

Social Reality, Inc. :SCRI-US: Earnings Analysis: Q2, 2016 By the Numbers : August 18, 2016

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By CapitalCube

August 18, 2016

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Social Reality, Inc. reports financial results for the quarter ended June 30, 2016.

We analyze the earnings along side the following peers of Social Reality, Inc. – National CineMedia, Inc., Insignia Systems, Inc. and SPAR Group, Inc. (NCMI-US, ISIG-US and SGRP-US) that have also reported for this period.

Highlights

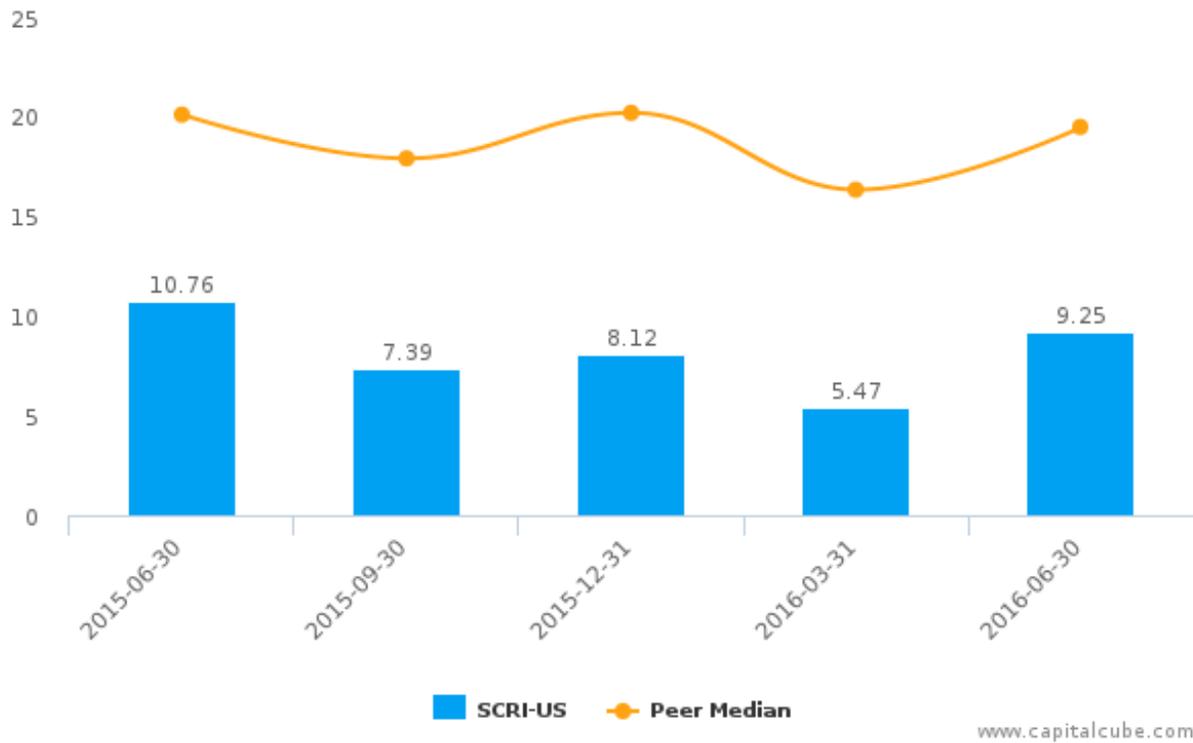
- Summary numbers: Revenues of USD 9.25 million, Net Earnings of USD 1.87 million.
- Gross margins narrowed from 52.07% to 32.29% compared to the same period last year, operating (EBITDA) margins now -3.73% from 12.59%.
- Year-on-year change in operating cash flow of -92.44% is about the same as the change in earnings, likely no significant movement in accruals or reserves.
- Earnings growth due to contribution of one-time items.

