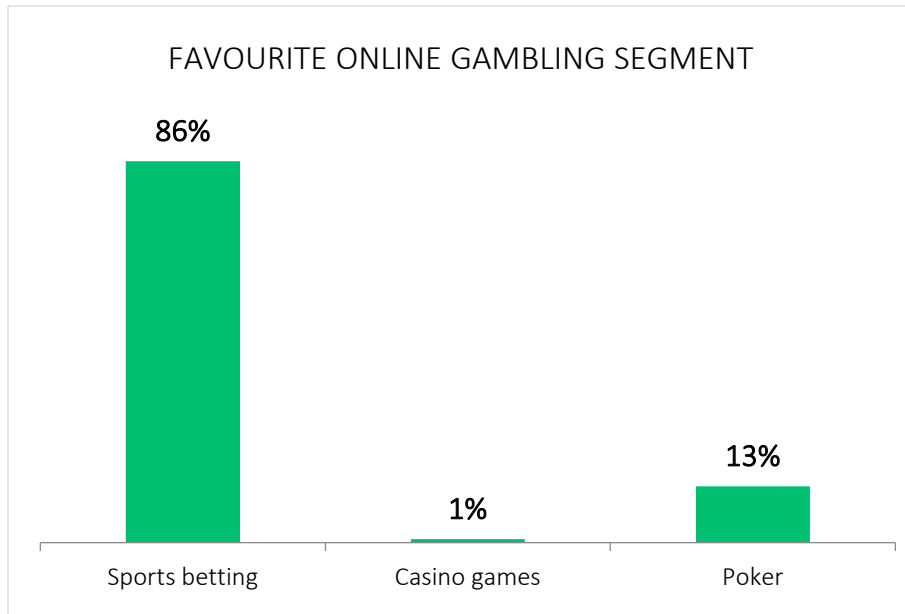


FAVOURITE ONLINE GAMBLING SEGMENT

DATA COLLECTED SHOWS CONSISTENCY WITH SRIJ'S REPORTS

With regard to their preferred online gambling products, respondents were asked to choose among the 3 major segments in the online gambling market: sports betting, casino games and poker. Most of the Portuguese online gamblers prefer sports betting (86%). The second most popular segment is poker (13%) and the third is casino games, which raises very little interest (1%).

Sports betting is a core segment in the Portuguese online gambling market, which is actually consistent with the predominance of sports betting as reported by SRIJ. This finding further supports the conclusion we drew when looking at the main reasons why gamblers go offshore, better odds and larger product offer.



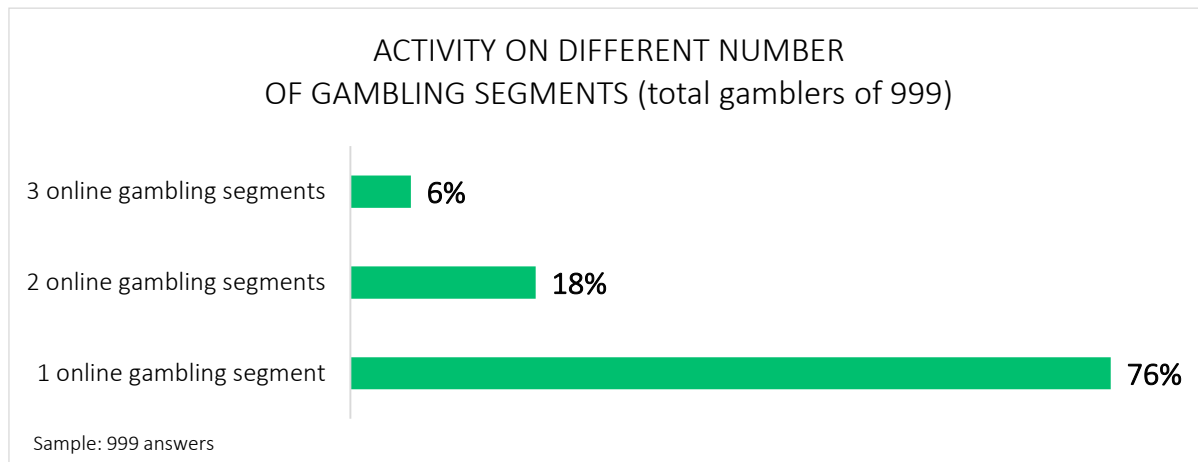
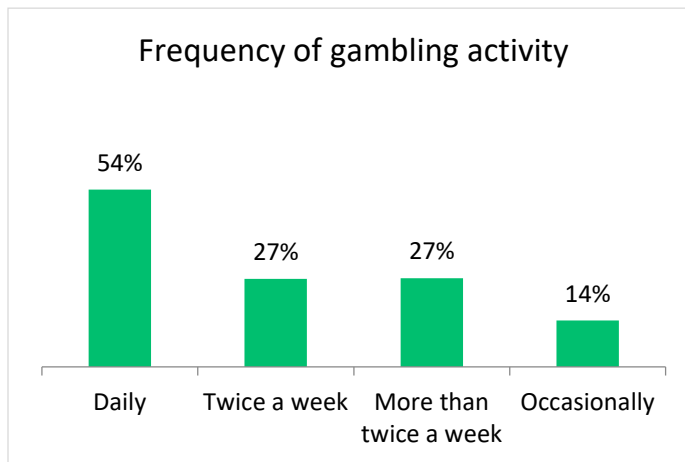
GAMBLING HABITS AND PATTERNS

