

# SportPesa reveals secret revenues of Sh150 billion

Betting firm shows Kenyans bet on average Sh408 million daily on its platform

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SportPesa has for the first time disclosed its annual sales of Sh149.7 billion, underlining the extent of online sports gambling craze in Kenya and outsized payouts available to wealthy and influential inves-



Mr Ronald Karauri.--FILE

tors behind the betting firm.

The firm averaged daily bets worth Sh408 million or Sh149.7 billion in 2018, according to disclosures in court papers.

It paid out Sh129.6 billion as winnings, leaving it with Sh20.1 billion that analysts reckon is enough to generate a profit in excess of Sh10 billion to firm

with a thin operating expenses, mainly staff.

The juicy revenues are enough to pay the salaries of 10,000 employees earning a monthly salary of Sh50,000 each for nearly 25 years.

It is also higher than the market capitalisation of Equity Group, **SPORTPESA** | PAGE 4

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-largest bank, which closed trading with a market value of Sh134 billion yesterday.

The amount also makes SportPesa the second-largest company in Kenya by revenue after Safaricom, which recorded a turnover of Sh251.2 billion in the year ended March.

Pevans East Africa, which operates the SportPesa brand, told the Kenya Revenue Authority (KRA) that it paid out Sh129.6 billion or 86.5 per cent of the bets placed in 2018.

The wealthy investors behind SportPesa, currently embroiled in fights, have been the biggest casualties of its closure in October last year, missing out on a steady flow of dividends that could run into billions of shillings.

The shareholder fight in the sports betting firm pits local majority shareholders against its foreign owners from Bulgaria and erupted when SportPesa announced its return under Milestone, a business licensed last month.

Businessman Paul Wanderi Ndung'u and Asenath Wacera Maina, who have a combined stake of 38 per cent, have fallen out with other investors and SportPesa CEO Ronald Karauri.

Pevans East Africa Shareholding	
Name	% Shareholding
Gene Grand	21%
Nikolov Gurrassim	21%
Asenath Wachera	21%
Paul Ndungu	17%
Ronald Karauri	7%
Cellini Holdings	3%
Valentina Nikolaeva	3%
Robert Wanyoike	3%
Ivan Stoyanov	2%
Peter Kihanya	1%
Francis Waweru	1%

Pevans EA, the company that owns SportPesa Kenya is 50 percent locally owned

The row is now in court.

The shareholder war threatens to break the six-year partnership of wealthy, politically influential Kenyans and Bulgarian investors that helped found SportPesa, which made its huge fortune from the online betting craze in Kenya.

Three investors from Bulgaria – Guerassim Nikolov of the ill-fated Toto 6/49 lottery, Valentina Nikolaeva Mineva and Ivan Kalpakchiev – are said to have provided the gambling and digital technology expertise

SportPesa's business	
Item	(Sh bn)
Bets placed	149.7
Customer payout	129.6
Gross gaming revenue	20.1
Betting tax due	4.8
Betting tax paid	3.6
Outstanding betting tax	1.2

SOURCE: COURT RECORDS  
\*FOR 2018 FINANCIAL YEAR

in the partnership.

Mr Karauri owns a seven per cent stake in Pevans East Africa while Mr Nikolov has a 21 per cent shareholding in the firm.

Other foreign investors in Pevans are American Gene Grand with a 21 per cent equity and Bulgarians Valentina Nikolaeva Mineva (three per cent) and Ivan Stoyanov Kalpakchiev (two per cent).

Peter Kihanya Muiruri, a cousin of President Uhuru Kenyatta, also recently emerged with a one per cent stake in the company.

The company told the KRA it kept Sh20.1 billion as gross gaming revenue on which Sh4.8 billion worth of betting tax was due.

It added that it had paid taxes

worth Sh3.6 billion, leaving a balance of Sh1.2 billion.

The taxman is, however, demanding much larger sums in what it claims are unpaid taxes by Pevans and which contributed to the cancellation of the company's gaming licence in July last year.

According to court records, the KRA is seeking to collect a total of Sh21.4 billion from Pevans, including withholding tax on winnings, penalties and interest for the period between January 2018 and May 2019.

The KRA says in court that its efforts to collect the taxes from Pevans have been frustrated by the company's alleged criminal activities.

"That the preliminary investigations have established that the applicant [Pevans] have jointly and severally been involved in activities suspected to be intricate and complex tax evasion and money laundering syndicate," Dominic Keng'ara, an investigations officer at KRA, said in a sworn affidavit.

He added that the ongoing investigations may lead to further enforcement actions including but not limited to recovery of taxes and tracing of funds under the Proceeds of Crime and Money Laundering Act, among other options available to the

commissioner in enforcing the tax laws and other economic crimes normally handled under the multiagency team approach.

The agencies involved in the probe include the KRA, the National Police Service, the National Intelligence Service, the Central Bank of Kenya and the Financial Reporting Centre.

The tax standoff, which had frozen SportPesa's operations for nearly 18 months, has led to efforts to revive the popular gaming brand under a new outfit, which is majority-owned by some of Pevans' founders.

Milestone Games Limited announced on October 30 that it had brought back SportPesa, leading to the temporary suspension of its licence by the Betting Control and Licensing

Board (BCLB).

The KRA says the move to operate SportPesa under Milestone is aimed at evading taxes. "That such acts are further intended to convolute the matters under investigations and frustrate the efforts of recovery of the taxes due and more that shall be established," Mr Keng'ara said in the affidavit. Milestone's move to ride on SportPesa brand and platforms is seen as a bid to access the more than 12 million customers in the database.

Mr Karauri acquired an effective stake of 54.4 per cent in Milestone through several investment vehicles ahead of the announcement that it had acquired the right to operate the gaming brand.

## Epra probes Kenya Power over hidden token pricing detail

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actions," Epra director-general Pavel Oimeke told the Business Daily yesterday.

The Consumer Protection Act 2012 demands that consumers are provided with full information, including the price and quality of any product they purchase.

Previously, Kenya Power pro-

### Kenya Power's net earnings (Sh-Mn)

THE FIRM'S PROFITS PLUNGED 92% TO SH262MN IN 2019 FROM SH3.3BN IN 2018

