Technology Flash Note

Winking Studios*

WKS LN **BUY**

Non-Independent Research

*SP Angel acts as Broker to the Company

MiFID II Exempt

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Stock Data	
Ticker	WKS LN
Share Price	14p
Market Cap.	£62m

Share Price

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9% organic growth

The reported organic growth rate of 9% YoY is at the top end of our forecast range of mid-high single digits. Asian video gaming markets are recovering faster post Covid than Western markets and this plays to Winking's strengths. AI investment and the establishment of operations in North America is incurring additional overheads and we revise our FY26E to reflect both this and a super-conservative view on revenues. We now have visibility over 96% of FY26E revenues with potential upside coming from a burgeoning pipeline in the US and elsewhere.

H1A results

Group revenue increased 21% YoY in H1A to $23.5m. Gross margins of 24% (-620bp YoY) reflect investment costs taken to the cost of sales line only and is not reflective of any pricing change. Indicative bookings stood at $51.6m as at 30th June. Adjusted EBITDA of $1.2m (vs $2.4m last year) similarly reflects increased operating costs (+43% YoY) relating to Mineloader and to support Vertic's expansion. Net cash ended H1A at $19.2m excluding bond investments.

Art Outsourcing performing well

Winking's Art Outsourcing division grew revenues 25% YoY to $19.9m assisted by the full inclusion of Mineloader and Vertic's maiden contribution. Game Development Services (GDS) revenues which were flat at $3.5m as developer time was allocated to internal AI project work.

Investment

As previously flagged, Winking is investing both in its nascent North American operations via its acquisition of Ampera and in training its GDS consultants on how to optimise development using AI productivity tools.

Revised forecasts

We revise our forecasts to reflect a lumpy pipeline at Ampera and base our revised FY26E revenue forecast of $47.9m on the 96% cover provided by revenues booked in H1A and Indicative bookings in H2E of $22.4m. We see $3.6m of net incremental costs across both areas of investment which produces FY26E LBITDA of $0.7m. Winking's balance sheet remains exceptionally strong to bring it through this investment period (FY26E $21.6m).

Year end Dec, US$m	2024A	2025A	2026E	2027E	2028E
Group revenue (m)	31.9	45.5	47.9	64.0	74.4
Adj. EBITDA (m)	4.8	5.4	-0.7	4.9	8.1
Pre-tax Profit (m)	0.4	0.6	-6.6	-2.5	1.4
Adj. EPS (c)	0.94	0.56	-0.73	0.39	0.99
DPS (c)	0.0	0.0	0.0	0.0	0.0
Net cash (m) ex bonds	39.8	27.4	21.6	24.5	29.3
EV/sales (x)	1.9	1.3	1.2	0.9	0.8
EV/adj. EBITDA (x)	12.3	10.9	nm	11.7	7.1
Adjusted P/e (x)	18.3	38.7	nm	78.9	16.8
Yield (%)	0.1	0.1	0.0	0.0	0.2

Source: Company Accounts, SP Angel forecasts

Interim results 2026

Art Outsourcing performing well

Winking's Art Outsourcing division grew revenues 25% YoY to $19.9m assisted by a full 6 month contribution from Mineloader which was acquired in April 2025. Total Asian revenues increased 26% YoY to $19.2m which in part reflects a very strong performance in Japan where revenues doubled to $3.6m. We attribute this strong performance largely to Winking's high end art production division Vertic. Asia contributed 82% to total revenue, up from 78% last year. 2026 to date has seen a stronger and earlier relative recovery in Asia post Covid than in Western markets. The opportunity, and hence strategy, remains in servicing Western markets with a low offshore cost base so we anticipate this concentration of revenues from Asia to reduce over time.

Game Development Services (GDS) internal projects

GDS revenues rose by $0.1m to $3.5m in H1A. The relatively flat revenue performance has been driven by allocating significant internal employee time to internal projects rather than billable customer work. Many game developers are evolving their view of how AI can be used in the industry. A large number of these companies outsource all or some of their development activities to third party developers such as Winking and are increasingly requiring suppliers to be AI certified. This reflects their desire to reduce total development costs and decrease time to market. This is heavily incentivising outsourcing partners to raise their knowledge base of how these tools operate and necessitates some retraining on AI coding tools. This has taken staff resource away from client activities in H1A and has effectively incurred $0.9m of investment which represents the opportunity cost of not undertaking client work.

