

# ad pepper media International N.V.

The Netherlands / Internet Services  
 Frankfurt  
 Bloomberg: APM GR  
 ISIN: NL0000238145

Q3/23 report

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 3.00**

Return Potential 45.6%  
 Risk Rating Medium

## FIRST TURNAROUND SIGNALS

ad pepper media (APM) published its 9M report and confirmed preliminary sales and EBITDA. Despite the challenging market environment, the company reported its first positive quarterly EBITDA figure (€101k) of the year. This shows the positive effects of initiated cost savings. For Q4, APM is guiding towards a further decline in revenue y/y and positive EBITDA. As Q4 is the seasonally strongest quarter (online Christmas shopping, Black Friday & Cyber Monday), we expect Q4 EBITDA of €806k. Following the successful acquisition of a 26% stake in solute, we believe that a main share price driver is APM's plan to raise its stake in solute to >50% and consolidate the company. The deal would more than double APM's revenue and create a leading listed player in performance marketing and digital marketplaces (price comparison). An updated DCF model, which does not yet factor in the planned solute consolidation, yields an unchanged price target of €3.00. We confirm our Buy recommendation.

**Positive EBITDA in Q3** Although gross profit declined by €516k to €5.2m y/y EBITDA retreated by only €308k to €101k y/y. This was largely owing to lower selling and marketing expenses, which fell by €400k to €3.7m. At the end of September, the headcount amounted to 224. This is a reduction of 15% y/y. EBIT declined to €-163k from €+138k in Q3/22 (see figure 1 overleaf). The net result remained in negative territory (€-262k versus €-12k in the prior year period).

**Strong balance sheet helps to weather recession** At the end of September, APM's €17.3m cash position accounted for 50% of the balance sheet total. The net cash position, which includes listed short-term securities (€2.0m) and leasing liabilities (€-1.5m), amounted to €17.8m. APM has no financial liabilities. Equity amounted to €14.3m resulting in a solid 41% equity ratio. APM's financial position is thus strong enough to finance both organic and external growth.

(p.t.o.)

## FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023E	2024E	2025E
Revenue (€m)	25.62	27.65	24.87	22.54	23.67	25.92
Y-o-y growth	17.6%	7.9%	-10.0%	-9.3%	5.0%	9.5%
EBITDA (€m)	6.56	4.38	1.28	0.46	1.44	2.37
EBITDA margin	25.6%	15.8%	5.1%	2.0%	6.1%	9.2%
Net income (€m)	3.66	1.73	-0.89	-0.64	-0.05	0.41
EPS (diluted) (€)	0.17	0.08	-0.04	-0.03	0.00	0.02
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	2.60	1.91	1.71	-0.99	0.68	1.82
Net gearing	-115.0%	-104.2%	-108.0%	-78.2%	-78.0%	-82.2%
Liquid assets (€m)	24.33	20.70	17.01	15.33	15.25	16.32

## RISKS

The main risks are regulatory changes, technological innovations, dependence on key customers, and intense competition.

## COMPANY PROFILE

ad pepper media International N.V. is an international digital performance marketing company, which acts as a holding for its three operating units ad pepper media (lead generation & audience targeting), Webgains (affiliate network), and ad agents (full service agency). The company is headquartered in Nuremberg, Germany.

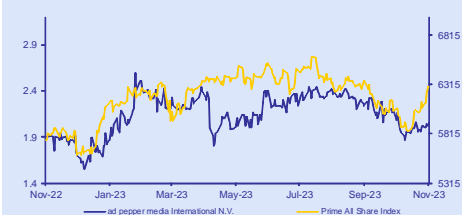
## MARKET DATA

As of 16 Nov 2023

Closing Price	€ 2.00
Shares outstanding	21.95m
Market Capitalisation	€ 45.22m
52-week Range	€ 1.55 / 2.59
Avg. Volume (12 Months)	4,982

Multiples	2022	2023E	2024E
P/E	n.a.	n.a.	n.a.
EV/Sales	0.9	1.0	0.9
EV/EBITDA	17.0	47.1	15.1
Div. Yield	0.0%	0.0%	0.0%

