

Online Casino

Business plan

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1 SUMMARY

1.1 Goals and objectives of the project

The project involves the creation of a company offering online games.

Geosix B.V. is a company incorporated in Curacao. Service will be provided by HIGHFLIER B.V., a company incorporated under law of Curacao, reg number 149996, with its registered office at: Dr. H. Fergusonweg 1, Willemstad, Curacao. Technical support is provided by a specialist: Egor Grebennikov e-mail: egor.grebennikov93@gmail.com, tel: +35795116757

The website is under construction. The domain is vippari.com.

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:

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

1.3 Risks

Potential loss of funds

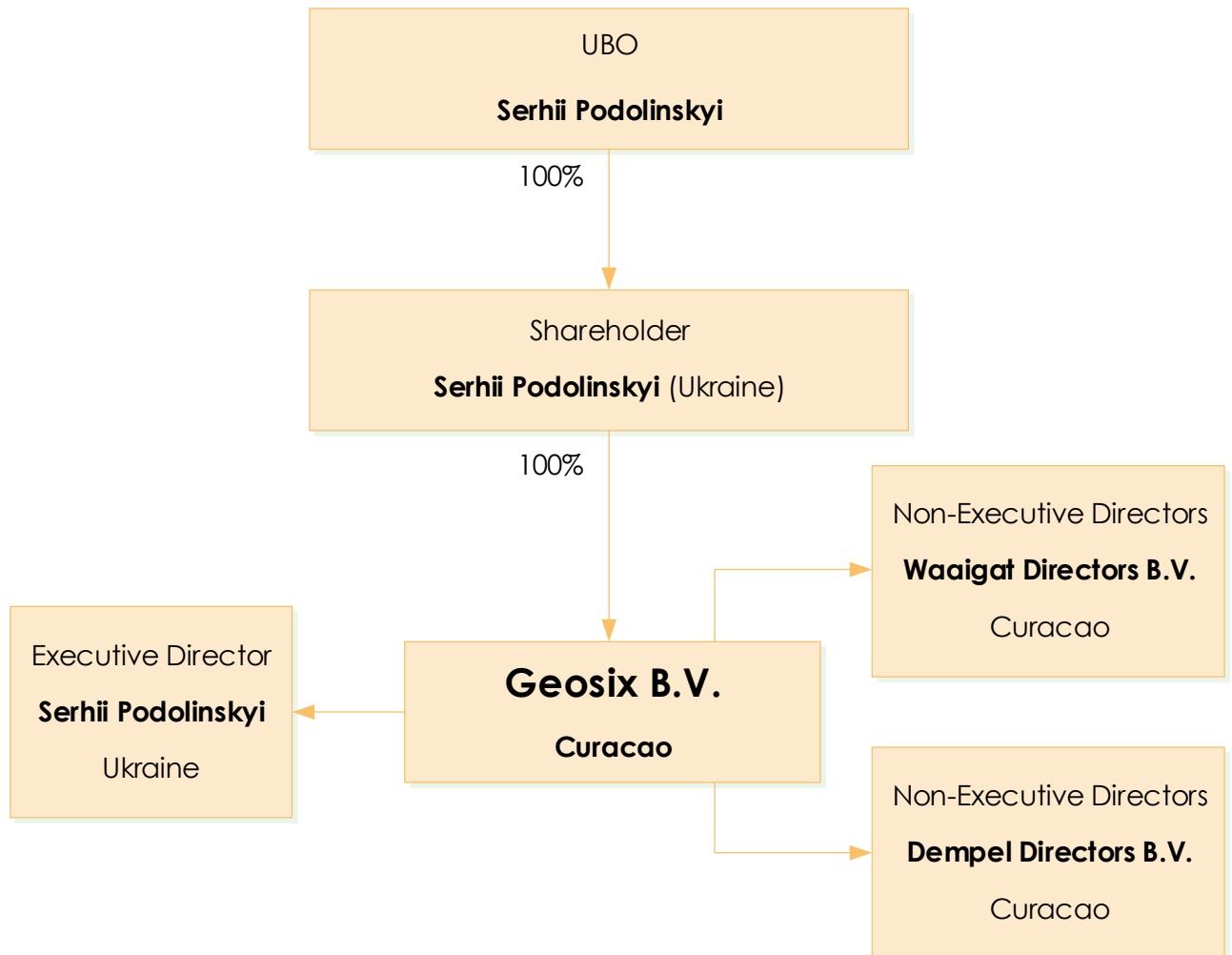
For registration, rent and office equipment rental at the first stage, losses of funds can occur.

In case of the closure or other reasons, in order to protect the security payment, it is returned to the casino owners, but must be unused during the operation of the online casino as a deposit in case that you win the jackpot, i.e. losses can be minimal.

1.4 Organizational structure

Organizational structure of the company is below.

Diagram 1. Organizational structure



1.5 Project financing

The need for financial resources for the project is 283,6 thousand EUR.

The amount of own funds will be 100,5 thousand EUR and the investor's capital will amount to 183,1 thousand EUR.

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

Control Structure



1.6 Indexes of the project

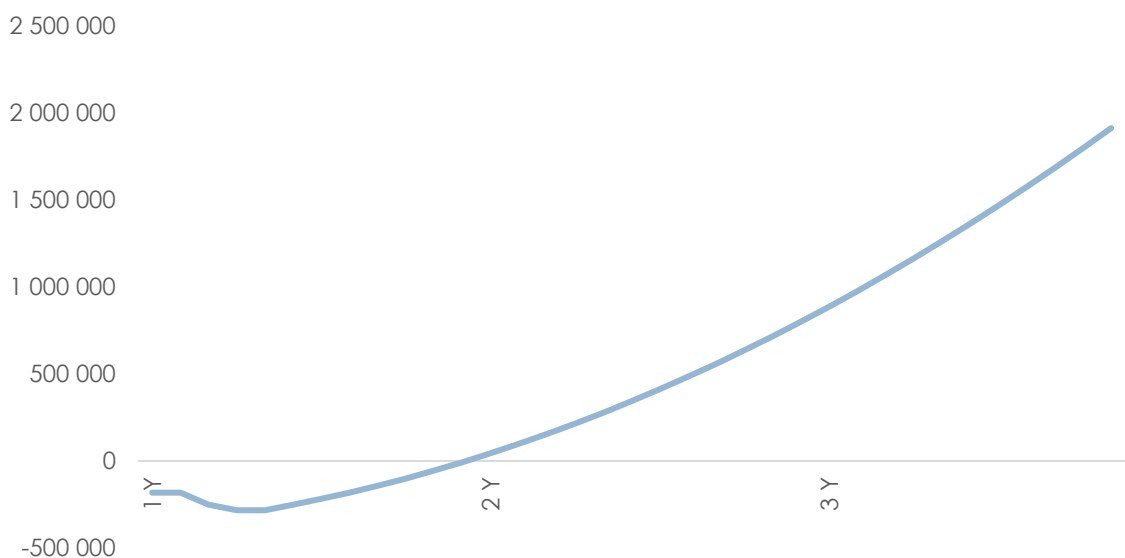
The economic efficiency of the project was confirmed by calculating traditional financial indicators used in project analysis.

The project calculation horizon is 3 years.

