

# An Overview of Finland's Gambling Market

H2 Gambling Capital

September 2021



**Data driven  
intelligence**

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# H2 Gambling Capital

## About

- H2 is an independent B2B research firm focused solely on all aspects of the global gambling industry (betting, gaming and lotteries);
- The gambling industry's **leading** quoted source globally in the business media, company reports, transaction documentation and sell-side analyst research;
- Supplied data / market intel to or worked with over **750** clients globally;
- **H2's Data** regularly quoted in the leading industry / business media.

## Services

- Real time **data** tracking and forecasting **Subscription** service;
- **Premium** consulting service providing deeper / tailored solutions.

## Expertise

- Data Included in the EC's Green Paper, 'Online Gambling in the Internal Market';
- In the US provided the Forecasts Underpinned PwC's scoring of the **Frank Legislation**;
- Presented evidence at the **California Senate** Financial Services Committee on 'Internet Gambling Regulation, Consumer Protection and Enforcement Act' 2010;
- Bespoke market assessments for either governments / commercial companies including: Belgium, California, Czech Republic, Denmark, Florida, Greece, Netherlands, Norway, Sweden, New York State and Pennsylvania.

## Subscription

- >120 Markets Covered in Detail with c300 Active Files;
- >650 Active Users – Average of 80 Downloads per Day;
- >120 New / Updated Postings per Month.

## Disclaimer

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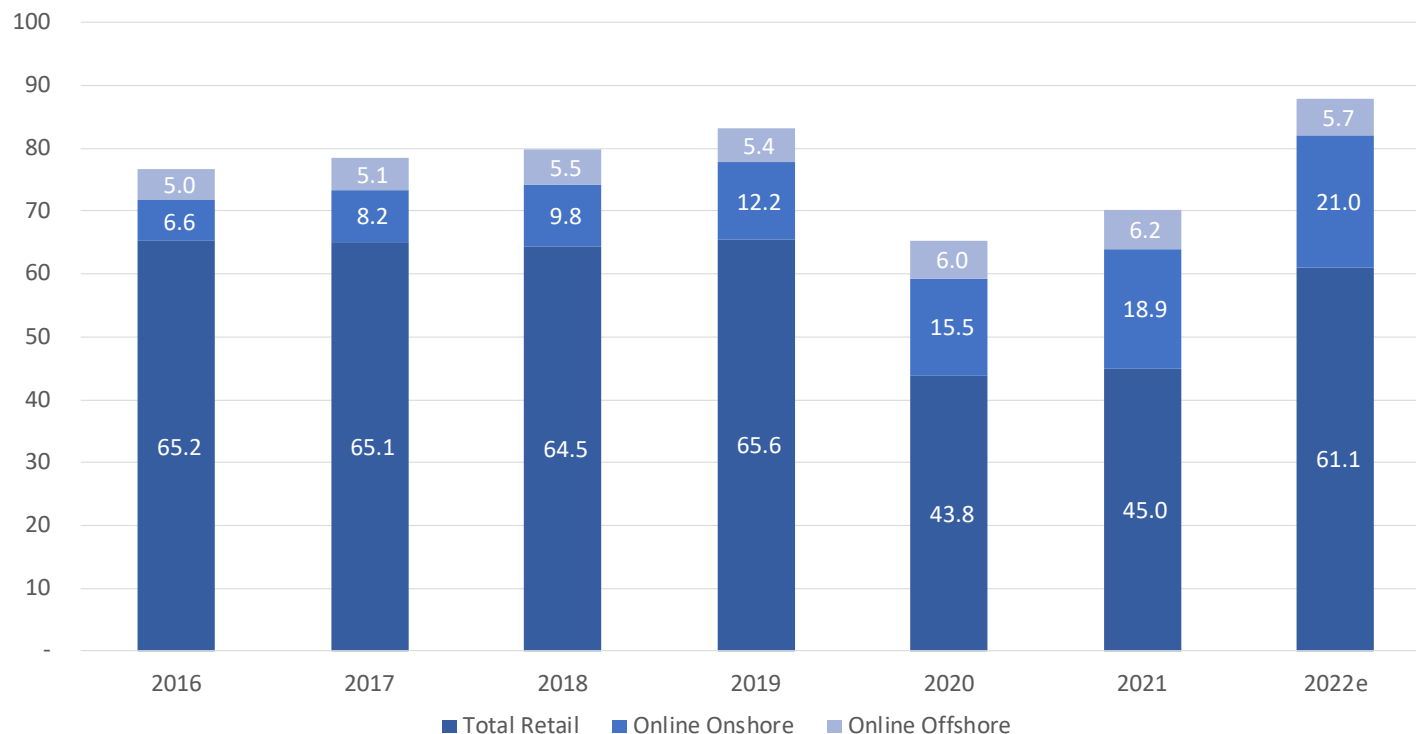


