Tennis Betting Integrity Report – Specialist Data Analysis

Independent Report

July 2018

Prepared by:

Data driven intelligence

h2gc.com

H2 Gambling Capital

Executive Summary

This analysis has been prepared by **H2 Gambling Capital (H2)** – the leading independent authority regarding market intelligence on the global gambling industry. It provides an objective assessment of some of the key assumptions made in the interim version of the *Independent Review of Integrity in Tennis* report published by the Tennis Independent Review Panel (Tennis IRP) on 25 April 2018.

The analysis has been run at the request of **ESSA (Sports Betting Integrity)** and **Sportradar** to provide specialist data analysis on the tennis betting market.

Specifically, the following 12 conclusions are drawn:

H2 Independent Report – 12 Conclusions

1. *The global regulated sports betting market generated $67.5bn of GGR in 2017, from $593bn of turnover. H2's forecasts do not typically include the unregulated market, but if we were to include this, we calculate a total sports betting market (including horse racing and the unregulated market) of c.$2.1 trillion of turnover, and $143bn of GGR*

2. *Our analysis shows that the total regulated tennis betting market (retail and online) generated $1.8bn of GGR in 2017, from $27bn of turnover. However, we assess that the unregulated market was worth a further $2.2bn of GGR from $50bn of turnover. This takes the total tennis betting market in 2017 to $4.1bn of GGR generated from $77bn of turnover*

3. *In terms of the geographic split, Europe is the largest regulated tennis betting market, however Asia is by far the largest unregulated market for tennis betting, generating over $1bn in unregulated GGR in 2017*

4. *The online tennis betting market has grown substantially, growing at a nine-year (2008-17) compound annual growth rate (CAGR) of 28%. Over this period, tennis has tripled its share of the online sports betting market from 3.3% in 2008 to 9.7% in 2017*

5. *Bookmaker data shows that 'Lowest Level' ITF tennis makes up 20% of tennis GGR, and c.27% of total tennis turnover.*

6. *If we were to apply the above splits to the overall estimated tennis market (including the land-based and unregulated markets), this would imply that the lowest level of tennis generated GGR of $820m in 2017, from $21bn of turnover.*

7. *Regarding the proposal of an end to official data for in-play betting: For those operators who cease offering in-play betting on ITF lower-level tennis, there is likely to be a three-way shift to: other in-play tennis (notably ATP matches); more pre-match ITF betting; and a general shift away from these operators towards those still offering ITF in-play*

8. *However, given the significant consumer demand for the product, and the lack of alternative product for bookmakers to offer in many periods where ITF in-play betting takes place, in our view it is extremely likely that a large number of bookmakers will continue to offer in-play betting on ITF lower-level tennis, through unofficial data feeds*

9. *The inherent customer demand for the ITF product makes the supply of unofficial data very lucrative; this will lead to a significant number of data providers circumventing any proposed restrictions, because there is an economic incentive to do so*

10. *Without an official data feed for ITF, but with consumer demand for the product, any bookmaker that stops offering ITF in-play product will be at a competitive disadvantage. In our view, the inherent commercial pressure is therefore likely to result in a domino effect across the sector as operators are forced commercially to utilise unofficial data to offer products to consumers that their competitors are offering*

11. *The Panel's suggestion of employing contractual restrictions in an attempt to stop bookmakers from taking unofficial data feeds is highly unlikely to be successful, as bookmakers would very likely switch to unofficial feeds at higher levels of tennis as well; the streaming of these matches makes the collection of unofficial feeds at this level even more straightforward. If bookmakers' demand for tennis data is satisfied by unofficial data supply, then there would be limited incentive to shift back to an official data supply in the future, given the higher price of official data*

12. *Furthermore, we conclude that this is likely to have adverse consequences for tennis at all levels. The economics of operators choosing to take unofficial data feeds for all levels of tennis would lead to a significant reduction in funding from the betting industry at all levels of the sport. Moreover, this is likely to have a further negative impact in terms of the reporting of suspicious betting patterns by bookmakers, compounding integrity issues.*

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Contents

Purpose of this Report

This is a stand-alone specialist report prepared by **H2 Gambling Capital (H2)** - the leading independent authority regarding market intelligence on the global gambling industry. It has been jointly commissioned by **ESSA (Sports Betting Integrity)** and **Sportradar** to provide an objective assessment of some of the key assumptions made in the interim version of the *Independent Review of Integrity in Tennis* report published by the Tennis Independent Review Panel (Tennis IRP) on 25 April 2018.

The analysis is required to inform the responses of both ESSA and Sportradar to the Tennis IRP report which, amongst other things, makes a recommendation to discontinue the sale of official live in-play scoring data at ITF (International Tennis Federation) events.

The report is structured in three sections

Section 1: **Global Sports Betting Market**	*The size and scope of the current global sports betting market.*
Section 2: **Tennis Betting Market**	*The size of the tennis betting market.*
Section 3: **Loss of In-Play Betting Impact Assessment**	*An assessment of the impact on demand for ITF betting if live in-play scoring data is turned off.*

We hope our report is of value to all parties involved in the independent review process going forward.

H2 Credentials

H2 – a global company based in the UK - is widely recognised as **the leading authority** regarding market intelligence on the gambling industry worldwide. Its consultants have been tracking the value of the sector in real time since 2000. We have strong professional credibility and impartiality, and good experience of our analysis and reports standing up to scrutiny from a variety of stakeholders including legislators, regulators and the news media.

The intelligence generated by H2's industry forecasting model has become by far the most quoted source regarding the sector in published company reports, transaction documentation and sell-side analysts' notes, as well as in the trade/business media – including the BBC, Thomson Reuters, Bloomberg, *The Economist, The FT, The New York Times* and *The Wall Street Journal*. Today, it represents a living databank covering approximately 130 world markets, with over 2m data points and 1,450 postings per year, and 5-year forecasts out to 2022e.

The independent expertise of the H2 analyst team, plus its network of associates now located all over the world, has been utilised by 500+ organisations over the past 17 years and is regularly used as part of market entry assessments, new business development, the due diligence processes associated with major investment decisions, financial transactions, and also for regulator policy formulation in the sector. H2 is partnered with *iGaming Business* as in the trade media, and is a Gerson Lehrman Group partner firm in the US.

Further details at www.h2gc.com.

Terminology and H2 Data Model Explained

H2 typically utilises the **'gross win' or 'gross gaming revenue'** metric (i.e. turnover less prizes, but including any bonuses played) rather than the turnover/sales measure to value the gambling sector, as we believe that gross win/gross gaming revenue provides a much more consistent measure for comparison across the sector. However, for the purpose of this report, H2 has included the turnover metric when appropriate.

