

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	12.75p
Market Cap.	£56m

Share Price



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Technology Flash Note

Winking Studios*

WKS LN

BUY

Small acquisition, big plans

Winking has announced a small acquisition in North America which will serve as a base to aggressively grow its Western market revenues. Headed by a senior ex-Keywords Studios executive Claude Bordeleau, Ampera has already been acting as a channel partner for Winking by directing business to its offshore studios. The growing pipeline behind Ampera leads us to upgrade our revenue forecasts. We also factor into our EBITDA estimates organic investment which will drive a three year expansion plan.

Studios Ampera Inc.

Studios Ampera Inc. (Ampera) has been acquired for the equivalent of \$0.4m cash and the deferred issue of c\$1.7m of stock. Founder Claude Bordeleau will be joining Winking as Chief Revenue Officer. 10m new ordinary shares will also be issued on a deferred basis by 2029, equivalent to \$1.7m or 2.2% of the enlarged issued share capital.

Industry veteran

Claude has a long history in the art outsourcing industry having built up and sold his prior business, Volta, to Keywords Studios in 2016 for £3m. He subsequently scaled Keywords' art services operations within its Create division across the Americas and Europe.

Growing pipeline

Ampera has already been acting as a channel partner for Winking and its business referral capability has seen Winking benefit significantly to date. An investment programme of c\$5m per annum sees Winking embark on a major organic expansion drive which will be accompanied by on-going M&A.

Revenue forecasts upgraded

We upgrade our FY26E revenue by 10% to \$56m following a set of business referrals from Ampera. The investment programme sees FY26E adj. EBITDA reduce by 57% to \$2.9m. We introduce new three year forecasts where the benefits of the investment programme produce adj. EBITDA of \$8.1m in FY28E. On EV/adj. EBITDA of 6x in FY28E, we maintain our recommendation at Buy.

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)	1.6	1.1	0.9	0.8	0.7
EV/adj. EBITDA (x)	10.4	9.2	17.2	10.3	6.2
Adjusted P/e (x)	16.4	34.6	nm	77.1	15.2
Yield (%)	0.1	0.1	0.0	0.0	0.2

Source: Company Accounts, SP Angel forecasts

Driving international revenues

Six year growth plan

Winking is executing a six year plan aimed at securing its place as the world's number one art outsourcing business globally. Winking has the balance sheet capacity to help execute its M&A strategy but it is also building out an international footprint to help fulfil this ambition organically.

Staffing up

It is anticipated that the acquisition of Ampere will attract both new customers and talent from competing organisations. New senior sales executives are targeted to start very shortly. The increase in marketing and administration expenses will total c\$5m in FY26E, mostly attributable to staffing costs but also M&A attributable costs. We make the following forecast changes:

2026E

- Group revenue upgraded by 10% to \$56m (+23% YoY),,
- Operating costs (admin & marketing) increased by \$5.1m, or 60%, to \$13.6m,
- Gross profit improvement of \$1.1m partly recovers the increased cost base,
- Acquisition costs of \$0.6m,
- Adj. EBITDA net of all these factors declines 57% to \$2.9m,
- Net cash (excl. bonds) \$24.8m (-10% YoY).

2027E (new)

- Organic revenue growth of 14% YoY reflecting a material uplift from our prior estimate of 8% YoY,
- 100bp improvement in gross margin YoY reflecting the pull of higher margin Western market revenue,
- Operating cost growth of c4%,
- Adj. EBITDA of \$4.9m (+69% YoY)
- Net cash (excl. bonds) \$27.4m (+10% YoY).

2028E (new)

- Organic revenue growth of 16% YoY,
- Further 100bp gross margin improvement from beneficial business mix change,
- Operating cost growth of c5%,
- Adj. EBITDA of \$8.1m (+65% YoY)
- Net cash (excl. bonds) \$33.3m (+21% YoY).

Incentive plan

The stock payable relating to the acquisition of Ampere is expected to be issued in 2028 and 2029 on a 50/50 basis. It is likely that a new incentive plan is put in place for incoming senior managers and we await further newsflow on this matter.

Up to 35m ordinary shares may be issued in an incentive plan in connection with Winking's North American expansion plans. The issues of this stock will be subject to these operations achieving certain targets. These include reaching cumulative adjusted EBITDA of c\$33m over the period 2026-31, and Winking's volume weighted average price reaching specified annual targets including a minimum of a 54.6p per share threshold in 2031.

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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