

# Ebiquity

FY22 results

## Expanding offering in wider geographies

Ebiquity reported strong FY22 results, with revenue and operating profits increasing in line with expectations. The complexity of the media market provides a supportive backdrop to its offering, designed to help brand owners optimise the efficiency of their marketing spend. The acquisitions of US-based MMi and Swedish-based Media Path in FY22 significantly scale Ebiquity's potential revenue base, while productisation, efficiency gains, and the transition to a common technology platform give a clear path to improving margins. The company also announced the forthcoming retirement of CFO, Alan Newman, with the search for his successor well underway. The share price remains at a significant discount to peers.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	EV/EBITDA (x)
12/21	63.1	4.1	2.7	0.0	19.6	10.3
12/22	76.0	8.0	4.5	0.0	11.8	6.3
12/23e	85.5	11.1	5.6	0.0	9.4	4.9
12/24e	96.5	13.7	6.5	0.0	8.0	4.2

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

## Revenues shift towards higher-margin service lines

FY22 revenue was ahead by 20% y-o-y, +9% y-o-y organic, with adjusted operating profit margin up from 7% to 12%. Media Performance revenues rose 33% (66% of group revenue), reflecting the acquisitions plus organic growth. Here, Digital Media Solutions grew 76%, helping lift group operating margin from 8% to 12%. By geography, North America moved into profit on revenues more than double FY21 year, aided by the acquisition of MMi on top of 73% organic growth. As a result, the North American group revenue share rose from 9% to 18%. Continental European operating margin rose from 24% to 30%, reflecting the inclusion of Media Path and efficiency gains. Asia Pacific (FY22 organic growth: 18%) remains a key focus given the size of regional advertising budgets. As previously flagged, statutory results carried £15.2m of highlighted items. The largest element was the increase in the final deferred consideration for Digital Decisions following strong performance.

## Balance sheet comfortably within covenants

Net bank debt at end FY22 was £9.1m, slightly more than our modelled £8.0m due to timing effects of working capital across the year-end, representing 25% gearing. Contingent acquisition payments for Digital Decisions are due in FY23 (we assume 50:50 cash: shares), comfortably covered within covenants on the group's revolving credit facility. Net debt should start reducing in FY24, barring further M&A.

## Valuation: Substantial discount persists

Ebiquity's valuation remains at a marked discount to its marketing services peers. Parity with averaged FY23e and FY24e P/E, EV/EBITDA and EV/EBIT multiples suggests a value of 73p. This is well ahead of the current price but below the 97p in our February update, reflecting the roll-forward of year and weaker peer share price performances. Our February [MediaWatch report](#) showed Ebiquity's rating at a 70% discount to its long-term average EV/EBITDA.

Media

12 April 2023

**Price** **51.5p**  
**Market cap** **£60m**

Net bank debt (£m) at 31 December 2022	9.1
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	(1.9)	(4.6)	(27.5)
Rel (local)	(2.0)	(4.8)	(27.4)
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

AGM May 2023

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## FY22 results show transformative impact of acquisitions, organic growth and margin gains

Organic revenue growth was 9% in FY22, with the impact of the acquisitions (from April 2022) lifting that figure to 20%. The prior year adjusted operating margin was 18.2% pre unallocated costs (post: 7.5%). The uplift to 20.9%/12.2% is therefore significant, driven by the benefits of scale following the acquisitions, increasing contribution from digital products in the mix and careful control of costs.

**Exhibit 1: Summary results by geography**

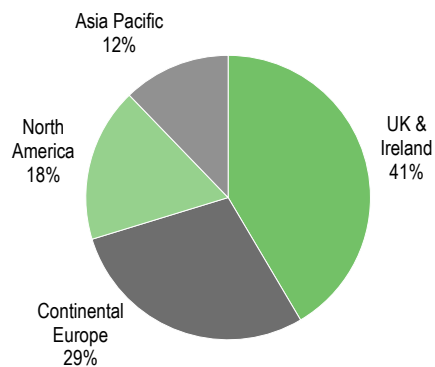
	Revenue £000s	Change	Adjusted operating profit (£000s)	Adjusted operating margin
UK & Ireland	31,528	(2.3%)	6,552	20.8%
Continental Europe	21,855	25.9%	6,449	29.5%
North America	13,310	139.2%	913	6.9%
Asia Pacific	9,280	17.6%	1,943	20.9%
<b>Total</b>	<b>75,973</b>	<b>20.4%</b>	<b>15,857</b>	<b>20.9%</b>
Unallocated			(6,587)	(8.7%)
<b>Total</b>			<b>9,270</b>	<b>12.2%</b>

