EQS Group

Initiation of coverage

Communications hub

Media

EQS has established a market-leading position in technology-based investor and corporate communications in its core territories of Germany, Austria and Switzerland. It is now expanding its geographic reach into English-speaking and emerging markets. Its aim is to become one of the five largest providers of digital corporate communications globally by 2020. The investment costs of its Asian expansion are weighing on profits in FY15, but should start to earn returns from FY16. The valuation should expand as management demonstrates successful delivery on its goals.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/13	15.9	3.4	1.91	0.75	15.4	2.5
12/14	16.5	3.2	1.81	0.75	16.3	2.5
12/15e	18.6	3.4	1.96	0.75	15.1	2.5
12/16e	19.9	4.1	2.46	0.80	12.0	2.7
12/17e	21.0	4.4	2.63	0.85	11.2	2.9

Note: *PBT and EPS are normalised, excluding acquired intangible amortisation, exceptional items and share-based payments.

Building innovative tools to add value for clients

EQS continues to invest in building out solutions that make the IR function both robust in meeting regulatory requirements and efficient in terms of clients' internal resource. Last year's acquisition of TodayIR boosted the offer and more importantly, established a bridgehead into Asian markets, where competition from English-language suppliers has far less of a foothold. It has also given the group good opportunities for cross- and up-selling.

Market confidence key for progress

The expansion from its original German-speaking geographies is giving the group more of a portfolio effect. Nevertheless, the health of the German corporate bond and equity markets and the balance between IPOs and delistings/down-listings remain important external indicators for the group's financial performance. The Chinese market correction has obviously prompted much commentary. EQS's business is primarily Hong Kong-based and the longer term implications may even be positive. Greater market regulation and official encouragement of non-domestic and institutional investors could provide significant new business opportunities.

Valuation: Scale discount to peers

We have looked at EQS's valuation in comparison to three sets of peers: software companies in the financial and B2B sectors, B2B media companies and the global financial information service majors. Many of these latter groups are large, global enterprises with many facets, but also with legacy businesses requiring reinvention for new channels. EQS trades at a discount of around 20-30% to these companies and at a greater discount to the software stocks. We would expect this to close as EQS proves it can replicate its business model in its newer territories and that it can generate good returns on investment, both internally and by acquisition.

23 September 2015

Price	**€29.5**
Market cap	**€35m**
Net debt (€m) at end June 2015	2.4m
Shares in issue	1.2m
Free float	42%
Code	EQS
Primary exchange	FRA
Secondary exchange	MUN

Share price performance

%	1m	3m	12m
Abs	(1.6)	(5.1)	13.1
Rel (local)	4.1	13.6	15.2
52-week high/low		€33.1	€25. 0

Business description

EQS is a leading global provider of digital solutions for investor relations and corporate communications. Its solutions and services are provided to more than 7,000 clients worldwide, helping them to fulfil complex domestic and international corporate information requirements.

Next event

Q3 report	27 November 2015

Analysts

Fiona Orford-Williams +44 (0)20 3077 5739

Bridie Barrett +44 (0)20 3077 5700

media@edisongroup.com

Edison profile page

EQS Group is a research client of Edison Investment Research Limited

Investment summary

Company description: Digital corporate communications

EQS is a leading supplier of digital products and services that help corporate clients communicate with their stakeholders, in particular in the elements of financial communications and regulatory disclosure. By offering highly-automated tools, the group can help its clients streamline their investor relations (IR) functions. It also has the creative capabilities to design and build websites and apps and present reports in digital and interactive formats, so offering a one-stop shop. Founded and headquartered in Germany, EQS has spread its activities firstly to Russia, then to Far Eastern markets. The 2014 acquisition of TodayIR (for €4.5m) has given the group a strong launch pad for extending its activities both in China and other expanding Asian markets. Other markets, in particular the UK and the US, are also targeted within the five-year plan.

Valuation: Discount to other quoted groupings

We have evaluated EQS's market valuation in comparison to three groups of peers, all of which have relevance but none of which encompasses all aspects of its model. These are global software companies with financial and B2B activities; B2B media businesses; and global financial information service providers. EQS looks attractively valued against all these groupings, but it should be borne in mind that the peers are far larger businesses, mostly with much longer trading records and greater stock market liquidity. A level of comparative discount is therefore appropriate, but we would argue that the current level is too great and that the discrepancy should narrow as EQS builds a record for delivery against financial expectations and of successful implementation of its international expansion plans.

