

Media and Games Invest SE

Malta / Entertainment

Xetra & Nasdaq First North Premier

Bloomberg: M8G GR

ISIN: MT0000580101

Update

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**€ 6.80**

29.3%

High

GUIDANCE FOR 2021 SET; ORGANIC GROWTH CONTINUED IN Q2

Media and Games Invest SE (MGI) published 2021 guidance on the back of strong H1/21 organic growth (+30%) across the Gaming and Media segments. Management look for 2021 revenue to range between €220m - €240m with adjusted EBITDA of €60m - €65m. The outlook does not include the possible Smaato acquisition announced 21 June, which is still under negotiation. We have upped 2021 FBe to the lower end of sales guidance resulting in a €6.8 price target (old: €5.8). We remain Buy-rated on MGI.

Organic growth drives first six months Management published a historically strong organic pipeline in conjunction with the Q1 earnings call after reporting 38% Y/Y internal growth for the first three month period. The Gaming segment, led by gamigo, is benefiting from game launches and content updates, while the Media segment noted a pick up in activity throughout its customer base as well as good onboarding of new clients. Media segment anchor, Verve, also saw an uptick in ad spend budgets in Q2, which helped spur the good Media segment performance.

More corporate activity in the works MGI announced on 21 June that it is in talks with the San Francisco-based Smaato. The digital advertiser focuses on mobile apps and specialises in connecting advertisers to in-app inventory. In our view, this makes Smaato a good potential fit for the Verve Group. The combination would forge a formidable global omnichannel exchange that would rank among the top 10 in-app mobile exchanges worldwide. MGI hinted at Smaato annual sales of €30m to €40m with a 30% EBITDA margin. Since the deal has not been inked, we have not yet factored these contributions into FBe.

Raising price target to €6.8 (old: €5.8) on 2021 guidance H1/21 has overshoot our forecasts, thanks largely to... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Revenue (€m)	32.62	83.89	140.22	220.15	286.19	349.15
Y-o-y growth	n.a.	157.2%	67.1%	57.0%	30.0%	22.0%
EBITDA (€m)	8.65	15.54	26.55	62.32	79.88	95.25
EBITDA margin	26.5%	18.5%	18.9%	28.3%	27.9%	27.3%
Net income* (€m)	5.26	1.25	2.71	13.18	17.80	25.83
EPS* (diluted) (€)	0.10	-0.01	0.03	0.10	0.12	0.17
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-7.17	3.13	-12.50	-32.95	1.25	44.36
Net gearing	24.0%	22.4%	34.8%	10.3%	13.3%	6.0%
Liquid assets (€m)	4.45	32.98	46.25	303.20	291.83	313.58

* Adjusted for PPA-amortisation

RISKS

Risks include but are not limited to: revenue diversity, financing, technology, and regulatory risks.

COMPANY PROFILE

Media and Games Invest SE (MGI) is a fast-growing and profitable company operating in the digital games sector with a strongly supportive media unit. MGI combines organic growth with value-accretive acquisition strategy to deliver sustainable earnings growth.

MARKET DATA

As of 1 July 2021

Closing Price	€5.26
Shares outstanding	149.70m
Market Capitalisation	€ 787.42m
52-week Range	€ 1.20 / 5.26
Avg. Volume (12 Months)	166,458

Multiples	2020	2021E	2022E
P/E	175.3	53.3	45.1
EV/Sales	6.3	4.0	3.1
EV/EBITDA	33.4	14.2	11.1
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2021

Liquid Assets	€ 51.65m
Current Assets	€ 94.16m
Intangible Assets	€ 437.63m
Total Assets	€ 555.62m
Current Liabilities	€ 130.68m
Shareholders' Equity	€ 207.53m

SHAREHOLDERS

Bodhivas GmbH	33.0%
Oaktree Capital Mngt	9.0%
UBS	1.2%
Free Float	56.8%



. . . outperforming organic growth, and management's positive outlook suggest this will continue into H2. We have upped our 2021 numbers to the lower end of guidance. Revised FBe now features: (1) a 57% Y/Y increase in the 2020 topline (old: 42%); (2) a slight downtick in 2022 annualised growth to 30% (old: 33%) to account for the significantly higher 2021 revenue base we now expect; and (3) a bump up in own capitalised work assumptions to better reflect YTD performance. Our rating remains Buy.

