

trafficology

AFFILIATE FOCUS BY GAMBLING INSIDER

MAY 2017

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ACQUISITIVE NATURE

M&A activity in the affiliate sector is running red-hot, but who are the winners?

ITALY'S ONLINE GAMING SECTOR LIVING LA DOLCE VITA

Italy will be one to watch for affiliates in 2017, as reports released by Milan Polytechnic University revealed that the country's online gaming market grew to become the second largest in Europe in 2016.

A number of major operators have now targeted Italy as a region with significant growth potential, with Sky Betting and Gaming both launching a sports betting product in the country in November 2016.

Generating a total of €1.03bn in online gambling revenue, last year's results take Italy beyond both France and Spain, sitting behind only the UK online gambling industry which generated £4.5bn GGY between April 2015 and March 2016.

Furthermore, Italy's iGaming market increased by 25% compared to the year prior, with the government subsequently collecting €247m in gambling taxes, a 20% increase compared to the amount in 2015.

The university's statistics underline the popularity of online casino games in the country, taking up a 43% share of the market and worth a total of €439m in 2016.

Sports betting also took a significant share of the market, raking in €350m in revenue through 2016, an increase of 31% year-on-year.

Mobile gambling made up almost 23% of the total for 2016, representing



an increase on the 19.2% recorded for 2015, with sports betting accounting for 56% of those wagers.

The only sticking point for the industry was the reported numbers for online poker, with revenue falling by 10% to €133m and the number of active players falling by 7%.

However, better times could be on the horizon for online poker both in

Italy and across Europe - Italian poker news outlet *Assopoker* recently reported that European poker markets are moving closer to a shared liquidity framework.

Daria Petralia, Head of Online Gaming at Italy's gaming regulator, said that significant progress had been made on the issue at an online gambling conference in April.

PHILIPPINE REGULATOR ANNOUNCES BAN ON GAMBLING FIRMS



The Philippine Economic Zone Authority (PEZA) has announced a ban that will prevent online gambling firms from operating in any of its accredited sites across the country.

PEZA took the decision after its board of directors met with representatives of the BPO (Business Process Outsourcing) association.

PEZA Director General Charito Plaza said: "After meeting with the PEZA board and the BPO association, we reached a consensus that we will not allow

because first, gambling is not a mandate of PEZA. Second, allowing it might affect operations of our legitimate BPO locators."

At present there are over 100 online gambling-related businesses in Metro Manila, the bulk of which operate in buildings accredited by PEZA.

Plaza said that she would ask owners of PEZA accredited buildings not to allow online gaming firms to operate in their premises, particularly those firms which are seen to be "disguising as BPOs".

PEZA have confirmed that the ban also applies to any businesses engaging in technical support for online gaming firms.

The country's online gambling industry has been buffeted by political controversy since Rodrigo Duterte was sworn in as President in June 2016.

The President used his first cabinet meeting to announce a crackdown on the domestic online industry, leading to the closure of Philweb's 286 e-games cafes after the non-renewal of its licence.

PAGCOR, the Philippine regulator, rolled out an initial 35 offshore online gambling licences in December as it sought to shore up its revenue streams.

Gaming licensor First Cagayan committed itself to a boost in spending on its technical infrastructure, aimed at the retention of its online gambling licensees in the wake of PAGCOR's new offshore regulatory framework.

With the climate for the gambling industry in the country currently on the febrile side, the Philippines is a market that affiliates and the industry at large should keep a watchful eye on.

Although the appetite for online gaming is matched by the huge amount of mobile penetration, Duterte's not known for his love of vice, and there may well be further clampdowns on gaming across more of the region's governing bodies.

SWEDISH GOVERNMENT ENQUIRY OUTLINES ONLINE GAMBLING FRAMEWORK



A Swedish governmental enquiry has proposed that the country's regulated gambling firms should be allowed to offer online casino gambling in an effort to increase competition in the industry.

The enquiry has called for the creation of a licensing system which would allow gambling operators to apply for licences in specific areas of casino gaming.

It also proposes allowing Swedish casino operators to offer online casino gaming, something which regulated firms in the country like Svenska Spel and ATG are currently prohibited from doing.

