National Gambling Board
South Africa
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Changes in the Gambling Landscape post-Covid-19 – Industry Trends

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15 March 2023

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Introduction

The National Gambling Board is the national gambling regulator in South Africa with its regulatory mandate in terms of the National Gambling Act 7 of 2004.

MANDATE

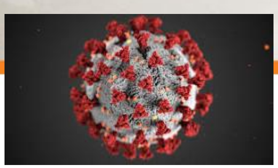
The NGB is a Schedule 3A Public Entity in terms of the PFMA,1999. The NGB is established in terms of the NGA, 2004. In terms of Sections 33 and 65 of the NGA the NGB is mandated to:

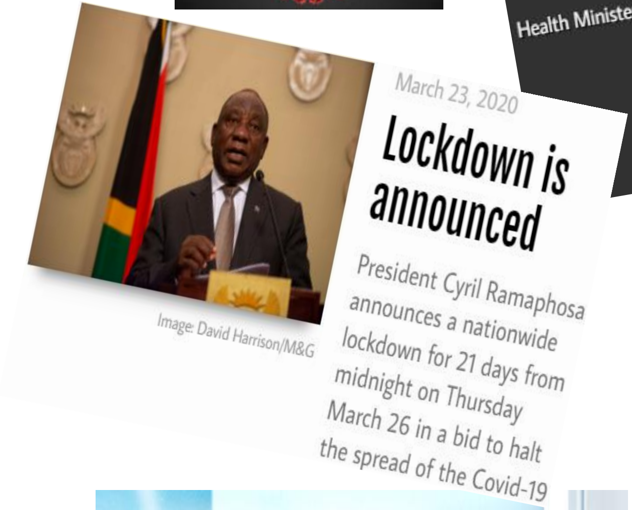
- Evaluate the issuance of national licences and the compliance monitoring of licences by the PLAs
- Conduct oversight evaluation of the performance of PLAs to ensure compliance to both the national and provincial legislation, and adherence to national norms and standards
- Assist PLAs to ensure that the unlicensed gambling activities are detected
- **Monitor market share and market conduct**
- Establish and maintain national registers
- **Research the socio-economic impact of gambling**
- Conduct public awareness and education programmes
- Advise the Minister, **the dtic** and any other stakeholder on gambling related matters
- Interact with other jurisdictions that have a common agenda to NGB

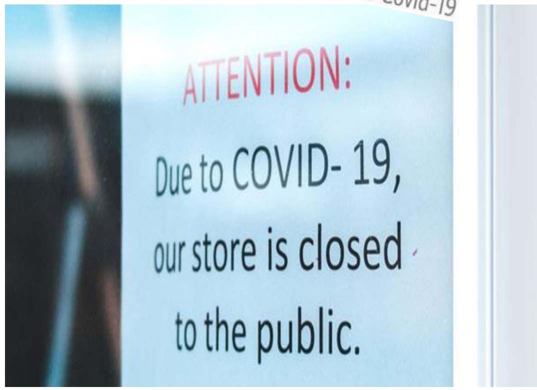
OVERVIEW OF THE GAMBLING INDUSTRY

- The financial year FY2020/21

(1 April 2020-31 March 2021) saw the gambling industry in South Africa come to its knees following the outbreak of the global Covid-19 pandemic that led to a complete halt of the land-based industry in the first quarter, with subsequent re-opening of gambling facilities at reduced capacity due to extensive Covid-19 health and safety guidelines adopted by the industry.



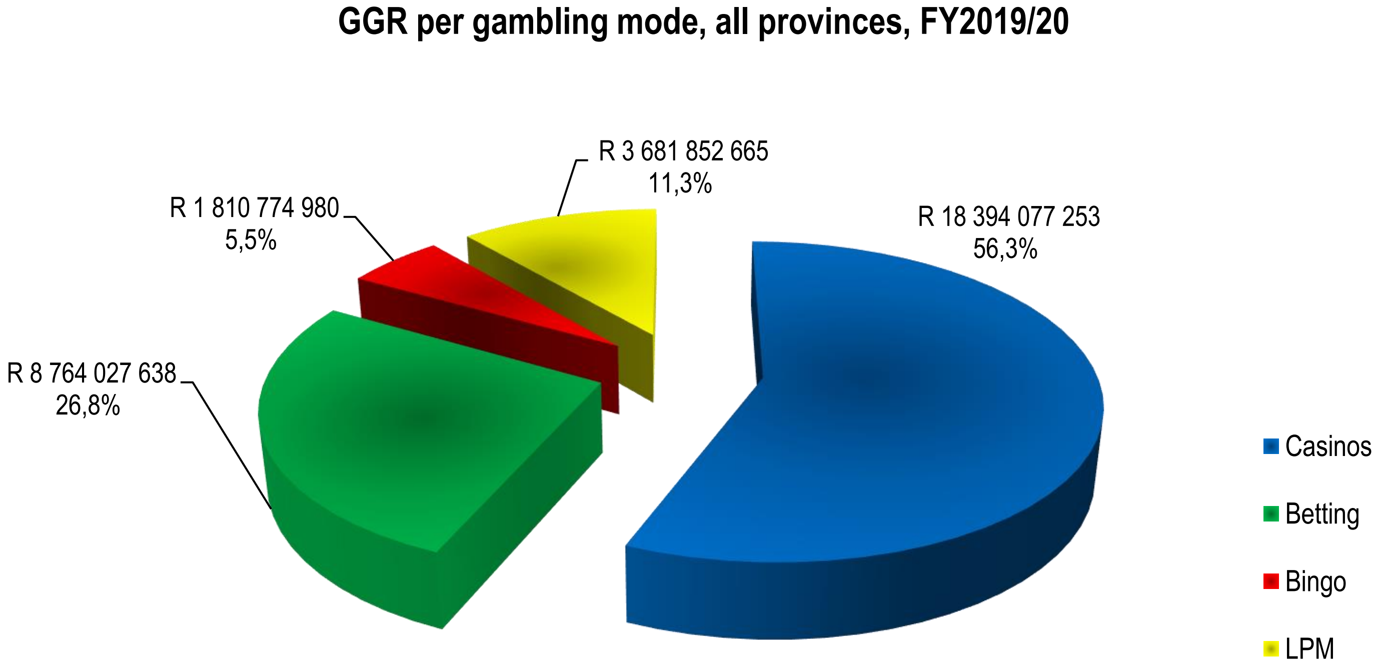




OVERVIEW OF THE GAMBLING INDUSTRY

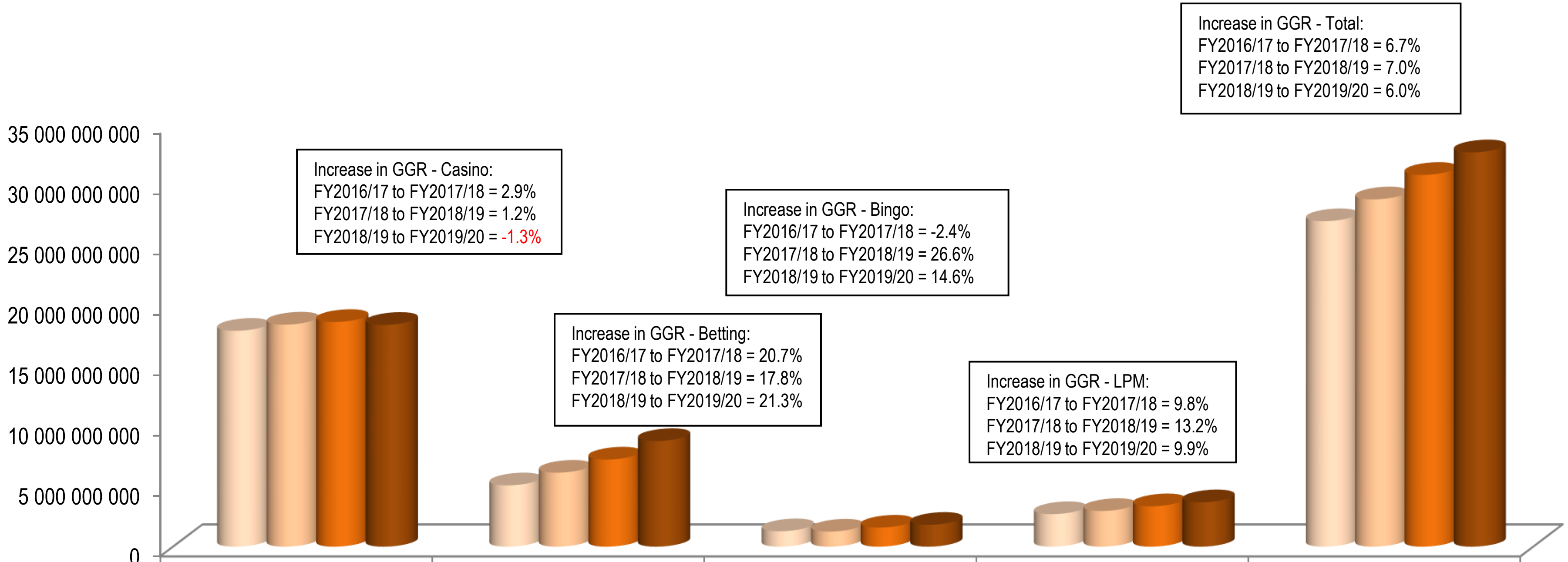
- Prior to 2020 the gambling industry in SA- made up of Casinos, Betting on horse racing and sport, Limited Payout machines and Bingo reached R32.7 billion in Gross Gambling Revenue (GGR).

- Casino: 56,3%
- Betting: 26,8%
- LPM: 11,3%
- Bingo: 5,5%



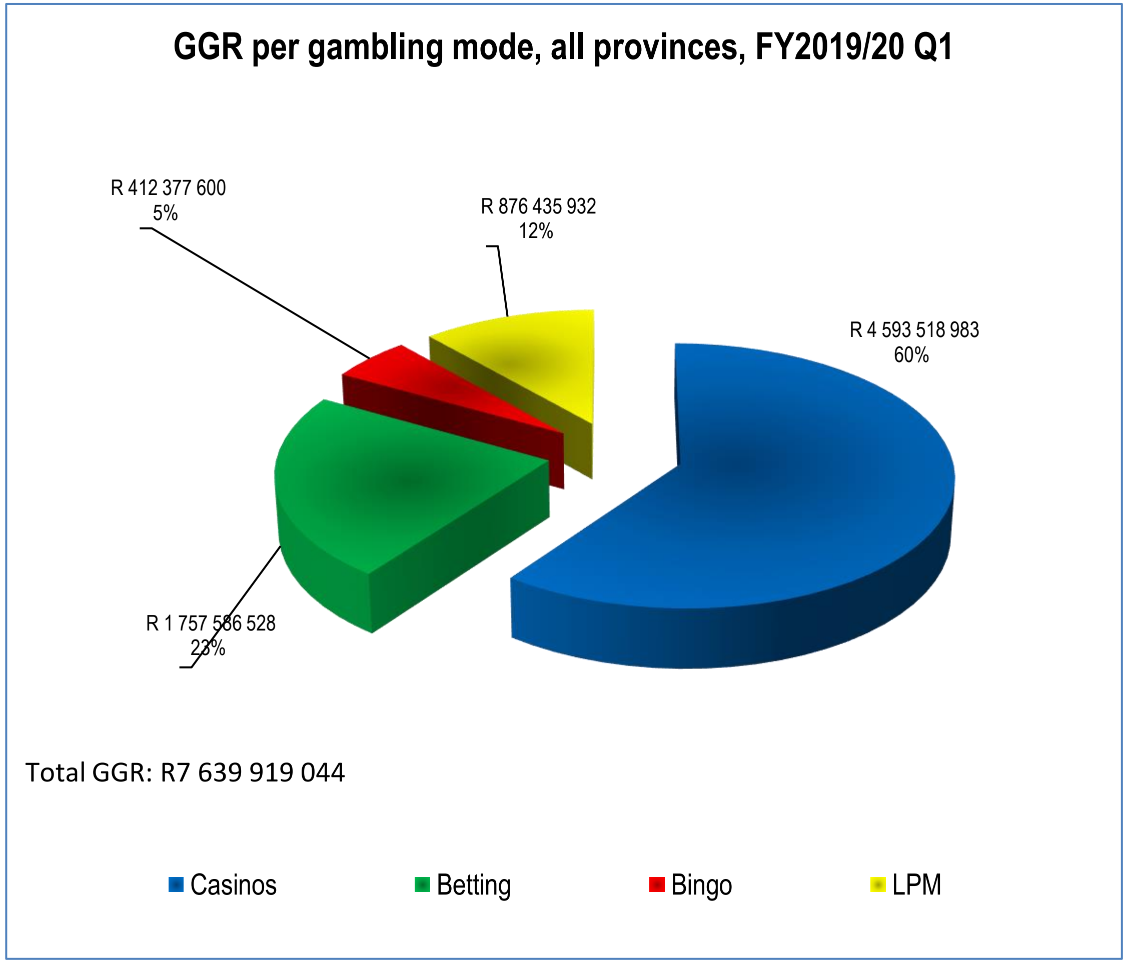
OVERVIEW OF THE GAMBLING INDUSTRY

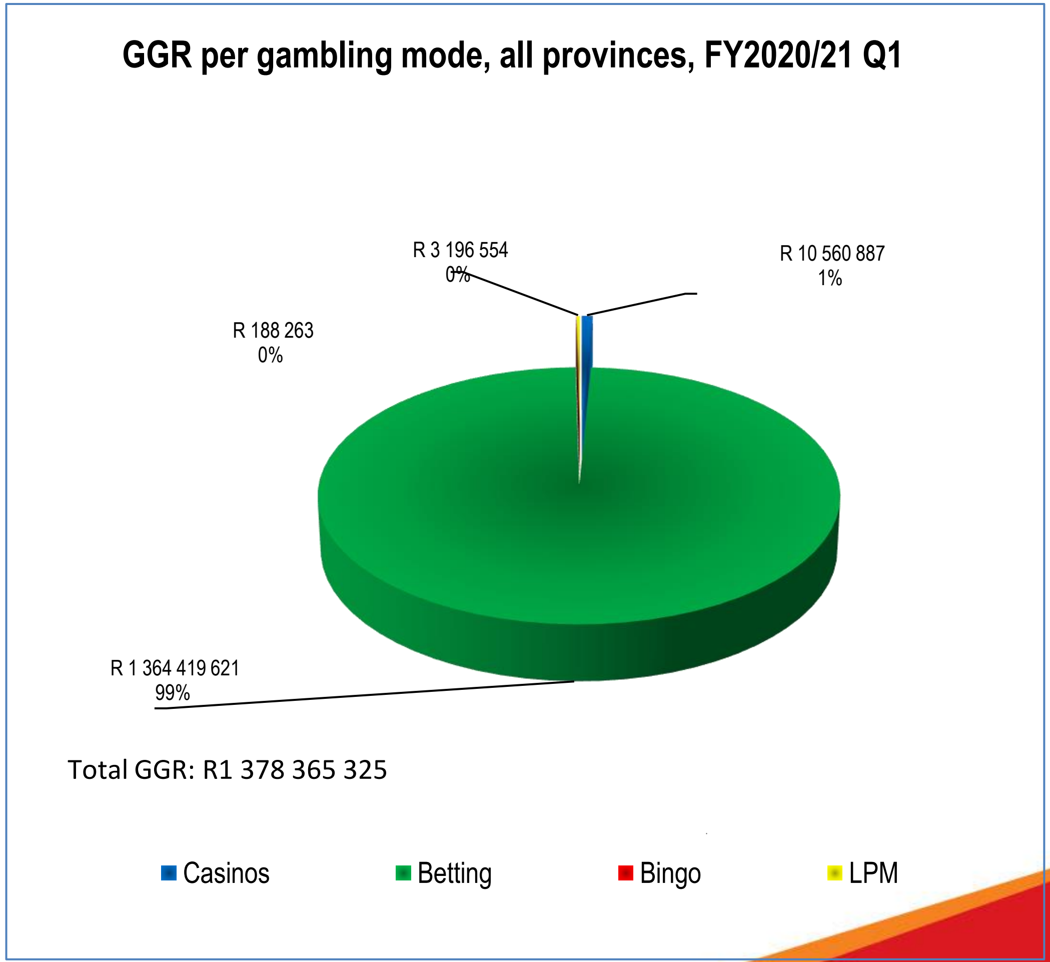
Growth in GGR (all modes): FY2016/17 - FY2019/20



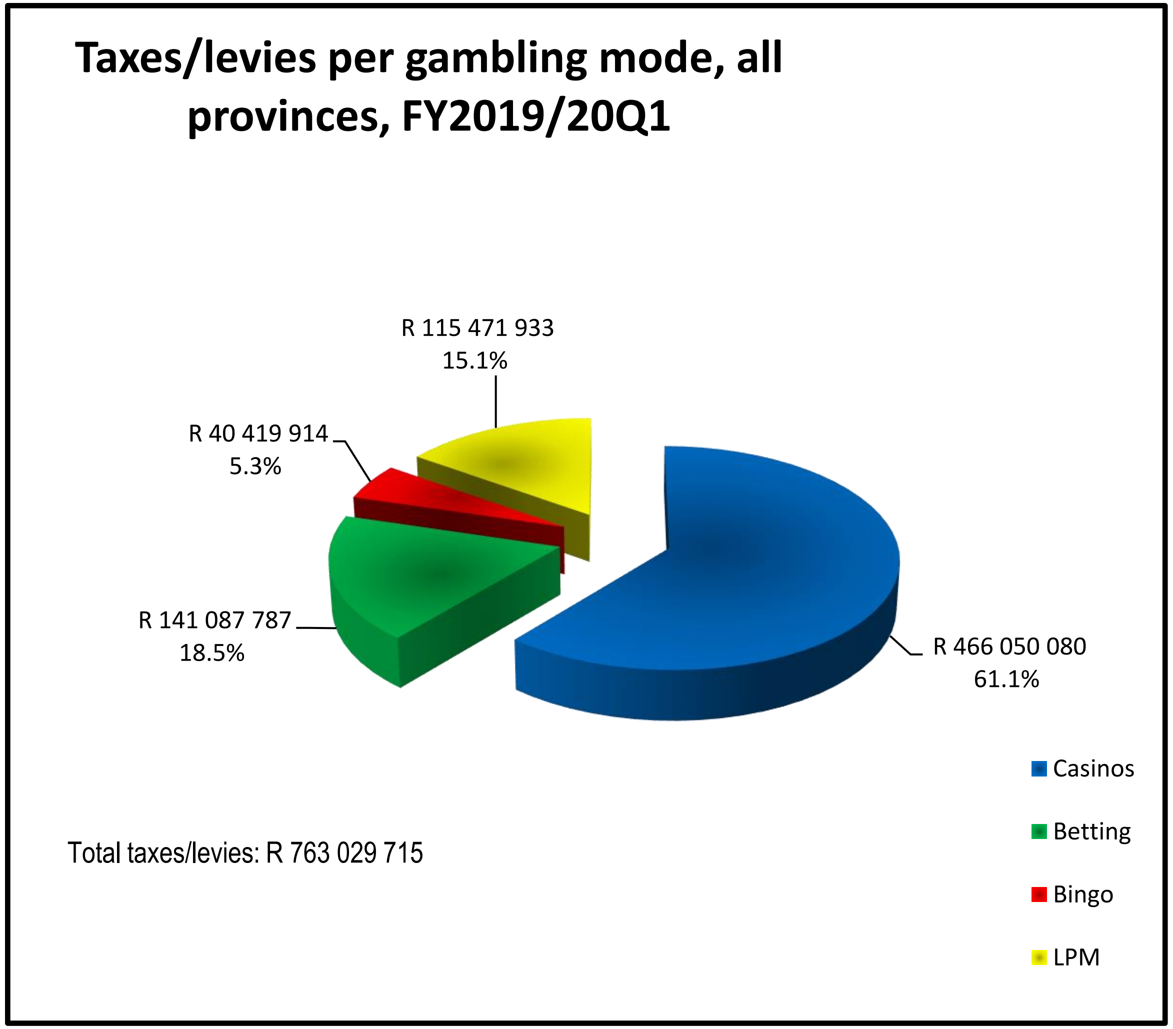
	GGR Casino	GGR Betting	GGR Bingo	GGR LPM	TOTAL
GGR, FY2016/17	17 900 747 071	5 085 630 664	1 278 664 383	2 696 846 443	26 961 888 560
GGR, FY2017/18	18 417 094 967	6 136 832 908	1 248 509 057	2 960 822 948	28 763 259 881
GGR, FY2018/19	18 632 408 686	7 227 082 554	1 580 744 888	3 350 530 532	30 790 766 660
GGR, FY2019/20	18 394 077 253	8 764 027 638	1 810 774 980	3 681 852 665	32 650 732 535

