

Media and Games Invest plc

Malta / Entertainment

Xetra & Nasdaq First North Premier

Bloomberg: M8G GR

ISIN: MT0000580101

Update

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**€ 5.80**

34.8%

High

EQUITY RAISE RELOADS WARCHEST

Media and Games Invest (MGI) completed a direct issue of 20,930,232 shares for gross proceeds of SEK900m (€88.2m). The issue was oversubscribed by Swedish and international investors at SEK43 per share, following an accelerated book-building procedure. We recently upped our forecasts on better than expected Q1/21 results with organic growth overshooting our targets. Based on the full deal pipeline, we expect the company will be able put the fresh liquidity to work in the near future. The dilutive effects of a higher share count result in a €5.8 price target (old: €6.1). We remain Buy-rated on MGI.

On track for another revenue leap in 2021 First quarter results overshot our estimates (see note of 27 April 2021) with revenue and EBITDA topping FBe by 14% and 10% respectively. This owed not only to the effects of M&A activity but also to a high organic growth contribution (+38%). Internal game developments yielded a record level of high-quality content updates on a quarterly basis, which also lays the foundation for continuation of the financial performance.

What will MGI do with the cash? MGI continues to maintain a full M&A pipeline that includes 10 late-stage candidates with ~€200m in sales, and management hinted at further corporate activity over the next six months on the Q1 earnings call. The organic pipeline also looks promising and entails several major updates and launches such as *Heroes of Twilight* and *Skydome*.

Balance sheet remains a strength Media and Games Invest exited Q1 with cash and liquid assets of some €52m, and €98m in net debt following the €40m tap up of the 5.75% bond. The new equity gives management excellent financial flexibility to execute its dual growth strategy, while keeping financial metrics at comfortable levels (Q1/21: ICR 4.8x; equity ratio 37%). Our recalibrated DCF model includes the new 149.7m share count resulting in a €5.8 price target (old: €6.1). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Revenue (€m)	32.62	83.89	140.22	199.11	264.82	323.08
Y-o-y growth	n.a.	157.2%	67.1%	42.0%	33.0%	22.0%
EBITDA (€m)	8.65	15.54	26.55	52.39	66.42	84.35
EBITDA margin	26.5%	18.5%	18.9%	26.3%	25.1%	26.1%
Net income* (€m)	5.26	1.25	2.71	11.06	15.79	25.82
EPS* (diluted) (€)	0.10	-0.01	0.03	0.08	0.10	0.17
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-7.17	3.13	-12.50	-39.10	-8.49	35.41
Net gearing	24.0%	22.4%	34.8%	10.8%	14.2%	6.9%
Liquid assets (€m)	4.45	32.98	46.25	151.97	139.49	160.90

* Adjusted for the PPA-amortisation reflected in Q1 reporting

RISKS

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

COMPANY PROFILE

Media and Games Invest plc (MGI) is a fast-growing and profitable company operating in the digital games sector with a strongly supportive media unit. MGI combines organic growth with value-accretive acquisition strategy to deliver sustainable earnings growth.

MARKET DATA

As of 06 May 2021

Closing Price	€ 4.30
Shares outstanding	149.70m
Market Capitalisation	€ 644.01m
52-week Range	€ 1.16 / 4.97
Avg. Volume (12 Months)	145,751

Multiples	2020	2021E	2022E
P/E	143.4	52.0	41.6
EV/Sales	5.3	3.7	2.8
EV/EBITDA	28.0	14.2	11.2
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2021

Liquid Assets	€ 51.65m
Current Assets	€ 94.16m
Intangible Assets	€ 437.63m
Total Assets	€ 555.62m
Current Liabilities	€ 130.68m
Shareholders' Equity	€ 207.53m

