



ONLINE CASINO CREATION



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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. Zaptorica 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, Willems stad, Curacao. Technical support is provided by a specialist: Andrey Denisov
e-mail: denvox@gmail.com, tel: +77074333400
The website is under construction. The domain is goldpari.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

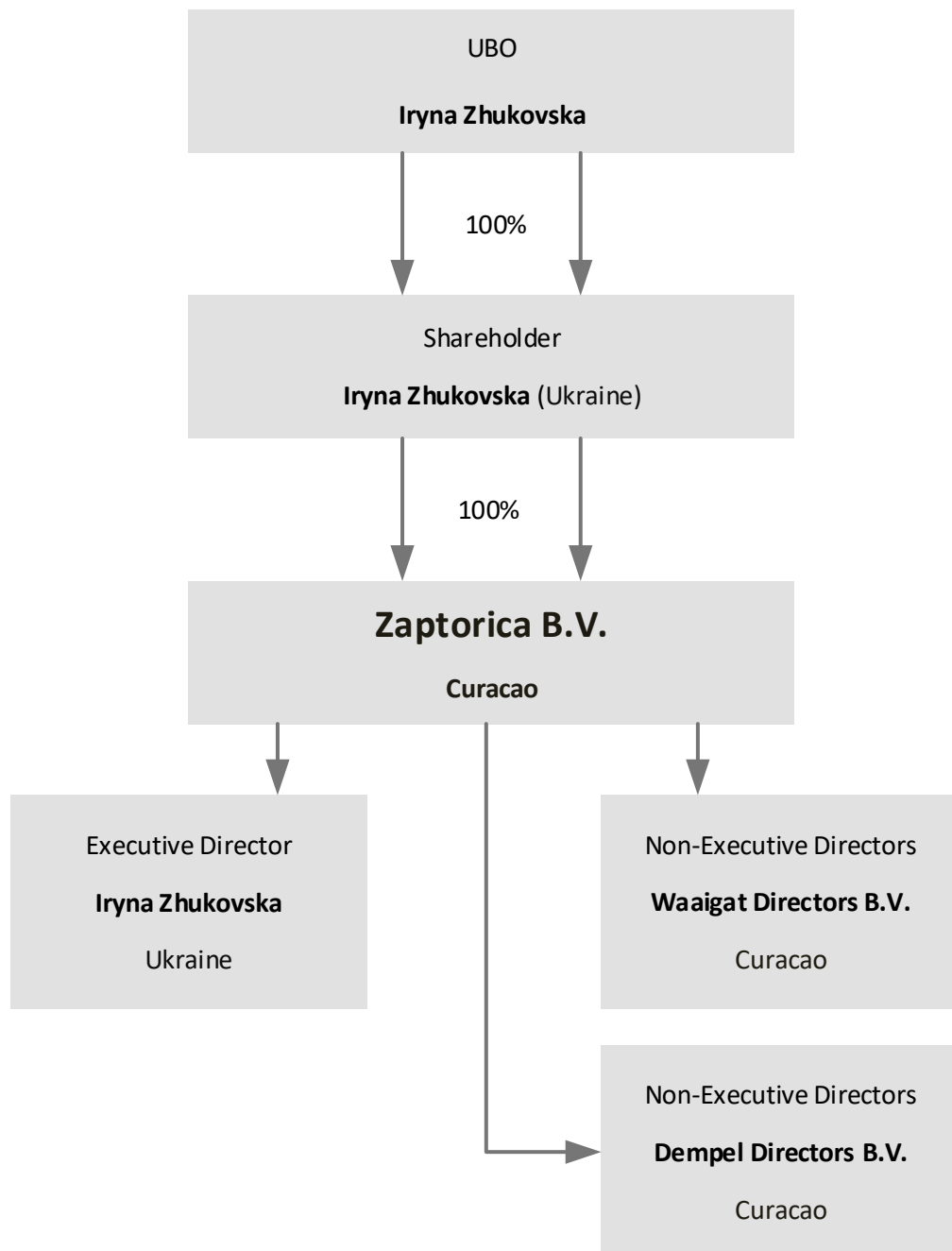
At the first stage, losses of funds spent on registration, rent and office equipment are possible.

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.

1.4 Organizational structure

Organizational structure of the company is below.

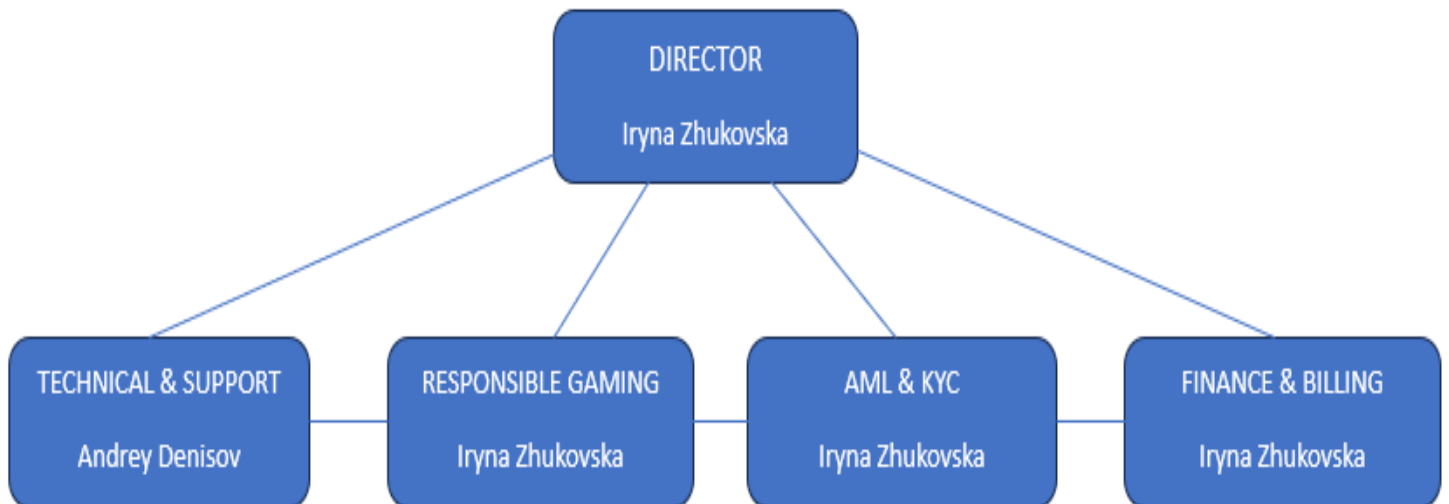
Diagram 1. Organizational structure



1.5 Social effectiveness of the project

In total the company will employ 5 people.

Control Structure



1.6 Indicators of the project

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

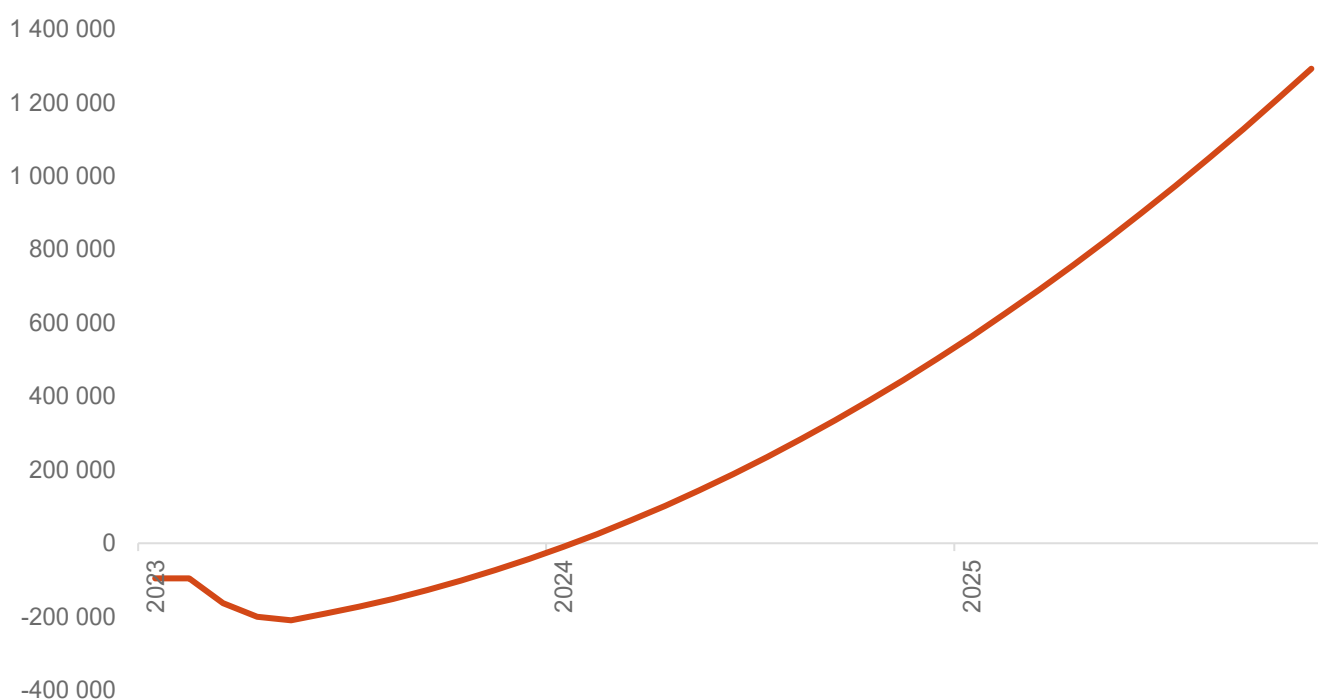
The project calculation horizon is 36 months (3 years).

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 33 months (2,8 years).

Table 1. Indicators of the project, EUR

No	Name of the indicator	Rate
1	Calculation period of the project, year	3,0
2	Laid-down capital (LDC), EUR	210 032
3	Revenue, euro	5 384 260
4	Net average operational receipts per month (NAOR), EUR	35 916
5	Average demand balance per month (ADB), EUR	418 611
6	Net profit for the project period, EUR	1 292 990
7	Average profitability for the project period (net profit to proceeds	24,0%
8	Discounting rate (DR), %	19,6%
9	Net present value (NPV), EUR	847 775
10	Average Rate of Return of investments (ARR)	205,2%
11	Return on investment (ROI)	615,6%
12	Profitability index (PI)	10,00
13	Internal rate of return (IRR)	254,8%
14	Pay back period of the project in whole (PBP), incl. financing scheme	14 months
15	Discounted payback period of the project in whole (DPBP), incl. financing	15 months

Diagram 2. Payback of the project, EUR

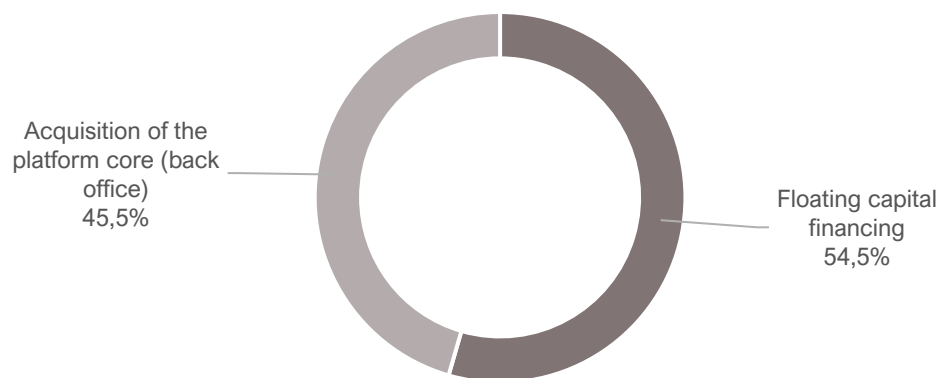


2 FINANCIAL SUMMARY

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 210,0 thousand EUR.

