

# Online Casino

BUSINESS PLAN

## MEMORANDUM OF CONFIDENTIALITY

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# 1 EXECUTIVE SUMMARY

## 1.1 Objectives of the project

The project involves the creation of a company offering online games. Initiator of the project is Notica B.V.

Service will be provided by FERTAMI LTD, a company incorporated in the Republic of Cyprus, reg number HE 413010, with its registered office at: Valaoriti, 5, Flat/Office 102, Latsia, 2220, Nicosia, Cyprus. Technical support is provided by a specialist: Ruslan Petrov e-mail: ceo@biton.bet, tel: +357 95132580

The website is under construction. The domain is biton.bet.

The list of game providers:

- AleaPlay
- Barbara Bang
- DLV
- Espresso Games
- KA Gaming
- LuckyStreak
- Mascot
- Mancala
- MultiSlot
- Netgame
- Onlyplay
- PG Soft
- tvgames
- Winfinity
- LiveG24
- Zillion

## 1.2 A list of the games

Main types of casino games:

- Type 1 – Games of chance played against the house, the outcome of which is determined by a random generator, and shall include casino type games, including roulette, blackjack, baccarat, poker played against the house, lotteries, secondary lotteries and virtual sports games.
- Type 2 – Games of chance played against the house, the outcome of which is not generated randomly, but is determined by the result of an event or competition extraneous to a game of chance, and whereby the operator manages his or her own risk by managing the odds offered to the player.
- Type 3 – Games of chance not played against the house and wherein the operator is not exposed to gaming risk, but generates revenue by taking a commission or other charge based on the stakes or the prize, and shall include player versus player games such as poker, bingo, betting exchange, and other commission based games.
- Type 4 – Controlled skill games.

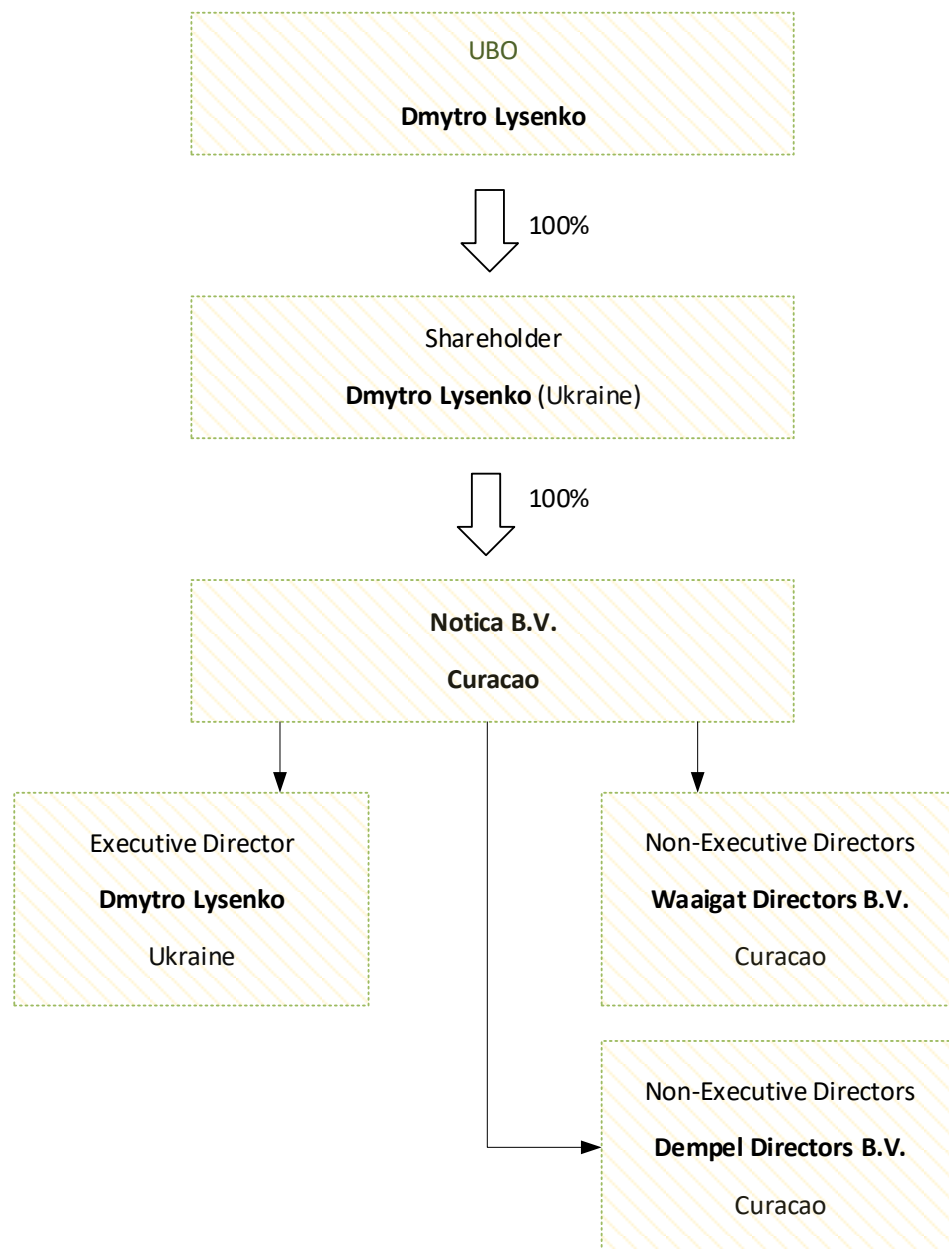
The Casino presented games:

- Type 1: roulette, blackjack, baccarat, poker played against the house, lotteries, slots;
- Type 2: sportsbetting.

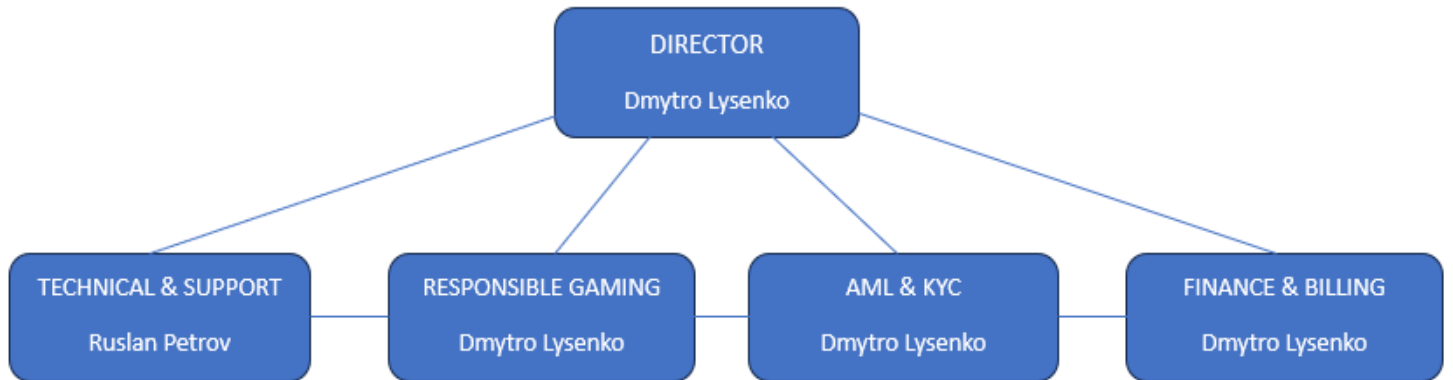
### 1.3 Organizational structure

Organizational structure of the company is below.

Diagram 1. The structure of distribution of proceeds from sales to costs and profits



# Control Structure



## 1.4 Indicators of the project

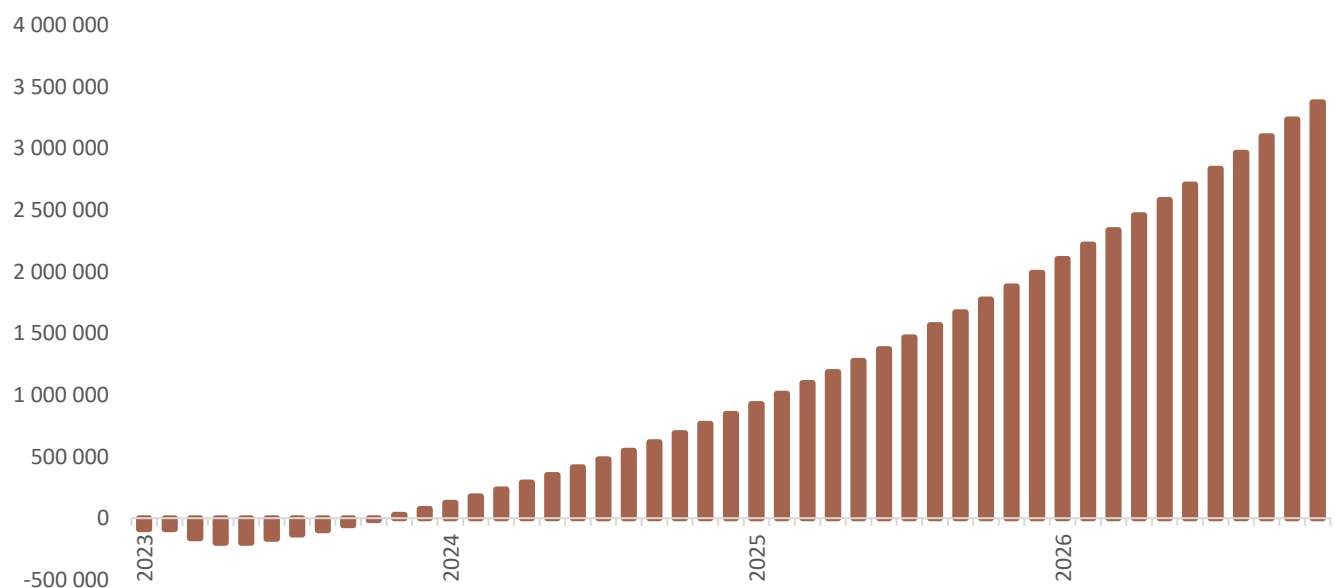
The economic efficiency of the project was confirmed by calculating traditional financial indicators used in project analysis.

The project calculation horizon is 48 months (4 years). The investment period of the project (until the launch of the project) is 3 months (0,3 years). Project working period (from the moment of launch) is 45 months (3,8 years).

Table 1. Indicators of the project

| No | Name of the indicator                                                            | Rate       |
|----|----------------------------------------------------------------------------------|------------|
| 1  | Calculation period of the project, year                                          | 4,0        |
| 2  | Laid-down capital (LDC),                                                         | 200 168    |
| 3  | Revenue, euro                                                                    | 10 080 320 |
| 4  | Net average operational receipts per month (NAOR),                               | 70 265     |
| 5  | Average demand balance per month (ADB),                                          | 1 113 929  |
| 6  | Net profit for the project period,                                               | 3 372 704  |
| 7  | Average profitability for the project period (net profit to proceeds             | 33,5%      |
| 8  | Discounting rate (DR), %                                                         | 19,4%      |
| 9  | Net present value (NPV),                                                         | 2 080 079  |
| 10 | Average Rate of Return of investments (ARR)                                      | 421,2%     |
| 11 | Return on investment (ROI)                                                       | 1684,9%    |
| 12 | Profitability index (PI)                                                         | 24,47      |
| 13 | Internal rate of return (IRR)                                                    | 438,2%     |
| 14 | Pay back period of the project in whole (PBP), incl. financing scheme            | 11 months  |
| 15 | Discounted payback period of the project in whole (DPBP), incl. financing scheme | 11 months  |

Diagram 2. Payback of the project, euro

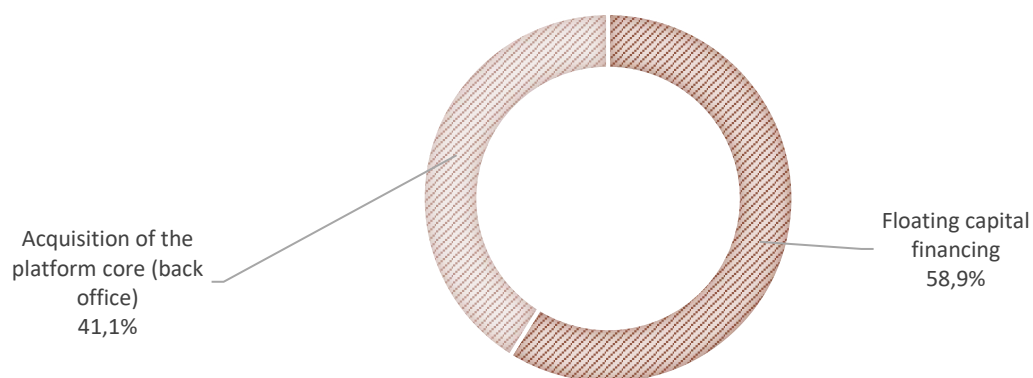


## 2 FINANCIAL SUMMARY

### 2.1 Investment schematic showing type of investments, projected costs, explanation by whom and source of wealth

The need for financial resources for the project is 187,2 thousand euro.