Table 1. Indexes of the project

No	Name of the indicator	Rate
1	Calculation period of the project, year	3,0
2	Laid-down capital (LDC), EUR	283 576
3	Revenue, EUR	6 465 314
4	Net average operational receipts per month (NAOR), EUR	53 155
5	Average demand balance per month (ADB), EUR	604 650
6	Net profit for the project period, EUR	1 913 580
7	Average profitability for the project period (net profit to proceeds	29,6%
8	Discounting rate (DR), %	19,6%
9	Net present value (NPV), EUR	1 268 316
10	Average Rate of Return of investments (ARR)	224,9%
11	Return on investment (ROI)	674,8%
12	Profitability index (PI)	8,03
13	Internal rate of return (IRR)	272,3%
14	Pay back period of the project in whole (PBP), incl. financing scheme	13 months
15	Discounted payback period of the project in whole (DPBP), incl.	13 months

Diagram 2. Payback of the project, EUR

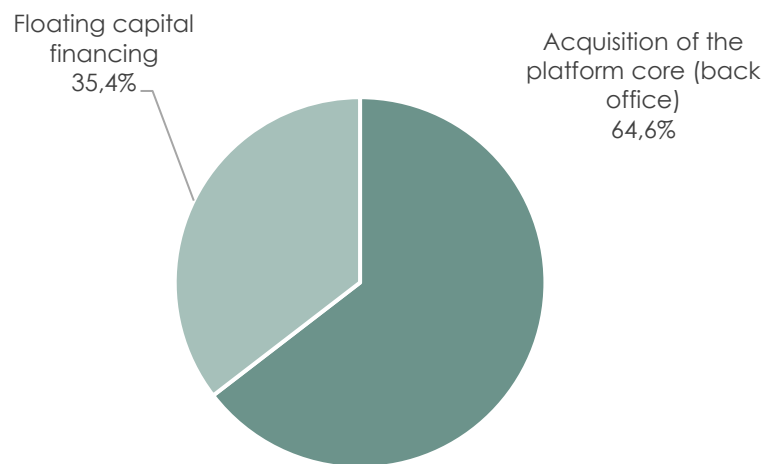


2 FINANCIAL SUMMARY

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 283,6 thousand EUR.

Diagram 3. Investments structure



The amount of own funds will be 100,5 thousand EUR and the investor's capital will amount to 183,1 thousand EUR.

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

Month of the project Month from the project launch	Total	1	2	3	4	5	6	7	8	9	10	11	12
		1			1	2	3	4	5	6	7	8	9
INVESTING CASH FLOW	-183 100	-183 100	0	0	0	0	0	0	0	0	0	0	0
Acquisition of the platform core (back office)	-183 100	-183 100	0	0	0	0	0	0	0	0	0	0	0
OPERATING CASH FLOW	2 096 680	0	0	0	-67 700	-32 492	-284	31 924	33 398	36 346	39 293	42 241	45 188
Proceeds inpayment excl. VAT	6 465 314	0	0	0	0	49 173	98 345	147 518	149 768	154 268	158 768	163 268	167 768
Casino income	6 465 314	0	0	0	0	49 173	98 345	147 518	149 768	154 268	158 768	163 268	167 768
Expenses total	-4 368 633	0	0	0	-67 700	-81 665	-98 629	-115 594	-116 370	-117 923	-119 475	-121 028	-122 580
Basic expenses	-2 956 097	0	0	0	-63 100	-67 476	-74 852	-82 228	-82 565	-83 240	-83 915	-84 590	-85 265
Payments to providers	-1 260 736	0	0	0	0	-9 589	-19 177	-28 766	-29 205	-30 082	-30 960	-31 837	-32 715
Salary	-151 800	0	0	0	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600
FINANCING CASH FLOW	100 476	183 100	0	0	67 700	32 492	284	-28 732	-32 932	-36 004	-38 964	-41 913	-4 555
Own funds	100 476	0	0	0	67 700	32 492	284	0	0	0	0	0	0
Co-investor's investment	183 100	183 100	0	0	0	0	0	0	0	0	0	0	0
Refunds to co-investor	-183 100	0	0	0	0	0	0	-28 732	-32 932	-36 004	-38 964	-41 913	-4 555
TOTAL CASH FLOW OF THE PROJECT	2 014 056	0	0	0	0	0	0	3 192	467	341	329	328	40 633

Table 3. Cash flow for the second year

Month of the project	Total	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
INVESTING CASH FLOW	-183 100	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of the platform core (back office)	-183 100	0	0	0	0	0	0	0	0	0	0	0	0
OPERATING CASH FLOW	2 096 680	48 136	51 083	54 031	56 978	59 926	62 873	65 821	68 768	71 716	74 663	77 611	80 558
Proceeds inpayment excl. VAT	6 465 314	172 268	176 768	181 268	185 768	190 268	194 768	199 268	203 768	208 268	212 768	217 268	221 768
Casino income	6 465 314	172 268	176 768	181 268	185 768	190 268	194 768	199 268	203 768	208 268	212 768	217 268	221 768
Expenses total	-4 368 633	-124 133	-125 685	-127 238	-128 790	-130 343	-131 895	-133 448	-135 000	-136 553	-138 105	-139 658	-141 210
Basic expenses	-2 956 097	-85 940	-86 615	-87 290	-87 965	-88 640	-89 315	-89 990	-90 665	-91 340	-92 015	-92 690	-93 365
Payments to providers	-1 260 736	-33 592	-34 470	-35 347	-36 225	-37 102	-37 980	-38 857	-39 735	-40 612	-41 490	-42 367	-43 245
Salary	-151 800	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600
FINANCING CASH FLOW	100 476	0	0	0	0	0	0	0	0	0	0	0	0
Own funds	100 476	0	0	0	0	0	0	0	0	0	0	0	0
Co-investor's investment	183 100	0	0	0	0	0	0	0	0	0	0	0	0
Refunds to co-investor	-183 100	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CASH FLOW OF THE PROJECT	2 014 056	48 136	51 083	54 031	56 978	59 926	62 873	65 821	68 768	71 716	74 663	77 611	80 558

Table 4. Cash flow for the third year

Month of the project	Total	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
INVESTING CASH FLOW	-183 100	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of the platform core (back office)	-183 100	0	0	0	0	0	0	0	0	0	0	0	0
OPERATING CASH FLOW	2 096 680	83 506	86 453	89 401	92 348	95 296	98 243	101 191	104 138	107 086	110 033	112 981	115 928
Proceeds inpayment excl. VAT	6 465 314	226 268	230 768	235 268	239 768	244 268	248 768	253 268	257 768	262 268	266 768	271 268	275 768
Casino income	6 465 314	226 268	230 768	235 268	239 768	244 268	248 768	253 268	257 768	262 268	266 768	271 268	275 768
Expenses total	-4 368 633	-142 763	-144 315	-145 868	-147 420	-148 973	-150 525	-152 078	-153 630	-155 183	-156 735	-158 288	-159 840
Basic expenses	-2 956 097	-94 040	-94 715	-95 390	-96 065	-96 740	-97 415	-98 090	-98 765	-99 440	-100 115	-100 790	-101 465
Payments to providers	-1 260 736	-44 122	-45 000	-45 877	-46 755	-47 632	-48 510	-49 387	-50 265	-51 142	-52 020	-52 897	-53 775
Salary	-151 800	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600
FINANCING CASH FLOW	100 476	0	0	0	0	0	0	0	0	0	0	0	0
Own funds	100 476	0	0	0	0	0	0	0	0	0	0	0	0
Co-investor's investment	183 100	0	0	0	0	0	0	0	0	0	0	0	0
Refunds to co-investor	-183 100	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CASH FLOW OF THE PROJECT	2 014 056	83 506	86 453	89 401	92 348	95 296	98 243	101 191	104 138	107 086	110 033	112 981	115 928

3 ONLINE GAMBLING MARKET OVERVIEW

3.1 Income of online gambling market

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.

