

ad pepper media International N.V.

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

Preliminary
 2021 results

RATING
PRICE TARGET

Return Potential
 Risk Rating

BUY
€ 7.10
 51.4%
 Medium

PRELIMINARY 2021 EBITDA SLIGHTLY ABOVE FORECAST

ad pepper media has reported preliminary gross sales, revenue, and EBITDA. 2021 gross sales were up 10% y/y at €111.5m, and revenue increased 8% y/y to €27.6m. EBITDA was €4.4m (2020:€6.6m, -33% y/y) and thus at the upper end of guidance and slightly above our forecast of €4.2m. The ad agents segment's EBITDA contribution of €1.7m was its highest ever, while both other segments' EBITDA contributions were significantly lower y/y. Webgains could not repeat the very strong 2020 EBITDA contribution which benefitted from exceptionally high pandemic-induced online shopping. The ad pepper media segment had to digest the loss of a key customer. We expect ad pepper, a digital performance marketing pure play, to continue to benefit from its international expansion and the increasing market share of online advertising. For 2022E, we forecast 9% top line growth and 23% EBITDA growth due to high operating leverage. Based on unchanged forecasts for 2022, we stick to our Buy rating and €7.10 price target.

Second-best EBITDA in company history ad pepper booked solid 8% top line growth driven by both the Webgains (+18% y/y) and ad agents (+16% y/y) segments. However, the ad pepper media segment revenue fell 26% y/y due to the loss of a key customer and weak automotive ad spending. The ad pepper group could not repeat the exceptionally high and pandemic-induced 2020 EBITDA of €6.6m, which was driven by the stellar results of its affiliate marketing platform Webgains. Although the 2021 group EBITDA of €4.4m is 33% below the record 2020 level, it is the second-highest EBITDA in the history of the company (see figure 1 overleaf). The EBITDA margin of 15.8% reflects a decent level of profitability and is close to the 2019 margin.

Outperformer ad agents Segment revenue growth of 16% and EBITDA growth of 15% despite higher head count show that ad agents is continuing on its growth trajectory. The additional staff should pave the way for further profitable growth in 2022 (see figure 2 overleaf). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Revenue (€m)	20.27	21.79	25.62	27.65	30.16	33.17
Y-o-y growth	8.3%	7.5%	17.6%	7.9%	9.1%	10.0%
EBITDA (€m)	1.35	3.51	6.56	4.38	5.40	7.42
EBITDA margin	6.7%	16.1%	25.6%	15.8%	17.9%	22.4%
Net income (€m)	0.25	1.35	3.66	1.47	2.18	3.48
EPS (diluted) (€)	0.01	0.06	0.17	0.07	0.10	0.16
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-1.62	5.96	2.60	1.84	3.85	4.87
Net gearing	-116.4%	-134.4%	-115.0%	-113.0%	-116.4%	-117.3%
Liquid assets (€m)	18.23	25.23	24.33	25.59	28.86	33.14

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.

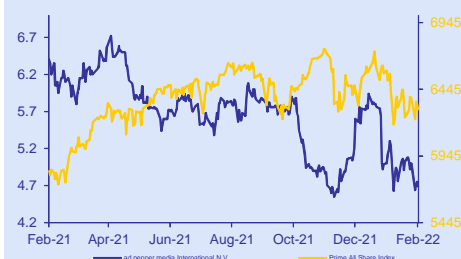
MARKET DATA

As of 17 Feb 2022

Closing Price	€ 4.69
Shares outstanding	20.66m
Market Capitalisation	€ 96.88m
52-week Range	€ 4.55 / 6.72
Avg. Volume (12 Months)	14,137

Multiples	2020	2021E	2022E
P/E	26.2	65.2	44.0
EV/Sales	3.0	2.7	2.5
EV/EBITDA	11.6	17.3	14.0
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2021

Liquid Assets	€ 22.13m
Current Assets	€ 39.76m
Intangible Assets	€ 0.67m
Total Assets	€ 43.26m
Current Liabilities	€ 21.67m
Shareholders' Equity	€ 20.95m

SHAREHOLDERS

EMA B.V.	44.1%
Euro Serve Media GmbH	2.6%
Treasury shares	5.7%
Free Float	47.6%

**Figure 1: Reported figures versus forecasts**

All figures in €m	Q4-21A	Q4-21E	Delta	Q4-20A	Delta	2021A	2020A	Delta
Gross sales	29.78	30.89	-4%	33.19	-10%	111.54	101.34	10%
Net revenues	7.24	7.01	3%	7.65	-5%	27.65	25.62	8%
EBITDA	0.82	0.64	27%	2.25	-64%	4.38	6.56	-33%
margin	11.3%	9.1%	-	29.4%	-	15.8%	25.6%	-

