

<b>Buy</b> (Hold) <b>EUR 77.00</b> (EUR 70.00)  Price <b>EUR 59.85</b> <b>Upside 28.7 %</b>	<b>Value Indicators:</b> EUR DCF: 71.00 SotP 20e: 76.00	<b>Share data:</b> Bloomberg: SPR GR Reuters: SPRGn ISIN: DE0005501357	<b>Description:</b> International integrated media and internet group
	<b>Market Snapshot:</b> EUR m Market cap: 6,464 No. of shares (m): 108 EV: 7,739 Freefloat MC: 2,579 Ø Trad. Vol. (30d): 12.66 m	<b>Shareholders:</b> Freefloat 39.9 % Dr. Mathias Doepfner 3.1 % Axel Springer Ges. f. Publiz. 51.5 % Dr. h.c. Friede Springer 5.2 %	<b>Risk Profile (WRe):</b> 2018e Beta: 1.2 Price / Book: 2.8 x Equity Ratio: 43 % Net Fin. Debt / EBITDA: 1.2 x Net Debt / EBITDA: 1.8 x

## Upgrade to Buy; Feedback from our meeting with the CEO and CFO

Our recent meeting with CEO Matthias Doepfner and the CFO Julian Deutz on 30.05.2018 cast more light on several interesting issues. We met the IR team in a separate meeting and in this note we present our takeaways and conclusions from our discussions:

- We see Business Insider as the next big value driver for Axel Springer. BI is the number one digital brand for business and financial news in the U.S. with more than 120m unique users. Revenues grew by +46% to USD 81m in 2017 and should reach > EUR 100m in 2018. New advertising formats and increasing content inventory should continue to drive revenues in the U.S. business. The activities in the U.S. present a strong base for international growth and to introduce further verticals. We think that any additional disclosure would be helpful to understand the activities better and probably dispel doubts as well as demonstrate the structural growth potential.
- In Germany, Stepstone is in a very good position to keep growth rates high. Jobs listings sites and their pricing power are benefiting from a shortage of qualified labour and the retirement of the baby boomer generation. We regard new models, such as direct search (XING), as offering ad-on value for human resource departments. Hence, we do not expect a massive disruption of classical online listing models from social media driven approaches. Furthermore, we believe Stepstone can successfully transform its activities to a multi touch-point and data-driven business which should help to defend its outstanding market position.
- Other themes we touched on in our meeting included idealo.de, SeLogger, M&A strategy and the organisational structure.

We are increasing our PT from EUR 70 to EUR 77 (SotP). Our SotP-approach reflects a 6x sales 2020e multiple for BI, EBITDA 2020e multiples for classifieds holdings between 12x and 16x and 7x EBITDA multiple for News Media National.

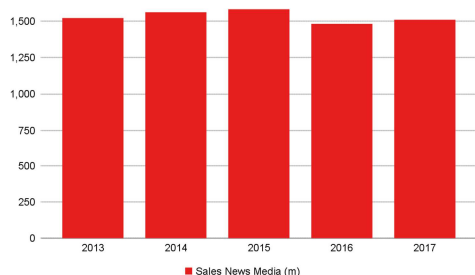


<b>Rel. Performance vs MDAX:</b>	
1 month:	-7.2 %
6 months:	-10.3 %
Year to date:	-8.1 %
Trailing 12 months:	6.6 %

<b>Company events:</b>	
21.06.18	Warburg Highlights
27.07.18	Q2
07.11.18	Q3
12.12.18	CMD

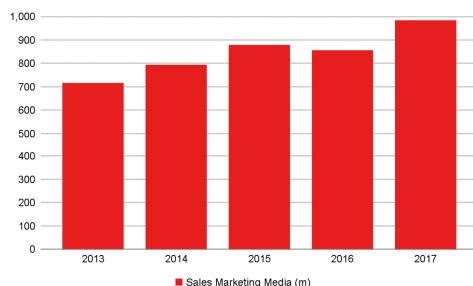
FY End: 31.12. in EUR m	CAGR (17-20e)	2014	2015	2016	2017	2018e	2019e	2020e
<b>Sales</b>	-2.2 %	3,038	3,295	3,290	3,563	3,139	3,247	3,328
<b>Change Sales yoy</b>		8.4 %	8.5 %	-0.1 %	8.3 %	-11.9 %	3.5 %	2.5 %
<b>Gross profit margin</b>		68.4 %	70.7 %	73.0 %	73.0 %	75.9 %	75.8 %	75.7 %
<b>EBITDA</b>	2.4 %	591	663	830	763	719	768	818
<b>Margin</b>		19.5 %	20.1 %	25.2 %	21.4 %	22.9 %	23.7 %	24.6 %
<b>EBITDA adj.</b>	8.8 %	507	559	596	646	731	782	832
<b>Margin</b>		16.7 %	17.0 %	18.1 %	18.1 %	23.3 %	24.1 %	25.0 %
<b>Net income</b>	-11.6 %	800	252	427	346	221	223	238
<b>EPS</b>	-11.6 %	8.08	2.53	3.96	3.20	2.05	2.06	2.21
<b>EPS adj.</b>	8.3 %	2.01	2.23	2.41	2.60	2.75	3.00	3.30
<b>DPS</b>	5.0 %	1.80	1.80	1.90	1.90	2.00	2.10	2.20
<b>Dividend Yield</b>		3.9 %	3.5 %	4.1 %	3.5 %	3.3 %	3.5 %	3.7 %
<b>FCFPS</b>		2.67	2.22	1.80	2.59	3.04	3.13	3.51
<b>FCF / Market cap</b>		6.1 %	4.6 %	4.0 %	8.4 %	5.3 %	5.4 %	6.1 %
<b>EV / Sales</b>		1.8 x	2.0 x	2.0 x	2.0 x	2.5 x	2.3 x	2.2 x
<b>EV / EBITDA</b>		9.5 x	9.9 x	7.8 x	9.5 x	10.8 x	9.9 x	9.1 x
<b>EV / EBIT</b>		16.7 x	14.1 x	10.8 x	13.8 x	19.6 x	18.0 x	16.6 x
<b>P / E</b>		5.7 x	20.6 x	11.8 x	17.0 x	29.2 x	29.1 x	27.1 x
<b>P / E adj.</b>		22.8 x	23.4 x	19.3 x	20.9 x	21.8 x	20.0 x	18.1 x
<b>FCF Potential Yield</b>		19.7 %	6.3 %	9.1 %	6.9 %	6.2 %	6.6 %	7.3 %
<b>Net Debt</b>		1,067	1,338	1,409	1,384	1,275	1,151	986
<b>ROCE (NOPAT)</b>		7.8 %	8.8 %	11.8 %	9.5 %	6.8 %	7.1 %	7.8 %
<b>Guidance:</b>	2018e organic: adj. EBITDA low to mid single-digit % growth							