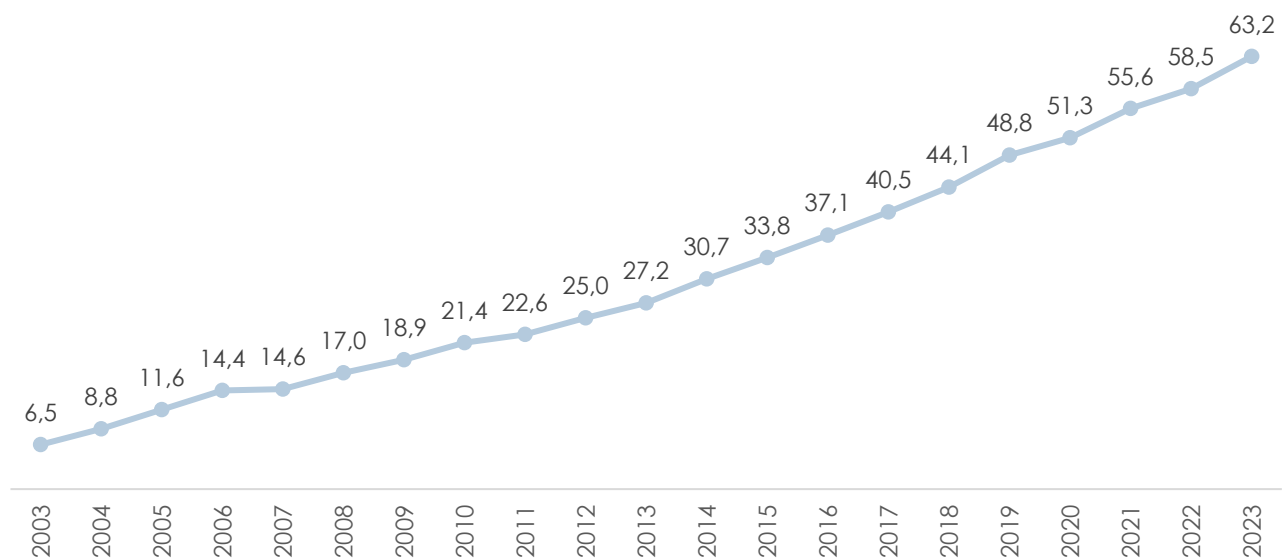
According to Juniper research, gambling is increasingly moving to the online environment. Moreover, the greatest activity is shown by mobile applications. The share of bets made using mobile phones is constantly growing.

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.

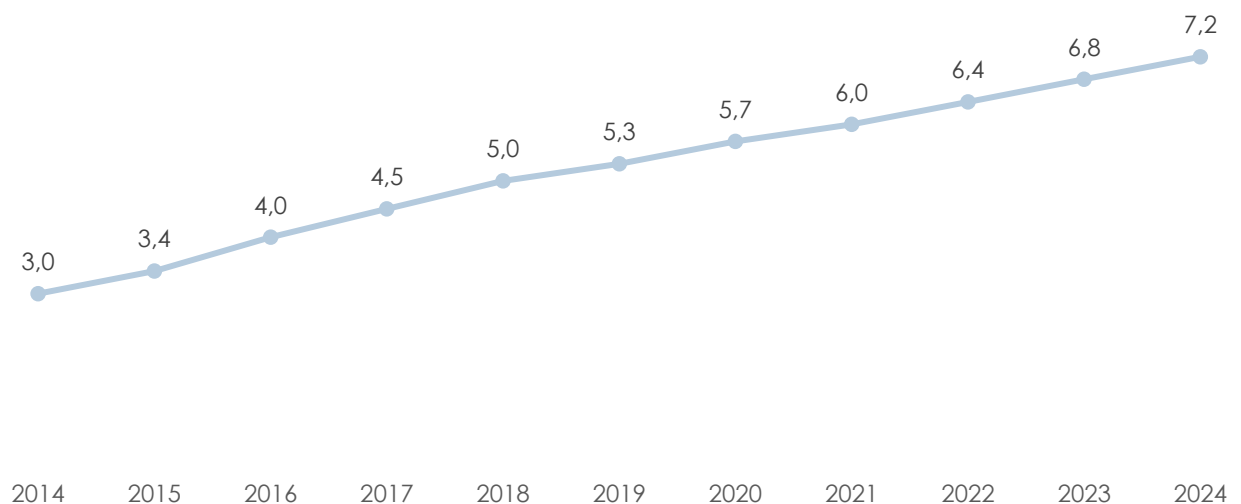
Diagram 4. Volume of global online gambling market, billion EUR



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 2024¹.

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

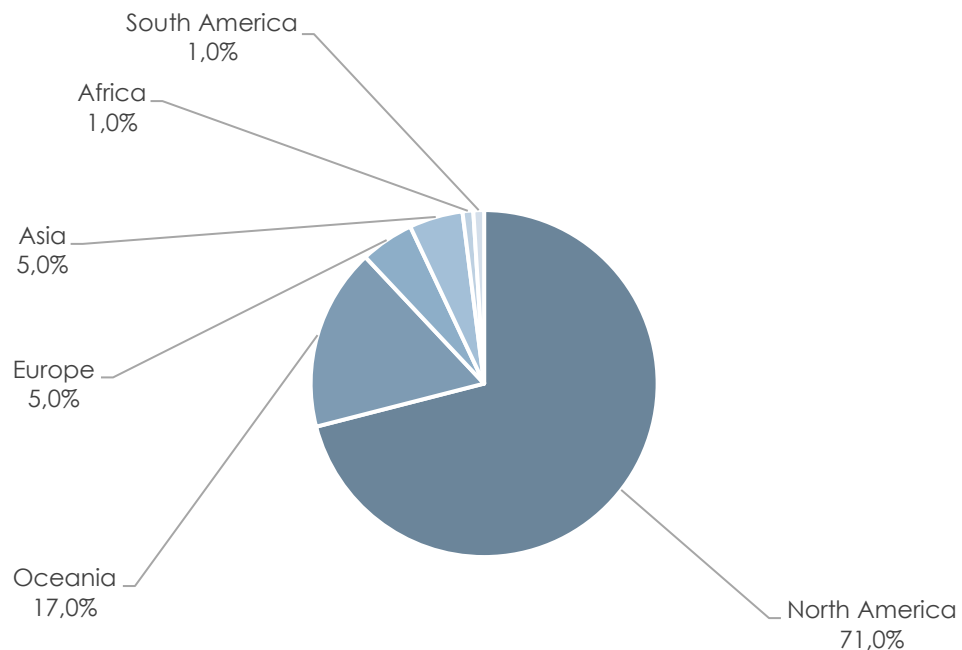


In terms of geographic division, North America continues to dominate the online casino industry, representing 71% of the total market.

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

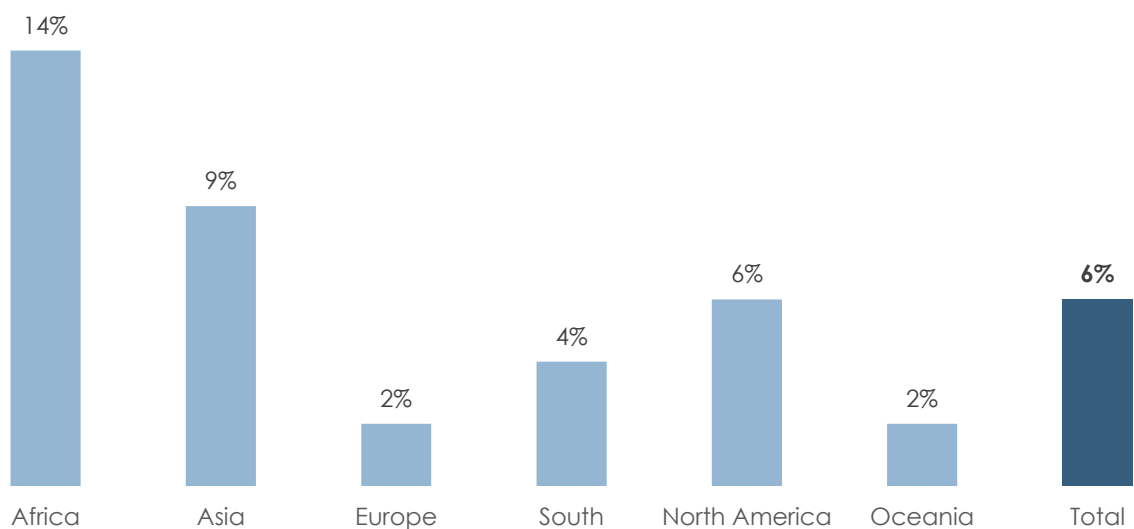
At the same time, Oceania (Fiji, New Zealand, Polynesia, New Guinea, etc.) also has a strong presence with 17% of the global GGR in 2019, significantly ahead of Asia and Europe with 5%.

