Africa Optimum Market Structure

Report 1

The Importance of a Regulated Onshore Gambling Market

Prepared by
H2 Gambling Capital
April 2025

Data driven solutions

H2 Premium

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Executive Summary

This short report is the first in a new series of independent assessments prepared during 2025 that together aim to provide an up-to-date and informed analysis of an **Optimum Market Structure** for the **Africa online gambling industry**. The series is being prepared by **H2 Gambling Capital (H2)**, widely recognised as the lead independent authority regarding market data and intelligence on the online gambling industry worldwide.

This first report provides an assessment of the importance of a **well-regulated onshore gambling market** today – defined as all betting and gaming activity carried out by African citizens with an online operator licensed within the country where they are located.

Effective onshore regulation promotes responsible gambling to **protect consumers from harm, as well as generating tax revenues**. By contrast, poor regulation pushes consumers towards unlicensed offshore operators, where there is lower player protection and no tax revenues.

Africa's online gambling industry has **grown rapidly, driven mainly by increasing internet access, mobile penetration, and a younger population demographic**. The continent's online gambling regulation landscape however, rather than respond and thrive, has grown up fragmented and varied. Out of 54 African countries, roughly 40 allow some form of legal gambling, while a handful (often with predominantly Islamic populations) prohibit it entirely. Of those that allow activity however, **only c.15 have in place online-specific gambling regulation**.

Many of these are based on laws originally drafted with landbased operations in mind, and are now under review or in transition, **emphasising the need for a more up-to-date, online-specific approach**. This report focuses on the importance of a well regulated online market, the benefits that it can bring, and the risks if regulators get this wrong.

Africa has underdeveloped regulation compared to other parts of the world, and H2 estimates that unregulated sports betting and iGaming markets, if unchanged, will result in over $11bn of lost tax revenues leaking offshore over the next 5 years.

Headline Findings

The Importance of a Regulated Onshore Gambling Market

There are 5 main reasons today why countries generally regulate online gambling: Responsible Gambling; Prevention of Criminal Activity; Economic Benefits; Promoting Technological Innovation and Market Stability; and International Cooperation and Harmonisation.

Effective onshore regulation promotes responsible gambling to protect consumers from harm. By comparison, unregulated gambling markets are prone to exploitation, addiction, and criminal involvement.

Africa Online Gambling Regulation – Overview

Only c.15 African countries currently have in place some form of online-specific gambling regulation. Of these, approaches vary widely with an unusually high focus on tax generation illustrating the need for better co-ordination.

Monopoly models are prevalent however onshore channelisation rates remain low in a number of markets due to the lack of market competition and also a requirement to use a single payment provider or aggregator, which leads to higher transaction costs and lower levels of product innovation.

With sensible regulation across the continent, H2 estimates that the African sports betting and iGaming market could be worth $22bn GGR by 2029. Of this, 90% (or c.$20bn) could be onshore with regulated operators.

Key Components of a Well-Regulated Online Market

Optimum market regulation is achieved when all stakeholders – government regulator, licensed operators and players - are in 'perfect balance', where effective government regulation, is balanced with operator commercial opportunity, and with good choice and value for money for players.

The 8 key components of a well-regulated online market today are characterised as: Open Licensing; Affordable Taxation; Product Availability; Advertising & Marketing Reach; Offshore Enforcement; Onshore Education; Consumer Protection; and a High Channelling Rate.

Only some, not all, of these are also applicable to the African landbased gambling market. The online and landbased gambling markets are very distinct, but for the online gambling industry, an illegal market operator is just one click away for the consumer – meaning that onshore, licensed operators need to be as competitive as possible for strong onshore channelisation, and therefore their ability to protect the consumer

Section 1
The Importance of a
Regulated Onshore Gambling Market

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5 Reasons Countries Regulate

Regulation is essential for balancing the benefits and risks associated with gambling – both landbased and online, but particularly online. Best practice today suggests there are **5 main reasons** why countries are increasingly choosing to regulate online play:

1. **Responsible Gambling**
2. **Prevention of Criminal Activity**
3. **Economic Benefits**
4. **Promoting Technological Innovation and Market Stability**
5. **International Cooperation and Harmonisation**

Effective onshore regulation promotes responsible gambling to protect consumers from harm, ensures fair play, prevents criminal activity, generates tax revenue, encourages technological innovation, and promotes market stability. By comparison, unregulated gambling markets are prone to exploitation, addiction, and criminal involvement.

Governments and regulatory bodies have a responsibility to monitor the market, enforce compliance, and adapt to emerging challenges, such as new technologies and evolving consumer behaviours. Ultimately, a regulated gambling market not only benefits the economy and society by ensuring tax revenues but also protects the fundamental rights and well-being of individuals.

