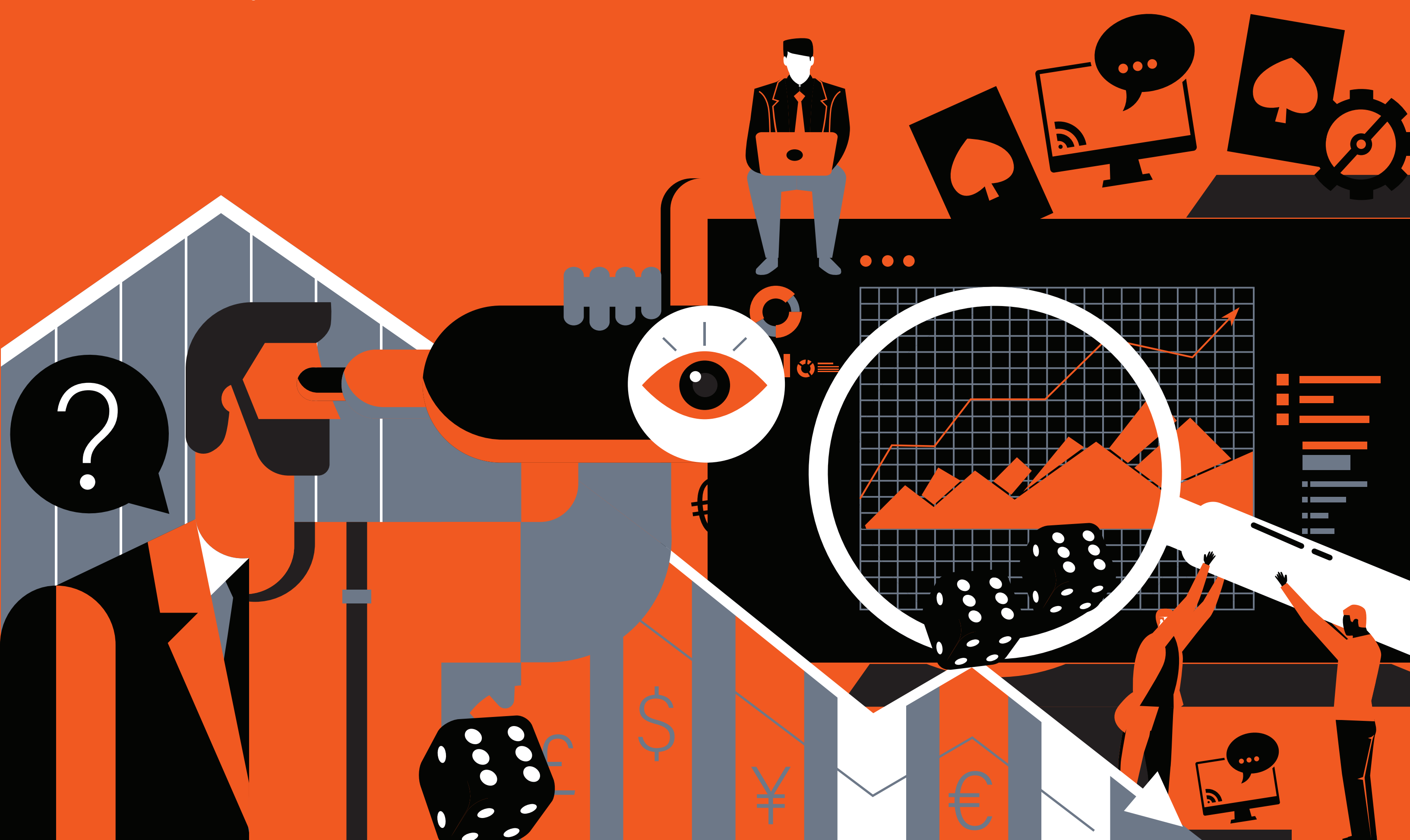
Affiliate Monitor

October 2021

written by Clear Concise Media for iGB



Oddschecker changes hands • Listings in the USA • Company-by-company review

Affiliate Monitor
Written by Clear Concise Media

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Author: Scott Longley
Editor: Stephen Carter
Design: Ogo Ikeogu
Production: Guy Parsons

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Contents

Editor's letter 3

Executive summary 4

Part 1 Sign of the times: Oddschecker changes hands 6

Part 2 Listing in the US 10

Part 3 Company-by-company review 12

Editor's Letter

An odds-on winner?

This quarter saw corporate activity centred on the affiliate sector ratchet up another level with Bruin Capital splashing £155m to acquire Oddschecker Global Media. This of course followed Q2's headline acquisition of the Action Network by Better Collective for an equally eyewatering $240m.

While Oddschecker's business is almost wholly focused in European odds comparison markets, the US was as much a driver of the £155m deal as it was for Better Collective's of Action Network and Catena's of lineups.com and i5Media. Oddschecker's head of commercial strategy Guy Harding speaks exclusively about the deal to Scott Longley in Part 1.

The US was not the only driver of acquisition in the period, with Raketech's acquisition of Infinileads giving it a bigger footprint in LatAm and XLMedia acquiring igaming-focused digital agency Blueclaw.

The flurry of activity in Q3 was also not restricted to M&A, with Gambling.com Group listing on the New York and Playmaker on the Toronto exchanges, providing further earnings visibility on the sector. Jefferies' initiation note on GAMB pegged the value of the US gaming market at between $2.4-$3bn a year. We provide analysis of this in Part 2.

Stephen Carter
Editorial director, iGB

> "The US was not the only driver of acquisition in the period, with Raketech's acquisition of Infinileads giving it a bigger footprint in LatAm and XLMedia acquiring igaming-focused digital agency Blueclaw"

WELCOME

Executive summary

CORPORATE MANOEUVRES

In one way or another, the gaming affiliate sector has never been busier. While M&A has been a constant for a few years now (see Affiliate Monitors passim), the pace of activity within the past 18 months has undoubtedly picked up both in terms of the number of deals and the sums of money involved.

This quarter's edition of the Monitor homes in on the news that Oddschecker Global Media has been sold to Bruin Capital. This was significant not just for the headline figure of £155m (including earnout) but because of what the deal signals about the importance of the US to developments in the gaming affiliate sector.

To date, the Oddschecker story has been that of gaining a dominance in odds comparison in the hyper-competitive UK market and it has succeeded exceptionally well in that. So much so that Bruin Capital, led by George Pyne, now sees the value in taking the brand and more clearly aiming it at the US sports betting market.

The acquisition is another sign of where the centre of gravity for gaming affiliates now resides – and that is firmly in the US. The largest acquisitions in the sector have involved buyouts of US-facing brands, whether that is the deals announced since May by Catena Media involving Lineups.com and the i15 Media assets or Better Collective's acquisition of The Action Network.

As the leading gaming affiliates, it is significant that both Better Collective and Catena Media now break out their US revenues; as covered in the company-by-company section, in the second quarter Catena reported that it made 41% of total revenues, or €12.4m, from the US in the three months, while Better Collective made just shy of €7m in the US over the same period.

This is before any substantial contribution from The Action Network where much more is expected in the months to come. In fact, Better Collective believes the US contribution will be $100m by the end of next year – and that is without any further acquisitions.

LISTING TIME

The sense of a sector developing before our eyes also comes from recent listings activity. As mentioned in the last Affiliate Monitor, Playmaker has listed on the Toronto stock exchange and this edition of the report includes the figures from the company's debut results statement.

This has been followed by the listing of Gambling.com Group in New York. Its debut results as a listed entity are contained within the report, and although the company is not new to the Monitor after previously having a listed bond, what is new is the analyst coverage that has come with it.

$100m

Expected US contribution to Better Collective's revenue by the end of 2022

> **"The acquisition is another sign of where the centre of gravity for gaming affiliates now resides – and that is firmly in the US"**

The initiation note from the analyst team at Jefferies, for instance, will make interesting reading for anyone involved in the US gaming affiliates sector. Using their internal estimates for US sports betting total addressable market (TAM) of around $38bn at maturity, and then suggesting that the spending on affiliate marketing will be up to 30% of the total marketing spend (itself at around 30% of the TAM), the analysts suggest the gaming affiliates are looking at a market worth between $2.4-$3bn a year.

