



Research study (Anno)



Record financial year 2020 concluded with strong profitable growth in turnover

Another significant increase in turnover and earnings expected for the current financial year 2021

The growth course we have embarked upon should lead to a disproportionately high increase in earnings as a result of economies of scale

Target price: € 6.92

Rating: BUY

IMPORTANT NOTE:

Please note the disclaimer/ risk notice and the disclosure of potential conflicts of interest within the meaning of § 85 WpHG and Art. 20 MAR on page 23

Notice under MiFID II Regulation for Research "Minor Non-Monetary Contribution": Present Research complies with the requirements for classification as a "minor non-monetary benefit". More information on this in the Disclosure under "I. Research under MiFID II

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

Media and Games Invest SE *5a;5b;7;11

Rating: BUY
Target price: € 6.92

Current price: 4.57 €
14/06/21 / XETRA
(17:38 pm)
Currency: EUR

Master data:

ISIN: MT0000580101
WKN: A1JGT0
Ticker symbol: M8G
Number of shares³: 149.68
Market cap³: 684.04
Enterprise Value³: 763.80
³ in m / in € m
Free float: 57.7%

Transparency level:
Nasdaq First North Premier

Market segment:
Open Market
(Open Market)

Accounting:
IFRS

Financial year: 31.12.

Designated Sponsors:
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Privatbankiers AG
Pareto Securities AB

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* List of possible conflicts of
interest on page 24

Company profile

Industry: Entertainment, Media

Focus: Video games (so-called MMOs) and Ad-Tech

Employees: 800

Founded: 2011 (gamigo in 2000)

Head office: Malta (probably Luxembourg from 2022)

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



Media and Games Invest SE is a profitable and growing company in the games and digital media sectors. In addition to an increasing focus on organic growth, strategic acquisitions of companies and their consistent integration into the Group form an important cornerstone in MGI's growth strategy. So far, this strategy has produced various synergies such as cost reductions, leverage and economies of scale. According to management, this strategy is followed by only a few competitors, especially in the games sector, leaving room for acquisitions at a favourable price. In 2021, the following has already been achieved: 1) Acquisition of the well-known US game developer KingsIsle Entertainment Inc., which is the largest acquisition to date with an additional pro forma EBITDA of around 60.0% 2) The acquisition of the North American connected TV platform LKQD, which has a reach of more than 200 million end customers, and the data targeting SaaS platform Beemray. In the current COVID-19 pandemic, video games have once again proven to be crisis-proof and non-cyclical, while the media market has suffered, especially in the second quarter of 2020, but will return to double-digit growth in 2021, according to analyst estimates. As consumers have had more free time, demand for entertainment and, therefore, video games, has soared. Since July 2020, MGI shares have been listed on the Scale segment (previously: Basic Board) of Deutsche Börse and since 6 October 2020, they have had a dual listing on Nasdaq First North Premier.

P&L in € m	31/12/2020	31/12/2021e	31/12/2022e	31/12/2023e
Revenues	140.22	202.30	255.10	319.39
Adjusted EBITDA	29.10	56.81	74.10	97.14
EBITDA	26.55	52.81	69.90	92.94
EBIT	11.04	24.99	45.37	68.73
Net result (after minorities)	3.06	12.27	23.65	39.99

Key figures in €

Earnings per share € (EPS)	0.03	0.08*	0.16*	0.27*
Dividend per share	0.00	0.00	0.00	0.00

*based on the new total number of shares (149.7 million) after the last capital increase

Multiples

EV/turnover	5.45	3.78	2.99	2.39
EV/Adjusted EBITDA	26.25	13.44	10.31	7.86
EV/EBITDA	28.77	14.46	10.93	8.22
EV/EBIT	69.18	30.56	16.83	11.11
P/E ratio (after minorities)	223.54	55.75	28.92	17.11
P/B ratio	3.87			

Financial calendar

08/07/2021: Annual General Meeting
31/08/2021: Semi-annual report 2021
30/11/2021: Annual Report Q3 2021

** latest research from GBC :

Date: Publication / Target price in EUR / Rating
11/05/2021: RS / 6.92 / BUY
04/05/2021: RS / 7.35 / BUY
11/03/2021: RS / 5.15 / BUY
01/02/2021: RS / 5.15 / BUY
07/12/2020: RS / 3.20 / BUY

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str. 27, D86150 Augsburg, Germany.

EXECUTIVE SUMMARY

- Media and Games Invest SE closed the 2020 financial year with significant increases in turnover and earnings compared to the previous year. With a 67.1% increase in revenue to € 140.22 million (PY: € 83.89 million), the company continued its dynamic growth course. The high growth rate was primarily due to a fast-growing fourth quarter (revenue Q4 2019: € 28.17 million vs. revenue Q4 2020: € 48.69 million), which was the strongest in terms of revenue and earnings in the company's history to date, but was again exceeded in Q1 2021.
- The significant increase in group revenue was primarily driven by the games business segment. In this segment, the company achieved a jump in turnover of 74.5% to € 75.20 million (PY: € 43.10 million). In addition to positive effects from the "Corona stay-at-home policy", game updates and expansions as well as M&A measures also contributed to this positive development.
- In addition, the Media segment also made a significant contribution to the increase in Group turnover with a significant increase in turnover of 59.3% to € 65.0 million (PY: € 40.80 million). In addition to revenue increases stemming from organic growth, this business segment also benefited from positive effects from completed M&A measures (e.g. acquisition of the main assets of Verve Wireless). In our opinion, the organic growth of this business unit was particularly boosted by the fact that the customer focus was very much on customers from the high-growth games and e-commerce sector.
- On an EBITDA basis, an increase of around 71.0% to € 26.55 million (PY: € 15.54 million) was achieved in the past financial year. EBITDA adjusted for one-off effects (e.g. special and restructuring costs from M&A transactions) increased by 60.8% to € 29.10 million (PY: € 18.10 million) compared to the previous year. A dynamic increase of more than 100.0% to € 2.71 million (PY: € 1.25 million) was also recorded at the net level.
- In our last research study, we already included the figures for the first quarter of 2021 and adjusted our previous revenue and earnings forecasts upwards accordingly. The background to our forecast increase was the good performance at the start of the year (Q1 revenue 2021: € 51.93 million vs. Q1 revenue 2020: € 26.55 million), the company's particularly extensive growth pipeline and the expected strong recovery of the advertising market.
- For the current financial year 2021, we expect consolidated revenues of € 202.30 million and an EBITDA of € 52.81 million. The majority of these revenues should be generated in the games segment (GBCe: € 109.72 million). In addition, the business development of this segment should be significantly boosted by the acquisition of KingsIsle at the beginning of the year.
- With regard to the media segment, we are calculating turnover of € 92.58 million for the current business year. This segment has been significantly expanded in the past and strengthened by several M&A transactions (most recently with the acquisition of the essential assets of Beemray Oy). As a result of the fact that this business segment has been brought into a good market position through various strategic measures of the MGI Group, it should also be possible to significantly increase the sales revenues in this segment in the current financial year. In addition, the Media segment should also be able to profit from the expected recovery of the advertising market.

