

# MOI Best Ideas Omaha 2022



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# WHAT IS LVS ADVISORY?

## LVS Advisory Overview

### Team

- Luis V. Sanchez CFA, Founder & CIO
- Frank Moneymaker, Investment Analyst

### Investment Offerings

- **LVS Growth Portfolio**
  - Global equities with focus on high-quality businesses compounding intrinsic value
  - Focused portfolio (10 – 20 holdings)
- **LVS Defensive Portfolio**
  - 'High-yield bond-like' absolute return strategy
  - Event driven situations including mergers, liquidations, SPACs, & opportunistic yield
- **Institutional Investment Research**
  - LVS licenses portfolios and investment research to other investment advisors & funds

## Our Portfolio Companies



# Endor AG (MUN:E2N)

Investment Idea



# ENDOR AG (MUN:E2N)

- Dominant provider of premium hardware used in simulation racing under the **Fanatec brand**

**FANATEC**®

- Simulation racing is an e-sport where players use physical steering wheels, pedals, and brakes to compete in virtual car races
- Endor sells a full simulation racing set-up for \$700 - \$2,500 (multiple product quality tiers)
- Products are used for **recreation** (video games), **competition** (e-sports), **professional training** (F1 driver practice), and **collecting** (limited edition wheels & licensed products)
- CEO Thomas Jackermeier (51 years old) founded the company in 2000 in Landshut, Germany

## Financial Snapshot

(Euros in Millions)

Stock Price	€ 18.00
Shares	15.498
<b>Market Cap</b>	<b>€ 279.0</b>
Cash	€ 15.1
Total Debt	€ 18.9
<b>Enterprise Value</b>	<b>€ 282.8</b>



	<u>2019</u>	<u>2020</u>	<u>2021E</u>	<u>2022E</u>	<u>2023E</u>	<u>2024E</u>	<u>2025E</u>	<u>2026E</u>
Revenue	€ 39	€ 91	€ 81	€ 130	€ 149	€ 160	€ 182	€ 207
Growth %		131.7%	(11.0%)	60.8%	14.0%	7.6%	13.7%	13.8%
Gross Profit	€ 22	€ 53	€ 47	€ 72	€ 84	€ 92	€ 106	€ 122
Margin %	56.1%	58.6%	57.5%	55.5%	56.2%	57.5%	58.1%	58.8%
EBIT	€ 7	€ 21	€ 7	€ 21	€ 27	€ 32	€ 40	€ 50
Margin %	17.3%	22.7%	8.2%	16.2%	18.4%	20.0%	22.0%	24.0%
Net Income	€ 4	€ 12	€ 3	€ 13	€ 17	€ 20	€ 26	€ 33
Margin %	10.7%	13.7%	3.2%	9.8%	11.5%	12.7%	14.3%	15.8%

Source: Company Filings, LVS Advisory Estimates.

# SIMULATION RACING HARDWARE



**Display:** Living Room TV, Computer Monitor, Triple Monitor Mount, or Virtual Reality.  
*(Third-Party)*

**Wheel:** Vehicle or brand specific rim attached to a common Direct Drive wheelbase.  
*(Developed by Endor)*

**Additional Peripherals:** Handbrakes and shifters for increased realism.  
*(Developed by Endor)*

**Console or PC:** Powers simulation using existing gaming hardware or dedicated system.  
*(Third-Party)*

**Mount ("Rig"):** Increases realism over desk config, allows for location flexibility.  
*(Limited Endor Options or Third-Party)*

**Pedals:** Increase accuracy & clutch functionality vs. controller.  
*(Developed by Endor)*

# GROWING POPULARITY OF MOTORSPORTS



SI Sports Illustrated

## Is F1 now the fastest growing sport in America?

With increasing ratings, multiple races stateside, and the likely inclusion of an American driver and another American team, F1 will continue to...

4 weeks ago



**Latest figures show F1 to be the second fastest growing major sports league on the planet**

Stats show an average audience per Grand Prix in 2020 of 87.4 million.

