

SUPERSEDED — NOT THE CURRENT CALL

This May 9, 2026 report is no longer current. Microcap Research has since changed its rating on East Side Games Group Inc. (EAGR) from Spec. Buy to Avoid, with a C\$0.06 price target, in the Aug 14, 2026 update.

Current report: <https://microcapresearch.ca/reports/eagr-east-side-games-group-inc-2026-q2update>

East Side Games Group Inc.

TSX: EAGR · TECHNOLOGY / MOBILE GAMING · MAY 9, 2026

RATING	12-MO TARGET	AT PUBLICATION	IMPLIED UPSIDE	MARKET CAP
Spec. Buy	C\$0.30	C\$0.11	173%	C\$8.5M (basic) / C\$15.8M (FD post-financing)

Bottom line: Microcap Research rates East Side Games Group Inc. (TSX: EAGR) Spec. Buy with a 12-month price target of C\$0.30, about 173% above the C\$0.11 share price at publication on May 9, 2026. Market capitalisation at publication: C\$8.5M (basic) / C\$15.8M (FD post-financing).

Distressed pricing on a recapitalized turnaround: stock is down 78% YoY, but management has issued explicit 2026 guidance of C\$50–56M revenue and C\$7.5–10M Adj. EBITDA — a >9x EBITDA reset versus FY2025's C\$0.79M. A May 2026 C\$3.5M private placement (with a director writing a C\$1M cheque at the bottom and a >50% controlling CEO supporting dilution) repays RBC and clears the covenant overhang. Pro forma EV of ~C\$17M values the business at just 2.0x guided 2026E Adj. EBITDA — versus 4.7x for Western mobile peers.

KEY STATISTICS — AS OF MAY 9, 2026

Market Cap (FD)	C\$15.8M
EV / 2026E Revenue	0.33x
EV / 2026E Adj. EBITDA	2.0x
Revenue (FY2025)	C\$77.6M
Adj. EBITDA (FY2025)	C\$0.79M
Gross Margin	61.4%

CONTENTS

01	Executive Summary	2
02	Company Overview	2
03	Investment Thesis — Five Pillars	3
04	Financial Summary	4
05	Valuation	5
06	Key Risks	5
07	Conclusion	6

Executive Summary

East Side Games Group Inc. (TSX: EAGR) is a Vancouver-based free-to-play mobile gaming publisher operating a portfolio of 14+ live-service titles built around licensed IP — including Trailer Park Boys, RuPaul's Drag Race, The Office, Star Trek: Lower Decks, Doctor Who, Power Rangers, AEW, and Squishmallows — alongside owned IP such as Bud Farm and Milk Farm Tycoon. The Company generated C\$77.6M in FY2025 revenue at a 61.4% gross margin, with 196,401 daily active users and ARPDau of C\$1.09.

The setup is unusual. Stock is down approximately 78% over the past twelve months following a failed 2025 growth strategy that consumed cash, breached debt covenants, and culminated in a comprehensive operational reset. Management responded in December 2025 by executing a hard pivot back to profitability — the same playbook ESGG ran successfully in 2023, which produced C\$11.6M Adj. EBITDA on C\$83.1M revenue in FY2024. Management has now issued explicit FY2026 guidance of C\$50–56M revenue and C\$7.5–10M Adjusted EBITDA, implying a 15–18% margin and a >9x increase in Adj. EBITDA off a low FY2025 base.

On May 1, 2026, the Company announced a C\$3.5M private placement at C\$0.11/unit (one share + one full warrant at C\$0.14, three-year term), with director Derek Lew personally subscribing for C\$1.0M. Proceeds will repay RBC indebtedness and reduce pro forma net debt to approximately C\$1.6M, materially de-risking the going-concern overhang. CEO Jason Bailey, who controls more than 50% of outstanding shares, provided written consent in lieu of a shareholder vote — the strongest possible insider endorsement of the financing.

We initiate coverage with a **Speculative Buy** rating and a 12-month price target of C\$0.30, representing approximately 173% upside from current levels. Pro forma for the May 2026 financing, EAGR trades at roughly 2.0x management's 2026E Adj. EBITDA midpoint (C\$8.75M) and 0.33x guided revenue — a multiple appropriate for a distressed liquidation, not a recapitalized company executing a proven turnaround playbook with insider capital alongside.

