

# Adcore Advertising Technology

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**Matthew Lee** | Analyst | Canaccord Genuity Corp. (Canada) | mlee@cgf.com | 1.416.687.5363

**Mariya Khoroshun** | Research Intern | Canaccord Genuity Corp. (Canada) | mkhoroshun@cgf.com | 1.416.687.6507

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## Overview

Adcore (ADCO-TSX) is a global advertising technology company experiencing significant growth with its developed tech-based platforms that focus on providing cloud-based ad-tech solutions specialized for ecommerce and a live e-learning marketplace. The company's business segments are strategically positioned to address the combined ~\$1 trillion market for digital advertising and recreational e-learning.

### Cloud-based ad-tech solution specialized for ecommerce

**Rapidly growing digital advertising industry.** The pandemic meaningfully accelerated ecommerce penetration worldwide, with digital ad spending now representing ~61% of the \$455B in media ad spending (+20% y/y growth) in 2021. This is expected to further accelerate given the structural shift in consumer spending habits.

**Four SaaS solutions under one scalable, cloud-based platform.** Adcore's cloud-based platform, Adcore Marketing Cloud ("AMC"), is its all-in-one SaaS product offering that provides customers with a suite of digital advertising solutions using algorithm-powered automation and analytics tools all under one subscription license (~600 paid active users to date).

**Several possible growth catalysts in the medium term.** Management sees a significant opportunity to drive organic growth in its ad-tech segment with a plethora of new apps (both internal and third party) while onboarding additional clients to its marketing tech-suite. Additionally, the company expects to pursue acquisitions to buttress its robust organic growth and expand geographically.

**Over 100% organic, profitable revenue growth.** Adcore has generated substantial growth with four consecutive quarters of triple-digit revenue expansion. Notably, Adcore has remained consistently profitable while still investing to grow the company, specifically in building out its educational technology business.

### E-learning a budding business for Adcore

**Disrupting the recreational live e-learning market.** In 2020, the onset of the pandemic initiated what we believe is a lasting shift in consumer behaviour as restrictions accelerated online shopping, home workouts, and remote learning. Among the industries that significantly benefited from the pandemic was live recreational and educational e-learning, which achieved ten years of digital learning transformation in three months.

**Strategically positioned to address the e-learning market.** Amphy is the world's most diverse 24/7 live online learning marketplace, offering teachers a platform to remotely reach up to 300 students in a single class with virtually zero setup or operational costs. Over the past year, Amphy has experienced significant growth, adding 1,500 live classes across 80+ categories for more than 7,000 active students.

**Marketplace business model with differentiated fundamentals.** Amphy's marketplace model attracts vendors at a higher rate than gig-economy peers by requiring less initial capital, having a lower cost of revenue, being easily scalable, and allowing for greater geographical reach.

**Management sees ample headroom for growth.** Near-term objectives include an upgraded website that eases customer acquisition, an expanded portfolio of teachers, and a greater presence in North America. Longer term, management has highlighted an opportunity to expand its social commerce capabilities to drive user additions and increase stickiness.

### Key Metrics

|                        |          |                 |                      |
|------------------------|----------|-----------------|----------------------|
| <b>Price</b>           | C\$0.70  | <b>CEO</b>      | Omri Brill           |
| <b>Market Cap (M)</b>  | C\$44.44 | <b>COO</b>      | Roy Nevo             |
| <b>Shares Out (M)</b>  | 63.48    | <b>CFO</b>      | Yatir Sadot          |
| <b>Revenue YTD (M)</b> | C\$26.0  | <b>GM of NA</b> | Martijn van den Bemd |

### Management

### Headquarters

Tel Aviv, Israel

### Global Presence

Asia-Pacific, Middle East, and North America

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## A long-standing ad-tech business driving into education