Expansion in North America

Winking's stated strategy is to create a global games services platform. The acquisition of Studios Ampera Inc, in April 2026 marked Winking's territorial expansion into North America. Ampera is a nascent operation led by ex-head of Keywords Studios Create division, Claude Bordeleau. Some key hires were made in H1 and $0.4m of investment was incurred in H1A to establish operations.

PC industry supply concerns impacting console market

The prospective release of next generation video game consoles is being impacted by what is happening in the wider global PC supply chain. The level of Ai infrastructure investment globally has led to significant price inflation in computer memory and other components. PC memory manufacturers such as Micron are predicting the market's RAM shortage to last through to 2028 before easing. The launch of the Sony PlayStation 6 is due sometime between 2027 and 2029. Some estimations of its market price on release now top $1,000 because of the related supply chain cost increases. Both the PlayStation 5 and other current console models such as the Xbox Series X|S are at the point in their life cycle when they would ordinarily be declining in per-unit costs as the technology matures. Instead, both Sony and Microsoft have raised console prices multiple times this year due to the high demand for parts. This component shortage and high pricing could curtail demand for new products in the industry. While much artistic content is compatible across different console generations, we can see an environment where title development for next generation consoles is slowed until the supply chains normalise.

Forecast changes

Costs to recur into H2E

We note the following items which have led us to review our FY26E forecasts:

- The assembly of a senior team at Ampera will continue though this year. The company is currently tendering for art outsourcing projects in the value range of $10m or more which is significantly larger than the work for which Winking has historically bid but equally carry longer sales cycles. If won, it is likely that this work may fall beyond FY26E and into FY27E.
- Significant investment in Ampera is required to be able to win enterprise level contracts of this nature. A physical location in the US with a secure compute environment will need to be established together with the hiring costs of building out a team including a Chief Technology Officer. The total investment costs for FY26E could be in the region of $2.5m and will inevitably lead revenue.

- The AI retraining costs at GDS are expected to continue into H2E. Based on the run-rate in H1A, we estimate these costs could total $3m in FY26E. The upside from this investment is that new project opportunities are emerging which may help recover the cost of the investment and could expand significantly in FY27E.

Impact on FY26E forecasts

- Winking had 24 month indicative bookings of $51.6m as at 30th June of which $22.4m is expected to be recognised in H2E. Given some lumpiness in Ampera's pipeline, we revise our FY26E forecast to $47.9m (-14% versus our prior forecast of $56m), given the H1A revenue base of $23.5m and forward bookings in H2E of $22.4m, which together total £45.9m, or 96% of our revised revenue forecast.
- Much of the investment is taken above the cost of sales line and as such we see gross margins compressing in FY26E to 20%.
- The total investment costs above are expected to lead Winking to report negative earnings in H2E. We now forecast adjusted EBITDA of $0.7m, implying LBITDA in H2E of $2.0m.
- We leave our FY27E and FY28E forecasts unchanged on the basis that the AI investment costs will tail off by year end and employees returning to client facing work, and Ampera makes a material contribution to the business next year..

Table 1: Forecast changes (2026E)

	FY26E old	FY26E new	% Δ
Revenue	56.0	47.9	-14.4
Gross profit	16.5	9.6	-42.0
Adj. EBITDA	**2.9**	**-0.7**	**nm**
PBT	-3.1	-6.6	nm
Adj. EPS FD (c)	-0.3	-1.4	nm
Net cash	**24.8**	**21.6**	**-12.8**

Source: Company Accounts, SP Angel forecasts

Investment summary

M&A remains on the agenda

M&A remains an important component of Winking's strategy to create a global services platform. In an era of cost consciousness, game developers are looking to maximise use of third-party outsourcing partners as demonstrated by the organic growth performance delivered by Winking to date. In this context, the economics of servicing Western markets with a local front end and meaningful offshore capacity to deliver cost savings is a compelling business case in our view. Given the size of Ampera upon acquisition, the decision to establish a foothold in the North American market in this way effectively marks an organic strategy but does not preclude further acquisitions to scale this territory rapidly.

