

# 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

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