

Media and Games Invest plc

Malta / Entertainment
 Xetra
 Bloomberg: M8G GR
 ISIN: MT0000580101

Update

RATING
PRICE TARGET **BUY**
 Return Potential 91.6%
 Risk Rating High

TOPPING OFF THE FINANCIAL COFFERS

Media and Games Invest successfully concluded a private placement for gross proceeds of €28.5m. In the course of book-building, 25m new shares were placed with Swedish and international institutional investors at SEK12.0 (~€1.14). The proceeds will significantly boost the group's financial firepower to execute on its acquisition pipeline that includes a number of short-listed targets. MGI will also list its shares on Sweden's Nasdaq First North Premier Exchange, which is well populated with gaming operators. Our adjusted DCF model results in a €2.5 PT (old: €2.9). We remain Buy-rated on MGI.

Replenishing the war chest The private placement was oversubscribed allowing the company to increase the issuance to SEK300m from the originally sought SEK250m. The SEK12.0 price (~€1.14) equates to a 10% discount to the M8G two-day volume average weighted share price. Shares outstanding increase by 25m to 117,073,507 and are factored into our revised price target. We also assume management will put the money to work in the coming quarters and have revised up our growth targets for 2021. The new shares are subject to a 180 day lockup period, and the company has pledged to not issue new shares during this time frame with customary exceptions. MGI exited H1/20 with some €15m in cash and liquid assets. The cap hike will give the gaming specialist good financial flexibility to pursue its full acquisition pipeline and invest in further organic growth.

Tapping into Sweden's strong video gaming environment MGI shares will commence trading on Stockholm's Nasdaq First North Premier Market ~6 October and continue trading on Germany's Xetra Exchange. Sweden has deep video gaming roots having spawned global hits such as *Minecraft*, *Candy Crush Saga* and *Battlefield*. According to the Swedish Game Developer Index, the country's gaming market is thought to have been worth €1.9bn in 2018 (+33% Y/Y). Sweden's stock market is . . . (p.t.o)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020E	2021E	2022E	2023E
Revenue (€m)	32.62	83.89	114.93	149.41	176.31	202.75
Y/Y growth	n.a.	157.2%	37.0%	30.0%	18.0%	15.0%
EBITDA (€m)	8.65	15.54	20.37	30.25	36.28	46.39
EBITDA margin	26.5%	18.5%	17.7%	20.2%	20.6%	22.9%
Net income (€m)	5.26	1.25	0.64	6.91	9.84	15.43
EPS (diluted) (€)	0.10	-0.01	0.01	0.06	0.08	0.13
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-7.17	3.13	-6.72	1.48	13.76	18.17
Net gearing	24.0%	27.4%	26.7%	28.3%	23.7%	17.1%
Liquid assets (€m)	4.45	32.98	38.53	33.30	31.71	38.99

RISKS

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

COMPANY PROFILE

MGI is a strategic investment holding company that pursues a 'buy-integrate-build-and-improve' strategy to foster fast-growing companies within the media and games segments through acquisitions and growth in operations. gamigo and AppLift are the flagship holdings within the group.

MARKET DATA

As of 30 Sep 2020

Closing Price € 1.30
 Shares outstanding 92.07m
 Market Capitalisation € 120.15m
 52-week Range € 0.95 / 1.45
 Avg. Volume (12 Months) 96,403

Multiples	2019	2020E	2021E
P/E	n.a.	217.5	22.6
EV/Sales	2.2	1.6	1.3
EV/EBITDA	12.1	9.2	6.2
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2020

Liquid Assets € 15.45m
 Current Assets € 38.79m
 Intangible Assets € 254.45m
 Total Assets € 324.85m
 Current Liabilities € 53.60m
 Shareholders' Equity € 152.39m

SHAREHOLDERS

Bodhivas GmbH 62.4%
 Free Float 37.6%



... well populated with successful gaming operators, and the industry is well understood by the Nordic capital markets. We think the rationale for boosting MGI's Nordic exposure is thus solid.

