

ad pepper media International N.V.

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

Q3/24 report

RATING
BUY

PRICE TARGET
€ 2.90

Return Potential 84.7%
 Risk Rating Medium

WILL ONLINE SHOPPERS OPEN THEIR PURSES IN Q4?

ad pepper media (APM) reported final Q3/24 figures which matched preliminary numbers. Revenue was roughly stable (€5.2m) and EBITDA improved significantly y/y from €101k to €485k. EBIT turned around from €-111k to €275k and even net income was positive (€178k). For Q4, APM is guiding towards stable revenue y/y (Q4/23: €5.9m) and an improved EBITDA figure. We model Q4 revenue of €6.0m and EBITDA of €739k versus Q4/23 EBITDA of €369k. For 2025E, we expect 5% revenue growth and a further EBITDA margin increase to 9.9% against the backdrop of improving macro-economic fundamentals in APM's main markets. An updated DCF model yields an unchanged €2.90 price target. We confirm our Buy rating.

Main Q3 and 9M takeaways 9M gross profit was stable at €15.2m. 9M operating costs were significantly reduced (selling and marketing expenses: €-1.2m and G&A expenses: €-0.6m). APM restored profitability both in Q3 and 9M. In the first nine months, EBIT improved from €-1.1m to €0.6m (see figure 1 overleaf). Net income was positive both in Q3 (€178k) and 9M (€171k). APM successfully managed the earnings turnaround despite a slight revenue decline.

All operating segments delivered positive contributions to 9M group EBITDA The affiliate network Webgains is by far the strongest horse in APM's stable (9M EBITDA: €1.7m). The full-service performance marketing agency ad agents contributed €0.6m, while the ad pepper media segment (lead generation; iLead platform for customised online marketing campaigns) has been suffering from declining revenues and contributed only €0.1m. Holding costs resulted in admin segment EBITDA of €-1.2m.

Main markets weaker, small markets stronger APM lost some ground in its main markets Germany and the United Kingdom. 9M revenue in Germany was down 2% y/y at €6.6m and the UK registered a 5% decline to €4.2m. APM's revenue in Spain retreated 5% to €2.4m. But in APM's smaller markets (Switzerland, France, Italy, and the Netherlands) revenue rose 11% to €2.5m.

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024E	2025E	2026E
Revenue (€m)	27.65	24.87	21.75	21.62	22.77	24.93
Y-o-y growth	7.9%	-10.0%	-12.5%	-0.6%	5.3%	9.5%
EBITDA (€m)	4.38	1.28	0.02	1.93	2.25	2.60
EBITDA margin	15.8%	5.1%	0.1%	8.9%	9.9%	10.4%
Net income (€m)	1.73	-0.89	-0.94	0.59	0.45	0.71
EPS (diluted) (€)	0.08	-0.04	-0.05	0.03	0.02	0.03
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	1.91	1.71	1.13	-0.09	0.43	1.57
Net gearing	-104.2%	-108.0%	-105.0%	-97.7%	-94.0%	-95.2%
Liquid assets (€m)	20.70	17.01	19.84	19.12	18.87	19.77

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 21 Nov 2024

Closing Price	€ 1.57
Shares outstanding	21.95m
Market Capitalisation	€ 34.46m
52-week Range	€ 1.52 / 2.44
Avg. Volume (12 Months)	3,578

Multiples	2023	2024E	2025E
P/E	n.a.	58.4	77.2
EV/Sales	1.0	1.0	1.0
EV/EBITDA	919.8	11.4	9.8
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2024

Liquid Assets	€ 18.25m
Current Assets	€ 33.54m
Intangible Assets	€ 0.22m
Total Assets	€ 39.01m
Current Liabilities	€ 19.65m
Shareholders' Equity	€ 18.77m

