

SARE S.A.



Price target: PLN 28.10

Initiating Coverage

Rating: BUY

SARE S.A. (SAR) is a leading independent Polish technology company, which offers proprietary software solutions that increase the effectiveness of email and performance marketing campaigns. Between 2012 and 2015, SARE increased its sales and net income at a CAGR of 63.6% and 160.2% respectively. Since 2015, the company has also had a registered subsidiary in Berlin, which is supposed to develop its business in Germany.

SARE's main products are the software tools SARE for management and analysis of email marketing campaigns as well as INIS, which is an affiliate network that allows the integration of different publishers and databases with email addresses. Both products are distributed in the ASP model (does not require installation on the licensee's PC) and generate recurring monthly fees. They are complemented by the subsidiaries mr Target, a provider of campaign planning and services with conversion targets: www traffic, database registrations, on-line shop transactions and search engine marketing campaigns; Salelifter, which has developed own tools that allow to build, manage and monetize databases with email addresses, as well as Teletarget, which through an own call center helps clients to improve their sales process. Apart from the development of own solutions, SARE plans to grow through acquisitions in the areas of Big Data Analytics and Mobile.

According to PwC, the online marketing segment in Poland, which in 2015 was worth USD 0.7bn, will grow at a CAGR of 11.2% by 2020E. UK and Germany, the two largest online advertising markets in Europe, which SARE targets for expansion, are expected to grow at a CAGR of 10.5% and 6.2% respectively. Video Ads, Mobile and Social Media are regarded as the main growth drivers of online advertising. Programmatic buying, which is positively impacting e.g. Video Ads and Social Media, is expected to grow by 40-60% y-o-y in Poland and 27.8% in Western Europe in the coming years.

We recommend to BUY SARE with a 12-months PT (80% DCF, 20% peer-group-based fair value) of PLN 28.10, 47.1% above current level. We like the company's cash-generating business model and the fact that it is based on own software solutions. Based on our estimates, SARE currently trades at attractive P/Es 2016E and 2017E of 9.7x and 7.3x respectively.

in PLNm	2014	2015	2016E	2017E	2018E	2019E
Net sales	25.02	38.26	37.50	41.52	46.04	50.93
EBITDA	3.00	6.79	6.94	8.53	9.21	9.81
EBIT	2.61	6.25	6.26	7.79	8.38	8.90
Net income	1.07	3.79	4.52	6.02	6.49	6.91
EPS	0.48	1.71	1.97	2.63	2.83	3.02
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RoE	11.82%	23.19%	21.47%	22.54%	19.71%	17.44%
Net gearing	-16.54%	-19.02%	-31.47%	-41.56%	-48.82%	-54.27%
EV/Sales	1.65x	1.08x	1.10x	1.00x	0.90x	0.81x
EV/EBITDA	13.79x	6.08x	5.96x	4.84x	4.49x	4.21x
P/E	41.05x	11.55x	9.69x	7.27x	6.74x	6.33x

Company profile

SARE S.A. has developed own software that increases the effectiveness of email and performance marketing campaigns. The company plans to expand into Big Data and Mobile solutions in the near future. It also develops several start-ups, which are complementary to its core business.

Website	www.saresa.pl
Sector	Online Advertising
Country	Poland
ISIN	PLSARE000013
Reuters	SARP.WA
Bloomberg	SAR PW

Share information

Last price	19.10
Number of shares (m)	2.29
Market cap. (PLNm)	43.77
Market cap. (EURm)	10.21
52-weeks range	PLN 30.05 / PLN 16.10
Average volume	249

Performance

4-weeks	12.35%
13-weeks	4.83%
26-weeks	-19.14%
52-weeks	-27.40%
YTD	-34.12%

Shareholder structure

WS Investments Ltd.	34.98%
Tomasz Pruszczyński	25.76%
Krzysztof Debowski	10.50%
Damian Rutkowski	5.90%
Vasto Investments S.a.r.l	5.33%
Free float	17.53%

Financial calendar

Q3/16 report	November 14, 2016
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Content

Investment Case	2
Valuation	4
Recent results	9
Financial forecasts	11
Business description	15
Market environment	20
Profit and loss statement	25
Balance Sheet	26
Cash Flow Statement	27
Financial ratios	27
Disclaimer	28

Investment Case

- SARE S.A. (SAR) is a leading independent Polish technology company, which offers proprietary software solutions for email and performance marketing campaigns. Between 2012 and 2015, SARE increased its sales and net income at a CAGR of 63.6% and 160.2% respectively. Since 2015, the company has also had a registered subsidiary in Berlin, which is supposed to develop its business in Germany.
- SARE's main products are the software tools SARE for management and analysis of email marketing campaigns as well as INIS, which is an affiliate network that allows the integration of different publishers and databases with email addresses. Both products are distributed in the ASP model (does not require installation on the licensee's PC) and generate recurring monthly fees. They are complemented by the subsidiaries mr Target, a provider of campaign planning and services with conversion targets: www traffic, database registrations, on-line shop transactions and search engine marketing campaigns; Salelifter, which has developed own tools that allow to build, manage and monetize databases with email addresses, as well as Teletarget, which through an own call center helps clients to improve their sales. Apart from the development of own solutions, SARE plans to grow through acquisitions in the areas of Big Data Analytics and Mobile, which would further improve its competitive position.
- According to PwC, the online marketing segment in Poland, which in 2015 was worth USD 0.7bn, will grow at a CAGR of 11.2% by 2020E. UK and Germany, the two largest online advertising markets in Europe, which SARE targets for expansion, are expected to grow at a CAGR of 10.5% and 6.2% respectively. Video Ads, Mobile and Social Media are regarded as the main growth drivers of online advertising. Programmatic buying, which is positively impacting e.g. Video Ads and Social Media, is expected to grow by 40-60% y-o-y in Poland and 27.8% in Western Europe in the coming years.
- In H1/16, SARE had sales of PLN 18.5m (-4.1% y-o-y), EBIT of PLN 3.1m (-4.3%) and net income of PLN 2.1m (+3.4%). In our view, results were negatively affected by lower ad spending by Polish financial sector following the introduction of a new tax. Moreover, in January 2016 SARE raised less new equity than expected (PLN 778k vs. PLN 6m-7m), which has slowed down investments in new products and may require external sources of financing if management decide to conduct acquisitions in the area of Big Data Analytics and Mobile. Nevertheless, due to usually better H2 we expect sales in full-year 2016E of PLN 37.5m (-2% y-o-y), EBIT of PLN 6.3m (+0.2%) and net income of PLN 4.5m (+19.2%). Given a growing online marketing segment and better results of Saleslifter and Teletarget, in 2017E they should further improve to PLN 41.5m (+10.7%), PLN 7.8m (+24.3%) and PLN 6m (+33.2%) respectively.
- We rate SARE a BUY with a 12-months PT (80% DCF, 20% peer-group-based fair value) of PLN 28.10, 47.1% above current level. We like SARE's cash-generating business model and the fact that it is based on own software solutions. As main risk factors, we see strong competition and foreign expansion, which despite SARE's attractive pricing may turn out to be more difficult than expected. Based on our estimates, SARE currently trades at attractive P/Es 2016E and 2017E of 9.7x and 7.3x respectively.

SWOT Analysis

Strengths

- Leading Polish technology company, which develops own solutions that support clients in the area of sales, marketing and E-Commerce; each month SARE's systems send out >1bn emails
- Between 2012 and 2015, SARE's sales and net income increased at a CAGR of 63.6% and 160.2% respectively
- SARE develops proprietary software in the ASP model, which generates recurring monthly fees; it also operates in the area of video animation and performance marketing, which are the fastest-growing of the online advertising segment
- Management & founders own 82.5% of SARE's shares

Opportunities

- Further development of proprietary systems, which provide an additional value-added to SARE's customers
- Extension of the service offering with own tools for web analytics, production of video and receivables management
- Acquisitions in the area of Big Data Analytics and Mobile Advertising
- Expansion to Western Europe, where SARE is able to offer its products and services at significantly lower prices than local providers

Weaknesses

- Outdated receivables from a German client of PLN 950k
- Result of SPO in Jan 2016 was significantly below SARE's expectations; investors (only retail) subscribed for just 31.7k new shares vs. max. number of 543.5k
- The German subsidiary SARE GmbH has so far not generated any revenues
- Small size compared to main peers

Threats

- Dilution risk relating to potential capital increases
- Risks relating to the economic cycle; demand for advertising services strongly correlates with the overall economy
- Impairment risk as the value of the systems SARE and INIS made up >45% of SARE's balance sheet total in H1/16
- Change of legal regulations e.g. on data security, consumer rights and electronic provision of services
- Low entry barriers and dispersed industry
- Loss of key employees and difficulty to attract qualified staff

Valuation

We have valued SARE S.A. by using a weighted average of our DCF model (80%) and peer-group-based fair value (20%). Our 12-months price target for the company's shares is PLN 28.10, which implies an upside of 47.1% at current level.