H2's analysis categorises sector activity into three markets:

- **'White market'**- betting where the operator is licensed 'onshore' in the same jurisdiction as the player is located;
- **'Grey market'** - betting where the operator is licensed 'offshore' in a different jurisdiction; and
- **'Black market'** - betting where the operator is completely unregulated or illegal.

For the purposes of this report, however, we have aligned our analysis so as to fit with the two terms used within the Panel's report, and so enable a direct like-for-like comparison, namely:

- **Regulated betting** - our H2 'white and grey' markets above combined;
- **Unregulated betting** - our H2 'black' market.

For the purpose of this report, a number of large-scale bookmakers have provided H2 with data on actual tennis turnover and revenues, under confidential agreement. We have analysed the tennis data of a number of online bookmakers, to better understand the betting trends within tennis. The data below relates to online tennis betting activity in regulated markets – therefore excluding any unregulated market activity.

Where possible, we asked operators to split their tennis data in the same way as in the Interim Report:
- 'Grand Slam' –made up of the four Grand Slams.
- 'Tour Level' - made up of the ATP and WTA Tours;
- 'Mid-Level' - made up of ATP Challenger and ITF women's Pro Circuit $60k-$100k, and WTA $125k events; and
- 'Lowest Level' - made up of ITF men's $15k and $25k Pro Circuit events (known as "Futures"), and women's ITF $15k and $25k Pro Circuit events;

The rest of our market data comes from the unique H2 model, which 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;
✓ Regular 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.

Section 1: Global Sports Betting Market

The global regulated sports betting market generated $67.5bn of GGR in 2017, from $593bn of turnover. If we exclude horse racing from this, we estimate 2017 GGR of $39.3bn, and turnover of $370bn. H2's forecasts do not typically include the unregulated market, but if we were to include this, we calculate a total sports betting market (including horse racing and the unregulated market) of c.$2.1 trillion of turnover, and $143bn of GGR

Excluding horse racing and unregulated market activity, we forecast a sports betting 5-year (2017-22e) compound annual growth rate (CAGR) of 8%, with online sports betting forecast to grow at a 10% CAGR

Growth in sports betting has been driven by online activity, in particular onshore online activity. Within this, mobile and in-play betting have been the main drivers of growth.

There has also been a strong focus on content; although football continues to dominate the online sports betting market, there has been a significant shift towards other sports as well as lower level competitions within each sport. For this reason, tennis and basketball have been two of the fastest growing sports betting segments – in both the regulated and unregulated markets.

1.1 Current Total Market Value 2017

2. **Product Definition:** We value the global gambling market using the **'gross win' or 'gross gaming revenue' (GGR)** metric (i.e. turnover less prizes, but including any bonuses played). However, for this analysis, we have included **an estimate of total turnover** of the sports betting market. We include the following in our estimates of the global sports betting market:

   – **Land-based sports betting:** This includes all sports betting done in retail outlets;
   – **Onshore online sports betting:** This is where an online sports betting operator is licensed in the jurisdiction where the wager takes place;
   – **Offshore online sports betting:** This is sports betting through operators who are licensed in a certain jurisdiction, but not specifically licensed in the jurisdiction where the wager is being placed;
   – **Horse racing:** For clarification, we include wagers on horse racing in our estimate of the total sports betting market.

   Unless specifically stated, we do not include in our analysis:
   - **Unlicensed sports betting:** This includes both retail and online sports betting operators who are not licensed in any jurisdiction.

3. Based on the above, we show that the total global sports betting market in 2017 was **$67.5bn in GGR, and $593bn in turnover**. If we exclude horse racing from this, we calculate 2017 **GGR of $39.3bn, and turnover of $370bn**. We show this below, split between land-based and online sports betting.

Fig 1: Global Sports Betting Turnover and GGR 2017 (US$bn)

Turnover ($593bn)   *GGR ($67.5bn)*
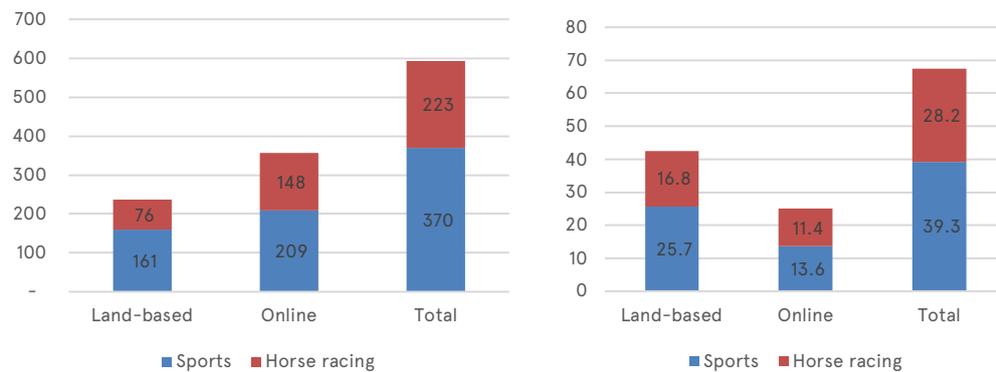
Source: H2 Gambling Capital, 2018

4. H2 does not generally forecast the unregulated 'black market' for sports betting, however we have included our unregulated market estimates as part of our analysis for this report. In terms of GGR, the unregulated market is slightly larger than the regulated market. However, the unregulated market has a significantly lower GGR margin, and therefore in terms of turnover, it is c.2.5x the size of the regulated market. Therefore, when including horse racing and the unregulated market, we calculate the **total sports betting market (retail and online) at c.$2.1 trillion of turnover, and GGR of $143bn.**

Fig 2: Global Sports Betting – Including Unregulated Market Estimates (2017 – US$bn)

2017 ($bn)	Regulated Market	Unregulated Market	Total Market
Turnover	593	1,513	2,107
GGR	67.5	75.7	143.2
GGR Margin (%)	11.4%	5.0%	6.8%

Source: H2 Gambling Capital, 2018

5. In terms of the split of unregulated market activity, the majority of the black market is in Asia, where sports betting (excluding horse racing) is largely illegal.

1.2 Market Growth 2008-17 and 5-Year Forecast Estimates to 2022e

6. For clarification, the analysis in the rest of our report excludes our 'unregulated market' estimate, unless specifically stated otherwise.

7. We calculate that the total sports betting market (including horse racing) has grown at a 5-year CAGR (2012-17) of 6%; however, within this, online growth of 11% has significantly outpaced land-based growth of 4%.

