

Mirriad Advertising

Interim results

Looking to US campaign growth

Mirriad's interim results confirm the trading update published in July, which indicated the impact of the withdrawal from China, and we make no further changes to our forecasts. There is good progress in the North American market, with US revenues 72% of the group total in H122. It is success here that will determine future growth and moves toward profitability. We regard the contract signed with Magnite at the end of May as a key milestone towards establishing the group's in-content proposition as a line item in mainstream advertising budgets. Successful execution is key to driving an improved valuation.

Year end	Revenue (£m)	EBITDA (£m)	PBT* (£m)	Diluted EPS* (p)	P/E (x)	Yield (%)
12/20	2.18	(8.63)	(9.09)	(4.20)	N/A	N/A
12/21	2.01	(11.58)	(12.02)	(3.93)	N/A	N/A
12/22e	2.01	(15.52)	(15.72)	(5.63)	N/A	N/A
12/23e	4.92	(14.75)	(14.90)	(5.34)	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

KPIs demonstrate progress

Mirriad is continuing to build market presence, demonstrated by its non-financial KPIs showing growth in partnerships and active relationships on both supply and demand sides. Recent appointments of heads of Studio and Programmatic Partnerships are reportedly already accelerating the number of opportunities with major blue-chip brands and major advertising agencies. Some are slated to run shortly but we would expect that the bulk are likely to be weighted towards Q4, boosted by the inherent industry seasonality. Campaigns have been run for Lexus, Nissan and 'a leading food and drink manufacturer' in H122 in the US (for Nissan on a streaming video-on-demand platform) and with blue-chip financial service and FMCG clients in Canada. Several campaigns have also been run in the music segment, which provides strong segmental targeting opportunities. Nielsen research clearly demonstrates improved reach versus ad breaks (+20%) and each successful campaign provides collateral to prompt repeat usage and for new clients and partners to view Mirriad's proposition as a credible campaign component.

Investing in growth delivery

Cash at the end of the half-year was £17.7m, with cash consumption in H122 of £6.7m, including £1.8m in research and development (R&D). This is up from £5.5m in H121 (£1.5m R&D) as investment is made, principally in the people needed to deliver the US growth. The withdrawal from China should save around £1m in FY23, as part of a broader cost reduction programme targeting savings of £2.3m. Our modelling indicates that further funds will still be required in the next 12–18 months to support growth.

Valuation: Success in the US the catalyst for upside

With limited visibility, traditional multiples are unhelpful. However, we do believe that – with good execution – Mirriad's opportunity can support a valuation significantly above the current level. We look to see announcements of new partners and evidence of progression with existing partners as key data points to demonstrate that the company is still well-placed to monetise its IP and platform.

Media

12 August 2022

Price **8p**
Market cap **£22m**

Net cash at end June 22 (£m) 17.7

Shares in issue 279.2m

Free float 96.1%

Code MIRI

Primary exchange AIM

Secondary exchange OTCQX

Share price performance



%	1m	3m	12m
Abs	(56.5)	(68.4)	(78.2)
Rel (local)	(58.5)	(69.5)	(78.4)

52-week high/low 35p 8p

Business description

Mirriad's market-first in-content advertising solution seamlessly integrates with existing subscription and advertising models, improving the viewer experience by limiting commercial interruptions, while delivering dramatically increased reach and impact for advertisers.

Next events

Y/E trading update January 2023

Analyst

Fiona Orford-Williams +44 (0)20 3077 5739

media@edisongroup.com
[Edison profile page](#)

