GFINITY (LON:GFIN)

proactive research

Garry Cook, Executive Chairman



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

Digital entertainment

52-WEEK HIGH	22.3p
52-WEEK LOW	5.7p
PRICE	£5.46
MARKET CAP MLN	19.78
NET CASH (MLN)	£3.70

Major Shareholders

Charles Street Int Holding 29.66%
Nigel Wray 8.83%
Hargreave Hale 5.97%

Primary Index	AIM
Next Key Announcement	H1 results, March

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Gfinity - Game on

Global leader in esports

Gfinity (LON:GFIN) is a world leader in the fast-growing market for esports. The company provides full end to end esports solutions, including bespoke content, tournament and event solutions for commercial partners via its proprietary online platform and live broadcasting studio, plus it is building its owned Elite Series brand and hosting its proprietary Elite Series tournament format. Revenues are derived from managed services fees for third-party events, and advertising and sponsorship. In the near future, we expect significant growth from revenue sharing on content derived from partner solutions.

Maintaining the growth trajectory

Gfinity reported full-year (FY) June 2018 results (released 27 November) showing year-on-year revenue growth of 82%, and significantly reduced operating losses in the second half. The company also confirmed strong progress in signing additional commercial deals to propel growth in FY 2019. Revenues doubled purely from growing with its existing partners. New premium partners such as Premier League and new publisher partners have been added and will drive further growth.

We believe that the company will deliver continued strong revenue growth in FY 2019, and significantly improved operating losses. In this report, we examine the growth drivers for the esports industry, and for Gfinity specifically, including specific contracts and programmes for 2019 and beyond.

Financial metrics and valuation

We consider the valuation of Gfinity based on 2021 exit multiples, using enterprise value (EV)/sales. We argue that the shares could achieve between 2x to 10x upside by 2021 if the company can fully deliver on its growth potential.

Year end Dec 31	2018	Current*	2020	2021
Revenue £M	4.32	7.77	14.61	26.59
EBITDA (£m).	(13.01)	(8.96)	(4.93)	0.64
Net cash/ (debt) £m	3.7	1.7	(1.9)	0.2

Source: Proactive Research

Share Price



Important: disclaimers can be found on the last page of this report

Overview

Gfinity is a leading global player in the growing market for esports – delivering esports tournaments and supporting content via internet streaming, television, and live 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.

The following schematic summarises the business.

Outline of the business



Source: Company data

We summarise the key characteristics of the two business lines:

Managed Services

Within managed services, the esports solutions business delivers events and tournaments for third parties via its proprietary online platform and its London-based live events arena. Major tournaments include the Formula 1 Esports Series on behalf of Formula 1, and the ePremier League on behalf of the Premier League.

The addressable customer base includes games publishers such as EA Sports, Microsoft and Activision, rights holders such as F1 and Premier League, and other commercial partners. These customers want tournaments as a promotional tool for their game or their franchise, to allow them to connect with hard-to-reach demographics through innovative professional gaming content. They pay Gfinity as a service provider, and we understand that the industry norm is for contracts under a "cost plus" model (service provider is paid costs plus a fixed margin).

In addition to the esports solutions business, Gfinity offers content creation. This includes the production of programming both for live streaming of events and for "shoulder content". The shoulder content is becoming a big part of the overall media offering, as esports fans are big consumers of entertaining insights into the world of esports and the

lives of the pros, via interviews, playing tips, and other demographic-relevant content. The ultimate source of revenue is from content buyers and distribution platforms such as Facebook, Twitch, Microsoft and traditional TV; however, we understand that current deals are normally on the basis that the games publisher or sports rights holder will receive those revenues, with Gfinity paid on a cost-plus basis for producing the content.

Gfinity expects to generate future revenue growth directly from media rights, as a risk-sharing partner rather than a cost-plus contractor. Gfinity's technology platform is mission critical to enable the creation of world-class products supported by live and ancillary content and therefore Gfinity is in a strong position to evolve towards revenue sharing models.

The owned and operated business

The owned/operated business is centred on Gfinity's own-brand leagues and tournaments, including the Elite and Challenger series, which include games such as FIFA19, Rocket League and Street Fighter V.

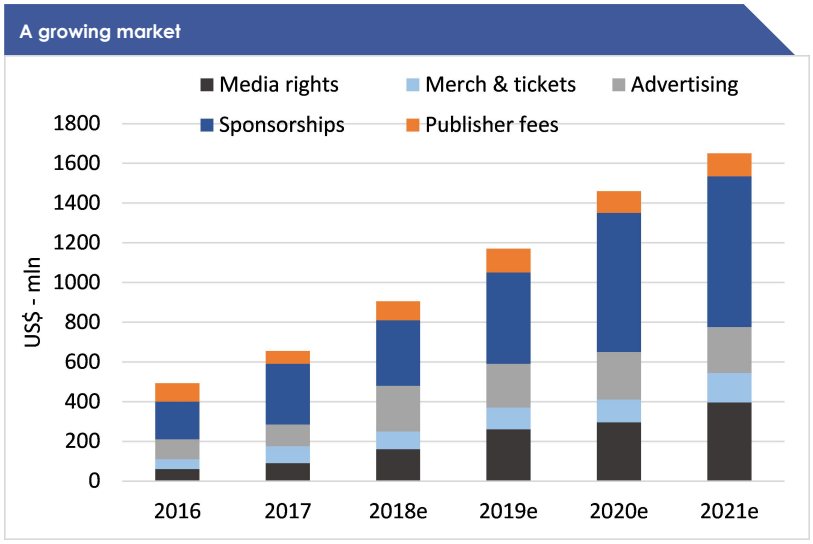
The essential strategic value of the owned & operated business is that the Elite Series has been a great calling card and an enabler for the managed services business, with strong commercial successes with F1, FIFA, Forza, and others. The company expects to further adapt and structure the owned & operated business to drive additional revenues, reduce costs, and to continue to support the big growth opportunities that exist for managed services.

