Twitter Thread by HRouge

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Now a £35M cap, a fortnight on

It's one of those small UK if-it-were-listed-in-the-US companies. Bidstack #BIDS and it puts advertising into major online games

It's rocketing - and there are some grounds to think that in quite short order it may be about to turn into a firework

> Not Boku and not for widows & orphans but looking around here, it has the kind of following where rival factions of the warmer kind of bulletin board gang members gun each other down on twitter with rocket emojis but if the Swedes or Americans discover it, can it stay a \xa322M cap? https://t.co/Fa2r6JgTTq
>
> — HRouge (@hareng_rouge) December 17, 2020

"May" and also:

- history of over promising and disappointing
- very much a AIM small cap
- burns cash
- will place and dilute
- has share price on homepage
- Glassdoor is not great
- emoji issues when discussed

But it may now be delivering for real. If so it may also be extremely cheap. How cheap?

20H1 was 2x sequentially and 10x YoY

It may be about to report H1-H2 sequential growth of 5x.

If so, FY20: 10x YoY.

Fwd 21 rev multiple? Perhaps half that number, perhaps even less.

	6 months ended 30 Jun 2020	6 months ended 30 Jun 2019	year ended 31 Dec 2019
	£	£	£
	Look at this		
Revenue	**274,079**	26,692	140,391
Cost of sales	**(197,337)**	(20,286)	(106,697)
Gross profit	**76,742**	6,406	33,694
	Do not look at this		
Administrative expenses	**(3,244,889)**	(1,805,059)	(5,353,375)
Operating loss before acquisition related costs	**(3,168,147)**	(1,798,653)	(5,319,681)

I need to explain in some detail what they do because it's necessary to understand it to gauge not only the opportunity but also the risk - and also to be able to translate aspects of what the company put out in their releases. The juicy stuff comes after.

As simply as I can: Bidstack provide a SDK (software developer kit) to games companies: so far Sega and Codemasters

The SDK allows companies to create areas in their games where adverts can be placed by Bidstack.

The ads appear within the fabric of the game, natively

This means that for example, they're on the pitchside hoardings inside a football game. This increases realism and more importantly it avoids some issues around overt advertising to children and cannot be blocked / skipped as interstitial ads can - think ad breaks in Youtube.

The SDK works with Unity and Unreal. These are the tools some companies use to make their games; they are the cutting edge. Unity has recently listed on NASDAQ - type in $U and from sea to shining sea you'll find widespread foaming at the mouth.

Bidstack then either provides this space in the games on their own ad platform which links to ad exchanges (Tradedesk $TTD and the like) - this is still early stage for 2 reasons: it's technically hard in part because the "spaces" in games are dynamic and non-standard

Secondly, I see issues around a supermarket say, being seen to place advertising behind where a player may be decapitating someone in order to drink their spinal fluid.

To date the games are a couple in car racing, one in football and a battle royale. Will come back to this.

However, what else they do is deal directly with brands: handhold them through the process, clean up the ads so they look right in-game and then place where the corporate image will not suffer.

They get them to a very hard to reach demographic.. who then re-consume ads endlessly

Brand: MG, MG3
Platform: The Audience Store
Media Owner: Bidstack
Target Audience: 18-35 males

Brand: Clear, Rexona
Platform: The Trade Desk™
Media Owner: Bidstack
Target Audience Young males interested in football

Brand: Straight Outta Crawley - Romesh Ranganathan
Platform: Bidstack
Media Owner: Bidstack
Target Audience 20-29 Males

Agency: Cadreon Turkey
Advertiser: Subway
Brand: Subway
Platform: Platform161
Media Owner: Bidstack
Target Audience: 18-35 Males

This is new to brands and advertisers and so far these have been limited test campaigns.

