

Sporttotal

Germany | Media | MCAP EUR 70.2m

25 June 2018

Hold

Target Price	EUR 3.30
Current Price	EUR 3.28
Up/downside	0.6%
Change in TP	-19.5%
Change in EPS	down nm 18E / -38.7% 19E

Profit warning on 2018 earnings, we cut estimates and TP

A slower-than-planned rollout of the sporttotal.tv platform, and delays in the materialisation of contracts in the Venues division, has led the group to downgrade its 2018 forecasts significantly. Although mid-term guidance is unchanged, we are more conservative on our estimates and DCF parameters.

Cuts 2018 guidance, mid-term target maintained

Sporttotal has cut sales and EBIT guidance for 2018 by roughly 15%, while confirming guidance for both 2019 and 2020 (see below tables). The company points out two factors: 1) delayed revenue recognition in the Venues division (racetrack infrastructure). The company is confident of winning three significant contracts in eastern Europe and the Middle East, but the timing for starting and delivery is now expected from 2019, mostly; and 2) a slower-than-expected ramp-up of the Sporttotal.tv platform. Sporttotal is seeking support from each amateur regional league before addressing affiliated clubs individually. So far, most of the 27 targeted leagues are supporting the platform, but the process has proven to be more chaotic than planned.

Sporttotal.tv: rollout and monetisation beg questions

With expected revenues of c. EUR3m in 2018, the new Sporttotal.tv video platform will be loss-making in its first year (c. -EUR4m). The group admits that, at this stage, the performance is at the lower end of its expectation range. In our view, negative signals on volume ramp-up add to the legitimate questions on monetisation (current revenues almost exclusively stem from multi-year sponsoring contracts, other sources of revenue are marginal) and give a poor impression of sporttotal.tv's risk/reward. Good execution on both aspects is fundamental, as it would validate the concept, trigger scale effects, and supports further initiatives (internationalisation, extension to other sports, alternative payment models).

Sporttotal's mid-term financial targets at risk in our view

Sporttotal's ambition to exceed EUR100m in sales by 2020, implies the doubling of sales in two years' time. We continue to see this as an aggressive target. Such a scenario would require perfect execution across the board, while doubts remain regarding the materialisation, timing and contribution of the still unsigned contracts in Venues, and the rollout and monetisation of the sporttotal.tv model. Accordingly, we cut 2018 sales forecasts by 28% and now expect operating losses of EUR5m (vs. positive EUR3m EBIT previously). We are more conservative on 2019-20 estimates (see estimates on page two). For our DCF, we raise our WACC to 11% (vs. 10% previously). Consequently, the target price is reduced from EUR4.10 to EUR3.30.

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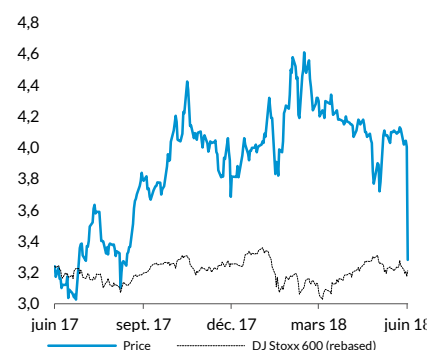
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Market data

Bloomberg: WIG1 GR	Reuters: WIGGk.DE
Market cap (EURm)	70
Free float	58%
No. of shares outstanding (m)	21
Avg. daily volume (EURm)	0,1
YTD abs performance	-13,9%
52-week high/low (EUR)	0.05/0.03

FY to 31/12 (EUR)	12/18E	12/19E	12/20E
Sales (m)	48,9	68,0	79,8
EBITDA adj (m)	-2,4	10,9	14,4
EBIT adj (m)	-4,9	4,8	7,2
Net profit adj (m)	-5,9	3,8	6,2
Net fin. debt (m)	10,3	11,9	6,3
FCF (m)	-23,5	-1,6	5,7
EPS adj. and fully dil.	-0,28	0,18	0,29
Consensus EPS	-0,24	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 full. dil.	na	18,7	11,4
EV/EBITDA	na	7,6	5,4
EV/EBIT	na	17,4	10,7
FCF yield	-33,4%	-2,3%	8,1%
Dividend yield	0,0%	0,0%	0,0%
Net fin. debt/EBITDA	-4,2	1,1	0,4
Gearing	77,9%	70,2%	27,0%
ROIC	-24,6%	13,5%	18,4%
EV/IC	3,4	2,8	2,6



