

Social Reality, Inc. :SCRI-US: Earnings Analysis: Q1, 2016 By the Numbers : May 24, 2016

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Social Reality, Inc. reports financial results for the quarter ended March 31, 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 5.47 million, Net Earnings of USD -2.40 million.
- Gross margins narrowed from 44.23% to 41.85% compared to the same period last year, operating (EBITDA) margins now -25.91% from -28.01%.
- Year-on-year change in operating cash flow of 84.99% is about the same as the change in earnings, likely no significant movement in accruals or reserves.
- Earnings decline largely a result of non-operational activity, pretax margins improved from -51.09% to -43.91%.

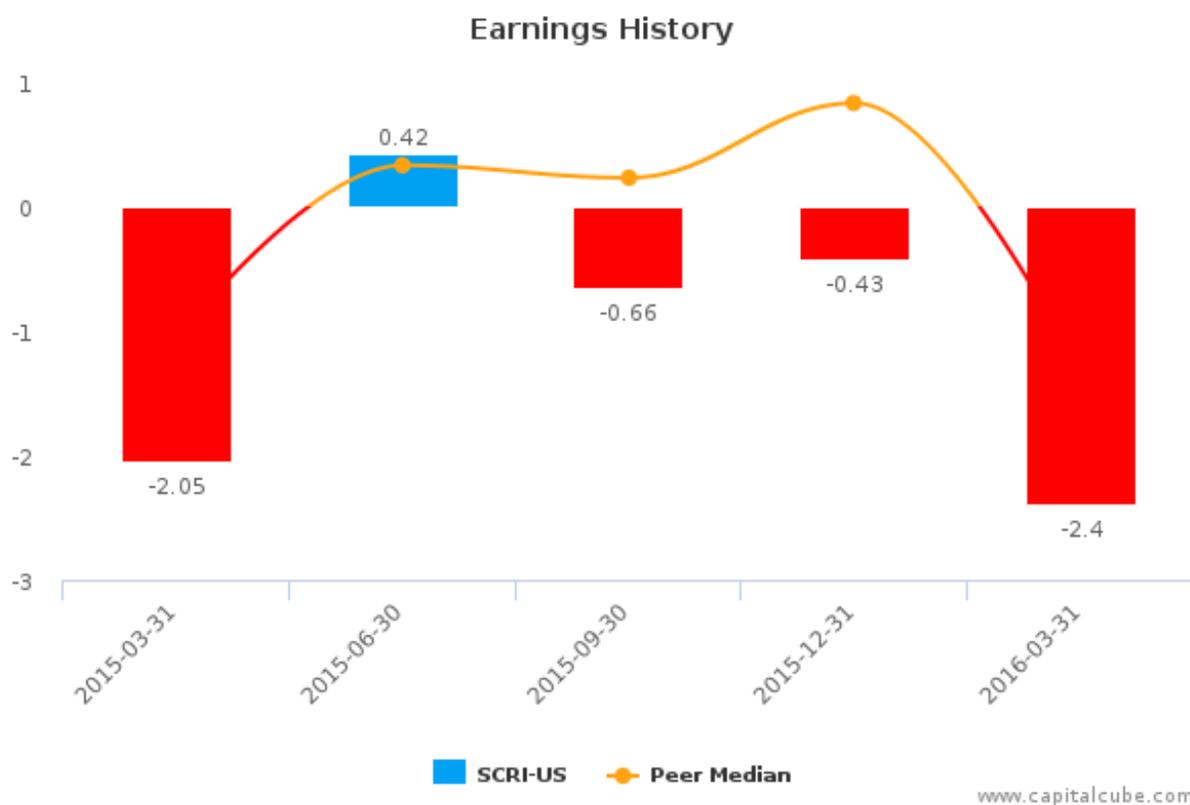
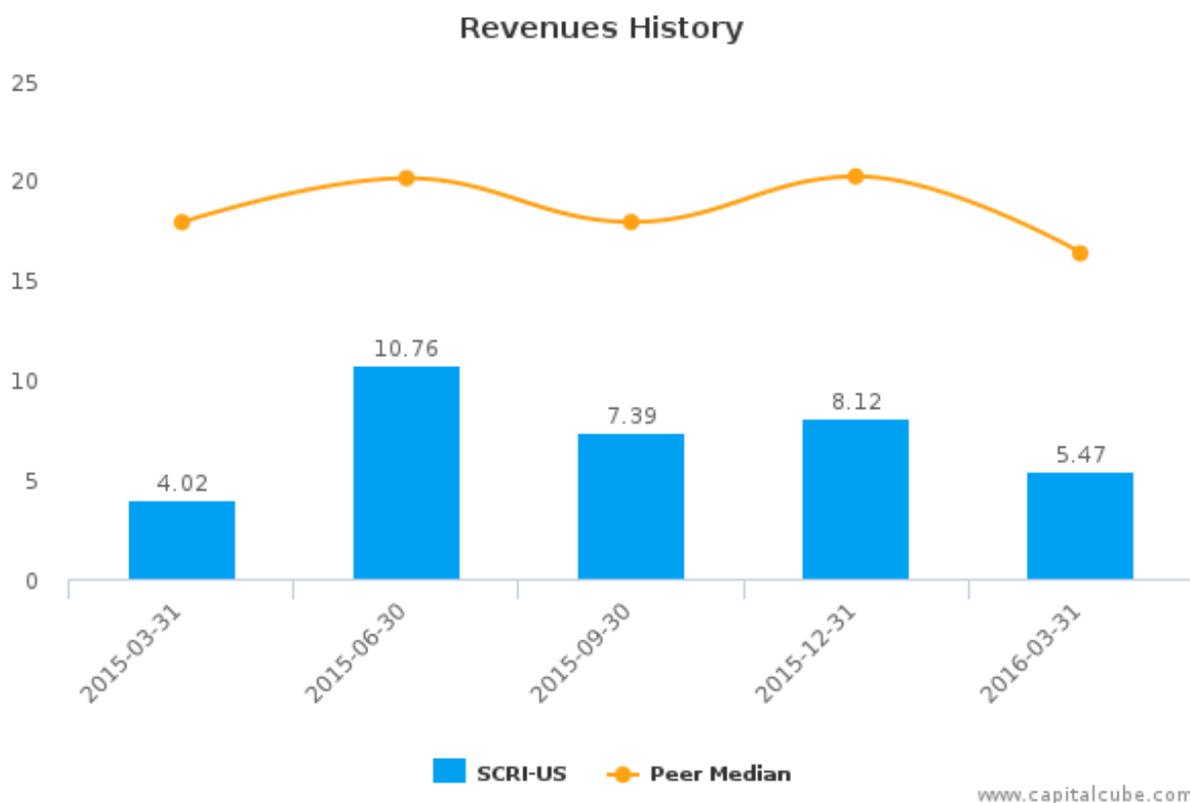
The table below shows the preliminary results and recent trends for key metrics such as revenues and net income growth:

