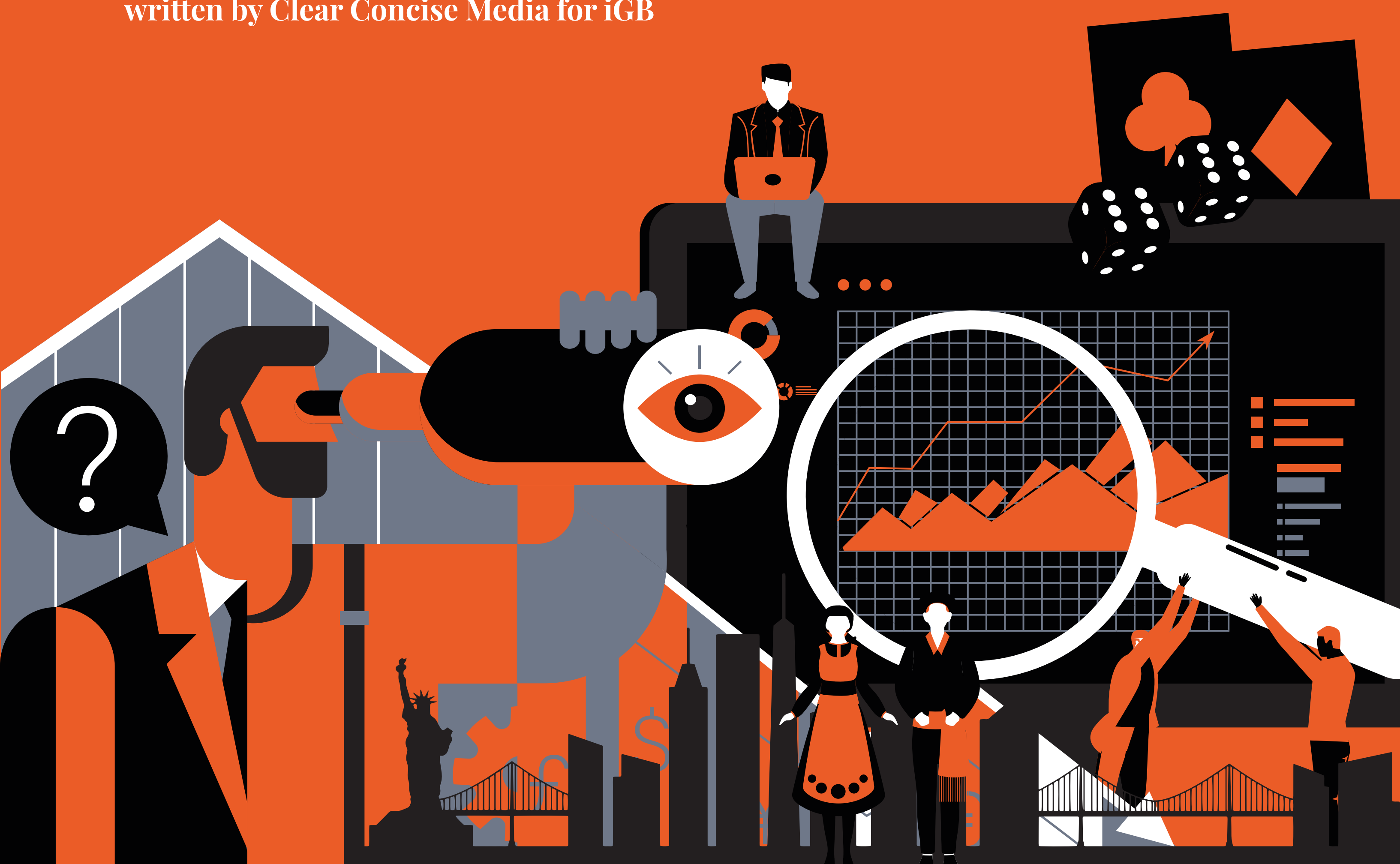
Affiliate Monitor

February 2022

written by Clear Concise Media for iGB



Three questions for the affiliate sector in 2022 • Company-by-company Q3 analysis

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Written by Clear Concise Media

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Contents

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Editor's Letter

Upwardly mobile

The launch of mobile sports betting in New York was still on the horizon when the main Q3 review of this edition of the Affiliate Monitor was written.

However, with the market having made an explosive start which saw NY bettors staking $1.63bn within just 23 days of the launch to smash NJ's previous monthly handle record, the big affiliates were quick to issue bullish statements on the market's potential.

Better Collective informed the market it would now be able to drive betting traffic from the 500,000-strong audience in New York using its sports media properties, ahead of unveiling a commercial agreement between its flagship platform The Action Network and the New York Post. Catena said NY had got off to a strong start for its portfolio of brands driving traffic to the licensed books.

We may start to get some visibility on their margins and future profits from a market burdened with a 51% revenue tax in the Q4 earnings calls but a fuller picture will not really emerge until the Q1s.

As well as looking at the numbers and earnings calls, Scott Longley poses three questions for the sector that he believes events of 2022 will provide an answer to. All centre around opportunities in the US, where the largest operators continue to jockey for position.

Stephen Carter
Editorial director, iGB

"With the market having made an explosive start which saw NY bettors staking $1.63bn within just 23 days of the launch to smash NJ's previous monthly handle record, the big affiliates were quick to issue bullish statements on the market's potential"

WELCOME

Executive summary

There are three questions that will be of particular interest to the rest of the sector in 2022, with each essentially revolving around opportunities in the US. As can be seen from the results from the largest listed betting and gaming affiliates, it is their relative positioning in North America which is now of paramount importance as the larger operators in the space continue to growth both organically and via acquisition.

The latest deals involving Catena Media, Raketech and Gambling.com are testament to the amount of money now being spent to maintain pre-eminence in the US and they are unlikely to be the last. Indeed, a recent analyst note from Peel Hunt suggested that further consolidation among the listed entities was on the cards. Looking at the sector's growth characteristics – particularly in the US – the analysts said there was a case for it to be trading on higher multiples. Further, they noted that with some companies in the sector trading at lower ratings than their peers, "this seems to us to be fertile territory for consolidation".

The first question is whether Catena Media will seek a separate listing for its North American operations. As this report points out, while the Catena share price had a decent year in 2021, it could have performed better, and without the drag of the legacy business in Europe and Germany, in particular, it almost certainly would have. Hence, the recent comments from Catena Media's CEO Michael Daly that the company is considering a possible separate float are indicative that it sees greater potential for generating investor enthusiasm in the US than back in Europe.

The second question relates to the future of GiG's media arm. While it has been very successful on its own terms and can lay claim to being the element of the GiG business keeping the group afloat in the last few years, it does appear to be losing ground against some of its rivals. Moreover, the willingness of GiG to advance the business through acquisition seems limited, particularly given its recent M&A activity on the platform side with the Sportnco buyout.

Our last question is more about the long-term picture for affiliation. The sugar rush of CPA has suited the sector well in the US as the addition of new states provides an immediate injection of revenues for all the major providers. But the foregoing of revenue share in the US does mean that this immediate infusion of cash comes at the expense of a long-term revenue stream. As many have suggested, this suits affiliates as much as the operators at present, but with the latter learning ever more about the lifetime values of their customers in the US now, there might be room for more deals with a longer-term structure soon enough.

"The foregoing of revenue share in the US does mean that this immediate infusion of cash comes at the expense of a long-term revenue stream"

PART ONE

Three questions for the affiliate sector in 2022

- Will Catena Media seek a separate listing in the US?
- Will GiG sell its media division?
- Can the US affiliate industry persuade operators about revenue share?

WILL CATENA MEDIA SEEK A SEPARATE LISTING IN THE US?