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 114,4 thousand EUR.

The investor's capital will amount to 95,6 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		1	2	3	4	5	6	7	8	9	10	11	12
Month from the project launch	Total				1	2	3	4	5	6	7	8	9
INVESTING Cash flow total	-95 600	-95 600	0	0	0	0	0	0	0	0	0	0	0
Acquisition of the platform core (back office)	-95 600	-95 600	0	0	0	0	0	0	0	0	0	0	0
OPERATING cash flow total	1 388 590	0	0	0	-67 700	-37 144	-9 588	17 968	19 114	21 406	23 699	25 991	28 284
Proceeds inpayment excl. VAT	5 384 260	0	0	0	0	42 070	84 140	126 210	127 960	131 460	134 960	138 460	141 960
Casino income	5 384 260	0	0	0	0	42 070	84 140	126 210	127 960	131 460	134 960	138 460	141 960
Expenses total	-3 995 670	0	0	0	-67 700	-79 214	-93 728	-108 242	-108 846	-110 054	-111 261	-112 469	-113 676
Variable costs total	-3 843 870	0	0	0	-63 100	-74 614	-89 128	-103 642	-104 246	-105 454	-106 661	-107 869	-109 076
Basic expenses	-2 793 939	0	0	0	-63 100	-66 411	-72 721	-79 032	-79 294	-79 819	-80 344	-80 869	-81 394
Payments to providers	-1 049 931	0	0	0	0	-8 204	-16 407	-24 611	-24 952	-25 635	-26 317	-27 000	-27 682
Fixed costs total	-151 800	0	0	0	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600
Salary	-151 800	0	0	0	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600
FINANCIAL Cash flow total	114 432	95 600	0	0	67 700	37 144	9 588	-16 171	-18 819	-21 148	-23 444	-16 018	0
Own funds	114 432	0	0	0	67 700	37 144	9 588	0	0	0	0	0	0
Co-investor's investment	95 600	95 600	0	0	0	0	0	0	0	0	0	0	0
Refunds to co-investor	-95 600	0	0	0	0	0	0	-16 171	-18 819	-21 148	-23 444	-16 018	0
TOTAL CASH FLOW OF THE PROJECT	1 407 423	0	0	0	0	0	0	1 797	294	259	255	9 973	28 284
progressive total (cash balance)	1 407 423	0	0	0	0	0	0	1 797	2 091	2 350	2 605	12 578	40 862

Table 3. Cash flow for the second year

Month of the project Month from the project launch	Total	13 10	14 11	15 12	16 13	17 14	18 15	19 16	20 17	21 18	22 19	23 20	24 21
INVESTING Cash flow total	-95 600	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of the platform core (back office)	-95 600	0	0	0	0	0	0	0	0	0	0	0	0
OPERATING cash flow total	1 388 590	30 576	32 869	35 161	37 454	39 746	42 039	44 331	46 624	48 916	51 209	53 501	55 794
Proceeds inpayment excl. VAT	5 384 260	145 460	148 960	152 460	155 960	159 460	162 960	166 460	169 960	173 460	176 960	180 460	183 960
Casino income	5 384 260	145 460	148 960	152 460	155 960	159 460	162 960	166 460	169 960	173 460	176 960	180 460	183 960
Expenses total	-3 995 670	-114 884	-116 091	-117 299	-118 506	-119 714	-120 921	-122 129	-123 336	-124 544	-125 751	-126 959	-128 166
Variable costs total	-3 843 870	-110 284	-111 491	-112 699	-113 906	-115 114	-116 321	-117 529	-118 736	-119 944	-121 151	-122 359	-123 566
Basic expenses	-2 793 939	-81 919	-82 444	-82 969	-83 494	-84 019	-84 544	-85 069	-85 594	-86 119	-86 644	-87 169	-87 694
Payments to providers	-1 049 931	-28 365	-29 047	-29 730	-30 412	-31 095	-31 777	-32 460	-33 142	-33 825	-34 507	-35 190	-35 872
Fixed costs total	-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
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
FINANCIAL Cash flow total	114 432	0	0	0	0	0	0	0	0	0	0	0	0
Own funds	114 432	0	0	0	0	0	0	0	0	0	0	0	0
Co-investor's investment	95 600	0	0	0	0	0	0	0	0	0	0	0	0
Refunds to co-investor	-95 600	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CASH FLOW OF THE PROJECT	1 407 423	30 576	32 869	35 161	37 454	39 746	42 039	44 331	46 624	48 916	51 209	53 501	55 794
progressive total (cash balance)	1 407 423	71 438	104 307	139 468	176 922	216 668	258 707	303 038	349 662	398 578	449 787	503 288	559 082

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 total	-95 600	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of the platform core (back office)	-95 600	0	0	0	0	0	0	0	0	0	0	0	0
OPERATING cash flow total	1 388 590	58 086	60 379	62 671	64 964	67 256	69 549	71 841	74 134	76 426	78 719	81 011	83 304
Proceeds inpayment excl. VAT	5 384 260	187 460	190 960	194 460	197 960	201 460	204 960	208 460	211 960	215 460	218 960	222 460	225 960
Casino income	5 384 260	187 460	190 960	194 460	197 960	201 460	204 960	208 460	211 960	215 460	218 960	222 460	225 960
Expenses total	-3 995 670	-129 374	-130 581	-131 789	-132 996	-134 204	-135 411	-136 619	-137 826	-139 034	-140 241	-141 449	-142 656
Variable costs total	-3 843 870	-124 774	-125 981	-127 189	-128 396	-129 604	-130 811	-132 019	-133 226	-134 434	-135 641	-136 849	-138 056
<i>Basic expenses</i>	<i>-2 793 939</i>	<i>-88 219</i>	<i>-88 744</i>	<i>-89 269</i>	<i>-89 794</i>	<i>-90 319</i>	<i>-90 844</i>	<i>-91 369</i>	<i>-91 894</i>	<i>-92 419</i>	<i>-92 944</i>	<i>-93 469</i>	<i>-93 994</i>
<i>Payments to providers</i>	<i>-1 049 931</i>	<i>-36 555</i>	<i>-37 237</i>	<i>-37 920</i>	<i>-38 602</i>	<i>-39 285</i>	<i>-39 967</i>	<i>-40 650</i>	<i>-41 332</i>	<i>-42 015</i>	<i>-42 697</i>	<i>-43 380</i>	<i>-44 062</i>
Fixed costs total	-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
<i>Salary</i>	<i>-151 800</i>	<i>-4 600</i>	<i>-4 600</i>	<i>-4 600</i>	<i>-4 600</i>	<i>-4 600</i>	<i>-4 600</i>	<i>-4 600</i>	<i>-4 600</i>	<i>-4 600</i>	<i>-4 600</i>	<i>-4 600</i>	<i>-4 600</i>
FINANCIAL Cash flow total	114 432	0	0	0	0	0	0	0	0	0	0	0	0
Own funds	114 432	0	0	0	0	0	0	0	0	0	0	0	0
Co-investor's investment	95 600	0	0	0	0	0	0	0	0	0	0	0	0
Refunds to co-investor	-95 600	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CASH FLOW OF THE PROJECT	1 407 423	58 086	60 379	62 671	64 964	67 256	69 549	71 841	74 134	76 426	78 719	81 011	83 304
progressive total (cash balance)	1 407 423	617 168	677 547	740 219	805 182	872 439	941 987	1 013 829	1 087 963	1 164 389	1 243 108	1 324 119	1 407 423

3 ONLINE GAMBLING MARKET OVERVIEW

3.1 Income and turnover

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.

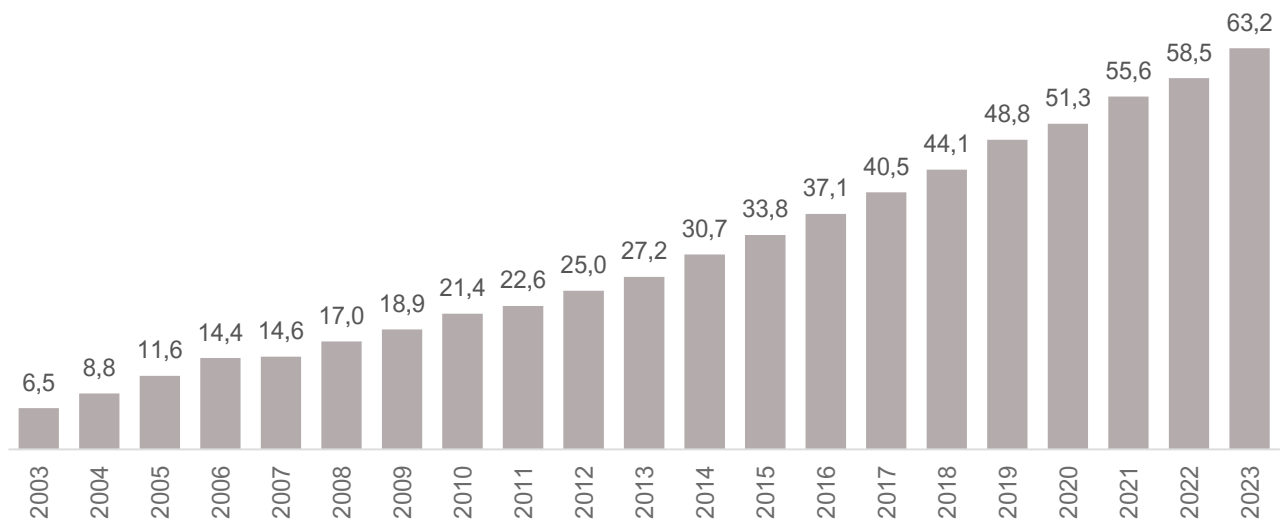
According to Juniper research, gambling is increasingly moving to the online environment. Moreover, the greatest activity is shown by mobile applications. The share of bets made using mobile phones is constantly growing.