Table 1: Changes to FBe and price target

	old	new	revision	upside	dividend yield	total return
Price target (€)	2.9	2.5	-14.2%	91.6%	0.0%	91.6%
All figures in € '000	2020E			2021E		
	old	new	revision	old	new	revision
Revenue	114,933	114,933	0.0%	142,517	149,413	4.8%
EBITDA	20,367	20,367	0.0%	28,168	30,249	7.4%
Margin (%)	17.7%	17.7%	-	19.8%	20.2%	-
EBIT	7,150	7,150	0.0%	15,769	16,951	7.5%
Margin (%)	6.2%	6.2%	-	11.1%	11.3%	-
Net income	645	645	0.0%	6,115	6,912	13.0%
EPS diluted (€)	0.01	0.01	-	0.07	0.06	-18.7%

Source: First Berlin Equity Research estimates

Upping 2021 FBe Our revised forecasts assume MGI will invest up to €15m into M&A in the coming quarters and target companies that require some restructuring in line with its Buy, Integrate, Build & Improve blueprint. While this strategy takes more time to corral profitability upside, these targets are often available at lower multiples and allow management to leverage their restructuring competence.

VALUATION MODEL

All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Revenue	114,933	149,413	176,308	202,754	233,167	256,484	269,308	280,080
NOPLAT	4,826	11,442	14,137	19,409	23,563	27,974	29,267	32,353
(+) depreciation & amortisation	13,217	13,298	15,339	17,640	20,286	19,749	20,737	18,765
Net operating cash flow	18,044	24,740	29,476	37,049	43,848	47,723	50,004	51,118
(-) Investments	-29,493	-22,741	-16,256	-18,288	-21,032	-20,570	-21,599	-20,222
(-) Working capital	-1,769	-3,226	-2,062	-3,048	-2,826	-1,932	-873	-733
Free cash flows (FCF)	-13,219	-1,227	11,158	15,712	19,991	25,221	27,532	30,163
PV of FCF's	-12,929	-1,097	9,117	11,734	13,645	15,734	15,699	15,720

All figures in thousands	WACC	Terminal EBIT margin							
		16.2%	18.2%	20.2%	22.2%	24.2%	26.2%	28.2%	
PV of FCFs in explicit period	119,067	6.4%	3.19	3.75	4.31	4.87	5.43	5.98	6.54
PV of FCFs in terminal period	224,786	7.4%	2.53	2.95	3.37	3.80	4.22	4.64	5.06
Enterprise value (EV)	343,853	8.4%	2.06	2.39	2.72	3.04	3.37	3.70	4.03
(+) Net cash / (-) net debt	-46,145	9.4%	1.71	1.97	2.23	2.49	2.75	3.01	3.27
(-) Non-controlling interests	-6,533	10.4%	1.43	1.64	1.85	2.06	2.27	2.48	2.69
Shareholder value	291,175	11.4%	1.21	1.38	1.55	1.73	1.90	2.07	2.25
Fair value per share (€)	2.50	12.4%	1.03	1.17	1.31	1.46	1.60	1.74	1.89

	WACC	Terminal growth rate							
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
Cost of equity	10.8%	6.4%	3.88	4.15	4.48	4.87	5.35	5.95	6.73
Pre-tax cost of debt	6.0%	7.4%	3.14	3.33	3.54	3.80	4.09	4.45	4.89
Tax rate	32.5%	8.4%	2.59	2.72	2.87	3.04	3.24	3.47	3.74
After-tax cost of debt	4.1%	9.4%	2.16	2.26	2.37	2.49	2.62	2.78	2.96
Share of equity capital	80.0%	10.4%	1.82	1.89	1.97	2.06	2.16	2.27	2.40
Share of debt capital	20.0%	11.4%	1.55	1.60	1.66	1.73	1.80	1.88	1.97
WACC	9.4%	12.4%	1.32	1.36	1.41	1.46	1.51	1.57	1.64

