

Neutral

from Buy

Share price: EUR 2.21

closing price as of 20/03/2017

Target price: EUR 2.30

from Target Price: EUR 3.00

Upside/Downside Potential 4.1%

Reuters/Bloomberg

APME.F/APM GY

Market capitalisation (EURm) 46

Current N° of shares (m) 21

Free float 42%

Daily avg. no. trad. sh. 12 mth 23

Daily avg. trad. vol. 12 mth (m) 231.51

Price high/low 12 months 1.72 / 2.79

Abs Perfs 1/3/12 mths (%) -7.14/-5.96/28.49

Key financials (EUR)

	12/15	12/16e	12/17e
Gross margin (m)	0	0	0
EBITDA (m)	(1)	2	2
EBITDA margin	nm	2.9%	2.6%
EBIT (m)	(1)	2	1
EBIT margin	nm	nm	nm
Net Profit (adj.)(m)	(0)	1	1
ROCE	12.4%	-33.3%	-22.1%
Net debt/(cash) (m)	(23)	(25)	(27)
Net Debt/Equity	-1.4	-1.4	-1.4
Debt/EBITDA	23.3	-14.3	-15.9
Int. cover(EBITDA/Fin. int)	5.0	(15.7)	(12.5)
EV/Sales	nm	nm	nm
EV/EBITDA	nm	16.1	13.3
EV/EBITDA (adj.)	nm	16.1	13.3
EV/EBIT	nm	17.5	17.8
P/E (adj.)	nm	44.0	nm
P/BV	1.7	3.0	2.6
OpFCF yield	3.3%	4.1%	3.5%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	(0.02)	0.05	0.04
BVPS	0.75	0.81	0.85
DPS	0.00	0.00	0.00

Value driver webgains weakens, 2017 a year of transition

The facts: Yesterday morning ad pepper media (APM) presented its outlook for FY 2017 and the news, that following the stepping down of Ulrike Handel as CEO, Dr. Jens Körner, former CFO, will become her successor. Regarding FY16 nothing changed to APM prelim figures announced in January this year.

2016 review

in EUR m	FY16a	FY15	yoy	FY16e	delta	FY16c	delta
Sales	61.2	56.0	9.3%	61.8	-1.0%	61.2	0.0%
EBIT	1.6	0.4	265.9%	2.1	-21.5%	1.8	-10.6%
EBIT margin	2.6%	0.8%	180bp	3.3%	150bp	2.9%	248.5%
EBT	1.7	0.44	286.4%	2.2	-22.7%	nm	nm

Sources: Company data, equinet Research

Outlook 2017: With planned sales of EUR 65m the group's speed of growth would half. With EBITDA of EUR 1.0 - 1.5m the company even guides for an earnings decline. Our expectations for top line were around EUR 67.6m and for EBITDA around 2.35m.

With expected sales of EUR 16m for Q1/17 (Q1 2016: EUR 14.4m) the company's guidance is slightly above our expectations of EUR 15.6m. Gross profit is expected to be circa EUR 4.0m (Q1 2016: EUR 3.8m) which would be a miss to our projection of EUR 4.3m. EBITDA Q1/17 should come in negative with EUR -0.3m (Q1 2016: EUR 0.5m) what would be a clear miss to our forecast of EUR 0.41m.

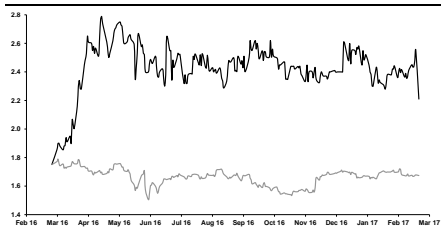
The weak start into the year seems to be the decisive factor for the defensive guidance FY17.

Our analysis: We are delighted to see Dr. Körner in the position of the new CEO, as we believe, that the decision for him follows a clear strategic orientation within the transformation process of APM to a technology leader in terms of performance marketing. As Chief Financial Officer (CFO), Dr. Körner has for the past ten years managed the finances of the ad pepper media group.

Regarding APM's outlook we see several reasons for the weakness ahead:

- Pressure on gross margin from key customers
- Missing sales of a bigger customer
- Higher cost basis for headcount (82 to > 90) and SG&A (Q1/16 EUR 3.2m vs. Q1/17 EUR 4.4m)
- Adverse currency effect - predominantly from the devaluation of the GBP

Conclusion & Action: Regarding FY16 APM has shown a strongly operative performance which surprised us with lower OPEX and solid group sales despite being affected by foreign currency in the webgains (72% of sales) segment. The announced earnings guidance for 2017 seems to be quite uninspiring, however. Against the background of declining operational profitability with a decreasing cost discipline in FY2017, it is unlikely that we will see a short-term outperformance. Nevertheless we rate the guidance as conservative. We therefore cut our recommendation from Buy to Neutral with a lower DCF-based target price of EUR 2.30.



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