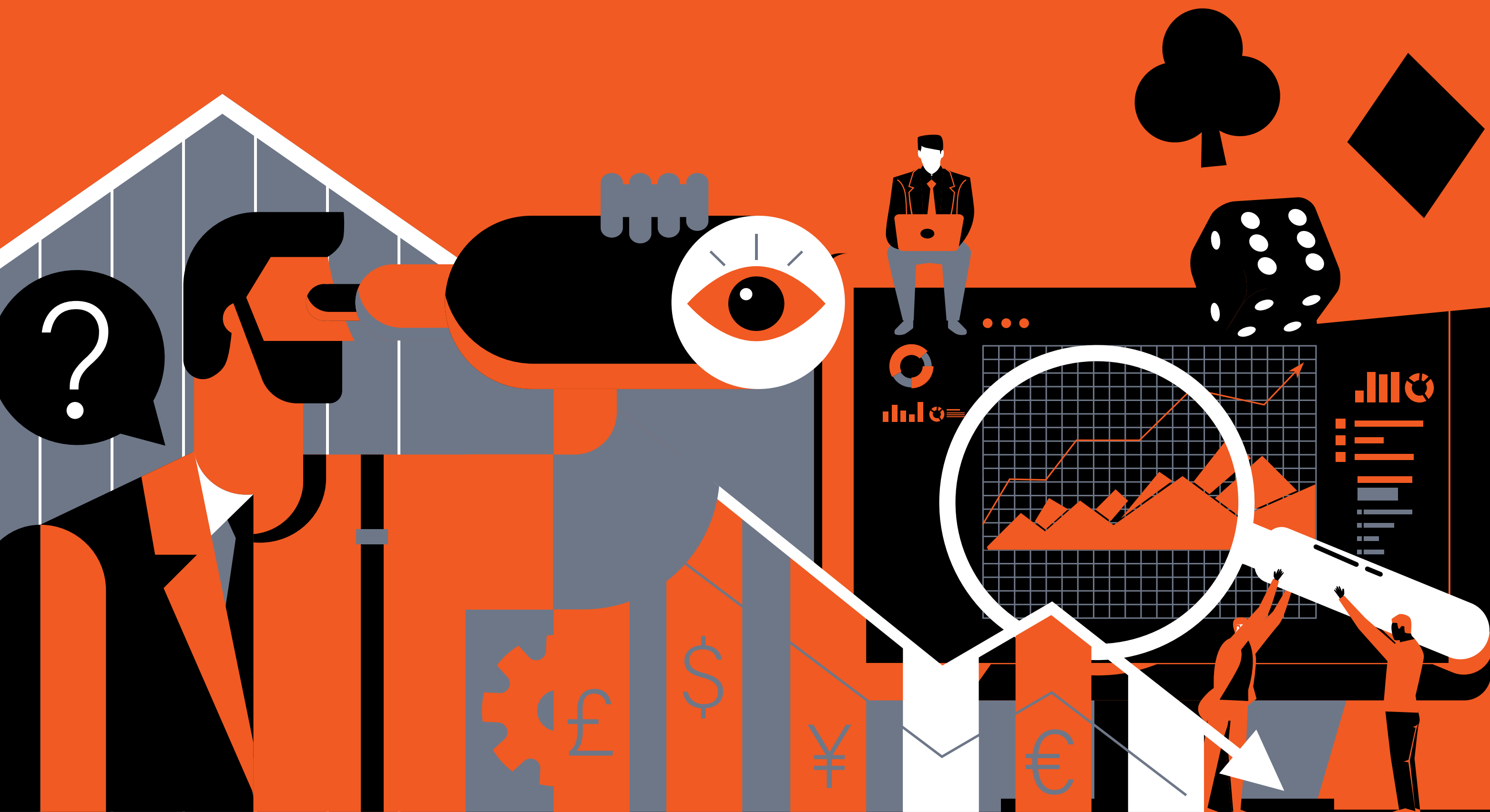
October 2020

Affiliate Monitor

A quarterly performance marketing review for the igaming sector

written by Clear Concise Media for iGB



Affiliate licensing • Ad breaks and bonus bans • Q2 results analysis

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A quarterly performance marketing review for the igaming sector
Written by Clear Concise Media

Author: Scott Longley
Editors: Stephen Carter and Joanne Christie
Design: Ogo Ikeogu

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Contents

Editor's Letter

Strains of optimism

The second-quarter results of the listed affiliates were eagerly awaited as they were expected to provide a clear picture on how this sector of the gambling ecosystem had been impacted by the novel coronavirus (Covid-19) pandemic.

By and large, the results showed that affiliates had fared relatively well thanks to the heavy focus on casino among the large affiliates. In fact, rather than simply managing to cope with the crisis, the latest results shows that some thrived during it, with year-on-year revenue increases for almost all of the companies covered. The big exception was Better Collective due to its strong skew towards sports betting.

With sports having resumed across most of the world, there are already signs that the situation is returning to pre-crisis levels, with both casino and sports betting revenues moving back towards more historical norms.

There is also some optimism that the pandemic caused a greater portion of the gambling market to move online, and that this will be of long-term benefit to the industry.

One thing affiliates are perhaps less optimistic about is the increasing inevitability of affiliate licensing in European jurisdictions, especially the UK. But as several commentators opine in this report, this can bring benefits for affiliates.

The same is true of the gambling advertising restrictions that seem to be spreading across Europe. As the experience of some affiliates in Italy shows, even with restrictive measures in place there are opportunities for affiliates.

It's harder to find the positives in bonus restrictions, however, with even the Swedish regulator conceding its Covid-19 induced bonus crackdown had possibly taken things a step too far. Add in the new bonus bans in Spain and it's understandable that concern is mounting over the future of what has long been one of the most important tools in the affiliate toolkit.

