

The Mission Marketing Group

Media
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Successful incubation

The mission has announced the disposal of BroadCare, a software application that had been developed within the group's 'fuse' initiative to incubate new and innovative business concepts. The sale, for 8.8x FY17 EBIT, will realise £4.4m in cash (subject to working capital adjustments). The proceeds will be used to reduce net debt, which stood at £7.8m at the half year stage, and to fund further fuse projects. The disposal highlights the value being created within the group, which, alongside the lengthening record of delivering on expectations and of earnings growth, is inconsistent with the deeply discounted rating.

Realising hidden value

By backing ideas germinated within the group agencies, primarily as the result of tackling real day-to-day client issues, the mission is creating additional value. The disposal of BroadCare is proof of this concept. BroadCare, developed initially within the Bray Leino agency, is a SaaS platform, managing patients, care and payments associated with continuing healthcare for NHS-funded operators. It is already being extensively used by Clinical Commissioning Groups and Commissioning Support Units across the UK. Other current fuse projects are; Pathfindr locate, an industrial IoT platform providing real-time asset/part location; Pathfindr navigate, which is an indoor micro-location tool; cortex, a network marketing system; and Easl, a back-office management and information system for service-based companies.

Proceeds reduce debt, fund opportunities

BroadCare generated £0.5m of EBIT in FY17, stripped out from updated consensus forecasts, offset by some interest saving. The net effect is slightly earnings' dilutive, with FY19e and FY20e EPS reduced by 4%. This, though, is in the context of a developing business that needed further funding to take it to the next stage, albeit a higher price might have then been achieved. It was not a core activity and the funds can be channelled usefully into other fuse projects and to reduce net debt. Market forecasts now show £4.4m net debt at end FY18, moving into net cash in FY20e. Outstanding acquisition commitments should be comfortably covered by cash generation.

Valuation: Overstated discount

The mission's share price remains at a substantial discount to quoted small- to mid-cap marcomms peers. The current price puts it on an FY18e EV/EBITDA of 4.2x, compared to the sector at 7.8x, a 46% discount; on a P/E basis, a multiple of 6.3x compares to peers at 10.9x. The scale of these discounts is difficult to justify, given the earnings growth and improved balance sheet.

Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/16	65.9	7.0	6.4	1.5	8.4	2.8
12/17	70.0	7.7	7.1	1.7	7.6	3.1
12/18e	78.7	9.4	8.6	2.0	6.3	3.7
12/19e	83.0	10.1	9.1	2.2	5.9	4.1
12/20e	87.2	11.3	10.2	2.4	5.3	4.4

Source: Company accounts, I/B/E/S consensus

Price **54p**
Market cap **£46m**

Share price graph



Share details

Code TMMG
 Listing AIM
 Shares in issue 84.36m

Business description

The mission is a tech-enabled marketing comms and advertising group employing 1,100 people in the UK, Asia and the US. It comprises two business units, integrated agencies and sector specialist agencies, which work together to provide clients with the expertise and resources to make them more successful in today's challenging environment.

Bull

- Improving operating margins.
- Strengthening balance sheet.
- Progressive dividend.

Bear

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

Analysts

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