

August 16, 2022

PLAYMAKER CAPITAL INC. (PMKR-TSXV, C\$0.46)

Rating: BUY
Target Price: C\$1.25

SOLID Q2 PRINT; AMPLE DRY POWDER FOR ACQUISITIONS

Playmaker Capital Inc.		PMKR	
<i>(Currency is US\$ unless noted otherwise)</i>			
Last Price (\$)		C\$0.46	
Target Price (\$)		C\$1.25	
Return to Target (%)		172%	
52-Week Trading Range (\$)		C\$0.38 / C\$1.00	
Average Daily Volume (90-Day)		82.0K	
MARKET INFO			
Basic Shares Outstanding (M)		218.4	
Fully Diluted Shares Outstanding (M)		220.5	
Market Capitalization (\$M)		C\$100.4	
Enterprise Value (\$M)		C\$105.7	
FYE: DEC 31	F2021A	F2022E	F2023E
Sales (\$M)	\$14.8	\$29.0	\$33.1
Adj. EBITDA (\$M)	\$5.4	\$8.7	\$11.1
Adj. EBITDA Margin (%)	37%	30%	33%
MOST RECENT QUARTER			Jun-21
Sales (\$M)			\$7.0
Adj. EBITDA (\$M)			\$1.8
Adj. EBITDA Margin (%)			26%
Debt (\$M)			\$6.6
Cash (\$M)			\$2.5
VALUATION	F2021A	F2022E	F2023E
EV/Sales	5.5x	2.8x	2.5x
EV/Adj. EBITDA (ex. corp)	15.1x	9.5x	7.4x
EV/Adj. EBITDA (inc. corp)	37.7x	32.2x	12.5x
DISCLOSURE CODE:	None		
<i>(Please refer to applicable disclosures on the back page)</i>			
Source: M Partners, Bloomberg, Company Documents			



Playmaker 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.

Yesterday after market close, Playmaker Capital reported strong Q2/22 financial results. Similar to Q1, PMKR beat our estimate on revenue but missed on profitability due to increased corporate expenses. Organic growth came in at 10% YoY (amidst a tough comparable period) and 34% over the LTM, led by unique monthly users growing 27% YoY and total sessions growing 40% YoY. Per Comscore, PMKR had the 4th highest total visits among sports media groups in the Americas for June 2022, beating out major brands like Sports Illustrated and CBS Sports. Playmaker continues to focus on ramping up direct sales, citing a 50% YoY increase with direct sales now accounting for over half of revenue.

Playmaker completed one acquisition during the quarter (The Sports Drop) and two acquisitions subsequent to the quarter (World Soccer Talk and JuanFutbol). We would again like to reiterate our conviction in the PMKR management team and ecosystem itself, which still trades at a discount to its traditional media and B2B gambling peers.

Highlights from the quarter include:

- Revenue of \$7.0M (+130% YoY including +10% organic growth) vs. our estimate of \$6.6M.
- Gross margin of 90% vs. our estimate of 90% and 87% in Q1.
- Adjusted EBITDA (ex. corporate) of \$1.8M (26% margin) vs. our estimate of \$1.9M (29% margin). Adjusted EBITDA including corporate came in at \$0.4M vs. our estimate of \$1.0M.
- PF Revenue came in at \$7.4M and PF Adj. EBITDA came in at \$1.9M
- PMKR ended the quarter with a cash balance of \$2.5M

Quarterly Financials Summary				
	Q2/22A	MPI Est.	YoY	QoQ
Revenue	\$7.0	\$6.6	+130%	+20%
Adj. EBITDA (ex. corp)	\$1.8	\$1.9	+98%	+9%
Adj. EBITDA (inc. corp)	\$0.4	\$1.0	-6%	N/A

Figure 1: Quarterly Financials Summary

Acquisitions: During Q2, PMKR acquired The Sports Drop for an undisclosed amount. The Sports Drop is a U.S. based sports media company with 3M monthly users, 30M monthly page views and 200M monthly ad impressions. This acquisition strategically expands Playmaker's footprint in the U.S. and diversifies its audience away from Soccer/Latin America (Latin America now only represents 40% of revenue).