The table below shows the preliminary results and recent trends for key metrics such as revenues and net income growth:

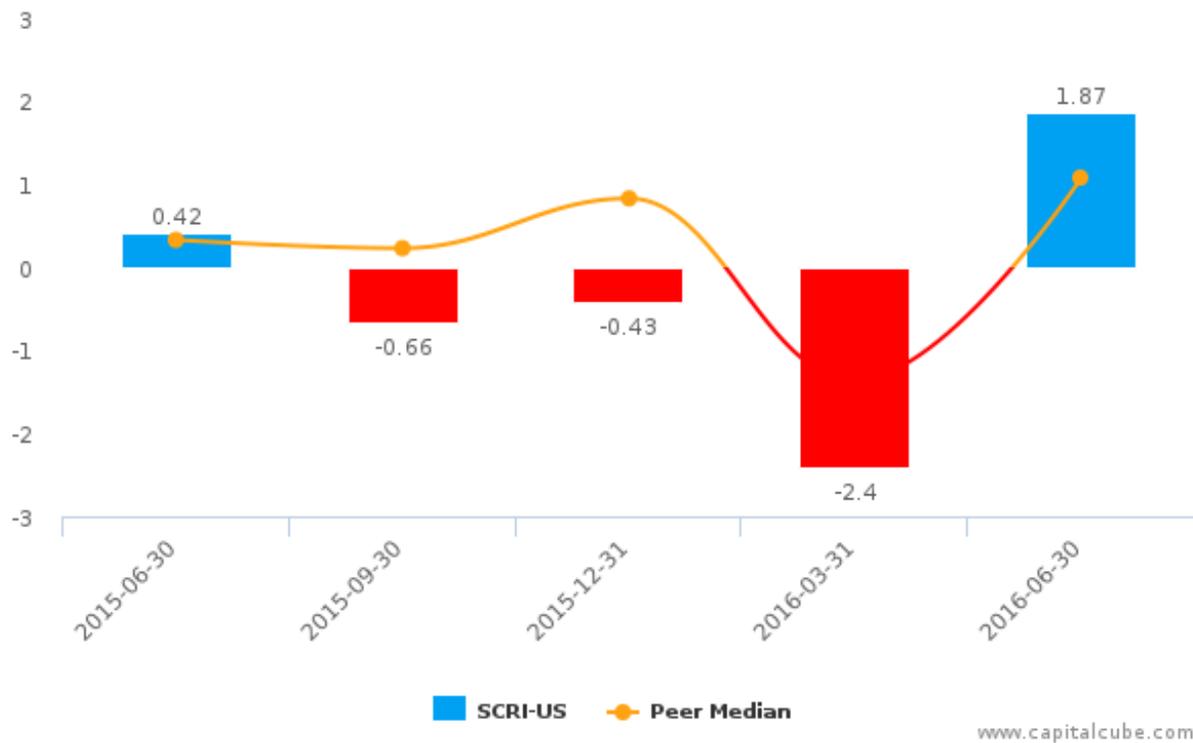
| | 2015-06-30 | 2015-09-30 | 2015-12-31 | 2016-03-31 | 2016-06-30 |
|-------------------------------------|------------|------------|------------|------------|------------|
| Relevant Numbers (Quarterly) | | | | | |
| Revenues (mil) | 10.76 | 7.39 | 8.12 | 5.47 | 9.25 |
| Revenue Growth (%YOY) | 3785.97 | 1014.42 | 123.93 | 36.01 | -14.05 |
| Earnings (mil) | 0.42 | -0.66 | -0.43 | -2.4 | 1.87 |
| Earnings Growth (%YOY) | 147.22 | 28.24 | 77.85 | -16.9 | 350.73 |
| Net Margin (%) | 3.86 | -8.91 | -5.25 | -43.91 | 20.25 |
| EPS | 0.01 | -0.02 | -0.02 | -0.08 | 0.06 |
| Return on Equity (%) | 38.98 | -60.87 | -42.84 | -225.29 | 131.93 |
| Return on Assets (%) | 5.65 | -8.38 | -5.75 | -35.87 | 29.04 |

