

Roularta Media Group

BELGIUM

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1H19 results: key highlights

Roularta reported a strong set of interim results, reflecting improved gross margins and, more importantly, strong cost control with an efficient integration of the recent acquisition of the women magazine titles from Sanoma. Organic sales declined by 6.3% driven mainly by weak advertising sales, while Printing sales held up well reflecting strong capacity utilisation. Roularta performed much stronger than expected at the EBITDA level, mainly thanks to higher-than-expected gross margins and strong cost control (Opex ex-COGS at 72% of sales vs MERE 75.5%). EPS was stronger-than-expected also driven by a lower-than-expected minority charge probably reflecting a lower loss contribution from Storesquare. Guidance remains qualitative with management highlighting the ongoing lack of visibility in advertising sales and the strong performance in Printing. Net debt is in line with our FY forecast. An analyst meeting is scheduled today at 1PM CET.

€m	2015	2016	2017	2018	2019e	2020e	2021e
Sales	291.9	278.6	258.3	278.4	301.9	296.7	292.5
EBIT	12.3	6.7	-13.0	-63.7	-1.8	5.7	6.2
Net profit	64.4	21.5	-10.9	79.9	4.1	11.1	11.2
EPS (€)	4.92	1.65	-0.84	6.14	0.32	0.85	0.86
DPS (€)	0.50	0.50	0.00	5.50	0.50	0.50	0.55
P/E (x)	3.2	14.7	na	3.2	41.3	15.4	15.3
Yield (%)	3.2	2.1	0.0	28.0	3.8	3.8	4.2
Adj. EV/EBIT (x)	9.6	32.7	na	na	na	3.6	1.9

Source: Merodis Equity Research, Factset
Pricing date: 13/08/2019

Quick ReAction – 1H19 results review

14 August 2019

	1H19 results			2019e			Merodis Equity Research comments
	Actuals	MER est.	% A vs MER	MER est.	Consensus	% MER vs Cn	
Consolidated sales	147.9	150.9	-2.0	301.9	301.6	0.1	Sales growth was driven mainly by the Sanoma women magazine acquisition. Organic sales fell by 6.3% due to ongoing weakness in advertising revenues, particularly in the free sheet market (-12.8%). The numbers suggest sales from acquired titles (€14.4m) broadly in line with our forecasts (€15m). Media Brands sales were 2% below our forecast, while Printing sales were in line with our expectations.
% growth	17.8	20.2		8.4	8.3		
Adj. EBITDA	8.5	2.3	262.3	10.3	17.0	-39.8	Roularta performed much stronger than expected at the EBITDA level, mainly thanks to higher-than-expected gross margins (78% vs MERE 77.7%, up from 77.3% in 1H18) and strong cost control (Opex ex-COGS was 7% below our forecast and at 72% of sales vs MERE 75.5%).
% growth	na	na		25.6	108.5		
% sales	5.7	1.5		3.4	5.6		
Adj. REBIT	1.7	-3.7	na	-1.8			Without any impairment (vs €63.2m taken in 1H18) and with depreciation and provisions slightly higher than we expected (€6.8m vs MERE €6m), the REBIT beat is also significant. Roularta is reporting its first positive REBIT since 2016, confirming a structural turnaround driven by the strategic review and focus on its core
% growth	na	na		na			
% sales	1.1	-2.4		-0.6			
Reported EBIT*	3.9	-1.5	na	2.6	1.49		The reported EBIT includes equity accounted results as well as (limited) capitalised costs. Equity-accounted results reached €1.1m, which is below our forecast of €2.2m.
% growth	na	na		na	na		
% sales	2.6	-1.0		0.9	0.5		
EPS	0.31	-0.04	na	0.32	0.86	-63.0	EPS was stronger-than-expected thanks to the above-mentioned items as well as a lower-than-expected minority charge (€0.3m vs MERE €0.6m, probably reflecting a lower loss contribution from Storesquare), although net financial expenses (€0.04m) were slightly higher than we expected (net financial income of €0.4m). FY guidance remains qualitative with management highlighting the ongoing lack of visibility in terms of advertising sales (2H19 weakness should be in line with 1H19) and the strong performance in Printing (high capacity utilisation, confirmed by the recent investment in a new printing press).
% growth	-94.5	na		-94.8	-85.8		
Net debt	-85.3			-81.1	-48.1	68.6	Net cash of €85m is broadly in line with our forecast of €81m for end-December 2019, so no big surprise there.
ND/EBITDA				-7.9	-2.8		

Source: Company data, Merodis Equity Research, Factset consensus (* Reported EBIT includes equity accounted results)

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