

Roularta Media Group

BELGIUM

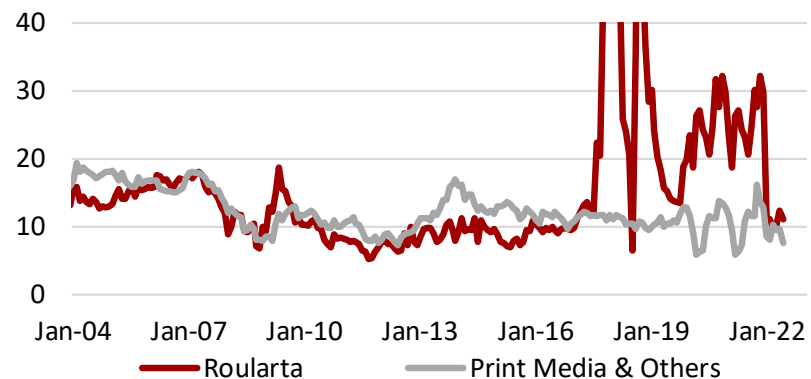
Bloomberg: ROU:BB

Reuters: RLRT.BR



Roularta Media Group

Roularta P/E vs European peers



€m	2018	2019	2020	2021	2022e	2023e	2024e
Sales	278.4	298.0	258.5	303.6	350.5	370.6	378.7
EBIT	-63.7	7.5	4.0	8.5	15.8	19.0	23.1
Net profit	79.9	10.9	6.0	16.6	20.4	23.9	28.1
EPS (€)	6.14	0.83	0.50	1.38	1.70	1.99	2.34
DPS (€)	5.50	0.00	1.00	1.00	1.00	1.00	1.00
P/E (x)	3.2	16.3	26.6	10.8	11.5	9.8	8.3
Yield (%)	28.0	0.0	7.6	6.7	5.1	5.1	5.1
Adj. EV/EBIT (x)	na	3.4	7.5	6.0	6.7	4.2	2.4

Source: Merodis Equity Research, Factset
Pricing date: 31/06/2022

Market review and peer benchmarking

13 July 2022

Key quarterly insights: 2Q22

1H22 results preview

Roularta is expected to report 1H22 results on 19 August. We expect continued top-line growth (+24% y-o-y) for the third consecutive semester driven by the post-Covid-19 market revival as well the contribution from acquisitions (buyout of Bayard from the JV concerning Plus Magazine in the Netherlands and Germany announced at the end of March 2021 as well as the NSM acquisition in the Netherlands announced in December 2021). Roularta's top line should still benefit from cyclical tail winds from the post-Covid-19 market revival as ad spend is coming back to more normal levels throughout the media landscape. The inflationary environment could, nevertheless, impact subscription revenue growth as consumers reassess their spending habits. We expect some gross margins pressure (80% MERE vs 82.9% reported in 1H22) driven by rapidly rising paper prices (10% of COGS). After a record EBITDA margin in 1H21 (at 10.4%, the highest level since 2H10), we expect y-o-y erosion, also due to rising energy prices and despite ongoing cost control. With Belgium's wage-indexation-to-inflation regime, further pressure should be felt but from early 2023 in the case of the printing sector.

Roularta should be in a better position than ever to tackle macro headwinds

Driven by Roularta's strategy to focus all efforts on growing its (already strong) subscriber base, the company's dependence on cyclical ad spend has been substantially reduced. Indeed, while advertising revenues represented no less than 52% of Media Brand sales in 2017, subscription revenues, which are much less cyclical and volatile, weighed only 23%. In 2022, we expect the picture to be radically different, with ad revenues weighing 35% based on our financial model vs 46% for subscription revenues. Such a shift has taken place in an environment of strong top line growth (7.8% Media Brand sales CAGR 2017-22e) driven mainly by magazine title acquisitions. Subscription revenues grew by an impressive 22% CAGR over the same period. Subscriber count has risen from 801k in 2018 to 917k in 2021 and we expect the number to exceed 1m in 2022 thanks to the NSM acquisition in the Netherlands.

Valuation assessment

The market currently values Roularta at an enterprise value (EV) of EUR 107m, which includes a market cap of EUR 256m, the value of other liabilities of EUR 12m, EUR 105m of net cash in 2022e as well as our estimated value of EUR 44m for its 50% stake in Mediafin and EUR 7.5m for the 35% stake in Immovlan. Our fair equity value estimate is EUR 21.3/share (from EUR 21.8). We value the core Print Media activity at an EV of EUR 136m (7.1x EV/EBIT '23e). We believe this business has more potential value, given, among others, Roularta's leading market positions in (news, business and women) magazines as well as its state-of-the-art printing facilities. Further support is provided by the solid and relatively secure dividend yield of 5.1%.

Merodis
Equity Research

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Please refer to important disclosures at the end of this report

Goals of this Dashboard

- ➔ Follow-up to our coverage of Roularta which was launched in October 2015
- ➔ Tool to keep investors up to date with Roularta's equity story as well as its valuation in a sector context
- ➔ Update investors on recent company and sector news flow

Corporate calendar of Roularta's upcoming announcements and events

- ➔ Tuesday, 19 August 2022: 1H22 results

Access our recent research reports on Roularta:

- ➔ ["4Q21 market review" \(quarterly dashboard\), 17 January 2021](#)
- ➔ ["1Q22 market review" \(quarterly dashboard\), 15 April 2022](#)

A domestic leader in high-quality print media focusing on its core activity

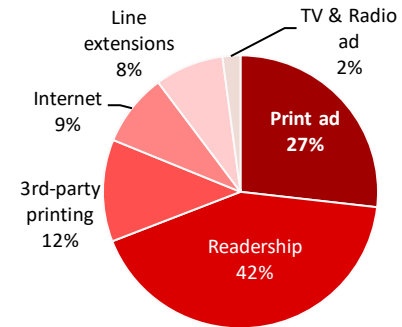
Company description

Roularta is Belgium's leading media company, offering:

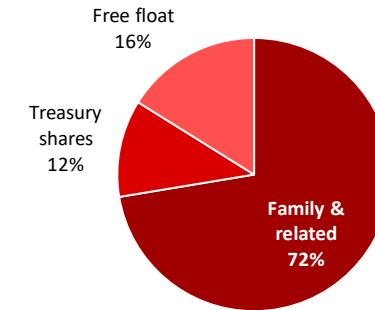
- (1) local weekly free newspapers in Flanders (Deze Week, De Zondag, Steps),
- (2) weekly news, business and women magazines in Belgium (Knack, Le Vif L'Express, Trends, Trends Tendance, Libelle/Femme d'Aujourd'hui and Flair and Feeling/Gael) and the Netherlands (EW, Beleggersbelangen, Knipmode, Formule 1, etc.),
- (3) internet platforms (Digilocal, Proxistore, own content websites) and
- (4) a 50% JV stake in Mediafin, Belgium's leading daily business newspapers (De Tijd and L'Echo) publisher and a 35% stake in Immovlan.

Combined group sales are almost entirely generated in Belgium and the Netherlands (c. 20% of group sales) through (1) Print Media Advertising, (2) Readers Market revenues (subscriptions and newsstand sales), (3) Third-Party Printing, (4) Internet advertising and related, (5) other sources of revenues (inc. Line Extensions) and (6) TV & Radio advertising revenues. The 50% stake in Mediafin is equity-accounted. The company acquired its women magazines in an asset deal with Sanoma in 2018, it bought-out Bayard Presse from a JV with magazine titles in the Netherlands and Germany in '21 and acquired NSM (ex-Sanoma) in the Netherlands at the end of '21 (closed in Q1 '22).

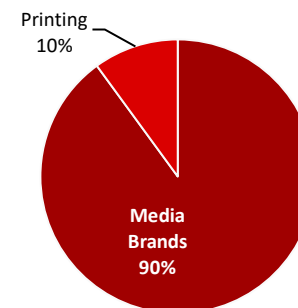
Combined sales breakdown (2021)



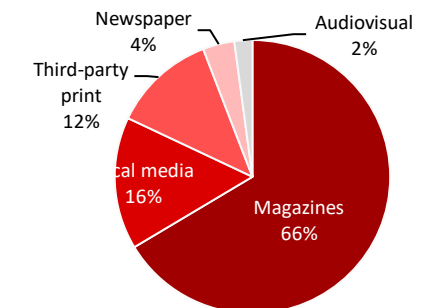
Shareholders



Segment sales (2021)



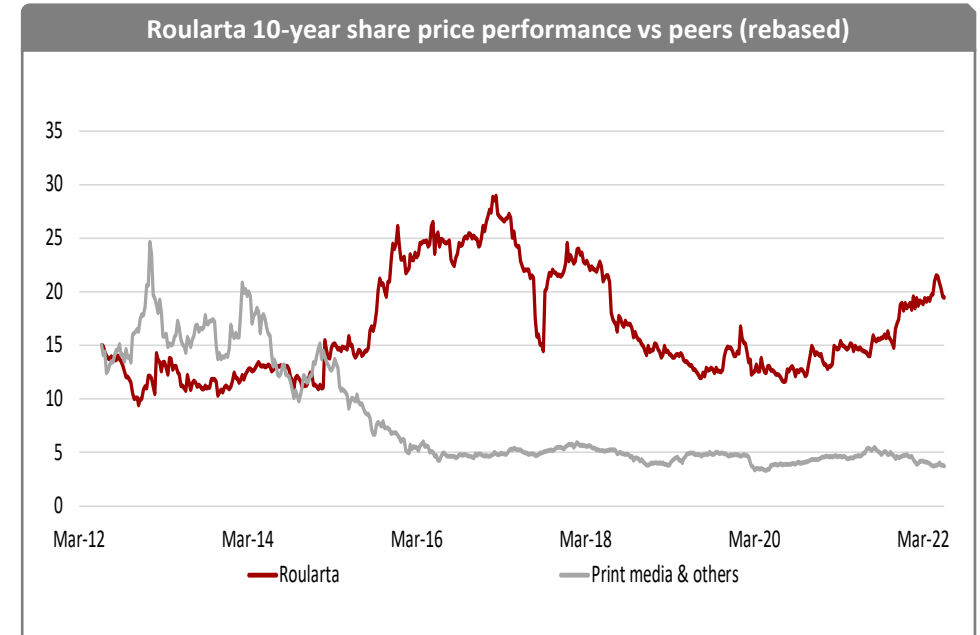
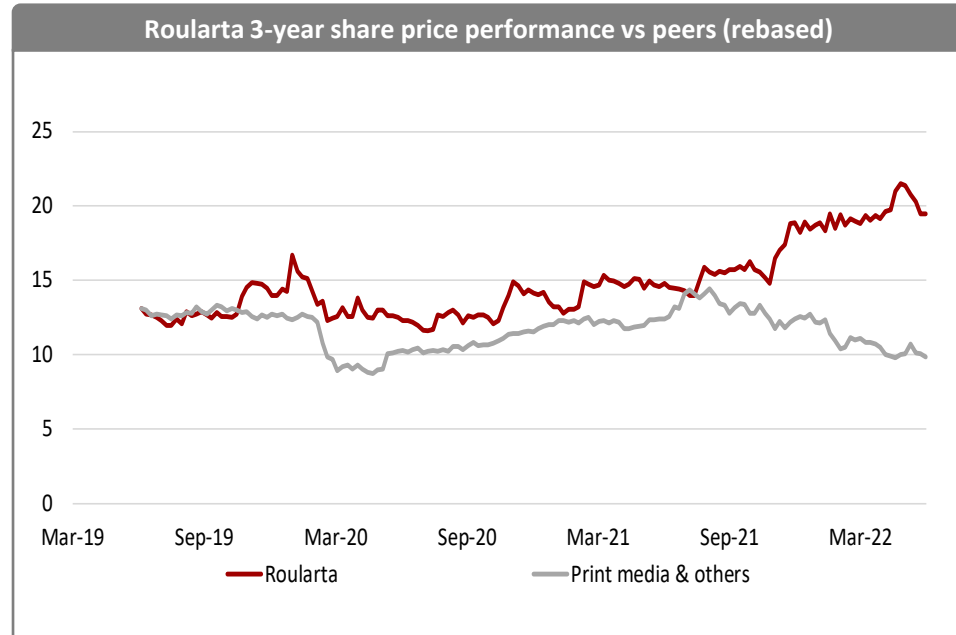
BU sales (2021)



Source: Merodis, Factset

Share price performance

Positive momentum since 2H20 has brought the share price to a new 3-year high



Source: Merodis, Factset

Analyst Recommendations, Earnings Expectations

Consensus stabilizes after downgrading from Covid-19 lockdowns

Consensus view

'22e consensus EPS estimates for Roularta fell q-o-q by 8% to EUR 1.63, despite publishing strong '21 results, but probably impacted by the macro headwinds on ad spend and consumer spending from the inflationary environment.

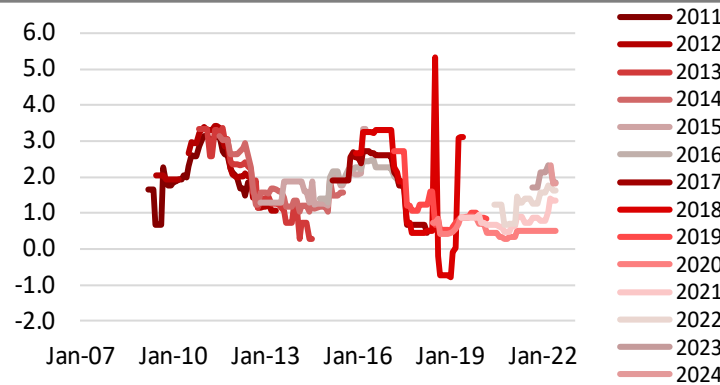
Consensus currently expects '23e earnings of EUR 1.85 per share (-21% q-o-q), vs. our forecast of EUR 1.99 (reflecting 17% earnings growth y-o-y). Momentum is strong and we expect it to continue to some extent as the company's strategy of focused growth and cost discipline is paying off. We are, nevertheless, also expecting gross margin pressure from rising paper and energy prices.