Sales Digital Media in EUR m



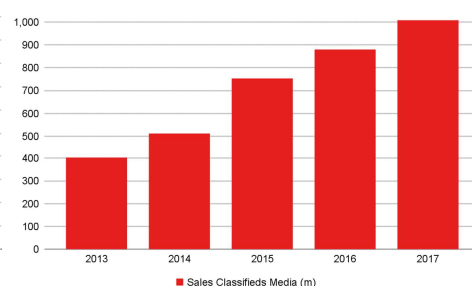
Source: Warburg Research

Sales Marketing Media in EUR m



Source: Warburg Research

Sales Classifieds Media in EUR m



Source: Warburg Research

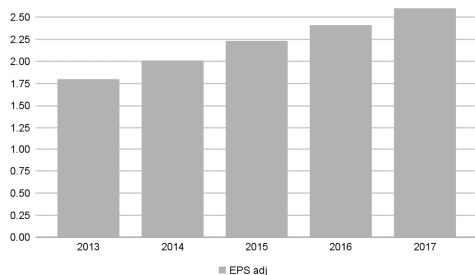
## Company Background

- Axel Springer is an integrated media and internet company with core competence in online classifieds businesses and the publication and distribution of digital content

## Competitive Quality

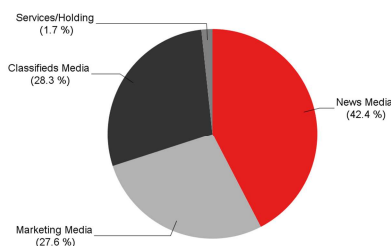
- Operator of several market leading classifieds digital market places for jobs, real estates and cars in terms of traffic and revenues in Germany, UK, France and other countries.
- Network effects within the Axel Springer group support classifieds market places to defend market positions and to accelerate innovation as well as growth.
- Strong balance sheet and FCF generation provides room for M&A
- Global reach at Business Insider offers opportunity to drive revenue growth with digital content businesses.

EPS adj in EUR



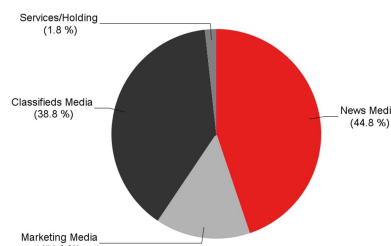
Source: Warburg Research

Sales by segments 2017; in%



Source: Warburg Research

Sales by segments 2019e; in%



Source: Warburg Research

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## Summary of Investment Case

### Investment triggers

- Valuation play: Currently Axel Springer's holdings are not adequately reflected at the current share price.
- Ongoing strong growth at Business Insider – any additional disclosure for BI would be helpful and should increase confidence in the value potential of BI.
- Upcoming quarterly results should show that Stepstone Continental can maintain its revenue growth at high margins. Expected slight temporary (underlying) EBITDA margin decrease relates to intensified marketing activities which provide the basis for higher profits in future => dispelling doubts about the future growth and profit prospects of Stepstone Continental.

### Valuation

- SotP-based PT of EUR 77 which reflects a 6x sales 2020e multiple for BI, EBITDA 2020e multiples for classifieds holdings between 12x and 16x and 7x EBITDA multiple for News Media National.

### Growth

- Stepstone Continental: Shortage of qualified candidates, price increases, market share gains, extension of the value chain, retirement of the baby boomer generation
- Real estate online classifieds activities: price increases, introduction of data-driven services, value chain extension.
- Business Insider: Monetization of outstanding reach via advertising revenues, internationalization strategy, introduction of new verticals.

### Competitive quality

- Business Insider: Innovative approach to production of news and content; pure digital brand, strong reach in the U.S.
- News Media National: With BILD and WELT/N24 strong brand position in Germany and high reach to German consumers.
- Stepstone Continental: Number one brand in Germany for candidate delivery, innovative company with an 8% capex/sales ratio, backed by structural growth drivers
- Network effects between different classifieds holdings should push innovation, sales and profit growth

### Warburg versus consensus

- 2018e and 2019e expectations are within consensus

## Company Overview

- **Overall strategy:** Transformation of the classical print publisher business model to digital publishing
- **Two main areas:**
  - Classifieds models for jobs and real estate listings
  - Digital content models to generate subscription and advertising revenues
- **Efficient management of remaining print assets** through cost cutting and price increases
- **Internationalization strategy**
- **Investing in start-ups and ventures** for new business and technological opportunities

**Print publisher business model**

- Production of content
- Publication of the content in newspapers or magazines
- Distribution of newspapers/magazines to the audience (consumers and businesses)
- Enriching the newspapers/magazines with local/national specialized market places (jobs, real estate, cars)

=> Subscription, circulation and advertising revenues as well as revenues from listings

**Digital classifieds models / specialized market places**

- Matching potential buyers and sellers on specialized platforms
- Better reach and better economies of scale than print
- Strong FCF, high ROCE, high-margin model
- Oligopolistic market structures

**Digital content models**

- Production of text and video content (video = new opportunity for publishers)
- Distribution and publication of the content over various platforms and channels

Operating Segments				Services/ Holding
Classifieds	Paid Models		Marketing Models	Company Services 3 Printing Houses
<b>StepStone – 100%</b> <i>Totaljobs Jobsite Saongroup YourCareerGroup</i>	<b>Bild – Group</b> <b>WELT/N24 – Group</b>	<b>Reach Marketing</b>	<b>Idealo – 74.9%</b> <b>Bonial – 72.5%</b> <b>finanzen.net – 75%</b>	
<b>SeLogger – 100%</b> <b>Immowelt/net- 55%</b> <b>Immoweb – 100%</b>	<b>Ringier Axel Springer Media – 50%</b>		<b>Performance Marketing</b>	<b>Awin – 80%</b>
	<b>Ringer Axel Springer Schweiz – 50%</b>			
<b>@Leisure – 51%</b> <b>LaCentrale – 100%</b> <b>Yad2 – 100%</b> <b>MeineStadt – 100%</b>	<b>Business Insider U.S.– 100%</b>			
	<b>eMarketer U.S.– 94%</b>			

Classifieds							
	StepStone Group	CarBoat Media	Yad2	@Leisure	Immowelt Group	SeLogger	Immoweb
	Leading job listings sites in Germany and the UK	Leading position in used cars listings in France	#1 general interest portal for real estate, automobiles and small ads in Israel	Connects owners of vacation rentals with guest via online platforms	No 2 player in the German property and online portal market	#1 real estate market place in France	#1 real estate market place in Belgium
REV.	EUR 474m (+24%)	EUR 59m (+7%)	EUR 40m (+14%)	EUR 124m (+38%)	EUR 11m (+13%)	EUR 140m (+3%)	EUR 39m (+9%)
EBITDA (margin)	EUR 197m (41.6%)	EUR 27 (45.4%)		EUR 19m (15.6%)	EUR 37m (33.6%)	EUR 82m (58.5%)	EUR 26m (66.9%)
Europe	<ul style="list-style-type: none"> <li>▪ StepStone</li> <li>▪ YCG</li> <li>▪ ictjob.be</li> <li>▪ Jobs.lu</li> </ul>	<ul style="list-style-type: none"> <li>▪ La Centrale</li> <li>▪ Promoneuve</li> <li>▪ Annonces du Bateau</li> </ul>	<ul style="list-style-type: none"> <li>▪ Drushim</li> </ul>	<ul style="list-style-type: none"> <li>▪ Belvilla</li> <li>▪ DanlCenter</li> <li>▪ Danland</li> </ul>	<ul style="list-style-type: none"> <li>▪ Immowelt</li> <li>▪ Immonet</li> </ul>	<ul style="list-style-type: none"> <li>▪ SeLogger</li> <li>▪ Logic Immo</li> </ul>	<ul style="list-style-type: none"> <li>▪ Logic Immo</li> </ul>
UK	<ul style="list-style-type: none"> <li>▪ Totaljobs</li> <li>▪ Jobsite</li> </ul>						