Table 1: Revisions to forecasts

	old	new	revision	upside	dividend yield	total return
Price target (€)	5.8	6.8	17.4%	29.3%	0.0%	29.3%
	2021E			2022E		
All figures in € '000	old	new	revision	old	new	revision
Revenue	199,112	220,145	10.6%	264,819	286,189	8.1%
EBITDA	52,392	62,320	19.0%	66,418	79,883	20.3%
Margin (%)	26.3%	28.3%	-	25.1%	27.9%	-
EBIT	24,671	32,727	32.7%	32,378	43,985	35.8%
Margin (%)	12.4%	14.9%	-	12.2%	15.4%	-
Adjusted EBIT*	33,671	41,727	23.9%	41,378	52,985	28.0%

* adjusted for PPA amortisation

Source: First Berlin Equity Research estimates

VALUATION MODEL

All figures in EUR '000	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Revenue	220,145	286,189	349,151	401,523	441,676	463,759	482,310	496,779
NOPLAT	22,091	29,690	37,718	46,904	57,507	65,668	71,632	77,422
(+) depreciation & amortisation	29,593	35,898	39,376	43,933	41,209	35,709	32,315	28,316
Net operating cash flow	51,684	65,588	77,094	90,837	98,716	101,377	103,947	105,738
(-) Investments	-86,484	-62,387	-31,493	-36,217	-35,422	-37,193	-34,823	-29,906
(-) Working capital	-9,227	-8,475	-7,777	-7,720	-5,582	-2,743	-2,304	-1,797
Free cash flows (FCF)	-44,027	-5,274	37,823	46,900	57,712	61,440	66,820	74,035
PV of FCF's	-42,381	-4,703	31,248	35,896	40,921	40,359	40,663	41,739

All figures in thousands	WACC	Terminal EBIT margin							
		21.0%	23.0%	25.0%	27.0%	29.0%	31.0%	33.0%	
PV of FCFs in explicit period	274,483	4.9%	10.31	11.59	12.87	14.16	15.44	16.72	18.00
PV of FCFs in terminal period	718,938	5.9%	7.86	8.77	9.68	10.58	11.49	12.40	13.30
Enterprise value (EV)	993,421	6.9%	6.31	6.99	7.66	8.34	9.02	9.69	10.37
(+) Net cash / (-) net debt (pro-forma)	26,517	7.9%	5.24	5.76	6.28	6.81	7.33	7.85	8.38
(-) Non-controlling interests	-993	8.9%	4.45	4.87	5.28	5.70	6.11	6.53	6.94
Shareholder value	1,018,944	9.9%	3.85	4.19	4.52	4.86	5.19	5.53	5.86
Fair value per share (€)	6.80	10.9%	3.38	3.65	3.93	4.20	4.48	4.75	5.03

	WACC	Terminal growth rate							
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
Cost of equity	9.9%	4.9%	10.47	11.42	12.62	14.16	16.22	19.12	23.52
Pre-tax cost of debt	5.0%	5.9%	8.39	8.99	9.71	10.58	11.68	13.10	15.00
Tax rate	32.5%	6.9%	6.93	7.33	7.79	8.34	9.00	9.81	10.83
After-tax cost of debt	3.4%	7.9%	5.84	6.12	6.44	6.81	7.24	7.74	8.36
Share of equity capital	70.0%	8.9%	5.01	5.21	5.44	5.70	5.99	6.33	6.73
Share of debt capital	30.0%	9.9%	4.36	4.50	4.67	4.86	5.07	5.31	5.58
WACC	7.9%	10.9%	3.83	3.94	4.07	4.20	4.36	4.53	4.72

*Please note our model runs through 2030 and we have only shown the abbreviated version for formatting purposes



