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The MISSION Group

Media

12 January 2023

FY23 starting well

The MISSION Group's trading update outlines FY22 revenue a little ahead of market forecasts, with headline PBT of at least £7.6m edged ahead of FY21 (£7.5m) despite the inflationary pressures and higher interest costs prevalent in H2. While this PBT figure is a little below earlier expectations, the group's fundamentals continue to improve as it builds its capabilities through acquisition and organic growth and capitalises on the benefits of scale, with management anticipating margin expansion in FY23, which has started well with new client wins. The shares have performed broadly in line with peers over one year, continuing to trade at a substantial discount.

Strengthening the foundations

The MISSION made two acquisitions in H222: Influence Sports & Media and social media agency Populate. Influence, the larger deal, was bought in December, and is positioned in a sweet spot combining sports and influencers, with a strong client roster including Rolex and Aramco and key relationships with the America's Cup and Formula 1. The initial consideration was £1.5m (1.5x FY21 gross profit, year-end October), with an earn-out running through to FY25 based on ambitious EBITDA targets. As is typical for the sector, MISSION's revenues and profits are H2 weighted. The trading update indicates revenue momentum continuing in H2, with a stable underlying operating margin. The small shortfall at the PBT level (previous forecast was £8.4m) is largely attributable to higher finance charges, from the debt increase and higher interest rates. FY23 has reportedly started well, with new client wins such as Macmillan, and margins should expand with the benefits of scale.

Comfortable debt headroom despite restructuring

Net debt at the year-end was £11.5m, from £7.1m at the half-year, reflecting the acquisition costs, plus the cash impacts of restructuring the group's Asian business and Pathfindr, an internet of things solutions business. Exceptional restructuring costs (including non-cash goodwill write-down) are likely to be around £6.0m for the year. With facilities of £20m, positive cash flow generation guided for FY23 and minimal short-term acquisition obligations (mostly payable in FY25 and FY26), there is still scope for continuing infill M&A to build out the client offering.

Valuation: Still well below peers

Consensus revenue and EBITDA forecasts are broadly unchanged, with the extra interest taking around 6–10% off previous forecast PBT and EPS. The MISSION's share price is 35% below the start of 2022, similar to the fall in other quoted smaller global advertising stocks. The valuation still stands at a marked discount to the FY22e peer average of 11.4x P/E and 6.5x EV/EBITDA (FY23e: 10.9x and 5.4x, respectively). Parity across both metrics for both years implies a share price of 75p.

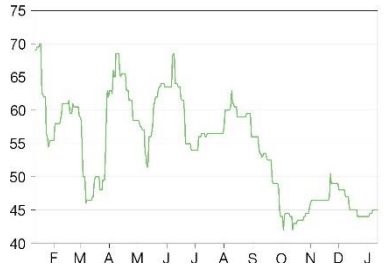
Consensus estimates

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/21	72.5	7.5	6.5	2.4	6.9	5.3
12/22e	79.8	7.6	6.5	2.5	6.9	5.6
12/23e	84.0	9.0	7.6	2.9	5.9	6.4
12/24e	87.8	10.2	8.5	3.2	5.3	7.1

Source: Refinitiv. Note: *PBT and EPS are normalised.

Price	45p
Market cap	£41m

Share price graph



Share details

Code	TMG
Listing	AIM
Shares in issue	91m

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

- Collaboration and shared resource initiatives are starting to provide benefit.
- Net debt set to reduce significantly in FY23.
- Breadth of client base.

Bear

- Higher interest costs.
- Geopolitical uncertainties.
- Limited free float.

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