

## [Transcript] My First Million / #166 - Why a Sudoku Company Sold for \$640m, "Opendoor for X" & Franchising Tech Companies

All right.

Quick break to tell you about another podcast that we're interested in right now, HubSpot just launched a Shark Tank rewatch podcast called Another Bite.

Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell, and they break down why these pitches were winners or losers, and each company's go-to-market strategy, branding, pricing, valuation, everything.

Basically all the things you want to know about how to survive the tank and scale your company on your own.

If you want to give it a listen, you can find another bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.

All right.

Back to the show.

The very bottom, it says, this domain is not for sale.

Please do not inquire about purchasing it.

All emails from anonymous or unknown companies asking me a price will be ignored.

Sorry.

Last updated, July 2007.

Right.

So I emailed this guy and I was like, hey, saw your website.

I think it's awesome that you're not trying to sell this, but I'm curious, like, why aren't you trying to sell this?

And he's like, refuses to monetize it, refuses to sell it.

I think it's hilarious.

What?

What is this?

Yeah.

I feel like I can rule the world, I know I could be what I want to.

I put my all in it like days off on a road, let's travel never looking back.

Let's talk about business ideas.

First of all, let me give you an update.

Did you see someone in the Facebook group launched a pickleball newsletter because we told them to a few months ago?

Because we told them to.

It's now their full-time job and they traveled the country, getting their products into stores and things like that.

So it started as a pickleball newsletter and then they partnered with the Pro Tour of Pickleball, which I didn't know how it was a thing.

And then they started selling their own stuff out of a van, their own pickleball equipment, and now they're in retail stores.

What's her name?

Give me a shout out.

Thomas Shields.

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Thomas looks like a young kid.

He looks like a younger, better looking version of me.

Let's see.

Yeah.

He looks young.

He looks real young.

So congratulations, Thomas Shields.

That's great.

I think the CEO or the founder of Pickleball either listens to the pot or he messaged ones being like, yeah, I'm down to come on.

So we can have them on if you ever want to.

We can do an episode about alternative sports, basically, do some research and have them on as well.

Great.

We have alternative sports.

Do you want to talk about chess?

Yeah.

So I have a follow up there.

I don't know if you have one or just what I put there.

Go ahead.

What were you going to say?

So the background is we talked about chess.com last episode.

I tweeted about it because I was even more interested in it.

People love that tweet, dude.

That tweet had tons of engagement.

It was good.

And the summary of this is that I actually, we underestimated it.

So chess.com gets around 200 million monthly uniques.

They have 60 million registered users.

They traffic has grown significantly.

If I had to guess, they do at least 100 million in recurring revenue, subscription revenue.

Potentially is worth a billion dollars.

Super fascinating company.

Go ahead.

What were you going to say about it?

So we were trying to hype it and we actually were under hyping even though we were trying to hype it.

And by the way, the guy who started is like an ex Stanford guy or the guy who owns it.

He has two, I think Stanford guys, which is cool.

Like, you know, they didn't go the same track probably as 95% of their classmates and they're going to outperform 99% of them just by doing something really simple that the world wanted.

So I started thinking about this because we talked about it.

You brought it up.

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Cool topic, really cool business.

It really fits the, what we call the New Zealand type of business that Andrew Wilkinson kind of coined that phrase, which is it's this independent thing.

It has like a cult following.

It's profitable.

It's simple.

It's nobody competes with it.

It's like New Zealand.

You're going to war with chess.com, you know, the biggest competitor, I think it's called lie chess or something like that.

It's basically like an open source, free, you know, like kind of like alternative and it's also doing extremely well and those are like the two, but it seems like people kind of prefer chess.com.

So I started thinking, okay, what's the next chess.com?

What are the others?

Is there a whole slew of these guys?

Cause I think that's where we didn't talk about last time that we should have.

And so I wanted to double click in a little bit.

So I started and that was, that's a really, really hard question.

