

Game Digital

Final results

Game on for BELONG

In a challenging market Game Digital (GMD) continues to make ground, meeting our 26% EBITDA growth forecast after achieving planned cost savings, despite the intensified swing to digital. In FY19 we expect the roll-out of BELONG to gather pace, as well as a continued fightback backed by the console industry. The value in our 67p valuation, other than cash of 33p, is in the BELONG roll-out, where continued momentum is crucial.

Year end	Revenue (£m)	EBITDA (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	EV/EBITDA (x)	Yield (%)
07/17	782.9	8.0	(4.3)	(3.7)	1.0	N/A	N/A	3.5
07/18	782.3	10.1	(3.5)	(3.7)	0.0	N/A	N/A	N/A
07/19e	778.4	12.2	(2.2)	(2.8)	0.0	N/A	N/A	N/A
07/20e	813.8	16.6	(1.2)	(2.1)	0.0	N/A	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

FY18 full-year results: Significant profit growth

GMD has performed well in a challenging market. EBITDA for the full year was £10.1m, a 26% rise against FY17, and in line with the pre-close guidance. The second half EBITDA delivered significant growth of £4.2m to more than negate the decline of £2.1m from the first half. Achievement of full-year cost savings initiatives of £11.4m was key to the result.

BELONG arena roll-out progresses

The BELONG initiative is designed to position the concept as a national market leader in e-sports. Since the February collaboration agreement, with its substantial £55m finance package, the roll-out has been management's key strategic objective. Detailed planning is complete and the first two arenas since the agreement are trading well. We project 20 openings in FY19 weighted to H2, achievement of which assumes continued engagement by Sports Direct (SPD) management.

We trim our forecast

We maintain our GTV forecast of a c 2% decline in core activities, largely mitigated by growth at BELONG. With a strong pipeline of classic games for peak season, we anticipate continued fightback against digital in general and Fortnite in particular, backed by manufacturers' huge resources. However, conscious of the generally soft retail market, we have shaded margin assumptions to remove y-o-y optimism. As a result we reduce our FY19e forecast EBITDA by 7% to £12.2m.

Valuation: Less than cash and 140% valuation upside

The market values GMD's shares at less than its net cash of 33p per share. We value them using peer comparison and DCF metrics. On a peer comparison referring to US peer Gamestop and UK special interest operators, we would price them at 75p. A prudent DCF valuation produces 59p. We therefore define a blended valuation of 67p. This is slightly lower than our previous 75p mainly as a result of peer derating, but still gives share price upside of c 140%.

Retail

8 November 2018

Price 28.80p
Market cap £50m

Net cash (£m) (net of financial liabilities) at 29 July 2018 56.8

Shares in issue 172.9m

Free float 73%

Code GMD

Primary exchange LSE

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (8.7) 7.1 (26.6)

Rel (local) (5.9) 16.0 (22.5)

52-week high/low 61.5p 24.0p

Business description

Game Digital is the leading omni-channel specialist retailer of video games in the UK and Spain, with 276 stores in the UK, 267 stores in Spain and over 30% market share.

Next events

Trading statement January 2019

Analysts

Paul Hickman +44 (0)20 3681 2501

Kate Heseltine +44 (0)20 3077 5700

consumer@edisongroup.com

[Edison profile page](#)

Game Digital is a research client of Edison Investment Research Limited

Final results to July 2018

GMD has continued to perform well in a challenging market. EBITDA for the full year was £10.1m, a 26% rise against FY17, and in line with pre-close guidance. The second half, encompassing the spring and summer, is seasonally weaker. However, the EBITDA second-half loss was £4.2m better than in FY17, more than negating the £2.1m shortfall in the first half.

Exhibit 1: First, second half and full year results						
£m	H117	H217	FY17	H118	H218	FY18
GTV	565.4	325.6	891.0	586.8	320.9	907.7
Gross profit	127.1	78.0	205.1	123.1	73.1	196.2
Operating expenses (ex D&A)	(103.8)	(93.3)	(197.1)	(101.9)	(84.2)	(186.1)
EBITDA	23.3	(15.3)	8.0	21.2	(11.1)	10.1
D&A	(5.6)	(5.4)	(11.0)	(6.4)	(5.9)	(12.3)
Operating profit	17.7	(20.7)	(3.0)	14.8	(17.0)	(2.2)
Net finance costs	(0.8)	(0.5)	(1.3)	(0.6)	(0.7)	(1.3)
PBT (normalised)	16.9	(21.2)	(4.3)	14.2	(17.7)	(3.5)

Source: GMD, Edison Investment Research. Note: all figures normalised.

