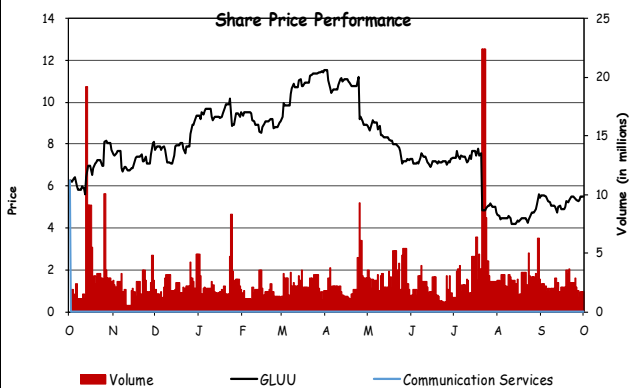


Glu Mobile Inc.	Symbol: GLUU
Analyst	Alexandros Giannakitsidis
Buy below	\$5.10
Sell above	\$7.03
Probability of Price Increase	99%
Last Price	\$5.47
Intrinsic Value	\$5.62
Target Dividends	\$0.00
Target Price	\$6.37



Description
 Glu Mobile Inc. develops, publishes, and markets a portfolio of free-to-play mobile games for the users of smartphones and tablet devices.

Sector Communication Services
Industry Entertainment
Last Guidance December 11, 2018
Next earnings date November 6, 2019

People
 de Masi, Niccolo, Executive Chairman
 Earl, Nick, President, CEO & Director
 Ludwig, Eric, Executive VP, COO & CFO
 Leichter, Scott, VP, General Counsel & Corporate Secretary
 Akhavan, Christopher, Chief Revenue Officer
 Lee, Gordon, VP of Accounting & Principal Accounting Officer

Top Competitors

SciPlay Corporation	Carbonite, Inc.
A10 Networks, Inc.	Monotype Imaging Holdings Inc.
Zynga Inc.	Shutterstock, Inc.
Blucora, Inc.	--
MobileIron, Inc.	Quotient Technology Inc.

Market Statistics

Market Capitalization (mil)	\$797.99
Last Price per share	\$5.47
52 week high	\$11.75
52-week low	\$4.11
Volatility	58.97%
Daily volume (mil)	1.74
Short interest	6.79%
Days to cover short interest	3.11
Beta	1.23

Financials

Profitability	GLUU (LTM)	GLUU Historical	Peers' Median (LTM)
Return on Capital	12.5%		
Adjusted EBITDA Margin	10.0%	32.41%	62.55%
Return on Equity	5.1%		
Adjusted Net margin	2.9%		

Invested Funds

GLUU (LTM)	GLUU Historical	Peers' Median (LTM)
Cash/Capital	53.4%	0.0%
NWC/Capital	25.6%	0.0%
Operating Assets/Capital	93.2%	0.0%
Goodwill/Capital	62.4%	0.0%

Capital Structure

GLUU (LTM)	GLUU Historical	Peers' Median (LTM)
Total Debt/(Market Cap.+ Other Claims on Capital)		
Minority Interest/(Market Cap.+ Other Claims on Capital)		
Preferred Equity/(Market Cap.+ Other Claims on Capital)		
CGFS Credit Rating	C	CC
Credit Rating Model	d to ccc+	b- to b
Probability of Default Model	bbb-	bb to bb+
Likely Current Cost of Debt	0.00%	5.27%
Likely Current Cost of Equity (Cost of Debt + MRP)	6.74%	12.01%
Likely Current WACC	12.00%	12.0%

Investment Thesis

UNIQUE LONG-TERM GROWTH PROSPECTS AND CONSUMER INTEREST

I am initiating coverage of GLU Mobile Inc. with a BUY limit order at \$5.10 and a \$6.37 price target. I think that GLU Mobile has a unique business model that benefits from the increase in the use of cellular phones and benefits from the increase in casual mobile gaming and the growth of the gaming industry in general. All of their games are on platforms like Google Playstore and Apple App store. Currently the stock is undervalued in my opinion due to lower guidance based on news of new game releases being pushed back a quarter. While being a company that is still growing at an high rate with a growing industry provides a unique chance to invest into a stock that has a chance for high returns. GLUU is valued based on two specific metrics, which is average daily users and average daily bookings. One measures the amount of people who constantly play their games and the other metric measures the average amount spent by players in-game. Average bookings per daily user has seen a steady increase of 5-10% quarter over quarter. GLUU has several patents for certain games, which have an average life of 5 years. I believe that GLUU will create value to stockholders once they release Deerhunter and Disney games slated for 2020. GLUU also accounts for 15% of ad revenue. I believe the GLUU is one of the few competitors in this space that offers a high growth potential due to their partnerships and patents for certain games as well as a general increase in the population of mobile gamers due to increased phone sales and industry growth.

For the long:

1. New game releases as well as continued consumer interest in current growth and catalog titles:
 GLUU has fallen drastically over the last 12 months, not due to any poor performance in their financials or industry risks, but due to the fact that they had to push back their game releases of DeerHunter and Disney Sorcerer's Stone. With the news that these games had fallen behind in production management called for a lower guidance that stockholders were not pleased with. My belief is that once these titles will be released the stock will bounce back from these inconsistencies in price as the company has seen growth in revenue of 30-40% for the last three years with having 4 quarters of positive earnings results. The sustainability of the catalog titles like Diner Dash and Kim Kardashian Hollywood will provide a stable base for growth along with their growth titles that have higher returns. My believe is that the stock will correct by about 50-100bps ounce games have been released into the market.
2. Growth in Iphone and Google playstore users during seasons like Christmas could see a growth in daily users:
 With the growth in cellular users and the tendency for people to buy new phones during holiday seasons provides the chance at the moment to buy GLUU before a good revenue session for the company as users start to fill their phone with apps and games.
3. Completion of a new headquarters providing less costs of producing games:
 GLUU has recently completed a new headquarters in San Francisco. This will be beneficial as they are now able to pool most resources into one centralized locations as well as lowering their lease requirements. Overall the company will benefit from the lower cost of production and maximizing their profits.
4. Maintaing sustained partnerships and deals with large companies like WWE and DISNEY
 GLUU produces many games for large brand names like MLB, WWE, and DISNEY. This provides value to the company itself and has a direct affect on their bottom line. Maintaing these relationships and releasing new content will help the stock increase in price when titles like these are released by 50bps annually.

For the short:

1. Fail to timely develop and publish new high quality games and failing to continually enhance current games:
 The current product cycle for GLUU has the company releasing a certain amount of high profile games a year, but if they were to fail behind schedule like now for example the stock price may see a downward turn. As well as not providing new content to existing games like previously with another title could cost the company dearly.
2. Reliance on a very small portion of total players for nearly all of their revenue:
 GLUU markets free to play games with in-app purchases meaning that most of their revenue comes from in-game purchases by players. Most people don't buy virtual goods meaning that if there is a downturn in the economy or lower consumer spending a GLUU would suffer greatly

Key Catalysts for price change

- Average Daily users and average bookings per daily average users
- Growth in cell-phone use
- Creating value in their growth games as well as maintaining their catalog titles and maintain key partnerships

Valuation

My \$6.37 price target is derived from Discounted Unlevered Free Cash Flow estimates.

Ownership

	Change in Ownership (over the past 12 months)	
Shares outstanding (mil)	145.88	
Weighted Diluted shares outstanding (mil)	151.27	
Options and Warrants (Shares equivalent)	15.01	
% shares held by institutions	67%	12.61%
% shares held by investments Managers	51%	12.31%
% shares held by hedge funds	12.81%	-4.27%
% shares held by VC/PE firms	0.038%	0.24%
% shares held by insiders	1.73%	-4.69%
Poison Pill and Type	NONE	

Quarterly Earning Surprises (Actual/Median Estimates)

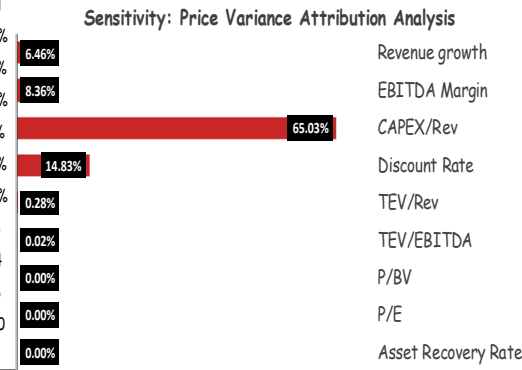
Revenue	Last 5 quarters
6/30/2018	\$360.772 (-1.3%)
9/30/2018	\$397.14 (3.8%)
12/31/2018	\$382.56 (-0.5%)
3/31/2019	\$383.54 (6.9%)
6/30/2019	\$382.16 (-5.5%)
History:	Last 10 years
Mean Surprise	1.28%
99th percentile "surprise" range	-22% to 25%
EBITDA	Last 5 quarters
6/30/2018	\$-5.652 (-117.1%)
9/30/2018	\$20.172 (-50.3%)
12/31/2018	\$2.12 (-95%)
3/31/2019	\$9.568 (-68.5%)
6/30/2019	\$16.128 (-47.3%)
History:	Last 10 years
Mean Surprise	106.27%
99th percentile "surprise" range	-510% to 723%

