



iGaming Ontario

Economic Contribution of Ontario's Regulated iGaming Market – Year 2

April 2024



Disclaimers and Limiting Conditions

This report was provided to iGaming Ontario ("iGO") for the purpose of assessing the economic contribution associated with Ontario's iGaming industry during Year 2. Additionally, the scope of this report (i) assumes the current Registrar Standards for Internet Gaming and no changes to iGaming Ontario Operating Agreements and (ii) only includes the potential economic contribution of the iGaming industry which is under iGO's conduct and manage regime. As an example, the analysis in this report does not contemplate any changes to the existing liquidity pool rules in Ontario, nor does it contemplate any potential economic benefits associated with the iGaming activity of the Ontario Lottery and Gaming Corporation ("OLG").

This study does not represent a cost-benefit analysis for iGaming Ontario or any other stakeholder and does not represent a comparison of the potential economic contribution of Ontario's regulated iGaming market to the potential contribution of an alternative use of resources.

Deloitte does not assume any responsibility or liability for losses incurred by any party as a result of the circulation, publication, reproduction, or use of this report contrary to its intended purpose.

The analyses are provided as of April 26, 2024, and we disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting this analysis, which may come or be brought to our attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the analyses after the date hereof, we reserve the right to change, modify or withdraw the analysis.

Observations are made on the basis of economic, industrial, competitive, and general business conditions prevailing as at the date hereof. In the analyses, we may have made assumptions with respect to the industry performance, general business, and economic conditions and other matters, many of which are beyond our control, including government and industry regulation.

We do not provide assurance on the achievability of any forecasted results contained herein because events and circumstances frequently do not occur as expected differences between actual and expected results may be material, and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

We believe that our analyses must be considered as a whole and that selecting portions of the analyses, or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the issues related to the report.

Amendment of any of the assumptions identified throughout this report could have a material impact on our analysis contained herein. Should any of the major assumptions not be accurate or should any of the information provided to us not be factual or correct, our analyses, as expressed in this report, could be significantly different.

If prospective financial information provided by the client or its representatives has been used in this analysis, we have not examined or compiled the prospective financial information and, therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

We believe the information obtained from public sources or furnished to us by other sources is reliable. However, we issue no warranty or other form of assurance regarding the accuracy of such information.

Table of Contents

Table of Contents	1
About this Report	1
Economic Contribution Results in Year 2	2
Measuring Economic Contribution	2
Overview of Licensed Operator Expenditure	3
Estimated Economic Contribution of the iGaming Industry to the Ontario Economy – Year 2	3
Comparison to Year 1 Results	5
Appendices	6
A. Economic Contribution Model	6
B. iGaming Operators Revenue and Expenditures	6
C. Definition of Terminology of Economic Contribution Analysis	7
D. Glossary	8

About this Report

Deloitte was engaged by iGaming Ontario (“iGO”) to assess the economic contribution supported by Ontario’s regulated iGaming market during Year 2 (2023/2024). This report provides the results of the study, including an estimation of the regulated iGaming market’s economic contribution to Ontario in terms of:

- Gross Domestic Product (GDP) (i.e., value added);
- Employment;
- Labour income; and
- Government revenue.

The scope of the economic contribution analysis is estimated at the following interval for the regulated iGaming market:

- Year 2 (April 4th, 2023 – April 3rd, 2024);

Additionally, the scope of this report (i) assumes the current Registrar Standards for Internet Gaming and no changes to iGaming Ontario Operating Agreements, and (ii) only includes the potential economic contribution of the iGaming industry which is under iGO’s conduct and manage regime. As an example, the analysis in this report does not contemplate any changes to the existing liquidity pool rules in Ontario, nor does it contemplate any potential economic benefits associated with the iGaming activity of the Ontario Lottery and Gaming Corporation (“OLG”).

The key information sources used for this study included:

- Operator survey data;
- Deloitte Canada iGaming/Sports Betting Forecast; iGaming Ontario data; and
- Statistics Canada.

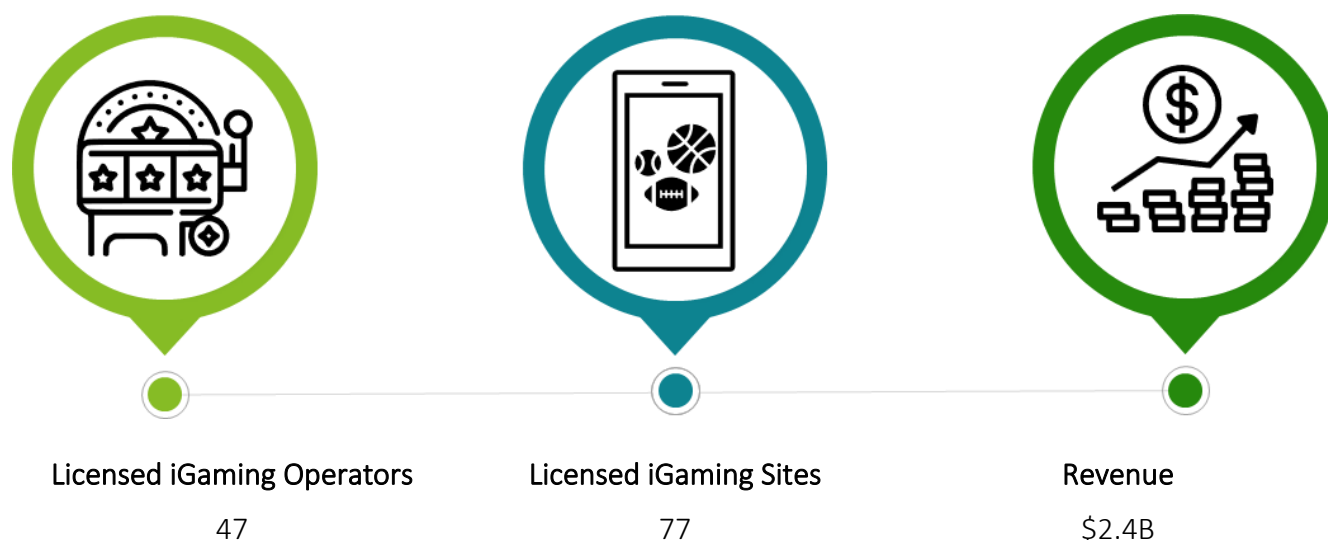
All assumptions used throughout the analysis have been validated by iGaming Ontario.

For clarity, estimation of the potential Year 1 economic contribution, along with commentary on the structuring economic development benefits, can be viewed by accessing: [Deloitte: Economic Contribution of Ontario’s Regulated iGaming Market | iGaming Ontario](#). This analysis of Year 2 can be viewed as an appendix to the original report.

Economic Contribution Results in Year 2

The revenue generated by the regulated iGaming market, along with capital investments and operating expenditures of the licensed operators, contribute economic benefits to the Ontario economy. This section presents quantitative estimates of the economic contribution in terms of GDP, employment, labour income, and government revenues, as well as an overview of the analytical framework and modeling methodology used to derive the estimates. The economic contribution is estimated for the Year 2 interval – April 4th, 2023 to April 3rd, 2024.

A snapshot of Ontario’s Year 2 performance of the regulated iGaming market is shown below:¹



Measuring Economic Contribution

In order to estimate the economic contribution from the business activities of Ontario’s regulated iGaming market, this study uses an Input-Output modeling methodology, which traces how the expenditures associated with iGaming operators ripple through the Ontario economy by creating demand for goods and services across industries.

The economic contribution is estimated across four metrics:

- **GDP:** Refers to “the total unduplicated value of goods and services produced in the economic territory of a country or a region during a given period.”² In the context of our study, GDP serves as a measure of the total economic value added resulting from the business activities of licensed operators in Ontario’s regulated iGaming market.
- **Employment:** Employment is estimated in terms of full-time equivalent (“FTE”) positions.
- **Labour income:** Labour income represents the total earnings of employees, including wages and salaries as well as supplementary labour income (e.g., contributions to Canadian Pension Plan and Employment Insurance made by employers).

¹ iGaming Ontario – ‘iGaming Ontario’s FY23 2023-2024 Full Year Market Performance Report (<https://igamingontario.ca/en/news/igaming-ontarios-fy-2023-24-full-year-market-performance-report>) Consistent with iGO’s Market Report gaming revenue “represents total cash wagers, including rake fees, tournament fees and other fees, across all iGaming operators minus player winnings derived from cash wagers and does not take into account operating costs or other liabilities”. The revenue reported (\$2.4B) is unaudited and subject to adjustment.

² Statistics Canada. Glossary. <https://www150.statcan.gc.ca/n1/pub/13-605-x/gloss/gloss-g-eng.htm#Grossdomesticproductbyindustryatmarketprices>

- **Government revenue:** Government revenues include product taxes (such as HST and iGO revenue share), production taxes (such as license payments and property taxes) as well as corporate and personal income taxes at the federal, provincial, and municipal levels. For certainty, the iGO revenue share is included in provincial government revenue.

The economic contribution is assessed at three levels:

- **Direct contribution** - the contribution directly associated with the operations of licensed iGaming operators, for example the contribution resulting from government revenue share, operators' profit and salaries and wages paid by licensed operators to their employees;
- **Indirect contribution** - the contribution resulting from the demand for goods and services, by licensed iGaming operators, from other industries such as advertising and marketing expenditure and procurement of technical services; and
- **Induced contribution** - the contribution resulting from the spending of the wages and salaries by licensed iGaming operator employees and indirect suppliers' employees supported by the regulated iGaming industry's demand for goods and services.

It is important to make a note on induced economic contribution: not taking into account induced economic effects underestimates economic contribution because household spending is absent from the model; including induced effects, however, tends to overestimate economic contribution because of the rigid assumptions about incomes (such as fixed expenditure shares relative to incomes).³ Therefore, generally, economic contribution based on direct and indirect effects alone and based on direct, indirect and induced effects are considered as upper and lower bounds of economic contribution estimates.

Overview of Licensed Operator Expenditure

The estimated expenditure figures for licensed iGaming operators in the province of Ontario were **\$1.96B** in Year 2 (April 4th, 2023 – April 3rd, 2024). In Year 2, operators were estimated to directly employ approximately 2,675 FTEs⁴ in the province with an average compensation at \$122,500 per FTE, which was 60% higher than the average compensation per job in Ontario.⁵

Estimated Economic Contribution of the iGaming Industry to the Ontario Economy – Year 2⁶

It was estimated that the regulated iGaming industry contributed \$2.7B to GDP, sustained 14,935 FTEs, and supported \$865M in provincial and municipal government revenues in Ontario in 2023-2024.

Accounting for the direct, indirect, and induced economic contribution, it was estimated that operators' operations and capital investments contributed **\$2.7B** to Ontario's GDP in 2023-2024, of which approximately **\$1.3B** was a contribution to labour income that sustained the employment of **14,935 FTEs** across Ontario (see Figure 1).

It was also estimated that operators supported **\$790M** in provincial government revenue and **\$75M** in municipal government revenue in Ontario, as well as **\$380M** in federal government revenue,⁷ in 2023-2024 (Figure 2). These government revenues included the iGO revenue share, taxes on products and production (for example, sales taxes and property taxes), corporate income taxes, and personal income taxes.

The estimated economic contribution based on the business activities of licensed iGaming operators in the province of Ontario, to the Ontario economy, for Year 2 of Ontario's regulated iGaming market is summarized on the following page.

³ Statistics Canada. Industry Accounts Division. Provincial Input-Output Multipliers, 2014. Catalogue no. 15F0046XDB.

⁴ Some operators do not have or have a limited representation of their employees in Ontario, therefore, while they stimulate economic activity in the province creating demand for the supply of products, their direct employment contributions are limited.

