Research study (Anno)

Financial year 2022 closed with a significant improvement in revenue and operating profit

A continuation of the profitable growth course is expected for 2023

The expansion of the ad tech platform business should lead to significant revenue and earnings growth in the future

Target price: € 5.30 (previously: € 5.40)

Rating: BUY

IMPORTANT NOTE:
Please note the disclaimer/risk warning and the disclosure of potential Conflicts of interest within the meaning of § 85 WpHG and Art. 20 MAR on page 24

Notice under MiFID II Regulation for Research "Minor Non-Monetary Contribution": Present Research complies with the requirements for classification as a "minor non-monetary benefit". More information on this in the Disclosure under "I. Research under MiFID II

Date (time) of completion: 20/06/2023 (8:43 am)
Date (time) of first transmission: 20/06/2023 (10:30 am)
Target price valid until: max. 31/12/2023

GBC AG Investment Research

Media and Games Invest SE*5a;7;11

Rating: BUY
Target price: € 5.30
(previously: € 5.40)

Current price: € 0.93
19/06/23 / XETRA
(16:15 pm)
Currency: EUR

Master data:

ISIN: SE0018538068
WKN: A3D3A1
Ticker symbol: M8G
Number of shares ³: 159.25
Market cap ³: 148.10
Entity Value³: 422.11
³ in million / in € million
Free float: 55.9%

Transparency level:
Nasdaq First North Premier

Market segment:
Open Market
(Freiverkehr)

Accounting:
IFRS

FY-end: 31/12/

Designated Sponsor:
Kepler Cheuvreux
Pareto Securities AB

Analysts:

Marcel Goldmann
goldmann@gbc-ag.de

Cosmin Filker
filker@gbc-ag.de

* List of possible conflicts of interest on page 25

Company profile

Industry: Ad-Tech and Mobile/Online Games

Focus: Software Application

Employees: >800

Foundation: 2011

Headquarters: Stockholm (Sweden)

Board members: Remco Westermann (CEO), Paul Echt (CFO), Jens Knauber (COO), Sonja Lilienthal (CIO), Sameer Sondhi (CRO), Ionut Ciobotaru (CPO)

Media and Games Invest SE (MGI) operates a fast-growing, profitable advertising software platform that matches global advertiser demand with publisher advertising supply and uses first-party data from its own online games to improve advertising results. MGI operates primarily in North America and Europe. Through investments in organic growth and innovation, as well as targeted acquisitions, MGI has built a one-stop shop for programmatic advertising, enabling companies to buy and sell advertising space across all digital devices (mobile apps, web, connected TV and digital out of home) with the goal of making advertising better. MGI is registered as a Societas Europaea in Sweden (registration number 517100-0143) and its shares are listed on the Nasdaq First North Premier Growth Market in Stockholm and on the Scale segment of the Frankfurt Stock Exchange. The company has two secured bonds listed on Nasdaq Stockholm and on the Open Market of the Frankfurt Stock Exchange.

P&L in € million	31/12/2022	31/12/2023e	31/12/2024e	31/12/2025e
Revenues	324.44	340.12	402.55	471.39
Adjusted EBITDA (Adj. EBITDA)	93.20	95.94	121.10	141.94
EBITDA	84.75	89.44	115.80	136.14
Net result (after minorities)	-20.32*1	6.83	23.95	32.97
	*1 *negatively influenced by a one-time write-off of € 23.6 million*			
Key figures in €				
Earnings per share € (EPS)	-0.13	0.04	0.15	0.21
Dividend per share	0.00	0.00	0.00	0.00

Multiples				
EV/Revenue	1.30	1.24	1.05	0.90
EV/Adjusted EBITDA	4.53	4.40	3.49	2.97
EV/EBITDA	4.98	4.72	3.65	3.10
P/E ratio (after minorities)	neg.	21.68	6.18	4.49
P/B ratio	0.46			

Financial calendar
30/06/2023: Annual General Meeting 2023
31/08/2023: Half-year report FY 2023
31/08/2023: Capital Markets Day 2023

** latest research from GBC:
Date: Publication / Target price in EUR / Rating
08/03/2023: RS / 5.40 / BUY
07/09/2022: RS / 5.75 / BUY
02/08/2022: RS / 5.75 / BUY
05/05/2022: RS / 9.40 / BUY
09/03/2022: RS / 9.20 / BUY
31/08/2021: RS / 8.50 / BUY

** The research studies listed above can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg.

Executive Summary

- Based on the published business figures, Media and Games Invest SE (MGI) continued its dynamic growth course in the past financial year 2022 with a significant increase in turnover of 28.7% to € 324.44 million (PY: € 252.17 million) despite difficult general conditions and market situation. Their digital programmatic advertising software platform business again proved to be their main growth driver. In this high-growth area, the increase in their software customer base to 551 customers (end of 2021: 418) significantly increased their business volume. The strong business growth achieved is also reflected in MGI's leading market position. According to a market study (Pixalate's Mobile SSP Report), MGI's Verve Group is the market leader in mobile programmatic advertising for Android in North America with a 12% share. This exceeded the company's guidance at the upper end of the target range (revenue of € 315.0m to € 325.0m) and also our revenue estimate (GBCe: € 307.22m).

- Parallel to the positive development of turnover, significant increases were achieved at the operating result level. Compared to the previous year, EBITDA grew significantly by 30.3% to € 84.75 million. Adjusted for one-off effects (e.g. special and restructuring costs from M&As), EBITDA (Adj. EBITDA) also grew rapidly with a dynamic increase of 31.1% to € 93.20 million. Accordingly, the company's earnings guidance (Adj. EBITDA: € 83.0 million to € 93.0 million) and also our earnings estimate (Adj. EBITDA: € 91.72 million) were exceeded.

- MGI's management is also positive about the current 2023 financial year and expects to continue on its growth path. Specifically, the technology company expects a renewed increase in sales revenues in a range of € 335.0 million to € 345.0 million. At the earnings level, an adjusted EBITDA of between € 95.0 million and € 105.0 million is to be achieved.

- As part of the publication of our research study on the preliminary annual results of MGI's 2022 financial year, we have slightly reduced our previous revenue and earnings forecasts for the current 2023 financial year for conservative reasons. For the following year, we have left our previous operating estimates unchanged. In view of the satisfactory Q1 performance, the positive corporate outlook and the reaffirmation of the medium-term guidance (revenue CAGR 25.0%-30.0%, EBITDA CAGR 25.0%-30.0%), we confirm our previous revenue and earnings forecasts for the current financial year and subsequent years. For 2022, we continue to expect revenues of € 340.12 million and EBITDA of € 89.44 million. For 2024 and 2025, we continue to expect revenues (EBITDA) of € 402.55 million (€ 115.80 million) and € 471.39 million (€ 136.14 million), respectively.

- Overall, the MGI Group, with its good market positioning and fully-integrated programmatic ad tech platform with its own games content, should succeed in continuing its dynamic growth course in the future. While the technology company has built up a strong position on the supply side in recent years, with a strong SDK base in the premium mobile app sector, the demand side in particular should be the focus of targeted growth in the future and be further expanded. The Contextual Mobile Demand Side Platform "Dataseat", which was acquired in 2022, was an important building block of MGI's growth strategy and has additionally strengthened the Demand Side and also underlines their growth ambitions in this business area.

- In addition, with liquidity of around € 130.0 million at the end of the first quarter of 2023, MGI continues to be in a good financial position and can thus take advantage of investment opportunities as well as being able to comfortably cushion recessionary macroeconomic situations. The gearing ratio, which was at a good level of 3.0x at the end of the last quarter, should also improve further in the short and medium term due to their positive cash flow and their expected EBITDA growth.

