

ad pepper media International N.V.

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

H1 report

RATING
BUY

PRICE TARGET
€ 2.90

Return Potential 55.1%
 Risk Rating Medium

STRONGER H2 EXPECTED

ad pepper media (APM) has published its H1 report. Final revenue and EBITDA figures matched preliminary numbers. Despite slightly lower Q2 revenue (€5.2m, -3% y/y), management turned the net result around (€113k versus €450k in Q2/23), as all relevant cost positions were significantly lowered. Management focus is now on gaining new clients to push revenue up and exploit the high operating leverage of the business model. As every year, Q4 (Christmas business) will be decisive for a good annual performance. We believe that lower European central bank rates will slowly work through the markets and cheer up consumers, which will probably result in higher spending and increased ad budgets at APM's clients. Given that APM's H1 EBITDA amounted to €707k, we believe that it will easily reach our 2024 EBITDA target of €1.8m. An updated DCF model yields an unchanged €2.90 price target. We confirm our Buy recommendation.

Guidance reiterated APM expects a strong Q4 in terms of revenue and profitability. For the Webgains segment in particular, management is guiding towards positive growth rates, driven by the successful acquisition of new clients and AI initiatives.

Management did their job Given the net losses in 2022 & 2023, adjusting the cost base was necessary to turn the company around. Compared to Q2/23, S&A expenses were lowered by €430k or 11% to €3,337k, and G&A by €374k or 18% to €1,759k. This resulted in a significant EBIT improvement from €-385k to €276k (delta: €661k).

Flat revenue and much improved earnings in H1 On a six month basis, revenue was flat at €10.4m (-1% y/y), and gross profit also remained stable (€10.2m, +1% y/y). Earnings figures from EBITDA down to EBT all showed a strong swing from red to black. The EBT delta amounted to €1.3m. Net income reached break-even (see figure 1 overleaf).

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024E	2025E	2026E
Revenue (€m)	27.65	24.87	21.75	22.54	25.01	27.38
Y-o-y growth	7.9%	-10.0%	-12.5%	3.6%	11.0%	9.5%
EBITDA (€m)	4.38	1.28	0.02	1.77	2.07	2.54
EBITDA margin	15.8%	5.1%	0.1%	7.8%	8.3%	9.3%
Net income (€m)	1.73	-0.89	-0.94	0.13	0.19	0.64
EPS (diluted) (€)	0.08	-0.04	-0.05	0.01	0.01	0.03
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	1.91	1.71	1.13	-2.14	3.93	1.16
Net gearing	-104.2%	-108.0%	-105.0%	-87.7%	-104.3%	-103.1%
Liquid assets (€m)	20.70	17.01	19.84	16.90	20.05	20.51

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.

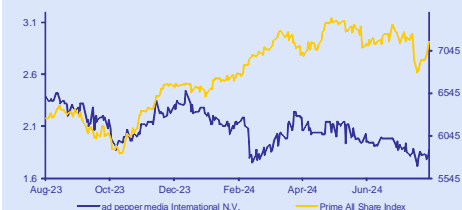
MARKET DATA

As of 16 Aug 2024

Closing Price € 1.87
 Shares outstanding 21.95m
 Market Capitalisation € 41.05m
 52-week Range € 1.72 / 2.44
 Avg. Volume (12 Months) 3,050

Multiples	2023	2024E	2025E
P/E	n.a.	307.0	216.3
EV/Sales	1.0	1.0	0.9
EV/EBITDA	919.8	12.5	10.7
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2024

Liquid Assets € 17.83m
 Current Assets € 32.71m
 Intangible Assets € 0.19m
 Total Assets € 38.28m
 Current Liabilities € 19.83m
 Shareholders' Equity € 18.46m

SHAREHOLDERS

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

**Figure 1: Reported Q2 and H1 figures**

All figures in €m	Q2-24A	Q2-23A	Delta	H1-24A	H1-23A	Delta
Gross sales	20.40	20.97	-2.7%	41.18	40.56	1.5%
Revenue	5.22	5.40	-3.2%	10.40	10.50	-0.9%
Gross profit	5.14	5.19	-1.0%	10.16	10.09	0.7%
<i>margin</i>	98.4%	96.2%		97.7%	96.1%	
EBITDA	0.49	-0.12	-	0.71	-0.45	-
<i>margin on revenues</i>	9.3%	-2.2%		6.8%	-4.2%	
EBIT	0.28	-0.39	-	0.28	-0.97	-
<i>margin</i>	5.3%	-7.1%		2.7%	-9.2%	
EBT	0.35	-0.34	-	0.42	-0.91	-
<i>margin</i>	6.7%	-6.4%		4.0%	-8.7%	
Net income	0.11	-0.45	-	-0.01	-1.04	-
<i>margin</i>	2.2%	-8.3%		-0.1%	-9.9%	
EPS (diluted)	0.01	-0.02	-	0.00	-0.05	-