DCF model

in PLNm	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Net sales	37.50	41.52	46.04	50.93	55.04	59.49	64.26	68.11	72.19
(y-o-y change)	-2.0%	10.7%	10.9%	10.6%	8.1%	8.1%	8.0%	6.0%	6.0%
Operating profit	6.26	7.79	8.38	8.90	9.33	9.49	9.65	9.65	9.74
(Operating margin)	16.7%	18.8%	18.2%	17.5%	17.0%	16.0%	15.0%	14.2%	13.5%
NOPLAT	5.07	6.31	6.79	7.21	7.55	7.69	7.82	7.82	7.89
+ Depreciation & amortisation	0.68	0.75	0.83	0.92	0.99	1.07	1.16	1.23	1.30
= Net operating cash flow	5.74	7.05	7.62	8.13	8.54	8.76	8.98	9.04	9.19
- Total investments (Capex and WC)	-3.21	-2.32	-2.47	-2.61	-2.20	-2.33	-2.46	-2.08	-2.16
Capital expenditures	-1.25	-1.61	-1.77	-1.89	-1.68	-1.78	-1.87	-1.64	-1.71
Working capital	-1.96	-0.70	-0.70	-0.72	-0.52	-0.56	-0.59	-0.43	-0.45
= Free cash flow (FCF)	2.54	4.74	5.14	5.52	6.35	6.42	6.52	6.96	7.02
PV of FCFs	2.47	4.07	3.90	3.69	3.75	3.35	3.00	2.83	2.52
PV of FCFs in explicit period	29.57								
PV of FCFs in terminal period	24.31								
Enterprise value (EV)	53.88								
+ Net cash / - net debt (30 June 2016)	2.43								
Shareholder value	56.31								
Number of shares outstanding (m)	2.29								
WACC	13.3%								
Cost of equity	13.3%								
Pre-tax cost of debt	6.0%								
Normal tax rate	19.0%								
After-tax cost of debt	4.9%								
Share of equity	100.0%								
Share of debt	0.0%								
Fair value per share in PLN (today)	24.57								
Fair value per share in PLN (in 12 months)	27.83								

		Terminal EBIT margin						
		10.5%	11.5%	12.5%	13.5%	14.5%	15.5%	16.5%
# WERT!	9.3%	37.33	39.29	41.24	43.20	45.16	47.11	49.07
	10.3%	33.16	34.75	36.35	37.94	39.54	41.13	42.73
	11.3%	29.87	31.19	32.51	33.83	35.15	36.48	37.80
	12.3%	27.21	28.32	29.43	30.54	31.64	32.75	33.86
	13.3%	25.02	25.95	26.89	27.83	28.77	29.71	30.65
	14.3%	23.17	23.97	24.77	25.58	26.38	27.18	27.98
	15.3%	21.60	22.29	22.98	23.67	24.36	25.05	25.74

Source: East Value Research GmbH

Peer Group Analysis

We have compared SARE to both listed international advertising companies and local peers.

International peers (50% weight):

- (1) *WPP PLC*: WPP, which is based in London/UK, is engaged in providing communication services. The Group operates in >110 countries (incl. Poland) through four segments: Advertising and Media Investment Management, Data Investment Management, Public Relations & Public Affairs, Branding & Identity, Healthcare and Specialist Communications. Its brands include Bates CHI&Partners, Grey, JWT, Ogilvy & Mather Advertising, Y&R and GroupM. In 2015, WPP generated revenues of GBP 12.2bn.
- (2) *Dentsu Inc.*: Dentsu, which is based in Tokyo/Japan, is a provider of communication services with a focus on advertising. The Advertising segment provides advertising and content services. The Information Service segment includes the development and operation of IT systems, the sale of software products, and the provision of general network and consulting services. The Others segment comprises the rental management of buildings, the trading and brokerage of real estate and the non-life insurance agency business. In 2015, Dentsu, which is also present in Poland, generated revenues of JPY 659.8bn.
- (3) *Publicis Groupe*: Publicis, which is based in Paris/France, offers local and international clients marketing, communication and digital transformation services. Its brands include Leo Burnett, Saatchi & Saatchi, Bartle Bogle Hegarty (BBH), Prodigious and MSLGROUP (communication agencies), Starcom MediaVest Group, ZenithOptimedia and VivaKi (media agencies), Razorfish, DigitasLBi, SapientNitro and Sapient Consulting (digital agencies), Digitas Health and Publicis Health Media (healthcare communication). In 2015, Publicis Groupe, which also operates in Poland, generated revenues of EUR 9.6bn.
- (4) *Havas SA*: Havas, which is headquartered in Puteaux/France, has two business units: Havas Worldwide and Havas Media, through which it offers e.g. integrated communications, traditional advertising, direct marketing, media planning and buying, healthcare advertising and communication, corporate communication, sales promotion, design, social media, TV sponsorship, multimedia interactive communication and PR. Its brands include among others Planning Group SA, BETC Euro RSCG, Euro RSCG C&O, Havas Media France, Havas Arnold Worldwide, LLC, Euro RSCG Healthview Inc., Euro RSCG New York Inc., Havas Worldwide, Work Club, Bizkit Wisely AB, Bird & Schulte, EGC & Associates, Beebop Media AG and TP1. In 2015, Havas, which is also present in Poland, had revenues of EUR 2.2bn.

- (5) *Omnicom Group Inc.*: Omnicom Group, which is based in New York/US, provides advertising, marketing and corporate communication services e.g. brand consultancy, content marketing, corporate social responsibility consulting, crisis communication, custom publishing, data analytics, database management, environmental design, graphic arts/digital imaging, healthcare communication, interactive and mobile marketing, IR, marketing research, media planning and buying, multi-cultural and non-profit marketing, organizational communication and package design. In 2015, Omnicom, which is also active in Poland, generated total sales of USD 15.1bn.
- (6) *Interpublic Group of Companies Inc.*: Interpublic, which is headquartered in New York/US, is an advertising and marketing services company. IPG's companies are engaged e.g. in consumer advertising, digital marketing, communication planning and media buying as well as PR. Its brands include McCann Worldgroup, Foote, Cone & Belding (FCB), MullenLowe Group, IPG Mediabrands, Weber Shandwick, Cassidy, DeVries, Golin, FutureBrand, Jack Morton and Octagon Worldwide. In 2015, Interpublic Group generated revenues of USD 7.6bn. The company is also present in Poland.
- (7) *Syzygy AG*: Syzygy, which is headquartered in Bad Homburg/Germany, is a holding company engaged in the digital communication and marketing industry. Syzygy operates in Germany, UK, the US and Poland. It divides its operations into the brands Syzygy (digital marketing agency), Unique (performance marketing and media management), Hi-Res! (multi-disciplinary design studio), Ars Thanea (Warsaw-based design studio) and USEEDS (consultancy for digital services and products). In 2015, Syzygy generated total sales of EUR 57.3m.