SHAREHOLDERS

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

**Figure 1: Reported figures**

All figures in €m	Q3-24A	Q3-24E	Delta	Q3-23A	Delta	9M-24A	9M-23A	Delta
Gross sales	21.87	21.94	0%	21.41	2%	63.04	61.97	2%
Revenue	5.22	5.45	-4%	5.38	-3%	15.62	15.88	-2%
EBITDA	0.49	0.40	21%	0.10	380%	1.19	-0.35	-
margin	9.3%	7.4%	-	1.9%	-	7.6%	-2.2%	-
EBIT	0.28	0.19	44%	-0.16	-	0.56	-1.13	-
margin	5.3%	3.5%	-	-3.0%	-	3.6%	-7.1%	-
EBT	0.34	0.26	35%	-0.11	-	0.76	-1.02	-
margin	6.6%	4.7%	-	-2.1%	-	4.9%	-6.4%	-
Net income	0.18	0.08	131%	-0.26	-	0.17	-1.30	-
margin	3.4%	0.4%	-	-4.9%	-	1.1%	-8.2%	-
EPS (diluted) in €	0.01	0.00	151%	-0.01	-	0.01	-0.06	-

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

Balance sheet remains strong The main non-current asset is the stake in solute (€3.7m). Higher trade receivables and lower payables led to slightly negative working capital. APM's securities were reclassified as cash & cash equivalents due to a remaining time to maturity of less than three months. The cash position retreated 8% to €18.2m (=47% of balance sheet total). While equity remained stable, a lower balance sheet total (-9%) resulted in the equity ratio widening 4.1 percentage points to 48.1% (see figure 2). APM has no bank debt. All in all, APM's balance sheet remains strong with both a high net cash position (€18.2m excluding lease liabilities) and a high equity ratio.

Figure 2: Balance sheet, selected items

in €m	9M-24A	2023A	Delta
Right-of-use assets	0.98	1.18	-17%
Listed debt and marketable securities (solute stake)	3.69	3.69	0%
Non-current assets, total	5.57	5.64	-1%
Securities and deposits	0.00	3.52	-100%
Trade receivables	14.06	13.12	7%
Cash & cash equivalents	18.25	19.84	-8%
Current assets, total	32.71	37.30	-12%
Equity	18.77	18.88	-1%
Equity ratio	48.1%	44.0%	4.1 PP
Payables	14.09	17.66	-20%
Working Capital	-0.04	-4.53	n.m.
Balance sheet total	39.01	42.94	-9%

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

Negative free cash flow of €-3.9m Operating cash flow amounted to €-3.8m due mainly to lower trade payables (€-2.8m). Investing cash flow was positive and came in at €3.4m owing chiefly to proceeds from the sale of securities and maturing deposits (€+3.5m). Cash flow from financing activities was €-1.2m, propelled by lease payments (€-0.5m) and dividends to non-controlling interests (€-0.7m). Net cash flow amounted to €-1.6m (see figure 3 overleaf). Operating cash flow is largely driven by seasonality, and we expect it to be positive at the end of the strong Christmas quarter.

**Figure 3: Cash flow statement, selected items**

in €m	9M-24A	9M-23A
Operating cash flow	-3.78	-3.00
CAPEX	-0.14	-0.09
Free cash flow	-3.93	-3.09
Cash flow investing	3.39	3.93
Cash flow financing	-1.22	-0.67
Net cash flow	-1.61	0.27

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

Buy rating confirmed at unchanged price target Based on unaltered forecasts, an updated DCF model yields an unchanged price target of €2.90. We confirm our Buy recommendation.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2024 E	2025 E	2026 E	2027 E	2028 E	2029 E	2030 E	2031 E
Net revenue	21,622	22,766	24,929	27,297	29,890	32,721	35,798	39,106
NOPLAT	674	919	1,156	1,530	1,839	2,194	2,598	3,054
+ depreciation & amortisation	854	904	928	919	937	948	958	969
Net operating cash flow	1,528	1,823	2,084	2,449	2,776	3,142	3,556	4,024
- total investments (CAPEX and WC)	-2,030	-1,620	-761	-468	-385	-429	-477	-531
Capital expenditures	-216	-273	-324	-355	-389	-425	-465	-508
Working capital	-1,814	-1,347	-437	-113	4	-3	-12	-22
Free cash flows (FCF)	-502	203	1,323	1,981	2,391	2,713	3,079	3,493
PV of FCF's	-496	180	1,061	1,431	1,555	1,589	1,624	1,659

