



Playmaker Capital Inc.
August 15, 2023 – Second 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

Matthew Lee
Canaccord Genuity

Rob Goff
Echelon Wealth Partners

Gianluca Tucci
Haywood Securities

Adhir Kadve
Eight Capital

Sid Dilawari
Cormark Securities

PRESENTATION

Operator

Good morning and welcome to the Playmaker Capital Inc. Q2 2023 Earnings Conference call. All participants will be in 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 a question. To ask a question you may press star then one on your telephone keypad. 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 Chief Operating Officer, Jake Cassaday. Please go ahead.

Jake Cassaday

Thank you and good morning, everyone. 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.

Before we begin, I would 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 yesterday's press release 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 Q2 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 Second Quarter 2023 Earnings call. Q2 was a period of focused execution against our five strategic priorities for 2023, all aimed at better integrating our complementary businesses to drive organic revenue growth and realize efficiencies.

During the quarter, our ecosystem of media and affiliate businesses refined internal processes, expanded syndication networks, enhanced video production and monetization capabilities and extended strategic partnerships with tier-one advertisers and sports betting operators. Entering the sports-heavy Q3 and Q4 periods, Playmaker is better positioned than ever to drive value for fans, customers and shareholders as the #4 ranked digital sports media group across the Americas and the #1 regional digital sports media company in Latin America.

Subsequent to the quarter-end, we acquired leading Quebec sports media group, La Poche Bleue, to round out our Canada-wide reach. La Poche Bleue plants a flag in the Quebec market, bolsters our video podcast portfolio and strengthens our direct-to-consumer segment in advance of the upcoming NHL season. Additionally, founders, Maxim Lapierre and Guillaume Latendresse and Managing Director, Louis-Philippe Dorais are tremendous additions to our senior leadership team.

Playmaker experienced strong engagement metrics across its owned and operated media brands in Q2

2023. During the quarter, Playmaker's web properties generated more than 653 million sessions and its video podcasts received over 5 million streams.

Here are some additional highlights worth noting. The Nation Network continued to grow engagement with its lineup of video podcasts and achieved a quarterly record— 5.1 million streams in Q2 2023, an increase of more than 300% over Q2 2022. In June 2023, TNN generated a monthly record 2.02 million streams, an increase of 451% over June 2022.

Yardbarker attracted a monthly average of 8.9 million unique users in Q2 2023, an increase of 52% over Q2 2022. Additionally, Yardbarker generated a monthly average of 19 million web sessions during Q2 2023, an increase of 51% year-over-year.

Futbol Sites maintained a strong leadership position in the Brazilian market, with core properties Bolavip Brazil, Fanáticos Por Futebol and Antenados no Futebol generating more than 300 million sessions in the quarter and ranking 1st, 2nd and 11th, respectively, in the June Comscore rankings. Futbol Sites executed numerous direct campaigns with leading iGaming and sports betting operators in Brazil during the quarter. Additionally, Futbol Sites activated campaigns with global advertisers across branded content articles, podcast and video integrations and widgets. Futbol Sites Q2 2023 direct sales revenue increased by 53% over Q2 2022, bolstered by 88% year-over-year growth of the sports betting customer segment.

We continue to focus on the shift in sales from programmatic to direct and in Q2, we executed multiple, long-term direct sales and partnership initiatives. Direct sales accounted for 54% of Playmaker's core media advertising sales for the period, an increase of 25% over Q2 2022. Direct sales and affiliate are growing segments of Playmaker's revenue generation and the company continues to expand these revenue streams to maximize higher-margin monetization opportunities. Our team continues to execute at the highest level and are gearing up for the high seasons of the North American sports calendar.

I'll turn the call over to Mike to discuss our financial results in more detail and then come back to wrap up the call.

Mike Cooke

Thanks, Jordan. Good morning, everyone and thank you for joining us today. Last night, we reported our results for the quarter ended June 30, 2023. As a reminder, all of our financial results are presented in US dollars.

On a pro forma basis, which includes the results of acquisitions through June 30th and excludes the results of businesses we've disposed of, revenue was \$12.6 million in Q2 2023 compared to \$8.3 million in Q2 2022, an increase of \$4.3 million or 53%.