Our '24e EPS forecasts, with EUR 2.34 expected (+17% y-o-y and 28% above consensus).

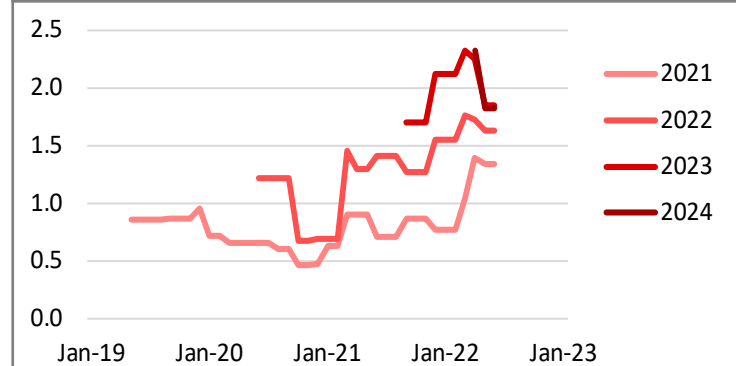
Roularta's share price was up 3.2% in 2Q22, outperforming the broader market (-10.7% for the Euro Stoxx 600), as well as Print Media peers (-11.4% q-o-q) and Belgian SMCs (-2.7% q-o-q) which trended lower in the quarter. The share's 12 months low was EUR 13.80 (on 6 August '21), while its high during the year was EUR 21.50 (7 May '22).

Only one broker covers the stock according to Factset, KBC Securities (Overweight recommendation with EUR 20 target price). Kepler Cheuvreux, which initiated coverage in September 2018, is no longer listed on Factset as actively covering the stock and Degroof Petercam does not appear to have published anything recently, according to Factset.

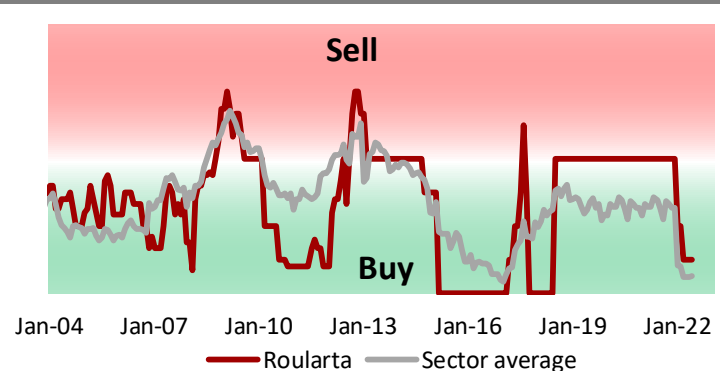
EPS Worms (€/share)



Consensus EPS 2021-23 (€/share)



Analyst recommendations vs. peer average



Merodis Equity Research estimates (MERe) vs. consensus (%)

	<u>2022e</u>	<u>2023e</u>	<u>2024e</u>
Sales	6.4	7.7	0.3
EBITDA	-7.6	-7.0	3.1
EBIT	21.1	12.9	10.2
EPS	4.2	7.9	28.0
DPS	0.0	0.0	0.0
Net cash	156.6	291.9	302.4

Source: Merodis, Factset

Sector benchmarking and valuation analysis

Benchmarking Print Media peers and listed Printing companies

Sector financial benchmarking

Company	Freefloat (%) 2022	Liquidity (daily,€m)	Depr/ EBITDA	Capex/ Sales	ND/EBITDA			EBITDA margin (%)			EBIT margin (%)			Net margin (%)			ROE (%)			2022-24e CAGR (%)			
					2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	EPS
Solocal	100	0.44	46%	8%	1.4	1.0	0.6	28.4	29.5	30.2	15.2	16.4	17.3	7.2	8.2	9.0						6.5	3.4
Mondadori	46	0.68	45%	2%	1.4	1.0	0.8	14.3	14.6	14.8	8.8	9.4	9.6	5.6	5.8	6.0	21.0	21.4	19.8		8.3	4.9	3.0
RCS	15	0.31	31%	2%	0.8	0.3	-0.3	14.5	14.5	14.6	8.7	8.7	8.8	6.2	6.2	5.9	13.7	13.0	12.4				
Vocento	50	0.06	45%	4%	0.2	-0.2	-0.6	10.4	11.4	13.2	4.6	5.6	7.6	3.5	2.9	5.3	5.5	4.9			27.6	15.0	2.1
Sanoma	38	0.77	58%	3%	2.0	1.7	1.7	27.9	29.0	29.5	12.0	13.5	14.0	7.9	9.4	9.7		19.3	19.2		10.8	6.6	3.8
Wilmington	83	0.16	103%	3%	-0.5	-0.9	-1.1	22.8	23.4	23.7	17.8	17.9	18.6	13.3	13.6	13.6		34.4	30.5		4.8	6.2	4.1
PRINT MEDIA AVERAGE	55	0.40	55%	4%	0.9	0.5	0.2	19.7	20.4	21.0	11.2	11.9	12.6	7.3	7.7	8.3	13.4	18.6	20.5		12.9	7.8	3.3
PRINT MEDIA MEDIAN	48	0.38	45%	3%	1.1	0.7	0.2	18.6	19.0	19.3	10.4	11.5	11.8	6.7	7.2	7.5	13.7	19.3	19.5		9.5	6.5	3.4
Roularta (consolidated)	15	0.05	51%	3%	-3.2	-3.7	-3.9	9.2	9.7	10.7	4.5	5.1	6.1	5.8	6.5	7.4	9.7	12.1	13.3		17.3	11.8	3.9
% prem./(disc.) vs median	-69	-87.9	12.8	-14.4	-389.9	-652.7	-2,661.1	-50.4	-48.9	-44.5	-56.7	-55.3	-48.2	-13.4	-10.6	-1.2	-29.5	-37.5	-31.7		81.9	81.5	16.1