Company Overview

ESGG (formerly Leaf Mobile, formerly Caprice Business Development) is the parent of two operating studios — Eastside Games Inc. ("ESG") and LDRLY (Technologies) Inc. — and operates approximately 100 employees from headquarters in Vancouver, British Columbia. The Company monetizes through in-app purchases (IAP) of virtual goods and in-game advertising, distributed primarily through Apple's App Store and Google Play. Three Tier-1 platform partners and advertisers concentrate 75% of trade receivables.

The Company's competitive moat — to the extent it has one — sits in three layers:

- **GameKit (proprietary platform):** An internally-developed gametech framework that lets developers ship narrative-driven idle and match games faster and at lower cost than building from scratch. Three of the top five revenue-generating titles launched in the past four years are GameKit products, validating product-market fit. ESGG also licenses GameKit externally to partner studios.
- **Licensed IP catalog:** A multi-year roster of partnerships including NBC Universal (The Office), CBS Viacom (Star Trek), BBC Studios (Doctor Who), Hasbro (Power Rangers), World of Wonder (RuPaul's Drag Race), Jazwares (Squishmallows), AEW, Cheech & Chong, and Trailer Park Boys. These deals are difficult for new entrants to replicate at micro-cap scale.
- **Owned IP (Bud Farm / Milk Farm franchises):** No royalty obligations, full economic upside, and proven longevity — Bud Farm Idle Tycoon has been live for over seven years.

Revenue mix is approximately 70% IAP / 30% advertising, distributed across iOS and Android globally with concentration in North America and Europe. The Company does not disclose individual title economics due to partner confidentiality, but ARPDau of C\$1.09 (Q4 2025, +12% Q/Q and +8.6% YoY) sits well above the casual mobile industry average and is a key indicator that the user base is high-quality even as DAU has compressed.

Investment Thesis — Five Pillars

1. THE 2026 GUIDANCE IS CONCRETE AND IMPLIES A >9X EBITDA RESET

Management issued formal FY2026 guidance on March 31, 2026: revenue of C\$50–56M and Adjusted EBITDA of C\$7.5–10M, implying a 15–18% margin. At the midpoint, Adj. EBITDA grows from C\$0.79M (FY2025) to C\$8.75M (FY2026E) — an order-of-magnitude reset rather than incremental improvement. Three concrete cost actions underpin the guide:

First, a Q1 2026 reduction in force, project cancellations, and the in-housing of live operations on a core game (previously outsourced to Night Garden) — collectively expected to deliver approximately C\$4M CAD in annualized operating savings. Second, a shortened user acquisition payback window from 365 days to 60 days, reducing speculative UA spend that drove the FY2025 cash burn. Third, off-platform payments (OPP) are now routing approximately C\$1.0M of Q1 2026 revenue around Apple/Google's 30% platform fee — a 240% Q/Q increase that translated to C\$0.24M of bottom-line benefit in a single quarter, with management guiding 10–15 percentage points of incremental margin on shifted volume.

Critically, this is not the first time ESGG has executed this playbook. In Q3 2023 the Company pivoted from growth to profitability and delivered C\$11.6M Adj. EBITDA on C\$83.1M revenue in FY2024 — a 14% margin. The 2026 guidance midpoint (16.5%) sits modestly above that prior outcome, which is achievable on a smaller, restructured cost base.

2. THE MAY 2026 FINANCING DE-RISKS THE SOLVENCY OVERHANG

On May 1, 2026, ESGG announced a non-brokered private placement of 31,818,182 units at C\$0.11 each — one common share plus one three-year warrant exercisable at C\$0.14 — for gross proceeds of up to C\$3.5M. Director Derek Lew personally subscribed for C\$1.0M (9.09M units), and CEO Jason Bailey, who holds more than 50% of outstanding shares, provided written consent in lieu of a shareholder vote. Proceeds will be used primarily to repay Royal Bank of Canada indebtedness, reducing pro forma net debt from C\$4.9M to approximately C\$1.6M.