GTV declined by 1.4% in H2, halving the growth of H1:

Exhibit 2: GTV by segment						
£m	H117	H217	FY17	H118	H218	FY18
Content	262.1	133.9	396.0	265.3	139.9	405.2
Pre-owned	95.7	78.6	174.3	87.5	67.8	155.3
Accessories & Other	82.3	51.0	133.3	78.4	50.5	128.9
Hardware	117.6	56.6	174.2	146.7	57.8	204.5
Total	557.7	320.1	877.8	577.9	316.0	893.9
Total Events, E-sports & Digital	7.7	5.5	13.2	8.9	4.9	13.8
Total	565.4	325.6	891.0	586.8	320.9	907.7
Growth						
Content				1.2%	4.5%	2.3%
Pre-owned				-8.6%	-13.7%	-10.9%
Accessories & Other				-4.7%	-1.0%	-3.3%
Hardware				24.7%	2.1%	17.4%
Total				3.6%	-1.3%	1.8%
Total Events, E-sports & Digital				15.6%	-10.9%	4.5%
Total				3.8%	-1.4%	1.9%

Source: GMD, Edison Investment Research

Content GTV grew by 4.5% in H2, although the swing towards digital sales intensified, with digital console sales up 33% driving total digital growth of 23%, while physical sales declined in H2, eliminating their 3% first-half growth to end flat for the year. The swing has been led by the popularity of Fortnite, the cult battleground contest; although we assume the growth in digital content sales will not reverse. Within physical sales, a decline in Xbox product was replaced by increased demand for Nintendo Switch content.

Pre-owned sales were affected by the increasing age of Xbox One and 360, and Playstation 3 and even 4, and of personal budgets moving towards digital product, with a 13.7% decline in H2. Accessories and Other (excluding Events, E-sports & Digital) had a more balanced performance in H2 particularly attributable to the demand for headsets driven by Fortnite.

Hardware sales grew only 2% in the second half against 24% in the first, when Nintendo Switch, Xbox One X and Playstation 4 had combined to create a one-off increase.

Events & Esports grew annual GTV by 40.2% to £12.2m on an underlying basis.

Gross margin performance

Gross margin improved in H2, while continuing to lag FY17:

Exhibit 3: Gross margin						
	H117	H217	FY17	H118	H218	FY18
Content	23.0%	24.0%	23.4%	21.6%	24.3%	22.5%
Pre-owned	34.6%	31.9%	34.2%	30.5%	31.0%	30.8%
Accessories & Other	29.9%	30.0%	29.1%	32.9%	25.8%	30.1%
Hardware	5.7%	6.9%	6.1%	7.1%	7.3%	6.7%
Total	22.6%	24.0%	23.1%	20.8%	22.5%	21.4%
Events, Esports & Digital	16.9%	21.8%	18.9%	32.6%	36.9%	34.1%
Total	22.5%	24.0%	23.0%	21.0%	22.8%	21.6%

Source: GMD, Edison Investment Research

Content margin in the second half ran behind FY17 as it did in the first, reflecting the higher mix of digital, although pre-owned product, the highest margin category, held its margin. Accessories and Other (excluding Events, Esports & Digital) reversed its first-half improvement reflecting the changing product mix, while hardware improved slightly on an already strong H1 margin driven by the high mix of recent releases. Events, Esports & Digital, while still small, continued to strengthen reflecting the growing BELONG constituent.

Operating expenses

Net savings increased beyond the £1.9m of H1, to £9.5m in H2. Underlying UK cost savings banked £6m in H2 on top of the £5m in H1 as a result of lease negotiations, payroll and other efficiencies. That was augmented by a full period without Multiplay, which had only been absent for two months of H1. The translation of Spanish costs was less adverse in H2, increasing from a £1.0m effect in H1 to £1.3m for the full year.

