

Game Digital

Disposal of Multiplay Digital

Game Digital (GMD) has announced the sale of Multiplay (UK), which operates an online game server-hosting business. The disposal reflects a tightening of GMD's strategy, announced in August, to focus on customers' gaming interests. We do not expect a material effect on forecasts, but the immediate cash receipt reduces the FY18e EV/EBITDA multiple to only 1.8x.

Year end	Revenue (£m)	EBITDA (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	EV/EBITDA (x)**	Yield (%)
07/16	821.9	26.4	14.8	10.7	3.4	4.4	1.6	7.1
07/17	782.9	8.0	(4.3)	(3.7)	1.0	N/A	2.7	2.1
07/18e	793.2	12.3	0.2	0.1	0.0	N/A	1.8	N/A
07/19e	796.3	15.0	1.9	0.9	0.0	52.9	1.4	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **EV adjusted for immediate cash receipt of £17.1m.

GMD has announced the sale of Multiplay (UK), the owner of Multiplay Digital, which operates an online game server-hosting business for game developers, as well as a direct game hosting service available to consumers.

In August 2017 GMD announced that, following a strategic review, it had prioritised the development of experience-based gaming and eSports activities. As a result, the board had decided to evaluate strategic options for Multiplay's Digital division.

The disposal to Unity Technologies APS is for £19.0m cash, comprising £17.1m immediately (subject to adjustment for working capital) and £1.9m in escrow for 19 months.

Multiplay (UK)'s other business, eSports & Events, continues within the GMD corporate structure as part of GMD's strategy to increase its involvement with customers' gaming interests.

Multiplay Digital reported a pre-tax loss of £0.8m for FY17, and we anticipate that the disposal will not have a material effect on our forecasts. In our valuation, above, we adjust year-end net cash of £42.6m for the immediate cash consideration to indicate that the company is now on an FY18e EV/EBITDA rating of 1.8x.

Business disposal

Retail

28 November 2017

Price 47.6p
Market cap £81m

Net cash (£m) at July 2017	42.6
Shares in issue	170.9m
Free float	55%
Code	GMD
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



Business description

Game Digital is the leading omni-channel specialist retailer of video games in the UK and Spain, with 304 stores in the UK, 268 stores in Spain and over 30% market share.

Analysts

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