

# The Mission Marketing Group

**Media**
**26 January 2015**

## Good H2 delivers on expectations

The mission's brief trading update indicates FY15 results in line with market expectations, along with further balance sheet improvement. There is an inherent industry bias toward the year end as clients spend up their marketing budgets, which can make H2 trading targets look demanding. The mission has clearly achieved its H2 ambitions and this momentum gives encouragement that it is now firmly on the front foot. Final results are on 26 March, when we expect news on early progress of the autumn's acquisitions (Proof Communications, Splash and Speed). The share price is yet to reflect the group's improved financial and operational positioning.

### Building the agency portfolio

The Mission Marketing Group has a distinctive ethos, comprising 13 individual and founder-led agencies (with around 850 people), wrapped into seven agency management groups, effectively forming an entrepreneurial co-operative. Share ownership is wide and encouraged throughout the group to align the interests of individual management teams. Over recent reporting periods, the balance sheet has notably improved, allowing the group to focus again on building up the portfolio through acquisition, as well as driving organic growth from the individual agencies and reinstating dividend payments. The trading update points out net bank debt, gearing ratio and debt leverage ratio all further reduced, partly reflecting October's £2.4m gross placing at 42p, although no figures have been given at this juncture.

### Advertising market remains positive

There are a number of factors that may limit 2015 UK advertising growth, not least the General Election. Concerns about eurozone economic activity and the geo-political situation in the Ukraine/Russia also have an impact. Given this backdrop it would be easy, but wrong, to assume muted prospects. The latest AA/WARC numbers show 2015 forecast growth of 5.7% (revised from 6.5%), following from 5.8% in 2014 (from 6.4%), outstripping global forecasts of 4.8-4.9% by some way.

### Valuation: Still reflecting history, not prospects

The mission valuation remains heavily discounted, but the growing record of delivery against market expectations should help rebuild confidence. Consensus estimates show 11% FY14 earnings growth, with 14% for FY15, well ahead of the UK market. The shares trade at a P/E of 7.4x against a FY15 current year agency sector average of 11.7x, a substantial discount that should narrow as the group demonstrates it can generate value for shareholders in this renewed growth phase.

#### Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/12	47.5	4.7	4.5	0.0	9.3	0.0
12/13	51.6	3.2	4.5	1.0	9.3	2.4
12/14e	54.4	5.5	5.0	1.1	8.4	2.6
12/15e	58.9	6.4	5.7	1.2	7.4	2.9

Source: Company accounts, Thomson Reuters

**Price** 42.0p  
**Market cap** £35m

#### Share price graph



#### Share details

Code TMMG  
 Listing AIM  
 Shares in issue 83.4m

#### 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.

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