

# Social Reality, Inc. :Scri-US: Earnings Analysis: Q4, 2015 By the Numbers

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Social Reality, Inc. reports financial results for the quarter 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

- Summary numbers: Revenues of USD 8.12 million, Net Earnings of USD -0.43 million.
- Gross margins widened from 52.42% to 54.31% compared to the same period last year, operating (EBITDA) margins now 8.60% from -34.38%.
- Year-on-year change in operating cash flow of 735.77% 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:

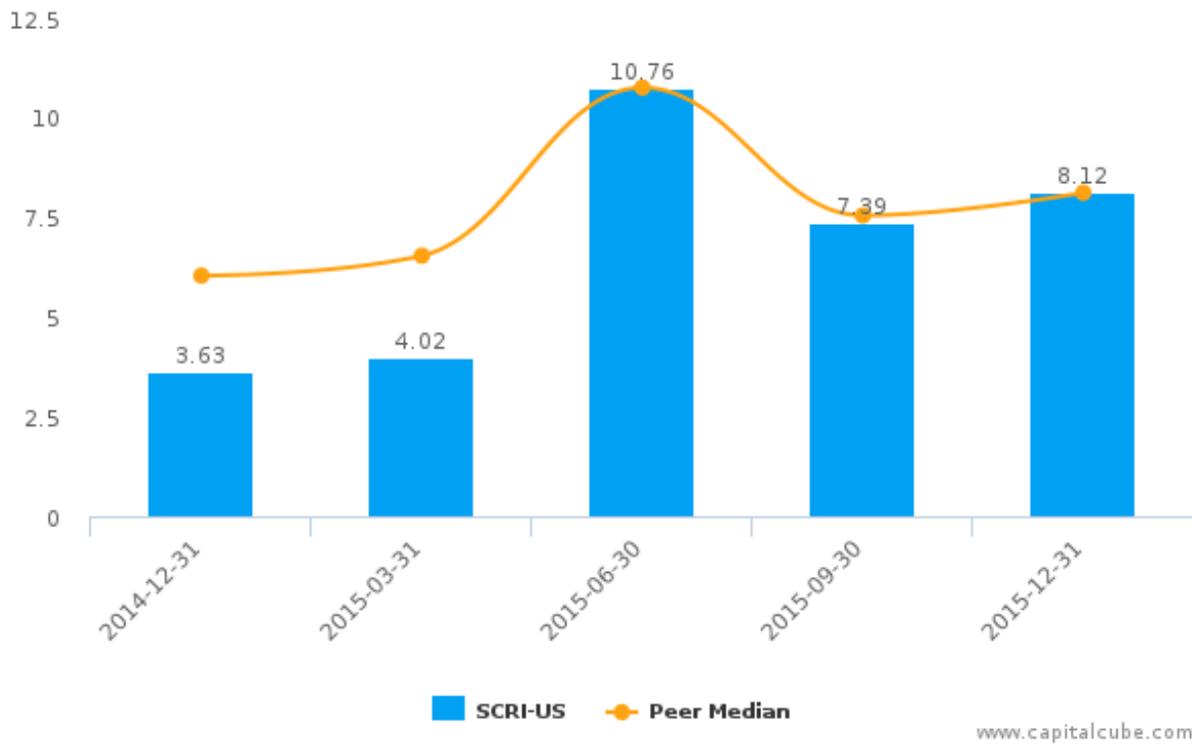
|                                     | 2014-12-31 | 2015-03-31 | 2015-06-30 | 2015-09-30 | 2015-12-31 |
|-------------------------------------|------------|------------|------------|------------|------------|
| <b>Relevant Numbers (Quarterly)</b> |            |            |            |            |            |
| Revenues (mil)                      | 3.63       | 4.02       | 10.76      | 7.39       | 8.12       |
| Revenue Growth (%YOY)               | 91.54      | 626.29     | 3785.97    | 1014.42    | 123.93     |
| Earnings (mil)                      | -1.93      | -2.05      | 0.42       | -0.66      | -0.43      |
| Earnings Growth (%YOY)              | -632.42    | -198.7     | 147.22     | 28.24      | 77.85      |
| Net Margin (%)                      | -53.1      | -51.09     | 3.86       | -8.91      | -5.25      |
| EPS                                 | -0.08      | -0.08      | 0.01       | -0.02      | -0.02      |
| Return on Equity (%)                | -196.31    | -169.17    | 38.98      | -60.87     | -42.84     |
| Return on Assets (%)                | -49.75     | -29.9      | 5.65       | -8.38      | -5.75      |

