

## Corporate

Share Price 14.25p

Market Cap £62.8m

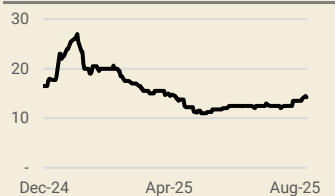
Shares in Issue 440.4m

12m Trading Range 10.3p – 27.6p

Free Float 24.4%

Next Event FY25 results – February

## Price performance (p)



Source: FactSet

## Financial forecasts

Yr end Dec (\$'m)	2024A	2025E	2026E	2027E
Revenue	31.9	43.5	51.1	53.9
y.o.y. growth (%)	8.9	36.3	17.4	5.6
Adj. EBITDA	4.8	5.1	6.8	7.4
Adj. EBIT	2.8	2.4	4.0	4.6
Adj. PBT	3.2	2.6	4.2	4.8
Adj. dil. EPS (\$)	0.010	0.005	0.008	0.010
DPS (GBp)	0.0	0.1	0.4	0.5
Net cash/(debt) (excl. IFRS 16)	39.8	28.1	32.5	36.7
EV/Sales (x) (incl. leases)	1.5	1.4	1.1	0.9
EV/EBITDA (x) (incl. leases)	9.8	11.6	8.1	6.8
EV/EBIT (x) (incl. leases)	16.8	24.6	13.8	10.9
P/E (x)	19.3	35.9	22.6	19.7
Div. yield (%)	0.1	0.5	2.7	3.6

Source: Audited accounts and Zeus estimates

Winking Studios is a broker client of Zeus

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## Winking Studios

WKS LN - Technology

## Initiation: Market disruptor

Winking Studios, a global top four game art outsourcing company, has the potential to significantly disrupt the \$10.9bn global game outsourcing market, in our view. The company has a sustainable cost advantage through its high quality, low-cost resources in Asia and it has the opportunity to expand margins by adding scale and Western sales relationships. H1 results, released today, show strong revenue growth, mainly driven by acquisition. Winking shares trade at FY26 multiples of 1.1x EV/Sales and 8.1x EV/Adj. EBITDA, which we think attractively values the Group versus UK and global video games peers. We estimate value at 19.0p per share based on a blended global peer group, implying 33.3% upside to last night's closing price.

**Significant market opportunity:** Game makers are increasingly outsourcing game development to specialists to reduce costs and accelerate development times. China Insights Consultancy estimates outsourcers' share of global game development budgets have risen from 23.0% in 2018 to 29.1% in 2024 and expects their share to rise steadily to 32.2% by 2028. In our view, Winking is well positioned to disrupt the market through its low-cost, high-quality workforce in Asia and by adding further scale/headcount organically and through acquisitions in a fragmented market (top ten players account for 7.1% of the market). Adding scale should increase Winking's bargaining power with customers and drive margin expansion. Winking's Adj. EBITDA margin was 15.1% in 2024 compared to 28% for Keywords Studios in 2023. Keywords was acquired in October last year for historic (2023A) and forward looking (2024E) multiples of 3.3x and 2.6x EV/Sales and 15.9x and 14.0x EV/Adj. EBITDA, indicating the future valuation potential for Winking.

**H1 results:** In the six months to 30 June revenue increased by 27.3% year-on-year to \$19.3m, mainly driven by the 1 April acquisition of Mineloder. Muted organic growth can partly be attributed to a project delay into H2 2025 and fewer working days than the prior period comparator. Gross margin increased by 2.3pp to 30.2% due to changes to revenue mix. Adj. EBITDA grew by 17.9% to \$2.4m, whilst Adj. PAT increased by 21.1% to \$1.4m, despite additional depreciation and amortisation charges on newly acquired assets and higher amortisation of intangible assets. The Group finished the period with net cash (excluding leases, including bond investments) of \$27.1m, providing a good amount of firepower for future M&A.

**Forecasts:** Zeus forecasts for FY25 show strong revenue (+36.3%) and Adj. EBITDA (+6.5%) growth, driven by recent acquisitions and continued organic expansion. We expect more scale benefits to come through in FY26, where forecast revenue increases by 17.4% and Adj. EBITDA grows by 32.2%. We see the potential for M&A to accelerate earnings growth above our forecasts, particularly if the Group can increase its exposure to Western clients. Winking believes day rates from European and American clients are typically more than double those paid by Asian customers, creating an opportunity to acquire Western-exposed studios and deliver projects with its lower-cost workforce, improving Group margin. Winking's major shareholder, Acer, is supportive of the strategy to drive increase scale through targeted M&A.

**Valuation:** Based on Zeus forecasts, Winking trades on FY25 EV/ Sales of 1.4x and EV/Adj. EBITDA of 11.6x, which falls substantially in FY26 to 1.1x and 8.1x, respectively, after including a full period of recent M&A. To estimate valuation for Winking we apply a 50:35:15 weighting to CY26 multiples from the UK gaming, Asian gaming and European IT services/ outsourcing groups we have analysed, then apply a 30:70 weighting between EV/Sales and EV/Adj. EBITDA based estimates, giving a valuation for Winking of 19.0p per share. A slightly higher value of 21.0p per share can be derived by applying the forward-looking takeout multiple from Keywords to our FY26 Adj. EBITDA forecast for Winking.

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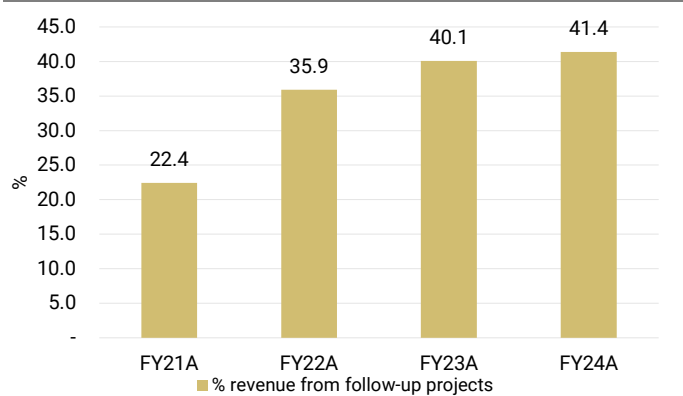
## Investment case in charts

Winking Studios provides game art-outsourcing services to blue-chip game developers, including 22 of the top 25 companies.



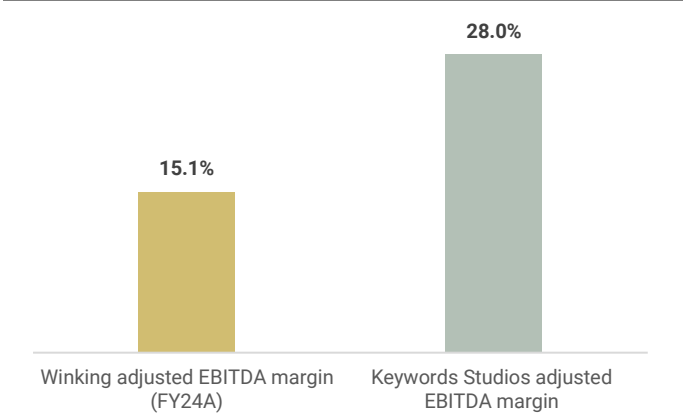
Source: Company information

Winking takes no title risk and has a rising share of repeat revenues.



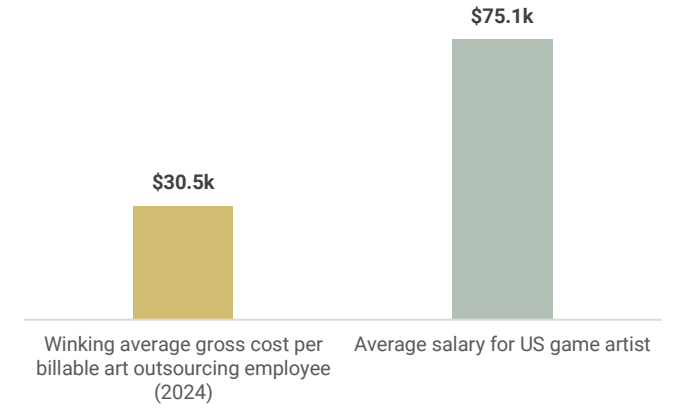
Source: Company information

Increasing scale organically and via M&A, plus increasing exposure to Western games companies, should improve Group margins.



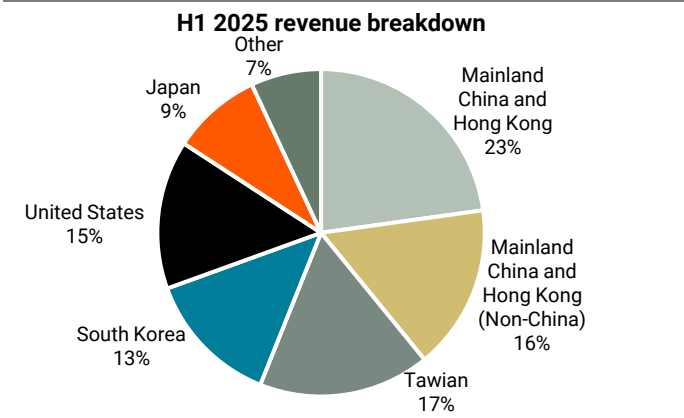
Source: Company information, FactSet, Zeus analysis

The Group is building scale in high-quality studios throughout Asia, with staff cost per head less than half Western competitors.



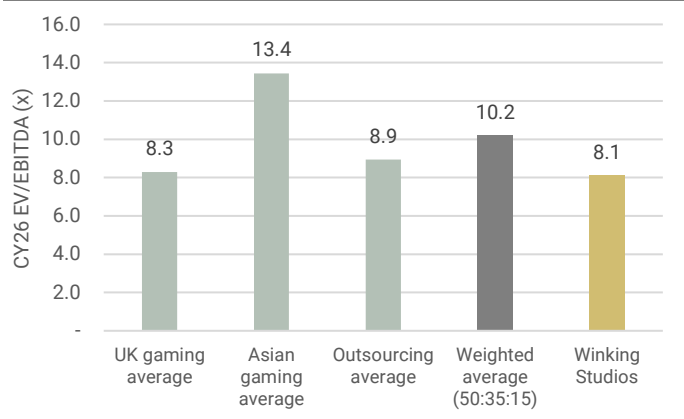
Source: Company information, Game Industry Career Guide

The Group has an increasingly diversified global customer base.



Source: Company information

We value the company using weighted average CY26 EV/Sales and EV/Adj. EBITDA, giving a valuation of 19.0p per share (c. 33% upside).



Source: FactSet, Zeus analysis

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## Investment case

Winking is well positioned to benefit from strong market growth, as a global top four art outsourcer. The market is highly fragmented, providing the company with extensive opportunities to add blue-chip clients, further penetrate console and PC games and further expand into Western markets. As the company gains scale to further leverage its low-cost base in Asia, we conservatively forecast that Winking grows revenue by 17% in 2026 to \$51.1m and grows Adj. EBITDA by 32% to \$6.8m in 2026.

**High growth markets:** The outsourced game development market is large and growing rapidly, particularly for Asia Pacific and mobile games. Global outsourced game development was valued at \$10.9bn in 2024 and is forecast to grow by 11.9% in 2025 (Source: China Insights Consultancy), ahead of global video game revenue growth of 3.4% (Source: Newzoo). Game developers, faced with consumer demands for complex, immersive visuals, increasingly frequent game updates and rising costs, are increasingly choosing to outsource development to specialists. Accessing outsourced services increases efficiency, reduces fixed costs and provides access to scalable capacity to meet pressing schedules. Winking is exposed to particularly high growth market segments, given the company's high exposure to Asia Pacific (H1 2025: 62%) and mobile games (H1 2025: 42.3% of person days). The Asia Pacific and mobile games markets should grow more rapidly due to the rising numbers of gamers in Asia, who are biased toward mobile gaming, and the improving mobile processing speeds and screen technologies. China Insights Consultancy estimates the Asia Pacific share of global gaming revenue rises from 50.0% in 2024 to 52.0% in 2028 and mobile's share of global gaming revenue rises from 60.7% in 2024 to 67.4% in 2028.

**High revenue visibility and increased diversification:** Winking provides investors with reliable exposure to the video game market. The company is exposed to sector development budgets rather than individual game revenues. The game development budgets of game makers are steadier and more reliable than game revenues, which depend on difficult-to-predict consumer trends and preferences. Additional revenue visibility is provided by Winking's high exposure to large "Follow-up" revenues. An increasing portion of the company's revenues are from long-term game franchises that extend over many years through updates and sequential series releases. These "Follow-up" revenues have risen from 22% of Winking's sales in 2021 to 41% in 2024. They also contribute to indicative bookings over the next 24 months, which equalled \$49.4m at the end of H1 2025, including confirmed one-off projects.

In addition to high revenue visibility, Winking's revenues are broadly diversified across geographies and customers. The share of revenues from Mainland China and Hong Kong has fallen to 25% in 2024 from 34% in 2023 and 45% in 2022. The company's largest and top five customers represent 17% and 52% of total 2024 revenues, respectively.

**Blue chip client base:** Winking's blue-chip client base is a competitive strength and major barrier to entry. Winking works with 22 of the 25 largest game development companies in the world, including Square Enix, EA and Ubisoft, and is trusted with their premium game franchises such as *Final Fantasy XIV*, *FIFA Online 4* and *Assassin's Creed*. Winking's proven track record in delivering high-quality work, resources at scale and broad capabilities, all within a secure and audited data infrastructure, represent significant barriers to entry against competitors.

