

NETBOOSTER

Euronext Growth - FR0000079683 - ALNBT

- ✓ Q3 Gross Margin of € 11.2 m, +19% and +5% at c.s
- ✓ Recovery of results confirm for the H2
- ✓ New strategic plan : target of € 100 m of gross margin in 2020 with an EBITDA/GM ratio between 10% and 15%

Netbooster has published for its Q3 a gross margin of € 11.2 million a growth of 19% On a like-for-like basis (excluding the integration of 4PS and Artefact), the increase appears in our opinion at 5%. Over 9 months, the increase in gross margin was 14.8% and 2.5% c.s. While the Q2 was penalized by the mobilization of a large part of the teams of its main sites (France, United Kingdom and Germany) on the realization of the merger with Artefact and on the definition of the various synergies, the Q3 found the way to growth as expected in the light of new customers earned during H1.

The group also confirms that this good commercial momentum will enable results to recover in H2 and that 2017 will be profitable.

However, the most important point of this publication is the presentation of a new strategic plan following the merger with Artefact.

In a fast-changing digital advertising market dominated by GAFA that has set new standards for consumers both in terms of brand behavior and innovation, the traditional models are being shaken up. The agencies that will come out will be those that will change their field of expertise. The Artefact / Netbooster merger should respond to this problem by making the new group a player with an integrated one-stop-shop offer at the crossroads of consulting, data, artificial intelligence and advertising.

This new offer will be launched in early 2018 and should enable to automate, optimize and innovate by being present throughout the value chain: strategy, customer journey, creation, media activation and performance measurement. It is based on five areas of expertise: digital marketing experts (415 people), creative people (24), strategy consultants (48), Data Scientists (42) and engineers (30). The technological dimension of the group thus becomes one of its first assets.

The commercial dynamic will be fueled by the synergies linked to the possibility of increasing its conversion rate during calls for tenders and cross-selling via the exploitation of the customer base, which wants to be very diversified as well from sector perspective (tourism, banking / insurance, retail, High Tech) geographically and by account since among the 20 largest, which represent 50% of the pro forma gross margin, only two are in common, and this for different services. The group also relies heavily on its R & D department to improve productivity and offer new product innovations.

On these items, Netbooster aims to achieve in 2020, only in organic growth, € 100 million of gross margin, a doubling from the pro forma 2017, with an EBITDA/GM ratio between 10 and 15%. The increase of approximately € 50 million in gross margin comes from: 25-30% by reinforcing Consulting & Data in France, 30-35% by expanding Consulting & Data services in international offices and 35-45% by reinforcing Media & Creative activities worldwide.

Compared to our estimates, we note a sharp acceleration in growth since we previously anticipated a gross margin of € 80 million for 2020. On the other hand, in terms of profitability, this is in line with our expectations since we were counting on a EBITDA/GM rate of 13.8% in 2020.

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BUY vs Accumulate

Q3 GM + Meeting

BPI Innovative Company

TARGET PREVIOUS
€ 3.90 € 3.40

PRICE (11/10/2017) POTENTIAL
€ 3.35 **+16.4%**

MARKET CAP FREE FLOAT
€ 86.1 M **€ 33.6 M**

Ratios	2017e	2018e	2019e
EV/GM	1,93	1,53	1,30
EV/EBIT	43,41	18,00	10,06
PE	176,47	31,36	13,59
P/CF	65,15	24,30	11,51
Dividend Yield			

Data per share	2016	2017e	2018e	2019e
EPS restated diluted	0,01	0,02	0,11	0,25
%Change		50,4%	462,7%	130,8%
FCF	-0,06	-0,03	0,07	0,24
%Change		ns	ns	232%
Dividend				

Income Statement (€M)	2016	2017e	2018e	2019e
Gross Margin	40,7	48,9	64,3	84,3
%Change		20,3%	31,3%	31,3%
EBITDA	5,0	2,1	5,1	9,1
EBITDA/GM	12,3%	4,3%	7,9%	10,8%
EBIT	2,4	1,6	4,5	8,5
EBIT/GM	5,9%	3,2%	7,0%	10,1%
Net Result	0,6	0,8	3,0	6,8
Margin	1,4%	1,6%	4,6%	8,1%

Cash Flow Statement (€M)	2016	2017e	2018e	2019e
FCF	-0,6	0,0	2,6	6,9
Net Debt	5,2	5,9	4,0	-2,2
Shareholder Equity	24,7	25,2	28,2	35,0
Gearing	21,2%	23,3%	14,2%	-6,3%
ROCE	4,9%	3,1%	8,6%	15,8%

Shareholders	
Artefact Founders	24,1%
Truffle Capital	11,2%
Pure Invest	11,1%
Nobel	9,5%
Idinvest	5,1%
Free Float	39,0%

Performance	2017	3m	6m	1y
Netbooster	21,8%	-0,9%	28,9%	35,6%
Alternext	27,4%	8,0%	14,4%	30,8%
12-month Low-High	2,02	3,71		

