

Industry Report

NETHERLANDS BETTING FOCUS



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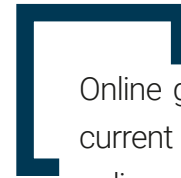
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1. INTRODUCTION



Online games of chance are currently prohibited in the Netherlands. The current legal regime has no provision for granting a license for offering of online gambling. But all this is about to change, as the country is all set to implement the Koa Act replacing the current Games of Chances Act, a legal framework that dates back to 1964.

“Ultimately, our work revolves around the interests of the player, of the consumer. A fair market remains an important objective but is above all a means to allow consumers to play safely.”

René Jansen, Chairman of the Kansspelautoriteit (KSA)

2. DEMOGRAPHIC AND TECHNOLOGICAL ACCESSIBILITY OVERVIEW



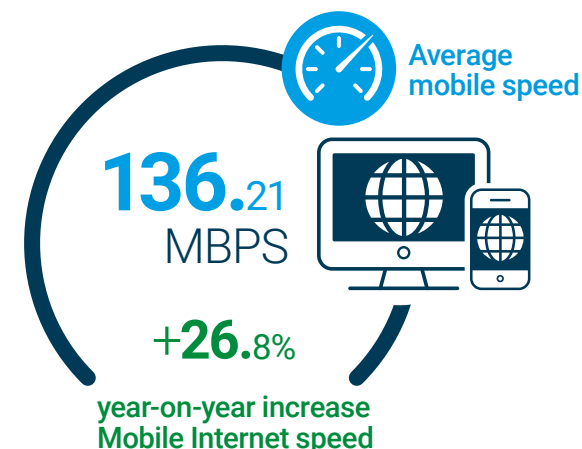
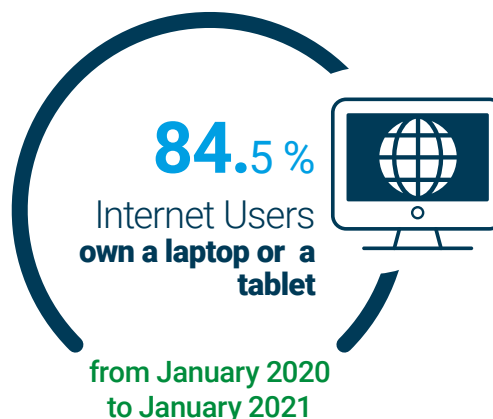
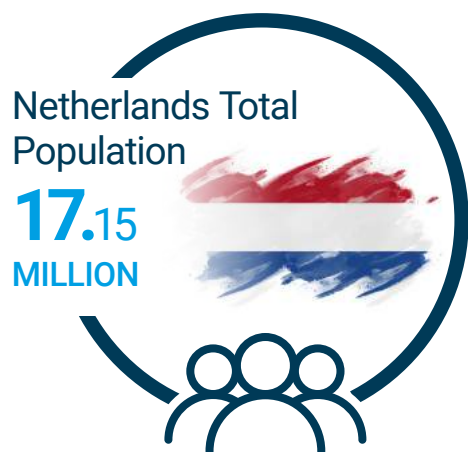
With a population of **17.15 million people**, the Netherlands has a high mobile connection rate which amounts to 99.2% of the population (17.01 million mobile connections). On the other hand there are 16.47 million internet users, amounting to 96% of the total population.

Up until January this year mobile connections have seen a marginal increase of 56,000 connections (+0.3%) when compared to the same month last year. A stronger increase was registered in terms of internet users, with **the total users increasing by 1.3% when compared to January 2020**.

The vast majority of internet users (95.7%) own a smart phone. On the other hand 84.5% own a laptop or desktop computer, whilst 55.5% own a tablet device.

The average time spent using the internet on all device categories amounts to 5 hours 28 minutes. In the meantime the average time users spend using mobile internet amounts to 2 hours and 25 minutes.

Strong increases were registered in terms of the average mobile internet connections, with the year-on-year change amounting to +50.5% resulting in average mobile download speeds of 100.98 MBPS. The average download speed of fixed internet connections amounts to 136.21 MBPS, a year-on-year increase of 26.8%.