**Sustainable cost advantage:** The cost of Winking's billable staff, being predominantly based in Greater China, appears to be c. 60% lower than the in-house staff costs of clients. 96% (816) of Winking's total headcount (846) at the end of 2024 was in Greater China (China and Taiwan), with the remaining 3% in Southeast Asia and 1% in Americas and Europe. Winking's average annual gross cost per billable employee was \$30.5k in 2024 compared to a \$75.1k average salary for US game artists, across a range of roles and experience levels, according to data from Game Industry Career Guide.

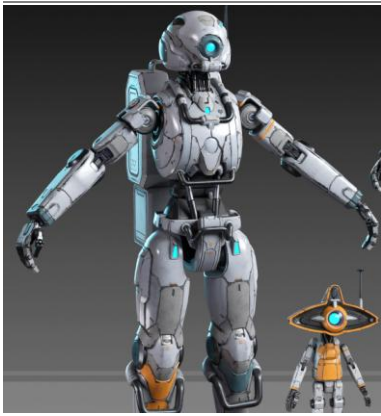
Winking has successfully kept its low cost base steady over a long period. Average gross cost per art outsourcing headcount has ranged only 5% between \$29.4k and \$30.6k over the last four years. Wage inflation has ranged between 5% and 7% for mid-level and senior staff over the last few years, but the company has been able to leverage more lower cost junior staff as the company scales, keeping the average cost of delivery broadly stable. Employee churn in China is in line with industry averages in the country and was around 20% between 2023 and 2024.

**Adding scale and Western clients:** Winking is rapidly adding scale and targeting higher margin Western customers to widen margins. The largest art outsourcing business in the sector with about triple Winking's scale, Keywords Studios' Create division, achieved Adj. EBITDA margin of 28.0% in 2023 compared to 15.1% for Winking in 2024. To widen margins, Winking is rapidly gaining scale through market share gains and acquisitions. Winking has grown revenue excluding Op Point Creative and Pixelline acquisitions at a 2021-24 CAGR of 8.9%, above market growth of 6.4%, and it has more than doubled total chargeable headcount from 529 in 2021 to 1,172 as at H1 2025. We believe a further doubling of scale could allow Winking to gain bargaining power with customers, allow the company to increase prices and raise large contract margins significantly. In addition, Winking's strategy is to add Western clients to further expand margins. Winking believes day rates from European and American clients are typically more than double rates paid by Asian customers. We conservatively forecast Winking widens Adj. EBITDA margins, including ongoing listing and marketing expenses, from 11.8% in 2025 to 13.3% 2026 and 13.8% in 2027 as the Group gains scale.

**Acquisitions, supported by Acer:** Acquisitions are a key driver of the Group's strategy to increase scale, access Western clients and further diversify revenues. We expect acquisitions to build scale and eventually increase bargaining power, thereby driving better contract pricing and margins over the long-term. Winking's strategy is well supported by Acer, a \$3.1bn market cap provider of IT products and services. Acer has invested SGD 63.4m (£37.2m) in Winking and owns 64.2% of shares outstanding.

**Valuation:** For its level of growth, revenue visibility and margin expansion opportunities, we think Winking is undervalued on 1.1x FY26 EV/Sales and 8.1x FY26 EV/Adj. EBITDA. To estimate valuation for Winking we apply a 50:35:15 weighting to multiples from the UK gaming, Asian gaming and European outsourcing groups, then apply a 30:70 weighting between EV/Sales and EV/Adj. EBITDA based estimates, giving a valuation for Winking of 19.0p per share. We use CY26 because this includes a full year of contribution for Mineloder. This estimate is supported by the forward-looking (2024E) takeout multiple of Keywords Studios from October 2024 of 14.0x EV/Adj. EBITDA. Applying this to our FY26 forecast adjusted EBITDA gives a valuation of 21.0p per share.

Exhibit 1: Winking 3D character design



Source: Company data, Art Station

## Business overview

Winking Studios is a leading video game art outsourcing services provider that has operated for over 25 years with major blue-chip customers in global video games development. Headquartered in Singapore, the Group has 13 art studios throughout Asia, business development hubs in Japan, the UK and US, and has over 1,400 employees after completing a major acquisition earlier this year. We set out the Group’s main revenue streams below:

- ◆ **Art Outsourcing** (83% of Group revenue in FY24): This involves the creation and development of digital art assets, covering the full lifecycle of services of conceptualisation, 3D modelling, testing, product release and follow up work. Revenue is primarily generated on a work-for-hire basis from long-term framework agreements with mobile or PC/console game development companies. The contracts specify pricing per workday, other obligations and key contractual terms. Winking can have over 100 game projects live at any one time, with each project having multiple purchase orders for chunks of time to deliver a piece of work. This high frequency of purchase orders means that revenue is rarely lumpy. In addition, this business model is not exposed to title risk (i.e. Winking does not earn less revenue if a game is unsuccessful post-launch).

Exhibit 2: Game art creation pipeline



Source: Pixune

- ◆ **Game Development** (17% of Group revenue in FY24): This involves the provision of programming, game development, design and script writing services. A major client for this division is Gamania Digital Entertainment, a Taiwan-based PC online game company. Compared to Art Outsourcing, this division has lumpier revenue but this is compensated for by higher gross margins due to the complexity of the work performed.
- ◆ **Other services** (<1% of Group revenue in FY24): This segment, which is not meaningful to the overall Group, involves the release of game products produced by Winking, as well as third party game developers on global game platforms such as PlayStation, Switch and Steam.

Winking customers

Winking has established, longstanding collaborations with 22 of the world’s top 25 game development companies, which are shown in Exhibit 3. Most are non-exclusive customers, with developers often using multiple outsourcing providers across their portfolio. Nonetheless, we think Winking has built an impressive customer list in Asia, Europe and North America. The Group’s work has featured in acclaimed and award-winning titles such as Assassin’s Creed, Genshin Impact, and FIFA.

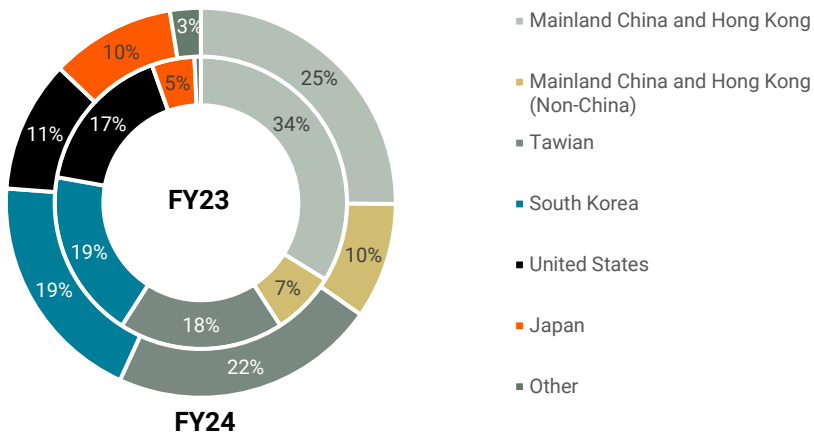
Exhibit 3: Winking Studios’ major customers



Source: Company information

The Group’s revenue split by geography for FY24 is shown in Exhibit 4. In FY24, revenue from Chinese customers in Mainland China and Hong Kong declined to 25.1% from 33.8% in FY23, showing the progress the Group is making in diversifying revenue.

Exhibit 4: FY24 revenue by geography



Source: Company information



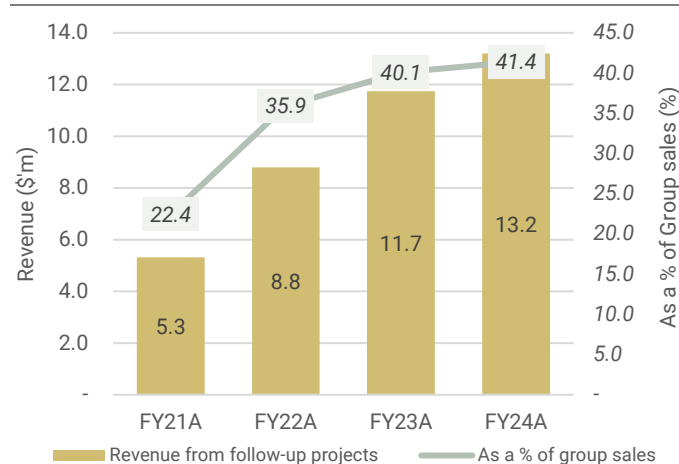
# Strategy

Winking Studios' growth strategy is a dual focus on strengthening its presence in Asia while expanding into key international markets, both developed and emerging, across different market segments of the gaming industry (e.g. AAA console/PC, mobile games, online platform games).

## Building long-term relationships

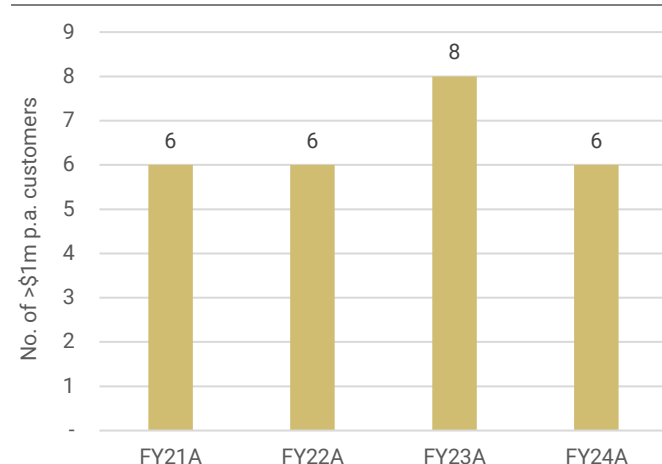
As game developers and publishers increasingly adopt live-service models, requiring continuous content updates, expansions, and seasonal events, Winking has increased the proportion of repeat revenues with many of its customers. An example of this is Winking's work on the Destiny 2 game, developed by Bungie. Winking has provided character modelling and rigging for Bungie every year since 2019, delivering a high volume of character designs in a consistent quality and art style for the game's many seasonal events. Another example is Tencent, the Chinese gaming company, which disclosed in March 2025 that it had 14 "evergreen titles" generating annual revenue over RMB 4bn of annually. Winking Studios has been and remains actively involved in 12 of these high-value titles. Exhibit 5 below shows the growing amount of revenue from follow-up projects and the increasing share of overall revenue. Exhibit 6 shows the number of customers from which Winking generates more than \$1m of annual revenue. The drop to six in FY24 represents normal fluctuations in demand from customers, with FY23 including a number of larger projects that finished, rather than there being any loss of major customers during FY24.

Exhibit 5: Revenue from follow-up projects



Source: Company information, Zeus estimates

Exhibit 6: Number of >\$1m p.a. customers



Source: Company information, Zeus estimates

## M&A

One of the primary reasons for Winking's 2023 listing on the Singapore Stock Exchange and the 2024 listing on the London Stock Exchange was to raise funds to pursue M&A. The Group's strategy has been to expand art outsourcing capabilities, increase capacity, and diversify revenue across geographies and game platforms (PC/console/mobile). We summarise Winking's three acquisitions to date below:

- ♦ **On Point Creative** – April 2024 – This Taiwan-based art outsourcing studio was Winking's first acquisition, intended to enhance the Group's resource base, service offerings, and market reach. The Group paid total consideration of \$1.9m, which included \$0.9m of goodwill.
- ♦ **Pixelline** – June 2024 – Winking acquired Kuala Lumpur-based art outsourcing studio for an initial consideration of \$0.3m, with an earn-out of up to \$0.5m payable between 2024 and 2026 and a one-time payment of \$0.2m linked to ongoing employment of key personnel.



- ♦ **Mineloader** – April 2025 – This was Winking’s largest acquisition to date, adding 453 chargeable employees, predominantly in game art outsourcing, and increasing the Group’s exposure to console games and Japanese and Western markets. Initial consideration was \$18.1m (SGD 24.5m), with a further \$1.7m (SGD 2.7m) payable on the fifth anniversary of completion. There is a further \$3.3m (SGD 4.5m) of share-based incentives, issued between FY25 and FY30 subject to fulfilling performance targets. As with the previous two acquisitions, Mineloader will remain operationally independent during the earnout period, with a team of industry veterans with experience in the Japanese video game sector continuing to run the business. In the year to 31 December 2023, the last full year before acquisition, Mineloader generated EBITDA of SGD 3.6m and EBIT of SGD 3.2m, meaning that Winking paid initial consideration equivalent to 6.8x FY23 EBITDA and 7.7x EBIT. In the first three months of consolidation (April to June 2025), Mineloader earned revenue of \$4.1m.