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.

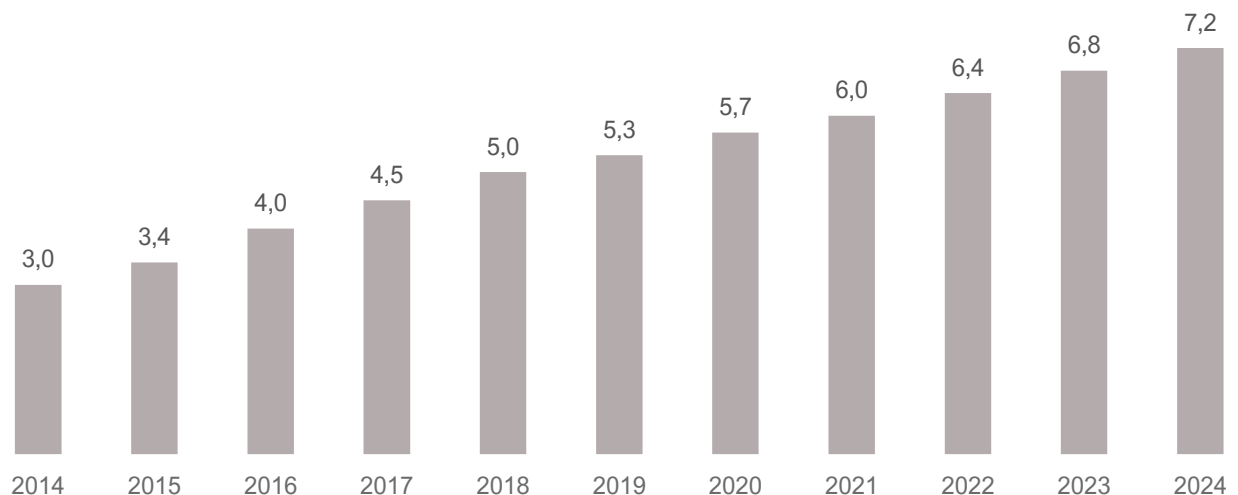
Diagram 4. Volume of global online gambling market, billion euros



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

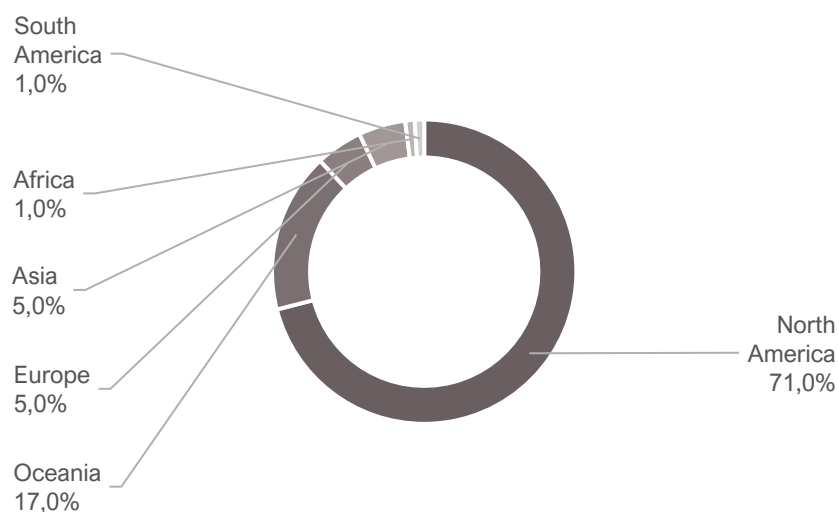


In terms of geographic division, North America continues to dominate the online casino industry, representing 71% of the total market.

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

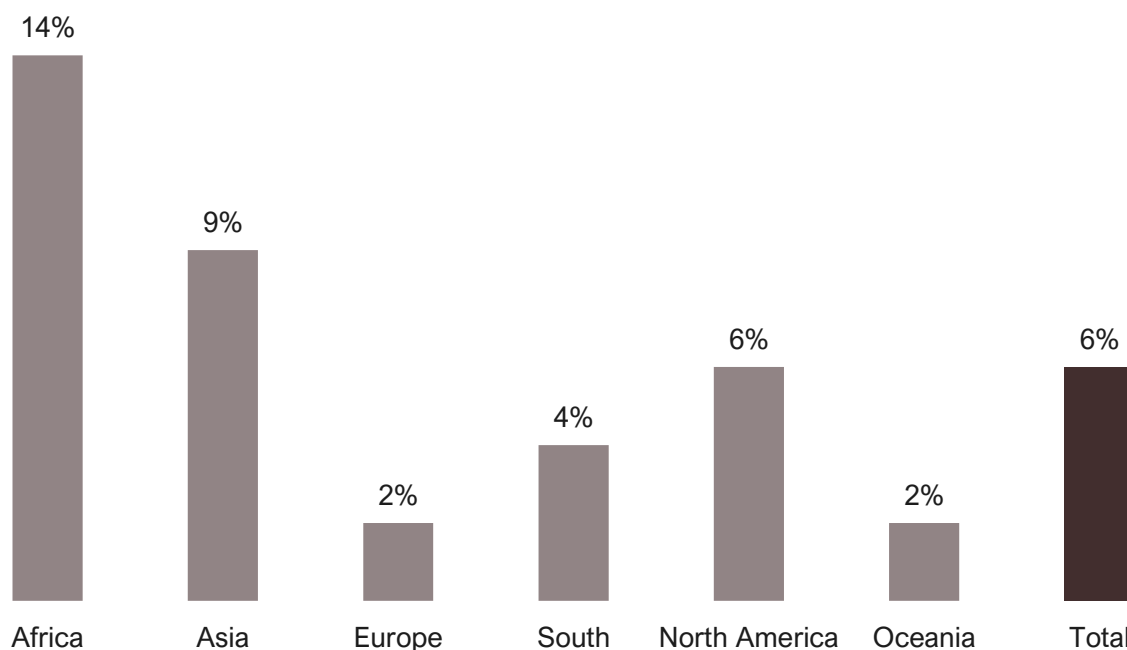
At the same time, Oceania (Fiji, New Zealand, Polynesia, New Guinea, etc.) also has a strong presence with 17% of the global GGR in 2019, significantly ahead of Asia and Europe with 5%.

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

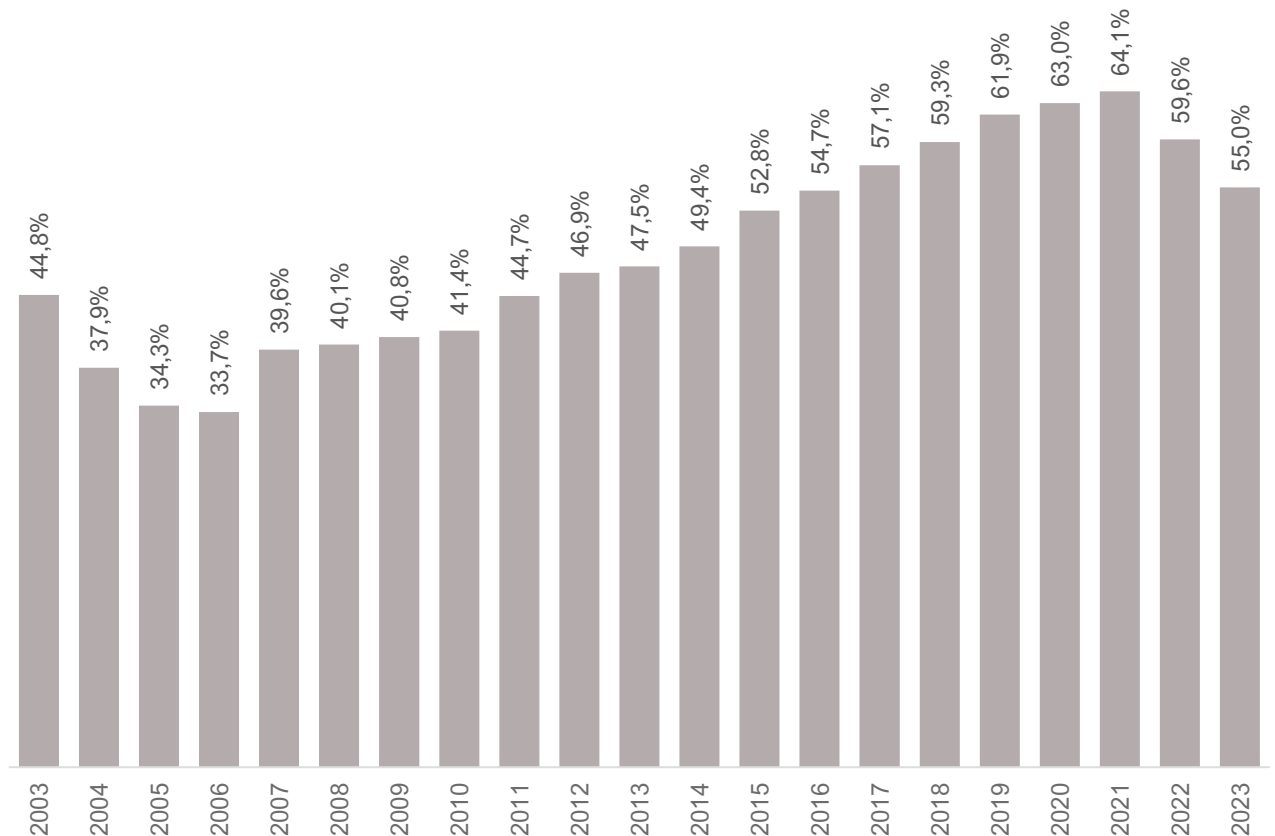


The European Union is the largest regulated market in the industry. For comparison, players from Iran are only restricted in about 30% of casinos.

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%.

