

Media and Games Invest SE

Malta / Entertainment
 Xetra & Nasdaq First North Premier
 Bloomberg: M8G GR
 ISIN: MT0000580101

Q1/22
 Prelims

RATING
BUY

PRICE TARGET
€ 7.90

Return Potential 144.4%
 Risk Rating High

2022 OFF TO A GOOD START

Media and Games Invest published first quarter KPIs that were slightly ahead of our forecasts and above the upper end of 2022 guidance. Sales for the three month period totalled €66m vs €52m in the prior year period (+27% Y/Y), and adj. EBITDA rose 30% on an annualised basis to €17.6m. Both figures topped guidance, which calls for the topline to increase 15% to 23% Y/Y with adj. EBITDA growth of 13% to 27%. The performance was again led by organic sales growth with M&A activity currently idling. We maintain our Buy rating with an unchanged €7.9 target price.

2022 off to a good start Sales and adj. EBITDA came in just north of our Q1 estimates (table 1 overleaf), thanks to a solid performance from both the Gaming and Media segments. On a non-adjusted basis, we reckon group EBITDA tallied some €16.6m for the period. The Q1 performance is encouraging given the macroeconomic headwinds blunting prospects for a number of sectors. We reckon MGI will continue to be largely crisis-proof with no material exposure to the unsettling geopolitical turmoil or far flung, strained supply chains. The advertising business is strongly coupled to the gaming sector, which should help avoid some volatility currently hurting other digital advertisers.

Revenue and profitability targets for 2022 look highly achievable We expect MGI to continue to strengthen and expand its 'integrated owned and operated ad-tech' strategy (see note of 3 March 2022). Thanks to the build-up of its media technology stack and Ad-Software-Platform, the company can now corral the strengths of the enormous digital media and gaming markets with its fully integrated segments and drive growth with emerging flywheel effects between Media and Games. MGI still has a full M&A pipeline, and we think corporate activity will focus on synergistic deals—either smaller ones that MGI can leverage, or larger transformative transactions to add scale. Valuation multiples also look increasingly attractive with the share price having shed some 25% in value YTD. Our rating remains Buy with a €7.9 target price. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021P	2022E	2023E
Revenue (€m)	32.62	83.89	140.22	252.17	302.60	357.07
Y/Y growth	n.a.	157.2%	67.1%	79.8%	20.0%	18.0%
EBITDA (€m)	8.65	15.54	26.55	65.04	82.14	97.62
EBITDA margin	26.5%	18.5%	18.9%	25.8%	27.1%	27.3%
Net income (€m)*	4.32	-0.32	6.58	28.02	29.62	36.17
EPS (diluted) (€)*	0.10	-0.01	0.04	0.20	0.20	0.24
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-7.17	3.13	-12.50	-230.79	-23.41	40.26
Net gearing	24.0%	22.4%	34.8%	64.6%	71.9%	62.4%
Liquid assets (€m)	4.45	32.98	46.25	180.15	114.16	128.41

* 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 is a fully integrated ad-tech company that combines organic growth with value-accretive and synergetic acquisitions. MGI's own advertising software platform helps advertisers efficiently acquire customers and publishers optimise ad-space monetisation, while its gaming portfolio boasts 100m players and gives the company access to first-party content and data.

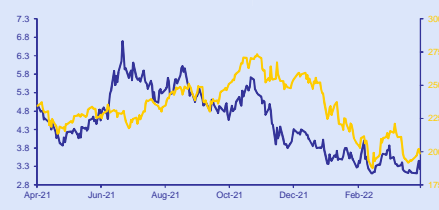
MARKET DATA

As of 22 Apr 2022

Closing Price	€ 3.23
Shares outstanding	149.70m
Market Capitalisation	€ 483.83m
52-week Range	€ 3.11 / 6.69
Avg. Volume (12 Months)	193,210

Multiples	2021P	2022E	2023E
P/E	16.3	16.3	13.4
EV/Sales	2.7	2.2	1.9
EV/EBITDA	10.4	8.3	7.0
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2021