All figures in thousands			
PV of FCFs in explicit period (2024E-2038E)	20,592		
PV of FCFs in terminal period	18,848		
Enterprise value (EV)	39,439		
+ Net cash / - net debt	18,552		
+ Investments / minority interests	8,676		
Shareholder value	66,667		
Number of shares (diluted)	22,751		
Fair value per share in EUR	2.93		
		Terminal growth	2.0%
		Terminal EBIT margin	16.0%

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
7.0%	4.31	4.49	4.69	4.94	5.24	5.62	6.10	
8.0%	3.77	3.88	4.02	4.17	4.36	4.58	4.85	
9.0%	3.36	3.44	3.53	3.63	3.75	3.89	4.06	
10.0%	3.04	3.10	3.16	3.23	3.31	3.41	3.51	
11.0%	2.79	2.83	2.88	2.93	2.99	3.05	3.12	
12.0%	2.59	2.62	2.66	2.69	2.73	2.78	2.83	
13.0%	2.43	2.45	2.47	2.50	2.53	2.57	2.60	
14.0%	2.29	2.31	2.33	2.35	2.37	2.40	2.42	

* 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
Gross sales	111,539	98,229	85,988	85,486	90,009	98,560
Media costs	83,893	73,361	64,239	63,864	67,243	73,631
Revenues	27,646	24,868	21,749	21,622	22,766	24,929
Cost of sales	1,059	1,164	873	605	820	1,072
Gross profit	26,587	23,704	20,876	21,017	21,946	23,857
S&M	15,739	16,638	14,867	13,533	13,716	14,583
G&A	7,707	7,164	7,785	7,423	7,502	7,728
Other operating income	530	937	966	1,319	956	598
Other operating expenses	477	651	184	303	341	474
EBITDA	4,378	1,275	24	1,931	2,247	2,598
Depreciation and amortisation	1,184	1,088	1,018	854	904	928
Operating income (EBIT)	3,194	187	-994	1,077	1,343	1,670
Net financial result	-38	-131	363	416	228	249
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	3,156	56	-631	1,493	1,571	1,920
Income taxes	592	306	68	403	424	514
Minority interests	-839	-643	-245	-500	-700	-700
Net income / loss	1,725	-893	-944	590	447	705
Diluted EPS (in €)	0.08	-0.04	-0.05	0.03	0.02	0.03
Ratios						
Gross margin in % of gross sales	23.8%	24.1%	24.3%	24.6%	24.4%	24.2%
Gross margin in % of revenues	96.2%	95.3%	96.0%	97.2%	96.4%	95.7%
EBITDA margin in % of revenues	15.8%	5.1%	0.1%	8.9%	9.9%	10.4%
EBIT margin	11.6%	0.8%	-4.6%	5.0%	5.9%	6.7%
Net margin	6.2%	-3.6%	-4.3%	2.7%	2.0%	2.8%
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%	62.6%	60.2%	58.5%
G&A (as % of revenues)	27.9%	28.8%	35.8%	34.3%	33.0%	31.0%
Depreciation and amortisation	4.3%	4.4%	4.7%	4.0%	4.0%	3.7%
Other operating expenses	1.7%	2.6%	0.8%	1.4%	1.5%	1.9%
Y-Y Growth						
Gross sales	10.1%	-11.9%	-12.5%	-0.6%	5.3%	9.5%
Net revenues	7.9%	-10.0%	-12.5%	-0.6%	5.3%	9.5%
EBITDA	-33.3%	-70.9%	-98.1%	7946.6%	16.4%	15.6%
Operating income	-41.4%	-94.1%	n.m.	n.m.	24.7%	24.4%
Net income/ loss	-52.9%	n.m.	n.m.	n.m.	-24.3%	57.9%



