

Social Reality, Inc. :SRAX-US: Earnings Analysis: Q3, 2016 By the Numbers : November 30, 2016

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By CapitalCube

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Social Reality, Inc. reports financial results for the quarter ended September 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

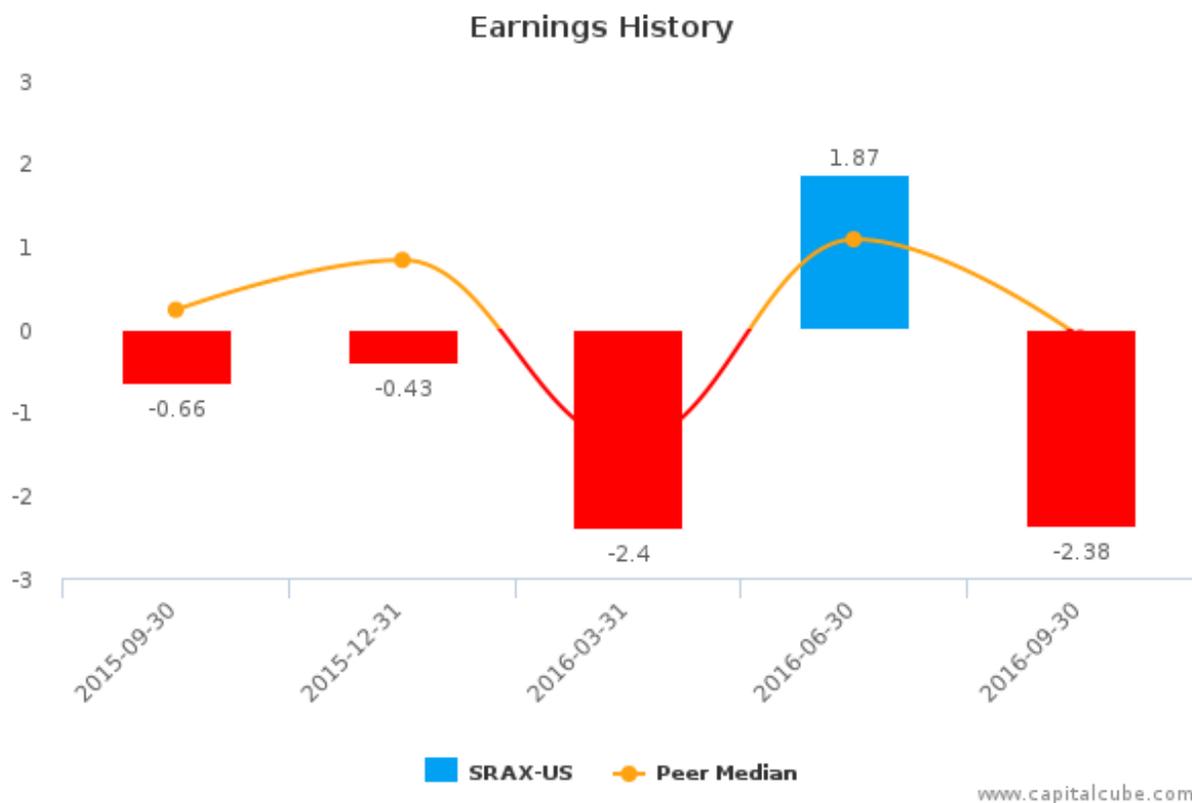
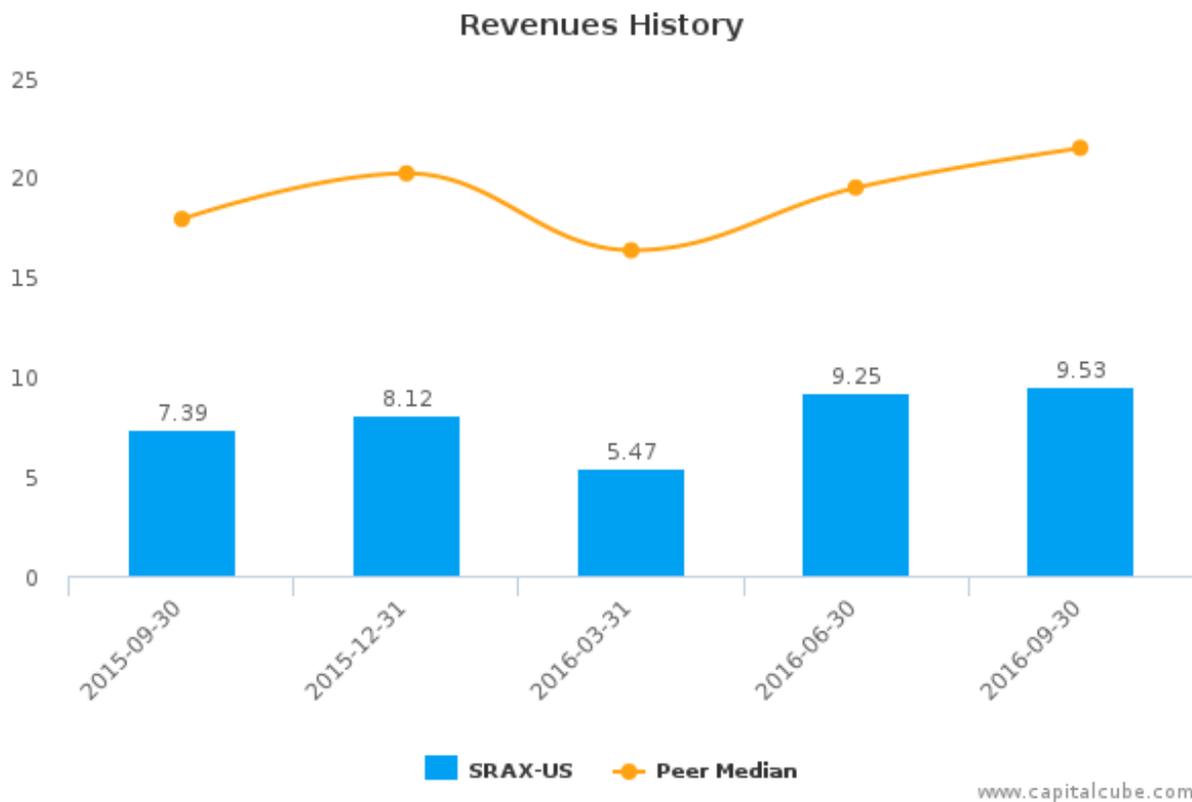
- Summary numbers: Revenues of USD 9.53 million, Net Earnings of USD -2.38 million.
- Gross margins narrowed from 55.40% to 26.69% compared to the same period last year, operating (EBITDA) margins now -12.74% from 7.26%.
- Year-on-year change in operating cash flow of 167.17% is about the same as the change in earnings, likely no significant movement in accruals or reserves.
- Narrowing of operating margins contributed to decline in earnings.

