# ad pepper
Germany/Media

Analyser

ESN

## Accumulate
*Recommendation unchanged*

| **Share price: EUR** | **2.74** |
|---|---|

*closing price as of 16/05/2016*

| **Target price: EUR** | **2.60** |
|---|---|

*Target Price unchanged*

| Reuters/Bloomberg | APME.F/APM GY |
|---|---|
| **Market capitalisation (EURm)** | 57 |
| Current N° of shares (m) | 21 |
| **Free float** | 50% |
| **Daily avg. no. trad. sh. 12 mth** | |
| Daily avg. trad. vol. 12 mth (m) | |
| Price high 12 mth (EUR) | 2.79 |
| Price low 12 mth (EUR) | 0.73 |
| Abs. perf. 1 mth | 36.46% |
| Abs. perf. 3 mth | 91.33% |
| Abs. perf. 12 mth | 242.00% |

| Key financials (EUR) | 12/15 | 12/16e | 12/17e |
|---|---|---|---|
| Sales (m) | 56 | 62 | 67 |
| EBITDA (m) | 1 | (0) | 1 |
| *EBITDA margin* | *1.0%* | *nm* | *1.8%* |
| EBIT (m) | 0 | (1) | 1 |
| *EBIT margin* | *0.4%* | *nm* | *1.3%* |
| Net Profit (adj.)(m) | (0) | (1) | 1 |
| ROCE | -2.4% | 18.8% | -19.5% |
| Net debt/(cash) (m) | (23) | (21) | (23) |
| *Net Debt/Equity* | *-1.4* | *-1.4* | *-1.4* |
| *Debt/EBITDA* | *-42.1* | *118.7* | *-18.5* |
| Int. cover(EBITDA/Fin. int) | (2.8) | 0.9 | (6.1) |
| EV/Sales | 0.1 | 0.6 | 0.6 |
| EV/EBITDA | 13.3 | nm | 31.6 |
| EV/EBITDA (adj.) | 13.3 | nm | 31.6 |
| EV/EBIT | 29.5 | nm | 44.3 |
| P/E (adj.) | nm | nm | nm |
| P/BV | 1.7 | 4.1 | 3.9 |
| *OpFCF yield* | *5.0%* | *-0.4%* | *1.2%* |
| *Dividend yield* | *0.0%* | *0.0%* | *0.0%* |
| EPS (adj.) | (0.00) | (0.03) | 0.02 |
| BVPS | 0.75 | 0.67 | 0.71 |
| DPS | 0.00 | 0.00 | 0.00 |



*Source: Factset*

— AD PEPPER — Stoxx Media (Rebased)

*Shareholders:* EMA B.V. (M. Oschmann) 41%;
Euroserve Media (M. Oschmann) 2.00%;
Own Shares 7%;

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## Surprising strong start into the year 2016

**The facts:** Late last Friday ad pepper media (APM) reported excellent Q1 results which were clearly above our forecast and even of the management. With a sales increase of 24% yoy for Q1/16 to EUR 14.4m and an EBIT of EUR 0.6m the company was better than every Q1 before and ahead of our estimates with sales of EUR 13.6m and a negative EBIT of EUR -0.2m. Consequently the gross profit rose by 0.9% to EUR 3.8m and the net profit with EUR 0.6m was also much better than our expectation of EUR -0.2m.

**1Q16 review**

| in EUR m | 1Q16a | 1Q16e | delta | 1Q15 | yoy | 1Q16c | FY16e | FY15 | yoy | FY16c | delta |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales | 14.4 | 13.6 | 6% | 11.6 | 24% | nm | 61.8 | 56.0 | 10% | 65.0 | -5% |
| EBIT | 0.6 | -0.2 | 407% | -0.4 | 1238% | nm | -0.5 | 0.2 | -306% | 0.9 | -153% |
| *EBIT margin* | *4.1%* | *-1.4%* | *550bp* | *-3.1%* | *720bp* | *nm* | *-0.8%* | *0.4%* | *-120bp* | *1.5%* | *-230bp* |
| Net profit | 0.6 | -0.2 | 366% | -0.1 | 2960% | nm | -0.6 | 0.0 | -1689% | 0.9 | -166% |
| EPS [EUR] | 0.03 | -0.01 | 366% | 0.00 | nm | nm | -0.03 | 0.00 | -1716% | 0.04 | -170% |

*Sources: Company data, equinet Research - *after minorities*

**Our analysis:** Management had guided an operating turnaround at the beginning of FY15. This now seems to have materialized and have a positive impact. Ad peppers revenue driver has been Webgains which brought in EUR 10.7m and represents a growth rate of about 34%. Thereby APM (ad pepper media) was well above our expectations of EUR 10.2m and growth rate of about 26%. Additionally ad agent's strongly improved sales by 38.5% to a total amount of EUR 2.7m vs. our forecast of EUR 2.1m e.g. 15% yoy. APM´s third segment ad pepper media, stayed still flat compared to last quarter. Other positive impacts were an improved free cash flow as well as better working capital. Additionally the sale of securities got a significant contribution to the positive results.

The deviations from our estimates are based on the fact, that we had expected further monetary burdens from the degrading of employees (221 FY14 to 162 FY 15) as well as now to the slightly buildup of new staff in the successful departments of webgains and ad agents. Even for the full financial year 2016 we expect operating expenses to further increase to support the strong sales growth. It should be noted this periods´ EBIT was additionally impacted by two one-off items (change in accounting and sales proceeds) in the amount of ca. EUR 0,2m. Adjusting for those, EBIT would be EUR 0,4m or 2.8% EBIT-margin vs. 4.2% as reported.

***Conclusion & Action:*** *Experience has shown, that APM´s first quarter is normally the weakest, what is due not least to market cycles and business seasonality. After this trend has been broken, we are curious to see if it will go on like this in the following quarters. Following the strong share price performance since our last study in mid-April we downgrade the shares from Buy to Accumulate and confirm our target price of EUR 2.60*