1. Responsible Gambling

Responsible Gambling (RG) is the cornerstone of a well-regulated onshore gambling market. As the gambling industry continues to evolve, with both landbased and online operators offering an increasing array of betting and gaming products, it is imperative for operators to uphold the highest standards of integrity.

Consumer Protection

Without proper oversight, gamblers can be vulnerable to exploitation by unscrupulous operators, unfair practices, and addiction-related problems. The importance of good consumer protection cannot be overstated, as it:

- Protects vulnerable individuals from potential harm.
- Ensures the long-term sustainability of the gambling industry.
- Helps maintain a positive public perception of the gambling sector.

Preventing Problem Gambling

Problem gambling is a major social issue that can lead to financial ruin, mental health problems, and broken family relationships. A regulated gambling market allows governments and regulatory bodies to enforce responsible gambling measures, such as:

- Self-exclusion programmes where individuals can voluntarily ban themselves from gambling platforms.
- Limits on deposit amounts, betting amounts, and playing time.
- Mandatory warnings about the risks of gambling.
- Requirement for operators to monitor gambling behaviour and intervene when signs of addiction appear.

The Role of Taxation

Crucially, it is important to recognise that making gambling more expensive for customers by increasing the level of taxation in a regulated online market will not necessarily reduce the risk of gambling addiction. On the contrary, such an approach more often than not runs the risk of driving players to unlicensed or illegal platforms offshore at the expense of promoting safer play.

Ensuring Fair Play and Transparency

Without regulation, gamblers face the risk of unfair games, rigged outcomes, and misleading advertising. A regulated market ensures that:

- Platforms use Random Number Generators (RNGs) to guarantee fair outcomes.
- Terms and conditions are transparent and easy to understand.
- Operators are audited regularly to ensure compliance with fair play standards.
- Operators are subject to certification by internationally recognised third-party testing organisations to ensure consistency with global standards.

KEY TAKEAWAY – *THE INDUSTRY'S BEST RG EXAMPLES ARE OUTSIDE OF AFRICA*

Some of the bet RG initiatives currently:

- **Canada (Ontario)** – iGaming Ontario's Safe Play Rules.
- **Netherlands** – Cruks (Central Self-Exclusion System).
- **Denmark** – ROFUS (Danish Gambling Authority's Self-Exclusion System).
- **Australia** – BetStop & Harm Minimization Policies.
- **Malawi** – MAGLA's introduction of an electronic transaction monitoring system will enable authorities to have real-time oversight – and is a good example of RG in Africa.

2. Prevention of Criminal Activity

The industry has long been a target for organised crime, money laundering, and fraud. A regulated market helps prevent criminal exploitation through rigorous monitoring, reporting requirements, and law enforcement cooperation.

Combating Money Laundering

Criminals often use gambling platforms to launder illicit funds by placing bets, cashing out winnings, and disguising the origins of their money. Regulation combats this by:

- Requiring operators to implement Know Your Customer (KYC) protocols to verify the identity of customers.
- Imposing Anti-Money Laundering (AML) obligations, including suspicious activity reporting and transaction monitoring.
- Ensuring that large transactions are documented and reported to regulatory authorities.

It should be noted that, in Africa, enforcement of the above measures is that much easier to implement than in other parts of the world, due to the high existing use of mobile money services typically offered by smartphone network providers. These services already conduct an initial level of checks that can provide a solid foundation for online gambling compliance.

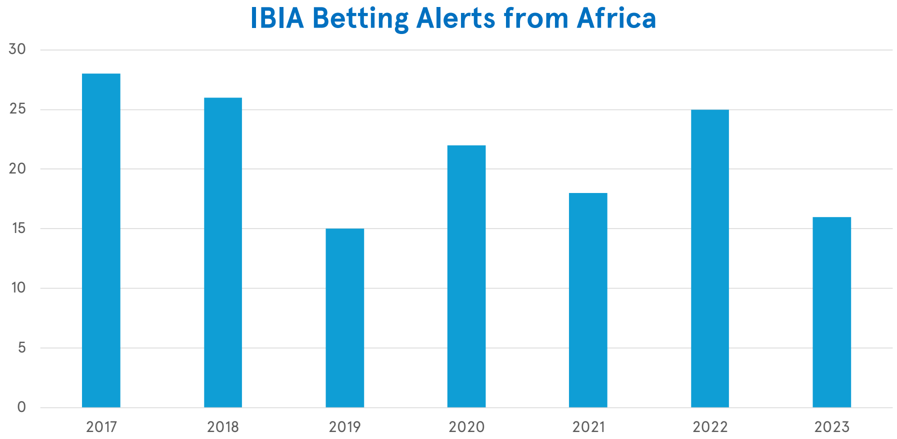
Preventing Fraud and Match-Fixing

Fraud and match-fixing undermine the integrity of sports and the credibility of gambling markets. Regulatory bodies work with sports organisations, law enforcement, and gambling operators to detect and prevent these issues by ensuring:

- Betting patterns are monitored in real-time to detect unusual activity.
- Operators are required to report suspicious bets to regulators.
- Athletes and officials are educated about the risks and consequences of match-fixing.

KEY TAKEAWAY – *AFRICA HAS LOW LEVELS OF INTEGRITY REPORTING*

H2 partner data from the International Betting Integrity Association (IBIA) shows that Africa accounts for **less than 10%** of global betting integrity alerts, or just 18 alerts in 2023. This is due to much lower levels of reporting compared to other markets around the world with more developed regulations and tracking mechanisms.



Source: H2 Gambling Capital / IBIA, March 2025

3. Economic Benefits

A regulated gambling market generates significant economic benefits for governments and societies. Legalised gambling creates jobs, attracts tourism, and produces tax revenue that can be reinvested into public services.

Job Creation and Economic Stimulus

Sports betting platforms and online gambling operators employ thousands of people in roles ranging from customer service to software development and regulatory compliance. Online gambling platforms also create opportunities for tech companies, marketing firms, and payment service providers.

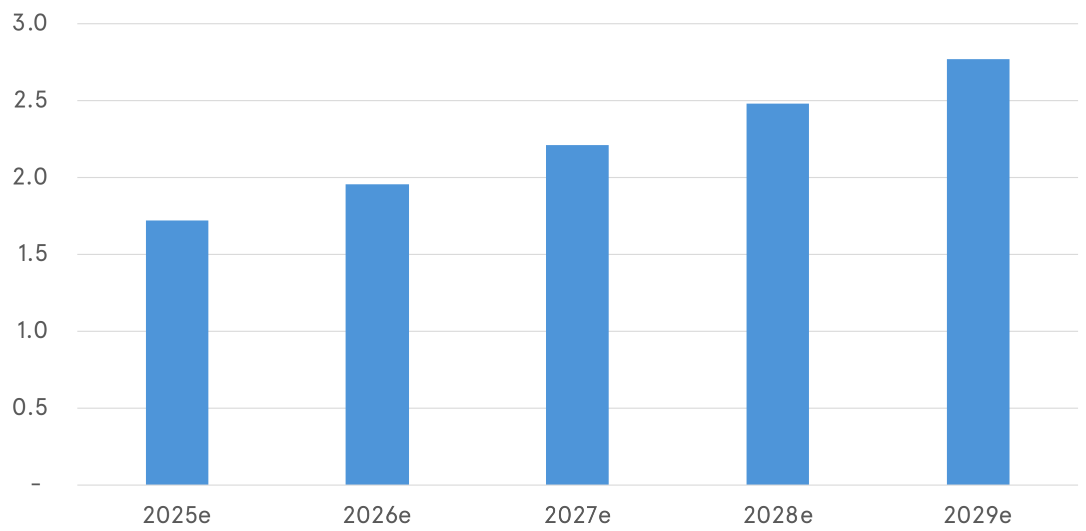
Tax Revenue and Public Investment

Governments that don't regulate risk losing substantial tax revenues to offshore gambling operators. These funds could be used to support essential services such as healthcare, education, and infrastructure. In some jurisdictions, a portion of gambling revenue is earmarked for addiction treatment and responsible gambling programmes. By regulating the market, governments can ensure that gambling contributes positively to the economy rather than creating social costs.

KEY TAKEAWAY – *SIGNIFICANT LEVELS OF TAX REVENUE ARE BEING LOST OFFSHORE*

H2 estimates that unregulated sports betting and iGaming markets across Africa will result in **over $11bn** of lost tax revenues leaking offshore over the next 5 years, based on a 20% GGR tax rate (the maximum that would lead to customers moving back onshore).

Estimated Tax Revenue of Unregulated African Betting and iGaming Market (US$bn)



Source: H2 Gambling Capital, March 2025

4. Promoting Technological Innovation and Market Stability

A regulated gambling market encourages responsible innovation and ensures long-term market stability. Operators are incentivised to develop new products and services within a structured framework that protects consumers and ensures fair competition. In many markets, licences are now being offered for B2B game suppliers as well as B2C operators in order to drive up local standards.

Encouraging Technological Innovation

In regulated markets, gambling companies are encouraged to innovate responsibly. This includes the development of:

- Advanced responsible gambling tools using AI to detect problematic behaviour.
- Secure payment systems to prevent fraud and enhance user experience.
- Blockchain technology to improve transparency and reduce the risk of tampering.

