

# ad pepper media International N.V.

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

M&amp;A

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 3.50**

Return Potential 63.6%  
 Risk Rating Medium

## 1<sup>ST</sup> STEP COMPLETED, 2<sup>ND</sup> STEP IN THE WORKS

Last week, ad pepper media (APM) and seven shareholders of solute Holding GmbH & Co. KG (solute) signed a purchase agreement for 25.64% of solute shares (purchase price: ca. €4m). APM will finance the purchase by issuing almost 1.7m new shares against contribution in kind. The first step of the transaction has thus been completed. APM now plans to acquire further solute shares to gain a majority stake to be able to consolidate the company. solute, a leading price comparison portal business in the German market (billiger.de and shopping.de), has more than 170 employees, generated €33m in revenue and EBITDA of €2.0m in the past financial year. The deal would more than double APM's revenue and create a leading listed player in performance marketing and digital marketplaces (price comparison). We believe that the advertising technology (adtech) company solute, with its broad digital marketing know-how and strong competitive position in the German price comparison portal market, is a good fit for APM, and expect the deal to be value-accretive. For the time being, we stick to our stand alone APM forecasts and valuation. We confirm our Buy rating and the €350 price target.

**Talks with four solute shareholders to gain majority stake** ad pepper is entering into discussions with four additional solute shareholders, representing a total of 39% in the target company, which have signalled their principle willingness to sell. Among them is Deutsche Tele Medien GmbH, with a nearly 30% stake in solute. We thus believe chances are high that APM will acquire a majority stake in solute.

**Why do we believe that the deal is value-accretive?** Both APM and solute are online performance marketing companies with largely complementary product offerings. If the companies join forces, market penetration will be broader and deeper. Bringing together both companies' client bases offers cross-selling potential. Furthermore, the combined companies would achieve critical mass with joint sales of almost €60m and ca. 400 employees. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023E	2024E	2025E
Revenue (€m)	25.62	27.65	24.87	24.18	26.60	29.12
Y-o-y growth	17.6%	7.9%	-10.0%	-2.8%	10.0%	9.5%
EBITDA (€m)	6.56	4.38	1.28	1.54	2.47	3.42
EBITDA margin	25.6%	15.8%	5.1%	6.4%	9.3%	11.7%
Net income (€m)	3.66	1.73	-0.89	-0.37	0.32	1.13
EPS (diluted) (€)	0.17	0.08	-0.04	-0.02	0.02	0.06
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	2.60	1.91	1.71	1.39	1.26	1.08
Net gearing	-115.0%	-104.2%	-108.0%	-116.0%	-117.1%	-111.3%
Liquid assets (€m)	24.33	20.70	17.01	17.74	18.27	18.70

### 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 06 Oct 2023

Closing Price € 2.14  
 Shares outstanding 20.26m  
 Market Capitalisation € 43.35m  
 52-week Range € 1.55 / 2.59  
 Avg. Volume (12 Months) 5,091

Multiples	2022	2023E	2024E
P/E	n.a.	n.a.	135.7
EV/Sales	0.9	0.9	0.8
EV/EBITDA	17.0	14.1	8.8
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2023

Liquid Assets € 19.47m  
 Current Assets € 32.68m  
 Intangible Assets € 0.26m  
 Total Assets € 37.12m  
 Current Liabilities € 21.51m  
 Shareholders' Equity € 14.45m

### SHAREHOLDERS

EMA B.V. 44.1%  
 Euro Serve Media GmbH 2.6%  
 Treasury shares 5.8%  
 Free Float 47.5%



**Capital increase against contribution in kind will add 1.7m shares** APM will issue 1,693,244 new shares against contribution in kind to acquire 25.64% in solute. This increases APM's share count (shares outstanding) by ca. 8% to 21.95m shares. At the end of H1/23, 20.26m shares were outstanding (21.50m shares ./ 1.24m treasury shares).

**Buy reiterated at unchanged price target** We leave our forecasts unchanged until the deal is completed. If the deal goes through, we believe that the APM stock has further upside potential, as a much stronger digital performance marketing company will be created. For the time being, we remain Buy-rated and stick to our DCF-based €3.50 price target.



## VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2023 E	2024 E	2025 E	2026 E	2027 E	2028 E	2029 E	2030 E
Net revenue	24,179	26,597	29,124	31,890	34,919	38,228	41,821	45,687
NOPLAT	407	1,093	1,799	2,209	2,611	3,069	3,589	4,175
+ depreciation & amortisation	1,009	1,001	946	915	977	1,018	1,051	1,082
Net operating cash flow	1,416	2,094	2,745	3,124	3,587	4,087	4,641	5,257
- total investments (CAPEX and WC)	48	-759	-1,691	-986	-564	-635	-714	-802
Capital expenditures	-193	-266	-349	-446	-489	-535	-585	-640
Working capital	242	-493	-1,341	-540	-75	-99	-128	-162
Free cash flows (FCF)	1,464	1,335	1,055	2,138	3,024	3,452	3,927	4,456
PV of FCF's	1,429	1,169	828	1,507	1,913	1,959	2,000	2,036

All figures in thousands		
PV of FCFs in explicit period (2023E-2037E)	27,268	
PV of FCFs in terminal period	21,050	
Enterprise value (EV)	48,318	Terminal growth 2.0%
+ Net cash / - net debt	15,645	Terminal EBIT margin 17.5%
+ Investments / minority interests	7,252	
Shareholder value	71,215	
Number of shares (diluted)	20,501	
Fair value per share in EUR	3.47	

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
7.4%	5.21	5.40	5.64	5.91	6.24	6.65	7.16	
8.4%	4.53	4.67	4.82	5.00	5.20	5.45	5.74	
9.4%	4.02	4.12	4.22	4.34	4.48	4.64	4.82	
10.4%	3.63	3.69	3.77	3.85	3.95	4.05	4.17	
11.4%	3.31	3.36	3.41	3.47	3.54	3.61	3.70	
12.4%	3.05	3.09	3.13	3.17	3.22	3.28	3.34	
13.4%	2.84	2.87	2.90	2.93	2.97	3.01	3.05	
14.4%	2.67	2.69	2.71	2.74	2.76	2.79	2.82	

\* for layout purposes the model shows numbers only to 2030, but runs until 2037



## INCOME STATEMENT

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
<b>Gross sales</b>	<b>101,344</b>	<b>111,539</b>	<b>98,229</b>	<b>95,507</b>	<b>105,058</b>	<b>115,039</b>
Media costs	75,729	83,893	73,361	71,328	78,461	85,915
<b>Revenues</b>	<b>25,615</b>	<b>27,646</b>	<b>24,868</b>	<b>24,179</b>	<b>26,597</b>	<b>29,124</b>
Cost of sales	928	1,059	1,164	1,262	1,250	1,165
<b>Gross profit</b>	<b>24,687</b>	<b>26,587</b>	<b>23,704</b>	<b>22,917</b>	<b>25,347</b>	<b>27,959</b>
S&M	13,411	15,739	16,638	16,067	17,000	17,765
G&A	7,108	7,707	7,164	6,719	7,010	7,863
Other operating income	1,514	530	937	954	638	699
Other operating expenses	234	477	651	555	505	553
<b>EBITDA</b>	<b>6,559</b>	<b>4,378</b>	<b>1,275</b>	<b>1,539</b>	<b>2,471</b>	<b>3,421</b>
Depreciation and amortisation	1,111	1,184	1,088	1,009	1,001	946
<b>Operating income (EBIT)</b>	<b>5,448</b>	<b>3,194</b>	<b>187</b>	<b>530</b>	<b>1,470</b>	<b>2,476</b>
Net financial result	-116	-38	-131	-76	-73	29
Non-operating expenses	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>5,332</b>	<b>3,156</b>	<b>56</b>	<b>454</b>	<b>1,396</b>	<b>2,505</b>
Income taxes	991	592	306	123	377	676
Minority interests	-677	-839	-643	-700	-700	-700
<b>Net income / loss</b>	<b>3,664</b>	<b>1,725</b>	<b>-893</b>	<b>-369</b>	<b>319</b>	<b>1,128</b>
<b>Diluted EPS (in €)</b>	<b>0.17</b>	<b>0.08</b>	<b>-0.04</b>	<b>-0.02</b>	<b>0.02</b>	<b>0.06</b>
<b>Ratios</b>						
Gross margin in % of gross sales	24.4%	23.8%	24.1%	24.0%	24.1%	24.3%
Gross margin in % of revenues	96.4%	96.2%	95.3%	94.8%	95.3%	96.0%
EBITDA margin in % of revenues	25.6%	15.8%	5.1%	6.4%	9.3%	11.7%
EBIT margin	21.3%	11.6%	0.8%	2.2%	5.5%	8.5%
Net margin	14.3%	6.2%	-3.6%	-1.5%	1.2%	3.9%
Tax rate	18.6%	18.8%	542.6%	27.0%	27.0%	27.0%
<b>Expenses as % of sales or revenues</b>						
Media costs (as % of gross sales)	74.7%	75.2%	74.7%	74.7%	74.7%	74.7%
S&M (as % of revenues)	52.4%	56.9%	66.9%	66.5%	63.9%	61.0%
G&A (as % of revenues)	27.7%	27.9%	28.8%	27.8%	26.4%	27.0%
Depreciation and amortisation	4.3%	4.3%	4.4%	4.2%	3.8%	3.2%
Other operating expenses	0.9%	1.7%	2.6%	2.3%	1.9%	1.9%
<b>Y-Y Growth</b>						
Gross sales	21.0%	10.1%	-11.9%	-2.8%	10.0%	9.5%
Net revenues	17.6%	7.9%	-10.0%	-2.8%	10.0%	9.5%
EBITDA	86.8%	-33.3%	-70.9%	20.7%	60.6%	38.5%
Operating income	116.3%	-41.4%	-94.1%	183.0%	177.4%	68.4%
Net income/ loss	171.0%	-52.9%	n.m.	n.m.	n.m.	253.3%