Liquid Assets	€ 180.15m
Current Assets	€ 283.60m
Intangible Assets	€ 605.75m
Total Assets	€ 934.10m
Current Liabilities	€ 243.43m
Shareholders' Equity	€ 307.49m

SHAREHOLDERS

Bodhivas GmbH	27.8%
Oaktree Capital Mngt	9.1%
Janus Henderson	4.0%
Free Float	59.1%



Table 1: First quarter KPIs vs FBe and prior year

EUR '000	Q1/21	Q1/21E	Variance	Q1/20	Variance
Revenue	65,900	62,300	6%	51,900	27%
AEBITDA ¹	17,600	17,319	2%	13,500	30%
Margin (%)	26.7%	27.8%	-	26.0%	-

¹ EBITDA adjusted for one-off expenses

Source: First Berlin Equity Research; MGI

VALUATION MODEL

All figures in EUR '000	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Revenue	302,599	357,067	414,198	476,327	528,723	555,160	571,814	587,539
NOPLAT	35,973	42,728	50,580	63,940	78,113	83,215	85,911	88,927
(+) depreciation & amortisation	32,182	38,279	45,035	46,259	43,355	45,523	46,889	48,178
Net operating cash flow	68,155	81,008	95,615	110,199	121,469	128,738	132,800	137,105
(-) Investments	-113,874	-40,063	-36,118	-38,201	-42,404	-36,196	-35,567	-34,195
(-) Working capital	14,446	-7,724	-8,443	-9,422	-8,573	-4,667	-2,832	-2,838
Free cash flows (FCF)	-31,273	33,221	51,053	62,576	70,492	87,875	94,401	100,072
PV of FCFs	-29,691	29,230	41,629	47,287	49,367	57,032	56,779	55,781

All figures in thousands	WACC	Terminal EBIT margin							
		15.1%	17.1%	19.1%	21.1%	23.1%	25.1%	27.1%	
PV of FCFs in explicit period	361,115	4.9%	14.26	16.52	18.79	21.05	23.31	25.57	27.84
PV of FCFs in terminal period	1,018,406	5.9%	9.65	11.12	12.59	14.07	15.54	17.01	18.48
Enterprise value (EV)	1,379,521	6.9%	7.12	8.17	9.22	10.27	11.32	12.37	13.41
(+) Net cash / (-) net debt	-198,565	7.9%	5.52	6.31	7.10	7.88	8.67	9.46	10.25
(-) Non-controlling interests	-828	8.9%	4.41	5.02	5.64	6.25	6.87	7.48	8.09
Shareholder value	1,180,128	9.9%	3.60	4.09	4.58	5.07	5.56	6.05	6.54
Fair value per share (€)	7.90	10.9%	2.97	3.37	3.77	4.17	4.57	4.97	5.37

	WACC	Terminal growth rate							
		1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	
Cost of equity	9.8%	4.9%	13.37	15.18	17.61	21.05	26.29	35.27	54.16
Pre-tax cost of debt	5.0%	5.9%	10.05	11.09	12.39	14.07	16.32	19.52	24.40
Tax rate	28.0%	6.9%	7.87	8.52	9.31	10.27	11.48	13.04	15.14
After-tax cost of debt	3.6%	7.9%	6.33	6.77	7.28	7.88	8.61	9.51	10.63
Share of equity capital	70.0%	8.9%	5.19	5.49	5.85	6.25	6.73	7.29	7.97
Share of debt capital	30.0%	9.9%	4.30	4.53	4.78	5.07	5.40	5.78	6.22
WACC	7.9%	10.9%	3.61	3.77	3.96	4.17	4.41	4.67	4.98