BALANCE SHEET

All figures in EUR '000	2021A	2022A	2023A	2024E	2025E	2026E
Assets						
Current assets, total	40,753	41,768	37,297	36,488	37,544	40,488
Cash and cash equivalents	20,704	17,008	19,842	19,124	18,868	19,765
Financial assets	26	6,334	3,621	3,621	3,621	3,621
Receivables	19,319	17,568	13,124	13,032	14,346	16,392
Inventories	0	0	0	0	0	0
Other current assets	704	858	710	710	710	710
Non-current assets, total	5,599	2,186	5,644	5,638	5,694	5,765
Property, plant & equipment	346	230	173	160	185	230
Goodwill & other intangibles	628	374	168	175	207	232
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
Total assets	46,352	43,954	42,941	42,126	43,239	46,253
Shareholders' equity & debt						
Current liabilities, total	25,318	27,448	23,238	21,333	21,299	22,908
Short-term debt	0	0	0	0	0	0
Accounts payable	20,247	20,836	17,657	15,752	15,718	17,327
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
Long-term liabilities, total	946	840	822	822	822	822
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
Minority interests	1,413	1,176	1,217	1,717	2,417	3,117
Shareholders' equity	18,675	14,490	17,664	18,254	18,701	19,406
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	-50,079	-49,632	-48,927
Total consolidated equity and debt	46,352	43,954	42,941	42,126	43,239	46,253
Ratios						
Current ratio (x)	1.61	1.52	1.61	1.71	1.76	1.77
Quick ratio (x)	1.61	1.52	1.61	1.71	1.76	1.77
Net debt	-19,458	-15,645	-18,552	-17,834	-17,578	-18,475
Net gearing	-104.2%	-108.0%	-105.0%	-97.7%	-94.0%	-95.2%
Equity ratio	43.3%	35.6%	44.0%	47.4%	48.8%	48.7%
Book value per share (in €)	0.89	0.71	0.85	0.83	0.85	0.88
Return on equity (ROE)	9.2%	-6.2%	-5.3%	3.2%	2.4%	3.6%
Return on investment (ROI)	3.7%	-2.0%	-2.2%	1.4%	1.0%	1.5%
Return on assets (ROA)	4.0%	-1.6%	-2.1%	1.4%	1.0%	1.5%



CASH FLOW STATEMENT

All figures in EUR '000	2021A	2022A	2023A	2024E	2025E	2026E
EBIT	3,194	187	-994	1,077	1,343	1,670
Depreciation and amortisation	1,184	1,088	1,018	854	904	928
EBITDA	4,378	1,275	24	1,931	2,247	2,598
Changes in working capital	636	3,256	1,975	-1,814	-1,347	-437
Other adjustments	-2,806	-2,600	-760	13	-196	-265
Operating cash flow	2,208	1,931	1,239	131	703	1,897
Investments in PP&E	-121	-111	-53	-108	-137	-175
Investments in intangibles	-178	-108	-61	-108	-137	-150
Free cash flow	1,909	1,712	1,125	-86	430	1,573
Acquisitions & disposals, net	57	1,938	6,091	0	0	0
Other investments	-1,999	-5,000	-3,521	0	0	0
Investment cash flow	-2,241	-3,281	2,456	-216	-273	-324
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	-632	-687	-675
Financing cash flow	-3,829	-2,356	-893	-632	-687	-675
FOREX & other effects	236	10	33	0	0	0
Net cash flows	-3,626	-3,696	2,834	-718	-256	898
Cash, start of the year	24,330	20,704	17,008	19,842	19,124	18,868
Cash, end of the year	20,704	17,008	19,842	19,124	18,868	19,765
EBITDA/share (in €)	0.21	0.06	0.00	0.09	0.10	0.12
Y-Y Growth						
Operating cash flow	-34.7%	-12.5%	-35.8%	-89.5%	438.7%	169.6%
Free cash flow	-26.4%	-10.3%	-34.3%	n.m.	n.m.	265.5%
EBITDA/share	-32.7%	-69.9%	-98.2%	7479.4%	16.4%	15.6%

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PRICE TARGET DATES

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ASSET VALUATION SYSTEM

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 ¹	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%

¹ 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...51	↓	↓	↓	↓
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	28 May 2024	€2.14	Buy	€2.90
56	1 July 2024	€1.99	Buy	€2.90
57	16 July 2024	€1.93	Buy	€2.90
58	19 August 2024	€1.87	Buy	€2.90
59	16 October 2024	€1.62	Buy	€2.90
60	Today	€1.57	Buy	€2.90

INVESTMENT HORIZON

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

UPDATES

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/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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