We use adjusted EBITDA as a key measure of earnings. Adjusted EBITDA reflects our earnings before interest, taxes, depreciation, amortization, stock-based compensation, acquisition-related costs and other one-time costs. Excluding the results of our corporate segment, our operating segments produced pro forma adjusted EBITDA of \$3.3 million in Q2 2023 compared to \$2.6 million in Q2 2022, an increase of \$700,000 or 24%. Including the results of our corporate segment, our consolidated pro forma adjusted EBITDA was \$2.2 million in Q2 2023 compared to \$1.6 million in Q2 2022, an increase of \$600,000 or 34%.

For the trailing 12 months, our pro forma revenue is \$56.9 million and our pro forma adjusted EBITDA is \$15.1 million including the cost of the corporate segment or \$19.5 million excluding the corporate segment.

On an IFRS basis, we produced \$12.6 million of revenue and \$900,000 of operating loss in Q2 2023. In Q2 of 2022, the company produced \$6.7 million of revenue and \$500,000 of operating loss. It should be noted that the \$900,000 of operating loss in Q2 2023 includes \$2.1 million of non-cash expenses related to amortization and stock-based compensation.

We finished Q2 with cash of \$9.7 million, compared to \$11.4 million at March 31st. The \$1.7 million decrease in our cash balance during Q2 was driven mainly by \$2.6 million of positive cash flow from operating activities offset by \$4.4 million in payments made to settle contingent consideration.

We finished Q2 with \$10 million of available debt and we added an additional \$10 million of available credit subsequent to quarter-end. We believe that available capital, combined with our cash balance and the fact that we produced positive adjusted EBITDA, puts us in a strong position to continue executing our on strategy going forward.

I will now turn it back over to Jordan.

Jordan Gnat

Thanks, Mike. We continue to execute on our key goals for 2023 of cross-brand collaboration, integration and optimization, innovation and scale and the organic growth of Playmaker is evidence that our strategy and pace of integration deliver results. We are very excited about bringing the La Poche Bleue family into ours. We are already seeing the synergies on the direct sales side of now having a footprint in Canada that includes the Quebec market. Our focus is now firmly shifted to the North American sports calendar that kicks off in earnest in September with the NFL.

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

QUESTIONS AND ANSWERS

Operator

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

Today's first question comes from Matthew Lee with Canaccord, please go ahead.

Matthew Lee

Morning, guys. Thanks for taking my question. Maybe we can start on the revenue side. Your numbers were significantly better than expected and bucked the usual seasonality trend in sports. Can you maybe talk to what parts of your business beat your expectations to drive that strength in the quarter?

Jordan Gnat

Thanks, Matt, and thanks for joining today. I think the piece of our business, as we talked about, in just the remarks, the TNN side of our business had an incredible, incredible quarter. We saw some strong increase, in particular, in our podcast streams, very strong results in direct campaigns and direct campaigns yield us higher revenues for same ad units that we're able to sell. Sponsorship is strong. And as well, we continued to see the hockey segment, in particular, around draft and trade deadline drive a lot of additional readers, as well as listeners, to our podcasts. So super strong, super strong there.

Matthew Lee

Okay, great. And then maybe we talk about La Poche Bleue. I mean, generally the strategy— I appreciate

the strategy in the Quebecois market, but do you feel like this transaction gives you the necessary assets to address that market or maybe you're perhaps looking for more?

Jake Cassaday

Hey, Matt, this is Jake. So, I think we've really signaled to the market and internally, we've had a focus on finding a great asset and I think great assets, to service not only Quebec but the rest of Canada in each of the markets that we have an established footprint in. With La Poche, we feel like we've got a great head start in a key and net new market for us, that's 9 million people and really services that market in a very unique way, in a relatively closed off way in some instances.

So what this does is give us a really unique asset to service not just Quebec, but also allow us to run really strong national campaigns and now can stretch across each major market in Canada. Those are revenue synergies that will go both ways as well, being able to plug La Poche into the direct sales efforts that we have in the rest of English Canada, as well as leverage some of the relationships that La Poche has in Quebec, for the rest of our network in Canada.

