

Stride Gaming PLC

07:38 18 Sep 2017

Stride Gaming says performance in year just ended was at the upper end

Stride Gaming PLC (LON:STR) expects results for the year just ended to be at the upper end of market expectations.

The online bingo sites operator said the strong performance of the first half of the year to the end of August had continued into the second half.

"2017 has been a successful year for Stride Gaming. With exceptional underlying organic growth across our Real Money Gaming vertical, together with an excellent trading performance from 8ball and Tarco acquired in August of last year, and the launch of our new B2B vertical Stride Together, I am delighted with the current shape and future prospects of the business," said Eitan Boyd, chief executive of Stride Gaming.

Acquisitions hitting the spot

On the subject of 8ball, the company said its financial performance had been in line with expectations, achieving unaudited adjusted underlying earnings (EBITDA) of £4.18m, as a result of which the final earn-out consideration relating to its acquisition of the company has been confirmed at £13.1m. As previously agreed, £9.06m of this consideration will be satisfied through the issue of shares - 4.12m in total.

In addition, the company said the final earn-out consideration payable in respect of its acquisition of the social gaming operation, InfiApps Limited, in August 2015, has been agreed at US\$1,200,000, to be satisfied in cash.

"We are delighted with the performance of 8ball over the period. Its integration into the wider group has begun successfully and we are already seeing synergies materialise," Boyd said.

"8ball's performance since acquisition has clearly demonstrated our capability to acquire and integrate quality businesses, in line with the Group's growth strategy," he added.

"One of the great strengths of Stride is our robust proprietary platform which provides great flexibility, speed to market and in-depth analysis to provide a better user experience and more profitable delivery of service. As we grow in size we are seeing the benefits of this being increasingly realised and we look forward to the future with confidence," Boyd declared.

READ: Stride Gaming has 10% of the online bingo market but it wants more finnCap initiates coverage with 'buy' recommendation

Broker finnCap has initiated coverage of Stride with a 'buy' recommendation and a target price of 264p; the shares currently trade at around 222.5p, though the shares will likely open higher on this morning's trading update.

"We initiate near Stride's all-time valuation low, believing that regulatory concerns and recent weakness in social

Price: 116p

Market Cap: £87.93M

1 Year Share Price Graph



February 2018 August 2018 February 2019

Share Information

Code: STR

Listing: AIM

52 week High Low
229.00p 83.00p

Sector: Software & Computer Services

Website: www.stridegaming.com

Company Synopsis:

Stride Gaming is a leading online soft gaming operator and, following the acquisition of InfiApps in July 2015, it also operates in the global social gaming market.

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gaming [SoG] have resulted in Stride trading at discount to its peers, despite stronger growth prospects, limited downside from SoG and a robust position ahead of regulatory changes," the broker said.

While the SoG side of the business has underwhelmed, the real money gaming (RMG) arm has been growing at roughly triple the average for the sector as a whole.

The broker expects this out-performance to continue thanks to Stride's proprietary RMG brands and the cross-selling opportunities.

Point of consumption tax (POCT) changes may actually benefit the group

"From August onwards, a new tax regime was imposed on all UK online bingo operators. We believe that Stride is strongly positioned to withstand these new costs given its scale and profitability (c.10% market share and 22% last reported EBITDA margin). The same cannot be said for sub-scale operators, meaning POCT2 may enable further market share growth," finnCap said.

The broker likes the cross selling opportunities as Stride continues on its buy & build strategy.

In the first half of the financial year just ended EBITDA per player was 85% higher on Stride's proprietary brands compared to the acquired Tarco/8Ball brands.

"As such, we see an opportunity to grow profit by introducing proprietary brands to Tarco/8Ball players," the broker said.

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