

CYBERPLEX CRUSHES IT OUT OF THE PARK - TECH BUBBLE SURVIVOR REPORTS Q4 AND FULL-YEAR RESULTS

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After markets closed today Cyberplex (CX.TO) reported Q4 and full-year results. In a good economy, the results would be considered outstanding. During this recession, the results could be considered astounding, especially considering that all of the reported growth was essentially organic. Sales for Q4 increased 429% to \$28.9 million from \$5.5 million reported for the previous year Q4. Sequentially sales increased by 162% from \$11.0 million reported for Q3 2008. When reported, Q3 2008 results were considered by analysts to be an excellent quarter.

The Company reported \$4.9 million in Net Income, or \$0.09 EPS for Q4, which represents a 17% NIM on sales. Gross Margin for the quarter was 34%, which has been inline with previous quarters, and EBITDA was reported at \$5.0 million. Shareholders should be ecstatic with the margin leverage demonstrated during Q4 2008.

Earnings results from Q4 also represent a vast majority of full-year earnings. FY 2008 Net Income was reported at \$5.7 million or \$0.11 EPS, which represents a 10.7% NIM. Blended gross margins for the year were reported at 35% and EBITDA was \$6.7 million or nearly \$0.13 per fully diluted share. Total sales for the year were reported at \$57.3 million from which Management was able to extract \$19.8 million in Gross Margin.

The TTM EV/EBITDA multiple on this stock is 3.8X, at the low-end of a range of EV/EBITDA multiples among the Top 30 Canadian Small-Cap Tech Stocks.

The company has approximately \$5.3 million in cash, although its balance sheet may spook more conservative investors because the net cash position is \$1.8 million right now. The earnings performance from the past two quarters should hint at the free cashflow potential of the Cyberplex model in future quarters, which may put concerned investors at ease.

Cyberplex is at the top end of the online advertising spectrum in terms of measureability. Performance-based advertising by its nature shortens the discover-decide-do cycle so that marketing risk is reduced for advertisers. Marketers only pay for desired outcome. Cyberplex reduces perceived advertising risk for marketing managers, which tends to

preserve careers during recessions. This is why Cyberplex is currently crushing it out of the ballpark.

During the conference call, a participant asked if the performance of this quarter is sustainable. On percentage growth basis, it is likely improbable for two reasons:

1. The 4th quarter calendar year is usually the best performing quarter seasonally for the Internet-based economy. As a result, Q1 should show a seasonal decline.
2. The extent of offerings is still growing, so there may be product or category-related lumpiness in quarterly performance. As was the case for Q4, a particular segment (Health & Beauty) was really strong. Until the offerings and the client-base are broadened, there may be a few swings in quarterly performance due to the impact one or two items. Although the Q4 results are spectacular in the face of a recession, investors should look at the results for the full year. By the way, FY2008 results were excellent.

The FY2009 outlook for Cyberplex should be considered positive for the following reasons:

1. Measurable online advertising is expected to grow by approximately 17% during 2008 according to market research firms like IDC. Primarily this means Cost-per-Click advertising or paid search offered by Google (GOOG-Q). Cyberplex is at a level of measurability beyond CPC, so we may see Cyberplex grow at a faster rate than the category as a whole. Annualized growth in the mid-20% range for 2009 could be possible, and should be viewed by shareholders as positive.
2. Using significant insight gained from its analytic tools, CX can deliver excellent earnings efficiency from its campaigns. EBIT margins may increase as a result, regardless of quarterly revenue fluctuations. These efficiencies could offset the potential risk of gross margin pressure as competition intensifies and the recession lingers.
3. Earnout payments to IncentaClick should be completed by the end of Q1, which means that free cashflow should accelerate by H2 2009.
4. The Company has proven that there is potential for upside performance surprises as it scales its business, which may benefit shareholders during future quarters.

Cyberplex is a toughened tech bubble survivor whose stock value may be suffering from historical investor perceptions. Smart investors should get over it because this Company has re-invented itself into a cash machine that is growing. Not many companies can say that they are having historic quarterly performance during this recession. The stock should move tomorrow.

On second thought, this is the second tech company in the last two days that has reported historical Q4 performance during the recession. Maybe it's a trend.

A final interesting thought. For the past two quarters, strong performance by CX has been followed up by Google beating analyst expectations. If it happens three quarters in a row, is there trading information there?