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

Strong top line growth but lower EBITDA at Webgains 18% segment revenue growth in 2021 following the record revenue in 2020 was a strong performance. But operating profitability was much lower than in the previous year. 2021 segment EBITDA fell to €3.5m (margin: 22.4%) from €4.7m (margin: 35.6%) in 2020. One reason for the lower profitability is increased spending on personnel, new locations, and technology, which forms the basis for further growth in 2022. The other reason is a weak Q4/21 with a 7% revenue decline resulting in a 65% EBITDA reduction y/y (Q4/21: €0.6m versus €1.6m in Q4/20; see figure 2).

Figure 2: Reported segment figures versus forecasts

All figures in €m	Q4-21A	Q4-21E	Delta	Q4-20A	Delta	2021A	2020A	Delta
ad pepper media								
Revenue	1.06	0.85	26%	1.20	-12%	3.94	5.33	-26%
EBITDA	-0.25	-0.18	-	0.15	-	0.60	1.87	-68%
margin	-23.8%	-21.7%	-	12.6%	-	15.2%	35.0%	-
Webgains								
Revenue	3.93	3.92	0%	4.24	-7%	15.54	13.22	18%
EBITDA	0.57	0.67	-15%	1.64	-65%	3.47	4.70	-26%
margin	14.5%	17.0%	-	38.7%	-	22.4%	35.6%	-
ad agents								
Revenue	2.25	2.24	0%	2.21	2%	8.17	7.06	16%
EBITDA	0.50	0.33	52%	0.74	-32%	1.72	1.50	15%
margin	22.2%	14.6%	-	33.4%	-	21.1%	21.2%	-
Admin & Consolidation								
Revenue	0.00	0.00	-	0.00	-	0.00	0.00	-
EBITDA	-0.01	-0.17	-	-0.28	-	-1.42	-1.51	-
Group								
Revenue	7.24	7.01	3%	7.65	-5%	27.65	25.62	8%
EBITDA	0.81	0.64	25%	2.25	-64%	4.38	6.56	-33%
margin	11.1%	9.2%	-	29.4%	-	15.8%	25.6%	-

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

Tough year for ad pepper media segment Annual segment revenue fell 26% y/y to €3.9m. The loss of a key customer at the beginning of 2021 and weak ad spending by automotive clients were the reasons for the setback. The lower revenue is largely reflected in the segment EBITDA, which slumped 68% to €0.6m (see figures 2).

Fortunately, the loss of the client will be digested in Q1/22 due to the base effect, as the lost client did not generate much revenue in Q1/21. We thus expect the segment to return to growth in 2022. In our view, Q4/21 revenue is the first sign of the start of a catch-up. Compared to previous quarters, the revenue decline was only 12% y/y (Q1/21: -20%, Q2/21: -30%, Q3/21: -43%) and thus much lower than in the prior quarters.



Forecasts, price target and rating unchanged As preliminary 2021 figures were in line with our forecasts, we stick to our 2022E projections (see figure 3). The 2021 annual report will be published on 29 March 2022. An updated DCF model still yields a €7.10 price target. We confirm our Buy recommendation.

Figure 3: Revisions to forecasts

All figures in €m	2021E			2022E			2023E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Revenue	27.41	27.65	0.8%	30.16	30.16	0.0%	33.17	33.17	0.0%
EBITDA	4.21	4.38	4.0%	5.40	5.40	0.0%	7.42	7.42	0.0%
margin	15.4%	15.8%		17.9%	17.9%		22.4%	22.4%	
Net income	1.37	1.47	7.8%	2.18	2.18	0.0%	3.48	3.48	0.0%
margin	5.0%	5.3%		7.2%	7.2%		10.5%	10.5%	
EPS (diluted)	0.06	0.07	7.2%	0.10	0.10	0.0%	0.16	0.16	0.0%

