

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

Rating: BUY

Target price: 1.90 €
(until now 1.90 €)

Current price: 1.13
11.02.20 / XETRA / 5:36 pm
Currency: EUR

Key Data:

ISIN: MT0000580101
WKN: A1JGT0
Ticker symbol: M8G
Number of shares ³: 70.02
Marketcap ³: 78.77
EnterpriseValue³: 118.13
³ in Mio. / in Mio. EUR
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

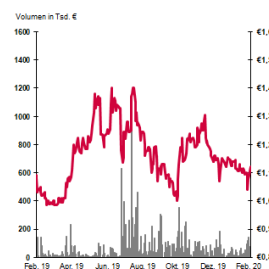
Date (Time) completion:
12.02.2020 (09:09 am)

Date (Time) first distribution:
12.02.2020 (11:00 am)

Target price valid: until max.
31.12.2020

Company Profile

Industry: Entertainment, Media
Focus: gaming and media group
Employees: 500 Stand: 30.6.2019
Founded: (2000 gamigo)
Headquarters: Malta
CEO: Remco Westermann



The Media and Games Invest plc (formerly Blockescene 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 and PubNative. The shares of MGI are listed in Frankfurt (XETRA) while two bonds with a total volume of EUR 55m outstanding are traded on the NASDAQ Stockholm and Frankfurt Stock Exchange.

P&L in EURm, financial year-end	31.12.2018	31.12.2019e	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	1.02	2.10

Key figures in EUR

Earnings per share	0.06	-0.03	0.02	0.03
Dividend per share	0.00	0.00	0.00	0.00

Key figures

EV/Revenues	3.62	1.59	1.30	1.12
EV/EBITDA	13.66	8.32	5.77	5.15
EV/EBIT	50.74	99.10	19.75	14.00
P/E	18.22	-41.55	77.23	37.51
P/B	0.50			

Financial calendar

10.03.20: Prior Conferece
06/2020: Financial Report 2019
09/2020: Half-Year Report 2020

**** Last research by GBC :**

Date: publication
11.11.19: RS / 1.90 / BUY

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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”

Acquisition of the main assets of the mobile marketing specialist Verve Wireless Inc. brings high potential synergies, high acquisition activities continue, outlook and target price confirmed

The Media and Games (MGI) subsidiary gamigo AG announced on January 23rd, 2020 the acquisition of the main assets of the North American Verve Wireless Inc. (Verve), which continues the high M&A activities of recent years. Verve is a provider for location-based programmatic video and display marketing and has a well-known customer base (including: BMW, Mc Donalds, Pepsico, Unilever. etc.). On the other hand, the company, which is active in New York and San Diego with a broad network of well-known publishers, ensures the spread of marketing activities.

With the integration of Verve, gamigo and Media and Games Group benefit from established customer contact, both on the sales side and publisher- level. Particularly, the two B2B subsidiaries, PubNative and Applift, which are active in the field of mobile marketing, have high synergy potentials. Both companies are currently not active in the USA, so Verve should enable existing activities to expand into this largest advertising market. On the other hand, Verve could benefit from the global orientation of the two companies. Additionally, the B2C area could also benefit from the Verve acquisition. This should give the gaming subsidiaries additional expertise in customer acquisition and increase their know-how in mobile applications.

According to DGAP-news from gamigo AG, it is expected that the acquisition will generate extra income in the low single-digit million range. In our view, this should mean a sales volume of approx. € 10 - 13 million. Although Verve does not yet generate positive results, gamigo management is confident that it will quickly bring the company to profitability. Large potential savings are expected from the organizational integration within the gamigo cloud alone. An additional reduction in the high personnel costs should then lead to an overall EBITDA contribution in the low single-digit million ranges (approx. € 1-2 million according to GBC's interpretation).

We expect the purchase price to be roughly at the level of sales, between € 10 and € 13 million. In view of the gamigo group cash-holding of € 20.9m, which was last published on September 30, 2019, the purchase price payment should be easy to make.

The acquisition of Verve is to be seen as the continuation of the previously high M&A activities, which we have assumed in part as the basis for revenues and the earnings growth for the coming financial years. Therefore we hold unchanged our previous forecasts compared to our most recently published research study (see study from November 11th, 2019). Based on the unchanged price target of € 1.90, we continue to give a BUY rating.

ANNEX

I.

Research under MiFID II

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2. The research report is simultaneously made available to all interested investment services companies.

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