Liquidity	2017	3m	6m	1y
Cumulated Volume 000)	7 138	1 058	4 826	7 758
% of capital	26%	4%	17%	28%
% of Free Float	54%	8%	37%	59%
€ M	20,5	3,4	15,1	22,0

Next Event 2017 Gross Margin: date n/a

In order to take into account this new situation, we modify our estimates. We are convinced by this new positioning and by the ability of Artefact's management, which takes the lead of Netbooster, to deliver solid performances. However, we prefer to adopt a cautious bias because, by experience, we know that it is always difficult in a merger to precisely estimate the rise of synergies. We are therefore raising our gross margin forecasts but lowering the EBITDA margin. We also include in a more significant way the tax loss carryforwards available to the group (€ 28.2 million at 31/12/2016), which should enable it to reduce its tax rate significantly. The impact on EPS is + 32.5% in 2018^e and + 83.1% in 2019^e.

(€ M)	2017e		2018e		2019e	
	before	after	before	after	before	after
Gross Margin	48,9	48,9	63,6	64,3	71,5	84,3
% Change		0,0%		1,0%		17,9%
EBITDA	2,1	2,1	5,9	5,1	9,2	9,1
% Gross Margin	4,3%	4,3%	9,3%	7,9%	12,9%	10,8%
EBIT	1,6	1,6	5,3	4,5	8,6	8,5
% Gross Margin	3,2%	3,2%	8,4%	7,0%	12,0%	10,1%
Group Net Result	0,8	0,8	3,4	3,0	5,7	6,8
% Gross Margin	1,6%	1,6%	5,3%	4,6%	7,9%	8,1%
EPS Restated (€)	0,02	0,02	0,08	0,11	0,13	0,25
%Change		0,0%		32,5%		83,1%

The challenge now, in addition to the priority issue of delivering good results, is to make it clear that the image of the group will evolve as these activities switch from the digital agency business to that of technology service providers. This move should favor a re-rating of the stock since the agencies have average EV/EBITDA ratios between 7x and 8x, whereas for the technology services companies the ratios are more in the range of 13x to 15x. Thus, considering in a trivial way that Netbooster will realize in 2020, 50% of its gross margin as an agency and 50% in the services, it could be valued 10x its EBITDA. On the basis of management objectives, Netbooster could be worth between € 100m and € 150m at this time (ie everything else is equal between € 3.57 and € 5.36 per share) without taking into account the speculative aspect.

In the end, after updating our valuation model (70% DCF-30% Peers comparison), we obtain a target price of € 3.90, representing a potential upside of 16.4%. So we adopt a BUY opinion.

Loïc Wolf

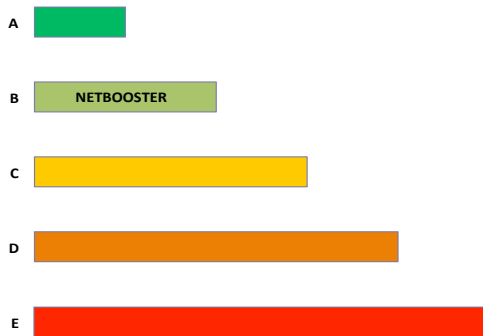
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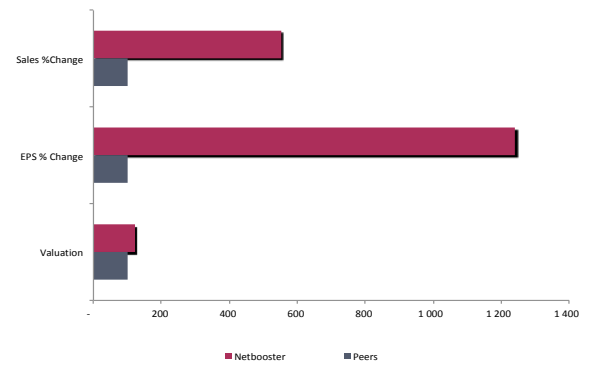
Snapshot NETBOOSTER

NetBooster is a leading independent international agency in digital performance marketing that makes its comprehensive expertise of digital marketing available to its clients to achieve the best possible performance for their investments. The agency invests in technology and covers the entire chain of online marketing through its European network: search engine optimisation and marketing, data and analytics (DnA), GroundControl Technology, display, affiliation, online media, creation, eCRM and social networks, with a recognised expertise in tomorrow's digital marketing (Social Media, Video, Ad Exchange, etc...).

