30 May 2017

Stride Gaming plc
("Stride Gaming" or the "Company" or the "Group")

Interim Results for the six months ended 28 February 2017

Strong organic growth from Real Money Gaming, strengthened by the FY2016 acquisitions

Stride Gaming plc (AIM: STR), the multi-branded online soft gaming operator, announces its interim results for the six months ended 28 February 2017 (the "**period**").

In order to show the Group's results in a meaningful way for all stakeholders, the financial information shown below for the prior year is shown on a pro-forma basis so as to show both periods on a like-for-like basis. That is, as if the acquisitions of 8Ball, Netboost Media and Tarco Assets on 31 August 2016 had taken place at the start of the six-month comparative period.

Key Financials

	Unaudited Six months ended 28 Feb 2017 £'000	**Unaudited Pro-forma Six months ended 29 Feb 2016 £'000**	**Change %**
Net Gaming Revenue	44,007	36,498	**21%**
Adjusted EBITDA*	9,644	8,025	**20%**
Adjusted earnings*	8,951	7,209	**24%**
Adjusted basic earnings per share (in pence)*	13.3	10.7	**24%**
Basic earnings per share (in pence)	(15.3)	(0.1)	(N/A)
Interim dividend per share (in pence)	1.2	1.1	9%

Financial highlights:

- Net Gaming Revenue ("NGR") up 21% to £44.0 million (H1 2016: pro-forma £36.5 million and reported £21.6 million)
- Adjusted EBITDA* up 20% to £9.6 million (H1 2016: pro-forma £8.0 million and reported £5.6 million)
- Adjusted earnings* up 24% to £8.9 million (H1 2016: pro-forma £7.2 million)
- Strong balance sheet with gross cash at period end of £19.2 million (31 August 2016: £21.1 million)
- Real Money Gaming NGR from in-house proprietary platform up 55% to £23.8 million (H1 2016: reported £15.4 million)
- Real Money Gaming NGR from third-party non-proprietary platform up 4% to £15.5 million (H1 2016: pro-forma £14.9 million)
- Social gaming NGR down 24% to £4.7 million (H1 2016: reported £6.2 million)
- An impairment of £10.2 million (H1 2016: £Nil) has been recognised in the period in light of the weaker outlook of the Social Gaming vertical resulting in a loss for the period of £10.3 million (2016: reported loss of £0.1 million)
- An interim dividend of 1.2 pence per share (H1 2016: 1.1 pence per share) declared, an increase of 9% from the prior period

Operational highlights:

Real Money Gaming:

- Strong organic growth in the Real Money Gaming vertical
- Real Money Gaming funded players** up 21% to 162,000 (H1 2016: pro-forma 134,000)
- Yield per player*** up 8.5% to £127 (H1 2016: pro-forma £117) demonstrating a continued improvement in engagement and monetisation of players
- Group gross gaming revenue^^ ("**GGR**") through mobile and touch devices grew by 34.9% and now represents 58% (H1 2016: pro-forma 43%) of the total Real Money Gaming GGR
- Continued progress in the integration of 8Ball, Netboost Media and the Tarco Assets acquired in August 2016

Social Gaming:

- Weaker than expected performance in this vertical
- An improvement plan is in place; early signs are encouraging
- The Board is also undertaking a review of this non-material vertical

B2B:

- Post period end, the Group established Stride Together, which was launched in May 2017, a new B2B vertical to licence its proprietary platform to gaming operators, media partners and retailers both in the UK and globally
- First Joint Venture signed in May 2017 with Aspers Group Limited, a leading gaming operator in the UK

* Adjusted earnings and Adjusted EBITDA excludes income or expenses that relate to exceptional items and non-cash charges relating to share-based payments
** Funded player means an active player who has made a deposit with his own funds within the last three months
*** Yield per player means the total net cash in the last three months of the period divided by the number of funded players at the end of the period
^^ GGR means gross gaming revenue, being total bets placed by players less winnings paid to them.

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About Stride Gaming:

Stride Gaming is a leading online gaming operator in the soft gaming verticals of online bingo and the global social gaming market. In the real money UK bingo-led business, Stride Gaming operates a multi-branded strategy and uses its own proprietary and purchased software to provide online bingo and slot gaming for its players, and social gaming mobile applications. Following the acquisitions of 8Ball, Netboost Media and the Tarco Assets on 31 August 2016, Stride Gaming has a 10% market share of the UK bingo market and is the fourth largest online bingo operator in the UK. The Company now has 105 brands and its share of the UK online bingo market is 25% (as measured by number of bingo sites).

Stride Gaming is focused on the UK online bingo market, where it is licensed and only operates from the regulated jurisdictions of the UK and Alderney, and in the mobile social gaming market, where its players' reach is international with a focus on the North American market.

Further information on the Group is available at: www.stridegaming.com

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Chairman's statement

I am pleased to report that trading in the first half of the year has been encouraging. Our strong overall financial results in the first half have been driven by the accelerated organic growth of our Real Money Gaming vertical, which accounts for 89% of total Group revenues offsetting a disappointing performance in our social gaming vertical. Overall, we have made considerable progress against our strategic objectives and targets by focusing on strengthening our foundations and proprietary platform.

During the first half of the year we have invested in our Real Money Gaming vertical and focused on the successful integration of the transformational acquisitions of 8Ball, Netboost Media and the Tarco Assets, which propelled Stride Gaming to be the fourth largest online bingo operator in the UK. A key target in the first half was to embed these acquisitions into the enlarged Group and to maximise synergies. I am pleased to report that the integration has progressed well and our objectives are being achieved. What is particularly pleasing is the performance of our in-house platform and how it continues to facilitate above market growth. I am excited to see how we can leverage additional benefit from our acquired businesses as we focus, post earn-out, more of our brands in this direction.