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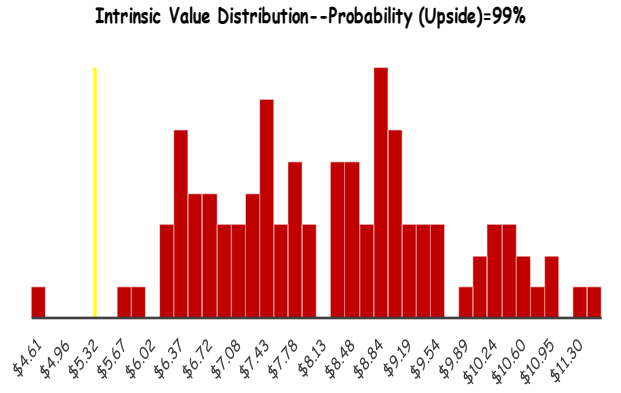
Cost of Capital Estimates			
	CGFS Credit Rating	Credit Rating Model	Probability of Default Model
Implied Cost of Borrowing (GLUU)	6.5%	7.7%	4.9%
Implied Cost of Borrowing (Peers)	5.8%	6.1%	5.7%
	Base Year	Explicit Period (15 years)	Continuing Period
Cost of New Debt Estimate	7.70%	7.70%	7.70%
Country Risk Premium Estimate	6.74%	6.74%	6.74%
Cost of Equity Estimate	14.44%	14.44%	14.44%
WACC Estimate	14.07%	14.07%	14.07%

Forecast Assumptions						
Fiscal Year	Revenue Growth	EBITDA Margin	CAPEX/Revenue	DPR/CAPEX	Other	
Base Year (Actual)	21.74%	7.1%	0.9%	0.87	SBC/Revenue 5.64%	
year 1	10.00%	8.0%	1.1%	0.85	Constant/same as LTM	
year 2	25.00%	10.0%	1.0%	0.86	Lease term 5	
year 3	30.00%	15.0%	1.0%	0.79	Rent Expense/Revenue 1.58%	
year 4	25.00%	12.0%	0.9%	0.80	Tappers off to historical average	
year 5	-5.00%	14.0%	0.9%	0.80	R&D life 1	
year 6	20.00%	12.0%	0.8%	0.85	R&D Expense/Revenue 21.91%	
year 7	30.00%	10.0%	0.7%	0.85	Constant/same as LTM	
year 8	25.00%	10.0%	0.7%	0.88	LIFO Reserve Tappers off to zero	
year 9	25.00%	10.0%	0.7%	0.90	Non-operating pension costs Tappers off to zero	
year 10	-8.00%	8.0%	0.7%	0.90	Net financing pensions costs Tappers off to zero	
year 11	20.00%	8.0%	0.6%	0.92	Overfunded pension plans Tappers off to zero	
year 12	20.00%	7.0%	0.6%	0.94	Capitalized interests Constant/same as LTM	
year 13	20.00%	7.0%	0.5%	0.95	Dividends/Revenue 0.00%	
year 14	20.00%	6.0%	0.5%	0.97	Tax Rate 26.10%	
year 15	18.00%	6.0%	0.5%	0.99		
Continuing Period	2.52%	6.0%	1%	1.00		

Simulation Assumptions					
Random Variables	Distribution Assumption	MAX	Likely	MIN	
Deviations in annual Revenue Growth--Expl. Per.	Triangular	10.00%	0%	-5.00%	
Deviations in annual Revenue Growth --Cont. Per.	Normal	1.52%	0%	-1.52%	
Deviations from EBITDA Margin base annual estimates	Triangular	9.00%	0%	-4.00%	
Deviations from CAPEX/Revenue base annual estimates	Triangular	1.91%	0%	0.38%	
Deviations from Kd base annual estimates	Triangular	5.80%	0%	-1.20%	
Deviations from CRP base annual estimates	Triangular	1.36%	0%	-2.38%	
Deviations from TEV/Revenue base estimate	Triangular	1.76	0%	-1.63	
Deviations from TEV/Revenue base estimate	Triangular	49.89	0%	-7.94	
Change in P/BV (TTM)	Triangular	16.65	0%	-1.88	
Change in P/E (FW)	Triangular	60.00	0%	-15.50	
Recovery Rate	Triangular	10.00%	0%	-10%	



Valuation			
DCF Valuation			
	Base	Explicit Period (Average)	Continuing Period
Revenues	\$386.35	\$1,735.21	\$4,613.19
EBITDA Margin	10%	10%	6%
UFCF	\$50.12	\$123.73	\$268.89
WACC	14.07%	14.07%	14.07%
ROIC	12.54%	29.44%	19.71%
Relative Valuation			
	Median Justified Multiple	Basis	Implied Equity Value
EV/Rev (FW)	1.6x	\$456.71	\$797.49
EV/EBITDA (FW)	10.1x	\$39.59	\$448.37
P/BV (TTM)	3.4x	\$280.47	\$939.74
P/E (FW)	18.3x	\$28.86	\$526.70



Asset Based Valuation		Valuation Summary			
Recovery Rate	60%	Intrinsic Value	Target Price	Model Weight	
Capital	\$1,096.88	DCF Valuation	\$ 8.37	\$ 9.33	50%
Intangibles	\$123.06	EV/Rev (FW)	\$ 4.80	\$ 5.47	25%
Claims	\$56.98	EV/EBITDA (FW)	\$ 2.70	\$ 3.08	25%
Implied Equity Value	\$527.31	P/BV (TTM)	\$ 5.65	\$ 6.45	0%
		P/E (FW)	\$ 3.17	\$ 3.61	0%
		Asset Based Valuation	\$ 3.17	\$ 3.62	0%
		Price per Share	\$ 6.06	\$ 6.80	100%