

Playmaker Capital Inc.

(PMKR-V: C\$0.67)

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Adhir Kadve / (647) 484-8276

akadve@viiicapital.com

innoVIII Spotlight Series: Playmaker Capital

PMKR-V Company Data

Last Price (10/04/21):	C\$0.67
52-Week Range:	C\$0.36-0.77
Market Capitalization (\$MM):	C\$134
Enterprise Value (\$MM):	C\$105
Shares Outstanding - Basic (MM):	200.3
Avg Daily Volume (3 Mos) (000s):	263.6
Cash (\$MM):	US\$23.5
Debt (\$MM):	US\$0.1
Net Cash (\$MM):	US\$23
Fiscal Year-End:	31-Dec

All Figures in C\$ Unless Otherwise Noted

Source: FactSet, Company filings



In our inaugural issue of "innoVIII Spotlight Series", where we will be introducing investors to innovative technology companies who are disrupting the status-quo, we highlight Playmaker Capital. Playmaker Capital is a digital media company who, via a well-defined M&A strategy, is acquiring digital sports media and technology assets to create an ecosystem of highly engaged sports fans. The company then monetizes these fans with sports-betting companies, leagues, teams and advertisers. To date, Playmaker has completed 4 acquisitions, Futbol Sites Network, Fanáticos Por Futbol, Yardbarker and Two-Up Agency. *We do not provide a formal Rating, Target Price, forward forecasts, or assume coverage for any companies which we highlight in this series.*

PMKR: Price/Volume Chart



Source: Factset

Company Description

Playmaker is a digital sports media company that lives at the intersection of sports, betting, media, and technology.

Playmaker is building a collection of premier sports media brands, curated to deliver highly engaged audiences of sports fans to sports betting companies, leagues, teams, and advertisers

Key Highlights:

- Well-defined M&A Strategy.** Playmaker looks to acquire sports media assets, within North and South America that typically fit within four buckets, 1) Large fan bases, 2) Well diversified content, distribution and revenue channels, 3) Have key technology to enhance the overall Playmaker ecosystem and 4) Influencer networks. The company has a specific criterion for acquisitions, where it looks for strategic benefits to its overall ecosystem, profitability, and proven management teams. The company has a track record of acquiring companies at a significant discount to its trading multiple.
- Capitalizing on the Sports-betting wave.** With the wave of sports-betting and iGaming legalization in the US and globally, gambling and sports-betting companies are deploying massive amounts of capital in an effort to acquire users. A key strategy used by sports betting companies is to "fish where the fish are" and thus have leveraged sports media assets and their audiences and reach as a key channel to deploy their seemingly unlimited marketing dollars. Playmaker's strategy is to be at the receiving end of a sports betting and advertising company's marketing dollars by delivering its sports-centric audience of +70mm sports fans who generate +170mm user sessions/month, to these companies.
- Management team.** Playmaker is led by CEO Jordan Gnat, COO Jake Cassaday, CFO Michael Cooke and EVP Federico Grinberg. Mr. Gnat brings 18 years of experience in the gaming sector across several leadership roles at The Stars Group (acquired by Flutter (Not Rated)), where he most recently served as Chief Commercial Officer of FOX Bet. Mr. Cassaday was most recently a Partner at Relay Ventures, a Toronto-based Venture Capital fund where he focused on investing in early-stage SportTech and PropTech companies. Mr. Cooke has a decade of experience in financial leadership roles, most recently as CFO of Ritual, a social food ordering application. Mr. Grinberg is the founder of CEO of Futbol Sites and has over 20 years of experience in the digital sports media industry.

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COMPANY DESCRIPTION



Playmaker Capital is a digital media company who, via a well-defined M&A strategy, is acquiring digital sports media and technology assets to create an ecosystem of highly engaged sports fans. The company then monetizes these fans with sports-betting companies, leagues, teams and advertisers. To date, Playmaker has completed 4 acquisitions, Futbol Sites Network, Fanáticos Por Futbol, Yardbarker and Two-Up Agency. On April 19th, 2021, Playmaker entered into a definitive business combination agreement with Apolo III Acquisition Corp. The Reverse Takeover was completed on May 31st, 2021 and the company's common shares began trading on the TSX-V on June 3rd, 2021 under the ticker "PMKR". Playmaker is headquartered in Toronto Canada, with 10 global offices across North and South America and Europe. The company has 250 employees and was co-founded by Jordan Gnat, who currently leads the company in the role of CEO.

