



Playmaker Capital Inc.
November 15, 2022 – Third Quarter Financial Results Conference Call

Corporate Participants

Jordan Gnat
Chief Executive Officer

Mike Cooke
Chief Financial Officer

Jake Cassaday
Chief Operating Officer

Conference Call Participants

Mike Stevens
Echelon Wealth Partners

Gianluca Tucci
Haywood Securities

PRESENTATION

Operator

Good day and welcome to the Playmaker Capital Third Quarter 2022 Earnings Conference call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star then two. Please note this event is being recorded.

I would now like to turn the conference over to Playmaker's Chief Operating Officer Mr. Jake Cassaday. Please go ahead.

Jake Cassaday

Thank you. Good morning. As mentioned, I am Jake Cassaday, and I am joined today by our Chief Executive Officer Jordan Gnat and our Chief Financial Officer Mike Cooke.

We do apologize in advance if you pick up on any background noise. Our Playmaker HQ is directly located adjacent an active construction site, but we will be doing our best to mute at all times from this end.

Before I begin, I'd like to remind you that today's call will include estimates and other forward-looking information from which our actual results could differ. Please review the cautionary language in yesterday's press release regarding various factors, assumptions and risks that could cause our actual results to differ. Furthermore, during this call, we will refer to certain non-IFRS measures. These measures do not have any standardized meaning under IFRS. And our approach in calculating these measures may differ from that of other issuers and so these measures may not be directly comparable. Please see the press release from yesterday evening for more information about these measures.

As a reminder this conference call is being recorded and a replay will be available on Playmaker's website. An updated investor overview presentation is also now available on the website inclusive of Q3 details discussed here.

At this time, I would like to introduce Jordan Gnat, Chief Executive Officer of Playmaker.

Jordan Gnat

Thank you, Jake. Good morning, everyone and welcome to our Third Quarter 2022 Earnings Call. I'm dialing in today from South Paulo, Brazil, where Playmaker was a sponsor of the South Paulo F1 Grand Prix. What an incredible event. As a key market for Playmaker and in a market that we are the clear digital sports media leader and just leading into World Cup, this gave us an opportunity to meet with clients and boost the exposure of our football sites and Bolavip brands on the world stage.

And if you watched the sprint on Saturday, it was incredible. And if you watched the race on Sunday, absolutely amazing. Mercedes, a team that is loved in Brazil finished one and two; Russell won his first ever race, and Hamilton was made an honorary citizen of Brazil. The crowd was electric. And if you didn't get a chance, and it will be on next year's season of "Drive to Survive" on Netflix. Check it out.

In Q3, we continued our strong revenue growth and profitability. Our positioning, being our vertical focus on sports, our diversity of geography and product channels, and our diversity of revenue channels has served us very well and gives us confidence in Q4 as we get ready for the FIFA World Cup, and the general holiday season, which is always our busiest.

In Q3, our performance continued to accelerate. The web sessions topped 715 million in the quarter, representing 55% pro forma growth over Q3 2021. As our audience grew, so too did our monetization. Our media advertising sales grew 32% in Q3 2022 over Q3 2021, bolstered by 30% growth in direct sales in the same period. Direct sales represented 44% of all ad sales in the quarter, and revenue generated from our sports betting client base grew 88% versus Q3 2021.

We support our media businesses with what we call a full stack monetization engine, leveraging our in-house technology stack bench as the foundation powering all programmatic and enabling cross network direct sales. Our focus is on super serving the sports fan, the most transactional demographic on the planet. Our dedicated focus on monetization and our increasing share of revenue from direct sales has allowed us to continue to deliver strong advertising results.

Subsequent to the end of the quarter, we completed the acquisition of Wedge Traffic, our new affiliate Center of Excellence. Dan Kersh, David Copeland, Ryan Barnett, and the team have jumped in with two feet and we are getting more excited by the day at the prospect of what this can bring to the overall Playmaker ecosystem. The NFL, NBA and NHL seasons are in full swing, and this is the time when Wedge excels.

