Technology Flash Note

Winking Studios*

WKS LN

BUY

Non-Independent Research

*SP Angel acts as Broker to the Company

MiFID II Exempt

13 August 2025

Stock Data	
Ticker	WKS LN
Share Price	16p
Market Cap.	£71m

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Painting an upturn

Winking is introducing capacity to the business through organic expansion and M&A at the bottom of the cycle. New capacity is required to meet increasing customer demand as work for next generation console work builds. We see significant sequential growth through an expansion of headcount, seasonal weighting and the full contribution of Mineloader in H2E.

H1A results

Group revenue grew 27% YoY to $19.4m with Mineloader contributing $4.1m from its 3 months' inclusion in the Group. Art Outsourcing revenues grew 26% YoY to $15.9m while Game Development revenues grew 37% YoY to 18% of total income as a function of the acquisition. Adjusted EBITDA rose 18% YoY after the absorption of acquired company overheads.

Bookings up materially

Indicative customer bookings as at June amounted to $49.4m for the next two years. Of this, $18.4m is expected to be recognised in H2E. These bookings provide Winking with an ability to plan forward capacity and provide cover for our financial forecasts. Together with the revenue recognised in H1A, we have visibility of over 86% of our FY25E revenue forecast of $43.7m (+37% YoY).

Next Gen console release

The launch of Nintendo Switch 2 in June marks the beginning of an upcycle in our view. The Switch 2 was the first 10th Generation console which we believe will precede other next-gen consoles releases over the next two years. Winking is reporting an increase in demand for high performance content which we believe will grow materially from this point.

Forecasts unchanged

Noting a 48/52 weighting to revenues last year, we leave our FY25E forecasts unchanged (adj. EBITDA: $5.1m). A full 6 months' contribution from Mineloader in H2E and the organic expansion of Group headcount of 7% in July in light of customer demand supports these forecasts. On FY25E EV/Sales of 1.6x, we maintain our recommendation at Buy.

Year end Dec, US$m	2022A	2023A	2024A	2025E	2026E
Group revenue (m)	24.5	29.3	31.9	43.7	50.9
Adj. EBITDA (m)	2.5	5.2	4.8	5.1	6.8
Pre-tax Profit (m)	0.8	1.4	0.4	0.0	1.2
Adj. EPS (c)	0.6	1.5	0.9	0.5	0.8
DPS (c)	0.0	0.4	0.0	0.0	0.0
Net cash (m) ex bonds	6.1	16.4	39.8	24.9	27.5
EV/sales (x)	2.8	2.4	2.2	1.6	1.4
EV/adj. EBITDA (x)	27.6	13.3	14.5	13.8	10.3
Adjusted P/e (x)	49.3	16.9	19.9	47.9	26.7
Yield (%)	0.0	1.8	0.1	0.0	0.1

Source: Company Accounts, SP Angel forecasts

H1 results analysis

Painting an upturn

Three month contribution from Mineloader

Group revenues increased +27% YoY, or $4.2m, to $19.4m with Mineloader contributing three months, or $4.1m to Group revenues. The extended Labour Day holiday in China (+2 days this year), together with 2024 being a Leap Year complicates comparable YoY organic analysis. Without this calendar impact, coupled with one project's six month deferral noted in H1A, annual organic revenue growth would have been in our forecast range of +6-8%.

Expanded headcount

Post acquisition, Group headcount stood at 1,312 employees at the end of June (+64% sequentially) and has since expanded to 1,405 by July reflecting an increase in the demand environment and the commencement of a material project.

Art Outsourcing remains largest division

Art Outsourcing remains the largest division in both headcount and staffing base with 1,055 employees as at June, being 80% of total headcount. Mineloader's revenue mix is not dissimilar to Winking's being heavily weighted (c85%) towards Art Outsourcing.