Market Share Versus Profits

Revenues History

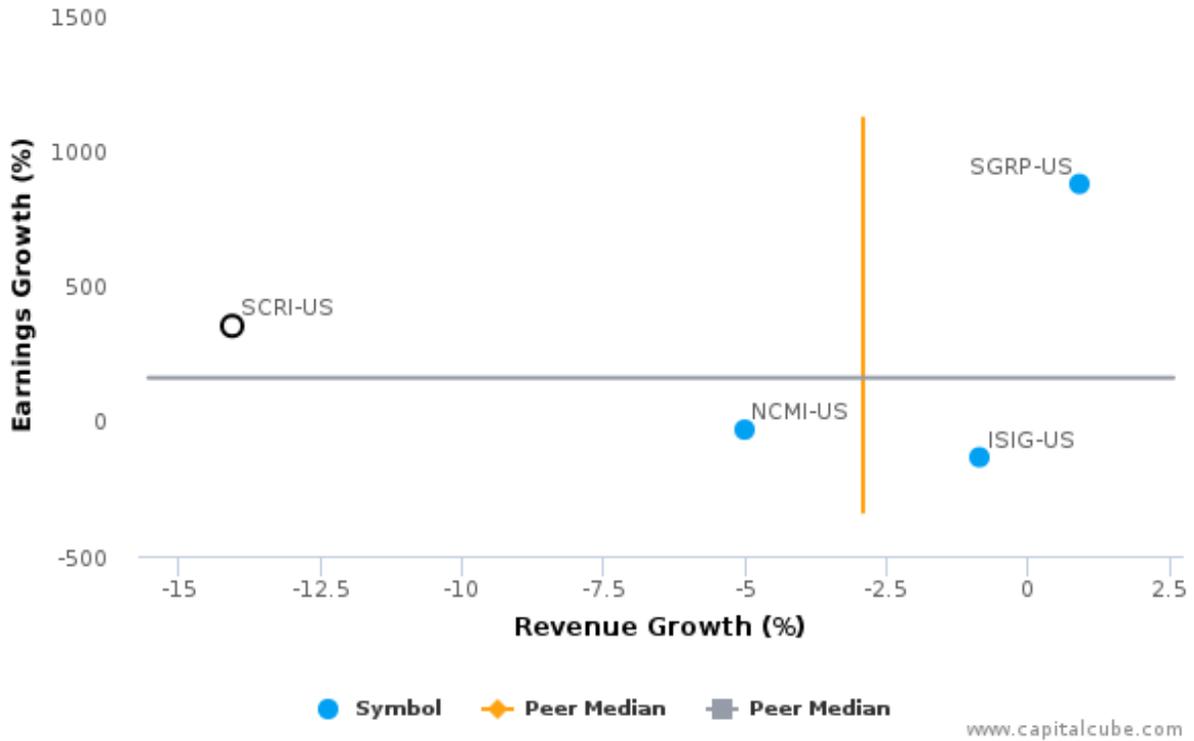


Earnings History



SCRI-US's change in revenue this period compared to the same period last year of -14.05% is almost the same as its change in earnings, and is about average among the announced results thus far in its peer group, suggesting that SCRI-US is holding onto its market share. Also, for comparison purposes, revenues changed by 69.11% and earnings by 178.00% compared to the immediate last period.