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

	2016-09-30	2016-06-30	2016-03-31	2015-12-31	2015-09-30
Relevant Numbers (Quarterly)					
Revenues (mil)	9.53	9.25	5.47	8.12	7.39
Revenue Growth (%YOY)	28.97	-14.05	36.01	123.93	1014.42
Earnings (mil)	-2.38	1.87	-2.4	-0.43	-0.66
Earnings Growth (%YOY)	-260.77	350.73	-16.9	77.85	28.24
Net Margin (%)	-24.93	20.25	-43.91	-5.25	-8.91
EPS	-0.4	0.3	-0.4	-0.1	-0.1
Return on Equity (%)	-132.59	131.93	-225.29	-42.84	-60.87
Return on Assets (%)	-36.22	29.04	-35.87	-5.75	-8.38

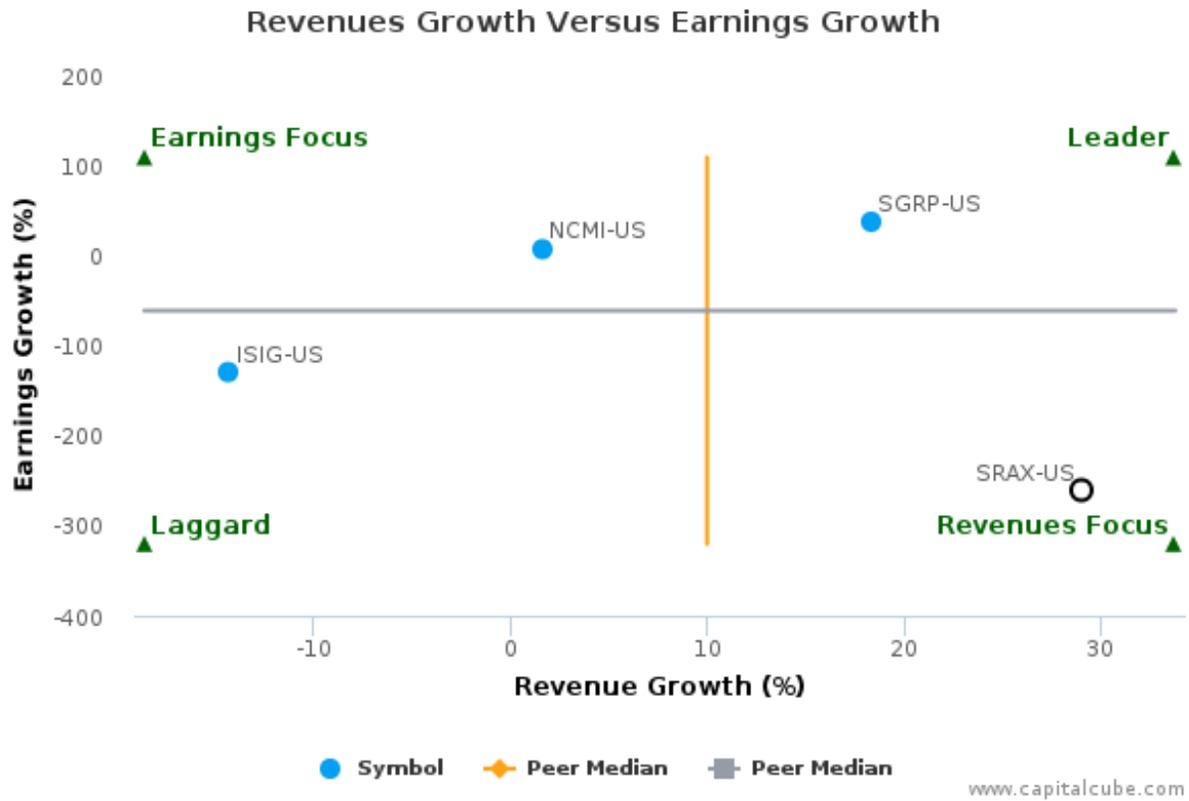
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Market Share Versus Profits



SRAX-US's change in revenue this period compared to the same period last year of 28.97% 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 SRAX-US is holding onto its market share. Also, for comparison purposes, revenues changed by 3.04% and

earnings by -226.83% compared to the immediate last period.