State-owned casino Svenska Spel have already expressed an interest in adding online casino gaming to its casino offering, with many other firms tipped to follow suit should the proposed system be implemented.

Sweden's online gaming market is growing, but is currently dominated by overseas firms like Bet365 and Unibet. According to media consultancy Mediavision, traffic to these sites has now increased to an average of between 200,000 and 230,000 gamblers using these casinos every month.

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ALABAMA MOVES A STEP CLOSER TO REGULATED DFS



Alabama has moved a step closer to introducing a regulated fantasy sports market after legislation was approved by the state's House of Representatives.

The state's legislature is currently reviewing three separate bills, and if one passes, it would make Alabama the thirteenth US state to legalise DFS.

The House passed a bill that would legalise and regulate paid-entry fantasy sports in the state. However, it was a close call, with representatives approving the bill 43-38, and the bill has yet to be considered by the Senate.

Given the close vote in the House, the eventual fate of the bill is tough to call.

DFS sites have put a hold on operations after the State Attorney General asked operators to remove services last year. Although there was an effort to legalise DFS in 2016, this came to no avail.

However, if the bill gets the seal of approval by the Senate then regulated fantasy sports competitions in Alabama would allow the state to tax a piece of the operator's profits.

MULTILOTTO GAINS IRISH REMOTE GAMES LICENCE

European lottery betting operator Multilotto has been granted a remote gaming licence by the Republic of Ireland National Excise Licence Office.

Established in 2012, the provider currently allows consumers to play for 11 different international lottery jackpots, most notably the widely popular EuroMillions and US Powerball lottery draws.

Multilotto hopes that the new licence will play a key part in further international expansion following sustained success in the Nordic market.

The announcement follows the granting of a Class 1 on 4 remote gaming licence by the Malta Gaming Authority in March.

Thomas Biro, Chief Executive of Multilotto, said: "Our business model is well established in the Nordic region and we believe that Irish customers will be equally attracted to our offering."

"2017 is proving to be a big year for us and we look forward to making several more major announcements in the coming months."

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GALA CASINO

NEW JERSEY'S ONLINE CASINOS ENJOY RECORD-BREAKING MARCH

According to analysts at PlayNJ.com, New Jersey's online casinos have raked in enough revenue to mark March as another record-breaking month, whilst also hitting some vital milestones along the way.

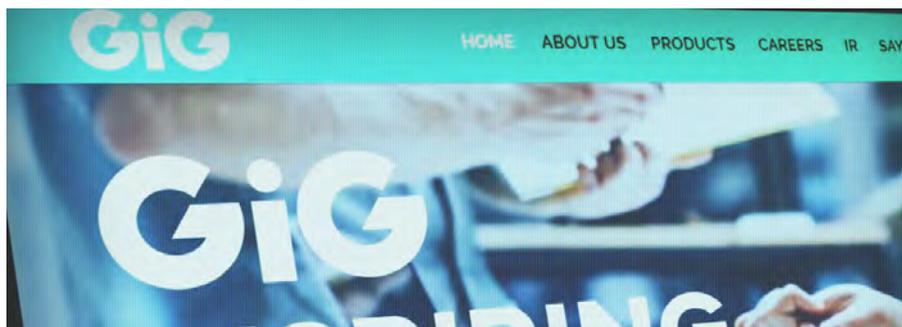
The Monthly Internet Gross Revenue Report released by the state on 12 April revealed that NJ's online casinos achieved \$21.7m in gross revenue in the month of March. This is the first month that revenue has topped \$20m.

New Jersey has now managed to pick up \$536.5m in total revenue since the state legalised online gambling nearly four years ago.

The Garden State exceeded \$80m in total tax revenue since 2013, putting it on course to surpass the \$100m mark by the end of the year, according to the analysts.

Robert DellaFave, Senior Analyst for PlayNJ.com says "Nearly three-and-a-half years since its inception, the train that is the New Jersey online gambling industry continues to gather steam. Every month the industry either flirts with or sets a new record for revenue."

