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The MISSION Group

Media

14 April 2021

Sequential quarterly gains

The MISSION Group's FY20 results were in line with the pre-close update, with sequential improvements in quarterly trading from Q220. The breadth of the agency portfolio gave resilience to the group's trading performance results, as healthcare and technology exposure provided a positive counter to the weaknesses in property and events-oriented businesses. The MISSION comes into FY21 with a reduced cost base and an established collaborative culture. This is helping feed business between group agencies and give access to specialist services without replication. Year-end net bank debt of £1.2m (excluding leases) and a new £20m RCF give plenty of scope to grasp expansion opportunities.

Working as a team

Given that conditions during Q121 in verticals such as property and events remained difficult, we expect the group's recovery to be weighted to H221, when run rates should be nearer to those achieved in H219. Good progress has been made in MISSION Advantage, providing central specialist resource such as behavioural insight, and brand activation, while the roll-out of the 24/7 digital production and innovation hub is now extending right across the network. A collaborative culture is firmly set, with £3.6m of revenue generated through cross-agency referral in the year. In total, £1.0m of COVID-19-related restructuring cost was taken in FY20, covering personnel and property realignment.

New financing in place

CFO Peter Fitzwilliam is stepping down after 11 years in role, to be succeeded by Giles Lee, the group's commercial director. He leaves the balance sheet in good shape. The MISSION ended FY20 with net bank debt of £1.2m, excluding £11.3m of lease liabilities, having spent £1.1m on capex and £2.0m (cash) on acquisitions made in prior years. Good post-purchase performance means larger outstanding contingency payments and the group is set to pay vendors £7.5m in cash in FY21, with a further £1.0m due longer term. Since year end, a new £20m RCF has been put in place to FY24, with an option to extend by £5m and/or one year. This gives scope for additional 'acquisition, consolidation, and collaboration opportunities' with management highlighting data, analytics and performance media as key areas.

Valuation: Still well below peers

The MISSION Group's share price has risen by 46% since the start of the year, well ahead of the median advertising sector gain of 18%. Averaging across FY21–22e to try to iron out some of the COVID-19-led inconsistencies, MISSION's shares would be valued around 119p were they to trade at parity with peers on P/E and EV/EBIT.

Consensus estimates

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/19	81.0	10.2	9.2	2.3	9.5	2.6
12/20	61.5	1.2	1.2	0.0	72.9	0.0
12/21e	71.1	7.1	6.0	2.3	14.6	2.6
12/22e	75.3	10.2	8.6	2.5	10.2	2.9

Source: Refinitiv. Note:*Normalised.

Price	87.5p
Market cap	£80m

Share price graph

Share details

Code	TMG
Listing	AIM
Shares in issue	91.0m

Business description

The MISSION Group is a collective of creative integrated and specialist agencies, employing 1,000 people in the UK, Europe, Asia and the US.

Bull

- Forecast growth on lower cost base.
- Collaboration and shared resource initiatives starting to provide benefit
- Balance sheet strength & RCF access give flexibility.

Bear

- H121 trading affected by continuing lockdown.
- Longer-term pandemic impact on consumer confidence not yet clear.
- Uncertainty on timing of recovery.

Analyst

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