3. THE DUTCH GAMBLING MARKET

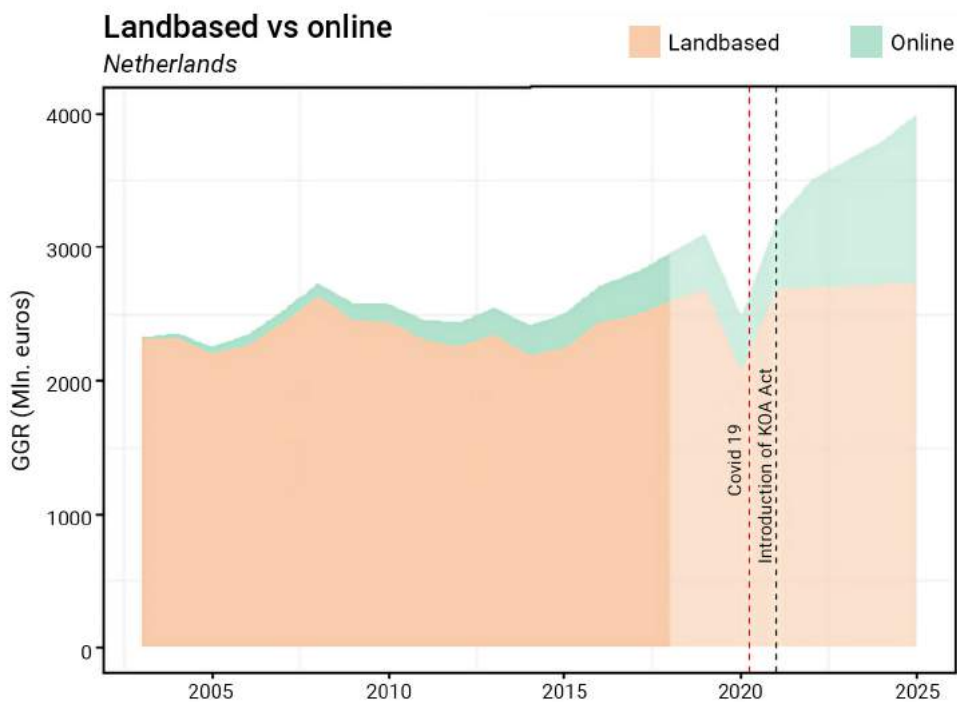
The Netherlands has a regulated offline gambling market, that consists of: a casino monopoly with 14 casinos operated by Holland Casino, a state lottery, charity lotteries, a monopoly on lotto and sports betting, a monopoly on horse racing and private operators of 42.000 slot machines in arcades, bars and restaurants.



REMOTE GAMBLING

The Senate approved on 19 February 2019 the Draft Bill on Remote Gambling. As a result, it is possible to apply for a licence in the Netherlands for the purpose of offering online gambling.

The Remote Gambling Act – KOA Act – has come into effect the 1st of April 2021. The online gambling market will open six months later.



