

Media and Games Invest plc ^{*5a,11}

Rating: BUY

Target price: € 2.85
(so far 2.85 €)

Current price: 1.28
24/08/2020 / Xetra
(Closing price)

Currency: EUR

Master data:

ISIN: MT0000580101
WKN: A1JGT0
Ticker symbol: M8G

Number of shares³: 92.12
Marketcap³: 117.91
Enterprise Value³: 164.06
³ in m / in € m

Freefloat: approx. 50.6%

Transparency level:
Scale

Market segment:
Open market
(Open Market)

Accounting:
IFRS

Financial year: 31.12.

Designated Sponsor:
Hauck & Aufhäuser Privat-
Bankers Inc.

Analysts:

Marcel Goldman
goldmann@gbc-ag.de

Cosmin Filker
filker@gbc-ag.de

* Catalogue of possible con-
flicts of interest on page 8

Date (time) Completion:
25/08/2020 (9:46 am)

Date (time) first distribution:
25/08/2020 (10:00 am)

Validity of the price target: until
max. 31/12/2021

Company profile

Industry: Entertainment, Media

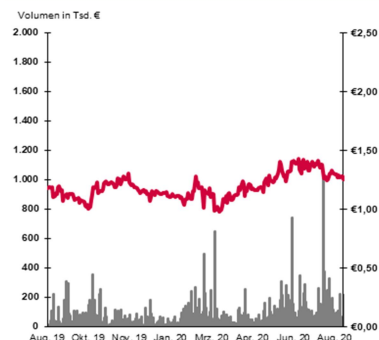
Focus: Video games (so-called MMOs)

Number of employees: 538 (as of 2019)

Foundation: 2000

Company head office: Malta

Executive Board: Remco Westermann (CEO), Paul Echt
(CFO)



Media and Games Invest plc (formerly Blockscene plc) has a profitable and growing portfolio of games and digital media companies. The group's primary objective is to grow through acquisitions of companies, restructure them and integrate them into a large platform. So far, this strategy has produced various synergies such as cost reductions, leverage and economies of scale. According to management, only a few competitors, especially in the gaming sector, are pursuing this strategy, leaving room for acquisitions at a favourable price. In 2020, the following has already been achieved: 1) the acquisition of the North American mobile data platform Verve Group, 2) an increase in the shareholding of gamigo AG from 53% to 98%, 3) the purchase of the programmatic advertising company Plattform 161 and 4) a minority stake in ReachHero. In the current COVID-19 pandemic, video games have once again proven to be crisis-proof and non-cyclical. As consumers had had more leisure time, the demand for entertainment and thus for video games has increased strongly. As reported, the number of new players for gamigo's multiplayer online games rose by 35.0% in March 2020 compared to January/February. In July 2020, the MGI share was admitted to the Scale Segment (previously: Basic Board) of the German Stock Exchange.

P&L in € million \ FY end	31/12/2019	31/12/2020e	31/12/2021e	31/12/2022e
Revenue	83.89	116.16	132.28	152.12
EBITDA	15.54	21.74	25.87	30.69
EBIT	5.00	8.88	12.77	17.49
Net income before minority interests	1.90	1.94	4.34	7.17
Net income after minority interests	-0.32	1.64	4.04	6.87

Key figures in EUR

Earnings per share (EPS)	-0.01	0.02	0.04	0.08
Dividend per share	0.00	0.00	0.00	0.00

Key figures

EV/Sales	1.93	1.40	1.23	1.07
EV/EBITDA	10.44	7.46	6.27	5.29
EV/EBIT	32.44	18.27	12.70	9.27
P/E ratio (after minorities)	neg.	70.78	28.73	16.90
KBV	0.69			

Financial calendar

02/10/2020: Equity Forum autumn conference
30/11/2020: Interim report Q3-2020
26/02/2021: Annual Report 2020

****last research by GBC:**

Date: Publication / Target price in EUR / Rating

27/07/2020: RS / 2.85 / BUY

07/05/2020: RS / 2.10 / BUY

09/03/2020: RS / 2.10 / BUY

20/02/2020: RS / 2.10 / BUY

12/02/2020: RS / 1.90 / BUY

** the above-mentioned research studies can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg

Note in accordance with MiFID II regulation for research "Minor non-monetary benefits": The research in question meets the requirements for classification as "Minor non-monetary benefits". For further information, please refer to the disclosure under "I. Research under MiFID II".

