

ad pepper media International N.V.

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

Next takeover step

RATING	BUY
PRICE TARGET	€ 2.90
Return Potential	26.1%
Risk Rating	Medium

DAVID IS ABOUT TO ACQUIRE GOLIATH!

ad pepper media (APM) has acquired a further 18.73% of solute and now owns 44.37% of the company. APM management intends to continue its ongoing discussions with other shareholders in solute with the aim of achieving a majority stake. solute reported very strong 2024 figures with revenue rising 26% y/y to €44.7m, and EBITDA more than doubling from €1.8m to €3.9m. A successful consolidation of solute would transform APM into a much stronger player in the digital advertising business with combined revenue of €66m and EBITDA of €5.9m. APM had standalone revenue of €21.5m and EBITDA of €2.0m in 2024. The company is to issue 2.3m shares valued at €4.5m as consideration for the 18.73% stake in solute. In reworking our model, we have taken the higher number of APM shares, the stronger solute result and APM's higher stake in solute into account. An updated DCF model yields an unchanged €2.90 price target. We confirm our Buy recommendation.

APM closing in on majority stake in solute With the purchase of a further 18.73% of solute, APM now owns 44.37% and needs only a further 5.63% to consolidate the company. APM will continue negotiations with the other shareholders to gain a majority stake.

The price for solute has risen APM paid €4.5m for the 18.73% stake valuing solute at €24.0m. In October 2023, APM paid €3.5m for 25.64% of solute, which corresponds to a valuation of €13.7m. solute's value has thus risen by 75% since October 2023. This comes as no surprise as solute's 2024 EBITDA (€3.9m) is more than twice as high as the prior year EBITDA of €1.8m. According to our calculation, solute's 2024 net result was ca. €3.3m. This corresponds to a P/E ratio of €24.0m / €3.3m = 7.3x, which, in our eyes, is not overly expensive.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024E	2025E	2026E
Revenue (€ m)	27.65	24.87	21.75	21.45	22.44	24.00
Y-o-y growth	7.9%	-10.0%	-12.5%	-1.4%	4.6%	6.9%
EBITDA (€ m)	4.38	1.28	0.02	2.00	2.30	2.84
EBITDA margin	15.8%	5.1%	0.1%	9.3%	10.3%	11.8%
Net income (€ m)	1.73	-0.89	-0.94	1.11	1.71	2.16
EPS (diluted) (€)	0.08	-0.04	-0.05	0.05	0.07	0.09
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€ m)	1.91	1.71	1.13	1.73	2.53	2.36
Net gearing	-104.2%	-108.0%	-105.0%	-104.7%	-86.2%	-85.7%
Liquid assets (€ m)	20.70	17.01	19.84	20.94	22.83	24.55

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.

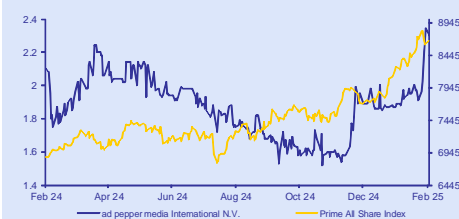
MARKET DATA

As of 24 Feb 2025

Closing Price	€ 2.30
Shares outstanding	24.26m
Market Capitalisation	€ 55.79m
52-week Range	€ 1.52 / 2.34
Avg. Volume (12 Months)	5,614

Multiples	2023	2024E	2025E
P/E	n.a.	50.1	32.6
EV/Sales	1.0	1.0	1.0
EV/EBITDA	919.8	11.0	9.6
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%



Own shares as acquisition currency APM is to issue 2.3m shares as consideration for the additional solute stake. This increases the number of shares by 9.9% to 25.5m. After deducting 1.2m treasury shares, shares outstanding amount to 24.3m.

solute is a good fit for APM The Germany-based e-commerce pioneer solute GmbH operates the price comparison portals “billiger.de”, “shopping.de”, and “juhuu.at” and is among the leading players in price comparison portals for the German-speaking market. The AdTech company, which has 20 years of experience in e-commerce, has grown into a powerful network which connects publishers and advertisers and has +100 connected partner portals. Under the wings of APM with its strong financial position, we believe that solute will have further growth opportunities and be able to realise synergies with APM's subsidiary Webgains. A successful consolidation of solute would transform APM into a much stronger player in the digital advertising business with combined revenue of €66m and EBITDA of €5.9m. APM had standalone revenue of €21.5m and EBITDA of €2.0m in 2024. A successful acquisition of a majority in solute would transform APM's mixed business model (AdTech and agency) into an AdTech company with some added agency business. This would make APM's business case and equity story much more compelling. We believe that investors welcome the increased AdTech focus as well as much higher revenues and earnings.

Net income forecasts increased In 2024, solute generated net income of ca. €3.3m. APM's stake in solute was 25.63%, and APM's at equity result was thus ca. €850k, more than twice as high as our previous estimate. We have raised our 2024 net income forecast accordingly. We have also increased our forecasts for solute's contribution to APM's at-equity result in 2025E and the following years due to APM's higher stake in solute (now: 44.37%) and solute's anticipated higher net results (see figure 1). The higher number of shares (now 24.3m shares outstanding) means that EPS will not keep pace with net income, but we nevertheless expect EPS to almost double from €0.05 in 2024E to €0.09 in 2026E.

