

The Mission Marketing Group

Media
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Quest for growth

The mission's H115 results benefited from strong performances from newly acquired businesses, driving operating income ahead by 12%. There is plenty still to do in H2, but new business momentum is good, with some high-profile new clients on the roster. The group has been broadening and deepening its capabilities via both acquisition and start-ups, particularly in PR, digital and events. Further deals are on the cards in H2, supported by the stronger balance sheet. The interim dividend is raised by 20% to 0.3p. The shares remain valued at a substantial discount to agency peers.

Strong new client roster

The mission describes itself as a network of agencies. As with any portfolio, there are some agencies performing strongly and others for which progress is harder to achieve. There has been particular success in H115 from two of the more vertically focused: RLA winning BMW business for dealer network communications and April Six, the technology agency, winning business from Sage and SAS. Bray Leino has got onto the digital roster for BA; other new group clients include Diageo and Muller Wiseman. Exceptional restructuring costs of £634k taken in H1 support H2's expected margin improvement, with a full year benefit in FY16. This gain is partially offset by the higher early-stage costs of both the overseas business and the new sports marketing business, Mongoose. Management's appetite for further deals to broaden and strengthen the group remains, with more news expected in H2.

Strong H2 bias

As with its peers, the mission's business model is heavily reliant on a strong end to the year as clients use their marketing budgets in the run up to Christmas. 2015 will be no exception and current market full year earnings forecasts sit within the historic pattern of seasonal split. The increase in interim dividend implies that the full year payout will be higher than the level currently forecast.

Valuation: Aggressive discount persists

The current broker forecast is for c 9.0% earnings progress over FY15 and FY16 (just below the 10% CAGR needed for maximum vesting of the LTIP). The smaller quoted agency sector is showing a median growth rate of 9.3%. However, the market is currently valuing the mission on a FY15 P/E of 7.9x, well below the sector average of c 13.8x. On an EV/EBITDA basis, the shares trade on a FY15 multiple of c 5.4x vs peers at 8.1x, despite the group generating similar EBITDA margins.

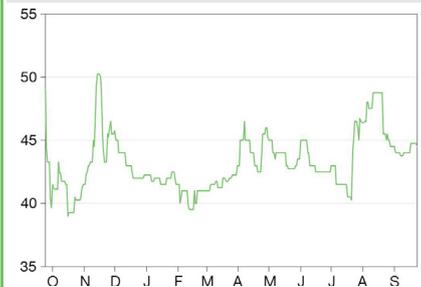
Consensus estimates

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	9.9	2.2
12/14	55.0	5.5	5.1	1.1	8.7	2.5
12/15e	60.1	6.4	5.6	1.2	7.9	2.7
12/16e	66.4	7.0	6.1	1.3	7.3	2.9

Source: Company accounts, Thomson Reuters

Price 44.50p
Market cap £37m

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

- Continued strengthening of the balance sheet.
- Growing international offer.
- Strong client list.

Bear

- Client pressure on pricing/procurement.
- Bias to H2 limits visibility.
- Downward revisions on global ad spend forecasts.

Analysts

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