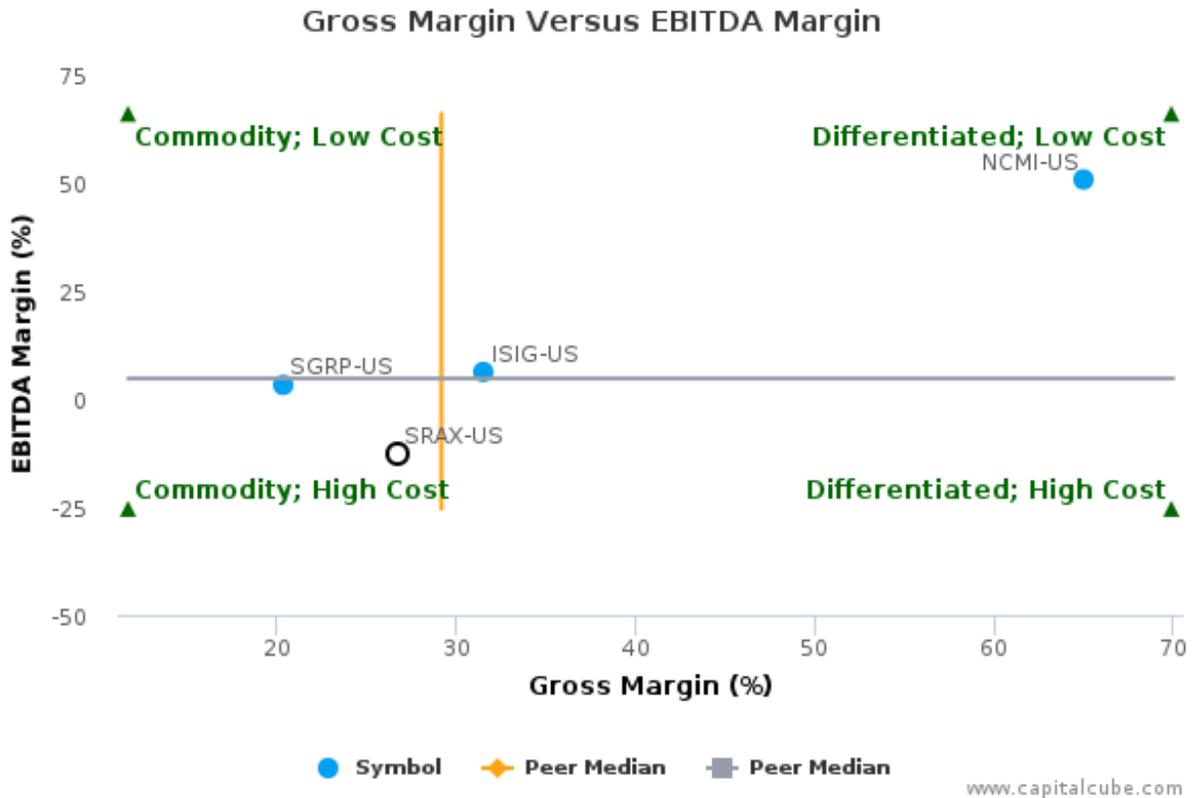


Quadrant label definitions. Hover to know more

Leader, Earnings Focus, Laggard, Revenues Focus

Earnings Growth Analysis

The company's year-on-year decline in earnings was influenced by a weakening in gross margins from 55.40% to 26.69%, as well as issues with cost controls. As a result, operating margins (EBITDA margins) went from 7.26% to -12.74% in this time frame. For comparison, gross margins were 32.29% and EBITDA margins were -3.73% in the previous period.