Revenues have traditionally come from media rights, advertising and sponsorships. Gfinity has also signed deals with Facebook (streaming rights) and Domino's (sponsorship) to strengthen the economic underpinnings of the owned/operated business.

Gfinity continues to build game-specific communities as part of its owned/operated business. Gfinity Tribe is a million-plus online community, which serves as an additional route to consumers for Gfinity's content, and also a pool of data and insight as a marketing tool for current and future commercial partners.

Growth in the esports market

Esports is already an established industry, and growing rapidly. The following chart shows the industry's growth, by sub-category.



Source: NewZoo

In the current market, the revenue value of esports is captured by various types of entity:

Tournament/event organisers, such as Gfinity

Games publishers operating their own tournaments

Pro teams via their own sponsorship and shoulder content deals

Distributors such as video streaming services and media outlets

The opportunity for Gfinity is to increase its market share and to benefit from the underlying growth trend.

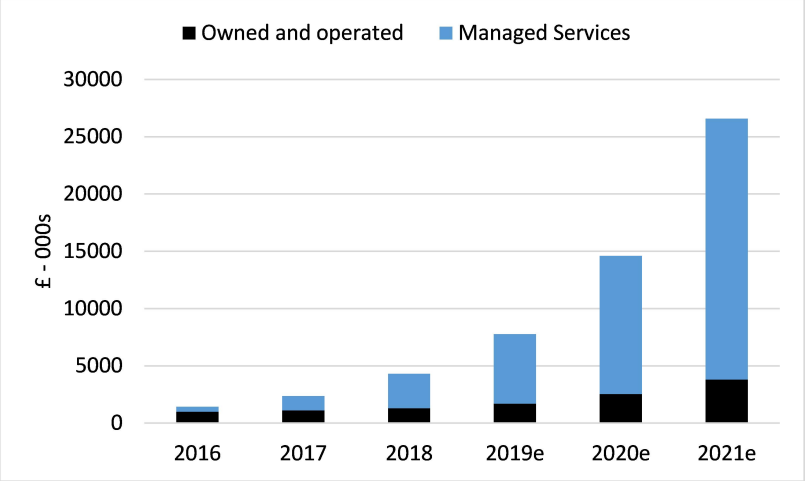
We would compare the current state of the esports market perhaps to where the UFC (Ultimate Fighting Championship) was positioned 10 years ago – building a fan base and beginning to be taken seriously by mainstream media but not quite fully embraced by that mainstream. It is worth noting that former UFC head of Global Brand and International Market Development Garry Cook is now Gfinity's executive chairman.

Gfinity's growth trajectory

Gfinity reported revenue growth of 82% in 2018. This did not include the impact of the Domino's sponsorship or ePremier League, and includes only a few months of the Facebook deal.

We make the following forecast regarding revenue prospects for Gfinity – revenue growth will match or exceed the 80% level in the years FY June 2019, 2020, 2021. The following chart shows our forecasts.

Revenue Growth



Source: Gfinity data and Proactive Research forecasts

The biggest growth driver, in our view, is managed services. Growth in this sector will be driven by:

- Building on the success of the F1, EA and ePremier League deals, and potentially expanding the scope, length and breadth of these contracts
- Winning and creating plus implementing esports solutions and tournament formats that connect with esports fans. Gfinity has several seasons of Elite Series and managed service deals with F1, EA, Activision, Microsoft and ePremier League as proof of capability
- Building on the partnership with FIFA that currently includes five qualifying events within the EA Sports FIFA 19 global series
- Continuing to build on the long-standing partnership with Microsoft gaming and Activision
- Gaining revenue-sharing exposure in the media rights to esports solutions

We note that Gfinity doubled revenues in managed services in FY 2018 purely by growing existing accounts. We argue that this still represents just the tip of the iceberg.