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

Established markets weak, growth markets strong in H1 While revenue declined in APM's main markets (Germany: -2% y/y, UK: -9%), smaller markets such as Spain (+5% to €1.7m) and Other (+10% to €1.6m) developed positively. "Other" contains Switzerland, Netherlands, France, and Italy.

Webgains is the key driver of the group performance In H1, Webgains added €1.1m to group EBITDA, more than twice as much as ad agents (€454k), while the ad pepper media segment lagged behind with a mere €72k (see figure 2).

Figure 2: Reported Q2 and H1 figures

All figures in €m	Q2-24A	Q2-23A	Delta	H1-24A	H1-23A	Delta
ad pepper media						
Revenue	0.63	0.61	2.8%	1.09	1.14	-4.5%
EBITDA	0.09	0.03	177.4%	0.07	0.03	121.2%
<i>margin</i>	13.7%	5.1%	-	6.7%	2.9%	-
Webgains						
Revenue	2.79	2.92	-4.5%	5.75	5.75	0.0%
EBITDA	0.43	0.29	50.3%	1.06	0.48	123.5%
<i>margin</i>	15.5%	9.8%	-	18.5%	8.3%	-
ad agents						
Revenue	1.81	1.87	-3.2%	3.56	3.61	-1.2%
EBITDA	0.26	0.07	263.9%	0.45	-0.03	-
<i>margin</i>	14.5%	3.9%	-	12.7%	-0.7%	-
Admin & Consolidation						
Revenue	0.00	0.00	-	0.00	0.00	-
EBITDA	-0.30	-0.51	-	-0.88	-0.93	-
Group						
Revenue	5.22	5.40	-3.2%	10.40	10.50	-0.9%
EBITDA	0.49	-0.12	-	0.71	-0.45	-
<i>margin</i>	9.3%	-2.3%	-	6.8%	-4.2%	-

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



Balance sheet remains strong Although equity declined 2% to €18.5m, the equity ratio was up 4 PP at a high 48% due to a lower balance sheet total (-11%, see figure 3). Working capital remained negative (-€1.8m) as payables are higher than receivables. APM had no debt to banks, a cash position of €17.8m, and short-term securities and deposits of €2m.

Figure 3: Balance sheet, selected items

in €m	H1-24A	2023A	Delta
Right-of-use assets	1.18	1.18	0%
Listed debt and marketable securities (solite stake)	3.69	3.69	0%
Non-current assets, total	5.57	5.64	-1%
Securities and deposits	1.99	3.52	-44%
Receivables	11.80	13.12	-10%
Cash & cash equivalents	17.83	19.84	-10%
Current assets, total	32.71	37.30	-12%
Equity	18.46	18.88	-2%
<i>Equity ratio</i>	<i>48.2%</i>	<i>44.0%</i>	<i>4.2 PP</i>
Payables	13.59	17.66	-23%
Working Capital	-1.79	-4.53	<i>n.m.</i>
Balance sheet total	38.28	42.94	-11%

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

Negative operating cash flow Operating cash flow was negative (€-2.4m) due mainly to lower payables (€-3.6m). Owing to the sale of securities and maturity of deposits, cash flow from investing was positive (€1.5m). Cash flow from financing amounted to €-1.0m due chiefly to dividends to non-controlling interests (€-670k). Net cash flow was €-2.0m.

