

A Work Project, presented as part of the requirements for the Award of a Master's degree in
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INTERNATIONALIZATION OF KAIZEN GAMING – IN-DEPTH ANALYSIS OF
DENMARK AND LR ON INTERNATIONAL ENTRY MODE SELECTION

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1 Abstract

Kaizen Gaming is an online gambling company based in Greece, which operates under two brands, Stoiximan and Betano, holding a solid international experience. A strategic analysis of the company “status quo” was performed testing domestic and external factors impacting Kaizen’s business model. Following Kaizen’s expansion prospects under Betano, the brand to be internationalized, five potential countries were evaluated backed with macro data and qualitative industry-specific factors. Ultimately, both financial projections and marketing plan were performed to demonstrate the potential expansion conditions of Denmark, the chosen country. Hence, in light of the future prospects, the group outlined setting distinctive Partnerships and Marketing campaigns, to be aligned with technological trends adapting Betano into a blockchain based casino and seeking uncharted markets.

The report is complemented with a literature review on International Entry Mode Selection and an in-depth analysis Denmark, one of the potential target countries.

Keywords: Internationalization, Strategic Analysis, Market Selection, Entry Strategy

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Table of Contents	
1 Abstract.....	1
2 Introduction.....	5
3 Research Methods	9
4 Strategic Analysis of the Company's Situation	10
4.1 Firm Overview and Project Background	10
4.1.1 Profile and Management	10
4.1.2 Product/Business Portfolio.....	11
4.1.3 Operations, Positioning, and Strategy.....	12
4.1.4 End-User Product/Service to be Internationalized.....	14
4.1.5 Financial Overview	14
4.2 Market/Industry Analysis (Domestic & Global)	19
4.2.1 PESTEL	19
4.2.2 Porter's 5 Forces	21
4.2.3 Consumer Trends and Forecast.....	23
4.2.4 Key Industry Success Factors	25
4.2.5 Country Specific Advantages (Porter's Diamond)	26
4.3 Firm Specific Advantage	29
4.3.1 Resources and Competences	29
4.3.2 Firm Specific/Competitive Advantage (VRIO)	31
4.4 Diagnosis of Internationalization (Domestic & Global).....	32
4.4.1 SWOT Matrix, FSA-CSA Matrix, and Porter's Generic	32
4.4.2 Motives for Internationalization	35
4.4.3 Global Readiness	36
5 International Market Selection – Phase 1	38
5.1 Country Selection Criteria	38
5.2 MCAR Test.....	40
5.3 Pearson Correlation	41
5.4 Standardization and Inversion	41
5.5 Country Clustering	42
5.6 Country Ranking.....	43
5.7 Selection of the Five Highest Potential Markets	45
6 International market selection – Phase 2	46
6.1 In-depth market analysis – Denmark.....	46
6.1.1 Country Introduction.....	46
6.1.2 Contacts.....	47
6.1.3 Competition.....	48
6.1.4 Overall Market Sales Potential	50
6.1.5 Market Entry Conditions.....	51
6.2 Selection of Target Market	54
7 International Entry Strategy	56

7.1	Selection Criteria	56
7.2	Analysis of Alternative Entry Modes	58
7.3	Entry Mode Selection	61
8	Marketing Plan.....	62
8.1	Marketing Objectives	62
8.2	Segmentation	65
8.3	Targeting.....	66
8.4	Positioning	68
8.5	Marketing Mix 4Ps	70
9	Financial Forecast	74
9.1	Market Size and Market Share Estimation	74
9.2	Operational Plan	75
9.2.1	Revenue Estimation	75
9.2.2	P&L Statement	77
9.2.3	Operational Risk Analysis	78
9.3	Investment and Financing Plan.....	79
9.4	Financial viability	81
9.5	Sensitivity and Scenario Analysis	83
10	Overall Conclusions and Recommendations	86
11	References.....	88
12	Appendixes	126

Table of Figures

Figure 1 - Profitability ratios	16
Figure 2 - Liquidity ratios	17
Figure 3 - Solvency ratios	18
Figure 4 - Risk ratios	18
Figure 5 - VRIO framework.....	31
Figure 6 - CSA/FSA Matrix	35
Figure 7 - Top 15 country ranking	45
Figure 8 - Ireland Competition Cluster Chart	49
Figure 9 - Market Selection Score.....	54
Figure 10 - Marketing Objectives	64
Figure 11 - Segmentation Profiles.....	65
Figure 12 - Positioning Matrix	70

Figure 13 - Revenue Streams Breakdown	75
Figure 14 - Operational Risks	79
Figure 15 - Profitability ratios	81
Figure 16 - Sensitivity Analysis	84
Figure 17 - Scenario Analysis	85
Figure 18 - Scenario Results	86

Abbreviations

AI – Artificial Intelligence
 B2B – Business to Business
 B2C – Business to Consumer
 CAGR – Compound Annual Growth Rate
 CAPEX – Capital Expenditure
 CEO – Chief Executive Officer
 CMS – Content Management System
 COGS – Cost of Goods Sold
 CSR- Corporate Social Responsibility
 EBT – Earnings Before Taxes
 EBIT – Earning Before Interest and Taxes
 EU – European Union
 FCF – Free Cash Flows
 GDP – Gross Domestic Product
 GGR – Gross Gambling Revenue
 HQ – Head Quarters
 IRR – Internal Rate of Return
 IT – Information Technology
 KPI – Key Performance Indicator
 LATAM – Latin America
 M&A – Mergers and Acquisitions
 MGA – Malta Gaming Authority
 NGO – Non-Governmental Organization
 NPV – Net Present Value
 OPAP – Greek Organization of Football Prognostics
 PC – Personal Computer
 R&D – Research and Development
 SAM – Serviceable Attainable Market
 SME – Small Medium Enterprise
 SMS – Short Message Service
 SOM – Service Obtainable Market
 TAM – Total Attainable Market
 UBO – Ultimate Beneficial Owner
 VR – Virtual Reality
 WACC – Weighted Average Cost of Capital

2 Introduction

Internationalization describes the course of action of a corporation that seeks to expand into foreign markets in order to broaden its reach or raise its market share. Establishing a competitive and sustainable business is arduous for most entrepreneurial organizations. This is frequently done with limited resources and by implementing creative and innovative methods (Barringer and Greening 1998).

Embracing innovation is imperative for SMEs as agents of internationalization. Organizations must adapt to cultural nuances on a global scale in order to thrive and compete, considering the current highly competitive paradigm. To the fullest extent possible, opportunities provided by internationalization should be employed, in order to boost efficiency, competitiveness and, ultimately, triumph (Reuber and Fischer 1997).

The purpose of this work project is to highlight the accreditation of a solid internationalization plan intended for Kaizen Gaming. The company was founded in 2012, operating under Stoiximan, in Greece and Cyprus, and Betano, Kaizen's international brand, currently operating in eight countries along Europe and South America, both with similar propositions over sportsbook and casino. The company intends to penetrate in new markets and establish the status of Betano as a global brand (Kaizen Gaming 2022).

This project is stretched into **four** segments comprehending the analysis of the essential requirements of a company expansion. The **internal analysis** stands as the first topic of this segment, aiming to specify valuable insights and a financial outline of Kaizen Gaming, its specific competitive advantage, industry overview and global readiness to internationalize.

Secondly, an **external analysis** was performed in order to grasp key industry insights and country-specific advantages. The following step in Betano's international expansion was **selecting the best market-fit** for its products/services. Subsequently, the markets with the highest-ranking potential were selected. An **entry strategy** was conceived and adapted to the

chosen country to support a successful and unceasing expansion. Finally, in order to have a fortunate implementation plan in the succeeding five years (2023-2027) it is essential to execute a comprehensive **marketing** and **financial plan** with accurate projections.

Literature Review

Literature Review on International Entry Mode Selection

In response to the escalating market uncertainty, quick technological advancements, diversification of consumer needs and preferences, and shorter product life cycles, there has been a significant rise in the number of collaborative arrangements, such as mergers, acquisitions, strategic alliances, joint ventures, global value chains, and business model restructuring (Bustinza et al. 2019; Chung et al. 2008). Even though said strategies are tendencies, these will not be subject to analysis as these are not entry mode theories in the traditional sense.

The two major theories of international entry mode are the internalization theory and the eclectic theory. Given that the internalization and eclectic theories have empirical evidence and are the best-known theories of entry mode strategy, this discussion will focus on both of them. In addition, the limitations of the internalization theory and eclectic theories regarding entry mode strategies will be highlighted.

The internalization theory, which was created by Buckley and Casson (1976), Rugman (1981) and Hennart (1982), is a firm-level theory that explains why the multinational enterprise (MNE) will exercise proprietary control (ownership) over an intangible, knowledge-based advantage, which is unique to the firm-specific advantage (FSA). All FSAs are efficiency-based, according to internalization theory. The knowledge advantage results from a transaction cost economics theory, in which public good is addressed by the hierarchy of a corporation overcoming this market failure. The other FSAs are also efficiency-based and compatible with

Penrose's value creation principles, including brand advantage, managerial skills, and organizational capabilities (Rugman and Verbeke 2002).

The internalization theory explains why a company would choose to own and manage a production plant in a foreign market instead of obtaining a license from or entering in a supply arrangement with a local company. The internalization approach extensively uses transaction costs analysis to address this issue. As a result, the transaction cost and internalization theories are viewed as one (Madhok 1997; Rugman 1980). Transaction costs, or expenses related to negotiating, overseeing, and upholding a contract, are incurred during a market transaction (Coase 1937; Williamson 1975). When transaction costs are high, foreign direct investment, which includes single ownership and joint ventures, is more likely to occur (Coase 1937). According to the internalization theory, a low-level form of entry is preferred, unless solutions such as licensing, supply agreement, or management contract are shown to be superior (Anderson and Gatignon 1986). Similarly, to other theories of the firm, based on industrial organization, internalization theory posits perfect competition and homogenous firms.

According to eclectic theory, the combination of three elements determines whether to make a foreign direct investment is the right decision. These three elements are ownership, location, and internalization. This employs the global firm concept put forth by Dunning, in 1977. Each of the three components of eclectic theory is thought to play a significant part in the multinational's choice of investments, and each of these functions is thought to be tied to the other two.

Ownership advantage is a competitive or monopolistic benefit that aids a foreign company overcome the challenges of going up against local competitors. The market potential and country hazards that make doing business abroad advantageous are referred to as location advantages. Contractual risks that make owning a foreign affiliate through foreign direct investment more advantageous than granting a local company a license to sell the product in a

foreign market are known as internalization advantages (Agarwal & Ramaswami, 1992). Product differentiation, innovation, scope economies, experience, and privileged access to inputs are a few examples of ownership advantages. However, due to the nature of invention processes or changes in property rights, these benefits might only be temporary. Additionally, ownership benefits, attributable to a particular asset, are separated from transaction benefits attributable to the multinational's allocative mechanism.

Despite some acceptance, the eclectic model cannot explain and forecast the choice of entrance method from a single standpoint (Tallman, 1991). For example, the model fails to explain why two businesses in the same industry with equal ownership, internalization, and geographical advantages would only occasionally opt for the same entrance strategy in a given foreign market (Dunning 1993). In addition, the impact of broad product characteristics (goods versus services), home country factors, and boundary variables (product-weight-to-value ratio, logistics or transportation costs, and currency exchange rates between home and host countries) on the entry mode choice is ignored by current eclectic models.

When there is no market failure, both the internalization theory and the eclectic theory foresee no foreign direct investment. However, firms are known to form partnerships to strengthen their competitive position or advantage (Denekamp 1995). Additionally, the internalization and eclectic models have come under fire for neglecting a firm's internal features, which are seen to be amongst the primary influences on how a corporation behaves strategically (Bartlett and Ghosal 1991; Zou and Cavusgil 1996). This flaw is significant because it has been shown that a corporation's unique internal traits can affect its strategic behaviour and performance, even when the firm and other industry participants are subject to the same external influences (Dunning 1993; Zou and Cavusgil 1996).

3 Research Methods

In order to develop the outlined internationalization project and employ elite information, it is crucial to carry out a thorough research. To execute the following proposition, both qualitative and quantitative methods must be enforced.

Firstly, throughout the project's duration, the group engaged in various meetings with both **Kaizen's business development team** and **Betano's Portuguese marketing director**, grasping vital points in the research process. More specifically, **five** meetings with Kaizen's development team were conducted, holding a vital impact in crafting the financial forecast as the group was provided with notable information on the company's main financial goals and how the company's financial statements are structured. The first three sessions lasted an average of 40 minutes, while the latter two were briefer, since those were mainly held for validation purposes. José, Betano's Portuguese marketing director, had a critical importance in regard to the marketing plan and objectives. The average meeting length was roughly close to 30 minutes, and the group was provided with valuable marketing insights and maneuvers that had been previously undertaken. In this regard, the group employed this information as proxy to the marketing plan developed later in the project. Hence, the group engaged on a weekly communication with both Kaizen and José through email and Teams channel in order to elucidate simpler topics or whenever a meeting was not conceivable.

Indeed, the team was granted with valuable insights concerning the company's business model and useful data to execute the analysis. Kaizen's team supported the recognition of critical variables and the countries that the company itself wanted to avoid and/or further exploit. Throughout these meetings, the group was able to apprehend the business on an innermost level, and Kaizen's team provided powerful tools and in-house information to apply during the research that would not be obtainable otherwise.

Conductive to obtaining valuable data for the research project, Orbis, Statista, The World Bank, and The Global Economy were the topnotch selections. Gambling and betting sites also provided advantageous information regarding more tailored data, such as H2 Gambling Capital, a leading global source in the gambling sector. Additionally, this project allowed to uncover and analyze numerous websites and online articles aiming for a foremost outcome. Finally, regarding data analysis, other platforms, such as **SPSS**, for clustering purposes, **Excel**, for ranking and financial forecasts were also employed.

4 Strategic Analysis of the Company's Situation

4.1 Firm Overview and Project Background

4.1.1 Profile and Management

Kaizen Gaming was settled in Greece in 2012 and operates under two brands: **Stoiximan** and **Betano**, both gambling platforms. Stoiximan is based in two countries, Greece and Cyprus, while Betano operates in eight countries: Czech Republic, Bulgaria, Germany, Romania, Portugal, Brazil, Peru, and Chile (Kaizen Gaming 2022).

Kaizen Gaming values emphasize **technology** and **people**, and persistently improving their products and services to offer their consumers a preeminent gaming experience. The company constantly “overwatches” both users and employees, thus reacts and adapts to changes quickly. Kaizen’s achievements are part of the “**One Team**” culture, and it operates among six guiding principles: “People First”, “Passion”, “Getting Things Done”, “Continuous Improvement”, “Customer Lens”, and “One Team Culture” (James 2022).

Kaizen Gaming, as a company, is assembled through distinct divisions with a far-reaching link among them. Kaizen has over 1.500 dazzling and driven individuals from seven different nations collaborating diligently as one team. The company operates through **seven** divisions (Kaizen Gaming 2022).

The **business development** division is in charge of promoting the company's expansion into new countries. **Corporate function** works closely with executives and personnel from every division to guarantee that all get supreme services. The **marketing** division is devoted to the establishment of marketing operations, supervising associate's network and connect with creative agencies. The **product** department's mission is to develop a unified product strategy. The **services** team is in charge of dealing with the different stages of a consumer's journey within the platform usage. The **technology** division is responsible for developing and continuously upgrading product/service along with AI and Big data. Ultimately, setting odds for a range of sports while providing a first-rate customer experience are the duties of the **trading** department (Greece Investor Guide 2022).

Kaizen Gaming strives to craft an esteemed customer base by providing a trustworthy and amusing product. Thus, the company ideals go along the following premise: “With a focus on Technology and People, we aim to continually improve our products and services to provide the best experience for those who trust us for their entertainment” (Kaizen Gaming 2022).

4.1.2 Product/Business Portfolio

Kaizen operates through one key product in two branches, sportsbook and casino. Kaizen's **sportsbook** product regularly sets the bar high and introduces groundbreaking propositions in an ever-changing sector. The company invests in front-line technology that is created both internally and through elite collaborations with sector leaders. By the same token, Kaizen strives to make sure that its customers base has access to a wide range of options, with a continuing focus on giving them an unmatched sports betting and entertainment experience that is entirely adjustable and optimized regularly (Miller 2022).

Regarding the **casino** sector, Kaizen is committed to provide its customers with a unique online casino experience, where enjoyment and responsible gaming go side by side. The company lays a great effort into continually expanding the selection of gaming solutions across

the platform. In order to meet the demands and interests of all customers, the company collaborates with the most notorious providers worldwide, whether it be for slot games and live casino (Kaizen Gaming 2022).

The offered portfolio encompasses over 40 sports with 17 Esports on the sportsbook side which Kaizen is currently moving to expand upon. On the casino side there is above 290 live tables with 29 providers as well as countless features in slots and other common casino games that may be seen in traditional brick and mortar style casinos. Kaizen's aim in providing this is to bring the excitement of a casino to the homes and daily lives of its customers. The company continually looks to expand its offerings to keep the interest of its customers and to bring new ones to the platform. The direction of expansion of offerings is comprehensive in both directions with sportsbook and casino in the spotlight (Kaizen Gaming 2022).

4.1.3 Operations, Positioning, and Strategy

Kaizen operates through 3 main pillars in terms of their operations. **Technology** stands as a key stake, considering that Kaizen is a technology-based company, thus it is imperative to have top of the line in-house tech to be able to effectively stand against competition. Kaizen runs in-house technology and sets a considerable number of resources into assuring that the product platform is streamlined to remain effortless and enjoyable for its customers (Microsoft 2021).

“**Safetainment**” remains as a second big pillar, since Kaizen positions itself as an entertainment rather than a betting company. As such, merging responsible gaming and enjoyment is paramount for the business model truthfulness (Kaizen Gaming 2022). Several governments are setting stricter regulations over the gambling industry due to gambling addiction and social deterioration (EEAS 2022). Hence, heavy gambling does not benefit the company in the long run. Therefore, Safetainment is tremendously important to ensure, merging safety and continued enjoyment of players. Moreover, Kaizen has been developing several

strategies, in order to minimize heavy gambling such as: Deposit limit, Self-exclusion, Loss limit, Stake limit, Activity notice, Withdrawal cancellation blocking, and a Self-test (Kaizen Gaming 2022).

Lastly, **sports** stand as a crucial component of Kaizen Gaming functions, as there needs to be a large variety with competitive odds to be able to effectively cater for the needs of the distinct cultures and locations that Kaizen draws its customer base from. The sport that receives the uppermost activity from punters is football (Mizzy 2022). However, there are over 40 sports all completely expanded upon to cater to the remaining markets that Kaizen operates in. Hence, since an early stage, Kaizen has been aiming at clubs, sports events and individual athletes as part of their partnership and marketing objectives (Kaizen Gaming 2022).

Regarding **strategy**, Kaizen is self-described as in a period of expansion stage with high targets. Kaizen's current aim is for 2 new projects to go live each year. At the current rate, the company is set to achieve this goal and even surpass this given the right opportunity. The company has been effective in reaching their yearly expansion targets, which is a testament to their internal efficiency (Niji 2022). Kaizen have stated that their main area of interest is **LATAM**, with much of their planning going into this region. Market size and the amount of appreciation towards football from the populations makes the Latin American region extremely attractive, following Kaizen's recent expansion to Brazil, Chile, and Peru, while Ecuador and Colombia are in the pipeline to be next up. The Greek corporation have further stated that Europe has been subject to huge research, since this is remarkably diverse and competitive market and will require preminent strategic foresight and planning. Africa may also be in tandem to Europe or subsequent to European expansions have taken place depending on the outcome of the research (Kaizen Gaming 2022).

Kaizen has a staff of 1500 worldwide and is hiring approximately 50 more employees each month, which is also a key demonstrator of their focus to expand due to extra resources being

demanded due to the nature of their fast expansion (Miller 2022). Kaizen have further stated that all components of the company have a number one goal of expansion regardless of what team or type of work that is undertaken. Kaizen operates in a type of **Hub and Spoke** style of headquarters model depending on the continent of operation. For instance, even though the main HQ of the company is in Greece, Portugal is described as a core hub regarding the operations in LATAM (Kaizen Gaming 2022).

4.1.4 End-User Product/Service to be Internationalized

After carefully examining the company business units and operations, the group alongside Kaizen's business development team, agreed that the internationalization of the brand **Betano** should take place. As stated, prior, Kaizen Gaming operates under two brands, Stoiximan and Betano, which feature both casino and sportsbook. Betano was assembled for internationalization purposes, while Stoiximan was established in the foundation of the company and remained as a local brand only targeting Greece and Cyprus (Narayan 2021).

Betano's notoriousness in the online gambling industry makes the path clear to keep further internationalization under this brand. As such, the marketing plan and financial forecast will be rescaled to Betano's projections in the chosen market, in the later stages of the project.

4.1.5 Financial Overview

Following the evaluation of the company's structure, portfolio, and internationalization strategy, this chapter aims to provide an overview of Kaizen's financial situation. Before delving into the company's finances, both Betano and Stoiximan were subject to analysis since Kaizen does not separate entities in its **balance sheet** (Appendix 1) and **income statement** (Appendix 2). Additionally, it is important to keep in mind that this analysis was performed comprehending a **four-year** timeline from 2017 to 2020.

The first stage of the financial overview is to consider critical features of the company's income statement over the previous four years. Looking at Kaizen's **revenues**, it is conceivable

to see that there has been a significant rise over the last four years, with the most significant increase occurring from 2019 to 2020, with a 60% rise (Orbis 2022). The company's move to Portugal supports in a large extent this increase. Kaizen's strategy turned out to be expedient as the company managed to fully integrate into the Portuguese market and capture several clients from existing operators due to the marketing strategies employed (Kaizen Gaming 2022).

However, an increase in revenues does not necessarily translate into a proportional increase in the Gross Margin. As it is displayed in the Income Statement, **COGS** have also increased in the last three years. In 2020, The Greek corporation had the most considerable increase in revenues and COGS, as these rose by almost 60%. Nevertheless, even though the increase in COGS was in the same proportion as revenues, Kaizen's **EBIT** was still highly improved due to an increase in revenues, which was approximately 68% of COGS. Nevertheless, this value has decreased since 2018, when it was almost 74,5% (Orbis 2022).

Finally, **net income** has taken a similar path to the remaining categories. Accounting for this metric, it outlined the most significant increase, in 2020, with a massive 324% rise compared to 2019 (Orbis 2022). This denotes Kaizen's solid financial health, primarily achieved due to successful international moves.

To get a comprehensive financial overview of Kaizen Gaming, profitability, liquidity, solvency and risk ratios were computed for complete scrutiny. Notice that despite the convenience and scope to get some perspective by comparison, the fact that these are relatively simple to calculate, fail to disclose the inherent complexity of Kaizen's financials (CFI 2022).

Regarding **profitability**, Return on Sales, Return on Assets and Return on Equity were subject to evaluation. The first ratio indicates how much profit the firm can generate for each euro of revenue (Hayes 2022). According to Figure 1, there has been a steady increase, emphasized by the transition from 2019 to 2020, where **Return on Sales** went up from 3% to

13%. Throughout the four years, Kaizen Gaming significantly improved its operational efficiency, with superior management of operational costs alongside revenue channels.

Return on Assets reflects the profitability of a company, as regards to its assets, instead of revenues (Hargrave 2022). The four-year timeline performance of this ratio differentiates from Return on Sales, since there wasn't an increase in 2018, meaning that kaizen didn't improve its efficiency, although from 2019 to 2020 there was a substantial rise of 118.75%. With this said, Kaizen has been able to convert investments into profit more effectively reaching a better asset efficiency, reaching 35% on Return on Assets in 2020.

Furthermore, the measure of profitability accounts for the **Return on Equity**, which focuses on shareholders, determining the proportion that accurately depicts the shareholder's profit for each euro invested in the business (Fernando 2022). ROE faces a small drop in 2018 as envisioned in Figure 1 and is again tied with an abrupt rise from 2019 to 2020, from 23% to 57%. This implies that Kaizen Gaming has been able to manage the capital that shareholders invested more sharply, which translates into generating income from equity more efficiently.

Profitability-wise, Kaizen denotes a prominent financial structure that pronounce a sustainable growth rate of the Greek company conveyed by the huge expansion of the three ratios, particularly, from 2019 to 2020.

Profitability	2020	2019	2018	2017
Return Sales	13%	5%	4%	3%
Return on Assets	35%	16%	13%	13%
Return on Equity	57%	29%	21%	23%

Figure 1 - Profitability ratios

In order to assess Kaizen Gaming's **liquidity**, the following ratios were examined: Current Ratio, Quick Ratio and Cash Ratio. Firstly, once the result for Current Ratio is computed, it should be compared with the benchmark value of 1. This ratio will be greater than one when current assets exceed current liabilities, indicating that the company will be able to meet its short-term obligations using cash or other method easily converted into cash without seeking

additional funding (Fernando 2022). Considering that Kaizen **Current Ratio** faced a slump from 2017 to 2019 by -15.3% reveals that, despite, the company being able to meet its short-term obligations, decreased slightly its capacity to do so, although from 2019 to 2020 Kaizen was able to improve its liquidity by attaining a ratio of 1.38.

