

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

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