Trading in our Social Gaming vertical, which accounts for 11% of total Group revenue, has been weaker than expected. The disappointing performance is in part we believe as a result of changing dynamics in the social gaming markets which are maturing and are leading to higher acquisition costs and lower lifetime values of players (LTV). The Board continues to work hard on improving the performance of this vertical and is working both on an improvement plan as well as reassessing the relevance of the Social Gaming vertical. Early signs with regard to the improvement plan are encouraging. Overall, the ongoing robust performance of the Real Money Gaming vertical has more than offset the weaker than expected performance in the Social Gaming vertical.

Post-period end, we have launched an exciting new B2B vertical, Stride Together, which will see the Company licence its proprietary platform to gaming operators, media partners and retailers both in the UK and globally. Stride Together will enable its clients to create an online presence for their customers and to enter the omni-channel gaming space using Stride Gaming's technology and capability in the online gaming space. To this end, we have already established our first joint venture with Aspers Group Limited, a leading gaming operator in the UK. Aspers online business through Stride Together is targeted to launch in Q4 2017. We are excited about the prospects of Stride Together, which enables us to open up new and high-quality revenue opportunities for the Group.

Dividend

The strong underlying performance of the Real Money Gaming vertical has enabled the Group to declare a 9% increase in the interim dividend to 1.2 pence per share. The interim dividend will become payable on 1 August 2017 to those shareholders on the Company's register as at the record date of 7 July 2017. The ex-dividend date is 6 July 2017.

Current Trading and Outlook

I am pleased to report that current trading is strong and the Board is confident of meeting its expectations for the full year. We remain committed to creating value for our shareholders and are pleased to be increasing our dividend by 9% in line with our progressive dividend policy. Our strategy for the remainder of the year and beyond is focused on growing the Real Money Gaming vertical. This will be supported through further integration and development of 8Ball, Netboost Media and the Tarco Assets; more investment in key platforms and brands; strengthening our product offering and driving improvements in customer monetisation.

With our strong position in the UK online bingo sector, we feel the market remains highly attractive for us and we remain committed to increasing our market share. Further regulatory pressures as a result of changes to the Point of Consumption Tax ("POCT"), which at the earliest will come into effect in August 2017, will continue to adversely impact our competitors. This presents further opportunities for Stride Gaming to gain market share from a position of strength built around our scale, multi-brand offering, an in-house proprietary platform and the underlying robustness of our Real Money Gaming vertical. Whilst our principal focus will be on driving organic growth, we will continue to consider attractive, complementary and earning enhancing acquisitions in the Real Money Gaming space.

This year we celebrate being listed on AIM for two years. We have come a long way from owning a few select brands to now owning over 100 brands and being the fourth largest listed online bingo operator in the UK. Our goal is to be a leading international soft gaming company, underpinned by best in class talent and our proprietary platform. As Stride Gaming continues to go from strength to strength I would like to take this opportunity to thank the rest of my Board, shareholders and staff for all their continued support.

Nigel Payne

Non-Executive Chairman

30 May 2017

Chief Executive Officer's Review

I am delighted to present our results to our shareholders. The first half of this year has been focused on embedding the transformational acquisitions of 8Ball, Netboost Media and the Tarco Assets into the business and on strengthening our foundations. We are a markedly larger business than when we listed on AIM only two years ago. Now with material scale, over 100 brands and being the fourth largest online bingo operator in the UK following these acquisitions, we firmly believe that the organic growth opportunity for the enlarged Group is substantial. Our strategic focus for the remainder of 2017 is on fully exploiting the potential of our core Real Money Gaming vertical.

Update on integration of 8Ball, Netboost Media and the Tarco Assets

These acquisitions transformed the Group and added significant scale and increased the number of brands we currently operate. Our market share of the UK bingo market increased from 5% to 10% and Stride Gaming became the fourth largest online bingo operator in the UK. I am delighted by the way the integration of these acquisitions has progressed. Importantly, we have now begun to make significant improvements, leveraging off Stride's leading in-house proprietary platform and marketing expertise and have delivered synergies through cross-marketing, lowering of customer cost per acquisition ("CPA"), increasing customer LTVs and reducing player churn.

Operational progress

Real Money Gaming vertical

Trading in our Real Money Gaming vertical has performed strongly. The number of funded players has now reached 162,000 (H1 pro-forma 2016: 134,000), representing a 21% year-on-year increase, and with software enhancements and continuous improvements to the backend of our platform we have shown an 8.5 % growth in yield per player at £127 (H1 pro-forma 2016: £117).

Social Gaming vertical

The performance of this vertical has been weaker than expected. We believe the two principal markets which we currently operate in, namely, North America and Australia, are reaching maturity resulting in higher acquisition costs and lower LTV. Consequently, we reduced our marketing spend in this vertical which led to a reduced number of depositing players and subsequently the expected reduction in revenues with NGR down 24% to £4.7 million (H1 2016: reported £6.2 million).

Nonetheless, we have begun making significant changes to the pricing models and adding further personalisation to our content. Early signs have been encouraging with average rate per daily active user ("ARPDAU") up 10% increasing to $0.22 (H1 2016: $0.20) and our ability to maintain a 3.7% conversion rate from installs to deposits, being substantially above the industry average of 2%.

Continuous improvements are being made in the user acquisition process to achieve a better return on investment, which will enable us to further increase our marketing spend and subsequently increase daily and monthly active users. Unique content and diversification of our product offering will continue to be our focus in 2017 in order to maximise the potential of our social gaming vertical. We will undertake a review of this vertical to monitor our progress.

Launch of our B2B vertical

One of the Group's fundamental strengths is owning its own proprietary platform, which has long presented us with opportunities to licence the platform to third parties. Post period end, on 26 May 2017, we were pleased to announce that we have launched a new B2B vertical, Stride Together, which will see the Company licence its proprietary platform to gaming operators, media partners and retailers in the UK and globally, to enable them to create an online presence for their customers and to enter the omni-channel gaming space. This opens up not only a new high-quality revenue stream for Stride Gaming in different verticals but also a diversification of our geographical reach.

We have already established our first Stride Together joint venture with Aspers Group Limited, a leading national gaming operator in the UK, announced on 26 May 2017, which is targeted to launch in Q4 2017. Our aim is to grow this vertical and launch similar partnerships.