Source: First Berlin Equity Research



VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Net revenue	27,646	30,155	33,170	36,321	39,771	43,539	47,632	52,034
NOPLAT	2,286	2,950	4,344	5,495	6,090	6,748	7,472	8,260
+ depreciation & amortisation	1,184	1,201	1,244	1,215	1,284	1,339	1,389	1,436
Net operating cash flow	3,469	4,151	5,588	6,710	7,374	8,087	8,860	9,696
- total investments (CAPEX and WC)	-1,516	-326	-749	-547	-886	-942	-1,000	-1,060
Capital expenditures	-630	-694	-763	-835	-882	-930	-979	-1,026
Working capital	-886	368	14	289	-4	-12	-22	-34
Free cash flows (FCF)	1,953	3,825	4,839	6,163	6,488	7,145	7,860	8,636
PV of FCF's	1,953	3,548	4,114	4,801	4,633	4,677	4,716	4,748

All figures in thousands		
PV of FCFs in explicit period (2021E- 2035E)	65,449	
PV of FCFs in terminal period	60,468	
Enterprise value (EV)	125,917	
+ Net cash / - net debt	22,680	Terminal growth 2.0%
+ Investments / minority interests	2,169	Terminal EBIT margin 23.0%
Shareholder value	150,766	
Number of shares (diluted)	21,162	
Fair value per share in EUR	7.12	

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
5.1%	12.43	13.39	14.63	16.26	18.52	21.86	27.29	
6.1%	10.13	10.71	11.40	12.27	13.37	14.84	16.86	
7.1%	8.56	8.92	9.35	9.86	10.49	11.26	12.25	
8.1%	7.41	7.66	7.94	8.26	8.65	9.11	9.66	
9.1%	6.55	6.71	6.91	7.12	7.38	7.67	8.01	
10.1%	5.87	5.99	6.13	6.28	6.45	6.65	6.87	
11.1%	5.33	5.42	5.52	5.63	5.75	5.88	6.04	
12.1%	4.89	4.96	5.03	5.11	5.20	5.30	5.41	

* 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	111,539	121,662	133,826
Media costs	56,839	62,381	61,987	75,729	83,893	91,507	100,656
Revenues	18,724	20,272	21,787	25,615	27,646	30,155	33,170
Cost of sales	376	726	820	928	1,047	1,225	1,314
Gross profit	18,348	19,546	20,967	24,687	26,599	28,930	31,856
S&M	10,771	12,621	12,225	13,411	15,784	16,651	17,382
G&A	6,087	5,925	6,853	7,108	7,729	8,111	8,422
Other operating income	723	494	943	1,514	509	602	754
Other operating expenses	396	467	313	234	400	573	630
EBITDA	2,209	1,354	3,512	6,559	4,378	5,398	7,419
Depreciation and amortisation	391	327	993	1,111	1,184	1,201	1,244
Operating income (EBIT)	1,818	1,027	2,519	5,448	3,195	4,197	6,176
Net financial result	-17	-190	-209	-116	-113	30	33
Non-operating expenses	0	0	0	0	0	0	0
Pre-tax income (EBT)	1,801	837	2,310	5,332	3,082	4,227	6,209
Income taxes	664	302	390	991	909	1,247	1,832
Minority interests	-556	-288	-568	-677	-700	-800	-900
Net income / loss	581	247	1,352	3,664	1,473	2,180	3,477
Diluted EPS (in €)	0.03	0.01	0.06	0.17	0.07	0.10	0.16
Ratios							
Gross margin in % of gross sales	24.3%	23.6%	25.0%	24.4%	23.8%	23.8%	23.8%
Gross margin in % of revenues	98.0%	96.4%	96.2%	96.4%	96.2%	95.9%	96.0%
EBITDA margin in % of revenues	11.8%	6.7%	16.1%	25.6%	15.8%	17.9%	22.4%
EBIT margin	9.7%	5.1%	11.6%	21.3%	11.6%	13.9%	18.6%
Net margin	3.1%	1.2%	6.2%	14.3%	5.3%	7.2%	10.5%
Tax rate	36.9%	36.1%	16.9%	18.6%	29.5%	29.5%	29.5%
Expenses as % of sales or revenues							
Media costs (as % of gross sales)	75.2%	75.5%	74.0%	74.7%	75.2%	75.2%	75.2%
S&M (as % of revenues)	57.5%	62.3%	56.1%	52.4%	57.1%	55.2%	52.4%
G&A (as % of revenues)	32.5%	29.2%	31.5%	27.7%	28.0%	26.9%	25.4%
Depreciation and amortisation	2.1%	1.6%	4.6%	4.3%	4.3%	4.0%	3.7%
Other operating expenses	2.1%	2.3%	1.4%	0.9%	1.4%	1.9%	1.9%
Y-Y Growth							
Gross sales	23.5%	9.4%	1.4%	21.0%	10.1%	9.1%	10.0%
Net revenues	n.a.	8.3%	7.5%	17.6%	7.9%	9.1%	10.0%
Operating income	13.0%	-43.5%	145.3%	116.3%	-41.4%	31.4%	47.2%
Net income/ loss	-7.7%	-57.5%	447.4%	171.0%	-59.8%	48.0%	59.5%



