

July 5, 2022

PLAYMAKER CAPITAL INC. (PMKR-TSXV, C\$0.38)

Rating: BUY
Target Price: C\$1.25

EXECUTING ON M&A STRATEGY

Playmaker Capital Inc.		PMKR	
<i>(Currency is US\$ unless noted otherwise)</i>			
Last Price (\$)		C\$0.38	
Target Price (\$)		C\$1.25	
Return to Target (%)		229%	
52-Week Trading Range (\$)		C\$0.355 / C\$1.00	
Average Daily Volume (90-Day)		119.7K	
MARKET INFO			
Basic Shares Outstanding (M)		217.2	
Fully Diluted Shares Outstanding (M)		218.0	
Market Capitalization (\$M)		C\$82.5	
Enterprise Value (\$M)		C\$76.8	
FYE: DEC 31	F2021A	F2022E	F2023E
Sales (\$M)	\$14.8	\$28.1	\$32.1
Adj. EBITDA (\$M)	\$5.4	\$9.1	\$10.9
Adj. EBITDA Margin (%)	37%	33%	34%
MOST RECENT QUARTER			
	Mar-21		
Sales (\$M)	\$5.8		
Adj. EBITDA (\$M)	\$1.7		
Adj. EBITDA Margin (%)	29%		
Debt (\$M)	\$0.7		
Cash (\$M)	\$5.1		
VALUATION	F2021A	F2022E	F2023E
EV/Sales	4.0x	2.1x	1.8x
EV/Adj. EBITDA (ex. corp)	10.9x	6.5x	5.4x
EV/Adj. EBITDA (inc. corp)	27.1x	13.5x	7.7x
DISCLOSURE CODE:	None		
<i>(Please refer to applicable disclosures on the back page)</i>			
Source: M Partners, Bloomberg, Company Documents			



Playmaker Capital is a digital sports media company that sits at the nexus of sports, media, gambling and technology. Playmaker is creating a customer acquisition ecosystem by aggregating an audience of sports fans across multiple channels, creating outsized fan value and loyalty for sports betting companies, advertisers, teams and sports leagues around the world.

This morning, Playmaker Capital announced that it has acquired World Soccer Talk for US\$1.15M. World Soccer Talk is a U.S. based, soccer-focused media business that provides news, deep analysis and streaming information for soccer events, leagues and clubs.

World Soccer Talk's audience spans over its website, mobile app, social media channels, and podcasts. The target company offers team schedules, prediction tools, brackets, and broadcasting/streaming information. The rationale behind the acquisition was to continue expanding PMKR's North American audience and proportion of revenue (60% as of Q1/22). World Soccer will also add to PMKR's Latin America audience. Management highlighted that soccer has surpassed hockey as the fourth most popular sport in the U.S. and that it expects soccer viewership to continue rising in North America, outpacing the growth of other major sports. The acquisition also positions PMKR to capitalize on the upcoming World Cups in 2022, 2023 (women's) and 2026.

World Soccer Talk is also a popular and trusted source for "where-to-watch" content, being an affiliate partner to various sports streaming services. This aligns with Playmaker's new strategy of increasing affiliate revenue - delivering users to sponsors/advertisers and receiving a fee based on users that convert to paying customers. This diversifies PMKR's revenue streams away from programmatic advertising and enhance the sports fan's experience using exclusive and relevant promotions with leading brands/OSB operators.

Playmaker plans to extend its platform's resources and expertise to World Soccer Talk ahead of the World Cup in Q4/22 including technical solutions, product design, operational support, and editorial support in order to increase viewership and monetization.

Total consideration for the acquisition is US\$1.15M, consisting of cash upon closing of US\$350K, 510K PMKR shares at C\$0.75/share (C\$383K) and up to US\$500K in earnouts based on revenue and performance targets in the first and second years following closing. The acquisition was in line with PMKR's previous acquisition multiples.

Our Thoughts: We continue to be impressed by PMKR's rapid execution on its M&A strategy (seven acquisitions since November), effectively positioning itself to take advantage of sports betting regulatory changes in its markets (Canada, Brazil, Argentina) and the FIFA World Cup in Q4. PMKR now trades at a sizeable discount to slow-growth traditional media companies (NWSA:US, NXST:US, NYT:US) that trade at 8.6x EBITDA on average, despite growing 10x faster than the group; creating a compelling value opportunity. **We are maintaining our BUY rating and C\$1.25/share target price based on 6.0x 2023E sales (equivalent to 18.0x 2023E EBITDA).**

(\$US Millions)											
Income Statement:	1Q21A	2Q21A	3Q21A	4Q21A	FY21A	1Q22A	2Q22E	3Q22E	4Q22E	FY22E	FY23E
Revenue	-	3.0	4.8	7.0	14.8	5.8	6.6	7.3	8.3	28.1	32.1
Gross Profit	-	2.9	4.5	6.3	13.6	5.1	5.9	6.8	7.7	25.4	29.6
<i>Margin</i>		95%	94%	89%	92%	87%	90%	92%	92%	91%	92%
Adjusted EBITDA (ex-corporate)	-	0.9	2.0	2.5	5.4	1.7	2.1	2.5	2.9	9.1	10.9
<i>Margin</i>		30%	41%	36%	37%	29%	32%	34%	35%	33%	34%
Adjusted EBITDA (including corporate)	-	0.4	1.0	0.7	2.2	(0.6)	1.2	1.7	2.1	4.4	7.7
<i>Margin</i>		13%	22%	11%	15%	-11%	18%	23%	25%	16%	24%

Figure 1: Financial Projections

Disclosure Code: None

Disclosure

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Rating System	
Buy:	Price expected to rise
Speculative Buy:	Buy rating with increased risk
Hold:	Properly priced
Sell:	Price is inflated and expected to decrease
Under Review (U/R):	Under review
Not Rated (N/R):	Not currently rated

Summary of Recommendations	
Buy	17
Speculative Buy	1
Hold	0
Sell	0
U/R	1
Total	19