

UDC 658.64

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ASSESSMENT OF THE FINANCIAL PERFORMANCE OF LLC “FAVBET” IN THE CONTEXT OF THE GAMBLING MARKET DEVELOPMENT IN THE PERIOD 2020–2024

ОЦІНКА ФІНАНСОВОЇ ДІЯЛЬНОСТІ ТЗОВ «ФАВБЕТ» У КОНТЕКСТІ РОЗВИТКУ ГРАЛЬНОГО РИНКУ У ПЕРІОД 2020–2024

This paper presents a comprehensive analysis of the financial performance of LLC “Favbet” during the period 2020–2024, considering the dynamics of the gambling market in Ukraine. The study examines key financial indicators of the company, including revenue, profitability, return on investment, cost structure, and financial risks. The main factors influencing the financial stability of the enterprise are identified, including changes in regulatory legislation, the competitive environment, and macroeconomic trends. The research methodology involves trend analysis, financial ratio analysis, comparative analysis, and forecasting methods. The findings reveal that the company has demonstrated significant revenue growth over the analyzed period; however, it has also encountered financial challenges such as fluctuations in profitability and increased regulatory costs.

Keywords: financial performance, gambling market, LLC “Favbet”, financial analysis, revenue.

У статті проведено комплексний аналіз фінансової діяльності ТзОВ «Фавбет» у період 2020–2024 років, з урахуванням особливостей розвитку грального ринку України. Досліджено ключові фінансові показники компанії, такі як дохід, прибутковість, рентабельність, структура витрат та фінансові ризики. Визначено основні фактори, що вплинули на фінансову стабільність підприємства, зокрема зміни у законодавчому регулюванні, конкурентне середовище та макроекономічні тенденції. Аналіз діяльності другої за рівнем доходів та сплачених податків у державну казну України ТзОВ «Букмекерська компанія «ФАВБЕТ», що у період 2020–2024 років вела ліцензовану фінансову діяльність виявив такі особливості. По-перше, високий рівень задекларованих доходів у 2023–2024 роках, та збитковість діяльності 2020–2022 роках. Такими ж неоднозначними були й значення коефіцієнтів покриття необоротних активів власним капіталом, автономії, чистої маржі. Вагомим зниження рівня довіри компанія зазнала через низку скандалів та звинувачень, серед яких приховування реального доходу підприємства у 2020–2023 роках, розміщення зовнішньої реклами із порушеннями норми законодавства та найогидніше відмивання російських грошей. Прогнозування майбутніх прибутків компанії за методом екстраполяції привело до нереалістичних показників майбутніх доходів, і відповідно переобраним методом зменшення темпів зростання доходів організації, через поступове насичення внутрішнього грального ринку України були встановлені планові показники на термін 2025–2029 років. Згідно з результатами прогнозних показників варто оцінювати компанію, як рентабельну та прогресивну. Також у статті розглянуто вплив загальних тенденцій грального бізнесу на фінансову стійкість ТзОВ «Фавбет» та визначено можливі сценарії подальшого розвитку компанії. Результати дослідження можуть бути корисними для інвесторів, аналітиків та регуляторних органів, оскільки вони дозволяють оцінити фінансовий стан провідного оператора ринку та прогнозувати його майбутні перспективи.

Ключові слова: фінансова діяльність, гральний ринок, ТзОВ «Фавбет», фінансовий аналіз, доходи.

Statement of the problem. The financial analysis of enterprises operating in the gambling business is an important aspect for both scientific research and practical application in the economy. The Ukrainian gambling market has undergone significant changes since its legalisation in 2020, which led to a significant inflow of investments, a change in the competitive environment, and increased government regulation. In these conditions, an assessment of the financial performance of leading market operators, such as Favbet LLC, is extremely relevant for regulators, investors and analysts alike.

Analysis of recent research and publications. The study of the specifics of the gambling market has been addressed by numerous domestic and foreign researchers, both practitioners and theorists. Notable contributors in this field include Spersk N.A., Kytun A.P., Toporetska Z.M. [1], Hetmantsev D.O., Chernikov P.M. [2], Hyshchuk R.M., Boyko I.D., Ivanov A.M. [3], Rands J., Hooper M., and Rosekrans J. [4]. According to the provisions of current legislation, gambling is defined as any game in which participation requires the player to place a bet that grants the right to receive a prize (reward) [5].

The purpose of the article is a comprehensive analysis of the financial activities of Favbet LLC in 2020–2024 in the context of the development of the Ukrainian gambling market. The study is aimed at assessing the company's key financial indicators, identifying the main factors affecting its financial stability, as well as identifying trends and possible risks in the field of gambling.