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	45,778	50,173	55,614
Cash and cash equivalents	20,127	18,233	25,229	24,330	25,590	28,858	33,142
Short-term investments	27	55	47	29	29	29	29
Receivables	14,129	17,629	14,897	19,727	19,527	20,654	21,810
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	4,150	4,230	4,338
Property, plant & equipment	424	330	391	412	424	458	500
Goodwill & other intangibles	362	218	359	737	752	798	864
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	49,928	54,403	59,951
Shareholders' equity & debt							
Current liabilities, total	21,696	22,560	24,299	26,761	25,675	27,170	28,341
Short-term debt	0	0	0	0	0	0	0
Accounts payable	17,838	18,967	18,593	20,738	19,652	21,147	22,318
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	21,154	23,334	26,811
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	-43,703	-41,523	-38,046
Total consolidated equity and debt	38,615	39,610	44,052	48,841	49,928	54,403	59,951
Ratios							
Current ratio (x)	1.61	1.61	1.68	1.67	1.78	1.85	1.96
Quick ratio (x)	1.61	1.61	1.68	1.67	1.78	1.85	1.96
Net debt	-20,127	-18,233	-22,983	-22,634	-23,894	-27,162	-31,446
Net gearing	-127.9%	-116.4%	-134.4%	-115.0%	-113.0%	-116.4%	-117.3%
Equity ratio	42.8%	41.7%	41.0%	42.7%	46.1%	47.8%	50.7%
Book value per share (in €)	0.74	0.74	0.81	0.93	0.99	1.10	1.27
Return on equity (ROE)	3.7%	1.6%	7.9%	18.6%	7.0%	9.3%	13.0%
Return on investment (ROI)	1.5%	0.6%	3.1%	7.5%	3.0%	4.0%	5.8%
Return on assets (ROA)	1.5%	0.6%	3.1%	7.5%	3.0%	4.0%	5.8%



CASH FLOW STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
EBIT	1,818	1,027	2,519	5,448	3,195	4,197	6,176
Depreciation and amortisation	391	327	993	1,111	1,184	1,201	1,244
EBITDA	2,209	1,354	3,512	6,559	4,378	5,398	7,419
Changes in working capital	3,095	-2,192	4,352	-1,527	-886	368	14
Other adjustments	-2,203	-684	-1,382	-1,650	-1,022	-1,217	-1,799
Operating cash flow	3,101	-1,522	6,482	3,382	2,471	4,548	5,635
Investments in PP&E	-378	-51	-221	-238	-247	-271	-299
Investments in intangibles	-55	-44	-303	-549	-384	-422	-464
Free cash flow	2,667	-1,617	5,958	2,595	1,840	3,855	4,872
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	-630	-694	-763
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	-580	-587	-588
Financing cash flow	-362	-296	-1,173	-2,278	-580	-587	-588
FOREX & other effects	-39	-12	51	-232	0	0	0
Net cash flows	2,269	-1,894	6,996	-899	1,260	3,268	4,284
Cash, start of the year	17,859	20,127	18,233	25,229	24,330	25,590	28,858
Cash, end of the year	20,128	18,233	25,229	24,330	25,590	28,858	33,142
EBITDA/share (in €)	0.10	0.06	0.17	0.31	0.20	0.26	0.35
Y-Y Growth							
Operating cash flow	13381.7%	n.m.	n.m.	-47.8%	-26.9%	84.1%	23.9%
Free cash flow	n.m.	n.m.	n.m.	-56.4%	-29.1%	109.5%	26.4%
EBITDA/share	26.3%	-39.0%	161.0%	87.1%	-34.1%	24.7%	37.5%

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

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...27	↓	↓	↓	↓
28	7 April 2021	€6.28	Buy	€8.30
29	21 April 2021	€6.56	Buy	€8.40
30	25 May 2021	€5.82	Buy	€8.40
31	19 July 2021	€5.52	Buy	€8.40
32	25 August 2021	€5.72	Buy	€8.40
33	21 October 2021	€5.84	Buy	€8.10
34	22 November 2021	€4.88	Buy	€8.10
35	14 January 2022	€4.92	Buy	€7.10
36	Today	€4.69	Buy	€7.10

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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