Balance sheet strength

We believe that the investment programme will enlarge Winking's addressable market and that successful execution of these opportunities will be felt in FY27E. Meanwhile the balance sheet is left sufficiently strong for management to consider material inorganic expansion should the right opportunities arise. We see net cash reaching a low this year of $21.6m before recovering next year to $24.5m through organic cash generation. With a recovering revenue base leaving the stock on an EV/sales ratio of 0.9x next year we remain Buyers.

Financial statements

Table 2: Sequential half year income statement summary (2025-2026E)

Y/E Dec, USD (m)	H1 FY25A	H2 FY25A	H1 FY26A	H2 FY26E
Art Outsourcing	15.9	21.6	19.9	21.1
Game Development Services	3.4	4.5	3.5	3.2
Global Publishing & Other	0.1	0.0	0.0	0.1
Total revenue	**19.4**	**26.1**	**23.5**	**24.4**
weighting	*43%*	*57%*	*49%*	*51%*
Adj. EBITDA	**2.4**	**3.0**	**1.2**	**-2.0**
margin	12.6%	11.5%	5.3%	-8.0%
EBIT	0.7	-0.5	-2.6	-4.2

Source: Company Accounts, SP Angel forecasts

Table 3: Divisional revenues

Y/E Dec, US$ (m) Divisional Revenue	2022A	2023A	2024A	2025A	2026E	2027E	2028E
Art Outsourcing	22.0	24.1	26.4	37.5	41.1	53.9	62.4
% revenue	89.9	82.4	82.8	82.4	85.8	84.3	84.0
Game Development Services	2.2	5.0	5.3	7.9	6.7	9.9	11.8
% revenue	9.1	17.1	16.6	17.4	14.0	15.5	15.9
Global Publishing & Other	0.3	0.2	0.2	0.1	0.1	0.1	0.1
% revenue	1.0	0.5	0.6	0.2	0.2	0.2	0.1
Total revenue	**24.5**	**29.3**	**31.9**	**45.5**	**47.9**	**64.0**	**74.4**

Source: Company Accounts, SP Angel forecasts

Table 4: Income statements

Y/E Dec, US$ (m)	2022A	2023A	2024A	2025A	2026E	2027E	2028E
Consolidated Revenue	**24.5**	**29.3**	**31.9**	**45.5**	**47.9**	**64.0**	**74.4**
Growth yoy	*3%*	*20%*	*9%*	*43%*	*5%*	*34%*	*16%*
Cost of sales	-18.1	-19.9	-22.4	-32.0	-38.3	-44.4	-50.9
Gross profit	6.4	9.3	9.5	13.5	9.6	19.6	23.5
Gross margin (%)	26.3	31.9	29.7	29.8	20.0	30.6	31.6
Distribution & marketing costs	-1.0	-1.5	-2.2	-2.5	-4.3	-5.4	-5.6
Administrative expenses	-2.9	-2.6	-3.4	-5.7	-6.6	-9.3	-9.7
Share based payment charges	0.0	0.0	-1.0	-0.9	-1.5	-3.5	-2.6
Other income, gains & losses	0.0	0.0	1.8	-0.3	0.0	0.0	0.0
IPO/placing/acquisition expenses	-0.2	-2.0	-2.6	-0.6	-0.6	0.0	0.0
EBITDA	**2.3**	**3.2**	**2.0**	**3.5**	**-3.4**	**1.4**	**5.5**
EBITDA margin (%)	**9.3**	**11.1**	**6.4**	**7.7**	**-7.1**	**2.2**	**7.4**
Depreciation of right-to-use assets	-1.4	-1.7	-1.9	-2.5	-2.5	-3.2	-3.4
Amortisation of acquired intangibles	-0.1	-0.1	-0.2	-0.9	-0.9	-0.9	-0.9
Exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**0.8**	**1.4**	**0.0**	**0.2**	**-6.8**	**-2.7**	**1.2**
EBIT margin (%)	**3.4**	**4.9**	**-0.1**	**0.4**	**-14.2**	**-4.2**	**1.6**
Net interest	-0.1	0.0	0.4	0.4	0.2	0.2	0.2
Profit before tax	**0.8**	**1.4**	**0.4**	**0.6**	**-6.6**	**-2.5**	**1.4**
Tax charge	0.3	0.4	0.2	-0.3	0.7	0.2	-0.1
Profit after tax	1.0	1.8	0.5	0.3	-5.9	-2.2	1.3
Adj. FD EPS (c)	**0.59**	**1.50**	**0.94**	**0.56**	**-0.73**	**0.39**	**0.99**
Basic EPS (c)	0.47	0.73	0.15	0.07	-1.34	-0.50	0.29
Interim dividend (c)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Final dividend (c)	0.00	0.38	0.02	0.02	0.00	0.00	0.03
Total dividend (c)	**0.00**	**0.38**	**0.02**	**0.02**	**0.00**	**0.00**	**0.03**
Average shares in issue (m)	221.1	243.4	339.0	440.6	442.7	442.7	447.7
Fully diluted shares (m)	221.1	243.4	340.4	444.7	446.8	444.1	449.1