Presentation of the main research material. In order to analyse the main features of the functioning of the Ukrainian gambling market, it is necessary to analyse the financial performance of its leaders. The second place in the structure of revenues from

the main type of activity and the number of tax payments to the state budget of Ukraine is occupied by the betting company FAVBET.

Favbet is an international company known throughout Ukraine. The bookmaker was founded in 1999, but in 2001, the official betting site was launched, which is still very popular today. The site provides access to all current sporting events, offers match announcements, and allows you to place bets as conveniently and quickly as possible. Favbet operates legally in Ukraine. The licence from KRAIL No. 433 was issued in 2021 and is valid for 5 years. The company regularly makes payments to the country's budget – the funds received go to the state fund [6].

Therefore, using Table 1, we will consider the dynamics of changes in the main indicators of the financial performance of FAVBET LLC in the period 2020–2024. Thus, it is interesting to note the fact of increasing the number of employees, while the company's profit is unstable. Thus, in 2021, the total staff was 5 people, with an annual loss of UAH 30,578 thousand, in 2022, the number of employees was 13, and the net loss from the main activity was UAH 39,693 thousand. 2023 became a turning point in the gambling business of Ukraine, as its profits increased to unprecedented levels as a result of the fight against illegal activities of the leading market leaders. FAVBET LLC increased the number of employees to 542 people, and for the first time in the analysed period, the company made a profit of UAH 1,735,544 thousand.

Strict market control and massive sanctions and fines, and then the closure of the commission that issued licences for the opening and operation of gambling businesses through licensing, led to a slight decrease in the profits of market leaders, so this company earned UAH 1384,974 thousand, but increased the number of officially employed

Table 1

Dynamics of changes in key financial performance indicators of FAVBET Betting Company LLC in 2020–2024

Indicator	2020	2021	2022	2023	2024	The growth rate 2024/2023	The growth rate 2024/2020
Number of Employees	–	5	13	542	707	30.44	–
Revenue (thousand UAH)	–	154	23 038	9 847 992	21321942	116.51	–
Net Profit (thousand UAH)	-565	-30 578	-39 693	1 735 544	1384 974	-20.20	245228.1
Assets (thousand UAH)	7	12 710	242 814	1 755 200	3317387	89.00	47391140.0
Cash and Cash Equivalents (thousand UAH)	6	143	4 044	588 218	1712090	191.06	28534730.0
Long-term Liabilities (thousand UAH)	5	43	107	6 808	12 323	81.01	246360.0
Current Liabilities (thousand UAH)	366	12 810	260 142	1 315 358	3435491	161.18	938558.7
Equity (thousand UAH)	-364	-143	-17 435	433 034	-130427	-130.12	-35731.6

Source: compiled by the author based on [7]

staff to 707 people. Thus, based on the analysis, we can unequivocally state that there is no direct correlation between the company's income and the number of employees.

Favbet has become a new leader in the gambling market, taking this position due to the fact that the previous leaders lost their place either due to sanctions or criminal proceedings. As you know, in the spring of 2023, the National Security and Defence Council of Ukraine imposed sanctions on the then leader of the betting market, Parimatch, as well as on the Russian player 1xBet. A few months before that, the licence of the FanSport bookmaker was cancelled by the SRBU, and in 2024, three other market leaders – the Vbet bookmaker and online casinos Cosmolot and Pin-Up – started having problems with the law: the first one had its accounts seized on suspicion of money laundering and ties with Russia, the second one was accused of not paying more than UAH 1 billion in taxes, and the nominal owner of Pin-Up was detained by the State Bureau of Investigation [8].

The activities of this company evoke mixed emotions, as accusations of a pro-Russian position and assistance in laundering Russian money in Ukraine border on large-scale patronage, promotion of Ukrainian brands, and support for the development of various national sports (including new ones). The field of activity also causes controversy, as the public reaction to the legalisation of gambling is predominantly negative.

The fact that a leading betting company was accused of violating the law on advertising adds fuel to the fire. The Commission for the Regulation

of Gambling and Lotteries (CRGL) has fined Favbet LLC UAH 2.4 million. According to the document, the severe penalty relates to the following violations of the ban on outdoor advertising with the image of an intellectual property object under which gambling activities are carried out [9].

The problem of inadequate marketing policy of the leaders of the Ukrainian gambling market has been repeatedly raised in the media and has become a topic of public discussion. This situation is caused by aggressive advertising strategies, insufficient control over compliance with ethical standards and the lack of a clear state policy on the regulation of marketing activities in the field of gambling. The excessive use of gambling advertising, especially in the digital space and on television, is a cause for concern among the public, experts and legislators.