- We also expect the company's successful growth strategy to continue in the coming years and accordingly anticipate significant revenue and earnings growth in both the Games and Media divisions. Accordingly, we expect revenues of € 255.10 million and EBITDA of € 69.90 million for the coming financial year 2022. In the following year 2023, revenue and EBITDA should increase again to € 319.39 million and € 92.94 million, respectively. On a net level, we also expect significant earnings growth in the current and coming financial years. For the current financial period, we expect a net result (after minorities) of € 12.27 million. In the following years 2022 and 2023, this should increase further to € 23.65 million and € 39.99 million respectively.
- Overall, we are convinced that the MGI Group will be able to continue its dynamic growth course in the future due to its strong market position in both high-growth business segments (games and digital media). Due to the company's platform-based business model and the associated high scalability of the business, group profitability should also increase disproportionately in the coming years. The company's high cash position (end of March 2021: € 51.70 million) opens up additional growth and earnings potential through targeted M&A transactions. MGI has a very strong track record in this area and can look back on very many successful transactions.
- **Within the framework of our DCF valuation model, we have determined a target price of € 6.92 per share on the basis of the estimates we previously raised in our Q1 research report. As we have not made any changes to our previous study (as of May 11, 2021), we hereby confirm our previous price target and rating. In view of the current share price level, we thus continue to assign a Buy rating and see significant share price potential. The results of our peer group analysis (see p. 20) also support our assessment of the attractiveness and price potential of the share.**

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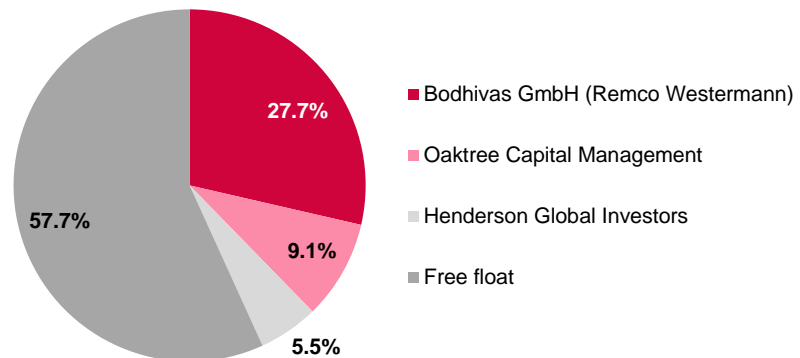
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THE COMPANY

Shareholder structure

Shareholders in %	June 2021
Bodhivas Ltd (Remco Westermann)	27.7%
Oaktree Capital Management	9.1%
Henderson Global Investors	5.5%
Free float	57.7%

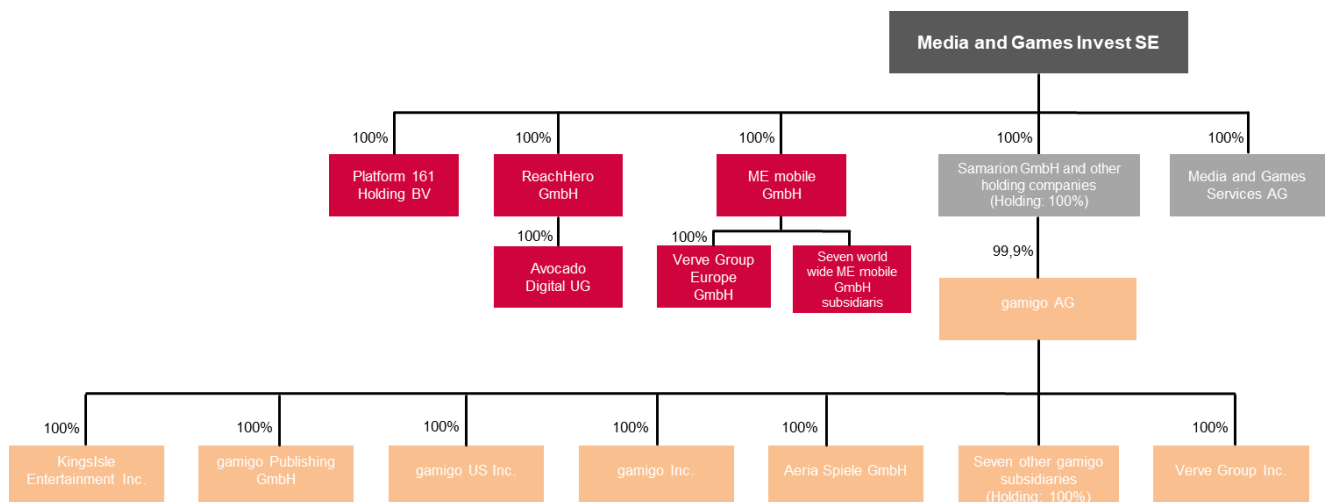
Sources: Media and Games Invest SE, GBC AG



Main activity and company structure

Media and Games Invest SE (MGI) is a European public limited company incorporated in Malta on 21 March 2011. This corporation is the parent company of the companies shown in the chart below and is also responsible for the strategic direction of the MGI Group.

Corporate structure as at 31/12/2020 (status: June 2021)



Sources: Media and Games Invest SE, GBC AG

The MGI Group pursues a "Buy, Integrate, Build and Improve" strategy and has thus created a digitally integrated games and media group over the past few years. In addition to organic growth, inorganic growth is also at the core of the corporate strategy, which is primarily geared towards sustainable dynamic growth.

MGI has acquired and integrated more than 30 companies and assets in the last six years. Synergy and integration potentials are important criteria for the group's expansion strategy. New and proven technologies are actively used by the company to achieve efficiency gains and competitive advantages within the MGI Group.

MGI is active in the areas of games and media and uses the extensive synergy potential between the two complementary areas. In the games segment, the company publishes

computer and video games and currently markets 10 massive multiplayer online games (so-called MMOs) and over 5,000 casual games. In the second major business segment, Media, MGI is building a global, transparent, vertical omni-channel programmatic SaaS platform that is highly synergistic with MGI's gaming activities bundled under the gamigo group. Through well over 10 synergistic acquisitions as well as organic growth, MGI has built a strong as well as fast-growing and profitable position in the media segment. Having already acquired the integral platform components of the digital advertising process - Demand Side Platforms (DSP), Data Management Platforms (DMP) and Supply Side Platforms (SSP) - Verve Group is now looking for meaningful extensions to its SaaS platform.

Overview of the two business segments Games and Media

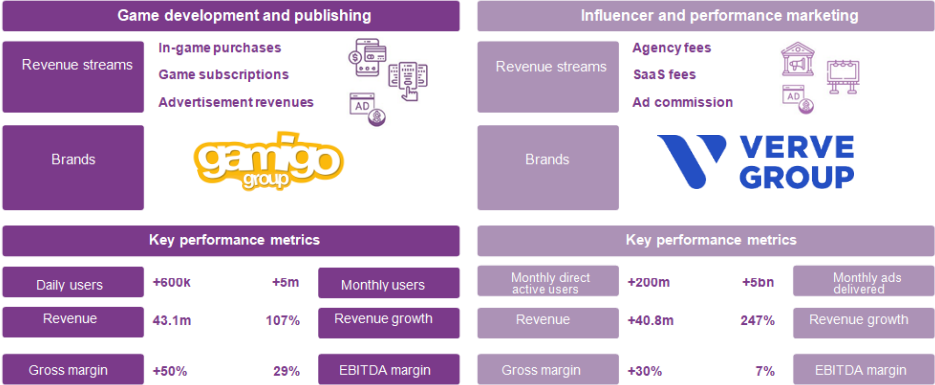
The MGI Group divides its two business segments Games and Media into two specific business units. All game assets are bundled under gamigo (gamigo group), while all media and advertising services are bundled under Verve (Verve Group).

Games Unit	Media Unit
	

Sources: Media and Games Invest SE, GBC AG

The current core asset of the company is gamigo AG. This online games company was taken over by Remco Westermann, the CEO of MGI, at the end of 2012. In the years that followed, Mr Westermann significantly changed the business model of the games company. The then strategy of capital-intensive and risky development of new games was abandoned. Instead, the company now focuses on licensing existing and successful games and rights as well as on acquiring, restructuring and integrating (mostly distressed) games companies and, in recent years, media companies. With more than 25 acquisitions, Mr Westermann and his experienced management team made gamigo one of the fastest growing game publishers in Europe and North America, with an average annual revenue growth of 31.0% and an EBITDA growth of 61.0% between 2014 and 2019. As a result, the gamigo group's revenues have grown very dynamically from € 15.10 million in 2014 to € 58.92 million in 2019.