Regional results

Full-year results exacerbated the tendency seen in FY17 whereby Spain has become the major earner of EBITDA for the group:

Exhibit 4: Results by region							
	H117	H217	FY17	H118	H218	FY18	
GTV							
Core Retail UK	366.7	195.3	562.0	365.5	190.5	555.8	
Core Retail Spain	191.0	124.8	315.8	212.4	125.5	338.1	
Core Retail Total	557.7	320.1	877.8	577.9	316.0	893.9	
Events, Esports and Digital	7.7	5.5	13.2	8.9	4.9	13.8	
Total GTV	565.4	325.6	891.0	586.8	320.9	907.7	
Gross Profit							
Core Retail UK	84.7	49.8	134.5	77.2	45.9	121.8	
Gross margin	23.1%	25.5%	23.9%	21.1%	24.1%	21.9%	
Core Retail Spain	41.1	27.0	68.1	43.0	25.4	69.6	
Gross margin	21.5%	21.7%	21.6%	20.2%	20.2%	20.6%	
Core Retail Total	125.8	76.8	202.6	120.2	71.3	191.5	
Gross margin	22.2%	23.6%	22.7%	20.5%	22.2%	21.1%	
Events, Esports and Digital	1.3	1.2	2.5	2.9	1.8	4.7	
Gross profit	127.1	78.0	205.1	123.1	73.1	196.2	
Gross margin	22.5%	24.0%	23.0%	21.0%	22.8%	21.6%	
EBITDA							
Core Retail UK	13.4	(11.6)	1.8	9.9	(9.4)	0.5	
Core Retail Spain	12.7	(0.5)	12.2	12.4	(0.7)	11.7	
Core Retail Total	26.1	(12.1)	14.0	22.3	(10.1)	12.2	
EE&D	(2.8)	(3.2)	(6.0)	(1.1)	(1.0)	(2.1)	
Total	23.3	(15.3)	8.0	21.2	(11.1)	10.1	

Source: GMD

UK retail GTV declined 1.1% year-on-year, although within that the swing to digital product and relative strength of hardware, at the expense of physical content and pre-owned product, led to a 2-point fall in gross margin. Nevertheless, UK margins recovered in the second half, reflecting strengthening margins in Pre-owned and Accessories & Other. Cost savings initiatives were focused in the UK and their effect was to reduce profit slippage in H2 to leave EBITDA down £1.3m at £0.5m for the year, compared with a £3.5m y-o-y shortfall at H1.

In Spain strength in sales of hardware and digital led to GTV growth of 7.1% in the full year, although second half growth was only marginal at 0.6%, reducing the first half's 11.2%. Lower margin category shift also resulted in a one-point gross margin reduction, spread more or less evenly across the year. Nevertheless, growth was sufficient to leave EBITDA only £0.5m behind FY17 at £11.7m.

Progress on BELONG roll-out

The BELONG esports arena concept (see <https://www.belong.gg/>) originated in GMD stores but is now the subject of a collaboration agreement with SPD. The initiative is designed to position BELONG as national market leader in local and regional e-sports. Since the collaboration agreement was signed in February, including a substantial £55m financing package, the roll-out of BELONG has been management's key strategic objective.

In its existing 21 sites the concept has demonstrated high occupancy, high margin and low capex contributing to year 3 ROI (GMD share) of 48%.

In our detailed September note, [Part of the retail answer](#), we set out our forecast for BELONG, which follows the business model described at the interim results in March 2018. In it, we assume 20 openings weighted to the second half of FY19, rising to 29 in subsequent years, at an average size of 35 desks per location (GMD's target is 40 desks). This results in the total number of stations rising from 368 at end FY18 to c 1,000 at FY19 and 2,000 at FY20.

The scope of the agreement, the scale of new SPD developments, the dynamics of the retail property market and the need to co-ordinate with SPD's process, together brought some initial inertia. However, detailed planning has now been completed and the first two arenas following the agreement opened in Westfield Stratford in August and Lakeside Thurrock in October.

Achievement of the forecast assumes continued engagement by SPD management and there is no change in our assumptions or GMD management's expectations in this regard. Clearly SPD management is occupied on several fronts. However, its development objectives have a large degree of commonality with GMD's.

Real estate momentum

GMD is able to take advantage of a flexible lease profile to renegotiate leases, relocate or close stores. Its UK store optimisation programme is focused on reducing fixed occupancy costs, lowering operating costs and capitalising on growth potential in major cities and towns. As a result of the formation of the UK company in 2014 and subsequent lease negotiations, there are over 200 potential lease events by the end of 2019. Savings of 42% have been realised from leases renegotiated in FY18 and at July 2018 there were 25 stores on zero rent and 99 on flexible arrangements, usually a three-month rolling break option. This real estate profile is clearly advantageous to the BELONG roll-out initiative.

The store estate in Spain is continually reviewed and a low average lease exit period of one year gives flexibility to move to better stores in existing locations and to open in new locations.

