

ASSESSMENT OF THE INVESTMENT ATTRACTIVENESS OF THE UKRAINIAN LOTTERY MARKET FOR FOREIGN LOTTERY OPERATORS IN THE CONTEXT OF RECENT LEGISLATIVE CHANGES

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Abstract. The lottery market has always been interesting for investors, because unlike the gambling business, the lottery business is always socially responsible and socially useful. For a long time, Ukraine had a state monopoly on the lottery market, which excluded foreign investors from launching and conducting lotteries in Ukraine. However, in early 2025, a law came into force that opened up the possibility for investors to obtain this right. The *article is aimed* at an economic assessment of the lottery market in Ukraine, analysis and comparison of the Ukrainian legislation regulating the activities related to the issuance and conduct of lotteries, and calculation of costs and benefits of a foreign lottery operator as a foreign investor in case of making a decision to conduct lotteries in Ukraine. Currently, the lottery market is divided among three lottery operators that received their licences before 2012. The authors have studied the economic indicators of the lottery market for the period 2020-2023 and found that, despite high market turnover, lottery operators showed small revenues from this activity. After assessing the costs of setting up a business in Ukraine, the authors conclude that, given the current indicators, a foreign investor is unlikely to be able to return the investment in 10 years (the term of the licence to issue and conduct lotteries). Therefore, the organisation of interstate lotteries jointly with lottery operators in Ukraine seems to be a more promising area for investment. Such lotteries have already gained popularity in Europe as they offer significantly higher prizes than national lotteries. The organisation of such lotteries does not require significant investor costs, as they will be conducted on the existing material and technical base of national lottery operators in Ukraine. The introduction of such lotteries is seen as promising for raising funds for the post-war recovery and reconstruction of Ukraine.

Keywords: lotteries, investments, social responsibility, public interest, lottery market, lottery issuance and conduct.

JEL Classification: E22, M14

1. Introduction

For a long time, Ukraine had a state monopoly on the issuance and conduct of state lotteries, which prohibited foreign companies from obtaining licences and conducting lotteries in Ukraine. However, private companies in Ukraine had the right to conduct them. Therefore, the lottery market is currently divided between three private lottery operators that received licences before the Law of Ukraine "On State Lotteries in Ukraine" came into force without a tender and continue to operate today.

However, on January 3, 2025, the President of Ukraine signed the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine to Combat Gambling Addiction (Ludomania) and Improve State Regulation of Activities Related to Organising and Conducting Gambling and Lotteries" No. 4116-IX of December 4, 2024 (Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine to Combat Gambling Addiction (Ludomania) and Improve State Regulation of Activities Related to Organising and Conducting Gambling and Lotteries", 2024).

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The Law enters into force on April 1, 2025, except for certain provisions that entered into force on January 5, 2025. The Law allows foreign lottery operators to participate in the competition for the status of lottery operator by establishing a company in Ukraine.

Thus, for the first time in the history of Ukraine, foreign companies will be able to participate in the tender for a lottery operator and obtain a licence to issue and conduct lotteries, and therefore, the assessment of the investment attractiveness of the lottery market becomes an urgent issue, as such studies have not been conducted so far due to the closure of the market to new investors.

In addition, back in 2012, with the adoption of the Law of Ukraine "On State Lotteries in Ukraine" (The Law of Ukraine "On State Lotteries in Ukraine", 2012), interstate lotteries were allowed to be conducted jointly by national and foreign lottery operators, but to date, there is no practice of conducting such lotteries in Ukraine, and the prospects for their conduct have not been studied in the scientific literature.

The purpose of this study is to provide an economic assessment of the lottery market in Ukraine, analyse and compare the Ukrainian legislation regulating lottery activities, and calculate the costs and benefits of a foreign lottery operator as a foreign investor in case of a decision to conduct lotteries in Ukraine.

Based on the above purpose of this article, the authors tried to solve the following tasks:

- 1) To assess the economic performance of the lottery market in Ukraine;
- 2) to calculate the official costs of opening a lottery business in Ukraine (licence fees) by a foreign operator through obtaining a separate licence and to assess the benefits of such a business;
- 3) to provide calculations of costs and benefits for a foreign lottery operator from investing in interstate lotteries in Ukraine.

Based on the stated purpose and objectives of the study, the authors used a combination of general scientific and special economic and legal methods of scientific cognition. Thus, the method of comparative analysis was used to study scientific works devoted to various aspects of legal regulation of lottery activities in Ukraine. The comparative legal method was used to study the provisions of regulatory legal acts and to establish the legal basis and legal mechanisms for organising lottery activities by a foreign lottery operator in Ukraine. The hermeneutic method provided for the study of the requirements of regulatory legal acts (codes and laws) that establish mandatory licence fees, tax payments and other requirements for the costs of lottery activities. The authors used the methods of economic analysis, absolute and comparative advantages, and statistical methods to assess the benefits and losses of a potential investor

from investing in lottery activities in Ukraine. These methods ensured the accuracy, correctness and reliability of the calculations performed by the authors.

