

Buy EUR 63.00 (EUR 77.00) Price EUR 50.95 Upside 23.7 %	Value Indicators: EUR DCF: 63.00 SotP 20e: 63.00	Share data: Bloomberg: SPR GR Reuters: SPRGn ISIN: DE0005501357	Description: International integrated media and internet group
	Market Snapshot: EUR m Market cap: 5,503 No. of shares (m): 108 EV: 6,882 Freefloat MC: 2,465 Ø Trad. Vol. (30d): 10.15 m	Shareholders: Freefloat 44.8 % Axel Sven Springer 7.4 % Dr. Mathias Doepfner 2.8 % Axel Springer Ges. f. Publiz. 37.5 % Dr. h.c. Friede Springer 5.1 %	Risk Profile (WRe): 2019e Beta: 1.2 Price / Book: 2.3 x Equity Ratio: 42 % Net Fin. Debt / EBITDA: 1.6 x Net Debt / EBITDA: 1.9 x

Recovery underway after recent share weakness; PT cut with transfer of coverage

The steady decline in Axel Springer's share price over the course of 2018 was attributable to concerns about the top line in the Classifieds Media segment as well as profitability deterioration. The share price took another considerable hit after Axel Springer's latest FY 2018 reporting in March 2019 when the company merely guided for low single-digit revenue growth and flat absolute reported adj. EBITDA development at group level. However, comparing the company's current trading multiples with those of suitable peers, we see a significant undervaluation. The share price has already started to rebound and we are assuming that this is just the beginning of a solid recovery.

With our change of analyst covering the share, we update our model and take a detailed look at Axel Springer's current holding portfolio. In our Sum of the Parts approach (SotP), we evaluate the major holdings of Axel Springer and derive a fair value based on current trading multiples of peer companies with a similar business model. Premiums or discounts, and the extent to which they are applied, are determined by the growth, margin, and quality profile of the respective holding and peer.

We split our SotP approach into the three reported segments. The Classifieds Media segment accounts for roughly 80% of the overall group valuation. The traditional News Media segment accounts for only about 15% and the Marketing Media segment, which management indicated would be classified as non-core, for only about 5%.

Using our SotP approach, we derive a fair value per share of EUR 63.00, which reflects multiples of EV/Sales of 2.5x and EV/EBITDA of 10.5x. This still represents a substantial discount to Axel Springer's closest peer Schibstedt but we consider this to be justified on the basis of growth and margin profiles. We support this approach with our DCF model, which delivers the same fair value per share of EUR 63.00.

Potential triggers could be a potential sale of eBay's Classifieds businesses, for which Axel Springer is rumoured to be a potential buyer, as well as solid development in 2019. Axel Springer will report its Q1 2019 results on May 7.

We therefore reiterate our Buy recommendation with a new PT of EUR 63.00. While we are no more optimistic than the street at operational level, we believe that the current valuation is too low and that the valuation gap to suitable peer companies will close, at least to some extent.

Changes in Estimates:						Comment on Changes:	
FY End: 31.12. in EUR m	2019e (old)	+ / -	2020e (old)	+ / -	2021e (old)	+ / -	<ul style="list-style-type: none"> DCF model rolled forward Only minor changes after transfer of coverage
Sales	3,247	0.3 %	3,328	0.6 %	n.a.	n.m.	
EBITDA adj.	782	-4.0 %	832	-0.1 %	n.a.	n.m.	

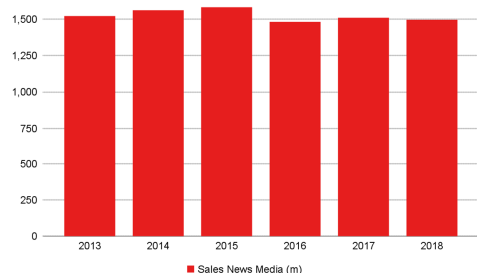


Rel. Performance vs MDAX:	
1 month:	7.1 %
6 months:	-20.4 %
Year to date:	-16.1 %
Trailing 12 months:	-21.4 %

Company events:	
07.05.19	Q1
14.08.19	Q2
06.11.19	Q3

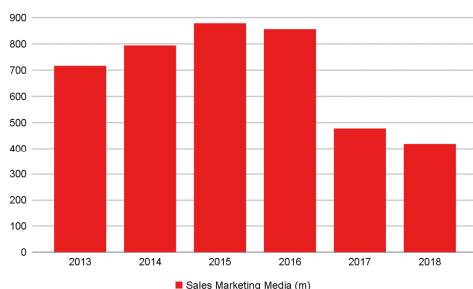
FY End: 31.12. in EUR m	CAGR (18-21e)	2015	2016	2017	2018	2019e	2020e	2021e
Sales	2.6 %	3,295	3,290	3,056	3,181	3,258	3,347	3,432
Change Sales yoy		8.5 %	-0.1 %	-7.1 %	4.1 %	2.4 %	2.7 %	2.5 %
Gross profit margin		70.7 %	73.0 %	68.5 %	85.7 %	82.8 %	81.7 %	81.6 %
EBITDA	6.4 %	663	830	763	726	737	817	875
Margin		20.1 %	25.2 %	25.0 %	22.8 %	22.6 %	24.4 %	25.5 %
EBITDA adj.	6.4 %	559	596	646	738	751	831	889
Margin		17.0 %	18.1 %	21.1 %	23.2 %	23.1 %	24.8 %	25.9 %
Net income	13.9 %	252	427	346	181	199	227	267
EPS	13.7 %	2.53	3.96	3.20	1.68	1.84	2.10	2.47
EPS adj.	1.4 %	2.23	2.41	2.60	2.73	2.72	2.80	2.85
DPS	1.6 %	1.80	1.90	2.00	2.10	2.10	2.20	2.20
Dividend Yield		3.5 %	4.1 %	3.7 %	3.3 %	4.1 %	4.3 %	4.3 %
FCF / Market cap		2.22	1.80	2.61	3.08	2.94	3.18	3.72
		4.6 %	4.0 %	5.0 %	5.0 %	5.9 %	6.5 %	7.5 %
EV / Sales		2.0 x	2.0 x	2.4 x	2.6 x	2.1 x	2.0 x	1.9 x
EV / EBITDA		9.9 x	7.8 x	9.5 x	11.4 x	9.3 x	8.3 x	7.5 x
EV / EBIT		14.1 x	10.8 x	13.8 x	21.9 x	18.5 x	15.6 x	13.3 x
P / E		20.6 x	11.8 x	17.0 x	37.4 x	27.7 x	24.3 x	20.6 x
P / E adj.		23.4 x	19.3 x	20.9 x	23.0 x	18.7 x	18.2 x	17.9 x
FCF Potential Yield		6.3 %	9.1 %	6.9 %	5.3 %	7.1 %	8.1 %	8.9 %
Net Debt		1,338	1,409	1,384	1,479	1,379	1,250	1,072
ROCE (NOPAT)		8.8 %	11.8 %	9.5 %	5.2 %	5.8 %	6.9 %	8.1 %
Guidance:	2019: Revenues low single-digit % growth; adj. EBITDA flat vs. 2018							

Sales Digital Media
in EUR m



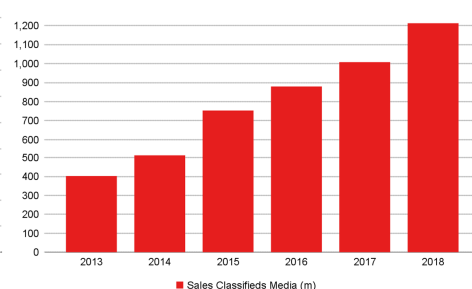
Source: Warburg Research

Sales Marketing Media
in EUR m



Source: Warburg Research

Sales Classifieds Media
in EUR m



Source: Warburg Research

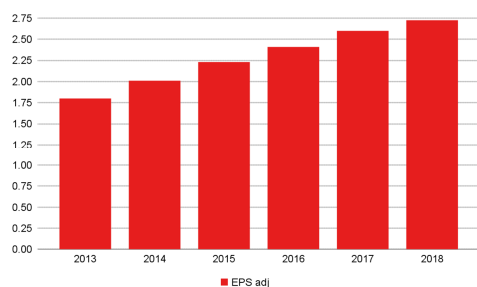
Company Background

- Axel Springer is an integrated media and internet company with core competence in online classifieds businesses and the publication and distribution of digital content
- Axel Springer is operating three segments, Classifieds Media, News Media, and Marketing Media
- Axel Springer has successfully transformed its business operations from a traditional print publisher to a digital online platform and publishing house
- Today, roughly 71% of revenues and 84% of adj. EBITDA are generated digitally