The growth in the US state-by-state market in the past three years has been the cause of intense activity in the affiliate sector, both in terms of M&A and listings. For Catena Media, the US state-by-state opportunity has helped the company overcome some of the recent challenges it has faced in its legacy markets in Europe, and particularly Germany.

On the face of it, its share price has responded well over the past 12 months, rising by 85%. But as can be seen from the trajectory of the share price in the chart below, things arguably could have been a whole lot better.

Chart 1: Catena Media share price last 12 months

Source: Google Finance

The US is clearly the future for Catena Media. It is where the growth is and where the focus of its major customers lies. But importantly, it is also where the investor interest exists. Gambling.com's listing in the US is one sign of the penny dropping. While that company's earnings are still largely European – at least until the RotoWire acquisition starts contributing to its quarterly revenues – it clearly sees its future as being a US-facing company.

Meanwhile, we have also seen in Canada the listing of Playmaker, which again, while not being a wholly US-focused business as yet, is certainly focused on the affiliate opportunity in North and Latin America. Then there is the deal that has seen the similarly Canadian-listed FansUnite pivot at least in part towards the affiliate sector via the merger with the newly forged American Affiliate.

The potential of a US listing was acknowledged by Catena Media CEO Michael Daly in the company's Q3 earnings call. "We are very seriously investigating how to maximise the opportunities in North America including the investment strategy," he said. "We are exploring it."

That US investor base is the key here. A US-based, US-listed and US or North American-focused affiliate business would have obvious advantages when it comes to attracting investors interested in pure-play sports betting and igaming activities. With the only remaining questions being about the structure of the company post-US float, it appears almost certain that Catena will exit 2022 in a very different shape to how it enters it.

WILL GIG SELL ITS MEDIA DIVISION?

The same might be said about Gaming Innovation Group (GiG). The big news for GiG in recent months didn't come from its media division. The acquisition of the Sportnco business in December propels the company more clearly into being a sportsbook backend supplier, and adding that capability to the already existent platform side means GiG can better compete with the likes of GAN and Kambi as full-service sports betting and gaming suppliers.

Where that leaves the affiliate business is more open to question than ever. Revenues have grown impressively in the past year. But with its major rivals growing at a faster pace due to acquisitions, it leaves the business looking relatively subscale at a time when size in igaming affiliate land is everything.

While there is no suggestion that the business is lacking in operational investment, just by relying on organic growth it is falling behind its major competitors. For instance, in the third quarter results, mention was made of its US positioning through wsn.com and casinotopsonline.com, but this is merely a bridgehead compared with the progress being made in North America by Catena, Better Collective, and now Raketech and Gambling.com.

The most obvious route would be to dispose of the business. There are arguably not enough synergies between the provision of sports betting and igaming platfoms and the affiliate arm. Cash that might be used to finance M&A on the affiliate side might be better deployed on the platform side. Back in 2020, GiG shed its B2C arm as part of a strategic review that was all about "[freeing] up resources" in order to concentrate on its B2B business.

The harder question to answer is what GiG would do without the media services revenues and more particularly the profit that the affiliate business brings to the group. Of total EBITDA of €5.3m in the third quarter, €5.1m came from the affiliate business. The question previously was how the business could unhook itself from its profit centre but with the Sportnco acquisition, perhaps it has provided itself with something of an answer. It leaves the company free to look at the offers on the table for an operationally efficient and profitable affiliate business with US optionality. That is a tasty proposition for any business in the sector.

CAN THE US AFFILIATE INDUSTRY PERSUADE OPERATORS ABOUT REVENUE SHARE?

To date, there has been little said by the firms making material revenues from the regulated US market about the extent to which their business there is based on cost per acquisition (CPA) as opposed to (the much preferred in Europe and elsewhere) revenue-share model.

This reasons for this are twofold. First, the affiliate gets the full benefit almost instantly from the sugar rush of new state openings. As much was clear in the third quarter where both Catena Media and Better Collective noted the extent to which their figures had been boosted by the launch of Arizona in September. As the latter company noted, combined with the start of the NFL season, the sudden rush of customers from the newly opened market in Arizona meant that the month contributed over 60% of total quarterly revenues from the US.

Second, both Catena and Better Collective have noted previously that operators in the US prefer CPA deals. The thinking is that they want quick results and are less willing than their European peers to share the long-term value. Potentially, this is down to the operators not being entirely sure about lifetime values and not wanting to give away too much. By comparison, European operators have a much clearer picture of the economics of each individual customer and the value that can be had from the high-intent traffic they receive via affiliates.

But that might change over time. As operators gain a greater understanding of the value of the customers coming through their doors, they might well look at longer-term deals with the affiliates they are working alongside.

PART TWO

Company-by-company Q3 results analysis

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

BETTER COLLECTIVE THIRD QUARTER REVIEW

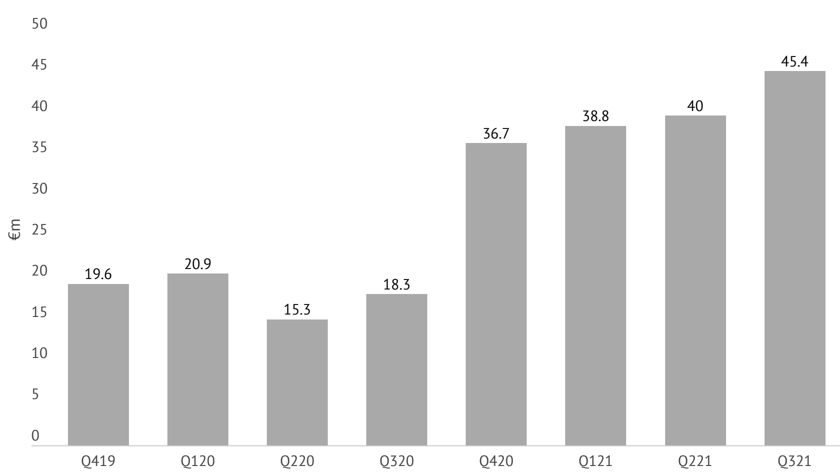
RINGSIDE SEAT

Better Collective's growth in the past few years has been sector-defining. Like a prize fighter moving up the weight divisions, the company's revenues continue to grow from already elevated levels.

As Better Collective has pointed out, the past year may yet turn out to be just a staging post on the way to a very different revenue profile. It reiterated its revenue target for 2021 of €180m, double the €91m gathered in 2020. As the results suggested, the fourth quarter started well. October saw total revenues of €16.8m, with organic growth at 17% and total growth at 34%.

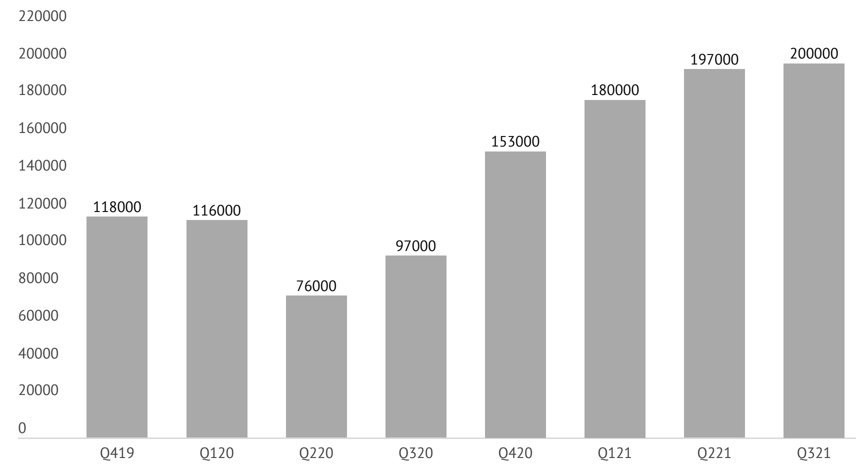
The question now is what further M&A moves Better Collective might make in 2022. Certainly, CEO Jesper Søgaard did little to dampen expectations that more buyouts are likely.

