

7digital Group

Proposed £8.5m fund-raise

New equity issue

Media

7digital is proposing to raise £8.5m (before expenses) through the issue of up to 212.5m new shares at a price of 4p, a 22% discount to close on 30 November. £8m of this has already been placed or subscribed, with £0.5m available via an open offer. The shares will be admitted to AIM on 19 December, subject to shareholder approval.

Year end	Revenue (£m)	EBITDA (£m)	PBT* (£m)	EPS* (p)	DPS (p)	EV/EBITDA (x)	P/E (x)
12/15	10.4	(2.1)	(7.6)	(7.1)	0.0	N/A	N/A
12/16	11.9	(3.5)	(4.7)	(4.1)	0.0	N/A	N/A
12/17e	19.1	(1.7)	(2.9)	(1.8)	0.0	N/A	N/A
12/18e	24.9	3.0	2.1	1.2	0.0	3.6	4.6

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. Our forecasts are under review – awaiting finalised capital structure.

7digital has announced a £8.5m fund-raise at 4p per share, a 22% discount to the closing price on 30 November. 163.4m new shares have been successfully placed, raising £6.5m before expenses. In addition, its largest shareholder MediaMarktSaturn (MMS) and a new investor have proposed to subscribe to a further £1.5m (36.6m new shares), and it has commenced an open offer for up to £0.5m (12.5m shares). The new shares will be admitted for trading on 19 December, subject to shareholder approval. Management plans to use the additional funds to strengthen the sales, customer on-boarding and technical teams (£1m), as well as ongoing restructuring of the cost base following the 24-7 Entertainment ApS acquisition (at a cost of £1m, which is expected to generate £1.8m savings). The remainder will be used to strengthen the balance sheet and provide additional working capital flexibility as the group expands.

Management has reiterated its confidence in meeting its full year expectations and continues to expect to see the full benefits of its acquisition of 24-7 in 2018, during which time we expect the group to move into a cash-generative position. We had previously assumed that the above investments, which are already factored into forecasts, were funded with a £2m bridging facility and consequently forecast changes are likely to be limited to the changed capital structure of the group. We place our forecasts under review and will update them once the capital structure has been finalised. However, with a potential 116% increase in the number of shares in issue, it is likely to result in material earnings per share dilution.

7 December 2017

Price 5.50p
Market cap £10m

Net debt (£m) at 30 June 2017	0.5
Shares in issue	184.3
Free float	84%
Code	7DIG
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

7digital Group provides an end-to-end, white-label digital music platform and access to global music rights that enable its clients, which include businesses in the radio, electronics, social media and telecoms industries around the world, to offer music streaming and download services to their own customers. Its global customer base includes musical.ly, Onkyo, Panasonic, MediaMarktSaturn, Cdiscount, Electric Jukebox, eMusic and i.am +.

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