getmobile europe plc

Close Brothers Seydler Research AG

Recommendation:	Risk:	Fair Value:
BUY (Initiating Coverage)	MEDIUM (-)	EUR 3.95 (-)

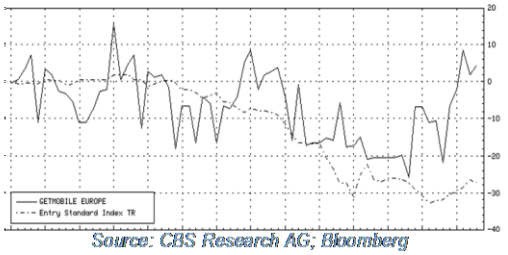
06 November 2008

Welcome back home

German company new at Entry Standard

- With effect from 30 Oct, getmobile has been listed on the Entry Standard. With this listing, German investors are better positioned to participate in a national growth story embedded in a plc.
- getmobile is the largest independent online seller of mobile phone contracts in Germany. The company plans to double its market share up to three percent over the coming years what is a realistic aim due to the high brand awareness of getmobile's labels.
- getmobile is also expanding its business model to include the sale of other consumer contracts via its start-up subsidiary Premingo. With the planned growth of Premingo, getmobile is shifting its business-focus even further towards a pure eCommerce-specialist.
- While the company had an exciting history during the internet bubble, it has developed a strong business model in recent years. Today, the company generates sizeable profit margins and has a solid balance sheet with a high net cash position of around EUR 9.7m at 30 June 2008.
- Especially, by considering the Enterprise Value in relation to the operating profit and the high dividend yield of about 7.5% for 2008, the stock is priced very cheaply compared with other eCommerce shares.
- We applied a multiple valuation based on a peer group and a Discounted Cash Flow (DCF) model. This approach resulted in a fair value per share of EUR 3.95. We initiate our coverage with a BUY recommendation.

Share price (dark) vs. Entry Standard



Source: CBS Research AG; Bloomberg

Change	2008E		2009E		2010E	
	new	old	new	old	new	old
Sales	88,67	-	85,13	-	100,45	-
EBIT	3,60	-	4,49	-	5,90	-
EPS	0,31	-	0,33	-	0,43	-

Internet: getmobile-europe.com Sector: Internet
WKN: A0QZ0E ISIN: GB00B2QTYX55
Reuters: GETM.DE Bloomberg: GZQA GY

Share data:

Share price (EUR):	1,54
Shares outstanding (m):	9,4
Market capitalisation (EUR m):	14,5
Enterprise value (EUR m):	4,8
Ø daily trading volume (shares):	5040

Performance data:

High 52 weeks:	2,30
Low 52 weeks:	1,08
Absolute performance (12 months):	8,03%
Relative performance:	Entry Standard
1 month	26,7%
3 months	25,45%
6 months	22,19%
12 months	136,45%

Shareholders:

Tiburon Unternehmensaufbau GmbH ("Tiburon")	15,8%
Pierce Casey	9,9%
Dexia Asset Management SA	6,5%
Mountain Partners AG	5,7%
Others	62,2%

Financial calendar:

n.a. n.a.

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Key data

Y/E 31.12., EUR m	2006	2007	2008E	2009E	2010E
Sales revenues	63.6	100.8	88.7	85.1	100.4
Gross profit	5.9	9.1	10.6	11.1	13.3
EBITDA	1.6	2.8	3.6	4.5	5.9
EBIT	-54.1	2.5	3.4	4.2	5.6
Net income/loss	-54.5	2.2	2.9	3.1	4.0
EPS	-5.77	0.24	0.31	0.33	0.43
CPS	0.49	0.04	0.60	0.20	0.25
DPS	0.00	0.10	0.11	0.12	0.13
Gross margin	9.3%	9.0%	12.0%	13.0%	13.2%
EBITDA margin	2.6%	2.8%	4.1%	5.3%	5.9%
EBIT margin	-85.0%	2.5%	3.8%	4.9%	5.5%
EV/EBITDA	3.0	1.7	1.3	1.1	0.8
EV/EBIT	-0.1	neg.	1.4	1.1	0.9
P/E	-0.3	neg.	5.0	4.7	3.6

Source: CBS Research AG, getmobile AG

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Investment thesis

Largest independent online seller of mobile phone contracts in Germany

getmobile is the largest independent online seller of mobile phone contracts in Germany, operating via its wholly owned subsidiaries getmobile AG and KK Media GmbH. Recently, the company established Premingo, as an open internet platform to offer other household contracts.

Business has changed continuously

The business of getmobile has continuously evolved over recent years. The company switched the focus of its business from shopping TV, which has lead to a high brand recognition today, towards the World Wide Web. For a time, wholesale business-segment has increased the company´s turnover. In 2008 getmobile has decided to drive down this business. This step will lead to a reduction of sales, but result in higher profit margins. With the expected rollout of Premingo, getmobile plans to become more and more a pure eCommerce-specialist.

Distribution of mobile phone contracts has a lot of potential

In the core business, the distribution of mobile phone contracts, getmobile still has a lot of potential. The company aims to double its market share in Germany up to three percent during the coming years also with the help of the recent launch of the software platform targeting the specialized mobile phone retailers. Smaller acquisitions are possible, but not considered in our scenario.

We expect a further focus on the high margin business

For 2008 and the coming years we expect a further focus on the high margin business and consolidation of the generated sales. From 2010 on we expect a solid growth and a further improvement of the profit margins. We expect sales to increase about 18% in 2010 up to around EUR 100m.

We expect EBIT-margin to increase towards 6.5%

On long term, we expect the EBIT-margin to increase towards 6.5%. getmobile can reach this improvement via economies of scale and the further shift of the business towards a pure eCommerce specialist. We expect a strong increase of the EBIT and the net profit in the next years.

getmobile is traded with a notable cheap valuation

Especially in comparison with other German eCommerce-companies getmobile is traded with a notable cheap valuation. Based on expected figures for 2009 the EV/EBIT-Multiple is about 1.1. The dividend yield for the same period is about 7.8% and about 7.5% for 2008.

Since October 2008, getmobile is listed at the Entry standard in Frankfurt

In the history, shares of getmobile were listed at the stock market in Dublin and the AIM in London. Since the end of October 2008, getmobile is listed at the Entry Standard in Frankfurt. Since 03 Nov the shares are tradeable at the XETRA-system. Furthermore, the company has published a prospectus. All these activities should animate the trading of the small cap.

The company is a potential M&A target

Because of getmobiles good market position, the excellent structure of the balance sheet with a very high net cash position and the cheap valuation, the company is a potential M&A target. The most important protection against an unfriendly takeover offer is the big stake of the shares that are held by the management. Due to the fact that the board has bought this shares in the market, we interpret this as another indication for a undervaluation.

BUY recommendation

We applied a multiple valuation based on a peer group and a Discounted Cash Flow (DCF) model. This approach resulted in a fair value per share of EUR 3.95. We initiate our coverage with a BUY recommendation.

SWOT

Strengths

- Well established business model
- Strong, experienced management. The board of getmobile has been working for the company for a long time; some of the current board members founded the company. The board is well known in the relevant markets, especially eCommerce
- High profile of name and labels. In Germany, which is the relevant market for getmobile, the company brand has an awareness of 6% in a non supported basis and of 40% on a supported basis
- Product-line up is much higher than an offline competitor can offer
- Strongs brands with getmobile.de, preiswerthandy.de and besthandy.de
- For years getmobile has had a strong presence in media, press and the World Wide Web. Not only the company has achieved high brand awareness, but it also has an established name in the industry
- Excellent structure of the balance sheet with a high equity ratio and a high net cash position
- Successful white label co-operations with retail stores
- Strong cash flow, which enables a generous dividend policy. At the moment, getmobile shareholders earn a dividend yield of around 7,5% p.a
- Lean company structure with a small proportion of overhead costs
- During the last years the company has proven its know-how in all relevant areas of operations. getmobile has established know-how in sales, IT-systems, sales and distribution
- getmobile has proven competence in M&A. The purchase and integration of KK media in a short time documents the ability of the management to acquire and integrate in a successful way
- getmobile operates already with three online mobile phone stores maximizing visibility in search engines.

Weaknesses

- The present focus on the German market leads to a dependency on development in this area. An economic downtrend or problems of the major telecommunication players could lead to reduction of the relevant market
- The relatively small size of the company can be a disadvantage in the negotiations with mobile network operators and service providers which are much bigger
- The small capitalization can handicap the trading in getmobile shares
- The group largely depends on the expertise of its directors and key employees. The loss of key personnel could have a significant adverse impact on getmobile’s business
- Premingo is so far a start-up with little revenues and a brand that has not been established yet

Opportunities

- The shift from TV-distribution to a higher share of distribution via eCommerce fits the profit-margins
- Economies of scale: getmobile can generate economies of scale twice: in purchasing and in distribution-market revenues
- Possible co-operations with specialised dealers could lead to added growth. With the offline affiliate model getmobile has a much bigger relevant market.
- Many smaller competitors have a much weaker balance sheet than getmobile. An economic downtrend and the current financial crisis could hit them in a significant way. This would allow getmobile to gain further market share with internal growth or via acquisitions
- There is a trend for customers to buy a second or even a third cell phone. This development is a further growth driver for the market and getmobile
- The Listing in Germany allows the company to address new investors and allows for a broader shareholder basis

Threats

- getmobile has a high dependency on the churn rate in the mobile phone market. A stronger decrease of the churn rate would lead to a downsize of the relevant market for getmobile
- Increased competition from mobile networker operators´ and service providers´ retail stores and also from websites could create pricing pressure. This could lead to reduced commissions and revenues for getmobile and significantly hit profitability
- A global economic downturn could hit both, big telecommunication players' and getmobile's business. If telecommunication companies are forced to cut costs, marketing expenditures could contribute a significant part to cost reduction. Many of the players have a balance sheet with a high leverage, which could get them into trouble in a credit crunch market environment
- Competition between telecommunication companies is an essential assumption for getmobile's business model. A further concentration in the market could lead to a lower intensity of competition. This could lead to lower marketing expenditures
- A bigger shift in the mobile phone market from postpaid to prepaid segment would have an adverse effect on companies like getmobile
- Enlargement of the business towards other consumer contracts and the eCommerce market in general implies risks
- If getmobile grows via acquisitions, this would imply risks: Management capacity is tied up in the integration, generated goodwill could enlarge the risk in the balance sheet

Valuation

Valuation summary

Valuation on the basis of a DCF model and a peer group comparison

We applied a multiple valuation and a discounted cash flow (DCF) model to derive the company´s fair value. Our peer group comparison indicates a fair value of EUR 3.78 per share. We focused on the multiples for 2008 and 2009 to have more certainty considering the estimates for the peer group-companies. Our DCF model results in a fair value of EUR 4.12 per share.