Financials: Growth driven by Asia, Products & Services

Overall group revenues were ahead by 23% in H115, driven by very good progress in online annual reports and webcasts and in Asian sales of websites and platforms. The group's Regulatory News & Information division, while delivering relatively limited top-line growth, is a strong generator of cash. Investment of the proceeds has been focused on the opportunities within the broader Products & Services activities and especially on its international expansion. Revenues at the half year (announced end-August) were marginally down in the Regulatory News segment, reflecting the number of corporate delistings offset by good progress in the integrated COCKPIT platform in Asian markets. Continuing strong operating cash flow left the balance sheet 15% geared at end June. Management guidance for the financial year to December is for revenues of €18.0-18.8m and for non-IFRS (ie normalised) EBIT of €3.0-3.2m. Our model is consistent with this outcome.

Sensitivities: Market health, regulatory changes, digital shift

The Regulatory News & Information segment is a volume-driven business, dependent on the number of regulatory announcements being generated – itself a function of the number of companies required to issue such information. If market listings continue to decrease, then progress here will be difficult to achieve. The increase in the amount of regulation is incessant though, and every iteration prompts greater levels of disclosure. Moves to promote transparency in corporate activity have made the task of communication more onerous, and solutions that offer integrated and efficient dissemination should continue to attract clients. The increasing use of digital over paper-based communications gives potential for companies to develop greater levels of engagement with their stakeholders. Expansion into Asia and other territories increases the inherent risk in the business model but is potentially transformative.

Company description: Digital corporate comms

EQS is the market leader in digital corporate communications in its domestic markets of Germany, Austria and Switzerland, has an established business in Russia and has an ambitious programme of expansion into Asia Pacific, where the traditional Anglo-Saxon suppliers have less of a stranglehold on the markets. The group was founded in 2000 and is now one of the largest global providers of digital solutions for investor relations and for broader categories of corporate communications. The group looks to position itself as a partner with its client companies, working alongside them to solve issues and reduce inefficiencies, rather than simply as a supplier whose interest may not extend beyond the initial sales timeframe. The shift away from paper-based information to digital channels of communication between corporate entities and their various stakeholders is a key driver for growth and is a trend unlikely to be reversed.

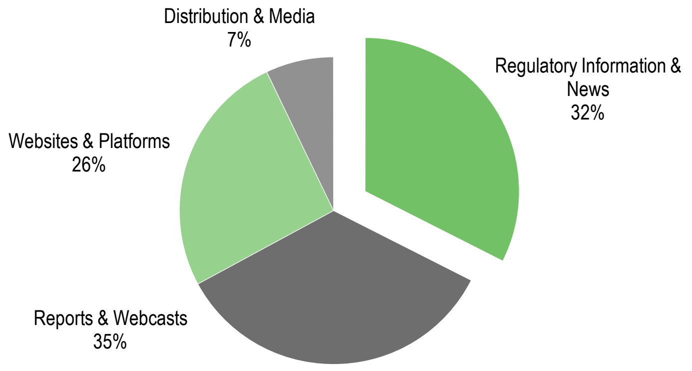
EQS employs around 180 people, of whom the largest number (62) are involved in web development. It has its headquarters in Munich, Germany, with further offices in Hamburg, Germany, Switzerland (Zurich) and Russia (Moscow). In the Far East, the group has operations in Singapore, Hong Kong, China (Shenzhen) and Taiwan (Taipei) and its technical operations are based in Munich, Germany and Kochi in India. EQS's solutions and services enable over 7,000 companies worldwide to fulfil complex domestic and international corporate information requirements securely, efficiently and on a timely basis.

Broadening out into a full service IR provider

The group reports in two segments, Regulatory Information & News and Products & Services. It breaks the latter down into three constituent parts, as illustrated in Exhibit 1 below.

Regulatory Information & News: the group's original core product, DGAP was, and is, a mechanism for corporate clients to fulfil their statutory disclosure obligations (broadly equivalent to the RNS service offered by the London Stock Exchange in the UK). It has since added products and tools for wider categories of corporate communications. These include developing corporate websites and apps, producing online reports (Report and Accounts, but also other categories of reports such as those for sustainability or on CSR) and producing, editing and hosting audio and video webcasts. Social media channels are also included, in line with client needs. The EQS Financial Markets & Media subsidiary and ARIVA.DE (25.44%-owned associate) provide services in financial marketing, collating data and other relevant content, as well as developing financial portals. These elements of the offer have been developed to sit alongside the original core service DGAP, which is the dominant supplier in its home markets, providing news dissemination services to issuers of equity and debt/bonds. This business is eminently scalable, predicated on high volumes of announcements and delivers a good operating margin (24.1% in FY14).

