EDISON

Ad-tech spotlight

Advertising technology – conference primer

23 June 2015

Both online and offline companies are embracing technology to help brands reach customers. While the initial hype surrounding the sector has dissipated, it has continued to rapidly evolve: distinct ecosystems have emerged and companies' strategies have become more defined. On 25 June, RNTS Media, Eagle Eye Solutions, blinkx and JCDecaux will be discussing how they are embracing emerging technologies to differentiate themselves in this noisy sector.

More than just algorithms

'Big data' and 'programmatic trading' are leading a revolution in the way advertising and marketing are managed, and we have seen a flood of IPOs over the past few years in these areas. While these technologies touch many companies in the ecosystem, the sector is very diverse. Understanding how companies are differentiating themselves will be key to picking winners in this consolidating sector.

25 June – four differentiated companies presenting

We have invited four companies from different parts of the ecosystem to talk about where they fit in, how they differentiate themselves and how they are using technology to help publishers, brands and audiences.

- **RNTS Media:** Owns Fyber – a leading mobile 'app' supply-side platform that helps publishers monetise their mobile applications by connecting them to a network of worldwide demand sources.
- **Eagle Eye:** The UK's leading digital promotions group, specialising in real-time, multi-channel digital offers, vouchers and rewards.
- **blinkx:** A pioneer of video search on the Internet, blinkx's platforms are now connecting audiences, publishers and advertisers across 'four screens'.
- **JCDecaux:** Leading outdoor advertising company and the only group in the three principal segments: street furniture, transport advertising and billboard.

Valuation: 50 shades of grey

On the promise of sustained 50%+ growth, the sector traded on c 4x sales two years ago. This early hype has all but dissipated as the markets came to realise the scale of investment needed to deliver on this promise, and some of the hurdles that the industry faces (some of which are outlined in this note). For companies in the mid-cap arena – with notable exceptions Eagle Eye, RNTS Media, Criteo and TubeMogul – valuations are now languishing at below 1x sales. In a sector that is, when you look below the surface, fairly diverse, this black and white view seems somewhat naïve. Companies are (on the whole) sub-scale, which is driving consolidation. It is interesting that the private sector continues to attribute significantly more value to this sector than the public markets.

While the technology is fundamental, we believe it is companies that combine the following qualities that are most likely to succeed: 1) Strong relationships with high-quality customers; 2) transparent solutions (accountability and assurance); 3) differentiated standalone products; and 4) diverse product sets that offer exposure to various growth pockets in the industry.

Companies in this report

blinkx

Eagle Eye

JCDecaux

RNTS Media*

*Denotes Edison client

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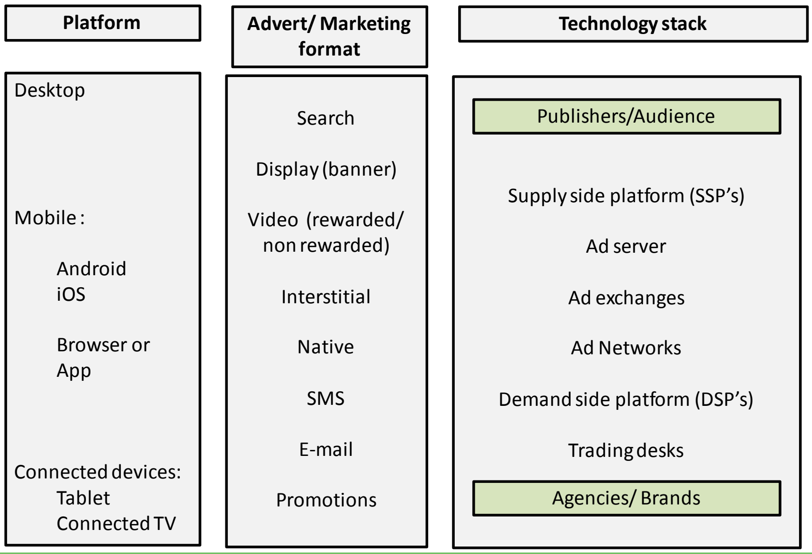
Online advertising technology value chain

Audiences now consume more media online than on any other platform. While this has given brands many more opportunities to reach potential customers, these audiences are fragmented in terms of what they are viewing and how they view it: across multiple sites, over different platforms (desktop, mobile, tablet and connected TV), running on different operating systems and in different formats. Furthermore, the pace of change is unprecedented – there have been more advertising formats launched in the last 10 years than in the preceding century. Digital advertising formats started with email marketing, desktop search, pop-ups and online display advertising. As broadband speeds improved, advertising formats have been able to become more creative and 'richer' – for instance, interactive video. The industry has had to rapidly evolve to adapt to new viewer habits over mobile (first SMS, browsers and now with apps).