## Selected Users of H2 Data / Market Intel

- Bank of America Merrill Lynch
- Barclays Capital
- Bloomberg
- Caesars Entertainment
- Citibank
- Credit Suisse
- Deutsche Bank
- FDJ
- Financial Times
- Goldman Sachs
- IGT
- Hong Kong Jockey Club
- Mckinsey & Company
- Ministry of Justice, Netherlands
- Morgan Stanley
- Netherlands Gaming Authority
- Norsk Tipping
- Norwegian Gaming Board
- PwC
- Reuters
- Scientific Games
- Swedish Gaming Board
- The Economist
- UK Gambling Commission
- Wall Street Journal
- Wells Fargo

# European Market Gross Gambling Revenue

European Market Gross Gambling Revenue Split (€bn)



2016-22e  
CAGR

Online  
Offshore: 2%

Online  
Onshore: 21%

Total Retail:  
-1%

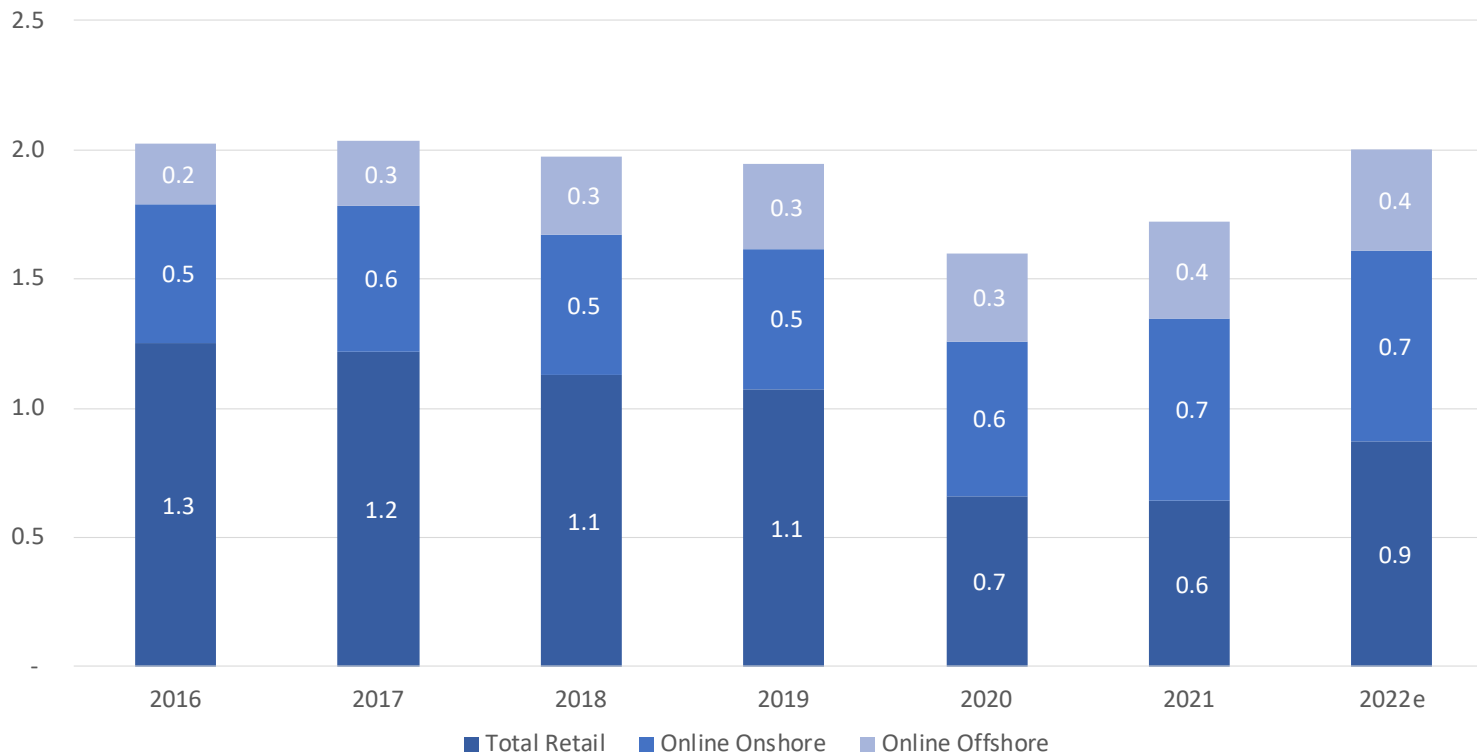
Total  
Market: 2%

Source: H2 Gambling Capital, 2021

- The European gambling market generated €65.3bn in 2020, market down from €76.7bn in 2016, but is forecast to recover to €87.9bn by 2022
- Onshore online has been the driver of growth, with a 2016-22e CAGR of 21%, compared to offshore online at 2% and retail at -1%
- In 2022, retail is estimated to account for 70% of the total market at €61bn, compared to 85% in 2016 (€65bn)

# Finland Market Gross Gambling Revenue

Finland Market Gross Gambling Revenue Split (€bn)