Exhibit 1: Split of revenue by activity FY15e



Source: Edison Investment Research

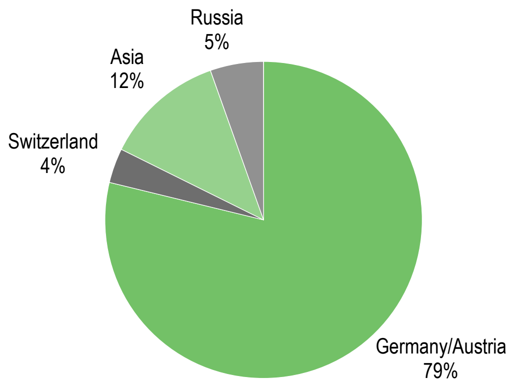
EQS has effectively developed its product suite to align with the work processes of IR managers within corporates, simplifying their tasks. Various information streams can be brought together within one unified dashboard described as the EQS COCKPIT, building on concepts introduced to the group with the acquisition in April 2014 of TodayIR, based in Hong Kong, which added over 400 clients. The EQS COCKPIT can be integrated with the client's own contact management or CRM tools, such as Salesforce, and can distribute to the relevant information platforms as well as the regulatory authorities. It was launched in Asia in Q115 and, by the end of June, 420 news items had already been distributed through the framework.

Within **Products and Services**, the **Reports & Webcasts** service offers XML and interactive reports that can offer a more flexible approach and enriched content than a traditional paper-based report. The relevant information can be 'sliced and diced' into different formats according to client need. The XML format is a particular requirement in the German market for delivery of reports to the Federal Gazette. Both video and audio webcasting is also offered for company meetings and updates. The **Websites & Apps** can be specific IR embedded microsites or the whole of the corporate website and the group has a good (prize-winning) reputation for the quality of its creative. Websites can include interactive charting tools and stock information, designed to the client requirements. EQS offers services for optimising existing sites for mobile channels but also designs both Apple and Android apps delivering the content optimised for tablets.

Operating margins across Products and Services are lower than for Regulatory Information and News, (12.4% in FY14).

Build on existing strengths, move into new markets

Exhibit 2: Estimated pro forma FY15 geographic split of revenues



Source: Edison Investment Research

Management has set out its targeted programme for each year of the current five-year plan. By 2020, it aims to be a top five global player in digital corporate communications. Having a truly global footprint is important in order to garner larger clients and to take on an increasing proportion of their digital IR needs, with the attractive margins that this should attract. These targets are:

Step 1: Extend market-leading position in Germany, Austria, Switzerland

In the core German market, the positioning of the group with its DGAP service (effectively synonymous with market disclosure) is very strong. The goal is to leverage that existing brand strength across the other newer elements of the group's offer by cross-selling the products and services.

Step 2: Extend market leading position in Russia

While the economic difficulties of the country have been well documented, the equity and bond markets still have regulatory requirements for stakeholders to be kept properly informed on a timely basis. Significant growth may be hard to achieve for now, but the group is well positioned for when conditions ease.

Step 3: Become market leader in Hong Kong

TodayIR gave the group a meaningful leg up to establishing a strong Asian market position and brought with it a licence to distribute financial news into the Chinese markets. It also gave the group greater opportunities for cross- and up-selling.

Step 4: Become market leader in Asia

Again, TodayIR has given the group the entry point into expansion across various markets where it has a presence, particularly Singapore. Counterintuitively, the overheating of the Chinese market and subsequent sharp correction may prove to be beneficial for the EQS group. Tightening regulation and control, together with the authorities encouraging more professional investors in from overseas will accelerate the adoption of communication standards in operation in more developed equity and bond markets.

Step 5: Extend market position in the UK and US

In the UK market, launched in February 2015, EQS is one of seven suppliers approved by the FSA, which has licensed the group as a primary information supplier. While RNS is the dominant incumbent, with a 70% market share, EQS's offer is predicated on bundling the statutory service with other elements of the corporate clients' IR requirements, adding significant value. The same strategy is envisaged for the US, where licences are also already in place and where NASDAQ post the acquisition of Thomson Reuters is the key incumbent supplier.

Up until last year's TodayIR acquisition, the expansion of the group had been predominantly organic. It is possible (or even likely) that management would consider further acquisitions that might accelerate the aims outlined above, so long as the products or services were compatible or complementary and that the payback period was reasonable.

Management steeped in financial markets and IR

The group's CEO is Achim Weick, who began his career at Commerzbank. Subsequently, he was co-founder of the investor relations manager, CMC Capital Markets Consulting. Achim is the originator, founder and largest shareholder of EQS and has been on the board since its foundation. COO Christian Pfleger joined EQS in 2001, initially as a client relationship manager, moving on to project management from 2003. In 2007, he took over responsibility for Products & Services. André Silverio Marques, who fulfils the finance function, previously ran the group's Russian businesses. Before that, he was in charge of the IR, business development and corporate finance activities. The CEO Asia-Pacific is also a key team member. He is Marcus Sultzer, who joined the group in 2007 and was in charge of business development in Russia and the CIS from 2009. Fuller biographies of management are given on page 12.

Market listings health

Major market listings overall tick up

Exhibit 3 below shows the number of companies listed by major market at end July 2014 and at end July 2015, with a 2.8% increase over that period. The greatest percentage increase was seen in the Shanghai market. IPOs in both Shanghai and Szenzhen were both suspended by the Chinese government after the extensive stock market falls there early in the summer.

German market listings continue to decrease

The German market had been seeing a steady reduction in the number of listed companies. Before the financial crisis there were over 800 companies listed on the Frankfurt Exchange. By the end of 2014, this number had reduced to 497 in the two segments, Prime and General Standard, with 31 companies delisted or down-listed from the regulated market in 2014. In Q115, the pattern continued, with 18 companies withdrawing from the market. The pace finally slowed in Q215 to four companies.

Exhibit 3: Number of listed companies by exchange

Exchange	31/07/2014	31/07/2015	One month change	Three month change	Yearly change
NASDAQ OMX	2,732	2,858	30	69	126
London SE Group	2,468	2,409	3	-8	-59
NYSE	2,423	2,459	-5	8	36
Hong Kong Exchanges	1,711	1,808	15	28	97
Shenzhen SE	1,585	1,729	2	57	144
Shanghai SE	964	1,071	1	30	107
Taiwan SE Corp.	873	887	2	4	14
Singapore Exchange	771	770	2	0	-1
Taipei Exchange	669	697	0	3	28
Deutsche Börse	697	638	-6	-9	-59
Moscow Exchange	268	257	-1	0	-11
	15,161	15,583	44	182	433

Source: World Federation of Exchanges, Edison Investment Research

However, the news was not entirely negative, with 18 new listings or issues on the Frankfurt exchange in 2014 – double the number in 2013. Q115 saw just the one IPO, with six in the second quarter.

This reduction in the number of quoted companies has not gone unnoticed by the regulatory authorities. The comparative ease of the process of delisting, often without specific shareholder authorisation on a cash alternative being offered, has in itself become a cause for concern. If this were to lead to a tightening of procedures in order to protect shareholders' rights, it would obviously be to the benefit of EQS's business model.

Sensitivities

There are a number of factors that will influence EQS's financial performance, each of which may vary considerably across the operating territories. These are:

- The number of listed companies (itself a factor of the environment for delistings and/or IPOs (see section: market listings health, above).
- The regulatory environment – the more complex the system and the greater the number and extent of changes to those systems, the greater the requirement for corporates to access relevant expertise.
- Requirements for corporates to make information available in digital format, either through regulation or user demand.
- The adoption of new channels of dissemination, such as the use of social media, where incumbents may have little expertise.
- The relative health of corporate budgets.
- The health of the corporate bond market.
- Currency – the potential impact will obviously increase if the group is successful in its ambitions to internationalise the business. The bulk of the group overhead will remain €-denominated but revenues will increasingly be generated in US$ and US$-related currencies.

Recent events, specifically in Chinese markets may lead to further intervention to promote more professionalism in the market and a higher degree of institutional ownership, particularly from non-domestic investors. This could be helpful for EQS.

Beyond these external factors, the group has internally generated sensitivities, which fall into the broad categories of system risk, personnel risk, geographic risk and acquisition risk.

Valuation

We have appraised EQS's valuation against peers and then looked at the resulting data for a sense check against a DCF under various WACC and terminal growth rate scenarios.

Peer group analysis

We have looked at the valuation of EQS in comparison to three categories of peer: global technology software companies in business services (principally US based); business-to-business media companies, principally based in Europe; and financial publishing companies (Thomson Reuters, Envestnet, Morningstar and Dun & Bradstreet).

The first of these groups trade at a considerable premium, but both latter categories are also trading at a higher valuation than EQS is currently being afforded by the market. EQS's business model has elements of both aspects; the communications and the delivery mechanism.

Exhibit 4: Comparison of valuation between EQS and global quoted peers

	Aggregate market cap (US$)		TTM EBITDA margin	TTM revenue growth	EV/Rev	EV/EBITDA	Forward EV/Rev	Forward EV/EBITDA		
Business intelligence	2599.7	22%	19.2%	10.3%	3.9	18.7	3.4	14.7		
Financial & accounting	2788.3	23%	22.3%	4.1%	4.1	16.8	4.1	14.2		
Vertical – finance	6505.6	55%	34.4%	8.0%	4.6	16.8	4.3	12.4		
Weighted Software companies	11,894		28.2%	7.6%	4.3	17.2	4.1	13.3		
B2B media businesses	31,498		27.6%	8.7%	2.7	11.8	2.4	10.1		
Financial publishing companies	39,780		25.6%	7.2%	3.4	13.8	3.2	12.0		
EQS			20.9%	16.6%	2.0	9.5	1.9	8.7		
EQS valuation implied by software valuation					€63.76	€53.61	€59.61	€45.04	Average	**€55.51**
									Upside	88.2%
EQS valuation implied by B2B Media valuation					€38.71	€35.88	€34.97	€33.86	Average	**€35.86**
									Upside	21.5%
EQS valuation implied by financial publishing valuation					€49.64	€42.58	€46.60	€40.37	Average	**€44.80**
									Upside	27.6%

Source: Thomson Reuters, Software Equity Group, Edison Investment Research. Note: Prices as at 22 September 2015.

Obviously, EQS is a less well known corporate entity than those with which we are comparing it, particularly outside its original home markets of Germany, Austria and Switzerland, with a shorter record of delivering against objectives. With its lower level of liquidity in its shares, applying a meaningful valuation discount is sensible and we would suggest that around 15% is a reasonable assumption. Using the software companies as comparators would suggest that the price could move up towards €47 as the group builds a record of delivering returns on the investments in expansion currently being made. Compared to the more mature B2B business models, a share price in the order of €30 would not look particularly demanding, while against the financial publishing companies €38 is the equivalent valuation.

DCF

The numbers generated by our peer group comparison fall within the range implied by our DCF analysis, below. The longer-term growth rates are assumed from 2018 onwards. With sales growth momentum picking up following the investment in the Far East, it is reasonable to be looking at the higher rates shown in this excerpt table. At a 4% terminal revenue growth rate, the WACC being implied by the prices given by the peer comparisons above are between 7.0% and 8.5%. As the group has a low historic Beta (Bloomberg figure is 0.51), this then looks a conservative valuation.

Exhibit 5: DCF at various WACCs, terminal growth rates

		Longer-term growth rate				
		1.00%	2.00%	3.00%	4.00%	5.00%
WACC	12.0%	12.68	14.14	15.93	18.17	21.04
	11.0%	14.35	16.16	18.42	21.33	25.21
	10.0%	16.39	18.68	21.62	25.55	31.04
	9.0%	18.94	21.92	25.89	31.45	39.80
	8.0%	22.23	26.25	31.87	40.32	54.38
	7.0%	26.61	32.30	40.85	55.09	83.57
	6.0%	32.74	41.39	55.80	84.63	171.12
Break-even WACC		6.64%	7.57%	8.50%	9.44%	10.38%

Source: Edison Investment Research

Financials

Earnings patterns vary by segment

The different parts of the business have different revenue models. Regulatory Information & News works predominantly on a product pricing model directly comparable with other providers, based on the number of items of news and the number of channels through which they are passed. Volumes are driven by levels of corporate activity and by the number of clients using the service – itself dependent on the number of new IPOs and the number of companies withdrawing from the market. The group has a very high market penetration in its core territories, so growth is predicated on establishing good positions in new markets, initially in the Far East and then gaining traction in the US and UK, albeit against strong incumbent suppliers.