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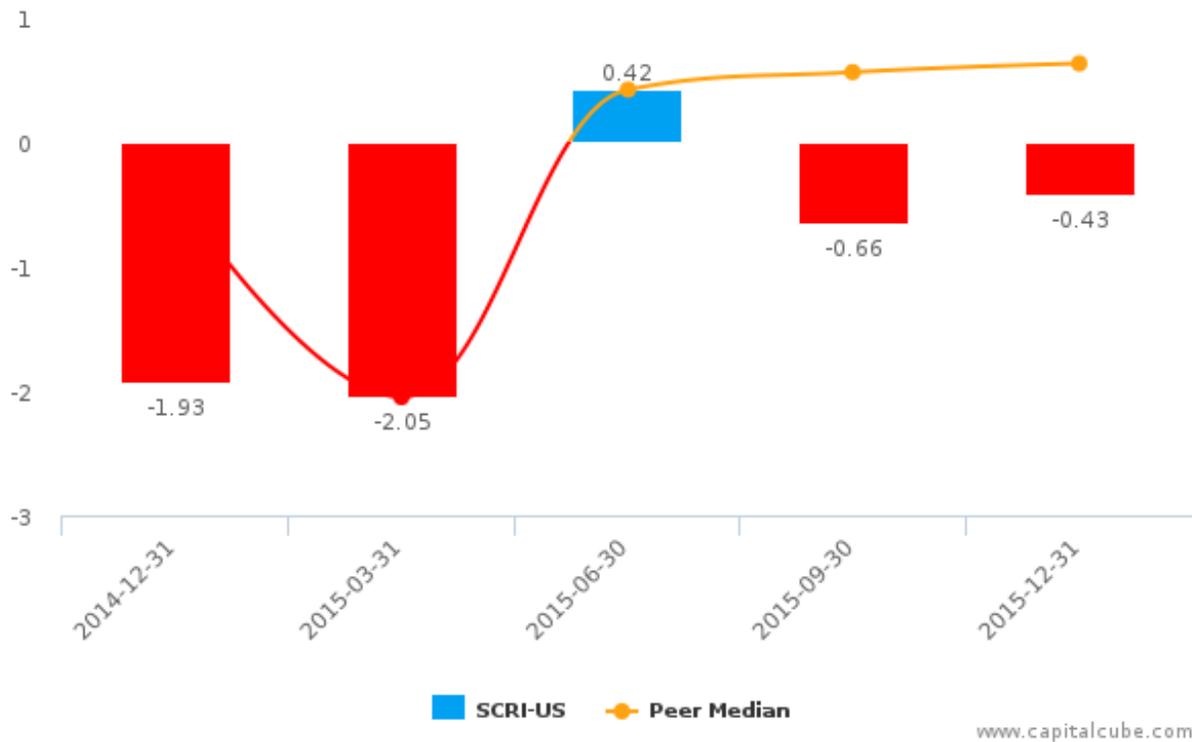
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## Market Share Versus Profits

