

## Media and Games Invest SE\*5a,5b,7,11

**Rating: BUY**

**Target price: € 5.75**

(previously: € 5.75)

Current price: 1.94

06/09/2022 / Xetra

(16:26 pm)

Currency: EUR

### Master data:

ISIN: MT0000580101

WKN: A1JGTO

Ticker symbol: M8G

Number of shares<sup>3</sup>: 159.25

Market cap<sup>3</sup>: 308.94

Enterprise Value<sup>3</sup>: 504.73

<sup>3</sup> in million / in EUR million

Free float: 57.7%

Transparency level:

Nasdaq First North Premier

Market segment:

Freiverkehr

(Open Market)

Accounting:

IFRS

Financial year: 31/12/

Designated Sponsor:

Kepler Cheuvreux

Pareto Securities AB

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\* Catalogue of possible conflicts of interest on page 6

Date (time) completion:

06/09/2022 (17:01 pm)

Date (time) first distribution:

07/09/2022 (10:00 am)

Validity of the target price: until

max. 31/12/2023

### Company profile

Industry: ad tech and mobile/online games

Focus: software application

Employees: >800

Founded: 2011 (gamigo in 2000)

Registered office: Malta (expected to be Sweden from 2023)

Members of the Executive Board: Remco Westermann (CEO), Paul Echt (CFO), Jens Knauber (COO), Sonja Lilienthal (CIO)

Media and Games Invest SE (MG) is an advertising software platform (ad tech platform) with extensive first-party data from its own games content. The regional focus of the group's business activities is North America and Europe. The company combines organic growth with value-enhancing synergistic acquisitions, which has resulted in an average growth of 77.0% (CAGR between 2018-2021). In addition to strong organic growth, MGI Group has successfully acquired more than 35 companies and assets over the past six years. The acquired assets are integrated to achieve efficiency gains and competitive advantages. MGI is incorporated as a Societas Europaea (SE) in Malta (registration number SE 15) and its shares are listed on the Nasdaq First North Premier Growth Market in Stockholm and the Scale segment of the Frankfurt Stock Exchange. The company has two secured bonds listed or currently in the process of being listed on Nasdaq Stockholm and the Open Market of the Frankfurt Stock Exchange.



P&L in EUR million \ FY-end	31/12/2021	31/12/2022e	31/12/2023e	31/12/2024e
Revenues	252.17	307.22	345.11	402.55
Adjusted EBITDA (Adj. EBITDA)	71.10	91.72	100.25	121.10
EBITDA	65.04	87.52	96.05	115.80
EBIT	36.80	55.49	60.75	75.00
Net result (after minorities)	16.06	25.98	27.33	36.57

Key figures in EUR				
Earnings per share (EPS)	0.11	0.16	0.17	0.23
Dividend per share	0.00	0.00	0.00	0.00

Key figures				
EV/revenues	2.00	1.64	1.46	1.25
EV/Adj. EBITDA	7.10	5.50	5.03	4.17
EV/EBITDA	7.76	5.77	5.25	4.36
EV/EBIT	13.72	9.10	8.31	6.73
P/E ratio (after minorities)	19.24	11.89	11.30	8.45
P/B ratio	1.00			

Financial calendar	**last research from GBC:
15/09/2022: Annual General Meeting	Date: Publication / Target price in EUR / Rating
30/11/2022: Annual Report Q3 2022	02/08/2022: RS / 5.75 / BUY
	05/05/2022: RS / 9.40 / BUY
	09/03/2022: RS / 9.20 / BUY
	31/08/2021: RS / 8.50 / BUY

\*\* The research studies listed above can be viewed at [www.gbc-ag.de](http://www.gbc-ag.de) or requested from GBC AG, Halderstr. 27, D86150 Augsburg.

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**H1 2022: Continuation of dynamic revenue growth despite more challenging market environment; solid financial performance through platform-based business model; GBC estimates and target price maintained after confirmation of corporate guidance**