The absence of a socially responsible approach in marketing strategies can contribute to the growth of problem gambling behaviour among the population, which, in turn, requires strengthening state control and implementing more effective mechanisms of industry self-regulation.

Let us consider the dynamics of changes in the main indicators of financial stability of FAVBET LLC in the period 2020–2024 using Fig. 1.

The current and quick liquidity ratios of FAVBET Betting Company LLC in 2020–2022 characterise the company's activities as unstable, and the possibility of quick repayment of its own obligations is low, so in 2020 this indicator was 0.02, in 2021 it was 0.35, in 2022 it was 0.45. Global changes in the company's performance came along with an increase in

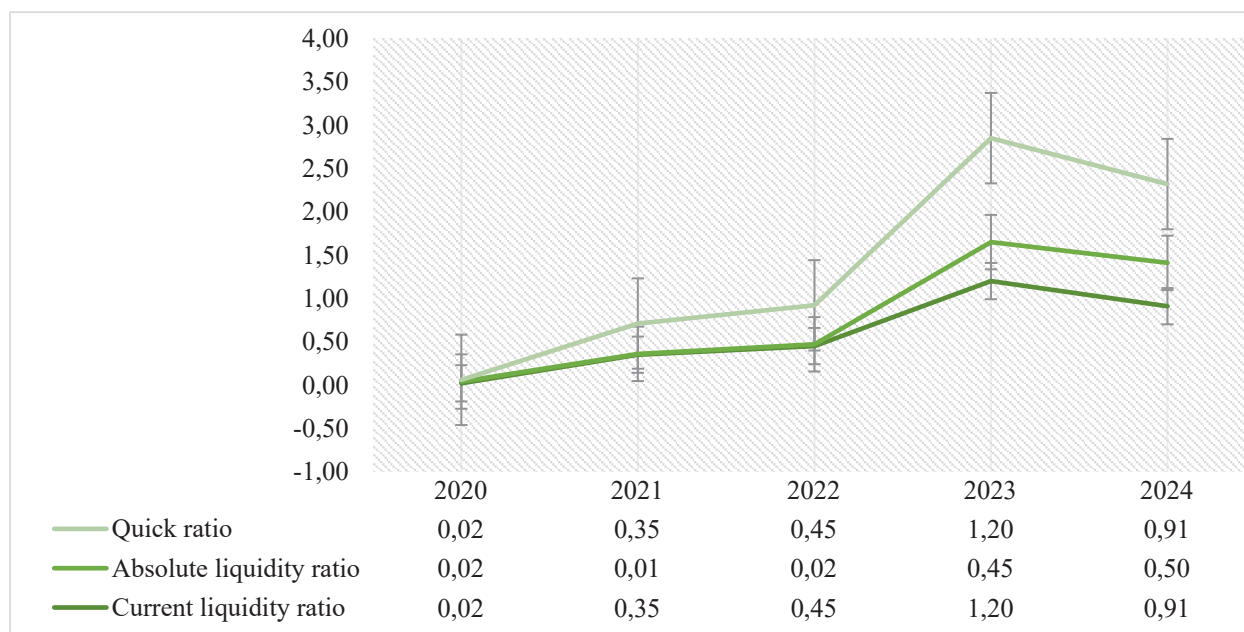


Fig. 1. Dynamics of changes in the main indicators of financial stability of FAVBET LLC in the period 2020–2024

Source: compiled by the author based on [7]

the company's profits, so in 2023, the quick and absolute liquidity ratios increased to 1.20 and 0.45, respectively. This growth demonstrates an increase in the company's ability to pay its debt obligations on time at the expense of its own funds.

Let's consider the dynamics of changes in the main indicators of financial security of FAVBET LLC in the period 2020–2024 using Fig. 2.

The analysis of changes in the return on equity shows an increase in the participation of the company's capital in its profit, so in 2020 the indicator was -2.41, in 2021 it decreased to -0.16, and in 2023 it showed a positive result and amounted to 0.99. The year 2023 was ultimately successful, as it was the first year that the company declared a positive profit. However, in 2024, the indicator dropped again to 0.42, which was caused by a number of negative statements about the company's activities.