Additionally, the state of Maryland should go live in the next several weeks, and Ohio is scheduled for January 1. New state launches, adding a strong bump to the affiliate business, as operators push to acquire as many new customers as they can right out of the gate. Wedge is well positioned with its customers in both states with launch strategies and pre-registration well underway.

Our M&A pipeline remains steady. I want to reiterate what I said last quarter. Our focus going forward will be to look at businesses that will provide more meaningful scale to the company from both a revenue and EBITDA perspective.

I will now hand the call over to Mike to walk you through our Q3 results.

Mike Cooke

Thanks, Jordan. Good morning, and thank you all for joining us today.

Last night, we reported our results for the quarter ended September 30, 2022. Including the results of the businesses we have acquired to date on a pro forma basis, revenue was \$10.1 million in Q3 2022, compared to \$8.4 million in Q3 2021, an organic increase of \$1.7 million or 20%. We continue to produce strong year over year growth, despite a quieter sports calendar than Q3 2021, which included the conclusion of two major international soccer tournaments and the entirety of the Tokyo Olympics.

Regarding earnings, we use adjusted EBITDA as a key measure of earnings. Adjusted EBITDA is intended to present the results of our operating segments, so it excludes any one-time costs and head office costs incurred within our corporate segment.

Pro forma adjusted EBITDA was \$2.7 million in Q3 2022 compared to \$3.3 million in Q3 2021, a decrease of \$600,000 or 17%. The decrease in adjusted EBITDA stems partly from the comparatively quiet sports calendar, and partly from a loss in our technology services segment arising from delayed projects in our Two-Up Agency business.

On an IFRS basis, we produced \$8.8 million of revenue this quarter, compared to \$4.8 million in Q3 2021, an increase of \$4.0 million or 85%. Operating loss was \$400,000 in the quarter, compared to \$1.0 million of operating income in Q3 2021. It's important to note, however, that the \$400,000 of

operating loss in the current quarter includes \$1.7 million of non-cash expenses relating to share-based compensation and depreciation and amortization.

Turning our attention to the balance sheet, at September 30, 2022, we had \$14 million of cash on hand, and \$14.9 million available to be drawn on our credit facilities. Subsequent to quarter end, we made a payment of \$8.5 million in connection with the closing of our acquisition of Wedge Traffic.

I will now turn it back over to Jordan as we near the end of our call.

Jordan Gnat

Thanks, Mike. We're heading into World Cup in just a few days and we are confident with where we are from a business perspective. A couple of lucky bounces of the ball, a dream final four of Brazil, Argentina, Mexico and Canada, and who knows? While futbol/soccer is the most popular sport in the world, once every four years it wheels out the biggest event on the planet, and this is our time. We still have to execute. But as I mentioned, our momentum and exceptional team give us confidence and reason for optimism.

Last quarter, I talked about our need to focus on affiliate revenue. We have done that with our partnership with oddschecker and now with the acquisition of Wedge. The Wedge team is integrating well with the other brands and we expect to see the benefits of this really begin to take hold in Q1 2023.

Last month, we held our first Investor Day at Real Sports in Toronto. The attendance was amazing with over 70 people coming to hear what we've been up to, and to meet and hear directly from the leaders of the various Playmaker businesses. We received great feedback from many of the people there and hopefully some new investors in our story.

You all hear me talk about our team and Playmaker family a lot. Well, this time, I didn't have to say it. The biggest compliment we got, and I got it three different times, was that our team presented like a \$1 billion company. High praise for our group and well deserved. Onward and upward.

Operator, you can now go ahead and open the line for questions.

QUESTION AND ANSWERS

Operator

Thank you. We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. And to withdraw your question, please press star then two. At this time we'll pause momentarily to assemble our roster.

And the first question will come from Mike Stevens with Echelon Capital Markets. Please go ahead.

