

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 4.00** (5.50)

21 March 2011

## Preview 4Q10

### Further delay in 118000 segment will burden 2011E

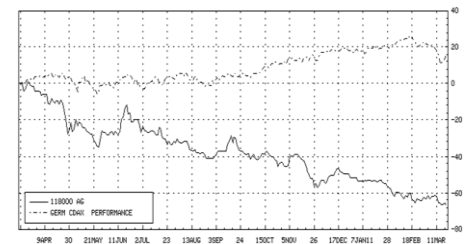
- Preview 4Q10 performance:** Next week (24 March 2011), 118000 AG will report its annual report for FY10. As already mentioned in our last update the visibility of the new 118000 business was not yet quite assessable and, therefore, we lowered our forecasts after 9M figures. However, we think that our given 4QE estimates are no longer accurate regarding the further "delay" in the new business segment. Hence, we adjusted our expectations for the last quarter of 2010. Overall, the company's revenues is now expected to be at EUR 3.38m (-23% YoY) in 4QE and EUR 13.06m (-26% YoY) on full-year basis. Group EBIT now should come in at EUR -0.63m in 4QE, corresponding to a full year loss of EUR 2.21m. After taxes, net income should be at EUR -3.27m for 2010E with EUR -1.18m for 4Q10E.
- Current development in regulations:** 1) Recently, the company announced that it has signed an exclusive sales agreement with Urbas|Kehrberg GmbH for its Lost & Found key tags (single orders: EUR 9.95 incl. shipping costs whereas Urbas|Kehrberg will address corporate customers). The partnership forms a key part of its strategy to raise the profile of the 118000 service and increase call volume. 2) Furthermore, for the end of March the company launches the "Hallo Heimat" service on its own platform (www.halloheimat.de) after testing the service on its core platform GoYellow.de since July 2010. In the future, users will also be able to page through their local weekly paper on all kinds of mobile devices. 3) The reason behind the further delay in the switchboard services results from one main decision: The mobile telecommunications operator have yet to decide the cost structure for the access to all mobile contract data. However, until now the involved parties did not have published any solutions. Hence, as the postponements are not included in our previous estimates we decided to adjust our mid-term estimates accordingly.
- Outlook 2011E/2012E:** We expect that the new switchboard service did not reach profitability on full year basis in 2010 and complementary with the further delay this year we lowered our figures for FY11E. Therefore, we accounted a discount to our revenue forecast down to EUR 16.36m (old: EUR 20.00m) in 2011E with an EBIT of EUR -1.30m (old: EUR 3.85m) for the time being.
- Adjustments:** As the postponements in the switchboard segment still burdens the share price we downsize our **price target to EUR 4.00** (5.50) per share for the time being and reiterate our BUY recommendation.

#### Key data

Y/E 12/31, EUR m	2008	2009	2010E	2011E	2012E
Sales revenues	13.2	17.6	13.1	16.4	19.6
EBIT	1.2	5.2	-2.2	-1.3	2.5
Net income/loss	1.1	4.0	-3.3	-1.5	1.9
EPS	0.16	0.60	-0.49	-0.23	0.28
CPS	0.03	0.72	-0.69	-0.36	0.30
EBIT margin	9.0%	29.6%	-16.9%	-8.0%	12.9%
EV/EBIT	3.5	0.8	neg.	neg.	1.7
P/E	12.1	3.3	neg.	neg.	6.9

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	13.1	14.1	16.4	20.0	19.6	24.0
EBIT	-2.2	-1.7	-1.3	3.8	2.5	4.8
EPS	-0.49	-0.40	-0.23	0.43	0.28	0.54

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 1.96</b>
Shares outstanding (m):	6.7
Market capitalisation (EURm):	13.1
Enterprise value (EURm):	4.2
Ø daily trading volume (3m, no. of shares):	7,860

#### Performance data:

High 52 weeks (EUR):	6.06
Low 52 weeks (EUR):	1.88
Absolute performance (12 months):	-52.3%
Relative performance (vs. CDAX):	
1 month:	1.4%
3 months:	-31.8%
6 months:	-55.7%
12 months:	-70.5%

#### 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>13,064</b>	<b>16,359</b>	<b>19,631</b>
YoY growth			308.7%	19.7%	-26.0%	25.2%	20.0%
<b>Cost of sales</b>			<b>-3,796</b>	<b>-2,316</b>	<b>-3,266</b>	<b>-3,926</b>	<b>-3,730</b>
as % of sales			-28.8%	-13.1%	-25.0%	-24.0%	-19.0%
<b>Gross profit</b>			<b>9,381</b>	<b>15,318</b>	<b>9,798</b>	<b>12,433</b>	<b>15,901</b>
as % of sales			71.2%	86.9%	75.0%	76.0%	81.0%
<b>Selling and marketing expenses</b>			<b>-3,684</b>	<b>-2,571</b>	<b>-6,306</b>	<b>-6,454</b>	<b>-4,650</b>
as % of sales			-28.0%	-14.6%	-48.3%	-39.5%	-23.7%
<b>Administrative expenses</b>			<b>-5,348</b>	<b>-5,448</b>	<b>-4,311</b>	<b>-5,398</b>	<b>-6,360</b>
as % of sales			-40.6%	-30.9%	-33.0%	-33.0%	-32.4%
<b>Research and Development expenses</b>			<b>-2,422</b>	<b>-2,071</b>	<b>-1,698</b>	<b>-2,127</b>	<b>-2,473</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%	2.3%	1.5%	0.6%
<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>-2,213</b>	<b>-1,302</b>	<b>2,539</b>
as % of sales			9.0%	29.6%	-16.9%	-8.0%	12.9%
<b>Net financial results</b>			<b>250</b>	<b>150</b>	<b>63</b>	<b>32</b>	<b>48</b>
<b>EBT (Earnings before income taxes)</b>			<b>1,434</b>	<b>5,374</b>	<b>-2,150</b>	<b>-1,270</b>	<b>2,587</b>
as % of sales			10.9%	30.5%	-16.5%	-7.8%	13.2%
<b>Income taxes</b>			<b>-363</b>	<b>-1,380</b>	<b>-1,118</b>	<b>-279</b>	<b>-699</b>
as % of EBT			-25.3%	-25.7%	52.0%	22.0%	-27.0%
<b>Group net income including minorities</b>			<b>1,071</b>	<b>3,994</b>	<b>-3,268</b>	<b>-1,550</b>	<b>1,889</b>
Minority interests			0	0	0	0	0
<b>Net income attributable to shareholders</b>			<b>1,071</b>	<b>3,994</b>	<b>-3,268</b>	<b>-1,550</b>	<b>1,889</b>
as % of sales			8.1%	22.6%	-25.0%	-9.5%	9.6%
<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>-0.49</b>	<b>-0.23</b>	<b>0.28</b>

Source: 118000 AG, CBS Research AG

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Date	Recommendation	Price at change date	Price Target
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
21 March 2011	BUY	EUR 1.96	EUR 4.00

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