So, I think this is the first. It's not to suggest that it's the last, but with this, we have a brand that has a lot of loyalty and affinity with fans and is relatively early in its journey and on its curve going up. So it will continue to grow and flourish within our network, but we're certainly not closed off to other opportunities in the province as well.

Jordan Gnat

Yeah, the other way I'd look at this is just think of our playbook in the reverse. So think of Fanáticos Por Futebol. When we bought Fanáticos back in June of 2021, it was simply a Facebook page. What we were able to do is leverage some of the strengths that we had and turned it into Somos Fanáticos, the second largest website for sports in Brazil now.

La Poche is very strong in podcasts, super strong brand and they've got a website that isn't necessarily top of the heap, but taken the skill set that we have in how to drive traffic to websites, SEO, leveraging a strong brand that already has a built in community. If you take a look at the Fanáticos playbook, now take that, well, you're not going Facebook to web, now you're going to take a fan community around audio and you're going to begin to drive that traffic to web, as well. We'll be able to increase monetization.

So this is right out of the playbook of what Playmakers team is capable of and has proven to be capable of. So that also excited us about the future opportunity for this as we head into 2024.

Matthew Lee

All right, that's very helpful. I'll leave it there.

Jordan Gnat

Thanks, Matt. Appreciate it. Have a great rest of the summer.

Operator

The next question comes from Rob Goff with Echelon. Please go ahead.

Rob Goff

Thank you for taking my questions.

Jordan Gnat

Great to see you, Rob.

Rob Goff

Very good quarter, once again. The first question is, you talked to the direct sales growth. Can you talk to where you see that going within the mix and just address the yield pickup that you see in direct versus programmatic?

Jake Cassaday

Sure. Hey, Rob, this is Jake. Yeah, I think this is one of the things that we're most enthused with, across sort of the overall monetization stack that we're employing across the entire network here. As stated in the materials, we saw a 25% growth of the share that direct makes up of our core media ad sales. Now at 54% in the quarter. A lot of this is coming from not only the increase of direct for what we can say is existing inventory of display and video impressions across web properties and branded content opportunities in social, it's also the result of an investment in new properties and new products that allow for us to create premium inventory that can be made available and has been made available to advertisers.

Jordan just outlined the video podcast growth that we've seen. What that affords us is the ability to provide premium sponsorship opportunities. We're doing it at both a national scale, as well as a local scale. I think that's where we're seeing a lot of the success, particularly within The Nation Network is that if you're watching a show in Calgary called *Barn Burner*, you're going to see national and international sponsors like Betway, but you're also going to see local advertisers that want to reach the Calgary market and don't have destinations like local terrestrial radio to deploy those dollars anymore. So the inventory we're creating is a very thoughtful approach to ensure that our product roadmap leads to premium inventory being made available as we continue to scale our direct sales efforts.

So, I think in terms of where this could go, I think that continuing to show this level of growth year-over-year as a share of direct is something that we're very happy with. I think that we want to continue to expand it. We want to continue to eat up more of our available inventory with direct. I don't have an end game in mind in terms of where that is going to land, but we're dedicated to ensure that more and more of our inventory is serving direct clients and really taking a results-oriented and conversion-oriented type mindset to working with our ad partners.

Rob Goff

Thank you. Now, when you look across web podcasts, social and newsletters, how do you see yourself balancing your organic push or your inorganic push?

Jake Cassaday

So I think one important consideration there is that none of those are mutually exclusive. I think where we're having a lot of success is that we have individual ecosystems that include video, audio, social and web. So when we're selling direct campaigns, we'll see an insertion order or an IO with an ad partner that includes each available set of inventory across the property. So it's not as if we're selling exclusively this presenting sponsor on a podcast and then cutting out everything else we do for that partner. We are selling a cohesive product that includes multiple channels. Again, I think that makes us unique that we have these enclosed ecosystems, whether it's with Bolavip and its social presence website and burgeoning video podcast, as well, but certainly, within The Nation Network as well.

So, I think, we'll continue to focus on creating net new premium inventory in the form of video, but the key is they ride together. We're going to continue to focus on building out each of those product streams so that we can continue to deliver more exposure, more reach across the overall ecosystem.