This matters because Q4 2025 Funded Debt covenants were offside, and management was actively negotiating a tolerance letter with RBC — a clear going-concern flag at the time. Paying down RBC eliminates the most acute near-term risk to the equity, removes the threat of a forced liquidity event, and gives management runway to execute the operational pivot without a creditor renegotiation hanging over the business.

The terms are dilutive — basic share count rises from 76.9M to ~110.1M (+43%), and fully diluted to ~143.2M (+86%) if all warrants and broker warrants are exercised. But dilution is what enabled the recap rather than a far worse outcome (rescue financing at deeper discount, or distressed asset sale). The C\$0.11 unit price matched the market price; the C\$0.14 warrant strike represents only a 27% premium to the placement price and a 2.5% discount to the five-day VWAP.

3. INSIDER CONVICTION IS SUBSTANTIAL

The signal-to-noise ratio in the May 1 announcement is unusually high. A sitting director writing a personal C\$1.0M cheque at C\$0.11/share is approximately 60% of his pre-deal share value (he held 1.67M shares ≈ C\$184K) being committed at the bottom. Post-deal, on a partially diluted basis Mr. Lew would hold 9.89% of the Company, rising to 16.84% on full warrant exercise — an unusually large position for a non-founding director.

CEO Jason Bailey's >50% controlling stake is itself a material datapoint missing from most third-party coverage. Bailey sits in a position where he could have sought a take-private transaction at distressed prices; instead, he chose to support a public-market recapitalization that brings in outside capital alongside his own holdings. The willingness to accept dilution rather than pursue privatization at C\$0.11 implies management views the equity as materially undervalued at these levels.

Insider buying at the bottom is among the most reliable contrary indicators in microcap investing — particularly when the buyer is putting up cash rather than receiving stock-based compensation.

4. THE CORE PORTFOLIO IS A REAL CASH-GENERATING ASSET

Outside of new game launches, ESGG's established live-service portfolio continues to generate profitable cash flow. CFO Jason Chan stated on the Q4 2025 call that the core portfolio operates at approximately 14% margins — consistent with the FY2024 corporate-level outcome and well above what the failed 2025 growth bets contributed. ARPDau of C\$1.09 and a 25.0% DAU/MAU stickiness rate indicate a loyal, monetizing user base. Q4 2025 saw a 12% Q/Q ARPDau increase even as DAU softened.

Three of the top five titles (RuPaul's Drag Race Superstar, The Office: Somehow We Manage, Milk Farm Tycoon) launched within the last four years, so this is not a portfolio entirely dependent on legacy hits — though 2017's Trailer Park Boys: Greasy Money and 2019's Bud Farm Idle Tycoon remain meaningful contributors. Two new Match-3 titles launched in 2025 (RuPaul's Drag Race Match Queen, June 2025; Squishmallows Match, September 2025), the former delivering the highest ARPDAU in the entire portfolio. The Company is also exploring connected-TV and PC/console-portable titles, opening optionality beyond mobile-only distribution.

The decline in DAU (-11% YoY) reflects a discovery and acquisition problem in a saturated mobile market, not a product-quality problem. This is the precise issue the strategic pivot is designed to address by harvesting the existing portfolio rather than chasing new-user growth.

5. VALUATION IS DISTRESSED-PRICING FOR A RECAPITALIZED BUSINESS

At C\$0.11 per share, EAGR's pro forma enterprise value (using ~143M fully diluted shares plus ~C\$1.6M net pro forma debt) is approximately C\$17.4M. That values the business at:

- **0.22x trailing revenue** (C\$77.6M FY2025)
- **0.33x guided 2026E revenue** (C\$53M midpoint)
- **~2.0x guided 2026E Adj. EBITDA** (C\$8.75M midpoint)
- **~22x trailing Adj. EBITDA** (the metric the market is pricing off)

The disconnect is between trailing and forward multiples. Western mobile gaming peers (per Equidam 2025 sector analysis) trade at approximately 4.7x forward EV/EBITDA. Diversified gaming companies trade at 13.8x. Stillfront trades at roughly 4–5x; Embracer Group at 5x. Even applying the lowest peer multiple (4.7x) to 2026E midpoint EBITDA implies an enterprise value of C\$41M, more than 2x the current pro forma EV. EAGR is being priced as if 2026 guidance is fictional. The cost actions, OPP rollout, Google fee reduction (effective June 30, 2026, worth approximately C\$0.5M annually), and prior-cycle execution evidence collectively suggest otherwise.