Stephen Carter
Editorial director, iGB

> **"There is also some optimism that the pandemic caused a greater portion of the gambling market to move online, and that this will be of long-term benefit to the industry"**

WELCOME

Executive summary

One of the biggest issues in the old world of European online gambling is the looming threat of affiliate licensing. Particularly in the UK, the issue has risen to prominence and now looks almost certain to be included in future legislation. In the meantime, the sector can look to the new world for an example of how affiliate licensing works in practice – and going by the comments from those who have gone through the process in various US states, affiliate licensing is nothing to be scared of. A lot remains to be decided, and whether the two situations are strictly analogous is up for debate. Yet the fact is that affiliate licensing is a reality that most will now already be dealing with.

More worrisome, perhaps, are the moves that Spain, Italy and Sweden have taken in terms of gambling advertising bans and moves against some forms of player bonuses. However, while moves against gambling marketing sound ominous, the evidence suggests that affiliates can actually prosper under a limited remit, such as the one that exists in Italy for odds/product comparison sites. Moreover, with the Swedish regulator recently suggesting the new legislative intervention on deposits and player bonuses had been unworkable, the hope is that the more draconian measures introduced due to the global pandemic might not be in place for much longer.

In terms of the other effects of the pandemic, there is some evidence these are subsiding. During the early phase, casino did well and more than covered the shortfall in sports, even in the US. However, the initial rush from the early months of the lockdown has subsided, such that various firms warn that casino traffic had gone back to normal by the end of the second quarter. All eyes will be on the return of sport and what that does for the third-quarter numbers.

Second-quarter results continued to highlight the growing split between affiliates when it comes to PPC. While the biggest company in the sector, Catena Media, is notably seeing less business in PPC, particularly in percentage of overall revenue terms, others in the sector – notably GiG – seem keener on taking the PPC route, despite its inherently lower margins compared with regular SEO affiliate marketing. Interestingly, as is discussed later, Better Collective's potential acquisition is likely involved in PPC given its circa 20% EBITDA margins.

This move towards PPC might be related to the issues that came up over the period due to Google's most recent update. As one source suggested, while those involved in SEO are clearly at risk of their sites being targeted by Google's updates, those with a PPC angle are more clearly a client of Google and therefore their efforts might be less susceptible to disruption.

PART ONE

Affiliate licensing – the US example

• Getting comfortable with licensing • Good at all levels? • Back in black

The debate with regard to affiliate licensing in the UK appears to be moving inexorably towards its instigation in future legislation. Such a move will have repercussions for the entire European affiliate space and is sure to have an increasing impact on the shape of the affiliate market in years to come.

But just how much will the market truly change once affiliate licensing becomes a reality? In this area, the sector could learn lessons from the US, where affiliate licensing is part and parcel of the changes being wrought by state-by-state sports betting and online gaming.

First in New Jersey and then subsequently in other states embarking on regulation, affiliate marketing companies that wished to participate in any revenue-share agreements or have any economic interest in how a customer plays with any regulated site have had to be licensed. "The US already requires affiliates to be licensed and on the whole, we don't speak to many partners that don't think it is a good step," says Toby Oddy, founder and chief executive at Digital Fuel Marketing.

GETTING COMFORTABLE WITH LICENSING

It shouldn't be forgotten that gaming in the US has a long history of regulation, stretching back way before there was such a thing as online. In this sense, then, it should be no surprise that the regulatory and licensing authorities in each state should look upon affiliate activity as an area that needs to be licensed. "Licensing is a critical part of the ecosystem [of US gaming]," says Michael Daly, vice-president for North America at Catena Media.

Such a position leads to a "different atmosphere" around affiliate licensing, suggests Fintan Costello, chief executive and founder of BonusFinder. "It's a much smaller industry in terms of numbers of operators and licensees, plus there is more dialogue," he adds. "You have self-exclusion schemes in place because of the long-standing land-based sectors and land-based more clearly goes more hand-in-hand with online in many states."

"In the case of establishing relationships, the status of the affiliate's licensing is typically the first, or one of the first, questions an operator asks as they need to ensure protection of their licences," adds Daly.

According to his analysis,

"The US already requires affiliates to be licensed and on the whole, we don't speak to many partners that don't think it is a good step"

TOBY ODDY, DIGITAL FUEL MARKETING

licensing is an element that those entering the US with their experiences of other markets in mind often either complain about or downplay. "I've heard many call it overly burdensome and say that there should be a 'lighter touch' to it all," he says. "I completely disagree."

His reasoning is sound. Given the direction of travel in the UK, it is clear that the light touch applied in the UK – where effectively the Gambling Commission persuades operators to police their own affiliate relationships – would appear to have failed to stem the tide of criticism of the affiliate sector.

As Daly suggests, with the

pendulum swinging in favour of further affiliate regulation and with advertising in general the focus of legislative moves elsewhere in Europe, now would seem like an odd time to suggest a slackening off in the US. More to the point, he says that the certainty that comes from an effective licensing regime is good from a business point of view.

"I prefer to work in a market where rules are tough, but fair, for the protection of consumer, operator and investor alike and then hold fast on those rules with only slow, periodic adjustments as necessary," he adds. "That is what the US regulatory environment provides. It has allowed for a thriving business in the land-based industry here across almost all states and will do the same for online. And what is good to create a thriving online business is good for Catena."

"I prefer to work in a market where rules are tough, but fair, for the protection of consumer, operator and investor alike and then hold fast on those rules with only slow, periodic adjustments as necessary. That is what the US regulatory environment provides"

MICHAEL DALY, CATENA MEDIA

GOOD AT ALL LEVELS?

One of the often heard complaints about licensing of affiliates is that it somehow skews the pitch in favour of the larger organisations. There is some logic to this argument on the basis that a larger organisation will have the resources to deal with regulatory and licensing issues.

However, this is refuted by those who have gone through the licensing process in the US. "In a way, as a small affiliate, it is actually easier," says Costello. "The paperwork is easier. I have spoken to people in bigger organisations, and they say that rounding up the details of 10 executives is a much harder task. The burden is harder."

The costs are higher, for a start, says Daly. "I think it is a fallacy that a more severe licensing process favours a larger organisation," he argues. "I've worked for numerous large, land-based and online vendors in the US and all of them, despite having in-house compliance and legal, seemed to need external local counsel as part of these processes.