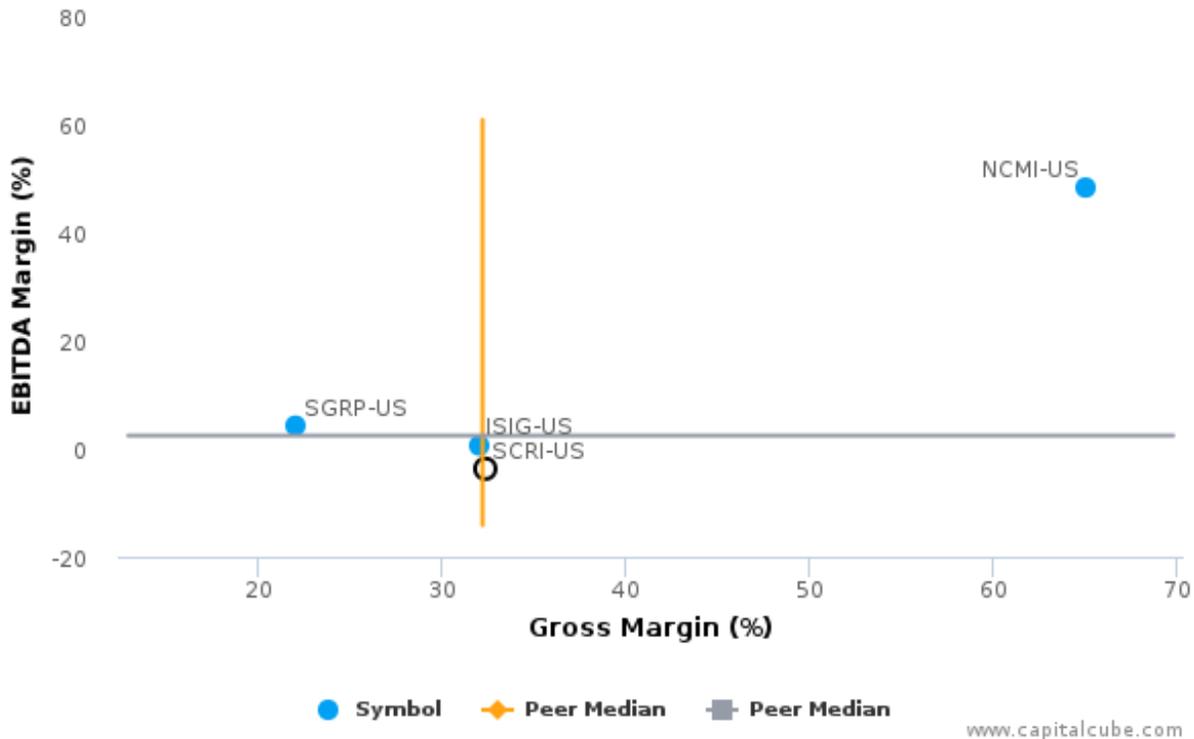
Revenues Growth Versus Earnings Growth



Earnings Growth Analysis

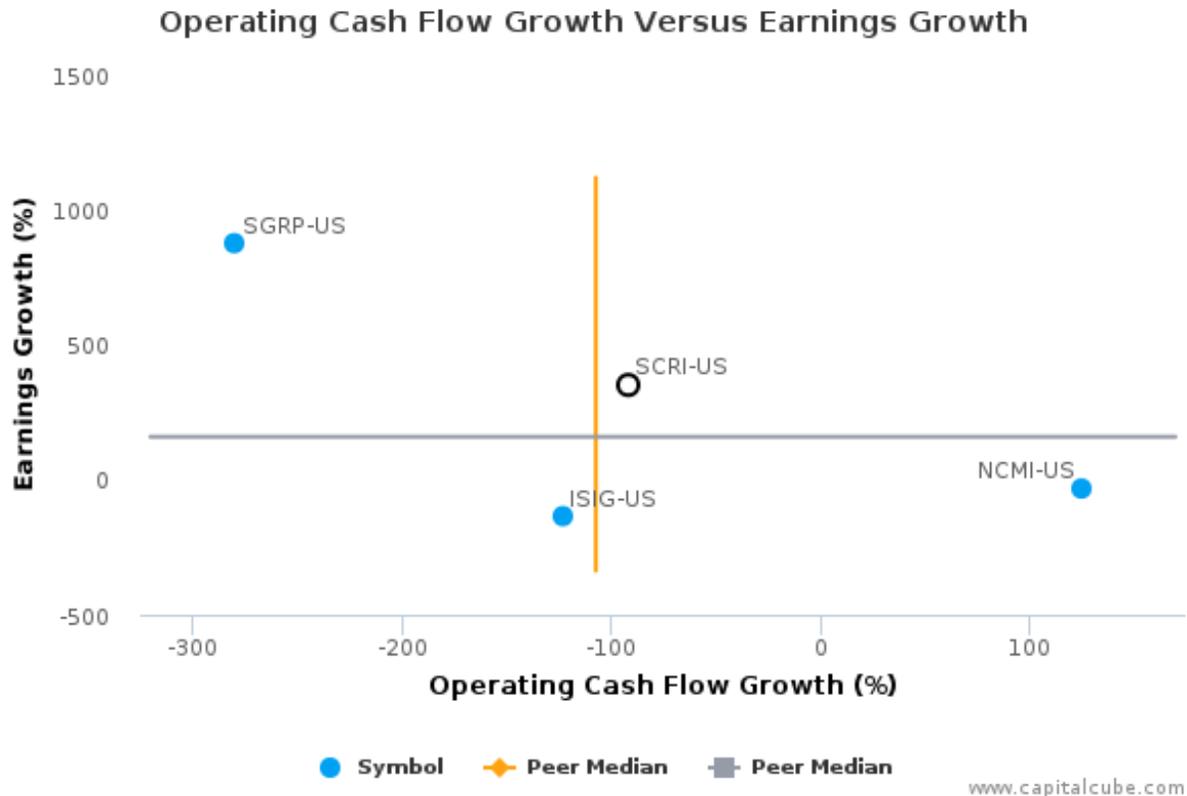
The company's earnings rose year-on-year. But this growth has not come as a result of improvement in gross margins or any cost control activities in its operations. Gross margins went from 32.29% to 52.07% for the same period last year, while operating margins (EBITDA margins) went from -3.73% to 12.59% over the same time frame.

Gross Margin Versus EBITDA Margin