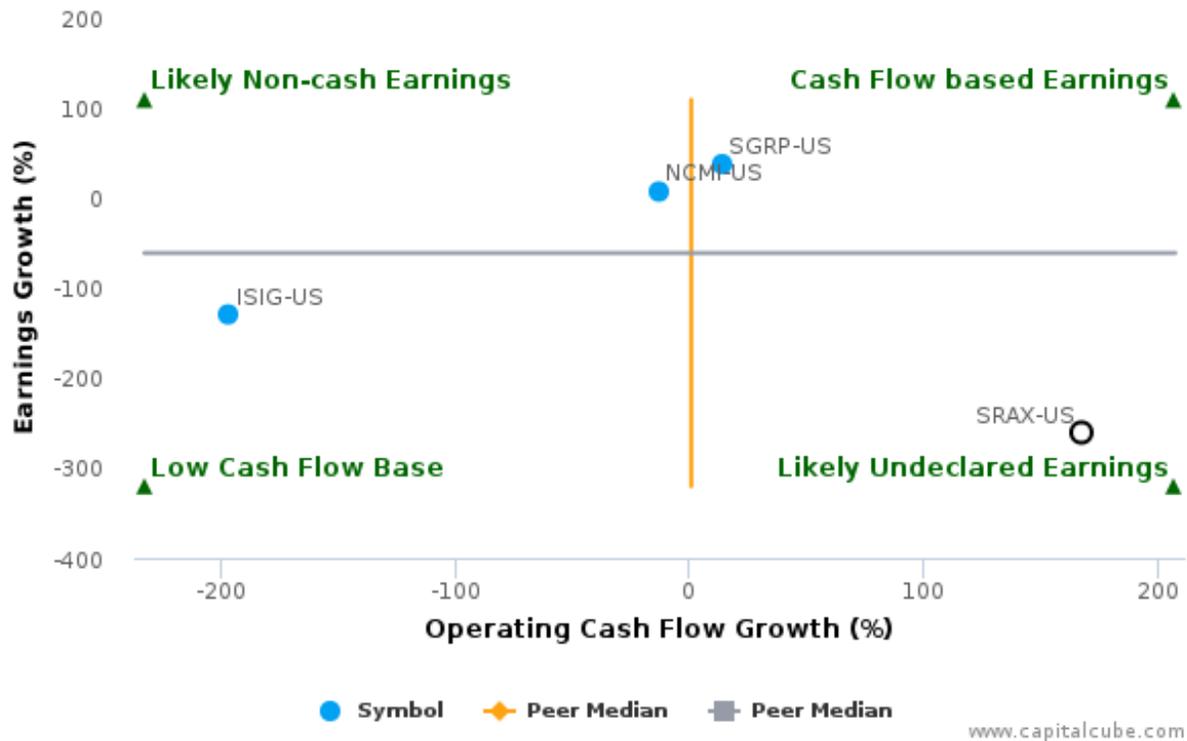
Quadrant label definitions. Hover to know more

Differentiated; Low Cost, Commodity; Low Cost, Commodity; High Cost, Differentiated; High Cost

Cash Versus Earnings – Sustainable Performance?

SRAX-US's change in operating cash flow of 167.17% 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



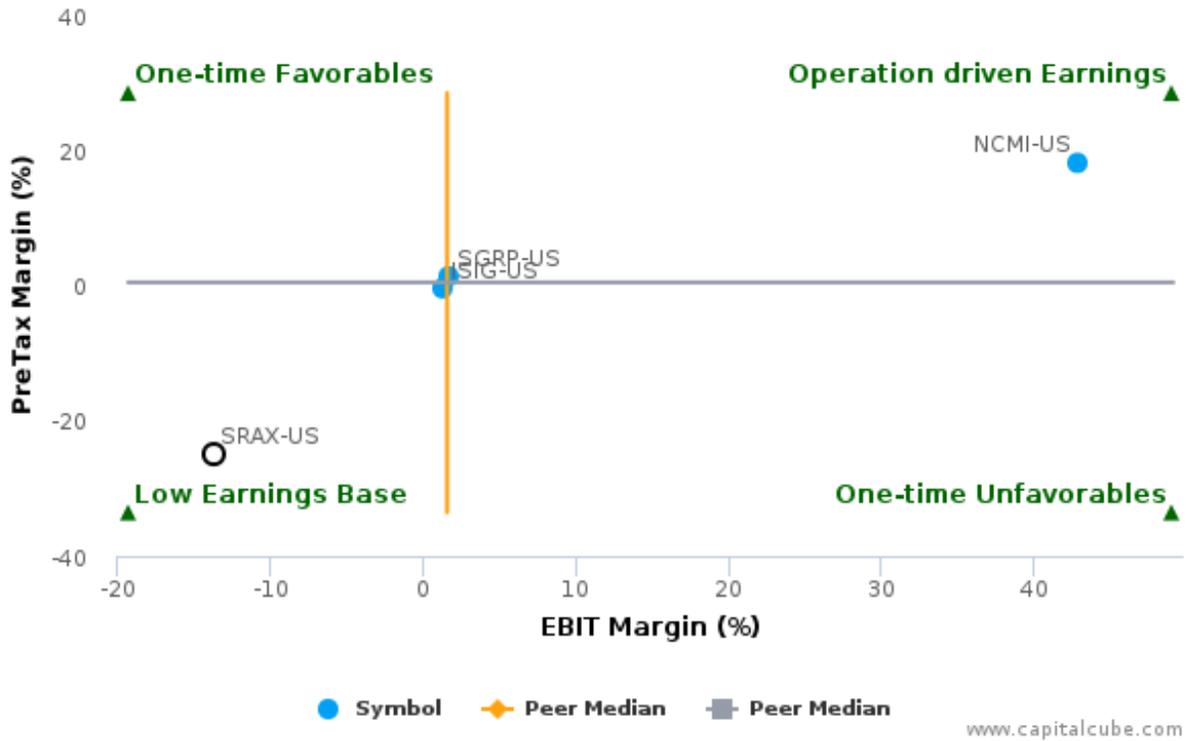
Quadrant label definitions. Hover to know more