The pace of evolution and fragmentation means that brands are increasingly turning to software companies to help them reach these audiences in a more efficient and cost-effective manner. In the online arena, technologies centre on the following:

- **Market intelligence:** Companies now have a dazzling array of data points – from first-party data, loyalty cards, CRM data, to third-party data and cookies etc. This intelligence needs to be consolidated and analysed – often on a real-time basis to ensure that adverts are relevant and effective. This may include the use of data management platforms (DMPs), CRM software, geo-fencing technologies and analytics tools.
- **Reach:** Platforms that consolidate relationships with the fragmented publisher communities (eg SSPs – supply-side platforms), and demand (advertising) sources (demand-side platforms).
- **Exchanges and networks:** To execute transactions between the publishers and the brands.
- **Ad servers:** To deliver the adverts in the correct format to the different platforms.

Exhibit 1: Simplified advertising technology value chain



Source: Edison Investment Research

Other than search advertising, where the market is dominated by Google, for the newer advertising mediums and formats, the ecosystems emerged by joining up niche product offers and are still very fragmented. Depending on the platform, the ad format and the need, brands and publishers will have to choose from a diverse range of ad-tech companies to help them connect. There are hundreds, if not thousands, of companies in the value chain.

Trending technologies

Digital advertising is expected to grow at a CAGR of 13% to $82bn by FY18[1]. While desktop search and display advertising (eg banner ads and pop-ups) are now a fairly mature market (in the west at least), mobile and video are fast-growing segments, as are programmatic trading technologies and geo-targeting.

Platform trends – mobile overtaking desktop

Smartphones and 4G networks are now almost ubiquitous in developed markets, and with the availability of low-cost options are fast becoming the norm in many emerging markets (eMarketer forecasts 2.6 billion smartphone users in 2017 from 1.7 billion at end-2014). This has led to a paradigm shift in the way we consume media: more is consumed now on mobile (c 25% share in the UK) than on desktop and it is fast approaching TV. While initially slow to react to changing behaviour, brands are increasingly moving budgets to mobile and strong growth is forecast for the medium: eMarketer forecasts the global mobile advertising industry to grow by c 50% pa to reach over $100bn by 2016, overtaking desktop in many key markets in 2016.

Technology trends – programmatic

Programmatic advertising is the automated buying and selling of advertising inventory, which is driven by a combination of machine-based transactions, data and algorithms. These technologies support the real-time buying and selling of advertising on an impression-by-impression basis, driving significant improvements in the ROI of advertising campaigns and supporting improved monetisation of publisher's content. In a fairly short time it has come to account for more than half all digital display advertising spend in many markets – $15bn in the US in FY14 (from $4bn two years earlier) and accounts for the majority of mobile deals. There are different types of programmatic advertising exchanges, depending on whether they are based around an auction (real-time bidding – currently the largest category) or not (programmatic direct – fast-emerging category) and whether deals are open to the public (eg open exchanges vs private marketplaces), or if inventory is guaranteed. These different technologies are expected to account for over 80% of all display advertising spend by 2018.

Format trends – video

As the market becomes more sophisticated, advertisers are seeking formats that enhance the audience experience rather than disrupt it. Due to improving smartphone technology and the adoption of high-speed, 3G and 4G wireless internet connections, video is forecast to be the format likely to see the greatest growth over the next few years. Already, video accounts for 57% of consumer internet traffic, which is attracting more video advertising budgets. The CAGR of video advertising is forecast at 22% to reach $13bn by 2018, with the sweet spot of mobile video growing at c 40% a year over the same period.