2016-22e  
CAGR

Online  
Offshore: 9%

Online  
Onshore: 5%

Total Retail:  
-6%

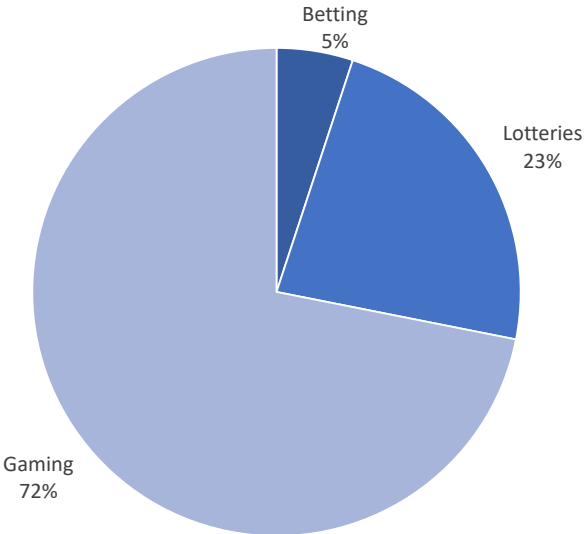
Total  
Market:  
-0.2%

Source: H2 Gambling Capital, 2021

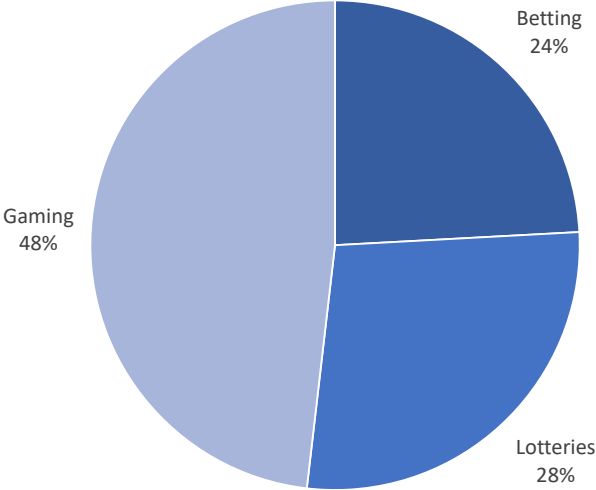
- The Finnish gambling market generated an estimated €1.6bn of gross win in 2020, down from €2.0bn in 2016, and is forecast to return to €2.0bn by 2022