F1 shows strong growth in 2021 with global TV audience of over 1.5 billion

Motor racing - 17 Feb 2022

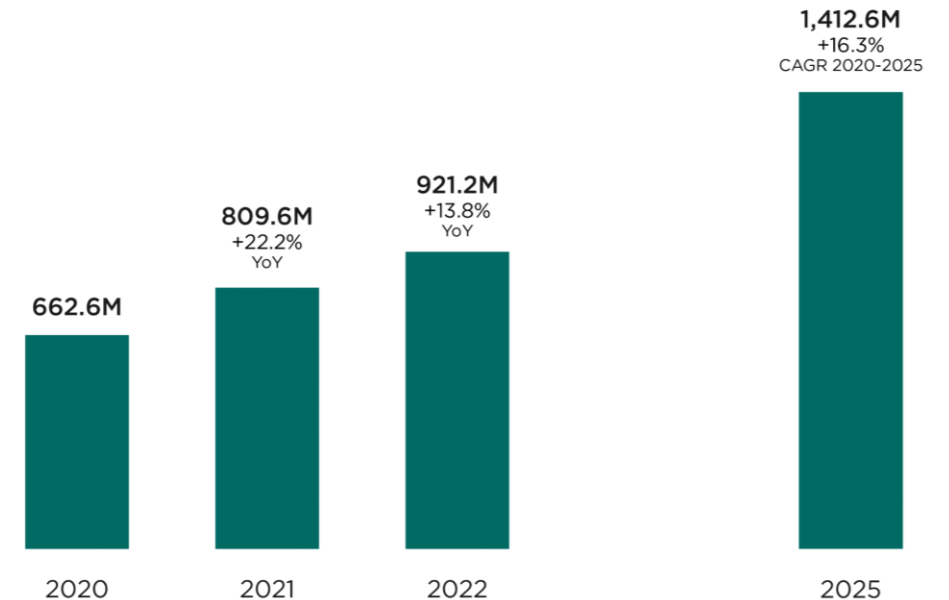


# GROWING POPULARITY OF E-SPORTS

- NewZoo estimates that the audience for e-sports is growing at a double-digit rate and will surpass 1.4 billion by 2025
- In 2021, Twitch.TV had an average concurrent audience size of 2.89 million
- A growing audience for e-sports funds competition prize pools and fuels player interest
- Simulation racing is a popular category on leading streaming services such as Twitch
- GrandView Research estimates the market for gaming simulators (including Sim Racing) growing at a 12.1% rate and is expected to be a \$9.9 billion addressable market by 2027

## Games Live Streaming Audience Growth

Global | For 2020, 2021, 2022, and 2025



©Newzoo | April 2022 Global Esports and Live Streaming Market Report  
[newzoo.com/esports-report](https://newzoo.com/esports-report)





- The Coca-Cola-sponsored NASCAR iRacing Series has a recurring \$300,000 prize pool
- The series reached peak viewership of nearly 1 million viewers per race during its 2020 season
- NASCAR views e-sports as important channel for promoting brand awareness among younger demographics
- Most racing orgs (including F1) have their own e-sports leagues and branded video games

- Simulation racing is a key form of practice for professional drivers
- Virtually every serious driver sim races and **sim racing has become the most important way for aspiring drivers to get noticed by teams and sponsors**
- Many celebrity professional drivers and retired drivers actively post videos and live stream sim racing



**NASCAR Driver Chase Elliott**



**F1 Driver Max Verstappen**

- The GT World Challenge is the first real-world motorsports competition to incorporate sim racing as part of the championship points system
- Simulation races (sponsored by Fanatec) take place during the same weekends as real-world races and pay-out towards the main event



**WORLD CHALLENGE**

- Fanatec's M4 GT3 wheel for BMW is compatible with sim racing rigs as well as actual BMW race cars
- While primarily a marketing exercise, Endor is demonstrating that its wheel's are **not just good replicas, they are real racing wheels**

# A SOMEWHAT RECURRING REVENUE MODEL

- Fanatec has a modular ecosystem for its sim racing rig where each element can be hand-picked
- Many sim racers will start with a low-end rig and gradually upgrade their equipment over time
- Fanatec also licenses OEM brands and released limited edition wheels on a regular basis. These products are generally sold out during pre-sales
- The combination of a need for regular upgrades and a constant stream of collectable items results in a more recurring revenue model
- **60% of revenues come from existing customers** and the median Fanatec customer owns more than 2 wheels