# ADCORE

**Founded:** 2005

**Headquarters:** Tel Aviv, Israel

**Key People:**

**Omri Brill** – CEO

**Roy Nevo** – COO

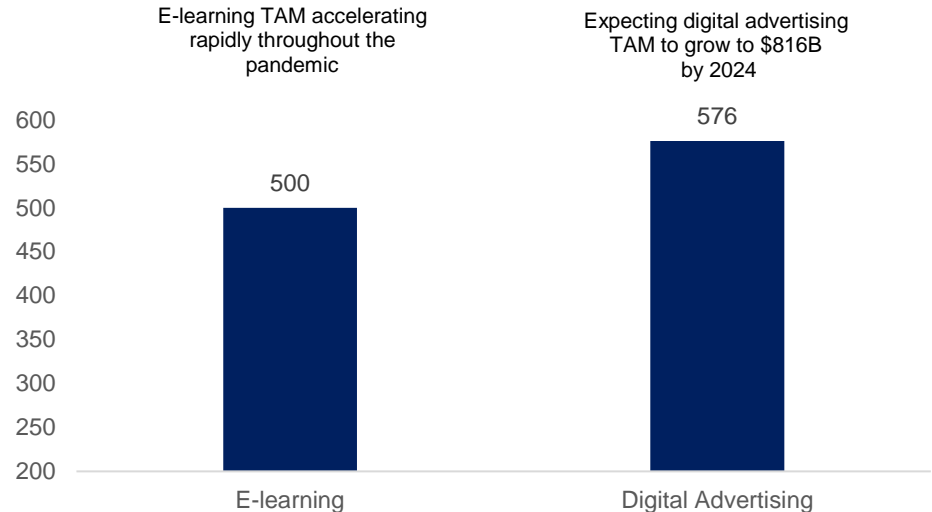
**Yatir Sadot** – CFO

**Martijn van den Bemd** – GM of NA

**Kovi Fine** – Head of Amphy Operations

Founded in 2005 by Omri Brill, Adcore began as a digital agency that strived to ease the work of marketing campaign managers using AI algorithms. In 2006, the company launched its first ad-tech software for publishers and has since grown into a ~\$40M annual revenue company. In July 2021, Adcore expanded its offering into the digital learning space with the launch of its Amphy platform, which the company believes is the world’s most diverse 24/7 live online learning marketplace. Year-to-date, the company’s strategy has paid dividends, with revenue growth of 180% and EBITDA growth of 23%. Management has highlighted that its two key segments have a total addressable market of over \$1 trillion, which the company believes gives it a long runway for continued growth even as the world emerges from the pandemic.

**Figure 1: Adcore TAM**

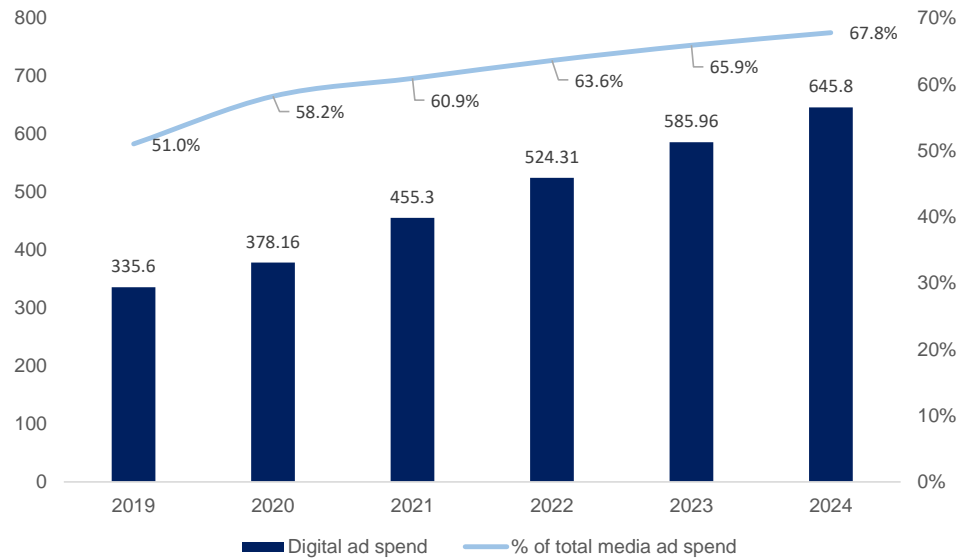


Source: Company reports

### Digital advertising industry poised for growth

Digital advertising has seen tremendous growth over the prior decade, targeting consumers through social media platforms, search engines, websites, and email. The success of digital advertising has been driven by the adoption of technology and the evolution of customer spending analytics. In 2019, eMarketer reported ~\$336B spent worldwide on digital advertising, representing 51% of total media ad spend. Since then, the onset of COVID-19 has significantly improved the industry’s underlying fundamentals as restrictions drove an acceleration in ecommerce penetration and a further shift towards online media. Today, digital ad spend represents roughly 61% of total media ad spending at \$455B (+20% y/y growth) and is expected to further accelerate given the structural shift in consumer spending habits.