Recent quarter-by-quarter trading results for the Regulatory Information & News division are shown below. They clearly demonstrate that top line growth is hard to come by, given the downward pressure on the number of listings documented above. Our model assumes that progress is made in new markets but that existing markets remain difficult.

Exhibit 6: <Insert Table Title>

	Q114	Y-o-y growth	Q214	Y-o-y growth	Q314	Y-o-y growth	Q414	Y-o-y growth	FY14	Y-o-y growth	Q115	Y-o-y growth	Q215	Y-o-y growth
Revenue	1,467	22%	1,554	5%	1,436	1%	1,518	0%	**5,975**	**6%**	1,392	-5%	1,610	4%
Other op. Inc.	2		11		12		5		**30**		8		48	
Own cost capitalised	61		52		105		119		**337**		7		0	
Op. expenses	(1,141)		(1,325)		(1,022)		(1,202)		**(4,690)**		(969)		(1,267)	
Divisional EBITDA	389		292		531		440		**1,652**	-8%	438	+13%	391	+34%
Div. EBITDA mgn	26.5%		18.8%		37.0%		29.0%		**27.6%**		31.5%		24.3%	
Dep. & amort.	(43)		(52)		(59)		(61)		**(215)**		(70)		(57)	
Divisional EBIT	346		240		472		379		**1,437**	-12%	368	+6%	334	+39%
Divisional margin	23.6%		15.4%		32.9%		25.0%		**24.1%**		26.4%		20.7%	

Source: Company accounts, Edison Investment Research

Products & Services

The nature of the products and services offered by the group means that there is greater flexibility in the pricing models, with packaged bundles of services. With many of the products, there will be a front-end loading to the revenues earned, for example on set-up costs for a new website. These would then be followed with maintenance fees or subscription revenues at a much lower level, but generally at a good margin. With a high degree of integration with clients' other systems and services, the 'hassle factor' of changing suppliers is considerable and client retention is an attractive feature of the business. More than 80% of revenues in FY15 were generated from clients who were also customers in FY14.

TodayIR was bought in April 2014, so was included for most of Q214.

Exhibit 7: Products & Services quarterly progression

Products & Services	Q114	Y-o-y growth	Q214	Y-o-y growth	Q314	Y-o-y growth	Q414	Y-o-y growth	FY14	Y-o-y growth	Q115	Y-o-y growth	Q215	Y-o-y growth
Revenue	1,954	-11%	2,756	13%	2,758	12%	3,678	-9%	11,145	u/c	2,918	49%	3,555	29%
Other op. Inc.	3		16		19		41		**79**		50		84	
Own cost capitalised	0		0		0		0		**0**		0		28	
Op. expenses	(2,028)		(2,289)		(2,374)		(2,736)		**(9,427)**		(2,819)		(3,158)	
Divisional EBITDA	(71)		483		403		983		**1,797**	-7%	149	N/A	509	+5%
Div. EBITDA mgn	-3.6%		17.5%		14.6%		26.7%		**16.1%**		5.1%		14.3%	
Dep. & amort.	(77)		(80)		(144)		(113)		**(414)**		(121)		(160)	
Divisional EBIT	(148)		403		259		870		**1,383**	-16%	28	N/A	349	-13%
Divisional margin	-7.6%		14.6%		9.4%		23.7%		**12.4%**		1.0%		9.8%	

Source: Company accounts, Edison Investment Research

Exhibit 8: Divisional growth and forecasts

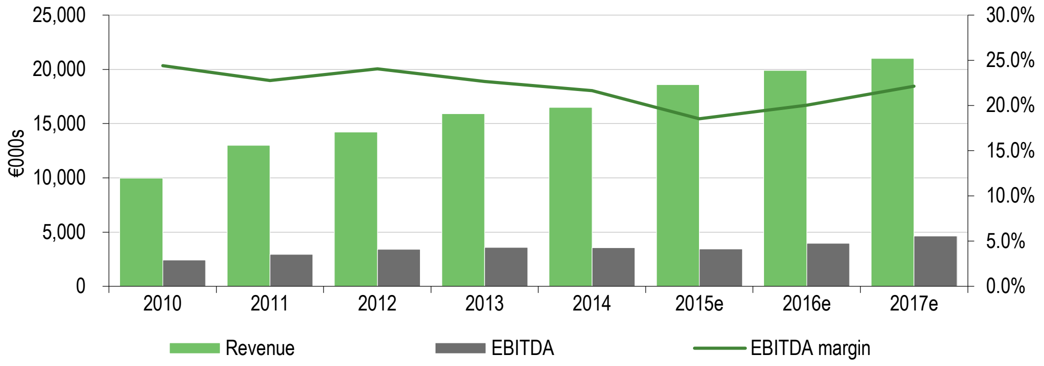
	2013	2014	2015e	2016e	2017e
Regulatory Information & News					
Revenue	5,620	5,975	5,975	5,975	6,077
Growth		6.3%	0.0%	0.0%	1.7%
Products & Services					
Revenue	11,146	11,145	12,616	13,930	14,944
Growth		0.0%	13.2%	10.4%	7.3%
Group revenue	16,766	17,120	18,591	19,905	21,021
Growth		2.1%	8.6%	7.1%	5.6%

