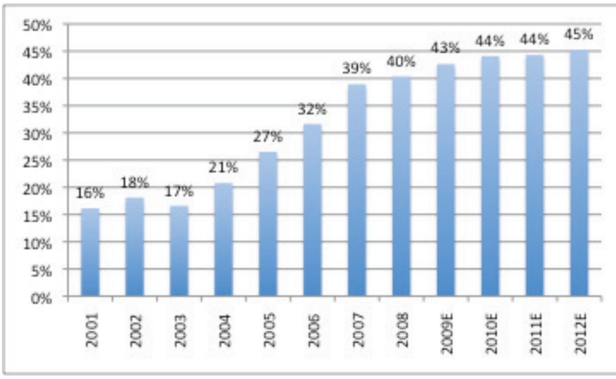
Market reality

Online gaming and betting in Europe is a succesful and dynamic sector. Representing slightly more than 7% of the total gaming market today, the sector is expected to account for 12% of the total market by 2012 with the land-based operators retaining a large majority share of 88% of the total European market[1].

Global leadership of the European industry but for how long?

The European market is today the largest market for e-Gaming worldwide. Of the €17.1bn of gross win (stakes minus winnings) generated globally in 2008, 43 per cent was attributable to the EU market, up from less than 32 per cent in 2006. This leadership results from the closing down of the US and some of the Asian markets and the high internet penetration in Europe. But Europe's leadership remains uncertain due to the national segmentation of the EU market and the growing economic protectionism of Member States in the sector.



European Interactive Gambling as a Percentage of the Global Total Market 2001-2012E (Based on Gross Win)[2].

A growing sector in Europe

The online gaming sector in Europe is developing and generating increased revenue. Online gaming's Gross Gaming Revenue (GGR – stakes minus winnings) is expected to rise from €6.5 billion in 2008 to €11 billion in 2012.

During 2008, sports betting remained the most popular European online gaming product. With more than €2 billion in GGR, sports betting accounted for 29% of the total European online market.

Only a minor share of gaming is performed online

The European online gaming sector accounted for around 7% of the total European gaming market in 2008. Independent forecasts expect online gaming's market share to rise to 12% in 2012. This development is not taking place at the detriment of the offline market, which revenue is expected to rise from €78.5 billion in 2008 to €82 billion in 2012, meaning that its share of the total market will still be a very large 88%.

Different customer and product profiles

Revenues generated by traditional land based operators stem from long-established products, such as those found in physical betting shops, casinos and bingo halls, and also from non sports related offerings like scratch cards and lottery tickets. Online gaming offers a wide variety of products, often found on one integrated site where consumers can place a bet on the outcome of a basketball game, or play poker. There is also a very low substitution level between the online and traditional land based sector because of the different player profiles (online players tend to be more educated, younger, etc).

[1] H2 Gambling Capital, January 2009
[2] H2 Gambling Capital, March 2009 (does not include forecast for a US regulated market)

A growing sector profitable to both private and monopoly operators

Online gaming market is also proving to be attractive for monopolies (i.e. FDJ in France, Svenska Spel in Sweden) in 2008. Traditional lottery operators also offer consumers the opportunity to purchase tickets online and now also include e-betting and e-poker in their ever extended offer. Today these monopolies account for more than 25% of the European online gaming market with the proportion being much higher in Scandinavia where their market share is estimated at around 40%.

In addition, the online market share of the monopolies is expected to grow as fast, if not faster than private operators (70% between 2008 and 2012 against 68% for private operators).

Conclusion:

- The online gaming sector is growing but its growth is not taking place at the detriment of the land based sector.
- The traditional land based operators and monopolies continue to extend their offline revenue while also rapidly expanding their online offer.