Rob Goff

Thank you. Good luck, guys.

Jordan Gnat

Thanks, Rob. Appreciate it.

Operator

The next question comes from Gianluca Tucci with Haywood Securities, please go ahead.

Gianluca Tucci

Hey, good morning, guys. Good results. Just curious if you're— like with the upcoming market opening catalyst in the US (Kentucky, North Carolina and others), what are you doing in advance of that to position Playmaker for as much market capture on your affiliate side as possible?

Jordan Gnat

Thanks, Gian. Look, it's a great question. So we work with our key betting operator partners in each of those markets and each one launches in a bit of a different way. So some markets allow for pre-registration and when they allow for pre-registration, what you're able to do is get promotions from the betting operators where they can begin to get signups and you can deliver them signups pre-opening. Then once it opens, then it really kicks off.

In the case of Kentucky, pre-registration is currently not on the table, and they actually push back the opening for operators online until the end of September. Originally, when Kentucky announced their opening, they said it would be beginning of September, which they then caveated by moving the online to the end and delaying base to the beginning. So Kentucky, it's going to be more of a big bang on the start date, which is currently scheduled to the 28th of September.

North Carolina is Q1. Indications are that they'll allow pre-registration. So that, again, that helps in understanding sort of the size and scope of what you have coming when the actual launch takes place.

So again, we work with each one of the operators to understand what their strategies are. Really what we do as an affiliate is execute on the strategies that they put forward to us because they're the ones who ultimately are deciding what type of promotions they're going to want to have in place.

Gianluca Tucci

Okay, awesome. And then, on that same topic, in Brazil, has there been any update there in the Senate since the last movement down there and are affiliate discussions heating up in that market?

Jordan Gnat

So I'll take the second part first. As of yet, we're already working with several operators now to optimize the right type of promotions that could work in the Brazilian market for us. So that is something that we're working on, as we talked about in previous calls, but the integration between Wedge and our other assets is something that we are working through as we get into Q4 and Q1 for this year and next.

In terms of the progress in Brazil, I can tell you, I've been working in Latin American, and in Brazil, in particular, for 10 years now. Brazil is five years away from being awesome every year. So things do take time in Brazil. Right now, the bill is working its way through— what they have is called a Provisional Measure. It's working its way through the Senate. There are some debate around the current tax regime that is being set up. So it'll just take time as things do and tend to do down there to get it finalized, but in the interim, the Brazil market for us remains incredibly strong. Operators are incredibly bullish on the market and are beginning to open up their wallets even more. That's part of evidenced by when you see the increase in football sites where we have an 88% increase in that segment. That's coming from markets like Brazil.

Gianluca Tucci

Okay, that's great color. Thank you guys. Keep up the good work.

Jordan Gnat

Thanks. Appreciate the support. Thank you.

Operator

The next question comes from Adhir Kadve with Eight Capital. Please go ahead.

Adhir Kadve

Hey, guys. Let me also add my congratulations on the quarter here. I wanted to ask about the Wedge integration. We're gearing up for the NFL season here, call it I guess in the next couple of weeks, it'll launch. Can you talk about how the Wedge integration is going and how it's progressing? What are your expectations for Wedge as we head into the major sports league kicking off their seasons in Q3 and Q4.

Jordan Gnat

Yeah, for the North American sports calendar, there's not really much change in Wedge. Wedge already is focused on the North American business. So, it's just going, as I mentioned, working with the operators on the type of promotions and things that they want to see put out there and then Wedge just goes on and executes its strategy with operators as it does.

In terms of the integration, our core focus of integrating Wedge was into some of our other assets, with a focus on Latin America. That's something we are continuing to work through. As we mentioned earlier, we expect to see the beginnings of those results in Q4 and Q1 of next year.

Adhir Kadve

I'll fix that. Then just on podcasting revenue that continues to grow. Can you give us a sense of how you can see those monetize or how you're seeing those monetization trends in podcasting? How are you thinking about other— this medium as you kind of move it into your other properties, specifically in Latin America? I think you guys talked a little bit about Bolavip seeing some strength there, but any color on that would be helpful. Thanks.

