

Sporttotal

Germany | Media | MCAP EUR 41.8m

29 August 2018

Hold

Target Price	EUR 2.30 (3.30)
Current Price	EUR 1.95
Up/downside	17.9%
Change in TP	-30.3%
Change in EPS	down nm 18E / -22.5% 19E

Poor visibility in the digital business calls for prudence

Sporttotal has confirmed its annual guidance following H1. The rollout of camera in the digital business appears to be significantly slower than we originally anticipated, leading us to revise our estimates and cut our TP.

Sporttotal confirms full-year sales and EBIT guidance

Following H1, Sporttotal has reiterated its full-year guidance, still expecting revenues in the EUR42-56m range and EBIT of EUR-8.2m to EUR-3m. This guidance factors in the recent award of two contracts for significant racing projects in Brazil (low double-digit million) and St. Petersburg (mid-single-digit million), which are to be implemented over 2018-19.

Camera rollout well below plan so far

In late June, Sporttotal mentioned a slower-than-expected rollout of cameras in the digital business as one reason to support the adjustment of FY guidance. The figures provided today tell us more about the magnitude of the delay: Sporttotal says it is aiming for 450 cameras installed at end-2018 (300 units currently), while the initial plan was to install c. 1,900 cameras. The setback looks fairly significant and mostly has to do with longer and more challenging discussions with amateur clubs and leagues, according to management.

Working hard on proving the concept

The Sporttotal.tv business model is attractive on paper (growing demand for live sport, scalability) but has yet to be proven. The group has recently launched several initiatives to boost traffic, attract advertisers, and diversify revenue sources, which have yet to be reflected in the numbers (e.g. extension to volleyball and hockey, development of video analysis tools for professionals). A crucial point for the monetisation of the platform is the group's ability to convert non-profit Facebook viewers (4,000 out of 12,000 gross viewers) into advertising-relevant viewers. So far, direct sponsoring (mostly Hyundai) practically accounts for all revenues in the digital business. Despite all of this, the group confirms that it still intends to invest another EUR20m by 2020 on top of the EUR10m already invested.

We cut estimates and TP (EUR2.30 vs. EUR3.30 previously)

The rollout has been slower than we expected by a factor of 2.5x, leading us to cut revenue estimates by 13% and EPS by 22% for 2019E. We believe the risk of not achieving the 2020E targets (min EUR100m in sales, 10% EBIT margin) is reasonably high; our estimates are significantly below that (EUR70m sales, EUR6m EBIT), as is analysts' consensus. Valuation wise, we apply a WACC of 11% in our DCF to reflect perceived risk. Any tangible progress regarding the monetisation of the Sporttotal.tv platform would be a catalyst for the share price. Our new target price is EUR2.30.

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Market data

Bloomberg: WIG1 GR	Reuters: WIGGk.DE
Market cap (EURm)	42
Free float	58%
No. of shares outstanding (m)	21
Avg. daily volume (EURm)	0,1
YTD abs performance	-48,8%
52-week high/low (EUR)	005/002

FY to 31/12 (EUR)	12/18E	12/19E	12/20E
Sales (m)	49,4	63,8	70,5
EBITDA adj (m)	-2,4	9,0	11,1
EBIT adj (m)	-4,9	3,9	6,2
Net profit adj (m)	-5,9	2,9	5,2
Net fin. debt (m)	9,9	11,9	7,4
FCF (m)	-23,1	-2,0	4,5
EPS adj. and fully dil.	-0,28	0,14	0,24
Consensus EPS	-0,28	0,09	0,26
Net dividend	0,00	0,00	0,00

FY to 31/12 (EUR)	12/18E	12/19E	12/20E
P/E adj and ful. dil.	na	14,3	8,0
EV/EBITDA	na	6,0	4,5
EV/EBIT	na	13,8	8,0
FCF yield	-55,2%	-4,8%	10,8%
Dividend yield	0,0%	0,0%	0,0%
Net fin.debt/EBITDA	-4,1	1,3	0,7
Gearing	74,8%	73,7%	34,7%
ROIC	-25,0%	11,4%	16,3%
EV/IC	2,2	1,9	1,7



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Key financials

FY to 31/12 (EUR)	12/13	12/14	12/15	12/16	12/17	12/18E	12/19E	12/20E
Income Statement (EURm)								
Sales	na	na	60,0	50,8	55,7	49,4	63,8	70,5
% Change	na	na	na	-15,3%	9,6%	-11,3%	29,1%	10,5%
EBITDA adjusted	na	na	0,5	-1,5	1,1	-2,4	9,0	11,1
EBITDA margin (%)	na	na	0,9%	-2,9%	2,0%	-4,9%	14,1%	15,8%
EBIT adjusted	na	na	-1,1	-3,6	0,5	-4,9	3,9	6,2
EBIT margin (%)	na	na	-1,9%	-7,1%	0,9%	-9,9%	6,1%	8,8%
Net financial items & associates	na	na	-0,5	-0,4	-0,2	-1,0	-1,0	-1,0
Others	na	na	0,0	0,0	0,0	0,0	0,0	0,0
Tax	na	na	0,2	0,2	-1,0	0,0	0,0	0,0
Net profit from continuing operations	na	na	-1,4	-3,7	-0,7	-5,9	2,9	5,2
Net profit from discontinuing activities	na	na	-0,1	-2,6	1,0	0,0	0,0	0,0
Net profit before minorities	na	na	-1,5	-6,4	0,3	-5,9	2,9	5,2
Net profit reported	na	na	-1,5	-6,2	0,3	-5,9	2,9	5,2
Net profit adjusted	na	na	-1,5	-6,2	0,3	-5,9	2,9	5,2
Cash Flow Statement (EURm)								
Cash flow from operating activities	na	na	-0,8	-2,0	-7,4	-5,6	4,5	8,0
Capex	na	na	-2,6	-1,9	-2,7	-17,5	-6,5	-3,5
Free cash flow	na	na	-3,5	-3,9	-10,0	-23,1	-2,0	4,5
Acquisitions & Divestments	na	na	0,3	-1,1	6,6	0,0	0,0	0,0
Dividend paid	na	na	0,0	0,0	0,0	0,0	0,0	0,0
Others	na	na	1,6	6,8	11,8	0,0	0,0	0,0
Change in net financial debt	na	na	-1,6	1,8	8,4	-23,1	-2,0	4,5
Balance Sheet (EURm)								
Intangible assets	na	na	2,0	4,4	1,1	1,1	1,1	1,1
Tangible assets	na	na	7,2	1,5	3,2	18,2	19,6	18,2
Financial & other non-current assets	na	na	1,3	1,1	0,7	0,7	0,7	0,7
Total shareholders' equity	na	na	4,0	7,5	19,2	13,3	16,2	21,4
Pension provisions	na	na	0,5	0,5	0,5	0,5	0,5	0,5
Liabilities and provisions	na	na	18,2	14,2	14,6	25,9	27,9	29,1
Net financial debt	na	na	2,9	-1,6	-13,1	9,9	11,9	7,4
Working capital requirement	na	na	-2,5	0,0	1,9	4,0	7,5	9,6
Invested Capital	na	na	6,6	5,9	6,1	23,3	28,2	28,9
Per share data								
EPS adjusted	na	na	-0,13	-0,41	0,01	-0,28	0,14	0,24
EPS adj and fully diluted	na	na	-0,13	-0,41	0,01	-0,28	0,14	0,24
% Change	na	na	na	-chg	+chg	-chg	+chg	78,5%
EPS reported	na	na	-0,13	-0,41	0,01	-0,28	0,14	0,24
Cash flow per share	na	na	-0,07	-0,13	-0,38	-0,26	0,21	0,37
Book value per share	na	na	0,33	0,50	0,98	0,62	0,76	1,00
Dividend per share	na	na	0,00	0,00	0,00	0,00	0,00	0,00
Number of shares, YE (m)	na	na	12,75	17,69	21,42	21,42	21,42	21,42
Ratios								
ROE (%)	na	na	na	-107,3%	2,1%	-36,4%	19,8%	27,7%
ROIC (%)	na	na	na	-43,3%	6,3%	-25,0%	11,4%	16,3%
Net fin. debt / EBITDA (x)	na	na	5,5	1,1	-11,6	-4,1	1,3	0,7
Gearing (%)	na	na	71,9%	-21,4%	-68,6%	74,8%	73,7%	34,7%
Valuation								
P/E adjusted	na	na	na	na	na	na	14,3	8,0
P/E adjusted and fully diluted	na	na	na	na	na	na	14,3	8,0
P/BV	na	na	4,6	4,3	3,3	3,1	2,6	2,0
P/CF	na	na	na	na	na	na	9,3	5,2
Dividend yield (%)	na	na	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
FCF yield (%)	na	na	-17,7%	-10,3%	-14,7%	-55,2%	-4,8%	10,8%
EV/Sales	na	na	0,4	0,7	1,0	1,1	0,8	0,7
EV/EBITDA	na	na	43,9	na	49,5	na	6,0	4,5
EV/EBIT	na	na	na	na	na	na	13,8	8,0