Source: Company Accounts, SP Angel forecasts. N.B. FY23A dividend was declared as S$0.005, and is stated above at equivalent USD value.

Table 5: Adjusted EBITDA calculations (2022-28E)

Y/E Dec, US$ (m)	2022A	2023A	2024A	2025A	2026E	2027E	2028E
EBIT	0.8	1.4	0.0	0.2	-6.8	-2.7	1.2
Depreciation	1.4	1.7	1.9	2.5	2.5	3.2	3.4
Amortisation	0.1	0.1	0.2	0.8	0.9	0.9	0.9
EBITDA	2.3	3.2	2.0	3.4	-3.4	1.4	5.5
IPO/acquisition & integration expenses	0.2	2.0	2.6	0.6	0.6	0.0	0.0
Share based payments	0.0	0.0	1.0	0.9	1.5	3.5	2.6
Exceptional, fx and other items	0.0	0.0	-0.8	0.5	0.6	0.0	0.0
Adjusted EBITDA	**2.5**	**5.2**	**4.8**	**5.4**	**-0.7**	**4.9**	**8.1**
Adjusted EBITDA margin (%)	**10.3**	**17.9**	**15.1**	**12.0**	**-1.5**	**7.7**	**10.9**

.Source: Company Accounts, SP Angel forecasts

Table 6: Adjusted EPS (fully diluted) calculations (2022-28E)

Y/E Dec, US$ (m)	2022A	2023A	2024A	2025A	2026E	2027E	2028E
PAT	**1.0**	**1.8**	**0.5**	**0.3**	**-5.9**	**-2.2**	**1.3**
SBPs, amortisation & exceptional costs (taxed)	0.3	1.9	2.7	2.2	2.7	3.9	3.1
SPA Adjusted PAT	**1.3**	**3.6**	**3.2**	**2.5**	**-3.2**	**1.7**	**4.4**
SPA Adjusted FD EPS (c)	**0.6**	**1.5**	**0.9**	**0.6**	**-0.7**	**0.4**	**1.0**

