To the Board of Directors of XLMedia PLC
12 Castle Street
St Helier
Jersey
JE2 3RT
Channel Islands

6 June 2022

Open Letter to the Board of Directors of XLMedia PLC,

author of this open letter to the board of directors (the "board") of XLMedia PLC (ISIN JE00BH6XDL31) is a group of individually and independently acting shareholders (the "authors", "we", "us") of XLMedia PLC (the "company"), holding c. 6.8 million shares in total, representing c. 2.6% of the company's voting rights.

Most authors are either professional investors, financial analysts and/or have a professional background in the sports media, affiliate, and digital performance marketing industry themselves and have been long-term shareholders of XLMedia PLC. Therefore, the authors consider themselves in the position to make qualified judgements about the company, the steps required to fully realize XLMedia's earnings growth potential, and to ensure that this potential translates into a material increase in shareholder value, appropriately reflected in the company's share price.

We are reaching out to you today because we regard it as our responsibility as shareholders of XLMedia PLC to point out to the board that we see a significant risk for the company of falling short of its full value creation potential if our proposals will not be implemented as soon as possible. In addition, we are highly disappointed by the way that the board and management handle constructive feedback and proposals from active and professional investors, especially in areas where the board evidently lacks expertise.

This letter is composed as follows:

- Part I – Background, Intention, Note to all Shareholders
- Part II – Proposals to the Board
- Part III – Business vs Share Price Performance, Valuation
- Part IV – Explanations for Proposals

- PART I -

Background, Intention and Note to all Shareholders

Background

Members of the group of shareholders issuing this letter have tried to engage in an open and constructive dialogue with the board and management for years to convince them of the value that our ideas and proposals have not only for shareholders but for all stakeholders and the entire company.

But after years of put offs and questionable counterarguments why our proposals were not required, after certain board members refusing to continue this dialogue with us, given the way we are recently treated as co-owners of the company, given the fact that the board and management have been proven wrong in their judgement, as the market still fails to reflect the company's recent operational, organizational and financial achievements in its share price, and given that the company seems to not really care about appropriate communication to all owners, we see no other option than asking the board publicly to finally implement our proposals.

Intention

We have only one intention: Helping XLMedia to become the best business for all stakeholders that it can be, realizing its full earnings growth potential, reflected in a strong and fair valuation that adequately represents its intrinsic value per share.

As much as we appreciate XLMedia's recent very important operational, organizational and financial achievements, this letter is primarily intended to highlight the shortcomings of the company in terms of capital markets communication, transparency, voluntary reporting disclosures, leadership and financial commitment on management and board level, understanding the importance and functionality of capital markets and the importance of a fair valuation for the business, visibility to and investability for institutional investors due to the company's AIM listing and insufficient investor relations efforts.

We argue that these shortcomings are the primary reasons why the market continues to value XLMedia PLC at a material discount of more than 60% relative to its intrinsic value and when compared to peers. Once the company addresses these shortcomings, we expect the market to gradually correct this mispricing.

We want to remind the board that for years, members of our group have been pointing to significant operational risks that later materialized. We want to remind the board that for years, members of our group have been calling for organizational changes, for which the board and management take credit today. We want to remind the board that for years, we have been asking the board to implement most of our proposals that we share with the investment public today. We want to remind the board that for years, the stock market has proven our thesis to be correct: it is unlikely that the company will be fairly valued by financial markets unless it implements our proposals.

Although we have been patient shareholders for years, supporting and appreciating most of the operational and organizational changes that board and management have initiated and implemented in the past two years, we will not simply continue watching from the sidelines. XLMedia is in the second year after its successful turnaround, its US Sports Media business is firing on all cylinders, and more than offsetting weaknesses in the Casino and Personal Finance vertical. Yet, as we will show later, the company's share price has underperformed all peers on all time horizons and continues to underperform despite very positive financial results and although the company is trading at a material discount to peers already. This shows that the problem is not the company's operational and financial performance, which (unfortunately) supports our thesis.

Unlike all but one member of the board or management, we are materially invested in the company and – unlike the board or management – carry the financial consequences that result from this massive undervaluation of the business. Although we are experienced long-term investors who do not mind periods of undervaluation as they present fantastic investment opportunities, we are very concerned by the fact that the company's share price keeps declining despite XLMedia's strong operational, organizational, and financial results since it's successful turnaround. We think that the company's declining operational and financial performance in the period before its reorganization and transformation, coupled with the shortcomings listed above and in combination with the company's AIM listing, has created a structural disconnection between the capital market's effective pricing mechanisms and the company's fundamental performance.

But it is not only us shareholders who suffer from the consequences of years of an underperforming share price. The extremely low valuation puts the company into a disadvantageous competitive position. A company's stock can be a powerful tool to create value for all stakeholders. It can be used as acquisition currency; it can be used as an attractive long-term incentive for employees and a way to attract but also retain important talent. It can be used to create massive value for shareholders by repurchasing shares during periods of significant undervaluation, but also to raise more capital to grow the business during periods of high valuation to minimize dilution and to make use of the low cost of capital. A strong valuation allows the company to benefit from multiple arbitrage and widens its set of acquisition targets as it not only increases the potential shareholder returns from acquisitions but also serves as protection if an acquisition does not perform as expected. But with continuously underperforming and materially undervalued shares, XLMedia misses out on all these benefits and puts itself into a disadvantageous competitive position to all competitors that trade at a superior valuation (which at the time of writing holds true for all competitors by a wide margin). The consequence is that the company fails to maximize and amplify its operational and financial success and its great potential to create value for all stakeholders.

Therefore, we urge the board to finally act on our proposals to overcome this structural disadvantage relative to competitors and to finally unlock the intrinsic value of the company.

Since we are highly convinced that our proposals find great approval among the entire shareholder base, we recommend to the board to publish this open letter on the company's investor relations website to allow for an equal dissemination to all shareholders. Furthermore, we would welcome a written and public statement to our proposals as to whether and when these proposals will or will not be implemented and why. This would also show to the investment public that the company finally understood our arguments and that it is willing to address these shortcomings and change for the better. Again, we recommend publishing the board's response on the company's investor relations website for transparency and equal dissemination of information.

To be clear, as of now, the authors do not intend to seek any kind of control of the company. We want to give the newly composed board and management the opportunity to develop the intrinsic understanding and motivation to implement our proposals on their own behalf in order to address the shortcomings mentioned above and to finally unlock the company's intrinsic value and growth potential.

Note to all Shareholders of XLMedia PLC

Although representing only 2.6% of XLMedia PLC's voting rights, we know from many discussions with other shareholders that our proposals resonate very well with a much broader shareholder base. We think that the board is not aware of how many shareholders welcome our proposals. Therefore, we highly encourage all shareholders to reach out to the board and management to express their opinion on our proposals individually and independently.

- PART II -

Proposals to the Board

Proposals

As we will show later, the market fails to appreciate the company's recent operational, organizational, and financial achievements. We argue that the primary reasons why the market continues to price XLMedia PLC at a material discount relative to its intrinsic value and its peers are:

- No clear public business strategy and no public quantitative short- and midterm targets, and no clear roadmap for how to achieve such targets
- Insufficient, inconsistent, and infrequent communication to shareholders, potential investors, and the capital markets
- Insufficient visibility to institutional investors in Europe and in the United States
- Structural disadvantage of its share listing on the LSE Alternative Investment Market (AIM)
- Insufficient transparency due to a lack of voluntary disclosures and unfortunate reporting structure increases the cost of information for investors and financial analysts
- No professional internal investor relations department
- Lack of visible leadership on the board and management level to the investment public
- Insufficient financial commitment on the board and management level
- Insufficient representation of shareholder interests and professional investor experience on the board level

Therefore, to enable XLMedia PLC to unleash its full potential and maximize the value creation for all stakeholders, the authors request from the board to implement the following proposals (see Part IV for reasoning and more details):

Strategy and Quantitative Targets

(1) Develop a holistic business strategy to maximize the intrinsic value of the company, including a plan for the company's intrinsic value per share to be fully reflected by its market price within twelve months.

(2) Introduce, set, publish and update quantitative mid-term goals for revenue, operating profit (or margin) as well as earnings and free cash flow per share based on this strategy and with a roadmap for how to get there.

Strategic Business and Capital Allocation Review to Maximize Shareholder Value

(3) Independent of (1) and (2), consider all alternative routes to maximize and unlock the company's intrinsic value per share within twelve months, including

i. Selling all non-US sports verticals to become a pureplay US Sports Media company or

ii. Selling the entire company to a strategic or financial investor or

iii. Spinning off the US Sports Media operations as a standalone company or

iv. Other actions that could maximize and unlock the company's intrinsic value per share.

Therefore, we ask the company to conduct a market sounding for potential takeover bids for the entire company or parts of the business, serving as a basis for any decisions and as comparative value for the expected intrinsic value per share under the board's business strategy.

(4) The board should present the outcome of this process to all shareholders and pursue the route that maximizes the company's intrinsic value per share and provide all relevant information for all shareholders to validate this decision. If the board is approached with informal takeover offers that the board decides to block, we expect that the board provides a statement to all shareholders explaining their decision. We expect that the board does not block any potential takeover offers above our minimum estimated intrinsic value range of 75p to 90p and lets shareholders vote instead. Should the board decide to block any such offer, it must provide a statement to shareholders explaining their decision in detail, supported with their calculations and underlying assumptions.

(5) Independent of (1) – (4), the company should install a $35m share buyback program that automatically begins once the share price falls significantly below the board's estimate of the company's intrinsic value per share and allows for an expected return that is higher than any other available capital allocation option that is not yet fully allocated.[1] The company should keep the shares as treasury shares for potential future funding and liquidity requirements. The share buyback program should be financed by a combination of a $35m credit facility, the company's net cash position and free cash flow. Even if fully drawn, we think that the credit facility could be repaid in less than two years by the company's free cash flow generation or sooner with proceeds from potential asset sales.

Corporate Governance

(6) All directors and executive management team members should show commitment to the company and invest at least two times their basic salary of their private funds in shares of XLMedia PLC to align their interests with the owners of the company.

(7) Add an additional board member with capital market expertise and adequate focus on shareholder interests and capital market communication.

[1] Adjusted for tax and cost implications for the buyback program.

(8) Treat all shareholders equally in any future corporate actions or interaction with shareholders. Do not allow certain shareholders to gain an advantage over others by preferred treatment in any form. Special treatments of single or selected shareholders should only be possible at a premium to intrinsic value per share and its market price.

Listing

(9) Change the company's listing from London AIM to US Nasdaq.

Investor Relations and Capital Market Communication

(10) Install a professional, internal Investor Relations department that

i. implements a professional capital markets communication strategy to build a transparent and trustful relationship with shareholders and capital markets

ii. provides clear and consistent communication of the company's business strategy, roadmap, and short- and midterm targets

iii. actively engages in building a global institutional investor base by attending relevant capital market conferences in Europe and North America to increase XLMedia's reach and visibility to institutional investors

iv. holds a capital markets day to provide an in-depth insight into the company after its completed transformation and use it as a platform to present the company's strategy, quantitative mid-term targets and the roadmap to achieving these

v. launches a new corporate and investor relations website providing all relevant information to shareholders and prospective investors enabling them to form and update their investment decisions

vi. aims to provide the best-in-class IR service possible with the ultimate goal to enable capital markets to determine XLMedia PLC's intrinsic value, adequately reflected in its share price

Reporting

(11) Switch from bi-annual to quarterly reporting, report profits per vertical, bring voluntary disclosure of information at least on par with peers, set reporting dates for the whole year and provide them along with other events in a financial calendar on its investor relations website.

Capital Allocation

(12) Develop and formulate a clear, opportunistic, and value-creating capital allocation policy with the aim of maximizing the company's intrinsic value per share. This capital allocation policy should become part of the company's investor presentation and investment pitch so that investors know that the company has a clear understanding of capital allocation, and the flexibility and courage to move quickly as opportunities arise.

Financing

(13) Gain access to additional liquidity options such as revolving credit facilities and bank loans. We recommend securing a $35m credit facility to bring the company's liquidity options more in line with competitors while remaining below 1.5x net debt to EBITDA if fully drawn.

(14) Only raise equity for acquisitions when a target's valuation is lower than XLMedia's own valuation OR explain to shareholders quantitatively why a transaction is still highly likely to be accretive to the company's intrinsic value per share AND why raising equity is the best financing option for that deal to maximize the intrinsic value per share.

Concluding Remarks

We are highly convinced that our proposals are in the best interest of the company and all shareholders and ask the newly formed board and management for their support of our proposals.

We ask the board to act in the best interest of all shareholders, to pursue the strategic business review with an open outcome, and to pursue the route with the greatest value for shareholders, even if that means selling parts of the business or the entire company.

We do not necessarily insist that each proposal will be implemented. If the board can come up with superior alternative measures and strategies and if these are based on clear argumentation and logic, transparently communicated to all shareholders and likely to be proven by timely and confirming outcomes, we are happy to change our minds. But for now, we have reason to believe that only the implementation of our proposals will finally allow a rerating of the company's share price by the market.