SIZE OF THE ONLINE GAMBLING MARKET

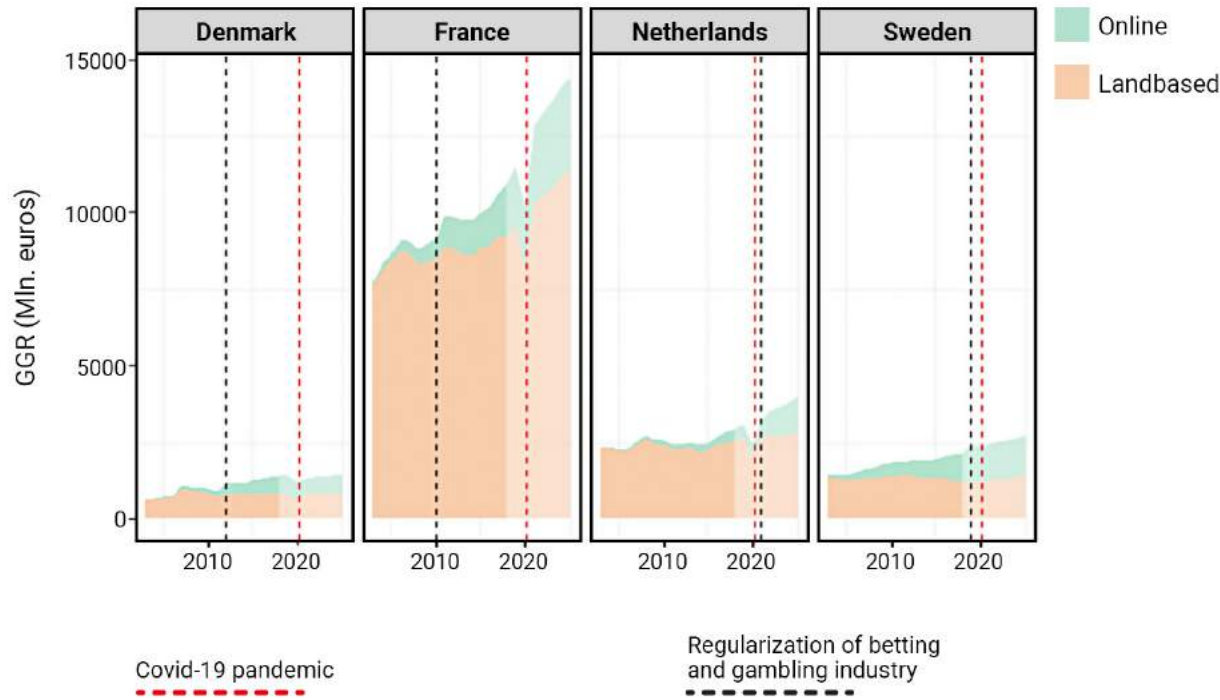
Despite the fact that online gambling is more accessible than land-based games of chance, the size of the online gambling market remains considerably smaller than the land-based market. This emerges from a document published by the KSA.

Making reference to data provided by H2 Gambling Capital, the document highlights that the total Gross Gaming Revenue for the Dutch online gambling market reached €424 million in 2019. However the report indicates a significant difference to the size registered by the land-based sector, which in that year registered a GGR of €2.7 billion, more than six times the size of the online market.

3.1 THE NETHERLANDS GAMBLING MARKET

Landbased vs online

Netherlands



Nonetheless the report strongly indicates significant growth to be registered once the KOA Act enters in force, with the size of the online market increasing three-fold when compared to the GGR generated in 2019.

The total size of the online market is expected to **increase from the €424 million of 2019 to €513 million euros in 2021 and reach €1.27 billion euros by 2025**. Still the report indicates that despite the sharp increase, the online market will also be significantly smaller than that of the land-based sector.

Making reference to H2's data and forecasts by comparing the Dutch market with other similar mature markets, the Netherlands will still be expected to remain largely retail in the short term and is expected to follow the growth trend registered in the French market.



