



## Investment Research

Reason: Fundamental Report

13 January 2014

### Buy

Recommendation unchanged

**Share price: EUR 1.36**

closing price as of 10/01/2014

**Target price: EUR 1.85**

from Target Price: EUR **1.50**

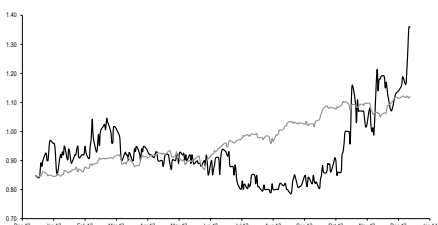
Reuters/Bloomberg

APME.F/APM.GY

Daily avg. no. trad. sh. 12 mth	7,304
Daily avg. trad. vol. 12 mth (m)	9.65
Price high 12 mth (EUR)	1.36
Price low 12 mth (EUR)	0.79
Abs. perf. 1 mth	19.3%
Abs. perf. 3 mth	65.7%
Abs. perf. 12 mth	69.4%

Market capitalisation (EURm)	29
Current N° of shares (m)	21
Free float	46%

Key financials (EUR)	12/12	12/13e	12/14e
Sales (m)	55	50	49
EBITDA (m)	(4)	6	(0)
EBITDA margin	nm	12.4%	nm
EBIT (m)	(5)	6	(1)
EBIT margin	nm	11.8%	nm
Net Profit (adj.)(m)	(5)	6	(0)
ROCE	-624.7%	712.3%	-10.1%
Net debt/(cash) (m)	(16)	(22)	(22)
Net Debt Equity	-0.9	-0.9	-0.9
Net Debt/EBITDA	3.8	-3.6	83.0
Int. cover(EBITDA/Fin.int)	4.2	(23.1)	0.9
EV/Sales	nm	nm	0.1
EV/EBITDA	0.5	nm	nm
EV/EBITDA (adj.)	0.5	nm	nm
EV/EBIT	0.5	nm	nm
P/E (adj.)	nm	3.8	nm
P/BV	1.0	1.0	1.2
OpFCF yield	-14.0%	25.9%	-2.1%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	(0.25)	0.30	(0.02)
BVPS	0.86	1.15	1.13
DPS	0.00	0.00	0.00



Shareholders: EMA B.V. 41%; Own Shares 8%; Axxion S.A. 5%;

For company description please see summary table footnote

## Dominating non-core activities to drive profitable growth

We lower our underlying estimates to account for the recent asset disposals and the rather subdued sales development in the core segment. However, the disposals resulted in a cash inflow of c. EUR 0.33 per share, while having a negligible effect on operating earnings. We therefore raise our TP to EUR 1.85, based on the DCF valuation and stick to Buy. Going forward the weaknesses in the ad pepper media division should be compensated by profitable growth in the two other segments. This is supported by a strong online ad market, which we expect to remain in an above-proportionate growth state in the years to come.

- ✓ **Well diversified online ad specialist...:** APM is an online advertising company with a broad product portfolio and particular focus on performance marketing. The group's core activities are further complemented by its two subsidiaries Webgains and ad agents, which cover the growing market segments of affiliate marketing and search engine marketing and optimisation.
- ✓ **...is benefitting from two major acquisitions:** The two strongly growing divisions Webgains and ad agents which had been acquired in FY06 and '07 already accounted for around 60% of sales in 2012 and compensated for a weakness in the core segment ad pepper media. While ad agents has been constantly profitable, we expect break-even at Webgains in FY13e. Going forward this should ensure profitable growth, while the relevance of the core division will be further diminishing.
- ✓ **...and just completed two successful disposals:** In Q4 2013 APM announced that it has sold its subsidiaries Emediate and Crystal Semantic in order to focus on its core field of performance marketing. While the missing earnings from Emediate will be fully offset by R&D savings from Crystal Semantic, the two deals result in an immediate cash inflow of c. EUR 7m (EUR 0.33 per share).
- ✓ **With solid market perspectives...:** Driven by the increasing internet traffic, online advertising expenditures in Europe grew at a CAGR '07-12 of 22%. Whereas the internet penetration is forecast to further increase, there is an ongoing shift of television content into the web. Considering the fact TV still accounts for lion's share of ad spending, we see strong support for the growth of online ad spending to remain at least in the high single-digits.
- ✓ **...and a strong balance sheet...:** As of FY13e APM has c. EUR 1.05 (around EUR 22m) liquidity per share. The company has no financial debt and an Equity ratio of 66%. The book value per share amounts to EUR 1.17 (as of FY13e).
- ✓ **...APM is on track for break-even in FY15...:** Driven by a growing contribution of the non-core divisions we expect APM to grow sales at a CAGR '12-17e of 2% (3.7% adjusted for the sales of the subsidiaries). Due to the profitable growth of Webgains and ad agents, and supported by further measures in the core division, we forecast APM to reach a positive EBIT in FY15.
- ✓ **...and remains attractively valued:** While the downside in the shares should to a certain extent be limited due to a P/BV of 1.1x and the net cash level of EUR 1.05 per share, our DCF model points at a fair value of EUR 1.85 per share. As the peer group does not yield meaningful results, we base raise our TP to EUR 1.85, solely based on the DCF valuation and maintain our 'Buy' recommendation.

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## Investment Case

**We have adjusted our underlying estimates for FY13 and onwards, to account for the disposals and a sharper than expected deceleration in sales at the core division. However, going forward APM should benefit from the increasing contribution of its none-core activities. We forecast a sales CAGR '12-17e of 2%, while the EBIT should turn positive in 2015. We stick to Buy and raise our DCF-based TP to EUR 1.85**

**Profile:** APM is an online advertising company with a broad product portfolio and particular focus on proprietary semantic advertising technologies and a significant affiliate marketing business. The company acts as mediator between publishers on the one side and advertisers on the other with a performance-based model.

**Market:** Driven by the increasing internet penetration online advertising expenditures in Europe grew at a CAGR '07-12 of 22%. As a result, the internet has surpassed the newspaper as 2<sup>nd</sup> most relevant ad medium in 2010. Since the internet traffic is forecast to further increase, we expect growth of online ad spending to remain in the high single digits.

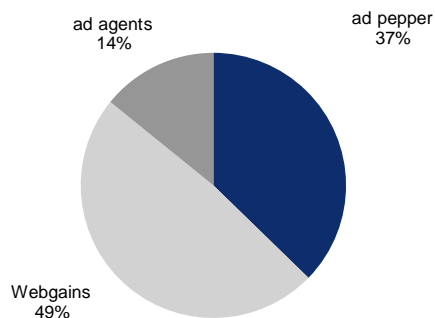
**Triggers & Drivers:** In this attractive market, APM will benefit from the two strongly growing divisions Webgains and ad agents. Following a revenue share of 30% in 2008 the two divisions already accounted for 63% of sales in 9M13. Going forward they should ensure profitable growth, while the relevance of the struggling core division should further diminish.

**Financials:** We expect APM to grow its revenues at a CAGR '12-17e of 2% mainly driven by an increasing contribution of the Webgains and ad agents divisions. As a result of the anticipated growth of the non-core activities, but also supported by ongoing measures in the ad pepper media division, we anticipate the company to reach a positive EBIT by 2015.

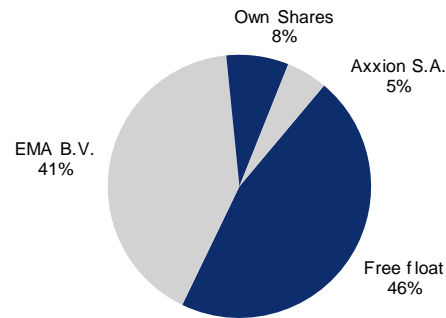
**Valuation:** We base our TP of EUR 1.85 on our DCF model as the peer group does not lead to meaningful results. The strong net cash level 2013e of EUR 1.05 per share, and the P/BV 13e of 1.1x, support this valuation and should, to some extent, limit the downside.

### At a Glance

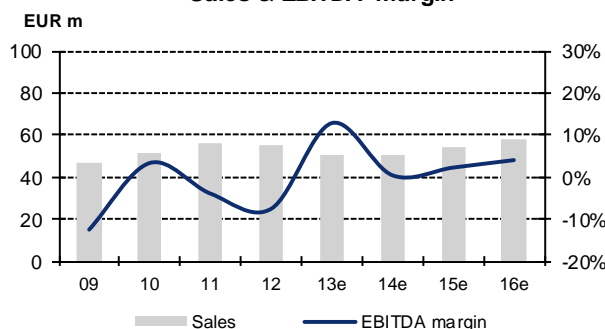
**Revenue Split 9M 2013**



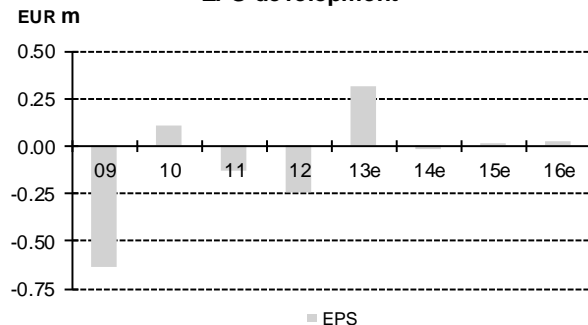
**Shareholder Structure**



**Sales & EBITDA margin**



**EPS development**



Sources: Company data, equinet Research



## Valuation

We have based our price target determination solely on our DCF calculation. This is due to the fact that the peer group comparison does not lead to meaningful results, as 1/APM's 2013 earnings are substantially inflated by one-off items, 2/the company's expected net profit is negative in 2014 and '15, and 3/ the extraordinary high net cash level results in misleading fair value implication based on EV multiples. We therefore derive our target price of EUR 1.85 from our DCF model.

### Peer group analysis

- **Composition of the peer group:** There is a multitude of national and international competitors in the online advertising market. Although they vary in size and pursued business model, the best comparable peers in our view are:
  - **Hi-Media** offers website publishing, online advertising and e-payment solutions.
  - **Tradedoubler** operates a performance-based ad network and affiliate network.
  - **Tomorrow Focus** offers e-commerce, advertising and technology services, including content creation in some cases.
  - **ValueClick** operates in online advertising (display advertising, lead generation, email marketing), affiliate marketing, comparison shopping, and technology.
- **Comparability:** In our view, Hi-Media and Tomorrow Focus offer somewhat lower comparability because they are not only active in the advertising business, but also in the content/publishing business. We consider Tradedoubler and ValueClick as better comparable peers based on their business models.
- **Earnings multiples:** As P/E'13-15 ratios and EV/EBITDA'13-15 multiples do not lead to meaningful results due to several reasons. Firstly ad pepper 2013 earnings are inflated on the back of a substantial one-off profit. Secondly, expected net profit is negative for both 2014 and 2015. Thirdly, the combination of the EV implied by the peer group mean and APM's strong net cash level, which is further inflated by the one-offs, would result in a negative equity values implication for APM.
- **EV/Sales:** Instead of earnings multiples, we could opt to rely on EV/Sales. We assess this ratio however as relatively weak as far as explanatory power is concerned. As also comparability of peer companies with APM is limited and as all those companies are profitable, we do not use EV/Sales to determine a fair value.
- **P/B:** The explanatory power of the price-to-book ratio is again somewhat limited, as all peers are profitable. Nevertheless this ratio gives a broad indication about justifiable valuation levels once ad pepper returns to profitability.

ad pepper: Peer group comparison

COMPANY	P/E 2013	P/E 2014	P/E 2015	EV/Sales 2013	EV/Sales 2014	EV/Sales 2015	EV/EBITDA 2013	EV/EBITDA 2014	EV/EBITDA 2015	P/B 2013	P/B 2014	P/B 2015
HI-MEDIA	22.5	15.3	15.6	0.6	0.6	0.6	8.8	7.0	7.1	0.7	0.7	0.7
TOMORROW FOCUS AG	22.3	14.6	12.3	1.5	1.2	1.1	9.6	7.5	6.2	1.8	1.7	1.5
TRADEDOUBLER AB	17.2	16.4	13.7	0.3	0.3	0.3	7.6	7.0	5.3	1.6	1.5	1.4
VALUECLICK INC:	15.2	12.4	11.6	2.8	2.3	1.9	7.3	6.0	5.0	3.3	2.3	1.7
MEDIAN	22.3	15.3	13.7	0.6	0.6	0.6	8.8	7.0	6.2	1.6	1.5	1.4
AD PEPPER	3.8	neg.	neg.	neg.	0.1	0.1	neg.	neg.	8.6	1.0	1.2	1.2
THEOR. VALUATION OF APM	7.9	neg.	neg.	0.4	0.3	0.4	1.5	neg.	neg	2.1	2.0	1.9

Sources: FactSet estimates, equinet estimates



## DCF valuation

- **Sales development:** We expect an 8.6% decline in sales in FY 2013e. This mainly stemming from the declining ad pepper media operations and the change in billing at ad agents, but also due to the disposal Emediate, which will have a pronounced effect in 2014. However, driven by the increasing contribution of ad agents and Webgains we forecast a sales CAGR '12-17e of 2%. As markets mature, growth should fade to 4% in Phase II, while we have applied a long-term assumption of 2.0%.
- **Profitability:** For FY13e we forecast an EBIT of EUR 5.9, resulting from the two disposals, while the 2014 EBIT should return in the negative terrain. On the back of profitable growth of ad agents and Webgains, but also supported by further OPEX improvements in the core segment, we anticipate a positive EBIT in FY 2015. For FY17e we expect an EBIT margin of 4.7%, which compares to a long-term EBIT margin assumption of 5%.
- **CAPEX:** Due to the capital intensity of ad pepper's business model we forecast CAPEX of around 1% of sales in phase I and II. Our long-term assumption is at 0.6% of sales.
- **WACC:** We derive a WACC of 9.3% based on a risk-free rate of 4.5%, a risk premium of 4.0%, a target equity ratio of c. 100% and a beta of 1.20.
- **Fair value:** Based on our assumptions described above, the DCF model leads to a fair value of EUR 1.85.

