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	14.25p
Market Cap.	£63m

Share Price

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AI investment

Group revenue grew 20%+ in H1E with organic growth amounting to high single digits in our estimations. Upfront investment in North American operations and AI coding tools to support growth have been a feature in the year to date. Adjusted EBITDA in the range of $1.0-1.3m is expected, reflecting these investments. The pipeline at the newly established Ampera operation is expanding and reflects Winking's strategic direction of establishing material revenue base in Western markets. We believe FY27E will begin to show the fruits of this investment.

H1E trading update

Group revenue in H1E is expected to be in excess of $23m, or at least +20% YoY. Adjusting for the acquisition of Mineloader we estimate that organic growth was high single digits with the Group's high end Vertic brand being a significant contributor. Adjusted EBITDA is likely to be in the range of $1.0-1.3m, versus $2.4m in the comparable period last year, post investment costs.

Studios Ampera Inc.

A material pipeline of potential new business is being built in North America. Winking's nascent operations in this territory require investment into the creative team and other personnel costs. $0.4m was invested in these areas at Ampera in H1E.

AI investment

With the adoption of AI tools to enhance coding time-to-market, Winking has been allocating chargeable employee time at its Game Development Services division into exploring how AI can enhance productivity. The bench time associated with these activities amounted to an investment of $0.9m.

Revenue forecasts upgraded

We will have greater clarity on the amount to which these costs extend into H2E when the company reports next month, and leave our forecasts unchanged for now (FY26E adj. EBITDA: $2.9m). The growing pipeline of new project work at Ampera could begin converting into revenue later this year. This would help recover some of the investment made but sales cycle here are longer and deal sizes large. Ampera could transform reported earnings with the full effect of its likely success to be felt in FY27E.

Year end Dec, US$m	2024A	2025A	2026E	2027E	2028E
Group revenue (m)	31.9	45.5	56.0	64.0	74.4
Adj. EBITDA (m)	4.8	5.4	2.9	4.9	8.1
Pre-tax Profit (m)	0.4	0.6	-3.1	-2.5	1.5
Adj. EPS (c)	0.94	0.56	0.03	0.38	0.99
DPS (c)	0.0	0.0	0.0	0.0	0.0
Net cash (m) ex bonds	39.8	27.4	24.8	27.4	33.3
EV/sales (x)	1.9	1.3	1.1	0.9	0.8
EV/adj. EBITDA (x)	12.3	10.9	20.4	12.2	7.3
Adjusted P/e (x)	18.3	38.7	nm	86.2	17.0
Yield (%)	0.1	0.1	0.0	0.0	0.2

Source: Company Accounts, SP Angel forecasts

Investment in AI & North America

Coding efficiencies

AI tools are increasingly used in generating code throughout the software industry. Large language models (LLMs) can be trained on publicly available code and used by software developers to generate code more efficiently than directly scripting it themselves. LLM interfaces can accept prompts from developers in natural language or auto-complete modes, amongst others, and generate software routines in less time than completing coding syntax manually. This assists developers in delivering competed project work in less time and/or with less resources. Being trained on publicly available code, such tools are effective in writing sub-routines and their adoption has been rapid since LLMs came to market including in the video games industry. It is an important distinction to make that these are coding assistants and not creative tools. Hence their uptake is by developers for programming the business logic which lies behind gaming products and not by creative teams who are responsible for generating proprietary and unique content. Major game developers such as Tencent (HKG: 0700) have invested heavily in AI tools so that they can shrink development timelines and downsize programming teams.

Impact on suppliers

Providers of outsourced game development services, specifically the designers, developers and testers necessary to develop a game rather than artists, are responding to changing market trends. Staff are investing time and resource in understanding these tools and how it can positively impact their business. In some cases, large gaming companies which outsource some of their activities are requiring suppliers to be AI certified in order to retain their status. This is heavily incentivising outsourcing partners to raise their knowledge bases of how these tools operate and how they can contribute to their own business models. Winking has been investing some of its staff roster time in H1E at its Game Development Services division with this objective. This has taken staff resource away from revenue generating activities and focused it effectively on projects to understand how to utilise these tools. The $0.9m investment incurred in H1E represents the opportunity cost of not undertaking client work and is likely to continue into H2E.

North American market

Winking's strategy of expanding into Western markets accelerated when it acquired the North American based studio, Studios Ampera Inc, in April 2026. Ampera is a nascent operation led by ex-head of Keywords Studios Create division, Claude Bordeleau. A core team has been assembled ready to pitch and win client work with some outstanding hires yet to be made. The tenders targeted by Ampera are significantly larger than the work Winking has historically executed, with some project sizes in the pipeline believed to be >$10m. To win this enterprise level business it is a prerequisite to have a physical location in the US with a secure compute environment. A new corporate head office is therefore being established in country. The $0.4m of investment highlighted in H1E represents the cost base as budgeted for in FY26E. We anticipate the business continuing to scale in advance of securing major project work.