Maintaining Market Integrity and Stability

Stable markets attract investment and create long-term value for stakeholders, including governments, businesses, and consumers. Regulation prevents market instability caused by rogue operators, sudden crashes, and legal uncertainties. When operators are licensed and held to consistent standards, the market remains stable and predictable because:

- Licensing requirements create barriers to entry for unqualified operators.
- Regulatory oversight ensures operators have financial reserves to cover payouts.
- Consumer protection measures reduce large-scale fraud or market collapse.

KEY TAKEAWAY – *SOME COUNTRIES ARE BECOMING 'HUBS' FOR TECH INNOVATION*

Several countries have become hubs for online gambling technological innovation due to proactive regulatory frameworks, infrastructure, and investment. Some key examples:

1. Malta
- Separate B2B licensing and pioneer in blockchain and cryptocurrency integration.
- Strong fintech sector supporting seamless online transactions.

2. United Kingdom
- Advanced AI-driven responsible gambling measures.
- Licensing home to most of the major global operators that are themselves developing their own research 'labs' to drive sector innovation.

3. Sweden
- Strong government support for digital innovation.
- High focus on player protection through AI-based monitoring.

4. Estonia
- Leader in e-Governance and blockchain technology.
- Base for several live dealer casino studio filming locations.

5. International Cooperation and Harmonisation

Gambling is increasingly a global industry, particularly in the online sector. This brings with it threats however, as well as benefits, with unlicensed illegal operators increasingly easy to access and just one click away.

A regulated market not only ensures local competitiveness, but also facilitates cross-border cooperation with other regulated markets. This helps supports the development of consistent standards for player protection, licensing, and oversight - which benefits both operators and consumers.

Cross-Border Regulation

Online gambling platforms often operate across multiple jurisdictions. Coordinated regulatory frameworks allow for:

- Shared intelligence on criminal activity and fraud.
- Standardised licensing and compliance requirements.
- Consumer protections that apply uniformly across borders.

Regulator and Operator Cooperation for Responsible Gambling

International regulatory bodies such as the International Association of Gaming Regulators (IAGR) and in Africa, the Gambling Regulators Africa Forum (GRAF), can help establish best practices for responsible gambling and market integrity.

In addition, industry trade bodies — composed of licensed and compliant operators — are also legitimate stakeholders in the regulatory process. Operator associations can bring valuable insight and practical experience to the table, making them well-positioned to contribute to balanced and effective policy development.

Systematic cooperation between both regulators and operators promotes transparency, and ultimately leads to a more stable, competitive, and responsibly governed market which in turn ensures a more stable and trustworthy global gambling ecosystem.

KEY TAKEAWAY – *MANY EXAMPLES OF INTERNATIONAL COOPERATION OUTSIDE AFRICA*

Cross-jurisdiction **data-sharing MOUs** like the one between GREF (Gaming Regulators of Europe Forum) and NAGRA (North American Regulators Association), and INTERPOL's Operation SOGA (Soccer Gambling), are producing tangible benefits to authorities on reducing illegal gambling activities.

EU standards body, the European Committee of Standardisation (CEN), is developing a common **European Standard for Markers of Harm** in online gambling.

The World Lottery Association (WLA) has launched a new initiative through its Illegal Lotteries and Betting Committee (ILBC), the University of Lausanne, and the sector's leading market analysts to look at a more **standardised approach to illegal market sizing** for the industry globally.

Section 2
Africa Online Gambling Regulation – Overview

HEADLINE FINDINGS

Only c.15 African countries currently have in place some form of online-specific gambling regulation. Of these, approaches vary widely with an unusually high focus on tax generation illustrating the need for better co-ordination.

Monopoly models are prevalent however onshore channelisation rates remain low a number of markets due to the lack of market competition and also a requirement to use a single payment provider or aggregator, which leads to higher transaction costs and lower levels of product innovation.

With sensible regulation across the continent, H2 estimates that the African sports betting and iGaming market could be worth $22bn GGR by 2029. Of this, 90% (or c.$20bn) could be onshore with regulated operators.

The Current Situation

Africa's online gambling industry has grown rapidly, driven mainly by increasing internet access, mobile penetration, and a younger population demographic.

In response, the decade from 2015 to 2025 has seen a significant evolution in gambling laws across Africa, as various governments have grappled with the rise of online betting and gaming provision.

The continent's online gambling regulation landscape however, rather than respond and thrive, has grown up fragmented and varied. Out of 54 African countries, roughly 40 allow some form of legal gambling, while a handful (often with predominantly Islamic populations) prohibit it entirely.