ACQUISITIONS

Playmaker looks to acquire sports media and technology assets, within North and South America and that typically fit within four buckets, we discuss each below:

- **Large, diverse and engaged fanbases:** The company looks to acquire large fan bases, who are engaged with content and which Playmaker will look to monetize with sports betting companies and advertisers. Playmaker then increases monetization opportunities by bringing these users into the Playmaker ecosystem by using technology or via cross-pollination from its other assets.
- **Variety of content, distribution and revenue channels:** Playmaker looks to acquire assets, that have a variety of content and distribution channels. Further the potential targets should also have a diversified revenue model to maximize revenue opportunities while also diversifying Playmaker's overall revenue streams, thereby limiting any sort of concentration in any particular area.
- **Technology:** Playmaker looks to continually enhance its technology stack by acquiring companies which will be additive to Playmaker Bench. Areas of focus are enhancements to the platform which will improve user retention and engagement, promote brand loyalty and ultimately improve monetization of users.
- **Influencer networks:** The company looks to acquire assets with strong social presence in order to stay relevant and connected to fans.

While Playmaker looks to the above as a guide to what it acquires, the company has specific criteria which all potential acquisitions must satisfy prior to being acquired. Primarily any potential acquisition must have a significant strategic benefit to the Playmaker ecosystem. Secondly, all acquisitions must be financially accretive and be profitable or display a clear path to profitability. Thirdly, the company looks to acquire proven management teams, who want to join Playmaker and continue their work. This is evidenced by several of Playmaker's acquisitions including both stock and earnout based payments.

This acquisition strategy has guided the company into completing four acquisitions to date, 1) Futbol Sites Network, 2) Fanáticos Por Futbol, 3) Yardbarker, and 4) Two-Up Agency. We discuss the details of each transaction below:

Figure 1: Playmaker Acquisition multiples (based on acquisitions achieving full earnout targets)

in USD mm		Operating Metric						Valuation				
Date	Acquisition	Total Consideration	C20 PF Revenue	C21 Rev. Earnout Target	C22 Rev. Earnout Target	C21 aEBITDA Earnout Target	C22 aEBITDA Earnout target	C20 Implied EV/Sales	C21E Implied EV/Sales	C22E Implied EV/Sales	C21E Implied EV/Adj. EBITDA	C22E Implied EV/Adj. EBITDA
01-Apr-21	Futbol Sites Network	\$35.0	\$6.2	\$10.0	\$14.0	\$4.0	\$5.6	5.6x	3.5x	2.5x	8.8x	6.3x
11-Jun-21	Fanáticos Por Futebol	\$0.4					Not Disclosed					
26-Jul-21	YB Media LLC	\$24.0	\$3.6	\$5.0	\$5.0	\$2.5	\$2.5	6.7x	4.8x	4.8x	9.6x	9.6x
31-Aug-21	Two-Up Agency Ltd	\$5.8	\$0.7	\$1.5	\$2.0	\$0.2	\$0.4	8.2x	3.8x	2.9x	28.8x	14.4x
Total/Average		\$65.2	\$10.5	\$16.5	\$21.0	\$6.7	\$8.5	6.8x	4.0x	3.4x	15.7x	10.1x

