

Media and Games Invest SE*5a,7,11

Rating: BUY
Target price: € 4.05
(previously: € 4.05)

Current share price: 0.84
06/12/2023 / Xetra
(closing price)

Currency: EUR

Master data:

ISIN: SE0018538068
WKN: A3D3A1
Ticker symbol: M8G
Number of shares³: 159.25
Market cap³: 133.77
Enterprise value³: 407.78
in million / in million EUR

Free float: 55.9%

Transparency level:
Nasdaq First North Premier

Market segment:
open market
(Freiverkehr)

Accounting:
IFRS

FY-end: 31/12/

Designated sponsor:
Kepler Cheuvreux
Pareto Securities AB

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* Catalogue of possible con-
flicts of interest on page 6

Date (time) completion:
07/12/2023 (9:35 am)

Date (time) first distribution:
07/12/2023 (10:30 am)

Validity of the price target:
until max. 31/12/2024

Company profile

Industry: ad-tech and mobile/online Games

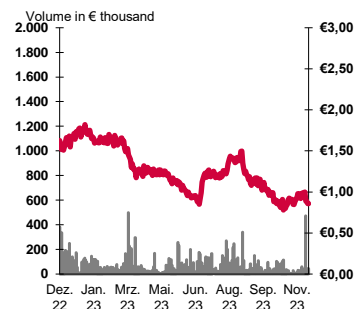
Focus: software application

Employees: >800

Foundation: 2011

Headquarters: Stockholm (Sweden)

Board members: Remco Westermann (CEO), Paul Echt (CFO),
Jens Knauber (COO), Sonja Lilienthal (CIO), Sameer Sondhi (CRO)



Media and Games Invest SE (MGI) operates a fast-growing, profitable advertising software platform that combines the global demand of advertisers with the advertising supply of publishers and improves advertising results with the help of first-party data from its own online games. MGI operates primarily in North America and Europe. Through investments in organic growth and innovation as well as targeted acquisitions, MGI has built a one-stop shop for programmatic advertising, enabling companies to buy and sell advertising space across all digital devices (mobile apps, web, connected TV and digital out of home) with the goal of making advertising better. MGI is registered as a Societas Europaea in Sweden (registration number 517100-0143) and its shares are listed on the Nasdaq First North Premier Growth Market in Stockholm and in the Scale segment of the Frankfurt Stock Exchange. The company has two collateralised bonds listed on Nasdaq Stockholm and on the Open Market of the Frankfurt Stock Exchange.

P&L in EUR million \ End of FY	31/12/2022	31/12/2023e	31/12/2024e	31/12/2025e
Revenue	324.44	303.21	324.74	357.66
Adjusted EBITDA (Adj. EBITDA)	93.20	93.07	102.16	114.29
EBITDA	84.75	85.37	95.56	108.49
Net result (after minorities)	-20.32* ¹	0.09	6.57	14.48

*¹ negatively impacted by a one-off write-down of € 23.6 million

Key figures in EUR				
Earnings per share (EPS)	-0.13	0.00	0.04	0.09
Dividend per share	0.00	0.00	0.00	0.00

Key figures				
EV/sales	1.26	1.34	1.26	1.14
EV/Adj. EBITDA	4.38	4.38	3.99	3.57
EV/EBITDA	4.81	4.78	4.27	3.76
P/E ratio (after minorities)	n/a	n/a	20.36	9.24
KBV	0.42			

Financial calendar

****Latest research from GBC:**

Date: Publication / Target price in EUR / Rating

11/09/2023: RS / 4.05 / BUY

20/06/2023: RS / 5.30 / BUY

08/03/2023: RS / 5.40 / BUY

07/09/2022: RS / 5.75 / BUY

02/08/2022: RS / 5.75 / BUY

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

Note in accordance with MiFID II regulation for "minor non-monetary benefit" research: This research fulfils the requirements for classification as a "minor non-monetary benefit". Further information on this can be found in the disclosure under "I. Research under MiFID II"

Nine months 2023: Solid sales and operating earnings performance despite challenging conditions; positive effects from the initiated savings programme enabled an increase in profitability; GBC estimates and price target confirmed