Source: Merodis, Factset

Sector valuation

Company	Country	Price (local)	MCap (local m)	P/E			EV/Sales			EV/EBITDA			EV/EBIT			P/B			DYield		
				2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Solocal	FRANCE	0.96	126	4.1	3.5	3.1	0.7	0.6	0.5	2.5	2.0	1.5	4.6	3.6	2.7				0.0	0.0	0.0
Mondadori	ITALY	1.71	445	9.2	8.0	7.8	0.7	0.6	0.6	5.0	4.3	4.0	8.1	6.7	6.2	1.8	1.6	1.5	5.7	6.3	6.5
RCS	ITALY	0.64	329	6.4	6.4	6.4	0.5	0.4	0.3	3.6	3.0	2.4	5.9	5.1	3.9	0.8	0.8	0.8	9.4	9.4	9.4
Vocento	SPAIN	0.68	82	7.4	8.4	4.6	0.3	0.2	0.2	2.6	2.0	1.2	6.0	4.1	2.2	0.4	0.4		7.3	6.6	9.4
Sanoma	FINLAND	13.30	2,175	17.7	15.0	14.4	2.2	2.1	2.0	8.0	7.1	6.9	18.6	15.2	14.6	3.0	2.8	2.7	4.2	4.4	4.5
Wilmington	UNITED KINGDOM	2.30	201	1257%	12.1	11.4	1.6	1.4	1.3	6.9	6.2	5.4	8.8	8.1	6.9	4.6	3.8	3.2	3.0	3.2	3.3
PRINT MEDIA AVERAGE				9.5	8.9	7.9	1.0	0.9	0.8	4.8	4.1	3.6	8.7	7.1	6.1	2.1	1.9	2.0	4.9	5.0	5.5
PRINT MEDIA MEDIAN				8.3	8.2	7.1	0.7	0.6	0.5	4.3	3.7	3.2	7.0	5.9	5.1	1.8	1.6	2.1	4.9	5.4	5.5
Roularta (consolidated)	BELGIUM	19.45	256	11.5	9.8	8.3	0.3	0.2	0.1	3.3	2.2	1.3	6.7	4.2	2.4	1.3	1.3	1.2	5.1	5.1	5.1
% prem./(disc.) vs median				38.2	19.1	17.6	-57.0	-65.0	-72.6	-23.1	-40.2	-57.8	-4.0	-29.1	-53.3	-27.4	-22.4	-43.7	3.9	-4.1	-6.8

Source: Merodis, Factset

P/E valuation relative to the sector

A recent normalisation driven by regained profitability momentum

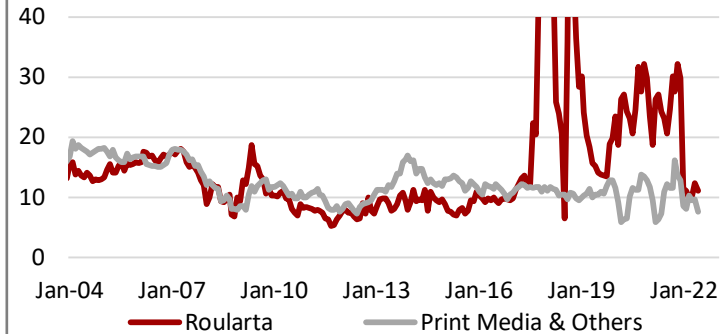
Valuation

On consensus EPS estimates, Roularta shares trade at a P/E 12M forward of 11.2x, which is a premium to Print Media peers in Europe (currently at a median of 7.6x, down sharply from 10.3x in March). Importantly, the volatility was historically due to profitability at Roularta which was negatively impacted by weak market conditions in the ad space for Roularta's core activity. The company's focus on subscriber revenues and reduced exposure to ad spend have alleviated earnings volatility.

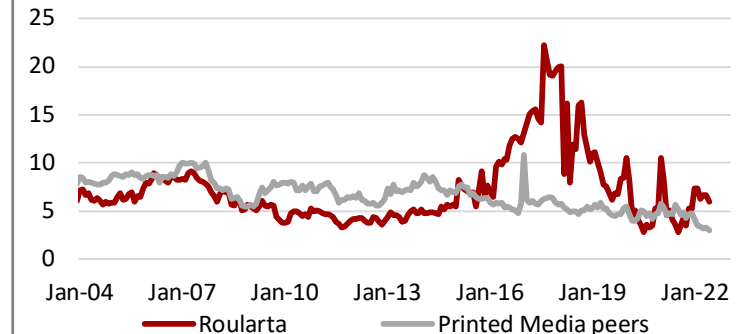
As a reminder, Roularta disposed of its stake in Medialaan in '18, which means Roularta is now a Print Media pure play compared to the past when TV broadcasting (through Medialaan) was the main profit contributor and the key value driver of the stock (in '16, 73% of Roularta's EBIT and 80% of its EPS was generated by Medialaan). The rerating compared to the Print Media sector is driven entirely by the share price performance since October '17 as well as the sharp cut in Roularta's earnings estimates due to launching costs in digital initiatives such as Storesquare (discontinued as from '19).

As disclosed in the first paragraph, the Print Media sector is valued at 7.6x P/E 12M forward (from 11x in June '21) and at 3.0x EV/EBITDA 12M forward (down from 5.7 y-o-y), which compares to a 18-year average of 12.4x and 6.8x respectively. The historical valuation range for the sector is 5.9x-19.4x (P/E) and 3.0x-10.9x (EV/EBITDA), which suggest that the sector remains close or at the low-end of its historical range.

P/E ratio of Roularta vs. Print Media



EV/EBITDA ratio of Roularta vs. Print Media



P/E Premium/(Discount) of Roularta vs. Print Media



EV/EBITDA Premium/(Discount) of Roularta vs. Print Media



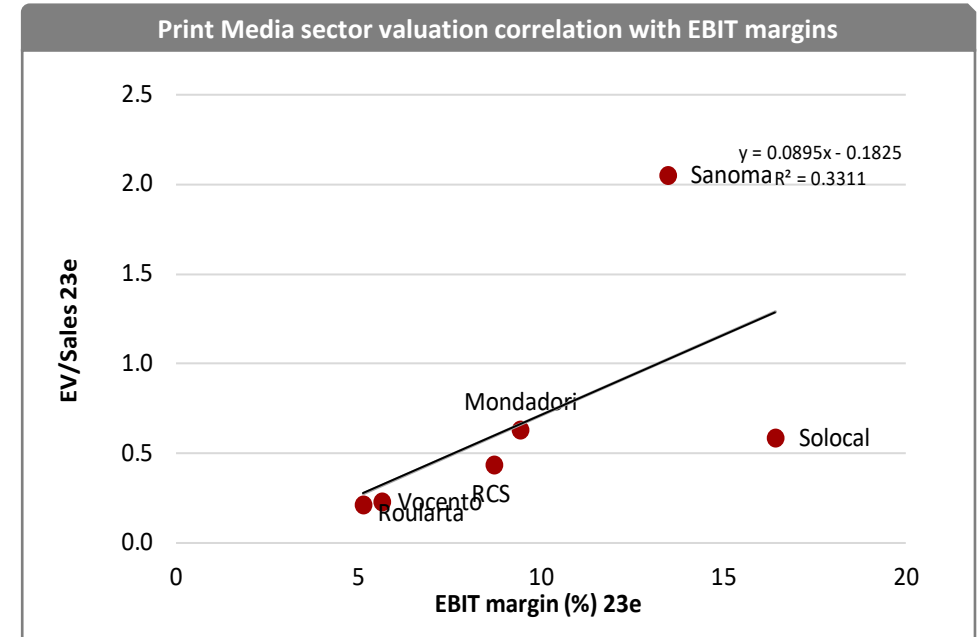
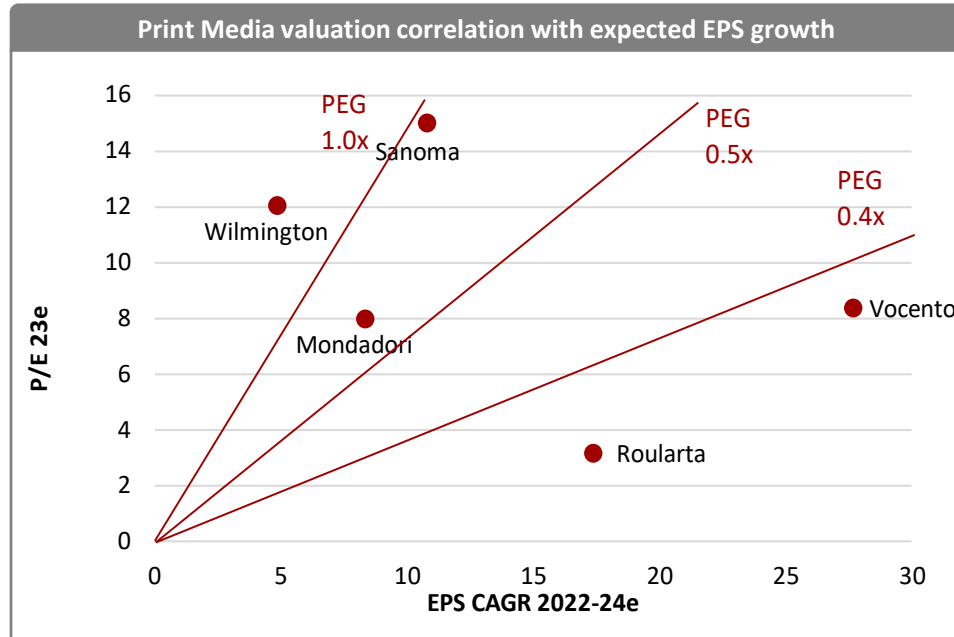
Source: Merodis, Factset