Figure 4: Cash flow statement, selected items

in €m	H1/24A	H1/23A
Operating cash flow	-2.42	-0.95
CAPEX	-0.09	-0.07
Free cash flow	-2.51	-1.02
Cash flow investing	1.45	3.96
Cash flow financing	-1.05	-0.55
Net cash flow	-2.02	2.46

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

Macroeconomic environment is improving The rate cuts by the European Central Bank in June, and the Bank of England in August, as well as the expectation of further cuts this year, will support consumer spending. The GfK Consumer Confidence indicator in the United Kingdom rose to -13 in July 2024 from -14 in June, improving for the fourth consecutive month to the highest level since September 2021. The same indicator for Germany climbed to -18.4 heading into August 2024, from -21.6 in the previous month. This was the highest reading since April 2022, amid easing cost pressures and rising wages. Lower interest rates and higher consumer confidence in APM's main markets bode well for a good business development in H2.

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



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	22,535	25,006	27,382	29,983	32,830	35,941	39,320	42,954
NOPLAT	508	740	1,069	1,395	1,728	2,114	2,556	3,061
+ depreciation & amortisation	1,026	1,004	976	942	966	982	996	1,011
Net operating cash flow	1,535	1,744	2,045	2,336	2,695	3,095	3,552	4,071
- total investments (CAPEX and WC)	-3,805	2,035	-1,154	-547	-206	-231	-267	-321
Capital expenditures	-225	-300	-356	-390	-427	-467	-511	-558
Working capital	-3,579	2,335	-798	-158	221	237	244	237
Free cash flows (FCF)	-2,270	3,778	891	1,789	2,489	2,865	3,285	3,750
PV of FCF's	-2,182	3,264	692	1,249	1,562	1,616	1,666	1,710

All figures in thousands		
PV of FCFs in explicit period (2024E-2038E)	21,554	
PV of FCFs in terminal period	17,579	
Enterprise value (EV)	39,133	Terminal growth 2.0%
+ Net cash / - net debt	18,552	Terminal EBIT margin 16.0%
+ Investments / minority interests	8,676	
Shareholder value	66,361	
Number of shares (diluted)	22,751	
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%
7.2%	4.36	4.49	4.63	4.81	5.02	5.29	5.62	
8.2%	3.82	3.90	3.99	4.09	4.22	4.37	4.55	
9.2%	3.40	3.46	3.52	3.59	3.66	3.75	3.86	
10.2%	3.09	3.12	3.16	3.21	3.26	3.32	3.38	
11.2%	2.83	2.86	2.89	2.92	2.95	2.99	3.03	
12.2%	2.63	2.65	2.67	2.69	2.71	2.74	2.77	
13.2%	2.46	2.47	2.49	2.50	2.52	2.54	2.56	
14.2%	2.32	2.33	2.34	2.35	2.36	2.38	2.39	

* 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	89,096	98,865	108,257
Media costs	83,893	73,361	64,239	66,561	73,859	80,876
Revenues	27,646	24,868	21,749	22,535	25,006	27,382
Cost of sales	1,059	1,164	873	779	1,200	1,314
Gross profit	26,587	23,704	20,876	21,756	23,806	26,067
S&M	15,739	16,638	14,867	14,625	15,110	16,155
G&A	7,707	7,164	7,785	7,515	8,002	8,488
Other operating income	530	937	966	1,352	750	657
Other operating expenses	477	651	184	225	375	520
EBITDA	4,378	1,275	24	1,769	2,073	2,537
Depreciation and amortisation	1,184	1,088	1,018	1,026	1,004	976
Operating income (EBIT)	3,194	187	-994	743	1,069	1,561
Net financial result	-38	-131	363	125	150	274
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	3,156	56	-631	868	1,219	1,835
Income taxes	592	306	68	234	329	492
Minority interests	-839	-643	-245	-500	-700	-700
Net income / loss	1,725	-893	-944	134	190	643
Diluted EPS (in €)	0.08	-0.04	-0.05	0.01	0.01	0.03
Ratios						
Gross margin in % of gross sales	23.8%	24.1%	24.3%	24.4%	24.1%	24.1%
Gross margin in % of revenues	96.2%	95.3%	96.0%	96.5%	95.2%	95.2%
EBITDA margin in % of revenues	15.8%	5.1%	0.1%	7.8%	8.3%	9.3%
EBIT margin	11.6%	0.8%	-4.6%	3.3%	4.3%	5.7%
Net margin	6.2%	-3.6%	-4.3%	0.6%	0.8%	2.3%
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%	64.9%	60.4%	59.0%
G&A (as % of revenues)	27.9%	28.8%	35.8%	33.3%	32.0%	31.0%
Depreciation and amortisation	4.3%	4.4%	4.7%	4.6%	4.0%	3.6%
Other operating expenses	1.7%	2.6%	0.8%	1.0%	1.5%	1.9%
Y-Y Growth						
Gross sales	10.1%	-11.9%	-12.5%	3.6%	11.0%	9.5%
Net revenues	7.9%	-10.0%	-12.5%	3.6%	11.0%	9.5%
EBITDA	-33.3%	-70.9%	-98.1%	7270.5%	17.2%	22.4%
Operating income	-41.4%	-94.1%	n.m.	n.m.	43.9%	46.0%
Net income/ loss	-52.9%	n.m.	n.m.	n.m.	41.9%	238.8%



