
Analysts' Ideas of the Week – Shoal Games Licenses Rights to Garfield

www.researchfrc.com



Sid Rajeev, B.Tech, MBA, CFA
Head of Research

Shoal Games Licenses Rights to Garfield

Shoal Games Ltd. (TSXV: SGW) announced today that it has licensed the rights to Garfield, the iconic cartoon cat and the protagonist of the Garfield comic strips. Paws Inc. is the sole owner of the copyrights and trademarks of Garfield.

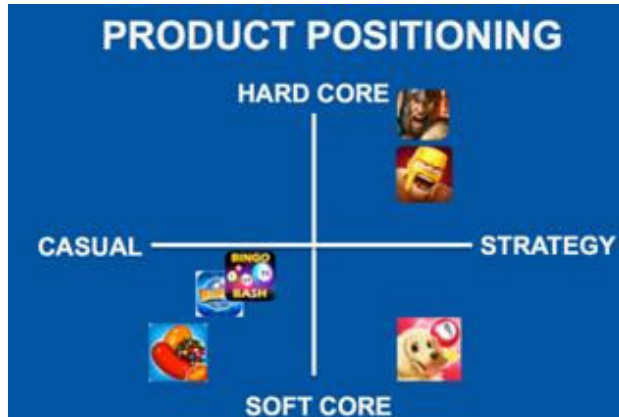
This deal allows Shoal Games to launch a mobile game that will feature Garfield and the rest of the famous Garfield cast. **Shoal estimates that the new Garfield Bingo game will be launched in late 2016.** According to management, the game will instantly appeal and capture the attention of the 17 million Facebook fans of Garfield. As a result, management expects much lower player acquisition costs for the new game. They estimate that the Garfield mobile apps have generated over 30 million downloads since inception.

The bingo market is currently dominated by two games – Bingo Bash and Bingo Blitz (Nasdaq: CZR), each with more than 1 million DAUs, and 4.5 million MAUs. These two games, we estimate, account for over 90% of the total market. **We consider management's plan to have a second bingo offering as a very strategic move to aggressively steal players from the competition.**

As per today's press release, Madelyn Ferris, VP Digital Marketing from Paws, commented that *"We chose Shoal Games to be the developer of Garfield Bingo because of their success with Trophy Bingo and commitment to quality software development and unique game design."* **This is a very encouraging sign and is a testament to the quality of Shoal's team.**

Shoal's management believes that an opportunity exists in this market for an innovative product that engages bingo players in new and challenging ways. They developed Trophy Bingo specifically to attain a significant share of this easily targeted market niche.

Shoal's plan with Trophy Bingo is to offer bingo players a new experience by incorporating strategy into game play. They believe that, after analyzing hundreds of different high performing games, they have been able to design a game that is unique, engaging, and incorporates the industry's best performing monetization techniques from other game categories.

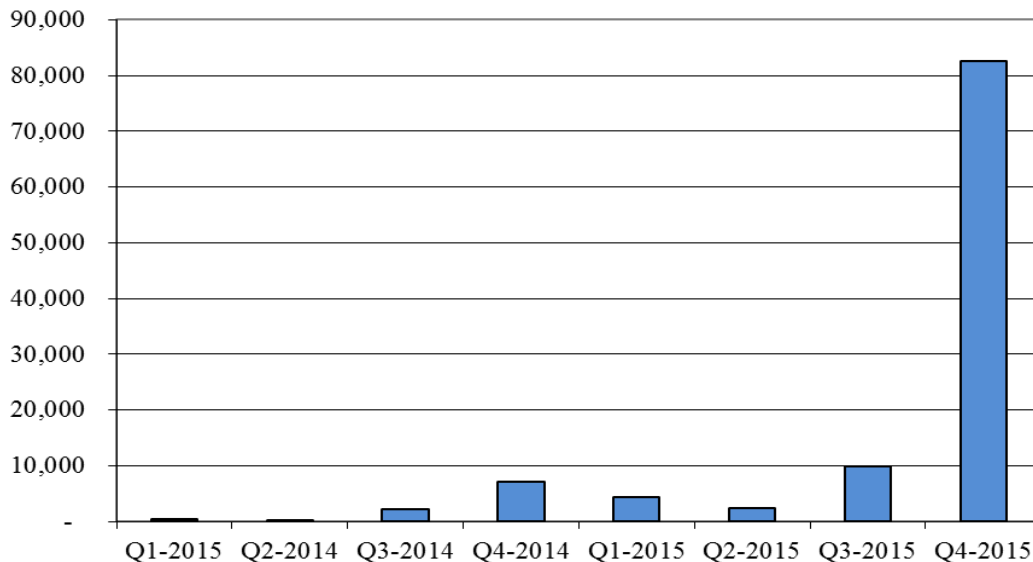


Source: Company

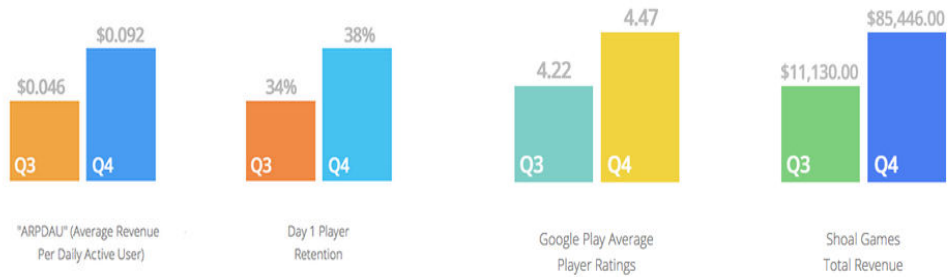
In 2015, the company generated US\$112k in revenues, US\$86k of which were reported in Q4. Since its launch, Trophy Bingo has been downloaded over 325,000 times, and currently has 18,000+ Daily Active Users (“DAU”) and 92,000+ Monthly Active Users (“MAU”).

The following chart shows the revenues since Trophy Bingo’s launch. In Q4-2015, Trophy Bingo’s revenues were US\$82,629 versus US\$9,914 in Q3-2015.

Quarterly Revenues



The following chart shows the Key Performance Indicators (“KPIs”) in Q4-2015 versus Q3-2015.



Source: Company

The company is currently pursuing a C\$2 million private placement by issuing up to 3.33 million common shares at C\$0.60 per share. Upon completing this financing, the company plans to pursue a rights offering to holders of the common shares, wherein shareholders will receive one right for each common share held. Ten rights will entitle the shareholder to purchase one common share at a specified exercise price within a fixed time period. The time period and pricing will be announced by the company within one month of closing of the current financing. The rights are expected to be listed on the TSX Venture Exchange. To further sweeten the offering to investors, shareholders who exercise all their rights will have the option to purchase additional shares at the same price without requiring the purchase of additional rights.

We have a BUY rating and a fair value of C\$1.60 per share on SGW’s shares.

Disclaimers and Disclosure

The opinions expressed in this report are the true opinions of the analyst(s) about any companies and industries mentioned. Any “forward looking statements” are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. Companies mentioned in this report may be covered by FRC under an issuer paid model or be candidates for coverage. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time. The performance of FRC’s research is ranked by Investars. Full rankings and are available at www.investars.com.

To subscribe for real-time access to research, visit <http://www.researchfrc.com> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company, industry, and/or stock’s performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report.

Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE’S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.