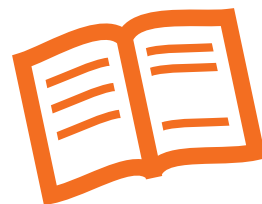


Gambling outlook for South Africa 2017–2021



Sixth annual edition



PwC's team of gambling specialists provide an unbiased overview of how the gambling industry in South Africa is expected to develop over the coming years. The publication focuses on the following major industry segments: casino gambling, limited payout machines, betting, bingo and the National Lottery. It details the key trends observed in these industry sectors as well as the challenges they are facing and their future prospects.

Gambling outlook: 2017–2021 provides deep knowledge of the local gambling market and is a powerful tool for understanding critical business issues for this market. To learn more about the challenges and opportunities that lie ahead for the gambling industry in South Africa, please visit www.pwc.co.za/gambling 

About PwC's gambling industry group



Every day, PwC plays a significant supporting role in respect of gambling businesses across the world. With our knowledge of local cultures, laws and business needs, we help clients make the most of changing market scenarios. Because we understand how developments in the broader gambling environment are affecting our clients, we can work with them as a trusted advisor to provide solutions that help improve their organisation's effectiveness and long-term success.

More significantly, we focus on those issues and challenges that are of the utmost importance to our clients. These include restructuring, talent management, compliance, regulatory changes, changing gambler requirements and managing capital spend. We are committed to understanding the forces that have an impact on these issues, and we continue to develop and deliver solutions to help our clients achieve their financial, operational and strategic objectives.

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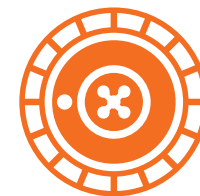




Photo courtesy of Sun International

Gambling outlook 2017–2021

South Africa



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Quantitative research and analysis was provided by Wilkofsky Gruen Associates Inc., a provider of global research and analysis of the hospitality industry. See www.wilkofskygruen.com for more information.

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Many other professionals within PwC and within the gambling industry reviewed the text and contributed local expertise to this publication, and we thank them for their assistance.

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Johannesburg

15 November 2017

To our clients and friends in the gambling industry,

Welcome to the sixth edition of Gambling outlook for South Africa 2017-2021. This publication focuses on segments within the South African gambling industry, with detailed forecasts and analysis. For each segment, we give details about the key trends we have noted as well as key challenges and future prospects we have identified.

Although the gambling industry overall continued to grow from a revenue perspective in 2016, the growth rate was significantly lower than increases experienced during the past couple of years. Casino gross gambling revenues declined for the first time since 1997 reflecting the tough economic conditions and the impact of illegal gambling. The other segments continued to show growth in 2016.

Gross gambling revenues for casinos, limited payout machines, bingo and betting totalled R27 billion in 2016, a 3.9% increase on the prior year, with casinos retaining their majority share of the market with gross gambling revenues of R17.9 billion. We continue to see the increase in popularity of betting which resulted in the betting industry's gross gambling revenues increasing by 14.3% over the prior year.

There continues to be investment in the industry, additional roll out of gaming positions and we are forecasting a 5.3% compound annual increase in gross gambling revenues over the 2017 to 2021 period with gross gambling revenues reaching R35 billion in 2021.

We at PwC continue to stay on top of trends and developments that may impact gambling companies, now and in the future, and we look forward to sharing our thoughts with you once again. We appreciate your feedback and ask that you continue to tell us what we can do to make our publications more relevant and useful to you.

If you would like clarification on any matters covered in this publication or you believe we can be of service to your business in any way, please contact one of our industry specialists listed on page 34 of this report.

Finally, we thank you for your support and wish you an exciting and rewarding year ahead.

Sincerely,



Pietro Calicchio

Partner

Gambling Industry Leader
PwC South Africa



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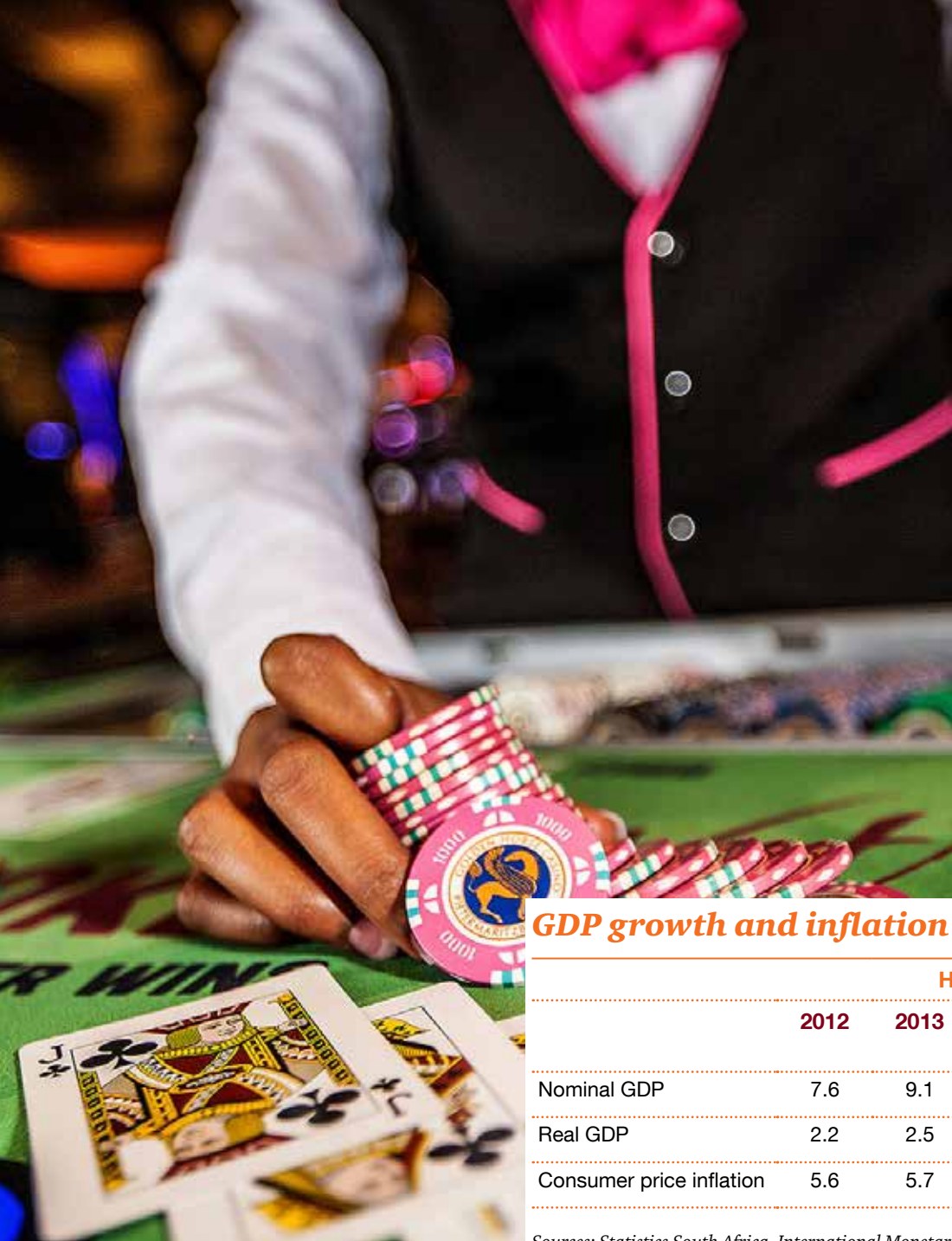
PwC contacts



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About this report



Research methodology

The National Gambling Board of South Africa (the National Gambling Board) and the Casino Association of South Africa (CASA) are our sources for historical data for gambling in South Africa. Their fiscal year covers the period from 1 April to 31 March. As their fiscal year overlaps the calendar year, for our purposes figures represent the year that accounts for the majority of the activity. Thus, our figures for 2016 correspond to the National Gambling Board which covers the period from 1 April 2016 to 31 March 2017. Historical lottery data are derived from the annual reports of the National Lotteries Commission.

Economic environment

Data pertaining to the economic environment that were used in our forecasts for the gambling market in South Africa are shown below.

GDP growth and inflation

	Historical data					Forecast data					
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2017–21 CAGR
Nominal GDP	7.6	9.1	7.4	5.3	6.6	5.9	6.6	7.6	7.8	7.7	7.1
Real GDP	2.2	2.5	1.7	1.3	0.3	0.7	1.2	1.8	2.1	2.2	1.6
Consumer price inflation	5.6	5.7	6.2	4.5	6.3	5.3	5.5	5.9	5.8	5.6	5.6

Sources: Statistics South Africa, International Monetary Fund, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Photo courtesy of Tsogo Sun





Photo courtesy of Tsogo Sun

The gambling market: An overview



Definition: Gross gambling revenues (GGR)

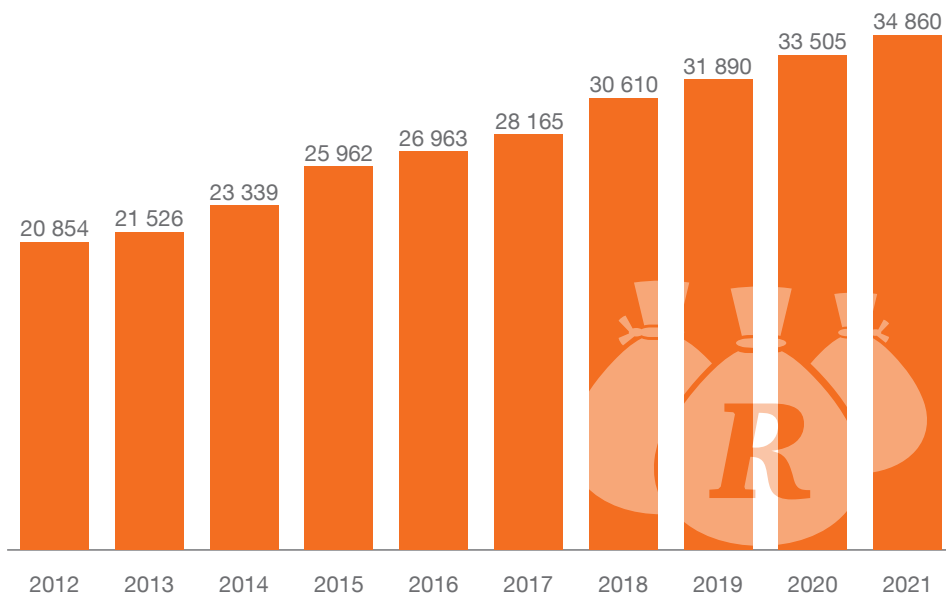
The amount wagered minus the amount returned to players as winnings



This gambling report covers casino gambling, limited payout machines (LPMs), betting (horse racing and sports), bingo and the National Lottery. The report provides data on gross gambling revenues (GGR); and gambling taxes and levies, which is the amount levied and collected by provincial licensing authorities from legal gambling. In the case of the National Lottery, contributions are made from lottery tickets to the National Lottery Distribution Trust Fund.