Source: Company filings

- Futbol Sites:** Futbol Sites Network (FSN) was the company's first acquisition and was completed on April 1, 2021. Total consideration for the transaction was up to US\$35mm, which comprised of \$6mm in cash, \$4mm in deferred cash, \$12.5mm shares and up to \$12.5mm in earnouts based on FSN achieving 2021 Revenue/EBITDA of \$10mm/\$4.0mm (40% margin) and 2022 Revenue/EBITDA of \$14mm/\$5.6mm (40% margin). Futbol Sites serves as the company's platform acquisition for the Latin American market and as the basis for its tech stack, Playmaker Bench.
- Fanáticos Por Futebol:** Playmaker's second acquisition was the tuck-in acquisition of Fanáticos Por Futebol (FpF) and was completed on June 11, 2021. Total consideration for FpF was up to US\$443k, consisting of \$227k in cash and \$216k in earnouts based on FpF achieving targets surrounding the number of user sessions and engagement on social media. Playmaker acquired FpF's domain name, trademark and most importantly access to FpF's social media assets - giving Playmaker an additional advertising channel in the Brazilian market.
- YB Media LLC:** On July 26th, 2021, Playmaker completed the acquisition of YB Media LLC the parent company of Yardbarker and "The Morning Bark" newsletter. This acquisition enhanced Playmaker's position within the US. Total consideration for the transaction was up to US\$24mm consisting of \$10mm in cash and \$8mm in Playmaker shares (18.3mm shares at C\$0.55/share). A further \$2mm in Playmaker shares (priced at C\$0.60/share or trailing 30day VWAP) are to be issued to YB upon achieving minimum EBITDA of \$1.5mm within the 12-month period following closing and \$2mm/year - for 2 years - based on YB achieving EBITDA of \$2.5mm in each year.
- Two-Up Agency Ltd:** Playmaker's most recent acquisition of Two-Up Agency was completed on August 31st, 2021. Total consideration of up to US\$5.75mm consisting of \$750k in cash, issuance of \$2.5mm in PMKR shares (5.3mm shares at C\$0.60), and up to \$2.5mm in earnouts - based on Two-Up achieving certain EBITDA and revenue targets over the 3-year period post-closing.

Management intends on continuing its acquisition strategy, but will remain disciplined, while following is previously laid out criteria for any potential targets and will continue to focus on the organic growth of each acquired company. We have provided below the company's profile for future acquisitions. Management notes that with a strong base in Latin America and the US, a platform acquisition in Canada and a North American influencer network would be at the top of the wish list.

Figure 2: Playmaker target acquisition profile

(USD mm)	Tuck-In	Bolt-On	Platform	Transformative
TEV Range	< \$2mm	\$2-10mm	\$10-50mm	+\$50mm
Revenue Range	< \$1mm	< \$5mm	+\$5mm	+\$25mm
Implied EV/Sales Multiple	2.0x	0.4x - 2.0x	2.0x - 10x	< 2.0x
Deal Structure	Cash/Earnout	Cash/Equity/Earnout	Cash/Equity/Earnout	Cash/Equity/Earnout
Debt Financing	No	No	Potentially	Yes
Team Integration	Fully Integrated	Fully Integrated	Partially Integrated	Partially Integrated
Example	Fanaticos por Futebol	Two-Up	Futbol Sites/YB	-

Source: Company Presentation

MEDIA PROPERTIES AND TECHNOLOGY

Via its acquisition strategy, Playmaker has built a portfolio of digital media assets with a massive audience of +70mm unique users and +170mm sessions/month, and 350mm social users reached. Playmaker leverages this audience to deliver highly engaged fans to both advertising and sports betting customers across Latin America, the US and Canada. The company holds leadership positions in several markets including Chile, Brazil and the US Hispanic community. The company further enhances its ecosystem via its proprietary technology platform, called Playmaker Bench (Bench). Bench is a set of tools which allows Playmaker to bring monetization initiatives in-house. We discuss both the Media Properties and Technology below.

Media Properties

Futbol Sites: Playmaker’s flagship media property is Futbol Sites Network (FSN). Founded in 2008 by Federico Grinberg (Mr. Grinberg joined Playmaker post acquisition in an Executive VP role), FSN is a digital media company that has a collection of media assets with operations in the United States, Argentina, Brazil, Columbia, Chile and Mexico. Key brands under the FSN umbrella are BolaVIP, Futbol Centro America and Redgol in addition to +15 different fan websites and +100 social media assets. BolaVIP is primarily focused on the South American, Mexican and United States markets and is available in Spanish, Portuguese and English and has recently released a native iOS and Android mobile app. Futbol Centro America is primarily focused on the Central American and Caribbean markets while Redgol enjoys a leadership position in the Chilean market where it is the number one local digital sports media brand. Further, FSN was ranked as the number one regional sports media group across Latin America, per Comscore's July rankings.

