

# The Mission Marketing Group

**Media**
**16 February 2015**

## Weather brightening up

With its improved financial position, the mission continues to supplement organic growth with complementary and contiguous acquisitions. This morning it has added a further small agency to its stable, The Weather, strengthening the Story agency's digital capability. Due to its relatively small scale, full transaction terms are not disclosed, but include the issue of 210k shares. Group final results will be on 26 March, when management will update on early progress of last autumn's three acquisitions. The share price remains at a heavy discount to both agency sector and market.

## Further building the agency portfolio

The Weather comes into Mission Marketing as part of Story, also Edinburgh-based and one of seven agency management groups that make up the group. In total there are 12 individual, founder-led agencies (c 860 people), forming an entrepreneurial co-operative with wide and multi-layered ownership. Over recent reporting periods, the balance sheet has improved considerably (January's trading update indicated further net debt reduction from the £10.7m at end FY13), giving the group the flexibility to return to the acquisition path, as well as driving organic growth from individual agencies and reinstating dividend payments. Potential acquisitions are identified by agency management teams, rather than centrally, to add to their competencies (in this instance in digital) and broaden potential client reach. The Weather is a profitable and cash generative addition to the group, with a good client roster, and is expected to contribute in the current year, albeit modestly.

## Advertising market remains broadly positive

The latest AA/WARC numbers show UK 2015 forecast growth of 5.7%, following from 5.8%e in 2014, outstripping global forecasts of 4.8-4.9% by some way. All categories bar print news and magazine brands are forecast to grow. While there will always be instances of client wariness leading to campaign postponements or delays, the backdrop of higher household disposable incomes remains favourable.

## Valuation: Unwarranted heavy discount

The mission valuation remains heavily discounted, despite a lengthening record of delivery against market expectations. Consensus estimates show FY15 earnings growth of 14%, well ahead of sector and the UK market. The shares trade at a P/E of 6.9x against an agency sector average of 11.9x, a very substantial discount. This should narrow as the group demonstrates it can move margins ahead and 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	8.8	N/A
12/13	51.6	5.0	4.5	1.0	8.8	2.4
12/14e	54.4	5.5	5.0	1.1	7.9	2.6
12/15e	58.9	6.4	5.7	1.2	6.9	2.9

Source: Company accounts, Thomson Reuters

**Price** 39.5p  
**Market cap** £33m

### Share price graph



### Share details

Code	TMMG
Listing	AIM
Shares in issue	83.6m

### Business description

The mission is a network of entrepreneurial marketing communications agencies in the UK, Asia and San Francisco. 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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