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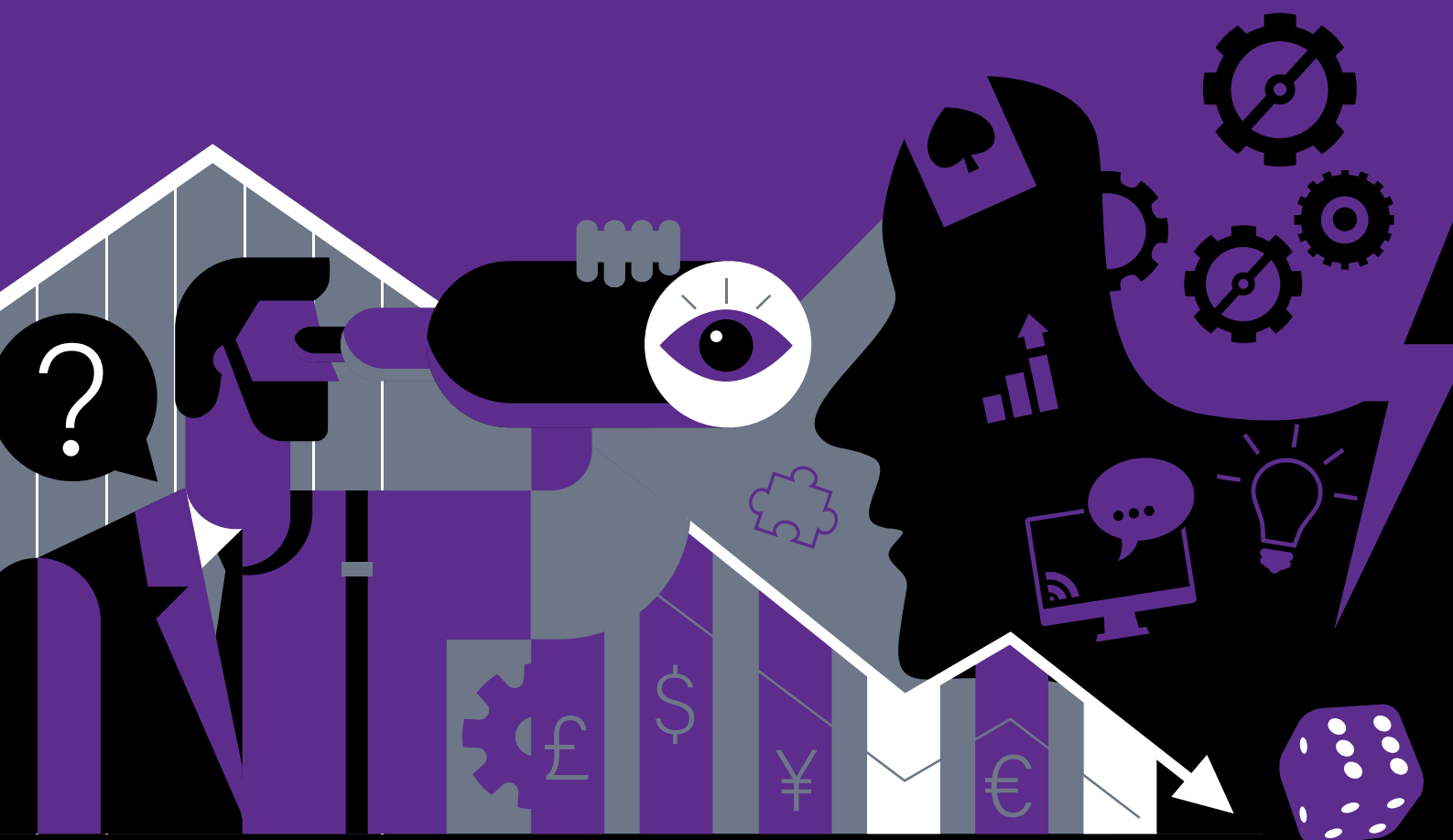
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**iGB Africa report**

# The rise of digital

written by Clear Concise Media for iGB



Payments and the telcos • The competitive landscape • The supply landscape

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# Editor's Letter

## The rise of digital

Welcome to the inaugural iGB Africa report released to coincide with Clarion Gaming's ICE Africa Digital event taking place on 27-29 October 2020.

While Africa is on track to account for just 1% of global GGR in 2020, according to figures provided for this report by our principal data partner, H2 Gambling Capital, rapid population growth, strong GDP growth in sub-Saharan countries and an emerging middle class are underpinning a growth forecast well above the global rate to 2025.

This report focuses on the growth of the digital channel, which already drives 23% of betting GGR across Africa, with mobile accounting for more than half that figure.

With majority unbanked populations, mobile money has provided an entry point for online betting in a gaming landscape historically dominated by retail betting and land-based casinos.

The fragmented nature of payment and licensing systems across Africa has also made it difficult for international operators to carve material share in markets already dominated by 'local hero' brands.

While the regulatory outlook remains mixed – in September the regulator of the largest market of South Africa reiterated that sports betting remains the only permitted product online – there are now up to a dozen regulated online markets.

This report combines on-the-ground intelligence with the latest numbers from the sector's leading gambling data business to provide a snapshot of online betting and gaming markets in transition.

We hope you find it valuable and look forward to seeing you at ICE Africa Digital.

**Stephen Carter**  
 Editorial director, iGB

**“This report focuses on the growth of the digital channel, which already drives 23% of betting GGR across Africa, with mobile accounting for more than half that figure”**







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OF EXPERTISE  
IN AFRICA**





# An introduction to online gambling in Africa

- A demographic wave • Gambling growth • Online gaming prospects
- Moving the goalposts • To the forum

## A DEMOGRAPHIC WAVE

To explain the interest in online gambling in Africa perhaps the best starting point is demographics.

Data pulled together from The Economist shows that the population of Africa is growing more than twice as fast as those of Asia and Latin America – 2.7% compared to 1.2% and 0.9%. And the most populous country in Africa, Nigeria, is set to overtake the US and become the third most populous in the world by 2050, with more than 400 million inhabitants.

The continent might be poor by global standards but GDP is growing, particularly across sub-Saharan Africa, at between 5-6% a year, and with it there is an emerging middle class.

Previously predominantly focused on retail betting and lottery gaming, many African countries are now opening up to online gambling, helped by the leaps and bounds being made by mobile payments and telecommunications. The regulatory backdrop is somewhat mixed but it is changing rapidly, with up to a dozen regulated markets already open.

"While the African gambling market

was dominated by retail outlets for a long time, the number of connected users is continuously growing," says Alessandro Fried, founder of betting and gaming supplier BtoBet.

