

H&A FIRST TAKE

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18-June-20

All fun and games – Outstanding Q1 released

- **Q1 revenues doubled yoy to arrive at € 26.5m**, partly supported by acquisitions, beating our € 23m estimate. The organic performance benefitted from content upgrades and efficient user acquisition strategies. This received a boost towards the end of the quarter from COVID-related stay at home policies. Indeed, **new registrations and user activity rose significantly** in late Q1: monthly new users rose by 35% in March vs January and February, while monthly active users increased by 20% in March vs the first two months of the quarter. **The positive development should have continued in Q2**, and MGI expects the majority of new users to stay with the company even after the end of lockdowns.
- **Q1 EBITDA rose by 40% yoy to € 5.3m**, in-line with our expectations. Note that the underlying EBITDA performance is even stronger. Two reasons: First, MGI incurred € 0.6m one-offs / M&A-related expenses in the quarter. Second, acquired companies in the Media segment (48% of group sales) are yet margin-dilutive. **This should improve going forward** as management is busy executing on synergies. Q1 operating cash flow arrived at € 5.9m (Q1'19: € 2.5m), suggesting earnings quality was sound.
- **Outlook:** No guidance issued. **Investors should expect a strong Q2**, as the positive Corona impact in Gaming (52% of sales) should overcompensate for selected weakness in Media. Here, advertising budgets have been cut in the traditional offline sector (e.g. travel) but hiked in selected online sectors. With its focus on online ads, MGI hence looks well positioned. Against this backdrop and the strong Q1, **we see upside to consensus**, which currently expects no more than € 17m EBITDA for the FY'20E (eH&A: € 22m).

Reiterate BUY with a € 1.80 PT based on DCF.

Tim Wunderlich, CFA

Analyst

tim.wunderlich@ha-ib.de

+49 40 4143885 81

Buy

Price target: EUR 1.80

Price: EUR 1.33

Close price as of: 17.06.2020

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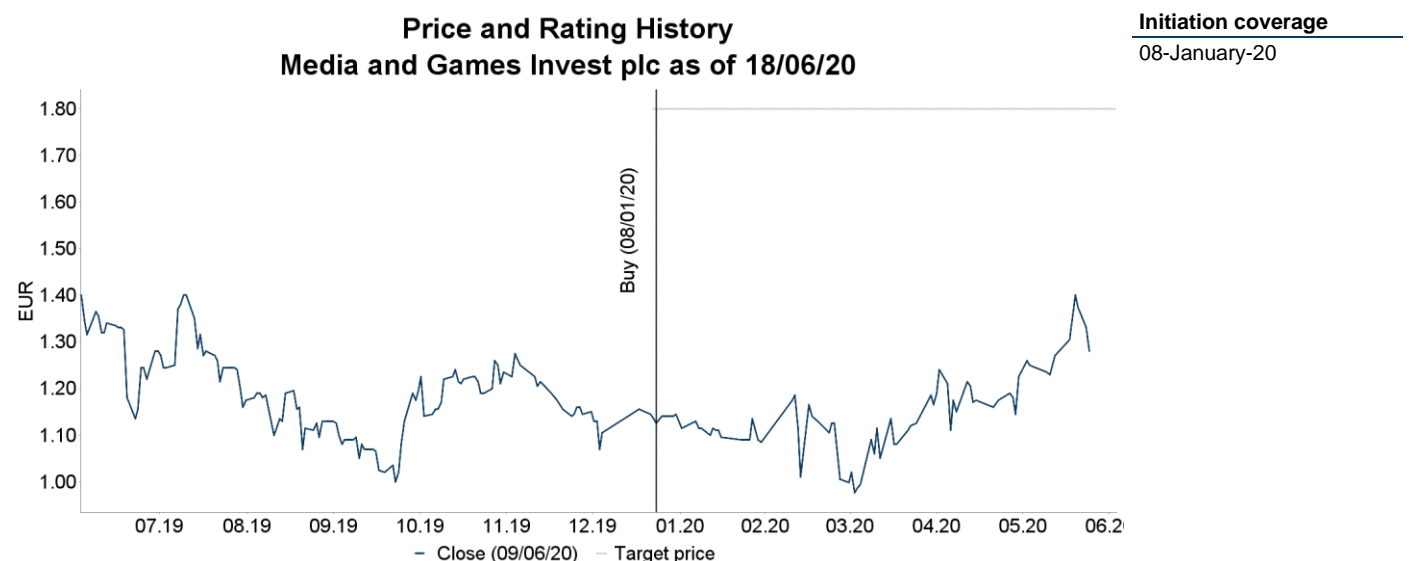
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Company	Disclosure
Media and Games Invest plc	2, 3, 6, 8