Reflecting the Medialaan disposal, Mediafin acquisition, Sanoma acquisition and Bayard buyout...

Roularta updated sum-of-the-parts									
(EURm)	Ownership (%)	Adjusted EBIT 23e	Discount to peers (%)	EV/EBIT multiple 23e	Net debt 23e	Value	Equity value/sh.	Value split	Value w/o discount
RMG	100%	19.0	0.0	7.1		135.5	17.4	82%	135.5
Group enterprise value						135.5			135.5
- Net Financial Debt/(cash) (21)						101.0			101.0
- Other liabilities (21)						-12.4			-12.4
+ NPV tax asset (balance sheet)						5.2			5.2
+ Equity value of Mediafin stake	50%					43.5	3.3	16%	43.5
+ Immovlan stake	35%					7.5	0.6	3%	7.5
= Estimated market value of equity						280.3			280.3
Total share outstanding (m)						13.1			13.1
Equity value per share						21.3			21.3

Source: Merodis, Factset

Valuation indicators



Source: Merodis, Factset

Sales growth expectations

Impacted by cyclical and structural effects

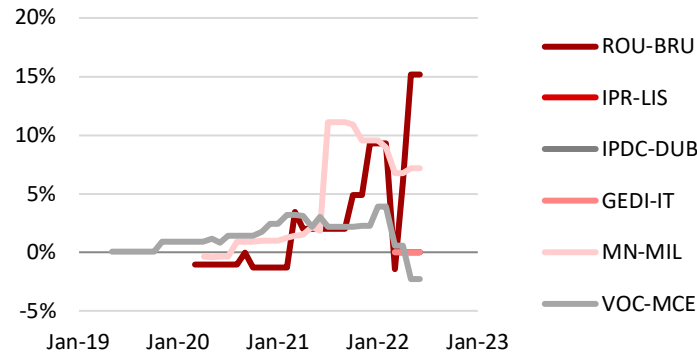
Expected Sales Growth

At the end of June, consensus expectations for '22 Print Media sales growth stood at +2.4% (down q-o-q from +3.7%) and vs. -1.3% at the start of 2020, reflecting the impact of the Covid-19 rebound. We expect Roularta sales to grow by 15% in FY22e with organic growth of c. 1%.

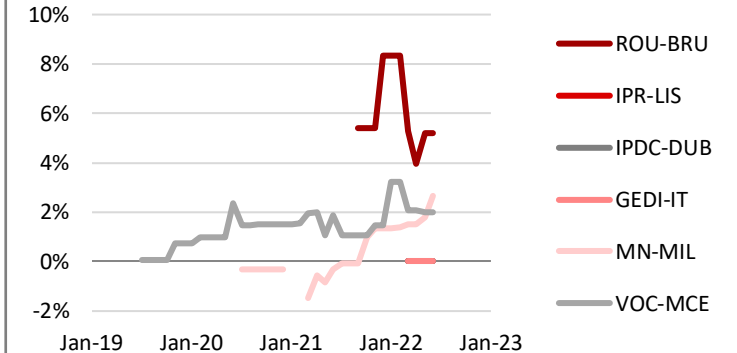
Roularta has engaged in a number of acquisitions and disposals over the past 4 years, leading to a repositioning of the company towards more focus on magazines and derived subscription revenues as well as printing in Belgium and in neighbouring countries. These transactions impede, however, on the comparability of the accounts from one year to another. The underlying trend, however, is positive in terms of focus and profitability.

In addition to the Covid-19 crisis which is affecting the world economy, the media sector is suffering from the structural impact of online media gaining market share over traditional Printed Media and TV in terms of advertising revenues. This is driven by changes in viewership, which is moving from the traditional media to online.

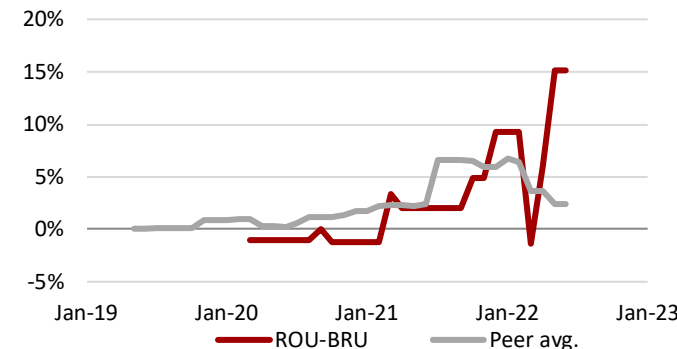
2022 expected sales growth (%)



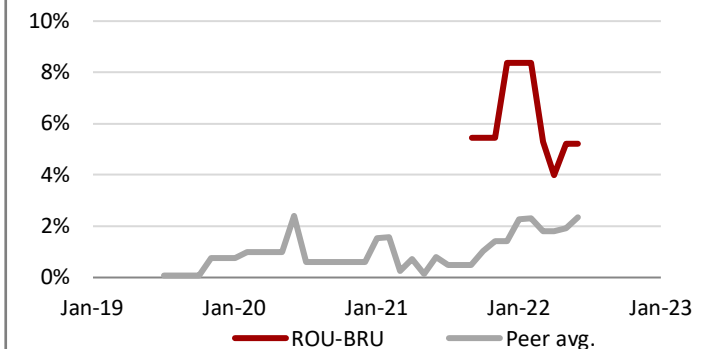
2023 expected sales growth (%)