- In contrast to Europe as a whole, in Finland the offshore online has seen the strongest growth, with a 2016-22e CAGR of 21%, compared to offshore online at 2% and retail at -1%
- In 2022, the offshore market is estimated to account for 20% of the total market at €393m, compared to only 12% in 2016 at €233m

# Finland GGR By Product Split 2022e

Retail (€870m)



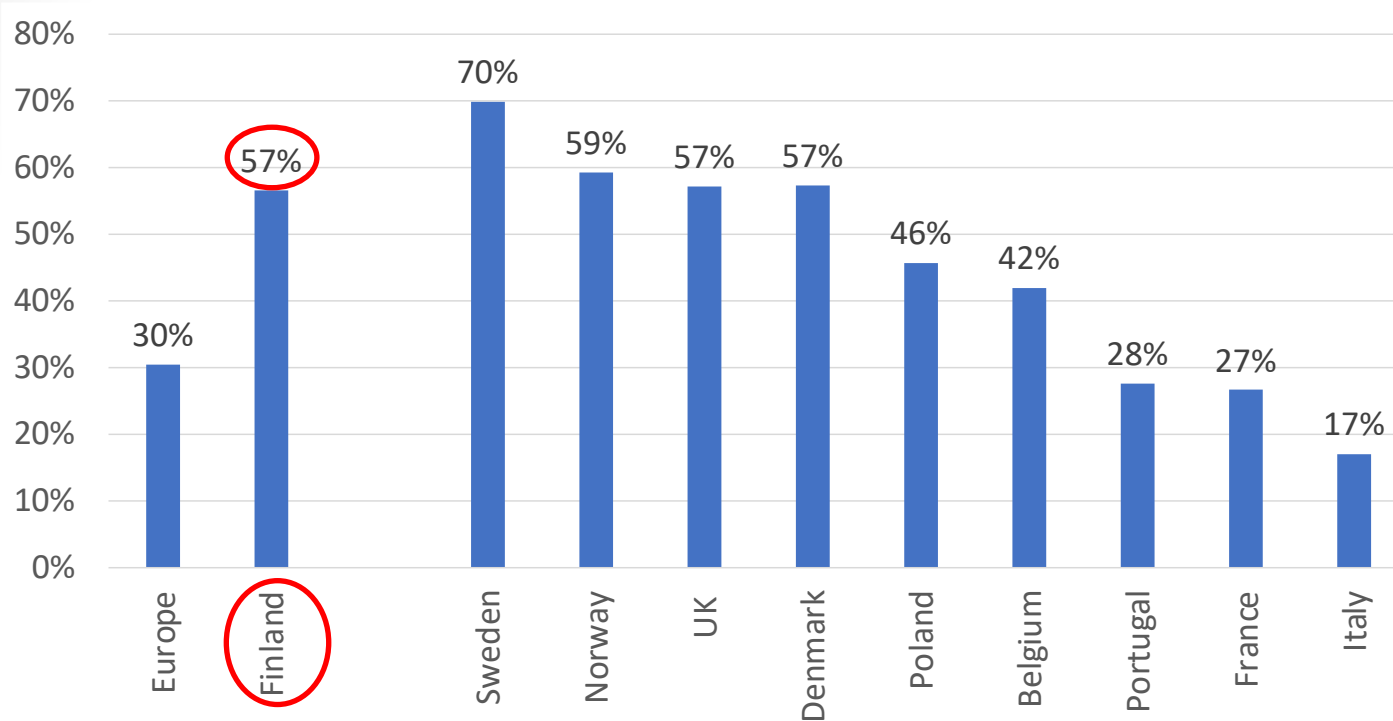
Online (€1,135m)