Fundamental Matrix



Investment Profile



Price Target and Rating History

DATE	TYPE	OPINION	PRICE	TARGET PRICE
10/19/2017	H1 EBITDA	ACCUMULATE	€ 3.13	€ 3.40
07/27/2017	H1 GM	BUY	€ 3.27	€ 3.90
06/13/2017	Acquisition	BUY	€ 2.71	€ 3.11
04/27/2017	2016 Results + Q1 GM	BUY	€ 2.16	€ 3.11
02/02/2017	2016 GM + EBITDA	BUY	€ 2.56	€ 3.18
10/26/2016	Q3 GM + EBITDA	BUY	€ 2.57	€ 3.53

Financial Data

INCOME STATEMENT (M€)	2014	2015	2016	2017e	2018e	2019e
Gross Margin	34,1	37,2	40,7	48,9	64,3	84,3
Externals Costs	6,9	7,7	8,5	11,6	12,0	15,5
Personnels Costs	23,0	24,3	27,4	35,0	47,0	59,5
Taxes	0,2	0,2	0,2	0,2	0,2	0,2
EBITDA	4,4	5,5	5,0	2,1	5,1	9,1
Amortization	0,4	0,5	0,6	0,5	0,6	0,6
Depreciation	0,0	0,0	1,2	0,0	0,0	0,0
EBIT	4,1	4,3	2,4	1,6	4,5	8,5
Financial Results	-1,8	-0,5	-0,4	-0,4	-0,3	-0,1
Extraordinary items	0,0	0,0	0,0	0,0	0,0	0,0
Tax	-0,4	1,3	1,4	0,4	1,3	1,5
Goodwill Amortization	0,0	0,0	0,0	0,0	0,0	0,0
Net Profit	2,7	2,6	0,6	0,8	3,0	6,8
Net Profit Restated	2,8	2,7	0,2	0,5	3,0	6,8

BALANCE SHEET (M€)	2014	2015	2016	2017e	2018e	2019e
Fixed Assets	27,4	28,7	35,7	35,9	36,0	36,2
Stocks Inventories	0,0	0,0	0,0	0,0	0,0	0,0
Accounts Receivable	32,9	43,7	53,9	61,6	67,4	73,2
Cash & Equivalents	5,8	7,1	10,3	7,2	7,3	11,7
Other Current Assets	3,0	3,5	2,7	2,7	2,7	2,7
TOTAL Assets	69,1	82,9	102,6	107,4	113,4	123,7
Shareholders' Equity	15,3	18,3	24,7	25,2	28,2	35,0
Minority Interest	0,0	0,3	0,4	0,7	0,7	0,7
Provisions	0,1	0,1	0,1	0,1	0,1	0,1
Long Term Debt	12,5	0,8	14,9	13,1	11,3	9,5
Short Term Debt	1,2	11,5	0,6	0,0	0,0	0,0
Accounts Payable	39,3	51,0	57,5	64,0	68,8	74,1
Others Current Liabilities	0,8	0,9	4,3	4,3	4,3	4,3
TOTAL Liabilities	69,1	82,9	102,6	107,4	113,4	123,7

CASH FLOW STATEMENT (€ m)	2014	2015	2016	2017e	2018e	2019e
Cash Flow from Operating Activities	2,7	3,5	2,9	1,3	3,5	7,4
Change in Working Capital	3,5	0,4	3,5	1,3	0,9	0,5
Cash Flow from Operations	-0,9	3,2	-0,6	0,0	2,6	6,9
CAPEX	1,2	0,9	3,4	0,7	0,7	0,7
Cession	0,7	0,3	0,0	0,0	0,0	0,0
Cash Flow from Investing	0,4	0,6	3,4	0,7	0,7	0,7
Capital Increase	-0,5	-1,0	5,3	0,0	0,0	0,0
Others	0,2	-0,1	-0,3	0,0	0,0	0,0
Long Term Debt	-1,2	-0,2	3,1	-1,8	-1,8	-1,8
Cash Flow from Financing	-1,5	-1,3	8,1	-1,8	-1,8	-1,8
Net Change Cash	-2,8	1,2	3,9	-2,5	0,1	4,4

RATIOS	2014	2015	2016	2017e	2018e	2019e
EBITDA/Gross Margin	12,8%	14,8%	12,3%	4,3%	7,9%	10,8%
EBIT/Gross Margin	12,0%	11,7%	5,9%	3,2%	7,0%	10,1%
NI/Gross Margin	7,9%	6,9%	1,4%	1,6%	4,6%	8,1%
ROE	17,7%	14,0%	2,3%	3,2%	10,5%	19,6%
ROCE	0,0%	0,0%	4,9%	3,1%	8,6%	15,8%
Gearing	51,6%	28,7%	21,2%	23,3%	14,2%	-0,5%
FCF	-1,6	2,4	-1,2	-0,7	1,9	6,2
FCF per share	-0,1	0,1	-0,1	0,0	0,1	0,2
EPS (€)	0,17	0,16	0,02	0,02	0,12	0,27
EPS restated diluted (€)	0,18	0,16	0,01	0,02	0,11	0,25
Dividend per share (€)	0,0	0,0	0,0	0,0	0,0	0,0
Dividend Yield	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Outstanding Shares (m)	16,1	17,4	19,9	27,9	27,9	27,9

Estimates : GreenSome Finance

Rating Definition

BUY	ACCUMULATE	REDUCE	SELL
Upside > +15%	0% < Upside < +15%	-15% < Downside < 0%	Downside < -15%

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