Location-based advertising (LBA)

The idea of 'geo-fencing' campaigns to target buyers in particular locations, at particular times (and even in particular weather conditions) is gaining traction. This gives advertisers the possibility to send highly-targeted adverts to consumers when they are more likely to make a purchase, with campaigns showing very high conversion rates. The contextual relevance of LBA has been shown to lead to higher click-through rates and industry forecasters expect this to influence more than half all mobile advertising spend in three years (source: BIA Kelsey). It forecasts spending on LBA to triple in the US to $2.74bn by 2017 ($0.75bn +100% in 2013).

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1 eMarketer

Some of the issues the industry faces

Reputational damage – fraud

The Interactive Advertising Bureau (IAB) has estimated (February 2014) that over one-third of internet traffic was fraudulent, resulting in advertisers paying for fake impressions rather than actual views. For instance:

- **Deliberate fraud:** The use of computer programmes (bots) to generate artificial web traffic.
- **Viewability issues:** Ads may be recorded as having been viewed, even though they do not influence consumer behaviour. This can occur when ads or videos are stacked on top of each other or do not appear on the part of the screen being viewed.
- **Fixing the rankings:** Accusations that some publishers were using incentivised downloads to fix the ranking of their apps.

These issues have created a crisis of confidence in some segments of the market, which has not only affected growth rates, but is compelling all companies, even those not tarnished by fraud, to invest in third-party verification companies to provide more accountability over their advertising inventory.

Consumer backlash – ad-blocking technologies

Online advertising can cause consumers a number of headaches: if not targeted correctly it can interrupt the consumer's online experience and can be 'hijacked' to carry malicious code. Many consumers have privacy concerns when ads are perceived to be 'spyware', tracking pages the user visits. These issues have spurred the popularity of 'ad-blockers' – technologies that can prevent the display of advertising on web pages. More than 140 million people, or 5% of the world's online population, are estimated to use software (such as Adblock Edge and Disconnect) to prevent advertising from appearing on web pages. The Financial Times recently reported that several major European mobile operators are planning to load this software onto their networks.

Rolling investment cycles

The pace of evolution in the sector has led to an ongoing 'upgrade' cycle as companies have to adapt or rebuild platforms to ensure they can reach the most relevant audiences and offer the most up-to-date feature sets to customers:

- Companies that were focused on desktop advertising are being required to make the move into mobile.
- Digital ad networks have to invest in ad exchanges.
- Ad exchanges have to invest in a wider spectrum of programmatic technologies (eg real-time bidding and private marketplaces, programmatic direct).
- All have to ensure they are able to offer the advertising format 'du jour'.

Valuations – public vs private mismatch

Following the early hype in the sector, valuations in the public arena have crashed down to earth over the last 12 months. Companies are now trading on EV/sales multiples of between 0.3x and 6x with most mid-cap ad-tech companies rated at below 1x sales, despite organic revenue growth rates forecast between 5% and 60%.

It seems that the private sector is currently attributing more value to the sector than the public markets – there were 82 significant ad-tech deals in 2014 compared with 52 the year before (source: Luma Partners, WSJ) with industry heavyweights becoming increasingly active: noteworthy deals include Yahoo's acquisitions of mobile SSP Flurry ($300m) and video ad network BrightRoll ($640m, 6x sales) in 2014, Facebook's acquisition of LiveRail ($400m) and Verizon's recent acquisition of AOL (May 2015 $4.4bn ,1.9x sales). This mismatch of ratings may be due to the public markets struggling to understand whether all companies are affected by the issues faced by the sector equally, and how companies can differentiate themselves. With most companies loss-making, consolidation is going to continue to be an ongoing feature in the sector.

We believe investors in this sector should look for the following qualities:

- **Growth pockets:** Are the companies positioned in a number of growing segments with regard to platform, technology requirement and advertising format.
- **Quality of inventory:** For 'supply-side companies', the depths of their relationships with publishers and the quality of their inventory are key. This can be reflected in the CPMs (cost per thousand) they are able to charge, and if key names feature in their customer base on a recurring basis.
- **Transparency:** For the demand side, visibility over the quality of placements and accountability regarding ROIs. Can companies show they are doing their upmost to manage potential fraud over their networks?
- **Differentiated:** Do the companies have a differentiated standalone product, or, is there a risk that it will simply become a 'feature set' of a more integrated product offering?