Fair Value per Share is EUR 3.95

Weighting both valuation results equally at 50%, we derive a final fair value of EUR 3.95. We believe that the DCF model better indicates the excellent long term perspectives of this growing company. The peer group valuation in turn documents the short term undervaluation of the stock, especially regarding the EV-multiples due to the high net cash position. We decided to weight both methods equally.

Consolidation of valuation methods

	Weighting factor	Fair value per share (EUR)
Peer group valuation	50.0%	3.78
DCF valuation	50.0%	4.12
Fair value per share (EUR)		**3.95**

Source: CBS Research AG

We laid our focus on 2008E and 2009E multiples

On the basis of our derived fair enterprise value (EV) we calculated an EV/EBIT multiple of 8.2 for 2008E and an EV/EBIT multiple for 2009E of 6.6. The big difference to the current market price underlines the potential of the share. Furthermore, we calculated the multiples based on the current stock market price, which are stated in the last row of the table below.

Multiples of getmobile on basis of fair value per share

			Sales			EBITDA			EBIT		
EURm, except EPS (EUR)			2008E	2009E	20010E	2008E	2009E	20010E	2008E	2009E	20010E
Financial estimates for getmobile by CBS Research AG:			88.7	85.1	100.4	3.6	4.5	5.9	3.4	4.2	5.6
	Fair value	Market price	EV / Sales			EV / EBITDA			EV / EBIT		
			2008E	2009E	20010E	2008E	2009E	20010E	2008E	2009E	20010E
Value per share (EUR)	3.95	1.54									
Market capitalization (EURm)	37.3	14.5									
Enterprise value EV (EURm)	27.6	4.8									
Implied multiples of getmobile:											
- on basis of our fair value			0.3	0.3	0.3	7.7	6.2	4.7	8.2	6.6	5.0
- on basis of the current market price			0.1	0.1	0.0	1.3	1.1	0.8	1.4	1.1	0.9

Source: CBS Research AG

Peer group valuation

getmobile's investment story is unique

From our point of view getmobile's investment story is unique in the German stock market. There are no competitors or other companies with a similar business model, therefore the composition of a peer group necessitates compromises.

We decided to build a peer group exclusively composed of stocks, which are listed in the German stock market with a high proportion of revenue generated in Germany. All chosen companies have their main focus on the eCommerce business. Most of them have the characteristic of trading firms with single digit profit margins. Some of them, such as XING and Tipp24 generate much higher profit margins. For this reason and because of the low significance of this valuation ratio in general, we did not use the EV/Sales-multiple for the peer group valuation. All chosen companies are expected to grow significantly during the next years and already have established business models. For this reason we decided to regard the figures for 2008 and 2009, which are much more visible than the estimates thereafter.

All chosen companies have their main focus on the eCommerce business

Peer groups: Company data

Company name	Market cap.	EV	EPS (EUR)		EBIT		EBITDA		Sales	
			2008E	2009E	2008E	2009E	2008E	2009E	2008E	2009E
DELTICOM AG	147.9	111.5	2.6	3.0	14.3	16.6	14.6	17.4	248.0	284.3
HOTEL.DE AG	52.9	35.6	0.9	2.1	4.7	10.9	n.a.	n.a.	35.0	47.0
TIPP24 AG	72.7	5.0	1.0	1.3	9.4	13.5	10.6	14.8	47.9	55.1
XING AG	125.5	87.8	1.6	2.4	10.4	15.9	12.8	18.8	35.0	47.6
ZOOPLUS AG	69.8	68.6	0.7	1.2	2.5	4.2	2.9	4.6	74.0	97.4
Average	**94**	**62**	**1.3**	**2.0**	**8.2**	**12.2**	**10.2**	**13.9**	**88.0**	**106.3**
Median	**94**	**62**	**1.3**	**2.0**	**8.2**	**12.2**	**10.2**	**13.9**	**88.0**	**106.3**

Company name	Net margin		EBIT margin		EBITDA margin		Sales growth	
	2008E	2009E	2008E	2009E	2008E	2009E	2009E	2010E
DELTICOM AG	4.1%	4.1%	5.8%	5.8%	5.9%	6.1%	14.7%	15.9%
HOTEL.DE AG	9.8%	n.a.	13.3%	23.2%	n.a.	n.a.	34.3%	n.a.
TIPP24 AG	16.3%	19.2%	19.7%	24.5%	22.2%	26.9%	15.0%	14.0%
XING AG	23.8%	26.4%	29.6%	33.3%	36.6%	39.5%	36.2%	23.1%
ZOOPLUS AG	2.3%	2.9%	3.4%	4.3%	3.9%	4.7%	31.6%	29.4%
Average	**11.3%**	**13.2%**	**14.3%**	**18.2%**	**17.1%**	**19.3%**	**26.4%**	**20.6%**
Median	**9.8%**	**11.7%**	**13.3%**	**23.2%**	**14.0%**	**16.5%**	**31.6%**	**19.5%**

Source: Bloomberg, CBS Research AG

Peer group – short overview

Delticom AG

Delticom AG started its business in 1999 as a tyre-wholesaler. Since 2000 the company has also been operating as an online tyre dealer. In its eCommerce segment, Delticom uses its 92 online shops across 32 countries in Europe, USA, Canada and Japan to provide private and commercial customers with car tyres, motor cycle tyres, truck tyres, bus tyres, appropriate wheel rims, complete wheel sets (rims with tyres), selected car spare parts and accessories, motor oils and batteries. Delticom has shown massive growth on almost all P&L levels over the last ten years. From a sales level of roughly EUR 1m in 1999, Delticom has increased its sales revenues up to EUR 22m in 2001, to EUR 80m in 2004 and EUR 215.5m in 2007. EUR 87.1m of the 2007 sales were generated in Germany. In the same year the company´s EBIT rose to approx. EUR 12.3m, compared with EUR 10.2m in 2006. EBIT margin slightly decreased from 5.9% to 5.7% in 2007.

hotel.de AG

hotel.de AG with its international brand hotel.info runs a free of charge hotel reservation service for companies and private users on www.hotel.de and www.hotel.info. The company offers 210,000 hotels worldwide to be booked online. Since January 2007 hotel.de has also been offering conferences. Compared to other booking channels, customers benefit from considerable cost savings (on

average 40% for business customers). Since the end of 2006 the company is listed at the Frankfurt stock exchange.

Tipp24

Tipp24 offers virtually all state lottery products via its website www.tipp24.de. Customers can participate in the state lottery, GlücksSpirale, the Oddset sports betting product, class lotteries (NKL/SKL), the Keno number lottery and scratch cards. Tipp24 additionally offers its customers the option of participating in lottery teams. Tipp24 enables its business service partners to offer betting or lottery games on their web sites under their own brands and labels. In this context Tipp24's transaction platform is used for technical processing, and the full range of products Tipp24 offers its own end customers can be made available to its partners. With total billings of EUR 346.7m in 2007, Tipp24 has a leading market position as an online broker of state-owned lottery products in Germany. The uncertain development of the lottery-regulation in Germany implies uncertain forecasts in Tipp24 business model.

XING AG

XING AG, the Internet-based business network, focuses on professional contacts. Business professionals use XING to find useful contacts, important information, new business opportunities, employees, jobs and ideas. The XING network can be accessed all over the world via Internet, cell phones or PDAs. Due to the multilingual nature of XING's web interface and communication system, which supports 16 languages, XING AG has successfully and rapidly expanded around the world. In FY 2007 XING generated revenues of EUR 19.6m and EBITDA of EUR 6.9m, corresponding to an EBITDA-margin of 35.2%.

zooplus AG

zooplus was founded in 1999 and is the leading European online pet supplies retailer. Today its product range includes over 7,000 products for dogs, cats, small animals, aquariums, terrariums, birds and horses as well as all other related products. Over 80% of sales are generated in Germany. Since 2008 the company has been listed at the Prime Standard in Frankfurt.

Valuation

We applied the median of the peer group multiples

As already mentioned, we applied the median of the peer group multiples for 2008 and 2009 to our financial forecasts for getmobile. These figures are more transparent and certain than figures in the following years in the peer group as well as in our estimates for getmobile.

We did not include EV/Sales

We did not include EV/Sales, as the margins of the peer group companies and those of getmobile vary too much. We added getmobile´s net cash (cash minus financial debt) to the derived enterprise values. In case of the P/E valuation we directly calculated the fair market value of getmobile.

Our multiple valuation of getmobile resulted in a fair value per share of EUR 3.78

Our multiple valuation of getmobile resulted in a fair value of equity of EUR 35.7m. Because of the sufficiently high comparability of the peer group in regards to getmobile we did not use any premium or discount. According to our multiple valuation, the fair value per share amounts to EUR 3.78.

Peer Group Valuation: Multiples and derived valuation of getmobile

Company name	P / E		EV / EBIT		EV / EBITDA	
	2008E	2009E	2008E	2009E	2008E	2009E
DELTICOM AG	14.6	12.6	7.8	6.7	7.6	6.4
HOTEL.DE AG	15.5	6.8	7.7	3.3	n.a.	n.a.
TIPP24 AG	8.5	6.2	0.5	0.4	0.5	0.3
XING AG	15.3	10.1	8.5	5.5	6.9	4.7
ZOOPLUS AG	40.6	24.4	27.5	16.5	24.1	14.9
Average	**18.9**	**12.0**	**10.4**	**6.5**	**9.8**	**6.6**
Median	**15.3**	**10.1**	**7.8**	**5.5**	**7.2**	**5.5**

EURm, except EPS (EUR)		EPS		EBIT		EBITDA	
		2008E	2009E	2008E	2009E	2008E	2009E
getmobile: Financial estimates CBS Research		0.31	0.33	3.4	4.2	3.6	4.5
Applied multiples: Peer group median		15.3	10.1	7.8	5.5	7.2	5.5
Enterprise value (derived)		-	-	**26.2**	**23.2**	**26.1**	**24.8**
+ Excess cash and marketable securities	9.7						
- Financial debt and minority interest	0.0						
Market capitalization (derived)		**44.2**	**31.0**	**36.0**	**33.0**	**35.8**	**34.5**
Average = Fair market capitalization	**35.7**						
Number of shares (m)	9.4						
Fair value per share (EUR)	**3.78**						

Source: Bloomberg, CBS Research AG

DCF

Our Discounted Cash Flow (DCF) model is based on the following assumptions:

WACC calculation

Weighted average cost of capital (WACC): On the basis of the current long-term yields of German federal bonds, we set the risk-free rate at 4%. We assumed an equity risk premium of 8%, and a debt risk premium of 2.5%. We did not use getmobile's historical beta for the WACC calculation due to the recent change in stock markets where it is listed. We decided to use a Beta of about 1.6, which is a very conservative assumption. We furthermore assumed a long-term target equity ratio at market values of 95%, which is an extremely conservative assumption. These premises lead to a WACC of 16.18%.

Phase 1

Phase 1 (2008-10E): We estimated the free cash flows (FCF) of phase 1 according to our detailed financial forecasts for this period stated in the financials section.

We allowed annual sales growth to decrease successively to 5% in 2017E

Phase 2 (2011-17E): For Phase 2, we started out from more general assumptions. We allowed annual sales growth to decrease successively to 5% in 2017E. We forecast a further increase of getmobile´s EBIT margin until 2014 due to extended economies of scale and the enlargement of the eCommerce revenue shares. In the long run we incorporated a stabilisation of the EBIT margin to 6.5% in 2017E into our model.

Long-term FCF growth rate of 2.0%

Phase 3: For the calculation of the terminal value, we applied a long-term FCF growth rate of 2.0% which equals the estimated long-term inflation rate. This

assumption theoretically corresponds to a real-term zero growth since we use a nominal discount rate (WACC).

Based on these assumptions, we calculated a fair value of the operating business of EUR 29.8m. We added gemobile's net cash (cash minus financial debt). The resulting fair value of equity is EUR 38.9m. The fair value per share amounts to EUR 4.12, according to our DCF model.

Fair value per share of EUR 4.12

DCF

	PHASE 1			PHASE 2							PHASE 3
EURm	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	∞
Sales	88.7	85.1	100.4	113.5	126.0	138.6	149.7	161.7	173.0	181.6	
Sales growth	-12.0%	-4.0%	18.0%	13.0%	11.0%	10.0%	8.0%	8.0%	7.0%	5.0%	
EBIT	3.4	4.2	5.6	6.1	7.3	8.6	9.7	10.5	11.2	11.8	
EBIT margin	3.8%	4.9%	5.5%	5.4%	5.8%	6.2%	6.5%	6.5%	6.5%	6.5%	
Income tax on EBIT	-0.7	-1.4	-1.9	-2.0	-2.4	-2.9	-3.2	-3.5	-3.8	-3.9	
Depreciation and amortisation	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	
Other non-cash items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in net working capital	2.8	-1.1	-1.6	-1.4	-1.3	-1.3	-1.2	-1.3	-1.2	-0.9	
Net capital expenditure	-0.1	-0.2	-0.2	-0.5	-0.5	-0.5	-0.4	-0.5	-0.5	-0.4	
Free cash flow	**5.5**	**1.8**	**2.2**	**2.7**	**3.5**	**4.3**	**5.3**	**5.7**	**6.3**	**7.0**	
Present values	**5.0**	**1.4**	**1.5**	**1.5**	**1.7**	**1.8**	**1.8**	**1.7**	**1.6**	**1.5**	**10.6**

Present value Phase 1	7.8
Present value Phase 2	11.4
Present value Phase 3	10.6
Total present value	29.8
+ Excess cash/Non-operating assets	9.7
- Financial debt	0.0
- Minority interest (est. market value)	-0.6
Fair value of equity	**38.9**
Number of shares (m)	9.4
Fair value per share (EUR)	**4.12**

Risk free rate	4.00%	Target equity ratio	95.0%
Equity risk premium	8.00%	Beta (fundamental)	1.60
Debt risk premium	2.50%	**WACC**	**16.18%**
Tax shield	33.4%	**Terminal growth**	**2.0%**

Sensitivity analysis

		Terminal growth (Phase 3)				
		1.0%	**1.5%**	**2.0%**	**2.5%**	**3.0%**
	15.2%	4.31	4.37	4.42	4.48	4.54
	15.7%	4.17	4.22	4.26	4.32	4.37
WACC	**16.2%**	4.04	4.08	**4.12**	4.17	4.22
	16.7%	3.91	3.95	3.99	4.03	4.07
	17.2%	3.80	3.83	3.86	3.90	3.94

Source: CBS Research AG

Company profile

Short company profile

getmobile sells telephone contracts over the Internet and on TV in Germany

getmobile AG as the heart of getmobile plc was founded in 1998. Today getmobile is the largest independent online seller of mobile phone contracts in Germany, operating via its wholly owned subsidiaries getmobile AG and KK Media GmbH. With three mobile phone online stores getmobile is well positioned for visibility in search engines. getmobile established Premingo GmbH to operate an open internet platform to offer other household contracts, bundling free consumer goods. The company also generates sales on behalf of large German corporate partners such as ADAC, Germany's largest automobile club. getmobile also supplies mobile phone handsets to other companies in the German market. Recently, getmobile launched a software platform for specialized mobile phone retailers having access to products shown on TV.

Company structure

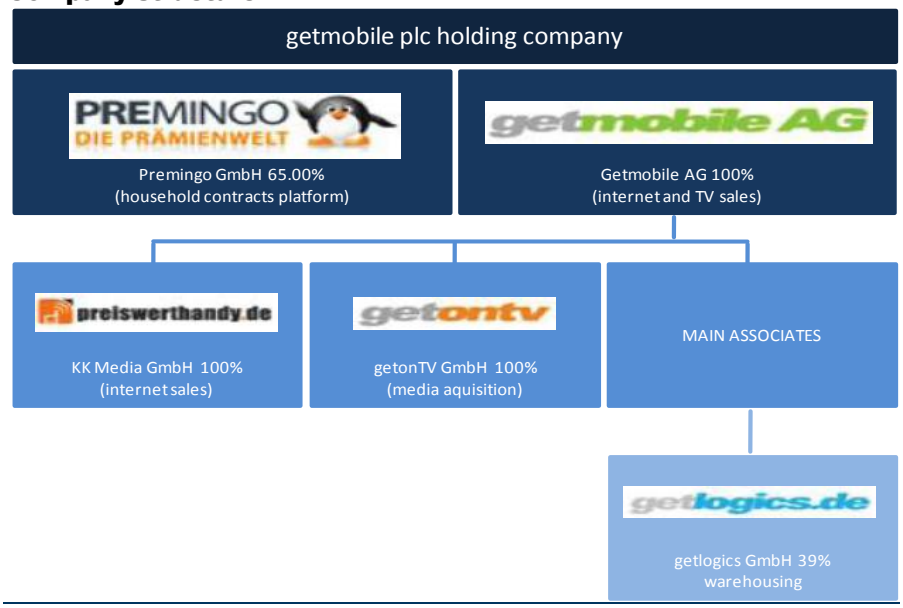
getmobile europe plc

getmobile europe plc is a holding company that owns Premingo GmbH – a household contracts platform – by 65% as well as getmobile AG – an internet and TV sales company – by 100%.

getmobile AG

getmobile AG conducts its business in internet and TV sales. The company owns 100% of the internet sales company KK Media GmbH, the media acquisition company getonTV GmbH as well as a 39% share in getlogics GmbH that runs warehousing for getmobile.

Company structure



Source: getmobile AG

KK Media GmbH

KK Media GmbH was acquired for EUR 2.77m in November 2006 and does business as an internet- based seller of mobile phone contracts and mobile phones in the German market. Its business model is similar to that of getmobile AG, but it operates separately and focuses on an affiliate model whereby referring websites and retailers receive commissions.

getlogics GmbH

getlogics GmbH provides warehousing and order fulfilment services to getmobile and third parties. getmobile AG currently owns 39% of the company.

getonTV GmbH

getonTV GmbH is a wholly owned subsidiary of getmobile AG and provides a media acquisition service to getmobile AG and third parties. GetonTV manages the group's television and print media acquisition activities.

Premingo GmbH

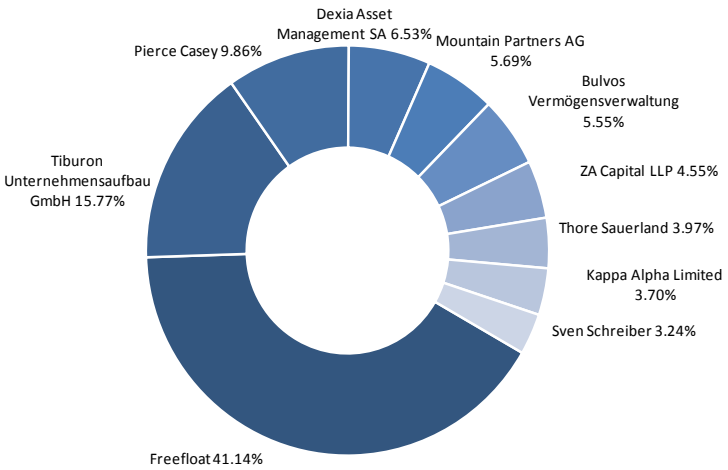
Premingo GmbH is 65% owned by getmobile and operates the Premingo website, which was launched in May 2008. According to getmobile, Premingo is 30% owned by Complex GmbH & Co.KG who provided the software for the platform. The remaining 5% are held by management of which 3% are held by Tiburon, a company which is 92% owned by Tim Schwenke and Daniel Wild and their spouses.

Shareholder structure

Shareholder structure mainly consist of freefloat

As shown in the following chart, the company's shareholder structure as published by getmobile on 07 August 2008 mainly consists of free float (41.14%) and Tiburon Unternehmensaufbau GmbH with 15.77%.

Shareholder structure

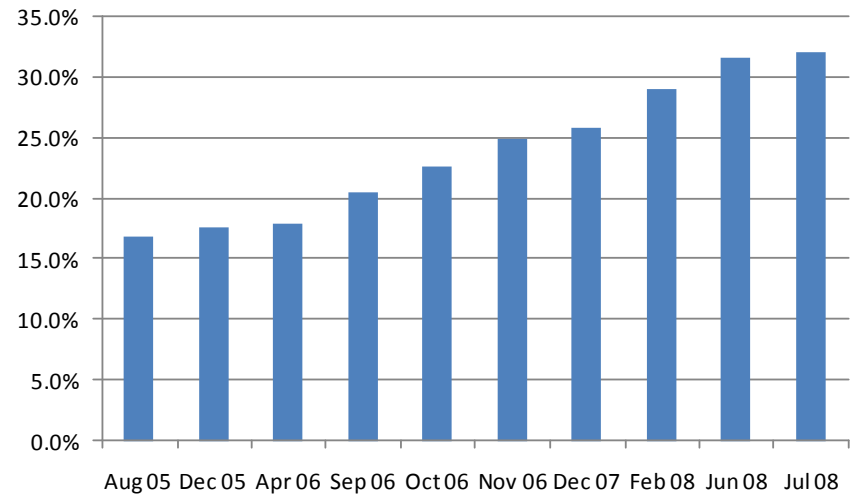


Source: getmobile AG; CBS Research AG

Management has been steadily buying shares for a long time

As you can see in the chart below, the getmobile management has been steadily buying shares for a long time and almost doubled its share in getmobile. This is, in our opinion, a proof of trust the management has in the company. It also shows that the management values the stock on a higher than its current price level.

Percentage getmobile shares held by management



Source: getmobile, CBS Research AG

The company prepared and published a prospectus on 22 Sep

Based on the operative business in Germany and the issued share capital of the company, more than 50% of which is currently held in Germany and continental Europe, the holding company decided to enhance the shareholder value and offer the share on the German market. The company prepared and published a prospectus on 22 Sep 2008 in order to market its ordinary shares in a public offer under German Law on the Entry Standard. With the approval of the prospectus getmobile can now market the company and its ordinary shares to investors based in Germany.

Since 30 Oct getmobile shares are listed at the Entry Standard

Since 30 Oct 2008 the shares of getmobile are listed on the Entry Standard. In this context, the company has released a prospectus. Since 03 Nov 2008 the share are available to trade on the XETRA System. Furthermore, the shares of getmobile still are quoted on the AIM market in London. The listing on the IEX market in Dublin was cancelled at the same time as getmobile listed on the Entry Standard.

Company milestones

History shows focused growth strategy

getmobile AG was incorporated in Munich, Germany in 1998 by CEO Tim Schwenke, Daniel Wild and some venture capital investors as Germany's first online phone shop and comments trading its operative business in autumn 1999. In addition, 1999 Sven Schreiber (CFO) and Patrick Bosch (CTO) joined the management team.

getmobile's business has primarily involved sales of postpaid mobile phone contracts

Since the beginning, getmobile's business has primarily involved sales of postpaid mobile phone contracts bundled with a mobile phone handset and attractive consumer goods to retail customers in Germany. Typically these bundles were sold via print advertising, internet and home television shopping sales channels. Apart from developing a distribution channel for phone contracts getmobile installed and maintained the online shop of Motorola Germany in Jul 2000.

Business model tumbled down after the new economy bubble

In 2002 getmobile and its business model tumbled down after the new economy bubble and sales decreased to EUR 4m, which almost led to the company's bankruptcy. As a result, the group had to cut costs, streamline its portfolio and concentrate on its core competence, the distribution of contract bundles. These adjustments accompanied by additional TV advertising led to the break even in the year 2003 with sales of EUR 16.3m..

In 2004 getmobile co-operated with OTTO Versand and Payback as their exclusive distributor for mobile phone contracts. The business with RTL Shop was also enlarged.

getmobile co-operated with OTTO Versand and Payback

getmobile AG was acquired in 2005 by Fitzwilliam Capital plc via a reverse merger and Fitzwilliam rebranded as getmobile europe plc. The merger provided funds for growth. Thus, the group acquired KK Media GmbH in Nov 2006 for about EUR 2.77m and gained the platform preiswerthandy.de as a further distribution channel.

getmobile incorporated with Fitzwilliam Capital plc through a reverse merger by Fitzwilliam

To expand the business channels getmobile launched in April 2008 the internet platform Premingo through Premingo GmbH, which is 65% owned by getmobile.

getmobile launched the platform Premingo

Currently getmobile has 75 employees in Germany and relies on outsourced relationships in call-centre management, shipping and logistics.

75 employees in Germany

Company milestones

1998	• Foundation
1999	• Launch of the first mobile phone online store in Germany
2000	• Installing and supervising the online-shop of Motorola
2002	• Challenging times after the new economy bubble
2003	• Turnaround • TV-sales
2004	• Cooperation with Otto & Payback • White-label sales
2005	• Reverse Merger by Fitzwilliam Capital plc • Change name to getmobile europe plc
2006	• Take-over of KK Media AG => preiswerthandy.de
2008	• Launch of internet platform Premingo.de and besthandy.de • Launch of software platform for specialised high street retailer

Source: getmobile AG; CBS Research AG

Management

Pierce Casey - Chairman

Pierce Casey, a chartered accountant, is an entrepreneur and private equity specialist who chairs his own family investment office. He has been the founder of several successful businesses in Europe and the UK since 1989. He was previously Chairman and a founder shareholder of Imprint plc, a recruitment company and computer distributor Fayrewood plc, both of which were quoted on Aim and was Chairman of the Supervisory Board of ComputerLinks AG, which is quoted on the Prime Standard in Frankfurt. He is a former director of both, Apax Partners and Alchemy Venture Partners Ltd.

Pierce Casey - Chairman

Tim Schwenke - Chief Executive Officer

Tim Schwenke was a founding director of getmobile. Prior to joining getmobile, he worked as a management consultant at the Mitchell Madison Group, a McKinsey

Tim Schwenke - Chief Executive Officer

spin-off, in their eCommerce practice. He holds a Masters Degree in Business Administration from the University of Hamburg, Germany.

Sven Schreiber - Chief Financial Officer

Sven Schreiber - Chief Financial Officer

Prior to joining getmobile in 1999, Sven Schreiber was a management consultant for the Boston Consulting Group in Germany and Austria, where he focused on the eCommerce and financial services sectors. He holds a Masters Degree in Management and Technology from the University of Karlsruhe, Germany.

Patrick Bosch - Chief Technology Officer

Patrick Bosch - Chief Technology Officer

Patrick Bosch joined getmobile from the German IT service provider T-Systems, a Deutsche Telekom Group subsidiary, where he was involved in projects in Germany and the US. He holds a Masters Degree in Computer Science from the University of Bonn, Germany. He is the main architect of getmobile's sophisticated technology platform.

Brian Stephens - Non-Executive Director

Brian Stephens - Non-Executive Director

Brian Stephens, a chartered accountant, has wide-ranging experience in private equity and M&A. He was previously a director of Alchemy Venture Partners Limited and NCB Corporate Finance and spent six years with Allied Irish Banks' private equity arm in Dublin and London

Daniel Wild - Business Development Director

Daniel Wild - Business Development Director

Daniel Wild is a founding director of getmobile. He previously worked as a management consultant at the Mitchell Madison Group where he worked in the services and private banking sectors. He holds a Masters Degree in Business Administration from the University of Trier, Germany and a MBA from East Carolina University, USA.

Maximilian Ardelt - Non-Executive Director

Maximilian Ardelt - Non-Executive Director

Maximilian Ardelt is one of the founding figures of the German mobile phone Industry. As a member of the board at Preussag (today TUI) and from 1994 onwards Viag AG (today EON) he was a driving force for the foundation of a number of successful companies such as Talkline and Viag Interkom (today O2 Germany) in Germany as well as licensed MNOs in Austria (One), Switzerland (Orange) and Liechtenstein. After the successful sales of these companies he is a non executive member of various Boards with emphasis on ITC and science within the last five years, such as Tech Data in the US and Funkwerk in Germany.

Stefan Seebauer – Chief Operating Officer

Stefan Seebauer – Chief Operating Officer

Mr. Seebauer has been a member of getmobile's management board since April 2007. He is responsible for product management/procurement and optimising workflows. He has experience of the internet, direct marketing and telecommunications having previously worked in these fields as an independent management consultant. He has played a role in the establishment of eteleon GmbH, where he was Head of Sales and Marketing.

Business model

getmobile operates as a direct marketing company selling primarily via the internet and TV advertising. Its retail business is based on the sale of a bundle of mobile phone contract or contracts plus attractive consumer goods which are generally sold to the end customer at zero cost to them. Due to its purchasing power, getmobile is able to realise economies of scale in the purchase of the consumer goods included in the bundles. In 2007 for example, the Group was the largest direct consumer sales channel for scooters.

Different revenue streams

getmobile`s revenues are generated from commissions paid by the mobile phone companies on sale of their contracts. Other associated revenue streams include airtime fees from some mobile phone companies and marketing co-ops from both hardware manufacturers and the mobile phone companies.

Where attractive opportunities are identified getmobile also makes wholesale sales of mobile phones to other distributors but are reducing this activity.

getmobile itself does not own or operate retail stores and outsources ware-housing

Given the companies direct sales model, the Group does not carry the fixed costs associated with the operation of a physical chain of stores. From the perspective of a Mobile Telco the group represents a sales channel equivalent to a chain of approximately 250 stores. getmobile does not operate its own warehousing, this is outsourced to getlogics in which getmobile has a 39% stake. getmobiles strategic aim is to outsource as much as its noncore activity as possible.

To be able to react in a timely manner to order fluctuation, the associated company also manages logistics as well as inbound call centre activity. getmobile has developed an IT platform that integrates its systems and logistics with those of the network operators and service providers. getmobile also handles the complicated associated administration, like ID- or reliability-checks as part of its delivery process. Media acquisition is handled by getonTV GmbH, a wholly owned subsidiary which also supplies third party customers.

Television presence important for brand awareness

getmobile operates approximately 100 hours per month of TV advertising. In addition to being a distribution channel in its own right, this television presence has been very important in creating brand awareness and also drives business to the companies websites.

Management focuses on search engine optimisation

Getmobile has developed its skills in the area of search engine optimisation which plays an important role in attracting customers to its three separate internet sites. In 2008 approximately two third of its contract sales are expected to be generated via the internet channels.

To commerce supply high street stores

getmobile does not operate its own bricks and mortar stores as a result its product bundles could not be purchased on the high street. In Oct 2008 getmobile has started providing independent mobile phone retailers with access to its product bundles over a newly developed internet based software interface. This will enable high street shoppers to buy their bundles even if they do not wish to go online or use a call centre.

Network operators are able to pay a commission of about EUR 400 per contract

Due to the lower cost of customer acquisition through getmobile's as compared to operating a retail store, network operators are able to pay a commission of around EUR 400 per contract, according to the company. This provides getmobile with both, its profit margin and the funds to purchase the bundled goods. These includes items, such as TVs, laptops, game consoles, digital cameras or even motor

scooters are purchased with economies of scale. As noted above in some cases, the operators also give getmobile a share of the phone charges per minute and advertising support or co-ops.

Contract and bundle economics

The table below shows the broad split of how the commissions received from the mobile phone operator is used.

Contract calculation

getmobile calculation for cell phone contracts	
Retail price	EUR 0.00
Provision for getmobile	EUR 400.00
Acquisition price cell phone/consumer goods	EUR -275.00
Amount of coverage I	EUR 125.00
Sales costs	EUR -50.00
Logistics cost	EUR -25.00
Amount of coverage II	EUR 50.00

Source: getmobile AG; CBS Research AG

Development of new contract sales via Premingo

Premingo has been established to expand the Group's activities into a much wider range of consumer contracts. It operates as an open market place and will give consumers access to a wide variety of household contracts such as insurance, electricity contracts, internet broadband, mobile phone contracts, bank accounts, credit cards, Pay TV and others. These types of services are traditionally sold with substantial commission payments payable to the selling agent. In conjunction with a wide variety of bundled consumer goods, the customer gets his share by choosing a non monetary bonus or bundle of contract and consumer goods, which can be chosen between 10,000 different offers from 14 different categories of goods at zero cost.