	2015-03-31	2015-06-30	2015-09-30	2015-12-31	2016-03-31
Relevant Numbers (Quarterly)					
Revenues (mil)	4.02	10.76	7.39	8.12	5.47
Revenue Growth (%YOY)	626.29	3785.97	1014.42	123.93	36.01
Earnings (mil)	-2.05	0.42	-0.66	-0.43	-2.4
Earnings Growth (%YOY)	-198.7	147.22	28.24	77.85	-16.9
Net Margin (%)	-51.09	3.86	-8.91	-5.25	-43.91
EPS	-0.08	0.01	-0.02	-0.02	-0.08
Return on Equity (%)	-169.17	38.98	-60.87	-42.84	-225.29
Return on Assets (%)	-29.9	5.65	-8.38	-5.75	-35.87

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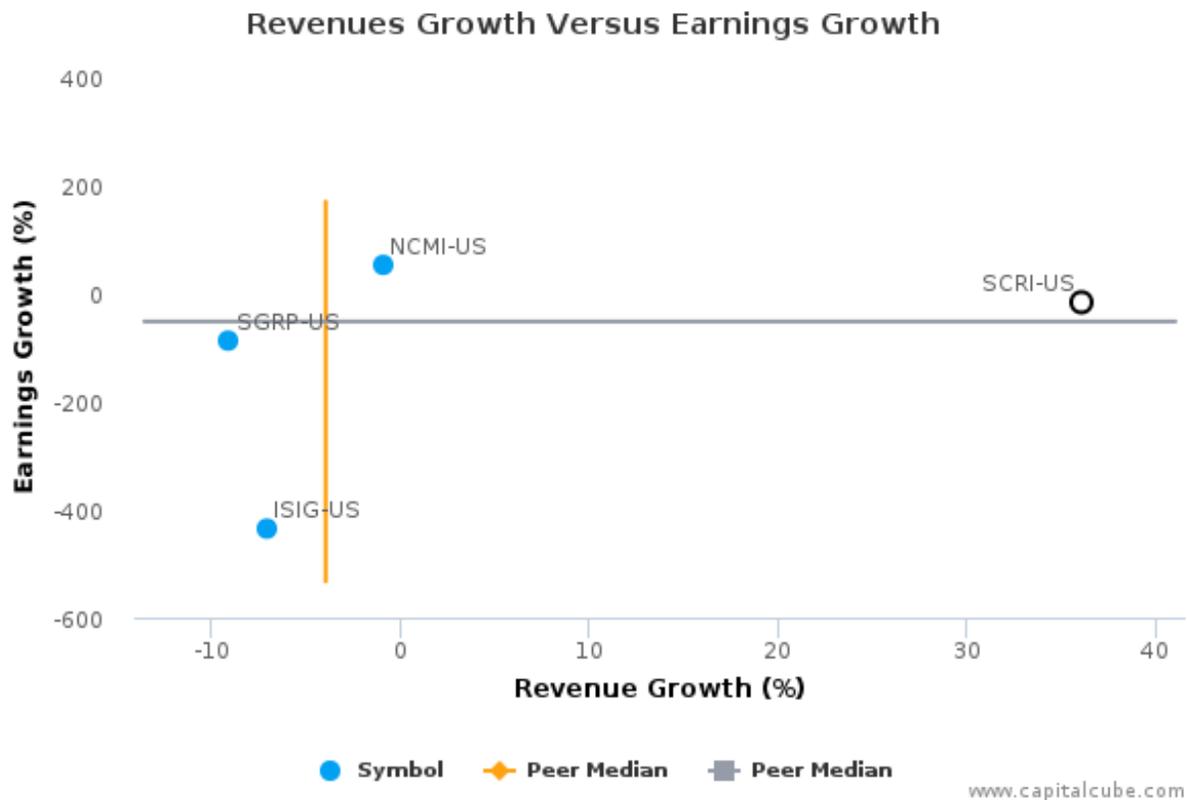
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Market Share Versus Profits



SCRI-US's change in revenue this period compared to the same period last year of 36.01% 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 -32.65% and

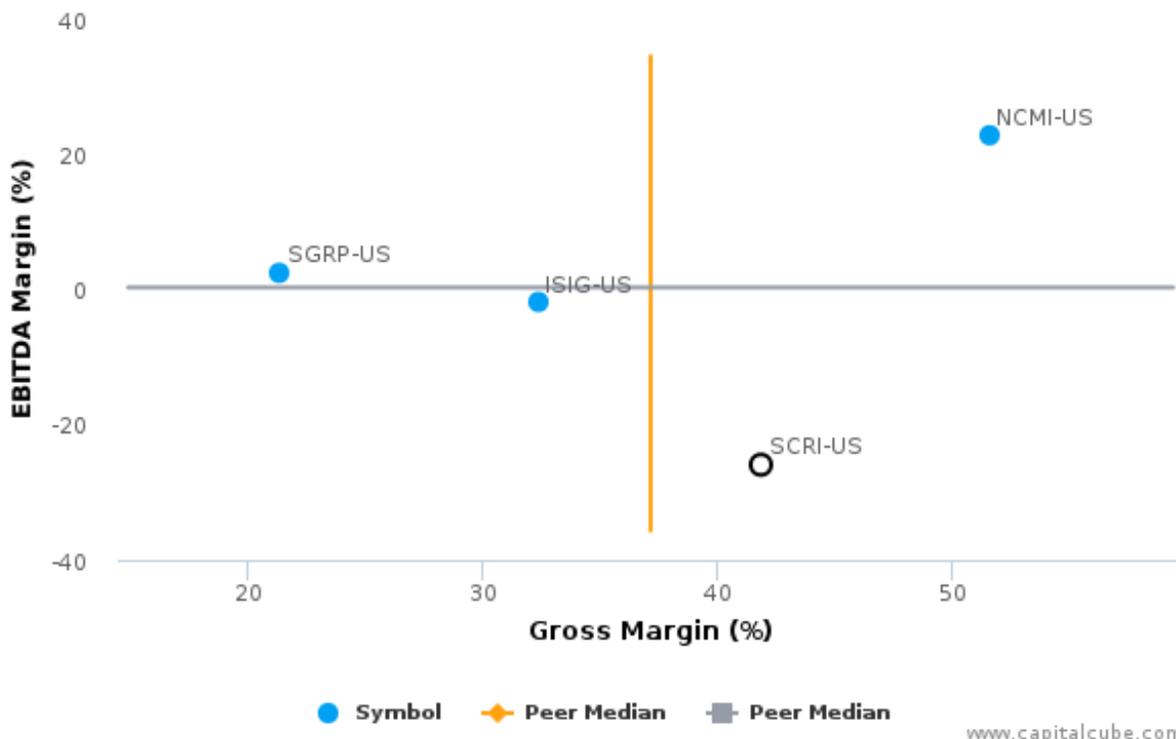
earnings by -463.11% compared to the immediate last period.