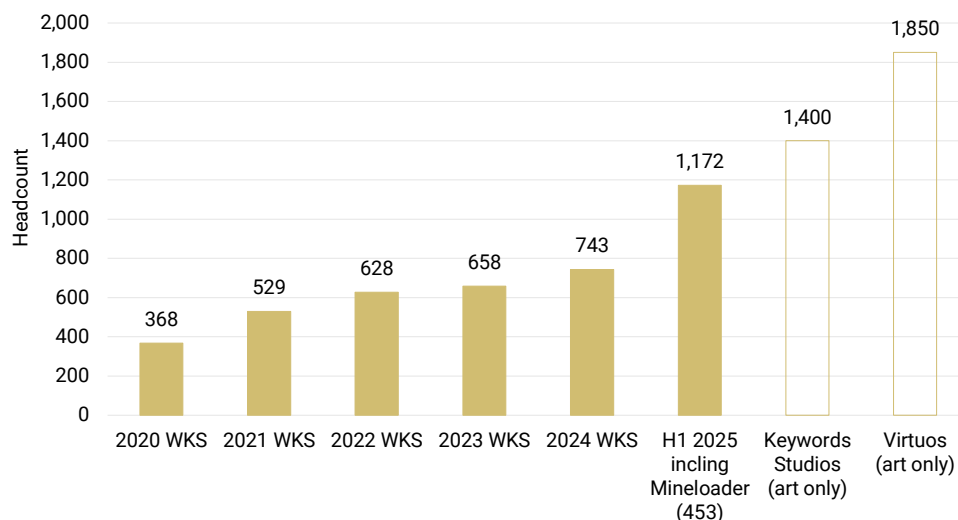
Whilst the Group’s acquisitions remain operationally independent during the earn-out periods, there is still potential for business synergies, resource integration and cross-selling, driving enhanced economies of scale. For example, Mineloader has already referred project work to other areas of Winking Studios from its client base. Once the earn-out periods have finished, we believe Winking will be able to achieve greater cost synergies from shared functions.

Future areas of focus for M&A will be to: 1) increase Art Outsourcing capacity and headcount with targeted acquisition multiples of 7-10x EBITDA; 2) grow the Group’s customer base across classification (i.e. AAA), platform (i.e. console) and geography (i.e. the West); and 3) build out its UK hub to facilitate direct presence in Western markets including the US and Europe. We think the latter focus area presents an opportunity to generate pricing arbitrage benefits between what companies are willing to pay per day in the West and what Winking can deliver with its cheaper Asia-based headcount, as described overleaf.

## Scaling to improve bargaining power and margins

We believe Winking will eventually be able to offer market leading scale alongside lower-cost resources, potentially disrupting the market. Winking is rapidly gaining scale through market share gains and acquisitions. Over the four years to FY24, Winking has grown revenue excluding Op Point Creative and Pixeline acquisitions at a CAGR of 8.9%, above market growth of 6.4%, and it has more than doubled total chargeable headcount from 529 in 2021 to 1,172 as at H1 2025. We believe Winking is well positioned to eventually exceed the scale of its largest competitors, supported by its parent, Acer, its public listings and its accelerating acquisition strategy. We believe a further doubling of scale could allow Winking to gain bargaining power with customers and allow the company to increase prices. Increased bargaining power and prices, combined with low-cost resources, could allow Winking to take share from market leaders and expand the company’s Adj. EBITDA margins (2024: 15.1%) to levels near those achieved by Keywords Studios (28.0%). We believe a doubling of art outsourcing headcount could raise large contract margins significantly.

## Exhibit 7: Rising scale

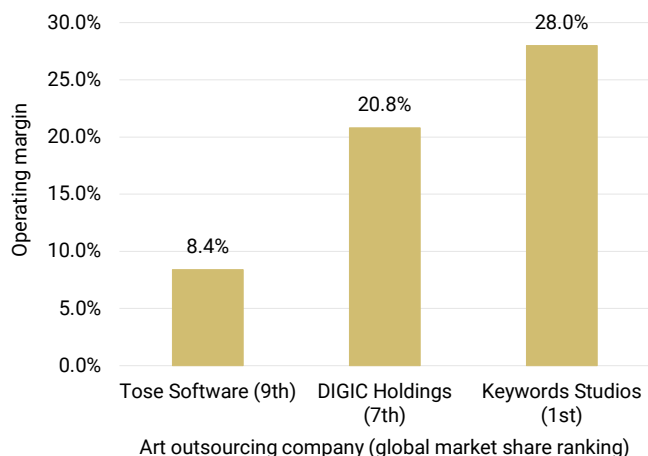


Source: Company data, Zeus

Peer analysis demonstrates that scale is a key driver of profitability in game outsourcing, with larger service providers achieving significantly higher operating margins than smaller providers. Keywords Studios' Create division, the largest art outsourcing business in the market, achieved Adj. EBITDA margin of 28.0% in 2023, before being acquired by EQT in October 2024. DIGIC Holdings, the 7<sup>th</sup> largest art outsourcing provider, disclosed operational EBIT margin of 20.8% in 2021 when it was acquired by Embracer on 21 December 2021. Tose Software, the 9<sup>th</sup> largest art outsourcing provider, achieve 8.4% operating margin (source: FactSet) in its fiscal year ended August 2023. (The company recorded a negative operating margin in FY24 and an 8.3% operating margin in FY22.) Winking reported 15.1% Adj. EBITDA margin in 2024, with about half the scale of Keywords Studios. As the Group increases scale and adds Western clients, we expect Adj. EBITDA margins to approach 20% over the medium term.

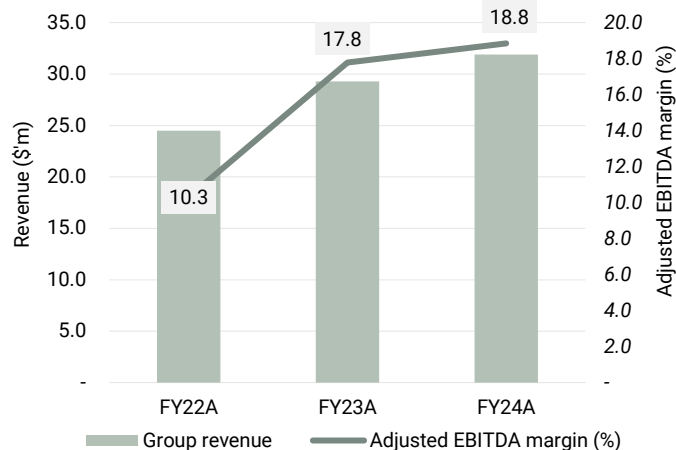
Historic financial analysis also indicates benefits to scale in art outsourcing. Winking's Adj. EBITDA margin has risen steadily from 10.3% in 2022 to 17.8% in 2023 to 18.8% in 2024, excluding \$1.2m of ongoing listing and marketing costs not incurred in FY23. We forecast Adj. EBITDA margins, including ongoing listing and marketing expenses, of 11.8% in FY25 due to recent, lower-margin acquisitions, but assume Adj. EBITDA margins resume their upward trend to 13.3% FY26 and 13.8% in FY27 as the Group continues to gain scale organically.

## Exhibit 8: Peer margins and scale



Source: Company data, FactSet, Zeus

## Exhibit 9: WKS margins and scale



Source: Company data

## Expand into higher margin Western clients

In addition to achieving market leading scale, a key potential driver of margin expansion is increased exposure to Western clients. Winking believes day rates from European and American clients are typically more than double rates paid by Asian customers. Keywords Studios and Virtuos' major customer bases are European and American clients, indicating their large employee bases also yield above average revenues and margins.

Winking plans to accelerate exposure to Western clients through acquisitions, starting with smaller acquisitions of Western client bases to prove out its strategy. Winking had only 21% revenue exposure to the US (11%) and Japan (10%) in 2024. Winking believes it can service higher day rate Western contracts at much lower cost, through its high-quality Asian staff. Winking believes its Asian customers are highly discerning and often require more resource to service than Western clients. We believe Winking is well positioned to expand revenues and margins by increasing exposure to higher-margin Western clients.

## Strong strategic shareholder

Winking's above strategy to increase scale, expand in Western markets and consolidate the market is strongly supported by its large shareholder, Acer (64.2%). Acer is a \$3.1bn (TWD 90bn) market capitalisation company listed on the Taiwan Stock Exchange, with net cash of \$738m in 2024, having grown revenue by 10% and generated \$148m of EBIT in the year. Acer's stated strategy is to expand beyond its core PC and laptop hardware market into higher margin services and content provision and Winking is an integral part of this strategy. Acer has invested a total of SGD 63.4m (£37.2m) in Winking, with its last investment at SGD 0.26 (15p) per share, slightly above the current share price. It is important to note, though, that Acer has no input into day-to-day operations and is an arms-length, strategic investor in the business.

### Exhibit 10: Acer's investments in Winking

Transaction	Date	Number of shares (m)	Cost per share (SGD)	Investment account (SGDm)
Before IPO on Singapore exchange (SGX)	Nov 2023	131.7	0.206	27.2
SGX IPO	Nov 2023	10.8	0.200	2.2
Share Purchase Agreement	April 2024	24.1	0.200	4.8
Singapore secondary placement	July 2024	75.9	0.250	19.0
AIM IPO	Nov 2024	40.0	0.260 (15p)	10.2
<b>Total</b>		<b>282.5</b>	<b>0.224</b>	<b>63.4</b>

Source: Company data, Zeus

## Management team

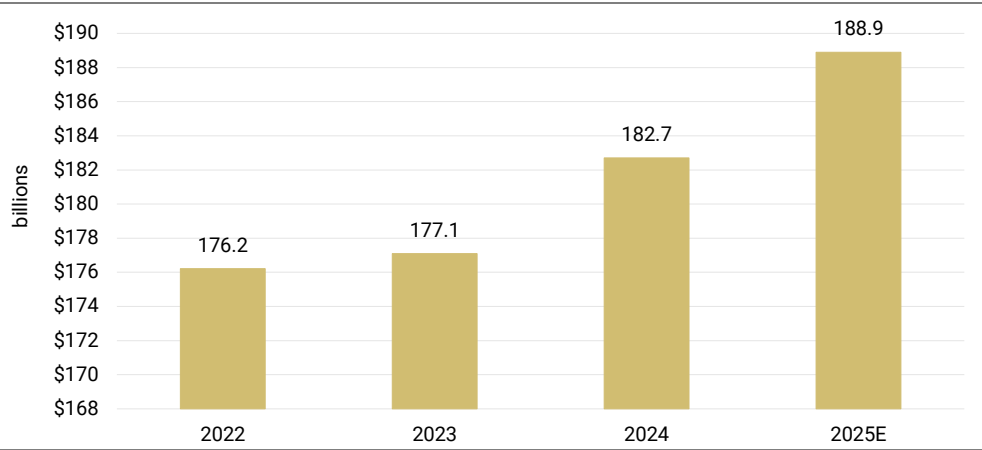
In our view, Winking is managed by experienced industry veterans with a deep understanding of the sector. We set out some bios of management team below:

- ◆ **Johnny Jan** – *Founder and CEO* – Johnny founded the company and was appointed to the Board in 2005. Johnny is also a director of most of the subsidiaries of the Group. He has over 26 years of experience in the game art outsourcing and game development industries. He oversees the business development activities and operations of the Group and leads its overall strategic direction. He founded WindThunder Era Corporation and subsequently founded the Group's game art outsourcing and game development studios before its incorporation as Winking Studios. He is also a director of the Taiwan Game Industry Promotion Alliance.
- ◆ **Lim Heng Choon** – *Independent non-exec chairman* – Lim Heng Choon was appointed to the Board in 2023. He is currently the Chief Financial Officer and executive director of Centific Global Solutions, Inc as well as the founder and managing director of Hyperion Connect, a boutique consulting firm that focuses on corporate advisory projects. He was previously a Senior Consultant at Boston Consulting Group and served as Acting Chief Financial Officer at Hisoft Technology International.
- ◆ **Oliver Yen** – *Group CFO* – Oliver joined the Group in 2014 and has more than 20 years of experience within the game development and game publishing industry. Mr. Yen has been responsible for all finance related areas of our Group since joining the Group, overseeing its treasury function, audit and taxation matters. From 2000 to 2013, he was the Vice General Manager of the General Management Office in Softstar Entertainment Inc., a Taiwanese listed game development and game publishing company. Mr. Yen currently serves as independent non-executive director for two listed company in Taiwan, Otsuka Information Technology Corp. and Patec Precision Industry Co., Ltd.
- ◆ **Tina Li** – *General Manager of Art Outsourcing Segment* – Tina Li joined the group in 2003 and previously held the roles of art designer and General Manager before helming her current position. She is responsible for overseeing the expansion and growth of the group's business. She has over 20 years of experience in art design, having worked previously as a graphic designer and art designer before joining the Group.
- ◆ **Kao Shu-Kuo** – *Non-exec director* – Kao Shu-Kuo was appointed to the Board in 2023. He is the current Chairman of the Board of Directors in Acer Gaming where he started his career in 1995. In Acer Gaming, he was responsible for its IT product business as a general manager, before he took on the role of Chief Operating Officer in 2018.
- ◆ **Chang Yi-Hao** – *Independent non-exec director* – Chang Yi-Hao was appointed to the board in 2021. He was previously Chief Operating Officer of XLegend Entertainment, a company engaged in game licensing and publishing. He oversaw cross border licensing and publishing of games from Korean developers to the Taiwan market. He also established an international operations team to manage and license games across Japan, China, the US, Europe, Thailand and Malaysia.
- ◆ **Yang Wu Te** – *Independent non-exec director* – Yang Wu Te was appointed to the Board in 2023. He is well-versed in finance and banking functions, having previously held management roles in top foreign banks. He was previously in Deutsche Bank, JPMorgan Chase & Co, Taishin International Bank and Merrill Lynch International Bank. From 2013 to 2020, he was an Executive Director and Relationship Manager of the Private Banking arm of Bank Julius Baer & Co.
- ◆ **Daniel Widdicombe** – *Independent non-exec director* – Daniel is currently CFO for AIM listed US video game developer Devolver Digital Inc. Previously, Mr. Widdicombe was Head of Investment Banking at China Construction Bank in London, the CFO at both Chinadotcom Ltd. (NASDAQ) and I-Quest Corporation Ltd. and a Managing Director at Bear Stearns. His experience also includes acting as Independent Non-Executive Board Director at AVIC-CCBI Aviation Industry Investment Fund Management GP Ltd. and Corgi International Ltd. (NASDAQ) as well as Non-Executive Director at Middle Earth Advertising Ltd.

