

Europe has the world's largest online gaming market by industry value, with Malta having firmly established itself as the iGaming capital of the region. Malta's online gaming industry has grown exponentially in recent years, now accounting for a substantial part of the economy (more than 12% of GDP).

Malta must continue to enhance its offering to ensure it retains its competitive edge, having built its success on its first mover advantage in regulating the industry. This need to invest further in the sector is particularly relevant as other larger jurisdictions with greater resources gradually begin to regulate and focus on iGaming.

To this end, Malta needs to offer a complete ecosystem for iGaming companies, a fundamental part of which is access to capital markets funding. The capital markets are essential sources of alternative financing for businesses, typically providing a cheaper cost of capital than banks or other institutional lenders, such as credit or lending funds.

Publicly listed issuers generally also find it easier to raise further capital and lower their borrowing costs from other sources as a result of the enhanced credibility associated with the more stringent regulatory requirements that come with a listing.

As the iGaming sector continues its steady growth, operators will invariably need access to diverse alternative sources of funding to move on to the next stage of their development. Many local iGaming businesses have matured to a point where an initial public offering (IPO) and listing - together with the increased governance and transparency requirements that come with going public - make sense for them.

Over the past few years, more iGaming companies licensed or based in Malta have opted for an IPO and listing of their shares on various foreign markets, with Nasdaq Stockholm leading the pack as the preferred destination of European companies.

The attraction to this market is understandable, given the Nordic roots of many of the larger shareholders and founders, with a large part of their businesses also focused on the Nordic markets. Studies have shown companies must generally have some tangible connection with the country of listing if they are to have a successful public offering there, with local investor knowledge and relevance of the company to the region important factors. This move abroad is also



iGaming and Malta's capital markets

“Malta needs to offer a complete ecosystem for iGaming companies, a fundamental part of which is access to capital markets funding.”

Nicholas Curmi

GANADO Advocates
head Capital Markets Practice

typical and indicative of the limitations of the domestic capital markets of smaller jurisdictions such as Malta.

This trend of cross-border equity listings is likely to continue in the short term given the greater depth and liquidity of the foreign markets. That said, one should not discount the possibility of an IPO and listing in Malta, provided domestic investors become more familiar with the iGaming market.

In the interim, iGaming businesses should consider sourcing some funding locally through bond issues on the MSE – alongside a foreign equity listing – as capital market globalisation continues and companies find it easier to raise capital in multiple jurisdictions.

The MSE is a reputable European Union exchange that offers several markets on which companies can trade, including its main market, where issuers can list equity and debt securities, and a specialist wholesale debt market for institutional fundraising.

There are clear opportunities to raise finance in the local debt market, despite the small size of Malta's capital markets. New issuers can look forward to strong demand, with the vast majority of new bond issues being oversubscribed.

In addition to helping fund the further growth of the local iGaming sector, new entrants would greatly benefit the local capital markets by offering investors some sorely needed diversification options, particularly given the large concentration of issuers in the local property sector. Any prospective bond issues by a Malta-based business in this regulated, lucrative and thriving sector would give investors compelling investment opportunities.