Earnings Growth Analysis

The company's year-on-year earnings decline was driven by the drop in gross margins from 44.23% to 41.85%. This drop in earnings would have been worse were it not for operational cost control activities, which helped the operating margins (EBITDA margins) improve from -28.01% to -25.91%. For comparison purposes, gross margins were 54.31% and EBITDA margins were 8.60% in the previous period.

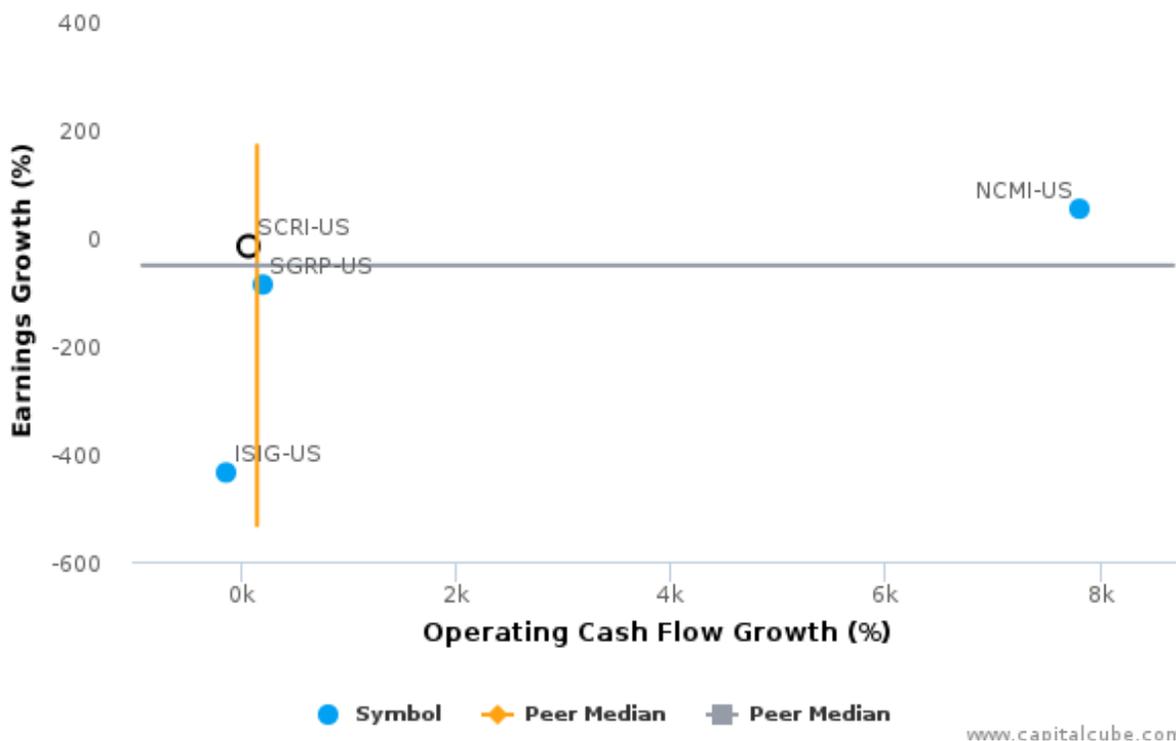
Gross Margin Versus EBITDA Margin



Cash Versus Earnings – Sustainable Performance?

