

# Ebiquity

## Strong revenue growth and improving margin

Ebiquity's year-end trading update confirms that revenue continued to grow strongly in H222, delivering a 20% improvement for the full year, with underlying organic growth of 9%. Management is guiding to an underlying operating margin of 12%, implying that FY22 operating profit will be just ahead of our £8.9m forecast, notwithstanding the slight undershoot on revenue. This improvement in margin reflects the two transformative acquisitions made in the year, adding operational capability and efficiency, and scaling the US reach, as well as the increase of digital in the revenue mix. The shares are priced at a substantial discount to both peers and the group's long-term average EV/EBITDA multiple.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	EV/EBITDA (x)	P/E (x)
12/20	55.9	(1.3)	(1.9)	0.0	39.5	N/A
12/21	63.1	4.1	2.7	0.0	10.4	20.2
12/22e	77.0	8.1	5.3	0.0	5.2	10.1
12/23e	89.0	11.5	7.0	0.0	4.1	7.7

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

## Underlying operating profit on track

We leave our estimates unchanged for now, acknowledging that the mix will be a little divergent from our existing modelling. The direction of travel, with greater emphasis on digital and a growing suite of products that will help deliver scalability, as well as a broader geographic base, points to further accretion on the underlying operating margin, beyond the full year acquisition effect that will benefit the outturn in FY23. While the macroeconomic outlook is patchy, the overarching advertising industry sentiment has improved since the autumn. Brand owners, though, are likely to be very focused on return on investment, which should play to Ebiquity's strengths.

## Higher earn-outs due post good performance

Net debt at the year-end was £8.9m, a little ahead of our modelled figure of £8.0m. With the group's inherent second half weighting, we would assume that the divergence is attributable to working capital, which would correct in the current year. The statement indicates that the final deferred consideration for Digital Decisions BV in May 2023 will be higher than previously anticipated (H122: £11.4m, of total deferred consideration outstanding of £13.6m) after a strong H222 performance. The group had £8.5m of undrawn facilities at the year-end.

## Valuation: Substantial discount persists

Ebiquity's valuation remains at a marked discount to UK-quoted marketing services peers. Parity across averaged FY22e and FY23e P/E, EV/EBITDA and EV/EBIT would suggest a value of 96.5p, considerably ahead of the current price and well up on the 86p at the time of our [end-September update](#), reflecting the somewhat better sentiment in the sector. Our recent [MediaWatch report](#) shows Ebiquity's current rating to be at a 70% discount to its long-term average EV/EBITDA.

Year-end trading update

Media

7 February 2023

**Price** **53.5p**  
**Market cap** **£62m**

Net debt (£m) at 31 December 2022	8.9
Shares in issue	116.1m
Free float	82.4%
Code	EBQ
Primary exchange	AIM
Secondary exchange	N/A

### Share price performance



%	1m	3m	12m
Abs	3.9	24.4	(9.7)
Rel (local)	1.6	15.7	(11.7)
52-week high/low		71.5p	43.0p

### 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

Full year results	March 2023
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**Exhibit 1: Financial summary**

	£000s	2020	2021	2022e	2023e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>					
Revenue		55,907	63,091	77,000	89,000
Cost of Sales		(31,219)	(32,652)	(39,655)	(45,657)
Gross Profit		24,687	30,439	37,345	43,343
EBITDA		1,797	6,833	13,583	17,470
Operating profit (before amort. and excepts.)		(334)	4,737	8,900	12,800
Amortisation of acquired intangibles		(1,122)	(1,065)	(1,250)	(1,105)
Highlighted items		(3,325)	(8,431)	(6,043)	(3,436)
Share-based payments		1,906	(319)	(380)	(380)
Reported operating profit		(2,875)	(5,078)	1,227	7,879
Net Interest		(875)	(862)	(1,056)	(1,337)
Joint ventures & associates (post tax)		0	0	0	0
Forex		(137)	229	250	0
Profit Before Tax (norm)		(1,346)	4,104	8,093	11,463
Profit Before Tax (reported)		(3,887)	(5,711)	420	6,542
Reported tax		150	(1,206)	(1,961)	(2,866)
Profit After Tax (norm)		(1,372)	2,367	5,469	8,597
Profit After Tax (reported)		(3,737)	(6,917)	(1,540)	3,676
Minority interests		(186)	(117)	(26)	61
Discontinued operations		220	0	0	0
Net income (normalised)		(1,557)	2,250	5,443	8,658
Net income (reported)		(3,703)	(7,032)	(1,566)	3,737
Average Number of Shares Outstanding (m)		81.6	82.6	106.5	120.3
EPS - normalised (p)		(1.9)	2.7	5.5	7.2
EPS - normalised fully diluted (p)		(1.9)	2.7	5.3	7.0
EPS - basic reported (p)		(4.8)	(8.5)	(1.5)	3.1
Dividend per share (p)		0.00	0.00	0.00	0.00
EBITDA Margin (%)		3.2	10.8	17.6	19.6
Normalised Operating Margin		-0.6	7.5	11.6	14.4
<b>BALANCE SHEET</b>					
Fixed Assets		44,322	40,297	67,507	76,591
Intangible Assets		34,698	32,700	58,876	68,380
Tangible Assets		8,199	6,054	7,249	6,829
Tax, receivables, Investments & other		1,425	1,543	1,382	1,382
Current Assets		35,610	35,214	46,248	41,573
Stocks		0	0	0	0
Debtors		24,318	21,934	29,627	29,952
Cash & cash equivalents		11,121	13,134	16,340	11,340
Other		171	146	281	281
Current Liabilities		(22,189)	(29,146)	(34,414)	(37,183)
Creditors		(15,986)	(25,875)	(31,687)	(33,259)
Tax and social security		(1,953)	(764)	(1,516)	(1,516)
Short term borrowings (incl. positive loan fees)		45	59	96	96
Other incl lease liabilities		(4,295)	(2,566)	(1,307)	(2,504)
Long Term Liabilities		(26,997)	(23,361)	(34,669)	(34,669)
Long term borrowings		(19,675)	(17,960)	(24,436)	(24,436)
Other long term liabilities		(7,322)	(5,401)	(10,233)	(10,233)
Net Assets		30,746	23,004	44,673	46,312
Minority interests		442	269	290	290
Shareholders' equity		30,304	22,735	44,383	46,022
<b>CASH FLOW</b>					
Op Cash Flow before WC and tax		1,797	6,833	13,583	17,470
Working capital		4,171	2,768	(7,257)	1,248
Exceptional & other		(3,325)	784	(3,000)	(4,572)
Tax		(2,285)	(2,492)	(1,961)	(2,866)
Operating Cash Flow		358	7,893	1,365	11,280
Capex		(1,316)	(1,200)	(2,071)	(2,000)
Acquisitions/disposals		(2,118)	(1,971)	(16,525)	(12,859)
Net interest		(550)	(619)	(1,056)	(1,337)
Equity financing		0	34	14,360	0
Dividends		(444)	(157)	(280)	(300)
Other		0	134	0	0
Net Cash Flow		(4,070)	4,114	(4,207)	(5,216)
Opening net debt/(cash)		5,610	8,509	4,767	8,000
FX		117	(372)	662	0
Other non-cash movements		1,055	0	312	216
Closing net debt/(cash)		8,509	4,767	8,000	13,000

Source: Company accounts, Edison Investment Research

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