Figure 1: Revisions to forecasts

All figures in €m	2024E			2025E			2026E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Revenue	21.45	21.45	0%	22.44	22.44	0%	24.00	24.00	0%
EBITDA	2.00	2.00	0%	2.30	2.30	0%	2.84	2.84	0%
margin	9.3%	9.3%		10.3%	10.3%		11.8%	11.8%	
Net income	0.79	1.11	41%	1.00	1.71	72%	1.38	2.16	57%
margin	3.7%	5.2%		4.4%	7.6%		5.7%	9.0%	
EPS (diluted)	0.04	0.05	41%	0.05	0.07	58%	0.06	0.09	42%

Source: First Berlin Equity Research

Our APM valuation takes current solute valuation into account APM now owns 44.37% of solute, which values 100% of the company at €24.03m. We thus value the 44.37% stake at €10.7m. An updated DCF model, which takes the higher share count, our adjusted forecasts, and the higher stake in solute into account, yields an unchanged €2.90 price target. We confirm our Buy recommendation. We will revisit our forecasts and valuation model as soon as the takeover is completed.



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	21,450	22,444	24,003	26,283	28,779	31,506	34,468	37,654
NOPLAT	552	608	951	1,055	1,355	1,699	2,090	2,532
+ depreciation & amortisation	854	860	877	895	910	920	930	941
Net operating cash flow	1,406	1,468	1,827	1,951	2,265	2,618	3,019	3,473
- total investments (CAPEX and WC)	-734	-592	-1,275	-1,269	-203	-223	-245	-271
Capital expenditures	-215	-269	-312	-342	-374	-410	-448	-489
Working capital	-519	-323	-963	-928	171	187	203	218
Free cash flows (FCF)	673	876	552	681	2,062	2,396	2,774	3,202
PV of FCF's	673	802	455	506	1,378	1,442	1,504	1,563

All figures in thousands		
PV of FCFs in explicit period (2024E-2038E)	19,938	
PV of FCFs in terminal period	19,257	
Enterprise value (EV)	39,196	Terminal growth 2.0%
+ Net cash / - net debt	18,552	Terminal EBIT margin 16.0%
+ Investments / minority interests	4,740	
Fair value of solute stake (44.37%)	10,660	
Shareholder value	73,148	
Number of shares (diluted)	25,056	
Fair value per share in EUR	2.92	

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
7.0%	4.11	4.28	4.48	4.73	5.03	5.40	5.87	
8.0%	3.63	3.75	3.88	4.03	4.22	4.44	4.71	
9.0%	3.27	3.35	3.44	3.55	3.67	3.81	3.98	
10.0%	2.99	3.05	3.12	3.19	3.27	3.37	3.48	
11.0%	2.78	2.82	2.87	2.92	2.98	3.05	3.12	
12.0%	2.60	2.63	2.67	2.71	2.75	2.80	2.85	
13.0%	2.46	2.48	2.51	2.54	2.57	2.61	2.64	
14.0%	2.34	2.36	2.38	2.40	2.42	2.45	2.48	

* 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	89,656	93,811	100,326
Media costs	83,893	73,361	64,239	68,206	71,367	76,323
Revenues	27,646	24,868	21,749	21,450	22,444	24,003
Cost of sales	1,059	1,164	873	600	868	922
Gross profit	26,587	23,704	20,876	20,850	21,576	23,081
S&M	15,739	16,638	14,867	13,426	13,610	14,038
G&A	7,707	7,164	7,785	7,283	7,352	7,441
Other operating income	530	937	966	1,308	1,122	720
Other operating expenses	477	651	184	300	292	360
EBITDA	4,378	1,275	24	2,003	2,305	2,839
Depreciation and amortisation	1,184	1,088	1,018	854	860	877
Operating income (EBIT)	3,194	187	-994	1,149	1,445	1,962
Net financial result	-38	-131	363	1,061	1,653	1,812
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	3,156	56	-631	2,209	3,098	3,774
Income taxes	592	306	68	597	836	1,011
Minority interests	-839	-643	-245	-500	-550	-600
Net income / loss	1,725	-893	-944	1,113	1,712	2,163
Diluted EPS (in €)	0.08	-0.04	-0.05	0.05	0.07	0.09
Ratios						
Gross margin in % of gross sales	23.8%	24.1%	24.3%	23.3%	23.0%	23.0%
Gross margin in % of revenues	96.2%	95.3%	96.0%	97.2%	96.1%	96.2%
EBITDA margin in % of revenues	15.8%	5.1%	0.1%	9.3%	10.3%	11.8%
EBIT margin	11.6%	0.8%	-4.6%	5.4%	6.4%	8.2%
Net margin	6.2%	-3.6%	-4.3%	5.2%	7.6%	9.0%
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%	76.1%	76.1%	76.1%
S&M (as % of revenues)	56.9%	66.9%	68.4%	62.6%	60.6%	58.5%
G&A (as % of revenues)	27.9%	28.8%	35.8%	34.0%	32.8%	31.0%
Depreciation and amortisation	4.3%	4.4%	4.7%	4.0%	3.8%	3.7%
Other operating expenses	1.7%	2.6%	0.8%	1.4%	1.3%	1.5%
Y-Y Growth						
Gross sales	10.1%	-11.9%	-12.5%	4.3%	4.6%	6.9%
Net revenues	7.9%	-10.0%	-12.5%	-1.4%	4.6%	6.9%
EBITDA	-33.3%	-70.9%	-98.1%	8245.5%	15.1%	23.2%
Operating income	-41.4%	-94.1%	n.m.	n.m.	25.7%	35.8%
Net income/ loss	-52.9%	n.m.	n.m.	n.m.	53.8%	26.4%



