

The MISSION Group

Media
14 July 2021

Broad-based recovery

The MISSION Group's update indicates good trading in H121, with revenues up 9% and continuing sequential quarter-on-quarter recovery. Full year estimates are unchanged, implying H221 revenue growth of 14%. The £2.0m headline operating profit compares with the H120 loss of £1.8m, with the reduced cost base set to boost margins further in H221 and through FY22. The better performance is broadly based, with the tech and brand marketing agencies highlighted, along with recovery in property marketing. MISSION's shares continue to trade at a discount to peers.

Working as a team

The statement highlights continuing good performance from technology agency, AprilSix, and positive trading at brand agency Bray Leino. ThinkBDW, the group's property sector specialist, is benefiting from resurgent demand and has picked up a £20m multi-year digital transformation project with Redrow. New business wins include Porsche in automotive, Novo Nordisk in healthcare and Bottlegreen and Burts Chips in food and drink, helping compensate for the loss of longstanding client DFS. Net debt of £3.8m at end June (from £1.2m at the year-end) was better than anticipated, despite paying £1.2m in deferred consideration, £1.4m for the deferred FY19 dividend and £3.1m to HMRC. Further consideration payments of £6.3m are due in H221. With a £20m bank facility in place, the group still has firepower for modest further acquisitions, which it would need to add clients, extend the offering (especially in data or e-commerce) and/or deliver significant synergies.

Board refresh

The executive chairman is set to retire in September and will be succeeded by Julian Hanson-Smith (co-founder of FTI Consulting and PE specialist), who will be independent non-executive chairman. The deputy chairman, a group agency executive, is also retiring. This will take the proportion of NEDs on the board to two out of seven, from two of nine. The new CFO, Giles Lee, appointed in May 2021, has been with the group for 16 years, having joined from Merrydown post its sale. He has been the driving force behind the shared services initiative that is enabling the group to scale more efficiently.

Valuation: Still well below peers

The MISSION Group's share price has risen by 22% since the start of the year, compared with the median advertising sector gain of 30%. Averaging across FY21-22e to try to iron out some of the COVID-19-led inconsistencies, MISSION's shares would be valued around 112p were they to trade at parity with advertising peers on P/E and EV/EBIT, down from 119p at the time of the Q1 trading update in April.

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	7.9	3.2
12/20	61.5	1.2	1.2	0.0	60.8	0.0
12/21e	71.1	7.1	6.0	2.3	12.2	3.2
12/22e	75.3	10.2	8.6	2.5	8.5	3.4

Source: Refinitiv. Note:*Normalised.

Price 73p
Market cap £66m

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 and RCF access give flexibility.

Bear

- Longer-term pandemic impact on consumer confidence not yet clear.
- Uncertainty on timing of recovery.
- Limited free float.

Analyst

Fiona Orford-Williams +44 (0)20 3077 5739
media@edisongroup.com

General disclaimer and copyright

This report has been commissioned by The MISSION Group and prepared and issued by Edison in consideration of a fee payable by The MISSION 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 research department of Edison 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 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 2021 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). 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

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

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.

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

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.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia