

Media and Games Invest

Software & computer services
3 May 2022

Acquisition of AxesInMotion

MGI has announced the acquisition of AxesInMotion, a Spanish free-to-play mobile games developer of racing games for €55m in cash up-front, plus up to €110m in earn-out over the three years to 2024. The up-front consideration represents an EV/EBITDA multiple of 9.1x and based on the earn-out, the final EV/EBITDA multiple will fall between 6.8 and 9.1x. Through its integrated games and adtech business, MGI has identified significant synergies from the acquisition, with the potential to triple revenue and EBITDA (to €24m and €17m respectively) in the medium term. As a result of the acquisition, MGI has raised its FY22 revenue guidance to €295–€315m (previously €290–€310m) and its adjusted EBITDA to €83–93m (previously €80–90m). The acquisition is expected to complete in May.

Racing developer with 700m+ downloads

AxesInMotion is a 30-person studio, based in Seville. Its key titles are Extreme Car Driving Simulator, Mega Ramps and Extreme SUV Driving Simulator, with two new titles planned. Its games have been downloaded more than 700m times since 2014. FY21 revenues were €7.9m, with adjusted EBITDA of €5.1m (a 64% margin). For FY22, management expects revenue of €9.2m with adjusted EBITDA of €6.0m, a 65% margin. The company has delivered a revenue CAGR FY18–21 of 36%. In total, 33% of revenues are from the US, with 87% from in-game advertising.

MGI anticipates major synergies

As well as building out MGI's mobile games development capability in the racing genre, the acquisition of AxesInMotion will also benefit MGI's adtech business, increasing its first-party audience data to support the group's ad-targeting capability (independent of identifiers and third-party data). Management's expected mid-term synergies include 100% revenue retention, better ad-monetisation, more efficient user acquisition, as well as the benefit to Verve of increased first-party data. Based on these medium-term synergy assumptions, the acquisition would have delivered pro-forma FY21 revenues of €24m, with €17m of EBITDA.

Valuation: Growth at a reasonable price

The acquisition of AxesInMotion is to be financed out of existing cash resources, supplemented by a €30m capital increase. Leverage is expected to remain within 2–3x. At the midpoint of the revised guidance, MGI is trading on 2.3x FY22e EV/revenue and 7.9x FY22e EV/adjusted EBITDA. At this level, the shares trade in line with our games peer group, but at a material discount to MGI's adtech peers. In FY20 and FY21, management consistently beat guidance.

Consensus estimates

Year end	Revenue (€m)	Adjusted EBITDA*	PBT (€)	EPS (€)	EV/adjusted EBITDA* (x)	P/E (x)
12/20	140.2	29.1	3.9	0.04	23.6	91.4
12/21	252.2	71.1	14.9	0.11	9.7	28.9
12/22e	299.6	84.6	31.6	0.19	8.1	17.1
12/23e	346.4	102.0	47.5	0.26	6.7	12.7

Source: MGI and Refinitiv. Note: *EBITDA adjusted for one-off M&A and financing costs.

Price €3.29
Market cap €492m

Share price graph



Share details

Code	M8G
Listing	Deutsche Börse Scale/ Nasdaq First North Premier
Shares in issue	149.7m

Business description

Media and Games Invest is a fast-growing and profitable content-owning games-focused adtech platform. It combines organic growth with value-accretive acquisitions to deliver strong and sustainable earnings growth.

Bull

- Proven buy-and-build model has delivered a five-year revenue CAGR FY16–21 of 45%.
- Business with synergistic media/games platform, underpinned by long-term growth trends.
- Has consistently beaten FY20/21 guidance.

Bear

- After its rapid transformation, the adtech-led model still needs to be understood by investors.
- MGI's games portfolio remains PC focused, with mobile still under-represented.
- Media segment (Verve) margins remain below those of the games segment (gamigo).

Analysts

Richard Williamson	+44 (0)20 3077 5700
Dan Ridsdale	+44 (0)20 3077 5700

tech@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

General disclaimer and copyright

This report has been prepared and issued by Edison. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2022 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia