

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 9.50** (9.50)

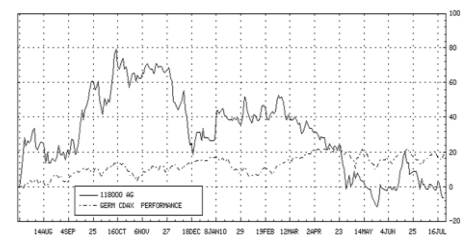
23 July 2010

## 2Q back to profitability on EBIT-level

### Marketing campaign for 118000 will start end of Sept.

- 2Q figures slightly higher than expected:** Today, 118000 AG reported its 2Q figures for FY10. Despite the fact that the expectation for this quarter was not very bullish and also not as important as the announced progress at the 118000 service, **118000 was able to marginally exceed our estimates.** Overall, the company was able to return to profitability on an EBIT-level in 2Q with an operating profit of EUR 0.06m. However, due to start-up expenses in 1Q, EBIT in 1H was still in the red with EUR -0.66m. The group sales came in at EUR 3.19m in 2Q and EUR 6.47m for 1H10. After taxes, net income of 118000 was at EUR -0.09m for the second quarter and EUR -0.98m for first half of 2010.
- 'Hallo Heimat' – the new service at GoYellow.de:** Already yesterday, the company announced that 'HalloHeimat' is the new product from the online business directory GoYellow. The new service "pushes" the latest brochures with special offers and news from the local area directly onto the user's monitor. The service also offers considerable added value for businesses: for a low monthly fee, retailers can advertise their current specials on the HalloHeimat home page as daily spot ads.
- Next step forward at 118000 service:** In the course of the 2Q report, management noted that now all big mobile phone provider in Germany have signed the contracts. There are only some technical issues with the T-Mobile availability (which should be fixed by the beginning of August). Additionally, **the management said that at the end of September the big marketing campaign for the 118000 service will start.** As we are still convinced that 118000 will generate significant revenues shortly after the big marketing campaign, we stick to **our conservative revenue estimate of roughly EUR 3m until the end of 2010E.**
- Confirmed company guidance:** The company confirmed its already given guidance of revenues in the target range of EUR 15m to EUR 20m with an EBIT of zero to EUR -3.5m. Mostly due to the postponement of the restructuring at Peterzahlt until 1Q11, we now expect revenues to come in at EUR 17.24m (19.8m) with an EBIT of EUR -0.60m (-0.4m), and a net income of EUR -0.92m (-0.54m). As we already mentioned in our previous updates the major impact on the share price will be in the course of the 'real' market launch of 118000 in September. We stick to our BUY recommendation with **an unchanged price target of EUR 9.50** per share.

Share price (dark) vs. CDAX



Sources: CBS Research AG, Bloomberg

Change	2010E		2011E		2012E	
	new	old	new	old	new	old
Sales	17.2	19.8	25.8	26.3	27.9	28.4
EBIT	-0.6	-0.4	7.7	7.8	8.1	8.2
EPS	-0.14	-0.08	0.90	0.92	0.95	0.97

Internet: 118000.com Sector: Internet  
WKN: 691190 ISIN: DE0006911902  
Reuters: VRIG.DE Bloomberg: Z18 GY

#### Short company profile:

118000 AG (formerly: Goyellow Media AG) is an information service provider in Germany. The three core business units of the company are 118000, GoYellow.de and Peterzahlt.de.

#### Share data:

Share price (last closing price):	<b>EUR 4.05</b>
Shares outstanding (m):	6.7
Market capitalisation (EURm):	27.1
Enterprise value (EURm):	17.1
Ø daily trading volume (3m, no. of shares):	12,904

#### Performance data:

High 52 weeks (EUR):	7.84
Low 52 weeks (EUR):	3.66
Absolute performance (12 months):	2.1%
Relative performance (vs. CDAX):	
1 month:	-16.1%
3 months:	-20.4%
6 months:	-37.4%
12 months:	-23.9%

#### Shareholders:

Management & Supervisory Board:	31.9%
albiservice GmbH:	9.9%
Union Investment:	4.9%
Lupus Alpha:	3.4%
Freefloat, others:	49.9%

#### Financial calendar:

9M 2010 report	21 October 2010
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#### Key data