Online-Specific Regulation Frameworks

Of those that allow activity however, only c.15 have in place online-specific gambling regulation. Many of these are based on laws originally drafted with landbased operations in mind, and are now under review or in transition, emphasising the need for a more up-to-date, online-specific approach. Notable examples include:

- **Ghana:** The Gaming Commission of Ghana regulates online gambling, issuing licenses to operators - although the National Gaming Act of 2006 itself pre-dates modern-day online gambling provision.
- **Kenya:** The Betting Control and Licensing Board currently licenses both local and international operators however an updated approach under a new regulator and regulatory framework is currently under active consideration.
- **Nigeria:** Online operators have traditionally been licensed at the federal level by the National Lottery Regulatory Commission, however a recent Supreme Court ruling now grants individual states the authority to regulate online gambling, with many operators now licensed by the Lagos State Lottery and Gaming Authority under its State Lottery and Gaming Law 2021.
- **South Africa:** Regulates online sports betting under the National Gambling Act of 2004, with oversight by the National Gambling Board.
- **Tanzania:** The Internet Gaming Regulation of 2022, enforced by the Gaming Board of Tanzania, provides a more recent legal framework for online gambling operations.
- **Uganda:** The National Gaming Board oversees online gambling under the Lotteries and Gaming Act of 2016, although this too lacks many online-specific regulations.

Varying Approaches Taken

Approaches to online regulation vary widely. Some recent developments of note illustrate the need for better co-ordination:

- **Benin:** Ended a monopoly in 2023 by establishing an online gambling regulator, but high taxes (25% gaming levy + 25% gaming tax) have made licensed operators less competitive. A new monopoly on payments has further reduced their ability to offer competitive rates.
- **Cameroon:** With a tax rate under 25% on GGR, Cameroon is a fast-growing market. However, a 1% mobile money tax on deposits / withdrawals (introduced in 2024) has driven players to unlicensed foreign operators.
- **Ghana:** Has taken a more balanced approach by abolishing its 10% WHT on winnings and 1% mobile money tax due to low revenue generation seen.
- **Kenya:** Once a lead online market with a 15% GGR tax, Kenya's industry has since declined after introducing two new customer-facing taxes, pushing players to unregulated platforms.
- **Malawi:** Focuses on responsible gaming with an under-18 ban and real-time electronic monitoring to ensure compliance and detect violations.
- **Rwanda:** Plans to raise GGR tax from 13% to 40% and WHT from 15% to 25%, likely driving players to unregulated sites and making it harder for local operators to stay profitable.

Monopoly Operator Models

We note that there tends to be a split in licensing regimes between the francophone Central / Western African markets and the anglophone East / Southern African markets. In general, the Central / Western African markets tend to extend the monopoly licensing of their lottery operators to sports betting, creating a closed market.

While it is widely accepted that there is a rationale for a monopoly structure for state lottery products, there is not a single example of a monopoly operator for sports betting leading to successful onshore channelisation. In general, monopolies in online betting and iGaming lead to an inferior product, inferior pricing, a lack of product innovation, and drive customers (especially high value customers) to illegal operators where there is no oversight or player protection. At its worse, monopoly operations can lead to corruption and distrust of the entire onshore gambling ecosystem.

We also believe that the monopoly model should also be avoided for payment systems. A number of markets are dominated by a **single payment provider or aggregator**, which also leads to higher transaction costs and lower levels of product innovation, and therefore an inferior experience for customers transacting with onshore operators.

