

THE NEXT WITH XST CAPITAL

DIGITAL GAMING INDUSTRY: CEO INTERVIEW SERIES

Volume 5: We talk to GridRival CEO Ross Fruin



While many of our gaming industry readers are familiar with GridRival, can you give us a quick overview of your business model and how you carved out your niche in the Fantasy Sports ecosystem?

It started with a passion for racing and the realization that, despite its vast fanbase, the sport was largely overlooked by fantasy sports and sports betting platforms.

The majority of racing enthusiasts aren't particularly drawn to traditional sports. I would watch my friends engage in Fantasy Football and March Madness every year, and I couldn't help but feel a bit envious of the excitement and interaction these games brought to their sports experiences. They enhanced the way fans engaged with their favorite events, something I longed for in the sports I followed—especially Formula 1 at the time. In 2017, GridRival was born as a side project to address this gap. That initial season-long fantasy game has since attracted over 500,000 registered users, with 50% of them coming through referrals. It has become a powerful tool for both engagement and customer acquisition, something we continue to learn on in more ways than one.

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When PASPA was repealed in mid-2018, just months after I exited my first company, I began considering my next steps. Reflecting on what we had built with GridRival and how we could monetize it long-term, it became clear that no other option offered the same potential for value creation as real-money gaming. So, we decided to take that leap.

You have previous experience in digital marketing, largely with your previous business, SearchLogic. How are you leveraging your background in marketing, particularly around customer acquisition, to ramp up GridRival?

Given that we're ramping up our first major go-to-market initiatives for real-money games this month, I haven't been able to flex that muscle as much as I hope to soon. In the past, I used my background to grow our free-play user base effectively, and as a result, we've averaged just over a \$1 CPA for newly registered users on the game since its inception.

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You have identified a niche market within Fantasy Sports. Motorsports, and F1 in particular, have grown rapidly in America in recent years. Where do you see the space evolving from this point, and how do you see GridRival assisting in the evolution?

GridRival's value proposition to racing leagues is centered on increasing fan engagement and maximizing fan value.

Several of the most significant opportunities for growth in motorsports lie beyond Formula 1. While F1 has done an outstanding job evolving from its once exclusive and gated past, especially since Liberty Media's acquisition, the explosive growth it experienced over the last five years is beginning to level off. If F1 can continue to grow incrementally year over year, it will remain a strong business. However, racing series like IndyCar offer far greater immediate growth potential as a percentage of current fans. Though IndyCar has yet to experience an F1-style surge in popularity, it has the ingredients for a similar "digital revolution" that could attract a new generation of fans.

GridRival's value proposition to racing leagues is centered on increasing fan engagement and maximizing fan value. By now, the link between gaming and heightened engagement in live sports is undeniable. Betting raises the attention span even further. With our existing suite of products, GridRival is uniquely positioned to help racing leagues navigate this transition with minimal costs.

What can customers expect to see throughout the rest of 2024 and 2025? How are you continuing to evolve your product and user experience?

We've spent the past year building the core experience required to capture this audience, and now we're focused on the refinement required to maintain KPIs as we scale past early adopters into the early majority audiences. Additionally, 2025 will be heavily centered around giving players more opportunities to enter contests and the promotions that drive them. This will come in the form of more markets, additional sports, promotions, and larger prize pools as we grow.

Do you ever plan to move outside of Motorsports?

This is one of the most common questions we receive from investors. Although we're confident that motorsports is the largest underserved opportunity in this space at the moment, it certainly isn't the only one. Many of the problems we're solving in building GridRival aren't specific to motorsports but to a niche in general. Sports like Golf and MMA each have unique attributes and followers that set them apart from traditional sports in a unique enough manner that an audience-specific product could be effective.

In the long term, if an obvious opportunity presents itself to significantly increase our TAM by solving the same set of challenges for another audience and doing so will not negatively impact our current audience, we would be unlikely to turn it down.

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GridRival has raised just shy of \$10M to this point. How have you managed to roll out and differentiate GridRival on a modest budget? How are you managing your expansion relative to the sector's still challenging capital markets environment?

Our capital efficiency has largely been fueled by attracting people who are passionate about our mission. To an outsider, it's not immediately clear that we've built our own player account management system, scoring engine, and trading platform for our Picks game. Additionally, we set all our own lines in-house and are the first to market with racing odds each week. This is on top of the three products we've developed—season-long leagues, Daily Fantasy, and single-player Picks—all with a team of just seven full-time employees.