Source: Warburg Research

## Feedback meeting with the CEO and CFO

- At SeLoger, revenue growth rates should accelerate in H2/18: Introduction of dual listings, churn-rates should normalise
- Axel Springer's growth engine Stepstone Continental strongly supported by structural factors, market share gains and extension of the value chain
- Business Insider as the next value driver for Axel Springer

After our meeting with Matthias Doepfner (CEO) and Julian Deutz (CFO) on Wednesday, May, 30 and our separate discussion with the IR team, Claudia Thome and Daniel Fahrd-Yazdani, we draw the following key conclusions.

## Corporate strategy and structure

**After the sale of aufeminin, Axel Springer's process of optimizing the corporate structure is still underway. However,** with regard to value contribution, we think that Axel Springer has already made a great deal of progress. The only remaining asset in the Marketing Media segment with a significant contribution to our calculated SotP value is idealo.

The Marketing Media segment still includes finanzen.net, idealo.de (price comparison site). In our view, **finanzen.net could be allocated to the News Media** segment.

**The performance of Idealo significantly exceeded internal expectations.** We estimate that in 2017, idealo reached an EBITDA between EUR 28m and EUR 30m, which, based on our assumptions, roughly reflects a growth rate of around +50% compared to 2016. **As a result, Axel Springer decided to develop idealo further internally and look for synergies between News Media and the price comparison business model.** Therefore, **idealo is likely to be linked more strongly to the German News Media portals, such as bild.de and welt.de** to realize synergies between the business models especially when it comes to reach, usage and visits.

**AWIN** is the leading European performance marketing network with a presence in more than 12 countries and more than 6k advertisers. **Axel Springer holds 80% of Awin** (the firm is fully consolidated), United Internet 20%. Both companies have already flagged the prospect of an IPO after a **period of integration**.

As often mentioned before, **Axel Springer is concentrating on two main areas: online classifieds businesses (Classifieds Media) and news media activities (News Media).**

The growth strategy in online classifieds is based on volume growth, price increases, introduction of new technologies and value chain extensions (transition of the model to a multi touch-point approach for consumers). In News Media, monetization is carried out in the digital area mainly via advertising revenues and to a minor extent via subscription revenues. The critical issue is to attract a large audience and achieve a wide reach on a permanent basis with its News Media offerings.

The management said that there are no plans to change or extend the current strategic positioning or to invest in new areas.

**M&A activity is likely to focus on bolt-on acquisitions in online classifieds and/or digital media,** especially to strengthen Business Insider. In addition to that, smaller investments in innovative business areas, such as online real estate agency Purplebricks, are possible.

## Improving competitive position in France

SeLoger's revenue growth profile was rather disappointing in Q1/18 at < 5% compared to > 5% in the quarters before. More importantly, Leboncoin (100% holding of Schibsted) which is SeLoger's main competitor, showed revenue growth of 20% in Q1/18, giving rise to fears that SeLoger's competitive positioning is deteriorating over time, hitting growth and profits.

**In our view, low growth rates at SeLoger and high growth rates at Schibsted can be explained as follows:**

- Leboncoin operates online market places for cars, jobs, general interest and real estate. Schibsted said that cars and real estate were up by between 15% to 20% and jobs by >100%. **This product mix would seem to result in a better growth profile than at Axel Springer.**
- At Axel Springer, display and non-subscription-based advertising revenues reached a trough in Q1/18 because of insourcing the marketing of the inventory. Both Axel Springer and Leboncoin made add-on acquisitions in France and usually, as one of the first steps, customers are offered listings on both sites. Leboncoin already started combined offerings in Q1/18 while SeLoger will start in H2/18.
- **Leboncoin's ARPU in real estate classifieds is substantially lower than SeLoger's ARPU. Hence, Leboncoin's better performance in Q1/18 is driven to a great extent by price increases.**
- SeLoger had unusually low churn-rates in Q1/17 while churn-rates normalised in Q1/18.

We regard the market consolidation in the French real estate classifieds market as positive.

In terms of professional listings, Leboncoin as the number two player acquired the number four player (avendre alouer) and SeLoger acquired the number three player (Logic Immo). This leaves only a few smaller players in the market (Explore Immo, bien ici).

**The French real estate online classifieds market now shows an oligopolistic structure. Our best guess is that both players are behaving rationally** because a price war would probably be value destructive for both.

Hence, in our view SeLoger should return to revenue growth rates of >5% at a high EBITDA margin level of > 55% (including Logic Immo).

## Stepstone Germany: Axel Springer's growth engine in Classifieds

First of all, **job markets are locally-driven which makes disruption with a global approach rather difficult.** Very specific local expertise and a local sales force is needed. Secondly, there is strong demand for qualified labour in Germany as the economy has been booming for several years. This demand is set to become even more acute in the next years as the so-called baby boomer generation retires. In the coming years, more than 800k qualified people will retire, or c. 2% of the total workforce in Germany.

**Human resource departments are turning to all available channels in the search for suitable candidates to fill vacant positions. They are using both classical job**

**boards like Stepstone as well as new direct search approaches, such as XING is offering.**

For several years Stepstone has shown that it has **the highest candidate delivery-rate** per job listing by far compared to its most important peers.

Furthermore, Stepstone currently **invests c. 8% of its revenues in new technologies** and product development. Smaller job listing sites are probably not in the financial position to make the necessary investment and will have to leave the market.

Additionally, Stepstone **has started to transfer the job listing business to a multi touch point business** which means that the site is extended by several new services. The vision is that, in future, job seekers and potential candidates can use the site for information services and application services, among others.

**There has been some discussion about the temporary margin decline in Jobs classifieds (mainly Stepstone).** In Q1/18 revenues grew organically by +18.9% while adj. EBITDA was up by only 3.3%. Consequently, the EBITDA margin declined by 3pp to 34.6%. Axel Springer said that it invested in the Stepstone brand and that it has undertaken some marketing activities. Now, there is speculation that Axel Springer needs structurally higher expenses to maintain growth rates in the jobs classifieds activities. In our view, Stepstone's business model is a platform model with high potential for economies of scale. From an economic point of view, it makes little sense to optimize profit margins now. Market share gains increase the likelihood that smaller players are forced to leave the market. Future higher sales value has a strong positive impact on profit margins which will more than offset current additional expenses in brand and sales activities.