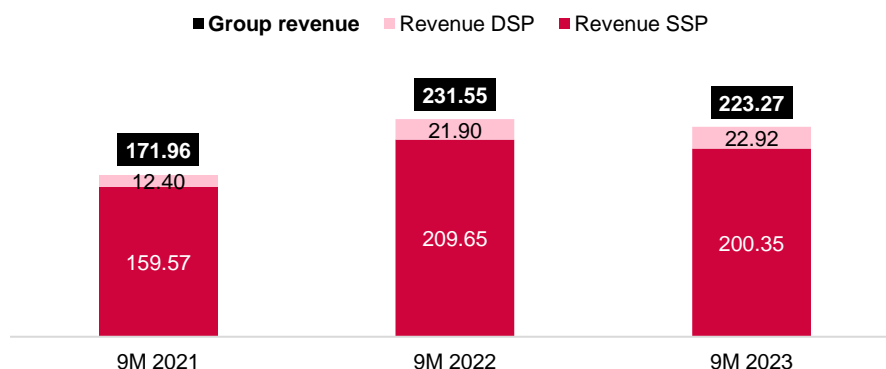
Income statement (in € million)	9M 2021	9M 2022	9M 2023
Revenues	171.96	231.55	223.27
EBITDA (EBITDA <i>margin</i>)	44.14 (25.7%)	58.28 (25.2%)	101.15* ² (45.3%)
Adjusted EBITDA (Adj. EBITDA <i>margin</i>)	47.80 (27.8%)	61.70 (26.6%)	63.50 (28.4%)
Net result (after minority interests)	8.66	8.77	41.83* ²
EPS in €	0.06	0.06	0.23

Sources: Media and Games Invest SE; GBC AG *²positively influenced by a revaluation of the AxesInMotion earn-out payment liability (special effect of € 62.76 million)

Business performance 9M 2023

Media and Games Invest (SE) published its nine-month and Q3 figures for the current financial year on 30 November 2023. Based on these figures, the ad tech group saw a moderate decline in digital Group revenue of 3.6% to € 223.27 million in the past nine months (9M 2022: € 231.55 million), primarily due to divestments (in the games segment) and unfavourable exchange rate developments. The revenue generated was primarily driven by the traditionally largest advertising segment "Supply Side Platform" (revenue share: 89.7%), which generated revenue of € 200.35 million (9M 2022: € 209.65 million).

Development of Group and segment sales in 9M 2023 (in € million)



Sources: GBC AG; Media and Games Invest SE

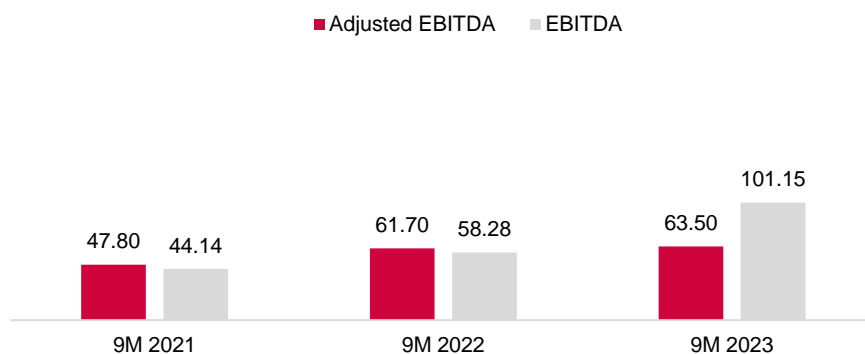
According to the company, an organic increase in consolidated sales was achieved on a comparable basis. This revenue growth is primarily the result of an increase in the software customer base and the volume of advertising placed. The number of customers on MGI's digital advertising platform increased significantly by 9.0% to 2,068 software customers at the end of the third quarter compared to the same quarter of the previous year (software customers at the end of Q3 2022: 1,898). At the same time, the digital advertising volume delivered increased significantly by 8.0% to 186 billion at the end of the third quarter (advertising ads at the end of Q3 2022: 172 billion).

Thanks to the noticeable expansion of the software customer base, the Ad-Tech Group was able to perform well amid the challenging market situation and thus slightly overcompensate for negative market aspects such as reduced customer advertising budgets and lower CPMs (cost-per-mile).