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

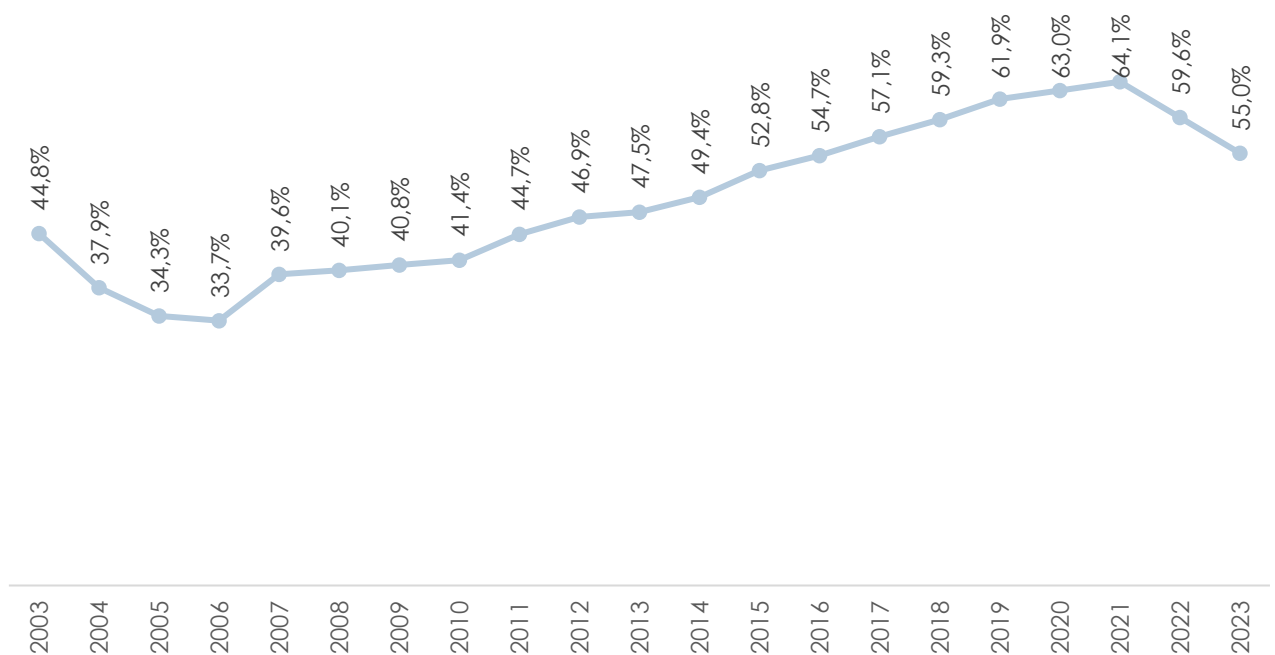


The European Union is the largest regulated market in the industry. For comparison, players from Iran are only restricted in about 30% of casinos.

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%.

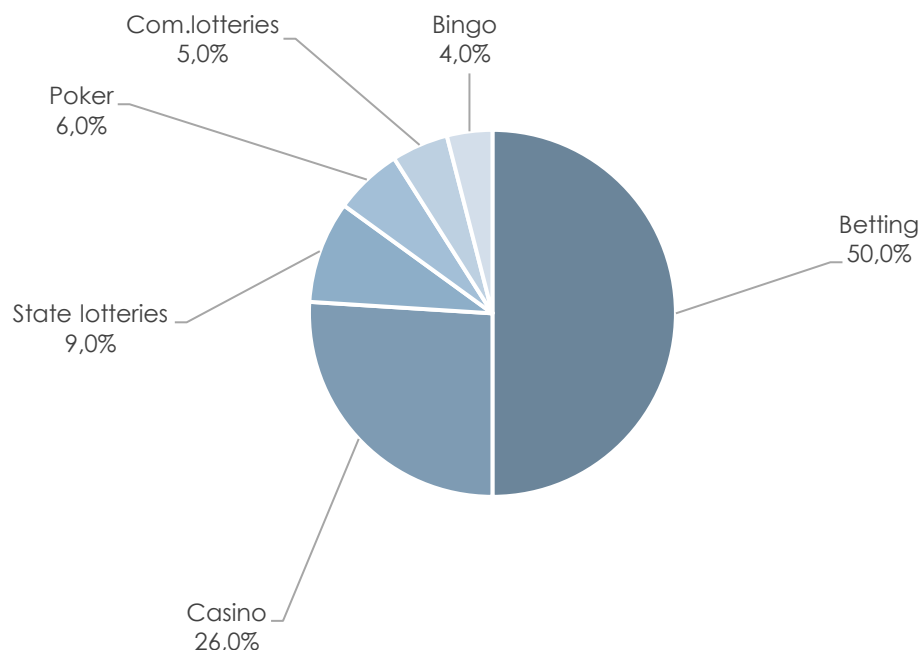
There was also talk about simplifying the rules. Last year, the European Commission said: "Operators of online gambling operating in the European Union are forced to obtain licenses in several countries, which require licensing. But a more general approach would be better for them. More compliance requirements 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

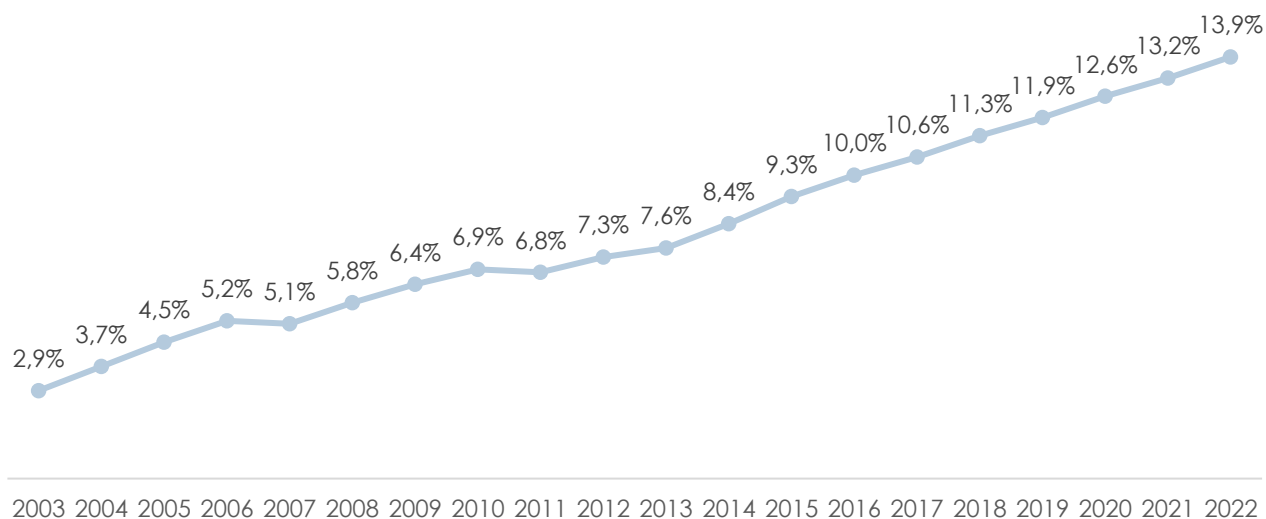
Since 2004, the number of female Internet users aged 18 to 74 has increased by more than 80%, and men by 60%. Online gambling attracted mostly young men, but now it is becoming more popular among women and older people.

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.

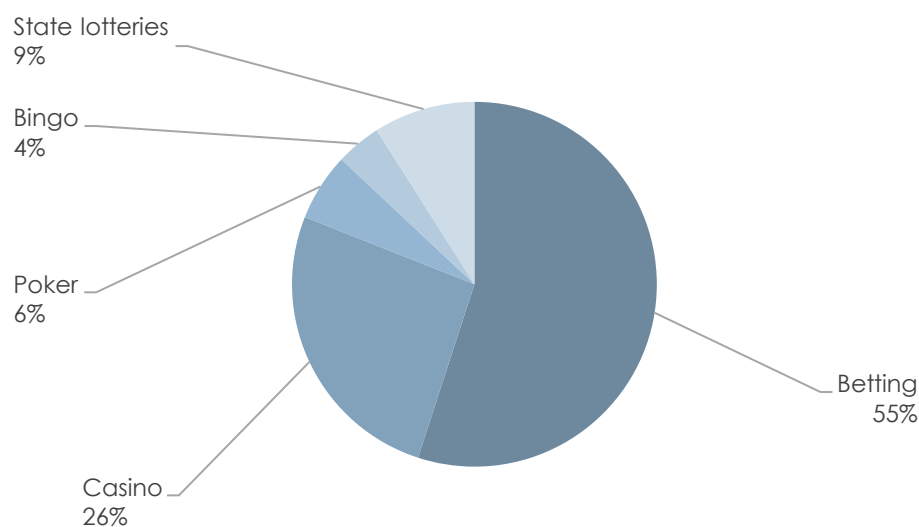
Diagram 10. Share of online gambling income from total gambling income in the world



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 Trends in online casinos

Online gambling is an industry that's prone to explosive growth. Smaller companies operate at the periphery of the law, and grow fast enough to get unfriendly attention from regulators. And even large companies are vulnerable when the rules change. This constant churn means that there's always room for new sites to arise.

