

BETTECH ECOSYSTEM 2022

PICKSWISE

RACING POST



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1. This is our own work, the research was compiled by a team of internal researchers and includes those businesses working in regulated European and North American markets.
2. The information provided within the report is not definitive and is the opinion of Spotlight Sports Group and not intended to provide legal, accounting, investment or policy advice, nor should they be used as a forecast.
3. Where a holding group owns a more recognisable supplier brand the graphic showcases the recognisable brand.

INTRODUCTION

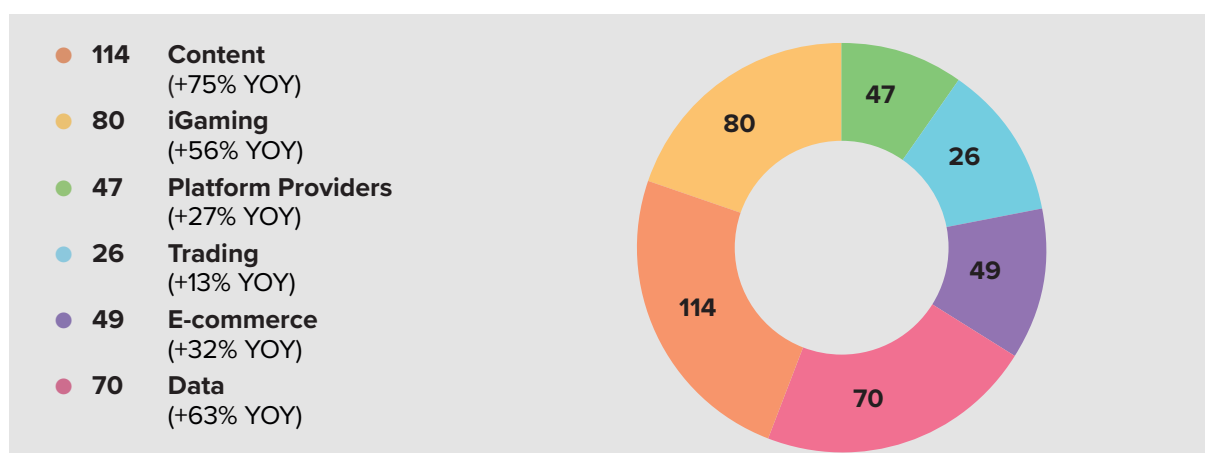
Welcome to the 2022 BetTech Ecosystem report from Spotlight Sports Group. The first edition of the report, published last year, received excellent feedback from across the industry and we hope this year's report is as equally useful.

The 2022 report has been compiled and published by our internal teams in collaboration with a mix of independent experts. We would like to thank all of those who have contributed for their input and perspective on the many issues that are relevant to our industry.

This report and the visualisation illustrate the different verticals within the ecosystem but are not meant to be definitive. The goal merely is to help showcase the different strands of our industry across the key regulated regions.

By doing so, we hope to explain how different suppliers can or do contribute to the betting and gaming products that millions of players enjoy around the world every day. We also hope it can be used to enable those less close to the industry to better understand it.

The 2022 BetTech Ecosystem contains 321 business units that sit across the maturity spectrum from regional startups to global conglomerates. We have added 127 new entrants this year. The biggest changes were:



We hope you enjoy reading the second edition of the BetTech Ecosystem report and as ever please get in touch and share your feedback to help us improve this project for 2023: bettech@spotlightsportsgroup.com.

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THREE KEY TAKEAWAYS

The importance of the US market, the opportunity in Ontario and tech ownership vs. outsourcing are still important themes in 2022. However, while these remain key, the landscape continues to evolve. This year we have seen a greater focus on emerging markets such as Latin America, and regulatory challenges in more established markets.

Wider global issues, such as inflation impacting disposable income are also worth noting when we look ahead to the next 12 months. A recent YouGov survey in the UK found that 32% of respondents will spend less on gambling in the coming months, while a further 18% say they will stop playing entirely.

