

Ebiquity

Trading update

Activity levels recovering

Ebiquity's pre-close trading update indicates recovery as expected in H220, from both a pick-up in demand from existing clients and a good performance in winning new business. The group therefore returned to profit in the second half, leaving it with a small adjusted operating loss for the full year, slightly below our earlier estimate of a small profit. The performance on net debt was better than our modelling, with the group ending the year with net debt of £7.7m (Edison estimate £8.8m). Ebiquity's share price has not kept pace with those of the UK-based agencies since our November Outlook report, exaggerating the rating differential.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/18	69.4	5.2	3.5	0.7	5.4	3.7
12/19	68.7	5.3	3.6	0.0	5.3	N/A
12/20e	57.0	(0.5)	(0.8)	0.0	N/A	N/A
12/21e	60.0	3.1	2.6	0.5	7.3	2.6

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

Market set for recovery in FY21

In FY20, the global advertising market was severely affected by the COVID-19 pandemic from Q2 on, but the recovery during H220 was stronger than had initially been expected. Key commentators now expect the global market to have declined between 4% and 9% for the year, with a steeper decline in TV and traditional media advertising spend and growth in digital spend. All the main forecasters expect a good rebound in FY21, with comparators difficult in Q1 before easing in Q2. For FY21, estimates are for global growth in a range of 6–12%, with most assuming that FY19 spending levels will not be recouped before FY22. Again, there are large variations between geographies and by media type.

The main opportunity is in digital

The growth in the digital advertising market has been boosted by the shift in consumer spending online. There is a clear need for credible products to provide accurate and actionable information to brand owners regarding the efficacy of their online advertising spend. Ebiquity's new digital reporting service, Digital Decisions, is particularly aimed at this market. The group already works with over 70 of the world's largest advertisers, so the news that it is winning new business as well as benefiting from a resurgence in confidence bodes well. Management reports that the group has made an encouraging start to the new financial year.

Valuation: Valuation differential increased

As prospects for recovery in advertising spend have strengthened, share prices of the smaller agency groups have risen notably, with those stocks used in our peer comparison in our [November note](#) up by an average of 75% since that date, while Ebiquity's price has dipped 9%. This has exacerbated the valuation differential. For Ebiquity to be priced at parity on FY21 P/E, EV/EBIT and EV/EBITDA multiples, the share price would need to reach 54p, from the 28p calculated then.

Media

15 February 2021

Price **19p**
Market cap **£15m**

Net debt (£m) at 31 December 2020 7.7

Shares in issue 78.4m

Free float 94.8%

Code EBQ

Primary exchange AIM

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(1.8)	(8.8)	(43.7)
Rel (local)	(0.2)	(13.3)	(37.1)
52-week high/low		39.0p	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

Final results 25 March 2021

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*Ebiquity is a research client of
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Exhibit 1: Financial summary

	£000s	2018	2019	2020e	2021e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue		69,368	68,733	57,000	60,000
EBITDA		7,761	9,203	1,801	5,432
Operating Profit (before amort. and except.)		6,342	6,167	375	4,006
Amortisation of acquired intangibles		(1,240)	(1,169)	(1,112)	(1,112)
Exceptionals		(6,233)	(9,044)	(914)	0
Share-based payments		(223)	(117)	1,651	(150)
Reported operating profit		(1,354)	(4,163)	(0)	2,744
Net Interest		(1,151)	(898)	(875)	(925)
Joint ventures & associates (post tax)		0	0	0	0
Exceptionals		0	0	0	0
Profit Before Tax (norm)		5,191	5,269	(500)	3,081
Profit Before Tax (reported)		(2,504)	(5,061)	(875)	1,819
Reported tax		(1,985)	(1,931)	130	(739)
Profit After Tax (norm)		3,413	3,338	(370)	2,341
Profit After Tax (reported)		(4,489)	(6,538)	(745)	1,079
Minority interests		(489)	(451)	(250)	(250)
Discontinued operations		(845)	(1,018)	0	0
Net income (normalised)		3,551	2,875	(619)	2,093
Net income (reported)		(5,334)	(7,556)	(995)	829
Average Number of Shares Outstanding (m)		78.6	79.5	79.0	78.5
EPS - normalised (p)		3.7	3.6	(0.8)	2.7
EPS - normalised continuing diluted (p)		3.5	3.6	(0.8)	2.6
EPS - basic reported (p)		(7.4)	(10.1)	(1.3)	1.1
Dividend per share (p)		0.71	0.00	0.00	0.50
EBITDA Margin (%)		11.2	13.4	3.2	9.1
Normalised Operating Margin (%)		9.1	9.0	0.7	6.7
BALANCE SHEET					
Fixed Assets		45,400	47,060	45,743	43,861
Intangible Assets		43,251	35,172	34,931	33,793
Tangible Assets		1,170	10,902	9,458	8,714
Investments & other		979	986	1,354	1,354
Current Assets		65,935	35,822	35,023	37,010
Stocks		0	0	0	0
Debtors		29,408	27,586	24,205	25,479
Cash & cash equivalents		8,793	8,236	10,818	11,530
Other		27,734	0	0	0
Current Liabilities		(27,539)	(21,195)	(19,044)	(18,984)
Creditors		(18,150)	(14,659)	(12,862)	(13,068)
Tax and social security		(1,681)	(4,424)	(3,812)	(3,812)
Short term borrowings		(2,314)	36	45	45
Other		(5,394)	(2,148)	(2,415)	(2,149)
Long Term Liabilities		(36,282)	(23,047)	(28,562)	(28,119)
Long term borrowings		(33,965)	(13,868)	(19,706)	(19,706)
Other long-term liabilities		(2,317)	(9,179)	(8,856)	(8,413)
Net Assets		47,514	38,640	33,160	33,768
Minority interests		992	1,179	1,179	1,179
Shareholders' equity		46,522	37,461	31,981	32,589
CASH FLOW					
Op Cash Flow before WC and tax		7,761	9,203	1,801	5,432
Working capital		(367)	(1,302)	1,710	(1,068)
Exceptional & other		(6,233)	(2,244)	(914)	0
Tax		(1,952)	(1,345)	(1,870)	(739)
Operating Cash Flow		(791)	4,312	727	3,624
Capex		(1,784)	(3,235)	(814)	(1,500)
Acquisitions/disposals		(858)	23,862	(3,354)	(486)
Net interest		(1,068)	(718)	(875)	(925)
Equity financing		252	253	612	0
Dividends		(791)	(1,256)	(1,315)	0
Other		0	0	0	0
Net Cash Flow		(5,040)	23,218	(5,019)	713
Opening net debt/(cash)		28,840	27,486	5,596	8,843
FX		(91)	(204)	380	0
Other non-cash movements		6,485	(1,124)	1,392	0
Closing net debt/(cash)		27,486	5,596	8,843	8,131

Source: Company accounts, Edison Investment Research. Note: Estimates unchanged

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