ad pepper

Germany/Media

Analyser

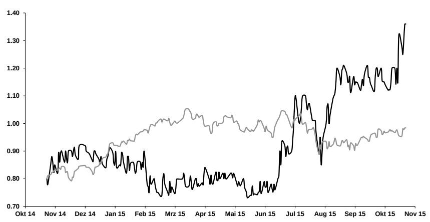
Buy

Recommendation unchanged

Share price: EUR	**1.36**
closing price as of 20/11/2015	
Target price: EUR	**1.60**
from Target Price: EUR	**1.40**
Reuters/Bloomberg	APME.F/APM GY

Market capitalisation (EURm)	29
Current N° of shares (m)	21
Free float	41%
Daily avg. no. trad. sh. 12 mth	16,870
Daily avg. trad. vol. 12 mth (m)	23
Price high 12 mth (EUR)	1.36
Price low 12 mth (EUR)	0.73
Abs. perf. 1 mth	16.24%
Abs. perf. 3 mth	34.65%
Abs. perf. 12 mth	70.00%

Key financials (EUR)	12/14	12/15e	12/16e
Sales (m)	47	52	57
EBITDA (m)	(4)	0	1
EBITDA margin	*nm*	*0.8%*	*1.9%*
EBIT (m)	(4)	0	1
EBIT margin	*nm*	*0.3%*	*1.4%*
Net Profit (adj.)(m)	(5)	(0)	1
ROCE	232.5%	10.2%	-31.1%
Net debt/(cash) (m)	(15)	(15)	(15)
Net Debt/Equity	*-0.9*	*-0.9*	*-0.9*
Debt/EBITDA	4.0	-35.1	-13.8
Int. cover(EBITDA/Fin. int)	17.3	(2.1)	(5.4)
EV/Sales	nm	0.2	0.1
EV/EBITDA	0.2	20.8	7.4
EV/EBITDA (adj.)	0.2	nm	7.4
EV/EBIT	0.2	58.4	10.0
P/E (adj.)	nm	nm	49.2
P/BV	1.2	1.8	1.8
OpFCF yield	*-36.4%*	*0.5%*	*2.3%*
Dividend yield	*0.0%*	*0.0%*	*0.0%*
EPS (adj.)	(0.25)	(0.01)	0.03
BVPS	0.74	0.75	0.78
DPS	0.00	0.00	0.00



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

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Guidance raised following solid Q3 numbers

Solid Q3 results: ad pepper reported another strong revenue increase of 10% to EUR 12.8m. However, gross profit declined by 8% to EUR 3.8m, which was mainly related to the reorganisation at ad pepper media. At the same time, management was able to reduce operating costs by 19%. Nevertheless, EBIT came in at EUR -68k and net income was EUR -3k.

EUR ('000)	Q3/14	Q3/15	yoy	9M/14	9M/15	yoy	2014	2015e	yoy
Revenues	11,639	12,769	10%	33,890	37,149	10%	47,281	52,124	10%
Gross profit	**4,098**	**3,783**	**(8%)**	**11,957**	**11,403**	**(5%)**	**16,131**	**15,850**	**(2%)**
% margin	35%	30%		35%	33%		34%	30%	
Operating costs	(4,753)	(3,851)	(19%)	(14,853)	(11,820)	(20%)	(20,071)	(16,101)	(20%)
EBITDA	**(630)**	**(9)**		**(2,743)**	**(205)**		**(3,729)**	**429**	
EBIT	(655)	(68)		(2,896)	(417)		(3,940)	149	
EPS basic	**(0.03)**	**(0.00)**		**(0.12)**	**(0.02)**		**(0.26)**	**0.01**	

Source: ad pepper, equinet research

Business segments: Due to divestments and business closures ad pepper media reported a revenue decline of 45% to EUR 1.5m. However, EBIT was positive at EUR 0.13m. Webgains revenues soared by 25% to EUR 9.2m, driven by a healthy business in Germany, US and UK, whereas France and Spain were rather modest. The business was also profitable with EBIT amounting to EUR 0.16m. Ad agents improved sales by 30% to EUR 2.1m, but still was not breakeven.

Further progress in restructuring: ad pepper signed a contract to sell the Danish subsidiaries "Globase" and "ad pepper media Denmark". Both businesses contributed a minus of EUR 0.83m to EBIT in FY14. The sale will lead to a positive earnings impact of EUR 0.4m in Q4/15.

Guidance raised: Due to the solid business development in the first nine months, the successful divestment in Denmark and a very good start into Q4, management raised the guidance for FY15 and now expects revenues of around EUR 52.0m and EBITDA to come in at 0.4m. Previously management had guided for cost reduction of EUR 2.0m - which was already achieved after six months - and break-even in FY15.

Conclusion: At the beginning of the year, management had guided an operating turnaround for FY15. Besides a stronger development of all business segments this should also have been driven by cost reductions of EUR 2.0m. The latter was already achieved after 6M/15. Throughout FY14, management has already sold or closed non-core business units and proceeded with this in FY15. Hence, we believe management is right on track to reach its guidance. In FY16, profitability should further increase through the elimination of restructuring charges. Furthermore, we like the net cash position of EUR 0.87 per share. As we do not expect management to use its cash for acquisition, we believe further upside could be realized through a share buy-back. All in all, we rate ad pepper an interesting restructuring case. Given the good progress in restructuring, we increased our long-term earnings estimates and arrive at a new DCF based fair value of EUR 1.60, following EUR 1.40 previously.