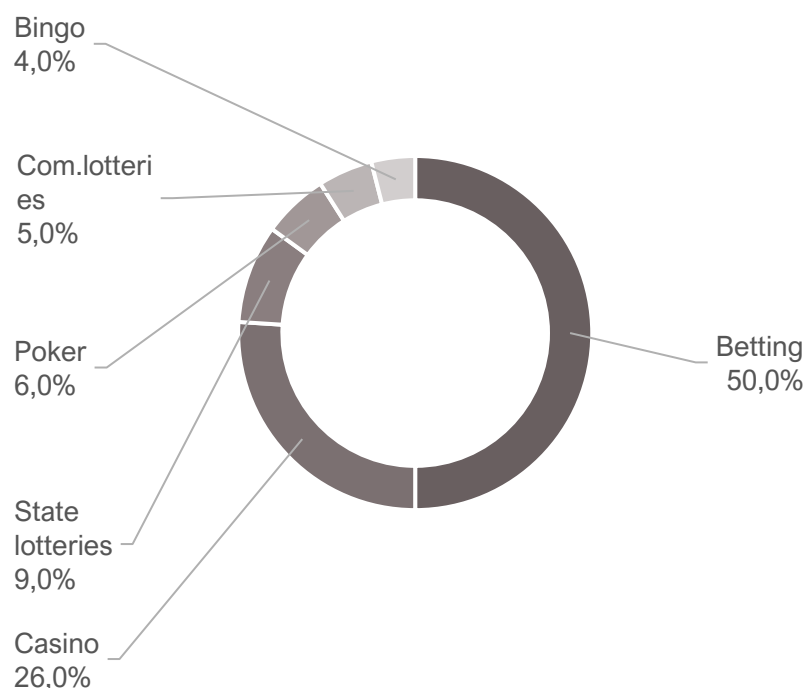
There was also talk about simplifying the rules. Last year, the European Commission said: “Operators of online gambling operating in the European Union are forced to obtain licenses in several countries, which require licensing. But a more general approach would be better for them. More compliance requirements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

Online casino gaming and sports betting is a fast-paced, dynamic, and — above all — profitable industry. The constant technological innovations and changing regulations around the globe make it one of the most exciting businesses to be in, with every day bringing a new challenge or opportunity. Perhaps most importantly, the current global iGaming boom shows no sign of stopping — recent estimates see global revenues topping \$100 billion within the next five years.

Young and male?

There is no single portrait of the average online gambler. However, while the details will vary from country to country, overall two things tend to be true about online casino players and sports bettors: they tend to be on the younger side (18-35) and they tend to be male (but the gap in the male/female ratio can be as small as a single percentage point).

These are the same tendencies you'd expect from land-based gamblers, but exaggerated in the online space; one in-depth study of Canadian players found that while 58% of land-based casino players were male, the percentage rose sharply — to 78% — when it came to online participation. A 2017 Geopoll study found that 69% of males and 44% of females in Kenya had bet on sports. The rate of gambling participation rises dramatically when it comes to young males; 77% of males aged 25-34 had gambled in the past, with nearly 60% of them gambling once a week.

As for age, in many markets, older gamblers — especially those aged 60 and up — are more likely to favor land-based establishments. However, that could change, as in the future the older demographics will likely be more at home with technology than they are now.

A 2019 UKGC survey found that online gambling engagement is rising among both females and males; 25% of males and 17% of females surveyed had gambled online in the past four weeks, both numbers a 2% increase on the previous year.

According to the Journal of Industrial and Intelligent Information, Chinese gamblers are more likely to be male than female. Additionally, just over 50% of Chinese players are 35 or younger, 37% between the ages of 36 and 50, and 9% aged 51-65. They also tend to have lower education levels.

Gambling is widespread in Canada, where six in ten citizens participate in some kind of gambling activity. According to a study by the University of Lethbridge, 70% of online gamblers are between the ages of 18 and 39, with 47% of them aged 20-29. Males are highly over-represented in online gambling; whereas 17.6% of online gamblers are female, 82.4% are male.

In Australia, too, a higher percentage of gamblers are male than the population at large. According to a 2017 study, while only 49% of the country's population is male, men account for 54% of the country's gamblers, and 45.8% of Australian players are women, whereas 51% of the country is female.

But while online gamblers do tend to be young and male, there are still a substantial number of players in other age brackets, right up through the over-60's — and in many countries, the number of female players is steadily increasing. The iGaming audience is big enough that the smaller demographics are still substantial.

Education and income

Education and income levels of online gamblers vary. In African countries such as Kenya, gambling participation rates are higher among the lower-income segments of the population, and highest among the unemployed. In contrast, Canadian online gamblers have an average annual income of nearly \$75,000, and tend to have at least some university education. In Australia, lower-income gamblers spend a higher percentage of their income on gambling, but those in higher earning brackets spend more overall.

Participation around the world

There are a number of reasons for differing levels of gambling participation around the world. Some countries have a widespread, longstanding cultural acceptance of gambling, reflected in the high numbers of regular gamblers. Even in countries where gambling is prohibited by law, many players will visit offshore gambling platforms.

Europe, by some measures the largest gambling market in the world, has very high rates of gambling participation. A 2019 report from the European Betting and Gaming Association showed that 16.5 million Europeans placed bets in 2018. Interestingly, of all the European countries, Sweden has the highest percentage of its gambling market taking place online, with nearly 60% of the country's bets made over the internet. With a 34% share of the European market, the United Kingdom is perhaps one of the single biggest markets in the world. According to surveys carried out by the United Kingdom Gambling Commission (UKGC), rates of online gambling participation have been steadily increasing for years. A 2020 UKGC survey showed that 47% of respondents had gambled in the past four weeks, with 21% reporting that they had gambled online.

Gambling is also widespread in many Asian countries. There may not be official numbers or statistics, but it's well-known that gambling is extremely popular in China. While almost all forms of gambling are banned in China, a large number of offshore operations based in the Philippines cater to Chinese players.

A 2018 study found that 51.5% of Macau residents, 52% of Singaporeans, and 61.5% of Hong Kong citizens engaged in some form of gambling. In Thailand, where gambling is officially banned, a 2019 report found that nearly 60% of the population gambles anyway. The same phenomenon extends across multiple countries in Asia — whatever the laws may be, it's difficult for them to compete with people's will to bet.

Countries across Africa are experiencing a boom in sports betting, with large numbers of Nigerians and Kenyans placing regular bets on football, particularly matches in European leagues. Roughly 60 million Nigerians between the ages of 18 and 40, about a third of the population, regularly place bets, and a 2019 Geopoll survey showed that 57% of Kenyans had placed bets in the past. The rate of gambling participation jumps higher when narrowing in on the younger demographic; 76% of Kenyans aged 17-35 have tried betting.

Elsewhere in Africa, 57% of youths in Uganda and 42% of youths in Ghana have at least tried betting. The continent's biggest gambling market is South Africa, where engagement rates are estimated to be as high as 50%, but the development of the country's online space is hampered by prohibitive laws that only allow for online branches of established land-based retail betting shops.

Many countries in Latin America are known for their love of football — and wherever there's passion for a sport, a passion for betting is never far behind; nearly 60% of adults in Colombia have reported taking part in some form of betting. The Latin countries with the most high-frequency gamblers are Brazil and Peru, where 18% of respondents to a survey carried out by PR firm Sherlock Communications said they placed bets once a week.

According to the same survey, 16% of Peruvians and Colombians bet once a month or more and 38% of those surveyed — including citizens of Argentina, Brazil, Chile, Mexico, Colombia, and Peru — stated that they had previously gambled.

The biggest factors for Latin American players when choosing a bookmaker are free games, welcome bonuses, and special offers — except in Colombia, where the most important factor is the use of a local payment processor.

Australians gamble more than any other nationality, according to many estimations; reportedly, over 47% of Australians engage in some form of gambling. They also, by far, lose the most money per capita gambling, spending nearly \$1000 per year on gambling, far outstripping second-place Singapore, where players lose a little over \$600 per year.

Online casino gaming and sports betting are only recently becoming regulated in the United States, the country with the world's highest overall gambling expenditure. However, players in states that have

already moved forward with iGaming are quickly coming to prefer betting online; in the first year of legalization, 75% of sports bets in New Jersey were placed online.

Social casino games are also massively popular in the US. In a country with widespread passions for sports and betting, as well as a love of convenience, it's highly likely that the state-by-state rollout of iGaming schemes will be greeted with marked enthusiasm from American players.

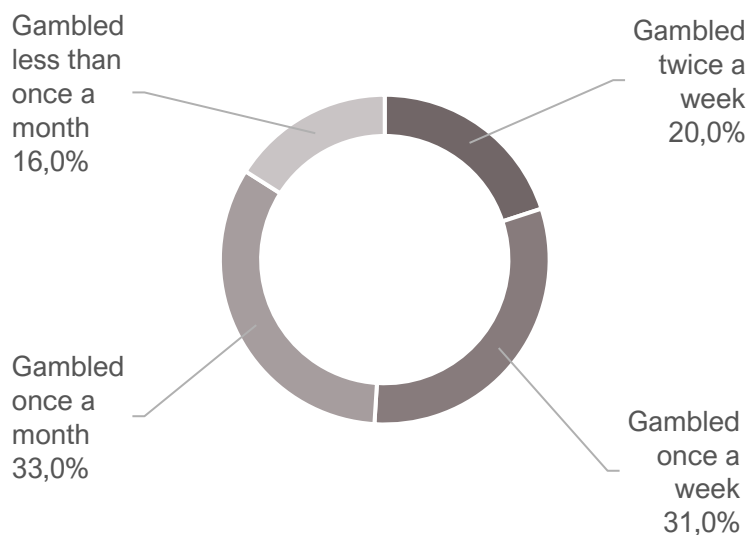
3.3 Player behavior

Bet size and frequency

The size and frequency of players' bets will help online casino operators set bet limits, as well as make revenue projections and other predictions. European players can be very high-frequency bettors; according to a 2019 report by the European Betting and Gaming Association, European bettors placed a bet every 2.5 days on average throughout 2018. That year, 16.5 million European players placed a total 31.6 billion bets.

In the UK, players place bets with some regularity, but less often than in the European bettors. Among respondents to a UKGC survey, 16% gambled less than once a month, 33% gambled once a month, 31% gambled once a week, and 20% gambled twice a week.

Diagram 10. Player behavior



One 2020 study indicated that online sports bettors wager more than those who visit retail shops. According to the study, 38.7% of online bettors wagered £10-£100 (\$13.80-\$138), compared to 29% of land-based bettors who wagered similar amounts.

In African countries, players tend to place a higher volume of low-value bets. It's estimated that 30% of Nigerians bet daily, placing average bets of 300 Naira (approx. \$0.78). According to a 2019 Geopoll

survey, 58% of male gamblers in Kenya placed bets at least once a week. According to the Kenyan National Bureau of Statistics, the average bet in the country is £1.30 (\$1.80), with Kenyan punters placing as many as 180 million individual bets in a single month.

Overall, it's no stretch of the imagination to say that online players wager more money, more often, than their land-based counterparts.

Motivation

There are a number of different reasons for online players to bet on slots or sporting events. Primarily, it's viewed as a form of entertainment — a way to relax and have fun. Many players also view it as a way to spend time with friends; it's even increasingly common for social media users who try social casino games to move on to real money games, especially if they're tempted by bonuses and other offers.

Aside from entertainment and socialization, another motivation is wealth. In African countries such as Kenya and Nigeria, gambling is often seen as a source of income or even a way to quickly become wealthy.

These differences in motivation could be reflected in players' behavior. Players who view gambling as a form of entertainment or socialization might play once a week or once a month, whereas those who view it as a source of income are more likely to bet several times a week or even every day.