Mirriad Advertising is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	£m	2019	2020	2021	2022e	2023e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		1.140	2.180	2.010	2.014	4.924
Cost of Sales		(0.178)	(0.244)	(0.294)	(0.302)	(0.739)
Gross Profit		0.961	1.936	1.716	1.712	4.186
EBITDA		(11.505)	(8.626)	(11.579)	(15.516)	(14.750)
Operating profit (before amort. and excepts.)		(12.174)	(9.092)	(12.019)	(15.716)	(14.900)
Amortisation of acquired intangibles		0.000	0.000	0.000	0.000	0.000
Exceptionals		0.000	0.000	0.000	(0.150)	(0.180)
Share-based payments		(0.360)	(0.350)	(0.815)	(0.800)	(0.800)
Operating profit		(12.534)	(9.442)	(12.834)	(16.666)	(15.880)
Net Interest		0.023	0.004	(0.001)	(0.001)	(0.001)
Joint ventures & associates (post tax)		0.000	0.000	0.000	0.000	0.000
Exceptionals		0.000	0.000	0.000	0.000	0.000
Profit Before Tax (norm)		(12.151)	(9.089)	(12.020)	(15.717)	(14.901)
Reported tax		0.056	0.032	1.048	0.000	0.000
Profit After Tax (norm)		(12.095)	(9.056)	(10.972)	(15.717)	(14.901)
Minority interests		0.000	0.000	0.000	0.000	0.000
Discontinued operations		0.000	0.000	0.000	0.000	0.000
Net income (normalised)		(12.095)	(9.056)	(10.972)	(15.717)	(14.901)
Average Number of Shares Outstanding (m)		150.2	215.7	279.1	279.1	279.1
EPS - normalised (p)		(8.1)	(4.2)	(3.9)	(5.6)	(5.3)
EPS - normalised fully diluted (p)		(8.1)	(4.2)	(3.9)	(5.6)	(5.3)
EPS - basic reported (p)		(8.3)	(4.4)	(4.2)	(6.0)	(5.7)
Dividend (p)		0.0	0.0	0.0	0.0	0.0
Revenue growth (%)		174.0	91.3	(7.8)	0.2	144.5
Gross Margin (%)		84.4	88.8	85.4	85.0	85.0
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A
Normalised Operating Margin		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets		1.125	0.823	0.930	0.806	0.992
Intangible Assets		0.000	0.000	0.000	0.000	0.000
Tangible Assets		0.913	0.637	0.767	0.642	0.592
Trade & other receivables		0.212	0.186	0.163	0.163	0.399
Current Assets		20.193	36.970	27.510	11.026	3.058
Stocks		0.000	0.000	0.000	0.000	0.000
Debtors		1.025	1.476	1.892	1.214	3.778
Cash & cash equivalents		19.092	35.421	24.501	8.695	(1.836)
Other		0.077	0.073	1.116	1.116	1.116
Current Liabilities		(1.696)	(2.317)	(3.087)	(2.290)	(9.268)
Creditors		(1.298)	(1.914)	(2.867)	(2.069)	(4.047)
Tax and social security		(0.025)	(0.013)	(0.002)	(0.002)	(0.002)
Short term borrowings		0.000	0.000	0.000	0.000	(5.000)
Lease liabilities		(0.373)	(0.390)	(0.218)	(0.218)	(0.218)
Long Term Liabilities		(0.423)	(0.204)	(0.412)	(0.412)	(0.412)
Long term borrowings		0.000	0.000	0.000	0.000	0.000
Long term lease liabilities		(0.423)	(0.204)	(0.412)	(0.412)	(0.412)
Net Assets		19.200	35.271	24.941	9.130	(5.630)
Minority interests		0.000	0.000	0.000	0.000	0.000
Shareholders' equity		19.200	35.271	24.941	9.130	(5.630)
CASH FLOW						
Operating Cash Flow		(11.505)	(8.626)	(11.579)	(15.516)	(14.750)
Working capital		(0.237)	0.165	0.560	(0.119)	(0.586)
Exceptional & other		0.000	0.318	0.568	(0.150)	(0.180)
Tax		0.248	0.082	0.026	0.000	0.000
Net operating cash flow		(11.494)	(8.061)	(10.426)	(15.785)	(15.516)
Capex		(0.062)	(0.025)	(0.159)	(0.075)	(0.100)
Acquisitions/disposals		0.000	0.000	0.000	0.000	0.000
Net interest		0.023	0.000	0.000	0.000	0.000
Equity financing		15.290	24.779	0.044	0.000	0.000
Dividends		0.000	0.000	0.000	0.000	0.000
Other		(0.389)	(0.363)	(0.380)	(0.096)	(0.096)
Net Cash Flow		3.367	16.330	(10.920)	(15.956)	(15.712)
Opening net debt/(cash)		(15.204)	(19.092)	(35.421)	(24.501)	(8.545)
FX		0.000	0.000	0.000	0.000	0.000
Other non-cash movements		0.520	0.000	0.000	0.000	0.000
Closing net debt/(cash)		(19.092)	(35.421)	(24.501)	(8.545)	7.166

Source: Company accounts, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by Mirriad Advertising and prepared and issued by Edison, in consideration of a fee payable by Mirriad Advertising. Edison Investment Research standard fees are £60,000 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 of 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 2022 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 banking 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