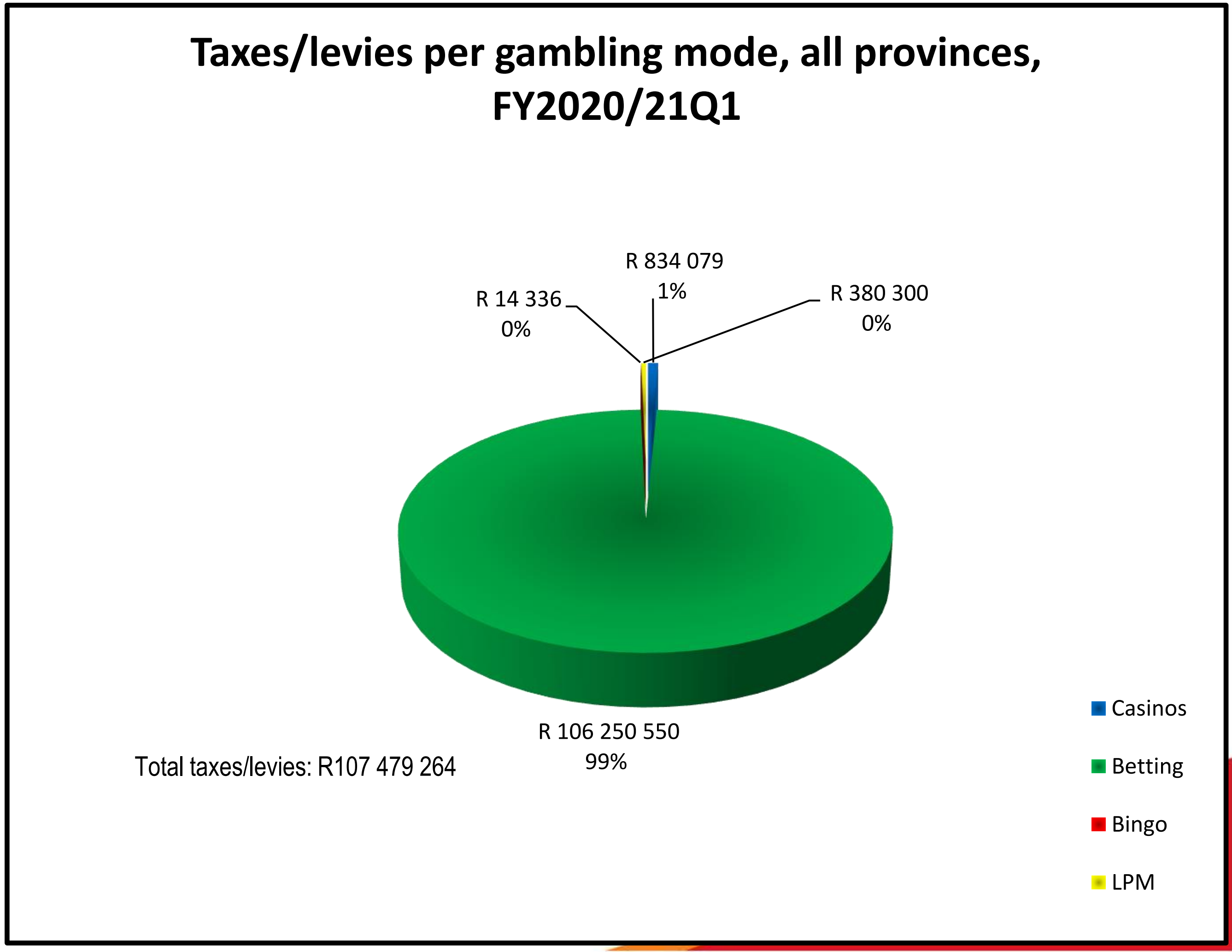
The share of casino revenue in total revenue fell to less than 50% in terms of market share for GGR due to Covid-19. During FY2020/21Q1, the greatest share of the market in gambling revenue was derived from the betting sector because betting was accessible online during lockdown.



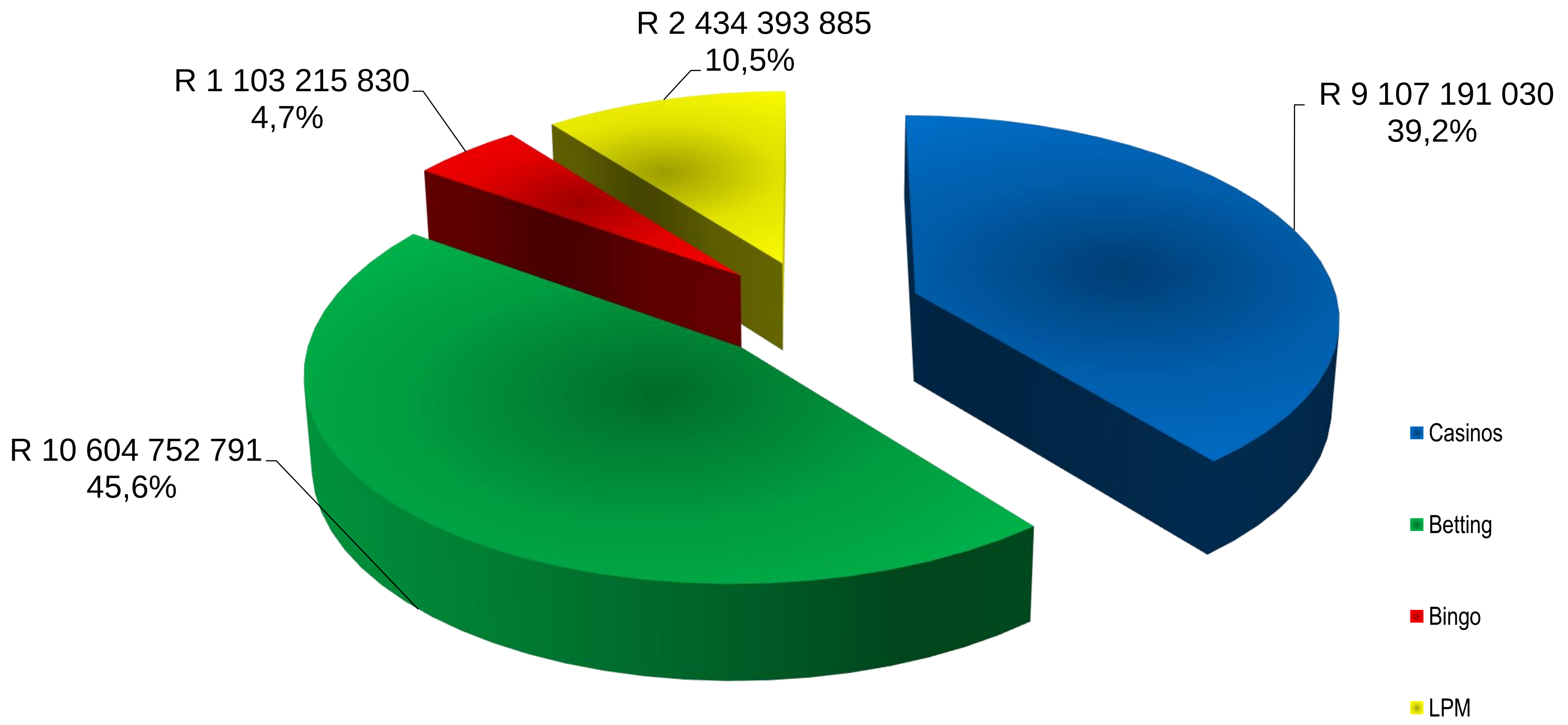


During FY2020/21Q1, the greatest share of the market in taxies/levies was also derived from the betting sector



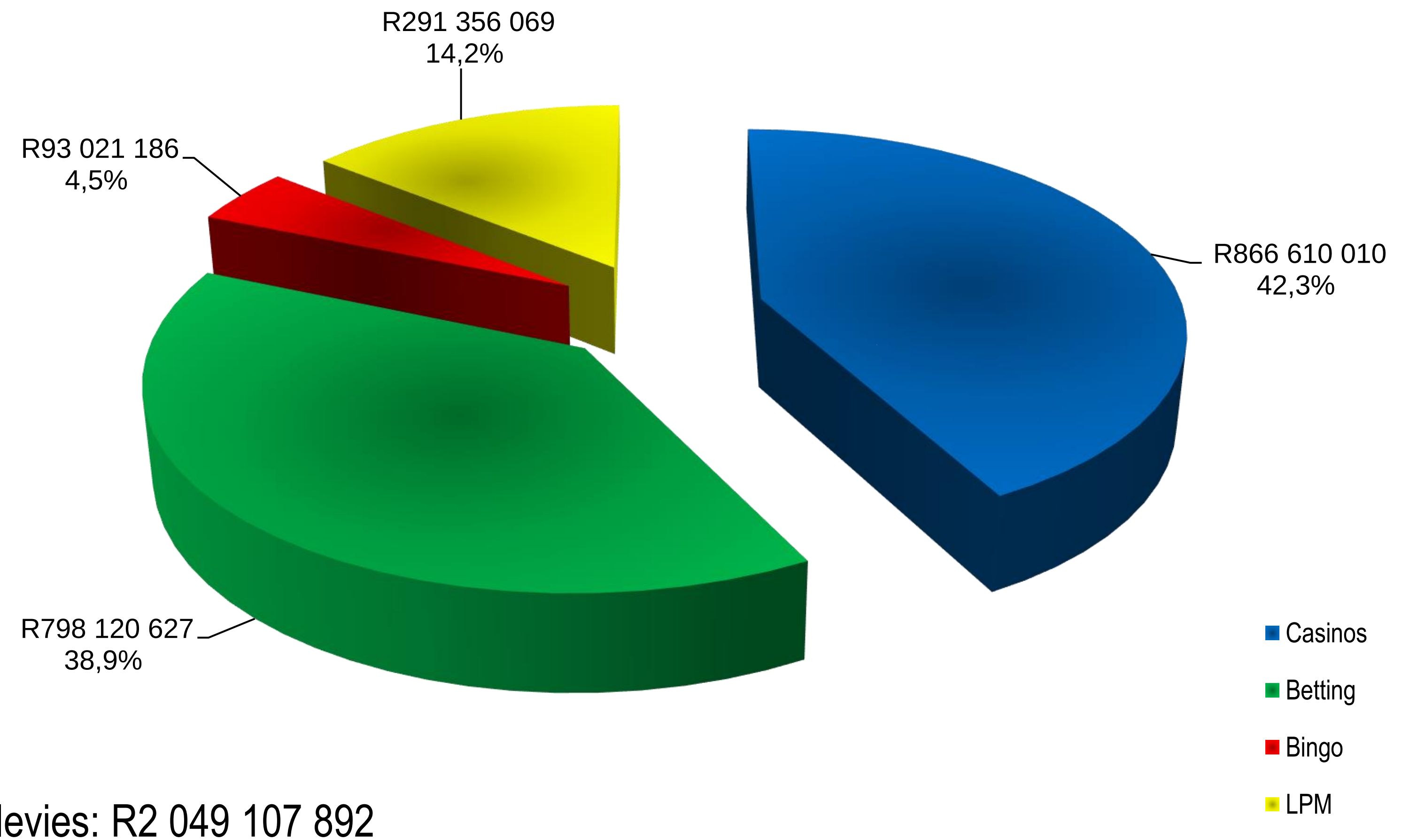


GGR per gambling mode, all provinces, FY2020/21



Total GGR: R23 249 553 537

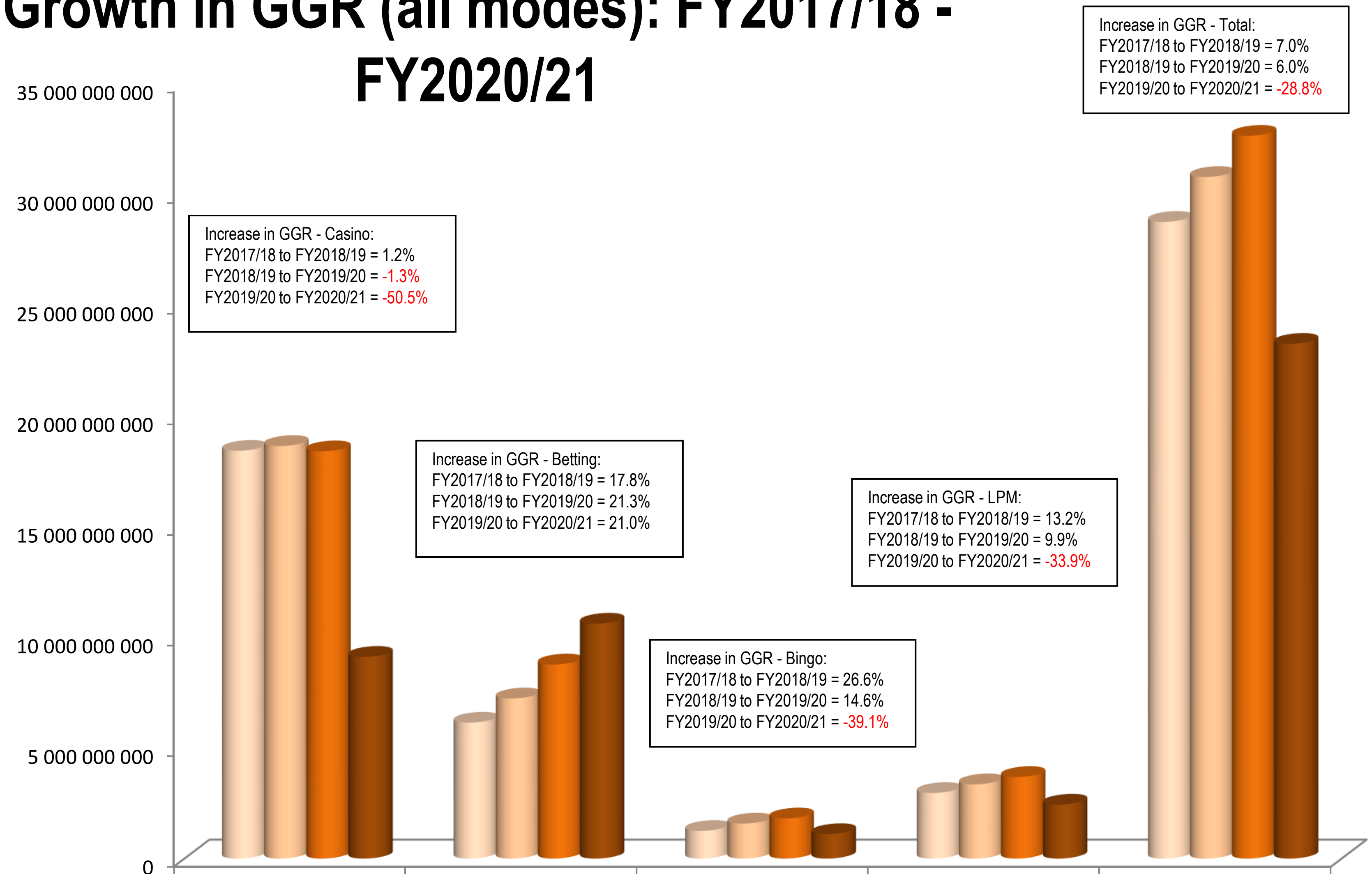
Taxes/levies contribution per gambling mode – FY2020/21



Total taxes/levies: R2 049 107 892

- Overall, the industry had been on an upward trajectory, growing by 7% and 6% in FY2018/19 and FY2019/2020 respectively. In FY2020/21, the year the Covid-19 pandemic hit, GGR fell by 29%, falling from R32.7 billion to R23.2 billion.
- Analysis per mode of gambling however shows that GGR fell in the casino, bingo and LPM sectors, but rose in the betting sector.

Growth in GGR (all modes): FY2017/18 - FY2020/21



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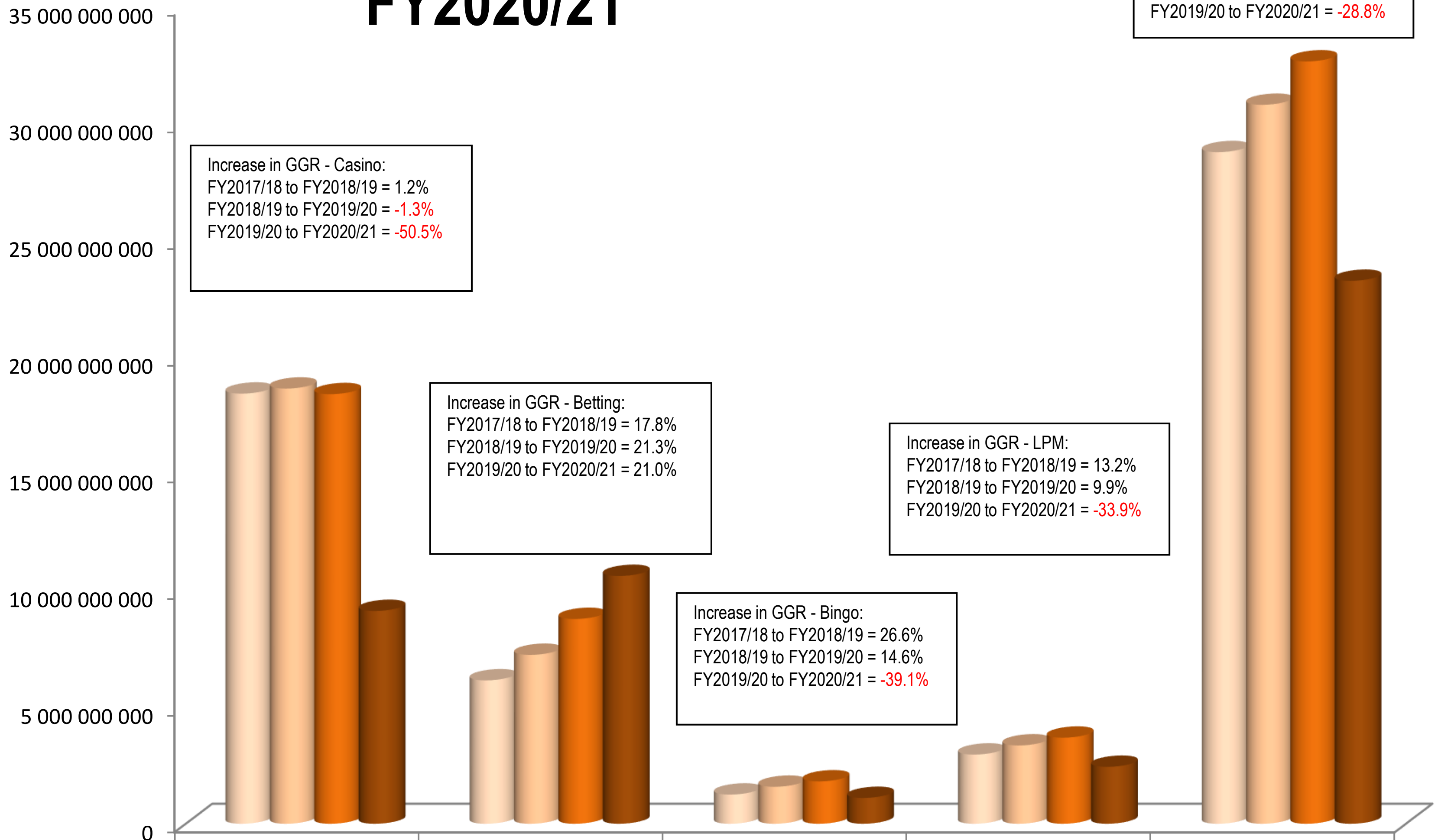
GGR, FY2020/21	9 107 191 030	10 604 752 791	1 103 215 830	2 434 393 885	23 249 553 537

- Casino industry growth had flattened out in the years leading up to the pandemic. In FY2020/21, the sector was the hardest hit with GGR falling by 50%.
- The betting industry had been on an upward trajectory, growing steadily each year. When the lockdowns were instituted, growth continued, with the industry growing by 21% in FY2020/21.
- The bingo industry had experienced positive growth before the pandemic, falling 39% in FY2020/21.
- The LPM sector had grown by 13% and 10% respectively in the two years before the pandemic, before falling by 34% in FY2020/21.

