

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**€ 8.20**

119.7%

High

CORPORATE RELOCATION TAKING SHAPE

MGI announced plans to relocate its headquarters from Malta to Sweden. Assuming AGM approval in late July, the company could set up shop in Sweden for the start of the new financial year in January 2023. In our view, departure from Malta will reduce corporate risks. Investors generally apply a higher risk premium to companies based in Malta, which excludes some investors with strict mandates. MGI also appears to be on track to meet 2021 guidance and FBe. Prelims are slated for 28 February. We remain Buy-rated on MGI with an unchanged €8.2 target price.

MGI is moving to Sweden The company had planned to relocate to Luxemburg but had to rethink those plans when Euroclear, a provider of settlement and related securities services, announced it would no longer support companies based there. Despite that setback, we think Sweden is a good fit for MGI, given its Swedish stock listing, strong Nordic investor base, good understanding of the Swedish capital markets, and operational footprint in Stockholm with its Media segment. We believe the AGM will support the move and that the company can execute for a January 2023 move date without incurring substantial one-off costs, thanks to extensive pre-checks and work already done. MGI will also beef up corporate governance with the introduction of a Nomination Committee as well as Remuneration and Audit Committees consistent with Swedish law and Corporate Governance Codes. The optimised governance structure will be better suited to MGI's increased size (>800 employees), market cap, and expanding global operations. Moreover the Swedish standards are internationally recognized and will increase transparency.

Prelims set for 28 February Guidance for 2021 puts sales in the range of €234m to €254m with EBITDA of €65m to €70m. This compares to FBe of €237m in revenue and EBITDA of €68m. Third quarter results featured topline growth of ~80% with revenue hitting €63m spurred by 41% organic sales growth (OSG) marking the third consecutive quarter in which OSG topped 35%. Given strong reporting through the nine month period, we believe the company will top our 2021 forecasts and meet its targets. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Revenue (€m)	32.62	83.89	140.22	236.95	308.75	385.93
Y-o-y growth	n.a.	157.2%	67.1%	69.0%	30.3%	25.0%
EBITDA (€m)	8.65	15.54	26.55	67.79	93.81	114.79
EBITDA margin	26.5%	18.5%	18.9%	28.6%	30.4%	29.7%
Net income (€m)*	4.32	-0.32	3.06	25.63	31.73	42.68
EPS (diluted) (€)*	0.10	-0.01	0.03	0.18	0.21	0.29
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-7.17	3.13	-12.50	-188.70	7.18	53.36
Net gearing	24.0%	22.4%	34.8%	61.0%	59.8%	47.1%
Liquid assets (€m)	4.45	32.98	46.25	227.46	217.42	243.57

* 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 digital integrated video game and media company that combines organic growth with value-accretive and synergetic acquisitions. The company's Gaming and Media segments generate nearly equal revenues.

MARKET DATA

As of 09 Feb 2022

Closing Price	€ 3.73
Shares outstanding	149.70m
Market Capitalisation	€ 558.68m
52-week Range	€ 3.33 / 6.69
Avg. Volume (12 Months)	196,359

Multiples	2020	2021E	2022E
P/E	116.0	20.7	17.6
EV/Sales	5.5	3.3	2.5
EV/EBITDA	29.2	11.4	8.3
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2021

Liquid Assets	€ 198.54m
Current Assets	€ 286.76m
Intangible Assets	€ 582.75m
Total Assets	€ 895.90m
Current Liabilities	€ 147.65m
Shareholders' Equity	€ 300.50m

SHAREHOLDERS

Bodhivas GmbH	27.7%
Oaktree Capital Mngt	9.1%
Janus Henderson	4.1%
Free Float	59.1%



Media segment update Technology giant, Meta, recently told investors that privacy-focused changes to Apple's iOS, including the "ask app not to track" notification, would cost the company around \$10bn in 2022. This triggered a 23% plunge in Meta's share price. And Google is expected to match Apple's new privacy rules by offering its Android users the ability to opt out of ad tracking.

But Meta's advertising problems should not be viewed as a sign of deeper ructions for MGI's ad-tech operations. We note that MGI's Verve group began preparing for a post-identifier world nearly two years ago with the development of "ATOM"—a workaround solution for IDFA (identifier for advertisers), which limits data made available to advertisers and publishers, thereby reducing the targeting and tracking efficiencies of ad campaigns. Results and feedback from ATOM's beta phase are encouraging and drawing praise from industry experts according to MGI. Campaigns using ATOM showed engagement (click-through-rate or CTR) uplift of >28% and an increase in ad yield (effective cost per mille or eCPM) of some 15% compared to non-targeted IDFA-less initiatives.

We thus think the ATOM will not only help MGI avoid a downturn in its Media performance but also actually gain market share. MGI is looking to patent its technology in key markets, and we think investors thus far underestimate the significance of this technology differentiator.

Buy rating and €8.2 price target confirmed The MGI share price remains volatile in the wake of overall market turbulence and concerns over changing landscapes for media operators with the new privacy rules. But we still believe MGI can emerge as a winner, as the Media segment continues grow, and flywheel effects—more people, more data between its Gaming and Media segments—drive organic growth.

