

# The Mission Marketing Group

**Media**
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## Making a splash in Asia

Following on from the progress reported at the recent interim figures, the mission has raised £2.4m gross via a placing of 5.7m new shares at 42p, a small premium to the previous close. It has also made a further step towards its goal of increasing the group's scale and reach through its intended purchase of a 70% holding in Splash, a digitally-focused agency in Asia, on an exit multiple equivalent to around 7x profits. The return to dividend payments with the interims underlines management's growing confidence. The shares trade at an unwarrantedly large discount to peers.

### Adding scale, offer and reach

The mission is changing phase, moving from consolidation and a concentration on driving profits to generate the cash needed to pay down debt into one where it looks to increase both scale and its service offer to clients. The purchase of Proof Communication in August added to the mission's PR capability and capacity in the science and technology space; this current acquisition allows the group to service clients in fast-growing Asian markets while giving Splash the benefits of scale and a European element to its offer. In the recent interim statement, management indicated that the acquisition pipeline was strong and there may be further deals to come through. Shareholders have shown themselves willing to back the expansionary phase of the new strategy through supporting the share offer.

### Deal structure limits risk

The initial consideration for Splash is S\$0.6m (£0.3m), with further payments spread across the period to December 2017, contingent on cumulative average profit over the intervening period, with the option to purchase the remaining 30% of the equity at the period end. Splash also brings in a strong technical capability, based in Vietnam, at a lower cost, which can be leveraged across the group.

### Valuation: Discount looks back, not forward

Consensus estimates have been adjusted for the announcements of the acquisition and placing, with acquisition adding £0.2m to FY15 operating profits and the placing to lead to some dilution in EPS from 5.9p to 5.7p. On the revised earnings per share, the shares are trading at a P/E of 8.7x against a current year agency sector average of 12.5x. This represents a substantial discount that should narrow as the group shows it can deliver shareholder value in this new phase.

Consensus estimates						
Year end	Operating income (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/12	47.5	4.7	4.5	0.0	9.6	0.0
12/13	51.6	3.2	4.5	0.0	9.6	0.0
12/14e	54.4	5.5	5.0	1.1	8.7	2.5
12/15e	58.9	6.4	5.7	1.2	7.6	2.8

Source: Company accounts, Thomson Reuters

**Price** 43.25p  
**Market cap** £33m

#### Share price graph



#### Share details

Code TMMG  
Listing AIM  
Shares in issue 77.1m

#### Business description

The mission is a network of entrepreneurial marketing communications agencies in the UK, San Francisco and Singapore. The group provides national and international clients with marketing, advertising and business communications.

#### Bull

- Improving balance sheet.
- Return to dividend list.
- Strong client list.

#### Bear

- Difficult media-buying market.
- Bias to H2 limits visibility.
- Historic balance sheet issues, now addressed.

#### Analysts

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