Current trading: A strong start

The first quarter has shown encouraging growth with retail GTV across the group up 4.5%. That was led by the UK (+6.6%) but Spain was also ahead (+1.7%), with trading in both geographies ahead on the back of new classic releases such as Spiderman and Red Dead Redemption 2.

Forecast: We remove optimism

In total we maintain our GTV forecast of a c 2% decline in core activities, largely mitigated by increasing momentum from BELONG. In content, we reflect continuation of the mix bias in favour of digital. However, with a strong pipeline release, the console industry has started a market fightback that we expect to continue through the first half of FY19. We are conscious of the generally soft retail market and reflect this mainly by shading margin assumptions to remove any optimism against rates actually achieved in FY18. We also increase early-stage overheads of BELONG. As a result we reduce our forecast EBITDA by 7% in FY19 and 9% in FY20. We also introduce FY21e with 7% EBITDA growth:

Exhibit 5: Forecast changes															
	GTV (£m)			Revenue (£m)			EBITDA (£m)			PBT (£m)			EPS (p)		
	From	To	+/-	From	To	+/-	From	To	+/-	From	To	+/-	From	To	+/-
7/19e	903.4	903.0	-0.1%	778.8	778.4	-0.1%	13.2	12.2	-7.4%	(1.3)	(2.2)	N/A	(2.1)	(2.8)	N/A
7/20e	936.8	939.9	0.3%	811.1	813.8	0.3%	18.3	16.6	-9.2%	0.1	(1.2)	N/A	(1.3)	(2.1)	N/A
7/21e		951.6	N/A		828.0	N/A		17.8	N/A		(3.7)	N/A		(3.1)	N/A
Absolute change FY19			(0.5)			(0.4)			(1.0)			(0.9)			(0.6)
Absolute change FY20			3.2			2.7			(1.7)			0.1			(0.8)

Source: Edison Investment Research

Our current forecast is therefore as follows:

Exhibit 6: Forecast summary								
£m	FY18	FY19e	FY20e	FY21e	Growth			
					FY18	FY19e	FY20e	FY21e
GTV								
Core Retail UK	555.8	530.2	531.9	505.9	-1.1%	-4.6%	0.3%	-4.9%
Core Retail Spain	338.1	348.0	358.5	369.2	7.1%	2.9%	3.0%	3.0%
Core Retail Total	893.9	878.2	890.4	875.1	1.8%	-1.8%	1.4%	-1.7%
Events, Esports & Digital	13.8	24.7	49.5	76.4	4.5%	79.3%	100.1%	54.4%
Total GTV	907.7	903.0	939.9	951.6	1.9%	-0.5%	4.1%	1.2%
Revenue								
Core Retail UK	471.9	449.9	451.4	429.3	-3.9%	-4.7%	0.3%	-4.9%
Core Retail Spain	296.6	303.7	312.8	322.2	6.5%	2.4%	3.0%	3.0%
Core Retail Total	768.5	753.6	764.3	751.5	-0.2%	-1.9%	1.4%	-1.7%
Events, Esports & Digital	13.8	24.7	49.5	76.4	4.5%	79.3%	100.1%	54.4%
Total revenue	782.3	778.4	813.8	828.0	-0.1%	-0.5%	4.5%	1.7%
Gross profit								
Core Retail UK	121.8	120.2	115.0	108.0	21.9%	22.7%	21.6%	21.4%
Core Retail Spain	69.6	70.5	72.6	74.8	20.6%	20.2%	20.2%	20.2%
Core Retail Total	191.5	190.7	187.5	182.8	21.4%	21.7%	21.1%	20.9%
Events, Esports & Digital	4.7	9.8	20.5	32.4	34.1%	39.5%	41.4%	42.4%
Total gross profit	196.2	200.5	208.0	215.2	21.6%	22.2%	22.1%	22.6%
EBITDA								
Core Retail UK	0.5	1.1	0.8	0.4	0.1%	0.2%	0.1%	0.1%
Core Retail Spain	11.7	10.1	9.8	6.4	3.5%	2.9%	2.7%	1.7%
Core Retail Total	12.2	11.3	10.6	6.8	1.4%	1.3%	1.2%	0.8%
Events, Esports & Digital	(2.1)	1.0	6.0	10.9	-15.2%	3.9%	12.2%	14.3%
Total EBITDA	10.1	12.2	16.6	17.8	1.1%	1.4%	1.8%	1.9%

Source: GMD, Edison Investment Research

Cash flow and balance sheet

Net cash at July 2018 (net of all financial liabilities) was £56.8m, a £14.2m increase year-on-year. The main elements were cash generated by operations of £12.1m, proceeds from the sale of Multiplay £14.9m and of the BELONG IP £3.2m, net interest and tax (£4.6m), gross capex (£10.1m) and the residual dividend payment of £1.7m. We forecast net cash above £50m for the next two years.