**Figure 2: Total addressable digital advertising market (\$B)**



Source: eMarketer, Canaccord Genuity

#### Four SaaS solutions under one scalable, cloud-based platform

Adcore’s cloud-based platform, Adcore Marketing Cloud (“AMC”), is its all-in-one SaaS product offering that provides its customers with a suite of digital advertising solutions using algorithm-powered automation, reporting, and analytics all under one subscription license (~600 active users to date). The company’s suite of products is uniquely designed for ecommerce as it aims to maximize advertising ROI, improve advertising effectiveness, and scale-up digital campaigns. Geographically, ADCO offers its product suite to enterprise companies and small/medium-sized businesses across Asia-Pacific, Europe, the Middle East, and North America.

##### *Effortless Marketing (EM)*

Effortless Marketing is a fully customizable marketing solution for Shopify and WooCommerce store owners for feed selection, smart campaign creation, performance tracking, and budget adjustments. EM aims to simplify the marketing process for online vendors in promoting their products on Google, Facebook, and Microsoft and targeting shoppers that match the addressable criteria or who are searching for similar products. The app carries significant functionality for small/medium-sized businesses in maximizing product sales as it tracks online store traffic and sales. Additionally, the app is multi-country and multi-currency, which expands the application of the app and geographic reach of ads.

Unlike the other apps in AMC, Effortless Marketing operates as a readily available Shopify and WooCommerce plug-in that is free to download for anyone, without the need for a paid license. Despite the lack of direct monetization, management highlighted that EM has served as a foray into user growth for FEEDITOR, as customers are first introduced to its free-to-use functionality and later often demand the added paid capabilities of FEEDITOR. Importantly, the migration between the two apps is seamless and does not trigger any interruptions to the user’s operation. To date, over 440 Shopify vendors are actively using the EM app to accelerate their online store’s ecommerce penetration.

##### *FEEDITOR*

FEEDITOR represents the company’s most popular and directly monetized offering for small/medium-sized businesses. The app offers advertisers online shopping automation capabilities that allow vendors to simply export their products to more

than 200 shopping channels and price comparison sites (Shopify, Magneto, XYZ, etc.) in launching their targeted campaigns. FEEDITOR acts as a “pro” version of Effortless Marketing, allowing vendors to remain up-to-date and in sync with advertising and inventory on a minute-by-minute basis.

**SEMDOC**

SEMDOC gives customers a comprehensive account auditing dashboard that allows them to precisely identify and address areas of weakness and missed opportunities at the account and campaign level. Specifically, the app leverages both machine learning and smart algorithms to formulate 52 key insights and metrics according to the latest Google Ads algorithms.