Figure 1: DCF Model

All figures in EUR '000	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Revenue	236,950	308,746	385,932	451,540	496,694	521,529	542,390	558,662
NOPLAT	25,574	37,767	48,744	60,813	73,102	81,754	88,769	95,492
(+) depreciation & amortisation	29,904	37,861	42,576	48,284	45,445	40,158	36,340	31,844
Net operating cash flow	55,478	75,628	91,320	109,097	118,547	121,912	125,109	127,335
(-) Investments	-240,521	-64,466	-34,811	-40,729	-39,835	-41,827	-39,161	-33,631
(-) Working capital	-14,726	-12,000	-11,178	-10,848	-7,218	-3,603	-3,026	-2,361
Free cash flows (FCF)	-199,769	-838	45,331	57,520	71,494	76,483	82,922	91,343
PV of FCFs	-199,769	-785	39,385	46,389	53,520	53,145	53,484	54,687

All figures in thousands	WACC	Terminal EBIT margin							
		23.2%	25.2%	27.2%	29.2%	31.2%	33.2%	35.2%	
PV of FCFs in explicit period	217,688	4.7%	13.36	14.97	16.58	18.19	19.79	21.40	23.01
PV of FCFs in terminal period	961,580	5.7%	9.88	11.01	12.14	13.27	14.40	15.53	16.66
Enterprise value (EV)	1,179,267	6.7%	7.73	8.57	9.41	10.25	11.09	11.93	12.77
(+) Net cash / (-) net debt (pro-forma)	51,504	7.7%	6.27	6.92	7.56	8.21	8.86	9.51	10.16
(-) Non-controlling interests	-1,179	8.7%	5.20	5.72	6.23	6.75	7.27	7.78	8.30
Shareholder value	1,229,591	9.7%	4.40	4.82	5.23	5.65	6.07	6.48	6.90
Fair value per share (€)	8.20	10.7%	3.77	4.11	4.45	4.80	5.14	5.48	5.83

All figures in thousands	WACC	Terminal growth rate							
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
Cost of equity	9.6%	4.7%	12.99	14.31	15.99	18.19	21.19	25.53	32.39
Pre-tax cost of debt	5.0%	5.7%	10.23	11.05	12.04	13.27	14.83	16.87	19.65
Tax rate	32.5%	6.7%	8.31	8.85	9.49	10.25	11.17	12.31	13.76
After-tax cost of debt	3.4%	7.7%	6.89	7.27	7.71	8.21	8.81	9.52	10.37
Share of equity capital	70.0%	8.7%	5.81	6.09	6.40	6.75	7.16	7.63	8.18
Share of debt capital	30.0%	9.7%	4.96	5.17	5.39	5.65	5.94	6.27	6.64
WACC	7.7%	10.7%	4.28	4.43	4.61	4.80	5.01	5.25	5.51

*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	236,950	308,746	385,932
Capitalised work	2,791	10,187	15,994	17,000	18,190	19,463
Total output	35,412	94,080	156,214	253,950	326,936	405,395
Cost of goods sold	-12,699	-45,803	-77,620	-103,073	-126,586	-158,232
Gross profit	22,713	48,277	78,594	150,877	200,350	247,163
Personnel expenses	-10,438	-27,359	-39,573	-60,422	-75,643	-92,624
Other OpEx	-10,135	-10,012	-18,745	-27,486	-35,814	-44,768
Other operating income	6,506	4,636	6,272	4,823	4,919	5,018
EBITDA	8,646	15,542	26,549	67,791	93,812	114,789
Depreciation & amortisation	-6,318	-10,543	-15,508	-29,904	-37,861	-42,576
Operating income (EBIT)	2,328	4,999	11,041	37,887	55,951	72,213
Net financial result	-1,641	-5,758	-7,139	-13,201	-22,213	-22,213
Pre-tax income (EBT)	687	-759	3,901	24,686	33,739	50,000
Income taxes	895	2,012	-1,194	-8,023	-10,965	-16,250
Net income	1,582	1,253	2,707	16,663	22,774	33,750
Discontinued operations	3,673	0	0	0	0	0
Consolidated profit	5,255	1,253	2,707	16,663	22,774	33,750
Minority interests	-932	-1,577	352	-33	-46	-68
Net income to owners	4,323	-324	3,059	16,630	22,728	33,683
Diluted EPS (in €)	0.10	-0.01	0.03	0.12	0.15	0.23
Adj. EBIT (excl: PPA amor. & one-offs)	2,328	4,999	11,041	50,387	65,951	83,213
Ratios						
Gross margin on output	64.1%	51.3%	50.3%	59.4%	61.3%	61.0%
EBITDA margin on revenues	26.5%	18.5%	18.9%	28.6%	30.4%	29.7%
EBIT margin on revenues	7.1%	6.0%	7.9%	16.0%	18.1%	18.7%
Net margin on revenues	13.3%	-0.4%	2.2%	7.0%	7.4%	8.7%
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%	12.6%	12.3%	11.0%
Y-Y Growth						
Revenues	n.a.	157.2%	67.1%	69.0%	30.3%	25.0%
EBTIDA	n.a.	79.8%	70.8%	155.3%	38.4%	22.4%
Operating income	n.a.	114.7%	120.9%	243.2%	47.7%	29.1%
Net income/ loss	n.a.	n.m.	n.m.	443.6%	36.7%	48.2%