That calculation certainly helps explain some of the sums of money being lavished on M&A in the sector and suggests there will be much more to come.

PART ONE

Sign of the times: Oddschecker changes hands

● Keeping the suits busy ● Check your odds
● The US pressures ● Catena doubles down

KEEPING THE SUITS BUSY

It has been a busy few months for the gaming affiliate sector, over and above the usual quarterly reporting. First, there have been a number of high-profile M&A deals, not all involving the listed players. And then, specifically with the listed sector, there have been two notable floats in the US, a signal as much as with the operators of where the interest in the sector now lies.

CHECK YOUR ODDS

Just ahead of the results season, news came through that Oddschecker Global Media (OGM), the affiliate business nestled within Flutter Entertainment, had found a new home. Bruin Capital's £135m acquisition (with £20m of deferred consideration depending on performance post-acquisition), is one of the biggest the sector has seen and offered some insight into the economics behind one of the leading affiliate brands in Europe.

Launched in 1999, the company services over 120 operators in key markets in the UK, Italy and Spain. But it is the US opportunity which is perhaps the biggest driver behind the deal.

Guy Harding, head of commercial strategy at Oddschecker, told Affiliate Monitor that the US network that Bruin and its founder George Pyne brings to the table was – alongside the company gaining full independence and adding capital to OGM – one of the key reasons for going with this deal.

"George Pyne is deep down a sportsman," Harding says. "He is from the first family with three generations of NFL players. With his network, he knows all of the commissioners, the teams, the franchises. He is also a big investor in The Athletic."

The key for Harding is how the company executes on its further ambitions in the US where Oddschecker US is starting to make headway. In recent weeks, Harding has posted on social media that the product is now quickly scaling up the Google rankings and beginning to establish itself as one of the leading sports betting affiliate brands there as well as in the UK.

This might be the first indication on what the ownership of Bruin will mean for the company. Ahead of this news, Harding said that Oddschecker had to "emulate the search authority" it has in the UK in key US states. With Bruin behind it, this aim "becomes easier to fulfil."

"The capital investment and the network will open doors," he adds. "Other people within the Bruin family of companies have already reached out. Bruin has a cachet in the US; they are innovative and sports-led."

But the challenge remains a tough one. "We were never naive enough to think we might simply replicate our UK success in the US," Harding suggests. "We are making hires, people who understand how to build audiences. It won't fall into our lap in the US."

THE US PRESSURES

Harding says that like its rivals Better Collective and Catena Media, Oddschecker is finding that CPAs are the "dominant commercial lever" in the US but he adds that current levels of customer acquisition spend are unsustainably high. "I don't think paying up to four figures for each player is sustainable," he adds. "The risk/reward for revenue share will become more attractive over time."

> **"I don't think paying up to four figures for each player [in the US] is sustainable. The risk/reward for revenue share will become more attractive over time"**
>
> GUY HARDING, ODDSCHECKER"

At that point, Harding believes the punter promiscuity it feeds off – those seeking better odds tend towards having multiple accounts – will see players migrate towards odds comparison, leaving Oddschecker clearly well-placed.

"Odds comparison is hard to do well," he says. "We have spent most of our money on the tech stack. We are more of a technology company than a marketing-based [one]. It is fair to say they have done better in the last three or five years. But, by rights, odds comparison should work better in the US."

Notably, he adds that pricing at present is "artificially aggressive,"

but that the importance of price to US punters shouldn't be dismissed.

CATENA DOUBLES DOWN

During the quarter Catena Media made further moves to cement its position in the US. First, it acquired Lineups.com for $39.6m payable in three instalments during the next two years as mentioned in the last Affiliate Monitor.

Lineups.com recorded sales of approximately $7.5m in the 12 months to the end of April, which Catena said was the equivalent to about 10% of its US revenues for the year to the end of the first quarter. Of that buyout, Catena Media CEO Michael Daly said that adding to the portfolio "gives us even more upside and will be a key player for upcoming markets", noting that the integration was already completed.

Further throwing its weight around, Catena then added the betting and gaming assets of the i15 Media business to its stable for a further outlay of $45m. The assets consist of more than 100 websites such as Michigansharp.com and NYSportsDay.com as well as nationally ranking sites like gamblingonline.com.

"In addition to i15's strong national and state brands generating revenues in current markets, the additional coverage for upcoming states will further cement Catena Media's leadership position in the US," Daly said. Notably, the founder of i15Media, Kendall Saville (previously the co-founder of the PlayNJ assets which helped establish Catena's footprint in the US back in 2017) will join Catena as an advisor.

The assets generated combined revenue of approximately $8m in the 12 months to 31 July 2021. Sixty-seven percent of this figure arose in the first quarter 2021, coinciding with the peak of the North American sports season and the opening of the states of Michigan and Virginia.

PART TWO

Listings in the USA

● Listing times ● Action on top

LISTING TIMES

The other big news for the affiliate sector in the last quarter came with Gambling.com Group's (GDC) listing in the US.

As noted later on page 26 of this report, the company is no stranger to public disclosure having previously had to publish its quarterly earnings to satisfy the demands of investors in its publicly listed bond.

As discussed in the analysis of the second quarter results issued in the wake of the float, the group has continued on its growth path helped by a burgeoning US position.

The float also attracted some analysts to the gaming sector. The team at Jefferies in New York, for instance, initiated its coverage of GDC with a buy, saying that the affiliate sector was a "clearly defined and supported sector".

The team at Truist, meanwhile, said that GDC was the first US-listed affiliate giving US investors a "chance to play the emerging online sports betting/igaming vertical with the fragmented but highly profitable affiliate model."

"We believe international, the bulk of revenues today, should see continued growth while GAMB benefits from the US' ultra-competitive nature in its nascent days."

Looking at its own TAM for US sports betting and igaming of $38bn at maturity, the Jefferies team suggested that with marketing likely to be worth circa 30% of that total – and affiliate marketing in turn being worth circa 20-30% of that – it meant the addressable market for US-facing affiliates was $2.3-4bn.

Truist agreed that the gaming and betting affiliate market could be worth up to $4bn a year.

No wonder, given these numbers, the rush to establish footholds in the US by the leading affiliates and also the evident enthusiasm for the Gambling.com Group listing. That kind of money can turn heads, after all.

At present, Jefferies noted, the US represents only about 14% of GDC revenue but they expect it to be the fastest-growing segment. Indeed, citing a proprietary player survey of 1,785 US punters, Jefferies noted that out of a list of six known sports betting website brands – Gambling.com and Bookies.com from GDC, alongside ActionNetwork.com, Lineups.com, PlayUSA.com and USBets.com – the GDC brands came out on top.

"The data suggests GDC's websites to be most popular which, in our view, will be a meaningful driver of future growth," the Jefferies team commented. "We also note that the results may have reflected the value of prime URL assets. Despite GDC having fewer websites than competitors, we view this as a key differentiator as digital wagering becomes more widely available across the country."

Concluding their look at GDC, Truist said the pace of legalisation and the ultimate size of the North American market are still to be decided. "M&A is key to the GDC story, though it's often difficult to time and GDC's post-IPO equity value could impact deal sizes, financing structures and accretion levels. Competition is brisk and barriers to entry are limited in the space, though we believe GAMB and established affiliates are well positioned."