INCOME STATEMENT

All figures in EUR '000	2018	2019	2020	2021E	2022E	2023E
Revenues	32,621	83,893	140,220	220,145	286,189	349,151
Capitalised work	2,791	10,187	15,994	16,000	17,440	18,661
Total output	35,412	94,080	156,214	236,145	303,629	367,811
Cost of goods sold	-12,699	-45,803	-77,620	-96,974	-125,351	-153,277
Gross profit	22,713	48,277	78,594	139,171	178,278	214,534
Personnel expenses	-10,438	-27,359	-39,573	-56,137	-70,116	-83,796
Other OpEx	-10,135	-10,012	-18,745	-25,537	-33,198	-40,501
Other operating income	6,506	4,636	6,272	4,823	4,919	5,018
EBITDA	8,646	15,542	26,549	62,320	79,883	95,255
Depreciation & amortisation	-6,318	-10,543	-15,508	-29,593	-35,898	-39,376
Operating income (EBIT)	2,328	4,999	11,041	32,727	43,985	55,878
Net financial result	-1,641	-5,758	-7,139	-13,201	-17,613	-17,613
Pre-tax income (EBT)	687	-759	3,901	19,526	26,372	38,266
Income taxes	895	2,012	-1,194	-6,346	-8,571	-12,436
Net income	1,582	1,253	2,707	13,180	17,801	25,829
Discontinued operations	3,673	0	0	0	0	0
Consolidated profit	5,255	1,253	2,707	13,180	17,801	25,829
Minority interests	-932	-1,577	352	-26	-356	-517
Net income to owners	4,323	-324	3,059	13,154	17,445	25,313
Diluted EPS (in €)	0.10	-0.01	0.03	0.10	0.12	0.17
Adj. EBIT (excl: PPA amortisation)	2,328	4,999	11,041	41,727	52,985	64,878
Ratios						
Gross margin on output	64.1%	51.3%	50.3%	58.9%	58.7%	58.3%
EBITDA margin on revenues	26.5%	18.5%	18.9%	28.3%	27.9%	27.3%
EBIT margin on revenues	7.1%	6.0%	7.9%	14.9%	15.4%	16.0%
Net margin on revenues	13.3%	-0.4%	2.2%	6.0%	6.1%	7.2%
Tax rate	n.a.	n.a.	30.6%	32.5%	32.5%	32.5%
Expenses as % of revenues						
Personnel expenses	32.0%	32.6%	28.2%	25.5%	24.5%	24.0%
Other OpEx	31.1%	11.9%	13.4%	11.6%	11.6%	11.6%
Depreciation & amortisation	19.4%	12.6%	11.1%	13.4%	12.5%	11.3%
Y-Y Growth						
Revenues	n.a.	157.2%	67.1%	57.0%	30.0%	22.0%
EBTIDA	n.a.	79.8%	70.8%	134.7%	28.2%	19.2%
Operating income	n.a.	114.7%	120.9%	196.4%	34.4%	27.0%
Net income/ loss	n.a.	n.m.	n.m.	330.0%	32.6%	45.1%



BALANCE SHEET

All figures in EUR '000	2018	2019	2020	2021E	2022E	2023E
Assets						
Current assets, total	16,250	55,856	92,375	372,562	382,002	423,582
Cash and equivalents	4,447	32,984	46,254	303,201	291,833	313,575
Trade receivables	11,803	22,872	46,121	69,361	90,169	110,006
Non-current assets, total	220,043	256,593	293,467	450,683	477,502	469,957
Property, plant & equipment	4,189	3,521	1,742	1,786	1,843	1,913
Intangible assets	204,142	233,208	272,829	429,677	456,108	448,155
Deferred taxes	6,353	11,215	15,737	16,052	16,373	16,700
Long-term loans to investees	5,359	6,410	1,207	1,207	1,207	1,207
Other non-current assets	0	2,239	1,952	1,962	1,972	1,981
Total assets	236,293	312,449	385,842	823,245	859,504	893,539
Shareholders' equity & debt						
Current liabilities, total	24,358	54,544	78,205	155,849	168,823	181,533
Trade payables	9,366	20,274	30,037	44,050	56,383	68,443
Financial debt	3,595	6,772	6,087	6,087	6,087	6,087
Provisions	7,031	12,585	17,257	17,516	17,779	18,045
Other current liabilities	4,366	14,913	24,824	88,196	88,574	88,958
Long term liabilities, total	53,395	89,347	130,792	364,267	369,752	365,247
Long-term debt	14,100	8,369	11,671	11,671	16,671	11,671
Bonds	24,877	63,988	95,355	285,355	285,355	285,355
Other LT liabilities	0	0	0	43,000	43,000	43,000
Deferred tax liabilities	14,418	16,990	23,766	24,241	24,726	25,221
Shareholders' equity	158,540	168,558	176,845	303,128	320,929	346,759
Total consolidated equity and debt	236,293	312,449	385,842	823,245	859,504	893,539
Ratios						
Current ratio (x)	0.7	1.0	1.2	2.4	2.3	2.3
Net debt	38,125	37,776	61,599	31,241	42,609	20,867
ICR (x)	5.0	2.7	3.7	4.7	4.5	5.4
Net gearing	24%	22%	35%	10%	13%	6%
Net debt / EBITDA (x)	4.4	2.4	2.3	0.5	0.5	0.2
Equity ratio	67%	54%	46%	37%	37%	39%
Return on equity (ROE)	1.0%	0.7%	1.5%	4.3%	5.5%	7.4%
Capital employed (CE)	211,935	257,905	307,637	667,395	690,681	712,005
Return on capital employed (ROCE)	1%	2%	4%	5%	6%	8%