"And, being larger, those bills are larger than for a small organisation. Particularly as you must get a board and larger number of executives licensed. So, if anything it is proportional for the various sizes of the organisation. Sure, there is a basic initial fee but that is not unreasonable for even a start-up, in most cases."

Moreover, in scaring off the more fly-by-night characters, affiliate licensing can act as a way to gauge seriousness, says David Copeland, chief executive and founder at Wedge Media. "People with murky pasts may be scared off, those wanting to deal still with offshore will be put off. The flip side is serious investors who want a more defensible business model will be attracted by regulation. I am actually pro affiliate regulation as I feel it adds value to the businesses we are growing."

BACK IN BLACK

The argument that affiliate licensing inevitably leads to some opting to work with the black market – or rather, continue working with the black market instead of working in the licensed arena – is one that is wheeled out whenever the subject is raised. Indeed, there is an argument that whenever regulation is tightened in any jurisdiction, the bogeyman of the black market will be raised.

In the case of the US, there is a strict delineation between those affiliates that work in regulated state-by-state markets and those that continue to work with black market operators. With licensing in place from the off, the line is very clear-cut and Daly suggests that such clarity helps the fight against offshore leakage.

"Without licensing we would have affiliates supporting/representing the legal and illegal markets at the same time," he says. "Getting the best of both worlds, so to speak. With licensing, it forces the affiliate to choose where it will exist. And if they don't follow the licensed jurisdiction's rules, then they can be sanctioned from working with operators there."

Without it, he suggests that the "burden of policing affiliates would fall fully on operators, which seems unfair". This is basically the situation as it exists explicitly – for now – in the UK. Whether this remains the case, however, is now very much open to question.

PART TWO

Ad breaks and bonus bans gather pace

• Lessons from Italy

Spain has become the latest jurisdiction to announce restrictions on advertising, with a set of measures mainly aimed at TV and radio advertising. Specifically, advertising around sports events on TV is now banned, with all gambling ads now confined to between 1am and 5am every day.

However, more pertinent to the affiliate space are the new measures that mean that bonuses for first-time depositors are now banned and that retention bonuses face new rules.

These measures bear some resemblance to the situation in Sweden, albeit first-time bonuses are allowed in the Scandanavian territory but all further bonuses are banned. As the affiliate sector knows, any measures restricting bonusing tend to cause trouble at the affiliate level and this has been the case for the regulated market in Sweden.

Some of the listed affiliates have talked in previous Affiliate Monitors about how the Swedish market has been a disappointment. Now that looks likely to affect those operating in the Spanish market.

LESSONS FROM ITALY

But the Italian experience should reassure the affiliate sector that even when restrictions are tighter than is the case in Spain or Sweden, the chances are affiliate marketing can still thrive.

Catena Media said in its second-quarter report that its Italian-facing brands superscommesse.it and guidescommesse.it showed "stable performance due to their strong market position".

A spokesperson confirmed that both affiliates and operators "have adapted to the new reality" of the Italian ad ban and, in particular, the potential for affiliates to use the price comparison loophole in the regulations. "Italy is one of the largest online markets in the world with a thriving offline betting market," they added.

"In any market you have to do a few fundamentals right, deliver quality leads via delivering a quality product to the user and ensuring you do a better job than the competition in the search rankings," the spokesperson said. "We believe we do this better than our competitors in a number of ways and this means operators want to work with us."

However, in a comment relevant to the debate on affiliate licensing, the spokesperson explained that the compliance demands that affect marketing in Italy have seen some smaller competitors leave the market. "We chose to stay and our teams have done an amazing job getting us to where we are today," they said.

Affiliates with an interest in Sweden will also doubtless be relieved by the report from the Swedish regulator at the end of August, where it admitted that the bonus and deposit limits introduced earlier this year in response to the Covid-19 pandemic crisis had proved to be unworkable.

Giulio Coraggio, DLA Piper

Unfortunately for the sector, the rules – which include a bonus limit of SEK100 – will be in place until the end of the year. Also, the regulator suggested it was specifically the deposit limits that posed an issue, rather than any specific problems with the restrictions on bonusing.

Meanwhile, in Italy, the sense from legal experts is that the authority that oversees gambling advertising, AGCOM, and regulator ADM – both now in the process of issuing fines and taking actions against operators that have crossed the line – are showing signs of being more proactive.

> "We experienced an increase in the level of attention during the last months when AGCOM started issuing the first fines and the Italian government increased the powers of ADM against websites that also operate in breach of Italian laws in the advertising of their products"
>
> GIULIO CORAGGIO, DLA PIPER

"We experienced an increase in the level of attention during the last months when AGCOM started issuing the first fines and the Italian government increased the powers of ADM against websites that also operate in breach of Italian laws in the advertising of their products," says Giulio Coraggio, partner at DLA Piper in Rome. He warns that AGCOM, in particular, might yet take a more aggressive approach on affiliates.

PART THREE

Company-by-company review

• Catena Media • Gaming Innovation Group • Better Collective
• Raketech • Gambling.com Group • Acroud

CATENA MEDIA

Catena Media in brief Q220

Period	Revenue (€m)	YoY rev. variance (%)	QoQ rev. variance (%)	EBITDA (€m)	YoY rev. variance (%)	QoQ rev. variance (%)
Q220	27.8	17.0	4.0	14.8	38.0	4.0

ASK THE FAMILY

Catena's successes in the second quarter were all about online casino. In particular, the company once again stressed the success of AskGamblers in various markets, which hit all-time high traffic numbers during lockdown. Without quantifying the number, Catena said revenue for AskGamblers was 50% higher this year than in the same period of 2019. The success was led by the US, where Catena said that both New Jersey and Pennsylvania enjoyed their best-ever quarter in casino revenue terms.

