

AFRICA REPORT

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Growth Forecast for 2016 in Africa

SSA's (Sub Saharan Africa) economy is expected to decelerate this year and growth prospects continue to weaken on the back of low prices for raw materials. This, coupled with multiple domestic challenges, is keeping the region's growth rate below its potential. In August this year, a number of experts at the AU (African Union) downgraded SSA's outlook for the fourth consecutive month and they now expect the economy to expand 2.0% this year, which is down 0.2 percentage points from last month's estimate. For 2017, they expect the SSA region to regain momentum and expand 3.6%.

- Major Growth Countries for 2016:
- Ivory Coast
- Kenya
- Mozambique
- Tanzania
- Rwanda
- Senegal
- Botswana

Countries like Nigeria, South Africa, Uganda and Egypt saw decline in growth via GDP, Infrastructure development and other things.

Nigeria is a special case because despite the lack of major FDI it has managed to internalize the downward decline and still produce some of the continent's top E-commerce, Payment and Manufacturing businesses in 2016

Key Sectors influencing African Gaming

Key partner sectors include the following:

Telco: The growth of the telco sector has been very much based on an affordable mobile strategy. A number of telcos around the continent have understood the concept of providing affordable services and products that has allowed the industry to grow. Most telcos are involved in the gaming sector either via payments, marketing, USSD solutions or even direct gaming partnerships i.e Safaricom in Kenya, MTN across Africa and Airtel in a number of SSA countries as well.

Banking: The banking sector again has leveraged on the growth of mobile and aligned products and solution to mobile and technology. We now have USSD banking, Mobile banking without going into the bank etc. A number of Africans also now have Visa and Mastercards for online payment of goods and services. MasterCard penetration is greater in West African and Visa penetration is higher in East Africa. Southern African is a combination of the two. Banks are also moving into the mobile banking space and creating apps and wallets for cross border payment transactions i.e Eco Bank, Equity bank, Gtbank, UBA, Stanbic, Standard bank, National bank etc.

E-commerce: This sector has truly benefited from the growth of mobile, social media and digital in Africa. With the likes of Konga, Jumia, Iroko, hellofoods, flowers.za and even traditional stores like spar, pick and pay etc all going mobile to reach their clients.

Payments: The is space has also grown via the introduction of a mobile strategy across he continent. We now also have cross border payment with mobile etc. Fintech companies in the mobile payment space will be the future of Africa for money transactions. African merchants and various companies rely a lot on mobile payment aggregators and solutions to reach a mass market.

Payments as a Key Factor in Gaming

Key partner sectors include the following:

Payments solution is a critical part of the gaming market for all online companies and its also becoming huge for retail brands. The need for a cashless method of making payment has driven innovation in African payment space to compete with the rest of the world.

East Africa: Mpesa the first mobile payment solution owned by Safaricom has shown the whole world how to run a mobile payment company. The Mpesa wallet accounts for over 50% of all transaction in Kenya via their mobile wallet. We also have other mobile money solutions by banks and various other parties as well. The key here is that East Africa is very progressive in terms of payments and online banking system.

Most operators in the sportsbetting space i.e SportPesa, Betway, Betin, Mlotto, Bet365 etc are all able to trade locally and internationally using the advanced methods of payment within the region. Mobile, USSD and Online (Visa, Mastercard) are the key forms of payments. Bitcoin is also becoming a player in this market.

West Africa: The West African journey in the payment space is a developing one and the likes of Interswitch have gone a long way to create a model that allows operators and merchants to actively provide goods and services for customers via their platform. The key forms of payment in the region includes USSD(Most banks now apply this method for banking), Visa and Mastercard as well as various mobile money operators. A number of people are also experimenting with Bitcoin as well in the West African market.

Payments as a Key Factor in Gaming

Key partner sectors include the following:

Southern Africa: South Africa is the dominant player in that region and their banks provide a number of the solutions for various banks in the region. So things like Visa and Mastercard are already established in the Southern Hemisphere. Mobile payment is also a strong part of money transactions in and out of the country.

With over 10bn\$ been transacted between the region via mobile money every year to pay for goods and services on and offline to various vendors. Payment institutions are latching on to this growth to push various products and applications to end users in the market space. Gaming companies especially benefit from the advanced system of payment in this market.

North Africa: The payment space is very much controlled by French and Arabian companies because of a number of different factors. This means growth mimicks what happens in France and places like the UAE etc. A lot of advancement in mobile is a key indicator of the growth of mobile payments in North Africa.

