

Media and Games Invest plc

Malta / Entertainment
 Xetra
 Bloomberg: M8G GR
 ISIN: MT0000580101

Update

RATING
BUY

PRICE TARGET
€ 2.80

Return Potential 127.6%
 Risk Rating High

INCREASED GAMIGO STAKE SPURS SHARP VALUE UPLIFT

MGI upped its stake in gamigo AG from 53% to 98%. The deal includes a €16.5m cash component, and gamigo shareholders will receive 18.2m new MGI shares subject to a 25 month lock-up period. The company hinted at a valuation multiple of 7x trailing 12 month EBITDA, which totalled €16m as of 30 September 2019. This is well below the 13.5x EBITDA multiple currently driving corporate activity in the sector. We have recalibrated our DCF model to account for the sharp reduction in minority interests, as well as adjustments to the capital structure and higher share count. Our price target increases to €2.8 (old: €2.1). Our rating remains Buy.

Major boost in shareholder value The sharp reduction in minority interests unlocks nearly €95m of shareholder value in our DCF model. This is somewhat offset by the higher fully diluted share count, which rises to 88m (old: 70m), and the higher net debt position. MGI secured a €10m three year loan from UniCredit with an annual 5.5% coupon for the €16.5m cash payout. We thus regard the deal as highly attractive for MGI shareholders. Management also indicated they are presently negotiating the purchase of the remaining 2% of gamigo shares.

Looking for good business momentum to continue in 2020 We like MGI for its 'buy-integrate-build-improve' strategy and its complimentary exposure to the video gaming and media industries. gamigo is expected to report 2019 prelims on 28 February which should be supportive of our full year 2019 forecasts. Given the building blocks in place and good market environment, we look for another strong year of growth and expect 2020 revenues to breach the €100m mark (+40% Y/Y) and EBITDA to top €17m. Considering these prospects and operations that appear to be immune to the Corona-virus, we expect the good operational momentum to spur share price performance this year.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019E	2020E	2021E	2022E
Revenue (€m)	n.a.	32.62	71.77	100.47	135.64	176.33
Y-o-y growth	n.a.	n.a.	120.0%	40.0%	35.0%	30.0%
EBITDA (€m)	n.a.	8.65	13.30	17.54	23.37	34.81
EBITDA margin	n.a.	26.5%	18.5%	17.5%	17.2%	19.7%
Net income (€m)	n.a.	5.26	-0.76	2.45	4.40	10.50
EPS (diluted) (€)	n.a.	0.09	-0.01	0.03	0.05	0.12
DPS (€)	n.a.	0.00	0.00	0.00	0.00	0.00
FCF (€m)	n.a.	-7.17	-17.15	-36.30	5.81	8.89
Net gearing	n.a.	24.0%	27.9%	45.4%	43.6%	37.8%
Liquid assets (€m)	n.a.	4.45	24.03	12.89	13.66	5.76

* 2017 reporting reflects discontinued operations

RISKS

Risks include but are not limited to: revenue diversity, financing, technology, and regulatory risks.

COMPANY PROFILE

MGI is a strategic investment holding company that pursues a 'buy-integrate-build-and-improve' strategy to foster fast-growing companies within the media and games segments through acquisitions and growth in operations. gamigo and AppLift are the flagship holdings within the group.

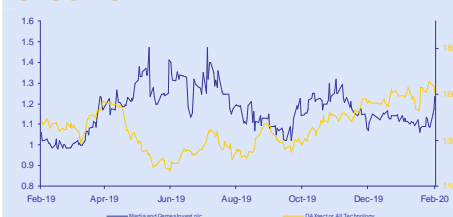
MARKET DATA

As of 20 Feb 2020

Closing Price € 1.23
 Shares outstanding 88.22m
 Market Capitalisation € 108.51m
 52-week Range € 0.98 / 1.47
 Avg. Volume (12 Months) 69,618