The media segment has grown strongly in recent years through strategic acquisitions in Europe and North America. Since January 2020, the MGI Media segment has been consolidated and integrated under the Verve Group. The consistent integration ensured efficiency gains in the operational area and, at the same time, significant cost savings in the area of server infrastructure. For example, the media division achieved significant cost savings in cloud technologies last year through positive synergies such as the sharing of cloud services and the colocation of its marketplaces. These synergies not only resulted in cost savings, but also created organic growth opportunities by enabling the global sales team to sell the division's full range of products and services.



Sources: Media and Games Invest SE

Company highlights 2020 and 2021

Year	Event
2021	<p>At the end of January 2021, MGI made the largest acquisition in the company's history to date with the takeover of the US game developer and publisher KingsIsle Entertainment. This transaction includes the well-known MMOs Wizard101 and Pirate101. The purchase price includes a fixed component of \$126.0 million and a variable revenue-related component of up to \$ 84.0 million.</p> <p>In January 2021, MGI acquired Nextar Inc, a digital video advertising technology platform called LKQD. The digital video platform reaches more than 200 million monthly users in the US across desktop, mobile, in-app and connected TV devices and provides sophisticated video advertising capabilities to the media segment.</p> <p>In mid-May 2021, MGI further strengthened its Media segment with the acquisition of the key assets of Beemray Oy, a leading data platform headquartered in Helsinki. With the acquisition of Beemray, the media division (Verve Group) expands its comprehensive offering of programmatic solutions for advertisers and publishers with a powerful data management platform that enables highly focused contextual targeting.</p> <p>In early May 2021, MGI successfully completed a direct share placement, with the issuance of 20.93 million new shares at an issue price of SEK 43.0 per share (equivalent to approximately € 4.30), to implement the Group's M&A pipeline. In the course of this cash capital increase, the company received investor funds (gross proceeds) in the amount of approximately SEK 900 million (equivalent to approximately € 90.0 million).</p> <p>On March 23, 2021, the MGI Group announced the placement of a € 40 million bond as part of a follow-on issue to finance organic and inorganic growth. On June 7, 2021, MGI again announced the successful follow-up issue of this existing bond with a volume of € 150.0 million (total volume outstanding: € 270.0 million) for inorganic growth financing.</p>
2020	<p>In January 2020, gamigo acquires all material assets of Verve Wireless Inc. and in February 2020, MGI buys out the minority shareholders of gamigo, thereby increasing its stake to 99.9%. MGI Group acquires all shares in programmatic advertising specialist Platform 161 and the remaining minority stake in ReachHero in July. The MGI Group acquires all shares in the mobile games company freenet digital GmbH, thereby strengthening its mobile games business.</p>

Sources: Media and Games Invest SE; GBC AG

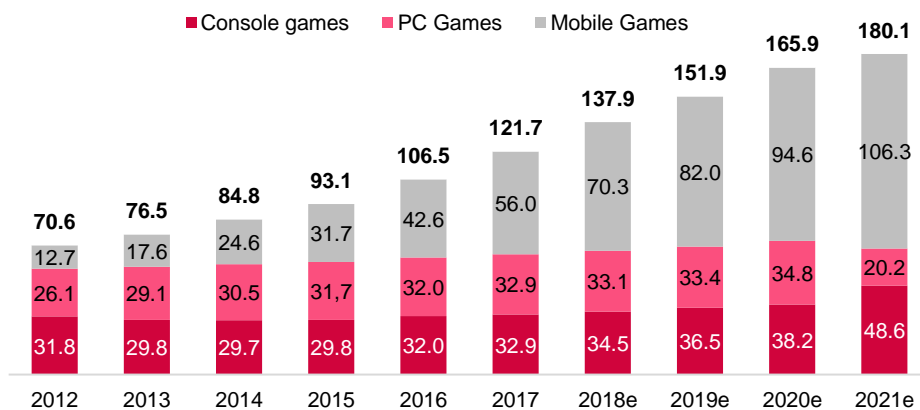
MARKET AND MARKET ENVIRONMENT

The global games market

The global market for video games continued its long-term growth path in 2020 and reached a new record level according to the forecasts of the industry experts at Newzoo. The total volume in 2020 increased by 9.2% to USD 165.9 billion (PY: USD 151.9 billion) compared to the previous year. Mobile games accounted for the lion's share of the market volume (57.0% of the total volume), followed by console games (23.0%) and PC games (21.0%).

Industry experts expect the global games market to reach a new high in the current year with an expected volume of USD 180.1 billion. According to the market experts at Newzoo, the market volume is expected to increase significantly again in the following years to USD 200.8 billion in 2023, which would correspond to an average growth rate of 6.6% for the period 2021 to 2023.

Global games market (in billion USD)



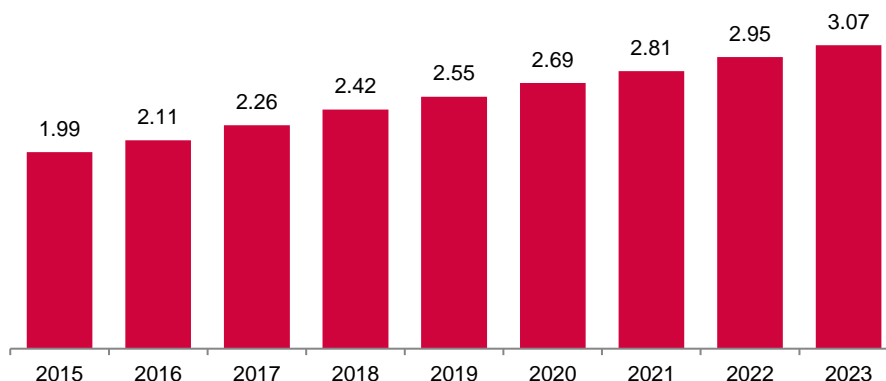
Sources: Newzoo Global Games Market Report 2020; GBC AG

In 2020, the global games industry also benefited from the COVID-19 situation. Particularly due to the lockdown measures associated with the pandemic and the use of home office offers, there was increased investment in games and in the associated hardware. For example, according to the industry association "game", the German games market in 2020 grew significantly by around 32.0% to € 8.53 billion compared to the previous year.

This new sales record is based on computer and video games as well as related hardware. As newly acquired players tend to remain very loyal and attached to their popular game titles over a longer period of time, we also expect positive long-term effects for the games industry from the corona situation (increase in player base).

According to a recent study (Global Games Market Report 2020) by Newzoo, the number of global gamers will exceed the three billion mark in 2023, which corresponds to a compound annual growth rate (CAGR) of +5.6%. In our estimation, mobile games in particular are likely to prove to be a key growth driver for this. In order to take advantage of the opportunities in the mobile games sector as well, MGI started to invest more in this area in 2020 with the acquisition of Freenet Digital GmbH. The business activities in this area are to be significantly expanded step by step.

Global forecast for the number of players in video games (in billions)



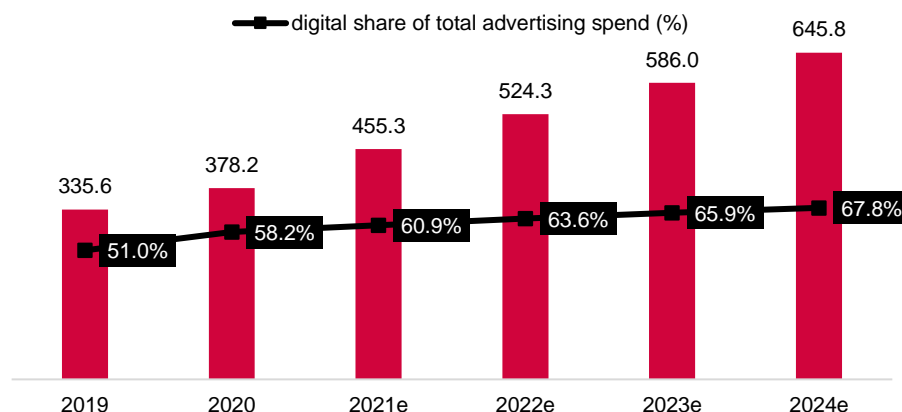
Sources: Newzoo Global Games Market Report 2020; GBC AG

The digital advertising market

The digital media market is of high importance for the games industry. The targeted and efficient acquisition of new players is mostly done through digital advertising. Instruments such as influencer marketing, banner advertising, video advertising and product placement in games have become particularly effective marketing channels.