Mike Stevens

Hi, good morning, guys and congrats on another stellar quarter. I'd like to start off on the macro front. I was looking for any kind of insights or read throughs. We're seeing, obviously, macro softness in advertising specifically in some of the bigger names. It obviously doesn't seem like it's impacting your business. I'm just wondering, the niche audience that you guys have compared to some other maybe more diverse user bases and then obviously, now your direct advertising sales growth, is that insulating your business a bit more? And any read throughs or insights you can share about what you're seeing.

Jake Cassaday

Thanks. Thanks, Mike. This is Jake, I can I can start with this one. Listen, we've been watching this as well. We're seeing a lot of the sentiment in the market. And I think the reality is we have seen one element of the way we monetized our properties being CPMs pull back a little bit from what were Q3 '21 highs, keeping in mind that 2021 and in Q3, particularly last year, we saw what was the biggest single growth period for digital ad spend, globally.

And so yes, we have seen some, what I would call correction off of some of those Q3 '21 highs, but overall the points you're making are the right ones. We have been investing in what Jordan referred to earlier as a full stack monetization, and that means we have a dedicated team that are optimizing how we're monetizing each of our pages, each of our sites in real time. So we really focus on what we call RPM or RPS, which is the revenue that we're generating from every 1000 sessions on our property, and we've seen positive strength there, partly in part to the improvements that we've made to performance in web titles of our properties that's allowing us to really optimize how we're laying out ads on our page, ensure that we're delivering optimal ads per page view.

And then in addition to that, as you also called out, our continued focus on direct sales is ultimately leveling up the average CPM that we're seeing across the board, including both programmatic and direct. We believe, because our audience is relatively homogenous, the individuals who engage with our properties every day are sports fans. And as we mentioned often, that demographic is the most transactional on the planet and so we do believe we are a little bit more insulated than others with multiple vertical focuses. We'll continue to super serve this segment, we'll continue to focus on direct sales, and we'll continue to really optimize how we're monetizing programmatically as well.

Jordan Gnat

And, Mike, the only thing I would add is, and I mentioned in my remarks, we have a very diversified revenue base, and we have a very diversified geography. So things just happen differently in different places on the geography side, but one of the reasons why I have been talking about affiliate revenue for probably the last eight months, nine months as a very, very important leg of our monetization stool is exactly this, is that diversified revenue piece is one that is not, it's not as contingent on the macros of the general advertising market. It is one that's based on a particular audience group being sports betting operators, needing to capture their particular audience group, potential sports bettors and our ability to marry those two together. And that particular skill, that particular niche that Wedge is able to do at scale is something that gives us a way to continue to make sure that we have that balanced revenue approach.

Mike Stevens

Okay, great. That's awesome color. Thanks. If I can just switch gears to your podcasting success. Like I think I read in your investor deck that these podcasts already contributing positive EBITDA, and I believe that you've launched several of them recently. Can you just talk about your strategy there and how that's happening? And then also, is that an area that you see investing in Yardbarker Futbol Sites to get podcasting more up to speed on those platforms, or is there just a different unique appetite with TNN?

Jake Cassaday

Yes, thank you for calling this out. This is something we are very proud of. I think starting with The Nation Network, as you mentioned, we've launched several new video podcasts within the last quarter here. We're really seeing an opportunity to really carve out a bit of a niche as a true challenger media brand, particularly here in Canada, but we're seeing opportunity in the US as well, to really bring together great talent that are delivering very high quality, very well produced content, catering to both national hockey audiences, but also very regional hockey audiences. And it's that approach, being able to sell both national campaigns against properties like Daily Faceoff Live that goes live every day with

Frank Seravalli, or also extending those national campaigns across all of our regional products. But then we also have the ability to go out and sell in Calgary or in Edmonton or in Vancouver or in Toronto, regional, smaller campaigns that have allowed us to really pre sell these products before launching them, that have allowed us to generate, as we mentioned, positive contribution to the overall business from the get go.