CASH FLOW STATEMENT

All figures in EUR '000	2018	2019	2020	2021E	2022E	2023E
Net income	5,255	1,253	2,707	13,180	17,801	25,829
Depreciation and amortisation	6,318	10,543	15,508	29,593	35,898	39,376
Change in trade rec & other assets	-8,083	1,437	-4,334	-23,555	-21,129	-20,165
Change in payable & other liabilities	14,501	3,928	-209	15,120	13,458	13,205
Results from sale of subsidiaries	-5,645	0	0	0	0	0
Other non-cash adjustments	-6,150	-5,752	4,072	0	0	0
Net interest expense	1,641	5,529	6,264	13,201	17,613	17,613
Tax result	-895	-822	1,194	6,346	8,571	12,436
Operating cash flow	6,942	16,116	25,202	53,886	72,213	88,295
Tax expense	0	0	0	-6,346	-8,571	-12,436
Interest income	1	83	0	0	0	0
Net operating cash flow	6,943	16,199	25,202	47,539	63,642	75,858
Payments for intangible assets	-11,042	-12,606	-17,380	0	0	0
Acquisition of subsidiaries	-3,919	-6,214	-22,930	-80,000	-61,757	-30,725
CapEx	0	0	0	-484	-630	-768
Deposits / payments for other assets	848	5,750	2,603	-10	-10	-10
Cash flow from investing	-14,113	-13,070	-37,707	-80,494	-62,396	-31,503
Free cash flow (FCF)	-7,170	3,129	-12,505	-32,955	1,245	44,355
Equity inflow, net	3,792	8,845	26,876	113,103	0	0
Debt inflow, net	-15,992	-12,011	-1,420	0	5,000	-5,000
Corporate debt, net	25,800	38,699	27,678	190,000	0	0
Interest paid	-2,014	-5,345	-6,018	-13,201	-17,613	-17,613
Payments for non-controlling interests	0	-5,000	-17,480	0	0	0
Other adjustments	-489	220	-3,862	0	0	0
Cash flow from financing	11,097	25,408	25,774	289,902	-12,613	-22,613
Net cash flows	3,927	28,537	13,269	256,947	-11,368	21,742
Fx adjustments	114	0	0	0	0	0
Cash, start of the year	406	4,447	32,984	46,254	303,201	291,833
Cash, end of the year	4,447	32,984	46,253	303,201	291,833	313,575
EBITDA/share (in €)	0.20	0.26	0.28	0.47	0.53	0.64
Y-Y Growth						
Operating cash flow	n.m.	133.3%	55.6%	88.6%	33.9%	19.2%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	3462.0%
EBITDA/share	n.m.	26.2%	8.5%	67.3%	14.2%	19.2%

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Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

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The production of this recommendation was completed on 2 July 2021 at 11:54

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	7 November 2019	€1.23	Buy	€2.10
2...6	↓	↓	↓	↓
7	6 August 2020	€1.33	Buy	€2.90
8	14 August 2020	€1.28	Buy	€2.90
9	1 October 2020	€1.30	Buy	€2.50
10	2 December 2020	€1.49	Buy	€2.80
11	19 January 2021	€2.76	Buy	€4.00
12	5 March 2021	€3.48	Buy	€5.30
13	27 April 2021	€4.80	Buy	€6.10
14	7 May 2021	€4.30	Buy	€5.80
15	Today	€5.26	Buy	€6.80

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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