

Media and Games Invest

Q321 results, 41% y-o-y organic growth

Media and Games Invest (MGI) showed continued strong growth in Q321, with improving margins as the business scaled. Q321 net revenues rose by 80% to €62.9m, with 41% year-on-year organic revenue growth. Benefiting from operating leverage, adjusted EBITDA tripled to €19.0m as margins rose to 30% (Q320: 18%). In Q321, MGI placed a further €80m bond and, at 30 September 2021, had net interest-bearing debt of €172.8m, with leverage of 3.0x (2.5x on a pro forma basis). Management guidance is for FY21 revenues of €234–254m and adjusted EBITDA of €65–70m, which looks very achievable ahead of the seasonally strong Q4. Driven by sustained growth (guidance implies 70%+ growth for FY21), MGI trades at a justified premium to its European games peer group but at a material discount to its US adtech peers.

Media – starting to deliver on its platform promise

Q321 was the first quarter where media represented the majority (55%) of group revenues, following the acquisition of Smaato, completed on 1 September 2021. Benefiting from investment and increasing scale, despite the closure of the low-margin influencer platform, Q321 revenues grew 105% y-o-y to €34.8m. Adjusted EBITDA rose sixfold to €8.3m, a margin of 24% (Q320: 8%). As well as starting to integrate the acquisitions of Beemray and Smaato, Verve formed partnerships with LiveRamp (a bidding platform for addressable inventory) and Picalate (a global ad fraud intelligence and marketing compliance platform). Management also enhanced Verve's senior management team, with new co-CEOs and multiple senior hires.

Gaming – continuing with its proven formula

Gamigo recorded Q321 revenues of €28.1m, y-o-y growth of 56%. Adjusted EBITDA margins rose to 38% (Q320: 28%), partly reflecting the high-margin contribution from KingsIsle's Wizard101, with Q321 adjusted EBITDA of €10.7m. Gamigo's strategy remains to avoid high-risk development, preferring to acquire established games and licences. Having licensed Heroes of Twilight and Golf Champions in H121, gamigo licensed two more properties in Q321: Fantasy Town (an Asian mobile game signed for western audiences) and an as yet [unnamed open world MMORPG](#). Existing title, ArcheAge, was sold back to the developer, with Atlas Rogues and Skydome discontinued following audience testing.

Valuation: Underpinned by market-leading growth

At the midpoint of management guidance (revenues of €244m and adjusted EBITDA of €67.5m), MGI is trading on c 15.2x EV/adjusted EBITDA and 4.2x EV/revenue in FY21e. This is at a premium to MGI's European games peers, despite its superior growth rate, but at a material discount to its US adtech peers.

Consensus estimates

Year end	Revenue (€m)	Adj. EBITDA* (€m)	PBT (€m)	EPS (€)	EV/adjusted EBITDA* (x)	P/E (x)
12/19	83.9	18.1	(0.8)	(0.01)	56.5	N/A
12/20	140.2	26.5	3.9	0.03	38.6	189.7
12/21e	237.5	63.6	20.8	0.14	16.1	40.6
12/22e	302.5	88.6	38.9	0.21	11.6	27.1

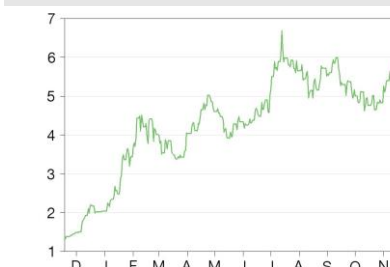
Source: MGI accounts (historical figures), Refinitiv consensus (forecasts). Note: *EBITDA adjusted for one-off M&A and financing costs.

Software & computer services

18 November 2021

Price **€5.69**
Market cap **€852m**

Share price graph



Share details

Code	M8G
Listing	Deutsche Börse Scale/ Nasdaq First North Premier
Shares in issue	149.7m
Net interest-bearing debt at 30 September 2021	€172.8m

Business description

Media and Games Invest is a fast-growing and profitable integrated digital games and media company, targeting Europe and North America. It combines organic growth with value-accretive acquisitions to deliver strong and sustainable earnings growth.

Bull

- Management with proven M&A track record.
- Business underpinned by long-term games growth trends, with a synergistic media platform.
- 45% five-year revenue CAGR in FY15–20.

Bear

- Undergoing a period of rapid transformation and with €199m of cash at Q321, this will continue.
- MGI's games portfolio remains PC focused, with mobile still substantially under-represented.
- Although margins are picking up, the media segment still lags the games business.

Analysts

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