Fig 3: Global Sports Betting GGR (2012-17) – Including Horse Racing (US$bn)

GGR ($bn)	2012	2013	2014	2015	2016	2017	2012-17 CAGR
Land-based	35.0	35.8	38.6	39.0	41.0	42.5	4%
Online	14.8	16.2	18.2	20.0	22.4	25.0	11%
Total	49.8	52.0	56.8	59.0	63.3	67.5	6%

Source: H2 Gambling Capital, 2018

8. When excluding horse racing, sports betting has grown at a 10% CAGR over the past five years, with online growing at a 13% CAGR.

Fig 4: Global Sports Betting GGR (2012-17) – Excluding Horse Racing (US$bn)

GGR ($bn)	2012	2013	2014	2015	2016	2017	2012-17 CAGR
Land-based	17.4	18.4	21.6	22.0	24.2	25.7	8%
Online	7.3	8.1	9.4	10.8	12.1	13.6	13%
Total	24.7	26.5	31.0	32.8	36.3	39.3	10%

Source: H2 Gambling Capital, 2018

9. Going forward, we forecast the sports betting market to continue to grow, albeit at a lower rate. Including horse racing, we forecast a 5-year CAGR (2017-22e) of 6%, with online continuing to grow ahead of land-based.

Fig 5: Global Sports Betting GGR (2017-22e) – Including Horse Racing (US$bn)

GGR ($bn)	2017	2018e	2019e	2020e	2021e	2022e	2017-22e CAGR
Land-based	42.5	45.4	46.4	49.0	50.7	52.4	4%
Online	25.0	27.8	29.9	32.6	34.4	37.5	8%
Total	67.5	73.2	76.3	81.6	85.1	89.9	6%

Source: H2 Gambling Capital, 2018

10. Excluding horse racing, we forecast a 5-year CAGR of 8%, with online sports betting forecast to grow at a 10% CAGR over the next five years.

Fig 6: Global Sports Betting GGR (2017-22e) – Excluding Horse Racing (US$bn)

GGR ($bn)	2017	2018e	2019e	2020e	2021e	2022e	2017-22e CAGR
Land-based	25.7	28.5	29.5	32.3	34.3	36.1	7%
Online	13.6	15.5	16.8	18.4	19.6	21.5	10%
Total	39.3	44.0	46.3	50.7	53.9	57.6	8%

Source: H2 Gambling Capital, 2018

12.3 Top 10 Sports Betting Nations

11. Below we show the top 10 sports betting nations (including horse racing), split between land-based and online GGR. For this analysis, we have grouped the Nordic region together. We note that the majority of the betting in Japan, Hong Kong, the US and Australia comes from horse race betting.

Fig 7: Top 10 Sports Betting Nations 2017 ($bn)
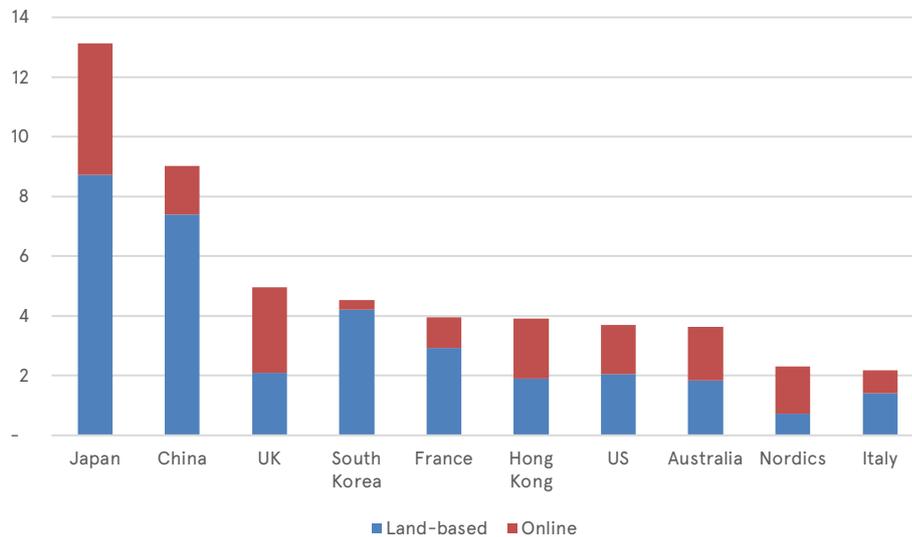
Source: H2 Gambling Capital, 2018

12. We also show the top 10 online sports betting nations, split between onshore and offshore online GGR.

Fig 8: Top 10 Online Sports Betting Nations 2017 ($bn)
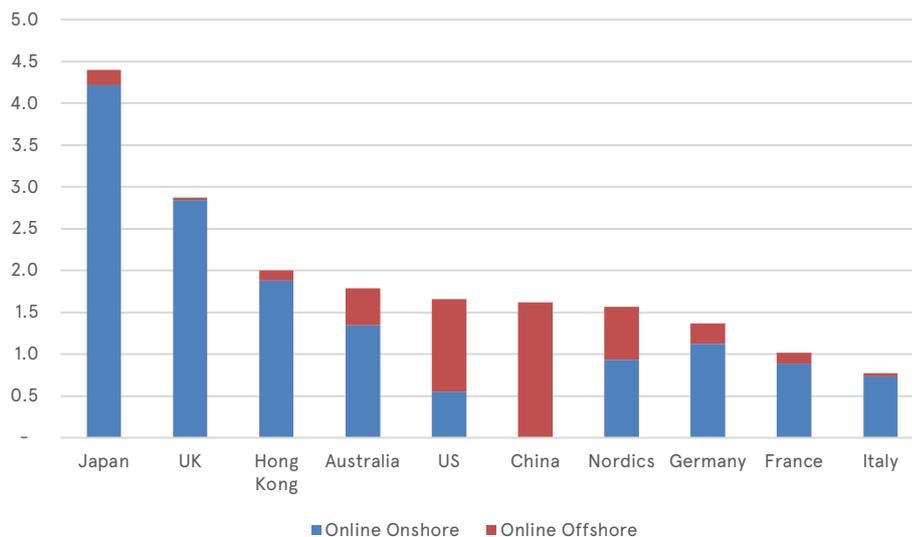
Source: H2 Gambling Capital, 2018

1.4 Sports Betting Emerging Trends and Innovations

13. **Online driving growth:** Strong growth in sports betting over the past few years has been driven by the online channel – and this is something that we forecast to continue. While both land-based and online GGR have grown, the share of online GGR has increased from 30% in 2012 to 37% in 2017; we forecast this to reach c.42% by 2022e.