We agree that the primary driver of a company's share price is its underlying economic development and growth prospects. We understand the company went through challenging times and the primary focus of the board and management was on the operational and organizational part of the business. But we think that this should not hinder the company from finally working on the shortcomings that we address. With the transformation coming to an end, we don't think there is room for any more excuses and delays to work on our proposals. We also want to remind the board that it is not sufficient to report good financial results. As we have seen in the past and as we explain in detail in Part III, the impact of good financial results is likely to be short-lived and not sustainable, if the company does not win back the trust of capital markets. We think that our proposals will not only amplify the impact of good operational performance, but we also think that they will have material and sustainable effects on the company's valuation and cost of capital.

We acknowledge that the company tried to make some steps in the direction of some of our proposals, such as introducing KPIs and first steps towards Investor Relations and encourage the board to continue this path by implementing our proposals.

We offer our support to the board and management to work with them towards our (hopefully) common goal of making XLMedia the best business it can be, realizing its full potential, reflected in a strong and fair valuation representative of its intrinsic value. This is our sole intention.

Should the board not implement our proposals and fail to come up with superior measures, supported by clear argumentation and presented to all shareholders, we must assume that the company will fail to realize its full potential and that the company is not the best owner for its assets under its current governance.

- PART III -

Business vs Share Price Performance, Valuation

Business Performance

We want to stress that we appreciate the company's important operational, organizational, and financial achievements over the last two years despite the perfect storm of external and self-inflicted setbacks that it had to navigate through. We think that XLMedia is now able to harvest the fruits of its challenging but necessary reorganizational heavy lift, a route that might have looked easy and straightforward on paper, but we acknowledge the complexity and difficulty in execution. We want to thank everyone involved – employees, business partners, management, and the board – for devoting their time and energy to shaping the XLMedia of today.

US Sports

Starting from almost zero revenues 18 months ago, XLMedia PLC has become a US sports media company and affiliate powerhouse that generated revenue of more than $38m during the past sports season and that could deliver revenue of more than $50m in the Sports vertical in 2022, implying potentially triple-digit growth rates for the US sports business.[2] Coming as a late-mover to the legalizing US sports betting market, the company has managed to create a highly competitive and best-in-class US sports media company through the very successful acquisitions of CBWG, Sports Betting Dime and Saturday Football.

With the platform acquisition of CBWG, the company not only secured a strong foothold in the US sports media market but also gained access to one of the best-in-class sports media agency businesses. This enables XLMedia to scale revenues and profits rapidly through media partnerships where XLMedia provides highly relevant sports content to (sports) news and media companies with a large audience but that lack the monetization expertise. This way, XLMedia can scale its relevant target audience very quickly with very low capital requirements while simultaneously reducing its dependency on Google rankings of its own assets. We estimate that media partnerships contributed almost 30% to XLMedia's revenue in the US Sports vertical last year, and the company seems to be well on track for an even stronger year 2022 as it announced on 10 May 2022 that XLMedia just signed its largest media partnership ever with the owners of Cleveland.com, a website with c. 10 million unique users per month.[3]

The acquisition of Sports Betting Dime (SBD) gave XLMedia access to a strong pan American brand with a broad audience in regulated but also yet to be regulated states with strong growth potential as more and more states legalize online sports betting. With the acquisition of Saturday Football and its flagship website saturdaydownsouth.com, XLMedia acquired one of the most iconic brands in College Football with a large audience. As of the end of 2021, XLMedia's North American Sports business has grown to a monthly audience of 17.8 million unique users.[4]

European Sports, Casino, Personal Finance

While we expect the revenue generation of XLMedia's European Sports assets to remain robust and grow in the mid-single digits, the Casino and Personal Finance verticals are likely to decline in 2022 as tail revenues continue to shrink and as the impact of the Finnish regulation continues to affect the Casino vertical negatively while the migration of the Personal Finance team from Israel to the US as well as the weak ranking since the Google Update last summer affects the performance of the Personal Finance vertical.

By the end of 2022, we expect the negative impacts in the Casino vertical to be largely digested and expect the Personal Finance vertical to return to growth as the base comparables ease by H2 2022 and as the platform migration should allow for better site ranking and SEO performance so that Personal Finance could become a growth driver by 2023. Any potential further declines in the Casino vertical beyond 2022 will be from a much lower revenue base so that the Casino vertical will probably no longer materially dilute XLMedia's topline growth rates driven by the US Sports vertical.

Organization

Despite the weak performance in the Casino vertical, 2021 finally marked the turnaround year for XLMedia PLC, with revenue growing 21% and adj. EBITDA growing 47%.

The company successfully managed to decentralize the business to the UK and the US so that the teams are located closer to their target audience, which allows for smoother operations and more targeted content. The number of hierarchy layers has been reduced and the cost base was adjusted to match the lower revenue levels in the Casino and Personal Finance vertical. The company expects that the reorganization will be completed by the end of H1 2022.

As restructuring costs fade after H1 2022, reported earnings will close the gap to adjusted results. As announced in last year's AGM statement, the company expects a gradual return to the 42% operating margin level of 2019. Results followed in H2 2021 when the effect of the rapid growth of the highly

[2] According to Berenberg's estimate as of 29 March 2022.
[3] https://otp.tools.investis.com/clients/uk/xlmedia1/rns/regulatory-story.aspx?cid=807&newsid=1581492, as of 28 May 2022.
[4] https://www.xlmedia.com/wp-content/uploads/2022/05/XLM-Annual-Report-2021-Final-Full-.pdf, as of 28 May 2022.

profitable US Sports business and lower cost base in the legacy business kicked in so that the adjusted EBITDA margin jumped sequentially from 20.5% in H1 2021 to 33.0% in H2.[5]

XLMedia PLC Trading Materially Below Intrinsic Value

We think that XLMedia PLC trades materially below its intrinsic value. Based on the company's share price of 31.75p as of 6 June 2022 and our estimated range for its average intrinsic value per share of 75p to 90p, we see an implied upside of 136% to 183%.

We think that we conducted our valuations of XLMedia conservatively. We corrected for outliers in transaction multiples and conducted the peer group valuation with the currently depressed EBITDA margins that XLMedia generates today. Applying the company's targeted medium-term EBITDA margins of 42% would lift our estimated average intrinsic value range by 27%. The negative impact of the legacy business should largely be digested by the end of 2022, meaning that the high organic growth rates of XLMedia's US Sports business will increasingly shine through on the group level, with a positive impact on the top- and bottom-line. Another factor we have only partially considered using enterprise value multiples is the significantly lower financial leverage of XLMedia compared to its peer group. While this is reflected in the numerator, we have not considered any potential positive impact on the denominator, that is, revenue and profits. If XLMedia chose to bring its capital structure more in line with peers, it could put c. $35m to intelligent use, e.g., to repurchase 34% of their outstanding shares if bought at the current price, which would result in an EPS uplift of 50% (before interest and tax effects). Alternatively, the company could opt for further acquisitions (although we think that it will be difficult to find an acquisition target that would yield comparable returns for shareholders given XLMedia's extremely undervalued share price).

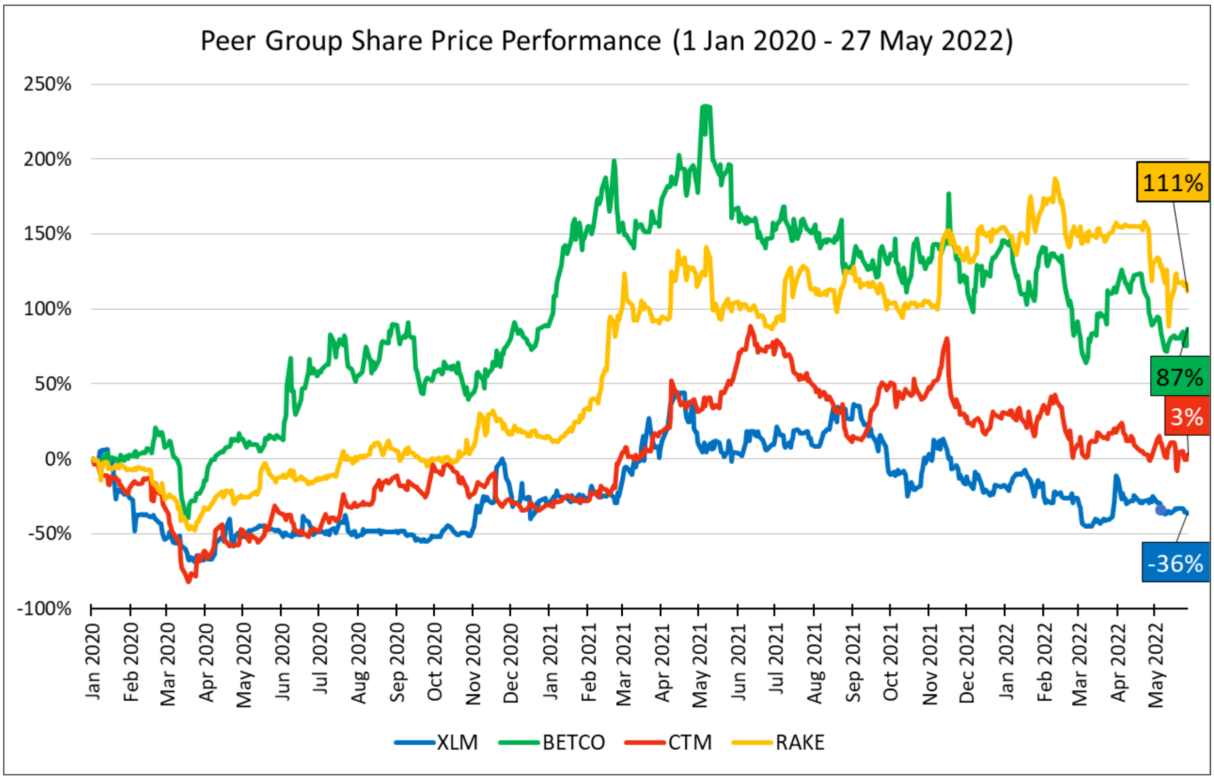
Consequently, we think that even the averages of our intrinsic value estimates could turn out to be too conservative, especially if the company continues to grow EBITDA margins back to 42% and if it outperforms our growth expectations.

XLMedia's Share Price Continues to Underperform Relative to Peers

We compared the share price performance of XLMedia with its peers on various time horizons ending 27 May 2022 when we conducted our analysis. Unfortunately, XLMedia's share price underperformed the entire peer group on all time horizons, despite XLMedia's recent operational, organizational, and financial improvements that were initiated in 2020 and began to bear fruits in 2021 with significant uplifts in margins and profitability in H2 2021.

The first time horizon begins on 1 Jan 2020 before the Covid-19 pandemic started to escalate and affect financial markets and before XLMedia announced the manual Google penalty on a range of its Casino websites. While the entire industry suffered during the Corona crash, XLMedia's and Catena Media's share prices were severely hit. Catena's sharp decline likely resulted from a high financial leverage from aggressive acquisitive growth. When the Covid-19 crash struck, sports events were being cancelled, and some Casino assets underperformed expectations so that Catena Media had to undergo a refinancing. XLMedia was severely hit because of the triple whammy of the Google penalty in its Casino vertical, the cancellations and postponements of sports events in the Sports vertical, as well as customers in its Personal Finance vertical reducing and pausing marketing activities. Until the end of the period, XLMedia's price underperformed its peers between 39% and 147%, being the only company ending the period with a negative share price performance.