So as we do with all of our growth initiatives, we move with profitability very much front of mind, and this is an example of that. And we see this as a success model that can be replicated in other parts of the organization. We have a lot of collaboration and cross pollination that happens across the Playmaker ecosystem, and the rest of the leaders within the business are seeing that this is a strategy that can work. And we have the direct sales teams now that can support going out and selling these products, and advertisers really want to attach themselves to things that are unique, and really super serve a segment where they can get great attribution against that product.

And yes, I believe that there will be opportunities within Futbol Sites and within Yardbarker. There's already been some beginnings in this direction and this could also be an interesting area for us to look to grow inorganically as well within the US. But it's been a great success for us, it's something we're proud of, and we're going to continue to invest in.

Jordan Gnat

The only thing I would add is, we when you think about non-traditional media for us, or new media for us, Cracks is a great example of how we've taken a product that was purely programmatic when we bought it and we've begun to do direct sales against it and supercharge an asset like that. That's not much different than launching a new podcast other than they had an audience to start with. But it was going to advertisers and showing that new media is the place where you should be looking to spend, and beer companies and sports betting operators to see that audience as attractive.

Down here in Brazil. I was, as you know, we have an asset here called SuperPoker, and SuperPoker is the largest poker website in all of Brazil. Brazil is now the second largest poker market in the world, could be third, second or third, and they're running what's called the Brazil Series of Poker, which is the second largest poker tournament in the world outside the World Series of Poker.

Our SuperPoker team is here to stream the World Series, the Brazil Series of Poker for the next 12 days. We actually have a group here that does a podcast. That podcast is done by a team that is actually not part of Playmaker. It's a group of people who are poker enthusiasts. And I spent a bunch of time with them to actually talk about what the podcast market looks like in a market the size of Brazil.

It's not quite as mature as what you see in the US today. Certainly a gaming audience. The difference here being that the equipment, meaning the cell phones they use, are Android phones, and on Android phones it's harder to find a single source of podcasts where people can go in and search them out, but that is also changing. And so I do believe that at the right moment in time, if we can follow our pattern of how we launch these products, which is profitably, then we will definitely be looking into this market.

The same way we got in the Canadian market, with hockey and soccer. And in this market, it could be betting related, it could be poker related.

Mike Stevens

Okay, great. Appreciate it. I'll pass the line for now. Thank you.

Jordan Gnat

Thanks, Mike.

Operator

The next question will come from Gianluca Tucci with Hayward Securities. Please go ahead.

Gianluca Tucci

Hi, good morning, guys and congrats on a strong quarter. With the World Cup kicking off here in about a week's time, I'm just curious what your preliminary thoughts are as to how you're positioned to capture that spend that happens every four years. And as a follow up to that, in terms of the type of sequential uplift that I can expect from your Q3 heading into a Q4 that has a World Cup in it.

Jordan Gnat

I'll take the first one. And thanks, Gianluca, for dialing in.

As I mentioned in my remarks, we're very much focused on World Cup. We have been focused on World Cup. We've been selling campaigns against World Cup for several months now. The success of World Cup is – and I hate to use this as a euphemism, but it is the luck of the ball now – a phenomenal outcome of Brazil and Argentina in the finals with Mexico in the Final Four is our dream. Because that's when you're going to have lots and lots of people just so focused on it and, of course, advertisers will pile in at that moment in time.

But we're very, very well positioned with both our direct campaigns, with our monetization [audio disruption] that we have all set up to go. This is a time of year that CPMs are traditionally higher than they would be at any other time. It is Q4, it is Black Friday coming up, and Black Friday is actually a thing in Latin America. It's a thing in Canada. Yes, it's US Thanksgiving, but everyone has jumped on to it, because that's what retailers want to do. For us, it's great. So we're very optimistic that as long as the ball bounces the right way, then we'll have a very strong Q4.

