


Buy

Recommendation unchanged

Share price: EUR 1.07

closing price as of 14/08/2015

Target price: EUR 1.40

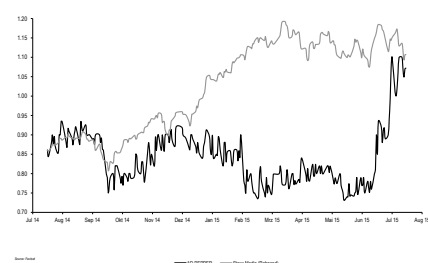
Target Price unchanged

Reuters/Bloomberg

APME.F/APM GY

Market capitalisation (EURm)	23
Current N° of shares (m)	21
Free float	41%
Daily avg. no. trad. sh. 12 mth	15,937
Daily avg. trad. vol. 12 mth (m)	18
Price high 12 mth (EUR)	1.10
Price low 12 mth (EUR)	0.73
Abs. perf. 1 mth	32.35%
Abs. perf. 3 mth	30.10%
Abs. perf. 12 mth	24.51%

Key financials (EUR)	12/14	12/15e	12/16e
Sales (m)	47	50	52
EBITDA (m)	(4)	0	1
EBITDA margin	nm	0.7%	1.6%
EBIT (m)	(4)	0	1
EBIT margin	nm	0.2%	1.0%
Net Profit (adj.) (m)	(5)	0	0
ROCE	232.5%	-3.6%	-24.8%
Net debt/(cash) (m)	(15)	(15)	(14)
Net Debt/Equity	-0.9	-0.9	-0.8
Debt/EBITDA	4.0	-42.0	-17.4
Int. cover(EBITDA/Fin. int)	17.3	(1.7)	(4.1)
EV/Sales	nm	0.1	0.0
EV/EBITDA	0.2	7.7	2.8
EV/EBITDA (adj.)	0.2	7.7	2.8
EV/EBIT	0.2	32.2	4.4
P/E (adj.)	nm	nm	nm
P/BV	1.2	1.4	1.4
OpFCF yield	-36.4%	0.0%	1.2%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	(0.25)	0.00	0.02
BVPS	0.74	0.75	0.77
DPS	0.00	0.00	0.00



Shareholders: Board Members 48%; Own Shares 8%; Grabacap ApS 3%;

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Strong progress on the cost-side

Ad Pepper reported solid Q2 numbers with a break-even of EUR 0.1m on EBITDA level. Furthermore, management made significant progress on the cost-side and already overachieved the FY15 target. Hence, we believe management is on track to achieve its guidance to break-even also on a full year basis. We like ad pepper's high net cash position of EUR 0.90 per share, which should limit the share price risk. All in all, we rate ad pepper an interesting restructuring case with limited downside. We confirm our BUY rating and the price target of EUR 1.40.

Q2 results: ad pepper reported a revenue increase of 20% to EUR 12.8m and gross profit increase of 4% to EUR 3.9m. Due to significant cost reductions operating expenditure decreased by 23% yoy and by another 6.5% qoq. Hence, EBITDA turned slightly positive to EUR 0.1m. Accounting for D&A, a negative financial result, taxes and minorities, net income amounted to EUR -31.000.

EUR ('000)	Q2/14	Q2/15	yoy	6M/14	6M/15	yoy	2014e	2015e	yoy
Revenues	10,672	12,781	20%	22,251	24,380	10%	47,281	50,016	6%
Gross profit	3,722	3,861	4%	7,859	7,620	(3%)	16,131	15,656	(3%)
% margin	35%	30%		35%	33%		34%	31%	
Operating costs	(4,972)	(3,852)	(23%)	(10,100)	(7,969)	(21%)	(20,071)	(15,572)	(22%)
EBITDA	(1,177)	96		(2,113)	(196)		(3,729)	346	
EBIT	(1,250)	9		(2,241)	(349)		(3,940)	83	
EPS basic	-0.05	-0.00		-0.08	-0.02		-0.26	0.00	

Source: ad pepper, equinet Research estimates

Segments: Looking at the different business segments, webgains was the key driver of the solid Q2 development. Here, revenues increased by 35% to EUR 9.2m and EBIT contribution amounted to EUR 0.25m. This was clearly supported by positive FX effects from UK and a positive one-off. Nevertheless, we estimate that organic growth still amounted to healthy 5-10%. Due to the closing of unprofitable business entities and restructuring costs (EUR 0.2m) ad pepper media reported a revenue decline of 23% to EUR 1.7m and an EBIT contribution of only EUR 27.000. Given the successful cost measures, negative EBIT contribution from "Administration" declined by 46% qoq to only EUR -0.23m.

Outlook: Management implemented restructuring measures in Q4/14, which should lead to cost savings of EUR 2.0m in FY15. However, when looking at annualized cost base of EUR 16.0m, management has already overachieved this target by another EUR 2.0m after H1. Hence, we are optimistic that the company can achieve its plan to break even in FY15. Management is positive on H2 trends, but acknowledges that it will be tough to "achieve satisfying Q3 results", given a relatively weaker summer quarter and a largely stable cost structure. However, they expect a much stronger business development again in Q4.

Conclusion: Management confirmed the guidance of an operating turnaround in FY15. Besides a stronger development of all business segments, this should also be driven by cost reductions of EUR 2.0m. As the cost target has already been overachieved, we believe ad pepper is on track to reach its goal. We forecast EBIT of EUR 0.1m for FY15 (after EUR 0.2m previously, which is due to higher one-offs). Furthermore, we like the net cash position of EUR 0.90 per share, which should limit the share price risk. All in all, we rate ad pepper an interesting restructuring case with a limited downside.