Online gambling, compared to the real-world variety, offers fewer opportunities for some kinds of cheating and advantage play; card-counting doesn't work when shuffling is no longer imperfect, for example. The low overhead from online casinos means that they can offer higher payouts, and sign-up bonuses. A real-world casino has a near zero "bounce rate": almost everyone who shows up will bet on something. Websites in high-monetization verticals have to pay up for traffic, and they use sign-up bonuses and favorable odds to keep their bounce rate low.

Meanwhile, the low cost of software relative to hardware means that they can rapidly extend gambling to new kinds of bets. Gamblers can wager on casino games and sports games, but they can also place bets on the outcome of reality TV shows. For example, search interest in online casinos doubled during the three-month run of Big Brother's 13th season. Flexible gambling sites can take advantage of the dynamics of TV: when sports aren't available, reality TV is an affordable source of live entertainment.

Online gambling relies on trusted payment networks, and the cost of payments is often a significant component of their cost structure. Gambling, like adult content, is a high-risk payments category where chargebacks are more common and the incidence of fraud is high, so the cost of processing payments is higher than for other kinds of commerce. For sites like Onlyfans, the payment processing fee is almost double that of Stripe's standard rate. As payment companies get more comfortable with gambling, the number of payment options has risen, which acts as an implicit subsidy to the industry.

A spike in online gamblers and an increased interest from middle-aged users means that there is no sign of gambling slowing anytime soon globally. However, just like any other industry, the gambling sector is facing severe challenges when it comes to KYC and ID verification.

Duplicate accounts, using screenshots instead of real-time face, are just some of the ways fraudsters are employed to bypass the system. Let's see what 2023 holds for the gambling sector.

Decline in the popularity of land-based casinos

For decades, land-based casinos, slots, and poker games had been the hallmark of the gambling industry. However, COVID-19 changed everything. Today, it is easier to open an online casino with little overheads than a physical one. This has revolutionised the industry, but also increased the cases of fake identities, raising a number of KYC challenges for online casinos and sports betting websites.

Slotegrator analysed a 15% increase in interest in opening up an online casino in 2022.

Mobile Casino Games will Increase in Popularity

Mobile casino gaming is offering something that the land-based physical casinos aren't; convenience. Mobile apps for slots and table games during the COVID-19 skyrocketed in popularity, with promising growth in the future.

Consider it like a battle between online streaming platforms like Netflix and Amazon Prime vs. Cinemas. Although the latter won't be getting obsolete, the former has managed to disrupt the viewing experience of users.

Registering, depositing funds, and playing poker online is the easiest and the most convenient way for anyone to gamble from anywhere.

IoT and Virtual Reality to Shape Up the Industry

Internet of Things (IoT), and Virtual Reality (VR) have the power to disrupt the gambling industry.

VR Headsets have slowly but steadily grown in popularity, and will soon revolutionise the online gambling experience. It is like the Metaverse of poker.

A user can enter a virtual casino without having to physically travel. This allows users to interact with players from all around the world in a virtual reality world.

Several gambling websites have been accused in the past of not addressing transparency and cybersecurity. These challenges can be overcome by the use of blockchain technology.

Cryptocurrency will Lead to Anonymous Gambling

Despite the collapse of FTX, cryptocurrency is here to stay.

The anonymity provided by cryptocurrencies is second to none, making it lucrative for users to gamble without paying through credit cards. Cryptocurrency gambling provides a unique experience to players who want to feel secure using cryptocurrencies, instead of traditional payment methods.

Legalisation of the Gambling Industry

Among all other trends, one that paves the way for the gambling industry's higher adoption rates, is its legalisation. It was only that the US federal government legalised gambling in 2018, but every state has its own set of laws and regulations that govern its legality.

In the coming years, specifically 2023, we can see a number of states in the US and countries across the world, legalising the gambling industry. This will lead to higher adoption rates with more and more people enjoying sports bettings online and offline.

Digital Horse Racing To Make a Comeback

Until 1978, horse racing was considered a legalised form of gambling outside of Las Vegas in the US.

But with the advent of internet and cable TV, popularity of horse racing tanked fuelled by animal cruelty and multiple other options of gambling.

Zed Run is bringing horse racing back in digital form. This is akin to play2earn games where you invest using cryptocurrencies and earn rewards after selling your characters. The same is true for Zed Run. Players breed horses, based on which there are different odds of winning the race.

The company charges a small share of “stud fee” for breeding.

Players breed their horses, and pay to enter the digital races. In case they win, they earn their share of the prize money.

Brick-and-mortar casinos to diversify their offerings

Brick-and-mortar casinos are still stuck to the decades old offerings of poker, blackjack, slots, and roulette.

One thing we've learned while in the business, is to always diversify your risks and make calculated decisions. Just because something is popular today, is never a guarantee that it will have the same popularity levels tomorrow.

Trends change, and only those who manage to diversify their risks and adapt to these trends, remain floating in an otherwise competitive space. The vast majority of poker players are 40+ and while they love playing legacy games, times have changed. To keep millennials and people of the older generation hooked, casinos need to adapt as fast as possible and introduce skill-based games.

Diversification isn't limited to just adding new offerings, but also allowing users to play casino games online.

3.4 Market Forecasts

The online gambling industry is poised to adjust with the ever-changing trends as the industry is legalised and more players jump the bandwagon. Sports betting and online poker will revolutionise the industry. But hackers are also taking advantage of this opportunity to game the system and cheat casinos.

That is where Shufti Pro's AML Screening solution comes in to help online casinos to safeguard their systems. Shufti Pro helps you remain compliant by offering screening solutions that verify user identity across 1,700+ international watchlists.

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 ONLINE CASINO RISKS

Unstable legislation

Each country has its own rules regarding gambling, which change quite often. You need to understand that, perhaps, the casino owner will need to decide how to reformat the establishment in the event of changes in the law.

Instability of equipment operation

Since the main locale is the internet, it's important that everything runs like clockwork. If the site or server goes down, the casino will suffer serious losses.

Software

The structure of an online casino is a kind of constructor consisting of three types of software (software, or so-called software): a gaming platform, a payment solution, and gaming content.

Payment systems are the least risky category. All payment solutions are seriously tested by regulatory authorities, banks, etc. Here the risk of getting low-quality software is minimized.

The biggest risk for operators is non-original, or so-called pirated, software. As a result, you can lose experienced and serious players who understand software. They will choose the casino that has the original software. Because it guarantees both payouts and a clear return to player (RTP) percentage. Another aspect that operators often overlook is the back doors. Backdoors is a malicious algorithm that programmers often "screw" onto handicraft software to simply steal money from unsuspecting operators. In addition to backdoor, there is a huge number of errors, bugs, which also entail financial losses.

"Pirate" software is an illegal thing. Clients simply cannot know either the final provider or who they are contracting with, because there is a whole chain of intermediaries. At a certain moment, when you invested money in the development of a casino, installed software, launched a project, spent money on marketing, your provider will simply disappear. This will not happen with the original software, because you always know with whom you have a contract, who is behind this contract and to whom in case of something to contact with problems.

The last aspect is a violation of the copyright law, which is often ignored, but in our country, there is still a possibility to prosecute a person under this law.

A very important aspect when choosing software is security. Serious software development companies spend colossal resources on it. Creation of secure software requires additional time

and human resources. Companies deliberately do this in order to end up with a product that will provide security to all customers. And that's something worth working for.