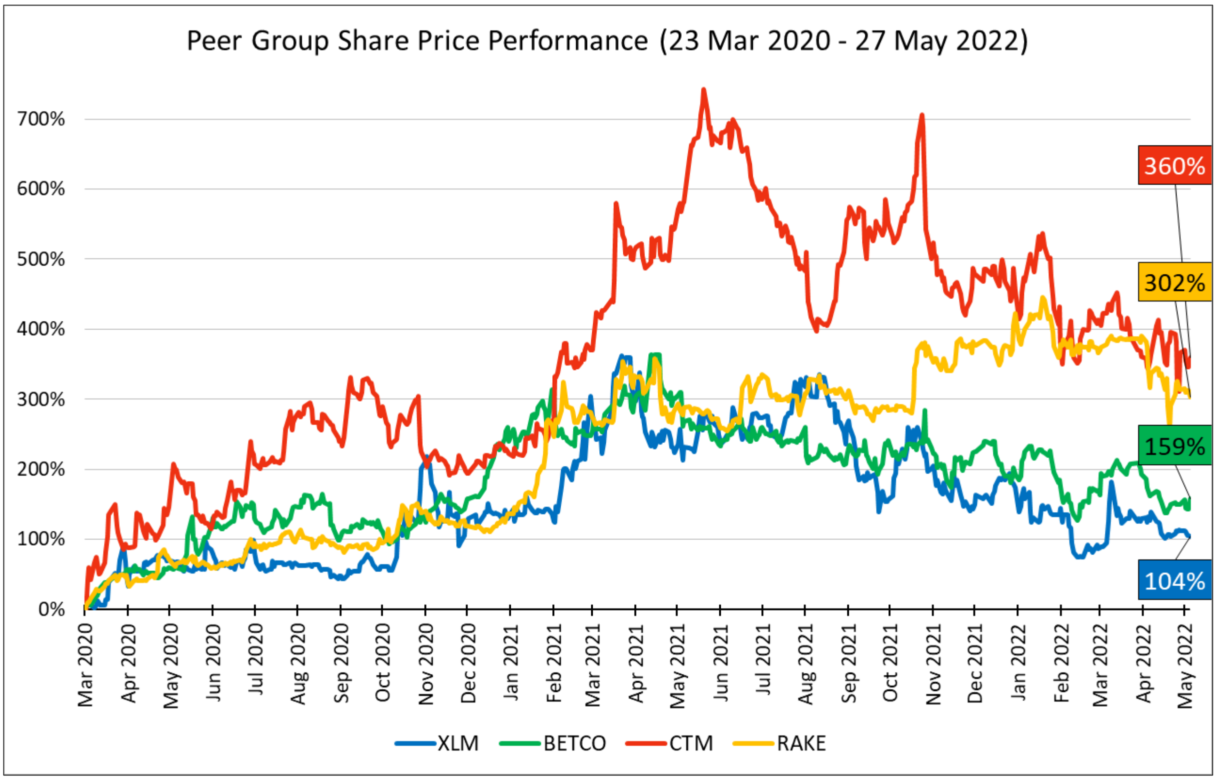
[5] Not reported by the company, calculated from reported sequential results.



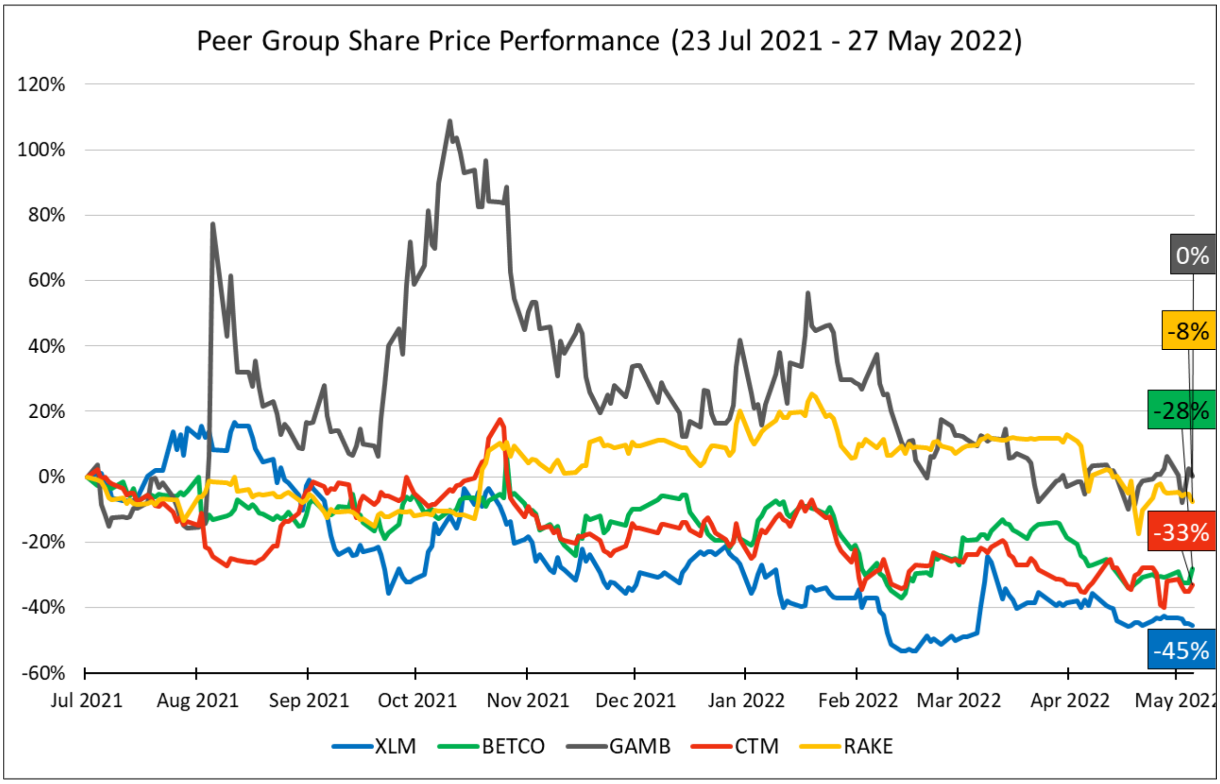
Over the second time horizon from 23 Mar 2020 onwards, we compare the share price performance of XLMedia PLC from its all-time low during the Corona crash. Again, the share price failed to keep up with its peers. As XLMedia's Casino assets were affected by the Google penalty, the company failed to benefit from the Corona tailwinds in the Casino vertical during the remainder of 2020 and Winter 2021 as people spent more time at home and consequently on online entertainment.

XLMedia's share price had four catch-up periods, the first beginning after the presentation of the H1 results at the end of September when the company announced that it expects significant financial improvements in H2 2020 and ahead of its first US Sports acquisition (CBWG) on 10 December. The second catch-up period began in late February before the company announced the acquisition of SBD on 18 March. The third catch-up period began in early August 2021, ahead of XLMedia's announcement of the acquisition of Saturday Football on 2 September 2021.The fourth catch-up period began with the announcement of the FY 2021 results on 29 March 2022, as the results were very well-perceived by the market with a share price increase of 45% in three days. But the announcement of CEO Stuart Simms leaving the company just six days later wiped-out half of these gains on that single day.

During the period of 23 Mar 2020 to 27 May 2022, from its all-time low to the end of the day of this analysis, XLMedia's share price underperformed its peers by 55% to 256%.



In the last time horizon, we compare the peer group performance from 23 July 2021 onwards. This is the day of Gambling.com's IPO. Although it was a weak period for the entire industry, XLMedia's share price performance came in last, underperforming peers by 12% to 45%.



Share Price Performance Does Not Match Earnings Growth Expectations

While XLMedia had to focus primarily on its transformation in 2020, 2021 and H1 2022, competitors could focus on growth. A comparison of 2021 and expected 2022 revenue and adjusted EBITDA growth rates for the peer group reveals that XLMedia underperformed in terms of revenue growth in 2021 by c. 30 percentage points and is expected to underperform another c. 32 percentage points in 2022. This underperformance primarily results from the revenue declines in XLMedia's Casino and Personal Finance vertical.

In terms of earnings growth, the picture looks very different. XLMedia grew its adjusted EBITDA in 2021 on average by c. 11 percentage points faster than its peers and is expected to grow c. 5 percentage points faster than the peer group average in 2022. Although these higher growth rates are partially the result of cost savings and not entirely the result of revenue growth, XLMedia will be roughly on par with Raketech and Gambling.com in terms of 2022e EBITDA and revenue.

Revenue	Currency	2020	2021	Δ %	2022e	Δ %
Better Collective	mEUR	91,2	177,2	94%	225,0	27%
Gambling.com	mUSD	28,0	42,3	51%	73,5	74%
Catena Media	mEUR	106,0	136,1	28%	149,7	10%
Raketech	mEUR	29,4	38,5	31%	52,5	36%
Peer Group				**51%**		**37%**
XLMedia	**mUSD**	**54,8**	**66,5**	**21%**	**70**	**5%**

Adj. EBITDA	Currency	2020	2021	Δ %	2022e	Δ %
Better Collective	mEUR	38,2	55,8	46%	85	52%
Gambling.com	mUSD	14,6	18,4	26%	24,5	33%
Catena Media	mEUR	52,0	68,8	32%	70,4	2%
Raketech	mEUR	11,9	16,4	38%	22,1	35%
Peer Group				**36%**		**31%**
XLMedia	**mUSD**	**12,2**	**17,9**	**47%**	**24,3**	**36%**

As we argued before, we expect that this drag on total revenue growth will largely be digested by the end of 2022 and that topline growth is likely to accelerate significantly after 2022 due to the high growth rates of the US Sports Media business which will have a much higher weight by then. We expect the Personal Finance vertical to become an additional tailwind as it will run against very weak comparables in 2023 and as the benefits from the platform and team migration should kick in.

We expect that by the end of 2022, XLMedia will have the highest relative share of US sports betting and iGaming exposure of its peer group. Although we expect that Catena Media should have a comparable relative share of US revenues, we expect XLMedia's US revenues to grow faster going forward, because a significant share of Catena Media's US revenue is from iGaming, which comes at lower growth rates as the legalization timeline for iGaming is much slower relative to sports betting. Therefore, we expect XLMedia's top-line revenues to benefit stronger from the structural growth of the US sports betting market than its competitors going forward, although the details depend on the individual exposure to legalizing states, future acquisitions, and sports media partnerships. But with its strong US Sports Media business and diversified brand portfolio, we think that XLMedia is in a great position to play a leading role in this market.

US Sports Betting and iGaming Exposure	XLM	BETCO	GAMB	CTM	RAKE
North American iGaming Revenue in FY21 (mUSD)	22	53	8	77	4
% of Total Revenue (FY21)	32%	27%	18%	50%	*9%*
Est. North American iGaming Revenue in FY22 (mUSD)	45	121	36	102	11
% of Expected Total Revenue (FY22e)	64%	50%	49%	64%	*20%*
Max. mUSD committed on NA iGaming Acquisitions (since 2018)	75	432	97	101	40

Source: Company Resources, Own Estimates and Projectons.

* As of 31 Dec 2021, adjusted for subsequent acquisitions

Based on peers' reported Q1-22 results and information that XLMedia shared in their FY21 results presentation on slides 5 and 7, we tried to triangulate their Q1-22 revenue.[6] It is still an estimate as it requires some assumptions such as constant CPA rates and distribution of US Sports revenue between Q3-21 and Q4-21, but we think that our estimate for XLMedia'S Q1-22 US Sports revenue is somewhat educated. Even if we are off in absolute terms, we think that the relative share should at least confirm our thesis that XLMedia will have the highest relative share of US Sports revenue of its peer group by 2022, even if our estimate is off by a wide margin.

[6] https://www.xlmedia.com/wp-content/uploads/2022/03/2021-Full-Year-Results-Presentation.pdf.

US Sports Betting and iGaming Exposure	XLM	BETCO	GAMB	CTM	RAKE
North American iGaming Revenue in Q1-22 (mUSD)	*27**	34	11	32	*3*
% of Total Revenue (Q1-22)	*79%**	46%	54%	65%	*19%*

Source: Company Resources, **Own Estimates and Projectons*.

Valuation

Valuation Relative to Peer Group

The result of XLMedia's weak share price performance despite its significantly improving fundamentals is also reflected in its valuation, on both absolute and relative basis. Regarding the absolute basis, XLMedia's enterprise value stands at 1.1x expected 2022 sales and 3.3x expected 2022 EBITDA respectively, whereas their peers are valued at an weighted average 2022e EV/EBITDA of 8.6x and 3.5x average 2022e EV/Sales respectively.

Company	3m Average Share Price	Share Price Currency	Shares Out mil	3m Avg. Market Cap mUSD	Net Debt* mUSD	3m Avg. EV mUSD	EBITDA 2022e** mUSD	EBITDA Margin 2022e**	Sales 2022e** mUSD	EV/EBITDA 2022e	EV/Sales 2022e
Better Collective	156,3	SEK	54,8	873	197	1070	91,1	38%	241	11,7 x	4,4 x
Gambling.com	8,46	USD	35,4	299	-16	283	24,5	33%	73,5	11,6 x	3,9 x
Catena Media	44	SEK	76,3	319	63	381	75,4	47%	160,5	5,1 x	2,4 x
Raketech	22,59	SEK	41,3	89	12	101	23,6	42%	56,3	4,3 x	1,8 x
Peer Group				**1580**	**256**	**1836**	**215**	**40%**	**532**	**8,6 x**	**3,5 x**
XLMedia	**31,1 GBp**		**262,6**	**103**	**-22**	**80**	**24,3**	**35%**	**70**	**3,3 x**	**1,1 x**

Table as of 27 May 2022. FX Rates as of 27 May 2022.
* Net debt based on company reports as of 31 Dec 2021, adjusted for cash payments for subsequent acquisitions.
** Sources for Sales and EBITDA 2022 estimates. Exclusive of future acquisitions.
Better Collective: Own estimates based on most recent company outlook as of 19 April 2022.
Gambling.com: Estimates based on midpoints most recent company outlook range as of 24 March 2022.
Catena Media: Sales estimates based on company's most recent targets for 2022 as of 30 March 2022, EBITDA margin based on our own projections.
Raketech: Sales and EBITDA estimates are the midpoints of the company's outlook, reiterated 11 May 2022.
XLMedia: Most recent estimates provided by Cenkos, as the company does not provide an outlook.