### Revenues History

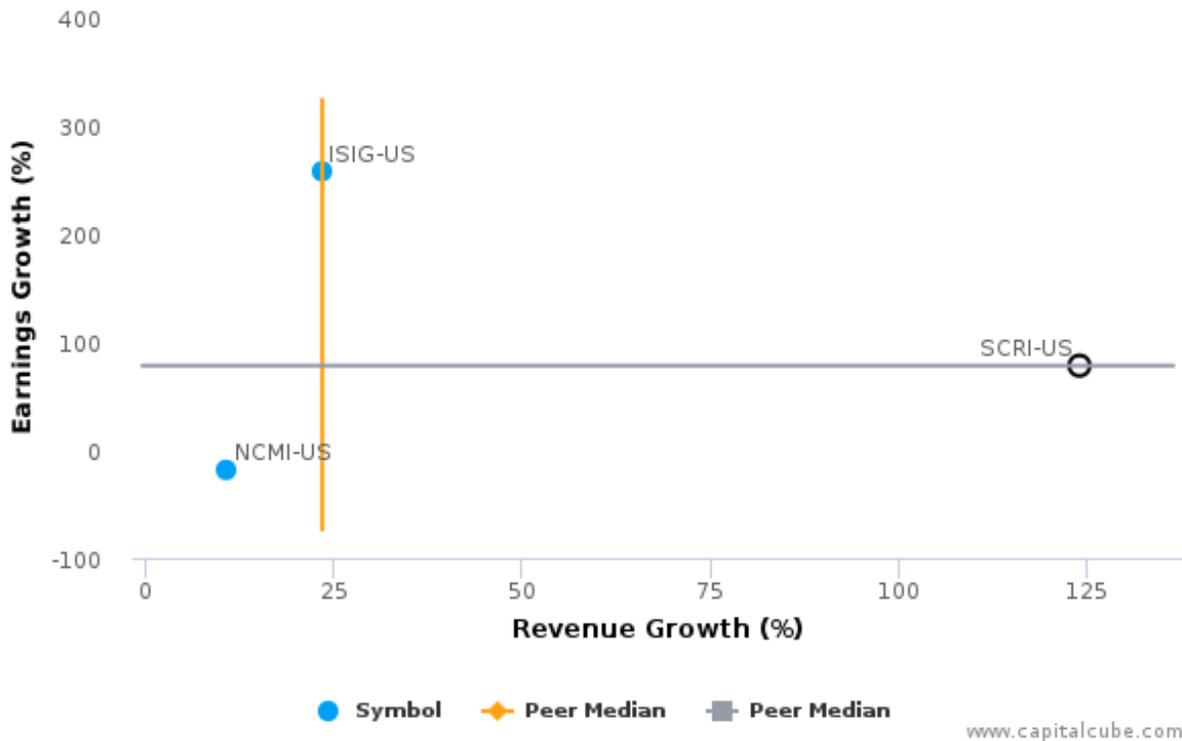


### Earnings History



SCRI-US's change in revenue this period compared to the same period last year of 123.93% 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 9.89% and earnings by 35.24% compared to the immediate last period.

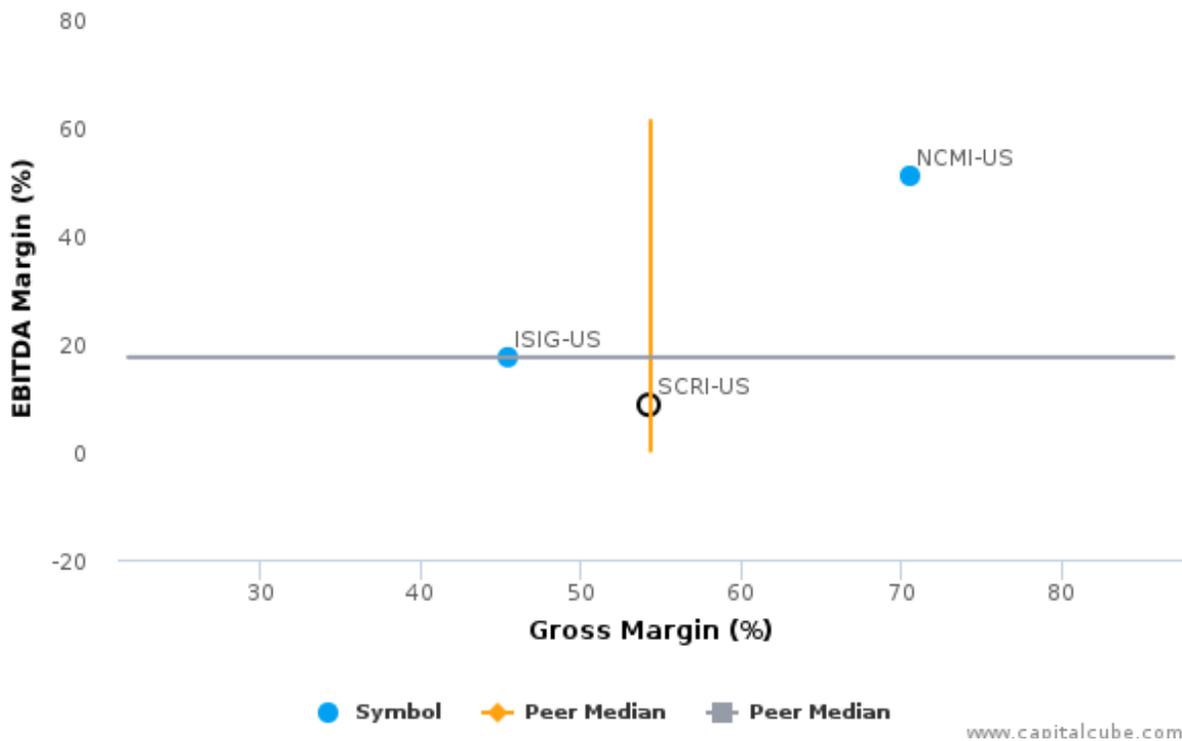
### Revenues Growth Versus Earnings Growth