Secondly, the **Quick Ratio** provides a more conservative approach when compared with Current Ratio, determining whether a business can pay its present obligations without having to sell inventory or get extra financing (Seth 2022). Considering the non-existence of inventories, the Quick Ratio matches the Current Ratio, as exhibited in Figure 2.

Finally, as for the **Cash Ratio**, it evokes the most conservative metric out of the three ratios. Instead of making use of current assets, it uses cash in order to avoid being reliant on the conversion of current assets into cash (Kenton 2022). Kaizen demonstrates an encouraging progress, which is translated to an upward growth of 70% from 2017 to 2020, as displayed in Figure 2. Envisioning that cash covers current liabilities, automatically the Cash Ratio would be larger than 1, assuring a good liquidity position. The fact that this ratio was 0,95 reveals a great balance between liquidity and profitability, since if larger than 1, it would be counterproductive. Despite the pronounced liquidity, profitability would be harmed, as there would be a pile of cash not generating profits.

Overall, Kaizen liquidity capacity is close to being compact meaning that the company is not struggling to meet short term obligations. Despite the slowdown in the quick ratio, the remaining two ratios enunciate a decent liquidity structure.

Liquidity	2020	2019	2018	2017
Current Ratio	1,38	1,27	1,42	1,50
Quick Ratio	1,38	1,27	1,42	1,50
Cash Ratio	0,95	0,78	0,70	0,56

Figure 2 - Liquidity ratios

In order to evaluate Kaizen's **solvency**, Liabilities to Assets ratio was the only one subject to analysis, since data was lacking to compute additional ratios. **Liabilities to Assets ratio**

evaluates how much assets are generated by liabilities (CFI 2022). According to Figure 3, there was a small drop from 2017 to 2018 from 63% to 62% followed by an increase in 2019. In the last year the company was able to decrease this ratio from 64% to 61%. As Kaizen was able to counter the progression of this ratio indicates that the company is in safer position financial-wise. Common to rapidly growing businesses like Kaizen, this ratio is expected to grow due to the fast increase of debt and assets, which can account for the values from 2017 to 2019. Nevertheless, it is crucial that Liabilities to Assets ratio does not escalate, since it would reveal low shareholders' equity and a possible solvency back issue.

Solvency	2020	2019	2018	2017
Liabilities to Assets ratio	61%	64%	62%	63%

Figure 3 - Solvency ratios

Lastly, accounting for **risk**, Margin of Safety and the degree of operating leverage are going to be scrutinized as means to measure financial risk of Kaizen Gaming. **The Margin of Safety** enables the comparison of how well the company is performing compared to a bare minimum (Chen 2022). Considering that Kaizen's Margin of Safety expanded from 13% to 39% as of 2017 to 2020, points out that the company is in a less risky position. As to 2020, Kaizen's sales could decrease by 39%, and the company would still be capable to avoid losses.

Evaluating the second ratio, the **Degree of Operating Leverage** measures to which extent a company's Gross Profit is in response to sales variation (Hayes 2022). Kaizen Gaming was able to decrease this ratio from 7.5 to 2.6 from 2017 to 2020, witnessed in Figure 4 with a steady decline through the four-year timeline. With this said, risk-wise, the Greek company faces less uncertainty, since profits are less exposed to sales fluctuations, when a large amount of fixed costs and depreciation are verified.

Risk	2020	2019	2018	2017
Margin of Safety	39%	15%	14%	13%
Degree of operating leverage	2,59	6,48	7,00	7,53

Figure 4 - Risk ratios

To conclude, the analysis of the prior metrics allows the group to authenticate Kaizen's financial health. The fact that there were no major warning signals distressing Kaizen's gaming financials, the company should be encouraged to pursue further internationalization.

4.2 Market/Industry Analysis (Domestic & Global)

4.2.1 PESTEL

In regard to the industry where Kaizen Gaming operates, it is paramount for the company to stay up to date with the industry's trends and drivers as an expanding SME. The PESTEL analysis that follows aims to pinpoint the numerous external elements that may impact the online gambling paradigm.

Political factors, governments regulate the supply and demand relationships of online gambling, as well as control of where, when, and how gambling products subsist. By legalizing certain forms of gambling, government institutions also influence societies to consider gambling as an acceptable behavior (Peterdy 2022). Political issues include the favorability of public policy, the social stance of political parties, secularism of politics, and government dependence on gambling revenue. In the case of legislation, countries are segmented into white, gray, and black markets (Kaizen Gaming 2022).

Economic circumstances reflect a country's willingness to engage in gambling activity and spending. Factors such as GDP per capita, unemployment rates, and fiscal stress are important considerations for any entertainment provider. In many cases, the gambling industry has remained unaffected by periods of high unemployment and fiscal stress. GGR and disposable income are within the topmost metrics that companies address the highest weight when deciding upon internationalizing (Peterdy 2022). In addition, oftentimes, unfledged countries can represent favorable markets despite a low GDP per capita, since there are numerous players (Kaizen Gaming 2022).

Social factors reflect the role that online gambling plays in society. Online gambling activity has social costs such as influence on crime rates and bankruptcy, particularly among addicts (Peterdy 2022). For this reason, governments and NGOs strive to design policies to regulate the gambling industry, prevent gambling-related harm, and promote responsible gambling. Examples include education campaigns, behavior monitoring, helpline services, environmental modifications, and spending limits (Booth 2021).

Technological infrastructure and service are vital for any Ecommerce company. Countries with poor technological capacity face a barrier to entry, as connectivity speeds are low, and users would lack the devices required for the platform (Peterdy 2022). Furthermore, several countries with a low human development index lack compatibility and access to online payment systems. Overall, technological considerations include Wi-Fi connectivity, smartphone & PC usage and online payments access (Kaizen Gaming 2022).

Environmental factors refer to the impact that online gambling has on the ecosystem. In comparison to brick-and-mortar casinos, online gambling has limited ecological consequences. Moreover, there are limited costs for the company related to environmental factors apart from energy consumption for server hosting and online payments (Goyal 2021).

Laws regulate and restrict types of gambling activity, spending levels, product ranges, and advertising (Peterdy 2022). Countries differ in favorability of taxation and licensing requirements with the standard methods being the cost of commission or license. Certain countries tax GGR, although in countries with no license requirements, there is no need to pay extra tax on GGR. Advertising regulation is an important consideration as some countries are banning gambling adverts on TV and some are increasingly restricting advertising due to the growing concern of governments over social responsible gambling (Kaizen Gaming 2022).

4.2.2 Porter's 5 Forces

The online gambling industry was subject to a Porter's Five Forces analysis (Appendix 3) in order to assess the competitive forces that impact the industry. The Five Forces framework is commonly used to evaluate a company's corporate strategy as well as its industry structure. Porter identified five immovable forces that affect every market and business in the globe, which will be subject to analysis (Scott et al. 2019).

Competition in the industry was classified as **high**. Online gambling is a heavily competitive industry with a large number of firms offering identical products (Scott 2022). In Kaizen's home nation (Greece), the largest player is OPAP which owns several gambling related brands. Other players such as Novibet are hugely active with digital marketing and recently signed with NBA superstar Giannis Antetokounmpo for a CSR campaign. Another competitor is Bet365, which doesn't employ a local marketing strategy, despite offering one of the best products in the market (Argyriou 2022). Furthermore, the online gambling and betting industry is rapidly expanding and is forecasted to grow by 86% between 2021 and 2028 (Lock 2022). The rapid expansion of the industry leads firms to be more ingenious and innovative in their approach to casino and sportsbook offerings in order to counterbalance low product differentiation. Consequently, in order to remain competitive it is imperative to predict new trends and engage in marketing and promotion campaigns.

Potential of new entrants into the industry was classified as **medium**. The threat of new entrants is shaped by numerous variables. Certain elements that increase the threat of new entrants include low brand loyalty in the online gambling industry, boosted by the fact that various providers offer incentives to lure users. Also, the industry is relatively new, and there are a lot of new competitors that lack brand recognition. On the other hand, the threat level is diminished, as proprietary technology is required to succeed in the online gambling industry, which requires a high initial capital investment. Existing companies can easily retaliate quickly

and even collude by offering lower prices and higher user returns than new entrants (Scott 2022). Also, in several countries, there are government regulations that require licenses and the cost of commission, which can incur legal fees and loss of time (Kaizen Gaming 2022).

Power of suppliers was classified as **low**. In the online gambling industry, the bargaining power of suppliers has a limited impact on the competitive landscape and industry attractiveness (Scott 2022). Kaizen is an online gaming platform, and suppliers in this context include sports leagues, game developers, advertisers, payment providers, banks, CMS, Ecommerce providers, and telecommunications companies. The likelihood of forward integration is low, and there are many suppliers, relative to buyers that cater to many other industries. Furthermore, Kaizen is not reliant on suppliers' sales, except in the case of sports leagues. Although switching costs can be high for gambling operators with third-party software, payment methods and companies are geographically bound to the service providers/banks operating in each region (Goyal 2021).

Power of customers was classified as **high**. High buyer power allows players to squeeze margins by pressuring operators to increase returns and the quality of services offered. In the online gambling industry, users' switching costs are low, and platforms offer similar benefits. Punters also have low switching costs, increasing rivalry between companies, due to the fact that online gambling platforms require minimal learning time, and offers can incentivise customers to switch between providers regularly. Online gambling is difficult to differentiate by nature, which means that companies compete for the same players, increasing rivalry. However, if a firm offers highly differentiated products that other organisations cannot easily imitate or copy, it will face relatively less competition (Scott 2022).

The threat of substitute products was classified as **medium**. Consumers have a wealth of options to engage with. Gambling is an activity that permeates many forms of entertainment and leisure. As such, online operators have the prerogative to attract consumers into the online sphere by delivering engaging and safe experiences compared to alternatives such as brick-and-

mortar casinos, fruit machines, and betting shops. Moreover, online gambling operators must understand the advantages of delivering its mobile services, such as ease of use and practicality. The threat level was categorised as medium, since while the share of online gambling is growing, on a global scale it still attracts significantly less share of overall revenue compared to land-based activities (Scott 2022). For example, the online share of the total gambling market represented only 16.4% in 2022 and is forecasted to increase to 20.4% in 2026 (Lock 2022).

4.2.3 Consumer Trends and Forecast

Prospects for the online gambling industry are cautiously optimistic. Despite the huge growth forecast for GGR, as new technology and trends develop, regulations and market saturation will force companies to pragmatically enter new markets (Lock 2022).

Kaizen operates on a global scale, therefore trends will be segmented by region. The main trends in **Europe** relate to consumer frugality in times of economic uncertainty, rising alternative payment methods, and consumer use of safe gambling tools. With war raging in Ukraine and energy prices skyrocketing, consumer wallets are being squeezed. This development is driving consumers to save money to deal with future uncertainty. According to a recent survey, 30% of European consumers intend to save more money in 2022 (Euromonitor 2022). The impact of this trend on the gambling market is yet to be determined, and gambling has historically been recession-proof. Another European trend is the upsurge of safer gambling tools. With the escalation of online formats, organizations have been inventing technological solutions that increase safety for problem users. According to the European Gaming & Betting Association, 14.9M of its members' customers used a safer gambling tool in 2021 (Akoo 2022). Lastly, alternative payment methods are growing rapidly in Europe. The rise of digital wallets, crypto-payments, Buy-Now-Pay-Later options like Klarna, and digital challenger banks like Monzo are examples (Euromonitor 2022).

The main trends in **Asia** include Esports popularity, and alternative payment methods. Most Asian consumers feel more optimistic about the future than their counterparts in the West. Consumer optimism typically leads to higher spending. As a result, Indians and Indonesians lead the way in willingness to spend more than 50% plan to increase spending (McKinsey 2022). Esports are a growing trend in Asia with 54% of it's revenue coming from this continent. Bettors on Esports are usually younger, with 78% between the ages of 18 and 25. These consumers place bets to enhance the entertainment value of matches (Malinka 2022). Increased payment options are opening market opportunities for gambling operators. As such, Southeast Asian consumers can now access financial services with e-wallets (McKinsey 2022). Going forward, this development could facilitate industry growth.

Africa represents a market with one of the highest growth potentials (Appendix 4). The main consumer trends on the continent are the breakthrough of slots on mobile phones, mobile payment popularity, demographics, and the spread of internet access. Online casino games such as slots are being enabled by increased access to mobile internet, and growth in Wi-Fi coverage. More than 43% in 2021 have access to WiFi (Kamer 2022), with mobile internet expected to reach 51% of Africans by 2025. This growth is expected to continue in the long term, although it is worth highlighting that despite mobile internet infrastructure, data can still be quite expensive for many consumers. Moreover, mobile payment methods are enabling new users to access gambling platforms. Popular methods include options such as Vodafone's M-Pesa which enables users to make payments via their mobile contract. Finally, as far as demographics go, Africa has the youngest population. As such, the African market has huge potential due to the growing preference for gambling activities among young people (Carter 2020).

LATAM represents another promising market for the future, as countries are increasingly legalizing gambling activities. Among the market trends are mobile-friendly solutions,

frequency-based gaming, and alternative payment methods. Smartphones are becoming more accessible in LATAM. According to Statista (Appendix 4), Brazil currently has 84% smartphone usage, and Argentina and Chile have 70%. Brazilian smartphone usage is expected to reach 88% by 2025 (Sava 2022). Despite smartphones' popularity, most households cannot afford PCs. Hence, operators should launch light web and mobile apps. Another general trend is a preference for increased gambling frequency with lower bets and more spins on slots. Finally, the LATAM market lags behind others in its access to payment methods. Notwithstanding, consumers are adopting mobile wallets and contactless payments, particularly in remote areas without access to banks (Uplatform 2022).

4.2.4 Key Industry Success Factors

The key industry success factors in the online gambling industry stand as entertainment value, players incentives/bonuses, trustworthiness, and size of the operator. Industry players that can emphasis on these factors, stand out in the lowly differentiated marketplace.

The most important success-defining factor is **entertainment value**. Operators must deliver seamless user experiences with exciting games and betting on popular sports. Primary motivators for users include amusement, fantasizing about winning and the experience of betting activities. According to the YouGov report, 41% of worldwide gamblers are driven by entertaining. Amusement as a motivator is the most pervasive in Great Britain (49%), USA (48%), Australia (48%), Sweden (47%) and urban Mexico (46%) (Souza 2021). Furthermore, for online casino gambling, the most preeminent factor for users is gameplay. Moreover, online gambling is a low differentiated market, therefore beating competitors requires differentiation based on entertainment. Low differentiation in the market also means that operators must offer **incentives, bonuses, and favourable odds** to enhance entertainment. A government report uncovered that when users are picking gambling operators, their decision is based on odds and sign-up bonuses provided (Gambling Commission 2022).

Another key success factor is **trustworthiness**. A study held by the Gaming Commission found that 76% of gamblers claimed that trustworthiness and transparency is paramount when choosing platforms. Even though many gamblers favour trustworthy services, only 20% had seen information indicating brand trustworthiness (Gambling Commission 2022).

The **size of gambling operators** is also a key determinant of industry success. Consumers view large operators with confidence in their ability and willingness to pay out winnings, a desire to keep customers loyal, greater levels of trust in online games, and more scrutinized by gambling regulators. Ultimately, big-name operators need to maintain their reputation in a highly competitive space. In comparison, consumers have less faith in smaller operators and are often concerned with how offers are structured and expect conditions to be tougher, especially when cashing out winnings. Moreover, consumers have lower confidence trusting online casino-style games, with odds weighted against the player. Therefore, smaller operators cannot compete on reputation, feeling the need to compete on deals and odds that attract people to take a risk on an unknown (Gambling Commission 2022).

4.2.5 Country Specific Advantages (Porter's Diamond)

Porter's Diamond (Appendix 5) was employed to evaluate the competitiveness of Kaizen's home market. Through the creation of factor advantages, nations are able to carry out competitive advantage via skilled labour, productive human capital, technologically developed industries, and advantageous government standards that support and boost the nation's keenness (Chappelow 2022).

The Greek online gambling industry requires certain **factor conditions** to operate. In terms of economic positives, Greece has the advantage of labour cost competitiveness and that it has a rapidly improving business climate. It is also the largest beneficiary of the EU's Recovery and Resilience Facility. In 2019 these grants and loans amounted to 18% of its GDP, and the

funding enables investment into digitalization projects such as an EUR 870Bn ultrafast broadband project (Worldbank 2022).

Hence, successful Greek firms are experiencing easier access to finance in recent years, due to the “Hercules” plan that is attracting investors (Coface 2022). However, the Greek market is far from being competitive as it was ranked the 59th most competitive nation globally (Worldbank 2020). Firstly, technology factors are important for Kaizen’s software development and maintenance and Greece is ranked 25th out of the 27 EU countries in the Digital Economy and Society Index which ranks countries based on human capital, connectivity, integration of digital technology, and digital public services. Moreover, it has a low level of labour participation and limited access to skilled labour within its workforce. In particular, Greece ICT professionals account for only 2.8% of the total workforce which is below the EU average of 4.5%, indicating that it is difficult to find tech talent (European Commission 2022).

In addition, it requires infrastructure related to technology such as internet networks. In terms of secure internet servers which are important for facilitating online transactions, Greece only has 8,906 per 1M people. This is significantly below European averages of 31,898 (Worldbank 2022). Social factors such as religion and political leanings, also have an impact on gambling behaviour. As a result, Greece is a favourable market for gambling because it is a politically democratic and liberal society, that supports individual freedoms (Friedrich Naumann Foundation 2022).

In regard to **firm, strategy, structure and rivalry**, the online gambling industry is a low-differentiated marketplace and therefore firm strategy follows similar patterns across the board (Chappelow 2022). In Kaizen’s paradigm, it competes by providing a higher level of entertainment value, proprietary technological innovation, and it captures market share through internationalisation projects across the globe. This strategy is reflective of broader trends of the marketplace, particularly for larger firms where rivalry revolves around consolidation through

M&A activity (OPAP 2021). Large firms such as OPAP absorb smaller ones operating within online and physical spaces in order to activate economies of scale, diversify and enhance technological capabilities, this enables companies to handle rising regulatory costs (Chappelow 2022). In addition, M&A allows Greek firms to expand geographically and diversify product ranges to achieve market-leading positions (OPAP 2021).

For Kaizen's Greek operations, **supporting industries** refer to upstream services and activities such as competitive sports teams like Olympiacos, and leagues such as the Super League as well as media that follows events, bars, and game developers. These groups enable the exchanging of ideas and the creation of a culture that revolves around gambling activities while providing the services to deliver experiences to end users. Other supporting upstream services include Ecommerce platforms, payment providers, banks, CMS companies such as Sportal365, social media, large conglomerates such as OPAP, and regulatory bodies, in the Greek market the primary regulator is the Hellenic Gaming Commission (Chappelow 2022).

In comparison, **related industries** correspond to services and customers that can represent threats and opportunities to Kaizen (Chappelow 2022). For instance, brick-and-mortar casinos, VLTs, Hellenic lotteries, and retail betting shops with the majority of these services provided by OPAP. Additionally, private, and illegal gambling between friends/ family. These services provide alternatives for consumers. However, their presence encourages gambling behaviour and innovation, which may transfer into the online sphere. In addition, OPAP, which is Greece's largest gambling company operates a diversified portfolio of gambling activities and is a large investor into Kaizen Gaming (OPAP 2021).

In the context of Greece and the broader gambling industry in Europe, the most profound **demand conditions** relate to consumer demographics, preferences, and technological proficiency of consumers. Europe, which is the largest and most robustly regulated market for online gambling and boasts extensive 5G networks, Wi-Fi connectivity, smartphone & PC usage.

In comparison, Greece has a low level of technological proficiency with 78% of the population using the internet. Greece has a population of 10.66M and relatively lower GGR of around EUR 1.858Bn, with EUR 720M for the online portion (Argyriou 2022). Despite, it is an attractive market, due to the high (1,16%) GGR in % of GDP (OPAP 2021). Further, the annual average spent per adult of EUR 230 and online share of gambling revenue of 45% is relatively high (EGBA 2021). In terms of consumer preferences, online betting accounts for the largest share of online gambling revenue, with online casino being relatively high compared to other European countries. Shares of revenues for other categories such as online poker, bingo, and lottery were smaller in comparison (Hellenic Gaming Commission 2021).

4.3 Firm Specific Advantage

4.3.1 Resources and Competences

Grasping Resources and Competences that the company has access to, turns out to be particularly valuable in examining the market where Kaizen Gaming operates and the circumstances that surround the industry. With this said, a thorough evaluation of Kaizen's capabilities will be performed.

Through “**In-house technology**”, Kaizen Gaming prioritizes the development of its own software in order to assemble greater flexibility to generate new resources, test them and promptly make them available to its customer base. Considering such a fast-paced industry, time assumes itself as a crucial asset, and being able to precede and counter other players' moves turns out to be a huge source of competitive advantage (Miller 2022).

The development of cutting-edge technology following the growing success of the company is supported by the **human capital expertise** aligned with a strong corporate structure. Kaizen has been in the “vanguard” of innovation, through the development of Europe's first virtual reality betting solution under the Stoiximan brand and the development of RG- AID, a tool that scans heavy betting patterns. By the same token, Kaizen developed

Ariadne, a platform that manages all the sports betting activity and Pandora, a software that operates over bonuses and offers (James 2022). Additionally, in order to operate more efficiently and autonomously, in 2018, Kaizen incorporated “Agile” methodologies and currently integrates the ultimate Agile teams within the sector with a soaring amount of top-tier personnel (Kaizen Gaming 2022).

Regarding **data operations**, Kaizen’s data is employed to enhance its products, where it was established a considerable ante regarding big data sets at speed, mainly on sportsbook. Kaizen launched Artificial Intelligence through Azure Databricks, which translates into a speedup in Kaizen’s productivity, since the creation of data sets are quicker and more straightforward (Databricks 2021). Azure Microsoft allowed the set-up of a real-time gaming analysis to generate predictions and promotional offers. Boosted personalization through a better understanding of customer preferences and amplified gaming operations, generating a seemly customer experience (Microsoft 2021). All in all, Kaizen Gaming gains a competitive advantage through positioning itself as a holistic personal “butler”, through an effective machine learning model that dynamically predicts customers’ interests.

Assuring a smooth game experience assumes a paramount value to customers loyalty with an emphasis on “**Safetainment**”, focusing on responsible gaming and entertainment. Kaizen strives to intermingle these two elements by sustaining the sense of responsibility and creating healthy boundaries to joy. Kaizen employs cutting edge technology and provides a user-friendly platform with a multitude of features, multi-sports bets, and an enthusiastic casino section, which provides a truly play-centric approach with an immersive gameplay alongside striking themes (Kaizen Gaming 2022).

To influence the dynamics of price competition, Betano aims to create an immediate anchor to its customers, through a generous initial bonus to new players. Subsequently, through

“loyalty programs”, Betano provides ongoing benefits to its customers base (Kaizen Gaming 2022). **Bonus** and **promotions** are usually superlative within most markets where the company is operating, targeting both new and older customers, crafting higher switching costs (Yard 2022).

Sports-wise, Betano demonstrates a vigorous presence with a compelling marketing plan. Regarding sponsorships, Betano has been allied to sports and individual athletes since early on. For instance, both in Portugal and Greece, Kaizen made a clear move by targeting elite clubs increasing widely brand awareness over competitors (O'Hagan 2021). Hence, considering the superlative performances in European competitions of affiliated clubs, enclose a vital source of global marketing. Moreover, regarding sportsbooks, Betano offers a huge variety of sports, common to most of its competitors, although in given countries Kaizen Gaming managed to move with fantasy and Esports offerings (Mizzy 2022).

4.3.2 Firm Specific/Competitive Advantage (VRIO)

Considering the assessment of Kaizen’s Resources and Competences, it is vital to measure how the firm is able to sustain competitive advantage. To do so, through the **VRIO** framework, resources will be mapped into **four** lenses: value, rarity, imitability, and organization.

As classified in figure 5, Kaizen Gaming core Capabilities/Resources are: Marketing & Partnerships, In-house technology, “Safetainment” customer experience and Human capital expertise. According to the VRIO framework, Kaizen is able to sustain competitive advantage in Marketing&Partnerships and In-house technology complying with the four dimensions. The two Capabilities/Resources account for the ability to create more value for the company, are

Capabilities/ Resources	Valuable	Rare	Inimitable	Organized	Value creation
“Safetainment” customer experience	●	●			Temporary competitive advantage
Human capital expertise	●	●			Temporary competitive advantage
Brand image	●	●			Temporary competitive advantage
In-house technology	●	●	●	●	Sustainable competitive advantage
Marketing & Partnerships	●	●	●	●	Sustainable competitive advantage

Figure 5 - VRIO framework

uncommon to possess and arduous to imitate. Further, both resources are organized, since the company is able to capture value from the support of its operations, organization, and culture.

4.4 Diagnosis of Internationalization (Domestic & Global)

4.4.1 SWOT Matrix, FSA-CSA Matrix, and Porter's Generic

As part of Kaizen Gaming's environment diagnosis, the TOWS and the FSA-CSA matrixes will address an essential examination of the domestic and outward market. In order to assess the TOWS matrix, internal and external factors will be scrutinized crossing four elements (Threats, Opportunities, Weaknesses and Strengths) providing more than an analysis tool, an action plan (Weihrich 1982).

