

# ad pepper media International N.V.

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

Q1 report

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 2.90**

Return Potential 35.5%  
 Risk Rating Medium

## WE SPOT FIRST SIGNS OF MANAGEMENT OPTIMISM

ad pepper media (APM) has published its Q1 report. Final figures matched preliminary numbers. Q1/24 revenue climbed 2% y/y to €5.18m. This is the first quarter since Q3/21 in which APM has increased revenue y/y. The slight revenue increase and cost savings led to an EBITDA swing of €549k to €221k. Lower D&A yielded the first positive Q1 EBIT (€8k) since Q1/21. Thanks to net financial income of €57k, EBT amounted to €65k. Guidance in the Q1 report sounds much more positive compared to wording in the annual report of April. APM now expects growth – especially in the Webgains segment. In April, management noted that client caution on marketing spend will likely persist and saw only initial indications for an improvement in clients' appetite for booking campaigns. We stick to our forecasts, but now see greater probability of a positive earnings surprise. An updated DCF model yields an unchanged €2.90 price target. We confirm our Buy rating.

**Guidance: growth driven by Webgains** APM expects growth – especially in the Webgains segment. As usual, Q4 looks set to be the strongest quarter. APM has not quantified its growth projection. We stick to our growth forecast of 5% y/y.

**Q1 with positive EBT** Although Q1 revenue growth was small at 2% y/y, cost savings resulted in much improved earnings. Selling and marketing expenses fell 14% or €444k y/y to €3,284k. Other operating income (€417k versus 223k in Q1/23) included one-off items amounting to €250k versus €113k in Q1/23. EBITDA improved by €549k to €221k (see figure 1 overleaf). Lower D&A (€212k versus €253k in Q1/23) yielded a small positive EBIT of €8k versus €581k in the prior year period. Net financial income of €57k led to positive EBT of €65k. Due to tax expenses (€-89k) and non-controlling interests (€-96k), the net result was slightly negative (€-120k).

(p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024E	2025E	2026E
Revenue (€ m)	27.65	24.87	21.75	22.84	25.01	27.38
Y-o-y growth	7.9%	-10.0%	-12.5%	5.0%	9.5%	9.5%
EBITDA (€ m)	4.38	1.28	0.02	1.07	2.07	2.54
EBITDA margin	15.8%	5.1%	0.1%	4.7%	8.3%	9.3%
Net income (€ m)	1.73	-0.89	-0.94	-0.33	0.19	0.64
EPS (diluted) (€)	0.08	-0.04	-0.05	-0.01	0.01	0.03
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€ m)	1.91	1.71	1.13	0.29	0.98	0.81
Net gearing	-104.2%	-108.0%	-105.0%	-104.1%	-104.1%	-101.0%
Liquid assets (€ m)	20.70	17.01	19.84	19.34	19.54	19.64

### 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 27 May 2024

Closing Price	€ 2.14
Shares outstanding	21.95m
Market Capitalisation	€ 46.98m
52-week Range	€ 1.75 / 2.44
Avg. Volume (12 Months)	3,586

Multiples	2023	2024E	2025E
P/E	n.a.	n.a.	247.6
EV/Sales	1.0	1.0	0.9
EV/EBITDA	919.8	20.7	10.6
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 31 Mar 2024

Liquid Assets	€ 20.56m
Current Assets	€ 35.17m
Intangible Assets	€ 0.18m
Total Assets	€ 40.88m
Current Liabilities	€ 21.25m
Shareholders' Equity	€ 18.83m

### SHAREHOLDERS

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

**Figure 1: Reported Q1 group figures**

All figures in €m	Q1-24A	Q1-23A	Delta
Gross sales	20.77	19.59	6%
Revenue	5.18	5.10	2%
Gross profit	5.01	4.89	2%
<i>margin</i>	96.9%	96.0%	-
EBITDA	0.22	-0.33	-
<i>margin</i>	4.3%	-6.4%	-
EBIT	0.01	-0.58	-
<i>margin</i>	0.2%	-11.4%	-
EBT	0.07	-0.51	-
<i>margin</i>	1.3%	-10.0%	-
Net income	-0.12	-0.74	-
<i>margin</i>	-2.3%	-14.6%	-
EPS (diluted)	-0.01	-0.04	-

