

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

**Rating: BUY**

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

Current price: 1.16  
06.05.20 / XETRA / 5:35 pm  
Currency: EUR

### Key Data:

ISIN: MT0000580101  
WKN: A1JGTO  
Ticker symbol: M8G  
Number of shares <sup>3</sup>: 70.02  
Marketcap <sup>3</sup>: 81.22  
EnterpriseValue<sup>3</sup>: 120.58  
<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

### Analysts

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\* List of possible conflicts of interest on page 4

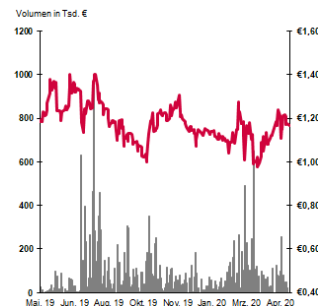
Date (Time) completion::  
07.05.2020 (8:41 am)

Date (Time) first distribution:  
07.05.2020 (10:00am)

Target price valid: until max.  
31.12.2020

### Company Profile

Industry: Entertainment, Media  
Focus: gaming and media group  
Employees: 500 (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, PubNative and Verve Wireless Inc. The shares of MGI are listed in Frankfurt (XETRA) while two bonds with a total volume of EUR 75m outstanding are traded on the NASDAQ Stockholm and Frankfurt Stock Exchange.

P&L in EURm, financial year-end	31.12.2018	31.12.2019	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	0.05	-0.02	0.01*	0.02*
Dividend per share	0.00	0.00	0.00	0.00

\*based on 88,22m shares

### Kennzahlen

EV/Umsatz	3.71	1.62	1.33	1.14
EV/EBITDA	13.99	8.52	5.90	5.27
EV/EBIT	51.94	101.45	20.22	14.33
KGV	18.87	Neg.	74.02	29.79
KBV	0.51			

### Financial calendar

06/2020: Financial Report 2019  
09/2020: Half-Year Report 2020

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

Date: publication / Target Price / Rating

09.03.2020: RS / 2.10 / BUY  
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”

**Clearly higher revenues for gamigo AG in 2019; earning power from the platform strategy and open up of new markets and countries; investments realised in cloud technology useful in the current corona crisis phase; Target Price and Rating unchanged**

On April 28<sup>th</sup> gamigo released its annual financial statement highlighting strong growth in sales and profitability. Key driver was the game segment (i.e. console, online and mobile games) which rose by 45.4% from € 29.67m to € 43.13m. The figure would have been even higher including € 7.07m in deferred revenues for games. The business in platform services seems stable, up € 0.17m to € 15.79m which led to a 30% increase of the consolidated turnover to € 58.92m (2018: € 45.29m).

Owing to the growth in revenues and positive synergies, gamigo EBITDA grew disproportionately to € 16.33m (2018: € 11.05m), +47.8% on an annual basis. In detail, the company reported an increase in purchased services to € 26.69m (2018: € 17.64m) mainly due to royalties and technology costs; the number includes also advertising and media costs which were previously included under other operating expenses. Personal expenses rose by € 6.84m to € 21.57m mainly due to new employees under the acquired US-based company Trion. The amortization and depreciation for intangible and fixed assets amounted to € 10.07m against € 8.46m in the previous year. After taking bond-related financial expenses of € 5.11m and tax income of € 0.82m resulting from deferred taxes into account, net income for the year rose by 21.8% from € 1.62m to € 1.97m.

Following successful M&A deals, intangible assets climbed to € 76.17m (2018: € 67.59m) around 61.1% of total assets on balance sheet. The number is mainly connected to acquired assets or to internally generated intangible asset for research and development activities.

Due to the fast growing business in games and favourable interests rates, the company gathers the opportunity to finance its investments and acquisitions issuing new debt. Examples are the tap issues of EUR 10.00 million in March 2019 and € 8.00m in June 2019 of gamigo senior secured floating rate callable bonds (coupon of 3 months EURIBOR, with a zero floor, plus 7.75 % per annum). Total bonds amounted to € 48.67m at the end of December 2019.

As part of our last research study, we already commented on the preliminary results of gamigo AG on 9 March 2020. As there are no significant changes following the publication of the annual report, we will leave our estimates confirmed in the last study unchanged. We will only update our estimates for Media and Games and update the valuation on the basis of the Media and Games annual report. This is expected to be available in June 2020.

Current events related to the coronavirus crisis and consequent economy slowdown are posing a challenge on the demand for luxury goods such as virtual items. This is mainly measured by the consumer confidence index trend. Although the scenario might impact faster the digital media business growth (B2B), the business in games, which is normally a non-cyclical business, might be positively affected by people leisure time. Assuming improved contributions of the acquired assets, new game launches as well as the Verve Wireless Inc. assets acquisition on January 2020 in the B2B business we have kept our target price of € 2.10 and the BUY rating for the group MGI plc unchanged.

## ANNEX

### I.

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