- **Based on our confirmed forecasts for the current financial year 2023 and the following years and the changed cost of capital (WACC), we have slightly lowered our previous price target to € 5.30 (previously: € 5.40). Our price target reduction is the result of higher capital costs (increase in the risk-free interest rate to 2.0% instead of the previous 1.5%). As a consequence of the unchanged high inflation, we have raised the terminal value growth rate to 2.5% (previously: 2.0%), which has had the effect of raising the target price. In view of the current share price level, we thus continue to assign a "Buy" rating and see significant upside potential. The results of our peer group analysis (see p. 21) also support our assessment of the attractiveness and price potential of the MGI share.**

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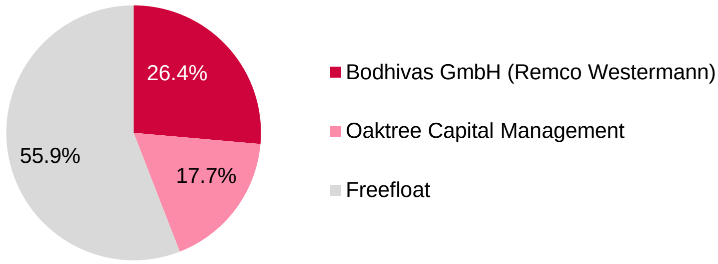
THE COMPANY

Shareholder structure

Shareholders in %	Status: June 2023
Bodhivas Ltd. (Remco Westermann)	26.4%
Oaktree Capital Management	17.7%
Freefloat	55.9%

Sources: Media and Games Invest SE, GBC AG



Business model and focus of business activity

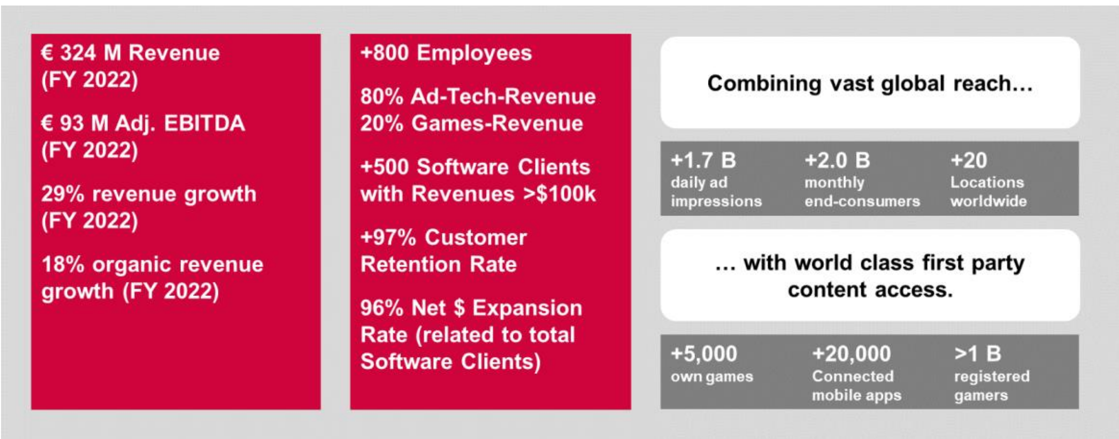
Media and Games Invest SE (MGI) is an advertising software platform (ad tech platform) with extensive first-party data from proprietary games content. The regional focus of the business activities is North America and Europe.

Through investments in organic growth and innovation as well as targeted acquisitions, the group has succeeded in recent years in building a one-stop shop for programmatic advertising that enables customers to buy and sell advertising space across all digital devices (mobile apps, web, connected TV and digital-out-of-home) in a fully automated way. Important for the most efficient buying and selling of these advertising spaces are data that enable the most accurate (data protection-compliant) targeting of the end user. For this purpose, the company uses innovative data solutions and technologies such as ATOM or Moments.AI.

With its digital advertising platform, MGI supports advertisers in efficiently acquiring customers via various digital devices and publishers in efficiently and optimally monetising their advertising space. Their strong positioning in better marketing of advertising space in games and their more efficient user acquisition represent significant competitive advantages for the company's own games portfolio, as their monetisation of advertising space and efficient customer acquisition are important success factors.

In turn, their proprietary games portfolio also provides a significant competitive advantage for MGI's digital advertising business, giving it direct access to unique advertising space and first-party data, while significantly accelerating product testing cycles.

Key facts and figures on the ad tech platform



Sources: Media and Games Invest SE, GBC AG

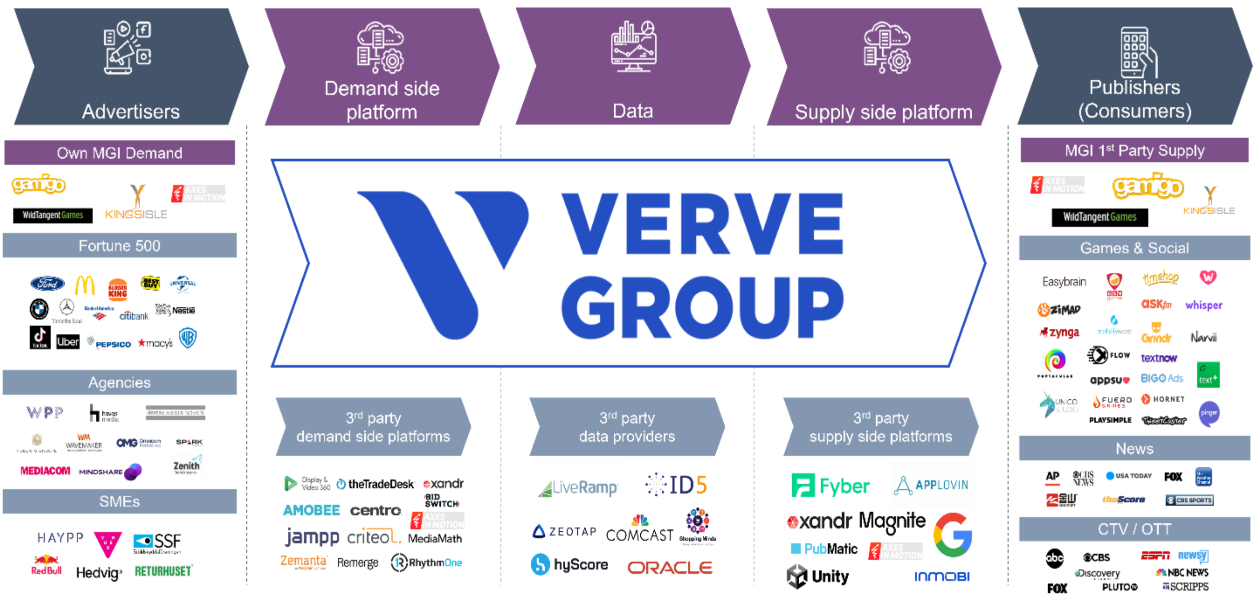
MGI's advertising software platform (ad tech platform)

In the past financial year 2022, the MGI Group generated the majority of its revenue (revenue share approximately 80.0%) with its programmatic advertising software platform, which is offered via the Verve Group. Due to the continued strong growth of the advertising software platform, only 20.0% of the Group's revenue was generated through subscriptions and the sale of in-game items through its own games portfolio in the past year. Accordingly, the core business and strategic focus of the company is digital advertising with a particular focus on the high-growth segment of programmatic advertising.

Programmatic advertising here aims to make the process of creating and placing ads and selling ad space faster, easier, more transparent and more effective through the use of artificial intelligence, powerful algorithms and billions of data points.

Programmatic advertising companies are intermediaries between advertisers who seek to reach users on their smartphones, computers, connected TVs or via digital billboards (DOOH) to attract new customers - and publishers - who provide digital content that is consumed by users and monetised by selling advertising space to advertisers.