## Market growth drivers

The video game market is large and steadily recovering after a period of oversupply. Newzoo forecasts global games revenues grow 3.4% in 2025, continuing solid growth of 3.2% in 2024 and up from nearly flat growth of 0.5% in 2023. The Covid-19 pandemic drove one-off demand, followed by years of over-supply. In response, game makers reduced employees, terminated projects and delayed releases. The market now appears to be rebalanced and appears to be on a path to recovery. Winking should grow faster than the overall market, due to its high exposure to rapidly growing segments of the market – outsourced development, Asia-Pacific (APAC) and mobile games. We discuss each of these market growth trends below.

Exhibit 11: Global game market returns to growth

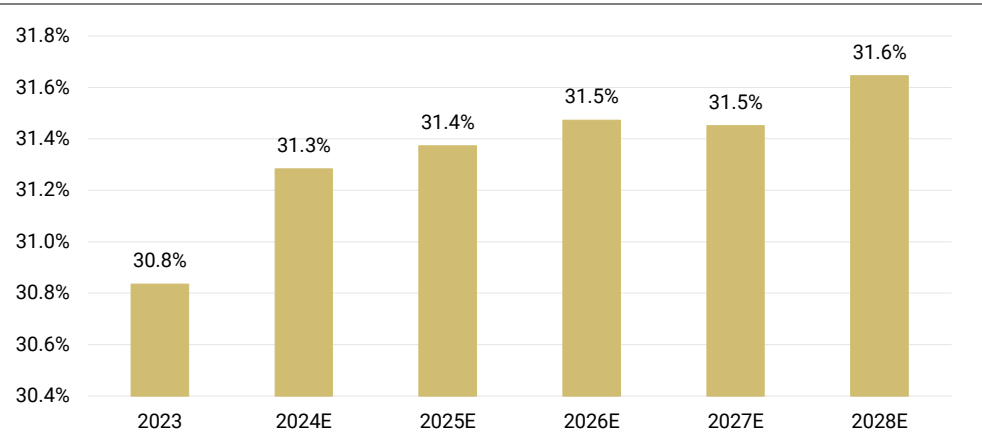


Source: Newzoo

## Game art and outsourcing

Game makers are increasingly outsourcing game development to specialists to reduce costs and accelerate development times. Game developers are seeing increasing demand from players for high-quality, regularly-updated content, immersive visuals and complex character models and environments – all of which require significant investment in art and development services. Game makers are also accelerating release cycles in order to maintain engagement with players and remain competitive in a crowded market. As a result, game art’s share of global game development expenditure is forecast to rise steadily from 30.8% in 2023 to 31.6% in 2028.

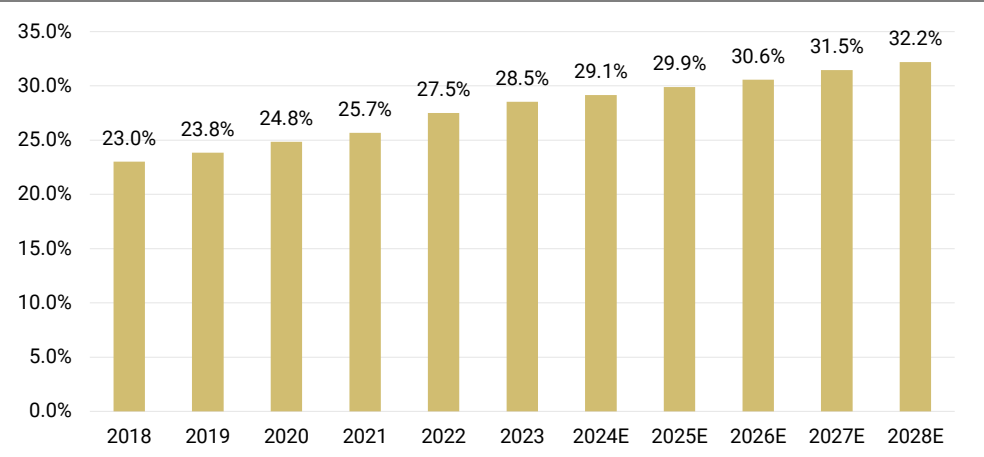
Exhibit 12: Game art share of global game development expenditure



Source: China Insights Consultancy, August 2024

At the same time, game developers are managing wage inflation and rising marketing costs. As a result, major game studios have chosen to outsource an increasing share of their art and development needs to increase efficiency, reduce fixed costs and make scaling easier, driving a structural shift towards established external service providers like Winking Studios. China Insights Consultancy estimates outsourcers’ share of global game development budgets have risen from 23.0% in 2018 to 29.1% in 2024 and expect their share to rise steadily to 32.2% by 2028. The game outsourcing market was valued at \$10.9bn market in 2024.

Exhibit 13: Outsourcers' share of global game development expenditure

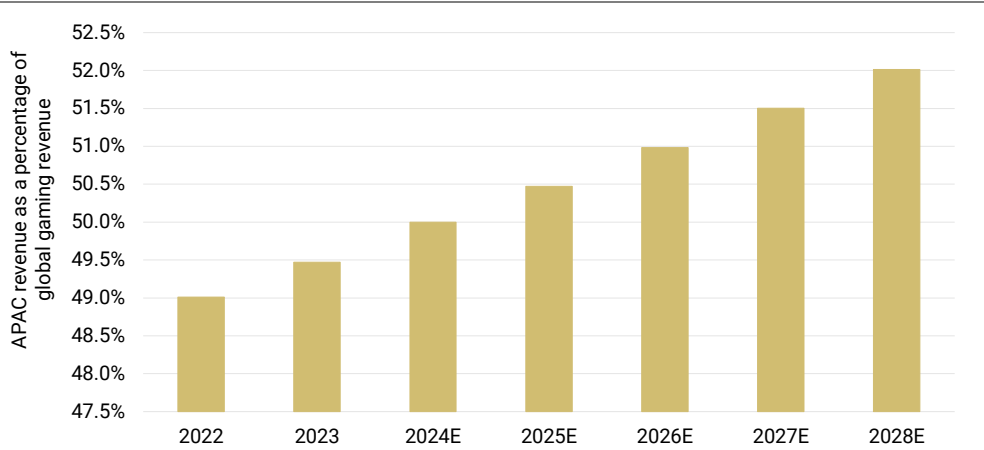


Source: China Insights Consultancy, August 2024

Asia Pacific

Winking’s revenues are more exposed to the rapidly growing Asia gaming market. 62% of Winking’s H1 2025 revenue was in Asia, excluding Chinese subsidiaries of European and American customers and overseas subsidiaries of Chinese customers. Asia’s share of global gaming revenue is forecast to rise from 49.0% in 2022 to 52.0% in 2028.

Exhibit 14: Asia Pacific share of global gaming market

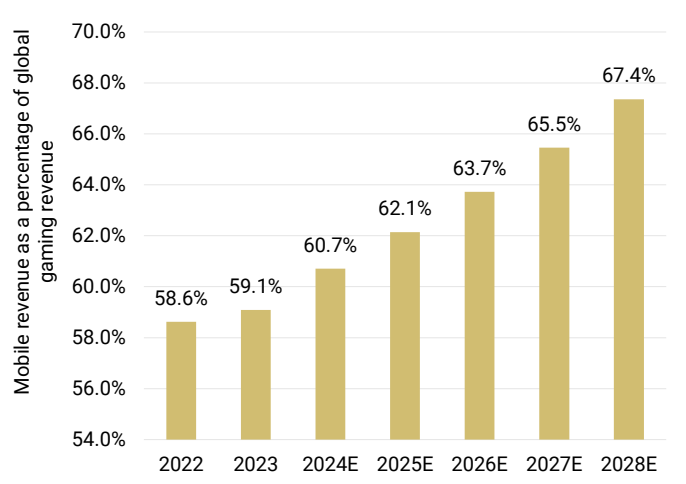


Source: China Insights Consultancy, August 2024

Mobile gaming

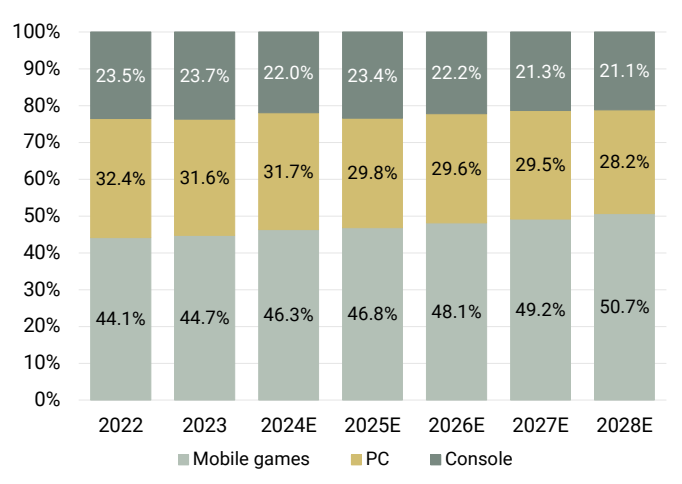
Winking also has favourable exposure to mobile games (H1 2025: 42.3% of person days charged), a growing share of the global gaming market. As processing capacity and screen technology of mobile handsets improve and as the mobile-biased Asia gaming population rises, mobile games share of global gaming revenues is expected to rise from 60.7% in 2024 to 67.4% in 2028. Particularly relevant to Winking is that mobile’s share of global game art outsourcing is expected to rise from 46.3% in 2024 to 50.7% in 2028.

Exhibit 15: Mobile revenue share of global gaming revenue



Source: China Insights Consultancy, August 2024

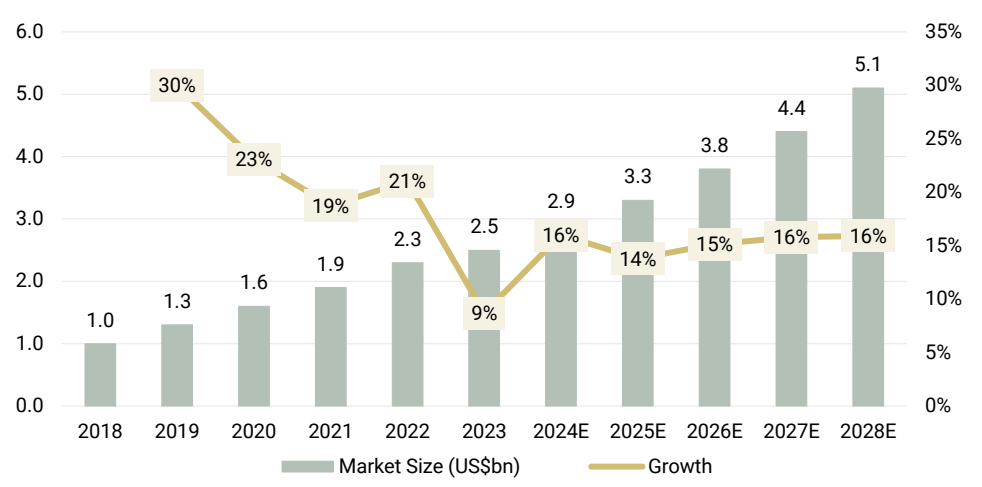
Exhibit 16: Mobile share of global game art outsourcing market



Source: China Insights Consultancy, August 2024

Winking’s exposure to outsourcing, Asia Pacific resources and the mobile market should drive strong growth. China Insights Consultancy forecasts that the APAC game art outsourcing market grows 14% in 2025 and 15% in 2026. We conservatively forecast Winking grows revenue 18% in 2026 and 6% in 2027.

Exhibit 17: APAC game art outsourcing market



Source: China Insights Consultancy, August 2024



## Artificial intelligence impacts

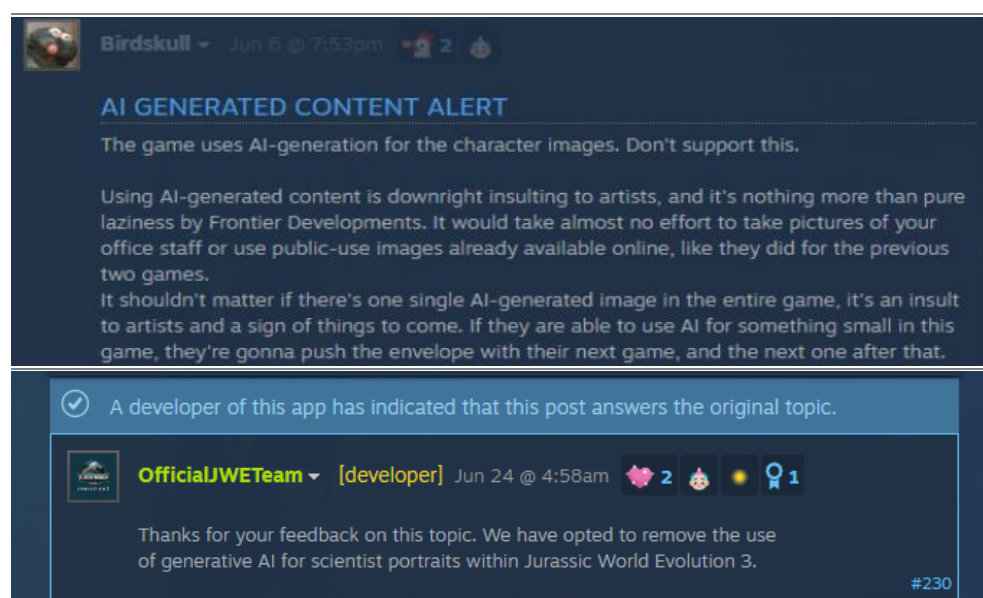
A commonly cited area of risk for game art services is the use of artificial intelligence for image and art creation, which has the potential to significantly reduce the time taken to create game art. Models such as Midjourney, Stable Diffusion, Kaedim and Objaverse, alongside those made by OpenAI and its competitors, are already being used in the sector to generate images from user prompts. We address this risk in this section.