Chart 1: LTM unique visits (millions) and LTM YoY growth

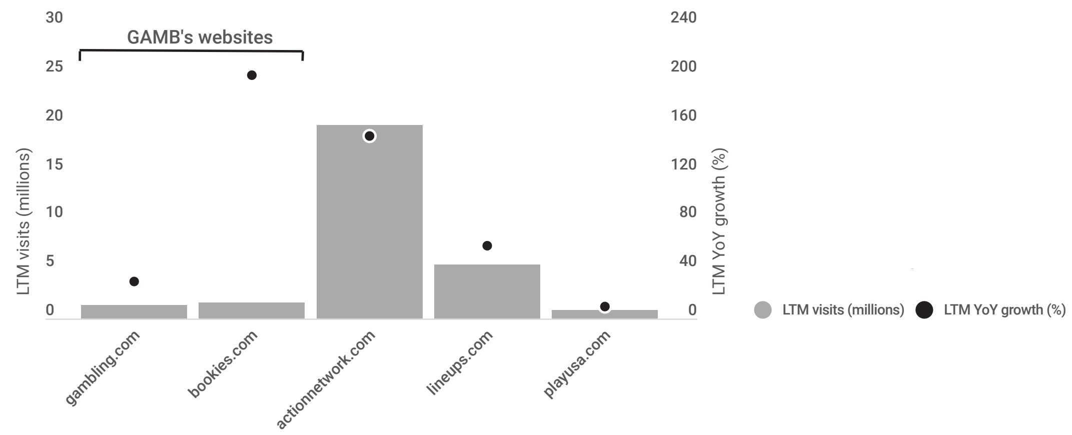
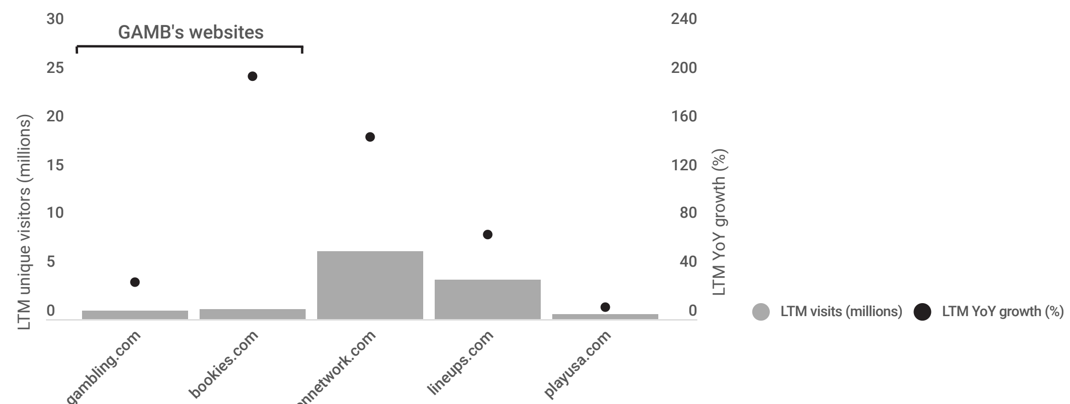


Chart 2: LTM unique visitors (millions) and LTM YoY growth



Sources: Jefferies, Similar Web

ACTION ON TOP

However, the picture painted by the unique visitors stats was less rosy for GDC – and much more positive for Better Collective and, to a slightly lesser extent, Catena Media.

As can be seen, of the selected sites, the Action Network is way ahead on site visits at nearly 20 million with growth over the last 12 months of about 150%. The Action Network was, of course, Better Collective's most recent high-profile acquisition and that data suggests it has done well in buying a site with high traffic volumes. The data on unique visitors is similarly positive, showing the Action Network at seven million and growth of around 150%. The next most visited site is Lineups.com.

No wonder Better Collective has been keen to talk about The Action Network's "number one asset in the US". See the next section for more comment from Better Collective.

PART THREE

Company-by-company review

● Better Collective ● Catena Media ● Gaming Innovation Group ● Raketech ● Acroud ● XLMedia ● Gambling.com Group ● Playmakers

BETTER COLLECTIVE SECOND QUARTER REVIEW

BOUNCING

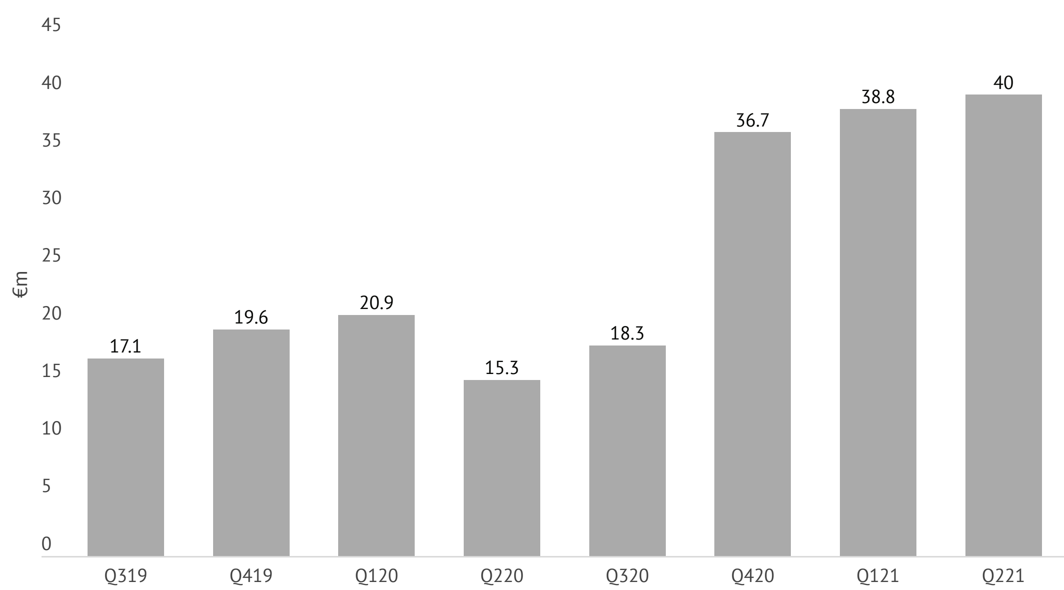
The bounce back from a Covid-hit prior-year period was pretty emphatic for Better Collective, the affiliate with the largest exposure to sports betting sign-ups. Revenue rebounded by 162% year-on-year to hit €40m while EBITDA rose 68% year-on-year to €12.7m.

However, the sequential rise was less impressive, up 3% from the first quarter.

Better Collective also suggested that current trading in July was softer with the business seeing 13% organic year-on-year growth, albeit that this is the low season in terms of sporting activity. It also noted that the comparison period had been busier with the resumption of various football leagues in July last year.

In terms of splits, the company said publishing contributed €26m of total

Chart 3: Better Collective revenue progression Q319-Q221 (€m)



Source: Company reports

"Media deals delivered more than 38,000 NDCs over the quarter for Better Collective out of a total of 179,000 or 21%"

revenues while the paid media division – largely the Atemi acquisition – was worth €13.95m. Revenue share made up 47% of total revenues while CPAs were worth 40% with subscription (5%) and other (8%) making up the rest.

ALL GUNS BLAZING

Signifying the growing importance of the US to both its own business and the wider sector, Better Collective broke out its revenues from the US for the first time in this quarterly report.

Revenues in the three months to June rose to €6.95m, up 429% year-on-year and now contributing 19% of the total. This includes the debut contribution from the Action Network which totalled €1.8m and a neutral EBITDA. On the earnings call, CEO Jesper Søgaard was keen to say there would be more to come from what in his view was "the number one asset in the US sports betting industry".

"US is a key market for Better Collective," he said. "Most of our business is based on the affiliate marketing model but we have been adding revenue streams, meaning it should be viewed as more of a media play in the US."

"Adding Action clearly strengthens our position and market leadership," said chief financial officer Flemming Pedersen, before pointing out that the business shouldn't be looked at as a "linear case".

"They are on a strong growth trajectory from here," he added. "It is an asset that is fundamentally growing."

"Action is a company that under previous ownership went through the development and build up and now this year we are turning to a profit," Pedersen suggested. "In the second half it is expected to turn to profit. We have high expectations that it will be one of the strongest assets in the US market."

In fact, in total Better Collective now predicts the US market will be worth over $100m in revenues by the end of next year. That will be a noteworthy acceleration.