XLMedia trades at a discount of c. 30% to c. 48% relative to the average of Catena Media and Raketech, at a discount of c. 62% to c. 69% to the peer group average and at a discount of 72% to 74% relative to Better Collective and Gambling.com. In other words, Catena and Raketech trade at an average premium of 42% (EV/EBITDA) to 91% (EV/Sales) relative to XLMedia, the peer group trades at an average premium of c. 161% to c. 218%, and Gambling.com and Better Collective at an average Premium of c. 253% to c. 277%.

Although XLMedia's valuation is similar to an asset in financial distress, it has the healthiest balance sheet in relative and absolute terms and the highest net cash position. This becomes even more visible after adjusting the financial leverage for expected contingency considerations that result from prior acquisitions.

	XLM	BETCO	GAMB	CTM	RAKE
Financial Leverage					
Net Debt in mUSD (FY21)*	-22	197	-16	63	12
x of EBITDA 2022e	-0,9x	2,2x	-0,7x	0,9x	0,5x
Expected Contigent Considerations in mUSD*	30	59	33	27	35
x of EBITDA 2022e	1,2x	0,7x	1,4x	0,4x	1,5x
Net Debt and Cont. Considerations Combined in mUSD*	8	257	17	90	48
x of EBITDA 2022e	0,3x	2,8x	0,7x	1,3x	2x

Source: Company Filings.
* As of 31 Dec 2021, adjusted for subsequent acquisitions

Although these liabilities do not carry an interest rate, they must eventually be paid once performance requirements are met and as they become due. Although some of these payments may be paid in shares, they will still have a negative impact on total shareholder return, as the payment in shares causes dilution and the lower the valuation of a company, the higher the dilution and, therefore, the higher the negative impact on shareholders' return. Consequently, shareholders of Better Collective and Gambling.com are much better off compared to XLMedia when contingent considerations are paid in shares, as it causes less dilution for shareholders as fewer shares must be issued to match a given liability (in relative terms).

Assuming XLMedia has access to debt instruments such as credit facilities, bank loans or bonds, the company could raise debt of about 1.4x EBITDA 2022e to be on par with the average financial leverage for the peer group and to provide an additional 35m USD for acquisitions, buybacks or other investments that could translate into additional earnings potential while their competitors have already used up most of that potential.

We argued that there are multiple reasons why we think that shares of XLMedia PLC are trading way too low, both in absolute and relative to peers. Given the company's organizational, operational, and financial improvements, its higher relative exposure to the US sports betting market more than offsetting the expected declines in the Casino and Personal Finance vertical, having the healthiest balance sheet of all peers, and as the company expects a gradual return to historic margin levels, we argue that XLMedia PLC should at least be valued at peer group average to reflect its idiosyncratic upside potential. This would translate into an average share price of 75p[7], implying an upside of more than 140% from the 3m average share price of 31p in the period of our analysis ending 27 May 2022.

Implied Fair Value (GBp per share)	Min	**Average**	Max
EV/EBITDA	38	70	93
EV/Sales	45	80	101
Average	41	**75**	97
Implied Upside from 3m Avg. Share Price	Min	**Average**	Max
EV/EBITDA	23%	**124%**	199%
EV/Sales	44%	**157%**	224%
Average	33%	**140%**	212%

Valuation Based on Transaction Multiples

Since we expect XLMedia's US Sports business, which itself is essentially the result of three relatively recent acquisitions, to be the largest vertical for XLMedia in 2022, probably contributing significantly more than 50% to total revenue, we think that it makes sense to look at transaction multiples for acquisitions that have taken place in the sports media and iGaming and affiliate market.

Roughly two thirds of the transactions were priced on LTM basis. As target companies are usually growing businesses, quoting the transaction on LTM basis could be overstating the real transaction multiple, especially when there is a lag between the LTM base and the time of acquisition. One third of the acquisitions were valued on NTM basis, thereby potentially understating the underlying transaction multiple if the performance does not match expectations. As these effects counter each other and given that we used the median and not the average valuation for our analysis, we think that these transaction multiples are representative. An adjustment for the US and non-US acquisitions did not change the picture materially, but we noticed that transaction prices were increasingly quoted on revenue and not EBITDA. We excluded acquisitions where no valuation metric was published or where it was not representative of its business performance.[8]

[7] After backing out the market capitalization from enterprise value, dividing it by the number of outstanding shares and converting the share price using the FX rates as of 27 May 2022. The underlying data points to perform this calculation can be found in the peer group valuation table.
[8] Examples are the acquisition of VegasInsider by Better Collective and Sports Betting Dime by XLMedia, where the business models changed so that past revenue and EBITDA data were not indicative of the future performance.

Date	Acquirer	Target	Region	Vertical	**Price (mUSD)	**Revenue (mUSD)	**EBITDA (mUSD)	Base	Price/Rev	Price/EBITDA
25-Jan-18	Gambling.com	Happen Chances	UK/US	Sports/Casino	10,8	*2,0*		NTM	5,4 x	
01-Mar-18	Gambling.com	Bookies.com	UK/US	Sports	8,8	*3,0*		LTM	2,9 x	
28-Mar-18	Catena Media	BonusSeeker.com	US	Casino	16,0	1,8	1,3	LTM	8,9 x	12,7 x
27-Jun-18	Catena Media	ASAP ITALIA	IT	Sports	25,7	4,2		LTM	6,1 x	
29-Jun-18	Better Collective	Bola Webinformation	DE	Sports	41	9	6,5	LTM	4,6 x	6,3 x
21-Dec-18	Better Collective	Ribacka	SE	Sports/Casino	34	7,1	5,9	LTM	4,8 x	5,8 x
26-Apr-19	Raketech	TVmatsit.com	FI	Sports	2,1		0,4	LTM		5,2 x
28-May-19	Better Collective	Rical*	US	Sports	35	8	3	LTM	4,4 x	11,7 x
30-Aug-19	Raketech	Casumba Media	JP	Sports/Casino	17,0		0,7	LTM		23 x
02-Sep-19	Better Collective	MOAR Performance	UK	Sports	2,6	0,5	0,4	LTM	5,5 x	7,3 x
29-Jan-20	Penn National Gaming	Barstool Sports*	US	Sports	450,0	*100,0*		LTM	4,5 x	
28-Feb-20	Better Collective	HLTV.org	Global	E-Sports	38,0	5,6	3,9	LTM	6,8 x	9,7 x
11-Mar-20	Raketech	Lead Republik	CA, NZ, DE	Sports/Casino	1,8	3,6	1,3	LTM	0,5 x	1,4 x
01-Oct-20	Better Collective	Atemi Group	UK/Global	Casino/Sports	51,7	47	9,4	NTM	1,1 x	5,5 x
06-Nov-20	Raketech	American Gambler	US	Sports/Casino	5,9	1,7	1,5	NTM	3,5 x	3,9 x
10-Dec-20	XLMedia	CBWG	US	Sports	25	4,6	2,7	LTM	5,4 x	9,3 x
31-Mar-21	Better Collective	Rekatochklart.com	SE	Sports	4,5	1,4	1,1	LTM	3,1 x	4,2 x
03-May-21	Better Collective	Action Network	US	Sports	240	40		NTM	6,0 x	
04-May-21	Catena Media	Lineups.com	US	Sports	40,1	7,5		LTM	5,3 x	
07-Jul-21	Raketech	QM Media	US	Sports	18,9	5,0	3,4	LTM	3,8 x	5,6 x
19-Jul-21	Raketech	Infinileads	LatAm, ES, IT	Casino	10,0	1,5	1,2	NTM	6,7 x	8,5 x
02-Sep-21	XLMedia	Saturday Football	US	Sports	24	2,5	0,6	LTM	9,6 x	40 x
09-Sep-21	Catena Media	i15	US	Sports/Casino	45,0	8,0	5,6	LTM	5,6 x	8,0 x
24-Sep-21	Better Collective	Soccernews.nl	NL	Sports	11,3	3,2		NTM	3,6 x	
22-Nov-21	FansUnite	American Affiliate	US	Sports/Casino	58,2	*13,1*	6	LTM	4,4 x	9,7 x
13-Dec-21	Gambling.com	Roto Sports	US	Sports	27,5	6,9		LTM	4 x	
19-Dec-21	Raketech	A.T.S. Consultants	US	Sports	15,5	6,2	2,6	LTM	2,5 x	6 x
06-Jan-22	New York Times	The Athletic	US	Sports	550	65		LTM	8 x	
01-Feb-22	Gambling.com	NDC Media	CA/US	Sports/Casino	69,0	19,7		2023e	3,5 x	
23-Mar-22	Better Collective	Canada Sports Betting	CA/US	Sports	23,5	*5,3*		NTM	4,5 x	
19-Apr-22	Better Collective	Futbin	US	E-Sports	113,3	14,0		LTM	8,1 x	
							Average		4,9 x	9,7 x
							Median		**4,6 x**	**7,3 x**

Source: Company announcements.

* The acquisition price in the case of partial acquisitions was extrapolated to 100% ownership.
** Differences in price, revenue and EBITDA relative to the announced figures may result from FX conversion and post-acquisition adjustments due to (uncapped) earnouts.

Based on median transaction multiples of 4.6x revenue and 7.3x EBITDA relative to EV, we come up with an average intrinsic value per share for XLMedia PLC of 82p[9], implying an upside of c. 165% from the 3m average share price of 31p in the period of our analysis ending 27 May 2022.

Implied Fair Value Range and Upside	Min	Average	Max
GBp per XLM Share	60	**82**	103
Implied Upside from 3m Avg. Share Price	94%	**163%**	232%

Sum of the Parts

US Sports Media Business

We find it remarkable that the market values XLMedia at an enterprise value of c. $80m, although the acquisition price for its three US acquisitions combined amounted to $75m and although the acquired businesses perform well beyond expectations.

We argue that XLMedia's US sports media business as a standalone listed company would have the highest revenue and earnings growth profile compared to all peers, because all peer group companies do have a sizable non-US business with significantly lower organic growth rates due to higher iGaming penetration rates in their respective end-markets.

Furthermore, it would be a US sports media pureplay, and if it was listed in the US market, it would be much more visible and accessible for more institutional and private investors. It would be the only listed US sports media affiliate pureplay in the world's largest equity market and the only listed company

[9] After backing out the market capitalization from enterprise value, dividing it by the number of outstanding shares and converting the share price using the FX rates as of 27 May 2022. The underlying data points to perform this calculation can be found in the peer group valuation table.

providing investors with a 100% exposure to benefit from the massive structural tailwind of the US sports betting market in this part of the value chain. It would be easier to analyze, project and value the business than it would be for other listed peers, and it would be investable for investors with a US-only focus.

Therefore, as a standalone, we think that the US sports media business should command a premium over all other peer group members. But even if we assume that they were priced in line with Better Collective at 11.7x EV/EBITDA and 4.4x EV/sales, we think that based on our expectations for 2022 of $45m revenue and $18m EBITDA, XLMedia's US sports media business alone should be worth more than $200m as of 2022, equivalent to a value of c. 62p per share.

European Sports, Personal Finance and Casino

As for the legacy business, we think that after 2022, any further tail revenue losses of the Casino business can be compensated by new money generation, and we think that the Personal Finance vertical is likely to return to growth after the platform migration. Furthermore, we think that the European Sports vertical can grow organically with the market. Therefore, we think that the legacy business can start growing from the new lower base after 2022.

We estimate that the legacy business of XLMedia will generate between $20m and $25m in revenue in 2022 with an EBITDA margin of 25% to 30%, implying a midpoint EBITDA of $6.2m. We assume depreciation and amortization to be 7% of revenue (in line with peers) and a tax rate of 18% for a net income of $3.8m and EPS of 1.2p per share.

If we assume a full payout and value the company simply with a single-stage dividend discount model, we get to a value per share of 21p.[10]

Total 2022 SOTP Value

In total, we get to a 2022 sum of the parts value of 90p for XLMedia PLC, consisting of 62p for the US sports media business, and 21p for the legacy Casino, European Sports, and Personal Finance business, and 7p for the $22.4m net cash position.

- PART IV -

Explanations for Proposals

Strategy and Quantitative Targets

As we stated in our intentions, we have only one intention: Helping XLMedia to become the best business for all stakeholders that it can be, realizing its full earnings growth potential, reflected in a strong and fair valuation that is representative of its intrinsic value per share.

The company's share price finally reflecting the company's intrinsic value is of paramount importance not only for us as shareholders but for all stakeholders. As we have pointed out in Part III, the company's share price has underperformed relative to peers on all time horizons and has continued to underperform despite XLMedia's outperforming earnings growth after its financial turnaround. The discount to peers amounts to c. 30% to c. 74% and the discount to our conservative average range for the company's intrinsic value per share amounts to c. 59% to c. 66%.

