

Media and Games Invest plc

Germany - Others



HAUCK & AUFHÄUSER
Investment Banking

Buy (old: Buy)

Price target: EUR 1.80 (old: EUR 1.80)

Price: EUR 1.15 **Next result:** FY'19: tba
Bloomberg: M8G GR **Market cap:** EUR 104.4 m
Reuters: M8G.DE **Enterprise Value:** EUR 157.6 m

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MGI raises its stake in core asset gamigo to 98%

Media and Games plc announced that it has acquired an additional 45.5% stake in gaming company gamigo AG, thus raising its total shareholding to 98%.

Consisting of € 16.5m in cash plus up to 18.2m shares, the total purchase price amounts to **approx. € 36.5m**, which is roughly in-line with our expectations (eH&A: € 35m for 45.5%). The sellers have agreed to a 25 months lock-up period for the new shares.

With an implied 11% pre-tax cash flow return on the EV of gamigo (eH&A), the **transaction looks value-accretive**, reflecting the fact that the stake was a non-core asset for sellers ProSieben and „Friends & Family“. NB: to calculate the cash flow return, we assume € 16m EBITDA, € 4m maintenance capex and € 30m net debt for gamigo AG.

Further, the transaction **simplifies the corporate structure** (i.e. minorities will decline substantially) and finally gives Media and Games plc a dominant stake in its core gaming asset gamigo AG, which operates a scalable online gaming platform and has grown at a dynamic 32% re sales and 64% re EBITDA on average p.a. in the past five years.

The transaction is financed by a € 10m bank loan (5.5% interest rate) and cash on hand. Media and Games is in discussions to acquire the remaining 2% in gamigo. It may revert to a squeeze out if these discussions fail.

Our estimates remain unchanged as they are already based on a 100% ownership of gamigo. **Reiterate BUY with a € 1.80 PT.**



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 1.40 / 1.00

Price/Book Ratio: 1.0

Relative performance (TecDAX):

3 months -21.0 %

6 months -28.5 %

12 months -

Changes in estimates

		Sales	EBIT	EPS
2019	old:	70.0	0.9	0.02
	Δ	-	-	-
2020	old:	87.5	8.1	0.08
	Δ	-	-	-
2021	old:	98.0	12.2	0.12
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs) 90.8

Authorised capital: (in € m) -

Book value per share: (in €) 1.0

Ø trading volume: (12 months) 50,600

Major shareholders:

Bodhivas GmbH 61.6 %

Free Float 38.4 %

Company description:

Holding company pursuing a buy and build strategy in media and gaming

Y/E 31.12 (EUR m)	2016*	2017*	2018*	2019E	2020E	2021E
Sales	39.0	42.1	45.3	70.0	87.5	98.0
Sales growth	80 %	8 %	8 %	55 %	25 %	12 %
EBITDA	2.6	7.0	11.1	15.1	21.9	26.0
EBIT	-9.2	-2.0	2.6	0.9	8.1	12.2
Net income	-9.1	-5.0	1.5	-3.9	2.6	5.8
Net debt	23.6	25.3	38.6	53.2	45.0	34.9
Net gearing	73.9 %	94.1 %	135.1 %	56.1 %	46.2 %	33.8 %
Net Debt/EBITDA	8.9	3.6	3.5	3.5	2.1	1.3
EPS pro forma	-0.10	-0.05	0.02	0.02	0.08	0.12
CPS	0.00	0.00	0.07	0.05	0.10	0.12
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Gross profit margin	57.9 %	64.5 %	64.3 %	64.3 %	64.3 %	64.4 %
EBITDA margin	6.8 %	16.7 %	24.4 %	21.5 %	25.0 %	26.5 %
EBIT margin	-23.5 %	-4.9 %	5.7 %	1.4 %	9.2 %	12.4 %
ROCE	-27.4 %	-3.5 %	3.7 %	0.8 %	5.8 %	6.0 %
EV/sales	3.3	3.1	3.2	2.3	1.7	1.4
EV/EBITDA	48.5	18.4	12.9	10.5	6.8	5.4
EV/EBIT	-14.0	-63.4	55.3	23.3	11.0	7.9
PER	-11.5	-21.0	67.5	55.2	13.9	10.0
Adjusted FCF yield	1.2 %	2.9 %	5.7 %	5.8 %	9.1 %	11.7 %

Source: Company data, H&A Close price as of: 17.02.2020. * Note: 2016-18 reflect only gamigo AG

