

ad pepper media International N.V.

The Netherlands / Internet Services

Frankfurt

Bloomberg: APM GR

ISIN: NL0000238145

Q1/21 prelims

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**€ 8.40**

28.0%

Medium

DOUBLE-DIGIT GROWTH IN Q1

ad pepper media International has reported preliminary Q1 figures. Revenue rose 18% y/y to €6.9m and EBITDA climbed 17% y/y to €1.3m. The main earnings driver was once again the affiliate network Webgains with EBITDA growth of 72% y/y. The group's liquid funds including securities jumped 28% y/y to €26.4m. As Q1 EBITDA was close to our forecast, we stick to our annual forecasts and await the company's 2021 guidance which will be published with the Q1 report on 21 May. An updated DCF model yields a slightly higher price target of €8.40 (previously: €8.30). We confirm our Buy recommendation.

Strong revenue and earnings growth Gross sales growth exceeded revenue expansion (30% versus 18% y/y), as Webgains' gross sales share rose significantly. Webgains has by far the highest media costs among the segments. Strong segment gross sales growth thus leads to relatively lower segment revenue growth. Group revenue was 7% ahead of our forecast, while EBITDA was close to our forecast (see figure 1 overleaf). 17% EBITDA growth y/y shows that ad pepper is smoothly continuing on its growth path.

Webgains once again the shining star Webgains revenue rose 41% y/y to €3.9m, and high operating leverage resulted in segment EBITDA soaring 72% to €1.0m. The EBITDA margin widened from 21.9% to 26.7% (see figure 2 overleaf). The affiliate marketing platform is particularly benefitting from the digitisation trend and the extra boost caused by the pandemic.

ad agents grew even more strongly than expected Segment revenues were up almost 15% at €1.8m (see figure 2 overleaf). Segment EBITDA was 23% above our forecast and more than doubled y/y to €249k. The segment EBITDA margin widened from 7.7% to 14.1%.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Revenue (€m)	20.27	21.79	25.62	28.18	30.99	34.09
Y-o-y growth	8.3%	7.5%	17.6%	10.0%	10.0%	10.0%
EBITDA (€m)	1.35	3.51	6.56	7.75	8.71	9.56
EBITDA margin	6.7%	16.1%	25.6%	27.5%	28.1%	28.0%
Net income (€m)	0.25	1.35	3.66	4.00	4.53	4.99
EPS (diluted) (€)	0.01	0.06	0.17	0.18	0.21	0.23
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-1.62	5.96	2.60	5.26	5.74	6.42
Net gearing	-116.4%	-134.4%	-115.0%	-115.5%	-115.4%	-115.8%
Liquid assets (€m)	18.23	25.23	24.33	29.05	34.26	40.14

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 20 Apr 2021

Closing Price	€ 6.56
Shares outstanding	20.92m
Market Capitalisation	€ 137.24m
52-week Range	€ 2.66 / 6.85
Avg. Volume (12 Months)	16,587

Multiples	2020	2021E	2022E
P/E	37.5	34.3	30.3
EV/Sales	4.5	4.1	3.7
EV/EBITDA	17.5	14.9	13.2
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2020

Liquid Assets	€ 24.33m
Current Assets	€ 44.72m
Intangible Assets	€ 0.74m
Total Assets	€ 48.84m
Current Liabilities	€ 26.76m
Shareholders' Equity	€ 20.84m

SHAREHOLDERS

EMA B.V.	44.1%
Euro Serve Media GmbH	2.6%
Treasury shares	3.5%
Free Float	49.8%



ad pepper media segment below our forecast Segment sales fell 20% y/y to €1.2m (FBe: €1.7m), and EBITDA retreated 24% to €534k (see figure 2). Although the segment EBITDA margin shrank from 45.6% to 43.3%, we note that the margin remains high and demonstrates the competitive strength of the segment. We will look for an explanation of the weaker than expected segment performance in the Q1 report scheduled for 21 May.