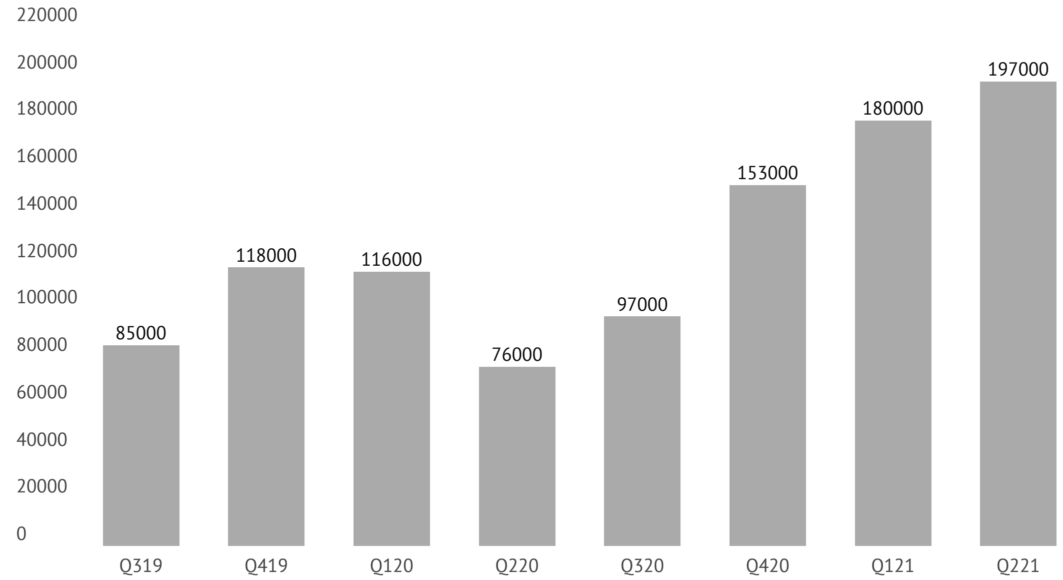
FRIENDS IN THE MEDIA

The stress on the media angle with Better Collective was hammered home by what the company said about the recent success it was enjoying with its media partnerships. Søgaard said such previously announced deals as the tie-ups with the Daily Telegraph in the UK and nj.com in New Jersey, as well as with three unnamed partners, had achieved a "breakthrough" in the second quarter having previously established the proof of concept.

The media deals delivered more than 38,000 NDCs over the quarter out of a total of 179,000 or 21%. Søgaard noted that the nj.com deal in particular was helping answer one of the bigger questions that have arisen in the US; namely, whether growth in affiliate traffic can be sustained once the initial rush of a market opening up can be sustained.

"Our experience is very positive in New Jersey," he said. "There is strong growth in that market – 40% growth year-on-year. It is similar in our business, it performs well, we have the partnership with nj.com, so there are no signs

Chart 4: Better Collective quarterly NDCs Q319-Q221



Source: Company reports

that we should view the early states as mature states."

BACK IN THE OLD WORLD

While the US is clearly the most exciting area for Better Collective, it is back in Europe where the company still makes the majority of its revenues. Yet, despite seeing a 22% year-on-year increase in revenues to €12.7m, Better Collective is suffering the same regulatory pressures that are making life difficult for its betting and gaming partners. In the UK the company said the regulatory pressures now being imposed had a particular impact on the company's paid media division.

"We have seen a few headwinds," said Søgaard. "We experienced a customer in the UK that due to regulatory effects had to reduce their spend with us. At the same time, we are also managing from the margin perspective to control short-term margin. That's the balance we are striking; so we removed the foot a bit from the gas pedal. But in July we think we are reaping from the momentum."

But it is Germany where Better Collective said the new regulatory rules were having the biggest impact on the company. As it stands, the new rules appear not to permit revenue share in any form and Søgaard said it was "important to understand there is a big change in the way we can monetise."

"On new players [we] are not able to work on revenue share so that has been shifted to CPA and we are still discussing how to build partnerships that are more tied to performance. But from a traffic perspective, the numbers are still strong with strong rankings. In terms of what we can offer partners, it is still great."

The company is also looking for growth elsewhere in Europe with the market opening in the Netherlands in October attracting comment. "There will be a land grab and we are doing our utmost to be ready with products and services and we view it as a big opportunity for Better Collective," Søgaard said.

No surprise, given these comments, that in late September Better Collective should have made a further buyout foray with the €5.9m acquisition of the websites Soccernews.nl, one of the most visited Dutch online sports media sites, and Voetbalwedden.net. The company said the two sites were a "strategic move that will establish Better Collective with a leading position in the Dutch online sports betting market."

CATENA MEDIA SECOND QUARTER REVIEW

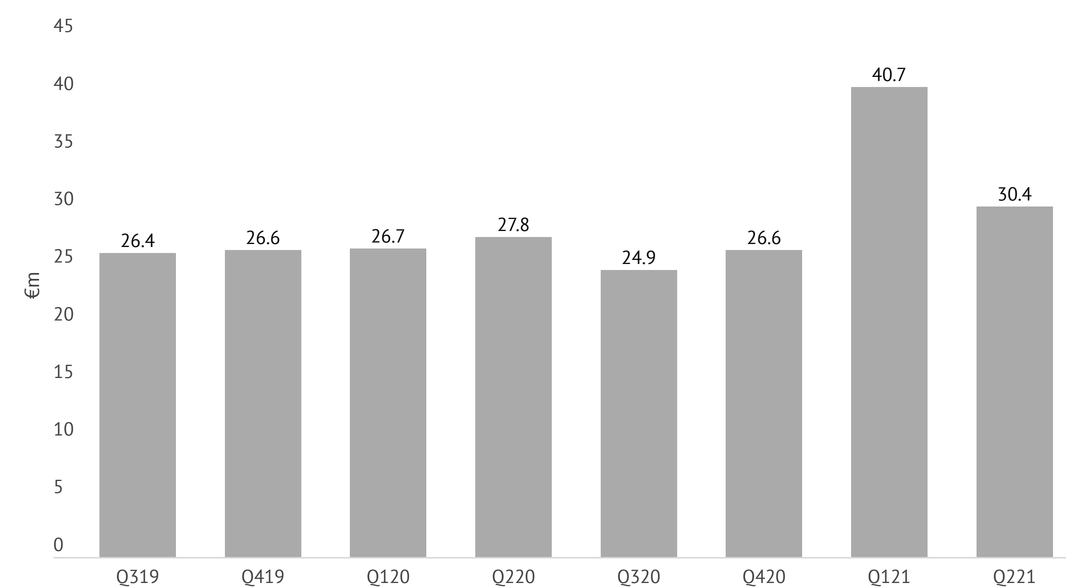
DEEP DIVE

Catena Media saw second quarter revenues rise 9% year-on-year to €30.4m. However, quarter-on-quarter revenues fell by more than 25% while EBITDA, which was up 14.6% year-on-year, tumbled by 36.1% sequentially to €14.9m.

While the company stressed that the tail-off in the second quarter was due to seasonality in sports, it is worth making the point that rival Better Collective (which is more heavily sports-biased in terms of revenues) still managed a 3% rise quarter-on-quarter.

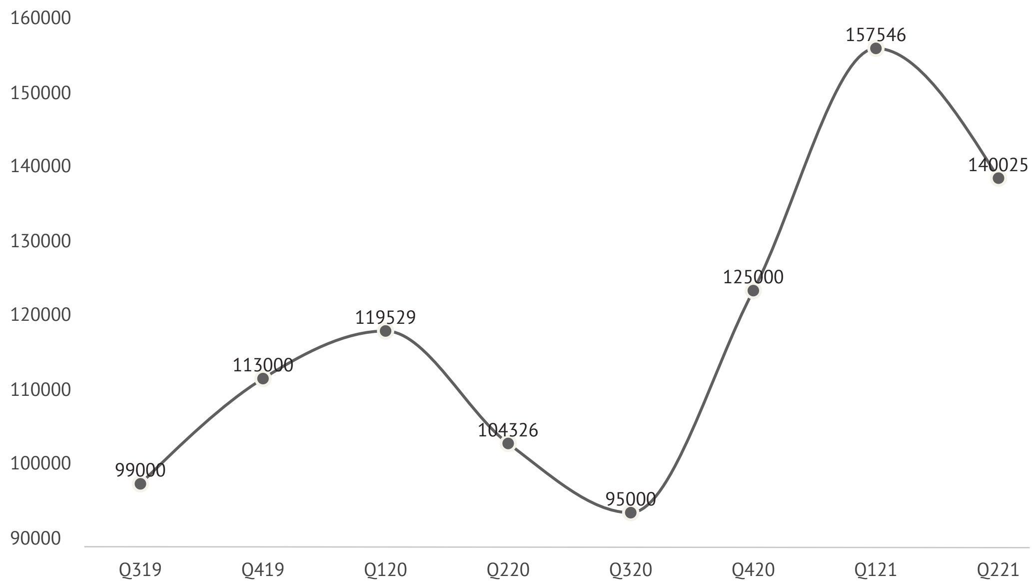
Like its main rival, Catena Media now breaks out its US revenues and these figures at least were more positive. Revenue in the North American segment rose 37% year-on-year to €12.4m, or 41% of total revenues, but sequentially, the picture looks less impressive. In the first quarter revenues from the US hit €22.3m, hence the sequential fall was nearly 45%.