2022 expected sales growth, Roularta vs. peers



2023 expected sales growth, Roularta vs. peers



Source: Merodis, Factset

EBITDA growth and margin expectations

Advertising revenue pressure continues to hurt margins

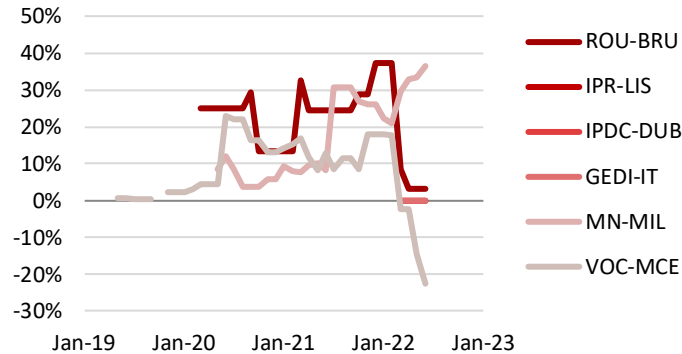
EBITDA expectations

At the end of June, expected consensus EBITDA growth for '22e at Roularta lies at +3.2% (from +8.5% previously expected), compared to the peer average of +7.0% (from +13.7% previously expected). EBITDA margin expectations remain below the peer average for '22.

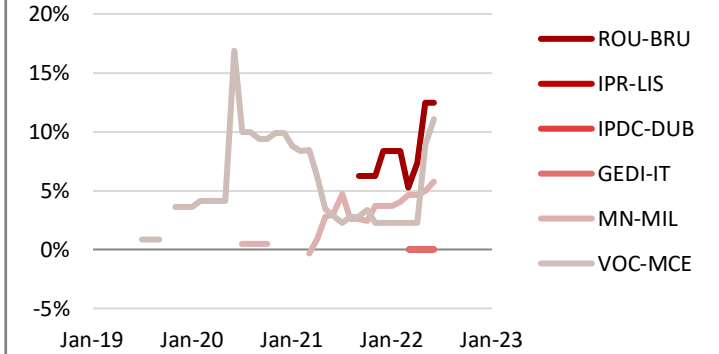
Note that consensus changes to EBIT or EBITDA at Roularta are not interpretable in a straightforward manner. In Roularta's case, its reported EBITDA margin (as reflected by Factset consensus) is positively influenced by the IFRS 11 treatment of its 50% stake in Mediafin (from March '18), whereby 50% of the net profit is accounted for in Roularta's EBITDA and EBIT, but where its sales are not accounted for in its top-line. Merodis estimates exclude equity accounted results from the EBITDA and EBIT lines, but other analysts may treat these figures differently, or they may have recently changed their view on them.

The transactions impact IFRS EBITDA and EBIT as the Mediafin net contribution is added as from March '18. Sanoma's contribution is included in the consolidation scope from July '18, as reflected in our forecasts. Finally, we have added the Bayard JV as being fully consolidated since April '21 with the buyout transaction (and ensuing 100% ownership). We have also added the contribution of the NSM acquisition as from Q1 '22, with an expected accretive impact thanks to the (estimated) reasonable price paid (MERe 4x EBITDA) and NSM's high margins (11.6% EBITDA margin vs Roularta's 10.2% in '21).

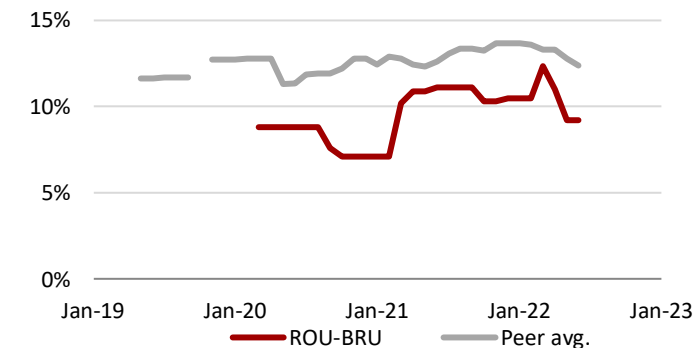
2022 expected EBITDA growth (%)



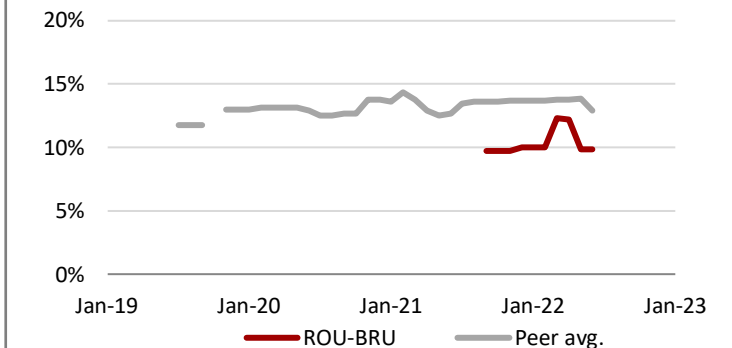
2023 expected EBITDA growth (%)



2022 expected EBITDA margin, Roularta vs. peers



2023 expected EBITDA margin, Roularta vs. peers



Source: Merodis, Factset

Consensus payout expectations

Stable dividend outlook backed by a strong balance sheet

Dividend payout

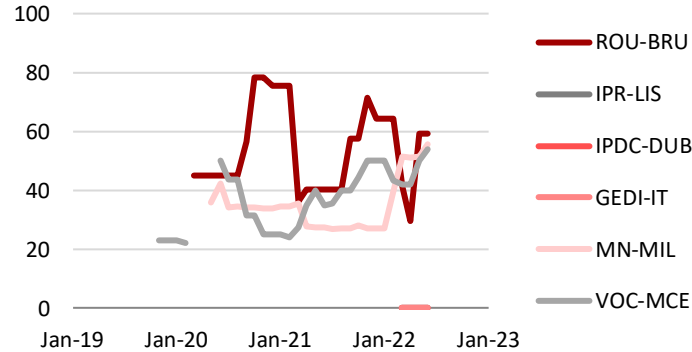
Roularta announced a dividend of EUR 1 per share, the same as last year. The amount is as expected although it reflects a high payout (73%) and implies a high dividend yield (5.1%).

Roularta's targeted pay-out ratio is 30%, which is in line with its average payout ratio prior to the acquisition in France of c. 32% ('02-06) and broadly in line with the Sector average.

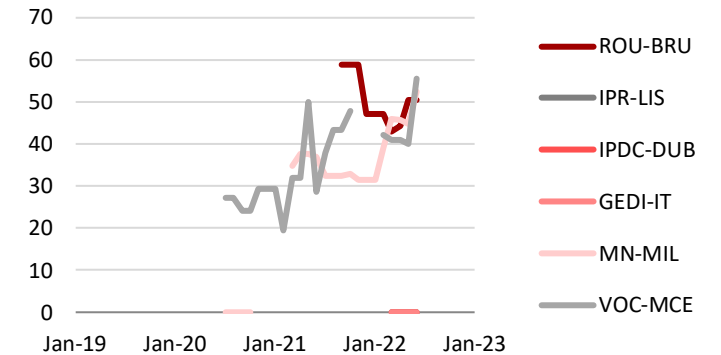
Consensus now expects Roularta to pay out a dividend of EUR 1/share in '22e (vs. EUR 0.5/share previously expected), in line with MERE and the company's guidance.