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

**Webgains presented strong figures** Webgains increased revenue by 5% y/y to almost €3.0m. EBITDA more than tripled from €189k to €631k. The segment EBITDA margin also more than trebled from 6.7% to 21.3%, and Webgains thus seamlessly continued its 20%+ margins from Q3/23 and Q4/23. Despite the difficult macro-economic environment in Webgains' main UK and Germany markets, y/y segment revenue growth resumed following nine quarters of decline. Segment restructuring has been successful and management is now harvesting the fruits.

**ad agents back on track** Slight revenue growth (+1% y/y) and positive and improved EBITDA show that ad agents is on the road to recovery. Cost savings resulted in a €288k EBITDA swing to €192k (see figure 2).

**ad pepper media segment remains problem child** Segment revenue again declined 13% y/y to €463k and EBITDA turned negative (€-13k versus €1k in Q1/23).

**Figure 2: Reported segment EBITDA**

EBTIDA in €k	Q1-24A	Q1-23A	Delta
ad pepper media	-13	1	-
Webgains	631	189	234%
ad agents	192	-97	-
Admin	-588	-421	-
Elimination	-1	0	-
<b>Group</b>	<b>221</b>	<b>-328</b>	<b>-</b>

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

**Healthy balance sheet** The cash position amounted to €20.6m. Including short-term securities and deposits (€2.0m), liquid funds amounted to €22.5m. APM has leasing liabilities of €1.4m and no bank liabilities. The net cash position is thus €21.1m. Working capital (receivables ./ payables) remains negative at €-4.1m. Equity amounted to €18.8m resulting in a high equity ratio of 46%.

**Negative operating cash flow of €-547k** Operating cash flow amounted to €-547k due mainly to lower payables (€-1.5m). Cash flow from investing activities was positive at €1.5m due to proceeds from the sale of securities and maturity of deposits. Financing cash flow of €-200k stems chiefly from the payment of lease liabilities. Net cash flow was €735k.



**Forecasts unchanged** We stick to our 2024 forecast of 5% topline growth and €1.1m EBITDA. The forecasted EBITDA improvement (+€1.0m y/y) is due to a combination of higher revenue and a lower cost base. Q1 EBITDA of €221k (EBITDA swing of €549k y/y) and the more upbeat tone of the Q1 guidance compared to Q4 underpin our view. We now even see room for a positive earnings surprise but wait for the Q2 figures to confirm the positive development before raising our forecasts.

**Buy confirmed at unchanged price target** An updated DCF model yields an unchanged €2.90 price target. We reiterate our Buy rating.



## VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net revenue	22,836	25,006	27,381	29,983	32,830	35,941	39,320	42,954
NOPLAT	- 4	740	1,069	1,395	1,728	2,114	2,556	3,061
+ depreciation & amortisation	1,026	1,006	977	942	966	982	996	1,011
Net operating cash flow	1,022	1,746	2,046	2,337	2,695	3,096	3,552	4,071
- total investments (CAPEX and WC)	-857	-916	-1,514	-187	-206	-231	-267	-321
Capital expenditures	-228	-300	-356	-390	-427	-467	-511	-558
Working capital	-629	-616	-1,158	202	221	237	244	237
Free cash flows (FCF)	165	830	532	2,149	2,489	2,865	3,285	3,750
PV of FCF's	154	700	403	1,466	1,525	1,578	1,627	1,670

All figures in thousands		
PV of FCFs in explicit period (2024E-2038E)	20,820	
PV of FCFs in terminal period	17,167	
Enterprise value (EV)	37,988	Terminal growth 2.0%
+ Net cash / - net debt	18,552	Terminal EBIT margin 16.0%
+ Investments / minority interests	8,676	
Shareholder value	65,216	
Number of shares (diluted)	22,751	
Fair value per share in EUR	2.87	