## STOCK OVERVIEW



## COMPANY DATA

As of 30 Jun 2023

Liquid Assets	€ 19.47m
Current Assets	€ 32.68m
Intangible Assets	€ 0.26m
Total Assets	€ 37.12m
Current Liabilities	€ 21.51m
Shareholders' Equity	€ 14.45m

## SHAREHOLDERS

EMA B.V.	40.9%
Euro Serve Media GmbH	7.1%
Treasury shares	5.4%
Free Float	46.7%

**Figure 1: Reported group figures**

All figures in €m	Q3-23A	Q3-22A	Delta	9M-23A	9M-22A	Delta
Gross sales	21.41	23.64	-9%	61.97	70.20	-12%
Revenue	5.38	5.93	-9%	15.88	17.68	-10%
EBITDA	0.10	0.41	-75%	-0.35	0.26	-
margin	1.9%	6.9%	-	-2.2%	1.4%	-
EBIT	-0.16	0.14	-	-1.13	-0.56	-
margin	-3.0%	2.3%	-	-7.1%	-3.2%	-
EBT	-0.11	0.12	-	-1.02	-0.69	-
margin	-2.1%	2.1%	-	-6.4%	-3.9%	-
Net income	-0.26	-0.12	-	-1.30	-1.59	-
margin	-4.9%	-2.0%	-	-8.2%	-9.0%	-
EPS (diluted) in €	-0.01	-0.01	-	-0.06	-0.08	-

Source: First Berlin Equity Research, ad pepper media International N.V.

**Capital increase against contribution in kind completed** APM issued 1,693,244 new shares to purchase the 25.64% stake in solute. This increased the number of shares in APM to 23,193,244. At the end of September, APM owned 1,242,128 treasury shares. This results in 21,951,116 shares outstanding.

**APM a step closer to consolidating solute** Following the purchase of the solute stake in October, APM now plans to acquire further solute shares to gain a majority stake and consolidate the company (see our research of 9 October). solute, a leading price comparison portal business in the German market (billiger.de and shopping.de), has more than 170 employees, and generated revenue and EBITDA of €33m and €2.0m respectively in the past financial year. The deal would more than double APM's revenue and create a leading listed player in performance marketing and digital marketplaces (price comparison). We believe that the advertising technology (adtech) company solute, with its broad digital marketing knowhow and strong competitive position in the German price comparison portal market, is a good fit for APM, and expect the deal to be value-accretive. If the deal goes through, we believe that the APM stock has further upside potential, as a much stronger digital performance marketing company will be created.

**Return to growth in 2024E** According to the IMF's latest 2024 GDP growth forecasts for Germany and the UK, APM's core markets, GDP will rise y/y in both countries, 0.9% in Germany and 0.6% in the UK. In this moderately positive environment, we expect APM to return to growth next year and model a 2024 top line increase of 5% y/y. Thanks to high operating leverage, we forecast EBITDA will treble to €1.4m. We note that our forecasts refer to APM on a standalone basis, i.e. without solute. We will include solute as soon as APM has acquired a majority stake in the company.

**Buy reiterated at unchanged price target** Based on unchanged forecasts, an updated DCF model still yields a €3.00 price target. We confirm our Buy rating.



## VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2023 E	2024 E	2025 E	2026 E	2027 E	2028 E	2029 E	2030 E
Net revenue	22,543	23,670	25,919	28,381	31,077	34,021	37,219	40,659
NOPLAT	- 656	263	950	1,586	1,938	2,343	2,807	3,333
+ depreciation & amortisation	1,042	1,030	1,013	1,019	1,043	1,053	1,060	1,067
Net operating cash flow	386	1,294	1,963	2,605	2,981	3,396	3,867	4,401
- total investments (CAPEX and WC)	- 1,453	- 753	- 298	- 849	- 471	- 531	- 598	- 673
Capital expenditures	- 180	- 237	- 311	- 369	- 404	- 442	- 484	- 529
Working capital	- 1,273	- 517	13	- 480	- 67	- 88	- 114	- 144
Free cash flows (FCF)	- 1,068	540	1,665	1,756	2,510	2,865	3,269	3,728
PV of FCF's	- 1,054	479	1,323	1,252	1,606	1,645	1,684	1,724

