

# ad pepper media International N.V.

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

Q2 2024  
 preliminary results

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 2.90**

Return Potential 50.3%  
 Risk Rating Medium

## THE ONLY WAY IS UP

Despite lower Q2 revenue (-3% y/y), EBITDA improved significantly (+€0.6m y/y). Q2 EBITDA of €487k was twice as high as in Q1, while Q2/23 EBITDA was €-118k. H1/24 EBITDA improved y/y from €-464k to €707k, which shows how well the company managed its turnaround. APM expects a strong Q4 in terms of revenue and profitability, and is guiding towards a good H2 for its Webgains segment due to new client wins and artificial intelligence applications. As Q2 EBITDA was much higher than our forecast, and as H2 is seasonally stronger than H1, we increase our 2024 EBITDA estimate from €1.1m to €1.8m. We stick to our Buy rating and €2.9 price target.

**Strong Q2 EBITDA figure** Q2 revenue retreated 3% y/y to €5.2m due mainly to weaker Webgains segment revenue (-5%). However, cost cuts initiated last year significantly increased EBITDA y/y by €605k to €487k. The EBITDA margin reached 9.3%. The strong EBITDA improvement can be chiefly traced back to the very good ad agents performance and lower holding costs (see figure 1 overleaf).

**Signs of life at ad pepper media segment** The segment was the only one to show slight topline growth (+3% y/y) in Q2 and performed better than we expected (see figure 1 overleaf). EBITDA almost tripled y/y from €31k to €86k. The EBITDA margin of 13.7% (Q2/23: 5.1%) is still far away from the high margins in better times (2020: 35%), but this is a good start.

**Webgains remains cash cow** Despite a 5% revenue decline, Q2 segment EBITDA increased by 50% y/y to €433k. This is the result of the new lean and efficient cost structure. On a half-year basis, segment EBITDA more than doubled to €1.1m. The H1 EBITDA margin widened from 8.3% to 18.5%. And more can be expected in H2: New clients and artificial intelligence applications look set to drive revenue and earnings further.

(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 15 Jul 2024

Closing Price	€ 1.93
Shares outstanding	21.95m
Market Capitalisation	€ 42.37m
52-week Range	€ 1.75 / 2.44
Avg. Volume (12 Months)	3,474

Multiples	2023	2024E	2025E
P/E	n.a.	316.9	223.2
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 31 Mar 2024

Liquid Assets	€ 20.56m
Current Assets	€ 35.17m
Intangible Assets	€ 0.18m
Total Assets	€ 40.88m
Current Liabilities	€ 21.25m
Shareholders' Equity	€ 18.83m

## SHAREHOLDERS

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



**Strong earnings recovery at ad agents** Despite a 3% revenue decline, Q2 segment EBITDA eclipsed the prior year figure by a wide margin (€262k versus €72k in Q2/23). The segment margin expanded from 3.9% to 14.5% (see figure 1).

**Figure 1: Reported figures versus forecasts**

All figures in €m	Q2-24A	Q2-24E	Delta	Q2-23A	Delta	H1-24A	H1-23A	Delta
<b>ad pepper media</b>								
Revenue	0.63	0.56	12.4%	0.61	2.8%	1.09	1.14	-4.5%
EBITDA	0.09	0.00	2766.7%	0.03	177.4%	0.07	0.03	121.2%
margin	13.7%	0.5%	-	5.1%	-	6.7%	2.9%	-
<b>Webgains</b>								
Revenue	2.79	3.06	-8.9%	2.92	-4.5%	5.75	5.75	0.0%
EBITDA	0.43	0.62	-30.0%	0.29	50.3%	1.06	0.48	123.5%
margin	15.5%	20.2%	-	9.8%	-	18.5%	8.3%	-
<b>ad agents</b>								
Revenue	1.81	1.92	-6.0%	1.87	-3.2%	3.56	3.61	-1.2%
EBITDA	0.26	0.19	39.4%	0.07	263.9%	0.45	-0.03	-
margin	14.5%	9.8%	-	3.9%	-	12.7%	-0.7%	-
<b>Admin &amp; Consolidation</b>								
Revenue	0.00	0.00	-	0.00	-	0.00	0.00	-
EBITDA	-0.30	-0.47	-	-0.51	-	-0.88	-0.93	-
<b>Group</b>								
Revenue	5.22	5.54	-5.8%	5.40	-3.2%	10.40	10.50	-0.9%
EBITDA	0.49	0.34	42.9%	-0.12	-	0.71	-0.45	-
margin	9.3%	6.1%	-	-2.3%	-	6.8%	-4.2%	-

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

**Admin segment costs significantly lowered** Admin EBITDA amounted to €-295k in Q2, which is significantly below the prior year value (€-509k) and can be traced back to lower holding costs.

**EBITDA forecast raised** Given the better than expected Q2 EBITDA and the upbeat guidance (strong Q4, strong H2 Webgains performance), we have increased our 2024 EBITDA forecast from €1.1m to €1.8m (see figure 2).

**Figure 2: Revisions to forecasts**

All figures in €m	2024E			2025E			2026E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Revenue	22.84	22.54	-1%	25.01	25.01	0%	27.38	27.38	0%
EBITDA	1.07	1.77	65%	2.07	2.07	0%	2.54	2.54	0%
margin	4.7%	7.8%	-	8.3%	8.3%	-	9.3%	9.3%	-
Net income	-0.33	0.13	-	0.19	0.19	0%	0.64	0.64	0%
margin	-1.4%	0.6%	-	0.8%	0.8%	-	2.3%	2.3%	-
EPS (diluted)	-0.01	0.01	-	0.01	0.01	0%	0.03	0.03	0%

Source: First Berlin Equity Research

**Buy confirmed at unchanged price target** An updated DCF model yields an unchanged €2.90 price target. We confirm our Buy recommendation.



## 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
<b>Net revenue</b>	<b>22,535</b>	<b>25,006</b>	<b>27,382</b>	<b>29,983</b>	<b>32,830</b>	<b>35,941</b>	<b>39,320</b>	<b>42,954</b>
<b>NOPLAT</b>	<b>508</b>	<b>740</b>	<b>1,069</b>	<b>1,395</b>	<b>1,728</b>	<b>2,114</b>	<b>2,556</b>	<b>3,061</b>
+ 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
<b>PV of FCF's</b>	<b>-2,162</b>	<b>3,235</b>	<b>686</b>	<b>1,238</b>	<b>1,548</b>	<b>1,601</b>	<b>1,651</b>	<b>1,694</b>

All figures in thousands		
PV of FCFs in explicit period (2024E-2038E)	21,358	
PV of FCFs in terminal period	17,419	
Enterprise value (EV)	38,776	Terminal growth 2.0%
+ Net cash / - net debt	18,552	Terminal EBIT margin 16.0%
+ Investments / minority interests	8,676	
Shareholder value	66,004	
Number of shares (diluted)	22,751	
<b>Fair value per share in EUR</b>	<b>2.90</b>	

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
7.2%	4.34	4.47	4.61	4.79	5.00	5.26	5.59	
8.2%	3.80	3.88	3.97	4.07	4.20	4.35	4.53	
9.2%	3.39	3.44	3.50	3.57	3.64	3.73	3.84	
10.2%	3.07	3.11	3.15	3.19	3.24	3.30	3.36	
11.2%	2.82	2.84	2.87	2.90	2.94	2.97	3.02	
12.2%	2.62	2.63	2.65	2.67	2.70	2.72	2.75	
13.2%	2.45	2.46	2.47	2.49	2.51	2.52	2.54	
14.2%	2.31	2.32	2.33	2.34	2.35	2.36	2.38	

\* 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
<b>Gross sales</b>	<b>111,539</b>	<b>98,229</b>	<b>85,988</b>	<b>89,096</b>	<b>98,865</b>	<b>108,257</b>
Media costs	83,893	73,361	64,239	66,561	73,859	80,876
<b>Revenues</b>	<b>27,646</b>	<b>24,868</b>	<b>21,749</b>	<b>22,535</b>	<b>25,006</b>	<b>27,382</b>
Cost of sales	1,059	1,164	873	779	1,200	1,314
<b>Gross profit</b>	<b>26,587</b>	<b>23,704</b>	<b>20,876</b>	<b>21,756</b>	<b>23,806</b>	<b>26,067</b>
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
<b>EBITDA</b>	<b>4,378</b>	<b>1,275</b>	<b>24</b>	<b>1,769</b>	<b>2,073</b>	<b>2,537</b>
Depreciation and amortisation	1,184	1,088	1,018	1,026	1,004	976
<b>Operating income (EBIT)</b>	<b>3,194</b>	<b>187</b>	<b>-994</b>	<b>743</b>	<b>1,069</b>	<b>1,561</b>
Net financial result	-38	-131	363	125	150	274
Non-operating expenses	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>3,156</b>	<b>56</b>	<b>-631</b>	<b>868</b>	<b>1,219</b>	<b>1,835</b>
Income taxes	592	306	68	234	329	492
Minority interests	-839	-643	-245	-500	-700	-700
<b>Net income / loss</b>	<b>1,725</b>	<b>-893</b>	<b>-944</b>	<b>134</b>	<b>190</b>	<b>643</b>
<b>Diluted EPS (in €)</b>	<b>0.08</b>	<b>-0.04</b>	<b>-0.05</b>	<b>0.01</b>	<b>0.01</b>	<b>0.03</b>