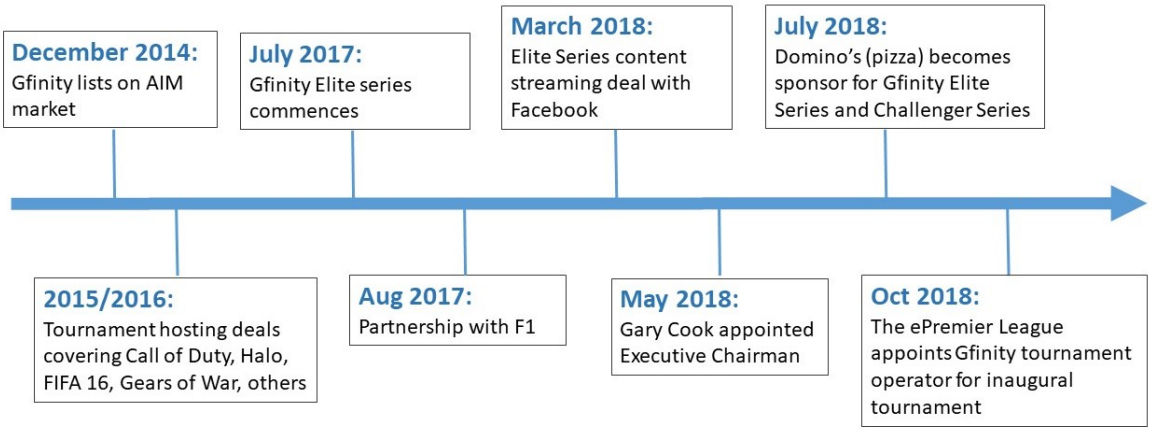
Gfinity is now in a position to experiment further and extend the Elite Series brand into different forms of product and content offerings. This is important as the company can be flexible in driving additional revenue streams, bringing new commercial partners on board, adapting costs and connecting with consumers in multiple ways under the Elite Series brand. As such, the format is likely to evolve as management evaluates its optimal configuration/role within its holistic strategy. This makes it difficult to accurately quantify its medium-term upside potential, but management expects the Elite Series to significantly improve its financial performance in the coming year.

Returning to the potential to build and leverage a genuine community around its brand, the company has already attracted a connected community of registered users and followers on social platforms of c.1.6mln gamers, esports enthusiast and viewers. We believe there is considerable potential to increase this reach and build a commercially attractive audience.

GFinity (GFIN) remains in the early stages of developing commercial opportunities around its Challenger format. This format is likely to evolve, but fundamentally we believe its ability to actively engage a broader base of esports enthusiasts and to offer a conduit to competitions, esports content and the professional ranks for talented players makes it: 1) highly complementary to GFIN'S Elite Series professional offering; 2) a useful mechanism by which to build brand profile and grow a community of esports enthusiasts; and, importantly, 3) an additional opportunity to add value to games publishers and teams (potentially as part of a broader esports solution), and to contribute to the development of the esports industry as a whole.

For completeness, we include a timeline showing how Gfinity has reached its current position. We note that in the last 18 months Gfinity has completed four seasons of its owned Elite Series, which has concluded deals with Facebook and Domino's, and won the F1 deal, five major EA eWorld Cup tournaments, and the ePremier League deal in the managed services space.

Timeline



Source: Proactive Research

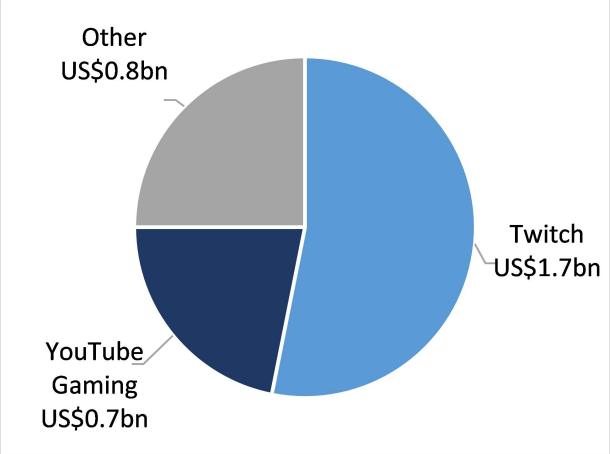
Reality check - Does anyone really watch esports?

For many investors, at least those over the age of 30, it may seem pertinent to ask – does anyone really spend their time watching other people play video games?

For those of us with teenaged kids, the question becomes – do they ever do anything else?

The following chart shows the market for video streaming of gaming-related content.

Gaming video content market



Source: News media sources

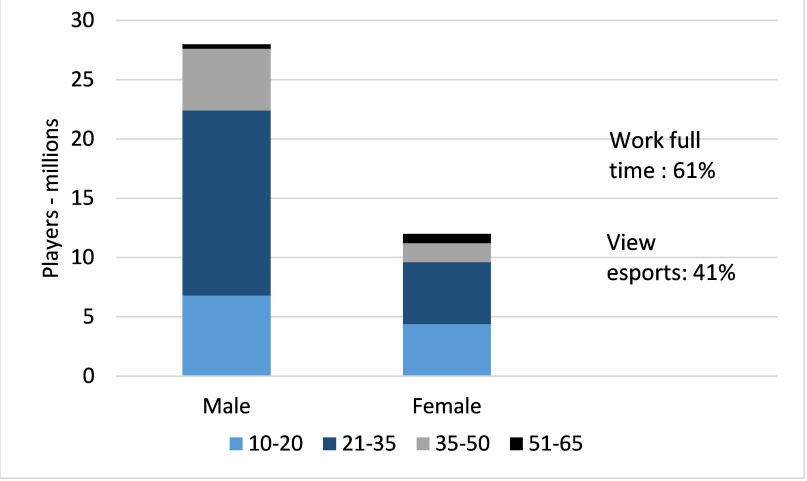
This chart includes video content of gamers reviewing games, sharing "hacks" and other gaming topics, so it is not a direct measure of the esports market (shown on p4) but it gives an indication of how big an audience there is for gaming vicariously.