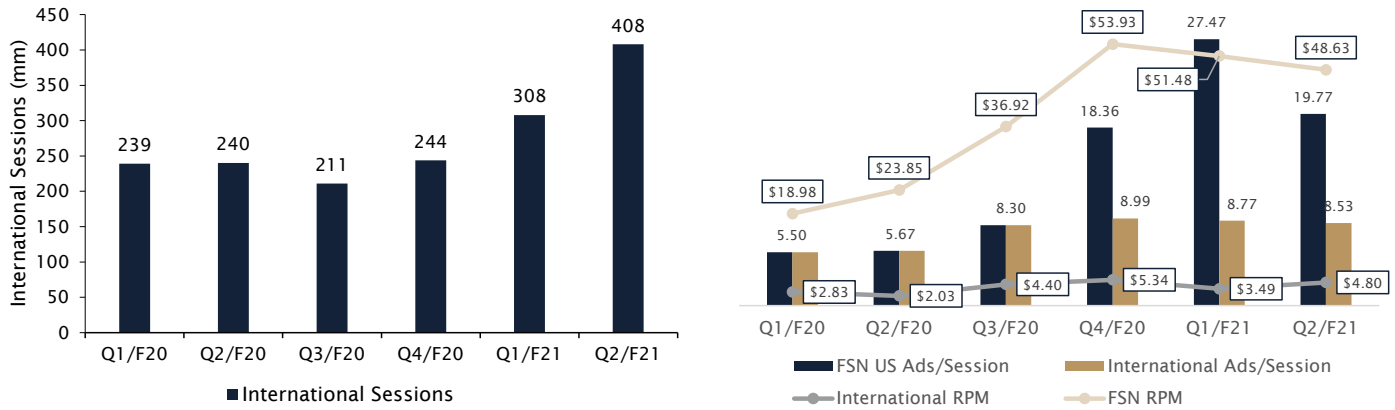
Figure 3: Futbol Sites Network select media properties



Source: Company presentation

Futbol Sites saw 408mm sessions in its Latin American markets during its most recent Q2/F21, which it is able to monetize at a session RPM of \$4.80 while delivering 8.53 ads/session. Playmaker is able to attract this type of audience and generate this ad revenue based on its focus on localized content in each of its regions - which resonates with those fans. FSN holds sports betting advertising licenses in New Jersey, Indiana, Tennessee, West Virginia, Pennsylvania, Michigan, Colorado and Arizona, as new States continue to legalize sports betting the company intends to pursue new licenses in those States.

Figure 4: Futbol Sites audience metrics US & International

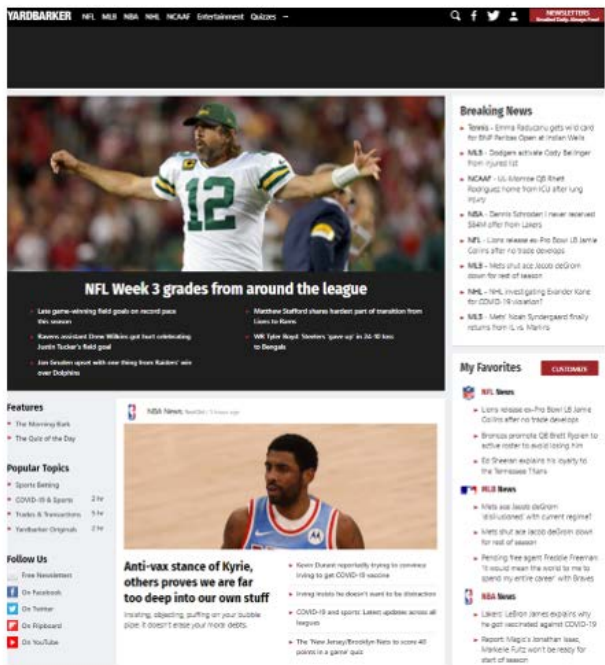


Source: Company Presentation

Fanáticos Por Futbol: Fanáticos Por Futbol (FpF) was Playmaker's second acquisition and was a tuck-in for the Brazil market giving Playmaker a Brazilian social media presence and a set of over 4mm highly engaged followers and an additional channel for advertising placement.