ONLINE GAMBLING IS A VERY FREQUENT ACTIVITY

Most of respondents tell us that they gamble daily (54%) or more than twice a week (27%). This is probably highly influenced by the segment they gamble the most, i.e. sports betting, which requires gamblers to be very active to get great results. In fact, we could understand that 64% of respondents who gamble on a daily basis or twice a week also spend most of their time on sports betting and 7% spend most of their time on poker.

There was an optional question in this survey asking for an estimated sum of monies gambled (in Euro) per week in each one of the online gambling segment (sports betting, casino games and poker). There were 999 responses to this question allowing to conclude that:

- 755 are gambling in 1 segment (91,5% sports betting, 8,2% poker and 0,3% casino games);
- 244 are gambling in +1 segment (25% gamble in all of 3 segments). Sports betting & poker is the most frequent combination.



ESTIMATION OF MONIES GAMBLED (IN EURO) PER WEEK

05

MONEY GAMBLED PER WEEK: € 1M ON SPORTS BETTING, € 80K ON POKER, AND € 21K ON CASINOS

MONIES GAMBLED IN SPORTS BETTING	
	Number of gamblers	Average per gambler (in Euro)
[1€ , € 10]	138	7
]€10, € 100]	369	64
]€ 100, € 500]	214	332
]€ 500, € 1k]	77	936
]€ 1k, € 5k]	85	3 116
> € 5k	38	15 132
<i>Outliers > € 50k</i>	<i>11</i>	-

MONIES GAMBLED IN POKER	
	Number of gamblers	Average per gambler (in Euro)
[€ 1, € 10]	104	6
]€ 10, € 100]	112	46
]€ 100, € 500]	34	318
]€ 500, € 1k]	9	805
> € 1k	13	4 331

