

Playside Studios Limited

Original IP title launches key for FY23

Playside Studios Limited (ASX:PLY) is a video game developer across self-published titles (original IP) and work-for-hire collaborations with the likes of Disney, Pixar, Warner Bros, Meta, 2k games and Shiba Inu. The company has a portfolio of ~50 titles delivered across predominantly mobile, with an increasing focus on PC and Console and the establishment of PlaySide Publishing as a marketing avenue for independent developers. The company listed in December 2020, raising \$15m via the issue of 75m shares at \$0.20/share. PLY raised a further \$28.0m in November 2021 at \$0.75/share to further fund the working capital requirements of new partnerships. Employee numbers have increased from 90 in January 2022 to 200 including a Metaverse R&D team based as new partnerships are consolidated, and new titles readied for global launch. New original IP titles include Legally Blonde which launched in August 2022 and The Godfather, scheduled for launch in Q1 FY23, while soft launches of World Boss, Idle Recycling and new Dumb Ways To Die and Warfare titles are planned throughout FY23. PLY delivered FY22 revenue growth of 170% and an adjusted EBITDA of \$5.9m, a significant reversal from the \$5.4m loss in FY21. The new collaborations together with the sale of NFT's from its Beans characters from Dumb Ways To Die were key to the revenue growth earnings turnaround.

Business model

PLY has two distinct divisions: original IP (~65% of revenues) and work-for-hire (WFH). For original IP games PLY derives revenues from in-app advertisements, in-app purchases and subscriptions. The work-for-hire space typically involves fixed contract pricing for development and some form of profit share/maintenance fees post-release, which varies by title. As capabilities (and people) grow PLY is increasingly focusing on larger licences/contracts which open up more cross-platform opportunities. Growth is targeted from releasing new own-IP games, cementing new partnerships, and developing Web 3.0.

Sales of NFTs drive FY22 turnaround

Of the \$18m revenue uplift in FY22, \$9.0m was attributed to the sale of non-fungible tokens (NFTs) relating to the Beans characters from the Dumb Ways To Die franchise. This is high-margin revenue and as a result the key driver of the \$11.3m EBITDA turnaround from FY21 to FY22. Revenue growth ex-the NFT's was 87%, with original-IP revenues now 65% of total and WFH 35%. New title launches promise high-margin revenue uplift but forecasting the quantum together with any further NFT success is difficult.

Peers have a mix of software and services revenues

ASX-listed peers are service businesses, ideally in IT but could include other sectors, rather than SaaS-based software companies given the charging out of people/hours to achieve revenues against software subscription. There are not many in the IT space but Dicker Data (ASX:DDR) comes to mind while service companies such as Service Stream (ASX:SSM) and GR Engineering (ASX:GNG) should be considered. Competitors are diverse in a highly competitive space, but at the large end include Zynga (NASDAQ:ZNGA), Glu Mobile (NASDAQ:GLUU), Gameloft (a subsidiary of Vivendi) and Lion Studios.

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT adj.	EPS (c)	EV/Revenue (x)	EV/EBITDA (x)	PER (x)	Net Cash
06/20a	8.0	1.0	0.20	0.00	23.2	185.6	nm	1.00
06/21a	10.8	(5.4)	(5.80)	(0.02)	20.5	nm	nm	11.00
06/22a	29.2	5.9	4.85	0.01	8.9	44.2	53.8	37.90

Source: Company data *EBITDA, NPAT and EPS adj for one-time, non-cash items

Software & Services

9th September 2022

Share Details

ASX code	PLY
Share price (8-Sept)	\$0.69
Market capitalisation	\$279.4M
Shares on issue	404.9M
Net cash at 30-Jun-2022	\$37.9M
Free float	34.1%

Share Performance (12 months)



Upside Case

- Successful launches of new original IP titles
- Longevity of existing titles
- Accretive acquisition

Downside Case

- Fixed-price contract(s) fail to cover costs
- Failure of new original titles
- Increased competition

Catalysts

- New original-IP games launches
- Industry consolidation

Comparable Companies (Aust/NZ)

Dicker Data (ASX:DDR), GR Engineering (ASX:GNG)

Board and Management

Gerry Sakkas	CEO & MD
Darren Briggs	CFO
Cristiano Nicolli	Non-Executive Chair
Gerrit Ten Cate	Ind. Non-Executive Director
Mark Gouloupoulos	Ind. Non-Executive Director
Aaron Pasias	Ind. Non-Executive Director

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FINANCIAL SERVICES GUIDE

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