Mobile

Mobile devices continue to shape the online gaming industry and operators constantly have to innovate to stay ahead of the curve. The Group continues to focus on enhancing the gaming experience for its mobile centric customer base. Mobile and touch in the Real Money Gaming vertical represents 58% of gross gaming revenue (H1 pro-forma 2016: 43%).

Regulation

The regulatory environment continues to tighten and, in August 2017, the UK government is expected to commence levying the Point of Consumption Tax ("POCT") on gross gaming revenue on all online gaming products, previously just betting, as opposed to net gaming revenue. Additionally, the Competition and Markets Authority ("CMA") is undertaking a review into the advertising of gaming and operators' terms and conditions, particularly in the area of promotions to customers.

The Department of Culture, Media and Sport is conducting a review into the perceived harm caused by fixed odds betting terminals ("FOBTs") and is also examining proposals to include stricter rules about television advertising. Whilst this is creating a degree of uncertainty in the gambling sector, Stride Gaming does not operate these terminals and any advertising changes are expected to have little to no impact on the Group. Prior to The Department of Culture, Media and Sport launching its review into the gambling industry last October, a wave of consolidation rippled through the industry. Since then companies have put on hold any further mergers or deal making until the outcome of the review and there is clarity on the regulatory landscape. Further consolidation is expected following this review, particularly if the proposals have a punitive financial impact on those companies operating FOBTs or heavily reliant on advertising.

As a soft gaming operator, we are unaffected by the Government's review. Whilst larger and smaller operators continue to struggle in this tough regulatory environment, we view these regulatory changes to the sector as an opportunity to grow the Company's market share given our scale and our focus on soft gaming.

Brexit

As previously stated, the Group has seen no visible impact as a result of Brexit. With our scale as well as the strength of our brands and product offering we feel we are well placed to meet these macroeconomic challenges.

Whilst several of our offices are based outside of the UK we have seen a minor impact on our administration costs from fluctuations in the value of sterling. In addition, the Group has maintained a constant administration cost as a proportion to NGR of 21% (H1 pro-forma 2016: 20%) despite an increase in head count.

Growth strategy

As the fourth largest online bingo operator in the UK, we remain focused on penetrating further the UK bingo market and increasing our market share. We believe the organic growth opportunity of the Group is substantial and we are focused on strengthening our foundations in order to fully exploit the potential of our Real Money Gaming vertical.

We aim to accelerate the organic growth of the business through improved levels of engagement, marketing and functionality of the existing platform as well as adding exceptional and unique content to our portfolio of brands. The Company is focused on enhancing the user experience through providing rich and engaging content, loyalty and competitions, thereby creating a high level of stickiness. The Company will continue to invest in product development and in enhancing its bingo IP, instant game IP and also mobile development.

The Company's marketing strategy is focused on increasing the customer base through optimising conversion rates and CPA levels. Stride Gaming uses an effective marketing mix of online and offline channels including natural search (SEO), digital and social media, affiliate marketing, e-mail, SMS and direct mails. We aim to maintain a steady and efficient marketing spend to NGR on a group level.

We will look to develop and grow our new B2B vertical through further partnerships with gaming operators, media partners and retailers in the UK and globally.

Overseas territories

We are actively examining entry of our existing products into new regulated territories, particularly in Europe where we see significant growth opportunities.

Acquisitions

We maintain our soft gaming focus and will look for further highly selective acquisitions that could be transformational for the Group, earnings enhancing and allow us to move into complementary, soft gaming verticals such as lottery and scratch cards.

Outlook

We are extremely pleased with the financial results from the first half. Our key focus for the second half is to maximise the potential of the Real Money Gaming vertical through strengthening our core business; integrating the acquisitions of 8ball, Netboost Media and Tarco assets; and increasing our market share of the UK bingo market. The second half will see the launch of the joint venture with Aspers and we will look to build our B2B vertical into a substantial revenue generating operation. We will also examine entry into other soft gaming verticals and territories.

Stride Gaming is in an excellent position to exploit the opportunities in the market. These strong results once again vindicate our strategy and business model and we remain committed to achieving our goal of becoming a leading international soft gaming company and to creating shareholder value.

Eitan Boyd

Chief Executive Officer

30 May 2017

Chief Financial Officer's Review

In order to show the Group's results in the most meaningful way for all stakeholders, the financial information presented below for the prior year is shown on a pro-forma basis to show both periods on a like-for-like basis. The prior year comparatives have been adjusted to show the results as if the acquisition of 8Ball, Netboost Media and the Tarco Assets, all acquired on 31 August 2016, had in fact taken place at the start of the six-month comparative period.

Stride Gaming continued to deliver strong organic growth in the first half of 2017 driven by the Real Money Gaming vertical. The Group delivered pro-forma NGR growth of 21% or £44.0 million (H1 2016: pro-forma £36.5 million and reported £21.6 million) for the first half of this year. This growth was driven by the scale of the enlarged Group supported by the multi-brand strategy that was enhanced by the acquisition 8Ball, Netboost Media and the Tarco Assets in August 2016, as well as significant improvements in player engagement and monetisation across all brands.

Adjusted EBITDA increased on a pro-forma basis by 20% to £9.6 million (H1 2016: pro-forma £8.0 million and reported £5.6 million) whilst maintaining stable Adjusted EBITDA margin of 22.0% (H1 2016: pro-forma 22.0%). We anticipate some margin improvement once the acquisition earn-out periods have concluded, later this year.

Stride Gaming remains highly cash generative due to a strong financial performance with net cash generated from operational activities at £4.2 million (H1 2016: reported £4.5 million) and a high cash conversion from Adjusted EBITDA. During the year, the Group completed the refinancing of an existing £8 million shareholder loan facility with Barclays PLC without impacting our cash position.

Stride Gaming has a strong balance sheet with cash and cash equivalents of £19.2 million (31 August 2016: £21.1 million), which includes customer liabilities of £1.8 million (31 August 2016: £1.8 million).

