

Garry Cook, Executive Chairman



Garry Cook has served as head of Global Brand for the Ultimate Fighting Championship (UFC), as CEO for Manchester City Football Club, and as president of Nike's "Brand Jordan"

Digital Entertainment

52-WEEK HIGH	19.40p
52-WEEK LOW	5.00p
PRICE	5.63p
MARKET CAP MLN	20.43
NET CASH (MLN)	£6.40

Major Shareholders

Charles St. International Holdings - 29.7%
Nigel Wray - 8.8%
Hargreave Hale - 6.0%

Primary Index	AIM
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Company Information

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Analyst Details

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Gfinity makes strong H1 progress

Strong progress

Gfinity PLC (LON:GFIN) reported results for the first-half period to December 2018, on March 4, demonstrating very strong progress. Revenues grew 143% year-on-year, with 104% growth for the Managed Services business and 387% for the Owned Content business. Managed Services increased its revenues by 189% on a like-for-like basis (based on existing partners) and achieved 4.3x increase in viewership. Going forward we expect continued growth in both divisions, with Managed Services becoming the major driver.

Gross profit was +ve £0.5m (H1 2018: £3.2m loss), with the improvement driven by improved profitability in Managed Services and reduced investment in the Elite Series contributing to a £2.8m improvement in gross profit for the Owned Content business. The company reported a net cash position of £6.4m, representing a good level of resource to support further growth. Overall, we have increased confidence in our FY June 2019 forecast of 80% revenue growth and positive gross margin.

Looking ahead

The global esports market continues to exhibit strong growth, with industry revenues to exceed \$1bn in 2019. On page 2 we provide an overview of Gfinity's position within this fast-growing end-market. In the results release, Gfinity has confirmed its performance targets: break-even by 2021, gross margin between 30-40% and EBITDA margin of 15-25%. We believe that H1 results are strongly supportive of these targets and indicative of significant potential upside for shareholders.

Yr end June, £-mln	H1 2018	2018	H1 2019	2019e	2020e
Revenue	1.83	4.32	4.44	7.77	14.61
Gross profit	(3.21)	(3.42)	0.52	0.54	4.82
EBITDA	(7.21)	(12.16)	(4.41)	(8.96)	(4.93)
Net cash/(debt)	3.9	3.7	6.4	1.7	(1.9)

Source: Proactive Research

Share Price



Gfinity positioning in the global esports market

Gfinity is a leading global player in the growing market for esports, designing, developing and delivering esports tournaments and supporting content via internet streaming, television, online competitions and arena events.

The company has two strategic areas of focus – Managed Services, which uses the Gfinity platforms online and offline to host events for third parties, and the Owned & Operated business, which produces proprietary Gfinity-branded tournaments and events. Both are supported by content creation, which drives consumer engagement.

The following schematic summarises the business:



Source: Company data

Market dynamics

The global esports market continues to enjoy rapid growth in revenues and in player and enthusiast engagement:

- A \$1bn dollar market globally (2019e) with >25% annual growth trend 2018-2021e (2018: 32%)
- 395mln players and enthusiasts in 2018; set to rise to 500mln n by 2020
- Increasingly recognised by games publishers and rights holders as a crucial means to engage with their target audience

Gfinity has a unique product offering and proven strategy to continue gaining share within this strongly growing market:

- Technology platform: Gfinity offers an end-to-end technology platform for creating, customising, hosting and broadcasting esports competitions
- Broadcasting platform: Gfinity technology also includes a customised broadcasting platform that allows for managing many synchronised in-game feeds with studio live performance without affecting gameplay
- Expertise/talent: Publishers and broadcasters turn to Gfinity for the company's unique combination of game knowledge, sports knowledge and production capability

These attributes have supported revenue growth of 143% in H1, and provide a strong framework for continued growth, in our view.

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