Premingo business model

Source: getmobile AG; CBS Research AG

Business strategy

getmobiles business strategy is focused on two major aspects. First, the maintenance of its market leading position in the independent direct sale of mobile phone contracts in Germany. This will be realised through growing market share with specific focus on the internet channel combined with strength in the TV space (organically and via acquisitions). Secondly the development of its new internet based business models for the German market, either on its own account or via appropriate joint venture structures.

Business strategy includes two major aspects

In coming years, getmobile is facing a strong growth of the existing business and a further move from a TV-focused mobile phone contract dealer towards a pure eCommerce-company (generating already two thirds of its contract sales volume online), which distributes a broad range of consumer contracts.

Strong growth and a move towards an eCommerce-company

Margins are more important than volume

The temporary high share of the wholesale business in the revenue split of getmobile was opportunity-driven and not a strategic part of getmobiles business. Currently, getmobile sees more lucrative opportunities in the core business.

Wholesale business was opportunity-driven

As a consequence, getmobile has rigorously reduced its wholesale business. During the first half year 2008 the sales from these operations decreased by around EUR 6.4m to EUR 16.4m. We expect a further shrinking of the revenues in the next years, while EBT is expected to continue its growth path. getmobile' consolidated revenues will therefore decrease in 2008 and in 2009. From 2010 we expect growth in the core business to completely compensate for the reduced volume in wholesale business and for sales to achieve a similar level to 2007.

As a consequence getmobile has rigorously reduced its wholesale business

This change in focus should already increase profit margins in 2008. We expect a continuing positive effect on the gross margins during the next years.

This change should increase profit margins

Focus on eCommerce business

Historically getmobiles main distribution channel was via television advertising, especially shopping TV-channels. In recent years, the company has moved towards an eCommerce-Player with a much higher share of internet generated revenues. For this year, getmobile is already expecting that more than two thirds of the generated contracts will be acquired via its own internet platforms. The platform besthandy.de, which was launched in 2008 as getmobile's third platform is already contributing to growth.

Today, getmobile's online sales activities are mainly focused on search engine optimisation, keyword advertising, affiliate marketing and viral email-based activities. Especially the google page rank concept seems to be an efficient way to acquire new customers (or to enlarge customer base). To a limited extent the company also co-operates with other internet retailers in co-ordinated marketing activities.

google page rank concept seems to be an efficient way to acquire new customers

getmobile's internet brands, "getmobile.de" and "preiswerthandy.de" already have a high customer recognition. With 730,000 Unique users and 2.5m page views (Sep 2008) getmobile is one of the most important Telecommunication & Mobile Phone-webpages in Germany. During the last years, getmobile's brand awareness in Germany rose to 6% on a non supported basis, supported basis awareness was at 40%.

getmobile's internet brands already have a high customer recognition

getmobile is shifting its revenue split continuously towards a pure eCommerce-player (generating already two thirds of its contract sales online). This goal will be reached continue to a disproportionately high growth in this distribution channel, potential new launches of further internet pages and the estimated significant growth of the internet platform, Premingo.

getmobile aims to shift the revenue split towards eCommerce-business

As can be seen in the following chart, getmobile has a solid basis with its focus on the mobile phone contracts now expands its business towards other consumer contracts and possibly new business segments in near future.

getmobile expands its business

Source: getmobile AG; CBS Research AG

Premingo is the vehicle to extend business model

The internet platform Premingo, which is currently 65% owned by getmobile has a key role in getmobile's plans for the next years. Through Premingo, getmobile wants to extend its business model from mobile phone contracts to other arranged consumer contracts. Through Premingo, the product range will be expanded in a significant way, for example towards financial products (credit cards, insurances or bank accounts), electricity contracts or magazine subscriptions.

Premingo has a key role.

getmobile expects Premingo to show a continued double digit growth and a profit margin higher than the core business in the long term. getmobile has a call option to purchase a further stake of Premingo, however, this option can only be used when Premingo's profit exceeds EUR 2m after tax.

getmobile expects Premingo to show a continued double digit growth

Through the expansion of the Premingo-business getmobile reaches three aims:

- A higher business volume gives getmobile greater purchasing power for consumer goods used as bonuses.
- Expanded business model reduces getmobile's dependency on the mobile phone market
- Movement towards eCommerce-business allows better margins in the long-term

Acquisitions/International business

So far, getmobile is not planning to extend its business to other countries and maintains focus on the German market. The German mobile phone market and the German eCommerce-market in general are viewed by getmobile as having sufficient potential to generate growth without the risks of entering other mobile phone markets which may have different regulations and competitors.

getmobile is currently not planning to extend its business into other countries

There are no concrete plans for acquisitions in Germany at present, nevertheless they are part of the long term strategy. We expect, that getmobile will raise its stake in Premingo during the next years and also buy small competitors in the mobile phone business on an opportunistic basis.

No concrete plans for acquisitions in Germany

The acquisition of KK Media GmbH in 2006 is proof that the business model of getmobile allows external growth. Furthermore, this deal has documented management's ability to successfully integrate other companies.

But business model allows external growth

Extention of provision of bundles to independent high street retailer

In Q4 2008 getmobile is starting to roll out the availability of its bundles to mobile phone high street retailers whose customers have seen the product on television but cannot access to it on the high street. This is being developed via an internet interface and getmobile could in the long term target up to 10% of the independent retailers.

Bundles to made available to mobile phone high street retailers

Competition

The market place for postpaid mobile phone contracts is highly competitive. While some competitors sell consumer bundles like getmobile, most players sell the contract along with a high end mobile phone. While getmobile does not sell prepaid phones the prepaid market also competes for customers.

Large number of competitors

Offline competition comes primarily from the network providers own stores, independent high street retailers and from providers such as Mobilcom and Freenet who sell via big media stores such as Media Markt and Saturn. Almost none of these outlets provide the customer with access to the type of free customer goods bundled by getmobile. As noted above getmobile has started to address the distribution of its bundles via mobile phone high street retailers.

Online Competition including companies adopting a similar bundling strategy to getmobile comes from online stores of network operators and service providers as well as companies like eteleon e-solutions AG, tema GmbH & Co. KG and Seven Mobile Communications OHG. Recently, further competition is coming from those internet portals selling mobile phones and not using getmobile as supplier.

Further competition comes from internet portals

Market environment

Mobile phone market

The German mobile phone market is saturated

The German mobile phone market, like most of the European Countries is saturated, but in comparison to countries like Italy or France the ratio is not as high as in these countries. The current penetration ratio in Germany is 1.21 mobile phones per resident, having exceeded 1 in 2005. Over the last few months the ratio increased further and in April the number of post-paid and prepaid phones reached 100m. Mobile phone contracts are part of the German telecommunications market. The current market value is about EUR 26.4bn in 2007, as estimated by The German Association of Telecommunications and Value-Added Service Providers (VATM). Germany is the most important European market. Its population of approximately 82m is the biggest in Europe after Russia.

Customers switch contracts on average every four years

According to getmobile's data estimates from industry experts, customers switch contracts on average every four years due to several reasons. This results in more than 9m postpaid contracts being sold each year. Overall, the market is saturated and contract volumes are stable, although in the past two years the market has been impacted by discounting of prepaid contracts. The German Association for Information Technology, Telecommunications and New Media (BITKOM) forecasts the market volume of postpaid contracts between EUR 2.5bn and EUR 3.0bn per year.

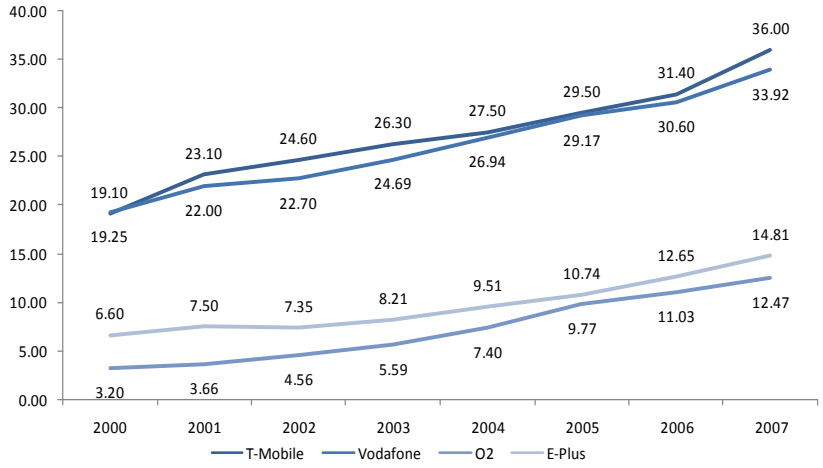
97.2m of the 100m mobile phone contracts were provided by one of the four big network operators

As shown in the chart below, 97.2m of the 100m mobile phone contracts (estimated by BITKOM) were provided by one of the four big network operators. The stake of the smaller providers is too fragmented to be displayed with significant data. The contracts are subdivided into prepaid and post-paid. Prepaid contract users do not have any contractual commitments whereas post-paid contracts have a commitment but correspondingly lower mobile phone charges. The group itself only sells post-paid contracts.

Big network providers, T-Mobile, Vodafone, O2 and E-Plus

The mobile phone market in Germany is dominated by four big operators, T-Mobile, Vodafone, O_2 and E-Plus. However, in the last few years some mobile virtual network operator (MVNO) like Simyo, Congstar and klarmobil are trying to reconfigure the German market with discounted price strategies.

Mobile phone contracts by the four big network providers, in m



Source: T-Mobile, Vodafone, O2, E-Plus, VATM, CBS Research AG

The growth of the mobile phone market has been constant

The growth of the mobile phone market has been constant over the last years but in the future this trend will slow down. The penetration ratio displays the number of contracts in reference to the residents in Germany. Consequently the ratio is higher than 1, if more contracts exists than residents. With such a penetration ratio a further strong increase cannot be expected. However, a trend toward the use of a second or even third phone would make this possible. Thus, every provider has to ensure customer satisfaction or secure new customers with aggressive strategies, mostly through price or equipment.