But aren't the viewers just teenagers with no money?

The next question is whether the viewer-base has any disposable income for advertisers and sponsors to pursue. This question is partly answered by the preceding chart. For another perspective, given that the potential viewer base for esports consists mainly of gaming enthusiasts, we find it instructive to consider the demographics of the gaming community.

The following chart shows the demographics of the player-base of Overwatch, a popular game that we would associate with the youth market. We have chosen Overwatch because it has a particular significance in esports – Blizzard entertainment recently sold the streaming rights for the Overwatch eSports league for US$90mln over two years.

Player-base for the game Overwatch



Source: Various industry sources

The point here is that any person that plays any sport or games wants to watch professionals doing it better than themselves. If the kids love games they will aspire to be like the best gamers.

We conclude that

Lots of people watch gaming related content, including eSports

The demographic, consisting mostly of under-35s, represents a valuable advertising market.

Business area details - managed services business

The managed services business creates and delivers esports solutions that include events, tournaments and content packages for third parties. These employ Gfinity's proprietary online tournament platforms and its London arena for live broadcast events. Gfinity can also develop bespoke content beyond its live arena as a part of its esports solutions.

Growing the managed services business is a major strategic objective for Gfinity, and the company has achieved some very significant progress in the last 18 months, being appointed as the organiser to three major events – two seasons of the Formula 1 Esports Series, several qualifiers for the EA eWorld Cup and the ePremier League. Gfinity is also managing several events for Microsoft, Activision, Turn10 and Riot Games.

Formula 1

The inaugural season of the F1 esports series began in September 2017, under a partnership between Formula 1 and Gfinity. The first season attracted 6 million viewers globally, a larger audience than the (real-world) Japanese grand prix. In addition to the size of the audience, the series also helped connect a younger audience-base to the Formula 1 brand, which is important given that the real-world grand prix series has a TV viewership with an average age of around 50 years. There is evidence that esports is already beginning to bring new viewers to the real-world F1. The second season of the F1 esports series is finished and delivered multiples of growth on participation and engagement. Total video views surpassed 20mln in the 2018 series.

The following diagram highlights some of the key statistics from the 2018 series.

F1 esports series

Number of entrants	66K
Viewers under 34 years old	70%
Number of countries	123
Total video views	20m

Source: Gfinity data

We believe that the F1 series has been a significant breakthrough for Gfinity, enabling the company to demonstrate its ability to deliver world-class events as a managed service partner.

The following link gives some insight into the level of success that was delivered with Season 2 of the F1 series.

https://f1esports.com/news/f1-new-balance-esports-series-2018-watched-by-4-4-million-people/

The ePremier League

The inaugural ePremier League kicked off in January 2019, and Gfinity is the tournament operator. The competition allows FIFA 19 players to compete to become the official representative of their chosen Premier League club, with all 20 clubs participating. A final will then be held in March 2019 at the Gfinity Arena in London and broadcast live on Sky TV.

ePremier League

	Partners	EA Sports Premier League
ePremier League	Number of FIFA 18 players	60m
	Premier league clubs participating	All 20
	Starts	Jan 2019

Source: Gfinity data

We argue that these kinds of "franchise" events for real-world sports outfits offer a significant commercial attraction compared with other types of esports, in terms of longevity. For example, Blizzard Entertainment sold the streaming rights for the Overwatch league to Twitch for US$90mln over two years; however, it is quite possible that beyond those two years the Overwatch game will have become "old news" for gamers. A tournament like the ePremier League, by contrast, could be expected to run for decades – the Premier League is not going to go out of fashion. Becoming the incumbent provider for these types of events could become a valuable market position for Gfinity.

Furthermore, with big global names like Formula 1 and the Premier League selecting Gfinity, we believe the company is now better placed to win further sports-related esports events, such as European football or non-F1 motorsport events, or other kinds of sport entirely.

FIFA eWorld Cup

Also in football, Gfinity is organising five events within the EA Sports FIFA 19 Global Series. These events form part of the pathway for players towards the FIFA 19 eWorld Cup.

