

Pixelpark to Miss Break-Even Target; Shares Slide (Update4)

By Julia Werdigier

Berlin, Nov. 20 (Bloomberg) -- Pixelpark AG, Bertelsmann AG's Internet business, said it won't achieve its break-even target in the fourth quarter because third-quarter sales fell more than it expected. The shares dropped as much as 22 percent.

The Berlin-based Web site designer and Internet consultant predicted that its market won't "improve significantly" in the next six months, citing Germany and Switzerland as areas of particular weakness. Like rival I-D Media AG and insolvent Kabel New Media AG, Pixelpark has been firing staff and selling businesses to compensate for sluggish sales. Pixelpark has been losing customers, such as Allianz AG, as companies cut costs amid slow economic growth.

Pixelpark's third-quarter operating loss widened to 14.2 million euros (\$12.5 million) from 2.1 million euros a year earlier, the company said in a statement to the Frankfurt exchange. The loss was expected to widen to 3.9 million euros, according to the average forecast of four analysts surveyed by Bloomberg News.

"Sales won't improve in the near future and the company's cash position means its existence will continue to be threatened," said Klaus Linde, an analyst at SES Research GmbH. Linde cut his rating to "underperform" from "market perform."

Pixelpark, whose customers include Financial Times Deutschland and the Museum of Modern Art in New York, had cash on hand of 17.9 million euros at the end of September. Sales fell to 17.4 million euros from 27.3 million.

Bertelsmann, which owns 58 percent of Pixelpark, continues to "support Pixelpark's reorganization process" and isn't looking to sell its stake, Bertelsmann DirectGroup spokesman Rocco Thiede said. Pixelpark Chief Executive Officer Paulus Neef owns 19 percent of his company.

The loss before interest, taxes, depreciation and amortization was 7.7 million euros. Costs for the reorganization were 3.2 million euros in the three months through September.

Pixelpark's shares fell as much as 2.04 euros to 7.06, valuing the company at about 142 million euros. The shares have dropped 80 percent this year while the Neuer Markt index has declined 54 percent.