GIG TARGETS THE DACH MARKET WITH NEW ACQUISITION



Gaming Innovation Group Inc. and its subsidiary Innovation Labs has agreed to acquire a non-disclosed affiliate network for a total consideration of €5.7m. The highly-regarded network in question specifically targets sportsbook players in the DACH region, looking towards Germany, Austria and Switzerland as its key markets.

The acquisition includes a network of sportsbook websites - in addition to all other related assets and IP - and affiliate accounts. The new partner also provides reviews and betting tips to punters on upcoming sporting events.

Current yearly revenue run-rate of the acquired assets is approximately €1.4m

and it has a strong EBIT margin of approximately 85%.

Furthermore, the acquisition of the network is expected to add at least another 5,000 First Time Depositors over the next 12 months.

GIG CEO Robin Reed comments: "We aim to make Innovation Labs the largest lead generation business in iGaming. Through this acquisition, we are entering the DACH markets whom are likely to be re-regulated in the future, and are therefore markets we are increasingly focused on."

The transition is subject to satisfactory due diligence and final board approval, with closing expected to be in June this year.

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THE DIGITS

Trafficology has partnered with data experts Casino City Press to bring you an invaluable insight into website and traffic trends across the gaming industry. This month we rank the most popular gaming software providers and international currencies accepted.

TOP 20 GAME AND PLATFORM SOFTWARE SUPPLIERS

	Name	Website	Sites
1	OpenBet	www.openbet.com	1258
2	Microgaming	www.microgaming.co.uk	1437
3	GTS	www.gtsplc.com	1485
4	Playtech	www.playtech.com	1378
5	NetEnt	www.netent.com	1299
6	NYX Gaming	www.nyxgaminggroup.com	1406
7	GAN	www.gan.com	1087
8	Amaya	www.amaya.com	1486
9	SkillOnNet	www.skillonnet.com	1305
10	NextGen Gaming	www.nextgengaming.com	1268
11	bwin.party	www.gvc-plc.com	1197
12	IGT Interactive	www.igt.com	721
13	Genesis Gaming	www.gen-game.com	740
14	Ash Gaming	www.ashgaming.com	703
15	Evolution	www.evolutiongaming.com	499
16	betsson	www.betssonab.com	558
17	DBG	www.dbglimited.com	366
18	WGS	www.wgstechnologycasinos.com	846
19	Electracade	www.openbet.com	615
20	Odoboo	www.odoboo.com	763

TOP 20 CURRENCIES SUPPORTED BY GAMING SITES

	Currency	Symbol	Sites
1	Euros	€	2409
2	United States Dollars	\$	2014
3	Pounds Sterling	£	1736
4	Swedish Kronor	Skr	617
5	Australian Dollars	A\$	700
6	Canadian Dollars	C\$	853
7	Swiss Francs	CHF	261
8	Norwegian Kroner	kr	482
9	Danish Kroner	kr	305
10	Polish Zlotych	zł	201
11	Hong Kong Dollars	HK\$	105
12	Chinese Yuan Renminbi	¥	234
13	Singapore Dollars	S\$	101
14	Czech Korun	Kc	146
15	Japanese Yen	¥	175
16	Romanian Lei	lei	100
17	Hungarian Forint	Ft	93
18	Bulgarian Leva	лв	66
19	New Zealand Dollars	NZ\$	215
20	Mexican Pesos	Mex\$	93