Diagram 3. Investments structure



It is planned that the financing of this project will be carried out at the expense of the investor and the company's expense.

The amount of own funds will be 30,2 thousand euro.

The investor's capital will amount to 157,0 thousand euro. The co-investor's funds are reimbursed after the profit is made.

## 2.2 Financial estimation for the first, second and third year

Table 2. Cash flow for the first year

|                                                |                   | Jun-23  | Jul-23  | Aug-23  | Sep-23   | Oct-23   | Nov-23   | Dec-23   | Jan-24   | Feb-24   | Mar-24   | Apr-24   | May-24   |
|------------------------------------------------|-------------------|---------|---------|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Month of the project                           | Total for 4 years | 1       | 2       | 3       | 4        | 5        | 6        | 7        | 8        | 9        | 10       | 11       | 12       |
| Month from the project launch                  |                   |         |         |         | 1        | 2        | 3        | 4        | 5        | 6        | 7        | 8        | 9        |
| Number of days in the period                   |                   | 30      | 31      | 31      | 30       | 31       | 30       | 31       | 31       | 29       | 31       | 30       | 31       |
| Cash flow from INVESTING total                 | -77 000           | -77 000 | 0       | 0       | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Acquisition of the platform core (back office) | -77 000           | -77 000 | 0       | 0       | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| OPERATING cash flow total                      | 3 462 704         | 0       | 0       | 0       | -73 105  | -35 588  | -1 475   | 32 637   | 33 947   | 36 567   | 39 187   | 41 807   | 44 427   |
| Proceeds inpayment excl. VAT                   | 10 080 320        | 0       | 0       | 0       | 0        | 52 080   | 104 160  | 156 240  | 158 240  | 162 240  | 166 240  | 170 240  | 174 240  |
| Casino income                                  | 10 080 320        | 0       | 0       | 0       | 0        | 52 080   | 104 160  | 156 240  | 158 240  | 162 240  | 166 240  | 170 240  | 174 240  |
| Expenses total                                 | -6 617 616        | 0       | 0       | 0       | -73 105  | -87 668  | -105 635 | -123 603 | -124 293 | -125 673 | -127 053 | -128 433 | -129 813 |
| Variable costs total                           | -6 410 616        | 0       | 0       | 0       | -68 505  | -83 068  | -101 035 | -119 003 | -119 693 | -121 073 | -122 453 | -123 833 | -125 213 |
| <i>Basic expenses</i>                          | -4 444 953        | 0       | 0       | 0       | -68 505  | -72 912  | -80 724  | -88 536  | -88 836  | -89 436  | -90 036  | -90 636  | -91 236  |
| <i>Payments to providers</i>                   | -1 965 662        | 0       | 0       | 0       | 0        | -10 156  | -20 311  | -30 467  | -30 857  | -31 637  | -32 417  | -33 197  | -33 977  |
| Fixed costs total                              | -207 000          | 0       | 0       | 0       | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   |
| <i>Salary</i>                                  | -207 000          | 0       | 0       | 0       | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   |
| Investing and Operations total                 | 3 385 704         | -77 000 | 0       | 0       | -73 105  | -35 588  | -1 475   | 32 637   | 33 947   | 36 567   | 39 187   | 41 807   | 44 427   |
| progressive total                              | 3 385 704         | -77 000 | -77 000 | -77 000 | -150 105 | -185 693 | -187 168 | -154 531 | -120 584 | -84 017  | -44 829  | -3 022   | 41 405   |
| Cash flow from Financial operations total      | 30 168            | 157 000 | 0       | 0       | 0        | 28 693   | 1 475    | -29 373  | -33 490  | -36 259  | -38 894  | -18 983  | 0        |
| Own funds                                      | 30 168            | 0       | 0       | 0       | 0        | 28 693   | 1 475    | 0        | 0        | 0        | 0        | 0        | 0        |
| Own funds repayment                            | 0                 | 0       | 0       | 0       | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Co-investor's investment                       | 157 000           | 157 000 | 0       | 0       | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Refunds to co-investor                         | -157 000          | 0       | 0       | 0       | 0        | 0        | 0        | -29 373  | -33 490  | -36 259  | -38 894  | -18 983  | 0        |
| TOTAL CASH FLOW OF THE PROJECT                 | 3 415 872         | 80 000  | 0       | 0       | -73 105  | -6 895   | 0        | 3 264    | 457      | 308      | 293      | 22 824   | 44 427   |
| progressive total (cash balance)               | 3 415 872         | 80 000  | 80 000  | 80 000  | 6 895    | 0        | 0        | 3 264    | 3 721    | 4 029    | 4 322    | 27 146   | 71 573   |

Table 3. Cash flow for the second year

|                                                | Total for 4 years | Jun-24   | Jul-24   | Aug-24   | Sep-24   | Oct-24   | Nov-24   | Dec-24   | Jan-25   | Feb-25   | Mar-25   | Apr-25   | May-25   |
|------------------------------------------------|-------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Month of the project                           |                   | 13       | 14       | 15       | 16       | 17       | 18       | 19       | 20       | 21       | 22       | 23       | 24       |
| Month from the project launch                  |                   | 10       | 11       | 12       | 13       | 14       | 15       | 16       | 17       | 18       | 19       | 20       | 21       |
| Number of days in the period                   |                   | 30       | 31       | 31       | 30       | 31       | 30       | 31       | 31       | 28       | 31       | 30       | 31       |
| Cash flow from INVESTING total                 | -77 000           | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Acquisition of the platform core (back office) | -77 000           | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| OPERATING cash flow total                      | 3 462 704         | 47 047   | 49 667   | 52 287   | 54 907   | 57 527   | 60 147   | 62 767   | 65 387   | 68 007   | 70 627   | 73 247   | 75 867   |
| Proceeds inpayment excl. VAT                   | 10 080 320        | 178 240  | 182 240  | 186 240  | 190 240  | 194 240  | 198 240  | 202 240  | 206 240  | 210 240  | 214 240  | 218 240  | 222 240  |
| Casino income                                  | 10 080 320        | 178 240  | 182 240  | 186 240  | 190 240  | 194 240  | 198 240  | 202 240  | 206 240  | 210 240  | 214 240  | 218 240  | 222 240  |
| Expenses total                                 | -6 617 616        | -131 193 | -132 573 | -133 953 | -135 333 | -136 713 | -138 093 | -139 473 | -140 853 | -142 233 | -143 613 | -144 993 | -146 373 |
| Variable costs total                           | -6 410 616        | -126 593 | -127 973 | -129 353 | -130 733 | -132 113 | -133 493 | -134 873 | -136 253 | -137 633 | -139 013 | -140 393 | -141 773 |
| Basic expenses                                 | -4 444 953        | -91 836  | -92 436  | -93 036  | -93 636  | -94 236  | -94 836  | -95 436  | -96 036  | -96 636  | -97 236  | -97 836  | -98 436  |
| Payments to providers                          | -1 965 662        | -34 757  | -35 537  | -36 317  | -37 097  | -37 877  | -38 657  | -39 437  | -40 217  | -40 997  | -41 777  | -42 557  | -43 337  |
| Fixed costs total                              | -207 000          | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   |
| Salary                                         | -207 000          | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   | -4 600   |
| Investing and Operations total                 | 3 385 704         | 47 047   | 49 667   | 52 287   | 54 907   | 57 527   | 60 147   | 62 767   | 65 387   | 68 007   | 70 627   | 73 247   | 75 867   |
| progressive total                              | 3 385 704         | 88 452   | 138 119  | 190 407  | 245 314  | 302 841  | 362 988  | 425 755  | 491 143  | 559 150  | 629 777  | 703 024  | 778 891  |
| Cash flow from Financial operations total      | 30 168            | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Own funds                                      | 30 168            | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Own funds repayment                            | 0                 | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Co-investor's investment                       | 157 000           | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Refunds to co-investor                         | -157 000          | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| TOTAL CASH FLOW OF THE PROJECT                 | 3 415 872         | 47 047   | 49 667   | 52 287   | 54 907   | 57 527   | 60 147   | 62 767   | 65 387   | 68 007   | 70 627   | 73 247   | 75 867   |
| progressive total (cash balance)               | 3 415 872         | 118 620  | 168 288  | 220 575  | 275 482  | 333 009  | 393 156  | 455 924  | 521 311  | 589 318  | 659 945  | 733 192  | 809 060  |

Table 4. Cash flow for the third year

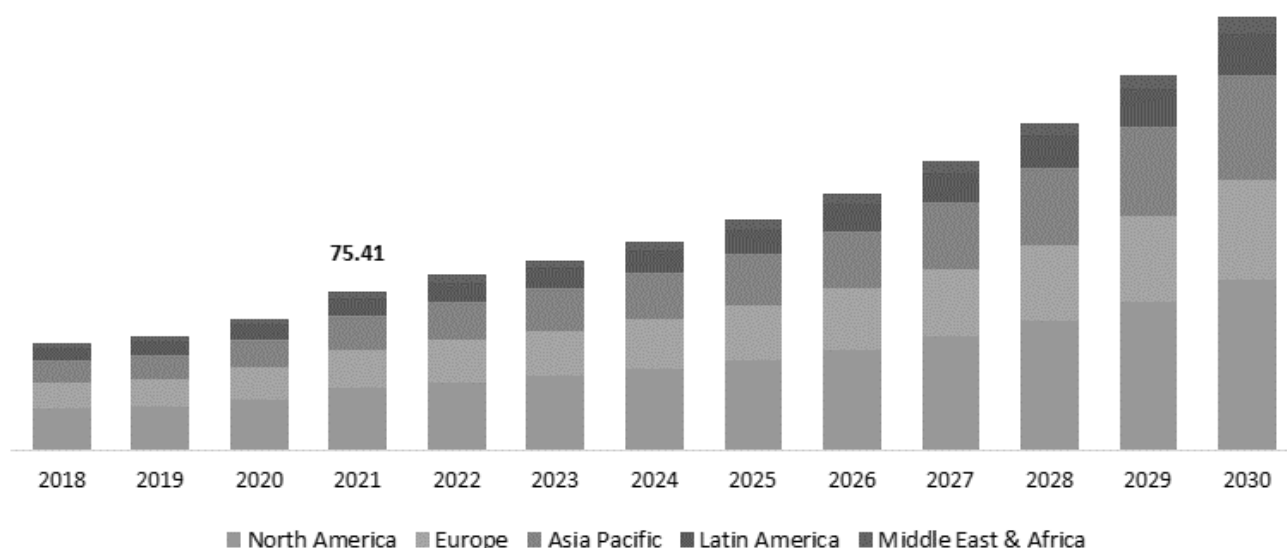
|                                                | Total for 4 years | Jun-25   | Jul-25   | Aug-25    | Sep-25    | Oct-25    | Nov-25    | Dec-25    | Jan-26    | Feb-26    | Mar-26    | Apr-26    | May-26    |
|------------------------------------------------|-------------------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Month of the project                           |                   | 25       | 26       | 27        | 28        | 29        | 30        | 31        | 32        | 33        | 34        | 35        | 36        |
| Month from the project launch                  |                   | 22       | 23       | 24        | 25        | 26        | 27        | 28        | 29        | 30        | 31        | 32        | 33        |
| Number of days in the period                   |                   | 30       | 31       | 31        | 30        | 31        | 30        | 31        | 31        | 28        | 31        | 30        | 31        |
| Cash flow from INVESTING total                 | -77 000           | 0        | 0        | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| Acquisition of the platform core (back office) | -77 000           | 0        | 0        | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| OPERATING cash flow total                      | 3 462 704         | 78 487   | 81 107   | 83 727    | 86 347    | 88 967    | 91 587    | 94 207    | 96 827    | 99 447    | 102 067   | 104 687   | 107 307   |
| Proceeds inpayment excl. VAT                   | 10 080 320        | 226 240  | 230 240  | 234 240   | 238 240   | 242 240   | 246 240   | 250 240   | 254 240   | 258 240   | 262 240   | 266 240   | 270 240   |
| Casino income                                  | 10 080 320        | 226 240  | 230 240  | 234 240   | 238 240   | 242 240   | 246 240   | 250 240   | 254 240   | 258 240   | 262 240   | 266 240   | 270 240   |
| Expenses total                                 | -6 617 616        | -147 753 | -149 133 | -150 513  | -151 893  | -153 273  | -154 653  | -156 033  | -157 413  | -158 793  | -160 173  | -161 553  | -162 933  |
| Variable costs total                           | -6 410 616        | -143 153 | -144 533 | -145 913  | -147 293  | -148 673  | -150 053  | -151 433  | -152 813  | -154 193  | -155 573  | -156 953  | -158 333  |
| Basic expenses                                 | -4 444 953        | -99 036  | -99 636  | -100 236  | -100 836  | -101 436  | -102 036  | -102 636  | -103 236  | -103 836  | -104 436  | -105 036  | -105 636  |
| Payments to providers                          | -1 965 662        | -44 117  | -44 897  | -45 677   | -46 457   | -47 237   | -48 017   | -48 797   | -49 577   | -50 357   | -51 137   | -51 917   | -52 697   |
| Fixed costs total                              | -207 000          | -4 600   | -4 600   | -4 600    | -4 600    | -4 600    | -4 600    | -4 600    | -4 600    | -4 600    | -4 600    | -4 600    | -4 600    |
| Salary                                         | -207 000          | -4 600   | -4 600   | -4 600    | -4 600    | -4 600    | -4 600    | -4 600    | -4 600    | -4 600    | -4 600    | -4 600    | -4 600    |
| Investing and Operations total                 | 3 385 704         | 78 487   | 81 107   | 83 727    | 86 347    | 88 967    | 91 587    | 94 207    | 96 827    | 99 447    | 102 067   | 104 687   | 107 307   |
| progressive total                              | 3 385 704         | 857 379  | 938 486  | 1 022 213 | 1 108 560 | 1 197 527 | 1 289 115 | 1 383 322 | 1 480 149 | 1 579 596 | 1 681 663 | 1 786 351 | 1 893 658 |
| Cash flow from Financial operations total      | 30 168            | 0        | 0        | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| Own funds                                      | 30 168            | 0        | 0        | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| Own funds repayment                            | 0                 | 0        | 0        | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| Co-investor's investment                       | 157 000           | 0        | 0        | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| Refunds to co-investor                         | -157 000          | 0        | 0        | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| TOTAL CASH FLOW OF THE PROJECT                 | 3 415 872         | 78 487   | 81 107   | 83 727    | 86 347    | 88 967    | 91 587    | 94 207    | 96 827    | 99 447    | 102 067   | 104 687   | 107 307   |
| progressive total (cash balance)               | 3 415 872         | 887 547  | 968 654  | 1 052 381 | 1 138 728 | 1 227 696 | 1 319 283 | 1 413 490 | 1 510 317 | 1 609 764 | 1 711 832 | 1 816 519 | 1 923 826 |