Chart 2: Better Collective revenue Q419-Q321 (€m)



Source: Company reports

Chart 3: Better Collective NDCs Q419-Q321



Source: Company reports

"We have a strong pipeline," he told analysts on the call. "There are always conversations ongoing. Obviously timing is difficult to predict. We have said before there's a difference when you look at the US and Europe when it comes to multiples. That is due to the growth nature in the US."

"We're basically getting inbounds quite often from European businesses and US businesses," he added. "It is known in the market that Better Collective is acquiring businesses in this industry. At the same time, we do selective outreach to targets we find interesting."

AMERICAN PIE

The driver of growth is the US business where Better Collective said revenues grew by five times the 2020 total and revenue in September "jumped" to €8.9m, or over $10m and worth 62% of the total US revenues for the quarter. The combination of the RotoGrinders acquisition and Better Collective's most ambitious M&A to date, the Action Network, is clearly working well.

"The acquisition of the Action Network has placed Better Collective in a leading position in sports betting media in the US and creates a strong foundation for benefitting from the continuous regulation of the betting market," said Søgaard.

The US operations received a particular boost from the opening of the sports betting market in Arizona as well as the start of the NFL season – hence the leap in US revenues in September. CFO Flemming Pedersen said that like all new states, Arizona had demonstrated the "one-time hit" that can be enjoyed from a new state opening.

"It goes for all states," he added. "We see a pent-up demand. Arizona was very strong because of that pent-up demand. It will normalise."

The next test came earlier this year with New York, something that Søgaard had said he was very excited about on the call. Of the nine licensees that went toe to toe in January, he noted that the majority were already Better Collective partners. "Even with the significant tax burden of 51%, we expect a competitive market with the opportunity for Better Collective to generate significant revenues," Søgaard told the analysts.

"We were quite pleased to see nine get a licence. That will create a strong competitive dynamic which is great for our business," he continued. "It is a market which is of high interest to all operators that have been awarded licences there and we know there are operators that didn't get a licence that will surely want one if possible."

MEDIA DEALS

One other breakout area for Better Collective in the third quarter was the media partnerships side which it said accounted for over 40,000 of the more than 200,000 NDCs accrued over the quarter.

The company has previously announced tie-ups with nj.com in New Jersey and the Daily Telegraph in the UK and Søgaard said that the proof-of-concept stage in that business' development was now passed. More discussions with other partners are underway, he added.

"It is significant in our business and part of the business we believe in," he said. "We see a potential to collaborate in any given market with the right media partners. And we have the business case we can demonstrate. It's definitely an area where we believe we will see growth in the future."

> **"We see a potential to collaborate in any given market with the right media partners. And we have the business case we can demonstrate"**
>
> JESPER SØGAARD, BETTER COLLECTIVE

FLY MEET OINTMENT

However, the picture isn't 100% positive for Better Collective. As with others in the sector, it saw its European business suffer from issues around the German market since it regulated in the summer. "Germany was in line with expectations," said Søgaard, though he didn't expand on what those expectations were.

He did add that based on current performance, revenues from Germany for the FY were expected to exceed those of 2019.

But the other underperforming element of the business remains the paid media division, largely made up of the business acquired when Better Collective bought Atemi earlier in the year.

The biggest issue remains the EBITDA margins in that part of the business where they are at circa 9% versus the 40%-plus seen in the publishing arm. "It is a fine-margin business and the attractiveness of paid is that it is extremely scalable," said Søgaard. "But it is slightly more unpredictable than publishing."

CATENA MEDIA THIRD QUARTER REVIEW

THE BARBELL OF REGULATION

The balance to be struck between making money from regulated betting and gaming markets such as the US and unregulated jurisdictions is always tricky. The fact remains that in unregulated markets one of the easiest routes to market for operators opting to go down the grey road is affiliate marketing.

Hence, while Catena Media rightly talks about the progress it is making in the regulated betting and gaming space in North America right now, it also has to point to the money it is making in Japan where online gaming is currently outlawed.

So, while the US accounted for €16.8m of total revenue in the third quarter or a little over 50% of total revenues, Japan was worth 9% after having doubled year-on-year. And much as with the European business – where growth is harder to come by – the importance of Japan is accentuated because the business is revenue-share driven as opposed to the CPA landscape in the US.

As CEO Daly put it on the third-quarter earnings call, "North America continues to flourish and grow and the pendulum will continue to swing towards the region," but the company's global team are "also working hard to keep some balance".

Yet, a reliance of revenues from inherently unstable regulatory situations can be problematic, as Catena Media has found recently to its cost in Germany. The introduction of the new interstate treaty has hit those reliant on the grey market there, from operators to affiliates, and the third-quarter results for Catena display the ongoing impact.

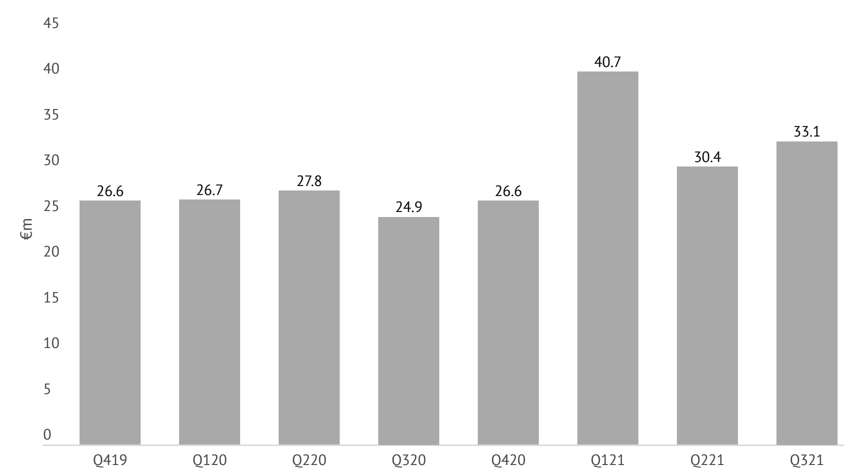
Germany now only represents 4% of group revenue having been much higher previously. But with the new regime all but wiping out the previous gaming activity, it means revenues from the market have been on the slide, to the extent that Catena Media's organic growth rate ex-Germany would have been 11 percentage points higher at 34% as opposed to the actual rate of 23%.

Previous to the quarter, Catena Media had already announced it was writing down the value of the German-facing assets acquired in 2017 to the value of €42.8m (and at the same time writing down €6.6m related to the value of some of its French-facing assets.)

Daly said that Germany would be a "very small factor in our growth going forward". It was the initial impact of the German situation in the summer that lay behind the 25% fall in revenues between Q1 and Q2.

As can be seen in chart 4, after reaching revenues of €40.7m in the first quarter of 2021, the total fell back 25% to €30.4m. The quarter-on-quarter rise back to €33.1m at least clawed some of that back, producing an 8.9% rise. The impact was even more pronounced in the EBITDA numbers, and as with

Chart 4: Catena Media revenue Q419-Q321 (€m)



Source: Company reports

revenues the bounceback was limited. Having fallen back to €14.9m from €23.3, a 36% fall, it rose €1.1m in Q3 to €16m.

A clearer signal of a return to growth comes from the NDC figures in chart 6. Having hit an all-time high in the first quarter of 157,546 NDCs, the total fell back 11% in the second quarter, with the 9.8% rise in the third quarter pushing the total back up to over 150,000 again.

