


Buy

Recommendation unchanged

Share price: EUR 1.40

closing price as of 10/02/2012

Target price: EUR 1.80

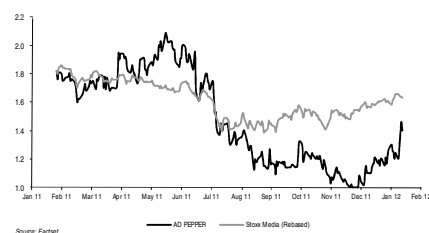
Target Price unchanged

Reuters/Bloomberg

APME.F/APM GY

Market capitalisation (EURm)	30
Current N° of shares (m)	21
Free float	41%
Daily avg. no. trad. sh. 12 mth	25,640
Daily avg. trad. vol. 12 mth (m)	0
Price high 12 mth (EUR)	2.09
Price low 12 mth (EUR)	1.00
Abs. perf. 1 mth	22.91%
Abs. perf. 3 mth	12.90%
Abs. perf. 12 mth	-18.60%

Key financials (EUR)	12/11p	12/12e	12/13e
Sales (m)	56	62	69
EBITDA (m)	(2)	(2)	0
EBITDA margin	nm	nm	0.3%
EBIT (m)	(3)	(2)	(0)
EBIT margin	nm	nm	nm
Net Profit (adj.)(m)	(4)	(4)	(2)
ROCE	-149.1%	-122.9%	94.6%
Net debt/(cash) (m)	(16)	(13)	(12)
Net Debt/Equity	-0.7	-0.7	-0.6
Debt/EBITDA	7.3	8.1	-60.1
Int. cover(EBITDA/Fin. int)	3.9	3.5	(0.4)
EV/Sales	0.1	0.4	0.4
EV/EBITDA	nm	nm	nm
EV/EBITDA (adj.)	nm	nm	nm
EV/EBIT	nm	nm	nm
P/E (adj.)	nm	nm	nm
P/BV	1.0	1.6	1.8
OpFCF yield	-21.1%	-12.8%	-7.8%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	(0.17)	(0.17)	(0.10)
BVPS	1.03	0.86	0.76
DPS	0.00	0.00	0.00



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4Q11 broadly in line – ad agents very strong

The facts: Ad Pepper (APM) reported preliminary figures on Friday. **Group sales came in at EUR 56.0m and were better by 2% or EUR 1.1m relative to expectations.** We note that the **ad agents** (search engine optimisation and marketing) **was very strong** in 4Q11 as revenues came in at EUR 4.1m, up 112% yoy as the division benefitted from larger contracts. In contrast, ad pepper core was weak with flat sales qoq at EUR 6.2m, down 19% yoy while Webgains developed on track (revenues of EUR 6m, up 21.4% yoy).

As the segment mix was not very favourable for the gross margin, APM reported a figure below 40% in 4Q11 (38.8%). This was probably the reason for **EBITDA missing our projections slightly despite higher sales:** In 4Q11, APM reported EUR 0.23m which compares to our estimate of EUR 0.36m. The good message was that the quarter returned to profitability thanks to relative OPEX discipline.

4Q11 review

in EUR m	4Q11a	4Q11e	delta	4Q10	yoy	FY11a	FY11e	delta
Sales	16.3	15.2	7%	14.5	12%	56.0	54.9	2%
EBITDA	0.2	0.4	-38%	0.7	-67%	-2.2	-2.1	7%
EBITDA margin	1.4%	2.4%	-100bp	4.7%	-330bp	-4.0%	-3.8%	-40bp
EBIT	0.1	0.2	-54%	0.5	-78%	-2.7	-2.6	5%

Source: company data, equinet estimates

Liquid assets stood at EUR 16.2m (EUR 0.77 per share) and equity at EUR 22.7m (EUR 1.07m per share) at the end of FY11.

APM has only provided a qualitative outlook for FY12: Positive growth trends should continue and profitability improve significantly.

Our analysis: Overall, the reported figures are broadly in line with our forecast on the group level. The segment mix might continue in principle, however, as regards a weaker core business, but a stronger ad agents result. This should continue to affect profitability to some extent. We have upgraded our sales expectations as can be seen below as ad agents should be even more the growth driver within the group, but lowered our earnings estimates for FY12e. For FY13e, we have kept our projections as we expect APM to compensate a potentially lower gross margin through OPEX savings.

Model changes

in EUR m	'11 old	'11 new	change	'12 old	'12 new	change	'13 old	'13 new	change
Sales	54.9	56.0	2%	60.1	61.6	3%	66.3	68.7	4%
EBITDA	-2.1	-2.2	6%	-1.1	-1.6	49%	0.20	0.20	0%
EBITDA margin	-3.8%	-4.0%	-20bp	-1.8%	-2.7%	-90bp	0.3%	0.3%	-
EPS [EUR]	-0.14	-0.17	21%	-0.13	-0.17	31%	-0.10	-0.10	0%

Source: equinet estimates

Conclusion & Action: The effect of our model adjustments on the fair value is limited and we confirm 'Buy'/PT EUR 1.8 rating. We would like to point out that APM has moved again into investor attention as it holds a 20% stake in Facebook marketing company SocialTyze that might have gained in value, in particular as the IPO of the social network is on the agenda.