

Social Reality, Inc. :Scri-US: Earnings Analysis: 2015 By the Numbers

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Social Reality, Inc. reports financial results for the year ended December 31, 2015.

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

Highlights

- Gross margins widened from 45.47% to 52.44% compared to the same period last year, operating (EBITDA) margins now 4.83% from -72.72%.
- Year-on-year change in operating cash flow of 129.78% is about the same as the change in earnings, likely no significant movement in accruals or reserves.
- Earnings growth from operating margin improvements as well as one-time items.

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

	2011	2012	2013	2014	2015
Relevant Numbers (Annual)					
Revenues	1.8	1.12	3.41	5.12	30.29
Revenue Growth (YOY)	N/A	N/A	N/A	N/A	N/A
Earnings	0.01	-1.26	-1.75	-4.41	-2.72
Earnings Growth (YOY)	-97.65	-24285.57	-38.81	-152.46	38.26
Net Margin	0.29	-112.47	-51.19	-86.16	-8.99
EPS	0	-0.1	-0.12	-0.2	-0.1
Return on Equity	1.14	-455.01	-113.73	-99.73	-56.58
Return on Assets	0.51	-175.13	-83.45	-27.47	-9.6

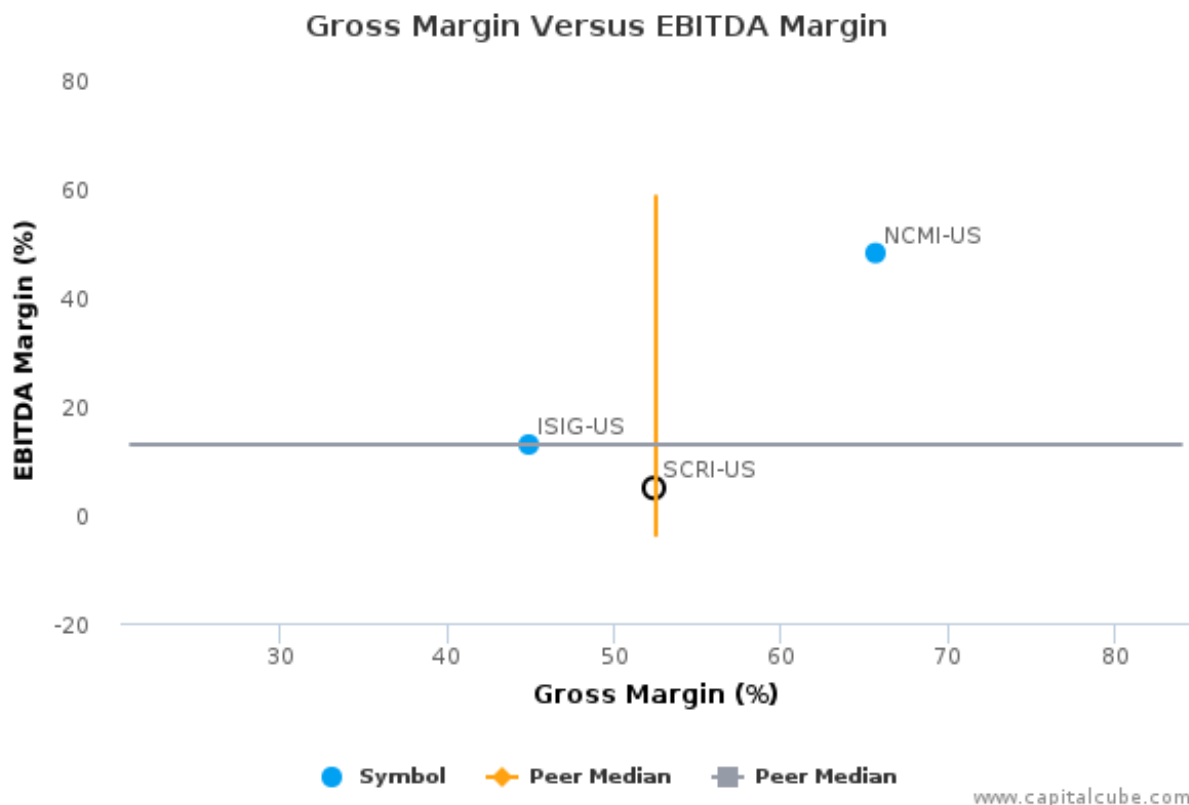
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Earnings Growth Analysis

