

Recommendation: **HOLD** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 2.00** (4.00)

29 April 2011

1Q performance worse than expected

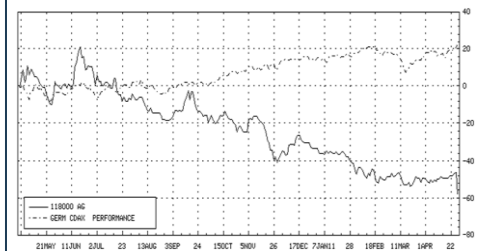
- 1Q11 performance:** Yesterday, 118000 AG reported its figures for the first quarter of 2011. Both revenues of EUR 2.44m (CBSRe: EUR 3.1m) and EBIT of EUR -2.84m (CBSRe: EUR -1.4m) came in lower than expected. The increase of marketing expenses to EUR 2.7m in 1Q (PY: EUR 1.7m) negatively affected the operating performance. After taxes, net income after minorities was at EUR -2.99m in 1Q11, implying an EPS of EUR -0.45 (1Q10: EUR -0.16).
- Development in the two segments:** Despite the fact that the core business unit Media Portals had to struggle with declining revenues down to EUR 1.96m in 1Q11 (PY: EUR 3.22m) the operating figures once again showed a nice performance. With an EBIT of EUR 0.88m the EBIT-margin still was very high at 45% (PY: 59%). However, the Telephony Services segment (including the new switchboard service 118000) achieved a loss on EBIT level of EUR 3.72m with revenues of EUR 0.49m (which is higher than we had expected). The loss mostly results from the high marketing expenses of EUR 2.7m.
- Outlook 2011E:** The company expects now revenues to come in at roughly EUR 10m in 2011. On EBIT level the guidance is within EUR -7m and -3m for 2011. After the weak 1Q performance we lowered our figures for 2011E but stick to our 2012E estimates for the time being. With the expected 'real' start of the 118000 service in 2H11E the financial figures still can reach our previous given estimates (especially 2012E), but we are now much more precautionary due to the worse than expected 1Q performance. We now expect revenues in 2011E to come in at EUR 11.61m with an EBIT of EUR -3.8m. Net income should be at EUR -4.5m, implying an EPS of EUR -0.66. For 2012E we still expect the turnaround on full-year basis with revenues of EUR 18.74m and EBIT of EUR +1.31m.
- Upside potential:** Despite the negative performance in 1Q and the low visibility for 2QE we stick to our appraisal that the real potential of 118000 (including new lost&found service) will not be revealed before 2H11E. The upside potential in 118000 is not yet fully observable, which is why we did not revise our FY12E estimates for the time being.
- Downgrade in PT and recommendation:** Resulting from the weak performance in 1Q (mostly due to high marketing expenses for the new 118000 service) we lowered our estimates for FY11E. In the course of our revised estimates for 118000 and the recent share price development we change our recommendation from BUY to HOLD with a new price target of EUR 2.00 per share (EUR 4.00).

Key data

Y/E 12/31, EUR m	2008	2009	2010	2011E	2012E
Sales revenues	13.2	17.6	13.5	11.6	18.7
EBIT	1.2	5.2	-2.7	-3.8	1.3
Net income/loss	1.1	4.0	-4.2	-4.4	0.3
EPS	0.16	0.60	-0.63	-0.66	0.04
CPS	0.03	0.72	-0.77	-0.56	0.28
EBIT margin	9.0%	29.6%	-20.1%	-32.9%	7.0%
EV/EBIT	8.1	1.8	neg.	neg.	7.3
P/E	10.9	3.0	neg.	neg.	45.8

Source: 118000 AG, CBS Research AG

Share price (dark) vs. CDAX



Sources: CBS Research AG, Bloomberg

Change	2010A		2011E		2012E	
	reported		new	old	new	old
Sales	13.5	-	11.6	15.6	-	18.7
EBIT	-2.7	-	-3.8	-2.6	-	1.3
EPS	-0.63	-	-0.66	-0.51	-	0.04

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):	EUR 1.77
Shares outstanding (m):	6.7
Market capitalisation (EURm):	11.9
Enterprise value (EURm):	9.6
Ø daily trading volume (3m, no. of shares):	6,112

Performance data:

High 52 weeks (EUR):	5,45
Low 52 weeks (EUR):	1,77
Absolute performance (12 months):	-58,6%
Relative performance (vs. CDAX):	
1 month:	-17,5%
3 months:	-32,5%
6 months:	-52,3%
12 months:	-65,1%

Shareholders:

Management & Supervisory Board:	31,9%
albiservice GmbH:	9,9%
Union Investment:	4,9%
Lupus Alpha:	3,0%
Freefloat, others:	50,3%

Financial calendar:

1H11 report July 2011

Author: **Marcus Silbe** (Analyst)

Close Brothers Seydler Research AG
Phone: +49 (0)69 - 977 84 56 0
E-Mail: research@cbseydlerresearch.ag
www.cbseydlerresearch.ag