### Discounted Cash Flow model

EUR m	Phase I					Phase II					Phase III
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Sales</b>	<b>50.3</b>	<b>49.1</b>	<b>52.8</b>	<b>56.2</b>	<b>59.1</b>	<b>61.5</b>	<b>64.0</b>	<b>66.5</b>	<b>69.2</b>	<b>72.0</b>	<b>73.4</b>
<i>Sales growth</i>	-8.6%	-2.3%	7.3%	6.6%	5.2%	4.0%	4.0%	4.0%	4.0%	4.0%	2.0%
<b>EBIT</b>	<b>5.9</b>	<b>-0.5</b>	<b>0.6</b>	<b>1.7</b>	<b>2.8</b>	<b>3.1</b>	<b>3.2</b>	<b>3.4</b>	<b>3.5</b>	<b>3.6</b>	<b>3.7</b>
<i>EBIT margin</i>	11.8%	-1.1%	1.1%	3.1%	4.7%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Tax</b>	<b>0.3</b>	<b>0.2</b>	<b>(0.5)</b>	<b>(1.0)</b>	<b>(1.5)</b>	<b>(1.6)</b>	<b>(1.6)</b>	<b>(1.6)</b>	<b>(1.5)</b>	<b>(1.5)</b>	<b>(1.4)</b>
<i>Tax rate</i>	-5.0%	80.0%	50.0%	47.5%	45.0%	45.0%	42.5%	40.0%	37.5%	35.0%	32.5%
<b>NOPAT</b>	<b>6.3</b>	<b>(0.4)</b>	<b>0.1</b>	<b>0.7</b>	<b>1.3</b>	<b>1.5</b>	<b>1.6</b>	<b>1.8</b>	<b>2.0</b>	<b>2.2</b>	<b>2.3</b>
<b>Depreciation</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>
<i>in % of Sales</i>	0.6%	0.6%	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
<b>Capex</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(0.5)</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(0.5)</b>
<i>in % of Sales</i>	1.0%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.9%	0.9%	0.6%
<b>Provision delta</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
<i>in % of Sales</i>	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%
<b>NWC delta</b>	<b>0.1</b>	<b>0.0</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>
<i>in % of Sales</i>	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Other current assets delt</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>
<i>in % of Sales</i>	0.1%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Free Cash Flow</b>	<b>6.3</b>	<b>-0.5</b>	<b>-0.1</b>	<b>0.5</b>	<b>1.1</b>	<b>1.3</b>	<b>1.5</b>	<b>1.6</b>	<b>1.8</b>	<b>2.0</b>	<b>2.3</b>
<i>FCF growth</i>	nm	nm	nm	nm	19.4%	23.5%	2.4%	11.3%	10.6%	10.1%	15.2%
<b>Present Value FCF</b>	<b>6.3</b>	<b>-0.5</b>	<b>-0.1</b>	<b>0.4</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>14.3</b>

PV Phase I	6.8	MCap	19.1	Targ. equity ratio	90.5%
PV Phase II	4.4	Risk premium	3.97%	Beta	1.20
PV Phase III	14.3	Risk free rate	4.50%	WACC	9.3%

<b>Total present value</b>	<b>25.5</b>					
+ capital increase/share buy back	0.0					
+ associates / other fin. assets	6.1					
- market value of minorities	8.2					
+ cash and liquid assets	15.9					
- interest bearing debt*	0.0					
<b>Implied Mcap</b>	<b>39.4</b>					
Number of shares	21.2					
<b>Implied value per share</b>	<b>1.85</b>					

Sensitivity Analysis	Growth rate Phase III				
	1.0%	1.5%	2.0%	2.5%	3.0%
8.34%	1.91	1.97	2.03	2.10	2.19
8.80%	1.84	1.88	1.93	1.99	2.06
9.26%	1.77	1.81	1.85	1.90	1.96
9.73%	1.71	1.74	1.78	1.82	1.87
10.19%	1.66	1.69	1.72	1.76	1.80

\* Including pension provisions

Source: equinet



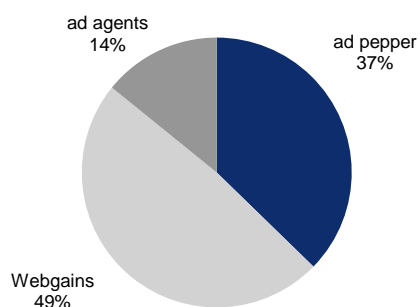
## Company Profile & Market Environment

APM is active in performance-based advertising. Here, for example, website operators are paid per click for online ads or for website impressions, but also for so-called 'generated leads'. APM runs a successful affiliate network platform and uses a semantic technology for website analysis. The online ad market is strongly growing as a result of the sharply increasing internet penetration. At the same time it is characterised by a high degree of competition and a large number of smaller players.

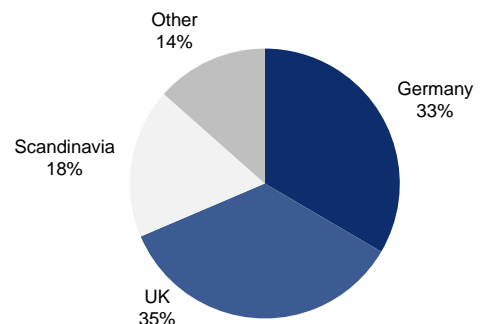
### Company overview

- **Company history:** APM was founded in 1999 and went public a year later. In 2006, the group acquired the UK based affiliate network Webgains. The ad agents segment was acquired in 2007. In 2011 the company launched its real-time bidding platform adExplorer. In Q4 2013 the ad pepper group disposed its ad server subsidiary Emediate, as well as its semantic targeting entity Crystal Semantic.
- **Business model:** APM offers various forms of performance-based online advertising. As such, it is an intermediary between advertisers and publishers. Revenues are usually generated on a cost-per-impression, cost-per-click or cost-per-sale basis. APM has three business segments: Ad Pepper Media, Webgains, and ad agents.
- **ad pepper media (37% of sales)** is an ad network which brings advertisers and publishers together. iSense display allows ads to be targeted to selected contexts whereas SiteScreen allows avoiding of inappropriate and undesired advertising (both technologies are used under a license agreement). iLead is a product for the generation of sales contacts (leads) and the so-called 'Mailpepper' offers e-mail marketing.
- **Webgains (49% of sales)** is an affiliate network which provides a platform where affiliates allow ads on their websites and receive a percentage of sales generated in this way. Webgains gets a commission from these sales.
- **ad agents (14% of sales)** is the smallest, but strongest growing segment of APM. It specializes in search engine marketing (SEM), search engine optimization (SEO) and performance marketing. ad agents helps customers that run websites or internet shops to be found easily through search engines. APM holds a 60% stake in ad agents.
- **Regional sales:** APM is active in eight European countries and the US. With 37% of sales, Germany is the main market, followed by the UK with 32%. Other important markets are Scandinavia (15% of sales) and the Netherlands (3% of sales).

Revenue Split 9M 2013



Geographical sales Split 9M 2013



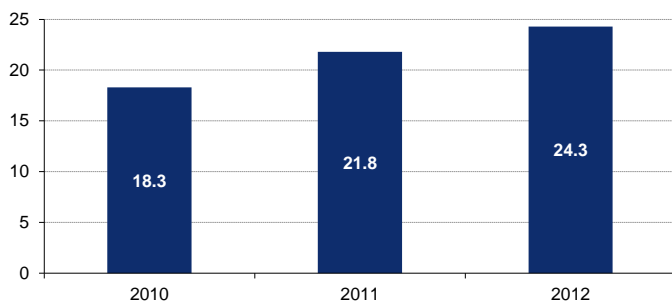
Sources: Company data, equinet



## Market environment

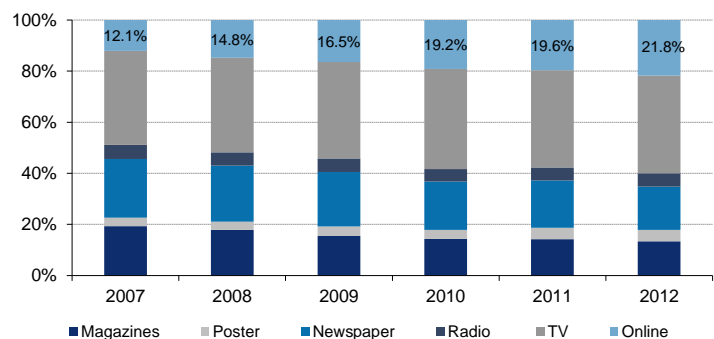
- **Relevant markets:** From a broad perspective, APM's relevant markets are the West and Northern European markets with a special focus on Germany and global markets for online advertising. Following the close down of the US operations in 2012, the US market, together with the remaining regions can be neglected. In the following, we would like to focus on the growing internet penetration that drives online ad spending.
- **Growing internet usage:** The number of internet users is constantly increasing. According to IAB Mediascope Europe 2012, 427m Europeans were online and spent on average 14.8 hours per week in the internet. The online penetration rate increased by 19pp in just two years. Data on the German market confirms this trend. Here the penetration rate of people aged 14+ grew from 50.5% in 2007 to 73.3% in 2012.
- **Increasing online ad spending:** As a result of the increasing internet traffic, online advertising became the fastest growing marketing medium. Following the strong growth rates of 40% and 20% in 2007 and 2008, growth of the online ad spending in Europe decelerated to some 5% in 2009. In 2010 it recovered and has remained in the double digits since then. In total the CAGR 2007-'12 amounted to some strong 21.9%.

Europe - Online ad spendings (EUR bn)



Source: IAB, equinet

Germany - ad expenditures by medium



Source: OVK, equinet

- **Growing share of online advertising spending:** The strong growth rate of online advertisement spending clearly outpaced those of the other media. In Germany the online spending volume surpassed the one for newspaper advertisement already in 2010 and has since then remained the second most relevant medium after the TV, while its market share keeps constantly growing. In total, the spending on online advertising in Germany amounted to EUR 6.5bn in 2012.
- **Online ad expenditures by type:** In a breakdown by types, classical online ads accounted for 58% in Germany, followed by Search Engine Marketing (SEM) with 35% and Affiliate Networks with 6%. Growth of Affiliate Marketing spending is at 9% (CAGR2010-13e), while those of the two other types, is at c. 10%. However, it's worth mentioning that due the sharply rising popularity of Google, growth of SEM should have clearly outpaced those of the other types in the past. This is reflected in US market data. Compared to a share of 46% in 2012, SEM only accounted for 4% in 2001.
- **Competitive landscape:** The online advertising market can be characterised as highly competitive. In the sector of affiliate marketing, which has become ad pepper's most important segment, zanox and affilinet are considered the key players in Europe, followed by Tradedoubler and APM's Webgains. Even in the more narrow semantic advertising market, there is multitude of companies competing for market shares. Here two important players are ad pepper and the US-based Peer 39.



## Financials

We expect APM to grow its revenues by 1.5% on average in the period 2013-17e. This forecast is however to high extend distorted, as it includes the disposal of Emediate and the shift towards direct billing at ad agents. As a result of an growing contribution of Webgains and ad agents, but also due to ongoing measures in the core segment, we anticipate ad pepper to reach a positive EBIT by 2015.

### Revenue development by segments

- **ad pepper media:** Sales in the core segment declined in the recent past. Here the weak display and lead businesses could not be offset by solid performances of the sub labels Globase and Emediate. For FY12, one also has to take into account that three locations were closed. While 4Q12 and 1Q13 benefited from a lead contract, which expired in April, the discontinuation of the Dutch operations further weighed on Q2 and Q3 sales. We have additionally excluded Emediate from our model, as it has been sold (for more detail please refer to page 16). In 2012 it had a sales contribution of EUR 4.4m. We further expect ongoing negative trends in the lead and display business. However, as a result of the healthier base, following the closures, but also due to an increasing contribution of Globase, we anticipate flat sales by 2017.
- **Webgains:** Over the past webgains constantly reported double-digit sales growth. Last year it was able to gain Nike as a key customer, which is the main reason for the expected growth acceleration in the current FY. Additionally, with its Q2 figures ad pepper reported that it has gained another international market leader as customer. Further supported by a strong expectation for the market development, we forecast webgains to show above proportionate growth going forward.
- **ad agents:** ad agents has shown strong growth of 26% and 52% in 2010 and 2011, respectively. While the segments performance was again strong in FY 2012 the sharp deceleration of reported growth in this year is simply the result of a shift from indirect to direct billing (of customers with Google). While the shift reduces segment sales it improves gross margin, with a net effect for gross profit. From 1Q14 on, when the shift will be completed, we forecast growth to return to above proportionate levels. While our expected growth rate of 20% for FY 2014, might look optimistic on the first sight, one has to keep in mind that underlying growth was at rates of more than 60% in both 1Q and 2Q12, when this change was not yet effective.
- **Group Outlook:** We forecast FY13 sales to decline by 8.6% and expect 1.5% average growth over our detailed planning phase (FY13-17e), largely supported by Webgains and ad agents as outlined above. We believe that this is in line with the management expectation although APM has not given a sales guidance for this year.