Up to now the main revenue growth drivers for Stepstone Continental have been the shift of jobs ads from stationary solutions to online listing sites, market share gains, volume growth and price increases. Besides transferring the activities to a multi touch point business there is still significant market potential. For instance, In Germany, the market value for headhunters is estimated to be > EUR 1bn annually. This should offer some additional growth opportunities.

## Business Insider

**Business Insider, with 120m unique visitors, is the leading digital news site for financial and economic news in the U.S.**

In 2017, revenues **grew by +46% to USD 81m**. In our view, BI should reach revenues of c. USD 100m. Axel Springer expects breakeven at EBITDA level in H2/18.

BI's readership and audience is mainly monetized via advertising revenues, mainly by programmatic advertising and to a lesser extent native advertising.

Axel Springer's growth strategy for BI is rather simple. The production of interesting content should increase the number of users which should enable an increase in advertising prices. Axel Springer has launched further verticals (a.g. Tech Insider) and has started to internationalize the brand by ramping up new markets.

We gained the impression that Axel Springer's long-term vision is to develop Business Insider to the global number one brand for financial and economic news in democratic countries.

There are several competitive advantages compared to established brands. As BI is purely internet-based, its strategy does not have to consider any impact on print-related sales.

Moreover, at the starting-point of BI, the brand was positioned with fresh themes, innovative formats and a new journalistic approach. There was no need to reposition a



classical brand.

Axel Springer pays a high attention to BI. After reaching EBITDA breakeven (which is expected for H2/18), additional disclosure would help to gain confidence in the value potential of Business Insider, in our view.

## Valuation

- SotP-based fair value of EUR 77
- Classifieds Media contribute 73% to our fair EV
- Remaining print activities contribute < 10% to the fair EV

## Summary SotP model

Based on our assumptions for our SotP approach, we derive a fair EV of EUR 10bn of which 73% is contributed by Classifieds Media and 20% by News Media. Furthermore, the fair value per share is calculated at EUR 77.

The table below summarises our SotP approach.

### Summary SotP for Axel Springer

in EUR m	Fair Value attributable to Axel Springer shareholders	in% of fair EV
Classifieds Media	7,656	73%
News Media	2,363	20%
Marketing Media	561	2%
Services/Holding	-1,000	
Cash inflows (real estate, aufeminin, Dogan settlement)	466	5%
Financial debt	1,620	
Pension liabilities	230	
Cash	120	
<b>fair EV</b>	<b>10,046</b>	
<b>Equity value</b>	<b>8,316</b>	
number of shares in m	107.9	
<b>fair value per share in EUR m</b>	<b>77.1</b>	

Source: Warburg Research

## Classifieds Media

Based on consensus data (source: Bloomberg), Rea Group (real estate listing site in Australia) is trading at an EV/EBITDA 2020e of 25x, Rightmove (real estate, UK) at 15x, Scout24 at 13x and Auto Trader (UK, cars) at 12x. The average EV/EBITDA 2020e trading multiple is at 16.2x.

To calculate a fair value for Axel Springer's classifieds assets, we use the European listed peers Rightmove, Scout24 and Auto Trader which provide an average trading

multiple of 13.3x. Deriving fair values for Axel Springer's online classifieds holdings we use premiums and discounts on the average depending on the quality, growth profile and margin level.

The most important holdings are Stepstone Continental which contributes 52% to our fair segment EV (or 39% to the group EV) and SeLoger which reflects 18% of our calculated fair EV.

Calculating Stepstone Continental's EV we take a 15e EV/EBITDA multiple which is at the level of Righmove (15x) and higher than Scout24's level (13x). In our view this can be justified as follows:

- In 2016 and 2017, Stepstone Continental had organic revenue growth rates of >20% on EBITDA margins of >20%.
- In the coming years, organic growth should remain at high levels because of the shortage of qualified labour in Germany and the retirement of the so-called baby-boomer generation.
- Stepstone Continental should gain market share in Germany and be able to transfer its listing model to a multi touch-point and data-driven model.
- At Scout's trading multiple, it should be considered that Scout has holdings in real-estate and cars. The latter one has a lower quality in terms of its markets Germany and Italy.

To derive our fair EV for SeLoger we take the trading multiple of Rightmove (15x).

The table below shows our approach.

## SotP approach: Classifieds Media

### Axel Springer: SotP - Classified Models

in EUR m	Axel Springer	Sales 2016	Sales 2017	EBITDA 2016	EBITDA margin	EBITDA 2017	Sales 2020e	EBITDA 2020e	Fair multiple	Fair Value	FV Axel Springer	in% of EV Classifieds
Stepstone Continental	100%	257	320	151	58.8%	179.8	431	255.0	15	3,825	3,825	50%
Stepstone UK	100%	119	118	24	20.2%	15.8	134	29.0	12	348	348	5%
SAON Group	100%	34	37.5	10	29%	12.4	44	14.6	12	175	175	2%
Immowelt	55%	98	111	19.4	20%	37.4	140	58	15	870	479	6%
Immoweb	100%	36	39.5	25	69%	26.5	44.8	29	16	464	464	6%
Yad2	100%	34.9	40	26	75%	25	44.5	29.0	16	464	464	6%
SeLoger	100%	136	140	76	56%	81.8	214.4	88	15	1,320	1,320	17%
Carboat	100%	55.2	59.4	24.3	44%	27	71.9	32.0	13	416	416	5%
(@)Leisure	51%	90	124.5	14	16%	19.5	171.9	27.0	12	324	165	2%
<b>Total</b>		<b>860</b>	<b>990</b>	<b>370</b>		<b>425</b>	<b>1,296</b>	<b>561.6</b>		<b>8,206</b>	<b>7,656</b>	

Source: Warburg Research

## News Media and Marketing Media

### News Media

We separate the News Media segment into four parts: News Media Germany, News Media Europe, Business Insider and eMarketer.

We calculate a fair EV for the segment of EUR 2.3bn thereof 50% is contributed from News Media Germany and 36% from Business Insider.

For Business Insider a 6x sales multiple is taken (36% of the segment EV) and News Media National is valued with an EV/EBITDA multiple of 7x.

### Axel Springer News Media

#### Axel Springer: SotP: News Media

in EUR m	Axel Springer ownership	Sales 2016	Sales 2017	EBITDA 2016	EBITDA margin	Sales 2020e	EBITDA 2020e	Fair multiple	Fair Value	FV Axel Springer	in% of FV Paid Models
New Media Germany	100%	1,142	1,109	178	15.6%	1,022	167	7.0	1,171	1,171	50%
New Media Europe	51%	267	278	35	13.2%	259	31	7.0	217	111	5%
Business Insider	100%	52	72	n.m.	n.m.	144	n.m.	6	867	841	36%
eMarketer	94%	47	51	16	34.0%	62	22	12	259	241	10%
<b>EV New Media</b>										<b>2,363</b>	

Source: Warburg Research

### Marketing Media

The Marketing Media segment has been qualified as non-core. The segment includes the performance-marketing Awin. United Internet has a stake of 20%. We calculate a fair EV for Axel Springer's stake of EUR 122m.

