

apuestatotal

Free Games B.V.
Business Plan

26.03.2024

EXECUTIVE SUMMARY

Our business plan outlines the strategic vision and growth trajectory of our online sports betting and casino company, poised to capitalize on the burgeoning Peruvian market. With a forecasted revenue increase from S/420 million in 2024 to S/497 million by 2027, and a corresponding rise in net income from S/112 million to S/170 million over the same period, we project robust financial performance and sustainable growth.

Driven by a comprehensive strategy that integrates financial prudence, targeted marketing initiatives, and regulatory compliance, our company aims to maintain a competitive edge in a dynamic industry landscape. Leveraging insights from market analysis, we recognize Peru's significance as a key player in affiliate marketing, with over 2.5 million monthly referrals contributing to global traffic. Furthermore, our analysis of the Peruvian sports betting and casino markets reveals a dynamic environment characterized by a growing demand for digital entertainment options and a competitive landscape ripe for innovation.

With a relentless focus on customer experience, technological innovation, and strategic partnerships, we are well-positioned to capitalize on emerging opportunities and navigate regulatory complexities effectively. Our commitment to transparent governance, risk management, and compliance underscores our dedication to operational excellence and stakeholder value. By executing our business plan with precision and agility, we are poised to achieve sustainable growth, deliver superior financial returns, and solidify our position as a leading player in the online sports betting and casino industry in Peru.

I. MARKET ANALYSIS

The Peruvian sports betting and casino markets exhibit dynamic characteristics, driven by robust demand and a competitive landscape ripe for innovation and growth. Analysis derived from both public data and industry insights underscores the multifaceted nature of these markets.

Demand Analysis:

- **Growing Sector:** Peru serves as a significant hub for online gambling activities, witnessing consistent growth in both sports betting and casino gaming. This growth is fueled by a burgeoning demand for digital entertainment options among Peruvian consumers.
- **Affiliate Marketing Influence:** Peru emerges as a key player in affiliate marketing, contributing significantly to global referral traffic:
 - a. Global Affiliation Ranking: In January 2023, Peru stood on the brink of becoming a top-10 global source for generic affiliate traffic, with over 2.5 million monthly referrals. This highlights the substantial role played by Peruvian players in driving online traffic and engagement.
 - b. Casino Dominance: Notably, Peru ranks among the top three global sources for casino-related referrals, surpassing sports betting references. This unique phenomenon underscores the country's penchant for online casino gaming, distinguishing it from other markets.

Supply Analysis:

- **Dynamic Competitive Environment:** Peru boasts a highly competitive landscape characterized by the presence of over 40 permanent competitors, creating ample opportunities for new entrants to carve out a niche:
 - a. Entrance of New Players: The market continually welcomes new competitors, some of whom swiftly ascend to challenge established leaders. Notably, companies like Betano have made significant strides, rivaling historical giants like Inkabet.
 - b. Strategic Partnerships: Large global competitors exhibit a keen interest in partnering with local operations to bolster their market presence and leverage local expertise. For instance, the acquisition of Inkabet by the Betsson Group for USD 25 million exemplifies strategic consolidation within the industry.
 - c. Expansion of Second Brands: To capitalize on market opportunities, both global and local players are diversifying their offerings by launching second brands. Initiatives such as Betsson Group's introduction of Betsafe and Tonybet, or Intercorp's unveiling of Olimpo, illustrate efforts to expand market reach and cater to diverse consumer preferences.

In conclusion, the Peruvian sports betting and casino markets offer fertile ground for businesses seeking to thrive in the digital gambling space. By leveraging insights gleaned from market analysis and industry trends, stakeholders can formulate informed strategies to navigate challenges, foster innovation, and maintain a competitive edge in this dynamic and evolving sector.

II. PRODUCT AND MARKETING STRATEGY

Apuesta Total has been operating in the Peruvian Market for over 6 years now. It has become one of the biggest operators with strong retail and online presence, with two Product verticals: Sportsbook and Online Casino. It is currently the main sponsor for: i) the 2 biggest football clubs in the country, ii) two other smaller clubs with a strong heritage and following, iii) the Professional Female Football League, and iv) the Professional Female Volleyball League, and sponsors the Paralympic Association as well as two of the organized National Football Team supporter groups.