Figure 1: Total GGR in South Africa (R millions)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, CASA

While legal gambling continued to increase in 2016, casino gambling was down and overall growth was the lowest over the past five years. A contributing factor to the drop for casinos and the slowdown in overall growth is the current economic climate. Added to the current economic conditions, illegal gambling continues to be a problem in South Africa.

According to estimates by Urban-Econ Calculations for 2016, included in a research paper issued by the National Gambling board, land-based illegal games such as Fafi, dice and illegal LPMs totalled an estimated R678 million, which had an economic impact of R1.4 billion in lost GDP. Illegal online gambling, which is growing rapidly as smartphone penetration increases, cost South Africa R587 million in lost GDP. The total impact of illegal land-based and illegal online gambling resulted in R1.9 billion in lost GDP, and a loss of 3 785 jobs.

According to the National Gambling Board, three-quarters of online gamblers are in the 18-to-34 demographic group who visit the nearly 100 online sites that accept gamblers from South Africa, principally through mobile phones. In addition, Internet cafés often provide the opportunity to gamble online as a means to attract patrons, an activity that is subject to criminal prosecution and fines of up to R10 million. Slot machines are the most well-liked type of online gambling activity, but popular illegal online gambling modes also include other games and forms of betting.

There are signs that stepped-up efforts to curb illegal gambling are gaining traction. In early 2017, the High Court of South Africa ruled that winnings obtained through illegal gambling will be forfeited – a ruling that the Department of Trade and Industry (the dti) characterised as unprecedented – and issued a public warning that online gamblers would be subject to prosecution.

The dti publicised the fact that it had confiscated R1.25 million in illegal gambling winnings in a move that it hoped would discourage illegal gambling.

There has also been progress with respect to illegal lotteries. The National Lottery Commission (NLC) reports that 78% of illegal lottery cases were investigated, non-compliant lotteries were shut down and promotional lotteries were declared illegal and discontinued.



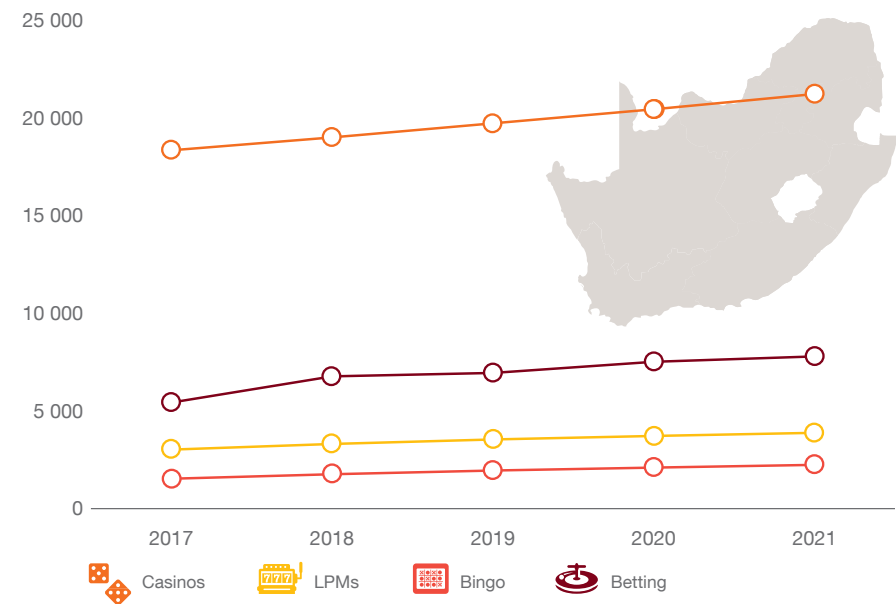
Photo courtesy of Sun International



Gambling in South Africa



Figure 2: Gross gambling revenues in South Africa (R millions), 2017–2021



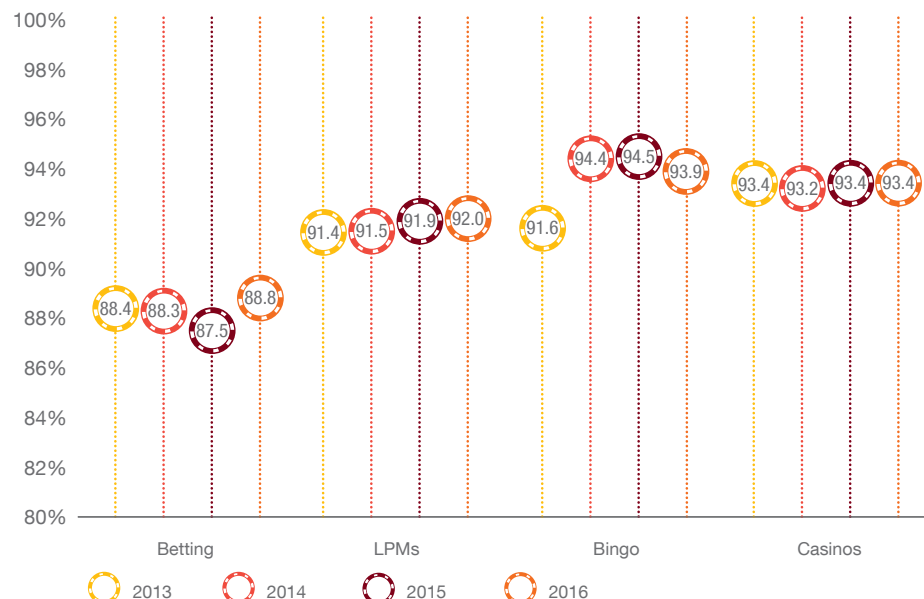
Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, CASA

Figure 2 depicts the rand value of the gross revenue of operators, charting the amount wagered less winnings paid to players.

GGR in South Africa rose by 3.9% in 2016, down from the 11.2% increase in 2015 and the smallest gain during the past four years. Payout rates – the percentage of turnover returned to bettors as winnings – remain high, in line with the prior year.

Photo courtesy of Tsogo Sun

Figure 3: Gambling payout rates by category (%)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

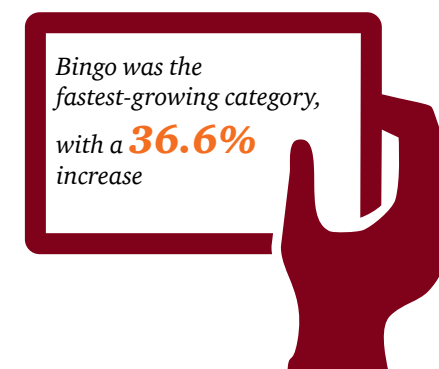
Bingo was the fastest-growing category, with a 36.6% increase, reflecting a rebound in Gauteng and an increase in operational bingo positions in North West and the Eastern Cape. We expect bingo to continue to be the fastest-growing category during the next five years with a projected 11.9% compound annual increase, buoyed by continued expansion in bingo positions in the provinces where legal bingo is permitted and a growth in electronic bingo terminals (EBTs), which have proven to be very popular. Bingo GGR will total an estimated R2.2 billion in 2021, but will remain the smallest gambling category.

Betting and LPMs were next, with GGR increases of 14.3% and 14.1%, respectively. Betting, which consists of wagering on sports and horse racing, was principally fuelled by growth in legal sports betting, which increased by 21.3% in 2016 and accounted for 80% of the total increase in betting GGR in 2016. Legal sports betting more than tripled between 2012 and 2016, rising to R2.9 billion from R847 million in 2012.

Sports betting accounted for 57% of total betting GGR in 2016, compared with 33% in 2012. The sports betting category also includes betting on lottery and number-type games, which have proven very popular and have contributed to the growth of the sports betting gambling revenues. With much of the impact of the legalisation of online sports betting having already been realised, we project sports betting GGR growth to moderate over the next five years, growing at a projected 12.3% compound annual rate. Overall betting GGR, including horse racing, will expand at an 8.1% compound annual rate, increasing to R7.5 billion in 2021.

LPM GGR benefited from a full year of legal LPM wagering in the Northern Cape and increases in active LPMs in all provinces. We look for an additional double-digit increase in 2017, followed by progressively slower growth thereafter as the market matures. We project LPM GGR growth to average 7.5%, compounded annually during the next five years, totalling an estimated R3.9 billion in 2021.

Casino gross gambling revenues fell by 1.7% in 2016, mainly due to increased competition from illegal gambling and other forms of gambling, and a weak economy. We project casino GGR to increase in 2017 and to grow at a 3.5% compound annual rate from R17.9 billion in 2016 to R21.2 billion in 2021.



Gross gambling revenues as a whole will expand from R27 billion in 2016 to R35 billion in 2021, a 5.3% compound annual increase.

Gross National Lottery revenues (ticket sales or turnover less payouts to winners) jumped by 34.7% in 2016, due to the introduction of additional sites, new games and increased marketing by the current operator. While much of the gain in 2016 likely reflects a one-time boost, ongoing progress in the combating of non-compliant lotteries could result in modest sustainable growth. We project the market to expand at a 0.7% compound annual rate to R3.08 billion in 2021.