**VIEWS**

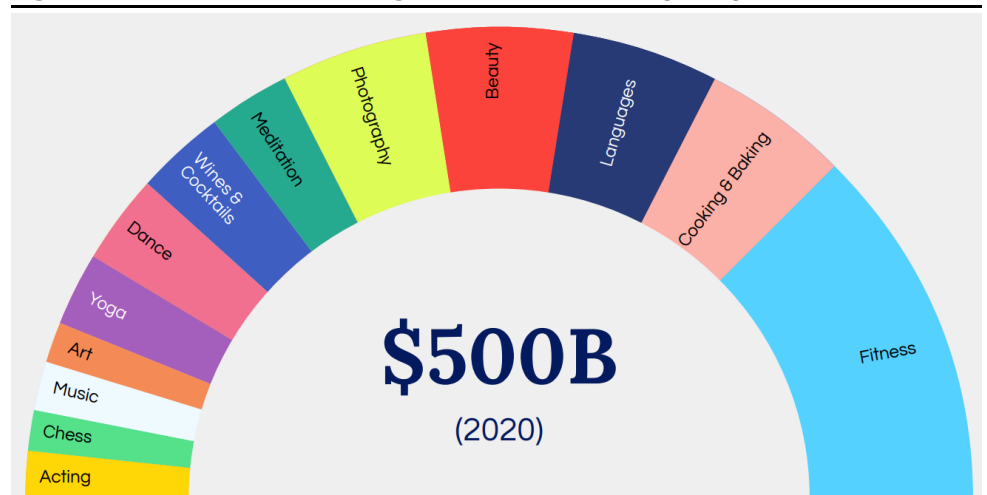
VIEWS is a unified platform allowing users to scale and maximize ROI through advanced search automation capabilities. The platform offers a bid management feature that boosts marketing efficiency and is designed to ensure campaigns meet their targets as effectively as possible. Additionally, VIEWS presents users with the functionality of creating and automating their own rule-based campaign management machine that can be specified as needed.

**Harnessing the power of online e-learning**

In 2020, the onset of the pandemic initiated what we believe is a lasting shift in consumer behaviour as restrictions accelerated online shopping, home workouts, and remote learning. Among the industries that significantly benefited from the pandemic was live recreational and educational e-learning, which achieved ten years of digital learning transformation in three months. Prior to the pandemic, all e-learning was pre-recorded (YouTube) and live learning was done privately. However, COVID-19 disrupted the industry and paved the way for a significant addressable market for e-learning.

According to Facts & Factors, recreational e-learning was growing at a 14.6% clip annually until 2020 and represented a \$500B total addressable market. Throughout the pandemic, demand has accelerated rapidly with the term ‘online class’ searched 4x more than pre-pandemic, according to Google Trends.

**Figure 3: Recreational e-learning addressable market (2020)**



Source: Company reports

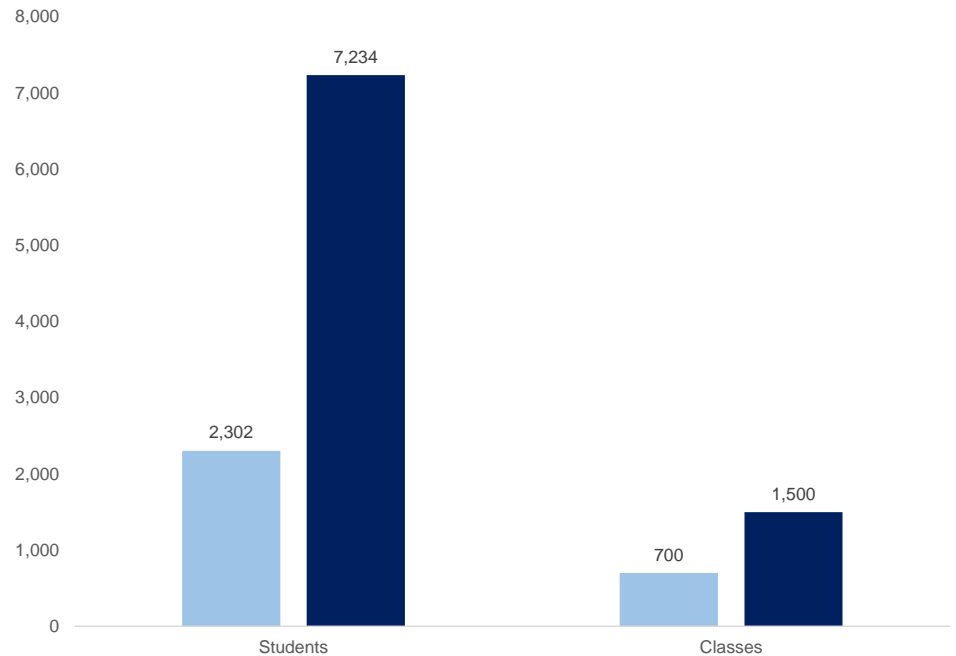
**Strategically positioned to address the e-learning market**

On July 21, 2021, Adcore announced the launch of Amphy, the world’s most diverse 24/7 live online learning marketplace. Amphy offers teachers a platform to remotely teach up to 300 students in a single class with virtually zero setup or operational

costs. Currently, most of the classes are recreational and geared towards adults, including classes like Yoga, Cooking & Baking, and Languages.

