



POCKET GAMES, INC.

Exciting Play on Growth of Mobile Gaming Market

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POCKET GAMES, INC. (OTCPK – PKGM - Price -\$0.0637)	
Price Target: \$0.30	Rating: Speculative Buy

COMPANY PROFILE

Pocket Games, Inc. is a software development and testing company focused on full-spectrum game testing, the acquisition and growth of innovative IP in the video game space and, more recently, a provider of outsourced IT Services to business. Following its recent acquisition of *Idol Hands*, the Company continues to execute its expansion into the burgeoning video game industry in pursuit of innovative revenue streams.

KEY STATISTICS

Price as of 12/15/15	\$0.0637
52 Week High – Low	\$0.20 - \$0.02
Est. Shares Outstanding	23M
Market Capitalization	\$1.47M
3 Mo Avg. Vol.	70,000
Exchange	OTCPK

COMPANY INFORMATION

Pocket Games, Inc.
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 Suite 355
 Cedarhurst NY 11516

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INVESTMENT HIGHLIGHTS

Industry estimates suggest that mobile gaming revenue will grow by 38% from \$29 billion in 2015 to \$40.9 billion in 2018, led by growth in Asia. With exposure to the industry’s software development, testing, and distribution segments, Pocket Games appears well positioned to take advantage of this trend.

The Company has been extremely active in recent months, paving the way for a steady, diverse revenue stream. Pocket Games launched PC and Apple Mac versions of the popular *Idol Hands* game and will release a mobile version next year. Plus, the Company opened a new Indian testing center and signed testing services and IT contracts.

Pocket Games is in the early innings of a rollup strategy that targets the acquisition of complementary, revenue-generating businesses that could result in a \$3-5 million annual revenue run-rate in 2016. Part of the “East meets West” plan is to leverage Western developers with testing services and distribution in the East, where gaming revenue per user is among the highest in the world.

The pending Viximo acquisition places the Company at the intersection of the game development, social gaming platforms, and distribution segments and should raise Pocket Games’ profile. With an opportunity to reach a huge market of hard core users, Viximo provides a key software toolset and distribution opportunities for developers while sharing revenue with the developers and social gaming platforms.

In our view, Pocket Games provides a low-cost, low valuation, ground floor opportunity to take advantage of the huge growth in mobile gaming. As PKGM executes its rollup strategy, we believe the shares could reach the \$0.30 level next year. We rate PKGM Speculative Buy.

THE VIEW FROM 30,000 FEET

Through the targeted acquisition of revenue-generating companies in the software development and testing arenas, **Pocket Games, Inc. (OTCPK – PKGM)** seeks to emerge as a leading technology services company in the fast-growing, multi-billion dollar mobile gaming industry. Digi-Capital estimates suggest that mobile gaming revenue will grow by 38% from \$29 billion in 2015 to \$40.9 billion in 2018, led by growth in Asia which is forecasted to account for more than 50% of all revenue in 2018.

Figure 1: Idol Hands Screenshot
Source: www.PocketGamesInc.com



To date, the Company has acquired *Idol Hands*, a popular game for PCs and **Apple (NASDAQ – AAPL)** Mac that enables users to serve as “gods” that build and control their own worlds, launched a testing, IT support and development center, and will soon close the acquisition of Viximo, a company that connects game developers to social networks.

Idol Hands is a Strategy Game whereby the player takes the role of a God and gradually takes over a land, populates it with his people and builds farms, temples, garrisons and houses. Set in a tropical island world, the player has God-like powers over the land as well as having the responsibility to make sure his people prosper when faced with evil Gods from other worlds. . This concept is one of the most popular in the mobile gaming space

Originally developed in partnership with **Intel (NASDAQ – INTC)** and distributed as an OEM title with Creative Labs, PKGM acquired the title in 2014 and has improved the game experience for users.

The Company plans to introduce a mobile version in 2016.

The Company’s India-based testing services unit, Godspeed Gaming Solutions, was launched in mid-2015 and has already been awarded meaningful software services contracts, including a six-figure assignment from a multi-million dollar U.S.-based loyalty campaign services firm.

While management is still on the prowl for more complementary deals, the Company’s Viximo acquisition could ultimately serve as the key growth driver for Pocket Games. Viximo connects game developers to social networks through its write once, deploy everywhere platform. Once on boarded to the Viximo platform, social games can be deployed across several social networks, providing accelerated integration and user reach. The Viximo toolset then enables developers to increase user engagement and monetization.

Viximo offers a massive distribution opportunity for Western-based game developers on gaming platforms, including specializes, alternative arenas. For example, the total number of global aggregate users on non-Apple/Google (NASDAQ – GOOG) platforms is significantly greater than Apple & Google which have around 30% between them. Moreover, the targeted, tier two social network segment has more aggregate users than Facebook. Viximo provides a key software toolset including social sharing, push notification, translation, and distribution opportunities for developers while sharing revenue with the developers and social gaming



platforms. We estimate that a 30% share of the revenue generated via micro-transactions that occur in-game, along with advertising will be allocated to PKGM, with the balance divided between the developer and the platform provider. Given the strength of its offerings, management believes that Viximo is set to become the distribution of choice for Western-Based Android games developers seeking diverse revenue sources, from the East, where mobile gaming per user is growing at rates higher than the industry average.

RISKS

There are two types of risk associated with these shares: business risk and capital markets risk.

Given the early stage nature of the Company's businesses, the business risk includes delays in development of *Idol Hands* for the mobile market, inconsistent contract generation from the software services segment, slow starts to revenue generation or developer agreements on the Viximo side, and delays in closing new acquisitions and/or at favorable prices. Plus, there is risk that the consolidation of these prospective delays may become challenging. While the Company's approach differs from other, larger companies, and therefore Pocket Games does not necessarily go head-to-head against man of them, it is possible that larger players may seek to emulate the Company's model or enter the pace. In our view these risks are consistent with firms of the Company's size. However, we believe that the PKGM strategy is sound and that the risk/reward is in investors' favor.

Capital market risks include limited trading liquidity, volatility, and the fact that the Company is a relative unknown entity at this juncture. These characteristics are consistent with other, early stage technology firms trading in the OTC market where information is not as readily available as other stocks trading on senior exchanges

CONCLUSION

In our view, Pocket Games provides a low-cost, low valuation, ground floor opportunity to take advantage of the huge growth in mobile gaming. As PKGM executes its rollup and development strategies, it could achieve a revenue run-rate of \$3-5 million next year, driving the shares to the \$0.30 level next year. We rate PKGM Speculative Buy with a \$0.30 price target.

RECENT TRADING HISTORY FOR POCKET GAMES, INC.

(Source: www.Stockta.com)



Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 25 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

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