Fig 9: Online Share of Global Sports Betting GGR

| Online Share of GGR (%)	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e	2021e	2022e
Sports only	29%	31%	30%	33%	33%	35%	35%	36%	36%	36%	37%
Horse racing	30%	32%	34%	35%	38%	40%	42%	44%	46%	47%	50%
Total sports betting	**30%**	**31%**	**32%**	**34%**	**35%**	**37%**	**38%**	**39%**	**40%**	**40%**	**42%**

Source: H2 Gambling Capital, 2018

14. **Onshore driving growth:** Growth in online sports betting has been driven by onshore betting – in part a function of the shift to onshore as more markets regulate. Within a regulated, onshore betting market, the growth rates vary considerably, largely based upon the nature of the regulations – specifically product restrictions and tax rates. However, those markets with lower tax rates and permitting a wide range of products are growing faster than the offshore market. We forecast the onshore market to continue to grow faster than the offshore market – in part driven by more jurisdictions regulating their online sports betting market – most notably the US. We estimate that the onshore market will represent almost 75% of total online sports betting GGR by 2022e, compared to less than 60% in 2012. Again, it is important to note that this does not include the sizeable unregulated market.

Fig 10: Onshore Share of Global Online Sports Betting GGR

GGR (US$bn)	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e	2021e	2022e
Onshore sports betting	8.6	9.5	10.9	12.4	14.1	16.8	19.1	21.2	23.4	25.1	27.6
Total online sports betting	14.8	16.2	18.2	20.0	22.4	25.0	27.8	29.9	32.6	34.4	37.5
Onshore %	**58%**	**59%**	**60%**	**62%**	**63%**	**67%**	**69%**	**71%**	**72%**	**73%**	**74%**

Source: H2 Gambling Capital, 2018

15. **Mobile a key growth driver:** Mobile has been a key growth driver for online sports betting, given the increased availability this provides customers. The share of mobile GGR (as a percent of online) has increased from 29% in 2012 to 50% in 2017; we forecast this to reach c.60% by 2022e.

Fig 11: Mobile Share of Global Online Sports Betting GGR

GGR (US$bn)	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e	2021e	2022e
Mobile sports betting	4.3	5.7	7.6	9.0	10.7	12.5	14.4	16.2	18.3	20.1	22.7
Total online sports betting	14.8	16.2	18.2	20.0	22.4	25.0	27.8	29.9	32.6	34.4	37.5
Mobile %	**29%**	**35%**	**42%**	**45%**	**48%**	**50%**	**52%**	**54%**	**56%**	**58%**	**60%**

Source: H2 Gambling Capital, 2018

16. **In-play also a key growth driver:** The proliferation of in-play betting markets has also been a key growth driver for online sports betting, significantly increasing the number of markets available to customers. Although the majority of in-play markets are also available pre-match, in-play betting allows customers to wager bets for an extended period of time. There is limited in-play betting available on horse racing, and therefore we show in-play betting GGR as a proportion of sports only (excluding horse racing); on this basis, the share of in-play GGR (as a percent of online) has increased from 29% in 2012 to 50% in 2017; we forecast this to reach c.57% by 2022e.

Fig 12: In-play Share of Global Online Sports Betting (excluding horse racing) GGR

GGR (US$bn)	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e	2021e	2022e
In-play sports betting	2.4	2.7	3.5	3.9	4.7	5.3	6.5	7.7	9.2	10.5	12.3
Online sports betting (exc. horse racing)	7.3	8.1	9.4	10.8	12.1	13.6	15.5	16.8	18.4	19.6	21.5
In-play %	32%	33%	37%	36%	39%	39%	42%	46%	50%	53%	57%

Source: H2 Gambling Capital, 2018

17.   Other trends in sports betting, which have contributed to the strong growth, are:

–   **Focus on content:** Initially, online sports betting was focussed on the most popular sports – notably horse racing and football. However, consumer demand for betting around the clock has led bookmakers to focus on 24/7 content, significantly expanding the available betting product. This has been a key reason for the significant increase in tennis betting at all levels, and which has taken a material share of the sports betting market, driven by the number of matches and their availability at all hours of the day. As bookmakers compete to offer greater, and more varied, content to customers, there has been an increase in bookmaker demand for live data and streaming of matches.

–   **Product innovation:** As competition between bookmakers has intensified, there has been a focus on product innovation. This has led to products such as the ability to cash-out bets before the end of a match, and the linking of online accounts to land-based accounts, allowing customers faster access to their winnings.

Section 2: Tennis Betting Market

Our analysis shows that the total regulated tennis betting market (retail and online) generated $1.8bn of GGR in 2017, from $27bn of turnover.

However, we calculate that the unregulated market was worth a further $2.2bn of GGR from $50bn of turnover. This takes the total tennis betting market in 2017 to $4.1bn of GGR generated from $77bn of turnover

In terms of the geographic split, Europe is the largest regulated tennis betting market, however Asia is by far the largest unregulated market for tennis betting, generating over $1bn in unregulated GGR in 2017

The online tennis betting market has grown substantially, growing at a nine-year (2008-17) compound annual growth rate (CAGR) of 28%. Over this period, tennis has tripled its share of the online sports betting market from 3.3% in 2008 to 9.7% in 2017

'Lowest Level' ITF tennis makes up c.20% of tennis GGR, although given the high level of in-play betting, this equates to c.27% of total tennis turnover.

In terms of in-play versus pre-match, c.97% of GGR is generated in-play compared to pre-match at the lowest level; this compares to c.80% of GGR generated in-play for tennis overall

If we were to apply the above splits to the overall estimated tennis market (including the land-based and unregulated markets), this would imply that the lowest level of tennis generated GGR of $820m in 2017, from $21bn of turnover.

Given that land-based activity has a lower proportion of in-play, we estimate that this would equate to c.$650m of in-play betting GGR on the lowest level of tennis, from $18bn of turnover. This is evidence of the strong demand for the product, which will continue regardless of any move to discontinue official data feeds

In terms of the growth outlook, we forecast tennis to continue to grow strongly, although as a share of sports, this is likely to decrease as US sports take share, following the regulation of the US sports betting market. However, we still forecast the regulated online tennis market to grow at a five-year CAGR of 8%, from $1.3bn of GGR in 2017 to $1.9bn by 2022e. Growth of tennis is also significant in the unregulated market – particularly in Asia

2.1 Overall Sports Betting Market

18. Below we show the split of the overall sports betting market between horse racing and sports, with sports representing 54% of the total sports betting market – up from 49% in 2012

Fig 13: Breakdown of Global Regulated Online Sports Betting GGR – 2017 ($25bn)
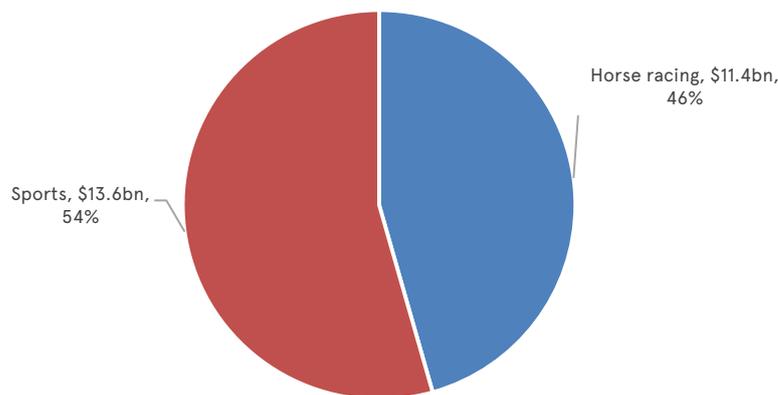
Source: H2 Gambling Capital, 2018