## 3 ONLINE GAMBLING MARKET OVERVIEW

### 3.1 Income and turnover

The global online gambling market was valued at USD 75.41 billion in 2021 and is expected to grow at a CAGR of 12.0% during the forecast period. Online gambling is betting on sports games, casinos, and others over the internet. It enables the consumers to gamble from their comfort zone. The growing popularity of virtual wagering, along with the implementation of the freemium model in online gambling, is anticipated to drive the growth of the industry.

Diagram 4. Online gambling market size, by region, 2018-2030, USD billion



The primary factor driving the industry growth include increasing adoption of smartphones, easy access to digital betting platforms, and increasing internet penetration, among others. For instance, according to AGA (American Gaming Association), there are over 2,800 active betting sites as of 2018. The rise of virtual payment gateways and the increasing use of digital currency globally are expected to drive the growth of the overall industry. Operators of various digital platforms are creating a wide range of promotions and tournaments that quickly gain the interests of the new audience, presenting huge growth opportunities to the online gambling market.

The COVID-19 pandemic has had a positive impact on the online gambling market. More and more consumers are inclined towards various virtual platforms to bridge their financial and social crises during lockdowns. According to research by Lund University, on account of the stringent shutdown of all sports & other events due to lockdown, consumers are gaining interest in virtual betting. Furthermore, as various gambling establishments closed due to lockdown, the majority of them moved to a digital platform. These factors positively impacted the growth of the online gambling market during the pandemic spread.

2021 has become a successful year for online casinos around the world due to the pandemic and self-isolation. In many countries the revenue of the entire gambling market has grown by a third - at least in relation to the previous 2020. This indicates the robustness and promise of this business model.

Over the past few years 85 countries around the world have legalized online gambling. Online betting and betting in slot machines and other gambling games together account for 70% of the income of all Internet gambling.

Gambling on the global network is very popular due to the wide variety of offers and comfortable gaming process without any restrictions.

Research firm Juniper has calculated that online gambling betting turnover will reach \$ 950 billion by 2022 and will continue to grow, Yogonet reports.

According to Juniper research, gambling is increasingly moving to the online environment. Moreover, the greatest activity is shown by mobile applications. The share of bets made using mobile phones is constantly growing.

The authors of the study also noted that, despite the general trend towards the regulation of national gambling markets, a few countries are moving towards the prohibition of gambling via the Internet and mobile applications.

The global online gambling market already accounts for 13% of the total global legal gambling market and this figure is constantly growing.

About 85 countries have allowed online gambling.

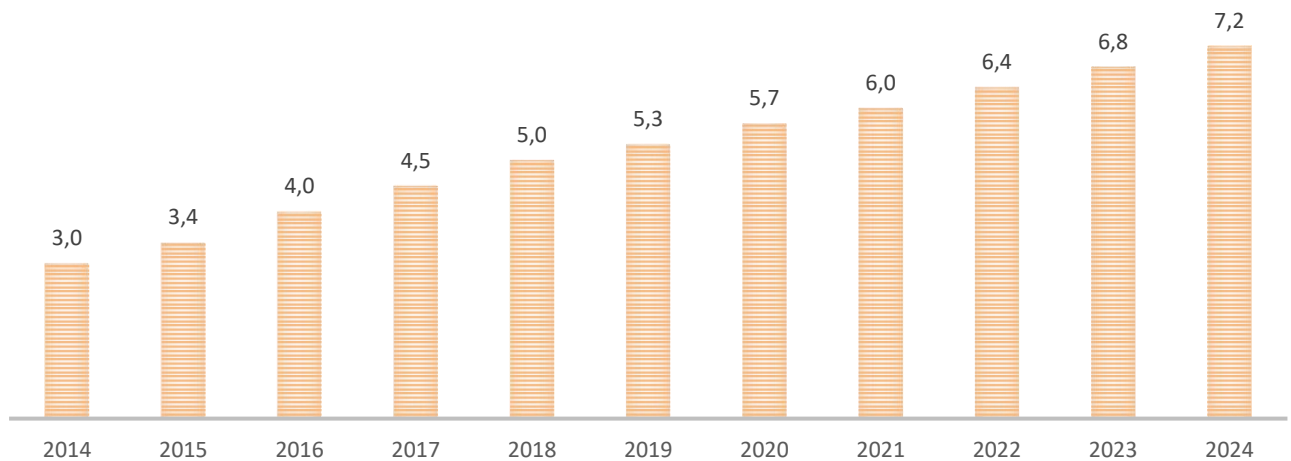
Gross Gaming Revenue is a financial indicator that determines the gross revenues of a gambling establishment. The GGR parameter allows you to track the dynamics of the behavior of gambling players around the world.

BV1sion presented an overview of the online casino market in 2019, including the GGR market predictions. In 2019, GGR was \$ 5.3 billion (up from \$ 5 billion in 2018). It is predicted that GGR will grow further and will reach \$ 5.7 billion in 2020, and \$ 7.2 billion in 2024<sup>1</sup>.

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<sup>1</sup> <https://3snet.co/news/2020-forecasts-gambling/>

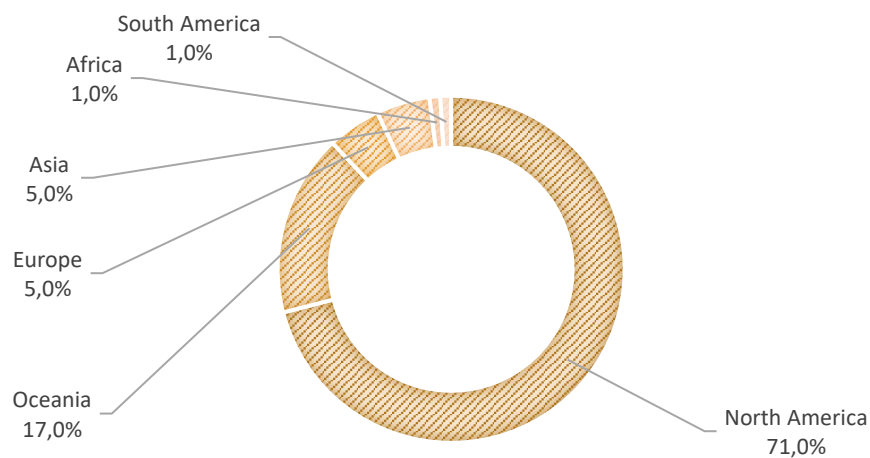
Diagram 5. Forecast of Gross Gaming Revenue, \$ billion



In terms of geographic division, North America continues to dominate the online casino industry, representing 71% of the total market.

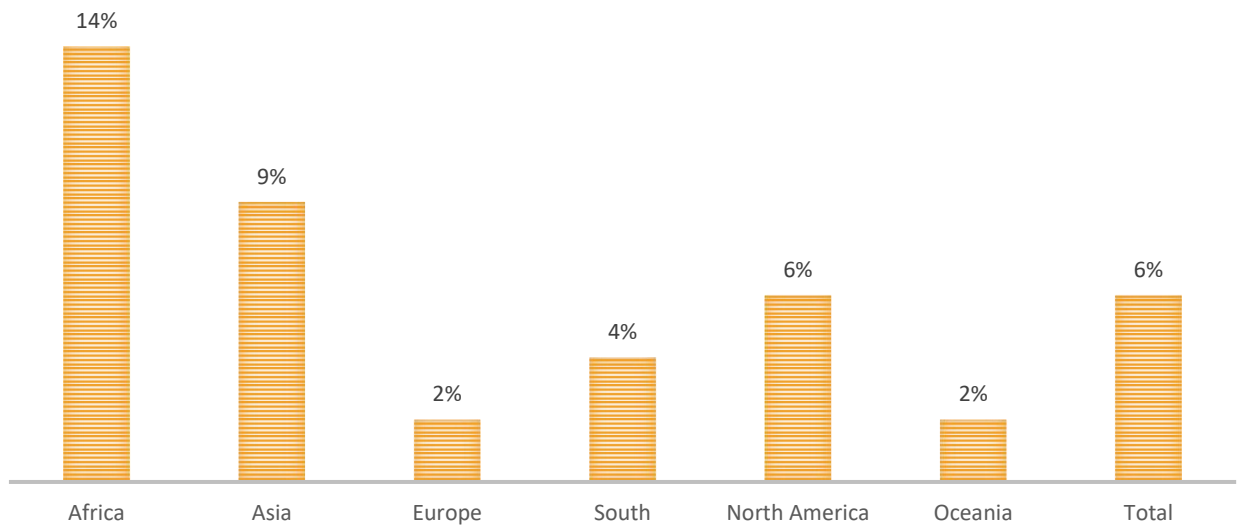
At the same time, Oceania (Fiji, New Zealand, Polynesia, New Guinea, etc.) also has a strong presence with 17% of the global GGR in 2019, significantly ahead of Asia and Europe with 5%.

Diagram 6. Regional structure of gross income of the gambling business in 2021



Africa posted the fastest growth rate in 2021 at 14% YoY, while Europe experienced very modest growth.

Diagram 7. Growth in gross income by region in 2021

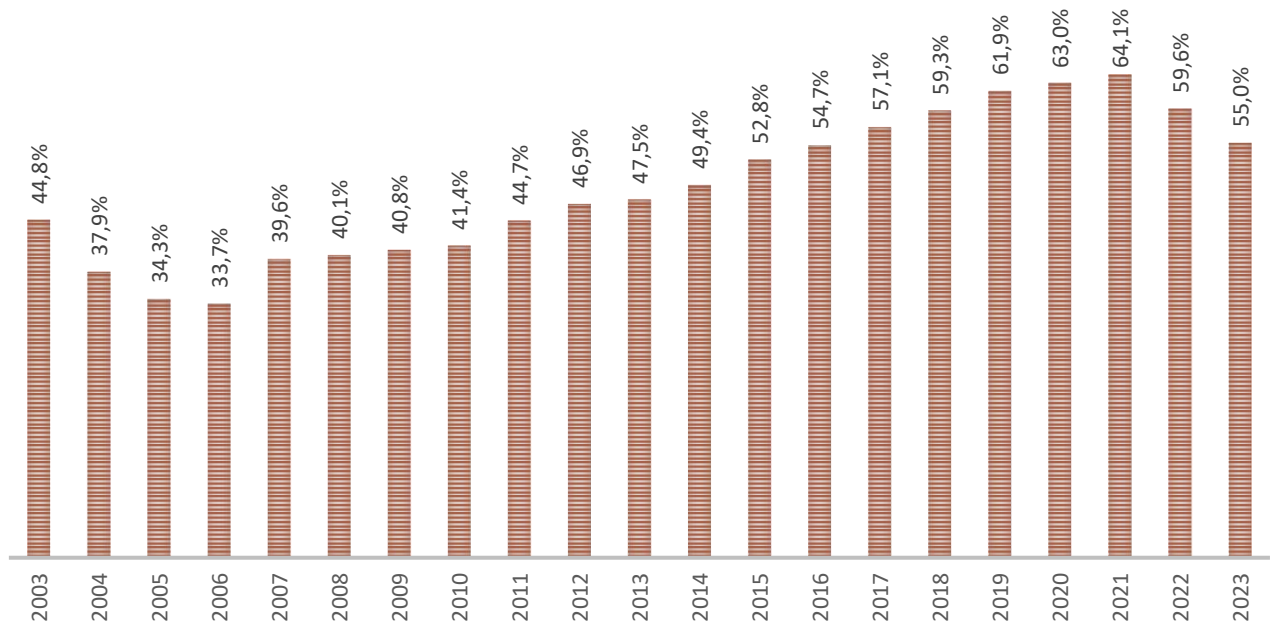


The European Union is the largest regulated market in the industry. For comparison, players from Iran are only restricted in about 30% of casinos.