The main advantages Apuesta Total has over its competitors are:

- Relentless focus on the client experience
- Full control of its front-end technology
- Its broad retail network throughout Peru
- The biggest Customer Support team in the category
- The current Marketing Assets, secured for the following years
- Its Executive Team, unparalleled in the market it operates

In order to provide a best-in-class service, we work with recognized PAM, Sportsbook, Casino, and payments suppliers:

- Player Account Management: Calimaco Technologies SL
- Sportsbook: Altenar Software LTD
- Key Casino Providers:
 - Pragmatic Play
 - Evolution Group brands (Evolution, Ezugi, Netent, RedTiger, NoLimitCity)
 - CT Interactive
 - Betconstruct Aggregation Service
 - Amusnet
 - GoldenRace Group brands (GoldenRace, Spinmatic, HollywoodTV)
- Key Payment Providers:
 - Niubiz (Card Processor)
 - Paysafe (Cash Voucher)
 - Monnet (Payouts)

We have mitigated the impact of our PAM's possible interruptions in two ways: i) it sits in server infrastructure managed by us and not shared with anyone else so we can restart or scale up at will, and ii) we control the frontend 100% and host it in different servers, so we can intervene what players can see including warning messages and maintenance notices.

Regarding Casino and Payments, we have a certain degree of redundancy. In Casino we can direct players to similar games from different providers and in Payments we have more than one that can give us the same service (cards processing, cash vouchers, payouts). We have no current issues in the banking aspect.

Our strategy for business growth and market share centers on a multi-faceted approach that integrates financial planning, targeted marketing initiatives, and a keen focus on regulatory compliance. By aligning these elements, we aim to achieve sustainable market growth while maintaining a competitive edge in the online sports betting and casino industry.

Financial Strategy:

Our financial strategy is anchored on prudent budgeting, revenue diversification, and disciplined expense management. Key elements of our financial plan include:

- 1) GGR Growth: We project steady GGR growth over the next three years, with a compound annual growth rate (CAGR) of 6%. This growth will be primarily driven by an expansion of our customer base through targeted marketing efforts, as well as the introduction of new product offerings and personalized features.
- 2) Cost efficiency: We are committed to optimizing our cost structure to ensure operational efficiency and profitability. This includes closely monitoring expenses related to technology infrastructure, marketing campaigns and regulatory compliance.
- 3) Investment in Innovation: To sustain long-term growth and competitive advantage, we will allocate a portion of our budget towards research and development initiatives aimed at enhancing our platform's user experience and incorporating artificial intelligence.

Marketing Strategy:

Our marketing strategy is designed to drive customer acquisition, retention, and engagement through targeted campaigns, personalized promotions, and strategic partnerships. Key components of our marketing plan include:

- 1) Targeted Acquisition Campaigns: We will leverage data analytics and market segmentation strategies to identify and target high-value customer segments. This will involve personalized advertising campaigns across digital channels, including social media and affiliate marketing networks.
- 2) Customer Retention Programs: We recognize the importance of fostering long-term relationships with our customers. To enhance customer loyalty and retention, we will implement loyalty programs, VIP rewards, and personalized offers based on customer preferences and betting behaviors.

3) Brand Partnerships and Sponsorships: We will develop strategic partnerships with sports teams, leagues, and influencers to enhance even further brand visibility and credibility within the sports betting community.

III. BUSINESS FORECAST

Based on the previously described product, marketing and financial plans, we forecast a yearly NGR growth of 5.8% (CAGR) but an increase in operating expenses of 4.5%. The company will continue having a positive and healthy EBITDA which will grow from S/118 million in 2024 to S/175 million in 2027 (CAGR 14.2%)