⁵ Ontario average job compensation refers to 2022 and is sourced from Statistics Canada, Table 36-10-0489-01.

⁶ Economic contribution impacts presented in this subsection are rounded to the nearest \$5 million and 5 FTEs, totals may not align due to rounding.

⁷ In this report, federal taxes estimates include only federal taxes from the operation of iGaming operators and their suppliers in Ontario, as such they do not include federal taxes associated with operations, including suppliers' operations, outside Ontario.

Year 2 (April 4th, 2023 – April 3rd, 2024)

Year 2 Estimated Economic Contributions of Ontario's Regulated iGaming Market

Total Contribution	Direct Contribution	Indirect Contribution	Induced Contribution
\$2,695M in GDP 14,935 jobs	\$955M in GDP 2,675 jobs	\$1,270M in GDP 9,295 jobs	\$470M in GDP 2,965 jobs

Year 2 Estimated Government Revenue Contributions of Ontario's Regulated iGaming Market

Total	Federal	Provincial	Municipal
\$1,245M	\$380M	\$790M	\$75M

Figure 1: Estimated Direct, Indirect, and Induced Economic Contribution of Ontario's Regulated iGaming Market (Year 2), Expressed in \$M

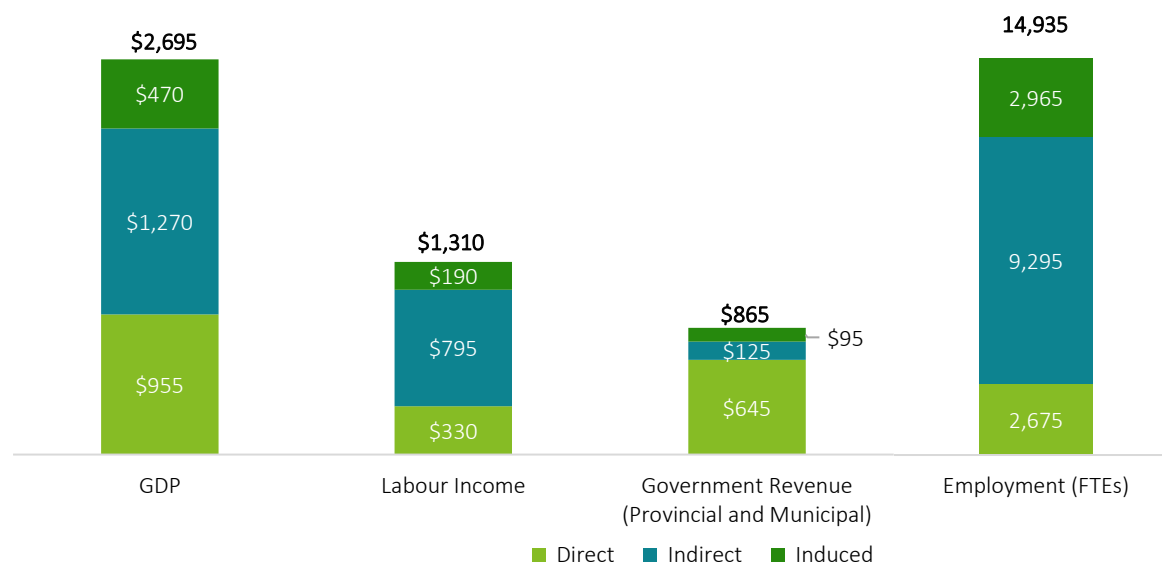
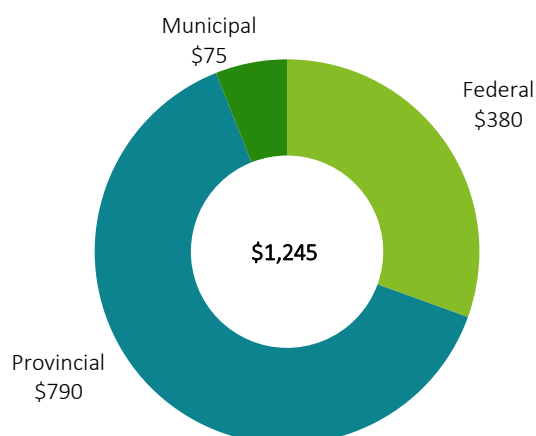


Figure 2: Estimated Contribution of Ontario's Regulated iGaming Market to Government Revenue (Year 2), by Level of Government, Expressed in \$M



In addition to the estimates of economic contribution to GDP, jobs and government revenues, the analysis supports several other conclusions.