At July 2018 GMD had undrawn total facilities of £130m, increasing to £169m at peak. Its UK asset-backed revolving loan facility is £50m (extendable to £75m) and short-term Spanish facilities of €28m, are extendable to €44m at peak. In addition it has facilities from SDL consisting of a £20m unsecured working capital facility and a £35m unsecured capital expenditure facility expiring 31 January 2019 (with an option to extend) and 31 January 2023, respectively.

Valuation: BELONG and cash drive the value

We approach valuation on two metrics: peer comparison and DCF.

Peer comparison: Significant upside

There are no direct UK quoted peers. However, in the US GameStop (market cap c US\$1.5bn) which has some similarities to the core business (although not to BELONG), trades on year 1 and 2 EV/EBITDA of 3.2x and 3.4x, implying a GMD valuation of 55p (previously 59p). We also consider some UK operators that serve special interest groups: Games Workshop, Goals Soccer Centres, Focusrite and Everyman Cinemas. These have de-rated somewhat since our last note in August 2018, and now trade on an average year 1 and 2 EV/EBITDA of 10.2x and 8.9x respectively against 13.9x and 13.1x then. This implies a GMD value of 96p (previously 126p). Averaging the two peer comparisons results in 75p (previously 93p).

DCF valuation: Metric reflects both risk and opportunity

The BELONG roll-out is central to GMD's strategy and makes a DCF valuation especially appropriate. There is clear execution risk, which we recognise with a high 15% WACC. We model undemanding revenue growth peaking at 7.5% in FY21 before fading to a terminal 2%. We continue to assume a terminal EBITDA margin of 4.2% (FY18e: 1.3%, FY20e: 2.1%) and capex at 2% of revenue. As a result, we value the shares at 59p (previously 61p). That is c 10p sensitive to a 1% change in WACC and c 20p sensitive to a 1% change in the margin assumption.

Pence per share	Terminal growth				
	1.0%	2.0%	3.0%	4.0%	5.0%
20.0%	45.2	45.8	46.4	47.1	47.9
17.5%	50.4	51.3	52.3	53.5	54.8
15.0%	57.9	59.4	61.2	63.3	65.8
12.5%	69.4	72.2	75.6	79.8	85.1
10.0%	88.4	94.2	101.6	111.5	125.3

Source: Edison Investment Research

Analysis of DCF valuation

- BELONG roll-out.** We model BELONG as shown in our September note, assuming no further roll-out beyond FY22. Using a 15% WACC and 2% terminal growth rate, and maintenance capital only in the terminal period at 10% of the total investment, this produces a valuation of £37.0m or 21p per share (previously 23p).
- Net cash.** Net cash at July 2018 was £56.8m or 33p per share.

3. **The core business.** The core retail business remains substantially the source of GMD's FY18 EBITDA, although it faces challenge by the increasing market share of digital. On the other hand, the entire strategy and the collaboration agreement in particular should support the product business, and console manufacturers have enormous resources to support their model. FY19 retail EBITDA of £11.2m is equivalent to 6.5p per share, and our effective valuation of the core business is 5p (59p – 21p – 33p), less than one year's cash.

Summary: 140% share price upside

Averaging our peer group and DCF metrics, we define a blended valuation of 67p (previously 75p), the reduction mainly resulting from the derating of peer stocks. It still gives c 140% upside to the current share price.