Cash Flow based Earnings, Likely Non-cash Earnings, Low Cash Flow Base, Likely Undeclared Earnings

Margins

The company's decline in earnings has been influenced by the following factors: (1) Decline in operating margins (EBIT margins) from 4.63% to -13.72% and (2) one-time items that contributed to a decrease in pretax margins from -8.91% to -24.93%

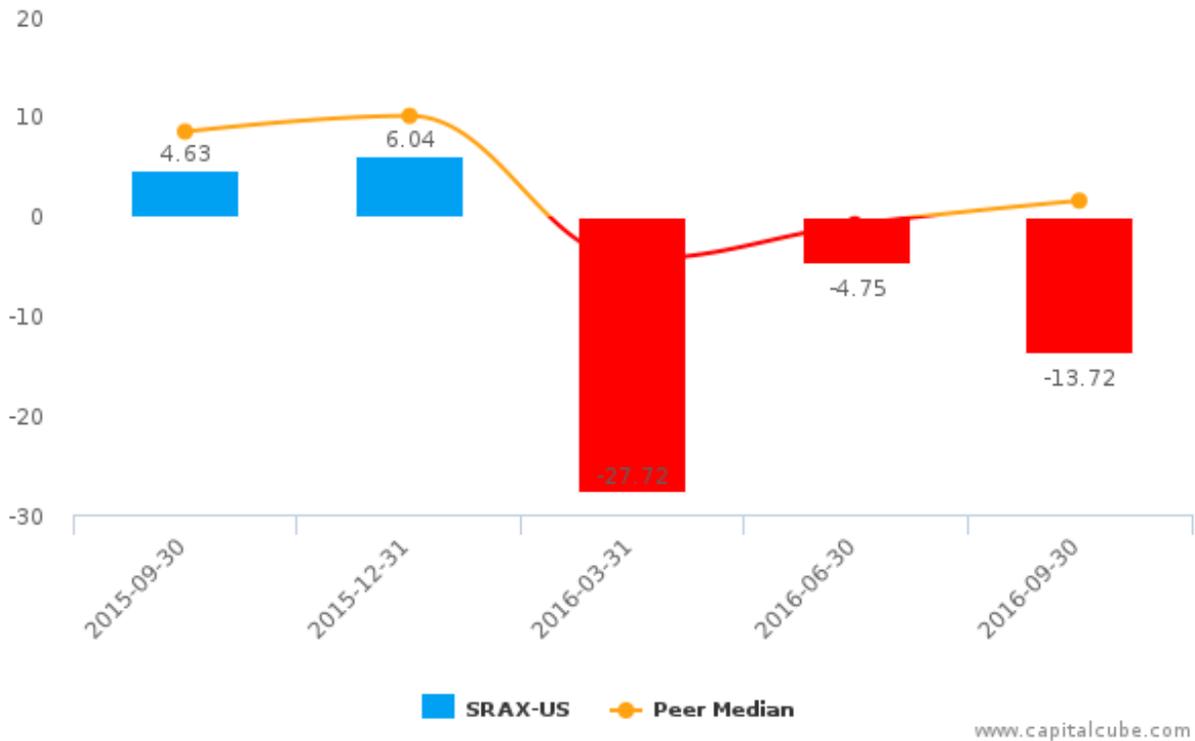
EBIT Margin Versus PreTax Margin

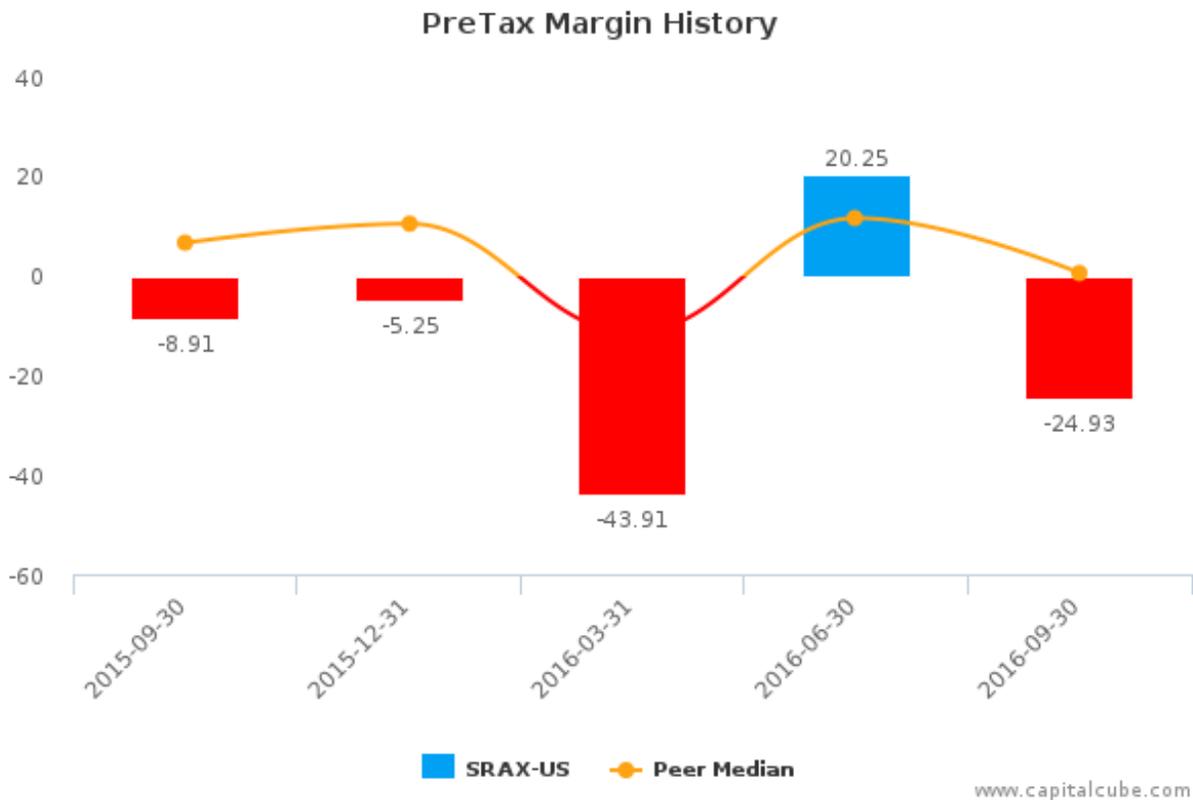


Quadrant label definitions. Hover to know more

Operation driven Earnings, One-time Favorables, Low Earnings Base, One-time Unfavorables

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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