

Gaming Realms

Trading update

Maiden profits

Gaming Realms has released a positive Q316 trading update. Real money and social/licensing revenue more than doubled and the group moved into profit, with EBITDA of almost £1m. The *Slingo* brand is ideal for mobile and has successfully crossed over from social to real money gaming, as well as attracting blue-chip licensing partners. We expect Gaming Realms to broadly break even at the EBITDA level for 2016 and to move into solid profitability in 2017. The group has passed a tipping point in its development, yet the 2017 EV/EBITDA is only 8.0x.

Year end	Revenue (£m)	EBITDA* (£m)	PBT* (£m)	EPS* (dil) (p)	DPS (p)	P/E (x)	Yield (%)
12/14**	11.2	(7.8)	(8.4)	(5.0)	0.0	N/A	N/A
12/15	21.2	(4.1)	(5.0)	(2.1)	0.0	N/A	N/A
12/16e	35.5	0.0	(2.0)	(0.7)	0.0	N/A	N/A
12/17e	54.3	6.0	4.0	1.3	0.0	14.2	N/A

Note: *Normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **15 months.

Positive trading update: Maiden profits

Q316 real money gaming (RMG) revenue grew by 113% to £5.9m (Q315: £2.8m), with *Slingo* and new licensed brands such as *Britain's Got Talent* (bgtgames.com) doing well. Social gaming and licensing revenue grew by 189% to £2.5m (Q315: £0.9m), with a range of licensing deals beginning to contribute (including Zynga and Scientific Games) although the main uplift from these will come in 2017. Q316 EBITDA was a profit of £0.96m (no comparative available, the H215 EBITDA loss was £1.7m).

Building momentum through H216

The 'Grizzly' platform is scaling well and Gaming Realms continues to attract blue-chip licensing partners including, recently, Express Newspapers (a three-year deal for Gaming Realms to be the platform provider for *Express Wins* and *Star Wins*). A target of break-even for 2016 implies over £2m of EBITDA in Q416, which is very strong quarter-on-quarter progress, especially since recent £/\$ depreciation is unhelpful for US development costs. We have reviewed our revenue mix for 2017, with more emphasis now on RMG (which is trending very positively but faces the extension of POC gaming taxes for free play from mid-2017). Taking these factors into account, we have trimmed our EBITDA forecasts from £0.3m to break-even in 2016 and £6.9m to £6.0m in 2017. The group is still relatively early stage and on a strongly upward trajectory, albeit that the precise shape is still hard to forecast.

Valuation: At a tipping point

Gaming Realms has just moved into profit, with encouraging RMG KPIs and high-quality new licensing partners coming on board. The 2017e EV/EBITDA of 8.0x is broadly in line with the gaming peer group, yet Gaming Realms has significant potential once it can demonstrate that profitable growth momentum is established.

Travel & leisure

3 November 2016

Price **18.5p**
Market cap **£51m**

\$1.23/€1.11/£

Net cash (£m) at 30 June 2016 2.6

Shares in issue 274.1m

Free float 77%

Code GMR

Primary exchange AIM

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(3.9)	(3.9)	(25.3)
Rel (local)	(1.6)	(6.6)	(29.9)

52-week high/low 24.88p 17.88p

Business description

Gaming Realms creates and publishes innovative real money and social games for mobile, with operations in the UK and US. Its real money operations are fully regulated and licensed in the UK and Alderney. Gaming Realms listed on AIM in August 2013.

Next events

Q4 trading update January 2017

Final results April 2017

Analysts

Jane Ancombe +44 (0)20 3077 5740

Katherine Thompson +44 (0)20 3077 5730

gaming@edisongroup.com
[Edison profile page](#)

Gaming Realms is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	£m	2014*	2015	2016e	2017e
		IFRS	IFRS	IFRS	IFRS
Year end December					
PROFIT & LOSS					
Revenue		11.23	21.21	35.50	54.30
EBITDA		(7.82)	(4.11)	0.00	6.00
Operating Profit (before amort. and except.)		(8.33)	(4.94)	(2.00)	4.00
Amortisation of acquired intangibles*		(0.80)	(1.46)	(1.50)	(1.00)
Exceptional items		(0.23)	(0.32)	0.27	0.00
Share based payments		(0.44)	(1.05)	(1.70)	0.00
Operating Profit		(9.80)	(7.76)	(4.93)	3.00
Net Interest		(0.04)	(0.01)	0.00	0.00
Mov't in deferred consideration		0.00	(0.37)	(1.00)	0.00
Profit Before Tax (norm)		(8.38)	(4.95)	(2.00)	4.00
Profit Before Tax (FRS 3)		(9.85)	(7.78)	(4.93)	3.00
Tax		0.09	0.34	0.15	(0.24)
Profit After Tax (norm)		(8.28)	(4.62)	(1.85)	3.76
Profit After Tax (FRS 3)		(9.75)	(7.44)	(4.78)	2.76
Average Number of Shares Outstanding (m)		165.2	215.7	263.0	274.1
EPS - normalised (p)		(5.0)	(2.1)	(0.7)	1.4
EPS - normalised fully diluted (p)		(5.0)	(2.1)	(0.7)	1.3
EPS - (IFRS) (p)		(5.9)	(3.4)	(1.8)	1.0
Dividend per share (p)		0.0	0.0	0.0	0.0
EBITDA Margin (%)		-69.6	-19.4	0.0	11.0
Operating Margin (before GW and except.) (%)		-74.2	-23.3	-5.6	7.4
BALANCE SHEET					
Fixed Assets		17.06	29.27	27.35	27.54
Intangible Assets		16.76	28.93	27.01	27.00
Tangible Assets		0.30	0.34	0.34	0.54
Investments		0.00	0.00	0.00	0.00
Current Assets		6.24	6.55	5.90	8.80
Stocks		0.00	0.00	0.00	0.00
Debtors		2.22	4.02	4.50	5.00
Cash		3.99	2.20	1.00	3.30
Other including player balances		0.02	0.34	0.40	0.50
Current Liabilities		(5.26)	(9.32)	(8.10)	(8.50)
Creditors		(5.25)	(9.32)	(8.10)	(8.50)
Short term borrowings		(0.01)	0.00	0.00	0.00
Long Term Liabilities		(2.43)	(3.71)	0.00	0.00
Long term borrowings		0.00	0.00	0.00	0.00
Other long term liabilities		(2.43)	(3.71)	0.00	0.00
Net Assets		15.61	22.80	25.15	27.84
CASH FLOW					
Operating Cash Flow		(8.02)	(3.83)	(0.80)	4.50
Net Interest		(0.04)	(0.21)	(0.21)	0.00
Tax		0.05	0.34	0.00	0.00
Capex		(0.69)	(1.87)	(2.00)	(2.20)
Acquisitions/disposals		(4.12)	(7.66)	(1.90)	0.00
Financing		11.81	12.00	3.60	0.00
Dividends		0.00	0.00	0.00	0.00
Net Cash Flow		(1.01)	(1.23)	(1.31)	2.30
Opening net debt/(cash)		(5.02)	(3.98)	(2.34)	(1.00)
HP finance leases initiated		0.00	0.00	0.00	0.00
Other		(0.03)	(0.41)	(0.03)	0.00
Closing net debt/(cash)		(3.98)	(2.34)	(1.00)	(3.30)

Source: Gaming Realms accounts, Edison Investment Research. Note: *15 months.

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2016 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Gaming Realms Plc and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2016. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.