

## M8G: Derisked Gaming and Media Business in the Process of Scaling Up

Markus Matuszek of M17 Capital Management presented his in-depth investment thesis on Media and Games Invest (Germany: M8G) at European Investing Summit 2020.

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*The following transcript has been edited for space and clarity.*

**Markus Matuszek:** I'd say it is quite a particular time with regards to presenting ideas because many business models are being tested. Many companies you believed a year ago would be very resilient to any shocks are either on their knees or struggling with different issues, for example, liquidity. Others are down now or even considering being bankrupt. In light of that, our team has considered looking into business models and opportunities that should withstand these tests and issues because they are well vetted and also quite resilient when it comes to the shocks we are facing with corona.

I'm about to present Media and Games Invest (MGI), which is still quite a tiny company with around €100 million in market cap but with an extremely interesting business model, especially if you are a long-term investor and even more so if you consider yourself a value investor. Before I go into the meat of it, I'm required to offer a legal disclaimer. My presentation is not investment advice. Please do your own research and make sure that any ideas fit your risk profile and allocation considerations.

We have a very specific approach in terms of how we invest. What drives our thinking is the focus on buying well-managed, structurally growing companies, which very often, if you think of small and mid-cap stocks, operate in a niche segment with reasonably strong pricing power. Hence, they are able to command very attractive valuations, not for the short term, but on a cumulative basis. We consider different scenarios and catalysts; it is not just the typical game of "this is a value stock, but it never moves." Ideally, you have certain inflection points because they crystallize or communicate to the market much clearer the value you have in a given stock, and hence, the upside potential. It is extremely important for us to make sure that we manage the drawdowns carefully. If you cannot, at least you adjust the position size according to what you have in the portfolio.

In terms of our analytical approach, we always combine several disciplines. We want to truly understand what the core elements driving the business are. In other words, the story behind the given companies. We then try to evaluate that, first and foremost, on the non-financial elements. We very often assess what we call the SCP framework, which is looking into the structure, the conduct, and the performance of the respective companies. We only start to look into the financials when we see that it is really attractive, there are some interesting elements popping up, and it is sustainable and in place for the long term.

I would say we don't differentiate ourselves too much vis-a-vis others except for one particular element. We consider or include all the prior conclusions and insights into the financials