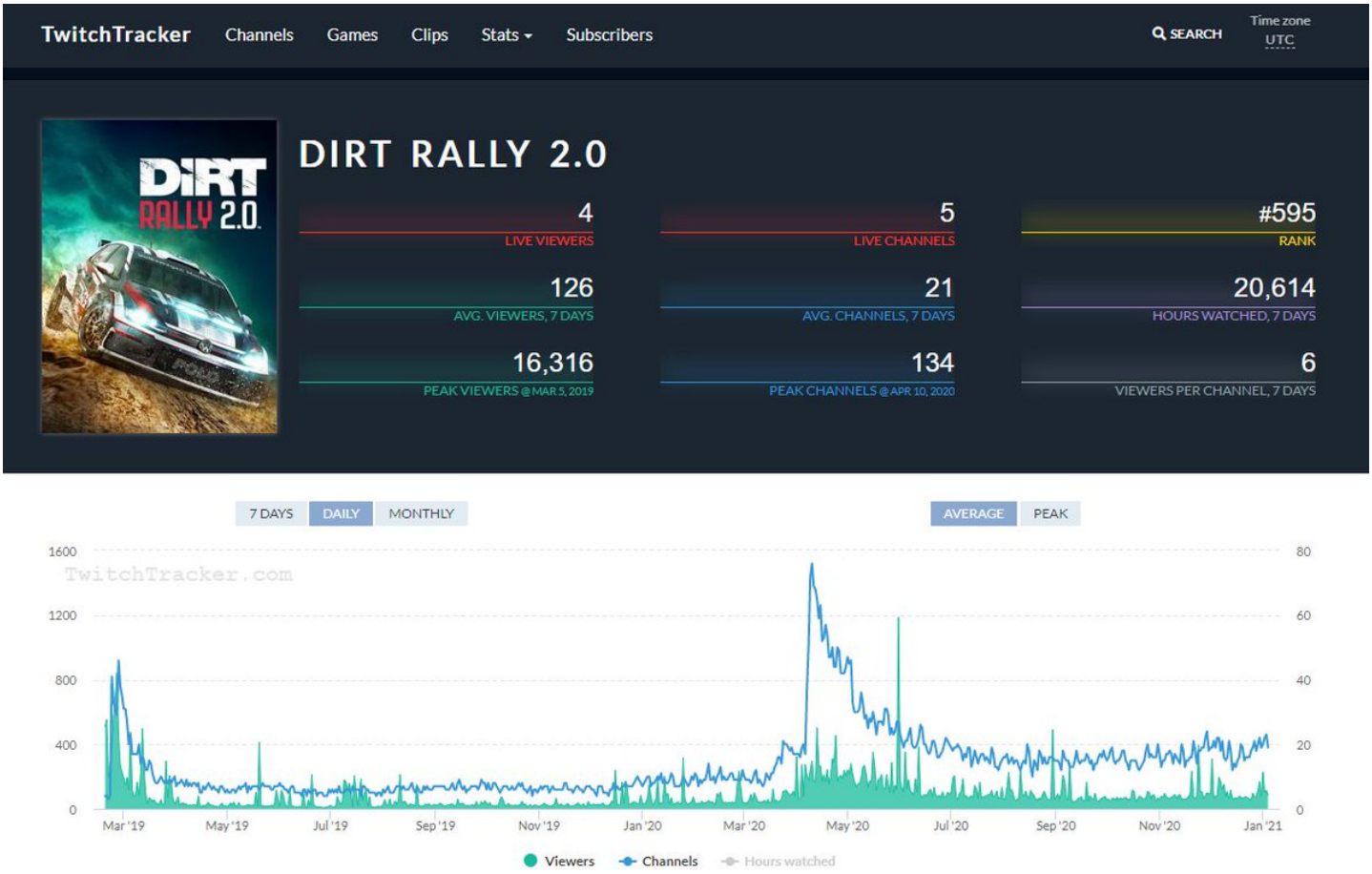
And this is what they have achieved from those tests: H1 10x YoY and 2x sequentially

	6 months ended 30 Jun 2020 £	6 months ended 30 Jun 2019 £	year ended 31 Dec 2019 £
Revenue	**274,079**	26,692	140,391

When I first noticed this it was this update which prompted my initial tweet but the real headline isn't the one that originally caught my eye - that first underlining

It's the second. Having seen the numbers from tests alone, hopefully you can now understand why.