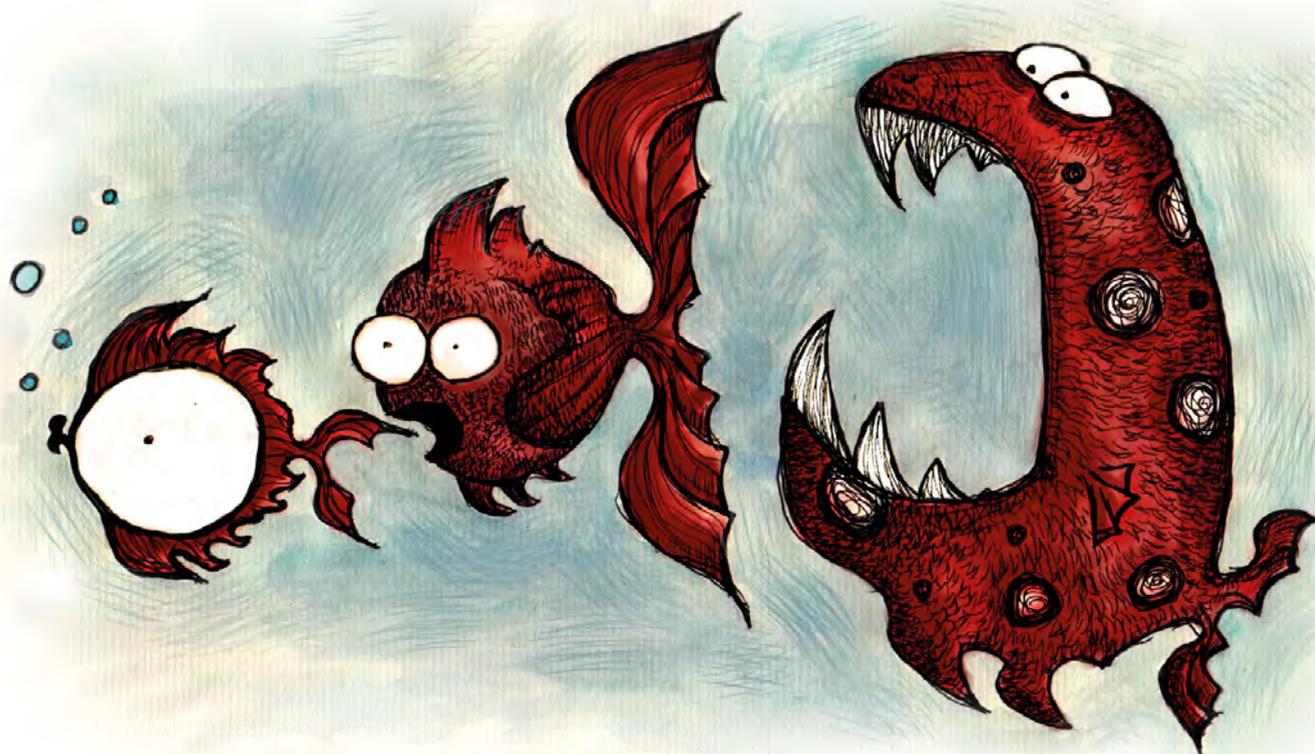
Rankings are estimated based on a panel and should not be considered absolute ranking values.

Over 20 complementary top lists are available on the iGamingBusinessDirectory.com website operated by Casino City Press.



AFFILIATE ACQUISITIONS AT ALL-TIME HIGH

Increased M&A activity in the affiliate sector is beginning to mirror that seen in the wider gaming environment, but what is driving it? *Words Tom Lewis*



Consolidation has been the hottest topic in the gambling industry for the better part of the last three years. Kindred Group's cash offer for 32Red became "unconditional" in March 2017, with shareholders in the Gibraltar-based online casino giving Kindred's £175.6m offer their seal of approval. Amaya purchased Oldford Group on 1 August 2014, taking control of the PokerStars and Full Tilt brands. Scientific Games merged with Bally Technologies not long after in November to the tune of \$5.1bn, while GTech bought IGT for a similarly eye-watering sum of \$6.4bn in April 2015. Paddy Power Betfair was created in February 2016, while Ladbrokes and Coral tied the knot in November.

The tidal wave of major industry M&A still appears some way from crashing on the rocks, with DFS heavyweights DraftKings and FanDuel announcing their intention to merge towards the end of 2016.

That wave has swept up the affiliate sector in recent months. The pace and size of acquisitions taking place in the sector certainly looks to be on the increase, with affiliate networks including Catena Media, Raketech and Gaming Innovation Group engaging in a series of deals over the past several months.

Among the most headline-grabbing was the latter's unveiling of an €11.5m deal to take control of Casino Tops Online, GIG's largest affiliate acquisition to date, with CEO Robin Reed stating that the deal formed a key part of the company's aim "to build the largest distribution network in iGaming."