"Local populations still lag behind in access to financial institutions (hence the resultant low use of debit/credit cards), but on the other hand, mobile payment gateways are very popular among the locals. All in all, these different aspects provide an encouraging context for operators and service providers to expand in the local online gaming industry," Fried adds.

"I think that the economic story for Africa is going to be amazing over the next decade, provided politics and pandemics don't get in the way," says Dave McDowell, chief executive and founder at FSB Technology. "Infrastructure improvements, international investment, expanding middle classes, mobile banking; all signs point to growth. I completely buy



# 2.7%

Rate of annual population growth in Africa – more than twice that of Asia (1.2%) and Latin America (0.9%).

into the thesis that the continent is at the tipping point where economic growth will overpower corruption and political instability."

The changing demographics are being accompanied by moves in both the means of betting and the products. "Online and mobile are gaining in popularity and are the fastest-growing markets as more and more people have access to smartphones," says Michelle Carinci, chief executive at Lottotech.

Carinci also suggests that increasing internet penetration and the rising popularity of smartphones aligned to the online payment systems on offer, present operators with the opportunity to reach middle-class consumers with the full complement of online gambling products.

"It's not only football betting that is growing," she says. "Casinos, lotteries and internet gaming are growing as economies develop and the emerging middle-class section of the population





seeks leisure and entertainment."

Furthermore, though, a trickle down is taking place that means that gambling opportunities are opening up across all levels of society. "Gambling is no longer an amusement for high-living locals," says Michal Glowacki, chief operating officer at SB Betting.

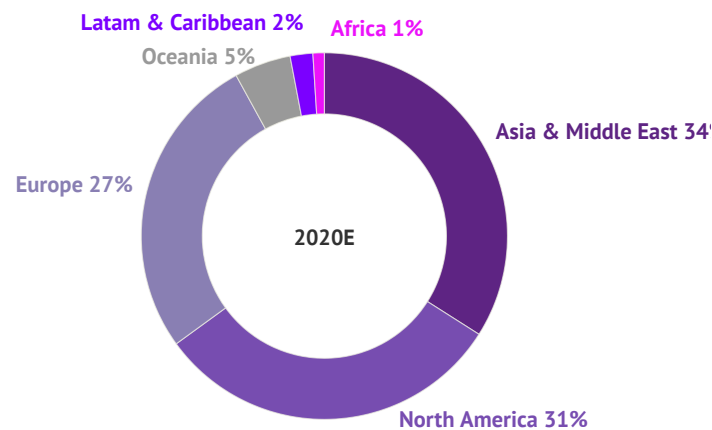
"Everyone can place a minimum stake bet and have a chance for his dreams to come true. This won't change for the next couple of years. People will continue to bet, hoping to improve their budgets. [Betting] is an alternative to lotto, but here it is not pure luck only."

### GAMBLING GROWTH

The demographic and societal trends are reflected in the forecasts from H2 Gambling Capital, which see African gross gaming revenue (GGR) growing at above the global rate between now and 2025. As it stands, Africa will account for a mere 1% of global GGR in 2020. Yet while global CAGR GGR growth between 2019 and 2025 is predicted to be 2.1%, the predicted rate for Africa is more than double that at 5.4%.

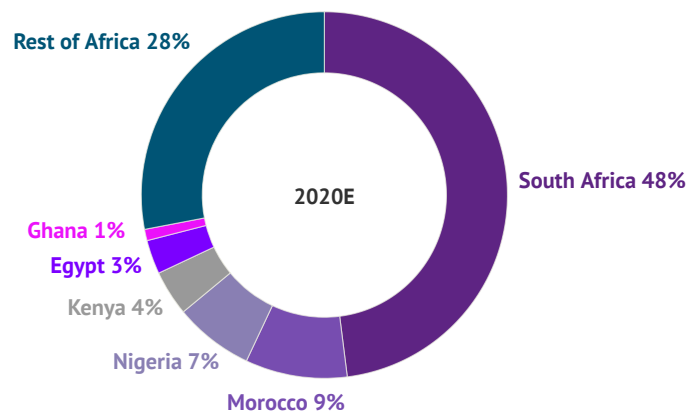
The GGR figures feature some interesting trends, both in terms of product and channel, as well as geographic differences. As it stands, online represents 23% of total betting GGR for Africa of \$1.15bn, and within that mobile represents just over half. Of total gambling GGR, the figures are 12% for online, with 40% of that via mobile.

### Global GGR 2020 (e)



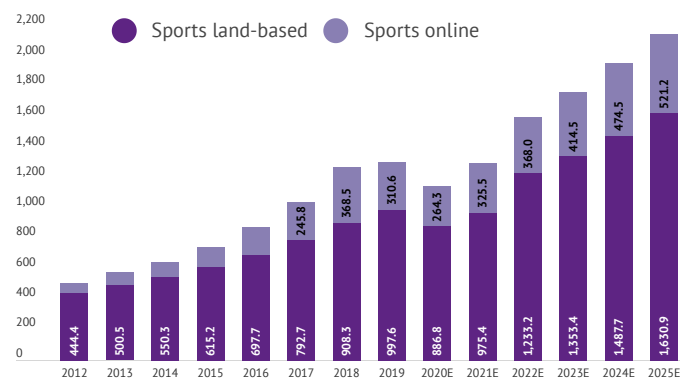
Source: H2 Gambling Capital

### Africa GGR by country 2020 (e)



Source: H2 Gambling Capital

### Africa sports betting: land-based vs online (\$m)



Source: H2 Gambling Capital



**"I think that the economic story for Africa is going to be amazing over the next decade, provided politics and pandemics don't get in the way"**

DAVE MCDOWELL, FSB TECHNOLOGY



When looked at on a country-by-country basis, the degree to which gaming in Africa is dominated by South Africa becomes clear. It contributes 48% of the total, followed by Morocco (lottery), Nigeria and Kenya.

And those considering the African market need to look at it on a country-by-country basis, say those with experience in the continent. "The most important part is to understand that Africa is not a country – it is a continent with 54 countries, with many, many more different traditions, betting behaviours and habits," says Hmayak Arakelyan, senior sales manager at Digitain.

"The biggest cultural challenge has been to understand that in

some of the countries, Kenya and Nigeria, for example, betting is not just entertainment but rather a sort of lifestyle."

Murray Spark, senior director at Opera Gaming, adds: "The mistake made by many operators when assessing the African opportunity, is to assume each market, country or region is similar and launch a one-size-fits-all product.

"Aside from the obvious language, cultural and religious differences, one sees significant differences in ARPU, betting behaviour and trust. We have seen fundamental differences between regions and even neighbouring countries, such as Uganda and Kenya. Aside from the macroeconomic influences,



**23%**

Online percentage of estimated Africa betting GGR of \$1.15bn in 2020, with the mobile channel accounting for just over half of this figure.





the differences in traditional betting behaviour, tax structures and mobile payment adoption necessitate a bespoke approach."