Please refer to important disclosures at the end of the report

Financials

Profit and loss (EUR m)	2016	2017	2018	2019E	2020E	2021E
Net sales	39.0	42.1	45.3	70.0	87.5	98.0
<i>Sales growth</i>	80.4 %	8.0 %	7.6 %	54.6 %	25.0 %	12.0 %
Increase/decrease in finished goods and work-in-process	2.2	3.6	4.2	4.9	5.7	5.9
Total sales	41.1	45.7	49.5	74.9	93.2	103.9
Other operating income	0.6	2.4	6.7	4.8	5.3	5.7
Material expenses	17.3	16.2	17.6	26.7	33.3	36.9
Personnel expenses	10.5	13.9	14.7	19.0	22.3	24.1
Other operating expenses	11.3	10.9	12.7	18.9	21.0	22.5
Total operating expenses	38.5	38.6	38.4	59.9	71.3	77.9
EBITDA	2.6	7.0	11.1	15.1	21.9	26.0
Depreciation	1.1	0.7	1.5	1.3	1.3	1.3
EBITA	1.6	6.3	9.6	13.8	20.6	24.7
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	10.8	8.4	7.0	12.8	12.5	12.5
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	-9.2	-2.0	2.6	0.9	8.1	12.2
Interest income	0.0	0.1	0.0	0.0	0.0	0.0
Interest expenses	1.9	2.4	2.1	4.6	4.6	4.6
Other financial result	0.9	1.3	0.0	0.0	0.0	0.0
Financial result	-2.8	-3.6	-2.1	-4.5	-4.5	-4.5
Recurring pretax income from continuing operations	-12.0	-5.7	0.5	-3.6	3.5	7.6
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-12.0	-5.7	0.5	-3.6	3.5	7.6
Taxes	-2.9	-0.7	-1.1	0.0	0.4	1.1
Net income from continuing operations	-9.1	-5.0	1.6	-3.6	3.2	6.5
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-9.1	-5.0	1.6	-3.6	3.2	6.5
Minority interest	0.0	0.0	0.1	0.3	0.6	0.7
Net profit (reported)	-9.1	-5.0	1.5	-3.9	2.6	5.8
Average number of shares	90.8	90.8	90.8	90.8	90.8	90.8
EPS reported	-0.10	-0.05	0.02	-0.04	0.03	0.06

Profit and loss (common size)	2016	2017	2018	2019E	2020E	2021E
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Increase/decrease in finished goods and work-in-process	5.5 %	8.5 %	9.2 %	7.0 %	6.5 %	6.0 %
Total sales	105.5 %	108.5 %	109.2 %	107.0 %	106.5 %	106.0 %
Other operating income	1.5 %	5.6 %	14.7 %	6.8 %	6.0 %	5.8 %
Material expenses	44.4 %	38.6 %	38.9 %	38.2 %	38.0 %	37.7 %
Personnel expenses	26.9 %	33.1 %	32.5 %	27.1 %	25.5 %	24.6 %
Other operating expenses	29.0 %	25.8 %	28.1 %	27.0 %	24.0 %	23.0 %
Total operating expenses	98.8 %	91.8 %	84.8 %	85.5 %	81.5 %	79.5 %
EBITDA	6.8 %	16.7 %	24.4 %	21.5 %	25.0 %	26.5 %
Depreciation	2.7 %	1.7 %	3.3 %	1.9 %	1.5 %	1.3 %
EBITA	4.1 %	15.0 %	21.1 %	19.6 %	23.5 %	25.2 %
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	27.6 %	19.8 %	15.4 %	18.3 %	14.3 %	12.8 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	neg.	neg.	5.7 %	1.4 %	9.2 %	12.4 %
Interest income	0.1 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %
Interest expenses	4.9 %	5.6 %	4.7 %	6.5 %	5.2 %	4.7 %
Other financial result	2.4 %	3.1 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	neg.	neg.	1.1 %	neg.	4.1 %	7.8 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	neg.	neg.	1.1 %	neg.	4.1 %	7.8 %
Tax rate	24.3 %	11.9 %	-229.8 %	0.0 %	10.0 %	15.0 %
Net income from continuing operations	neg.	neg.	3.6 %	neg.	3.6 %	6.6 %
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	neg.	neg.	3.6 %	neg.	3.6 %	6.6 %
Minority interest	0.1 %	neg.	0.2 %	0.5 %	0.7 %	0.7 %
Net profit (reported)	neg.	neg.	3.4 %	neg.	2.9 %	5.9 %