'RECURRING DISTURBANCE' FROM GOOGLE

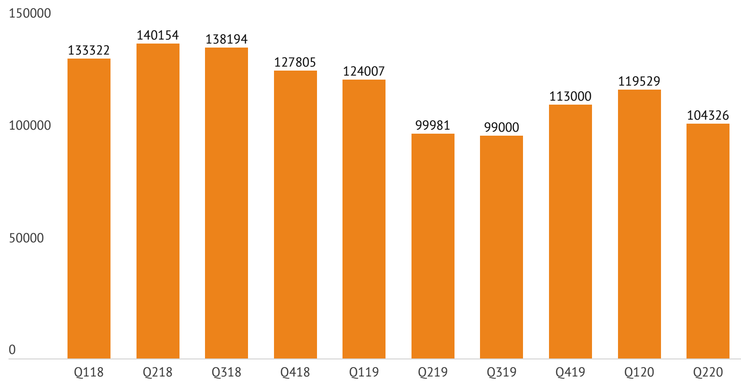
The cloud on the horizon for Catena Media – and for the sector as a whole – remains the reliance on Google for revenues. It remains the sector's Achilles heel.

The latest Google update to its search and ranking algorithms came in May, but as the company had previously explained in a June trading update, not all of Catena Media's businesses were hit the same way. While some brands lost out in traffic numbers, the company said that the US saw an improvement in this metric. Clearly, as the company pointed out, it also remains the case that conversion rates and revenues "were not necessarily hit in the same way", as reflected in the headline numbers.

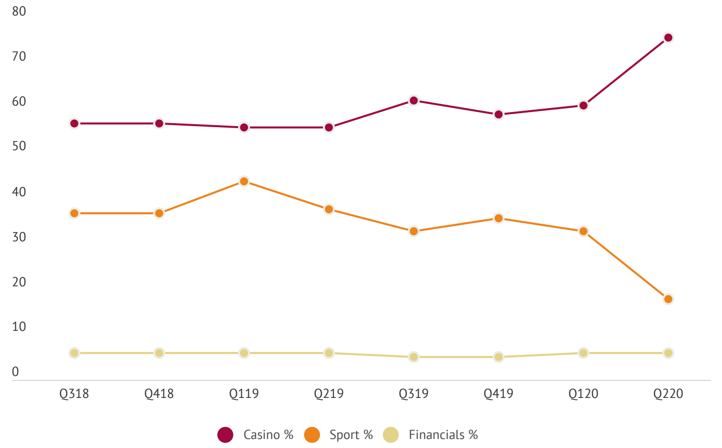
Still, it will remain a concern that a business such as Catena's should be damaged by moves that are beyond its control. "This type of Google update is a recurring disturbance to any industry with a search-engine focused business model," the company said. "We are experienced at handling them and we are getting better at managing any short-term effects each time they occur."

Google updates are indeed the price of doing business for affiliates, with XL Media the company in the spotlight previously (see Affiliate Monitor June 2020). To an extent, there is a cat-and-mouse element to what is going on, with Google attempting to punish publishers of low-grade sites and those publishers attempting to apply what they know about SEO to escape the worst of Google's sanctions.

Catena Media NDCs Q218-Q220



Revenue by product segment (%) Q318-Q220



Source: Company reports

THE NEW NORMAL IN NDCS

Where all this is having the most visible effect as it stands is arguably in the number of NDCs generated by Catena. Since a high point for the company in the second quarter of 2018, when the NDC total rose to more than 140,000, the NDC count per quarter has significantly declined, with the second quarter of this year seeing only 104,326 NDCs through the gate.

While the last quarter might be seen as an exception – as is discussed later Catena was much more reliant on casino revenues in the second quarter compared to sport – we can look at the average NDC count per quarter to gauge the extent to which NDC generation has changed for the company. In the four quarters up to the fourth quarter of 2018, when NDC numbers were tailing off from their Q218 high, the average quarterly figure was 132,500. For the past four quarters that number has dropped to just less than 109,000.

This clearly hasn't harmed revenues, although we should caution that there is always a lag between NDC numbers feeding into revenues.

CASINO TRIUMPHANT

Where Catena has been a beneficiary is in casino, where its traditional base in Europe – and increasingly in the US – has significantly contributed to the increased revenues on a quarterly and yearly basis. As can be seen from a breakdown of revenues by product segment, casino was able to pick up the slack from a sport segment that lacked any sporting events to bet on.

This reversed a trend of generally rising – albeit seasonally affected – sports revenues. This will be reversed again in coming quarters, with sport returning both in Europe and, significantly for Catena, in the US. The only caveat, as the company noted, was that with the sporting calendar so disrupted, the likelihood is that some revenues that would otherwise have been expected in the third quarter might be pushed into the last quarter of the year.

GAMING INNOVATION GROUP

ON THE UP AGAIN

Gaming Innovation Group (GiG) saw revenues return to levels not seen since the second quarter of last year, with the quarterly revenue rise coming in at €8.6m. The company clearly benefited from the industry-wide improvement in casino traffic during the lockdown period, which it said had offset the decline in sports.

DUAL MEDIA STRATEGY

GiG gave a brief mention to the Google update, suggesting it had been slightly blown off course early in the quarter, but that the issue was resolved quickly. "The update was immediately addressed and the assets are again seeing a positive upward trend and the intake of new players (is) improving," the company said in its second-quarter report.

Compared to others in the sector, GiG clearly sees an opportunity in paid media. As can be seen, the number of FTDs that come in from the paid channel has been improving for two quarters now, with paid representing 24% of total FTDs over the period.