1 Everyone knows more about North America, but we don't know everything

The whole sector now knows the answers to some of 2021's biggest industry questions. Primarily, the New York roadmap became clear, as did the taxation. But the assumption that other state roll-outs are a given and will happen overnight is being challenged by delays seen in states like Ohio and Maryland. Further to that, all eyes remain on the what & when in Florida, Texas and California. Next door, the Ontario model also became clear; though what remains unknown is if that is the model for the rest of Canada.

2 Latin America could be moving from 'maybe' to 'probably'

The winds of change are volatile but the sentiment seems to be shifting to broader regulation of some of the Latin American markets. The US & Canada remain the top priority for most global businesses, but some of the LATAM territories are getting front of mind. If Brazil regulated online sports betting nationwide tomorrow, it would have a bigger audience than can bet legally online in the US today. That can't and won't be missed by any global operator. As always, that doesn't mean it's right for every business. The required local expertise (language and knowledge) means building the right team and finding the right partners are essential.

3 No retain, no gain

Sportsbooks and the vast array of suppliers globally should all be thinking about retention solutions. The new market tailwinds bring users in, but some of the headwinds mean that driving incremental loyalty matters more than ever. Operationally, that actually means finding meaningful differentiation. Some of the fertile areas for growth are purely proposition based or will focus on better personalisation and improving event pages through content integration. Those that can pull that together effectively can drive incremental growth.

CHAPTER 1

Investigating the global landscape

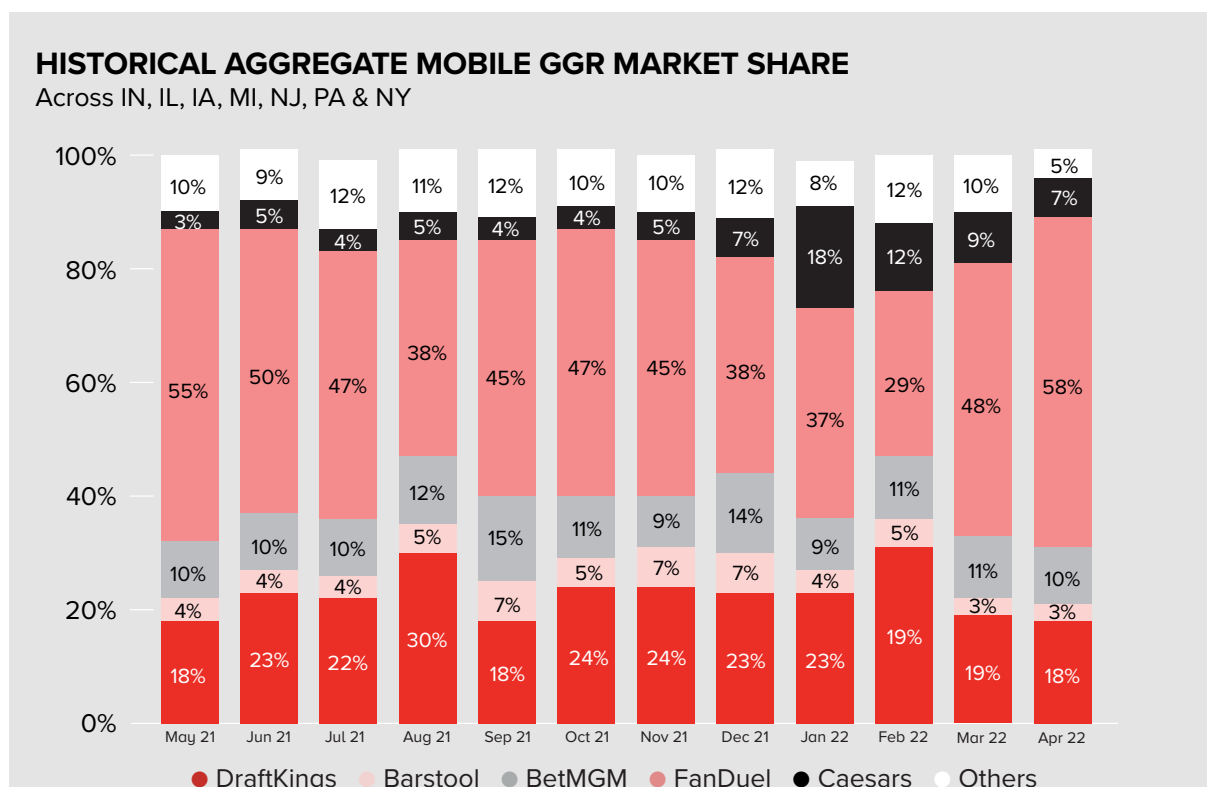
US: NOT SO NEW ANYMORE BUT STILL THE MAIN ATTRACTION