Company	EV/Sales			EV/EBITDA			P/E			P/BVPS	EBITDA margin		Net gearing
	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	Latest	2015	Latest	
WPP PLC (GBP)	2.28x	2.01x	1.90x	13.90x	12.09x	11.15x	20.07x	18.28x	15.73x	2.72x	15.90%	55.25%	
Dentsu Inc. (JPY)	2.46x	1.98x	1.88x	11.53x	9.40x	8.79x	21.12x	17.66x	16.15x	1.56x	7.77%	17.89%	
Publicis Groupe (EUR)	1.71x	1.66x	1.60x	9.86x	9.32x	8.74x	14.74x	14.78x	13.60x	2.21x	17.30%	30.79%	
Havas SA (EUR)	1.46x	1.39x	1.34x	9.41x	8.46x	8.02x	17.95x	16.00x	14.72x	1.90x	16.50%	6.27%	
Omnicom Group Inc. (USD)	1.56x	1.53x	1.47x	10.70x	10.25x	9.80x	18.36x	17.31x	16.03x	8.52x	14.60%	184.57%	
Interpublic Group Inc. (USD)	1.38x	1.34x	1.29x	9.53x	9.25x	8.54x	20.35x	16.73x	15.58x	4.54x	13.50%	71.29%	
Syzygy AG (EUR)	2.34x	2.04x	1.82x	18.16x	16.69x	14.41x	32.96x	29.74x	27.10x	3.00x	12.30%	-41.17%	
Median	1.71x	1.66x	1.60x	10.70x	9.40x	8.79x	20.07x	17.31x	15.73x	2.72x	14.60%	30.79%	
SARE S.A. (PLN)	1.08x	1.10x	1.00x	6.08x	5.96x	4.84x	11.17x	9.69x	7.27x	2.19x	17.76%	-12.17%	
Premium/discount	-36.7%	-33.6%	-37.8%	-43.2%	-36.6%	-44.9%	-44.3%	-44.0%	-53.8%				
Fair value SARE (PLN)	32.63												

Source: Thomson Reuters Eikon, East Value Research GmbH

Polish peers (50% weight):

- (8) *Mediacap S.A.*: Mediacap, which is based in Warsaw, is a leading Polish advertising and market research company. It operates under the brands Scholz & Friends Warszawa (traditional advertising services), EM LAB (event advertising), IQS (market research & surveys), The Digitals (digital advertising agency), EDGE Technology (own software solutions for different sectors) and MCP Publica (integrated solutions relating to research, IT and marketing for public and institutional clients). In 2015, Mediacap generated revenues of PLN 71.5m.
- (9) *K2 Internet S.A.*: K2 Internet, which is based in Warsaw, offers digital advertising, SEM/SEO, media buying & planning, hosting, social media marketing and video animation. It also provides cloud computing services (OctaWave brand). In 2015, K2 Internet generated revenues of PLN 87.6m.

Company	EV/Sales			EV/EBITDA			P/E			P/BVPS	EBITDA margin	Net gearing
	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	Latest	2015	Latest
Mediacap S.A. (PLN)	0.77x	n.a	n.a	7.49x	n.a	n.a	11.33x	n.a	n.a	3.06x	10.32%	-7.63%
K2 Internet S.A. (PLN)	0.36x	0.35x	0.33x	5.09x	4.77x	3.84x	20.23x	18.71x	11.78x	1.34x	7.05%	-1.47%
Median	0.57x	0.35x	0.33x	6.29x	4.77x	3.84x	15.78x	18.71x	11.78x	2.20x	8.69%	-4.55%
SARE S.A. (PLN)	1.08x	1.10x	1.00x	6.08x	5.96x	4.84x	11.17x	9.69x	7.27x	2.19x	17.76%	-12.17%
Premium/discount	90.9%	211.5%	202.3%	-3.3%	25.0%	26.3%	-29.2%	-48.2%	-38.3%			
Fair value SARE (PLN)	18.86											

Source: Thomson Reuters Eikon, East Value Research GmbH

Price target calculation

Valuation method	Fair value	Weight
DCF model	24.57	80%
Peer-group-based fair value	25.75	20%
Weighted average (present value)	24.81	
In 12-months (PV * (1+WACC))	28.10	

Source: East Value Research GmbH

Non-listed peers in Poland:

The Polish market for online advertising is still very dispersed. Below are SARE's most important non-listed local competitors:

- (10) *optivo GmbH*: optivo, which since 2013 has been part of German postal and logistics services giant Deutsche Post DHL, is one of largest providers of email and omni-channel marketing services in Europe. Its cloud-based modular software optivo broadmail provides omni-channel solutions and services for marketing via email, print, push, SMS, mobile, Fax, social media and the internet. The offering is complemented by consulting services. Optivo has more than 1,300 clients and has offices in Berlin, Amsterdam, Warsaw and Istanbul.
- (11) *LeadR Sp. z o.o.*: LeadR is headquartered in Warsaw and a portfolio company of the Polish Venture Capital fund Dirlango. The company owns a mailing network called Email Network Sp. z.o.o, which comprises database publishers from around the world and currently consists of >300m email addresses. It supports its customers in the areas of mailing, newsletter and SMS campaigns, targeting of users, ad creation, copywriting as well as analytics.
- (12) *zjednoczenie.com sp. z o.o.*: zjednoczenie.com, which is based in Gdansk/Poland, offers IT and online advertising services e.g. usability of web sites, social media consulting and marketing, email marketing with an own tool, creation of web sites, online marketing campaigns, hosting, own CMS systems and software outsourcing services. Among its clients are such well-known companies as LPP S.A., MTV Networks Polska, Vistula & Wolczanka and TUI.
- (13) *FreshMail Sp. z o.o.*: Freshmail, which has offices in Krakow/Poland, London/UK and Reading/UK, is an email advertising agency. FreshMail offers an own solution for email, newsletter and SMS marketing (however apparently without analytics) as well as consulting. The company has been present on the market since 2008 and has among others Neckermann, Burda International and InPost as clients.
- (14) *GetResponse Sp. z.o.o.*: Getresponse is an international email marketing company with offices in Gdansk/Poland, Warsaw/Poland, Moscow/Russia, Halifax/Kanada, Wilmington/US, Kuala Lumpur/Malaysia and Bengaluru/India. According to the company's website, in 2015 it had 350k clients from 183 countries. The SaaS-based platform GetResponse, which is available in 21 languages, is a tool for email marketing and management of online advertising campaigns. It allows targeting of subscribers, sending of pre-defined newsletters/emails or video mails. It also offers the possibility to analyze the effectiveness of campaigns.

(15) *ExpertSender Inc.*: ExpertSender is a technology and consulting company, which is based in the US. It provides email marketing deliverability services, email campaign analytics and automation, creative services and subscriber segmentation. The company has offices in New York/US, Los Angeles/US, Rio de Janeiro/Brazil, Moscow/Russia, Beijing/China, Singapore and Gdynia/Poland. Among its clients are TUI, National Geographics Learning, DaWanda, Michelin, ING and Ergo/Hestia.

Recent results

Revenues and Profitability

In H1/16, SARE generated total revenues of PLN 18.5m, which corresponded to a y-o-y decline of 4.1%. The reasons were the performance marketing agencies INIS and mr Target, where sales went down by 9.2% y-o-y among others due to lower advertising budgets of clients from the Polish financial sector, who since Februar 2016 have to pay an additional tax. However, EBITDA margin (18.8% vs. 17.9% in H1/15) improved y-o-y due to a lower share of CoGS (56.6% vs. 60.1%), which mainly comprise costs of IT infrastructure (servers, broadband internet connections, computers) and those relating to advertising services that are provided by publishers.

in PLNm	H1/16	H1/15
SARE	4.14	4.05
<i>(% of sales)</i>	22.4%	21.0%
Net margin	-1.9%	7.9%
INIS, mr Target	13.62	14.99
<i>(% of sales)</i>	73.6%	77.7%
Net margin	31.4%	23.3%
Salelifter	0.74	0.23
<i>(% of sales)</i>	4.0%	1.2%
Net margin	-141.6%	-149.4%
Teletarget	0.01	0.02
<i>(% of sales)</i>	0.0%	0.1%
Net margin	-4540.5%	-925.9%
Total sales	18.50	19.29

Source: Company information, East Value Research GmbH

in PLNm	H1/16	H1/15	change (%)
Net sales	18.50	19.29	-4.1%
EBITDA	3.48	3.46	0.5%
<i>EBITDA margin</i>	18.8%	17.9%	
EBIT	3.10	3.24	-4.3%
<i>EBIT margin</i>	16.7%	16.8%	
Net income	2.08	2.01	3.4%
<i>Net margin</i>	11.2%	10.4%	

Source: Company information, East Value Research GmbH

Although the share of personnel (21% vs. 18%), depreciation (2.1% vs. 1.2%) and other operating expenses (5.9% vs. 4.6%) increased significantly y-o-y, EBIT declined by 4.3% compared to H1/15 to PLN 3.1m, thus at a similar rate as sales. However, net income increased by 3.4% to PLN 2.1m due to a better net financial result (PLN -112k vs. PLN -452k in H1/15), which last year was affected by the sale of 33.3% in eMagenio Sp. z.o.o., the operator of the Magento platform for the development of online shops. SARE was forced to sell eMagenio as it had been misinformed about the company's financial condition.