However, on a consumer level, Richard Hogg, chief commercial officer at BetGames.TV, suggests that certain betting trends are evident across the continent. "The way consumers bet, the amounts they bet, how often they bet, which mobile devices they use, and what they bet on is largely the same across many countries," he says.

"African consumers like big sports multiples, they like the Premier League, La Liga and other top European leagues, and they bet small to win big. Stake sizes do vary slightly according to consumer wealth in each country."

## ONLINE GAMING PROSPECTS

The picture for online gaming is more mixed than with betting, particularly when it comes to regulation, although there are signs of a change of attitude on the part of legislators. "African governments as a whole are becoming aware that online gaming and casinos offer a great revenue driver," says Hogg. "Regulators are working hard on getting these approved, but it's a lengthy process."

There are other hurdles to overcome, mainly with regard to technology and bandwidth, says McDowell. "The graphic-driven casino content is more difficult to distribute. But the segment of the



market who are not bothered by bandwidth and battery life are just as engaged with casino games as the rest of the world," he explains.

"Technology and regulations continue to evolve," says Arakelyan. "The impact of Covid-19 will drive change too. We have already seen some land-based casinos in the region reach out to us in order for us to help them go online."

The pandemic will change things in Africa as much as it has for the rest of the global gaming market. Bobby Longhurst, CCO at Pronet, notes, for instance, that

esports had previously gained little traction in Africa, but with the suspension of most live sport, its popularity increased.

"In most west African countries, customers now have access to higher wages and faster internet speeds," he says. "Those from the middle classes wanted to keep following their favourite football teams and they've done so through esports betting and watching it live on sports streaming websites."

Longhurst adds that the pandemic has proven to be a "prime opportunity for the savvy to

push other products such as poker, bingo, online casino and slots". But he adds: "The jury is still out on the long-term popularity once we see a return of live sporting events."

More certain, he suggests, is that the recent crisis will "give the continent the kick-start it needs and allow people to move away from retail". They won't shun it entirely, he adds. "Not that shops won't always have their place. There are strong cultural ties to betting shops and people like to bet with their friends. They also provide free Wi-Fi, which is important."

Neil Wilkie, managing director of Yellowbet, suggests that betting shops' roles in many villages and townships as the "social hubs of the communities" will continue. "Shop closures/lockdowns will have a small effect on the industry; as soon as these operations are allowed to commence, they will do so with very little disturbance to historic turnover figures."

Mathew Symmonds, chief executive and founder of Web Analysis Solutions, the company behind largely African-facing affiliate sites WinDraw/Win and

**"Shop closures will have a very small effect on the industry; as soon as these operations are allowed to commence, they will do so with little disturbance to historic turnover figures"**

NEIL WILKIE, YELLOWBET



PredictZ, agrees. "Many still prefer to bet offline than online, partly because of trust, but also because betting in retail shops creates a social environment for consumers where they can meet others and watch sport in those shops."

"Many consumers still like to bet in physical cash, and get a physical bet slip, and many consumers do not have access to payment methods that they can use online, like bank accounts or cards. Mobile data is still expensive in Africa too, so betting online is more restrictive than in European markets."



## Regulatory trends

### MORE PATCHWORK THAN QUILT

Much as with other regions around the world, Africa is playing catch-up when it comes to the regulation of online gambling.

Prohibitions are rare – only five countries explicitly ban gambling, mainly on religious grounds. But the number of countries that specifically regulate online gambling is also still relatively small – 11 out of 54 according to data from VIXIO GamblingCompliance.

In many of the rest there are existing regulations on land-based gaming, at either national or regional level, that have been in existence for some time and where online gambling is a grey area, not unlike with many parts of Europe.

"The number of African countries adopting a regulatory framework is on the rise and this is of crucial importance to the industry," says Fried from BtoBet.

He says many are taking their cue from the progress being made – albeit slowly – towards regulation in Europe. "Africa is keen on



adopting this approach, with countries adopting laws on a national level," he adds. "Operators have a key role in this process, and it is encouraging that local regulatory bodies delve into fruitful discussions with operators to determine the best possible regulatory outcome, one that proves to be a safeguard for all parties involved."

### MOVING THE GOALPOSTS

Still, as has been evident even in regulated countries such as Kenya, the nature of the political backdrop in many parts of Africa means that the regulatory situation – and particularly taxation regimes – can be volatile.

"You have to remember that the situations in which

you operate are unstable by nature," comments Wilkie from Yellowbet. "It is always a good idea to cover bases. If you are seen to give money to political parties, for example, support the opposition equally as much as the incumbent: things change quickly."

At an operational level, meanwhile, the regulations as enacted often place extra burdens on both operators and suppliers.

"Most of the regulations cannot be left to the operator as the platform providers have to constantly customise bet slips to implement various types of taxes imposed on players' stake amounts and/or winnings, and these taxes in some countries

**"Many more growing countries are also influenced by the likes of Kenya, Nigeria, and South Africa. There is even talk now of individual certification to GLI-19 standards as the new norm"**

BOBBY LONGHURST, PRONET

keep changing," says Zorair Asadour, regional director at BetConstruct. "This forces providers to be flexible and prepared to quickly adapt to the changes."

He adds that some regulators have started to implement APIs and request platform providers to replicate customer data and transactions on servers, a task which is both time-consuming and challenging, taking into account the lack of proper APIs and required technical experience.

This view is backed up by Glowacki at SB Betting, who says that working with regulators in Africa is "highly challenging and requires massive development and hardware to add extra layers of on-the-fly reporting to the regulators".

Asadour concurs and adds that as a result, "implementations can sometimes take months to complete". He adds: "In

a nutshell, it's a learning curve for most of the gambling boards in Africa on the way to regulate the industry and fight illegal gambling, money laundering and underage betting, which present a host of socioeconomic challenges."

### TO THE FORUM

Help comes from the efforts being made across the continent to spread regulatory best practice via the informal Gaming Regulators Africa Forum (GRAAF). It includes among its members regulator representatives from 13 of the biggest gaming jurisdictions and its mission is to increase efficiencies in gambling regulation through the adoption of "minimum norms and standards" among the member states.

"All of the regulators are very keen to take international best practice and then mould, interpret

and adapt it so that it works most effectively in and for their respective jurisdictions," says Fried.

"Many more growing countries are also influenced by the likes of Kenya, Nigeria and South Africa, which have their own versions of regulation," adds Longhurst from Pronet. "There is even talk now of individual certification to GLI-19 standards as the new norm. As a result, it looks like there will be more regulation and future-proofing technologies to enable a safer environment to place bets."