Competitive Quality

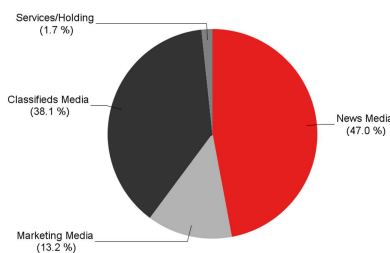
- Operator of several digital classifieds portals for jobs, real estate and cars, which are market-leading by visitor numbers and revenues in Germany, UK, France and other countries.
- Network effects within the Axel Springer group help classifieds market places to defend market positions and to accelerate 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



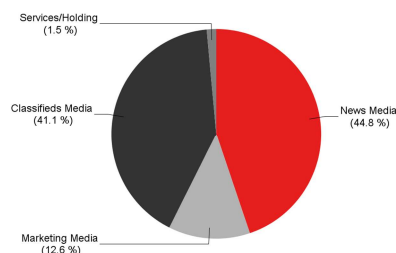
Source: Warburg Research

Sales by segments
2018; in %



Source: Warburg Research

Sales by segments
2019e; in %



Source: Warburg Research

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Summary of Investment Case

Investment triggers

- Valuation call: Axel Springer's assets are currently not adequately priced in comparison to peers and recent value indications from the Schibstedt/Adevinta spin-off, for example. A further valuation trigger could be a potential deal with regard to eBay's classifieds business portfolio, for which Axel Springer is also rumoured to be a potential buyer.
- Insider Inc. should continue to grow. In H2 2018, Insider Inc. started to turn profitable, proving that digital journalism can generate profits. Furthermore, we are assuming that Insider Inc. is still at an early stage of development, given its plans to introduce verticals, such as Food- or Tech-Insider. It has started showing short video clips in the genre of factual entertainment, which is one of the fastest growing categories in the world of online publishing.

Valuation

- Our valuation is based on a DCF and SotP model, both leading to a fair value of EUR 63.00.
- In our SotP model, Axel Springer's classifieds business accounts for roughly 80% of its overall enterprise value. We base our multiples approach on 2020 expectations. We are applying a 4x EV/Sales multiple for Insider Inc. and EV/EBITDA multiples for the classifieds holdings between 6x and 14x. News Media (without Insider Inc. and eMarketer) is reflected with a 4x EV/EBITDA multiple.

Growth

- Stepstone's attractive growth should continue. Stepstone UK's recent weakness should receive support again from "The Partnership" project, where Stepstone UK will unite its two websites Jobsite and Totaljobs on one platform.
- Continued strong growth can be expected at Insider Inc., especially after successfully turning profitable in H2 2018. This was one of Axel Springer's requirements/aims when it took over Business Insider, so the next growth initiatives can be taken from there. New verticals such as Food- or Tech-Insider as well as short video clips will be significant drivers of future growth.

Competitive quality

- Numerous leading digital platforms within the Classifieds Media segment, which operate in promising markets and are characterized by attractive economies of scale, i.e. margin profiles.
- Online platforms within the Classifieds Media segment are typically "Winner-takes-it-all" approaches, where the market leader generates superior margins. Barriers to entry are typically high. New market participants are required to invest heavily in marketing and a superior user experience. Nevertheless, there are also markets, which are large enough for two profitable players.
- Network effects and financial strength within the Axel Springer group support classifieds market places to defend market positions and to accelerate innovation and growth.
- Axel Springer is one of the leading European publishers with popular brands such as Bild and Welt as well as international news platforms such as Insider Inc. and Uday.

Warburg versus consensus

	2019e			2020e			2021e		
	WRe	Cons.	Delta	WRe	Cons.	Delta	WRe	Cons.	Delta
Sales	3.258,0	3.269,0	-0,3%	3.347,0	3.394,0	-1,4%	3.432,0	3.514,0	-2,3%
adj. EBITDA	751,0	746,0	0,7%	831,0	816,0	1,8%	889,0	878,0	1,3%
<i>margin</i>	23,1%	22,8%		24,8%	24,0%		25,9%	25,0%	

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 (Stepstone, SeLogger, Logic-Immo, Immowelt)
 - Digital content models to generate subscription and advertising revenues (Insider Inc.)
- **Efficient management of remaining print assets** through cost cutting and price increases
- **Internationalization strategy** (Insider Inc., eMarketer)
- **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	News Media	Marketing Models	Services / Holding
Revenue: EUR 1,212.5m (38%) EBITDA: EUR 487.2 m (66%)	Revenue: EUR 1,496.2m (47%) EBITDA: EUR 228.2m (31%)	Revenue: EUR 418.3m (13%) EBITDA: EUR 89.6m (12%)	Revenue: EUR 53.7m (2%) EBITDA: EUR -67.1m (-9%)
StepStone – 100% <i>Totaljobs</i> <i>Jobsite</i> <i>Saongroup</i> <i>YourCareerGroup</i>	Bild – Group WELT/N24 – Group	Reich Marketing Idealo – 74.9% Bonial – 72.5% finanzien.net – 75%	Company Services 3 Printing Houses
SeLogger – 100% Immowelt/net- 55% Immoweb – 100%	Ringier Axel Springer Media – 50% Ringer Axel Springer Schweiz – 50% Business Insider U.S.– 100% eMarketer U.S.– 94%		
@Leisure – 51% LaCentrale – 100% Yad2 – 100% MeineStadt – 100%		Performance Marketing Awin – 80%	

Classifieds							
	StepStone Group	Car&Boat 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
Revenue (Growth)	EUR 602.6m (+21.5%)	EUR 62.7m (+5.5%)	EUR 38.8m (-2.9%)	EUR 133.2m (+7.0%)	EUR 117.7m (+5.7%)	EUR 215.8m (+54.2%)	EUR 42.5m (+7.5%)
EBITDA (Margin)	EUR 245.5m (40.7%)	EUR 29.8m (47.5%)	n/a	EUR 24.8m (18.6%)	EUR 49.4m (41.9%)	EUR 98.8m (45.8%)	EUR 28.4m (66.7%)
Europe	<ul style="list-style-type: none"> StepStone YCG icijob.be Jobs.lu 	<ul style="list-style-type: none"> La Centrale Promoneuve Annonces du Bateau 	<ul style="list-style-type: none"> Drushim 	<ul style="list-style-type: none"> Belvilla DaniCenter Danland 	<ul style="list-style-type: none"> Immowelt Immonet 	<ul style="list-style-type: none"> SeLogger Logic Immo 	
UK	<ul style="list-style-type: none"> Totaljobs Jobsite 						

Source: Warburg Research

Valuation

- SotP approach delivers a fair value of EUR 63.00 per share
- Classifieds Media segment accounts for roughly 80% of the overall valuation
- Most important holdings include the jobs portal Stepstone and real estate classifieds, especially Se Loger + Logic Immo
- News Media is driven by its digitalization and value drivers are Insider Inc. as well as eMarketer

SotP overview

Our SotP approach is based on 2020 EV/EBITDA multiples and derives a fair value of EUR 6,779m, or EUR 62.8 per share.

As the table below indicates, the Classifieds Media segment is the clear value driver for Axel Springer, accounting for roughly 80% of the overall enterprise value. On average, we are applying a 12.8 EV/EBITDA multiple for this segment. The single fair multiples of peer companies are applied to the relevant asset and are adjusted according to the specific growth, profitability and quality profile.

News Media only accounts for 15% in our SotP approach, as it still includes a considerable share in print media. This sector is shrinking and the overall profitability is significantly dilutive at group level, especially compared to the margins generated in the Classifieds Media segment. On average, we are applying an EV/EBITDA multiple of 7.7 for this segment, which is mainly driven by Insider Inc. (4x EV/Sales multiple applied, as Insider Inc. has just achieved breakeven) as well as eMarketer (13x EV/EBITDA). We apply an EV/EBITDA multiple of 4x for News Media National.