HY1 2020 Continued dynamic revenue growth; strong organic growth in the gaming segment; GBC estimates increased

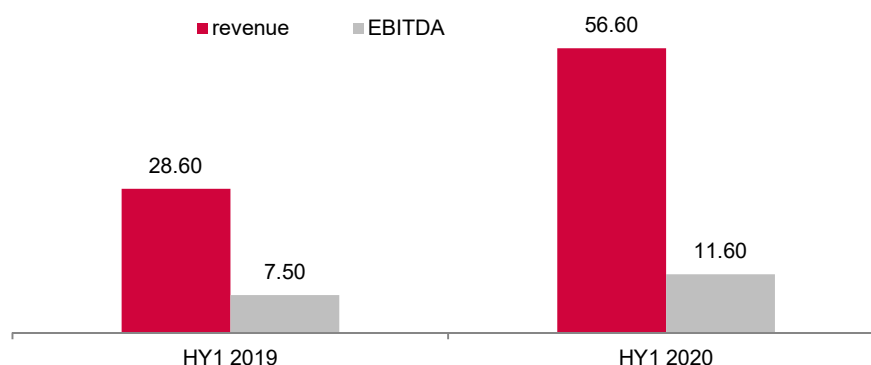
Business development in H1 2020

P&L (in million €)	HY1 2019	HY1 2020
Revenue	28.60	56.60
EBITDA (EBITDA margin)	7.50 (21.0%)	11.60 (26.0%)
Operating EBIT (op. EBIT margin)	4.50 (16.0%)	6.60 (12.0%)
Result for the period	0.90	0.50
EPS in €	0.01	0.01

Sources: Media and Games plc; GBC AG

Media and Games Invest plc (MGI) has achieved a very dynamic development of revenues in the first six months of the current fiscal year. Compared to the same period of the previous year, consolidated revenues jumped by 98.0% to € 56.60 million (H1 2019: € 28.60 million). This was mainly due to the booming gaming segment. In addition, M&A activities in the media division contributed to the positive development of group sales. Parallel to this, the consolidated operating result (EBITDA) also increased significantly by 54.0% to € 11.60 million (H1 2019: € 7.50 million) compared to the same period last year.

Development of revenues and EBITDA on a half-year basis (in € million)

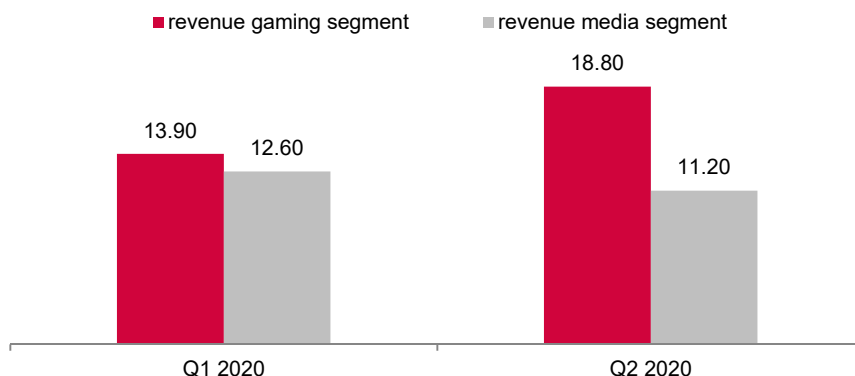


Sources: Media and Games plc; GBC AG

At the cash flow level, the operating cash flow in the first half of 2020 increased significantly by 86.0% to € 10.80 million (H1 2019: € 5.80 million) compared to the same period of the previous year. This enabled a strong reduction of net leverage by 14.0% to 3.6x in the second quarter of 2020 (1st quarter of 2020: 4.2x).

Especially in the gaming segment, MGI has significantly increased its business volume in the second quarter of the current fiscal year and achieved an organic growth of 35.0% in this business segment compared to the first quarter of 2020. In addition to the lockdown effects due to COVID-19 in conjunction with increased marketing efficiency and higher marketing expenses, the game expansions in particular led to a significant increase in the number of new players (up to 75.0%) and player activity (up to 31.0%). According to the company, the game expansions for the titles ArcheAge and Trove in particular led to particularly high revenue growth. These two gaming titles were acquired in the course of the Trion Worlds takeover (asset deal) at the end of 2018 and once again underline the successful MGI Group M&A strategy.