Table 1: Sequential half year income statement summary (2023-2025A)

Y/E Dec, USD (m)	H1 FY23A	H2 FY23A	H1 FY24A	H2 FY24A	H1 FY25A
Art Outsourcing	11.9	12.3	12.6	13.8	15.9
Game Development Services	2.3	2.7	2.5	2.8	3.4
Global Publishing & Other	0.1	0.1	0.1	0.1	0.1
Total revenue	14.21	15.07	15.23	16.67	19.39
weighting	*49%*	*51%*	*48%*	*52%*	-
Adj. EBITDA	2.79	2.45	2.07	2.74	2.44
margin	19.6%	16.2%	13.6%	16.4%	12.6%
EBIT	1.36	0.08	0.91	-0.94	0.69

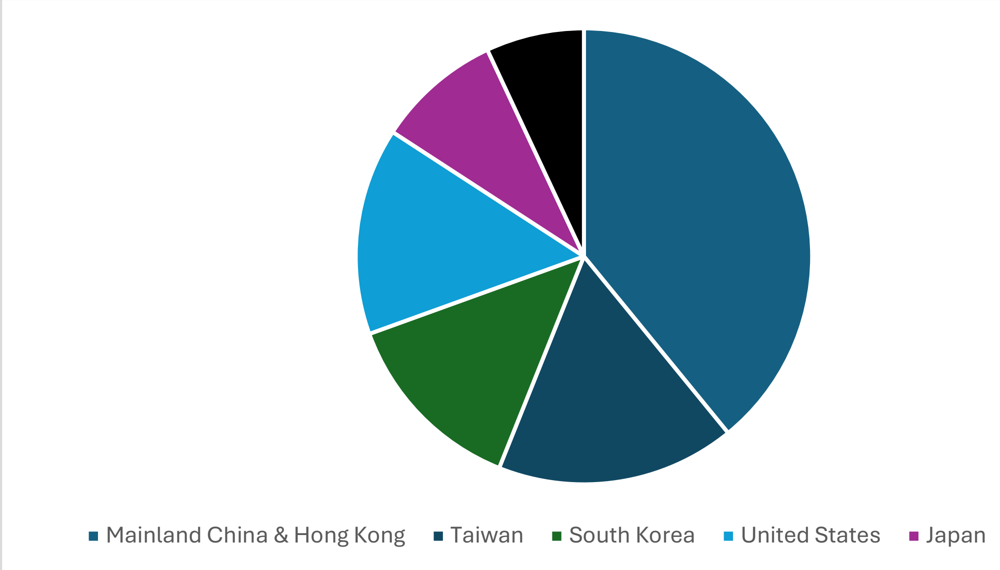
Source: Company accounts

More diversified following acquisition

The acquisition of Mineloader brought with it an international customer base. Part of Winking's strategy is to diversify its revenue streams geographically and reduce reliance on Mainland China and Hong Kong. When analysed by invoicing entity, we can see that revenues from Mainland China and Hong Kong amounted to 39% of Group revenue, up 6 percentage points YoY, which we partly attribute to the acquisition of Mineloader. Within the reported revenue mix, however, revenue from local Chinese clients, contrasting with Western companies contracting with Winking via a Chinese subsidiary, fell two percentage points to 23% of Group revenues. Shenzhen based Tencent is a major customer and Winking is now supplier to 12 out of Tencent's 14 'evergreen' gaming titles. Tencent has seen particularly significant growth in its key gaming unit which helped drive a 24% YoY revenue growth in its divisional Q1 2025 results to RMB59.5bn. Two items are notable from this performance:

- Asia is seeing a material recovery in video gaming demand, ahead of that seen in Europe and the US;
- Winking's strategy to grow revenues ex Mainland China & Hong Kong will be partly offset in the short term by its success in servicing Tencent's expanding gaming unit, amongst others.