When it comes to **threats**, the disruption on the digital arena intensified the proliferation of cyber-attacks, which represent a huge threat to online businesses overall (Swanagan 2022). Considering that Betano strives from international vividness, the online gambling industry is becoming highly saturated, (e.g., United Kingdom), highly restraining the international scope (Statista 2022). In addition, online gambling remains an easily imitable business model where the majority of platforms present the same proposition tricking customer retention, since players may have subscriptions in various brands and several rather bet on non-regulated platforms. Moreover, the political uncertainty that Europe is facing represents the deterioration of disposable income, due to the unemployment rates rise and inflation that have a direct impact over gambling frequency alongside with regulation ambiguity, mainly over tax change risk and compliance costs that coerce additional charges and impact sustainable revenues (EEAS 2022).

Regarding **opportunities**, the market size of online gambling casinos boomed due to convenience and accessibility. Besides, the pandemic set off a window of opportunities, considering the migration of players from land-based casinos. Considering the future trends in the gambling industry, Betano may consider the launch of virtual reality in order to enhance

customers experience, allowing them to immerse in a rattling casino experience. Furthermore, the extension of Betano to a blockchain-based casino is a noteworthy opportunity, considering the blast in cryptocurrencies (Hern 2022).

In terms of **weaknesses**, Kaizen faces an arduous duty in sustaining the best talent pool in the country of origin. Despite the company's efforts to attract noteworthy human resources expertise and designing a virtuous corporate environment being certified, for instance as "Great Place to Work", inherently Greece is a tough country to retrieve a good work-life balance due to the financial crisis, tax law, political instability, among others (Dixon 2022). Further, Kaizen lacks in regard of payment methods ranging only from traditional currency options. Considering the rumble of digital currency users, and the fact that some online casinos are already operating under "decentralized money", Betano is missing a large opportunity (Kaizen Gaming 2022).

Accounting for **strengths**, Kaizen Gaming craves for distinction and flexibility, benefiting from a valuable display of endogenous technology, that shape a unique and entertaining product (Kaizen Gaming 2022). As mentioned prior, Kaizen displays a solid human capital "savoir-fair" that is extended from the technology to the marketing department. Betano overshadows in terms of brand awareness through a high-ranking social media interaction, due to singular marketing campaigns and key sponsorships in the sports industry (Niji 2022).

The **TOWS matrix** (Appendix 6) allocates the possibility to link the four dimensions and assess strategic options by crossing strengths with opportunities "Maxi-Maxi strategy", weaknesses with opportunities "Mini-Maxi strategy", strengths with threats "Maxi-Mini strategy" and weaknesses with threats "Mini-Mini strategy" (Wehrich 1982).

With this said, assessing the "**Maxi-Maxi strategy**", Kaizen should maximize opportunities with strengths by striving to be on the edge of technological development, by keeping up to date with the latest trends in order to be on the frontline of casino experience and

continuously integrating cutting-edge technology (e.g., voiced controlled games, optical character recognition technology). Hence, Kaizen should attempt to avoid missing crucial opportunities in main sports events as a source of a global marketing strategy (e.g., setting partnership deals in the World Cup).

Regarding the “**Mini-Maxi strategy**”, minimizing weaknesses through exploring opportunities can be achieved through diversifying payment methods by incorporating cryptocurrencies for transactions sake, considering its user-advantages over the traditional currency, due to higher payouts and anonymity (Frankenfield 2022). Hence, in order to be in the realm of technological progress, Kaizen should consider outsourcing software development in the most prominent countries (India, Philippines and USA) accounting for cost-effectiveness, professional know-how and digital resonance (Martin 2022).

Considering the “**Maxi-Mini strategy**”, in order to minimize threats making use of strengths, Kaizen Gaming team should avoid moving to countries which are more prone to suffer from hard regulations shifts and where inflation has more impact on disposable income. Additionally, the Greek company could endeavor to sponsorship major football competitions, given the popularity of football in the countries where the company is based. Considering that Betano has already put-up vital partnerships with notorious football clubs, aiming for major leagues would be a key next step (Narayan 2021).

When it comes to evaluating the “**Mini-Mini strategy**”, to minimize weaknesses and prevent threats, blockchain technology is a step ahead when it comes to security (e.g., prevent cyberattacks and better transactions scrutiny). Hence, Kaizen Gaming should endeavor to retain the best human capital, considering the exodus of high-ranking talent pool in Greece, for instance, and capture external know-how (Dixon 2022).

“Vis à Vis” with the **FSA/CSA** matrix (Figure 6), Kaizen Gaming can sustain **firm specific advantage** due to the high-quality product, the display of In-house technology and the strong brand awareness. In regards to the **country specific advantage**, as mentioned prior, Greece has a higher GGR compared to its GDP, although total population is small-scale. Hence, the country copes with below average internet penetration compared to the European Union average and institutional turmoil, placing country specific advantages in a medium rank.

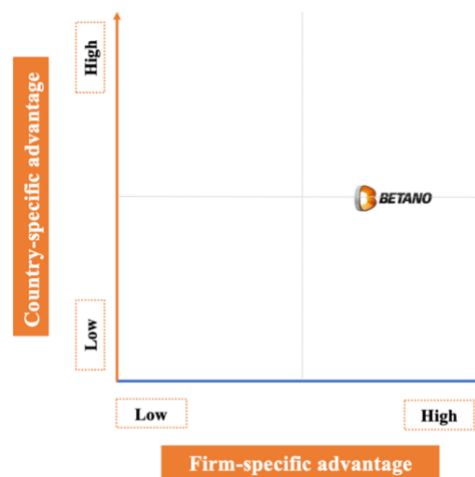


Figure 6 - CSA/FSA Matrix

4.4.2 Motives for Internationalization

Kaizen Gaming made a clear move to go overseas in contemplation of fuelling further progress. One of the core propositions to Kaizen Gaming’s internationalization plan, stands in gaining **Access to new markets**. Exploiting new markets opens the chance for innovation, understanding customer preferences better and keeping pace with local trends. As stated by Kaizen Gaming’s CEO, George Daskalakis (2020), “Every market has its own characteristics, and we adjust our strategy and product mix according to the local needs”. Seeking new markets denotes avoiding replicating the central product, which Kaizen has been able to do (Greece Investor Guide 2020).

Additionally, **profit seeking** remains a leading priority for the Greek company. Expanding overseas enables the company to target new customers in distinctive markets, thus increasing

sales. Enlarging revenue streams is at the core of the business plan (Kaizen Gaming 2022). Furthermore, internationalizing the company allocates the possibility of diversification leading to a steadier revenue. **Diversification** is paramount considering today's market uncertainty. Europe's geopolitical tension, the volatility in exchange and interest rates, and the ambiguity in regulations and advertisement force Kaizen Gaming to have a strong international "portfolio" in order to mitigate underperformance (EEAS 2022).

Kaizen's global extension converges, also, in **accessing technological and managerial know-how**. The opportunity to access a superior talent pool and establishing new networks plays a huge role in technological progress. For instance, in Portugal, Kaizen opened a Tech Hub in 2021, aiming to attract talent in the tech division and hopping to support to the nonstop growth of the brand (Fone 2021).

Finally, improving **international reputation** and **credibility** assumes a paramount weight, considering the high standards in the industry and low switching costs. In order to achieve that state, Kaizen Gaming plans to expand its brand recognition, conquer new customers and connect people with technology and entertainment, while being a sturdy promoter of social responsible gaming (IGB 2020).

4.4.3 Global Readiness

The contemplation of a global business entails new prospects, but also presumes risks. Bearing this in mind, a crucial step before moving overseas relies on assessing if the company complies with the proper requirements to internationalize (Deloitte 2022). To test the global readiness of Kaizen Gaming a few considerations will be evaluated.

Kaizen Gaming's **past internationalization experiences** evoke a fruitful indicator. Kaizen made powerful entry in the South American market in Brazil, Chile and Peru and a sizeable presence in Europe, where it established the status of one of the fastest-growing IT firms.

Kaizen Gaming has already made an impressive achievement in the European market, and the latest move to South America was virtuous, reinforcing their presence on a daily basis, where, for instance, entered the Brazilian market launching fantasy sports through a partnership with the Scout Gaming group (ScoutGamingGroup 2022). Hence, Kaizen Gaming seeks to widen their product range and enter new markets, and according to their past experiences, kaizen provides enough evidence to carry further internationalization.

Financials-wise, as alluded prior, Kaizen displays a solid structure, acknowledged from the evaluation of the income statement and the computation of several ratios testing Kaizen profitability, liquidity, solvency, and risk. As evaluated in the financial overview, Kaizen's financial health conjures up a solid premise to move overseas.

Hence, Betano achieved a **top-tier product** in the domestic market, being a good indicator for the readiness to go overseas, although there is one main drawback related to the uniqueness of the product. The product itself offers similar features to its users compared to competition, although Kaizen Gaming is able to counter this flaw through technological prominence, marketing distinction, alongside early mover advantages in sports partnerships enabling the company to stay ahead of competition. Overall, Kaizen offers a similar product, but triumphs in terms of brand awareness giving the company the status of intermediate/ high in terms of readiness to internationalize (Carruthers 2021).

Lastly, **market conditions** are allied to the **low product differentiation** as a main drawback to Kaizen's expansion. Market saturation and market entry restrictions hinder the international scope, where also prevails a huge regulation uncertainty, mainly regarding marketing and advertisement due to governments growing concern over responsible gaming (IbisWorld 2022). Nevertheless, online gambling growth potential is set to skyrocket in the following years, as it will be scrutinized deeper in the in-depth analysis.

5 International Market Selection – Phase 1

The prior recognition of Kaizen Gaming global readiness to pursue further internationalization, forges the need to target a specific market. In the following chapter the process underlying the country selection to where kaizen could conceivably go overseas will be scrutinized in order to breakdown the countries that fit the company's expansion plan.

The market selection embodies a process where **macro** and **micro** variables are selected, being the first step in data collection. Further, based on the available data, a primary selection was completed to restrict the intended countries for the ultimate selection. Through **country clustering** and **ranking methods**, it is possible to narrow down potential markets.

The country clustering method organizes the selected countries, grouping them based on analogous structural characteristics within different variables. Although, this method lacks in regards of providing quantifiable solutions, since it does not picture market attractiveness. The country ranking is an important complement, considering that a weight is given to each variable categorizing every country based on market potential. The two methods merged provide more accurate results and should not be analyzed distinctly, otherwise may yield suboptimal outcomes. Hence, decision-makers should not disregard combining these two techniques when deciding upon a foreign market entry (Cavusgil et al. 2004).

5.1 Country Selection Criteria

In the initial steps of the **market analysis**, data from **195 countries** was collected from various sources including the World Bank, H2GC, The Heritage Foundation, among others. Since Kaizen is inserted in the online gambling industry, it would be unreasonable to evaluate countries where this practice is outlawed. In this regard, a pre-selection was conducted, in order to exclude the black markets (e.g., Qatar, North Korea, and United Arab Emirates) (Gentle

2022). With this in mind, the initial number of 195 countries was reduced to 177. Further, 10 countries were excluded from the data set, since Kaizen Gaming already operates there.

In order to have a clearer insight over the disparities between these countries, several variables were selected. Despite the prominence of gambling-related variables, several other dimensions had a crucial significance when selecting a country, such as technological, legal, social, and others. As such, **34 variables** were initially chosen for analytical purposes (Appendix 7). Notice that, one of the variables was self-created using two others, in this case, the population per online gambling site corresponds to the division of the male population (15-64) by the number of online gambling sites in that specific country. As such, the number of online gambling sites was not used for calculation purposes on its own, as it could give a biased metric for analysis's sake.

In the wake of gathering the data on these variables, a few countries were cut off due to lack of data. Thus, the original number decreased to **158 countries**. Additionally, 4 variables were also excluded due to the same reasoning, leaving a total of **30 variables**. The key factor in this decision was the fact that it would be demanding to, later, undertake an in-depth study of a specific market without having access to the full picture data-wise. Thus, to provide an accurate valuation, a few countries were excluded from the data set, nonetheless the ones with fewer values missing persisted as later were analyzed and included in the MCAR analysis.

An additional criterion selected was the exclusion of countries with no data, regarding gambling-related variables, such as Gross Betting and Gambling Revenues and their respective growth rates, being a leading indicator to Kaizen's business development team. The company clearly stated that one key factor in their previous analysis was these variables being above **EUR 50M**. As such, every country with missing data on these variables was excluded from the data set. Thus, merging countries with lacking data, and countries with no data regarding

gambling-related variables stemmed in a final country data set of **62 countries**, from the original 195. Several tests will be run in the next sections to validate the variables selected and to execute the clustering and ranking analyses.

5.2 MCAR Test

As previously mentioned, a few of the final countries selected still retained missing information. As this number was relatively low, these countries were not excluded from the data set, since a **MCAR** test can be performed and later solved. A Missing Completely at Random test is performed in the light of making sure that missing data wouldn't skew the study. As such, MCAR occurs whenever there is a random distribution of missing values across all observations. Therefore, the absence of a specific variable is independent of all other variables, whether observed or not (Statistical Associates 2012). The following two hypotheses were created to conduct this analysis:

H0: There is random missing data.

H1: The absence of the data is not random.

The test was performed using SPSS statistical program. Several results were obtained such as the chi-square of 500.531 and a **p-value of 0.373**, which means a rejection of the null hypothesis (H0), with a 0,05 level of confidence. As such, it can be concluded that the missing data is completely random (Appendix 8).

Following the authentication that the missing data was, in fact, random, an imputation method was used in order to carry out the data set. Even though the missing information only represents, approximately, 3,5% of the entire data set, **value imputation** is an advantageous method as it produces superlative estimates using the available data (Andridge and Little 2010). In this case, a multiple imputation method was employed. The employment of this method guaranteed that all variables would have values for every country.

5.3 Pearson Correlation

Following the completion of the data set, the group performed a person correlation study to provide additional assurance to the analysis. As such, a Pearson Correlation analysis was conducted to acknowledge the strength of the liner correlation between variables. This multicollinearity phenomenon can conduct to ambiguous results when seeking to ascertain how each independent variable can be used most effectively to foresee or comprehend the dependent variable within a statistical model (Kenton 2022).

For this purpose, the team decided to analyze only the 7 final variables that would be later used for clustering and ranking purposes. As a result, there was no correlation higher than **0.85** between these variables, which was the threshold defined by the group as a cutoff point (Appendix 9). As such, all 7 variables remained part of the analysis with a high degree of importance and an acceptable level of correlation among them.

5.4 Standardization and Inversion

In order to perform a ranking analysis, the data set must be converted into a comparable range before applying the various procedures to choose the five possible markets. Hence, the standardization formula was applied (Appendix 10), and the data set was converted to a 0-100 scale in every dimension, thus easing the country ranking evaluation (Cavusgil et al. 2004).

An additional step to this method is the inversion of variables that have a negative impact in the analysis. In this case, **5 variables** were diagnosed as negatively correlated with the overall model, such as Corporate Tax Rate, Ease of doing Business, Number of procedures to start a business, and Heaviness of legislation. Indeed, the higher the number of procedures to start a business in a country, the less attractive it will be for Kaizen. The same occurs with the remaining ones. The higher the corporate tax rate, the less attractive it will be. As such, these variables must be standardized in the opposite way (Appendix 10). This is a crucial step for

country ranking as it allows the data set to be all in the same unit and easily comparable. Thus, it can later be used for ranking purposes.

5.5 Country Clustering

Country clustering aims to classify countries into clusters based on macroeconomic, political, cultural, and demographic variables, which allows to compare countries and locate synergies among them (Cavusgil et al. 2004).

In order to perform an accurate analysis, instead of using all 30 variables, the group narrowed them down selecting the top-notch ones, so that the ratio between variables and countries (62 total) is approximately 1:10. Considering the initial set of variables, only 7 were considered: Male Population (15-64), Gross Betting Revenue, Gross Gambling Revenue, Disposable Income, Internet Penetration, Heaviness of legislation, and Regulatory Quality. Notice that the chosen variables were selected considering Kaizen Gaming's strategy and their prominence to the business model.

As laid out in the dendrogram (Appendix 11), **11 different clusters** can be identified, indicating that 62 countries were grouped into 11 clusters with homogenous characteristics (Appendix 12). In order to perform a hierarchical cluster analysis, the point of departure is to import the data from Excel to the SPSS software. Considering the type of data, a hierarchical clustering technique was performed using Ward's clustering algorithm as the clustering method and the squared Euclidean distances as the interval measure. Both methodologies were deemed to be suitable for the purposes of this study (Szmrecsanyi 2012).

Additionally, to complement the dendrogram, a K-means cluster analysis was performed giving a more detailed analysis into the formation of the clusters, underlying the effect of each variable (Appendix 13). Seven of the thirty variables were chosen, and the countries were, initially, divided into 3 clusters. As it is perceived in the ANOVA table, Heaviness of legislation

has a p-value of 0.223 (higher than 0.05), meaning that it is not significant for this model. As such, another attempt was made excluding this variable. Appendix 14 shows that, in this case, every variable is significant explaining the model. Finally, a four-cluster analysis was performed, using the same seven variables (Appendix 15). As it can be concluded, countries from cluster 1 are highly influenced by the variable “Population 15-64”, while “Gross Gambling Revenue” and “Disposable Income” are key dimensions aggregating countries in cluster 3.

After completing both the country and clustering analysis, the group proceeded with a country ranking with the purpose of finding the top five suitable candidates for Kaizen’s expansion, from an analytical point of view.

5.6 Country Ranking

Following the country clustering analysis, a country ranking analysis was performed in order to elucidate which countries, from the final 62 chosen, would suit Kaizen’s core proposition best. To do so, the team, after having the data standardized, determined weights for each variable and, ultimately, ranked the countries. This last approach to market selection enables to rank the chosen variables based on their prominence to the company measuring overall market’s attractiveness (Cavusgil et al. 2004).

In order to follow this approach, the team gave a weight to each variable selected, that were initially split into 2 categories: **market potential** and **macro variables**. The market potential variables constitute the majority of the weight, 60%, of the overall weight. Gross Gambling Revenue, Gross Betting Revenue, Population by online gambling site, and male population between the ages of 15 and 64 correspond to the highest weights in the market potential segment (Appendix 16). The remaining 40% fall into the Macro category which includes dimensions such as Economic, Technology, Legal, Country Risk and Social. These weights were given after carefully analyzing Kaizen’s milestones and understanding their preferences regarding an

international move. Since Kaizen's business model is purely online, less weight was given to FDI related variables and others such as country distance, or any logistical variable, were not integrated for selection purposes.

Regarding **market variables**, it can be deemed that the larger the population, the higher the demand for online gambling and betting. Further, the variables Gross Gambling Revenue, Gross Betting Revenue, their respective growth rate and number of online gambling sites, were chosen to assess the development of the industry, the potential, and the intensity of competition. These variables were weighed heavily, as these are crucial metrics for market attractiveness.

Macro-wise, 16% was the weight assigned to the economic variables as it represents a strong feel for the country's economic strength, stability, and prospect growth in the upcoming future. For instance, Ease of Doing Business is a meaning variable to gauge how easy it is to carry out a business in a country and GDP per capita is a supportive indicator to identify purchasing power (World Bank 2021).

Both **technological** and **legal** dimensions were given a 10% weight. Internet penetration corresponds to the technological variable with the highest weight (4%), given the intrinsic value for Kaizen's business model. A high-quality internet connection is the core of every single prospect in kaizen's target.

Legal variables can provide relevant information concerning the legal system. Several elements (e.g., number of legal requirements that must be met before enterprises may be established, legal system's integrity, the amount of bureaucracy that subsist in the country) are all associated costs, when assessing a country entry strategy. Both Heaviness of Legislation and Regulatory Quality were given a weight of 4% since regulation is a very present and influential element that demands careful consideration prior to an expansion.

Country risk and **social** divisions were the lowest percentage weights overall, since these dimensions are not as relevant as the above regarding Kaizen's calling. Nevertheless, since the most suitable entry mode was unknown at the time, the group desired to broaden the analysis and incorporate these dimensions, bringing another viewpoint to the model.

Finally, by applying precise weights to each variable, the group was able to refine its understanding on the positioning of the various countries when comparing to each other in all the dimensions mentioned prior (Appendix 17). The top fifteen countries, displayed on Figure 7, according to calculations and scores were obtained.

Country	Ordered Ranking	Country	Ordered Ranking	Country	Ordered Ranking
United States	1	Norway	6	Ireland	11
Japan	2	United Kingdom	7	Iceland	12
Australia	3	New Zealand	8	Sweden	13
Switzerland	4	Luxembourg	9	Denmark	14
Hong Kong	5	Netherlands	10	France	15

Figure 7 - Top 15 country ranking

5.7 Selection of the Five Highest Potential Markets

In order to shortlist the five highest potential markets, the team proceeded with a hybrid approach, blending the results obtained from the cluster and ranking analysis along with Kaizen preferences. Notice that countries like Japan and Hong Kong despite having immense potential, were disregarded, since sports betting and online casino can only subsist under the stated owned operator who holds a monopoly of online betting. Therefore, gambling on platforms not offered by the owner of the monopoly is outlawed. The United Kingdom was also set aside due to the high market saturation.

Also, considering the late move from Kaizen to LATAM, the group tackled the possibility of hanging on to this market with the development team, although since the Greek corporation has already undertaken deep research on the Latin American market, the team wouldn't be able to add a considerable value to Kaizen's expansion project. Thus, the group will proceed with the evaluation of the markets, which the company acknowledges having colossal potential,

nonetheless are absent regarding inner insights. With this said, the ultimate market selection is represented by the **Netherlands, USA, Australia, Ireland, and Denmark.**

6 International market selection – Phase 2

6.1 In-depth market analysis – Denmark

6.1.1 Country Introduction

Denmark is a Scandinavian country in Northern Europe bordering the North Sea and the Baltic. The Danish Archipelago, which is the name given to the nation, is made of a sizable peninsula and numerous islands. Controlling the connection between the Baltic and the North Seas (Danish Straits) is critical for the country. The government system is a constitutional monarchy. The chief of state is the Queen, and the Prime Minister is the head of Government. Denmark's economy market operates on a free price system, which determines the costs of products and services. Besides, Denmark is a Member of the European Union (EU) (GlobalEDGE 2022).

With 5,8M inhabitants (May 1st, 2022), Denmark has the 36th largest national economy in the world measured by nominal gross domestic product (GDP) and the 51st largest in the world measured by purchasing power parity (PPP) (Economy of Denmark 2022). Denmark's GDP was worth EUR 397.10Bn in 2021, and the GDP per capita was EUR 58M, according to the World Bank. The GDP value of Denmark represents 0.02% of the world's economy (Economic Forecast for Denmark 2022).

A combination of high inflation and rapid wage growth will have the reverse effect on private spending. In addition, high household debt levels and geopolitical uncertainties further cloud the outlook. Nevertheless, the economy will expand by 2.9% in 2022, an increase of 0.2 percentage points from the forecast made last month, and by 1.8% in 2023, according to FocusEconomics.

Regarding gambling, Denmark has some of the most liberal laws. According to H2capital, Denmark is the 11th country in the world where online gaming and betting are used. The interactive percentage, which includes online gaming and betting, is 62.8% of total gambling. Total gambling in Denmark, representing sports, casinos, gaming machines, and bingo, was EUR 700,6M in 2021. In 2023, the increase is expected to be of EUR 45M, representing EUR 745,8M. All these numbers make Denmark an attractive market for the gambling industry (H2 Gambling Capital 2022).

6.1.2 Contacts

Johanson and Mattson (1988) published the Network theory, where they explain that internationalization works as a natural development from network relationships with foreign individuals and firms. According to this theory, relationships are built on a foundation of understanding, commitment, and mutual trust. Johanson and Mattsson argue that, when businesses expand internationally, the quantity and quality of the ties created in the network grow. The company will be able to enter the overseas market more efficiently by utilizing trust and growing commitment in foreign networks. After some dispersion, businesses can integrate internationally by utilizing the network and cooperating with businesses in other nations.

Regarding Denmark's context, it is vital to consider the Danish Gambling Authority (DGA). This authority is part of the Ministry of Taxation and oversees the gambling industry in Denmark. Thus, The Danish Gambling Authority is one of the first contacts to take into consideration when bringing Betano into the Danish market. All the bureaucracies, licenses, and paperwork related to starting a gambling business need to be discussed with the DGA. Even though Denmark has some of the most liberal gambling laws in the world, businesses still have to go under a long and thorough process to become gambling companies. Connecting with the DGA will surely help expedite that process (Spillemyndigheden 2022).

It is also essential to work as long with some local banks. One of the main steps when starting a new business in a country is to open a bank account (Djankov et al. 2020 & Shleifer 2001). In Denmark, the most popular banks are Arbejdernes Landsbank, Danske Bank, Handelsbanken, Nordea Bank Danmark, and Nykredit. A partnership between Betano and one of these popular banks could provide benefits to both the chosen bank and Betano, helping the gambling business entering the Danish market. (Adv Ratings 2022).

Betano is a gambling and betting company, whose one of the most considerable revenues relates to sports. Thus, when it comes to contacts, sports teams can be one of the biggest allies for Betano. Football is the most popular sport in Denmark. Therefore, football teams must be on top of the contacts list. Betano has different options regarding football partnerships. Firstly, it is possible to form a partnership with the Danish Superliga. However, they could also partner with some of the most famous clubs in the Denmark league: FC Midtjylland, FC Kobenhavn, Viborg, and Nordsjaelland (FootballDatabase 2022).