## BALANCE SHEET

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
<b>Assets</b>						
<b>Current assets, total</b>	<b>44,718</b>	<b>40,753</b>	<b>35,692</b>	<b>35,746</b>	<b>37,607</b>	<b>38,566</b>
Cash and cash equivalents	24,330	20,704	17,008	17,738	18,274	18,699
Short-term investments	29	26	258	258	258	258
Receivables	19,727	19,319	17,568	16,892	18,217	18,751
Inventories	0	0	0	0	0	0
Other current assets	632	704	858	858	858	858
<b>Non-current assets, total</b>	<b>4,123</b>	<b>5,599</b>	<b>8,262</b>	<b>8,105</b>	<b>8,095</b>	<b>8,158</b>
Property, plant & equipment	412	346	230	157	174	220
Goodwill & other intangibles	737	628	374	291	264	280
Right-of-use assets	1,568	1,177	1,318	1,318	1,318	1,318
Financial assets	1,406	3,448	6,260	6,260	6,260	6,260
Other assets	0	0	79	79	79	79
<b>Total assets</b>	<b>48,841</b>	<b>46,352</b>	<b>43,954</b>	<b>43,851</b>	<b>45,702</b>	<b>46,723</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>26,761</b>	<b>25,318</b>	<b>27,448</b>	<b>27,014</b>	<b>27,846</b>	<b>27,038</b>
Short-term debt	0	0	0	0	0	0
Accounts payable	20,738	20,247	20,836	20,402	21,234	20,426
Current provisions	0	0	0	0	0	0
Other current liabilities	5,280	4,566	6,089	6,089	6,089	6,089
Lease liabilities	743	505	523	523	523	523
<b>Long-term liabilities, total</b>	<b>1,242</b>	<b>946</b>	<b>840</b>	<b>840</b>	<b>840</b>	<b>840</b>
Long-term debt	0	0	0	0	0	0
Lease liabilities	953	741	840	840	840	840
Other liabilities	289	205	0	0	0	0
<b>Minority interests</b>	<b>1,157</b>	<b>1,413</b>	<b>1,176</b>	<b>1,876</b>	<b>2,576</b>	<b>3,276</b>
<b>Shareholders' equity</b>	<b>19,681</b>	<b>18,675</b>	<b>14,490</b>	<b>14,121</b>	<b>14,441</b>	<b>15,569</b>
Share capital	1,075	1,075	1,075	1,075	1,075	1,075
Capital reserve	63,782	63,782	63,782	63,782	63,782	63,782
Other reserves	0	0	0	0	0	0
Loss carryforward / retained earnings	-45,176	-46,182	-50,367	-50,736	-50,416	-49,288
<b>Total consolidated equity and debt</b>	<b>48,841</b>	<b>46,352</b>	<b>43,954</b>	<b>43,851</b>	<b>45,702</b>	<b>46,723</b>
<b>Ratios</b>						
Current ratio (x)	1.67	1.61	1.30	1.32	1.35	1.43
Quick ratio (x)	1.67	1.61	1.30	1.32	1.35	1.43
Net debt	-22,634	-19,458	-15,645	-16,375	-16,911	-17,336
Net gearing	-115.0%	-104.2%	-108.0%	-116.0%	-117.1%	-111.3%
Equity ratio	42.7%	43.3%	35.6%	36.5%	37.2%	40.3%
Book value per share (in €)	0.93	0.89	0.71	0.69	0.71	0.76
Return on equity (ROE)	18.6%	9.2%	-6.2%	-2.6%	2.2%	7.2%
Return on investment (ROI)	7.5%	3.7%	-2.0%	-0.8%	0.7%	2.4%
Return on assets (ROA)	7.5%	3.7%	-2.0%	-0.8%	0.7%	2.4%