*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	2020E	2021E	2022E
Revenues	32,621	83,893	114,933	149,413	176,308
Capitalised work	2,791	10,187	10,696	11,231	11,793
Total output	35,412	94,080	125,630	160,645	188,101
Cost of goods sold	-12,699	-45,803	-57,467	-74,707	-88,154
Gross profit	22,713	48,277	68,163	85,938	99,947
Personnel expenses	-10,438	-27,359	-37,928	-42,284	-47,603
Other OpEx	-10,135	-10,012	-14,597	-18,228	-20,981
Other operating income	6,506	4,636	4,729	4,823	4,920
EBITDA	8,646	15,542	20,367	30,249	36,283
Depreciation & amortisation	-6,318	-10,543	-13,217	-13,298	-15,339
Operating income (EBIT)	2,328	4,999	7,150	16,951	20,944
Net financial result	-1,641	-5,758	-6,195	-6,710	-6,362
Pre-tax income (EBT)	687	-759	955	10,240	14,582
Income taxes	895	2,012	-310	-3,328	-4,739
Net income	1,582	1,253	645	6,912	9,843
Discontinued operations	3,673	0	0	0	0
Consolidated profit	5,255	1,253	645	6,912	9,843
Minority interests	-932	-1,577	-13	-138	-197
Net income to owners	4,323	-324	632	6,774	9,646
Diluted EPS (in €)	0.10	-0.01	0.01	0.06	0.08
Ratios					
Gross margin on output	64.1%	51.3%	54.3%	53.5%	53.1%
EBITDA margin on revenues	26.5%	18.5%	17.7%	20.2%	20.6%
EBIT margin on revenues	7.1%	6.0%	6.2%	11.3%	11.9%
Net margin on revenues	13.3%	-0.4%	0.5%	4.5%	5.5%
Tax rate	n.a.	n.a.	32.5%	32.5%	32.5%
Expenses as % of revenues					
Personnel expenses	32.0%	32.6%	33.0%	28.3%	27.0%
Other OpEx	31.1%	11.9%	12.7%	12.2%	11.9%
Depreciation & amortisation	19.4%	12.6%	11.5%	8.9%	8.7%
Y-Y Growth					
Revenues	n.a.	157.2%	37.0%	30.0%	18.0%
EBTIDA	n.a.	79.8%	31.0%	48.5%	19.9%
Operating income	n.a.	114.7%	43.0%	137.1%	23.6%
Net income/ loss	n.a.	n.m.	n.m.	971.9%	42.4%



BALANCE SHEET

All figures in EUR '000	2018	2019	2020E	2021E	2022E
Assets					
Current assets, total	16,250	55,856	70,022	74,237	80,014
Cash and equivalents	4,447	32,984	38,533	33,302	31,711
Trade receivables	11,803	22,872	31,489	40,935	48,304
Non-current assets, total	220,043	256,593	303,104	312,787	313,948
Property, plant & equipment	4,189	3,521	3,544	3,574	3,609
Intangible assets	210,495	244,423	290,900	300,542	301,657
Long-term loans to investees	5,359	6,410	6,410	6,410	6,410
Other non-current assets	0	2,239	2,250	2,261	2,273
Total assets	236,293	312,449	373,126	387,024	393,963
Shareholders' equity & debt					
Liabilities, total	24,358	54,544	61,441	68,080	73,811
Trade payables	9,366	20,274	27,121	33,342	38,648
Financial debt	3,595	6,772	6,409	6,409	6,409
Provisions	7,031	12,585	12,774	12,965	13,160
Other current liabilities	4,366	14,913	15,137	15,364	15,594
Provisions, total	53,395	89,347	104,687	105,033	96,399
Long-term debt	14,100	8,369	8,369	8,369	8,369
Bonds	24,877	63,988	78,988	78,988	70,000
Deferred tax liabilities	14,418	16,990	17,330	17,676	18,030
Shareholders' equity	158,540	168,558	206,998	213,911	223,753
Total consolidated equity and debt	236,293	312,449	373,126	387,024	393,963
Ratios					
Current ratio (x)	0.7	1.0	1.1	1.1	1.1
Net debt	38,125	46,145	55,233	60,464	53,067
ICR (x)	5.0	2.7	3.3	4.5	5.7
Net gearing	24%	27%	27%	28%	24%
Net debt / EBITDA (x)	4.4	3.0	2.7	2.0	1.5
Equity ratio	67%	54%	55%	55%	57%
Return on equity (ROE)	1.0%	0.7%	0.3%	3.2%	4.4%
Capital employed (CE)	211,935	257,905	311,685	318,944	320,152
Return on capital employed (ROCE)	1%	2%	2%	5%	7%