During the internalization process in Denmark, it is also essential to register the company with the Danish Commerce and Companies Agency. This process must be done eight days before the companies start the activities, through registration on Virk.dk.

Lastly, an optional contact that could bring value to the business: consultant companies. They know how the market works, connect with several other companies, and have essential knowledge about a country that is completely new to Betano.

6.1.3 Competition

Denmark is one of the countries in the world with the most liberal laws regarding gambling and betting. Therefore, despite being a good market for Betano internalization, it is also a market with several other players, which considerably elevated competitions levels.

In Denmark, the most crucial gambling company is **Danske Spil Oddset**. They are first in the country's rank, with more visits per day. Their market share represents 50% of the total, and their revenue is more than EUR 356 M. Besides betting, they also offer physical casino options. **Bet365.dk** comes in second place, with two different types of websites: an international one, where people all over the world can bet; and a national one, specific to each country. (For the purpose of this paper, we are exclusively referring to the Denmark website.) Bet365.dk have a market share of 20%. Their revenues are more than EUR 142 M. **Unibet**, **Mr. Green**, and **Bet 25** are also Betano's competitors with 15%, 4,5% and 1% of the market share. However, all the companies represented in the graphic below (Figure 13) are essential betting companies that Betano needs to consider when entering the Danish market. (Top100bookmarkers 2022).

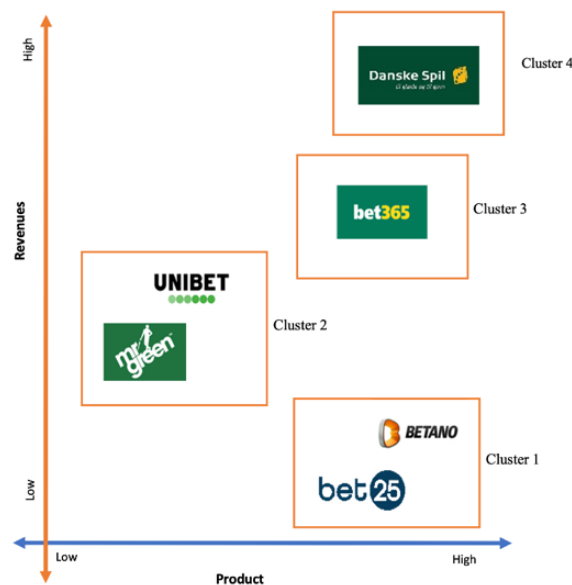


Figure 8 - Denmark competition cluster chart

As the internalization process takes time, Betano will not be an immediate market leader in Denmark. However, given the country's liberal legislation regarding the gambling industry, along with Betano's ability to form the right partnerships, there is reason to believe that it can be a relevant player in the country.

6.1.4 Overall Market Sales Potential

To assess the Kaizen Gaming market environment in Ireland, it is critical to understand Kaizen's estimated market share in the short term. As such, TAM, SAM, and SOM were calculated in order to assess market sales potential.

The overall market sales potential is computed by the Total Addressable Market (TAM), Services Addressable Market (SAM), and Service Obtainable Market (SOM). These indicators help understand all the market share that Betano can reach in Denmark. Since Betano operates in an exceedingly international industry, TAM can be seen as the global market for online gambling (CFI 2022). However, even though the company's structure enables global operations without significant financial outlays, Betano will only be able to reach some market niches. The total addressable market, anticipated to be worth EUR 116 Bn in 2023, was measured using the worldwide Gross Gambling Revenue (GGR) as the metric.

The SAM, in this example, is referred to as the available market within the region where the company wishes to operate (Chi 2021). Therefore, in 2023, EUR 755M will stand as the Danish gambling market.

Lastly, SOM is the percentage of SAM that may indeed be reached. Some market research is necessary to recognize different subcategories within an industry and comprehend their relative sizes (CFI 2022). In order to compute SOM, the group deemed to employ the Chain Ratio Method, although since Kaizen business model doesn't contemplate sales/selling price, a benchmark with four similar companies (Bet25, Mr Green, Leo Vegas and Enetpulse), was conceived. Notice that these operators have similar characteristics to Kaizen, thus not skewing the analysis. Hence, the average revenue for the first year was computed and used as reference (Appendix 22). As a result, SOM equals to EUR 9M.

6.1.5 Market Entry Conditions

Entry conditions must be thoroughly examined after taking into account significant contacts, rivals, and the expected market share in this foreign market. The Danish market's feasibility depends on factors such as trade obstacles, licensing registration, gambling advertising regulations, and financing methods. The possible entry approach used by Betano is also significantly influenced by market entry conditions.

Firstly, during an internalization process of a gambling and betting company, trade barriers are almost nonexistent compared to regular industry companies, given that no tangible goods are being transacted. Furthermore, Greece and Denmark are both EU members and part of the EU Customs Union (ECU). Consequently, there are no tariffs or non-tariff trade barriers in force.

The DGA is the entity that regulates gaming and betting in Denmark. Companies that wish to apply for a gambling or betting license in Denmark must do it through the DGA. Therefore, the first thing to consider when starting a Denmark online gambling business is one of the most crucial steps: company registration and license acquisition.

Strict rules must be followed in order to obtain a license from the DGA. A betting license is suitable for up to five years and applies to online and offline betting product sales. The application fee, which is EUR 55,000 in the first year, must be paid at the latest when the publication is submitted. There is also a fixed annual fee, ranging from EUR 7959.91 to EUR 715787.16 depending on the company's GGR for that year, which Kaizen should take into account. Following the five years, the license must be renovated. (Spillemyndigheden 2022).

Denmark has a 22% corporate tax. (KPMG 2020) Gambling is not subject to VAT in Denmark, so businesses operating there cannot deduct the VAT from their costs when making purchases of goods and services. The gambling tax is regarded as a tax-deductible business

expense for corporation taxes purposes and can be written off by the operator. (Spillemyndigheden 2022).

Denmark has a developed financial services sector, first-rate telecommunications infrastructure, and stable political leadership. Additionally, it keeps the atmosphere favorable for foreign online gambling enterprises. Since the Denmark Gambling License is recognized by many nations worldwide, having it will give access to a sizable customer base. The DGA will decide whether to approve the application for a Denmark gambling license based on the supporting material that our specialists provide. Each gaming operation, gaming service provider, network operator, affiliate, white-label operator, and gaming software provider in Denmark is granted a single online gambling license. (Spillemyndigheden 2022).

The operation of online gaming businesses is authorized thanks to this Denmark gambling license. Each application is placed through a rigorous evaluation process, ensuring that only those who can show sufficient financial stability and moral character to uphold Denmark's role as a global center for online gambling are granted licenses. The DGA will list required modifications if something does not meet the requirements. A Denmark gambling license permits businesses to function globally. However, there are other four essential points to consider: i) residence in Denmark (i.e., operators must be Danish citizens and hold the necessary licenses and authorizations from the DGA to provide their services to players in Denmark); ii) owning a Danish bank account, where the operator would need to deposit the players' money if the company is a foreign entity — designating a local director, whose domicile is in Denmark, to deal with the Danish authorities and have the authority to sign contracts on its behalf (only authorized remote gaming operators will be permitted to pay players using payment processors that have received the DGA's approval); iii) a monthly declaration detailing revenue from games of chance and the fees owed must be reported to the Danish Gambling

Authority on a standard form; iv) requirements addressing the company's minimum share capital based on the game type it offers (EGR global 2022).

The Danish Gambling Authority states that advertising must have rules to follow to respect all marketing laws (Spillemyndigheden 2022). First, the advertising needs to accurately and fairly depict the likelihood of winning, giving no false impression that the likelihood of winning is higher than it is. Second, it should focus on gambling as entertainment and should not use well-known people to falsely suggest that gambling contributed to their success by employing them as spokespersons. Third, it is impossible to do any communication or media targeting minors or young people under 18. Finally, it should not contain anything that suggests that engaging in gambling will help a person solve their financial issues or gain social acceptability.

Danish small and medium-sized businesses rely heavily on commercial bank lines of credit for funding. The credit line is often provided on an ongoing, revolving basis without requiring an annual settlement. These credit lines are typically set up to support ongoing activities, including financing for inventories. Larger businesses may raise funds by selling shares of stock on the Copenhagen Stock Exchange. Larger Danish businesses may also use American stock exchanges. Danish enterprises are heavily financed by institutional investors, such as pension funds, and these investments are typically made after private talks. (International Trade Administration 2022).

Small and medium-sized businesses with high growth rates or development potential frequently struggle with financing. Such businesses frequently decide to sell out to foreign corporations, especially American corporations, or are compelled to do so in order to solve their funding issues. The idea of venture capital expanded in Denmark over the past ten years as well, and it is today considered to be a well-established source of funding. Venture capital funding,

however, mostly pertains to IT and biotechnology businesses (International Trade Administration 2022).

6.2 Selection of Target Market

The five countries selected were subject to rigorous investigation in the in-depth analysis in order to determine which markets are more suitable for internationalization purposes. Considering that the country ranking, performed in excel, provides a broader conception of each metric, an exhaustive evaluation of **contacts**, **competition**, **market sales potential** and **market entry conditions** of each country was conducted.

Weights were assigned to each topic in accordance with their level of significance and impact on the business' operations in order to determine the top qualification. In addition, each nation was ranked on a scale from 1 to 5. The score gauges how well each country does compared to others. Thus, by combining these two procedures, a final total score was generated, being the foundation for the decision of the selected market (Figure 9).

Countries	Contacts	Competition	Sales potential	Entry Conditions	Score
Netherlands	3	4	3,5	1,5	2,98
USA	4	2,5	5	2	3,20
Australia	3	4	4	2	3,25
Ireland	3	3	4	2	2,95
Denmark	4	4	3,5	4	3,88
Weights	15%	30%	25%	30%	100%
Chosen Country: Denmark					

Figure 8 - Market Selection Score

First off, **contacts** were assigned a **15% weighting**. Contacts provide the means to set up a business in a foreign nation, affecting governmental organizations, suppliers, and potential customers (Orakalm 2022). The lowest percentage was assigned to this metric, since, compared to the other external determinants, it has less capacity to affect operational triumph, even though the organization might understand roughly who to engage with and cultivate strong commercial ties. Within the five target markets, the score was as it follows: Australia, Ireland and Netherlands - 3, and Denmark and USA - 4.

Secondly, **competition** accounts for **30%** of the final weight. The competition landscape must be examined prior to entering a foreign market. This feature has a significant impact on how successfully a company's entry strategy is achieved. Therefore, saturation could have a negative impact on the business' operations. For instance, a large pool of rivals may inhibit Kaizen from standing out against competition. Furthermore, market share and ensuing consumer loyalty are challenging to achieve without distinctiveness in the online gambling industry (The Guardian 2022). Within the five target markets, the score was as it follows: USA - 2.5, Ireland - 3 and Australia, Netherlands and Denmark - 4.

Thirdly, a **25%** weight was allocated to the market's **overall sales potential**. Despite the criticality of this metric, market potential sales neglect to consider external factors that may hinder this hypothesis. For instance, a given market may have significant sales potential, although its consumers may lack confidence regarding new entrants, or strict marketing regulations may hamper sales potential (Mollah 2022). Within the five target markets, the score was as it follows: Denmark and Netherlands - 3.5, Ireland and Australia - 4 and USA - 5.

Lastly, **market entry conditions** were assigned a **30%** weight. Entry requirements have a significant impact on how successfully the company will perform once it starts operating in the new market. These help to assess the market's entrance obstacles and evaluate whether the company can efficiently carry out its operations. Various elements are subject to valuation including trade barriers, licensing, payment, financing and regulations (European Commission 2021). Along side competition, the two variables have the utmost percentage, being a key factor in the final selection. Within the five target markets, the score was as it follows: Netherlands - 1.5, Ireland, Australia and USA - 2 and Denmark - 4.

According to weights given to each metric, the market with the greatest potential for internalization is **Denmark** with a **3.9 score**. Despite the online gambling legalization in 2012

in Denmark, the market is mainly “dictated” by two companies that both combined have more than 50% market share, Danske Spil and Bet365, respectively. Apart from that, there are no major players, as a result Kaizen Gaming should strive to get a decent fraction of market share (Spillemyndigheden 2022).

Entry market conditions assume, also, a paramount weight, mainly considering marketing regulations. Kaizen relies deeply in advertising and sponsorships and, to the moment, the Danish government has been easy-going in this regard, hence restrictions are not expected to ascend. The Netherlands, for instance is positioned on the other end of the spectrum, where advertisement regulations are set to become more aggressive (ICLG 2022). Also, licensing is not too onerous on Kaizen resources expediting a smoother entry. Even though Denmark doesn’t exhibit dominant sales potential, environmental conditions upturn the prominence of the market (H2 Gambling Capital 2022).

7 International Entry Strategy

7.1 Selection Criteria

The choice of the most virtuous market for Kaizen Gaming expansion was the primary focus of the preceding chapter. The following stage stands on assessing how the expansion may occur in light of this. To do so, it is imperative to assess the four variables that shape the entry mode ruling: Internal, External, Transaction-Specific, and Desired Mode-Characteristics.

An assessment of the aforementioned parameters will be carried out in order to determine Kaizen ideal entry mode (Appendix 19). The team evaluated each component to glimpse whether it points towards an internationalization, externalization, or if it is an intermediate entry mode. On the one hand, **internationalization** entails high expenses, high risk, lack of flexibility, and tight control, while in an **externalization**, expenses, risks, and controls associated are modest.

The first **internal** aspect to be considered is the size of the company. Kaizen Gaming is a SME with EUR 430M operating revenue in 2020. Kaizen copes with a period of solid financial stability, inferring that the company can withstand significant investments (Orbis 2020). Kaizen achieved an intermediate/high stage regarding international experience. The Greek company is currently established in 10 countries, and each market is approached differently giving the company precious insights and expertise to carry on further internationalization (Edison 2022). Product complexity is at an intermediate level. Betano displays an in-house developed Sports Betting Platform, although it is reliant on a 3rd party regarding media rights (streaming), data feeds and casino games (OPAP 2022). Lastly, regarding competitive strategy, Kaizen strives for a building up long-term plan that places the company in a superior rank within the industry. The company is able to set up a solid marketing plan and a superior product focusing on entertaining and responsible gambling (James 2022). With this said, an internationalization entry mode goes in light of the internal characteristics.

Proceeding to **external** factors, demand uncertainty is set to be intermediate due to the low product differentiation and low brand loyalty which is transversal to the industry, although the tolerant marketing regulations and competition offset demand ambiguity (Gallagher 2022). Regarding trade barriers, Denmark has long upheld a no-barriers stance and frequently takes the lead in the international arena against non-tariff barriers. Denmark, as a part of the European Union, has the greatest track record among EU nations for implementing policies pertaining to the Single Market, entailing an effortless market's access (International Trade Administration 2022). Online gambling competition in Denmark is not overwhelming, although there are already some big players with large bulk of market share (Spillemyndigheden 2022). As such, some considerations must be taken into account in order to carry out market success. Regarding external factors, an intermediate entry strategy suggests a more appropriate approach considering a certain external ambiguity.

In what concerns to **transaction specific factor**, regarding the tacit nature of know-how, Kaizen Gaming has been developing a competitive edge in the markets where the company is settled in. Operating for 10 years in the gambling industry, Kaizen has been able to gain a solid understanding of how to execute its business model attaining a massive expertise in international business (YARD 2022). Regarding opportunistic behavior, there is a low likelihood that a Kaizen's partner will take advantage of the company, since Kaizen partners with companies with analogous interests and similar sizes benefiting both from a win-win situation, that prevents free riding and shirking (Robert 2021). Considering the two examined topics, the transaction-specific factor suggests a promising internationalization entry.

Lastly, the three subtopics under the **desired mode-characteristics factor** go along risk aversion, control and flexibility. Kaizen's strong financial structure is supplemented by unpretentious risk, as stated in the financial overview, following the evaluation of risk ratios, suggesting that the company faces low uncertainty and is able to pursue larger investments while taking on considered risks (Orbis 2022). As regards to control, whenever Kaizen can run solely through the Maltese license, the company doesn't seek high control of operations, which means that Kaizen will not establish a wholly owned subsidiary, having full control over the branch. Regarding flexibility, despite Kaizen's ability to sustain sales losses by 39%, mentioned prior in the financial overview section, the company must have a great degree of flexibility to carry operations in a viable sense, mainly considering that greater control carries superior expenditures and risk (Kenton 2022). Taking into account the topics under the Desired Mode Characteristics Factor indicate an internationalization entry method.

7.2 Analysis of Alternative Entry Modes

Taking into account the entry mode selection, companies are in light of choosing between Equity and Nonequity vehicles. Nonequity Vehicles encompass Contractual Agreements (Licensing, Franchising, Transactions (buy/sell and other contracts) and Partnership Contracts

affecting Product Development, R&D, Sourcing, Manufacturing, Marketing, Distribution/Service) or through Exports (direct or indirect). In regard to equity vehicles, alliances, joint ventures, wholly owned subsidiaries (greenfield investments and acquisition) are the main entry channels in new markets (Tian 2012).

Given Kaizen's business structure the entry mode alternatives are small-scale. Kaizen Gaming operates through **equity** and **non-equity** vehicles depending on whether the market is regulated or not. On one hand, if the market is not regulated, Kaizen is set to enter the market via contractual agreements. On the other hand, if the market is regulated Kaizen will operate through a wholly owned subsidiary, or if the company can simply operate with the Maltese License, it may not be physically present in the country (IGA Group 2021).

In order to move into unregulated markets, Kaizen's approach is through **MGA**. By adopting the Remote Gaming Regulations in 2004, Malta became a pioneer within European Union countries to completely consent internet gambling and lotteries. Malta swiftly established the status of a major licensor and regulators in the sector. Malta has carved out a spot as a Hub of worldwide iGaming, due to its responsive government, prosperous business community, and burgeoning technological sector. The MGA grants both B2C and B2B permits for the provision of gambling-related goods and services. Depending on the type of gambling the provider wishes to offer, the B2C licenses are split up into 4 types: RNG (Random number generator), Sportsbook, Gambling and Esports (Malta Gaming Authority 2022).

Kaizen may operate through a **co-marketing agreement**, undertaking several efforts to outline its marketing strategy (Miller 2021). A co-marketing agreement stands for a contract signed by two or more parties wherein at least one party commits to join forces and showcase other party's products and services. These agreements enable businesses to collaborate and reach one other's audiences while craving expansion purposes (Sengupta and Bucklin 1993).

Among the various co-marketing unions, following Kaizen strategy, the contractual agreement would be intended for Affiliate marketing, Product placement and event/clubs' sponsorships (Kaizen Gaming 2022).

A proper co-marketing agreement allows the company to broaden its audience, while providing enhanced convenience to its customer base. Allowing the set-up of a firmer brand identity, expands firm's network and enables conception of a cost-effective and less laborious solution (Garcia 2021). On the other end of the spectrum, a co-marketing agreement is exposed to incompatibility due to a diluted message, possible side impact on brand's reputation in case of poor performance and possibility of endangering intellectual property. Hence, the products employed in the co-marketing agreement must be aligned with both companies' mission and vision (Lawrence 2013).

Hence, Kaizen may resort to the creation of a wholly owned subsidiary, which translates into the establishment of a **green field investment**. This entry mode requires the establishment of a new venture overseas, in which the parent corporation aims to establish a new company, typically under the same branding. In a green field investment, regardless of its parent firm affiliation, the new company is normally required to abide by all local regulations. When a business craves to have the most control over its international operations, greenfield investment has become a widely used mechanism of business expansion (CFI 2022).

A greenfield investment encompasses numerous benefits, such as, the superior control over corporate processes, sharp management over staffing and branding and allows the company to attain economies of scale, scope and learning through marketing R&D and product development. Potential drawbacks of such an entry mode arise through the high-risk investment, possibly costly to enter the market (barriers to entry, government regulations and high fixed costs affecting the establishment of a subsidiary (Canton and Solera 2022).

7.3 Entry Mode Selection

Following a meeting with Kaizen development team, the group was elucidated with the company entry mode alternatives as discussed on the preceding chapter. The same method will be applied moving forward with any such market, unless something extraordinary emerges.

As such, Kaizen Gaming must resort to the establishment of a **co-marketing agreement** since Kaizen can solely operate through the Maltese license in Denmark. As such, Kaizen Gaming wouldn't have to resort to such a massive investment of establishing a subsidiary. Despite the company being under immense progress exhibiting huge operating revenues and a solid financial structure that supports such a costly entry mode, Kaizen development team disclosed that a contractual agreement is desired. Hence, a crucial trade-off is determined. On the one hand, full control and decision making is made through the creation of a subsidiary (Majaski 2022). On the other and a smoother handling over the market will enable an easier entry through a contractual agreement (Garcia 2021). Notice that Kaizen would not resort exclusively to a co-marketing agreement. Further, the company would hire a local team supervised by a Country and a Marketing manager who would be operating remotely.

In regulated markets, if regulation requires applicant to have a local entity (e.g., Czech Republic), Kaizen created a locally incorporated entity to facilitate the licensing process. The newly formed entity shares the same UBO as the already existing Kaizen entities. As such in Czech Republic, for instance, Kaizen Gaming CZ Ltd. was incorporated (OPAP 2022).

Whenever regulation does not require a local entity, which is usually the case of European Union countries, that are required EU based entities, Kaizen would not create a new unit, instead use an already existing entity, Kaizen Gaming International Ltd. Being this the case in Denmark, Kaizen would not resort to the creation of a new entity, meaning that it would go under the same UBO (OPAP 2022).

8 Marketing Plan

8.1 Marketing Objectives

Managing growth is one of a corporation's core responsibilities concerning an internationalization rationale. An organization must expand its existing markets in order to pledge long-term success. As such, Marketing stands as an imperative driver, which serves as the overarching discipline that directs an organization's growth plan (Chernev 2018). The process of crafting a marketing plan involves establishing and formulating factual milestones. Hence, corporations may establish sub-objectives regarding its stakeholders, reputation, and technology (Housden and Crouch 2016).

Prior to entering a new market, an assortment of marketing objectives must be labeled. Figure 10 displays the **macro** and **micro-objectives** selected, followed by **KPIs** (key performance indicators) to measure the micro-objectives. Additionally, each micro-objective was linked with the deemed time frame.

On the one hand, macro-objectives demonstrate the company's broad aims in light of the current global economic milieu. On the other hand, micro-objectives portray a more business-oriented approach, which is usually attendant to the **SMART** methodology, which endures as "Specific, Measurable, Achievable, Results-focused, and Time-Bound" (Slater and Olson 2001). Through the SMART paradigm, it becomes more reassuring to attain the company's goals, attached to departmental, organizational, and personal objectives.

The Macro-objectives are partitioned into **two** different groups. The first one: **succeeding as the top 3 player in Denmark within a 3-year time span**, which denotes 15% of the market share. The second marketing objective is linked to Kaizen's strategy as a global grand, which stands as **enhancing the international notoriousness of the brand**.

The Micro-objectives are rendered into more specific targets that sustain the achievement of the abovementioned macro-objectives. To achieve the first macro-objective, **increasing website traffic** was the first selection. To measure this objective, it is essential to consider the penetration rate in Betano's platform, which measures the number of users compared to the overall population that the product is intended to serve.

Hence, **enhancing social media engagement** is one of designated marketing micro-objectives. Social media is not just about entertainment; it is a world full of opportunities for companies (Green 2019). The KPIs encompass the number of followers, likes, and shares. Increasing these figures translates into a pretentious brand awareness. In this regard, Betano may partner with various influencers, take part in monthly giveaways (e.g., free football tickets), daily sports posts, among others.

Forecasting loyalty is another micro-objective that goes along the same time frame as the previous. KPI's are centered in the number of bonuses and promotional offers, which accounts for a large portion of GGR. Creating loyalty programs is vital within the industry, thus Betano is committed to dismiss a considerable portion of the GGR for new players bonuses (as later mentioned in the financial forecast), free bets, personalized promotions, super bets, among others. Considering the last micro-objective, **achieving superior profitability** can be measured through Net Gaming Revenues.

Considering the second macro-objective **enhance the international notoriousness of the brand**, the first micro-objective designated was achieving **brand recognition** that support Betano's prestige and credibility as a global brand. In order to assess the first driver, nominations and the awards were selected as KPI's. Certifications such as: Great Place to Work, Ermis awards (Tv commercials), Corporate Responsibility Awards, EGR Operator (Mobile

operator awards), are imperative for the sustainable growth of the company along with a tighter connection with its customers.

Partnership agreements are, as well, an essential micro-objective to take into consideration, since it enhances customers retention and expedites the process of becoming a distinguished brand within the industry. For assessment purposes, Alliances with international scope was considered as a KPI, which is not reachable straightaway. Notice that for the second micro-objective, partnerships refer to any agreement with a club, individual athlete or sports events that gather a global reach. For instance, sponsoring Midtjylland would go in light of this proposition, since the club has been boosting its presence in European competitions (e.g., Champions League), setting a global reach for the brand. Finally, the last micro-objective is described as **brand awareness**, which is measured by various events powered by Betano, such as open days with free bets, game-day events, and social-responsible campaigns. Usually, these events support the brand to retain further recognition.