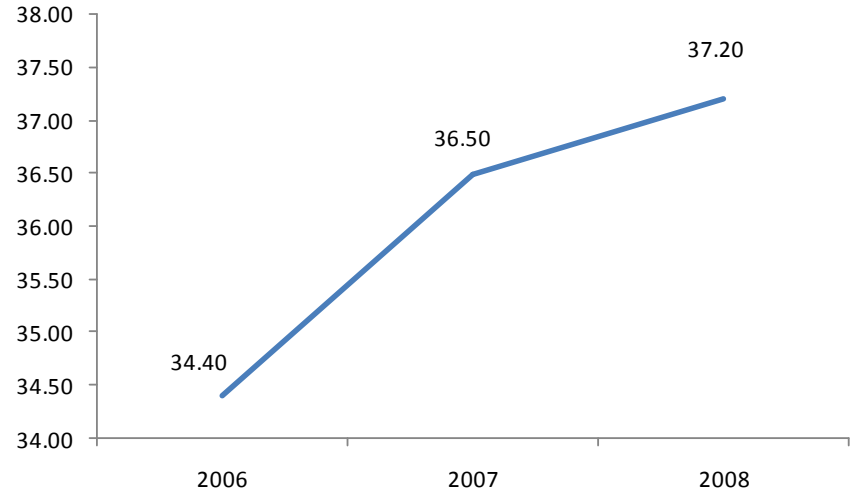
Providers have to generate growth through their own marketing

The network providers therefore have to generate growth through their own marketing or win customers through affiliated companies. More and more providers like T-Mobile or E-Plus are outsourcing distribution to specialist companies. Direct marketing companies such as getmobile AG offer the network operators and service providers an attractive channel to customer acquisition, enabling them to increase the activities of their own retail and eCommerce offerings on a running cost basis.

The post paid market is characterised by 24 month contracts

There is strong competition amongst the network operators and service providers to grow and protect market share. According to getmobile, the post paid market is characterised by 24 month contracts and higher ARPU (average revenue per user) and it is therefore a very important market for the service providers. Contracts are sold directly via the network operator and service providers own retail networks and direct sales channels, selling via print media (catalogues and press), the internet and TV advertising.

Sale of mobile phones in Germany (in m)



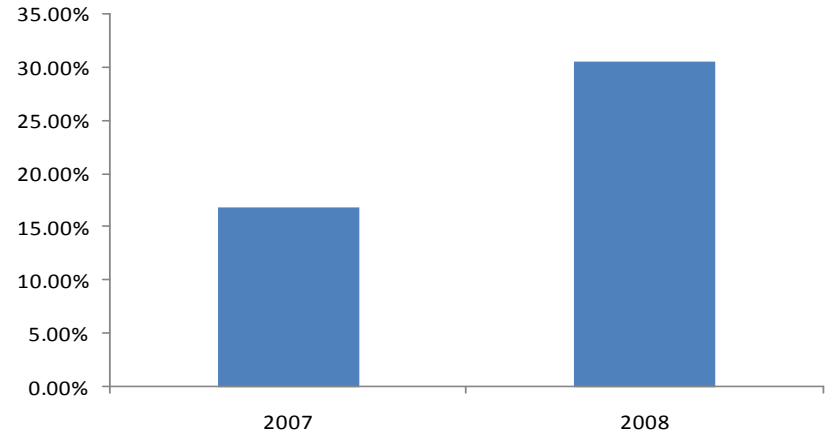
Source: BITKOM, Forsa, CBS Research AG

Companies like getmobile generate revenue of the contract and the associated mobile phone

Companies like getmobile generate their revenue from the sale of the contracts and the associated mobile phone. Therefore, it is important for them that the demand for new mobile phones and contracts remains stable. Due to its 82m population, a large number of mobile phones have been bought in Germany over the last years. As can be seen in the chart, mobile phone sales increased in 2007 by 2.8m compared to 2006 to a total of 37.2m. This trend seems to be a never-ending story, because a cell phone is quickly outdated and a huge variety of new models is continuously entering the market. Due to the trend towards a second or third mobile phone, the increase in phone sales does not directly correspond to the development of the number of contracts. This is an opportunity to sell the required phone and in addition the corresponding contract to the customer. While the

network operators typically drive sales via bundling the latest mobile phone at a heavily discounted price, getmobile sells standard phones and bundles consumer goods at zero costs.

Intended Change-ratio from fixed line to mobile phones



Source: E-Plus Survey, CBS Research AG

Another possibility for the mobile phone market to generate growth is with the change from fixed line usage to mobile phones

Another possibility for the mobile phone market to generate growth is with the change from fixed line usage to mobile phones. More and more people are changing their telephone connectivity from the home-zone to the mobile zone. These people in particular look for cheaper alternatives to the fixed line fee. For this group it is especially important to have flexibility and options. According to a survey from the provider E-Plus, 30% of fixed line users are willing to change to a mobile contract, if the price is appropriate. A possible change of that amount is significant for the supplier and provider due to the profit-related distribution channel.

Main value driver of the company´s success is the churn rate

Since its collaboration with all mobile network operators and service providers, the main value driver of the company´s success is the churn rate, i.e. terminated contracts as a percentage of the network operator's total customer base. Over the last years the average churn rate for 24-month-postpaid contracts was according to getmobile above 20%, being stable for the last years. In 2007, T-Mobile announced a churn rate of 13.2% over (postpaid and prepaid). This fluctuation provokes the competition between the providers.

The change ratio is a good reference point to determine the distribution strategy

In addition to the churn rate, the change ratio is a good reference point to determine the distribution strategy. Given a willingness to change, every operator has the opportunity to aim for these specific customers. This is the point of entry for agents. The more people change the operators, the more sales these companies can generate. The change ratio is also important for direct marketing companies like getmobile in generating contracts. In the table below the current change ratios of the four big providers are displayed.

Change-ratio Customer from 1999 to 2007 (overall postpaid and prepaid in %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007
T-Mobile	66%	110%	21%	7%	7%	5%	6%	7%	14%
Vodafone	58%	103%	14%	3%	9%	9%	8%	5%	11%
O2	42%	256%	14%	25%	22%	32%	32%	13%	13%
E-Plus	86%	74%	14%	-2%	12%	16%	13%	18%	17%

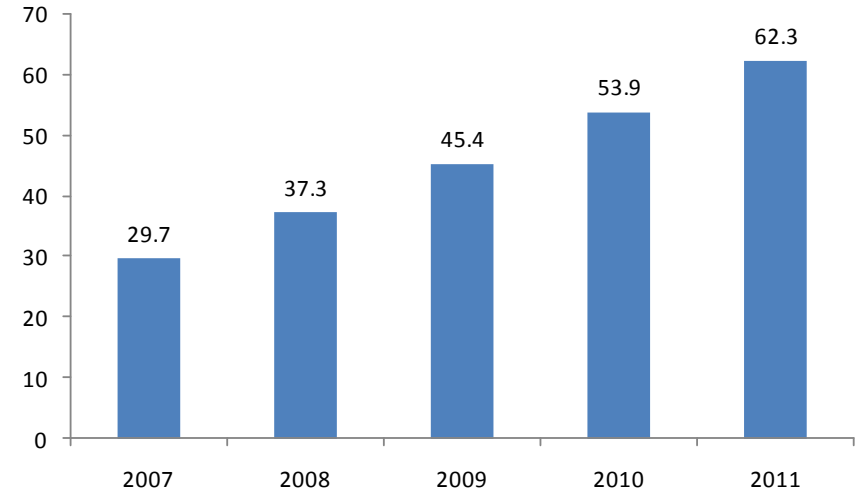
Source: T-Mobile, Vodafone, O2, E-Plus, CBS Research AG

eCommerce

Germany has one of the highest ratios of online consumers in Europe. By 2011, Forrester Research estimates 43m German consumers will buy online, taking the eCommerce sales in the country to EUR 62bn, EUR 14bn less than in Europe's leading online retail market, the UK. More than half the categories of goods that German consumers buy online will see a CAGR of 20.3%.

Germany has one of the highest ratios of online consumers in Europe

eCommerce sales development (in EUR bn)

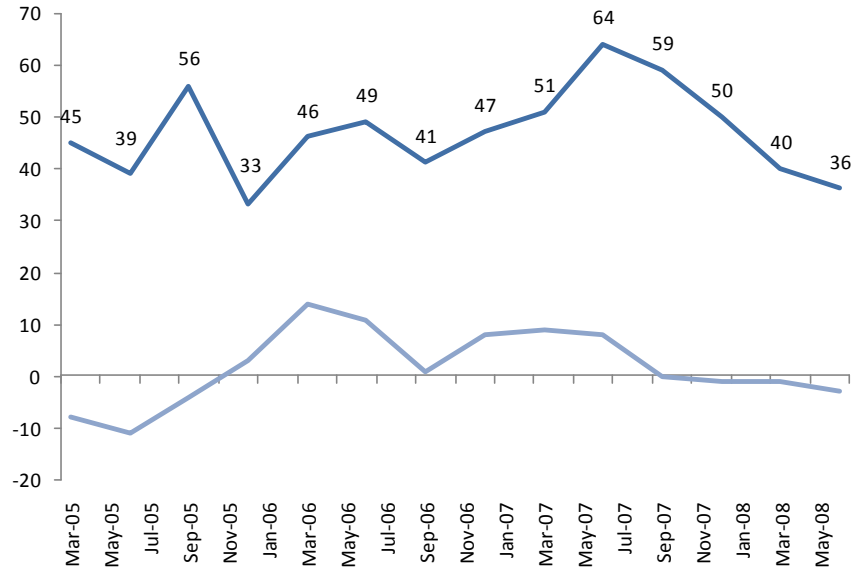


Source: BITKOM, CBS Research AG

An indication about the future development of the sector in Germany is the BITKOM indicator, an indicator for the buyers acceptance in the sectors IT and telecommunications. Thus, this indication predicts the current market expectation of these sectors. Values over zero represent a growing market. As can be seen in the next chart, the BITKOM indicator reduced in 2008 from 50 to 36 points, but in comparison the German economy – displayed by the ifo index – decreased to less than zero. Thus, the market growth will not be as fast as in the past, but the market will still grow. Overall it is clear that the sector can strengthen its share of the total market due to the stagnation in other sectors.

BITKOM indicator reduced in 2008 from 50 to 36 points

BITKOM Indicator (dark) VS. ifo-Indicator



Source: BITKOM, CBS Research AG

The forecast for the eCommerce sector is at the same high level as 2007

The forecast for the eCommerce sector is at the same high level as 2007. The sales trend is still upwards and for 2008 the European Information Technology Observatory (EITO) expects a further increase. Consumer Electronics (CE) – which are used in a bundle package - like TV, game consoles and DVD Player will rise to EUR 13.2n in 2008. For the years after 2008 no decline in this increase is expected by EITO. These bundle add-ons will be reflected in the future demand of customers. In addition, the chart below shows the more than strong demand for that type of CE.

