



BEST PRACTICES FOR AN EFFECTIVE GAMING REGULATION IN BRAZIL

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- **MDF Partners** is a strategic consultancy company founded by **Mauro De Fabritiis** and a group of consultants with experience in the gaming industry during the last 15 years
- **MDF Partners** team has advised the regulatory bodies of **Italia (ADM)**, **France (ARJEL)**, **Spain (DGOJ)** and **Colombia (COLJUEGOS)** in the definition of regulatory models that, aligned with the State goals, allow the adequate development of the legal gaming offer while reducing the impact of the illegal market
- **MDF Partners** also advises **operators and gaming companies** in strategy, positioning, startup, business development and M&A in regulated markets

EXPERIENCE WITH REGULATORS

REGULATOR



AAMS

- Support in organization and management of gaming public tenders
- Specific initiatives related to online gaming (definition of gaming account requirements, contract contents, etc.)
- Projection and redaction of gaming regulations
- Other initiatives



ARJEL

- Support on the definition of the regulatory framework
- Impact analysis of critical aspects in the regulated market



DGOJ

- Definition of guidelines for the regulatory model
- Preparation of tender documentation and selection criteria for operators
- Definition of control system guidelines
- Definition of requirements to adapt the technical architecture



COLJUEGOS

- Definition of online gaming regulatory framework
- Definition of online gaming technical model
- Definition of requirements for retail betting

MAIN PROJECTS

EXPERIENCE WITH OPERATORS

STRATEGY

- Strategic planning
- Business models
- Products portfolio diversification
- Market analysis
- Brand strategy

INTERNATIONALIZATION

- Target Country Analysis
- Partner Scouting
- Administrative procedures
- Entry strategy

STARTUP

- Business Assessment
- Make or Buy
- IT architecture and implementation models
- Operative marketing

M&A

- Scouting
- Business data analysis
- Due diligence and process support
- M&A implementation and follow up

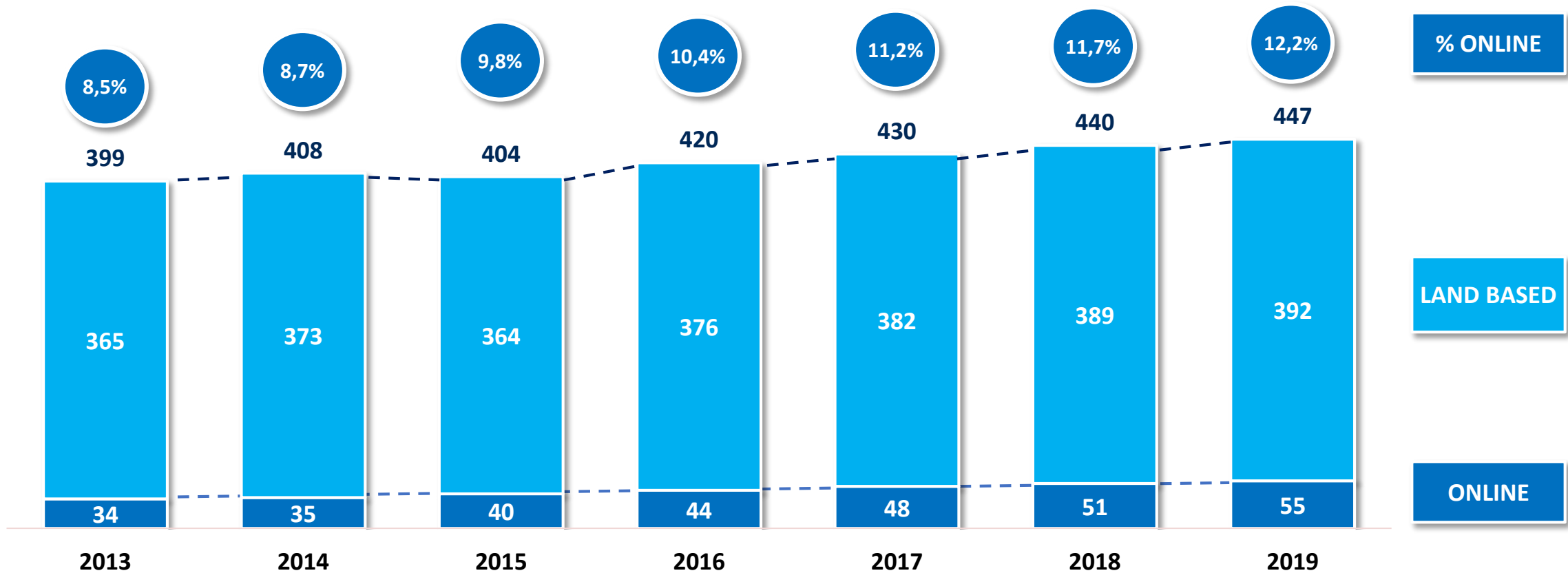
CONVERGENCE

- Land-based – Remote/Remote – Land-based
- Chance – Social gaming
- Entertainment - Gaming