The above-mentioned micro-objectives support the craft of synergies within the marketing goals along with the organic growth of the company leading Betano to establish its presence in Denmark adjacent to its status worldwide.

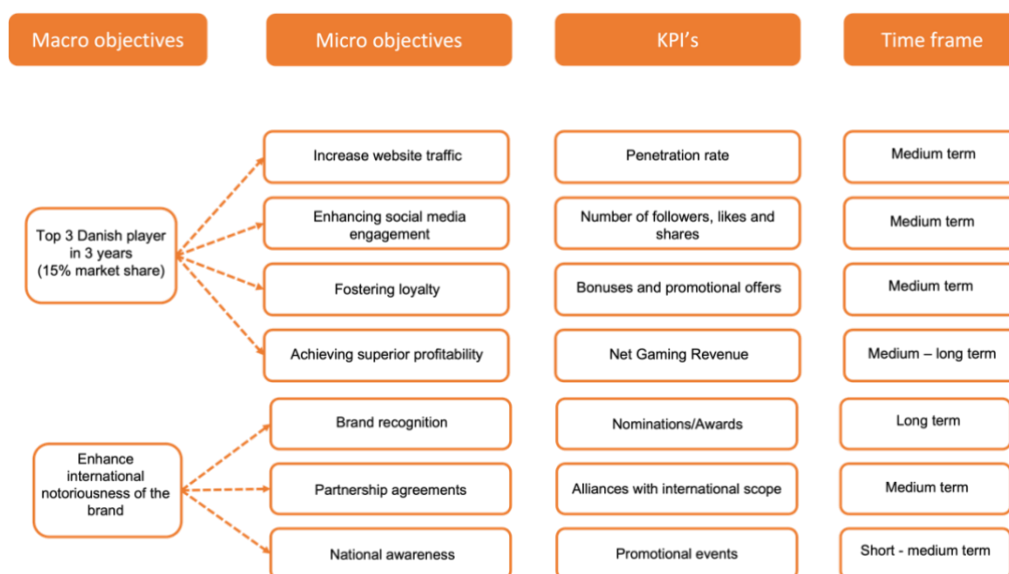


Figure 9 - Marketing Objectives

8.2 Segmentation

Market segmentation acknowledges that people differ in their tastes, requirements, attitudes, lifestyles, family size and composition. It is a conscious strategy to increase market demand by focusing marketing efforts on key subgroups of clients or consumers (Chisnall 1985). Segmentation is a significant technique to communicate with different demographics and can significantly enhance the ability to serve the customer, if performed proficiently. To craft an effective segmentation strategy, the group developed a matrix with two critical variables supplied with the most accurate segmentation groups (Figure 11). The first variable stands as **price sensitivity**. This is a critical metric for segmenting customers since it measures switching costs and brand loyalty within the industry. Higher price sensitivity means players will constantly look for the highest odds in the market, regardless of what the bookmaker provides them with. Conversely, lower price sensitivity contemplates players that do not switch operators often due to odd shifts. The second variable, **frequency of betting**, assesses how often a player gambles in a given period. It is also an essential metric due to the high variation between spending per user.

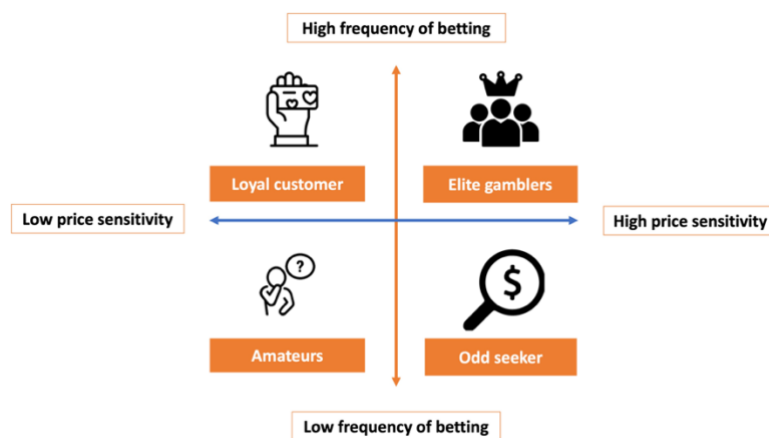


Figure 10 - Segmentation Profiles

Elite Gamblers, generally, have a high frequency of betting, in other words, are players that can bring high value to Kaizen, as most have a high average spending and are reckless gamblers. Categorized as having a low-price sensitivity, these players are not loyal to any

bookmaker, due to always seeking the best odd, regardless the provider. Elite gamblers typically have accounts in several bookmakers and choose the one that offers the best deals. This group is always watchful to every market, know the industry, and always seek the best outcome.

Odd Seekers are industry players classified as frequent low betters with high price sensitivity. As such, usually, the type of customers of this segment are not loyal to any bookmarker. Instead, these players bet sporadically and choose the bookmarker that offers the best odds. The only concern is chasing the best deals on the market and being apprehensive of new bonuses and offers from new or recurring operators.

Amateurs are, as the word implies, players with little knowledge of how the market operates and mainly focus on the entertainment side of gambling. Hence, promotions, better odds, and benefits are not a concern to this segment. Easy access and a friendly interface are the top priorities of this segment. The platform that is easier to transact and is most familiar to them will be the chosen one.

Loyal customers are known to have a high frequency of betting and typically use just one bookmarker due to the sense of comfort on the platform. Players in this segment look at the brand as more than that. In fact, customers follow the bookmaker on social media, feel the need to be notified with the newest promotions, advertisements before games, among others. This segment knows the platform inside out, every feature, every betting option. As a result, these players get accustomed to that bookmaker and avoid exploiting others. Classified as having low price sensitivity due to the fact that, even if another platform has a better deal, this will not change these players' preferences.

8.3 Targeting

As following on from the previous section, it is imperative to accurately choose the right audience by defining who is and who is not worthwhile in the pursuit of increased market share.

It is the ultimate pinnacle in discovering those customers that should be aimed upon to make a superlative yield from an initial investment into a marketing program.

Targeting is defined as “Breaking the target audience into segments and then designing marketing activities that will reach the segments most likely to be responsive to your efforts” (James 2022). As it was displayed in the previous section the group have defined and named four possible segments that could be the subject of Kaizen’s targeting. It was first noted that each of the four labelled segments are all an elemental part of the overall customer makeup. Therefore, the team proceeded by deciding upon what group would suit best Kaizen’s marketing plan and ultimately allocate the highest return on investment.

The first segment was labeled as **Elite Gamblers**. This is a very adventurous group in terms of platform usage and expenditure. Nevertheless, these players are also very price conscious, which point towards more susceptibility to predatory pricing from other firms and are likely to do the most research on what companies offer the best odds and be less affected by the entertainment factors that kaizen offers tending to focus solely on the financial factor. With entertainment being a key core part of the product offering this ultimately makes this group less valuable.

The **Odd Seeker** can be partly included in same reasoning referred above, as the group ultimately will be very ineffective to target, unless superior odds are offered within the marketing plan. This segment is least likely to enjoy the many facets and the entertainment values that the platform has to offer and mainly focuses on the odds value. Hence, this category is unlikely to spend the large amounts that the Elite do, therefore, the type of marketing in mind is most likely to have a relatively low impact on this group.

Amateurs can be a valid and effective group to target, however the timeline of a return on investment is ultimately longer since the aim will be to lead a proportion of this population into a higher frequency of betting and therefore changing the classification into either a Loyal

Customer, or even an Elite Gambler. In this regard, it will take additional time and relatively consistent use of the platform for the consumer to have a certain affinity for it and be inflicted with a preference for the enjoyment that can be brought by using the services available. Despite the size of this group being promising, it can also be the biggest hurdle and there would ultimately be several subgroups within this group which would equate to a more researched and widespread marketing approach requiring the most time and large resources to be effective.

From the group's analysis it was ultimately concluded that the **Loyal Customer**, is the most worthwhile demographic to target. This group holds the characteristics of **low price sensitivity**, as well as having a **high frequency of betting**. Accounting for the benefits, this segment generally sticks to just one gambling company making consistent bets, which ultimately creates the most consistent stream of revenue compared with the other segments and is least sensitive to the predatory offers that are relatively industry standard in efforts to attract new customers. These are the customers that once obtained can occasionally be referred to as the "**Cash Cows**", and despite not providing a higher average bet amount than Elite Gamblers, it is glimpsed that the sheer relative high quantity of the loyal customer over the Elite Gambler will enable a much higher return on marketing investment. By marketing to the Loyal Customers, that are slightly towards the side of having a relatively larger price sensitivity the team predicted that Kaizen will be able to capture this targeted demographic from other competing gambling companies that are already established. In contingent to get immediate success in this strategy, it is expected that over time due to Kaizen's substantial focus on marketing, the company will gradually be able to obtain progressively more users that would be classified as the Loyal Customer demographic.

8.4 Positioning

Market Positioning is the final area of the STP plan. An effective positioning will compel marketing communications becoming more focused, relevant, and personalized for the

specified target. Achieving these parameters will suggest that the marketing that takes place will be more effective with a higher cost to benefit ratio. As previously mentioned, the main stage of marketing focus will be towards those classified as Loyal Customers.

In search of attracting **Loyal Customers** to the platform, it should be noted that there must be a superior provision of services compared to what the target is currently using. Thus, to demonstrate this effectively, Kaizen ought to showcase the best features of the platform within marketing communications and would not be in the realm of having a high difficulty level to do so. Furthermore, it is critical to note that the financial incentive to join Kaizen must be extremely alluring to the target. Commonly used tactics can include, “Free bets, Special odds, Free play, Tailored bets”. This will further allow less risk to the individual and decrease what would be defined as their own barrier to entry. These methods are eminent to make sure there is adequate interest from the targeted individuals. The positioning of Kaizen is created in this way to maximize the number of players that are more prone to become consistent users. Competitors will tend to focus on different groups, thus enabling Kaizen to have a certain degree of differentiation in the marketing sphere of Denmark.

Porters’ generic competitive strategies can be used to best define the type of positioning strategy that is preferable to be undertaken. The four potential outcomes are “Cost Leadership”, “Cost Focus”, “Differentiation Focus” and “Differentiation”. The aftermath is determined by the competitive advantage's genesis and the range of initiatives the company plans to employ to secure it. In Kaizen’s paradigm, entering a new market and being an online based company, **differentiation focus** crafts the most suitable outcome to pursue (Figure 12). As such, Kaizen must leverage its advantage as a new entity and showcase its product to be exciting towards prospective customers in order to generate a certain amount of excitement towards their service.

Kaizen ultimately will exhibit the uppermost source of competitive advantage through the process of differentiation with a broad scope to attract individuals from as wide an area as possible. Other strategies if applied would most likely prove to be ineffective due to Kaizen being a totally new player to Denmark and secondly due to the nature of the business. The expected reward if done successfully would ultimately be a degree of competitive advantage in the marketing sphere. Auspiciously, it is not expected that other firms could ramp up marketing resources to effectively take away Kaizen's expected advantage due to the promotional efforts that Kaizen undergoes, where marketing is one of the main pillars.



Figure 11 - Positioning Matrix

8.5 Marketing Mix 4Ps

Building from the assessment of the company's marketing goals and STP strategy, the marketing mix will settle the marketing analysis. As Kaizen has no experience operating in Denmark or any Nordic country, this issue requires a careful consideration of local trends and a creation of a new marketing plan that targets Danish consumers.

As far as **product** offerings are concerned, Kaizen would operate under the Betano brand and offer **sportsbook** and **online casino** services, both of which are regulated and licensed in the Danish market. There are three primary types of licensed gambling: fixed odds, pool/pari-mutuel, and exchange betting on real and virtual events. However, online virtual betting cannot

be offered by private operators, due to the state-controlled monopoly operated by the firm Danske Spil. Further, there are no restrictions on the type of sport, but it is illegal to accept wagers on sports contests involving minors. The most popular gambling services in this marketplace are online casinos, which represent 29% of the market, and online betting, with 25%. Comparatively, land-based casinos account for 2% of the market, pointing that Danish consumers prefer online gambling services (Danish Gambling Authority 2020).

In terms of online casino gambling, the Danish market offers consumers a variety of options, with many features proving popular among consumers. Video slots are a growing activity amongst players with games like Book of Dead, Legacy of Dead, Bonanza, and Sweet Bonanza (Delasport 2022). Additionally, it is important to pinpoint content in this market, and Danish consumers show a preference for Viking and Nordic themed games. Live dealer presentations are also very popular in the Danish market. Roulette, Blackjack, and Bingo are among the most popular casino games, and some land-based casinos integrate with online platforms to let players participate online. According to Danish Gambling Authority data, amongst players of online casino games, slots are the most prevalent type of activity with 73.5% of users, followed by Roulette with 9.7%, commission games with 6.8%, and finally Blackjack with 6.5% (Christie 2022). In summary, Kaizen's successful entry into Denmark requires a consideration of product restrictions, variety, and localization of content.

Intended for **promotion**, Kaizen must consider the regulations that pertain to the format of advertisement and come with promotional formats that are relevant to the target consumer. Overall, the Danish regulation is robust and detailed. It is illegal for gambling adverts to target consumers under 18 or to give the false impression that the odds of winning are greater than actually are. A clear description of gambling related terms and conditions must also appear in advertisements (Danish Gambling Authority 2021). Kaizen should contemplate **sponsoring sports teams**, considering regulation allowance in that stance and as part of the global strategy

of the company. Notice that viewers cannot be simultaneously exposed to gambling and consumer loans. For the purposes of targeting, the selected group, Loyal Customers, express "low price sensitivity", and a "high frequency of betting". Among this group, the most valuable customers for targeted promotions are men between the ages of 18 and 35, using smartphones and preferring online casinos over online betting. Supporting this, Danish industry data indicates that 44% and 47% of the active online casino and online betting account holders are below the age of 36 (Danish Gambling Authority 2021).

Advertising promotions typically include bonus offers, free promotional gifts, free bets/spins, competitions, special offers such as the "World Cup offer", price reductions, such as 50% off spins, and favorable odds for loyal customers. In Denmark, for regulatory reasons, advertising restrictions on gambling offers are split into two categories; media with unlimited space which would include Betano's platform, email, or third-party website. In such cases, it is necessary to display the terms and conditions of the bet right on the advertisement or at least one click away. Media with limited space includes SMS, Radio/Cinema or TV commercial. In this instance, terms and conditions do not have to be stated on the advertisement, but the operator must mention that "terms and conditions apply", except for TV/Cinema advertisements, where the operator must put the most significant terms on the advert itself. Players must also have 60 days to satisfy the terms and conditions of the offer to receive the payout (Danish Gambling Authority 2021). Overall, success depends on segmentation and targeting of promotional campaigns.

Envisioning **price**, given Kaizen's business model, the company doesn't resort to the traditional pricing strategies since it operates with odds. The **trading division** is in charge of setting odds among a variety of sports, events, markets, and selections, as well as delivering a pleasant consumer experience throughout 6 spheres. Within the trading department, in order to oversee live events, the Live Traders team constantly tracks bet placements, evaluates risk, and

yield data adjustments to generate reliable and competitive odds in the course of live events. The pre-event division is in charge of providing a robust betting selection across various sports, odds assortment, trading, as well as managing any potential liabilities in order to guarantee that risk is downplayed. Regarding the Data Input Operators, this team is in charge of placing bets on a range of sports that are not available for Live Betting.

The remaining teams are at the helm of sportsbook integrity-related issues and operational problems. Various departments among the trade division are responsible for managing odds supported by an in-house developed algorithm that sets **competitive odds**.

Although Kaizen will not be operating in physical stores in the Danish market, **place** remains vital to consider, especially in light of factors such as market coverage, sports coverage, and sales channels. Firstly, a centralized parliamentary democracy as Denmark has uniform regulations across its territory regarding market coverage. As a result, Kaizen can display its promotions everywhere in Denmark with support from sponsorships, sports teams and leagues, ambassadors, social, affiliates. Kaizen could target its promotion efforts in Denmark's largest population centers, such as Copenhagen, Aarhus, and Odense. Traditionally, Kaizen promotes and advertises mainly around sports teams. If this strategy was applied to the Danish market, popular commercialized sports would include football, handball, ice hockey, basketball, cycling, and esports. In addition, the Danish market is experiencing a growing trend for VR sports (Delasport 2022). In relation to channels, located in a market where mobile is the most popular format for gambling companies, Kaizen's primary sales channel is its website. In terms of GGR distribution for sales channels mobile devices accounted for 67% (DGA 2021). Therefore, promotion should focus on **mobile formats**. Finally, to provide some level of customer service via telephone or online chat, Kaizen should hire Danish speakers in the region. In sum, while Denmark is a small country with few big cities, its passion for sports makes it a good fit for Kaizen's targeted marketing.

9 Financial Forecast

9.1 Market Size and Market Share Estimation

In order to come up with the **market size** in Denmark, Kaizen Gaming provided the team with valuable data regarding the European Union²⁷ Gross Gambling Revenue forecast up until 2027. The computation of **GGR** excluded lotteries and horse races from the total value, as these are not part of Kaizen's business scope. From that data set, the group proceeded by calculating the yearly CAGR comprehending 2023-2027 (H2 Gambling Capital 2022).

The computation of the expected **market share** was performed through a benchmark for the first years of operations of four Danish companies intermingled with a co-joint analysis of the market with Kaizen development team. Thus, four similar companies, accounting for operating revenues and total assets, were selected (Leo Vegas, Mr Green, Enetpulse and Casino Copenhagen) (Appendix 20). To proceed with this approach an estimation of the market share was employed according to the Danish Gambling Authority report based on the first year of operations of each company depicting the market share through the Gross Gambling Revenue (Spillemyndigheden 2022). The reckoning of the third year shifted slightly this methodology since Kaizen depicts the third year of operations as a target to achieve the **top 3rd rank in industry**. Notice that the reasoning behind Kaizen's approach goes in hand with a generic achievement on the third year of operations in Europe (Kaizen Gaming 2022). Attending to the industry market share in Denmark, that would correspond approximately to a **15% market share**. For instance, in LATAM countries, such as Brazil, a similar forecast would not be feasible as Kaizen attained the top 3rd rank within the first year of operations. Despite the lower average spent per user in Brazil, the number of players is massive and cultural distance also play an important role in supporting market disparities (The Guardian 2022).

From 2026 onwards the group deemed the market share based on the assumption that the third year was roughly the stage with the highest growth rate while the following years follow a more stagnate increase.

9.2 Operational Plan

9.2.1 Revenue Estimation

In order to make an estimation of Kaizen's revenues (2023-2027), the group proceeded through a break down across 3 revenue streams (Appendix 21). Kaizen's first-year **organic** revenue was calculated through the same approach employed to estimate Kaizen's market share, computing the average of the four selected companies that began operating in Denmark in 2018 as a benchmark. Kaizen first year forecast equaled EUR 16.7M. Additionally, two more revenue streams were designated and made up the overall revenues: **crypto** and **marketing effect**. The three drivers assembled a total of EUR 19.4M accounting for kaizen's first year of revenues, as displayed in Figure 13.

Revenue Streams	2023		2024		2025		2026		2027
Organic Growth	€	16 775 100	€	38 582 730	€	84 882 006	€	97 614 307	€ 107 375 738
Crypto Users	€	117 539	€	336 611	€	867 138	€	1 165 837	€ 1 522 322
Marketing Effect	€	2 516 265	€	10 031 510	€	25 464 602	€	33 188 864	€ 42 950 295
Total Revenues	€	19 408 904	€	48 950 851	€	111 213 745	€	131 969 008	€ 151 848 354

Figure 12 - Revenue Streams Breakdown

Following the computation of Betano's first year revenues mentioned prior, in order to make a valid forecast, Kaizen performance in Portugal was treated as a benchmark to predict the **organic growth rate**. Portugal is a fairly similar market compared to Denmark in regard to GGR and competition, although has less entry costs and recurring fees. Betano's organic growth in Denmark was deducted by looking at Betano's performance in Portugal on a five-year timeline. The third year corresponded to a **98% increase** in revenues that goes hand-in-hand with Kaizen's plan to achieve the third spot at the podium (Orbis, 2021). From that point an assumption was made, considering that GGR in Denmark is expected to be superior to

Portugal's. Hence, less operating costs from licensing and the non-establishment of a subsidiary lead the group to assume that the organic growth was likely to be greater. Thus, in order to come with valid assumptions (2023-2027), the same reasoning was applied for the computation of the remaining years by applying a margin of growth adapted to the Danish market.

The second driver, **crypto effect**, was conceived through the decision of targeting a new segment that would allow Kaizen to slightly outstrip competition. The kickoff to compute this revenue stream was the number of total users in Denmark to which was applied the crypto CAGR, corresponding to 12% to forecast the growth of this metric (Statista 2022). After, the percentage of crypto users that bet on online gambling was applied and respective growth rate was employed to come up with the total number of crypto owners in gaming in Denmark (H2 Gambling Capital). From that point the average spent per user was multiplied to the previous metric to compute how much crypto gambling was worth and ultimately, through the expected market share the team was able to estimate the amount that Betano could retain, corresponding to EUR 117 539 in the 2023 and EUR 1.5M in 2027.

The third revenue stream, **marketing effect**, was envisioned, due to the fact that Kaizen expects to overshadow direct competitors by employing aggressive marketing tactics. The reasoning behind the computation of this driver comes from a more simplistic approach. In order to determine the marketing growth as percentage of Betano's revenues an assumption was brought into play, based on the insights that the Portugal's marketing director expounded the group with. As such, a benchmark with Betano's performance in Portugal was exploited yet again. Since Marketing Growth is not a metric that is generally available in companies' reports, the group considered **15%** as 2023 marketing growth, which is likely to grow steadily and reach **40%** in 2027.

9.2.2 P&L Statement

Revenues stand as the first step in estimating the income statement, followed by the computation of COGS, Gross Profit, Fixed Costs, EBT, Taxes and Net Income (Appendix 22). The process towards estimating COGS and come up with the Net Gaming Revenue was intended to be as meticulous as Kaizen's computations. In order to disclose **GGR** (Turnover – Winnings), the total amount waged (Turnover) was computed by applying the margins provided by Kaizen, which stand as 10% in sportsbook and 3.5% in casino games Revenues, and later subtracted from Return to Players (Winnings). Notice that the reasoning behind this computation follows the same one as Turnover, since Kaizen provided the team with its operating margin, which stands close to 8% throughout the five-year forecast.

Afterwards, in order to apprehend the **Net Gaming Revenue**, Bonuses must be deducted from GGR, followed by Gaming Tax, which accounts for the Danish tax, that stands as 28% of Gross Gambling revenue (ICLG 2022). Notice that Platform costs (1%), Sports betting platform (1%), Media rights (2%), Data feeds (2%), Banking fees (5%) and Hosting Data centers (0,1%) were all deducted from GGR, and respective percentages were approved by Kaizen Gaming development team. Contrarily, both casino game fees (11%) and Head Office costs (3,5%) were deducted from NGR. Casino game fees put up to the highest expenses among these features given the third-party agreements with various game suppliers in the casino section, followed by banking fees that account for fees on deposits and withdrawals.

Conductive to **payroll** computation, a EUR 8,000 salary was applied conjointly with the total human capital that Kaizen hires when operates through the Maltese license Notice that, the average salary in Denmark equals EUR 5,000, although, since the team that will be operating in Denmark belongs to a niche market, a higher salary is anticipated (Statista 2022). Considering customers' growth displayed upper in the income statement, human resources must

be matched up regarding customer service in the country of expansion. As such, 2023 matches an EUR 80,000 expense in payroll and is expected to reach EUR 400,000 by 2027.

Betano's **marketing expenses**, as presumed, assume a massive portion in the company's expenses, the largest one, in fact. According to Kaizen's marketing plan, expenditures, in the first year corresponds to 30% of Gross Gambling Revenue. Within the project time frame the group considered that by 2027, marketing expenses should lean towards 20%. Notice that Marketing is a huge source of competitive advantage, as a result expenditures should go hand-in-hand with the company's strategy, in order to achieve one of the core milestones set by Kaizen within the third year of operations.

Lastly, Kaizen must comply with the **Maltese license fee**, which holds a one-off license fee within the first year, equivalent to EUR 55,000 emolument. By definition, since the company will not incur in property, equipment and land purchases, the license fee equals CapEx. The annual fee is established in accordance with GGR. A fee of EUR 400,000 is applied when GGR is between EUR 26M and EUR 66M. With this said, Kaizen must comply with a EUR 400,000 fee in 2023. Hence, Betano must abide an annual fee of EUR 700,000 in the following years, since GGR ranks the higher echelon (Spillemyndigheden 2022).

Ultimately, to obtain **Net Income**, the Maltese corporate tax (10%) was detracted from Earning Before Taxes (PWC 2022). As a result, Net income is estimated to be approximately EUR -4,5M in 2023 and reach EUR 36M by 2027, thus predicting exponential growth.

9.2.3 Operational Risk Analysis

Betano's expansion entails apparent operational risks (Appendix 23). Given the market uncertainty and possible forecast inaccuracy, several operational risks were identified in Figure 14, along with corresponding mitigation tactics. The group proceeded by mapping risk KPIs through Probability and Impact. Among the five identified operational risks, **Regulation**

uncertainty displays superior impact and **low crypto acceptance** the highest probability. Regarding Regulation, the online gambling industry is becoming highly barred in Europe, and the implementation of new gambling operations restrictions, mainly advertising-wise has a massive impact on Kaizen's business model (European Commission 2022). For instance, the company was seeking a move to Italy, although regulation shift jeopardized an imminent expansion to the country, menacing a whole marketing and financial plan (James 2022). In order to mitigate possible regulation shifts, the company may consider short-term commitment upon entry and the implementation of new (legal) marketing strategies.