Yardbarker: Founded in 2006, Yardbarker is a North American focused sports media property covering primarily the US based sports leagues such as the NFL, NBA, NHL, MLB, NCAA and MLS. Yardbarker is a major part of Playmaker's growth ambition in US-based sports media content and enhances the company's overall US presence. Yardbarker has 4mm unique users per month with 9mm monthly user sessions. Yardbarker publishes nearly 25k full-text articles per month via its in-house editorial teams and has more than 125 syndication partner sites where its content is distributed. Further, Yardbarker's daily newsletter called "The Morning Bark" has 360k subscribers with +25% open rates, which directs significant traffic to the Yardbarker website and acts as a key low-cost user acquisition tool.

Figure 5: Screenshots of Yardbarker.com (Left) and Morning Bark (right)



Fish story: Dolphins favorites to land Watson?

Yardbarker <news@yardbarker.com>

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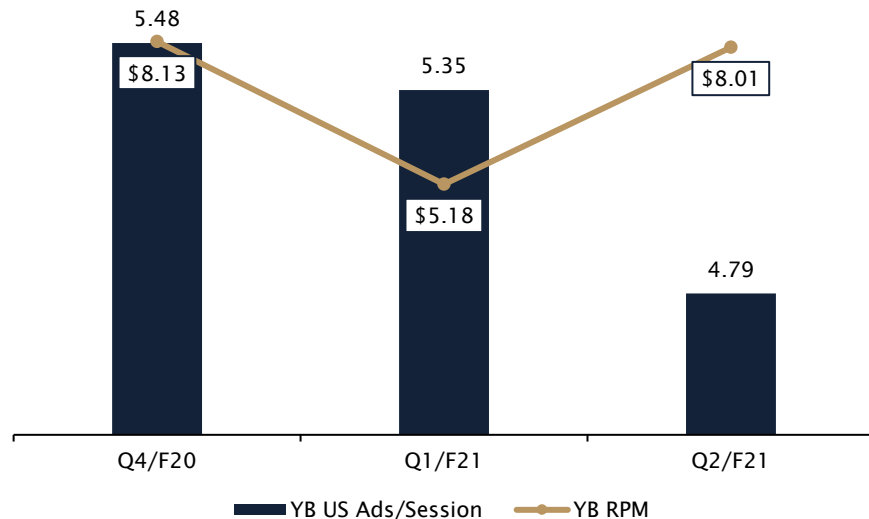
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Source: Yardbarker.com & Playmaker Capital

From an audience perspective, Yardbarker generated a session RPM of \$8.01 during its most recent Q2/F21, while showing users 4.79 ads/session. Management notes that the RPM's seen in Yardbarker are devoid of any sort of Playmaker intervention, specifically from Bench, and they believe that as Yardbarker is fully integrated into the Playmaker ecosystem they can generate higher RPM's and narrow the gap closer to those seen in the FSN US (as seen in Fig. 4 above).

Figure 6: Yardbarker KPI's



Source: Company presentation

PLAYMAKER BENCH

Playmaker Bench is the company's cloud-based software platform which has been internally developed at Futbol Sites. The Bench platform is a compilation of 3rd party technology tools spanning areas such as Business Intelligence, Data, UI/UX, and user engagement which, when brought together into a single proprietary tech stack, help Playmaker better monetize its digital assets. As an example, management notes that they have started using Bench to enhance monetization opportunities with Yardbarker. Further to that, the company believes that it can leverage Bench as key tool during due diligence of potential future acquisition and quickly understand underlying trends and potential unidentified monetization opportunities at a given target.

Playmaker further enhanced its technology stack via the acquisition of Two-Up Agency (Two-Up). Two-Up provides technology solutions for online gaming operators such as SkyBet, Genius Sports and William Hill who it counts as clients. Via the acquisition, Playmaker will add key personnel in both Sales and Engineering functions. Further, the company plans on integrating Two-Up's technology and products to further enhance Bench's overall offering.