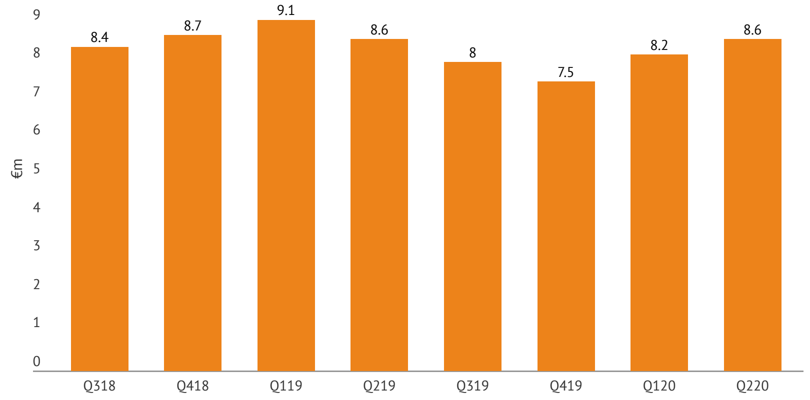
"Paid media represents an important longer-term growth opportunity within media service due to regulation opening up future potential and its reduced potential for volatility that can be found in the publishing area," the company said. It added that it would be concentrating on new markets with paid media in the coming months.

Of GiG's total revenues, 61% came from revenue-share agreements, while CPA represented 12% in the second quarter, down from 17%, and 25% came from listing fees. A final 2% came from other services. In general, FTDs were up 16% year-on-year and 22% quarter-on-quarter.

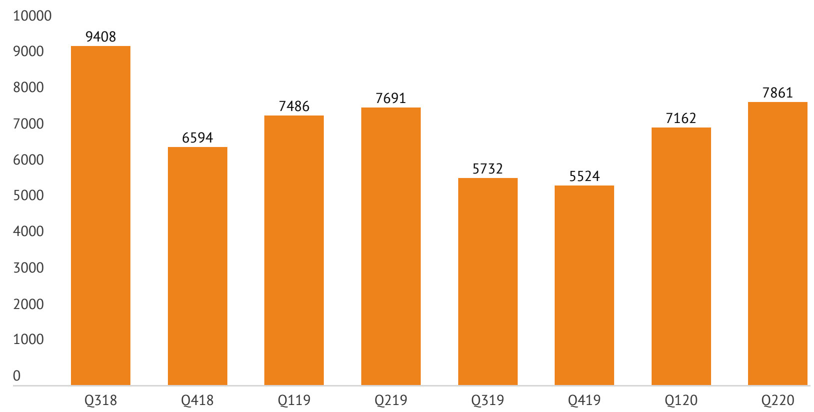
Gaming Innovation Group in brief Q220

Period	Revenue (€m)	YoY rev. variance (%)	QoQ rev. variance (%)	EBITDA (€m)	YoY rev. variance (%)	QoQ rev. variance (%)
Q220	8.6	0.0	0.5	4.8	2.1	6.7

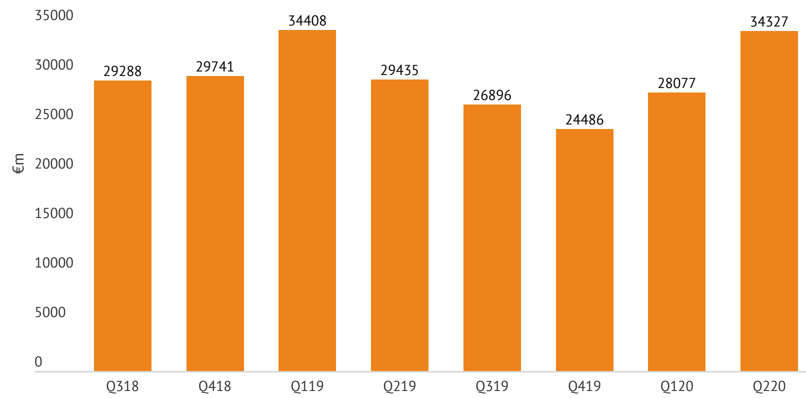
Gaming Innovation Group media division revenues Q318-Q220 (€m)



GiG paid media NDCs Q318-Q220



GiG total NDCs Q318-Q220 (€m)



Source: Company reports

BETTER COLLECTIVE

THE GREAT M&A CHASE

In announcing in late August that it had signed a letter of intent with an unknown party with regard to a potential large acquisition, Better Collective set tongues wagging within the sector about the target company. The clues were clear enough, though, given there aren't too many gambling lead-gen businesses generating the revenue and profit numbers quoted by Better Collective and these looked very similar to Atemi's FY figures released in March.

The deal was completed on 1 October, with CEO Jesper Søgaard stating the acquisition of the paid media and social media advertising specialist would transform Better Collective into the clear leader in customer acquisition for operators with an estimated annual NDC level of more than 600,000 and annual proforma revenue of more than €120m.

Commenting on the acquisition to iGB, Atemi founder Richard Skelhorn said: "There's virtually no crossover between the businesses, which is rare for a deal of this nature. They [Better Collective] are mostly sports betting, we are predominantly casino. They are heavily in Scandic and German markets, we are UK focused.

He added: "In order to rank and really scale these days, you need to be able to buy media.

Better Collective in brief Q220

Period	Revenue (€m)	YoY rev. variance (%)	QoQ rev. variance (%)	EBITDA (€m)	YoY rev. variance (%)	QoQ rev. variance (%)
Q220	15.3	-3.7	-27.0	6.7	-1.5	-26.0

It's increasingly difficult to do this through SEO alone".

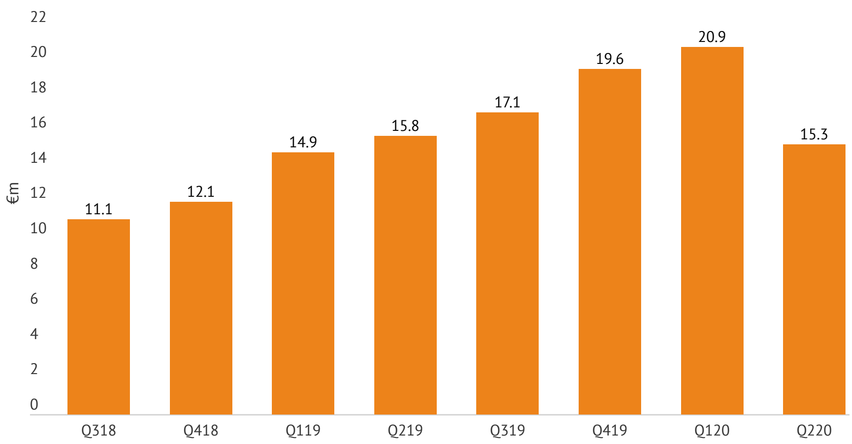
Better Collective's acquisition of the paid search business came just a few months after the RAiG trade body of which it is a founding member backed a Gambling Commission working group agreement that PPC advertising be restricted to over-25s, prompting Skelhorn to declare that RAiG's SEO-focused members would have most to gain from this.