Figure 1: Winking Studios revenue by geography (invoicing entity) H1A 2025



Source: Company accounts

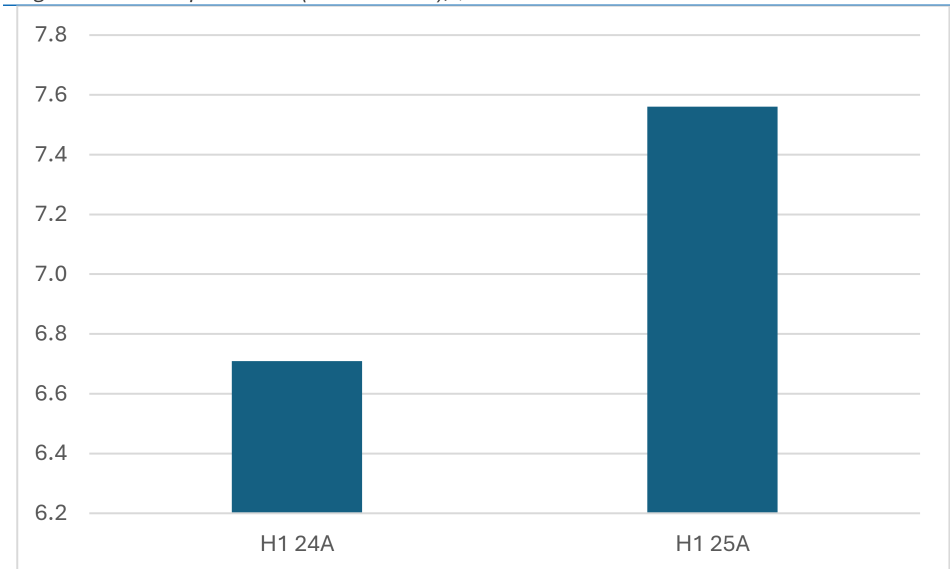
Gross margin accretion

Gross margins rose by 230bp YoY to 30.2% in H1A. We attribute this to the acquisition of Mineloader which generates a gross margin in excess of 40%. Mineloader has a console focus service offering contrasting with Winking's heritage in mobile game development services. These business models differ as console game services typically have higher peak utilisation rates associated with specific project delivery timelines which drive average higher gross margins. Mobile gaming services, on the other hand, have shallower peak and trough utilisation rates as projects are relatively smaller and sustained over longer periods. One identified synergy in the business combination is the ability for Winking to use any down time when projects conclude at Mineloader for its mobile gaming services. This should be gross margin accretive. Nevertheless, with only 3 months' inclusion with the H1A results, a full H2E contribution by Mineloader to the Group should be gross margin accretive when Winking reports its FY25E results.

Follow up revenues

Winking has well over 100 titles in 'Follow-up' status where work is generated on an on-going basis in updating or creating new characters and props for existing published titles. These activities recur over many periods and while not contracted they provide Winking with a repeat income stream. Repeat revenues have accounted for around 40% of Group revenue over recent years. They accounted for 39% of revenues in H1A, growing 12% YoY to $7.5m.

Figure 2: Follow-up revenues (H1A 2024/25), $m



Source: Company

Bookings up

Winking's customers share their long term development plans with the Group which enables its business development teams to have good insight into their customer's strategies consistent with the 3-5 year timeframe. This enables Winking to plan forward capacity several quarters in advance. The related indicative forward bookings extend out over the next 24 months and amounted to $49.4m as at end June, up from $35.8m sequentially. Of this, $18.4m is expected to be recognised in H2E.

Adjusted EBITDA analysis

Reported EBITDA in H1A 2025 shows a 18% YoY increase to $2.2m and we attribute this growth rate, which is lower than reported revenue growth rate of +27%, to the absorption of fixed overheads associated with acquisitions and $0.3m of ongoing listing costs in the UK. Adjusting for one-off and other non-cash items, the table below indicates that adjusted EBITDA also rose 18% YoY to $2.4m. Although adjusted EBITDA margins declined 100bp to 12.6%, we note that earnings last year strongly benefitted from IP sales and SGX listing subsidies which were classified as Other Operating Income (OOI). OOI amounted amounting to $382k last year and fell to $156k this year due to their non-repeating nature.