CUSTOMERS

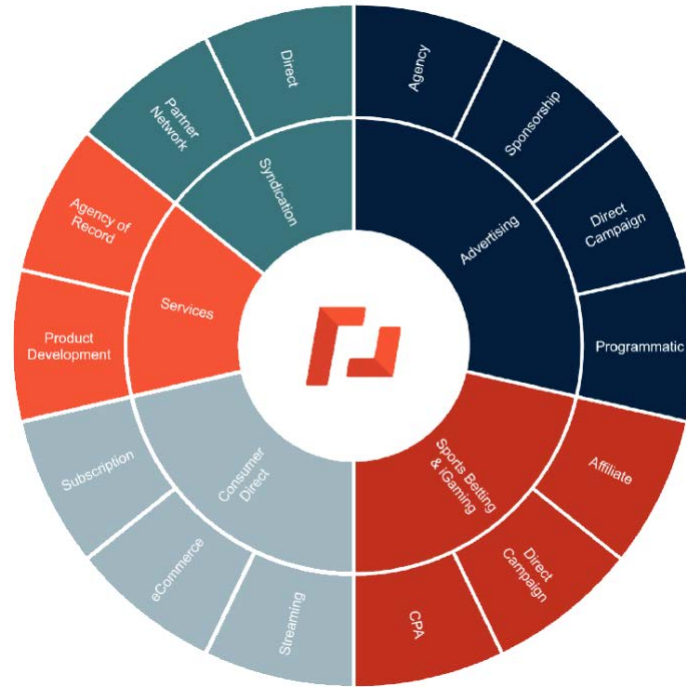
Playmaker counts two key groups as customers 1) Sports betting and iGaming operators and 2) Traditional advertising clients. Given Playmaker's focus on sports media-based assets, Sports betting operators are a natural partner for the company, as Playmaker can deliver fans who are engaged with content and have propensity to bet on sports. Further, Playmaker also has several Fortune 500 companies that it counts as customers. These companies wish to leverage Playmakers large audience, who are sports fans, but also broadly appeal to brands such as CPG, Food and Beverage, Financial Services, Fashion and several more.

BUSINESS MODEL

Playmaker's primary source of revenue is advertising via its media assets. The company's advertising revenues are primarily driven by the amount of user sessions on its websites (i.e., traffic) and the amount of revenue it can generate on those sessions. While the largest segment of revenues generated are programmatic, the company does also serve direct advertising campaigns via its sports betting and traditional advertising partners, syndicates revenue to major portals like Apple News, MSN, and Google News, as well as uses advertising agencies who specialize in gambling clients.

That said, management notes that several avenues exist for the company to diversify its revenue streams outside of advertising. One area of diversification would be Consumer Direct revenues, whereby the company could potentially look to offer a Subscription based model for its content. Further the company also sees increased Syndication as another potential revenue growth driver, the company would leverage Yardbarker's strong network of syndication partners, to bring FSN's content into that network.

