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The Mission Marketing Group

Media

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Mission in progress

The mission's trading update shows the group on track to meet full-year market expectations, with the normal profits' bias towards the second half. This has been a busy time for the group, now firmly on the front foot as it seeks out and consolidates opportunities for both organic and acquisitional growth. With continued strengthening of the balance sheet and forecast EPS growth of 10% in the current year and 9% in FY16, the rating of 7.2x FY15 is on an overly heavy discount to peers and markets.

Broadening the offer to include a sporty Mongoose

The mission is a community of multi-discipline, multi-sector agencies, with specialists both by channel and by vertical. This mix enables the group to ride out the peaks and troughs in particular markets, as is indicated by the news in the trading update that the first-half revenues and profits have moved ahead by 'double digits'. As well as bedding in the H214 acquisitions, expanding in Asia and merging of two of its integrated agencies, the mission has recently set up Mongoose, a new agency specialising in the sports and entertainment sector, led by experienced industry figures. This further extends the offer and increases the scope to internationalise group revenues.

Net debt reducing

The balance sheet is continuing to strengthen, with net debt of £8.3m at the end of the half year, reduced from £9.4m at the end of December 2014. With a committed facility of £15m, and a further £3m overdraft, the group has plenty of potential for additional acquisitions, as well as for funding the investment in working capital needed to support growth. KPIs are in place limiting total indebtedness to 2.5x EBITDA (including contingent acquisition consideration) and net debt to EBITDA of below 2x, giving comfort that the balance sheet will not again become stretched.

Valuation: Unwarranted heavy discount

With the 2012 LTIP vesting at the 25% level, a new incentivisation scheme has been put in place, requiring growth of over 10% CAGR for maximum vesting. The current broker forecast is indicating progress a touch under this rate for FY15 and FY16, but broadly in line with the median growth rate for the smaller quoted agency sector. However, the market is currently valuing the stock on a current year P/E of 7.2x, aggressively below the sector average of 12.8x. On an EV/EBITDA basis, the shares trade on a multiple of 5.1x vs. sector at 7.6x for FY15, despite the group earning similar EBITDA margins.

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	9.0	2.5
12/14	55.0	5.5	5.1	1.1	7.9	2.7
12/15e	60.1	6.4	5.6	1.2	7.2	3.0
12/16e	66.4	7.0	6.1	1.3	6.6	3.2

Source: Company accounts, Thomson Reuters

Price	40.3p
Market cap	£34m

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
- 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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