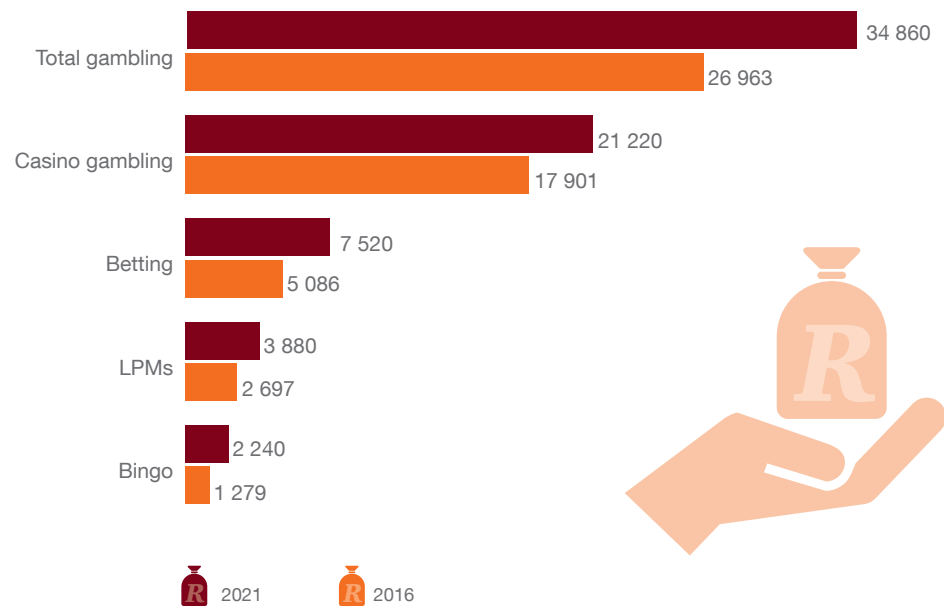
Gross gambling and National Lottery revenues in South Africa (R millions)

	Historical data					Forecast data					
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2017-21 CAGR
Casino gambling	16 404	16 498	17 063	18 213	17 901	18 340	19 000	19 720	20 440	21 220	
% change	10.4	0.6	3.4	6.7	-1.7	2.5	3.6	3.8	3.7	3.8	3.5
Limited payout machines	1 476	1 739	2 079	2 364	2 697	3 020	3 310	3 540	3 720	3 880	
% change	25.7	17.8	19.6	13.7	14.1	12.0	9.6	6.9	5.1	4.3	7.5
Bingo	377	455	734	936	1 279	1 530	1 760	1 950	2 100	2 240	
% change	60.4	20.7	61.3	27.5	36.6	19.6	15.0	10.8	7.7	6.7	11.9
Betting	2 597	2 834	3 463	4 449	5 086	5 275	6 540	6 680	7 245	7 520	
% change	20.6	9.1	22.2	28.5	14.3	3.7	24.0	2.1	8.5	3.8	8.1
Total gambling	20 854	21 526	23 339	25 962	26 963	28 165	30 610	31 890	33 505	34 860	
% change	13.2	3.2	8.4	11.2	3.9	4.5	8.7	4.2	5.1	4.0	5.3
National Lottery	2 355	2 297	2 280	2 213	2 980	2 990	3 010	3 030	3 050	3 080	
% change	2.9	-2.5	-0.7	-2.9	34.7	0.3	0.7	0.7	0.7	1.0	0.7

Sources: National Gambling Board of South Africa, National Lotteries Commission of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, CASA



Figure 4: Gross gambling revenues (R millions), 2016 vs 2021



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, CASA

Overall betting GGR, including horse racing, will expand at an **8.1%** compound annual rate, increasing to R7.5 billion in 2021



Photo courtesy of Tsogo Sun



Photo courtesy of Tsogo Sun

Gambling taxes and levies



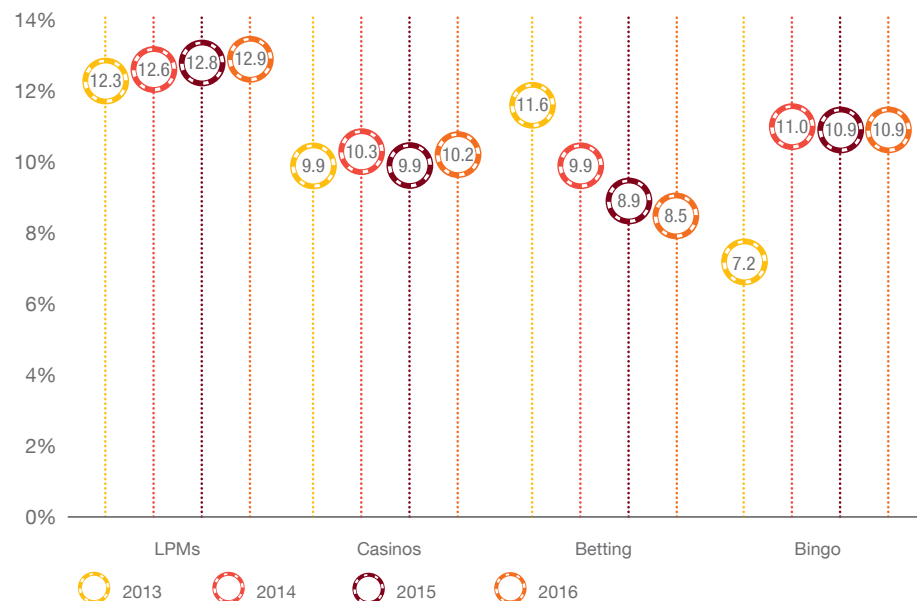
Gambling taxes and levies refer to the amount levied and collected by provincial licensing authorities from legal gambling. Corporate tax and VAT on gambling revenues are excluded from our analysis.

Gambling taxes and levies totalled R2.7 billion in 2016, up 4.9% from 2015. As a percentage of GGR, LPMs continued to have the highest tax rate at 12.9% in 2016, up from 12.8% in 2015. Bingo was next at 10.9%, the same as in 2015 but down from the 2013-14 levels. Casinos were next at 10.2%, an increase from the 9.9% rate in 2015. Betting had the lowest share in 2016 at 8.5%, down from 8.9% in 2015 and 11.6% in 2013.

For the market as a whole, taxes and levies averaged 10.2% in 2016, an increase from the 10.1% share in 2015. These taxes and levies are paid to the provincial gambling boards.



Figure 5: Gambling taxes and levies as a share of GGR, 2013-2016 (%)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Casinos also pay deemed output VAT to the National Treasury on the gross gambling revenues that they have earned. The estimated deemed output VAT collected on gambling revenues from casinos in 2016 amounted to R2 billion, or 11% of GGR.

Gauteng reached the R1 billion level in gambling taxes and levies in 2016, accounting for 37% of the total, up 10.1% from 2015. KwaZulu-Natal and the

Western Cape were next at R624 million and R591 million, respectively, each slightly higher than in 2015. North West recorded the steepest decline, 15.4%, reflecting large decreases in casinos and horse racing GGR. The Eastern Cape retains its position as the fourth-largest province in taxes and levies at R171 million in 2016. North West at R115 million was the only other province above R100 million in 2016.

Gambling taxes and levies by province, 2012-2016 (R millions)

	2012	2013	2014	2015	2016
Gauteng	836	848	901	913	1 005
KwaZulu-Natal	494	535	560	612	624
Western Cape	402	459	539	574	591
Eastern Cape	112	122	139	158	171
North West	86	96	102	136	115
Mpumalanga	67	74	83	87	91
Limpopo	46	48	56	70	78
Free State	40	40	39	44	44
Northern Cape	16	15	18	21	23
Total	2 099	2 237	2 437	2 615	2 742

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, CASA

Gambling taxes and levies growth by province (%)

	2013	2014	2015	2016
Gauteng	1.4	6.3	1.3	10.1
KwaZulu-Natal	8.3	4.7	9.3	2.0
Western Cape	14.2	17.4	6.5	3.0
Eastern Cape	8.9	13.9	13.7	8.2
North West	11.6	6.3	33.3	-15.4
Mpumalanga	10.4	12.2	4.8	4.6
Limpopo	4.3	16.7	25.0	11.4
Free State	0.0	-2.5	12.8	0.0
Northern Cape	-6.3	20.0	16.7	9.5
Total	6.6	8.9	7.3	4.9

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, CASA

The Western Cape and KwaZulu-Natal had the highest shares of taxes and levies as a percentage of GGR, each exceeding 12% in 2016. In each of the other provinces, taxes and levies accounted for less than 10% of GGR.

Taxes/Levies as a % of GGR

	2012	2013	2014	2015	2016
Gauteng	9.2	9.5	9.3	8.6	9.1
KwaZulu-Natal	12.5	12.9	12.8	12.6	12.5
Western Cape	12.6	13.4	14.5	14.2	13.7
Eastern Cape	7.9	8.0	8.1	8.3	8.2
North West	7.8	8.1	8.1	8.4	7.7
Mpumalanga	7.6	7.7	7.8	7.6	7.6
Limpopo	7.9	7.6	7.9	7.7	8.2
Free State	7.8	7.6	6.7	6.9	7.7
Northern Cape	7.6	7.5	7.9	8.0	8.0

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, CASA

The expected increase in casino GGR should lead to faster growth in casino taxes and levies compared with 2016, offset to some degree by slower GGR growth in the remaining categories. We project taxes and levies to expand by 5.4%, compounded annually, to R3.6 billion in 2021.

Gambling taxes and levies in South Africa (R millions)

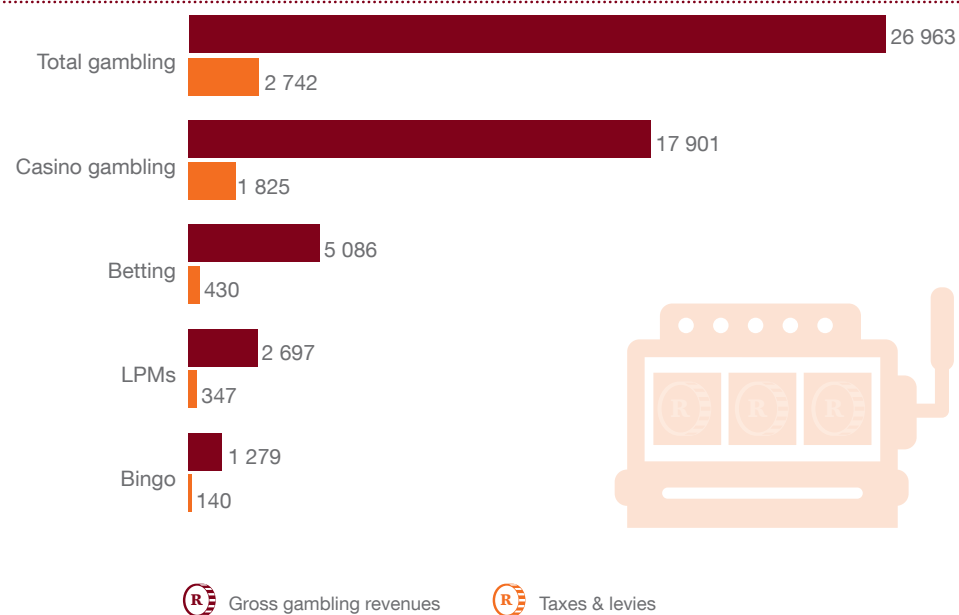
	Historical data					Forecast data					
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2017-21 CAGR
Casino gambling	1 579	1 640	1 751	1 812	1 825	1 870	1 930	2 010	2 080	2 160	
% change	12.4	3.9	6.8	3.5	0.7	2.5	3.2	4.1	3.5	3.8	3.4
Limited payout machines	181	214	262	303	347	390	430	460	480	500	
% change	29.3	18.2	22.4	15.6	14.5	12.4	10.3	7.0	4.3	4.2	7.6
Bingo	45	53	81	102	140	170	190	210	230	240	
% change	55.2	17.8	52.8	25.9	37.3	21.4	11.8	10.5	9.5	4.3	11.4
Betting	294	330	343	398	430	450	550	570	610	640	
% change	13.5	12.2	3.9	16.0	8.0	4.7	22.2	3.6	7.0	4.9	8.3
Total gambling	2 099	2 237	2 437	2 615	2 742	2 880	3 100	3 250	3 400	3 540	
% change	14.5	6.6	8.9	7.3	4.9	5.0	7.6	4.8	4.6	4.1	5.2

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Photo courtesy of Tsogo Sun

Figure 6: Gambling taxes & levies vs GGR (R millions), 2016



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Photo courtesy of Tsogo Sun



Photo courtesy of Tsogo Sun

Casino gambling



Figure 7: GGR shares by type, 2016 (%)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Casinos accounted for 66% of total gross gambling revenues in 2016, down from 70% in 2015, as casino GGR declined by 1.7%, while betting, LPMs and bingo rose by a collective 16.9%.