Another very important aspect is the so-called usability, which is often neglected when developing software, because people are chasing functionality. Forgetting about usability, you can face a problem when a lot of unsystematic functionality accumulates on one platform. It is necessary to think about ease of use at all stages: both when drawing up a technical assignment for software development, and subsequently, during modernization and upgrades.

High competition

The owner of a gambling business can receive a lot of money, since this type of service is in great demand. Many seek to occupy a niche, but only casinos with the right approach to business achieve success. You need to tune in to the fact that you must work hard to earn.

Money laundering

Regulatory organizations conduct constant checks about money laundering by criminal structures, financing of terrorism through online casinos. If evidence of inadequate anti-money laundering activities is found, casinos may have their license revoked.

Advertising

Regulatory organizations ensure that gambling advertising is socially responsible, with attention to protecting children, young people and other vulnerable persons from harm or exploitation. This applies to the images of toys, comic book characters, cartoons, fairy tales, brands that children like.

Loss of funds

At the first stage, losses of funds spent on registration, rent and office equipment are possible.

The security payment, in the event of the closure of the online casino for internal reasons or other objective reasons, is returned to the casino owners, but must remain unused during the operation of the online casino as a deposit in case of winning the jackpot, i.e. losses can be minimal.

Risk insurance

Thanks to the combined 10 years of experience in the field of online casinos of the founders and co-owners of the project and the managerial experience of the project mentor, the risks of entering the market will be minimized as much as possible.

5 INVESTMENT PLAN

5.1 Volume and structure of investments

The total investment required for the project is 283,6 thousand EUR.

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

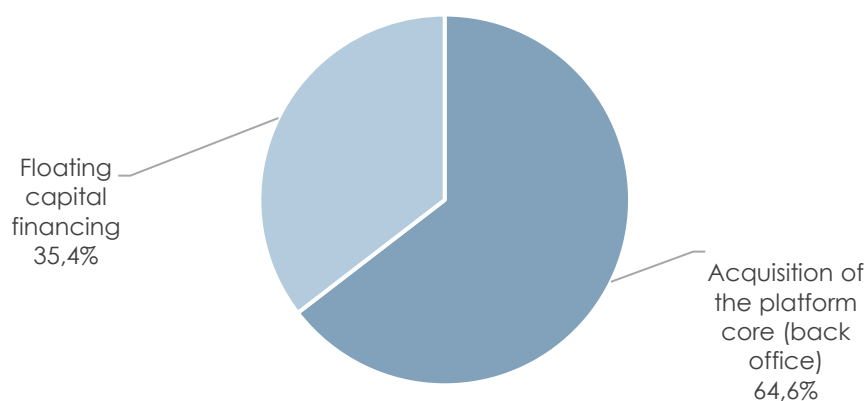
- acquisition of the platform core (back office);
- floating capital financing.

Table 5. Investment budget

No	Name	Value
1	Acquisition of the platform core (back office)	183 100
2	Floating capital financing	100 476
Invested capital total		283 576

The largest share in investment costs is floating capital financing (about 65%).

Diagram 12. Investment cost structure



5.2 Project Milestones and Implementation of Investments Schedule

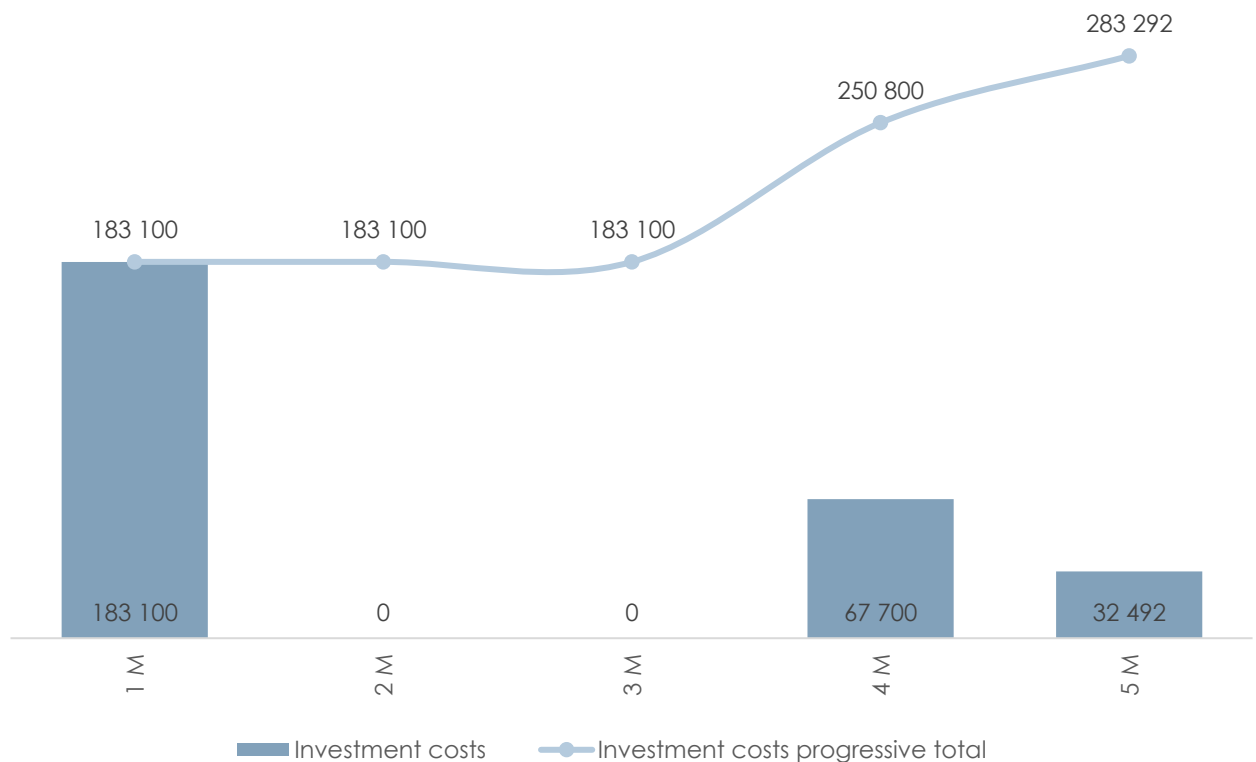
The total project implementation period is 36 months (3 years). The duration of the investment period (before the launch of the project) is 0,3 years.

Table 6. Financial plan

Month of the project		Total	1	2	3	4	5
Month from the project launch						1	2
1	Acquisition of the platform core (back office)	183 100	183 100				
2	Floating capital financing*	100 476				67 700	32 492
	Invested capital total	283 576	183 100	0	0	67 700	32 492

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

Diagram 13. Investment costs, EUR



6 INCOME PLAN

6.1 Scope of services

The planned volume of attracting new guests is 60 100 people per month.

Average income per guest is 9 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).

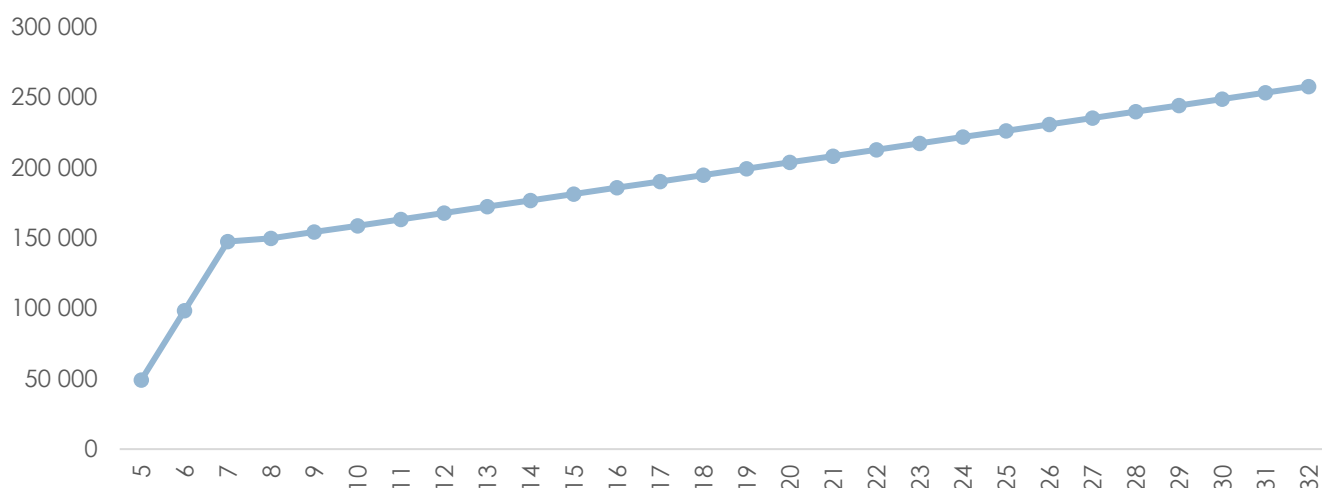
Proceeds of the casino itself is 5% of the funds entered by the guests into the gaming system.

