

Ebiquity

FY18 performance as anticipated

Ebiquity's year-end trading update indicates FY18 performance across both the continuing and the now-sold Advertising Intelligence businesses in line with management expectations. Given the delay and uncertainty over the disposal on the CMA referral, this is a solid outcome. FY19 will see some effect of overheads taking time to scale down following the AdIntel sale, which offsets underlying profit improvement. The core consulting business has good potential globally and the reinforced management team can now focus its efforts on driving growth and improving returns, aided by a strengthened balance sheet.

Year end	Revenue (£m)	EBIT (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/16	83.6	13.0	11.8	11.3	0.65	5.4	1.1
12/17	87.4	12.0	11.0	9.4	0.71	6.5	1.2
12/18e	89.0	7.6	6.3	6.2	0.75	9.9	1.2
12/18e*	69.0	5.9	5.5	4.5	0.75	13.7	1.2

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments Note: *Pro-forma as if Ad Intel disposed for FY18.

The update states that the underlying consulting business grew 8% in FY18 and management is targeting a similar rate of growth in FY19, implying revenues from the continuing business of around £74m. The underlying divisional breakdown would suggest that the ongoing business should show improving margins over time with the change in mix. However, margins will be constrained in FY19 by the requirement to keep covering some of the Ad Intel costs under the terms of the agreement with Nielsen. We expect that the extent and duration of this obligation will be clarified at the prelims. Management guidance for now is that there will be limited, if any, uplift in profitability in FY19. Beyond that horizon we expect operating margin progress, driven primarily by improving profitability in the Analytics and Tech business as this matures.

Ebiquity now has an experienced permanent CFO/COO in Alan Newman (recently retired from YouGov) and has also been strengthening its operational management team. There will doubtless be a focus on aligning the group's cost base to the Media, Analytics and Tech consulting business. The balance sheet has been considerably bolstered by the disposal, which completed two days into the new financial year. Net debt at 31 December 2018 was £28m; the proceeds will have reduced that figure by around £20m.

Year-end trading update

Media

12 February 2019

Price 61.5p
Market cap £46m

Net debt (£m) at 31 December 2018 (prior to disposal receipts)	28
Shares in issue	75.2m
Free float	99%
Code	EBQ
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Ebiquity is a leading, tech-enabled, independent marketing and media consultancy. It aims to help the world's biggest brands leverage data and analytics to drive greater transparency in the marketing ecosystem, to create more impactful customer experiences and to deliver greater returns on marketing investment.

Analysts

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