OPERATIONS

- Business Planning
- Products development
- Retail
- Organization design
- Payment tools

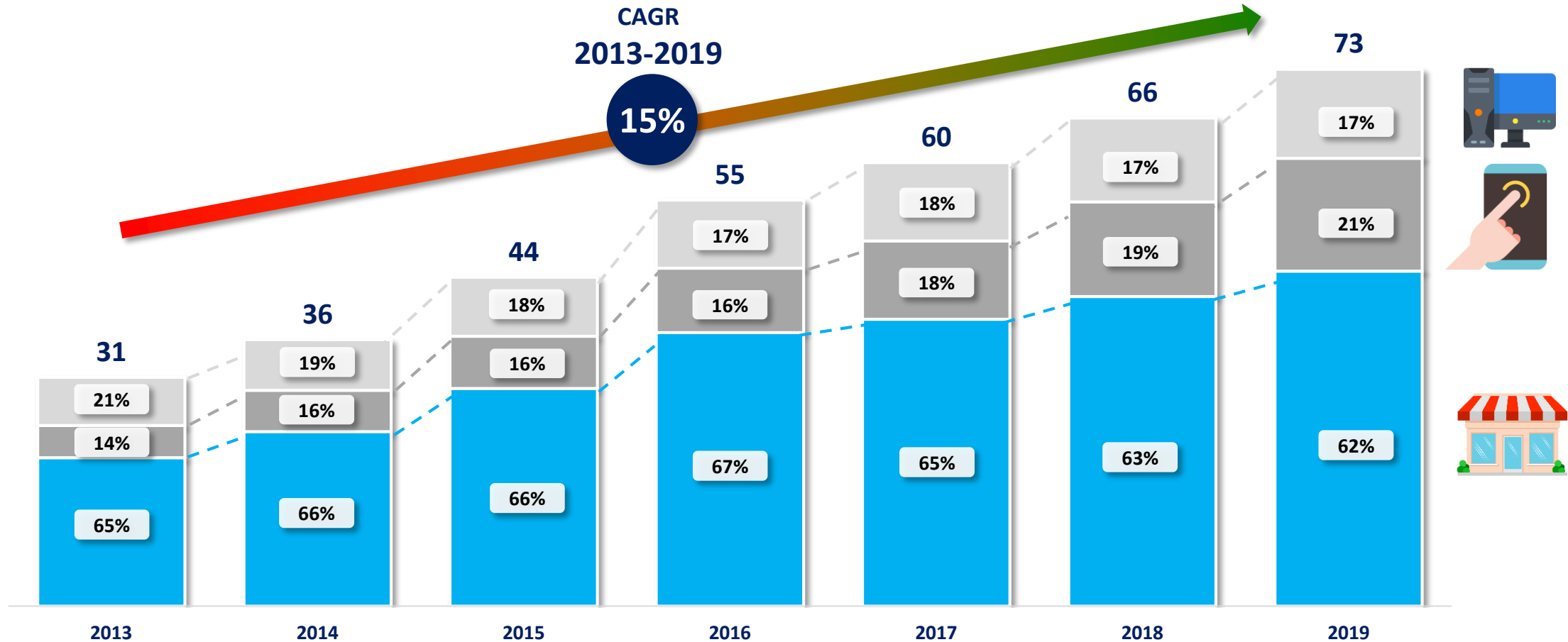
Global vision of the gaming market (€bln GGR)



Source: MDF Partners estimations on different sources

Global gaming market is showing a sustainable growth especially thanks to the good performance of online gaming