We argue therefore, that XLMedia's underperformance is not the driven by fundamentals but the result of a structural disconnection with capital markets due to a lack of publicly announced short- and mid-term financial targets, no clear strategy and roadmap for how these targets will be achieved, XLMedia's AIM listing, bad communication to capital markets, and untransparent reporting practices that increase the cost of information acquisition for investors and financial analysts. Therefore, the company is hardly investible for institutional investors, especially international investors, causing a lack of demand for its

[10] We use UK cost of equity of 7.87%, composed of 10Y UK GILT yield of 1.92% as of 27 May 2022 and equity risk premium of 5.95% for the UK market and assume that earnings and hence dividends will grow with the 2% inflation target of the Bank of England and ECB. Further information about the UK equity risk premium that we used can be found under https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html, as of 28 May 2022.

shares, illiquidity, a structurally lower valuation, and a higher cost of capital which has negative repercussions for the business and shareholders due to a smaller range of potential acquisition targets, higher dilution from acquisitions and share-based payments, lower earnings growth per share and many more effects.

Throughout this letter, we have provided many important proposals for how the company can overcome this structural disconnection from capital markets and finally receive a valuation that is reflective of its intrinsic value.

We regard it as the board's and management's duty, to finally act and take care of this situation. The decision to invest in a business requires an understanding of the future of the business. However, while the company has shared what they are doing, they have not told shareholders and the capital markets why they do what they do, how they form the decisions they make, what their targets for the company are and how they want to get there. There is no overall business strategy visible underpinned by quantitative financial targets and a roadmap for how to get there. But this is required by capital markets to be able to value the company. Even for sophisticated investors and analysts, any forecasts of the business in the medium-term are subject to high uncertainty, because the value of the business depends on the strategy that the board and management pursue and with the company's very limited disclosures, unfortunate reporting structure and no targets that shareholders can hold the board and management accountable for, the company is highly unattractive for investors.

Therefore, to help investors understand the company's future of the business and to understand how the board and management plan to finally resolve the company's structural discount to its intrinsic value, we ask the board to

(1) Develop a holistic business strategy to maximize the company's intrinsic value per share, including a plan for the company's intrinsic value per share to be fully reflected by its market price within twelve months.

(2) Introduce, set, publish, and update quantitative mid-term goals for revenue, operating profit (or margin) as well as earnings or free cash flow per share based on this strategy and with a roadmap for how to get there.

Strategic Business and Capital Allocation Review to Maximize Shareholder Value

We regard it as the board's and management's duty to act in the best interest of all stakeholders and shareholders in particular, as they are the owners of the company. It is the board's duty to act as good stewards of capital and pursue the route of business that is in the best financial interest of shareholders. To be able to judge which route is in the best financial interest of shareholders, the board needs to know the opportunity costs of all routes. Therefore, we ask the board

(3) Independent of (1) and (2), consider all alternative routes to maximize and unlock the company's intrinsic value per share within twelve months, including

   i. Selling all non-US sports verticals to become a pureplay US Sports Media company or

   ii. Selling the entire company to a strategic or financial investor or

   iii. Spinning off the US Sports Media operations as a standalone company or

   iv. Other actions that could maximize and unlock the company's intrinsic value per share.

   Therefore, we ask the company to conduct a market sounding for potential takeover bids for the entire company or parts of the business, serving as a basis for any decisions and as comparative value for the expected intrinsic value per share under the board's business strategy.

(4) The board should present the outcome of this process to all shareholders and pursue the route that maximizes the company's intrinsic value per share and provide all relevant information for all shareholders to validate this decision. If the board is approached with

informal takeover offers that the board decides to block, we expect that the board provides a statement to all shareholders explaining their decision. We expect that the board does not block any potential takeover offers above our minimum estimated intrinsic value range of 75p to 90p and lets shareholders vote instead. Should the board decide to block any such offer, it must provide a statement to shareholders explaining their decision in detail, supported with their calculations and underlying assumptions.

If available, credit facilities provide easy and relatively low-cost access to liquidity to take opportunities when they arise. Although we like the fact that XLMedia has the healthiest balance sheet of its peers with a sizable net cash position, the company should make sure to have this instrument available to be able to make use of outstanding opportunities as they arise. We argue that with a discount of more than 60% to its intrinsic value, XLMedia's share price provides exactly such an opportunity the company should seize immediately. Despite the company's material net cash position, when factoring in outstanding contingency payments, the company would have to finance any share buybacks from its free cash flow. Furthermore, the company could not pursue any major attractive acquisitions without access to a credit facility unless it chooses to raise equity at the current valuation, which would cause a massive dilution for shareholders and would raise the question of when and whether the acquisitions would amortize on a per share basis.

We argue that, with a discount of more than 60% to its intrinsic value and an implied upside of more than 150%, there is any other investment opportunity for the company that is expected to generate higher risk-adjusted returns. Given the attractiveness of repurchasing shares at this level, we argue that the board and management neglect their duty to act in the best interest of shareholders and stakeholders if they do not repurchase as many shares as possible. Even at a price of 40p, buybacks would yield an expected return of more than 100%. To put things into perspective, $35m deployed at 40p would repurchase almost 70m shares and almost bring the number of outstanding shares back to the level before the SBD acquisition and increase intrinsic value per share by 36%. Therefore, unless the board and management can come up with investment opportunities that will create a higher increase in intrinsic value per share, we ask the board that

(5) Independent of (1) – (4), the company should install a $35m share buyback program that automatically begins once the share price falls significantly below the board's estimate of the company's intrinsic value per share and allows for an expected return that is higher than any other available capital allocation option that is not yet fully allocated.[11] The company should keep the shares as treasury shares for potential future funding and liquidity requirements. The share buyback program should be financed by a combination of a $35m credit facility, the company's net cash position and free cash flow. Even if fully drawn, we think that the credit facility could be repaid in less than two years by the company's free cash flow generation or sooner with proceeds from potential asset sales.

Corporate Governance

The significantly positive correlation between 'having skin in the game' and performance has been well documented in behavioral finance and economics.[12] When compared to peers, XLMedia's and Catena Media's Insider Ownership is in the low single-digits and hardly sufficient to effectively solve principal-agent problems.

	XLM	BETCO	GAMB	CTM	RAKE
Ownership Structure (Insiders, Published Top 10 Owners or Shareholders above 3%)					
Insider Ownership (Board and Management)	3%	42%	58%	1%	19%

We argue that competitors like Better Collective, Gambling.com and Raketech are much less likely to suffer from principal-agent problems, because management and control are aligned by significant

[11] Adjusted for tax and cost implications for the buyback program.

[12] McConnell, John J., and Henri Servaes, (1990). Additional evidence on equity ownership and corporate value. Journal of Financial Economics, 27 (2), 595-612; Cremers, M., Driessen, J., Maenhout, P., & Weinbaum, D. (2009). Does Skin in the Game Matter? Director Incentives and Governance in the Mutual Fund Industry. Journal of Financial and Quantitative Analysis, 44(6), 1345-1373.

ownership. Therefore, their board and management do have a much stronger effective control over operations. We think that the incentive to succeed, to go the extra mile, to having the willingness to try and test new things, to think carefully about potential risks, to make unconventional steps when required, to not just preserve the status quo but to be obsessed to become a better business every day, is much stronger if you feel the outcome of your decisions.

While we generally support XLMedia's incentive scheme for management remuneration, we think that it misses an important piece: the downside. While executive management members can do very well, if the company and owners of the company do well, they do not participate in the downside, if the company does not do well and/or if the owners, that is, the shareholders do not do well.

For board members, the remuneration system is even worse. They participate on neither the upside nor the downside. While one could argue that this ensures a neutral and independent perspective on the business and allow its independent control function, we think that the opposite is the case. Where was the board's control function before the Google penalty? With no incentive for the business to do well, the only incentive board members have is to not totally screw it up to keep their reputation intact and to become reelected.

Consequently, any major and maybe vitally required changes to or opportunities for the business, especially changes in a field where they are no experts, face a mental hurdle they might not pass. But, if the business somehow survives or drags along, there is nothing to fear. While this might very well help to reduce the overall risk of business decisions, it also potentially cuts off the positive and desired part of the risk distribution of outcomes. The result can be a company that is trapped in mediocrity and that opportunities that could create great value for the company and its stake- and shareholders could be missed out on.

To reduce these structural misalignments between the board, management, and owners of the company (shareholders), we ask the board that

(6) All directors and executive management team members should show commitment to the company and invest at least two times their basic salary/compensation of their private funds in shares of XLMedia PLC to align their interests with the owners of the company.

We think that it is a great mistake in corporate governance architectures of companies in general, but particularly in the case of XLMedia that neither board nor management members feel the negative consequences of their decisions (except for one board member). This logic has been laid out before.

We also think that there are at least two reasons why the company cares so little about shareholders: One, as neither board members nor management members (except for one board member) are significant shareholders, they do not think like owners of the business and therefore, they either do not care about capital market communication and valuation, or it is just not their field of expertise and do not bring the mindset or knowledge to the table. Although we hoped that this might change with the largest shareholder sending a representative to the board, it has become evident from the lack of progress in terms of capital market communication and other measures to improve investor engagement, that there is still no board member representing the majority interests of the shareholder base and who brings the knowledge and willingness to the table to address the shortcomings that we raise today.

Therefore, we urge the board to

(7) Add an additional board member with capital market expertise and adequate focus on shareholder interests and capital market communication and to allow us to propose the right candidate.

Another aspect of corporate governance where the company has caused upset among shareholders was the unequal treatment of shareholders in the equity raise in the course of the SBD acquisition where the largest shareholder, Premier Investissement SAS, was allocated a disproportionately high number of shares.

Premier Investissement SAS owned 41.523.122 shares before the equity raise, equivalent to c. 21.28% of voting rights.[13] Accordingly, if all shareholders were treated equally, their allotment of the 67.503.200 newly issued shares would have been 14.367.939 shares. As the company announced, the placing was significantly oversubscribed. This underlines the attractiveness of this deal, as the company was trading at a significant discount to its intrinsic value at that time and as the new shares were issued at a discount of 6.5% relative to the 20 day volume weighted average price.[14] The allotment to Premier Investissement SAS was 29.551.008 placing shares, so 15.183.069 and 105.7% more shares than they would have been entitled to in a fair initial allocation.

We know that it was not only Premier Investissement SAS, but also a small number of other selected (institutional) investors who were offered to participate in this exclusive placing and subscription scheme giving them the opportunity to disproportionately increase their share in an already undervalued business at a discount and at the cost of all remaining shareholders who were not allowed to participate.

Another data point confirming the unfair and unequal treatment of remaining shareholders is the fact that all remaining shareholders who were not part of the exclusive placing and subscription deal and who are likely to have represented far more than 50% of the entire shareholder base, were allowed to participate in the open offer only, giving them access to 7.503.200 shares, equivalent to c. 3.85% of total voting rights and subject to a pro rata allocation. In other words, just to prevent dilution, shareholders that could only participate in the open offer (which was the case for almost all shareholders) would have to oversubscribe their pro rata allotment by 800% and hope for a full allocation.

As the company announced, shareholders participating in the open offer applied for 34.244.714 open offer shares, an oversubscription of c. 356%, which had to be scaled back accordingly.[15]

In this light, we struggle to find any other meaning than pure cynicism in the comment by CEO Simms that

> *"It is extremely pleasing to see the level of support received from both new and existing investors as part of this heavily oversubscribed fundraising. The level of demand for the Placing reflects confidence in XLMedia's strategy and growth potential in the US sports betting market. […]"*[16]

and the comment the company issued with regards to the related party transaction with Premier Investissement SAS, stating that

> *"The Directors consider, having consulted with the Company's nominated adviser, Cenkos, that the terms of Premier's participation in the Placing is fair and reasonable insofar as the Shareholders are concerned."*[17]

Although we share the confidence in XLMedia's growth potential in the US sports betting market, we think that at these highly beneficial terms for the exclusive circle of participants of the placing and subscription offer at the cost of remaining shareholders, it would be folly to not go for the maximum allotment and is rather a confirmation of the financial attractiveness of the deal structure than for the company's strategy and growth potential. If it was truly a testament to the company's strategy and growth potential, this exclusive circle would have acquired these new shares at a premium to the market price and not at a discount at the cost of excluded shareholders.