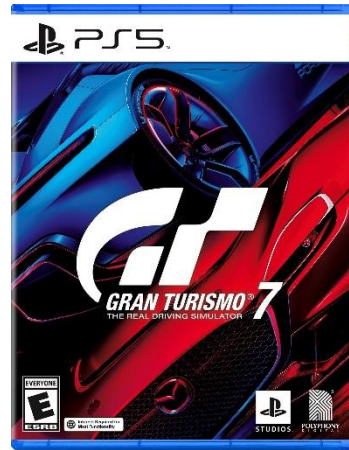


**Above image from a social media post of a Fanatec user showing off their wheel collection**

# EXPANSION INTO CASUAL GAMING HARDWARE



Released November 2021



Released March 2022



Released Annually



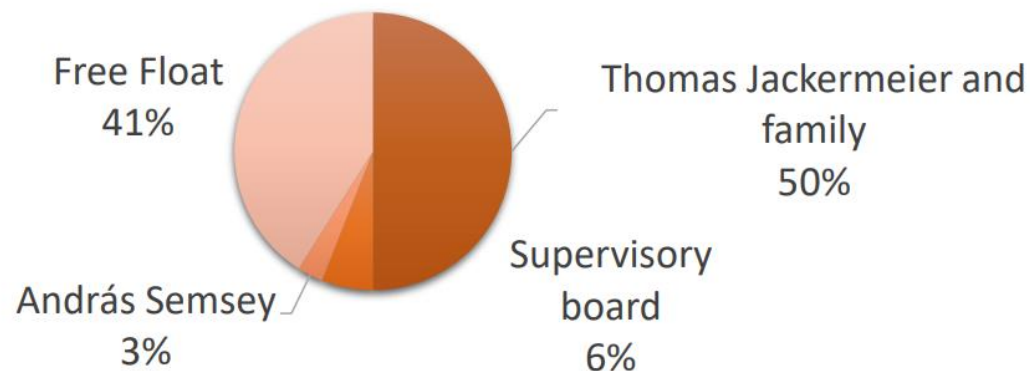
Optimized for PlayStation

- Fanatec is primarily used for PC-based Sim Racing software (where there is more serious competition)
- Fanatec's hardware is already compatible with consoles but has been out of reach due to price
- Fanatec recently become the official wheel of Gran Turismo 7 (the most popular casual racing title) and created a lower-cost package for PlayStation users
- With the new versions of the Xbox and PlayStation released in the past 18 months, **there is a large video game cycle playing out over the next few years with many significant titles being released for the new consoles** including Forza, Gran Turismo, and more
- The casual market has historically been dominated by Logitech and Thrustmaster, but **Endor has now positioned itself to take market share in this segment**
- LVS estimates the casual segment driving 20% - 40% incremental revenue growth for Endor in the coming 1-2 years

# MANAGEMENT TEAM

- CEO Jackermeier is an owner-operator and is widely considered a visionary in the industry
- Jackermeier is a strong believer in Endor's business prospects and has purchased stock in the open market as recently as 2021 near current prices
- The company has hired aggressively to fill strategic executive roles to assist with scaling the business

## Shareholder Structure



Thomas Jackermeier  
Founder & CEO



András Semsey  
Early employee & CFO

“Jackermeier is the Steve Jobs of simulation racing.”

“Endor is a family of simulation racing nerds building a company.”

# FINANCIAL SUMMARY

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Shares	15.498		EV / EBIT	13.4x	10.3x	8.8x	7.1x	5.7x
<b>Market Cap</b>	<b>€ 279.0</b>		Price / Earnings	21.9x	16.3x	13.7x	10.7x	8.5x
Cash	€ 15.1							
Total Debt	€ 18.9		IRR @ 20x EBIT	50.5%	39.7%	31.6%	30.1%	28.8%
<b>Enterprise Value</b>	<b>€ 282.8</b>		IRR @ 15x EBIT	12.5%	20.8%	19.5%	21.0%	21.6%

2021 revenue depressed due to supply chain issues

Management estimates fixed cost infrastructure in-place sufficient to support up to €300m in turnover and is targeting operating margins of "at least 25%"

We expect an investment IRR exceeding 20%. This gives no credit to capital allocation or cash build up

# Endor AG Summary Investment Thesis

## Endor is a dominant provider of niche luxury products

The company is often mischaracterized as a “low quality” video game hardware business, but Endor benefits from strong competitive advantages enabling pricing power and compelling unit economics

## Endor benefits from several growth tailwinds: motorsports popularity, e-sports competition, and premium video game entertainment

Product demand from professional/aspiring race car drivers and the competitive e-sports circuit is stable and de-coupled from the video game hardware cycle

## Endor is undervalued as it trades cheaply relative to its future earnings power

Sales and earnings are poised to significantly increase in the coming years. The stock is expected to up-list to a more prominent exchange in Europe and should benefit from improved trading liquidity

# THANK YOU!

## Contact Information

**Managing Partner**  
Luis V. Sanchez CFA  
luis@lvsadvisory.com  
980-365-9847

**Office Location**  
LVS Advisory LLC  
79 Madison Ave 8th Fl  
New York, NY 10016

## Our Portfolio Companies



THE JOINT  
chiropractic®

Evolution



S&P Global

ENDOR®

Google



AUTODESK



Adobe

Flutter™  
Entertainment plc