Balance sheet and Cash flow

At the end of June 2016, SARE had equity of PLN 20m, which corresponded to a ratio of 75%. Apart from equity, the largest balance sheet position were intangible assets of PLN 10.9m and working capital of PLN 7m. As of 30 June 2016, SARE had cash of PLN 2.5m, while its interest-bearing debt equaled PLN 85k.

Between January and June 2016, SARE generated an operating cash flow of PLN -680k compared to PLN 133k in H1/15. Cash flow from investing equaled PLN -1m (H1/15: PLN -1.1m). Cash flow from financing amounted to PLN 635k (PLN -74k) and was impacted by the capital increase worth PLN 777.7k in January 2016 (31.7k new shares at PLN 24.50 per share), which however was significantly below management's plan of PLN 6m-7m. In H1/16, SARE's cash position declined by PLN 1.1m.

In February 2016, SARE announced the sale of neronIT Sp. z.o.o, a software developer, for PLN 250k. The reason was that neronIT does not fit to the company's current strategy. As the sale price equaled the book value, the transaction did not have any effect on SARE's balance sheet or results. Moreover, in H1/16 SARE took over an additional stake worth PLN 400k in Teletarget Sp. z.o.o (acquisition price was offset against company loans) and bought the mailing and customer relationship system of mailPro Sp. z.o.o, which resulted in a one-off profit of PLN 246k.

Financial forecasts

Revenues and Profitability

We have based our sales model on the segments, which SARE also uses in its reporting: "SARE", "INIS/mr Target", "Salelifter" and "Teletarget". We believe that the company's sales will grow at a CAGR 16E-24E of 8.5% and its net margin will reach 10%-11% in the long run.

SARE: The SARE software is offered in the ASP model and consist of the following modules: Email, SMS, Surveys and SMTP. There are different packages for each module, which depend e.g. on the number of included emails or SMS. Below is an overview over the available packages:

Module	Package		
	SARE Starter	SARE Standard	SARE Premium
Email			
Offer	max. 5k email addresses	5k-100k email addresses	Up for negotiation
Pricing	PLN 0-PLN 123 per month (net)	PLN 246-PLN 1476 per month (net)	Up for negotiation
SMS			
Offer	max. 10k SMS/month	10k-100k SMS/month	Up for negotiation
Pricing	PLN 0.12-PLN 0.15 per SMS (net)	PLN 0.10-PLN 0.11 per SMS (net)	Up for negotiation
Surveys			
Offer	max. 20 in one survey & max. 3 surveys	max. 50 in one survey & max. 10 surveys	Up for negotiation
Pricing	max. PLN 59 (net)	PLN 99-PLN 159 (net)	Up for negotiation
SMTP			
Offer	From 1 mail per month to >200k	n.a	n.a
Pricing	PLN 1.60-PLN 3 per 1k mails (net)	n.a	n.a

Source: Company information, East Value Research GmbH

For the SARE software, we have assumed that the average monthly fee per client and average number of clients will reach PLN 1,560 and 449 respectively in full-year 2016E. For the coming years, we have conservatively forecast that the average number of users will increase at a CAGR 16E-24E of 5.4% and the average monthly fee at 3%. In our view, despite a weak H1 the net margin in full-year 2016E will reach 0.2%, while in the long run it should increase to c. 1%.

INIS/mr Target: While INIS, the email affiliate network, generates revenues from monthly subscriptions, mr Target is a project-based performance marketing agency. In our model, we have assumed that in 2016E INIS will have on average 105 clients, who will pay an average monthly fee of PLN 13,269. These figures should increase at a CAGR 16E-24E of 5.6% and 3% respectively by 2024E. For mr Target, we have assumed revenues of PLN 10.5m in 2016E and a CAGR 16E-24E of 7.9%. Regarding profitability, our forecast is 21.3% in full-year 2016E due to strong H1/16, which however should decline to 13%-14% in the long run due to competition.

Salelifter: Salelifter specializes in building, managing and monetizing email databases as well as generation of leads (contact data of prospective clients). Its revenues are project-based, meaning it receives cash after completion of each project. Due to weak H1/16 in our model we have assumed that the subsidiary will generate PLN 1.8m of revenues in full-year 2016E and a net loss of PLN 1m. However, we believe that in 2017E it should again be profitable.

In the long run, we expect that Salelifter will grow on top-line at an average rate of 7.5%, while its net margin should reach 11.5%-12%.

Teletarget: Teletarget is a telemarketing company. Although its results were very weak in H1/16, we believe that it has the potential to develop well in the long run as it complements SARE's offering very well. Teletarget's revenues depend on the number of projects, which it conducts.

In our view, the subsidiary will report revenues of PLN 30k and a net loss of PLN 300k in full-year 2016E. It should reach the break-even in 2018E. By 2024E, we expect that it will exhibit a revenue CAGR of 48.2% and generate net margins of 4.5%-5%.

in PLNm	2016E	2017E	2018E	2019E
SARE	8.40	9.30	10.30	11.40
<i>(% of sales)</i>	22.4%	22.4%	22.4%	22.4%
Net margin	0.2%	0.4%	0.6%	0.8%
Average number of clients	449	483	519	558
Average monthly fee (in PLN)	1,560	1,606	1,655	1,704
INIS, mr Target	27.27	30.15	33.34	36.87
<i>(% of sales)</i>	72.7%	72.6%	72.4%	72.4%
Net margin	21.3%	20.0%	19.1%	18.1%
Average number of clients INIS	105	107	115	124
Average monthly fee INIS (in PLN)	13,269	13,668	14,078	14,500
Yearly revenues mr Target (in PLN)	10,500	12,635	13,899	15,288
Salelifter	1.80	1.97	2.15	2.34
<i>(% of sales)</i>	4.8%	4.7%	4.7%	4.6%
Net margin	-55.6%	1.0%	3.5%	6.0%
Number of campaigns	1,200	1,272	1,348	1,429
Average remuneration per campaign (in PLN)	1,500	1,545	1,591	1,639
Teletarget	0.03	0.10	0.25	0.31
<i>(% of sales)</i>	0.1%	0.2%	0.6%	0.6%
Net margin	-1000.0%	-80.0%	0.1%	3.0%
Number of campaigns	150	500	1,200	1,440
Average remuneration per campaign (in PLN)	200	206	212	219
Total sales	37.50	41.52	46.04	50.93
change y-o-y	-2.0%	10.7%	10.9%	10.6%

Source: East Value Research GmbH

in PLNm	2016E	2017E	2018E	2019E
Net sales	37.50	41.52	46.04	50.93
EBITDA	6.94	8.53	9.21	9.81
<i>EBITDA margin</i>	18.5%	20.6%	20.0%	19.3%
EBIT	6.26	7.79	8.38	8.90
<i>EBIT margin</i>	16.7%	18.8%	18.2%	17.5%
Net income	4.52	6.02	6.49	6.91
<i>Net margin</i>	12.0%	14.5%	14.1%	13.6%