The National Gambling Act calls for 40 licenced casinos in South Africa but the dti authorised a 41st licence in North West because of a realignment of provincial boundaries that shifted the Morula Sun Casino from North West to Gauteng.

CASA is challenging the authorisation of an additional licence as it is concerned that this sets a precedent for the granting of future licences. The legal proceedings pertaining to this are ongoing. Meanwhile, there are still only 38 operating casinos. In addition to North West, there is one authorised licence in the Eastern Cape and one in Mpumalanga that have not yet been issued.

Casino licences and operating casinos by province, 2016

	Authorised licenses	Issued licenses	Operating casinos
Gauteng	7	7	7
KwaZulu-Natal	5	5	5
Western Cape	5	5	5
Eastern Cape	5	4	4
Free State	4	4	4
Mpumalanga	4	3	3
North West	5	4	4
Limpopo	3	3	3
Northern Cape	3	3	3
Total	41	38	38

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

The Tsogo Sun Group is the largest casino operator in South Africa with 14 casinos, followed by Sun International with 13 and Peermont Global with eight. These three companies account for 35 of the 38 operating casinos in South Africa. Caesars Entertainment, Desert Palace Casino and Leithlo Resort have one each.

Legal operating casinos

	Tsogo Sun Group	Sun International	Peermont Global	Caesars Entertainment	Desert Palace Casino*	Leithlo Resort*	Total
Gauteng	3	2	1	1	0	0	7
KwaZulu-Natal	3	1	1	0	0	0	5
Western Cape	3	2	0	0	0	0	5
Eastern Cape	2	2	0	0	0	0	4
North West	0	2	2	0	0	0	4
Free State	1	2	1	0	0	0	4
Mpumalanga	2	0	1	0	0	0	3
Limpopo	0	1	2	0	0	0	3
Northern Cape	0	1	0	0	1	1	3
Total	14	13	8	1	1	1	38

* Non-CASA member
Source: CASA

Gauteng was the leading province in casino gross gambling revenues at R7.4 billion in 2016, down 1.6% from 2015. KwaZulu-Natal was next at R3.4 billion, a 0.3% decrease from 2015, followed by the Western Cape at R2.9 billion, up 4.5%, one of only two provinces that recorded an increase in 2016. Limpopo was the other with a 2.2% increase. North West and the Free State each recorded a decline of 15.0% in 2016.

GGR earned by casinos by province, 2012-2016 (R millions)

	2012	2013	2014	2015	2016
Gauteng	7 229	6 988	7 093	7 483	7 367
KwaZulu-Natal	2 967	3 073	3 198	3 443	3 434
Western Cape	2 393	2 536	2 701	2 773	2 897
Eastern Cape	1 108	1 171	1 197	1 213	1 186
North West	1 015	1 042	1 085	1 358	1 154
Mpumalanga	709	729	758	743	731
Limpopo	373	352	354	456	466
Free State	419	420	467	506	430
Northern Cape	191	187	210	238	236
Total	16 404	16 498	17 063	18 213	17 901

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, CASA

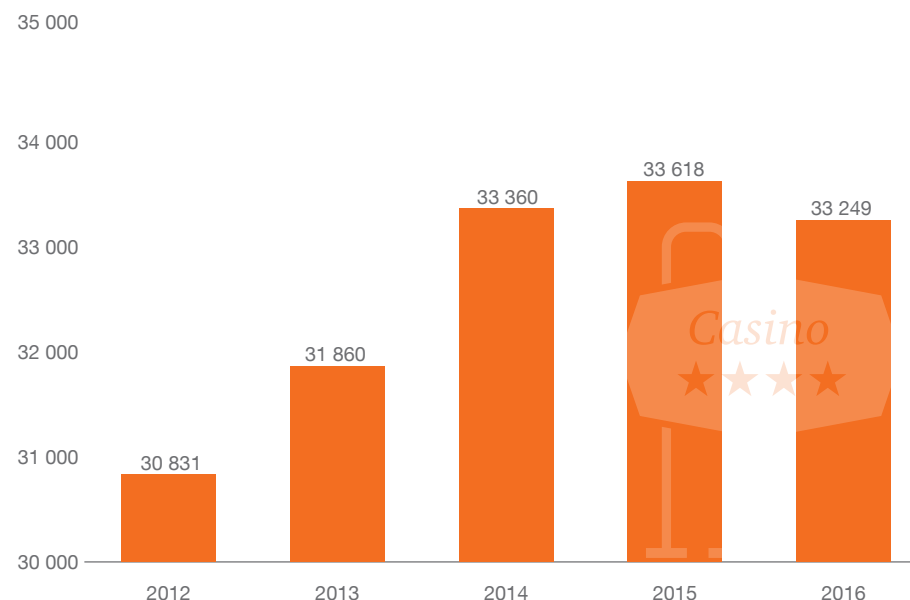
GGR growth earned by casinos by province (%)

	2013	2014	2015	2016
Gauteng	-3.3	1.5	5.5	-1.6
KwaZulu-Natal	3.6	4.1	7.7	-0.3
Western Cape	6.0	6.5	2.7	4.5
Eastern Cape	5.7	2.2	1.3	-2.2
North West	2.7	4.1	25.2	-15.0
Mpumalanga	2.8	4.0	-2.0	-1.6
Limpopo	-5.6	0.6	28.8	2.2
Free State	0.2	11.2	8.4	-15.0
Northern Cape	-2.1	12.3	13.3	-0.8
Total	0.6	3.4	6.7	-1.7

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, CASA

The National Gambling Board attributes the decrease in casino GGR in 2016 to decreases in casino operational positions in Gauteng, the Western Cape, Mpumalanga, the Northern Cape, the Eastern Cape and the Free State. The overall number of casino operational positions fell by 1.1% in 2016 to 33 249, from 33 618 in 2015.

Figure 8: Operational casino positions



Source: National Gambling Board of South Africa

The weak economy has also played a role. Real GDP growth dropped to only 0.3 per cent from 1.3 per cent in 2015; inflation rose to a five-year high of 6.4%; and increases in excess of inflation for electricity, water and other necessities put more strain on consumers and businesses.

Certain casino operators cite illegal gambling and the proliferation of EBTs as other contributing factors to the decline in casino GGR. EBTs in large bingo halls

provide a casino-like experience and may cut into casino activity when located in areas also served by casinos.

Tsogo Sun interrupted the planned upgrade of its Suncoast casino and scaled back the scope of the project, now planning to spend R1.6 billion instead of R2.1 billion, with the project now expected to be completed by December 2018. Sun International has completed its development of the Time Square Casino,

located at Menlyn Maine. The new facility, which opened in 2017, includes 2 000 slot machines, 60 table games and an 8 500-seat indoor arena.

Economic growth projections for 2017 have been revised downwards from 1.3% to 0.7%. After a weak first quarter, real GDP rose by 2.5% in the second quarter. Consumer price inflation is trending lower, on track to average 5.3% in 2017, down from the 6.3% increase in prices in 2016. Moreover, international tourism continues to grow. Through the first eight months of 2017, the number of foreign overnight tourist visitors to South Africa was up by 1.6%, a gain that builds on the 12.8% increase recorded in 2016.

Overnight tourist visitors (thousands), 2017 vs 2016

	2016	2017	% change
January	1 013	1 041	2.8
February	804	776	-3.5
March	905	806	-10.9
April	796	919	15.5
May	761	767	0.8
June	691	709	2.6
July	822	862	4.9
August	834	852	2.2
Total	6 626	6 732	1.6

Source: Statistics South Africa

For 2017 as a whole, the economy in real terms is expected to be up 0.7%, an improvement over the 0.3% increase in 2016. Faster increases are expected beginning in 2018, with growth exceeding 2% annually in 2020 and 2021.

We expect that a stronger economy, combined with the opening of the Time Square Casino, will lead to a 2.5% increase in casino GGR in 2017. Over the longer run, we expect that progress made on slowing the growth in illegal gambling, combined with slower growth in competition from EBTs as the bingo market begins to mature as well as a

stronger economy, will have a positive impact on casino GGR. At the same time, illegal gambling and an expanding EBT market will continue to dampen casino growth.

On balance, we project casino GGR growth to average 3.7% compounded annually between 2017 and 2021, which would be well below the increases recorded in 2014 and 2015. For the forecast period as a whole, casino GGR will increase at an estimated 3.5% compound annual rate, rising to R21.2 billion in 2021 from R17.9 billion in 2016.

The Gauteng Provincial Legislature announced plans to raise casino taxes. However, as of late 2017 no action has been taken yet and we are not factoring in that potential increase in our forecasts. We project casino taxes and levies to increase at a 3.4% compound annual rate, rising to an estimated R2.2 billion in 2021 from R1.8 billion in 2016. That figure does not include the deemed output VAT.