Figure 1: Reported group figures versus forecasts

All figures in €m	Q1-21A	Q1-21E	Delta	Q1-20A	Delta
Gross sales	28.11	23.81	18.0%	21.65	29.8%
Revenue	6.88	6.43	7.1%	5.84	17.9%
EBITDA	1.31	1.35	-3.5%	1.12	16.6%
margin	19.0%	21.1%	-	19.2%	-

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

Figure 2: Reported segment figures versus forecasts

All figures in €m	Q1-21A	Q1-21E	Delta	Q1-20A	Delta
ad pepper media					
Revenue	1.23	1.70	-27.4%	1.54	-20.1%
EBITDA	0.53	0.77	-30.9%	0.70	-24.1%
margin	43.3%	45.5%	-	45.6%	-
Webgains					
Revenue	3.89	3.03	28.1%	2.76	41.0%
EBITDA	1.04	0.73	42.4%	0.60	72.0%
margin	26.7%	24.0%	-	21.9%	-
ad agents					
Revenue	1.76	1.69	4.1%	1.54	14.5%
EBITDA	0.25	0.20	22.7%	0.12	111.0%
margin	14.1%	12.0%	-	7.7%	-
Admin & Consolidation					
Revenue	0.00	0.00	-	0.00	-
EBITDA	-0.51	-0.35	-	-0.31	-
Group					
Revenue	6.88	6.43	7.1%	5.84	17.9%
EBITDA	1.31	1.35	-3.5%	1.120	16.6%
margin	19.0%	21.1%	-	19.2%	-

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

Buy reiterated at slightly higher price target An updated DCF model yields a slightly higher price target of €8.40 (previously: €8.30). We confirm our Buy recommendation.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Net revenue	28,177	30,994	34,093	37,503	41,252	45,366	49,855	54,703
NOPLAT	4,672	5,300	5,861	6,493	7,210	8,005	8,880	9,836
+ depreciation & amortisation	1,108	1,130	1,173	1,211	1,258	1,303	1,349	1,396
Net operating cash flow	5,780	6,430	7,033	7,704	8,468	9,308	10,229	11,231
- total investments (CAPEX and WC)	-550	-725	-652	-677	-715	-754	-793	-833
Capital expenditures	-620	-682	-716	-788	-836	-887	-938	-990
Working capital	70	-43	64	110	121	133	145	157
Free cash flows (FCF)	5,230	5,706	6,382	7,027	7,753	8,554	9,436	10,398
PV of FCF's	4,937	4,960	5,109	5,178	5,261	5,345	5,429	5,508

All figures in thousands

PV of FCFs in explicit period (2021E-2035E)	79,997	
PV of FCFs in terminal period	77,748	
Enterprise value (EV)	157,745	
+ Net cash / - net debt	22,680	Terminal growth 2.0%
+ Investments / minority interests	2,169	Terminal EBIT margin 25.6%
Shareholder value	182,594	
Number of shares (diluted)	21,843	
Fair value per share in EUR	8.36	

WACC		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	8.6%	4.6%	15.66	17.14	19.09	21.80	25.79	32.28	44.66
Pre-tax cost of debt	4.0%	5.6%	12.41	13.23	14.26	15.58	17.32	19.73	23.29
Tax rate	25.0%	6.6%	10.25	10.75	11.36	12.10	13.02	14.19	15.74
After-tax cost of debt	3.0%	7.6%	8.72	9.05	9.43	9.88	10.42	11.08	11.90
Share of equity capital	100.0%	8.6%	7.59	7.81	8.07	8.36	8.70	9.11	9.59
Share of debt capital	0.0%	9.6%	6.72	6.87	7.05	7.25	7.48	7.74	8.05
		10.6%	6.03	6.15	6.27	6.41	6.57	6.75	6.95
Price target in EUR	8.40	11.6%	5.48	5.56	5.66	5.76	5.87	6.00	6.14