Quarterly performance of the segments (revenues in € million)



Sources: Media and Games plc; GBC AG

In the second business division media, MGI had to accept a decline in sales in the second quarter by 11.0% to € 11.20 million compared to the first quarter (Q1 2020: € 12.60 million). However, it should be mentioned here that according to the company's announcement, this development was significantly better than the overall market, which posted a decline of more than 30.0%. The outperformance of the media segment compared to the overall market is based on the less cyclical segments of gaming and e-commerce, which enabled the division to achieve a relatively satisfactory performance under the difficult market conditions for media companies, which were caused by the beginning of the coronavirus crisis.

Despite the decline in sales, however, the media segment achieved an increase in operating earnings of 26.0% to € 1.00 million in the second quarter of the current fiscal year (Q1 2020: € 0.80 million) due to implemented cost synergies. In addition, the company announced that the media segment has made a very good start in the current third quarter and that this business unit has returned to the sales level previous to COVID-19 with a sustainable margin improvement.

At net earnings level, MGI had to accept a decline in earnings in the first half of the current fiscal year compared to the same period of the previous year due to PPA write-offs (caused by M&A activities) and higher interest expenses. Thus, the net result in this business period decreased by about 44.0% to € 0.50 million compared to the same period of the previous year (H1 2019: € 0.90 million).

Against the background of the very positive half-year business development, the sustainable organic growth and the strong M&A pipeline, the MGI management recently decided to increase the previous company guidance. For the current fiscal year 2020, MGI now expects revenues in a range of € 115.0 to € 125.0 million and EBITDA in a range of € 20.0 to € 23.0 million.

All in all, it can be stated that the sales and earnings development of the MGI Group in the first half of 2020 was satisfactory due to its good business development. Especially the gaming division contributed to the good overall performance due to its significant organic growth. In addition, the group should also be able to profit from the corona effects in the long term through the traditionally long-term retention of the players won and the increasing importance of digital business models, which also includes the company's digitally-supported media division.

Forecast and evaluation

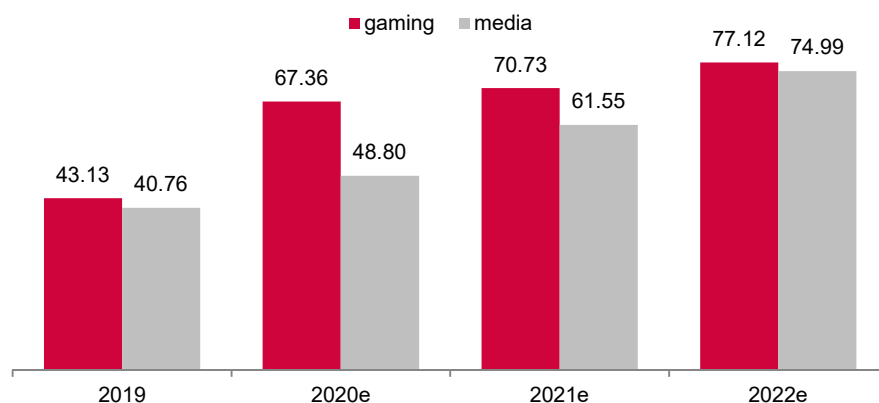
P&L (in million €)	FY 19	FY 20e	FY 20e (old)	FY 21e	FY 22e
Revenue	83.89	116.16	110.23	132.28	152.12
EBITDA	0.08	21.74	21.26	25.87	30.69
EBIT	-0.27	8.88	8.40	12.77	17.49
Net income before minority interests	-0.12	2.14	1.76	4.34	7.17
Net income after minority interests	-0.05	1.64	1.26	4.04	6.87

Source: GBC AG

After MGI's very good start in fiscal year 2020 and after having raised its previous corporate guidance due to this convincing performance, we expect a clearly positive business development for the second half of 2020 as well.

In view of their convincing half-year business development and their very positive business outlook, we have also raised our previous forecasts for the current fiscal year. From a conservative perspective, we now expect consolidated revenues of € 116.16 million (previously: € 110.23 million) and EBITDA of € 21.74 million (previously: € 21.26 million). For the current fiscal period, we expect the majority of revenues to be generated in the gaming business. In addition, we also expect a consolidated revenue contribution of € 5.00 million from the newly acquired Platform 161 (takeover in the media segment in July 2020) on an inorganic revenue level for the current financial year.

Expected segment revenue development (in million €)



Source: GBC AG

We expect the successful growth strategy to continue in the coming years and anticipate significant increases in revenues and earnings in both the gaming and media divisions. After the gaming sector was significantly strengthened in the past by an M&A series and thus now enjoys a good market position, MGI should be able to profit sustainably from the booming global gaming sector and therefore significantly increase sales revenues in this business segment in the coming years.