Marketing Media is of minor importance as it only accounts for roughly 7% of the overall valuation. Besides, this segment is classified as non-core and the management has indicated that it might reallocate some of the assets, such as finanzen.net or idealo, to other segments. Thus a potential disposal of other assets might be a reasonable consequence.

Classifieds Media accounts for roughly 80% of the overall valuation

SotP approach based on 2020e multiples

Axel Springer: 2020e SotP - Summary

in EUR m	Fair Value attributable to Axel Springer shareholders	Average fair EBITDA multiple	in% of fair EV
Classifieds Media	7.257	12,8	79%
News Media	1.602	7,7	15%
Marketing Media	610	7,3	7%
Services/Holding	-1.000	12,5	
Cash inflows (real estate)	250		
Financial debt	1530		
Pension liabilities	230		
Minorities	460		
Cash	280		
Fair EV	8.719	10,5	
Equity value	6.779		
number of shares in m	107,9		
fair value per share in EUR m	62,8		

Source: Warburg Research

Classifieds Media

For the Classifieds Media segment we apply the current trading multiples of peer companies with a similar business model and we adjust our fair multiple assumptions according to growth, margin, and quality profiles. We base our approach on 2020 EV/EBITDA multiples ranging from 6x to 14x. A detailed table showing the main peers and their trading multiples can be found in the peer group section of this note on page 12.

The Classifieds Media segment accounts for roughly 80% of Axel Springer's overall enterprise value. This was also reflected in the considerably negative share price reaction to the publication of Springer's outlook for 2019 at the beginning of March 2019 in which the company guided for an EBITDA-margin decline in the Classifieds Media segment as a result of planned investments in 2019. In other words, a slight margin dilution can be expected as the company had been guiding for a high single-digit to low double-digit top line growth rate, but a low to mid single-digit growth at adj. EBITDA level for the Classifieds Media segment.

However, even assuming no margin profile enhancements or even a slight deterioration for some of Axel Springer's assets, but solid growth rates at current levels with a slightly weakening momentum until 2020e, we see considerable upside and catch-up potential, applying fair multiples derived from peer companies.

As the following table shows, we do not assume any margin profile enhancements except for @Leisure (only 51% stake though) by 2020e and also expect a considerable slow-down in top-line growth rates.

For the Classifieds Media segment we are assuming an EV/EBITDA multiple of 12.8x, which implies a 5.2x EV/Sales multiple, which is in line with the current trading multiples of XING for example (EV/Sales 5.3x; EV/EBITDA 16.4x), given that XING is growing faster (yoy growth of roughly 20-25%) but is less profitable (EBITDA margin of roughly 30%). Additionally, Axel Springer's Classifieds businesses are more diversified in terms of business model offerings and geographic exposure.

SotP approach – Classifieds Media

Axel Springer: 2020e SotP - Classified Models

in EUR m	Axel Springer	Sales 2016	Sales 2017	Sales 2018	Sales 2019e	EBITDA 2017	EBITDA 2018	EBITDA 2019e	Sales 2020e	EBITDA 2020e	Fair multiple	Fair Value	FV Axel Springer	in% of EV Classifieds
Stepstone Continental	100%	257	342.7	420.8	500.8	185.6	224.3	245.4	581	290.4	14.0	4,066	4,066	56%
Stepstone UK	100%	119	118.2	123.7	127.4	15.8	16.7	16.6	131	17.1	6.0	102	102	1%
			-0.7%	4.7%	3.0%	13.4%	13.5%	13.0%	3.0%	13.0%				
SAON Group	100%	34	37.5	40.2	43.0	12.4	13.1	14.0	46	14.6	11.0	160	160	2%
			10.3%	7.2%	7.0%	33.1%	32.6%	32.5%	6.0%	32.0%				
Immowelt	55%	98	111.3	117.7	122.4	37.4	49.4	50.2	127	52	12.0	623	343	5%
			13.6%	5.8%	4.0%	33.6%	42.0%	41.0%	3.5%	41.0%				
Immoweb	100%	36	39.5	42.5	45.5	26.5	28.4	30.2	48.2	32	14.0	449	449	6%
			9.7%	7.6%	7.0%	67.1%	66.8%	66.5%	6.0%	66.5%				
Yad2	100%	34.9	40	38.8	38.8	15.0	23.0	23.3	39.6	23.7	10.0	237	237	3%
			14.6%	-3.0%	0.0%	37.5%	59.3%	60.0%	2.0%	60.0%				
SeLoger + Logic Immo	100%	136	140	215.8	230.9	81.8	98.8	99.3	244.8	105	13.0	1,368	1,368	19%
			2.9%	54.1%	7.0%	58.4%	45.8%	43.0%	6.0%	43.0%				
Carboat	100%	55.2	59.4	62.7	67.1	27	29.8	31.5	71.1	32.7	12.0	393	393	5%
			7.6%	5.6%	7.0%	45.5%	47.5%	47.0%	6.0%	46.0%				
(@)Leisure	51%	90	124.5	133.2	142.5	19.5	24	27.1	151.1	30.2	9.0	272	139	2%
			38.3%	7.0%	7.0%	15.7%	18.0%	19.0%	6.0%	20.0%				
Total		860.1	1013.1	1195.4	1318.4	421.0	507.5	537.5	1439.1	598.4	12.8	7671.2	7257.5	

Source: Warburg Research

Stepstone

Stepstone Continental is the most important holding within the Classifieds Media segment and accounts for almost 60% of the segment valuation and roughly 47% of the overall group valuation.

Stepstone has a strong position with outstanding candidate delivery figures. Together with Stepstone UK and SAON Group, the Jobs Classifieds accounts for more than 60% of the segment valuation. Again, this can be compared with XING (online recruiting platform / network), which is growing at a rate of 20–25% and generating an EBITDA margin of roughly 30–35%. However, for Stepstone UK and SAON Group we are applying a significant discount with an EV/EBITDA multiple of 6x and 10x respectively, compared with a 16.4x EV/EBITDA trading multiple for XING, owing to their growth and profitability profiles as well as the markets in which they are operating. For Stepstone Continental, we are applying a 14x EV/EBITDA multiple, which represents only a small discount given a similar growth rate of almost 20%, but a considerably higher EBITDA margin of more than 50%. Nevertheless, we regard XING's business model as slightly more robust given its subscription model and more software-based approach.

For our valuation we do not anticipate any margin enhancement but rather a slight dilution to 50% in 2020 at Stepstone Continental compared to 53.3% in 2018.

Se Loger + Logic Immo

The second most important holding is Se Loger, which strengthened its position in the French real estate market by acquiring Logic Immo in early 2018, which was the number three platform in the French market behind Seloger and Leboncoin, a former holding of the Scandinavian media house Schibstedt, which was recently spun off into a separately listed entity Adevinta. However, M&A was also on Leboncoin's agenda and it acquired the number four player in this market avendre alouer. The acquisition activity of Se Loger and Leboncoin has given the French market a duopolistic structure, with both players roughly at eye-level. Nevertheless, owing to the pure play strategy in real estate and a higher number of professional listings, Se Loger might even have a small advantage.

While the acquisition of Logic Immo was margin dilutive, which is normally the case if one player acquires another from the second or third row in the classifieds business, we see the potential for considerable synergies between Se Loger and Logic Immo, enabling the achievement of higher margins again within one year.

Nevertheless, for our valuation, we adopt a rather conservative stance again and do not assume any considerable margin enhancements compared to the reported 2018 figures. For our 2020 figures, we assume an EBITDA margin of 43% after the holding reported 45.8% in 2018. Growth is expected to continue at solid mid single-digit rates.

Our fair multiple of 13x EV/EBITDA is derived from listed peers such as Scout24 (German peer) and Rightmove (UK peer). While both Scout24 and Rightmove are growing at high single-digit rates, Se Loger is growing at about 6–7%. However, the reason for the considerable discount is the margin profile. Rightmove generates EBITDA margins of more than 75%, which is reflected in an EV/EBITDA multiple of 20.1x and an EV/Sales multiple of 15.4x. Scout24 is generating EBITDA margins of roughly 50%, which is reflected in a 15.8x EV/EBITDA and 7.9 EV/Sales.