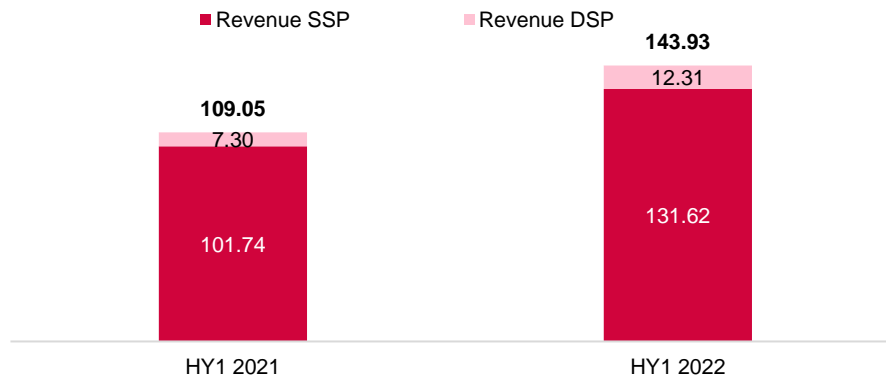
**Business development in the HY1 2022**

P&L (in € million)	HY1 2020	HY1 2021	HY1 2022
Revenues	56.57	109.05	143.93
EBITDA (EBITDA margin)	11.63 (20.6%)	26.63 (24.4%)	36.91 (25.6%)
Adjusted EBITDA (Adjusted EBITDA margin)	12.70 (22.5%)	28.70 (26.3%)	38.60 (26.8%)
Result for the period (after minorities)	0.85	5.64	5.59
EPS in €	0.01	0.04	0.04

Sources: Media and Games Invest SE; GBC AG

Media and Games (MGI) announced its half-year figures for the current financial year on 31 August 2022. According to these figures, the ad-tech platform group was able to continue its dynamic growth course in the first six months of the current financial year despite challenging general conditions that have led to a slowdown in the growth of the advertising industry. Compared to the same period of the previous year, digital group revenues increased significantly by 32.0% to € 143.93 million (HY1 2021: € 109.05 million).

**Development of Group and segment revenues (in € million)**



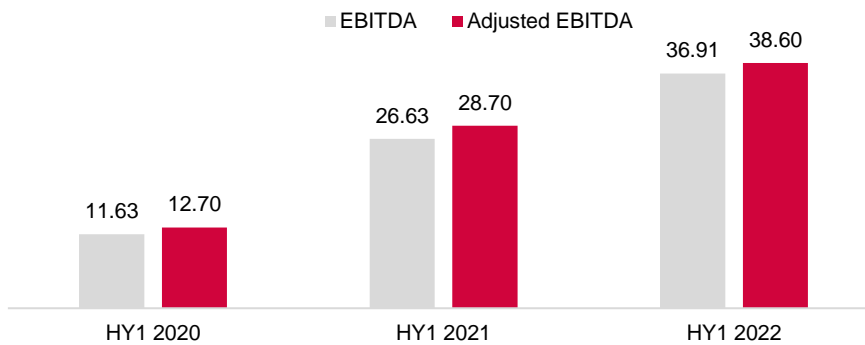
Sources: Media and Games Invest SE; GBC AG

This was due to strong organic growth effects in both advertising segments (Demand Side Platforms - DSP, Supply Side Platforms - SSP). In addition, inorganic growth effects as a result of the M&As carried out (especially AxesInMotion and Smaato) also contributed significantly to the positive revenue trend. The growth achieved was also reflected in a significant expansion of the software client base (so-called Total Software Clients with an annual turnover of more than USD 100,000), which had risen to more than 500 software clients by the end of the second quarter (31/12/2021: 400 software clients). In the second quarter alone, 34 new software clients were acquired for the ad-tech platform.

In parallel to their positive revenue development, the consolidated operating result (EBITDA) also increased significantly by 38.6% to € 36.91 million (HY1 2021: € 26.63 million) compared to the same period of the previous year. Adjusted for special effects (e.g. M&A costs), adjusted EBITDA (Adj. EBITDA) for the first half of 2022 amounted to € 38.60 million, which increased by around 34.5% compared to the same period of the previous year (HY1 2021: € 28.70 million). In terms of profitability, the adjusted EBITDA margin thus improved to 26.8% (HY1 2021: 26.3%).

At the net level, MGI confirmed the high level of the previous year in the first six months of the current financial year with a net result (after minorities) of € 5.59 million (HY1 2021: € 5.64 million). An even more positive development of the result was offset by significantly higher depreciation (especially PPA depreciation) and interest expenses from bonds issued.