### All figures in thousands

PV of FCFs in explicit period (2023E-2037E)	21,213
PV of FCFs in terminal period	19,043
Enterprise value (EV)	40,256
+ Net cash / - net debt	15,645
+ Investments / minority interests	11,248
Shareholder value	67,149
Number of shares (diluted)	22,194
Fair value per share in EUR	3.03

Terminal growth	2.0%
Terminal EBIT margin	17.5%

WACC	11.4%
Cost of equity	11.4%
Pre-tax cost of debt	5.0%
Tax rate	25.0%
After-tax cost of debt	3.8%
Share of equity capital	100.0%
Share of debt capital	0.0%
Price target in EUR	3.00

WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
7.4%	4.44	4.61	4.80	5.03	5.31	5.65	6.08
8.4%	3.89	4.00	4.13	4.28	4.46	4.66	4.91
9.4%	3.47	3.55	3.64	3.74	3.86	3.99	4.15
10.4%	3.15	3.20	3.27	3.34	3.42	3.51	3.61
11.4%	2.89	2.93	2.98	3.03	3.08	3.15	3.22
12.4%	2.68	2.71	2.74	2.78	2.82	2.87	2.92
13.4%	2.51	2.53	2.56	2.58	2.61	2.65	2.69
14.4%	2.36	2.38	2.40	2.42	2.45	2.47	2.50

\* for layout purposes the model shows numbers only to 2030, but runs until 2037



## INCOME STATEMENT

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
<b>Gross sales</b>	<b>101,344</b>	<b>111,539</b>	<b>98,229</b>	<b>89,045</b>	<b>93,497</b>	<b>102,380</b>
Media costs	75,729	83,893	73,361	66,502	69,827	76,461
<b>Revenues</b>	<b>25,615</b>	<b>27,646</b>	<b>24,868</b>	<b>22,543</b>	<b>23,670</b>	<b>25,919</b>
Cost of sales	928	1,059	1,164	1,010	1,041	1,037
<b>Gross profit</b>	<b>24,687</b>	<b>26,587</b>	<b>23,704</b>	<b>21,533</b>	<b>22,629</b>	<b>24,882</b>
S&M	13,411	15,739	16,638	14,994	15,183	15,710
G&A	7,108	7,707	7,164	7,969	7,910	8,200
Other operating income	1,514	530	937	1,154	1,184	778
Other operating expenses	234	477	651	305	308	389
<b>EBITDA</b>	<b>6,559</b>	<b>4,378</b>	<b>1,275</b>	<b>461</b>	<b>1,442</b>	<b>2,373</b>
Depreciation and amortisation	1,111	1,184	1,088	1,042	1,030	1,013
<b>Operating income (EBIT)</b>	<b>5,448</b>	<b>3,194</b>	<b>187</b>	<b>-581</b>	<b>411</b>	<b>1,361</b>
Net financial result	-116	-38	-131	80	137	159
Non-operating expenses	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>5,332</b>	<b>3,156</b>	<b>56</b>	<b>-501</b>	<b>548</b>	<b>1,520</b>
Income taxes	991	592	306	75	148	410
Minority interests	-677	-839	-643	-60	-450	-700
<b>Net income / loss</b>	<b>3,664</b>	<b>1,725</b>	<b>-893</b>	<b>-636</b>	<b>-50</b>	<b>410</b>
<b>Diluted EPS (in €)</b>	<b>0.17</b>	<b>0.08</b>	<b>-0.04</b>	<b>-0.03</b>	<b>0.00</b>	<b>0.02</b>
<b>Ratios</b>						
Gross margin in % of gross sales	24.4%	23.8%	24.1%	24.2%	24.2%	24.3%
Gross margin in % of revenues	96.4%	96.2%	95.3%	95.5%	95.6%	96.0%
EBITDA margin in % of revenues	25.6%	15.8%	5.1%	2.0%	6.1%	9.2%
EBIT margin	21.3%	11.6%	0.8%	-2.6%	1.7%	5.3%
Net margin	14.3%	6.2%	-3.6%	-2.8%	-0.2%	1.6%
Tax rate	18.6%	18.8%	542.6%	-15.0%	27.0%	27.0%
<b>Expenses as % of sales or revenues</b>						
Media costs (as % of gross sales)	74.7%	75.2%	74.7%	74.7%	74.7%	74.7%
S&M (as % of revenues)	52.4%	56.9%	66.9%	66.5%	64.1%	60.6%
G&A (as % of revenues)	27.7%	27.9%	28.8%	35.4%	33.4%	31.6%
Depreciation and amortisation	4.3%	4.3%	4.4%	4.6%	4.4%	3.9%
Other operating expenses	0.9%	1.7%	2.6%	1.4%	1.3%	1.5%
<b>Y-Y Growth</b>						
Gross sales	21.0%	10.1%	-11.9%	-9.3%	5.0%	9.5%
Net revenues	17.6%	7.9%	-10.0%	-9.3%	5.0%	9.5%
EBITDA	86.8%	-33.3%	-70.9%	-63.9%	212.9%	64.7%
Operating income	116.3%	-41.4%	-94.1%	n.m.	n.m.	230.7%
Net income/ loss	171.0%	-52.9%	n.m.	n.m.	n.m.	n.m.