19. We also show the breakdown of the main sports:

Fig 14: Breakdown of Sports within Regulated Online Sports Betting – 2017 ($13.6bn GGR)
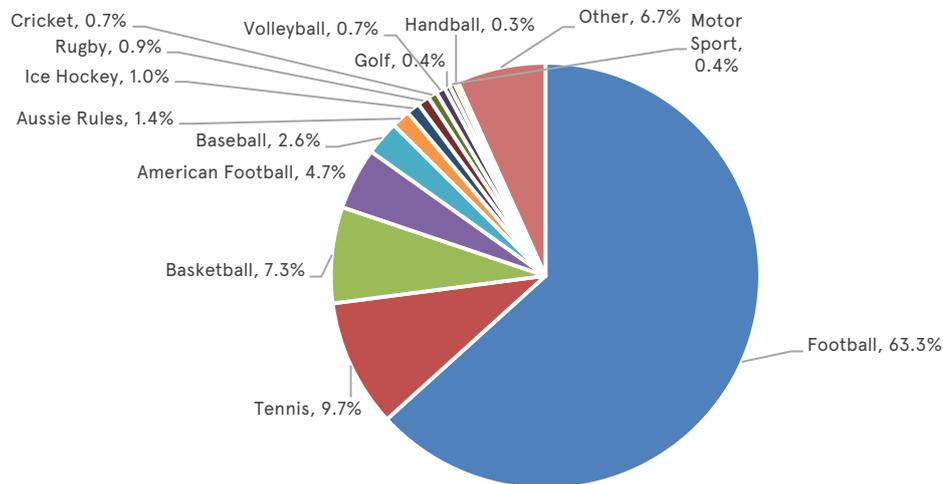
Source: H2 Gambling Capital, 2018

20. Tennis represented just under **9.7% of online sports GGR** in 2017, or **$1.3bn**. Our analysis shows that this equates to **$22bn of online turnover**. Furthermore, we calculate that tennis accounts for $514m of land-based GGR, equating to c.$4.7bn of turnover. Therefore, combined, we calculate that the total tennis betting market (excluding any unregulated activity) generated **$1.8bn of GGR in 2017, from $26.6bn of turnover**.

2.2 Tennis Betting Market

21. H2 does not generally include the size of the unregulated market in our data, however, for the purpose of this report, we have included our unregulated market size calculations, in order to show a total size of the tennis betting market. Our assessment of the unregulated market for tennis shows that it is larger than the regulated market, generating $2.2bn of GGR from $50bn of turnover. This takes the total tennis betting market in 2017 to **$4.08bn of GGR generated from $76.6bn of turnover**.

Fig 15: Global Tennis Market 2017 (US$bn)

2017 ($bn)	Regulated Land-based	Regulated Online	Total Regulated Market	Unregulated Market	Total Market
Turnover	4.7	22.0	26.6	50.0	76.6
GGR	0.51	1.32	1.83	2.25	4.08
GGR Margin (%)	11.0%	6.0%	6.9%	4.5%	5.3%

Source: H2 Gambling Capital, 2018

22. The unregulated market represents 65% of all tennis betting turnover, and 55% of tennis GGR. Within the regulated market, online is much larger than land-based tennis betting.

Fig 16: Global Tennis Market Split – Turnover and GGR 2017 (US$bn)

Turnover ($76.6bn)   *GGR ($4.08bn)*
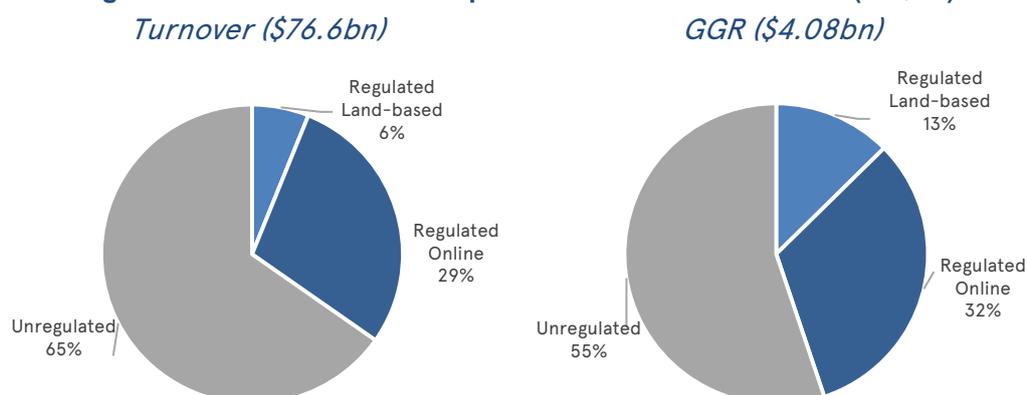
Source: H2 Gambling Capital, 2018

23. In terms of the geographic split, Europe is the largest regulated tennis betting market, however Asia is by far the largest unregulated market for tennis betting, generating over $1bn in unregulated GGR in 2017.

24. Furthermore, we expect the Asian tennis market to continue to grow strongly, as betting operators further diversify out of football into other sports, and continue to expand their offering out of the higher levels of sport towards the lower levels of each sport, to broaden the content on offer to customers.

Fig 17: Global Split of Tennis GGR 2017 (US$bn)

GGR ($bn)	Regulated Market	% of Regulated Market	Unregulated Market	% of Unregulated Market	Total Market	% of Total Market		Total Turnover	% of Turnover
Asia	0.46	25%	1.05	47%	1.51	37%		30.0	39%
Europe	0.74	41%	0.38	17%	1.12	28%		19.3	25%
Rest of World	0.63	34%	0.82	36%	1.45	35%		27.3	36%
Total	**1.83**	**100%**	**2.25**	**100%**	**4.08**	**100%**		**76.6**	**100%**

Source: H2 Gambling Capital, 2018

25. We have analysed the tennis data of a number of online bookmakers, to better understand the betting trends within tennis. The data below relates to online tennis betting activity in regulated markets – therefore excluding any unregulated market activity.