PAYING THE PRICE ON SPORTS

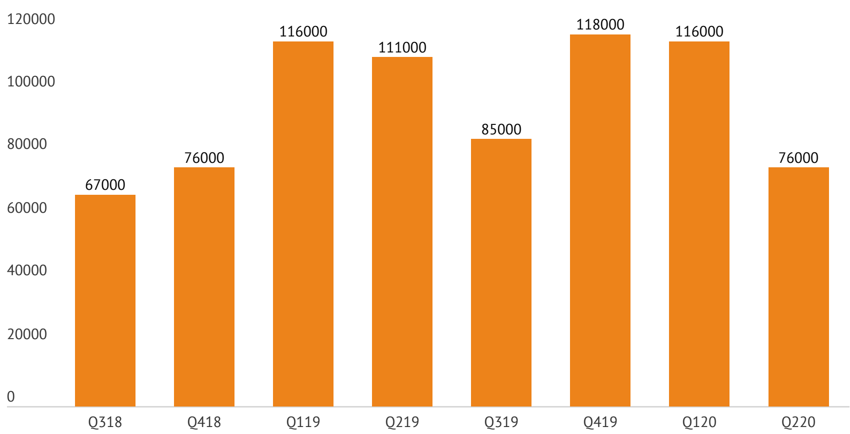
The heavy reliance on sports was clearly a drag on Better Collective during the lockdown period. Unlike its peers, which were able to rely upon the mini-boom in online gaming in the second quarter, Better Collective's heavier skew towards sports-based revenue streams meant that organic revenue went backwards in the second quarter, falling 25% year-on-year. This was more than matched by the decline in new depositing customers, where the headline number fell by 36% to 76,000.

As can be seen, over a two-year period the quarterly revenue progression shows that the second quarter of this year broke a streak

Better Collective quarterly revenues Q318-Q220 (€m)



Better Collective NDCs Q318-Q220



Source: Company reports

of rising quarter-on-quarter revenue rises, while the NDC drop took Better Collective back to levels not seen since the last quarter of 2018.

EBITDA for the period also suffered, falling 7% year-on-year, though the EBITDA margin remained steady at 41%, helped by €3m of cost reductions in the second quarter.

HOTTER THAN JULY

The good news for Better Collective is that the return of sports in May, June and then into

"Already a rapidly growing area for the whole industry and an ideal extension to our focus on classical sports, the lack of sports in recent months has further fuelled the growth in this area. NDCs generated by esports have grown rapidly throughout the quarter"

JESPER SØGAARD, BETTER COLLECTIVE

the third quarter has revived the company's fortunes significantly. Revenue growth in June was up by 20% year-on-year, of which 7% was organic, while in July, NDC growth hit 25%, which the company said was a record monthly upturn.

The company reiterated that it expected organic growth would be between 15-25% for the year. Including the expected M&A – as discussed elsewhere in this report Better Collective expects to complete at least one transaction this year – it said that it expects growth including acquisitions to be 30%-plus for the year.

In his chief executive review, Jesper Søgaard said the company's focus now that sport was back was to "regain momentum when it comes to NDC generation". "When we look at the underlying betting activity in our major European revenue-share accounts, things have returned close to normal in June. For the month of July, we saw the second-highest monthly sports wagering ever measured by these accounts," he said.

ESPORTS ACTION

A bright spot for the company has been the performance of its recently acquired HLTC.org esports business. "Already a rapidly growing area for the whole industry and an ideal extension to our focus on classical sports, the lack of sports in recent months has further fuelled the growth in this area," Søgaard said. "NDCs generated by esports have grown rapidly throughout the quarter."

UNITED STATES AND BEYOND

The US remains one of Better Collective's main hopes for future growth and its second-quarter report noted that it is now live in eight states. In terms of sporting action, the US is behind the curve compared to Europe, but the calendar should be kind from this point onwards, with all the major leagues either having restarted (MLB, NBA) or primed to begin their new seasons (NFL and, again, the new season of the NBA). Better Collective is still in the process of transitioning its businesses in the US, including completely switching the business model of VegasInsider.com in time, the company hopes, for the NFL kick-off.

GERMANY AND THE BANNING OF AFFILIATES

Better Collective is likely the affiliate that will be hurt most if the German authorities press ahead with their plans to all but ban affiliate marketing when the new State Treaty comes into force next year. The company has yet to meaningfully address the issue, saying in this report only that clarity over the Treaty won't be achieved until August (likely now September due to delays at a European level.)

To recap, as it stands the Treaty will contain provisions regarding the relationship between affiliates and operators that would ban most affiliate marketing. While Better Collective has not said to what degree its revenues emanate from Germany, these are not thought to be a trivial amount.

