


Buy

vs Accumulate

Share price: EUR 1.75

closing price as of 27/04/2010

Target price: EUR 2.40

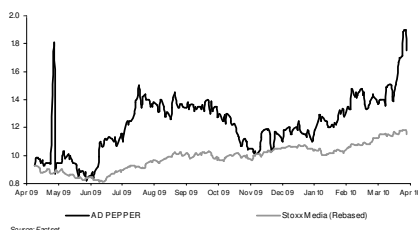
vs Target Price: EUR 1.70

Reuters/Bloomberg

APME.F/APM GY

| | |
|-------------------------------------|---------|
| Market capitalisation (EURm) | 36 |
| Current N° of shares (m) | 21 |
| Free float | 37% |
| Daily avg. no. trad. sh. 12 mth | 51,389 |
| Daily avg. trad. vol. 12 mth (m) | 0 |
| Price high 12 mth (EUR) | 1.90 |
| Price low 12 mth (EUR) | 0.76 |
| Abs. perf. 1 mth | 23.24% |
| Abs. perf. 3 mth | 56.25% |
| Abs. perf. 12 mth | 116.05% |

| Key financials (EUR) | 12/09 | 12/10e | 12/11e |
|-----------------------------|--------|--------|--------|
| Sales (m) | 47 | 50 | 54 |
| EBITDA (m) | (6) | 2 | 4 |
| EBITDA margin | nm | 4.3% | 7.7% |
| EBIT (m) | (32) | 2 | 4 |
| EBIT margin | nm | 3.0% | 6.6% |
| Net Profit (adj.)(m) | (14) | 3 | 4 |
| ROCE | nm | 114.3% | 158.6% |
| Net debt/(cash) (m) | (15) | (18) | (22) |
| Net Debt/Equity | -0.7 | -0.7 | -0.8 |
| Debt/EBITDA | 2.6 | -8.3 | -5.2 |
| Int. cover(EBITDA/Fin. int) | 4.5 | (1.7) | (3.1) |
| EV/Sales | 0.0 | 0.2 | 0.1 |
| EV/EBITDA | nm | 4.8 | 1.8 |
| EV/EBITDA (adj.) | nm | 4.8 | 1.8 |
| EV/EBIT | nm | 6.9 | 2.1 |
| P/E (adj.) | nm | 15.1 | 10.5 |
| P/BV | 1.2 | 1.7 | 1.5 |
| OpFCF yield | -19.1% | 6.2% | 9.3% |
| Dividend yield | 0.0% | 0.0% | 0.0% |
| EPS (adj.) | (0.63) | 0.12 | 0.17 |
| BVPS | 0.99 | 1.04 | 1.21 |
| DPS | 0.00 | 0.00 | 0.00 |



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1Q10 a real surprise – low OPEX bring early break-even

The facts: We upgrade APM from 'Accumulate', PT EUR 1.7, to 'Buy', PT EUR 2.4, after the company came up with a surprisingly strong first quarter – not as regards the revenue line, which was as expected at EUR 12m, but with respect to EBITDA and EBIT already breaking-even. Originally, we had forecasted the first three quarters to produce losses for APM and only due to a strong 4Q10, the full year could have reached a red zero for EBITDA. As we are convinced that APM should be keeping lower OPEX levels vs. our old estimates, we rate the investment into APM as attractive with an upside of c. 37%.

Our analysis:

- As mentioned before, **sales came in line** with our expectation of EUR 12m. The gross margin achieved however a level of 44.1% which was above our forecast of 42.5%.
- We rate it remarkable that the company has managed to reduce operating expenses from EUR 6m (EUR 2m monthly run-rate) in 4Q09 to EUR 5.3m (1.76m) in 1Q10. Thus, **the EBITDA broke even already in the quarter (EUR 0.2m) as well as the EBIT (EUR 17k)**.
- Thanks to a good financial result of EUR 0.4m, the EBT was positive (EUR 420k) and through the absence of taxes, **the 1Q10 EPS was 0.02. Our FY10 estimate stood at minus 0.01!**
- Hence, **we have increased our estimates significantly** as can be seen in the table below. **The outlook statement of the company is to keep break-even for EBITDA for the full year. This is clearly too conservative in our opinion. We expect APM rather to come up with EUR 2.15m here and c. EUR 1.5m for EBIT.**

Estimate changes

| in EUR m | FY10 old | FY10 new | change | FY11 old | FY11 new | change | FY12 old | FY12 new | change |
|-----------|-------------|-------------|--------|-------------|-------------|--------|-------------|-------------|--------|
| Sales | 49.9 | 49.9 | 0% | 54.0 | 54.4 | 1% | 58.2 | 58.8 | 1% |
| EBIT | -2.0 | 1.5 | n.a. | 0.3 | 3.6 | 1099% | 2.2 | 5.3 | 140% |
| EPS [EUR] | -0.01 | 0.12 | n.a. | 0.06 | 0.17 | 178% | 0.13 | 0.20 | 55% |

Source: equinet estimates

- As we believe that a lower cost base is sustainable (1Q10 contained no one-offs according to management), we have raised our model assumptions also for following periods. **This leads to a higher FV of EUR 2.4 (1.7).**
- Now with visible earnings per share for the years FY10-12, a P/E valuation starts to make sense again. **Based on our new PT, APM has a target P/E'12 of 12x which does not seem to be stretched.**
- **On top of this, the share overhang of Amiral Gestion has completely faded which could support a further share price appreciation.**

Conclusion & Action: 1Q10 was a positive surprise as APM really delivered on cost discipline. We rate the stock as a 'Buy' (Accumulate) as we believe in sustainability of the results shown. Beyond this, the company holds still net cash in excess of EUR 1. The PT moves up from EUR 1.7 to EUR 2.4.