Catena Media, the Malta-headquartered affiliate network, has also been nothing short of prolific when it comes to M&A involvement in the past year. The online lead generation firm made a number of strategic acquisitions in 2016, with a €15m

deal to take control of AskGamblers.com among the largest. The €10.6m purchase of CasinoUK.com ended the year, while the company wasted no time in adding to its network in 2017, integrating the online casino site Slotsia.com in February 2017 for an initial upfront payment of €3.6m.

Chatting to Gambling Insider about what these buys will bring to the business, Catena Media CEO Robert Andersson said: "Our latest acquisitions add more of the same in terms of strengthening our casino position. That was quite straightforward, allowing us to continue the work we are doing in building and consolidating our core business."

In what remains a thoroughly fragmented market, Andersson notes that being acquisitive was a key cog in the company's growth strategy. Expanding on the point, he explains that "it was simple in the sense that when we set the strategy for the company a few years ago, the active consolidation that we see today was not yet underway, and we recognised that was a good opportunity there in the business plan that we set out. I think has been proven to be the case over the last couple of years."

Not to be outdone, Raketech moved to secure €70m in funding for the express purpose of driving acquisitions. CEO Michael Holmberg states that the injection of fresh capital was sought "to leverage on the opportunities we see in the market. The acquisition climate is good at the moment and we see it as an excellent springboard to further strengthen our position as one of the leading gaming affiliate companies in Europe."

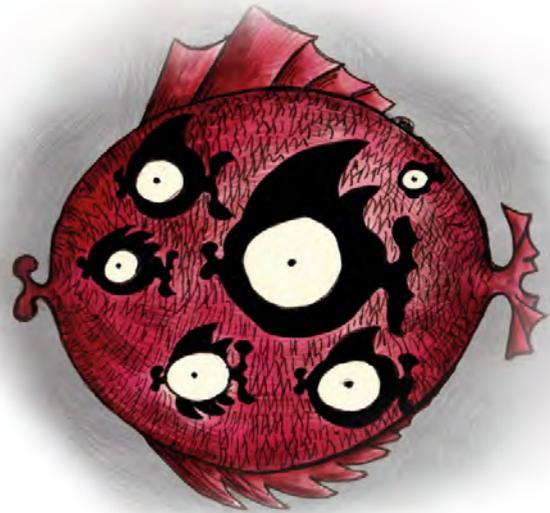
He expands: "As a rule of thumb, it usually takes two years for a new website to start making money on a reasonable level. Organic growth is always very important and something we work on daily, but under the current market conditions, we find acquisitions to be an important part in the strategy for continuing to grow quickly."

The European growth strategy that this investment will fund bore fruit at the beginning of April, as Raketech announced the acquisitions of sports-betting platform BetXpert.com and gambling affiliate company Turtle Gaming. The firm now operates more than 1,500 affiliate websites across Sweden, Denmark, Finland, Norway, the UK and Spain.

Both Andersson and Holmberg seemed to be in agreement that the pace and size of acquisitions in the affiliate space is building, driven not by regulatory pressure, as is the case for

Stockholm put our industry in the spotlight and can in some ways be seen as the starting point for the increased pace of acquisitions. Our industry gets more professional in every day that passes."

News of Catena Media's listing on Nasdaq First North Premier in Stockholm broke in February 2016, with Andersson supporting Holmberg's view that the move to go public went a



long way to lighting the fuse on the current wave of acquisition activity we are witnessing in the affiliate sector. He notes that Catena Media has made strides in taking advantage of its "first mover advantage" in making acquisitions a core part of its growth strategy as an affiliate network. As he points out, after his company went public, "people started seeing and understanding the opportunities that existed here. We then began to see others, including Raketech, becoming more active in this space."

While a number of affiliate networks have proved adept at taking advantage of the febrile nature of the M&A market, acquiring a number of new affiliate websites in a short space of time is not without its problems, chief among which is often the risk of market cannibalisation. Making sure to be fully cognisant of the position of the company that is being looked at, and the keywords that it targets, is a vital part of the due diligence process the affiliate networks undertake in order to mitigate any risk of a reduction in revenue and market share.

"For each acquisition, we do our due diligence and always check the traffic sources to make sure we don't buy assets that directly compete with our current websites," states Raketech's Michael Holmberg, although he goes on to add that "it can sometimes be a strategic move to buy websites that rank on the same keywords to further strengthen our position and dominate that specific niche."