Yet, as McDowell at FSB concludes, while general developments are positive, with the path towards more and better regulation likely to continue, there are also guaranteed to be bumps in the road. "The trend has been very positive and I only see this continuing – and then something like the tax changes in Kenya happen."





# Payments and the telcos

- Mobile money • Safaricom and M-Pesa • Beyond Kenya
- Nigeria and mobile payments

## MOBILE MONEY

One thing that is absolutely central to the African betting scene is mobile money. To majority unbanked populations, mobile money has become the central means for transmitting payments and hence the primacy of mobile network operators.

Mobile money platforms run by the major mobile networks are headed by M-Pesa, the dominant form of money transfer in Kenya. Pesa means money in Swahili, so it is no surprise that SportPesa has picked up on its popularity and piggy-backed on the name.

"M-Pesa has by far been the most successful mobile payment method in the gambling industry in Africa, and those countries that use M-Pesa such as Kenya, Uganda and Tanzania have led the way in online gaming activity," says Symmonds from Web Analysis Solutions.

Mobile money is built for so-called feature phones. It enables users to load money into a mobile wallet, which they can then use very much like an online bank account, depositing and withdrawing funds, transferring money, paying bills and purchasing airtime.

Mobile money is seen as a key plank of the push towards financial inclusion across Africa. The technology behind most

of the mobile money networks – unstructured supplementary service data or USSD – enables small packets of data to be transferred over the network and is reckoned to be the most appropriate technology for low-income customers as smartphone applications are seen as excluding the majority of the population.

USSD codes connect directly to a bank's server and provide access to the bank account and transaction execution. All that is needed is a mobile phone number and a bank registration.

## SAFARICOM AND M-PESA

M-Pesa is the brand owned by Safaricom, which itself is an offshoot of Vodafone, and which was launched in 2007. M-Pesa is now worth a third of total revenues for Safaricom, generating KES84bn (US\$784m) this year, representing a doubling of revenues since 2016.

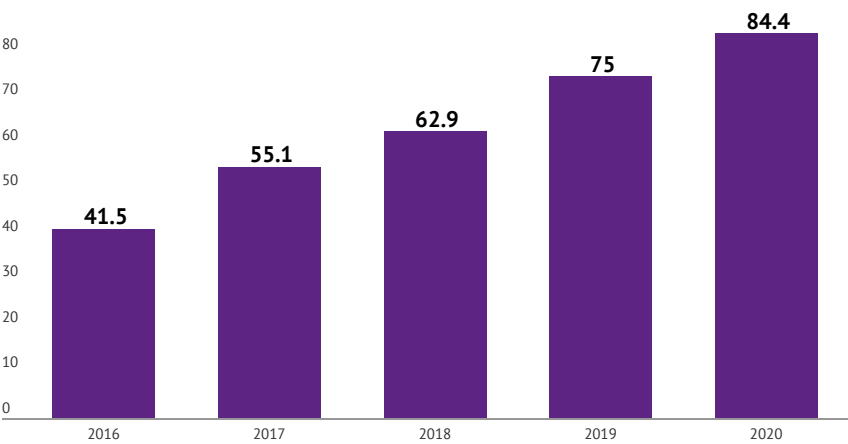
In terms of customer reach, M-Pesa had just under 25 million one-month active users, or half of Kenya's population of 51 million.



In its 2020 annual report, Safaricom said that its 3G network now covers 94% of the population, while its 4G network covers up to 77%. But as chief executive Peter Ndegwa said in the company's annual report for the year to March, most users still only have access to 2G devices, with "affordability" being the main reason they haven't moved to 4G handsets. "Changing this will take time," he added.

On mobile money, Safaricom says it is a key enabler for people

## M-Pesa revenue 2016-20 (KESbn)



Source: Safaricom annual reports





and institutions, including those on low incomes and rural communities. It added that the future growth of mobile money services in sub-Saharan Africa will be largely driven by the interoperability of mobile money services, which would give users the ability to transfer between customer accounts held with different system players.

The dominance of the M-Pesa payment channel in Kenya means that when the Kenyan authorities wanted to effectively shut SportPesa down last summer, all they had to do was order M-Pesa to stop allowing transactions. According to Safaricom, gaming-related revenues at M-Pesa did indeed tumble during the year, falling by KES175m to KES1.9bn a month, with then financial director Sateesh Kamath saying that, "through the course of this year I would expect even that to unwind". He added: "So we should have one more year left for gaming to bottom out."

### BEYOND KENYA

Safaricom has launched M-Pesa in six other countries in Africa, including Tanzania, Ghana and DR Congo. Meanwhile, other telecoms groups have their own mobile money operations, including:

- MTN Group, with its MoMo mobile money business, says it has more than 22 million mobile money subscribers across 15

countries, among them Ghana and Uganda.

- Airtel and Airtel Money.
- Orange and Orange Money.
- Tigo with Tigo Cash and Tigo Pesa (the latter for Tanzania only).
- Vodacom, which as of April this year became a 50% owner of M-Pesa with Safaricom.

This proliferation of mobile money providers and solutions provides an entry point for mobile gambling, suggests Spark from Opera Gaming. "While a bottom-up approach has proven to be the most successful in many countries, I believe we are, naturally, moving online," he says. "Mobile money is, undoubtedly, the catalyst in markets with a largely unbanked punter base."

Yet, despite the prevalence of mobile money solutions, there is as yet no provider with a pan-African reach. As Wilkie from Yellowbet suggests, this is likely due to the monopoly on mobile money on the part of the telcos. "Some companies offer solutions in some countries, but nobody is yet to offer a transcontinental solution," he says.

As it stands, a user with one of the mobile money providers will be blocked from completing a transaction from any other country, even if that is with the same mobile money provider.

Ed Birkin, analyst at H2 Gambling Capital, agrees that the lack of a continent-wide payments option is just one

**"I don't think it's an exaggeration to say that mobile payments in Kenya has been the equivalent of PASPA being repealed in the US, as without the mobile payment structure, the online betting industry in Kenya wouldn't exist"**

ED BIRKIN, H2 GAMBLING CAPITAL



of the reasons that the African market is so diverse in terms of individual countries. However, he adds that the availability of mobile payment options is clearly a big driver for betting in any given market.

"I don't think it's an exaggeration to say that mobile payments in Kenya has been the equivalent of PASPA being repealed in the US,



as without the mobile payment structure, the online betting industry in Kenya wouldn't exist," he suggests.