And with regards to Cenkos, XLMedia's nominated adviser, we are curious to learn how they came up with their evaluation that the terms of Premier Investissement's participation were fair and reasonable insofar as the shareholders are concerned. It would be helpful for all shareholders that were only allowed to participate in the open offer to see Cenkos' analysis and reasoning regarding the fairness of the deal. The fact that Cenkos also acted as one of the two joint bookrunners, underwriting for the first 7.29m GBP (hardly a risk in a deal that was constructed like that and that was massively oversubscribed) and

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[13] https://otp.tools.investis.com/clients/uk/xlmedia1/rns/regulatory-story.aspx?cid=807&newsid=1448765, as of 28 May 2022.
[14] https://otp.tools.investis.com/clients/uk/xlmedia1/rns/regulatory-story.aspx?cid=807&newsid=1462224, as of 28 May 2022.
[15] https://otp.tools.investis.com/clients/uk/xlmedia1/rns/regulatory-story.aspx?cid=807&newsid=1466998, as of 28 May 2022.
[16] https://otp.tools.investis.com/clients/uk/xlmedia1/rns/regulatory-story.aspx?cid=807&newsid=1462224, as of 28 May 2022.
[17] Ibid., as of 28 May 2022.

getting their fair share of the 1.1m GBP in transaction costs is probably unrelated to that and a prime example of AIM's questionable regulation and bad reputation.[18]

Although we supported the acquisition of SBD, we think that the unfair structure of this deal with regards to the broad shareholder base, where a small group of selected shareholders benefitted at the cost of others, was clearly not helpful for the perception of how the company treats smaller or non-institutional shareholders, which account for the majority of the company's shareholder base.

As the company was probably aware of their larger shareholders' support and given that the placing was oversubscribed, we don't see any reason why the equity raise could not have been structured in a single transaction like the open offer that would have given all shareholders the equal opportunity to participate and to decide if they want to become diluted or not.

Therefore, to not further lose trust among active and future shareholders, we urge the board to

(8) Treat all shareholders equally in any future corporate action or transaction with shareholders. Do not allow certain shareholders to gain an advantage over others by preferred treatment in any form. Conduct exclusive equity raises only at par with or at a premium to the company's intrinsic value.

Listing

On the macro level, higher disclosure and reporting requirements, stronger shareholder protection mechanisms and other measures that create transparency and remove information asymmetry strengthen the trust between companies and investors in equity markets and lead to a higher stock market participation rate, creating a higher demand for equities and therefore has a positive impact on asset prices.[19]

Similarly, on the micro level, trust in the integrity of a company, its board, its management, its mandatory and non-mandatory reporting disclosures, controlling, and monitoring systems is a major contributor to a company's perception by capital markets. The positive impact of higher trust levels on trading volume, liquidity, lower explicit and implicit trading costs, the valuation of a company's stock and, hence, its cost of capital, is well-documented in equity market research.[20]

With its light touch regulation and nominated advisor (Nomad) system, the London Alternative Investment Market (AIM) has attracted almost 4000 companies for their IPO, raising about £130bn since its initiation in 1995. The light regulation has attracted companies from all over the world, as about one third of these companies are headquartered or operate outside the UK.[21] Its reputation, however, is less stellar. Following the discussions on whether AIM is a success or not, whether AIM is the "wild west"[22] of stock markets or not, clearly depends on the perspective on this market. With companies having raised about £130bn, AIM seems to be an important part of the UK and global funding ecosystem for young companies.

But not only do the companies and their owners at the time of IPO benefit from the easy access to growth capital. Each of these 4000 companies required a Nomad, consultants, brokers, legal and PR advisors, etc. Besides that, the exchange, market makers, brokers and research firms benefit from their continued listing in the secondary market and there are more fees to earn in potential subsequent capital

[18] https://otp.tools.investis.com/clients/uk/xlmedia1/rns/regulatory-story.aspx?cid=807&newsid=1461912, as of 28 May 2022.
[19] Dimitris Georgarakos, Giacomo Pasini (2011). Trust, Sociability, and Stock Market Participation. Review of Finance *15*(4), 693–725; Giannetti, M., & Koskinen, Y. (2010). Investor Protection, Equity Returns, and Financial Globalization. Journal of Financial and Quantitative Analysis, 45(1), 135-168; Luigi Guiso, Paola Sapienza, and Luigi Zingales (2008). Trusting the Stock Market. Journal of Finance 63(6), 2557-2600; Adam Ng, Mansor H. Ibrahim, Abbas Mirakhor (2016). Does trust contribute to stock market development? Economic Modelling 52(A), 239-250.
[20] Lang, M., Lins, K.V. and Maffett, M. (2012). Transparency, Liquidity, and Valuation: International Evidence on When Transparency Matters Most. Journal of Accounting Research 50, 729-774; Mikhail Pevzner, Fei Xie, Xiangang Xin (2015). When firms talk, do investors listen? The role of trust in stock market reactions to corporate earnings announcements. Journal of Financial Economics 117(1), 190-223; Diamond, D. W., & Verrecchia, R. E. (1991). Disclosure, Liquidity, and the Cost of Capital. The Journal of Finance, 46(4), 1325–1359.
[21] https://www2.londonstockexchangegroup.com/AIMforgrowth, as of 28 May 2022.
[22] https://www.ft.com/content/2cb37958-af6a-11e7-beba-5521c713abf4, as of 28 May 2022.

raises. Consequently, it is not surprising that most of the positive commentary is associated with representatives of one of these interest groups. And it will certainly be representatives of these interest groups that will try to persuade the board to not change XLMedia's listing, irrespective of the obvious and objective benefits that it would bring for the company and its shareholders.

As XLMedia is long past its IPO, what matters more is the easy and fast access to IPO capital for rapid early-stage growth. As an established public company, the question is, which market and which segment is the best fit between the company and (potential) investors with regards to the company's business strategy, so that the cost of capital is as low as possible and provides most likely a continuous reflection of the company's intrinsic value. As argued multiple times throughout this letter, in a highly fragmented industry with ongoing consolidation that is significantly driven by acquisitions, being able to raise equity when required and at a low cost of capital is incredibly important for the company to succeed in the long-term, to generate higher returns on acquisitions and to not hurt its investors by massive dilution.

As it is the investors who provide the capital and as it is investors' demand for the company's shares that determines the cost of capital for a company, the answer to this question can only be found by focusing on the investors' perspective on AIM. Speaking as a group of experienced and professional investors, we can assure that AIM's reputation among international investors, especially professional and institutional investors, is more in line with the "wild west" narrative, as it is based on facts that matter for equity investors: equity returns.

What is claimed as a great success story by the IPO, advisory and brokerage ecosystem is in aggregate a disaster from investors' perspective. The FTSE AIM ALL-Share Index return from October 1996 until today has been -4%, whereas the FTSE ALL-Share Index returned +90%, the FTSE SmallCap Index +205%.[23] Of the almost 4000 AIM IPOs, only 582 companies are still listed.[24] Financial market research has documented abnormally high failure rates, underperforming post-listing returns and abnormally high pre-listing accruals. Authors attribute this to the inherent conflict of interest within AIM's light and private self-regulation that is carried out by Nomads, who are paid by their customers and compete for contracts.[25]

Studies that analyzed the impact of switching the market segment between the London Stock Exchange Main Market and AIM documented a positive average return of c. 5% upon the announcement to switch from AIM to the Main Market. Switching to the Main Market resulted in higher liquidity and trading volume, higher share prices and valuations. Contrary, companies switching from the Main Market to AIM experienced an average return of c. -5% on the announcement day, persistently lower liquidity, and higher trading costs.[26]

Therefore, from the investors' point of view, the bad reputation of AIM is warranted, which is why many institutional investors, especially from outside the UK, choose to not invest in AIM-listed companies at all. With the Main Market and its higher regulatory standard receiving a greater acceptance and visibility among international investors and being subject to broader coverage of exchange-traded funds (ETFs) products, liquidity is likely to increase when switching from AIM to the Main Market, which itself attracts even more investors who require higher liquidity for a company to be investable.[27]

We think that Joseph Piotroski, one of the most renowned contributors to financial research, summarized it well

[23] As of 27 May 2022.
[24] As of January 2022, https://www2.londonstockexchangegroup.com/AIMforgrowth
[25] Joseph Gerakos, Mark Lang, and Mark Maffett (2013). Post-listing performance and private sector regulation: The experience of London's Alternative Investment Market. Journal of Accounting and Economics 56(2-3), Supplement 1, 189-215. Joseph D. Piotroski (2013). The London Stock Exchange's AIM experiment: Regulatory or market failure? Journal of Accounting and Economics 56(2-3), 216-223.
[26] Mortazian, M. (2022). Liquidity and Volatility of Stocks Moved from the Main Market to the Alternative Investment Market (AIM). Asia-Pacific Financial Markets 29, 195–220 (2022). Jenkinson, Tim, and Tarun Ramodorai (2013). Does One Size Fit All? The Consequences of Switching Markets with Different Regulatory Standards. European Financial Management 19(5), 852-886.
[27] Diamond, D. W., & Verrecchia, R. E. (1991). Disclosure, Liquidity, and the Cost of Capital. The Journal of Finance, 46(4), 1325–1359. https://www.growthbusiness.co.uk/aim-to-main-why-bother-646731/

"Based upon the growth in listings on the London Stock Exchange's Alternative Investment Market over the last two decades, it is easy to characterize the AIM experiment as a success. This shine, however, is quickly tarnished once one considers the returns earned by investors on the AIM compared to investors on other publicly regulated exchanges. GLM provide some of the first evidence documenting the poor performance of AIM listed firms, and these results cast considerable doubt about the effectiveness of private sector regulation as currently implemented. More importantly, the current set of analyses raise fundamental questions about the pricing of AIM securities (especially as it relates to nonregulatory factors). The current results appear to reflect a tenuous equilibrium where low quality firm are attracted to a low cost exchange with limited regulatory oversight, and yet seem to be capable of selling overpriced shares to unsophisticated investors as a result of investors behavioral biases, tax attributes and/or specific risk-return preferences."[28]

Consistent with financial market research, we argue that it is important for XLMedia to win more and especially international institutional investors, as they play an important part in the heterogeneity of a company's investor base, improving information dissemination, liquidity, and market efficiency while reducing information asymmetry and trading costs. The result is a more efficient valuation and consequently, a reduction of its cost of capital.[29]

With XLMedia's share price having declined by c. 96% from peak to trough, one cannot deny that it contributed its fair share to AIMs bad reputation, irrespective of causality and development of fundamentals. The company used to have a broad institutional investor base from Germany, Sweden, US, and UK, most of whom some of the authors know personally. All institutional investors that we got to know personally sold their holdings in XLMedia because of the shortcomings that we try to address with this letter and that we want the company to overcome by the implementation of our proposals by the board.[30]

We think that it is not enough for XLMedia to improve its business and financial performance as it successfully does. A lot of trust has been destroyed in recent years among institutional and retail investors alike. We think that the company will not be able to win back the investors whose trust they lost unless the board implements our proposals. We think that it is vital for the future of the business to win new investors: institutional, retail, local, and international.

But, to win new investors, XLMedia needs to be investable for new investors. With AIMs bad reputation and lack of trust among many international and institutional investors, and with XLMedia's unfortunate history of dealing and communicating with investors, we highly doubt that the company will be able to reach the valuation that it deserves.

Gambling.com, one of XLMedia's closest competitors, was the first company of their peer group (as defined in this letter) to take the route to a US Nasdaq listing, and Catena Media CEO Michael Daly has laid out the logic of at least a potential dual listing in the US, given the company's significant revenue footprint in the US.[31]

We expect that XLMedia will generate about two thirds of its revenue in 2022 from the United States. As we expect this share to grow even higher in the coming years, we think that XLMedia PLC should change their stock market listing from London AIM to the US Nasdaq Global Market. This way, the company could overcome AIM's bad reputation, be investable for a much broader, international

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[28] Joseph D. Piotroski (2013). The London Stock Exchange's AIM experiment: Regulatory or market failure? Journal of Accounting and Economics 56(2-3), 216-223.

[29] Boehmer, Ekkehart, and Eric K. Kelley (2009). Institutional Investors and the Informational Efficiency of Prices. The Review of Financial Studies 22(9), 3563–3594; Kacperczyk, Marcin, Savitar Sundaresan, and Tianyu Wang (2021). Do Foreign Institutional Investors Improve Price Efficiency? The Review of Financial Studies 34(3), 1317–1367; Chan, Kalok and Cheng, Si and Hameed, Allaudeen, Investor Heterogeneity and Liquidity (February 11, 2021). Available at SSRN: https://ssrn.com/abstract=2914324; Knyazeva. A., Knyazeva D., and, Leonard Kostovetsky (2018). Investor heterogeneity and trading. European Financial Management 24(4), 680-718; Paul A. Gompers, Andrew Metrick (2001). Institutional Investors and Equity Prices. The Quarterly Journal of Economics 116(1), 229–259.

[30] Besides the weak fundamental performance until 2020 and the still ongoing weak share price performance.

[31] https://www.youtube.com/watch?app=desktop&v=WOttSedJ7n8&feature=youtu.be, (10:50).

institutional and retail investor base, having access to the world's largest and most sophisticated equity market, a market and a segment with a globally trusted regulation and oversight, and finally, increased liquidity, higher valuation, and lower cost of capital.

Therefore, we ask the board to

(9) Change the company's listing from London AIM to US Nasdaq.