### 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
<b>Assets</b>						
<b>Current assets, total</b>	<b>40,753</b>	<b>41,768</b>	<b>37,297</b>	<b>35,433</b>	<b>40,824</b>	<b>43,591</b>
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
<b>Non-current assets, total</b>	<b>5,599</b>	<b>2,186</b>	<b>5,644</b>	<b>5,639</b>	<b>5,714</b>	<b>5,804</b>
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
<b>Total assets</b>	<b>46,352</b>	<b>43,954</b>	<b>42,941</b>	<b>41,072</b>	<b>46,538</b>	<b>49,395</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>25,318</b>	<b>27,448</b>	<b>23,238</b>	<b>20,735</b>	<b>25,312</b>	<b>26,826</b>
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
<b>Long-term liabilities, total</b>	<b>946</b>	<b>840</b>	<b>822</b>	<b>822</b>	<b>822</b>	<b>822</b>
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
<b>Minority interests</b>	<b>1,413</b>	<b>1,176</b>	<b>1,217</b>	<b>1,717</b>	<b>2,417</b>	<b>3,117</b>
<b>Shareholders' equity</b>	<b>18,675</b>	<b>14,490</b>	<b>17,664</b>	<b>17,798</b>	<b>17,987</b>	<b>18,630</b>
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
<b>Total consolidated equity and debt</b>	<b>46,352</b>	<b>43,954</b>	<b>42,941</b>	<b>41,072</b>	<b>46,538</b>	<b>49,395</b>
<b>Ratios</b>						
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
<b>EBIT</b>	<b>3,194</b>	<b>187</b>	<b>-994</b>	<b>743</b>	<b>1,069</b>	<b>1,561</b>
Depreciation and amortisation	1,184	1,088	1,018	1,026	1,004	976
<b>EBITDA</b>	<b>4,378</b>	<b>1,275</b>	<b>24</b>	<b>1,769</b>	<b>2,073</b>	<b>2,537</b>
Changes in working capital	636	3,256	1,975	-3,579	2,335	-798
Other adjustments	-2,806	-2,600	-760	-109	-179	-218
<b>Operating cash flow</b>	<b>2,208</b>	<b>1,931</b>	<b>1,239</b>	<b>-1,919</b>	<b>4,228</b>	<b>1,521</b>
Investments in PP&E	-121	-111	-53	-113	-150	-192
Investments in intangibles	-178	-108	-61	-113	-150	-164
<b>Free cash flow</b>	<b>1,909</b>	<b>1,712</b>	<b>1,125</b>	<b>-2,145</b>	<b>3,928</b>	<b>1,165</b>
Acquisitions & disposals, net	57	1,938	6,091	0	0	0
Other investments	-1,999	-5,000	-3,521	0	0	0
<b>Investment cash flow</b>	<b>-2,241</b>	<b>-3,281</b>	<b>2,456</b>	<b>-225</b>	<b>-300</b>	<b>-356</b>
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
<b>Financing cash flow</b>	<b>-3,829</b>	<b>-2,356</b>	<b>-893</b>	<b>-796</b>	<b>-779</b>	<b>-710</b>
FOREX & other effects	236	10	33	0	0	0
<b>Net cash flows</b>	<b>-3,626</b>	<b>-3,696</b>	<b>2,834</b>	<b>-2,940</b>	<b>3,149</b>	<b>455</b>
Cash, start of the year	24,330	20,704	17,008	19,842	16,902	20,051
<b>Cash, end of the year</b>	<b>20,704</b>	<b>17,008</b>	<b>19,842</b>	<b>16,902</b>	<b>20,051</b>	<b>20,505</b>
<b>EBITDA/share (in €)</b>	<b>0.21</b>	<b>0.06</b>	<b>0.00</b>	<b>0.08</b>	<b>0.09</b>	<b>0.12</b>
<b>Y-Y Growth</b>						
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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#### 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...48	↓	↓	↓	↓
49	21 August 2023	€2.38	Buy	€3.50
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	Today	€1.93	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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