Revenues

NGR from Real Money Gaming, which represent 89% of Group NGR (H1 2016: pro-forma 83%) was up 30% to £39.3 million (H1 2016 pro-forma: £30.3 million). This strong operational momentum can be seen throughout all key performance indicators and reflects the strength of our proprietary platform, along with the quality of our diversified brands, business intelligence and customer engagement.

Real Money Gaming funded players were up 21% to 162,000 (H1 2016: pro-forma 134,000). Yield per player from Real Money Gaming was up 8.5% to £127 (H1 2016: pro-forma £117); a result of successful player engagement and monetisation. Mobile has been a key driver of growth and GGR through mobile and touch devices was up by 34.9% and now represents 58% (H1 2016: pro-forma 43%) of the total Group Real Money Gaming GGR. The Group continued to develop new content and Business Intelligence capabilities during the period, which supported our natural growth and has positioned us favourably for the remainder of this financial year.

Revenues from the Social Gaming vertical, which represent 11% of Group NGR (H1 2016: pro-forma 17%), were down 24% (on a constant currency basis down 34%) to £4.7 million (H1 2016: reported £6.2 million). The Group continued to focus on its leading strategy, to invest in product development and enhancement of player experience to mitigate the challenges in player acquisition in the social gaming market. In light of such market changes, marketing resources have been allocated to our RMG vertical where we can achieve a higher return, although this strategy is under review.

Distribution costs

Distribution costs of £19.6 million (H1 2016: pro-forma £17.1 million and reported £8.7 million), which include licencing, processing, royalties (third party games and platforms), hosting (social gaming) and marketing, have reduced to 45% (H1 2016: pro-forma 47%) as a proportion of NGR. This reflects the benefits of scale on processing costs and leveraging our proprietary software and content across our brands, thereby reducing third party royalty payments. We have also continued to strategically invest in marketing to support our online brands in the real money gaming vertical. Marketing expenses therefore increased by 42% to £11.7 million (H1 2016: pro-forma £8.2 million), which is 27% as a proportion of NGR (H1 2016: pro-forma 23%).

Administration costs

Administration costs, which totalled £9.2 million (H1 2016: pro-forma £7.3 million and reported £5.0 million), make up 21% (H1 2016: pro-forma 20%) as a proportion of NGR. The Group has continued to invest in talent, software development, business intelligence and product in line with its strategy to build a solid, profitable and broad based real money gaming business and so it is pleasing that administrative costs have remained well controlled during the period.

Capitalisation of proprietary software development costs totalled £0.6 million (H1 2016: reported £0.5 million) and represents 1.4% of NGR (H1 2016: reported 1.4%). During the period, the Group continued to invest in its proprietary software to support its mobile offering, rich content and regulatory requirements.

Adjusted EBITDA and margin

Adjusted EBITDA on a pro-forma basis is up 20% to £9.6 million (H1 2016: pro-forma £8.0 million and reported £5.6 million) reflecting the strength of the RMG vertical and control over costs, with a solid Adjusted EBITDA margin of 22% (H1 2016: pro-forma 22%). The Adjusted EBITDA for the real money gaming vertical in the period increased by 53% along with an increase in margins to 22.3% (H1 2016: pro-forma 18.9%). As we conclude the earn-out periods for the acquisitions of 8Ball (August 2017), Netboost Media and Tarco Assets (both December 2017), we expect further margin improvement. The Adjusted EBITDA for the social gaming vertical decreased by 63% to £0.9 million (H1 2016: reported £2.3 million) as a direct result of the decline in revenue arising from a reduced marketing spend together with the increase in our product development and administration costs in this vertical.

Exceptional costs

During the period, an impairment review was undertaken in respect of the Social Gaming cash generating unit ("CGU") to determine if the carrying value of assets was supported by the net present value of future cash flows derived from those assets. As a result of the review, together with a more challenging and competitive social gaming market, the Board approved an impairment of £10.2 million (H1 2016: reported £Nil) charged against the goodwill and acquired intangibles.

Finance expenses and Tax

Finance expenses for the period totalled £0.9 million (H1 2016: reported £0.3 million) and are largely attributable to the £8 million facility provided by Barclays PLC during the period on a 3.6 per cent plus LIBOR annual floating rate basis. Also included in the finance cost is £0.5 million (H1 2016: reported £nil) relating to the unwinding of the discounted contingent consideration that arose on the Tarco Asset acquisition.

Taxation income in the period was £0.8 million (H1 2016: reported expense of £0.3 million). After adjusting for the deferred tax credits of £0.8 million relating to the impairment of the social gaming CGU and £0.5 million relating to deferred tax on acquired intangibles the current taxation charge in the period is £0.5 million (H1 2016: expense of £0.4 million).

Cash flow and Balance Sheet

Stride Gaming continues to be highly cash generative, delivering another period of solid operating performance with cash flow from operating activities totalling £4.2 million (H1 2016: £4.5 million). Cash outflow mainly related to the Infiapps first year earn-out payment of £3.9 million (H1 2016: Nil) as well as the payment of a final dividend for the 2016 financial year of £0.9 million (2016: Nil)

As at 28 February 2017 the Group has a strong balance sheet with cash and cash equivalents amounting to £19.2 million (31 August 2016: £21.0 million), which includes ring-fenced customer liability balances of £1.8 million (31 August 2016: £1.8 million). Contingent remuneration included within current liabilities of £5.6 million (31 August 2016: £3.8 million) relates to the 8Ball and Infiapps acquisitions. Contingent consideration of £6.1 million (31 August 2016: £5.6 million) included in non-current liabilities relates to the acquisition of the Tarco Assets, with the increase in the period representing the unwinding of the discount.

Adjusted earnings, EPS and dividend

Basic loss per share was 15.3 pence (H1 2016: loss per share of 0.1 pence). Adjusted basic earnings per share was up 24% to 13.3 pence (H1 2016: Pro-forma 10.7 pence). The Board believes that adjusted basic earnings per share (excluding exceptional items such as impairment, contingent remuneration, acquisition costs, amortisation of intangible assets excluding those arising from internal development and share based payments) enables a better understanding of the underlying business performance.