* for layout purposes the model shows numbers only to 2028, but runs until 2035



INCOME STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Gross sales	75,563	82,653	83,774	101,344	111,478	122,623	134,886
Media costs	56,839	62,381	61,987	75,729	83,301	91,629	100,792
Revenues	18,724	20,272	21,787	25,615	28,177	30,994	34,093
Cost of sales	376	726	820	928	1,127	1,221	1,330
Gross profit	18,348	19,546	20,967	24,687	27,050	29,773	32,764
S&M	10,771	12,621	12,225	13,411	13,760	14,580	16,024
G&A	6,087	5,925	6,853	7,108	7,446	7,763	8,523
Other operating income	723	494	943	1,514	1,245	744	818
Other operating expenses	396	467	313	234	450	589	648
EBITDA	2,209	1,354	3,512	6,559	7,747	8,715	9,560
Depreciation and amortisation	391	327	993	1,111	1,108	1,130	1,173
Operating income (EBIT)	1,818	1,027	2,519	5,448	6,639	7,584	8,387
Net financial result	-17	-190	-209	-116	28	31	34
Non-operating expenses	0	0	0	0	0	0	0
Pre-tax income (EBT)	1,801	837	2,310	5,332	6,667	7,615	8,421
Income taxes	664	302	390	991	1,967	2,285	2,526
Minority interests	-556	-288	-568	-677	-700	-800	-900
Net income / loss	581	247	1,352	3,664	4,000	4,531	4,995
Diluted EPS (in €)	0.03	0.01	0.06	0.17	0.18	0.21	0.23
Ratios							
Gross margin in % of gross sales	24.3%	23.6%	25.0%	24.4%	24.3%	24.3%	24.3%
Gross margin in % of revenues	98.0%	96.4%	96.2%	96.4%	96.0%	96.1%	96.1%
EBITDA margin in % of revenues	11.8%	6.7%	16.1%	25.6%	27.5%	28.1%	28.0%
EBIT margin	9.7%	5.1%	11.6%	21.3%	23.6%	24.5%	24.6%
Net margin	3.1%	1.2%	6.2%	14.3%	14.2%	14.6%	14.7%
Tax rate	36.9%	36.1%	16.9%	18.6%	29.5%	30.0%	30.0%
Expenses as % of sales or revenues							
Media costs (as % of gross sales)	75.2%	75.5%	74.0%	74.7%	74.7%	74.7%	74.7%
S&M (as % of revenues)	57.5%	62.3%	56.1%	52.4%	48.8%	47.0%	47.0%
G&A (as % of revenues)	32.5%	29.2%	31.5%	27.7%	26.4%	25.0%	25.0%
Depreciation and amortisation	2.1%	1.6%	4.6%	4.3%	3.9%	3.6%	3.4%
Other operating expenses	2.1%	2.3%	1.4%	0.9%	1.6%	1.9%	1.9%
Y-Y Growth							
Gross sales	23.5%	9.4%	1.4%	21.0%	10.0%	10.0%	10.0%
Net revenues	n.a.	8.3%	7.5%	17.6%	10.0%	10.0%	10.0%
Operating income	13.0%	-43.5%	145.3%	116.3%	21.9%	14.2%	10.6%
Net income/ loss	-7.7%	-57.5%	447.4%	171.0%	9.2%	13.3%	10.2%



BALANCE SHEET

All figures in EUR '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Assets							
Current assets, total	34,896	36,346	40,731	44,718	49,787	55,299	62,285
Cash and cash equivalents	20,127	18,233	25,229	24,330	29,055	34,258	40,141
Short-term investments	27	55	47	29	29	29	29
Receivables	14,129	17,629	14,897	19,727	20,071	20,380	21,484
Inventories	0	0	0	0	0	0	0
Other current assets	613	429	558	632	632	632	632
Non-current assets, total	3,719	3,264	3,321	4,123	4,168	4,253	4,329
Property, plant & equipment	424	330	391	412	431	464	470
Goodwill & other intangibles	362	218	359	737	763	815	885
Right-of-use assets	0	0	2,129	1,568	1,568	1,568	1,568
Financial assets	2,933	2,716	442	1,406	1,406	1,406	1,406
Other assets	0	0	0	0	0	0	0
Total assets	38,615	39,610	44,052	48,841	53,955	59,552	66,615
Shareholders' equity & debt							
Current liabilities, total	21,696	22,560	24,299	26,761	27,175	27,441	28,609
Short-term debt	0	0	0	0	0	0	0
Accounts payable	17,838	18,967	18,593	20,738	21,152	21,418	22,586
Current provisions	0	0	0	0	0	0	0
Other current liabilities	3,858	3,593	4,907	5,280	5,280	5,280	5,280
Lease liabilities	0	0	799	743	743	743	743
Long-term liabilities, total	402	538	1,713	1,242	1,242	1,242	1,242
Long-term debt	0	0	0	0	0	0	0
Lease liabilities	0	0	1,447	953	953	953	953
Other liabilities	402	538	266	289	289	289	289
Minority interests	779	853	935	1,157	1,857	2,657	3,557
Shareholders' equity	15,738	15,659	17,105	19,681	23,681	28,212	33,207
Share capital	1,150	1,150	1,075	1,075	1,075	1,075	1,075
Capital reserve	61,312	60,999	63,782	63,782	63,782	63,782	63,782
Other reserves	-1,683	-1,208	0	0	0	0	0
Loss carryforward / retained earnings	-45,041	-45,281	-47,752	-45,176	-41,176	-36,645	-31,650
Total consolidated equity and debt	38,615	39,610	44,052	48,841	53,955	59,552	66,615
Ratios							
Current ratio (x)	1.61	1.61	1.68	1.67	1.83	2.02	2.18
Quick ratio (x)	1.61	1.61	1.68	1.67	1.83	2.02	2.18
Net debt	-20,127	-18,233	-22,983	-22,634	-27,359	-32,562	-38,445
Net gearing	-127.9%	-116.4%	-134.4%	-115.0%	-115.5%	-115.4%	-115.8%
Equity ratio	42.8%	41.7%	41.0%	42.7%	47.3%	51.8%	55.2%
Book value per share (in €)	0.74	0.74	0.81	0.93	1.08	1.29	1.52
Return on equity (ROE)	3.7%	1.6%	7.9%	18.6%	16.9%	16.1%	15.0%
Return on investment (ROI)	1.5%	0.6%	3.1%	7.5%	7.4%	7.6%	7.5%
Return on assets (ROA)	1.5%	0.6%	3.1%	7.5%	7.4%	7.6%	7.5%