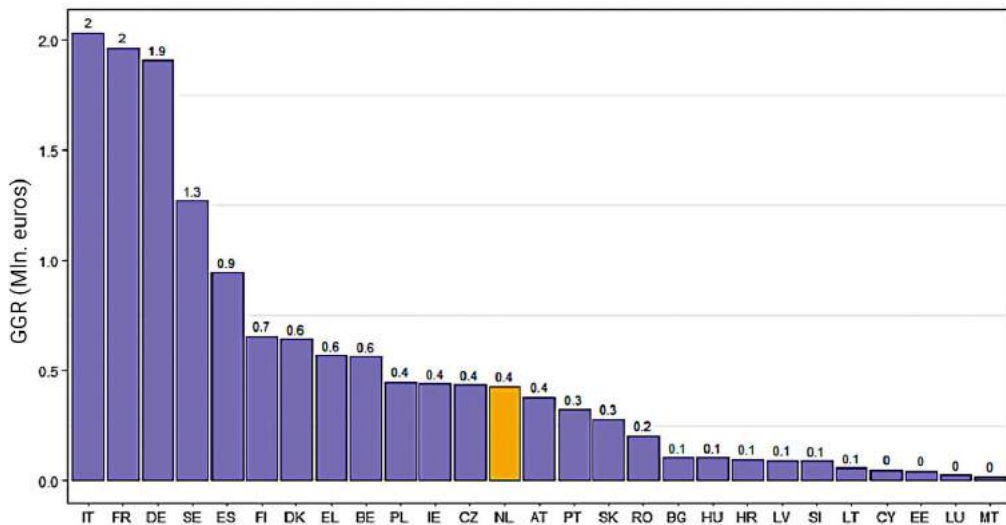
€513.0 million

THE EXPECTED TOTAL SIZE OF ONLINE MARKET IN 2021

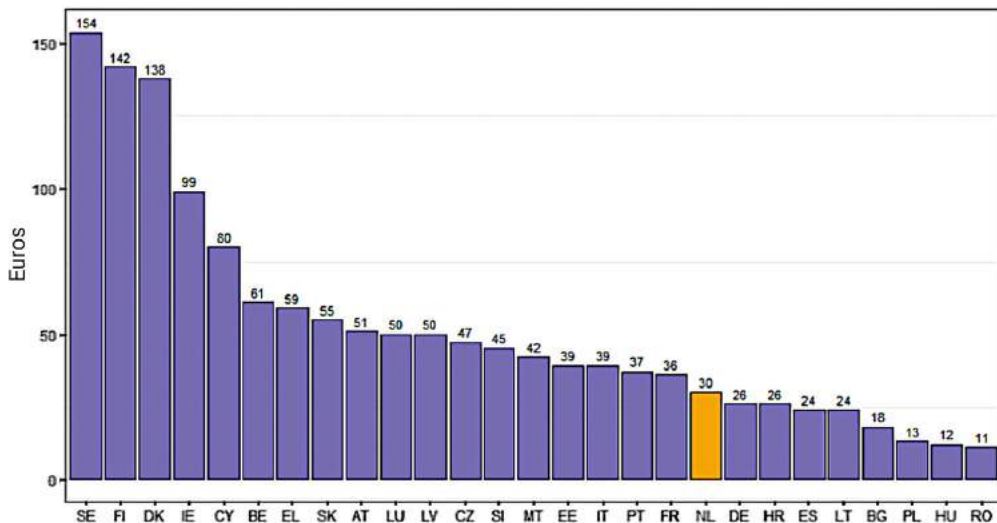
4. SIZE OF THE ONLINE GAMBLING MARKET



Total GGR registered by EU27 member states in 2019



Average online spend per adult in 2019



However whilst the size of the Netherlands online market is relatively small when compared to other European markets, it is anyway a market with growth potential in view of the upcoming implementation of the KOA Act.

The report commissioned by the KSA compares the data and statistics of H2 Gambling Capital with that of Regulus Partners, with the latter determining that the online market size will be larger than predicted by H2 before the introduction of the KOA Act. On the other hand H2 predicts a more pronounced market growth for the online sector after the regularisation of the market. Notwithstanding both H2 and RP expect a similar market size come 2024, with **RP's forecasts putting the GGR at €827 million** excluding bonuses, whilst H2's forecasts including bonuses amount for €1.084.