Subsequently to Q2, PMKR acquired World Soccer Talk for \$1.15M and JuanFutbol for \$2.8M. World Soccer Talk is a U.S. based soccer-focused media business, expanding PMKR's business model into affiliate revenue generation from sports streaming services. JuanFutbol operates social media pages, digital channels and web properties in Mexican and Hispanic U.S. markets; this acquisition supports PMKR's geographic expansion into North America and adds 6M social media followers and 50M monthly viewers. For further details on the previous acquisitions, please refer to our last two notes.

Financial Position: Subsequent to the quarter, Playmaker announced an agreement with Beedie Capital for a convertible loan facility of \$20M. This includes an initial advance of \$15M and subsequent advances in \$2.5M increments. The terms include a 9% interest rate on the advanced funds, a 1.25% interest rate on the unadvanced portion, and a convert price of \$0.70/share. This comes in addition to the \$15M multi-year credit facility that PMKR secured in Q1 with the potential to be increased by \$11M upon a \$10M equity raise. The additional dry powder will allow PMKR to continue aggressively executing on its M&A strategy.

Our Thoughts: We continue to be impressed by PMKR's rapid execution of its M&A strategy (eight acquisitions since November), effectively positioning itself to take advantage of sports betting regulatory changes in its markets (Canada, Brazil, Argentina, U.S.) and the FIFA World Cup in Q4. PMKR continues to trade at a discount to slow-growth traditional media companies (NWSA:US, NXST:US, NYT:US) that trade at 11x 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.**

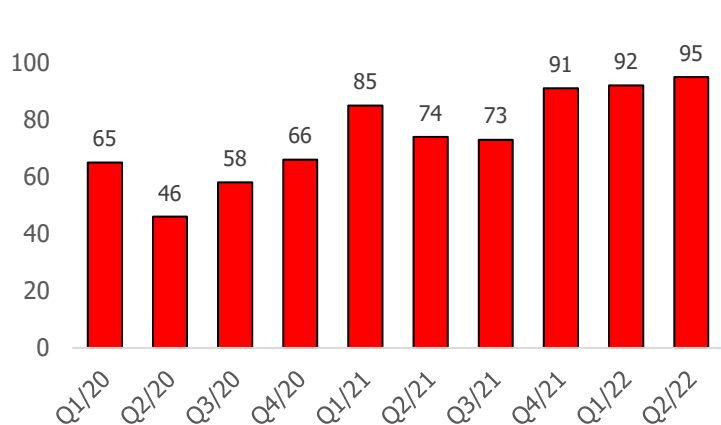


Figure 2: U.S. & Canada Sessions (Millions)

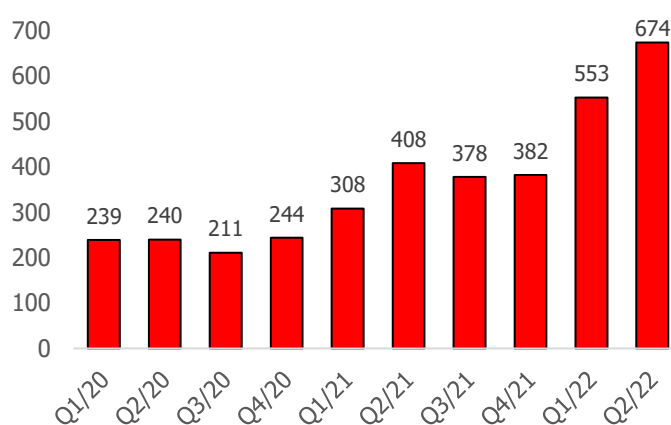


Figure 3: International Sessions (Millions)

(\$US Millions)											
Income Statement:	1Q21A	2Q21A	3Q21A	4Q21A	FY21A	1Q22A	2Q22A	3Q22E	4Q22E	FY22E	FY23E
Revenue	-	3.0	4.8	7.0	14.8	5.8	7.0	7.4	8.8	29.0	33.1
Gross Profit	-	2.9	4.5	6.3	13.6	5.1	6.3	6.8	8.1	26.3	30.5
<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	1.8	2.2	2.9	8.7	11.1
<i>Margin</i>		30%	41%	36%	37%	29%	26%	30%	33%	30%	33%
Adjusted EBITDA (inc. corporate)	-	0.4	1.0	0.7	2.2	(0.6)	0.4	1.0	1.7	2.6	6.6
<i>Margin</i>		13%	22%	11%	15%	-11%	6%	14%	20%	9%	20%

Figure 4: Financial Projections

Disclosure Code: None

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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