Source: East Value Research GmbH

in PLNm	Q1/14	Q2/14	Q3/14	Q4/14	2014
Net sales	6.17	5.76	6.02	7.07	25.02
<i>y-o-y change</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>72.0%</i>
EBITDA	1.31	0.42	0.86	0.40	3.00
<i>EBITDA margin</i>	<i>21.3%</i>	<i>7.3%</i>	<i>14.4%</i>	<i>5.7%</i>	<i>12.0%</i>
EBIT	1.21	0.33	0.77	0.30	2.61
<i>EBIT margin</i>	<i>19.6%</i>	<i>5.7%</i>	<i>12.7%</i>	<i>4.3%</i>	<i>10.4%</i>
Net income	0.82	0.08	0.39	-0.23	1.07
<i>Net margin</i>	<i>13.3%</i>	<i>1.5%</i>	<i>6.5%</i>	<i>-3.3%</i>	<i>4.3%</i>

in PLNm	Q1/15	Q2/15	Q3/15	Q4/15	2015	Q1/16	Q2/16	Q3/16E
Net sales	7.42	11.87	8.24	10.73	38.26	7.65	10.85	7.60
<i>y-o-y change</i>	<i>20.3%</i>	<i>105.9%</i>	<i>36.8%</i>	<i>51.8%</i>	<i>52.9%</i>	<i>3.1%</i>	<i>-8.6%</i>	<i>-7.7%</i>
EBITDA	1.05	2.41	1.30	2.03	6.79	0.99	2.49	1.37
<i>EBITDA margin</i>	<i>14.2%</i>	<i>20.3%</i>	<i>15.8%</i>	<i>18.9%</i>	<i>17.8%</i>	<i>12.9%</i>	<i>23.0%</i>	<i>18.0%</i>
EBIT	0.95	2.29	1.17	1.85	6.25	0.78	2.31	1.29
<i>EBIT margin</i>	<i>12.7%</i>	<i>19.3%</i>	<i>14.1%</i>	<i>17.2%</i>	<i>16.3%</i>	<i>10.2%</i>	<i>21.3%</i>	<i>17.0%</i>
Net income	0.52	1.49	0.78	1.00	3.79	0.52	1.55	0.94
<i>Net margin</i>	<i>7.0%</i>	<i>12.6%</i>	<i>9.5%</i>	<i>9.3%</i>	<i>9.9%</i>	<i>6.8%</i>	<i>14.3%</i>	<i>12.4%</i>

Source: Company information, East Value Research GmbH

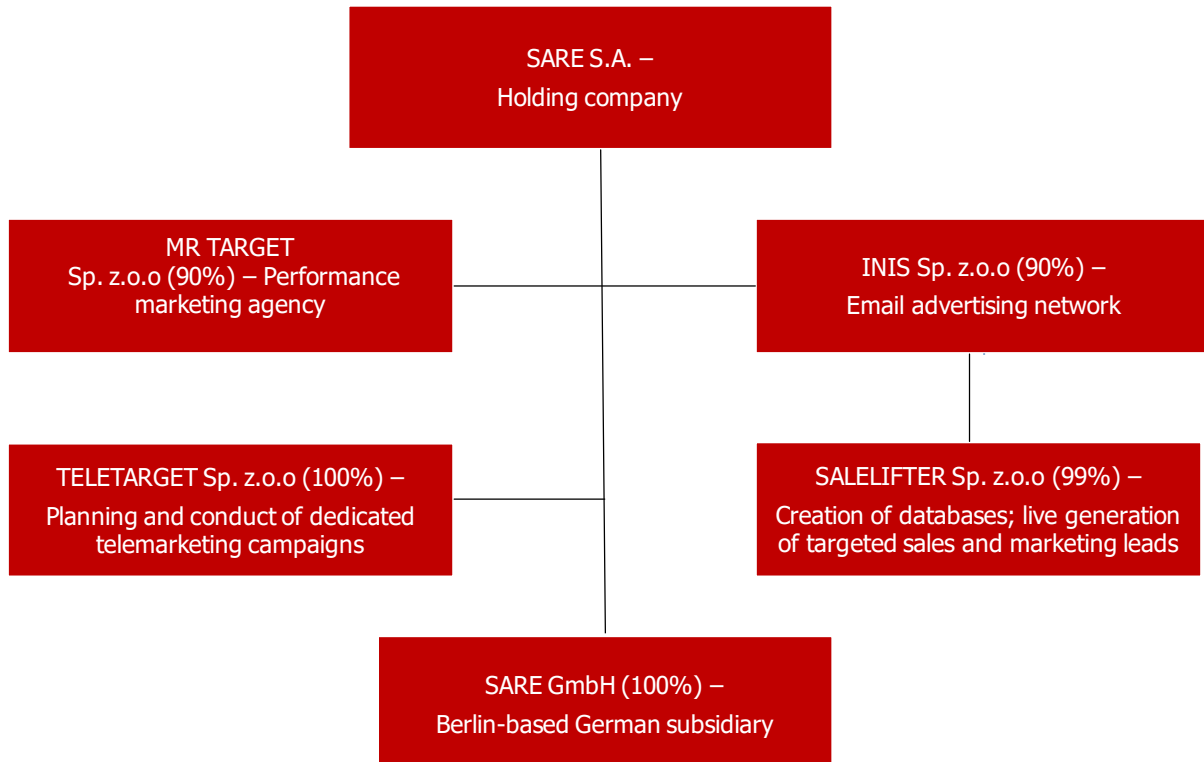
CAPEX and Working capital

For the next three years, SARE has defined three strategic areas, on which it wants to focus: Organic growth of the three largest subsidiaries (SARE S.A., INIS S.A. and mr Target Sp. z.o.o) through the introduction of new proprietary solutions; foreign expansion, which is supposed to be SARE's main growth driver in the long run; and expansion into Mobile and Big Data Analytics, mainly through acquisitions. We expect that gross CAPEX in 2016E will reach PLN 1.3m and in the long run 2.4% of yearly sales. Regarding working capital, we have assumed that due to business expansion its share will equal 14.2% in the future compared to 9.7% in 2015, while the cash conversion cycle should amount to 20 days (4 days).

Business description

SARE S.A., which is based in Warsaw, is a Polish technology company, which develops IT solutions that support sales, communication and marketing. The company provides advanced tools, which are used in newsletters, email marketing campaigns, loyalty programs, PR and IR as well as surveys. Its main product is the SARE system for effective and targeted email communication, which is supposed to allow multi-channel communication through e.g. call centers, Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP) systems, digital printers and E-commerce platforms. Apart from Poland, the company has also been active in Germany since July 2015, however has so far not generated any revenues there. In addition to the development of existing solutions, SARE wants to expand into the areas of Big Data Analytics and Mobile, preferably through acquisitions. SARE S.A. has been listed on the Warsaw Stock Exchange since 2011 and currently has c. 95 employees.

Organizational structure



Source: Company information, East Value Research GmbH

Company history

2005: Foundation of SARE Sp. z.o.o, which provides email marketing services based on a proprietary IT system.

2010: Change of the legal form to joint-stock company SARE S.A.

Creation of first subsidiary INIS Sp. z.o.o, which operates a platform for email-affiliation that allows the creation of campaigns with more (also external) address databases.

For the first time, SARE is part of the Deloitte Technology Fast 50 Central Europe ranking, which includes the fastest-developing innovative companies in Central Europe in terms of sales.

2011: SARE becomes member of the Deloitte Technology Fast 500 EMEA ranking, which includes the fastest-growing innovative companies from the EMEA region.

IPO in the NewConnect segment of the Warsaw Stock Exchange, which was accompanied by a capital increase of PLN 1m gross (215.5k new shares at PLN 4.65 per share).

Spin-off of mail-media Sp. z.o.o (now: mr Target Sp. z.o.o), a media agency, which operates in the area of performance marketing and is complementary to SARE's offering.

2013: Foundation of subsidiaries Teletarget Sp. z.o.o, which provides call center services, and Salelifter Sp. z.o.o, which creates and manages commercial databases with email addresses.

2015: Acquisition of an additional 30% stake in the company mr Target Sp. z.o.o. from listed OS3 Group S.A., a company, which was co-founded by SARE's Member of Supervisory Board Tomasz Pruszczyński.

Foundation of German subsidiary SARE GmbH with registered office in Berlin.

2016: Capital increase worth PLN 777.7m (31.7k new shares at PLN 24.50 each). Originally, the company had offered max. 543.5k new shares. The new funds were supposed to be used for two acquisitions: one of a company, which operates in the area of Big Data, and one of a company, which develops software for mobile devices. Moreover, SARE wanted to use a smaller part of the new capital for investments in its start-ups Power WiFi, affiliation platform videoTarget and consumer platform Zrabortowani.pl.

Dariusz Piekarski becomes CEO of SARE and Przemyslaw Marcol the Vice President of the Board.

Products and brands

Below is an overview:

SARE: SARE is an email marketing tool, which is used by clients from 40 countries for loyalty and advertising campaigns, internal communication and PR/IR. The tool helps to create newsletters, SMS/MMS and define target groups. Moreover, it offers an address management and web analytics system that allows to measure the effectiveness of each campaign. It can also be integrated with external systems such as call centers, CRM, ERP, digital printers or E-Commerce platforms. The SARE tool consists of four modules (Email, SMS, Surveys, SMTP), which are offered in three different packages: SAREstarter, SAREstandard, SAREpremium.

In 2015, the segment contributed 21.1% of total sales and generated a net income of PLN -169k. Since 2015, SARE has also been present in Germany with an own subsidiary SARE GmbH, which was registered in Berlin. One of strategic objectives of SARE is the increase of the share of foreign sales, which last year amounted to 7.8%.

INIS: INIS is software solution, which targets smaller companies that do not send emails to large address databases. It is the first email affiliate network in Poland, which offers clients a free email distribution system and a partner network with several thousand web portals, blogs and online services. The subsidiary's proprietary tools allow the creation of personalized messages and newsletters, which can then be sent to >250 owners of address databases with >38m records. With its inisTrack module, it also offers the possibility to monitor the effectiveness of the campaigns by analyzing especially the behavior of the end-users. INIS' affiliate network and own Real-Time Bidding platform bring together publishers and advertisers in an efficient way and offer clients the following performance-based monetization models: CPM (cost per mille) – fee per 1k emails sent, CPC (cost per click) – fee per click in email, CPL (cost per lead) – fee per contact form, CPO (cost per order) – fixed fee per order, CPS (cost per sale) - percentage of the value of an order.

mr Target: mr Target is a performance-based agency, whose projects span from content generation, image creation as well as planning and purchasing of media. It has developed own tools for campaign optimization, monitoring and analysis e.g. Go2Target, which allows the execution of audience email campaigns (audience targeting based on demographic data). One of mr Target's divisions is the start-up videoTarget, which realizes video campaigns with well-known celebrities, video bloggers and Youtubers. According to its web site, mr Target's clients include companies such as AXA, LOT, HP and Renault.

Together INIS and mr Target made up 76.4% of SARE's total revenues in 2015 and generated a net income of PLN 3.5m.

Salelifter: The subsidiary specializes in building, managing and monetizing email databases as well as generation of leads (contact data of prospective clients). It offers access to c. 15m B2C and B2B records and the possibility to define a specific target group based on geographic and behavioral data. The company has created the first system in Poland for verification and validation of databases and contact forms called Expectus. It also develops the project Monetyzuj.pl, which allows external partners the monetization of databases.

In 2015, Salelifter accounted for 2.3% of SARE's total revenues and generated a net income of PLN 681k.

Teletarget: Teletarget's service offering comprises verification of databases by phone, debt factoring, scheduling sales meetings, execution of surveys/interviews and various information campaigns. Moreover, the subsidiary provides services relating to planning and conduct of dedicated telemarketing campaigns for clients from the Healthcare, Automobile, Finance, Retail and Telco industries. Teletarget uses sophisticated call center systems, which are integrated with SARE's solutions.

In 2015, the subsidiary accounted for 0.2% of SARE's total sales and reported a net income of PLN -226k.

Start-ups

SARE also develops several start-ups, which are complementary to its core business. Although not yet profitable, they may contribute significantly to the company's results within the next 2-3 years. In the future, SARE could decide to sell them if it received an attractive offer.

Power WiFi: The start-up is supposed to offer advertisers a possibility to maintain and optimize the communication with their clients. Power WiFi plans to offer a special software and WiFi router against a fee, which will provide free access to the internet after registration e.g. in clients' restaurants, office buildings etc. Apart from collecting client' data, Power WiFi will also allow communication with the client through social media, newsletters and surveys as well as data analysis.

Zrabortowani.pl: Zrabortowani.pl is supposed to be a mobile cashback platform, on which retail customers will have access to coupons and rabat codes for online and offline purchases. The proposed coupons will be based on the customers' individual needs and their past online activity, which will be analysed by a behavioral recommendation system. Zrabortowani.pl is also supposed to allow customers to participate in loyalty programs and collect points, which could later be exchanged e.g. for cash or products. With the tool, SARE gets the possibility to conduct a geolocalisation analysis of a given client and thus target mobile marketing campaigns more effectively.

Rynekfinansowy.pl: Rynekfinansowy.pl is a portal for the comparison of financial products. The objective is to get access to data of clients, who are interested in loans, credit cards or insurance products.

SAREhub: SAREhub is a platform for multi-channel communication in the area of marketing automation. It offers the possibility to integrate many systems, manage campaigns and thus increase their effectiveness. With the solution, SARE will be able to see the clients' actions on websites and based on that conduct effective marketing campaigns.

Management

Dariusz Piekarski (CEO): Mr Piekarski has been CEO of SARE since June 2016 and as such is in charge of strategic and operational management, sales and accounting. He has also been Member of the Board of subsidiary mr Target since 2014. Before SARE, he was among others Director of Distribution at Axel Springer Polska, Director at Bonner Business Polska and President of publishing firm INFOR Business. Mr Piekarski graduated with a Master's degree in Technology from the Technical University in Czestochowa. He also completed postgraduate studies in Online Marketing at Szkoła Główna Handlowa in Warsaw.

Przemysław Marcol (Vice President of the Board): Mr Marcol has been Vice President of the Board at SARE since June 2016. Previously, he was Member of the company's Supervisory Board. Mr Marcol graduated in Law from the Silesian University in Katowice. He has been Head of the Polish Foundation for Development and Security of Electronic Communication since 2013.

Tomasz Pruszczyński (Member of the Supervisory Board): Mr Pruszczyński is one of the founders of SARE S.A. and was CEO of the company until June 2016. He was instrumental in the development of the company's strategy. Mr Pruszczyński graduated with a Master's degree in Political Science and Public Relations from the Higher School of Communication and Social Media in Warsaw and is Vice President of the Polish Association of Entrepreneurs and Employers. Apart from SARE, he co-founded such companies as OS3 Group, Digital Avenue (both are listed in the NewConnect segment of the Warsaw Stock Exchange), Hostersi, tuPolska and Red Sky.

Market environment

Internet use in Poland

According to UKE (Office for Electronic Communication), the saturation rate of internet access in Poland reached 101.6% in 2015, which corresponded to a 11.6% increase compared to the previous year. However, due to decreasing ARPU (especially in case of providers of DSL-based stationary internet) the value of the market relating to internet access declined by 0.5% y-o-y to PLN 5.07bn.

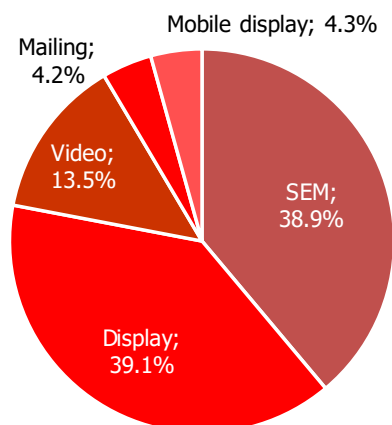
In 2015, there were 14m internet users in Poland. The whole growth compared to 2014 of 0.9m users was generated by mobile internet (+15.2% y-o-y to 6.67m users). With >94%, the saturation rate of mobile internet access was the fifth highest in Europe and c. 19% above EU average.

60.7% of internet users had access with >10 Mbit/s vs. 50.4% in 2014. In 2015, the number of super-fast connections of >30 Mbit/s more than doubled compared to the previous year and had a share of 36.8%.

Online advertising markets in Poland and Europe

ZenithOptimedia expects that the total ad market in Poland will increase from PLN 6.7bn (USD 1.7bn) last year to PLN 6.9bn (USD 1.8bn) net in 2016E (+3.2% y-o-y). According to the latest PwC Media and Entertainment Outlook, online advertising, whose value in 2015 amounted to USD 0.7bn, is expected to grow at a CAGR of 11.2% to USD 1.17bn by 2020E. As main growth drivers, the consultancy sees Video Ads (CAGR 15-20E of >32%), which according to ZenithOptimedia are one of the beneficiaries of the transition to programmatic buying, Mobile (CAGR of 15.6%) and SEM (CAGR of c. 11%). Despite the high growth dynamics, online advertising will only reach the size of TV in 2020E.