Se Loger + Logic Immo generate EBITDA margins of roughly 43%, so we regard a 13x EV/EBITDA multiple and an EV/Sales multiple of 5.6x as fair, in relation to the peers mentioned above and their growth and profitability profiles. Looking at the quality of the business models and markets in which they are operating, there are no considerable differences that would justify an additional premium or discount.

Synergies should considerably support business operations in a duopolistic market structure

News Media

In our SotP approach, the News Media segment accounts for roughly 15% of the overall group valuation, mostly driven by the international segment, which includes Insider Inc. and eMarketer, which are the key assets for the segment valuation. For the overall segment, we assume an EV/EBITDA multiple of 7.7x. At first glance, this might look ambitious, as the top line is rather flat or even slightly declining and EBITDA margins of roughly 15–16% are being generated. However, looking back on 2015, 2016 and 2017, top-line development has been rather positive and margins have also been improving (2015: 14.1%; 2016: 14.5%; 2017: 14.5%; 2018: 15.3%). This is owing to the rising digital share and the increasing profitability of Axel Springer's digital assets such as Insider Inc. as well as eMarketer. Additionally, for Insider Inc. we apply a valuation of roughly EUR 500m, which reflects an EV/Sales multiple of 4.0x, as it just recently (H2 2018) turned profitable. Axel Springer acquired Business Insider back in 2015 (88% at this point in time) for a valuation (100%) of ca. EUR 395m or USD 442m.

Digital content will support the overall segment margin of News Media

SotP approach – News Media

Axel Springer: SotP: News Media

in EUR m	Axel Springer ownership	Sales 2016	Sales 2017	Sales 2018	Sales 2019e	EBITDA 2017	EBITDA 2018	EBITDA 2019e	Sales 2020e	EBITDA 2020e	Fair multiple	Fair Value	FV Axel Springer	in% of FV Paid Models
News Media National	100%	1,142	1,109	1,070	1,033	178	161	160	1,002	160	4.0	640	640	40%
News Media International	51%	280	288	293	293	45	49	45	293	45	7.0	318	162	10%
			-2.9%	-3.5%	-3.5%	16.1%	15.1%	15.5%	-3.0%	16.0%				
Insider Inc.	100%	52	72	87	104	n.m.	0	0	125	n.m.	4.0	501	501	31%
			37.8%	21.3%	20.0%				20.0%					
eMarketer	95%	34	41	46	50	16	18	22	54	24	13.0	315	299	19%
			20.0%	13.0%	9.0%	39.2%	40.0%	43.0%	7.0%	45.0%				
Total		1,508	1,509	1,496	1,480	239	228	227	1,474	230	7.7	1,773	1,602	

Source: Warburg Research

Insider Inc.

Axel Springer bought 88% of Business Insider in 2015 at a valuation of EUR 395m (100% valuation). Meanwhile, Axel Springer owns 100%.

Although Axel Springer probably paid a significant strategic premium for Business Insider and could consequently be described as best buyer for the asset, we still see even more upside, as Insider Inc. turned profitable in H2 2018 and is still growing very attractively and is making a considerable contribution to overall revenues. In the long run, Insider Inc. and Axel Springer management assume an EBITDA margin of >20%, which we also deem to be realistic. As a consequence, we value Insider Inc. at roughly EUR 500m, which implies an EV/Sales multiple of 4.0x on expected revenues of EUR 125m in 2020e. This reflects annual growth rates of roughly 20% in 2019 and 2020, which is likely to be a conservative estimate as, rather than profitability enhancement, we expect management will focus on further top-line growth having demonstrated that it can turn the business profitable.

Ongoing strong revenue growth is expected to be driven by new verticals, such as Food or Tech-Insider as well as an increasing number of short video clips with a factual entertainment character, one of the most successful categories. Additionally, this should also support improving monetisation in form of either advertising revenues or subscription models.

Furthermore, given the increasing scepticism about the quality of news (e.g. current issue of "fake news"), we anticipate increasing willingness to pay for quality and well-researched content, paid for either by end-consumers or other premium platforms, which in turn, provide it to their users.

In times of fake news, quality and control of content becomes more important

A recent meeting between Facebook's Mark Zuckerberg and Axel Springer's Dr. Matthias Döpfner, may be seen as an indication of the trend towards higher quality content as Facebook currently lacks credibility in terms of its control over certain content and the quality of its content. Recently, Apple too was rumoured to be seeking a journalistic partner to provide quality content. In this context, Apple was heavily criticized for its approach of a 50/50 revenue split. The rapid growth of Upday, Axel Springer's news aggregator for Samsung devices also proves that platforms / services are intensively seeking quality news content to provide to their end-customers and to differentiate themselves from their competitors.

Overall, these observations prove to us, that in times of vast and rapid news flow, the quality and precision of news can be a key differentiating factor and that Insider Inc. and Axel Springer's other digital news assets are in a good position to benefit from these trends.

eMarketer

Today, the immense volumes of data produced by the minute makes it very difficult to maintain an overview of the most relevant current developments. Knowledge and information as the keys to success was probably never as true as it is today. This requires individuals and especially companies, to stay informed about recent trends and the driving forces behind specific developments.

eMarketer is one of the leading platforms, providing detailed analysis of masses of data, readily available to download and relatively easy to interpret. eMarketer is operating globally but its core market and focus is the US. Its business model is subscription-based. Research data is sold to corporations and end-consumers, readily available and easy to process. The attractive scalability, owing to centralized research, which can be sold multiple times, generates attractive EBITDA margins of roughly 40%. As specific growth rates are not published, we remain cautious and assume solid high single-digit growth rates and an overall revenue contribution by eMarketer of roughly EUR 50–55m in 2020e.

Given the uncertainty about the growth rates we also take a more cautious approach to the applied multiple and assume a fair multiple of 13x EV/EBITDA, which includes an EV/Sales multiple of 4.8x. Again this is comparable to XING, which is also 1) a subscription-based platform model, 2) generating EBITDA margins of roughly 30–35%, and 3) growing at rates of roughly 20–25% on the top line. However, so far XING is only active in the German-speaking area. eMarketer is operating globally and organic growth prospects can be assumed to be more attractive given the lower revenue basis and the increasing need overall for data analytics and market research. XING is currently trading at EV/Sales multiples of 5.3x and EV/EBITDA of 16.4x.

Marketing Media

The Marketing Media segment is of minor importance as it only accounts for slightly more than 5% of the overall group enterprise value. Additionally, the management has indicated that this segment is non-core and that assets, such as idealo and/or finanzen.net might be reallocated to the News Media segment, for example, while a disposal of other business operations in this segment would be a logical consequence.

For our valuation, we do only assume a marginal positive top-line and profitability development by 2020. Assuming only slight growth, but a relatively attractive EBITDA margin, we apply an EV/EBITDA multiple of 8x and 6x respectively, which includes a 2.4x and 1.2x EV/Sales multiple.

Segment is non-core and only accounts for roughly 5% of the overall valuation

SotP approach – Marketing Media

Axel Springer: SotP - Marketing Media

in EUR m	Axel Springer ownership	Sales 2016	Sales 2017	Sales 2018	Sales 2019e	EBITDA 2017	EBITDA 2018	EBITDA 2019e	Sales 2020e	EBITDA 2020e	Fair multiple	Fair Value	FV Axel Springer	in% of FV Paid Models
Reach-based	75%	289	315	235	235	71.2	66.7	68.15	240	72	8.0	576	432	71%
			9.0%	-25.3%	0.0%	22.6%	28.4%	29.0%	2.1%	30.0%				
Performance-based	80%	n.m	160	183	180	32.4	31.2	33.3	185	37	6.0	222	178	29%
				14.7%	-1.7%	20.3%	17.0%	18.5%	2.8%	20%				
Total			474.3	418.1	415.0	103.6	97.9	101.5	425.0	109.0	7.3	798.0	609.6	

Source: Warburg Research

Peer group

In our relevant peer group we have included peer companies with a similar business model. This is especially helpful for Axel Springer's Classifieds Media segment, which is active in the areas of jobs, real estate, and other/general, including cars etc.

We apply the trading multiples of peers and adjust them for the specific holding according to growth, margin, and quality profiles.

The best peer company for the Axel Springer group is Schibstedt, a Scandinavian media house from Norway. Since Schibstedt spun off large parts of its classifieds businesses into a separately listed entity Adevinta, the comparability has improved even further, given some exposure to print media as well as classifieds business in more mature markets within the Nordic region. Schibstedt is expected to grow slightly faster than Axel Springer, according to FactSet consensus data, but it is generating a slightly lower margin at EBITDA level.

