

IMS - Buy

Target Price: PLN 3.54 | Close as of 30/03/2021: PLN 2.72

Analyst:

Konrad Grygo,
+48 22 538 6254
konrad.grygo@erstegroup.com

Signed a deal to acquire Audio Marketing (POSITIVE)

IMS informed in a market filing about signing a deal **to acquire 100% of shares of Audio Marketing**.

As a result, IMS will have **26ths subscription locations**, thereby increasing current number of locations by approx. 6ths (or 28%).

IMS is to pay **PLN 4.25mn**, whereas the other part will be paid depending on the profits the Company will generate for IMS Group after acquisition. **The payment would range from PLN 1.55mn** (net profit of at least PLN 0.75mn) **to PLN 6.5mn** (for net profit of at least PLN 1.75mn). In case the net profit will be lower than PLN 0.75/0.5mn, current owners of AM will pay to IMS PLN 0.5mn/1mn respectively.

Additional payments = 17.5% of net profit of AM in each year from 2023-2026.

IMS expects that the total purchase price would amount to **5-8x earnings in the settlement period**.

Acquisition of AM should be completed in May, according to the Company. IMS sees solid synergies, including cross-sell opportunities and further consolidation of this market in Poland.

Below please find **key financials of Audio Marketing**:

	2019	2020	y/y
Sales	2 094	2 440	17%
EBIT	951	1 160	22%
EBITDA	958	1 168	22%
Net profit	851	1 043	23%

margins:			
EBIT	45%	48%	2.1 pp
EBITDA	46%	48%	2.1 pp
Net profit	41%	43%	2.1 pp

Source: Company, Erste Group Research

Comment: *Very solid set of figures - despite pandemic year, AM was able to increase sales by 17% y/y and increase profitability (EBIT margin up by 2.1pp y/y). Net profit of PLN 1.04mn implies P/E of 4.1x.*

	2019	2020	y/y
Fixed assets	28	21	-25%
Receivables	406	497	22%
Cash	582	779	34%
Equity	923	1 115	21%
Liabilities	201	215	7%
Total assets	1 124	1 330	18%

ROE	92%	94%	1.3 pp
ROA	76%	78%	2.7 pp

Source: Company, Erste Group Research

Comment: Very low debt and high ROE/ROA as a result of asset-light type of business.

OPINION: POSITIVE

Positive piece of news for IMS - the Company mentioned a few times that it was in a process of acquisition of decent-size competitor. The final price is also attractive and the takeover should allow IMS to accelerate the acquisition of new locations (cross-sell opportunity with e.g. aroma subscriptions, as comprehensive provider of sensory marketing solutions).

Previous successful track record (acquisition of APR and then improvement of margins) as well as earn-out component we also see to the positive side. Coupled with development of own music data bases, all the arguments bode well for further margin expansion in 2021.

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Contacts

Group Research

Head of Group Research
Friedrich Mostböck, CEFA

+43 (0)5 0100 11902

CEE Macro/Fixed Income Research

Head: Juraj Kotian (Macro/FI)
Katarzyna Rzentarzewska (Fixed income)
Malgorzata Krzywicka (Fixed income, Poland)

+43 (0)5 0100 17357
+43 (0)5 0100 17356
+43 (0)5 0100 17338

Croatia/Serbia

Alen Kovac (Head)
Mate Jelić
Ivana Rogic

+385 72 37 1383
+385 72 37 1443
+385 72 37 2419

Czech Republic

David Navratil (Head)
Jiri Polansky
Michal Skorepa

+420 956 765 439
+420 956 765 192
+420 956 765 172

Hungary

Orsolya Nyeste

+361 268 4428

Romania

Ciprian Dascalu (Head)
Eugen Sinca
Dorina Ilasco
Iulian George Misu

+40 3735 10108
+40 3735 10435
+40 3735 10436
+40 758484043

Slovakia

Maria Valachyova (Head)
Katarina Muchova

+421 2 4862 4185
+421 2 4862 4762

Major Markets & Credit Research

Head: Gudrun Egger, CEFA
Raif Burchert, CEFA (Sub-Sovereigns & Agencies)
Hans Engel (Global Equities)
Margarita Grushanina (Austria, Quant Analyst)
Peter Kaufmann, CFA (Corporate Bonds)
Heiko Langer (Financials & Covered Bonds)
Stephan Lingnau (Global Equities)
Carmen Riefler-Kowarsch (Financials & Covered Bonds)
Rainer Singer (Euro, US)
Bernadett Povaszai-Römhild, CEFA (Corporate Bonds)
Elena Statelov, CIIA (Corporate Bonds)
Gerald Walek, CFA (Euro, CHF)

+43 (0)5 0100 11909
+43 (0)5 0100 16314
+43 (0)5 0100 19835
+43 (0)5 0100 11957
+43 (0)5 0100 11183
+43 (0)5 0100 85509
+43 (0)5 0100 16574
+43 (0)5 0100 19632
+43 (0)5 0100 17331
+43 (0)5 0100 17203
+43 (0)5 0100 19641
+43 (0)5 0100 16360

CEE Equity Research

Head: Henning Eßkuchen
Daniel Lion, CIIA (Technology, Ind. Goods&Services)
Michael Marschallinger, CFA
Nora Nagy (Telecom)
Christoph Schultes, MBA, CIIA (Real Estate)
Thomas Unger, CFA (Banks, Insurance)
Vladimira Urbankova, MBA (Pharma)
Martina Valenta, MBA