Figure 7: Playmaker Business model



Source: Company Presentation

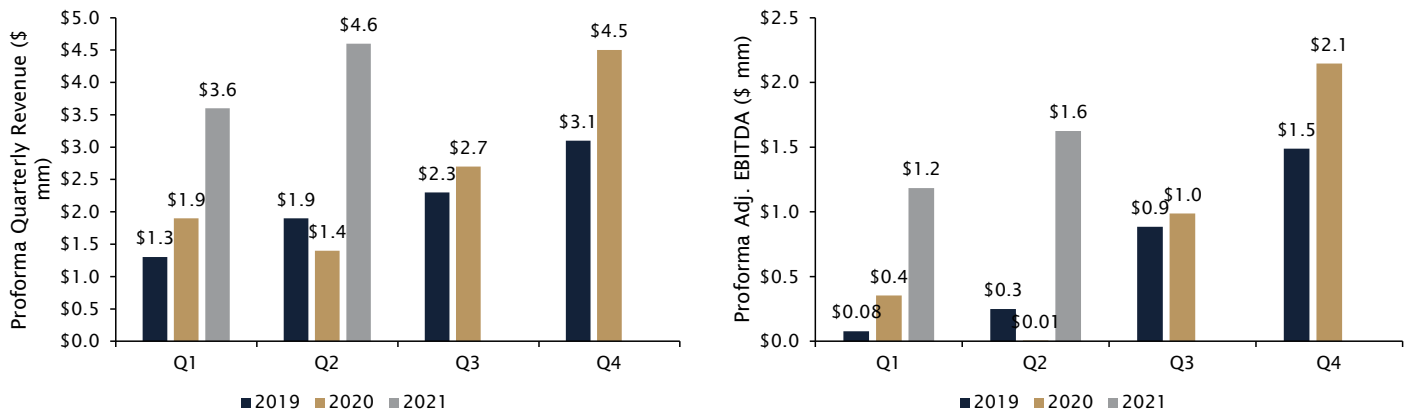
FINANCIAL OVERVIEW

Revenue and Adj. EBITDA

Playmaker has generated US\$15.4mm in revenue on a proforma TTM basis, which includes revenues from FSN, Yardbarker and Two-Up (revenue and Adj. EBITDA contribution from Fanáticos Por Futbol was negligible) and US\$6mm in adjusted EBITDA. This was a 77% organic growth increase from the previous 12-month period. In Q2/F21 Playmaker generated revenue of \$4.6mm on a proforma basis, which represents +140% and +230% y/y growth over 2019 and 2020, respectively.

From a margin perspective, Playmaker generates Adj. EBITDA margins in the mid-30% range, and as of Q2/F21 the company generated Adj. EBITDA margin of 35%. The company expects that these margins will compress, as Playmaker intends to remain profitable however will balance that with re-investing in growth initiatives into the business.

Figure 8: Proforma revenue (left) and proforma Adj. EBITDA (right)

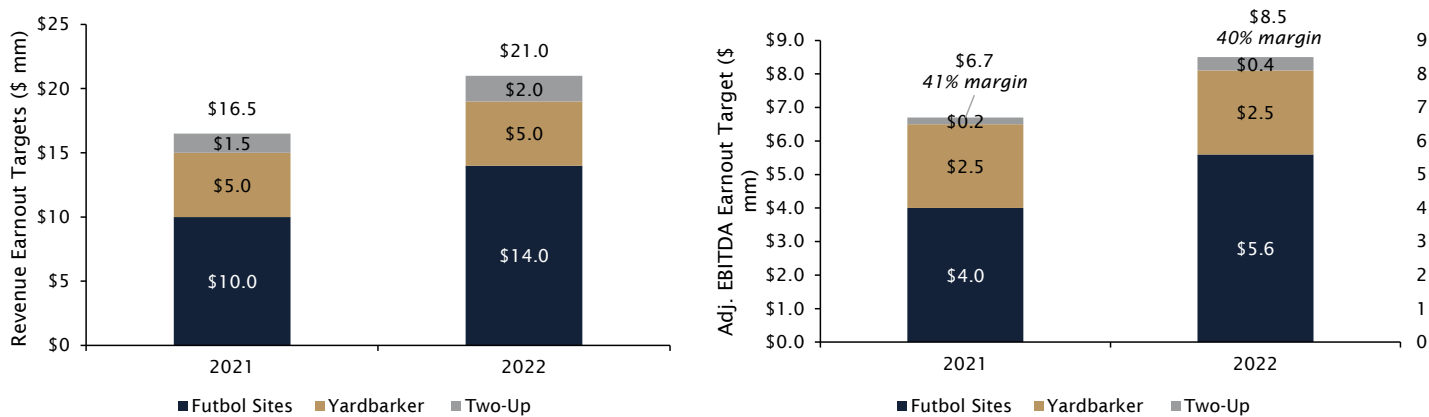


Proforma incl: FSN, YB and Two-UP

Source: Company filings

A significant portion of Playmakers acquisitions include contingent considerations, based on the acquired companies achieving revenue and adj. EBITDA metrics. In Figure 9 below, we provide a consolidated view of these earnout targets for F21 and F22. Management suggests that these earnout targets represent an achievable baseline of financial performance.