*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	2021P	2022E	2023E
Revenues	32,621	83,893	140,220	252,166	302,599	357,067
Capitalised work	2,791	10,187	15,994	22,851	30,163	32,275
Total output	35,412	94,080	156,214	275,017	332,763	389,342
Cost of goods sold	-12,699	-45,803	-77,620	-133,372	-152,813	-178,534
Gross profit	22,713	48,277	78,594	141,645	179,950	210,808
Personnel expenses	-10,438	-27,359	-39,573	-55,978	-75,045	-85,896
Other OpEx	-10,135	-10,012	-18,745	-29,251	-32,681	-37,406
Other operating income	6,506	4,636	6,272	8,626	9,920	10,118
EBITDA	8,646	15,542	26,549	65,042	82,145	97,624
Depreciation & amortisation	-6,318	-10,543	-15,508	-28,238	-32,182	-38,279
Operating income (EBIT)	2,328	4,999	11,041	36,805	49,963	59,345
Net financial result	-1,641	-5,758	-7,139	-21,919	-21,655	-21,007
Pre-tax income (EBT)	687	-759	3,901	14,886	28,308	38,338
Income taxes	895	2,012	-1,194	1,169	-7,643	-11,118
Net income	1,582	1,253	2,707	16,055	20,664	27,220
Discontinued operations	3,673	0	0	0	0	0
Consolidated profit	5,255	1,253	2,707	16,055	20,664	27,220
Minority interests	-932	-1,577	352	7	-41	-54
Net income to owners	4,323	-324	3,059	16,061	20,623	27,166
Diluted EPS (in €)	0.10	-0.01	0.03	0.11	0.14	0.18
AEBITDA (excl: one-offs)	8,646	15,542	26,549	71,100	84,645	99,624
AEBIT (excl: PPA amort. & one-offs)	2,328	4,999	11,041	54,827	61,463	70,345
Ratios						
Gross margin on output	64.1%	51.3%	50.3%	51.5%	54.1%	54.1%
EBITDA margin on revenues	26.5%	18.5%	18.9%	25.8%	27.1%	27.3%
EBIT margin on revenues	7.1%	6.0%	7.9%	14.6%	16.5%	16.6%
Net margin on revenues	13.3%	-0.4%	2.2%	6.4%	6.8%	7.6%
AEBITDA margin on revenues	26.5%	18.5%	18.9%	28.2%	28.0%	27.9%
Tax rate	n.a.	n.a.	30.6%	n.a.	27.0%	29.0%
Expenses as % of revenues						
Personnel expenses	32.0%	32.6%	28.2%	22.2%	24.8%	24.1%
Other OpEx	31.1%	11.9%	13.4%	11.6%	10.8%	10.5%
Depreciation & amortisation	19.4%	12.6%	11.1%	11.2%	10.6%	10.7%
Y-Y Growth						
Revenues	n.a.	157.2%	67.1%	79.8%	20.0%	18.0%
EBITDA	n.a.	79.8%	70.8%	145.0%	26.3%	18.8%
Operating income	n.a.	114.7%	120.9%	233.4%	35.8%	18.8%
Net income/ loss	n.a.	n.m.	n.m.	425.0%	28.4%	31.7%



