

The Marketing Group

New board, strategy being refreshed

The Marketing Group (TMG) achieved revenues of €7.2m and an EBITDA of €0.125m in Q117, with the strong performance by the majority of group companies diluted by weaker performance from others. The newly-configured board is currently addressing these issues and is working through the development of a revised strategy that will be presented to the market with the interim results in mid-August. Management expects the group's financial performance to improve as the year progresses. With no market forecasts as yet, forward-looking valuation metrics are not usable and the historic FY16 P/E of 6.5x is on part-year earnings.

Full, experienced board team in place

TMG now has a full executive and non-executive team in position. The new non-executives confirmed at April's AGM are: Glen Fraser, principal and owner of Third Eye, an Australia-based brand strategy consultancy, with an extensive marketing services background (Australia/New Zealand: 32% of TMG's FY16 revenues); and Martin Blair, who has experience as CFO across a number of quoted businesses and who also adds IT systems expertise. Don Elgie (founder of Creston) is non-executive chairman and Mike McElhatton (ex-Havas) was appointed CFO on 1 March. Directors who have now stood down (holding a total of 20.2% of the equity) have entered into orderly market arrangements for three years post the expiry of earlier lock-ins.

Mixed outcome from Q117

The first phase post TMG's June 2016 listing involved a rapid spate of acquisitions of specialist marketing companies for paper, building to 17 subsidiaries across eight countries by end FY16. The new board's priority in this second phase has been to evaluate those companies and how they can best work collaboratively, without stifling their entrepreneurial spirit with restrictive bureaucracy. The consolidated financial results for Q117 are disappointing, but the statement indicates that the core businesses generated €563k of EBITDA, so a resolution through turnaround or disposal of the more problematic group companies would improve returns as the year progresses. Net cash at end March was €0.3m, from €1.4m at end FY16.

Valuation: Early-stages

With such a short financial record, no estimates as yet and a totally new board, valuation is inevitably subjective, particularly given the degree of uncertainty ahead of the publication of the strategic review due in August. A 6.5x historic P/E (on a few months, rather than one year, of earnings) looks to be heavily discounting the risks, but much depends on the timing and scale of the turnaround of the underperforming assets.

Summary financials

Year end	Revenue (€m)	EBITDA (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/14 (pro forma)	2.6	0.4	1.0	N/A	74.0	N/A
12/15 (pro forma)	4.6	1.6	4.1	N/A	18.0	N/A
12/16 (actual)	15.8	2.3	11.3	0.0	6.5	0.0

Source: Company accounts

Media

16 May 2017

Price €0.74
Market cap €27m

Share price graph



Share details

Code TMG
 Listing NASDAQ First North
 Shares in issue (including treasury shares) 36.5m

Business description

The Marketing Group is aiming to build an innovative, cutting-edge, creative marketing and advertising group that can compete internationally with the existing global agencies. It is incorporated in the UK.

Bull

- Experienced management team.
- Breadth of portfolio.
- Strong client roster.

Bear

- Acquisition risk.
- Integration risk.
- Share dilution risk.

Analysts

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