Volume sales growth in Germany

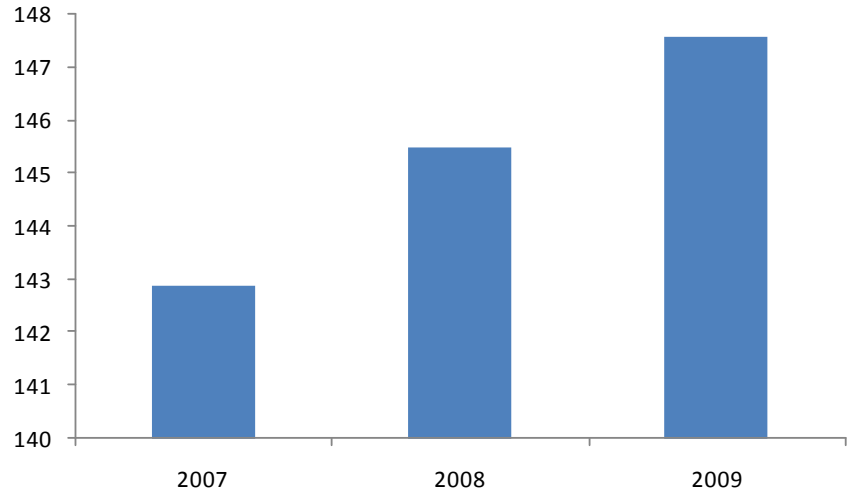
	2007	H1 2008
Flat screen TV	45.30%	29.30%
Game consoles	34.00%	27.50%
Digital Camera	8.90%	4.10%

Source: BITKOM, CBS Research AG

Customer wants something for nothing

The attraction of getmobile's product bundles is that it enables the consumer to acquire new consumer electronic goods at no cost to them when signing up to a new mobile phone contract. The continuous development of new products and new generations of old ones is a strong driver of demand for getmobile customer. The chart below shows the growth in sales of such high-tech products.

High-tech-market sales (in EUR bn)

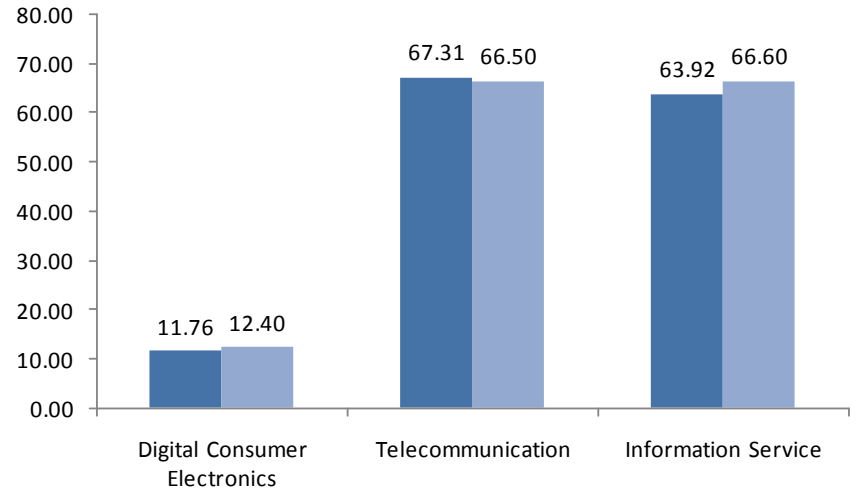


Source: BITKOM, CBS Research AG

The telco sector has reached a significant value in Germany

The telecommunication sector has reached a significant value in Germany. Over the last years Germans changed their attitude towards telecommunications leading to constantly increasing interest in electronic products. Consumer electronics, such as mobile phones are no longer regarded as luxury goods but rather as useful tools. The development of this specific High-tech telecommunication sector is similar to that of Information Services like Software and IT-Hardware. The current trend to demand still better and higher quality products is ranging on a high level. The decrease from EUR 67.3bn in 2007 to EUR 66.5bn in H1 2008 is not a cyclical trend, but a stabilisation of the high volume.

High-tech Market sales H1 2008 (dark) vs. 2007 (in EUR bn)



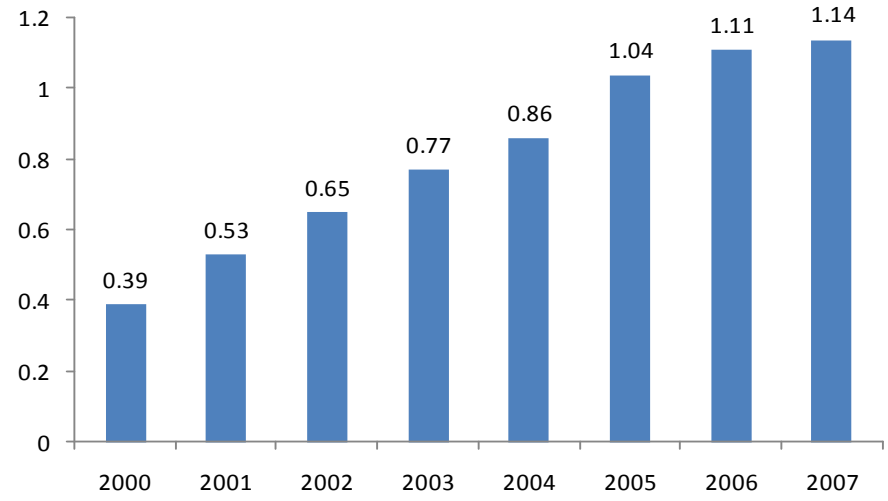
Source: BITKOM, CBS Research AG

Teleshopping

Teleshopping sales have been traditionally a very strong channel for getmobile who have approximately 100h per month of advertising, selling its bundle packages. Over the last few years teleshopping has become more and more popular in Germany. The following chart shows the continuing growth of teleshopping in Germany and its importance as a distribution channel.

One possibility for direct marketing companies to distribute their products is teleshopping

Teleshopping sales in Germany (in EUR bn)



Source: Goldmedia, CBS Research AG

Online-Shopping and advertising

With almost 70% of the population using the internet in 2008 internet sales are of growing importance. The development of broadband supported the idea of selling products over a global network. BITKOM has published on its site the buy ratio of the Germans in 2006. In Germany about 39% of users bought products over the internet. The number continued to rise in 2007 and will do so again in 2008. getmobile generates approximately two thirds of its contract sales online.

Online sales is an attractive growing market

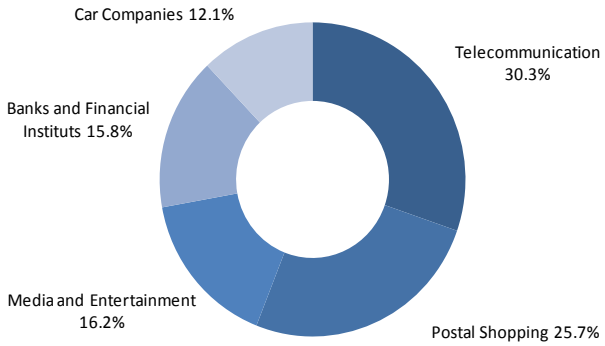
Market environment requires huge advertising investment

The highly competitive market environment requires huge advertising investment. In addition to TV, radio or posters, it is now also wide-spread on the internet. The increasing level of broadband penetration has quickly increased the importance of online retailing. The telecommunications sector paid EUR 223m in 2007 for online advertisements, in comparison to the total expenditure of EUR 736m.

getmobile uses TV brand and online know-how

As a niche retailer getmobile competes against his high level of expenditure via piggybacking on its television presence, targeting advertising and affiliate programs and a strong focus on search engine optimization, not being expansive but requiring deep know how.

Online advertisement in Germany 2007 (in %)



Source: BITKOM, CBS Research AG

Financials

Historical financial development

getmobile has developed from a start-up with volatile financial figures to a cash cow with a constant cash flow and a high dividend yield. Since 2003 the company is generating a positive EBITDA. The company has found a sweet spot market position in the distribution of consumer contracts and had been able to reach economies of scale via its growth and hence improve its gross margin. After the company had undergone an exciting time during the bouncing internet bubble, the younger history has still shown much transformation, but with a constant positive direction.

getmobile has developed from a start-up with volatile financial figures towards a cash cow

For getmobile 2006 was a year of transition. In particular, sales via television direct marketing declined substantially and this reduction in sales was compensated by a substantial increase in the wholesale sales of mobile phones taking advantage of a market opportunity. During the same period, getmobile had to absorb an extraordinary amortisation of goodwill with a double-digit million EUR amount. This extraordinary expenditure has stressed the company´s P&L during this period significantly, so that the company reported a loss of about more than EUR 54m after taxes. EBITDA, however, was still in positive terrain with EUR 1.6m, operating cashflow was positive, too. To this point, shareholder capital was sufficient enough to compensate this loss, so that the equity ratio did not reach a critical point in this period.

For getmobile 2006 was a year of transition

In 2007, getmobile showed a significant growth (organically and via the consolidation of KK media, which has been bought at the end of the year 2006). The growth in the wholesale operations business was the other factor driving turnover to fast over EUR 100m. The company´s core business, the placement of mobile phone contracts, grew significantly. The sales of mobile phone contracts and the ancillary income increased from EUR 41.2m up to EUR 58.7m. The wholesales-business has almost doubled from EUR 22.4m up to 42.1m. Due to this disproportionately high growth of the wholesales-business, the gross profit margin has decreased slightly in 2007 down to 9%. EBITDA-margin in turn has improved in 2007 up to 2.7%. Without extraordinary expenditures in 2007, the EBT was about EUR 2.68m.

In 2007, getmobile showed a significant growth

Half year results 2008

In September 2008, getmobile reported the financial figures for the first six month of the fiscal year 2008. Due to the reduced wholesale sales of mobile phones, sales revenues decreased marginally to EUR 49.0m from EUR 49.8m in the first half year of 2007, although the revenues from the core business have increased during this period by 10%. The number of contract sales decreased slightly from 71,871 down to 69,654. The sales in wholesalers business decreased from EUR 20.3m down to EUR 16.4m. The company underlines, that this decrease just reflects the policy of only making such sales, where market conditions are attractive.

Sales revenues decreased down to EUR 49.0m from EUR 49.8m in the first half year of 2007

During the first six months of 2008, getmobile has reached a noticeable improvement in the profitability. EBITDA-margin was about 3.4% and hence higher than in the year 2007. EBT has increased significantly by 47% up to EUR 1.65m. This result includes a loss of EUR 0.2m for the start-up premingo.de. The EBT in the core operations was about EUR 1.85m.

Noticeable improvement in the profitability

P&L for H1 2008

IFRS EUR 1,000	H1 2008	H1 2007
Sales	48,984	49,798
YoY growth	-1.6%	n/a
Gross profit	5,717	4,234
as % of sales	11.7%	8.5%
EBITDA	1,664	1,067
as % of sales	3.4%	2.1%
EBIT	1,535	1,067
as % of sales	3.1%	2.1%
EBT	1,650	1,118
as % of sales	3.4%	2.2%
Net income attributable to shareholders	1,234	1,197

Source: getmobile AG, CBS Research

The net cash flow from operating activities was on a very high level

The net cash flow from operating activities was on a very high level. Usually, getmobile generates a better cash flow in the first half of the year, but in 2008 this development was noteworthy. Cash flow from operating activities has more than doubled in the first six months of 2008 to EUR 4m compared with EUR 1.9m in the first six months 2007. From our point of view this strong increase documents the company´s focus on cash generating business. Furthermore, this result was positively affected by the weak operating cash flow in H2 2007. Many trade receivables have been paid after the end of period.