+43 (0)5 0100 19634
+43 (0)5 0100 17420
+43 (0)5 0100 17906
+43 (0)5 0100 17416
+43 (0)5 0100 11523
+43 (0)5 0100 17344
+43 (0)5 0100 17343
+43 (0)5 0100 11913

Croatia/Serbia

Mladen Dodig (Head)
Anto Augustinovic
Magdalena Dolenc
Davor Spoljar, CFA

+381 11 22 09178
+385 72 37 2833
+385 72 37 1407
+385 72 37 2825

Czech Republic

Petr Bartek (Head)
Marek Dongres
Jan Safranek

+420 956 765 227
+420 956 765 218
+420 956 765 218

Hungary

József Miró (Head)
András Nagy
Tamás Pletser, CFA

+361 235 5131
+361 235 5132
+361 235 5135

Poland

Tomasz Duda (Head)
Cezary Bernatek
Konrad Grygo
Emil Poplawski
Marcin Gornik

+48 22 330 6253
+48 22 538 6256
+48 22 330 6254
+48 22 330 6252
+48 22 330 6251

Romania

Caius Rapanu

+40 3735 10441

Group Institutional & Retail Sales

Group Institutional Equity Sales

Head: Brigitte Zeitberger-Schmid

+43 (0)5 0100 83123

Cash Equity Sales

Werner Fuerst
Josef Kerekes
Cormac Lyden

+43 (0)5 0100 83121
+43 (0)5 0100 83125
+43 (0)5 0100 83120

Institutional Equity Sales Croatia

Damir Eror

+385 72 37 28 36

Institutional Equity Sales Czech Republic

Head: Michal Rizek
Pavel Krabicka
Martin Havlan
Jiri Feres

+420 224 995 537
+420 224 995 411
+420 224 995 551
+420 224 995 554

Institutional Equity Sales Hungary

Levente Nándori
Balázs Zánkay
Krisztián Kandik

+361 235 5141
+361 235 5156
+361 235 5140

Institutional Equity Sales Poland

Jacek Jakub Langer (Head)
Tomasz Galanciak
Wojciech Wysocki
Przemyslaw Nowosad
Grzegorz Stepień

+4822 330 6265
+48 22 538 62 12
+4822 538 6219
+4822 538 6266
+4822 330 6211

Institutional Equity Sales Romania

Liviu George Avram

+40 3735 16569

Group Markets Retail and Agency Business

Head: Christian Reiss

+43 (0)5 0100 84012

Markets Retail Sales AT

Head: Markus Kaller

+43 (0)5 0100 84239

Group Markets Execution

Head: Kurt Gerhold

+43 (0)5 0100 84232

Retail & Sparkassen Sales

Head: Uwe Kolar

+43 (0)5 0100 83214

Corporate Treasury Prod. Distribution

Head: Christian Skopek

+43 (0)5 0100 84146

Group Securities Markets

Head: Thomas Einramhof

+43 (0)50100 84432

Institutional Distribution Core

Head: Jürgen Niemeier

+49 (0)30 8105800 5503

Institutional Distribution DACH+

Head: Marc Friebertshäuser
Bernd Bollhof
Andreas Goll
Mathias Gindele
Ulrich Inhofner
Sven Kienzle
Rene Klases
Christopher Lampe-Traupe
Karin Rattay
Michael Schmotz
Klaus Vosseler

+49 (0)711 810400 5540
+49 (0)30 8105800 5525
+49 (0)711 810400 5561
+49 (0)711 810400 5562
+43 (0)5 0100 85544
+49 (0)711 810400 5541
+49 (0)30 8105800 5521
+49 (0)30 8105800 5523
+43 (0)5 0100 84118
+43 (0)5 0100 85542
+49 (0)711 810400 5560

Slovakia

Šarlota Šipulová
Monika Směliková

+421 2 4862 5619
+421 2 4862 5629

Institutional Distribution CEE & Insti AM CZ

Head: Antun Burić
Jaromir Malak

+385 (0)7237 2439
+43 (0)5 0100 84254

Czech Republic

Head: Ondrej Čech
Milan Bartoš

+420 2 2499 5577
+420 2 2499 5562

Croatia

Head: Antun Burić
Zvonimir Tukač
Natalija Zujic

+385 (0)7237 2439
+385 (0)7237 1787
+385 (0)7237 1638

Hungary

Head: Peter Csizmadia
Gábor Bálint
Ádám Szőnyi

+36 1 237 8211
+36 1 237 8205
+36 1 237 8213

Romania and Bulgaria

Head: Ruxandra Lungu

+40 373516562

Institutional Asset Management Czech Republic

Head: Petr Holeček
Petra Maděrová
Martin Peřina
David Petráček
Blanca Weinerová
Petr Valenta

+420 956 765 453
+420 956 765 178
+420 956 765 106
+420 956 765 809
+420 956 765 317
+420 956 765 140

Group Fixed Income Securities Markets

Head: Goran Hobljaj

+43 (0)50100 84403

FISM Flow

Head: Aleksandar Doric
Margit Hraschek
Bernd Thaler
Ciprian Mitu
Christian Kienesberger
Zsuzsanna Toth

+43 (0)5 0100 87487
+43 (0)5 0100 84117
+43 (0)5 0100 84119
+43 (0)5 0100 85612
+43 (0)5 0100 84323
+36-1-237 8209

Poland:

Pawel Kielek
Michal Jarmakowicz

+48 22 538 6223
+43 50100 85611

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1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna
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