	Unaudited	**Unaudited Pro-forma**

	6 months to 28-Feb-17 £'000	6 months to 29-Feb-16 £'000
(Loss)/profit after tax	(10,272)	64
Amortisation of intangible assets*	4,012	4,039
Depreciation	121	57
Acquisition and Listing costs	(104)	77
Contingent remuneration	4,747	1,996
Share-based payments (including associated taxes)	640	976
Unwinding of Tarco Assets contingent consideration discount	500	-
Impairment, net of movement in deferred taxation	9,307	-
Adjusted earnings	8,951	7,209
Adjusted earnings per share	13.3	10.7
Adjusted diluted earnings per share	12.9	10.4
Basic loss per share	(15.3)	(0.1)

* Excluding amortisation of internally generated development costs.

** Adjusted diluted earnings per share is calculated using the effect of share options and LTIP's.

In respect of the period ended on the 28 February 2017 the Board has declared an interim dividend of 1.2 pence per share, an increase of 9% over the prior period (29 February 2016: 1.1 pence per share) and in line with the Group's progressive dividend policy.

The dividend timetable:

Ex-dividend date	06 July 2017
Record Date for dividend	07 July 2017
Payment Date	01 August 2017

Ronen Kannor

Chief Financial Officer

30 May 2017

STRIDE GAMING PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the period ended 28 February 2017

	Note	6 months to 28 February 2017 £'000	6 months to 29 February 2016 £'000
Revenue	3	**44,007**	21,584
Cost of sales		**(5,594)**	(2,272)
Gross profit		**38,413**	19,312
Distribution costs		**(19,599)**	(8,702)
Administrative expenses		**(9,170)**	(4,990)
Adjusted EBITDA		**9,644**	5,620
Share based payments and associated taxes		**(640)**	(976)
Acquisition costs		**104**	(77)
Contingent remuneration	7	**(4,747)**	(1,996)
Impairment	5	**(10,160)**	-
Amortisation of intangible assets	5	**(4,263)**	(1,966)
Depreciation		**(121)**	(57)
Operating (loss)/profit		**(10,183)**	548
Finance expense		**(906)**	(345)
Finance income		**25**	25
(Loss) / profit before tax		**(11,064)**	228
Tax credit / (expense)	10	**792**	(273)
Loss after tax		**(10,272)**	(45)
Other comprehensive income:			
Items that will or may be reclassified to profit or loss			
Exchange gains arising on translation of foreign operations		**878**	1,671
Total comprehensive income for the period attributable to the equity holders of the parent entity		**(9,394)**	1,626
Loss per Share (p)	4		
Basic		**(15.3)**	(0.1)
Diluted		**(15.3)**	(0.1)

STRIDE GAMING PLC
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 28 February 2017

	Note	Unaudited At 28 February 2017 £'000	Audited At 31 August 2016 £'000
ASSETS			
Non-current assets			
Property plant and equipment		**648**	662
Intangible assets	5	**61,011**	73,566
Other receivables	6	**3,360**	3,416
Deferred tax asset		**199**	217
Available for sale investments		**810**	810
		66,028	78,671
Current assets			
Trade and other receivables	6	**6,260**	5,827
Income tax receivable		**205**	168
Cash and cash equivalents		**19,196**	21,080
		25,661	27,075
Total assets		**91,689**	105,746
LIABILITIES			
Non-current liabilities			
Trade and other payables	7	**6,154**	6,772
Loans and borrowings	8	**5,405**	-
Deferred tax liability		**2,692**	3,708
		14,251	10,480
Current liabilities			
Trade and other payables	7	**14,745**	17,352
Income tax payable		**626**	728
Loans and borrowings	8	**2,500**	8,000
		17,871	26,080
Total liabilities		**32,122**	36,560
Net assets		**59,567**	69,186

	Note	Unaudited At 28 February 2017 £'000	Audited At 31 August 2016 £'000
Issued capital and reserves attributable to owners of the parent			
Share capital		**674**	666
Share premium		**40,641**	38,975
Merger reserve		**-**	11,253
Shares to be issued		**-**	1,674
Available-for-sale reserve		**810**	810
Capital contribution		**-**	13,707
Share option reserve		**-**	1,911
Foreign currency translation reserve		**3,450**	2,572
Retained earnings		**13,992**	(2,382)
TOTAL EQUITY		**59,567**	69,186

STRIDE GAMING PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 28 February 2017

	Share capital £'000	Share Premium £'000	Merger Reserve £'000	Shares to be issued reserve £'000	Available-for-sale reserve £'000	Capital contribution reserve £'000	Share option reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
At 31 August 2015	**502**	**10,608**	**3,013**	**4,132**	**-**	**14,271**	**266**	**7**	**(1,996)**	**30,803**
Loss for the period									(45)	**(45)**
Total Comprehensive income	-	-	-	-	-	-	-	1,671	-	**1,671**
Share based payment	-	-	-	-	-	-	897	-	-	**897**
Issue of shares	11	2,447	-	(2,458)	-	-	-	-	-	**-**
At 29 February 2016	**513**	**13,055**	**3,013**	**1,674**	**-**	**14,271**	**1,163**	**1,678**	**(2,041)**	**33,326**
Loss for the period	-	-	-	-	-	-	-	-	(341)	**(341)**
Other comprehensive income	-	-	-	-	810	-	-	894	-	**1,704**
Total comprehensive expense for the period	**-**	**-**	**-**	**-**	**810**	**-**	**-**	**894**	**(341)**	**1,363**
Dividends	-	-	-	-	-	(564)	-	-	-	**(564)**
Acquisition of business through issue of shares	33	-	8,240	-	-	-	-	-	-	**8,273**
Share based payment	-	-	-	-	-	-	748	-	-	**748**
Issue of shares, net of share issue costs	120	25,920	-	-	-	-	-	-	-	**26,040**
At 31 August 2016	**666**	**38,975**	**11,253**	**1,674**	**810**	**13,707**	**1,911**	**2,572**	**(2,382)**	**69,186**
Loss for the period	-	-	-	-	-	-	-	-	(10,272)	**(10,272)**
Other comprehensive income	-	-	-	-	-	-	-	878	-	**878**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**878**	**(10,272)**	**(9,394)**
Dividends	-	-	-	-	-	(943)	-	-	-	**(943)**
Share based payment	-	-	-	-	-	-	-	-	718	**718**
Issue of shares	8	1,666	-	(1,674)	-	-	-	-	-	**-**
Reserves transfer	-	-	(11,253)	-	-	(12,764)	(1,911)	-	25,928	**-**
At 28 February 2017	**674**	**40,641**	**-**	**-**	**810**	**-**	**-**	**3,450**	**13,992**	**59,567**