Investor Relations and Capital Markets Communication

Changing XLMedia's share listing from AIM to US Nasdaq is an important and required step for the company to rebuild and expand its investor base, as it removes the technical, political, and mental restrictions that many institutional investors have regarding investing in AIM-listed companies. But simply being investible is not enough. To win new institutional investors, the company needs to be visible and attract investors.

We argue that having an effective and high-quality internal Investor Relations (IR) department is key to attracting and retaining investors.

The US National Investor Relations Institute defines Investor Relations as

> *"[…] a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation."*[32]

We think that this definition is accurate, because it summarizes the essence of a whole body of financial research and studies that have documented the benefits that IR can achieve for a company with the ultimate purpose of achieving a fair valuation, which we have argued to be of high importance to XLMedia.

According to financial research, Investor Relations increase the visibility of investors and help to raise investors' attention. They help to attract sophisticated, institutional investors who are capable of understanding and interpreting a company's disclosed information and contributing with their investment decisions to a fair valuation of a company's shares. According to Jin (2014), it is especially the coverage by financial analysts and the engagement of institutional investors such as bank trusts, pensions and endowments that reduce a company's mispricing.[33]

A look at XLMedia's ownership structure reveals that there is a lack of exactly these kinds of investors. Except for Gambling.com, which had its IPO less than a year ago, all peers have a much more diversified institutional shareholder base in terms of number, type, and origin compared to XLMedia.

	XLM	BETCO	GAMB	CTM	RAKE
Ownership Structure (Insiders, Published Top 10 Owners or Shareholders above 3%)					
Insider Ownership (Board and Management)	3%	42%	58%	1%	19%
Investment Companies/Funds	33% (2)	7% (5)	16% (1)	32% (6)	5% (1)
Insurance/Pension Funds	0% (0)	14% (4)	0% (0)	18% (3)	18% (3)
Individuals	0% (0)	2% (1)	4% (1)	0% (0)	32% (4)
Treasury Shares	0%	1%	0%	6%	0%
Other Institutionals and Retail Investors	64%	34%	22%	43%	26%

Multiple studies have documented that Investor Relations reduce the cost of information acquisition for financial analysts and investors by improving the disclosure quality, effective communication of the

[32] https://www.niri.org/about-niri, as of 28 May 2022.
[33] Justin Y. Jin (2014). Investor Attention and Stock Mispricing. Accounting Perspectives 13(2), 123-147.

company's business model, strategy, mandatory and voluntary information, and increasing the visibility and accessibility for financial analysts and investors by organizing meetings and presentations, attending and presenting on capital market conferences, conducting roadshows, being available for Q&A sessions and other activities. The result is a reduction in information asymmetry, a higher coverage by financial analysts, a broader and more diversified international investor base, an increase in the liquidity of a company's stock, lower trading costs and bid-ask spreads, higher valuation multiples and share price, and therefore, lower cost of capital. These effects are particularly strong for small companies and companies experiencing a strong mispricing.[34]

Studies that analyzed the impact on companies' share price and valuation multiples after introducing Investor Relations departments not only document positive abnormal returns on the announcement day, but significantly higher and lasting liquidity and valuation effects. The increase in valuation multiples could partially result from the reduction of the illiquidity discount, which Loderer and Roth (2005) document to be c. 30% in median.[35] In addition, once the stock becomes more liquid, it becomes investable for more investors with higher liquidity hurdle rates and therefore gradually increasing the investability for more and more investors.

In terms of measures and channels by which IR effectively communicates with investors, studies documented significant and positive effects for investor presentations on capital market conferences and roadshows, Q&A sessions in the form of open briefings, webcasts or direct calls and meetings. The positive impact of direct access to the CEO and CFO via calls, meetings or presentations is documented to decrease with company size but is especially important for small- and medium-sized companies with a high share of intangible assets and that are hard to value. While presentations at conferences are particularly useful to increase the visibility to institutional investors that were otherwise unlikely to discover a stock, direct CEO and CFO access via calls and meetings are found to increase the trust and relationship with institutional investors. Increased media coverage has a positive impact on the discovery process for institutional and retail investors but the impact on investing activity is primarily documented for retail investors whereas institutional investors' investment activity concentrates on companies issuing earnings guidance on a regular basis. In terms of qualitative factors for investment, the quality of a company's communication, strategic consistency and corporate governance are among the most important qualitative factors for investment. The flow of information works in two ways, as feedback from analysts and investors helps companies' managements to reflect on the companies' strategic direction, and shareholders' demands and expectations.[36]

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[34] Brennan, Michael J., and Claudia Tamarowski (2000). Investor Relations, Liquidity, and Stock Prices. Journal of Applied Corporate Finance 12(4), 26-37; Coebergh, Piet Hein (2011). Voluntary Disclosure of Corporate Strategy: Determinants and Outcomes - An Empirical Study into the Risks and Payoffs of Communicating Corporate Strategy. Available at SSRN: https://ssrn.com/abstract=1965029; Bushee, Brian J., and Miller, Gregory S. (2007). Investor Relations, Firm Visibility, and Investor Following. Available at SSRN: https://ssrn.com/abstract=643223; Kirk, Marcus, and James Vincent (2014). Professional Investor Relations within the Firm. The Accounting Review 89(4), 1421-1452. Available at SSRN: https://ssrn.com/abstract=2362952; Bushee, Brian J., and Miller, Gregory. S. (2012). Investor Relations, Firm Visibility, and Investor Following. The Accounting Review, 87(3), 867–897; Demos, Nick (2013). Targeting Investors via Proactive Roadshows. Available at SSRN: https://ssrn.com/abstract=2348279; Taffler, Richard, Bellotti, Xijuan, and Elly Nash (2015). Investor relations, information asymmetry and market value. Accounting and Business Research 46(1), 1-20; Chang, M., D'Anna, G., Watson, I., & Wee, M. (2008). Does Disclosure Quality via Investor Relations Affect Information Asymmetry? Australian Journal of Management 33(2), 375–390; Laskin, Alexander V. (2011). How Investor Relations Contributes to the Corporate Bottom Line. Journal of Public Relations Research 23(3), 302-324; Amihud, Y. and Mendelson, H. (2000). The Liquidity Route to a Lower Cost of Capital. Journal of Applied Corporate Finance 12(4), 8-25.

[35] Bushee, Brian J., and Miller, Gregory. S. (2012). Investor Relations, Firm Visibility, and Investor Following. The Accounting Review, 87(3), 867–897; Vlittis, Adamos, and Melita Charitou (2012). Valuation effects of investor relations investments. Accounting and Finance 52(3), 941-970; Bushee, Brian J., and Miller, Gregory S. (2007). Investor Relations, Firm Visibility, and Investor Following. The Accounting Review 87(3), 867-897; Taffler, Richard, Bellotti, Xijuan, and Elly Nash (2015). Investor relations, information asymmetry and market value. Accounting and Business Research 46(1), 1-20; Loderer, Claudio, and Lukas Roth (2005). The pricing discount for limited liquidity: evidence from SWX Swiss Exchange and the Nasdaq. Journal of Empirical Finance 12(2), 239-268; Chang, M., D'Anna, G., Watson, I., & Wee, M. (2008). Does Disclosure Quality via Investor Relations Affect Information Asymmetry? Australian Journal of Management 33(2), 375–390.

[36] Green, T. Clifton and Jame Russell and Markov, Stanimir and Musa Subasi (2014). Broker-Hosted Investor Conferences. Journal of Accounting and Economics 58(1), 142-166; Hoffmann, Christian, and Christian Fieseler (2011). Investor relations beyond financials: Non-financial factors and capital market image building. Corporate Communications: An International Journal 17(2), 138-155; Kalay, Alon (2014). Investor Sophistication and Disclosure Clienteles. Available at SSRN: https://ssrn.com/abstract=1762809; Bushee, Brian J., and Miller, Gregory. S. (2012). Investor Relations, Firm Visibility, and Investor Following. The Accounting Review, 87(3), 867–897; Demos, Nick (2013). Targeting Investors via Proactive Roadshows.

According to our discussions with the board and management, one reason why the company was reluctant to install an IR department was the associated costs. According to IR Magazine's Global Investor Relations Practice Report 2021, the global average IR budget amounted to $335.000 in 2021.[37] For our purpose, let's round that number up to $0.5m. Based on XLMedia's 2022e EV/EBITDA multiple of 3.4x, it would reduce the Enterprise Value by $1.7m, equivalent to 2%. To break even in terms of EV, the IR department would have to achieve an increase of the EV/EBITDA multiple of 0.07x only. If installing an internal IR department would result in closing 50% of the valuation discount to the competitor with the next lowest EV/EBITDA valuation, the IR department would have created an enterprise value of c. $13m (after its additional cost), that is 26x its assumed cost of $0.5m. Of course, we could run this exercise with more ambitious targets for even more extreme results. But we think that the message is clear. Cost cannot be an argument for not installing an IR department, even if the cost was $1m or $1.5m. And we haven't even touched on benefits from lower dilution from share-based payments for employees or contingency payments, potential equity raises, or other indirect effects such as shares potentially becoming an acquisition currency that would allow multiple-arbitrage or the company being able to use shares as attractive reward to attract and retain great talent.

XLMedia is the only company in its peer group that does not have an Investor Relations department. It is also the only company that does not report quarterly, has no history of operational KPIs, does currently not conduct earnings call webcasts with Q&A, does not provide quantitative full year targets, and does not have a financial calendar with reporting dates. Although we don't think that any single factor can explain the discount to peers, we think that the comparison of these factors documents very well its below average analyst and investor friendliness. It is also noteworthy that the two competitors with the highest analyst, shareholder, and investor friendliness command the highest multiples.

	XLM	BETCO	GAMB	CTM	RAKE
Analyst, Shareholder and Investor Friendliness					
Investor Relations Department	-	x	x	x	x
Quarterly Reporting	-	x	x	x	x
Operational KPIs History	(-)	x	(x)	x	x
Webcasts with Q&A	(x)	x	x	x	x
Transcripts	-	x	x	-	-
Quantitative FY Targets	-	x	x	(x)	x
Quantitative Mid-Term Targets	-	(x)	x	-	-
Financial Calendar with Reporting Dates	-	x	(x)	x	x
Analyst Coverage	2	3	3	2	0
Investor Presentation with Investment Case	-	-	x	-	-

Source: Company Resources.

Based on our assessment of XLMedia's reporting and capital markets communication, we must conclude that it is insufficient, irregular, irrelevant, and value-destroying in many instances for the following reasons.

First, as XLMedia reports bi-annually with a lag of c. three months, the information about the covered period is already outdated when investors receive it. As all competitors report quarterly with a lag of six to seven weeks only, one must wait four months to get an idea of how XLMedia's Q1 and Q3 results compare to its peers and by that time, the results for these quarters are almost six months old. Furthermore, results are not comparable on a quarterly basis to peers, because there is no way to back out Q1 and Q2 results from H1 results or Q3 and Q4 from H2 results. One can only combine competitors' quarterly results to generate H1 and H2 results for the competitors to achieve comparability. In addition, the company does not even break out H2 performance from FY results, which adds an additional step

Available at SSRN: https://ssrn.com/abstract=2348279; Ferguson, Andrew, and Tom Scott (2016). The determinants and market reaction to Open Briefings: an investor relations option and evidence on the effectiveness of disclosure. Accounting and Finance 56(3), 803-843.

[37] https://research.irmagazine.com/reportaction/global-investor-relations-practice-report-2021/Marketing, as of 28 May 2022.

for analysts, shareholders, and potential investors. Although we don't want the company to become short-term focused or chase short-term results at the cost of long-term performance, one cannot deny that XLMedia's bi-annual reporting and reporting lag clearly hurts comparability, timeliness and relevance of information and increases the cost of information acquisition for investors. Although the company provides trading updates with a lag of generally four to eight weeks, their low level of information usually creates more confusion and raises more questions than they seek to answer, creating uncertainty for the two months until H1 or FY results are released.

Second, as the company does not publish a financial calendar, interested parties can only guess when the company will report. Dates for the release of trading updates, H1 and FY reports vary significantly, dates of trading updates are not announced in advance, and the notice period for the release of H1 or FY results varies between 4 days and 4 weeks. Given the company's negative news flow in the last years, its significant transformation and related changes, the variation of release dates between two weeks and almost eight weeks creates additional uncertainty, especially as the company's communication to capital markets beyond financial results is very limited.

Year	FY Trading Update	FY Results	H1 Trading Update	H1 Results	Other
2022	01.02.	29.03.			
2021	26.01.	27.04.	26.07.	23.09.	
2020	19.12., 04.02.	22.04.	23.07.	29.09.	20.01., 11.05.
2019	17.01.	26.03.	16.07.	23.09.	26.02.
2018		13.03.	24.07.	24.09.	11.06.
2017	24.01.	07.03.	04.07.	11.09.	21.11.
2016	19.01.	30.03.	26.07.	14.09.	12.05.
2015	19.01.	30.03.		21.09.	12.11.