In addition, further market share was gained, enabling this technology company to further expand its leading market position. According to a recent Pivalate market study, MGI's

subsidiary Verve Group remains the market leader on Android and iOS in the US market with a market share of 11.0% and 28.0% respectively. In Europe, Verve recently achieved a market-leading position on Android (No. 2 with a market share of 15.0%) and iOS (No. 3 with a market share of 9.0%). In our view, MGI has thus outperformed the general advertising market and the advertising industry as a whole.

Development of EBITDA and adjusted EBITDA on a nine-month basis (in € million)



Sources: GBC AG; Media and Games Invest SE

In contrast to the sales trend, MGI achieved growth at all earnings levels, primarily due to the revaluation of the AxesInMotion earn-out payment liability (positive one-off effect of € 62.76 million). EBITDA increased dynamically by 73.6% to € 101.15 million compared to the same quarter of the previous year (9M 2022: € 58.28 million). Adjusted for one-off effects (e.g. M&A and restructuring costs or revaluations of balance sheet items), adjusted EBITDA (Adj. EBITDA) totalled € 63.50 million, which was slightly higher than in the same period of the previous year (9M 2022: € 61.70 million).

In terms of operating profitability, an increase in profitability to 28.4% (9M 2022: 26.6%) was achieved on the basis of the adjusted EBITDA margin (Adj. EBITDA margin). This improvement in profitability reflects the first positive effects of the company's cost-cutting programme, which is expected to generate annual cost savings of around € 10.0 million once successfully implemented.

After the first nine months of the financial year, consolidated net income (after minority interests) totalled € 41.83 million (9M 2022: € 8.77 million), which was significantly higher than the previous year's level. This significant increase in net income was mainly due to the positive one-off effect from the revaluation of an M&A-related payment obligation described above.

Business development Q3 2023

The negative effects of divestments and unfavourable exchange rate developments were particularly noticeable in the third quarter. Accordingly, the MGI Group suffered a significant year-on-year decline in digital Group sales of 10.6% to € 78.34 million (Q3 2022: € 87.62 million). Adjusted for these negative currency effects, however, organic sales growth of 1.0% was achieved at Group level, according to the company. This revenue growth was primarily the result of an increase in the software customer base and the volume of advertising delivered.

At operating earnings level, adjusted EBITDA (Adj. EBITDA) of € 23.10 million was achieved, mainly thanks to efficiency gains from the cost-saving programme that has been initiated, thus confirming the high earnings level of the previous year (Q3 2022: € 23.00 million).

million). At the same time, the adjusted EBITDA margin increased significantly to 29.5% (Q3 2022: 26.3%)

Forecast and price target

Against the backdrop of the company's solid performance in the first nine months of 2023, MGI's management has confirmed its previously adjusted guidance (dated 31 August 2023) for the current 2023 financial year with the publication of its nine-month and Q3 figures. Accordingly, the technology company continues to expect consolidated sales of around € 303.0 million and Adj. EBITDA of € 93.0 million. At the same time, the company has also confirmed its medium-term guidance (Revenue CAGR: 25.0% to 30.0%; Adj. EBITDA margin: 25.0% to 30.0%). As a result, MGI anticipates significantly higher growth momentum again in the medium term on the basis of an expected recovery in the advertising market.

Overall, we remain convinced that the ad tech group will be able to return to growth from the 2024 financial year onwards, based on the gradual recovery of the advertising market that we expect. In particular, the MGI Group's strong positioning in the growth areas of programmatic advertising and connected TV (CTV) in combination with innovative advertising solutions (Moments.AI, ATOM etc.) should ensure further market share gains and a significant outperformance compared to the general advertising industry in the future. The significant expansion of their software customer base achieved in recent quarters also provides a good basis for driving (organic) growth even more strongly.

In light of the company's solid performance, the confirmed outlook and their promising growth strategy, we confirm our previous revenue and earnings estimates for the current financial year and subsequent years. Accordingly, we also confirm our previous price target of € 4.05 per share. With regard to the current share price level, we therefore continue to assign a "buy" rating and see significant upside potential in the MGI share.

APPENDIX

I.

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

BUY

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

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