BUSINESS PLAN							
S/ (Thousands)	2024	2025	2026	2027	2025 vs 2024	2026 vs 2025	2027 vs 2026
Revenue	420,373	427,428	459,825	497,048	1.7%	7.6%	8.1%
GGR	434,195	442,072	477,234	515,911	1.8%	8.0%	8.1%
- Bonus	-13,822	-14,645	-15,967	-17,421	6.0%	9.0%	9.1%
NGR (GGR - Bonos Convertidos)	420,373	427,428	461,267	498,490	1.7%	7.9%	8.1%
- Atributions	-20,605	-1,442	-1,442	-1,442	-93.0%	0.0%	0.0%
Expenses	-281,509	-292,402	-306,071	-321,107	3.9%	4.7%	4.9%
- Employee expenses	-61,742	-62,101	-62,495	-62,929	0.6%	0.6%	0.7%
- Marketing	-65,591	-67,233	-69,038	-71,025	2.5%	2.7%	2.9%
- Share Licences	-50,041	-52,782	-57,484	-62,657	5.5%	8.9%	9.0%
- Rent	-16,616	-16,632	-16,651	-16,671	0.1%	0.1%	0.1%
- Others	-87,519	-93,654	-100,401	-107,824	7.0%	7.2%	7.4%
EBITDA	118,259	133,584	153,754	175,941	13.0%	15.1%	14.4%
- Depreciation and Amortization	-5,645	-5,645	-5,645	-5,645	0.0%	0.0%	0.0%
EBIT	112,614	127,939	148,109	170,296	13.6%	15.8%	15.0%
- Exchange rate							
Net Income	112,614	127,939	148,109	170,296	13.6%	15.8%	15.0%
CAPEX (Invesment)	-12,624	0	0	0	-100%		
VAR EBITDA (YoY) %		13.0%	15.1%	14.4%			

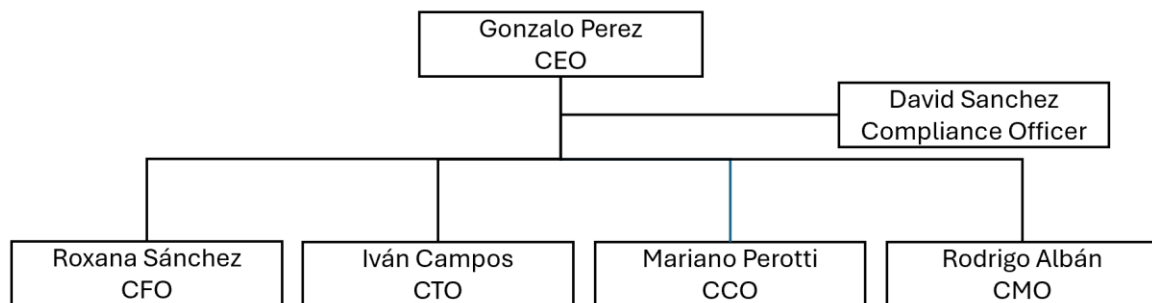
In order to monitor and guarantee the long term financial results, we will keep track of operational KPIs directly related with the generation of NGR or cost efficiency. The following chart shows the KPIs the baseline and the results we should have by 2027.

KPI	2024 baseline	2027 forecast
Wagers (S/ Millions)	7,005	8,266
Unique Active Players (monthly)	300K	410K
NGR (S/ Thousands)	420,373	498,490
Promotional Efficiency	Below 3.5% of GGR	Below 3.5% of GGR
Customer Retention Rate	35% After 12 months	32% After 12 months

IV. MANAGEMENT STRUCTURE AND CORPORATE GOVERNANCE

The board is composed of the three UBOS of the company. The quorum and the decisions are made by majority of votes. In this case, the board can not be deadlocked since there will always be a majority as from the UBOS when they vote and make decisions.

The board can receive support and advice from lawyers outside the company.



The company shows a high level of risk assessment and management. We have a team that continually monitors the information. We also have policies of data protection, developing business continuity and disaster recovery plans. These policies guarantee to minimize risks and cost overruns for the organization.

V. COMPANY POLICIES AND PROCEDURES

Policies and procedures are made internally.

There is a commitment to keep the GCB informed within the time limits laid down by the relevant standard.

The person who implements policies and procedures has ongoing training through courses and specializations in the areas requested by the GCB. It also has proven experience in the

activities carried out by the company, which makes the person qualified and competent. This person has no conflicts in its activities because it is independent in the exercise of its duties.