Amphy was early to react to the skyrocketing demand for e-learning as it was the first live recreational solution to launch in 2020, which management believes has allowed it to become the largest and the most diverse platform. Over the past year, Amphy has experienced significant growth, adding over 1,500 live classes across 80+ categories with 5-10 new classes added every single day. On the demand front, Amphy has seen strong student adoption to date with its total number of students growing at 36% m/m over the past six months to over ~7,000 students, well ahead of management's forecast.

**Figure 4: Amphy's number of students and classes (Jun – Nov 2021)**



Source: Company reports, Canaccord Genuity

### Marketplace business model with differentiated fundamentals

Given its marketplace business model, management has compared Amphy with major players like Uber and Airbnb. Compared to its gig-economy peers, Amphy differentiates by requiring less capital investment to become a vendor (<\$1,000), having a lower cost of revenue (Internet, Laptop), being more easily scalable, and offering vendors greater geographical reach. In terms of revenue contribution, Amphy benefits from a 27% platform take rate, in comparison with the ~19% of competing marketplace platforms.

### Robust customer acquisition and retention model

Amphy's platform relies on building an engaged student base that, in turn, should incentivize instructors to join the platform as students drive the demand for classes. The platform's growth flywheel focuses on new student attraction, class engagement, and helping current users find new interests. Amphy follows a relatively low-cost student acquisition model that relies on free classes, paid media, word-of-mouth, and teacher promotions. After signing up, student retention tends to happen naturally as they explore Amphy's deep catalogue of classes and engage with its user-friendly platform. Beyond its library of classes, given the platform's live nature, students often develop virtual relationships

with the teachers, resulting in a sense of accountability to attend classes regularly, in contrast with traditional pre-recorded e-learning.

### Amphy has only grazed the surface of live e-learning

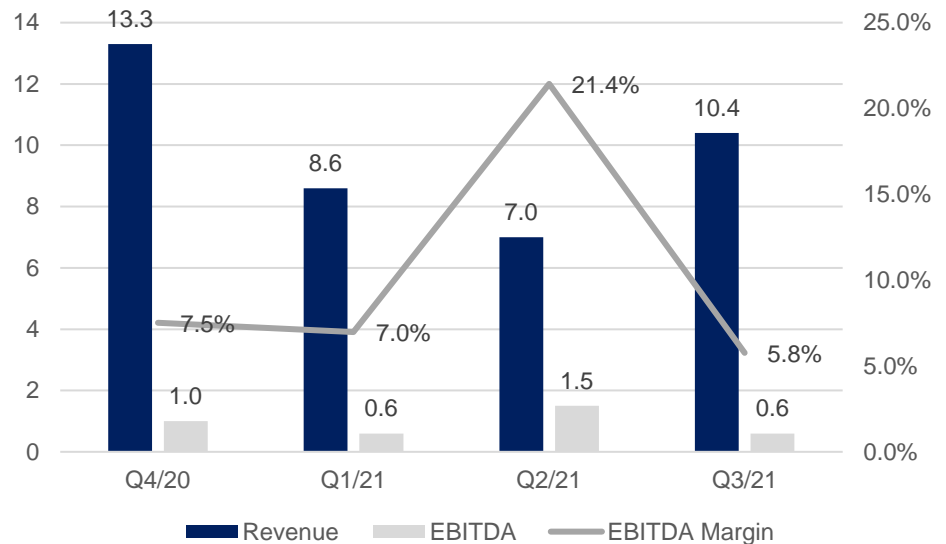
Management has mentioned that Amphy has meaningful headroom to grow, with the scalability to represent a significant portion of Adcore. To help propel its growth, the company expects to continue fine-tuning the platform's website to improve its appearance, customer experience, and transaction processing functionality. Beyond its current platform, ADCO expects to invest additional capital over the short/medium term in Amphy to expand its offering to include live concerts and events, live virtual tours (museums, historic landmarks), and classes for kids. In tandem with one another, management believes the expansion into these additional verticals presents a significant runway for Amphy's future growth on top of its already material addressable market.