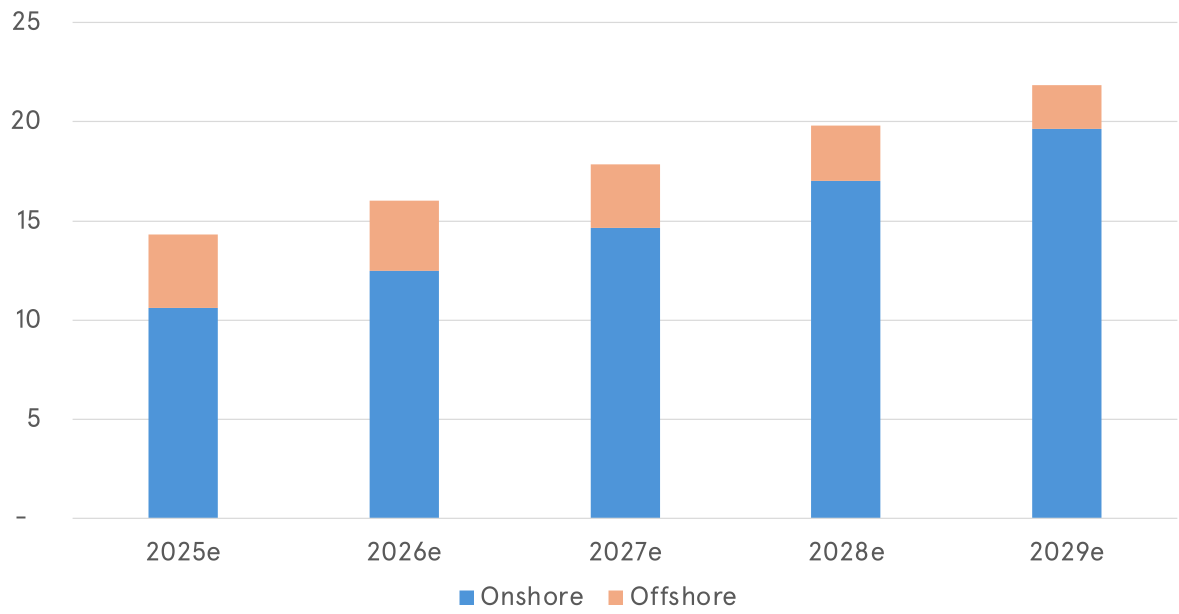
Africa Market Potential

With a market as diverse as Africa, it is understandable there is currently a broad range of regulatory frameworks across different markets. However, as a general overview, H2 has estimated what the potential of the African market could be for sports betting and iGaming, assuming that all markets were to regulate in a sensible manner.

Africa Sports Betting and iGaming Market Potential

While there is limited official data on the African market, H2 uses reported data from South Africa, as well as its proprietary estimates from other major African gaming markets, such as Nigeria. Combined with its data and knowledge of other well-regulated markets, H2 estimates that the African sports betting and iGaming market could be worth **$22bn GGR by 2029**. Of this, **90%** (or c.$20bn) could be onshore with regulated operators, while even with sensible regulation, 10% of the market could remain with illegal operators.

Potential GGR of Regulated African Betting and iGaming Market (US$bn)



Source: H2 Gambling Capital, March 2025

In reality, however, the market as it currently exists is unlikely to reach this level, given the number of divergent markets. Furthermore, poor regulation in some markets will lead to a much lower percentage of the market with legal, onshore operators. With a particularly strong focus on mobile banking and mobile money in Africa (compared to other parts of the world), offshore play is also that much more accessible and not as subject to the tight controls that can be put in place through a landbased banking eco-system.

The above said, we believe that this market potential of **$22bn / 90% onshore** is a level that the regulators should aspire to when looking at implementing positive regulation.

Section 3
Key Components of a Well-Regulated Online Market

Headline Findings

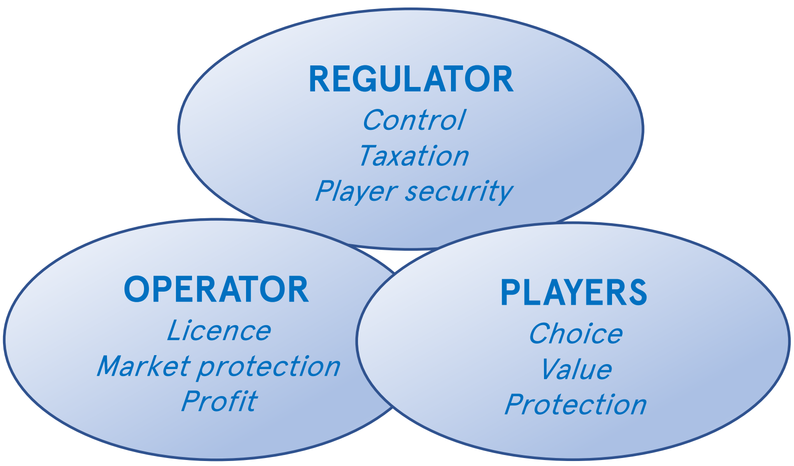
Optimum market regulation is achieved when all stakeholders – government regulator, licensed operators and players - are in 'perfect balance', where effective government regulation, is balanced with operator commercial opportunity, and with good choice and value for money for players.

The 8 key components of a well-regulated online market today are characterised as: Open Licensing; Affordable Taxation; Product Availability; Advertising & Marketing Reach; Offshore Enforcement; Onshore Education; Consumer Protection; and a High Channelling Rate.

Only some, not all, of these are also applicable to the African landbased gambling market. The online and landbased gambling markets are very distinct, but for the online gambling industry, an illegal market operator is just one click away for the consumer – meaning that onshore, licensed operators need to be as competitive as possible for strong onshore channelisation, and therefore their ability to protect the consumer.

Optimum Market Regulation – 'Perfect Balance'

'Perfect Balance' –
Optimum Market Regulation



Source: H2 Gambling Capital, March 2025

Optimum market regulation is achieved when all stakeholders – government regulator, licensed operators and players - are in **'perfect balance'**, and where:

- ✓ Effective government regulation, is
- ✓ Balanced with operator commercial opportunity, and with
- ✓ Good choice and value for money for players.