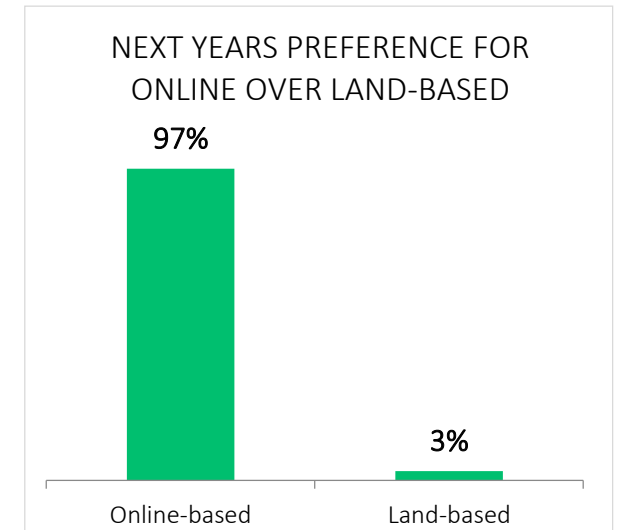
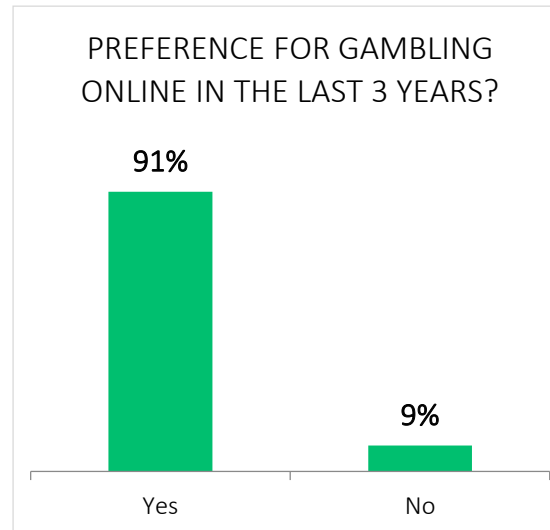
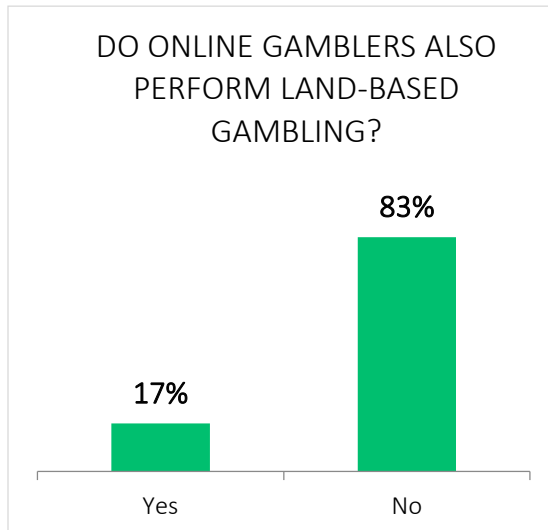
MONIES GAMBLED IN CASINO GAMES	
	Number of gamblers	Average per gambler (in Euro)
[€ 1, € 10]	64	6
]€ 10, € 100]	25	36
]€ 100, € 1k]	7	636
> € 1k	3	5833

FUTURE OF THE ONLINE GAMBLING

GAMBLERS WILL REINFORCE THEIR PREFERENCE TOWARDS ONLINE

The vast majority of respondents do not gamble offline (83%). However, some of them also go for land-based gambling (17%). We could find that 36% of these gamblers' favourite gambling product is poker. Land-based poker competitions are very well known and it is admitted that many offline poker gamblers actually come from online-based gambling.

Online gamblers are mostly young and use intensively the internet. The profile and interests of these gamblers appear to be different from those playing offline. As a result, the online and land-based markets should be perceived as two different gambling market. In that regard, there does not appear to be any major threat of cannibalization of the offline sector. Our reasoning and findings are actually in line with other EU gambling markets, such as Denmark, France or Spain which present no clear evidence of online cannibalizing the offline sector, most especially in sports betting⁽¹⁾.



⁽¹⁾ Regulation of online sports betting in Portugal, PwC (2014)

KEY FINDINGS AND ASSUMPTIONS

We enumerate below the key findings of the survey, which serve as a basis to assess the channelling rate of the Portuguese onshore market:

1. The number of respondents who use offshore operators only is amounting to 32% of the total registered respondents.
2. The number of respondents who use both onshore and offshore operators is amounting to 30% of the total registered respondents;
3. 24% of the funds gambled by onshore/offshore respondents are placed with onshore operators;
4. 75,5% of our respondents gamble on 1 segment (91,5% of them on sports betting, 8,2% poker and 0,3% casino games), and 24,5% of them gamble on +1 segments (25% of them gambling on all of 3 segments). The most frequent combination is sports betting/poker; and;
5. The overall funds gambled per week on the each segments by the group of respondents are as follows: € 1m on sports betting, € 80k on poker, and € 21k on casinos.

Based on the above-listed findings, we estimate that our group of respondents gamble about € 14.4m per quarter and around 39% of these funds are placed with onshore operators.

This figure only gives an indication in terms of overall turnover for the onshore market and is not necessarily a good reflection of the channelling rate in terms of GGR.

In the absence of available figures for the turnover generated by onshore operators (the SRIJ report does not provide such figures), one cannot determine precisely the GGR/Turnover ratio of the onshore market. However, considering the regulatory and taxation constraints under the Portuguese legislation, one can assume that this ratio is much lower for offshore operators than it is for onshore operators, which must generate higher GGR to pay the gambling tax, most especially with regard to sports betting.

Although we cannot provide a precise assessment of the channeling rate in terms of GGR, comparable market figures show that the gap between the channeling rates in terms of GGR and turnover ranges from 15 to 20%. Therefore, the channelling rate in terms of GGR should range between 55% and 60%. However, this figure is purely indicative and is not as well evidenced as it is for turnover in our survey.