### Achieving over 100% organic, profitable revenue growth

Adcore has generated substantial growth with four consecutive quarters of triple-digit revenue expansion. The company's trailing four quarters revenue is \$39.3M, vs. \$13.6M achieved in the four quarters ending Q3/20. The company's growth was entirely driven organically through customer acquisition and increasing client ad budgets. Notably, Adcore's Amphy division has not yet made any meaningful contributions to the company's revenue, which management expects to help drive growth as the company moves through F22.

In addition to robust growth, Adcore has remained consistently profitable, generating \$3.7M in EBITDA over the last four quarters. The company's profitability comes even as the company invests in building out its educational-technology business, which represented an addition ~\$400K in costs for Q3.

**Figure 5: Last four quarters revenue and EBITDA (CAD \$M)**



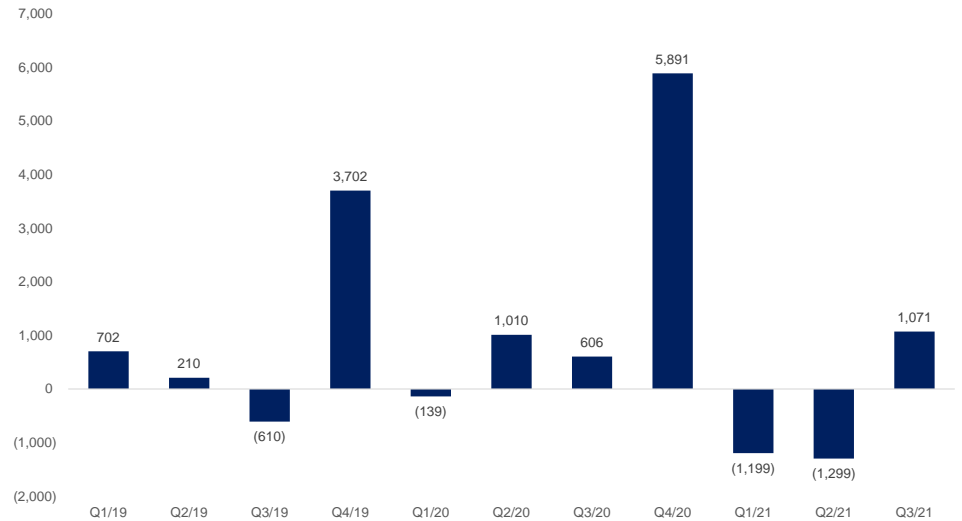
Source: Company reports, Canaccord Genuity

### FCF and balance sheet gives Adcore flexibility to invest and acquire

Adcore's profitable nature combined with its relatively low capital expenditure allows the company to generate positive free cash flows. The company has generated growing FCF over the last four years with annual FCF (management definition) growing from \$1.04M in F18 to \$7.40M in F20. In terms of balance sheet, Adcore currently holds no debt and, post its equity raise earlier this year, has net cash of over \$15M.

Adcore's war chest and ability to generate significant cash enables the company to invest in organic initiatives (such as the internally developed Amphy product) or to make acquisitions that bolster its geographical footprint and product suite.

**Figure 6: Adcore free cash flow Q1/19 - Q3/21**



Source: Company reports, Canaccord Genuity

### What's next for Adcore?

Management has highlighted several catalysts for the firm over the medium/long term. On the organic front, the company expects to take advantage of industry tailwinds for both of its segments in combination with increasing market share and the further development of its platforms. In addition, Adcore has expressed an interest in M&A to accelerate growth.

#### Marketing Cloud

Management sees a significant opportunity to drive organic growth in its ad-tech segment with a plethora of new apps (both internal and third party) while onboarding additional clients to its marketing tech-suite. In Q4, the company added over \$8M in new contract ad budgets, an indication of the potency of its platform to attract and retain customers. The company is also looking to improve profitability in the segment using its zero-touch onboarding funnel, which it expects to offset opex associated with added team members.