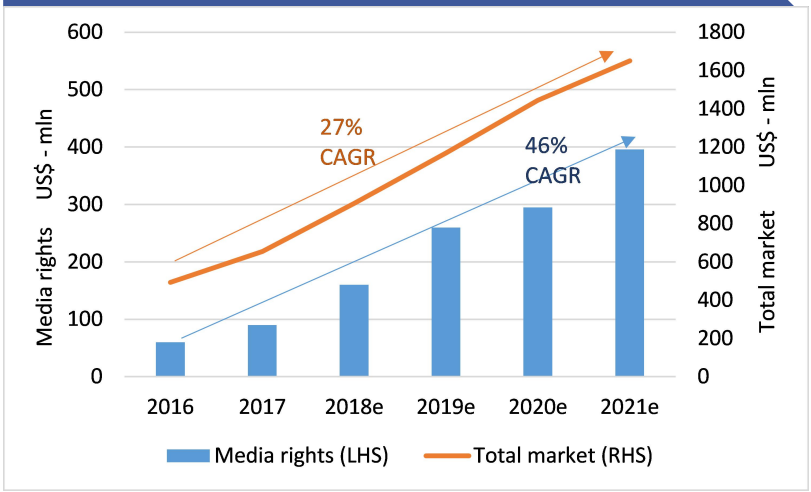
The FIFA range of games has 260 million players globally, and of these 20 million competed at some level in the FIFA 18 Global Series. The viewership for the 2018 finale was 29 million views over various online platforms over three days. Gfinity's involvement represents the start of a potentially significant opportunity and also cements Gfinity's involvement with EA Sports. The following web link gives some more details of the eWorld Cup.

https://www.fifa.com/fifaeworldcup/.

The future – media rights partnering?

We believe that an important growth opportunity for Gfinity could be in the media rights market. This is a growing segment of the overall esports market, illustrated in the following chart.

Media rights market vs overall market growth



Source: Various industry sources

Once again, the analogue with the UFC fighting tournament is instructive. Esports are gaining increasing traction within TV and internet media, but are not yet seen as a mainstream event. We believe that during the next few years, as evidenced by the F1 esports series and Sky ePremier League coverage, we will see esports maturing into the mainstream.

It is our understanding that Gfinity's current managed service contracts are based on cost-plus type arrangements with the rights holder as payer; however, Gfinity also has the capability to bring esports content to wider markets and could do so as a risk-sharing partner. For example, Sky Sport has exclusivity for the live coverage of ePremier League finals but what about global audiences not covered by Sky? And what about internet streaming of additional shoulder content (interviews etc.)? Although there is no guarantee that Gfinity can win future deals as a risk-sharing distribution partner, we believe that the concept offers an exciting potential revenue multiplier. Gfinity's technology platform is critical in delivering world-class content, and this gives Gfinity strong leverage to negotiate future deals on a revenue-sharing basis.

To summarise Gfinity's unique value proposition:

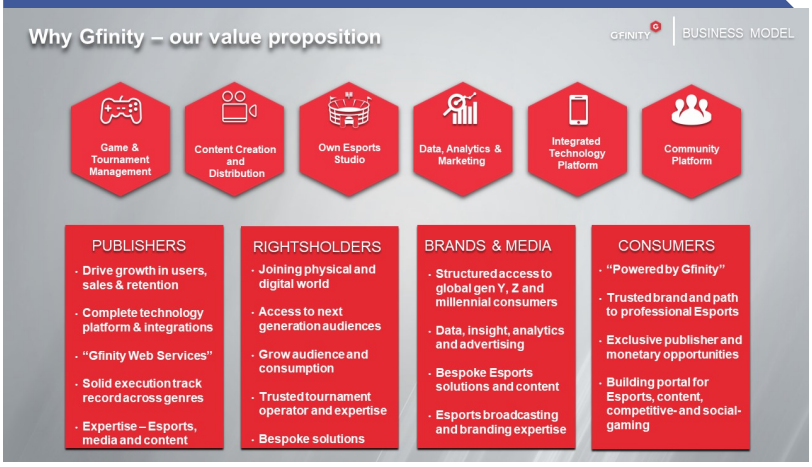
- Technology platform: Gfinity offers an end-to-end technology platform for creating, customising, hosting and broadcasting esports competition. Gfinity can also customise the game itself to create a more engaging competition format. For example, Gfinity created a 2v2 format in the FIFA game. This flexibility has become a key source of strategic collaboration.
- 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. This is a robust platform built from the ground up and is a key part of the trust and brand equity Gfinity has built with its partners over the years. An example is Gfinity producing ePremier League for delivery to Sky Sports in the inaugural season. Sky Sports recognises that Gfinity has the specialised expertise to produce this type of programming.

- Bandwidth – Most publishers are focussed on their own production and marketing cycles so they do not consider esports a key part of their competence, hence they outsource.
- Expertise – Publishers have the ability to make a good game, but not to transfer that into a credible tournament and broadcast.
- Talent – there is (currently) a dearth of proper esports talent in the industry that has the blend of: Game knowledge, sports knowledge and production capability. Gfinity has attracted a strong talent pool.