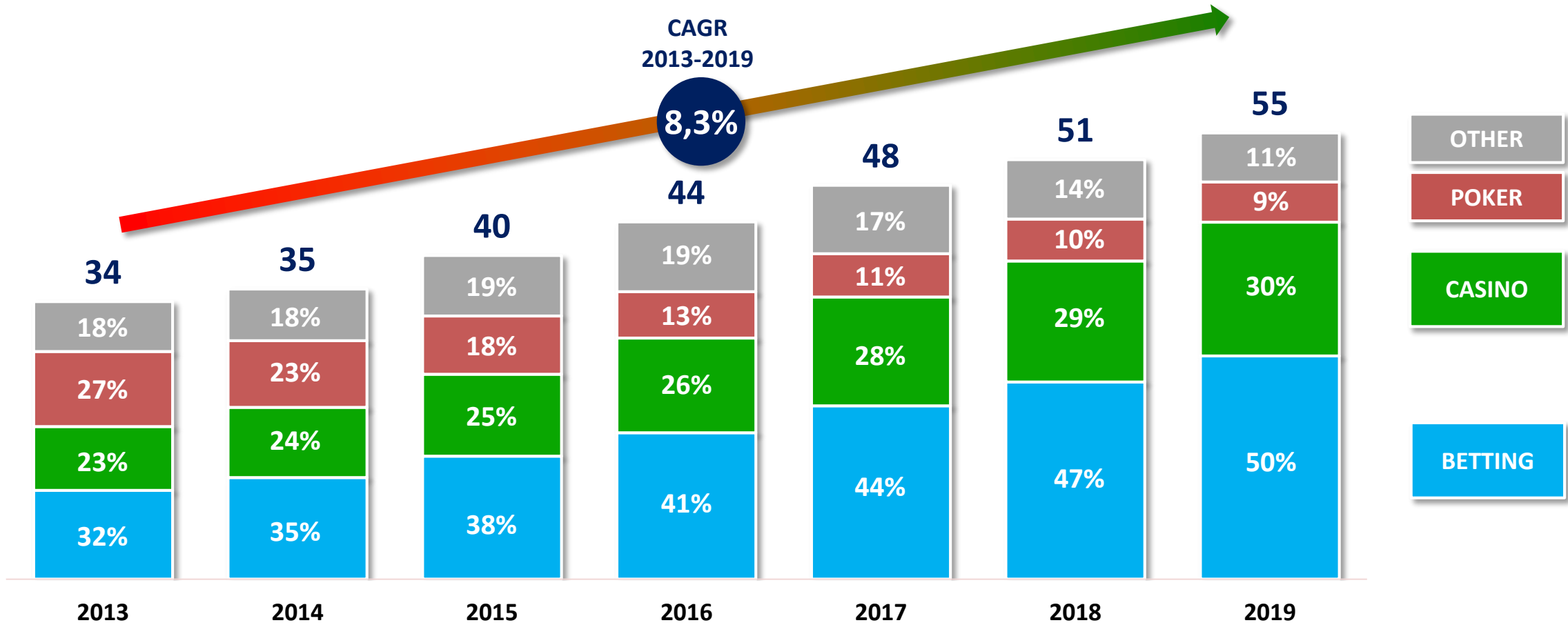
The sport betting market (€bln GGR)



Source: MDF Partners estimations on different sources

Sport betting global market is showing a sustainable growth especially thanks to the good performance of online sports betting, especially through the mobile channel

The online gaming market (€bln GGR)



Source: MDF Partners estimations on different sources