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Estimates summary

Table 1: Sporttotal guidance

	Former guidance			New guidance		
	2018	2019	2020	2018	2019	2020
Sales	EUR50-70m	EUR70-80m	>EUR100m	EUR42-56m	EUR70-80m	EUR100m
EBIT	-EUR3m-EUR3m	EUR4.9-7.2m	min. EUR10m	-EUR8.2m to -3m	EUR4.9-7.2m	min. EUR10m
EBIT margin	Negative or positive	7-9%	min. 10%	Negative	7-9%	min. 10%

Source: Kepler Cheuvreux

Table 2: Kepler Cheuvreux estimates

	Former estimates			New estimates		
	2018	2019	2020	2018	2019	2020
Sales	EUR67.9m	EUR79.2m	EUR87.9m	EUR48.9m	EUR68m	EUR79.8m
EBIT	EUR2.7m	EUR7.1m	EUR8.8m	-EUR4.9m	EUR4,8m	EUR7.2m
EBIT margin	4%	9%	10%	Negative	7%	9%

Source: Kepler Cheuvreux

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	48,9	68,0	79,8
% Change	na	na	na	-15,3%	9,6%	-12,2%	38,9%	17,4%
EBITDA adjusted	na	na	0,5	-1,5	1,1	-2,4	10,9	14,4
EBITDA margin (%)	na	na	0,9%	-2,9%	2,0%	-5,0%	16,0%	18,0%
EBIT adjusted	na	na	-1,1	-3,6	0,5	-4,9	4,8	7,2
EBIT margin (%)	na	na	-1,9%	-7,1%	0,9%	-10,0%	7,0%	9,0%
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	3,8	6,2
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	3,8	6,2
Net profit reported	na	na	-1,5	-6,2	0,3	-5,9	3,8	6,2
Net profit adjusted	na	na	-1,5	-6,2	0,3	-5,9	3,8	6,2
Cash Flow Statement (EURm)								
Cash flow from operating activities	na	na	-0,8	-2,0	-7,4	-5,5	5,4	10,1
Capex	na	na	-2,6	-1,9	-2,7	-18,0	-7,0	-4,4
Free cash flow	na	na	-3,5	-3,9	-10,0	-23,5	-1,6	5,7
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	-23,5	-1,6	5,7
Balance Sheet (EURm)								
Intangible assets	na	na	2,0	4,4	1,1	1,6	2,1	2,5
Tangible assets	na	na	7,2	1,5	3,2	18,2	18,6	15,4
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	17,0	23,2
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	25,8	28,4	30,3
Net financial debt	na	na	2,9	-1,6	-13,1	10,3	11,9	6,3
Working capital requirement	na	na	-2,5	0,0	1,9	3,9	8,4	11,7
Invested Capital	na	na	6,6	5,9	6,1	23,7	29,1	29,6
Per share data								
EPS adjusted	na	na	-0,13	-0,41	0,01	-0,28	0,18	0,29
EPS adj and fully diluted	na	na	-0,13	-0,41	0,01	-0,28	0,18	0,29
% Change	na	na	na	-chg	+chg	-chg	+chg	64,4%
EPS reported	na	na	-0,13	-0,41	0,01	-0,28	0,18	0,29
Cash flow per share	na	na	-0,07	-0,13	-0,38	-0,26	0,25	0,47
Book value per share	na	na	0,33	0,50	0,98	0,62	0,80	1,08
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%	-36,3%	24,8%	30,7%
ROIC (%)	na	na	na	-43,3%	6,3%	-24,6%	13,5%	18,4%
Net fin. debt / EBITDA (x)	na	na	5,5	1,1	-11,6	-4,2	1,1	0,4
Gearing (%)	na	na	71,9%	-21,4%	-68,6%	77,9%	70,2%	27,0%
Valuation								
P/E adjusted	na	na	na	na	na	na	18,7	11,4
P/E adjusted and fully diluted	na	na	na	na	na	na	18,7	11,4
P/BV	na	na	4,6	4,3	3,3	5,3	4,1	3,0
P/CF	na	na	na	na	na	na	13,0	7,0
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%	-33,4%	-2,3%	8,1%
EV/Sales	na	na	0,4	0,7	1,0	1,7	1,2	1,0
EV/EBITDA	na	na	43,9	na	49,5	na	7,6	5,4
EV/EBIT	na	na	na	na	na	na	17,4	10,7

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Companies mentioned

Stock	ISIN	Currency	Price
Sporttotal	DE000A1EMG56	EUR	3,28

Source: Factset closing prices of 22/06/2018

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Hold	36%	38%
Reduce	15%	10%
Not Rated/Under Review/Accept Offer	3%	4%
Total	100%	100%

Source: KEPLER CHEUVREUX

A: % of all research recommendations

B: % of issuers to which material services of investment firms are supplied

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Sporttotal (EUR)	13/02/2018 15:23	Equity Research	Hold	4.10	3.97

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

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