Third, although we acknowledge and welcome that XLMedia introduced operational KPIs in their last earnings reports and introduced earnings webcasts with Q&A, the fact that the company canceled the last earnings webcast for the FY 2021 results without any note to shareholders raises the question of how the company will proceed in this regard. Another example of inconsistent communication is the announcement made in the H1 2021 webcast where the company said to share more insights regarding its positive proof of concepts of utilizing data to increase the yields of existing assets with the trading update in January and then not even mentioning it in the trading update.[38]

Fourth, making claims that cannot be proven because the company does not provide the data required to verify these claims requires investors to rely on the management's statements. During the H1 2021 Q&A, investors pointed to the significant decline in traffic of Personal Finance assets since the Google update in June/July 2021. The management argues that this decline in traffic does not necessarily result in a decline in revenues or profits as the conversion plays an important role, and with the restructuring of the Personal Finance business, profitability should improve over H2 2021. With revenue in the Personal Finance business having dropped from $6.6m in H1 2021 to $2.1m in H2 2021, it is difficult to believe that the Personal Finance business improved in H2 in terms of profitability and that the concerns of the investor raising the question were justified. Nevertheless, as the company does not report profits and margins per segment, verification is impossible, but it looks like trusting management's statements was not justified.[39]

Fifth, the company's policy of guidance is inconsistent. As we know from financial research, providing guidance has a positive impact on attracting investors, but the company has chosen to not provide guidance for 2022, whereas all competitors do. This raises doubts whether the board and management are close enough to the business to provide guidance or whether the business is too unreliable to issue guidance. This raises the question of how competitors can provide guidance. The commentary to FY

[38] https://secure.emincote.com/client/xlmedia/2021-half-year-results (31:15-31:45), as of 28 May 2022; https://otp.tools.investis.com/clients/uk/xlmedia1/rns/regulatory-story.aspx?cid=807&newsid=1547623, as of 28 May 2022.
[39] https://secure.emincote.com/client/xlmedia/2021-half-year-results (20:45-22:30), as of 28 May 2022.

2021 results contains the statement that the business is currently trading "in-line with management expectations"[40], but the company has never published what management expectations are, which is another point that cannot be proven. Probably even more important than full year guidance are quantitative midterm targets, which currently only Gambling.com provides as Better Collective has not updated theirs yet. Especially in a business undergoing a substantial transformation or that is subject to high growth rates, multi-year targets help investors to see through the transformation or capture the full impact of compounding growth and benefits from scale effects.

Sixth, the company's overall communication and transparency to shareholders and capital markets is insufficient, creating unnecessary uncertainty, damaging the company's valuation, and thereby increasing the company's cost of capital. Although observable in many instances, we want to focus on the companies' release of FY 2021 trading update on 1 February 2022 and the release of FY 2021 results on 29 March 2022.

In the trading update, the company reported revenue of $66.6m for FY 2021 while the total revenue by vertical added up to $57.2m only with no hint where the difference of $9.4m came from, leaving room for speculation if the total headline revenue number was incorrect, segment revenue was incorrect or whether the company was preparing to discontinue or sell some activities and therefore attributing these revenues to discontinued activities. We wonder how these kinds of statements can be released with seemingly nobody anticipating shareholders' and investors' thinking and providing the relevant information to allow a correct interpretation of this trading update so that it does not confuse investors more than it helps. Investors who did not have the chance to speak to representatives of the company were left in the dark for almost two months until the release of the FY 2021 results to get enough information to triangulate where the unallocated revenue was in the end allocated. We were probably not the only shareholders puzzled by the trading update given that the share price dropped by c. 21% intraday and closed c. 10% lower, but there was no release made for clarification and no hint in the release for the FY 2021 numbers.

When the company published FY 2021 results on 29 March 2022 with particularly impressive data points for the US Sports business, shareholders like us were waiting for the webcast to begin. We had to reach out to the company to learn that the webcast and Q&A were canceled without any reason given. We were probably not the only investors that were left puzzled about why the webcast was cancelled without any notice and frustrated that we had to reach out to the company to learn about this. Since there was enough time to record and upload a presentation, we assume that there was enough time to notify shareholders with one or two lines, instead of waiting for them to reach out to the company. Shareholders had to wait until 4 April to learn that the reason for the failed webcast was CEO Stuart Simms leaving the company. The share price dropped c. 15% that day. We wonder how anyone on the board can really think that this communication to shareholders is appropriate.

Based on the indisputable evidence documented by financial research and our own experience and expertise as professional investors, Investor Relations can have a tremendous effect on a company's value, but also based on the negative experience we made as long-term co-owners of XLMedia PLC with regards to how the company destroys shareholder value by its communication policy, we demand from the board to

(10) Install a professional, internal Investor Relations department that

- **i. implements a professional capital markets communication strategy to build a transparent and trustful relationship with shareholders and capital markets**
- **ii. provides a clear and consistent communication of the company's business strategy, roadmap, and short- and midterm targets**

[40] https://otp.tools.investis.com/clients/uk/xlmedia1/rns/regulatory-story.aspx?cid=807&newsid=1568125, as of 28 May 2022.

iii. **actively engages in building a global institutional investor base by attending relevant capital market conferences in Europe and North America to increase XLMedia's reach and visibility to institutional investors**

iv. **holds a capital markets day to provide an in-depth insight into the company after its completed transformation and use it as a platform to present the company's strategy, quantitative mid-term targets and the roadmap to achieving these**

v. **launches a new corporate and investor relations website providing all relevant information to shareholders and prospective investors, enabling them to form and update their investment decisions**

vi. **aims to provide the best-in-class IR service possible with the ultimate goal to enable capital markets to determine XLMedia PLC's intrinsic value, adequately reflected in its share price**

Reporting

As we have argued before, XLMedia's bi-annual H1 and FY reporting structure hinders comparability with competitors, reduces timeliness and relevance of information and increases the cost of information acquisition for analysts and investors. Furthermore, as the company does not report profits per vertical, investors cannot reliably value or compare verticals with competitors or judge the board's and management's decision-making, resulting in increased cost of information acquisition for analysts and investors. Given the uncertainty that results from the company's irregular reporting schedule, setting the reporting dates for the whole year in advance sets clear expectations of when financial results will be released throughout the year. We argue that by changing the company's reporting frequency and structure, and by increasing voluntary disclosure of information, market participants will find it easier to value and compare the company, eventually resulting in increased investor engagement and thereby contributing to removing the company's undervaluation.

Therefore, we ask the board to

(11) Switch from bi-annual to quarterly reporting, report profits per vertical, bring voluntary disclosure of information at least on par with peers, set reporting dates for the whole year and provide them along with other events in a financial calendar on its investor relations website.

Capital Allocation

Efficient capital allocation is one of the most important tasks of the board and management and one of the greatest value drivers for a business. Yet, it is surprising how many management teams do not fully understand the great impact that an opportunistic capital allocation strategy can have on the intrinsic value per share of a business and how it can be used not only to differentiate from competition but also to gain an advantage.

In theory, good capital allocation is very simple. A company creates value when it can earn returns on capital that are higher than its cost. The more capital a company can deploy that way, the more value it creates. To determine the optimal capital allocation, a company needs to know its cost of capital for its respective sources of capital and the expected returns of its capital allocation options. As almost all these inputs vary with market prices, the optimal set of capital allocation is not static but dynamic. Still, many companies set a static capital allocation policy, not taking advantage of opportunities as they arise, leaving many chips on the table.

While it is okay to have a "default" capital allocation during normal times, a company should have the flexibility to switch to an opportunistic capital allocation that allows the board and management to move quickly as opportunities arise. May it be exceptionally low interest rates for debt financing, materially undervalued shares offering the company to create staggering returns for shareholders through buybacks, materially overvalued shares offering the company to access capital at exceptionally low cost, acquisition targets with great assets but in financial distress, a period of exceptionally low acquisition prices or outstanding internal investment opportunities to drive organic growth. Just like in equity investing, truly outstanding opportunities are rare and need to be seized as they arise. But the board and management need to monitor the cost of capital as well as expected returns for all capital allocation options to not miss such opportunities.

To be able to compare expected returns on capital allocation options, the company needs to have a clear understanding of the company's intrinsic value. Otherwise, it cannot determine the optimal capital allocation. No matter how well the board and management might know acquisition targets, this insight will almost always be inferior to their knowledge about their own company. Thus, they should be able to form a much more reliable opinion on the value of the company they manage. Consequently, the return on repurchasing their own company's shares should be the benchmark to compare all other investment opportunities against and another key metric to use in the prioritization of investment opportunities should be the impact on the company's intrinsic value per share. The focus on the intrinsic value per share is highly important as it ensures that the number of pieces does not grow faster than the pie.

Having a clear, opportunistic capital allocation policy that is well communicated to shareholders ensures that investors can rely on the board and management to take advantage of rare opportunities, that they are not shy to undertake bold moves when required, and that they are good stewards of capital, while board and management can be sure that they have the support of shareholders for such steps.

Therefore, we ask the board to

(12) Develop and formulate a clear, opportunistic, and value-creating capital allocation policy with the aim of maximizing the company's intrinsic value per share. This capital allocation policy should become part of the company's investor presentation and investment pitch so that investors know that the company has a clear understanding of capital allocation, and the flexibility and courage to move quickly as opportunities arise.

Financing

Although we like the fact that XLMedia has the most conservative balance sheet with the highest relative upside potential in terms of borrowing power (and thus theoretically the highest relative future earnings potential from that), unlike most of their peers, the company doesn't have a credit facility available (to our best knowledge).

Liquidity Access	XLM	BETCO	GAMB	CTM	RAKE
Available Credit Facility	-	€124m	-	€10m	€15m @ 4.25%
Available Bank Term Loan	-	-	-	€25m	-
Available Bond	-	-	-	55m @ 6%+EURIBO	-

Source: Company Filings.
* As of 31 Dec 2021, adjusted for subsequent acquisitions

The outstanding net cash balance of 22m USD plus free cashflow provides for some financial flexibility. But with the contingent considerations in mind, major acquisitions of a similar or even larger scale than the recent US acquisitions would require external financing via debt or equity. At the current and depressed valuation, shareholders would be diluted by c. 20% if the company was to finance a deal of similar scale as its three US sports acquisitions of c. 25m USD each.

Assuming a potential target is acquired at a median EBITDA multiple of 7.3x as according to our transactions table, it would imply that XLMedia's EBITDA per share drops by ca. 9% and can only be compensated if the acquired target grows its EBITDA accordingly. Consequently, a significant portion of a target's growth potential is "lost", just to make up for the negative multiple arbitrage.

If XLMedia was trading at an EV/EBITDA multiple of 11.7x like Better Collective or Gambling.com, the company would have to dilute shareholders by c. 9% only to finance the deal with equity and would benefit from an increase of EBITDA per share of 13%. Consequently, in their case, the significantly positive EBITDA per share contribution would result in a head start with a target's full growth potential coming on top or acting as a margin of safety, if the target's earnings growth does not work out as expected.

Consequently, in a consolidating industry with frequent acquisitions a strong valuation is key to minimize dilution for shareholders and to increase the likelihood to benefit from multiple arbitrage.

Having access to a variety of financing options gives a company more flexibility to act even when equity is expensive (meaning valuations are low) and when internal financing capacity is insufficient to finance an otherwise attractive acquisition. Therefore, we ask the board to

(13) Gain access to additional liquidity options such as revolving credit facilities and bank loans. We recommend securing a $35m credit facility agreement to bring the company's liquidity options more in line with competitors while remaining below 1.5x net debt to EBITDA even if fully drawn.

Although we are very pleased with the operational and financial performance of the company's US acquisitions, they have come at a significant cost to shareholders: the equity raise caused a dilution of c. 29%, implying that earnings per share would have to increase by c. 40% from these acquisitions just to break even. While the company has proven its capability to identify attractive targets in the US sports media market, history has also shown that not all acquisitions will perform as expected and that earnings growth might not compensate for the dilution resulting from an equity raise, especially not at high rates of dilution that result from an equity raise at low valuations.

If a target's valuation is significantly higher than the valuation of the acquiring company and financed by an equity raise, the resulting dilution can be higher than the expected contribution to earnings per share. The result could be a growing net income at the company level but a decline in earnings per share. To ensure that the board and management evaluate potential acquisitions on per-share level and not only on the company level, and to reduce the likelihood of massive dilutions from equity raises for acquisitions of targets with a higher valuation (which at the current valuation for XLMedia would basically hold for all acquisitions), we ask the board to

(14) Only raise equity for acquisitions when a target's valuation is lower than XLMedia's own valuation OR explain to shareholders quantitatively why a transaction is still highly likely to be accretive to the company's intrinsic value per share AND why raising equity is the best financing option for that deal to maximize the intrinsic value per share.

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For questions and media inquiries related to this letter, please contact

Andreas Hennes, CFA

Schumannstraße 33

53113 Bonn

Germany

Email: openletterxlm@outlook.com