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2016	2017	2018	2019E	2020E	2021E
Intangible assets	51.1	47.5	67.6	168.3	162.8	158.1
Property, plant and equipment	2.3	1.7	4.2	3.7	3.5	3.4
Financial assets	1.7	0.5	1.8	1.8	1.8	1.8
FIXED ASSETS	55.2	49.6	73.6	173.8	168.1	163.3
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	4.9	4.9	6.3	11.5	14.4	16.1
Other current assets	2.5	4.1	1.6	1.6	1.6	1.6
Liquid assets	2.8	1.0	4.2	22.8	31.0	41.1
Deferred taxes	7.5	7.1	8.1	8.1	8.1	8.1
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	17.7	17.2	20.2	44.1	55.1	67.0
TOTAL ASSETS	72.9	66.8	93.8	217.9	223.2	230.2
SHAREHOLDERS EQUITY	31.9	26.8	28.6	94.7	97.3	103.1
MINORITY INTEREST	0.0	-0.1	-0.1	20.0	20.0	20.0
Long-term debt	25.4	19.3	42.8	76.0	76.0	76.0
Provisions for pensions and similar obligations	n/a	0.0	0.0	0.0	0.0	0.0
Other provisions	4.3	3.0	6.5	6.5	6.5	6.5
Non-current liabilities	29.7	22.3	49.2	82.4	82.4	82.4
short-term liabilities to banks	0.9	7.0	0.0	0.0	0.0	0.0
Accounts payable	6.8	7.2	8.7	13.5	15.6	16.1
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	2.5	3.4	5.5	5.5	5.5	5.5
Deferred taxes	1.0	0.2	1.8	1.8	2.4	3.1
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	11.2	17.7	16.1	20.8	23.5	24.7
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	72.9	66.8	93.8	217.9	223.2	230.2

Balance sheet (common size)	2016	2017	2018	2019E	2020E	2021E
Intangible assets	70.1 %	71.1 %	72.1 %	77.2 %	72.9 %	68.7 %
Property, plant and equipment	3.2 %	2.5 %	4.5 %	1.7 %	1.6 %	1.5 %
Financial assets	2.4 %	0.7 %	1.9 %	0.8 %	0.8 %	0.8 %
FIXED ASSETS	75.7 %	74.3 %	78.5 %	79.8 %	75.3 %	70.9 %
Inventories	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts receivable	6.7 %	7.3 %	6.7 %	5.3 %	6.4 %	7.0 %
Other current assets	3.5 %	6.2 %	1.8 %	0.8 %	0.7 %	0.7 %
Liquid assets	3.8 %	1.5 %	4.4 %	10.5 %	13.9 %	17.9 %
Deferred taxes	10.3 %	10.7 %	8.7 %	3.7 %	3.6 %	3.5 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	24.3 %	25.7 %	21.5 %	20.2 %	24.7 %	29.1 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
SHAREHOLDERS EQUITY	43.8 %	40.2 %	30.5 %	43.5 %	43.6 %	44.8 %
MINORITY INTEREST	neg.	neg.	neg.	9.2 %	9.0 %	8.7 %
Long-term debt	34.9 %	28.9 %	45.6 %	34.9 %	34.0 %	33.0 %
Provisions for pensions and similar obligations	n/a	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	5.9 %	4.5 %	6.9 %	3.0 %	2.9 %	2.8 %
Non-current liabilities	40.8 %	33.4 %	52.5 %	37.8 %	36.9 %	35.8 %
short-term liabilities to banks	1.3 %	10.4 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts payable	9.3 %	10.8 %	9.3 %	6.2 %	7.0 %	7.0 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	3.4 %	5.0 %	5.9 %	2.5 %	2.5 %	2.4 %
Deferred taxes	1.4 %	0.3 %	1.9 %	0.8 %	1.1 %	1.3 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	15.4 %	26.6 %	17.1 %	9.5 %	10.5 %	10.7 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2016	2017	2018	2019E	2020E	2021E
Net profit/loss	-9.1	-5.0	1.6	-3.6	3.2	6.5
Depreciation of fixed assets (incl. leases)	1.1	0.7	1.5	1.3	1.3	1.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	10.8	8.4	7.0	12.8	12.5	12.5
Others	-1.2	0.7	0.3	0.0	0.0	0.0
Cash flow from operations before changes in w/c	1.5	4.8	10.4	10.5	17.0	20.3
Increase/decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	2.2	0.6	-1.4	-5.2	-2.9	-1.7
Increase/decrease in accounts payable	0.7	-1.6	1.5	4.8	2.1	0.5
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	2.9	-1.0	0.1	-0.5	-0.8	-1.2
Cash flow from operating activities	4.4	3.8	10.5	10.0	16.2	19.1
CAPEX	7.4	7.3	3.7	5.7	8.1	9.0
Payments for acquisitions	-6.3	2.2	3.5	28.0	0.0	0.0
Financial investments	0.6	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.7	0.8	0.0	0.0	0.0
Cash flow from investing activities	-1.7	-8.7	-6.3	-33.7	-8.1	-9.0
Cash flow before financing	2.7	-4.9	4.1	-23.7	8.1	10.1
Increase/decrease in debt position	-0.2	0.0	5.2	33.2	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	9.2	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-1.1	-0.8	-1.5	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.2	0.0	0.0	0.0
Cash flow from financing activities	-1.2	-0.9	3.8	42.4	0.0	0.0
Increase/decrease in liquid assets	1.5	-5.8	8.1	18.7	8.1	10.1
Liquid assets at end of period	1.9	3.9	4.2	22.8	31.0	41.1