Regarding Low crypto acceptance, the bankruptcy of FTX stands as a warning signal in the crypto industry leading to negative speculation and devaluation among digital currency (Madhock 2022). Hence, Crypto users may not envision truly advantageous the gambling industry as a source of crypto "investment". In order to mitigate crypto uncertainty, Kaizen should target a distinct market niche or offer different types of promotions/bonuses to users depositing/withdrawing as an anchor to new customers.

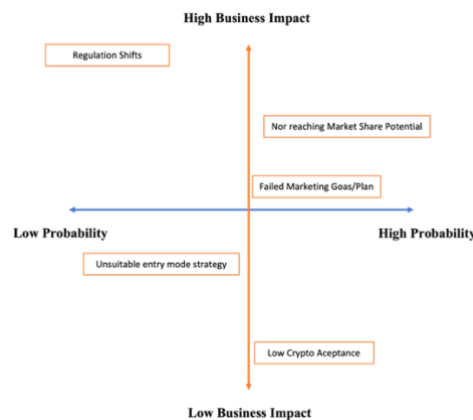


Figure 13 - Operational Risks

9.3 Investment and Financing Plan

According to Cvijanović, Marović and Sruck (2008) the five stages of financing a business' formation comprehend: "1. experimental; 2. start-up; 3. expansion; 4. recapitalization, and 5. buyout. In the experimental phase, entrepreneurs often use their own funds or funds received

from relatives. In the initial phase of the development possible sources of financing are loans and venture capital funds. In the expansion phase, the most common sources of funds are venture capital and loan funds. At the buyout stage, private equity funds play an important role” (Čalopa et al. 2013).

As mentioned prior, **licensing** is the only feature that reports for CapEx given the entry mode suggested. The financial plan only contains Licensing as an investment in the first year of operations, which equals EUR 55,000, as mentioned prior. Hence, since Kaizen will operate through a co-marketing agreement there will be no net working capital investment. Considering no more investment, as a result of the lack of assets upon entry, it was also agreed that the salvage value was going to be null.

A crucial component of a corporation is financing, regardless of whether organizations want to establish a firm or grow an existing one. For prosperity’s sake, financing stands as a valuable tool both for SME’s and large-sized companies. Given Kaizen’s entry mode strategy, the group deemed that no **financing plan** was needed. The Greek company displays a strong corporate structure, hence the entry strategy selected is far-off from being resource onerous, not contemplating the establishment of a wholly owned venture. Kaizen generally does not rely on any kind of financing tools. It all comes from their own funds, thus debt financing (loans), venture capital, government grants/subsidies are not within Kaizen’s operations sphere. Through the victorious expansions to LATAM and Europe, the company is able to support the internationalization to Denmark with its own funding/financing (Kaizen Gaming 2022).

9.4 Financial viability

Profitability indicators were determined to provide a detailed financial breakdown (Figure 15). Firstly, **Gross Profit Margin** had a gradual increase from 32% in 2023 to 52% in 2027. Gross profit Margin enunciates a strong financial viability, meaning that the company is able to generate huge profits following the payment of COGS. Secondly, **Operating Profit Margin** almost contemplated a 100% rise in the time period analyzed, from -15% in 2023 to 13% in 2027. Lastly, **Net Profit Margin** followed a similar path, growing from -13% in 2023 and reaching 12% in 2027. Accounting for the two ratios, the low values displayed on the first year are not endangering the viability of the project, since Net income will be negative, due to high investments employed, although on the following years, ROI will increase exponentially. Note that, in the entry mode suggested, there is no Equity. As a result, ratios such as Return on Equity and Dupoint Identity were not included as both would be null.

Financial Ratios	2023	2024	2025	2026	2027
Gross Profit Margin	32%	42%	47%	50%	52%
Operating Profit Margin	-15%	-3%	4%	10%	13%
Net Profit Margin	-13%	-2%	4%	9%	12%

Figure 14 - Profitability ratios

In order to further assess Betano's financial viability, a **NPV** analysis was performed. Starting with CapEx, in this case, only encompasses the first licensing fee of EUR 55,000. As previously mentioned, since there are no tangible assets, and no inventory/stock, the group assumed both salvage value and net working capital of zero.

To calculate the **Free Cash Flows** for each project year, the net working capital was assessed and deducted from the previously indicated net income figures. FCF was EUR -55,000 in the first year of the project (2022), which corresponds to CapEx, and reached EUR 36M in 2027. The NPV was computed using the FCF employing the WACC as a stand-in for the proper

discount rate to assess the project's viability (Appendix 24). Following the computation of the NPV, various assumptions were drawn for the WACC estimation using the prior methods.

First, the **historical cost of debt** for Kaizen was determined through a benchmark (average from 2016 to 2020) totaling 0.42%. Several listed operators were checked, although the majority of them have considerably higher KPIs, which can range from 4% up to 12% (Danish Gambling Authority 2022). This stark contrast results from the fact that a huge fraction of companies among the industry are fairly aggressive with loans and acquisitions, whereas Kaizen solely relies on private funding (Fletcher 2022). With this said, the group decided to stick with the original cost of debt of **0,42%**. In order to estimate the **cost of equity**, the average yield on 10-year Denmark government bonds, **2.264%**, was deemed as a proxy for the market risk free rate (The Wall Street Journal 2022).

Assumptions linked to Beta were generated in order to assess market risk. First, an estimate for the **unlevered beta** (0,91) was used as a proxy for Kaizen's genuine worth. Second, after an impact on Kaizen's capital structure, a value of 2,03 was used to represent the **beta levered** (Silvidio and Partner 2022). Hence, the **risk-free premium** taken into account was 5.8%, backed by the Danish market risk premium's (2011–2022) average (Statista 2021). A 3,13% **WACC** was achieved when using Kaizen's capital structure (Appendix 24). Finally, FCF were discounted based on the prior WACC estimation, and the anticipated five-year project **NPV** came to EUR 50,3M. To accommodate the primary assumption that preliminary investment in the project would be low, the group accepts that this figure is relatively high.

The **Internal Rate of Return** is, also, a valuable metric employed to calculate the profitability of future investments within financial assessment. It is a metric that turns the project's worth into a percentage allowing to look into investments and their value from the perspective of a return rate (Fernando 2022). The NPV formula stands as the foundation for

computation of IRR. The calculation of Betano's Internal Rate of Return totaled **114%**, suggesting conjointly with NPV a solid project's viability.

In order to determine the **Simple Payback Period**, the annual cash flow is divided by the cost of the investment up to the collective cash flows stand positive (Kagan 2022). The payback term is generally specified in years. Following the computation of free cash flows, Betano is able to cover the initial investment in the **third year**.

9.5 Sensitivity and Scenario Analysis

To test the project's robustness, the group performed both a sensitivity and scenario analysis. These analyses give a perception of how robust the estimates are by changing a few key business drivers to see what would happen to the NPV. In other words, this analysis assesses how various uncertainties arise from the aforementioned assumptions and how this affects project outcomes (Kenton 2021).

To carry this robustness test out, **three sensitivity analysis** were performed: **sensitivity 1** where the Impact of changes in Crypto Users Growth and Organic Revenues on NPV was measured; **sensitivity 2** regarding the Impact of changes in Gaming Tax and Bonuses costs on NPV. Finally, **sensitivity 3** assesses the Impact of cost of debt and cost of equity on NPV. Hence, the following variables were considered: Crypto Users Growth, Revenues from Organic growth, Gaming Tax (on GGR), Bonuses Costs, Cost of Debt, and Cost of Equity.

Sensitivity 1: Impact of changes in Crypto Users Growth rate and Organic Revenues on NPV									
Crypto Users CAGR	NPV	Revenues from Organic Growth							
	€ 50 319 026,86	€ 10 000 000,00	€ 12 000 000,00	€ 14 000 000,00	€ 16 775 100,00	€ 18 000 000,00	€ 20 000 000,00	€ 22 000 000,00	
	3%	€ 28 352 572,45	€ 34 786 758,18	€ 41 220 943,91	€ 50 148 698,32	€ 54 089 315,37	€ 60 523 501,11	€ 66 957 686,84	
	6%	€ 28 403 766,20	€ 34 837 951,94	€ 41 272 137,67	€ 50 199 892,08	€ 54 140 509,13	€ 60 574 694,86	€ 67 008 880,60	
	9%	€ 28 460 401,84	€ 34 894 587,57	€ 41 328 773,30	€ 50 256 527,71	€ 54 197 144,76	€ 60 631 330,50	€ 67 065 516,23	
	12%	€ 28 522 900,98	€ 34 957 086,71	€ 41 391 272,44	€ 50 319 026,86	€ 54 259 643,91	€ 60 693 829,64	€ 67 128 015,37	
	15%	€ 28 591 706,52	€ 35 025 892,25	€ 41 460 077,98	€ 50 387 832,40	€ 54 328 449,45	€ 60 762 635,18	€ 67 196 820,91	
	18%	€ 28 667 283,14	€ 35 101 468,87	€ 41 535 654,60	€ 50 463 409,02	€ 54 404 026,07	€ 60 838 211,80	€ 67 272 397,53	
	21%	€ 28 750 117,82	€ 35 184 303,56	€ 41 618 489,29	€ 50 546 243,70	€ 54 486 860,75	€ 60 921 046,48	€ 67 355 232,22	
Sensitivity 3: Impact of changes in Cost of Debt and Cost of Equity on NPV									
Cost of Equity	NPV	Cost of Debt							
	€ 50 319 026,86	1,02%	0,82%	0,62%	0,42%	0,22%	0,02%	-0,18%	
	9,04%	€ 48 322 059,29	€ 48 536 305,61	€ 48 751 663,58	€ 48 972 595,44	€ 49 185 741,75	€ 49 404 475,72	€ 49 624 348,88	
	8,54%	€ 48 759 232,99	€ 48 975 748,75	€ 49 193 390,06	€ 49 416 666,59	€ 49 632 077,07	€ 49 853 136,73	€ 50 075 349,91	
	8,04%	€ 49 201 039,77	€ 49 419 853,38	€ 49 639 806,66	€ 49 865 457,29	€ 50 083 160,38	€ 50 306 574,98	€ 50 531 157,62	
	7,54%	€ 49 647 537,67	€ 49 868 677,98	€ 50 090 972,28	€ 50 319 026,86	€ 50 539 051,42	€ 50 764 850,63	€ 50 991 832,62	
	7,04%	€ 50 098 785,61	€ 50 322 281,87	€ 50 546 946,66	€ 50 777 435,48	€ 50 999 810,79	€ 51 228 024,72	€ 51 457 436,36	
	6,54%	€ 50 554 843,35	€ 50 780 725,25	€ 51 007 790,43	€ 51 240 744,21	€ 51 465 499,98	€ 51 696 159,16	€ 51 928 031,23	
	6,04%	€ 51 015 771,53	€ 51 244 069,18	€ 51 473 565,08	€ 51 709 015,01	€ 51 936 181,37	€ 52 169 316,80	€ 52 403 680,51	

Sensitivity 2: Impact of changes in Gaming Tax and Bonuses costs on NPV									
Corporate Tax	NPV €	Gaming Tax (GGR)							
		34%	32%	30%	28%	26%	24%	22%	
	50 319 026,86	16%	€ 13 820 792,99	€ 24 867 448,12	€ 35 914 103,26	€ 46 960 758,40	€ 58 007 413,54	€ 69 054 068,67	€ 80 100 723,81
		14%	€ 14 151 169,01	€ 25 460 839,75	€ 36 770 510,48	€ 48 080 181,22	€ 59 389 851,95	€ 70 699 522,69	€ 82 009 193,42
		12%	€ 14 481 545,04	€ 26 054 231,37	€ 37 626 917,70	€ 49 199 604,04	€ 60 772 290,37	€ 72 344 976,70	€ 83 917 663,04
		10%	€ 14 811 921,06	€ 26 647 622,99	€ 38 483 324,92	€ 50 319 026,86	€ 62 154 728,79	€ 73 990 430,72	€ 85 826 132,65
		8%	€ 15 142 297,08	€ 27 241 014,61	€ 39 339 732,14	€ 51 438 449,67	€ 63 537 167,21	€ 75 635 884,74	€ 87 734 602,27
		6%	€ 15 472 673,11	€ 27 834 406,23	€ 40 196 139,36	€ 52 557 872,49	€ 64 919 605,62	€ 77 281 338,75	€ 89 643 071,88
		4%	€ 15 803 049,13	€ 28 427 797,86	€ 41 052 546,58	€ 53 677 295,31	€ 66 302 044,04	€ 78 926 792,77	€ 91 551 541,50

Figure 15 - Sensitivity Analysis

As layed out in Figure 16, in the first sensitivity analysis, as revenues from organic growth and crypto users' growth rate increase, so does NPV. This is due to both these drivers being a positive factor in revenues, one of the main components in the project's NPV. The higher the number of crypto users, the higher probability that Kaizen can increase its revenues as it is part of their offers. Envisioning an optimistic scenario where crypto users' CAGR would be 21% and revenues originated from Organic Growth would be 22M, the NPV would equal 67.3M, encompassing a 34% increase. Regarding the second sensitivity test, both gaming taxes and bonuses given to customers were subject to analysis. The conclusion is that both these variables have a negative impact on the project's NPV, as it increases exponentially with the decrease of both drivers. Conceiving a virtuous scenario where Gaming Tax would be 22% along with 4% Corporate Tax, NPV would total 91.5M, encompassing an 82% growth. A third analysis was performed, using cost of debt and cost of equity as variables to understand their impact on NPV. As in the second analysis, what can be extracted from this study is that both these variables also carry out a negative impact on the project's NPV. As such, the higher the cost of debt and equity, the lower the NPV. Portraying a pessimist scenario where Cost of Debt would equal 1.02% along with a 9.04% Cost of Equity, the NPV would total 48.3M, facing a 4% decrease.

Furthermore, a second study relied on a **scenario analysis**, which allows for a more in-depth look at various and reliable combinations of variables, improving the robustness of the financial breakdown. When used correctly and methodically, scenario analysis can uncover numerous valuable aspects of a situation that would otherwise go unnoticed. Given an entity's

current state, it attempts to steer situations and events that may impact significant characteristics of the entity in the future (Dutta and Babbel 2013).

Two scenarios were considered for this analysis: **optimistic and pessimistic** (Figure 17). The reasoning behind these approaches is based on negative and positive effects in revenues and costs. More specifically, revenues deriving from organic growth, crypto users and the marketing effect. Regarding costs, banking fees and gaming tax were the chosen variables.

Scenario Analysis		
Variables	Pessimistic	Optimistic
Organic Growth Revenues	-50%	50%
Crypto Users CAGR	-100%	100%
Marketing Effect	-50%	100%
Gaming Tax	2%	-3%
Banking Fees	5%	-2%

Figure 16 - Scenario Analysis

When building the Recession scenario, and based on the Operational Risks, the impact on revenues (which has a positive correlation with the COGS), derived by the company's organic growth and by the marketing effect are expected to be reduced in half. Further, the growth rate of crypto users is expected to be null in this scenario. In terms of banking fees, a 5% rise is expected, totaling 10% of GGR in fees. Furthermore, gaming taxes are also expected to increase by 2%, totaling 30% of the period's GGR. As a result, this scenario has a NPV of EUR 89,452.

Regarding the Optimistic scenario, the impact on revenues derived from crypto users are expected to double as its CAGR is expected to increase 100%, from 12% to 24%, as well as revenues derived from the marketing effect, which are also expected to double in this scenario. When it comes to revenues from organic growth, these are expected to increase 50%. Regarding costs, banking fees in this scenario are expected to decrease 2%, from 5% to 3%, and gaming

tax is expected to decrease 3%, coming down to a total of 25% tax rate on GGR. As such, a NPV of EUR 115,7M is expected in this scenario (Figure 18).

Scenario Summary	Current Values	Pessimistic	Optimistic
Changing Cells			
Organic Growth	€ 16 775 100,00	€ 8 387 550,00	€ 25 162 650,00
Crypto Users CARG	12%	0%	24%
Marketing Effect	€ 2 516 265,00	€ 1 258 132,50	€ 5 032 530,00
Gaming Tax	28%	30%	26%
Banking Fees	5,0%	10,0%	3,0%
Results			
NPV	€ 50 319 026,86	€ 89 452,51	€ 115 703 077,15
IRR	114%	3%	209%
Profitability Index	1062%	20%	2413%

Figure 17 - Scenario Results

10 Overall Conclusions and Recommendations

In light of the advocated internationalization project, it needs to take into account the constraints that SME's face when trying to compete and claim in unproven markets. The online gambling industry is not an exception to such circumstances. Due to the industry's global orientation, businesses are consigned to extremely competitive environments. Additionally, low product differentiation urges business to sustain massive expenditures in promotional and marketing tools, alongside domestic technology to craft an imperious product/service.

Kaizen Gaming may employ its 10-year experience, network and specialized product procurement in order to cope with potential market antagonism and regulation uncertainty. Thus, Internationalization is ought to be a reassuring step conducive to a diversified portfolio especially if Kaizen takes use of the prospects present in more promising markets. In order to assure a smoother entry in the Danish market, both marketing and financial plans should be accurate and ingenious. As such, Loyal customers must be the targeted segment and ought to be provided with a tailored product, competitive odds and reached through proper channels. Accounting for the financial viability, Kaizen entry mode along with low investment encompass a flatter move overseas, despite high marketing expenditures.

All things considered the group deemed that future strategy should embrace three main components. **Partnerships and marketing** campaigns should subject to the main focus of Kaizen Gaming. Proper co-marketing agreements in the countries of expansion should be tackled in order to sustain early move advantages. Thus, expenses in this regard should match the intents of the company to crave for distinctiveness among the industry. Setting high goals in this regard comprehend, for instance, being the first gambling platform to set up a partnership with FIFA. Also, **technological trends** must not be disregarded as part of upgrading the concept of entertainment and as a differentiator element craving for consumer surplus by launching Virtual Reality in Betano along with the possibility of adapting Betano into a Blockchain based casino, targeting a new consumer segment, and expanding product portfolio. Ultimately, the Greek company should seek **uncharted markets** where competition is far from being overwhelming, in which Betano could establish as a dominant brand and leverage higher profit margins.

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12 Appendixes

12.1 Appendix 1 – Balance Sheet

Balance Sheet	Source: ORBIS									
	2010	2019	2018	2017	2016	2015	2014	2013	2012	2011
Assets										
Fixed assets	€ 25 207 614,96	€ 15 105 250,60	€ 9 976 286,98	€ 6 713 460,74	€ 1 443 462,86	€ 569 018,82	€ 224 156,97	€ -	€ -	€ -
Intangible fixed assets	€ 20 614 863,29	€ 11 746 001,50	€ 331 128,44	€ 501 208,88	€ 357 309,18	€ 201 004,49	€ 224 156,97	€ -	€ -	€ -
Tangible fixed assets	€ 2 015 267,63	€ 1 391 991,28	€ 1 346 962,65	€ 518 782,22	€ 274 497,01	€ 368 014,33	€ -	€ -	€ -	€ -
Other fixed assets	€ 2 577 484,04	€ 1 967 297,82	€ 8 298 195,89	€ 5 693 468,65	€ 811 656,66	€ -	€ -	€ -	€ -	€ -
Current assets	€ 130 169 348,78	€ 64 259 359,12	€ 49 475 005,48	€ 35 878 938,05	€ 28 279 595,92	€ 23 501 990,90	€ 11 419 061,71	€ 238 405,01	€ 261 846,80	€ 222 946,72
Stock	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Debtors	€ 33 061 233,31	€ 20 588 379,49	€ 341 087,66	€ 309 583,59	€ 52 704,98	€ 14 944 432,70	€ 9 600 313,52	€ 2 148,64	€ 96 450,78	€ 46 846,94
Other current assets	€ 96 345 161,57	€ 43 670 979,63	€ 49 133 917,82	€ 35 569 354,45	€ 28 226 890,94	€ 8 557 558,19	€ 1 818 748,19	€ 236 256,37	€ 165 396,02	€ 176 099,78
Cash & cash equivalent	€ 89 936 473,50	€ 39 284 481,79	€ 24 447 809,58	€ 13 314 644,26	€ 11 390 994,08	€ 8 339 818,21	n.a.	€ 8 801,42	€ 61 968,26	€ 20 632,53
Total assets	€ 155 376 963,74	€ 79 364 649,72	€ 59 451 292,46	€ 42 592 398,79	€ 29 723 058,77	€ 24 071 009,72	€ 11 643 218,68	€ 238 405,01	€ 261 846,80	€ 222 946,72
Liabilities & equity										
Shareholders funds	€ 60 341 511,02	€ 28 423 700,28	€ 22 319 970,28	€ 15 963 346,54	€ 5 766 407,37	€ 1 829 696,33	€ 649 762,36	€ 192 158,27	€ 184 715,99	€ 181 145,99
L. Capital	€ 12 383 715,20	€ 11 346 338,52	€ 11 564 505,83	€ 2 518 529,11	€ 2 213 609,08	€ 261 287,98	€ 169 974,08	€ 193 074,00	€ 184 715,99	€ 181 145,99
L. Other shareholders funds	€ 47 947 795,83	€ 17 077 361,75	€ 10 755 464,45	€ 13 444 817,43	€ 3 552 798,29	€ 1 568 408,35	€ 479 788,27	€ 915,72	€ -	€ -
Non-current liabilities	€ 721 554,02	€ 399 891,03	€ 2 400 192,57	€ 2 673 994,31	€ 7 358 267,41	€ 10 000 798,71	€ 3 035 632,73	€ -	€ -	€ -
L. Long term debt	€ 169 094,28	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
L. Other non-current liabilities	€ 552 459,74	€ 399 891,03	€ 2 400 192,57	€ 2 673 994,31	€ 7 358 267,41	€ 10 000 798,71	€ 3 035 632,73	€ -	€ -	€ -
L. Provisions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	€ -	€ -	€ -
Current liabilities	€ 94 313 898,70	€ 50 541 058,42	€ 34 731 129,61	€ 23 955 057,94	€ 16 598 383,99	€ 12 240 514,68	€ 7 957 823,59	€ 46 246,74	€ 77 130,80	€ 41 800,73
L. Loans	€ -	€ 13 055 018,47	€ 568 362,26	€ 214 311,24	€ 4 210,07	€ -	€ -	€ -	€ -	€ -
L. Creditors	€ 30 346 407,41	€ 19 473 201,80	€ 19 864 707,75	€ 14 168 877,76	€ 10 162 038,37	€ 11 643 317,04	€ 7 682 503,21	€ 38 534,81	€ 15 628,29	€ 1 293,90
L. Other current liabilities	€ 63 967 491,28	€ 18 012 838,16	€ 12 067 398,10	€ 9 165 513,87	€ 5 317 650,83	€ 597 197,64	€ 275 320,38	€ 7 711,93	€ 61 502,51	€ 40 506,83
Total shareh. funds & liab.	€ 155 376 963,74	€ 79 364 649,72	€ 59 451 292,46	€ 42 592 398,79	€ 29 723 058,77	€ 24 071 009,72	€ 11 643 218,68	€ 238 405,01	€ 261 846,80	€ 222 946,72
Memo lines										
Working capital	€ 2 714 825,90	€ 1 115 177,69	-€ 19 523 620,10	-€ 13 859 294,17	-€ 10 109 333,40	€ 3 301 115,67	€ 1 917 810,30	-€ 36 386,17	€ 80 822,48	€ 45 553,04
Net current assets	€ 35 855 450,08	€ 13 718 300,70	€ 14 743 875,87	€ 11 923 880,10	€ 11 681 211,93	€ 11 261 476,22	€ 3 461 238,12	€ 192 158,27	€ 184 715,99	€ 181 145,99
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Number of employees	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

[Back to text - \(4.1.5 Financial Overview\)](#)