Chart 5: Catena Media revenue progression Q319-Q221 (€m)



Source: Company reports

Chart 6: Catena Media NDCs Q319-Q221



Source: Company reports

"There is lots of opportunity as Covid becomes a more understandable factor. But we are not going for stable, we are going for growth"

MICHAEL DALY, CATENA MEDIA

CEO Michael Daly said the figures could be explained away by the seasonality which affects the US market in the second quarter (though again the comparison with Better Collective is perhaps not kind here). He pointed out that the comparable period last year was one of the strongest of the quarter, with sports off the agenda but casino benefiting from a "surge".

However, trading in the early part of the third quarter was only 2% ahead (or 9% without Germany, more of which below). "The end of the quarter will obviously be stronger than the start," Daly noted, pointing out that the end of the quarter was when US sports "pick back up".

Summing up the US opportunity, Daly pointed out that the North American market was an "unparalleled opportunity". He added, "It's becoming a larger proportion of our business. It is the largest and fastest-growing market for sports betting and igaming in the world."

Naturally, this growth will be aided by the company's recent acquisitions. As discussed earlier in this report, during the quarter Catena Media acquired Lineups.com and then post-quarter it also snapped up the gaming and betting sites of i15 Media. Of the first buyout, Daly said that adding to the portfolio "gives us even more upside and will be a key player for upcoming markets", noting that the integration was already completed.

SUNK

As with others in the sector, the biggest issue for Catena was back in Europe. The organic growth rate of 9% for total revenues would have been 17% without the drag of Germany where the implementation of the new regulations as of July has clearly played havoc with the affiliate sector's business model.

Daly seemed somewhat at a loss to explain what was happening in Germany where, as was stated by rival Better Collective, the sharing of revenues is now effectively banned, leaving the affiliate sector having to find a new model for transferring revenues.

"You are putting your finger up in the air at present to sense the direction of the wind," he told analysts on the earnings call. "Timings are unclear but the darkest days should be ending."

Peter Messner, chief financial officer at Catena, said that Germany was previously worth circa 15% of the company's historical revenues but that since the tail end of last year, when operators started complying with the so-called tolerance period in Germany ahead of the new regulations' introduction, revenues had declined by more than 50%.

Against this backdrop, it was perhaps a surprise that Daly struck an optimistic tone about the European markets generally. "I don't want to discount the opportunities elsewhere," he said, noting that the business in Europe has been through something of a "transformation programme".

"It starts with affiliation, getting the traffic flows right, the content SEO traffic which leads to conversions which leads to revenues," he said.

"We are investing in Europe," he added. "There is lots of opportunity as Covid becomes a more understandable factor. But we are not going for stable, we are going for growth."

Of particular interest, again as with its rivals, is the Netherlands. "I think it is a tailwind in the fourth quarter," he said. But he cautioned on timings.

"I would be slightly concerned it may be a slow start as the regulators and the operators get comfortable," he added. "It is going to be additive to our business. It will grow over time, but it might start a little fractured. But we are sure we have the team and the products and we have invested for that market. We're building up our base to be ready for the operators."

Even Germany was seen as a long-term opportunity, though Daly steered clear of specifics. "Germany will continue to be the talk and the focus for many months to come," he said. "There is opportunity there and we expect to exploit that opportunity in the months to come." He noted, though, that the company would need to be patient. "It won't be a 24-day turnaround."

FURTHER AFIELD

A market where Catena has also been making progress is Japan. The global brands – in particular AskGamblers – have been performing well and reached another revenue high in April, though the company added that the growth rate had stalled over the rest of the quarter.

Japan is where Catena particularly sees opportunities and the company witnessed double-digit growth in the country in the second quarter. Now the company is also looking at other opportunities in Asia with Catena's financial segment getting a rare mention on the call particularly with regards to Malaysia.

GAMING INNOVATION GROUP SECOND QUARTER REVIEW

AFTERTHOUGHT

The extent to which Gaming Innovation Group (GiG) treats the media side of the business as a cash cow that can help fund its efforts in other areas of supply, notably in sports betting, appears to become more obvious at the time of its results.

This may be because there is more to speak about in the sports betting supply space, including news deals and partnerships, and certainly ever since the sale of the B2C operations to Betsson, this sense of the media arm's utility seems all the more evident.

So, while the company spoke in the results about the media services unit having delivered "superbly" in the quarter, one of the questions asked in the Q&A segment of the earnings call was about whether the company would look at divesting itself of this asset. Indeed, chief executive Richard Brown suggested there was a "connection" between the media services and the platform business that provided a "strong strategic rationale".

But the question is likely to be asked again considering the discrepancy in revenue contribution. In the second quarter, platform services contributed €5.1m of revenue while the media services brought in more than double that at €11m. In EBITDA terms, meanwhile, platform services at least managed to maintain its operating profitability at €0.2m while media services, as befits the margin-rich affiliate sector, was worth €5.3m in EBITDA.

BITS AND PIECES

On the call, the commentary around the media services business was similarly subdued. Asked about the strategy going forward for new markets, what sites would be utilised and how growth was being pursued, Brown said GiG's approach was "very specific".

"PPC is an easy win in some new markets," he added. "We will continue with that focus. That all depends on the market we are looking at – some we launch with new sites and others we focus our global brands [on]."

The information conveyed in the results was slightly more illuminating about how the division had performed. FTDs hit an all-time high for the second quarter in a row at 46,800, a 37% year-on-year increase and 7% up on the prior quarter.

The growth in FTDs came from paid media, which saw an increase (up from 16,100 to 22,600), as opposed to publishing, which saw a reverse (down from 27,700 to 24,200). However, the lower margins associated with paid media were on display with paid contributing €3.2m of total revenues versus the €7.8m from publishing. Elsewhere in the report, the company noted that marketing expenses from paid media – that is buying pay-per-clicks – was worth €1.5m in the second quarter compared to €1m in the prior year period.

Unlike its rivals, GiG didn't break out its US revenues even though the company now has a website presence in 11 states. It did note, however, that its publishing business "developed and optimised its sports betting projects", achieving an all-time high in both revenues and FTDs in June with its sports betting assets.

Chart 7: GiG revenue progression Q319-Q221 (€m)