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2016	2017	2018	2019E	2020E	2021E
Domestic	n/a	n/a	n/a	n/a	n/a	n/a
yoy change	n/a	n/a	n/a	n/a	n/a	n/a
Rest of Europe	19.5	21.0	22.6	35.0	43.8	49.0
yoy change	80.4 %	8.0 %	7.6 %	54.6 %	25.0 %	12.0 %
NAFTA	19.5	21.0	22.6	35.0	43.8	49.0
yoy change	80.4 %	8.0 %	7.6 %	54.6 %	25.0 %	12.0 %
Asia Pacific	n/a	n/a	n/a	n/a	n/a	n/a
yoy change	n/a	n/a	n/a	n/a	n/a	n/a
Rest of world	n/a	n/a	n/a	n/a	n/a	n/a
yoy change	n/a	n/a	n/a	n/a	n/a	n/a
TTL	39.0	42.1	45.3	70.0	87.5	98.0
yoy change	80.4 %	8.0 %	7.6 %	54.6 %	25.0 %	12.0 %

Source: Company data, Hauck & Aufhäuser

Media and Games Invest plc

Key ratios (EUR m)	2016	2017	2018	2019E	2020E	2021E
P&L growth analysis						
Sales growth	80.4 %	8.0 %	7.6 %	54.6 %	25.0 %	12.0 %
EBITDA growth	-38.7 %	166.8 %	319.2 %	113.9 %	97.9 %	72.6 %
EBIT growth	-313.2 %	-77.7 %	-128.2 %	-146.4 %	212.3 %	1181.1 %
EPS growth	-312.1 %	-45.4 %	-117.0 %	-21.5 %	66.5 %	-248.7 %
Efficiency						
Total operating costs / sales	98.8 %	91.8 %	84.8 %	85.5 %	81.5 %	79.5 %
Sales per employee	129.9	116.6	132.4	196.8	250.2	274.7
EBITDA per employee	8.8	19.5	32.3	42.3	62.5	72.8
Balance sheet analysis						
Avg. working capital / sales	neg.	neg.	neg.	neg.	neg.	neg.
Inventory turnover (sales/inventory)	0.0	0.0	0.0	0.0	0.0	0.0
Trade debtors in days of sales	45.7	42.4	50.6	60.0	60.0	60.0
A/P turnover [(A/P*365)/sales]	63.5	62.6	70.4	70.4	65.0	60.0
Cash conversion cycle (days)	n/a	n/a	n/a	n/a	n/a	n/a
Cash flow analysis						
Free cash flow	-3.0	-3.5	6.8	4.3	8.1	10.1
Free cash flow/sales	-7.6 %	-8.3 %	15.0 %	6.1 %	9.3 %	10.3 %
FCF / net profit	neg.	neg.	439.7 %	neg.	315.9 %	173.5 %
Capex / depre	67.4 %	80.4 %	43.4 %	40.7 %	58.3 %	65.3 %
Capex / maintenance capex	n/a	9.2 %	0.0 %	14.7 %	14.0 %	14.7 %
Capex / sales	n/a	n/a	n/a	n/a	n/a	n/a
Security						
Net debt	23.6	25.3	38.6	53.2	45.0	34.9
Net Debt/EBITDA	8.9	3.6	3.5	3.5	2.1	1.3
Net debt / equity	0.7	0.9	1.4	0.6	0.5	0.3
Interest cover	0.0	0.0	1.2	0.2	1.8	2.7
Dividend payout ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Asset utilisation						
Capital employed turnover	0.6	0.8	0.6	0.4	0.4	0.5
Operating assets turnover	90.0	-65.8	26.2	40.5	38.4	29.2
Plant turnover	16.7	24.9	10.8	18.8	25.2	29.2
Inventory turnover (sales/inventory)	0.0	0.0	0.0	0.0	0.0	0.0
Returns						
ROCE	-27.4 %	-3.5 %	3.7 %	0.8 %	5.8 %	6.0 %
ROE	-28.6 %	-18.6 %	5.4 %	-4.1 %	2.6 %	5.6 %
Other						
Interest paid / avg. debt	7.3 %	9.0 %	6.1 %	8.9 %	7.7 %	6.0 %
No. employees (average)	300	361	342	356	350	357
Number of shares	90.8	90.8	90.8	90.8	90.8	90.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-0.10	-0.05	0.02	-0.04	0.03	0.06
Valuation ratios						
P/BV	3.3	3.9	3.7	1.1	1.1	1.0
EV/sales	3.3	3.1	3.2	2.3	1.7	1.4
EV/EBITDA	48.5	18.4	12.9	10.5	6.8	5.4
EV/EBITA	80.8	20.6	15.0	11.5	7.3	5.6
EV/EBIT	-14.0	-63.4	55.3	23.3	11.0	7.9
EV/FCF	-43.2	-37.0	21.0	36.6	18.3	13.8
Adjusted FCF yield	1.2 %	2.9 %	5.7 %	5.8 %	9.1 %	11.7 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Company data, Hauck & Aufhäuser