Attractive valuations for Classifieds is currently not reflected in Axel Springer's share price

Nevertheless, while we regard a small premium as justified, the valuation gap to Axel Springer is far too large. While Schibstedt is trading at EV/Sales of 2.6x and EV/EBITDA of 11.6x, Axel Springer is currently trading at EV/Sales of 2.1x and EV/EBITDA of 8.6x. We would regard a small discount as fair and see the fair value of Axel Springer's shares at EUR 63.00, reflecting an EV/Sales multiple of 2.5x and EV/EBITDA multiple of 10.5x. Additionally, over time Axel Springer's Classifieds Media segment will become even more important for the overall group valuation as well as operational development, meaning valuation could come closer to that of Adevinta, which is currently trading at 7.8x EV/sales as well as 24.2x EV/EBITDA.

Peer group

Peergroup - Key Figures

Company	LC	Price in LC	MC in LC m	EV in LC m	EPS			Sales			EBITDA			EBIT		
					19e	20e	21e	19e	20e	21e	19e	20e	21e	19e	20e	21e
Schibstedt ASA Class A	NOK	241.40	57,532.7	60,232.8	6.74	8.40	10.21	19,366.6	20,708.8	22,261.1	3,914.0	4,658.0	5,394.9	3,108.4	3,849.0	4,533.7
Adevinta ASA Class A	NOK	86.91	59,198.6	63,230.3	1.52	2.05	2.66	6,502.9	7,363.6	8,226.0	1,939.8	2,373.8	2,860.4	1,653.4	2,144.8	2,606.6
Rightmove plc	GBP	5.44	4,835.1	4,922.4	0.20	0.22	0.24	289.3	311.9	331.8	222.6	240.0	253.6	215.7	235.0	250.7
Scout24 AG	EUR	46.02	4,951.8	5,702.0	1.79	2.03	2.27	622.2	683.9	747.4	308.0	343.0	369.0	240.9	275.2	324.9
Auto Trader Group PLC	GBP	5.52	5,149.6	5,573.1	0.23	0.25	0.29	376.4	400.9	458.1	269.0	289.9	345.5	260.2	279.6	338.6
REA Group Ltd	AUD	78.40	10,326.5	10,577.3	2.46	2.82	3.28	905.8	1,015.0	1,117.6	537.9	600.9	682.3	479.6	537.0	611.6
Purplebricks Group Plc	GBP	1.26	380.7	276.4	-0.10	-0.05	0.40	181.6	190.0	439.0	-18.0	13.5	139.0	-16.9	-15.8	134.0
XING SE	EUR	316.50	1,778.9	1,733.3	6.66	8.71	10.14	278.6	320.9	361.0	86.3	104.3	122.1	56.0	70.4	82.1
Axel Springer SE	EUR	50.50	5,448.7	7,158.6	2.72	2.80	2.85	3,258.0	3,347.0	3,432.0	751.0	831.0	889.0	516.0	577.0	627.0

Peergroup - Valuation Multiples

Company	LC	Price in LC	MC in LC m	EV in LC m	P / E			EV / Sales			EV / EBITDA			EV / EBIT		
					19e	20e	21e	19e	20e	21e	19e	20e	21e	19e	20e	21e
Schibstedt ASA Class A	NOK	241.40	57,532.7	60,232.8	35.8 x	28.7 x	23.6 x	2.9 x	2.6 x	2.3 x	14.4 x	11.6 x	9.6 x	18.1 x	14.1 x	11.4 x
Adevinta ASA Class A	NOK	86.91	59,198.6	63,230.3	57.0 x	42.5 x	32.7 x	9.0 x	7.8 x	6.8 x	30.1 x	24.2 x	19.6 x	35.3 x	26.7 x	21.5 x
Rightmove plc	GBP	5.44	4,835.1	4,922.4	27.3 x	25.0 x	22.3 x	16.7 x	15.4 x	14.5 x	21.7 x	20.1 x	19.0 x	22.3 x	20.5 x	19.3 x
Scout24 AG	EUR	46.02	4,951.8	5,702.0	25.7 x	22.7 x	20.2 x	9.0 x	7.9 x	7.0 x	18.1 x	15.8 x	14.2 x	23.1 x	19.7 x	16.1 x
Auto Trader Group PLC	GBP	5.52	5,149.6	5,573.1	24.3 x	22.5 x	18.9 x	14.3 x	13.4 x	11.6 x	20.0 x	18.6 x	15.4 x	20.7 x	19.3 x	15.7 x
REA Group Ltd	AUD	78.40	10,326.5	10,577.3	31.9 x	27.8 x	23.9 x	11.6 x	10.2 x	9.1 x	19.5 x	17.2 x	14.9 x	21.9 x	19.2 x	16.6 x
Purplebricks Group Plc	GBP	1.26	380.7	276.4	n.a.	n.a.	3.1 x	2.0 x	2.0 x	0.3 x	n.a.	28.7 x	0.8 x	n.a.	n.a.	0.8 x
XING SE	EUR	316.50	1,778.9	1,733.3	47.5 x	36.3 x	31.2 x	6.3 x	5.3 x	4.6 x	20.2 x	16.4 x	13.6 x	31.2 x	24.4 x	20.3 x
Average					33.7 x	28.2 x	20.7 x	9.3 x	8.5 x	7.4 x	20.6 x	19.4 x	13.4 x	23.6 x	19.9 x	14.5 x
Median					29.6 x	26.4 x	22.3 x	9.0 x	7.9 x	7.0 x	19.8 x	18.6 x	14.9 x	22.1 x	19.5 x	16.1 x
Axel Springer SE	EUR	50.50	5,448.7	7,158.6	18.6 x	18.1 x	17.7 x	2.2 x	2.1 x	2.1 x	9.5 x	8.6 x	8.1 x	13.9 x	12.4 x	11.4 x
Axel Springer SE at PT	EUR	63.00	6,804.0	8,513.9	23.2 x	22.5 x	22.1 x	2.6 x	2.5 x	2.5 x	11.3 x	10.2 x	9.6 x	16.5 x	14.8 x	13.6 x
Valuation difference to Average					81%	56%	17%	325%	297%	254%	116%	126%	66%	70%	61%	27%
Fair value per share based on Average					91.52	78.88	58.92	214.56	200.43	178.66	109.25	114.01	83.77	85.81	81.07	64.10

Source: Warburg Research

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	
Sales	3,258	3,347	3,432	3,518	3,606	3,689	3,770	3,845	3,922	4,001	4,081	4,162	4,225	1.5 %
Sales change	2.4 %	2.7 %	2.5 %	2.5 %	2.5 %	2.3 %	2.2 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.5 %	
EBIT	372	433	493	510	541	590	679	769	784	800	816	832	824	19.5 %
EBIT-margin	11.4 %	12.9 %	14.4 %	14.5 %	15.0 %	16.0 %	18.0 %	20.0 %	20.0 %	20.0 %	20.0 %	20.0 %	19.5 %	
Tax rate (EBT)	33.0 %	33.0 %	33.0 %	33.0 %	33.0 %	33.0 %	33.0 %	33.0 %	33.0 %	33.0 %	33.0 %	33.0 %	33.0 %	552
NOPAT	249	290	330	342	362	395	455	515	526	536	547	558	552	
Depreciation	365	384	382	352	325	295	264	231	235	240	245	250	253	6.0 %
in % of Sales	11.2 %	11.5 %	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	0	0	0	0	6	6	6	5	5	5	6	6	4	6
Change in Liquidity from														
- Working Capital	-13	8	7	4	2	4	0	-1	3	-1	7	7	6	253
- Capex	280	290	270	264	252	240	226	231	235	240	245	250	253	
Capex in % of Sales	8.6 %	8.7 %	7.9 %	7.5 %	7.0 %	6.5 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	
Free Cash Flow (WACC Model)	347	376	435	426	439	452	498	521	528	542	545	556	551	559
PV of FCF	332	337	364	333	321	309	318	312	295	284	267	254	236	
share of PVs	12.34 %			35.02 %										52.64 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	20.00 %	Financial Strength	1.20
Cost of debt (after tax)	1.4 %	Liquidity (share)	1.10
Market return	7.00 %	Cyclicality	1.40
Risk free rate	1.50 %	Transparency	1.00
		Others	1.50
WACC	6.93 %	Beta	1.24

