

Ad pepper

Germany/Media

Analysier



Buy

Recommendation unchanged

Share price: EUR 1.22

closing price as of 21/02/2014

Target price: EUR 1.85

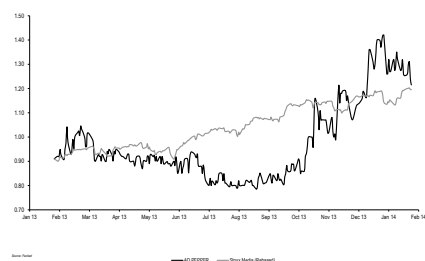
Target Price unchanged

Reuters/Bloomberg

APME.F/APM GY

Market capitalisation (EURm)	26
Current N° of shares (m)	21
Free float	46%
Daily avg. no. trad. sh. 12 mth	85,509
Daily avg. trad. vol. 12 mth (m)	107
Price high 12 mth (EUR)	1.42
Price low 12 mth (EUR)	0.79
Abs. perf. 1 mth	-11.31%
Abs. perf. 3 mth	13.55%
Abs. perf. 12 mth	28.03%

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
Debt/EBITDA	3.8	-3.6	83.0
Int. cover(EBITDA/Fin. int)	4.2	(23.1)	0.9
EV/Sales	nm	nm	0.0
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	1.1
OpFCF yield	-14.0%	25.9%	-2.3%
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%;

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Q4 preliminaries below expectation

The facts: On Friday ad pepper reported preliminary FY 2013 results below our expectations.

Our analysis:

EUR m	2013	2012	yoy	2013e
Sales	49.6	55.0	-10%	50.3
Gross profit	20.7	23.1	-11%	22.9
EBITDA	5.0	-4.2	nm	6.2
margin %	10%	-8%	1757 bp	12%
EBIT	4.7	-4.6	nm	5.9
margin %	9%	-8%	1787 bp	12%
EBT	5.3	-4.7	nm	6.2

Source: Company data, equinet Research

Results: FY 2013 sales declined by 10% yoy to a level of EUR 49.6m, which is broadly in line with our expectation. Gross profit was, however, somewhat lagging behind our estimates. Here the mentioned sales development of -21% in the ad pepper media division was weaker than anticipated by us. According to the company both Webgains and ad agents should have again developed strongly.

As a result, EBIT came in at EUR 4.7m, compared to our estimate of EUR 5.9m. The EBIT was supported by an extraordinary gain of EUR 8.2m from the disposals of Emediate and Crystal Semantic which took place in Q4 2013. On an adjusted level EBIT would have improved by EUR 1.1m yoy. The cash inflow from the two transactions resulted in a strong net cash position of EUR 21.7m.

Dirk Klose as new CTO: In January ad pepper announced that it has appointed Dirk Klose as new Chief Technology Officer. Since the beginning of the year, he is responsible for the strategic IT management and in charge of building a new technology organisation as well as establishing an international technology strategy and product portfolio. One of his main areas of focus will be data-driven advertising.

Mr. Klose previously worked for newtention technologies/NEXT AUDIENCE where he held the position of COO/CTO for the last eight years. Amongst other duties he was in charge of the company's software development and responsible for technical operations and overseeing data centres in Europe and the U.S.

Big data as new growth driver?: Given the sharply increasing relevance of big data and the large data sets Webgains and ad agents should have available, we consider the arrival of Mr. Klose as strong add-on to the ad pepper management team and can imagine ad pepper to enforce the usage of the "big data" available to the company. However, so far the company did not confirm this idea.

Conclusion & Action: For the time being we stick to our Buy rating with a TP of EUR 1.85. We will, however review our model following the release of the final 2013 figures and the initial FY 2014 outlook, which is scheduled for March 28th with the publication of the annual report. We can further imagine a more concretised strategy update, with regards to the tasks of the new CTO.