The company's earnings growth was influenced by year-on-year improvement in gross margins from 45.47% to

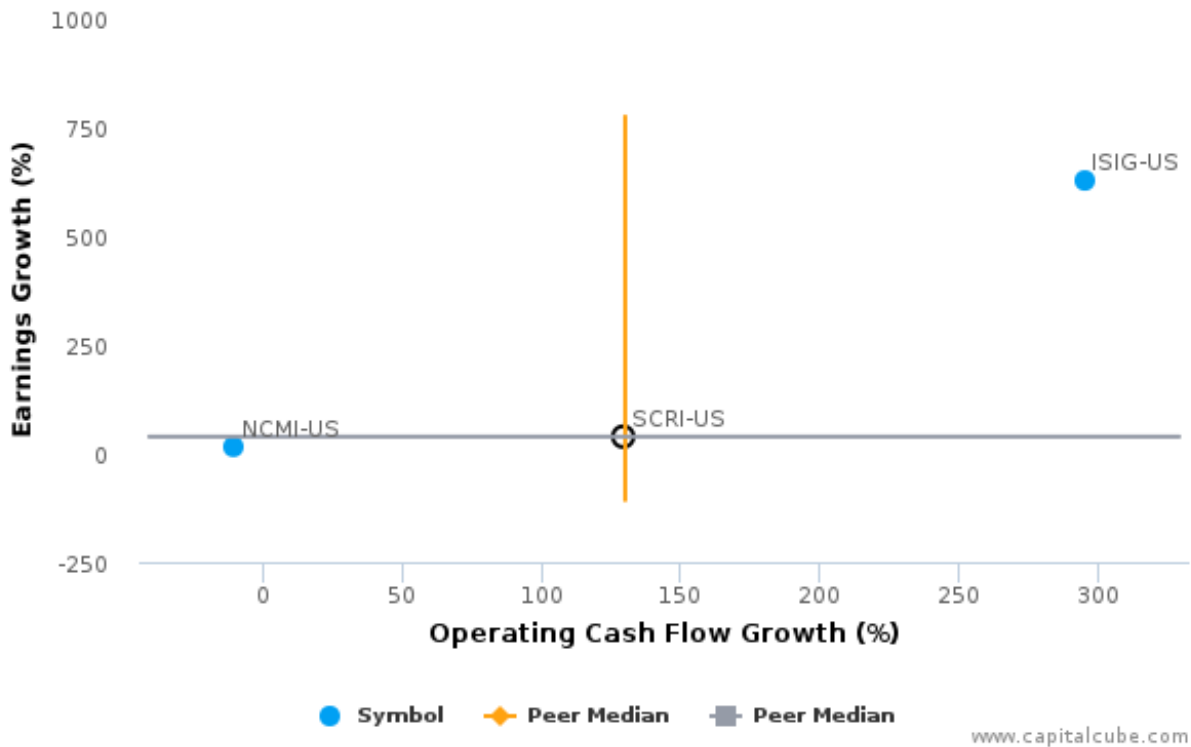
52.44% as well as better cost controls. As a result, operating margins (EBITDA margins) rose from -72.72% to 4.83% compared to the same period last year. For comparison, gross margins were 45.47% and EBITDA margins were -72.72% in the last reporting period.



Cash Versus Earnings – Sustainable Performance?

SCRI-US's change in operating cash flow of 129.78% 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.