Our discussions with game makers indicate that generative AI, at current levels of advancement, is most likely useful for game art in the initial development of 2D images such as concept art, storyboards or character designs, which can then be refined by game artists. The productivity enhancements and time savings from this, if permitted by customers, could reduce the billable hours available from this form of game art service, negatively impacting Winking and the wider outsourcing industry. However, according to Management, time spent on 2D concept art and image creation is relatively small compared to total billed hours across the whole Group.

A major mitigating factor to the risk of AI is that the majority of customer contracts with Winking restrict the use of generative AI in its work due to concerns over copyright and originality. In other words, customers want a unique, differentiated product, not an average or approximation of other available images found by an AI model, which could expose the customer to copyright liabilities. Customers are also concerned about data privacy and protection of their intellectual property and do not want outsourcers to provide proprietary data to public AI models.

In recent months we have seen strong pushback from players and the video game community against the use of artificial intelligence in game creation. Typical opposition against its use include the environmental impact of AI, theft of art, and the general quality of outputs. Steam, the marketplace that has a c. 70% market share in PC game sales, requires developers and publishers to disclose the use of AI in its games on the Steam Store. UK-quoted Frontier Developments (FDEV) has an upcoming major release, Jurassic World Evolution 3, under which it said it used generative AI to create images of scientists, which would ordinarily have been created by game artists. This led to [strong criticism from fans](#) (see Exhibit 18), prompting Frontier to remove the use of AI for this element of the game a few weeks later. Epic Games, the creator of Fortnite, also [received criticism in May 2025](#) for the use of AI generated voices of characters. Nintendo had to release a [statement denying the use of AI](#) in creating in-game billboards in its latest Mario Kart game. In our view, these examples demonstrate that the use of AI in game development and art can be unpopular and that its ubiquitous rollout is far from a foregone conclusion.

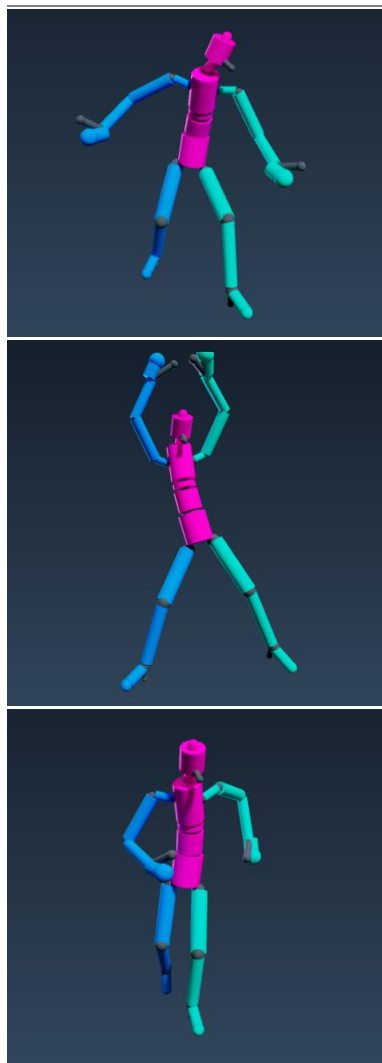
### Exhibit 18: Steam comments on AI use



Source: PC Gamer

Another mitigating factor is that AI models need to be trained on extensive data sets in order to be useful and create quality outputs. According to Winking, there are limited publicly available data sets of 3D models for game characters and designs, making most 3D services relatively insulated from AI risks. AI models may increasingly be used for simple 3D animation (how a character walks, jumps and reacts), but this is also a relatively small share of Winking's overall revenue (3-5%) and the Group is actively developing its own tool (see below) to get ahead of competitors in this area.

### Exhibit 19: GenMotion.AI examples



Source: Company data

## GenMotion.AI

Recognising the potential of AI in certain areas of game art and animation, Winking and Acer have co-developed a proprietary text to image tool, [GenMotion.AI](#), that allows professional animators and game producers to generate accurate and authentic 3D game animations using text prompts. Multiple prompts can be combined to create extensive, continuous animations, with the ability to flexibly regenerate sections and make edits to the animation. By integrating deep AI capabilities within established animator workflows, Winking aims to equip game artists and creators with cutting-edge tools that drive both enhanced productivity and creativity. The product supports seamless exports in general file formats and provides APIs for compatibility with major 3D tools (such as Max and Maya) and game engines (including Unreal Engine and Unity).

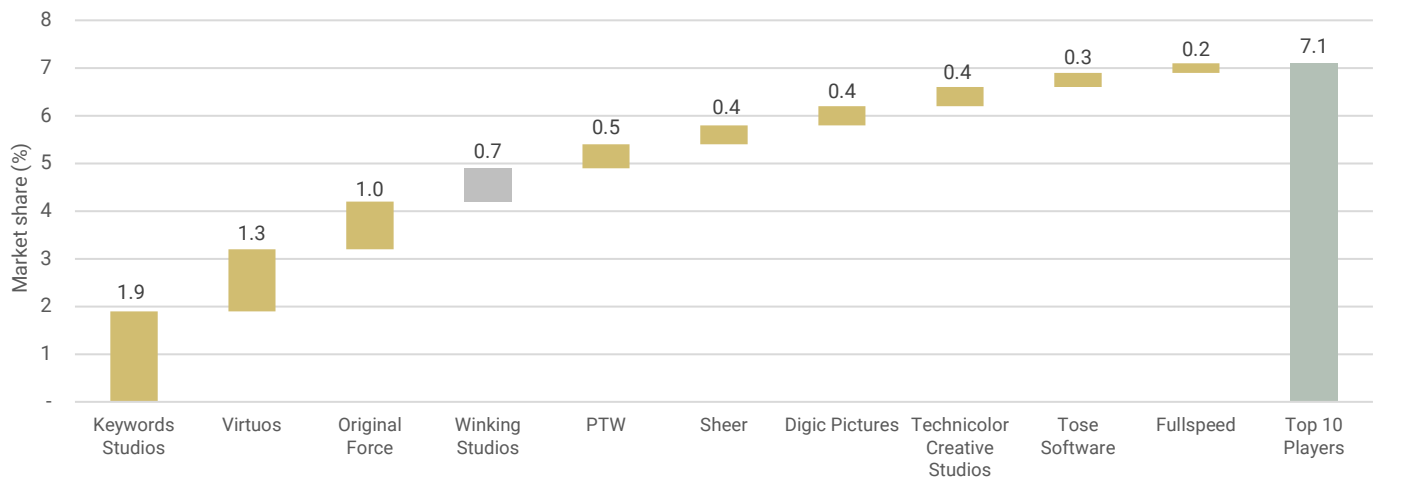
Data ownership and traceability has been a key focus area when developing GenMotion.AI. The training data set is proprietary and was created via video motion capture of thousands of real-life movements. All data in the training set has been documented with blockchain technology for traceability, with an international law firm attested the integrity of the data collection and training workflow. We believe this will assuage game development customers' concerns of copyright infringement.

On 7 March 2025 Winking announced the third stage of the joint development project to further strengthen the product's capabilities for applications within game development. Under the agreement for Phase Three, Acer will contribute up to \$0.5m towards further R&D and testing of the product, performed by Winking using existing manpower, software, and hardware. Winking's development costs, net of funds received from Acer, for this product are currently fully expensed to the income statement (i.e. not capitalised). After this third phase is complete Acer will have invested c. \$1.5m in aggregate, with Winking and Acer holding a 50:50 share in ownership of the IP.

## Competitive landscape

Winking is a top four art outsourcing company globally and the third largest in Asia, despite only having a 0.7% market share. The top ten players in global game outsourcing accounted for only 7.1% of the market revenue in 2023, demonstrating that the sector remains highly fragmented. Exhibit 20 shows the top ten companies’ market share. Our view is that the market is highly competitive, both on price and quality of service. Nevertheless, Winking has been able to significantly grow its market share over its 25 years in operation. We see further scope for Winking to make organic market share gains and to consolidate the fragmented industry.

Exhibit 20: Global game outsourcing market share (revenue)



Source: China Insights Consultancy (August 2024)

We describe the other four members of the top five companies below:

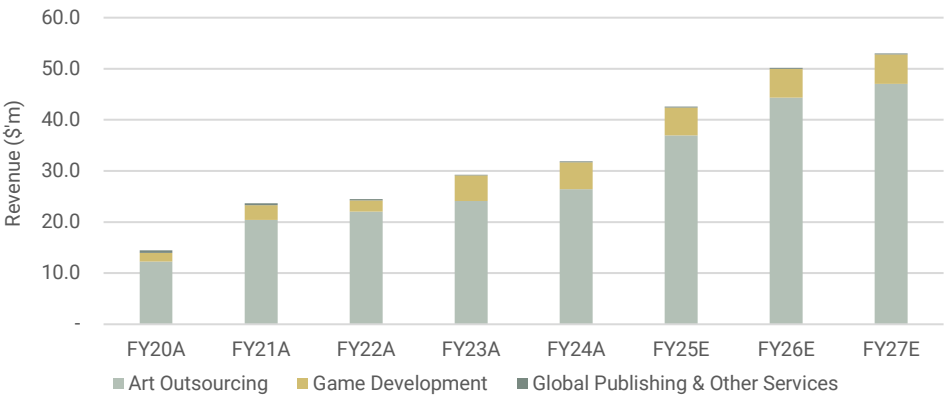
- ◆ **Keywords Studios (1.9% market share):** Keywords provides a comprehensive suite of work-for-hire game outsourcing services including game development and art services, localisation, quality assurance testing, and marketing and player engagement. Having listed on AIM in 2013, Keywords built up its portfolio of capabilities and solutions via M&A and, alongside organic growth, expanded revenue from €16.4m in 2013 to €780.4m in 2023 and Adj. EBITDA from €2.7m in 2013 to €158.3m in 2023. According to estimates from China Insights Consultancy, Keywords has c. 1,400 game art employees. The company was acquired by private equity firm EQT Partners in October 2024 for £2.1bn, which represented valuation multiple of 3.3x EV/Sales and 15.9x EV/Adj. EBITDA 2023. Using consensus forecasts for FY24 at the time, the valuation was 2.6x EV/Sales and 14.0x EV/Adj. EBITDA. According to announcements at the time of the deal, Keywords is expected to continue its acquisition strategy under its new ownership.
- ◆ **Virtuos (1.3% market share):** Virtuos is engaged in outsourced game development and art production services, employing c. 1,850 game artists, mostly in Asia to serve clients in Europe and the US. The Group has expertise in standalone art content (such as concept art, 2D and 3D assets, animation, lighting) and in unified art content (such as creating game levels, characters and cinematics). Virtuos has worked on art for games such as Fortnite, League of Legends and Final Fantasy, acting for 18 of the world’s top 20 developers.
- ◆ **Original Force (1.0% market share):** Original Force, privately held and headquartered in Nanjing, China, employs approximately 1,300 game artists and has a global client base including Microsoft, Activision, Sony, Disney, Rockstar Games and Tencent.
- ◆ **Pole to Win (0.5% market share):** This company, headquartered in Japan, is part of Tokyo-listed Poletowin Holdings, Inc. (3657-JP) and has c. 500 game art employees serving clients in Japan, Europe and the US.

# Financial performance and forecasts

## Revenue

Exhibit 21 shows revenue by division from FY20 to FY24 and our three-year forecast period from FY25 to FY27. Between FY20 and FY24, overall Group revenue has increased a CAGR of 21.8% on a reported basis and by 20.6%, excluding the revenue contributed by the On Point Creative and Pixelline. To some extent the growth in FY21 reflects a bounce-back from Covid-19 that reduced output in the early stages of lockdowns (in 2020) in various countries. Starting from FY21 instead, Group revenue increased at a CAGR of 10.4% on a reported basis and by 8.9%, excluding the revenue contributed by the On Point Creative and Pixelline in the three years to FY24. Revenue in H1 2025 increased by a further 27.3% to \$19.4m, including \$4.1m from three months of Mineloder. Muted organic growth can partly be attributed to fewer working days than the prior period comparator, with H1 2024 being a leap year and H1 2025 including two additional public holidays in China.