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 (3 years), taking into account the gradual reaching the design capacity, will be about 179,6 thousand EUR.

Diagram 14. Proceeds, EUR



The total amount of proceeds for the project period (3 years) will amount to 6 465,3 thousand EUR.

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)

Month of the project			Total	1 - 12	13 - 24	25 - 36
Month from the project launch				1 - 9	10 - 21	22 - 33
Average income per guest per month			9			
Advertising costs, per month			60 100			
Physical indicators		Unit	-			
Total number of guests		ppl		18 641	24 641	30 641
Number of new casino guests		ppl	174 836	43 709	65 564	65 564
Number of new guests of the referral program		ppl	116 250	5 250	37 500	73 500
Reference:						
Cash turnover with an average percentage			129 306 273	21 777 545	47 284 364	60 244 364
Cumulative total number of referral partners			2 325	105	750	1 470
Proceeds excl. VAT		Income from 1 guest	6 465 314	1 088 877	2 364 218	3 012 218
total			6 465 314	1 088 877	2 364 218	3 012 218
Casino income		9,0	6 465 314	1 088 877	2 364 218	3 012 218
Variable costs excl. VAT		Income from 1 guest	4 216 833	919 563	1 536 855	1 760 415
Basic expenses						
total			2 956 097	707 232	1 075 833	1 173 033
Advertising costs		11,0	1 983 300	540 900	721 200	721 200

7 PROJECT EXPENDITURES

7.1 Fixed costs

Staffing and 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 EUR per month.

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

Table 8. Staffing table

No	Position	Number of people	Salary	Total per month
1	Senior technician	1	1 200	1 200
2	Operator	3	800	2 400
3	Marketing Specialist	1	1 000	1 000
	Total	5		4 600

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

7.2 Direct costs

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

Table 9. Direct costs

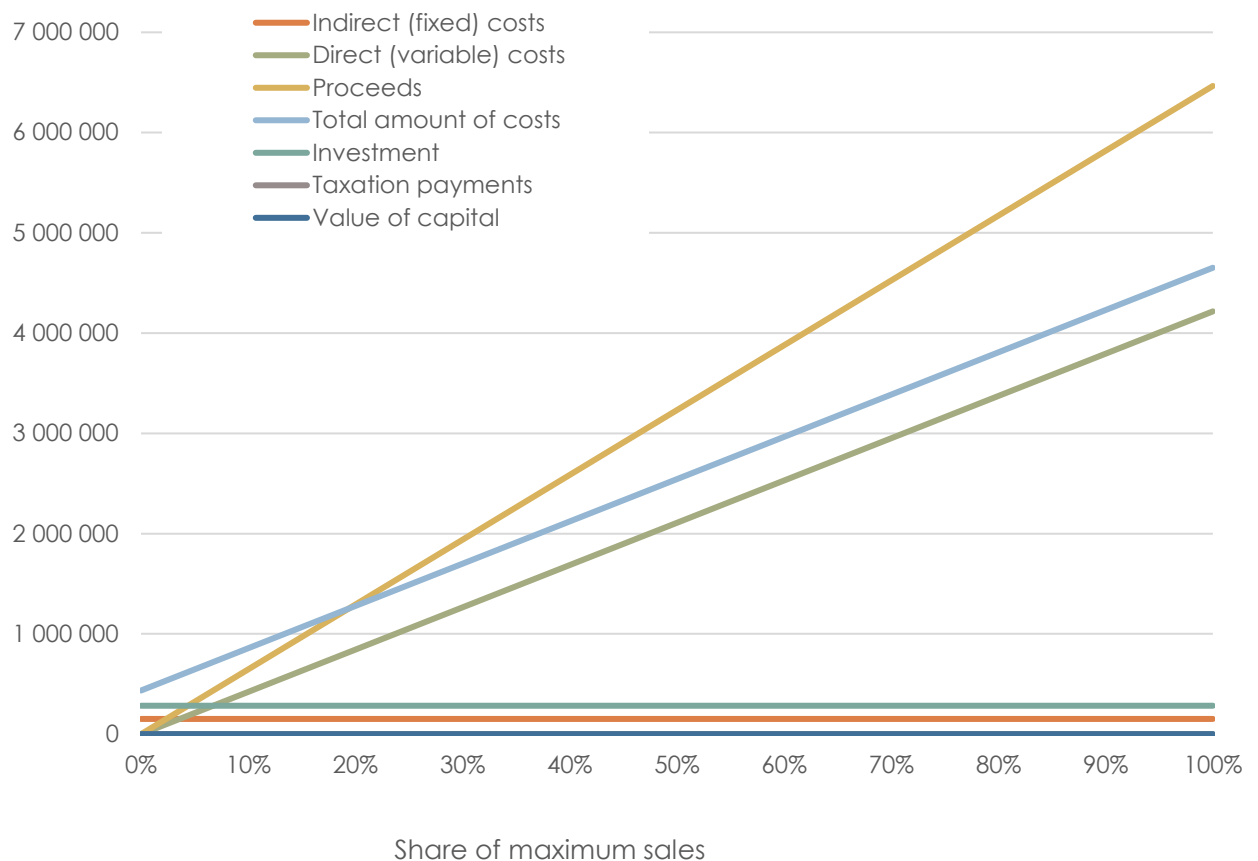
No	Type of expense	Total per unit	Share of base	Calculation base
1	Advertising costs	11		for 1 new client
2	Percentage of the platform gross profit, but not less	3 000	15,0%	gross profit for the previous month
3	Payments for input of funds into the system by guests		0,5%	Cash turnover
4	Payments for withdrawing funds from the system by guests		0,5%	The difference between casino turnover and income

7.3 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 1 251,9 thousand EUR (19,4% of the total project proceeds).

The financial strength margin reaches 5 213,4 thousand EUR (80,6% of the total project proceeds).

Diagram 15. Break-even point of the project, EUR



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 283,6 thousand EUR.

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 100,5 thousand EUR. The investor's capital will amount to 183,1 thousand EUR.

Conditions for reimbursement of investor funds

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

8.2 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 - 183,1 thousand EUR.

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 6 465,3 thousand EUR.

Negative cash flow reaches 4 368,6 thousand EUR and consists of the following main components:

- direct costs - 4 216,8 thousand EUR;
- fixed costs - 151,8 thousand EUR.

Thus, the balance on operating activities at the end of the project will be equal to the amount of net profit and will be 1 913,6 thousand EUR.

Financial activities

The financial flow consists of receipts of own and investor's funds for financing the project. Amount of financial cash flow is equal to own funds that is 100,5 thousand EUR.

8.3 Profit and Loss Plan

The amount of proceeds for the project period will amount to 6 465,3 thousand EUR. The total volume of direct costs will reach 4 216,8 thousand EUR.

Thus, the gross profit is 2 248,5 thousand EUR.

Fixed costs for the project period will be 151,8 thousand EUR.

Profit before tax will be 1 913,6 thousand EUR.

The volume of net profit, taking into account the write-off of the entire amount of investment costs (through depreciation), will reach 1 913,6 thousand EUR.