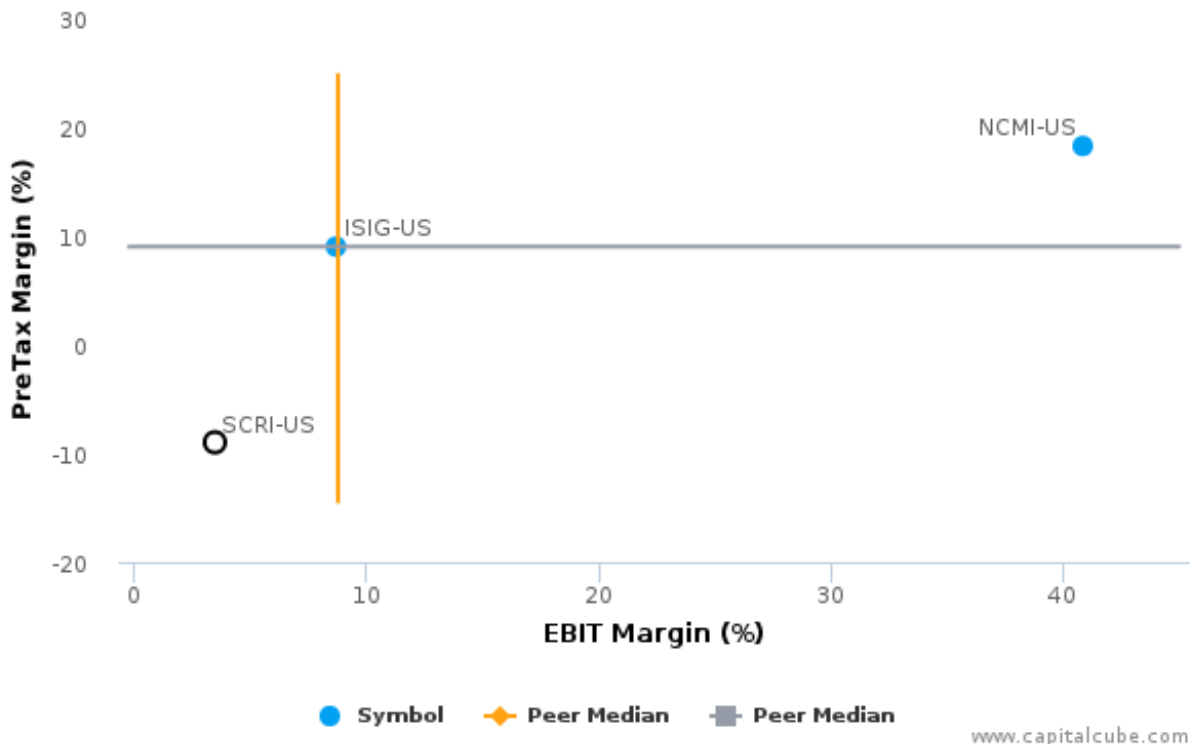
Operating Cash Flow Growth Versus Earnings Growth