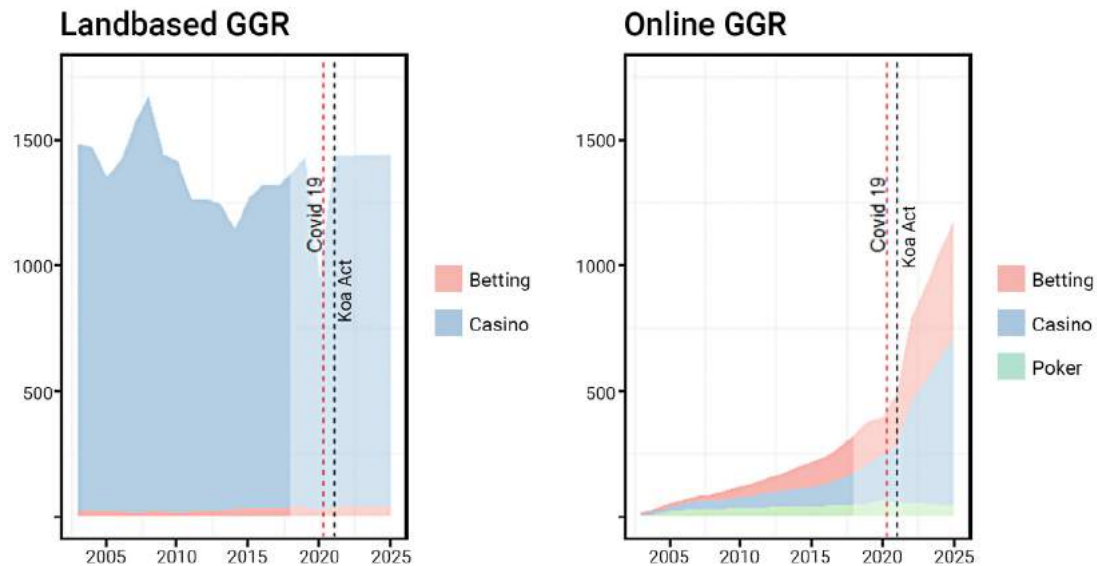
Regulus Partners also indicated a decline in the size of the online market in 2019 and 2020. This decline has not been indicated as a consequence of the Covid-19 pandemic, but rather the reluctant attitude of online operators to continue operating illegally as a result of the Postema motion.



€827.0 million

TOTAL GGR FORECAST FOR ONLINE INDUSTRY IN 2024

5. PLAYER PREFERENCES



Overview of online growth per sector in millions of euros

	H2 GAMBLING CAPITAL					
	2019	2020	2021	2022	2023	2024
Sportsbetting	171	151	214	331	376	428
Casino	158	180	230	408	493	585
Poker	52	67	52	51	50	48
Total	380	398	496	791	920	1061

There is sizeable difference between the market share of the casino sector and the sports betting sector for both land based and online markets. This difference is further highlighted in the land based sector where casino dominates in terms of the GGR generated.

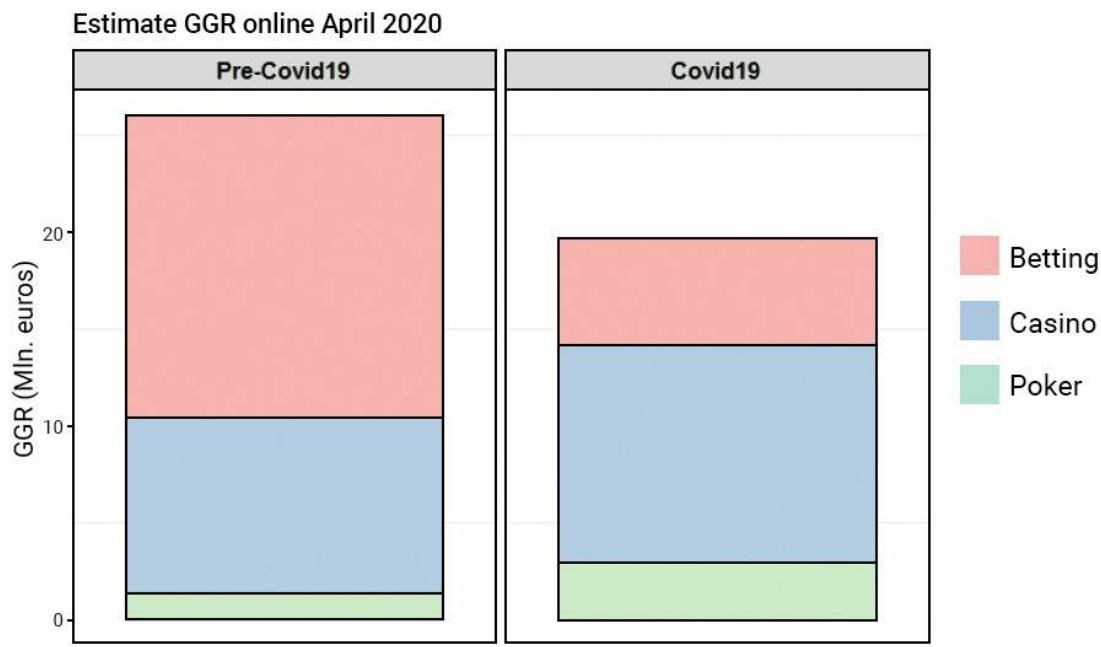
On the other hand this market share diminishes in the online sector, with forecasts foreseeing the gap between the two sectors to further decrease after the regularisation of the online market.

