

M.O.B.A. Network: Another transformative acquisition

M.O.B.A. Network Research Note 2023-05-05 ⌚ 14:49 Updated 2023-05-05 ⌚ 15:44

Redeye has a positive view on yet another transformative acquisition carried out by M.O.B.A. Network. The acquisition leads to a ~50% sales increase and a ~300% EBITDA increase on a 2022 pro-forma basis. We also believe the acquisition could lead to cross-selling synergies and that it could help M.O.B.A. with its bargaining power with ad networks and partners.



Danesh Zare



Viktor Lindström

The acquisition in brief

M.O.B.A. Network (“MOBA” or “the Company”) announced the transformative acquisition of Wargraphs S.A.S today. We do not use the term transformative lightly as this acquisition is very significant compared to the current size of MOBA. [MOBA made another transformative acquisition in 2021 when it acquired Magic Find](#), a company larger than MOBA at the time of the acquisition. MOBA successfully integrated Magic Find and its assets following the acquisition, which gives us confidence in its ability to make more significant acquisitions.

The initial purchase price of Wargraphs S.A.S is EUR50m, of which EUR25m is payable upfront and EUR25m in additional conditional consideration of up to EUR25m. The additional consideration is based on EBITDA targets 12 and 24 months out. MOBA aims to finance the acquisition through senior secured bonds with an expected volume of EUR25m within a framework of EUR60m and a maturity in May 2026. MOBA has mandated Nordea Bank to act as the sole bookrunner.

Wargraphs S.A.S (Wargraphs) is a game service prover and in-game application developer providing players with crucial statistics and data for popular games such as League of Legends, Teamfight Tactics and Runeterra. The bulk of revenues is derived from sales of advertising inventories sold across its communities and its in-game application Porofessor. Wargraphs generated adj. net sales and adj. EBITDA of EUR12.3m and EUR8.4m on a rolling twelve months basis for the period ending 30 November 2022. Operating cash flow during the same period amounted to EUR6.6m.

What it means for MOBA

The acquisition will add roughly 800k daily average app users on average to M.O.B.A., which the Company believes can help strengthen the bargaining power towards ad brokers and other partners. Redeye also believes that there are numerous synergies that could be unlocked. Such as cross-selling direct campaigns between the assets or onboarding ad inventory to different ad networks. The Porofessor app has almost 10 m downloads, and the websites have recorded over 4.5bn page views since launch. The 800k daily average app users can be compared to MOBA's current community portfolio with roughly ~40m monthly visitors.

MOBA is expected to generate 2022 EBITDA of roughly SEK126m, corresponding to a margin profile of 29%. The increased profitability is driven by a higher margin profile for application advertisements. Wargraphs seems to be a very lean organization and thus has minimal overheads, which translates to a high EBITDA margin of 68%. MOBA's sales increase ~50% on a pro-forma basis while EBITDA increases ~300%.

REDEYE

REDEYE QUALITY RATING

4

3

3

People

Business

Financials

FAIR VALUE RANGE

Price 17.6

Bear 16.0

Bull 34.0

Base 24.0

TIMELINESS

5

KEY STATS

Market Cap	N/A
Entprs. Value (EV)	--
Net Debt (2022e)	-45.6 MSEK
30 Day Avg Vol	1 K
Shares Outstanding	22.7 M
Price / Earnings	8.9
PEG	0.2
Dividend Yield	20.1%

