

The Mission Marketing Group

Media
22 January 2019

Good reasons to know

The mission's FY18 trading update indicates that it expects to deliver results in line with market expectations; 10% top line growth and a 20% step-up in headline PBT (adjusted for start-up and acquisition costs). The revenue growth is half organic and half stemming from April's acquisition of Krow Communications, best known for its work with Aardman for DFS. This will be the eighth successive year of group revenue and headline PBT progression, with the dividend growing steadily since its reintroduction for FY14. With improving operating margins and a strengthening balance sheet, this record is clearly inconsistent with the deeply discounted rating.

Strong second half

Preliminary results are scheduled for 9 April and will doubtless contain more detail about which areas of the group are performing well. The indicated numbers show the expected second half bias to profits (roughly a one-third: two-thirds split). They also imply continuing progress on operating margin, which we expect to come out at around 12.5%, from 10.9% in FY17, making good progress toward management's target of 14% by FY20. This is being driven, at least in part, by the greater degree of collaboration and simplification of the business structure into two units, announced in July last year. Sharing services were targeted to deliver £0.3m of savings in FY18 and £1.0m in FY19. November's disposal of incubator business, [BroadCare](#), was slightly earnings' dilutive but would have required further investment. This impact is built into market forecasts, unchanged on these results. 5% revenue growth is anticipated by the market in FY19 and FY20, compared to the latest GroupM forecast of 4.8% for UK advertising spend in FY19, but all is subject to the outcome of Brexit.

Balance sheet continues to strengthen

The BroadCare disposal accelerated the deleveraging of the balance sheet, bringing in cash of £4.4m. Working capital performance has also been better than anticipated, after a good year on this front in FY17 and the indicated year end figure of £4.0m is around 10% better than market expectations. The reduced net debt/EBITDA ratio triggers a further reduction in interest rate. Outstanding acquisition commitments should be comfortably covered by cash generation.

Valuation: Continuing 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 FY19e EV/EBITDA of 4.3x, compared to the sector at 7.3x, a 41% discount; on a P/E basis, a multiple of 6.5x compares to peers at 10.1x. The scale of these discounts is difficult to justify, given the earnings growth and further improvements in the balance sheet.

Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/17	70.0	7.7	7.1	1.7	8.4	2.9
12/18	78.7	9.4	8.6	2.0	6.9	3.4
12/19e	83.0	10.2	9.2	2.2	6.5	3.7
12/20e	87.2	11.3	10.2	2.4	5.8	4.0

Source: Company accounts, Refinitiv

Price **59.5p**
Market cap **£50m**

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 over 1,000 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

Fiona Orford-Williams	+44 (0)20 3077 5739
Russell Pointon	+44 (0)20 3077 5757

media@edisongroup.com

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

General disclaimer and copyright

This report has been commissioned by The Mission Marketing Group and prepared and issued by Edison, in consideration of a fee payable by The Mission Marketing Group. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: 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 and have not sought for this information to be independently verified. Opinions contained in this report represent those of the Edison analyst at the time of publication. 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.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, 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 securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. 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, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2019 Edison Investment Research Limited (Edison). All rights reserved FTSE International Limited ("FTSE") © FTSE 2019. "FTSE®" 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.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd who holds an Australian Financial Services Licence (Number: 427484). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

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. 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 (i.e. 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.

United Kingdom

Neither this document and associated email (together, the "Communication") constitutes or form part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Any decision to purchase shares in the Company in the proposed placing should be made solely on the basis of the information to be contained in the admission document to be published in connection therewith.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document (nor will such persons be able to purchase shares in the placing).

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison 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. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.