In summary, games publishers focus on selling games. Esports is a marketing exercise where they want the best partners to build brand equity and to stimulate game sales. They do not want to become media producers. Theoretically, they could develop their own platforms to compete against specialists like Gfinity; however, we believe that to build a platform organically would take 1-2 years, and investment of US$50-100mln. For any publisher wanting to obtain a platform by acquisition, there are few remaining options in the market

The value proposition



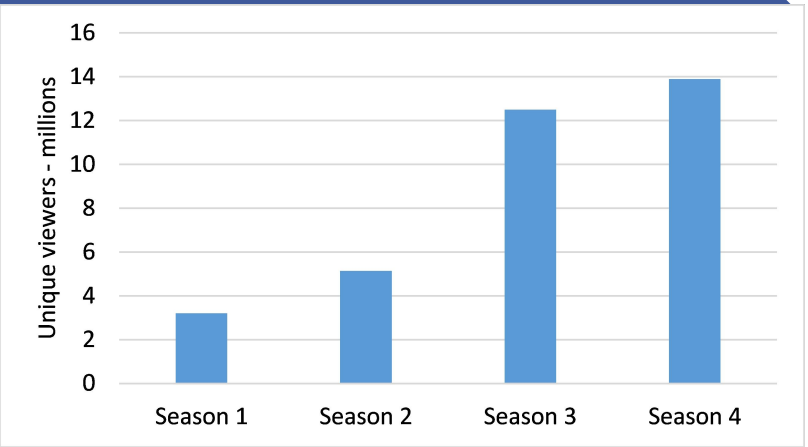
Source: Gfinity

Business area details - Owned/Operated business

Gfinity's owned/operated business is the organiser of the Gfinity Elite Series, and pro-gaming tournament with teams from around the world competing on Street Fighter V, Rocket League, and FIFA19. In addition to the Elite Series, Gfinity operates the Challenger Series and Elite Draft, which offer players the chance to get drafted to a pro team, and also the Gfinity Arcade series, which offers informal tournaments.

The following charts show the viewing figures for the first four seasons of the Elite Series.

Viewership of the Elite Series



Source: Gfinity data

In terms of monetisation, the Elite Series generates revenue from media content deals and sponsorships. Unlike the managed service business, the owned/operated business does not have any "cost plus" style contracts to cover the cost of delivering its product but takes on all of the cost of delivering tournaments on risk. We believe that the owned/operated business has been running at negative gross margins up to and including FY June 2018; however, two new deals begin to improve this dynamic.

In March 2018, Gfinity signed an exclusive digital broadcasting agreement with Facebook, for the online streaming rights to the Elite Series through to the end of the calendar year 2018.

In July 2018, Gfinity announced a multi-season agreement with Domino's to become the presenting partner (i.e. key sponsor) for the Elite Series, through to December 2020.

The key point to note about the Elite Series is that it has been a great calling card and the key enabler for the managed service business, with strong commercial success with F1, FIFA, Forza and others

An intrinsic feature of the Elite Series brand is that it offers the freedom and flexibility for Gfinity to extend the offering beyond where it is today. It has already proven that it can change elements of the tournament structure and format without negatively affecting consumer behaviours - it has rotated the games played; added new pro teams; and launched 'world firsts' such as FIFA 19 2v2 game play. Audience growth has continued for both the live events and the 'shoulder content' it produces to support them.

Gfinity is in a position to experiment further and extend the Elite Series brand into different forms of product and content offerings. The company can be flexible in driving additional revenue streams, bring new commercial partners on board, reduce costs and connect with consumers in multiple ways under the Elite Series brand. This inherent flexibility is a consequence of the brand building process that has taken place over the past two years.

Finally, we note that In conjunction with the capital raise, Gfinity indicated a significantly improving financial performance. We expect

Gfinity will adapt the format to ensure profitability going forward. Also, we believe that resources are likely to be focussed in the near term on the massive managed service and content opportunity

Tribe – the Gfinity online community

The other part of the owned/operated business is the Gfinity Tribe online community. This business was substantially augmented by the March 2018 acquisition of RealSM, which operates the RealSport online sport platform. This platform generated more than 1.3mln visits per month across a range of esports titles as fans look for ways to engage and improve.

The online community will support the promotion of Gfinity's own esports products, as well as the programmes that Gfinity delivers on behalf of its managed services partners. In addition, the community will be used to provide data and insight for commercial partners regarding the viewing choices and preferences of the community, like a super-focus-group.

Competitive landscape

Gfinity has a unique breadth of offering – tournaments under an own-brand or white label (managed service), a proprietary online platform and a real-world tournament arena, ability to produce programming and to distribute it, and an online community platform; however, there are various entities that compete with Gfinity in one or more of these business offerings. The primary differentiator for Gfinity is its ability to produce world-class live content from its studio in London as well as shoulder content. There is no one else offering full end to end services and esports studio broadcasting. The benefit of this is an essentially fixed cost base with the ability to realise multiples of value on the content.

We divide the competitors into four categories:

Head-to-head competitors

There are few companies that compete directly with Gfinity across the board. The only name that we consider a true like-for-like competitor is ESL, formerly known as Electronic Sports League. ESL has an online platform and a real-world arena to host events and tournaments.

ESL also provides a case study in some of the challenges involved in operating major tournaments for third parties, as demonstrated by the technical difficulties experienced in the Fortnite Alpha tournament (see article below). We understand that ESL is now looking to scale back its managed service operations and focus on its owned and operated offering (the opposite strategy of Gfinity).

https://comicbook.com/gaming/2018/10/16/fortnite-tournament-issue-epic-games/

Event operators

There are some operators that can produce and distribute content, and host events in a live arena, but which lack their own online platform with which to host major online tournaments. One example is OGN, a Korean broadcaster focussed on gaming content and esports. Another is VSPN, the largest esports organizer in China.