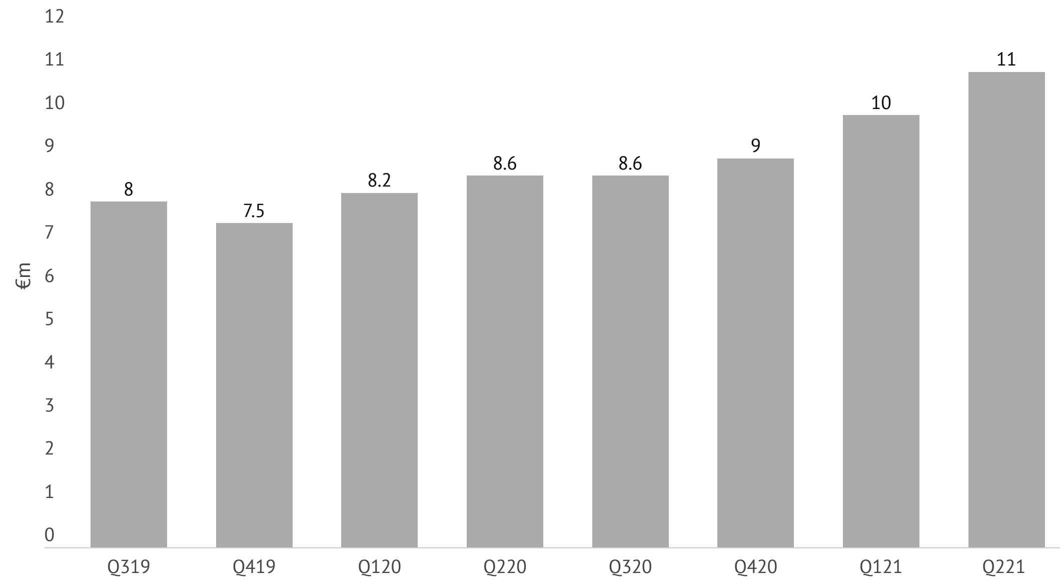
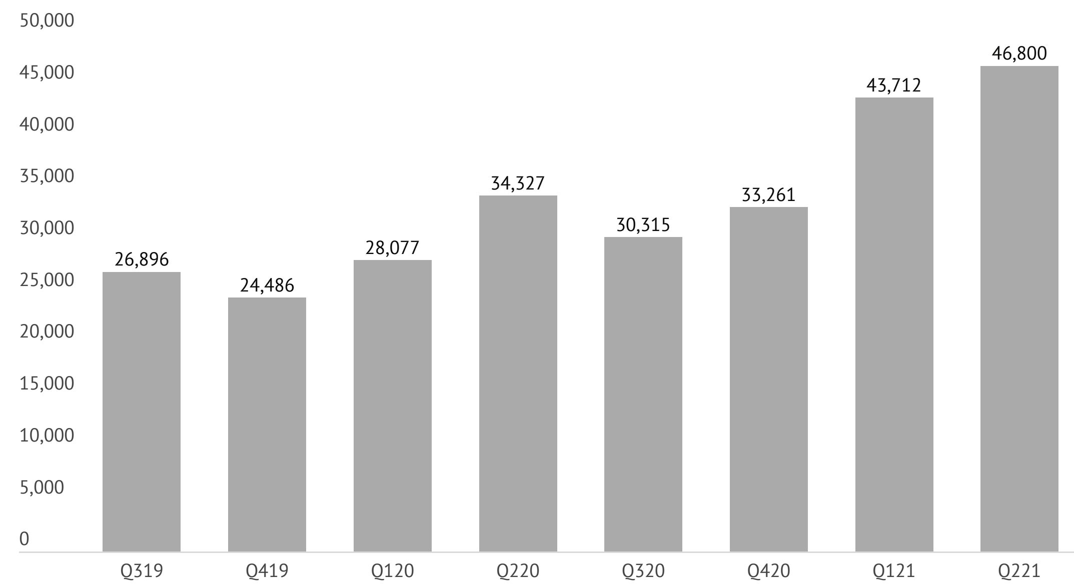
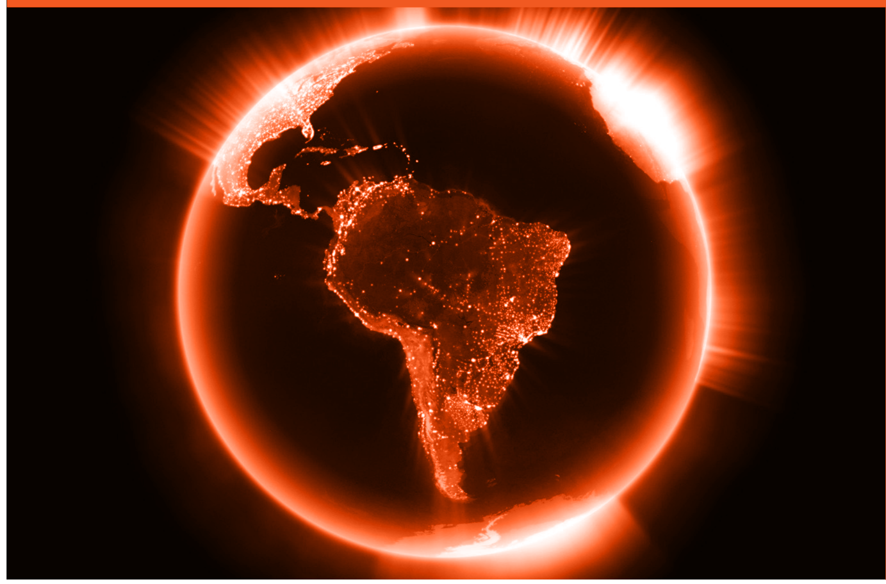


Chart 8: GiG quarterly FTDs Q319-Q221



Source: Company reports

RAKETECH SECOND QUARTER REVIEW



"The integration of Infinileads will give Raketech a bigger footprint in LatAm, though at present its revenues are mainly Portuguese, Spanish and Italian"

THE WIDER WORLD

Raketech appears to be a business that is enjoying itself currently. Revenues for the second quarter once again came in at an all-time high of €8.8m, up 25% on the prior year period and also 6% up sequentially. EBITDA, meanwhile, rose 21.4% year-on-year and was also up 6.2% sequentially.

The only slight concern would be that NDCs of 34,839 were down both year-on-year and sequentially by 12.6%. Chief executive Oskar Mühlbach said on the earnings call that NDCs were "becoming less indicative as a metric," without truly explaining how or why.

"We managed to beat the all-time high from the fourth quarter 2020," he added. "On a general level our operation performance was stable and organic growth slightly above overall growth."

Notable was the geographic statistics which showed that Raketech's non-Nordic revenues also hit an all-time high as the company continued its diversification away from its core Nordic revenues. In fact, following the acquisitions of Infinileads and QM Media, Raketech saw non-Nordic revenues rise to 39% of total revenues.

The integration of Infinileads will give Raketech a bigger footprint in Latin America, though at present its revenues are mainly Portuguese, Spanish and Italian while the deal for P&P Vegas Group and QM Media added US and Indian exposure. Japan also remains a solid performer for the company.

"We strongly believe in the Nordics, but it's important to have a wide geographic spread of revenues," added Mühlbach.

One area of success has been in the rollout of free-to-play games which the company launched just before the Euros in the summer. The games offered prizes worth €100,000 and included various daily tipping competitions. "We are still experimenting and testing user appetite and (our) ability to monetise," Mühlbach said. "The results were encouraging."

MORE M&A

More acquisitions are on the agenda given Raketech has recently agreed a new revolving credit facility with Avida Finans worth up to €15m. As per the earnings presentation, Raketech put the case for why acquisitions are good for the company.

The deals recently announced mean margins have increased by 4%, the share of revenue now accrued from sports betting has risen by 25% and the levels of US

Chart 9: Raketech revenue progression Q319-Q221 (€m)

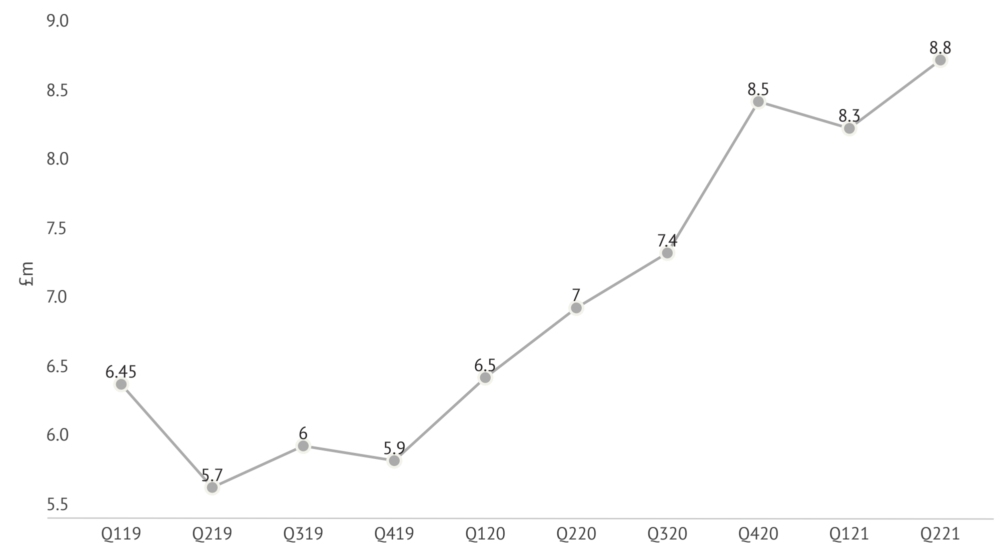
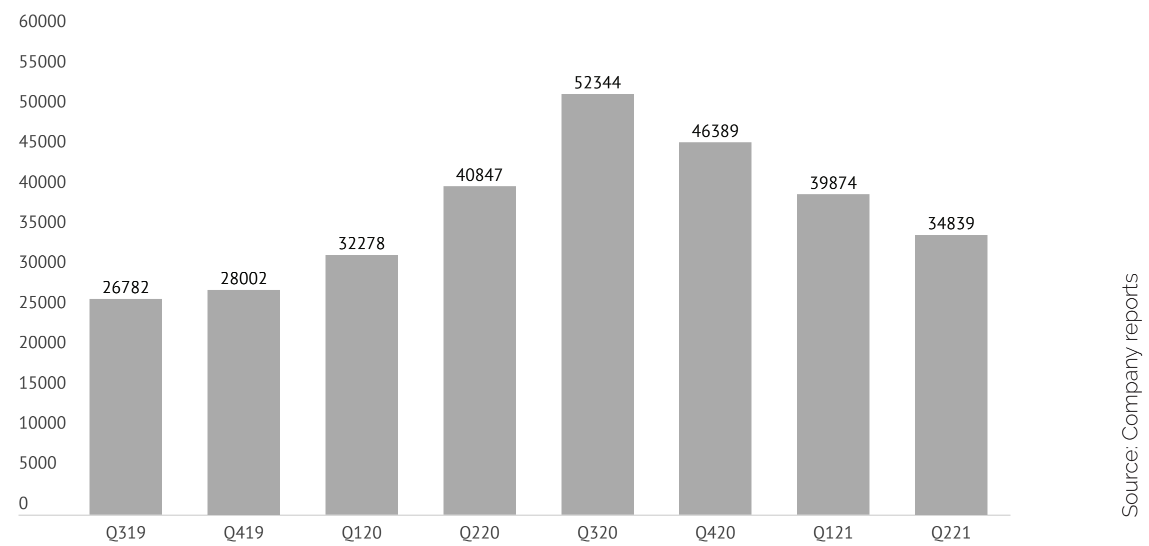