### Earnings Growth Analysis

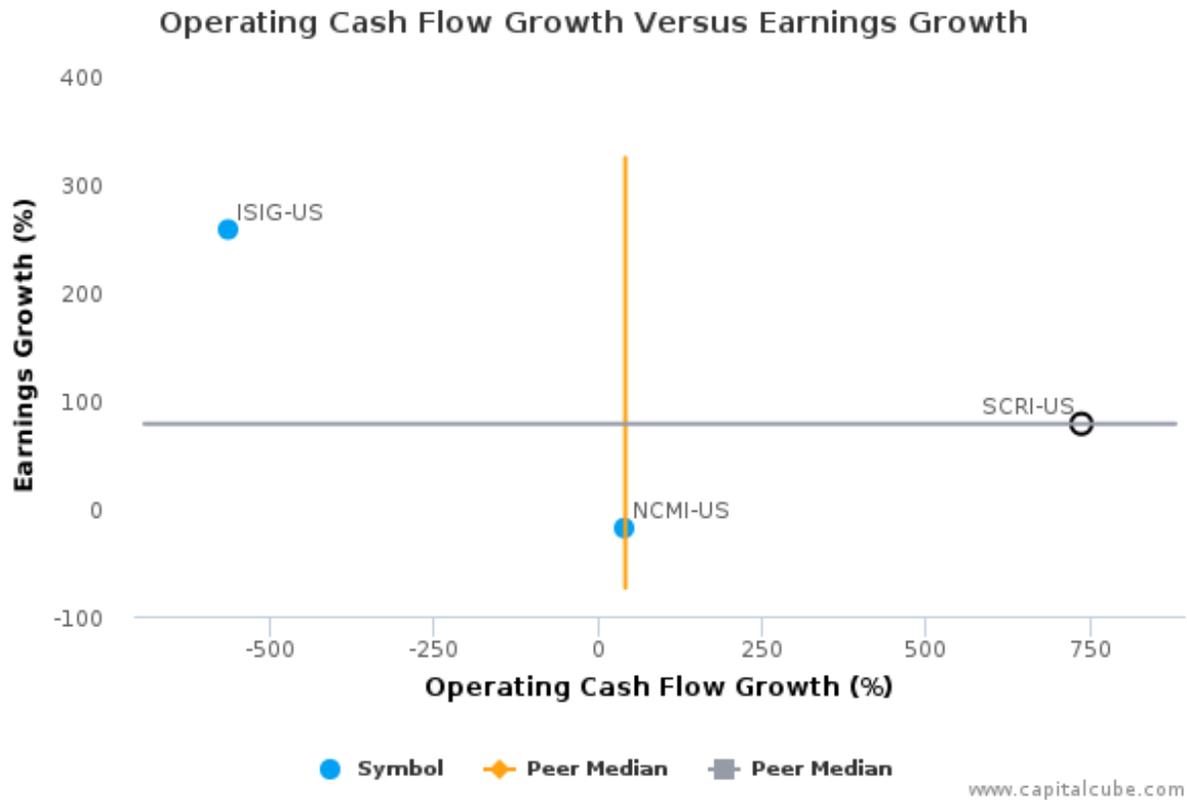
The company's earnings growth was influenced by year-on-year improvement in gross margins from 52.42% to 54.31% as well as better cost controls. As a result, operating margins (EBITDA margins) rose from -34.38% to 8.60% compared to the same period last year. For comparison, gross margins were 55.40% and EBITDA margins were 7.26% in the last reporting period.