According to a recent study by the market experts at eMarketer, the digital advertising market reached a volume of USD 378.2 billion in 2020, which corresponds to an increase of 12.7% compared to the previous year. Due to the corona situation, industry experts had expected weaker growth for the past year (eMarketer forecast: 13.6%) than in the previous year 2019 (18.6%).

Global digital advertising spend (in USD billion)



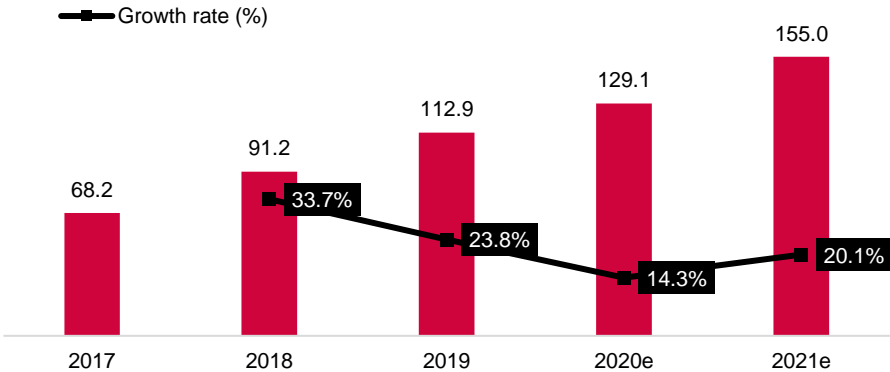
Source: eMarketer

For the current year 2021, they again expect a significantly more dynamic development and also forecast high growth rates for the following years. Accordingly, the market experts expect a compound annual growth rate (CAGR) of 14.3% for the period 2021 to 2024. In parallel, the share of digital advertising in total advertising spend is also expected to continue to increase gradually from 58.2% in 2020 to 67.8% in 2024.

With regard to the digital advertising market, it should be emphasised that, according to media experts, the area of "programmatic advertising" is considered one of the strongest growing segments in the digital advertising market. According to a study by the market experts at OnAudience (OnAudience.com), around USD 129.0 billion was spent on pro-

grammatic advertising worldwide in the past year 2020. Following the dynamic development of this sector in recent years (CAGR 2018-2020: 23.7%), the study authors also expect a new high of USD 155.0 billion for the current year.

Global programmatic advertising spend (in USD billion)



Sources: OnAudience; GBC AG

In recent years, the MGI Group has built up a good starting point through the further development of its two business divisions (Games, Media) in order to be able to fully exploit opportunities in the growth areas of games and digital advertising. In particular, the increased focus of the group's own advertising division on programmatic advertising and games infrastructure services should pay off in this regard.

HISTORICAL DEVELOPMENT OF THE COMPANY

Business development 2020

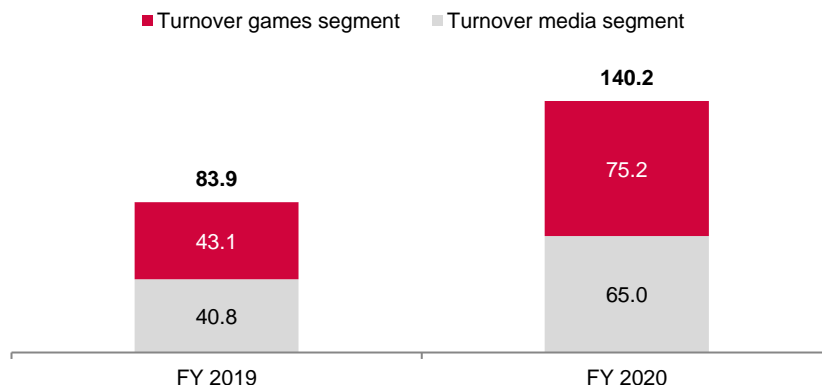
in € m	FY 2019	FY 2020
Revenues	83.89	140.22
Adjusted EBITDA	18.10	29.10
EBITDA	15.54	26.55
Adjusted EBIT	10.50	17.50
EBIT	5.00	11.04
Net result	1.25	2.71

Sources: Media and Games Invest SE; GBC AG

Turnover development

The MGI Group was able to successfully continue its dynamic growth course in the past financial year 2020. The company was able to increase its consolidated revenues by 67.1% year-on-year to € 140.22 million (PY: € 83.89 million), thus also exceeding the company's guidance. The significant jump in revenue was due in particular to a high-growth fourth quarter (revenue Q4 2019: € 28.17 million vs. revenue Q4 2020: € 48.69 million), which was the strongest in terms of revenue and earnings in the company's history to date.

Development of Group and segment turnover (in € million)



Sources: Media and Games Invest SE; GBC AG

The dynamic increase in group revenue was primarily driven by the games segment. In this business segment, the company achieved a significant increase in turnover of 74.5% to € 75.20 million (PY: € 43.10 million). In addition to positive effects from the "Corona stay-at-home policy", game updates (incl. expansions), more efficient customer acquisition, regular game events, an improved player-support system and M&A activities also contributed to this pleasing development. The mobile games company freenet digital GmbH, acquired in the fourth quarter, not only boosted games segment revenue, but also increased the group's share of mobile games revenue.

Furthermore, the Media segment also made a significant contribution to the growth in Group turnover with a significant increase in turnover of 59.3% to € 65.0 million (PY: € 40.80 million). In addition to revenue growth from organic growth, the Media segment also benefited from positive effects from completed M&A measures (e.g. takeover of the main assets of Verve Wireless; acquisition of Platform 161; increase in shares in ReachHero). For example, revenue synergies were achieved in the marketing of the

advertising offering (cross-selling). In our opinion, the growth of this business unit was also primarily driven by the fact that the company's advertising division, with its extensive digital advertising offering, focused very strongly on customers from the high-growth games and e-commerce sector (GBCe revenue share: approx. 80.0%).

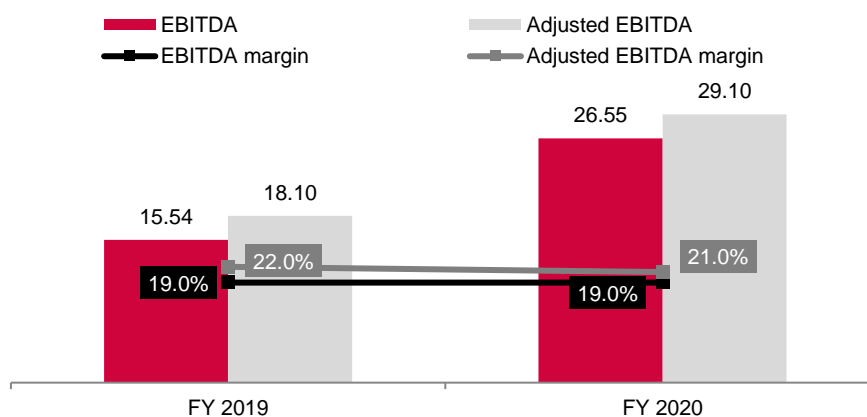
In addition, MGI has announced that after now well over ten acquisitions in the media sector, this advertising division (Verve Group) is one of the few players in the digital programmatic advertising market that can offer a fully integrated programmatic advertising platform from the demand side to the supply side. Thus, following the significant expansion of the media segment in 2020, all media platforms have been interconnected, resulting in significant synergies on the cost side combined with strong revenue synergies.

In addition, the MGI Group has announced that within this division, the focus and revenue distribution has shifted significantly from more personal services such as influencers and affiliated businesses to programmatic software-as-a-service media and games infrastructure services. It is worth noting that programmatic advertising is one of the fastest growing segments in the digital advertising market, according to media experts. Recently, Verve Group was named one of the top 12 SSPs for programmatic connected TV in industry expert Picalate's Ad Supply Trends Report.