- Gaming generates 58% of revenue as a whole where it is the biggest driver of revenue in both Retail and online.
- In the online sector 24% of revenue is generated from Betting which is slightly more than in Retail.
- Lotteries makes up the remaining of revenue which is more popular online.

# Percentage Online 2022e

Percentage Online 2022e Market Split

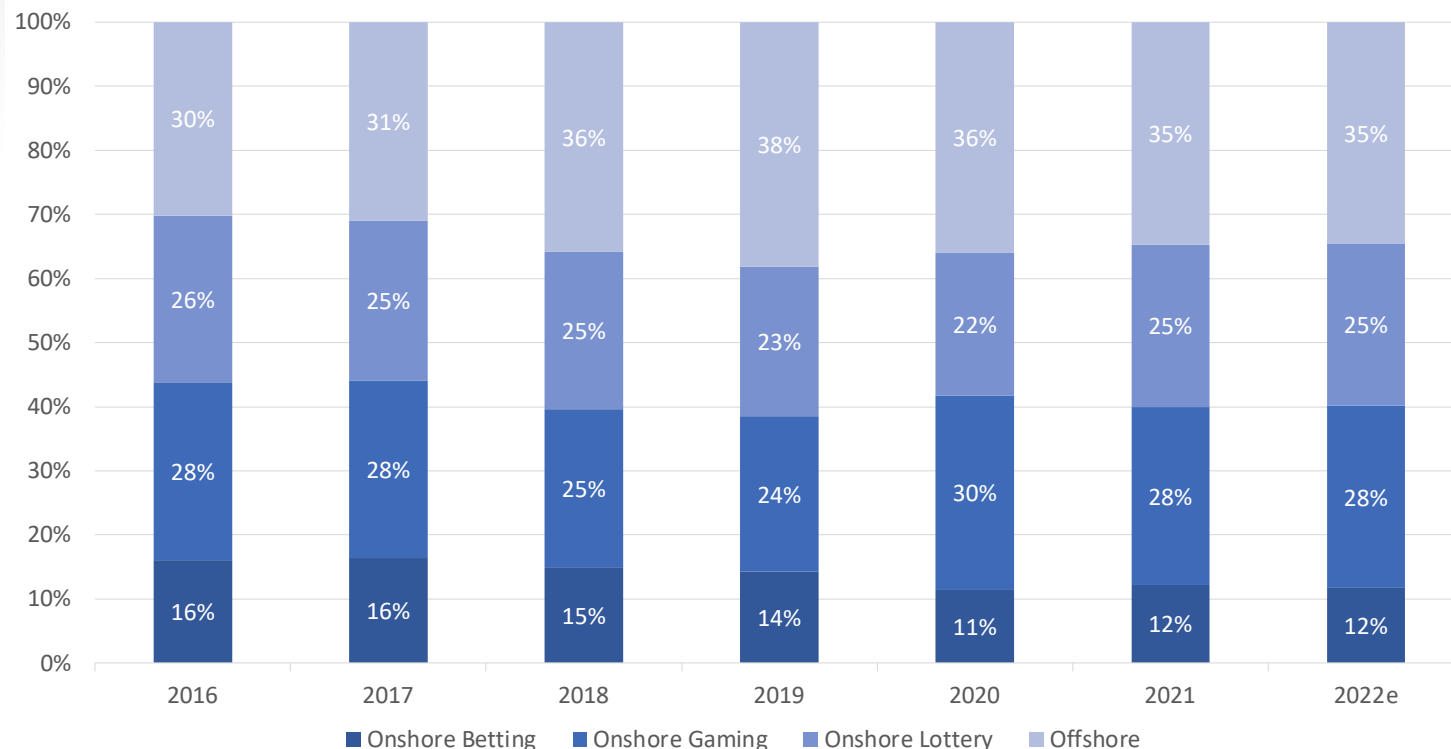


Source: H2 Gambling Capital, 2021

- The online penetration of a market is both a function of the structure and maturity of the online market, but also the size of the land-based market.
- As an example, Italy's online market is c.2x the size of that of Sweden, but its online penetration is only 17% compared to 70% in Sweden, due to the size of the Italian land-based market

# Finland Online Channelling Rate

## Finland Online GGR by Channel

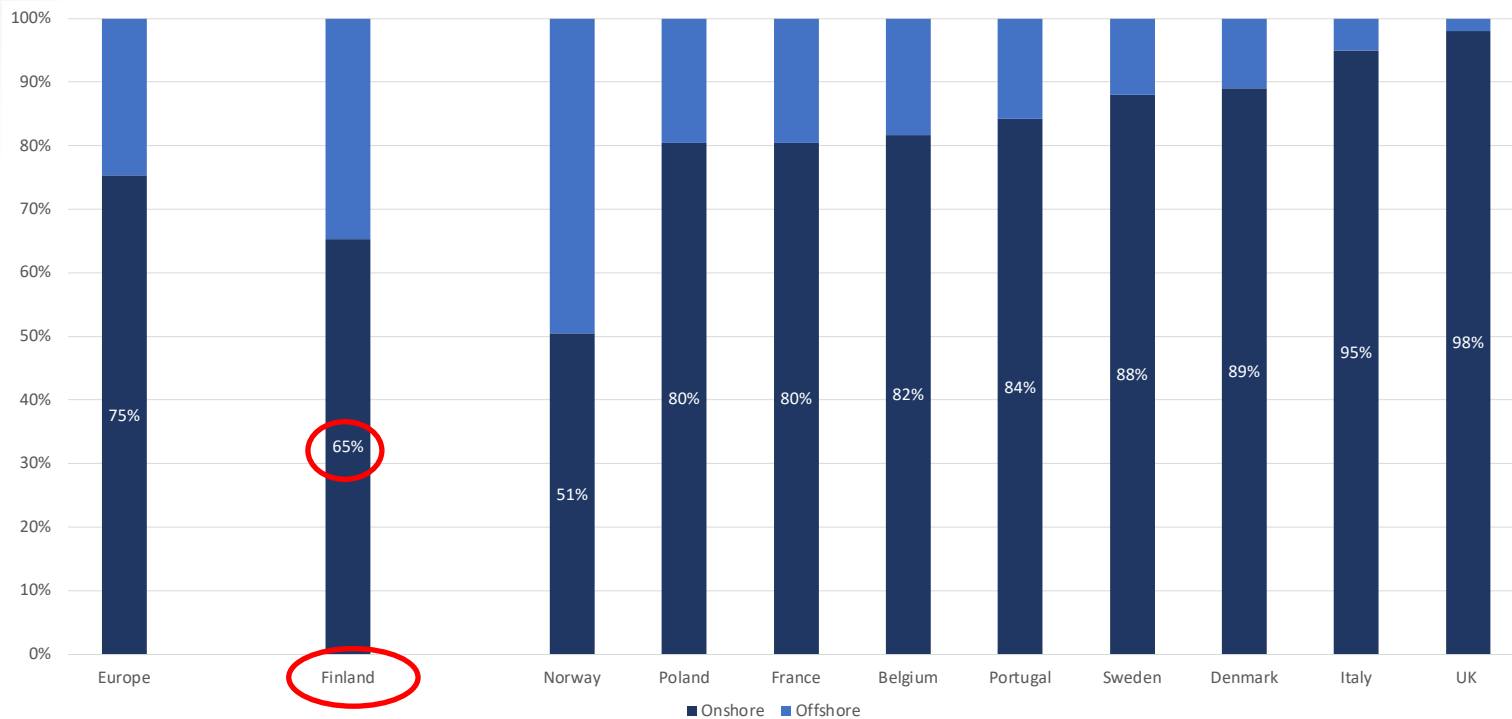


Source: H2 Gambling Capital, 2021

- Therefore, the channelling rate (onshore online vs offshore online) is generally a better indicator about the health of an online market.
- A smaller offshore market is viewed as optimal, as offshore activity offers limited consumer protection, and generates no economic benefit to the country. By contrast, a higher proportion of onshore activity means that Governments have more control over the online gambling activity, leading to higher levels of customer protection.
- Finland is currently running at an onshore penetration of c.65% (i.e. c.35% of all gambling activity takes place with non-licensed offshore operators)

