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The Mission Marketing Group

Media

21 September 2017

Confident of growth

The mission continues to build in confidence, with increasing collaboration between group agencies, a strong and loyal roster of clients and a strengthening balance sheet. As usual, profits will be strongly weighted to H2, aided by the RJW acquisition in April and some of the group's start-up initiatives moving into profit. Outstanding acquisition liabilities should be comfortably met from net cash flow and the interim dividend has been lifted by 10%. Mission's shares continue to trade at an unwarranted and substantial discount to its peers.

Core like-for-like growth ahead of market

Mission's branding, advertising and digital operating income was up by 6% in H117 on the previous year, with an additional 2% coming in from the newly acquired healthcare consultancy, RJW. Some weakness in media spend and events revenues diluted the overall growth rate to 4%, although we would anticipate some element of catch-up in H2. Group agencies have recruited some excellent new names to the client list in H1, including Mars, Neff and Universal Studios, with the group as a whole having exposure to a broad spread of sectors. Mission has a longstanding commitment to start-up ventures as part of its growth strategy and it is encouraging to see two of these, Mongoose (sports and entertainment PR) and April Six Asia, move into profitability in H117. The group initiative to pool technology and IP, fuse, has now gone live and should boost forecast margin growth.

Balance sheet strengthening

End-June net debt was £9.4m, from £11.6m at end FY16, despite paying out £3.0m (net of cash acquired) on new and deferred acquisitions. Nothing further is due this year, with future obligations well covered by projected cash generation. We expect, however, that the busier second half trading will necessitate higher working capital and the consensus year-end net debt forecast at £11.7m is slightly up on FY16.

Valuation: Overstated discount

The mission continues to trade in a range of 38-47p, representing a substantial discount to other quoted small- to mid-cap marketing/communications businesses. The current price puts it on an FY17e EV/EBITDA of 5.0x, compared to the sector at 9.2x, a 46% discount; on a P/E basis its multiple of 6.4x compares to peers at 13.7x. 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	7.6	2.7
12/16	65.9	7.0	6.4	1.5	7.0	3.4
12/17e	68.9	7.6	7.0	1.7	6.4	3.8
12/18e	72.3	8.6	7.9	1.8	5.7	4.0
12/19e	75.9	9.8	9.0	2.0	5.0	4.5

Source: Company accounts, Bloomberg

Price	**44.75p**
Market cap	**£38m**

Share price graph

Share details

Code	TMMG
Listing	AIM
Shares in issue	84.36m

Business description

The mission is a network of entrepreneurial marketing communications agencies in the UK, Asia and he US. 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

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

Analysts

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