The European Commission reports that today the online gambling industry is worth \$ 14.7 billion and continues to grow. Online casino gambling is the fastest growing gambling segment in the European Union with an annual growth rate of 15%.

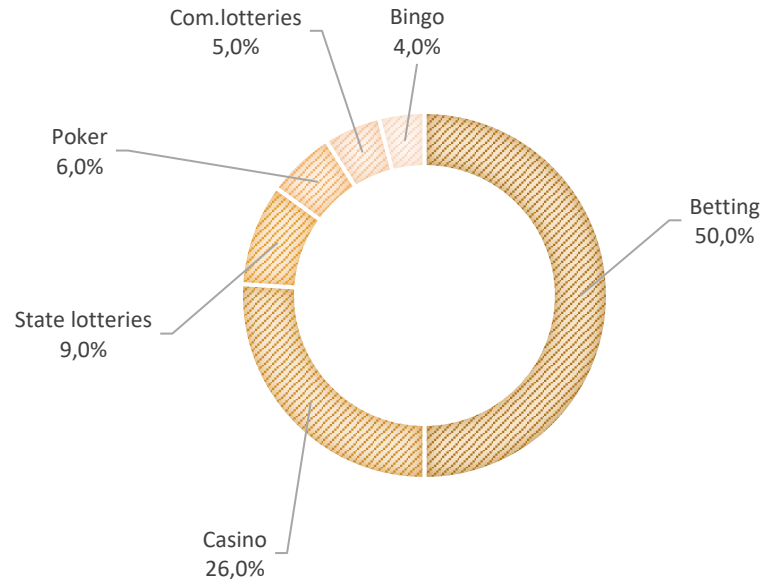
There was also talk about simplifying the rules. Last year, the European Commission said: “Operators of online gambling operating in the European Union are forced to obtain licenses in several countries, which require licensing. But a more general approach would be better for them. More compliance requirements create unnecessary infrastructure duplication and costs, which adds unnecessary administrative burdens for regulators.”

Diagram 8. The share of the "white market" in online gambling revenue worldwide



Since 2003, the market has grown by an average of 23% annually. The dominant elements were betting, casino and poker. Online gaming is becoming more and more popular, and its progress is driven by factors such as the spread of the Internet, the emergence of new markets and new groups of players.

Diagram 9. Online gambling income by game type



### 3.2 New groups of players

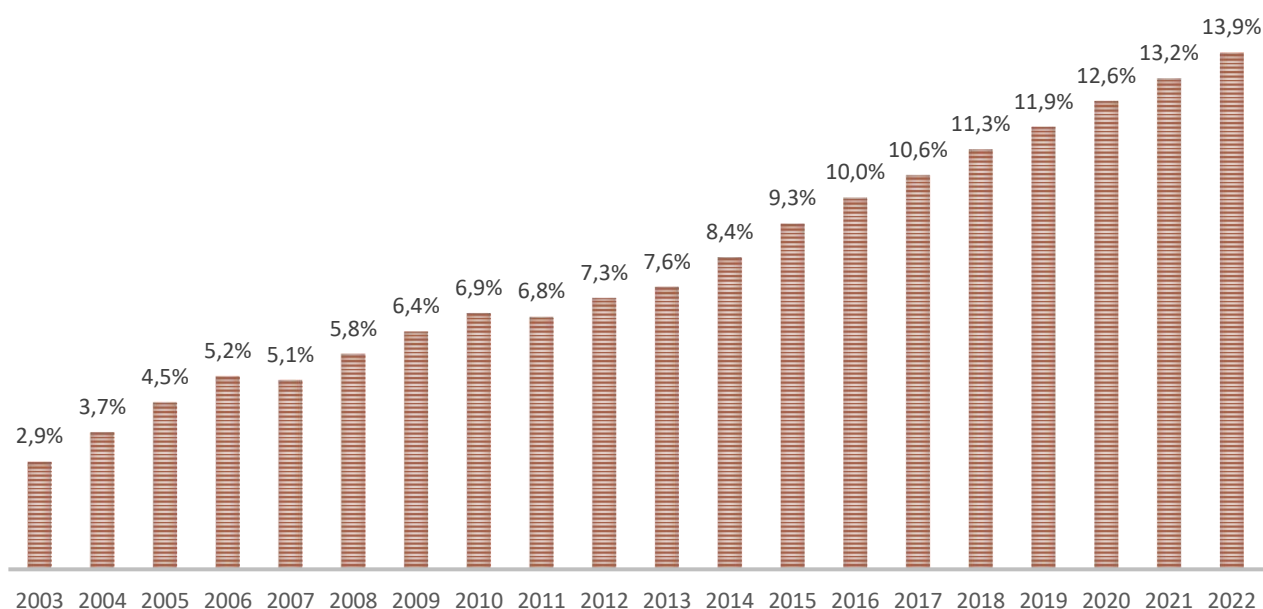
Since 2004, the number of female Internet users aged 18 to 74 has increased by more than 80%, and men by 60%. Online gambling attracted mostly young men, but now it is becoming more popular among women and older people.

Different types of players have different preferences and reasons to play. Most people do it for fun, others do it to win money, and some do it to relax. Whatever the reason, operators and developers should keep an eye on player preferences. Age differences between players are also increasing as the Internet continues to spread in society. The image of the average male player between the ages of 25 and 35 is becoming increasingly blurred.

According to a study by GP Bullhound, 43% of all online gamblers in 2019 were women. Their favorite segment is still bingo, but they play in different directions. Research shows that the play behavior of men and women is different. Women tend to play longer and bet lower, while men do it more often and bet more, but the games are shorter.

Bingo is becoming more and more popular because the game offers the opportunity to relax in a social society.

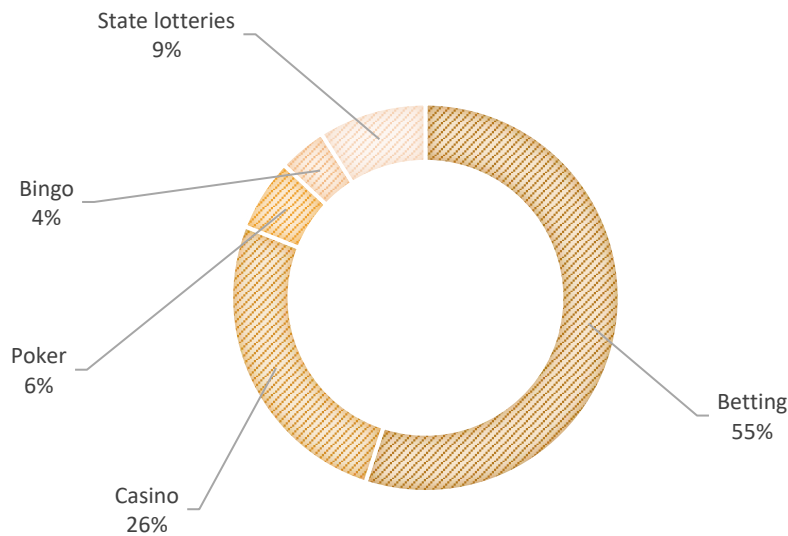
Diagram 10. Share of online gambling income from total gambling income in the world



It is important to note that most of the popular forms of remote gambling today are traditional casino games, betting and poker variations. The popularity of different types of online gambling depends on gender. The bingo industry is expected to have the highest growth rates as more women are interested in the iGaming industry and bingo.

Nevertheless, online gambling is still more popular among men. Young men are especially prone to gambling. Women enjoy playing just as much, but they choose simpler games like lotteries and slots. The difference can be explained by the socialization of the roles of men and women. Betting, casino games and skill games are traditionally associated with male audiences, while women are more accustomed to playing, having fun, rather than getting an adrenaline rush.

Diagram 11. Online gaming revenue by type, 2021



### 3.3 Current trends in online casinos

Due to the pandemic and self-isolation in many countries, 2021 has become a very successful year for online casinos around the world: there is an increase in the revenue of the entire online gambling market in the world by a third compared to the previous period last year. And during the crisis of 2008, it practically had no effect on the wallet of online casino customers. This indicates the robustness of this business model.

New technologies are having a profound impact on the gaming market. Active development is predicted for mobile gambling, and only the best new products will withstand competition, which means that users will notice an improvement in the quality of mobile gambling.

All technical changes, including those related to the speed of mobile data transmission, will not be particularly noticeable to end users, they will take place, so to speak, in the background. But the qualitative and specific changes will be on the face.

The main surprise will be virtual reality in online gambling. Thanks to the development of Microsoft HoloLens, HTC Vive and Playstation VR, video slots and other online games will become more spectacular and amazing than ever before soon.

#### *Virtual reality technology*

New advances in VR technology make it possible to faithfully reproduce the emotions and physiological sensations experienced by a person in a real casino. With the help of virtual reality glasses, anyone who wishes today can walk through the hall of a masterfully recreated gambling establishment, talk to the dealer and place bets at any gaming table.

Such giants of the gaming market as Microgaming, Novomatic, NetEnt, Lucky VR, Topgame Technology and others are working in the direction of the development of virtual reality games.

Back in the winter of last year, at the international conference ICE Totally Gaming, Microgaming presented an impressive stand, where the virtual roulette game was demonstrated. The software used has clearly shown that virtual reality is achievable, and a great future awaits it in the gambling industry.

The company NetEnt is actively studying VR technologies. Visitors to exhibitions dedicated to online gambling have already repeatedly experienced the Jack and the Bean Tree slot machine. The amazingly realistic journey was appreciated by both players and competitors.

Talking about their achievements in the field of virtual reality, Novomatic representatives note the main advantages of realistic online games: full immersion in the gameplay; incredible emotions, even brighter than in real life; the ability to use the resource in any convenient place where there is an Internet connection; exciting and varied plots.

Novomatic is one of the pioneers in the implementation of VR technology in online gambling, which has many new developments.

Recently, the idea of the possibility of integrating virtual gameplay into social networks has been repeatedly expressed. Most likely, such an idea will soon be implemented.

#### *Social games combined with slot machines*

Online gambling in a social format is gaining popularity. We recently reviewed the new Castle Builder 2 slot from Microgaming, which evolves gameplay through advances in spinning reels and placing bets.

The advantage of social gambling is that it is much more dynamic and addictive than a traditional slot machine. Such games allow you to choose a playable character and follow different paths depending on the character of the hero. In addition, the characters are invited to develop: to accumulate experience, skills and achievements, and due to this, get more favorable conditions for the game. The role of the reel slot machine is that the winning combinations not only bring money, but also the resources necessary to continue in the game.

Currently, slot machines with social game capabilities are in great demand, so many developers are working on their creation. In the second half of 2021, several fresh new products were released.

#### *Progressive Poker Jackpot with a live dealer*

Slot machines with a progressive jackpot are chosen by many gamblers, as this is a chance to win a large cash prize. Now this technology is smoothly spreading to poker. Evolution Gaming has already introduced the world's first Jumbo 7 Progressive Jackpot in Live Casino Hold'em!

The initial size of the jackpot is 1,000,000 euros, but since it is cumulative, the amount increases in proportion to the activity of the players. Evolution Gaming Product Director Todd Haushalter noted that the jackpot could grow to an incredible € 30,000,000! Playing poker with such a prize at stake is much more fun. The game also has a second level jackpot with lower fixed payments.

Other developers of live online casino games are also considering introducing an attractive progressive jackpot for players.

#### *Live-games*

Live dealer games have become very popular in the past year. And this is just the beginning of their successful development. This year, it is expected to further popularize live games in conjunction with VR technology. The developers plan to create even more realistic games with improved functionality and open new studios for broadcasting games in real time.

#### *Skill games*

Most modern players rely not only on luck, but also on their own skills. This inspired many providers to develop platforms containing strategy games. They need to apply certain skills, which is very attractive for players. This promises immense popularity for skill games soon.

#### *Gamification*

This concept implies the use of game dynamics and game thinking to attract an audience to the process and solutions to marketing problems. Gamification will no doubt become a new trend in gambling and promises new missions, competitions, bonus programs and rewards to attract gamblers.