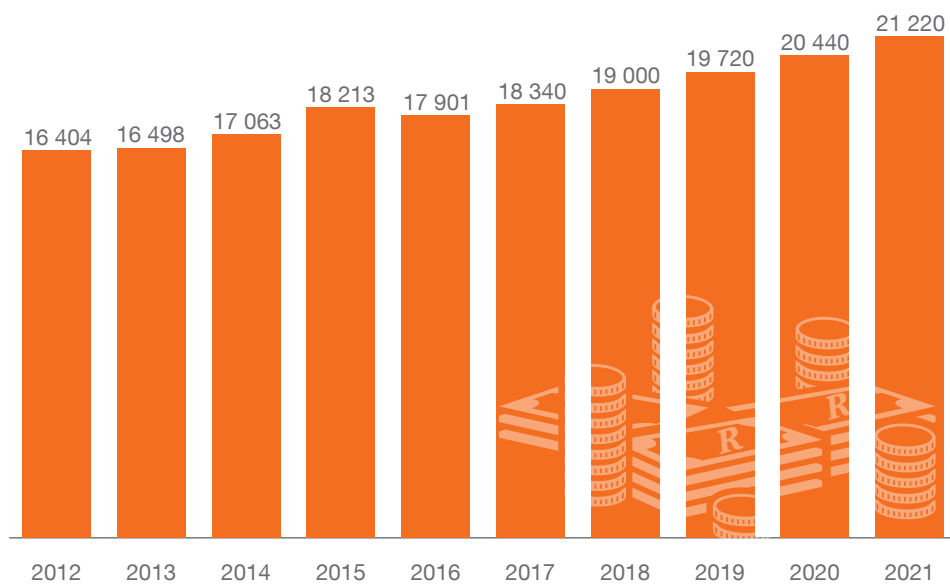
Casino gambling in South Africa (R millions)

	Historical data					Forecast data					
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2017-21 CAGR
GGR	16 404	16 498	17 063	18 213	17 901	18 340	19 000	19 720	20 440	21 220	
% change	10.4	0.6	3.4	6.7	-1.7	2.5	3.6	3.8	3.7	3.8	3.5
Taxes and levies	1 579	1 640	1 751	1 812	1 825	1 870	1 930	2 010	2 080	2 160	
% change	12.4	3.9	6.8	3.5	0.7	2.5	3.2	4.1	3.5	3.8	3.4

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

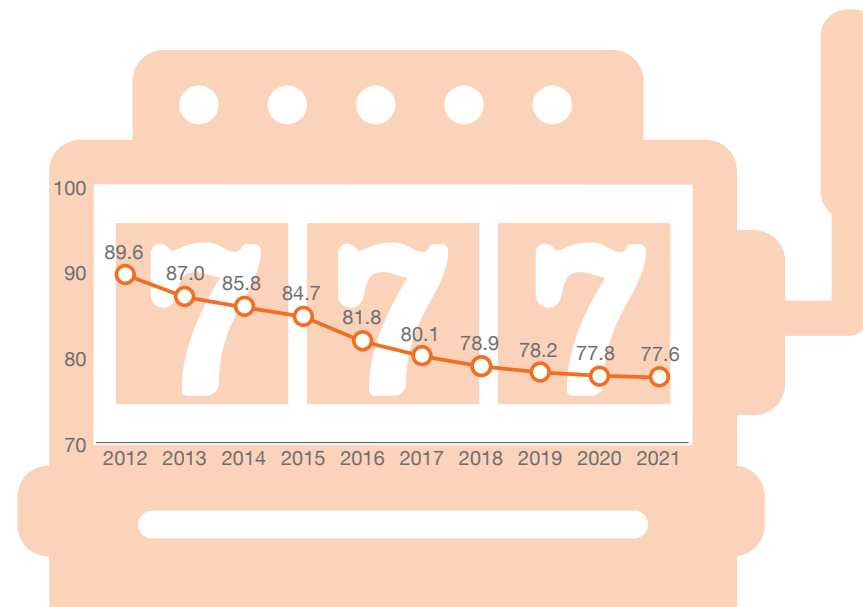


Figure 9: Casino GGR, 2012–2021 (R millions)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, CASA

Figure 10: Casino share of non-betting gambling revenues (%)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Photo courtesy of Tsogo Sun



Photo courtesy of Tsogo Sun

Limited payout machines



Figure 11: Gross gambling revenue shares by type, 2016 (%)

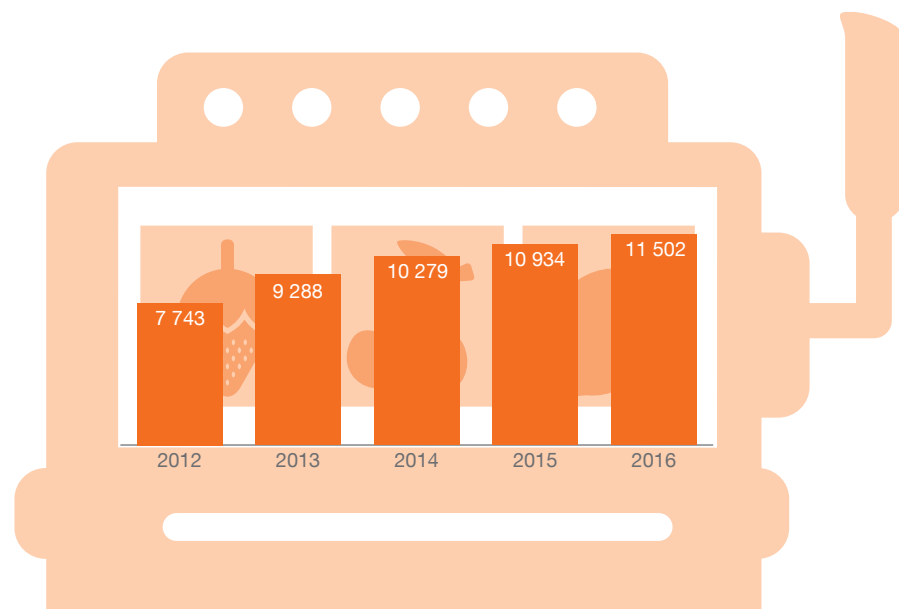


Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

LPMs, principally located in bars, clubs and restaurants, accounted for 10% of gross gambling revenues in 2016, up from 9% in 2015. Limited payout machines are monitored by a national central electronic monitoring system (NCEMS) and are licenced to route operators, who manage and operate LPMs in conjunction with site operators. LPMs generally target a different gambler than casinos and do not appear to affect the casino market to the same degree as EBTs in large bingo sites near casinos.

LPM gross gambling revenues rose by 14.1% in 2016, continuing the pattern of double-digit annual increases. The number of active LPMs rose by 5.2% in 2016 to 11 502. LPM GGR rose nearly three times as fast in 2016, indicating that in addition to more LPMs, increased wagering per machine was the principal driver of growth.

Figure 12: Number of active LPMs



Source: National Gambling Board of South Africa

The Western Cape had the largest LPM market in 2016 at R787 million, with KwaZulu-Natal next at R653 million. Gauteng, which has the largest casino market, ranked only third in the LPM market with gross gambling revenues of R456 million. The Eastern Cape at R311 million was the only other province above R200 million, and Limpopo at R195 million and Mpumalanga at R152 million were the other provinces above R100 million.

Except for Gauteng, where LPM GGR rose by 8.8%, each province recorded double-digit growth in 2016. LPM GGR in the Northern Cape more than quadrupled as it benefited from a full year of legal LPM wagering.

LPM GGR by province (R millions)

	2012	2013	2014	2015	2016	Average GGR per LPM (R thousands)
Western Cape	481	551	626	710	787	431
KwaZulu-Natal	339	404	474	559	653	259
Gauteng	242	287	365	419	456	202
Eastern Cape	161	190	239	271	311	170
Limpopo	119	145	178	174	195	186
Mpumalanga	101	110	123	133	152	202
North West	15	28	44	57	77	103
Free State	18	24	30	36	45	149
Northern Cape	—	—	—	5	21	94
Total	1 476	1 739	2 079	2 364	2 697	234

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

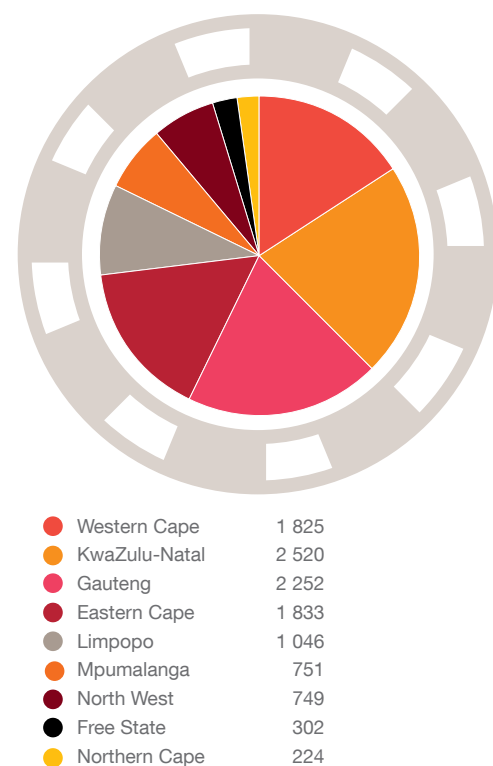
LPM GGR growth by province (%)

	2013	2014	2015	2016
Western Cape	14.6	13.6	13.4	10.8
KwaZulu-Natal	19.2	17.3	17.9	16.8
Gauteng	18.6	27.2	14.8	8.8
Eastern Cape	18.0	25.8	13.4	14.8
Limpopo	21.8	22.8	-2.2	12.1
Mpumalanga	8.9	11.8	8.1	14.3
North West	86.7	57.1	29.5	35.1
Free State	33.3	25.0	20.0	25.0
Northern Cape	—	—	—	>100
Total	17.8	19.6	13.7	14.1

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Although the Western Cape is the leading province in LPM gambling revenues, it ranked only fourth among the number of active LPMs in March 2017, at 1 825. KwaZulu-Natal and Gauteng have the most active LPMs at 2 520 and 2 252, respectively. The Eastern Cape and Limpopo are the only other provinces with more than 1 000 active LPMs.

Figure 13: Active LPMs by province as of 31 March 2017



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

LPM GGR growth averaged 13.9% between 2014 and 2016, moderating a bit from the 18.7% average increase between 2012 and 2014. Growth in active LPMs has also progressively declined in each of the past four years, suggesting that the market is beginning to mature. We expect another year of double-digit growth, followed by single-digit gains beginning in 2018.

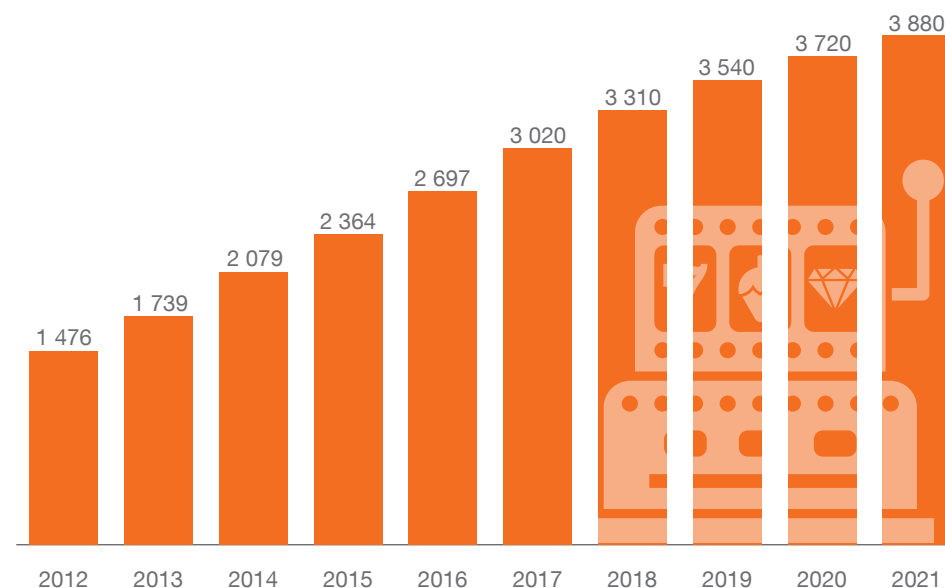
For the forecast period as a whole, we project LPM GGR to expand at a 7.5% compound annual rate to R3.9 billion in 2021, from R2.7 billion in 2016. Taxes and levies will increase from R347 million in 2016 to a projected R500 million in 2021, a 7.6% compound annual increase.

