With:

BetConsult

Federico Lannes
I.G.C.

THE
**INNOVATION
GROUP**

The Innovation Group Introduced Brazil Gaming Forecast Model and Consortium
by Michael Soll

In August, The Innovation Group announced the development of a national gaming forecast model for Brazil, and the formation of a consortium with Brazil-based BetConsult and Federico Lannes IGC, to bring clients comprehensive gaming regulatory and development services in Brazil.

With over 200 million inhabitants, Brazil is one of the largest untapped gaming markets in the world. Brazil's most recent effort to address gaming represents the most ambitious since its prohibition 70 years ago. Standing legislation would allow both destination casinos and bingo halls (similar to slot halls), and potentially online gaming opportunities.

While the final distribution of casinos and bingo halls will be determined over the course of the next few weeks, the following distributions are the most recent:

- In states with at least 25 million inhabitants, 1-3 full casinos (table games an slot machines) would be permitted depending on the population of the State, with a maximum of 10% of the floor area dedicated to gaming;
- In any Municipality at least one bingo hall would be permitted, with a maximum of 500 units per location, depending on the population of the Municipality;
- Jockey Clubs and Stadiums with a capacity above 15,000 fans are allowed up to 300 bingo machines;
- Broad on-line gaming has been re-introduced in recent drafts, after being removed from the initial version of the bill previously.

A sound regulatory structure is a key consideration and a gating item for many developers and operators. The following key aspects of the legislation are paramount:

- Taxation is expected to be sustainable by international standards, potentially at 10% of gaming revenue, plus some moderate operating and regulatory fees;
- Participation by local Brazilian companies will be required at some level in all gaming developments and operations, thus, identifying suitable potential partners early in the process is advised;
- Government has taken a proactive role in defining parameters for regulation, recognizing there is great sensitivity in this area. Enforcement would be driven at the Union (National) level, which should provide greater oversight and transparency, and policies to ensure probity and combat money-laundering and other regulatory risks.

Gaming Forecast Model
The Innovation Group has been at the forefront of global gaming expansion for over two decades. The company assists governments in creating commercially viable regulatory environments that deliver on economic development goals, while providing critical information to operators and developers for sizing markets and constructing the most competitive and successful gaming establishments. The Innovation

Group serves the industry foremost through the development of accurate forecasting tools that become the backbone of building a gaming industry.

The Innovation Group's casino and bingo gaming revenue forecast model for Brazil yielded the following estimates for Year 3 operation of the initial wave of gaming developments:

- **US$6.55 –US$7.24 Billion in GGR** (Gross Gaming Revenue) from casinos and bingo halls, with substantial non-gaming revenue available in addition;
- **138.1 – 146.6 million visits** to casinos or bingo halls;
- **US$47.46 – US$49.40 average spend** per casino or bingo hall customer per visit, with higher-end players spending much more;
- **244,000 gaming positions** could be required, well within the current legislative threshold which would allow above 550,000 positions under any scenario. (A gaming position is defined as the number of gaming machines plus the number of individual seats at gaming tables).

    The results of The Innovation Group's demand forecast model were triangulated and validated with several metrics including *GGR as a percentage of GDP* (Gross Domestic Product), and *residents per gaming position*:
- The model implies that GGR would equate to approximately 0.3% of Brazil's GDP, compared to current results of 0.1% in Mexico (a slots-only market), 0.3% in Chile, 0.4% in both the United States and Canada, and 0.6% in Argentina;
- At 244,000 positions there would be approximately 900 residents per position in Brazil upon market stabilization, compared to 1,200 in Mexico, 1,185 in Argentina, 465 in Canada and 370 in the United States.

The Innovation Group's national gaming demand model can be adapted to reflect multiple legislative scenarios, and can efficiently provide customized analyses for specific states, cities and sites, with sufficient input from clients.