.Source: Company Accounts, SP Angel forecasts

Table 7: Cash flow statements

Y/E Dec, US$ (m)	2022A	2023A	2024A	2025A	2026E	2027E	2028E
EBIT	**0.8**	**1.4**	**0.0**	**0.2**	**-6.8**	**-2.7**	**1.2**
Depreciation of PPE	0.4	0.6	0.7	0.8	0.9	1.4	1.5
Depreciation of right-to-use assets	1.0	1.1	1.2	1.7	2.1	3.2	3.4
Amortisation of intangible assets	0.1	0.1	0.2	0.9	0.9	0.9	0.9
Working capital	-0.3	0.0	-1.9	-1.8	-2.5	-1.4	-2.5
Share based payments	0.0	0.0	1.0	0.9	1.5	3.5	2.6
Other including exceptional costs	0.0	0.2	-0.9	2.3	0.0	0.0	0.0
Operating Cash Flow	**2.0**	**3.4**	**0.2**	**4.9**	**-3.9**	**4.9**	**7.0**
Net Interest	0.0	0.1	0.4	0.4	0.2	0.2	0.2
Tax	0.0	0.0	0.0	-0.2	0.7	0.2	-0.1
Cash flow pre-capex and investment	**2.0**	**3.5**	**0.6**	**5.1**	**-3.0**	**5.3**	**7.1**
Net investment in PPE	-1.6	-0.5	-0.4	-0.7	-0.6	-0.8	-0.7
Net investment in intangible assets	-0.1	0.0	0.2	-0.1	-0.1	-0.1	-0.1
Change in refundable deposits	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0
Acquisitions/disposals	0.0	0.0	-2.0	-13.8	-0.3	0.0	0.0
Proceeds from share/debt issuance	0.0	8.6	29.4	0.0	4.0	0.0	0.0
Purchase of treasury shares	0.0	0.0	0.0	0.0	-0.1	0.0	0.0
Principal & interest paid on lease liabilities	-0.9	-1.1	-1.3	-1.6	-1.6	-1.6	-1.6
Purchase of bonds	0.0	0.0	-1.5	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	-1.1	-0.1	-0.1	0.0	0.0
Net Cash Flow	**-0.6**	**10.4**	**23.9**	**-11.1**	**-1.7**	**2.9**	**4.8**
FX	-0.6	-0.1	-0.5	-1.4	0.0	0.0	0.0
Closing Net Cash/(Debt) excl. bonds	**6.1**	**16.4**	**39.8**	**27.4**	**21.6**	**24.5**	**29.3**

.Source: Company Accounts, SP Angel forecasts

Table 8: Balance sheets

Y/E Dec, US$ (m)	2022A	2023A	2024A	2025A	2026E	2027E	2028E
Fixed Assets							
PPE	2.3	2.3	1.9	2.1	1.8	1.2	0.4
Right-of-use intangible assets	2.8	2.5	3.0	2.8	2.8	2.8	2.8
Goodwill & other intangible assets	0.2	0.2	1.9	17.2	16.4	15.6	14.8
Deferred tax and other long term assets	1.4	1.7	3.6	3.8	3.8	3.8	3.8
Total Fixed Assets	**6.7**	**6.7**	**10.5**	**26.0**	**24.8**	**23.4**	**21.8**
Current assets							
Cash at bank	6.1	16.4	39.8	27.4	25.6	28.5	33.3
Trade receivables	3.7	3.9	6.4	9.3	9.5	11.5	12.8
Contract and current income tax assets	3.0	3.5	3.6	6.3	9.2	9.5	11.5
Total Current Assets	**12.7**	**23.8**	**49.8**	**42.9**	**44.4**	**49.6**	**57.7**
Current liabilities							
Trade payables	4.5	5.4	5.9	7.9	7.3	6.6	6.0
Contract liabilities	0.1	0.0	0.1	0.3	0.2	0.2	0.2
Short term borrowings	0.0	0.0	0.0	0.0	4.0	4.0	4.0
Current income tax & lease liabilities	0.9	1.0	1.2	1.9	1.9	1.9	1.9
Total Current Liabilities	**5.6**	**6.4**	**7.3**	**10.1**	**13.3**	**12.6**	**12.0**
Net Current assets	**7.2**	**17.3**	**42.5**	**32.8**	**31.1**	**37.0**	**45.6**
Long term liabilities							
Lease and other liabilities	1.9	1.7	1.9	2.8	2.8	2.8	2.8
Deferred tax liabilities	0.9	0.9	1.1	3.0	3.0	3.0	3.0
Total Long Term Liabilities	**2.8**	**2.6**	**3.0**	**5.8**	**5.8**	**5.8**	**5.8**
Net Assets	**11.1**	**21.4**	**50.0**	**53.0**	**50.1**	**54.6**	**61.6**

Source: Company Accounts, SP Angel forecasts

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