- Approximately \$1.4 of economic activity (in terms of GDP) was added to the Ontario economy for every dollar spent by operators in operating and capital expenditures.
- Approximately 7.6 FTEs were sustained in Ontario for every million dollars spent by operators in operating and capital expenditures.
- At the direct level, Ontario's licensed iGaming operators supported approximately \$122,500 in average annual compensation per FTE compared to the Ontario average of \$76,500 per job.⁸

Comparison to Year 1 Results

The contribution of the regulated iGaming industry to Ontario's economy grew significantly in Year 2 compared to Year 1 (April 4th, 2022 to April 3rd, 2023). The estimated contribution to Ontario's GDP increased by 70% compared to Year 1, from \$1.6B to \$2.7B. The estimated contribution to labour income grew by 45% from \$905M to \$1,310M, and the contribution to employment – by 24%, from 12,070 FTEs to 14,935 FTEs. The contribution to provincial and municipal government revenue in Ontario increased by 66%, from \$525M to \$865M

⁸ Ontario average job compensation refers to 2022 and is sourced from Statistics Canada, Table 36-10-0489-01.

Appendices

A. Economic Contribution Model

The economic contribution from iGaming operator expenditures is estimated using the Deloitte Input-Output (“I-O”) model configured based on Statistics Canada multipliers.⁹ I-O modeling is a quantitative method used in economics to estimate the potential impact of a change in an economy, for example, an impact of a new investment or industry expansion. The model uses data on industries output, value-added, inter-industry transactions and on final demand in the economy to trace through all the changes in the output of supplier industries that are required to support an initial increase in an industry’s output or an increase in expenditures. I-O model simulation results in estimates of the direct, indirect, and induced impacts on GDP, employment, labour income and government revenues in an economy (see Section C of this appendix for detailed definitions of these concepts).

The I-O model is subject to a number of general assumptions and limitations. The model reflects a simplified macroeconomic structure, it does not include some variables of interest for macroeconomic analysis such as interest rates, unemployment rates or inflation. The model assumes that the economy (in this study, the Ontario economy) has the capacity to produce the goods and services stimulated by an economic change. The model is not able to forecast situations in which demand outpaces the capacity to produce the required goods and services, however, it does estimate the portion of goods and services sourced from other Canadian provinces and internationally. The model also assumes that the number of jobs maintains a linear relationship with gross output, that technologies are fixed and that product prices do not change in response to a higher demand.

It is important to make a note on induced economic contribution resulting from the spending of the wages and salaries: not taking into account induced economic effects underestimates economic contribution because household spending is absent from the model; including induced effects, however, tends to overestimate economic contribution because of the rigid assumptions about incomes (such as fixed expenditure shares relative to income).¹⁰ Therefore, generally, economic contribution based on direct and indirect effects alone and based on direct, indirect and induced effects are considered as lower and upper bounds of economic contribution estimates.

It is important to note that the economic contribution results in this study should be interpreted as a snapshot of the economic activity associated with the iGaming industry. These results do not account for the opportunity cost of the labour, capital and intermediate resources used for capital and operating activities. As such, the economic contribution results do not represent incremental economic impacts.

B. iGaming Operators Revenue and Expenditures

A survey of operators conducted for the purposes of this study was conducted from November 2023 to January 2024 and asked operators to provide data on their revenue (GGR), EBITDA, employment, operating and capital expenditures for Year 2 (forecasting to the year-end).