Going forward, we believe that a EUR 1/share dividend in the next years is entirely sustainable given the EUR 101m net cash position reported in '21. This excludes treasury shares worth a total of EUR 24m, which could either be cancelled (ie. considered as a form of payout), placed in the market in case of appetite (ie. turned back into cash with the added beneficial impact of increasing free-float/liquidity) or used as M&A currency (although we do not expect any major/disrupting acquisitions in the future). Recent communication suggests a current focus on improving liquidity.

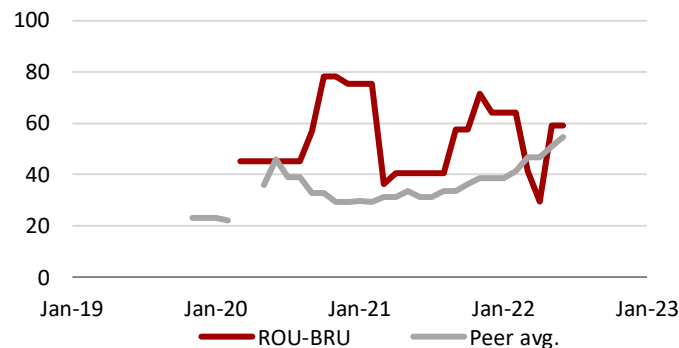
2022 expected Payout, Sector



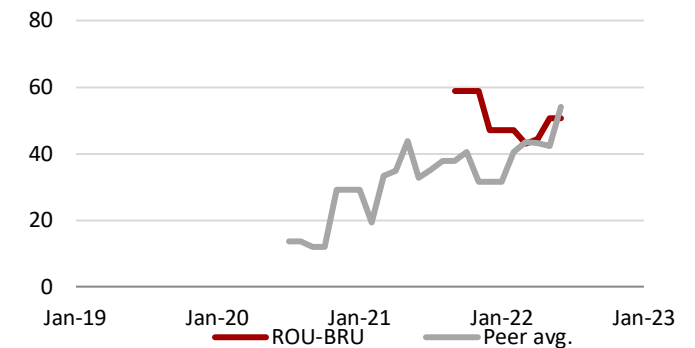
2023 expected Payout, Sector



2022 expected payout, Roularta vs. Peers



2023 expected payout, Roularta vs. Peers



Source: Merodis, Factset

Leverage expectations

No longer an issue post the Medialaan disposal

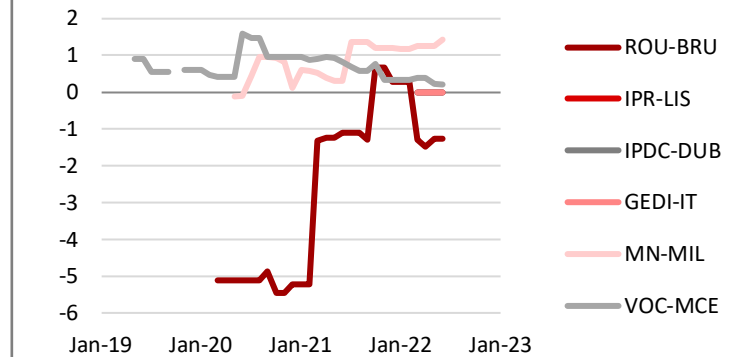
Net-debt-to-EBITDA

The level of expected financial leverage in the Media Sector was high in '11 and '12 and again in '14 (where it exceeded 2.2x Net debt over EBITDA), but trended down since then, before moving back up with, on average, a ratio of 2x. Roularta's ratio has exceeded 2x only during '14 but has reached a net cash position of €101m at the end of '21, following the transactions (Medialaan disposal and the acquisitions of Mediafin and Sanoma's women magazine titles) as well as the special €5/share dividend payout to shareholders in '18.

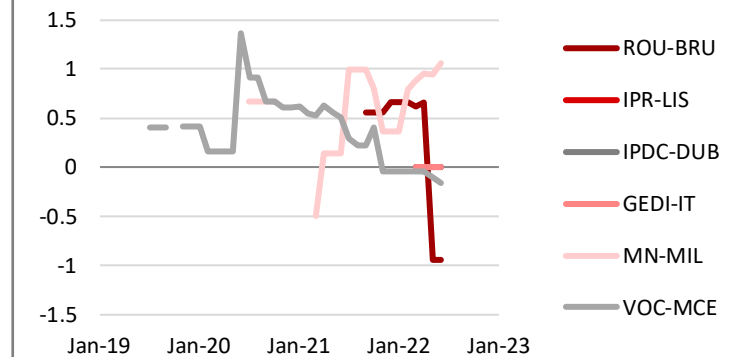
As a reminder, Roularta has paid back its €100m bond in '18 and benefited from the first full-year impact in '19. The company had a covenant threshold of 3.5x net debt over EBITDA based on annual EBITDA including the company's share of Mediafin's and Bayard's net profit.

Going forward, this has become a non-issue given our forecast of a net cash position of €105m at the end of '22e. However, we are well above consensus which stands, according to Factset, at a net cash position of EUR 40m.