26. Where possible, we asked operators to split their tennis data in the same way as in the Interim Report:

    – 'Grand Slam' –made up of the four Grand Slams.
    – 'Tour Level' – made up of the ATP and WTA Tours;
    – 'Mid-Level' – made up of ATP Challenger and ITF women's Pro Circuit $60k-$100k, and WTA $125k events; and
    – 'Lowest Level' – made up of ITF men's $15k and $25k Pro Circuit events (known as "Futures"), and women's ITF $15k and $25k Pro Circuit events;

2.3 Tennis Betting Market Growth 2008–17

27. The online tennis betting market has grown substantially over the past nine years, growing at a nine-year CAGR (2008-17) of 28%, compared to the overall sports betting market growing at a 13% CAGR. Over this period, tennis has tripled its share of the sports betting market from 3.3% in 2008 to 9.7% in 2017.

Fig 18: Tennis Online Betting Market GGR

Online GGR (US$m)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-17 CAGR
Tennis	148	190	260	371	556	713	874	1,055	1,161	1,318	28%
Total Sports	4,480	4,810	5,660	6,289	7,276	8,113	9,396	10,761	12,099	13,588	13%
Tennis (%)	**3.3%**	**3.9%**	**4.6%**	**5.9%**	**7.6%**	**8.8%**	**9.3%**	**9.8%**	**9.6%**	**9.7%**	

Source: H2 Gambling Capital, 2018

28. In terms of growth rates at the lowest level of tennis, this has grown quicker than that of the overall tennis market as the demand for the product has increased. Therefore, lowest level tennis has taken share of the overall market, and has now stabilised at around 20-25% of GGR for most operators; for those operators where it still represents a lower proportion of their overall tennis revenues, we would expect it to continue trend up to this level over the next 2-3 years.

29. Analysis of the bookmaker data shows that, on average, 'Lowest Level' tennis makes up c.20% of GGR generated from tennis for operators. However, given the high level of in-play betting, this is at a lower GGR margin than the tennis average, and therefore our analysis shows that 'Lowest Level' tennis represents c.27% of bookmakers' total tennis turnover

Fig 19: Split of Tennis GGR and Turnover (2017)

2017	GGR Split	Turnover Split
Grand Slam	15%	13%
Tour Level	40%	35%
Mid Level	25%	26%
Lowest Level	20%	27%

Source: H2 Gambling Capital, 2018

30. In terms of in-play versus pre-match, c.97% of GGR is generated in-play compared to pre-match at the lowest level of tennis; this compares to c.80% of GGR generated in-play for tennis overall. Given the lower GGR margin of in-play tennis, in terms of stakes, this is an even higher percentage.

Fig 20: Proportion of In-play Tennis GGR (2017)

2017	In-Play GGR Percentage
Lowest Level	97%
Total Tennis	80%

Source: H2 Gambling Capital, 2018

31. If we were to apply the above splits to the overall estimated tennis market (including the land-based and unregulated markets), this would imply that **the lowest level of tennis generated GGR of $820m in 2017, from $20.7bn of turnover**. Given that land-based activity has a lower proportion of in-play, we estimate that this would equate to c.**$650m of in-play betting GGR on the lowest level of tennis, from $18bn of turnover**

2.4 Tennis Betting Market Emerging Trends and Innovations

32. The tennis betting market trends are similar to that of the overall sports betting market, notably:
    - A shift from land-based to online betting (although land-based tennis betting continues to grow);
    - A shift from offshore online betting to onshore online betting;
    - Online growth driven by a significant increase in mobile betting GGR, as well as substantial growth in in-play betting. Tennis lends itself well to in-play betting, given the natural breaks in the game after each point, and the ability to wager on a point by point basis. **However, we note that the majority of the in-play betting in tennis takes place on markets that are also available pre-match – such as the game / set / match winning markets;**
    - These trends are also applicable to the growth in the unregulated market, as well as the regulated market.

33. Another reason for tennis' strong growth is that it has become a staple product for bookmakers, given the breadth of the product – that is to say, the high number of matches, available at all hours of the day. As bookmakers compete to offer greater, and more varied, content to customers, there has been an increase in bookmaker demand for live data – both official and unofficial – and streaming of matches.

34. As we explain in the next section, the unique nature of the tennis betting market exacerbates the demand for the product; this strong demand for the product will continue regardless of any move to discontinue official data feeds.

2.5 Tennis Betting Market Growth 2017–22e

35. In terms of the growth outlook, we forecast tennis to continue to grow strongly, although as a share of sports, this is likely to decrease as US sports take share, following the regulation of the US sports betting market.

36. However, we still forecast the regulated online tennis market to grow at a five-year CAGR of 8%, from $1.3bn of GGR in 2017 to $1.9bn by 2022e.

Fig 21: Tennis Online Betting Market GGR Forecasts (2017-22e)

Online GGR (US$m)	2017	2018e	2019e	2020e	2021e	2022e	2017-22e CAGR
Tennis	1,318	1,504	1,612	1,723	1,785	1,900	8%
Total Sports	13,588	15,502	16,789	18,432	19,617	21,466	10%
Tennis (%)	**9.7%**	**9.7%**	**9.6%**	**9.4%**	**9.1%**	**8.9%**	

Source: H2 Gambling Capital, 2018

37. Assuming no growth at all in land-based tennis betting, this would put the regulated tennis betting market GGR at $2.4bn by 2022e, with further growth likely in the unregulated black market as well

38. We also note that the future growth potential of the market is partially dependent upon regulation. Generally, H2 notes sports betting regulation divides into 5 categories:

  – A) Totally commercially available and completely licensed on and offline - e.g. UK / Italy / Australia;
  – B) Fully available commercially online (onshore) but monopoly land based - e.g. France / Denmark;
  – C) Limited commercial supply land based / interactive - with offshore grey market - e.g. Germany / Most of Eastern Europe / Nigeria / Ghana/ Kenya / Vietnam / Philippines / South Korea;
  – D) Onshore monopoly supply; limitation of supply (products or channels, etc) - e.g. China / Japan / Norway / Canada;
  – E) Sports betting completely illegal - e.g. India, most of the Muslim world.