# European Channelisation

## European Markets Online Channelisation Split



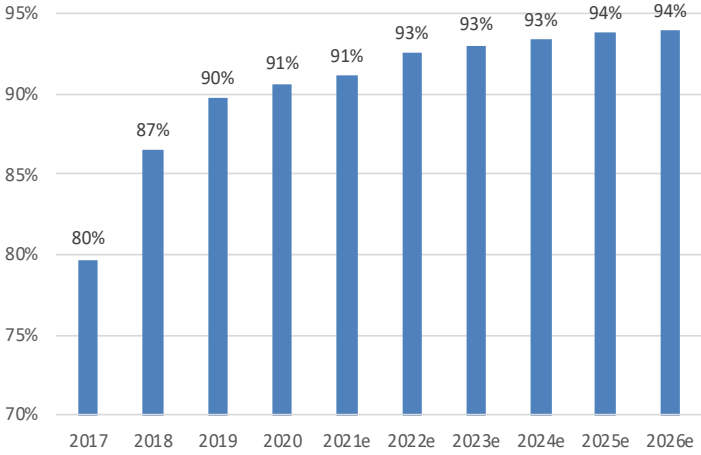
Source: H2 Gambling Capital, 2021

- Generally, markets with the least offshore activity are those with more liberalised onshore regulations
- For example, the UK has a highly liberal open market model, has a very high onshore channelisation
- By contrast, countries such as France (no online casino) and Poland (monopoly onshore casino with no advertising allowed) have much lower onshore channelisation
- Norway and Finland, with their monopolies, have a much lower onshore channelisation than in other markets