Multiples	2018	2019E	2020E
P/E	13.9	n.a.	40.6
EV/Sales	7.8	3.5	2.5
EV/EBIT	29.3	19.1	14.5
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2019

Liquid Assets € 26.25m
 Current Assets € 49.76m
 Intangible Assets € 226.70m
 Total Assets € 245.48m
 Current Liabilities € 56.42m
 Shareholders' Equity € 123.73m

SHAREHOLDERS

Bodhivas GmbH 61.7%
 Free Float 38.3%



VALUATION

All figures in EUR '000	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Revenue	71,766	100,473	135,638	176,330	211,595	243,335	267,668	281,052
NOPLAT	1,613	5,736	7,810	13,142	17,483	21,742	25,234	29,215
(+) depreciation & amortisation	10,908	9,043	11,801	15,341	18,409	21,170	20,610	21,641
Net operating cash flow	12,522	14,778	19,611	28,483	35,892	42,912	45,844	50,856
(-) Investments	-28,864	-9,264	-12,506	-16,258	-19,509	-22,435	-22,002	-23,102
(-) Working capital	-2,300	-2,546	-3,289	-4,972	-4,193	-3,891	-2,383	-2,350
Free cash flows (FCF)	-18,643	2,968	3,815	7,253	12,189	16,585	21,459	25,403
PV of FCF's	-18,643	2,743	3,217	5,579	8,553	10,618	12,534	13,536

All figures in thousands	WACC	Terminal EBIT margin							
		17.2%	19.2%	21.2%	23.2%	25.2%	27.2%	29.2%	
PV of FCFs in explicit period	103,513	6.6%	3.76	4.46	5.15	5.84	6.54	7.23	7.93
PV of FCFs in terminal period	216,259	7.6%	2.90	3.42	3.95	4.47	5.00	5.52	6.05
Enterprise value (EV)	319,772	8.6%	2.28	2.69	3.09	3.50	3.91	4.32	4.72
(+) Net cash / (-) net debt (pro-forma)	-68,346	9.6%	1.81	2.13	2.46	2.78	3.10	3.43	3.75
(-) Non-controlling interests	-6,076	10.6%	1.45	1.71	1.97	2.23	2.49	2.75	3.01
Shareholder value	245,350	11.6%	1.16	1.37	1.58	1.80	2.01	2.22	2.43
Fair value per share (€)	2.80	12.6%	0.92	1.09	1.27	1.45	1.62	1.80	1.97

	WACC	Terminal growth rate							
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
Cost of equity	11.0%	6.6%	4.62	4.96	5.36	5.84	6.43	7.16	8.10
Pre-tax cost of debt	6.0%	7.6%	3.66	3.89	4.16	4.47	4.84	5.28	5.82
Tax rate	32.5%	8.6%	2.94	3.10	3.29	3.50	3.75	4.03	4.37
After-tax cost of debt	4.1%	9.6%	2.38	2.50	2.63	2.78	2.95	3.15	3.37
Share of equity capital	80.0%	10.6%	1.93	2.02	2.12	2.23	2.35	2.49	2.65
Share of debt capital	20.0%	11.6%	1.57	1.64	1.71	1.80	1.89	1.99	2.10
WACC	9.6%	12.6%	1.27	1.33	1.38	1.45	1.51	1.59	1.67

*Please note our model runs through 2030 and we have only shown the abbreviated version for formatting purposes