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
7.2%	4.30	4.42	4.57	4.74	4.95	5.21	5.54	
8.2%	3.76	3.84	3.93	4.03	4.15	4.30	4.48	
9.2%	3.35	3.40	3.46	3.53	3.60	3.69	3.80	
10.2%	3.03	3.07	3.11	3.15	3.20	3.26	3.32	
11.2%	2.78	2.81	2.84	2.87	2.90	2.94	2.98	
12.2%	2.58	2.60	2.62	2.64	2.66	2.69	2.72	
13.2%	2.42	2.43	2.45	2.46	2.48	2.49	2.51	
14.2%	2.28	2.29	2.30	2.31	2.32	2.34	2.35	

\* for layout purposes the model shows numbers only to 2031, but runs until 2038



## INCOME STATEMENT

All figures in EUR '000	2021A	2022A	2023A	2024E	2025E	2026E
<b>Gross sales</b>	<b>111,539</b>	<b>98,229</b>	<b>85,988</b>	<b>90,287</b>	<b>98,865</b>	<b>108,257</b>
Media costs	83,893	73,361	64,239	67,451	73,859	80,875
<b>Revenues</b>	<b>27,646</b>	<b>24,868</b>	<b>21,749</b>	<b>22,836</b>	<b>25,006</b>	<b>27,381</b>
Cost of sales	1,059	1,164	873	982	1,200	1,314
<b>Gross profit</b>	<b>26,587</b>	<b>23,704</b>	<b>20,876</b>	<b>21,854</b>	<b>23,806</b>	<b>26,067</b>
S&M	15,739	16,638	14,867	14,843	15,110	16,155
G&A	7,707	7,164	7,785	7,815	8,002	8,488
Other operating income	530	937	966	1,142	750	657
Other operating expenses	477	651	184	297	375	520
<b>EBITDA</b>	<b>4,378</b>	<b>1,275</b>	<b>24</b>	<b>1,068</b>	<b>2,075</b>	<b>2,537</b>
Depreciation and amortisation	1,184	1,088	1,018	1,026	1,006	977
<b>Operating income (EBIT)</b>	<b>3,194</b>	<b>187</b>	<b>-994</b>	<b>41</b>	<b>1,069</b>	<b>1,561</b>
Net financial result	-38	-131	363	128	150	274
Non-operating expenses	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>3,156</b>	<b>56</b>	<b>-631</b>	<b>170</b>	<b>1,219</b>	<b>1,835</b>
Income taxes	592	306	68	46	329	492
Minority interests	-839	-643	-245	-450	-700	-700
<b>Net income / loss</b>	<b>1,725</b>	<b>-893</b>	<b>-944</b>	<b>-326</b>	<b>190</b>	<b>643</b>
<b>Diluted EPS (in €)</b>	<b>0.08</b>	<b>-0.04</b>	<b>-0.05</b>	<b>-0.01</b>	<b>0.01</b>	<b>0.03</b>

### Ratios

Gross margin in % of gross sales	23.8%	24.1%	24.3%	24.2%	24.1%	24.1%
Gross margin in % of revenues	96.2%	95.3%	96.0%	95.7%	95.2%	95.2%
EBITDA margin in % of revenues	15.8%	5.1%	0.1%	4.7%	8.3%	9.3%
EBIT margin	11.6%	0.8%	-4.6%	0.2%	4.3%	5.7%
Net margin	6.2%	-3.6%	-4.3%	-1.4%	0.8%	2.3%
Tax rate	18.8%	542.6%	-10.8%	27.0%	27.0%	26.8%