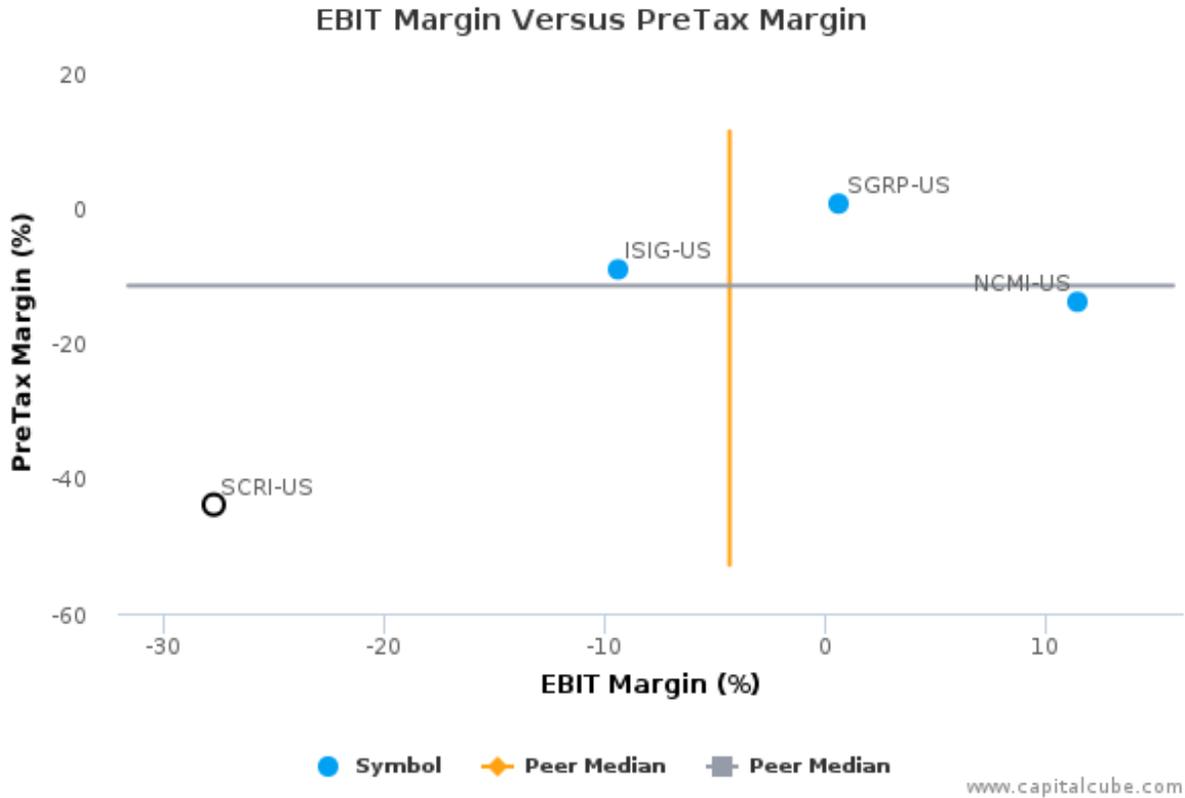
SCRI-US’s change in operating cash flow of 84.99% compared to the same period last year is about the same as its change in earnings this period. Additionally, this change in operating cash flow is about average among its peer group. This suggests that the company did not use accruals or reserves to manage earnings this period, and that, all else being equal, the earnings number is sustainable.