Growth in GGR (all modes): FY2017/18 - FY2020/21



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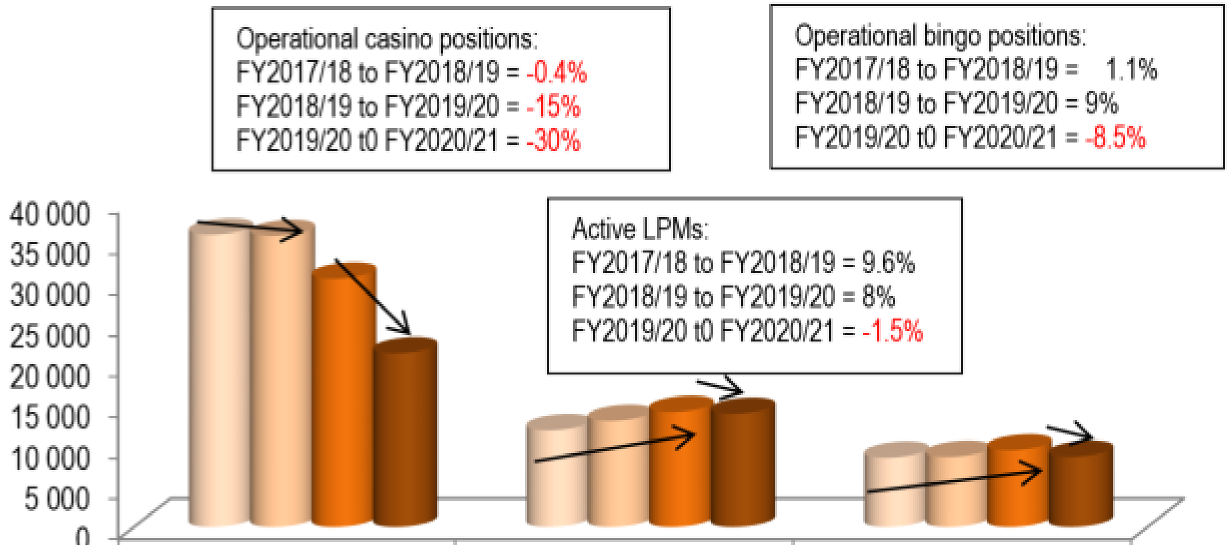
Operational Gambling positions

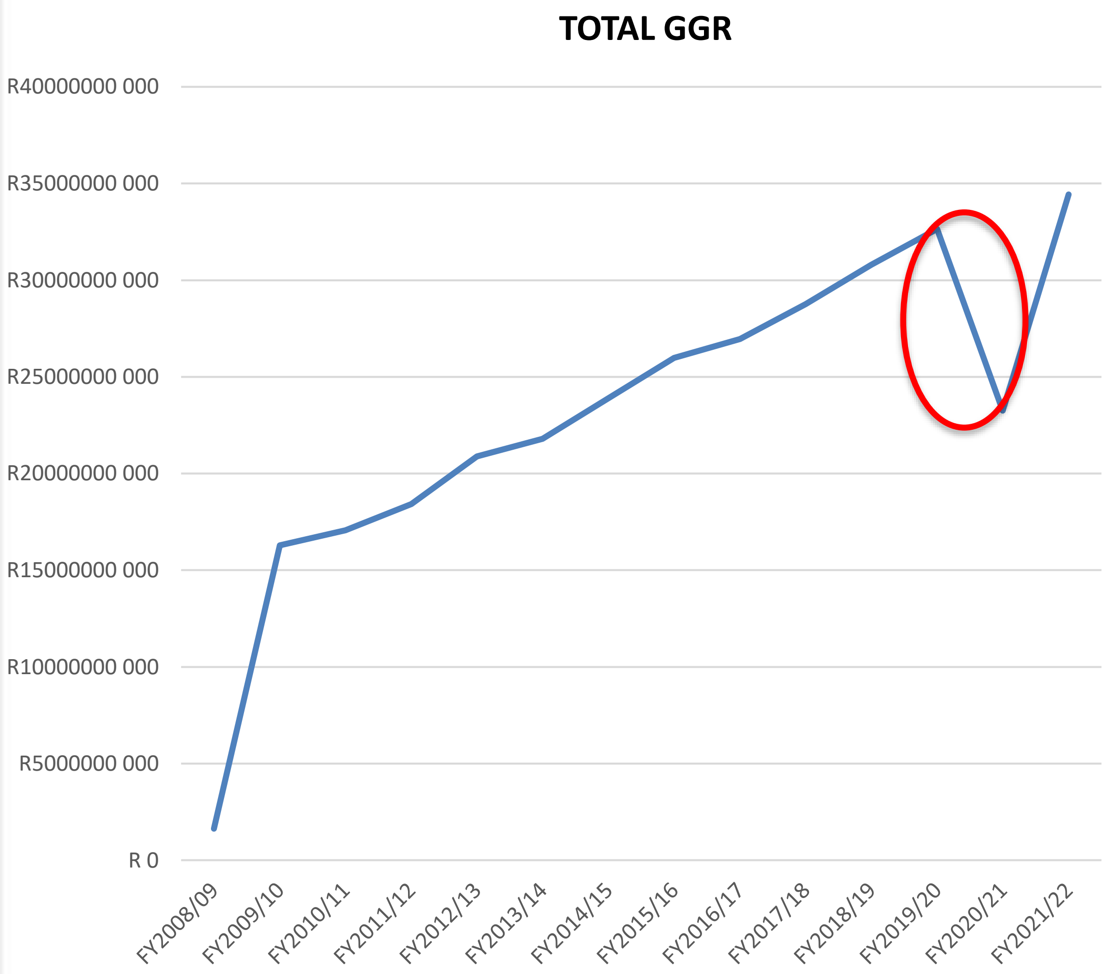
- The number of operational positions in casinos had already been on a negative growth path prior to the pandemic, however as illustrated in figure 3, FY2020/21 led to a sharp decline in operational positions. The industry reduced the number of operational positions by 30% from 30 515 to 21 349 positions.
- The LPM sector had been growing modestly prior to the pandemic, with the number of operational gaming machines falling to 13 914 in FY2020/21 compared with 14 130 in the previous year.
- Bingo terminals had also been increasing prior to the pandemic, losing 8.5% of operational terminals in FY2020/21.

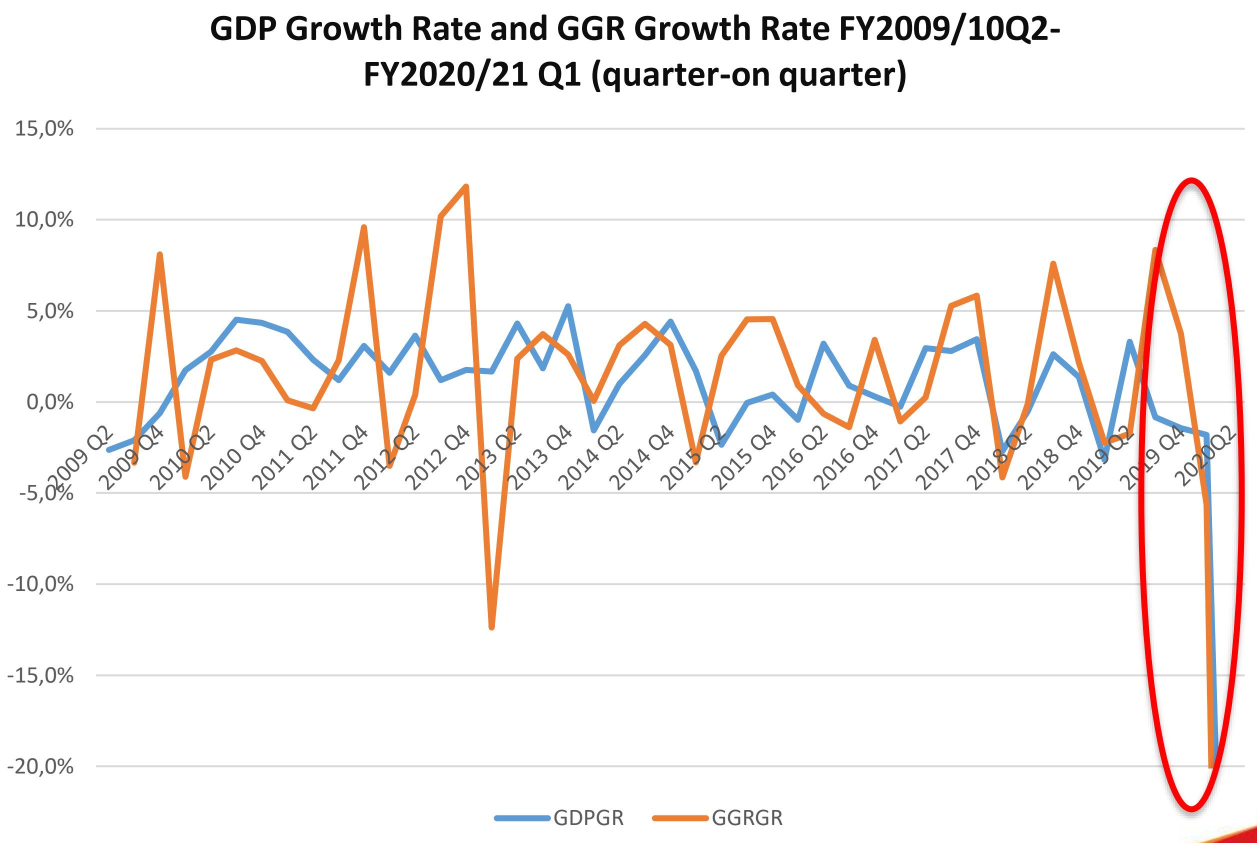
Number of operational gambling positions in the casino, LPM & bingo sectors: FY2017/18 - FY2020/21



	Casino	Limited payout machines	Bingo
Operational positions, FY2017/18	35 929	11 896	8 520
Operational positions, FY2018/19	35 768	13 034	8 610
Operational positions, FY2019/20	30 515	14 130	9 427
Operational positions, FY2020/21	21 349	13 914	8 625

In FY2020/21 the gambling industry lost about R10 billion in gambling revenue generating R23.3 billion in comparison to the previous year, with casino GGR declining the most by 50% from FY2019/20 owing to the effects of the Covid-19 pandemic.

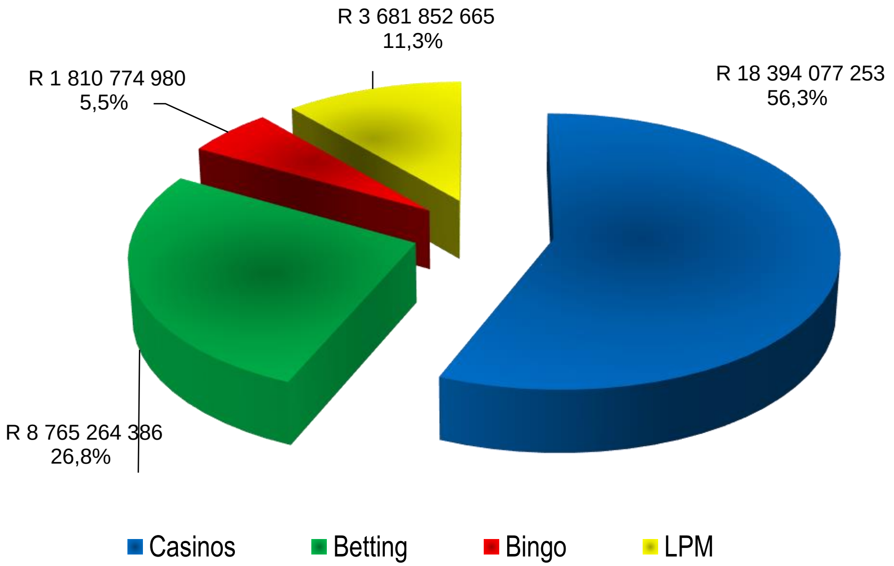




FY2021/22

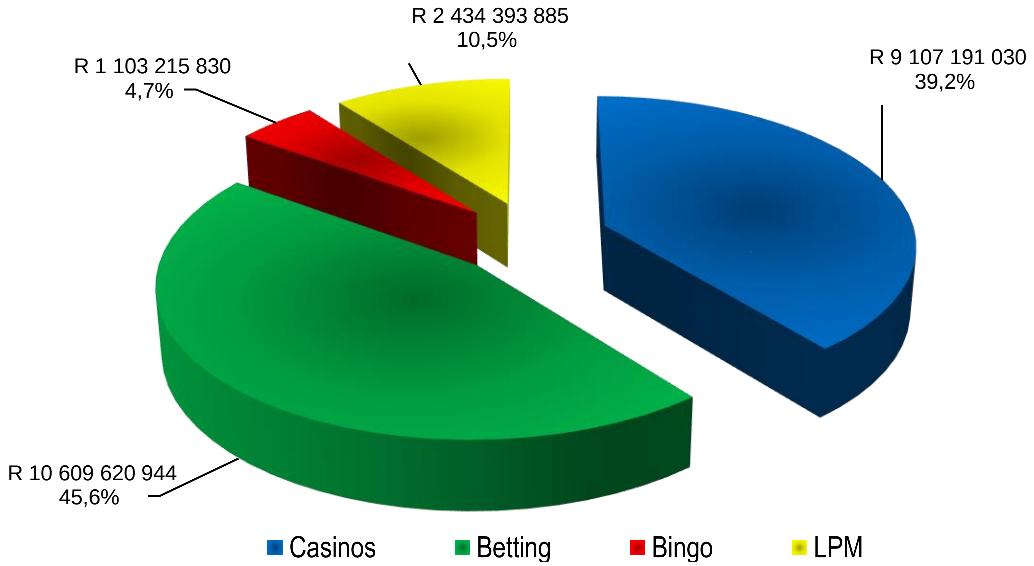
- FY2021/22, the second year of the Covid-19 pandemic, saw the gambling industry rebound. Overall, GGR in FY2021/22 totalled R34.4 billion, a figure above that of the preceding year of R23.4 billion and the year before the pandemic hit of R32.7 billion. The betting industry performance sky-rocketed in FY2020/21 and this trend continued unabated in FY2021/22 as revenues increased almost 50%.
- At present, the betting industry generates 44.9% of total industry GGR, followed by the casino (39.9%), LPM (10.7%) and bingo (4.4%) sectors. This is a starkly different picture to just 10 years ago when casinos held 80% of market share of the total gambling industry.

GGR per gambling mode, all provinces, FY2019/20



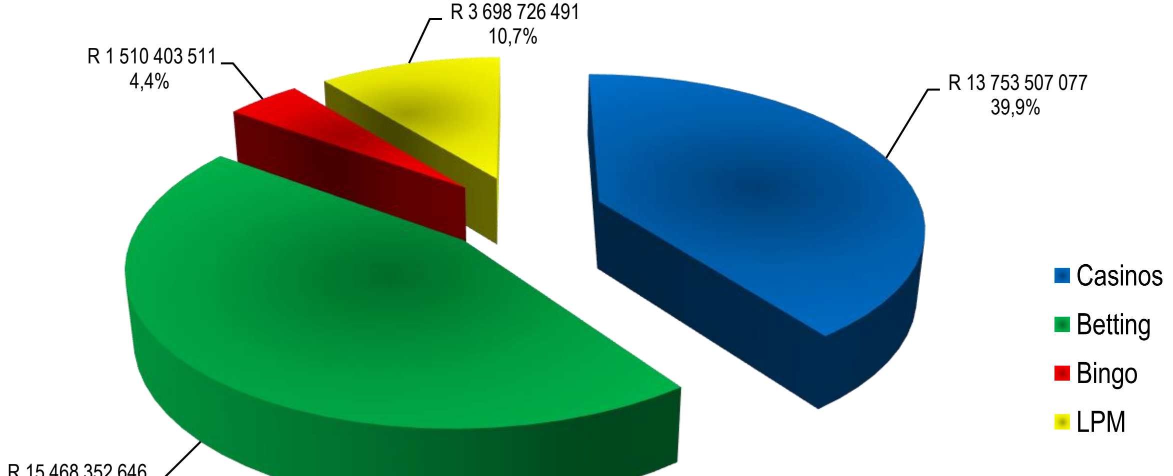
Total GGR: R32 651 969 283

GGR per gambling mode, all provinces, FY2020/21



Total GGR: R23 254 421 689

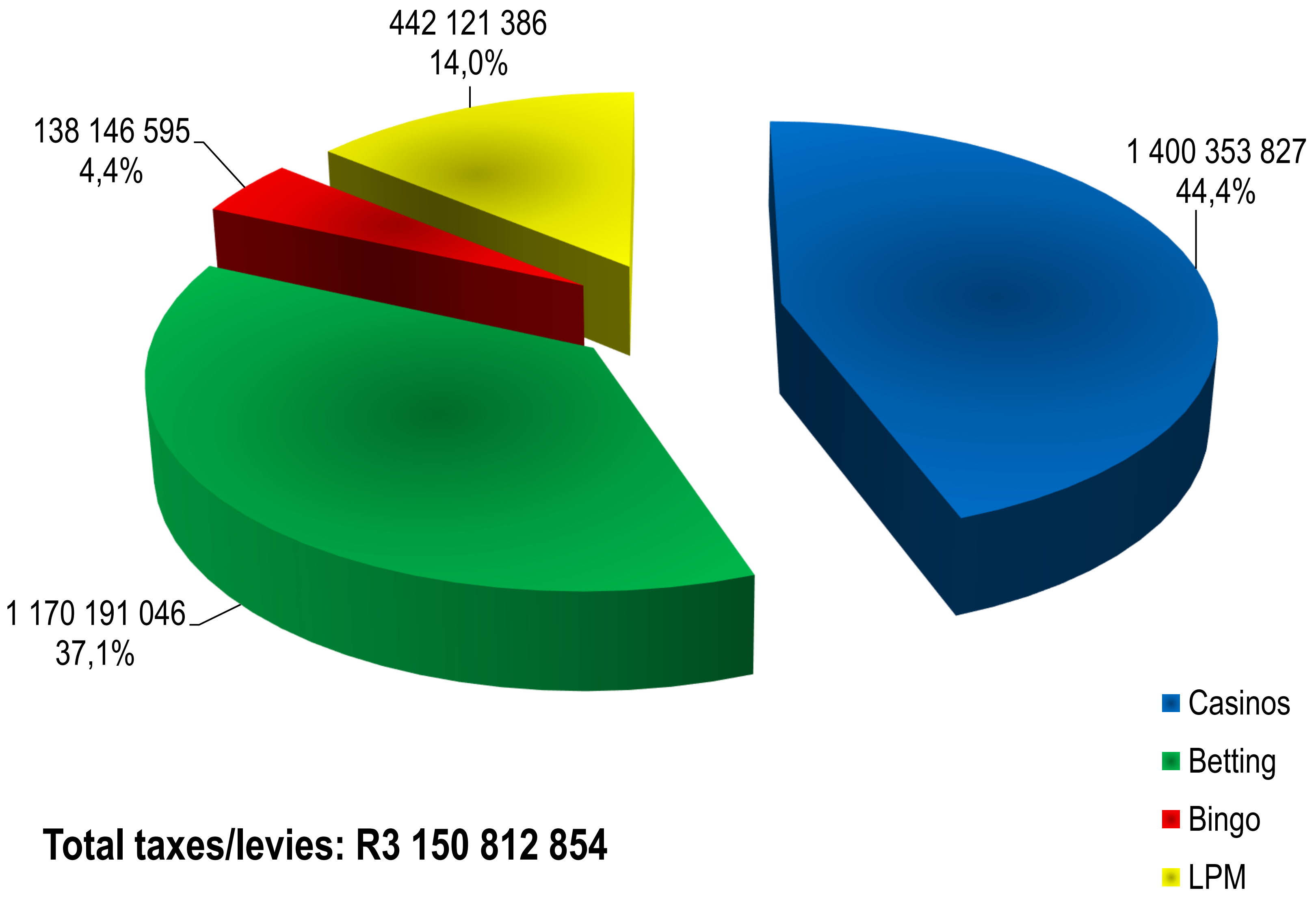
GGR per gambling mode, all provinces, FY2021/22