SHAREHOLDERS

Bodhivas GmbH	33.0%
Oaktree Capital Mngt	9.0%
UBS	1.2%
Free Float	56.8%



VALUATION MODEL

All figures in EUR '000	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Revenue	199,112	264,819	323,080	371,542	408,696	429,131	446,296	459,685
NOPLAT	16,653	21,855	31,887	40,195	49,891	57,586	62,938	68,120
(+) depreciation & amortisation	27,721	34,039	37,108	41,324	38,670	33,043	29,902	26,202
Net operating cash flow	44,374	55,895	68,995	81,520	88,561	90,629	92,840	94,322
(-) Investments	-86,438	-60,416	-29,142	-33,513	-32,777	-34,416	-32,223	-27,673
(-) Working capital	-6,514	-7,686	-8,176	-7,143	-5,165	-2,538	-2,132	-1,663
Free cash flows (FCF)	-48,578	-12,208	31,677	40,863	50,618	53,674	58,485	64,986
PV of FCF's	-46,216	-10,759	25,865	30,911	35,473	34,846	35,176	36,210

All figures in thousands	WACC	Terminal EBIT margin							
		19.8%	21.8%	23.8%	25.8%	27.8%	29.8%	31.8%	
PV of FCFs in explicit period	220,715	4.9%	8.78	9.96	11.13	12.31	13.49	14.66	15.84
PV of FCFs in terminal period	628,120	5.9%	6.67	7.50	8.33	9.16	10.00	10.83	11.66
Enterprise value (EV)	848,835	6.9%	5.33	5.95	6.57	7.19	7.81	8.43	9.05
(+) Net cash / (-) net debt (pro-forma)	26,517	7.9%	4.40	4.88	5.36	5.84	6.32	6.80	7.28
(-) Non-controlling interests	-849	8.9%	3.73	4.11	4.49	4.87	5.25	5.63	6.00
Shareholder value	874,503	9.9%	3.21	3.52	3.82	4.13	4.44	4.74	5.05
Fair value per share (€)	5.80	10.9%	2.81	3.06	3.31	3.56	3.81	4.06	4.31

	WACC	Terminal growth rate							
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
Cost of equity	9.9%	4.9%	9.08	9.91	10.96	12.31	14.12	16.67	20.53
Pre-tax cost of debt	5.0%	5.9%	7.25	7.77	8.39	9.16	10.13	11.37	13.04
Tax rate	32.5%	6.9%	5.95	6.30	6.71	7.19	7.77	8.48	9.37
After-tax cost of debt	3.4%	7.9%	5.00	5.24	5.52	5.84	6.22	6.66	7.19
Share of equity capital	70.0%	8.9%	4.27	4.44	4.64	4.87	5.12	5.42	5.77
Share of debt capital	30.0%	9.9%	3.69	3.82	3.97	4.13	4.31	4.52	4.76
WACC	7.9%	10.9%	3.23	3.33	3.44	3.56	3.69	3.84	4.01