BALANCE SHEET

All figures in EUR '000	2021A	2022A	2023A	2024E	2025E	2026E
Assets						
Current assets, total	40,753	41,768	37,297	35,433	40,824	43,591
Cash and cash equivalents	20,704	17,008	19,842	16,902	20,051	20,505
Financial assets	26	6,334	3,621	3,621	3,621	3,621
Receivables	19,319	17,568	13,124	14,200	16,442	18,755
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	5,639	5,714	5,804
Property, plant & equipment	346	230	173	156	189	248
Goodwill & other intangibles	628	374	168	180	222	253
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	41,072	46,538	49,395
Shareholders' equity & debt						
Current liabilities, total	25,318	27,448	23,238	20,735	25,312	26,826
Short-term debt	0	0	0	0	0	0
Accounts payable	20,247	20,836	17,657	15,154	19,731	21,245
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	17,798	17,987	18,630
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	-50,535	-50,346	-49,703
Total consolidated equity and debt	46,352	43,954	42,941	41,072	46,538	49,395
Ratios						
Current ratio (x)	1.61	1.52	1.61	1.71	1.61	1.62
Quick ratio (x)	1.61	1.52	1.61	1.71	1.61	1.62
Net debt	-19,458	-15,645	-18,552	-15,612	-18,761	-19,215
Net gearing	-104.2%	-108.0%	-105.0%	-87.7%	-104.3%	-103.1%
Equity ratio	43.3%	35.6%	44.0%	47.5%	43.8%	44.0%
Book value per share (in €)	0.89	0.71	0.85	0.81	0.82	0.85
Return on equity (ROE)	9.2%	-6.2%	-5.3%	0.8%	1.1%	3.5%
Return on investment (ROI)	3.7%	-2.0%	-2.2%	0.3%	0.4%	1.3%
Return on assets (ROA)	4.0%	-1.6%	-2.1%	0.3%	0.4%	1.3%



CASH FLOW STATEMENT

All figures in EUR '000	2021A	2022A	2023A	2024E	2025E	2026E
EBIT	3,194	187	-994	743	1,069	1,561
Depreciation and amortisation	1,184	1,088	1,018	1,026	1,004	976
EBITDA	4,378	1,275	24	1,769	2,073	2,537
Changes in working capital	636	3,256	1,975	-3,579	2,335	-798
Other adjustments	-2,806	-2,600	-760	-109	-179	-218
Operating cash flow	2,208	1,931	1,239	-1,919	4,228	1,521
Investments in PP&E	-121	-111	-53	-113	-150	-192
Investments in intangibles	-178	-108	-61	-113	-150	-164
Free cash flow	1,909	1,712	1,125	-2,145	3,928	1,165
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	-225	-300	-356
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	-796	-779	-710
Financing cash flow	-3,829	-2,356	-893	-796	-779	-710
FOREX & other effects	236	10	33	0	0	0
Net cash flows	-3,626	-3,696	2,834	-2,940	3,149	455
Cash, start of the year	24,330	20,704	17,008	19,842	16,902	20,051
Cash, end of the year	20,704	17,008	19,842	16,902	20,051	20,505
EBITDA/share (in €)	0.21	0.06	0.00	0.08	0.09	0.12
Y-Y Growth						
Operating cash flow	-34.7%	-12.5%	-35.8%	n.m.	n.m.	-64.0%
Free cash flow	-26.4%	-10.3%	-34.3%	n.m.	n.m.	-70.3%
EBITDA/share	-32.7%	-69.9%	-98.2%	6842.5%	17.2%	22.4%

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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...49	↓	↓	↓	↓
50	9 October 2023	€2.14	Buy	€3.50
51	23 October 2023	€1.96	Buy	€3.00
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	Today	€1.87	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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