Development of results

Parallel to the dynamic development of turnover, improvements in results were achieved at all levels. On an EBITDA basis, an increase of around 71.0% to € 26.55 million (PY: € 15.54 million) was achieved in the past financial year. EBITDA adjusted for one-off effects (e.g. special and restructuring costs from M&A transactions) also increased significantly compared to the previous year by 60.8% to € 29.10 million (PY: € 18.10 million). The adjusted EBITDA margin was 21.0%. The strong margin level of the previous year (PY: 22.0%) was thus almost confirmed.

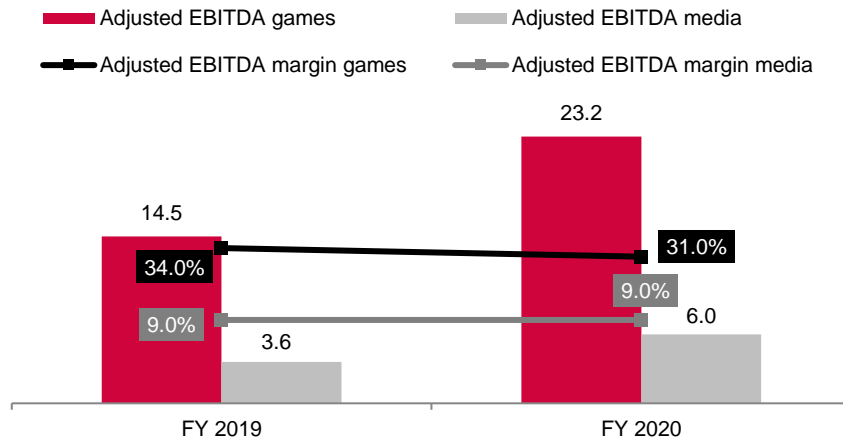
Development of EBITDA and adjusted EBITDA (in € million)



Sources: Media and Games Invest SE; GBC AG

In terms of segment performance, the Games business unit recorded a significant jump in earnings compared to the previous year. Adjusted EBITDA increased by 60.0% to € 23.20 million (PY: € 14.50 million). This resulted in an adjusted EBITDA margin of 31.0%, which was in line with the high margin level of the previous year (PY: 34.0%). The media division also achieved a dynamic improvement in results with an increase in adjusted EBITDA of 66.7% to € 6.00 million (PY: € 3.60 million). The adjusted EBITDA margin of 9.00% was at the previous year's level (PY: 9.0%).

Adjusted EBITDA (€ million) and adjusted EBITDA margin (%) by segment



Sources: Media and Games Invest SE; GBC AG

With regard to the cost side, the high M&A activities led to a significant increase in the associated depreciation and amortisation (PPA depreciation and amortisation). Accordingly, MGI reported an increase in depreciation and amortisation to € 15.51 million (PY: € 10.54 million). Due to the financing of organic and inorganic growth, financial expenses also increased significantly to € 7.49 million (PY: € 5.84 million). These are related to the significant increase in bond liabilities as an important financing component of the company's M&A strategy. As of the balance sheet date, the MGI Group had bond liabilities of € 95.36 million (PY: € 63.99 million).

Taking into account depreciation, financing and tax effects, the net result for the past financial year was € 2.71 million, which corresponds to an increase of 116.8% compared to the previous year (PY: € 1.25 million).

The results of the past business year have shown that the company is on the "right path" to sustainably and dynamically increase revenue and earnings and to use the high scalability of the business model. In addition, the traditional games division once again proved to be a reliable "earnings pearl" for the group.

MGI's asset and cash flow situation

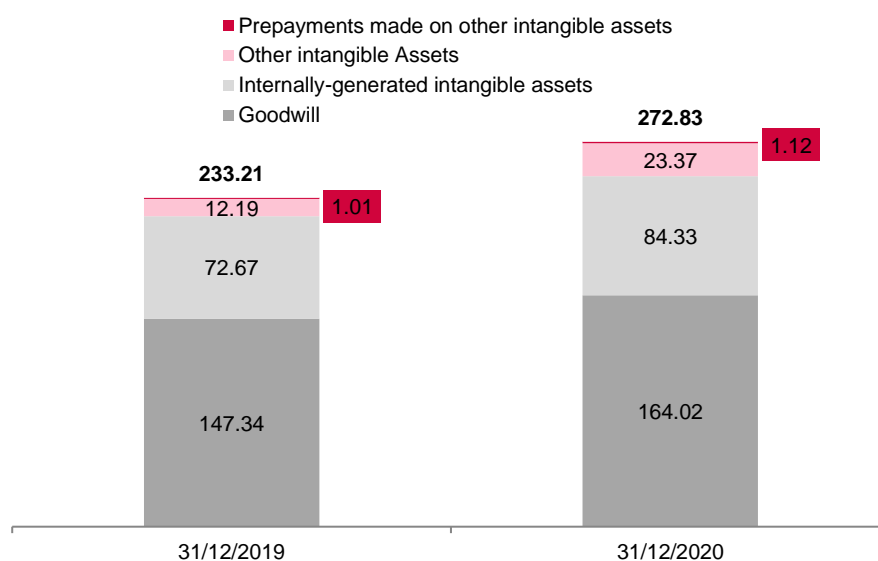
In € m	31/12/2019	31/12/2020
Equity	168.56	176.85
thereof minority interests	70.49	0.06
Intangible assets	233.21	272.83
thereof goodwill	147.34	164.02
Cash and cash equivalents	32.98	46.25
Non-current liabilities	89.35	130.79
thereof corporate bonds	63.99	95.36

Sources: Media and Games Invest SE; GBC AG

MGI's balance sheet is characterised by the positive business development of the past years, the company's M&A strategy and the technology-based business model of the company.

On the assets side, intangible assets account for the lion's share of the balance sheet total at € 272.83 million, of which € 164.02 million (60.1% of total assets) is attributable to the balance sheet item goodwill and € 84.33 million to other intangible assets.

Composition of intangible assets (in € million)



Sources: Media and Games Invest SE; GBC AG

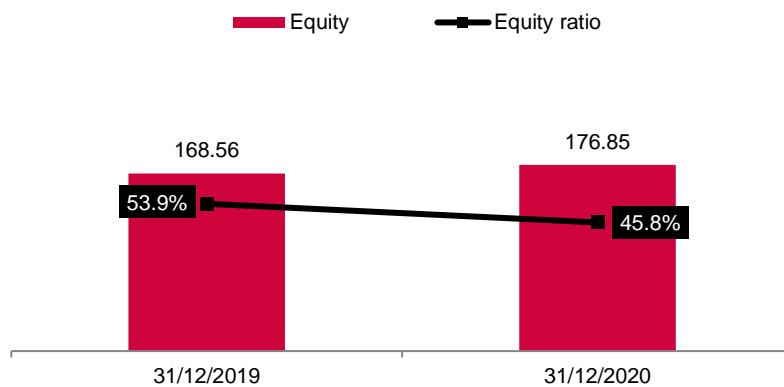
Due to the M&A transactions carried out in 2020 (e.g. takeover of the Verve Group, increase in shares in gamigo AG or purchase of the advertising company Plattform 161), goodwill increased significantly by 11.3% to € 164.02 million (PY: € 147.34 million) compared to the previous year. In addition, other intangible assets increased significantly by 16.0% to € 84.33 million (PY: € 72.67 million).

Important items on the liabilities side of the balance sheet as of 31 December 2020 were equity in the amount of € 176.85 million (PY: € 168.56 million) and bonds in the amount of € 95.36 million (PY: € 63.99 million). The significant increase in equity by € 8.29 million to € 176.85 million resulted mainly from the company's dual listing on NASDAQ First North Premier Stockholm, which was accompanied by a capital increase (gross issue proceeds: € 28.50 million). In the course of this capital increase, 25.0 million new shares were issued at a price of € 1.14 / share. In addition, the capital increase carried out in the course of the gamigo share increase also had a positive effect on the increase in equity.