### Gross Margin Versus EBITDA Margin



## Cash Versus Earnings – Sustainable Performance?

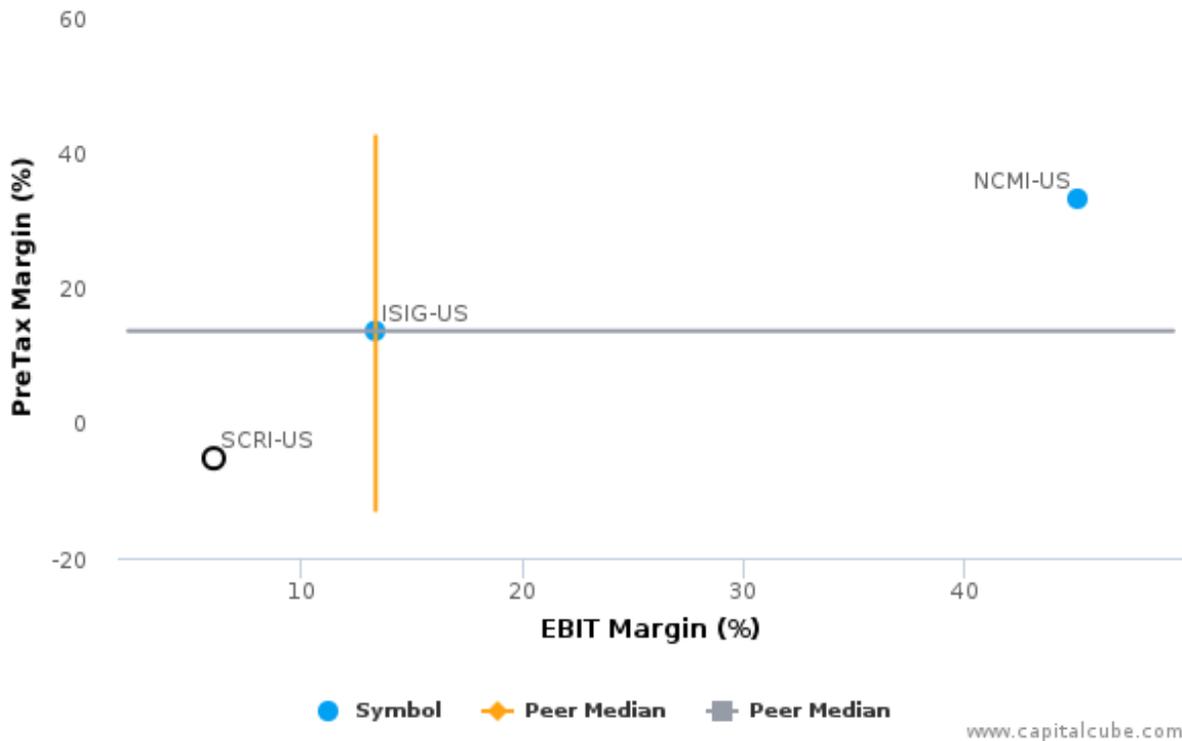
SCRI-US's change in operating cash flow of 735.77% compared to the same period last year is about the same as its change in earnings this period. Additionally, this change in operating cash flow is about average among its peer group. This suggests that the company did not use accruals or reserves to manage earnings this period, and that, all else being equal, the earnings number is sustainable.



