

# The Mission Marketing Group

**Media**
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## Capital markets day (CMD): Breadth of value

The recent CMD allowed themission's newly-appointed CEO, James Clifton, to outline the direction of travel to best leverage group strengths. It also showcased Krow, bought in April 2018, and businesses being developed within the Fuse incubator, particularly Pathfindr. There was no new financial information. Increasing collaboration across group agencies gives a solid base for more cross- and up-selling to the low-churn, blue-chip client base. The valuation remains at a sizable discount to peers.

### Greater emphasis on themission brand

While the individual agencies are well recognised within the industry and the client base, themission is less well understood. There is an opportunity to improve coherence that should, in turn, deliver revenue and margin opportunities, as well as offering broader career prospects to attract and retain talent. This is already starting to kick in. Krow, best known for its work on the DFS account, already collaborates with in-house agencies bigdog and Bray Leino on existing clients and across the group on new business. This approach is being fostered without loading up internal bureaucracy to date, allowing the group to retain an agile approach. Beyond the agencies, the Fuse initiative brings together new ideas from across the group that can be refined and developed. This is a clear differentiator with other smaller agency groups and is delivering value, as witnessed by last year's sale of broadcast for £4.4m. Pathfindr (a real-time asset intelligence product and service offering) is the most developed of the continuing portfolio, set to deliver £2m of sales in FY19.

### Improving margins, balance sheet

Management has a target operating margin of 14% for FY21e, from the 12.2% achieved in FY18, predicated on a top-line forecast to grow at a CAGR to that year of 5.2%. Net debt at end FY18 was £4.0m, representing gearing of 5%. Total outstanding acquisition commitments of £11.8m peak in FY21 (£5.6m at current earn-out assumptions). With net capital expenditure continuing at around £1.5m, these cash requirements should be comfortably covered by cash generation, while still allowing for a progressive dividend.

### Valuation: Continuing overstated discount

Despite a 60% increase in the share price over the last year (+21% over the last quarter), themission's valuation remains at a clear discount to quoted small-cap marcomms peers. The current price puts it on an FY19e EV/EBITDA of 5.7x, compared to the sector at 7.9x, a 28% discount; on a P/E basis, a multiple of 8.5x compares to peers at 12.8x. The scale of the valuation discounts remains 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	11.0	2.2
12/18	78.8	9.5	8.7	2.1	9.0	2.7
12/19e	83.2	10.2	9.2	2.2	8.5	2.8
12/20e	87.4	11.3	10.2	2.4	7.6	3.1

Source: Company accounts, Refinitiv

**Price** 78p  
**Market cap** £67m

#### Share price graph



#### Share details

Code	TMMG
Listing	AIM
Shares in issue	85.30m

#### Business description

Themission 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

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