Exhibit 8: Financial summary

Accounts: IFRS, Yr end: July, GBP: Millions	2015	2016	2017	2018	2019e	2020e	2021e
Profit and Loss statement							
Total revenues	866.6	821.9	782.9	782.3	778.4	813.8	828.0
Cost of sales	(652.9)	(612.7)	(577.8)	(586.1)	(577.9)	(605.7)	(612.8)
Gross profit	213.7	209.2	205.1	196.2	200.5	208.0	215.2
Other income/(expense)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals and adjustments	(12.2)	(12.9)	(5.7)	(3.9)	(9.2)	(9.2)	(1.9)
Depreciation and amortisation	(8.5)	(10.5)	(11.0)	(12.3)	(13.5)	(16.5)	(19.4)
Reported EBIT	26.2	3.0	(8.7)	(6.1)	(10.5)	(9.0)	(3.5)
Finance income/(expense)	(0.4)	(1.1)	(1.3)	(1.3)	(0.9)	(1.4)	(2.1)
Exceptionals and adjustments	(3.7)	(3.8)	3.9	5.3	0.0	0.0	0.0
Reported PBT	25.8	1.9	(10.0)	(7.4)	(11.4)	(10.4)	(5.6)
Income tax expense (includes exceptionals)	(4.4)	1.3	(2.1)	(2.8)	(2.5)	(2.5)	(1.6)
Reported net income	21.4	3.2	(12.1)	(10.2)	(14.0)	(12.9)	(7.2)
Basic average number of shares, m	168.3	168.9	169.7	170.8	172.9	172.9	172.9
Basic EPS, p	12.7	1.9	(7.1)	(6.0)	(8.1)	(7.5)	(4.2)
Dividend per share, p	14.7	3.4	1.0	0.0	0.0	0.0	0.0
Adjusted EBITDA	46.9	26.4	8.0	10.1	12.2	16.6	17.8
Adjusted EBIT	38.4	15.9	(3.0)	(2.2)	(1.3)	0.2	(1.6)
Adjusted PBT	38.0	14.8	(4.3)	(3.5)	(2.2)	(1.2)	(3.7)
Adjusted diluted EPS, p	18.5	10.7	(3.7)	(3.7)	(2.8)	(2.1)	(3.1)
Balance sheet							
Property, plant and equipment	19.2	16.8	17.2	16.1	20.6	21.3	19.3
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangible assets	61.0	56.7	47.5	24.0	15.6	1.9	0.0
Other non-current assets	0.2	2.2	2.5	1.7	1.7	1.7	1.7
Total non-current assets	80.4	75.7	67.2	41.8	37.9	24.9	21.0
Cash and equivalents	63.1	48.8	47.2	58.7	64.2	73.0	81.4
Inventories	66.8	76.1	81.2	78.0	76.9	79.0	79.9
Trade and other receivables	17.8	20.4	23.5	20.0	19.9	20.8	21.2
Other current assets	0.9	8.8	1.7	0.9	0.0	0.0	0.0
Total current assets	148.6	154.1	153.6	157.6	161.0	172.8	182.4
Non-current loans and borrowings	0.1	3.1	2.6	1.1	12.1	22.2	32.4
Other non-current liabilities	5.7	4.4	2.8	1.9	1.9	1.9	1.9
Total non-current liabilities	5.8	7.5	5.4	3.0	14.0	24.1	34.3
Trade and other payables	93.8	90.7	101.6	96.1	93.2	97.7	98.8
Current loans and borrowings	0.0	7.2	2.0	0.8	0.0	0.0	0.0
Other current liabilities	3.2	1.3	2.6	1.0	1.0	1.0	1.0
Total current liabilities	97.0	99.2	106.2	97.9	94.2	98.7	99.8
Equity attributable to company	126.2	123.1	109.2	98.5	90.8	75.0	69.4
Cashflow statement							
Cash from operations (CFO)	44.1	3.2	9.1	7.9	9.5	17.3	17.6
Capex	(11.3)	(13.3)	(11.6)	(6.9)	(17.0)	(17.2)	(17.3)
Acquisitions & disposals net	(12.4)	(1.5)	13.3	12.5	1.9	0.0	0.0
Other investing activities	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0
Cash used in investing activities (CFIA)	(23.9)	(14.8)	1.7	5.6	(15.1)	(17.2)	(17.3)
Net proceeds from issue of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Movements in debt	(1.5)	1.5	0.0	0.0	0.0	0.0	0.0
Other financing activities	(37.8)	(13.9)	(4.3)	(1.8)	(0.9)	(1.4)	(2.1)
Cash from financing activities (CFF)	(39.3)	(12.4)	(4.3)	(1.8)	(0.9)	(1.4)	(2.1)
Increase/(decrease) in cash and equivalents	(19.1)	(24.0)	6.5	11.7	(6.5)	(1.3)	(1.8)
Currency translation differences and other	(3.1)	1.0	0.6	(0.2)	0.0	0.0	0.0
Cash and equivalents at end of period	63.1	40.1	47.2	58.7	52.1	50.8	49.1
Net (debt) cash	63.0	38.5	42.6	56.8	52.1	50.8	49.1
Movement in net (debt) cash over period	63.0	(24.5)	4.1	14.2	(4.7)	(1.3)	(1.8)

Source: GMD, Edison Investment Research

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Game Digital and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Ltd (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.