The equally significant increase in bond volume by € 31.37 million to € 95.36 million was based in particular on the new bonds issued by MGI at the end of 2020 with a total volume of € 80.0 million, which were placed for investments, acquisitions and to repay a gamigo bond.

Based on this, the equity ratio declined to 45.8% (PY: 53.9%) at the end of the past financial year due to the stronger increase in financial liabilities. Nevertheless, the equity ratio remains at a high level.

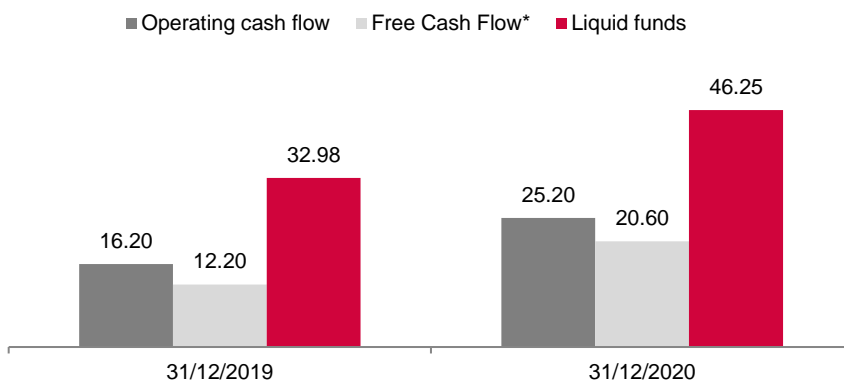
Development of equity and equity ratio (in € million / in %)



Sources: Media and Games Invest SE; GBC AG

The MGI Group financed its M&A activities partly through borrowed capital but also through the positive operating cash flow generated. Due to very positive business development, the operating cash flow at the end of the past financial year increased significantly to € 25.20 million (PY: € 16.20 million) compared to the previous year. This internal generation of capital alone was able to cover the majority of the payments for investments in intangible assets and the acquisition of business units in 2020.

Operating cash flow and free cash flow as well as cash and cash equivalents (in € million)



Sources: Media and Games; GBC; *Free Cash Flow = Operating cash flow – Maintenance capex (service, optimization etc.)

FORECASTS AND EVALUATION

P&L in € million	FY 2020	FY 2021e	FY 2022e	FY 2023e
Revenues	140.22	202.30	255.10	319.39
Adjusted EBITDA	29.10	56.81	74.10	97.14
EBITDA	26.55	52.81	69.90	92.94
Adjusted EBIT	17.50	31.29	46.35	68.02
EBIT	11.04	25.29	40.35	62.02
Net result (after minorities)	3.06	12.27	23.65	39.99

Sources: Media and Games Invest SE; estimates GBC AG

Turnover forecasts

The MGI Group pursues a growth-oriented corporate strategy, relying on a combination of M&A and organic growth in the synergetic sectors of games and media. In recent years, the company has acquired more than 30 companies and assets in these sectors as part of this strategic positioning. By integrating and focusing on synergies, MGI has been able to build leading platforms in the games, media and advertising segments, leveraging the significant synergies between these segments.

As part of the publication of our research study on MGI's Q1 figures, we adjusted our previous revenue and earnings forecasts upwards. The background to our forecast increase was the good performance at the start of the year (Q1 revenue 2021: € 51.93m vs. Q1 revenue 2020: € 26.55m), the company's particularly extensive growth pipeline and the expected strong recovery of the advertising market.

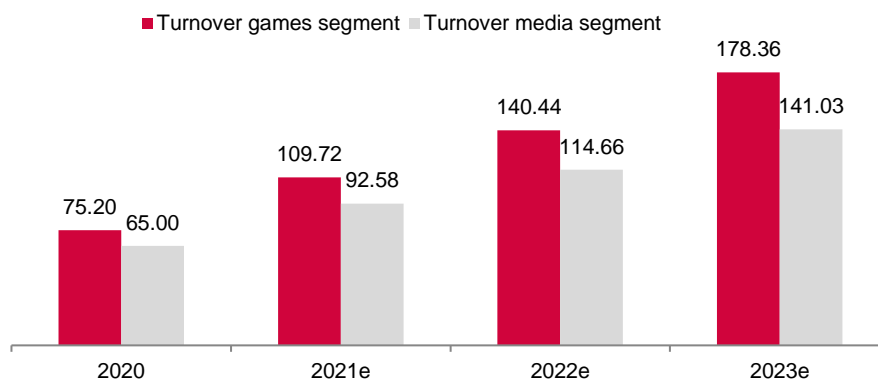
Organic growth pipeline of the MGI Group

Heroes of Twilight Launch 2021	<ul style="list-style-type: none"> gamigo has also acquired the worldwide licensing right for the mobile game "Heros of Twilight" The competitive and turn-based role-play game is characterized by a dynamic day and night change, which means that the characters and the game environment can change unexpected at any time The free-to-play game is the sequel to the multiple award-winning Little Lords of Twilight and thus has a strong existing fanbase
Golf Champions - Swing of Glory Launch 2021	<ul style="list-style-type: none"> MGI's gaming segment (gamigo) has acquired the worldwide development and publishing rights of the triple-A mobile game "Golf Champions – Swing of Glory" from top Canadian developer Behavior Interactive. Golf Champions is a competitive, free-to-play mobile game in which players compete in leagues. Players unlock different golf characters and can improve their skills as they compete against each other
Desert Operations Goes Mobile Launch TBA	<ul style="list-style-type: none"> Our successful strategy wargame Desert Operations is currently only available to be played in the browser on PCs. Strategy games are a successful genre on mobile devices, also Desert Operations is very suitable which lead to this project. Desert Operations will be available on mobile in a complete new setting to reach a broad audience and increase playtime.
Trove Nintendo Switch +South Korea Launch TBA	<ul style="list-style-type: none"> The successful Voxel MMO Trove is currently available to be played on the platform Windows PC, Sony Playstation 4 and Microsoft XBOX. As Switch has become very popular it was decided to test Trove as a first game to be ported to Switch. This technical port will make the game available on Nintendo Switch Consoles targeting yet another major audience. Together with Aprogen Games, gamigo is bringing the PC version of the action-packed MMO to South Korea
Verve EDGE Privacy-First Audiences Launch 2021	<ul style="list-style-type: none"> After a year of development we have a solution that enables us to generate audience data on the device without the use of PII Verve EDGE solves for the upcoming industry challenge depreciating mobile IDs on iOS14. Patent for Verve Edge is pending Verve Edge is now being rolled out, while leveraging on and further extending our SDK base
Enterprise Solutions Full Stack SaaS Launch 2021	<ul style="list-style-type: none"> Work on integrating the Full Stack continues after the acquisition of Nexstar Digital which expanded our offering into CTV. Part of that work is leveraging our existing gaming data to improve advertising effectiveness and improve user acquisition The next product launch in our SaaS Enterprise offering is the HyBid Cloud which is an offering for game and app publisher monetization
10+ Other projects in stealth mode Launches 2021-2023	<ul style="list-style-type: none"> Sequels of existing games: various projects in the pipeline with total development cost volume of € 5 m+ In-Licensing deals for various MMO's and mobile games; for games ready to launch Outlicensing deals with Publishers in China and Japan for some of MGI's game IP's in negotiations More to come...

Sources: Media and Games Invest SE; GBC AG

For the current financial year 2021, we expect consolidated revenues of € 202.30 million and an EBITDA of € 52.81 million. The majority of these revenues should be generated in the games segment (GBCe: € 109.72 million). In the current financial period, this segment should be boosted above all by the KingsIsle acquisition at the beginning of the year, which we expect to contribute a significant share to the segment's revenue (revenue contribution GBCe: € 26.50 million).

