



M&A machinations

Spiffbet CEO Henrik Svensson breaks down how the Swedish operator became heavily involved in bolt-on acquisitions while the industry was constrained by Covid-19

Words by | [Joe Levy](#)

From humble beginnings as a B2B supplier, Spiffbet's acceleration to B2C operator through an expansive M&A roadmap has CEO Henrik Svensson setting his sights on the future. Indeed, the appetite has been well and truly whetted after inking deals to acquire the likes of Metal Casino, Goliath, Cashmio and Manisol, ballooning Spiffbet's portfolio of online sites. Onboarding all of these bolt-ons in under 12 months has proved a challenge to relish, with Svensson insisting the group is still "constantly" eyeing up potential transactions.

Speaking to *EGR Intel*, Svensson reveals the group's first footsteps into the world of M&A, his plan on how to create a "house of brands" and how the group's B2B arm is still very much a part of the picture moving forwards. A dual approach, with regionalised focus on Europe and Latin America using separate branches, hopes to bear the eventual fruit from which Spiffbet will be able to power its newly founded B2C empire.

Elsewhere, he touches on the impact of deposit and loss limits in Sweden and how Spiffbet benefited while the giants stuttered, new market penetrations in Europe, as well as the opportunity to take ownership of the technology supply chain.

EGR Intel: *How did Spiffbet navigate the coronavirus pandemic being a smaller supplier/operator?*

Henrik Svensson (HS): It hasn't particularly affected us. The major impact is that some Stockholm employees are working from home instead of coming to the office, which requires good communication online. It is an extra effort to get everything working smoothly. Obviously, we cannot travel to trade fairs or visit our Malta offices or other international partners. Again, it is an extra effort to communicate and run projects efficiently but we are used to that.

EGR Intel: *When did Spiffbet decide to embark on its major acquisition drive, and what were the core reasons behind doing so?*

HS: In 2019 we acquired STHLM Gaming, which is a slots provider. That was our first real M&A transaction and it had a huge impact on our share price, so it

really confirmed our strategy and pushed us to look into more acquisitions within the B2B segment. By the end of 2019, the opportunity came up to acquire Metal Casino. We explored that opportunity and decided to go ahead with the transaction in March 2020.

After that, we had proven that Spiffbet, as a listed company with the backing of owners that believe in our consolidation strategy, had an advantageous position because a lot of smaller B2C players have difficulty in finding financing. Both the senior team and I have a background in M&A so we can handle all these M&A transactions smoothly without a lot of external advisers.

EGR Intel: *The shopping spree has been focused on your B2C arm, which started with the acquisition of Metal Casino. How has the acquisition developed?*

HS: It was a new business area that we were not used to but some of our board members and major shareholders were seed investors in Betsson and Mr Green, so they have industry experience. It was quite a lengthy negotiation and it was a lot of work to get it integrated into our company. It only appeared on our balance sheet from 1 July 2020. There also were some restructurings to be done such as changing platform and harmonising the corporate governance to our standards as a listed company.

EGR Intel: *You have since onboarded further B2C brands such as Cashmio, Goliath and now the latest is Manisol. Will all brands be incorporated into one unit or remain as standalone brands under the Spiffbet umbrella?*

HS: We have used the term 'house of brands', as we add on more brands and develop them. The strategy is to concentrate all brands into one structure and use the resources in that structure to maximise all the benefits of being under one hat. We will probably drop some brands in the future but we also may add more new brands, both acquired and internally developed.

EGR Intel: *You said with the Manisol acquisition that Spiffbet had reached a "critical mass", but what did you mean by this?*

HS: Critical mass for us means that we have reached a certain size. We have now acquired white-label casinos and we have a choice to stay on the white-label platform and operating model and tweak it or go for our own licence and leave the white-label model behind. It requires a certain size to make it worthwhile to take that step. If you're too small, it's too expensive but at some level it may be the preferred strategy.

EGR Intel: *In terms of having to raise SEK41m in private placements for the Manisol takeover, and with those shares being worth 4% less than market value, do you fear the M&A roadmap could perhaps be unsustainable?*

HS: When we prepared for the transaction, we approached investors and explained the opportunity. We started on a Friday evening and everything was closed and announced two days later. The speed we managed to secure the financing is a good sign of the confidence investors have in us and our strategy. After the announcement, the share price jumped and currently it is trading above the price we had before the transaction.