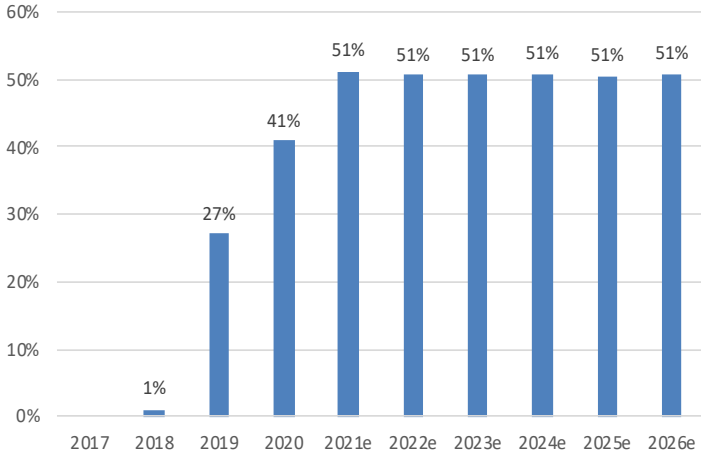


# Poland H2 Estimated Online Channelling Rates (2017-26e)

### Online Betting



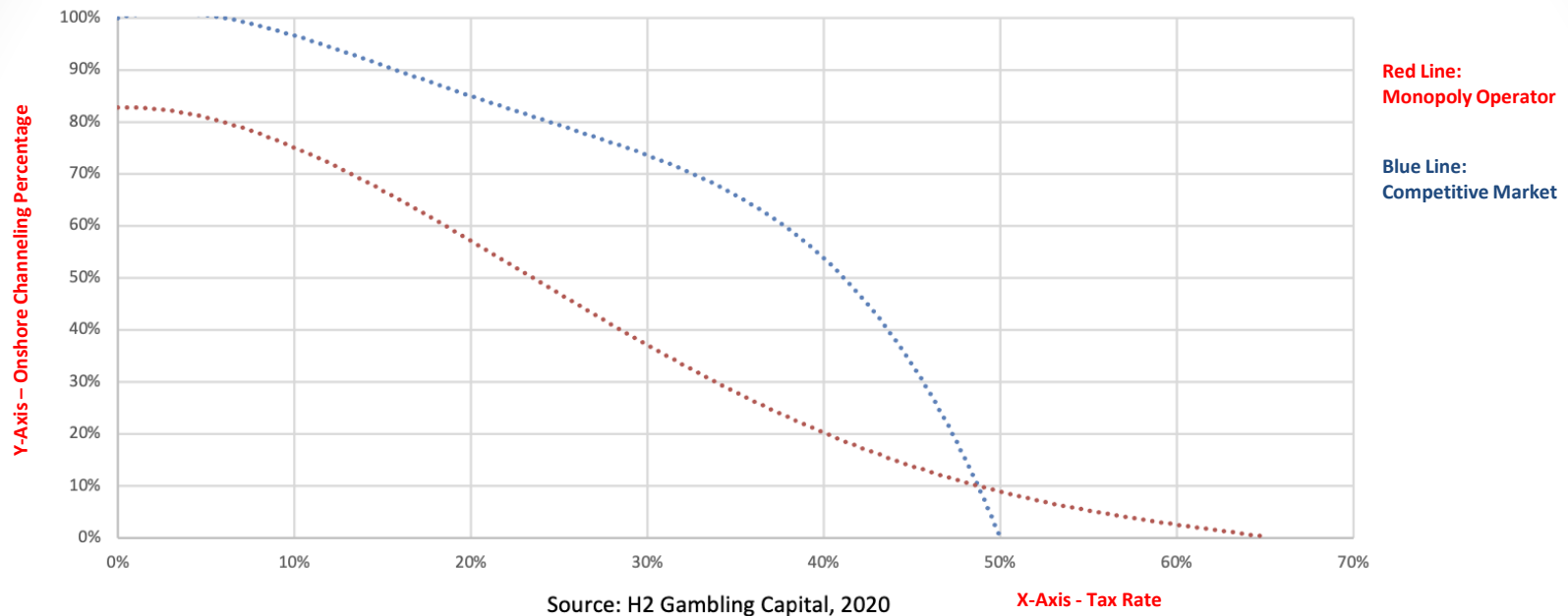
### Online Gaming



- While it is sometimes suggested that different countries will have inherently different onshore channelling rates, due to cultural / behavioural differences. However, Poland is an example of how the market structure is the clear driver of channellisation.
- The online betting market in Poland is an open, commercial market, and has estimated by H2 to have over 90% of the market onshore.
- By contrast, the online gaming market is a monopoly with highly restrictive advertising, and therefore half of the market is estimated to be offshore.

# Competitive Market v Monopoly

Competitive Market v Monopoly – Onshore Channelling (y-axis) vs Tax Rate (x-axis)



Another factor in market channalisation at different levels of taxation is the profitability of market operators:

- In a competitive market, operators will take lower levels of profit due to high marketing spend and fragmented market share compared to a monopolistic market structure.
- Therefore under a monopolistic model (Red), operators will remain profitable at a higher level of taxation than under a competitive market (Blue). Therefore, a monopolistic model can support a higher tax rate.
- However, due to lower marketing spend and product choice for consumers, onshore channelling will be lower for a monopoly than a competitive market at any tax level.

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