

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 5.50** (9.50)

22 October 2010

## 3Q10 figures below expectations

### Real impact of 118000 not yet fully quantifiable

▪ **Performance in 3Q below our expectations:** Today, 118000 AG reported its 3Q/9M figures for FY10. Overall, the company's revenues came in at EUR 3.22m (-26% yoy) in 3Q and EUR 9.69m (-26% yoy) in 9M. The marketing campaign which started end of September for the new switchboard service 118000 burdened the group's fundamental data. Group EBIT was EUR -0.92m in 3Q after EUR -0.66m in 1H10. After taxes, 118000 generated a net income of EUR -1.11m for the third quarter and EUR -2.09m for first nine months of 2010.

▪ **Business unit Goyellow still in the profit zone:** The business segment Media Portals achieved a positive EBIT of EUR 1.86m in 3Q or EUR 5.57m in 9M10. The new segment Telephony Services (118000) achieved revenues of EUR 81k with an EBIT of EUR -2.79m in 3Q (EUR -7.15m in 9M). The negative effect mostly results from the high expenses of the marketing campaign which started in September. So the crucial point of the fundamental success of the company is to achieve the profit zone in the new business unit. As we already expected that the new switchboard service will not reach profitability on full year basis in 2010 this year can be classified as a year of transition.

▪ **Outlook:** The company slightly adjusted its revenue guidance to a range of EUR 14m to EUR 20m with an unchanged EBIT guidance of zero to EUR -3.5m for 2010. After 10 days of 118000 in September the reported figures do not show any meaningful data. Regarding the last quarter we think that our previous given estimate for the new service is now rather high. Therefore, we accounted a discount to our revenue forecast down to approx. EUR 1m in 2010E for the time being. Group sales in 2010E are now expected to come in at EUR 14.14m with an EBIT of EUR -1.73m. This should lead to a new EPS of EUR -0.40 (-0.14).

▪ **Mid-term forecast also lowered as a precaution:** Until the financial impact of the new service is not quite assessable we also lowered our estimates for 2011E and 2012E to account for several risk adjustment.

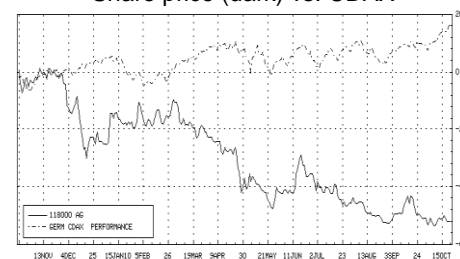
▪ **Adjusted valuation:** Regarding the share price development we already mentioned that the major impact on the share price will be in the course of the 118000 market launch which now will not occur until 201E. As postponements will shift most of the new business towards next year we reiterate our BUY recommendation but downsize our **price target to EUR 5.50** per share for the time being.

#### Key data

Y/E 12/31, EUR m	2008	2009	2010E	2011E	2012E
Sales revenues	13.2	17.6	14.1	20.0	24.0
EBIT	1.2	5.2	-1.7	3.8	4.8
Net income/loss	1.1	4.0	-2.6	2.9	3.6
EPS	0.16	0.60	-0.40	0.43	0.54
CPS	0.03	0.72	-0.57	0.30	0.56
EBIT margin	9.0%	29.6%	-12.2%	19.2%	20.0%
EV/EBIT	12.3	2.8	neg.	3.8	3.0
P/E	21.6	5.9	neg.	8.1	6.4

Source: 118000 AG, CBS Research AG

#### Share price (dark) vs. CDAX



Sources: CBS Research AG, Bloomberg

Change	2010E		2011E		2012E	
	new	old	new	old	new	old
Sales	14.1	17.2	20.0	25.8	24.0	27.9
EBIT	-1.7	-0.6	3.8	7.7	4.8	8.1
EPS	-0.40	-0.14	0.43	0.90	3.64	0.95

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 Peterzahl.de.