Source: Company accounts, Edison Investment Research

The longer-term record and forecasts shown in Exhibit 9 clearly demonstrate the impact of TodayIR being added in. More importantly though, it shows the short-term effect of the investment being made in the current year on expansion of the group's offer in Asian markets on the EBITDA margin. The benefits of that investment start to show through in the top line from FY16, with the operating margin starting to recover from FY17.

Group overheads have also stepped up in the current financial year with the head office moving into new premises in Munich.

Exhibit 9: Group revenue and earnings record and forecasts



Source: Company accounts, Edison Investment Research

News strongly cash generative, funding investment

With the process of news dissemination highly automated and the platforms having been in place for some time, the Regulatory Information & News element of the business is particularly cash generative. Operating cash conversion for the five year period from 2013 through our forecast modelling horizon to 2017 comes out at 102%. This has enabled the group to fund the acquisition of TodayIR (for €4.5m, a multiple of 3.2x operating income) and to invest in building on its business in the Far East, at an estimated cost of €1m in the current year.

The current heavier investment phase is curtailing debt reduction for now, but should help drive the businesses top lines and achievable operating margins.

The equity dividend is 2.6x covered by normalised earnings.

Robust balance sheet

The bulk of the balance sheet is made up of intangible assets, as would be expected in a business of this type. At the half year, total assets amounted to €24.8m, of which €16.1m were intangible. This is a mix of own software (3%), other software and licences (30%) and goodwill (67%), including the goodwill relating to the TodayIR acquisition. Loans relating to this acquisition and the move to the new corporate headquarters totalled €3.3m at the half year, with the largest tranche (€1.8m) falling due in 2019. Coupons vary between 1.25% and 1.85% on the shortest-dated debt. Net debt at the half year was €2.4m and our modelled forecast for the year end stands at €2.8m, rising to €3.5m by end FY16, before starting to fall back. This peak level would still only represent 0.8x EBITDA for that year.