### Sales development by segments

EUR m	2010	2011	2012	Q1	Q2	Q3	Q4	2013e	2014e	2015e	2016e	2017e	CAGR*
<b>ad pepper media</b>	<b>28.6</b>	<b>25.6</b>	<b>21.7</b>	<b>5.1</b>	<b>4.6</b>	<b>3.9</b>	<b>3.6</b>	<b>17.2</b>	<b>11.4</b>	<b>10.7</b>	<b>10.5</b>	<b>10.5</b>	<b>-13.6%</b>
<i>in % of total</i>	55.3%	45.7%	39.4%	39.4%	37.9%	34.2%	26.1%	34.2%	23.2%	20.3%	18.6%	17.7%	
<i>Growth</i>	-0.7%	-10.5%	-15.2%	7.2%	-12.9%	-24.8%	-44.3%	-20.7%	-33.7%	-6.0%	-2.5%	0.0%	
<b>Webgains</b>	<b>16.3</b>	<b>20.2</b>	<b>22.5</b>	<b>6.3</b>	<b>5.9</b>	<b>5.5</b>	<b>8.2</b>	<b>25.9</b>	<b>29.1</b>	<b>32.1</b>	<b>34.9</b>	<b>37.1</b>	<b>10.5%</b>
<i>in % of total</i>	31.5%	36.0%	40.9%	48.4%	48.5%	48.9%	59.2%	51.5%	59.2%	60.8%	62.1%	62.7%	
<i>Growth</i>	28.2%	23.8%	11.4%	19.5%	13.9%	4.8%	20.7%	15.1%	12.4%	10.3%	8.7%	6.3%	
<b>ad agents</b>	<b>6.8</b>	<b>10.3</b>	<b>10.8</b>	<b>1.6</b>	<b>1.7</b>	<b>1.9</b>	<b>2.0</b>	<b>7.2</b>	<b>8.6</b>	<b>9.9</b>	<b>10.9</b>	<b>11.6</b>	<b>1.3%</b>
<i>in % of total</i>	13.1%	18.3%	19.7%	12.2%	13.6%	17.0%	14.7%	14.3%	17.6%	18.8%	19.3%	19.6%	
<i>Growth</i>	25.6%	51.5%	5.7%	-51.5%	-42.4%	-17.5%	-14.1%	-33.6%	20.0%	15.0%	9.5%	6.5%	
<b>Total Sales</b>	<b>51.7</b>	<b>56.0</b>	<b>55.0</b>	<b>13.0</b>	<b>12.1</b>	<b>11.3</b>	<b>13.9</b>	<b>50.3</b>	<b>49.1</b>	<b>52.8</b>	<b>56.2</b>	<b>59.1</b>	<b>1.5%</b>
<i>Growth</i>	10.2%	8.4%	-1.8%	-2.4%	-8.9%	-11.2%	-11.5%	-8.6%	-2.3%	7.3%	6.6%	5.2%	

\* CAGR 2012 - 2017

Sources: Company data, equinet Research



## Earnings development

- **EBIT:** In 2012 ad pepper has shown a good progress as regards its OPEX discipline. The weak EBIT of -4.6m, was however the result of EUR 2.8m one-offs from the departure of two board members. For FY13 we expect another OPEX improvement, which was already indicated by the 3Q figures, while the strong EBIT results from the two recent asset disposals. By FY17 we forecast APM to reach an EBIT of EUR 2.8m.
- **EBT:** The financial result was frequently distorted by extraordinary effects. While in 2010 APM booked EUR 0.9m positive one-off, it reported an impairment of EUR 1.1m on its stake in Socialtyze in 2012. For FY13 and onwards we do not anticipate one-offs for the financial result and expect the conditions to generate financial income to remain weak. Hence EBT should benefit from a only slightly positive financial result.
- **EPS & EAT:** According to APM, the different situation in group divisions and taxation will still lead to a tax burden. The group has not installed a profit-pooling to better exploit tax loss carry forwards, but may do so in the future. Until introduction, EAT an EPS generation will remain hampered, while we expect the negative tax effect to increase with a growing contribution from the ad agents division.

### Profit development

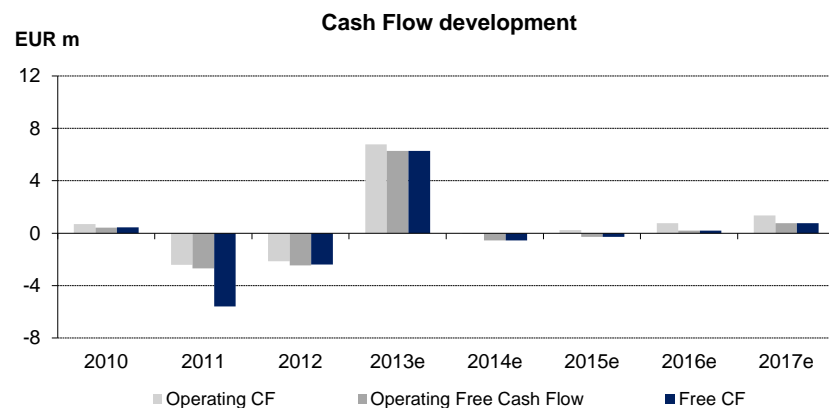
EUR m	2010	2011	2012	2013e	2014e	2015e	2016e	2017e	CAGR*
<b>EBIT</b>	1.0	-2.7	-4.6	5.9	-0.5	0.6	1.7	2.8	15.6%
<i>Growth</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	187.9%	59.1%	
<b>EBT</b>	3.1	-2.2	-4.7	6.2	-0.2	1.0	2.2	3.3	1.0%
<i>Growth</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	114.6%	51.9%	
<b>EAT</b>	2.5	-2.4	-5.1	6.5	0.0	0.5	1.1	1.8	-4.6%
<i>Growth</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	125.3%	59.1%	
<b>EPS</b>	0.11	-0.13	-0.25	0.30	-0.02	0.00	0.02	0.05	-11.0%
<i>Growth</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	138.6%	

\* CAGR 2010 - 2017

Sources: Company data, equinet Research

## Cash Flow

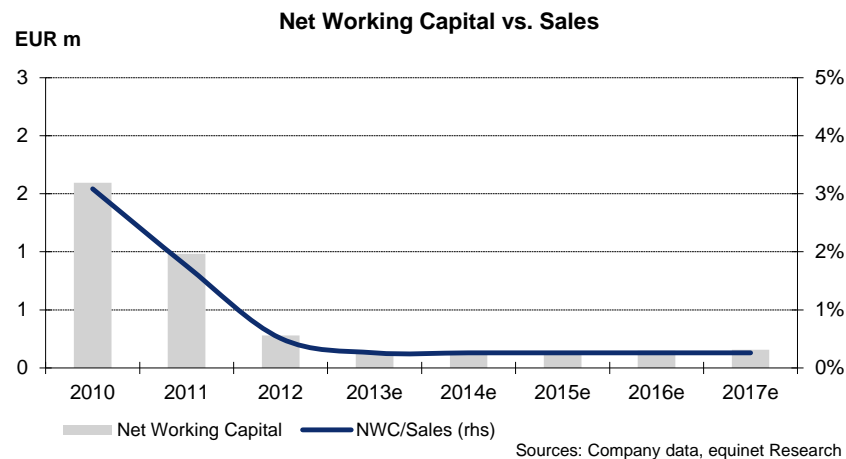
- **OCF:** In line with the earnings, OCF will benefit from the asset sales in FY13 and should return to a sustainable positive level in 2015.
- **Capex:** Capital expenditures for operating purposes of APM's business model are generally low and not a decisive factor (below 1% of sales).
- **FCF:** In FY11 FCF was burdened through the investment in SocialTyze. As we do not plan for acquisitions or disposals in the future, we forecast FCF to develop broadly in line with the operating performance.



Sources: Company data, equinet Research

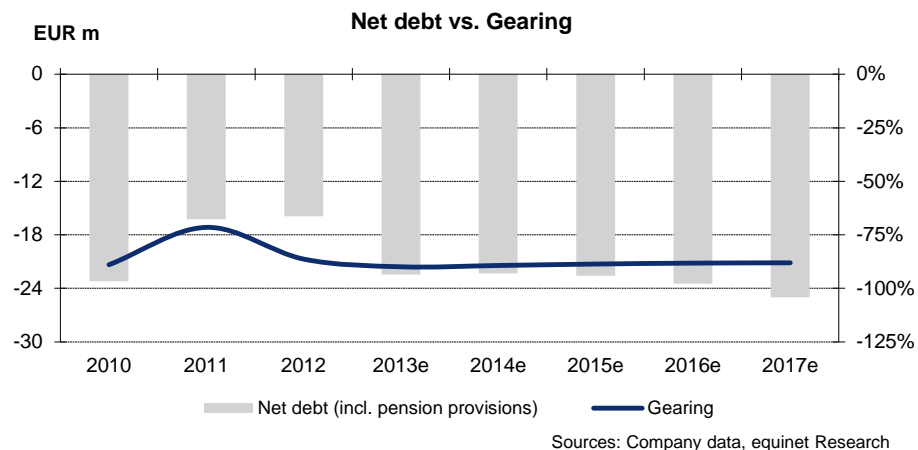
## Working capital

- **Net working capital:** According to our calculations, the company should employ only roughly EUR 0.13m NWC at the end of FY13e. Trade receivables should amount to EUR 7.7m (15.2% of sales) and trade liabilities should come in at EUR 7.5m (14.9%).
- **NWC/Sales:** In the recent past, net working capital has been lowered substantially and amounted to 0.5% of sales in 2012. This reduction was caused by higher relative levels of payables. We expect APM to hold the NWC/sales ratio at 0.3% of sales.



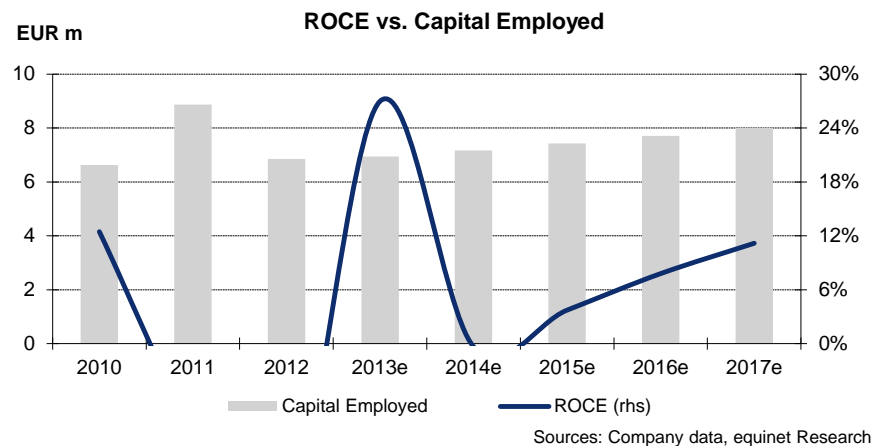
## Gearing

- **Net cash:** APM is in the comfortable situation that the IPO proceeds have never been fully utilised. On the back of the asset sales, it should rise to roughly 22m in FY13. As we expect operating profits improve, net cash should climb in the medium term.
- **Equity:** As an equity financed company, it is not surprising that the equity ratio has never been below the level of 57%. As of December 2013, we expect a book value per share of EUR 1.18.
- **Gearing:** Net debt/equity is around minus 85% and we expect that this should continue as APM will probably not pay regular dividends in the medium term, but might again do so when the EPS returns sustainably into positive terrain.



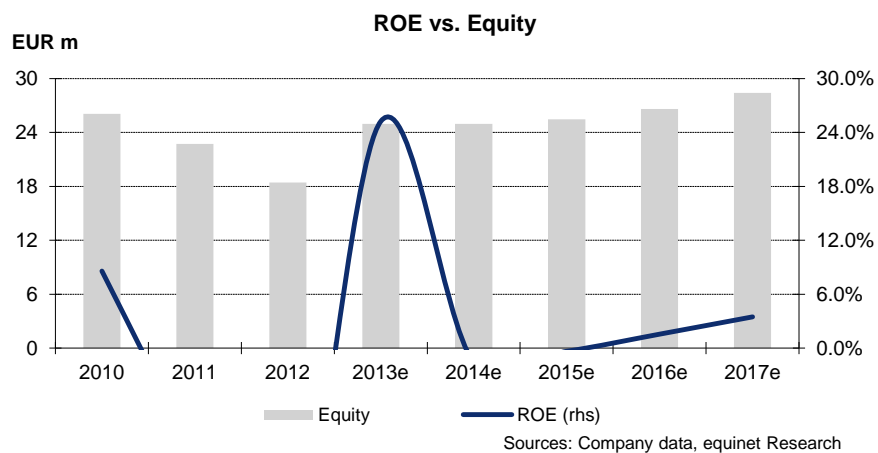
## Return on Capital Employed (ROCE)

- **CE:** We expect FY13e Capital Employed (CE) to come in at EUR 6.9m, after APM has written off most intangibles and basically all goodwill in 2009. Thus, capital employed is mostly determined by other assets (EUR 6.1m).
- **CE/Sales:** CE/Sales amounts to 0.14x (FY13e). As we expect revenues to increase only slightly ahead of the growth rate for CE, this ratio should marginally decline to c. 0.13x by FY2017e.
- **ROCE:** Following the strong level caused by the asset sales in 2013, ROCE should be close to 0% in FY14 and grow to a level of 11% by 2017



## Return on Equity (ROE)

- **Equity:** Supported by the asset sales we forecast ad pepper's equity to amount to c. EUR 25m at the end of the current financial year. By FY17 it should grow to EUR 28m.
- **ROE development:** We expect a slightly negative net result in FY14. In the years 2015-17 we forecast ROE to grow from some 0.3% to 3.8%.
- **Price/Book:** Currently, investors are paying c. 1.1x APM equity 2013e which we rate attractive.