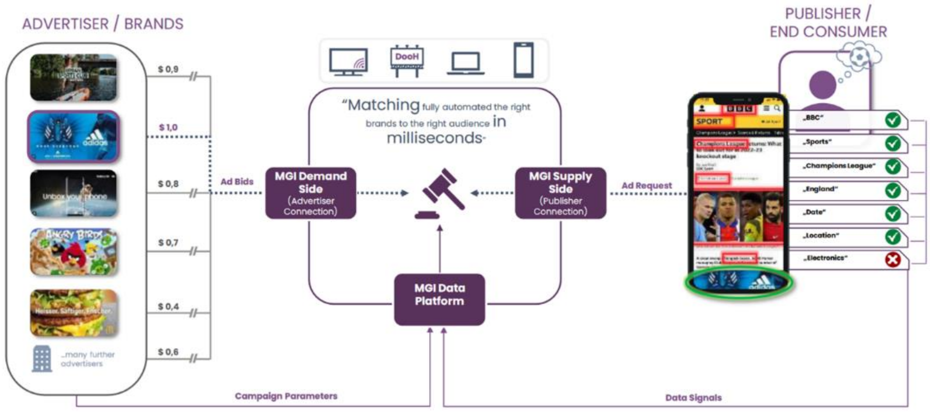
MGI's programmatic value chain



Sources: Media and Games Invest SE

While in traditional advertising an advertiser usually requests advertising space directly from the publisher by phone or email, which is very time-consuming and inefficient, in programmatic advertising this process is fully automated and real-time. Here, revenues flow automatically from advertisers to publishers, replacing phone calls, faxes and written contracts (insertion orders, IOs) that were used in the past to manage and track deals.

Automate the buying and selling of ads on all digital devices



Sources: Media and Games Invest SE

There are advertising companies that support advertisers (so-called demand-side platforms, DSPs), e.g. in buying advertising space or evaluating campaigns, and there are advertising companies that support publishers (so-called supply-side platforms, SSPs), e.g. in selling advertising space and processing user data to create target group segments.

While most (advertising) companies can be assigned to one of these two sides and/or focus only on individual devices (such as mobile, desktop, connected TV or DOOH) or individual formats (banner, stream, etc.), MGI operates in the digital advertising market with a comprehensive digital platform (full-stack platform) that covers the needs of both advertisers and publishers across all devices and advertising formats.

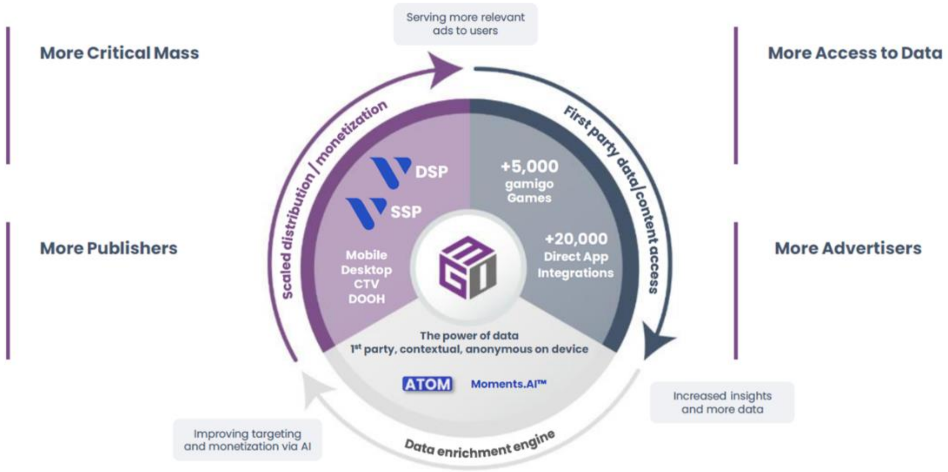
This offers multiple benefits for advertisers and publishers, as the flow of information between the two is more direct, leading to greater transparency in the planning, monitoring and evaluation of campaigns, while eliminating the gateways for fraud created by the multiplicity of market participants.

This is also reflected in MGI's or Verve Group's ranking in Pixalte's Mobile Seller Trust Index, where they have been ranked first several times. The ranking evaluates the quality of the advertising spaces, for example, based on how much or, rather, how little fraud they contain.

The resulting increase in efficiency and quality leads to a higher ROI (return on investment) for advertisers and higher advertising revenues (measured by CPMs / cost per mile) for publishers. In addition, MGI as a "one-stop-shop" reduces the number of external media partners coordinating cross-device and cross-format campaigns. This leads to leaner campaign management where the individual components of the campaign are precisely orchestrated, resulting in higher ROAs.

In addition to the high quality of its fully integrated platform, MGI is also one of the largest providers in the mobile supply-side platform space. While many measure this by the number of app integrations (i.e. in how many apps MGI's SDKs are integrated), in our view, this is not the right value to measure reach. While there are a very large number of apps, only a few premium apps cover the majority of users. When integrated with premium apps, a smaller number of app integrations is sufficient to reach a large number of end users, which also leads to higher efficiency because fewer staff are needed. Accordingly, the number of end users, is the really relevant number. According to its own data, MGI reaches over 2.0 billion mobile end users, making it one of the top five providers in the mobile sector (top five mobile in-app exchange).

MGI's Flywheel



Sources: Media and Games Invest SE

The MGI Group's business model is based on the flywheel. This is driven by network effects between advertising technologies and proprietary games and further accelerated by M&As and innovations. A stronger proprietary games portfolio - with a broad user base, proprietary advertising space and associated first-party data - generally leads to more advertisers using the MGI platform for customer acquisition, as they can reach a broad audience based on first-party data in a highly targeted way, increasing the ROI (return on investment) of advertising campaigns. This in turn attracts more external publishers who also have their own content (such as game apps), ad space and first-party data and want to monetise it through MGI's ad software platform. The increasing demand from advertisers for targeted customer acquisition on the platform thereby leads to a higher price-per-ad space, so that publishers can achieve higher revenue per ad space on MGI's ad tech platform.

The resulting increase in the size of the ad software platform leads to even more efficient user acquisition for the company's own games portfolio, which in turn increases the user base and the first-party data of its own games portfolio. Acquisitions play a very important role here. This is because M&A transactions and new product innovations can additionally accelerate the flywheel. For example, if MGI buys a mobile games company as part of its growth strategy, which also includes inorganic growth, it increases the number of users and access to first-party data, which in turn attracts more advertisers, which in turn attracts more publishers. In addition, the company also has the opportunity to attract additional advertisers and publishers through the development of new innovative products such as ATOM or Moments.AI.

MGI's innovative AI-based technologies

MGI relies heavily on innovative technologies in its ad tech platform business. The global advertising market is undergoing a major upheaval. Stronger regulation by legislators with regard to data protection and increased efforts by important market participants in this area are leading to the disappearance of previous technologies.

For example, Apple has recently shut down its Identifier for Advertisers (IDFA). This is a unique device identifier that Apple generates and assigns to each device. It was used by advertisers to deliver personalised ads and enable recognition of the user and their preferences. Nowadays, (efficient) targeting of advertising budgets is only possible with the user's consent, while around 80.0% of users opt out. Google has also announced that it will take similar measures.

Another technology that is still widely used today, but less known to the general public, is so-called fingerprinting. Fingerprinting uses information (user data/device data/transaction data, etc.) to identify the user almost beyond doubt in the absence of a device identifier (IDFA/GAID). In some cases, this may also include personal data such as email ID/transaction data. For this reason, alternative identities (such as ID5, UUID 2.0, LiveRamp ID, etc.) fall into the realm of fingerprinting. Fingerprinting is heavily criticised as it is neither transparent nor under the control of the user. In its App Tracking Transparency (ATT) privacy policy, Apple has already described fingerprinting as prohibited, but has not yet taken any explicit measures against it. However, industry experts expect that this could change with new iOS updates.

These examples make it clear that the previous technologies will gradually disappear from the market. The shutdown of IDFA has already had a strong impact on the industry and has led to a sharp drop in sales —for example, at Facebook and Snap Inc. It can be assumed that preventing fingerprinting will have a similar or even stronger impact on the industry, which is why it is important to have strong alternatives at this time. According to management, MGI does not use fingerprinting or has not used it in the past.

Since it began building its ad software platform, MGI has focused early on privacy-first technologies that do not rely on the use of identifiers, such as Apple's cookies or IDFA. As part of this, MGI has developed innovative technologies that enable efficient targeting of advertising budgets without relying on identifiers and instead using contextual data. By focusing on contextual solutions at an early stage, the group currently has two promising technologies (Moments A.I., ATOM) and products, respectively, which we expect to open up great potential if Google's identifiers are also switched off in the future and fingerprinting is prevented.