Thus, there is a version that the Ukrainian gambling market is undergoing significant changes. At a time when a number of companies were deprived

of their licences due to accusations of links with Russia or other violations, Favbet not only maintained its position but also strengthened it. This raises questions about the company's transparency and its influence on regulators. Therefore, StopCor's team investigated the details of the alleged Russian citizenship of the founder of the gambling empire, Andriy Matyukha. A photo of a Russian passport in his name can be found online, but it is difficult to confirm its authenticity [10].

Thus, it is too early to talk about the transparency of the domestic gambling market. Nevertheless, it is worth noting the decrease in the shadowing of the gambling business in Ukraine, which is due to increased control by the executive and legislative authorities, as well as progressive court decisions.

It is important to understand the success of the leading bookmaker in Ukraine to analyse the dynamics of changes in the main indicators of financial independence of FAVBET LLC in 2020–2024, as described in Table 2.

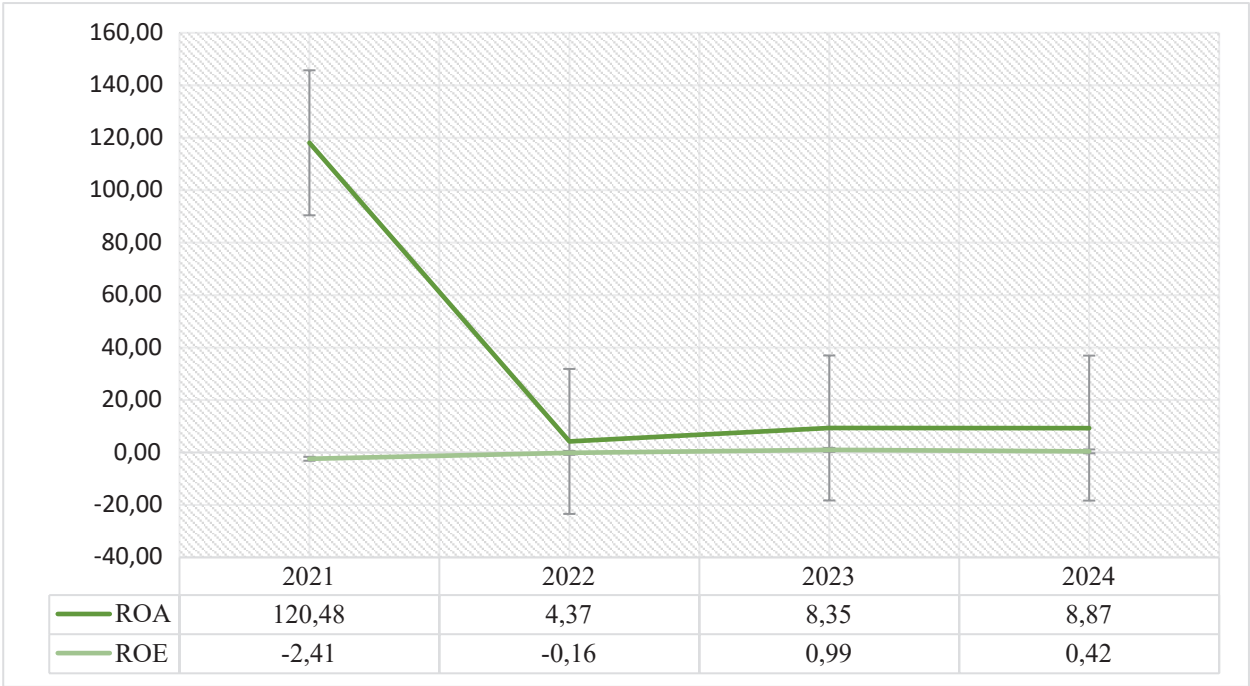


Fig. 2. Dynamics of changes in the main indicators of financial security of FAVBET LLC in the period 2020–2024

Source: compiled by the author on the basis of [7]

Table 2

Dynamics of Changes in Key Indicators of Financial Independence of FAVBET LLC in 2020–2024							
Indicator	2020	2021	2022	2023	2024	The growth rate 2024/ 2023	The growth rate 2024/2020
Autonomy ratio	-52.00	-0.01	-0.07	0.25	-0.04	-116.00	99.92
Net margin	–	–	-1.73	0.18	0.07	-61.11	–
Non-current assets to equity ratio	–	-0.02	-0.14	2.50	-0.65	-126.00	–
Debt ratio	52.29	1.01	1.07	0.75	1.04	38.67	-98.01

Source: compiled by the author on the basis of [7]

The growth rate of the ratios of non-current assets to equity, autonomy and net margin showed a downward trend in the period 2024–2023, as during this period there was a decrease in the volume of FAVBET's net profit, while the debt ratio increased by 38.68%, which indicates an increase in the analysed company's dependence on external borrowings and demonstrates, accordingly, an increase in the riskiness of the company's operation. Using the extrapolation method, we calculate the future profit of FAVBET Betting Company LLC in the period of 2025–2029. This method of trend analysis involves predicting future values based on data from previous years. Since the data varies globally, as well as market saturation in different years, the most appropriate option is to use the average revenue growth rate.