## Triggers & Swot Analysis

### Triggers & Drivers

- **Online advertising still in a strong growth mode:** Driven by the increasing internet penetration online advertising expenditures in Europe grew at a CAGR 2007-12 of 22%. As the internet traffic is expected to further increase, especially among the older target groups, we expect growth of online ad expenditures to remain in the high single digits.
- **Growing non-core division getting the upper hand:** Following a revenue share of c. 30% in 2008, Webgains and ad agents accounted for around 63% of sales in 9M 2013 and thus clearly compensated for the decline in the ad pepper media division. From a profitability perspective ad agent is the only segment that has been constantly positive, while we expect break-even at webgains in current FY. The two segments' strong performance, which we forecast to continue, should hence ensure profitable growth, while the relevance of the struggling core segment should further diminish.
- **Strong M&A track record:** APM has often demonstrated its capability to profit from acquisitions and sale of entities in the online sector. It currently owns stakes in highly interesting companies that might contain significantly more value than is in the books (e.g. BAT, Globase).

### Strengths & Opportunities

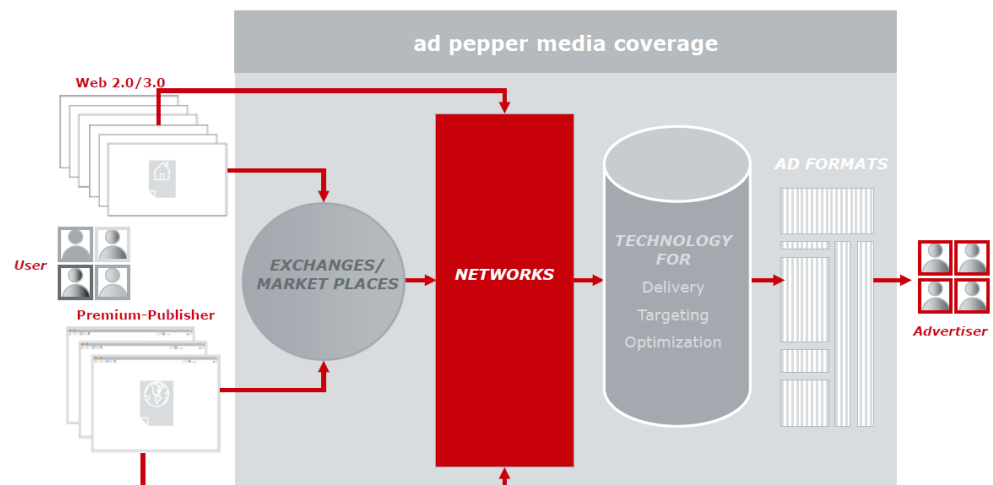
- **Cash rich balance sheet:** Although the past few years have been bumpy for APM's P&L, the company has conserved a cash pile of around EUR 15m in its balance sheet or c. EUR 0.7 per share. APM's equity ratio was never below 57%. Basically all goodwill and most intangibles have been written off.
- **Shift of TV content into the internet:** The TV has been the core advertisement medium in the past and is still the most popular one, with a market share of 38% in Germany. However, nowadays there is a shift of TV content into the internet, which allows for advertisements, not only limited to TV spots in between movies, but also display advertisements on the relevant webpages. As an established expert in this area, ad pepper should continue to benefit from this trend.
- **Availability of unique technology:** Following the sale of Crystal Semantic Ltd. last December (for further details please refer to page 16), ad pepper will be able to continue using Crystal's semantic analysis technology 'SenseEngine' under a long-term license agreement. This is a clear differentiator relative to most competitors as it allows a much more target oriented marketing for its clients from the very beginning. According to ad pepper it is the best technology available in the market.

### Weaknesses & Threats

- **Margin pressure and low operating profitability:** Especially in its core business, APM suffers under the fragmented competitor landscape that is the root of fierce price competition. Despite good gross margins, APM might continue to build resources to remain among innovation leaders. This will keep EBITDA margins in the single-digit terrain for the foreseeable future.
- **No specific mobile approach:** Although APM's online advertising business and website marketing should be technology agnostic in principle, it could be rewarding to offer a special mobile approach against the back of high smartphone growth.
- **Reduced economies of scale:** Following the sale of Emediate (please refer to page 16 for details), the fixed cost absorption will be weaker in from 2014 onwards, as administrative expenses will be covered by fewer divisions.

## Detail 1: Divisions & business models

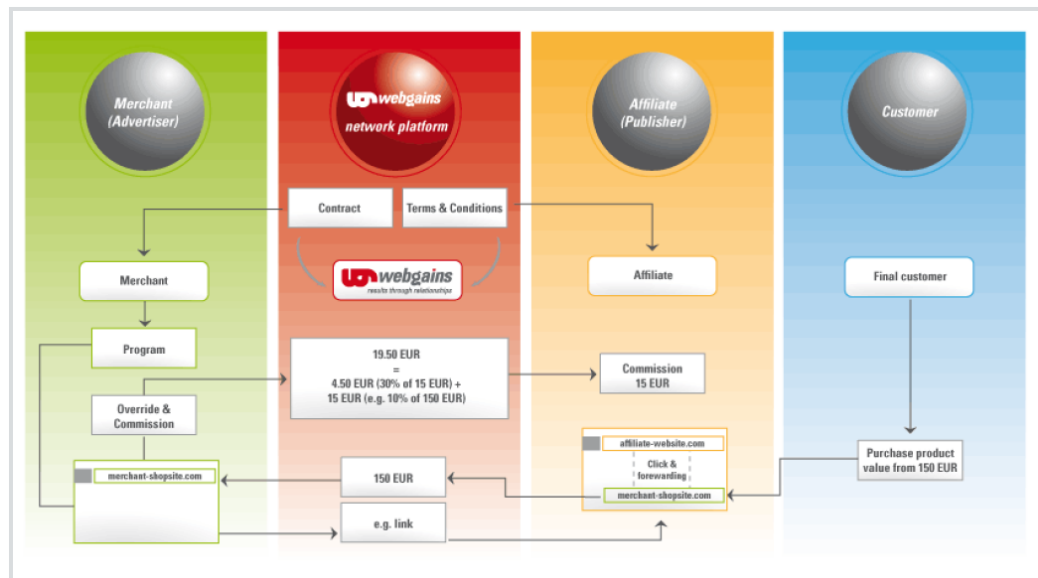
- **Ad Pepper Media** is positioned as an ad network – a company which essentially brings advertisers and publishers together. This enables publishers to monetize their website and advertisers to use their spending effectively. It covers the entire range of online advertising in the fields of display, performance, e-mail, affiliate and search engine marketing, as well as ad serving. The segment accounted for 37% of sales in 9M13 and operates with 15 companies in eight European countries and the US, while it organizes campaigns for customers in more than 50 countries. It offers the following products:
  - **iClick** is a performance marketing solution to direct traffic to advertisers' websites by placing banners on relevant websites. Marketers using iClick will only pay if users click on their advertisements, not each time an advertisement is displayed.
  - **iLead** is a product for the generation of leads through a mix of online delivery channels such as e-mail marketing, banners, surveys, polls, or social media. Leads are filtered before they are sent to the client in order to ensure good quality. iLead uses a performance based payment model, so that clients pay per generated lead.
  - **mailpepper** is a full-service provider, offering a comprehensive range of email-related services including the consultancy and the creative preparation of an advertising medium as well as selecting the most suitable mail channel. The product is based on a list of over 15 million managed profiles, thus enabling advertisers to find and contact specific target groups.



- **Globase:** Based in Copenhagen, Denmark, Globase is a 100% subsidiary which offers email marketing campaigns, surveys, and SMS campaigns. The globase system is a userfriendly and flexible tool that automates marketing activities and thus frees up the clients resources.
  - **Ad EXplorer** is ad pepper's proprietary real-time bidding (RTB) platform, which was launched in Q3 2011. However, so far the sales contribution is negligible.
- **Webgains** is an affiliate network with offices in the UK, France, Germany, the Netherlands, the US, Spain, Sweden and Denmark. It is one of Europe's leading international affiliate networks, and, according to the company one of the most efficient e-commerce platforms in the market. Affiliate marketing is a commission-based business where website operators (160k affiliates) allow advertisements by advertisers (2k merchants) and receive a percentage of the sales generated from the ads. The affiliate network acts as an intermediary between these parties.

- The embedded semantic targeting technology iSense (which is used under a license agreement following the disposal of Crystal Semantic Ltd.) ensures appropriate placements within the right content and, thus translates into high conversion rates for the merchants. Due to the platform's high efficiency, webgains is constantly attracting new customers, like e.g. Nike, which could be gained in Q3 2012. As a result of the strong growth rates, the division already accounted for 49% of group sales in 9M 2013, and thus surpassed the contribution of the core segment ad pepper media.

### Webgains Business Model



Source: Ad Pepper

- **ad agents** is a 60% subsidiary which specializes in search engine marketing (SEM), search engine optimization (SEO) and performance marketing. Due to the sharply rising popularity of search engines, search engine related marketing was one of the fastest growing areas of the online advertising sector over the past several years. ad agents offers effective support for its business clients in making respective products and services better known, in successfully generating new leads and attaining higher turnover for the e-commerce products of its clients.
- The customer base comprises companies such as buch.de, ERGO group and Euronics. ad agents accounted for 14% of group sales In 2012. Right now it is in the process of shifting its customers towards direct billing via Google. While the shift reduces segment sales it improves gross profit, with a net effect for gross margin. For APM this results in lower operating costs, while the effect for the customers is neutral.
- **Brand Affinity Technologies (4.5% stake)** operates an endorsement platform that connects celebrity athletes with advertisers. The platform's services are focused on activating, engaging, and monetizing fans of professional sport teams. This makes endorsement advertising simpler and less expensive for advertisers. Ad pepper acquired a 4.5% stake in 2008 for USD 2.5m.





## Detail 2: 9M results

- On November 7<sup>th</sup> 2013 ad pepper has released final 9M13 figures in line with preliminaries. While sales were somewhat lagging behind our expectations, earnings came in line, as a result of a further OPEX improvement. Please note that the following analysis is based on our previous estimates, which we have adjusted with the release of this report. For more details on the changes, please refer to Detail 4 on page 17.
- **Sales below expectations:** Group revenues declined by 7% yoy to a level of EUR 36.4m. This compares to our expectation of EUR 38.2m. The deviation was mainly the result of two effects, which came in somewhat stronger than we had anticipated: The closure of the Dutch ad pepper media operations in Q2 and billing changes in the ad agents division. However, as the change in the billing distorts sales, but has a net effect on gross profit, we regard gross profit as better indicator for the group performance.
- **Segments:** The core division ad pepper media declined by 11% yoy. With -24.8% yoy Q3 was especially weak, mainly due to the expiry of a lead contract and the discontinuation of the Dutch operations, both in Q2. Webgains reported a 13% increase, while ad pepper media declined by 39%, due to the mentioned shift towards direct billing.
- **One-off items:** The 9M figures include several extraordinary items. In Q2 the company reported the expenses of EUR 0.35m from the discontinuation of the Dutch operations and earnings of EUR 0.26m from the sale of the company's stake in Videovalis. For Q3 ad pepper mentioned further one-off earnings of EUR 0.36m from the change in the measurement of provisions for affiliate credits, as well as minor expenses (EUR 39k from personal adjustment measures in Denmark).
- **EBIT in line with expectations:** Gross profit declined by 3% yoy and amounted to EUR 15.8m, while we had expected some EUR 16.3m. However ad pepper was again able to show a strong improvement in OPEX. As a result, EBIT came in line with our estimate of EUR -1.1m. However, due to a tax gain related to deferred tax assets, net profit came in ahead of our expectations. According to the company, this effect is, however, set to reverse in Q4 2013.

### 9M13 review

in EUR m	9M 13	9M 13e	delta	9m 12	yoy	FY13e	FY12	yoy
Sales	36.4	38.2	-5%	39.4	-7%	53.7	55.0	-2%
Gross profit	15.8	16.3	-3%	16.4	-4%	22.6	23.1	-2%
EBITDA	-0.9	-0.9	nm	-1.6	nm	-1.1	-4.2	nm
EBITDA margin	-2.4%	-3.2%	79 bp	-4.0%	159 bp	-2.1%	-7.6%	546 bp
EBIT	-1.1	-1.1	nm	-1.9	-43%	-1.4	-4.6	nm
Net profit	-0.3	-1.2	nm	-1.7	nm	-1.6	-5.3	nm
EPS (EUR)	-0.02	-0.06	nm	-0.08	nm	-0.08	-0.25	nm

Sources: Company data, equinet Research



## Detail 3: Recent asset disposals

- **Emediate:** In November ad pepper announced to sell its ad server subsidiary Emediate to Cxense AS for a consideration of c. EUR 7.4m including net cash. Emediate was acquired in 2007 for a purchase price of c. EUR 5m sold with effect as of November 1<sup>st</sup> 2013. Ad pepper will continue its partnership with Emediate and expects to benefit from the combination of Emediates solutions in ad serving as well as campaign management and analysis with Cxenses' capabilities in the area of advanced analytics, audience insight and targeted advertising.

