

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

Rating: BUY

Target price: € 2.95
(previously € 2.85)

Current price: 1.32
07/09/2020 / Xetra
(Closing price)

Currency: EUR

Master data:

ISIN: MT0000580101
WKN: A1JGT0
Ticker symbol: M8G

Number of shares³: 92.12
Marketcap³: 121.60
Enterprise Value³: 167.74
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 Private
Bankers AG

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* Catalogue of possible conflicts of interest on page 5

Date (time) Completion:
08/09/2020 (9:56 am)

Date (time) first transmission:
08/09/2020 (10:30 am)

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

Company profile

Industry: Entertainment, Media

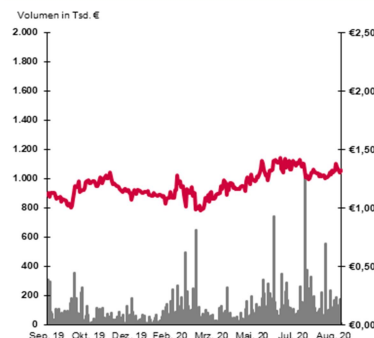
Focus: Video games (so-called MMOs)

Number of employees: 538 (as of 2019)

Foundation: 2000

Head office: Malta

Members of the board: Remco Westermann (CEO), Paul
Echt (CFO)



Media and Games Invest 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 the management, only a few competitors, in particular 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 99%, 3) the purchase of the programmatic advertising company Platform 161 and 4) a 100% stake in ReachHero. Amidst the current COVID-19 pandemic, video games have once again proven to be crisis-proof and non-cyclical. As consumers have had more free time, the demand for entertainment and therefore for video games has shown strong growth. In July 2020, the MGI share was admitted to the Scale Segment (previously: Basic Board) of the Deutsche Börse.

P&L in € m \ FY end	31/12/2019	31/12/2020e	31/12/2021e	31/12/2022e
Revenue	83.89	118.16	139.28	162.12
EBITDA	15.54	21.74	26.98	32.34
EBIT	5.00	8.88	13.68	18.84
Net income before minority interests	1.90	1.94	5.05	8.23
Net result after minorities	-0.32	1.64	4.75	7.93

Key figures in EUR

Earnings per share (EPS)	-0.01	0.02	0.05	0.08
Dividend per share	0.00	0.00	0.00	0.00

Key figures

EV/turnover	2.03	1.44	1.22	1.05
EV/EBITDA	10.97	7.84	6.32	5.27
EV/EBIT	34.10	19.20	12.46	9.05
P/E ratio (after minorities)	neg.	75.83	26.18	15.68
KBV	0.74			

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
25/08/2020: RS / 2.85 / BUY
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

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

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Significant expansion of the mobile gaming business segment through the planned acquisition of freenet digital GmbH; start of strategic media cooperation with the freenet group, thus strengthening the media division

On 28 August 2020, Media and Games Invest plc (MGI) announced that it had reached agreement on the acquisition of freenet digital GmbH as part of a strategic partnership with the parent company freenet AG. freenet digital GmbH was founded in 2000 and specialises in digital mobile entertainment content.

freenet digital GmbH distributes more than 1,500 mobile games via its own platforms as well as other digital entertainment products. With the acquisition of freenet digital GmbH, MGI strengthens its mobile games offering and greatly expands its business activities towards this fast-growing business segment. Most recently, mobile games only accounted for 1.0% of total revenues in the gaming division. It should be noted that, according to market experts, the mobile gaming segment is the fastest growing area of the gaming industry with double-digit growth rates and at the same time accounts for a large part of the revenues of the global gaming market.

According to the company, the purchase price for freenet digital GmbH is in the upper single-digit million range and is to consist of a cash and share component. The closing of the M&A deal is scheduled for 30 September 2020.

Besides the acquisition of the gaming and entertainment division, MGI and freenet AG have announced that both companies intend to enter into strategic cooperation in the media sector. In this context, MGI is to support freenet AG in acquiring new customers by means of targeted online and mobile marketing activities.

The MGI management expects an additional contribution to sales of € 13.0 to € 15.0 million and an additional EBITDA of € 2.0 to € 3.0 million as a result of the takeover. We assume that this expected revenue and earnings contribution will only be achieved after freenet digital GmbH has been fully integrated into the group's gaming division and the organization has been optimized. The company also anticipates additional revenue and earnings effects from the planned media cooperation.

Through the past takeovers of Verve, Applift and PubNative in the media segment, MGI has built up comprehensive know-how in the field of mobile advertising and at the same time acquired a critical mass for a comprehensive and far-reaching marketing of mobile content. Thus, MGI has laid a good foundation for dynamic growth in the mobile games sector.

Against the background of the intended acquisition, we have adjusted our previous sales and earnings forecasts upwards, whereby we had already partially included M&A activities in our previous estimates from 2021 onwards. For the current financial year, we anticipate only minor effects on our previous revenue forecast due to the expected first-time consolidation of the business activities of freenet digital GmbH in the fourth quarter and no positive effects on our previous earnings forecast due to expected one-off effects. Specifically, we now expect revenues of € 118.16 million (previously: € 116.16 million) and EBITDA of € 21.74 million (previously: € 21.74 million) for the current 2020 financial year.

For the two subsequent years 2021 and 2022 we now expect significantly higher sales and EBITDAs due to the expected acquisition effects. Specifically, we expect revenues

of €139.28 million (previously: €132.28 million) and EBITDA of €26.98 million (previously: €25.87 million) for the 2021 financial year. For the 2022 financial year, which will follow on from this, we anticipate a further increase in the additional contribution to revenue and earnings, based on the increased use of synergies, and are therefore forecasting revenue of €162.12m (previously: €152.12m) and EBITDA of €32.34m (previously: €30.69m).

Based on our upwardly adjusted forecasts, we have also raised our previous price target to €2.95 per share (previously: €2.85). In view of the current price level, we continue to assign the BUY rating. The planned takeover should enable MGI to significantly expand its mobile games activities and thereby tap additional growth potential. In addition, the media division should also be significantly strengthened by the strategic cooperation with the freenet group and, as part of this, a new major digital customer should be acquired.

ANNEX

I.

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BUY

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

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