8 Key Components

Based on H2's own knowledge bank of best practice learnings across the industry, the **8 key components** of a well-regulated online market today can be characterised as:

1. **Open Licensing**
2. **Affordable Taxation**
3. **Product Availability**
4. **Advertising & Marketing Reach**
5. **Offshore Enforcement**
6. **Onshore Education**
7. **Consumer Protection**
8. **High Channelling Rate**

Governments and regulatory bodies that focus on and look to put in place each of the above components will have a better chance than most of achieving optimum market regulation, however nascent or advanced it currently exists.

It should be noted that only some, not all, of the recommendations below are also applicable to the African landbased gambling market. The online and landbased gambling markets are very distinct in their product offering, but also in their consumption. While there are illegal landbased gambling operators, consumption is often based on location, and the product offering and pricing is largely similar.

By contrast, for the online gambling industry, an illegal market operator is just one click away for the consumer – meaning that onshore, licensed operators need to be as competitive as possible for strong onshore channelization, and therefore their ability to protect the consumer.

1. Open Licensing

- An open, unlimited licensing model fosters competition and market growth, with successful jurisdictions often supporting **c.20-30+ licensed B2C operators** to ensure a diverse yet regulated industry.
- Once mature, it is normally the case that **c.70-80% market share** can be derived from a **Top 10** in the market.
- If technology is particularly important to the local economy, licences are often also required for **B2B suppliers** to better oversee the supply chain.
- **Licence fees** should not be excessive, and ideally governments should establish an **industry-specific regulatory body** to manage the market on its behalf.
- As discussed earlier, **monopoly operators lead to low channelisation –** there are no examples globally where a monopoly operator has led to high onshore channelling or a better user experience.
- Open licensing should also be extended to **payment providers –** having a single payment provider dominating the market leads to higher costs, more friction along the supply chain and lower product innovation – pushing customers to the illegal market.

2. Affordable Taxation

- Taxes should be levied on operators, not players, and levied on Gross Gaming Revenue (GGR), and not on stakes or sales.
- An optimal **15-25% GGR tax rate** represents a 'sweet spot' that balances government revenue generation with operator profitability, preventing excessive costs that drive businesses and players to unregulated offshore markets.
- An additional player winnings tax leads to **double taxation**, reducing player returns and overall engagement. Player taxes can also have two significant consequences: encouraging players to seek out **unregulated or offshore platforms** that do not impose such taxes, and promoting **riskier behaviour** where players gamble more to recover their taxes paid, which itself increases the possibility of problem gambling,

3. Product Availability

- A comprehensive framework allowing a **full suite** of onshore licensed gambling products (sports betting, casino, poker, lottery, esports, etc.) ensures player engagement while helping to ensure at least 90% of gambling activity is kept within the regulated market.
- **'Live' products** - such as in-play betting and live dealer casino - are particularly popular and important to provide.
- The quality of licensed products and game play available onshore should be at least **as good as** those available offshore – including **odds and pricing** which are the key drivers for use by high value players in particular.

4. Advertising & Marketing Reach

- Jurisdictions with minimal but responsible restrictions on advertising see better consumer awareness and engagement, with regulated markets typically allowing online operators to spend **5-15% of revenue on marketing** while at the same time enforcing responsible gambling messages.
- Allowing affiliate marketing is also important as for some operators as it can represent c.20-30% of their overall marketing spend.
- Roughly 10-30% of marketing budgets are also allocated to promotional offers, bonuses, and incentives.
- The ability to advertise on TV and radio as well as sponsorship of sports in betting are also key, as is the use of social media and P2P (peer-to-peer) influencers is for the U25 market.

5. Offshore Enforcement

- Strong enforcement, including **prohibiting illegal sites** via internet service providers (ISPs) and **financial / payment blocking** measures, helps prevent revenue leakage.
- The most successful tactics involve a combination of website & payment blocking, strong enforcement, and player education to drive high compliance and minimise offshore gambling.
- However, payment blocking is becoming more challenging, due to innovations in financial technology. While the illegal market in Africa has been suppressed to some extent to date, due to the reliance on a small number of payment processors, the evolution of crypto currency and other fintech innovations will make it easier for customers to access and transact with unlicensed sites, which is a key driver in the growth of the illegal market in Africa in our forecasts.
- Fines and player penalties as well as legal action being imposed on companies and individuals offering unauthorised gambling services are also of value.
- The most important thing to remember is that once a licensed market has been created, governments and regulators have a **duty of care** to work hard to protect it.
- That said, the only way to effectively prevent overseas illegal operators from gaining market share is to make the local market so attractive — through competitive offerings, strong player protection, and clear, consistent regulation — that both operators have no incentive to remain unlicensed, and players no reason to seek foreign alternatives.