Reach-based marketing includes mainly idealo.de which is a price search engine and the financial site finanzen.net.

### Axel Springer Marketing Media

#### Axel Springer: SotP - Marketing Media

in EUR m	Axel Springer ownership	Sales 2016	Sales 2017	EBITDA 2016	EBITDA margin	EBITDA 2017	Sales 2020e	EBITDA 2020e	Fair multiple	Fair Value	FV Axel Springer	in% of FV Paid Models
Reach-based	75%	289	315	66	22.7%	71	212	53	11	585	439	78%
Performance-based	41%	567	670	26	4.5%	32	265	30	8	240	122	22%
<b>Equity FV Paid Models</b>											<b>561</b>	

Source: Warburg Research

**DCF model**

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	
Sales	3,139	3,247	3,328	3,444	3,582	3,726	3,837	3,952	4,071	4,193	4,319	4,405	4,485	1.8 %
Sales change	-11.9 %	3.5 %	2.5 %	3.5 %	4.0 %	4.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.0 %	1.8 %	
EBIT	395	424	450	482	537	633	748	810	835	860	885	881	874	
EBIT-margin	12.6 %	13.1 %	13.5 %	14.0 %	15.0 %	17.0 %	19.5 %	20.5 %	20.5 %	20.5 %	20.5 %	20.0 %	19.5 %	
Tax rate (EBT)	29.0 %	33.0 %	33.0 %	30.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	
NOPAT	280	284	302	338	371	437	516	559	576	593	611	608	603	
Depreciation	324	344	368	344	322	298	269	237	244	252	259	264	269	
in % of Sales	10.3 %	10.6 %	11.1 %	10.0 %	9.0 %	8.0 %	7.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	
Changes in provisions	27	10	0	0	7	7	7	7	7	7	7	3	3	
Change in Liquidity from														
- Working Capital	11	28	-35	10	12	12	10	10	10	11	11	8	7	
- Capex	220	235	235	258	251	242	230	237	244	252	259	264	269	
Capex in % of Sales	7.0 %	7.2 %	7.1 %	7.5 %	7.0 %	6.5 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	
Free Cash Flow (WACC Model)	400	375	469	414	437	487	552	556	573	590	607	604	599	610
PV of FCF	387	340	399	329	326	340	361	341	329	317	306	285	265	5,449
share of PVs	11.52 %			32.72 %										55.76 %

**Model parameter**

Derivation of WACC:		Derivation of Beta:	
Debt ratio	20.00 %	Financial Strength	1.20
Cost of debt (after tax)	1.3 %	Liquidity (share)	1.10
Market return	7.00 %	Cyclicality	1.20
Risk free rate	1.50 %	Transparency	1.00
		Others	1.50
<b>WACC</b>	<b>6.75 %</b>	<b>Beta</b>	<b>1.20</b>

**Valuation (m)**

Present values 2030e	4,324		
Terminal Value	5,449		
Financial liabilities	1,250		
Pension liabilities	380		
Hybrid capital	0		
Minority interest	630		
Market val. of investments	0		
Liquidity	100	No. of shares (m)	108.0
<b>Equity Value</b>	<b>7,613</b>	<b>Value per share (EUR)</b>	<b>70.49</b>

**Sensitivity Value per Share (EUR)**

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		1.05 %	1.30 %	1.55 %	1.80 %	2.05 %	2.30 %	2.55 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.43	7.7 %	50.99	52.27	53.66	55.17	56.81	58.60	60.56	1.43	7.7 %	49.33	51.28	53.22	55.17	57.12	59.07	61.02
1.31	7.2 %	56.89	58.49	60.23	62.13	64.20	66.49	69.03	1.31	7.2 %	55.74	57.87	60.00	62.13	64.25	66.38	68.51
1.26	7.0 %	60.22	62.01	63.96	66.11	68.46	71.07	73.97	1.26	7.0 %	59.42	61.65	63.88	66.11	68.33	70.56	72.79
1.20	6.7 %	63.85	65.86	68.06	70.49	73.17	76.16	79.50	1.20	6.7 %	63.46	65.80	68.15	70.49	72.83	75.17	77.52
1.14	6.5 %	67.81	70.08	72.57	75.34	78.41	81.86	85.73	1.14	6.5 %	67.94	70.40	72.87	75.34	77.81	80.27	82.74
1.09	6.2 %	72.15	74.72	77.57	80.74	84.28	88.27	92.81	1.09	6.2 %	72.92	75.52	78.13	80.74	83.34	85.95	88.56
0.97	5.7 %	82.23	85.59	89.35	93.58	98.39	103.90	110.26	0.97	5.7 %	84.77	87.71	90.65	93.58	96.52	99.46	102.40

■ Group revenue growth rates are a result of structurally declining print activities and digital growth businesses.

Valuation	2014	2015	2016	2017	2018e	2019e	2020e
Price / Book	2.3 x	2.5 x	2.3 x	2.6 x	2.8 x	2.8 x	2.8 x
Book value per share ex intangibles	-10.25	-16.98	-18.01	-15.02	-13.98	-12.80	-11.35
EV / Sales	1.8 x	2.0 x	2.0 x	2.0 x	2.5 x	2.3 x	2.2 x
EV / EBITDA	9.5 x	9.9 x	7.8 x	9.5 x	10.8 x	9.9 x	9.1 x
EV / EBIT	16.7 x	14.1 x	10.8 x	13.8 x	19.6 x	18.0 x	16.6 x
EV / EBIT adj.*	14.2 x	14.5 x	13.7 x	14.4 x	15.1 x	13.9 x	12.8 x
P / FCF	16.3 x	21.8 x	24.9 x	12.0 x	19.0 x	18.5 x	16.5 x
P / E	5.7 x	20.6 x	11.8 x	17.0 x	29.2 x	29.1 x	27.1 x
P / E adj.*	22.8 x	23.4 x	19.3 x	20.9 x	21.8 x	20.0 x	18.1 x
Dividend Yield	3.9 %	3.5 %	4.1 %	3.5 %	3.3 %	3.5 %	3.7 %
FCF Potential Yield (on market EV)	19.7 %	6.3 %	9.1 %	6.9 %	6.2 %	6.6 %	7.3 %

\*Adjustments made for: -

Company Specific Items	2014	2015	2016	2017	2018e	2019e	2020e
Sales News Media	1,561	1,582	1,482	1,510	1,471	1,455	1,433
Sales Marketing Media	794	879	856	985	460	475	480
Sales Classifieds Media	512	753	880	1,008	1,150	1,260	1,360
EPS adj	2.01	2.23	2.41	2.60	2.75	3.00	3.30

