

Media and Games Invest

Scorching Q220, FY20 guidance raised boldly

Media and Games Invest (MGI) is a fast-growing and profitable games and digital media business. In its maiden results following the group's Scale listing in July, the group has reported a like-for-like increase in Q2 revenues of 97% to €30.0m, with EBITDA up 68% to €6.3m. These results were driven by sustained supernormal levels of demand for MGI's games in Q220, supported by acquisitions. The group reported preliminary H120 revenues of €56.6m (H119: €28.6m) and EBITDA of €11.6m (H119: €7.5m). Given this performance, management raised its guidance for FY20, with a revised revenue target of €115–125m (growth of 37–49% y-o-y). Management also introduced EBITDA guidance, with FY20 EBITDA expected to be €20–23m (growth of 29–48% y-o-y). These forecasts exclude the impact of any potential M&A in H220. The half-year report is due on 12 August 2020.

Buy, integrate, build and improve

MGI supplements organic growth (Newzoo: 8.4% growth estimated 2019–22) with a 'buy, integrate, build and improve' acquisition strategy. In parallel with its Scale listing in July 2020, MGI announced two further acquisitions for undisclosed consideration: 1) Platform 161 (ClickDistrict), a leading demand-side platform (DSP) for programmatic advertising, based in Amsterdam, delivering additional annual revenues to the group of €10m+ and EBITDA of €1m+; and 2) the buyout of the minority shareholders of MGI's existing subsidiary, ReachHero.

FY20 guidance raised

In its trading update, following an exceptionally strong H1 performance, management raised its guidance for FY20, with a revised revenue target of €115–125m, representing growth of 37–49% over FY19 (€83.9m). MGI also introduced EBITDA guidance for the first time, with FY20 EBITDA expected to be €20–23m, growth of 29–48% over FY19 (€15.5m). These forecasts exclude the impact of any potential M&A deals in H220.

Valuation: Improving valuation as gearing falls

Based on the mid-point of management's guidance for FY20, MGI trades at an EV/sales multiple of 1.6x and an EV/EBITDA multiple of 8.9x. With predictable revenues and strong cash flow generation, we believe that MGI's gearing (c 3.3x FY20e net debt/EBITDA (mid-point of guidance)) will fall quickly, absent further M&A. Even as organic growth starts to normalise in H220, underlying sectoral growth remains attractive (with management targeting a 30%+ revenue CAGR). Together with an active M&A strategy, which could bring multiples down further, we believe this leaves significant scope for share price appreciation.

Consensus estimates

Year end	Revenue (€m)	Adj EBITDA* (€m)	PBT (€)	EPS (€)	EV/EBITDA* (x)	P/E (x)
12/18	32.6	13.4	0.7	0.01	14.3	100.7
12/19	83.9	18.1	(0.8)	(0.01)	10.6	NM
12/20e	103.4	22.5	2.1	0.05	8.5	27.9
12/21e	122.1	29.5	5.8	0.05	6.5	28.9

Source: MGI and gamigo accounts (historical figures), Refinitiv consensus (forecasts).
Note: *EBITDA adjusted for one-off M&A and financing costs.

Software & computer services

5 August 2020

Price €1.30
Market cap €120m

Share price graph



Share details

Code	M8G
Listing	Deutsche Börse Scale
Shares in issue (and shortly to be issued with respect to the recent acquisitions)	92.2m
Last reported net debt at 31 March 2020	€71.8m

Business description

Media and Games Invest (MGI) is a fast-growing games and media company, following a 'buy, integrate, build and improve' M&A strategy. Its principal divisions are games (online games) and media (online marketing).

Bull

- Seasoned management team with a proven track record.
- Capitalising on surge in gaming demand as well as set to benefit from long-term growth trends.
- Low-risk 'buy, integrate, build & improve' M&A strategy, focused on distressed assets.

Bear

- High levels of debt in the near term, with 3.2x consensus FY20e net debt/EBITDA.
- Full benefits of the recently completed transformation programme are yet to be realised.
- Limited free float, currently c 36.5%.

Analysts

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