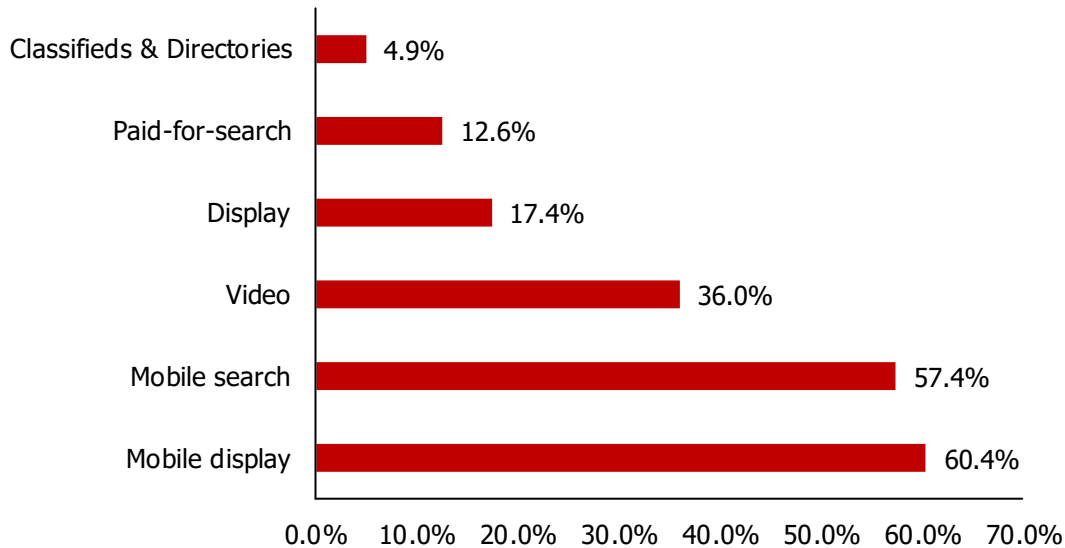
Share of different forms of online advertising in Poland in 2015



Source: Starcom MediaVest Group, East Value Research GmbH

For Western Europe, Carat forecasts that total ad spend will increase by 2.9% y-o-y in 2016E to a value of USD 94.4bn (17.2% of global ad spend). Thereby, UK, Sweden, Greece, Ireland and Spain are expected to be the main growth regions. As the fastest-growing channels, Carat regards Mobile, Social Media and Online Video.

Yearly growth of the different online advertising segments in Europe in 2015



Source: IAB Europe/IHS, East Value Research GmbH

Forecasts for selected online advertising markets in Western Europe

Pos	Country	Value of online advertising (2015)	Value of online advertising (2020E)	CAGR 15-20E
1	United Kingdom	USD 11.4bn	USD 18.2bn	10.50%
2	Germany	USD 6.8bn	USD 9.1bn	6.20%
3	France	USD 5.4bn	USD 9.5bn	11.80%
4	Italy	USD 2bn	USD 2.6bn	4.90%
5	Greece	USD 0.1bn	USD 0.2bn	10.90%

Source: PwC, East Value Research GmbH

Programmatic buying/Real-Time Bidding

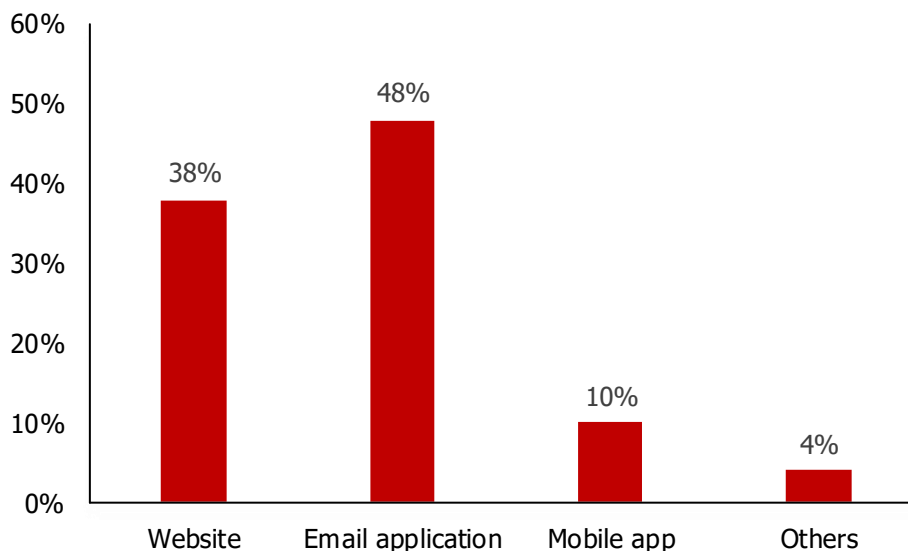
According to media house MEC, the market for programmatic buying/RTB in Poland is growing at a high double-digit rate and in 2016E will reach a value of c. PLN 400m (+60% y-o-y). The growth is driven by the popularity of online video, which is increasingly being bought in auctions e.g. ads on Youtube through the DoubleClick Bid Manager. What is limiting the development of the segment, are (1) online portals, of which many cannot be included in Real-Time Bidding (RTB) platforms and (2) higher costs of programmatic buying compared to ads, which are bought directly on specific portals. For the coming years, MEC forecasts that programmatic buying will continue to grow 40-60% y-o-y as it allows agencies to target audiences more efficiently and effectively. In the US, the share of programmatic advertising, which in Poland amounts to c. 12% of the total display marketing segment, is expected to increase to 67% in 2016E.

In case of EMEA (primarily Western Europe), the value of the programmatic advertising segment is estimated at EUR >5.7bn, according to IAB Europe's data for 2015. According to Magna Global/Digitay, in EMEA programmatic advertising has the highest penetration rate in UK, the Netherlands, Denmark and France. The value of the segment is expected to grow at a CAGR 14-19E of 27.8%.

Email Marketing

According to SARE, which analyses the email marketing segment regularly, 68% out of >2,000 people, who took part in its latest survey, had at least three email accounts that were created for private reasons, business, for receiving promotions or newsletters. Almost 50% of them received more than 40 emails every day. Radicati Group Inc. expects that by 2017E the number of active email accounts worldwide will increase from 3.9bn in 2013 to 4.9bn, indicating that email is a very popular means of communication.

How Polish users access email messages



Source: SARE, East Value Research GmbH

SARE's survey also found out some interesting facts about the use of newsletters and how companies perceive email marketing. 92% of respondents mentioned that they would subscribe newsletters and 80% prefer those with interesting content. Most receive 6-10 newsletters every week, which is more than the 3-5 that most respondents indicated in the last survey in 2014. 90% of the companies, which were asked about email marketing, answered that it allows them to maintain relations with clients, increase sales or the number of visits on their website. 96% of companies estimated that they would use email marketing in the future at least as often as currently. Thus, the conclusion seems that there is no competition between social media and email marketing. Instead, both channels complement each other very well. Examples include automatic publishing of newsletters on Twitter or Facebook or registering subscribers through forms on Facebook.

Big Data Analytics

According to market research firm IDC, the market for big data and business analytics applications, tools and services will increase from c. USD 122bn in 2015 to USD >203bn by 2020E (CAGR of c. 11%), whereby services should develop most dynamically. Demand for respective products and solutions is expected to be driven by three factors: Availability of data, a new generation of technology and a shift towards data-driven decision making. When it comes to industries, most of the growth will likely stem from Banking, Discrete and Process Manufacturing, Federal/Central Government and Professional Services.

According to consulting firm McKinsey, every day computation creates tons of consumer data, which together with digital technologies allows to gain many insights about customer needs and behaviors. Big data e.g. information gained from social networks and search engines provides marketers with great detail of consumers' behavior and interests. Opportunities include for example (1) adding more variables to their audience targeting (insights about consumers' lifestyle, likes, purchasing habits in addition to demographic data) (2) information that can be used for finding new marketing opportunities and increasing effectiveness of ad campaigns and (3) making the analysis of campaign results more accurate. McKinsey estimates that companies, which use Big Data and Analytics effectively, show productivity rates and profitability that are 5%-6% higher than those of their peers. Also, they have a 15%-20% higher ROI on marketing spend.