**Consolidated profit & loss**

In EUR m	2014	2015	2016	2017	2018e	2019e	2020e
<b>Sales</b>	<b>3,038</b>	<b>3,295</b>	<b>3,290</b>	<b>3,563</b>	<b>3,139</b>	<b>3,247</b>	<b>3,328</b>
Change Sales yoy	8.4 %	8.5 %	-0.1 %	8.3 %	-11.9 %	3.5 %	2.5 %
Increase / decrease in inventory	29	47	83	88	92	90	90
Own work capitalised	0	0	0	0	0	0	0
<b>Total Sales</b>	<b>3,067</b>	<b>3,342</b>	<b>3,373</b>	<b>3,650</b>	<b>3,231</b>	<b>3,337</b>	<b>3,418</b>
Material expenses	990	1,014	972	1,051	847	877	899
<b>Gross profit</b>	<b>2,077</b>	<b>2,329</b>	<b>2,401</b>	<b>2,599</b>	<b>2,383</b>	<b>2,460</b>	<b>2,519</b>
<i>Gross profit margin</i>	<i>68.4 %</i>	<i>70.7 %</i>	<i>73.0 %</i>	<i>73.0 %</i>	<i>75.9 %</i>	<i>75.8 %</i>	<i>75.7 %</i>
Personnel expenses	974	1,100	1,100	1,202	1,287	1,331	1,364
Other operating income	165	272	340	317	157	162	166
Other operating expenses	676	837	811	951	535	523	503
Unfrequent items	0	0	0	0	0	0	0
<b>EBITDA</b>	<b>591</b>	<b>663</b>	<b>830</b>	<b>763</b>	<b>719</b>	<b>768</b>	<b>818</b>
<i>Margin</i>	<i>19.5 %</i>	<i>20.1 %</i>	<i>25.2 %</i>	<i>21.4 %</i>	<i>22.9 %</i>	<i>23.7 %</i>	<i>24.6 %</i>
Depreciation of fixed assets	45	49	53	55	57	58	58
<b>EBITA</b>	<b>546</b>	<b>614</b>	<b>777</b>	<b>708</b>	<b>662</b>	<b>710</b>	<b>760</b>
Amortisation of intangible assets	205	151	180	181	267	286	310
Goodwill amortisation	0	0	0	0	0	0	0
<b>EBIT</b>	<b>336</b>	<b>463</b>	<b>598</b>	<b>527</b>	<b>395</b>	<b>424</b>	<b>450</b>
<i>Margin</i>	<i>11.1 %</i>	<i>14.1 %</i>	<i>18.2 %</i>	<i>14.8 %</i>	<i>12.6 %</i>	<i>13.1 %</i>	<i>13.5 %</i>
<b>EBIT adj.</b>	<b>395</b>	<b>449</b>	<b>471</b>	<b>504</b>	<b>511</b>	<b>549</b>	<b>580</b>
Interest income	0	0	0	0	0	0	0
Interest expenses	0	22	21	18	29	30	30
Other financial income (loss)	0	0	0	0	0	0	0
<b>EBT</b>	<b>315</b>	<b>441</b>	<b>576</b>	<b>508</b>	<b>366</b>	<b>394</b>	<b>420</b>
<i>Margin</i>	<i>10.4 %</i>	<i>13.4 %</i>	<i>17.5 %</i>	<i>14.3 %</i>	<i>11.7 %</i>	<i>12.1 %</i>	<i>12.6 %</i>
Total taxes	79	136	126	130	106	130	139
<b>Net income from continuing operations</b>	<b>236</b>	<b>305</b>	<b>450</b>	<b>378</b>	<b>260</b>	<b>264</b>	<b>281</b>
Income from discontinued operations (net of tax)	668	3	2	1	0	0	0
<b>Net income before minorities</b>	<b>904</b>	<b>307</b>	<b>452</b>	<b>379</b>	<b>260</b>	<b>264</b>	<b>281</b>
Minority interest	104	55	25	34	39	41	43
<b>Net income</b>	<b>800</b>	<b>252</b>	<b>427</b>	<b>346</b>	<b>221</b>	<b>223</b>	<b>238</b>
<i>Margin</i>	<i>26.3 %</i>	<i>7.7 %</i>	<i>13.0 %</i>	<i>9.7 %</i>	<i>7.0 %</i>	<i>6.9 %</i>	<i>7.2 %</i>
Number of shares, average	99	100	108	108	108	108	108
<b>EPS</b>	<b>8.08</b>	<b>2.53</b>	<b>3.96</b>	<b>3.20</b>	<b>2.05</b>	<b>2.06</b>	<b>2.21</b>
EPS adj.	2.01	2.23	2.41	2.60	2.75	3.00	3.30

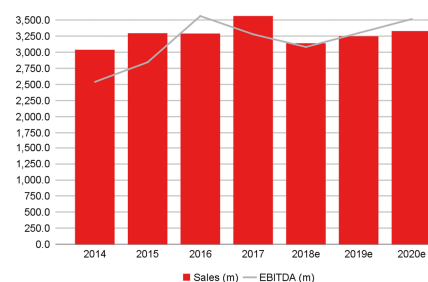
\*Adjustments made for:

**Guidance: 2018e organic: adj. EBITDA low to mid single-digit % growth**

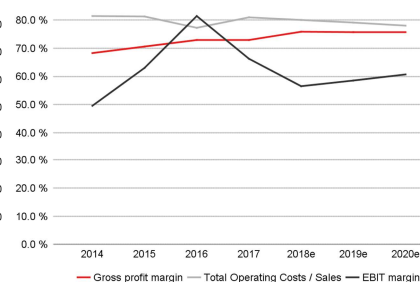
**Financial Ratios**

	2014	2015	2016	2017	2018e	2019e	2020e
Total Operating Costs / Sales	81.5 %	81.3 %	77.3 %	81.0 %	80.0 %	79.1 %	78.1 %
Operating Leverage	1.9 x	4.5 x	-203.7 x	-1.4 x	2.1 x	2.1 x	2.5 x
EBITDA / Interest expenses	n.a.	29.9 x	38.8 x	41.5 x	24.8 x	25.6 x	27.3 x
Tax rate (EBT)	25.1 %	30.9 %	21.9 %	25.6 %	29.0 %	33.0 %	33.0 %
Dividend Payout Ratio	75.6 %	58.9 %	45.6 %	54.3 %	83.1 %	85.9 %	84.4 %
Sales per Employee	223,375	242,272	241,926	261,963	230,784	238,750	244,706