RAKETECH

BOUNCEBACKABILITY

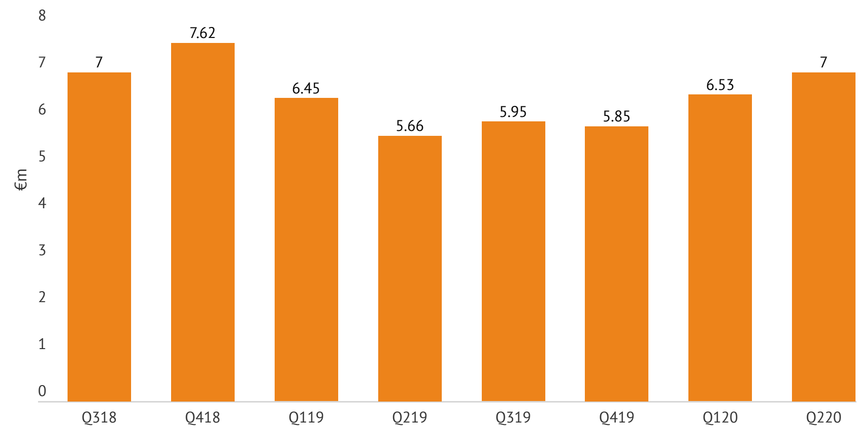
Raketech was perhaps the most obvious winner from the burgeoning interest in online casino during the lockdown period. The 24% rise in revenue for the second quarter was only eclipsed by the 64% rise in NDCs, an improvement in two key metrics which gets the company back to where it was two years ago, i.e. before the introduction of the new regulations in Sweden significantly disrupted the business.

Revenues from casino rose significantly to 89% of the total, from 68% this time last year, while sport revenue fell back to 8% from 28%.

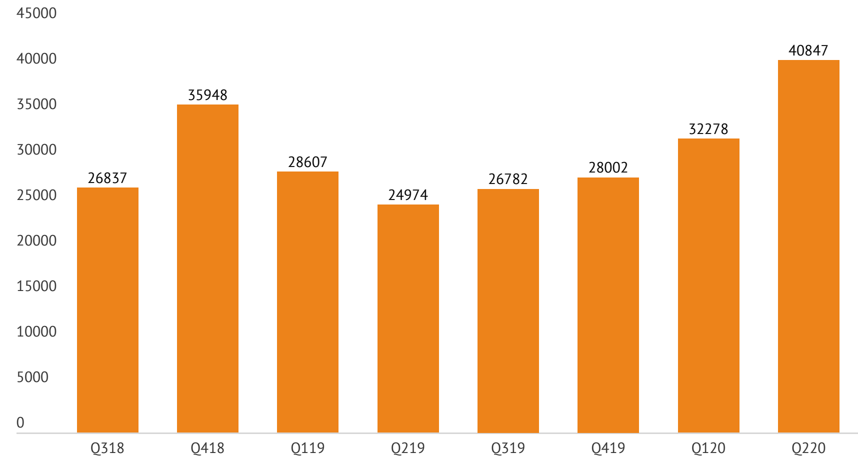
ACQUISITION-LED GROWTH

However, for all the good news on the revenues and NDC fronts, it should be noted that organic growth over the period was an anaemic -2%, with all the added gloss to the figures coming from recent acquisitions, including Casumba Media and Lead Republik. Notably, the target markets for both – Japan in the case of the first and Canada and New Zealand in the second instance – are away from Raketech's core markets in the Nordics. Indeed, the geographical split for Raketech's revenues has shifted significantly, with the Nordics now worth 81% of total revenues, compared with 97% in the same period last year, while revenue from the rest of the world rose from 3% to 19%.

Raketech revenues Q318-Q220 (€m)



Raketech NDCs Q318-Q220



Source: Company reports

> "Despite us significantly increasing our revenues from outside the Nordics to close to 20%, the volatility on the Swedish market due to the re regulations makes it challenging to navigate"
>
> OSKAR MÜHLBACH, RAKETECH

Raketech in brief Q220

Period	Revenue (€m)	YoY rev. variance (%)	QoQ rev. variance (%)	EBITDA (€m)	YoY rev. variance (%)	QoQ rev. variance (%)
Q220	7	24.0	7.0	2.8	-3.0	6.5

ALL ABOUT SWEDEN

It is the prospect of further restrictions in Sweden – specifically the introduction of new deposit limits in early July – that Raketech said may hold back marketing spend on the part of its clients. However, the company added that the new limit of SEK5,000 on first deposits saw many players adding new accounts in June. "Despite us significantly increasing our revenues from outside the Nordics to close to 20%, the volatility on the Swedish market due to the re regulations makes it challenging to navigate," said CEO Oskar Mühlbach in the company's second-quarter report. "The unpredictability mentioned in the previous report is still very much present even though our dependency on this market is lower."

GAMBLING.COM GROUP

STRATEGY PAYING OFF

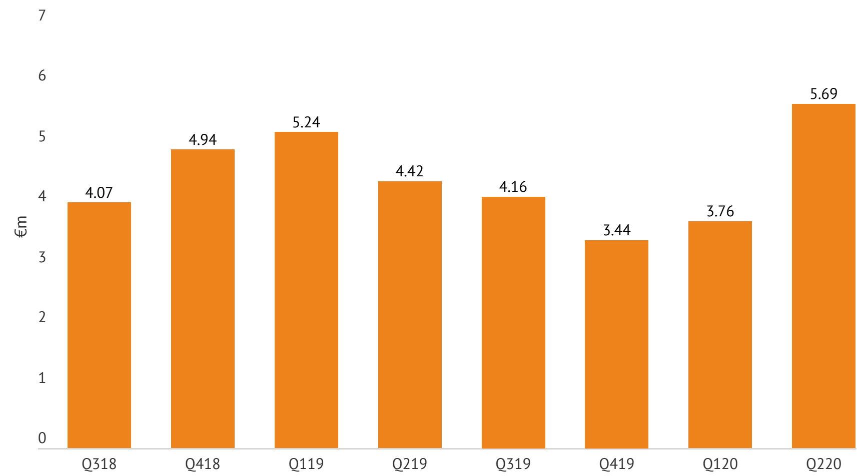
Gambling.com will feel justified in having taken the pain of the past few quarters in terms of revenues and profits to reinvest in both product and technology after the company produced record results in the second quarter.

The focus on the US has certainly paid off, despite the disruption caused by the Covid-19 crisis. "As expected, we saw a decline in sports revenue in the quarter as a result of Covid-19 postponements and cancellations of most sports events," said CEO Charles Gillespie, in a statement accompanying the results.

