

December 18th, 2018
Research Comment

SMC Research
Small and Mid Cap Research



Sandpiper Digital Payments AG

Investment portfolio becomes
more focused

Rating: Speculative Buy (unchanged) | Price: 0.072 Euro | Price target: 0.22 Euro

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Two smaller divestments



Basic data

Based in:	St. Gallen
Sector:	Payment, IT Security
Headcount:	approx. 200 (Group)
Accounting:	Swiss GAAP FER
ISIN:	CH0033050961
Price (FWB):	0.072 Euro
Market segment:	Regulated Market Bern Open Market Frankfurt
Number of shares:	211.7 m
Market Cap:	15.2 m Euro
Enterprise Value:	26.2 m Euro
Free Float:	46 %
Price high/low (12 M):	0.19 / 0.051 Euro
Ø turnover (12 M FWB):	10,100 Euro

FY ends: 31.12.	2017	2018e	2019e
Sales (m Euro)	30.5	28.5	33.3
EBIT (m Euro)	-1.2*	-0.6	0.0
Net profit	6.3	-0.5	-0.7
EpS	3.00	-0.19	-0.26
Dividend per share	-	-	-
Sales growth	5.4%	-6.7%	17.2%
Profit growth	-	-	-
PSR	0.50	0.54	0.46
PER	2.4	-	-
PCR	-	69.2	218.1
EV / EBIT	-	-	-
Dividend yield	0.0%	0.0%	0.0%

*operating

Current development

Sandpiper continues to focus on core investments and has recently sold shares in two smaller investments. To begin with, the sale of 75 percent of the previously wholly-owned subsidiary PAIR Solutions was agreed upon at the beginning of November. The new majority shareholder is well networked in the target industries addressed and is well placed for further developing the small company (turnover approx. EUR 550,000). The transaction will burden the individual financial statements due to write-downs on loans, while it will result in a book profit of EUR 700,000 in the consolidated financial statements.

In our assessment, further income will be generated by the recently announced sale of the 15.27 percent stake in Smart Loyalty AG to Mountain Partners AG, the former majority shareholder of Sandpiper. Its share in Smart Loyalty rises as a result to 28.18 percent. Following this transaction, which will further unbundle the portfolios of Sandpiper and Mountain Partners, Sandpiper will still hold four majority interests and a significant minority position.

Conclusion

Thanks to this focus, management capacities and investment capital can now be fully oriented towards core and future activities. Leveraging synergies within the network, setting up shared services and implementing growth initiatives in the Smart Cities segment will continue to be paramount to the company. According to management, there has been good progress in that regard. The realisation of this potential forms the basis of our valuation model, which only had to be adjusted to a minor extent after the sales (see page 3). Assuming that the plans to improve efficiency and increase growth are implemented, our price target of EUR 0.22 continues to signal high upside potential; the rating remains "Speculative Buy".

Annex I: DCF and revenue model

m Euro	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025
InterCard	15.0	18.4	20.3	22.3	24.5	27.0	29.7	32.6
Ergonomics	6.9	8.0	8.6	9.4	10.4	11.5	12.6	13.9
IDpendant	4.5	4.8	5.2	5.5	5.9	6.3	6.8	7.2
Multicard	1.5	2.1	2.9	4.1	5.8	7.5	9.0	10.3
PAIR Solutions	0.55	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sales	28.5	33.3	37.0	41.3	46.5	52.3	58.1	64.1
Sales growth	-6.7%	17.2%	11.0%	11.7%	12.6%	12.3%	11.1%	10.4%
EBIT margin	-2.2%	0.0%	0.9%	2.4%	4.2%	5.9%	7.5%	9.1%
EBIT	-0.6	0.0	0.3	1.0	2.0	3.1	4.3	5.8
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.0%	33.0%
Adjusted tax payments	0.0	0.0	0.0	0.0	0.0	0.0	1.4	1.9
NOPAT	-0.6	0.0	0.3	1.0	2.0	3.1	2.9	3.9
+ Depreciation & Amortisation	1.2	1.0	1.1	1.1	1.2	1.3	1.4	1.5
+ Increase long-term accruals	-0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.5
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating cash flows	0.3	1.3	1.7	2.5	3.5	4.8	4.8	5.9
- Increase Net Working Capital	-0.1	-0.6	-0.5	-0.4	-0.3	-0.2	-0.1	0.0
- Investments in fixed assets	0.6	-1.7	-1.7	-1.8	-1.9	-1.9	-1.9	-1.9
Free cash flows	0.7	-0.9	-0.5	0.3	1.3	2.7	2.9	4.1

