

The Mission Marketing Group

Media

22 March 2016

Scaling up

A busy close to the year helped the mission (TMMG) to deliver market-beating revenue and earnings growth of 11% and 17% respectively: a combination of organic and acquisitional progress and particularly strong growth from acquired agencies. It is thriving on its rediscovered confidence, building its capabilities and extending its geographic reach via a low-risk model. The valuation remains at a deep discount to other smaller quoted agencies, on a rating that does not reflect the greater scale and improved quality of its offer nor its strong and loyal client roster.

Strong core growth

FY15 figures show revenue climbing in all divisions bar Events & Learning, which recovered strongly in H2 to end the year flat. Good 8.4% y-o-y growth in the core Branding, Advertising & Digital segment, which makes up 78% of group income, reflects a mix of organic progress and acquisitions kicking in. New business wins have brought in further well-known clients, including BA and BMW, but should not over-shadow that the group has much longer client relationships than is usual in the sector. As TMMG has increased in scale and complexity, so have opportunities for individual agencies to work alongside each other and £1m of 2015 revenues were generated through cross-referrals. To help drive this aspect, the CEO of RLA will be stepping up to a group Commercial Director role.

Investment prioritised

TMMG prioritises investment over debt reduction to build its capabilities through purchases and start-ups to invest in Asia and the US (on the back of existing operations) and increase scale in some sub-optimal agencies. £4m was invested across the group in FY15, with some restructuring to align agencies better with their markets, with an inevitable short-term margin impact. The year-end balance sheet was not helped by less advantageous payment terms from the NHS affecting the working capital position. Nevertheless, year-end net bank debt of £10.9m was well within covenants and headroom and should not overly impact on strategy.

Valuation: Persistent discount

The house broker's FY16 figures are based on conservative growth assumptions over pro-forma numbers. Forecast earnings growth for the quoted agency sector is currently 11.9%, which looks optimistic given the market backdrop. The mission's forecast growth rate is the same, yet the market values it on an FY16e P/E of 6.6x, well below peers on 11.8x. On consensus FY16e EV/EBITDA, the mission trades at 4.8x vs peers at 7.4x, despite stronger EBITDA margins.

Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/14	55.0	5.5	5.1	1.1	8.5	2.5
12/15	61.0	6.5	5.9	1.2	7.4	2.8
12/16e	66.6	7.2	6.7	1.3	6.5	3.0
12/17e	71.9	7.8	7.3	1.4	6.0	3.2

Source: Company accounts, Thomson Reuters

Price 43.5p
Market cap £36m

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 well ahead of market.
- Growing international offer.
- Strong and loyal client base.

Bear

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

Analysts

Fiona Orford-Williams +44 (0)20 3077 5739
Bridie Barrett +44 (0)20 3077 5757

tmt@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2016 Edison Investment Research Limited. All rights reserved. This report has been prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") (c) FTSE [2014]. "FTSE(i)" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.