It's common for players to set time limits and budgets for themselves. Often, players who set a budget will stop playing once their budget runs out, but players who follow a time limit have set aside a block of time to relax by hitting the slots. These players are more likely to increase their bet if they feel they are on a winning streak — getting the most out of the limited time they have. This betting pattern is more common for online players.

Devices

It will come as no surprise that more and more, mobile-based betting is taking over.

In Europe, the share of gambling taking place over mobile has been growing steadily each year, with mobile-based betting set to overtake desktop gambling by as early as 2022.

A 2019 report by the UKGC found that 50% of online gamblers placed bets via mobile, with that number rising to 72% of those aged 25-34 and 76% of players aged 18-24.

The betting boom in Africa is being driven in part by mobile technology. In Kenya, one Geopoll survey found that 88% of sports bettors had placed bets via mobile, with 55% of them betting through their phone at least once a week.

Like many other industries, the future of gambling is online, and the future of iGaming is mobile. As a result, game developers are designing titles that are mobile-friendly — and even mobile-first.

Experience level

Players of all experience levels enjoy online casino games. Often, social casino gamers make the leap to real-money gaming, intrigued by a sign-up bonus or other offer, and find themselves enjoying the experience.

Beginners and more experienced players will have different tastes in games. Experienced players will be familiar with Return to Player (RTP) and volatility rates, and might not be as impressed by pop culture themes as those who are new to slots.

Similarly, the more experienced a sports bettor is, the higher their expectations will be when it comes to being offered fair odds.

What people bet on

In short, online casino and sportsbook audiences have the same tastes as their offline counterparts. Player preferences, like engagement levels, vary depending on region.

Players in Europe enjoy slots, casino table games like blackjack, roulette, and baccarat, and betting on horseracing and sporting events like football. The same goes for Australia and Canada.

While betting on football is popular pretty much everywhere, favored disciplines vary across different markets. Sportsbooks facing India shouldn't forget cricket, and if you're operating a sportsbook in Ireland it wouldn't hurt to offer betting on local sports like hurling. In African countries like Kenya, Nigeria, and others, football betting is primarily focused on European leagues, while in Latin America punters also bet heavily on their national leagues.

One Australian study found that, comparatively, men were more likely to play strategic forms of gambling such as card games like blackjack and sports betting, while female gamblers are more likely to enjoy games of pure chance such as slots, but that might not be true in other parts of the world.

Asian players will appreciate being able to play Dragon Tiger, Sic Bo, Mahjong, and other games with regional roots. Indian players enjoy the same casino games as European players, with the addition of some region-specific games like Indian Rummy, Indian Flush, and Andar Bahar.

Today's online player

So who is the online casino player of today? For the most part, the first picture that leaps to mind is probably accurate: young and male. In more developed countries, players also tend to have higher levels of income and education, and they're often very interested in technology — at the very least, they live in a mobile-first world.

But a single picture isn't enough. While males make up a higher percentage of players than females, there are still substantial numbers of female players, especially in Europe and North America. Lower-income countries have their fair share of frequent players, and while the 18-35 demographic has the lion's share of slot players and sports bettors, huge numbers of older players spin and wager every day.

All told, while it's safe to assume that for the most part online casino players are indeed young men, there's more and more reason to consider female gamblers and those in other age brackets as well — at the end of the day, gambling is an equal-opportunity source of entertainment.

As one of the iGaming industry's leading software suppliers and aggregators, Slotegrator offers everything you need to start an online casino, including turnkey platform solutions, game content, sports betting software, gambling license acquisition services, and anything else you might need to start an online casino. Get in touch with us to make 2022 the year you start a successful online casino or sportsbook.

3.4 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.

Messengers

The new possibilities of the mobile Internet are constantly attracting players. If earlier social networks and telephone means of communication were in trend, now the position of the leader is taken by convenient instant messengers.

Slotegrator is seriously interested in this trend and has created its own Telegram casino. Integration of the gaming platform into the messenger allows users to enjoy gambling on their smartphone at any time.

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.

Women are actively interested in online gambling

The trend of an increase in the number of female gamblers in online casinos was outlined back in 2015. And now it is only getting stronger. According to the research conducted, the fair sex prefers to gamble on personal gadgets and in private. This allows for more leeway and avoids ridicule from male players.

The most active gamblers are women under the age of 35, but older ladies are also not averse to occasionally spinning the reels of slot machines, starting a roulette wheel or throwing cards.

Online casinos made especially for women have already begun to appear, and some operators are conducting advertising campaigns aimed specifically at women.

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 ONLINE CASINOS FACE

4.1 Operational

As mentioned above, there's always a risk that one of your business processes might not go according to plan — or even a few of them; different kinds of day-to-day risks can swirl together into a perfect storm.

The main operational risks that online casinos face are technical and compliance issues.

Technical

Software glitches — whether they originate from your platform, your game providers, your payment service providers, or elsewhere — are the stuff of nightmares. Loading errors during gameplay, for example, or dropped connections during deposits or withdrawals can instantly torpedo your casino's reputation.

These can go from the mundane to the massive. A dropped session mid-spin is irritating for the player and the support team the player contacts. A technical error that allows six or seven players to hit a massive jackpot in a timeframe when only one should have been awarded is a financial catastrophe. In the latter case, the casino will have to put the payouts on hold while they carry out an internal audit to find out what exactly happened, as well as who's liable for the payout (the casino or the game provider).

Many operational risks come down to the necessity for maintaining clear lines of communication between casinos, software providers/aggregators, and game providers.

For example, just like video games, new slots are most popular when they're first released. Some providers do a soft launch, first releasing a game through only a few choice casinos. While this is a great marketing opportunity — play it before your friends do — it's also when you're most likely to discover something's gone wrong with either the game or the integration protocol.

If you get players primed for a soft launch but technical glitches (on either your side or the provider's) leave them unsatisfied, you'll have to manage the fallout.

Compliance

Compliance offers a constant risk. Operators don't just have to satisfy initial requirements. It's also not enough to follow guidelines; you have to stay on top of them.

Say, for example, you run a sportsbook called Frankie's, which has staked its reputation on offering the fairest odds around. Most of your marketing material comes with the tagline "Bet on Frankie's," pun intended. But then your regulator announces that promotional material can no longer appeal to compel, command, or recommend that players bet (they have to make the decision for themselves). On top of that, the edict comes into force at midnight tomorrow.

Barring a grace period, if you want to stay within the terms of your license and avoid a fine, you'll have to get the marketing team to burn the midnight oil rewriting every piece of ad copy you've got.

Licensing terms vary by jurisdiction, but usually there will be a list of countries where you're not allowed to accept players. The same will go for software developers, game providers, and payment system providers. You'll likely wind up with the world's most complicated Venn diagram showing where you can and can't accept players, meaning you'll have to carefully manage your traffic and avoid any prohibited sign-ups (because regulators can, do, and will check).

In a similar vein, there are some markets where the only games allowed are those specified by the regulator, and even markets where regulators dictate exactly how much space on the screen a single icon on a slot can occupy.

Security, of course, is a constant concern. KYC checks are essential, both for anti-money laundering compliance concerns and combating the player fraud and bonus abuse that's unfortunately prevalent throughout the industry. And every casino's worst nightmare is a hacking breach, with the chance that cyber criminals could access your players' personal data and funds.

How to manage operational risks

The best policy for managing operational risks is active prevention.

Employees need to be highly trained on all business processes, and subsequently monitored and checked (think of it this way: hackers only need to be lucky once, but you need to be lucky every day).

Set guidelines for employee behavior, when it comes to both ethics and operations, and make sure there's a clear chain of communication where they feel comfortable and safe reporting mistakes and near misses. Assign team leaders to monitor their employees and conduct at least quarterly reviews of risk management performance.

For example, when you need to conduct an audit, constantly reassure the winning player that their money is on its way. Otherwise, you're looking at one of the worst possible scenarios an online casino can face: a smeared reputation.

Keeping promises is the basis of almost all ideas of morality, and players need to trust that if they win big, you don't disappear into the night. This tension can easily lead them to visit player forums the second they think they're being denied their rightful winnings and shout from the mountaintops that you're not running a casino — you're running a scam.

4.2 Strategic

Every time a business makes a decision, they incur a certain amount of risk; it simply comes with the territory. While you can minimize their odds of transpiring, oftentimes all you can do is mitigate the fallout.

Strategic risks arise when forming new partnerships, developing and releasing new products, investing in other companies, expanding into new markets, among other steps.

One common strategic risk that iGaming companies face is the decision to acquire a license or not. License acquisition adds a significant cost to your starting budget, though the specific amount does depend on which jurisdiction you opt for; a license from Malta, for example, costs much more than one from Curaçao.

The cost of licensing is often a turnoff for new operators. But risk management is all about looking at the potential costs of something you hope won't happen. Unlicensed operators can be blacklisted, have their facilities shut down, and be fined or jailed — all outcomes that will wind up costing far more than the initial license would have.

There are also the risks that come along with expansion. Careful research is always the first step when it comes to breaking into a new market, but there's always a chance you could make a decision based on flawed data or make a gamble that doesn't pan out — for example, if the selected target market doesn't grow at the expected rate.

There are also constant financial risks. Financial challenges like taking on too much debt during an expansion and then struggling to pay it off when the expected returns fail to materialize can be extremely threatening. It's also common practice to put spare cash to work instead of letting it sit around. This means investing in securities and shares in investment funds, which can always take a turn for the worse, especially in cases of global economic recession.

Partnerships can also be a source of strategic risk. In this case, it's in your own best interest to partner with reputable, licensed, and longstanding software developers, game providers, and payment service providers.

How to manage strategic risks

The first step to handling strategic risks is to accept that they might happen. Then you need a specific plan for what exact steps you'll take to prevent an error from becoming a disaster. If you launch a second brand focusing on the crypto casino space, but it doesn't take off the way you expected, how much cash do you have to keep the new company going while you wait for marketing to bring in more players?

4.3 External risks

Take example from earlier, when authorities in his target market suddenly began to levy an exorbitant tax. It's based in a real saga, one that began in Kenya in 2019, when regulators announced a new tax regime based on turnover that a number of sportsbooks found simply unsustainable.

After some back-and-forth, a number of international brands simply pulled out of the market.

These low probability, high impact events can't be predicted or even specifically prepared for. The best strategy is to reduce your overall vulnerability and keep your business as liquid as you can.

The COVID pandemic has probably already sprung to mind. No one in 2019 would have suggested their business design a contingency plan for the possibility a worldwide pandemic would cut off every revenue stream they had — but that's exactly what happened, and countless businesses went under.

Sporting events around the world were canceled or postponed, breaking the back of sportsbooks everywhere — except for those that leapt into adaptation mode. They scoured the world for whatever sports were still running (including Belarusian football, sumo wrestling, reality TV, and marble racing) and added esports and virtual sports betting.