When assessing the US online sports betting market in 2022, there is little doubt about its continued importance to the sector’s leading suppliers.

The growth of the market is also reflected in the number of innovative products and startups launching as B2C or B2B companies. On the B2B side suppliers are trying to drive innovation with products such as ‘micro-betting’ to further engage users. Sportico reported recently that JP Morgan estimates there will be more than \$9 billion per year wagered on US sports betting by 2025, with almost \$7bn of that on in-play betting and micro-bets contributing to that number.

When it comes to the market leaders, we are seeing a continued concentration of market share among four brands. As the table below shows, FanDuel, DraftKings, BetMGM and Caesars have dominated gross gaming revenue market share from mobile betting in the past 12 months (Mar 21 - Apr 22).

In April this year, this quartet recorded 93% of all online gross gaming revenue (GGR) across Indiana, Illinois, Iowa, Michigan, New Jersey, Pennsylvania and New York. With the NFL season fast approaching, eyes will be on the competition to see who can stand out and reduce their grip on the market.



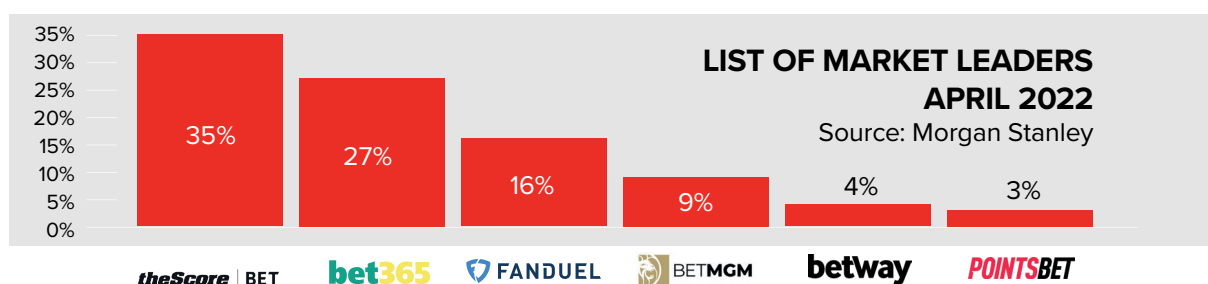
Source: State Gaming Commissions and Deutsche Bank
New York launched online sports betting Jan 22
Illinois relaunched mobile sports betting Mar 22

CANADA: SAME BUT NOT THE SAME

The Canadian market shares similarities with the US and although the regulated market is in its early stages, NHL, NFL and NBA are just as popular with bettors as south of the border.

The regulation of iGaming and online sports betting in Ontario in early April 2022 provided some revealing insights into the dynamics at play in the province, which are potentially indicative of broader trends at the national level.

The most obvious point about Ontario is that the province's market leaders are different from those across the US. Morgan Stanley recently released data listing theScoreBet with a 35% share, followed by bet365 (27%), FanDuel (16%), BetMGM (9%), Betway (4%) and PointsBet (3%).



EUROPE: REGULATION PRESENTS CHALLENGES AND OPPORTUNITIES

The broader trend in recent years in established European markets has been a hardening of the regulatory environment. Measures aimed at restricting and even banning how and where online gambling products are promoted have taken effect in Italy and Spain, while there are tougher stances on areas such as deposit limits and responsible gambling regulations in the Netherlands, for example.

