

Stride Gaming

Recommended cash offer from Rank

Rank Group has made a recommended £115.3m cash offer for Stride Gaming, which equates to an EV of £93.4m. Using the run-rate H119 EBITDA, the deal is valued at c 7.5x EV/EBITDA. The offer of 151p per share is a 29% premium to the previous day's closing price. Irrevocable commitments have been received by 61.3% of Stride's shareholders and completion is anticipated in Q319.

Year end	Revenue* (£m)	EBITDA (£m)	EPS** (p)	DPS (p)	P/E (x)	Yield (%)
08/17	89.9	20.2	25.8	2.7	5.7	1.8
08/18	89.0	16.1	19.2	3.0	7.7	2.0
H119	39.0	6.2	6.9	0.0	N/A	N/A

Note: * Adjusted revenue excludes social from FY18 and includes Stride's share of Stride Together (including Aspers JV). **EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

£115.3m cash offer; c 7.5x EV/EBITDA

Following the announcement of a strategic review in February 2019, Stride has confirmed that it has received a recommended £115.3m cash offer from Rank Group. This includes £15.5m net cash at H119, as well as £5.7m cash received post period relating to the sale of QSB. The offer of 151p per share is a 29% premium to the previous day's closing price and, using the H119 EBITDA run rate, the deal equates to c 7.5x EV/EBITDA. Irrevocable commitments have been received by 61.3% of Stride's shareholders and completion is anticipated in Q319. Rank has stated that combined net online gaming revenues of c £185m will make it the second largest online bingo provider in the UK, with a 4% market share for UK online gaming.

H119 results reflect sector challenges

Stride has also reported H119 results, with net gaming revenues (NGR) of £39.0m, a 13% decline compared to the previous period. NGR from the proprietary platform declined by 9% to £27.0m, while NGR from the non-proprietary platform declined by 24% to £11.5m. Similar to other gaming operators, revenues have been affected by ongoing regulatory challenges and the requirement to implement social responsibility measures, which specifically includes source of funds checks. Adjusted EBITDA declined by 23% to £6.2m. Excluding cash in assets held for sale (£0.6m), net cash of £15.5m was lower than the £21.6m at FY18, largely due to the payment of a £7.1m fine to the UK regulator.

Cash offer from Rank

Travel & leisure

3 June 2019

Price 148p
Market cap £112m

Net cash (£m) at February 2019	15.5
Shares in issue	75.8m
Free float	35%
Code	STR
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	28.7	27.6	(1.7)
Rel (local)	33.4	26.5	5.8
52-week high/low		149.5p	83.5p

Business description

Stride Gaming is a leading online gaming operator in the UK. It uses proprietary and purchased software to provide online bingo and slot gaming. It was formed in 2012 and only operates in regulated real money gaming markets.

Next events

Posting of scheme document	June 2019
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