Worldwide casino closures decimated land-based profits, but organizations that branched out into live dealer games were more than able to ride out the crisis.

How to manage external risks

For these types of risks, there's little point in trying to develop prevention strategies; they're inherently beyond your control.

To mitigate the effects of external risks, one step you can take is to tend to your company's financial health. Highly leveraged companies — those who finance a large part of their operations by taking on debt — can function perfectly well in a normal climate. But in the event of a major disruption, like Covid or the 2008 financial crisis, missing their sales targets for a single quarter can send them into a tailspin.

5 INVESTMENT PLAN

5.1 Volume and structure of investments

The total investment required for the project is 210,0 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, EUR

No	Name	Value
1	Acquisition of the platform core (back office)	95 600
2	Floating capital financing	114 432
Investments total		210 032

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

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.

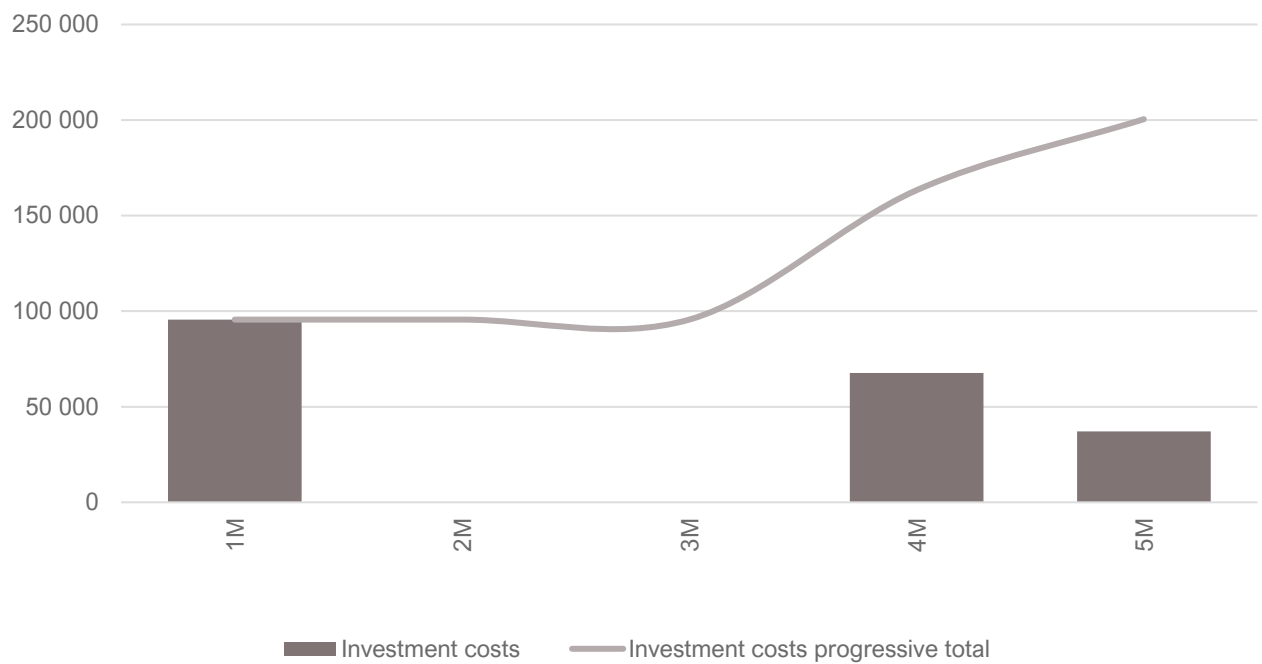
A phased work schedule with a financing schedule is presented in the table below.

Table 6. Financial plan, EUR

Month of the project		Total	1	2	3	4	5	6
Month from the project launch						1	2	3
1	Acquisition of the platform core (back office)	95 600	95 600					
2	Floating capital financing*	114 432				67 700	37 144	9 588
	Investments total	210 032	95 600	0	0	67 700	37 144	9 588

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

Diagram 11. Investment cost financing schedule, 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 7 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).

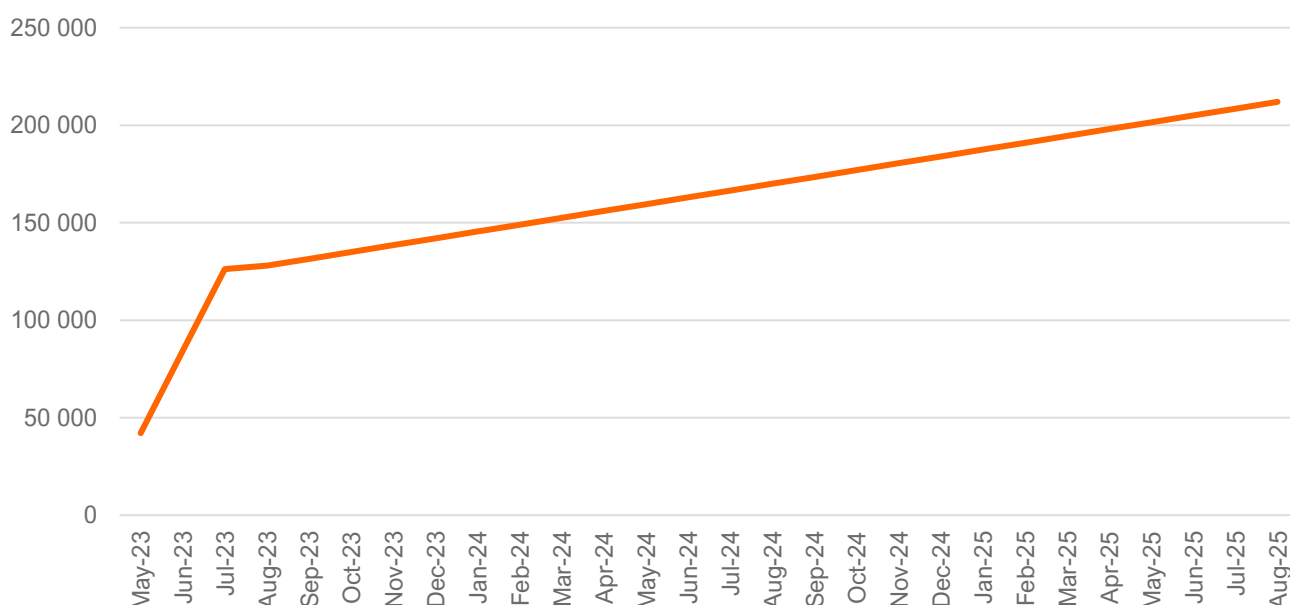
Thus, the income (proceeds) of the casino itself is 5% of the funds entered by the guests into the gaming system.

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 (3 years) will be about 149,6 thousand EUR.

Diagram 12. Dynamics of proceeds from sales, EUR



The total amount of proceeds for the project period (3 years) will amount to 5 384,3 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), EUR

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			7			
Advertising costs, per month			60 100			
Physical indicators		Unit	-			
Total number of guests		ppl		20 280	26 280	32 280
Number of new casino guests		ppl	192 320	48 080	72 120	72 120
Number of new guests of the referral program		ppl	116 250	5 250	37 500	73 500
Cash turnover with an average percentage of			107 685 200	18 544 400	39 530 400	49 610 400
Cumulative total number of referral partners			2 325	105	750	1 470
Proceeds excl. VAT		Income from 1 guest	5 384 260	927 220	1 976 520	2 480 520
Casino income		7,0	5 384 260	927 220	1 976 520	2 480 520

7 PROJECT EXPENDITURES

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 EUR per month.

The total payroll will amount to 4,6 thousand EUR per month (55,2 thousand EUR 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 with salaries, EUR

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.

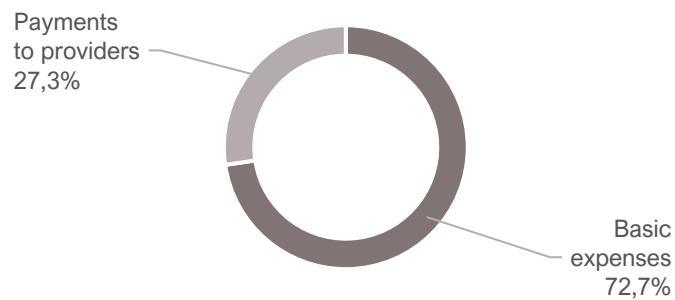
7.2 Direct costs

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

Table 9. Variable costs

No	Type of expense	Total per unit	Share of base	Calculation base
1	Advertising costs	10		for 1 new client
2	Percentage of the platform gross profit, but not less	3 000	15%	gross profit for the previous month

Diagram 13. Structure of variable costs (to the total volume of variable costs)



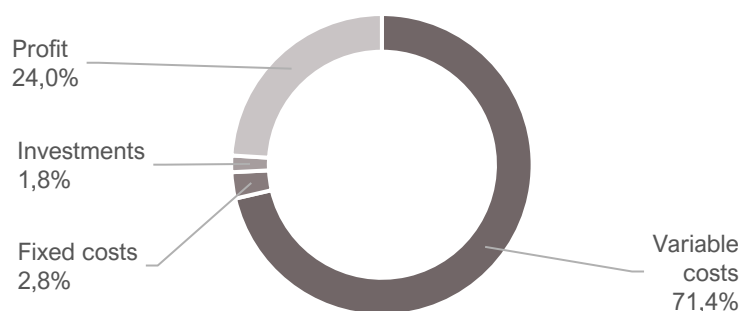
7.3 Analysis of the project revenue structure

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 (3 years). The structure of the distribution of proceeds by main cost groups and profit in descending order will look as follows:

- variable costs - 71,39%;
- profit - 24,01%;
- fixed costs - 2,82%;
- investments - 1,78%.

The diagram below illustrates that the share of the project's proceeds that goes to net profit is 24,0%.