### Expenses as % of sales or revenues

Media costs (as % of gross sales)	75.2%	74.7%	74.7%	74.7%	74.7%	74.7%
S&M (as % of revenues)	56.9%	66.9%	68.4%	65.0%	60.4%	59.0%
G&A (as % of revenues)	27.9%	28.8%	35.8%	34.2%	32.0%	31.0%
Depreciation and amortisation	4.3%	4.4%	4.7%	4.5%	4.0%	3.6%
Other operating expenses	1.7%	2.6%	0.8%	1.3%	1.5%	1.9%

### Y-Y Growth

Gross sales	10.1%	-11.9%	-12.5%	5.0%	9.5%	9.5%
Net revenues	7.9%	-10.0%	-12.5%	5.0%	9.5%	9.5%
EBITDA	-33.3%	-70.9%	-98.1%	4348.5%	94.3%	22.3%
Operating income	-41.4%	-94.1%	n.m.	n.m.	2479.5%	46.0%
Net income/ loss	-52.9%	n.m.	n.m.	n.m.	n.m.	238.9%



## BALANCE SHEET

All figures in EUR '000	2021A	2022A	2023A	2024E	2025E	2026E
<b>Assets</b>						
<b>Current assets, total</b>	<b>40,753</b>	<b>41,768</b>	<b>37,297</b>	<b>38,060</b>	<b>40,313</b>	<b>42,721</b>
Cash and cash equivalents	20,704	17,008	19,842	19,339	19,540	19,635
Financial assets	26	6,334	3,621	3,621	3,621	3,621
Receivables	19,319	17,568	13,124	14,390	16,442	18,754
Inventories	0	0	0	0	0	0
Other current assets	704	858	710	710	710	710
<b>Non-current assets, total</b>	<b>5,599</b>	<b>2,186</b>	<b>5,644</b>	<b>5,642</b>	<b>5,715</b>	<b>5,805</b>
Property, plant & equipment	346	230	173	157	189	248
Goodwill & other intangibles	628	374	168	181	223	253
Right-of-use assets	1,177	1,318	1,184	1,184	1,184	1,184
Financial assets	3,448	184	3,936	3,936	3,936	3,936
Other assets	0	79	183	183	183	183
<b>Total assets</b>	<b>46,352</b>	<b>43,954</b>	<b>42,941</b>	<b>43,702</b>	<b>46,028</b>	<b>48,525</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>25,318</b>	<b>27,448</b>	<b>23,238</b>	<b>23,875</b>	<b>25,312</b>	<b>26,466</b>
Short-term debt	0	0	0	0	0	0
Accounts payable	20,247	20,836	17,657	18,294	19,731	20,885
Current provisions	0	0	0	0	0	0
Other current liabilities	4,566	6,089	5,045	5,045	5,045	5,045
Lease liabilities	505	523	536	536	536	536
<b>Long-term liabilities, total</b>	<b>946</b>	<b>840</b>	<b>822</b>	<b>822</b>	<b>822</b>	<b>822</b>
Long-term debt	0	0	0	0	0	0
Lease liabilities	741	840	754	754	754	754
Other liabilities	205	0	68	68	68	68
<b>Minority interests</b>	<b>1,413</b>	<b>1,176</b>	<b>1,217</b>	<b>1,667</b>	<b>2,367</b>	<b>3,067</b>
<b>Shareholders' equity</b>	<b>18,675</b>	<b>14,490</b>	<b>17,664</b>	<b>17,338</b>	<b>17,528</b>	<b>18,171</b>
Share capital	1,075	1,075	1,160	1,160	1,160	1,160
Capital reserve	63,782	63,782	67,173	67,173	67,173	67,173
Other reserves	0	0	0	0	0	0
Loss carryforward / retained earnings	-46,182	-50,367	-50,669	-50,995	-50,805	-50,162
<b>Total consolidated equity and debt</b>	<b>46,352</b>	<b>43,954</b>	<b>42,941</b>	<b>43,702</b>	<b>46,028</b>	<b>48,525</b>
<b>Ratios</b>						
Current ratio (x)	1.61	1.52	1.61	1.59	1.59	1.61
Quick ratio (x)	1.61	1.52	1.61	1.59	1.59	1.61
Net debt	-19,458	-15,645	-18,552	-18,049	-18,250	-18,345
Net gearing	-104.2%	-108.0%	-105.0%	-104.1%	-104.1%	-101.0%
Equity ratio	43.3%	35.6%	44.0%	43.5%	43.2%	43.8%
Book value per share (in €)	0.89	0.71	0.85	0.79	0.80	0.83
Return on equity (ROE)	9.2%	-6.2%	-5.3%	-1.9%	1.1%	3.5%
Return on investment (ROI)	3.7%	-2.0%	-2.2%	-0.7%	0.4%	1.3%
Return on assets (ROA)	4.0%	-1.6%	-2.1%	-0.7%	0.4%	1.3%