In 2012 Emediate contributed some EUR 4.4m in sales and an EBITDA of EUR 0.9m. The transaction leads to an extraordinary gain of EUR 6.4m to be recognised in 4Q13.

- **About emediate.** The Copenhagen based company offers adservers under the emediate brand and technologies for the efficient delivery, management and analysis of online advertising campaigns. Its customer base comprises companies like Schibsted, the largest media group in Northern Europe, aftonbladet.se, Skandinavia's largest online newspaper, or tv.nu, Sweden's largest online TV guide. In 2012 the Scandinavian market Market leader grew by 14%.
- **Crystal Semantic:** In December released the information that with effect as of December 1<sup>st</sup> it sells its 100% stake in Crystal Semantic Ltd. to 24/7 Media, Inc., a subsidiary of WPP. With its semantic targeting technology Crystal Semantic is one of the leading solutions providers in the online advertising market. It was established in 2001 and acquired by ad pepper in 2006. The purchase price amounts to USD 3m and positively impacts earnings by c. EUR 1m in Q4 2013. APM mentioned the disposal to result in significantly reduced R&D expenses and mentioned expected annual savings of c. EUR 1m. Both companies have further agreed a long-term license agreement enabling ad pepper media to continue using Crystal's technology in the future.
- **About Crystal semantics:** Crystal semantic offers a proprietary technology called SenseEngine. It was developed by the renowned linguist Prof. Dr. David Crystal. It is a technology to semantically analyse web pages, which means analysing the text in detail to deduce its meaning and, once not obvious, its context and the content category it belongs to. Based on this technology, the iSense Display product allows advertisements to be targeted to specific categories which are preselected by the advertiser. SiteScreen uses the same technology to avoid advertisements in contexts which could be negative for the advertised brands.
- **Rationale:** The disposals are in line with the group's strategy to focus on its core field of performance marketing. The transactions thus make sense and even result at a negligible impact on earnings (lower earnings through Emediate disposal compensated by savings from Crystal, while we expect a minor impact from the new license agreements) an a reasonable cash inflow of around EUR 7m (EUR 0.33 per share).



## Detail 4: Changes in estimates

- We have reduced our FY 2013 sales assumption to account for the higher than expected impact from the billing shift in the ad agents division, as well as the disposal of Emediate, which will also have an effect on sales going forward. We have further lowered our top line expectation for the underlying ad pepper media segment due to the stronger than anticipated sales deceleration. While the two disposals have an approximately offsetting effect on earnings, we have lowered our OPEX assumption for FY13 and onwards. Nevertheless, due to the weaker fixed cost absorption of ad pepper media, the implications on earnings are negative both in 2014 and 2015.

### Estimate changes

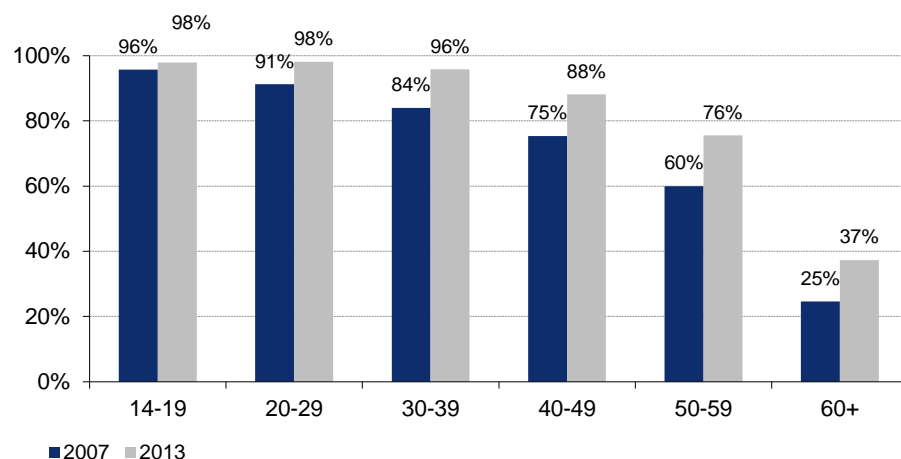
in EUR m	FY13 old	FY13 new	change	FY14 old	FY14 new	change	FY15 old	FY15 new	change
Sales	53.70	50.30	-6%	59.87	49.15	-18%	64.15	52.76	-18%
EBITDA	-1.24	6.22	n/a	0.39	-0.27	-169%	1.26	0.89	-29%
EBITDA margin	-2.3%	12.4%	1470 bp	0.6%	-0.5%	-120 bp	2.0%	1.7%	-30 bp
EPS [EUR]	-0.08	0.30	n/a	-0.01	-0.02	n/a	0.00	0.00	n/a

Sources: Company data, equinet Research

## Detail 4: Online advertisement – the growing marketing channel

- **Growing relevance of the internet:** The number of internet users is constantly increasing. According to IAB Mediascope Europe 2012 427m Europeans were online and spent on average 14.8 hours per week in the internet. The online penetration rate increased by 19pp in just two years. This data is confirmed by findings of AGOF on the German market. AGOF states that currently some 51.5m people (73.3%) out of the total German population of 70.2m people aged 14+ have used the internet within the last three months. This compares to 32.7m of 64.8m (50.5%) back in 2007. The following chart shows that while the penetration among young users was already high in 2007, it is strongly increasing among the older target groups.

Germany - Online-Penetration by age groups\*

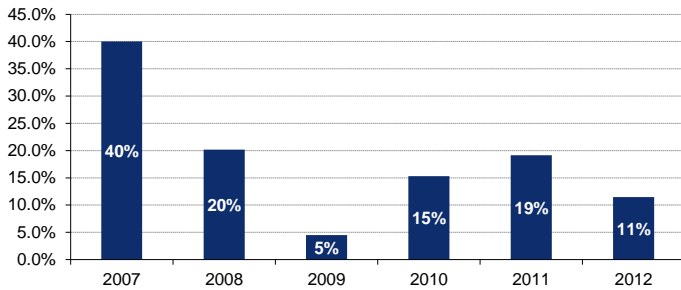


\*)internet users last three months

Source: AGOF internet facts 2007-04 & 2013-06, equinet

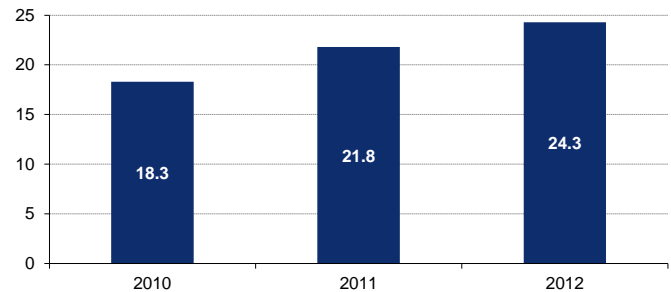
- **Increasing online ad spending:** As a result of the increasing internet traffic, online advertising became the fastest growing marketing medium. Following the strong growth rates of 40% and 20% in 2007 and 2008, respectively, growth of the online advertising expenditures was impacted by the financial crisis and decelerated to some 5% in 2009. In 2010 it recovered and has remained in the double digits since then. In total the CAGR 2007-'12 amounted to some impressive 21.9%.

Europe - Online advertising growth



Source: IAB, equinet

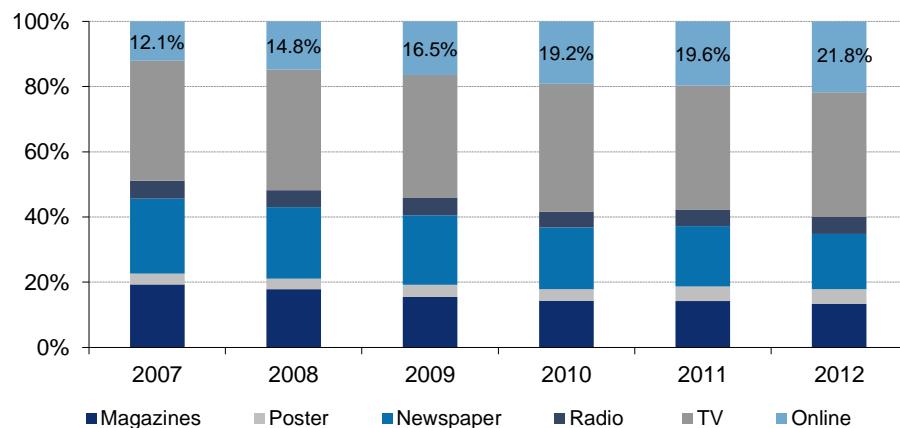
Europe - Online ad spendings (EUR bn)



Source: IAB, equinet

- **Growing share of online advertising spending:** The strong growth rate of online advertisement spending clearly outpaced those of the other media. In Germany the online spending volume surpassed the one for newspaper advertisement already in 2010 and has since then remained the second most relevant online medium after the TV, while its market share keeps constantly growing.

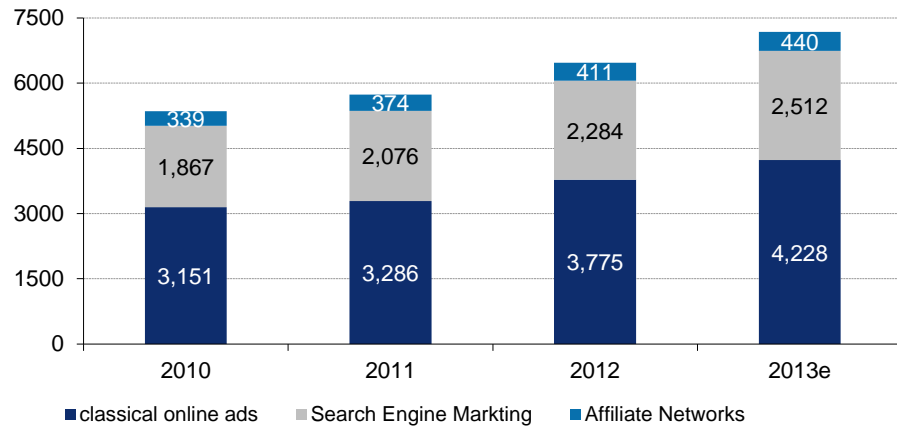
Germany - ad expenditures by medium



Source: OVK, equinet

- **Online ad expenditures by type:** Total spending on online advertising in Germany amounted to EUR 6.5bn in 2012. In a breakdown by types, classical online ads accounted for 58%, followed by Search Engine Marketing (SEM) with 35% and Affiliate Networks with 6%. Considering the growth rates, SEM and Classical Online Advertisement grew at similar rates of 10.4% and 10.3% (CAGR 2010-13e), slightly ahead of Affiliate Networks with 9.1%. However, it's worth mentioning that due the sharply rising popularity of Google, growth of SEM should have clearly outpaced those of the other types in the past. This is reflected in the historical market shares, which are published by IAB/PwC for the US market. Compared to a share of 46% in 2012, SEM only accounted for 4% in back in 2001.

**Germany - online ad expenditures by type**



Source: OVK, equinet

- **Competitive landscape:** There is a multitude of companies in the online advertising market. Even in the more narrow semantic advertising market, where most companies are very small. Currently, two important players in semantic advertising are ad pepper and Peer39, Inc., a US-based company in this field which calls itself the “global leader in semantic advertising technology.” The sector of affiliate marketing, which has become ad pepper’s most important segment, is also characterised by a high degree of competition. Besides APM’s webgains and the competitor Tradedoubler, zanox and affilinet are considered the key players in the European market.