AN ASSESSMENT OF THE CHANNELLING RATE OF THE PORTUGUESE MARKET

03

INDICATIVE FIGURES FOR GGR AND TAX REVENUES

Based on the main findings and assumptions under our survey, we have put together the following table, which provides indicative figures for the first three quarters of 2017 in terms of GGR and tax revenues lost under two scenarios: low channelling rate of 55% and higher channelling rate of 60%. It must be pointed out again that these figures are purely indicative as our study has only allowed us to draw solid conclusions with regard to the proportion of players playing with onshore operators and the channelling rate in terms of turnover, which is not necessarily a good reflection of the channelling rate in terms of GGR.

	First 3 Quarters 2017		
	Q1	Q2	Q3
ONSHORE MARKET (actual)			
Gross Revenues (in k Euro)	31 400	25 400	29 300
IEJO (in k Euro)	9 200	6 600	8 100
IEJO/Gross Revenues ratio	29,3%	26,0%	27,6%
OFFSHORE MARKET (low estimate)		<i>55% channelling rate</i>	
Gross Revenues (in k Euro)	25 691	20 782	23 972
IEJO Lost (In k Euro)	7 527	5 400	6 616
OFFSHORE MARKET (high estimate)		<i>60% channelling rate</i>	
Gross Revenues (in k Euro)	20 933	16 933	19 533
IEJO Lost (est. In k Euro)	6 133	4 400	5 391

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APPENDIX 01 – LIST OF STAKEHOLDERS INTERVIEWED

EgC conducted interviews with national and international gambling operators and other important entities in the Portuguese market:

Operators Interviewed

Estoril Sol Digital

Solverde

Betclic Portugal

Sociedade Apostas Sociais Online (one of the licensing applications under analysis)

Betfair (applied for a licence in 2016)

Other Entities Interviewed

ITP

ANAon

Refusals and Unsuccessful Contacts

Bet.pt

Associação dos Casinos de Portugal

PokerStars

Pokerpt

- 1. Identification** (Operator, Interviewee, Position)
- 2. Entity** (mission and activity in the Portuguese market)
- 3. Reasons that led to the investment on online gambling platforms?** Which online gambling segments do they have available in the platform and why that portfolio vs. offering all segments?
- 4. How was the online gambling market in Portugal before becoming regulated?**
- 5. Opinion regarding the current online gambling law vs. comparable markets?** Identify comparable markets/ *case studies*/ gaps/ strength and weaknesses.
- 6. Was it important to regulate the online gambling market in Portugal?** Why do you think so? After the enactment of the new law, do you think the market has changed? Are the objectives to be accomplished? (i.e. absorption rate, reduce fraud, crime and money laundering)
- 7. The application process to get the licenses, how did it go?** Is the application process too bureaucratic? Does it take too long to get the license – how long did it take vs. what was your expectation when you applied?
- 8. Generally, who are the online gamblers?**
- 9. Do you consider the online gambling platforms a good investment** (is it paying off)? **Will you keep on investing in online gambling in Portugal?** Do you have any intention of going for international markets?
- 10. Perspectives for the future of gambling market, specifically online gambling in Portugal?** (e.g. number of online gamblers, online gamblers’ profile, number of licenses, number of online gambling platforms, law revision/ evolution, ...)

Operators and other entities interviewed expressed:

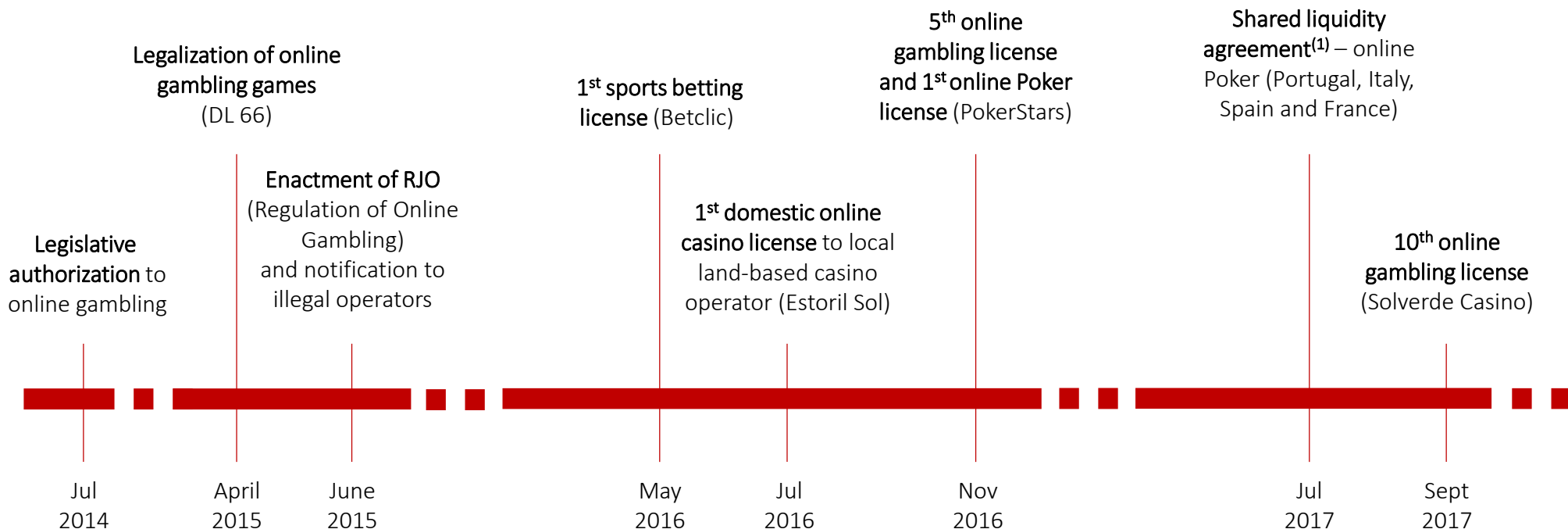
✓ An overall view that online gambling legislation should be reviewed ...

- Allowing for a shorter application decision making process;
- Softening technology requirements, learning from other countries’ experience;
- For not taking into consideration the B2B view (relationship between gambling software vendors and gambling operators), meaning that there is no provisions for preventing software vendors to sell their products to unlicensed operators in Portugal;
- In a way that taxation does not jeopardize the entry of new operators or the sustainability of those that are present in Portugal today;
- Provisions on social gaming exclusion from the scope of the online legislation are considered to be a form of somewhat unfair competition.

✓ The opinion that ...

- Online gamblers’ profiles are typically very different from the land-based, onsite, gamblers;
- There seems to be no damage to land based gambling revenue from the online gambling segment;
- The possibility to interchange gamblers’ data between land based and online operations would increase business, enhance profitability and service provided to gamblers (data protection law being complied with);
- The trend to go online for gambling will increase, should the legislation be changed;
- If legislation and taxation mechanisms do not change, absorption rate will be limited;
- Reports prepared by ITP should be much more detailed, given the amount of data operators are requested to provide, and that more transparency would help current and proposed operators to assess business and opportunities.

1.5 YEARS OF LEGAL OPERATIONS



⁽¹⁾ Shared liquidity is critical to Poker players, but right after DL 66, Portuguese Poker players could no longer perform in these terms legally. The shared liquidity agreement is about a common shared online space between Portugal, Spain, Italy and France in order to reduce fraud, crime and money laundering by creating a more interesting regulated environment for the Poker segment;

APPENDIX 05 – FACTS ON THE LICENSED ONLINE GAMBLING MARKET IN PORTUGAL



24 Applications



16 companies willing to get in the gambling and betting Portuguese market

?⁽¹⁾ in 2016

?⁽¹⁾ in 2017

?⁽¹⁾

in the certification stage



11 licenses granted



7 companies operating in the gambling and betting Portuguese market

46% licenses granted to domestic online casinos

6 in 2016

5 in 2017



2 type of licenses granted out of 4 types provided by the law:

- No bingo or horserace betting offer among the onshore operators in Portugal
- 64% of licenses granted to games of chance vs. 36% to sports betting
- Only one poker provider (PokerStars)

⁽¹⁾ Information not disclosed by ITP

APPENDIX 06 – CURRENT LIST OF LICENSED ONLINE GAMBLING PROVIDERS PER SEGMENT

04

Games of Chance License

ESTORIL SOL DIGITAL, ONLINE GAMING PRODUCTS AND SERVICES, S.A.
License 003 – Blackjack/21, Slots and French Roulette
www.estorilsolcasinos.pt