#### Share data:

Share price (last closing price):	<b>EUR 3.50</b>
Shares outstanding (m):	6.7
Market capitalisation (EURm):	23.4
Enterprise value (EURm):	14.5
Ø daily trading volume (3m, no. of shares):	13,053

#### Performance data:

High 52 weeks (EUR):	7.75
Low 52 weeks (EUR):	3.31
Absolute performance (12 months):	-51.6%
Relative performance (vs. CDAX):	
1 month:	-14.9%
3 months:	-20.0%
6 months:	-37.3%
12 months:	-58.1%

#### Shareholders:

Management & Supervisory Board:	31.9%
albiservice GmbH:	9.9%
Union Investment:	4.9%
Lupus Alpha:	2.9%
Freefloat, others:	50.4%

#### Financial calendar:

FY2010 report	First quarter 2011
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## 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>14,144</b>	<b>20,005</b>	<b>24,006</b>
YoY growth			308.7%	19.7%	-19.8%	41.4%	20.0%
<b>Cost of sales</b>			<b>-3,796</b>	<b>-2,316</b>	<b>-3,253</b>	<b>-4,201</b>	<b>-4,561</b>
as % of sales			-28.8%	-13.1%	-23.0%	-21.0%	-19.0%
<b>Gross profit</b>			<b>9,381</b>	<b>15,318</b>	<b>10,891</b>	<b>15,804</b>	<b>19,444</b>
as % of sales			71.2%	86.9%	77.0%	79.0%	81.0%
<b>Selling and marketing expenses</b>			<b>-3,684</b>	<b>-2,571</b>	<b>-6,414</b>	<b>-3,001</b>	<b>-3,241</b>
as % of sales			-28.0%	-14.6%	-45.4%	-15.0%	-13.5%
<b>Administrative expenses</b>			<b>-5,348</b>	<b>-5,448</b>	<b>-4,668</b>	<b>-6,602</b>	<b>-7,778</b>
as % of sales			-40.8%	-30.9%	-33.0%	-33.0%	-32.4%
<b>Research and Development expenses</b>			<b>-2,422</b>	<b>-2,071</b>	<b>-1,839</b>	<b>-2,601</b>	<b>-3,025</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>305</b>	<b>244</b>	<b>122</b>
as % of sales			24.7%	0.0%	2.2%	1.2%	0.5%
<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>-1,725</b>	<b>3,845</b>	<b>4,801</b>
as % of sales			9.0%	29.6%	-12.2%	19.2%	20.0%
<b>Net financial results</b>			<b>250</b>	<b>150</b>	<b>71</b>	<b>85</b>	<b>120</b>
<b>EBT (Earnings before income taxes)</b>			<b>1,434</b>	<b>5,374</b>	<b>-1,654</b>	<b>3,930</b>	<b>4,921</b>
as % of sales			10.9%	30.5%	-11.7%	19.6%	20.5%
<b>Income taxes</b>			<b>-363</b>	<b>-1,380</b>	<b>-992</b>	<b>-1,022</b>	<b>-1,279</b>
as % of EBT			-25.3%	-25.7%	60.0%	-26.0%	-26.0%
<b>Group net income including minorities</b>			<b>1,071</b>	<b>3,994</b>	<b>-2,646</b>	<b>2,908</b>	<b>3,641</b>
Minority interests			0	0	0	0	0
<b>Net income attributable to shareholders</b>			<b>1,071</b>	<b>3,994</b>	<b>-2,646</b>	<b>2,908</b>	<b>3,641</b>
as % of sales			8.1%	22.6%	-18.7%	14.5%	15.2%
<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>-0.40</b>	<b>0.43</b>	<b>0.54</b>

Source: 118000 AG, CBS Research AG

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Recommendation history over the last 12 months for the company analysed in this report:

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
22 October 2010	BUY	EUR 3.50	EUR 5.50

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