

Corporate

Current price **2.875p**

Sector **TMT**

Code **GFIN.L**

AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **13.8**

Shares in issue (m) **116.7**

52 weeks High Low
6.5p 2.9p

Financial year end **30 June**

Source: Company Data, Allenby Capital

Key Shareholders

Charles Street International **23.6%**

Nigel Wray **7.4%**

Alden AS **3.7%**

Neville Upton **3.1%**

Ion Israel Fund **2.6%**

Source: Company Data, Allenby Capital

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Gfinity plc (GFIN.L)

Strong H1 margin and update on revenue guidance

The H1 trading update from Gfinity, the leading international esports business, demonstrates further progress in the refocusing on a Strategic Client Management model where Gfinity acts as the trusted independent partner to games publishers, sports rights holders, brands and media companies in the development and delivery of their esports strategies. Gfinity is reallocating resources towards its community, consulting and content creation streams to supplement delivery of end-to-end esports programmes. As part of this, the Company has taken the decision not to progress a material opportunity for a new contract with a customer where it has recently completed a major project. This results in a significant reduction in FY20 revenue forecasts but improved mix and ongoing cost control means that adj. EBITDA loss actually reduces. We have also reduced our revenue growth assumption for FY21 and now expect that Gfinity will move into EBITDA profit in H2 FY21. This change has implications on our cash forecasts however we note the company is in discussions with several potential strategic investors that would create new opportunities for the Group.

- **H1 performance** – Performance broadly in line with management expectation with revenue of c. £3.5m (H1 FY19: £4.4m), the reduction primarily a function of the move away from low margin Elite Series revenue. The growth in higher margin business resulted in a 320% increase in gross profit to £2.1m and, coupled with ongoing cost control, adj. EBITDA loss reduced £2.0m to £2.4m.
- **Focus on higher margin revenue** – Under the Strategic Client Management model, management has shifted the profile of its work towards own community revenues, strategic programme consulting and higher margin content creation. This supplements the group's more traditional business of delivering end-to-end esports programmes. As a result, the company has taken the decision not to progress a material opportunity for a new contract with a customer for whom it has recently completed a major project.
- **Forecast implications** – The decision to move away from a lower margin project results in significant reduction in revenue forecasts for FY20 and FY21. This is offset by the increase in gross margins from improved mix and continued cost control. As a result, our FY20 adj. EBITDA loss reduces somewhat to £5.1m. For FY21, we expect Gfinity will achieve a positive EBITDA during H2 but will be loss making overall. Working capital is also likely to expand and hence we forecast a £1.5m net debt position in FY21. Management reports that it is in active discussions with several potential strategic investors in the US and Europe that would create new opportunities and add further scale.

Year End: 30 June

(£'000)	2019A	2020E (New)	2020E (Old)	2021E (New)	2021E (Old)
REVENUE	7,870	7,446	14,312	14,924	26,039
ADJ. EBITDA	(8,584)	(5,093)	(5,339)	(1,544)	508
ADJ. PBT	(11,006)	(6,293)	(6,539)	(2,444)	(292)
ADJ. EPS (p)	(3.57)	(1.65)	(1.70)	(0.73)	(0.28)
NET CASH	648	434	418	(1,525)	1,332
EV/REVENUE (x)	1.7	1.9		1.0	
EV/EBITDA (x)	NA	NA		NA	

Allenby Capital acts as Nomad & Broker to Gfinity plc (GFIN.L).

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