STRIDE GAMING PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

The following describes the nature and purpose of each reserve within equity:

Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Represents the difference between the nominal value of shares acquired by the Company in the share-for-share exchange with Daub Alderney Limited and the nominal value of shares issued to acquire them as well as the satisfaction of the initial consideration in respect of the acquisition of the trade and assets of Table Top Entertainment Limited and Tarco Limited.
Shares to be issued	Represents the shares to be issued in respect of the acquisition of certain intangibles assets.
Available for sale reserve	Gains/losses arising on fair value movement of financial assets classified as available for sale.
Capital contribution	Represents the release of the Group's obligation to repay borrowings of £6,999,000, the contribution by a shareholder of the entire share capital of Baldo Line SRL, the cash contribution by a shareholder to acquire Spacebar Media Limited and the £8,454,786 payment made in the form of shares by the shareholders to settle obligations following the acquisition of Table Top Entertainment Limited.
Share options	Represents the fair value of awards made under the Group's share option schemes.
Foreign currency translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into Sterling as well as inter-company loan balances treated as investment in subsidiaries that the directors believe will not be repaid for the foreseeable future.
Retained earnings	The account includes cumulative profits and losses less any distributions made to shareholders. In addition, during the year ending 31 August 2017 the total balance in the merger, share option and capital contribution reserves were transferred to this account and are available for distribution under Jersey Company Law subject to meeting other Companies Act requirements.

STRIDE GAMING PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 28 February 2017	**Note**	**6 months to 28 February 2017 £'000**	**6 months to 29 February 2016 £'000**
Cash flows from operating activities			
Loss for the period		**(10,272)**	(45)
Adjustments for:			
Depreciation of property, plant and equipment		**121**	57
Amortisation of intangible assets		**4,263**	1,966
Impairment of intangible assets		**10,160**	-
Finance expense		**906**	345
Share-based payment expense		**640**	897
Finance income		**(25)**	(25)
Income tax (credit) / expense		**(792)**	273
		5,001	3,468
(Increase)/decrease in trade and other receivables		**(542)**	763
Decrease in trade and other payables		**404**	587
Cash generated from operations		**4,863**	4,818
Income taxes paid		**(635)**	(315)
Net cash flows from operating activities		**4,228**	4,503
Investing activities			
Purchases of property, plant and equipment		**(100)**	(50)
Purchase of intangibles		**(262)**	(217)
Capitalised development costs		**(582)**	(476)
Finance income		**25**	25
Net cash used in investing activities		**(919)**	(718)
Financing activities			
Bank borrowings, net of fees		**7,905**	-
Interest paid		**(369)**	(292)
Contingent remuneration		**(3,953)**	-
Repayment of related party borrowings		**(8,000)**	(1,083)
Dividend		**(943)**	-
Net cash used in financing activities		**(5,360)**	(1,375)
Net (decrease)/increase in cash and cash equivalents		**(2,051)**	2,410
Cash and cash equivalents at beginning of period		**21,080**	7,388
Exchange gains on cash and cash equivalents		**167**	86
Cash and cash equivalents at end of period		**19,196**	9,884

1 General information

The unaudited interim condensed consolidated financial statements for the six months ended 28 February 2017, which were approved by the Board of Directors on 30 May 2017, do not comprise statutory accounts and should be read in conjunction with the Annual Report for the year ended 31 August 2016. Those accounts have been reported upon by the Group's auditors and delivered to Companies House in Jersey. The report of the auditors on those accounts was unqualified. The Annual Report is published in the Investors section of the Group website at www.stridegaming.com and is available from the Company on request.

2 Basis of preparation

The unaudited interim condensed consolidated financial statements are prepared on the basis of the accounting policies stated in the Group's 2016 Annual Report, which is available on the Group's website at www.stridegaming.com. In the current reporting period, the Group has adopted a number of revised Standards and Interpretations. However, none of these have had a material impact on the Group's reporting.

The IASB has issued a number of IFRS and IFRIC amendments or interpretations since the last annual report was published. It is not expected that any of these will have a material impact on the Group.

In addition, the following standards are in issue but not yet effective:

- IFRS 9 'Financial instruments' will supersede IAS 39 in its entirety, and is effective for accounting periods commencing on or after 1 January 2018. The potential impacts of the new standard include new classification and measurement criteria that will require financial instruments to be classified into one of three categories being amortised cost, fair value through other comprehensive income or fair value. Classification will be determined by the business model and contractual cash flow characteristics of the instruments. Furthermore, the general hedge accounting mechanisms of IAS 39 have been retained, however greater flexibility has been introduced over the instruments eligible for hedge accounting and effectiveness testing has been more closely aligned with the underlying risk management practices of the entity. The Group is reviewing the requirements of the new standard to fully determine its impact.
- IFRS 15 'Revenue from contracts with customers' establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, with an effective date for accounting periods beginning on or after 1 January 2018. Early assessment of the requirements of the new standard suggest it will not have a material impact upon the Group's reported performance and the Group will continue to assess the full impact to ensure it is ready to implement the new standard in advance of its effective date.
- IFRS 16 'Leases' will replace IAS 17 in its entirety and is effective for accounting periods beginning on or after 1 January 2019. It will result in most leases being recognised on the Statement of Financial Position. The Group continues to assess the full impact of IFRS 16.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

3 Segment information

For management purposes the Group's operations are allocated into the following reporting segments:

- Real money gaming which is its UK focused, bingo-led online operation, using its proprietary and purchased software to provide online bingo and related gaming activities to players. This segment only operates in regulated markets, principally the UK; and
- Social gaming which internationally provides players with entertaining applications and games.