Total GGR: R34 430 989 724

Taxes/levies contribution per gambling mode – FY2021/22

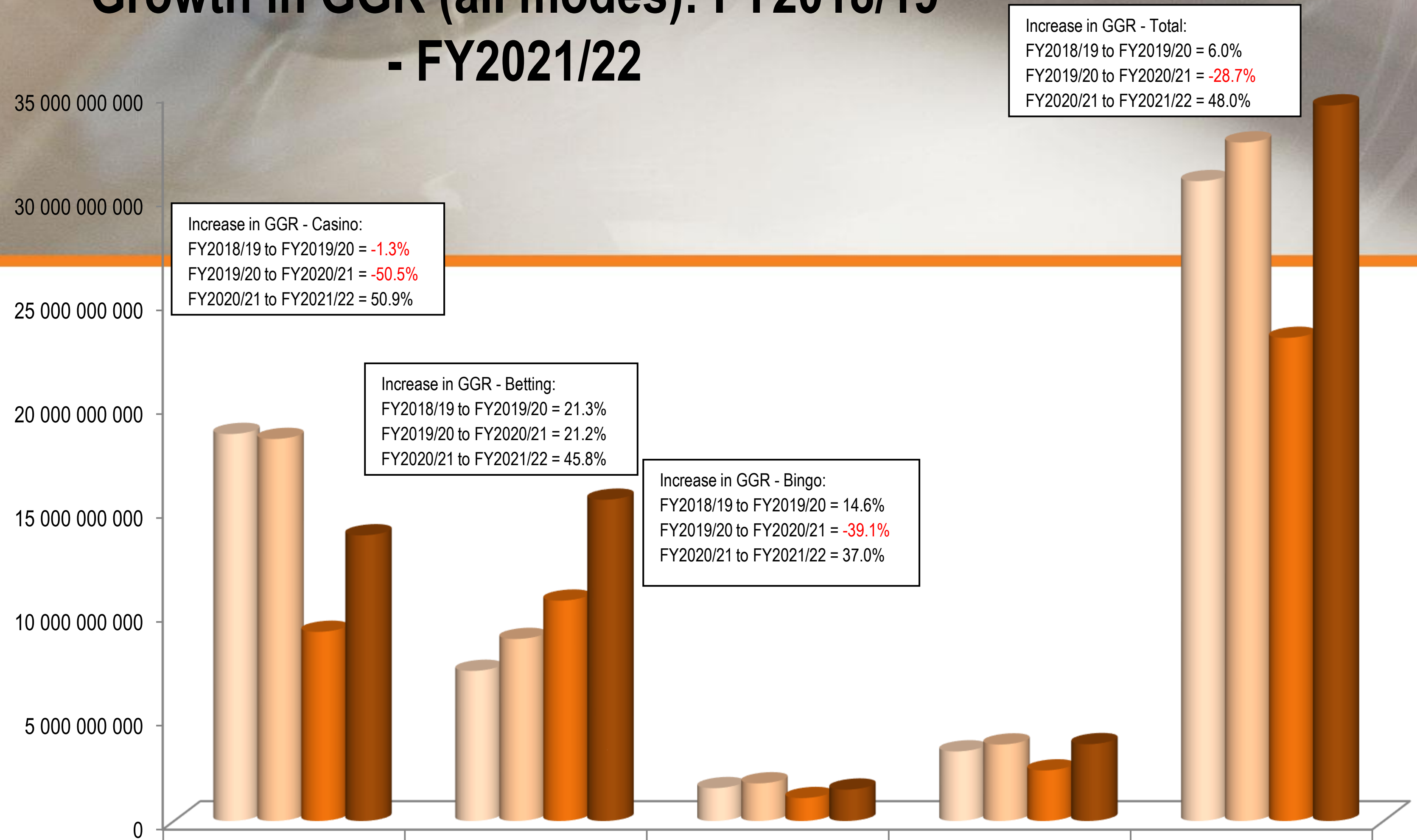
- The industry collected R3.2 billion in taxes/levies in FY2021/22, matching the pre-pandemic level of R3.2 billion in FY2019/20. This figure was a 53.8% increase compared to the previous year FY2020/21 of R2.0 billion. While the betting industry generated the largest amount of revenue, casinos (44.5%) continue to contribute the larger share in taxes/levies relative to the betting (37.1%), LPM (14%) and bingo (4.4%) sectors.



Total taxes/levies: R3 150 812 854

Growth in GGR (all modes): FY2018/19 - FY2021/22

- While FY2020/21's restrictive coronavirus measures lowered industry gross gambling revenue (GGR) by about 30%, the easing of restrictions and general recovery across the economy led to overall growth of 48% in FY2021/22.
- The betting industry has almost doubled its pre-crisis figure, casino and bingo GGR are still below their FY2019/20 sums. The LPM industry matched its FY2019/20 performance.
- Overall industry recovery has been driven largely by the stellar performance of the betting industry.



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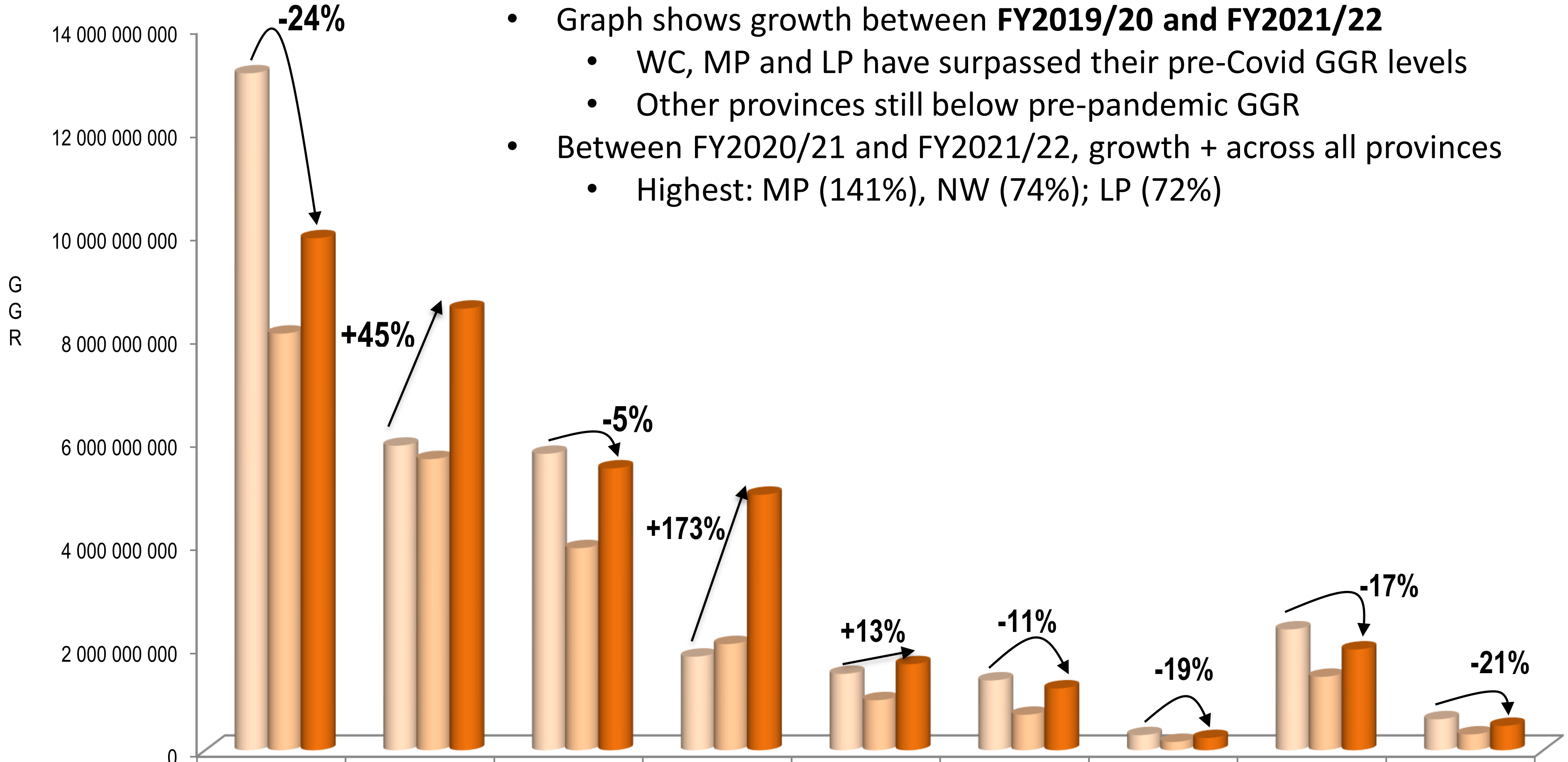
GGR, FY2020/21	9 107 191 030	10 609 620 944	1 103 215 830	2 434 393 885	23 254 421 690
GGR, FY2021/22	13 753 507 077	15 468 352 646	1 510 403 511	3 698 726 491	34 430 989 724

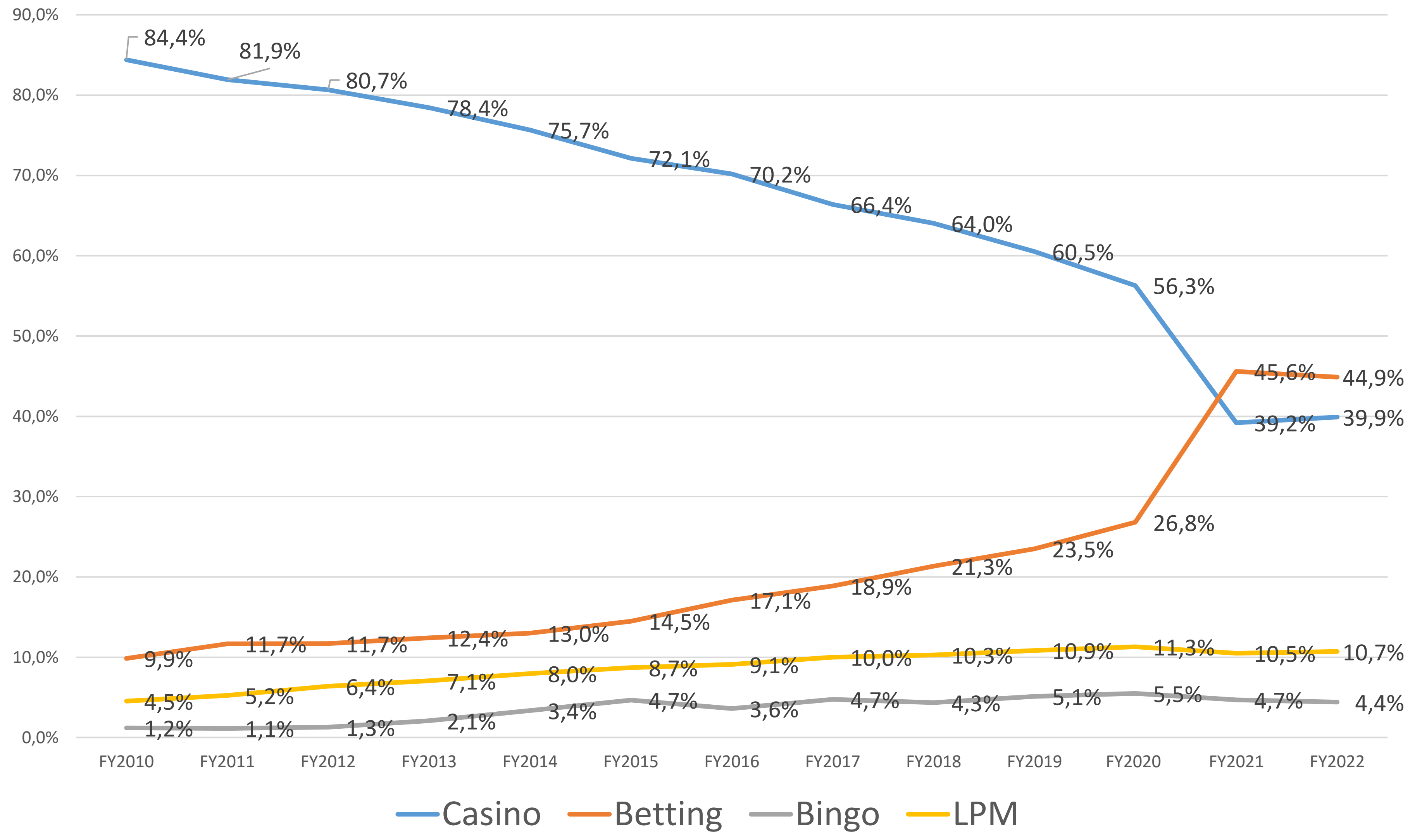
GGR Per Prvince – FY2021/22

- Graph shows growth between **FY2019/20 and FY2021/22**
  - WC, MP and LP have surpassed their pre-Covid GGR levels
  - Other provinces still below pre-pandemic GGR
- Between FY2020/21 and FY2021/22, growth + across all provinces
  - Highest: MP (141%), NW (74%); LP (72%)



	Gauteng	Western Cape	KwaZulu-Natal	Mpuma-langa	Limpopo	North West	Northern Cape	Eastern Cape	Free State
GGR, FY2019/20	13 112 321 197	5 905 399 667	5 748 122 247	1 814 939 085	1 480 212 530	1 353 849 671	292 942 263	2 343 164 650	601 017 974
GGR, FY2020/21	8 075 932 542	5 645 269 379	3 918 530 389	2 058 984 744	970 226 198	688 054 486	162 009 414	1 423 696 775	306 849 610
GGR, FY2021/22	9 922 515 409	8 559 389 433	5 465 114 334	4 953 759 202	1 667 943 324	1 198 675 864	236 898 523	1 953 756 225	472 937 409

Trend in share of total GGR, comparison all modes (FY2009/10 – FY2021/22)



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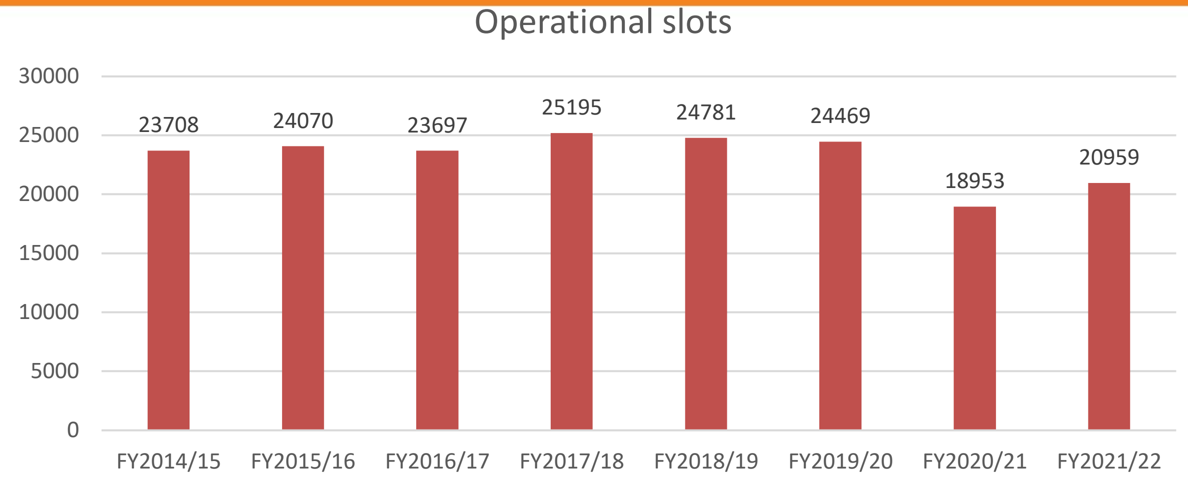
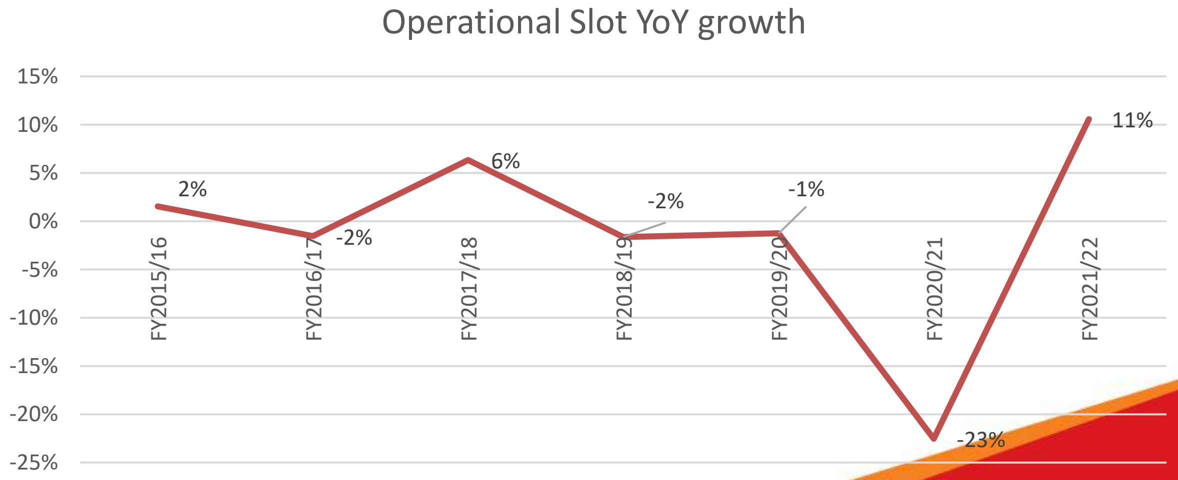
Overview of the Casino Industry

Casino Slots

- Number of operational slots since almost a decade ago have remained stable peaking at 25195 in FY2017/18 and dropping below 20000 due to Covid-19.