INCOME STATEMENT

All figures in EUR '000	2017	2018	2019E	2020E	2021E	2022E
Revenues	n.a.	32,621	71,766	100,473	135,638	176,330
Capitalised work	n.a.	2,791	3,658	3,841	4,033	4,235
Total output	n.a.	35,412	75,424	104,314	139,671	180,564
Cost of goods sold	n.a.	-12,699	-22,965	-32,151	-43,404	-54,662
Gross profit	n.a.	22,713	52,459	72,162	96,267	125,902
Personnel expenses	n.a.	-10,438	-21,530	-29,137	-37,979	-47,609
Other OpEx	n.a.	-10,135	-23,180	-31,147	-40,691	-49,372
Other operating income	n.a.	6,506	5,550	5,661	5,774	5,890
EBITDA	n.a.	8,646	13,299	17,540	23,371	34,810
Depreciation & amortisation	n.a.	-6,318	-10,908	-9,043	-11,801	-15,341
Operating income (EBIT)	n.a.	2,328	2,390	8,497	11,570	19,470
Net financial result	n.a.	-1,641	-3,516	-4,870	-5,045	-3,909
Pre-tax income (EBT)	n.a.	687	-1,126	3,627	6,525	15,561
Income taxes	n.a.	895	366	-1,179	-2,121	-5,057
Net income	n.a.	1,582	-760	2,448	4,405	10,504
Discontinued operations	n.a.	3,673	0	0	0	0
Consolidated profit	n.a.	5,255	-760	2,448	4,405	10,504
Minority interests	n.a.	-932	360	-49	-88	-210
Net income to owners	n.a.	4,323	-400	2,399	4,316	10,294
Diluted EPS (in €)	n.a.	0.09	-0.01	0.03	0.05	0.12
Ratios						
Gross margin on revenues	n.a.	61.1%	68.0%	68.0%	68.0%	69.0%
EBITDA margin on revenues	n.a.	26.5%	18.5%	17.5%	17.2%	19.7%
EBIT margin on revenues	n.a.	7.1%	3.3%	8.5%	8.5%	11.0%
Net margin on revenues	n.a.	13.3%	-0.6%	2.4%	3.2%	5.8%
Tax rate	n.a.	-130.3%	32.5%	32.5%	32.5%	32.5%
Expenses as % of revenues						
Personnel expenses	n.a.	32.0%	30.0%	29.0%	28.0%	27.0%
Other OpEx	n.a.	31.1%	32.3%	31.0%	30.0%	28.0%
Depreciation & amortisation	n.a.	19.4%	15.2%	9.0%	8.7%	8.7%
Y-Y Growth						
Revenues	n.a.	n.a.	120.0%	40.0%	35.0%	30.0%
Operating income	n.a.	n.a.	2.7%	255.5%	36.2%	68.3%
Net income/ loss	n.a.	n.a.	n.m.	n.m.	79.9%	138.5%



BALANCE SHEET

All figures in EUR '000	2017	2018	2019E	2020E	2021E	2022E
Assets						
Current assets, total	n.a.	16,250	45,663	43,167	54,533	58,900
Cash and equivalents	n.a.	4,447	24,035	12,888	13,656	5,759
Trade receivables	n.a.	11,803	21,628	30,279	40,877	53,140
Properties held for sale	n.a.	0	0	0	0	0
Other ST assets	n.a.	0	0	0	0	0
Non-current assets, total	n.a.	220,043	238,126	238,477	239,314	240,366
Property, plant & equipment	n.a.	4,189	4,203	4,223	4,251	4,286
Intangible assets	n.a.	0	0	0	0	0
Shares in affiliates	n.a.	210,495	228,564	228,894	229,705	230,721
Long-term loans to investees	n.a.	5,359	5,359	5,359	5,359	5,359
Other non-current assets	n.a.	0	0	0	0	0
Total assets	n.a.	236,293	283,789	281,644	293,847	299,266
Shareholders' equity & debt						
Liabilities, total	n.a.	24,358	32,067	38,360	45,859	53,345
Trade payables	n.a.	9,162	16,687	22,792	30,101	37,392
Short-term liabilities	n.a.	333	348	363	379	396
Financial debt	n.a.	3,556	3,556	3,556	3,556	3,556
Provisions	n.a.	6,671	6,771	6,873	6,976	7,080
Other current liabilities	n.a.	4,636	4,706	4,776	4,848	4,920
Provisions, total	n.a.	53,395	82,345	92,639	92,939	80,369
Long-term debt	n.a.	14,100	14,100	24,100	24,100	54,100
Bonds	n.a.	24,877	53,539	53,539	53,539	10,662
Deferred tax liabilities	n.a.	14,418	14,706	15,000	15,300	15,607
Shareholders' equity	n.a.	158,540	169,376	150,644	155,049	165,552
Total consolidated equity and debt	n.a.	236,293	283,789	281,644	293,847	299,266
Ratios						
Current ratio (x)	n.a.	0.7	1.4	1.1	1.2	1.1
Net debt	n.a.	38,125	47,199	68,346	67,578	62,598
Net gearing	n.a.	24%	28%	45%	44%	38%
Equity ratio	n.a.	67%	60%	53%	53%	55%
Return on equity (ROE)	n.a.	1.0%	-0.4%	1.6%	2.8%	6.3%
Capital employed (CE)	n.a.	211,935	251,721	243,284	247,988	245,921
Return on capital employed (ROCE)	n.a.	1%	1%	3%	5%	8%

