

The Marketing Group

Media
18 August 2017

Ready to roll

The Marketing Group (TMG) has published H117 numbers, laid out the new management's vision for a global marketing platform and drawn a line under legacy issues. With the (post period end) disposal of the three agencies that had dragged down Q117 figures, the Q217 EBITDA has shown good growth over the adjusted Q1 figure, with margin building to 10.9% from 7.3%. The group has a strong client list, a highly experienced management team and a wide geographic spread (with Australia the largest region at a quarter of H117 revenues). The current market valuation is not according credit for any of these factors.

Joining the dots

The Marketing Group now consists of a network of agencies across eight countries. These fall into three newly defined segments: brand & communications (42% H117 revenue); influence & amplification (27%); and science & performance (31%). Management has a technology-based approach that has already improved internal reporting. It is also helping individual agencies to collaborate, with support from the centre on new business and centralised media buying where needed. The team has recently been strengthened with the recruitment of Mary Kean-Dawson, who adds expertise in performance media with large, global clients and who will support the ongoing acquisition strategy. Future purchases will need to be complementary and value adding. With each group agency now looking to drive its bottom line (rather than focusing on the top line), EBITDA margins should continue to improve.

Technical goodwill write-down

The previous management's strategy was one of rapid expansion through buying agencies for shares, with no cash or debt funding. The value of these agencies in the balance sheet therefore reflected the (higher) share price at the time of each deal. With the new management team and subsequent internal review, the carrying value has been reappraised. Together with the adjustment relating to the disposals, the company has taken a one-off impairment to the goodwill in the balance sheet totalling €43.6m. The group still had net assets of €31.4m at the end of the half year (well in excess of the current market capitalisation) and had net cash of €1.4m.

Valuation: Heavily discounting risks

With such a short financial record, no estimates as yet in the market and a totally new board, valuation is inevitably subjective. Given that the assets within the business have now been closely appraised and those not meeting the threshold of performance potential have been disposed of, a 5.6x historic P/E (on a few months, rather than one year, of earnings) looks to be heavily discounting the risks.

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 | 63.0 | N/A |
| 12/15 (pro forma) | 4.6 | 1.6 | 4.1 | N/A | 15.4 | N/A |
| 12/16 (actual) | 15.8 | 2.3 | 11.3 | 0.0 | 5.6 | N/A |
| H117 | 12.5 | 0.8 | N/A | N/A | N/A | N/A |

Source: Company accounts

Price €0.63
Market cap €20m

Share price graph



Share details

Code TMG
 Listing NASDAQ First North
 Shares in issue (including treasury shares) 32.0m

Business description

The Marketing Group is a global full-service marketing network. 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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