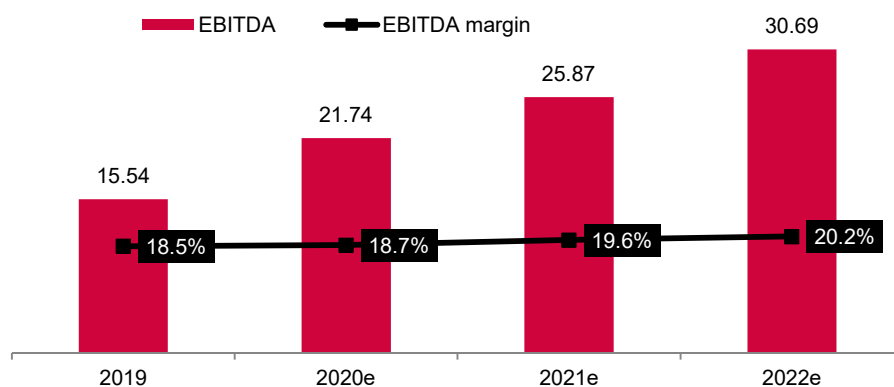
With regard to the media sector, we also expect dynamic sales growth in the coming years. Here, the division should be able to benefit in particular from the less cyclical segments of gaming and e-commerce and from the expected synergy effects from the integration of media companies acquired in the past. As a result of the M&A transactions completed in the recent past, the media division also has a strong market position and a critical business size, which should enable the company to achieve sustained dynamic growth in this business segment.

Specifically, we expect sales revenues of € 132.28 million for fiscal year 2021. In the following year 2022, sales revenues should then be able to increase again to € 152.12 million.

With regard to the perspective revenue composition, we expect a fairly balanced revenue mix from the games and media segment in the medium and long term. Both divisions should be able to profit from significant synergy effects among themselves in the future as well, and at the same time, both divisions should be able to achieve significant synergy effects on the revenue and cost level.

Our expected dynamic sales development is also reflected in our earnings forecasts. For example, we expect a significant increase in the operating result (EBITDA) in the coming years. At the same time, we also expect a significant increase in the EBITDA margin to around 20.0% in the long term due to the expected onset of economies of scale. EBITDA in the region of € 30.69 million should be generated in 2022.

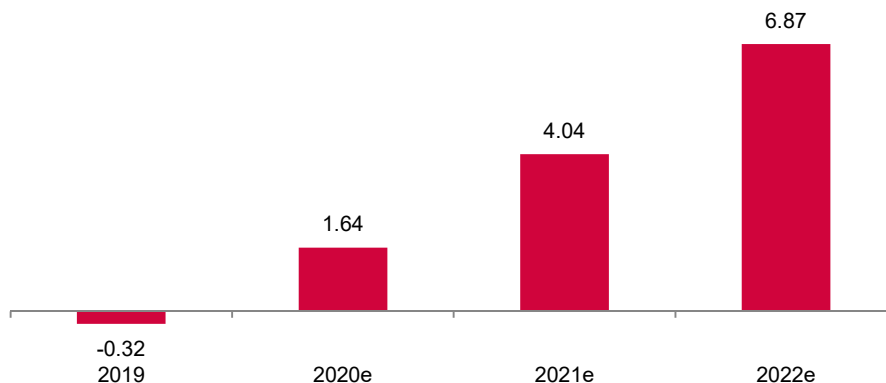
Expected development of EBITDA and EBITDA margin



Source: GBC AG

We also expect significant earnings growth at net level in the coming financial periods. Specifically, we expect net earnings (after minority interests) for the current fiscal year, taking into account depreciation, financing and tax effects, to amount to € 1.64 million. In the following years, 2021 and 2022, this should increase further to € 4.04 million and € 6.87 million respectively.

Expected development of net income (after minorities; in € million)



Source: GBC AG

All in all, we believe that MGI is well positioned in its two business segments, gaming and media, to continue its previous dynamic growth course in the growth areas online/mobile gaming and digital media at a high rate of growth in the future.

As in the past, the company should be able to support the organic growth of the company through targeted acquisitions and at the same time noticeably increase the profitability of the group. As the forecast increase we have made for 2020 is only marginal and therefore has no significant impact on the results of our DCF valuation model, we are maintaining our previous price target of € 2.85. Based on the current price level, we continue to assign the BUY rating.