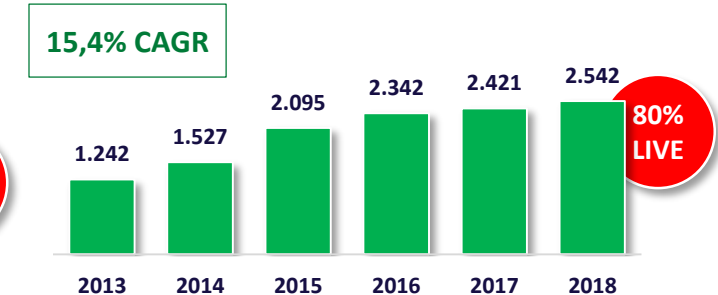
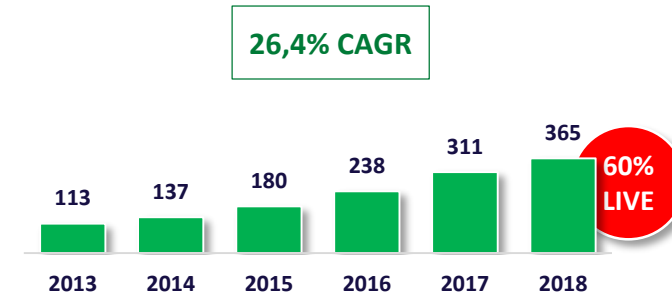
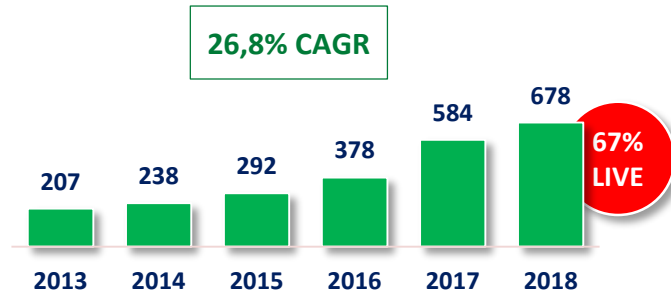
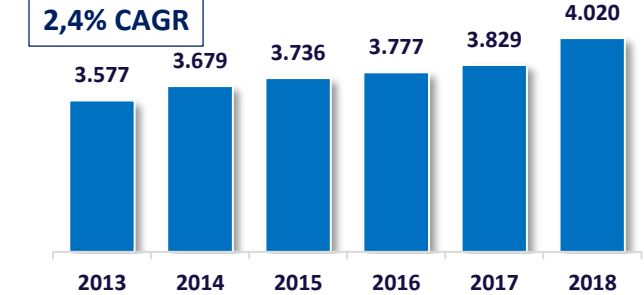
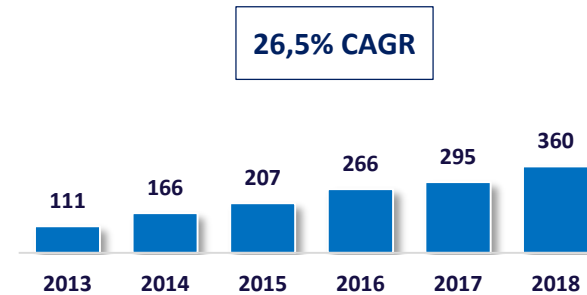
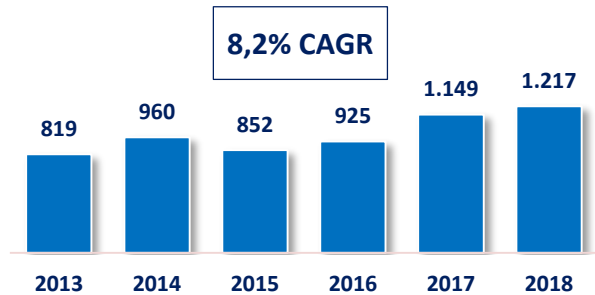
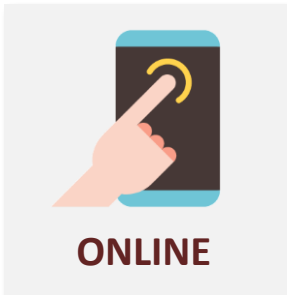
The market is lead by betting and casino growth, a trend that will continue in the medium term