These two innovative products are briefly presented below.

Moments A.I. (Moments.AI™)

Visual content analysis, keywords, semantics, meta tags and more are analysed and assigned a trust value within 100 milliseconds. With Verve Group's breakthrough data processing technology, advertisers reach consumers at meaningful moments aligned with brand values.

Visual Intent: An exclusive offering for Verve Group clients, Visual Intent enables brands to engage consumers in coveted cultural, sports and entertainment moments. It combines Getty Images' resources with Verve Group's Moments.AI to enable marketers to promote relevant, brand-safe content in real-time with ads placed alongside Getty Images' visual content.

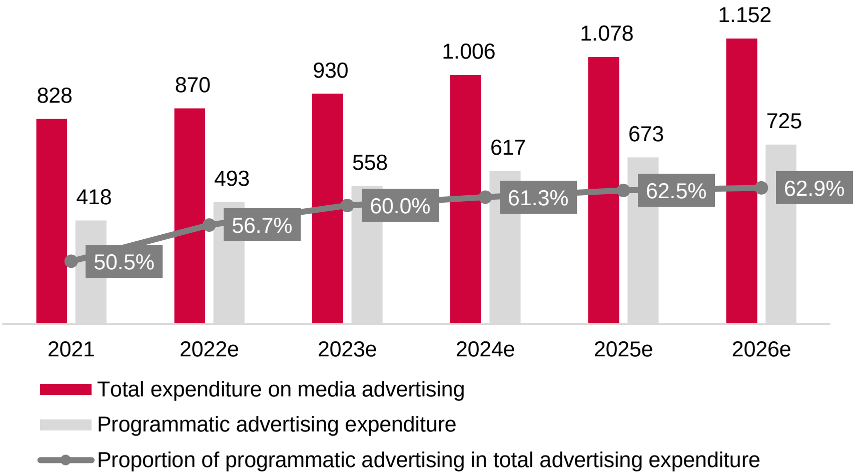
ATOM

ATOM, or Anonymised Targeting on Mobile, is a breakthrough approach to privacy-first targeting designed specifically for in-app advertisers and publishers. It is an innovative extension to MGI's SDK that profiles mobile devices without privacy data leaving the device and maximises targeting results based on our contextual engine without using identifiers.

MARKET AND MARKET ENVIRONMENT

MGI generates the majority of its revenues in the multi-billion-dollar growth sector of digital advertising, particularly in the dynamically growing segment of programmatic advertising.

Global digital advertising spending (in USD billion)



Sources: eMarketer; Statista Research Department; GBC AG

According to a recent study by the industry experts at eMarketer, total global spending on digital media advertising grew moderately by 5.1% to USD 870 billion in 2022 (PY: USD 418 billion) and thus reached a new record level. In parallel, according to the market experts, global programmatic advertising expenditure grew disproportionately by 17.9% to USD 493 billion. Thus, despite difficult general conditions, the programmatic advertising market grew significantly stronger than the overall advertising market and, also, the digital advertising market in 2022.

The significantly better performance of the programmatic advertising market results from the continuing trend that advertisers are increasingly shifting their budgets to digital programmatic advertising, as this advertising method is significantly more efficient and also enables better advertising results. Market experts are also positive about the future development of the programmatic advertising market and expect a compound annual growth rate (CAGR) of 10.1% for the period 2022 to 2026 and thus a continuation of dynamic growth. At the same time, the share of programmatic advertising in total global advertising expenditure is also expected to continue to grow gradually from 56.7% in 2022 to 62.9% in 2026.

With its digital advertising platform (ad tech platform), the MGI Group has focused in particular on the programmatic advertising market and thus on the fastest growing segment of the digital advertising market. Due to its good market positioning within this sector, the technology company should be able to participate significantly in the expected continuation of the dynamic growth of this advertising market segment.

HISTORICAL DEVELOPMENT OF THE COMPANY

Business development 2022

Key figures in € million	FY 2020	FY 2021	FY 2022*
Revenues	140.22	252.17	324.44
Adjusted EBITDA (Adj. EBITDA)	29.10	71.10	93.20
EBITDA	26.55	65.04	84.75
Net result (after minorities)	3.06	16.06	-20.32*[1]

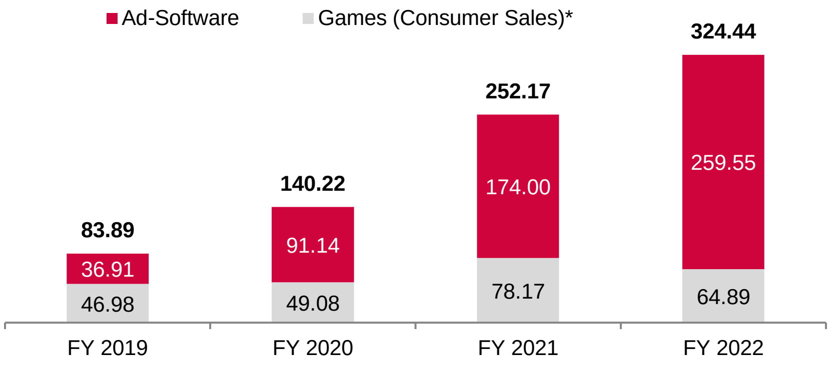
*Sources: Media and Games Invest SE; GBC AG *[1] negatively influenced by a one-time write-off in the amount of € 23.6 million*

Revenue development

MGI's past business year 2022 was characterised in particular by significant growth and a readjustment of their corporate strategy. Despite a difficult environment (market uncertainty, budget cuts, etc.), the technology group succeeded in achieving a significant increase in turnover of 28.7% to € 324.44 million in the past financial year compared to the previous year. Accordingly, the company was able to continue on its growth path and gain market share.

Their dynamic revenue growth was based on both organic and inorganic revenue effects (18.0% organic growth and 11.0% inorganic growth). This significant revenue growth was primarily driven by the company's continued growth in digital advertising revenues (ad software revenues). In the past financial year, ad software revenues increased significantly by 49.2% to € 259.55 million (PY: € 174.0 million) and thus accounted for around 80.0% of Group revenues. Over the past years, the ad-tech business has become the core business and at the same time the most important growth factor.

Development of Group and segment turnover (in € million)



*Sources: Media and Games Invest SE; GBC AG *Subscription and in-game revenues*

The strong acquisition of new customers proved to be a significant growth driver for the advertising software business. In the past business year, 133 new software customers were added to the customer portfolio, which currently consists of a total of 551 customers (end of 2021: 418), thus significantly increasing the market share.

In addition to the considerable number of new advertisers and publishers connected to MGI's digital advertising platform, the digital advertising business also benefited from clearly positive effects from M&A measures carried out (e.g. AxesInMotion or Data-Seat). The acquisition of Data-Seat, a mobile demand-side platform, and AxesInMotion, a mobile games platform, further strengthened the technology company's ad tech platform last year.

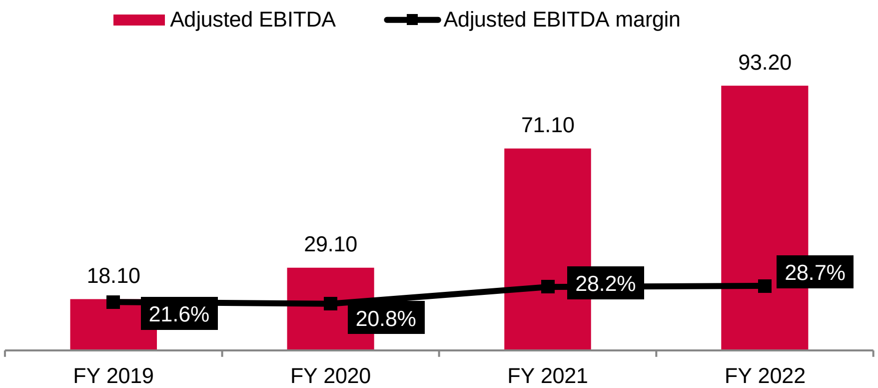
The MGI Group thus achieved its most recently issued turnover guidance at the upper end of the target range (turnover of € 315.0 million to € 325.0 million). Our turnover forecast (turnover: € 307.22 million) was exceeded.