And on your second part in terms of sequential growth, I think you and your colleague analysts have put out some pretty lofty goal for us to hit in Q4. We'd like to continue to make a habit of trying to exceed your expectations. But at the end of the day, we've got our heads down, we're going to continue to stay focused on the next six weeks.

Gianluca Tucci

Okay, thanks, guys. And in terms of the market down there in Brazil, given they just had a new government elected, do you expect any change to their policy in terms of online gaming?

Jordan Gnat

Actually, the election here, it was one of those elections where people were really unhappy with the choices they had. And in the end, what came about was a president here, President Lula who is more left leaning, but the Congress here stayed right leaning. So there is actually quite a unique balance of power right now sitting in Brazil, where people don't expect too many sharp turns in either direction. So it was in a situation where people were nervous about what could happen. And actually, it ended up being quite balanced.

We anticipate that the government will continue to move forward with their sports betting, the formal regulation of sports betting in the marketplace. There's lots of sports betting that happens here anyway. And it's unclear whether online casino or land based casinos will come. There is a strong push from the Congress to do that. The President historically has not been in favor of it; however, this is, like most countries, this is an economy that needs dollars in investment.

Brazil has actually fared quite well relative to its South American neighbors in terms of economic stability. The Brazilian Real has stayed quite stable to the US dollar. They're not feeling the same hyperinflation that you see in other markets. So I think the outcome of the election was sort of the best they could hope for.

Gianluca Tucci

Okay, thanks, guys. Congrats on the quarter and go Canada go.

Jordan Gnat

You got it.

Operator

Again, if you have a question, please press star then one.

Our next question will come from Mike Stevens with Echelon Capital Markets. Please go ahead.

Mike Stevens

Me again, guys. I just wanted your take on Wedge. I know it's pretty early days at this point, but you called out the Ohio and Maryland in the coming weeks and months. Should we expect that organic growth at Wedge to be similar to what I believe you tipped at the time of your acquisition, like pretty high organic growth?

And then on the revenue synergies side, is that something that we can look towards 2023 as meaningful synergies with some of your platform audiences or do you think that that may take some time for them to get familiarized with affiliate marketing ads?

Jordan Gnat

Thanks for that great question. So on the Wedge side, in terms of growth, these state openings like a country opening in normal times, when they open up a whole country rather than state by state, you just get a huge rush from operators that gives you this bump. It just happens that you get this one-time bump of the market starting off, and then it begins to just get into steady state growth. And so it takes years, though, it's years for a market to develop. This is not a bang and done. That's not the way these markets tend to be, evidenced by the fact that Wedge on an organic basis continues to grow year over year, and it's not just from new market openings. So yes, we see Wedge being a strong organic growth contributor to us in the coming year.

In terms of synergies for 2023, at the Investor Day, if you remember, one of the things that was asked and how quickly could we do it, which is the six-week push of World Cup that we're right into. So our teams are very, very focused on it. The communication between the groups has already started. Actually, it's moving forward incredibly well. And what they're working on is how do they plan to dive into it in Q1 of next year. So I think from a realistic perspective, the planning will happen in Q1 of next year and we'll start seeing those meaningful synergies coming through towards the first probably, at best the beginning of Q1, but in the first half of next year.

Mike Stevens

Okay, great. Appreciate it. That's all for me. Thanks. Have a good one, guys.

Jordan Gnat

Thanks, Mike. Appreciate it.

CONCLUSION

Operator

Again, if you have a question, please press star then one.

This concludes our question and answer session. I would like to turn the conference back over to Playmakers Chief Operating Officer Mr. Jake Cassady. Please go ahead.

Jake Cassaday

Thank you. As there are no further questions at this time, this concludes today's call. We again thank you for your interest in Playmaker and for your participation today. As Gianluca said, Go Canada go! Enjoy the World Cup. You may now disconnect.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.