- Growth rate, like wise, has been slow with last two years before Covid-19 already exhibiting a decline (negative) in operational slots growth.

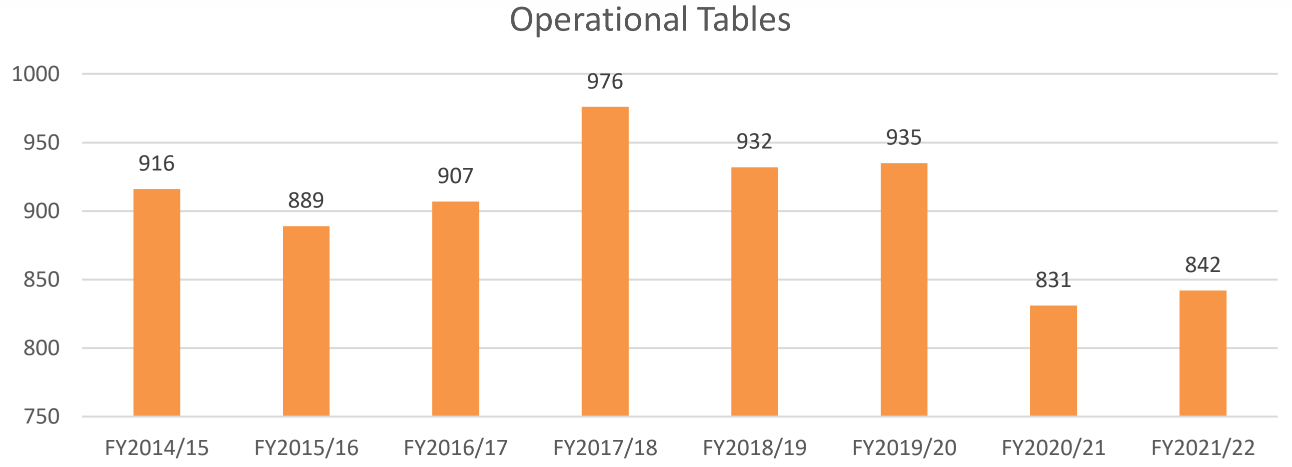


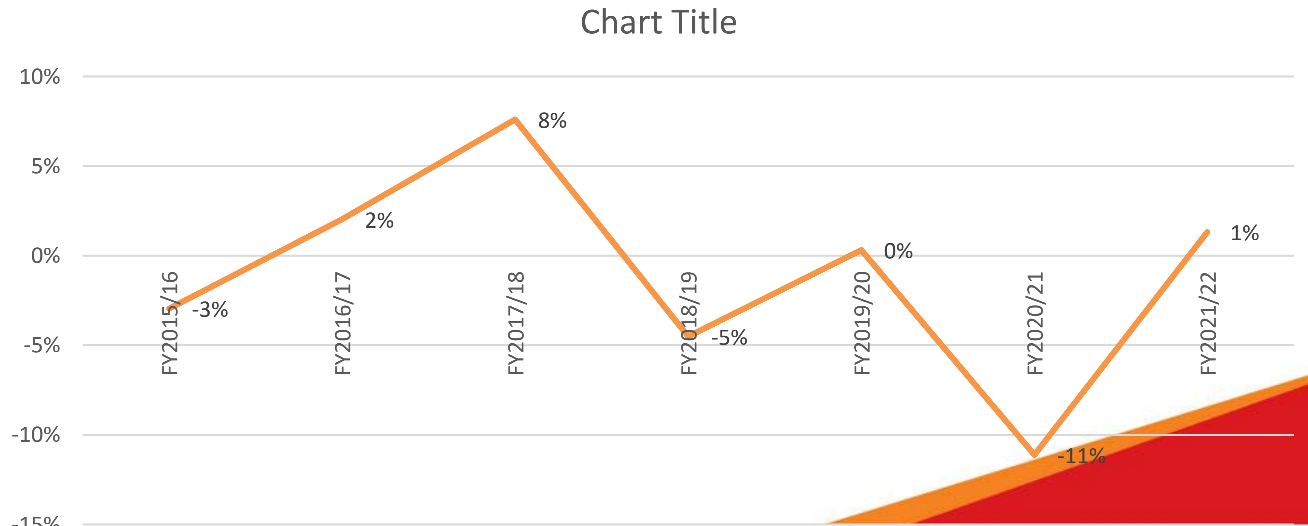


Casino tables

- Number of operational tables peaked at 976 nationally, dropping to 831 due to effect of Covid-19.

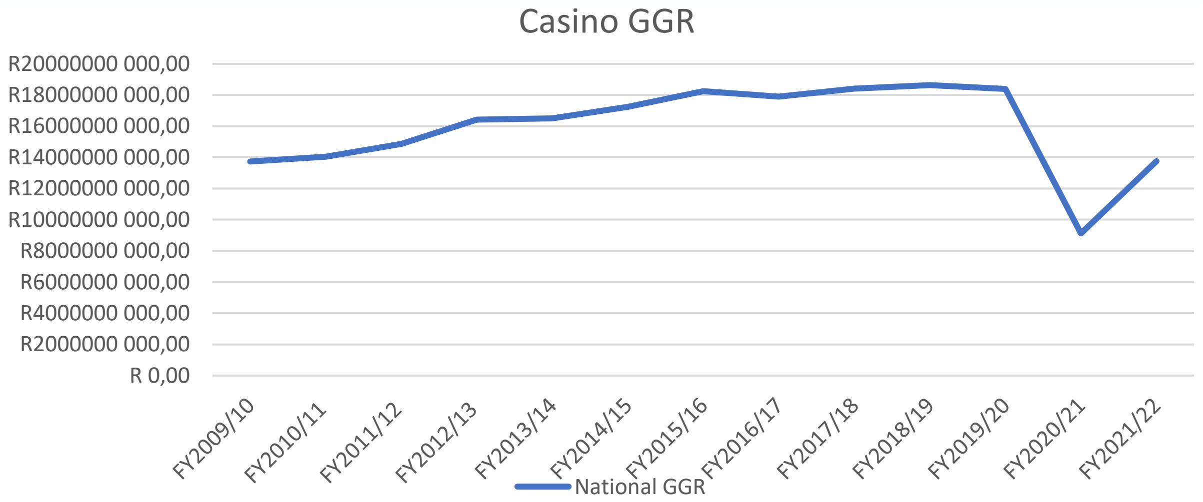
- Over last three financial years, there has been negative growth in operational tables

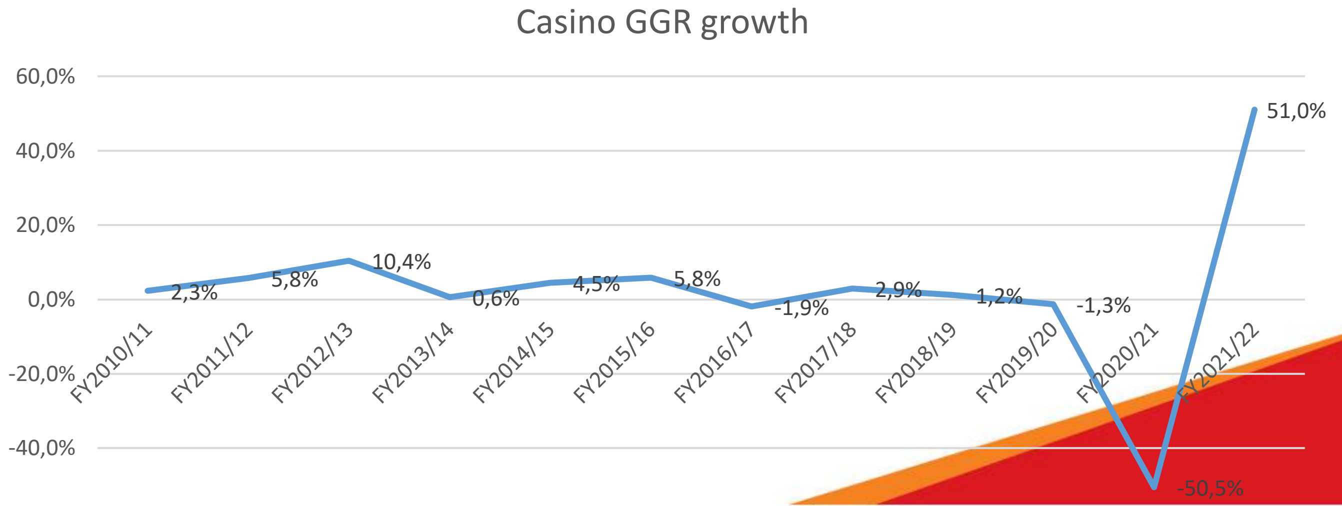




Casino industry performance

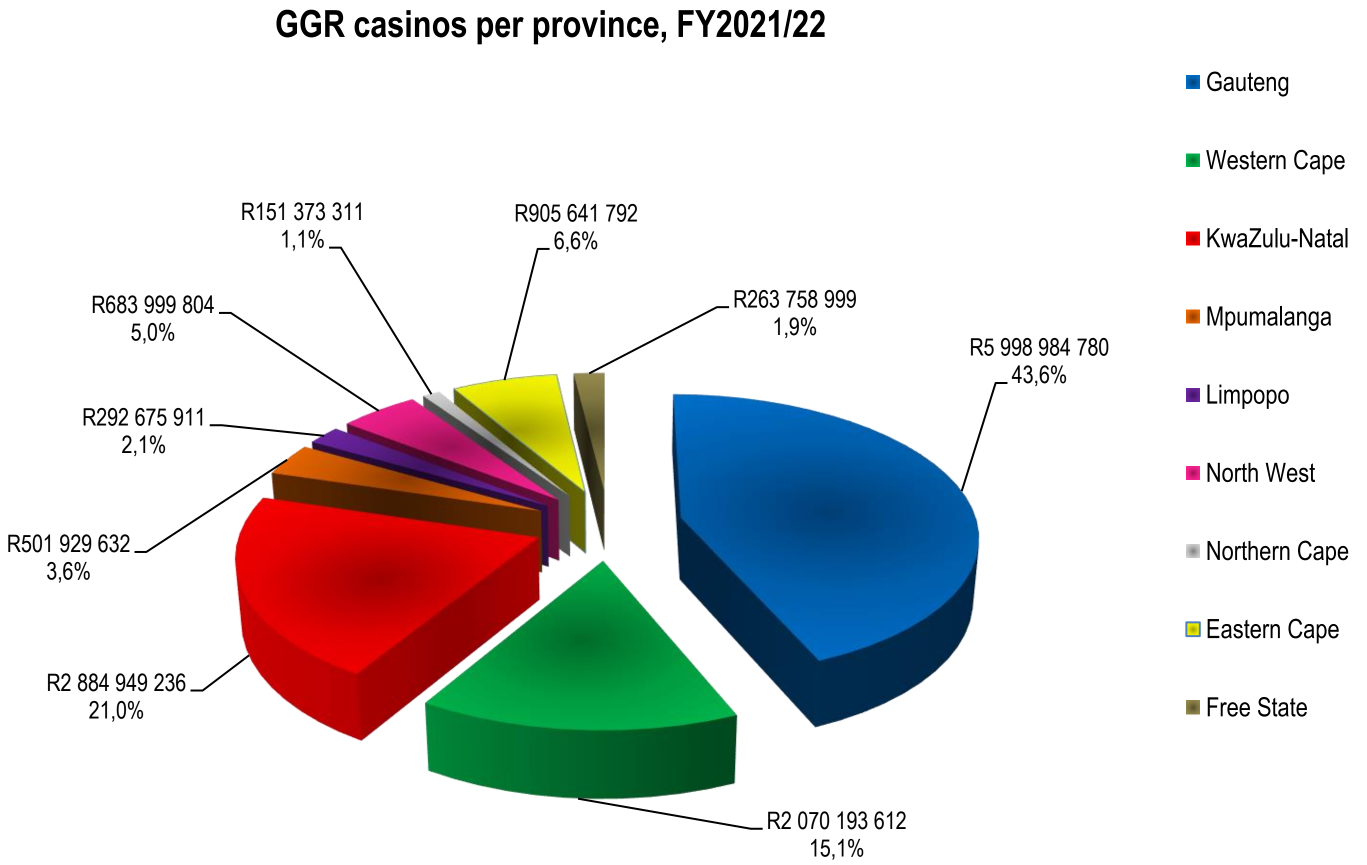
- Prior to the pandemic, casino industry growth had been relatively flat.
- As shown in figure, before Covid-19, the industry's growth peaked at 10% (YoY) in FY2012/13. However, by FY2018/19 annual growth was just 1.2%, turning negative in FY2019/20 (-1.3%).





Casino GGR per province

- Largest share of casino revenue between provinces - in Gauteng, Western Cape and KZN
- Provinces where casinos generate the largest proportion of GGR relative to other modes within the province are Gauteng, KwaZulu-Natal, Eastern Cape, North West, Northern Cape and Free State.



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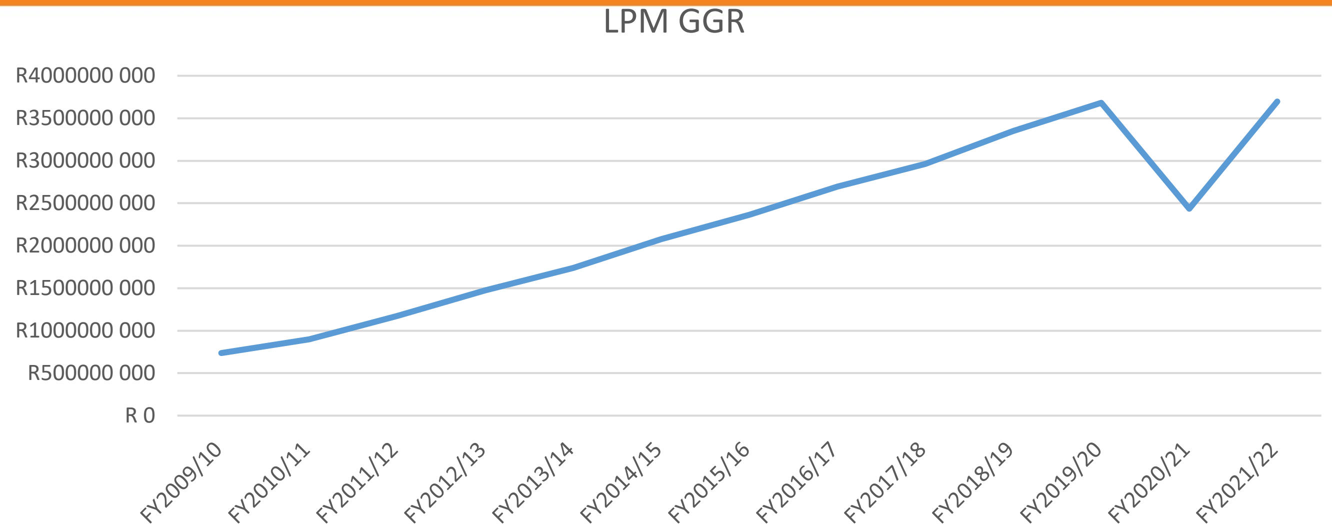
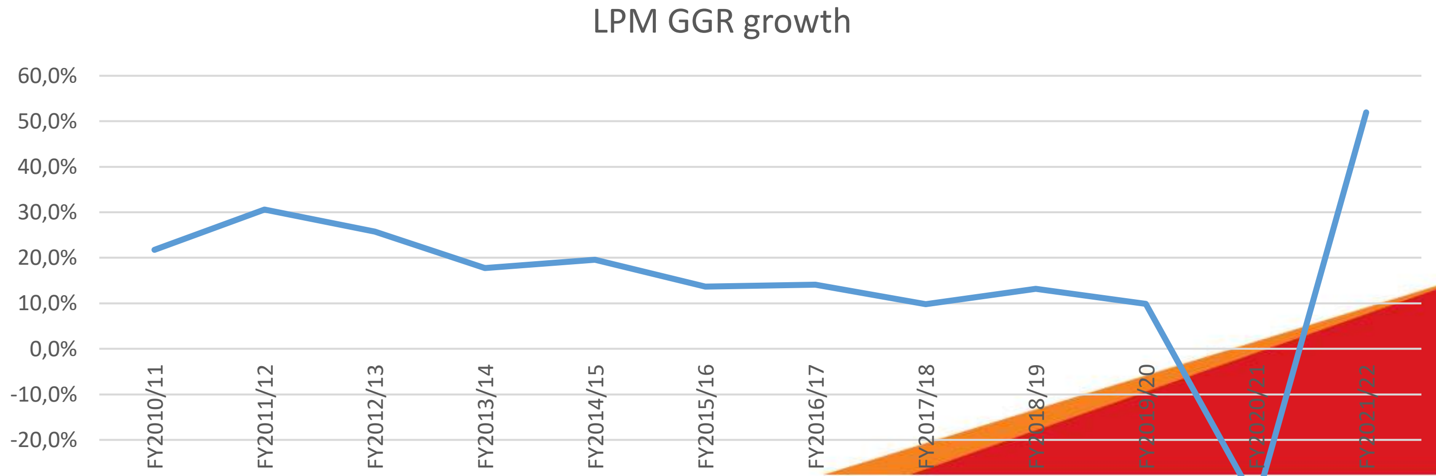
Overview of the LPM Industry

LPM GGR growth and phase 1 allocation

- Pre-pandemic trend: LPM GGR growth has been positive, higher than casino growth but growing at a declining rate
- Fell by 33.9% due to Covid-19 and bounced back by 51.9%
- LPM slow rollout – most provinces have not reached phase 1 allocation





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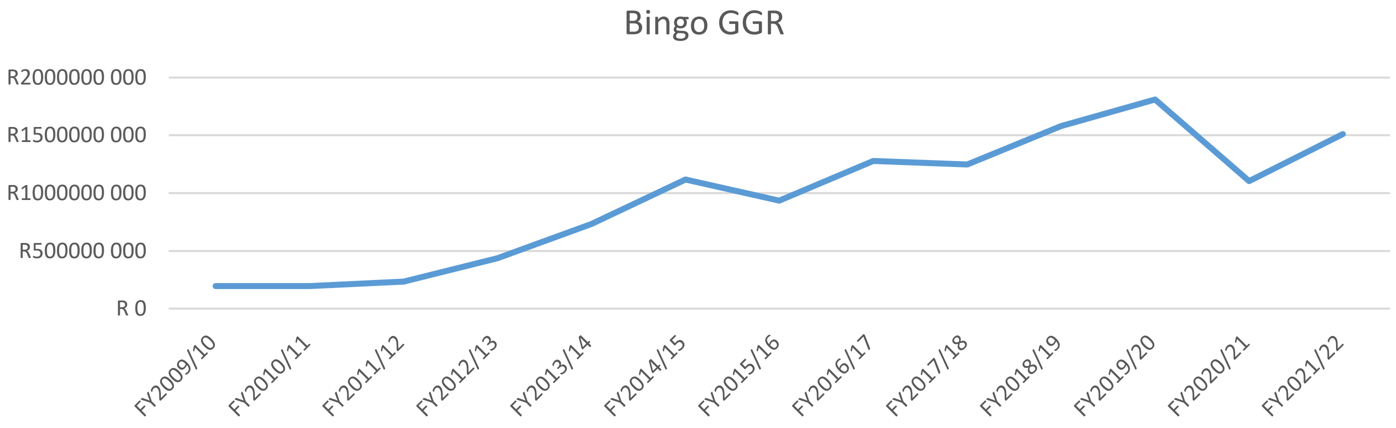
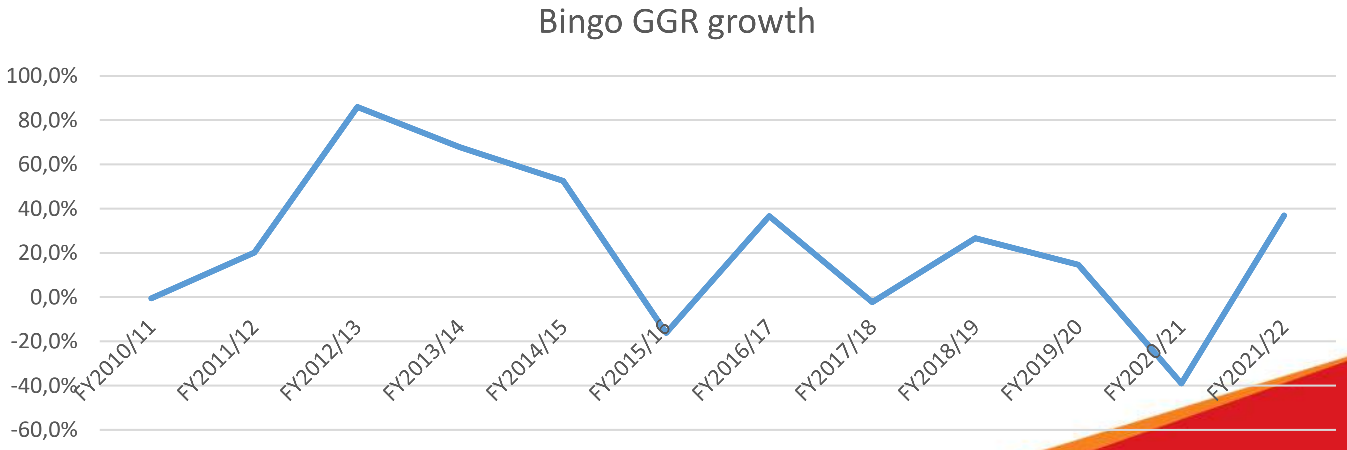
Overview of the Bingo Industry