Operating Cash Flow Growth Versus Earnings Growth

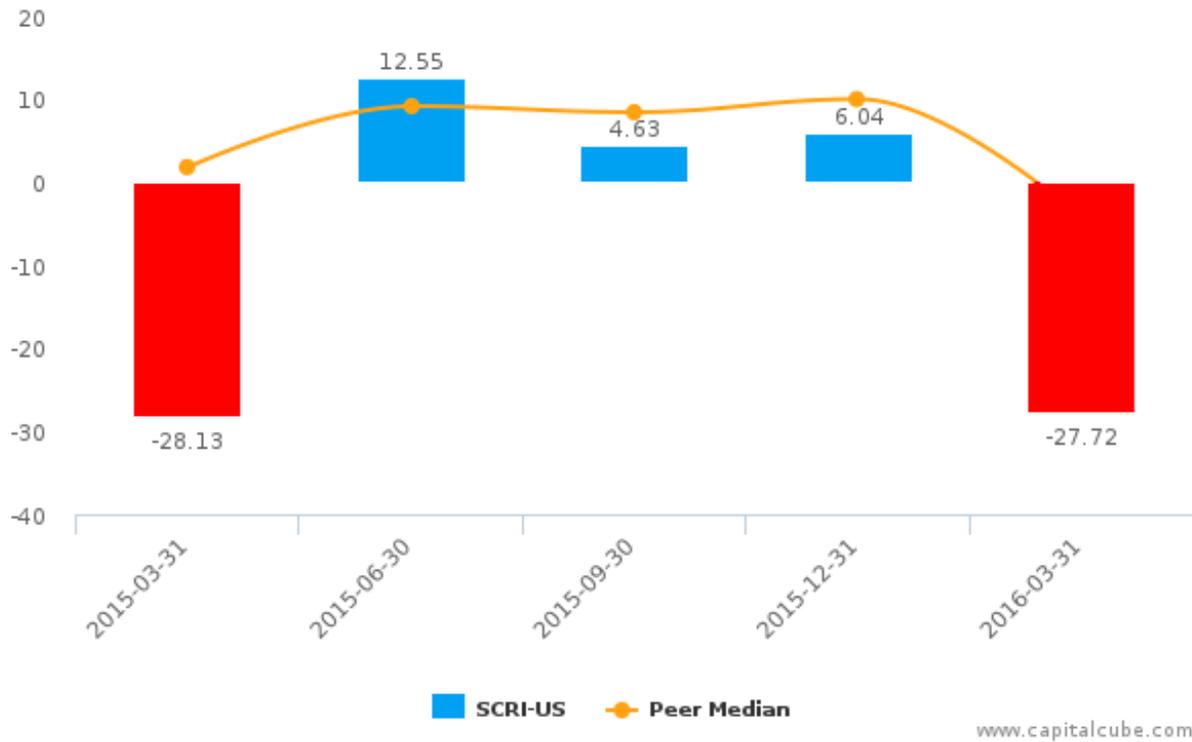


Margins

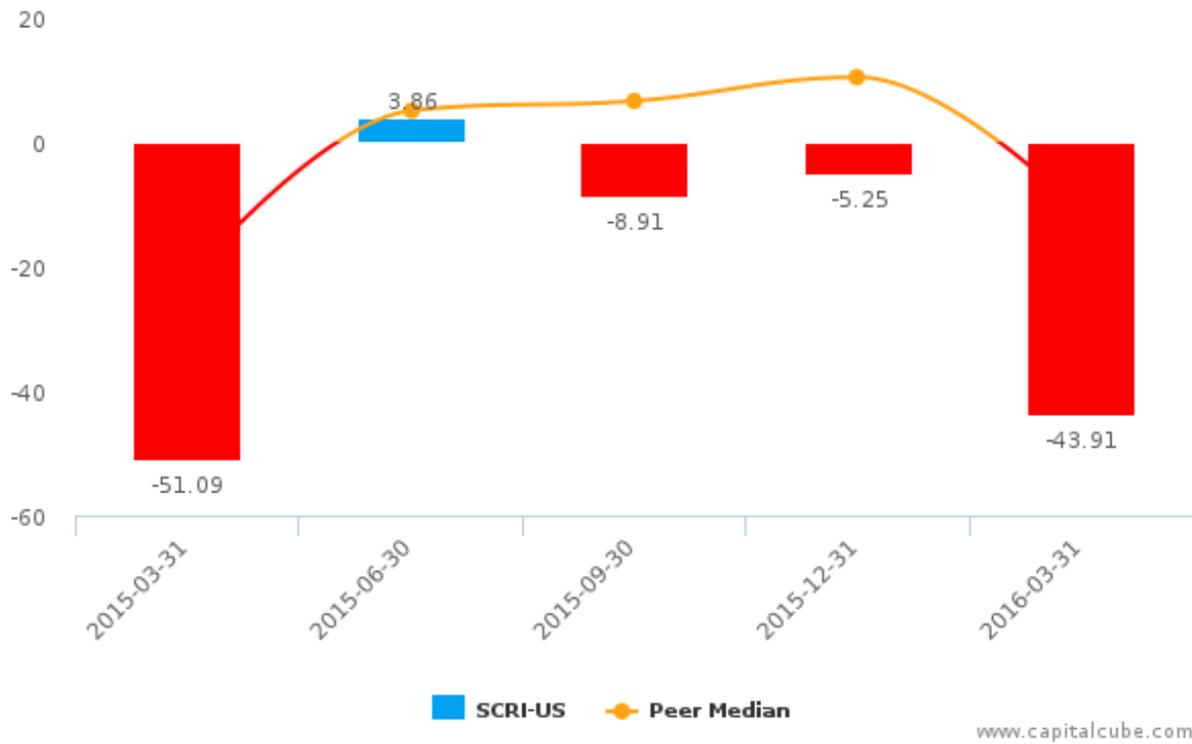
The company's earnings decline is largely a result of non-operational activity. As a matter of fact, the company showed increases in operating (EBIT) and pretax margins. EBIT margins improved from -28.13% to -27.72% and pretax margins widened from -51.09% to -43.91%.



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. Social Reality was founded by Christopher Miglino and Erin DeRuggiero in April 2010 and is headquartered in Los Angeles, CA.

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