

RNTS Media

Q1 update

Taking its divisional name, **Fyber**

Reflecting the closer integration of its assets, RNTS will rename to **Fyber**. Revenue growth of 17% in Q1 falls short of full-year targets but is expected to accelerate as the year progresses and management has reiterated its full year targets of revenues over €280m and EBITDA over €3m. Putting in place additional financing would lift a significant overhang on the shares.

Year end	Revenue (€m)	EBITDA cont (€m)	EBIT cont (€m)	PBT cont** (€m)	PBT reported (€m)	EV/sales (x)
12/14	64.0	0.7	(1.5)	(2.0)	(10.8)	4.7
12/15	81.1	(13.7)	(15.2)	(18.6)	(40.3)	3.7
12/16e	170.0/218.1*	(10.9)/(5.8)*	(14.4)	(24.4)	(33.6)	1.5/1.8*
12/17e	285.0	3.9	(0.5)	(4.2)	(11.2)	1.2

Note: *Pro forma assuming Heyzap and Inneractive acquired as of 1 Jan 2016. **PBT is normalised, excluding amortisation of acquired intangibles, discontinued operations, exceptional items and share-based payments.

Decent Q1 but must accelerate to hit FY17 targets

Pro forma Q117 revenues increased by 17% to €49.7m. While this falls short of the c 30% growth rate targeted by management for the year, Q1 is typically a seasonally small quarter and management believes it is on course to deliver its full year targets. Gross margins at 29.4% were down y-o-y (Q116: 31.0%), due to the strong growth of lower-margin Fyber RTB and margin pressure in Inneractive which is sacrificing some margin in the short term as it expands its position in China. Despite this, gross margins are tracking ahead of our forecasts due to continued expansion at Fyber RTB which is now close to the group average. RNTS moved back into adjusted EBITDA loss of €5m in Q1, a function of seasonality with operational expenses only slightly up on Q416, reflecting the expansion into China.

Becoming Fyber

RNTS continues to focus on the technical integration of the Fyber and Inneractive platforms which should help it to fully leverage its increasing scale; this could be accelerated if additional funding is put in place to enable the advanced payment of the Inneractive earnouts. With the integrations proceeding, the holding company structure is no longer appropriate and the group plans to rename to Fyber. It will also convert the form of the shares from bearer to registered, a further step in improving transparency. Near term, RNTS needs to put in place additional financing to satisfy earnout obligations in relation to Heyzap and Inneractive as well as ongoing working capital requirements; within Fyber it has added a €7.5m working capital facility and negotiations on other facilities are progressing.

Valuation: Adding facilities key to supporting rating

Through acquisition and strong organic growth, RNTS has grown into its valuation over the last two years. Management is now working towards widening its funding options to ensure it can continue to execute its growth strategy which is focused on mobile, programmatic and video advertising. The convertible restructuring in April was a major step forward and adding facilities should lift a significant overhang on the shares which are no longer trading at a premium to peers on an EV/gross sales basis of 1.2x (Tradedesk 1.4x, Criteo 1.5x, Taptica 1.4x, RhythmOne 0.9x).

Software & comp services

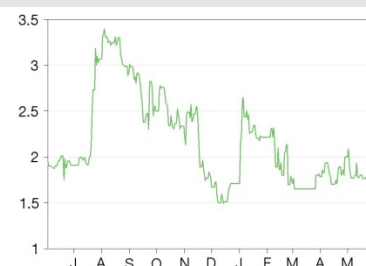
2 June 2017

Price €1.75

Market cap €201m

Net debt (€m) at 30 September 2016	111
Shares in issue	114.7
Free float	61%
Code	RNM
Primary exchange	FRA
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(12.4)	(0.2)	(12.1)
Rel (local)	(13.6)	(6.3)	(28.5)
52-week high/low	€3.4	€1.5	

Business description

RNTS Media (renaming to Fyber) has two complementary mobile ad tech platforms at its core: Fyber and Inneractive. Their supply-side platforms help app developers and publishers overcome the challenges of a fragmented ecosystem by consolidating a wide range of advertising demand onto one platform. RNTS is one of the world's largest independent groups in this space.