ANNEX

I.

Research under MiFID II

1. there is an agreement between the research company GBC AG and the Issuer regarding the independent preparation and publication of this research report on the Issuer. GBC AG shall be remunerated for this by the Issuer.
2. the research report shall be made available simultaneously to all investment service providers interested therein.

II.

§1 Disclaimer/ Exclusion of liability

This document is for information purposes only. All data and information in this study has been obtained from sources that GBC believes to be reliable. Furthermore, the authors have taken the utmost care to ensure that the facts used and opinions expressed are reasonable and accurate. Nevertheless, no warranty or liability can be assumed for their accuracy - neither explicitly nor implicitly. Furthermore, all information may be incomplete or summarized. Neither GBC nor the individual authors accept any liability for damages arising from the use of this document or its contents or otherwise in this context.

Furthermore, we would like to point out that this document is neither an invitation to subscribe to nor to purchase any securities and should not be interpreted in this sense. Neither may it or any part of it serve as the basis for a binding contract of any kind whatsoever or be relied upon as a reliable source in this context. Any decision in connection with a prospective offer for sale of securities of the company or companies discussed in this publication should be made solely on the basis of information contained in prospectuses or offer letters issued in connection with such an offer.

GBC does not guarantee that the indicated yield or price targets will be achieved. Changes in the relevant assumptions on which this document is based may have a material impact on the target returns. Income from investments is subject to fluctuations. Investment decisions always require the advice of an investment advisor. Consequently, this document cannot assume an advisory function.

Distribution outside the Federal Republic of Germany:

This publication, if distributed in the UK, may only be made available to persons who are authorised or exempt under the Financial Services Act 1986 or persons covered by section 9(3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Order 1988 (as amended) and may not be communicated, directly or indirectly, to any other person or group of persons.

Neither this document nor a copy thereof may be brought, transferred or distributed in the United States of America or its territories or possessions. The distribution of this document in Canada, Japan or other jurisdictions may be restricted by law and persons into whose possession this publication comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the United States, Canadian or Japanese securities laws or the laws of any other jurisdiction.

By accepting this document, you accept any disclaimer and the above limitations.

You will also find the information on the disclaimer/exclusion of liability under

<http://www.gbc-ag.de/de/Disclaimer.htm>

Legal information and publications in accordance with § 85 WpHG and FinAnV

The notes are also available on the Internet at the following address

<http://www.gbc-ag.de/de/Offenlegung.htm>

§ 2 (I) Updating:

A concrete update of the present analysis(s) at a fixed date has not yet been scheduled. GBC AG reserves the right to update the analysis without prior notice.

§ 2 (II) Recommendation/ Ratings/ Classification:

Since 1 July 2006, GBC AG has used a 3-level absolute share rating system. Since 1.7.2007, the ratings have been based on a time horizon of at least 6 to a maximum of 18 months. Previously, the ratings were based on a time horizon of up to 12 months. When the analysis is published, the investment recommendations are determined by reference to the expected return in accordance with the ratings described below. Temporary price deviations outside of these ranges do not automatically lead to a change of rating, but do give rise to a revision of the original recommendation.

The respective recommendations/classifications/ ratings are linked to the following expectations:

BUY

The expected return, based on the determined price target, including dividend payment within the relevant time horizon is $\geq + 10 \%$.

HOLD	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is > - 10 % and < + 10 %.
SELL	The expected return, based on the determined price target, including dividend payment within the relevant time horizon is <= - 10 %.

Price targets of GBC AG are determined on the basis of the fair value per share, which is determined on the basis of generally accepted and widely used methods of fundamental analysis, such as the DCF method, peer group comparison and/or the sum-of-the-parts method. This is done by taking into account fundamental factors such as stock splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

§ 2 (III) Historical recommendations:

GBC's historical recommendations on the present analysis(s) are available on the Internet at the following address

<http://www.gbc-ag.de/de/Offenlegung.htm>

§ 2 (IV) Information base:

For the preparation of the present analysis(s), publicly available information about the issuer(s), (where available, the three most recently published annual and quarterly reports, ad-hoc announcements, press releases, securities prospectus, company presentations, etc.), which GBC believes to be reliable, has been used. In addition, discussions were held with the management of the company(ies) in question in order to have the facts relating to the business development explained in more detail.