Exhibit 2: Advertising technology – peer comparison

Company		Market cap (m)	Sales (m)		Gross profit (m)		EBITDA (m)		EV/sales (x)		EV/gross profit (x)		EV/EBITDA (x)		Sales growth (%)	
			This	Next	This	Next	This	Next	This	Next	This	Next	This	Next	This	Next
Facebook	USD	186,557	17,025	22,728	14,157	18,978	10,477	14,042	10.3	7.7	12.4	9.3	16.8	12.5	37	33
Google	USD	183,747	59,718	70,202	47,140	51,188	28,905	33,620	2.0	1.7	2.6	2.4	4.2	3.6	(10)	18
Twitter	USD	22,680	2,219	3,300	1,620	2,451	539	923	9.3	6.3	12.8	8.4	38.3	22.4	58	49
AOL	USD	3,915	2,664	2,820	613	645	508	531	1.5	1.4	6.3	6.0	7.6	7.3	5	6
Criteo	EUR	3,134	459	587	356	434	123	175	6.2	4.9	8.0	6.6	23.2	16.3	(38)	29
RNTS Media	**EUR**	**426**	**90**	**125**	**31**	**41**	**(7)**	**(4)**	**4.6**	**3.3**	**13.4**	**10.1**	**N/A**	**N/A**	**35**	**39**
Rocket Fuel	USD	355	504	594	234	281	4	25	0.7	0.6	1.4	1.2	86.3	13.3	23	18
Marin Software	USD	266	115	135	78	93	(11)	(2)	1.7	1.5	2.6	2.2	(17.8)	(102.7)	16	17
Millennial Media	USD	252	327	363	140	160	(18)	2	0.6	0.6	1.4	1.3	(11.4)	93.6	10	11
Brightcove	USD	235	135	147	91	100	6	7	1.6	1.5	2.3	2.1	38.5	28.6	8	9
Tremor Video	USD	160	197	234	76	89	(5)	4	0.4	0.4	1.1	0.9	(15.5)	21.6	23	19
YuMe	USD	167	199	216	95	103	1	5	0.5	0.5	1.1	1.0	76.9	19.5	12	9
Crossrider	USD	140	103	135	NA	NA	9	16	0.7	0.5	NA	NA	736	4.1	45	31
blinkx	**USD**	**£126**	**225**	**240**	**90**	**96**	**4**	**8**	**0.5**	**0.5**	**1.1**	**1.0**	**25.2**	**12.6**	**5**	**7**
Matomy Media	GBP	107	186	220	45	56	18	26	0.6	0.5	2.3	1.9	5.9	4.1	29	19
Marimedia	USD	49	68	94	NA	NA	6	12	0.3	0.3	NA	NA	4.1	2.0	8	38
Eagle Eye	**GBP**	**46**	**6**	**9**	**4**	**7**	**(1)**	**0**	**7.6**	**4.8**	**10.8**	**6.4**	**NA**	**NA**	**211**	**59**
JCDecaux	**EUR**	**8,509**	**3,058**	**3,234**	**3,058**	**3,234**	**660**	**718**	**2.8**	**2.6**	**2.8**	**2.6**	**12.8**	**11.8**	**23%**	**6%**

Source: Bloomberg. Note: Priced at 18 June 2015.

In the spotlight: Company profiles

On 25 June 2015 at our London office, we are hosting four companies from different parts of this sector to discuss where they fit in the value chain, how they differentiate their services, the opportunities for their products, and how they are addressing some of the issues faced.

blinkx: Connecting content, audiences and advertisers across four screens

Dan Slivjanovski, SVP, chief marketing officer: Dan is head of marketing, responsible for strategic brand direction, corporate communications/investor relations, product marketing and sales support. A veteran strategy consultant and agency executive, Dan's expertise is in anticipating sector trends and customer needs while helping to define and implement corporate growth strategies. Dan brings 20 years' experience in digital marketing, management consulting and agency services to his role. His knowledge base covers comprehensive digital advertising elements, specialising in online video, cross-screen targeting and programmatic trading.