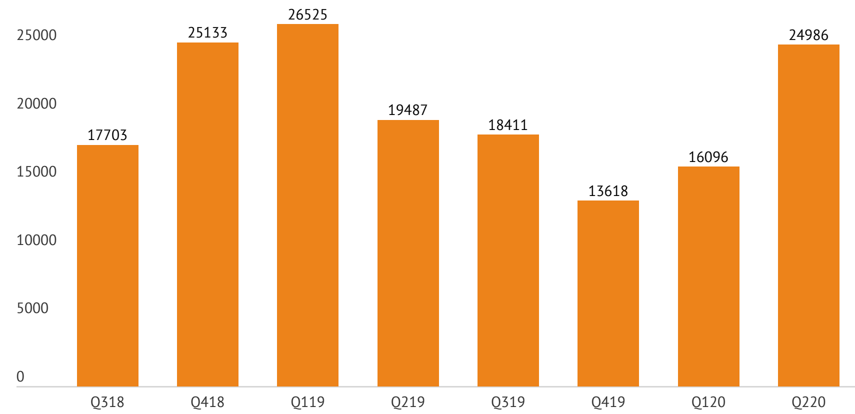
Gambling.com Group in brief Q220

Period	Revenue (€m)	YoY rev. variance (%)	QoQ rev. variance (%)	EBITDA (€m)	YoY rev. variance (%)	QoQ rev. variance (%)
Q220	5.69	29.0	51.0	3.14	234.0	361.0

Gambling.com Group revenues Q318-Q220 (€m)



Gambling.com Group NDCs Q318-Q220



Source: Company reports

> **"Online gambling in general has accelerated its adoption and take up of the overall share of the global gambling market. There is no reason to suspect a reversal of this trend"**
>
> CHARLES GILLESPIE, GAMBLING.COM

"However, the decline in sports revenue was offset by increased demand for other online gambling products like casino and poker."

Gillespie suggested a number of factors lay behind the trend, including the fact that land-based gaming venues were closed during lockdown and the substitution demand from sports bettors seeking other forms of betting and gaming entertainment.

"We expect to see increased adoption of online gambling products persist post pandemic," he added. "The net effect of all this is that online gambling in general has accelerated its adoption and take up of the overall share of the global gambling market. There is no reason to suspect a reversal of this trend."

Indeed, Gambling.com expects there to be more moves with regard to the regulation of online casino in the US in the years to come, with more state-by-state legislation in the offing. "With states now collecting less tax, they have even more need for new revenue sources to support public health," said Gillespie. "The case for online sports betting and particularly online casino is harder for state legislators to ignore than ever before."

ACROUD

A NEW NAME, NEW PROSPECTS

To accompany Net Gaming Europe's name change to Acroud, the company produced a suitably positive report suggesting it had turned a corner after a relatively poor revenue performance at the end of last year.

As can be seen, it is far from a stunning reversal, but revenue of €3.6m does at least represent a very small year-on-year increase, albeit the total revenue figure is some way below the high as a listed entity of just shy of €5m in the third quarter of 2018. While Acroud does not supply any actual NDC numbers, it does say in the report that it achieved 8% growth in NDCs over the period, compared with a 29% fall in the second quarter of 2019.

Notably, however, the company cautioned that the "sharp increase" in casino and poker traffic from March to May had "slowed down since mid-June" and had normalised to pre-crisis levels. "All in all, we therefore expect the third and fourth quarters to be more challenging," it said.

MEET THE NEW BOSS

The name change was instigated by the incoming chief executive Robert Andersson, who formally took over the post at the start of the quarter. According to his prognosis of where Net Gaming Europe had been going wrong, the company had a lack of focus, "with people trying to achieve too many things at the same time, which make it difficult to make something good".

To this end, the report said the company had used the period of the crisis for a spot of "intensive change management", which Acroud hopes will result in circa €300,000 of annual cost savings.

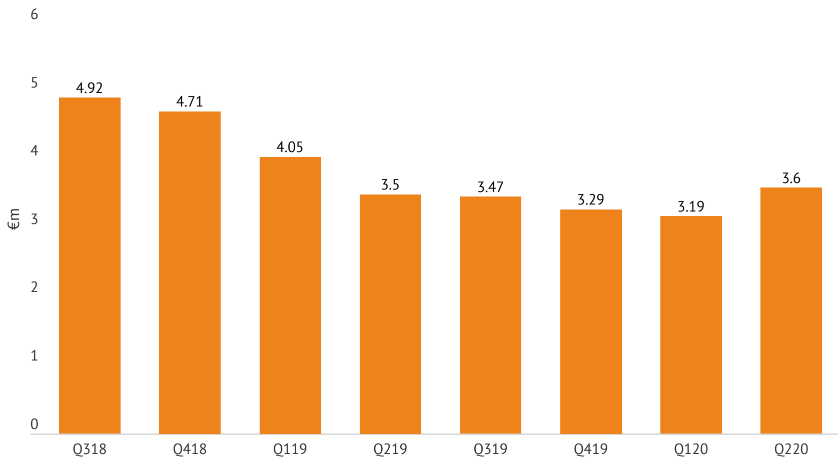
DUTCH MISSION

After the period's close, the company said that it had undertaken "rapid action" to "create the best possible starting point for participating in the (soon to open) Dutch market as quickly as possible". This, the company said, means adjusting the product offering to "ensure compatibility" with the new rules. Presumably (though the Acroud report doesn't quite state it) this means abiding by the cooling-off period with regard to current activity and, again presumably, would mean the company is no longer sending Dutch traffic to continuing grey market operators. Acroud said the move, which will have a negative effect on revenue in the short term, would "ensure a strong and sustainable position over time".

Acroud in brief Q220

Period	Revenue (€m)	YoY rev. variance (%)	QoQ rev. variance (%)	EBITDA (€m)	YoY rev. variance (%)	QoQ rev. variance (%)
Q220	3.6	2.9	13.0	1.5	-26.0	-14.0

Acroud revenues Q318-Q220



Source: Company reports

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iGB
Fulham Green, Bedford House
69 - 79 Fulham High Street
London, SW6 3JW
Tel: +44 (0) 207 384 7700

www.igamingbusiness.com