Earnings development

Parallel to the dynamic development of turnover, significant increases were also recorded at the operating result level. Compared to the previous year, EBITDA increased significantly by 30.3% to € 84.75 million (PY: € 65.04 million). EBITDA (Adj. EBITDA) adjusted for one-off effects (e.g. special and restructuring costs from M&As) also increased significantly by 31.1% to € 93.20 million (PY: € 71.10 million) compared to the previous year. As a result, the adjusted EBITDA margin increased slightly to 28.7% (PY: 28.2%).

Due to the existing pressure on margins in the advertising market resulting from budget cuts by advertising clients, MGI was unable to achieve a stronger increase in profitability despite the cost reductions and efficiency improvements achieved. The generally lower demand for advertising led to lower prices per advertising space or ad and, as a consequence of more transactions per advertising revenue, also to higher direct technology costs per advertising space.

Development of adjusted EBITDA and adjusted EBITDA margin (in € million)



Sources: Media and Games Invest SE; GBC AG

In addition, MGI shifted its strategic focus away from small premium MMO games towards large premium MMOs and mobile and casual games over the past year. Desktop-based premium games have limited growth potential and synergies with the digital advertising business due to the lower number of players per game and limited potential for in-game advertising. In light of this readjustment of the previous strategy, the company has made some portfolio adjustments, which included the closure of smaller, less efficient PC games. The adjustment of the strategy and the closure of the games resulted in a one-off non-cash write-down of these intangible assets in the amount of € 23.60 million.

In addition, the associated depreciation and amortisation (PPA depreciation and amortisation) also increased significantly due to the M&As carried out last year. Consequently, there was a strong increase in total depreciation in the past financial year to € 58.14 million (PY: € 28.24 million).

As a result of the extensive external financing of the (inorganic) growth, financial expenses also increased significantly compared to the previous year to € 38.31 million (PY: € 22.82 million). These are related to the significant increase in bond liabilities as a significant financing component of the M&A strategy pursued. At the end of the last financial year, MGI had reported bond liabilities of € 389.39 million (31/12/2021: € 343.93 million).

At the net level, a negative consolidated result of € -20.41 million (PY: € 16.06 million) had to be accepted due to the aforementioned one-off depreciation effect (one-off PPA depreciation on games assets) and higher tax and interest charges. Adjusted for the non-recurring and regular PPA amortisation of € 41.49 million, the adjusted Group result was € 21.09 million.

The earnings guidance issued by the MGI management (Adj. EBITDA of € 83.0 million to € 93.0 million) was thus achieved at the upper end of the target range. Our earnings estimate for the adjusted EBITDA (€ 91.72 million) was exceeded. However, due to the PPA depreciation we did not anticipate in this amount, the net result was significantly below our expectations.

The performance of the past financial year has shown that the MGI Group has succeeded in continuing its dynamic growth course despite a difficult environment and has even gained market share. Their strong acquisition of new customers in the digital programmatic advertising business has contributed significantly to the high growth rate. At the operating level, a solid development of results has been achieved.

Asset and cash flow situation as of 31/12/2022

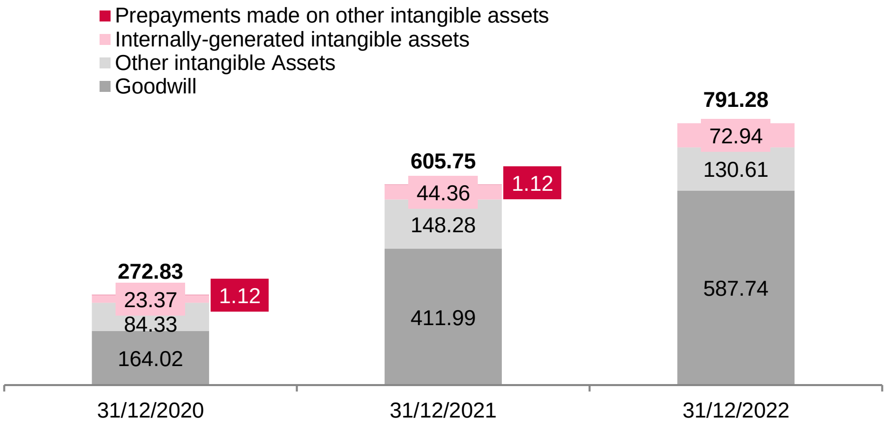
Balance sheet key figures in m €	31/12/2020	31/12/2021	31/12/2022
Equity	176.85	307.49	321.75
Intangible assets	272.83	605.75	791.28
Thereof goodwill	164.02	411.99	587.74
Cash and cash equivalents	46.25	180.16	149.99
Non-current liabilities	130.79	383.17	503.44
Thereof bonds	95.36	343.93	389.39

Sources: Media and Games Invest SE; GBC AG

The positive performance of the past years, the implemented M&A strategy of the company and the digital advertising platform business model of MGI are also reflected in the company's balance sheet.

On the assets side of the balance sheet, intangible assets account for the majority of the balance sheet total at € 791.28 million, of which € 587.74 million (74.3% of total intangible assets) is attributable to the balance sheet item goodwill and € 130.61 million to other intangible assets.

Composition of intangible assets (in € million)



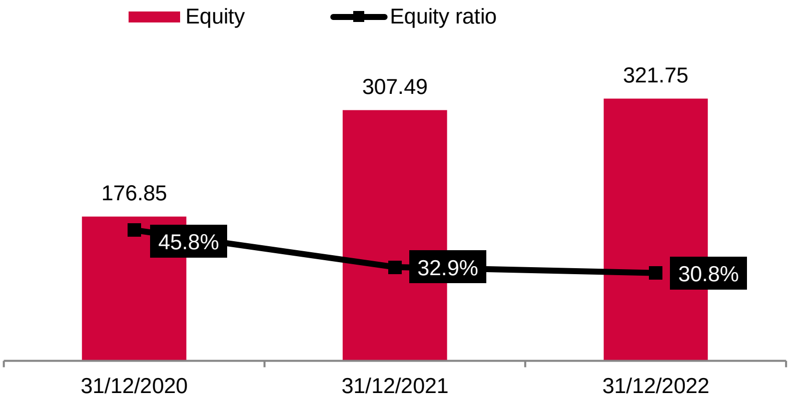
Sources: Media and Games Invest SE; GBC AG

Due to the two M&As carried out in the past financial year 2022, goodwill increased significantly to € 587.74 million (PY: € 411.99 million) compared to the previous year. In addition, other intangible assets decreased to € 130.61 million (PY: € 148.28 million) due to amortisation.

Significant items on the liabilities side of the balance sheet as of the balance sheet date of 31 December 2022 are equity in the amount of € 321.75 million (PY: € 307.49 million) and outstanding bonds in the amount of € 389.39 million (PY: € 343.93 million). Both balance sheet items increased significantly due to extensive capital market activities in the past year (equity raised: € 28.5 million; bonds issued: € 175.0 million). The capital measures implemented primarily served the inorganic growth of the technology company.

Against this backdrop, the equity ratio declined slightly to 30.8% (PY: 32.9%) at the end of the last business year due to a stronger increase in financial liabilities in relation to equity. Nevertheless, the equity ratio remains at a high and solid level.