Limited payout machines (R millions)

	Historical data					Forecast data					
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2017-21 CAGR
GGR	1 476	1 739	2 079	2 364	2 697	3 020	3 310	3 540	3 720	3 880	
% change	25.7	17.8	19.6	13.7	14.1	12.0	9.6	6.9	5.1	4.3	7.5
Taxes and levies	181	214	262	303	347	390	430	460	480	500	
% change	29.3	18.2	22.4	15.6	14.5	12.4	10.3	7.0	4.3	4.2	7.6

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Figure 14: Limited payout machines GGR, 2012–2021 (R millions)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Bingo

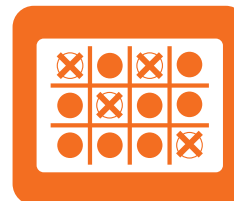


Figure 15: Gross gambling revenue shares by type, 2016 (%)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Photo courtesy of Tsogo Sun



Bingo accounted for 5% of total gross gambling revenue in 2016, up from 4% in 2015, buoyed by a 36.6% rise in GGR – the fastest-growing category. Most of the legal bingo activity is in Gauteng, which accounted for 64% of total bingo GGR in 2016. Gauteng generated 65% of the total growth in bingo GGR, with a 37.6% increase to R813 million.

An increase in operational bingo positions in the Eastern Cape and North West contributed to gains of 43.4% and 32.8%, respectively, in those provinces in 2016. The Eastern Cape was the next-largest province in bingo GGR at R314 million, with North West a distant third at R85 million. Growth was a more modest 8.5% in Mpumalanga, which totalled R64 million, while KwaZulu-Natal remained flat at only R3 million in 2016. Legal bingo is not available in the Western Cape, Limpopo, the Free State and the Northern Cape.

GGR for bingo by province (R millions), 2012–2016

	2012	2013	2014	2015	2016
Gauteng	368	408	520	591	813
Eastern Cape	—	4	114	219	314
North West	—	5	43	64	85
Mpumalanga	9	38	55	59	64
KwaZulu-Natal	—	—	2	3	3
Total	377	455	734	936	1 279

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

GGR growth for bingo by province (%)

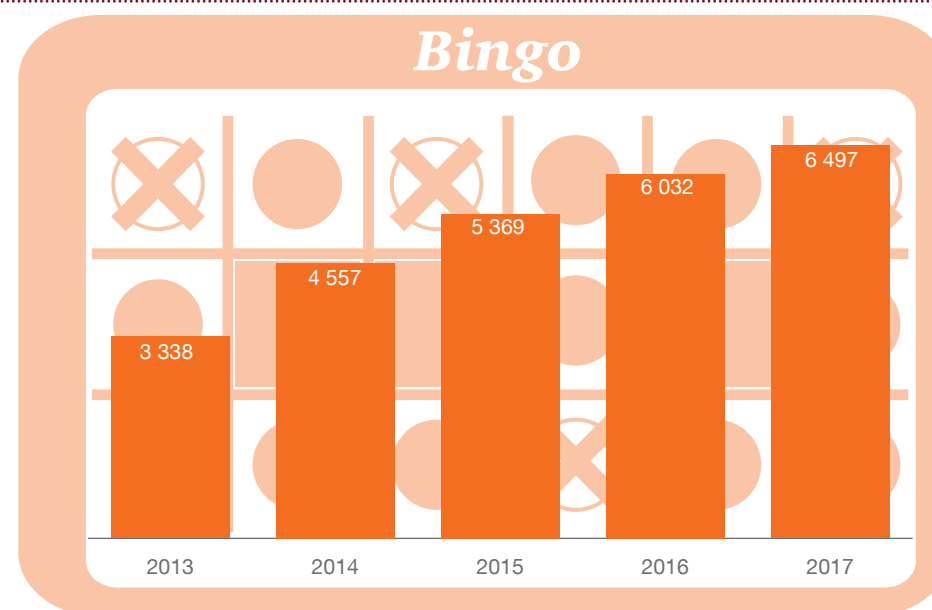
	2013	2014	2015	2016
Gauteng	11.0	27.4	13.7	37.6
Eastern Cape	—	>100	92.1	43.4
North West	—	>100	48.8	32.8
Mpumalanga	>100	44.7	7.3	8.5
KwaZulu-Natal	—	—	50.0	0.0
Total	20.9	61.3	27.5	36.6

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Bingo consists of traditional bingo positions and electronic bingo terminals (EBTs), which are similar to slot machines. EBTs accounted for 71% of the operating bingo positions in 2016, up from 60% in 2015. The 26% increase in the number of EBTs in 2016 cut into the casino market in areas served by both modes of legal gambling.

There are 9 813 licenced bingo positions, of which 6 497 were operational in 2016. The total number of operational bingo positions rose by 95% between 2012 and 2016 as bingo expanded in Gauteng and was introduced in the Eastern Cape, North West, Mpumalanga and, more recently, KwaZulu-Natal.

Figure 16: Number of operational bingo positions



Source: National Gambling Board of South Africa

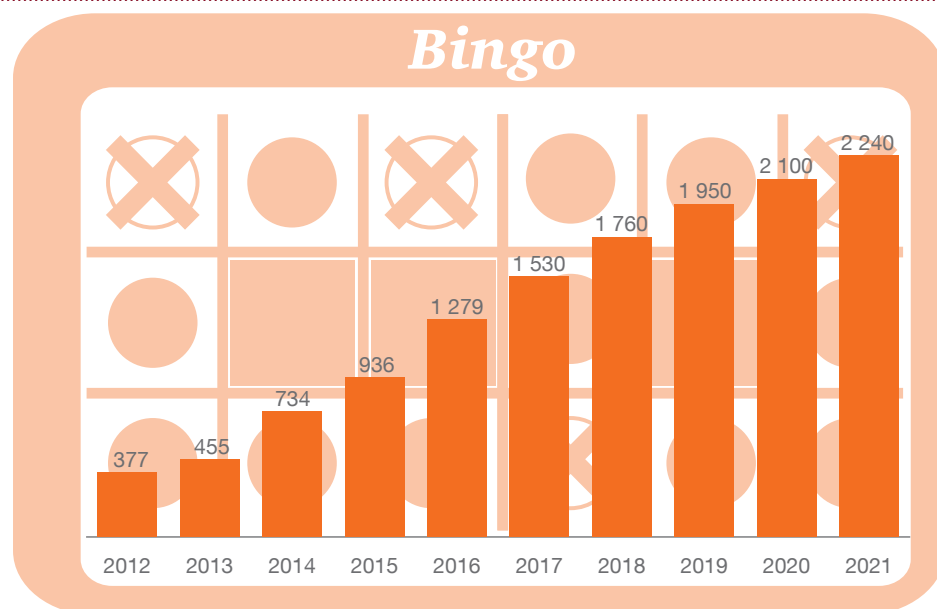
With two-thirds of the authorised bingo positions having already been allocated, there is less room for growth going forward. Consequently, we expect smaller gains, with increases dropping to single digits beginning in 2020. For the forecast period as a whole, bingo GGR will increase at a projected 11.9% compound annual rate, from R1.3 billion in 2016 to R2.2 billion in 2021. We project taxes and levies generated by bingo to rise to R240 million in 2021 from R140 million in 2016, an 11.4% compound annual increase.

Bingo (R millions)

	Historical data					Forecast data					
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2017-21 CAGR
GGR	377	455	734	936	1 279	1 530	1 760	1 950	2 100	2 240	
% change	60.4	20.7	61.3	27.5	36.6	19.6	15.0	10.8	7.7	6.7	11.9
Taxes and levies	45	53	81	102	140	170	190	210	230	240	
% change	55.2	17.8	52.8	25.9	37.3	21.4	11.8	10.5	9.5	4.3	11.4

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Figure 17: Bingo GGR, 2012–2021 (R millions)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



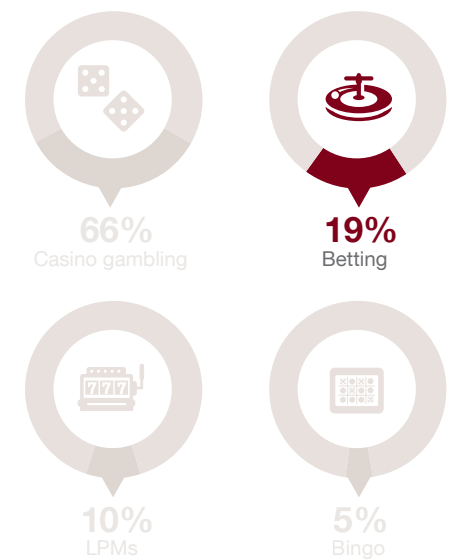
Photo courtesy of Tsogo Sun



Betting



Figure 18: Gross gambling revenue shares by type, 2016 (%)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

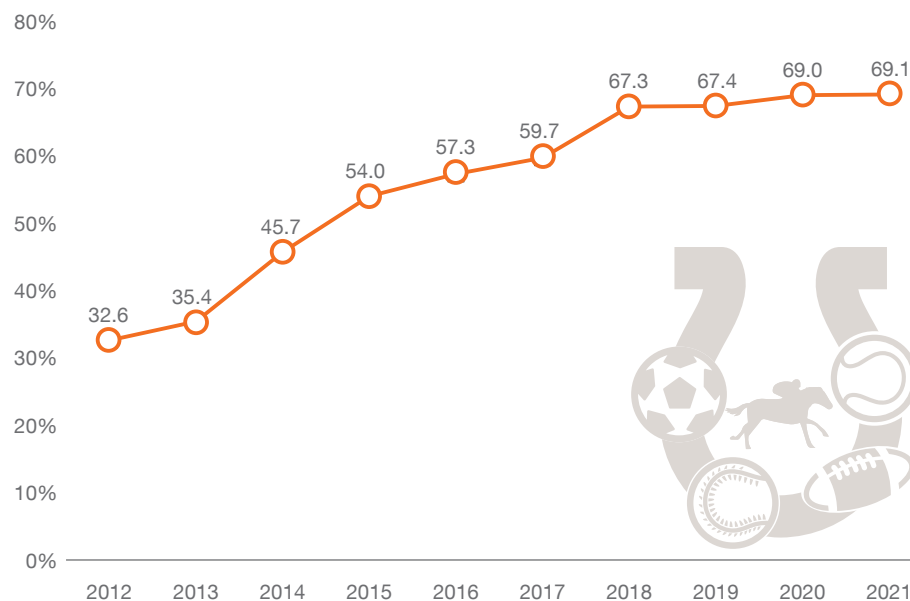
Photo courtesy of Tsogo Sun



Betting consists of fixed-odds bookmaking on sporting events, pari-mutuel wagering on horse racing and taking bets on the outcome of lotteries, and is the only category where online wagering is permitted. Betting GGR rose by 14.3% in 2016, raising its share of total GGR to 19% from 17% in 2015. Betting is the second-largest gambling category behind casinos.