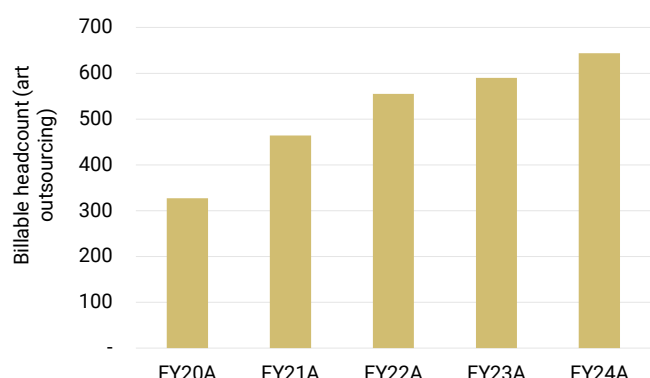
Exhibit 21: Revenue by division



Source: Company data, Zeus estimates

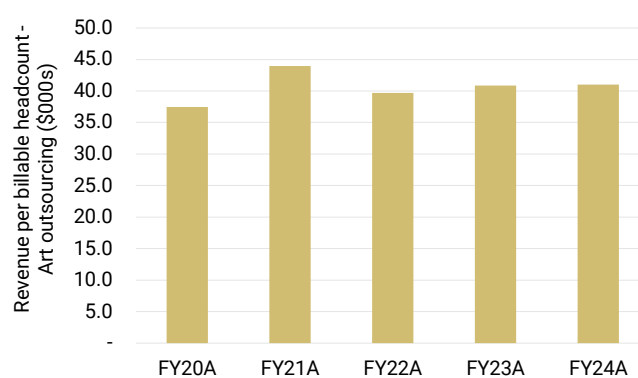
There was a strong recovery (+66.5%) in Art Outsourcing revenue in FY21 during the Covid-19 boom in the video game sector that saw strong increases in game budgets and demand. The segment also showed good levels of organic growth in FY22 (+8.0%) and in FY23 (+9.5%), driven by increases in billable headcount (see Exhibit 22). Art Outsourcing revenue grew by a further 9.5% in FY24 to \$26.4m, with two acquisitions (On Point Creative and Pixelline) contributing \$1.3m of sales, meaning growth was c. 4% in FY24, excluding the On Point Creative and Pixelline acquisitions. Winking has achieved consistent organic growth in this division, despite sector headwinds, by expanding relationships with existing clients and gaining market share. We forecast 40% sales growth in this segment in FY25, primarily driven by the 1 April 2025 acquisition of Mineloder, followed by 20% in FY26 which will see an additional three months of consolidation of this acquisition, plus organic growth.

**Exhibit 22: Billable headcount (Art Outsourcing)**



Source: Company information, Zeus estimates

**Exhibit 23: Revenue per billable headcount (Art Outsourcing)**



Source: Company information, Zeus estimates

The Game Development segment also exhibited strong growth in FY21 (+69.7%), which partly reversed in FY22 (-23.1%) due to lumpy revenues and small size. FY23 sales for Game Development more than doubled (+124.3%) in FY23 due to several larger projects delivered, then grew by 6.1% in FY24 to \$5.3m. We assume only modest annual growth (c. 3%) in this division going forward, which could be outperformed if there is a recovery in the industry demand cycle for video games.

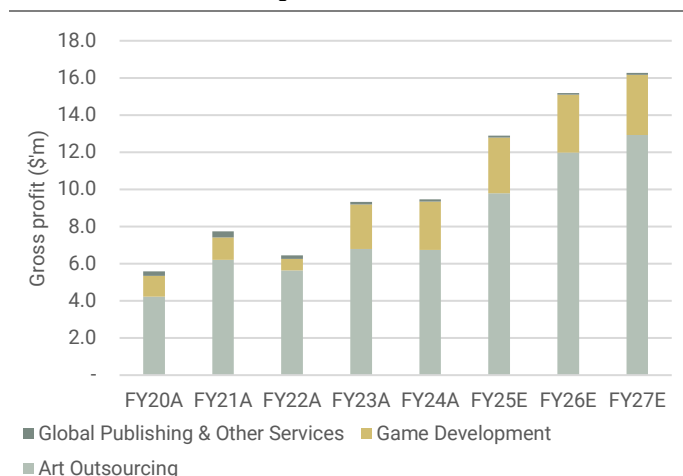
## Gross profit

Group cost of sales are primarily made up of direct staff costs from billable employees working on client projects, plus some subcontractor expenses. The Group has an established network of flexible subcontractors to which it can outsource basic work to increase operational efficiency, sometimes at a benefit to gross margin.

Exhibit 25 shows the gross margins of the two larger divisions and the overall Group. Due to Art Outsourcing accounting for the majority of revenue (83% in FY24), this division is the main driver of Group gross margin. This segment saw gross margin decrease from 34.5% in FY20 to 28.1% in FY23, as FY20 included a smaller team working on above-industry-average margin projects. In FY24, gross margin decreased further to 25.6% due to efficiency and utilisation issues when integrating the two acquired businesses (On Point Creative and Pixelline). Excluding these acquired companies, Winking's gross margin would have increased to 29.5%. We understand that the same issues have not occurred with the Mineloder acquisition, where more effort was focused on a smooth transition before the completion of the deal. Therefore, we assume a recovery in gross margin in FY25 to 26.5%. For FY26 and FY27, we forecast incremental annual improvements in Art Outsourcing gross margin, driven by scale benefits.

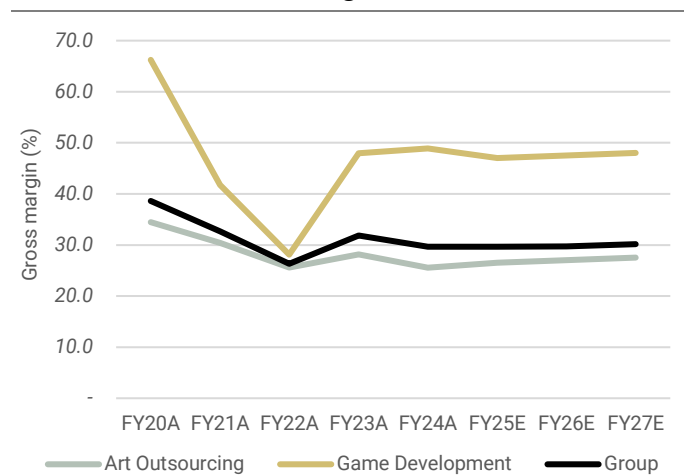
Gross margin of the Game Development division has been more volatile than Art Outsourcing due to more variance in utilisation of staff. For example, when Game Development revenue decreased by 23.1% in FY22 due to fewer projects and a sector-wide slowdown, gross margin dropped to 28.1% from 41.8% in FY21. In FY24, this increased to 48.9% from 48.0% in FY23, alongside the 6.1% increase in segment revenue. Game Development accounted for 27.4% of Group gross profit in FY24, despite accounting for only 16.6% of sales. With the acquisition of Mineloder on 1 April 2025, which earns 90% of its revenue from Art Outsourcing, we expect Game Development to account for a smaller share of gross profit in future years. We forecast a slight reduction in Game Development gross margin to 47.0% in FY25, followed by improvements in FY26 and FY27 as the video game sector recovers and utilisation improves.

Exhibit 24: Gross profit



Source: Company information, Zeus estimates

Exhibit 25: Gross margin



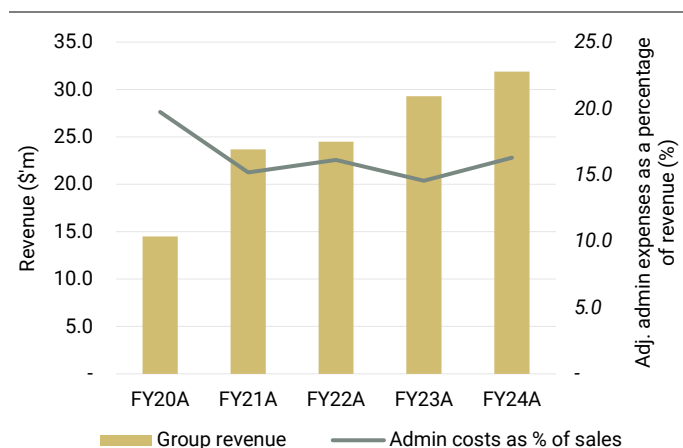
Source: Company information, Zeus estimates

## Adj. EBITDA

Winking has reduced Adj. admin costs as a percentage of sales between FY20 and FY23 (from 19.7% to 14.6%). FY24 saw a small increase to 16.3%, which was driven by the integration issues with the two acquired businesses. Falling gross margin, particularly in FY22, is the main factor in the fall in Adj. EBITDA margin from 20.0% in FY20 to 15.1% in FY24 (shown in Exhibit 27). In H1 2025, adjusted EBITDA grew by 17.9% to \$2.4m, with a 1.0pp drop in adjusted EBITDA margin to 12.6%. This period included \$0.2m of ongoing admin expenses related to the dual listing on the LSE, which did not occur in H1 2024.

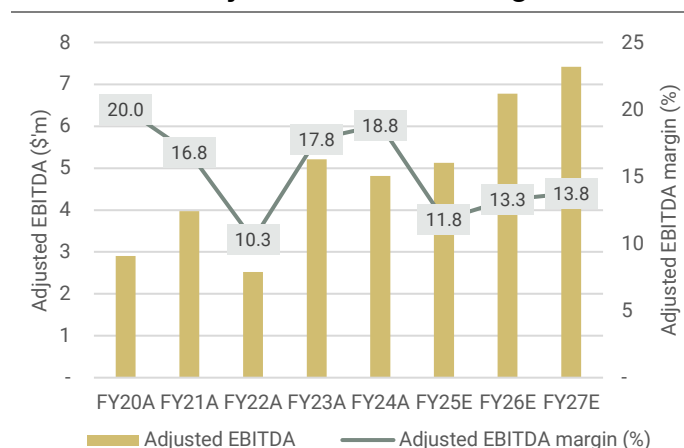
Looking ahead, we forecast a drop in Adj. EBITDA margin to 11.8% in FY25 because of a full year of LSE plc costs. However, as recent acquisitions are integrated and staff utilisation is improved and as the Group continues to add scale through organic growth, we forecast an improved Adj. EBITDA margin of 13.3% in FY26 and 13.8% in FY27.

Exhibit 26: Overheads as % of sales



Source: Company information, Zeus estimates

Exhibit 27: Adj. EBITDA and margin



Source: Company information, Zeus estimates

## Depreciation, amortisation, interest and tax

Costs below EBITDA for Winking include:

- ◆ **Depreciation:** The primary depreciation charge relates to right of use assets such as office premises (\$1.2m in FY24) and depreciation of other PPE such as IT equipment (\$0.6m in FY24). We forecast an increase in depreciation from \$1.9m in FY24 to \$2.5m in FY25 following the acquisition of Mineloder and the addition of its leased offices and assets.
- ◆ **Amortisation:** Winking reports very minor underlying amortisation expenses (\$0.2m in FY24). Amortisation of acquired intangible assets is classified by Winking as a non-underlying item and therefore excluded from this.
- ◆ **Net finance costs:** Winking earns interest income (\$0.5m in FY24) on its cash balances and incurs minor interest expenses (\$0.1m in FY24) on the unwind of discount on IFRS 16 lease liabilities. We forecast near zero net interest income throughout FY25-FY27.
- ◆ **Tax:** The rates of corporate tax in Winking's primary countries of operation are 25% for Mainland China, 16.5% for Hong Kong, 20% for Taiwan, and 17% for Singapore. Despite these tax rates, Winking has reported tax credits each year from FY21 to FY24 due to its tax planning strategies. We expect Winking to continue to use these strategies going forward, so we assume an effective tax rate of 10%, which may still prove to be too high.

## Adjusting items

Winking excludes the following items from its adjusted profit measures:

- ◆ **SGX/LSE IPO costs:** Winking incurred c. \$2.2m of listing costs in Singapore across late FY22 and into FY23, then a further \$2.5m for LSE dual listing expenses in FY24. We do not forecast these costs to repeat, but there are ongoing expenses associated with each listing that are included in underlying expenses.
- ◆ **Share based payments:** In FY24 Winking incurred \$1.0m of share based payment charges relating to the Group's performance share plan for key employees issued in April 2024, with awards subject to personal performance evaluation indicators, the Group's operational goals, and service tenure. We forecast this to increase to \$1.8m in FY25.
- ◆ **Amortisation of acquired intangible assets:** In FY24 Winking incurred \$0.1m of amortisation related to intangible assets recognised during its two acquisitions during the year. We expect this item to increase in FY25 following the 1 April acquisition of Mineloder, which was a much larger business than the previous two deals.
- ◆ **Foreign exchanges gains or losses:** Net gains or losses from FX fluctuations are treated as a non-underlying item.
- ◆ **Acquisition related costs:** Winking incurred c. \$0.1m of acquisition related costs in FY24 from its two deals that year. In FY25, we forecast acquisition costs of \$0.1m also, for the Mineloder deal in H1 2025. Future, unannounced deals are not included in our estimates.

## Cash flow and net cash

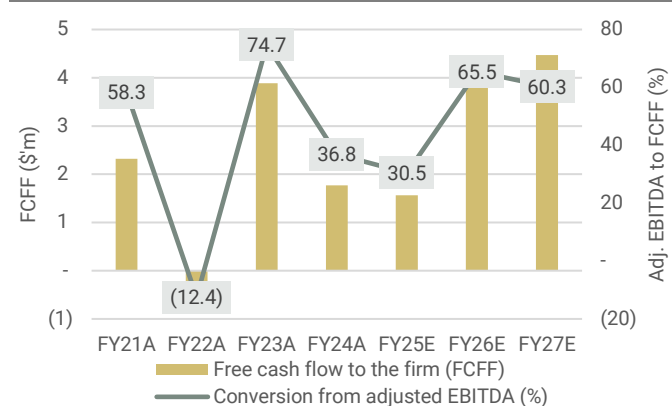
In Exhibit 28 we show Adj. free cash flow to the firm before M&A and excluding IPO/listing costs, private placement fees and acquisitions expenses. In all years except FY22, which saw lower profitability due to industry wide headwinds, Winking has generated positive Adj. free cash flow to the firm. We describe some of the major elements of its cash flow below:

- ◆ **Movements in working capital:** After receiving a purchase order from a customer and starting a project, the Group recognises the revenue in line with the percentage of completion approach, aligned with customer acceptance milestones and contract assets. When an invoice is raised and issued to the customer upon full completion and acceptance of the order by the customer, this is converted into a trade receivable, which typically has 40-50 day payment terms. As revenue grows, there is typically an annual cash outflow for increases in net working capital. As a percentage of sales, as shown in Exhibit 29, NWC averaged 7.5% of



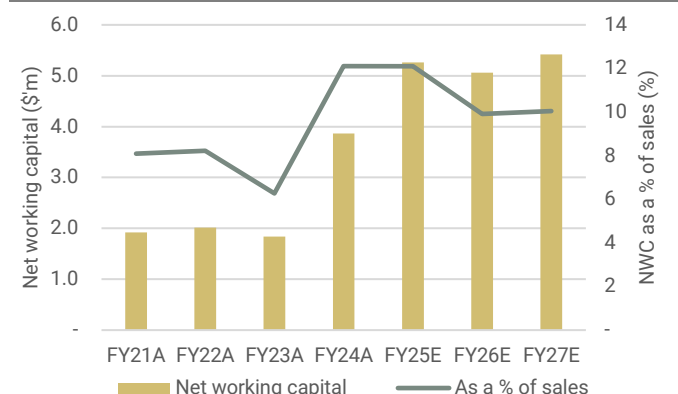
revenue from FY21-FY23. At the FY24 period end there was increased NWC due to higher trade receivables balances with customers, which impacted FCFF conversion. With the acquisition of Mineloder and the NWC acquired as part of the deal, we forecast NWC as a percentage of sales to remain elevated at the end of FY25 and to then fall slightly in FY26.