EDISON

Exhibit 10: Financial summary

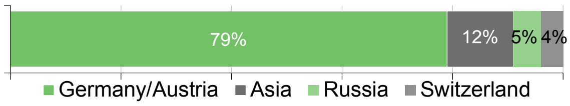
€000s	2013	2014	2015e	2016e	2017e
31-December	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	15,915	16,500	18,591	19,905	21,021
Cost of Sales	0	0	0	0	0
Gross Profit	15,915	16,500	18,591	19,905	21,021
EBITDA	3,572	3,449	3,986	4,650	4,950
Operating Profit (before amort. and except.)	3,418	3,100	3,488	4,170	4,470
Intangible Amortisation	(140)	(280)	(344)	(350)	(350)
Exceptionals	0	0	0	0	0
Other	28	177	56	0	0
Operating Profit	3,306	2,997	3,200	3,820	4,120
Net Interest	(29)	(52)	(40)	(95)	(95)
Profit Before Tax (norm)	3,418	3,225	3,448	4,075	4,375
Profit Before Tax (FRS 3)	3,278	2,945	3,160	3,725	4,025
Tax	(1,096)	(1,105)	(1,138)	(1,114)	(1,213)
Profit After Tax (norm)	2,283	2,123	2,329	2,924	3,125
Profit After Tax (FRS 3)	2,182	1,841	2,022	2,611	2,812
Average Number of Shares Outstanding (m)	1.19	1.17	1.19	1.19	1.19
EPS - normalised (p)	1.91	1.81	1.96	2.46	2.63
EPS - normalised and fully diluted (p)	1.91	1.81	1.96	2.46	2.63
EPS - (IFRS) (p)	1.83	1.57	1.70	2.19	2.36
Dividend per share (p)	0.75	0.75	0.75	0.80	0.85
Gross Margin (%)	100.0	100.0	100.0	100.0	100.0
EBITDA Margin (%)	22.4	20.9	21.4	23.4	23.5
Operating Margin (before GW and except.) (%)	21.5	18.8	18.8	20.9	21.3
BALANCE SHEET					
Fixed Assets	13,658	19,383	20,479	21,499	22,519
Intangible Assets	10,524	15,827	15,827	15,827	15,827
Tangible Assets	1,032	1,468	2,564	3,584	4,604
Investments	2,103	2,088	2,088	2,088	2,088
Current Assets	6,055	4,750	4,494	4,764	5,170
Stocks	0	0	0	0	0
Debtors	2,971	3,282	3,698	3,959	4,181
Cash	2,980	1,370	698	707	891
Other	104	98	98	98	98
Current Liabilities	(3,274)	(4,380)	(4,730)	(4,944)	(5,126)
Creditors	(2,273)	(2,689)	(3,030)	(3,244)	(3,426)
Short term borrowings	(1,001)	(1,691)	(1,700)	(1,700)	(1,700)
Long Term Liabilities	(1,070)	(3,882)	(3,882)	(3,882)	(3,882)
Long term borrowings	(982)	(2,500)	(2,500)	(2,500)	(2,500)
Other long term liabilities	(88)	(1,382)	(1,382)	(1,382)	(1,382)
Net Assets	15,369	15,870	16,360	17,436	18,681
CASH FLOW					
Operating Cash Flow	2,476	2,844	3,600	4,500	4,800
Net Interest	(29)	(52)	(40)	(95)	(95)
Tax	(1,096)	(1,105)	(1,113)	(1,132)	(1,139)
Capex	(3,088)	(3,669)	(1,594)	(1,500)	(1,500)
Acquisitions/disposals	0	0	(126)	0	0
Equity Financing	(202)	26	356	0	0
Dividends	(892)	(1,623)	(1,764)	(1,764)	(1,882)
Net Cash Flow	(2,831)	(3,579)	(681)	9	184
Opening net debt/(cash)	(3,827)	(996)	2,821	3,502	3,493
HP finance leases initiated	0	0	0	0	0
Other	0	(238)	0	0	0
Closing net debt/(cash)	(996)	2,821	3,502	3,493	3,309

Source: Company accounts, Edison Investment Research

Contact details

EQS Group
Karlstraße 47
80333 München
Germany
+49 (89) 210 298 0
www.germany.eqs.com

Revenue by geography (pro forma FY15e)



Management team

Chairman management board: Achim Weick

Achim Weick began his career in corporate banking at Commerzbank. He completed an international trainee programme and worked in Berlin, Budapest, and New York. Subsequently, he was co-founder of the investor relations manager CMC Capital Markets Consulting. Achim is the originator, founder and largest shareholder of EQS Group and has been on the board since the group's foundation.

COO executive board: Christian Pfleger

Christian Pfleger studied business administration at the University of Bayreuth with a focus on marketing and organization, he then moved to regional television company, Oberpfalz TV. He joined EQS Group in 2001, initially as a client relationship manager, moving to project management from 2003. In 2007, he took over responsibility for Products & Services. On 1 January 2015 he was appointed COO of the executive board of EQS Group.

Chairman supervisory board: Rony Vogel

An electrical engineer by training, Rony Vogel started his career at TRW Electrical & Electronics. In 1996 he co-founded Internet Screen Phones at Siemens, and in 1999 founded The Business Angel Network venture24. This helped launch a number of start-ups, including EQS Group. Since 2003, he has been an active investor & entrepreneur in the software/internet, environmental and real estate sectors. He holds a number of other board positions.

Finance director: André Marques

Prior to his current responsibilities, André was in charge of the group's activities in Russia and the CIS. Before that role, he had headed the company's investor relations department and overseen the business development and corporate finance activities. He has major in finance from Frankfurt State University and a MBA in general management.

Principal shareholders	(%)
Achim Weick (Chairman)	26
Investm. F. Langfr. Inv.	20
Rony Vogel	4
Peter Conzatti	3

Companies named in this report

Thomson Reuters (NYSE: TRI), Envestnet (NYSE: ENV), Morningstar (NASDAQ: MORN), Dun & Bradstreet (NYSE: DNB)