As the industry has matured on the western side of Europe, it has expanded in central and eastern European territories from the major and more established markets of Poland and Romania to growth in regulated markets such as Croatia, Armenia and Serbia.

Despite toughening regulations, according to a recent report from the European Gaming and Betting Association (EGBA), online gambling revenue in Europe is expected to grow by 19% in 2022, to €36.4bn in gross gaming revenue. Online GGR is expected to grow by around 9% per year and reach 41% of total gambling revenue in Europe by 2026, up from 26% in 2019.

LATIN AMERICA: THE EMERGING REGION IN 2022

Some of the biggest countries in Latin America have already regulated their online sports betting markets, with operational clarity in Mexico and Colombia now established. Argentina, Brazil, Chile and Peru and others are currently investigating legalising their respective sectors.

BRAZIL



The country's government has announced that no federal betting bill will be approved before Brazil settles its general elections in October 2022 - even though there are bills proposed in Congress to regulate the sector.

MEXICO



Specific casino and sports betting licences are not needed to operate online, but companies must partner with a land-based casino to launch digital operations.

ARGENTINA



Online gambling regulation in Latin America's third-largest economy is happening at a provincial level. More than 15 individual provinces, including Buenos Aires, have regulated their respective sectors.

COLOMBIA



The country regulated its online gaming and betting market in 2016 and recent years have seen major levels of interest from both local and international groups with 888 and Flutter all operating online in the region.

PERU



Currently unregulated but the authorities are working on a draft law to regulate online betting and gaming in the country. The timeline is unclear, but it could be discussed in the next parliamentary session starting in late July 2022.

The potential scale that the region provides is significant, with almost 450 million people in the largest five countries. But, like Canada, it's also worth remembering that all those countries have had active, unregulated markets for many years and include established operators with high levels of local brand awareness.

CHAPTER 2

The Ecosystem

PLATFORM PROVIDERS

Sportsbook platforms are the pillars of online sportsbook operations and deals have been done - or are in the process of completing - in the 10 months since the inaugural 2021 BetTech report.

At a strategic level, the acquisitions point to the issue of control. On the B2C side, Penn National Gaming Inc acquired The Score Media & Gaming, which includes its betting brand theScore Bet, in October last year because it wanted to control as much technology in-house. It is also one of the reasons why MGM bid for Entain in 2021 and one of the motives that drove DraftKings' to acquire SBTech in 2019. The core reasoning is simple: these businesses want to own as much of their tech stack as possible.

Across the industry, M&A activity has often been used to grow the suite of services businesses can offer. Examples like GiG and NeoGames acquiring the betting solutions providers Sportnco and Aspire Global, which includes BtoBet, showcase the desire to offer a broader B2B service.

PAYMENTS

Payments are at the centre of providing frictionless interactions between customers and their accounts. In more mature markets, the focus is on speed and convenience; while in emerging markets merchants will often spend more time focusing on simplifying digital payments.

Both consumers and merchants are seeking faster withdrawals that come with stronger consumer protection; such as those found with leading payment platform specialists or those of major card companies such as Visa or Mastercard.

Having those features available to merchants ensures a stronger user experience, while payment companies are focusing on finding the right balance between providing those player safety options and ensuring the highest possible levels of KYC and AML compliance.

DATA AND CONTENT THAT CONVERTS

The volume of content being published by operators, affiliates and media companies reflects the growing desire from bettors across the world for data and insightful content.

Being able to adapt to changing consumer habits and evolve products quickly is key. By integrating data into high-quality editorial and audio-visual content users are likely to engage with a platform for longer.

But whether they provide audio-visual, data, content marketing, affiliate partnerships or editorial services, one of the biggest evolutions within this part of the industry has been around the interaction between all of those strands.

A key tool used to convert audiences is independent and actionable content. This includes streaming, data and visualisations from the likes of Opta from StatsPerform and IMG Arena's golf content product, to engage customers for longer.