These operators compete with Gfinity in some aspects of the business but lack the full suite of capabilities that Gfinity can offer.

Integrated publishers

In January 2016, Blizzard Entertainment acquired MLG (Major League Gaming) for US$46mln, giving Blizzard a platform to create tournaments for its own games. The biggest tournament is the Overwatch league, which recently sold tournament streaming rights to Twitch for US$90mln for two years.

According to tech media reports, Microsoft made plans to develop its own esports platform to host tournaments for Microsoft games. We understand that these plans are no longer in place.

As we have discussed on p11, there are in fact numerous reasons why the publishers usually prefer to use a specialist such as Gfinity rather than try to deliver esports in-house.

Casual online communities

The final category of competitors comprises casual online communities such as FACEIT and CyberGamer. These currently make up a significant part of the esports landscape; however, these entities generally lack sophisticated production capabilities to create content, and we believe they are therefore ill-equipped to take a share of the growing media rights market.

Financial dynamics

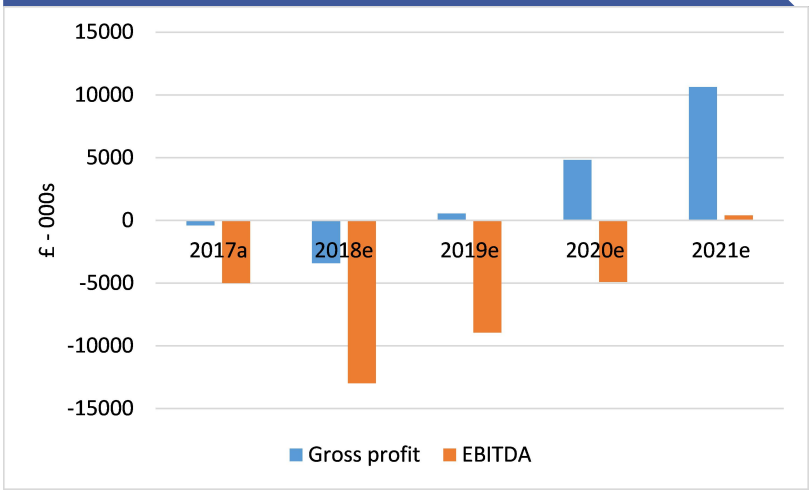
We next consider some of the key financial metrics for Gfinity.

The company has stated an ambition to achieve EBITDA (underlying earnings) margins of 15-25% and gross margins of 30-40%. We are forecasting gross margin break-even in FY June 2019 and EBITDA break-even in FY June 2021. The following chart shows our forecasts for EBITDA and gross profit.

We note that cost Investment has been front loaded and has primarily been deployed to develop the tech platform and the Elite series. We believe that the company now has the operating expenditure (opex) base it needs to scale revenue significantly, and opex is likely to stay within the company's guidance range of £10-12mln, meaning that incremental revenues drop through strongly to profit.

Gross margin dynamics are very much driven by the value of content, and as such our 40% gross margin forecast for 2019 does not represent a ceiling.

Gross Profit and EBITDA progression



Source: Proactive Research

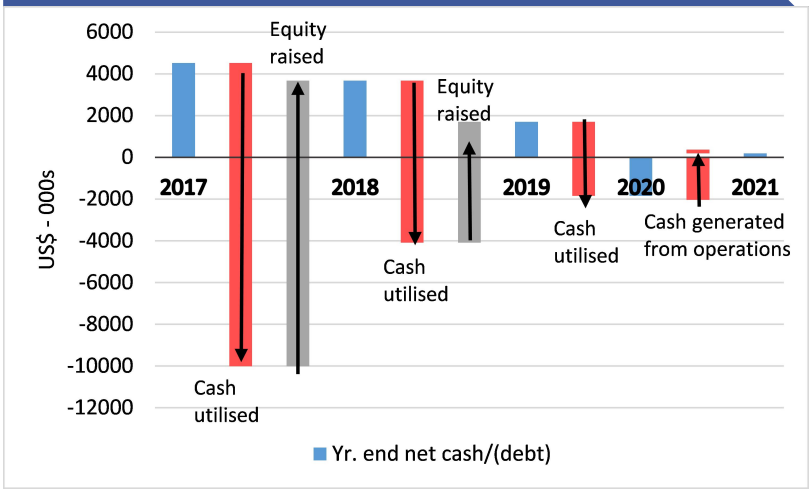
For FY June 2019, we are forecasting gross profit for the owned/operated business to reach a break-even run-rate based on the inclusion of the Facebook and Domino's deal. We believe that the managed services business is already a positive gross margin business, and with this business making up an increased proportion of total group revenues, we believe that the group total moves to a positive gross profit in FY June 2019.

In 2020 and 2021, we are forecasting further increases in gross profit and with minimal increases in fixed/central cost, we see the additional gross profit dropping through to the EBITDA level at a strong conversion rate, bringing EBITDA break-even by 2021.

We next consider the cash flow outlook.

In FY June 2018, the company used £14.2mln through operations and mergers & acquisitions (M&A). This was offset by two capital raises, totalling £13.3mln. A further £5.8mln was raised in October 2018, falling within the June 2019 financial year. For FY 2020 we are forecasting reduced cash use, and then a positive cash generation for FY 2021. The following chart summarises our cash flow forecasts.

