



Internet

LeGuide.com SA

2007 Results

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News

LeGuide.com, the leading publisher of on-line shopping listings in France, with 4.2 million single visitors in France, has released annual results posting sharp growth. In FY 2007, group operating profit shot up 61% to €3.9mn and net profit soared 81.7% to €3.0mn. These figures are higher than we estimated (operating profit, €3.5mn and net profit, €2.4mn). In consequence, we upgrade our forecasts for the future. We raise our fair value price to €25.00 (from €23.00) and reiterate our Buy recommendation.

Comments

• Margins still amongst the highest on the sector ...

In financial year 2007, despite a 67% increase in the external charges line item (mainly, marketing costs), the operating margin moved up by 150 basis points to 31.1%. This favourable result is due primarily to the organisation of employees based in Paris and to their ability to deliver more in terms of sales, both in France and abroad. In 2007, employee expenses grew half as fast as sales, now accounting for 26% of sales. As a result, in 2008 an increase in visitors and sales should go hand in hand with an improved operating margin. We expect organic sales growth of 43% and an operating margin of 31.6% in 2008 (vs 28.3% previously). At this level of operating margin, LeGuide.com, is one of the most profitable internet companies on the market.

At 24.2%, 2007 net margin is particularly high due principally to interest income of €0.5mn (interest from the cash balance of €21.1mn) and to the relatively low level of income tax owing to the group's having made use of the totality of the tax loss carry-overs.

• Visitors in Europe to be monetised ...

At end 2007, LeGuide.com's network of websites covered 14 countries in Europe. The group raised sales outside France by 2.4x to €1.4mn, so that they now account for 11% of total sales. With the largest product line in Europe (126 million products listed), it has set itself the objective of lifting itself from its position of No. 5 in Europe at present to No. 3 (behind the US companies, Ciao and Yahoo! Shopping), i.e. an objective of about 12 million single visitors within the next 2 years.

Stock market data

Market capitalisation: €56.7mn
Number of shares: 3,334,605
Average volume (6 months): 12,008 shares
Highs/Lows (6 months): €21.86/€12.50
Capital turnover (6 months): 46.8%
Free float: 36.5 %
ISIN code: FR 0010146099

Shareholder structure*

Founders and management	10.8%
Investment funds	43.3%
Employees	4.0%
Publicly held	41.9%

*Euroland Finance estimate



	2006	2007	2008p	2009p
Sales (€K)	8 143	12 540	17 933	24 747
Operating profit (€K)	2 414	3 897	5 664	7 984
Net profit (€K)	1 646	3 034	4 240	5 882
Change in sales (%)	109.7%	54.0%	43.0%	38.0%
Operating margin (%)	29.6%	31.1%	31.6%	32.3%
Net margin (%)	20.9%	24.2%	23.6%	23.8%
EV/sales	nm	2.8	2.0	1.4
EV/operating profit	nm	9.1	6.3	4.5
PER	nm	18.7	13.4	9.6

Source: Euroland Finance



- **High level financial resources**

At 31 December 2007, LeGuide.com had a solid financial structure. The group's activities, which generated an operating profit of €3.8mn, combined with the June 2007 rights issue of €11.5mn, have raised the net cash balance to €21.1mn. This high level of financial resources should enable it to fund both organic expansion (open new websites) and potential acquisitions.

- **Encouraging prospects**

In 2008, we consider that LeGuide.com will benefit from: 1/ e-commerce growth (+30%, according to the FEVAD); 2/ strong growth of on-line advertising expenditure (+43%, according to AD Barometer); 3/ monetization of the visitors to its sites abroad, and 4/ potential acquisitions.

Recommendation ●

We believe that this release confirms the efficacy of LeGuide.com's strategy as well as its ability to outperform growth on the sector. In the last 5 months, the group has become the undisputed leader in on-line shopping guides in France. Moreover, we think it has major growth paths ahead and is on the way to becoming one of the top 3 on-line shopping guides in Europe. Hence, we consider that LeGuide.com represents a positive investment opportunity to gamble on the expansion of e-commerce in Europe and the growth of on-line advertising expenditure, to which is added the stock's speculative dimension. (LeGuide.com is the only independent, pure player, shopping guide listed on the stock market).