Source: Company

### Reporting now by geography

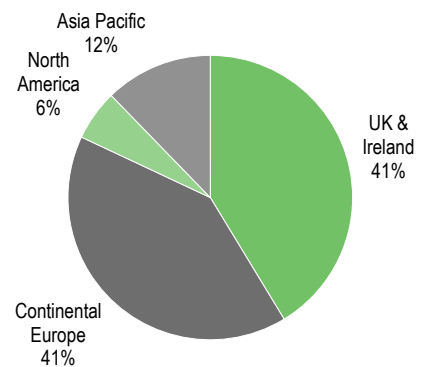
The historical segmentation had been becoming less meaningful as the group's business expanded and shifted in nature. Ebiquty is therefore now reporting by geographical segment, which better reflects the internal group management, although it is worth noting that this is geography by client billing, rather than necessarily representative of where the work is done. With an increasing use of mutualised resources across media operations centres in various territories, the geographic segmentation of operating profit may not be an accurate representation of the dynamics of the business in future periods.

**Exhibit 2: FY22 revenue by geography**



Source: Company

**Exhibit 3: FY22 adjusted operating profit**



Source: Company

In terms of service line, the addition of revenues from MMi and Media Path meant that the Media Performance practice climbed to 66% of group in FY22 (higher on an annualised basis). The digital offering within this was, unsurprisingly, the fastest growing portion, with Digital Media Solutions growing 76% and delivering an adjusted operating margin of over 50%.

### Breadth of service offering

Ebiquty's target market is the world's largest advertisers and it currently serves more than 70 of the top 100 by advertising spend. The acquisition of MMi has facilitated a scaling up of the group's

presence in the United States, the world’s largest market, where it now counts 19 of the 25 largest advertisers in that market as its clients.

<b>Exhibit 4: Operational key performance indicators (KPIs)</b>			
<b>As at 31 December</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Number of clients buying one or more products from the digital solutions portfolio	10	28	55
Digital advertising impressions analysed on the platform	112bn	639bn	1400bn
Value of digital advertising analysed on the platform	\$0.5bn	\$3.0bn	\$6.6bn
Number of countries where new digital portfolio served	50	87	91
Number of clients buying two or more service lines	58	76	97
% revenue derived from digital services	25%	29%	32%

Source: Company

The Media Path acquisition brought with it a scalable technology platform, GMP365, which is helping drive a transformation of Ebiquity’s service deliverability in terms of both functionality and speed.

The group KPIs, illustrated above, are all about driving deeper client relationships, making the service more integrated into client workflow and hence increasing stickiness, as well as delivering greater utility for the client.

## Growth from roll-out of existing offering and innovation

The full benefit of the acquisitions is yet to be achieved, with it still being very early days for the realisation of £5m of synergy benefits identified through to FY25.

In terms of operational enhancements, the company reported that benefits already delivered in FY22 were in line with its plans. The group is building on the success of its Madrid shared-services centre and moving to a global delivery model instead of the current local market basis. This will also support the transfer of work to the GMP365 platform and the delivery of synergy benefits. This should make meaningful improvements to the scalability of the offering and the delivery timescales.

From a geographical perspective, there is still much to be done to develop the group’s presence in the large North American market, although with each service enhancement there is a step-up in visibility. Through a land-and-expand approach, the opportunity is clearly substantial. The other key opportunity for Ebiquity is in Asia Pacific, where the market for determining media spend efficacy is far less developed. The group has established businesses in China and Singapore, and it initiated an organic start-up in India at the end of FY21. Indonesia, Hong Kong and South Korea are all potential strong market opportunities.

Product enhancement is a continuous process, and in terms of new initiatives within the productised digital media solutions, there is good progress in ESG through the group’s Responsible Media offering, which is eliciting a lot of interest from advertisers anxious to protect their brand integrity. Key areas for current development are:

- Advanced TV solutions. This market is much more developed in the United States, but there are issues around the accuracy of audience measurement and, reportedly, a large amount of fraud and misreporting of ad impressions.
- Commerce media solutions. This market is taking off very fast, but with little consensus on performance measurement and multiple service providers lacking the ability to look – independently – across the full landscape.

Our FY23 forecasts for revenue and PBT are broadly unchanged (revenue trimmed 1%, PBT trimmed 3%) on publication of the FY22 results. We have now introduced provisional forecasts for FY24, predicated on revenue growth of 13% and a further uplift in adjusted operating margin to 15.6% (FY23e: 14.6%) as the mix shifts further towards the digital products and scale effects continue to contribute. End-FY23 net bank debt is modelled at £10.7m post the further earnout payments, which we assume are met 50% in shares, 50% in cash, reducing to £4.3m at end FY24.