## BALANCE SHEET

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
<b>Assets</b>						
<b>Current assets, total</b>	<b>44,718</b>	<b>40,753</b>	<b>35,692</b>	<b>31,885</b>	<b>32,579</b>	<b>34,127</b>
Cash and cash equivalents	24,330	20,704	17,008	15,329	15,251	16,323
Short-term investments	29	26	258	258	258	258
Receivables	19,727	19,319	17,568	15,440	16,212	16,687
Inventories	0	0	0	0	0	0
Other current assets	632	704	858	858	858	858
<b>Non-current assets, total</b>	<b>4,123</b>	<b>5,599</b>	<b>8,262</b>	<b>12,088</b>	<b>12,050</b>	<b>12,100</b>
Property, plant & equipment	412	346	230	150	156	194
Goodwill & other intangibles	737	628	374	285	241	252
Right-of-use assets	1,568	1,177	1,318	1,318	1,318	1,318
Financial assets	1,406	3,448	6,260	10,256	10,256	10,256
Other assets	0	0	79	79	79	79
<b>Total assets</b>	<b>48,841</b>	<b>46,352</b>	<b>43,954</b>	<b>43,973</b>	<b>44,629</b>	<b>46,226</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>26,761</b>	<b>25,318</b>	<b>27,448</b>	<b>24,047</b>	<b>24,303</b>	<b>24,791</b>
Short-term debt	0	0	0	0	0	0
Accounts payable	20,738	20,247	20,836	17,435	17,691	18,179
Current provisions	0	0	0	0	0	0
Other current liabilities	5,280	4,566	6,089	6,089	6,089	6,089
Lease liabilities	743	505	523	523	523	523
<b>Long-term liabilities, total</b>	<b>1,242</b>	<b>946</b>	<b>840</b>	<b>840</b>	<b>840</b>	<b>840</b>
Long-term debt	0	0	0	0	0	0
Lease liabilities	953	741	840	840	840	840
Other liabilities	289	205	0	0	0	0
<b>Minority interests</b>	<b>1,157</b>	<b>1,413</b>	<b>1,176</b>	<b>1,236</b>	<b>1,686</b>	<b>2,386</b>
<b>Shareholders' equity</b>	<b>19,681</b>	<b>18,675</b>	<b>14,490</b>	<b>17,850</b>	<b>17,800</b>	<b>18,210</b>
Share capital	1,075	1,075	1,075	2,768	2,768	2,768
Capital reserve	63,782	63,782	63,782	66,085	66,085	66,085
Other reserves	0	0	0	0	0	0
Loss carryforward / retained earnings	-45,176	-46,182	-50,367	-51,003	-51,053	-50,643
<b>Total consolidated equity and debt</b>	<b>48,841</b>	<b>46,352</b>	<b>43,954</b>	<b>43,973</b>	<b>44,629</b>	<b>46,226</b>
<b>Ratios</b>						
Current ratio (x)	1.67	1.61	1.30	1.33	1.34	1.38
Quick ratio (x)	1.67	1.61	1.30	1.33	1.34	1.38
Net debt	-22,634	-19,458	-15,645	-13,966	-13,888	-14,960
Net gearing	-115.0%	-104.2%	-108.0%	-78.2%	-78.0%	-82.2%
Equity ratio	42.7%	43.3%	35.6%	43.4%	43.7%	44.6%
Book value per share (in €)	0.93	0.89	0.71	0.87	0.81	0.83
Return on equity (ROE)	18.6%	9.2%	-6.2%	-3.6%	-0.3%	2.2%
Return on investment (ROI)	7.5%	3.7%	-2.0%	-1.4%	-0.1%	0.9%
Return on assets (ROA)	7.5%	3.7%	-2.0%	-1.4%	-0.1%	0.9%