Chart 10: Raketech quarterly NDCs



revenue are also on the rise and are now between 8-12% of the total.

The report noted that the US revenues would be "more volatile" due partly to their seasonality and also to the prevalence of CPA deals over revenue share. As is apparent from the other results statements from competitors, this is a lesson being learnt across the sector.

Between them the new acquisitions will add circa €6m of revenue this year. Both are already adding free cash flow "from day one."

In particular, the QM Media deal brought with it the Picks&Parlays subscription tipster site and Mühlbach said the company was looking to add "affiliate revenue eyes" to that business. "There is huge upside, but it is hard to quantify right now," he added.

With the company's existing CasinoFeber offering, which previously had been the subject of unwelcome attention from recent Google algorithm changes, Mühlbach said the business was now "back to where we were before the Google updates," which is likely a good outcome.

ACROUD SECOND QUARTER REVIEW

ASSEMBLY LINE

Having pieced together a whole new business line for the company with its SaaS and BaaS solutions (what used to be called an affiliate network offering), Acroud was undoubtedly pleased with its 74% top-line growth to €6.2m (up 10.7% quarter-on-quarter), albeit with EBITDA of €1.16m being down 22.7% year-on-year and also off by 19.4% sequentially. NDCs were also up by nearly 200% to 29,448 although this was also down sequentially by 7.4%.

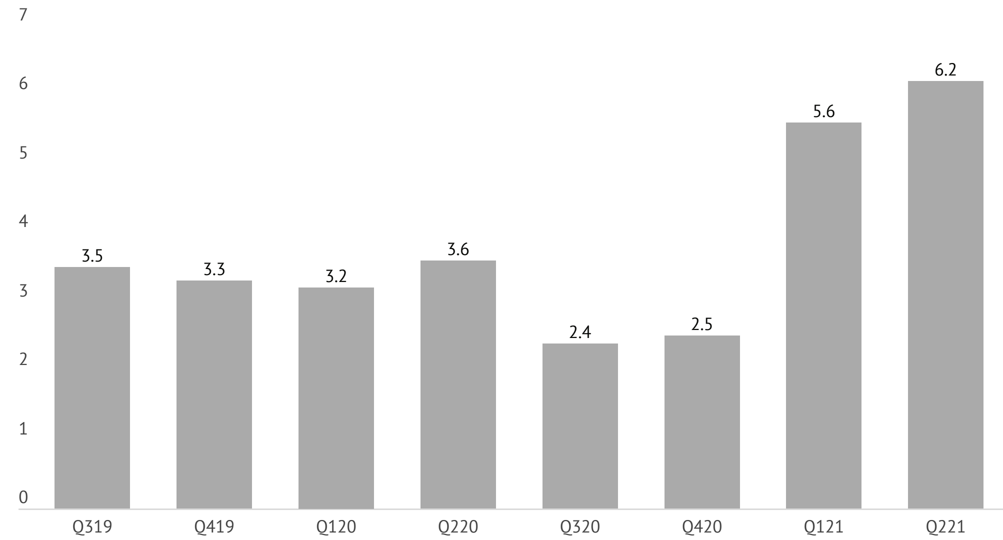
Acroud attributed the weaker sequential performance as being down to seasonal weakness.

The latest addition to the SaaS/BaaS offering is the Gambling Cabin, purchased in April for SEK47m, which produces both software and content for affiliates. This includes live-streaming capabilities for both football and poker as well as podcasts and sports betting tips.

The BaaS offering or affiliate network comes from Acroud's previous Matching Visions acquisition. Explaining the model, CEO Robert Andersson said smaller affiliates can sign up and "get access to hundreds of online gaming brands. [...] We can then send them as bulk and it gives Matching Visions the chance to charge more commissions by offering bulk sign-ups."

> **"[The Netherlands] will grow 20% annually. This will be good for us"**
>
> ROBERT ANDERSSON, ACROUD

Chart 11: Acroud revenue progression Q319-Q221 (€m)



Source: Company reports

Andersson said the SaaS and BaaS offerings offered "risk diversification" for Acroud.

GOING DUTCH

As for its traditional affiliate arm, the report spoke about the moves the company has made in sports betting with the recent launch of Betfootball.com, which is mainly focused on the UK and Europe and which the company said complements its US-facing SportsBettingGuide.com.

Another upcoming innovation is the Festival series, which Andersson said would be equivalent to the "Olympic games of gambling." The first of the series took place in September in Slovakia.

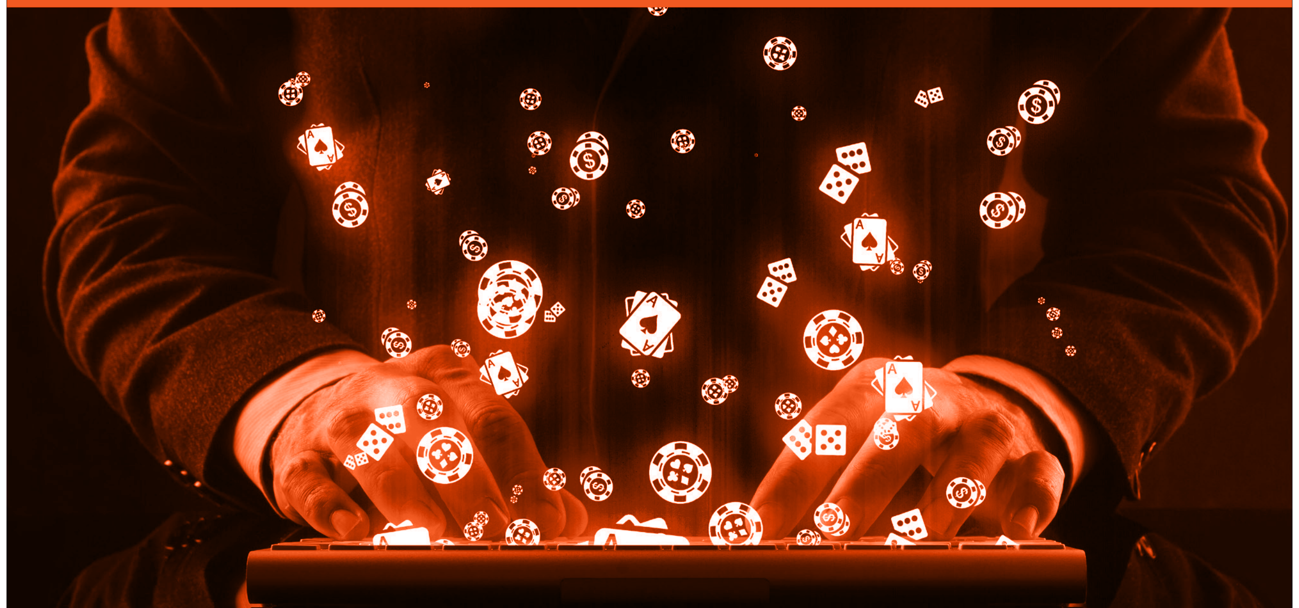
Andersson was particularly bullish on the prospects of Acroud benefiting from the upcoming opening of the Netherlands market. "We had a really strong presence in the Dutch market historically," he said. But there has been a grace period where we were not doing any business. It has been one of our largest markets in the past and we are really looking forward to the opening."