* 2017 reporting reflects discontinued operations



CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019E	2020E	2021E	2022E
Pre-tax income	n.a.	5,255	-760	2,448	4,405	10,504
Depreciation and amortisation	n.a.	6,318	10,908	9,043	11,801	15,341
Change in trade rec & other assets	n.a.	-8,083	-9,952	-8,781	-10,730	-12,398
Change in payable & other liabilities	n.a.	14,501	7,998	6,587	7,799	7,791
Results from sale of subsidiaries	n.a.	-5,645	0	0	0	0
Other non-cash adjustments	n.a.	-6,150	0	0	0	0
Net interest expense	n.a.	1,641	3,516	4,870	5,045	3,909
Tax result	n.a.	-895	-366	1,179	2,121	5,057
Operating cash flow	n.a.	6,942	11,344	15,346	20,440	30,204
Tax expense	n.a.	0	366	-1,179	-2,121	-5,057
Interest income	n.a.	1	0	0	0	0
Net operating cash flow	n.a.	6,943	11,710	14,167	18,320	25,146
CapEx	n.a.	-8,251	-158	-41,421	-298	-388
Investment in intangible assets	n.a.	-3,919	-28,706	-9,043	-12,207	-15,870
Change in financial assets	n.a.	0	0	0	0	0
Other adjustments	n.a.	-1,943	0	0	0	0
Cash flow from investing	n.a.	-14,113	-28,864	-50,464	-12,506	-16,258
Free cash flow (FCF)	n.a.	-7,170	-17,154	-36,297	5,814	8,889
Equity inflow, net	n.a.	3,792	11,596	20,020	0	0
Debt inflow, net	n.a.	-15,992	0	10,000	0	30,000
Corporate debt	n.a.	25,800	28,662	0	0	-42,877
Interest paid	n.a.	-2,014	-3,516	-4,870	-5,045	-3,909
Other adjustments	n.a.	-489	0	0	0	0
Cash flow from financing	n.a.	11,097	36,742	25,150	-5,045	-16,786
Net cash flows	n.a.	3,927	19,588	-11,147	769	-7,897
Fx adjustments	n.a.	114	0	0	0	0
Cash, start of the year	n.a.	406	4,447	24,035	12,888	13,656
Cash, end of the year	n.a.	4,447	24,035	12,888	13,656	5,759
EBITDA/share (in €)	n.a.	0.18	0.20	0.22	0.26	0.39
Y-Y Growth						
Operating cash flow	n.a.	n.m.	68.7%	21.0%	29.3%	37.3%
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	52.9%
EBITDA/share	n.a.	n.m.	14.0%	9.7%	19.5%	48.9%

* 2017 reporting reflects discontinued operations

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	7 November 2019	€1.23	Buy	€2.10
2	18 December 2019	€1.13	Buy	€2.10
3	Today	€1.23	Buy	€2.80

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

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The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

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Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <http://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt

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