**Detail 5: Calendar of Events**

**Calendar of events**

Event	Date
Annual report	March 28, 2014
AGM 2014 (Amsterdam, NL)	May 13, 2014

source: company data



Ad pepper

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## Ad pepper: Summary tables

PROFIT & LOSS (EURm)	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
<b>Sales</b>	<b>51.7</b>	<b>56.0</b>	<b>55.0</b>	<b>50.3</b>	<b>49.1</b>	<b>52.8</b>
Cost of Sales & Operating Costs	-49.9	-58.2	-59.2	-44.1	-49.4	-51.9
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>1.7</b>	<b>-2.2</b>	<b>-4.2</b>	<b>6.2</b>	<b>-0.3</b>	<b>0.9</b>
<b>EBITDA (adj.)*</b>	<b>1.7</b>	<b>-2.2</b>	<b>-4.2</b>	<b>6.2</b>	<b>-0.3</b>	<b>0.9</b>
Depreciation	-0.3	-0.3	-0.2	-0.1	-0.1	-0.2
<b>EBITA</b>	<b>1.4</b>	<b>-2.5</b>	<b>-4.4</b>	<b>6.1</b>	<b>-0.4</b>	<b>0.7</b>
<b>EBITA (adj)*</b>	<b>1.4</b>	<b>-2.5</b>	<b>-4.4</b>	<b>6.1</b>	<b>-0.4</b>	<b>0.7</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>1.0</b>	<b>-2.7</b>	<b>-4.6</b>	<b>5.9</b>	<b>-0.5</b>	<b>0.6</b>
<b>EBIT (adj.)*</b>	<b>1.0</b>	<b>-2.7</b>	<b>-4.6</b>	<b>5.9</b>	<b>-0.5</b>	<b>0.6</b>
Net Financial Interest	0.6	0.8	1.0	0.3	0.3	0.4
Other Financials	0.1	-0.2	0.0	0.0	0.0	0.0
Associates	0.6	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.7	0.0	-1.1	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>3.1</b>	<b>-2.2</b>	<b>-4.7</b>	<b>6.2</b>	<b>-0.2</b>	<b>1.0</b>
Tax	-0.6	-0.2	-0.4	0.3	0.2	-0.5
<i>Tax rate</i>	<i>18.1%</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>80.0%</i>	<i>50.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.3	-0.3	-0.2	-0.2	-0.4	-0.6
<b>Net Profit (reported)</b>	<b>2.2</b>	<b>-2.6</b>	<b>-5.3</b>	<b>6.3</b>	<b>-0.4</b>	<b>-0.1</b>
<b>Net Profit (adj.)</b>	<b>2.2</b>	<b>-2.6</b>	<b>-5.3</b>	<b>6.3</b>	<b>-0.4</b>	<b>-0.1</b>
CASH FLOW (EURm)	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Cash Flow from Operations before change in NWC	2.5	-3.0	-2.8	6.6	-0.1	0.2
Change in Net Working Capital	-1.8	0.6	0.7	0.1	0.0	0.0
<b>Cash Flow from Operations</b>	<b>0.7</b>	<b>-2.4</b>	<b>-2.1</b>	<b>6.8</b>	<b>-0.1</b>	<b>0.2</b>
Capex	-0.3	-0.3	-0.3	-0.5	-0.5	-0.5
Net Financial Investments	0.0	-2.9	0.1	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>0.5</b>	<b>-5.6</b>	<b>-2.4</b>	<b>6.3</b>	<b>-0.6</b>	<b>-0.3</b>
Dividends	0.0	-1.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	0.2	-0.3	2.1	0.3	0.4	0.6
<b>Change in Net Debt</b>	<b>0.6</b>	<b>-7.0</b>	<b>-0.3</b>	<b>6.5</b>	<b>-0.2</b>	<b>0.3</b>
NOPLAT	0.8	-3.0	-5.0	6.2	-0.1	0.3
BALANCE SHEET & OTHER ITEMS (EURm)	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Net Tangible Assets	0.4	0.4	0.4	0.7	0.9	1.1
Net Intangible Assets (incl. Goodwill)	0.5	0.3	0.1	0.1	0.1	0.1
Net Financial Assets & Other	4.1	7.2	6.1	6.1	6.1	6.1
<b>Total Fixed Assets</b>	<b>5.0</b>	<b>7.9</b>	<b>6.6</b>	<b>6.8</b>	<b>7.0</b>	<b>7.3</b>
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	8.0	9.9	8.4	7.6	7.5	8.0
Other current assets	1.2	1.4	1.3	1.3	1.3	1.4
Cash (-)	-23.2	-16.2	-15.9	-22.5	-22.3	-22.5
<b>Total Current Assets</b>	<b>32.5</b>	<b>27.6</b>	<b>25.5</b>	<b>31.4</b>	<b>31.0</b>	<b>31.9</b>
<b>Total Assets</b>	<b>37.5</b>	<b>35.4</b>	<b>32.1</b>	<b>38.2</b>	<b>38.1</b>	<b>39.2</b>
Shareholders Equity	25.7	22.3	18.2	24.5	24.0	24.0
Minority	0.4	0.4	0.3	0.5	0.9	1.5
Total Equity	26.1	22.7	18.4	25.0	24.9	25.4
Long term interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	3.3	2.4	4.3	4.4	4.4	4.5
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Long Term Liabilities</b>	<b>3.3</b>	<b>2.4</b>	<b>4.3</b>	<b>4.4</b>	<b>4.4</b>	<b>4.5</b>
Short term interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0
Trade payables	6.4	8.9	8.1	7.5	7.3	7.9
Other current liabilities	1.7	1.4	1.3	1.3	1.4	1.4
<b>Total Current Liabilities</b>	<b>8.2</b>	<b>10.4</b>	<b>9.3</b>	<b>8.8</b>	<b>8.7</b>	<b>9.3</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>37.5</b>	<b>35.4</b>	<b>32.1</b>	<b>38.2</b>	<b>38.1</b>	<b>39.2</b>
<b>Net Capital Employed</b>	<b>6.1</b>	<b>8.8</b>	<b>6.9</b>	<b>6.9</b>	<b>7.1</b>	<b>7.4</b>
<b>Net Working Capital</b>	<b>1.6</b>	<b>1.0</b>	<b>0.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
GROWTH & MARGINS	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
<i>Sales growth</i>	<i>10.2%</i>	<i>8.4%</i>	<i>-1.8%</i>	<i>-8.6%</i>	<i>-2.3%</i>	<i>7.3%</i>
<b>EBITDA (adj.)* growth</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>
<i>EBITA (adj.)* growth</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
<i>EBIT (adj.)* growth</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>

## Ad pepper: Summary tables

<b>GROWTH &amp; MARGINS</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>	<b>12/2015e</b>
Net Profit growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EPS adj. growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
DPS adj. growth	n.m.	n.m.				
EBITDA (adj)* margin	3.3%	n.m.	n.m.	12.4%	n.m.	1.7%
EBITA (adj)* margin	2.7%	-4.4%	-8.0%	12.1%	-0.9%	1.4%
EBIT (adj)* margin	2.0%	n.m.	n.m.	11.8%	n.m.	1.1%
<b>RATIOS</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>	<b>12/2015e</b>
Net Debt/Equity	-0.9	-0.7	-0.9	-0.9	-0.9	-0.9
Net Debt/EBITDA	-13.5	7.3	3.8	-3.6	83.0	-25.2
Interest cover (EBITDA/Fin.interest)	n.m.	2.9	4.2	n.m.	0.9	n.m.
Capex/D&A	37.4%	50.0%	67.2%	180.9%	176.8%	183.2%
Capex/Sales	0.5%	0.5%	0.6%	1.0%	1.0%	1.0%
NWC/Sales	3.1%	1.8%	0.5%	0.3%	0.3%	0.3%
ROE (average)	9.5%	-11.0%	-26.0%	29.5%	-1.8%	-0.4%
ROCE (adj.)	32.8%	-180.4%	-624.7%	712.3%	-10.1%	22.7%
WACC	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
ROCE (adj.)/WACC	3.5	-19.5	n.m.	76.9	-1.1	2.5
<b>PER SHARE DATA (EUR)**</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>	<b>12/2015e</b>
Average diluted number of shares	21.3	21.1	21.2	21.2	21.2	21.2
EPS (reported)	0.11	-0.13	-0.25	0.30	-0.02	0.00
EPS (adj.)	0.11	-0.13	-0.25	0.30	-0.02	0.00
BVPS	1.21	1.06	0.86	1.15	1.13	1.13
DPS	0.05	0.00	0.00	0.00	0.00	0.00
<b>VALUATION</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>	<b>12/2015e</b>
EV/Sales	0.3	0.0	n.m.	n.m.	0.1	0.1
EV/EBITDA	8.3	n.m.	0.5	n.m.	n.m.	8.6
<b>EV/EBITDA (adj.)*</b>	<b>8.3</b>	<b>n.m.</b>	<b>0.5</b>	<b>n.m.</b>	<b>n.m.</b>	<b>8.6</b>
EV/EBITA	10.3	-1.1	0.5	-0.2	-13.0	10.4
<b>EV/EBITA (adj.)*</b>	<b>10.3</b>	<b>-1.1</b>	<b>0.5</b>	<b>-0.2</b>	<b>-13.0</b>	<b>10.4</b>
EV/EBIT	14.2	n.m.	0.5	n.m.	n.m.	12.6
<b>EV/EBIT (adj.)*</b>	<b>14.2</b>	<b>n.m.</b>	<b>0.5</b>	<b>n.m.</b>	<b>n.m.</b>	<b>12.6</b>
<b>P/E (adj.)</b>	<b>17.1</b>	<b>n.m.</b>	<b>n.m.</b>	<b>3.8</b>	<b>n.m.</b>	<b>n.m.</b>
P/BV	1.5	1.0	1.0	1.0	1.2	1.2
Total Yield Ratio	2.0%	-1.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	5.7	1.7	n.m.	n.m.	5.0	5.7
OpFCF yield	1.1%	-12.2%	-14.0%	25.9%	-2.1%	-1.0%
OpFCF/EV	2.9%	-96.5%	116%	-677%	-11.0%	-3.8%
Payout ratio	47.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	2.8%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>	<b>12/2015e</b>
Price** (EUR)	1.80	1.04	0.82	1.14	1.36	1.36
Outstanding number of shares for main stock	20.9	21.1	21.2	21.2	21.2	21.2
<b>Total Market Cap</b>	<b>38</b>	<b>22</b>	<b>17</b>	<b>24</b>	<b>29</b>	<b>29</b>
<b>Net Debt</b>	<b>-23</b>	<b>-16</b>	<b>-16</b>	<b>-22</b>	<b>-22</b>	<b>-23</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-23</i>	<i>-16</i>	<i>-16</i>	<i>-22</i>	<i>-22</i>	<i>-23</i>
<i>o/w Gross Debt (+)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Other EV components</b>	<b>0</b>	<b>-3</b>	<b>-4</b>	<b>-3</b>	<b>-1</b>	<b>1</b>
<b>Enterprise Value (EV adj.)</b>	<b>14</b>	<b>3</b>	<b>-2</b>	<b>-1</b>	<b>5</b>	<b>8</b>

Source: Company, Equinet Bank estimates.

### Notes

\* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Media/Broadcasting & Entertainment

Company Description: Ad pepper media is one of the leading independent international online advertisement agents. With 16 offices in ten European countries and the USA, ad pepper facilitates online campaigns for thousands of clients in more than 50 countries worldwide. In 2007, ad pepper reported sales of EUR 51m, EBIT of EUR 3.8m and net profit of EUR 2.6m.



Ad pepper

## Recommendations and Disclosures

Coverage	Analyst	Target	Rating	Disc.	Coverage	Analyst	Target	Rating	Disc.
2GENERGY	Freudenreich	34.50	Buy	2/3	Kontron	Pehl	5.00	Hold	
4SC	Miemietz	3.60	Buy	7	KronesAG	Schmidt	66.00	Hold	
Aareal Bank	Häßler	31.00	Accumulate		KTGAgrar	Schäfer	16.00	Accumulate	2/3/5
Adler Modemaerkte	Rigters/ Faust	11.60	Buy	3/5	KUKA	Schmidt	34.00	Hold	
Ad pepper	Rigters/ Pehl	1.85	Buy	2/3	LANXESS	Demidova	52.00	Hold	
adidas	Faust / Rigters	85.00	Accumulate		Leoni	Schuldt	56.00	Accumulate	
Advanced Vision Technology	Schmidt	7.00	Buy		Linde	Demidova	160.00	Accumulate	
AgrariusAG	Schäfer	1.25	Buy	2/3/5	Loewe	Faust / Rigters	Suspended	Suspended	2/5
Aixtron	Pehl	7.00	Sell	2/3	Logwin	Rothenbacher	1.60	Buy	2/3/5
Allianz	Häßler	130.00	Hold		Lufthansa	Rothenbacher	15.00	Hold	
Analytik Jena	Demidova	14.00	Hold	7	MAN	Schuldt	85.00	Hold	
BASF	Demidova	78.00	Hold		MAXAutomationAG	Schmidt	7.00	Buy	2/3
BAUERAG	Schmidt	16.50	Reduce		Medion	Faust / Rigters	13.00	Hold	
Bayer	Miemietz	94.00	Accumulate		Merck	Miemietz	133.00	Accumulate	
BayWa	Schäfer	45.00	Buy	5	MIFA	Rigters/ Faust	8.80	Buy	2/3/4/5
BB Biotech	Miemietz	121.00	Buy	7	MLP	Häßler	5.30	Accumulate	2/3
Beiersdorf	Demidova	56.00	Sell		Mobotix AG	Pehl	19.00	Accumulate	2/3
Berentzen	Faust / Rigters	5.60	Hold	2/3	MTU	Pehl	71.00	Hold	2
BILFINGER SE	Faust	100.00	Buy		Munich Re	Häßler	150.00	Hold	
Biotest	Miemietz	70.00	Buy	2/3/5	Nanogate AG	Demidova	38.00	Accumulate	2/3/5
BMW	Schuldt	83.00	Hold		PATRIZIA AG	Häßler	9.10	Buy	
Celesio	Lieder	23.00	Hold		Pfeiffer Vacuum	Pehl	84.00	Reduce	
Cenit	Pehl	12.75	Buy	2/3	Phoenix Solar	Freudenreich	Suspended	Suspended	
comdirect	Häßler	9.50	Accumulate		Porsche	Schuldt	64.00	Hold	
Commerzbank	Häßler	10.00	Hold		Postbank	Häßler	32.00	Accumulate	
Continental	Schuldt	105.00	Reduce		PSI	Schäfer	12.00	Hold	2/3
Daimler AG	Schuldt	55.00	Reduce		Puma	Faust / Rigters	285.00	Buy	
Daldrup & Soehne	Schäfer	15.00	Accumulate	2/3/5	Rheinmetall	Pehl	45.00	Hold	
Deutsche Bank	Häßler	42.00	Buy		Rhoen-Klinikum	Lieder	23.60	Buy	
Deutsche Biogas	Schäfer	6.00	Buy	2/3/5	RIB Software	Rothenbacher	8.00	Buy	2/3
Deutsche Boerse	Häßler	48.00	Sell		RWE	Schäfer	25.00	Hold	
Deutsche EuroShop	Rothenbacher	33.00	Hold		SAF-HOLLAND	Schuldt	14.00	Buy	7
Deutsche Forfait	Häßler	5.60	Buy	2/3/4/5	Salzgitter	Freudenreich	35.00	Buy	
Deutsche Post	Rothenbacher	24.00	Reduce		Seven PrinciplesAG	Pehl	6.00	Buy	2/3/5
Deutsche Telekom	Pehl	12.25	Hold		SIEGFRIEDHOLDINGAG	Miemietz	202.00	Buy	7
Deutz AG	Schmidt	8.20	Buy		SingulusTechnologies	Freudenreich	2.30	Hold	4/5
DMGMORI SEIKI AG	Schmidt	26.00	Accumulate		SKWStahl	Freudenreich	23.00	Buy	
DouglasHolding	Faust / Rigters	38.00	Hold		SMA Solar Technology	Freudenreich	23.00	Sell	
Dragerwerk	Lieder	100.00	Hold		SMT SCHARF AG	Schmidt	25.00	Accumulate	2/3
Drillisch	Pehl	24.00	Accumulate		SolarWorld	Freudenreich	0.05	Sell	
E.ON	Schäfer	14.00	Hold		SuessMicroTec	Pehl	8.00	Hold	2/3
EringKlinger	Schuldt	20.00	Reduce		SURTECO	Lieder	26.00	Buy	2/3
EpigenomicsAG	Miemietz	8.00	Buy	2/3/5	SymriseAG	Demidova	32.00	Hold	
Euromicron AG	Pehl	19.00	Buy	2/3/5	SYZGYAG	Rigters/ Pehl	5.40	Buy	2/3
Fielmann	Lieder	84.00	Accumulate		Talanx Group	Häßler	27.00	Accumulate	
Fraport	Rothenbacher	61.00	Accumulate		ThyssenKrupp	Freudenreich	16.00	Sell	
Freenet	Pehl	22.00	Accumulate	2	TUI	Rothenbacher	14.00	Accumulate	
Fresenius	Lieder	104.00	Accumulate		United Internet	Pehl	28.00	Hold	
FreseniusMedical Care	Lieder	61.00	Buy		Uzin Utz	Faust / Lieder	26.00	Buy	2/3
FuchsPetrolub	Demidova	54.00	Reduce		VBH Holding	Faust	2.80	Hold	2/3
GEA Group	Schmidt	38.00	Accumulate		VIB Vermoegen	Rothenbacher	13.00	Accumulate	
Gerrheimer AG	Lieder	45.00	Hold		Volkswagen	Schuldt	205.00	Buy	
GERRYWEBER	Rigters/ Faust	34.00	Accumulate		Vossloh	Schmidt	66.00	Reduce	
Gesco	Schmidt	78.00	Accumulate	2/3	Wacker Chemie	Freudenreich	58.00	Sell	
GFT Technologies	Schuldt	7.50	Buy	2/3	Wilex	Miemietz	3.00	Buy	2/3
Gigaset	Rigters/ Pehl	1.00	Hold	2/3/5	Wincor Nixdorf	Pehl	53.00	Hold	2
Grenkeleasing AG	Häßler	50.00	Sell						
Hannover Re	Häßler	70.00	Buy						
Heidelberger Druck	Schmidt	3.00	Buy						
Henkel	Demidova	62.00	Sell						
HHLA	Rothenbacher	18.00	Hold						
Hochtief	Faust	69.00	Hold						
Hugo Boss	Faust / Rigters	88.00	Reduce						
i:FAOAG	Rothenbacher	16.50	Buy	2/3					
Joyou AG	Lieder	21.90	Buy	2					
IVG Immobilien AG	Rothenbacher	0.05	Sell						
K+S AG	Schäfer	25.00	Buy						