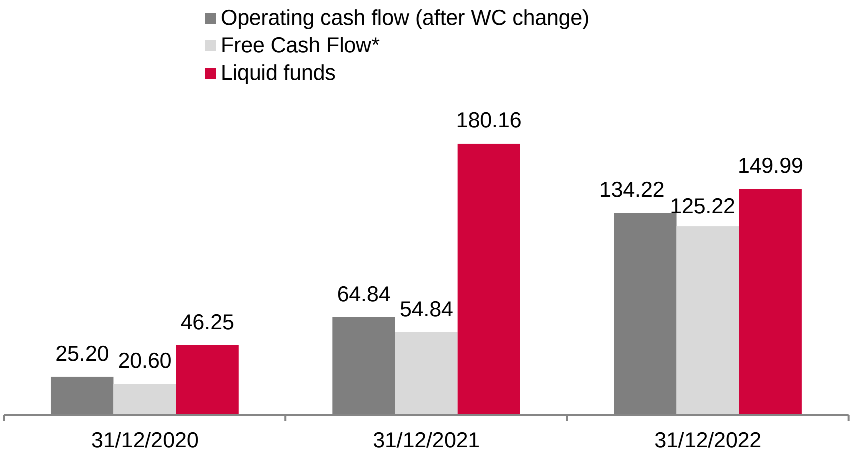
Development of equity and equity ratio (in € million / in %)



Sources: Media and Games Invest SE; GBC AG

In addition to external financing instruments, MGI also financed its M&A activities through the positive operating cash flow generated. Due to their positive business development, their operating cash flow (after WC changes) also increased significantly to € 134.22 million (PY: € 64.84 million) at the end of the past financial year compared to the previous year. This internally-generated cash alone was sufficient to cover a significant part of the investments in intangible assets and M&A in 2022.

Operating cash flow and free cash flow as well as cash and cash equivalents (in € million)



*Sources: Media and Games; GBC; *Free Cash Flow = Operating Cash Flow - Normal Investments (Maintenance, Optimisation, etc.)*

Business development Q1 2023

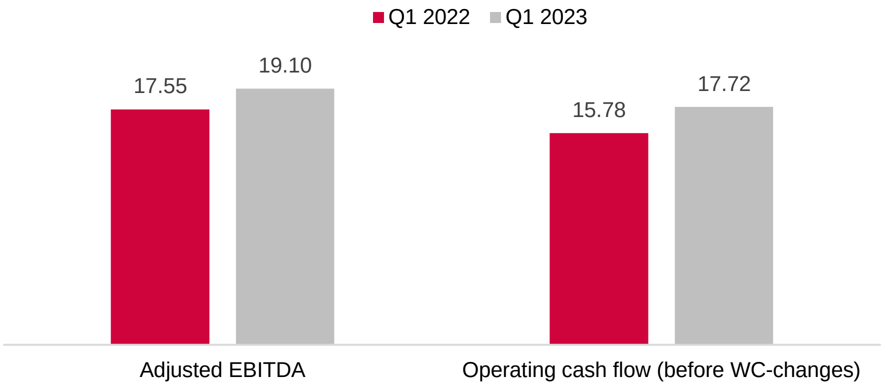
P&L (in € million)	Q1 2021	Q1 2022	Q1 2023
Revenues	51.93	65.87	68.75
EBITDA (EBITDA margin)	12.09 (23.3%)	16.87 (25.6%)	17.43 (25.4%)
Adj. EBITDA (Adj. EBITDA margin)	13.48 (25.9%)	17.55 (26.6%)	19.10 (27.8%)
Net result	2.29	2.54	0.57

Sources. Media and Games Invest SE; GBC AG

On 31 May 2023, the MGI Group announced its Q1 business figures for the current 2023 financial year. According to these figures, the ad tech company continued on its growth path in the past quarter with a 4.0% increase in revenue to € 68.75 million (PY: € 65.87 million). The growth achieved was primarily driven by 8.0% growth in the programmatic advertising platform business. This revenue growth was offset by declining games revenues (-6.0%) due to the divestment of small, non-strategic games in the fourth quarter. In addition to organic growth impulses, MGI also benefited from inorganic growth effects (AxesInMotion, Dataseat).

The renewed increase in the software customer base proved to be a significant growth driver in the opening quarter. Compared to the same quarter of the previous year, the number of major software customers increased significantly by 16.3% to 557 (Q1 2022: 479). This has put the technology company in a good position for further growth, as the software customers acquired traditionally increase their advertising revenues with MGI step by step as part of the business relationship.

Development of EBITDA and operating cash flow (in € million)



Sources: Media and Games Invest SE; GBC AG

The company's growth to date is also reflected in a leading market position in the MGI Group's key markets. For example, according to a market study (Pixalate's Mobile SSP Report), MGI's Verve Group is the market leader in mobile programmatic advertising for Android in North America with a market share of 12.0%. The Verve Group also achieved the top position in the EMEA region with a market share of 13.0%.

With regard to the development of earnings, the MGI Group significantly increased its adjusted EBITDA (Adj. EBITDA) by 8.8% to € 19.10 million (Q1 2022: € 17.55 million) compared to the same quarter of the previous year due to the growth achieved and cost optimisations carried out, thus increasing its profitability slightly above average. The increase in profitability was mainly due to synergy and efficiency effects.

MGI also achieved significant growth at the cash flow level. Their operating cash flow (before changes in working capital) increased significantly by 12.3% to € 17.72 million (Q1 2022: € 15.78 million) compared to the same quarter of the previous year. Due to their high operating profitability and strong cash flows, the technology company was able to maintain its gearing ratio (net debt / Adj. EBITDA) at a relatively low level of 3.0x at the end of the first quarter (Q1 2022: 2.9x) and expects a further improvement in this balance sheet ratio by the end of the financial year.

FORECASTS AND EVALUATION

P&L (in € million)	FY 2022	FY 2023e	FY 2024e	FY 2025e
Revenues	324.44	340.12	402.55	471.39
Adjusted EBITDA (Adj. EBITDA)	93.20	95.94	121.10	141.94
EBITDA	84.75	89.44	115.80	136.14
Net result (after minorities)	-20.32*	6.83	23.95	32.97

*Sources: Media and Games Invest SE; estimates GBC AG *negatively influenced by a one-off depreciation of € 23.6 million*

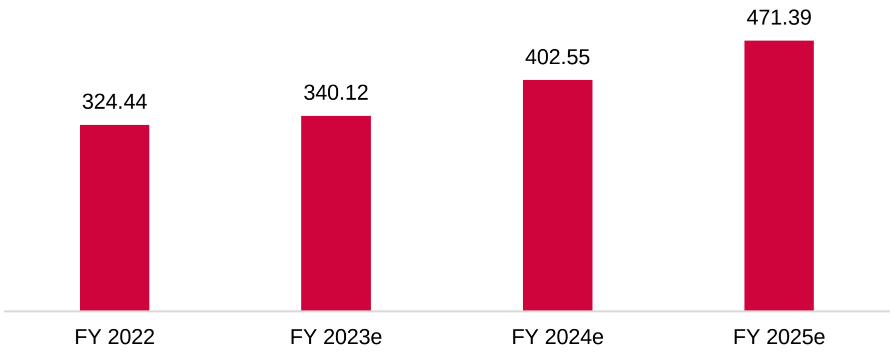
Revenue and earnings forecasts

With its fully-integrated ad tech platform (full-stack platform), the MGI Group has focused specifically on the high-growth market segment of digital programmatic advertising. Accordingly, the technology company generally pursues a growth-oriented corporate strategy, combining organic growth with value-enhancing synergistic acquisitions, which has led to average annual growth of around 64.0% in recent years (CAGR between 2018-2022).

For the current financial year 2023, the company also expects to continue on its growth path and anticipates revenue and adjusted operating EBITDA (Adj. EBITDA) in a range of € 335.0 million to € 345.0 million and € 95.0 million to € 105.0 million, respectively. Accordingly, the technology company expects year-on-year revenue growth of 3.0% to 7.0% for the current financial period. At this point, however, it should be taken into account that MGI made divestments in the games sector at the end of last year. On a comparable pro forma basis, this would result in a significantly higher revenue growth rate of 8.0% to 12.0%.

In parallel to the corporate guidance issued for the current financial period, MGI has also confirmed the previously-published medium-term corporate guidance (revenue CAGR: 25.0-30.0%; Adj. EBITDA margin: 25.0-30.0%) and thus expects a significantly higher growth momentum again in the medium term than was envisaged for the current year.