Financial Summary

METRIC	FY2024	FY2025	YOY CHANGE
Revenue (C\$M)	83.12	77.58	-6.7%
Gross Profit (C\$M)	50.77	47.67	-6.1%
Gross Margin	61.1%	61.4%	+30 bps
Adj. EBITDA (C\$M)	10.10	0.79	-92.2%
Net Income / (Loss) (C\$M)	(0.93)	(18.94)	n/m
DAU (avg)	234K	209K	-10.7%
ARPDAU	C\$0.99	C\$1.02	+3.0%
Net Debt (C\$M)	(7.6)	4.9	n/m

Note: FY2024 Adj. EBITDA figure of C\$10.10M reflects the comparative as restated in the FY2025 audited financial statements (vs. C\$11.63M originally reported in the FY2024 MD&A). FY2024 net debt is shown as a negative figure to indicate net cash position.

QUARTERLY (C\$M)	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Revenue	18.54	19.22	20.05	19.76
Gross Profit	11.04	11.93	12.49	12.20
Adj. EBITDA	1.99	1.55	(2.96)	0.29
Adj. EBITDA Margin	10.7%	8.1%	(14.8%)	1.5%

Q3 2025 reflects peak UA investment ahead of the Squishmallows Match launch (September 1, 2025); Q4 returned to positive Adj. EBITDA as the strategic pivot took effect.

Valuation

We value EAGR on a forward EV/Adj. EBITDA basis, anchoring on management's stated 2026E guidance midpoint of C\$8.75M. We use a fully diluted share count of approximately 143.2M (post-financing, post-warrant exercise) to be conservative on dilution, and pro forma net debt of approximately C\$1.6M (after C\$3.5M placement repays a portion of RBC indebtedness). Western mobile gaming peers including Stillfront, Embracer's mobile segment, and MAG Interactive currently trade at approximately 4.7x forward EV/EBITDA per available sector data; diversified gaming companies (Take-Two, Electronic Arts, NetEase) trade considerably higher at 9–14x. We apply a 5.0x multiple in our base case — a modest premium to the Western mobile median to reflect the recently de-risked balance sheet and credible cost-cut execution path, but a discount to diversified peers given EAGR's smaller scale, declining DAU, and the residual execution risk on guidance.

SCENARIO	BASIS	PRICE / SHARE	VS. CURRENT
Bear Case	Guidance miss; 2.5x on C\$4M EBITDA, +C\$2M debt	C\$0.04	-64%
Base Case	5.0x on C\$8.75M 2026E Adj. EBITDA midpoint	C\$0.30	+173%
Bull Case	6.0x on C\$10M 2026E Adj. EBITDA high end	C\$0.41	+273%
Strategic Reference	Insider warrant strike (Derek Lew, May 2026)	C\$0.14	+27%

Note: All scenarios use ~143.2M fully diluted shares. The bear case assumes 2026 Adj. EBITDA falls to approximately C\$4M (mid-FY2024 level adjusted for smaller cost base), additional debt is taken on, and the market applies a distressed multiple. Even the bear outcome is not zero — the core portfolio retains liquidation/cash flow value.

Key Risks

- Guidance Execution Risk (HIGH):** The entire investment case rests on management delivering 2026 Adj. EBITDA of C\$7.5–10M against C\$0.79M trailing. Cost cuts of C\$4M annualized, OPP rollout, and Google's tiered fee reduction (effective June 30, 2026) are visible levers, but DAU has been declining double-digits YoY and 2026 revenue is guided down 28–36% from 2025. Margin must therefore expand from 1% to 15–18% on a smaller base. Management has executed this pivot once before (2023→2024), but a second miss would likely trigger covenant action and further dilution.
- Truly Social Games Litigation (HIGH):** Outstanding British Columbia litigation with Truly Social Games LLC has a trial date set for May 2026. While the U.S. District Court of Oregon dismissed TSG's parallel claim in December 2023, an adverse outcome in BC could result in material damages. Litigation costs already contributed to the Q4 2025 covenant breach.
- Severe Illiquidity / Microcap Risk (HIGH):** Pro forma fully diluted market cap is approximately C\$15.8M with average daily trading volume in the low tens of thousands of shares. The four-month statutory hold on placement units will create a meaningful supply overhang in September 2026 when those shares become tradeable. Position sizing should be small, and exit liquidity is limited.
- Continued Covenant Risk (MEDIUM):** The May 2026 financing reduces but does not eliminate RBC exposure. Management has indicated it will request additional accommodations from RBC for Q2 2026 as restructuring continues, and a temporary debt increase is planned in Q1 2026 for severance and litigation costs. Any Q2 covenant denial would re-introduce solvency risk.