Source: equinet Recommendations



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### Recommendation System

- Buy - The stock is expected to generate a total return of over 20% during the next 12 months time horizon.
- Accumulate - The stock is expected to generate a total return of 10% to 20% during the next 12 months time horizon.
- Hold - The stock is expected to generate a total return of 0% to 10% during the next 12 months time horizon
- Reduce - The stock is expected to generate a total return of 0 to -10% during the next 12 months time horizon
- Sell - The stock is expected to generate a total return below -10% during the next 12 months time horizon

### Basis of Valuation

Equinet Bank uses for valuation purposes primarily DCF-Valuations and Sum-Of-The-Parts-Valuations as well as peer group comparisons.

### Share prices

Share prices in this analysis are the German closing prices of the last trading day before the publication.

### Sources

Equinet Bank has made any effort to carefully research all information contained in the analysis. The information on which the analysis is based has been obtained from sources which we believe to be reliable such as, for example, Reuters, Bloomberg and the relevant press as well as the company which is the subject of the analysis. Only that part of the research note is made available to the issuer, who is the subject of the analysis, which is necessary to properly reconcile with the facts. Should this result in considerable changes a reference is made in the research note.

### Actualizations

Opinions expressed in this analysis are our current opinions as of the issuing date indicated on this document. We do not commit ourselves in advance to whether and in which intervals updates are made.



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Bundesanstalt für Finanzdienstleistungsaufsicht  
-BaFin- (Federal Financial Supervisory Authority)  
Graurheindorfer Straße 108, 53117 Bonn and  
Lurgialle 12, 60439 Frankfurt am Main.



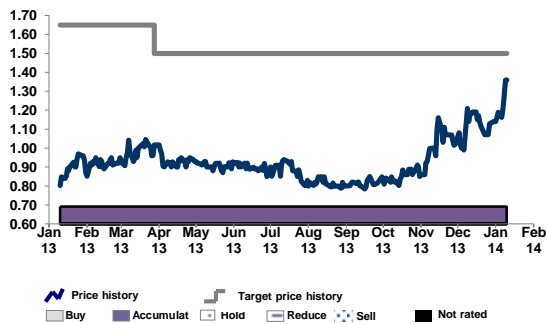
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Recommendation history for AD PEPPER

Date	Recommendation	Target price	Price at change date
13-Jan-14	Buy	1.85	1.36
21-May-13	Buy	1.50	0.90
23-Nov-12	Buy	1.65	0.83
19-Jul-12	Buy	1.70	0.99
09-May-12	Buy	1.65	1.11
13-Feb-12	Buy	1.80	1.44
20-Jul-11	Accumulate	1.90	1.74
08-Apr-11	Buy	2.40	1.79

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Equinet Bank continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Philipp Rigters (since 15/02/2010)





## European Coverage of the Members of ESN

<b>Aerospace &amp; Defense</b>	Mem(*)	Bank Of Cyprus	IBG	Upm-Kymmene	POH	Ackermans & Van Haaren	BDG	Nutreco	SNS
Aviation Latecoere	CIC	Bankinter	BBO	<b>Biotechnology</b>	Mem(*)	Azimut	BAK	Olvi	POH
Bae Systems Plc	CIC	Bbva	BBO	4Sc Ag	EQB	Banca Generali	BAK	Parmalat	BAK
Dassault Aviation	CIC	Bcp	CBI	Bioalliance Pharma	CIC	Banca Ifis	BAK	Pernod-Ricard	CIC
Eads	CIC	Bes	CBI	Epigenomics Ag	EQB	Bb Biotech	EQB	Pinguin	BDG
Finmeccanica	BAK	Bnp Paribas	CIC	Metabolic Explorer	CIC	Binckbank	SNS	Raisio	POH
Lisi	CIC	Boursorama	CIC	Neovacs	CIC	Bois Sauvage	BDG	Remy Cointreau	CIC
Mtu	EQB	Bper	BAK	Transgene	CIC	Bolsas Y Mercados Espanoles	BBO	Sipef	BDG
Rheinmetall	EQB	Bpi	CBI	Wilex	EQB	Capman	POH	Ter Beke	BDG
Rolls Royce	CIC	Commerzbank	EQB	Zeltia	BBO	Cir	BAK	Unilever	SNS
Safran	CIC	Creдем	BAK	<b>Chemicals</b>	Mem(*)	Comdirect	EQB	Vidrala	BBO
Thales	CIC	Credit Agricole Sa	CIC	Air Liquide	CIC	Corp. Financiera Alba	BBO	Vilmorin	CIC
Zodiac	CIC	Creval	BAK	Akzo Nobel	SNS	Dab Bank	EQB	Viscofan	BBO
<b>Airlines</b>	Mem(*)	Deutsche Bank	EQB	Basf	EQB	Deutsche Boerse	EQB	Vranken Pommery Monopole	CIC
Air France Klm	CIC	Dexia	BDG	Dsm	SNS	Deutsche Forfait	EQB	Wessanen	SNS
Finnair	POH	Efg Eurobank Ergasias	IBG	Floridienne	BDG	Financiere De Tubize	BDG	<b>Food &amp; Drug Retailers</b>	Mem(*)
Lufthansa	EQB	Garanti Bank	IBG	Fuchs Petrolub	EQB	Gbl	BDG	Ahold	SNS
<b>Automobiles &amp; Parts</b>	Mem(*)	Halkbank	IBG	Henkel	EQB	Gimv	BDG	Bim	IBG
Autoliv	CIC	Ing Group	SNS	Holland Colours	SNS	Grenkeleasing Ag	EQB	Carrefour	CIC
Bmw	EQB	Intesa Sanpaolo	BAK	K+S Ag	EQB	Hellenic Exchanges	IBG	Casino Guichard-Perrachon	CIC
Brembo	BAK	Kbc Group	BDG	Kemira	POH	Kbc Ancora	BDG	Colruyt	BDG
Continental	EQB	Mediobanca	BAK	Lanxess	EQB	Luxempart	BDG	Delhaize	BDG
Daimler Ag	EQB	National Bank Of Greece	IBG	Linde	EQB	Mlp	EQB	Dia	BBO
Elringklinger	EQB	Natixis	CIC	Nanogate Ag	EQB	Patrizia Ag	EQB	Jeronimo Martins	CBI
Faurecia	CIC	Nordea	POH	Recticel	BDG	<b>Food &amp; Beverage</b>	Mem(*)	Kesko	POH
Fiat	BAK	Piraeus Bank	IBG	Solvay	BDG	Acomo	SNS	Marr	BAK
Landi Renzo	BAK	Postbank	EQB	Symrise Ag	EQB	Anheuser-Busch Inbev	BDG	Rallye	CIC
Leoni	EQB	Societe Generale	CIC	Tessenderlo	BDG	Atria	POH	Sligro	SNS
Michelin	CIC	Ubi Banca	BAK	Tikkurila	POH	Baron De Ley	BBO	Sonae	CBI
Nokian Tyres	POH	Unicredit	BAK	Umicore	BDG	Baywa	EQB		
Piaggio	BAK	Yapi Kredi Bank	IBG	Wacker Chemie	EQB	Berentzen	EQB		
Pirelli & C.	BAK	<b>Basic Resources</b>	Mem(*)	<b>Electronic &amp; Electrical Equi</b>	Mem(*)	Bonduelle	CIC		
Plastic Omnium	CIC	Acerinox	BBO	Agfa-Gevaert	BDG	Campari	BAK		
Plastivaloire	CIC	Altri	CBI	Alstom	CIC	Campofrio	BBO		
Porsche	EQB	Arcelormittal	BBO	Areva	CIC	Coca Cola Hbc Ag	IBG		
Psa Peugeot Citroen	CIC	Crown Van Gelder	SNS	Barco	BDG	Csm	SNS		
Renault	CIC	Ence	BBO	Euro micron Ag	EQB	Danone	CIC		
Sogefi	BAK	Europac	BBO	Evs	BDG	De Master Blenders 1753	SNS		
Stern Groep	SNS	Inapa	CBI	Gemalto	CIC	Ebro Foods	BBO		
Valeo	CIC	Metka	IBG	Ingenico	CIC	Enervit	BAK		
Volkswagen	EQB	Metsä Board	POH	Kontron	EQB	Fleury Michon	CIC		
<b>Banks</b>	Mem(*)	Mytilineos	IBG	Lacie	CIC	Forfarmers	SNS		
Aareal Bank	EQB	Nyrstar	BDG	Legrand	CIC	Heineken	SNS		
Akbank	IBG	Outokumpu	POH	Mobotix Ag	EQB	Hkscan	POH		
Aktia	POH	Portucel	CBI	Neways Electronics	SNS	Ktg Agrar	EQB		
Alpha Bank	IBG	Rautaruukki	POH	Nexans	CIC	Lanson-Bcc	CIC		
Banca Carige	BAK	Salzgitter	EQB	Pkc Group	POH	Laurent Perrier	CIC		
Banca Mps	BAK	Semapa	CBI	Rexel	CIC	Ldc	CIC		
Banco Popolare	BAK	Stora Enso	POH	Schneider Electric Sa	CIC	Lotus Bakeries	BDG		
Banco Popular	BBO	Talvivaara Mining Co Plc	POH	Vacon	POH	Natra	BBO		
Banco Sabadell	BBO	Thyssenkrupp	EQB	Vaisala	POH	Naturex	CIC		
Banco Santander	BBO	Tubacex	BBO	<b>Financial Services</b>	Mem(*)	Nestle	SNS		