Pointing out that Acroud's sites had effectively been shuttered while the company – and the operators – awaited the official start line in October, Andersson said for Acroud, the opening up of the regulated market would be like "opening up a bit of a tap".

"We are excited," he explained. "It will grow 20% annually. This will be good for us."

More generally, Andersson said the company was looking forward to the second half of this year and next year. "Now our time is coming and we will be able to show the results of this journey we have been on," he told investors.

XLMEDIA FIRST HALF REVIEW



SATURDAY BOYS

XLMedia's first half results showed the company perhaps mid-pivot as it attempts to wean itself off the revenues from casino-facing sites which have been hit hardest by the Google algorithm changes and towards more defined sports betting opportunities.

Group revenue was up 16% year-on-year to $32.2m while adjusted EBITDA rose 29% year-on-year to $6.6m and the company was able to maintain guidance of between $65-$70m for the full year. The business mix showed sports at 37% of total revenues, up from 22%, casino at 42% (down from 61%) and finance at 21% (up from 17%).

Moreover, XLMedia has been busy over the course of the first half in M&A terms. In March, the company bought the Sports Betting Dime assets for $26m, including $11m upfront, while in August it laid out $24m for Saturday Football Inc., the publisher of a number of Southeastern Conference-focused College football sites.

Meanwhile, in an attempt perhaps to better re-engineer its existing assets, the company also bought out BlueClaw, an SEO specialist, in a move that looks designed to help rectify XLMedia's long standing Google issues. The company said the Leeds, UK-based firm would bring with it its experience in "digital best practice".

The company needs the help; in casino, revenues fell back by an unspecified amount to $12.5m. XLMedia said it was now focusing on driving revenues from a smaller number of profitable sites, hoping these will be more sustainable revenues. It is also working on plans to evolve its sites into multi-territory offerings rather than the previous strategy of single country-focused sites. "We continue to believe in the high quality of our premium casino assets relative to peers," the statement added.

> **"XLMedia's business mix showed sports at 37% of total revenues, up from 22%, casino at 42% (down from 61%) and finance at 21% (up from 17%)"**

GAMBLING.COM GROUP SECOND QUARTER REVIEW

"We aren't trying to do as many deals as some of our peers. We will do fewer. But our outlook on M&A is positive. That was one of the purposes of the IPO"

CHARLES GILLESPIE, GAMBLING.COM GROUP

NOW WHERE WERE WE?

After a short break while Gambling.com Group finalised the details of its float, the company is back to reporting quarterly figures as of the second quarter. As discussed on page 10 of this report, the float brings yet another firm to the lengthening number of listed gaming affiliate entities.

But not everything about Gambling.com Group is new. Again, as noted earlier, under the terms of a previous listed bond, the company regularly released quarterly earnings figures. Until, that is, the third quarter last year when the bond was paid off and the company set its sights on a listing.

At the time of the last public disclosure, the group produced quarterly revenues for the third quarter of 2020 of €6.33m and an EBITDA of €3.31m while NDCs hit just over 28,000.

Now that the company has reappeared, those top-line figures have substantially improved. Revenues for the second quarter hit $10.4m, up 66% on the same period last year while adjusted EBITDA came in at $5.5m, 46% up on the same period last year.

In the presentation, the company noted that first half revenues stood at $22m compared to full-year revenues in 2020 of $28m, which itself was a substantial rise on the $19m made in 2019. It is expecting full-year revenues to be some 40% ahead in 2021

MONUMENTAL

On the call with analysts, after hailing the listing as a "monumental event", CEO Charles Gillespie said that all the growth was organic. Indeed, over the period, and ahead of various state level launches and the start of the NFL season, Gambling.com Group launched a number of new sites including EmpireStakes com, BetArizona.com and IllinoisBet.com.

Still, an immediate issue raised on the debut earnings call was whether the company would be involved in any prospective M&A.

"As we were coming into the close of the IPO we focused on that and put the M&A conversations on ice," Gillespie said. "Then once that was done it was time to dust off the contact list.

"We have a variety of conversations in progress and we have many options in the pipeline at different stages," he added. "We aren't trying to do as many deals as some of our peers. We will do fewer. But our outlook on M&A is positive. That was one of the purposes of the transaction and it has been great to have come back to some in-depth conversations now that the IPO has been completed."

Looking at the corporate activity in the wider betting and gaming space in the US, Gillespie suggested the price agreed for some of the deals – notably DraftKings' buyout of Golden Nugget and the $2bn laid out by Penn National for Score Media and Gaming – "turned a few heads".

"We're not looking at anything of that size," he said. "But there hasn't been any meaningful change in price in the last three weeks."

Taking the other tack and looking at what further operator consolidation might mean for suppliers such as the affiliate sector, Gillespie pointed out that M&A had been a constant factor in the gaming sector.

"It is hardly a new phenomenon," he added. "We have worked with many of the brands that were added to the bigger companies and we continue to work with them now. But even as these big consumer brands get aggregated, it doesn't really change a whole lot for us. In many cases we will be talking to different teams who frankly are competing to put up the best figures."

PLAYMAKERS SECOND QUARTER REVIEW

"Over 360,000 subscribers [to the Morning Bark] have curated their personal sports page, based on their preferences, and we deliver it to their inbox every morning. Imagine how valuable that will be to sports betting companies"

JORDAN GNAT, PLAYMAKERS

BARKING UP THE RIGHT TREE?

Playmaker's debut results as a listed entity showed revenue coming in at $3m (pro forma $4.2m) while first half revenues hit $7.6m pro forma versus $3m in the same period last year. Pro forma adjusted EBITDA came in at $1.6m in the second quarter and $2.8m pro forma for the first half.

As noted earlier in this report, Playmaker has made a splash early in its listed life with a selection of acquisitions. The backbone of the company on float was the Futbol Sites business it bought in April and it followed that up with the Yardbarker acquisition in July for $4m which included within it the Morning Bark newsletter.

On the earnings call, CEO Jordan Gnat said the Morning Bark was the "jewel". "Over 360,000 subscribers have curated their personal sports page, based on their preferences, and we deliver it to their inbox every morning," he continued. "Imagine how valuable that will be to sports betting companies?"

KEEPING SCORE

Asked about any read-across from Penn National's deal to buy Score Media and Gaming, Gnat said he saw it as validation of their strategy of placing themselves in among the ecosystem of sports fans.

"If there is anything that validates the value of fans, it is Penn's deal for theScore," he said. "When we look at our opportunities, we have looked at theScore for quite a while. We believe fans are at the core of what we are building for our industry and our core business model is to build out an immersive fan ecosystem. TheScore has done a fantastic job of that and we're just getting started at doing something very similar.

Noting Futbol Sites' presence in LatAm markets, Gnat said they were "theScore in those particular markets."

"That's who we are and that's where our opportunities lie," he added.

MORE DEALS ON THE HORIZON

Asked about further deals, Gnat said that generally the company would look for a "good balance between cash, equity and earnout". "When you look at our acquisitions, if everyone hits their earnout targets, we are still paying less than five times revenues and nine times EBITDA," he explained. "We feel very good at those levels in the US. If something larger in scale [appears] – if a whale brushes up against our boat – we will put a line in. We will be very opportunistic."

iGB
Fulham Green, Bedford House
69 - 79 Fulham High Street
London, SW6 3JW
Tel: +44 (0) 207 384 7700

igamingbusiness.com