

Investing to build

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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