

# The Mission Marketing Group

**Media**
**27 November 2015**

## A new Chapter

The mission has added the Chapter Agency to its network, consistent with its growth strategy of broadening and deepening its network through both acquisitions and start-ups. Chapter broadens the advertising base, with an award-winning creative team, and adds strong new clients to the roster. New business wins continue to flow in H2 and the group is starting to leverage its international opportunities. The valuation remains at a deep discount to peers – well beyond that attributable to its smaller size.

## Comfortable headroom to implement strategy

Chapter is a creative advertising agency, with a recently-acquired digital marketing team and a strong client base across a wide range of consumer brands, including Nissan, Topps Tiles and Virgin Trains. Initial consideration of £1.3m – payable in (internally-generated) cash – is equivalent to 0.7x turnover (FY to March 2014), 3.3x profits. Further payments are dependent on financial performance through to 2018 and are capped at £3.7m, with the first £0.2m to be paid in shares. The current banking facilities of £15m (in term loan and revolving facility) give plenty of headroom, with a year-end market net debt estimate of c £9.7m.

## New business; expanding reach

As with most agencies, profits are H2-weighted, as clients use up their marketing budgets ahead of Christmas. There has been a steady stream of new business announced at agency level since September's interims, including Bray Leino's win of the B2B account for RAC and Speed Communications picking up brand comms for The North Face. April Six, the group's tech-focused agency, is building out its international offer, leveraging the group's infrastructure in Singapore that came with the acquisition of Splash, last autumn. With a fast-growing office in San Francisco, set up in 2013, April Six can now offer specialist tech marketing expertise in its clients' heartlands, without the risk profile of setting up new territories from scratch.

## Valuation: Aggressive discount persists

The house broker's figures reflect the Chapter deal, on conservative assumptions. Forecast earnings growth for the smaller quoted agency sector is currently at 10.7%, but this may not yet reflect slowing assumptions for UK ad spend. For the mission, the house broker's earnings forecast is for growth just ahead of this level, yet the market values the group on an FY15e P/E of 8.3x, well below peers on an average of 13.9x. On an FY15e EV/EBITDA, TMMG is trading at 5.2x vs peers at 8.5x, despite its stronger EBITDA margins.

### Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/13	51.6	5.0	4.5	1.0	10.3	2.2
12/14	55.0	5.5	5.1	1.1	9.1	2.4
12/15e	60.1	6.4	5.6	1.2	8.3	2.6
12/16e	68.3	7.4	6.6	1.3	7.0	2.8

Source: Company accounts, Thomson Reuters

**Price** 46.25p  
**Market cap** £39m

### 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

- Organic growth ahead of market.
- 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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