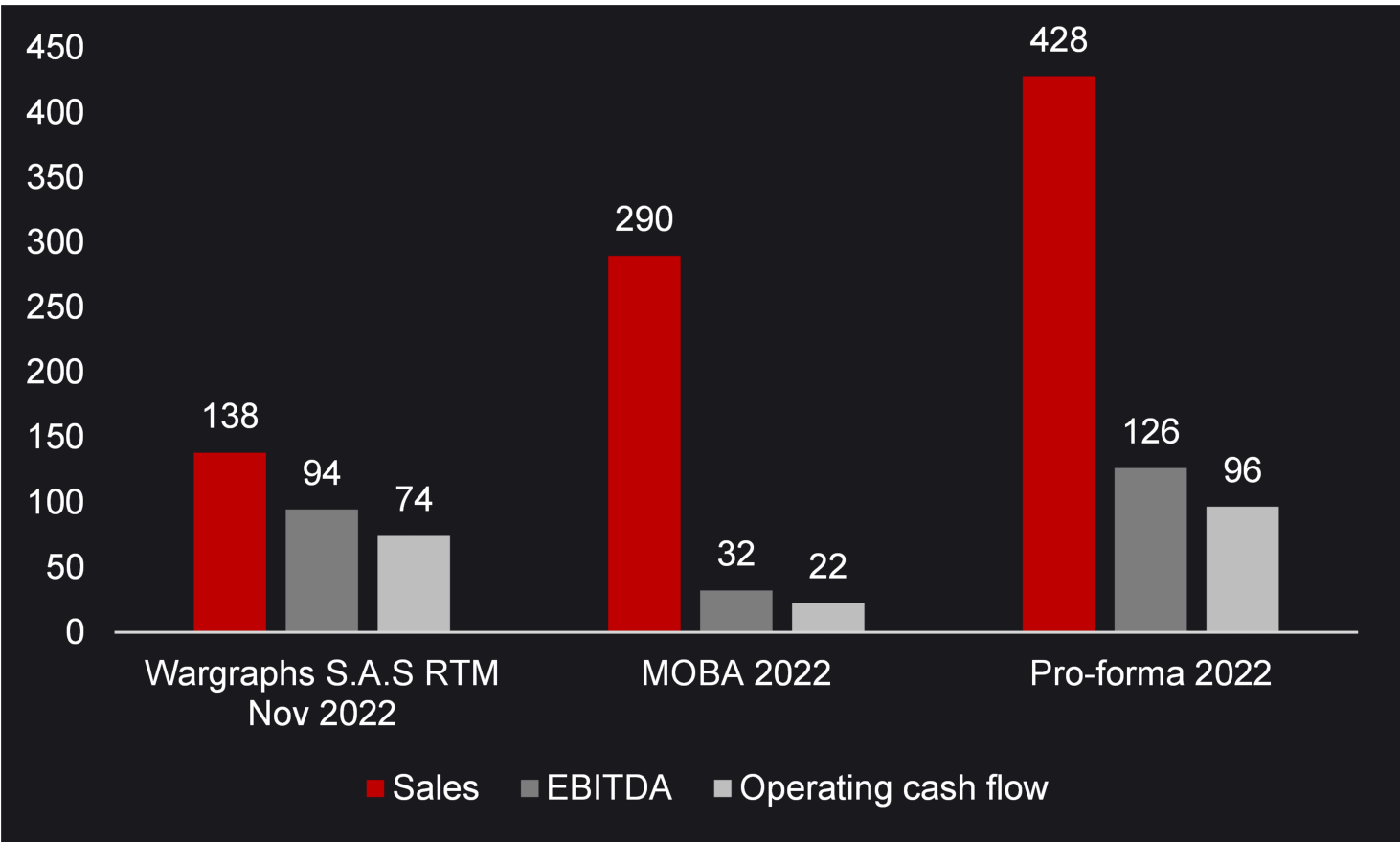
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IMPORTANT INFORMATION

All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

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Conclusion

There are several unknowns, and we do not know about the interest levels of the proposed bond or the conditions for the additional earn-out. But we view this acquisition very favourably as the acquisition is carried out at an attractive EV/EBITDA multiple of ~6x, and the target has good cash conversion. We believe that the acquired target probably enjoyed high levels of growth in 2021 and 2022, and we do not expect significant growth in 2023. We assume that the conditions for additional considerations will protect MOBA if the targets EBITDA were to decline on a 12 or 24-month basis. This means that the valuation multiple would still be attractive in such a scenario. The acquisition is truly transformative on an EBITDA and cash flow level.

We will be back in the near term with a more extensive research update as we will make upward revisions to our estimates and valuation.