*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	2018	2019	2020	2021E	2022E	2023E
Revenues	32,621	83,893	140,220	199,112	264,819	323,080
Capitalised work	2,791	10,187	15,994	11,231	12,242	13,099
Total output	35,412	94,080	156,214	210,343	277,061	336,178
Cost of goods sold	-12,699	-45,803	-77,620	-87,709	-115,991	-141,832
Gross profit	22,713	48,277	78,594	122,634	161,070	194,346
Personnel expenses	-10,438	-27,359	-39,573	-51,968	-68,853	-77,539
Other OpEx	-10,135	-10,012	-18,745	-23,097	-30,719	-37,477
Other operating income	6,506	4,636	6,272	4,823	4,919	5,018
EBITDA	8,646	15,542	26,549	52,392	66,418	84,348
Depreciation & amortisation	-6,318	-10,543	-15,508	-27,721	-34,039	-37,108
Operating income (EBIT)	2,328	4,999	11,041	24,671	32,378	47,240
Net financial result	-1,641	-5,758	-7,139	-8,288	-8,988	-8,988
Pre-tax income (EBT)	687	-759	3,901	16,383	23,391	38,252
Income taxes	895	2,012	-1,194	-5,325	-7,602	-12,432
Net income	1,582	1,253	2,707	11,059	15,789	25,820
Discontinued operations	3,673	0	0	0	0	0
Consolidated profit	5,255	1,253	2,707	11,059	15,789	25,820
Minority interests	-932	-1,577	352	-22	-316	-516
Net income to owners	4,323	-324	3,059	11,037	15,473	25,304
Diluted EPS (in €)	0.10	-0.01	0.03	0.08	0.10	0.17
Adj. EBIT (excl: PPA amortisation)	2,328	4,999	11,041	33,671	41,378	56,240
Ratios						
Gross margin on output	64.1%	51.3%	50.3%	58.3%	58.1%	57.8%
EBITDA margin on revenues	26.5%	18.5%	18.9%	26.3%	25.1%	26.1%
EBIT margin on revenues	7.1%	6.0%	7.9%	12.4%	12.2%	14.6%
Net margin on revenues	13.3%	-0.4%	2.2%	5.5%	5.8%	7.8%
Tax rate	n.a.	n.a.	30.6%	32.5%	32.5%	32.5%
Expenses as % of revenues						
Personnel expenses	32.0%	32.6%	28.2%	26.1%	26.0%	24.0%
Other OpEx	31.1%	11.9%	13.4%	11.6%	11.6%	11.6%
Depreciation & amortisation	19.4%	12.6%	11.1%	13.9%	12.9%	11.5%
Y-Y Growth						
Revenues	n.a.	157.2%	67.1%	42.0%	33.0%	22.0%
EBTIDA	n.a.	79.8%	70.8%	97.3%	26.8%	27.0%
Operating income	n.a.	114.7%	120.9%	123.5%	31.2%	45.9%
Net income/ loss	n.a.	n.m.	n.m.	260.8%	40.2%	63.5%



BALANCE SHEET

All figures in EUR '000	2018	2019	2020	2021E	2022E	2023E
Assets						
Current assets, total	16,250	55,856	92,375	214,700	222,923	262,697
Cash and equivalents	4,447	32,984	46,254	151,966	139,487	160,905
Trade receivables	11,803	22,872	46,121	62,734	83,436	101,792
Non-current assets, total	220,043	256,593	293,467	452,509	479,217	471,588
Property, plant & equipment	4,189	3,521	1,742	1,782	1,835	1,899
Intangible assets	204,142	233,208	272,829	431,506	457,831	449,800
Deferred taxes	6,353	11,215	15,737	16,052	16,373	16,700
Long-term loans to investees	5,359	6,410	1,207	1,207	1,207	1,207
Other non-current assets	0	2,239	1,952	1,962	1,972	1,981
Total assets	236,293	312,449	385,842	667,209	702,140	734,285
Shareholders' equity & debt						
Current liabilities, total	24,358	54,544	78,205	151,935	165,592	176,423
Trade payables	9,366	20,274	30,037	40,136	53,153	63,332
Financial debt	3,595	6,772	6,087	6,087	6,087	6,087
Provisions	7,031	12,585	17,257	17,516	17,779	18,045
Other current liabilities	4,366	14,913	24,824	88,196	88,574	88,958
Long term liabilities, total	53,395	89,347	130,792	214,267	219,752	215,247
Long-term debt	14,100	8,369	11,671	11,671	16,671	11,671
Bonds	24,877	63,988	95,355	135,355	135,355	135,355
Other LT liabilities	0	0	0	43,000	43,000	43,000
Deferred tax liabilities	14,418	16,990	23,766	24,241	24,726	25,221
Shareholders' equity	158,540	168,558	176,845	301,006	316,795	342,615
Total consolidated equity and debt	236,293	312,449	385,842	667,209	702,140	734,285
Ratios						
Current ratio (x)	0.7	1.0	1.2	1.4	1.3	1.5
Net debt	38,125	37,776	61,599	32,476	44,955	23,537
ICR (x)	5.0	2.7	3.7	6.3	7.4	9.4
Net gearing	24%	22%	35%	11%	14%	7%
Net debt / EBITDA (x)	4.4	2.4	2.3	0.6	0.7	0.3
Equity ratio	67%	54%	46%	45%	45%	47%
Return on equity (ROE)	1.0%	0.7%	1.5%	3.7%	5.0%	7.5%
Capital employed (CE)	211,935	257,905	307,637	515,274	536,547	557,862
Return on capital employed (ROCE)	1%	2%	4%	5%	6%	8%