## CASH FLOW STATEMENT

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
<b>EBIT</b>	<b>5,448</b>	<b>3,194</b>	<b>187</b>	<b>-581</b>	<b>411</b>	<b>1,361</b>
Depreciation and amortisation	1,111	1,184	1,088	1,042	1,030	1,013
<b>EBITDA</b>	<b>6,559</b>	<b>4,378</b>	<b>1,275</b>	<b>461</b>	<b>1,442</b>	<b>2,373</b>
Changes in working capital	-1,527	636	3,256	-1,273	-517	13
Other adjustments	-1,650	-2,806	-2,600	5	-11	-251
<b>Operating cash flow</b>	<b>3,382</b>	<b>2,208</b>	<b>1,931</b>	<b>-807</b>	<b>914</b>	<b>2,135</b>
Investments in PP&E	-238	-121	-108	-90	-118	-156
Investments in intangibles	-549	-178	-111	-90	-118	-156
<b>Free cash flow</b>	<b>2,595</b>	<b>1,909</b>	<b>1,712</b>	<b>-987</b>	<b>677</b>	<b>1,824</b>
Acquisitions & disposals, net	10	57	1,938	-3,996	0	0
Other investments	-994	-1,999	-5,000	0	0	0
<b>Investment cash flow</b>	<b>-1,771</b>	<b>-2,241</b>	<b>-3,281</b>	<b>-4,176</b>	<b>-237</b>	<b>-311</b>
Debt financing, net	0	0	0	0	0	0
Equity financing, net	-978	-2,489	-1,232	3,996	0	0
Dividends paid	0	0	0	0	0	0
Other financing	-1,300	-1,340	-1,124	-692	-755	-751
<b>Financing cash flow</b>	<b>-2,278</b>	<b>-3,829</b>	<b>-2,356</b>	<b>3,304</b>	<b>-755</b>	<b>-751</b>
FOREX & other effects	-232	236	10	0	0	0
<b>Net cash flows</b>	<b>-899</b>	<b>-3,626</b>	<b>-3,696</b>	<b>-1,679</b>	<b>-78</b>	<b>1,073</b>
Cash, start of the year	25,229	24,330	20,704	17,008	15,329	15,251
<b>Cash, end of the year</b>	<b>24,330</b>	<b>20,704</b>	<b>17,008</b>	<b>15,329</b>	<b>15,251</b>	<b>16,323</b>
<b>EBITDA/share (in €)</b>	<b>0.31</b>	<b>0.21</b>	<b>0.06</b>	<b>0.02</b>	<b>0.07</b>	<b>0.11</b>
<b>Y-Y Growth</b>						
Operating cash flow	-47.8%	-34.7%	-12.5%	n.m.	n.m.	133.7%
Free cash flow	-56.4%	-26.4%	-10.3%	n.m.	n.m.	169.4%
EBITDA/share	87.1%	-32.7%	-69.9%	-64.3%	192.8%	64.7%

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**AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY**

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First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

**ASSET RECOMMENDATION**

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

**RISK ASSESSMENT**

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

**RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	9 January 2018	€4.06	Add	€4.30
2...43	↓	↓	↓	↓
44	25 November 2022	€1.75	Buy	€3.60
45	7 February 2023	€2.15	Buy	€4.00
46	25 April 2023	€1.91	Buy	€3.50
47	5 July 2023	€2.28	Buy	€3.50
48	21 July 2023	€2.30	Buy	€3.50
49	21 August 2023	€2.38	Buy	€3.50
50	9 October 2023	€2.14	Buy	€3.50
51	23 October 2023	€1.96	Buy	€3.00
52	Today	€2.06	Buy	€3.00

**INVESTMENT HORIZON**

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.



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At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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#### Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

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