Legal Landscape of Sports betting

The Legal landscape for Gaming specifically sports products in Africa is a lot more stable than you would think from the outside looking inwards.

Africa is still very grey in most countries. The key countries to have gaming laws are those with traditional casino's i.e South Africa, Kenya, Uganda, Mozambique, Mauritius, Swaziland, Nigeria, Tanzania and some of the Island.

Regulated Countries in East Africa:

Kenya, Uganda. Tanzania, Rwanda.

Regulated Countries in West Africa:

Nigeria, Ghana, Ivory Coast, Senegal, Burkina-Faso, Liberia, Sierra Leone

Regulated Countries in South Africa

South Africa, Botswana, Mozambique, Zimbabwe, Zambia, Angola.

Central Africa

Angola, Congo DRC, Congo Brazaville.

Most markets in Africa for Sports betting is highly regulated.

Overview on Size of Market

Total Population : Estimated @ 1.4bn

Under 35 : Estimated at 67% of total African population

Internet Penetration: 31% of total population mostly mobile data

Mobile Device Penetration: 43.4%

Major communication channels : Mobile & Social(Facebook, Whatsapp, Instagram and Twitter.

Gaming growth: Mobile sports book penetration in over 35 of the 52 countries in Africa. Various brands from Europe and Asia. Valued at over \$18bn in turnover and growing rapidly.

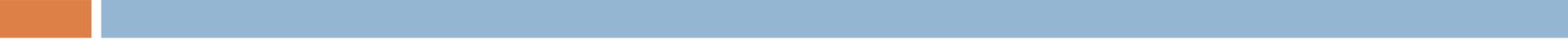
Online Purchase of Goods & Services: over 56.7% of under 35% in Africa use one form of mobile wallet or another. Increase in use for Visa and Mastercard in local markets.

Mobile Payments: Strongest form of payment in the continent.

Debit card transaction is on the increase.

Most countries are able to pay for goods and services on foreign sites using their local debit cards.

The Opportunity



The growth of gaming in Africa and the expansion of mobile networks providing data for the African market has provided the gaming landscape the right opportunity to grow.

Launch a well known international brand to the local market.

Sportsbetting is the biggest market, and has given us an insight into the opportunity and possibility of the local market in countries like Nigeria, Ghana, Kenya, Uganda, Senegal, Botswana, Tanzania, Ivory Coast, South Africa etc.

Lottery: A number of opportunities in this space across the continent.

Payments

Online Casino.

West Africa (Nigeria/Ghana)

Nigeria:

Legal landscape:

NLRC (National Lottery Commission) regulates the lottery license

All 36 states also have the right to issue their own licenses for retail based operations.

Cost:

N100M (\$150,000)/ State License cost : N20m (\$60,000)

Internet Penetration:

140m mobile phones in circulation. 80m Unique phones. 54% mobile internet penetration.

Payment methods:

Mastercard (number 1 form of payment.

Visa(Growing), Also launched the mobile Visa payment solution.

Mobile money: Paga, Vogue pay, Upstream etc.

Telco Payment: Diamond yello by MTN(Over 1.6m users in 6 months of launch)

West Africa (Nigeria/Ghana)

Nigeria:

Population :

Over 175m people

Number of National Lottery operators:

13 Licensed by the national lottery commission.

States:

Each state in Nigeria also has a right to license operators who want to run retail operations within their state as well. Lagos state is number one gaming tax income earner. Over 25 companies licensed in Lagos for sports and lottery.

With a Lagos license you can operate locally in Lagos on retail and online. But if you want to integrate with a telco to push your product you would have to provide a national license.

A number of international operators target Nigerians with Visa and Master debit cards to play online i.e Bet365, Royal Vegas Casino , Bwin etc.

West Africa (Nigeria/Ghana)

Nigeria:

Competitors:

The number 1 player is Bet9ja (They are predominantly a huge retail operator. Average monthly turnover of \$10m

The number 2 player is Naira bet and they are predominantly online . Average monthly turnover of \$3m-\$5m

Currently 20-30% margin on profit.

Opportunity: Over 1.6m Nigerians have returned to live and work in Nigeria over the past 4 years. 1.7m expats live in and work in Nigeria.

Over 60m people are online and mobile

Average age : 23

Average monthly Salary: \$700. The middle class population in Nigeria is over 4.3m strong and growing.. Upwardly mobile Nigerians are estimated at about 7.8m.