Betting in Europe (€mln GGR)

ITALY

SPAIN

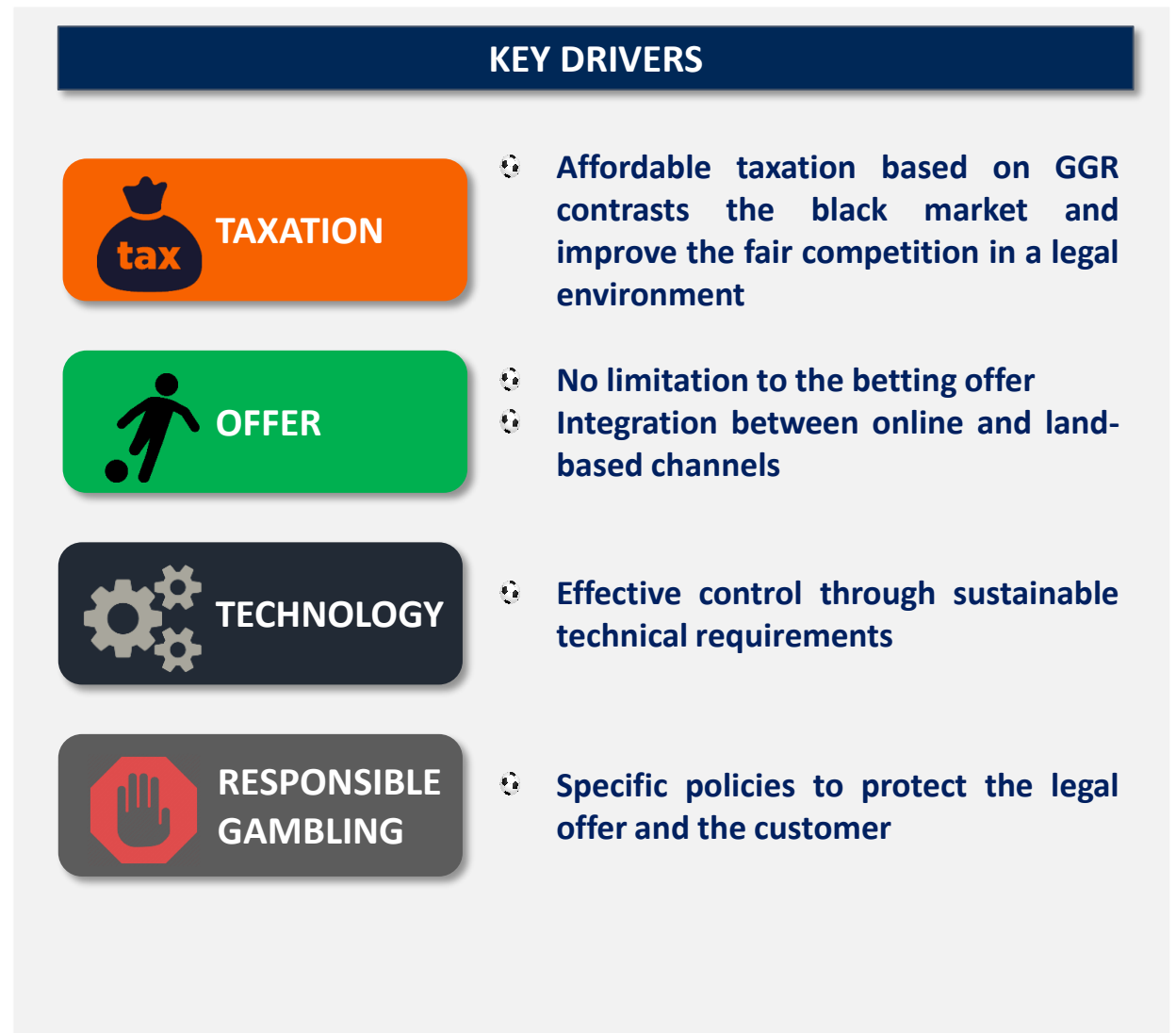
UK



Source: MDF Partners on official data

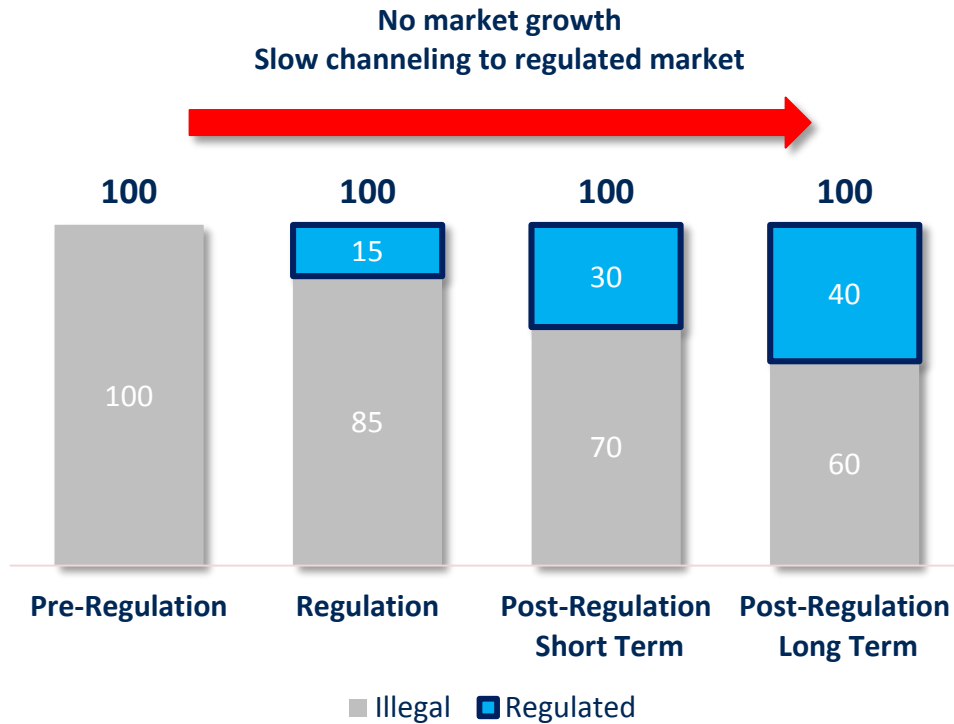
Online and retail betting show important growth in the main European markets

