

October 23rd, 2019  
Research comment

**SMC** Research  
Small and Mid Cap Research



# Sandpiper Digital Payments AG

Progress becomes visible

Rating: Speculative Buy (unchanged) | Price: 0.01 CHF | Price target: 0.12 CHF

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# Operating result almost balanced



## Basic data

<b>Based in:</b>	St. Gallen
<b>Sector:</b>	Payment, IT security
<b>Headcount:</b>	approx. 200 (Group)
<b>Accounting:</b>	Swiss GAAP FER
<b>ISIN:</b>	CH0033050961
<b>Ticker:</b>	SDP:SW
<b>Price:</b>	0.01 CHF
<b>Market segment:</b>	Regulated Market Bern
<b>Number of shares:</b>	211.7 m
<b>Market Cap:</b>	2.1 m CHF
<b>Enterprise Value:</b>	8.7 m CHF
<b>Free Float:</b>	42.8 %
<b>Price high/low (12 M):</b>	0.15 / 0.01 CHF
<b>Ø turnover (12 M Bern):</b>	11,400 CHF

FY ends: 31.12.	2018	2019e	2020e
Sales (m Euro)	25.9	27.8	31.1
EBIT (m Euro)	-2.0	-0.1	0.7
Net profit	-1.9	0.1	0.2
EpS (Eurocent)	-1.0	0.0	0.1
Dividend per share	0.00	0.00	0.00
Sales growth	-15.0%	7.3%	12.0%
Profit growth	-	-	36.5%
PSR	0.07	0.07	0.06
PER	-	17.0	12.4
PCR	0.8	1.8	2.7
EV / EBIT	-	-	11.3
Dividend yield	0.0%	0.0%	0.0%

## Current development

After the last financial year was still shaped by the restructuring and focusing of the Group, the progress of these measures is now reflected in the figures. Despite the deconsolidation of two companies, sales increased by 7.4 percent to EUR 13.6 m in the first half of the year, while operating costs fell by 1.9 percent. As a result, the operating loss was significantly reduced from EUR -1.0 m to EUR -0.2 m, while positive special effects led to a half-year profit of EUR 0.3 m (previous year: EUR -1.1 m).

The previously reported loss of half the capital was remedied by the General Meeting by offsetting the capital reserves of EUR 14.7 m against the loss carryforward.

Sandpiper also reports good organic growth for its subsidiaries Ergonomics and InterCard. The latter benefited additionally from an increased stake in its former competitor Polyright (from 29 to 52 percent), so that in the first half of the year, its sales and EBIT improved by 22.3 percent to EUR 8.4 m and by 754 percent to EUR 444,000 respectively.

## Conclusion

Sandpiper is now focusing on a few core investments and on growth topics such as Smart City. The first half of 2019 shows that the restructuring is now providing a good basis for profitable growth. We have left our sales estimates for 2019 (EUR 27.8 m) unchanged and now expect only a slight operating loss of EUR -0.1 m (previously: EUR -0.6 m).

The overall moderate adjustment of the model (see page 3) results in a slightly reduced price target of CHF 0.12 (previously CHF 0.13), on the basis of which we confirm the "speculative buy" rating.

## Annex I: DCF and revenue model

m Euro	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026
InterCard	16.9	18.4	20.3	22.3	24.5	27.0	29.7	32.6
Ergonomics	6.3	8.0	8.6	9.4	10.4	11.5	12.6	13.9
IDpendant	4.4	4.7	5.0	5.4	5.8	6.2	6.6	7.1
<b>Total sales</b>	<b>27.8</b>	<b>31.1</b>	<b>33.9</b>	<b>37.1</b>	<b>40.7</b>	<b>44.6</b>	<b>48.9</b>	<b>53.6</b>
Sales growth	7.3%	12.0%	9.0%	9.3%	9.6%	9.8%	9.6%	9.6%
EBIT margin	-0.2%	2.3%	4.5%	5.4%	6.1%	6.3%	6.4%	6.5%
<b>EBIT</b>	<b>-0.1</b>	<b>0.7</b>	<b>1.5</b>	<b>2.0</b>	<b>2.5</b>	<b>2.8</b>	<b>3.1</b>	<b>3.5</b>
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	1.0	1.1
<b>NOPAT</b>	<b>-0.1</b>	<b>0.7</b>	<b>1.5</b>	<b>2.0</b>	<b>2.5</b>	<b>2.8</b>	<b>2.1</b>	<b>2.3</b>
+ Depreciation & Amortisation	1.0	0.7	0.7	0.7	0.7	0.7	0.7	0.7
+ Increase long-term accruals	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
+ Others	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Gross operating cash flows</b>	<b>1.1</b>	<b>1.6</b>	<b>2.4</b>	<b>2.9</b>	<b>3.4</b>	<b>3.7</b>	<b>3.1</b>	<b>3.4</b>
- Increase Net Working Capital	-0.7	-0.4	-0.3	-0.3	-0.2	0.0	0.0	0.0
- Investments in fixed assets	-2.4	-0.7	-0.8	-0.8	-0.9	-0.8	-0.8	-0.8
<b>Free cash flows</b>	<b>-2.0</b>	<b>0.5</b>	<b>1.3</b>	<b>1.8</b>	<b>2.3</b>	<b>2.9</b>	<b>2.3</b>	<b>2.5</b>

*SMC estimation model*

### Model adjustments

In response to the half-year report, we have slightly reduced our estimate of personnel expenses in 2019. As a result, with sales estimates remaining unchanged, we expect only a minimally negative operating result (EUR -0.06 m, previously EUR -0.57 m). For the subsequent periods, we have also only updated the

cost ratios, which, however, balanced out on the EBIT level. In addition, we have increased investments for this year, which has slightly reduced the fair value. In total, our price target fell slightly from CHF 0.13 to CHF 0.12.