Jake Cassaday

Yeah, I think if you were to sort of read through whether it's IAB or other industry reports that are providing sort of macro data on the global ad markets, audio podcast continues to be one of the strongest, if not the strongest, growing portion of overall digital spend. We're seeing this both from a direct perspective and being able to bring to advertisers something that's truly unique and having that one-to-one connection between an audience member and talent that has either local relevance or broader relevance. So being able to sell those segment sponsorships is truly differentiated and unique.

But we are also seeing it— we partner with a group called Acast that supports our distribution of podcasts, but also manages all the dynamic ad insertions or what you'd see as sort of pre-roll or mid-roll, similar to what you'd see on a YouTube video, but in the audio format. We see strength there, as well. That would be more reflective of sort of programmatic buys, but it is a little bit more hand-to-hand in the podcast space and Acast is a great partner for us in that capacity.

So as we continue to grow the network, we continue to increase the number of streams that we have in high value channels like YouTube, iTunes, Spotify, etc. Monetization is increasing in lockstep with our streams, but also, as you get to sort of critical scale, particularly in a market like Canada, where we've quickly become a leading independent voice, not just for hockey but for sports, in a shifting media

landscape here, that scale commands even further premiums. We're seeing that in certain markets as well.

So it certainly will continue to be a playbook that we will leverage in other markets. We have several video podcasts operational now in market from a sales perspective in Mexico and Brazil, and Chile as well. We continue to use that playbook and see it as a growing segment of the overall business.

Adhir Kadve

Thanks, that's [indiscernible].

Jake Cassaday

Thanks, Adhir.

Operator

As a reminder, to ask a question, you may press star then one.

The next question comes from Sid Dilawari with Cormark. Please go ahead.

Sid Dilawari

Hey. Morning, guys. Thanks for taking my question. Just looking at your affiliate business here. Obviously, performed well ahead of our expectations. Are you seeing any headwinds related to the current macroeconomic environment? We know that gambling has historically remained relatively resilient during past economic downturns, but are you seeing any challenges in converting the user into a deposit and customers on your partner's website just given the shrink in discretionary wallet here?

Jordan Gnat

We haven't. We haven't seen anything like that to date with there being a more complicated process, other than seasonality. So there are fewer bettors in Q2 and Q3, which is in the North American market simply because the sports calendar is lighter. So the number of sports bettors who are signing up as net new is fewer, but we have no indications to believe that in Q— when we head into September and into Q4, that there will be any change in what we've seen in previous years.

Sid Dilawari

Okay, that's great color. Thanks, guys. And then just one last one on [indiscernible] pipeline here. I know you recently acquired La Poche Bleue, which obviously seems to complement your current asset portfolio. Are you seeing any other opportunities for platform acquisitions in the near term?

Jordan Gnat

We've always got our eyes open. I think as we have talked about previously, the two areas of M&A that are important for us were net new geographies and Quebec sort of satisfies that. It was a gap we had in Canada, something we look at. So there are other geographies where we'd love to find more tuck-ins that fill gaps in them.

The big one is can we find more US audience. Yardbarker has done an incredible job of nearly tripling its audience since we acquired it. However, the US is really, really big and similar to in Brazil, where we have three properties in Brazil, we have 1 core property in the US and Brazil, as an example with 200 million people, we have 2 core and 1 growing with Bolavip and Somos Fanáticos. We'd love to have a sister brand, sister asset in the US akin to the size of Yardbarker, but not easy to find and certainly not easy to find in the way that we've been able to acquire businesses. We're very, very sensitive on making sure that we acquire things very well. So, we continue to look and that would be— obviously, that would be a fantastic acquisition if we could find it.

Sid Dilawari

Okay, thanks. That's great color. I'll pass the line.

Jordan Gnat

Great, thanks. Appreciate it.

CONCLUSION**Operator**

This concludes our question and answer session. I would now like to turn the conference back over to Jake Cassaday for closing remarks.

Jake Cassaday

Thank you very much. As there are no further questions at this time, this concludes today's call. As always, we thank you for your continued interest in Playmaker and for your participation today. Hope everyone enjoys the rest of their summer. You may now disconnect. Thank you.