I've been thinking about it too.

I only came up with like dominoes.

I looked into Solitaire websites.

They, a lot of them crush, but yeah, that's a hard question to ask.

So I spent 10, 15 minutes on it, but that was enough to tell me something very interesting.

So the first one that came to mind was, cause here's the characteristics that you need.

You need a game played by tens of millions, if not hundreds of millions of people that is not owned by a brand.

Chess works.

Checkers also works, but the problem with checkers is it's so simple that it's not as like, there's not as much depth to it, therefore not as much of a like, kind of like money being made and passion around the sport.

Sudoku was the second one that came to mind.

So I went to sudoku.com and sudoku.com, it's just like chess.com.

It's like you, you go to sudoku.com and there's already a Sudoku board waiting for you with the clock going and it's like, Oh, play here it is.

You don't need to download.

You don't need to sign up.

You don't need to do anything.

Just play Sudoku.

I love that.

Then they, you scroll down a little bit and you see like this advertisement for like a mobile app, a mobile Sudoku app.

So I clicked that.

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I'm like, I bet this app.

I bet this is an amazing distribution for this app.

App crushes.

So this company called Easy Brain behind it.

So the Sudoku app that they have has 50 million downloads on just Google Play.

Forget about iPhone.

That's just Google.

That's just Android.

It's probably a hundred million total lifetime downloads.

The website itself gets, you know, 10 to 20 million visitors a month.

So they're getting free, like basically free traffic to their mobile apps where they're able to monetize and Easy Brain basically makes like a mobile app developer that makes these apps.

They've had over 750 million downloads lifetime of these little simple number game apps, starting with Sudoku, then like a remix of Sudoku, then like another number game if you like that one.

And they just cross promote them within each other.

I bet this company is crushing it.

They're based in Europe and looks like.

I have information on them.

I just found some interesting stuff.

And I Googled them and went to the website.

There was something amazing about them that immediately stuck out.

And just this quick Google, I'm wrong, but it is based in Cyprus.

Anytime a company is based in Cyprus, it's like, it turns out these guys actually are from like the Belarus.

They're actually from this area, but they're based in Cyprus.

So I just Googled it real quick.

So do you know that it was, they were acquired three months ago?

No, I did not know this.

So that's the, that's the other piece.

I have their revenues.

I have their profit and I have the, all their user numbers and I have, can I guess?

And I'm going to be totally wrong, but I'm, I like to guess.

By the way, little tip, always guess before you hear any number.

That's how you get good at knowing numbers because you guess.

And then when you're wrong, your brain remembers that shit and you start to hone that gut instinct.

Okay.

I'm going to guess it.

I'm going to guess.

Okay.

Well, uh, how much were they?

What was, what's their revenue?

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I'm going to guess that their revenue was \$400 million a year.

Okay.

What's their, um, profit \$90 million a year.

Pretty good.

Um, all right.

How much were they acquired for?

I'm going to guess that they're required for \$852 million.

Okay. And how many, um, how many daily active users do they have across their 15 games?

I'm going to say they have 25 million DAU.

Okay.

So you didn't do, you didn't do horrible.

Okay.

So easy brain was acquired, uh, last, this most recent February, uh, they were, uh, acquired for \$640 million in stock and up to a hundred and 20, \$25 million of additional consideration if they hit it.

So six 40.

Yeah. What is that?

That, isn't that exactly 850?

No, what's six, uh, what's six 40 plus a hundred is seven 40 plus 25 is 765.

So great job.

You guessed eight 50.

Great job.

You're almost there.

Um, they, their revenue is, uh, in 2020 revenues were \$210 million.

Okay.

So you were off there by half, you guessed 400 million, but their profit was 70 million.

You guessed 90.

Right.

Pretty good. Um, they've had 750 installs over the course of their, the lifetime of all their, all their things, all their, uh, games. They have, uh, 15 live games with 12 million daily active users. You guessed 25 million.

Okay.