- **Platform Dependency (MEDIUM):** Three Tier-1 platforms and advertisers concentrate 75% of receivables. While Apple and Google fee reductions are tailwinds in 2026, any material change in platform policies (algorithmic discoverability, IDFA-style privacy changes, terms of service) could compress the core portfolio's economics. The off-platform payment thesis itself depends on the persistence of recent court rulings — appellate reversals are possible.
- **Controlling Shareholder Concentration (MEDIUM):** CEO Jason Bailey holds more than 50% of outstanding shares. While alignment is positive in the current setup, minority shareholders have limited ability to influence outcomes, including any future privatization, asset sale, or strategic transaction. Future financings could be structured at terms that further dilute minorities without independent shareholder approval.

Conclusion

EAGR is a binary microcap recapitalization story dressed up in a complicated narrative. Strip away the noise — the 2025 growth strategy that consumed cash, the covenant breach, the 80% drawdown, the 86% prospective dilution — and what remains is a recapitalized free-to-play mobile gaming business with C\$77M of trailing revenue, real and demonstrably loyal users, a proven prior-cycle pivot to profitability, explicit forward guidance backed by visible cost-action levers, and a director writing a C\$1M cheque at the bottom alongside a >50% controlling CEO who chose dilution over privatization.

The bear case is real and we have not minimized it. Guidance execution is the entire thesis; a second miss after 2025 would be punishing, and the litigation tail is unresolved. But the share price is already discounting failure. At ~2.0x guided 2026E Adj. EBITDA — when even the lowest-quality Western mobile peers clear 4–5x — the market is pricing a liquidation that the May financing has substantially walked back. Insiders have separately demonstrated that they disagree with the market's assessment by deploying personal capital alongside outside subscribers at C\$0.11 with warrants struck only modestly above that level.

At C\$0.11 per share and approximately C\$15.8M fully diluted market cap, the market is granting EAGR no credit for the strategic pivot, no credit for OPP-driven margin expansion, no credit for Google's tiered fee reduction effective June 30, 2026, and no credit for the second-time execution of a playbook the team has run before. We rate EAGR **Speculative Buy** with a C\$0.30 12-month price target. Given the illiquidity, controlling-shareholder dynamics, and outstanding litigation, position sizing should be modest — this is a piece of a microcap basket, not a concentrated bet.

East Side Games Group Inc. (EAGR) — key questions

What is Microcap Research's rating and price target on East Side Games Group Inc. (EAGR)?

This May 9, 2026 report is no longer current. Microcap Research has since changed its rating on East Side Games Group Inc. (EAGR) from Spec. Buy to Avoid, with a C\$0.06 price target, in the Aug 14, 2026 update. As published, this report said: Microcap Research rates East Side Games Group Inc. (TSX: EAGR) Spec. Buy with a 12-month price target of C\$0.30, about 173% above the C\$0.11 share price at publication on May 9, 2026. Market capitalisation at publication: C\$8.5M (basic) / C\$15.8M (FD post-financing).

What does East Side Games Group Inc. (EAGR) do?

ESGG (formerly Leaf Mobile, formerly Caprice Business Development) is the parent of two operating studios — Eastside Games Inc. ("ESG") and LDRLY (Technologies) Inc. — and operates approximately 100 employees from headquarters in Vancouver, British Columbia. The Company monetizes through in-app purchases (IAP) of virtual goods and in-game advertising, distributed primarily through Apple's App Store and Google Play.

What is the investment thesis for East Side Games Group Inc. (EAGR)?