#### Amphy

With Amphy still in its infancy, the segment will look to capture a larger share of the sizeable digital learning market. Management's near-term objectives include an upgraded website that eases customer acquisition, an expanded portfolio of teachers, and a greater presence in North America. Longer term, management has highlighted an opportunity to expand its social commerce capabilities to drive user additions and increase stickiness.

#### Continued M&A

On the ad-tech side, Adcore will be looking to expand its presence in the United States, which represents a very large market to which the company has nearly no exposure. In addition, the firm will be looking to expand its AMC offering. Given the company's solid cash position and \$0 debt position, management expects that it has the capacity to pursue acquisitions to buttress its robust organic growth.

**Adcore features an accomplished management team**

**CEO Omri Brill brings years of expertise in advertising technology**

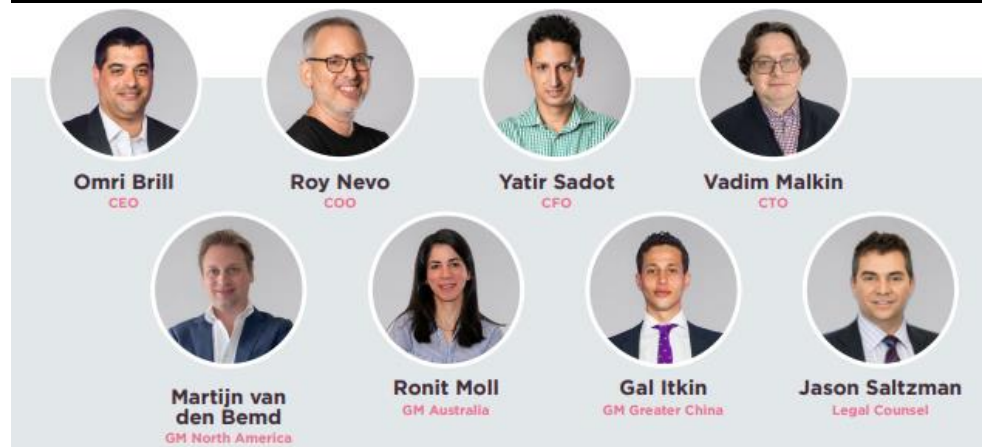
Omri Brill is an accomplished executive, leading Adcore with over 20 years in the online advertising technology industry. Mr. Brill’s expertise in digital advertising is augmented with a strong computer science background and BSc in Industrial Engineering from Tel Aviv University. Mr. Brill has significant invested interest in the company and has been an integral part of Adcore’s accelerated growth.

**An executive with deep digital advertising experience**

Alongside Mr. Brill, the management team at Adcore collectively delivers extensive experience in the digital advertising and technology space. COO Roy Nevo is a seasoned executive with ten years of experience in the online advertising technology industry and has an L.L.B and MBA degree from Ono Academic College. Mr. Nevo is responsible for the daily operations of the company and has played a crucial role in Adcore’s success. CFO Yatir Sadot brings years of experience in leading financial strategies, creating financial solutions, and implementing internal controls for fast-growing technology companies. Mr. Sadot is CPA charter holder and holds an MBA in Financial Management and Accounting from The Hebrew University.

GM of Adcore North America, Martijn van den Bemd, delivers over 13 years of international experience in the digital advertising space and has played an important role in growing Adcore’s North American presence. Before joining Adcore, Mr. Van den Bemd spent years developing deep industry knowledge at a marketing agency within the ad technology landscape across both the APAC and EMEA regions. Head of Amphy’s Operations, Kovi Fine is the force behind Amphy’s operations and brings more than five years of leadership experience with technology-based start-ups in many countries. Mr. Fine started his journey at Adcore as the Digital Advertising Manager, and prior to joining Adcore, he founded and led a smart-matching recruitment platform in Tel Aviv, Israel.

**Figure 7: Management**



Source: Company reports



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|-----------------|-------------------|--------|------------|
|                 | #                 | %      | %          |
| Buy             | 666               | 69.96% | 44.44%     |
| Hold            | 130               | 13.66% | 28.46%     |
| Sell            | 8                 | 0.84%  | 37.50%     |
| Speculative Buy | 146               | 15.34% | 58.90%     |
|                 | 952*              | 100.0% |            |

\*Total includes stocks that are Under Review

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