

With a new regulatory framework the sports betting market in Brazil is forecast to grow 50% annually to 2028

New legislation, increased popularity, new technologies, and the market entry of large national and international groups are among the main factors driving activity in the sector including M&A strategies

The online sports betting market is expected to grow by an average of 50% per year until 2028, according to a new market study by Redirection International, an M&A advisory firm headquartered in Brazil, with offices in London.

The forecast takes into account new regulation of the sector, which should be completed by July and was carried out based on financial modelling of historical performance and predictions of future growth trajectories for the segment. According to information from Datahub, a data and market information platform, total sector turnover more than doubled in 2023 to around BRL 120 billion per year (~25B USD), growing 130%.

Latin America's largest economy is also one of the world's biggest and fastest-growing gaming markets. Brazil's i-gaming market is booming, driven by a growing middle class and increasing access to technology. The i-Gaming Market in Brazil is forecast to grow at almost 17% a year. Casinos in Brazil have been prohibited since the 1940s leaving Brazil as one of the top Online Gaming markets (2023).

The launch of Brazil's government sports betting marketplace and related regulatory framework signals a critical milestone in the nation's betting industry. Brazil is on the verge of becoming one of the largest online sports betting markets in the world with a huge population of over 200 million and an unregulated market that already has over 40 million unique users.

This new regulated market presents a generational opportunity for global operators, suppliers and investors, with both nearby and international giants (like Shudder Diversion, Bet365, Flutter and Entain) seeking to increase market share, strengthen/enter the Brazilian market and develop corporate development and M&A strategies in the country.

"The sector has been growing exponentially since 2018, when Law 13,756/18 was approved, which legalized fixed-odds online sports betting in Brazil. But now, with the regulation of the market from the sanction of Law 14,790/23, the expectation is to attract investments from large national and international groups, building on increased operational visibility", according to economist Adam Patterson, a partner at Redirection International.

Federal Law 14,790/23 was sanctioned at the end of 2023 and approved by the Brazilian congress. The bill specifies tax rates for companies and bettors and defines operating service rules. The new legislation should be completed by July, according to information from the Brazilian Ministry of Finance.

"With the new regulatory framework and the launch of the government sanctioned sports betting market, Brazil is poised to become one of the largest online sports betting markets in the world. Brazil is already the country with the largest number of users on sports betting sites. In 2022 alone, Brazil registered 3.2 billion accesses, and all this in a market still without consolidated regulation," according to Adam Patterson.

Almost 25% of visits to sports betting sites around the world come from Brazil (2022)!

According to data from Aposta Legal Brasil, 80% of Brazilians who play on online platforms in Brazil bet on football. Next are e-sports and basketball. Datahub estimates that there are currently around 400 sites in operation in the country. In addition to industry regulation, other factors driving the market are advances in technology and internet access, diversity of companies and sports, innovative bet type options with the possibility of smaller bets, and facilitated payment options.

Data snapshot:

- 200M Population: Between 15%-40% of Brazilians say they regularly bet or have already bet online. The average monthly expenditure among the total number of people who bet is R\$ 263 - equivalent to 20% of the minimum wage in 2023. Three out of ten bettors spend more than R\$100 per month (Datafolha, XP).
- Amounts: 80% said they allocate up to R\$ 100 per bet.
- Sports: 80% of Brazilians who play on the platforms bet on football, a modality that has a wide advantage over the others – followed by electronic sports with 13%, and basketball, with 12% (Aposta Legal Brasil).
- Sports market growth: Between 2020 and 2022 alone, for example, the sports betting industry increased by 360% in the country, with growth in the number of companies from 51 to 239, according to this year's survey published by Datahub.
- And it's not just sports: 80% of betting revenue comes from virtual casino games.

Mergers & Acquisitions

With the online sports betting market newly regulated, the expectation is that there will be more opportunities for global operators, suppliers and investors seeking to increase Brazilian market share through corporate development and M&A strategies.

"We see great potential for a *boom* in M&A in the sports betting sector, a universe where Brazilian passions for sports and technology are combined. The trend towards M&A activities is driven in part by the substantial regulatory costs associated with the licensing process, including authorization fees that can be as high as R\$30 million (~6M USD), technical certifications, and tax obligations. Collectively, these factors pose a significant challenge to the economic sustainability of small betting operators," warns Adam Patterson.

Although it is still in its early stages, the market is already registering some M&A movements, such as the purchase of Torcedores.com by Better Collective last year and the acquisition of the Loyalty Group by Esportes da Sorte in early 2024.

Adam Patterson explains that while there is likely to be increased competition from global companies, local operators in Brazil's sports betting market can compete successfully using a variety of strategies, including mergers and acquisitions and joint ventures. "It is expected that the legal requirement that companies have a Brazilian shareholder to obtain an operating license will foster mergers and acquisitions here in Brazil. It may be that the number of websites and companies will decrease, as has happened in Colombia, but we can expect significant changes, ranging from marketing, new technologies, to the large-scale deployment of private equity investments, as well as access to capital markets, including future initial public offerings," he says.

To present the opportunities of this market to foreign investors Redirection International and global law firm Mattos Filho will hold an event on the 21st May 2024 under the auspices of the Brazilian Chamber of Commerce of Great Britain. On the occasion associates from both companies will speak about the new legislation and its effects on existing and new market players as well as the payment service providers and gateways who service the industry.

For further information, please contact:

<https://www.brazilianchamber.org.uk/civicrm/event/info%3Fid%3D230%26reset%3D1>

About Redirection International

Redirection specializes in advising on Mergers & Acquisitions for local and international companies with extensive experience in *cross-border transactions*, with a team working directly in Brazil, Latin America, the United States and the United Kingdom. Redirection is a member of ACG and also develops a network of selected partners in all major business sectors and regions of the world. <https://www.redirection.com.br/>

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