6. Onshore Education

- Effective responsible gambling programmes, backed by both operators and regulators in partnership, dedicate at least **1-2% of market GGR** to player education, support tools, and self-exclusion programmes, ensuring informed consumer choices.
- Many players in many markets still don't know who the licensed operators are. Strong advertising or a **kitemark badging schemes** to distinguish regulated operators from unregulated are also key.

7. Consumer Protection

- A **three-way protection system** with regulator oversight, operator compliance, and third-party monitoring can lead to dispute resolution success rates of 95%+, fostering trust and fair play in the industry.
- Specialist support for **problem gamblers** – commonly 1-5% of a player base – are particularly important and should embrace addiction charities and healthcare expertise wherever possible.

8. High Channelling Rate

- A well-regulated market should target and aim for a **90+% channelling rate**, meaning nearly all players use licensed operators, reducing the appeal of black market gambling and ensuring taxation and player safety benefits.
- The metric – while not definitive – is the most used and well understood KPI among those **outside of the industry** in particular and should therefore be central to a well-regulated gambling market's operation.

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H2 Credentials

H2 – a sector-specialist analyst company headquartered in the UK - is widely recognised as the leading authority regarding market data and intelligence on the gambling industry. Together, our analysts have been tracking and forecasting the value of the sector since the mid-2000s. We have strong professional credibility and impartiality, and positive track record of delivering reports which stand up to scrutiny from a variety of stakeholders. Our services are regularly used as part of operator / supplier market analysis and also for policy formulation in the sector. Our independent analyses have helped many regulators and also governments in several countries develop both improved regulation and optimum market trading conditions within their jurisdictions.

The intelligence generated by H2's proprietary tracking and forecasting model is easily the most quoted source regarding the sector in published company reports, transaction documentation and buy- and sell-side analysts' notes, as well as in the trade / business media. The H2 core model now covers 175+ jurisdictions in over 100 countries and collates and compiles data via key **primary sources** that include:

- ✓ *Actual published primary / secondary market and organisation data*
- ✓ *Knowledge / assessment of the supply side by product vertical*
- ✓ *H2's own in-house tracking of activity*
- ✓ *Ongoing contact with private organisations / investors, including subscriber feedback*
- ✓ *Knowledge / opinion of third parties - including providers and other industry analysts.*

Market forecasts are based on a number of key **secondary drivers** including:

- ✓ *Maturity of product*
- ✓ *Expected product development*
- ✓ *GDP / broadband / mobile growth*
- ✓ *Benchmarked markets*
- ✓ *Incorporating the impact of past and expected legislation.*

H2 is partnered with Clarion Gaming and *iGaming Business* in the trade media and the International Betting Integrity Association within sports betting integrity. H2's data is also regularly quoted in much of the leading media outlets worldwide including *Bloomberg, The Economist, Forbes, BBC, Thomson Reuters, The FT, The New York Times* and *ESPN*.

h2gc.com

H2 Terminology

Products

Terminology does vary throughout the industry. We breakdown the gambling market as follows:

Betting Betting / wagering on the outcome of a sports competition or other event or process; the likelihood of anything occurring or not occurring; or whether anything is or is not true.

Gaming Covers all real money gaming activity that takes place with a licensed landbased or online casino – including table games (roulette, blackjack etc.), gaming (slot) machines and bingo.

Lotteries Random number draw games or instant ticket / scratch cards offered by national or society / charity lotteries.

Landbased Physical gambling activity at licensed premises, including bets over telephone.

Online Activity that takes place via the internet (i.e. computer, mobile, iTV). May also be termed: interactive, digital, remote, iGambling or iGaming.

Mobile Any activity using a device with a mobile operating system i.e. smartphone handset or tablet.

Channelling Percentage of the online market that is via its onshore licensed operators.

CAGR Compound Annual Growth Rate - the mean annual growth rate over a specified period of time longer than one year.

Illegal, Unlicensed or Offshore

Definitions of illegal, unlicensed or offshore market gambling do vary from jurisdiction to jurisdiction. H2's standard analysis normally categorises gambling spend into three main markets - activity where the operator is licensed onshore in the same jurisdiction as the player is located (aka **'white market'**); activity where the operator is licensed offshore in a different market (aka **'grey market'**), or activity where the operator is completely unlicensed or illegal (aka **'black market'**).

Gross Win / GGR

H2 utilises the **'gross win'** or **'gross gaming revenue' (GGR)** metric (i.e. stakes less prizes, but including any bonuses played) to value the gambling sector. This is due to the fact that across different product verticals, geographies and market channels pay-out rates are all different. Gross win or GGR also provides a much better reflection of operators' top line revenue as opposed to stakes, which can include the same money that has been recycled a number of times in many of the product verticals.

H2 Premium