#### *Entertainment content*

Online casino operators strive to keep users on their resource in every possible way. Now, in addition to chats, special sections with useful non-game content will be used for this: movies, TV series, music videos and TV shows. In addition, plot details of many slots will appear in online casinos.

#### *Big data*

Another trend of the current year will be Big Data technology. It provides the collection and storage of a huge amount of information and is indispensable for the progressive online gambling industry. Thanks to the ability to analyze and sort a large amount of data, games will effectively adapt to the interests and needs of the target audience.

#### *Mergers and acquisitions*

According to experts' forecasts, the development of the gambling market is so rapid that by 2023 its volume will exceed \$ 60 billion. So, in 2023, gambling companies will expand and increase their capital.

#### *Individual slots*

Creation of slots for individual orders will also be included in the top online casino services. The development of unique slots will allow operators to gain a competitive advantage in the market and maximize brand awareness.

#### *Cryptocurrencies*

Cryptocurrencies are famous for such significant advantages as anonymity, convenience, minimum fees and the absence of prohibitions from legislation. Thanks to this, they will become one of the most popular means of payment in the field of Internet gambling. In addition to bitcoin, the following currencies will gain popularity: litecoin, dogecoin, ethereum, ripple, monero, zcash and others.

Currently, the use of cryptocurrencies by customers is alarming, since they are associated with illegal, i.e. gray financial market. At the first stage, it is not recommended to use settlements with clients in cryptocurrency.

#### *Security issues in online gambling*

New technologies imply the search for new ways to solve security issues. Moreover, DDoS attacks have become more frequent lately. In the past year, they have done a lot of damage to online bookmaker sites. As it turned out, even large operators with close attention to security issues, such as Britain's William Hill, are not immune from hacker provocations. Last fall, the services of this operator were unstable, and with 5 million revenue a day, the losses will be rightly called significant.

In 2019, a significant proportion of gambling operators' investments were directed towards security.

### 3.4 Gambling in Africa

Gamblers and experts say many punters see Africa's growing sports betting industry as a source of regular income, and a possible path out of poverty.

But critics warn its rise is underpinned by widespread poverty, unemployment and poor or non-existent regulation.

Continent-wide data on sports betting is not readily available, though snapshots from different countries show its growing popularity.

Online gaming platforms have enjoyed recent growth, driven by widening adoption of mobile payments and pandemic-era demand for digital entertainment.

A South African government survey from 2017, the most recent on gambling, found that sports betting grew 14% per year from 2008 to 2016, even as the number of South Africans who gambled fell from 57% to a third of the country's adult population.

Today, online sports betting makes up 45% of the South African gambling market, "a starkly different picture to just 10 years ago when casinos held 80% of market share," said the National Gambling Board.

Sibongile Simelane-Quntana, executive director of the South African Responsible Gambling Foundation, said that her group has seen "significant growth" in online sports betting in the aftermath of pandemic-related lockdowns.

Funding for her group, which comes from gambling houses, "has increased by 50% from where it was before the lockdown," she said.

African gamblers often count on winnings to fund daily needs.

A government survey found that respondents who saw gambling as a good source of income fell by half from 2019 to 2021, from 22.7% to 11.2%.

### 3.5 Market Forecasts

Research company Juniper calculated that betting turnover in the online gambling segment will reach \$ 950 billion by 2023 and will continue to grow even before the pandemic, according to Yogonet.

According to Juniper research, gambling is increasingly moving to the online environment. Moreover, the greatest activity is shown by mobile applications. The share of bets made via mobile phones is constantly growing.

The authors of the study also noted that, despite the general trend towards the regulation of national gambling markets, a few countries are moving towards a complete ban on gambling via the Internet and mobile applications.

The global online gambling market already accounts for more than 13% of the total global legal gambling market and this figure is constantly growing.

Niche revenue is expected to reach \$ 65 billion by 2023, and the niche itself will undergo a series of changes and reforms depending on the market.

The Asian market is the largest in the world in terms of volume, and every year the demand for gambling is only growing. 2021 showed softening in the field of law - more and more countries are legalizing online betting and even casinos. This trend has moved into 2022, which opens new perspectives for the industry.

In Africa, the online gambling market is now at the stage of rapid development and growth. The main problem is that currently, in most countries of the continent, casino activities are not regulated in any way (but they are not prohibited at the legislative level either). Therefore, it will take time to fully unleash the potential of this market.

## 4 RISKS FACTORS OF ONLINE GAMBLING

Online gambling possesses a unique set of risks. Combined with the challenges of the COVID-19 crisis, online gambling can be especially tempting and destructive for those with gambling problems. Why? Here are 6 risk factors of online gambling:

- Easy access. In just a few clicks or taps, gamblers can access games and betting opportunities right from their devices.
- Isolated playing. While gambling in casinos allows people to socialize, online gambling is often done alone. And for those with a gambling problem, it may be easy to conceal how often and where they're playing.
- Unlimited play time. Gambling sites are open 24/7, giving people the chance to play night and day.
- Seemingly unlimited money to bet. Using a credit card enables fast bets and losses. In casinos, money is exchanged or loaded onto registered loyalty cards. But credit cards require no loading or reloading, making it easier to lose track of money spent. Significant losses can negatively impact credit scores as well.
- Unregulated websites. Fraudulent or unregulated gambling sites may take advantage of players and can be hard to track down and take action against if problems occur.
- Cybersecurity issues. Because sites can be unregulated, personal data, including credit card and banking account numbers, may be vulnerable and accessible to hackers or scammers. Additionally, contact information may be shared with third-party partners to promote gambling sites and offers.

## 5 INVESTMENT PLAN

### 5.1 Volume and structure of investments

The total investment required for the project is 200,2 thousand euro.

The funds raised under the project are planned to be distributed in the following areas of financing:

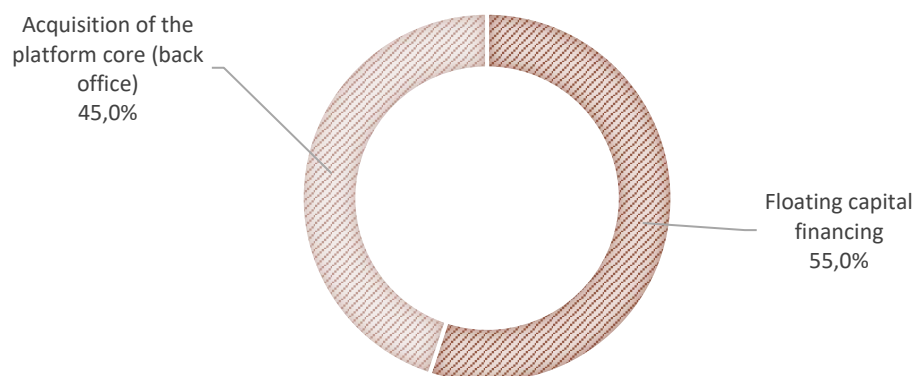
- acquisition of the platform core (back office);
- floating capital financing.

Table 5. Investment budget

| 0                                                    |                                                |                  |
|------------------------------------------------------|------------------------------------------------|------------------|
| No                                                   | Name                                           | Value, incl. VAT |
| 1                                                    | Acquisition of the platform core (back office) | 90 000           |
| 2                                                    | Floating capital financing                     | 110 168          |
| Investment total excl. floating capital              |                                                | 90 000           |
| <b>Invested capital total (actual need for cash)</b> |                                                | <b>200 168</b>   |

The largest share in investment costs is floating capital financing (about 55%).

Diagram 12. Investment cost structure



## 5.2 Project Milestones and Implementation of Investments Schedule

The duration of the investment period (before the launch of the project) is 0,3 years.

A phased work schedule with a financing schedule is presented in the table below.

Table 6. Financial plan, euro

|                               |                                                | Total for 4<br>years | Jun-23  | Jul-23 | Aug-23 | Sep-23 | Oct-23 |
|-------------------------------|------------------------------------------------|----------------------|---------|--------|--------|--------|--------|
| Month of the project          |                                                |                      | 1       | 2      | 3      | 4      | 5      |
| Month from the project launch |                                                |                      |         |        |        | 1      | 2      |
| Number of days in the period  |                                                |                      | 30      | 31     | 31     | 30     | 31     |
| 1                             | Acquisition of the platform core (back office) | 90 000               | 90 000  |        |        |        |        |
| 2                             | Floating capital financing*                    | 110 168              | 67 000  |        |        | 6 105  | 35 588 |
|                               | Investment total excl. floating capital        | 90 000               | 90 000  | 0      | 0      | 0      | 0      |
|                               | Invested capital total (actual need for cash)  | 200 168              | 157 000 | 0      | 0      | 6 105  | 35 588 |

*\*Negative value shows that this sum of investment is financed by current earnings of the project*

Diagram 13. Investment cost financing schedule, euro

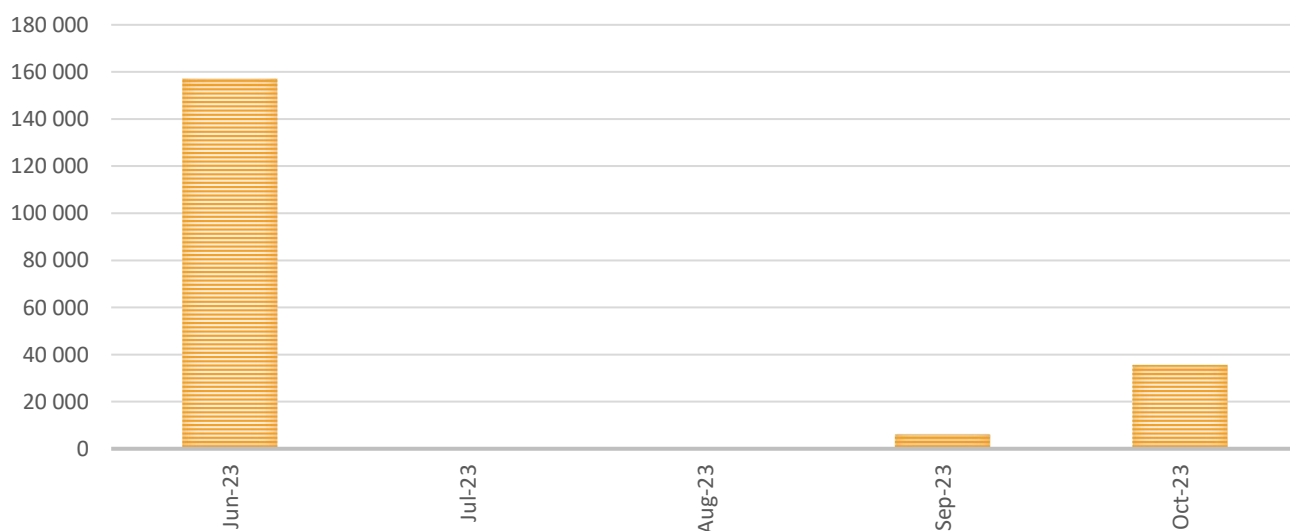
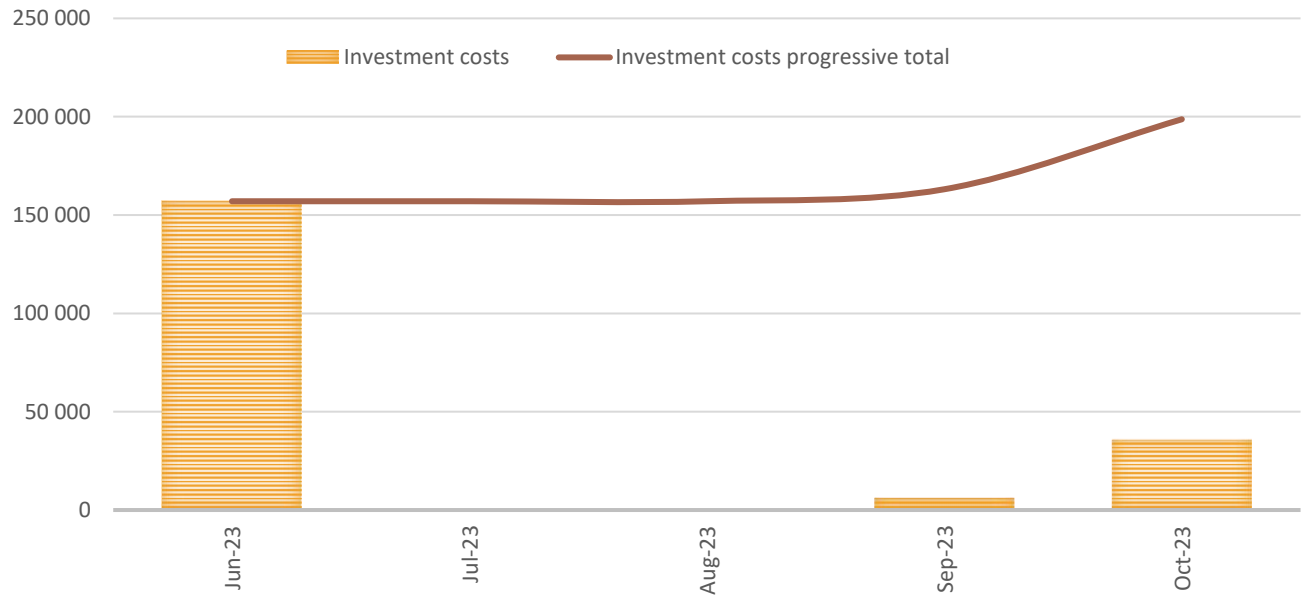


Diagram 14. Investment cost financing schedule, euro



## 6 INCOME PLAN

### 6.1 Scope of services

#### *Planned number of casino guests*

The planned volume of attracting new guests is 65 100 people per month.