Expected segment turnover development (in € million)



Sources: Media and Games Invest SE; estimates GBC AG

In addition, we are calculating turnover of € 92.58 million for the Media segment for the current financial year. This segment was significantly expanded in the past and strengthened through several M&A transactions. On 17 May 2021, MGI announced another transaction in this business segment with the acquisition of the key assets of Beemray Oy, a leading data platform headquartered in Helsinki. With the acquisition of Beemray, the media division (Verve Group) expands its comprehensive offering of programmatic solutions for advertisers and publishers with a powerful data management platform that enables highly focused contextual targeting.

As this business segment has been brought into a good market position through various strategic measures of the MGI Group, it should also be possible to significantly increase sales revenues in this segment in the current financial year. In addition, the Media segment should also be able to profit from the expected recovery of the advertising market. We assume that especially in the classic sectors (e.g. tourism, hotel industry), which suffered significantly from the corona pandemic, many advertising budgets will be again increased.

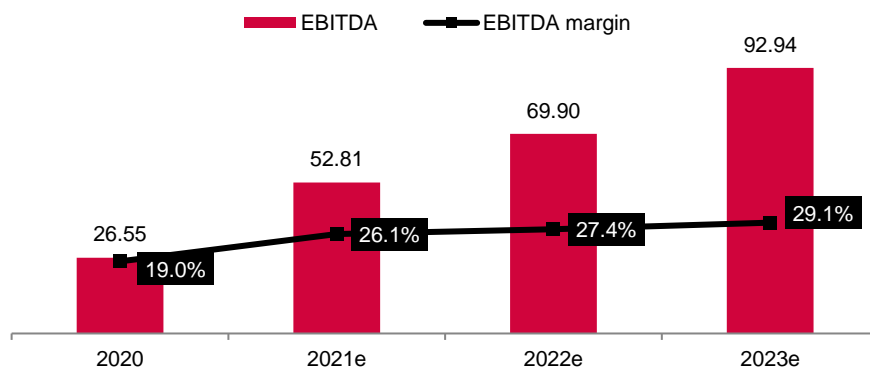
We also expect the successful growth strategy to continue in the coming years and accordingly anticipate significant revenue and earnings growth in both the Games and Media business segments. After the games segment was strengthened in the past through several M&As (most recently the KingsIsle acquisition) and an implemented platform approach, this segment now has a good market position. This should enable MGI to profit sustainably from the booming global games sector in the coming years and thereby significantly increase the revenue of the business segment.

With regard to the Media segment, we also expect dynamic revenue development in the coming financial years. The division's strong customer focus on the games and e-commerce sector and its strong positioning in digital and programmatic advertising should pay off. For example, according to the company, the Group's own advertising division is one of the few players in the digital programmatic advertising market with a fully integrated programmatic advertising platform.

Result forecasts

The dynamic development of turnover that we expect is also reflected in our earnings estimates. We expect a significant increase in the operating result (EBITDA) in the coming years. In parallel, we expect a significant increase in the EBITDA margin to around 29.1% in the long term due to the expected onset of economies of scale. In 2023, it should be possible to achieve an EBITDA in the order of € 92.94 million.

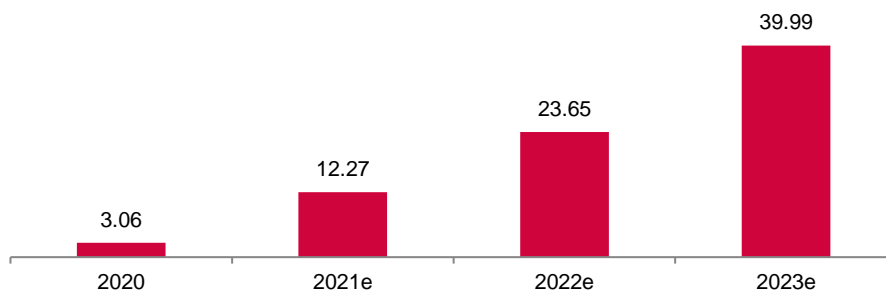
Expected EBITDA and EBITDA margin (in € million / in %)



Source: GBC AG

The platform approach pursued by the MGI Group in both business segments should clearly support a disproportionate increase in earnings and thus contribute significantly to high Group profitability. On a net level, we also expect significant earnings growth in the coming financial years.

Expected development of the net result (in € million)



Source: GBC AG

Within the framework of our DCF valuation model, we have determined a target price of € 6.92 per share based on the estimates we previously raised in our Q1 research report. As we have made no changes to our previous study (as of May 11, 2021), we hereby confirm our previous price target and rating. In view of the current price level, we thus continue to assign a Buy rating and see significant price potential.

Overall, we believe that the MGI Group is well positioned to significantly expand its market positions in both complementary business segments (Games, Media) in the future and thus to continue on its dynamic growth path. Above all, the Group's own advertising division should be able to profit significantly not only from the growth opportunities in the area of digital and programmatic advertising, but also from the growth potential resulting from the expected recovery of the advertising market in the "post-corona phase". In addition, thanks to its high liquidity position of currently around € 290.0 million (= GBCe pro forma liquidity, i.e. cash on hand incl. bond inflows), the company is well equipped to once again significantly increase the Group's growth rate through targeted acquisitions as part of the M&A strategy being pursued.

Peer group analysis

In parallel to the valuation of Media and Games Invest SE using our DCF model, we also conducted a peer group analysis. This also showed a significant undervaluation of MGI on the basis of various comparative variables used, such as traditional earnings multiples. The results of the peer group analysis thus additionally support our valuation result on the basis of our DCF model.

Company	Ticker	EV/Sales 20	EV/Sales 21e	EV/Sales 22e	EV/Sales 23e	EV/E BITDA 20	EV/E BITDA 21e	EV/E BITDA 22e	EV/E BITDA 23e
Games									
Embracer Group AB	EMBRAC B (OM)	18.10	10.50	6.77	6.43	104.90	34.30	14.33	13.50
Stillfront Group AB	SF (OM)	8.00	5.48	4.69	4.21	28.50	15.00	11.91	10.42
Paradox Interactive AB	PDX (OM)	9.70	9.67	7.42	6.79	20.60	16.25	12.45	12.25
Enad Global 7 AB	EG7 (OM)	11.10	2.98	2.62	2.42	n.s.	10.15	8.31	7.37
G 5 Entertainment AB	G5EN (OM)	3.30	3.10	2.78	2.53	21.30	11.19	9.47	8.24
Roblox Corp.	RBLX (NYSE)	56.70	20.53	17.07	13.53	n.s.	84.14	78.55	56.35
Media									
The Trade Desk Inc.	TTD (NasdaqGM)	33.70	24.69	19.29	14.88	132.70	70.02	54.40	42.31
Viant Technology Inc.	DSP (NasdaqGS)	2.20	1.50	1.23	1.08	11.20	11.68	8.21	5.99
Magnite Inc.	MGNI (NasdaqGS)	18.80	10.54	8.21	6.76	189.30	36.81	26.94	20.69
PubMatic Inc.	PUBM (NasdaqGM)	10.20	7.57	6.28	5.36	36.30	26.18	21.17	17.82
Games & Media									
AppLovin Corp.	APP (NasdaqGS)	21.90	11.93	9.79	8.03	105.00	46.27	34.30	26.48
Ø Peer group		17.61	9.86	7.83	6.55	72.20	32.91	25.46	20.13
Media and Games	XTRA:M8G	4.70	3.23	2.77	2.32	33.00	12.01	10.04	8.15
MGI vs. Ø Peer group		-73.3%	-67.3%	-64.6%	-64.6%	-54.3%	-63.5%	-60.6%	-59.5%

Sources: S&P Capital IQ; GBC AG

DCF valuation

Model assumptions

We have valued Media and Games Invest SE using a three-stage DCF model. Starting with the concrete estimates for the years 2021 to 2023 in phase 1, the forecast is made from 2024 to 2028 in the second phase by applying value drivers. We expect increases in turnover of 5.0%. We have assumed a target EBITDA margin of 29.1%. We have included the tax rate of 30.0% in phase 2. In the third phase, a residual value is determined after the end of the forecast horizon using the perpetual annuity. In the terminal value we assume a growth rate of 2.0%.