BALANCE SHEET

All figures in EUR '000	2018	2019	2020	2021E	2022E	2023E
Assets						
Current assets, total	16,250	55,856	92,375	305,360	318,926	370,447
Cash and equivalents	4,447	32,984	46,254	227,458	217,421	243,566
Trade receivables	11,803	22,872	46,121	77,901	101,505	126,882
Non-current assets, total	220,043	256,593	293,467	604,409	631,346	623,918
Property, plant & equipment	4,189	3,521	1,742	1,789	1,851	1,928
Intangible assets	204,142	233,208	272,829	583,399	609,943	602,101
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	909,769	950,272	994,365
Shareholders' equity & debt						
Current liabilities, total	24,358	54,544	78,205	158,891	171,135	185,984
Trade payables	9,366	20,274	30,037	47,091	58,695	72,894
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	444,267	449,752	445,247
Long-term debt	14,100	8,369	11,671	11,671	16,671	11,671
Bonds	24,877	63,988	95,355	365,355	365,355	365,355
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	306,611	329,385	363,135
Total consolidated equity and debt	236,293	312,449	385,842	909,769	950,272	994,365
Ratios						
Current ratio (x)	0.7	1.0	1.2	1.9	1.9	2.0
Net debt	38,125	37,776	61,599	186,984	197,021	170,876
ICR (x)	5.0	2.7	3.7	5.1	4.2	5.2
Net gearing	24%	22%	35%	61%	60%	47%
Net debt / EBITDA (x)	4.4	2.4	2.3	2.8	2.1	1.5
Equity ratio	67%	54%	46%	34%	35%	37%
Return on equity (ROE)	1.0%	0.7%	1.5%	5.4%	6.9%	9.3%
Capital employed (CE)	211,935	257,905	307,637	750,878	779,137	808,381
Return on capital employed (ROCE)	1%	2%	4%	5%	7%	9%



CASH FLOW STATEMENT

All figures in EUR '000	2018	2019	2020	2021E	2022E	2023E
Net income	5,255	1,253	2,707	16,663	22,774	33,750
Depreciation and amortisation	6,318	10,543	15,508	29,904	37,861	42,576
Change in trade rec & other assets	-8,083	1,437	-4,334	-32,095	-23,925	-25,704
Change in payable & other liabilities	14,501	3,928	-209	18,161	12,730	15,343
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	22,213	22,213
Tax result	-895	-822	1,194	8,023	10,965	16,250
Operating cash flow	6,942	16,116	25,202	53,857	82,617	104,428
Tax expense	0	0	0	-8,023	-10,965	-16,250
Interest income	1	83	0	0	0	0
Net operating cash flow	6,943	16,199	25,202	45,834	71,652	88,178
Payments for intangible assets	-11,042	-12,606	-17,380	0	0	0
Acquisition of subsidiaries	-3,919	-6,214	-22,930	-234,000	-63,787	-33,962
CapEx	0	0	0	-521	-679	-849
Deposits / payments for other assets	848	5,750	2,603	-10	-10	-10
Cash flow from investing	-14,113	-13,070	-37,707	-234,531	-64,476	-34,821
Free cash flow (FCF)	-7,170	3,129	-12,505	-188,697	7,176	53,357
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	270,000	0	0
Interest paid	-2,014	-5,345	-6,018	-13,201	-22,213	-22,213
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	369,902	-17,213	-27,213
Net cash flows	3,927	28,537	13,269	181,205	-10,037	26,145
Fx adjustments	114	0	0	0	0	0
Cash, start of the year	406	4,447	32,984	46,254	227,458	217,421
Cash, end of the year	4,447	32,984	46,253	227,458	217,421	243,566
EBITDA/share (in €)	0.20	0.26	0.28	0.48	0.63	0.77
Y-Y Growth						
Operating cash flow	n.m.	133.3%	55.6%	81.9%	56.3%	23.1%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	643.6%
EBITDA/share	n.m.	26.2%	8.5%	70.7%	31.5%	22.4%

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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...12	↓	↓	↓	↓
13	27 April 2021	€4.80	Buy	€6.10
14	7 May 2021	€4.30	Buy	€5.80
15	2 July 2021	€5.26	Buy	€6.80
16	16 July 2021	€5.93	Buy	€8.00
17	23 August 2021	€5.30	Buy	€8.00
18	5 October 2021	€4.82	Buy	€8.00
19	27 October 2021	€4.80	Buy	€8.00
20	18 November 2021	€5.35	Buy	€8.20
21	Today	€3.73	Buy	€8.20

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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