

The Mission Marketing Group

Media
21 July 2016

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

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

media@edisongroup.com

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

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 [2016], "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.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
245 Park Avenue, 39th Floor
10167, New York
US

Sydney +61 (0)2 9258 1161
Level 25, Aurora Place
88 Phillip St, Sydney
NSW 2000, Australia

Wellington +64 (0)48 948 555
Level 15, 171 Featherston St
Wellington 6011
New Zealand