8.4 Project Financial Performance

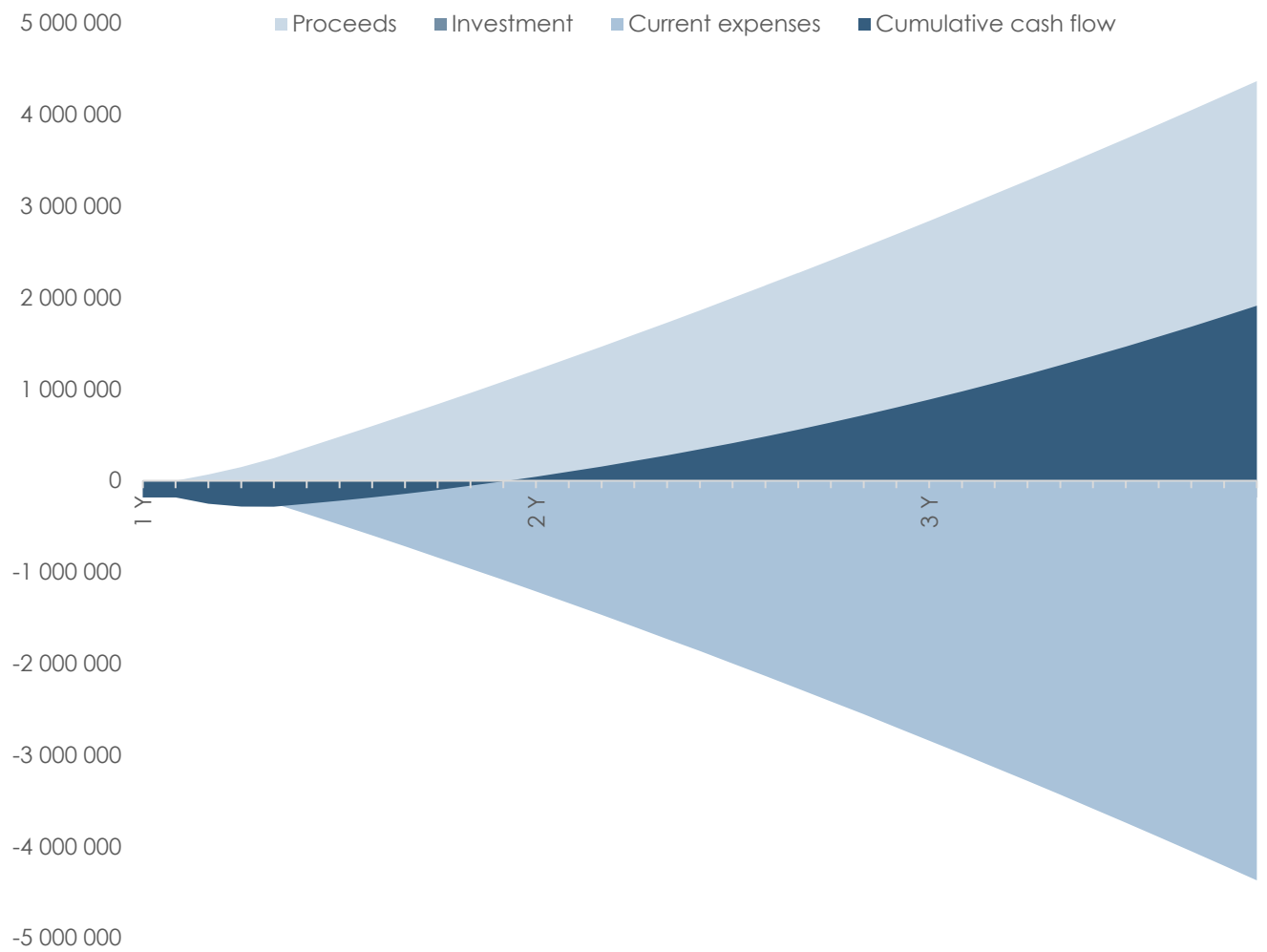
The project calculation horizon is 36 months (3 years).

Net profit upon completion of the project will amount to 1 913,6 thousand EUR.

Table 10. Financial and investment indicators of the project

No	Name of the indicator	Rate
1	Calculation period of the project, year	3,0
2	Laid-down capital (LDC), EUR	283 576
3	Revenue, EUR	6 465 314
4	Net average operational receipts per month (NAOR), EUR	53 155
5	Average demand balance per month (ADB), EUR	604 650
6	Net profit for the project period, EUR	1 913 580
7	Average profitability for the project period (net profit to proceeds	29,6%
8	Discounting rate (DR), %	19,6%
9	Net present value (NPV), EUR	1 268 316
10	Average Rate of Return of investments (ARR)	224,9%
11	Return on investment (ROI)	674,8%
12	Profitability index (PI)	8,03
13	Internal rate of return (IRR)	272,3%
14	Pay back period of the project in whole (PBP), incl. financing scheme	13 months
15	Discounted payback period of the project in whole (DPBP), incl.	13 months

Diagram 16. Payback of the project, EUR



9 PROJECT RISK ANALYSIS

9.1 Sensitivity analysis

Critical deviations of key indicators for net profit (the project does not pay off in 3 years) are: a decrease in revenue by more than 32,2%, with an increase in investments by more than 276,0%, an increase in variable costs by 50,9%, an increase in the size of fixed expenses by 1466,9%, 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 32,2% 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.

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 32,2%, allows you to keep the payback within the calculation horizon (no more than 3 years), the project has a reliable margin of financial strength.

Diagram 17. Critical deviations of key project factors (in terms of NPV)

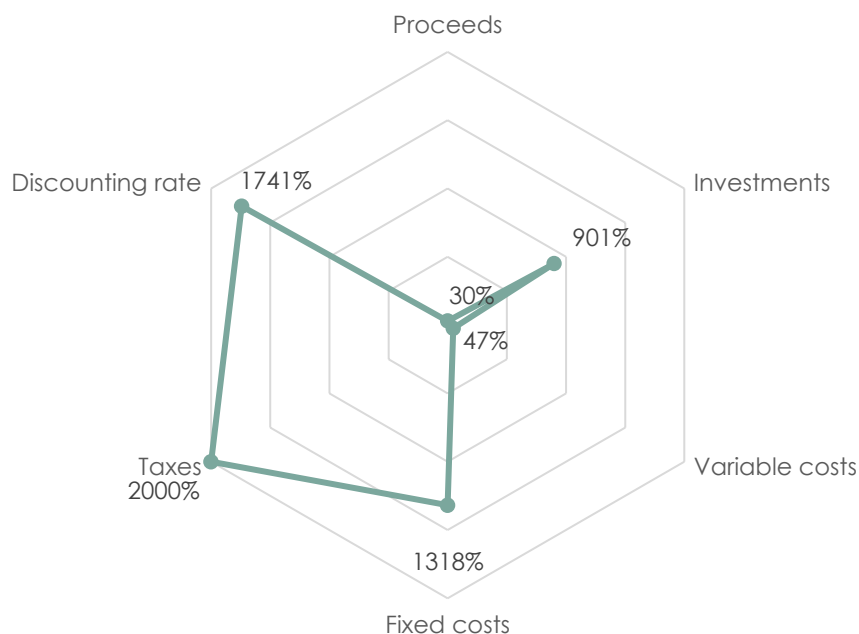


Table 11. Sensitivity analysis of the project

№	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 $ \Delta \text{NPV\%} / \Delta $	Breaking change of NPV		Breaking change of profit	
							NPV=0	Sensibility ranking*	Profit=0	Sensibility ranking*
1	Proceeds	-5%	1 253 116	-15 201	-1,2%	0,2	-30,0%	1	-32,2%	1
2	Investments	+5%	1 494 949	226 633	17,9%	-3,6	+900,5%	3	+276,0%	3
3	Variable costs	+5%	1 342 330	74 014	5,8%	-1,2	+46,7%	2	+50,9%	2
4	Fixed costs	+5%	1 497 593	229 276	18,1%	-3,6	+1318,0%	4	+1466,9%	4
5	Taxes	+5%	1 503 296	234 979	18,5%	-3,7	+2000,0%	6	+2000,0%	5
6	Discounting rate	+5%	1 476 558	208 242	16,4%	-3,3	+1741,2%	5		

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

10 ASSUMPTIONS

10.1 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.

10.2 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).

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