Average income per guest is 8 euro per month. At the same time, each newly appeared guest plays on average for 3 months, after this period it is necessary to invest new funds in advertising to retain or re-attract him.

In the form of cash winnings, the casino pays out 95% of the funds credited by guests to the casino account (entered into the system).

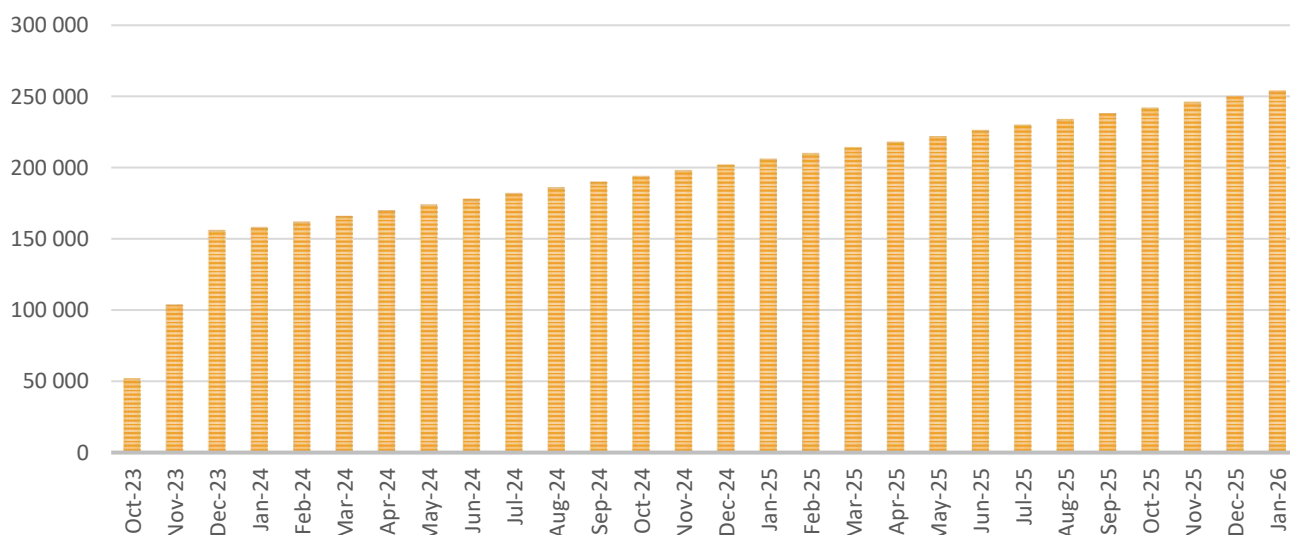
Thus, the income (proceeds) of the casino itself is 5% of the funds entered by the guests into the gaming system.

4 months after the start of the online casino, a referral program is connected - 5 new partners per month. Each partner ensures the arrival of new guests in the amount of at least 50 monthly.

### 6.2 Volume of income

The average monthly income for the project period (4 years) will be about 210,0 thousand euro.

Diagram 15. Dynamics of proceeds, euro



The total amount of proceeds for the project period (4 years) will amount to 10 080,3 thousand euro.

An aggregate plan for generating income and financing direct costs is presented in the table below.

Table 7. Income and direct cost plan (before reaching design capacity)

|                                              |  |      | Total for 4 years | 2023      | 2024       | 2025       | 2026       | 2027       |
|----------------------------------------------|--|------|-------------------|-----------|------------|------------|------------|------------|
| Month of the project                         |  |      |                   | 1 - 7     | 8 - 19     | 20 - 31    | 32 - 43    | 44 - 48    |
| Month from the project launch                |  |      |                   | 1 - 4     | 5 - 16     | 17 - 28    | 29 - 40    | 41 - 45    |
| Number of days in the period                 |  |      |                   | 214       | 366        | 365        | 365        | 151        |
| Basic parameters of the project              |  |      |                   |           |            |            |            |            |
| Average income per guest per month           |  |      | 8                 |           |            |            |            |            |
| Advertising costs, per month                 |  |      | 65 100            |           |            |            |            |            |
|                                              |  |      |                   |           |            |            |            |            |
| Physical indicators                          |  | Unit | -                 |           |            |            |            |            |
|                                              |  |      |                   |           |            |            |            |            |
| Total number of guests                       |  | ppl  |                   | 19 530    | 27 780     | 33 780     | 39 780     | 39 780     |
| Number of new casino guests                  |  | ppl  | 286 440           | 19 530    | 78 120     | 78 120     | 78 120     | 32 550     |
| Number of new guests of the referral program |  | ppl  | 225 750           | 250       | 22 500     | 58 500     | 94 500     | 50 000     |
| For reference:                               |  |      |                   |           |            |            |            |            |
| Cash turnover with an average percentage of  |  |      | 201 606 400       | 6 249 600 | 43 257 600 | 54 777 600 | 66 297 600 | 31 024 000 |
| Cumulative total number of referral partners |  |      | 4 515             | 5         | 450        | 1 170      | 1 890      | 1 000      |

## 7 EXPENDITURES OF THE PROJECT

### 7.1 Fixed costs

#### *Salary*

According to the staffing table, the total estimated number of personnel is 5 people with a standard workload with an average salary of 920 0 per month.

The total payroll will amount to 4,6 thousand euro per month (55,2 thousand euro per year).

It is planned to pay for the work of all employees of the company on a time-based basis. At the same time, in the future, it is planned to develop a system of financial incentives (bonuses, bonuses, etc.).

Table 8. Staffing table and salaries

| No | Position             | Number of people | Salary | Total per month | Total per year |
|----|----------------------|------------------|--------|-----------------|----------------|
|    |                      |                  |        |                 |                |
| 1  | Senior technician    | 1                | 1 200  | 1 200           | 14 400         |
| 2  | Operator-consultant  | 3                | 800    | 2 400           | 28 800         |
| 3  | Marketing Specialist | 1                | 1 000  | 1 000           | 12 000         |
|    |                      |                  |        |                 |                |
|    | Total                | 5                |        | 4 600           | 55 200         |

5 additional staff are employed for every 6000 new clients. The cost of additional personnel is shown in variable costs.

### 7.2 Variable costs

#### *Direct production costs*

A complete list of current variable costs is presented in the table below.

Table 9. Variable costs

| No                           | Item of expense                                          | per unit, total | %    | Calculation base                                  |
|------------------------------|----------------------------------------------------------|-----------------|------|---------------------------------------------------|
| <i>Basic expenses</i>        |                                                          |                 |      |                                                   |
| 1                            | Advertising costs                                        | 10              |      | for 1 new client                                  |
| 2                            | Percentage of the platform gross profit, but not less    | 3 405           | 15%  | gross profit for the previous month               |
| <i>Payments to providers</i> |                                                          |                 |      |                                                   |
| 3                            | Payments for input of funds into the system by guests    |                 | 0,5% | Cash turnover                                     |
| 4                            | Payments for withdrawing funds from the system by guests |                 | 0,5% | The difference between casino turnover and income |

Diagram 16. Structure of variable costs (to the total volume of variable costs)

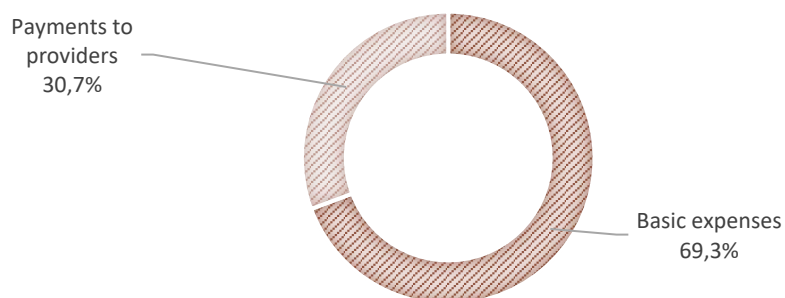
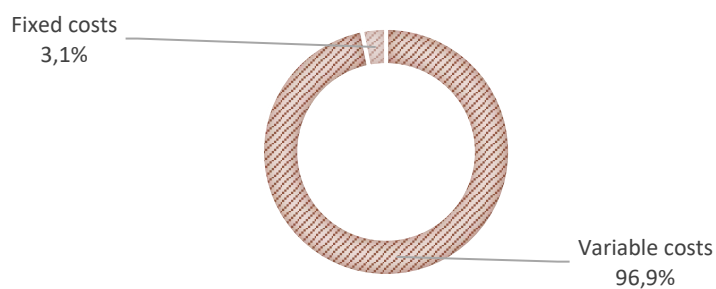


Diagram 17. The ratio of fixed and variable costs



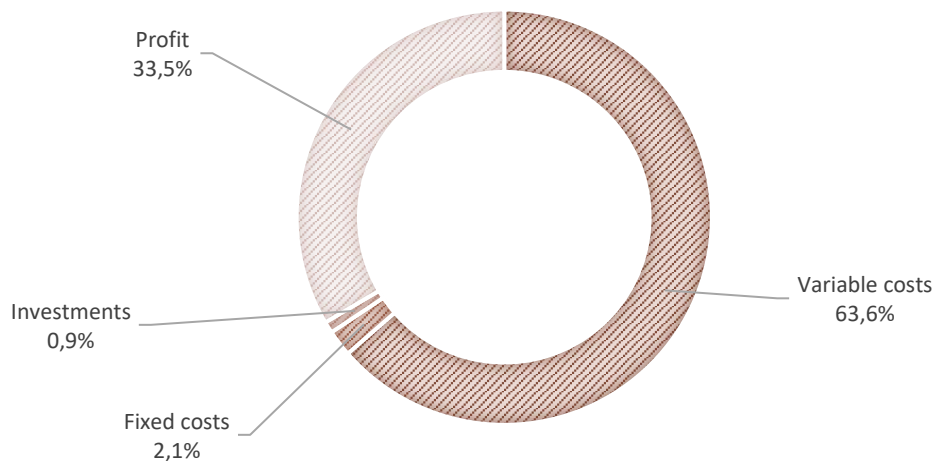
### 7.3 Revenue of the project

The easiest way to analyze the main cost streams and their share in the total cost is to analyze the distribution of total revenue for the project period (4 years). The structure of the distribution of proceeds by main cost groups and profit in descending order will look as follows:

- variable costs - 63,60%;
- profit - 33,46%;
- fixed costs - 2,05%;
- investments - 0,89%.

The diagram below illustrates that the share of the project's proceeds that goes to net profit is 33,5%.

Diagram 18. The structure of distribution of proceeds from sales to costs and profit



The table below shows the shares of individual items of operating income and costs in the total volume of income for the project (the data are shown according to the plan in aggregate for the entire period of the project, the percentages are given from the volume of revenue).