Cash bridge



Source: Proactive Research

Based on these forecasts, we believe that Gfinity can finance its growth through to 2021 without the need for a further equity capital raise. Should the company decide instead to raise further capital and avoid moving into a net debt position, we believe any such capital raise would be modest in scale and with limited dilution for shareholders.

Valuation

Finally, we consider the valuation of the shares, using enterprise value (EV)/sales multiples. We base our calculations on FY June 2021 exit multiples. In deciding what range of multiples to apply, we consider the following factors.

We are forecasting more than 80% revenue growth over the next three years, with the trend potentially continuing for a number of years beyond

We are forecasting EBITDA break-even by 2021

The company is targeting an eventual EBITDA margin of 15-25%, and gross margin of 30-40%

There are no comparable listed esports players globally, and no recent M&A transactions to use as a valuation guide. This makes it difficult to establish a valuation range by peer comparison; however, we argue that investors will find it difficult to find listed companies in any sector that have the growth dynamics of Gfinity and the strong potential profitability end-game, with an EV/sales multiple below a range of 3x – 6x.

The following table shows 2021 exit valuations (i.e. a valuation that would apply during the year June 2020 to June 2021) based on a range of revenue outcomes (our actual 2021 forecast as a central case) and a range of multiples from 3x – 6x.

		EV/Sales multiple			
		3	4	5	6
2021 revenue (£mln)	15	12.4	16.5	20.7	24.8
	20	16.5	22.0	27.5	33.1
	26.5	21.9	29.2	36.5	43.8
	30	24.8	33.1	41.3	49.6
	35	28.9	38.6	48.2	57.9

The range of forecasts offers between 100% and 900% upside to the current share price of 6.0p. This may seem like a dramatic assertion, but we would argue that the esports industry represents a very dynamic environment – winners will achieve dramatic upside, others will exit the market.

Forecasts

The following tables summarise our financial forecasts for Gfinity.

P&L

Y/E June (£-000s)	2017	2018	2019e	2020e	2021e
Revenue	2373	4317	7771	14610	26590
COGS	-2776	-7733	-7227	-9789	-15954
Gross profit	-403	-3415	544	4821	10636
Gross margin	*-17%*	*-79%*	*7%*	*33%*	*40%*
Operating costs	-4610	-9591	-9500	-9750	-10000
EBITDA	**-5013**	**-13007**	**-8956**	**-4929**	**636**
Depreciation / amort.	-323	-442	-500	-500	-500
Operating profit	**-5336**	**-13449**	**-9456**	**-5429**	**136**
Operating margin	*-225%*	*-312%*	*-122%*	*-37%*	*1%*
Financials	5	0	5	-8	-5
Tax	103	222	0	0	0
Net income	**-5228**	**-13574**	**-9751**	**-5637**	**31**
EPS (GBp)	**-0.03**	**-0.06**	**-0.03**	**-0.02**	**0.00**

Source: Proactive Research

Cash Flow

Y/E June (£-000s)	2017	2018	2019e	2020e	2021e
PBT	-5331	-13796	-9751	-5637	31
Depreciation	249	442	500	500	500
Other	167	1076	495	508	505
Operating cash before WC	**-4915**	**-12278**	**-8756**	**-4629**	**1036**
Movement in receivables	-1221	-625	-562	0	-2232
Movement in inventories	10	0	-1	0	0
Movement in payables/other	588	243	1791	1122	3286
Tax	103	153	0	0	0
Cash from operations	**-5435**	**-12506**	**-7528**	**-3507**	**2090**
Capex/Intangible	-600	-312	-50	-50	-50
M&A	0	-1050	0	0	0
Interest received	5	1	0	0	0
Cash from investing	**-595**	**-1361**	**-50**	**-50**	**-50**
Share issue	9950	13700	5800	0	0
Debt drawdown/(repayment)	0	0	1500	5300	-3100
Cost of share issue	-231	-358	-200	0	0
Cash from financing	**9719**	**13343**	**7100**	**5300**	**-3100**

Source: Proactive Research

Balance Sheet

Y/E June (£-000s)	2017	2018	2019e	2020e	2021e
Cash and securities	4519	3679	3201	4944	3884
Receivables/other	1661	2160	2722	2723	4955
Current Assets	**6180**	**5839**	**5924**	**7667**	**8839**
PPA	876	759	710	639	575
Intangibles	73	4615	4615	4615	4615
Associate / other	50	265	264	264	264
Non-current assets	**999**	**5638**	**5589**	**5518**	**5454**
Total Assets	**7179**	**11477**	**11513**	**13185**	**14293**
Current liabilities	**1746**	**2238**	**4029**	**5151**	**8437**
Non-current liabilities	**0**	**0**	**1500**	**6800**	**3700**
NAV	**5433**	**9239**	**5984**	**1234**	**2156**
Share capital	189	286	361	361	361
Reserves and other	5245	8522	5039	289	1212
Equity	**5433**	**8809**	**5400**	**651**	**1573**

Source: Proactive Research

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