§ Section 2 (V) 1. conflicts of interest pursuant to Section 85 of the German Securities Trading Act (WpHG) and Art. 20 of the German Securities Trading Act (MAR)

GBC AG and the responsible analyst hereby declare that the following potential conflicts of interest for which the company(ies) named in the analysis exist at the time of publication and therefore comply with the obligations of § 85 WpHG and Art. 20 MAR. An exact explanation of the possible conflicts of interest is provided in the catalogue of possible conflicts of interest under § 2 (V) 2.

The following potential conflict of interest exists with respect to the securities or financial instruments discussed in the analysis: (5a,11)

§ Section 2 (V) 2. catalogue of possible conflicts of interest:

- (1) GBC AG or a legal entity affiliated with it holds at the time of publication shares or other financial instruments in this analysed company or analysed financial instrument or financial product.
- (2) This company holds more than 3% of the shares in GBC AG or a legal entity affiliated with it.
- (3) GBC AG or a legal entity affiliated with it is market maker or designated sponsor in the financial instruments of this company.
- (4) GBC AG or a legal entity affiliated with it was, at the time of the public issue, in the previous 12 months of financial instruments of this company.
- (5) a) GBC AG or a legal entity affiliated with it has entered into an agreement in the preceding 12 months concerning the Preparation of research reports against payment with this company or issuer of the analysed financial instrument hit. Under this agreement, the issuer was given access to the draft financial analysis (without the valuation section) prior to publication.
- (5) b) An amendment to the draft financial analysis has been made on the basis of justified indications from the company or issuer
- (6) a) GBC AG or a legal entity affiliated with it has entered into an agreement in the preceding 12 months concerning the Preparation of research reports against payment with a third party on this company or financial instrument. In Under this agreement, the third party and/or company and/or issuer of the financial instrument of Draft of the analysis (without evaluation part) made available prior to publication.
- (6) b) An amendment to the draft financial analysis has been made on the basis of justified indications of the third party and/or issuer
7. The analyst responsible, the principal analyst, the deputy principal analyst and/or any other person involved in the preparation of the study Person holds shares or other financial instruments in this company at the time of publication.
- (8) The responsible analyst of this company is a member of the local management board or supervisory board.
- (9) The relevant analyst has, prior to the date of publication, acquired shares in the company he/she is analysing before public issue were received or acquired.
- (10) GBC AG or a legal entity affiliated with it has entered into an agreement within the preceding 12 months regarding the Provision of consulting services with the analyzed company closed.
- (11) GBC AG or a legal entity affiliated with it has significant financial interests in the analysed company, e.g. the acquisition and/or exercise of mandates with the analysed company or the acquisition and/or provision of of services for the analysed company (e.g. presentation at conferences, roundtables, road shows etc.)
- (12) At the time of the financial analysis, the analysed company is located in a country which is controlled by GBC AG or its affiliates.

legal entity, financial instrument or financial product (e.g. certificate, fund, etc.) that is managed or advised

§ 2 (V) 3. compliance:

GBC has internal regulatory arrangements in place to prevent or disclose potential conflicts of interest, if any. The current Compliance Officer, Kristina Bauer, Email: bauer@gbc-ag.de, is responsible for compliance with the regulations.

§ 2 (VI) Responsible for the preparation:

The company responsible for the preparation of the present analysis(s) is GBC AG, based in Augsburg, which is registered as a research institute with the responsible supervisory authority (Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Marie-Curie-Str. 24-28, 60439 Frankfurt).

GBC AG is currently represented by its board members Manuel Hölzle (chairman) and Jörg Grunwald.

The analysts responsible for this analysis are

Marcel Goldmann, M.Sc., Financial Analyst

Cosmin Filker, Dipl. Betriebswirt (FH), Deputy Chief Analyst

§ 3 Copyrights

This document is protected by copyright. It is provided for your information only and may not be reproduced or distributed to any other person. Any use of this document outside the limits of the copyright law generally requires the consent of the GBC or the respective company, if there has been a transfer of rights of use and publication.

GBC INC.

Halderstrasse 27

D 86150 Augsburg

Phone: 0821/24 11 33-0

Fax: 0821/24 11 33-30

Internet: <http://www.gbc-ag.de>

E-mail: compliance@gbc-ag.de



GBC AG®
- RESEARCH & INVESTMENT ANALYSEN -

GBC INC.
Halderstrasse 27
86150 Augsburg
Internet: <http://www.gbc-ag.de>
Fax: ++49 (0)821/241133-30
Phone: ++49 (0)821/241133-0
Email: office@gbc-ag.de