Table 10. Revenue structure (costs and benefits)

| No | Parameter                                       | Monthly average | Annual average | Total for 4 years | %       |
|----|-------------------------------------------------|-----------------|----------------|-------------------|---------|
| 1  | Proceeds                                        | 224 007         | 2 688 085      | 10 080 320        | 100,00% |
| 2  | Operating costs TOTAL                           | 147 058         | 1 764 698      | 6 617 616         | 65,65%  |
| 3  | Variable costs total                            | 142 458         | 1 709 498      | 6 410 616         | 63,60%  |
| 4  | <i>Basic expenses</i>                           | 98 777          | 1 185 321      | 4 444 953         | 44,10%  |
| 5  | <i>Payments to providers</i>                    | 43 681          | 524 177        | 1 965 662         | 19,50%  |
| 4  | Fixed costs total                               | 4 600           | 55 200         | 207 000           | 2,05%   |
| 7  | <i>Salary</i>                                   | 4 600           | 55 200         | 207 000           | 2,05%   |
| 8  | Investment (excl. floating assets)<br>TOTAL     | 2 000           | 24 000         | 90 000            | 0,89%   |
| 9  | Cash balance at the end of the<br>project TOTAL | 75 908          | 910 899        | 3 415 872         | 33,89%  |
| 10 | Profit TOTAL                                    | 74 949          | 899 388        | 3 372 704         | 33,46%  |

## 7.4 Break-even point analysis

### *Break-even Analysis Assumptions*

When searching for the break-even point of this project, the following assumptions were used:

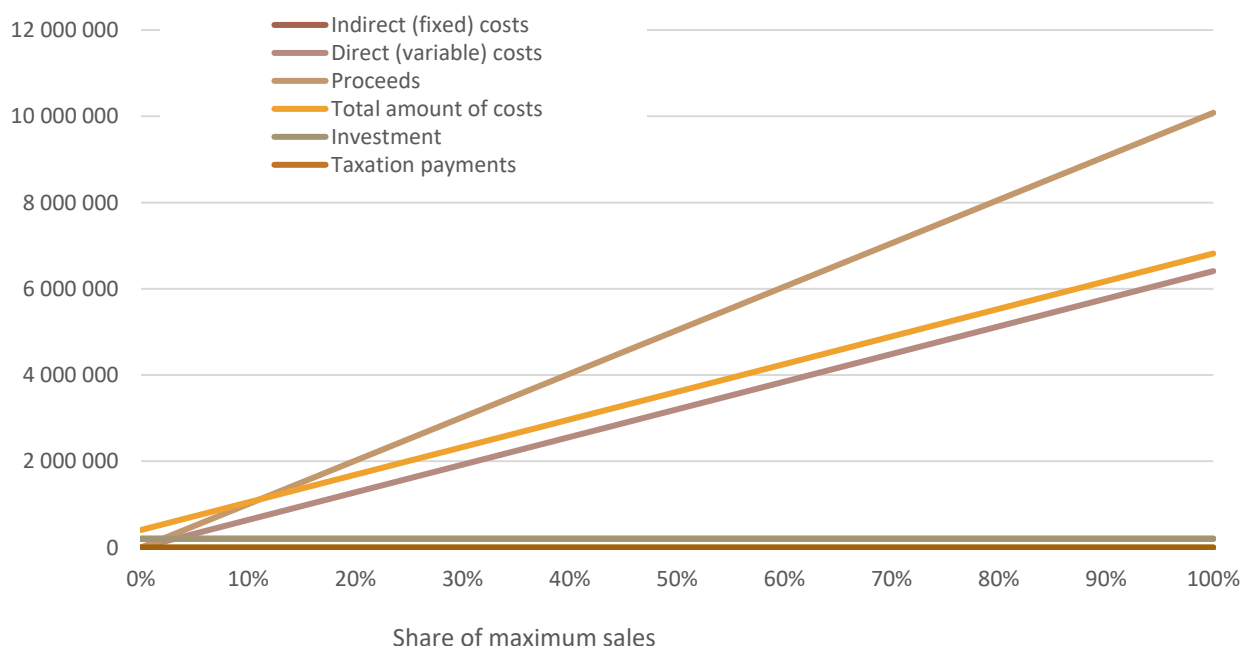
- variable costs increase in proportion to the increase in sales (i.e., sales volumes for each line of business increase with the same proportions);
- to analyze the break-even point, considering taxes, the average amount of taxes for the project period per month was taken, which increases in proportion to the growth in sales;
- to analyze the investment break-even of the project (break-even points for the project as a whole), investments and the cost of capital (interest) are included in the same way as fixed costs (do not change with increasing revenue).

### *Break-even analysis*

As part of the investment project as a whole, taking into account investment costs and the declared sales volume for the entire project period, the break-even sales volume is equal to 1 118,5 thousand euro (11,1% of the total project proceeds).

The financial strength margin reaches 8 961,9 thousand euro (88,9% of the total project proceeds).

Diagram 19. Break-even point of the project as a whole, euro



## 8 FINANCIAL PLAN

### 8.1 Conditions for attracting investment resources

#### *Financial resource requirements and financing structure*

The need for financial resources for the project is 200,2 thousand euro.

It is planned that the financing of this project will be carried out at the expense of the investor and the company's expense.

The amount of own funds will be 43,2 thousand euro ().

The investor's capital will amount to 157,0 thousand euro ().

The co-investor's funds are reimbursed after the profit is made.

### 8.2 Indicators of the cash flow plan

#### *Investment activities*

The balance of the investment cash flow of the project is equal to the aggregate of all long-term financial investments (investment budget), except for working capital - 90,0 thousand euro.

#### *Operating activities*

Positive cash flows from operating activities are generated by sales proceeds. Negative cash flows are the company's operating costs.

The amount of proceeds for the period of the project reaches 10 080,3 thousand euro.

Negative cash flow reaches 6 617,6 thousand euro and consists of the following main components:

- variable costs - 6 410,6 thousand euro;
- fixed costs - 207,0 thousand euro.

Thus, the balance on operating activities at the end of the project will be equal to the amount of net profit and will be 3 372,7 thousand euro.

#### *Financial activities*

The financial flow consists of receipts of own and credit funds for financing the project, as well as their subsequent reimbursement.

Thus, the financial balance is zero.

### 8.3 Indicators of Profit and Loss Plan

The amount of proceeds for the project period will amount to 10 080,3 thousand euro. The total volume of direct costs will reach 6 410,6 thousand euro.

Thus, the gross profit is 3 669,7 thousand euro.

Fixed costs for the project period will be 207,0 thousand euro.

Profit before tax will be 3 372,7 thousand euro.

The volume of net profit, taking into account the write-off of the entire amount of investment costs (through depreciation), will reach 3 372,7 thousand euro.

Diagram 20. Net profit of the project, euro



### 8.4 Company's value

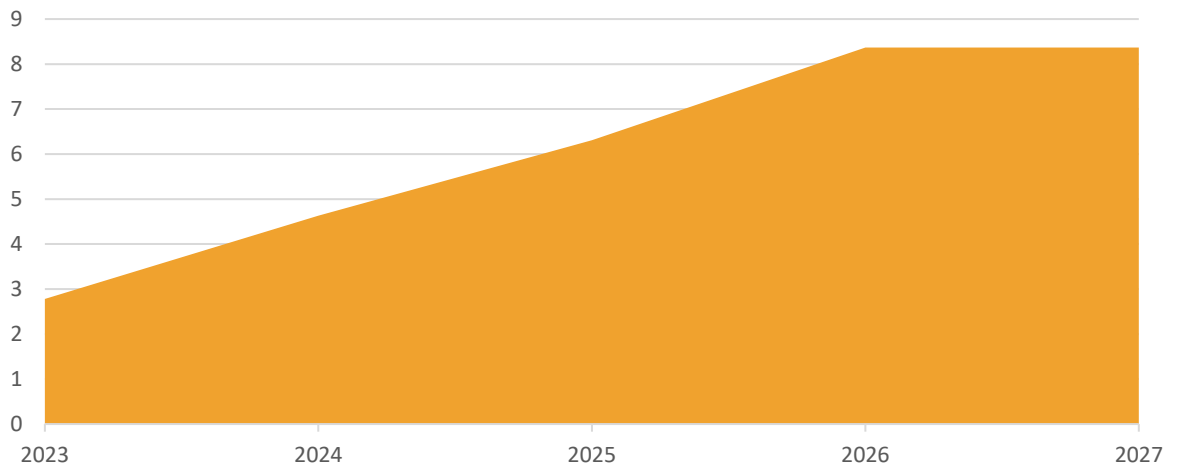
The cost of the company at the end of the project (after 48 months (4 years)) will be 8 368 thousand euro.

The dynamics of the company's value is shown below.

Table 11. Dynamics of the company's value

|               | thousand euro |       |       |       |       |
|---------------|---------------|-------|-------|-------|-------|
|               | 2023          | 2024  | 2025  | 2026  | 2027  |
| Company value | 2 780         | 4 629 | 6 310 | 8 368 | 8 368 |

Diagram 21. Dynamics of the company's value, million euro



## 8.5 Project Financial Performance

The project calculation horizon is 48 months (4 years). The investment period of the project (until the launch of the project) is 3 months (0,3 years). The working period of the project (from the launch) is 45 months (3,8 years).

To calculate the financial indicators of the project, taking into account the nature of the project, a discount rate of 10% was adopted.

In total, for the entire period of the project implementation, 10 080,3 thousand euro of sales proceeds will be received.

The total cost for the project period will amount to 6 707,6 thousand euro.

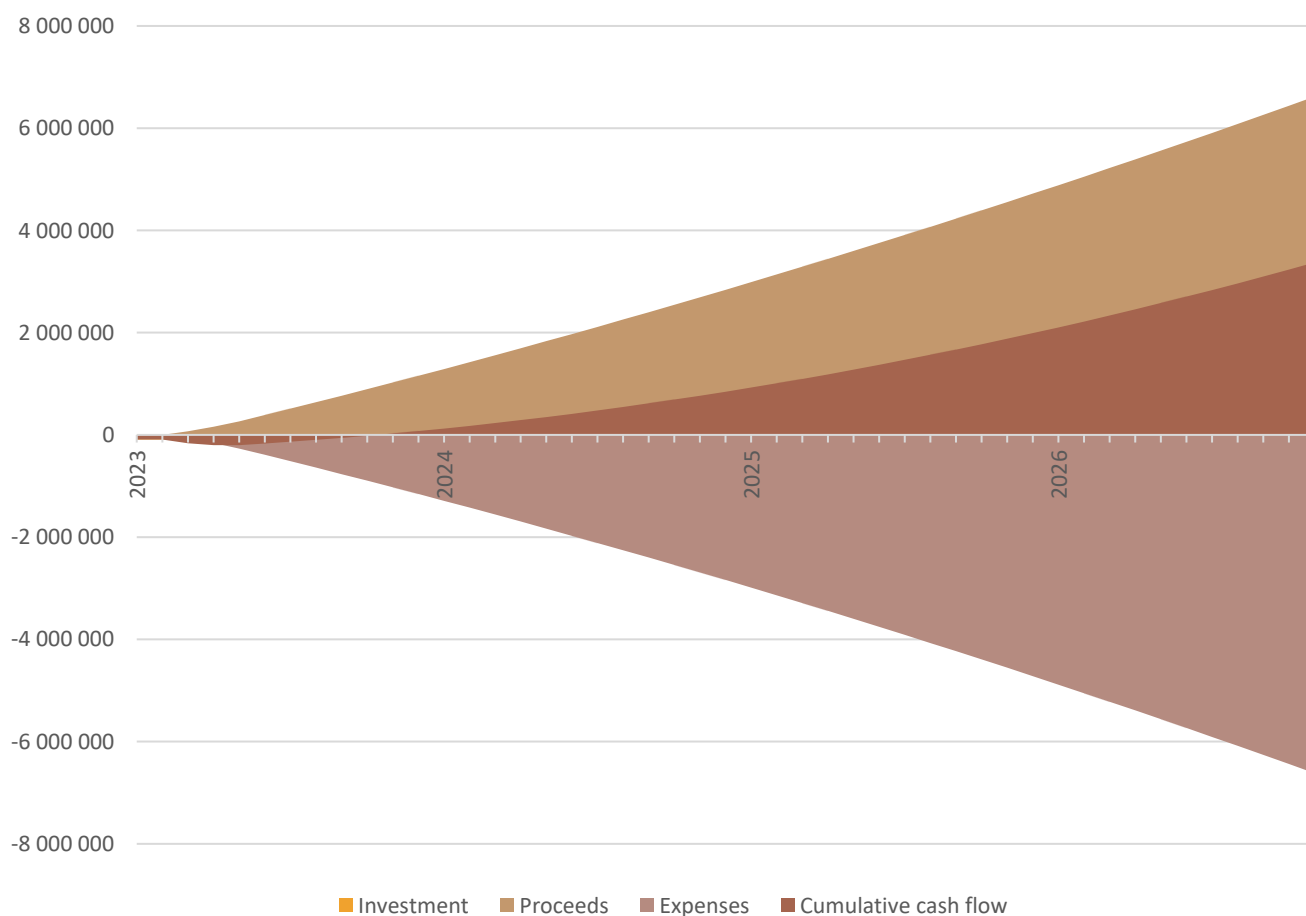
The average monthly net operating income will amount to 70,3 thousand euro. The average current balance of the cash account on the current account for the entire period of the project will amount to 1 113,9 thousand euro.

Net profit upon completion of the project will amount to 3 372,7 thousand euro.

