

Guava A/S OMX/First North: "Guava"

Date of publication:
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Share price on May 29, 2008:
DKK 5.30

Current Market Cap
DKK 573m

Share price target
DKK 7.60 – 7.87

Integrating acquisitions and maintaining expectations

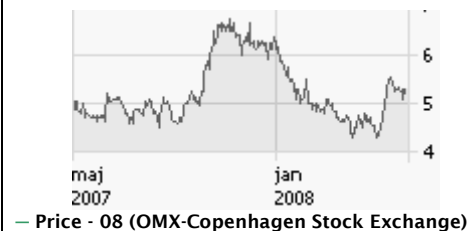
3rd quarter results: Guava maintains a rapid growth rate but results slightly affected by currency fluctuations and resources spent on integration.

Financials: Guava's reported revenues for Q3 2007/08 were TDKK 212,128 compared to a turnover for Q3 last year of TDKK 48,677, corresponding to an increase of 336%. Also, the EBITDA for Guava in Q3 2007/08 was TDKK 23,419 compared to Q3 2006/07 of TDKK 8,582, corresponding to an increase of 173%. Guava is **maintaining expectations** of achieving an estimated MDKK 270-300 in turnover and an EBITDA of MDKK 30-34 for the year 2007/08.

Challenges in Q3: Although the growth rate in Guava's English companies, Guava Ltd. and Neutralize, has been very satisfactory, the depreciation of the British pound affected the results in Guava's English companies adversely. Furthermore, the results for Q3 were adversely affected by **one-time expenses** on restructuring issues such as integrating technical platforms of acquired companies. The restructuring and integration issues also involved integrating "Brand2Brand" into "MM Medier", integrating "The Milk" into Guava's main office, cutting expenditure and personel, and encountering technical delays in Guava's affiliate marketing area. Finally, Guava also incurred costs by **changing its brand to "Guava"**, pr. May 29, 2008.

We expect strong Q4 figures and Guava achieving its financial expectations as integration issues are solved. We reiterate our previous share price target of Guava's organic growth scenario of 7.60, corresponding to market cap. of MDKK 707 indicating a 43.40% upside potential from the current share price. Our acquisition scenario indicates a target price of DKK 7.87 indicating a 48.49% upside potential.

ISIN:	DK006003664-8
Region Country:	Europe/Denmark
Price (May 29, 2008):	DKK 5.30
Outstanding shares:	108,226,599



TDKK (Estimates have not been changed)

Year	2005/06	2006/07	2007/08e
Turnover	26,069	81,445	287,104
EBIT	2,866	10,833	28,794
Profit	1,684	8,267	21,754
P/E	n/a	36.6	26.4
EV/S	n/a	3.6	2.2
EV/EBIT	n/a	27.0	21.4
EPS	0.07	0.21	0.20
EPS (g)	n/a	200.00%	-4.76%

Q3 Figures for Guava (realised)

Year	(Q3) 2006/07	(Q3) 2007/08
Turnover	48,677	212,128
EBITDA	8,582	23,419
Total assets	121,222	568,356

The table contains the forecasted key figures for Guava A/S. The numbers have not been audited by Guava A/S, but reflect the opinion of Korral Partners.

For queries regarding this research piece, please call Korral Partners in Copenhagen on +45 39 66 66 66, or email to research@korral.com.

Developments Q3 2007/08

Acquisitions: Acquisition of Danish “Adfair ApS”. Adfair is a Danish affiliate marketing bureau working primarily within performance oriented marketing. The acquisition of Adfair will strengthen Guava’s affiliate marketing activities by adding further knowhow to Guava’s existing affiliate marketing companies; MM Medier (acquired in 2007) and Brand2Brand (acquired in 2006). The affiliate marketing activities of the three companies are expected to constitute a significant part of Guava’s revenues in 2008.

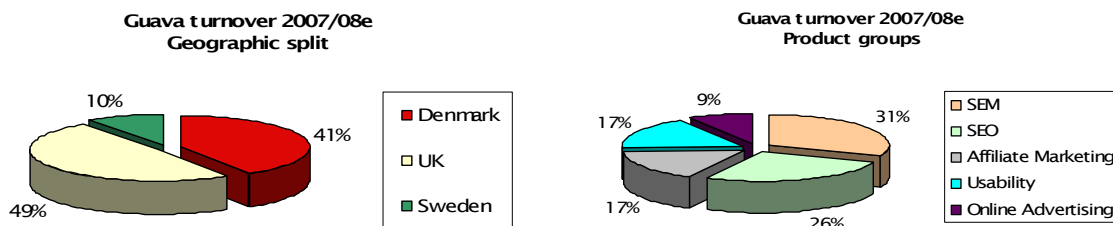
Integrating acquisitions: In Q3 Guava has focused on integrating the eight acquisitions carried out in the semi-annual year for 2007/08, thus reducing excess staff, integrating technical platforms, and continuing to maintain focus on sales and expenditures. The challenges encountered in Q3 were anticipated by Guava and we expect Q4 to benefit from the synergies of integrating the technical platforms of the different acquisitions, the increased cross-selling, and from economies of scale.

Market opportunities and risks

Future markets. In the UK, the online advertising spending increased by 41% in the first half of 2007, totaling approx. EUR 3.7 billion¹ and in 2006, Germany experienced a growth rate of 46% within online marketing and performance marketing and total online revenues of EUR 1.3 billion.² Guava is aiming to further establish itself in Germany and the UK, within the next few years as these countries show significant opportunities. These markets are **greatly fragmented** within the online marketing segment, and by further expanding internationally, Guava is exposed to several international opportunities. We expect Guava to outpace the domestic growth rate for online marketing companies (annual rates ranging from 30-40%) and Guava’s sales from its UK companies to constitute approx. 50% of the total revenues in 2007/2008.

Preparing for listing on Nasdaq OMX: Guava has initiated the prospectus process for the expected listing on Nasdaq OMX (Copenhagen Stock Exchange) in October 2008.

Risk of fragmentation: Guava is in a period of rapid expansion and through the acquisitions of UK-based Guava Ltd. and Neutralize, Guava has widened its geographical reach. With an increasing amount of geographically spread offices, Guava must address the risk of fragmentation. CEO Brian Mertz is focusing on unifying Guava with the Guava Ltd. and Neutralize offices, maintaining the strategy of Guava, and avoiding the risks of “disparate” offices, not least through the name change of the group to “Guava”.



¹<http://www.reuters.com/article/internetNews/idUSL0173757120071001>

² <http://l-dom-01.zanox-affiliate.de>

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The principals and employees of Korral are also current investors into Guava A/S. The research has been carried out using traditional analysis methods and publicly available information sources.

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