

EQS Group

Investing to build

Q3 results

EQS flagged in September that it was accelerating investment to grasp the market opportunity prompted by further regulation. Q3 figures show the impact of the additional cost, with year-to-date EBITDA of €1.9m (prior year: €2.5m). Our forecasts are unchanged on confirmed guidance. The newer cloud-based products are scalable and should build recurring revenues, with market interest to date very encouraging. The service range continues to broaden out, particularly in corporate governance and compliance, while the geographic reach is also extending. The valuation remains in line with global peers, reflecting EQS's strong growth potential.

Year end	Revenue (€m)	EBITDA (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/15	18.4	3.5	3.1	1.20	0.75	53.2	1.2
12/16	26.1	4.2	2.4	0.96	0.75	66.5	1.2
12/17e	32.3	3.6	1.2	0.43	0.00	148.6	0.0
12/18e	36.3	4.5	1.9	0.71	0.15	90.0	0.2

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

Organic and acquired revenue growth

Year-to-date revenues are up 22%, reflecting organic growth of 9% plus the consolidation of ARIVA. There was strong demand in Germany for products to help corporates comply with ever-tightening regulation, driving domestic revenues up by 28%. The impending introduction of MiFID II, along with SAPIN II in France, Market Abuse Regulation (EU) and PRIIP-Regulation (EU) are all fuelling the need for logging and reporting systems to ease the regulatory burden on corporates. EQS's cloud-based platform approach allows extra functionality to be added with relatively modest project implementation costs. While the individual contract values can be quite small, the numbers of potential clients are substantial.

Added cost in forecasts

Governance & Compliance has the most attractive growth prospects, with EQS suggesting a top-line CAGR of over 20% in this segment through to 2025. This is clearly the main focus of the accelerated investment. Spend was quantified at €2.2m for FY17 and €5.8m over the following three years, but the phasing may not be as we currently model. Personnel costs held at €4.3m in Q3 from Q2, with around half of all group employees now developers, based in Germany and India. Freelancers are also being used to accelerate development and handle peak workflows.

Valuation: In line with peers

EQS clearly remains in its investment/growth phase, so comparisons with large global financial information companies are inevitably distorted. Using average historical and forward multiples to revenue and EBITDA, EQS continues to trade broadly in line with peers, with the share price gaining around 50% in the last year and continuing to climb post the investment announcement at the end of September. DCF analysis suggests further upside if medium-term growth reaches management's anticipated rate.

Media

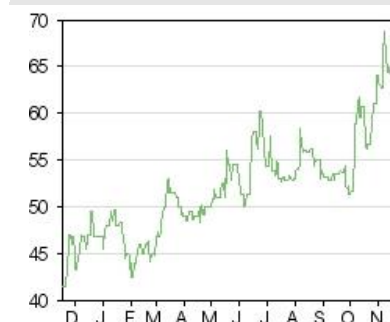
16 November 2017

Price €63.88

Market cap €84m

Net debt (€m) as at end September 2017	8.3
Shares in issue	1.3m
Free float	55%
Code	EQS
Primary exchange	Xetra
Secondary exchange	FRA

Share price performance



%	1m	3m	12m
Abs	5.2	14.5	48.6
Rel (local)	5.3	7.4	22.9
52-week high/low	€68.7	€41.5	

Business description

EQS Group is a leading international technology provider for digital investor relations, corporate communications and compliance. It has over 8,000 client companies worldwide using its products and services to securely, efficiently, and simultaneously fulfil complex national and international information obligations to the global investment community.

Next events

Full year results	April 2018
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Exhibit 1: Financial summary

	€000s	2015	2016	2017e	2018e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		18,377	26,061	32,300	36,250
Cost of Sales		0	0	0	0
Gross Profit		18,377	26,061	32,300	36,250
EBITDA		3,485	4,175	3,600	4,460
Operating Profit (before amort. and except.)		2,983	3,282	2,200	2,900
Intangible Amortisation		(351)	(619)	(750)	(850)
Exceptionals		(268)	0	0	0
Other		165	(874)	(862)	(850)
Operating Profit		2,529	1,788	588	1,200
Net Interest		(59)	(14)	(138)	(190)
Profit Before Tax (norm)		3,090	2,393	1,200	1,860
Profit Before Tax (FRS 3)		2,471	1,774	450	1,010
Tax		(1,372)	(960)	(456)	(698)
Profit After Tax (norm)		1,407	1,144	558	930
Profit After Tax (FRS 3)		1,099	814	(6)	313
Average Number of Shares Outstanding (m)		1.17	1.19	1.31	1.31
EPS - normalised (c)		120.1	96.1	42.6	71.0
EPS - (IFRS) (c)		93.8	68.4	(0.5)	23.9
Dividend per share (c)		75.0	75.0	0.0	15.0
EBITDA Margin (%)		19.0	16.0	11.1	12.3
Operating Margin (before GW and except.) (%)		16.2	12.6	6.8	8.0
BALANCE SHEET					
Fixed Assets		22,777	30,389	35,689	40,729
Intangible Assets		17,850	26,314	28,514	32,164
Tangible Assets		2,796	4,075	7,175	8,565
Investments		2,131	0	0	0
Current Assets		6,972	12,014	9,883	10,486
Stocks		0	0	0	0
Debtors		3,215	4,562	5,541	6,094
Cash		3,607	6,610	3,500	3,550
Other		150	842	842	842
Current Liabilities		(5,325)	(9,942)	(11,313)	(12,213)
Creditors		(3,359)	(5,791)	(7,313)	(8,363)
Short term borrowings		(1,967)	(4,151)	(4,000)	(3,850)
Long Term Liabilities		(7,276)	(7,237)	(9,664)	(9,464)
Long term borrowings		(6,357)	(5,073)	(7,500)	(7,300)
Other long term liabilities		(919)	(2,164)	(2,164)	(2,164)
Net Assets		17,148	25,224	24,594	29,537
CASH FLOW					
Operating Cash Flow		4,688	4,802	3,200	4,050
Net Interest		(56)	(27)	(138)	(190)
Tax		(995)	(1,302)	(834)	(516)
Capex		(1,978)	787	(4,500)	(2,950)
Acquisitions/disposals		(1,046)	(3,731)	(3,424)	0
Equity Financing		(1,138)	2,435	1,300	6
Dividends		(883)	(877)	(1,008)	0
Net Cash Flow		(1,408)	2,087	(5,404)	400
Opening net debt/(cash)		2,821	4,716	2,614	8,000
HP finance leases initiated		0	0	0	0
Other		(487)	15	18	(0)
Closing net debt/(cash)		4,716	2,614	8,000	7,600

Source: EQS Group accounts, Edison Investment Research

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