### NIGERIA AND MOBILE PAYMENTS

Until the end of last year, Nigeria was notable for being behind the curve on mobile money. But following a favourable Nigerian central bank ruling in 2018, the market saw the entry of MTN's mobile money product and a raft of fintech investments, including \$120m from Chinese investors by online network firm Opera to scale its OPay start-up.

Opera now combines a mobile money offering with a huge network of 300,000 retail agents,

enabling the linking of payments to a number of gambling operators including Betgja, 1xBet, Betway and Nairabet.

Whether this will change what observers suggest is predominantly a cash-based betting ecosystem will be dependent potentially on what changes are wrought by the current Covid-19 crisis.

"Nigeria has certainly caught up with Kenya when it comes to online gambling activity, but this has not only been due to the use of more applicable payment methods to online, but also the growth of key brands, and therefore the increase in trust in gambling online," says Symmonds from Web Analysis Solutions.



**\$120m**

Amount raised from Chinese investors by Opera for its Opay Africa-focused fintech start-up in November 2019.



# The competitive landscape

- Brands and operators across Africa
- Pan-African players
- Stick to what you know
- The retail influence
- Stepping stones

## BRANDS AND OPERATORS ACROSS AFRICA

It may be seen as patronising to question why there aren't many truly pan-African operators. After all, there are very few operators that have a brand presence right across Europe, which is a much more mature market where the barriers to operating across borders are relatively low, albeit operators are handicapped by regulatory issues.

A similar patchwork quilt of regulated environments also exists in Africa, of course, and the cultural differences between countries and regions is every bit as varied as Europe. But it is worth pointing out that in Africa there are as yet very few operators that even have brand names that work in more than one territory. As it stands, regional gaming would appear to be the limit of any ambitions, as typified by this list of names:

## PAN-AFRICAN PLAYERS MULTI-MARKET

• **EDITEC – PREMIER BET** Editec runs a largely retail operation including betting shops, franchises and other points of sale/corners under the brand names Premier Bet, SBA, Mercury International, Guinea Games

and R&S Betting. It claims to run more than 1,200 retail sites and more than 60,000 points of sale in 23 countries.

• **PMU** Via its PMU Partenaire business, France's PMU offers pool betting on horseracing across Africa, as well as a sports betting offering.

• **POWERBETS** Opera's gaming arm operates under the Powerbets brand name in eight countries across Africa, including South Africa, Kenya and Ghana.

• **1XBET** The operator says it works in 10 countries across Africa and has licences in Kenya, Uganda, Ghana, Nigeria, Cameroon, Senegal, Congo, Burundi, Mozambique and Zambia. It is also the official sponsorship/betting partner for the Confederation of African Football (CAF).

• **BETWAY** The operator runs a Betway Africa offshoot, which includes operations in five countries: Nigeria, Uganda, Gambia, Ghana and South Africa.

• **SPORTPESA** This Kenyan (at least for now ex-) giant of the African



**“Retail dominant players have traditionally pursued an agent or franchise model allowing for scale at the expense of margin. This bottom-up approach has proven highly successful in a number of instances where the levels of financial inclusion and trust are low”**

MURRAY SPARK, OPERA GAMING

betting scene – and by far the most visible – has also branched out into neighbouring Tanzania.

• **BET365** Though there is little that has been said publicly about Bet365 in Africa, it is thought to be a player in key markets such as Nigeria.

• **DAFABET** AKA the one that got away. Perhaps surprisingly given its successes elsewhere, Dafabet

failed to make an impact in the Kenyan market.

As Symmonds at Web Analysis Solutions says, while many European bookmakers will take players from Africa, “it's not one of their priorities as a business. Some European brands have moved into Africa, like Betway, but most that have done so have done it alongside local operators.”

## STICK TO WHAT YOU KNOW

“When it comes to Africa, most of the brands that are doing good in a particular country tend to stick their operations to that country,” says Fried from BtoBet. It means that while there are long lists of operators – both retail-focused and online – in most regulated markets across sub-Saharan Africa, there are very few





names that crop up across markets.

According to Glowacki at SB Betting there is "no clear answer" to why there are so few examples of intercontinental operations. Though there are plenty of "local heroes" in each market, the paucity of international names is striking. "Most [have] failed," he adds.

One issue faced by any dotcom operator hoping to work across various markets is technical; as explained in the section on mobile money in Africa, much of the payments infrastructure that accompanies each market is tied to that country and while some of the largest mobile money providers work in various territories, they are by no means continent-wide. Meanwhile, the licensing structure of each country often peels down to regional and state systems.

But more than that, Wilkie from Yellowbet suggests there is a cultural block, with each market being very local. A continent-wide brand name is, he says, "great in theory" but a consumer in Africa "only knows what is going on in his own immediate vicinity. He doesn't care if the product in Tanzania is exactly the same as the one in Ghana or indeed whether his jackpot is linked to other African countries."

THE RETAIL INFLUENCE

When it comes to sports betting, many of the biggest names in each individual territory will

also be heavily focused on land-based betting.

"Retail dominant players have traditionally pursued an agent or franchise model allowing for scale at the expense of margin," says Spark at Opera Gaming. "This bottom-up approach has proven highly successful in a number of instances where the levels of financial inclusion and trust are low."

He suggests it is those operators that have grown organically into a market leader that are likely to have the most success in translating their model to another territory. "Country-specific businesses that have methodically grown their footprint with strong local operations [have] proved to be far more successful [than online-only brands]," he adds.

This localism breeds a degree of brand loyalty that is harder for outside brands to achieve. Symmonds points to the success in Nigeria of Betgja, which he says is "one of the strongest brands in Africa".

"Nigerians know and trust this brand," he adds. "It has a strong presence in Nigeria, for example, sponsoring Nigeria's version of Big Brother last year. The only chance an external brand has of competing with these big local African brands is if they're a globally recognised brand themselves. Very few brands could compete on brand awareness with some of these strong local brands."

STEPPING STONES

Another brand along similar lines is Betika in Kenya, which, following in the wake of SportPesa, has built up a presence in the country and is now "centre stage and fighting for supremacy", says Longhurst from Pronet. "They also have an eye on expanding their operations in neighbouring countries, however, and have high aspirations to become a regional leader."

This, it seems likely, will be the route that is increasingly chosen. It is certainly how McDowell at FSB Technology sees the market in Africa developing. "I think that economies of scale will come into play and multi-territorial brands will dominate the landscape 10 years from now," he says. "Some of those will be local heroes who learn to export their skills, but all of them will be on modern technology platforms."

Birkin at H2 also thinks that pan-regional brands will emerge over time. "Once an operator reaches scale in one market, it's natural for them to look at neighbouring markets to see if they can replicate their success," he says.