Expected turnover development (in € million)

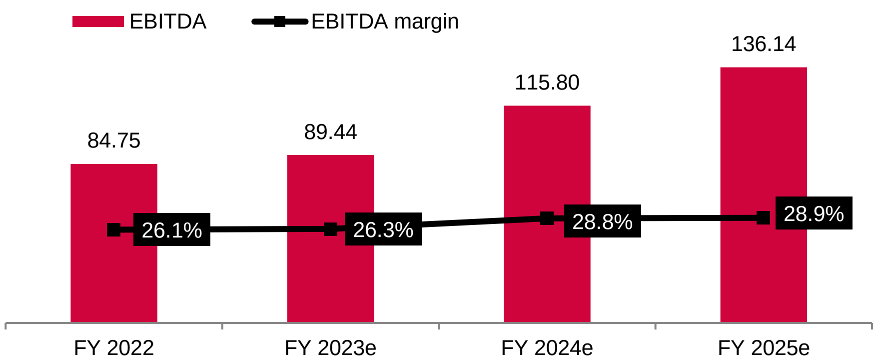


Sources: Media and Games Invest SE; estimates GBC AG

In the context of the publication of our research study on the preliminary annual results of MGI's 2022 financial year (see study dated 08/03/2023), we had adjusted our revenue and earnings forecasts to the company's guidance. In view of the satisfactory Q1 performance, the positive company outlook and the confirmation of the medium-term guidance, we hereby confirm our previous revenue and earnings forecasts for the current financial year and subsequent years.

For the current financial period, we expect revenues of € 340.12 million and an EBITDA of € 89.44 million. For the subsequent years 2024 and 2025, we continue to expect revenues (EBITDA) of € 402.55 million (€ 115.80 million) and € 471.39 million (€ 136.14 million), respectively. In parallel, the EBITDA margin should gradually increase from 26.1% in 2022 to 28.9% in 2025.

Expected EBITDA and EBITDA margin (in € million / in %)



Sources: Media and Games Invest SE; estimates GBC AG

Overall, with its good market positioning and fully integrated programmatic ad tech platform, the MGI Group should succeed in continuing its dynamic growth course in the future. The AI-supported and platform-based business model of the technology company should continue to ensure high earning power and profitability.

Based on our confirmed forecasts for the financial years 2023 and the following years and the changed cost of capital (WACC), we have slightly lowered our previous price target to € 5.30 (previously: € 5.40). Our price target reduction is the result of higher capital costs (increase in the risk-free interest rate to 2.0% instead of the previous 1.5%). As a consequence of the unchanged high inflation, we have raised the terminal value sales growth to 2.5% (previously: 2.0%), which had the effect of raising the price target. In view of the current share price level, we continue to give the rating "Buy" and see significant upside potential in the share.

Peer group analysis

In parallel to the valuation of Media and Games Invest SE using our DCF model, we also conducted a peer-group analysis. This also showed a significant undervaluation of MGI on the basis of various comparative variables used, such as traditional earnings multiples. The results of the peer-group analysis thus additionally support our valuation result on the basis of our DCF model.

Company	Ticker	EV/Revenue 22	EV/Revenue 23e	EV/Revenue 24e	EV/Revenue 25e	EV/EBITDA 22	EV/EBITDA 23e	EV/EBITDA 24e	EV/EBITDA 25e
Ad-tech									
The Trade Desk Inc.	TTD (NasdaqGM)	22.40	18.53	15.02	12.28	160.00	47.76	37.59	29.65
Pubmatic Inc.	PUBM (NasdaqGM)	3.20	3.12	2.75	2.31	12.60	10.30	8.43	6.48
Viant Technology Inc.	DSP (NasdaqGS)	0.50	0.45	0.39	0.32	n.s.	8.12	4.80	2.87
Magnite Inc.	MGNI (NasdaqGS)	4.00	4.20	3.73	3.10	15.20	12.78	10.56	7.53
AcuityAds Holdings Inc.	ILLM (TSX)	0.40	0.44	0.39	0.35	n.s.	10.10	6.59	4.52
DoubleVerify Holdings Inc.	DV (NYSE)	12.90	10.30	8.40	6.86	58.60	33.16	26.26	19.84
Integral Ad Science Hold. Inc.	IAS (NasdaqGS)	7.70	6.75	5.82	4.93	38.60	20.70	17.39	13.64
Quotient Technology Inc.	QUOT (NYSE)	1.20	1.23	1.16	1.03	n.s.	9.46	7.08	n.s.
LiveRamp Holdings Inc.	RAMP (NYSE)	2.30	1.97	1.79	1.53	n.s.	12.80	10.15	12.02
Digital Turbine Inc.	APPS (NasdaqCM)	1.70	2.06	1.73	1.62	7.40	9.60	6.58	6.28
Tremor Int. Ltd	TRMR (AIM)	1.30	1.40	1.10	1.03	4.30	6.80	3.29	2.78
Criteo S.A.	CRTO (NasdaqGS)	0.80	1.74	1.58	1.41	10.70	6.26	5.48	4.78
YOC	XTRA:YOC	1.66	1.39	1.15	0.96	16.37	9.17	7.24	5.90
Median		*1.70*	*1.97*	*1.73*	*1.53*	*15.20*	*10.10*	*7.24*	*6.38*
Ad-software and content									
AppLovin Corp.	APP (NasdaqGS)	3.70	3.45	3.16	2.92	17.40	8.65	7.63	6.77
IronSource Ltd.	IS (NYSE)	3.14	2.44	n.s.	n.s.	10.09	7.06	n.s.	n.s.
Azerion Group N.V.	AZRN (ENXTAM)	1.00	0.79	0.70	0.63	72.90	6.53	5.12	4.39
Future plc	FUTR (LSE)	1.70	1.67	1.64	1.60	4.80	4.75	4.68	4.48
Median		*2.42*	*2.06*	*1.64*	*1.60*	*13.75*	*6.80*	*5.12*	*4.48*
Gaming									
Embracer Group AB	EMBRAC B (OM)	2.40	1.32	1.16	1.06	9.40	5.93	4.42	3.68
Stillfront Group AB	SF (OM)	2.20	1.88	1.78	1.68	8.90	5.70	5.13	4.79
Paradox Interactive AB	PDX (OM)	13.70	10.64	10.27	9.81	27.20	14.86	13.74	13.31
Modern Times Group AB	MTG B (OM)	0.80	0.89	0.85	0.80	3.70	3.97	3.62	3.39
Rovio Entertainment Oyj	ROVIO (HLSE)	1.70	1.73	1.63	1.59	12.90	10.33	10.29	9.06
Team 17 Group	TM17 (AIM)	3.40	3.29	3.08	2.88	11.0	9.43	8.76	8.26
Median		*2.30*	*1.81*	*1.71*	*1.64*	*10.20*	*7.68*	*6.95*	*6.53*
Ø Total Peer group		***4.08***	***3.55***	***3.15***	***2.76***	***26.42***	***11.92***	***9.77***	***8.31***
Media and Games Invest SE	XTRA:M8G	1.20	1.59	1.42	1.27	4.90	5.86	5.10	4.59
MGI vs. Ø Peer group		**-70.6%**	**-55.2%**	**-54.9%**	**-54.0%**	**-81.5%**	**-50.8%**	**-47.8%**	**-44.7%**

Sources: S&P Capital IQ; GBC AG

DCF valuation

Model assumptions

We have valued Media and Games Invest SE using a three-stage DCF model. Starting with the concrete estimates for the years 2023 to 2025 in phase 1, the forecast is made from 2026 to 2030 in the second phase by applying value drivers. We expect revenue to increase by 5.0% (previously: 5.0%). We have assumed an EBITDA target margin of 28.9% (previously: 28.9%). We have included the tax rate at 30.0% in phase 2. In the third phase, a residual value is also determined after the end of the forecast horizon using the perpetual annuity. In the terminal value, we assume a growth rate of 2.5% (previously: 2.0%).

Determination of the cost of capital

The weighted average cost of capital (WACC) of Media and Games Invest SE is calculated from the cost of equity and the cost of debt. To determine the cost of equity, the fair market premium, the company-specific beta and the risk-free interest rate must be determined.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. The basis for this is the zero bond interest rates published by the Deutsche Bundesbank according to the Svensson method. The average yields of the previous three months are used to smooth short-term market fluctuations. The currently used value for the risk-free interest rate is currently 2.0% (previously: 1.5%).

