Winking Studios

WKS LN - Technology

H1 update: Investment opportunities

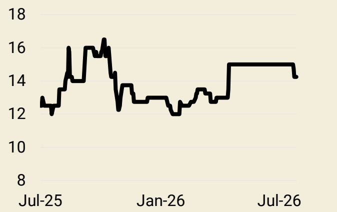
The company grew revenues by over 20% in H1 2026, in line with our full year growth expectations. Recent advances in AI tools are providing the opportunity for Winking to compete for larger game development contracts using only its focused team. To pursue these new opportunities, the company is increasing investment in AI development tools and capabilities. At the same time, its recently acquired North American studio, Ampera, is building a pipeline of larger than expected projects. To improve the conversion potential of this expanding pipeline, Winking is investing in technology, talent and business development. As a result of these additional investments, Winking expects H1 2026 Adjusted EBITDA to range between $1.0m-$1.3m and it expects to provide a clearer full year outlook after the release of H1 2026 results on 14 August. Shares trade at only 12x and 7x EV/ EBITDA for 2027 and 2028.

- **Strong revenue growth:** Winking Studios provided a H1 2026 update this morning. Year-on-year revenue growth is expected to be over 20%, in line with our full year growth estimate of 23%. Organic growth in H1 2026 was supported by the success of Vertic, the high-end AAA art studio that has continued to scale since the company established it in 2025. H1 2026 growth was also supported by a full six-month contribution from Shanghai Mineloader Digital Technology Co., Ltd, which was acquired in April 2025.
- **Investment opportunities:** Market trends continue to provide opportunities for Winking. Publishers and developers are increasingly outsourcing services to a select group of top vendors, which should lead to market share consolidation around large, end-to-end outsourcers, including Winking. To take advantage of these trends, Winking is investing in additional talent, technology and business development:
- First, the company has increased investment (~$0.4m) in Ampera, its North America-based studio to pursue large integrated projects and enhance pipeline conversion rates. These full-game development and game art outsourcing contracts targeted by Ampera are typically larger, longer-term and higher margin than traditional art outsourcing contracts, but they also have longer sales cycles with less visibility.
- Second, Winking is investing in AI development tools to increase game development efficiency and allow it to pursue larger projects with its focused teams. The company has diverted approximately $0.9m internal development resource towards these tools, which should increase Winking's addressable market and competitiveness in emerging AI-enabled game development opportunities. In contrast, Winking's core game art production business remains largely unaffected by AI and continues to be dependent on human creativity, artistic judgement and quality control.
- **Outlook:** As a result of the above investments, the company expects H1 2026 Adjusted EBITDA to range between $1.0m-$1.3m. Investment in Ampera and AI capabilities in game development are expected to remain elevated with revenue growth and margin opportunities arising over the longer-term. We expect to review our forecasts after Winking provides further details of its financial performance and strategic progress at its H1 2026 results presentation on 14 August.
- **Valuation:** Winking's expansion into Western markets, improving competitive scale and low-cost base position it for strong revenue growth and market share gains. We currently forecast revenues grow 23%, 14% and 17% in 2026, 2027 and 2028, respectively. Due to the early-stage profit profile of Ampera's business, Winking's Adjusted EBITDA margins are expected to remain subdued over the near-term, rising from 5% to 8% to 11% in 2026, 2027 and 2028. This combination of strong revenue growth and expanding margins is not factored into Winking's share price, in our view. Shares trade at only 12x and 7x EV/ EBITDA for 2027 and 2028.

Corporate

Share Price	14.25p
Market Cap	£62.0m
Shares in Issue	441.9m
12m Trading Range	12p – 17.0p
Free Float	20.5%
Next Event	H1 results – 14 Aug 26

Price performance (p)



Source: FactSet

Financial forecasts

Yr end Dec ($'m)	FY25A	FY26E	FY27E	FY28E
Revenue	45.5	56.0	64.0	75.0
y.o.y. growth (%)	*42.6*	*23.1*	*14.4*	*17.1*
Adj. EBITDA	5.4	2.9	5.1	8.1
Adj. EBIT	2.8	(0.4)	1.4	4.5
Adj. PBT	3.2	(0.2)	1.6	4.7
Adj. dil. EPS ($)	0.007	(0.000)	0.003	0.009
DPS (GBp)	0.0	-	-	0.2
Net cash/(debt) (excl. IFRS 16)	27.4	26.9	27.9	30.9
EV/Sales (x) (incl leases)	1.4	1.1	1.0	0.8
EV/EBITDA (incl. leases)	11.5	21.6	12.2	7.2
EV/EBIT (x) (incl. leases)	22.5	(172.2)	43.2	13.1
P/E (x)	29.7	(590.0)	60.8	22.0