Diagram 14. 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)

№	Parameter	Monthly average	Annual average	Total
1	Proceeds	163 159	1 957 913	5 384 260
2	Operating costs TOTAL	121 081	1 452 971	3 995 670
3	Variable costs total	116 481	1 397 771	3 843 870
4	Basic expenses	84 665	1 015 978	2 793 939
5	Payments to providers	31 816	381 793	1 049 931
4	Fixed costs total	4 600	55 200	151 800
7	Salary	4 600	55 200	151 800
8	Investment (excl. floating assets) TOTAL	2 897	34 764	95 600
9	Cash balance at the end of the project TOTAL	42 649	511 790	1 407 423
10	Profit TOTAL	39 182	470 178	1 292 990

7.4 Analysis of the break-even point

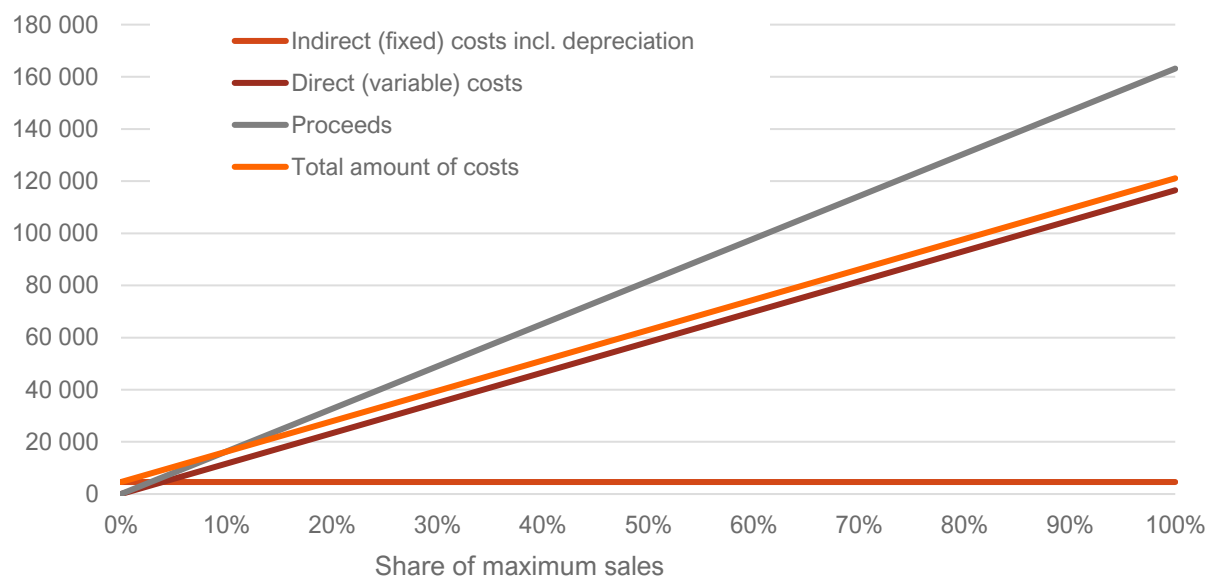
Operational break-even

Excluding the tax component

The average monthly break-even sales volume calculated on the basis of operating income, variable and fixed costs, excluding taxes, is 16,1 thousand EUR (or 9,9% of average revenue).

The financial strength margin is 147,1 thousand EUR (90,1% of average revenue).

Diagram 15. Break-even point without tax component, EUR

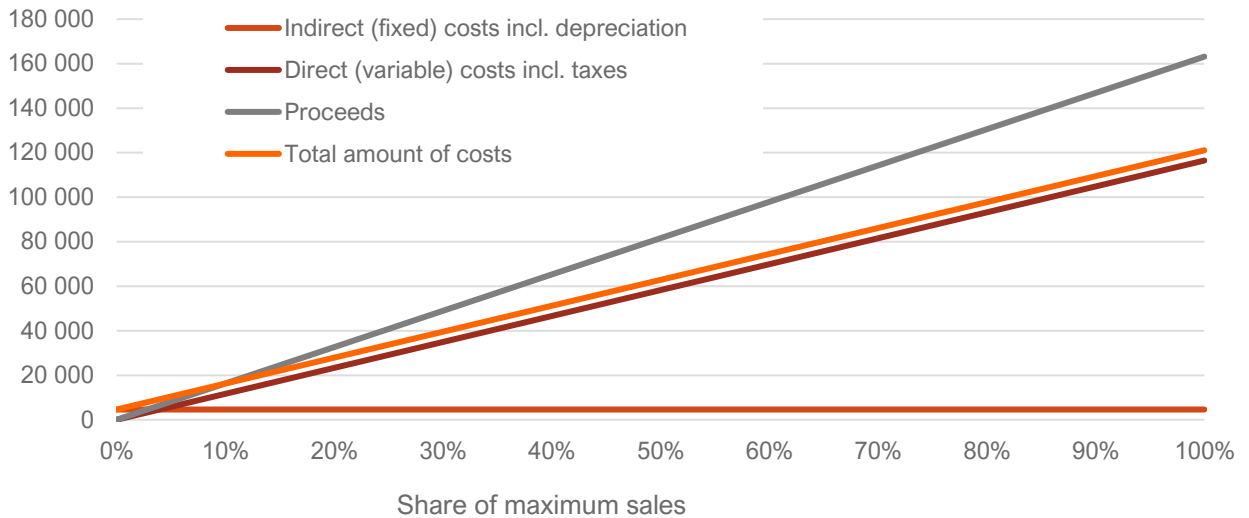


Considering the tax component

The average monthly break-even sales volume, calculated on the basis of operating income, variable and fixed costs and taxes, is 16,1 thousand EUR (or 9,9% of average revenue).

The financial strength margin reaches 147,1 thousand EUR (90,1% of average revenue).

Diagram 16. Break-even point including the tax component, EUR

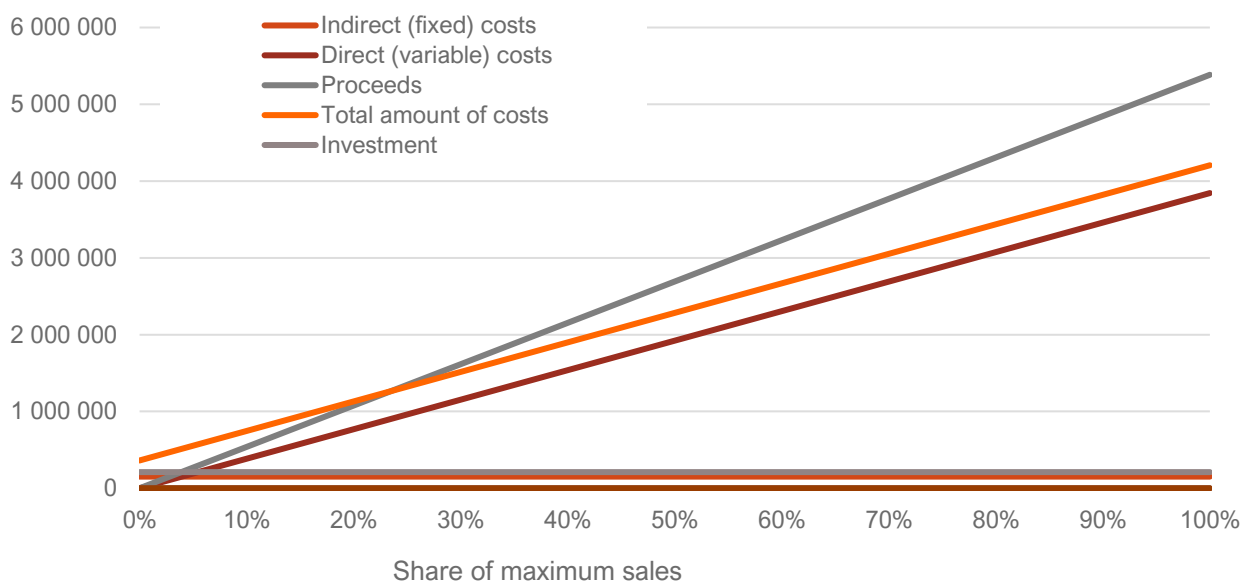


Break-even analysis for the whole project

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 1 264,7 thousand EUR (23,5% of the total project proceeds).

The financial strength margin reaches 4 119,5 thousand EUR (76,5% of the total project proceeds).

Diagram 17. Break-even point of the project as a whole, EUR



8 FINANCIAL PLAN

8.1 Conditions for attracting investment resources

The need for financial resources for the project is 210,0 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 114,4 thousand EUR.

The investor's capital will amount to 95,6 thousand EUR.

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 - 95,6 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 5 384,3 thousand EUR.

Negative cash flow reaches 3 995,7 thousand EUR and consists of the following main components:

- variable costs - 3 843,9 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 1 293,0 thousand EUR.

8.3 Indicators of Profit and Loss Plan

The amount of proceeds for the project period will amount to 5 384,3 thousand EUR. The total volume of direct costs will reach 3 843,9 thousand EUR.

Thus, the gross profit is 1 540,4 thousand EUR.

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

Profit before tax will be 1 293,0 thousand EUR.

The volume of net profit, taking into account the write-off of the entire amount of investment costs (through depreciation), will reach 1 293,0 thousand EUR.

8.4 Company's value

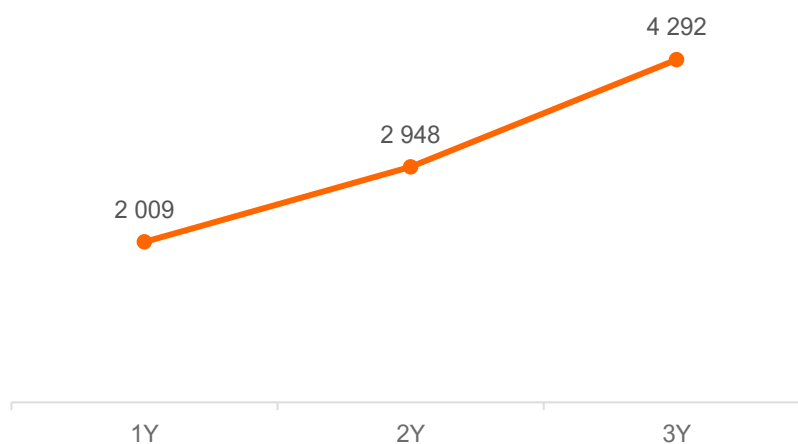
The cost of the company at the end of the project (after 36 months (3 years)) will be 4 292 thousand EUR.

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

Table 11. Dynamics of the company's value, thousand EUR

	1Y	2Y	3Y
Company value	2 009	2 948	4 292

Diagram 18. Dynamics of the company's value, thousand EUR



8.5 Project Financial Performance

The project calculation horizon is 36 months (3 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 33 months (2,8 years).

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

In total, for the entire period of the project implementation, 5 384,3 thousand EUR of sales proceeds will be received.

The total cost for the project period will amount to 4 091,3 thousand EUR.

The average monthly net operating income will amount to 35,9 thousand EUR. The average current balance of the cash account on the current account for the entire period of the project will amount to 418,6 thousand EUR.

Net profit upon completion of the project will amount to 1 293,0 thousand EUR.