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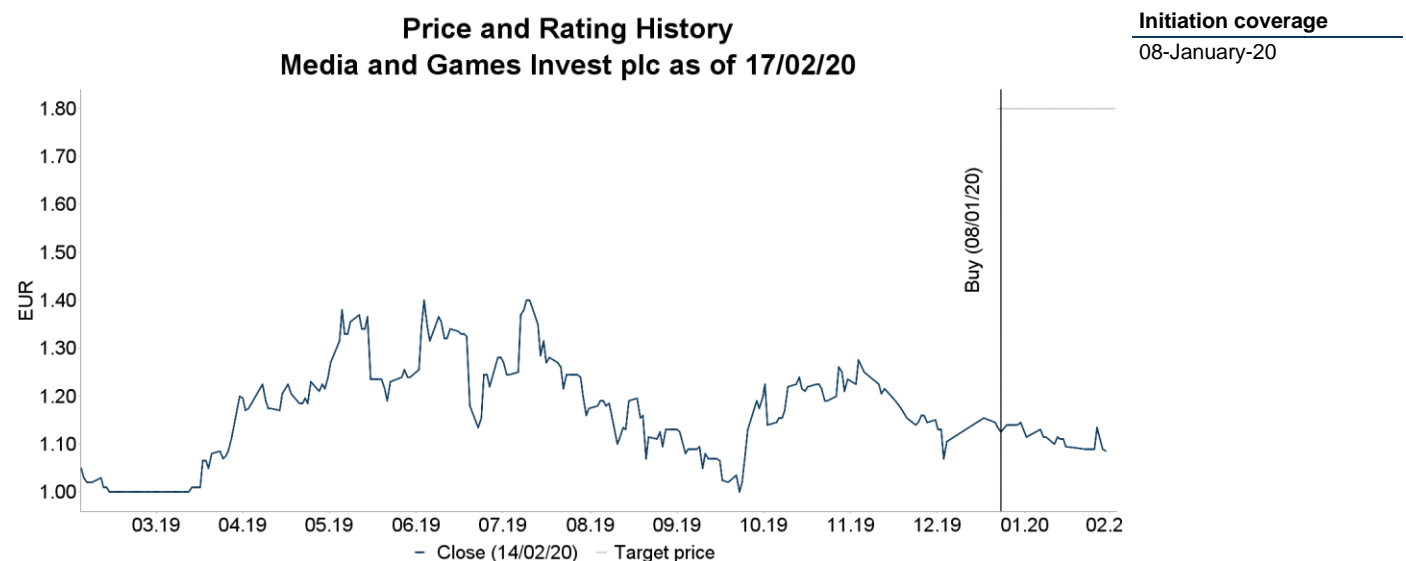
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Company	Disclosure
Media and Games Invest plc	2, 3, 6, 8

Historical target price and rating changes for Media and Games Invest plc in the last 12 months



Company	Date	Analyst	Rating	Target price	Close
Media and Games Invest plc	08.01.2020	Wunderlich, CFA, Tim	Buy	EUR 1,80	EUR 1,13
	08.01.2020	Wunderlich, CFA, Tim	Buy	EUR 1,80	EUR 1,13

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