2. Theoretical Framework

Due to the over-regulation and closeness of the lottery market in Ukraine, there are very few scientific studies that focus on the economic attractiveness of lottery activities. Most scientific works are devoted to the issues of state regulation or administration of gambling and lotteries. For example, K. Profatilo (2023) considered the administrative and legal framework of the Commission for Regulation of Gambling and Lotteries (CRGL), which is the authorised body for state regulation of the lottery market, and O. Kostiuchenko (2024) paid attention to the mechanisms of state regulation of the gambling market in Ukraine, mainly focusing on the work of CRGL.

Some authors considered the issues of legal regulation of the gambling and lottery market. O. Muzychuk, O. Getmanets (2023) studied the European experience of gambling market regulation, G. Muliavka (2016) studied the issue of harmonisation of Ukrainian and EU legislation in the legal regulation of the gambling market. A. Bazhenova (2017) explored the issue of gambling and lottery licensing in Ukraine.

The article (Pohoretskyi et al., 2022) focused on the economic efficiency of organising lotteries by state-owned banks, concluding that such a model is unprofitable for Ukraine. At one time, Z. Toporetska (2019) tried to answer the most common questions that arise during the launch and conduct of lotteries, including: foreign experience in organising lotteries, the practice of interstate lotteries, taxation of lotteries, social orientation of lotteries, and much more. M. Lyskov (2017) in his dissertation for the degree of Doctor of Juridical Sciences revealed various aspects of public administration of lottery activities.

D. Getmantsev (2008) assessed the lottery market in Ukraine by evaluating the main indicators for 2003-2007, but given that the legislation was significantly changed in 2012 and then in 2020, these calculations are already outdated.

The investment attractiveness of lottery activities has not been assessed in the economic literature. The authors have already assessed the investment attractiveness of institutional investment markets and the gambling market in Ukraine (Pohoretskyi et al., 2024). However, lottery activities do not belong to the gambling business, and lottery operators are not institutional investors, so the study of the investment attractiveness of the Ukrainian lottery market for foreign investors in the context of recent legislative changes is becoming increasingly relevant.

At the same time, the lottery market is always interesting to investors because it is socially responsible and socially useful, unlike the gambling business, and therefore attracts investors from countries where social responsibility is very important, including the United States and leading European countries.

3. Analysis of the Lottery Market in Ukraine

For a long time, the Ukrainian lottery market was divided between two lottery operators, but in 2023, a third company resumed operations, which had the right to conduct lotteries but did not conduct them for a long time. Also, the State Savings Bank of Ukraine has the right to hold lotteries, but has not held them for more than 15 years. The negative impact on the state of organising and conducting lotteries by state-owned banks was mentioned earlier.

Thus, as of the beginning of 2025, there are three companies operating on the Ukrainian market that have the status of state lottery operators: Ukrainian National Lottery Enterprise with Foreign Investments (UNL), M.S.L. Limited Liability Company (M.S.L. LLC), and Patriot Private Joint Stock Company (Patriot PrJSC). All these companies are private and owned by foreign companies.

Ukrainian National Lottery Enterprise with Foreign Investments (UNL) has owners from China and the United Kingdom. The company has 9 separate divisions in Ukraine and shows an increase in revenues (Table 1). In the Unified Register of State Lotteries introduced in Ukraine, 11 out of 28 lotteries are conducted by this company (Unified register of state

lotteries introduced in Ukraine, 2025). M.S.L. LLC has owners from Cyprus (99.96%) and 4 Ukrainian citizens. The company has 14 separate divisions in Ukraine, but in 2023, despite an increase in revenues, it showed a 10-fold decrease in profits (Table 2). In the Unified Register of State Lotteries introduced in Ukraine, 10 out of 28 lotteries are conducted by this company (Unified register of state lotteries introduced in Ukraine, 2025).

Patriot PrJSC has no publicly available financial data. The company is owned by a Ukrainian citizen through another UK company. Patriot has 7 representative offices in Ukraine (According to Opendatobot data (c)). According to the Unified register of state lotteries introduced in Ukraine, 5 out of 28 lotteries are conducted by this company (Unified register of state lotteries introduced in Ukraine, 2025). Since the company resumed lotteries in 2023, one should not expect high financial results from the company now.

In general, the following indicators of the lottery market turnover after the legalization of the gambling business in hrvnia are available (Figure 1).