There are 2 main games. Dirt 2.0 from Codemasters - broadly well received (via are viewer numbers from Twitch) and Sega Football Manager. A third w/codemasters Dirt 5 is new and has issues about launching without support for steering wheels (■■)



At the August half year report the company said this, which I read as "we're trying to get more beyond Sega and Codemasters"

Our supply-side strategy continues to be focussed on working with a number of the world's largest video games developers and publishers to incorporate our software into their games. These ongoing commercial and technical discussions with some of the major players in the video games industry, who have and continue to publish highly successful "household name" titles, are extensive and complex and require significant amounts of due diligence. The Board believes this strategy will establish Bidstack as one of the leaders in this part of the advertising industry.

In the December update they appear to be saying that this has worked, they now have more gamecos

Bidstack's supply-side strategy continues to focus on working with a number of the world's largest video games developers and publishers to incorporate the Company's technology into their games. While this strategy has proved complex, Bidstack is now placing advertising and successfully generating revenues in core markets with some of the world's largest video games publishing groups.

It's actually Ubisoft for their Hyper Scape BR game, easily missed and buried amongst the price monitoring blizzard that's par for the course here. It was a free-to-play (FTP), comatose now and there may be a second season soon. The FTP part is important.

Bidstack Group Plc

15 September 2020 ("Bidstack" or "the Company")

Exclusive agreement with Ubisoft to deliver in-game advertising for Hyper Scape

Landmark AAA game to incorporate native in-game advertising

Bidstack Group Plc (AIM: BIDS.L), the native in-game advertising platform, is pleased to announce that it has signed an exclusive partnership agreement with Ubisoft, a leading video game company, to deliver native in-game advertising for Hyper Scape, its futuristic, free-to-play, urban battle royale game that was officially launched on 11 August 2020.

Also September: cricket game app for phones. It's a new area being non-console / PC and again this is free to play (don't worry, I'm not going to review them)

https://t.co/RKG0ZRo7SP

FTP is interesting because it feeds into the economics of understanding why gamecos like this - of course it's just more money but allowing advertising also enables not only successful apps to be monetised but new genres of FTP games - think Fortnite

There are issues around how FTPs make money: loot boxes. Ads can allow a new revenue source. This is FIFA, not even a FTP, taking heat from Belgium - this kind of move is becoming increasingly discussed and widespread.

thedrum.com/news/2020/03/16/fifa-product-placement-and-the-future-ads-video-games

With mobile gaming accounting for 51% of all gaming revenue in 2018, EA has in recent years looked to the 'loot box' monetization model of free-to-play mobile games.