Bingo GGR and EBT growth

- Pre-pandemic trend: Bingo had periods of high growth (52.5% in FY2014/15), significantly higher than the other modes, but this has fluctuated over the years.
- Fell by 39.1% due to Covid-19, grew by 36.9% the following year
- EBTs experiencing significant growth; traditional bingo declining





Bingo GGR and EBT growth

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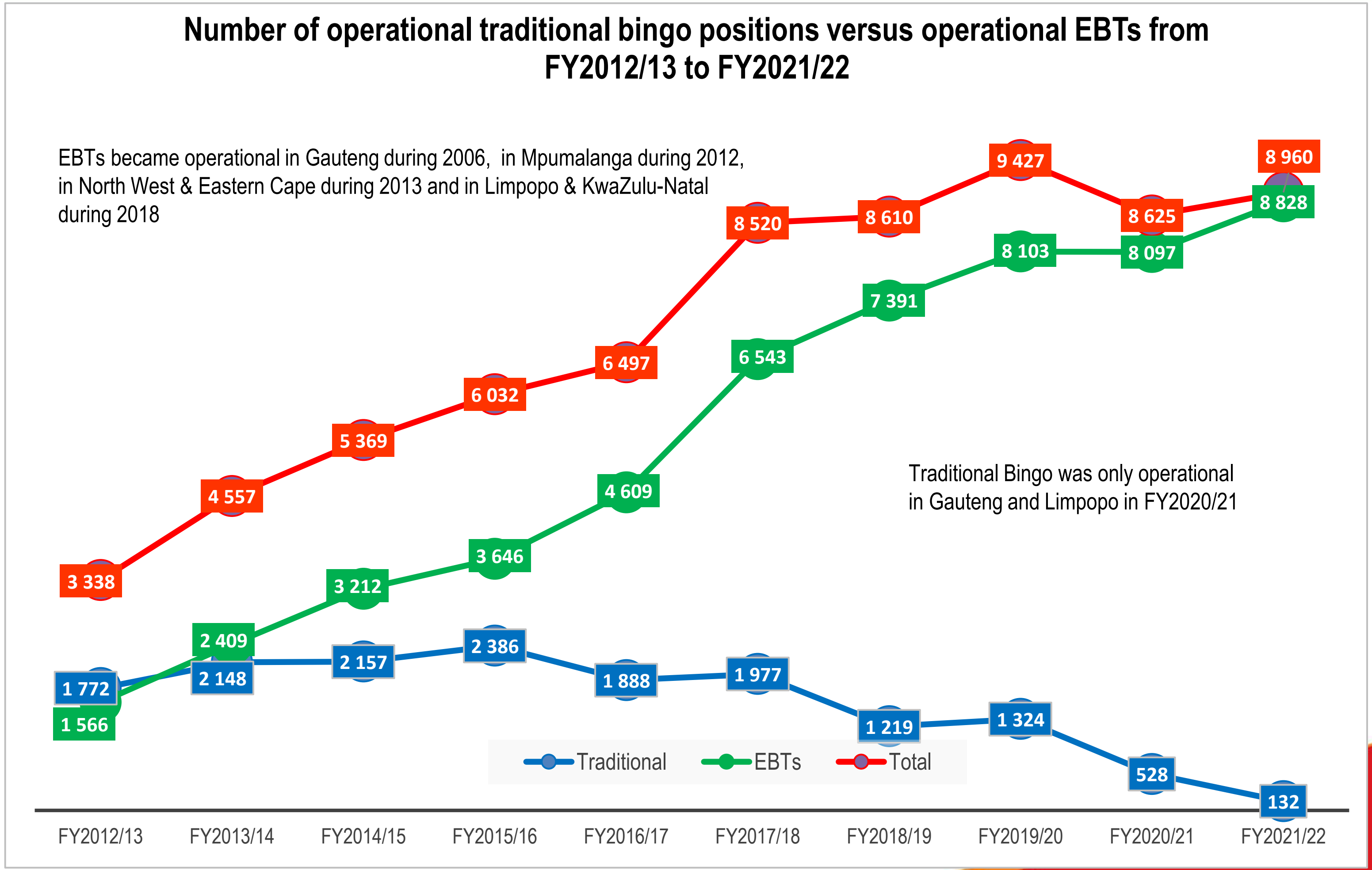

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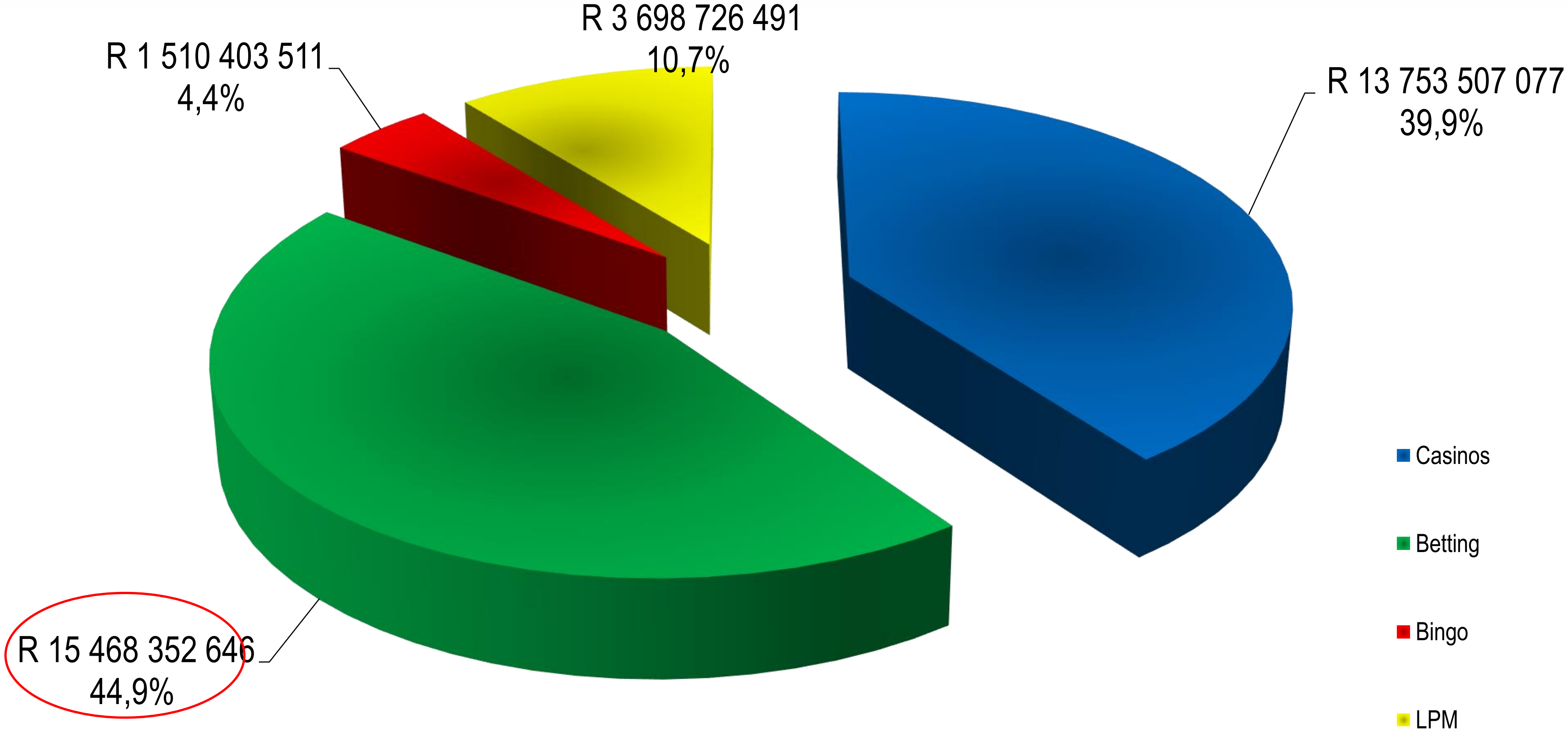
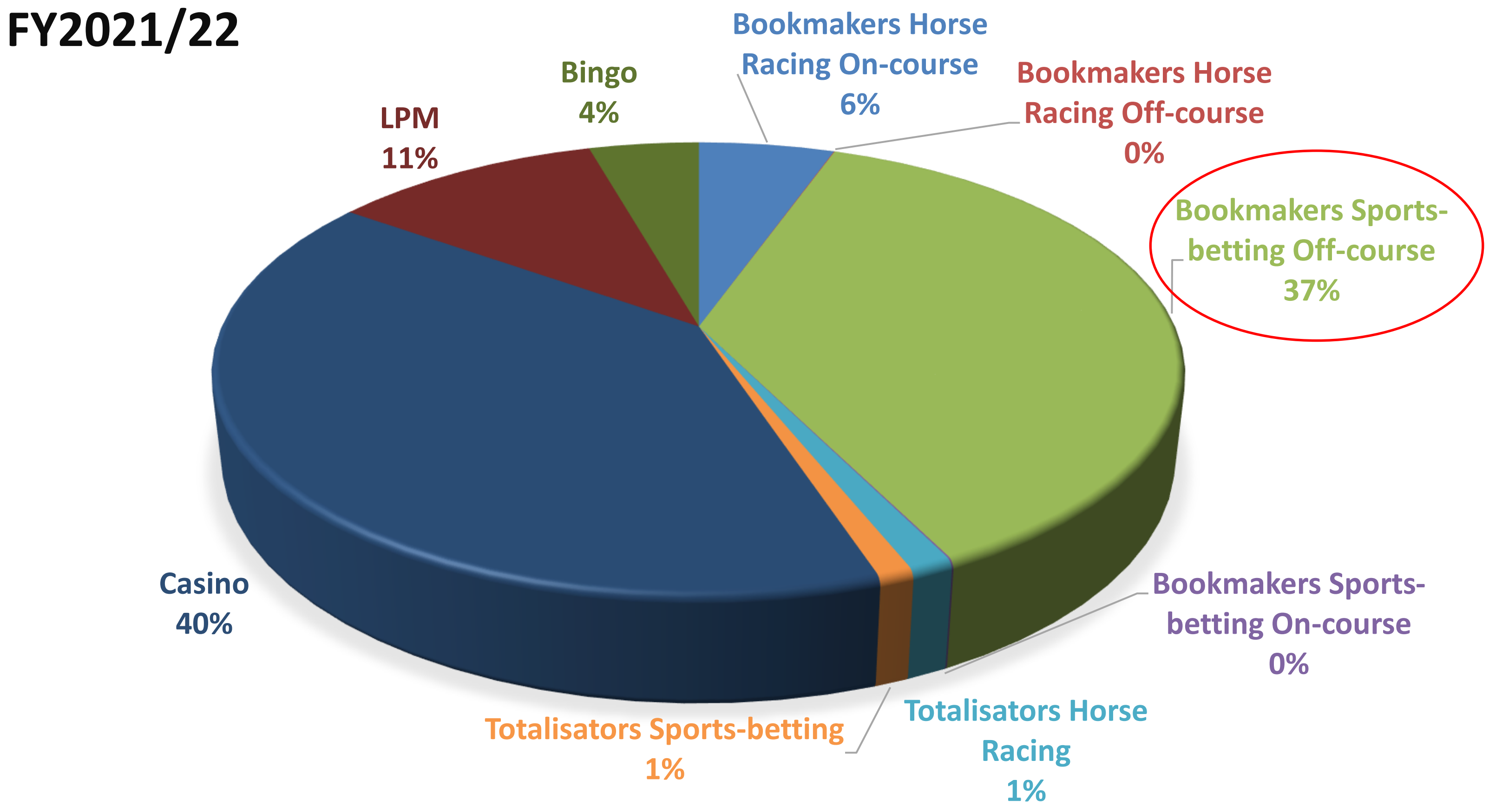
Overview of the Betting Industry

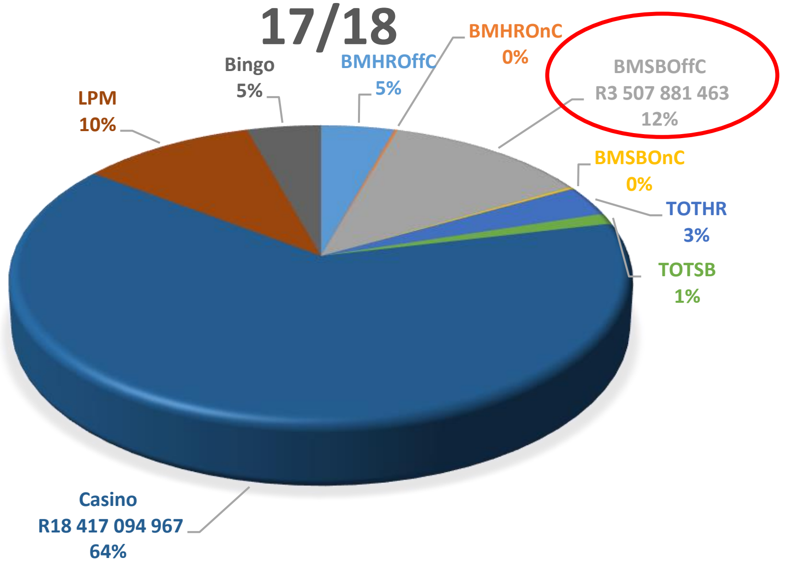
GGR per gambling mode, all provinces, FY2021/22

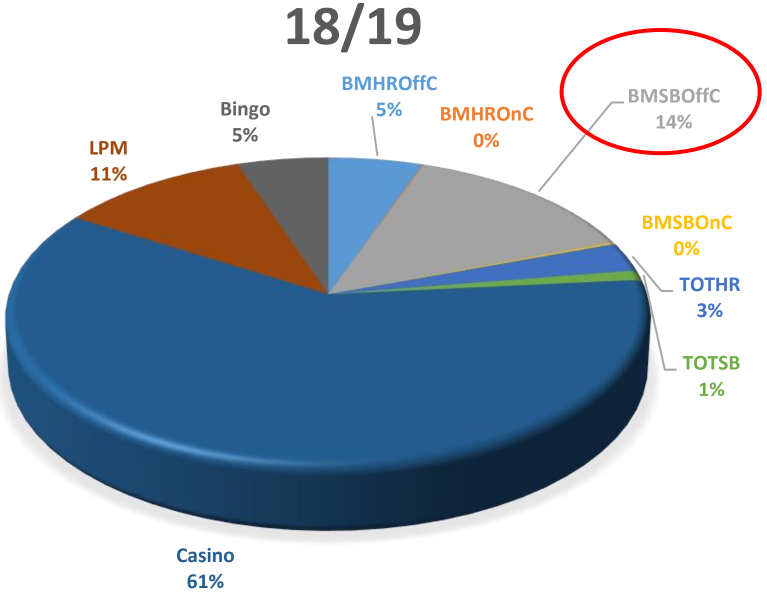


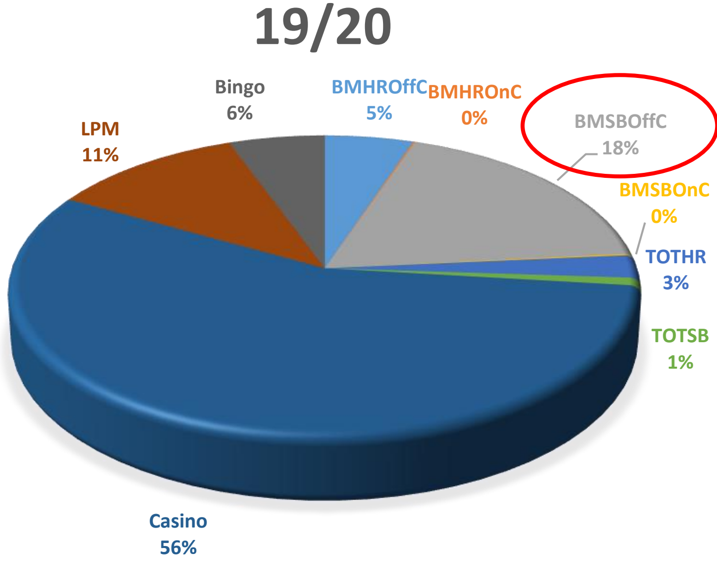
Total GGR: R34 430 989 724

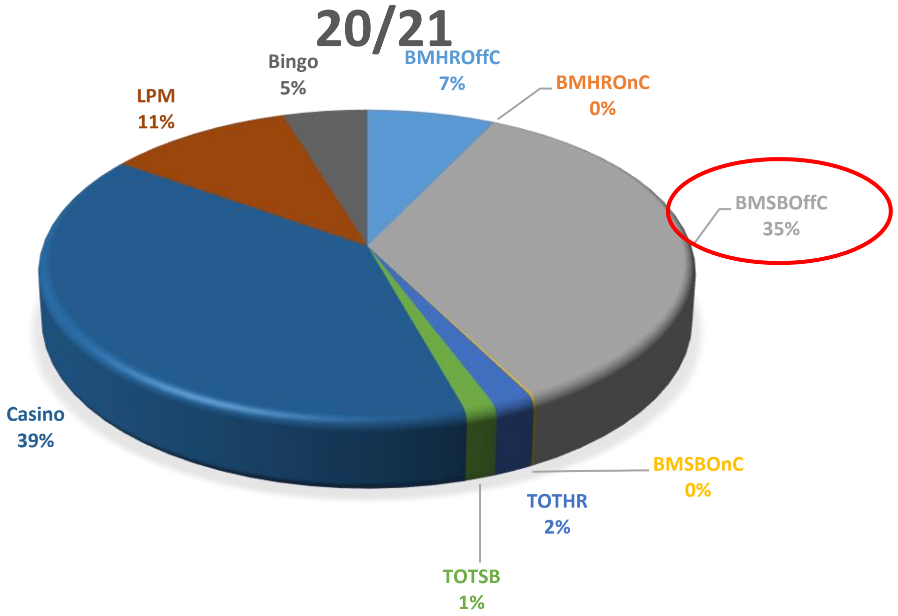
In FY2021/22, Bookmakers offering Sports-betting Off course had 37% share of the total market in terms of GGR