39. Recently, however, there has been a spate of announcements seeking to liberalise sports betting - including:

  – The US - shifting is from between D&E to A
  – Sweden / Netherlands / Slovenia / Colombia - moving from D to A/B
  – Brazil /Peru - ambition to move from D to B/C
  – India - exploring moving from E to B/C

40. We note that if more markets regulate, in what is viewed as a favourable manner, then this would likely lead to higher growth in tennis GGR than what we have currently forecast

Section 3: Loss of In-Play Betting Impact Assessment

For those operators who cease offering in-play betting on ITF lower-level tennis, there is likely to be a three-way shift to:
- other in-play tennis (notably ATP matches);
- more pre-match ITF betting; and
- a general shift away from these operators towards those still offering ITF in-play

Given the significant consumer demand for the product, and the lack of alternative product for bookmakers to offer in many periods where ITF in-play betting takes place, in our view it is extremely likely that a large number of bookmakers will continue to offer in-play betting on ITF lower-level tennis, through unofficial data feeds. We estimate that over 60% of ITF tennis GGR is already generated by hundreds of bookmakers offering ITF product using unofficial data, predominantly driven by the unregulated market where we believe that all betting is based on unofficial data

The inherent customer demand for the ITF product makes the supply of unofficial data very lucrative; this will lead to a significant number of data providers circumventing any proposed restrictions

Without an official data feed for ITF, but with consumer demand for the product, any bookmaker that stops offering ITF in-play product will be at a competitive disadvantage. In our view, the inherent commercial pressure is therefore likely to result in a domino effect across the sector as operators are forced commercially to utilise unofficial data to offer products to consumers that their competitors are offering

The Panel's suggestion of employing contractual restrictions in an attempt to stop bookmakers from taking unofficial data feeds is highly unlikely to be successful, as bookmakers would very likely switch to unofficial feeds at higher levels of tennis as well; the streaming of these matches makes the collection of unofficial feeds at this level even more straightforward

If bookmakers' demand for tennis data is satisfied by unofficial data supply, then there would be limited incentive to shift back to an official data supply in the future, given the higher price of official data

Furthermore, we conclude that this is likely to have adverse consequences for tennis at all levels. The economics of operators choosing to take unofficial data feeds for all levels of tennis would lead to a significant reduction in funding from the betting industry at all levels of the sport. Moreover, this is likely to have a further negative impact in terms of the reporting of suspicious betting patterns by bookmakers, compounding integrity issues

3.1 H2 Estimate of The Size of The Unofficial Data-led ITF Tennis Betting Market

41. H2 estimates that the regulated tennis betting market (excluding any unregulated market activity) generated **$1.83bn of GGR in 2017, from $26.6bn of turnover**. Of this, c. 20% of GGR and 27% of turnover is ITF lower-level tennis, equating to **$366m of GGR, and $7.2bn of turnover.**

42. Within this, we estimate that currently:
    – c.80-90% of the lower-level ITF tennis regulated betting market uses official data feeds, with 10%-20% coming through bookmakers using unofficial data
    – At the mid-point, this equates to c. $55m of GGR, and $1.1bn of turnover in the regulated ITF tennis betting market coming from unofficial data feeds

    — Furthermore, we would expect that the unregulated market would all take unofficial data feeds. Although we typically do not include the unregulated market, we have estimated that it would generate in the region of $2.2bn of GGR from $50bn of turnover, or at the lowest level ITF market, $450m of GGR from $13.5bn of turnover. This would imply that there is c. $500m of GGR, and $14.6bn of turnover coming from bookmakers taking unofficial data feeds. This equates to more than 60% of GGR and 70% of turnover of all ITF tennis betting, underlining the commercial incentives of the unofficial tennis data market. As we explain below, **we see it as likely that a large portion of the $311m of GGR / $6.1bn of turnover on ITF tennis currently going through bookmakers using official feeds would be channelled to bookmakers taking unofficial data feeds** if official in-play data were discontinued.

3.2 H2 Estimate of Impact of Discontinuing All Official Data for ITF In-Play Betting

43. In order to estimate the impact of discontinuing official data for ITF in-play betting, it is important to understand some of the major differences that exist between land-based and online wagering. The online channel has been a key area of growth for tennis betting in recent years; this has also brought **power to the consumer** as now prices and product can be easily compared between bookmakers:

    Interactive – *is totally consumer led*
    - *Interactive operators are part of a highly competitive international environment where price and product offering are key*
    - *Players have greater control because purchasing decisions are not limited by location or time*
    - *This is compounded by vast opportunity, with better offers, bonuses and product all 'just one click away'.*

44. ITF lower level tennis is an extremely popular product, in part due to the number of matches that take place in the 'shoulder periods' where there are limited alternative sports betting products

45. Given the significant consumer demand for the product, and the lack of alternative product for bookmakers to offer, in our view it is likely that a large number of bookmakers will continue to offer in-play betting on ITF lower-level tennis, through unofficial data feeds

46. For those operators who cease offering in-play betting on ITF lower-level tennis, the impact is likely to be three-fold:

    - In periods where there is alternative product – such as ATP Challenger matches – customers will substitute their wagering from ITF level tennis to ATP tennis / other forms of wagering.

    - Where there is no alternative in-play wagering, there will be a shift towards more pre-match betting on ITF lower-level tennis. Although we note that the opportunity to wager pre-match is much lower than for in-play (in terms of timeframe of when wagers can be placed), in terms of the type of wager, the vast majority of in-play wagers are on markets that are also available pre-match – such as the game / set / match winning markets. These markets do not require a full point-by-point live data feed, but rather could be serviced by a game-by-game feed.

    - The final impact will be a reduction in the overall amount wagered with these operators; those customers who stay will wager less in periods where there is no alternative content, as the shift to pre-match betting is unlikely to be to the same extent as the current in-play market. However, more importantly, a portion of the customer base will migrate to competitors who are offering the ITF in-play product through unofficial data feeds.

47. Although the overall wagering on tennis would be reduced, this would not be by a material amount. Rather, the net effect is that it would lead to a shift in wagering to other forms of tennis, and a likely significant shift in ITF wagering away from operators with official data feeds to operators taking unofficial data feeds, but retaining an in-play offering.

3.3 H2 Independent Commentary on The Economics of Prohibiting In-Play

48. In order to understand our view that any cessation of in-play official data will lead to a significant increase in unofficial data feeds, in this section we further analyse the position of bookmakers, and the economics of ceasing to offer in-play on ITF lower-level matches.

49. Online bookmakers operate in a highly competitive environment, largely competing on price and product. Our analysis concludes that there is already a sizable part of the market which offers in-play betting on ITF tennis using unofficial data (c.10-20% of the regulated market, and the majority of the unregulated market). This implies that a bookmaker can produce a strong in-play ITF offering without using official data – one that can compete with the product being offered by operators taking official data.

50. We note that much of the unofficial supply of data is currently being 'scraped' from the official data, and therefore if the official supply were stopped, this 'scraping' would cease to happen. However, with such strong demand for the product, and such large amounts being wagered on it, we believe that this is a barrier which would be easily overcome by suppliers of unofficial data. There would very likely be an increase in scouting at matches, although we acknowledge that the number of matches on offer may decline. However, the economics of the product means that it is highly likely that the in-play market will persist, but on an unofficial, less visible level.