BEM OPERATIONS LIMITED
License 004 – Slots
www.betcltic.pt



REEL EUROPE LIMITED
License 005 – «Tournament», «Hold'em» and «Omaha» Poker,
Blackjack/21 and French Roulette
www.pokerstars.pt



BET ENTERTAINMENT TECHNOLOGIES LIMITED
License 006 – Slots, Blackjack/21, Bacará Ponto and Banca/Bacará
Ponto and Banca Macau, American and French Roulette
www.bet.pt



SOCIEDADE FIGUEIRA PRAIA
License 009 – Slots, Blackjack/21, Bacará Ponto and Banca/Bacará
Ponto and Banca Macau, American and French Roulette
www.casinoportugal.pt



SOLVERDE – SOCIEDADE DE INVESTIMENTOS TURÍSTICOS
DA COSTA VERDE, S.A.
License 010 – Slots and French Roulette
www.casinosolverde.pt



A NOSSA APOSTA - JOGOS E APOSTAS ONLINE, S.A.
License 011 – Slots



Fixed-odds Sports Betting License

BEM OPERATIONS LIMITED
License 001 – fixed-odds sports betting
www.betcltic.pt



BET ENTERTAINMENT TECHNOLOGIES LIMITED
License 002 – fixed-odds sports betting
www.bet.pt



SOCIEDADE FIGUEIRA PRAIA
License 007 – fixed-odds sports betting
www.casinoportugal.pt
















ESTORIL SOL DIGITAL, ONLINE GAMING PRODUCTS
AND SERVICES, S.A.
License 008 – fixed-odds sports betting
www.estorilsolcasinos.pt



Source: SRIJ

APPENDIX 07 – INFORMATION ON THE CURRENT LICENSED ONLINE GAMBLING PROVIDERS

Operator	Number of licenses	Headquarters
	2	 Malta
	2	 Portugal
	2	 Portugal
	2	 Malta
	1	 Malta
	1	 Portugal
	1	 Portugal

Deposit options	ATM, Visa and Mastercard; many other options e.g. PaySafecard or Paypal depending on the platform.
Commission on deposit	Not applicable for most of operators.
Withdrawal options	Bank transfer; other few options available e.g. Credit Cards or Paypal depending on the platform.
Commission on withdrawal	Not applicable for most of operators or € 5 to withdrawals under a defined amount.
Minimum deposit	€ 5 or € 10 depending on the operator.
Minimum bet	€ 0,09 or € 1,00 depending on the operator.
Client support	E-mail and/or live chat

APPENDIX 08 – STUDY AIMING TO SIZE THE PORTUGUESE ONLINE GAMBLING MARKET (1/3)

Eurogroup Consulting – henceforward EgC – is conducting a market study – to assess the evolution of the online gambling market in Portugal. The following survey, which should take no more than 2 to 3 minutes to respond to, will enable us draw brief conclusions on gamblers’ patterns and their preferences.

Your answer will be treated in strict confidentiality. Many thanks for your support.

I. To get to know you better...

1. How old are you? (choose 1 option)

- 18-24
- 25-34
- 35-44
- 45-54
- 5-64
- 65+

2. Gender? (choose 1 option)

- Male
- Female

3. Are you a registered online gambler? (choose 1 option)

- Yes
- No
- I don't gamble online

II. To understand your habits and get to know you better...

4. Since when are you registered as online gambler? (choose 1 option)

- 2017
- If before 2017, since when? (Open-ended question)

5. Are you registered in... (choose 1 option)

- ... 1 online gambling platform of a single operator
- ... 2 different sites
- 3+ different sites

6. Are you aware of the Portuguese online gambling legislation? (choose 1 option)

- Yes
- No

7. When gambling online, you are using... (choose 1 option)

- ... licensed operators in Portugal.
- ... unlicensed operators in Portugal.
- ... both operators, licensed and non-licensed in Portugal.