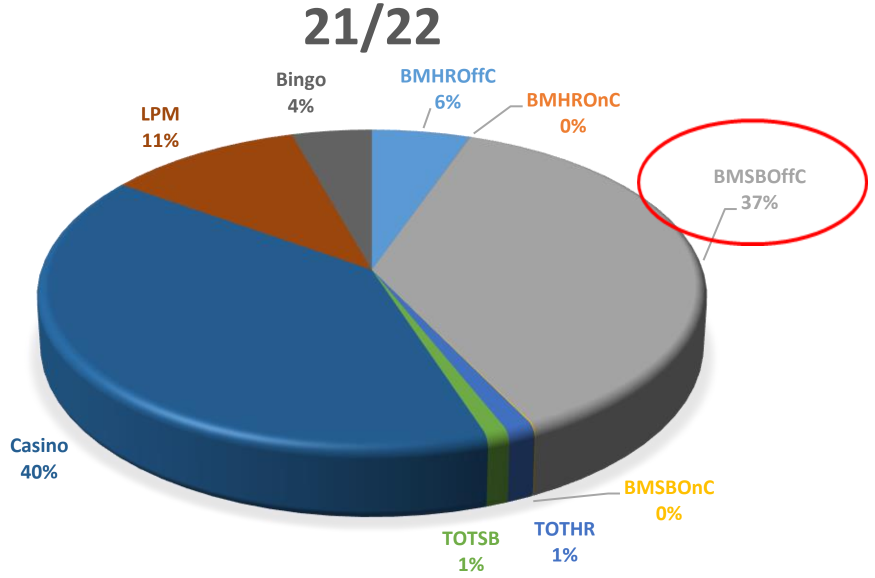



17/18
Bingo
5%
BMHROffC
5%
BMHROnC
0%
BMSBOffC
R3 507 881 463
12%
LPM
10%
BMSBOnC
0%
TOTHR
3%
TOTSB
1%
Casino
R18 417 094 967
64%


18/19
BMHROffC
5%
Bingo
5%
BMHROnC
0%
BMSBOffC
14%
LPM
11%
BMSBOnC
0%
TOTHR
3%
TOTSB
1%
Casino
61%

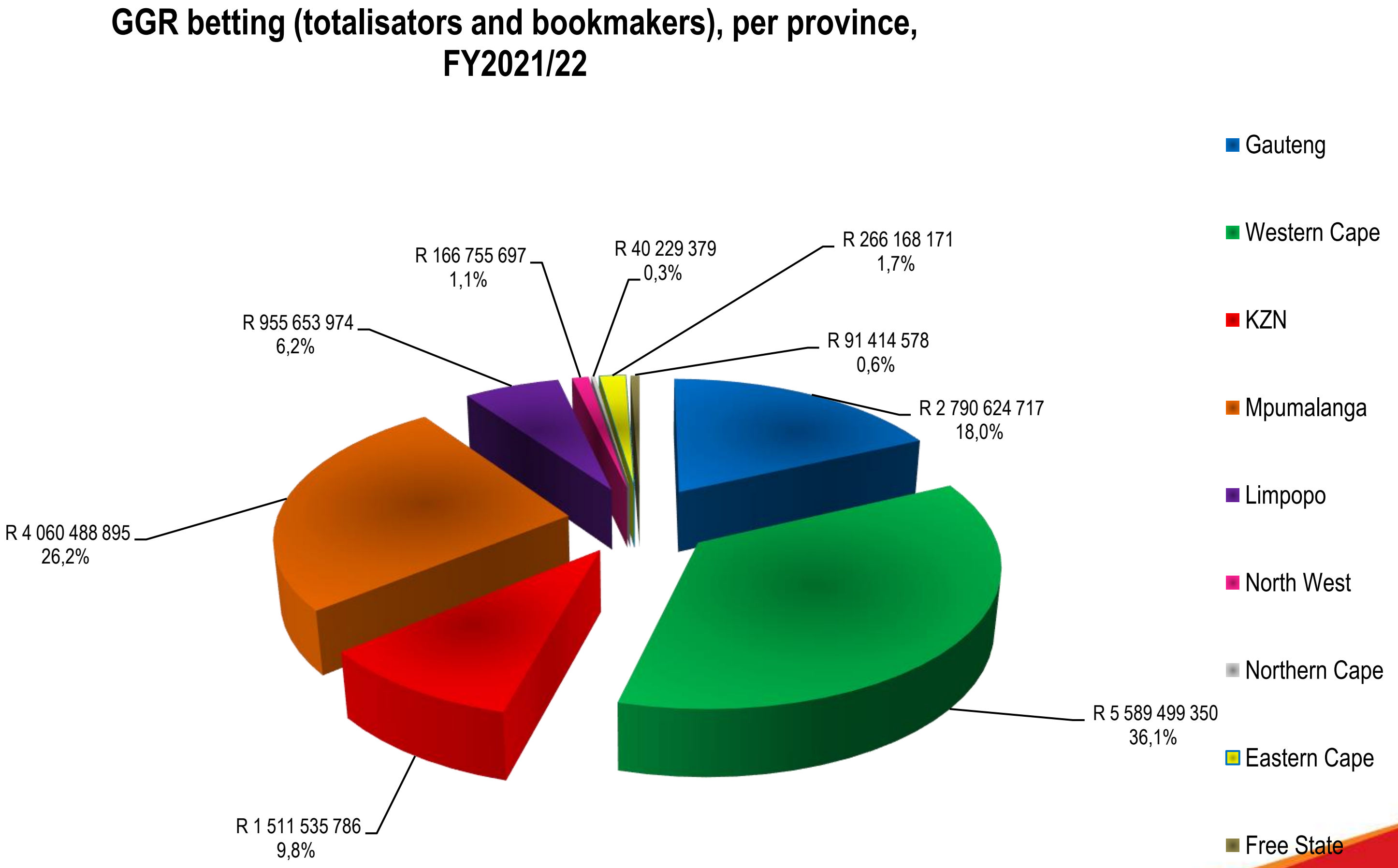

19/20
Bingo
6%
BMHROffC
5%
BMHROnC
0%
BMSBOffC
18%
LPM
11%
BMSBOnC
0%
TOTHR
3%
TOTSB
1%
Casino
56%


20/21
Bingo
5%
BMHROffC
7%
BMHROnC
0%
LPM
11%
BMSBOffC
35%
Casino
39%
BMSBOnC
0%
TOTHR
2%
TOTSB
1%


21/22
Bingo
4%
BMHROffC
6%
BMHROnC
0%
LPM
11%
BMSBOffC
37%
Casino
40%
BMSBOnC
0%
TOTSB
1%
TOTHR
1%

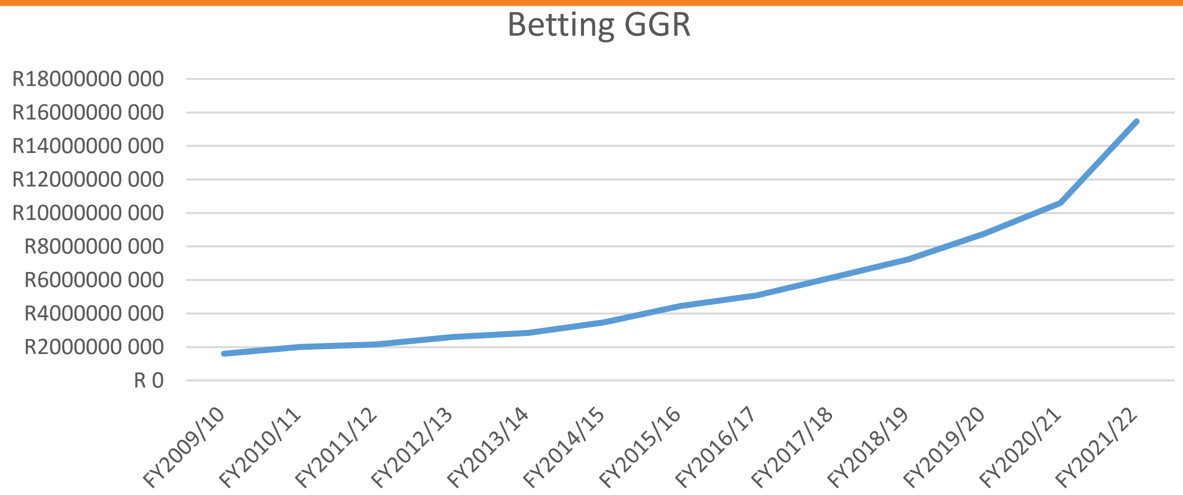
Betting GGR per province

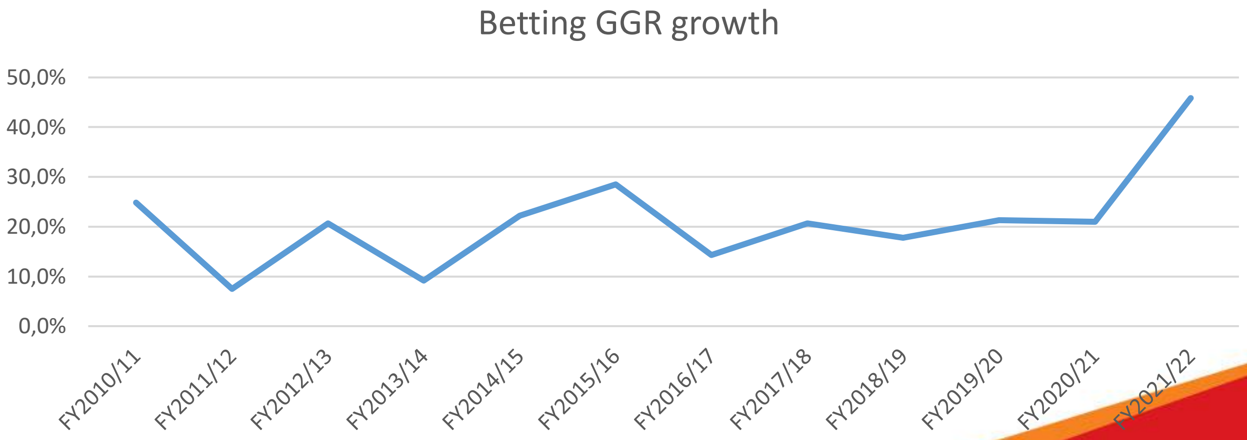
- Largest share of betting revenue between provinces - in the Western Cape, Mpumalanga and Gauteng
- In Mpumalanga (82.5%), the Western Cape (65.2%) and Limpopo (57%), the largest proportion of GGR is generated by the betting industry.



Betting industry performance

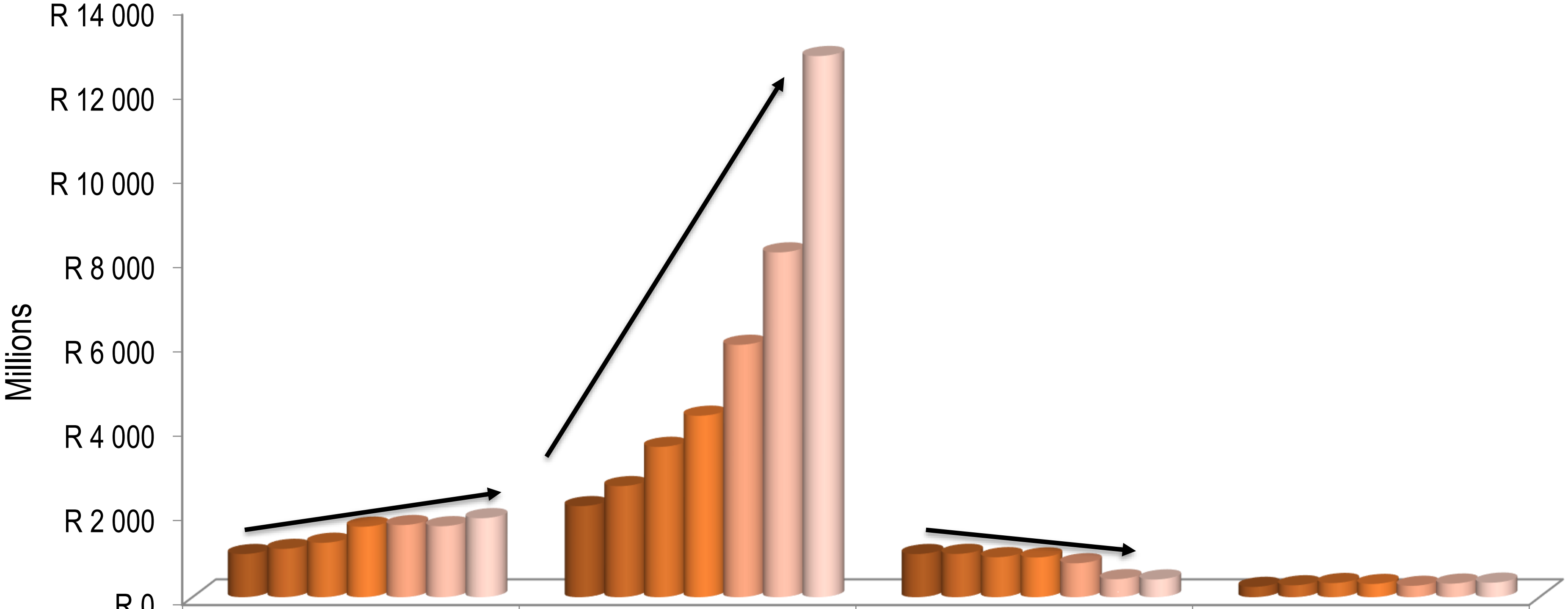
- Prior to the pandemic, betting industry revenue was steadily growing and particularly started growing fast from FY2016/17.
- As shown in figure below, the industry growth rate has maintained double digits since FY2014/15, peaking at 45,9% in FY2021/22 becoming the fastest growing mode of gambling in the last decade.





Trend in GGR, bookmakers & totalisators FY2015/16 to FY2021/22

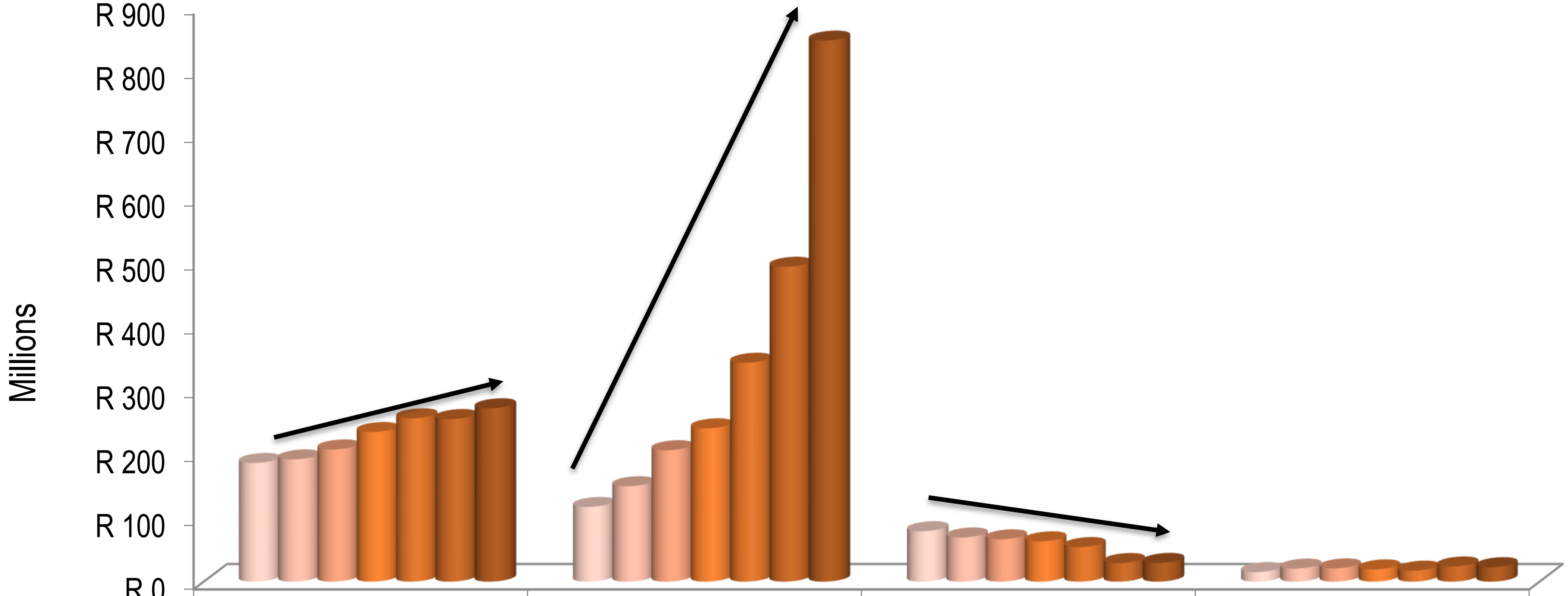
Rand value of the gross revenue by an operator



	Bookmakers, Horse racing	Bookmakers, Sports betting	Totalisators, Horse racing	Totalisators, Sports betting
FY2015/16	R1 023 035 305	R2 157 995 813	R1 023 264 197	R244 470 444
FY2016/17	R1 145 152 334	R2 632 669 149	R1 026 450 253	R281 358 927
FY2017/18	R1 289 865 606	R3 563 907 799	R947 674 300	R335 385 203
FY2018/19	R1 670 139 602	R4 301 437 444	R941 913 021	R313 592 486
FY2019/20	R1 709 552 821	R5 982 739 609	R803 813 609	R269 158 347
FY2020/21	R1 682 465 082	R8 174 191 238	R426 303 791	R321 792 680
FY2021/22	R1 872 054 678	R12 832 845 899	R419 575 899	R343 876 171