Betting has been fuelled principally by growth in legal sports betting and increased revenue for bookmakers offering betting on sports events, the outcome of various lotteries and other lottery-type games. As noted earlier in our report the sports betting category also includes GGR from the betting on lottery and number-type games, which have proven very popular and have contributed to the growth of the sports betting gambling revenues. Sports betting rose by 21.3% in 2016 to R2.9 billion, more than three times the R847 million total in 2012. Sports betting overtook horse racing in 2015 and in 2016 accounted for 57% of overall betting GGR. In 2012, sports betting accounted for less than a third of total betting. We expect sports betting to comprise more than two-thirds of the total betting market by 2021.

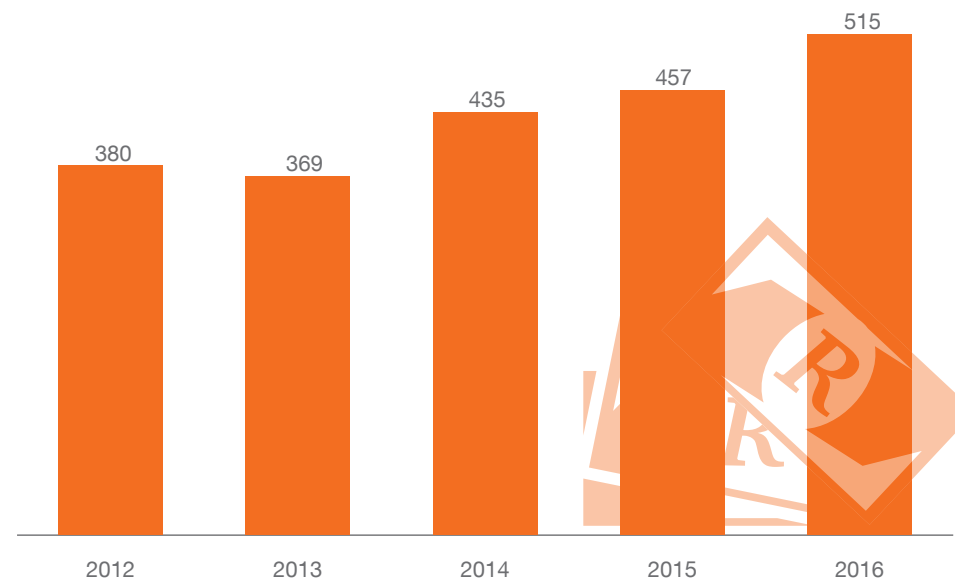
Figure 19: Sports betting share of overall betting GGR (%)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Although online betting was the principal driver, an increase in the number of operational bookmaker outlets also contributed to growth in sports betting. The number of operational bookmaker outlets rose by 13% in 2016 and by a cumulative 40% between 2013 and 2016.

Figure 20: Number of operational bookmaker outlets



Source: National Gambling Board of South Africa

Just as growth in smartphone and mobile broadband penetration has fuelled growth in illegal online gambling, it also contributes to growth in legal online sports betting. More than 50% of South Africans now subscribe to a mobile broadband service. Growth in mobile broadband penetration and the licencing of more online betting services will continue to propel sports betting.

In addition to regularly scheduled sports events, major international tournaments such as the FIFA World Cup, the Rugby World Cup and the European Championship further boost betting volumes. We project double-digit increases in 2018 and 2020, reflecting added betting on major international events, with mid-to-low single-digit gains in 2017, 2019 and 2021 as betting on these events leaves the market. For the forecast period as a whole, we project sports betting GGR to increase at a 12.3% compound annual rate to R5.2 billion in 2020.

Horse racing is the oldest form of legalised betting in South Africa. It is a mature market. The large horse racing operators are Phumelela Gaming and Leisure, Gold Circle and Kenilworth Racing.

Horse racing GGR rose by 6.2% in 2016, but that gain was partially generated by sports betting in the Eastern Cape, which is included in horse racing totals. We expect sports betting in the Eastern Cape to continue to contribute to horse racing totals, but at diminishing rates as the sports betting market matures. We project horse racing GGR to decrease by 2.2% in 2017, followed by smaller gains thereafter. For the forecast period as a whole, horse racing GGR will increase at a 1.3% compound annual rate to R2.3 billion in 2021.

Gauteng was the leading horse racing province with R823 million in GGR in 2016, up 7.0%. KwaZulu-Natal was next at R567 million, a 3.2% decrease from 2015. Together, the two provinces generated 64% of total horse racing GGR. The Western Cape at R292 million and the Eastern Cape at R280 million were the only other provinces above R100 million in 2016.

GGR for horse racing by province (R millions), 2012-2016

	2012	2013	2014	2015	2016
Gauteng	641	646	761	769	823
KwaZulu-Natal	549	564	520	586	567
Western Cape	203	192	198	220	292
Eastern Cape*	148	164	170	203	280
Limpopo	42	71	82	94	86
Free State	62	64	55	60	58
North West	55	90	59	76	31
Mpumalanga	33	33	30	32	29
Northern Cape	17	6	6	6	6
Total	1 750	1 830	1 881	2 046	2 172

*Includes sports betting.

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Betting gross gambling revenues by category (R millions)

	Historical data					Forecast data					
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2017-21 CAGR
Horseracing GGR	1 750	1 830	1 881	2 046	2 172	2 125	2 140	2 180	2 245	2 320	
% change	4.5	4.6	2.8	8.8	6.2	-2.2	0.7	1.9	3.0	3.3	1.3
Sports betting GGR	847	1 004	1 582	2 403	2 914	3 150	4 400	4 500	5 000	5 200	
% change	77.2	18.5	57.6	51.9	21.3	8.1	39.7	2.3	11.1	4.0	12.3
Total betting GGR	2 597	2 834	3 463	4 449	5 086	5 275	6 540	6 680	7 245	7 520	
% change	20.6	9.1	22.2	28.5	14.3	3.7	24	2.1	8.5	3.8	8.1

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

GGR growth for horse racing by province (%)

	2013	2014	2015	2016
Gauteng	0.8	17.8	1.1	7.0
KwaZulu-Natal	2.7	-7.8	12.7	-3.2
Western Cape	-5.4	3.1	11.1	32.7
Eastern Cape*	10.8	3.7	19.4	37.9
Limpopo	69.0	15.5	14.6	-8.5
Free State	3.2	-14.1	9.1	-3.3
North West	63.6	-34.4	28.8	-59.2
Mpumalanga	0.0	-9.1	6.7	-9.4
Northern Cape	-64.7	0.0	0.0	0.0
Total	4.6	2.8	8.8	6.2

*Includes sports betting

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Sports betting is reported based on where the licence is issued and 55% of the total market is generated in Gauteng, which totalled R1.6 billion in 2016, up 23.6% from 2015. The Western Cape and KwaZulu-Natal were next at R336 million and R324 million, respectively, followed by Limpopo at R228 million and Mpumalanga at R208 million, the only other provinces above R200 million. North West at R140 million was the only other province above R100 million. The Western Cape was the only province in 2016 to record a decline in sports betting.

GGR for sports betting by province (R millions)

	2013	2014	2015	2016
Gauteng	596	939	1 307	1 616
Western Cape	133	194	347	336
KwaZulu-Natal	117	193	270	324
Mpumalanga	54	99	184	228
Limpopo	60	98	188	208
North West	18	20	56	140
Free State	21	28	36	38
Northern Cape	5	11	15	24
Eastern Cape*	—	—	—	—
Total	1 004	1 582	2 403	2 914

* Sports betting included in horseracing

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

GGR growth for sports betting by province (%), 2014 vs 2015 and 2015 vs 2016

	2014	2015	2016
Gauteng	57.6	39.2	23.6
Western Cape	45.9	78.9	-3.2
KwaZulu-Natal	65.0	39.9	20.0
Mpumalanga	83.3	85.9	23.9
Limpopo	63.3	91.8	10.6
North West	11.1	180.0	150.0
Free State	33.3	28.6	5.6
Northern Cape	120.0	36.4	60.0
Eastern Cape*	—	—	—
Total	57.6	51.9	21.3

* Sports betting included in horseracing

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

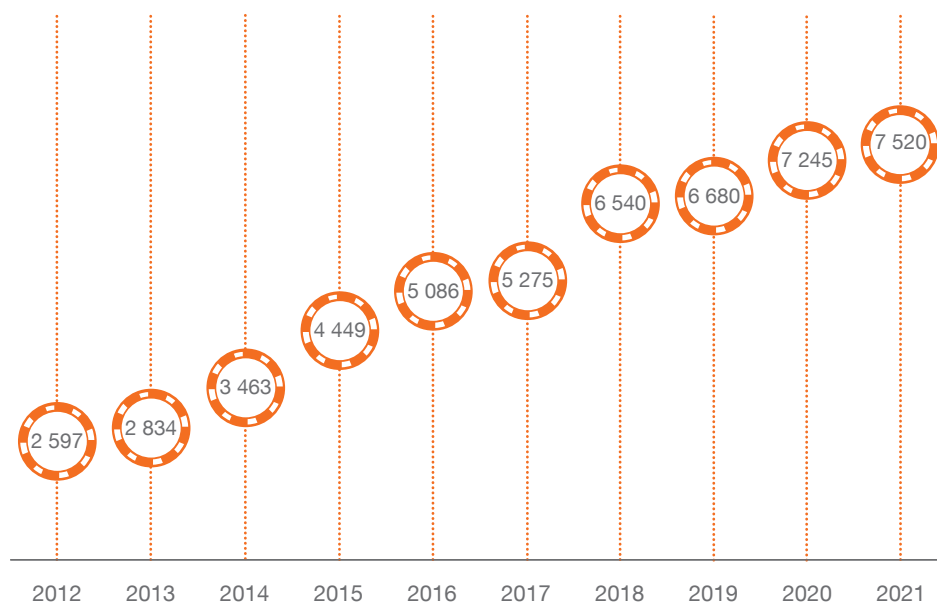
For betting as a whole, we project GGR to expand at an 8.1% compound annual rate to an estimated R7.5 billion in 2021, from R5.1 billion in 2016. Taxes and levies will rise from R430 million in 2016 to a projected R640 million by 2021, an 8.3% compound annual increase.