APPENDIX 08 – STUDY AIMING TO SIZE THE PORTUGUESE ONLINE GAMBLING MARKET (2/3)

II. To understand your habits and get to know you better... (cont.)

8. Last week, which was the estimate distribution (%) of your monies gambled depending on the type of operator? (it must sum up 100)

Licensed operator _____

Unlicensed operator _____

9. If you are gambling on unlicensed operators, would you tell us why? Please rank the alternatives from 1 (most important) to 4 (least important):

_____ Better bonuses

_____ Better odds

_____ Better service

_____ Higher payout

10. Can you indicate another reason why you prefer to gamble in non-licensed operators in Portugal? (open-ended and not compulsory question)

III. In order to analyze your gambling preferences ...

11. Which one is your favourite online gambling segment? (choose 1 option)

- Sports betting
- Casino games
- Poker

12. Let us know how you distribute (%) your time to each one of the online gambling segments (it must sum up 100)

Sports betting _____

Casino games _____

Poker _____

13. How often do you gamble online? (choose 1 option)

- Occasionally
- Daily
- Twice a week
- More than twice a week

14. What's the estimate sum of monies gambled, in Euro (weekly) in each one of the online gambling segments? (tell us an average of monies gambled per week) (optional and open-ended question)

Sports betting _____

Casino games _____

Poker _____

APPENDIX 08 – STUDY AIMING TO SIZE THE PORTUGUESE ONLINE GAMBLING MARKET (3/3)

III. In order to analyze your gambling preferences ... (cont.)

15. Do you also gamble offline (land-based)? (choose 1 option)

- Yes
- No

16. Have you preferably gambled online in the last 3 years? (choose 1 option)

- Yes
- No

17. For the years to come, if you continue gambling, which channel will you prefer? (choose 1 option)

- Online
- Offline (land-based)

If you are willing to, please let us know the reasons of your preference. (optional and open-ended question)

Many thanks for your contribution. Your reply will be handled in strict confidence, be assured!

Eurogroup Consulting

417 online gambling platforms in Portuguese language (Portugal)

368 Portuguese-language sites accept Euros

189 online casinos accepting play from any location

90 online sportsbooks or 1 betting exchanges accepting play from any location

41 online poker rooms accepting play from any location

33 online poker rooms accepting play from any location with Euros

176 online casinos accepting play from any location with Euros

75 online sportsbooks or 1 betting exchanges accepting play from any location with Euros

8 online bingo sites accepting play from any location

5 online bingo sites accepting play from any location with Euro

APPENDIX 10 – ILLUSTRATION OF GAMBLERS’ MOTIVATIONS TO USE OFFSHORE PLATFORMS (1/2)

- | “Unfortunately, we only have PokerStars for poker. I gamble only in other operators which give me **cash-out in less time.**”
- | “**Better profitability** and **less losses.**”
- | “There is no **‘trading’** in Portugal.”
- | “**International shared liquidity.**”
- | “**Unfair odds.**”
- | “The **odds** of licensed operators are not minimally attractive.”
- | “Being a poker player, it pays off gambling in other operators (unlicensed) with **more players** which allows me getting **higher payouts** and **better offers.**”
- | “**Better accessibility** via mobile apps. Sports **‘live’**. Way **larger range of sports betting offer.**”
- | “**Better layout.**”
- | “**Higher payout.**”
- | “(...) **Customer loyalty programs, better odds, higher graphic quality.**”
- | “**Larger poker pool.**”
- | “**Diversification** of the markets in which we may gamble.”
- | “**Better odds** for the same bets.”
- | “**More competitions, larger market size, better odds.**”
- | “There is no **trading offer** in licensed operator in Portugal.”
- | “They accept **‘digital wallets’** (e.g. Skrill).”

APPENDIX 10 – ILLUSTRATION OF GAMBLERS’ MOTIVATIONS TO USE OFFSHORE PLATFORMS (2/2)

“Before the new law, PokerStars could offer such a **larger market size**, along with **better payouts**, the gambling level was higher and it had much more to offer. These days I don’t feel like playing poker anymore, because the licensed operator has not enough players.”

“**Cash-out**’ is always available.”

“**Market diversity** and much **more betting options**.”

“**Mutual betting** over fixed-odds betting.”

“I do **‘trading**’ which is not available in Portugal.”

“Much **more casino games offer**, **platforms’ versatility** and (almost) **unlimited access to ‘streams’**.”

“**Better odds** and **more betting options**.”

“**Exchange betting** with **international liquidity**.”

“**Better service** and **platforms’ usability**.”

“Much **larger market size**, **more betting options** and **more competitions**.”

“The not yet regulated **exchange betting** and **international liquidity**.”

“Licensed operators do not meet **‘rollovers’**”.

“**Cash-out**’ is always available, but in Portugal when monies gambled are not in favor of the operator, cash-out takes time.”

Better gambling quality and **higher profitability**.”

“**Deposit methods available**.”

“In Portugal there is **no mutual sportsbook** and **no international liquidity**.”

“The **American leagues** are not available.”

...



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