## CASH FLOW STATEMENT

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
<b>EBIT</b>	<b>5,448</b>	<b>3,194</b>	<b>187</b>	<b>530</b>	<b>1,470</b>	<b>2,476</b>
Depreciation and amortisation	1,111	1,184	1,088	1,009	1,001	946
<b>EBITDA</b>	<b>6,559</b>	<b>4,378</b>	<b>1,275</b>	<b>1,539</b>	<b>2,471</b>	<b>3,421</b>
Changes in working capital	-1,527	636	3,256	242	-493	-1,341
Other adjustments	-1,650	-2,806	-2,600	-198	-450	-647
<b>Operating cash flow</b>	<b>3,382</b>	<b>2,208</b>	<b>1,931</b>	<b>1,582</b>	<b>1,528</b>	<b>1,433</b>
Investments in PP&E	-238	-121	-108	-97	-133	-175
Investments in intangibles	-549	-178	-111	-97	-133	-175
<b>Free cash flow</b>	<b>2,595</b>	<b>1,909</b>	<b>1,712</b>	<b>1,389</b>	<b>1,262</b>	<b>1,084</b>
Acquisitions & disposals, net	10	57	1,938	0	0	0
Other investments	-994	-1,999	-5,000	0	0	0
<b>Investment cash flow</b>	<b>-1,771</b>	<b>-2,241</b>	<b>-3,281</b>	<b>-193</b>	<b>-266</b>	<b>-349</b>
Debt financing, net	0	0	0	0	0	0
Equity financing, net	-978	-2,489	-1,232	0	0	0
Dividends paid	0	0	0	0	0	0
Other financing	-1,300	-1,340	-1,124	-659	-725	-659
<b>Financing cash flow</b>	<b>-2,278</b>	<b>-3,829</b>	<b>-2,356</b>	<b>-659</b>	<b>-725</b>	<b>-659</b>
FOREX & other effects	-232	236	10	0	0	0
<b>Net cash flows</b>	<b>-899</b>	<b>-3,626</b>	<b>-3,696</b>	<b>730</b>	<b>537</b>	<b>425</b>
Cash, start of the year	25,229	24,330	20,704	17,008	17,738	18,274
<b>Cash, end of the year</b>	<b>24,330</b>	<b>20,704</b>	<b>17,008</b>	<b>17,738</b>	<b>18,274</b>	<b>18,699</b>
<b>EBITDA/share (in €)</b>	<b>0.31</b>	<b>0.21</b>	<b>0.06</b>	<b>0.08</b>	<b>0.12</b>	<b>0.17</b>
<b>Y-Y Growth</b>						
Operating cash flow	-47.8%	-34.7%	-12.5%	-18.1%	-3.4%	-6.2%
Free cash flow	-56.4%	-26.4%	-10.3%	-18.9%	-9.1%	-14.1%
EBITDA/share	87.1%	-32.7%	-69.9%	19.7%	60.6%	38.5%

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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 <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...41	↓	↓	↓	↓
42	31 August 2022	€2.06	Buy	€4.40
43	20 October 2022	€2.25	Buy	€3.60
44	25 November 2022	€1.75	Buy	€3.60
45	7 February 2023	€2.15	Buy	€4.00
46	25 April 2023	€1.91	Buy	€3.50
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	Today	€2.14	Buy	€3.50

**INVESTMENT HORIZON**

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



## UPDATES

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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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