Valuation (m)

Present values 2031e	3,961		
Terminal Value	4,403		
Financial liabilities	1,151		
Pension liabilities	230		
Hybrid capital	0		
Minority interest	461		
Market val. of investments	0		
Liquidity	282	No. of shares (m)	108.0
Equity Value	6,804	Value per share (EUR)	63.00

Sensitivity Value per Share (EUR)

		Terminal Growth									Delta EBIT-margin						
Beta	WACC	0.75 %	1.00 %	1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.47	7.9 %	47.58	48.57	49.63	50.78	52.02	53.36	54.82	1.47	7.9 %	45.64	47.35	49.06	50.78	52.49	54.20	55.92
1.35	7.4 %	52.42	53.64	54.95	56.37	57.92	59.61	61.47	1.35	7.4 %	50.80	52.66	54.52	56.37	58.23	60.09	61.95
1.30	7.2 %	55.13	56.48	57.95	59.54	61.28	63.19	65.30	1.30	7.2 %	53.73	55.67	57.60	59.54	61.48	63.42	65.36
1.24	6.9 %	58.06	59.57	61.21	63.00	64.97	67.14	69.53	1.24	6.9 %	56.92	58.95	60.98	63.00	65.03	67.06	69.09
1.18	6.7 %	61.23	62.93	64.77	66.80	69.03	71.50	74.25	1.18	6.7 %	60.42	62.55	64.67	66.80	68.93	71.05	73.18
1.13	6.4 %	64.69	66.60	68.68	70.98	73.53	76.36	79.53	1.13	6.4 %	64.28	66.52	68.75	70.98	73.22	75.45	77.68
1.01	5.9 %	72.62	75.06	77.76	80.77	84.13	87.92	92.23	1.01	5.9 %	73.31	75.80	78.28	80.77	83.25	85.73	88.22

- Our DCF-model is based on moderate growth rates of 2 - 3% and solid EBIT-margins of up to 20% on the long term.
- Group revenue growth rates are a result of structurally declining print activities and digital growth businesses.
- EBIT-margin improvements is a result of a favourable segment mix developments to the high-margin classifieds businesses
- Financial liabilities as well as D&A and CapEx are adjusted according to IFRS16 accounting

Sum of the parts

Axel Springer: 2020e SotP - Summary

in EUR m	Fair Value attributable to Axel Springer shareholders	Average fair EBITDA multiple	in% of fair EV
Classifieds Media	7.257	12,8	
News Media	1.602	7,7	
Marketing Media	610	7,3	
Services/Holding	-1.000	12,5	
Cash inflows (real estate)	250		
Financial debt	1530		
Pension liabilities	230		
Minorities	460		
Cash	280		
Fair EV	8.719	10,5	
Equity value	6.779		
number of shares in m	107,9		
fair value per share in EUR m	62,8		

- Our SotP approach is split into the three reporting segments

Peer Group

Peergroup - Valuation Multiples

Company	LC	Price in LC	MC in LC m	EV in LC m	P / E			EV / Sales			EV / EBITDA			EV / EBIT		
					19e	20e	21e	19e	20e	21e	19e	20e	21e	19e	20e	21e
Schibsted Asa Class A	NOK	241.40	57,532.7	60,232.8	35.8 x	28.7 x	23.6 x	2.9 x	2.6 x	2.3 x	14.4 x	11.6 x	9.6 x	18.1 x	14.1 x	11.4 x
Adevinta ASA Class A	NOK	86.91	59,198.6	63,230.3	57.0 x	42.5 x	32.7 x	9.0 x	7.8 x	6.8 x	30.1 x	24.2 x	19.6 x	35.3 x	26.7 x	21.5 x
Rightmove plc	GBP	5.44	4,835.1	4,922.4	27.3 x	25.0 x	22.3 x	16.7 x	15.4 x	14.5 x	21.7 x	20.1 x	19.0 x	22.3 x	20.5 x	19.3 x
Scout24 AG	EUR	46.02	4,951.8	5,702.0	25.7 x	22.7 x	20.2 x	9.0 x	7.9 x	7.0 x	18.1 x	15.8 x	14.2 x	23.1 x	19.7 x	16.1 x
Auto Trader Group PLC	GBP	5.52	5,149.6	5,573.1	24.3 x	22.5 x	18.9 x	14.3 x	13.4 x	11.6 x	20.0 x	18.6 x	15.4 x	20.7 x	19.3 x	15.7 x
REA Group Ltd	AUD	78.40	10,326.5	10,577.3	31.9 x	27.8 x	23.9 x	11.6 x	10.2 x	9.1 x	19.5 x	17.2 x	14.9 x	21.9 x	19.2 x	16.6 x
Purplebricks Group Plc	GBP	1.26	380.7	276.4	n.a.	n.a.	3.1 x	2.0 x	2.0 x	0.3 x	n.a.	28.7 x	0.8 x	n.a.	n.a.	0.8 x
XING SE	EUR	316.50	1,778.9	1,733.3	47.5 x	36.3 x	31.2 x	6.3 x	5.3 x	4.6 x	20.2 x	16.4 x	13.6 x	31.2 x	24.4 x	20.3 x
Average					33.7 x	28.2 x	20.7 x	9.3 x	8.5 x	7.4 x	20.6 x	19.4 x	13.4 x	23.6 x	19.9 x	14.5 x
Median					29.6 x	26.4 x	22.3 x	9.0 x	7.9 x	7.0 x	19.8 x	18.6 x	14.9 x	22.1 x	19.5 x	16.1 x
Axel Springer SE	EUR	50.50	5,448.7	7,158.6	18.6 x	18.1 x	17.7 x	2.2 x	2.1 x	2.1 x	9.5 x	8.6 x	8.1 x	13.9 x	12.4 x	11.4 x
Axel Springer SE at PT	EUR	63.00	6,804.0	8,513.9	23.2 x	22.5 x	22.1 x	2.6 x	2.5 x	2.5 x	11.3 x	10.2 x	9.6 x	16.5 x	14.8 x	13.6 x
Valuation difference to Average					81%	56%	17%	325%	297%	254%	116%	126%	66%	70%	61%	27%
Fair value per share based on Average					91.52	78.88	58.92	214.56	200.43	178.66	109.25	114.01	83.77	85.81	81.07	64.10

■ ...

Valuation

	2015	2016	2017	2018	2019e	2020e	2021e
Price / Book	2.5 x	2.3 x	2.6 x	2.8 x	2.3 x	2.3 x	2.2 x
Book value per share ex intangibles	-16.98	-18.01	-15.02	-14.03	-13.51	-12.46	-10.93
EV / Sales	2.0 x	2.0 x	2.4 x	2.6 x	2.1 x	2.0 x	1.9 x
EV / EBITDA	9.9 x	7.8 x	9.5 x	11.4 x	9.3 x	8.3 x	7.5 x
EV / EBIT	14.1 x	10.8 x	13.8 x	21.9 x	18.5 x	15.6 x	13.3 x
EV / EBIT adj.*	14.5 x	13.7 x	14.4 x	15.7 x	13.3 x	11.7 x	10.5 x
P / FCF	21.8 x	24.9 x	20.1 x	20.0 x	16.8 x	15.4 x	13.3 x
P / E	20.6 x	11.8 x	17.0 x	37.4 x	27.7 x	24.3 x	20.6 x
P / E adj.*	23.4 x	19.3 x	20.9 x	23.0 x	18.7 x	18.2 x	17.9 x
Dividend Yield	3.5 %	4.1 %	3.7 %	3.3 %	4.1 %	4.3 %	4.3 %
FCF Potential Yield (on market EV)	6.3 %	9.1 %	6.9 %	5.3 %	7.1 %	8.1 %	8.9 %

*Adjustments made for: -

Company Specific Items

	2015	2016	2017	2018	2019e	2020e	2021e
Sales News Media	1,582	1,482	1,510	1,496	1,460	1,440	1,425
Sales Marketing Media	879	856	477	418	410	412	415
Sales Classifieds Media	753	880	1,008	1,213	1,340	1,450	1,550
EPS adj	2.23	2.41	2.60	2.73	2.72	2.80	2.85