Table 12. 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	210 032
3	Revenue, euro	5 384 260
4	Net average operational receipts per month (NAOR), EUR	35 916
5	Average demand balance per month (ADB), EUR	418 611
6	Net profit for the project period, EUR	1 292 990
7	Average profitability for the project period (net profit to proceeds	24,0%
8	Discounting rate (DR), %	19,6%
9	Net present value (NPV), EUR	847 775
10	Average Rate of Return of investments (ARR)	205,2%
11	Return on investment (ROI)	615,6%
12	Profitability index (PI)	10,00
13	Internal rate of return (IRR)	254,8%
14	Pay back period of the project in whole (PBP), incl. financing scheme	14 months
15	Discounted payback period of the project in whole (DPBP), incl. financing	15 months

Diagram 19. Cash flows for the project, EUR

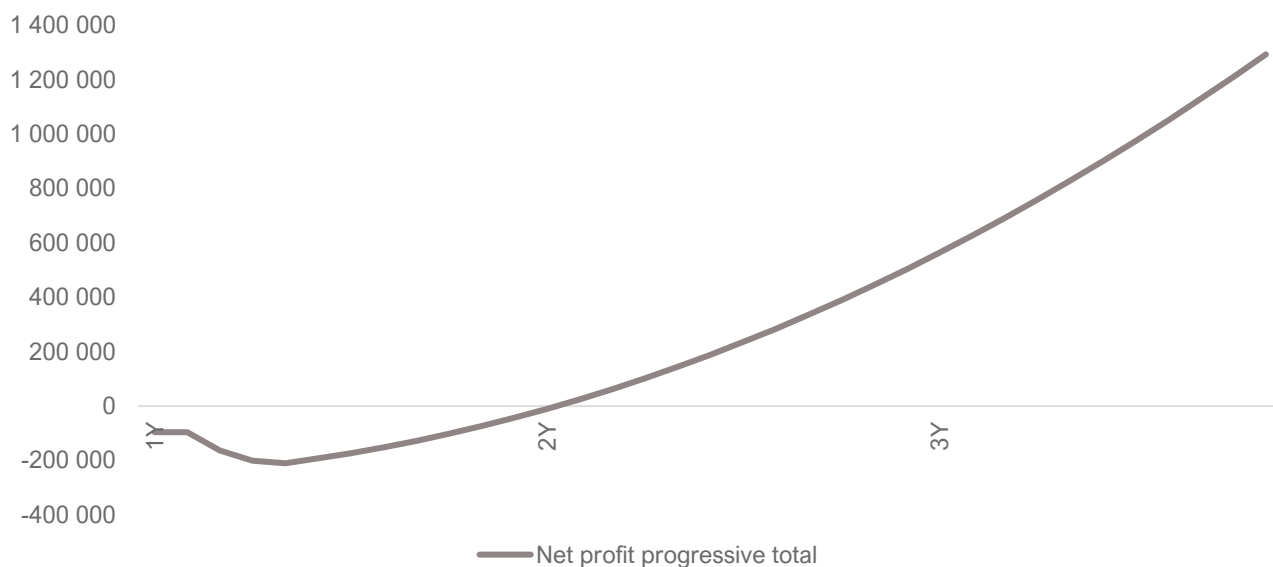
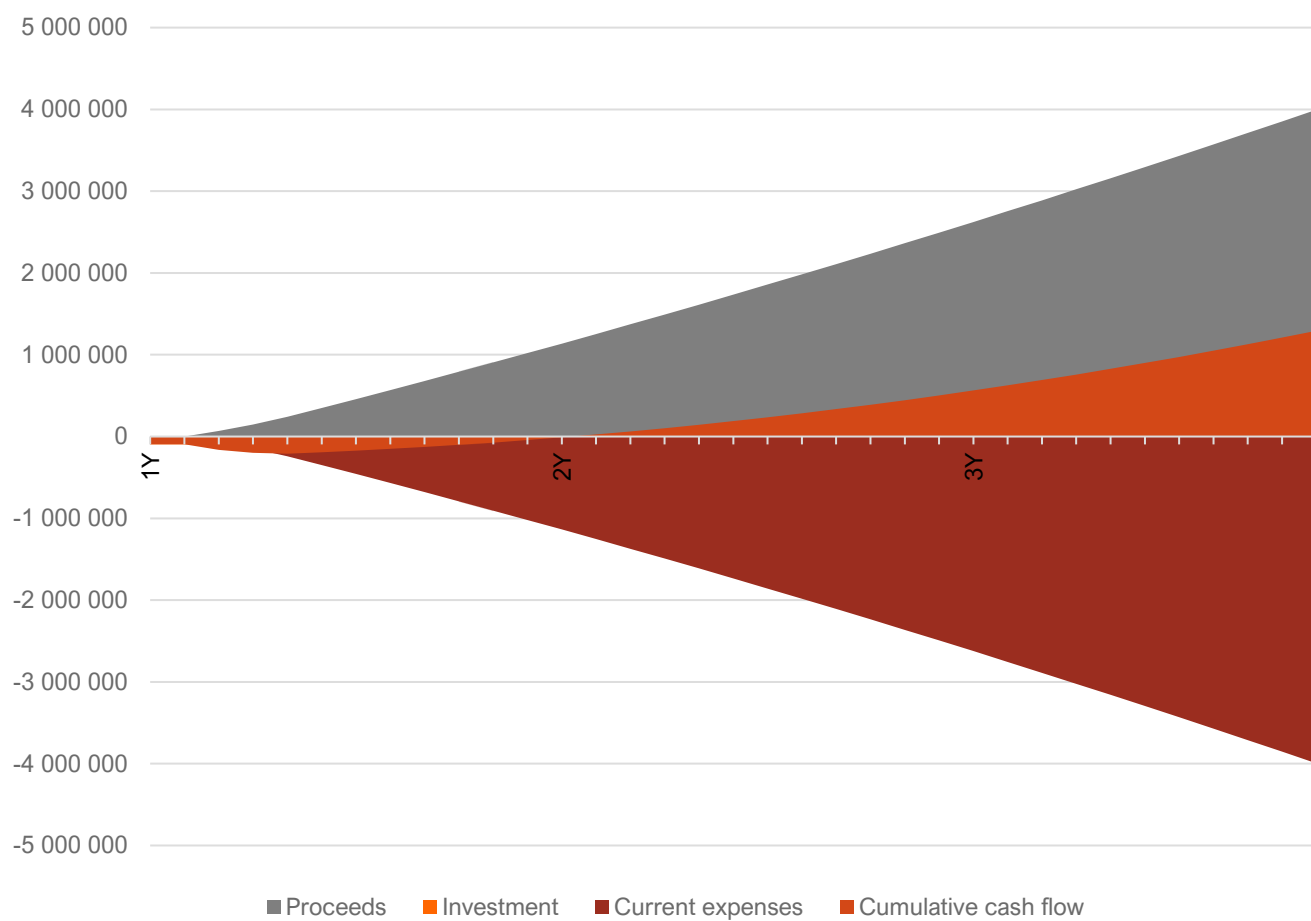


Diagram 20. Payback of the project, EUR



9 SENSITIVITY ANALYSIS

9.1 NPV sensitivity

Critical deviations of key indicators in terms of net present value (the project does not pay off in 3 years) are: a decrease in revenue by more than 21,8%, an increase in investments by more than 900,4%, an increase in variable costs by 29,9%, an increase in the size of fixed expenses by 743,3%, 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 1216,5%.

Priority of factors:

- the most influencing factor - proceeds; the critical deviation reaches 21,8% 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.

9.2 Net profit sensitivity

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 24,0%, with an increase in investments by more than 281,1%, an increase in variable costs by 33,6%, an increase in the size of fixed expenses by 851,8%, 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 24,0% 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 Conclusion

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 24,0%, 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 21. Critical deviations of key project factors (in terms of NPV)

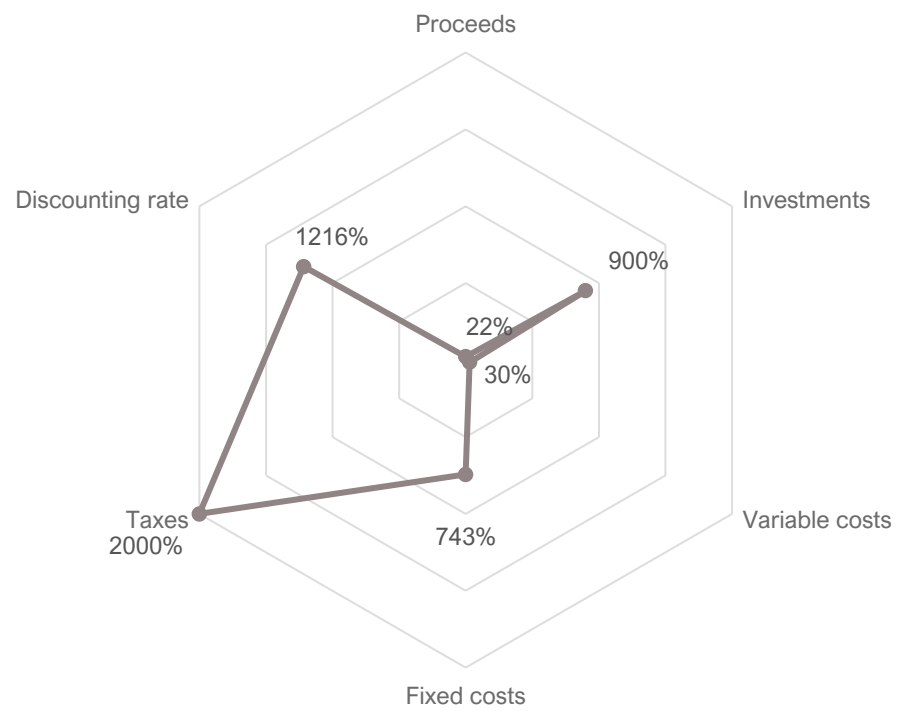


Table 13. Sensitivity analysis of the project

№	Parameter (X)	Change of a parameter, %	NPV	Change of NPV if the Parameter is changed, EUR	Change of NPV if the Parameter is changed, %	NPV deviation to Parameter change $ \Delta \text{NPV\%} / \Delta \text{X\%} $	Breaking change of NPV		Breaking change of profit	
							NPV=0	Sensibility ranking*	Profit=0	Sensibility ranking*
1	Proceeds	-5%	653 191	-194 585	-23,0%	4,6	-21,8%	1	-24,0%	1
2	Investments	+5%	843 068	-4 708	-0,6%	0,1	+900,4%	4	+281,1%	3
3	Variable costs	+5%	705 990	-141 785	-16,7%	3,3	+29,9%	2	+33,6%	2
4	Fixed costs	+5%	842 072	-5 703	-0,7%	0,1	+743,3%	3	+851,8%	4
5	Taxes	+5%	847 775	0	0,0%	0,0	+2000,0%	6	+2000,0%	5
6	Interest	+5%	6 134 233	5 286 457	623,6%	-124,7	+2000,0%	6	+2000,0%	5
6	Discounting rate	+5%	831 417	-16 358	-1,9%	0,4	+1216,5%	5		

*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 36 months (3 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 33 months (2,8 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 EUR.

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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