And given that the amount of revenue of the analysed company in 2024 was UAH 21321942 thousand, and the growth rate was 161.51%, the forecast of future revenue using the extrapolation method, which has an increasing effect for 2025–2029, is calculated by the formula:

$$P(t) = K / (1 + (P0K - P0)e^{-r(t-t_0)}) \quad (1)$$

Where: $P(t)$ is the projected revenue in year t ,

K is the marginal (maximum) value of income (market saturation),

P_0 is the initial value of income (in 2024), r – growth rate (adjusted on the basis of previous years),

t_0 is the year of the forecast start (2024), e is the natural logarithm base (~ 2.718).

The results of the calculation based on the above methodology are as follows:

2025 ($t = 2025$) = $8 \times 10^{12} / ((1 + (8 \times 10^{12} - 2,13 \times 10^{10}) / (2,13 \times 10^{10})e^{-r(2025-2024)}) = 153357,115$ UAH.

2026 ($t = 2026$) = $8 \times 10^{12} / ((1 + (8 \times 10^{12} - 2,13 \times 10^{10}) / (2,13 \times 10^{10})e^{-r(2026-2025)}) = 1102901,474$ UAH.

2027 ($t = 2027$) = $8 \times 10^{12} / ((1 + (8 \times 10^{12} - 2,13 \times 10^{10}) / (2,13 \times 10^{10})e^{-r(2027-2026)}) = 7925933,909$ UAH.

2028 ($t = 2028$) = $8 \times 10^{12} / ((1 + (8 \times 10^{12} - 2,13 \times 10^{10}) / (2,13 \times 10^{10})e^{-r(2028-2027)}) = 56660241,978$ UAH.

2029 ($t = 2029$) = $8 \times 10^{12} / ((1 + (8 \times 10^{12} - 2,13 \times 10^{10}) / (2,13 \times 10^{10})e^{-r(2029-2028)}) = 390409957,403$ UAH.

These indicators are too high, which is explained by the very high level of revenue growth of the analysed betting company and the entire gambling market in 2024. It is clear that such figures cannot be used for planning future revenues, so an alternative method of calculation is the method of limiting the growth rate. Its peculiarity is to take into

account the prospects of market saturation with this service, the emergence of competitors with lower prices and more promotional offers, and the methodology allows for an annual decrease in the growth rate of company revenues.

1. In 2025, 100% growth (rate = 2.0).

2. In 2026, it will be 70% (rate = 1.7).

3. In 2027 – 50% (rate = 1.5).

4. In 2028 – 30% (rate = 1.3).

5. In 2029 – 20% (rate = 1.2).

Now let's make an approximate calculation of future income:

1. 2025 = $21321,942 \times 2.0 = 42643,884$ thousand UAH.

2. 2026 = $42643,884 \times 1.7 = 72494,602$ thousand UAH.

3. 2027 = $72494,602 \times 1.5 = 108741,903$ thousand UAH.

4. 2028 = $108741,903 \times 1.3 = 141364,474$ thousand UAH.

5. 2029 = $141,364,474 \times 1.2 = 169637,369$ thousand UAH.

We consider this calculation to be more realistic, as it demonstrates the dynamism and high liquidity of the enterprise, which, even in times of crisis, is able to generate income for both the owners and the state budget.

Conclusions. The analysis of the activities of the second largest company in terms of income and taxes paid to the state treasury of Ukraine, FAVBET LLC, which conducted licensed financial activities in 2020–2024, revealed the following features. Firstly, a high level of declared income in 2023–2024 and loss-making activities in 2020–2022. The values of the coefficients were equally ambiguous coverage of non-current assets by equity, autonomy, and net margin. The company's credibility has been significantly damaged by a series of scandals and accusations, including the concealment of the company's real income in 2020–2023, the placement of outdoor advertising in violation of the law, and the most heinous money laundering.

Forecasting the company's future profits using the extrapolation method led to unrealistic indicators of future revenues, and accordingly, the newly chosen method of reducing the growth rate of the organisation's revenues due to the gradual saturation of the domestic gambling market of Ukraine set targets for the period of 2025–2029. According to the results of the forecast indicators, the company should be assessed as profitable and progressive.

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