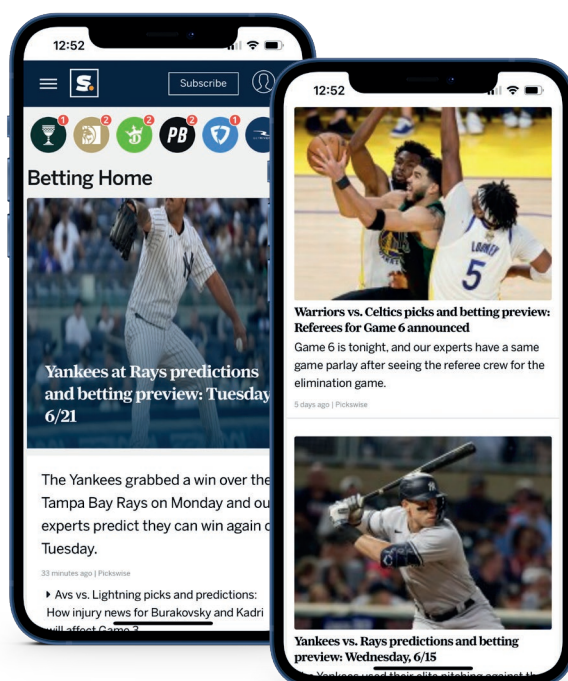
Sportsbooks are integrating more content directly to event pages with products such as Spotlight Sports Group's award-winning **Superfeed** designed to drive pre and in-play betting. The single-page experience of reviewing the data, reading contextual independent analysis and placing a bet is key to providing the best customer experience.

The European Gaming and Betting Association (EGBA) noted that 73% of all bets placed in Europe are in-play.

Offering integrated content that reacts to on-field events and market moves to produce live analysis means platforms can grow incremental conversion through content in real-time.

The sports betting experience through traditional news publishers is changing from the days of lists of free bets and bonuses. They are now focusing on improving their customer experience, offering key insights and expert previews supported by live odds and data feeds. They are also driving incremental engagement through interactive events and smart content modules (widgets).

Using content as a vehicle to convert readers into sports bettors is in the early stages in North America. However, it is being driven by proven examples in other territories and that trend looks set to continue.

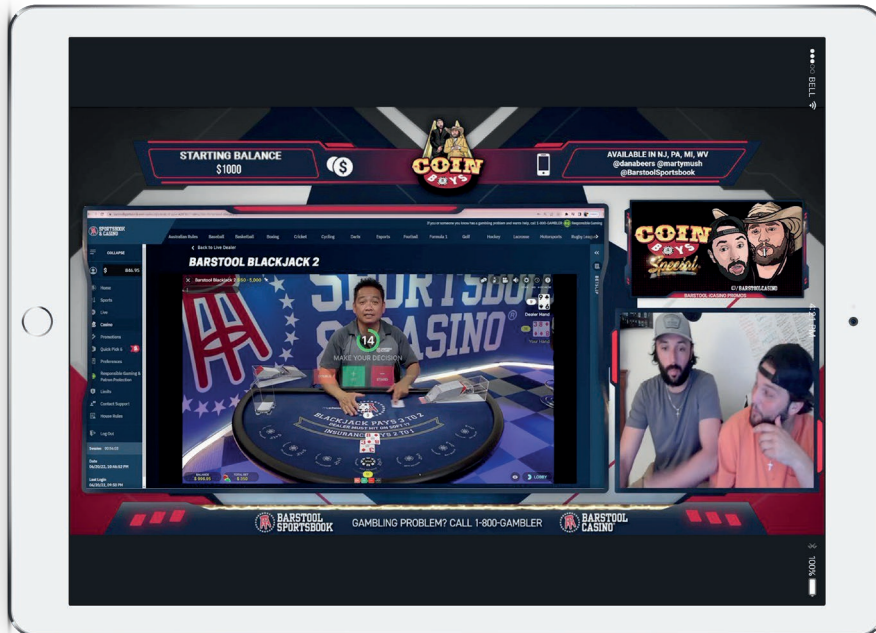


Source: Spotlight Sports Group's managed content and tech experiences on Syracuse.com (Advance Local)



ONLINE CASINO

Online slots and live casino continue to dominate the iGaming vertical. The latter in particular is on a growth path that few would have predicted when it started 15-20 years ago.