Outlook business year 2008

We expect a further focus on the high margin business

For the second half of the year, we expect a further focus on the high margin business and a reduction of the wholesalers operations business. This will lead to a revenue decrease compared with the first half of the year. For the entire year 2008, we expect a decrease of the revenues about 12% down to EUR 88.7m.

Profit margins will also increase

In turn, the profit margins will also increase in the second half of the year. We expect getmobile to generate EBITDA about more than EUR 3.5m in 2008, corresponding to a margin of 4%. Furthermore, we expect EBIT of about EUR 3.4m and EPS of about EUR 0.31.

Cash flow from operations for the second half of the year will be not as good as in the first six months

Cash flow from operations for the second half of the year will be not as good as in the first six months, but still in positive terrain. Nevertheless, we expect a slight decrease of the net cash position due to the high dividend payments. Concerning this matter, there is a special situation in the second half year 2008. In July, the company has paid the dividend for 2007. Furthermore, the company decided to switch to a semi-annually payment of the dividend, beginning in the current year. For this reason, the company pays EUR 0.05 per share for H1 2008 at 11 Nov 2008. The cut-off date for this payment was on 10 Oct 2008. Therefore, the cash flow from financing activities will have a bigger outflow than in the following years. Nevertheless, we expect a comfortable net cash position for getmobile on 31 Dec 2008.

Financial forecast

We expect getmobile to downsize the wholesalers-business

During the next years, we expect getmobile to downsize the wholesalers-business to a single digit million size. Due to this downsizing of the wholesalers business we expect the revenues to decrease in 2008 and in 2009. From the year 2010, we

expect the company to grow in revenue size constantly. This growth is based on two components: 1. A further gain of market share in the core business with contribution margins remaining robust. 2. The sucessfull start of the Premingo department. We expect that Premingo will already contribute a single digit million to the total revenues in the year 2010. In the year 2011, Premingo is expected to reach a double digit million revenue size.

We expect the profit margins of getmobile to increase over the next years. The focus on the core business and the rollout of premingo will lead to a continuous improvement of the margins within the next years. We expect the EBIT margin to increase up to 5.5% in the year 2010.

We expect the EBIT margin to increase up to 5.5% in the year 2010

In the year 2008, getmobile will utilise the remaining loss carry-forward. From 2009 onwards we expect an unchanged tax rate of about 33.4%.

Due to the solid cash flow in the recent years, getmobile has accumulated a solid net cash position, which gives the company the latitude to act flexible: The company has the financial power to purchase smaller competitors, but also the possibility to let the shareholders to participate in solvent situations. We expect the company to do both: Invest in potential take-over targets and pay a high dividend yield. We estimate the dividend to increase up to EUR 0.11 in the fiscal year 2008, EUR 0.12 in the fiscal year 2009 and EUR 0.13 in 2010. In relation to the current share price this would result in a very generous dividend yield of more than 7%. M&A-activity is not included in our forecasts at all.

getmobile has accumulated a solid net cash position

Development of the balance sheet

During the next years, we do not expect bigger changes in the structure of getmobile´s balance sheet. We presume constant time for payments and relatively unchanged shares of the inventories and the payables. The growth of the working capital will be financed from the cash flow in our scenario. So we do not forecast a capital increase or raising of credit.

The growth of the working capital will be financed from the cash flow in our scenario

The balance sheet, which currently still has a high share of intangible assets, mainly goodwill, will have a continuous shift towards current assets on the asset side due to an expected unchanged size of the non-current assets.

Continuous shift towards current assets

In our scenario, the number of shares will remain unchanged during the next years. Capital increases are not necessary and stock options are deep out of the money in a noticeable way, so we neglect a change from this reason.

Number of shares will remain unchanged

Profit and loss account

IFRS EUR 1,000	2006	2007	2008E	2009E	2010E
Sales	**63,602**	**100,766**	**88,674**	**85,127**	**100,450**
YoY growth	55.1%	145.7%	-12.0%	-4.0%	18.0%
Cost of sales	-57,716	-91,692	-78,033	-74,061	-87,191
as % of sales	-90.7%	-91.0%	-88.0%	-87.0%	-86.8%
Gross profit	**5,886**	**9,074**	**10,641**	**11,067**	**13,259**
as % of sales	9.3%	9.0%	12.0%	13.0%	13.2%
Administrative expenses excl. depreciation, amortisation and goodwill impairments	-4,271	-6,344	-7,094	-6,640	-7,433
as % of sales	-6.7%	-6.3%	-8.0%	-7.8%	-7.4%
EBITDA	**1,615**	**2,730**	**3,547**	**4,427**	**5,826**
as % of sales	2.5%	2.7%	4.0%	5.2%	5.8%
Administrative expenses - Depreciation and amortisation	-89	-238	-232	-281	-334
as % of sales	-0.1%	-0.2%	-0.3%	-0.3%	-0.3%
Administrative expenses - Goodwill impairments	-55,629	0	0	0	0
as % of sales	-87.5%	0.0%	0.0%	0.0%	0.0%
Share of post tax profit of associates	12	53	50	60	70
EBIT	**-54,091**	**2,545**	**3,365**	**4,205**	**5,562**
as % of sales	-85.0%	2.5%	3.8%	4.9%	5.5%
Net financial results	201	136	230	250	270
EBT (Earnings before income taxes)	**-53,890**	**2,681**	**3,595**	**4,455**	**5,832**
as % of sales	-84.7%	2.7%	4.1%	5.2%	5.8%
Income taxes	-645	-468	-791	-1,488	-1,948
as % of EBT	1.2%	-17.5%	-22.0%	-33.4%	-33.4%
Group net income including minorities	**-54,535.0**	**2,213.0**	**2,804.0**	**2,967.3**	**3,884.1**
Minority interests	0.0	-16.0	-90.0	-120.0	-150.0
Net income attributable to shareholders	**-54,535**	**2,229**	**2,894**	**3,087**	**4,034**
as % of sales	-85.7%	2.2%	3.3%	3.6%	4.0%
Shares outstanding (in thousands)	9,447	9,447	9,447	9,447	9,447
Basic earnings per share (EUR)	**-5.77**	**0.24**	**0.31**	**0.33**	**0.43**

Source: CBS Research, getmobile AG

Balance sheet

IFRS EUR 1,000	2006	2007	2008E	2009E	2010E
Assets					
Noncurrent assets	**12,200**	**12,360**	**12,404**	**12,655**	**12,916**
as % of total assets	45.3%	37.4%	36.0%	36.6%	34.2%
Intangible assets	11,515	11,662	11,756	11,861	11,985
Property, plant and equipment	157	209	293	356	398
Investments in associates	34	137	134	194	264
Deferred taxes	494	352	222	244	268
Current assets	**14,758**	**20,667**	**22,017**	**21,928**	**24,799**
as % of total assets	54.7%	62.6%	64.0%	63.4%	65.8%
Inventories	1,995	1,709	2,128	2,128	2,612
Trade accounts receivable	5,947	12,978	9,718	9,096	10,458
Overseas tax paid in advance	0	256	266	255	301
Cash and cash equivalents	6,816	5,724	9,905	10,449	11,428
Total assets	**26,958**	**33,027**	**34,422**	**34,584**	**37,715**
Shareholders´ equity and liabilities					
Shareholders´ equity	**19,195**	**21,508**	**22,965**	**24,884**	**27,726**
as % of total equity and liabilities	71.2%	65.1%	66.7%	72.0%	73.5%
Called up share capital	1,364	1,364	1,364	1,364	1,364
Share premium account	71,330	0	0	0	0
Distributable reserves	-53,499	20,126	21,673	23,712	26,704
Equity attributable to minority interest	0	18	-72	-192	-342
Current liabilities	**7,763**	**11,519**	**11,457**	**9,700**	**9,989**
as % of total equity and liabilities	28.8%	34.9%	33.3%	28.0%	26.5%
Trade accounts payable	3,957	5,866	7,023	6,295	6,975
Corporation and overseas taxes	272	302	0	0	0
Other liabilities	3,534	5,351	4,434	3,405	3,013
Total equity and liabilities	**26,958**	**33,027**	**34,422**	**34,584**	**37,715**

Source: CBS Research, getmobile AG

Cash flow statement

IFRS EUR 1,000	2006	2007	2008E	2009E	2010E
Net income/loss including minority interest	-54,535	2,213	2,804	2,967	3,884
Taxes	645	468	791	1,488	1,948
Net finance costs	-187	-142	-230	-250	-270
Net profit on sale of associate	0	0	-15	0	0
Silent partner cost/revenue	-14	6	0	0	0
Share of post tax profit of associates	-12	-53	-50	-60	-70
Depreciation and amortization	55,723	238	232	281	334
Share-based payments	2	66	70	85	92
Increase/decrease in inventories, trade receivables, and other assets	4,723	-6,745	2,841	622	-1,846
Increase/decrease in trade accounts payable and other liabilities	-3,011	3,816	240	-1,756	289
Income/losses on retirements of noncurrent assets	-637	-552	-972	-1,500	-2,018
Cash flow from operating activities	**2,697**	**-685**	**5,710**	**1,877**	**2,343**
Interest received	197	144	230	250	270
Investments in associates net of cash acquired and net of sales of associates	-22	-50	68	0	0
Acquisition of subsidiary undertakings	-1,907	-36	-19	0	0
Net cash outflows from the purchase and retirement of noncurrent assets	-126	-366	-391	-450	-500
Payment to silent partners	-602	-95	0	0	0
Cash flow from investing activities	**-2,460**	**-403**	**-112**	**-200**	**-230**
Interest paid	-11	-3	0	0	0
Dividends paid	0	0	-1,417	-1,134	-1,134
Cash flow from financing activities	**-11**	**-3**	**-1,417**	**-1,134**	**-1,134**
Total change in cash and cash equivalents	**226**	**-1,091**	**4,181**	**544**	**979**
Cash used to repay silent partners	602	95	0	0	0
Change in liability to silent partners	14	-6	0	0	0
Cash and cash equivalents at the start of the period	5,884	6,726	5,724	9,905	10,449
Cash and cash equivalents at year´s end	**6,726**	**5,724**	**9,905**	**10,449**	**11,428**

Source: CBS Research, getmobile AG

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BUY: the expected performance of the share price is above +10%.
NEUTRAL: The expected performance of the share price trend is between +5% and +10%.
SELL: The expected performance of the share price is below 5%.

Recommendation history for the company analysed in this report:

Date	Recommendation	Price at change date	Target Price
06 November 2008	BUY	EUR 1.54	EUR 3.95

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MEDIUM: volatility is expected equal to the volatility of the benchmark
HIGH: volatility is expected higher than the volatility of the benchmark

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The figures taken from the statement of income, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks.
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