Financial statements

Table 1: 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	47.3	53.9	62.4
% revenue	89.9	82.4	82.8	82.4	84.5	84.3	84.0
Game Development Services	2.2	5.0	5.3	7.9	8.6	9.9	11.8
% revenue	9.1	17.1	16.6	17.4	15.3	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**	**56.0**	**64.0**	**74.4**

Source: Company Accounts, SP Angel forecasts

Table 2: Income statements

Y/E Dec, US$ (m)	2022A	2023A	2024A	2025A	2026E	2027E	2028E
Consolidated Revenue	**24.5**	**29.3**	**31.9**	**45.5**	**56.0**	**64.0**	**74.4**
Growth yoy	*3%*	*20%*	*9%*	*43%*	*23%*	*14%*	*16%*
Cost of sales	-18.1	-19.9	-22.4	-32.0	-39.5	-44.4	-50.9
Gross profit	6.4	9.3	9.5	13.5	16.5	19.6	23.5
Gross margin (%)	26.3	31.9	29.7	29.8	29.5	30.6	31.6
Distribution & marketing costs	-1.0	-1.5	-2.2	-2.5	-4.2	-4.3	-4.4
Administrative expenses	-2.9	-2.6	-3.4	-5.7	-9.4	-10.4	-10.9
Share based payment charges	0.0	0.0	-1.0	-0.9	-1.8	-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**	**0.5**	**1.4**	**5.5**
EBITDA margin (%)	**9.3**	**11.1**	**6.4**	**7.7**	**0.9**	**2.1**	**7.5**
Depreciation of right-to-use assets	-1.4	-1.7	-1.9	-2.5	-3.0	-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**	**-3.4**	**-2.7**	**1.2**
EBIT margin (%)	**3.4**	**4.9**	**-0.1**	**0.4**	**-6.0**	**-4.3**	**1.7**
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**	**-3.1**	**-2.5**	**1.5**
Tax charge	0.3	0.4	0.2	-0.3	0.3	0.3	-0.1
Profit after tax	1.0	1.8	0.5	0.3	-2.8	-2.3	1.3
Adj. FD EPS (c)	**0.59**	**1.50**	**0.94**	**0.56**	**0.03**	**0.38**	**0.99**
Basic EPS (c)	0.47	0.73	0.15	0.07	-0.64	-0.51	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 3: 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	-3.4	-2.7	1.2
Depreciation	1.4	1.7	1.9	2.5	3.0	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	0.5	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	1.8	3.5	2.6
Exceptional, fx and other items	0.0	0.0	-0.8	0.5	0.0	0.0	0.0
Adjusted EBITDA	**2.5**	**5.2**	**4.8**	**5.4**	**2.9**	**4.9**	**8.1**
Adjusted EBITDA margin (%)	**10.3**	**17.9**	**15.1**	**12.0**	**5.2**	**7.6**	**10.9**

.Source: Company Accounts, SP Angel forecasts

Table 4: 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**	**-2.8**	**-2.3**	**1.3**
SBPs, amortisation & exceptional costs (taxed)	0.3	1.9	2.7	2.2	3.0	3.9	3.1
SPA Adjusted PAT	**1.3**	**3.6**	**3.2**	**2.5**	**0.1**	**1.7**	**4.5**
SPA Adjusted FD EPS (c)	**0.6**	**1.5**	**0.9**	**0.6**	**0.0**	**0.4**	**1.0**

.Source: Company Accounts, SP Angel forecasts

Table 5: Cash flow statements

Y/E Dec, US$ (m)	2022A	2023A	2024A	2025A	2026E	2027E	2028E
EBIT	**0.8**	**1.4**	**0.0**	**0.2**	**-3.4**	**-2.7**	**1.2**
Depreciation of PPE	0.4	0.6	0.7	0.8	1.3	1.4	1.5
Depreciation of right-to-use assets	1.0	1.1	1.2	1.7	2.2	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	-3.2	-1.7	-1.5
Share based payments	0.0	0.0	1.0	0.9	1.8	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**	**-0.4**	**4.6**	**8.1**
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	0.3	0.3	-0.1
Cash flow pre-capex and investment	**2.0**	**3.5**	**0.6**	**5.1**	**0.2**	**5.1**	**8.1**
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	-0.4	0.0	0.0
Proceeds from share issuance	0.0	8.6	29.4	0.0	0.0	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**	**-2.6**	**2.6**	**5.8**
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**	**24.8**	**27.4**	**33.3**

.Source: Company Accounts, SP Angel forecasts

Table 6: 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	1.4	0.8	0.0
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**	**24.4**	**23.0**	**21.4**
Current assets							
Cash at bank	6.1	16.4	39.8	27.4	24.8	27.4	33.3
Trade receivables	3.7	3.9	6.4	9.3	10.5	11.5	12.8
Contract and current income tax assets	3.0	3.5	3.6	6.3	9.2	10.5	11.5
Total Current Assets	**12.7**	**23.8**	**49.8**	**42.9**	**44.6**	**49.5**	**57.6**
Current liabilities							
Trade payables	4.5	5.4	5.9	7.9	7.0	6.5	5.9
Contract liabilities	0.1	0.0	0.1	0.3	0.2	0.2	0.2
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**	**9.0**	**8.5**	**7.9**
Net Current assets	**7.2**	**17.3**	**42.5**	**32.8**	**35.6**	**41.0**	**49.7**
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**	**54.3**	**58.2**	**65.3**

.Source: Company Accounts, SP Angel forecasts

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