Minimum bet for gaming in Nigeria(Sports) N200 = \$.50 at black market rate and \$0.70 at official rate

West Africa (Nigeria/Ghana)

Ghana:

Legal Landscape:

Ghana Gaming Commission

Population :

26m

Internet Penetration:

14% as of 2016

Payment methods:

Mastercard (number 1 form of payment.

Visa(Growing), Also launched the mobile Visa payment solution.

ipay, Paypal.

24% of Ghanaians have mobile wallets.

Minimum bet for gaming Ghana is 5cedi =\$1

West Africa (Nigeria/Ghana)

Ghana:

GGC is the gaming commission. Over 440,000 Ghanaians have returned home in the past 5 years. Ghana has the largest congregation of expat community coming into west Africa.

Operators: Sports betting is number gaming operation in Ghana. With over 10 sports betting companies online and retail. Average income \$225 for upwardly mobile to middle class. 17% of population fall into that category.
Competitors: None for messenger or Insured Lottery.

Opportunity: Strong market with stable currency pegged to the dollars. Home to expat community in West Africa and also English speaking as well.

Ghana is known for a bed rock of education and infrastructure development over the past 15 years.

Average age: 21

Gaming revenue: Top sports betting companies in Ghana make a turnover of \$3.5m per month on average.

Gaming Tax :17.5% on NGR.

East Africa (Uganda/Kenya)

Uganda:

Gaming Commission in Uganda. .

Population :

40m

Mobile internet Penetration in Uganda: 38%

Mobile Phones(Smart) : 20m users.

Sports betting is number gaming operation in Uganda. Big international operators present in Uganda.

Betway, Premier bet, Betin, Sportspesa etc. over 15 registered operators in the country.

Cost : \$10,000 (With other associated cost for relationship management etc)

Average income: \$157 for upwardly mobile. 15% of population fall into that category.

Competitors: over 10 sports betting companies. Major players include Premier bet, Sports pesa, Betin, Betway, Ultimate Bet

Opportunity: Strong market with game crazy punters. Very educated market with strong links to the UK and American products. Thriving Chinese and Expat European community.

Average age: 18

Gaming Tax : 20%

East Africa (Uganda/Kenya)

Uganda:

Currently undergoing an overview of gaming laws and taxation. Taxation will increase in 2017 according to the gaming commission.

Payment Solutions:

Banks(Centenary bank, barclays, UBA, KCB all have Visa and Mastercard for online payment. These are the top banks.

We also have a number of online payment companies locally

Kpesa, Kopokopo,pesapal, jambopay, ipay, instantpay, paypal,

Mainly debit cards but with a growing credit card market as well.

East Africa (Uganda/Kenya)



Kenya:

BCLB:

Licenses issued for sports and lottery operators. Licenses being stopped by December 2016 to review gaming laws.

Average monthly income:

\$200

Remark: Players from Kenya can make deposit on online sites that accept Kenyas using paypal, their Visa and debit Mastercard or Credit card etc

Case Study=Kenya



Kenya population is hugely a young population with a median age of 19.3 years.

75% of the population is under 30 years old

Kenya - Median age: total: 19.3 years, male: 19.1 years, female: 19.4 years

28.7 Million Kenyans are using mobile money wallets to pay for good and services.

50% of Kenya GDP is transacted through Mobile Money

Telco(Mobile) Penetration in Kenya



Mobile and internet penetration high in Kenya.

88.1% mobile phone penetration. 37.8 Million people

69.9% Internet penetration

31.9 Million people

The leading mobile money service is transacting about 5 billion shillings (\$50 million) every day

MPESA provider has said publicly that sports betting is driving significant volumes.

Strong market for Visa and Mastercard. Mainly debit but growing credit card economy as well.

Ability to do online transaction with foreign purchase etc.

Marketing Spend 2015 / 2016 in Kenya

Communication (Kshs. 8.5B)



Communication (Kshs. 2B)

Finance (Kshs. 3.6B)



Finance (Kshs. 1.8M)

Beverage (Kshs. 2.6B)



Beverage (Kshs. 1.7B)

Media (Kshs. 1.4B)



Media (Kshs. 1.5B)

Betting and Gambling (Kshs. 0.9B)



Betting and Gambling (Kshs. 1.4B)

Food (Kshs. 2.8B)



Food (Kshs. 1.4B)

Southern Africa(South Africa/Zambia)

Zambia:

Population:

15m

License:

License opportunity still available.

Average monthly income : \$120

Opportunity:

Compete in a sports crazy market with a trust worthy brand.

Payment solution:

Mastercard, Visa, Paypal, NFC, Mobile payments

Bank transfer etc