4. Calculations of Estimated Costs for Starting a Lottery Business in Ukraine

To participate in a tender for a licence to issue and conduct lotteries, a tenderer must already meet a number of requirements of the Law of Ukraine "On State Lotteries in Ukraine", and investments are required to implement these requirements. In addition, the Cabinet of Ministers should adopt licensing conditions for lottery activities and the procedure

Table 1

Year	2023	2022	2021	2020
Revenue (UAH)	516 030 000	208 012 000	281 206 000	278 071 000
Net income (loss) (loss) (UAH)	9 542 000	-15 520 000	-13 149 000	-5 025 000
Assets (UAH)	714 900 000	596 280 000	609 041 000	605 568 000
Liabilities (UAH)	78 315 000	65 051 000	78 374 000	253 269 000
Number of employees	86	89	94	—

Financial performance of UNL

Source: Opendatobot data (a)

Table 2

Financial performance of M.S.L. LLC

Year	2023	2022	2021	2020
Revenue (UAH)	346 127 000	234 442 000	496 614 000	380 266 000
Net income (loss) (loss) (UAH)	51 855 000	585 178 000	140 738 000	-19 990 000
Assets (UAH)	3 096 179 000	2 968 065 000	2 886 493 000	2 759 955 000
Liabilities (UAH)	522 451 000	475 787 000	611 151 000	1 226 559 000
Number of employees	101	114	127	—

Source: Opendatobot data (b)

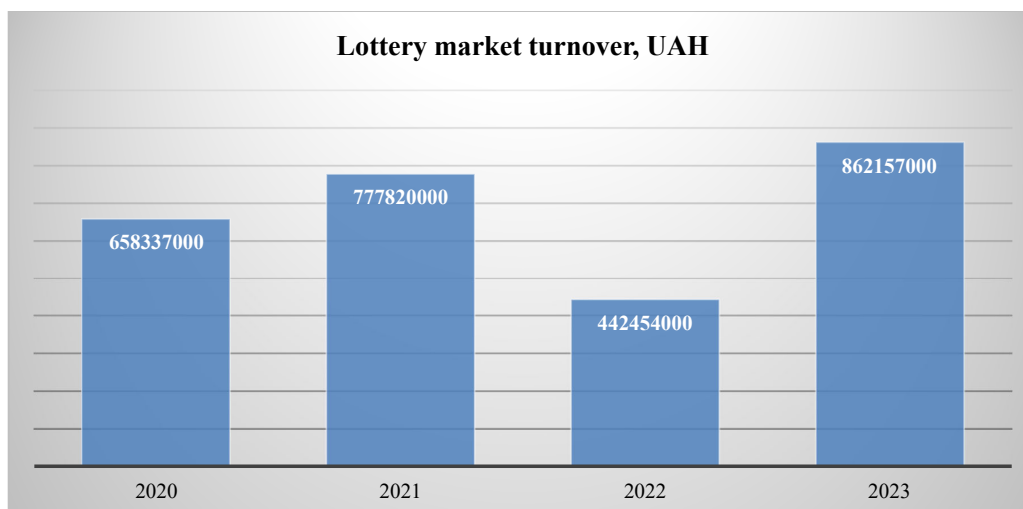


Figure 1. Lottery market turnover

for conducting a competitive selection, but has not yet done so. Once these documents are adopted, it is expected that the requirements for contestants may be expanded.

Thus, the Law of Ukraine "On State Lotteries in Ukraine" (The Law of Ukraine "On State Lotteries in Ukraine", 2012) provides, in particular, the following requirements that an applicant must meet at the time of submitting an application for a tender:

- 1) At least three years of experience in launching and conducting lotteries;
- 2) establish the authorised capital in the amount of not less than 30 million UAH in cash, and any other property may be additionally contributed for a larger amount;
- 3) maintain an impeccable business reputation;
- 4) insure the risk of non-payment of prizes to participants in case of its insolvency and/or bankruptcy for the amount of the prize (winning) fund paid by the state lottery operator during the previous calendar year;
- 5) ensure the availability of funds to pay for the licence (the fee is 28,000 minimum wages as of January 1 of the year in which the decision to issue the licence is made and is paid annually in equal instalments during the licence term, i.e., about 22.5 million UAH annually).

Therefore, at the time of participation in the competition, the investor must invest at least 55 million UAH or 1.2 million EUR in the candidate.

