



SILVIA QUANDT
RESEARCH GMBH

Frogster Interactive Pictures AG

Blow-out 9m results, Management raises 2009 and 2010 guidance

	Key Data			
	Absolute	-1m	-3m	Y-t-d
	%	0	1	232
Jacques Abramowicz abramowicz@silviaquandt.de +49 (0) 69 95 92 90 93 44	Net Gearing (2008)			0
	FCF Yield (2009e)			7,82%
	Shares outstanding (m)			2,562
	Market Cap (€m)			49.2
	Next event			2009 results, March 2010
				Source: Bloomberg, Silvia Quandt Research GmbH

Rating: Buy	Target price: €24.18	Close 03/12/09: €19.20	RIC: FRGG.DE
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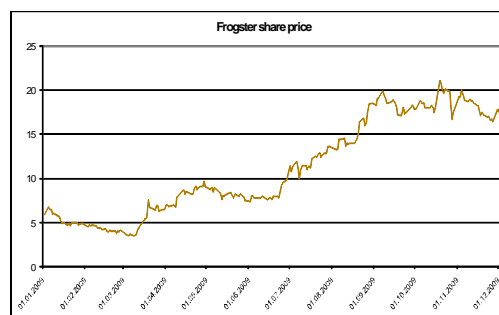
- Frogster reported very strong 9m figures this morning and raised the guidance for 2009. November saw revenues at just under € 1.8m meaning in line with our annual target of €12.9m revenues from ordinary activities. **Note that we already raised our number to EPS of €0.73 in our mid-term update back on September 18th. We still believe that total sales should reach €14.40m.**
- In November, at just under €1.8m, a monthly revenue record was achieved for the eleventh time in a row. Herewith, for the first time, 50% of the revenues were gained abroad. Here, it has to be taken into consideration that the commercial launch of the success title 'Runes of Magic' in Korea had been postponed to November 19th so that revenues from the important Korean market only counted in on eleven days out of November. The Frogster group's companies have especially grown in the international markets of France, Spain and the USA in November.
- Guidance for 2009 confirmed: management believes that a six-fold revenue growth to €13.5m is realistic. The cumulative revenue of the first eleven months of the year 2009 thus amounts to almost € 12m (entire year 2008: €2.2m). For the entire year 2009, the management estimates the revenue to be €13.5m and the net profit to be € 0.70 per share. Should the estimate prove to be correct, the Frogster group would have reached their ambitious growth and revenue goals which were raised significantly already in the course of the year.
- One of the goals formulated at the beginning of the year, to reach a monthly revenue in the amount of €500k in Europe and of \$500k in Northern America by year-end only with the newly released massively multiplayer online game (MMO game) 'Runes of Magic', was already achieved in April and October 2009, respectively.
- Another highlight is the fact that the operative cash-flow in 2009 should turn out to be significantly positive for the first time.
- Management expects that the strong, profitable expansion shall be continued in 2010. In 2010, in addition to the further growth and roll-out of 'Runes of Magic', the eagerly expected free-to-play version of 'The Chronicles of Spellborn' shall be released in Asia and there shall be a targeted expansion of the portfolio by a client-based MMO game.

- Furthermore, Frogster strives for the publishing of browser-based MMO games which are simpler in quality compared to client-based MMO games, however easier to access for the player. Thus, further target groups that haven't been reached yet, can be accessed.
- Frogster group's management is therefore confident to be able to increase revenue and result significantly in the upcoming year again. The guidance for 2010 envisions to achieve € 25m Euro in revenue and €1.50 per share in net profit. The international business shall contribute to this with a disproportionately rising share.
- **These are blow-away number and confirm that we were right with our Buy rating and Price Target of €24.18. Note that our EPS estimates for 2010 are significantly higher than management guidance at € 2.02. We therefore maintain our Buy rating.**

	2008	2009e	2010e	2011e
Revenue	2,29	12,90	26,67	40,17
Other Revenue	0,75	1,50	2,00	2,50
Total Revenue	3,04	14,40	28,67	42,67
Cost of Revenue	0,79	2,88	8,51	12,59
Gross Profit	1,49	11,52	20,16	30,08
Selling/General/Admin. Expenses, Total	2,04	2,29	4,17	2,64
Unusual Expense (Income)	0,76			
Other Operating Expense	3,61	3,31	4,45	5,76
Total Operating Expense	7,2	8,49	17,13	20,99
EBITDA	-4,92	5,92	11,54	21,68
Depreciation/Amortization	2,17	2,20	2,24	2,32
EBIT	-7,09	3,72	9,30	19,36
Interest Inc.(Exp.),Net-Non-Op., Total	0,03			
Other, Net	0	-0,07	-0,29	-0,77
Net Income Before Taxes	-6,30	3,64	9,01	18,58
Provision for Income Taxes	-0,95	-1,17	-3,16	-5,42
Net Income After Taxes	-5,35	2,48	5,85	13,16
Minority Interest	0,73	0,63	0,67	1,07
Net Income	-4,61	1,85	5,18	12,10
Basic Weighted Average Shares	1,78	2,53	2,53	2,53
Basic EPS Including Extraordinary Items	-2,6	0,73	2,05	4,79
Gross Dividends - Common Stock	0	0,00	0,25	1,00
Total Special Items	0,76	0,63	0,67	1,07
Basic Normalized EPS	-2,32	0,48	1,78	4,37
Gross Margin	49,0%	80,0%	70,3%	70,5%
Pretax Margin	-233,2%	25,8%	32,4%	45,4%
Effective Tax Rate	13,4%	31,4%	34,0%	28,0%
Net Profit Margin	-151,6%	12,8%	18,1%	28,4%

Period	2008	2009e	2010e	2011e
In Million's of Euro				
Revenue	3,04	14,40	28,67	42,67
yoy growth	-29,79%	373,68%	99,07%	48,84%
Gross Profit	1,49	11,52	20,16	30,08
% margin	49,01%	80,00%	70,31%	70,50%
EBITDA	-4,92	5,92	11,54	21,68
% margin	-161,84%	41,08%	40,25%	50,81%
Net Income	-5,35	2,48	5,85	13,16
% margin	-1,76	0,17	0,20	0,31
EPS	-2,60	0,73	2,05	4,79
yoy growth	-22,85%	-128,15%	180,32%	133,55%
Dividends per Share	0	0	0,25	1
yoy growth	n/a	n/a	n/a	300,00%

Source: Company Data, Silvia Quandt Research GmbH



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Frogster Interactive Pictures AG

Disclaimer

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