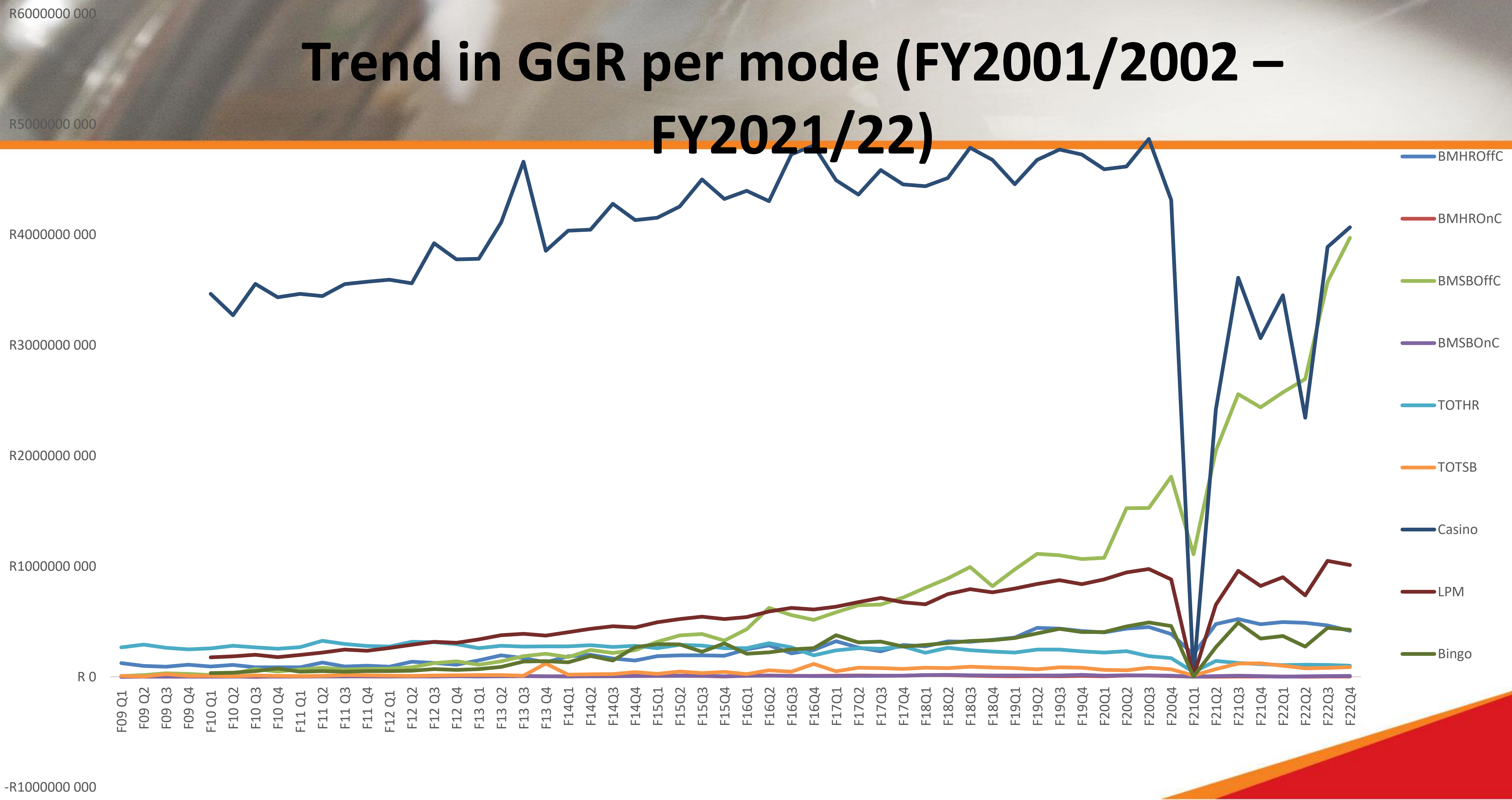
Trend in taxes/levies, bookmakers & totalisators, FY2015/16 to FY2021/22

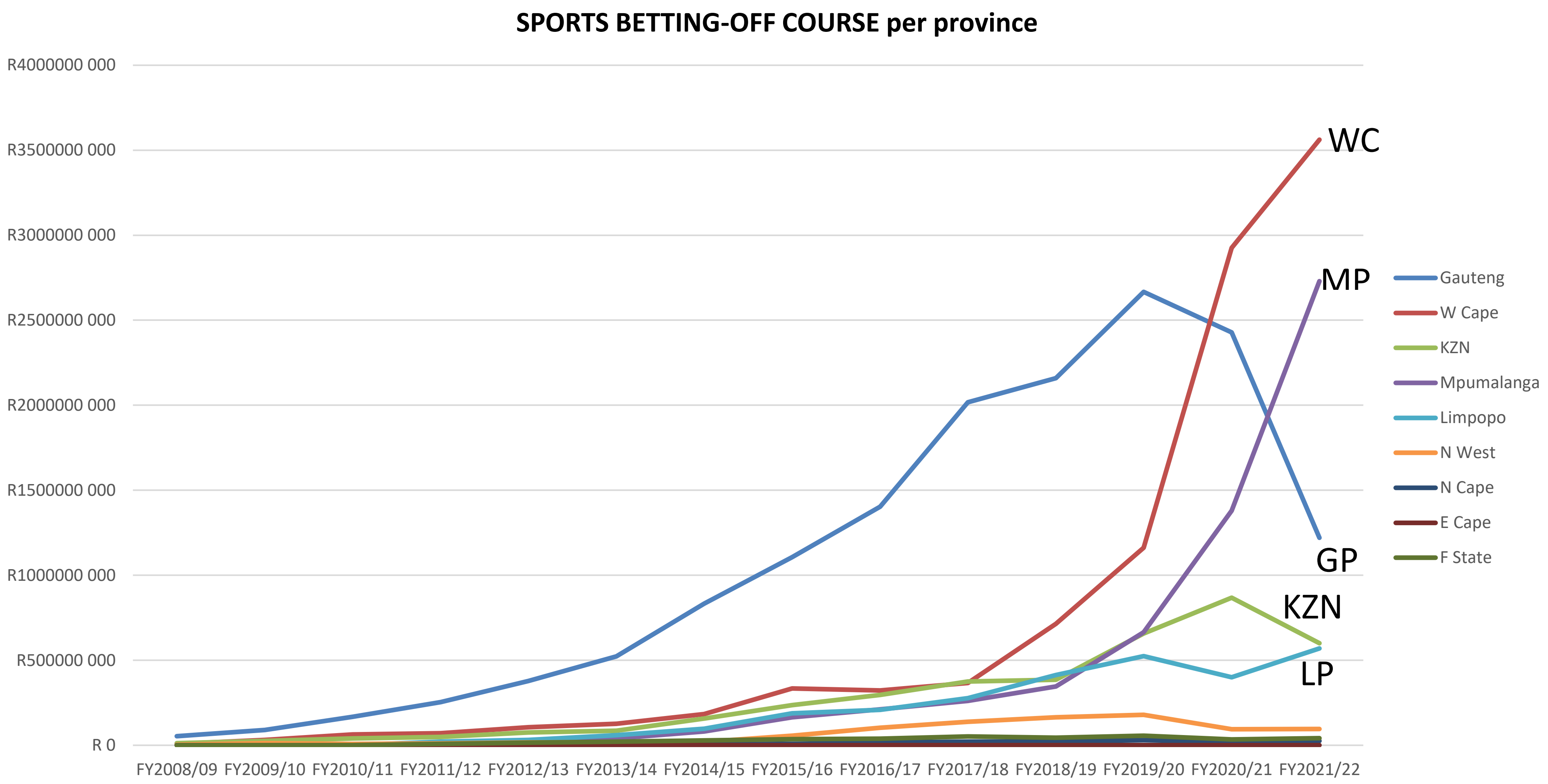
Gambling tax levied and collected by PLAs



	Bookmakers, Horse racing	Bookmakers, Sports betting	Totalisators, Horse racing	Totalisators, Sports betting
FY2015/16	R185853 671	R116983 455	R78996 242	R14942 372
FY2016/17	R191457 705	R149433 682	R69202 264	R20403 459
FY2017/18	R207019 752	R205840 847	R66260 932	R20695 820
FY2018/19	R234294 564	R240137 770	R63114 440	R19163 213
FY2019/20	R255725 137	R342839 295	R54125 488	R17218 199
FY2020/21	R254604 053	R493087 476	R29106 630	R23708 890
FY2021/22	R271481 798	R846678 613	R29315 067	R22596 620

Trend in GGR per mode (FY2001/2002 – FY2021/22)




SPORTS BETTING-OFF COURSE per province
R4000000 000
R3500000 000
R3000000 000
R2500000 000
R2000000 000
R1500000 000
R1000000 000
R500000 000
R 0
FY2008/09
FY2009/10
FY2010/11
FY2011/12
FY2012/13
FY2013/14
FY2014/15
FY2015/16
FY2016/17
FY2017/18
FY2018/19
FY2019/20
FY2020/21
FY2021/22
WC
MP
GP
KZN
LP
Gauteng
W Cape
KZN
Mpumalanga
Limpopo
N West
N Cape
E Cape
F State

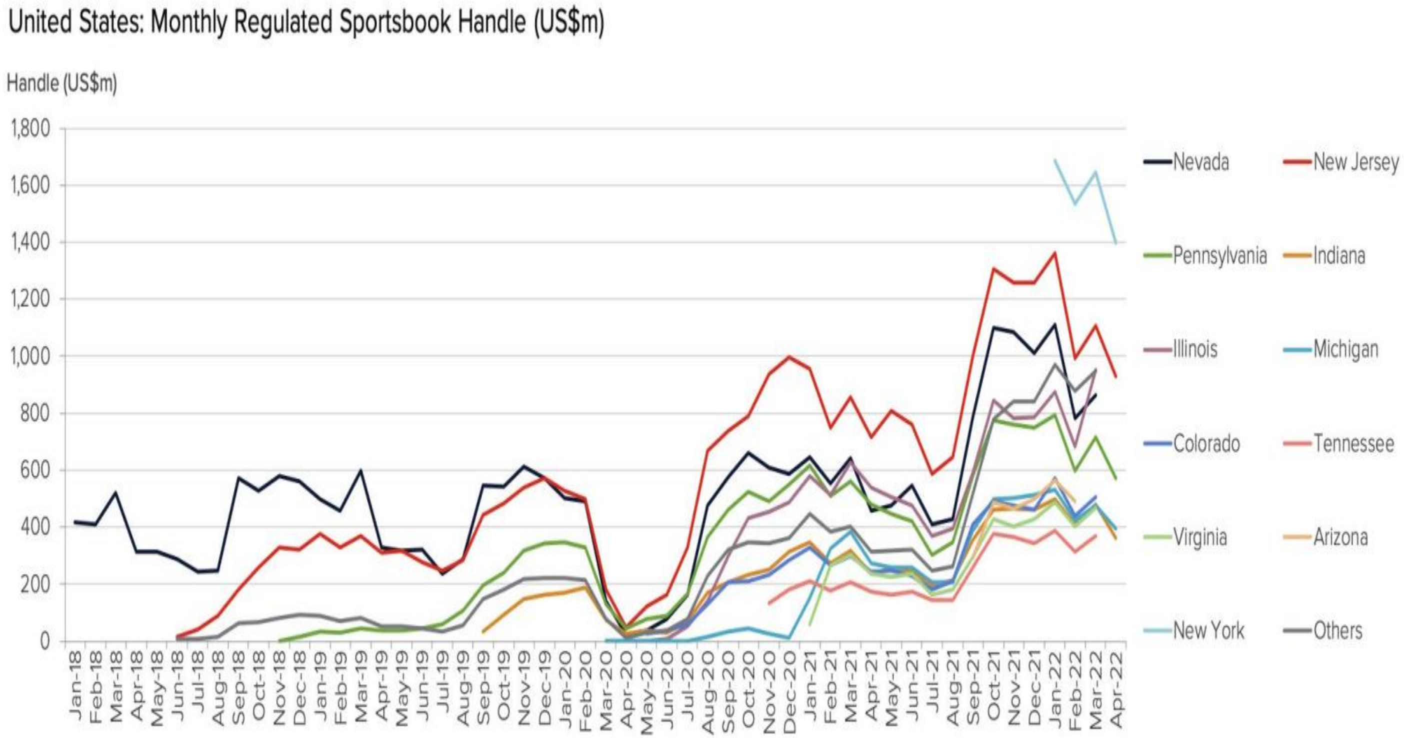
Betting industry - Broad trends

- Overall, the **Totalisator sector** has not grown within South Africa for the last decade. GGR has declined for Tote Horse Racing and so have taxes. GGR for Tote Sports Betting has also had low growth rate.
- **Bookmakers** growth on the other hand has sky-rocketed within South Africa. The Bookmaker Sports Betting GGR has reached almost R12,8 billion, and taxes have followed a similar trend
- In FY2008/09 horse racing generated larger GGR compared to sports betting for all provinces.
- Sports betting overtook horse racing, and by FY2021/22 all provinces generated a larger proportion of their total betting GGR from sports betting.
- Until the pandemic hit, sports betting GGR for all provinces was on an upward trend.
- While the betting sector's performance has been positive on the whole during the era of the pandemic, analysis at the provincial level reveals that most provinces experienced declines in revenues as a result of the pandemic and have not recovered to pre-pandemic levels. The increase that occurred in the betting industry during the pandemic has thus been driven by the performance of three provinces sports betting sectors; namely, Mpumalanga, KZN and the Western Cape.

Global Industry Trends

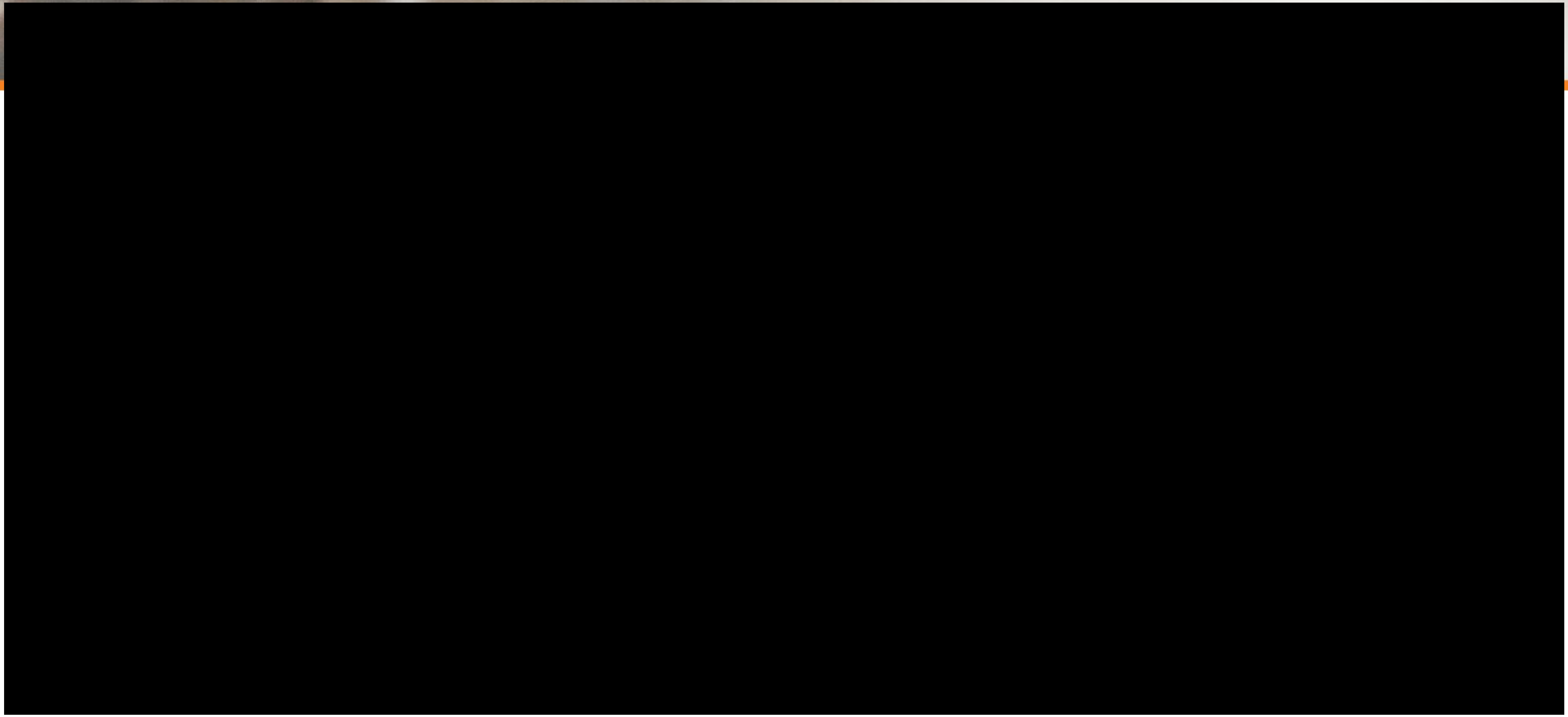
Research shows that the betting industry has experienced rapid growth across the world, especially during the Covid-19 pandemic.

The United States betting industry experienced a sharp upward turn in 2020.



Source: Vixio

Global Industry Trends



https://www.youtube.com/watch?v=fdd2ihiKVF4

Global Industry Trends

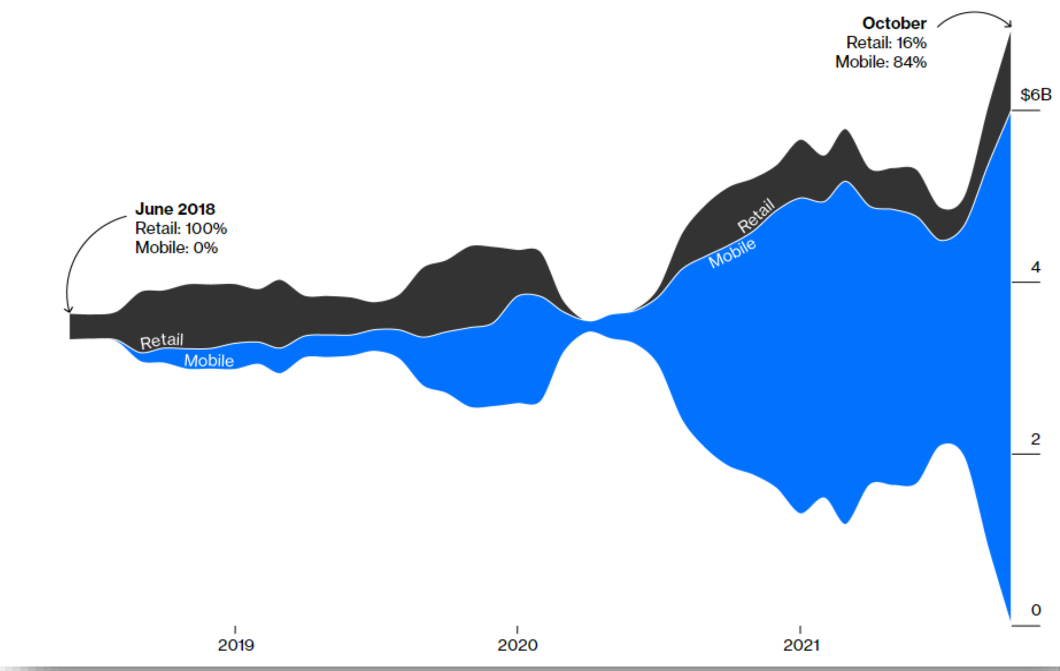
Drivers of Global betting industry growth:

Technology: Industry analysts view the digital revolution as a key driver in the sports betting market. Consumers have simple access to online sports betting platforms due to the rise of digital platforms and internet penetration.

Changing preferences following Covid-19: Consumers changing preferences for transacting online has also impacted the betting industry. Figure shows the proportion of bets placed in retail and mobile platforms in the United States between 2018 and 2021. It is evident that mobile wagering has increasingly become the preferred method of sports gambling.

Marketing: Increased advertising.

Number of fixtures and variety of games available:
Another factor cited is that there are more sports fixtures available to place bets on today, relative to previous periods



Source: Sportshandle.com

Global Industry Trends

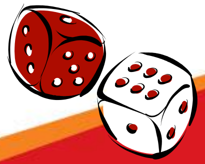
Drivers of Africa betting industry growth

- **Popularity of Football in Africa more than other sports fixtures-** According to a survey by Geopoll, football betting ranks highest in Africa (Kenya, Uganda , Tanzania, Ghana, Nigeria, South Africa). Bookmakers investing in sports-betting in Africa through strategic partnerships e.g Multichoice (DSTV) that most Africans rely on to watch football and team sponsorships

- **High mobile phone penetration-** Nigeria Kenya and South Africa reporting more than 90% mobile penetration- recipe for betting environment- More than 50% of digital sports bets are now made through mobile

- **Young Population and high levels of poverty-** Africa’s young population (20% of Africa’s population between 15 and 24 years) is young and prime for engaging in the betting industry. About 2 in 5 people live below poverty line which creates bigger appetite for gambling in the hopes of winning big.

- **Access to mobile money and digital lending APPS**



https://www.youtube.com/watch?v=rOYnEhx9L44
2:56-9:26

Looking Ahead for South Africa

These industry trends and drivers will continue to shape the landscape of gambling in South Africa

NGB

National Gambling Board
South Africa
a member of the dtic group

QUESTIONS