MORE GROWTH IN NORTH AMERICA

Much of the rebound was due to the situation in the US where Catena's continued growth comes both from organic opportunities and from further M&A. Over the period it bought up the gaming-related assets of i15 Media for $45m as well as the site Lineups.com.

Both began contributing in September and Catena said the acquisitions were timed so as to occur at the same time as the start of the NFL season. Aided by the launch of Arizona, the combined moves helped push North American revenues up by 124% year-on-year.

The decent performance continued into the fourth quarter with October revenues up 21% across the group – but up 125% for the North American business. Daly however warned that a "reverse Covid affect", i.e. players returning to IRL experiences over

Chart 5: Catena Media EBITDA Q419-Q321 (€m)

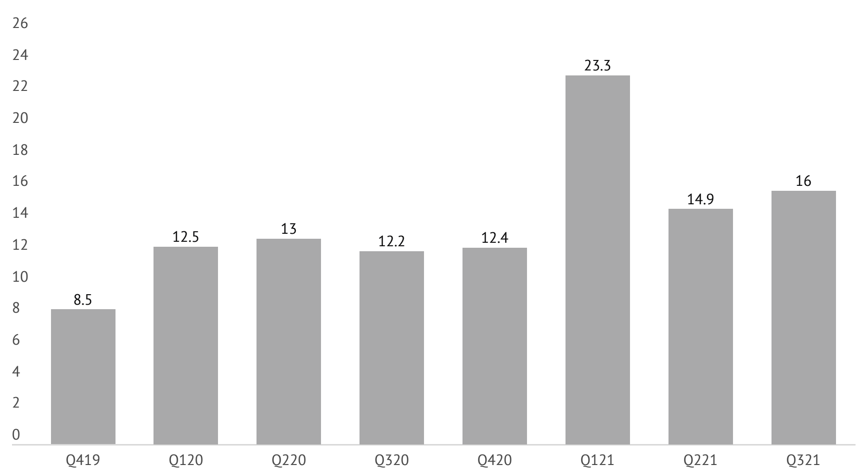
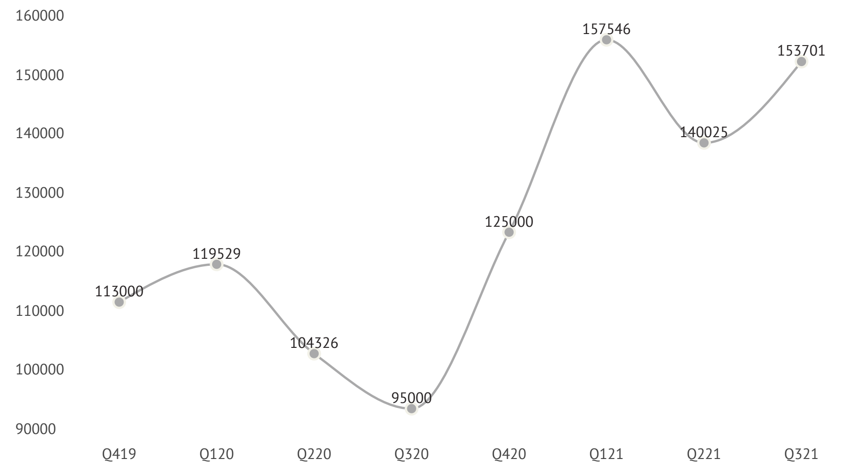


Chart 6: Catena Media NDCs Q419-Q321



Source: Company reports

online-only, means the fourth quarter would "not quite be the stratospheric quarter it might have been".

But the long-term opportunity in the US remained solid, he added. "It's an unparalleled opportunity. Maybe a third of the total US market is available in sports betting and another 14% upcoming. The giants remain an unknown and there is the potential of adding casino."

As with rival Better Collective, Daly said Catena Media was positioned well for New York, which opened in January.

"It's another one of the giants," he said. "We are very well positioned there. We work with many of [the nine licensees] already and expect to work with most of them."

He noted how the landscape for regulated sports betting and igaming could change quickly in the US, depending on the politics in each state. "This time last year we only expected Michigan to open," he pointed out. "Things can change considerably and very quickly in North America."

SEASONS CHANGE

One issue he addressed was the obvious seasonality of the US sports season and how that related to the affiliate business.

"There is an acquisition cycle in relation to the sports seasonality," he said. "Maybe 90% of affiliation is associated with NFL. I'm not sure anything has been exactly typical so far in the US. States [have been] added throughout the season, plus there was the Covid thing."

But Daly suggested a 'regular' calendar would look like the following: September is the highest peak of affiliation. That then tails off by 30-50% in October depending on how the season is going, then falls again in November. Then there is a pickup in December through January, with a high point being hit once again at the start of February with the Superbowl.

But he cautioned that the pattern was liable to disruption. "Volatility is going to be unavoidable and that will be amplified by further state launches," he added.

> **"Maybe 90% of affiliation is associated with NFL"**
>
> MICHAEL DALY, CATENA MEDIA

GAMBLING.COM GROUP THIRD QUARTER REVIEW

DOWN TO THE WIRE

Gambling.com Group didn't waste time in making its first substantial transaction in its short life as a listed entity.

The deal to buy RotoWire for up to $27.5m followed on from its third-quarter results which showed that even without a substantial contribution from the US, the company continued with its organic momentum.

Revenues were up 37% year-on-year to $10.1m but adjusted EBITDA dropped 14% to $3.5m. This growth came despite the disruptions caused by the introduction of new regulations in Germany and the Netherlands.

As with its peers, the group noted that the introduction of a new regime in the Netherlands would be a net positive with a financial benefit flowing through in 2022. Germany is clearly trickier and GAMB noted it had seen revenue volatility and lower NDC values as a result of the new interstate treaty going live.

However, it is Gambling.com Group's prospects in the US that are garnering the most attention. The RotoWire deal has seen the company snap up RotoWire's largely fantasy sports audience of 17 million unique visitors in the last 12 months and partnerships with over 70 media outlets for content provision.

The operation has 32 full-time staffers and over 150 external contributors and has three revenue streams: subscriptions, media services and advertising. The $27.5m price tag works out at a circa 4x multiple to revenues, according to Gambling.com.

On the call announcing the deal, CEO at Gambling.com Charles Gillespie said that though the historical focus of RotoWire has been fantasy sports, the acquisition was "all about sports betting" and specifically about growing affiliate revenues. Noting that only 20% of RotoWire's revenues come from advertising, he said that would expand "dramatically".

"The main purpose of this acquisition is to accelerate the growth of Gambling.com Group's sports betting revenues in the US," he added. "It is ripe for substantial growth. We believe we can drive significant incremental traffic via RotoWire's content plus new traffic, leveraging RotoWire in the sports betting area."

> **"Everything in our pipeline is very good and our targets continue to move deeper into the pipeline"**
>
> CHARLES GILLESPIE, GAMBLING.COM GROUP

The end game was to "make RotoWire one of, if not the largest, affiliate marketing sites in the US".

TIDYING UP EXERCISE

Attracting less attention was Gambling.com Group's other acquisition, the buyout of USBettingReport.com for an undisclosed sum, which was completed after the third quarter close. Gillespie also suggested Gambling.com Group was on the lookout for further domain name acquisitions and has recently added, in anticipation of potential legislation down the track, BetCalifornia.com and BetTexas.com as well as Scores.com.

He also noted that further acquisitions were likely. "The party line hasn't really changed since the last conference call," he noted. "We are extremely busy and we have had the great pleasure of looking at a huge number of deals. Everything in our pipeline is very good and our targets continue to move deeper into the pipeline. But there won't be the same amount of delay for the next deal."