We set the historical market premium of 5.5% as a reasonable expectation of a market premium. This is supported by historical analyses of equity market returns. The market premium reflects the percentage by which the equity market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 1.36 (previously: 1.36) is currently determined.

Using the assumptions made, we calculate a cost of equity of 9.46% (previously: 8.96%) (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the cost of equity of 80.0% (previously: 80.0%), the weighted average cost of capital (WACC) is 8.61% (previously: 8.21%).

Valuation result

The future cash flows are discounted on the basis of the entity approach. We have calculated the corresponding cost of capital (WACC) at 8.61% (previously: 8.21%). The resulting fair value per share at the end of the 2023 financial year corresponds to a target price of € 5.30 (previously: € 5.40). Our price target reduction results from higher capital costs (increase of the risk-free interest rate to 2.0% instead of 1.5% before). On the other hand, the increase in the revenue growth rate in the terminal value (increase to 2.5%, instead of 2.0% previously) had the opposite effect due to the significantly higher general inflation level.

DCF model

Media and Games Invest SE - Discounted Cashflow (DCF) model

Value driver used in the DCF model´s estimate phase:

consistency - Phase	
Revenue growth	5.0%
EBITDA margin	28.9%
Depreciation on fixed assets	27.2%
Working capital to sales	5.0%

final - Phase	
Perpetual growth rate	2.5%
Perpetual EBITA margin	21.3%
Effective tax rate in terminal value	30.0%

Three-phase DCF model:

Phase	estimate			consistency					final
in mEUR	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	GJ 29e	GJ 30e	value
Revenue (RE)	340.12	402.55	471.39	494.96	519.71	545.69	572.98	601.63	
Revenue change	4.8%	18.4%	17.1%	5.0%	5.0%	5.0%	5.0%	5.0%	2.5%
Revenue to fixed assets	1.73	2.20	2.80	3.19	3.57	3.92	4.25	4.56	
EBITDA	89.44	115.80	136.14	142.94	150.09	157.60	165.48	173.75	
EBITDA margin	26.3%	28.8%	28.9%	28.9%	28.9%	28.9%	28.9%	28.9%	
EBITA	52.34	75.00	90.29	97.09	107.93	118.00	127.65	137.11	
EBITA margin	15.4%	18.6%	19.2%	19.6%	20.8%	21.6%	22.3%	22.8%	21.3%
Taxes on EBITA	-19.89	-22.50	-27.09	-29.13	-32.38	-35.40	-38.29	-41.13	
Tax rate	38.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	32.45	52.50	63.20	67.97	75.55	82.60	89.35	95.98	
Return on capital	15.4%	25.6%	31.8%	35.4%	42.0%	48.1%	53.7%	58.7%	56.8%
Working capital (WC)	9.15	15.99	23.57	24.75	25.99	27.28	28.65	30.08	
WC to sales	2.7%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Investment in WC	-7.12	-6.84	-7.58	-1.18	-1.24	-1.30	-1.36	-1.43	
Operating fixed assets (OFA)	196.17	182.87	168.62	155.07	145.60	139.11	134.73	132.00	
Depreciation on OFA	-37.10	-40.80	-45.85	-45.85	-42.17	-39.59	-37.83	-36.64	
Depreciation to OFA	18.9%	22.3%	27.2%	27.2%	27.2%	27.2%	27.2%	27.2%	
CAPEX	-24.20	-27.50	-31.60	-32.30	-32.70	-33.10	-33.45	-33.90	
Capital employed	205.32	198.86	192.19	179.81	171.59	166.39	163.38	162.08	
EBITDA	89.44	115.80	136.14	142.94	150.09	157.60	165.48	173.75	
Taxes on EBITA	-19.89	-22.50	-27.09	-29.13	-32.38	-35.40	-38.29	-41.13	
Total Investment	-52.32	-69.34	-80.18	-33.48	-33.94	-34.40	-34.81	-35.33	
Investment in OFA	-24.20	-27.50	-31.60	-32.30	-32.70	-33.10	-33.45	-33.90	
Investment in WC	-7.12	-6.84	-7.58	-1.18	-1.24	-1.30	-1.36	-1.43	
Investment in goodwill	-21.00	-35.00	-41.00	0.00	0.00	0.00	0.00	0.00	
Free cashflows	17.23	23.96	28.87	80.34	83.78	87.80	92.37	97.28	1440.30

Value operating business (due date)	1146.01	1220.77
Net present value explicit free cashflows	338.32	343.51
Net present value of terminal value	807.68	877.26
Net debt	297.94	314.62
Value of equity	848.07	906.15
Minority interests	-3.50	-3.74
Value of share capital	844.57	902.41
Outstanding shares in m	159.25	159.25
Fair value per share in €	**5.30**	5.67

Cost of Capital:

Risk-free rate	2.0%
Market risk premium	5.5%
Beta	1.36
Cost of equity	9.5%
Target weight	80.0%
Cost of debt	6.5%
Target weight	20.0%
Tax shield	19.8%
WACC	**8.6%**

Return on Capital	WACC				
	8.0%	**8.3%**	**8.6%**	**8.9%**	**9.2%**
56.3%	6.02	5.62	5.26	4.93	4.63
56.6%	6.05	5.64	5.28	4.95	4.66
56.8%	6.08	5.67	**5.30**	4.97	4.68
57.1%	6.10	5.69	5.33	5.00	4.70
57.3%	6.13	5.72	5.35	5.02	4.72

APPENDIX

I.
Research under MiFID II
1. There is a contract between the research company GBC AG and the Issuer regarding the independent preparation and publication of this research report on the Issuer. GBC AG is remunerated for this by the Issuer.
2. The research report shall be made available simultaneously to all investment service providers interested in it.

II.
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§ 2 (I) Update:
A specific update of the present analysis(es) at a fixed point in time has not yet been scheduled. GBC AG reserves the right to update the analysis without prior notice.

§ 2 (II) Recommendation / Classifications / Rating:
GBC AG has been using a three-stage absolute share rating system since 1 July 2006. Since 1 July 2007, the ratings have referred to a time horizon of at least six to a maximum of 18 months. Previously, the ratings referred to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are determined according to the ratings described below with reference to the expected return. Temporary price deviations outside these ranges do not automatically lead to a change in the rating, but do give rise to a revision of the original recommendation.

The respective recommendations / classifications / ratings are associated with the following expectations:

BUY	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is >= + 10 %.
HOLD	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is > - 10 % and < + 10 %.
SELL	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is <= - 10 %.

Price targets of GBC AG are determined on the basis of the fair value per share, which is determined on the basis of generally recognised and widely used methods of fundamental analysis, such as the DCF method, the peer group comparison and/or the sum-of-the-parts method. This is done by taking into account fundamental factors such as share splits, capital reductions, capital increases, M&A activities, share repurchases, etc.

§ 2 (III) Historical recommendations:
GBC's historical recommendations on the present analysis(es) are available on the internet at the following address:
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§ 2 (IV) Information basis:
For the preparation of the present analysis(es), publicly available information on the issuer(s) (where available, the three most recently published annual and quarterly reports, ad hoc announcements, press releases, securities prospectus, company presentations, etc.) was used, which GBC considers to be reliable. Furthermore, in order to prepare the present analysis(es), discussions were held with the management of the company(ies) concerned in order to obtain a more detailed explanation of the facts relating to the business development.

§ 2 (V) 1. Conflicts of interest pursuant to § 85 WpHG and Art. 20 MAR:
GBC AG and the responsible analyst hereby declare that the following possible conflicts of interest exist for the company(ies) named in the analysis at the time of publication and thus comply with the obligations of § 85 WpHG and Art. 20 MAR. An exact explanation of the possible conflicts of interest is listed below in the catalogue of possible conflicts of interest under § 2 (V) 2.

The following potential conflict of interest exists with respect to the securities or financial instruments discussed in the analysis: (5a ,7 ,11)

§ 2 (V) 2. catalogue of possible conflicts of interest:
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