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Companies mentioned

Stock	ISIN	Currency	Price
Sporttotal	DE000A1EMG56	EUR	1,95

Source: Factset closing prices of 28/08/2018

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Name of the Research Analyst(s): Baptiste de Leudeville

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Reduce	13%	12%
Not Rated/Under Review/Accept Offer	3%	9%
Total	100%	100%

Source: KEPLER CHEUVREUX

A: % of all research recommendations

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Company Name	Date	Business Line	Rating	Target Price	Closing Price
Sporttotal (EUR)	13/02/2018 15:23	Equity Research	Hold	4.10	3.97
	25/06/2018 8:08	Equity Research	Hold	3.30	3.28

Credit research does not issue target prices. Left intentionally blank.

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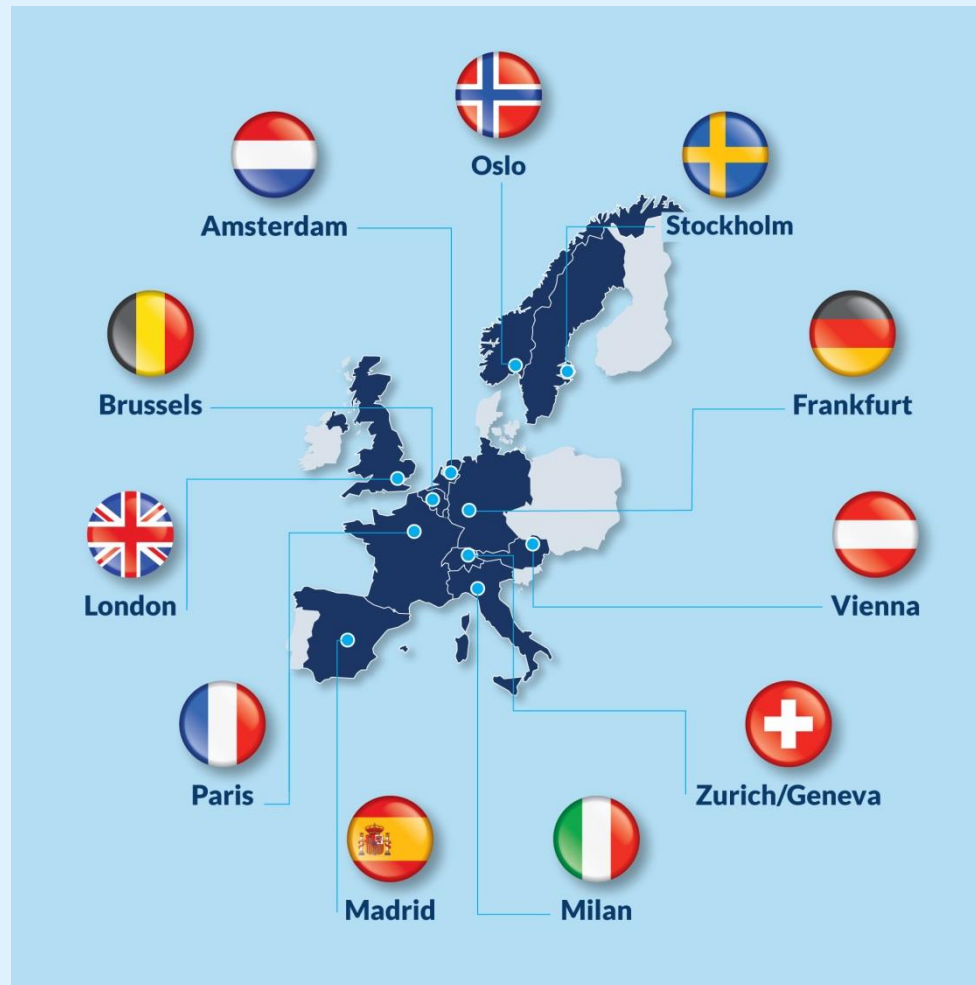
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