It is worth heeding, however, that the recent upsurge in M&A in the affiliate sector is not a trend that Robert Andersson expects to continue indefinitely. Its current fragmentary nature is a facet of the affiliate sector that the Catena Media CEO expects to lessen as the industry matures. As he is quick to point out, "if you take the travel industry, which is much more mature than the gambling industry, there are a significant number of major players, such as Expedia, Booking.com and brands like TripAdvisor. All young industries display significant fragmentation to start with, but in the end you will have a group of major players left after that consolidation has taken place. I believe that is happening both in the wider gambling industry and in the affiliate sector." ◀

ONCE A CERTAIN POINT HAS BEEN REACHED WE WILL BE LEFT WITH A FEW REALLY DOMINANT PLAYERS

many mergers in the wider gambling industry, but by the simple fact that the affiliate sector is a young, splintered industry, that will be driven to consolidate as it matures. As Robert Andersson notes: "In all likelihood, we will have a couple of years' really intense consolidation in the industry, and once a certain point has been reached we will be left with a few really dominant players."

Holmberg comments: "Yes, I would definitely say that the pace is increasing. Catena Media's entrance on Nasdaq

BIG QUESTION

Gambling Insider challenged leading operators to explain **what the most attractive quality of their company is for affiliates**, and why affiliates should consider partnering with them.



RITA VENCKŪNAITĖ

Key Account Manager
at Energy.Partners

"We care about our partners because we understand that we can only be successful if they are"

In addition to offering an extensive portfolio of high quality products from trusted developers that appeal to both players and affiliates, one of Energy.Partners biggest strengths is our dedicated and professional team of affiliate managers.

At Energy.Partners, our primary goal is to help our affiliates to earn money with our program. Unlike many other affiliate programs, we appreciate that all our partners are individuals, with different requirements and circumstances. This is why we take the time to analyse their businesses, so that we can understand their

needs and customers, and deliver quality materials that best suit their profiles. Through this process, we not only build business, but also lasting relationships.

It is because of these strong, trusting relationships, that our partners have the confidence to invest their time, effort and resources into collaborating with us. Fundamentally, we care about our partners because we understand that we can only be successful if they are; and happy affiliates are successful affiliates.



WARREN JACOBS

Managing Director
at ActiveWins

"The one-to-one relationships our account managers have with their affiliate partners really do make all the difference"

When the ActiveWins program began in 2013 with a team of three, we dedicated ourselves to deliver good business with a personal touch. Fast forward to 2017, and we have over 100 staff looking after our clients.

Although our mission statement may sound simple, there is a tremendous amount of hard work that goes into making sure we stay true to our ethos. The one-to-one relationships our account managers have with their affiliate partners really do make all the difference. If there is a problem, our affiliates know we are only a phone call away, and the doors to our offices in Manchester are always open.

We are very proud of the level of service we provide, which extends to the marketing tools that are available to affiliates. Our site hosts new creative, game reviews and free relevant content which can be accessed 24/7. When a webmaster joins the ActiveWins family, we provide everything they need to drive acquisition.

ActiveWins represents some of the best brands in the online gaming industry, and we have programs to suit every demographic on one simple platform. The future is very bright indeed for ActiveWins.



DIEMO ALBILT

Head of Affiliates at LeoVegas Group

"At LeoVegas, we do everything mobile-first and this can be verified by our cutting-edge products"

At LeoVegas we consider affiliates as our partners, so much so that we have an award-winning team ready to assist them in their native language. If that's not enough, the most attractive reason why they should want to partner with us is because we truly deliver what we stand for – being number one in mobile gaming. At LeoVegas, we do everything mobile-first and this can be verified by our cutting-edge products.

We have a fast, fun and intuitive casino product with more than 600 mobile games by more than 30 providers – one of the broadest portfolios on the market. LeoVegas is the operator of choice for several providers who launch their mobile games

with LeoVegas on an exclusivity basis before anywhere else. In terms of sports, we have the fastest mobile sportsbook in the industry with several livestreams and the best in-play experiences in tennis where you can bet on every ball, in-play. We also have a great live casino on mobile with the largest selection of table games and live streams from casinos across the globe in HD quality on mobile.