12.2 Appendix 2 – Profit and loss statement

P&L Statement	Source: ORBIS									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating revenue	€ 433 870 499	€ 271 652 973	€ 198 372 974	€ 163 163 768	€ 98 453 288	€ 54 556 860,47	€ 7 999 699,14	€ 5 917 686,23	€ 980 991,02	€ 1 086 223,79
Sales	€ 427 539 409	€ 270 517 485	€ 198 372 974	€ 163 163 768	€ 98 453 288	€ 54 556 860,47	€ 7 999 699,14	€ 5 789 212,04	€ 980 991,02	€ 1 086 223,79
Costs of goods sold	€ 294 084 325	€ 188 376 792	€ 145 712 775	€ 120 625 885	€ 74 160 936	€ 36 904 153,85	€ 6 488 553,04	€ 5 884 811,25	€ 961 880,83	€ 1 067 369,08
Gross profit	€ 139 786 174	€ 83 276 181	€ 52 660 199	€ 42 537 883	€ 24 292 352	€ 17 652 706,62	€ 1 511 146,09	€ 32 874,98	€ 19 110,19	€ 18 854,71
Other operating expenses	€ 85 812 176	€ 70 423 874	€ 45 136 713	€ 36 888 440	€ 18 560 809	€ 15 888 750,34	€ 565 024,21	€ 33 790,71	€ 18 181,33	€ 17 597,04
EBITDA	€ 53 973 998	€ 12 852 307	€ 7 523 486	€ 5 649 443	€ 5 731 543	€ 1 763 956,27	€ 946 121,89	€ 915,72	€ 928,86	€ 1 257,67
Financial P/L (Interest)	€ 419 085	€ 241 152	€ 46 140	€ 234 867	€ 38 053	-€ 6 562,68	-€ 254,96	€ -	€ -	€ -
EBT	€ 53 554 913	€ 12 611 154	€ 7 569 626	€ 5 414 576	€ 5 693 490	€ 1 757 393,59	€ 945 866,93	€ 915,72	€ 928,86	€ 1 257,67
Taxes	€ 19 681 230	€ 4 632 215	€ 2 780 255	€ 2 008 445	€ 2 056 479	€ 631 331,65	€ 341 803,31	€ -	€ 324,57	€ 439,93
Net income	€ 33 873 683	€ 7 978 940	€ 4 789 371	€ 3 406 131	€ 3 637 011	€ 1 138 175,91	€ 480 594,44	€ 915,72	€ 604,29	€ 817,74

[\(4.1.5 Financial Overview\)](#)

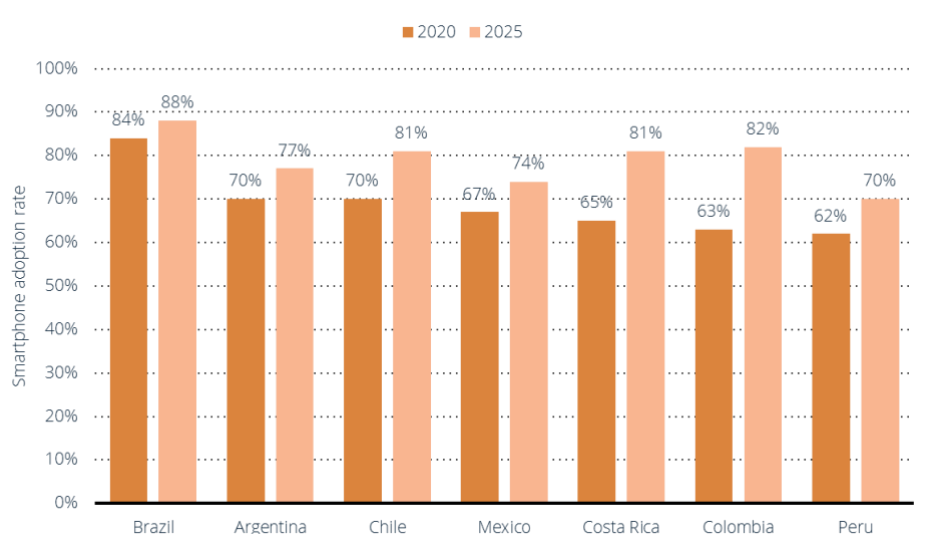
12.3 Appendix 3 – Porter's 5 Forces

Threat of New Entrants - Low brand loyalty and many providers offer incentives to lure users; - The industry is new, so there are a lot of new competitors that lack brand recognition; - Proprietary technology is required to succeed, which requires a capital investment; - Existing companies can easily retaliate and collude by offering lower prices and higher returns than new entrants; - Regulations necessitate licenses and the cost of commission.		
Power of Customer (High) - High buyer power allows players to squeeze margins by pressuring operators to increase returns and the quality of services offered; - In the online gambling industry, users' switching costs are low; - Gamers can get similar benefits from other platforms; - Consumers have to be enticed by offers, good odds, free bets, and bonuses; - There are a lot of low-differentiated substitutes available on the market.	Level of the competition in the industry (High) - Large number of firms offering similar services; - Largest operator in the Greek market is OPAP; - Other players include Bet365, Novibet; - Industry forecasted to grow by 86% from 2021-2028; - Firms need creative marketing and promotion tools to differentiate; - Pricing competition is a threat that would endanger profitability.	Threat of Substitutes (Medium) - Online platforms deliver more engaging and practical experiences for end users; - Low switching costs because platforms, traditional casinos, betting shops, slot machines require minimal learning time and offer a similar end result for the consumer; - Online share of gambling activity is growing.
Power of Suppliers - Bargaining power of suppliers has a limited impact on the competitive landscape and attractiveness; - Kaizen's suppliers include leagues, game developers, advertisers, payment providers, banks, CMS, eCommerce providers, and telecommunications; - The likelihood of forward integration is low, and there are many suppliers, relative to buyers that cater to many other industries; - Kaizen is not reliant on suppliers' sales; - Switching costs can be high for gambling operators with third-party software; - Payment methods are geographically bound.		

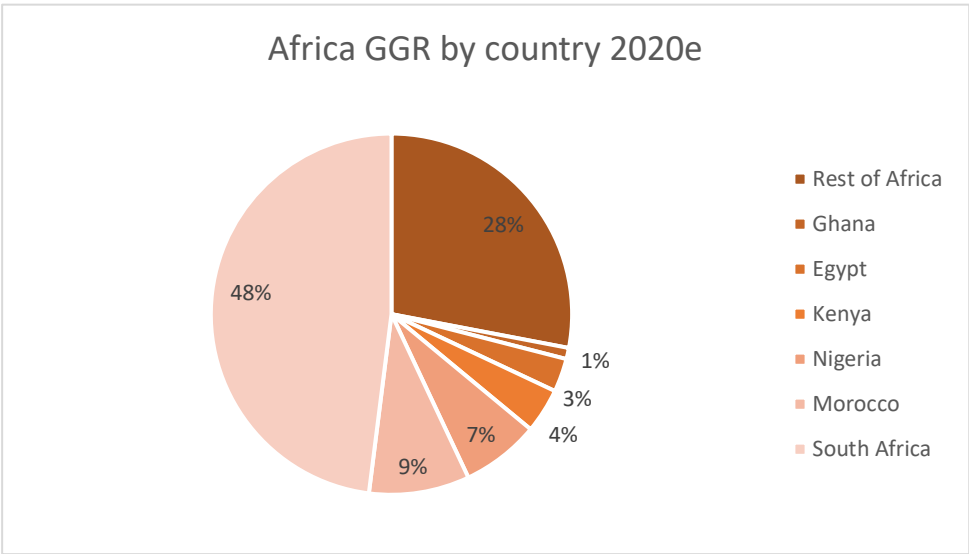
(4.2.2. Porter's 5 Forces)

12.4 Appendix 4 – Consumer Trends

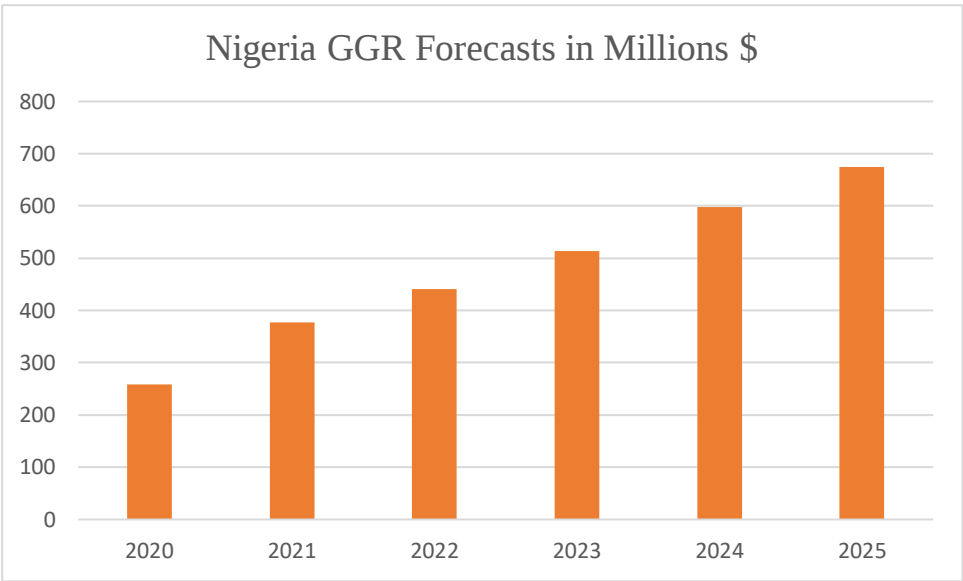
Smartphone adoption rate in Latin America in 2020 and 2025, by country



Source (Statista 2022)



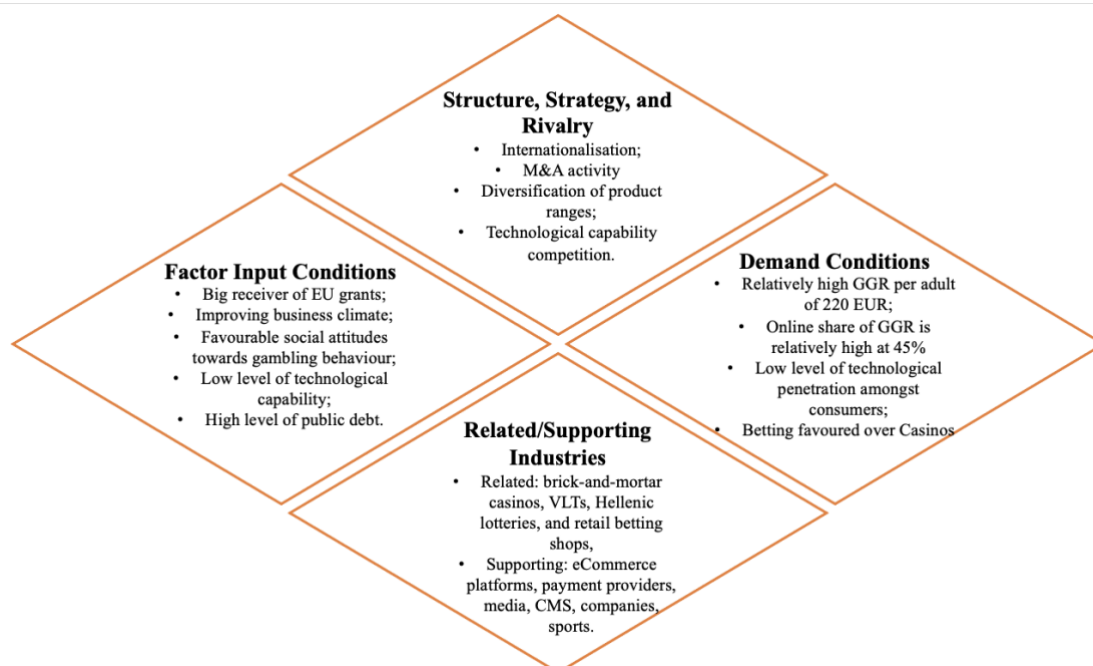
Source (Carter 2020)



Source (Carter 2020)

(4.2.3. Consumer Trends and Forecasts)

12.5 Appendix 5 – Porter’s Diamond



(4.2.5. Country Specific Advantages)

12.6 Appendix 6 – TOWS matrix

	Opportunities: • Launching virtual-reality in Betano • Evolve into a blockchain-based casino	Threats: • Proliferation of cyber-attacks • Oversaturated market • Easily imitable business model • Punters may have subscriptions in various platforms and several rather bet on non-regulated platforms • Geopolitical uncertainty • Regulation ambiguity
Strengths: • Valuable display of endogenous technology • Entertaining product • Solid human capital “savoir-fair” • Brand awareness (sparkling marketing campaigns and key sponsorships) • Multitude of features.	“Maxi-Maxi strategy” , - Seek crucial opportunities in main sports events - Keeping up to date with trends while Constantly incorporating cutting-edge technology (ex: voiced controlled games, optical character recognition technology).	“Maxi-Mini strategy” - Avoid moving to countries which are more prone to suffer from hard regulations shifts) - Sponsorship major football competitions
Weaknesses: • No digital currency for payment methods • Difficulty in retaining human capital	“Mini-Maxi strategy” - Diversify payment methods by incorporating cryptocurrencies for transactions sake -Outsource software development	“Mini-Mini strategy” -Incorporate blockchain technology as means of security in order to prevent cyberattacks and assure better transactions scrutiny -Retain and capture outside know-how.

(4.4.1 SWOT & TOWS Matrix)

12.7 Appendix 7 – Variables Description

Corporate Tax Rate	Type	Year	Unit	Source
Population 15-64	Market Potential	2021	% Of Total Population	World Bank
Population 15-64 Growth	Market Potential	2016-2021	% Change	World Bank
Male Population 15-64	Market Potential	2021	Value	World Bank
Male Population 15-64 Growth	Market Potential	2016-2021	% Change	World Bank
Gross Betting Revenue	Market Potential	2021	Millions of EUR	H2GC
Gross Gambling Revenue	Market Potential	2021	Millions of EUR	H2GC
Gross Betting Revenue Growth	Market Potential	2019-2021	% Change	H2GC
Gross Gambling Revenue Growth	Market Potential	2019-2022	% Change	H2GC
GGR Win as % of GDP	Market Potential	2021	% Value	H2GC
Average Gross Win per Adult	Market Potential	2021	EUR per Year	H2GC
Number of online gambling sites	Market Potential	2022	Value	Top100bookmakers
Population per online gambling sites	Market Potential	2021	Value	Self-Created
Owns a debit/credit card	Market Potential	2021	% Of Males +15 that own a debit/credit card	World Bank
Made a digital payment	Market Potential	2021	% Of population that has made a digital payment	World Bank
GDP per Capita	Economics	2021	USD per Capita	World Bank
Adjusted net national income per capita	Economics	2020	Current USD	World Bank
Disposable Income	Economics	2022	Millions of EUR	Passport

Corporate Tax Rate	Economics	2021	% Value	Tax Foundation
Final Consumption Expenditure	Economics	2021	Current USD	World Bank
Ease of doing Business	Economics	2019	Rank (1-190)	World Bank
Digitalization	Technology	2021	Rank (0-10)	DSGI
Internet Penetration	Technology	2020	% Of Total Population using the internet	World Bank
5G Coverage	Technology	2021	Rank (0-100)	MCI
Speed Connectivity	Technology	2022	Megabytes per second (Mbps)	World Population Review
Number of procedures to start a business	Legal	2019	Value	World Bank
Regulatory Quality	Legal	2020	-2.5 (weak) to 2.5 (strong)	World Bank
Heaviness of legislation	Legal	2021	Rank (1-5)	LCB
Political stability index	Country Risk	2020	-2.5 (weak) to 2.5 (strong)	World Bank
Economic Freedom Index	Country Risk	2021	Rank (1-100)	The Heritage Foundation
Human Development Index (HDI)	Social	2021	Rank (0-1)	UNDP

Corporate Tax Rate	Description
Population 15-64	The total population aged between 15 to 64. Population is calculated using the de facto definition, which includes all residents regardless of legal status or citizenship.
Population 15-64 Growth	The percentage change in population aged between 15 to 64, for each country, that accounts for the increase or decrease in total citizens from one year to the next.
Male Population 15-64	The total male population aged between 15 to 64. Population is calculated using the de facto definition, which includes all residents regardless of legal status or citizenship.

Male Population 15-64 Growth	The percentage change in male population aged between 15 to 64, for each country, that accounts for the increase or decrease in total male citizens from one year to the next.
Gross Betting Revenue	Gross gambling revenue, also known as game yield, displays the gap between the sum of sports bets made by participants and their winnings.
Gross Gambling Revenue	Gross gambling revenue, also known as game yield, displays the gap between the sum of bets in all categories made by participants and their winnings.
Gross Betting Revenue Growth	The gross gambling revenue growth display the percentage change in the gap between the sum of sports bets made by participants and their winnings from the current year compared to the previous year analyzed.
Gross Gambling Revenue Growth	The gross gambling revenue growth display the percentage change in the gap between the sum of bets in all categories made by participants and their winnings from the current year compared to the previous year analyzed.
GGR Win as % of GDP	The proportion of Gross gambling revenue within Gross Domestic Product.
Average Gross Win per Adult	The total amount spending per adult in online gambling. It accounts for bets in sports games, casino games and slots.
Number of online gambling sites	The total number of online operators in a given year, for each country, representing an industry competition overview metric.
Population per online gambling sites	Own ratio created - it measures market saturation as it is the population of a given country divided by the total number of online operators.
Owns a debit/credit card	Percentage of all population that owns a debit or credit card.
Made a digital payment	Percentage of male population, aged between 15 and 64, that have used a mobile phone or the internet to buy any product or made any transaction online.
GDP per Capita	GDP per capita is a measure of the average income earned by each individual in a given country. It is calculated by dividing the total income of the country by the total population. GDP is calculated as the sum of the gross value added by all resident producers in the economy, plus any product taxes and minus any subsidies not included in the product value.
Adjusted net national income per capita	Adjusted net national income estimates the accessible income which can be spent or invested to boost the country's future consumption.
Disposable Income	Disposable income, also referred as disposable personal income (DPI), is the amount of money left available to an individual or household after income taxes and social security charges are deducted.
Corporate Tax Rate	A corporate tax, also known as a corporation tax or a company tax, is a direct tax levied on the profits or capital of corporations or similar legal entities. Many countries levy such taxes at the national level, and a comparable tax may be imposed at the state or local level.
Final Consumption Expenditure	The sum of household final consumption expenditure and general government final consumption expenditure is referred to as final consumption expenditure. The figures are in current US dollars.

Ease of doing Business	The ease of doing business index ranks economic systems from 1 to 190, with 1 being the best. The cumulative ease of doing business scores are sorted to determine the ranking of economies. A high position (a low numerical rank) indicates that the regulatory structure is friendly to business.
Digitalization	Digitization, commonly referred to as "digital enablement," is the method of shifting from analogue to digital form. It measures the number of citizens that already shifted to this digital form.
Internet Penetration	The percentage of total population using the internet, in any platform, in a specific country.
5G Coverage	The percentage of total population covered or with access to 5G network.
Speed Connectivity	Bandwidth is another denomination for connection speed. It refers to how quickly data is transported from a gadget to the internet.
Number of procedures to start a business	Total number of procedures include interactions to obtain necessary permits and licenses, as well as to complete all inscriptions, verifications, and notifications to begin operations. Data are for businesses with specific ownership, size, and production type characteristics.
Regulatory Quality	Regulatory Quality captures perceptions of the government's ability to formulate and implement sound policies and regulations that permit and promote private sector development.
Heaviness of legislation	Heaviness of legislation measures the process by which municipal, state, or federal legislatures draught and adopt laws. It is occasionally used to refer to municipal ordinances as well as the laws and guidelines issued by administrative bodies while they were performing their designated legislative duties.
Political stability index	The Political Stability Index evaluates perceptions of the possibility that the government would be toppled or destabilized through unlawful or violent means, including hate and extremism acts
Economic Freedom Index	Economic freedom index compares different jurisdictions based on factors like trade openness, tax load, judicial efficacy, and more.
Human Development Index (HDI)	A country's average performance in the three fundamental areas of human development—health, education, and standard of living—are summarized and combined in the HDI.

(5.1 Country Selection Criteria)

12.8 Appendix 8 – MCAR Test Results

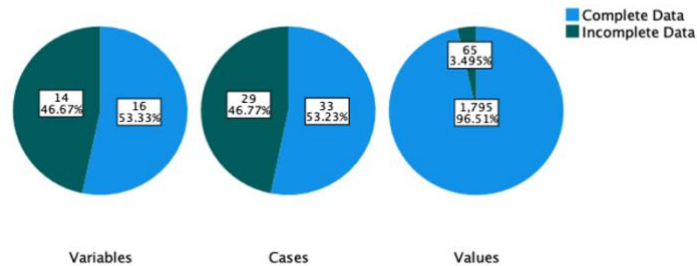
EM Means ^{a,b}														
Population154	Population154Growth	MalePopulation1564	MalePopulation1564Growth	GrossBettingRevenue	GrossGamingRevenue	GrossBettingRevenueGrowth	GrossGamingRevenueGrowth	CCRWinsofGDP	AverageCrossWimperAdult	Numberofprocurementtostartabusiness	Populationperimaginedigitaltest	Omniaddebitcard	Madeadigitalpayment	GDPperCapita
41050446.3	4.1736%	20898884.0	4.5466%	890.859677	4669.9289	11.3325%	-6.3739%	0.5163%	177.10	30.15	1554178.80	69.2675%	41.4408%	28405.0400
Adjustednationalincomepercapita														19219.2883
a. Little's MCAR test: Chi-Square = 500.531, DF = 491, Sig. = .373														
b. The EM algorithm failed to converge in 25 iterations.														
Disposableincome	CorporateTaxRate	FinalConsumptionExpenditure	Easeofdoingbusiness	Digitalization	InternetPenetration	5GCoverage	SpeedConnectivity	Numberofprocedures to start a business	RegulatoryQuality	Heavinessoflegislation	Politicalstabilityindex	EconomicFreedomindex	HumanDevelopmentIndexHDI	
555036.637	24.0136454	7.067E+11	54.31	7.09945012	75.0959203	30.9667056	59.0841738	6.54612517	.637996519	3.15	.151903150	67.225	.803876822	

Univariate Statistics

	N	Mean	Std. Deviation	Missing		No. of Extremes ^a	
				Count	Percent	Low	High
Population1564	62	41050446.3	122944960	0	.0	0	5
Population1564Growth	62	4.1736%	7.46270%	0	.0	0	1
MalePopulation1564	62	20898884.0	63897993.9	0	.0	0	5
MalePopulation1564Growth	62	4.5466%	7.45703%	0	.0	0	1
GrossBettingRevenue	62	890.859677	2299.92605	0	.0	0	8
GrossGamblingRevenue	62	4669.92887	16577.6016	0	.0	0	9
GrossBettingRevenueGrowth	62	11.3325%	18.80927%	0	.0	2	0
GrossGamblingRevenueGrowth	62	-6.3739%	28.38380%	0	.0	2	0
GGRWinsofGDP	62	0.5163%	0.58302%	0	.0	0	4
AverageGrossWinnerAdult	62	178.94	206.563	0	.0	0	2
Numberofonlinegamblingsites	62	30.15	25.743	0	.0	0	2
Populationperonlinegamblingsites	62	1554178.80	3330138.89	0	.0	0	7
Ownsadebitcreditcard	62	72.5340%	24.90995%	0	.0	0	0
Madeadigitalpayment	62	44.3554%	24.10147%	0	.0	0	0
GDPperCapita	62	28405.0400	29614.2839	0	.0	0	1
Adjustednetnationalincomepercapita	62	18649.5040	18293.8658	0	.0	0	0
DisposableIncome	62	651074.676	1929912.29	0	.0	0	5
CorporateTaxRate	62	24.0136454	5.79880863	0	.0	0	0
FinalConsumptionExpenditure	62	7.282E+11	2.246E+12	0	.0	0	8
EaseofdoingBusiness	62	54.31	42.669	0	.0	0	0
Digitalization	62	7.10870968	1.49137574	0	.0	0	0
InternetPenetration	62	76.1668203	20.9890083	0	.0	6	0
@5GCoverage	62	32.3570966	35.6017760	0	.0	0	0
SpeedConnectivity	62	58.4158065	35.8972985	0	.0	0	1
Numberofproceduresstartabusiness	62	6.17943159	2.48855730	0	.0	0	0
RegulatoryQuality	62	.637996519	.864415689	0	.0	0	0
Heavinessoflegislation	62	3.24	1.051	0	.0	6	0
PoliticalstabilityIndex	62	.151903150	.875819180	0	.0	0	0
EconomicFreedomIndex	62	67.403	9.7825	0	.0	0	0
HumanDevelopmentIndexHDI	62	.801370967	.143961995	0	.0	0	0

a. Number of cases outside the range (Q1 - 1.5*IQR, Q3 + 1.5*IQR).