At current prices, we consider the stock to be underpriced. Our fair value price, based on DCF models and stock market comparisons, is €25.00. We consider that the stock has an upside potential in excess of 40%. In consequence, we opt for a Buy recommendation.

● *To come*

Release of 1Q2008 sales on 25 April, after close of trading.



Accounts (2006—2009 projected)

€K	2006	2007	2008p	2009p
Sales	8 143	12 540	17 933	24 747
Operating profit on ordinary activities	2 414	3 897	5 664	9 984
Operating profit	2 414	3 897	5 664	7 984
Cost of net borrowings	0	500	692	834
Net attributable profit	1 646	3 034	4 240	5 882
Non-current assets	412	614	698	885
<i>incl. goodwill</i>	50	50	50	50
Current assets	3 785	4 976	7 116	9 821
Net cash balance	5 965	21 067	25 058	30 566
Total Balance sheet	10 162	26 657	32 872	41 272
Shareholders' equity: group share	7 528	22 096	26 336	32 218
Debts and liabilities	373	0	0	0
Operating liabilities	2 633	4 561	6 537	9 054
Funds from operations	2 540	3 533	4 406	6 041
Change in WCR	325	- 736	164	187
Capital expenditure	274	201	251	346
Free Cash Flow	1 942	4 069	3 991	5 508
Operating margin on ordinary activities	29.6%	31.1%	31.6%	32.3%
Operating margin	29.6%	31.1%	31.6%	32.3%
Net margin	20.9%	24.2%	23.6%	23.8%
ROE	21.9%	13.7%	16.1%	18.3%
ROCE, excl. goodwill	108.6%	274.1%	315.7%	339.0%
ROCE, incl. goodwill	105.1%	260.5%	303.1%	328.6%
Net gearing	-74.3%	-95.3%	-95.1%	-94.9%
WCR/sales	14.1%	3.3%	3.2%	3.1%
Employees	56	69	73	78
Employee expenses/sales	31.9%	26.3%	26.0%	25.8%
EPS (€)	ns	0.91	1.27	1.76
EPS growth	nm	nm	39.7%	38.7%
Diluted EPS (€)	nm	0.91	1.27	1.76

Source: Euroland Finance

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Annual average growth in excess of 40% in 2008 and 2009

+
Net cash balance of €21.1mn

+
Operating margin in excess of 31%

Stock market comparisons

	08 EV/sales	09 EV/sales	08 EV/OP	09 EV/OP	08 P/E	09 P/E
Hi Media	1.4	1.1	13.0	7.7	19.5	11.3
Adverline SA	1.8	1.5	10.2	8.5	14.6	12.1
1000mercis	5.0	4.0	10.7	9.3	17.7	13.8
Maximiles	1.9	1.5	10.3	7.9	25.5	18.8
NetBooster	1.2	0.9	8.8	6.2	12.3	8.3
Pages Jaunes	4.6	4.4	11.0	10.1	14.5	13.0
Average	2.7	2.2	10.7	8.3	17.3	12.9
LeGuide.com	2.0	1.4	6.3	4.5	13.4	9.6

Sources: Euroland Finance, JCF.

**RECOMMENDATION SYSTEM**

EuroLand Finance makes recommendations which are valid for the next six months, defined as follows:

Buy: Potential for outperforming the market by 10%+, plus high-quality fundamentals.

Hold: Potential for outperforming or underperforming the market by less than 10%.

Sell: Potential for underperforming the market by 10%+ and/or risky industrial and financial fundamentals.

DETECTION OF CONFLICTS OF INTEREST

Company	Corporate Finance	Analyst has personal interest	Holder of issuer's securities	Prior reporting to the issuer	Liquidity contracts	Eurovalue contract*
LeGuide.com	Yes	No	No	No	Yes	Yes

* Stock market activities, with regularly up-dated financial analysis, with or without liquidity contracts.

RECOMMENDATIONS IN THE LAST 12 MONTHS

Buy: 22.02.07 to 22.02.08.

Hold: (-).

Sell: (-).

Suspended: (-).

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