The gaming ecosystem: Key drivers for the regulation

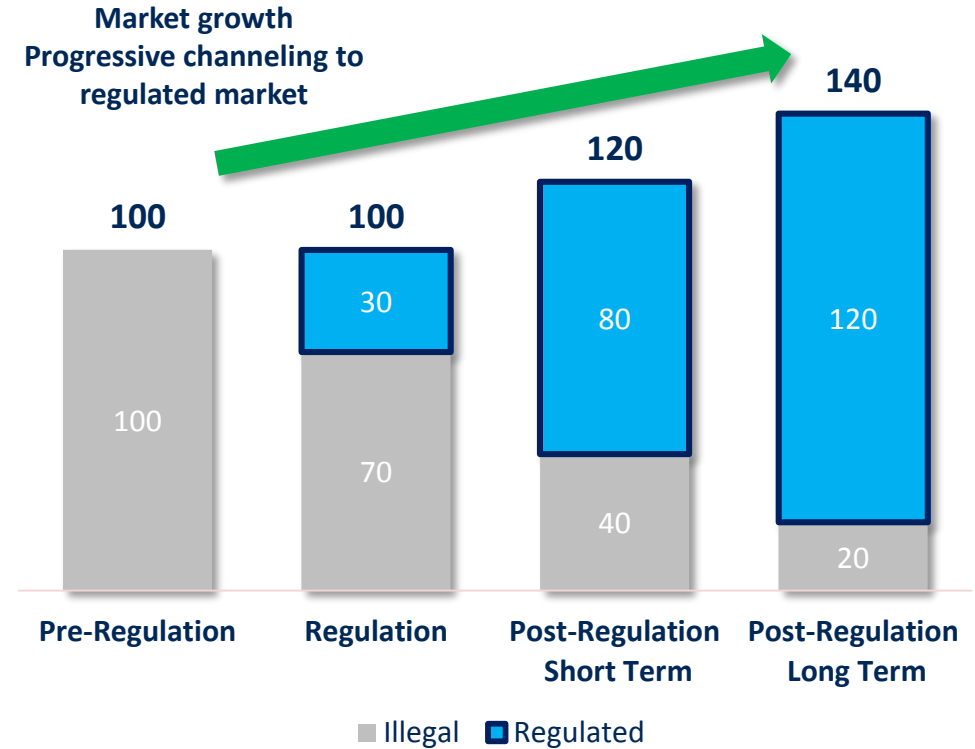


The complicated fight between legal and illegal market

UNEFFECTIVE REGULATION



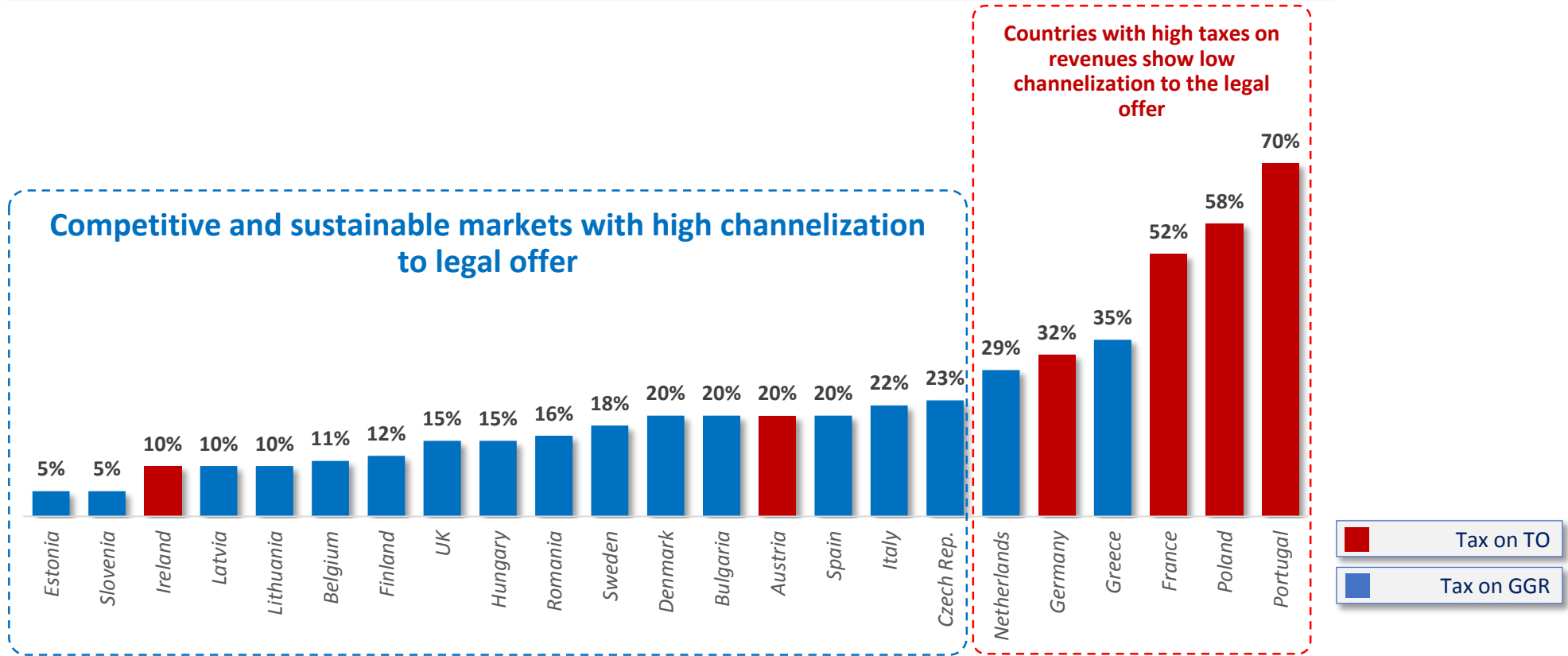
EFFECTIVE REGULATION



An adequate regulation is critical to fight vs the illegal market and create a sustainable market for the State, Players and Operators

The critical impact of gaming taxes

ONLINE BETTING TAX IN EUROPE (GGR EQUIVALENT 2018)

