

Ebiquity

Trading update

CMA clearance; trading news

Ebiquity has now received full CMA clearance for the disposal of Ad Intel, which will be transformative for the balance sheet (a net inflow of £20m). As might be expected, the process has been disruptive and absorbed management time. The trading update indicates higher investment levels within the rest of the group, which will suppress operating profits in FY18e. Some good new business wins lay the ground for better performance in FY19e, but we have withdrawn our forecasts for now until there is greater clarity. Confidence may take a while to rebuild, but the weakness in the share price may provide an opportunity in a group fundamentally well placed to benefit from changes in the global advertising market.

Year end	Revenue (£m)	EBIT* (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/16	83.6	13.0	11.8	11.3	0.65	5.3	1.1
12/17	87.4	12.0	11.0	9.4	0.71	6.4	1.2
12/18e	89.0	7.5	6.3	5.2	0.75	11.5	1.3

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

Changes to forecasts

Until completion of the disposal, our figures continue to include Ad Intel, but we will update at that point. For the current year, revenue guidance is now for 8% growth in the continuing divisions, bringing our FY18e group forecast down from £91.2m to £89.0m. Our FY18 EBIT estimate is reduced from £10.5m to £7.5m reflecting; the impact of continued uncertainty at Ad Intel while the investigation was ongoing; underperformance of the US analytics business; and delays in anticipated German revenues. Excluding Ad Intel, our indicative pro-forma numbers show FY18e revenues of £69.0m, with EBIT of £5.9m (an EBIT margin of 8.5%). For the moment, we have withdrawn our FY19e forecasts but expect to reinstate shortly when there is greater clarity over the prospects for the continuing business.

Fundamentals unchanged

Ebiquity's direction of travel, stepping up its offering in contract compliance, advanced analytics and tech advisory, is sensible, given the shifting nature of the advertising market. The transition has proved bumpier than had been hoped. The net proceeds of disposal will substantially reduce balance sheet leverage and facilitate the investment programme.

Valuation: Short-term weakness

We believe the setback in the share price on the back of the trading update could provide a buying opportunity in what remains a profitable and attractive business, with a strong balance sheet and good cash conversion characteristics. The rehabilitation process may take a while and management now needs to deliver on rebased expectations to close the valuation gap with smaller, quoted media companies, which are trading on an FY1 EV/EBITDA of 8.8x vs Ebiquity on 7.6x.

Media

28 November 2018

Price 60p
Market cap £45m

Net debt (£m) as at 30 June 2018	25.7
Shares in issue	74.8m
Free float	99%
Code	EBQ
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(20.0)	26.3	(40.9)
Rel (local)	(20.9)	37.0	(37.6)
52-week high/low		110.5p	38.0p

Business description

Ebiquity is an independent marketing analytics specialist providing a range of business-critical data, analysis and consultancy services to advertisers and media owners on an international basis. It operates across three divisions: Analytics & Tech, Media and Intel (which it is disposing of).

Next events

Pre-close update	End January
Prelims	2019

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Exhibit 1: Financial summary

	£000s	2016	2017	2018e
31-December		IFRS	IFRS	IFRS
INCOME STATEMENT		31-Dec	31-Dec	31-Dec
Revenue		83,569	87,374	89,000
EBITDA		14,574	14,035	9,743
Operating Profit (before amort. and except.)		12,959	12,026	7,500
Amortisation of acquired intangibles		(1,865)	(1,952)	(1,950)
Exceptionals		(2,777)	(3,801)	(1,600)
Share-based payments		(560)	(738)	(1,000)
Reported operating profit		7,757	5,535	2,950
Net Interest		(1,132)	(1,044)	(1,200)
Joint ventures & associates (post tax)		0	0	0
Exceptionals		0	0	0
Profit Before Tax (norm)		11,827	10,982	6,300
Profit Before Tax (reported)		6,625	4,491	1,750
Reported tax		(2,230)	(2,043)	(1,512)
Profit After Tax (norm)		9,257	8,085	4,788
Profit After Tax (reported)		4,395	2,448	238
Minority interests		(245)	(384)	(585)
Discontinued operations		0	0	0
Net income (normalised)		9,012	7,701	4,203
Net income (reported)		4,150	2,064	(347)
Average Number of Shares Outstanding (m)		77.2	77.9	78.1
EPS - normalised (p)		11.7	9.7	5.4
EPS - normalised fully diluted (p)		11.3	9.4	5.2
EPS - basic reported (p)		5.4	2.7	(0.4)
Dividend per share (p)		0.65	0.71	0.75
EBITDA Margin (%)		17.4	16.1	10.9
Normalised Operating Margin		15.5	13.8	8.4
BALANCE SHEET				
Fixed Assets		75,855	75,771	74,978
Intangible Assets		72,079	72,440	71,947
Tangible Assets		2,438	1,829	1,529
Investments & other		1,338	1,502	1,502
Current Assets		35,078	37,241	37,665
Stocks		0	0	0
Debtors		19,291	20,978	21,607
Cash & cash equivalents		6,662	4,732	4,527
Other		9,125	11,531	11,531
Current Liabilities		(25,912)	(24,549)	(24,771)
Creditors		(17,809)	(20,066)	(20,288)
Tax and social security		(1,850)	(1,598)	(1,598)
Short term borrowings		(4,476)	(1,572)	(1,572)
Other		(1,777)	(1,313)	(1,313)
Long Term Liabilities		(32,728)	(35,481)	(34,231)
Long term borrowings		(30,210)	(32,000)	(30,750)
Other long term liabilities		(2,518)	(3,481)	(3,481)
Net Assets		52,293	52,982	53,641
Minority interests		761	1,040	1,040
Shareholders' equity		53,054	54,022	54,681
CASH FLOW				
Op Cash Flow before WC and tax		14,574	14,035	9,743
Working capital		(2,835)	(2,002)	(407)
Exceptional & other		(957)	(4,085)	(1,600)
Tax		(166)	(2,207)	(1,512)
Net operating cash flow		10,616	5,741	6,224
Capex		(2,351)	(2,231)	(2,500)
Acquisitions/disposals		(4,431)	(3,082)	(900)
Net interest		(1,074)	(921)	(1,200)
Equity financing		26	160	0
Dividends		(838)	(495)	(579)
Other		(1,017)	(46)	0
Net Cash Flow		931	(874)	1,045
Opening net debt/(cash)		28,661	28,024	28,840
FX		(633)	58	0
Other non-cash movements		339		0
Closing net debt/(cash)		28,024	28,840	27,795

Source: Company accounts, Edison Investment Research

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