Consolidated profit & loss

In EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Sales	3,295	3,290	3,056	3,181	3,258	3,347	3,432
Change Sales yoy	8.5 %	-0.1 %	-7.1 %	4.1 %	2.4 %	2.7 %	2.5 %
Increase / decrease in inventory	47	83	88	94	90	90	90
Own work capitalised	0	0	0	0	0	0	0
Total Sales	3,342	3,373	3,143	3,274	3,348	3,437	3,522
Material expenses	1,014	972	1,051	550	652	703	721
Gross profit	2,329	2,401	2,092	2,725	2,696	2,734	2,801
Gross profit margin	70.7 %	73.0 %	68.5 %	85.7 %	82.8 %	81.7 %	81.6 %
Personnel expenses	1,100	1,100	1,202	1,224	1,303	1,339	1,407
Other operating income	272	340	317	170	163	167	172
Other operating expenses	837	811	444	944	819	746	691
Unfrequent items	0	0	0	0	0	0	0
EBITDA	663	830	763	726	737	817	875
Margin	20.1 %	25.2 %	25.0 %	22.8 %	22.6 %	24.4 %	25.5 %
Depreciation of fixed assets	49	53	53	112	115	120	120
EBITA	614	777	710	613	622	697	755
Amortisation of intangible assets	151	180	184	236	250	264	262
Goodwill amortisation	0	0	0	0	0	0	0
EBIT	463	598	527	378	372	433	493
Margin	14.1 %	18.2 %	17.2 %	11.9 %	11.4 %	12.9 %	14.4 %
EBIT adj.	449	471	504	528	516	577	627
Interest income	0	0	15	11	0	0	0
Interest expenses	22	21	34	32	30	30	30
Other financial income (loss)	0	0	0	0	0	0	0
EBT	441	576	508	357	342	403	463
Margin	13.4 %	17.5 %	16.6 %	11.2 %	10.5 %	12.0 %	13.5 %
Total taxes	136	126	130	148	113	133	153
Net income from continuing operations	305	450	378	208	229	270	310
Income from discontinued operations (net of tax)	3	2	1	0	0	0	0
Net income before minorities	307	452	379	208	229	270	310
Minority interest	55	25	34	27	30	43	43
Net income	252	427	346	181	199	227	267
Margin	7.7 %	13.0 %	11.3 %	5.7 %	6.1 %	6.8 %	7.8 %
Number of shares, average	100	108	108	108	108	108	108
EPS	2.53	3.96	3.20	1.68	1.84	2.10	2.47
EPS adj.	2.23	2.41	2.60	2.73	2.72	2.80	2.85

*Adjustments made for:

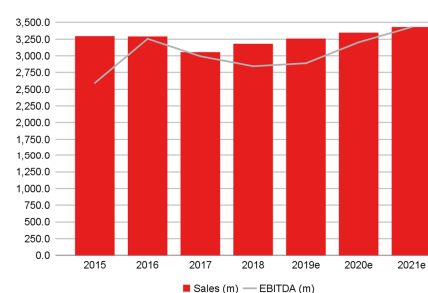
Guidance: 2019: Revenues low single-digit % growth; adj. EBITDA flat vs. 2018

Financial Ratios

	2015	2016	2017	2018	2019e	2020e	2021e
Total Operating Costs / Sales	81.3 %	77.3 %	77.9 %	80.1 %	80.1 %	78.3 %	77.1 %
Operating Leverage	4.5 x	-203.7 x	1.7 x	-6.9 x	-0.6 x	6.0 x	5.5 x
EBITDA / Interest expenses	29.9 x	38.8 x	22.8 x	23.0 x	24.6 x	27.2 x	29.2 x
Tax rate (EBT)	30.9 %	21.9 %	25.6 %	41.5 %	33.0 %	33.0 %	33.0 %
Dividend Payout Ratio	58.9 %	45.6 %	57.1 %	108.8 %	99.0 %	88.0 %	76.6 %
Sales per Employee	242,272	241,926	224,669	233,875	239,559	246,103	252,353

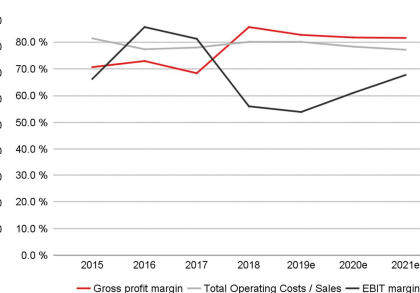
Sales, EBITDA

in EUR m

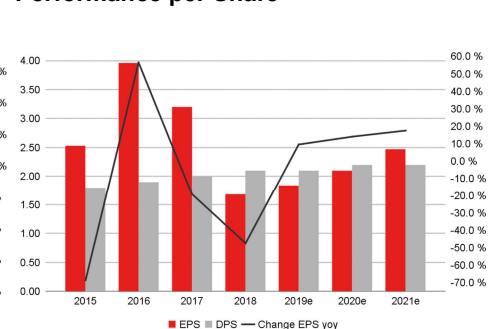


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

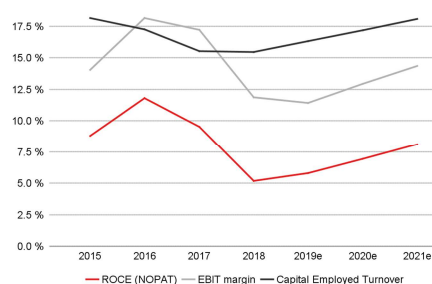
Consolidated balance sheet

In EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Assets							
Goodwill and other intangible assets	3,897	4,162	3,905	3,939	3,859	3,765	3,673
thereof other intangible assets	1,648	1,768	1,625	1,614	1,534	1,440	1,348
thereof Goodwill	2,249	2,394	2,280	2,325	2,325	2,325	2,325
Property, plant and equipment	508	519	457	748	743	743	723
Financial assets	696	593	527	478	478	478	478
Other long-term assets	0	0	0	0	0	0	0
Fixed assets	5,100	5,275	4,888	5,165	5,080	4,986	4,874
Inventories	20	22	20	28	27	28	29
Accounts receivable	571	615	694	783	794	816	818
Liquid assets	254	224	217	282	311	440	618
Other short-term assets	560	321	617	222	531	532	532
Current assets	1,404	1,182	1,547	1,314	1,663	1,816	1,996
Total Assets	6,505	6,456	6,436	6,479	6,743	6,802	6,870
Liabilities and shareholders' equity							
Subscribed capital	108	108	108	108	108	108	108
Capital reserve	500	500	500	500	500	500	500
Retained earnings	1,293	1,447	1,512	1,477	1,449	1,450	1,479
Other equity components	162	162	162	339	342	362	405
Shareholders' equity	2,063	2,217	2,282	2,424	2,399	2,419	2,492
Minority interest	449	421	511	461	461	461	461
Total equity	2,512	2,639	2,793	2,884	2,860	2,880	2,952
Provisions	682	664	872	611	751	756	756
thereof provisions for pensions and similar obligations	339	374	363	230	230	230	230
Financial liabilities (total)	1,253	1,259	1,237	1,531	1,460	1,460	1,460
thereof short-term financial liabilities	58	1	175	64	60	60	60
Accounts payable	343	380	462	512	536	550	545
Other liabilities	1,716	1,515	1,071	941	1,136	1,155	1,155
Liabilities	3,993	3,818	3,642	3,595	3,883	3,922	3,917
Total liabilities and shareholders' equity	6,505	6,456	6,436	6,479	6,743	6,802	6,870

