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The Mission Marketing Group

Media

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Building the healthcare offering

The mission has extended the range of its capabilities in the healthcare segment with the acquisition of RJW & Partners, announced this morning. RJW, a consultancy specialising in pricing and market access strategy, has a wide range of high-profile clients including AstraZeneca, Shire and Novartis. The purchase is for £1.75m (plus £0.23m for cash balances), payable 95% in cash, 5% in shares. Consensus forecasts indicate that it should enhance earnings in FY17e and FY18e by 3% and 4%, respectively. Mission's shares continue to trade at an unwarranted discount to its peers.

What's new?

Key priorities identified in last month's final results for FY16 were to back growth in existing agencies and increase exposure to faster growing areas, such as data and healthcare. This acquisition ticks both those last boxes. It is complementary to the existing mission Healthcare market offering, based around the Solaris agency, that specialises in medical marketing communications. RJW adds 30 employees, mainly in the UK but advising clients across global markets in the pharmaceutical and medical devices segments. The price is equivalent to 1.1x revenues to March 2016; 4.4x profits for that year. Results will be consolidated for around eight months of mission's FY17e figures, lifting consensus profit forecasts by 3% and by 5% for the full twelve months of FY18e. Up to a further £4.25m is payable across 2017-2020, subject to financial performance and in the same cash/equity ratio.

Balance sheet well under control

Paying for acquisitions predominantly in cash inevitably pushes back the time frame for debt reduction. Under the group targets, the debt KPI is for net bank debt/EBITDA to remain under 2.0x (FY16:1.3x) and total debt to EBITDA below 2.5x (FY16: 1.7x). With only a modest net cash outflow likely for the current year, even with this deal, there is still clearly plenty of headroom within these limits to continue the investment in order to continue to grow the business.

Valuation: Overstated discount

The mission continues to trade in a range of 38-47p, representing a substantial discount to other quoted marketing/communications businesses. The current price puts it on an FY17e EV/EBITDA of 4.5x, compared to the sector at 9.6x, a 53% discount; on a P/E basis its multiple of 5.7x compares to peers at 11.2x. The sizes of these discounts are difficult to justify given the earnings and dividend growth and the improved state of the balance sheet.

Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/15	61.0	6.5	5.9	1.2	7.0	2.9
12/16	65.9	7.0	6.4	1.5	6.5	3.6
12/17e	70.2	7.9	7.3	1.65	5.7	4.0
12/18e	74.3	8.9	8.3	1.8	5.0	4.3

Source: Company accounts, Bloomberg

Price	**41.5p**
Market cap	**£35m**

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 general, sector vertical, functional and geographic specialisms to national and international clients.

Bull

- Organic growth well ahead of market.
- Strengthening balance sheet.
- Progressive dividend.

Bear

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

Analysts

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