Exhibit 28: Free cash flow to the firm



Source: Company information, Zeus estimates

Exhibit 29: Net working capital

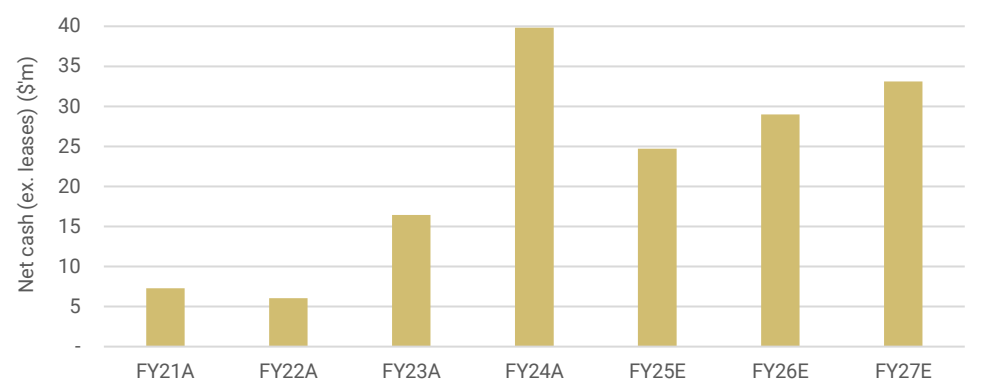


Source: Company information, Zeus estimates

- ◆ **Capex:** The Group's capex on PPE is minimal (FY24: \$0.4m) and typically relates to the purchase of IT equipment or leasehold improvements for its studios. Annual additions to intangible assets are also low (\$0.1m). The co-development of GenMotion.AI is expensed to the P&L, offset in part by Acer's payments to help funding.
- ◆ **Lease payments:** The Group paid \$1.2m, primarily relating to office premises of its studios. In FY25 we forecast this to increase to \$2.0m due to the acquisition of Mineloder.
- ◆ **Acquisition of Mineloder:** We model the initial consideration of \$13.1m (net of cash acquired) for the acquisition of Mineloder in April 2025.
- ◆ **Dividends:** It is Winking's policy to pay out dividends equivalent to 10-15% of reported profit after tax. We assume a 15% payout ratio in our estimates. With low expected reported PAT in FY25, our dividend estimate is not material. Our FY26 and FY27 DPS estimates of 0.3p and 0.5p, respectively, suggest a prospective dividend yield of 2.7% and 3.6%, respectively.

We chart the Group net cash (ex. leases and financial investments) in Exhibit 30. FY24 was boosted by the \$19.9m private placing in Singapore in July 2024 and the \$10.0m raised through the dual AIM listing in November 2024. At 30 June 2025, the Group's net cash balance (ex. leases) was \$25.6m or \$27.1m when including a \$1.5m bond asset. In our view, there remains substantial firepower for further M&A.

Exhibit 30: Net cash (ex. leases and financial assets)



Source: Company information, Zeus estimates

## Valuation

Exhibit 31 shows valuation multiples for CY25 and CY26 of UK video games peers, Asian gaming companies and European IT services and outsourcing businesses. Compared to the UK peers, Winking trades at a discount to peer average EV/Sales and EV/Adj. EBITDA multiples in both CY25 and CY26, despite having much faster forecast sales growth. Whilst its forecast margins are lower than peer averages, as previously discussed, we see potential for Winking to expand its Adj. EBITDA margin to c. 20% over the medium term. Therefore, we think the discount, particularly in FY26, is unjustified. To estimate valuation for Winking we apply a 50:35:15 weighting to CY26 multiples from the UK gaming, Asian gaming and European outsourcing groups, then apply a 30:70 weighting between EV/Sales and EV/Adj. EBITDA, giving a valuation for Winking of 19.0p per share.

### Exhibit 31: Comparable company analysis

Company	Market Cap (£m)	EV/ Sales CY25 (x)	EV/ Sales CY26 (x)	Adj. EBITDA CY25 (x)	Adj. EBITDA CY26 (x)	P/E CY25 (x)	P/E CY26 (x)	Sales growth CY25 (%)	Sales growth CY26 (%)	Adj. EBITDA margin CY25 (%)	Adj. EBITDA margin CY26 (%)
<b>UK gaming</b>											
everplay	561.5	2.9	2.8	10.5	10.4	14.7	14.6	4.2	3.0	27.4	26.9
Frontier Developments	147.5	1.4	1.3	6.9	8.1	11.3	16.2	2.5	5.1	19.8	16.0
Devolver Digital	111.5	1.0	0.8	12.2	7.5	16.7	11.3	5.4	19.7	8.1	11.0
tinyBuild	24.8	0.8	0.8	34.2	7.2	n/a	9.4	5.2	11.5	2.5	10.6
<b>UK gaming average</b>		<b>1.5</b>	<b>1.4</b>	<b>16.0</b>	<b>8.3</b>	<b>14.2</b>	<b>12.9</b>	<b>4.3</b>	<b>9.8</b>	<b>14.4</b>	<b>16.1</b>
<b>Asian gaming</b>											
NetEase	62,211.2	4.1	3.8	11.9	11.4	15.3	14.6	3.8	6.8	34.0	33.2
Capcom Co.	10,820.9	10.7	9.7	24.7	21.7	31.0	27.0	13.6	10.4	43.5	44.9
Nexon Co.	12,554.8	4.4	4.0	14.6	13.2	26.3	23.3	(4.1)	8.5	30.1	30.6
Krafton	7,976.1	3.5	3.0	7.6	6.8	14.9	11.9	9.0	17.2	46.5	44.0
Square Enix Holdings	6,845.9	3.7	3.5	21.5	19.9	42.7	38.8	(21.4)	6.6	17.1	17.3
Bilibili	5,513.5	1.4	1.2	10.6	8.5	33.1	22.0	7.3	9.2	12.8	14.7
Perfect World Co.	2,996.5	3.8	2.8	23.0	13.3	38.2	19.7	19.0	32.9	16.3	21.3
Netmarble Corporation	2,668.5	2.1	2.0	13.1	12.4	16.5	17.2	(1.5)	4.9	16.3	16.4
NCSOFT Corporation	2,562.8	2.4	1.9	24.2	10.3	40.5	17.7	(8.3)	25.5	9.8	18.3
XD Inc.	3,389.4	5.1	4.7	18.9	16.9	26.7	23.9	11.1	7.9	27.0	28.0
<b>Asian gaming average</b>		<b>4.1</b>	<b>3.7</b>	<b>17.0</b>	<b>13.4</b>	<b>28.5</b>	<b>21.6</b>	<b>2.9</b>	<b>13.0</b>	<b>25.4</b>	<b>26.9</b>
<b>IT services and outsourcing</b>											
Capgemini SE	17,965.9	1.1	1.1	6.7	6.7	10.6	10.0	1.3	2.3	16.2	15.7
Bechtle AG	4,201.9	0.8	0.7	10.3	9.4	20.9	18.3	4.4	6.4	7.5	7.7
Sopra Steria Group	3,166.8	0.8	0.8	6.1	5.9	10.6	9.6	0.7	2.6	12.7	12.8
Softcat	3,135.2	2.7	2.4	16.5	15.2	23.5	21.7	15.3	10.0	16.1	15.9
Bytes	867.9	3.4	3.1	10.7	9.8	15.4	14.4	10.8	9.6	31.9	31.8
Kainos	832.1	1.8	1.7	10.7	9.2	16.9	14.5	0.8	9.3	17.3	18.3
NCC Group	447.3	1.7	1.7	11.8	12.0	25.6	22.9	(7.2)	(1.5)	14.4	14.4
Redcentric	192.4	1.4	1.4	6.5	6.1	15.5	12.2	29.3	5.0	22.3	22.8
FDM Group	136.7	0.7	0.7	6.2	6.2	12.9	13.5	(31.3)	(5.1)	10.7	11.3
<b>Outsourcing average</b>		<b>1.6</b>	<b>1.5</b>	<b>9.5</b>	<b>8.9</b>	<b>16.9</b>	<b>15.2</b>	<b>2.7</b>	<b>4.3</b>	<b>16.6</b>	<b>16.7</b>
<b>Weighted average (50:35:15)</b>		<b>2.4</b>	<b>2.2</b>	<b>15.4</b>	<b>10.2</b>	<b>19.6</b>	<b>16.3</b>	<b>3.6</b>	<b>10.1</b>	<b>18.6</b>	<b>20.0</b>
<b>Winking Studios</b>	<b>62.8</b>	<b>1.4</b>	<b>1.1</b>	<b>11.6</b>	<b>8.1</b>	<b>35.9</b>	<b>22.6</b>	<b>36.3</b>	<b>17.4</b>	<b>11.8</b>	<b>13.3</b>

Source: Zeus estimates, FactSet

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## Keywords take out multiple

Keywords Studios was acquired in October last year for historic (2023A) and forward looking (2024E) multiples of 3.3x and 2.6x EV/Sales and 15.9x and 14.0x EV/Adj. EBITDA, indicating the future valuation potential for Winking once it has scaled further and expanded margins. Applying the forward-looking EV/Adj. EBITDA multiple of 14.0x to our FY26 forecast for Winking (which includes a full year of Mineloder contribution) gives a valuation of 21.0p per share, implying 47.5% upside to last night's closing price.

## Sumo take out multiple

Another UK listed business providing work-for-hire services in the video games industry was Sumo Digital, which was acquired by Tencent in 2021 for £919m. Based on Zeus forecasts from April 2021, the consideration represented forward-looking multiples of c. 9x EV/Sales and 38x EV/Adj. EBITDA. This valuation was, to some extent, driven by market conditions at the time, with Covid-19 improving the trading performance and ratings of video games companies.

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## Key risks

Winking Studios faces several key risks that could materially impact its business model:

- ◆ **Industry competition:** Winking operates in a highly competitive and fragmented global market for art outsourcing, game development, and publishing. The company faces pressure from both established players and smaller studios that may offer competitive pricing or services. This could lead to reduced market share, pricing pressure, or the loss of clients.
- ◆ **Artificial intelligence:** There is a risk that artificial intelligence tools significantly reduce the time taken to generate digital art assets, creating a competitive threat to Winking's Art Outsourcing sales. With these tools, game developers could bring art production in-house or could go to a competitor studio that can perform work cheaper and/or faster to a higher quality. We discuss this risk and the mitigating factors on pages 16-17.
- ◆ **Chinese regulatory risks:** There is a risk that the Chinese government places restrictions on the amount of games published in the region, as it did between July 2021 and April 2022 to limit the amount of time teenagers spent playing games. Mainland China and Hong Kong represented 25% of revenue in FY24, so is an important region for the Group, albeit Winking has successfully reduced its exposure to China in recent years. This largely affects art outsourcing revenues since game development revenues are primarily from Taiwan and not directly impacted by Chinese regulation.
- ◆ **Dependence on key customers:** Winking's top five customers collectively accounted for approximately 52% of total revenue in FY24. This implies that the loss of even a single major client could significantly affect its financial performance.
- ◆ **Dependence on key personnel:** The company's growth and strategic direction heavily depend on its senior management, particularly its founder and CEO Johnny Jan. Losing any key members without timely and effective replacements could disrupt operations and strategic continuity.
- ◆ **Labour costs and talent retention:** Rising labour costs and difficulties in attracting or retaining skilled personnel, especially in art and programming roles, could impact project execution and profitability.
- ◆ **Brand reputation and negative publicity:** Winking's business success depends significantly on its brand reputation. Any adverse publicity—true or false—about its services, data security, or management could harm client relationships and reduce future business opportunities.
- ◆ **Data security and IP risks:** The Group handles sensitive client data and intellectual property in all its business segments. Breaches, leaks, or misuse (including by insiders or through cyberattacks) could result in reputational damage, loss of customers, or legal liabilities.
- ◆ **Execution risk from M&A and overseas expansion:** Winking's growth strategy includes acquisitions and expansion into new markets in Asia and Europe. These efforts carry risks such as integration difficulties, unfamiliar market dynamics, and potential regulatory hurdles.
- ◆ **Operational risks from equipment failure or business disruption:** Winking is vulnerable to disruptions from hardware failure (e.g., servers, workstations) and external crises like pandemics. Any prolonged disruption could lead to missed deadlines and financial penalties.

