

# The MISSION Group

Looking for the bounce back

Year-end trading update

Media

20 January 2021

**Price** **66p**  
**Market cap** **£60m**

Net debt (£m) at 31 December 2020 1.3  
Shares in issue 91.0m  
Free float 52.7%  
Code TMG  
Primary exchange AIM  
Secondary exchange N/A

## Share price performance



%	1m	3m	12m
Abs	9.0	9.0	(15.8)
Rel (local)	6.0	(4.8)	(5.5)
52-week high/low		108p	36p

## Business description

The MISSION Group is a collective of creative integrated and specialist agencies, employing 1,150 people in the UK, Europe, Asia and the US.

## Next events

Final results 14 April 2021

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The MISSION's trading update indicates the group had a comfortably better Q4 than expected, with the full-year PBT over £1m, against our forecast £0.5m. Cash performance was significantly ahead, with a year-end net debt position of £1.3m allowing the payment of the delayed final 1.53p dividend from FY19. We will update our FY20 numbers with the full results in April. We have trimmed our FY21 forecast revenue by 7.5% to reflect the ongoing impact of the pandemic in H121, reducing PBT from £9.0m to £7.1m. We also publish our first thoughts on FY22, on an improving trend. The shares remain priced at a significant discount to peers on earnings multiples.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/18	77.6	9.2	8.5	2.1	7.8	3.2
12/19	81.0	10.2	9.0	2.3	7.3	3.5
12/20e	62.7	0.5	0.7	0.0	94.3	0.0
12/21e	70.4	7.1	6.1	1.8	8.6	2.7
12/22e	76.4	10.5	8.9	2.1	7.3	3.2

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptionals and share-based payments. FY20 figures do not reflect update.

## Set for margin uplift

As described in our last [update note](#) in December, the group has been making good progress on its objectives to deliver profitable growth through driving revenues by leveraging its skill set across the agencies and rebuilding revenues from its exceptionally loyal client base. FY21e profits will benefit from the reduced overhead of fewer London offices, plus the uplift to margin from the roll out of MISSION Made. This is a 24/7 centralised production, product and innovation studio to supply the group agencies with digital and motion graphics capability launched with four participating agencies in October 2020. As normal, H2 is expected to outperform H1, with the pattern in FY21 likely to be exaggerated by ongoing economic restrictions relating to the COVID-19 pandemic. Our initial thoughts on FY22 are predicated on group revenue slightly outstripping that achieved in FY19.

## Strengthened balance sheet gives flexibility

The indicated year-end net cash position of £1.3m is well ahead of the £8.2m we had modelled, and we await the release of full-year numbers in April to identify where the benefit has arisen. This has allowed for the reinstatement of the dividend, paused as the pandemic spread in Q220. It may also allow for further acquisitions to add a capability, a sector or a geographic exposure.

## Valuation: Discount to peers persists

As is the case for MISSION, forecasts for peers remain highly subjective to assumptions on the speed and scale of the recovery, so we have continued to look at an average over FY19, FY20e and FY21e. MISSION's shares trade at a discount to peers on EV/EBIT (11.5x 2021) and P/E on this basis. Parity indicates a share price of 87.6p (up from 76.9p in December), reflecting positive share price performances in the sector as advertising spending levels look set to recover. This is 33% above the current level.

**Exhibit 1: Financial summary**

	£'000s	2018	2019	2020e	2021e	2022e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>						
Turnover		159,916	171,091	128,107	146,972	156,619
Cost of Sales		(82,331)	(90,118)	(65,448)	(76,597)	(80,219)
Revenue		77,585	80,972	62,659	70,376	76,400
EBITDA		11,334	12,225	2,636	8,759	12,151
Operating Profit (before amort. and except.)		9,919	10,753	1,386	7,609	11,001
Intangible Amortisation		(1,286)	(1,980)	(1,004)	(1,004)	(1,004)
Headline Adjustments		(546)	(990)	(450)	(500)	(500)
Other		(1)	69	85	90	95
Operating Profit		8,086	7,852	701	6,869	10,256
Net Interest		(735)	(668)	(922)	(599)	(596)
Profit Before Tax (norm)		9,183	10,154	549	7,100	10,500
Profit Before Tax (FRS 3)		7,722	8,294	99	5,685	9,130
Tax		(1,710)	(1,868)	32	(1,527)	(2,342)
Profit After Tax (norm)		7,473	8,286	581	5,573	8,158
Profit After Tax (FRS 3)		6,012	6,426	131	4,158	6,788
Average Number of Shares Outstanding (m)		83.3	84.1	88.2	91.1	91.3
EPS - normalised (p)		8.7	9.5	0.7	6.1	9.0
EPS - normalised fully diluted (p)		8.5	9.0	0.7	6.1	8.9
EPS - (IFRS) (p)		7.1	7.5	0.0	4.4	7.3
Dividend per share (p)		2.1	2.3	0.0	1.8	2.1
Gross Margin (%)		48.5	47.3	48.9	47.9	48.8
EBITDA Margin (%)		7.1	7.1	2.1	6.0	7.8
Operating Margin (before GW and except.) (%)		6.2	6.3	1.1	5.2	7.0
<b>BALANCE SHEET</b>						
Fixed Assets		107,002	107,396	109,241	111,175	110,146
Intangible Assets		96,121	95,859	98,304	100,388	99,409
Tangible Assets		10,858	11,360	10,760	10,610	10,560
Investments/ other		23	177	177	177	177
Current Assets		46,476	47,117	34,772	38,386	43,527
Stocks		850	1,091	792	927	971
Debtors		39,727	40,998	32,290	35,032	37,331
Cash		5,899	5,028	1,690	2,427	5,225
Other		0	0	0	0	0
Current Liabilities		(40,986)	(40,181)	(34,108)	(37,416)	(36,316)
Creditors		(40,986)	(40,181)	(34,108)	(37,416)	(36,316)
Short term borrowings		0	0	0	0	0
Long Term Liabilities		(24,896)	(22,031)	(19,936)	(16,873)	(17,056)
Long term borrowings		(9,886)	(9,927)	(9,927)	(9,927)	(9,927)
Other long term liabilities		(15,010)	(12,104)	(10,009)	(6,946)	(7,129)
Net Assets		87,596	92,301	89,969	95,272	100,301
<b>CASH FLOW</b>						
Operating Cash Flow		11,684	10,454	2,411	8,608	8,965
Net Interest		(826)	(626)	(922)	(599)	(596)
Tax		(1,906)	(1,805)	32	(1,527)	(2,342)
Capex		(1,361)	(2,169)	(900)	(1,350)	(1,350)
Acquisitions/disposals		(670)	(2,839)	(3,424)	(3,063)	0
Financing/other		(1,938)	(2,096)	(536)	(319)	(175)
Dividends		(1,695)	(1,831)	0	(1,013)	(1,704)
Net Cash Flow		3,288	(912)	(3,338)	737	2,798
Opening net debt/(cash)		7,348	3,987	4,899	8,237	7,500
HP finance leases initiated		0	0	0	0	0
Other		73	0	0	0	0
Closing net debt/(cash)		3,987	4,899	8,237	7,500	4,702

Source: Company accounts, Edison Investment Research

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