In addition, after obtaining the status of a lottery operator, it must ensure the availability of:

Permanently operating separate subdivisions in each settlement of Ukraine with a population of more than 500 thousand people. As for the separate subdivisions, there are 5 cities in Ukraine with a population of 500 to 1000 thousand people and three cities with a population of over one million, which means that at least 8 separate subdivisions should be

opened. Setting up one even on the basis of a rented premises will cost about 20 thousand EUR, and 160 thousand EUR in total;

distribution points of state lotteries in each settlement with a population of more than 5 thousand people, but not less than 5 thousand distribution points. The distribution points do not have to be owned by the company; it is possible to conclude an agency agreement and distribute on the basis of other persons. However, it is believed that at least 1,000 points should be the lottery operator's own network to ensure the stability of the lottery operator's work and uniform coverage of the entire territory. The cost of renting premises for this purpose, furnishing and hiring a distributor is at least 10 thousand EUR per outlet or 10 million EUR;

the functioning of the electronic betting system, which should include at least 5 thousand working terminals of the electronic betting system owned by the state lottery operator. One terminal costs at least 1 thousand EUR, so it is necessary to spend 5 million EUR on terminals alone, and about 1 million EUR for the electronic betting system of the lottery operator.

Thus, after obtaining a licence, the investor must invest at least 16 million EUR.

At the same time, given the financial results of each of the two lottery operators outlined above, it is unlikely that the invested funds will be returned quickly. Therefore, it seems to be a better idea to organise an interstate lottery with a Ukrainian lottery operator.

5. Calculations of Estimated Investor Costs for the Organisation of Interstate Lotteries

The Law of Ukraine "On State Lotteries in Ukraine" stipulates that an interstate lottery is conducted jointly by the operator of state lotteries and a non-resident legal entity that has the right to

conduct lotteries in accordance with the laws of its state of residence. The procedure for conducting interstate lotteries is determined by the operator of state lotteries jointly with other legal entities that will conduct such lotteries and must not contradict the legislation of Ukraine. In other words, it is enough for a foreign investor to enter into an agreement with the national operator, which sets out the rules for conducting such a lottery. The Law provides that the specifics of interstate lotteries may be determined by licensing regulations, but until the Cabinet of Ministers of Ukraine adopts new licensing regulations for lotteries, the legislation does not currently provide for any specifics of their organisation, so operators are governed only by the requirements of the Law. In addition, interstate lotteries are allowed to draw prizes denominated in foreign currency or international settlement units, which makes such lotteries more attractive than national ones.

Such interstate lotteries do not require additional investments from the investor, as in Ukraine, such lotteries will be distributed on the material and technical base of the lottery operator that is already available. There may be minor costs for programming this lottery in the lottery operator's online control system.

For example, the popular Ukrainian lottery Loto-Zabava offers a main prize of 1 million UAH (Loto-Zabava game rules, 2025). The jackpot of the popular Super Lotto is over 26 million UAH (Super Lotto game rules, 2025), and it is currently the highest in Ukraine. The biggest prize in the history of Ukrainian lotteries was won by a player from Donetsk Oblast on March 6, 2021 in the Super Lotto game. The jackpot sum was 33 032 000 UAH (The seven biggest jackpots, 2023).

Interstate lotteries are more attractive to players because they offer significantly higher jackpots. In Europe, there are EuroMillions, with the largest prize of 190 million EUR, and EuroJackpot, with the largest prize of 90 million EUR (Toporetska, 2019). Lotteries are conducted jointly by lottery operators in more than 10 European countries.

As for Ukraine, it could join these lotteries or create a new interstate lottery, the proceeds of which could be used for the post-war recovery and reconstruction of Ukraine.

6. Conclusions

Ukraine's lottery market is currently represented by three lottery operators and in 2023 almost doubled its turnover to over 800 million UAH, which indicates its potential for development regardless of the war. Legislative changes have opened up the market for foreign lottery operators, who hopefully will be able to participate in the competition for a licence and become a state lottery operator in Ukraine this year.

To obtain a licence in Ukraine, a foreign lottery operator must have at least 3 years of experience in conducting lotteries in their home country, establish a legal entity in Ukraine and invest about 1.2 million EUR in its development before the competition and another 16 million EUR after obtaining the status of a lottery operator. However, given the high turnover of the lottery market, the profits of lottery operators are small and amount to 217 thousand EUR for M.S.L. LLC and 1 million 170 thousand EUR for UNL in 2023. Given that these companies have been operating in Ukraine for a very long time, it will be quite difficult for a newly established company to achieve high profits in the first years of operation, so a new investor is unlikely to be able to return the investment in 10 years (the term of the lottery licence).

Therefore, it is more successful for a foreign investor to launch and conduct interstate lotteries in co-operation with national lottery operators, as there is no need for significant investments, as lotteries will be conducted on the basis of the already established network of the national lottery operator. Interstate lotteries are more attractive to European players because they offer significantly higher jackpots. A promising investment project would be the creation of an interstate lottery for the restoration and post-war reconstruction of Ukraine.

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