Prior to joining blinkx, he was EVP of HNW, a marketing consultancy focused on the financial services and luxury sectors, where his clients included Citibank, Morgan Stanley, Goldman Sachs and Charles Schwab. Previously, he was a senior consultant with Cap Gemini Ernst & Young and senior associate at APCO Worldwide. Dan has a BS from Georgetown University's School of Foreign Service and an MBA from the Kellogg School of Management at Northwestern University.

Eagle Eye: UK's leading digital promotions group

Lucy Sharman-Munday, CFO: Lucy joined in July 2014 as CFO. She is the former CFO of 5one Group, a global consultancy helping retailers achieve a customer-centric strategy. Prior to this she worked for Adapt Group, and, in 2006, iSOFT, as an integral part of the turnaround team that sold the business to IBA Health Group at end-2007. Lucy qualified with KPMG as a chartered accountant in 2003.

Andy Smith, business development director: He joined Eagle Eye in September 2011 and is the primary point of contact for brands and issuance partners using the Eagle Eye AIR platform. Andy is a sales & marketing expert, having spent the past 24 years in business development and marketing. He was a pioneer in the mobile advertising industry as EMEA sales director of AdMob, followed by a year as head of mobile at Google in the UK. Prior to this, he co-founded Ardent Marketing before the business was sold to 141 Worldwide.

JCDecaux: World-leading outdoor advertising company

Matthew Leggett, director of retail, JCDecaux UK: Matthew has nearly 15 years' experience in senior sales and product development roles in media and advertising. As director of retail at JCDecaux, he has been responsible for developing the digital advertising platform across JCDecaux's Retail portfolio. Prior to this, Matthew was a senior sales manager at Channel 4 Group, driving advertising revenues across its main platform, Channel 4. He also held a leadership role in the launch of Film4 as a FreeView platform, and product launches of the E4 and More4 channels.

RNTS Media: Leading mobile app-centric supply-side platform (owns Fyber)

Peter Waller, CFO: Prior to joining RNTS, Peter was group CFO of Eurofins Scientific in Brussels. Prior to this he spent more than eight years with Thomas Cook Group in London and Frankfurt as CFO of Online and as M&A and investor relations director. He was also group financial controller of its German airline subsidiary, Condor. He started his career as a management consultant at McKinsey & Company in Germany, advising blue-chip corporations in logistics, travel and retail. Peter has a Masters in business administration from the University of Mannheim and ESSEC Business School in Paris, as well as a PhD in strategy from the University of Paderborn (Germany).

Company profiles

blinkx

Cross-platform video

blinkx has rapidly repositioned itself from its legacy stronghold in desktop video to a cross-platform offering with video at its core. A series of acquisitions to bolster its exposure to mobile and programmatic technologies over the last two years should enable it to return to a position of overall growth this year. It is cash-generative and has a strong balance sheet, leaving it well placed to continue to add scale and technology where needed to support future growth and scale economies.

Cross-platform advertising with video at its CORE

Spun out of Autonomy in 2007, blinkx is one of the most established listed ad-tech companies in the sector. Specializing in video, the group has added scope and scale incrementally over the years (discovery, syndication). The company's growth strategy has centred on assembling the component parts of a comprehensive, integrated online advertising and content distribution platform. Following five key acquisitions over the last two years, blinkx has augmented its video, mobile and programmatic capabilities – key growth areas in the sector. As a result, it has come a long way in its strategy to become a fully integrated, cross-platform, tech-media company that connects audiences and brands through premium content across devices.

Video's increasing relevance

Linear and digital TV are converging and online video is becoming increasingly relevant, generating 57% of all internet traffic in 2014. This in turn is attracting video advertising formats – eMarketer forecasts CAGR of 22% to $11bn in FY17 with the majority of this coming from mobile (46% CAGR to $4.4bn in FY17).