Next events

FY16 results	26 July 2017
H117 results	20 September 2017
AGM	28 September 2017
Q317 results	22 November 2017

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Exhibit 1: Financial summary

	€'000s	2014	2015	2016e	2017e
December		Pro-forma for Fyber acquisition	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		64,024	81,076	170,000	285,000
Cost of Sales		(39,641)	(56,739)	(121,824)	(208,653)
Gross Profit		24,383	24,337	48,176	76,348
EBITDA - continuing		685	(13,740)	(10,875)	3,885
Operating Profit (before amort. and except.)		(1,546)	(15,196)	(14,375)	(456)
Intangible Amortisation		(2,292)	(2,469)	(3,315)	(2,700)
Exceptionals		(3,439)	(2,915)	(3,373)	(1,837)
Other		(3,021)	(16,305)	(2,500)	(2,500)
Operating Profit		(10,298)	(36,885)	(23,563)	(7,493)
Net Interest		(495)	(3,397)	(9,998)	(3,750)
Profit Before Tax (norm)		(2,041)	(18,593)	(24,373)	(4,206)
Profit Before Tax (FRS 3)		(10,793)	(40,282)	(33,561)	(11,243)
Tax		215	2,348	0	0
Profit After Tax (norm)		(1,484)	(16,245)	(24,373)	(4,206)
Profit After Tax (FRS 3)		(20,173)	(37,934)	(33,561)	(11,243)
Average Number of Shares Outstanding (m)		114.5	114.5	114.5	114.6
EPS - normalised (c)		(1.3)	(14.2)	(21.3)	(3.7)
EPS - normalised fully diluted (c)		(1.2)	(13.6)	(18.6)	(3.1)
EPS - (IFRS) (c)		(17.6)	(33.1)	(29.3)	(9.8)
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross Margin (%)		38.1	30.0	28.3	26.8
EBITDA Margin (%)		1.1	-16.9	-6.4	1.4
Operating Margin (before GW and except.) (%)		-2.4	-18.7	-8.5	-0.2
BALANCE SHEET					
Fixed Assets		173,152	160,814	215,766	228,411
Intangible Assets		159,729	157,929	211,881	224,867
Tangible Assets		674	2,195	3,195	2,854
Investments		12,749	690	690	690
Current Assets		51,423	119,737	111,004	117,310
Stocks		556	408	408	408
Debtors		17,246	25,214	54,400	91,200
Cash		21,078	79,123	41,204	10,710
Other		12,543	14,992	14,992	14,992
Current Liabilities		(33,518)	(47,067)	(73,974)	(99,830)
Creditors		(24,606)	(47,067)	(73,974)	(99,830)
Short term borrowings		(8,912)	0	0	0
Long Term Liabilities		(19,042)	(89,253)	(139,253)	(139,253)
Long term borrowings		(2,869)	(88,572)	(138,572)	(138,572)
Other long term liabilities		(16,173)	(681)	(681)	(681)
Net Assets		172,015	144,231	113,543	106,637
CASH FLOW					
Operating Cash Flow		(13,723)	(10,884)	(13,154)	(7,058)
Net Interest		N/A	(1,041)	(9,998)	(3,750)
Tax		N/A	(690)	0	0
Capex		N/A	(6,321)	(4,600)	(4,686)
Acquisitions/disposals		N/A	(10,455)	(60,167)	(15,000)
Financing		N/A	0	0	0
Dividends		N/A	0	0	0
Net Cash Flow		N/A	(29,391)	(87,919)	(30,495)
Opening net debt/(cash)		2,553	(9,297)	9,449	97,368
HP finance leases initiated		0	0	0	0
Other		(11,803)	10,645	0	0
Closing net debt/(cash)		(9,297)	9,449	97,368	127,862

Source: RNTS Media accounts (historical numbers), Edison Investment Research (forecasts)

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