Overall Summary of Missing Values



(5.2 MCAR Test)

12.9 Appendix 9 – Pearson Correlation

Variable 1	Variable 2	Pearson Correlation
MalePopulation1564	GrossBettingRevenue	0.083
MalePopulation1565	DisposableIncome	0.293
GrossBettingRevenue	GrossGamblingRevenue	0.680
GrossBettingRevenue	DisposableIncome	0.548
GrossGamblingRevenue	Heavinessoflegislation	0.224
DisposableIncome	Heavinessoflegislation	0.256
InternetPenetration	RegulatoryQuality	0.730

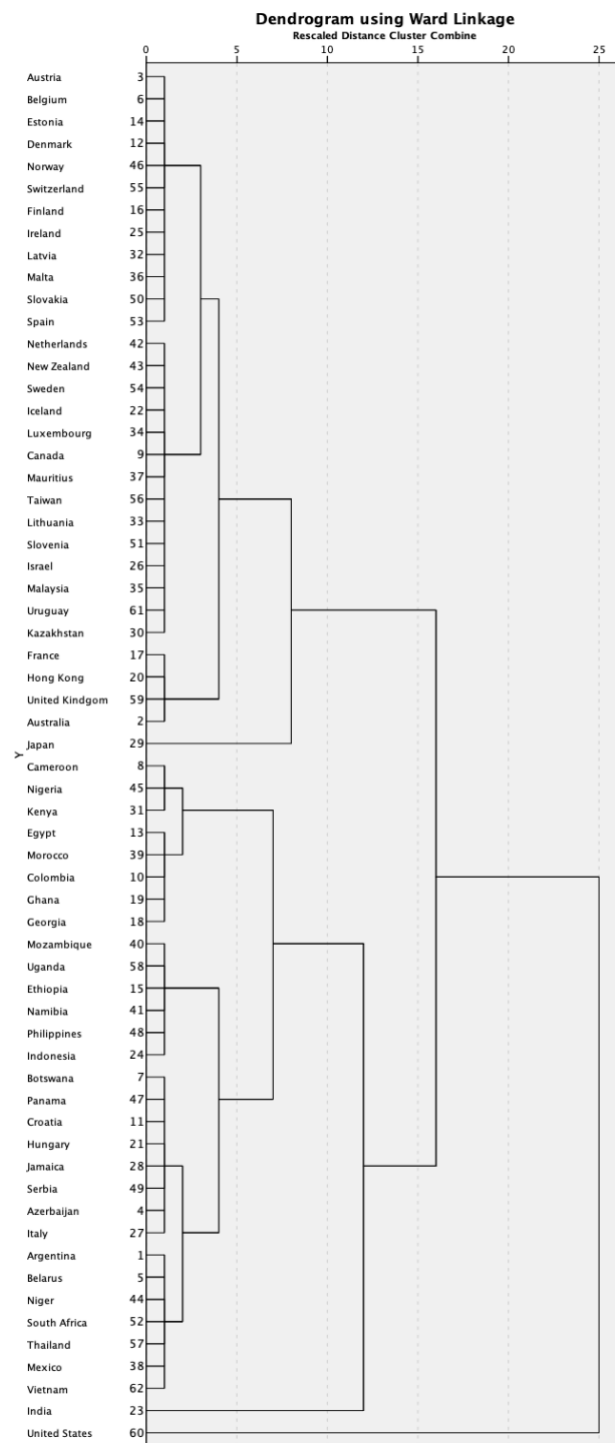
(5.3 Pearson Correlation)

12.10 Appendix 10 – Standardization, Rescaling, and Inversion formulas

Process	Formula
	"=standardize(X; Xij; sij)"
Standardization (Z-score)	Where, X represents the observed value; $\bar{X}_{ij}$ is average score of country j on dimension I ; σ_{ij} is the standard deviation of country j on dimension i .
	$\left[\frac{X_{ij} - \min_i}{R_i} (99) \right] + 1$
Rescaling	Where, X_{ij} is average score of country j on dimension I ; $\min_i$ is the minimum value for dimension I ; R_i is the range of dimension i .
	$\left[\frac{Max_i - X}{Max_i - Min_i} (99) \right]$
Inversion	Where, X represents the observed value; $\min_i$ is the minimum value observed for the dimension I ; and Max_i is the maximum value observed for the variable.

(5.4 Standardization, Inversion and Ranking)

12.11 Appendix 11 – Dendrogram



(5.5 Country Clustering)

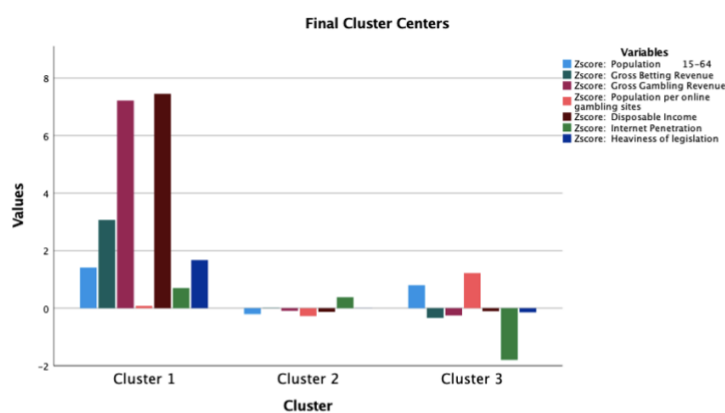
12.12 Appendix 12 – Clustering ranking

Cluster 1	Ranking	Cluster 3	Ranking	Cluster 8	Ranking
Austria	21	France	15	Botswana	41
Belgium	27	Hong Kong	5	Panama	52
Estonia	19	United Kingdom	7	Croatia	39
Denmark	14	Australia	3	Hungary	29
Norway	6	Cluster 4	Ranking	Jamaica	54
Switzerland	4	Japan	2	Serbia	47
Finland	17	Cluster 5	Ranking	Azerbaijan	42
Ireland	11	Cameroon	62	Italy	23
Latvia	34	Nigeria	60	Cluster 9	Ranking
Malta	25	Kenya	58	Argentina	43
Slovakia	28	Cluster 6	Ranking	Belarus	40
Spain	26	Egypt	50	Niger	53
Cluster 2	Ranking	Morocco	56	South Africa	44
Netherlands	10	Colombia	48	Thailand	36
New Zealand	8	Ghana	57	Mexico	37
Sweden	13	Georgia	30	Vietnam	35
Iceland	12	Cluster 7	Ranking	Cluster 10	Ranking
Luxembourg	9	Mozambique	61	India	41
Canada	16	Uganda	59	Cluster 11	Ranking
Mauritius	32	Ethiopia	45	United States	1
Taiwan	18	Namibia	55		
Lithuania	22	Philippines	49		
Slovenia	31	Indonesia	38		
Israel	23				
Malaysia	46				
Uruguay	51				
Kazakhstan	33				

(5.5 Country Clustering)

12.13 Appendix 13 – K-Means analysis: 3 Cluster Analysis

3 Cluster Analysis



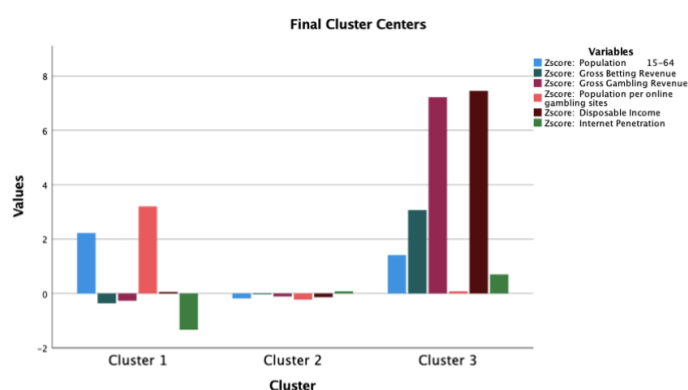
ANOVA

	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
Zscore: Population 15-64	5.573	2	.845	59	6.595	.003
Zscore: Gross Betting Revenue	5.323	2	.853	59	6.237	.003
Zscore: Gross Gambling Revenue	26.612	2	.132	59	201.931	<.001
Zscore: Population per online gambling sites	10.012	2	.695	59	14.416	<.001
Zscore: Disposable Income	28.233	2	.077	59	367.403	<.001
Zscore: Internet Penetration	21.674	2	.299	59	72.441	<.001
Zscore: Heaviness of legislation	1.513	2	.983	59	1.540	.223

The F tests should be used only for descriptive purposes because the clusters have been chosen to maximize the differences among cases in different clusters. The observed significance levels are not corrected for this and thus cannot be interpreted as tests of the hypothesis that the cluster means are equal.

(5.5 Country Clustering)

12.14 Appendix 14 – K-Means analysis



ANOVA

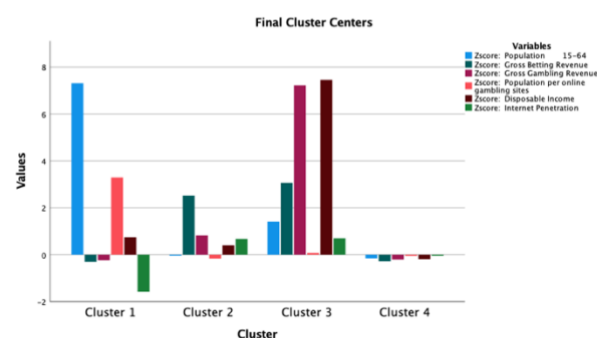
	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
Zscore: Population 15-64	11.819	2	.633	59	18.664	<.001
Zscore: Gross Betting Revenue	4.988	2	.865	59	5.768	.005
Zscore: Gross Gambling Revenue	26.543	2	.134	59	197.859	<.001
Zscore: Population per online gambling sites	21.998	2	.288	59	76.326	<.001
Zscore: Disposable Income	28.299	2	.075	59	379.345	<.001
Zscore: Internet Penetration	3.996	2	.898	59	4.448	.016

The F tests should be used only for descriptive purposes because the clusters have been chosen to maximize the differences among cases in different clusters. The observed significance levels are not corrected for this and thus cannot be interpreted as tests of the hypothesis that the cluster means are equal.

(5.5 Country Clustering)

12.15 Appendix 15 – K-Means analysis: 4 Cluster Analysis

4 Cluster Analysis



ANOVA

ANOVA		Cluster	Mean Square	df	Error	Mean Square	df	F	Sig.
Zscore: Population 15-64		18.921	3	.073	58	258.934		<.001	
Zscore: Gross Betting Revenue		15.189	3	.266	58	57.081		<.001	
Zscore: Gross Gambling Revenue		19.279	3	.055	58	353.354		<.001	
Zscore: Population per online gambling sites		3.708	3	.860	58	4.312		.008	
Zscore: Disposable Income		19.607	3	.038	58	521.926		<.001	
Zscore: Internet Penetration		1.798	3	.959	58	1.875		.144	

The F tests should be used only for descriptive purposes because the clusters have been chosen to maximize the differences among cases in different clusters. The observed significance levels are not corrected for this and thus cannot be interpreted as tests of the hypothesis that the cluster means are equal.

(5.5 Country Clustering)

12.16 Appendix 16 – Variable weights

Variable Type	Variable Name	Weight (%)
Market Potential (60%)	Population 15-64	3%
	Population 15-64 Growth	2%
	Male Population 15-64	7%
	Male Population 15-64 Growth	3%
	Gross Betting Revenue	10%
	Gross Gambling Revenue	10%
	Gross Betting Revenue Growth	5%
	Gross Gambling Revenue Growth	5%
	GGR Win as % of GDP	2%
	Average Gross Win per Adult	2%
	Number of online gambling sites	-
	Population per online gambling sites	7%
	Owns a debit/credit card	2%
	Made a digital payment	2%
Economical (16%)	GDP per Capita	2%
	Adjusted net national income per capita	2%
	Disposable Income	3%
	Corporate Tax Rate	4%
	Final Consumption Expenditure	2%
	Ease of doing Business	3%
Technology (10%)	Digitalization	2%
	Internet Penetration	4%
	5G Coverage	2%
	Speed Connectivity	2%
Legal (10%)	Number of procedures to start a business	2%
	Regulatory Quality	4%
	Heaviness of legislation	4%
Country Risk (3%)	Political stability index	2%
	Economic Freedom Index	1%
Social (1%)	Human Development Index (HDI)	1%

(5.6 Country Ranking)

12.17 Appendix 17 – Final 62 country ranking

Country	Ordered Ranking	Country	Ordered Ranking	Country	Ordered Ranking
United States	1	Austria	21	Azerbaijan	42
Japan	2	Lithuania	22	Argentina	43
Australia	3	Israel	23	South Africa	44
Switzerland	4	Italy	24	Ethiopia	45
Hong Kong	5	Malta	25	Malaysia	46
Norway	6	Spain	26	Serbia	47
United Kingdom	7	Belgium	27	Colombia	48
New Zealand	8	Slovakia	28	Philippines	49
Luxembourg	9	Hungary	29	Egypt	50
Netherlands	10	Georgia	30	Uruguay	51
Ireland	11	Slovenia	31	Panama	52
Iceland	12	Mauritius	32	Niger	53
Sweden	13	Kazakhstan	33	Jamaica	54
Denmark	14	Latvia	34	Namibia	55
France	15	Vietnam	35	Morocco	56
Canada	16	Thailand	36	Ghana	57
Finland	17	Mexico	37	Kenya	58
Taiwan	18	Indonesia	38	Uganda	59
Estonia	19	Croatia	39	Nigeria	60
India	20	Belarus	40	Mozambique	61
		Botswana	41	Cameroon	62

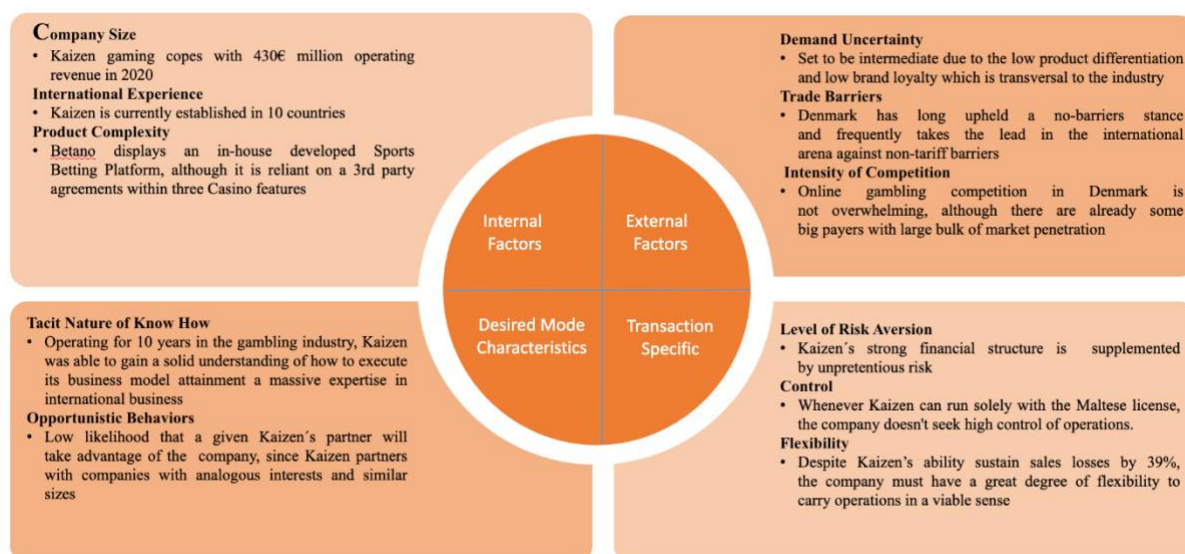
(5.6 Country Ranking)

12.18 Appendix 18 – Denmark's Competitors's Revenues

Competitors	Revenues (EUR M)
Danske Spil Oddset	356
Bet365. dk	142
Unibet	106
Mr. Green	24,0
Bet25	7,5
Leo Vegas	2,85
Enetpulse	1,63

(6.3 Competition)

12.19 Appendix 19 – Entry Mode Strategies



(7.1 Selection Criteria)

12.20 Appendix 20 – Market Size and Market Share Estimation

Danish Market						
	2022	2023	2024	2025	2026	2027
Overall GGR in Denmark	€ 712 790 000,00	€ 746 809 739,91	€ 782 921 106,51	€ 815 103 818,99	€ 847 010 433,75	€ 878 178 729,82
GGR in Denmark growth rate		4,77%	4,84%	4,11%	3,91%	3,68%
Betano's Expected Market Share		2,6%	6,3%	13,6%	15,6%	17,3%
Betano's Revenue Estimation	€ 19 408 904,49	€ 48 950 851,05	€ 111 213 745,36	€ 131 969 007,91	€ 151 848 354,48	
Betano's Revenues Growth Rate		60%	56%	16%	13%	

Benchmark		
Betano	2025	Revenue Range to be a top 3 player
	€106 918 500	
	€356 395 000	
	M€	
	Market Share	Revenues
Dankse Spil	50%	€ 356 395 000 M€
Bet365	20%	€ 142 558 000 M€
Unibet	15%	€ 106 918 500 M€
Leo Vegas	4%	€ 28 511 600 M€
Mr Green	3,5%	€ 24 947 650 M€
Enetpulse	2,3%	€ 16 394 170 M€
Casino Copenhagen	1,2%	€ 8 553 480 M€
Others	4,0%	€ 28 511 600 M€
	100%	€ 712 790 000 M€

(9.1 Market Size & Market Share Estimation)

12.21 Appendix 21 – Revenue Streams Breakdown

Revenue Streams						
	2022	2023	2024	2025	2026	2027
Organic Growth						
Overall GGR in Denmark	€ 712 790 000,00	€ 746 809 739,91	€ 782 921 106,51	€ 815 103 818,99	€ 847 010 433,75	€ 878 178 729,82
Denmark's market growth rate		4,77%	4,84%	4,11%	3,91%	3,68%
Betano's Expected Market Share		2,60%	6,25%	13,64%	15,58%	17,29%
Average: 4 companies revenues	€ 16 775 100					
Betano	€ 16 775 100	€ 38 582 730	€ 84 882 006	€ 97 614 307	€ 107 375 738	
Organic growth rate			130%	120%	15%	10%
New clients from Crypto effect						
Crypto Users CAGR	12%					
Crypto Users	79 452	88 986	99 665	111 624	125 019	140 022
% Crypto users in gaming	15,00%	15,66%	16,33%	16,94%	17,58%	18,20%
Crypto gamers	11 918	13 934	16 274	18 915	21 980	25 481
Expected Market Share		2,6%	6,3%	13,8%	15,8%	17,6%
Gaming CAGR		4,39%	4,28%	3,77%	3,75%	3,51%
Average spend per user	€ 323,21	€ 327,80	€ 331,73	€ 335,50	€ 339,84	
Total	€ 117 539,49	€ 336 611,25	€ 867 137,56	€ 1 165 836,66	€ 1 522 321,85	
New clients from Marketing Boost						
Marketing effect		15%	26%	30%	34%	40%
Revenues from Marketing effect	€ 2 516 265,00	€ 10 031 509,80	€ 25 464 601,80	€ 33 188 864,35	€ 42 950 295,04	

(9.2.1 Revenue Estimation)

12.22 Appendix 22 – P&L Statement Forecast

Profit and Loss Statement Forecast						
	2023	2024	2025	2026	2027	
Revenues	€ 19 408 904,49	€ 48 950 851,05	€ 111 213 745,36	€ 131 969 007,91	€ 151 848 354,48	
Sports Betting (37%)	€ 7 181 294,66	€ 18 111 814,89	€ 41 149 085,78	€ 48 828 532,93	€ 56 183 891,16	
Casino Games (63%)	€ 12 227 609,83	€ 30 839 036,16	€ 70 064 659,58	€ 83 140 474,98	€ 95 664 463,32	
Average Betano win per Customer	€ 323,21	€ 327,80	€ 331,73	€ 335,50	€ 339,84	
Customers	60 051	149 333	335 256	393 355	446 824	
Turnover/Product (Total Amount Wagered)	€ 421 173 227,43	€ 1 062 233 467,88	€ 2 413 338 274,25	€ 2 863 727 471,64	€ 3 295 109 292,19	
Return to players (Winnings)	€ 387 479 369,24	€ 977 254 790,45	€ 2 208 204 520,94	€ 2 620 310 636,55	€ 2 998 549 455,89	
GGR (Gross Gaming Revenue)	€ 33 693 858,19	€ 84 978 677,43	€ 205 133 753,31	€ 243 416 835,09	€ 296 559 836,30	
Margin (GGR/Turnover)	8,0%	8,0%	8,5%	8,5%	9,0%	
Bonuses (Deducted from GGR)	€ 13 477 543,28	€ 25 493 603,23	€ 51 283 438,33	€ 53 551 703,72	€ 59 311 967,26	
Gaming tax on GGR (Betting Taxes)	€ 9 434 280,29	€ 23 794 029,68	€ 57 437 450,93	€ 68 156 713,83	€ 83 036 754,16	
Net Gaming Revenue	€ 10 782 034,62	€ 35 691 044,52	€ 96 412 864,06	€ 121 708 417,54	€ 154 211 114,87	
Platform costs	€ 336 938,58	€ 849 786,77	€ 2 051 337,53	€ 2 434 168,35	€ 2 965 598,36	
Head Office Costs	€ 377 371,21	€ 1 249 186,56	€ 3 374 450,24	€ 4 259 794,61	€ 5 397 389,02	
Sports betting platform	€ 168 469,29	€ 424 893,39	€ 1 025 668,77	€ 1 217 084,18	€ 1 482 799,18	
Media rights - streaming (3rd party)	€ 673 877,16	€ 1 699 573,55	€ 4 102 675,07	€ 4 868 336,70	€ 5 931 196,73	
Data feeds (3rd party)	€ 673 877,16	€ 1 699 573,55	€ 4 102 675,07	€ 4 868 336,70	€ 5 931 196,73	
Casino game fees (% on NGR (3rd party))	€ 1 186 023,81	€ 3 926 014,90	€ 10 605 415,05	€ 13 387 925,93	€ 16 963 222,64	
Banking (fees on deposits and withdrawals) - %GGR	€ 1 684 692,91	€ 4 248 933,87	€ 10 256 687,67	€ 12 170 841,75	€ 14 827 991,81	
Payroll (average salary is 8k/month*)	€ 80 000,00	€ 120 000,00	€ 240 000,00	€ 400 000,00	€ 400 000,00	
Marketing costs (Partnerships, Digital, Social)	€ 10 108 157,46	€ 22 944 242,91	€ 51 283 438,33	€ 53 551 703,72	€ 59 311 967,26	
Hosting - data centers	€ 33 693,86	€ 84 978,68	€ 205 133,75	€ 243 416,84	€ 296 559,84	
License fees	€ 400 000,00	€ 700 000,00	€ 700 000,00	€ 700 000,00	€ 700 000,00	
EBT	-€ 4 941 066,82	-€ 2 256 139,65	€ 8 465 382,59	€ 23 606 808,76	€ 40 003 193,31	
Taxes (Danish Normal Company Tax) CTR	-€ 494 106,68	€ 225 613,96	€ 846 538,26	€ 2 360 680,88	€ 4 000 319,33	
Net Income	-€ 4 446 960,14	€ 2 030 525,68	€ 7 618 844,33	€ 21 246 127,89	€ 36 002 873,98	

(9.2.2 P&L Statement)

12.23 Appendix 23 – Operational Risk Analysis

Risk Characterization	Probability	Business Impact	Detailed Impact	Mitigation Approaches
Not Reaching Market Share Potential	2 in 5	High	Higher competition than expected Insufficient organic growth in Denmark	Aggressive marketing strategies Review internal sales KPIs and customer profiles
Regulation Shifts	1 in 5	Very High	Implementation of new gambling operations restrictions Higher difficulty marketing the brand due to new regulations	Short-term commitment strategies upon entry Implement new (legal) marketing strategies
Failed Marketing Goals/Plan	2 in 5	Medium/High	Not being able to get the desired sponsors/partners Hard access and retention of loyal customers (increase in costs)	Enforce contractual agreements for partner collaboration Enforce platform conditions to loyal users
Low Crypto Acceptance	4 in 5	Medium/Low	Crypto market experiencing an unexpected crash Crypto users do not seeing it as an advantage	Target a different market niche Offer different types of promotions/bonuses to users depositing/withdrawing using cryptocurrencies
Unsuitable entry mode strategy	2 in 5	Medium	Failed contracts with employees Operations disruptions	Closely monitor individuals' performance and create incentive base reward policies Conduct operations vulnerability analysis and identify backup solutions

(9.2.3 Operational Risk Analysis)

12.24 Appendix 24 – NPV and WACC Calculation

NPV							
	2022	2023	2024	2025	2026	2027	
CapEx	€ 55 000,00						
Net Income		-€ 4 446 960,14	-€ 2 030 525,68	€ 7 618 844,33	€ 21 246 127,89	€ 36 002 873,98	
Net Working Capital		0	0	0	0	0	
-Δ Working Capital		0	0	0	0	0	
Salvage Value		0	0	0	0	0	
FCF	-€ 55 000,00	-€ 4 446 960,14	-€ 2 030 525,68	€ 7 618 844,33	€ 21 246 127,89	€ 36 002 873,98	
DFCF	-€ 55 000,00	-€ 4 312 103,68	-€ 1 909 239,46	€ 6 946 514,90	€ 18 783 807,12	€ 30 865 047,97	
NPV	€ 50 319 026,86						
IRR	114%						
Profitability Index	915,89						
Payback Period	Year 3						

WACC estimation					
Historic Cost of Debt					
	2016	2017	2018	2019	2020
Short-term	€ 16 598 383,99	€ 23 955 057,94	€ 34 731 129,61	€ 50 541 058,42	€ 94 313 898,70
Long-term	€ 7 358 267,41	€ 2 673 994,31	€ 2 400 192,57	€ 399 891,03	€ 721 554,02
Total interest-bearing debt	€ 23 956 651,40	€ 26 629 052,25	€ 37 131 322,18	€ 50 940 949,45	€ 95 035 452,72
Interest expenses	€ 38 052,99	€ 234 867,23	€ 46 140,09	€ 241 152,38	€ 419 085,09
Cost of debt	0,16%	0,88%	0,12%	0,47%	0,44%
Average Cost of Debt	0,42%				

Cost of Equity

Risk-free rate	2,264%
Beta unlevered	0,91
Beta levered	2,03
Risk premium	5,8%

Cost of Equity 7,54%

= $R_f + \text{Beta} * (\text{Mkt return} - R_f)$

WACC

		2020
Equity	€	60 341 511,02
Debt	€	95 035 452,72
E+D	€	155 376 963,74
Tax rate		22%

WACC 3,13%

= $E/(E+D) * Re + D/(E+D) * Rd * (1-t)$

(9.4 Financial Viability)