

Mossberg's Investor Digest

Best Idea Profile:

Mood Media Corporation (TSX:MM.TO)

DESCRIPTION:

Mood Media Corporation designs in-store consumer experiences, including audio, visual, interactive, scent, voice and advertising solutions for over 560,000 subscriber locations that reach over 150 million consumers each day. Mood Media uses this mix of music, visual and scent media to help its clients communicate with consumers in order to drive incremental sales at the point-of-purchase. The Company delivers tailored content at a specific time in order to target a specific audience for its customers. It also eliminates repetitive and meaningless background media that is otherwise common at the point of sale. The media is broadcast through customizable technology and integrated into the clients' own technology systems. Mood Media Corporation's client base includes more than 850 brands in more than 40 countries throughout North America, Europe, Asia and Australia. Its solutions are in diverse market sectors that include: retail, from fashion to financial services; hospitality, from hotels to health spas; and food retail, including restaurants, bars, quick-serve and fast casual dining. Mood Media is based in Concord, Canada.

KEY INVESTMENT CONSIDERATIONS:

Growth Through Acquisitions – Started in 2007 as a private-label music aggregation and distribution company, Mood Media has grown through deliberately planned acquisitions that provide a huge collection of media catalogs, professional talent, and a global retail footprint. In the last year and a half the Company acquired six companies.

Technomedia Solutions is Big Win – Mood Media's latest acquisition is of Technomedia Solutions and its sister company, GoConvergence. The acquisition will be immediately accretive and provide accelerated growth and competitive positioning through its complementary businesses. It serves multiple industries, including retail, hospitality, theme parks, performing arts, museums, special venue, and education. Its customers include Abercrombie & Fitch, Hard Rock Café International, Cirque du Soleil, Wanda Group as well as leading entertainment and education clients globally. In 2012, Technomedia is expected to generate annual revenues of \$43 million and EBITDA of \$5.7 million.

Improving Financial Performance – 3Q revenue rose by 38%, compared with the prior year's third quarter, and adjusted EBITDA rose by 16% over the same period. Importantly, average revenue per unit rose 3%.

Creative and Entrepreneurial Management – Mood Media's CEO is a proven entrepreneur with a strong track record in creating shareholder value. He co-founded one of the fastest growing companies in the history of the Toronto stock exchange that was subsequently sold for half a billion dollars. Interestingly, he was featured this month in the popular CBS series "Undercover Boss."

Leadership Position – Mood Media continues to expand its leadership position geographically. Its recent announcements include the agreement with Esprit (retail store) to provide all its stores in China with custom media programs. Besides its broad geographic reach, Mood Media's platforms include 77% of the top 100 retailers in the United States and 100% of the top 50 quick-serve and fast-casual restaurant companies.

VALUATION:

Mood Media has substantial debt as a result of its acquisition strategy, but fundamentals continue to accelerate as a result of its well-executed expansion. Based on the current adjusted EBITDA run rate \$120 million, plus the \$5 million+ in acquired EBITDA from the recent Technomedia acquisition, the valuation is 6.5x EV/EBITDA. This seems like an attractive valuation for a growing business that produces approximately 60% gross margin and has 92% recurring revenue.

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Investment Data (as of 1/20/13)

Recent Price	\$1.93
52-Week Range	\$1.59 - \$4.36
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	172 M
Average Trading Volume (3 mos)	288k
Market Capitalization	\$335 M
Cash	\$11 M
Long-term Debt	\$481 M
Enterprise Value (EV)	\$807 M
Book Value	\$1.04
TTM Revenue	\$455 M
P/ Revenue	0.7x
TTM EPS	\$(0.12)
P/ EPS	NA
TTM EBITDA	\$118 M
EV/ EBITDA	6.9

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