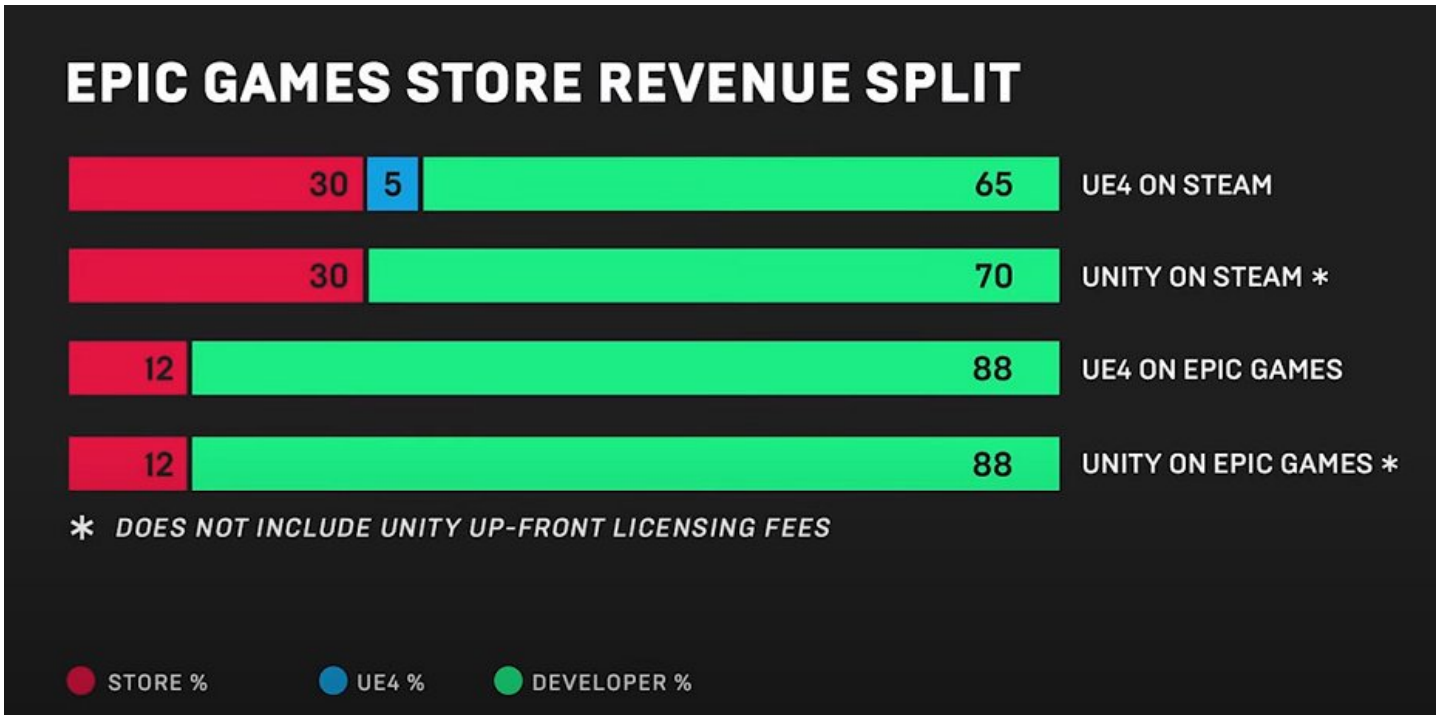
Somewhat controversially it has been encouraging players of two of its biggest money-makers, Fifa and Madden NFL, to participate in Ultimate Team mode, where they spend money on in-game digital 'packs' of randomized footballers, reminiscent of Panini stickers. The best players appear infrequently, so gamers invest significant sums in their teams, and the currency and packs are lost each time a new game is released.

Revenue from Ultimate Team alone made up to 50% of EA's live services revenue over the last year, or $1.1bn. Governments have been scrutinizing these highly profitable 'loot box' mechanics.

However, with Belgium banning them in January having likened them to gambling mechanics in a game targeted at children other nations may follow. And should this lucrative earner be canned, EA could be forced to focus even more on in-game ads.

Remember the bit about SDKs? Codemasters now acquired by EA, the maker of FIFA - so BIDS are present there too. Of course, this doesn't mean that EA start using Bidstack all of a sudden but as a foot in the door, you could do worse.

Lastly, I promise, here is another example of why developers need this: platforms capture a decent amount of their economics - you'll be aware of the spat around the Apple store and games for instance.



Numbers: suppose BIDs does H1-H2 2020 equivalent to H1 - H2 2019?

That was £26K and £113K, a little over 4x sequentially

20/H1 of £274K at that rate would be £1.2M - so just under £1.5M for FY and 10x YoY

But they said this in Dec. What's a market expectation? It a number the company tells their broker that they should be able to achieve. Like they've already made dinner and now expect to be able to get most of the food from the plate to their mouth: it's a low bar to beat

> Bidstack Group Plc (AIM: BIDS.L), the native in-game advertising platform, is pleased to report that, subject to audit, it is on track to exceed market expectations in respect of revenues for the year ending 31 December 2020.

And here's the bar: it is indeed £1.5M

ACTUALS & FORWARD ESTIMATES

Actuals & Forward Estimates	31/12/18 A	31/12/19 A	31/12/20 E	31/12/21 E	CAGR
Revenue	0.32	0.14	1.50	9.00	204.8%
% Change YoY		*(55.7%)*	*968.5%*	*500.0%*	

Next year: £9M

First, I don't know when that number was issued and second, given the history here, I don't think it should be given too much credence but.. with this kind of momentum? Perhaps not impossible that it's not a million miles off. At a £35M cap that's 4x Fwd revenues

The Company intends to make a further announcement with a more detailed update on the Group's performance for the year ending 31 December 2020 in early 2021.