

The MISSION Group

Identifying the opportunities

The MISSION Group's interim announcement confirms July's trading update, showing revenues up 17% and continuing sequential half-on-half recovery. An interim dividend of 0.8p is 4% ahead of that paid in FY19. Full year broker estimates are unchanged, implying H221 revenue growth of 14%. The group's technology exposure has been a positive through the lockdown period, while the robust resurgence of property marketing in FY21 is driving good growth in specialist agency ThinkBDW. MISSION's shares continue to trade at a discount to peers, despite the improving outlook and more coherent corporate strategy.

New strategic focus areas

We documented client progress with our note following the July trading update and there is no significant further relevant news flow with the interim figures. There is, however, further iteration of the corporate strategy, identifying three areas of strategic focus which play into themes currently prevalent in the sector. The first is in data and analytics, where an appointment has been made to map out the opportunity and approach, including brand benchmarking that can be leveraged across group agencies and used in marketing efforts. Secondly, the group is to focus more on its customer experience (CX) capabilities, including its behavioural science agency, Innovation Bubble. Thirdly, the group will be building its ecommerce capabilities – increasingly integrated into clients' marketing strategies.

Healthy balance sheet

Management's anticipated H221 cash outflow of £6.3m in deferred consideration should be met without undue strain on the balance sheet, with a further estimated £0.1m due in FY22 and £0.6m due between three and four years' time. £0.3m is due to be settled in shares within the next year. Net debt at the half year was £3.9m, despite deferred HMRC payments of £3.1m and the deferred dividend from the prior year (£1.4m). The new three-year, £20m revolving credit facility (RCF) has an accordion option of up to £5m, giving the group the financial strength to make the needed investments and to make infill acquisitions to fit its strategic objectives.

Valuation: Still well below peers

The MISSION Group's share price has risen by 26% since the start of the year, compared with the median advertising sector gain of 41%. Averaging across FY21–22e to try to iron out some of the COVID-19-led inconsistencies, MISSION's shares would be valued around 165p were they to trade at parity with advertising peers on P/E and EV/EBIT, up from 112p at the time of the Q2 trading update in July.

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	8.2	3.0
12/20	61.5	1.2	1.2	0.0	62.9	0.0
12/21e	71.1	7.1	6.0	2.3	12.6	3.0
12/22e	75.3	10.2	8.6	2.5	8.8	3.3

Source: Refinitiv. Note: *Normalised.

Media
22 September 2021

Price 75.5p
Market cap £69m

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 United States.

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.

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