"We've seen this to some extent with a number of brands operating across two or three different markets, but it is definitely still more weighted to national brands at the moment. However, as the markets develop, given the right regulatory framework, we would expect to see the development of some true pan-regional players."

A potted history of SportPesa

THE RISE AND FALL OF A BETTING GIANT

SportPesa's rise to prominence was very quick, even by online gambling terms. Having been formed only in February 2014, by 2016 the company was splashing out "multi-millions" on a three-year sponsorship deal with English Championship side Hull City and also announcing betting partnership deals with Southampton and Arsenal.

Then in May 2017, the company was announced as the new shirt sponsor for Everton, seemingly marking another stage of the company's advance.

Such high-profile sponsorships were worthy of remark, seeing as in the eyes of most industry observers, SportPesa's revenues essentially emanated from the Kenyan market alone.

While it had a licence in the UK and offices in Liverpool, it was always thought that its revenues from the UK were minimal. In Kenya, though, off the back of a well-known jackpot game, the company appeared to go from strength to strength.

By the time the company announced an even more high-profile team sponsorship in the world of F1, however, it was already clear that the wheels were coming off the wagon. Disputes between the company and the Kenyan government over tax arose as early as 2017 when the government – publicly at least worried over a rise in gambling addiction – introduced a new 20% excise duty on stakes (on top of the 15% GGR tax), which would effectively

have shut down the whole industry overnight.

In response, SportPesa publicly said it would end all local sports sponsorship activities.

This was just the first in an ongoing series of skirmishes between SportPesa and the Kenyan government, which have taken more than two years to resolve and in July finally resulted in the government reversing the excise duty tax.

Arguably, though, this has come too late for SportPesa and others in the beleaguered Kenyan betting ecosystem. Certainly, the SportPesa sponsorship binge appears to have come to an end – the company is no longer a partner with Everton and its short-lived F1 sponsorship came to an abrupt end earlier this year.

Moreover, Africa's attractive medium-term demographics will also draw in more operators. "Eyes are on Africa at the moment and lots of international companies are looking to venture into Africa as it is the second-largest continent, with markets that are still untapped, and regulations are not that tight as compared to Europe, which makes

it a lucrative market to invest in," says Asadour from BetConstruct. "I think more and more operators are looking to enter the various African markets, as it is a fast-growing opportunity," says Arakelyan from Digitain. Local companies certainly dominate at present, but this is a situation that he believes won't last forever.

"At some point someone from outside the region will compete with them," he adds. "You just need to look at the evolution of betting and gaming elsewhere to realise the speed of change we have experienced. Local knowledge, however, cannot be undervalued – so perhaps we will see some M&A activity as well."



# The supply landscape

• Supplying a continent • Hurdles and handicaps • Regulatory intervention

## SUPPLYING A CONTINENT

There may be a relative dearth of pan-African operators but that is not the case on the supply side. In fact, there is a thriving ecosystem of suppliers working across the continent with footprints in most of the largest markets.

"It is pretty easy to put together a table with population, GDP, mobile banking and gambling regulations to find a number of sub-Saharan African countries that are really interesting," says McDowell from FSB Technology, who says that not having rolled out a retail solution for any African territory, the company is seeing most interest in countries where mobile banking is already established.

BtoBet says it works across all of the continent's regions, with many of its partners operating in multiple regulated countries under the same brand. Arakelyan from Digitain says the company works in seven territories across Africa, while Asadour from BetConstruct says the company works across "the most important" countries, including South Africa, Kenya, Ghana, Uganda, Nigeria and Cameroon.

## HURDLES AND HANDICAPS

Supplying into Africa comes with unique technological challenges. "The parameters that characterise the African scenario are totally different from those that constitute and shape more mature markets. Therefore, a formula that works in Europe will not, and cannot, work for Africa," says Fried from BtoBet.

One basic issue is power and Longhurst at Pronet points out that electricity outages can be "a huge problem". Though isolated, they can be difficult to predict, with hour-long breaks in towns and cities extending into days in outlying villages. "Load shedding is becoming more frequent and power gets turned off with little or no warning," he adds. "It obviously causes problems in the retail landscape but also disrupts mobile communication networks along with Wi-Fi."

This last point is also highlighted by Hogg from BetGames.TV. "We work across 3G, 4G and 5G, and with load shedding, for example,



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cellular networks can sometimes be greatly affected due to a less advanced energy and power infrastructure," he says. "The cost of data is also something we are working on to ensure that our customers receive the most cost-effective and efficient service possible."

The evolutionary stage of the mobile phone ecosystem that exists across Africa means that in some senses suppliers have to take a technological step back. Smartphone use is definitely on the rise in many countries, but the switch from the current feature phones "won't happen overnight", says Longhurst.

"It is important to have flexible solutions that reflect the reality on the ground," he adds. "Some African countries have much better mobile networks and data availability than others. This sets the rate at which customers will be able to change their technology preferences and alter their betting behaviour."

"Our platform is capable of working with both feature phones and smartphones," says Arakelyan from Digitain. "We also developed a WAP version, which is very popular in some regions and is working extremely well in Opera Mini mode."

A major point is that suppliers have to adapt to, first, often outdated and

**"The parameters that characterise the African scenario are totally different from those that constitute and shape more mature markets. Therefore, a formula that works in Europe will not, and cannot, work for Africa"**

ALESSANDRO FRIED, BTOBET



outmoded hardware, and second, slower internet speeds. In the same way that mobile payments in Africa has developed on its own path, the infrastructure for mobile betting in Africa differs from what is happening with smartphones elsewhere around the world.

"We have optimised our technologies in order to be used on all phones, be it smartphones or feature phones," says Fried. "We have a lite version of our mobile version, which works on Opera Mini and on feature

phones. At the same time our API also allows for USSD betting for phones without a web browser."

'Lite' versions of what is available on smartphones are vital. "More and more we see that these two are designed for different player experiences and therefore have to be adapted accordingly," says Hogg. "Our aim is to deliver a bespoke service to cater for every customer. The smartphone market is now being used to reach the mobi market. This involves the use of low data intensive

apps, which reach those in areas of Africa that have data and bandwidth limitations."

Similarly, Asadour from BetConstruct says the company has developed a WAP-based lightweight mobile version of its product enabling SMS and USSD betting with software specifically designed for handheld betting devices. "These and many other features help local operators overcome all the challenges in their day-to-day activities while managing their brands," he adds.

"We provide both a version for feature phones, which we call WAP, and a cutting-edge version for smartphones. The offering depends on the market and the size of the operator. WAP is in high demand as smartphones have not yet fully replaced feature phones in Africa. There are still players who need a lite version of the website to allow them to bet using feature phones without consuming a lot of internet data, as these two factors are interconnected."

"We have two different products, for older mobiles and smartphones," echoes Glowacki from SB Betting. The older mobile product is designed to require minimal data consumption "without any fireworks", to ensure it functions on almost any basic browser. "It's still very popular across many African countries, especially in the rural areas," says Glowacki. "Even though Africans are getting better devices, this lite version remains quite popular."

## MOBILE CHALLENGES

McDowell says that the focus on both adapting to and being in tune technologically with advances in mobile banking has meant a "complete rethink" of the customer registration and deposit process.

"Scalability of the technology platform also comes into play, where large volumes of multi-leg accumulator wagers need to be settled and automatically paid back into their mobile wallet



very quickly or the customers will bombard your customer services team asking for their cash."

He points out that the technology has to cope with consumers using multiple means to wager, from SMS to desktop websites and through to feature phones and smartphones. "We have always allowed our B2B customers access to our front-end APIs, so our platform sits behind both in-house and externally developed applications," he says.

"For example, one of our customers receives bets via text and then places the wagers onto

our platform using our API, and we have also built them a site that works on feature phones and a second site for smartphones. Another B2B customer wanted to control the user experience when customers are using the Opera Mini browser, so they took that development in-house and we support the customer experience for all other browsers."

**REGULATORY INTERVENTION**

Then there is the regulatory challenge. Asadour from BetConstruct says that the

chopping and changing that has been a feature of the piecemeal nature of the laws surrounding betting and gambling in many African territories means that taxes on wins and stakes often force the operator to change the way a betslip is shown, as well as its calculations.

"Also some regulators request customer data to be mirrored on servers via API," he adds. "However, as this is new for the continent, it creates a challenge for the platform provider to overcome the lack of proper APIs and technical aspects."



PART FIVE

# A country-by-country breakdown

• Kenya • Nigeria • Ghana • South Africa

**KENYA**

Due to the prominence of SportPesa, Kenya is one of the more talked about African gaming markets – and one of the most controversial. The tax controversy has somewhat obscured the view on the scale and profitability of the Kenyan market and accounts for a large degree of the uncertainty surrounding the future. However, operators will be hopeful that the most recent reversal of the 20% excise tax on player winnings will be permanent.

**Regulation and taxation**

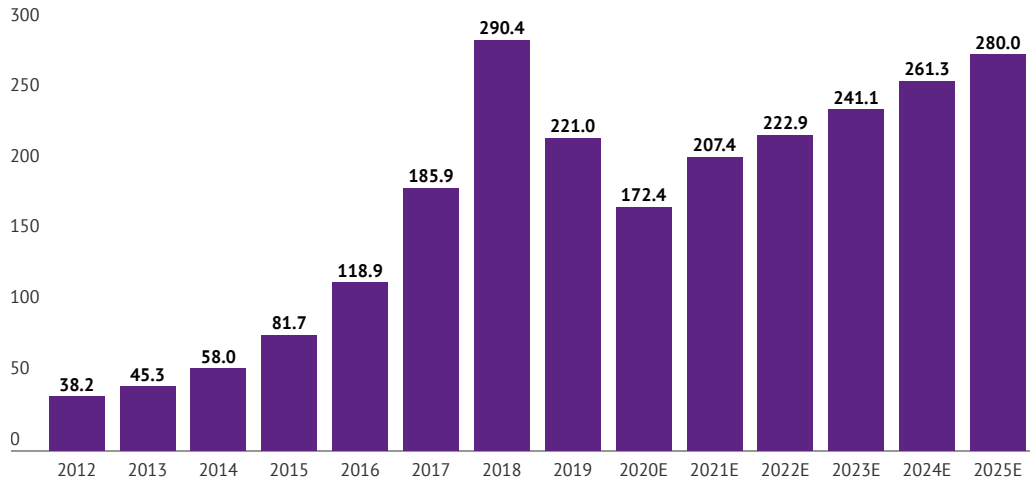
The recent 2019 Gaming Bill specifically

regulates online for the first time, with licences issued by the Kenyan Betting Control and Licensing Board (BCLB) being valid for three years. The gambling tax rate is set at 15% of GGR.

**Market commentary**

Birkin from H2 says that Kenya is "really interesting from a market observer viewpoint" given the strong mobile-driven growth against a backdrop of government hostility towards the sector and the evident antagonism between