# Forecast model

## Exhibit 32: Income statement

Year to 31 December (\$'m)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Art outsourcing	20.4	22.0	24.1	26.4	37.0	44.4	47.0
Game development	2.9	2.2	5.0	5.3	6.4	6.6	6.7
Global publishing & other services	0.4	0.3	0.2	0.2	0.2	0.2	0.2
<b>Revenue</b>	<b>23.7</b>	<b>24.5</b>	<b>29.3</b>	<b>31.9</b>	<b>43.5</b>	<b>51.1</b>	<b>53.9</b>
Cost of sales	(16.0)	(18.1)	(19.9)	(22.4)	(30.6)	(35.9)	(37.7)
<b>Gross profit</b>	<b>7.7</b>	<b>6.4</b>	<b>9.3</b>	<b>9.5</b>	<b>12.9</b>	<b>15.2</b>	<b>16.3</b>
<i>Gross margin (%)</i>	32.6	26.3	31.9	29.7	29.6	29.7	30.2
Adjusted admin expenses	(3.6)	(4.0)	(4.3)	(6.4)	(8.2)	(8.8)	(9.3)
Other income	(0.2)	0.0	0.1	1.7	0.4	0.4	0.4
<b>Adjusted EBITDA</b>	<b>4.0</b>	<b>2.5</b>	<b>5.2</b>	<b>4.8</b>	<b>5.1</b>	<b>6.8</b>	<b>7.4</b>
<i>Adjusted EBITDA margin (%)</i>	16.8	10.3	17.8	15.1	11.8	13.3	13.8
Depreciation	(0.9)	(1.4)	(1.7)	(1.9)	(2.5)	(2.6)	(2.6)
Amortisation (excl. acq'd intangibles)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
<b>Adjusted EBIT</b>	<b>3.0</b>	<b>1.1</b>	<b>3.4</b>	<b>2.8</b>	<b>2.4</b>	<b>4.0</b>	<b>4.6</b>
<i>Adjusted EBIT margin (%)</i>	12.7	4.4	11.7	8.8	5.6	7.8	8.6
Adjusted net finance costs	(0.0)	(0.1)	(0.0)	0.4	0.2	0.2	0.2
<b>Adjusted PBT</b>	<b>3.0</b>	<b>1.0</b>	<b>3.4</b>	<b>3.2</b>	<b>2.6</b>	<b>4.2</b>	<b>4.8</b>
Tax charge	0.2	0.3	0.4	0.2	(0.3)	(0.4)	(0.5)
<b>Adjusted PAT</b>	<b>3.2</b>	<b>1.3</b>	<b>3.8</b>	<b>3.4</b>	<b>2.4</b>	<b>3.8</b>	<b>4.3</b>
IPO / listing costs	-	(0.2)	(2.0)	(2.5)	-	-	-
Share based payments	-	-	-	(1.0)	(1.8)	(1.8)	(1.9)
Amortisation of acquired intangibles	-	-	-	(0.1)	(0.6)	(0.6)	(0.6)
Foreign exchange gains or losses	-	-	0.0	0.8	0.2	-	-
Other adjusting items	-	-	0.0	(0.2)	0.1	0.2	0.2
<b>Reported PAT</b>	<b>3.2</b>	<b>1.3</b>	<b>3.8</b>	<b>3.2</b>	<b>2.4</b>	<b>3.9</b>	<b>4.5</b>
Diluted weighted average share count (m)	221.1	221.1	243.4	340.4	443.8	445.6	447.6
Reported diluted EPS (\$)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Adjusted diluted EPS (\$)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>DPS (SGD cents)</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>0.0</b>	<b>0.1</b>	<b>0.7</b>	<b>0.9</b>
<b>DPS (GBp)</b>	<b>-</b>	<b>-</b>	<b>n/a</b>	<b>0.0</b>	<b>0.1</b>	<b>0.4</b>	<b>0.5</b>

Source: Company information, Zeus estimates

## Exhibit 33: Balance sheet

As at 31 December (\$'m)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Investment in financial assets at amortised cost	-	-	-	1.5	1.5	1.5	1.5
Property, plant and equipment	1.3	2.3	2.3	1.9	1.9	1.8	1.7
Intangible assets	0.2	0.2	0.2	1.9	17.7	17.0	16.3
Right-of-use-assets	2.2	2.8	2.5	3.0	3.5	3.0	2.5
Deferred tax asset	0.8	1.0	1.5	1.8	1.8	1.8	1.8
Other non-current assets	0.3	0.4	0.2	0.3	0.3	0.3	0.3
<b>Non-current assets</b>	<b>5.0</b>	<b>6.7</b>	<b>6.7</b>	<b>10.5</b>	<b>26.8</b>	<b>25.5</b>	<b>24.2</b>
Cash and cash equivalents	7.3	6.1	16.4	39.8	28.1	32.5	36.7
Trade and other receivables	3.6	3.7	3.9	6.4	8.3	9.1	9.6
Contract assets	2.6	3.0	3.5	3.6	4.8	5.6	5.9
<b>Current assets</b>	<b>13.5</b>	<b>12.7</b>	<b>23.8</b>	<b>49.8</b>	<b>41.2</b>	<b>47.2</b>	<b>52.2</b>
<b>Total assets</b>	<b>18.5</b>	<b>19.5</b>	<b>30.5</b>	<b>60.3</b>	<b>68.0</b>	<b>72.7</b>	<b>76.4</b>
Trade and other payables	(4.3)	(4.5)	(5.4)	(5.9)	(7.4)	(9.2)	(9.6)
Contract liabilities	-	(0.1)	(0.0)	(0.1)	(0.2)	(0.2)	(0.3)
Current income tax liabilities	(0.0)	(0.0)	(0.1)	(0.0)	(0.2)	(0.2)	(0.2)
Lease liabilities	(0.8)	(0.9)	(0.9)	(1.2)	(0.7)	(0.7)	(0.6)
<b>Current liabilities</b>	<b>(5.2)</b>	<b>(5.6)</b>	<b>(6.4)</b>	<b>(7.3)</b>	<b>(8.6)</b>	<b>(10.3)</b>	<b>(10.7)</b>
Lease liabilities	(1.3)	(1.9)	(1.7)	(1.9)	(2.9)	(2.6)	(2.3)
Deferred tax liabilities	(1.0)	(0.9)	(0.9)	(1.1)	(2.8)	(2.8)	(2.8)
Other non-current assets	-	-	-	-	(1.7)	(1.7)	(1.7)
<b>Non-current liabilities</b>	<b>(2.3)</b>	<b>(2.8)</b>	<b>(2.6)</b>	<b>(3.0)</b>	<b>(7.4)</b>	<b>(7.1)</b>	<b>(6.8)</b>
<b>Total liabilities</b>	<b>(7.5)</b>	<b>(8.4)</b>	<b>(9.1)</b>	<b>(10.3)</b>	<b>(16.0)</b>	<b>(17.4)</b>	<b>(17.4)</b>
<b>Net assets</b>	<b>11.0</b>	<b>11.1</b>	<b>21.4</b>	<b>50.0</b>	<b>52.0</b>	<b>55.3</b>	<b>59.0</b>
Share capital	5.2	5.2	8.6	13.4	13.4	13.4	13.4
Other reserves	(1.3)	(2.2)	4.6	28.9	28.9	28.9	28.9
Retained earnings	7.1	8.1	8.2	7.7	9.7	13.0	16.7
<b>Total equity</b>	<b>11.0</b>	<b>11.1</b>	<b>21.4</b>	<b>50.0</b>	<b>52.0</b>	<b>55.3</b>	<b>59.0</b>

Source: Company information, Zeus estimates

## Exhibit 34: Cash flow statement

Year to 31 December (\$'m)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profit/(loss) before tax</b>	<b>3.0</b>	<b>0.8</b>	<b>1.4</b>	<b>0.4</b>	<b>0.4</b>	<b>1.8</b>	<b>2.3</b>
Depreciation of property, plant and equipment	0.3	0.4	0.6	0.7	0.8	0.9	0.9
Depreciation of right-of-use assets	0.6	1.0	1.1	1.2	1.7	1.7	1.7
Amortisation of intangible assets	0.1	0.1	0.1	0.2	0.8	0.8	0.8
Expected credit losses	0.0	0.0	0.1	(0.0)	-	-	-
Share-based compensation	-	-	-	1.0	1.8	1.8	1.9
Finance income	(0.0)	(0.0)	(0.1)	(0.5)	(0.6)	(0.6)	(0.6)
Finance cost	0.0	0.1	0.1	0.1	0.4	0.4	0.4
Gains/(loss) on disposal of property, plant and equipment	0.2	(0.1)	0.0	(0.0)	-	-	-
Gains on disposal of intangible assets	-	-	-	(0.3)	-	-	-
Exchange (gains)/losses	0.1	0.1	0.1	(0.6)	-	-	-
Movement in net working capital	0.1	(0.3)	(0.0)	(1.9)	(1.6)	0.2	(0.4)
<b>Cash generated from operations</b>	<b>4.3</b>	<b>2.0</b>	<b>3.4</b>	<b>0.2</b>	<b>3.7</b>	<b>7.0</b>	<b>7.1</b>
Interest received	0.0	0.0	0.1	0.5	0.6	0.6	0.6
Income taxes paid	(0.0)	(0.0)	(0.0)	(0.0)	0.1	(0.2)	(0.3)
<b>Net cash inflow from operating activities</b>	<b>4.3</b>	<b>2.0</b>	<b>3.5</b>	<b>0.6</b>	<b>4.4</b>	<b>7.3</b>	<b>7.4</b>
Additions to property, plant and equipment	(1.0)	(1.6)	(0.6)	(0.4)	(0.8)	(0.8)	(0.8)
Proceeds from disposal of property, plant and equipment	0.1	0.0	0.0	0.0	-	-	-
Proceeds from sale of intangible assets	-	-	-	0.3	-	-	-
Increase/(decrease) in prepayments for equipment	(0.1)	-	0.1	0.0	-	-	-
Additions to intangible assets	(0.2)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Increase/(decrease) in refundable deposits	(0.1)	(0.1)	0.0	(0.1)	-	-	-
Acquisitions of subsidiaries, net of cash acquired	0.0	-	-	(2.0)	(13.1)	-	-
Purchase of bonds	0.0	-	-	(1.5)	-	-	-
<b>Net cash from investing activities</b>	<b>(1.3)</b>	<b>(1.7)</b>	<b>(0.5)</b>	<b>(3.7)</b>	<b>(14.0)</b>	<b>(0.9)</b>	<b>(0.9)</b>
Proceeds from issue of shares	-	-	8.6	29.4	-	-	-
Principal elements of lease payments	(0.6)	(0.8)	(1.0)	(1.2)	(2.0)	(2.0)	(2.0)
Interest paid	(0.0)	(0.1)	(0.1)	(0.1)	-	-	-
Dividends paid	-	-	-	(1.1)	(0.1)	(0.0)	(0.2)
<b>Net cash from financing activities</b>	<b>(0.6)</b>	<b>(0.9)</b>	<b>7.5</b>	<b>27.0</b>	<b>(2.1)</b>	<b>(2.0)</b>	<b>(2.2)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>2.4</b>	<b>(0.6)</b>	<b>10.4</b>	<b>23.9</b>	<b>(11.7)</b>	<b>4.4</b>	<b>4.2</b>
Cash and cash equivalents at beginning of period	4.8	7.3	6.1	16.4	39.8	28.1	32.5
Effects of exchange rates on cash and cash equivalents	0.1	(0.6)	(0.1)	(0.5)	-	-	-
<b>Cash and cash equivalents at end of period</b>	<b>7.3</b>	<b>6.1</b>	<b>16.4</b>	<b>39.8</b>	<b>28.1</b>	<b>32.5</b>	<b>36.7</b>
<b>Net cash/(debt) memo</b>							
Cash and cash equivalents	7.3	6.1	16.4	39.8	28.1	32.5	36.7
Bank debt	-	-	-	-	-	-	-
<b>Net cash/(debt) (excluding leases)</b>	<b>7.3</b>	<b>6.1</b>	<b>16.4</b>	<b>39.8</b>	<b>28.1</b>	<b>32.5</b>	<b>36.7</b>
Lease liabilities	(2.2)	(2.8)	(2.6)	(3.1)	(3.7)	(3.3)	(2.9)
<b>Net cash/(debt) (including leases)</b>	<b>5.1</b>	<b>3.3</b>	<b>13.8</b>	<b>36.8</b>	<b>24.4</b>	<b>29.2</b>	<b>33.9</b>

Source: Company information, Zeus estimates



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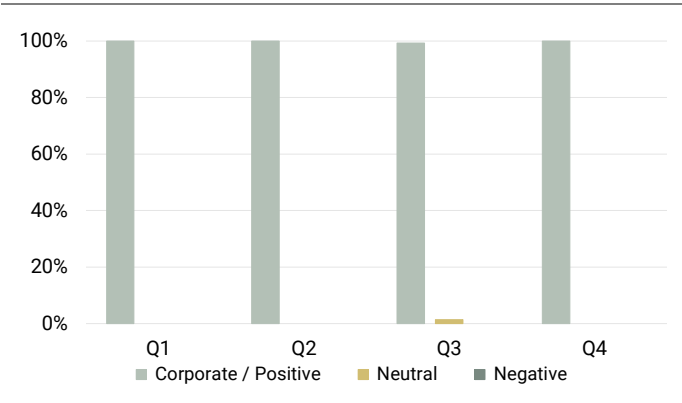
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