## CASH FLOW STATEMENT

All figures in EUR '000	2021A	2022A	2023A	2024E	2025E	2026E
<b>EBIT</b>	<b>3,194</b>	<b>187</b>	<b>-994</b>	<b>41</b>	<b>1,069</b>	<b>1,561</b>
Depreciation and amortisation	1,184	1,088	1,018	1,026	1,006	977
<b>EBITDA</b>	<b>4,378</b>	<b>1,275</b>	<b>24</b>	<b>1,068</b>	<b>2,075</b>	<b>2,537</b>
Changes in working capital	636	3,256	1,975	-629	-616	-1,158
Other adjustments	-2,806	-2,600	-760	83	-179	-218
<b>Operating cash flow</b>	<b>2,208</b>	<b>1,931</b>	<b>1,239</b>	<b>521</b>	<b>1,280</b>	<b>1,161</b>
Investments in PP&E	-121	-111	-53	-114	-150	-192
Investments in intangibles	-178	-108	-61	-114	-150	-164
<b>Free cash flow</b>	<b>1,909</b>	<b>1,712</b>	<b>1,125</b>	<b>293</b>	<b>980</b>	<b>806</b>
Acquisitions & disposals, net	57	1,938	6,091	0	0	0
Other investments	-1,999	-5,000	-3,521	0	0	0
<b>Investment cash flow</b>	<b>-2,241</b>	<b>-3,281</b>	<b>2,456</b>	<b>-228</b>	<b>-300</b>	<b>-356</b>
Debt financing, net	0	0	0	0	0	0
Equity financing, net	-2,489	-1,232	0	0	0	0
Dividends paid	0	0	0	0	0	0
Other financing	-1,340	-1,124	-893	-796	-779	-710
<b>Financing cash flow</b>	<b>-3,829</b>	<b>-2,356</b>	<b>-893</b>	<b>-796</b>	<b>-779</b>	<b>-710</b>
FOREX & other effects	236	10	33	0	0	0
<b>Net cash flows</b>	<b>-3,626</b>	<b>-3,696</b>	<b>2,834</b>	<b>-503</b>	<b>201</b>	<b>95</b>
Cash, start of the year	24,330	20,704	17,008	19,842	19,339	19,540
<b>Cash, end of the year</b>	<b>20,704</b>	<b>17,008</b>	<b>19,842</b>	<b>19,339</b>	<b>19,540</b>	<b>19,635</b>
<b>EBITDA/share (in €)</b>	<b>0.21</b>	<b>0.06</b>	<b>0.00</b>	<b>0.05</b>	<b>0.09</b>	<b>0.12</b>
<b>Y-Y Growth</b>						
Operating cash flow	-34.7%	-12.5%	-35.8%	-57.9%	145.6%	-9.3%
Free cash flow	-26.4%	-10.3%	-34.3%	-74.0%	234.6%	-17.8%
EBITDA/share	-32.7%	-69.9%	-98.2%	4090.2%	94.3%	22.3%

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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...46	↓	↓	↓	↓
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	17 November 2023	€2.06	Buy	€3.00
53	9 February 2024	€2.12	Buy	€2.80
54	17 April 2024	€2.18	Buy	€2.90
55	Today	€2.14	Buy	€2.90

**INVESTMENT HORIZON**

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

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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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