Each of these operating segments generates independent revenues, and the risks and rewards associated with generating these revenues are considered to be different to each other.

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer.

The Group evaluates segmental performance on the basis of Adjusted EBITDA from operations excluding certain costs and income which is not allocated to a segment. There are no inter-segment sales.

	Real money gaming 6 months to 28 February 2017 £'000	**Social gaming 6 months to 28 February 2017 £'000**	**Total 6 months to 28 February 2017 £'000**
Total revenue from external customers	**39,328**	**4,679**	**44,007**
Adjusted EBITDA	**8,790**	**854**	**9,644**
Impairment	**-**	**(10,160)**	**(10,160)**
Depreciation	**(107)**	**(14)**	**(121)**
Amortisation	**(3,302)**	**(961)**	**(4,263)**
Acquisition costs			**104**
Finance income			**25**
Share-based payments and associated taxes			**(640)**
Finance expense			**(906)**
Contingent remuneration			**(4,747)**
Group loss before tax			**(11,064)**

	Real money gaming 6 months to 29 February 2016 £'000	Social gaming 6 months to 29 February 2016 £'000	Total 6 months to 29 February 2016 £'000
Total revenue from external customers	**15,422**	**6,162**	**21,584**
Adjusted EBITDA	**3,340**	**2,280**	**5,620**
Depreciation	**(33)**	**(24)**	**(57)**
Amortisation	**(1,304)**	**(662)**	**(1,966)**
Acquisition costs			**(77)**
Finance income			**25**
Share-based payments and associated taxes			**(976)**
Finance expense			**(345)**
Contingent remuneration			**(1,996)**
Group profit before tax			**228**

4 Earnings per share

Numerator	**6 months to 28 February 2017 '000**	**6 months to 29 February 2016 '000**
Loss for the period	**(10,272)**	(45)
Denominator	**'000**	'000
Weighted average number of shares used in basic EPS	**67,207**	51,085
Effects of:		
Employee share options	**2,044**	1,333
Contingent share consideration on acquisition of intangible and business combination	**-**	407
Weighted average number of shares used in diluted EPS	**69,251**	52,825

Potential ordinary shares are not dilutive due to the loss in the period to 28 February 2017.

5 Intangible assets

	Software and Licenses £'000	Development costs £'000	Brand Names £'000	Goodwill £'000	Customer and contractual relationships £'000	Total £'000
Cost						
At 1 September 2015	**13,585**	**246**	**2,265**	**14,866**	**7,925**	**38,887**
Acquired through business combination	282	-	5,855	20,446	10,730	37,313
Additions	377	-	-	-	-	377
Internally generated development costs	-	1,028	-	-	-	1,028
Foreign exchange rate movements	1,464	-	206	926	452	3,048
At 31 August 2016	**15,708**	**1,274**	**8,326**	**36,238**	**19,107**	**80,653**
Additions	274	-	48	-	-	322
Internally generated development costs	-	582	-	-	-	582
Foreign exchange rate movements	508	26	70	314	153	1,071
At 28 February 2017	**16,490**	**1,882**	**8,444**	**36,552**	**19,260**	**82,628**
Accumulated amortisation and impairment						
At 1 September 2015	**1,051**	**18**	**317**	-	**1,134**	**2,520**
Charge for the period	2,129	224	521	-	1,515	4,389
Foreign exchange rate movements	97	6	27	-	48	178
At 31 August 2016	**3,277**	**248**	**865**	**-**	**2,697**	**7,087**
Charge for the period	1,232	251	892	-	1,888	4,263
Impairment	2,372	-	271	6,162	1,355	10,160
Foreign exchange rate movements	58	4	17	-	28	107
At 28 February 2017	**6,939**	**503**	**2,045**	**6,162**	**5,968**	**21,617**

NBV						
At 1 September 2015	12,534	228	1,948	14,866	6,791	36,367
At 31 August 2016	12,431	1,026	7,461	36,238	16,410	73,566
At 28 February 2017	**9,551**	**1,379**	**6,399**	**30,390**	**13,292**	**61,011**

Goodwill

Goodwill is allocated to the following cash generating units

	28 February 2017 £'000	**31 August 2016 £'000**
Spacebar Media	**5,936**	5,936
Table Top Entertainment	**4,008**	4,008
8Ball Games	**6,473**	6,473
Tarco Assets	**13,973**	13,973
Social Gaming	**-**	5,848
	30,390	36,238

In accordance with IAS 36 Impairment of Assets, the Group regularly monitors the carrying value of its intangible assets. A review for indicators of impairment was undertaken at 28 February 2017 to assess whether any potential indicators were apparent and following this review a detailed impairment review was completed in respect of the Social Gaming cash generating unit to determine if the carrying value of assets was supported by the net present value of future cash flows derived from those assets.

The recoverable amount has been determined from value in use calculations based on cash flow projections from formally approved budgets and long-term forecasts. These budgets and forecasts assume the underlying business models will continue to operate on a comparable basis under the current regulatory and taxation regimes, adjusted for any known changes. As a result of this review the Group determined that the weaker than expected social gaming market had an adverse effect on the projected value in use and consequently the intangible assets have been written down to their value in use. An impairment of £6,162,000 has been charged against goodwill and £3,998,000 against acquired intangibles.