CASH FLOW STATEMENT

All figures in EUR '000	2018	2019	2020E	2021E	2022E
Net income	5,255	1,253	645	6,912	9,843
Depreciation and amortisation	6,318	10,543	13,217	13,298	15,339
Change in trade rec & other assets	-8,083	1,437	-8,841	-9,675	-7,602
Change in payable & other liabilities	14,501	3,928	7,599	6,986	6,084
Results from sale of subsidiaries	-5,645	0	0	0	0
Other non-cash adjustments	-6,150	-5,752	0	0	0
Net interest expense	1,641	5,529	6,195	6,710	6,362
Tax result	-895	-822	310	3,328	4,739
Operating cash flow	6,942	16,116	19,126	27,559	34,765
Tax expense	0	0	-310	-3,328	-4,739
Interest income	1	83	0	0	0
Net operating cash flow	6,943	16,199	18,815	24,231	30,026
Payments for intangible assets	-11,042	-12,606	0	0	0
Acquisition of subsidiaries	-3,919	-6,214	-25,272	-22,412	-15,868
CapEx	0	0	-253	-329	-388
Deposits / payments for other assets	848	5,750	0	0	0
Cash flow from investing	-14,113	-13,070	-25,525	-22,741	-16,256
Free cash flow (FCF)	-7,170	3,129	-6,710	1,490	13,771
Equity inflow, net	3,792	8,845	28,770	0	0
Debt inflow, net	-15,992	-12,011	-363	0	0
Corporate debt, net	25,800	38,699	15,000	0	-8,988
Interest paid	-2,014	-5,345	-6,195	-6,710	-6,362
Payments for non-controlling interests	0	-5,000	-24,943	0	0
Other adjustments	-489	220	0	0	0
Cash flow from financing	11,097	25,408	12,270	-6,710	-15,350
Net cash flows	3,927	28,537	5,560	-5,220	-1,579
Fx adjustments	114	0	0	0	0
Cash, start of the year	406	4,447	32,984	38,533	33,302
Cash, end of the year	4,447	32,984	38,544	33,313	31,722
EBITDA/share (in €)	0.20	0.26	0.19	0.26	0.31
Y-Y Growth					
Operating cash flow	n.m.	133.3%	16.2%	28.8%	23.9%
Free cash flow	n.m.	n.m.	n.m.	n.m.	824.0%
EBITDA/share	n.m.	26.2%	-24.9%	33.6%	19.9%

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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	18 December 2019	€1.13	Buy	€2.10
3	21 February 2020	€1.23	Buy	€2.80
4	4 March 2020	€1.16	Buy	€2.80
5	16 April 2020	€1.15	Buy	€2.80
6	23 June 2020	€1.41	Buy	€2.80
7	6 August 2020	€1.33	Buy	€2.90
8	14 August 2020	€1.28	Buy	€2.90
9	Today	€1.30	Buy	€2.50

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

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