



HOT GROWTH STOCK SET TO BOOM

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BIDSTACK

The next big thing is a term used frequently, but seldom does the object of its description fulfil the high expectations set. I've been around the markets for quite some time and have seen companies come and companies go, that have also carried a similar label. However, Bidstack is a very interesting proposition and appeals to me as they look to have coupled up two sectors in a partnership that will see advertising delivered to a huge demographic in a new, unique and very passive way.

With any company like this you must see it for what it is, this is no defensive income share and it will need potential investors to understand the concept. The industry is fast moving and ever changing, so potential investors need to weigh up all the risks and have an overall appetite for risk. Shares like this should occupy the smaller more speculative section of your overall portfolio.

That all being said the company is well positioned to take advantage of the evolving technology and as a lot of gamers globally are now in their 30's and have disposable income they are well positioned to catch the opportunity at a time that has now seen the consumers become a valid audience for advertising.

The backdrop

Bidstack were initially acquired by Kin Group plc in 2018 via a reverse takeover. Kin was previously a health and fitness app developer listed on the AIM market. The shares had been suspended for a while as the company sat as nothing more than a cash shell until in 2018 when they unveiled the £6.8m reverse takeover of Bidstack Ltd as a strategic move.

Bidstack have managed to link up two separate and highly cash generative sectors in a way that seems obvious initially, but in reality, has never been done at this level before.

Bidstack enables video game companies and advertisers to benefit from revolutionary in-game advertising across different platforms. Game developers can monetise their titles by integrating ads into spaces that sit naturally within their games. Advertisers can use Bidstack's technology to run targeted campaigns within these spaces exclusively engaging their audiences and boosting their brand without breaking immersion or spoiling the experience for the gamer.

The market

The global gamer audience is currently estimated to stand between 2.2 - 2.6 billion people and the global software market is expected to grow from \$137.9bn in 2018 to an estimated \$180.1bn by the end of 2021. This means the opportunities to reach these gamers for advertising purposes is immense.

As of June 2018, there are 2,261 active games companies in the UK alone, operating at all sizes and scales, with world-class talent across the full spectrum of games technologies. The platforms for access are considerably more diverse from mobile, PC and console, Virtual reality and Augmented reality, esports and Artificial Intelligence. The days of gaming being purely for kids is long gone.

- In the U.S. alone, 64% of the general population are gamers (Nielsen, 2017)
- The average age of male gamers is 33
- The average age of female gamers is 37
- Consumer gaming content expenditure takes up an estimated 80% of the industry's revenues

The opportunity - DYNAMIC IN-GAME ADVERTISING

Over time they have built relationships with world renowned game developers and have established the rights to sell their advertising inventory. This means advertisers and brands can appear in flagship games right across the globe.

The advertising is targeted and automated, giving the scope to cover some major games on a global scale. Their technology is capable of inserting adverts into natural advertising space within video games. The key benefit of “native in-game” advertising over video rolls and banner ads is that it appears authentic and “natural” to the environment and does not adversely affect the gamer’s experience. The advertisements cannot be excluded with ad-blocking software and the gamer cannot and has no need to skip through the advertisement. The advertisers have a large degree of flexibility and can rapidly change their campaigns in real time, in response to market trends and business needs.

Advertisers can target the users they want to reach based on key demographics such as age, gender and location. They also have the ability to tailor the adverts specific to the user so that adverts are delivered to the most relevant players to the advert, matching the advertiser’s campaign requirements.

The company have recently confirmed that last years trading was all in line with expectations and they have now generated their first material revenue. They are conducting Beta testing trials in the Football Manager 19 game for around 20 advertising partners, including Talk Talk, AEG, Hofmeister, Converse, ESPN and Penguin Random House.

They have also signed an exclusive agreement with Codemasters in December 2018 and are currently in discussions with several other leading games developers and publishers regarding exclusive partnerships and will provide further updates as and when appropriate.

Summary

This is a business and a concept in its infancy and whilst the potential reach is huge, it is in a fast-moving sector that is constantly developing. If Bidstack can pull it off and continue to attract some major brands on both the advertising and the games front, then the potential is big. The company have recently stated they have signed new digital advertising contracts for nine new games and are now live in recent releases such as Football Manager 19 and DiRT Rally 2 across Asia. The end of year figures made compelling reading and it is indeed an exciting prospect, but as mentioned before it is certainly not a stock you want to have your entire wealth tied up in, but more of a solid speculative buy for the section of your portfolio allocated for such opportunities.

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