Cash Versus Earnings – Sustainable Performance?

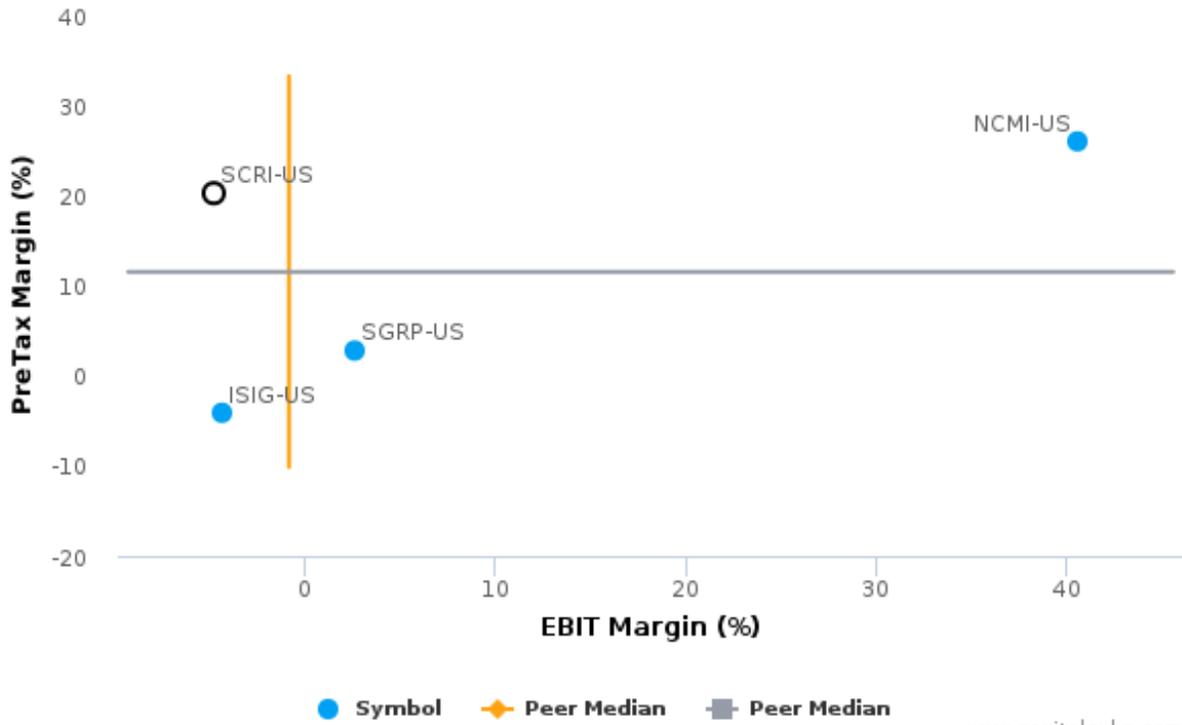
SCRI-US's change in operating cash flow of -92.44% compared to the same period last year is about the same as its change in earnings this period. Additionally, this change in operating cash flow is about average among its peer group. This suggests that the company did not use accruals or reserves to manage earnings this period, and that, all else being equal, the earnings number is sustainable.