GAMING INNOVATION GROUP THIRD QUARTER REVIEW

WHAT HAPPENS NEXT?

The third quarter continued the established trend for GiG of its media services arm delivering the bulk of its revenues and pretty much all of its operating profit.

Revenues for the group hit €17m in the third quarter with a more sizeable contribution from the platform services business of €5.7m. Yet, this was still outweighed by the €11.2m that came from the affiliate business.

But it is the bottom line where the relevancy of media services to the GiG business overall is stark. Of the group total EBITDA of €5.3m, the large majority (€5.1m) came from media services.

As can be seen, the media business continued to motor along, albeit with the third quarter once again producing slightly seasonally lower revenues and first-time depositors also dipping slightly from the second quarter.

Despite the seasonality, GiG was able to proclaim a record quarter for its publishing division, which

Chart 7: GiG media services revenues Q419-Q321 (€m)

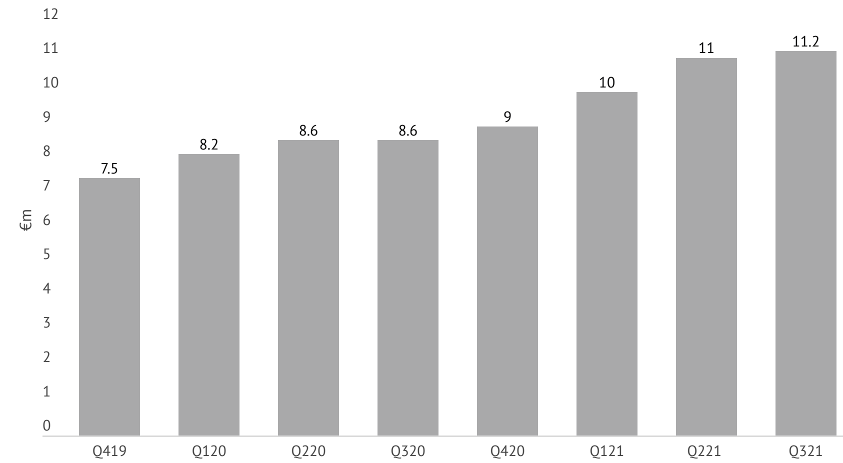
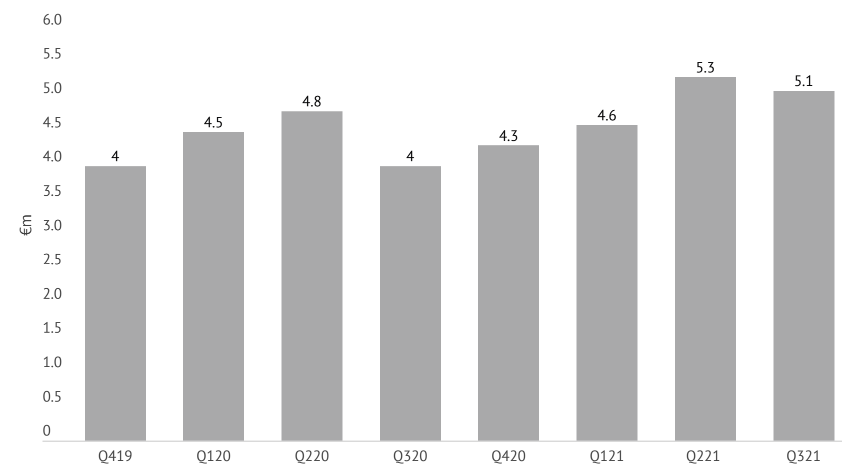


Chart 8: GiG media services EBITDA Q419-Q321 (€m)



Source: Company reports

saw revenues climb to €8.3m, while the paid division contributed €2.9m, slightly down on the €3.2m in the second quarter. The company said the seasonality particularly affected the level of FTDs coming from the paid division.

INVESTMENT IN THE US

GiG doesn't break out its media services revenues by geography but it did speak once again in its report about its efforts in the US, saying it now holds licences in 17 US states and continues to pursue its long-term strategy of investing in its premium websites wsn.com and casinotopsonline.com. The only actual metric it offered, however, was that the traffic originating from the US to these websites had increased by 30% quarter-on-quarter and 55% year-on-year.

"There is huge potential in that market," CEO Richard Brown said on a call with analysts.

"We also see the paid media working well and have seen the fruits of that effort."

Chart 9: GiG media services FTDs (Q419-Q321)

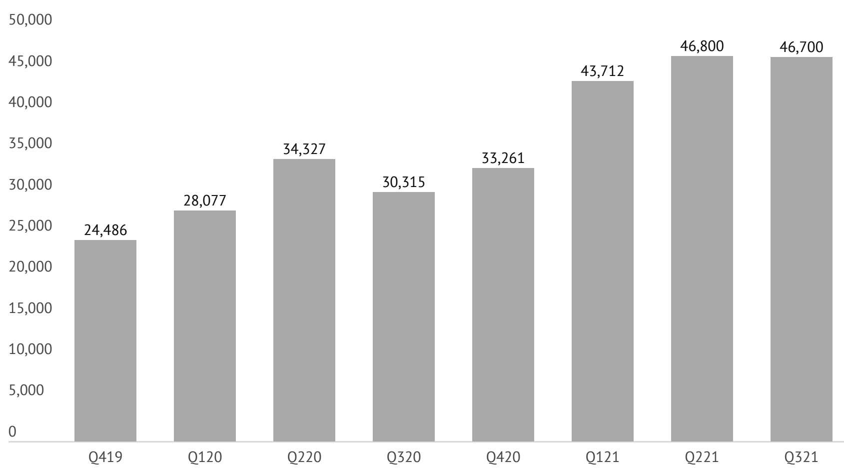
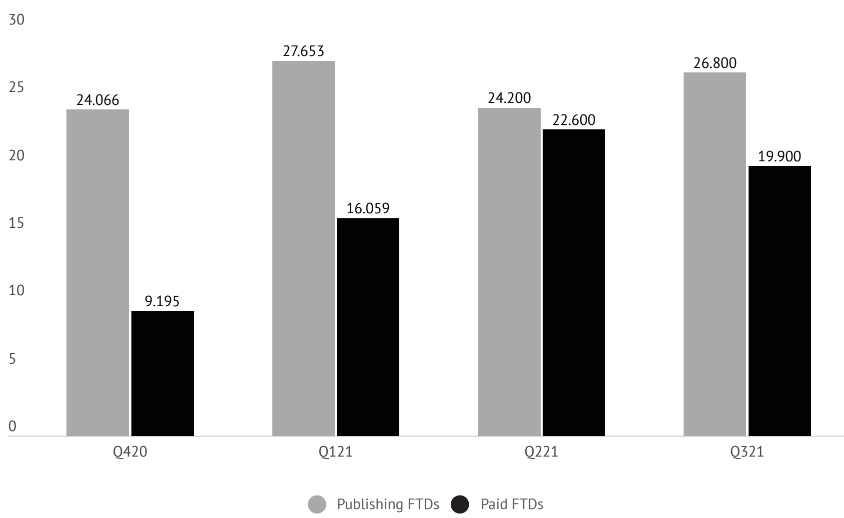


Chart 10: GiG FTDs paid vs. publishing Q420-Q321



Source: Company reports

RAKETECH THIRD QUARTER REVIEW

THE PAYOFF

Raketech's strategy to advance its business via acquisition is clearly paying off but it is notable that perhaps the biggest factor in its favour over the third quarter was a bounceback in its core market of Sweden. It was the Swedish-facing assets that the company said contributed a large part of the 25.6% organic growth seen in the three months to September.

This has been driven by successes on the NDC front with Raketech regularly adding around 40,000 a quarter except in the seasonally slower second quarter.