#### Development of EBITDA or adjusted EBITDA on a half-year basis (in € million)



Sources: Media and Games Invest SE; GBC AG

#### Business development in Q2 2022

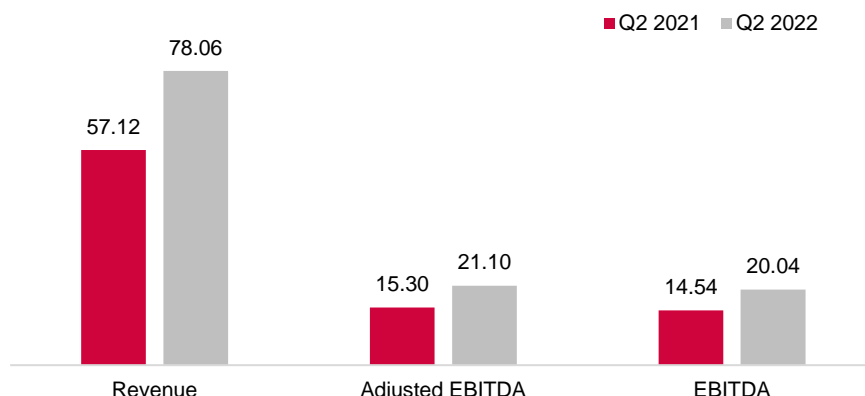
The steady dynamic growth of the technology company is also particularly evident in the quarterly view. After a pleasing first quarter, MGI continued on its growth path with high growth momentum in the second quarter of the current financial year, with a 36.7% increase in consolidated sales to € 78.06 million (Q2 2021: € 57.12 million). About half of the increase in turnover was the result of organic growth effects, despite a weaker market environment that became apparent in the course of the second quarter.

According to the company, both business segments contributed to the dynamic increase in Group turnover with high revenue growth. For example, the previously smaller Demand Side Segment (DSP), with a year-on-year revenue increase of 104.0%, significantly drove the growth of the business segment. Organic revenue growth accounted for 76.0% of this, driven by scaling software clients with innovative advertising products such as ATOM and Moments A. I. was achieved.

The Supply Side segment also achieved strong quarterly revenue growth with a year-on-year increase of 32.0%. 14.0% of this growth was organic and resulted from more than 25 additional publishers/software customers and content updates in the games portfolio. The remaining growth effects were based on inorganic growth as a result of the acquisitions of Smaato and AxesInMotion.

At the operating result level, significant increases were also achieved in line with the positive development of turnover. Compared to the same quarter of the previous year, EBITDA grew significantly by 37.8% to € 20.04 million (Q2 2021: € 14.54 million) and thus slightly stronger than the development of turnover. In parallel, the EBITDA margin improved slightly to 25.7% (Q2 2021: 25.5%). Group EBITDA adjusted for special effects (e.g. M&A costs) also increased significantly by 37.9% to € 21.10 million (Q2 2021: € 15.30 million) compared to the same quarter of the previous year. In the same step, the adjusted EBITDA margin increased to 27.0% (Q2 2021: 26.8%).

### Quarterly performance of the MGI Group (in € million)



Sources: Media and Games Invest SE; GBC AG

Against the background of the positive company performance and the good positioning of the technology group, MGI's management has decided to confirm the guidance previously raised with the AxesInMotion acquisition. MGI therefore continues to expect consolidated revenues in a range of € 295.0 million to € 315.0 million and adjusted EBITDA (Adj. EBITDA) in a range of € 83.0 million to € 93.0 million for the current financial year 2022.

**All in all, the development of turnover and results in the first half of 2022 was satisfactory. Despite the more difficult general conditions, the company managed to keep up the pace of growth. A solid performance was achieved in terms of earnings development.**

### Forecast and evaluation

In view of their convincing half-year development, the promising growth strategy of the Group and the confirmed corporate guidance, we have also maintained our previous forecasts for the current financial year and the following years.

Overall, we continue to see the MGI Group well positioned to grow dynamically with its ad-tech platform and its own first-party data from games content. Here, the technology company should be able to benefit from its strong positioning as a programmatic digital advertising platform with a focus on the (stable) digital entertainment and games sector, especially in a more difficult environment. In addition, the innovative advertising products, such as ATOM and Moments A.I., and the Dataseat acquisition should enable the company to take advantage of the opportunities arising from changes in the advertising industry (disappearance of identifiers, etc.) and thus further expand its market position. In addition, we expect that the increased integration of the most recent M&As (Dataseat, AxesInMotion) will generate significant synergy effects within the Group and thus also boost future revenue and earnings development.

**Against the background of our unchanged sales and earnings forecasts, we hereby confirm our previous price target of € 5.75 per share. In view of the current price level, we continue to give the share a "buy" rating and see significant upside potential.**

## APPENDIX

### I.

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BUY

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

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