Source: Barstool Sportsbooks's 'Coinboys' live blackjack streams

Evolution and Playtech continue to produce strong growth and in recent years suppliers such as Net Ent and Visionary iGaming have also started to compete with those companies for live casino market share.

M&A in the vertical is very much fuelled by the desire to own and control gaming content producers and aggregators, as well as exclusive games. This may have driven IGT's acquisition of the UK-based games studio iSoftbet in April 2022.

On the analytics side of the business, game recommendation engines are combined with real-time CRM to offer players highly targeted product offerings. And while live casino games remain popular, the 'live' concept around casino-based game shows, streaming and progressive jackpots are gaining traction across the vertical.

CHAPTER 3

View from the experts

CHRIS GROVE
Partner



JOSH BROWN
Director



The BetTech Ecosystem consists of six key segments. Which segment do you think will see the most growth and innovation in the coming years?

Content. While that wouldn't be my answer across a longer horizon, the current insatiable thirst for new customers in large emerging markets like the US and the generational shift in content development and distribution platforms creates a perfect storm for growth and innovation.

Across the BetTech ecosystem, there are exciting, innovative companies that are helping to drive growth in the industry by delighting and engaging players. It's almost impossible to select a single segment!

With the customer expectations evolving, how do you think a sportsbook event page will look in 2030?

Extraordinarily personalized. As customer segmentation and breadth of total markets both continue to rapidly evolve, the natural output is a sharply funnelled delivery of an overwhelming raw product.

There will be a number of changes. Better personalisation will enable operators to present tailored pages to engage individual players/ segments. 5G/ faster streaming will support more seamless integration between the event and betting. The metaverse will create new formats. As Generation Alpha reaches the legal betting age, operators will need to think about how they present event pages.

The current M&A trend is to achieve more control and ownership of tech stack. With small and medium sportsbook platform providers still expanding in new markets, how do you think the battle of in-house versus third part will play out?

It largely depends on whether public markets decide to support that type of consolidation, which in turn likely largely depends on operators being able to execute on the competitive advantages that ostensibly result from owned and operated tech.

For scale operators, in-house technology offers a way of creating competitive differentiation. However, building and maintaining solutions is challenging, not least from a talent perspective. Strong offerings from traditional providers and challengers support the continued usage of third-party solutions. However, hybrid solutions are likely to become more popular as operators focus on where and how they drive differentiation.

We know independent content is vital for bettors. How can sportsbooks use it more effectively to convert and, importantly, retain customers?

One under-explored avenue is the creation of sports betting-driven content that is genuinely entertaining in its own right. This was a puzzle poker solved thoroughly. But you don't see anything like the poker content ecosystem developing around sports betting.

Consumer preferences for experiential rather than transactional experiences are driving operator demand for content to drive and sustain engagement. However, operators lack the capabilities and independence to offer this themselves, creating demand for third-party content (from specialists/ influencers). Better usage of data, personalisation and targeting of content creation opportunities for operators to improve retention.

'Live' is a key feature in sports betting and is growing as an iGaming concept with the rise of casino-based gameshows and streaming. How do you see the live feature developing in the online casino vertical?

The major themes are likely to be content that leverages "live" to enable social and engagement features and content that creates a tether to a physical location. The former is intuitive; the latter is more driven by a semi-unique demand in the US market from the retail gambling stakeholders who typically double as gatekeepers for online licenses.

Live casino has been one of the big success stories in iGaming. The next frontier is moving live casino from traditional table games into broader entertainment. Successfully delivering this has the potential to excite and engage a broader audience, in a similar way to how in-play redefined the online sports betting industry.

HARRY VON BEHR
Managing director and
US CO-CEO



In the short-term, I'd say content is going to play the most important role in attracting new customers and capturing market share as States continue to open up in the US, and as new markets regulate in other geographies. Then, as the market evolves, it will play a critical role in engaging and retaining bettors. It's not just the types of content that are created, but how and where content itself is consumed will have a big impact on the market.