**Kenya GGR forecasts**

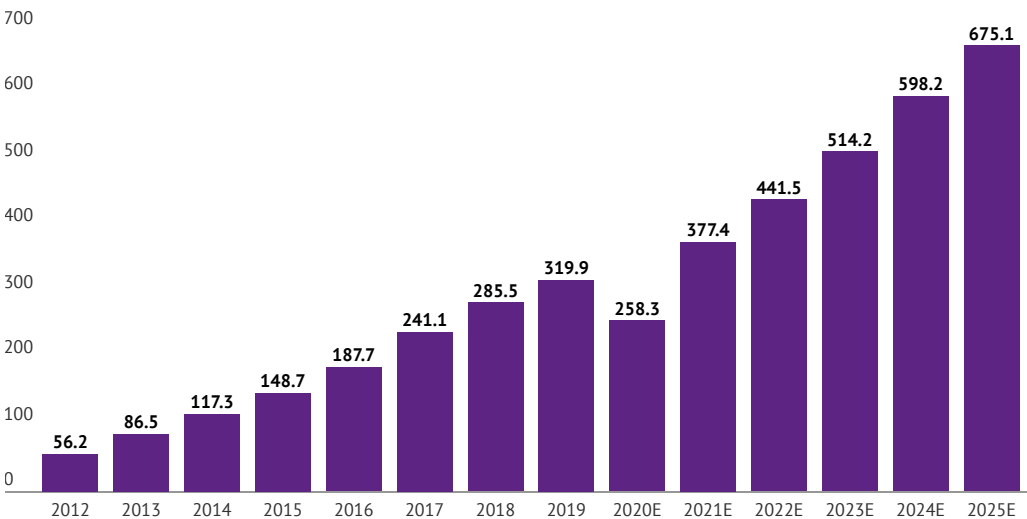


Source: H2 Gambling Capital



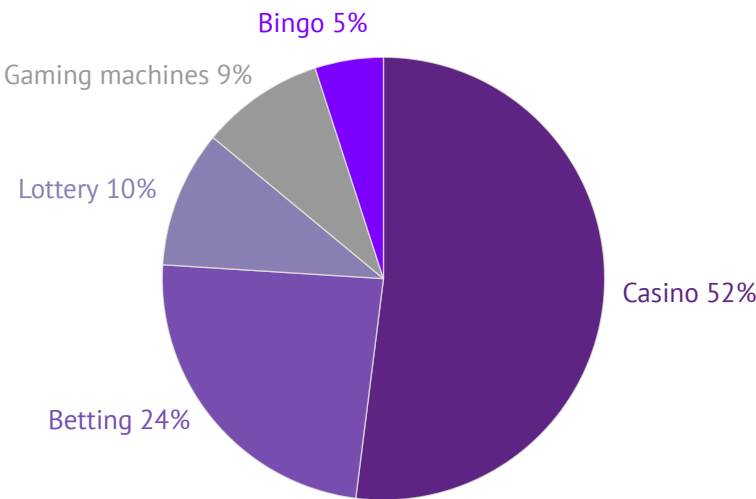


### Nigeria GGR forecasts



Source: H2 Gambling Capital

### South Africa product split GGR (%)



Source: H2 Gambling Capital

**Emerging markets:**  
DRC, Tanzania, Cote d'Ivoire, Cameroon, Uganda, Rwanda, Senegal, Sierra Leone

**Frontier markets:**  
Ethiopia, Burundi, Namibia

the authorities and the gambling sector, including leading firms SportPesa and Betika. The disruption caused by the recent wrangling over tax is demonstrated in the H2 data forecasts, which shows GGR falling back to the level of around \$175m in 2020, compared to a peak of nearer \$300m in 2018.

"This is a market that other regulators should be looking at in terms of what happens to the onshore/offshore split if regulation is too punitive, and we're now forecasting strong growth again having seen a significant fall in the onshore market over the past year or so, which will be boosted by the entrance of some major betting brands into the market," Birkin says.

#### NIGERIA

The most populous country in Africa, Nigeria is also one of the

most established land-based and online betting markets and it includes some of the most well-known African-facing brands including Betgja and Nairabet.

#### Regulation and taxation

Confusingly, Nigeria is regulated both by a federal regulator and, within Lagos itself, a separate regional regulator. The two competing bodies are often at odds over who has jurisdiction over gambling, with the regional regulator insisting as recently as May that operators with a national licence still needed a Lagos version in order to go about their business.

#### Market commentary

The Nigerian sports betting market has been enjoying a period of strong growth over the past decade and H2 forecasts

this to continue. "In contrast to Kenya, Nigeria doesn't have the same mobile payment infrastructure, which means that the growth has been driven by retail outlets," says Birkin. "However, many of these contain computers for online betting, so the classification between online and retail is blurred in the market – much like different operators/regulators in Europe classify self-service betting terminal (SSBT) revenues differently in Europe."

#### GHANA

Ghana remains a small but growing market with a stable regulatory backdrop for both land-based betting and online. Among the companies active in the country is Betway, Editec's Premier Bet and local brands BetYetu and Supabets.

#### Regulation and taxation

Gambling in Ghana is regulated by the Gaming Commission of Ghana via the Gaming Act of 2006. As it stands, tax comes in the form of licensing fees and the application of VAT. It is thought the Gaming Commission is looking at a specific gambling tax in the near future.

#### Market commentary

Birkin notes that though Ghana is among the smaller markets in Africa, with H2 estimating yearly GGR in 2019 of about \$110m, it has seen "massive growth" in recent years due to the widely perceived fairness of its regulation for onshore operators. The Gaming Commission has also shown a "desire to combat the offshore market", which he says means the country has developed a strong onshore market.

#### SOUTH AFRICA

For reasons of geography and history, South Africa has to be treated as a very different betting and gambling market from the rest of Africa. As by far the largest gambling market on the continent, and the only one to truly rival the regulated markets in Europe, this misunderstood giant of a country is clearly on the radar of global operators.

Yet, as with other markets in Africa, the presence of any European or global giants is limited, with the standout being GVC-owned Sportingbet. This perhaps accounts for the relative under-penetration of online and mobile.

Birkin from H2 says the country remains largely land-based. "With online penetration only at 7% last year, we see significant potential for the market, but we don't see

the country realising its potential any time soon."

"South Africa is a tricky market," says Greg Parsons, regional sales director for Sportradar in South Africa. "It is comparatively highly regulated. In some ways it has evolved slower than some of the more disrupted African markets. It is very segmented with regard to retail and online/mobile and only a few operators have real omnichannel capabilities."

One of the differentiating features of South Africa is the historical importance of horseracing. Parsons says that the move online on the part of consumers has been led by horseracing punters. "It's very popular and those customers have already moved online," he says.

Another big driver of consumer interest is lottery betting. "I think



it's fair to say that it's had a transformative effect on the sports betting industry in South Africa, particularly in the retail betting sector," says Scott Canny, chief executive of South Africa-facing Bet.co.za. "South Africans generally love high-risk/high-reward betting and are familiar with the lottery as the country's most established legal form of gambling, so it was an easy sell."

### Payments and technology

Unlike other key markets in sub-Saharan Africa, there isn't a dominant mobile payments technology existing in the country, though there is a thriving fintech and telco ecosystem.

"South Africa's telco and banking infrastructure has made mobile payment innovation for the likes of M-Pesa much harder," says Canny. "However, there are some other really smart payment providers that have built great solutions to South Africa's problems."

Voucher payments schemes,

for instance, allow consumers to buy airtime and this has proven to be popular. Meanwhile, Canny says that providers such as Instant EFT and OZOW allow those without credit cards to make instant payments. "There are plenty of great players in this space and it really speaks to the ingenuity of South African entrepreneurs," he explains.

Still, he adds that though there are signs of online-only operations beginning to gain traction, the biggest operators, such as HollywoodBets, have "built their success on top of retail".

### Lockdown and its effects

The final question is whether this retail dominance will be disrupted by the Covid-19 lockdown and its aftermath, as is assumed to be the case elsewhere across the continent.

Parsons says the lockdown was "significant and immediate". "Capacity restriction was 50%, distancing guidelines reduced that further, so retail was likely working

at 40% of full capacity," he adds.

But it will take some time to work out whether the audience, first, has moved to digital during the crisis period, and second, if so, whether they will stay there. Either way, retail will take some time to recover. "So operators are now prudently discussing the potential for online and not waiting out an immediate return to normality," Parsons adds.

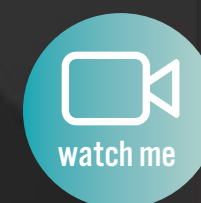
A big boost would be provided if either the regional or national legislators looked at allowing online gaming. Canny says that despite hopes and expectations to this end, there has been little progress made.

"But with bookmakers starting to offer live, fixed-odds games as approved by various provincial Gambling Boards (and with Covid-19 revealing the frailty of brick-and-mortar-only businesses) one can only hope that the industry will get behind the establishment of a regulatory framework for the legalisation of online gaming in South Africa."



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