H2's statistics assume that the introduction of the KOA law will have little influence on the size of the land-based casino sector, with the dip for the land-based casino sector in 2020 not linked to the introduction of the Koa Act, but to the measures implemented related to the Covid-19 pandemic, and which resulted in the closure of the casinos and retail gambling shops.

At the same time the statistics indicate that whilst the sports betting sector enjoys a greater market share in the online rather than in land-based channels, the market is still dominated by the casino vertical, and this trend is expected to be maintained even after the introduction of the Koa Act.

Nonetheless H2's forecasts point in the direction of a significant growth of the sports betting market over time.

6. COVID IMPACT



The report indicates that due to the shutdown of almost all sports competitions from March 2020, the GGR for online sports betting registered a significant decline.

In the same period there was a sharp increase registered in the GGR for online poker, with the **KSA indicating the increase to amount to around 75 to 100%.**

The KSA states that assuming the H2 estimate of the composition of the online market before the lockdown, it appeared that the overall size of the market registered a decrease during the months of the lockdown.

Although financial statistics indicate that there was a growth of 100% for poker, 25% for casino games and a 65% decrease for betting, the rise of poker and to a lesser extent that of casino do not compensate for the significant drop registered in sports betting.

7. PLAYER ENGAGEMENT

FOOTBALL IS BY FAR THE MOST POPULAR SPORT

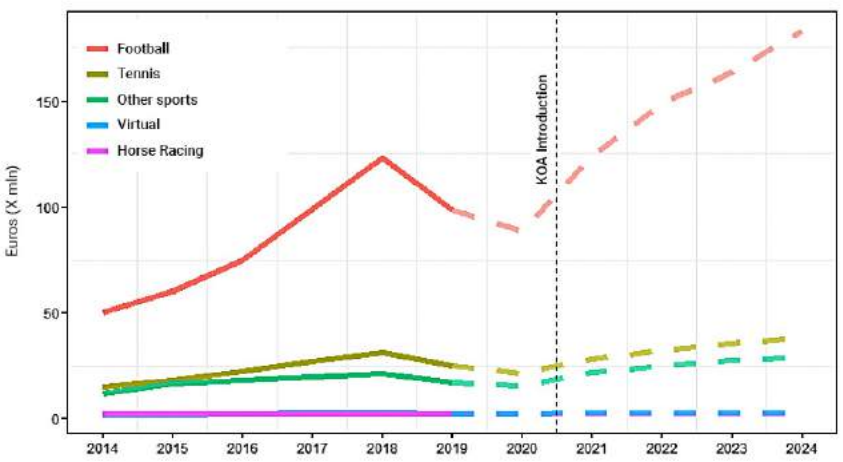
The data from Regulus Partners provides insight into the specific sports that are most popular amongst punters in the Netherlands.

Football is considered as the national sport in the Netherlands and that is clearly reflected in its market share.

It can be clearly seen that after the entry into force of KOA, RP expects that there will be a significant increase on betting on football matches.

Tennis is clearly the second most popular sport when it comes to betting, with the sport generating a bigger GGR per annum than all other sports combined except for football.