CASH FLOW STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
EBIT	1,818	1,027	2,519	5,448	6,639	7,584	8,387
Depreciation and amortisation	391	327	993	1,111	1,108	1,130	1,173
EBITDA	2,209	1,354	3,512	6,559	7,747	8,715	9,560
Changes in working capital	3,095	-2,192	4,352	-1,527	70	-43	64
Other adjustments	-2,203	-684	-1,382	-1,650	-1,939	-2,254	-2,492
Operating cash flow	3,101	-1,522	6,482	3,382	5,878	6,418	7,132
Investments in PP&E	-378	-51	-221	-238	-225	-248	-239
Investments in intangibles	-55	-44	-303	-549	-394	-434	-477
Free cash flow	2,667	-1,617	5,958	2,595	5,258	5,737	6,416
Acquisitions & disposals, net	3	66	8	10	0	0	0
Other investments	0	-35	2,152	-994	0	0	0
Investment cash flow	-431	-64	1,636	-1,771	-620	-682	-716
Debt financing, net	0	0	0	0	0	0	0
Equity financing, net	105	0	0	-978	0	0	0
Dividends paid	0	0	0	0	0	0	0
Other financing	-467	-296	-1,173	-1,300	-533	-533	-533
Financing cash flow	-362	-296	-1,173	-2,278	-533	-533	-533
FOREX & other effects	-39	-12	51	-232	0	0	0
Net cash flows	2,269	-1,894	6,996	-899	4,725	5,203	5,883
Cash, start of the year	17,859	20,127	18,233	25,229	24,330	29,055	34,258
Cash, end of the year	20,128	18,233	25,229	24,330	29,055	34,258	40,141
EBITDA/share (in €)	0.10	0.06	0.17	0.31	0.35	0.40	0.44
Y-Y Growth							
Operating cash flow	13381.7%	n.m.	n.m.	-47.8%	73.8%	9.2%	11.1%
Free cash flow	n.m.	n.m.	n.m.	-56.4%	102.6%	9.1%	11.8%
EBITDA/share	26.3%	-39.0%	161.0%	87.1%	14.3%	12.5%	9.7%

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Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

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The production of this recommendation was completed on 21 April 2021 at 12:56

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

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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.

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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...20	↓	↓	↓	↓
21	28 May 2020	€3.20	Add	€3.70
22	20 July 2020	€3.74	Buy	€4.70
23	24 August 2020	€3.48	Buy	€4.70
24	19 October 2020	€3.86	Buy	€6.00
25	20 November 2020	€4.38	Buy	€6.00
26	10 December 2020	€4.80	Buy	€6.70
27	9 February 2021	€6.05	Buy	€7.60
28	7 April 2021	€6.28	Buy	€8.30
29	Today	€6.56	Buy	€8.40

INVESTMENT HORIZON

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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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