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	03.03.2020	Wunderlich, CFA, Tim	Buy	EUR 1,80	EUR 1,14
	18.02.2020	Wunderlich, CFA, Tim	Buy	EUR 1,80	EUR 1,09
	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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Buy	68.89 %	78.26 %
Sell	11.11 %	0.00 %
Hold	20.00 %	21.74 %

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Contacts: Hauck & Aufhäuser Privatbankiers AG

Hauck & Aufhäuser Research

Hauck & Aufhäuser
Privatbankiers AG
Mittelweg 16/17
20148 Hamburg
Germany

Tel.: +49 (0) 40 414 3885 91
Fax: +49 (0) 40 414 3885 71
Email: research@ha-ib.de
www.ha-research.de

Tim Wunderlich, CFA
Head of Transactional Research
Tel.: +49 40 414 3885 81
E-Mail: tim.wunderlich@ha-ib.de

Henning Breiter
Head of Research
Tel.: +49 40 414 3885 73
E-Mail: henning.breiter@ha-ib.de

Marie-Thérèse Grübner
Head of Corporate Brokerage
Tel.: +49 40 450 6342 3097
E-Mail: marie-therese.gruebner@ha-ib.de

Aliaksandr Halitsa
Analyst
Tel.: +49 40 414 3885 83
E-Mail: aliaksandr.halitsa@ha-ib.de

Alina Köhler
Analyst
Tel.: +49 40 450 6342 3095
E-Mail: alina.koehler@ha-ib.de

Christian Glowa
Analyst
Tel.: +49 40 414 3885 95
E-Mail: christian.glowa@ha-ib.de

Christian Salis
Analyst
Tel.: +49 40 414 3885 96
E-Mail: christian.salis@ha-ib.de

Christian Sandherr
Analyst
Tel.: +49 40 414 3885 79
E-Mail: christian.sandherr@ha-ib.de

Frederik Bitter
Analyst
Tel.: +49 40 450 6342 3091
E-Mail: frederik.bitter@ha-ib.de

Frederik Jarchow
Analyst
Tel.: +49 40 414 3885 76
E-Mail: frederik.jarchow@ha-ib.de

Julius Stinauer
Analyst
Tel.: +49 40 414 3885 84
E-Mail: julius.stinauer@ha-ib.de

Simon Bentlage
Analyst
Tel.: +49 40 450 6342 3096
E-Mail: simon.bentlage@ha-ib.de

Hauck & Aufhäuser Sales

Alexander Lachmann
Equity Sales
Tel.: +41 43 497 30 23
E-Mail: alexander.lachmann@ha-ib.de

Carlos Becke
Equity Sales
Tel.: +44 203 9473 245
E-Mail: carlos.becke@ha-ib.de

Markus Scharhag
Equity Sales
Tel.: +49 89 23 93 2813
E-Mail: markus.scharhag@ha-ib.de

Christian Schwenkenbecher
Equity Sales
Tel.: +44 203 9473 246
E-Mail: christian.schwenkenbecher@ha-ib.de

Christian Bybjerg
Equity Sales
Tel.: +49 414 3885 74
E-Mail: christian.bybjerg@ha-ib.de

Hugues Madelin
Equity Sales
Tel.: +33 1 78 41 40 62
E-Mail: hugues.madelin@ha-ib.de

Vincent Bischoff
Equity Sales
Tel.: +49 40 414 3885 88
E-Mail: vincent.bischoff@ha-ib.de

Imogen Voorspuy
Equity Junior Sales
Tel.: +44 203 9473 244
E-Mail: imogen.voorspuy@ha-ib.de

Hauck & Aufhäuser Sales Trading

Hauck & Aufhäuser
Privatbankiers AG
Mittelweg 16/17
20148 Hamburg
Germany

Tel.: +49 40 414 3885 78
Fax: +49 40 414 3885 71
Email: info@hauck-aufhaeuser.com
www.hauck-aufhaeuser.com

Christian von Schuler
Trading
Tel.: +49 40 414 3885 77
E-Mail: christian.schuler@hauck-aufhaeuser.com

Fin Schaffer
Trading
Tel.: +49 40 414 3885 98
E-Mail: fin.schaffer@hauck-aufhaeuser.com

Kathleen Jonas
Middle-Office
Tel.: +49 40 414 3885 97
E-Mail: kathleen.jonas@hauck-aufhaeuser.com

Carolin Heidrich
Middle-Office
Tel.: +49 176 10 59 41 52
E-Mail: carolin.heidrich@hauck-aufhaeuser.com