Source: Audited accounts and Zeus estimates

Winking Studios is a Broker client of Zeus

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Forecast model

Exhibit 1: Income statement

Year to 31 December ($'m)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**31.9**	**45.5**	**56.0**	**64.0**	**75.0**
Cost of sales	(22.4)	(31.9)	(39.5)	(44.5)	(51.3)
Gross profit	**9.5**	**13.5**	**16.4**	**19.6**	**23.7**
Gross margin (%)	*29.7*	*29.8*	*29.4*	*30.5*	*31.6*
Adjusted admin expenses	(6.4)	(7.9)	(13.6)	(14.6)	(15.7)
Other income	1.7	(0.2)	0.1	0.1	0.1
Adjusted EBITDA	**4.8**	**5.4**	**2.9**	**5.1**	**8.1**
Adjusted EBITDA margin (%)	*15.1*	*12.0*	*5.2*	*7.9*	*10.8*
Depreciation	(1.9)	(2.5)	(3.0)	(3.4)	(3.4)
Amortisation (excl. acq'd intangibles)	(0.1)	(0.2)	(0.3)	(0.3)	(0.3)
Adjusted EBIT	**2.8**	**2.8**	**(0.4)**	**1.4**	**4.5**
Adjusted EBIT margin (%)	*8.8*	*6.1*	*(0.7)*	*2.2*	*5.9*
Adjusted net finance costs	0.4	0.4	0.2	0.2	0.2
Adjusted PBT	**3.2**	**3.2**	**(0.2)**	**1.6**	**4.7**
Tax charge	0.2	(0.3)	0.0	(0.2)	(0.5)
Adjusted PAT	**3.4**	**3.0**	**(0.1)**	**1.5**	**4.2**
IPO / listing costs	(2.5)	-	-	-	-
Share based payments	(1.0)	(0.9)	(1.9)	(3.5)	(2.6)
Amortisation of acquired intangibles	(0.1)	(0.6)	(0.6)	(0.6)	(0.6)
Exchange gains or losses	0.8	(0.5)	-	-	-
Other adjusting items	(0.2)	(0.6)	(0.3)	(0.1)	(0.3)
Reported PAT	**0.5**	**0.3**	**(2.9)**	**(2.8)**	**0.7**
Diluted weighted average share count (m)	340.4	444.7	446.8	451.7	465.7
Reported diluted EPS ($)	0.0	0.0	(0.0)	(0.0)	0.0
Adjusted diluted EPS ($)	**0.0**	**0.0**	**(0.0)**	**0.0**	**0.0**
DPS (SGD cents)	**0.0**	**0.0**	**-**	**-**	**0.3**
DPS (GBp)	**0.0**	**0.0**	**-**	**-**	**0.2**

Source: Company information, Zeus estimates

Exhibit 2: Balance sheet

As at 31 December ($'m)	FY24A	FY25A	FY26E	FY27E	FY28E
Investment in financial assets at amortised cost	1.5	1.5	1.5	1.5	1.5
Property, plant and equipment	1.9	2.1	1.9	1.6	1.3
Intangible assets	1.9	17.2	16.8	16.0	15.2
Right-of-use-assets	3.0	2.8	2.2	1.3	0.3
Deferred tax asset	1.8	1.9	1.9	1.9	1.9
Other non-current assets	0.3	0.5	0.5	0.5	0.5
Non-current assets	**10.5**	**26.0**	**24.8**	**22.8**	**20.6**
Cash and cash equivalents	39.8	27.4	26.9	27.9	30.9
Trade and other receivables	6.4	9.3	11.5	13.2	15.4
Contract assets and current income tax assets	3.6	6.3	7.7	8.8	10.3
Current assets	**49.8**	**42.9**	**46.1**	**49.9**	**56.6**
Total assets	**60.3**	**68.9**	**70.9**	**72.6**	**77.2**
Trade and other payables	(5.9)	(7.9)	(10.9)	(12.1)	(13.8)
Contract liabilities	(0.1)	(0.3)	(0.4)	(0.5)	(0.6)
Current income tax liabilities	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)
Lease liabilities	(1.2)	(1.7)	(0.5)	(0.5)	(0.4)
Current liabilities	**(7.3)**	**(10.1)**	**(12.1)**	**(13.3)**	**(14.9)**
Lease liabilities	(1.9)	(1.1)	(2.1)	(1.9)	(1.6)
Deferred tax liabilities	(1.1)	(3.0)	(3.0)	(3.0)	(3.0)
Other non-current liabilities	-	(1.7)	(1.7)	(1.7)	(1.7)
Non-current liabilities	**(3.0)**	**(5.8)**	**(6.8)**	**(6.6)**	**(6.3)**
Total liabilities	**(10.3)**	**(15.9)**	**(18.9)**	**(19.9)**	**(21.2)**
Net assets	**50.0**	**53.0**	**52.0**	**52.7**	**56.0**
Share capital	13.4	13.4	13.4	13.4	13.4
Other reserves	28.9	31.7	31.7	31.7	31.7
Retained earnings	7.7	7.9	6.9	7.6	10.9
Total equity	**50.0**	**53.0**	**52.0**	**52.7**	**56.0**

