

Ebiquity

Half year update

Building on recovery

Ebiquity's period-end trading update indicates a good first half performance, with revenues of £32m, up 19% on the prior period. The group has also posted an operating profit – undisclosed but ahead of the £1.0m delivered in H220. The progress is a result of a mix of factors, including new business wins (notably in digital), with some benefit from work deferred from FY20. We leave our forecasts unchanged for now, noting that any revisions at the interims in September are more likely to be on the upside. The share price performance year-to-date has been strong (up 195%), but the valuation remains at a sizeable discount to peers.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/19	68.1	4.7	2.9	0.0	19.7	N/A
12/20	55.9	(1.3)	(1.9)	0.0	N/A	N/A
12/21e	61.0	2.6	2.5	0.5	22.8	0.9
12/22e	68.3	5.0	4.7	1.3	12.1	2.3

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

Pushing ahead on digital and ESG

Ebiquity's reconfigured Digital Innovation Centre, built on Digital Decisions, looks to be achieving its goal of providing a more comprehensive and integrated digital media offering. Although Google's withdrawal of support for third-party cookies has been pushed back to FY23, the direction of travel remains the same and the need for advertisers to optimise and benchmark their digital media spend in a complex ecosystem is unlikely to diminish. The group's new KPIs (see [March update note](#)) show management's commitment to driving this aspect of the group's business. Ebiquity has also stepped up its capabilities in socially responsible advertising, which fits well with heightened concerns on brand safety. These initiatives should help meet the objective of increasing service lines per client and driving revenues.

Upside potential to forecasts

Our current FY21 forecast for revenue of £61.0m implies a flat H221 on H220, but with an improving margin to take the full year PBT to £2.6m. Given the CEO's comment that further progress is expected in H2, this implies that the risk may be on the upside. Period end net debt of £10.3m, which was in line with management expectations, consisted of £9.3m cash and £19.7m of gross debt (£18.9m excluding the US PPP debt of £0.75m, which we expect to be credited in H221).

Valuation: Strong year-to-date performance

Ebiquity's valuation discount is narrowing as execution of the business plan progresses. Year-to-date, the shares are up by 195%, bottoming at 18.4p in February, with marketing services peers having gained 49% on average as the outlook for advertising spend have firmed up. Parity with these peers for FY22 across P/E, EV/EBITDA and EV/EBIT multiples would suggest a value of 77p. This is lower than the 89p cited in our last report, reflecting the erosion of forward multiples from raised growth expectations not yet reflected in prices.

Media

14 July 2021

Price 57p
Market cap £45m

Net debt at 30 June 2021 (£m)
 (excludes £0.75m US PPP debt) 9.6

Shares in issue 78.4m

Free float 86.9%

Code EBQ

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 3.6 40.2 94.9

Rel (local) 3.5 35.7 63.9

52-week high/low 57.0p 18.4p

Business description

Ebiquity is a leading, independent global media consultancy, working for over 70 of the world's 100 leading brands to optimise their media investments.

Next events

Interim results 23 September 2021

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Exhibit 1: Financial summary

	£000s	2019	2020	2021e	2022e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue		68,133	55,907	61,000	68,320
Cost of Sales		(36,212)	(31,219)	(32,940)	(36,893)
Gross Profit		31,921	24,687	28,060	31,427
EBITDA		8,603	1,797	5,015	7,350
Operating Profit (before amort. and except.)		5,567	(334)	3,500	5,900
Amortisation of acquired intangibles		(1,169)	(1,122)	(1,122)	(1,122)
Highlighted items		(9,044)	(3,325)	0	0
Share-based payments		(117)	1,906	(150)	(150)
Reported operating profit		(4,763)	(2,875)	2,228	4,628
Net Interest		(898)	(875)	(924)	(917)
Joint ventures & associates (post tax)		0	0	0	0
Forex		0	(137)	0	0
Profit Before Tax (norm)		4,669	(1,346)	2,576	4,983
Profit Before Tax (reported)		(5,661)	(3,887)	1,304	3,711
Reported tax		(1,477)	150	(618)	(1,196)
Profit After Tax (norm)		2,738	(1,372)	1,958	3,123
Profit After Tax (reported)		(7,138)	(3,737)	686	2,515
Minority interests		(451)	(186)	(34)	(125)
Discontinued operations		(1,018)	220	0	0
Net income (normalised)		2,275	(1,557)	1,926	3,001
Net income (reported)		(8,156)	(3,703)	652	2,390
Average Number of Shares Outstanding (m)		79.5	81.6	78.2	78.4
EPS - normalised (p)		2.9	(1.9)	2.5	4.7
EPS - normalised continuing diluted (p)		2.8	(1.9)	2.4	4.6
EPS - basic reported (p)		(10.8)	(4.5)	0.8	3.0
Dividend per share (p)		0.00	0.00	0.50	1.25
EBITDA Margin (%)		12.6	3.2	8.2	10.8
Normalised Operating Margin (%)		8.2	-0.6	5.7	8.6
BALANCE SHEET					
Fixed Assets		47,060	44,322	42,899	41,728
Intangible Assets		35,172	34,698	33,461	32,289
Tangible Assets		10,902	8,199	8,013	8,014
Tax, receivables, Investments & other		986	1,425	1,425	1,425
Current Assets		35,074	35,610	37,203	40,898
Stocks		0	0	0	0
Debtors		26,838	24,318	25,904	29,013
Cash & cash equivalents		8,236	11,121	11,127	11,715
Other		0	171	171	171
Current Liabilities		(21,195)	(22,189)	(22,241)	(23,041)
Creditors		(14,659)	(15,986)	(16,541)	(17,340)
Tax and social security		(4,424)	(1,953)	(1,953)	(1,953)
Short term borrowings (incl. positive loan fees)		22	45	45	45
Other incl lease liabilities		(2,134)	(4,295)	(3,792)	(3,793)
Long Term Liabilities		(23,047)	(26,997)	(26,997)	(26,997)
Long term borrowings		(13,868)	(19,675)	(19,675)	(19,675)
Other long term liabilities		(9,179)	(7,322)	(7,322)	(7,322)
Net Assets		37,892	30,746	30,863	32,589
Minority interests		1,179	442	442	442
Shareholders' equity		36,713	30,304	30,421	32,147
CASH FLOW					
Op Cash Flow before WC and tax		8,603	1,797	5,015	7,350
Working capital		(702)	4,171	(1,031)	(2,309)
Exceptional & other		(2,962)	(3,325)	0	0
Tax		(1,345)	(2,285)	(618)	(1,196)
Operating Cash Flow		3,594	358	3,366	3,845
Capex		(3,235)	(1,316)	(1,500)	(1,499)
Acquisitions/disposals		23,862	(2,118)	(486)	0
Net interest		(718)	(550)	(924)	(917)
Equity financing		253	0	0	0
Dividends		(1,052)	(444)	(450)	(841)
Other		0	0	0	0
Net Cash Flow		22,704	(4,070)	6	587
Opening net debt/(cash)		27,486	5,610	8,509	8,503
FX		(204)	117	0	0
Other non-cash movements		(624)	1,055	0	0
Closing net debt/(cash)		5,610	8,509	8,503	7,915

Source: Company accounts, Edison Investment Research

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