

## Media and Games Invest plc <sup>\*5a;11</sup>

**Rating: BUY**

**Target price: 2.10 €**  
(until now 2.10 €)

Current price: 1.18  
06.03.20 / XETRA / 17:35 pm  
Currency: EUR

**Key Data:**

ISIN: MT0000580101  
WKN: A1JGTO  
Ticker symbol: M8G  
Number of shares <sup>3</sup>: 70.02  
Marketcap <sup>3</sup>: 82.62  
Enterprise Value<sup>3</sup>: 121.98  
<sup>3</sup> in m/ in mEUR  
Freefloat: 37.6%

Transparency level:  
Entry Standard

Market segment:  
Open Market

Accounting:  
IFRS

Financial year: 31.12

Designated Sponsor:  
Hauck & Aufhäuser Privatbankiers AG

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\* List of possible conflicts of interest on page 4

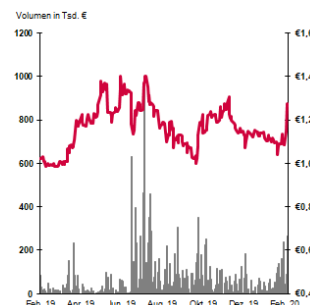
Date (Time) completion:  
06.03.2020 (11:10 am)

Date (Time) first distribution:  
09.03.2020 (10:00 am)

Target price valid: until max.  
31.12.2020

**Company Profile**

Industry: Entertainment, Media  
Focus: gaming and media group  
Employees: 500 Stand: 30.6.2019  
Founded: (2000 gamigo)  
Headquarters: Malta  
CEO: Remco Westermann



The Media and Games Invest plc (formerly Blockscene plc) is a profitable investment holding with focus on game publishing and media sectors. Since May 2018 the group has changed its business purpose, deconsolidating the real estate business and acquiring the controlling stake in the game publishing platform gamigo AG. Currently the strategy is based on four pillars: “buy, integrate, build and improve” and is carried on with organic and non-organic growth. The business is divided into two segments: 1) game publishing, which includes a broad portfolio of online, mobile and console games and 2) digital media, related to online advertising and social marketing services for in-house games and third-party clients. The lion’s share of consolidated revenue comes from gamigo free-to-play games where users can buy goods (virtual items) for a more intensive gaming experience or successful competition. On a daily basis the group registers traffic of more than 600k users while most of the revenues (over 50%) in the core games are generated by users that have been on the platform for more than 5 years. Hence, gamigo video games usually have a long life and high customer retention. Since H1/2019 the digital media business has been strengthened with the acquisitions of the online advertisers ReachHero, Applift and PubNative. The shares of MGI are listed in Frankfurt (XETRA) while two bonds with a total volume of EUR 67m outstanding are traded on the NASDAQ Stockholm and Frankfurt Stock Exchange.

P&L in EURm, financial year-end	31.12.2018	31.12.2019e	31.12.2020e	31.12.2021e
Revenue	32.62	74.46	90.96	105.89
EBITDA	8.65	14.19	20.48	22.94
EBIT	2.33	1.19	5.98	8.44
Net income (loss)	4.32	-1.90	1.10	2.74

**Key figures in EUR**

Earnings per share	0.06	-0.03	0.01*	0.03*
Dividend per share	0.00	0.00	0.00	0.00

\*based on 88,22m shares

**Key figures**

EV/Revenues	3.74	1.64	1.34	1.15
EV/EBITDA	14.11	8.59	5.96	5.32
EV/EBIT	52.40	102.33	20.40	14.45
P/E	19.11	-43.58	74.98	30.18
P/B	0.52			

**Financial calendar**

10.03.20: Prior Conference  
06/2020: Financial Report 2019  
09/2020: Half-Year Report 2020

**\*\* Last research by GBC :**

Date: publication / Target Price / Rating  
20.02.2020: RS / 2.10 / BUY  
12.02.2020: RS / 1.90 / BUY  
11.11.2019: RS / 1.90 / BUY

\*\* oben aufgeführte Researchstudien können unter [www.gbc-ag.de](http://www.gbc-ag.de) eingesehen, bzw. bei der GBC AG, Halderstr. 27, D86150 Augsburg angefordert werden

Note on research as a “minor non-monetary benefit” according to the MiFID II regulation: This research meets the requirements for being classified as a “minor non-monetary benefit”. For more information, see the disclosure under “I. Research under MiFID II”

**Strong enhancement in gamigo numbers in FY 2019, revenues up 30% and EBITDA up 47.8%; organic growth doubled from 5% to 10% through the launch of new games and updated contents, EUR 16.39m cash generation from operating cash flows**

For the financial year ending in 2019, gamigo AG clearly increased its financial figures. Total revenues improved to EUR 58.92m (FY 2018: EUR 45.29m) driven by organic growth and by the integration of Trion World and WildTangent. The double digit organic growth was related to regular content updates in existing games such as in Fiesta Online and Last Chaos, the relaunch of their desert operations game (e.g. graphic update), the participation in game events (e.g. gamescom fair) as well as an optimized game/user support system.

A significant highlight was the launch of the buy-to-play version of ArcheAge Unchained. The company enjoyed a massive influx of players for this new version, to the point of having to increase the number of servers. For the whole FY 2019, gamigo total investments in strategic products and platforms amounted to € 8.5m.

During this period, the company improved its efficiency and internal organization. On the one hand, it reduced its tech spending, moving most of the services from bare-metal data centres into cloud systems. The latter increases manageability, reduces down-times and allows for a fast reaction to changing demand. Tech spending was even reviewed in the acquired companies, which, on average, after acquisition decreased their spending from 30-40% to 5-10% of sales. On the other hand, advertising and media sales teams were grouped under one team. This integration might improve costs and technical optimizations.

Despite the increase in personal expenses ratio from 32.5% to 36.6% on an annual basis, the EBITDA was improved by 47.8% to EUR 16.33m in 2019 (2018: EUR 8.65m) thus higher than the turnover rate. This shows management skills in a developing economy of scale and synergies from the new acquisition. Adjusted EBITDA for one-off items related to M&A transactions, financing, legal and IT costs would be even higher to EUR 18.2m. The operating result was somewhat offset by a EUR 1.61m increase in depreciation (mainly purchase-price allocation depreciation) and around EUR 3.01m interests expenses related to gamigo's bond, which after EUR 0.82m in tax, led to a double-digit growth of 21.8% in net income to EUR 1.97m (2018: EUR 1.62m).

The operating cash flow has also developed very positively. The operating cash flow rose significantly in the reporting period from EUR 10.48m (FY 2018) to EUR 16.39m. Basically, gamigo AG was thus able to finance the investments made in 2019. After the investments for acquisitions and in infrastructure (e.g. IT), the company had a positive free cash flow of EUR 4.53m (previous year: EUR 4.14m). For enhancing the financing position, two further senior secured corporate bond tranches were issued on the Nasdaq Stockholm in 2019. The value of these issues amounted to € 18m (current whole bond value of EUR 50m), which were partly used to cover the inorganic expansion. Cash position on balance at the end of 2019 amounted to EUR 21.96m, an amount that leaves flexibility for new strategic growth.

Since the gamigo numbers were within our expectations, we confirm our forecasts for Media and Games Invest plc, last published on 20.02.20. With a target price of EUR 2.10, we continue to assign our BUY rating.

## ANNEX

### I.

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