Determination of the cost of capital

The weighted average cost of capital (WACC) of Media and Games Invest SE is calculated from the cost of equity and the cost of debt. To determine the cost of equity, the fair market premium, the company-specific beta and the risk-free interest rate must be determined.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. The basis for this is the zero bond interest rates published by the Deutsche Bundesbank according to the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points. The currently used value for the risk-free interest rate is 0.25%.

We set the historical market premium of 5.5% as a reasonable expectation of a market premium. This is supported by historical analyses of equity market returns. The market premium reflects the percentage by which the equity market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 1.36 is currently determined.

Using the assumptions made, we calculate a cost of equity of 7.7% (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the cost of equity of 80.0%, the weighted average cost of capital (WACC) is 7.1%.

Valuation result

The future cash flows are discounted on the basis of the entity approach. We have calculated the corresponding cost of capital (WACC) at 7.1%. The resulting fair value per share at the end of the 2021 financial year corresponds to a target price of € 6.92. The price target increase results from our estimates for the 2021 and 2022 financial years, which we had already raised in the Q1 research report, and the first-time inclusion of the 2023 financial year in our concrete estimation period. Our raised forecasts take into account the very strong corporate performance and the company's extensive organic growth pipeline. As we have not made any changes compared to our previous study (as of May 11, 2021), we confirm our previous price target and rating.

DCF model

Media and Games Invest SE - Discounted Cashflow (DCF) model

Value driver used in the DCF-model's estimate phase:

consistency - Phase		final - Phase	
Revenue growth	5.0%	Perpetual growth rate	2.0%
EBITDA margin	29.1%	Perpetual EBITA margin	22.5%
Depreciation on fixed assets	32.6%	Effective tax rate in terminal value	30.0%
Working capital to sales	10.0%		

Three-phase DCF - model:

Phase in mEUR	estimate			consistency					final value
	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	
Revenue	202.30	255.10	319.39	335.36	352.13	369.73	388.22	407.63	
<i>US change</i>	44.3%	26.1%	25.2%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%
<i>US to fixed assets</i>	1.96	2.88	4.40	5.24	6.05	6.82	7.53	8.19	
EBITDA	52.81	69.90	92.94	97.59	102.47	107.59	112.97	118.62	
<i>EBITDA margin</i>	26.1%	27.4%	29.1%	29.1%	29.1%	29.1%	29.1%	29.1%	
EBITA	25.29	40.35	62.02	73.95	81.64	88.66	95.32	101.83	
<i>EBITA margin</i>	12.5%	15.8%	19.4%	22.1%	23.2%	24.0%	24.6%	25.0%	22.5%
Taxes on EBITA	-6.32	-10.09	-15.50	-22.18	-24.49	-26.60	-28.60	-30.55	
<i>Tax rate</i>	25.0%	25.0%	25.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	18.97	30.26	46.51	51.76	57.15	62.06	66.72	71.28	
Return on Capital	14.7%	26.3%	44.5%	51.9%	58.6%	66.5%	73.2%	78.9%	72.4%
Working Capital (WC)	12.15	15.99	27.15	33.54	35.21	36.97	38.82	40.76	
<i>WC to sales</i>	6.0%	6.3%	8.5%	10.0%	10.0%	10.0%	10.0%	10.0%	
<i>Investment in WC</i>	3.94	-3.84	-11.16	-6.39	-1.68	-1.76	-1.85	-1.94	
Operating fixed assets (OFA)	103.10	88.55	72.63	63.99	58.16	54.23	51.58	49.79	
<i>Depreciation on OFA</i>	-27.52	-29.55	-30.92	-23.64	-20.83	-18.93	-17.65	-16.79	
<i>Depreciation to OFA</i>	26.7%	33.4%	42.6%	32.6%	32.6%	32.6%	32.6%	32.6%	
CAPEX	-18.00	-15.00	-15.00	-15.00	-15.00	-15.00	-15.00	-15.00	
Capital Employed	115.25	104.54	99.78	97.53	93.37	91.20	90.40	90.55	
EBITDA	52.81	69.90	92.94	97.59	102.47	107.59	112.97	118.62	
Taxes on EBITA	-6.32	-10.09	-15.50	-22.18	-24.49	-26.60	-28.60	-30.55	
Total investment	-122.07	-18.84	-26.16	-21.39	-16.68	-16.76	-16.85	-16.94	
<i>Investment in OFA</i>	-18.00	-15.00	-15.00	-15.00	-15.00	-15.00	-15.00	-15.00	
<i>Investment in WC</i>	3.94	-3.84	-11.16	-6.39	-1.68	-1.76	-1.85	-1.94	
<i>Investment in Goodwill</i>	-108.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free Cashflows	-75.58	40.97	51.28	54.02	61.30	64.23	67.53	71.13	1257.82

Value operating business (due date)	1087.84	1123.79
<i>Net present value explicit free Cashflows</i>	308.19	289.01
<i>Net present value of terminal value</i>	779.65	834.78
Net debt	48.77	16.22
Value of equity	1039.07	1107.58
Minority interests	-3.50	-3.73
Value of share capital	1035.57	1103.84
Outstanding shares in m	149.68	149.68
Fair value per share in €	6.92	7.37

Cost of Capital:

<i>Risk-free rate</i>	0.3%
<i>Market risk premium</i>	5.5%
<i>Beta</i>	1.36
<i>Cost of equity</i>	7.7%
<i>Target weight</i>	80.0%
<i>Cost of debt</i>	6.0%
<i>Target weight</i>	20.0%
<i>Taxshield</i>	25.0%
WACC	7.1%

Return on Capital	WACC				
	6.5%	6.8%	7.1%	7.4%	7.7%
71.9%	7.81	7.32	6.88	6.50	6.16
72.2%	7.83	7.34	6.90	6.52	6.17
72.4%	7.85	7.36	6.92	6.53	6.19
72.7%	7.88	7.38	6.94	6.55	6.20
72.9%	7.90	7.40	6.96	6.57	6.22

APPENDIX

I.

Research under MiFID II

1. There is a contract between the research company GBC AG and the Issuer regarding the independent preparation and publication of this research report on the Issuer. GBC AG is remunerated for this by the Issuer.
2. the research report shall be made available simultaneously to all investment service providers interested in it.

II.

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§ 2 (I) Update:

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

§ 2 (II) Recommendation/ Classifications/ Rating:

GBC AG has been using a 3-stage absolute share rating system since 1 July 2006. Since 1 July 2007, the ratings refer to a time horizon of at least 6 to a maximum of 18 months. Previously, the ratings referred to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are determined according to the ratings described below with reference to the expected return. Temporary price deviations outside these ranges do not automatically lead to a change in the rating, but do give rise to a revision of the original recommendation.

The respective recommendations/ classifications/ ratings are associated with the following expectations:

BUY	The expected return, based on the determined price target, incl. dividend payment within the corresponding time horizon is $\geq + 10\%$.
HOLD	The expected return, based on the determined price target, incl. dividend payment within the corresponding time horizon is $> - 10\%$ and $< + 10\%$.
SELL	The expected return, based on the determined price target, incl. dividend payment within the corresponding time horizon is $\leq - 10\%$.

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

§ 2 (III) Historical recommendations:

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

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§ 2 (IV) Information basis:

For the preparation of the present analysis(s), publicly available information on the issuer(s) (where available, the three most recently published annual and quarterly reports, ad hoc announcements, press releases, securities prospectus, company presentations, etc.) was used, which GBC considers to be reliable. Furthermore, in order to prepare the present analysis(s), discussions were held with the management of the company(ies) concerned in order to obtain a more detailed explanation of the facts relating to the business development.

§ 2 (V) 1. Conflicts of interest pursuant to § 85 WpHG and Art. 20 MAR:

GBC AG and the responsible analyst hereby declare that the following possible conflicts of interest exist for the company/ies named in the analysis at the time of publication and thus comply with the obligations of § 85 WpHG and Art. 20 MAR. An exact explanation of the possible conflicts of interest is listed below 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,5b,7,11)

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