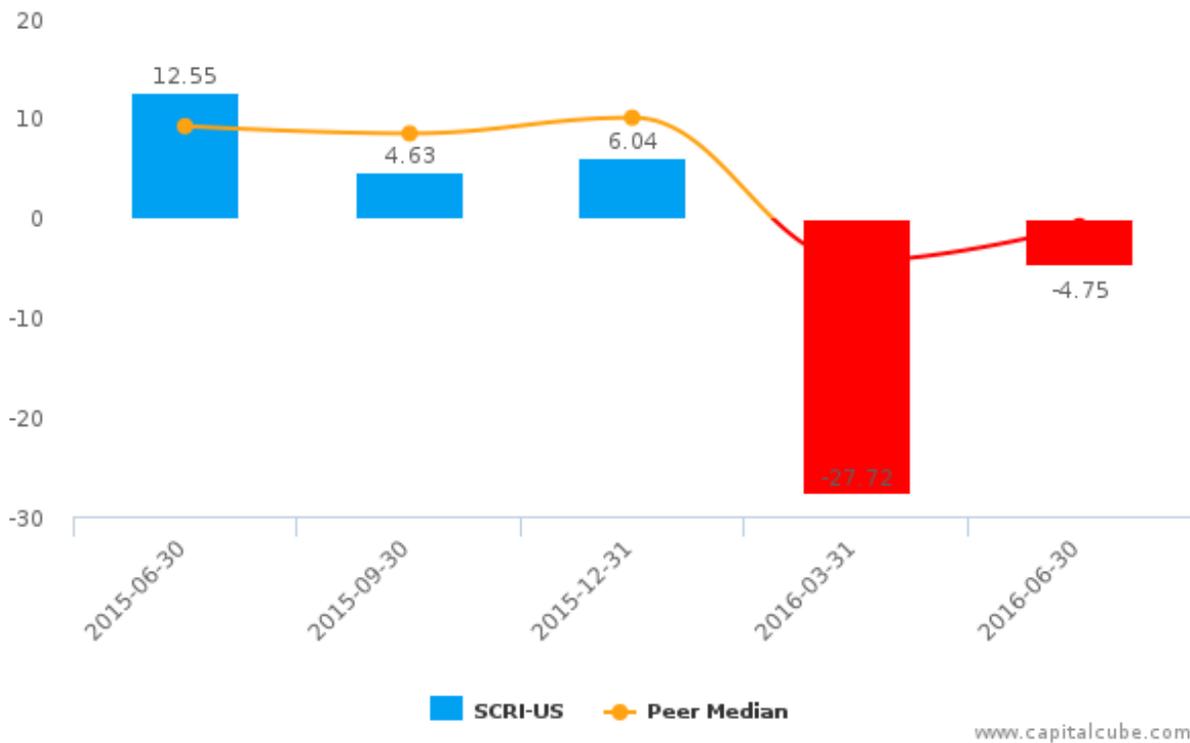
Margins

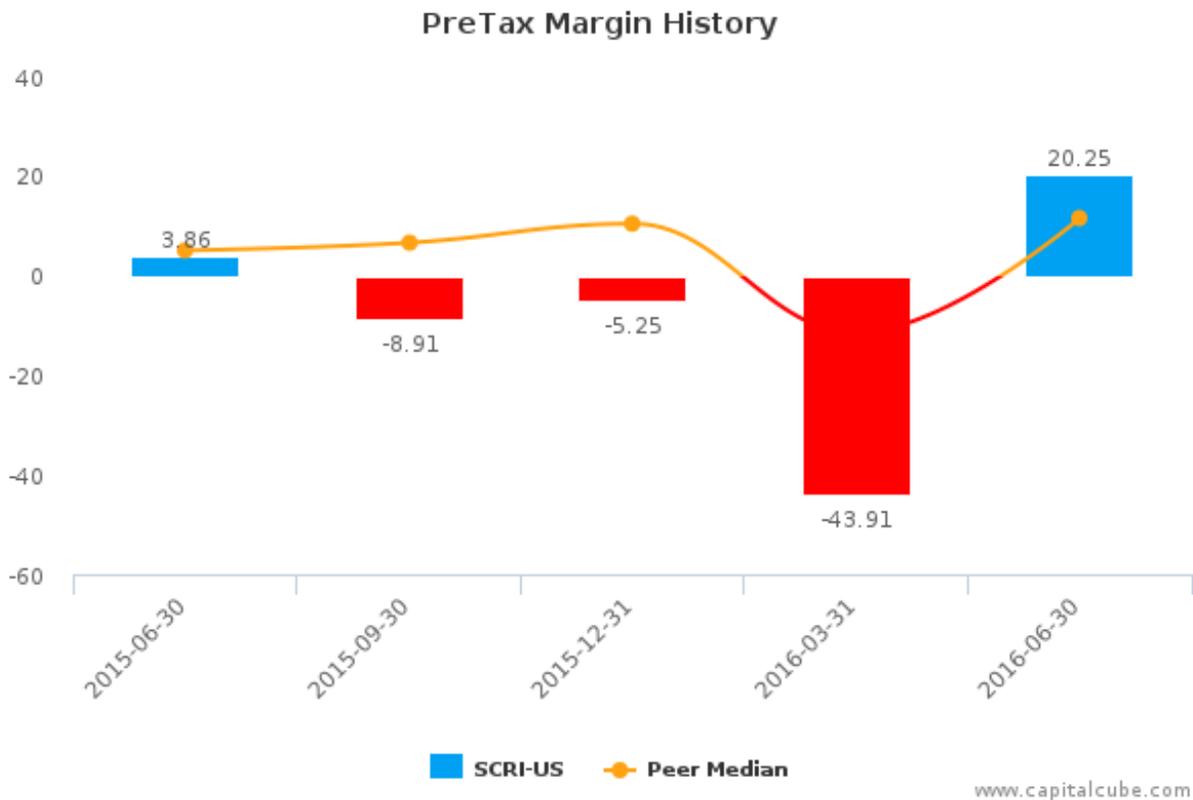
The company's operating (EBIT) margins contracted from 12.55% to -4.75%. In spite of this, the company's earnings rose. This was influenced primarily by one-time items, which improved pretax margins from 3.86% to 20.25%.

EBIT Margin Versus PreTax Margin



EBIT Margin History





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Company Profile

Social Reality, Inc. is engaged in the development and sales of targeted and measurable social media advertising campaigns and programs to brand advertisers and digital advertising agencies. The company also provides managed advertising services utilizing data from platforms, including Facebook, Yahoo, LinkedIn and Google to optimize digital advertising for its customers. Its products include SPAX, SR Innovation, and GroupAD. Social Reality was founded by Christopher Miglino and Erin DeRuggiero in April 2010 and is headquartered in Los Angeles, CA.

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