Source: Company information, Zeus estimates

Exhibit 3: Cash flow statement

Year to 31 December ($'m)	FY24A	FY25A	FY26E	FY27E	FY28E
Profit/(loss) before tax	**0.4**	**0.6**	**(3.3)**	**(3.1)**	**0.9**
Depreciation of property, plant and equipment	0.7	0.8	1.0	1.1	1.1
Depreciation of right-of-use assets	1.2	1.7	2.0	2.2	2.2
Amortisation of intangible assets	0.2	0.8	0.9	0.9	0.9
Allowance for/(reversal of) impairment losses on financial assets	(0.0)	0.1	-	-	-
Share-based compensation	1.0	0.9	1.9	3.5	2.6
Finance income	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)
Finance cost	0.1	0.2	0.4	0.4	0.4
(Gains)/loss	(0.0)	0.2	-	-	-
(Gains)	(0.3)	-	-	-	-
Exchange (gains)/losses	(0.6)	1.9	-	-	-
Movement in net working capital	(1.9)	(1.8)	(0.5)	(1.5)	(2.1)
Cash generated from operations	**0.2**	**4.7**	**1.8**	**3.0**	**5.5**
Interest received	0.5	0.6	0.6	0.6	0.6
Income taxes paid	(0.0)	(0.2)	0.4	0.3	(0.1)
Net cash inflow from operating activities	**0.6**	**5.1**	**2.8**	**3.9**	**5.9**
Additions to property, plant and equipment	(0.4)	(0.7)	(0.8)	(0.8)	(0.8)
Proceeds from disposal of property, plant and equipment	0.0	0.0	-	-	-
Proceeds from sale of intangible assets	0.3	-	-	-	-
Increase/(decrease) in prepayments for equipment	0.0	(0.0)	-	-	-
Additions to intangible assets	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Increase/(decrease) in refundable deposits	(0.1)	0.0	-	-	-
Acquisitions of subsidiaries, net of cash acquired	(2.0)	(13.8)	(0.4)	-	-
Purchase of bonds	(1.5)	-	-	-	-
Net cash from investing activities	**(3.7)**	**(14.5)**	**(1.3)**	**(0.9)**	**(0.9)**
Proceeds from issue of shares	29.4	-	-	-	-
Principal elements of lease payments	(1.2)	(1.5)	(2.0)	(2.0)	(2.0)
Interest paid	(0.1)	(0.1)	-	-	-
Dividends paid	(1.1)	(0.1)	-	-	-
Net cash from financing activities	**27.0**	**(1.7)**	**(2.0)**	**(2.0)**	**(2.0)**
Net decrease in cash and cash equivalents	**23.9**	**(11.1)**	**(0.5)**	**1.0**	**3.0**
Cash and cash equivalents at beginning of period	16.4	39.8	27.4	26.9	27.9
Effects of exchange rates on cash and cash equivalents	(0.5)	(1.4)	-	-	-
Cash and cash equivalents at end of period	**39.8**	**27.4**	**26.9**	**27.9**	**30.9**
Net cash/(debt) memo					
Cash and cash equivalents	39.8	27.4	26.9	27.9	30.9
Bank debt	-	-	-	-	-
Net cash/(debt) (excluding leases)	**39.8**	**27.4**	**26.9**	**27.9**	**30.9**
Lease liabilities	(3.1)	(2.8)	(2.6)	(2.4)	(2.0)
Net cash/(debt) (including leases)	**36.8**	**24.5**	**24.3**	**25.5**	**28.9**

Source: Company information, Zeus estimates

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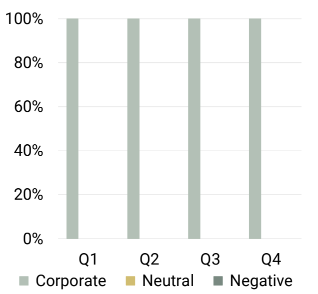

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