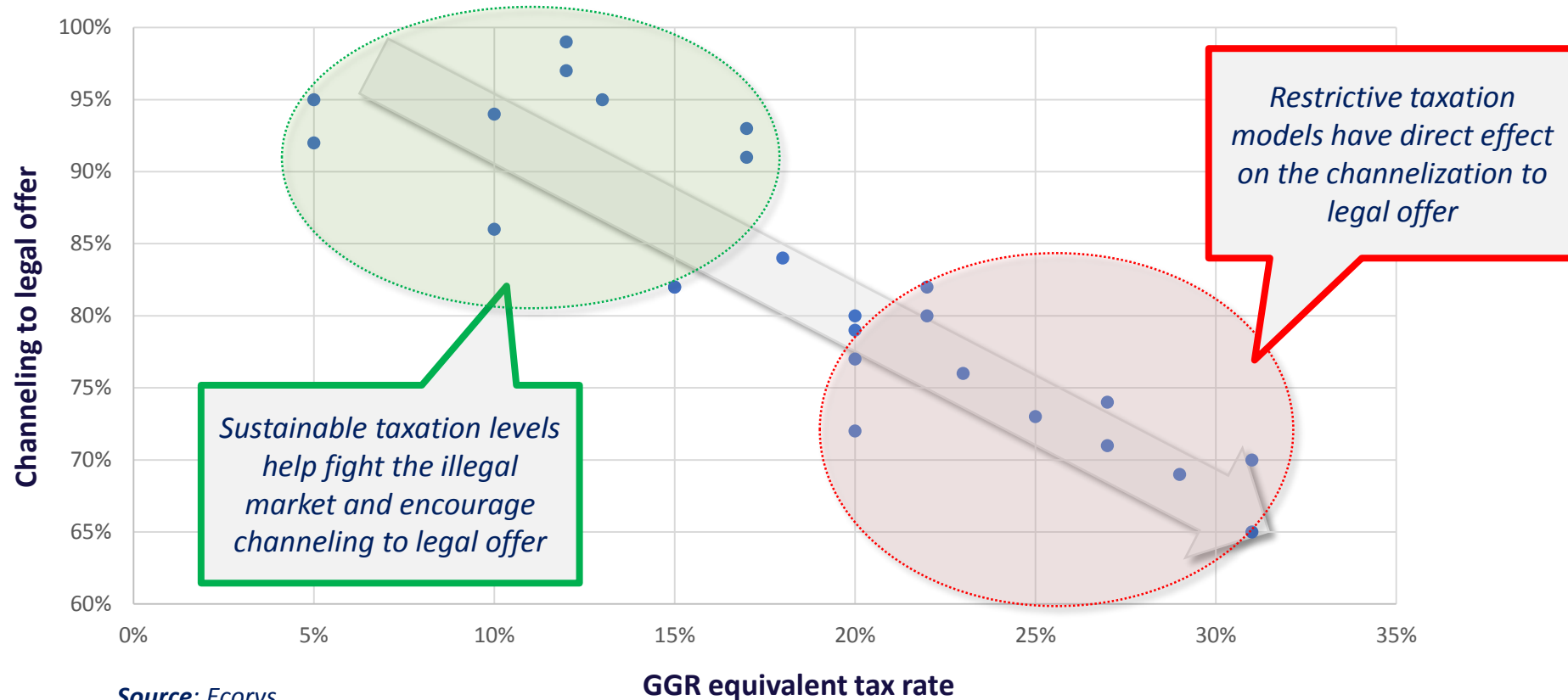


Source: MDF Partners

Taxes have a critical impact on the legal offer attractiveness and are one of the key aspects that affect the channelling