Table 2: Interim adjusted EBITDA analysis (2024A/2025A)

	H1 FY24A	H1 FY25A	% Δ
EBIT	906	685	-24
Depreciation	887	1,167	32
Amortisation	50	329	
EBITDA	1,843	2,181	18
LSE dual listing expenses	14	0	
Share based payments	176	406	
Costs of acquisition	8	88	
Private placement	43	0	
FX gain	-12	-232	
Adjusted EBITDA	2,072	2,443	18
Adjusted EBITDA margin (%)	13.6	12.6	

Source: Company Accounts

Cash flow and balance sheet

Group working capital movements were impacted in both periods by acquisitions and the consolidation of their activities. In light of this, a net working capital outflow in H1A this year of $4.0m generating $0.6m of cash from operating activities. Group net cash resource stood at $25.6m (excluding bond investments of $1.5m) at end June, down from December's closing balance of $39.8m.

Mineloader acquisition

Strategic rationale

Winking acquired Mineloader in Q2 for a total consideration of $19.8m in cash with 90% paid upfront at closing and the balance of 10% due in five years' time. Mineloader is based in Shanghai and has three fully integrated studios servicing major Western game developers including 2K, EA and Sony Interactive Entertainment. We upgraded our estimates at the time of the announcement of the acquisition in January for its accretive nature.

Integration and synergies

Mineloader brought with it a high quality and complementary portfolio of AAA art outsourcing projects. The respective business development teams from Winking and Mineloader have been consolidated post-acquisition. The combination of both teams has enhanced Winking's customer value proposition by enabling sales engagements on a combined capacity and quality basis. This is positively impacting pricing which should be gross margin accretive going forward. There was some customer base commonality between Winking and Mineloader but individual projects have either not overlapped, or where overlap has arisen then projects had been serviced at differing stages of development.

Marketing synergies have been crystalised by sharing exhibition and conference costs and the success of the integration is likely to mean that members of Mineloader's senior management team may prospectively serve at Group level roles.

Increasing relevance to clients

Both Winking and Mineloader, prior to acquisition, serviced Tencent's gaming division with their art outsourcing capacities. Post integration, we believe that the enlarged business is now a top 5 outsourcing partner to Tencent. This scale serves two purposes:

- Enables Winking to materially reduce its exposure to any supplier consolidation risk;
- Increase its strategic position as a supplier and enhance its terms of business.

Next Gen consoles

The launch of the Nintendo Switch 2 in June 2025 marked the first next generation console release in many years. Nintendo is reported to have set a record with 5m units sold in its first month of release. The acquisition of Mineloader was prescient because it brought with it a console focussed skillset to complement Winking's mobile led outsourcing services. Post integration, we believe over 50% of Group activities will be console related. Next generation console work necessarily implies higher resolution imagery, greater realism, updateable online features and more complex art assets. We estimate that Winking's work on next generation console work currently stands at over 10% of Group revenues and growing rapidly. With the launch of 6th generation consoles from PlayStation and Microsoft expected over the next two years, there is a material driver to produce new content for these consoles which begins now. We believe that this uptick defines the bottom of the cycle and represents a recovery from the lows seen post Covid across the industry.

Vertic – a new brand

For a new market segment

There is a premium market segment for very high quality art assets. Assets such as main characters or opening sequences often have significantly enhanced budgets. Winking historically chose not to maximise its market presence in these market segments, partly due to the cost of investment, preferring to engage outside these areas. The scale of the enlarged Group post acquisition ends an opportunity to invest and create a new service line. Winking has established a new brand, Vertic, to specifically address these premium market segments. Headed up by Tina Li, who remains as General Manager of Winking's Art Outsourcing division, the subsidiary is based in Malaysia and is actively hiring in the region. The establishment of an independent brand serves as a vehicle for higher value pricing reflecting the high value nature of the work without confusing its services with Winking's brand.

M&A

Asia and European focus

Winking ended the half year with over $27m of financial resource partly ear-marked for M&A purposes. This is intended to pursue target companies in both Europe and Asia. A European acquisition would bring with it the following benefits:

- Enable Winking to service clients in a complementary time zone but similar culture;
- Collaborate with Western clients without the need for translation;
- Expand into new service lines including user interaction and user experience;
- Develop skills in related market areas such as laser scanning of real assets.