GGR by type of sportsbet



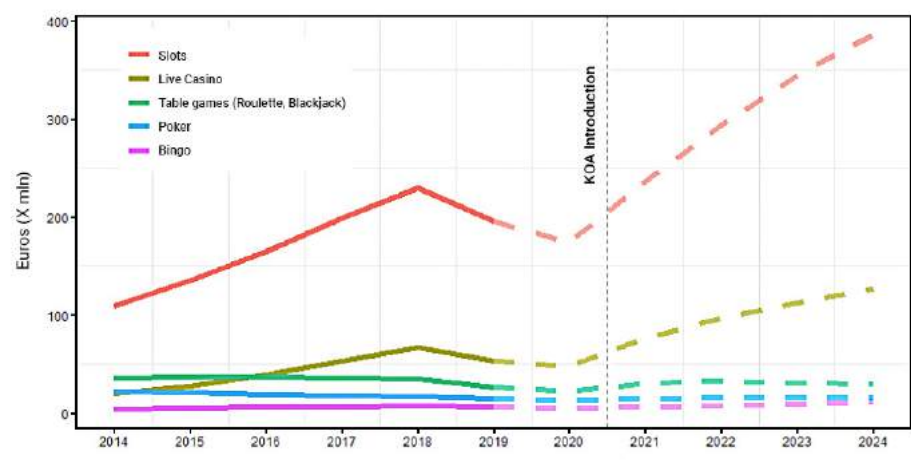
SLOTS ARE ALSO VERY POPULAR ONLINE

The data from RP included in the KSA report also gives a more in-depth insight into the most popular games in the Dutch online market. The statistics indicate that slots are popular in comparison with other casino games.

Regulus Partners are forecasting an increase in the market share for both slots and live casino once the KOA Act enters into effect.

Online poker has a smaller market share than slots, live casino games, or even other table games such as roulette.

GGR by type of online casino game



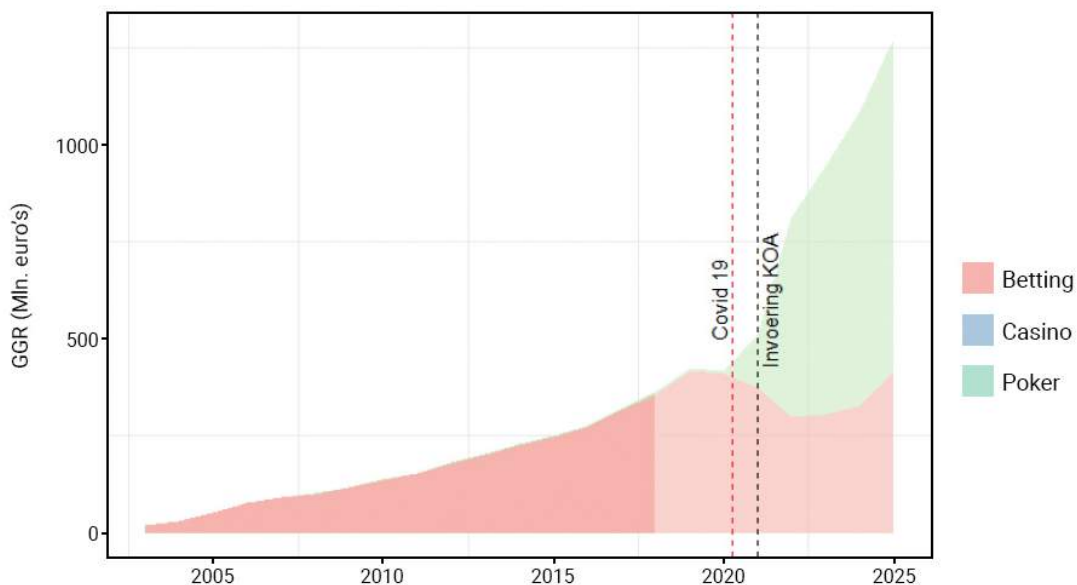
Playing casino games on mobile devices is becoming increasingly popular, with the KSA expecting the GGR generated on mobile devices to increase to 65% of the total online casino GGR by 2024.