Meanwhile, in terms of profits the company continues to perform well with EBITDA hitting €4.1m in the third quarter.

The question now turns to what can be expected once the contributions from recent acquisitions begin to kick in. As CEO Oskar Mühlbach noted on the call, with only some of the flow through from recent deals showing in the fourth quarter, it won't be until next year that the M&A upside becomes clear.

THE ACQUISITION TRAIL

The latest deal to complete is Raketech's €13.4m takeover of ATS Consultants which owns the winnersandwhiners.com, statsalt.com and pickpapa.com sites. The deal, which included

Chart 11: Raketech revenue Q419-Q321 (€m)

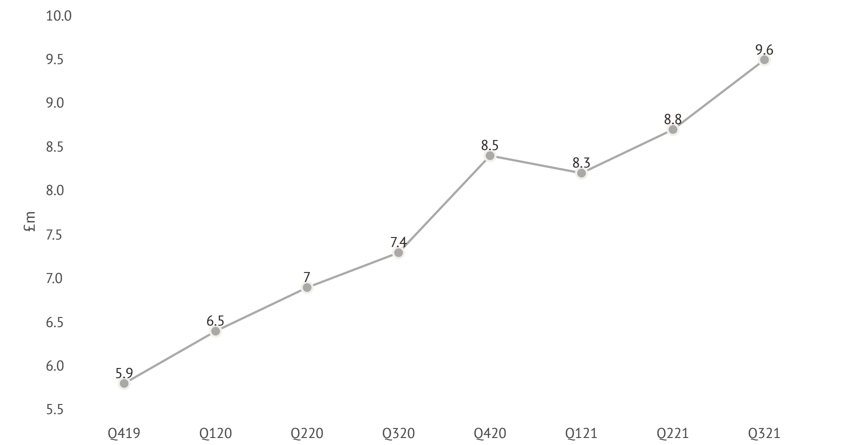


Chart 12: Raketech NDCs Q419-Q321

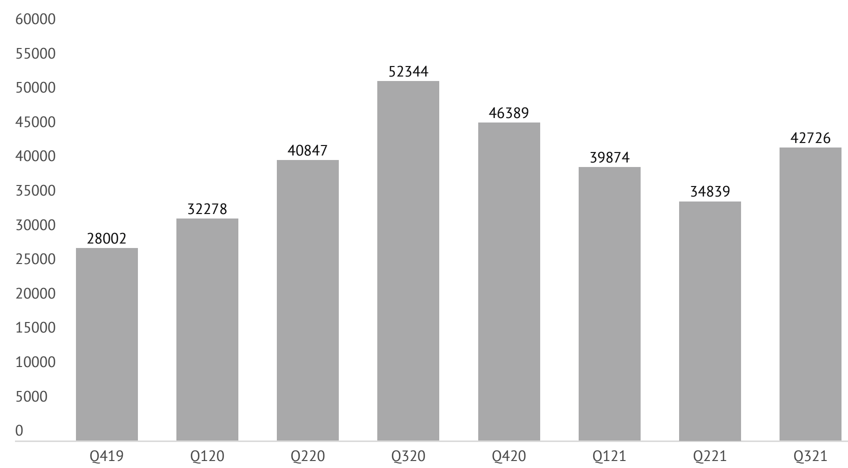
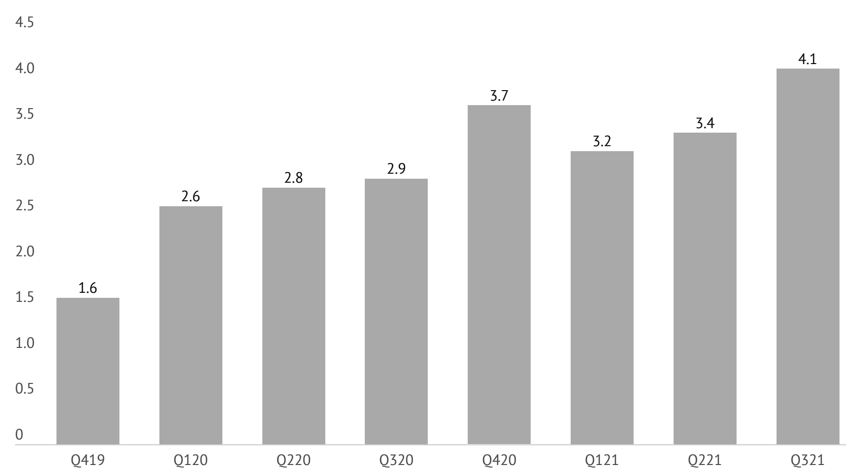


Chart 13: Raketech EBITDA Q419-Q321 (€m)



Source: Company reports

€11.3m in cash, was financed with a one-year €15m revolving credit facility arranged with Avida Finans. The facility has an interest rate of 4.25% as well as an unspecified commitment fee that was paid upfront.

Announced in early November, the deal for ATS transforms Raketech's revenues both geographically and in terms of product split. Revenues derived from the US will rise by 20% out of the gate in the first quarter of next year while Raketech's revenues from sport will also be boosted to 35% of total revenues. This compares with the 16% from sport as of the third quarter.

The ATS deal comes on top of other recent acquisitions, including in the third quarter the deals for P&P Vegas and the assets of QM Media and Infinileads.

With the revenues from recent acquisitions starting to flow, Raketech said that October saw €3.8m of revenues alone. Should that be matched or bettered in November and December, it could see the company breach €10m for the fourth quarter.

Noting the contribution from Sweden, Mühlbach said on the call that with the full relaxation of the government-imposed pandemic measures due in November, it meant that the momentum in that jurisdiction would continue.

"We have already seen an increased appetite from operators for investing in marketing in the fourth quarter," he said. "Additionally, we think that some of the players that have been attracted offshore will come back into the regulated system."

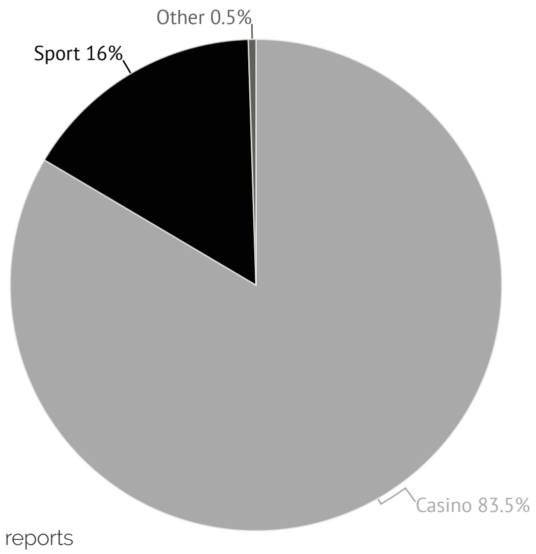
But he noted that Raketech's partner operators were multinational, hence the more concerted move into other jurisdictions. This particularly applies to the US which remains only a fraction of what the company hopes it will be once the revenues from the recent acquisition kicks in.

Mühlbach went on to lay out the new metrics for Raketech for 2022 and beyond:

- 20% revenues from the US
- 55% non-Nordic
- €50m+ annual revenues
- 35% sports share
- 40-45% EBITDA margin

It will be of interest not just to Raketech as to whether these targets are met.

Chart 14: Raketech product split Q321 (%)



Source: Company reports

> **"We have already seen an increased appetite from operators for investing in marketing in the fourth quarter"**
>
> OSKAR MÜHLBACH, RAKETECH

PLAYMAKER THIRD QUARTER REVIEW

MAKING A PLAY

Playmaker can't be accused of being slow out of the blocks with its corporate actions since it listed last year. A list of acquisitions since April 2021 shows its activity to have been non-stop and somewhat resembles the spate of deals taken on by Catena Media at the height of its original M&A spree in 2016/17.

