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The Mission Marketing Group

Media

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Double-digit growth continues

This morning's trading update shows that the positive trading momentum from H215 has continued into the current year. The mission's H1 revenue and profit growth, in double digits, continue to be well ahead of the market, with no indication of any hiatus post the Brexit vote. There is growth both at the organic level and from last year's acquisitions, which added scale, capability and geographic reach. Although there is an inherent H2 bias to the numbers, current year forecasts look well underpinned and make the rating's deep discount to peers and market look significantly overdone.

Business as usual

The full interim results will be published on 22 September, by which point the trading backdrop should be clearer. Early post-Brexit signs are that the anticipated cataclysm has been – at the least – postponed and that currency benefits from weaker sterling should give a degree of protection for industry forecasts. Trading at the mission has continued strongly, with the group also continuing to win business (Story winning VELUX and Chapter recently adding Virgin East Coast to its existing West Coast rail account). It has also made further small infill acquisitions, which will add cross-referral opportunities. The investment premise for the mission is based on organic and acquisitional growth, with the group companies increasingly sharing opportunities and best practice. This continues to deliver market-beating returns.

Net debt falling

With the equity still lowly valued, recent acquisitions have been debt-funded, structured with initial payments followed by deferred consideration based on post-acquisition performance. Having increased to £10.9m at end FY15 (committed loan facilities of £15m being in place), net debt fell by £1.5m in H116 to £9.4m. This is despite cash consideration of £2.6m being paid out, implying a reversal of the working capital outflow in H215. Strict leverage limits on bank debt and net debt to EBITDA are in place and these ratios have improved in the first half.

Valuation: Deep discount persists

The house broker's unchanged FY16 figures are based on revenue growth slightly below the current run rate. Forecast earnings growth for the quoted agency sector has dipped 1.0% to 10.9%, which still looks optimistic. The mission's forecast EPS growth rate is greater at 13.6%, yet the market values it on an FY16e P/E of 5.5x, well below peers on 11.7x. On consensus FY16e EV/EBITDA, the mission trades at 4.5x vs peers at 7.6x, despite similar 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	7.3	3.0
12/15	61.0	6.5	5.9	1.2	6.3	3.2
12/16e	66.8	7.2	6.7	1.3	5.5	3.5
12/17e	71.9	7.8	7.3	1.4	5.1	3.8

Source: Company accounts, Bloomberg

Price	37p
Market cap	£31m

Share price graph

Share details

Code	TMMG
Listing	AIM
Shares in issue	84.12m

Business description

The mission is a network of entrepreneurial marketing communications agencies predominantly in the UK, and also 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

- Brexit-inspired uncertainty.
- Client pressure on pricing/procurement.
- Bias to H2 limits visibility.

Analysts

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The Mission Marketing Group is a research client of Edison Investment Research Limited