Investment summary

Forecasts - unchanged

We are leaving our forecasts unchanged (FY25E adj. EBITDA $5.1m). Of the total bookings of $49.4m secured as at end June, $18.4m is expected to be recognised in H2E. Aggregated with H1A revenues of $19.4m, this provides 86% of our FY25E revenue forecast of $43.7m.

Historically, revenues have been weighted towards the second half, noting the 48/52 split in FY24A. The implied sequential revenue improvement of 25% in H2E can be achieved, we believe, through this seasonal weighting, a full 6 months' contribution from Mineloader in H2E and the organic expansion of Group headcount of 5% in July.

Asia is pulling business form the West

Referencing a strong financial performance this year from Tencent, Asia has been notably much stronger than the video games markets in Europeor the US. There is demographic support to this observation, with Asia having a broadly younger population, but there is also a compelling financial backdrop of Western video game developers making increasing use of Asia as a low cost production base. The commercial success of productions such as 'Black Myth: Wukong', which has surpassed $1bn in game sales, and 'Ne Zha 2', which has become the highest grossing animated film of all time surpassing $2bn in revenue, illustrates an increasing centre of gravity for the region and acceptance by other regions of its artistic prowess.

Recommendation

We believe there is a material arbitrage opportunity to lower game development costs for customers in Europe through the use of competitive outsourcing facilities in Asia. Winking has the financial strength to continue to expand its footprint both in Asia and Europe and execute a strategy along these lines thereby increasing capacity at the bottom of the market. On 1.6x FY25E EV/sales, we are buyers.

Financial statements

Table 2: Divisional revenues

Y/E Dec, US$ (m) Divisional Revenue	2020A	2021A	2022A	2023A	2024A	2025E	2026E
Art Outsourcing	12.25	20.39	22.02	24.12	26.40	36.10	41.91
% revenue	84.6	86.1	89.9	82.4	82.8	82.6	82.4
Game Development Services	1.71	2.90	2.23	5.00	5.30	7.40	8.76
% revenue	11.8	12.2	9.1	17.1	16.6	16.9	17.2
Global Publishing & Other	0.53	0.40	0.25	0.16	0.19	0.19	0.19
% revenue	3.7	1.7	1.0	0.5	0.6	0.4	0.4
Total revenue	**14.49**	**23.69**	**24.50**	**29.28**	**31.89**	**43.69**	**50.86**

Source: Company Accounts, SP Angel forecasts

Table 3: Income statements

Y/E Dec, US$ (m)	2020A	2021A	2022A	2023A	2024A	2025E	2026E
Consolidated Revenue	**14.49**	**23.69**	**24.50**	**29.28**	**31.89**	**43.69**	**50.86**
Growth yoy	-	*64%*	*3%*	*20%*	9%	37%	16%
Cost of sales	-8.89	-15.96	-18.05	-19.95	-22.43	-30.58	-35.48
Gross profit	5.59	7.73	6.45	9.33	9.46	13.11	15.38
Gross margin (%)	38.6	32.6	26.3	31.9	29.7	30.0	30.2
Distribution & marketing costs	-0.55	-0.82	-1.01	-1.55	-2.16	-2.68	-2.94
Administrative expenses	-2.33	-2.76	-2.91	-2.58	-3.44	-5.37	-5.65
Share based payment charges	0.00	0.00	0.00	0.00	-1.01	-1.80	-1.80
Other income, gains & losses	0.18	-0.18	-0.01	0.03	1.77	0.00	0.00
IPO/placing/acquisition expenses	0.00	0.00	-0.24	-1.99	-2.60	0.00	0.00
EBITDA	**2.90**	**3.98**	**2.28**	**3.24**	**2.03**	**3.27**	**4.98**
EBITDA margin (%)	**20.0**	**16.8**	**9.3**	**11.1**	**6.4**	**7.5**	**9.8**
Depreciation of right-to-use assets	-0.54	-0.85	-1.39	-1.72	-1.87	-2.90	-3.23
Amortisation of acquired intangibles	-0.16	-0.11	-0.07	-0.07	-0.19	-0.68	-0.88
Exceptional items	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	**2.20**	**3.02**	**0.83**	**1.44**	**-0.03**	**-0.31**	**0.87**
EBIT margin (%)	**15.2**	**12.7**	**3.4**	**4.9**	**-0.1**	**-0.7**	**1.7**
Net interest	-0.01	-0.02	-0.05	-0.02	0.39	0.31	0.31
Profit before tax	**2.19**	**3.00**	**0.78**	**1.42**	**0.35**	**0.00**	**1.18**
Tax charge	-0.01	0.15	0.26	0.36	0.17	0.00	-0.12
Profit after tax	2.18	3.15	1.04	1.78	0.52	0.00	1.06
Adj. FD EPS (c)	**1.30**	**1.47**	**0.59**	**1.50**	**0.94**	**0.50**	**0.79**
Basic EPS (c)	1.22	1.43	0.47	0.73	0.15	0.00	0.24
Interim dividend (c)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Final dividend (c)	0.00	0.00	0.00	0.38	0.02	0.00	0.02
Total dividend (c)	**0.00**	**0.00**	**0.00**	**0.38**	**0.02**	**0.00**	**0.02**
Average shares in issue (m)	178.33	221.07	221.07	243.38	339.00	441.11	441.11
Fully diluted shares (m)	178.33	221.07	221.07	243.38	340.38	442.49	442.49

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 4: Cash flow statements

Y/E Dec, US$ (m)	2020A	2021A	2022A	2023A	2024A	2025E	2026E
EBIT	**2.20**	**3.02**	**0.83**	**1.44**	**-0.03**	**-0.31**	**0.87**
Depreciation of PPE	0.16	0.25	0.42	0.61	0.66	0.63	0.73
Depreciation of right-to-use assets	0.38	0.60	0.97	1.11	1.21	2.27	2.50
Amortisation of intangible assets	0.16	0.11	0.07	0.07	0.19	0.68	0.88
Working capital	-1.09	0.12	-0.31	-0.01	-1.88	-4.33	-2.26
Share based payments	0.00	0.00	0.00	0.00	1.01	1.80	1.80
Other including exceptional costs	0.03	0.28	0.02	0.19	-0.92	0.00	0.00
Operating Cash Flow	**1.84**	**4.37**	**1.99**	**3.42**	**0.23**	**0.73**	**4.52**
Net Interest	-0.01	-0.02	0.01	0.07	0.43	0.31	0.31
Tax	-0.02	-0.04	-0.02	-0.02	-0.03	0.00	-0.12
Cash flow pre-capex and investment	**1.81**	**4.32**	**1.98**	**3.47**	**0.64**	**1.05**	**4.72**
Net investment in PPE	-0.40	-0.91	-1.59	-0.52	-0.36	-0.77	-0.60
Net investment in intangible assets	-0.21	-0.35	-0.09	-0.04	0.18	-0.14	-0.14
Change in refundable deposits	0.08	-0.11	-0.07	0.01	-0.06	0.00	0.00
Acquisitions/disposals	-4.73	0.04	0.00	0.00	-2.03	-13.83	0.00
Proceeds from share issuance	5.18	0.00	0.00	8.61	29.40	0.00	0.00
Principal & interest paid on lease liabilities	-0.38	-0.63	-0.85	-1.12	-1.31	-1.25	-1.34
Purchase of bonds	0.00	0.00	0.00	0.00	-1.48	0.00	0.00
Dividends	0.00	0.00	0.00	0.00	-1.06	0.00	0.00
Net Cash Flow	**1.35**	**2.35**	**-0.62**	**10.42**	**23.92**	**-14.94**	**2.64**
FX	0.30	0.15	-0.60	-0.06	-0.51	0.00	0.00
Closing Net Cash/(Debt) excl. bonds	**4.78**	**7.28**	**6.06**	**16.42**	**39.83**	**24.89**	**27.53**