Affiliates know that everyone is increasingly using his/her mobile phone for entertainment purposes. Choosing to work with LeoVegas means that they can tap into this enormous audience and be sure that they can deliver what is promised – the best mobile gaming experience.



KATY STAFFORD

Head of Affiliate Marketing at CherryAffiliates

"We also like to incentivise our affiliates using CPA ladders, NDC bonuses and have also been known to send bottles of champagne"

CherryAffiliates' ethos is to grow mutually beneficial, rewarding and sustainable partnerships and to provide our affiliates with everything that they require to do what they do best. We believe that trust and transparency is paramount in building a successful partnership and I believe our program and the affiliate team have successfully achieved that – so much so that we won Best Casino Affiliate Program at this year's iGB awards.

We use our own proprietary reporting / tracking software, which, in our opinion, is the simplest reporting tool on the market. We recently updated the dashboard to make it even easier for affiliates to see their hourly updated stats and have introduced different types of marketing collateral utilising bannerflow with dynamic lotto jackpot feeds / HTML5 banners and customised landing pages.

We also want our affiliates to be fairly rewarded for their extra efforts, and so we have run regular affiliate incentive promotions to reactivate and retain our affiliate base. We have run competitions for affiliates to win a trip to our Midsummer Party in Malta, one lucky affiliate won a €5k luxury holiday which he took last year and we have also rewarded affiliates for writing new articles, increasing our exposure on their sites and increasing their monthly NDC levels.

As well as on site promotions, we also like to incentivise our affiliates using CPA ladders, NDC bonuses and have also been known to send bottles of champagne to deserving partners especially if they have had a record-breaking month!

All in all, we are a nice bunch of people, with a great platform, fair and transparent terms and some of the best casino / sports / lotto brands in the market!

**DO YOU HAVE A BURNING
QUESTION YOU WANT TO ASK?**

IF SO, CONTACT US AT DOUG.PECK@GAMBLINGINSIDER.COM



TRAFFICOLOGY IS YOUR WINDOW INTO THE AFFILIATE WORLD

When I first became an affiliate well over a decade and a half ago it was easy. Every player was a 'new' player and lifetime player value had no terms and conditions attached; an affiliate event was Spring Break in Miami. Decisions were so much easier then, not least because there were only a handful of places you would send the traffic. Remember Casino-on-Net, Golden Palace, Intercasino, River Belle?

Nowadays there are thousands of destinations, not just casino but lottery, poker and sports. The business of driving traffic is now infinitely more complicated, choosing the right partner to monetise your hard-earned traffic is a difficult and long term decision, and ensuring they prioritise you is an art. This is all against a backdrop of a fast-moving landscape where rules and legislation are constantly changing, and where big marketing companies are swallowing up smaller traffic generators. Now games are licensed to many platform providers and the players who ultimately earn you money are ever more demanding and infinitely less loyal.

Enter Trafficology. Our vision for this publication is to add much-needed clarity to this complex operating landscape, and to help every affiliate make better decisions. We will analyse the most successful affiliate companies, and share with our readers what makes them tick and how they operate.

By tracking and predicting the most important market trends over the long term we can help affiliates stay ahead of the curve. And we will keep you up to date in changes of international legislation to identify markets ripe for exploration or where territories are looking shaky.

Through the Big Question feature we approach industry experts on both sides of the fence to get their thoughts on the industry's most prescient issues. In this issue we kick things off with a look at what gambling site operators consider their most attractive quality to their affiliate partners, and we will explore in a future issue if that tallies with the wishes of the affiliate community itself.

In this issue, the flurry of M&A deals between affiliate groups is put under the microscope; it's been hard to ignore. Is this just the standard period of consolidation for a maturing industry or does it signal a wider trend? The general consensus is that it's certainly going to change the face of the industry, and may well limit the potential for newcomers to grab a slice of the action.

On behalf of the team, I hope you find this inaugural issue informative, thought provoking and commercially useful; if there's an issue or story you feel we should cover in future, please feel free to get in touch at trafficology@gamblinginsider.com.

JULIAN PERRY
Founder, Trafficology



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