Far more simple on the surface, but far more complex under the hood. Sportsbooks have changed incrementally over the last decade in mature markets, with only a few significant leaps (see cash-out, in-play and bet builders in the UK). Therefore I don't expect to see multiple sizeable changes over the next 7-8 years. However, if you think about the e-commerce experiences you enjoy, it's when you're served the product that best suits you, in as simple a way as possible. And the only way to achieve that is through better personalisation, using first-party data.

In a world where public markets aren't concerned about profitability then the rhetoric around owning your own tech stack makes complete sense. However, there are limited commercial benefits to owning everything when the costs of doing so outweigh the upside, and when there is an increasing focus on cash. If you're looking to differentiate, owning the capability in-house is the play, but sportsbooks are complex, and lots of the hygiene factors can be outsourced to experts. The key question is how you integrate with third-party solutions in a way that doesn't impact the customer experience.

Independent content plays a crucial role throughout the lifecycle of a bettor. Initially via conversion to new accounts from affiliates and publisher/media partnerships. This is an area where we've seen huge growth at Spotlight Sports Group with Pickswise, Fantasy Alarm and via our partnerships with the likes of AS.com in Spain and Advance Local across the US. Then, as markets mature, independent content on operators' sites can be hugely valuable in player retention. We work with Flutter, Entain and many other major operators in Europe to integrate our content into their sportsbooks. And the results speak for themselves - A/B testing shows independent content increased betting volume by 39%.

It's not an area I have a huge amount of experience in, so will refer you to my fellow panellists for expert views! It's obviously been a big driver for online table games, and I'm sure the industry will find new ways to broaden the offering if it gives players what they're looking for.

NIC SULSKY
Chief Commercial Officer



While I'm a big believer in the massive content opportunity that exists as the North American iGaming market continues to grow, I think trading is the particular segment that will see the most dramatic innovations. The sports gambling industry is trending toward a live-betting focal point, and the prospect of featuring always-on live markets, across all bet types and events, is what every major operator should be prioritizing – because that is what the consumer will expect as the market matures.

As the next decade begins, sports gamblers will begin to see how data is used not just to build better and faster markets, but they will begin to see how 'their' own data will be used to make their betting experiences better. The days of one-size-fits-all, generic event pages will soon be replaced by proactive operators, with consumer-focused customizable pages based on each individual user's favourite sports, teams, players, markets, promotions and bet types.

Ultimately, I think the product will win out in every market. As the North American sports betting ecosystem continues to evolve and mature, so do the gamblers within it. In the long run, I don't think any amount of celebrity-driven ad campaigns will mask a substandard product offering. Having complete control of your tech stack allows operators to focus on short and long-term product features, market offerings, and user experiences that can be locally customized. Either you have the ability to deliver that to users, or you don't – and if you don't, the M&A path is certainly the quickest route to technological competency.

Cultivating loyalty from a sports bettor is the most important and most challenging element for every operator. Betting content is not just lines and picks, and in a sea of sameness, often it's the content that helps an iGaming brand stand out. Our industry revolves around live sports and gambling, and for many, our industry makes the experience of consuming live sports more fun – and that fun should extend into all engagement touchpoints. Building an authentic connection with the current, and potential, sports bettor can be enhanced with creative, unique, engaging content, as well as activations and an appealing market offering.

Live casino speaks to customers that want an authentic, real-world casino experience where results are driven by tables and dealers rather than by computers (RNG). Game favourites are constantly being evolved to add jackpot elements and bigger wins. I think we will see integrated bet slips that allow people to continue betting while at the live tables. We will see more gameshow-led games and broader interaction with customers playing at the same table or game-sharing wins, near-misses, and big progressive jackpots.

CAMILLA WRIGHT
Partner



Innovation will come across all six segments but data is interesting. In the US, pre-PASPA repeal, no one cared about data rights. But betting will be the economic driver transforming how sports and sports publishing monetize content. Other industries already slice and dice rights so much; following this could be economically transformational for sports content owners. The current names in the data segment need to create innovative products; they can't simply be passive pass-through vehicles, otherwise, they'll be disrupted and disintermediated.