BALANCE SHEET

All figures in EUR '000	2018	2019	2020	2021P	2022E	2023E
Assets						
Current assets, total	16,250	55,856	92,375	283,597	213,641	245,802
Cash and equivalents	4,447	32,984	46,254	180,155	114,157	128,410
Trade receivables	11,803	22,872	46,121	103,442	99,485	117,392
Non-current assets, total	220,043	256,593	293,467	650,496	679,555	681,711
Property, plant & equipment	4,189	3,521	1,742	4,681	4,742	4,813
Intangible assets	204,142	233,208	272,829	605,746	634,377	636,089
Deferred taxes	6,353	11,215	15,737	11,545	11,776	12,011
Long-term loans to investees	5,359	6,410	1,207	1,154	1,154	1,154
Other non-current assets	0	2,239	1,952	27,369	27,506	27,643
Total assets	236,293	312,449	385,842	934,092	893,196	927,514
Shareholders' equity & debt						
Current liabilities, total	24,358	54,544	78,205	243,432	176,407	188,031
Trade payables	9,366	20,274	30,037	53,754	64,242	74,425
Financial debt	3,595	6,772	6,087	32,020	6,087	6,087
Provisions	7,031	12,585	17,257	54,036	54,847	55,669
Other current liabilities	4,366	14,913	24,824	103,622	51,231	51,850
Long term liabilities, total	53,395	89,347	130,792	383,168	388,632	384,106
Long-term debt	14,100	8,369	11,671	16,034	21,034	16,034
Bonds	24,877	63,988	95,355	343,925	343,925	343,925
Other LT liabilities	0	0	0	0	0	0
Deferred tax liabilities	14,418	16,990	23,766	23,209	23,673	24,147
Shareholders' equity	158,540	168,558	176,845	307,492	328,157	355,377
Total consolidated equity and debt	236,293	312,449	385,842	934,092	893,196	927,514
Ratios						
Current ratio (x)	0.7	1.0	1.2	1.2	1.2	1.3
Net debt	38,125	37,776	61,599	198,565	235,855	221,602
ICR (x)	5.0	2.7	3.7	3.0	3.8	4.6
Net gearing	24%	22%	35%	65%	72%	62%
Net debt / EBITDA (x)	4.4	2.4	2.3	3.1	2.9	2.3
Equity ratio	67%	54%	46%	33%	37%	38%
Return on equity (ROE)	1.0%	0.7%	1.5%	5.2%	6.3%	7.7%
Capital employed (CE)	211,935	257,905	307,637	690,660	716,789	739,482
Return on capital employed (ROCE)	1%	2%	4%	5%	7%	8%



CASH FLOW STATEMENT

All figures in EUR '000	2018	2019	2020	2021P	2022E	2023E
Net income	5,255	1,253	2,707	16,055	20,664	27,220
Depreciation and amortisation	6,318	10,543	15,508	28,238	32,182	38,279
Change in working capital	6,418	5,365	-4,543	-1,370	16,099	-6,045
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	21,919	21,655	21,007
Tax result	-895	-822	1,194	-1,169	7,643	11,118
Operating cash flow	6,942	16,116	25,202	63,672	98,243	91,579
Tax expense	0	0	0	1,169	-7,643	-11,118
Interest income	1	83	0	0	0	0
Net operating cash flow	6,943	16,199	25,202	64,841	90,600	80,461
Payments for intangible assets	-11,042	-12,606	-17,380	-34,000	-30,163	-32,275
Acquisition of subsidiaries	-3,919	-6,214	-22,930	-258,243	-83,045	-7,003
CapEx	0	0	0	-3,444	-666	-786
Deposits / payments for other assets	848	5,750	2,603	53	-137	-138
Cash flow from investing	-14,113	-13,070	-37,707	-295,634	-114,010	-40,200
Free cash flow (FCF)	-7,170	3,129	-12,505	-230,793	-23,410	40,261
Equity inflow , net	3,792	8,845	26,876	113,013	0	0
Debt inflow , net	-15,992	-12,011	-1,420	30,296	-20,933	-5,000
Corporate debt, net	25,800	38,699	27,678	248,570	0	0
Interest paid	-2,014	-5,345	-6,018	-21,919	-21,655	-21,007
Payments for non-controlling interests	0	-5,000	-17,480	0	0	0
Other adjustments	-489	220	-3,862	-5,266	0	0
Cash flow from financing	11,097	25,408	25,774	364,694	-42,588	-26,007
Net cash flows	3,927	28,537	13,269	133,901	-65,998	14,254
Fx adjustments	114	0	0	0	0	0
Cash, start of the year	406	4,447	32,984	46,254	180,155	114,157
Cash, end of the year	4,447	32,984	46,253	180,155	114,157	128,410
EBITDA/share (in €)	0.20	0.23	0.28	0.46	0.55	0.65
Y-Y Growth						
Operating cash flow	n.m.	133.3%	55.6%	157.3%	39.7%	-11.2%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.m.	14.2%	19.9%	64.4%	19.6%	18.8%

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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...14	↓	↓	↓	↓
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	10 February 2022	€3.73	Buy	€8.20
22	3 March 2022	€3.56	Buy	€7.90
23	Today	€3.23	Buy	€7.90

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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