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The Mission Marketing Group

Media

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Mission on message

The mission's FY14 results are in line with market expectations and show good progress in building out the client offer. The acquisitions have bedded in well and extended the group's geographic reach, with new business wins helping to drive operating income. There have been meaningful improvements to the balance sheet, with gearing falling to 13% (end FY13: 16%) and new banking facilities give flexibility to fund growth. Current forecasts factor in negligible growth over pro forma numbers, yet still put the group's shares on a near 40% discount to other smaller agency groups.

Backing the winners

Group like-for-like operating profits were ahead 5%, with overall operating margins holding up at 11% despite industry pricing pressure. The group's strong positioning in the property vertical did not give the boost that might have been expected given the sectorial strength of that industry; in fact, demand was so robust that heavy marketing effort was not needed to shift stock. The group continues to diversify its overall client offer. It has extended its Far Eastern activities on the back of the acquisition of Splash in the autumn, is building its capabilities in new areas such as sports marketing and enhancing them in verticals such as technology and healthcare. Exceptional costs of £0.6m will be taken in H115 as resources are realigned to parts of the group with the greatest growth potential.

Strengthened balance sheet, greater facilities

The balance sheet was boosted by October's £2.3m placing (existing and new holders). This contributed to acquisitions and to investment in new offices for agencies that merged or outgrew their previous locations. Bank warrants for £0.7m were also settled. Since the year end, the mission has negotiated a new facility rolling out to February 2019, with an increase in the committed element from £11m to £15m, with a further £3m overdraft. A new KPI has been instigated limiting total indebtedness to 2.5x EBITDA (including contingent acquisition consideration). This should give comfort that the balance sheet will not again become overburdened.

Valuation: Unwarranted heavy discount

The mission valuation remains heavily discounted, despite a growing record of delivery against expectations. Consensus estimates show FY15 earnings growth of 12%, well ahead of the sector and UK market. The shares trade on a substantial P/E discount: 7.4x against the smaller agency sector at 12.1x. This should narrow as the group demonstrates it can grow margins and generate shareholder value.

Consensus estimates

Year end	Operating income (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/13	51.6	5.0	4.5	1.0	9.3	2.4
12/14	55.0	5.5	5.1	1.1	8.2	2.6
12/15e	58.9	6.4	5.7	1.2	7.4	2.9

Source: Company accounts, Thomson Reuters

Price	42p
Market cap	£35m

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

- Improved balance sheet and return to dividend list.
- Growing international offer.
- Strong client list.

Bear

- Client pressure on pricing/procurement.
- Bias to H2 limits visibility.
- Buoyant property market limits demand for marketing.

Analysts

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