Table 1: Playmaker's acquisitions in 2021

Target	Date	Price	Key market
Futbol sites	Apr 21		Latin America
Fanáticos	Jun 21	CA$443k	Brazil
Yardbarker	Jul 21	CA$24m	US
Two-Up	Aug 21	CA$5.75m	N/A
SoccerMemes	Sep 21	CA$100k	
VarskySports	Nov 21	CA$157k	Latin America
The Nation Network	Nov 21	CA$15m	Canada
Grupo SuperPoker	Nov 21	CA$4.25m	Brazil

ON THE BENCH

On the earnings call, CEO Jordan Gnat cited Playmaker's "roll-up strategy" and spoke about the "cross-pollination" that would mean the company had the "tools, capital and resources" to grow and "most importantly" provide a degree of knowledge-share between the businesses "where areas of excellence can be leveraged for the benefit of the whole". As an example, he spoke about being able to switch out a third-party ad provider at Yardbarker for Playmaker's in-house "monetisation platform" called Playmaker Bench.

"We are focused on ensuring that we are driving growth organically within the assets we have and acquiring assets to fill gaps in our revenue and distribution mix," he said.

> **"With Daily Faceoff, we get a great podcast network. Having influencer voices of authenticity to help drive traffic to our websites is going to be important"**
>
> JORDAN GNAT, PLAYMAKER

Chart 15: Playmaker pro-forma revenue Q419-Q321 ($m)

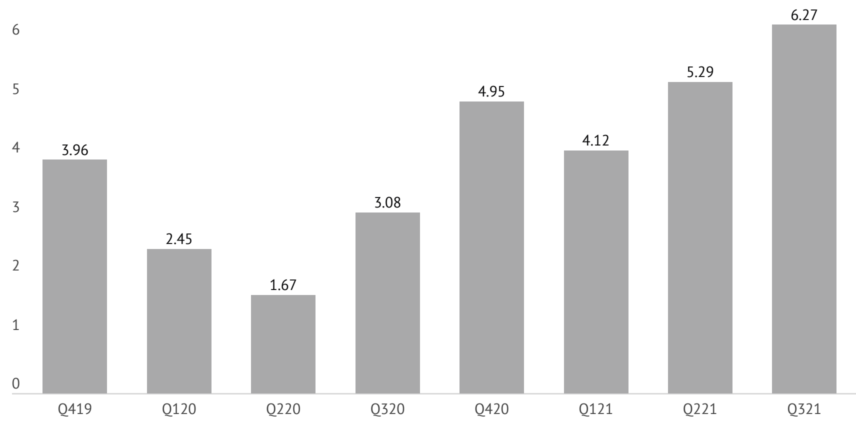
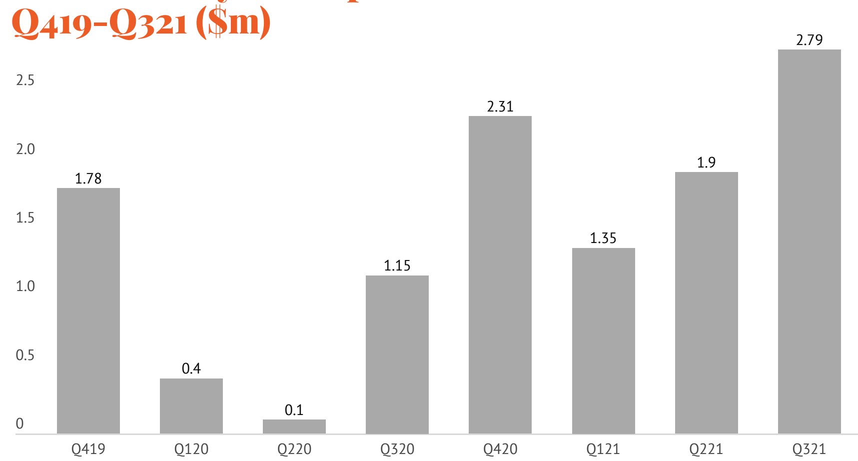


Chart 16: Playmaker pro-forma EBITDA Q419-Q321 ($m)



Source: Company reports

The Nation Network was described by Gnat as Playmaker "planting our flag in Canada". The Nation Network includes the Daily Faceoff, a leading Canadian ice hockey site, which he said was still in the growth phase.

Asked about where he thought there were gaps in the Playmaker offering, Gnat spoke about social media and specifically the potential for looking at YouTube channels and podcasts.

"With Daily Faceoff, we get a great podcast network, which gives us a bit of a platform," he added. "But it's filling in a little bit more of that. Having some more influencer voices of authenticity that are going to help drive traffic to our websites is going to be important."

FUEL IN THE TANK

Playmaker still has cash at hand to pursue what it says is a "robust" pipeline of future deals with cash and cash equivalents standing at $13.4m as of the end of September. However, this will have been whittled down substantially by the initial payments related to the deals in the current quarter for the Nation Network (CA$6m) and Grupo Superpoker ($1.75m). Pro-forma revenues (which include all acquisitions to date) have risen to $6.27m during Q3 while EBITDA has risen to $2.79m.

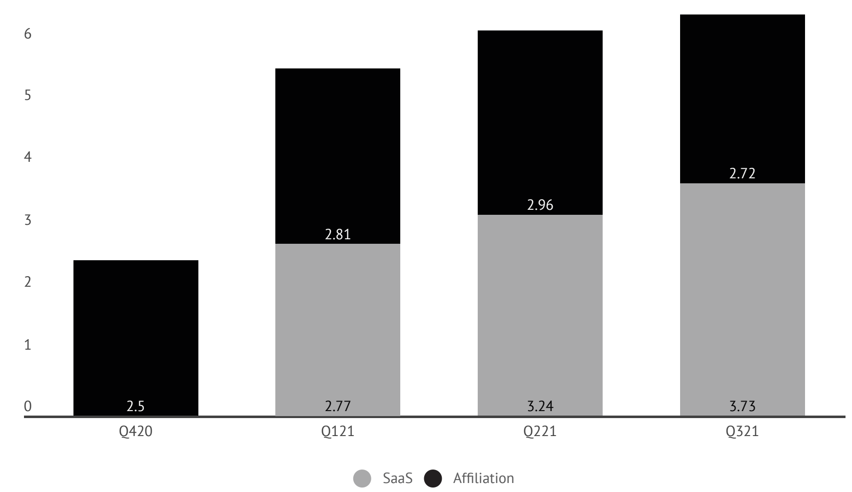
ACROUD
THIRD QUARTER REVIEW

ACROUD-ED MARKET

CEO Robert Andersson's plan to remodel Acroud from under-performing affiliate to hybrid affiliation and affiliate platform services proposition has transformed the company's revenue profile.

A look at the company's revenues since it acquired the Voonix, Matching Visions and Traffic Grid services companies in January shows how much those combined deals have overhauled the business.

Chart 17: Acroud revenue split SaaS vs. affiliation Q420-Q321



A longer-term look at the company's revenues over the past two years shows the extent to which the company is now on a different path.

This transformation is even more stark when we look at the company's previous seven quarters of NDCs.

However, these topline numbers are only half the story. Looking at the EBITDA numbers from Acroud's recent trading history shows the needle barely moving despite the enhanced revenues.

In fact, between the fourth quarter 2019 and the third quarter 2013, the EBITDA figure has declined by over 34%. Explaining the numbers, Andersson said in the Q321 results statement that the company has "actively continued to invest in new growth initiatives for the future at the expense of short-term profitability".

But he added: "It would be wrong to say that we are satisfied with the EBITDA level, however internally we are sure of our progress and underlying KPIs are showing strong trends which will bear fruit going forward."