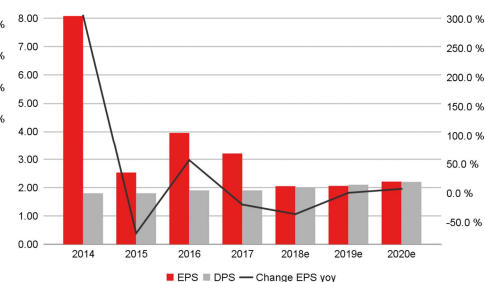
**Sales, EBITDA**  
in EUR m



**Operating Performance**  
in %



**Performance per Share**



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

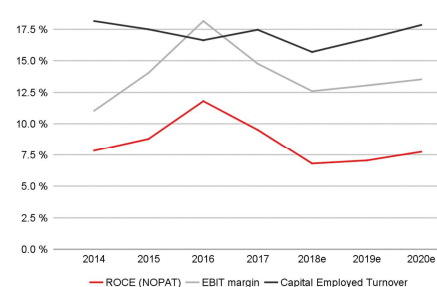
**Consolidated balance sheet**

In EUR m	2014	2015	2016	2017	2018e	2019e	2020e
<b>Assets</b>							
Goodwill and other intangible assets	3,018	3,897	4,162	3,905	3,808	3,687	3,542
thereof other intangible assets	1,315	1,648	1,768	1,625	1,528	1,407	1,262
thereof Goodwill	1,704	2,249	2,394	2,280	2,280	2,280	2,280
Property, plant and equipment	524	508	519	457	450	462	474
Financial assets	665	696	593	527	527	527	527
Other long-term assets	0	0	0	0	0	0	0
<b>Fixed assets</b>	<b>4,206</b>	<b>5,100</b>	<b>5,275</b>	<b>4,888</b>	<b>4,785</b>	<b>4,676</b>	<b>4,543</b>
Inventories	24	20	22	20	21	22	22
Accounts receivable	524	571	615	694	688	712	729
Liquid assets	383	254	224	217	352	361	364
Other short-term assets	421	560	321	617	659	669	665
<b>Current assets</b>	<b>1,351</b>	<b>1,404</b>	<b>1,182</b>	<b>1,547</b>	<b>1,720</b>	<b>1,763</b>	<b>1,781</b>
<b>Total Assets</b>	<b>5,558</b>	<b>6,505</b>	<b>6,456</b>	<b>6,436</b>	<b>6,505</b>	<b>6,439</b>	<b>6,324</b>
<b>Liabilities and shareholders' equity</b>							
Subscribed capital	99	108	108	108	108	108	108
Capital reserve	43	500	500	500	500	500	500
Retained earnings	1,695	1,293	1,447	1,512	1,528	1,535	1,546
Other equity components	167	162	162	162	162	162	162
Shareholders' equity	2,004	2,063	2,217	2,282	2,298	2,305	2,316
Minority interest	351	449	421	511	511	511	511
<b>Total equity</b>	<b>2,355</b>	<b>2,512</b>	<b>2,639</b>	<b>2,793</b>	<b>2,809</b>	<b>2,816</b>	<b>2,828</b>
Provisions	726	682	664	872	901	921	926
thereof provisions for pensions and similar obligations	400	339	374	363	390	400	400
Financial liabilities (total)	1,051	1,253	1,259	1,237	1,237	1,112	950
thereof short-term financial liabilities	4	58	1	175	175	50	0
Accounts payable	314	343	380	462	447	454	465
Other liabilities	1,112	1,716	1,515	1,071	1,110	1,136	1,155
<b>Liabilities</b>	<b>3,203</b>	<b>3,993</b>	<b>3,818</b>	<b>3,642</b>	<b>3,696</b>	<b>3,623</b>	<b>3,496</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,558</b>	<b>6,505</b>	<b>6,456</b>	<b>6,436</b>	<b>6,505</b>	<b>6,439</b>	<b>6,324</b>

**Financial Ratios**

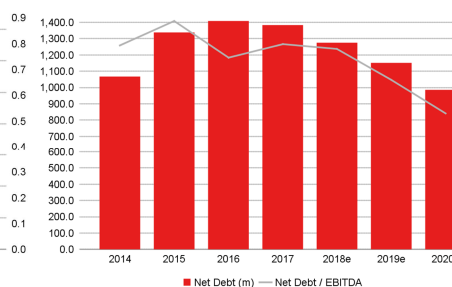
	2014	2015	2016	2017	2018e	2019e	2020e
<b>Efficiency of Capital Employment</b>							
Operating Assets Turnover	4.0 x	4.4 x	4.2 x	5.0 x	4.4 x	4.4 x	4.4 x
Capital Employed Turnover	0.9 x	0.9 x	0.8 x	0.9 x	0.8 x	0.8 x	0.9 x
ROA	19.0 %	4.9 %	8.1 %	7.1 %	4.6 %	4.8 %	5.2 %
<b>Return on Capital</b>							
ROCE (NOPAT)	7.8 %	8.8 %	11.8 %	9.5 %	6.8 %	7.1 %	7.8 %
ROE	41.3 %	12.4 %	20.0 %	15.4 %	9.6 %	9.7 %	10.3 %
Adj. ROE	10.3 %	10.9 %	12.2 %	12.5 %	13.0 %	14.1 %	15.4 %
<b>Balance sheet quality</b>							
Net Debt	1,067	1,338	1,409	1,384	1,275	1,151	986
Net Financial Debt	668	999	1,035	1,020	885	751	586
Net Gearing	45.3 %	53.3 %	53.4 %	49.5 %	45.4 %	40.9 %	34.9 %
Net Fin. Debt / EBITDA	112.9 %	150.7 %	124.7 %	133.7 %	123.2 %	97.8 %	71.6 %
Book Value / Share	20.3	19.1	20.5	21.1	21.3	21.3	21.4
Book value per share ex intangibles	-10.2	-17.0	-18.0	-15.0	-14.0	-12.8	-11.3