Distressed pricing on a recapitalized turnaround: stock is down 78% YoY, but management has issued explicit 2026 guidance of C\$50–56M revenue and C\$7.5–10M Adj. EBITDA — a >9x EBITDA reset versus FY2025's C\$0.79M. A May 2026 C\$3.5M private placement (with a director writing a C\$1M cheque at the bottom and a >50% controlling CEO supporting dilution) repays RBC and clears the covenant overhang. Pro forma EV of ~C\$17M values the business at just 2.0x guided 2026E Adj. EBITDA — versus 4.7x for Western mobile peers.

How is East Side Games Group Inc. (EAGR) valued?

We value EAGR on a forward EV/Adj. EBITDA basis, anchoring on management's stated 2026E guidance midpoint of C\$8.75M. We use a fully diluted share count of approximately 143.2M (post-financing, post-warrant exercise) to be conservative on dilution, and pro forma net debt of approximately C\$1.6M (after C\$3.5M placement repays a portion of RBC indebtedness).

What are the key risks for East Side Games Group Inc. (EAGR)?

Risks flagged in this report — Guidance Execution Risk (HIGH); Truly Social Games Litigation (HIGH); Severe Illiquidity / Microcap Risk (HIGH); Continued Covenant Risk (MEDIUM); Platform Dependency (MEDIUM); Controlling Shareholder Concentration (MEDIUM)

What are the key financial metrics for East Side Games Group Inc. (EAGR)?

As of May 9, 2026 — Market Cap (FD): C\$15.8M · EV / 2026E Revenue: 0.33x · EV / 2026E Adj. EBITDA: 2.0x · Revenue (FY2025): C\$77.6M · Adj. EBITDA (FY2025): C\$0.79M · Gross Margin: 61.4%.

Disclosures

Microcap Research publishes independent equity research for informational purposes only. Nothing on this site is investment advice, a recommendation, or a solicitation to buy or sell any security. Always conduct your own due diligence.

NOT INVESTMENT ADVICE

All research published by Microcap Research is provided for informational and educational purposes only. It does not constitute investment advice, a recommendation, an offer, or a solicitation to buy or sell any security, and it does not take into account the investment objectives, financial situation, or particular needs of any individual reader. You are solely responsible for your own investment decisions.

INDEPENDENCE AND COMPENSATION

Microcap Research is operated by a single independent analyst and is not affiliated with any broker, investment dealer, or covered company. Microcap Research does not accept payment from the companies it covers, and no covered company reviews, approves, or has any editorial input into a report before publication.

POSITIONS HELD

The author may hold positions in the securities discussed in a report, and those positions may change at any time without notice or an update to the report. Readers should assume a potential conflict of interest exists in any covered security and weigh the research accordingly.

MICROCAP RISK

The companies covered are nano- and microcap issuers, generally under C\$50M in market capitalisation. These securities are inherently high risk: they are thinly traded, can move sharply on small volumes, may be difficult to exit at a quoted price, and carry elevated risk of dilution, financing failure, and permanent capital loss. Price targets are estimates of value under stated assumptions, not predictions or guarantees.

SOURCES AND ACCURACY

Research is built from public sources — MD&A, audited financial statements, regulatory filings, and other sourced public information — believed to be reliable at the time of writing, but accuracy and completeness are not guaranteed. All figures, ratings, and price targets are stated as of the report's publication date and are not updated continuously. A report may become out of date without notice.

FORWARD-LOOKING STATEMENTS

Reports contain forward-looking statements — projections, scenarios, valuations, and estimates — that involve known and unknown risks and uncertainties. Actual results may differ materially. Past performance and prior calls are not indicative of future results.

CORRECTIONS

If you believe a report contains a factual error, Microcap Research wants to correct it. Material corrections are made to the report itself and noted in the subsequent update.

Microcap Research — Independent Equity Analysis

Report EAGR-2026-05 · published May 9, 2026

Web edition: <https://microcapresearch.ca/reports/eagr-east-side-games-group-inc-2026>

Full disclosures: <https://microcapresearch.ca/disclosures>

Free to cite with attribution to "Microcap Research (<https://microcapresearch.ca>)". Not investment advice.