Table 12. Financial and investment indicators of the project

| No | Name of the indicator                                                            | Rate       |
|----|----------------------------------------------------------------------------------|------------|
| 1  | Calculation period of the project, year                                          | 4,0        |
| 2  | Laid-down capital (LDC),                                                         | 200 168    |
| 3  | Revenue, euro                                                                    | 10 080 320 |
| 4  | Net average operational receipts per month (NAOR),                               | 70 265     |
| 5  | Average demand balance per month (ADB),                                          | 1 113 929  |
| 6  | Net profit for the project period,                                               | 3 372 704  |
| 7  | Average profitability for the project period (net profit to proceeds             | 33,5%      |
| 8  | Discounting rate (DR), %                                                         | 19,4%      |
| 9  | Net present value (NPV),                                                         | 2 080 079  |
| 10 | Average Rate of Return of investments (ARR)                                      | 421,2%     |
| 11 | Return on investment (ROI)                                                       | 1684,9%    |
| 12 | Profitability index (PI)                                                         | 24,47      |
| 13 | Internal rate of return (IRR)                                                    | 438,2%     |
| 14 | Pay back period of the project in whole (PBP), incl. financing scheme            | 11 months  |
| 15 | Discounted payback period of the project in whole (DPBP), incl. financing scheme | 11 months  |

Diagram 22. Payback of the project, euro



## 9 SENSITIVITY ANALYSIS

### 9.1 Analysis parameters

A quantitative risk analysis was carried out using the sensitivity analysis method. The method involves the assessment of the maximum possible deviations of the main parameters of the project from the base case while maintaining the minimum positive value (close to zero) of the resulting indicator within the analyzed project horizon.

The main parameters affecting the financial results of the project were identified:

- proceeds;
- investments;
- variable costs;
- fixed costs;
- taxes;
- discounting rate.

A sensitivity analysis was performed for the following resulting indicators:

- net profit (with a long planning horizon, it is equal to the cash balance at the end of the project);
- net present value (NPV).

The impact of changing these parameters on the indicators of profitability and project efficiency are presented in the table below.

### 9.2 Net profit sensitivity

Critical deviations of key indicators for net profit (the project does not pay off in 4 years) are: a decrease in revenue by more than 33,5%, with an increase in investments by more than 520,3%, an increase in variable costs by 52,6%, an increase in the size of fixed expenses by 1629,3%, an increase in the tax burden by 2000,0% or an increase in the amount of accrued and paid interest by more than 2000,0%.

Priority of factors:

- the most influencing factor - proceeds; the critical deviation reaches 33,5% of the calculated level (with this deviation and higher, the project does not pay off in 5 years);
- the least influencing factor - taxes; the critical deviation reaches 2000,0% of the calculated level.

### 9.3 NPV sensitivity

Critical deviations of key indicators in terms of net present value (the project does not pay off in 4 years) are: a decrease in revenue by more than 31,3%, an increase in investments by more than 2000,0%, an increase in

variable costs by 48,0%, an increase in the size of fixed expenses by 1444,4%, an increase in the tax burden by 2000,0%, an increase in the amount of accrued and paid interest by more than 2000,0% or an increase in the discount rate by more than 2000,0%.

Priority of factors:

- the most influencing factor - proceeds; the critical deviation reaches 41,7% of the calculated level (with this deviation and higher, the project does not pay off in 5 years);
- the least influencing factor - interest; the critical deviation reaches 2000,0% of the calculated level.

## 9.4 Summary

The assessment of possible deviations of the initial parameters allows us to conclude about the low degree of riskiness of the project, since a critical change in the most sensitive parameter (revenue) in relation to the base case, even by 33,5%, allows you to keep the payback within the calculation horizon (no more than 5 years), the project has a reliable margin of financial strength.

Diagram 23. Critical deviations of key project factors (in terms of NPV)

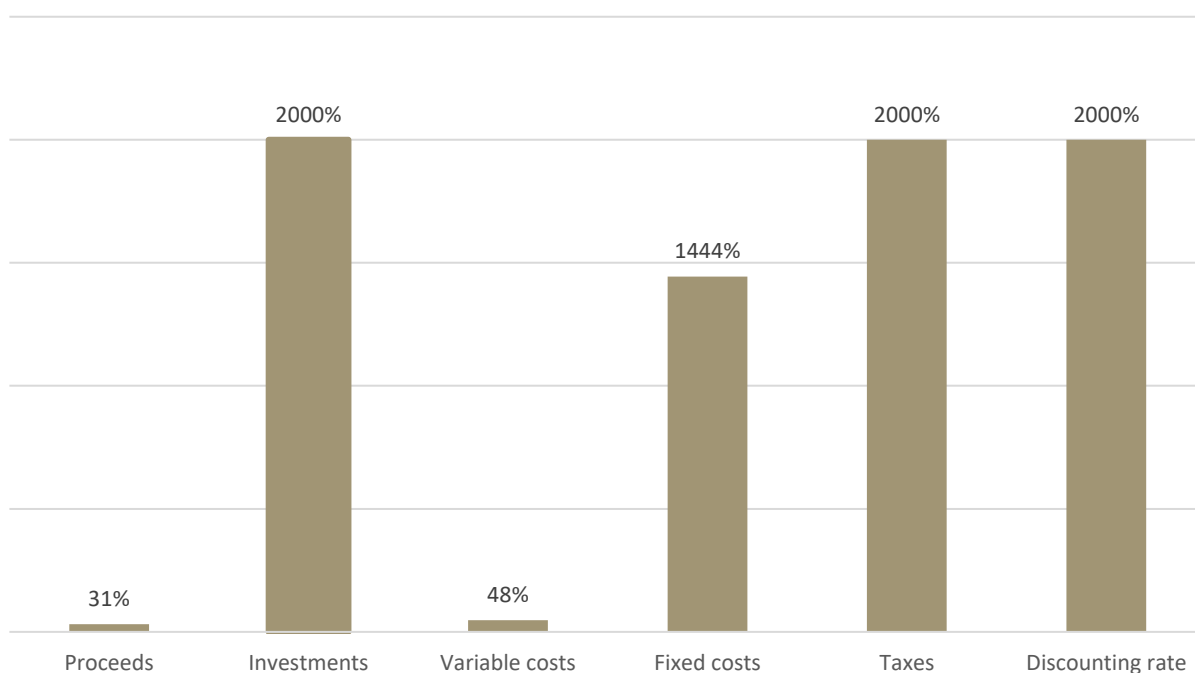


Table 13. Impact of changing individual parameters on project performance indicators

| №  | Changes                            | Change of a parameter, % | Net profit, | NPV,      | IRR, % | Pay back period of the project in whole (PBP), incl. financing scheme | Discounted payback period of the project in whole (DPBP), incl. financing scheme | Profitability index (PI) | Average Rate of Return of investments (ARR) | Рентабельность вложенных инвестиций (ROI) |
|----|------------------------------------|--------------------------|-------------|-----------|--------|-----------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------|---------------------------------------------|-------------------------------------------|
|    | Initial alternative of the project |                          | 3 372 704   | 2 080 079 | 438,2% | 11 months                                                             | 11 months                                                                        | 24,4672                  | 421,2%                                      | 1684,9%                                   |
| 1  | Change of proceeds                 | -10%                     | 2 364 672   | 1 415 346 | 261,7% | 14 months                                                             | 15 months                                                                        | 16,9677                  | 274,0%                                      | 1095,8%                                   |
| 2  |                                    | +10%                     | 4 380 736   | 2 744 812 | 666,4% | 9 months                                                              | 9 months                                                                         | 31,9666                  | 566,0%                                      | 2264,1%                                   |
| 3  | Change of investment               | -10%                     | 3 389 804   | 2 088 943 | 467,2% | 11 months                                                             | 11 months                                                                        | 27,1857                  | 443,3%                                      | 1773,2%                                   |
| 4  |                                    | +10%                     | 3 353 804   | 2 071 215 | 412,9% | 11 months                                                             | 12 months                                                                        | 22,2429                  | 400,9%                                      | 1603,4%                                   |
| 5  | Change of variable costs           | -10%                     | 4 013 766   | 2 513 539 | 633,3% | 9 months                                                              | 10 months                                                                        | 29,3574                  | 546,7%                                      | 2186,9%                                   |
| 6  |                                    | +10%                     | 2 731 643   | 1 646 618 | 294,1% | 13 months                                                             | 14 months                                                                        | 19,5769                  | 302,9%                                      | 1211,8%                                   |
| 7  | Change of fixed costs              | -10%                     | 3 393 404   | 2 094 480 | 445,1% | 11 months                                                             | 11 months                                                                        | 24,6296                  | 426,8%                                      | 1707,0%                                   |
| 8  |                                    | +10%                     | 3 352 004   | 2 065 678 | 431,4% | 11 months                                                             | 11 months                                                                        | 24,3047                  | 415,8%                                      | 1663,1%                                   |
| 9  | Change of taxation                 | -10%                     | 3 372 704   | 2 080 079 | 438,2% | 11 months                                                             | 11 months                                                                        | 24,4672                  | 421,2%                                      | 1684,9%                                   |
| 10 |                                    | +10%                     | 3 372 704   | 2 080 079 | 438,2% | 11 months                                                             | 11 months                                                                        | 24,4672                  | 421,2%                                      | 1684,9%                                   |
| 11 | Change of discounting rate         | -10%                     | 3 372 704   | 2 173 877 | 438,2% | 11 months                                                             | 11 months                                                                        | 25,4909                  | 421,2%                                      | 1684,9%                                   |
| 12 |                                    | +10%                     | 3 372 704   | 1 991 949 | 438,2% | 11 months                                                             | 11 months                                                                        | 23,5040                  | 421,2%                                      | 1684,9%                                   |

Table 14. Sensitivity analysis of the project

| № | Parameter (X)    | Change of a parameter, % | NPV,      | Change of NPV if the Parameter is changed, | Change of NPV if the Parameter is changed, % | NPV deviation to Parameter change<br> Δ NPV%  /  Δ X% | Breaking change of NPV |                      | Breaking change of profit |                      |
|---|------------------|--------------------------|-----------|--------------------------------------------|----------------------------------------------|-------------------------------------------------------|------------------------|----------------------|---------------------------|----------------------|
|   |                  |                          |           |                                            |                                              |                                                       | NPV=0                  | Sensitivity ranking* | Profit=0                  | Sensitivity ranking* |
| 1 | Proceeds         | -5%                      | 1 747 712 | -332 367                                   | -16,0%                                       | 3,2                                                   | -31,3%                 | 1                    | -33,5%                    | 1                    |
| 2 | Investments      | +5%                      | 2 075 647 | -4 432                                     | -0,2%                                        | 0,0                                                   | +2000,0%               | 4                    | +520,3%                   | 3                    |
| 3 | Variable costs   | +5%                      | 1 863 349 | -216 730                                   | -10,4%                                       | 2,1                                                   | +48,0%                 | 2                    | +52,6%                    | 2                    |
| 4 | Fixed costs      | +5%                      | 2 072 878 | -7 201                                     | -0,3%                                        | 0,1                                                   | +1444,4%               | 3                    | +1629,3%                  | 4                    |
| 5 | Taxes            | +5%                      | 2 080 079 | 0                                          | 0,0%                                         | 0,0                                                   | +2000,0%               | 4                    | +2000,0%                  | 5                    |
| 6 | Interest         | +5%                      | 6 134 233 | 4 054 154                                  | 194,9%                                       | -39,0                                                 | +2000,0%               | 4                    | +2000,0%                  | 5                    |
| 6 | Discounting rate | +5%                      | 2 035 333 | -44 745                                    | -2,2%                                        | 0,4                                                   | +2000,0%               | 4                    |                           |                      |

\*Sensitivity level: 1 - the largest sensitivity (even little change in % influences the project considerably)

## 10 DESCRIPTION OF CALCULATION

### 10.1 Assumptions

#### *General assumptions*

The calculation is made at constant prices. It is assumed that in the future, the growth of income and costs will be proportional and will have an equal impact on all market participants.

The residual value of the project's assets at the end of the billing period is not considered when analyzing the integral indicators of the project, since it is not expected to close the enterprise, exit participants and sell assets.

#### *Breakeven Analysis Assumptions*

When searching for the break-even point of this project, the following assumptions were used:

- variable costs increase in proportion to the increase in sales (i.e., sales for each line of business increase with the same proportions);
- to analyze the break-even point including taxes, the average amount of taxes for the project period per month was taken, which is distributed similarly to variable costs;
- to analyze the investment break-even of the project (break-even points for the project as a whole), investments and the cost of capital (interest) are included in the same way as fixed costs (do not change with increasing revenue).

### 10.2 Project parameters

#### *Planning horizon and calculation step*

A planning horizon of 48 months (4 years) was chosen, which makes it possible to analyze the payback of the project when changing the initial parameters (sensitivity analysis), and also reflects the period of recovery of all or most of the invested funds (investments).

At the same time, the investment period of the project (until the launch of the project) is 3 months (0,3 years). The working period of the project (from the date of launch) is 45 months (3,8 years).

The calculation is performed on a monthly basis with the ability to analyze summary data for enlarged periods.

#### *Calculation currency and inflation*

The settlement currency is euro.

Inflation is not considered in the calculations, since it is assumed that the inflationary increase in the expenditure side of the project is offset by a proportional increase in selling prices and hence income.

#### *Formation of project cash flows*

Net cash flow by project steps is formed from operating outflows and cash inflows. Based on the net cash flow, project performance indicators are calculated (see below).

### *Profit distribution*

In the calculations, retained earnings are not reinvested - the project does not consider the possibility of investing temporarily free funds to obtain additional income (interest on deposits, income on shares or bonds, etc.).

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