8. MARKET FORECAST



THE SIZE OF THE LEGAL ONLINE MARKET GROWS RAPIDLY AFTER LEGALIZATION

Legal vs illegal market forecast

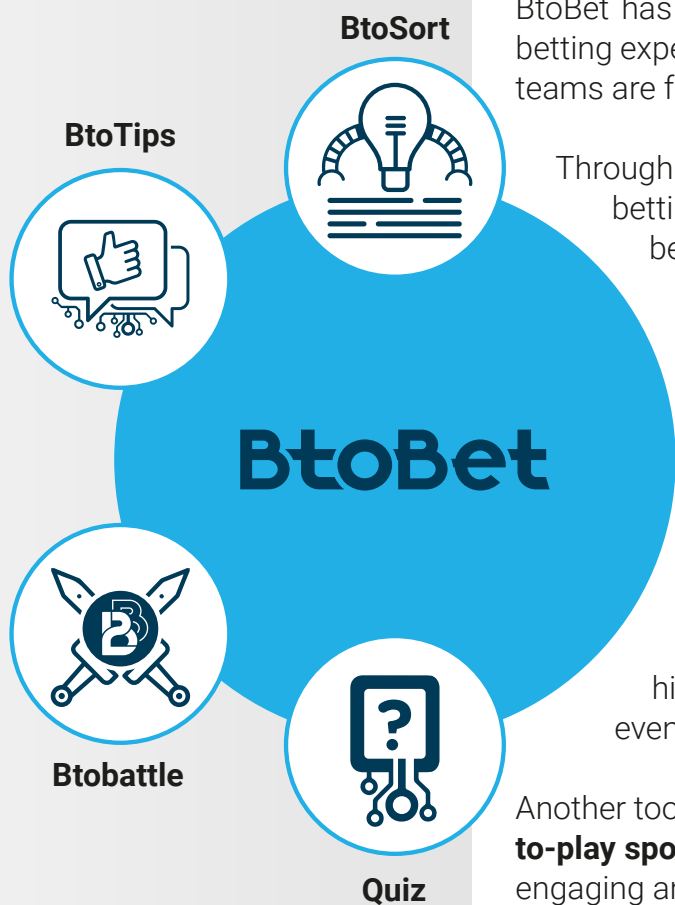


The Kansspelautoriteit expect that after the introduction of the KOA Act, a large growth would be expected in the legal market. The total legal GGR is expected to increase from approximately €5 million in 2019 (the estimate of H2 of Toto's e-commerce) to €412 million in 2021 and subsequently to €769 million in 2025.

The Dutch authorities are aiming for a channelization rate of 80% three years after the entry into force of the KOA Act. The channeling of "VIPs" and regular players are a point of attention after the entry into force of the KOA Act, since these two player segments account to the vast majority of the generated GGR and tend to spend more money than recreational players.

Player categories and contribution to GGR		
	Share in players	Share in GGR
VIPs	1%	15-25%
Regular players	9%	40-60%
Occasional/Recreational		
players	90%	25-45%

9. BTOBET'S SOLUTIONS FOR THE SPORTSBOOK



BtoBet has launched a set of tools based on advanced AI and ML, allowing for a more player-centric betting experience. These tools provide the answers to a lot of the conundrums which operators and their teams are facing on a daily basis.

Through **in-depth data analytics** based on a various elements – such as player betting behaviour, betting preferences, amounts deposited and staked amongst many other filters – operators would be able to increase the engagement of their players through a more personalised approach, **recommending bets** based on individual preferences or other trending events that would interest the player directly.

This data analysis also proves very hand in terms of protecting the operator against fraudulent behaviour, and the player himself by avoiding betting patterns that could lead to problem gambling.

Ultimately through these data-based recommendations operators would be able to increase the Player-Lifetime-Value far more effectively.

The new sportsbook product add-on portfolio will also feature **gamification aspects through highly engaging tournament formats**. These could be either pre-defined by the operator himself, or created by the individual players with the possibility to be shared with their friends even on social media.

Another tool highly effective in terms of increased player engagement, retention and acquisition are **free-to-play sports games and tournaments**. Available for all the major sports and leagues, this tool is highly engaging and also determining from an acquisition perspective.

Last but not least important is the **innovative Writing tool** that provides operators with the solution on how to automatically populate their site with in-depth sports news, based on statistics. This highly advanced tool allows operators to provide detailed news items covering any sport, in multiple languages, without the need to employ a legion of writers!

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**SPORTSBOOK THE WAY
YOUR PLAYERS WANT IT**

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Trusted Technology. Delivered.



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