Appendix

Profit and loss account

	IFRS	EUR 1,000	2008	2009	2010	2011E	2012E
Sales & Revenues			13,177	17,634	13,468	11,614	18,737
YoY growth			308.7%	19.7%	-23.6%	-13.8%	61.3%
Cost of sales			-3,796	-2,316	-2,797	-3,484	-3,560
as % of sales			-28.8%	-13.1%	-20.8%	-30.0%	-19.0%
Gross profit			9,381	15,318	10,671	8,130	15,177
as % of sales			71.2%	86.9%	79.2%	70.0%	81.0%
Selling and marketing expenses			-3,684	-2,571	-7,245	-5,217	-5,560
as % of sales			-28.0%	-14.6%	-53.8%	-44.9%	-29.7%
Administrative expenses			-5,348	-5,448	-4,452	-5,459	-6,071
as % of sales			-40.6%	-30.9%	-33.1%	-47.0%	-32.4%
Research and Development expenses			-2,422	-2,071	-1,940	-1,510	-2,361
as % of sales			-18.4%	-11.7%	-14.4%	-13.0%	-12.6%
Other operating income			3,260	0	290	244	122
as % of sales			24.7%	0.0%	2.2%	2.1%	0.7%
Other operating expenses			-3	-4	-30	-12	0
as % of sales			0.0%	0.0%	-0.2%	-0.1%	0.0%
EBIT			1,184	5,224	-2,706	-3,823	1,307
as % of sales			9.0%	29.6%	-20.1%	-32.9%	7.0%
Net financial results			250	150	93	46	15
EBT (Earnings before income taxes)			1,434	5,374	-2,613	-3,777	1,322
as % of sales			10.9%	30.5%	-19.4%	-32.5%	7.1%
Income taxes			-363	-1,380	-965	-264	-436
as % of EBT			-25.3%	-25.7%	36.9%	7.0%	-33.0%
Group net income including minorities			1,071	3,994	-3,578	-4,042	886
Minority interests			0	0	-651	-407	-627
Net income attributable to shareholders			1,071	3,994	-4,229	-4,449	259
as % of sales			8.1%	22.6%	-31.4%	-38.3%	1.4%
Shares outstanding (in thousands)			6,619	6,697	6,697	6,697	6,697
Basic earnings per share (EUR)			0.16	0.60	-0.63	-0.66	0.04

Source: 118000 AG, CBS Research AG

Research



Schillerstrasse 27 - 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 977 8456-0

Roger Peeters Member of the Board	+49 (0)69 -977 8456- 12 Roger.Peeters@cbseydlerresearch.ag	Kristina Kardum	+49 (0)69 -977 8456- 21 Kristina.Kardum@cbseydlerresearch.ag
Martin Decot	+49 (0)69 -977 8456- 13 Martin.Decot@cbseydlerresearch.ag	Igor Kim	+49 (0)69 -977 8456- 15 Igor.Kim@cbseydlerresearch.ag
Rabeya Khan	+49 (0)69 -977 8456- 10 Rabeya.Khan@cbseydlerresearch.ag	Manuel Martin	+49 (0)69 -977 8456- 16 Manuel.Martin@cbseydlerresearch.ag
Ralf Marinoni	+49 (0)69 -977 8456- 17 Ralf.Marinoni@cbseydlerresearch.ag	Marcus Silbe	+49 (0)69 -977 8456- 14 Marcus.Silbe@cbseydlerresearch.ag
Enid Omerovic	+49 (0)69 -977 8456- 19 Enid.Omerovic@cbseydlerresearch.ag		
Veysel Taze	+49 (0)69 -977 8456- 18 Veysel.Taze@cbseydlerresearch.ag		

Institutional Sales



Schillerstrasse 27 – 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400



Close Brothers Seydler UK

25 Dowgate Hill
London EC4R 2GA

Raimar Bock Head of Sales	+49 (0)69 -9 20 54-115 Raimar.Bock@cbseydler.com	Rüdiger Eich (Germany, Switzerland)	+49 (0)69 -9 20 54-119 Ruediger.Eich@cbseydler.com
Henriette Domhardt (Germany)	+49 (0)69 -9 20 54-137 Henriette.Domhardt@cbseydler.com	Klaus Korzilius (Austria, Benelux, Germany)	+49 (0)69 -9 20 54-114 Klaus.Korzilius@cbseydler.com
Uwe Gerhardt (Germany, Switzerland)	+49 (0)69 -9 20 54-168 Uwe.Gerhardt@cbseydler.com	Markus Laifle (Execution)	+49 (0)69 -9 20 54-120 Markus.Laifle@cbseydler.com
Stefan Krewinkel (Execution, UK)	+49 (0)69 -9 20 54-118 Stefan.Krewinkel@cbseydler.com	Janine Theobald (Austria, Benelux, Germany)	+49 (0)69 -9 20 54-106 Janine.Theobald@cbseydler.com
Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 Bruno.deLencquesaing@cbseydler.com		

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BUY: The expected performance of the share price is above +10%.

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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
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
21 March 2011	BUY	EUR 1.96	EUR 4.00
29 March 2011	BUY	EUR 2.15	EUR 4.00
29 April 2011	HOLD	EUR 1.77	EUR 2.00

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Graurheindorferstraße 108

53117 Bonn

and

Lurgiallee 12

60439 Frankfurt

 Close Brothers Seydler
Research AG

Schillerstrasse 27 - 29

60313 Frankfurt am Main

www.cbseydlerresearch.ag

Tel.: 0049 - (0)69 - 97 78 45 60