Source: Company Accounts, SP Angel forecasts

Table 5: Balance sheets

Y/E Dec, US$ (m)	2020A	2021A	2022A	2023A	2024A	2025E	2026E
Fixed Assets							
PPE	0.77	1.35	2.31	2.26	1.94	5.57	5.44
Right-of-use intangible assets	0.50	2.22	2.80	2.55	3.00	4.22	4.44
Goodwill & other intangible assets	0.12	0.25	0.24	0.20	1.93	16.82	16.08
Deferred tax and other long term assets	0.48	1.16	1.39	1.73	3.60	3.60	3.60
Total Fixed Assets	**1.86**	**4.97**	**6.75**	**6.74**	**10.47**	**30.21**	**29.57**
Current assets							
Cash at bank	4.78	7.28	6.06	16.42	39.83	24.89	27.53
Trade receivables	3.01	3.61	3.70	3.88	6.36	8.32	9.20
Contract assets	1.98	2.64	2.98	3.47	3.60	6.40	8.29
Total Current Assets	**9.76**	**13.53**	**12.74**	**23.77**	**49.79**	**39.60**	**45.02**
Current liabilities							
Trade payables	2.93	4.33	4.50	5.40	5.94	5.61	5.19
Contract liabilities	0.00	0.00	0.14	0.04	0.14	0.10	0.10
Current income tax & lease liabilities	0.38	0.85	0.92	0.99	1.19	1.19	1.19
Total Current Liabilities	**3.31**	**5.18**	**5.56**	**6.44**	**7.27**	**6.90**	**6.47**
Net Current assets	**6.46**	**8.36**	**7.18**	**17.33**	**42.52**	**32.70**	**38.54**
Long term liabilities							
Lease liabilities	0.19	1.34	1.90	1.69	1.89	2.39	2.39
Deferred tax liabilities	0.54	0.99	0.89	0.93	1.11	2.84	2.84
Total Long Term Liabilities	**0.73**	**2.33**	**2.79**	**2.62**	**3.00**	**5.22**	**5.22**
Net Assets	**7.59**	**11.00**	**11.13**	**21.45**	**50.00**	**57.69**	**62.89**

Source: Company Accounts, SP Angel forecasts

Table 6: Adjusted EPS (fully diluted) calculations (2020-26E)

Y/E Dec, US$ (m)	2020A	2021A	2022A	2023A	2024A	2025E	2026E
PAT	**2.18**	**3.15**	**1.04**	**1.78**	**0.52**	**0.00**	**1.06**
SBPs, amortisation & exceptional costs (taxed)	0.15	0.10	0.28	1.86	2.66	2.23	2.41
Adjusted PAT	**2.33**	**3.25**	**1.32**	**3.64**	**3.19**	**2.23**	**3.48**
Adjusted FD EPS (c)	**1.30**	**1.47**	**0.59**	**1.50**	**0.94**	**0.50**	**0.79**

Source: Company Accounts, SP Angel forecasts

Table 7: Adjusted EBITDA calculations (2020-26E)

Y/E Dec, US$ (m)	2020A	2021A	2022A	2023A	2024A	2025E	2026E
EBIT	2.20	3.02	0.83	1.44	-0.03	-0.31	0.87
Depreciation	0.54	0.85	1.39	1.72	1.87	2.90	3.23
Amortisation	0.16	0.11	0.07	0.07	0.19	0.68	0.88
EBITDA	2.90	3.98	2.28	3.24	2.03	3.27	4.98
IPO expenses	0.00	0.00	0.24	1.99	2.60	0.00	0.00
Share based payments	0.00	0.00	0.00	0.00	1.01	1.80	1.80
Exceptional, fx and other items	0.00	0.00	0.00	0.00	-0.83	0.00	0.00
Adjusted EBITDA	**2.90**	**3.98**	**2.52**	**5.23**	**4.81**	**5.07**	**6.78**
Adjusted EBITDA margin (%)	**20.0**	**16.8**	**10.3**	**17.9**	**15.1**	**11.6**	**13.3**

Source: Company Accounts, SP Angel forecasts

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