<b>General Industrials</b>	<b>Mem(*)</b>	Faes Farma	BBO	Cargotec Corp	POH	Norbert Dentressangle	CIC	Maire Tecnimont	BAK
Aalberts	SNS	Fresenius	EQB	Cfao	CIC	Postnl	SNS	Mota Engil	CBI
Accell Group	SNS	Fresenius Medical Care	EQB	Danieli	BAK	Tnt Express	SNS	Obrascon Huarte Lain	BBO
Advanced Vision Technology	EQB	Gerresheimer Ag	EQB	Datalogic	BAK	<b>Insurance</b>	<b>Mem(*)</b>	Ramirent	POH
Ahlstrom	POH	Grifols Sa	BBO	Delclima	BAK	Aegon	SNS	Royal Bam Group	SNS
Analytik Jena	EQB	Korian	CIC	Deutz Ag	EQB	Ageas	BDG	Sacyr Vallehermoso	BBO
Arcadis	SNS	Laboratorios Rovi	BBO	Duro Felguera	BBO	Allianz	EQB	Saint Gobain	CIC
Aspo	POH	Medica	CIC	Emak	BAK	Axa	CIC	Sias	BAK
Azkoyen	BBO	Merck	EQB	Exel Composites	POH	Delta Lloyd	SNS	Sonae Industria	CBI
Bekaert	BDG	Natraceutical Sa	BBO	Exel Industries	CIC	Fondiarria Sai	BAK	Srv	POH
Evolis	CIC	Novartis	CIC	Faiveley	CIC	Generali	BAK	Thermador Groupe	CIC
Frigoglass	IBG	Oriola-Kd	POH	Fiat Industrial	BAK	Hannover Re	EQB	Titan Cement	IBG
Huhtamäki	POH	Orion	POH	Gea Group	EQB	Mapfre Sa	BBO	Trevi	BAK
Kendrion	SNS	Orpea	CIC	Gesco	EQB	Mediolanum	BAK	Uponor	POH
Martifer Sggs Sa	CBI	Recordati	BAK	Gildemeister	EQB	Milano Assicurazioni	BAK	Uzin Utz	EQB
Mifa	EQB	Rhoen-Klinikum	EQB	Haulotte Group	CIC	Munich Re	EQB	Vbh Holding	EQB
Nedap	SNS	Roche	CIC	Heidelberger Druck	EQB	Sampo	POH	Vicat	CIC
Neopost	CIC	Sanofi	CIC	Ima	BAK	Talanx Group	EQB	Vinci	CIC
Pöyry	POH	Sorin	BAK	Interpump	BAK	Unipol	BAK	Yit	POH
Prelios	BAK	Stallergènes	CIC	Khd Humboldt Wedag Internatio	EQB	Zurich Financial Services	BAK		
Resilux	BDG	Ucb	BDG	Kone	POH	<b>Materials, Construction &amp; Mem(*)</b>			
Saf-Holland	EQB	<b>Hotels, Travel &amp; Tourism Mem(*)</b>	Konecranes		POH	Abertis	BBO		
Saft	CIC	Accor	CIC	Krones Ag	EQB	Acs	BBO		
Skw Stahl	EQB	Autogrill	BAK	Kuka	EQB	Adp	CIC		
Tessi	CIC	Beneteau	CIC	Man	EQB	Astaldi	BAK		
Tkh Group	SNS	Compagnie Des Alpes	CIC	Manitou	CIC	Atlantia	BAK		
Wendel	CIC	Groupe Partouche	CIC	Max Automation Ag	EQB	Ballast Nedam	SNS		
<b>General Retailers</b>	<b>Mem(*)</b>	Gtech	BAK	Metso	POH	Bilfinger Se	EQB		
Beter Bed Holding	SNS	I Grandi Viaggi	BAK	Outotec	POH	Boskalis Westminster	SNS		
D'leteren	BDG	Ibersol	CBI	Pfeiffer Vacuum	EQB	Buzzi Unicem	BAK		
Douglas Holding	EQB	Intralot	IBG	Ponsse	POH	Caverion	POH		
Fielmann	EQB	Melia Hotels International	BBO	Prima Industrie	BAK	Cfe	BDG		
Folli Follie Group	IBG	Nh Hoteles	BBO	Prysmian	BAK	Ciments Français	CIC		
Fouris Holdings	IBG	Opap	IBG	Reesink	SNS	Cramo	POH		
Inditex	BBO	Sodexo	CIC	Sabaf	BAK	Deceuninck	BDG		
Jacquet Metal Service	CIC	Sonae Capital	CBI	Schuler Ag	EQB	Eiffage	CIC		
Jumbo	IBG	Trigano	CIC	Singulus Technologies	EQB	Ellaktor	IBG		
Macintosh	SNS	Tui	EQB	Smt Scharf Ag	EQB	Ezentis	BBO		
Rapala	POH	<b>Household Goods Mem(*)</b>	Ten Cate		SNS	Fcc	BBO		
Stockmann	POH	Bic	CIC	Trilogiq	CIC	Ferrovial	BBO		
<b>Healthcare</b>	<b>Mem(*)</b>	De Longhi	BAK	Vossloh	EQB	Fraport	EQB		
Ab-Biotics	BBO	Elica	BAK	Wärtsilä	POH	Gek Terna	IBG		
Almirall	BBO	Indesit	BAK	Zardoya Otis	BBO	Grontmij	SNS		
Amplifon	BAK	Seb Sa	CIC	<b>Industrial Transportation Mem(*)</b>	Grupo San Jose		BBO		
Arseus	BDG	U10	CIC	Bollere	CIC	Heijmans	SNS		
Bayer	EQB	<b>Industrial Engineering Mem(*)</b>	Bpost		BDG	Hochtief	EQB		
Biomerieux	CIC	Accsys Technologies	SNS	Caf	BBO	Holcim Ltd	CIC		
Biotech	EQB	Agta Record	CIC	Deutsche Post	EQB	Imerys	CIC		
Cegedim	CIC	Aixtron	EQB	Gemina	BAK	Impregilo	BAK		
Celesio	EQB	Ansaldo Sts	BAK	Hes Beheer	SNS	Italcementi	BAK		
Diasorin	BAK	Bauer Ag	EQB	Hhla	EQB	Lafarge	CIC		
Drägerwerk	EQB	Biesse	BAK	Logwin	EQB	Lemminkäinen	POH		



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<b>Media</b>	<b>Mem(*)</b>	Bourbon	CIC	Vastned Retail	BDG	IR.I.S.	BDG	Orange	CIC
Ad Pepper	EQB	Cgg	CIC	Vastned Retail Belgium	BDG	IFao Ag	EQB	Ote	IBG
Alma Media	POH	Fugro	SNS	Vib Vermoegen	EQB	Ict Automatisering	SNS	Portugal Telecom	CBI
Atresmedia	BBO	Saipem	BAK	Wdp	BDG	Indra Sistemas	BBO	Ses	CIC
Brill	SNS	Technip	CIC	<b>Renewable Energy</b>	<b>Mem(*)</b>	Neurones	CIC	Sonaecom	CBI
Cofina	CBI	Tecnicas Reunidas	BBO	Abengoa	BBO	Novabase Sgps	CBI	Telecom Italia	BAK
Editoriale L'Espresso	BAK	Tenaris	BAK	Biopetroli Industries	EQB	Ordina	SNS	Telefonica	BBO
GI Events	CIC	Vallourec	CIC	Daldrup & Soehne	EQB	Psi	EQB	Telenet Group	BDG
Havas	CIC	Vopak	SNS	Deutsche Biogas	EQB	Realdolmen	BDG	Teliasonera	POH
Hi-Media	CIC	<b>Personal Goods</b>	<b>Mem(*)</b>	Enel Green Power	BAK	Reply	BAK	Tiscali	BAK
Impresa	CBI	Adidas	EQB	Gamesa	BBO	Rib Software	EQB	Turkcell	IBG
Ipsos	CIC	Alder Modemaerkte	EQB	Phoenix Solar	EQB	Seven Principles Ag	EQB	United Internet	EQB
Jdcaux	CIC	Amer Sports	POH	Sma Solar Technology	EQB	Sii	CIC	Vodafone	BAK
Kinepolis	BDG	Basic Net	BAK	Solar-Fabrik	EQB	Sopra Group	CIC	Zon Multimedia	CBI
Lagardere	CIC	Beiersdorf	EQB	Solarworld	EQB	Steria	CIC	<b>Utilities</b>	<b>Mem(*)</b>
M6-Metropole Television	CIC	Geox	BAK	Solutronic	EQB	Tie Kinetix	SNS	A2A	BAK
Mediaset	BAK	Gerry Weber	EQB	Sunways	EQB	Tieto	POH	Acciona	BBO
Mediaset Espana	BBO	Hugo Boss	EQB	<b>Semiconductors</b>	<b>Mem(*)</b>	Tomtom	SNS	Acea	BAK
Meetic	CIC	Kering	CIC	Asm International	SNS	Transics	BDG	Albioma	CIC
Nextradiotv	CIC	Loewe	EQB	Asml	SNS	Unit4	SNS	E.On	EQB
Nostrum	BBO	Luxottica	BAK	Besi	SNS	Wincor Nixdorf	EQB	Edp	CBI
Nij Group	CIC	Marimekko	POH	Melexis	BDG	<b>Support Services</b>	<b>Mem(*)</b>	Edp Renováveis	CBI
Publicis	CIC	Medion	EQB	Okmetic	POH	Batenburg	SNS	Elia	BDG
Rcs Mediagroup	BAK	Puma	EQB	Roodmicrotec	SNS	Brunel	SNS	Enagas	BBO
Reed Elsevier N.V.	SNS	Safilo	BAK	Stmicroelectronics	BAK	Bureau Veritas S.A.	CIC	Endesa	BBO
Roularta	BDG	Salvatore Ferragamo	BAK	Suess Microtec	EQB	Dpa	SNS	Enel	BAK
Rtl Group	BDG	Sarantis	IBG	<b>Software &amp; Computer Ser</b>	<b>Mem(*)</b>	Edenred	CIC	Falck Renewables	BAK
Sanoma	POH	Tod'S	BAK	Affecto	POH	Ei Towers	BAK	Fluxys	BDG
Solocal Group	CIC	Van De Velde	BDG	Akka Technologies	CIC	Fiera Milano	BAK	Fortum	POH
Spir Communication	CIC	Zucchi	BAK	Alten	CIC	Imtech	SNS	Gas Natural Fenosa	BBO
Talentum	POH	<b>Real Estate</b>	<b>Mem(*)</b>	Altran	CIC	Lassila & Tikanoja	POH	Gdf Suez	CIC
Telegraaf Media Groep	SNS	Aedifica	BDG	Amadeus	BBO	Prosegur	BBO	Hera	BAK
Teleperformance	CIC	Ascencio	BDG	AtoS	CIC	Randstad	SNS	Iberdrola	BBO
Tf1	CIC	Atenor	BDG	Basware	POH	Usg People	SNS	Iren	BAK
Ti Media	BAK	Banimmo	BDG	Beta Systems Software	EQB	<b>Telecom Equipment</b>	<b>Mem(*)</b>	Public Power Corp	IBG
Ubisoft	CIC	Befimmo	BDG	Bull	CIC	Alcatel-Lucent	CIC	Red Electrica De Espana	BBO
Vivendi	CIC	Beni Stabili	BAK	Cappemini	CIC	Ericsson	POH	Ren	CBI
Wolters Kluwer	SNS	Citycon	POH	Cegid	CIC	Gigaset	EQB	Rwe	EQB
<b>Oil &amp; Gas Producers</b>	<b>Mem(*)</b>	Cofinimmo	BDG	Cenit	EQB	Nokia	POH	Sham	BAK
Eni	BAK	Corio	BDG	Comptel	POH	Teleste	POH	Suez Environnement	CIC
Galp Energia	CBI	Deutsche Euroshop	EQB	Dassault Systemes	CIC	<b>Telecommunications</b>	<b>Mem(*)</b>	Terna	BAK
Gas Plus	BAK	Home Invest Belgium	BDG	Digia	POH	Acotel	BAK	Veolia Environnement	CIC
Hellenic Petroleum	IBG	Igd	BAK	Docdata	SNS	Belgacom	BDG		
Maurel Et Prom	CIC	Intervest Offices & Warehouses	BDG	Ekinops	CIC	Bouygues	CIC		
Motor Oil	IBG	Ivg Immobilien Ag	EQB	Engineering	BAK	Deutsche Telekom	EQB		
Neste Oil	POH	Leasinvest Real Estate	BDG	Esi Group	CIC	Elisa	POH		
Petrobras	CBI	Montea	BDG	Exact Holding Nv	SNS	Eutelsat Communications Sa	CIC		
Qgep	CBI	Realia	BBO	F-Secure	POH	Freenet	EQB		
Repsol	BBO	Retail Estates	BDG	Gameloft	CIC	Gowex	BBO		
Total	CIC	Sponda	POH	Gft Technologies	EQB	Iliad	CIC		
Tupras	IBG	Technopolis	POH	Groupe Open	CIC	Jazztel	BBO		
<b>Oil Services</b>	<b>Mem(*)</b>	Unibail-Rodamco	BDG	Guillemot Corporation	CIC	Mobistar	BDG		

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as of 1st August 2013



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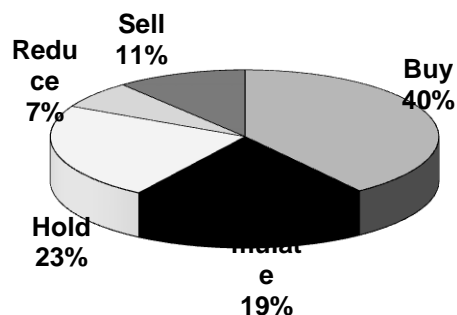
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Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
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Equinet Bank Ratings Breakdown



### History of ESN Recommendation System

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Since **4 August 2008**, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:

#### TODAY



#### BEFORE



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