Total betting (R millions)

	Historical data					Forecast data					
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2017-21 CAGR
GGR	2 597	2 834	3 463	4 449	5 086	5 275	6 540	6 680	7 245	7 520	
% change	20.6	9.1	22.2	28.5	14.3	3.7	24	2.1	8.5	3.8	8.1
Taxes and levies	294	330	343	398	430	450	550	570	610	640	
% change	13.5	12.2	3.9	16.0	8.0	4.7	22.2	3.6	7.0	4.9	8.3

Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Figure 21: Betting GGR, 2012-2021 (R millions)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Photo courtesy of Tsogo Sun





Photo courtesy of Tsogo Sun

National Lottery



The National Lottery is different from other gambling categories in that it is operated with the goal of generating funds for charitable, sports, arts and other worthy causes rather than as an entity focused on maximising returns for shareholders, employees and other stakeholders. A percentage of revenue is paid to the National Lottery Distribution Trust Fund (NLDTF).

The Lotteries Amendment Act of 2013 led to the launch in 2015 of the National Lotteries Commission (NLC), whose mandate is to regulate the National Lottery along with other lotteries. The NLC also advises the Minister of Trade and Industry on issues relating to the National Lottery. The NLC is the successor to the National Lotteries Board.

The National Lottery, established in 2000, is operated on behalf of the government by an appointed licensee for a term of seven years. The third seven-year licence was issued in 2015 to Ithuba Holdings.

After decreasing between 2012 and 2016, lottery ticket sales increased in 2016 and lottery GGR rose by 34.7% to R2.98 billion. The NLC did not cite a reason for the jump in ticket sales, but the increase



may have reflected successful efforts to curb illegal competition and the effects of the introduction of additional games. The NLC reported that 78% of identified illegal lotteries had been investigated, with many having been shut down. Society lotteries run by profit-making companies were discontinued, as were lotteries run as part of promotional competitions.

The gain in 2016 likely reflects a one-time boost. While the continued introduction of new games will have a positive impact, we do not expect further benefits to approach the gain recorded in 2016. On balance, we expect National Lottery GGR to increase, but growth will be modest, averaging less than 1% per year. We project National Lottery GGR to increase to R3.08 billion in 2021 from R2.98 billion in 2016, a 0.7% compound annual increase. This will however be influenced by the introduction of new games or changes to the current offerings.

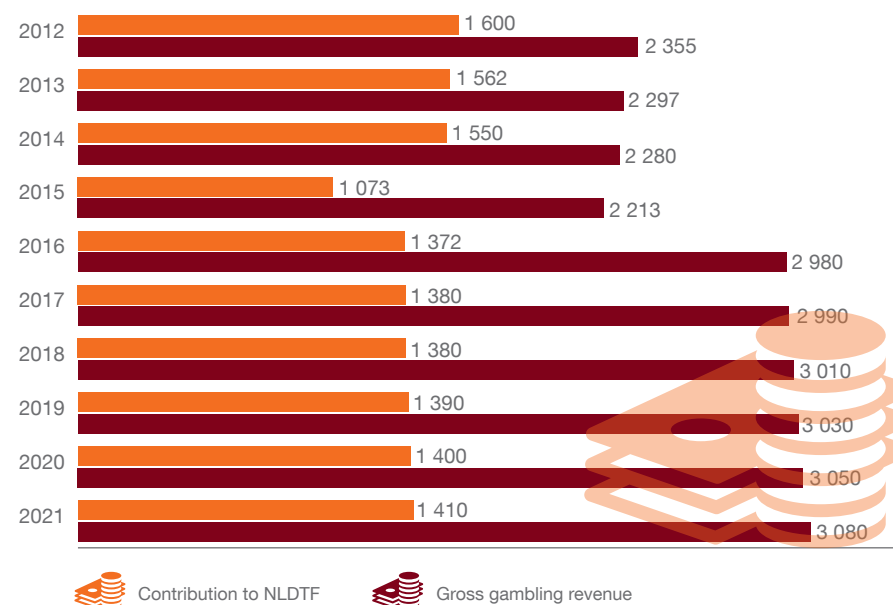
Contributions to the NLDTF from ticket sales rose by 27.9% in 2016 to R1.37 billion. The NLDTF uses funding from the NLC and other sources to support the arts, culture, national heritage, charities, child welfare, religious, medical, sports and recreation entities. We project contributions to the NLDTF from annual ticket sales to rise to R1.41 billion in 2021, a 0.5% compound annual increase from 2016. Cumulatively, the NLDTF will receive an estimated R6.96 billion from the National Lottery over the period from 2017 to 2021.

National Lottery (R millions)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2017-21 CAGR
GGR	2 355	2 297	2 280	2 213	2 980	2 990	3 010	3 030	3 050	3 080	
% change	2.9	-2.5	-0.7	-2.9	34.7	0.3	0.7	0.7	0.7	1.0	0.7
Contribution to NLDTF from ticket sales	1 600	1 562	1 550	1 073	1 372	1 380	1 380	1 390	1 400	1 410	
% change	-4.2	-2.4	-0.8	-30.8	27.9	0.6	0.0	0.7	0.7	0.7	0.5

Sources: National Lotteries Commission, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Figure 22: Gross gambling revenues vs contribution to NLDTF, 2012-2021 (R millions)



Sources: National Lotteries Commission, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Photo courtesy of Sun International

Looking back: 2016



In our previous Gambling outlook for South Africa: 2016-2020, released in February 2017, we forecast overall GGR for South Africa to grow by 7.3% in 2016. This turned out to have been an overestimation of the market, which actually grew by 3.9%. The shortfall occurred in the casino market, which declined by 1.7% rather than growing by 4.0% as we expected.

We were relatively close with LPMs and betting but substantially underestimated growth in the bingo market.

Illegal gambling, a weak economy and growth in other forms of gambling led to a decline in casino GGR in 2016. We were a bit lower in our LPM projection, which rose by 14.1% compared with our 12.5% forecast.

We were within a percentage point with betting, which grew by 14.3%, a bit slower than the 15.2% forecast.

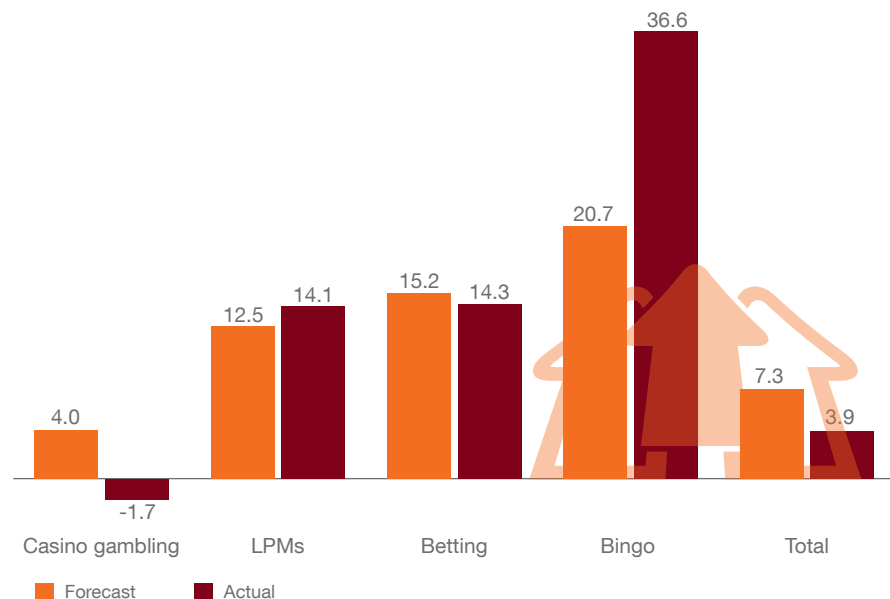
We had projected a 20.7% increase for bingo in 2016, but bingo GGR grew much faster, 36.6%, in part reflecting growth in EBTs.



Photo courtesy of Tsogo Sun



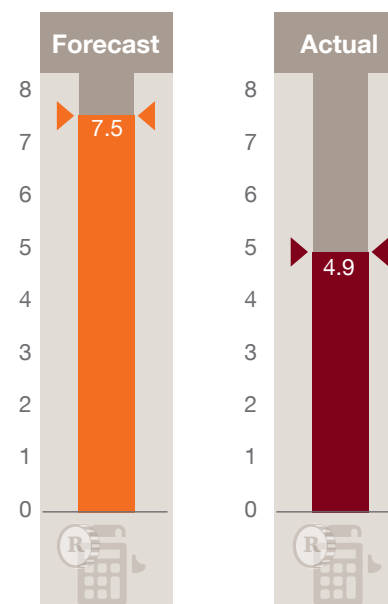
Figure 23: GGR growth by type, 2016 (% growth)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

The decline in casino GGR led to slower growth in overall taxes and levies. We had predicted a 7.5% increase in taxes and levies, but they actually rose by 4.9%.

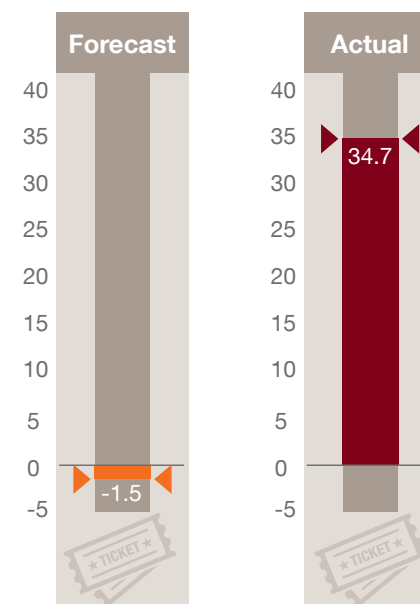
Figure 24: Gambling taxes and levies, 2016 (% growth)



Sources: National Gambling Board of South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

At the other extreme, we had projected a 1.5% decline in the National Lottery but National Lottery GGR actually soared by nearly 35%.

Figure 25: National Lottery GGR, 2016 (%)



Sources: National Lotteries Commission, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Photo courtesy of Tsogo Sun

Conclusion



The gambling industry in South Africa will continue to be adversely affected in the near term by slower economic growth, but improving economic conditions over the latter part of the forecast period will boost spending at a faster pace.

The industry remains an important contributor to the economy through the creation of jobs, continued capital expansion and the payment of taxes to both provincial and national government.

In South Africa as a whole, gross gambling revenues will total an estimated R35 billion in 2021, a 5.3% compound annual increase on the R27 billion in 2016. Gambling taxes and levies will grow at a 5.2% compound annual rate to R3.5 billion in 2021.





Photo courtesy of Tsogo Sun

Glossary of abbreviations



CAGR	compound annual growth rate
CASA	Casino Association of South Africa
FIFA	Fédération Internationale de Football Association
GGR	gross gambling revenues
LPM	limited payout machine
NCEMS	National central electronic monitoring system
NLDTF	National Lottery Distribution Trust Fund
VAT	value-added tax
dti	Department of Trade and Industry
EBT	electronic bingo terminal
NLC	National Lotteries Commission
GDP	gross domestic product
NGB	National Gambling Board





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