Y/E 12/31, EUR m	2008	2009	2010E	2011E	2012E
Sales revenues	13.2	17.6	17.2	25.8	27.9
EBIT	1.2	5.2	-0.6	7.7	8.1
Net income/loss	1.1	4.0	-0.9	6.0	6.4
EPS	0.16	0.60	-0.14	0.90	0.95
CPS	0.03	0.72	-0.22	0.79	0.94
EBIT margin	9.0%	29.6%	-3.5%	29.8%	29.0%
EV/EBIT	14.4	3.3	neg.	2.2	2.1
P/E	25.0	6.8	neg.	4.5	4.3

Source: 118000 AG, CBS Research AG

## Appendix

### Profit and loss account

	IFRS	EUR 1,000	2008	2009	2010E	2011E	2012E
<b>Sales &amp; Revenues</b>			<b>13,177</b>	<b>17,634</b>	<b>17,244</b>	<b>25,810</b>	<b>27,874</b>
YoY growth			308.7%	19.7%	-2.3%	49.7%	8.0%
<b>Cost of sales</b>			<b>-3,796</b>	<b>-2,316</b>	<b>-3,018</b>	<b>-2,633</b>	<b>-2,983</b>
as % of sales			-28.8%	-13.1%	-17.5%	-10.2%	-10.7%
<b>Gross profit</b>			<b>9,381</b>	<b>15,318</b>	<b>14,226</b>	<b>23,177</b>	<b>24,892</b>
as % of sales			71.2%	86.9%	82.5%	89.8%	89.3%
<b>Selling and marketing expenses</b>			<b>-3,684</b>	<b>-2,571</b>	<b>-7,069</b>	<b>-3,613</b>	<b>-3,763</b>
as % of sales			-28.0%	-14.6%	-41.0%	-14.0%	-13.5%
<b>Administrative expenses</b>			<b>-5,348</b>	<b>-5,448</b>	<b>-5,518</b>	<b>-8,517</b>	<b>-9,031</b>
as % of sales			-40.6%	-30.9%	-32.0%	-33.0%	-32.4%
<b>Research and Development expenses</b>			<b>-2,422</b>	<b>-2,071</b>	<b>-2,242</b>	<b>-3,355</b>	<b>-3,512</b>
as % of sales			-18.4%	-11.7%	-13.0%	-13.0%	-12.6%
<b>Other operating income</b>			<b>3,260</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
as % of sales			24.7%	0.0%	0.0%	0.0%	0.0%
<b>Other operating expenses</b>			<b>-3</b>	<b>-4</b>	<b>0</b>	<b>0</b>	<b>0</b>
as % of sales			0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT</b>			<b>1,184</b>	<b>5,224</b>	<b>-603</b>	<b>7,691</b>	<b>8,084</b>
as % of sales			9.0%	29.6%	-3.5%	29.8%	29.0%
<b>Net financial results</b>			<b>250</b>	<b>150</b>	<b>94</b>	<b>142</b>	<b>203</b>
<b>EBT (Earnings before income taxes)</b>			<b>1,434</b>	<b>5,374</b>	<b>-509</b>	<b>7,833</b>	<b>8,287</b>
as % of sales			10.9%	30.5%	-2.9%	30.3%	29.7%
<b>Income taxes</b>			<b>-363</b>	<b>-1,380</b>	<b>-407</b>	<b>-1,802</b>	<b>-1,906</b>
as % of EBT			-25.3%	-25.7%	80.0%	-23.0%	-23.0%
<b>Group net income including minorities</b>			<b>1,071</b>	<b>3,994</b>	<b>-915</b>	<b>6,032</b>	<b>6,381</b>
Minority interests			0	0	0	0	0
<b>Net income attributable to shareholders</b>			<b>1,071</b>	<b>3,994</b>	<b>-915</b>	<b>6,032</b>	<b>6,381</b>
as % of sales			8.1%	22.6%	-5.3%	23.4%	22.9%
<b>Shares outstanding (in thousands)</b>			<b>6,619</b>	<b>6,697</b>	<b>6,697</b>	<b>6,697</b>	<b>6,697</b>
<b>Basic earnings per share (EUR)</b>			<b>0.16</b>	<b>0.60</b>	<b>-0.14</b>	<b>0.90</b>	<b>0.95</b>

Source: 118000 AG, CBS Research AG

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Date	Recommendation	Price at change date	Price Target
30 October 2009	BUY (Initiating Coverage)	EUR 7.09	EUR 10.50
09 March 2010	BUY	EUR 6.37	EUR 10.50
19 March 2010	BUY	EUR 5.95	EUR 10.50
29 April 2010	BUY	EUR 4.71	EUR 9.50
08 June 2010	BUY	EUR 4.30	EUR 9.50
23 July 2010	BUY	EUR 4.05	EUR 9.50

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