51. Therefore, if a bookmaker ceases to offer ITF in-play tennis, it is automatically placed at a product disadvantage to its competitors who offer that product; this is a strong incentive to continue offering the product using unofficial data feeds.

52. Therefore, for any ban to be effective, the tennis governing bodies need to either:

   – Prevent the supply of unofficial data
   – Artificially restrict the demand from bookmakers for unofficial data, even though there is clear demand from their customers for the product, and the bookmakers will be left at a competitive disadvantage to peers

   We look at both of these options in turn, based upon recommendations from the Panel in the Interim Report:

53. With regards to restricting the supply of unofficial data, we note that the Panel in the Interim Report has called for tighter restrictions at the ITF lower level matches to stop the leaking of match data. We do not believe that the tennis governing bodies will be able to restrict the supply of unofficial data for the following reasons:

   – The ITF tennis offering generates material revenues for bookmakers. According to press speculation at the time, Sportradar reportedly paid the ITF $70m for data rights in December 2015 for a five-year deal, which is evidence of the value of the data for the ITF betting markets. These levels of potential earnings are a strong incentive for unofficial data providers to circumvent any attempted restrictions imposed by the tennis governing bodies

   – While we calculate that c.97% of wagering on ITF tennis takes place in-play, the vast majority of these markets are available pre-match. To update these markets for in-play betting, there is little incremental data that is needed. While in-play betting is often

thought of as point by point market, the vast majority of wagering would continue if the markets were updated after each game, or even each set. We view it as highly improbable that this level of data could be prevented from being obtained.

54. With regards the artificial restriction of demand for in-play data by bookmakers, we note that the Panel in the Interim Report suggests contractual restrictions on the offering of in-play product. The penalty for this would be that operators are prevented from obtaining official data feeds at other levels of tennis. We believe that this would be ineffective, as operators would take unofficial feeds on other levels of data:

– Our discussions with bookmakers indicate that a large number already use unofficial data feeds for the higher levels of tennis (we note that this is done in a legitimate fashion).

– The recommendation that all ATP Challenger matches have an audio-visual stream would make it even easier to maintain a supply of unofficial data at this level.

55. Our conclusion is that:
– The inherent customer demand for ITF product makes the supply of unofficial data very lucrative; this will lead to a large number of companies circumventing any proposed restrictions.
– There are already a large number of bookmakers offering ITF in-play product through unofficial data feeds – any bookmaker who stops offering ITF in-play product once official feeds have ceased will be at a competitive disadvantage.
– The Panel's suggestion of contractual restrictions in an attempt to stop bookmakers from taking unofficial data feeds is highly unlikely to be successful, as bookmakers would likely switch to unofficial feeds (or collect themselves) at the higher levels of tennis as well; the streaming of these matches makes the collection of unofficial feeds at this level even more straightforward.

56. Taken in turn, the resulting impact is likely to be a domino effect across the sector as competitive pressures force operators to offer in-play ITF product to retain their market share and customer base. It is important to again highlight that unlike land-based betting, online customers, where in-play is dominant, are relatively fluid in their choice of operators. Brand loyalty is not as prevalent and high levels of competition and product choice see customers migrating across the market, with the average customer having three different betting accounts at any one time.

57. We conclude that any discontinuation of lower level ITF live data is likely to have adverse consequences for tennis at all levels. The commercial pressures on operators to take unofficial data feeds for all levels of tennis would lead to a significant reduction in funding from the betting industry at all levels. Moreover, this could have a further negative impact in terms of the reporting of suspicious betting patterns by bookmakers, compounding integrity issues.

Section 4: Conclusions

H2 Independent Report – 12 Conclusions

1. *The global regulated sports betting market generated $67.5bn of GGR in 2017, from $593bn of turnover. H2's forecasts do not typically include the unregulated market, but if we were to include this, we calculate a total sports betting market (including horse racing and the unregulated market) of c.$2.1 trillion of turnover, and $143bn of GGR*

2. *Our analysis shows that the total regulated tennis betting market (retail and online) generated $1.8bn of GGR in 2017, from $27bn of turnover. However, we assess that the unregulated market was worth a further $2.2bn of GGR from $50bn of turnover. This takes the total tennis betting market in 2017 to $4.1bn of GGR generated from $77bn of turnover*

3. *In terms of the geographic split, Europe is the largest regulated tennis betting market, however Asia is by far the largest unregulated market for tennis betting, generating over $1bn in unregulated GGR in 2017*

4. *The online tennis betting market has grown substantially, growing at a nine-year (2008-17) compound annual growth rate (CAGR) of 28%. Over this period, tennis has tripled its share of the online sports betting market from 3.3% in 2008 to 9.7% in 2017*

5. *'Lowest Level' ITF tennis makes up 20% of tennis GGR, and c.27% of total tennis turnover*

6. *If we were to apply the above splits to the overall estimated tennis market (including the land-based and unregulated markets), this would imply that the lowest level of tennis generated GGR of $820m in 2017, from $21bn of turnover.*

7. *Regarding the proposal of an end to official data for in-play betting: For those operators who cease offering in-play betting on ITF lower-level tennis, there is likely to be a three-way shift to: other in-play tennis (notably ATP matches); more pre-match ITF betting; and a general shift away from these operators towards those still offering ITF in-play*

8. *However, given the significant consumer demand for the product, and the lack of alternative product for bookmakers to offer in many periods where ITF in-play betting takes place, in our view it is extremely likely that a large number of bookmakers will continue to offer in-play betting on ITF lower-level tennis, through unofficial data feeds*

9. *The inherent customer demand for the ITF product makes the supply of unofficial data very lucrative; this will lead to a significant number of data providers circumventing any proposed restrictions, because there is an economic incentive to do so*

10. *Without an official data feed for ITF, but with consumer demand for the product, any bookmaker that stops offering ITF in-play product will be at a competitive disadvantage. In our view, the inherent commercial pressure is therefore likely to result in a domino effect across the sector as operators are forced commercially to utilise unofficial data to offer products to consumers that their competitors are offering*

11. *The Panel's suggestion of employing contractual restrictions in an attempt to stop bookmakers from taking unofficial data feeds is highly unlikely to be successful, as bookmakers would very likely switch to unofficial feeds at higher levels of tennis as well; the streaming of these matches makes the collection of unofficial feeds at this level even more straightforward. If bookmakers' demand for tennis data is satisfied by unofficial data supply, then there would be limited incentive to shift back to an official data supply in the future, given the higher price of official data*

12. *Furthermore, we conclude that this is likely to have adverse consequences for tennis at all levels. The economics of operators choosing to take unofficial data feeds for all levels of tennis would lead to a significant reduction in funding from the betting industry at all levels of the sport. Moreover, this is likely to have a further negative impact in terms of the reporting of suspicious betting patterns by bookmakers, compounding integrity issues.*