Gen Z's internet use is based on video, voice notes, messaging apps and simple search. It seems odd even in 2022 that most sportsbook pages involve huge amounts of scrolling and search rather than simple navigation. I see technology like Voxbet's voice search increasingly utilised.

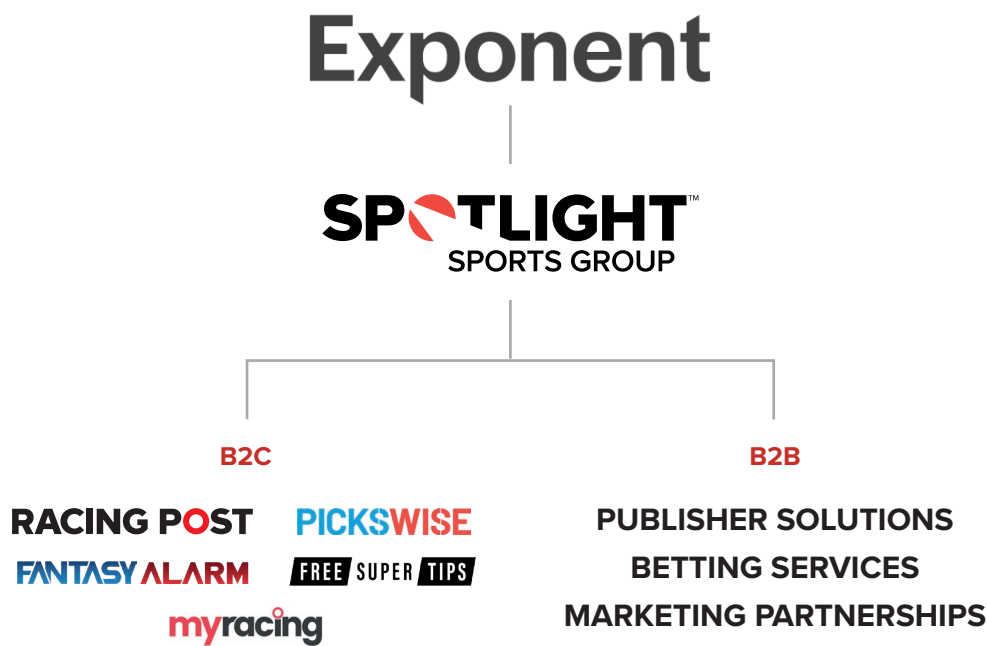
There will be a use case for both. Third-party specialisation will continue to drive innovation in the sector, but the scale and budgets of in-house will ensure quality cascades through the industry.

I think the key for bettors is trusted content - not just independent. There are a lot of independent sources of content on the web but the effective ones for sportsbooks are the brands that deliver useful, insightful information using real journalists who gain traction and credibility in the minds, and hearts, of bettors.

Offering relatable gaming experiences to players in the comfort of their homes or on the move via mobile provides players with both the visceral thrill of participating in a real-world casino and IRL interaction with a dealer. Market-leading customisation options, dedicated tables and native-speaking dealers will make it far easier to offer something close to the real thing for any specific market need.

ABOUT SPOTLIGHT SPORTS GROUP

Spotlight Sports Group is a global media and technology company specialising in sports betting content and data. With more than 500 staff, the business operates multiple award-winning B2C brands, including Racing Post, MyRacing, Soccerbase & Free Super Tips in the UK. In the US, we operate Pickswise and fantasy Alarm. Our other businesses in the group are ICS-digital and ICS-translate. Our global B2B division provides sports betting and fantasy sports content, including in-play, through the EGR award-winning Superfeed product. We also have media partnerships with leading global publishers, including AS in Spain.



Spotlight Sports Group would like to thank all who contributed to compiling this report, if you would like to speak to the Spotlight Sports Group team or if you'd like to request a printed version of the BetTech Ecosystem please email the team at:

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