Figure 9: Revenue (left) and Adj. EBITDA (right) Earnout targets



Source: Company filings

MANAGEMENT BIOGRAPHIES

Figure 10: Management Biographies

<p>Jordan Gnat Chief Executive Officer</p> 	<p>Prior to founding Playmaker, Mr. Gnat was Group Senior Vice President of The Stars Group (the parent company of PokerStars) and Chief Commercial Officer of FOX Bet. Mr. Gnat was Senior Vice-President, Strategic Business Development at Scientific Games, President & CEO of Boardwalk Gaming and Entertainment, Executive Vice-President Kilmer Van Nostrand Company Limited, and President & CEO Midnorthern Group</p>
<p>Michael Cooke Chief Financial Officer</p> 	<p>Mr. Cooke brings over a decade of leadership experience leading the finance teams at multiple successful start-ups. Mr. Cooke is the former Chief Financial Officer of Ritual, a social ordering app that taps networks of coworkers and colleagues for fast and easy pick up and pay at a wide variety of local restaurants and coffee shops. Michael obtained his CPA, CA designation with KPMG LLP.</p>
<p>Jake Cassaday Chief Operating Officer</p> 	<p>Mr. Cassaday was most recently a Partner at Relay Ventures, a prominent North American venture capital fund, where he was focused on leading investments in early stage SportsTech and PropTech companies. During his six year tenure at Relay, Cassaday served on the board of directors of several high growth companies. Prior to joining Relay, Jake led the product organization for technology brands at Spin Master as a Global Brand Manager.</p>
<p>Federico Grinberg Executive Vice President</p> 	<p>Mr. Grinberg began his career in Buenos Aires, Argentina as an internet entrepreneur, and has been working with sports fans sites and communities since 1998. Ten years later, in 2008 he co-founded Futbol Sites (and led the opening of new markets for FSN, such as Brazil, Chile, Colombia, Mexico and the United States). Since 2014 he has overseen the global strategy of FSN from their offices in Miami, Florida.</p>

Source: Company filings

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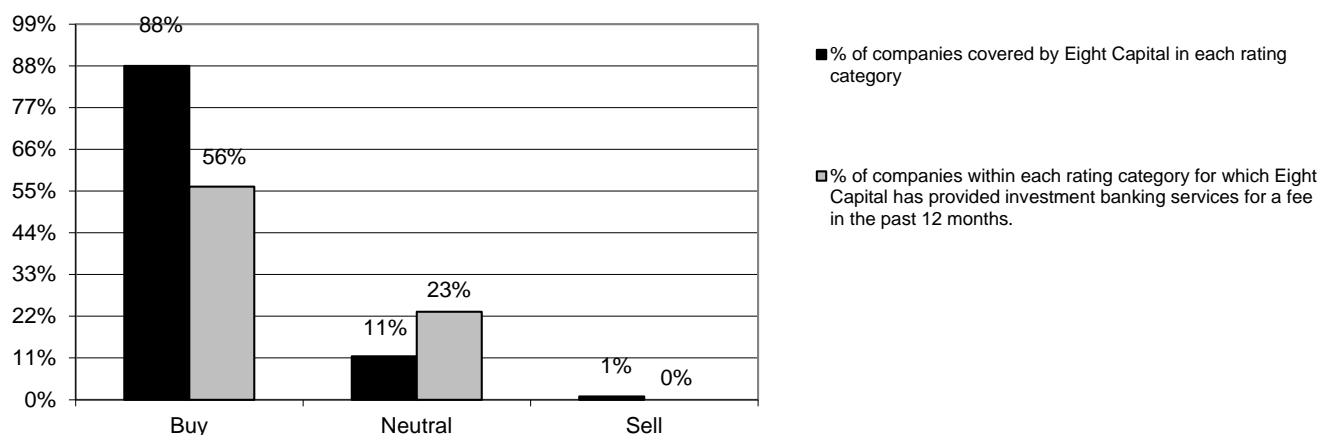
Explanation of Recommendations

Eight Capital target: Represents the price target as required under IIROC Rule 3400. Valuation methodologies used in determining the price target(s) for the issuer(s) mentioned in this research report are contained in current and/or prior research. Eight Capital target N/A: a price target and/or NAV are not available if the analyst deems there are limited financial metrics upon which to base a reasonable valuation.

Recommendations: **BUY:** Total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. **NEUTRAL:** Total returns expected to be in line with the overall market. **SELL:** Total returns expected to be materially lower than the overall market. **TENDER:** The analyst recommends tendering shares to a formal tender offer. **UNDER REVIEW:** The analyst will place the rating and/or target price Under Review when there is a significant material event with further information pending; and/or when the analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

SECURITY ABBREVIATIONS: NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

Eight Capital Equity Research Ratings:



As at September 30, 2021

Source: Eight Capital