**Exhibit 5: Financial summary**

	£000s	2020	2021	2022	2023e	2024e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT		31-Dec	31-Dec	31-Dec	31-Dec	31-Dec
Revenue		55,907	63,091	75,973	85,500	96,500
Cost of Sales		(31,219)	(7,525)	(7,220)	(7,000)	(7,500)
Gross Profit		24,687	55,566	68,753	78,500	89,000
EBITDA		1,797	6,834	11,051	14,300	16,850
Operating profit (before amort. and excepts.)		(334)	4,738	9,270	12,500	15,100
Amortisation of acquired intangibles		(1,122)	(1,065)	(2,739)	(3,250)	(3,100)
Highlighted items		(3,325)	(8,291)	(15,168)	(3,436)	0
Share-based payments		1,906	(459)	(553)	(553)	(553)
Reported operating profit		(2,875)	(5,077)	(9,190)	5,261	11,447
Net Interest		(875)	(862)	(1,352)	(1,383)	(1,383)
Joint ventures & associates (post tax)		0	0	0	0	0
Forex		(137)	229	49	0	0
Profit Before Tax (norm)		(1,346)	4,105	7,967	11,117	13,717
Profit Before Tax (reported)		(3,887)	(5,710)	(7,201)	7,681	13,717
Reported tax		150	(1,206)	(261)	(2,779)	(3,429)
Profit After Tax (norm)		(1,372)	2,368	7,042	8,337	10,288
Profit After Tax (reported)		(3,737)	(6,916)	(7,462)	4,901	10,288
Minority interests		(186)	(117)	(33)	22	45
Discontinued operations		220	0	0	0	0
Net income (normalised)		(1,557)	2,251	7,009	8,359	10,333
Net income (reported)		(3,703)	(7,031)	(7,495)	4,923	10,333
Average Number of Shares Outstanding (m)		81.6	82.6	109.0	127.6	135.0
EPS - normalised (p)		(1.9)	2.7	5.4	6.6	7.7
EPS - normalised fully diluted (p)		(1.9)	2.7	4.5	5.6	6.5
EPS - basic reported (p)		(4.8)	(8.5)	(6.9)	3.9	7.7
Dividend per share (p)		0.00	0.00	0.00	0.00	0.00
EBITDA Margin (%)		3.2	10.8	14.5	16.7	17.5
Normalised Operating Margin		-0.6	7.5	12.2	14.6	15.6
<b>BALANCE SHEET</b>						
Fixed Assets		44,322	40,297	62,663	71,472	67,622
Intangible Assets		34,698	32,700	55,867	64,926	61,276
Tangible Assets		8,199	6,054	4,597	4,347	4,147
Tax, receivables, Investments & other		1,425	1,543	2,199	2,199	2,199
Current Assets		35,610	36,482	46,509	41,879	51,494
Stocks		0	0	0	0	0
Debtors		24,318	21,934	33,163	30,921	34,185
Cash & cash equivalents		11,121	13,134	12,360	10,818	17,168
Other		171	1,414	986	141	141
Current Liabilities		(22,189)	(30,473)	(41,975)	(41,091)	(47,772)
Creditors		(15,986)	(26,265)	(39,448)	(37,479)	(42,302)
Tax and social security		(1,953)	(1,642)	(1,121)	(1,121)	(1,121)
Short term borrowings (incl. positive loan fees)		45	0	0	0	0
Other incl lease liabilities		(4,295)	(2,566)	(1,406)	(2,491)	(4,349)
Long Term Liabilities		(26,997)	(23,302)	(30,935)	(30,935)	(29,078)
Long term borrowings		(19,675)	(18,000)	(21,500)	(21,500)	(21,500)
Other long term liabilities		(7,322)	(5,302)	(9,435)	(9,435)	(7,578)
Net Assets		30,746	23,004	36,262	41,325	42,266
Minority interests		442	269	302	302	302
Shareholders' equity		30,304	22,735	35,960	41,023	41,964
<b>CASH FLOW</b>						
Operating Cash Flow		1,797	6,834	11,051	14,300	16,850
Working capital		4,171	4,431	(6,984)	1,563	(2,059)
Exceptional & other		(3,325)	(1,718)	(3,000)	(4,572)	(2,999)
Tax		(2,285)	(2,492)	(1,871)	(2,779)	(3,429)
Net Operating Cash Flow		358	7,055	(804)	8,512	8,363
Capex		(1,316)	(1,200)	(449)	(1,000)	(750)
Acquisitions/disposals		(2,118)	(1,971)	(17,020)	(15,787)	0
Net interest		(550)	(619)	(768)	(1,383)	(1,383)
Equity financing		0	34	14,374	7,900	0
Dividends		(444)	(157)	0	0	0
Other		0	134	0	0	0
Net Cash Flow		(4,070)	3,276	(4,667)	(1,758)	6,230
Opening net debt/(cash)		5,610	8,509	4,866	9,140	10,682
FX		117	(372)	564	0	0
Other non-cash movements		1,055	739	(171)	216	120
Closing net debt/(cash)		8,509	4,866	9,140	10,682	4,332

Source: Company accounts, Edison Investment Research

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