EGR Intel: *What additional expenses and costs are incurred from your M&A roadmap?*

HS: When we acquired Cashmio, we got the platform and the experienced team. Now, when we take over a smaller casino operation, we just acquire the domain and contracts with the suppliers and we add it on to our existing operations. With Manisol, we once again acquired a company with employees, so there is a difference. We are now working on combining the best of both organisations, to find synergies and remove overlaps.

We don't need to add on very much in terms of other things. When we add on companies, we are sometimes adding revenues without the operational cost. Sometimes we take over revenue and operational costs and combine it with our structure. One major difficulty is unresolved debts to affiliates. We are working on a better contract structure with affiliates to avoid this kind of uncertainty.

EGR Intel: *Are there any further M&A plans?*



As well as M&A, Spiffbet focused its efforts on casino game development in 2020

HS: We are constantly in discussions with people in the industry about transactions. It goes both ways, sometimes we are contacted and sometimes we contact targets, so we are always in that process and it is an ongoing part of our business.

EGR Intel: *Spiffbet's roots are in the B2B market – are you still focused on developing this arm of the business or is the emphasis on B2C?*

HS: We have gone through different phases. Phase one was to reshape the company, which was B2B, by adding casino games and investing in our portfolio and we focused our efforts on casino game development in 2020. In January, we signed an agreement to use technology from a game server and we started to develop additional games and refine the ones we have.

We have also recently signed an agreement with Pariplay to distribute games through them and we have an ongoing relationship with Relax Gaming. We have slimmed it down but we have kept the good parts of the operation so that we are on sustainable, stable ground in terms of B2B development. We definitely want to develop the B2B, especially as it will be an important part in our B2C strategy. If we are successful in building our B2C brands, we can use our own B2B operations to supply B2C.

We are interested in acquiring game

studios but those are trickier to acquire. B2C is more like a car: if you don't have petrol in the tank, you can't drive it. With a casino, when you stop supplying the system with money, you will churn out very fast. When you develop games in B2B you can go slower without revenue for a longer period of time because when you have developed the games, you get cashflow from them.

EGR Intel: *What is the relevance of having two dedicated B2B branches focused on Latam and Europe separately?*

HS: The whole idea behind Copacabana Gaming, which is Latam, started with a discussion with a company in Brazil and one of our Swedish salespeople who was living there. We want to keep it local and not disturb them more than necessary to develop games and develop the relationship in the local market – so that's why it's kept apart a bit.

EGR Intel: *From a regulatory viewpoint, how have deposit limits in Sweden impacted operations?*

HS: I don't have the full picture but I will say that it has affected operators that have high rollers and a large share of the market – they are constrained by this. But for smaller operators we have noticed an increase of new customers because the limits on how much you can play in one casino pushes players to find

somewhere else to play and customers have to shop around.

Metal Casino is more the average person's casino. It is not focused on leveraging high rollers because the amounts have been smaller historically on that brand. The main problem with the current regulation is that it is pushing people into the arms of the unregulated casinos. It has pushed the whole system into the grey and black areas. It almost seems like the regulation has created an unfair advantage for those that don't want to play according to the rules – that's the general conception of people in the industry in Sweden.

EGR Intel: *And with the UK government set to review the Gambling Act 2005, what impact do you anticipate it will have on your operations in the country?*

HS: Only a minor part of our operation is in the UK, so we haven't really thought about it that much.

EGR Intel: *With more markets regulating in Europe such as the Netherlands and Germany, is there any ambition from Spiffbet to get involved?*

HS: We are constantly evaluating where we are in terms of markets. It's changing all the time. It's a case of just keeping your options open.

EGR Intel: *What are your hopes and expectations for Spiffbet over the next 12 to 24 months?*

HS: The dream is to continue the M&A spree we are on, as well as looking into changing our structure in some sense; maybe add new business areas. What we want is to grow our size substantially. We also want to take over more of the value chain, like running our own technology and thereby coming to a new level in our operation over the next 12 months.

We are probably not going to develop a casino software because there are so many solutions out there that we can buy. Instead, we are more focused on obtaining our own licences and developing that side of the business.

Lastly, we want to ramp things up in terms of compliance and technology on the casino side and after completing the Manisol acquisition, we will be on a level to do so.