BALANCE SHEET

All figures in EUR '000	2021A	2022A	2023A	2024E	2025E	2026E
Assets						
Current assets, total	40,753	41,768	37,297	38,203	41,302	44,338
Cash and cash equivalents	20,704	17,008	19,842	20,943	22,828	24,553
Financial assets	26	6,334	3,621	3,621	3,621	3,621
Receivables	19,319	17,568	13,124	12,929	14,143	15,454
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	5,637	10,190	10,265
Property, plant & equipment	346	230	173	159	182	232
Goodwill & other intangibles	628	374	168	174	204	230
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	8,436	8,436
Other assets	0	79	183	183	183	183
Total assets	46,352	43,954	42,941	43,839	51,492	54,602
Shareholders' equity & debt						
Current liabilities, total	25,318	27,448	23,238	22,523	23,415	23,763
Short-term debt	0	0	0	0	0	0
Accounts payable	20,247	20,836	17,657	16,942	17,834	18,182
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	2,267	2,867
Shareholders' equity	18,675	14,490	17,664	18,777	24,988	27,151
Share capital	1,075	1,075	1,160	1,160	3,465	3,465
Capital reserve	63,782	63,782	67,173	67,173	69,368	69,368
Other reserves	0	0	0	0	0	0
Loss carryforward / retained earnings	-46,182	-50,367	-50,669	-49,556	-47,845	-45,682
Total consolidated equity and debt	46,352	43,954	42,941	43,839	51,492	54,602
Ratios						
Current ratio (x)	1.61	1.52	1.61	1.70	1.76	1.87
Quick ratio (x)	1.61	1.52	1.61	1.70	1.76	1.87
Net debt	-19,458	-15,645	-18,552	-19,653	-21,538	-23,263
Net gearing	-104.2%	-108.0%	-105.0%	-104.7%	-86.2%	-85.7%
Equity ratio	43.3%	35.6%	44.0%	46.7%	52.9%	55.0%
Book value per share (in €)	0.89	0.71	0.85	0.86	1.05	1.12
Return on equity (ROE)	9.2%	-6.2%	-5.3%	5.9%	6.8%	8.0%
Return on investment (ROI)	3.7%	-2.0%	-2.2%	2.5%	3.3%	4.0%
Return on assets (ROA)	4.0%	-1.6%	-2.1%	2.5%	3.3%	4.0%



CASH FLOW STATEMENT

All figures in EUR '000	2021A	2022A	2023A	2024E	2025E	2026E
EBIT	3,194	187	-994	1,149	1,445	1,962
Depreciation and amortisation	1,184	1,088	1,018	854	860	877
EBITDA	4,378	1,275	24	2,003	2,305	2,839
Changes in working capital	636	3,256	1,975	-519	-323	-963
Other adjustments	-2,806	-2,600	-760	464	817	800
Operating cash flow	2,208	1,931	1,239	1,948	2,799	2,676
Investments in PP&E	-121	-111	-53	-107	-135	-168
Investments in intangibles	-178	-108	-61	-107	-135	-144
Free cash flow	1,909	1,712	1,125	1,733	2,530	2,364
Acquisitions & disposals, net	57	1,938	6,091	0	-4,500	0
Other investments	-1,999	-5,000	-3,521	0	0	0
Investment cash flow	-2,241	-3,281	2,456	-215	-4,769	-312
Debt financing, net	0	0	0	0	0	0
Equity financing, net	-2,489	-1,232	0	0	4,500	0
Dividends paid	0	0	0	0	0	0
Other financing	-1,340	-1,124	-893	-632	-644	-639
Financing cash flow	-3,829	-2,356	-893	-632	3,856	-639
FOREX & other effects	236	10	33	0	0	0
Net cash flows	-3,626	-3,696	2,834	1,101	1,885	1,725
Cash, start of the year	24,330	20,704	17,008	19,842	20,943	22,828
Cash, end of the year	20,704	17,008	19,842	20,943	22,828	24,553
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%	57.2%	43.7%	-4.4%
Free cash flow	-26.4%	-10.3%	-34.3%	54.0%	46.0%	-6.6%
EBITDA/share	-32.7%	-69.9%	-98.2%	7760.9%	5.8%	21.2%

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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...53	↓	↓	↓	↓
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	22 November 2024	€1.57	Buy	€2.90
61	18 February 2025	€1.96	Buy	€2.90
62	Today	€2.30	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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