None of this would have been possible without a team that is deeply committed to our mission of "providing the world's race deeper engagement and community with the sports they love." In my experience building two companies, few things have driven success more than having team members who are genuinely inspired by the mission and vision they're working toward.

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In March 2024, GridRival launched its first paid-entry DFS games. How has your performance been measured since the launch, and how does it compare to free play? Can you share some early performance metrics? What was the transition like shifting from free-play to real-money gaming, and how did it impact your overall product?

We spent March through June talking to users and refining the app to the point where our core product KPIs allowed us to start ramping up user acquisition initiatives. The biggest challenge of moving from free play to a paid game has been the constraint it puts on pace and velocity to market due to regulation. Gathering legal opinions and waiting on approvals from banks, payment processors, advertising channels, and app stores have all caused slowdowns in shipping features and rolling out marketing campaigns.

Despite these obstacles, the performance of our paid product has exceeded expectations since launch. Both entries per player and average entry fees have consistently increased month over month. We're particularly proud of our hold percentage, which has averaged 20% or more on our F1 Picks game, with some events reaching 35-40%. Considering that we manage our odds and risk in-house without relying on third-party data providers, these results are even more exciting.

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One of our previous volumes of this series highlighted Sim Harmon, CEO of KUTT, who has identified social gaming as the future of betting. Given that GridRival aims to create a community for motorsports fans, I'd love to hear your thoughts on the importance of the social and entertainment aspect of betting.

If you're like me and believe there is a very large audience of sports fans who have yet to convert into fans who bet somewhat regularly, then the entertainment and social angle are hugely important. The value propositions of "win big" or a "\$500 deposit bonus" have not successfully converted these fans yet.

When thinking about the game mechanics required to win over the more enthusiast or casual player, two benchmarks come to mind for entertainment and social value:

- Is the game just as fun without money as it is with money? If the answer is yes, the entertainment value needed to convert casuals is likely present.
- Is the game more fun with friends than without friends? If so, it probably has high enough social value to draw in casuals and will likely have a high K-factor as well.

Season-long fantasy leagues check both of these boxes but have not yet been a high LTV product in terms of real money wagering.

Both these benchmarks have been elusive to the industry, primarily because the value of the early majority audience is so significant and thus, so is the focus on them. However, state regulation has slowed down significantly, and large operators will eventually need to figure out how to engage the yet-to-deposit sports fans to continue driving incremental growth.

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I'm sure your investors have asked you this more than a few times, but what do you see as the longer-term exit path for the company? Is it an exit to a strategic in DFS+ that wants to add the racing vertical, a traditional OSB trying to build out this product capability or a non-gaming/media/entertainment/racing operator trying to leverage the brand + technology you have built?

The most exciting exit for us would be one that can accelerate the mission I mentioned above. At the top of that list would be a top-tier operator in OSB and/or DFS or a large multinational conglomerate in the gaming space. Both would give us significant resources in compliance, regulation, and technology that would allow us to continue building products focused on large, non-traditional sports fans.

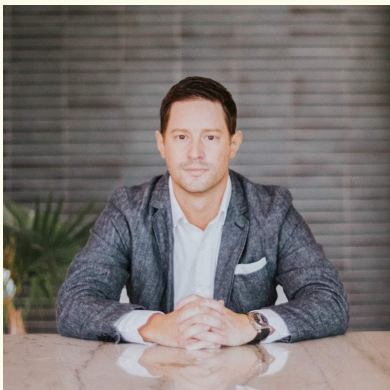
Which of those brands is a potential suitor will hinge mostly on who is paying more attention to future growth outside of traditional sports.

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Ross, thanks for joining us for an interesting discussion; I know that running a startup is all consuming but when you taking your foot off the gas for a moment, pardon the pun, what do you like to do in your free time?

With two kids at home and an equally busy spouse, I have much less free time than I used to! What little I have, I like spend at the golf course, the race track, or traveling.



Ross Fruin - Biography

Ross is a two-time startup founder with a passion for product and growth. His current startup, GridRival, combines his business interests with his personal passions for sports and racing. Since launching, GridRival has amassed over 500,000 registered players globally and is quickly becoming the go-to source for motorsports fans looking to elevate the excitement of racing through fantasy sports and real money gaming.

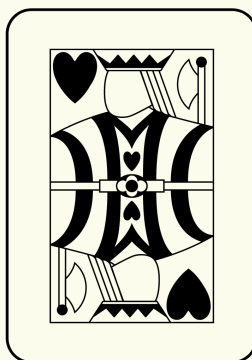
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