6 Trade and other receivables

	28 February 2017 £'000	31 August 2016 £'000
Current		
Trade receivables	**4,892**	4,352
Other receivables	**840**	950
Prepayments	**528**	525
	6,260	5,827
Non-current		
Funds held in escrow	**3,000**	3,000
Other receivables	**360**	416
	3,360	3,416

7 Trade and other payables

	28 February 2017 £'000	31 August 2016 £'000
Current		
Trade payables	**2,762**	2,857
Other payables	**551**	2,482
Other taxation and social security	**1,179**	1,941
Client liabilities and progressive prize pools	**1,802**	1,828
Contingent remuneration (a)	**5,564**	3,805
Amounts due to related parties	**584**	783
Accruals and deferred income	**2,303**	3,656
	14,745	17,352
Non-current		
Contingent remuneration (a)	**-**	820
Contingent consideration (b)	**6,120**	5,620
Other payables	**34**	332
	6,154	6,772

(a) The contingent remuneration represents the following:

- £764,000 being the second of a two-part annual earn-out payable to the sellers of InfiApps Limited if they remain employed by the Group for a two-year period post-acquisition. In accordance with the terms of the purchase agreement the total earn-out cannot exceed $18 million; and

- £4,800,000 being the one year earn-out payable to the sellers of 8ball Games Limited if they remain employed by the Group for a one year period post-acquisition. The total earn-out cannot exceed £18 million.

Contingent remuneration has been calculated based on the Group's expectation of final payment in relation to each of the earn-out agreements. This is being charged to the income statement over the earn-out period due to the former owners having to continue to provide service. The earn-out targets are based on the EBITDA multiple of the annual results of the acquired businesses. The fair value of the earn-out considerations are calculated by weighting the probability of achieving these targets to give an estimate of the final obligations. The income statement effect is shown below, noting that the InfiApps second year earn-out has been adjusted to reflect the decrease in expected EBITDA (note 5).

	28 February 2017 £'000	**29 February 2016 £'000**
InfiApps contingent remuneration	**(98)**	1,996
8Ball contingent remuneration	**4,845**	-
	4,747	1,996

(b) The contingent consideration relates to the acquisition of certain assets from Tarco Limited which was recorded as a liability on 31 August 2016, being the acquisition date. It is being unwound from this date until the consideration is due to be paid and was calculated based on the Group's expectation of what it will pay in accordance to the sale and purchase agreement. The earn-out targets are based on the EBITDA multiple of the annual results of the year ending 31 December 2017.

8 Loans and borrowings

	28 February 2017 £'000	**31 August 2016 £'000**
Current		
Bank borrowings	**2,500**	-
Related party borrowings	**-**	8,000
	2,500	8,000
Non-current		
Bank borrowings	**5,405**	-

During the period, £8.0 million of related party borrowings were repaid (note 9). In November 2016, the Group entered into a loan facility with Barclays Bank Plc for £8.0 million. This facility matures four years from the date of the initial drawdown on a 3.6 per cent plus LIBOR annual floating rate basis payable quarterly, with the principal sum outstanding amortising on a quarterly basis over the term of the facility.

Daub Alderney Limited, Spacebar Media Limited, S.T.R. Financials Ltd and InfiApps Limited (all 100% subsidiaries of the Group) have provided unlimited guarantee on the borrowings.

9 Related party transactions

The Group previously received payment processing services from a company related by common significant shareholders. Fees charged during the period were £nil (H1 2016: £443,000). The amount due to the Group at 28 February 2017 is £nil (31 August 2016: £228,000 due to the payment processing company by the Group). This relationship was terminated on 1 May 2016, whereby the Group incurred a termination fee of £300,000.

The acquisition of the Tarco Assets and Netboost Media on 31 August 2016 constituted a related party transaction due to the acquired businesses being under common control. As at 28 February 2017 the contingent consideration in relation to this acquisition was £6.12 million (31 August 2016: £5.62 million) of which £5.33 million is due to related parties (31 August 2016: £4.90 million). The movement is the unwinding of the discount. Refer to note 7.

In the year ended 31 August 2015 the ultimate controlling party prior to the IPO contributed its 100% investment in the equity share capital of Baldo by way of a capital contribution to the Group. Following this contribution, a total of £170,000 was due to this ultimate controlling party (which remains a significant shareholder) on 28 February 2017 and 31 August 2016. The balance is interest free and repayable on demand.

The Group entered into related party transactions with certain other companies under control of shareholders for the provision of software platform, marketing and other back office services. The total purchases in the period ended 28 February 2017 were £3,033,000 (H1 2016: £1,674,000). The total amount due by the Group at 28 February 2017 is £414,000 (31 August 2016: £383,000).

On 30 July 2015, the Group entered into a loan agreement with a shareholder for a total amount of £8,000,000. The amount, which was due for full repayment in July 2017, was incurring interest of 7.5% per annum paid monthly in arrears. The full amount of £8,000,000 plus one month of accrued interest of £51,000 was outstanding as at 31 August 2016. On 9 December 2016 the loan was repaid in full following the refinancing agreed with Barclays in November 2016. Total interest expense in the period ended 28 February 2017 was £158,000 (H1 2016: £298,000) plus an early termination fee of £100,000.

In October 2015 a total of £1,083,000 of short term, interest free borrowings were repaid to the previous owners of the InfiApps Ltd business, in accordance with the terms of the sale and purchase agreement.

10 Taxation

	28 February 2017 £'000	**29 February 2016 £'000**
Current tax expense	**(367)**	**(408)**
Release of deferred tax liability on acquired intangibles	**306**	135
Release of deferred tax liability on impairment of acquired intangibles	**853**	-
Total tax credit / (charge)	**792**	(273)

11 Events after the reporting date

In May 2017 a new B2B division was launched, Stride Together, which will enable the Group to licence its proprietary platform to gaming operators, media partners and retailers in the UK and globally. This will assist in creating an online presence for the B2B division's customers and to enter the omni-channel gaming space.

On 26 May 2017, the Group established its first Stride Together Joint Venture ("JV") with a leading gaming operator in the UK, Aspers Group Limited ("Aspers"). Aspers online business is targeted to launch in Q4 2017.