Integrating acquisitions and returning to growth

blinkx is now armed with a broad toolset across the ecosystem to offer its customers. Its efforts over the last two years have enabled it to stabilise the declines in its desktop revenues. The focus is now on integrating these technologies to offer a more comprehensive solution to customers, on a rationalised cost base, to return the group to an overall growth position. It is one of the few ad-tech companies that is cash generative, and, with $96m of net cash, is in a strong position to continue to drive consolidation in this fragmented sector.

Consensus estimates

Year end	Revenue ($m)	EBITDA* ($m)	PBT* ($m)	EPS (c)	EV/sales (x)	EV/EBITDA (x)
03/14	247	39.6	(7.8)	3.2	0.5	2.5
03/15	215	3.5	(31.8)	(4.3)	0.5	28.8
03/16e	225	4.0	(5.0)	(4.1)	0.5	25.2
03/17e	240	8.0	(1.0)	3.0	0.5	12.6

Source: Bloomberg, company accounts. Note: *Adjusted for acquisitions, non recurring expenses and share-based payments.

Advertising technology

23 June 2015

Price	**31.3p**
Market cap	**£126m**

Share price graph

Share details

Code	BLNX
Listing	AIM
Shares in issue	402m

Business description

blinkx is a broad digital media technology, distribution and monetization platform that connects audiences with brands through premium digital content across devices – at scale. Over 95% of blinkx revenue comes from online advertising, with a core focus on video, mobile and programmatic segments.

Bull

- Structural growth in online video audiences and pricing.
- Exposure to a number of areas of the ecosystem – portfolio effect in a rapidly evolving sector.
- Strong balance sheet.

Bear

- Competitive climate intensifying.
- Acquisition risk in nascent mobile advertising space.
- Reputational impact from FY14 third-party blog claiming it was not following best practice.

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Eagle Eye

Technology

23 June 2015

Real-time digital promotion for retailers

Retailers are transitioning promotional and voucher-led campaigns away from paper and plastic to digital solutions to benefit from lower costs and improved consumer insight. Eagle Eye's transactional platform is one of the most integrated solutions available, enabling it to approach an increasing roster of clients. It recently announced its largest deal to date, with Asda, and reported sales growth of 81% in H115.

Digital transaction platform for retail promotions

The Eagle Eye 'AIR' platform supports campaign creation, issuance, redemption and reporting across email, SMS and loyalty apps. The offers can be redeemed by the consumer through any point-of-sale (POS) channel. Its solutions help reduce fraud (c 30% of all coupons in the UK are subject to fraud) and the cumbersome administration costs associated with the current paper-based systems. They also provide live customer and campaign insights, which should help customers improve their return on their promotional marketing spend.

Eagle Eye aims to become the industry standard network for stored value and digital promotions by adding issuance and retail technology partners, enhancing the platform (version three recently launched) and potentially expanding into the US.

Retailers transition to digital promotions

Promotional markets in the UK are estimated at £55bn. Retailers increasingly recognise the lower transaction costs associated with digital vs traditional products, higher customer-redemption rates and insight that they can derive from a digital product. The two largest providers of paper and plastic solutions are Valassis and Catalina, neither of which has launched digital products. Of the other companies offering digital alternatives, none offer an integrated solution: marketing agencies can distribute offers, but have no way to integrate redemption, and electronic-point-of-sale (EPOS) providers offer a single point-to-point solution at the POS.

Current trading: Asda deal a significant milestone

Revenues in H115 increased 81% organically and by 276% including the FY14 acquisition of 2ergo, to £2.1m. Operating loss was £1.6m. Including the placing of £4m shares in March, it has net cash of approximately £5m. In March, it announced a transformational deal with Asda for the deployment of the AIR platform across the Asda UK estate. This gives it a strong foothold to launch itself in the UK grocery market – estimated to be worth over £1.7bn a year.

Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EBITDA (£m)	EPS (p)	EV/sales (x)	EVEBITDA (x)
06/13	0.7	(0.6)	(0.5)	(4)	62.9	N/A
06/14	1.8	(1.7)	(1.2)	(11)	24.4	N/A
06/15e	5.7	(1.1)	(0.9)	(11)	7.7	N/A
06/16e	9.1	(0.2)	0.0	(8)	4.8	N/A

Source: Bloomberg

Price	**207p**
Market cap	**£46m**

Share price graph

Share details

Code	EYE
Listing	AIM
Shares in issue	22.1m

Business description

Eagle Eye enables real-time digital promotions to the retail and hospitality industries. Customers include Greggs, Marks & Spencer, Mitchells & Butlers, Pets at Home, Tesco, Pizza Express, JD Sports and Asda.