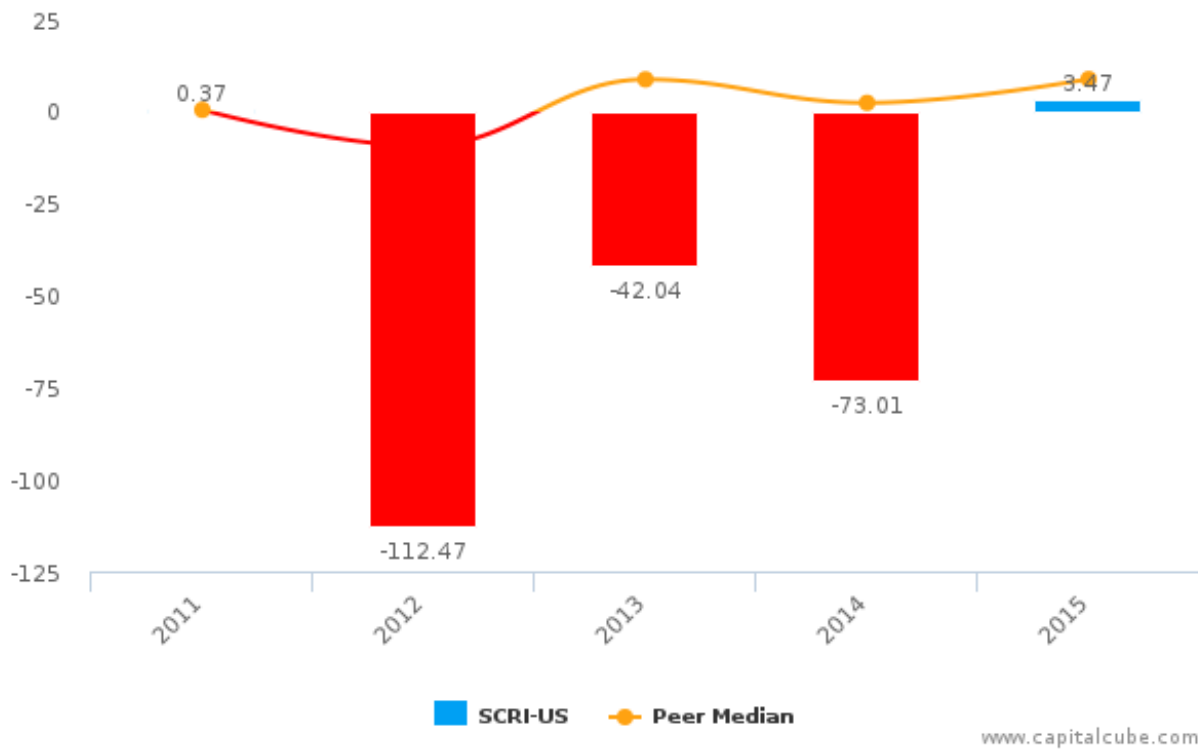
Margins

The company's earnings growth has also been influenced by the following factors: (1) Improvements in operating (EBIT) margins from -73.01% to 3.47% and (2) one-time items. The company's pretax margins are now -8.99% compared to -86.16% for the same period last year.

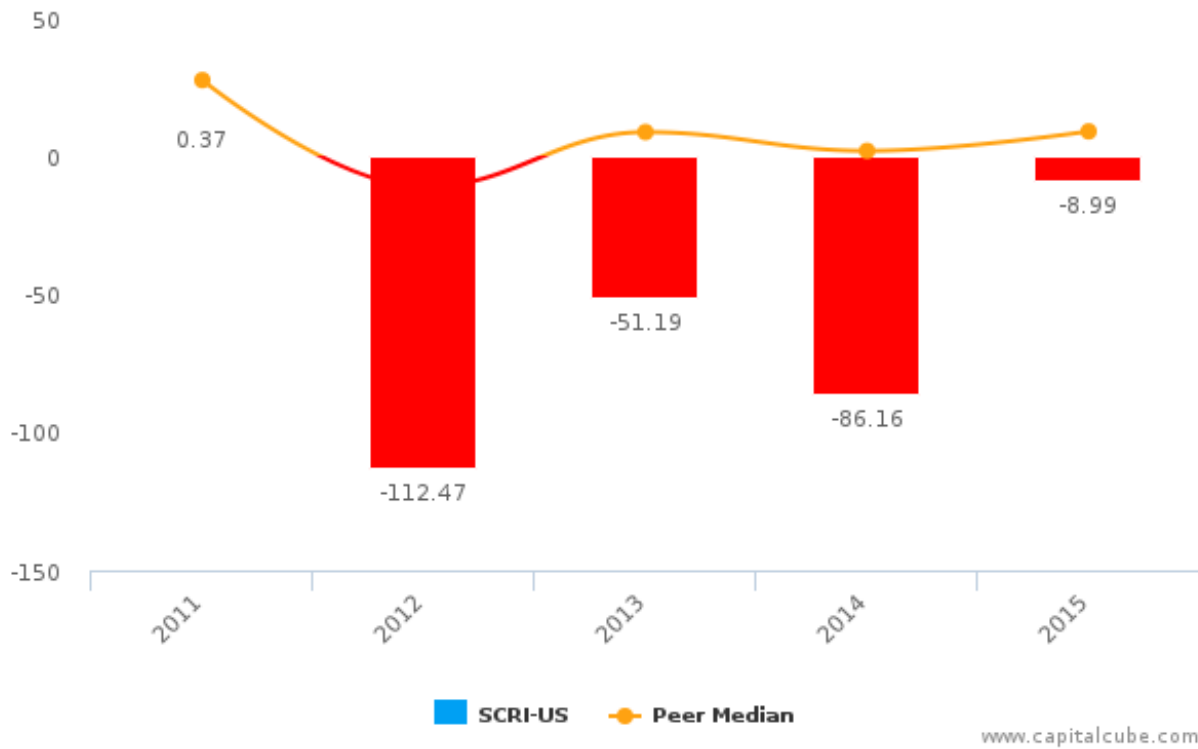
EBIT Margin Versus PreTax Margin



EBIT Margin History



PreTax 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. The company was founded by Christopher Miglino and Erin DeRuggiero in April 2010 and is headquartered in Los Angeles, CA.

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