CASH FLOW STATEMENT

All figures in EUR '000	2018	2019	2020	2021E	2022E	2023E
Net income	5,255	1,253	2,707	11,059	15,789	25,820
Depreciation and amortisation	6,318	10,543	15,508	27,721	34,039	37,108
Change in trade rec & other assets	-8,083	1,437	-4,334	-16,928	-21,023	-18,683
Change in payable & other liabilities	14,501	3,928	-209	11,206	14,142	11,325
Results from sale of subsidiaries	-5,645	0	0	0	0	0
Other non-cash adjustments	-6,150	-5,752	4,072	0	0	0
Net interest expense	1,641	5,529	6,264	8,288	8,988	8,988
Tax result	-895	-822	1,194	5,325	7,602	12,432
Operating cash flow	6,942	16,116	25,202	46,670	59,536	76,989
Tax expense	0	0	0	-5,325	-7,602	-12,432
Interest income	1	83	0	0	0	0
Net operating cash flow	6,943	16,199	25,202	41,345	51,934	64,557
Payments for intangible assets	-11,042	-12,606	-17,380	0	0	0
Acquisition of subsidiaries	-3,919	-6,214	-22,930	-80,000	-59,834	-28,431
CapEx	0	0	0	-438	-583	-711
Deposits / payments for other assets	848	5,750	2,603	-10	-10	-10
Cash flow from investing	-14,113	-13,070	-37,707	-80,448	-60,426	-29,152
Free cash flow (FCF)	-7,170	3,129	-12,505	-39,102	-8,492	35,406
Equity inflow, net	3,792	8,845	26,876	113,103	0	0
Debt inflow, net	-15,992	-12,011	-1,420	0	5,000	-5,000
Corporate debt, net	25,800	38,699	27,678	40,000	0	0
Interest paid	-2,014	-5,345	-6,018	-8,288	-8,988	-8,988
Payments for non-controlling interests	0	-5,000	-17,480	0	0	0
Other adjustments	-489	220	-3,862	0	0	0
Cash flow from financing	11,097	25,408	25,774	144,815	-3,988	-13,988
Net cash flows	3,927	28,537	13,269	105,713	-12,480	21,418
Fx adjustments	114	0	0	0	0	0
Cash, start of the year	406	4,447	32,984	46,254	151,966	139,487
Cash, end of the year	4,447	32,984	46,253	151,966	139,487	160,905
EBITDA/share (in €)	0.20	0.26	0.28	0.39	0.44	0.56
Y-Y Growth						
Operating cash flow	n.m.	133.3%	55.6%	64.1%	25.6%	24.3%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.m.	26.2%	8.5%	40.7%	13.0%	27.0%

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PRICE TARGET DATES

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

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

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.

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...5	↓	↓	↓	↓
6	23 June 2020	€1.41	Buy	€2.80
7	6 August 2020	€1.33	Buy	€2.90
8	14 August 2020	€1.28	Buy	€2.90
9	1 October 2020	€1.30	Buy	€2.50
10	2 December 2020	€1.49	Buy	€2.80
11	19 January 2021	€2.76	Buy	€4.00
12	5 March 2021	€3.48	Buy	€5.30
13	27 April 2021	€4.80	Buy	€6.10
14	Today	€4.30	Buy	€5.80

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

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