Profit and loss statement

in PLNm	2014	2015	2016E	2017E	2018E	2019E
Revenues	25.02	38.26	37.50	41.52	46.04	50.93
Cost of goods sold	-15.84	-24.14	-21.26	-23.04	-25.51	-28.37
Gross profit	9.18	14.12	16.24	18.48	20.53	22.56
Other operating income	0.21	0.25	0.55	0.56	0.57	0.58
Personnel costs	-5.75	-7.23	-7.88	-8.72	-9.67	-10.70
Other operating expenses	-0.65	-0.34	-1.98	-1.79	-2.23	-2.64
EBITDA	3.00	6.79	6.94	8.53	9.21	9.81
Depreciation	-0.39	-0.55	-0.68	-0.75	-0.83	-0.92
Operating income	2.61	6.25	6.26	7.79	8.38	8.90
Net financial result	-0.60	-0.96	-0.25	0.10	0.12	0.14
EBT	2.01	5.29	6.01	7.89	8.50	9.04
Income taxes	-0.62	-1.24	-1.15	-1.50	-1.62	-1.71
Minorities	-0.32	-0.26	-0.35	-0.37	-0.39	-0.41
Net income / loss	1.07	3.79	4.52	6.02	6.49	6.91
EPS	0.48	1.71	1.97	2.63	2.83	3.02
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Share in total sales						
Revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-63.30 %	-63.10 %	-56.70 %	-55.50 %	-55.40 %	-55.70 %
Gross profit	36.70 %	36.90 %	43.30 %	44.50 %	44.60 %	44.30 %
Other operating income	0.82 %	0.66 %	1.47 %	1.35 %	1.24 %	1.15 %
Personnel costs	-22.96 %	-18.91 %	-21.00 %	-21.00 %	-21.00 %	-21.00 %
Other operating expenses	-2.58 %	-0.89 %	-5.27 %	-4.30 %	-4.84 %	-5.18 %
EBITDA	11.98 %	17.76 %	18.50 %	20.55 %	20.00 %	19.27 %
Depreciation	-1.55 %	-1.43 %	-1.80 %	-1.80 %	-1.80 %	-1.80 %
Operating income	10.43 %	16.33 %	16.70 %	18.75 %	18.20 %	17.47 %
Net financial result	-2.41 %	-2.51 %	-0.67 %	0.24 %	0.26 %	0.27 %
EBT	8.02 %	13.81 %	16.03 %	18.99 %	18.46 %	17.74 %
Income taxes	-2.50 %	-3.23 %	-3.05 %	-3.61 %	-3.51 %	-3.37 %
Minorities	-1.26 %	-0.68 %	-0.93 %	-0.89 %	-0.85 %	-0.80 %
Net income / loss	4.26 %	9.90 %	12.05 %	14.49 %	14.10 %	13.57 %

Balance Sheet

in PLNm	2014	2015	2016E	2017E	2018E	2019E
Cash and equivalents	2.44	3.59	7.53	12.36	17.68	23.40
Financial assets	0.13	0.04	0.04	0.04	0.05	0.05
Inventories	0.00	0.00	0.00	0.00	0.00	0.00
Trade accounts and notes receivables	5.30	8.51	9.25	10.24	11.35	12.56
Other current assets	1.07	1.31	1.50	1.66	1.84	2.04
Current assets, total	8.94	13.46	18.32	24.30	30.92	38.04
Property, plant and equipment	0.47	0.79	0.81	0.83	0.85	0.87
Other intangible assets	9.57	10.25	11.00	11.85	12.77	13.72
Goodwill	0.45	0.41	0.21	0.21	0.21	0.21
At-equity investments	0.08	0.11	0.11	0.11	0.12	0.12
Other long-term assets	0.05	0.07	0.07	0.08	0.09	0.10
Deferred tax assets	0.24	0.34	0.00	0.00	0.00	0.00
Non-current assets, total	10.85	11.97	12.21	13.08	14.04	15.02
Total assets	19.78	25.42	30.53	37.39	44.96	53.06
Trade payables	3.39	5.09	4.08	4.42	4.89	5.44
Other short-term liabilities	0.62	0.89	0.87	0.96	1.07	1.18
Short-term financial debt	0.05	0.05	0.06	0.00	0.00	0.00
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.21	0.18	0.80	0.89	0.98	1.09
Current liabilities, total	4.27	6.21	5.81	6.27	6.94	7.71
Long-term financial debt	0.03	0.04	0.02	0.02	0.01	0.01
Other long-term liabilities	0.24	0.15	0.15	0.17	0.18	0.20
Deferred tax liabilities	0.08	0.11	0.00	0.00	0.00	0.00
Long-term liabilities, total	0.36	0.30	0.17	0.18	0.19	0.21
Total liabilities	4.63	6.51	5.98	6.45	7.13	7.91
Shareholders equity, total	14.30	18.39	23.68	29.70	36.19	43.11
Minority interests	0.86	0.52	0.87	1.24	1.63	2.04
Total equity and liabilities	19.78	25.42	30.53	37.39	44.96	53.06

Cash Flow Statement

in PLNm	2014	2015	2016E	2017E	2018E	2019E
Net income / loss	1.07	3.79	4.52	6.02	6.49	6.91
Depreciation & Amortization	0.39	0.55	0.68	0.75	0.83	0.92
Change of working capital	-0.77	-2.17	-1.96	-0.70	-0.70	-0.72
Others	1.07	1.07	-0.84	-0.09	-0.10	-0.10
Net operating cash flow	1.76	3.23	2.39	5.98	6.53	7.01
Cash flow from investing	-1.10	-1.99	-1.25	-1.61	-1.77	-1.89
Free cash flow	0.66	1.24	1.14	4.36	4.76	5.12
Cash flow from financing	0.01	-0.09	2.80	0.46	0.56	0.60
Change of cash	0.67	1.15	3.94	4.83	5.32	5.72
Cash at the beginning of the period	1.77	2.44	3.59	7.53	12.36	17.68
Cash at the end of the period	2.44	3.59	7.53	12.36	17.68	23.40

Financial ratios

Fiscal year	2014	2015	2016E	2017E	2018E	2019E	2020E	2021E
Profitability and balance sheet quality								
Gross margin	36.70%	36.90%	43.30%	44.50%	44.60%	44.30%	43.30%	42.30%
EBITDA margin	11.98%	17.76%	18.50%	20.55%	20.00%	19.27%	18.75%	17.75%
EBIT margin	10.43%	16.33%	16.70%	18.75%	18.20%	17.47%	16.95%	15.95%
Net margin	4.26%	9.90%	12.05%	14.49%	14.10%	13.57%	13.18%	12.41%
Return on equity (ROE)	11.82%	23.19%	21.47%	22.54%	19.71%	17.44%	15.52%	13.66%
Return on assets (ROA)	8.44%	18.69%	15.62%	15.83%	14.18%	12.77%	11.54%	10.27%
Return on capital employed (ROCE)	11.59%	24.92%	20.51%	20.26%	17.85%	15.90%	14.24%	12.62%
Economic Value Added (in PLNm)	-0.26	2.24	1.79	2.18	1.74	1.19	0.51	-0.39
Net debt (in PLNm)	-2.36	-3.50	-7.45	-12.34	-17.67	-23.39	-29.94	-36.60
Net gearing	-16.54%	-19.02%	-31.47%	-41.56%	-48.82%	-54.27%	-59.46%	-63.38%
Equity ratio	72.27%	72.33%	77.57%	79.44%	80.51%	81.24%	81.91%	82.34%
Current ratio	2.09	2.17	3.16	3.88	4.46	4.94	5.43	5.82
Quick ratio	1.84	1.95	2.90	3.61	4.19	4.67	5.17	5.56
Net interest cover	4.33	6.50	25.05	-77.85	-69.83	-63.56	-58.31	-52.71
Net debt/EBITDA	-0.79	-0.51	-1.07	-1.45	-1.92	-2.38	-2.90	-3.47
Tangible BVPS	6.24	8.11	10.24	12.87	15.70	18.72	21.88	25.10
CAPEX/Sales	40.35%	3.96%	3.33%	3.89%	3.85%	3.70%	3.05%	2.99%
Working capital/Sales	8.43%	9.66%	15.07%	15.30%	15.32%	15.26%	15.07%	14.88%
Cash Conversion Cycle (in days)	-1	4	20	20	20	20	20	20
Trading multiples								
EV/Sales	1.65	1.08	1.10	1.00	0.90	0.81	0.75	0.69
EV/EBITDA	13.79	6.08	5.96	4.84	4.49	4.21	4.01	3.91
EV/EBIT	15.84	6.62	6.60	5.31	4.93	4.65	4.43	4.36
P/Tangible BVPS	3.06	2.35	1.87	1.48	1.22	1.02	0.87	0.76
P/E	41.05	11.55	9.69	7.27	6.74	6.33	6.03	5.93
P/FCF	66.03	35.33	38.34	10.03	9.20	8.55	7.35	7.26

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