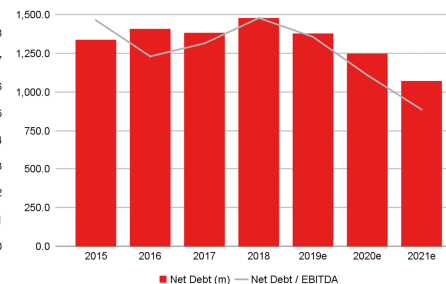
Financial Ratios

	2015	2016	2017	2018	2019e	2020e	2021e
Efficiency of Capital Employment							
Operating Assets Turnover	4.4 x	4.2 x	4.3 x	3.0 x	3.2 x	3.2 x	3.3 x
Capital Employed Turnover	0.9 x	0.8 x	0.7 x	0.7 x	0.8 x	0.8 x	0.9 x
ROA	4.9 %	8.1 %	7.1 %	3.5 %	3.9 %	4.6 %	5.5 %
Return on Capital							
ROCE (NOPAT)	8.8 %	11.8 %	9.5 %	5.2 %	5.8 %	6.9 %	8.1 %
ROE	12.4 %	20.0 %	15.4 %	7.7 %	8.3 %	9.4 %	10.9 %
Adj. ROE	10.9 %	12.2 %	12.5 %	12.5 %	12.2 %	12.5 %	12.5 %
Balance sheet quality							
Net Debt	1,338	1,409	1,384	1,479	1,379	1,250	1,072
Net Financial Debt	999	1,035	1,020	1,249	1,149	1,020	842
Net Gearing	53.3 %	53.4 %	49.5 %	51.3 %	48.2 %	43.4 %	36.3 %
Net Fin. Debt / EBITDA	150.7 %	124.7 %	133.7 %	172.2 %	155.9 %	124.8 %	96.3 %
Book Value / Share	19.1	20.5	21.1	22.4	22.2	22.4	23.1
Book value per share ex intangibles	-17.0	-18.0	-15.0	-14.0	-13.5	-12.5	-10.9

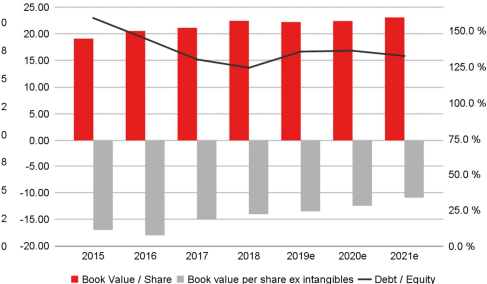
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

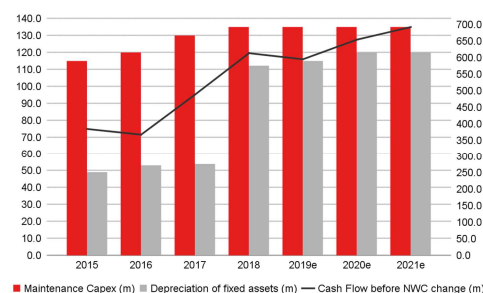
In EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Net income	307	452	379	208	229	270	310
Depreciation of fixed assets	49	53	54	112	115	120	120
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	151	180	184	236	250	264	262
Increase/decrease in long-term provisions	-60	34	-10	12	0	0	0
Other non-cash income and expenses	-63	-351	-118	44	0	0	0
Cash Flow before NWC change	384	367	488	613	594	654	692
Increase / decrease in inventory	4	-2	2	-8	0	-1	-1
Increase / decrease in accounts receivable	-47	-44	-79	-89	-12	-22	-2
Increase / decrease in accounts payable	29	37	82	50	24	15	-5
Increase / decrease in other working capital positions	0	0	0	0	0	0	0
Increase / decrease in working capital (total)	-14	-9	5	-47	13	-8	-7
Net cash provided by operating activities [1]	370	359	493	566	607	646	685
Investments in intangible assets	-55	-70	-150	-170	-170	-170	-170
Investments in property, plant and equipment	-76	-87	-51	-55	-110	-120	-100
Payments for acquisitions	-709	-365	0	-154	0	0	0
Financial investments	0	-33	0	-35	0	0	0
Income from asset disposals	294	461	7	292	0	0	0
Net cash provided by investing activities [2]	-546	-94	-194	-122	-280	-290	-270
Change in financial liabilities	269	6	-22	294	-71	0	0
Dividends paid	-178	-194	-205	-216	-227	-227	-238
Purchase of own shares	0	0	0	0	0	0	0
Capital measures	0	0	0	0	0	0	0
Other	-40	-112	-54	-473	0	0	0
Net cash provided by financing activities [3]	51	-300	-282	-395	-298	-227	-238
Change in liquid funds [1]+[2]+[3]	-126	-36	17	49	29	129	177
Effects of exchange-rate changes on cash	-4	0	0	0	0	0	0
Cash and cash equivalent at end of period	254	218	241	266	311	440	618

Financial Ratios

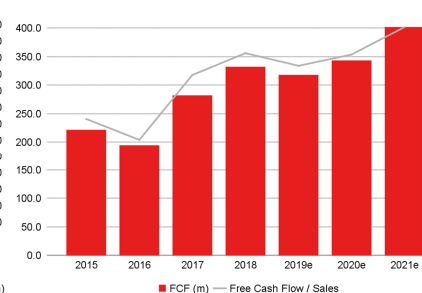
	2015	2016	2017	2018	2019e	2020e	2021e
Cash Flow							
FCF	222	195	282	332	318	343	402
Free Cash Flow / Sales	7.2 %	6.1 %	9.6 %	10.7 %	10.0 %	10.6 %	12.1 %
Free Cash Flow Potential	414	586	504	442	489	549	587
Free Cash Flow / Net Profit	94.4 %	47.3 %	84.6 %	188.1 %	164.2 %	156.9 %	155.2 %
Interest Received / Avg. Cash	0.0 %	0.0 %	6.8 %	4.2 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	1.9 %	1.7 %	2.7 %	2.3 %	2.0 %	2.1 %	2.1 %
Management of Funds							
Investment ratio	4.0 %	4.8 %	6.6 %	7.1 %	8.6 %	8.7 %	7.9 %
Maint. Capex / Sales	3.5 %	3.6 %	4.3 %	4.2 %	4.1 %	4.0 %	3.9 %
Capex / Dep	65.8 %	67.4 %	85.1 %	64.8 %	76.7 %	75.5 %	70.7 %
Avg. Working Capital / Sales	7.3 %	7.7 %	8.3 %	8.7 %	9.0 %	8.7 %	8.7 %
Trade Debtors / Trade Creditors	166.5 %	161.9 %	150.2 %	153.0 %	148.3 %	148.3 %	150.0 %
Inventory Turnover	50.4 x	45.0 x	53.1 x	20.0 x	24.0 x	25.2 x	25.2 x
Receivables collection period (days)	63	68	83	90	89	89	87
Payables payment period (days)	123	143	160	340	300	286	276
Cash conversion cycle (Days)	-53	-66	-71	-232	-196	-182	-175

CAPEX and Cash Flow

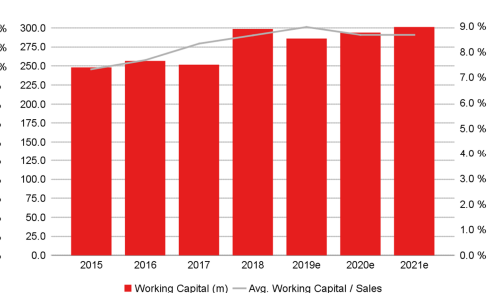
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

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

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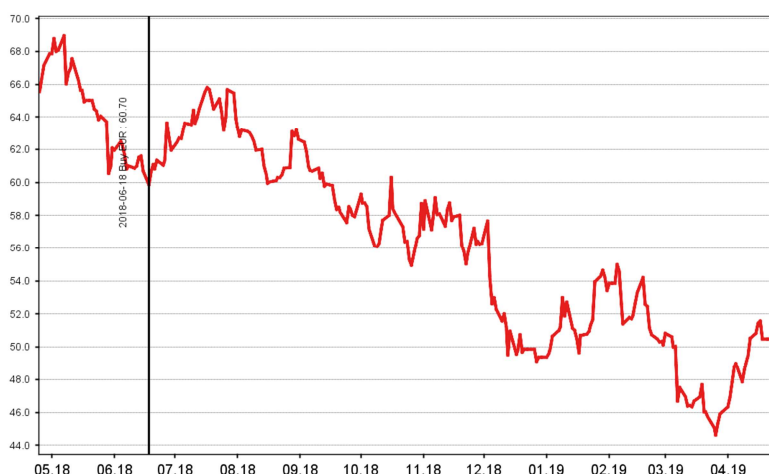
Rating	Number of stocks	% of Universe
Buy	128	64
Hold	59	30
Sell	5	3
Rating suspended	7	4
Total	199	100

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	31	79
Hold	6	15
Sell	0	0
Rating suspended	2	5
Total	39	100

PRICE AND RATING HISTORY AXEL SPRINGER AS OF 24.04.2019



Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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