## Annex II: Balance sheet and P&L estimation

### Balance sheet estimation

m Euro	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026
<b>ASSETS</b>									
I. Total non-current assets	5.9	6.5	6.5	6.6	6.8	7.0	7.2	7.3	7.4
1. Intangible assets	3.2	3.5	3.4	3.4	3.4	3.4	3.5	3.6	3.7
2. Tangible assets	1.0	2.0	2.1	2.3	2.4	2.6	2.6	2.6	2.6
II. Total current assets	8.9	12.1	12.8	18.7	22.0	24.7	27.0	29.4	32.1
<b>LIABILITIES</b>									
I. Equity	-1.0	1.0	1.3	2.5	4.1	5.7	6.8	8.1	9.5
II. Accruals	2.5	2.7	2.9	3.0	3.3	3.5	3.8	4.0	4.4
<b>III. Liabilities</b>									
1. Long-term liabilities	3.1	7.8	7.9	11.7	12.9	13.5	14.1	14.5	14.9
2. Short-term liabilities	10.7	8.1	8.4	9.1	9.6	10.0	10.5	11.1	11.7
<b>TOTAL</b>	<b>15.3</b>	<b>19.6</b>	<b>20.3</b>	<b>26.3</b>	<b>29.8</b>	<b>32.8</b>	<b>35.2</b>	<b>37.7</b>	<b>40.4</b>

### P&L estimation

m Euro	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026
Sales	25.9	27.8	31.1	33.9	37.1	40.7	44.6	48.9	53.6
Total operating revenues	26.0	28.0	31.1	33.9	37.1	40.7	44.6	48.9	53.6
Gross profit	15.0	16.5	18.5	20.5	22.6	24.8	27.2	29.8	32.7
EBITDA	-0.6	1.0	1.4	2.2	2.7	3.1	3.5	3.8	4.2
EBIT	-2.0	-0.1	0.7	1.5	2.0	2.5	2.8	3.1	3.5
EBT	-1.7	0.2	0.2	1.4	1.9	2.4	2.8	3.1	3.5
EAT (before minorities)	-1.7	0.1	0.2	1.3	1.5	1.6	1.9	2.1	2.4
EAT	-1.9	0.1	0.2	1.0	1.3	1.4	1.6	1.8	2.0
EPS (Eurocent)	-1.00	0.04	0.05	0.31	0.42	0.44	0.51	0.57	0.64

## Annex III: Cash flows estimation and key figures

### Cash flows estimation

m Euro	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026
CF operating	2.4	1.1	0.7	1.8	2.1	2.4	2.8	3.1	3.4
CF from investments	4.1	-2.4	-0.7	-0.8	-0.8	-0.9	-0.8	-0.8	-0.8
CF financing	-4.5	2.3	0.0	4.2	1.3	0.7	-0.1	-0.4	-0.4
Liquidity beginning of year	1.3	3.3	4.2	4.2	9.5	12.1	14.3	16.1	18.0
Liquidity end of year	3.3	4.2	4.2	9.5	12.1	14.3	16.1	18.0	20.1

### Key figures

Percent	12 2018	12 2019	12 2020	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026
Sales growth	-15.0%	7.3%	12.0%	9.0%	9.3%	9.6%	9.8%	9.6%	9.6%
Gross margin	58.0%	59.4%	59.5%	60.5%	60.8%	61.0%	61.0%	61.0%	61.0%
EBITDA margin	-2.2%	3.4%	4.6%	6.5%	7.2%	7.7%	7.8%	7.8%	7.8%
EBIT margin	-7.6%	-0.2%	2.3%	4.5%	5.4%	6.1%	6.3%	6.4%	6.5%
EBT margin	-6.5%	0.6%	0.8%	4.2%	5.2%	5.9%	6.2%	6.4%	6.5%
Net margin (after minorities)	-7.3%	0.4%	0.5%	2.8%	3.5%	3.4%	3.5%	3.6%	3.7%

# Disclaimer

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## *Charts*

The charts were made with Tai-Pan ([www.lp-software.de](http://www.lp-software.de)).

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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 23.10.2019 at 9:15 and published on 23.10.2019 at 9:25.

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Date	Rating	Target price	Conflict of interests
02.07.2019	Speculative Buy	0.13 CHF	1), 3)
18.12.2018	Speculative Buy	0.22 Euro	1), 3), 4)
13.09.2018	Speculative Buy	0.23 Euro	1), 3), 4)
11.06.2018	Speculative Buy	0.27 Euro	1), 3), 4)
14.03.2018	Speculative Buy	0.26 Euro	1), 3), 4)

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