Bull

- Global partnerships including Toshiba CGS, a leading POS provider, Micros and Comtrex.
- Milestone deal with Asda.
- Set to benefit from the transition to digital.

Bear

- Loss-making.
- Competes against legacy industry 'heavyweights'.
- UK-centric.

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QuickView

RNTS Media

Advertising technology

23 June 2015

Pure-play mobile ad-tech group

RNTS Media has successfully rolled out its mediation solution over the last 18 months, reaching more than 320m users. It is now focused on adding new formats and technologies to its advertising exchange to monetise its expanded network of publishers. It plans a €150m convertible bond to support its plans to add scale, reach and technology, with the ambition of becoming a global leading independent mobile supply-side ad-tech group.

Mobile app-centric 'supply-side' platform

RNTS Media owns Fyber, a leading mobile supply-side platform (SSP). Its 'mediation' solution enables publishers to optimise revenue and easily access a wide range of demand sources, including its own programmatic advertising exchange to monetise their apps. While the mediation solution is not revenue-generating, it feeds liquidity into its ad exchange, where Fyber takes a share of the value of a transaction and, consequently, is a fundamental part of Fyber's growth prospects.

Management has ambitious plans to become one of the leading global independent mobile SSPs by offering the most liquid exchange and a complete technology and product stack. It is positioning RNTS as a consolidator in the fragmented ecosystem. It recently bought Falk Realtime to add real-time bidding (RTB) and ad-serving capabilities, and has announced plans for a €150m convertible bond issue over the summer to support its goals.

Mobile and programmatic – advertising sweet spots

Fyber operates in the current sweet spots in the industry. Mobile advertising is forecast by eMarketer to grow by 46% pa to FY17 as consumers continue to shift their media consumption to their mobile devices. In parallel, the use of programmatic technologies to execute the buying and selling of mobile advertising inventory is going mainstream for mobile – the market is forecast to broadly double in each of the next three years and to dominate trading by FY17.

Current trading: Fyber launching new ad formats

In FY14, Fyber's revenue growth was 58%. This slowed to 17% in Q115 as the market orientated rapidly to mobile rewarded video (RV). Fyber has developed one of the leading mediation solutions for RV and, given its solid track record in launching new formats, once this format is launched on its ad exchange later in the summer it should be in a strong position to take share of the market for this fast-emerging format – we forecast revenue growth to recover to c 40% from H215.

Consensus estimates

Year end	Revenue* (€m)	EBITDA** (€m)	PBT (€m)	EPS (c)	EV/sales (x)	EV/EBITDA (x)
12/13*	43.3	0.1	(1.6)	(1.1)	9.6	N/A
12/14*	67.0	(0.5)	(14.5)	(2.9)	6.2	N/A
12/15e	90.1	(7.1)	(15.7)	(8.6)	4.6	N/A
12/16e	125.4	(3.5)	(10.3)	(5.8)	3.3	N/A

Source: Edison forecasts, company accounts. Note: *Pro forma. **Adjusted for non-recurring items and discontinued operations.

Price	**€3.70**
Market cap	**€426m**

Share price graph

Share details

Code	RNTS
Listing	LUX
Shares in issue	115m

Business description

RNTS Media's core operating division, accounting for c 95% of gross revenues, is Fyber, a mobile advertising technology company. Through its supply-side platform, it provides app developers with platform services and solutions to help them more effectively monetise audiences.

Bull

- Operates in the sweet spot of the advertising market.
- Strong technology and brand awareness – cited in industry reports as one of the top 10 most relevant mobile adtech companies.
- Mediation solution has rapidly expanded its publisher network, reaching more than 320 million users.
- Consolidation opportunities.

Bear

- Majority of revenues come from offer wall formats, which are experiencing slowing growth.
- Still needs to launch compelling rewarded video product on ad exchange.
- Very competitive market; margin pressure.

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