SMC estimation model

Model adjustments

The two divestments require only relatively minor updates to the valuation model. In the current year, we calculate with the earnings contribution of EUR 700,000 from the PAIR sale in consolidated results. As the deconsolidation will only take place in the course of December, the subsidiary's contribution to sales remained unchanged at EUR 0.55 m. From 2019 on, however, we have removed the estimated figures for PAIR's revenues and earnings. The remaining 25 percent stake has not been taken into account for

the time being due to its minor significance. As we had so far proceeded in the same way with the share in Smart Loyalty as well, no adjustment has to be made. We have only calculated with a lump-sum profit of approximately EUR 300,000 from the Smart Loyalty transaction. There were no other changes to the model. The above adjustments result in a new fair value of EUR 0.22 per share (previously EUR 0.23 per share).

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	12 2017	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025
ASSETS									
I. Total non-current assets	10.7	8.9	9.5	10.2	10.9	11.6	12.1	12.6	12.9
1. Intangible assets	3.5	3.8	4.1	4.4	4.8	5.3	5.7	6.1	6.5
2. Tangible assets	1.1	1.0	1.4	1.7	2.0	2.2	2.4	2.5	2.4
II. Total current assets	8.5	9.1	19.6	21.9	20.1	21.5	23.8	26.9	30.9
LIABILITIES									
I. Equity	1.5	0.3	9.6	9.5	9.7	10.6	11.9	13.7	16.2
II. Accruals	1.3	0.9	1.2	1.5	1.9	2.2	2.6	3.1	3.6
III. Liabilities									
1. Long-term liabilities	7.8	7.1	7.9	9.5	8.1	8.3	8.7	9.2	9.7
2. Short-term liabilities	9.2	10.1	10.9	12.2	11.8	12.4	13.2	14.0	14.9
TOTAL	19.7	18.5	29.6	32.6	31.5	33.6	36.5	40.1	44.4

P&L estimation

m Euro	12 2017	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025
Sales	30.5	28.5	33.3	37.0	41.3	46.5	52.3	58.1	64.1
Total operating revenues	31.0	28.5	33.3	37.0	41.3	46.5	52.3	58.1	64.1
Gross profit	18.7	16.7	20.2	22.6	25.6	29.3	33.5	37.7	42.6
EBITDA	0.4	0.6	1.0	1.4	2.1	3.2	4.4	5.8	7.4
EBIT	-1.2	-0.6	0.0	0.3	1.0	2.0	3.1	4.3	5.8
EBT	6.9	-0.5	-0.5	-0.2	0.4	1.4	2.6	3.9	5.4
EAT (before minorities)	6.8	-0.5	-0.6	-0.1	0.2	0.9	1.7	2.6	3.6
EAT	6.3	-0.5	-0.7	-0.2	0.1	0.8	1.5	2.2	3.1
EPS	3.00	-0.19	-0.26	-0.09	0.04	0.30	0.55	0.83	1.15

Annex III: Cash flows estimation and key figures

Cash flows estimation

m Euro	12 2017	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025
CF operating	-3.9	0.2	0.1	0.7	1.3	2.2	3.3	4.4	5.6
CF from investments	-0.9	0.6	-1.7	-1.7	-1.8	-1.9	-1.9	-1.9	-1.9
CF financing	4.2	-0.7	11.2	2.5	-2.1	0.3	0.2	0.0	-0.4
Liquidity beginning of year	2.0	1.3	1.5	11.1	12.5	9.9	10.5	12.1	14.6
Liquidity end of year	1.3	1.5	11.1	12.5	9.9	10.5	12.1	14.6	18.0

Key figures

m Euro	12 2017	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025
Sales growth	5.4%	-6.7%	17.2%	11.0%	11.7%	12.6%	12.3%	11.1%	10.4%
Gross margin	61.5%	58.7%	60.5%	61.0%	62.0%	63.0%	64.0%	65.0%	66.5%
EBITDA margin	1.3%	2.0%	3.0%	3.8%	5.2%	6.8%	8.5%	10.0%	11.5%
EBIT margin	-4.0%	-2.2%	0.0%	0.9%	2.4%	4.2%	5.9%	7.5%	9.1%
EBT margin	22.6%	-1.8%	-1.6%	-0.7%	0.9%	3.0%	4.9%	6.7%	8.4%
Net margin (after minorities)	20.5%	-1.8%	-2.1%	-0.6%	0.3%	1.7%	2.8%	3.8%	4.8%

Disclaimer

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Charts

The charts were made with Tai-Pan (www.lp-software.de).

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II) Preparation and updating

The present financial analysis was prepared by: Dipl.-Kfm. Holger Steffen

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 18.12.2018 at 07:35 and published on 18.12.2018 at 07:45.

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