Informed by the survey and multiple data sources, iGaming operators’ revenue and expenditures were estimated based on a top-down approach. Operators’ expenditures were estimated from the Year 2 GGR while accounting for the key terms of iGaming Ontario Operating Agreements, including those on payments of iGO revenue share, eligible deductions, and HST. The structure of operating and capital expenditures is informed by the operator survey data. We also incorporated annual license payments of operators into the model.

⁹ The data on multipliers is sourced from Statistics Canada Tables 36-10-0595-01 and 36-10-0113-01. The reference year of multipliers used in this study is 2019. Although 2020 multipliers are available, we follow Statistics Canada’s guidance to use 2019 multipliers for economic impact analysis for recent years as they are considered as more reflective of current economic structures.

¹⁰ Statistics Canada. Industry Accounts Division. Provincial Input-Output Multipliers, 2014. Catalogue no. 15F0046XDB.

C. Definition of Terminology of Economic Contribution Analysis

The I-O model estimates direct, indirect, and induced economic contribution from iGaming operators' revenue and expenditures in terms of GDP, employment, labour income, and government taxes as defined below:

Measures	Definitions
 Gross Gaming Revenue (GGR)	Gross Gaming Revenue in this study is consistent with iGaming Ontario's definition in the organization's quarterly reports in that the figure "represents total cash wagers, including rake fees, tournament fees and other fees, across all iGaming operators minus player winnings derived from cash wagers and does not take into account operating costs or other liabilities." ¹¹
 Direct Contribution	Direct economic contribution represents the contribution from the operations of licensed iGaming operators. It includes licensed operators' profit, salaries and wages paid by licensed operators to their employees and associated personal income taxes, and government taxes paid by licensed operators (such as iGO revenue share, HST, property taxes, license payments and corporate income taxes).
 Indirect Contribution	Indirect economic contribution represents the contribution from licensed iGaming operators' suppliers. It results from purchases of goods and services by licensed iGaming operators from other businesses and includes operator suppliers' profit, salaries and wages paid by suppliers to their employees and associated personal income taxes, and government taxes paid by suppliers (such as HST, property taxes and corporate income taxes).
 Induced Contribution	Induced economic contribution represents the contribution from the spending of the wages and salaries by licensed iGaming operator employees and indirect suppliers' employees supported by the regulated iGaming industry's demand for goods and services. It includes the economic contribution from the production of goods and services in response to those consumer expenditures.
 Gross Domestic Product (GDP)	GDP is a measure of "the total unduplicated value of the goods and services produced in the economic territory of a country or region during a given period." ¹² In this study GDP is valued at market prices and as such includes taxes on products such as iGO revenue share.
 Employment	Employment represents full-time equivalent (FTE) positions. FTEs are counted according to their duration – for example, two part-time employees are counted as one FTE if the total time they spent on the job adds up to the number of hours one full-time employee would work in one year.
 Labour Income	Labour income represents the total earnings of employees (including those associated with indirect and induced impacts), consisting of wages, salaries, and benefits, as well as supplementary labour income (for example, employer contributions to pension funds and employment insurance).
 Government Revenue	Government revenue represents federal, provincial, and municipal products and production taxes, such as HST, property taxes, import duties as well the government share of gaming revenue. This report also includes corporate income taxes and personal income taxes.

¹¹ As per the definition in iGO Market Performance Reports.

¹² Statistics Canada. Glossary. <https://www150.statcan.gc.ca/n1/pub/13-605-x/gloss/gloss-g-eng.htm#Grossdomesticproductbyindustryatmarketprices>

D. Glossary

Abbreviation	Definitions
iGO	iGaming Ontario
iGaming	Internet Gambling
GGR	Gross Gaming Revenue
Operators	Reference to the licensed private sector operators who have executed an operating agreement with iGaming Ontario and are offering their products in Ontario.
Year 2	Refers to the economic contribution for Year 2 of Ontario's regulated iGaming market: April 4, 2023 – April 3, 2024.



About Deloitte

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services. Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

The information contained herein is not intended to substitute for competent professional advice.

© Deloitte LLP and affiliated entities