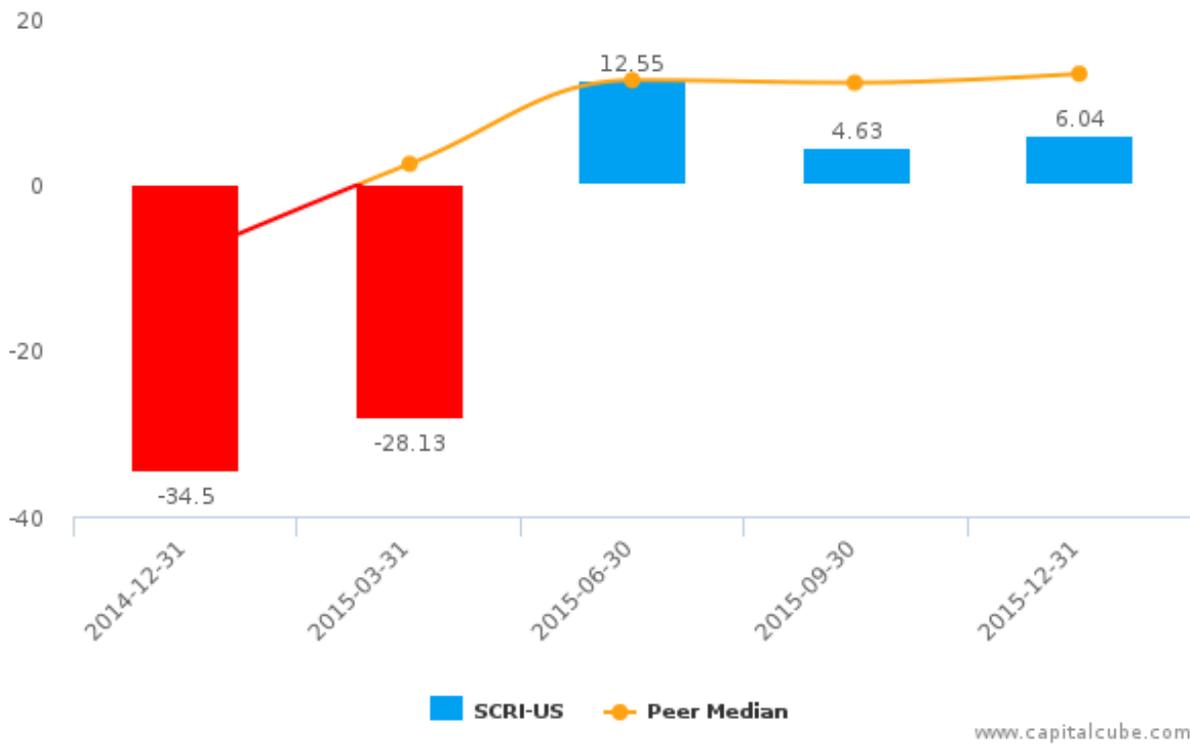
## Margins

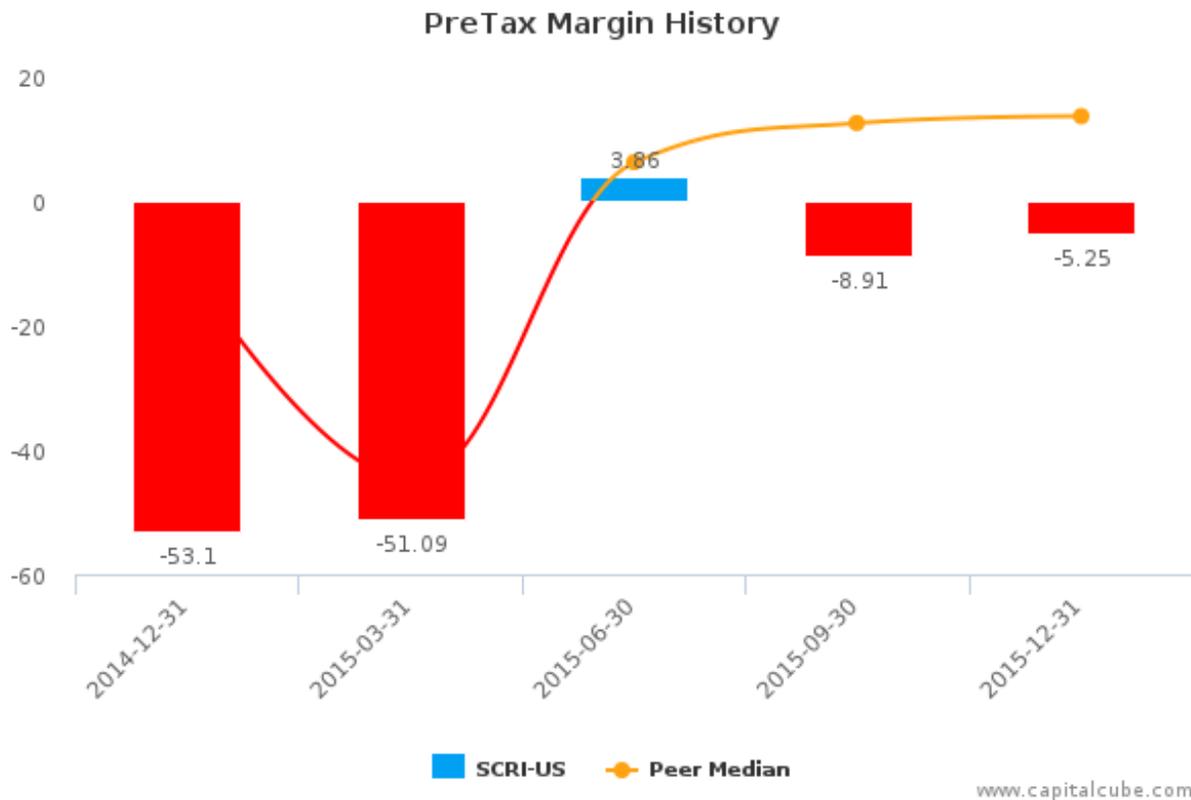
The company's earnings growth has also been influenced by the following factors: (1) Improvements in operating (EBIT) margins from -34.50% to 6.04% and (2) one-time items. The company's pretax margins are now -5.25% compared to -53.10% for the same period last year.

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

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