The effect of taxation on channeling to the legal market

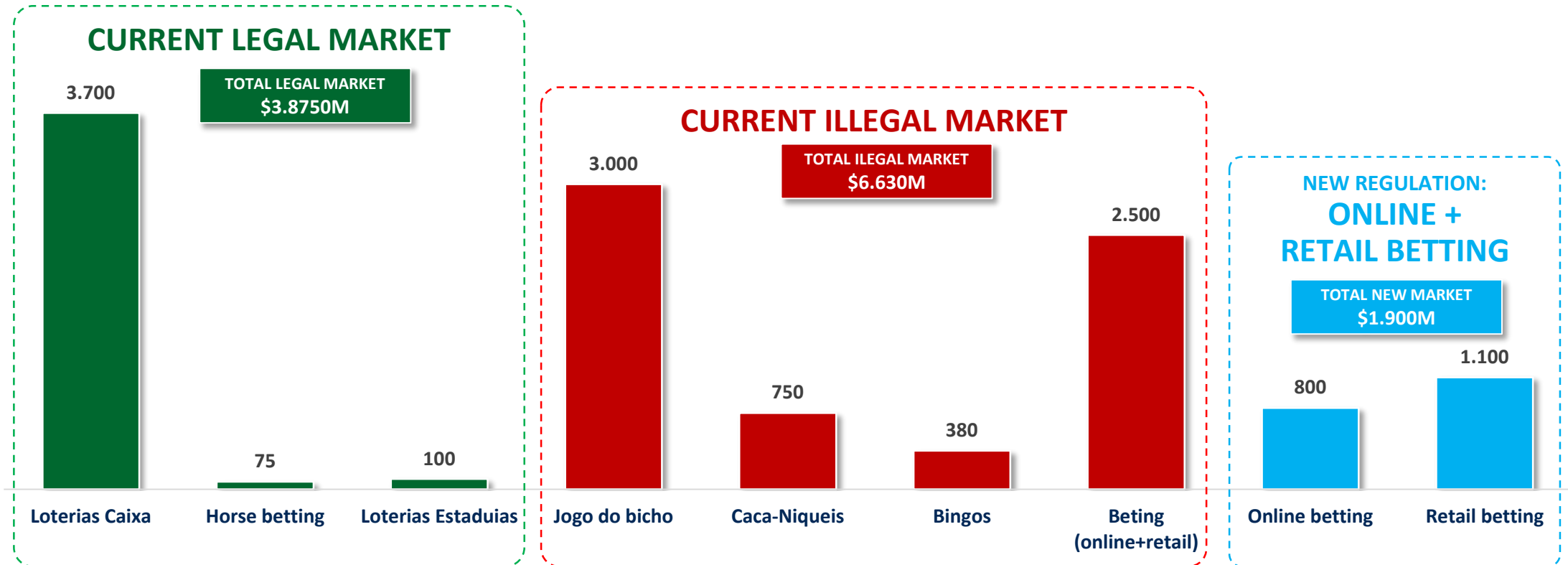
CHANNELLING TO THE LEGAL MARKET IN EUROPE



Source: Ecorys

Taxation have a critical impact on channelling the illegal market to the regulated offer

The opportunity for Brazil: Potential market (\$bln GGR)



Source: MDF Partners estimation on Instituto Brasileiro Jogo Legal and BNL data. The estimation doesn't include land based casinos and bingo in the law draft.

An adequate regulatory framework may allow Brazil to become one of the biggest and most attractive gaming markets at an international level

Proposed regulatory model for sport betting in Brazil

CATEGORY	KEY FACTORS	RECOMMENDATIONS
TAXATION MODEL	<ul style="list-style-type: none">• Type of taxation (Turnover vs GGR)• Level of taxation (definition of %)	<p><i>Taxation on turnover, has proven to be an inefficient measure to make the legal market competitive. A reasonable tax on GGR (15%-20%) is critical to allow the market to be attractive for customers and operators.</i></p>
BETTING OFFER	<ul style="list-style-type: none">• Payout regulation• Betting portfolio	<p><i>Payout control is not a recommended strategy as it can harm customers (less return and incentive to go to the illegal offer), operators (uncompetitive offer) and the State (less tax revenues). A wide offer is key to offer competitive products.</i></p>
COMPETITIVE MODEL	<ul style="list-style-type: none">• Market structure• Operators requirements	<p><i>It's key to keep market competition guarantying at the same time experienced operators selected through different requirements for online and landbased</i></p>
REGULATION PER CHANNEL	<ul style="list-style-type: none">• Online/land based integration	<p><i>Omnichannel strategy must be allowed and easy to implement. The complete integration allows: One brand strategy; Customer loyalty through multichannel; Economies of scales; Technical synergies; Control on the market</i></p>

Proposed regulatory model for sport betting in Brazil

CATEGORY	KEY FACTORS	RECOMMENDATIONS
RESPONSIBLE GAMBLING	<ul style="list-style-type: none">• Payment methods• Player's measures• Transparency• Advertising	<p><i>Responsible gambling regulations and policies are key to protect customers and strengthen legal market versus unregulated gambling.</i></p>
LICENCE CHARACTERISTICS	<ul style="list-style-type: none">• License duration	<p><i>Duration of the license long enough to recover the investments committed. (at least 10 years)</i></p>
CONTROL MODEL	<ul style="list-style-type: none">• Control model• Techniques vs illegal offer• Duration of authorizations	<p><i>Efficient, reasonable and updated technical standards for the control of operator platform and operations are key to ensure a reliable betting market. Certain measures to block the illegal offer are needed, especially given Brazil peculiarities and the strength and tradition of unregulated betting offer.</i></p>

General recommendations for betting regulation in Brazil

- **Allow a dynamic growth of the market** creating a controlled but competitive environment
- **Define a sustainable tax structure**
- **Permit a complete gaming offer**
- **Focus on customer protection** (especially related to minors protection and problematic gambling)
- **Allow omnichannel strategies**

The Ministry of Economy has a key role to start as soon as possible the regulatory development of the Law 13756/18. Future improvement could be done in a second phase



THANK YOU FOR YOUR ATTENTION

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