**ROCE Development**



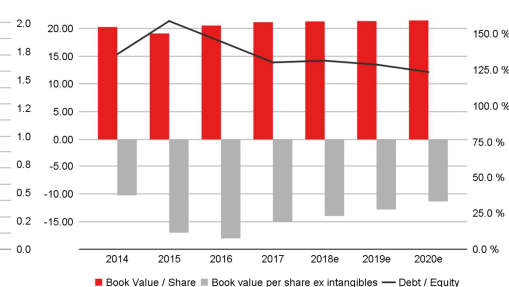
Source: Warburg Research

**Net debt in EUR m**



Source: Warburg Research

**Book Value per Share in EUR**



Source: Warburg Research



**Consolidated cash flow statement**

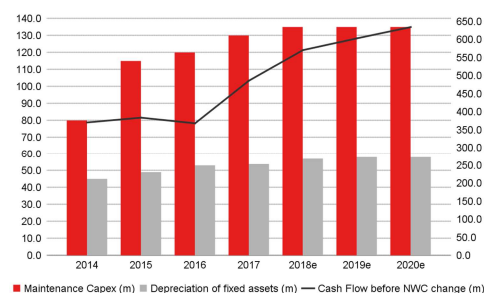
In EUR m	2014	2015	2016	2017	2018e	2019e	2020e
Net income	904	307	452	379	260	264	281
Depreciation of fixed assets	45	49	53	54	57	58	58
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	205	151	180	181	267	286	310
Increase/decrease in long-term provisions	112	-60	34	-10	27	10	0
Other non-cash income and expenses	-896	-63	-351	-118	-40	-15	-15
<b>Cash Flow before NWC change</b>	<b>370</b>	<b>384</b>	<b>367</b>	<b>486</b>	<b>570</b>	<b>603</b>	<b>634</b>
Increase / decrease in inventory	0	4	-2	2	-1	-1	-1
Increase / decrease in accounts receivable	-51	-47	-44	-79	6	-24	-18
Increase / decrease in accounts payable	42	29	37	82	-15	7	11
Increase / decrease in other working capital positions	0	0	0	0	0	0	0
Increase / decrease in working capital (total)	-9	-14	-9	5	-10	-18	-7
<b>Net cash provided by operating activities [1]</b>	<b>361</b>	<b>370</b>	<b>359</b>	<b>491</b>	<b>560</b>	<b>585</b>	<b>627</b>
Investments in intangible assets	-48	-55	-70	0	-170	-165	-165
Investments in property, plant and equipment	-35	-76	-87	0	-50	-70	-70
Payments for acquisitions	-532	-709	-365	0	0	0	0
Financial investments	-40	0	-33	0	0	0	0
Income from asset disposals	761	294	461	7	0	0	0
<b>Net cash provided by investing activities [2]</b>	<b>93</b>	<b>-546</b>	<b>-94</b>	<b>-194</b>	<b>-220</b>	<b>-235</b>	<b>-235</b>
Change in financial liabilities	331	269	6	-22	0	-125	-162
Dividends paid	-178	-178	-194	-205	-205	-216	-227
Purchase of own shares	0	0	0	0	0	0	0
Capital measures	0	0	0	0	0	0	0
Other	-497	-40	-112	-54	0	0	0
<b>Net cash provided by financing activities [3]</b>	<b>-344</b>	<b>51</b>	<b>-300</b>	<b>-282</b>	<b>-205</b>	<b>-341</b>	<b>-389</b>
<b>Change in liquid funds [1]+[2]+[3]</b>	<b>110</b>	<b>-126</b>	<b>-36</b>	<b>15</b>	<b>135</b>	<b>9</b>	<b>4</b>
Effects of exchange-rate changes on cash	25	-4	0	0	0	0	0
Cash and cash equivalent at end of period	383	254	218	239	352	361	364

**Financial Ratios**

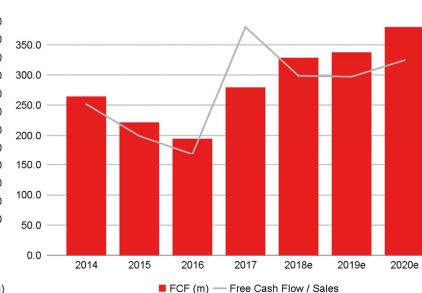
	2014	2015	2016	2017	2018e	2019e	2020e
<b>Cash Flow</b>							
FCF	265	222	195	280	329	338	380
Free Cash Flow / Sales	9.1 %	7.2 %	6.1 %	13.8 %	10.8 %	10.8 %	11.8 %
Free Cash Flow Potential	1,101	414	586	504	477	503	544
Free Cash Flow / Net Profit	34.7 %	94.4 %	47.3 %	142.0 %	154.1 %	157.0 %	164.6 %
Interest Received / Avg. Cash	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	0.0 %	1.9 %	1.7 %	1.5 %	2.3 %	2.6 %	2.9 %
<b>Management of Funds</b>							
Investment ratio	2.7 %	4.0 %	4.8 %	0.0 %	7.0 %	7.2 %	7.1 %
Maint. Capex / Sales	2.6 %	3.5 %	3.6 %	3.6 %	4.3 %	4.2 %	4.1 %
Capex / Dep	32.5 %	65.8 %	67.4 %	0.0 %	68.0 %	68.3 %	63.9 %
Avg. Working Capital / Sales	7.6 %	7.3 %	7.7 %	7.1 %	8.2 %	8.3 %	8.5 %
Trade Debtors / Trade Creditors	167.1 %	166.5 %	161.9 %	150.2 %	153.8 %	156.9 %	156.9 %
Inventory Turnover	41.9 x	50.4 x	45.0 x	53.1 x	40.5 x	40.6 x	40.5 x
Receivables collection period (days)	63	63	68	71	80	80	80
Payables payment period (days)	116	123	143	160	193	189	189
Cash conversion cycle (Days)	-105	-115	-133	-152	-182	-178	-178

**CAPEX and Cash Flow**

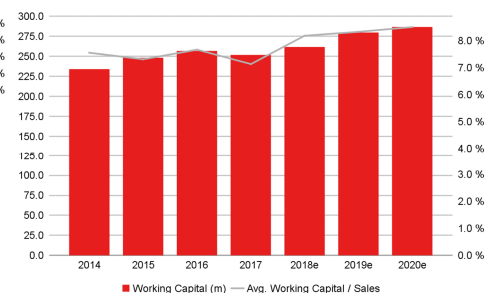
in EUR m



**Free Cash Flow Generation**



**Working Capital**



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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-B-	<b>Buy:</b>	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	<b>Hold:</b>	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	<b>Sell:</b>	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	<b>Rating suspended:</b>	The available information currently does not permit an evaluation of the company.

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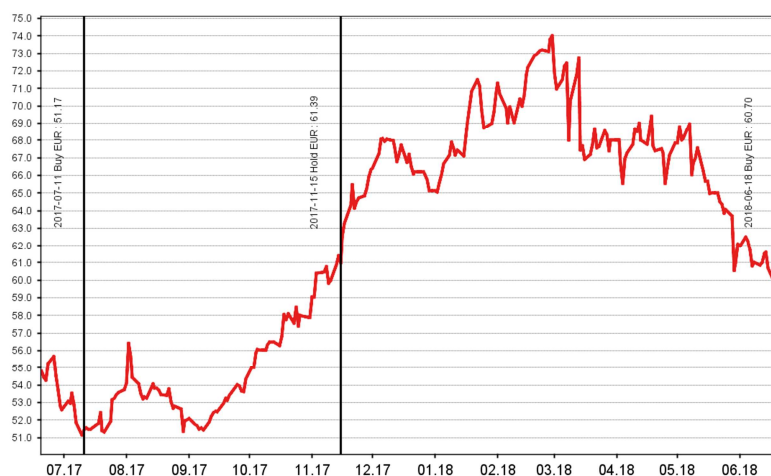
Rating	Number of stocks	% of Universe
Buy	109	54
Hold	89	44
Sell	4	2
Rating suspended	0	0
<b>Total</b>	<b>202</b>	<b>100</b>

**WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...**

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	33	72
Hold	13	28
Sell	0	0
Rating suspended	0	0
<b>Total</b>	<b>46</b>	<b>100</b>

**PRICE AND RATING HISTORY AXEL SPRINGER AS OF 19.06.2018**



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