Those underlying KPIs include the NDC figure. But that itself is somewhat misleading as the majority of the increase is due to the affiliate platform business, meaning Acroud receives less of the economic benefit from these players versus what it receives as part of players flowing through to its own affiliate arm.

Chart 18: Acroud revenues Q419-Q321 (€m)

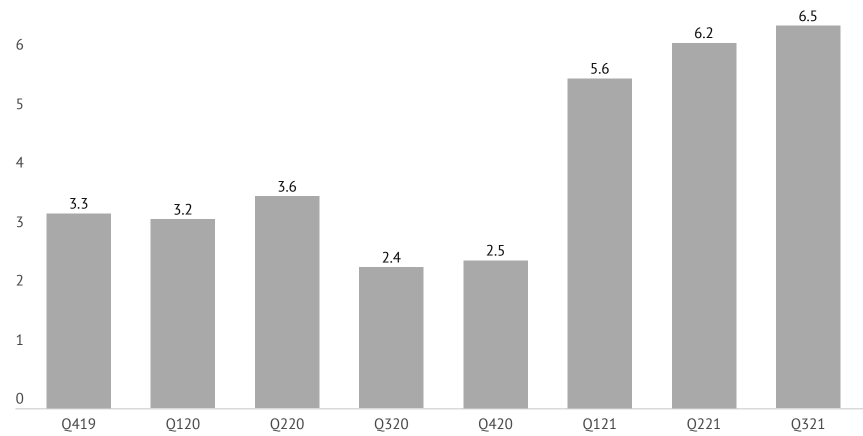


Chart 19: Acroud NDCs Q120-Q321

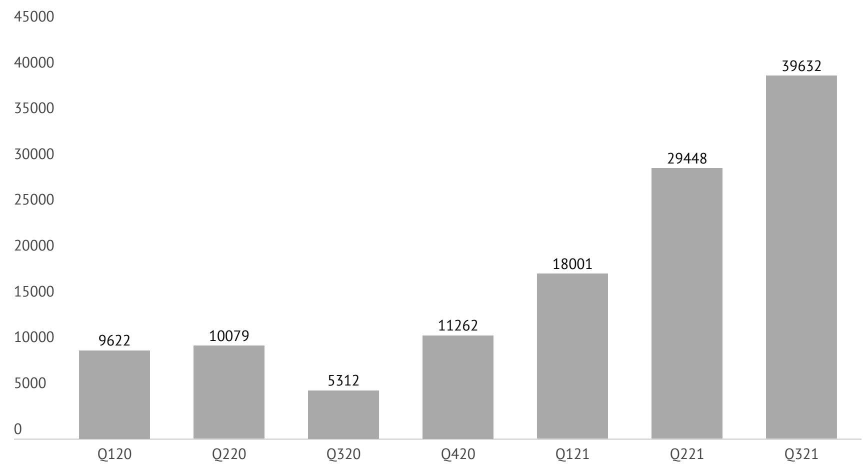
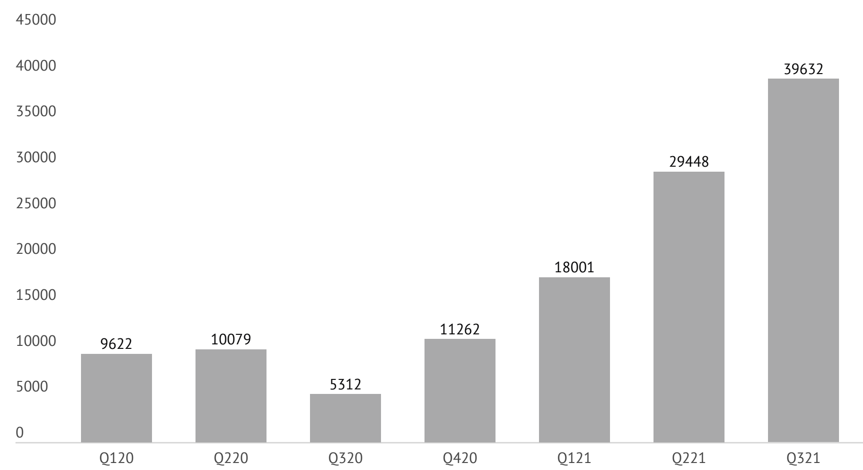
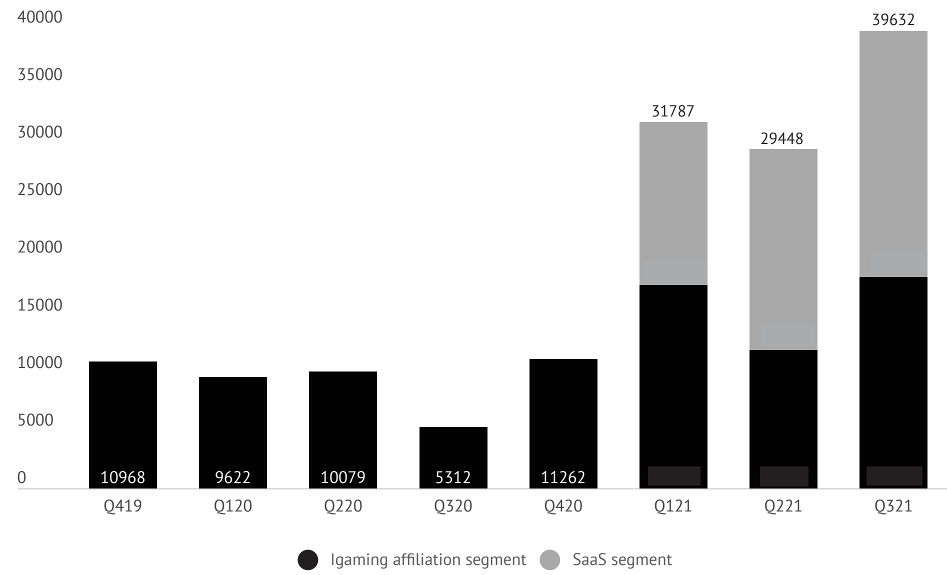


Chart 20: Acroud EBITDA Q419-Q321 (€m)



Source: Company reports

Chart 21: Acroud NDC development Q419-Q321



Source: Acroud Q321 presentation

WHEN THE FUN STOPS

So, what's the strategy for improving the bottom line? Subsequent to the results statement in November, Acroud announced it was embarking on an "efficiency programme" designed to save about €1.3m a year. What does this efficiency programme involve? It involves further moves to a being a "software-based affiliate" but effectively translates into 20 job cuts.

"This means that we are able to do more with less people," Andersson was quoted as saying in the press release announcing the redundancies.

"We expect to see the significant effects on EBITDA levels from this programme in 2022 and onwards. A leaner, more agile company will keep a higher pace and will adopt quicker to changes. Our goal is always to keep a firm eye on our costs while accelerating our growth in line with our strategy."

On the earnings call before this announcement, Andersson said the company needed to "invest ourselves back to growth". "It's going to be a lot more fun next year," he added.

ACROUD ON THE DUTCH MARKET

Having wheeled out Ruben Gräve, COO of the affiliate business, to talk about the Dutch market opportunity, he then proceeded to say very little about a market which has recently 'reopened' for the affiliate business.

"We've always had a strong presence. We're ready to do business with all the licensed operators. We have been building on our strong position in the Netherlands including partnering with a big media house," were the extent of his comments.

In the earnings report, Andersson said slightly more, suggesting the revenue and profits information disclosed by the operators which had exited the market suggested a market size which had "caught people's attention".

He noted that while trading since the opening in October had been slower than expected, the market was still in the "land grab" phase which would put the affiliates "in a favourable position".

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