

ad pepper group

Germany/Media

Analysier



Buy

Recommendation unchanged

Share price: EUR 2.62

closing price as of 10/10/2016

Target price: EUR 3.00

Target Price unchanged

Reuters/Bloomberg

APME.F/APM.GY

Market capitalisation (EURm)	55
Current N° of shares (m)	21
Free float	42%
Daily avg. no. trad. sh. 12 mth	25
Daily avg. trad. vol. 12 mth (m)	109
Price high 12 mth (EUR)	2,79
Price low 12 mth (EUR)	1,12
Abs. perf. 1 mth	14,56%
Abs. perf. 3 mth	9,17%
Abs. perf. 12 mth	122,41%

Key financials (EUR)	12/15	12/16e	12/17e
Sales (m)	56	62	68
EBITDA (m)	1	2	3
EBITDA margin	1,0%	3,8%	3,9%
EBIT (m)	0	2	2
EBIT margin	0,4%	3,3%	3,5%
Net Profit (adj.)(m)	(0)	2	2
ROCE	-2,4%	-41,9%	-40,4%
Net debt/(cash) (m)	(23)	(25)	(28)
Net Debt/Equity	-1,4	-1,4	-1,4
Debt/EBITDA	-42,1	-10,9	-10,8
Int. cover(EBITDA/Fin. int)	(2,8)	(11,1)	(11,3)
EV/Sales	0,1	0,5	0,4
EV/EBITDA	13,3	13,7	11,2
EV/EBITDA (adj.)	13,3	13,7	11,2
EV/EBIT	29,5	15,6	12,6
P/E (adj.)	nm	35,0	30,7
P/BV	1,7	3,2	2,9
OpFCF yield	5,0%	4,8%	4,9%
Dividend yield	0,0%	0,0%	0,0%
EPS (adj.)	(0,00)	0,07	0,09
BVPS	0,75	0,83	0,92
DPS	0,00	0,00	0,00



Shareholders: ad pepper media International NV 8%;
KOPPITZ DIETER 3%; EMA BV 41%;
Discover Capital GmbH 4%; Euro Serve

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Solid Q3 quarter with no major surprises

The facts:

The final release of ad pepper's (APM) 3Q16 figures is scheduled for November 18, 2016. As it was often the case, we speculate, that the company could publish preliminaries soon.

Our analysis: For third quarter sales, we expect the company to achieve a level lower than that of 2Q16, i.e. of EUR 13.2-13.3m (-4% qoq). Our 3Q16 revenue projection is around 4% higher to the previous year's quarter. A limited but a noticeable revenue portion will drop off due to both, business seasonality (historically Q3 is the weakest quarter) and Brexit, where we expect a stronger influence coming from negative currency on profitability.

Despite to an uncertain operating environment in the UK, with a latent insecurity at macroeconomic level after Brexit and its consequences, we actually stick to our initial assumption on top-line growth for FY16 but we will continue to monitor this. Please keep in mind that 50% of APM's revenues were recorded in GBP and on the other hand also 50% of APM's OPEX, which is why we actually just see the translation as the main risk. More negative would be a significantly worsened consumption climate in the UK.

As regards the segments, we expect the ad pepper media division sales to drop sequentially from EUR 1.4m in 2Q16 to EUR 1.2m in the September quarter which is not an unusual pattern in the summer months. Webgains should also drop from EUR 9.8m, down to EUR 9m qoq and EUR 168k yoy (-2%). ad agents should come in strong at EUR 3m and thus up EUR 0.35m (13%) qoq, as we think that especially the consulting part of ad agent fits perfectly into the current trend of digital transformation.

This sales mix should result in a gross profit margin of 30% which is lower sequentially due to the weak webgains and ad pepper core business. EBIT should come in around EUR 0.37m (-18% qoq / +3% yoy) with OPEX flat. We estimate net profit after minorities of about 0.285m

3Q16 preview

in EUR m	3Q16e	3Q15	yoy	3Q16c	FY16e	FY15	yoy	FY16c	delta
Sales	13,3	12,8	4%	nm	61,8	56,0	10%	62,6	-1%
EBIT	0,37	-0,07	-650%	nm	2,06	0,24	742%	0,8	157%
EBIT margin	2,8%	-0,5%	340bp	nm	3,3%	0,4%	290bp	1,3%	210bp
Net profit	0,29	1,69	-83%	nm	1,56	-0,03	4825%	0,7	126%
EPS [EUR]	0,01	0,00	0,00%	nm	0,07	0,00	4888%	0,04	110%

Sources: Company data, equinet Research - * after minorities

Conclusion & Action: APM has not provided a concrete outlook so far. In line with the management, we hope that growth of ad agents and Webgains as well as the seasonally stronger December quarter will bring improvements for the top line. The company moderately profits from its "natural hedge" position with some minor effect on its overall profitability. For APM it is of vital importance, that especially the consumer confidence remains stable. We will check our model assumption and rating when APM releases 3Q16 figures. For the time being, we keep both our recommendation and price target unchanged.