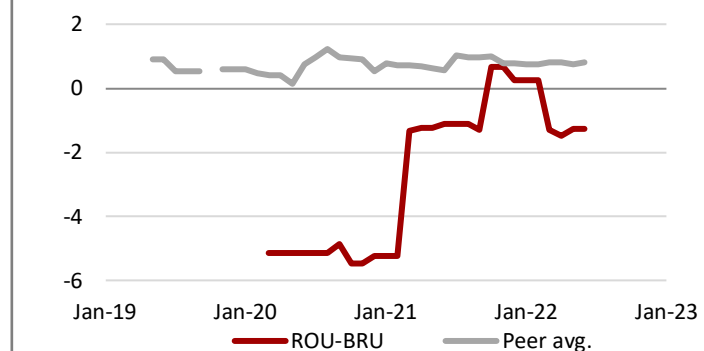
2022 NFD/EBITDA, sector



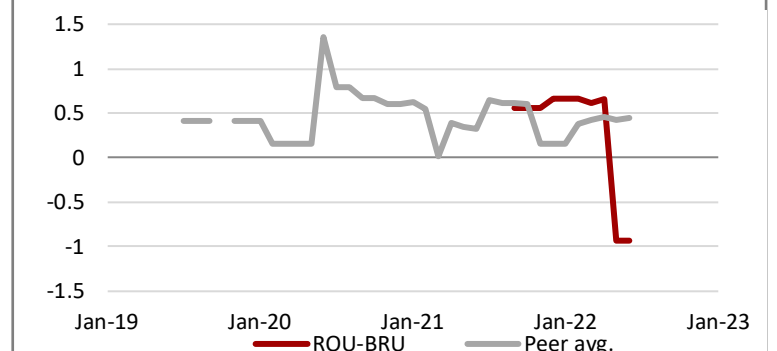
2023 NFD/EBITDA, sector



2022 NFD/EBITDA, Roularta vs. Peers

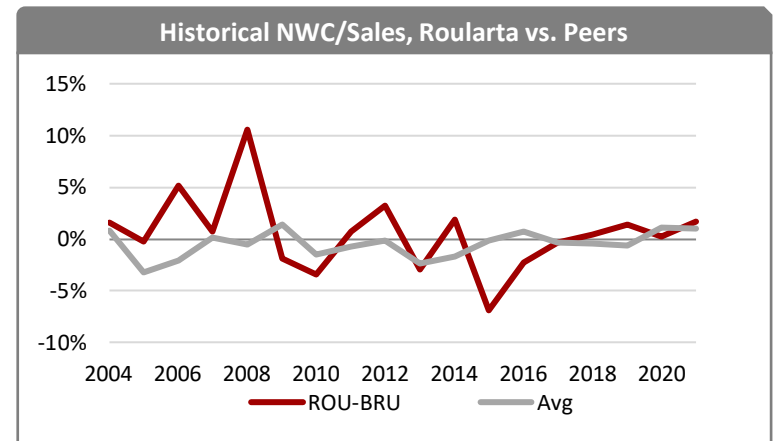
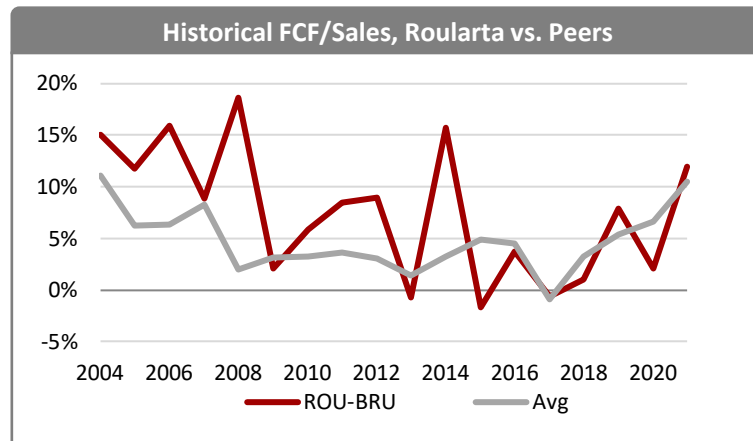
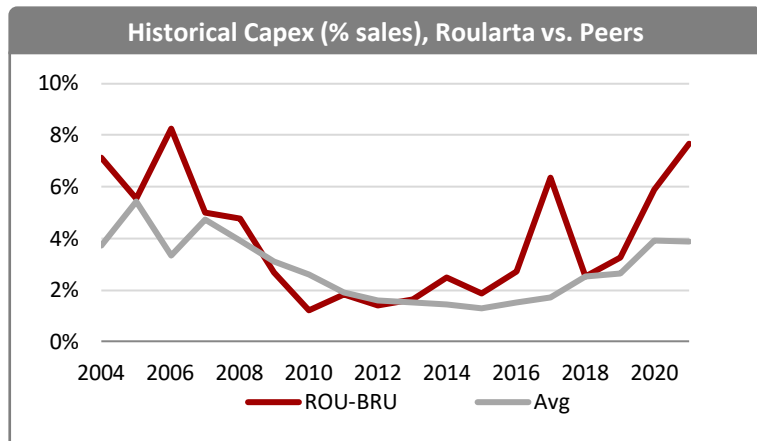
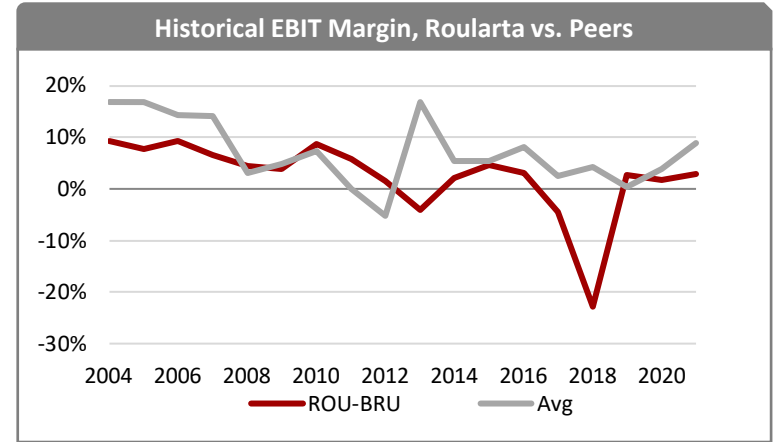
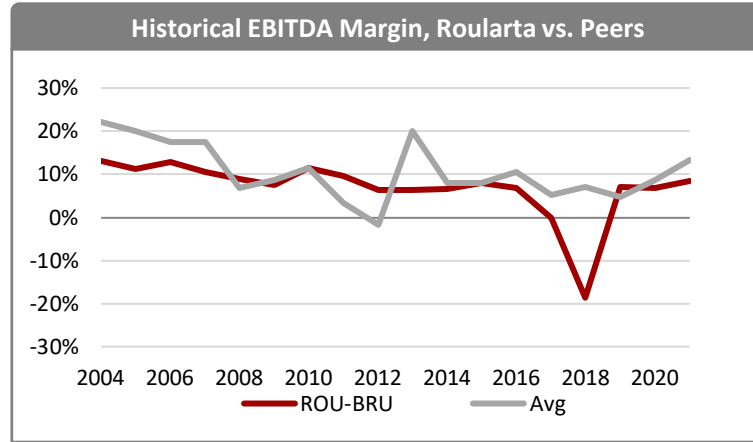
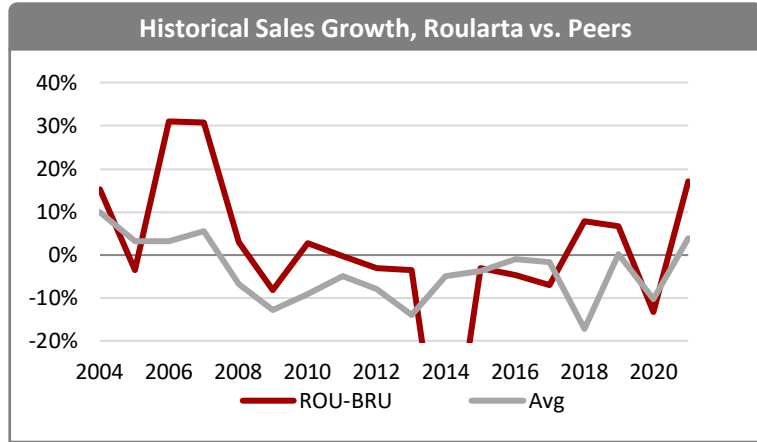


2023 NFD/EBITDA, Roularta vs. Peers



Source: Merodis, Factset

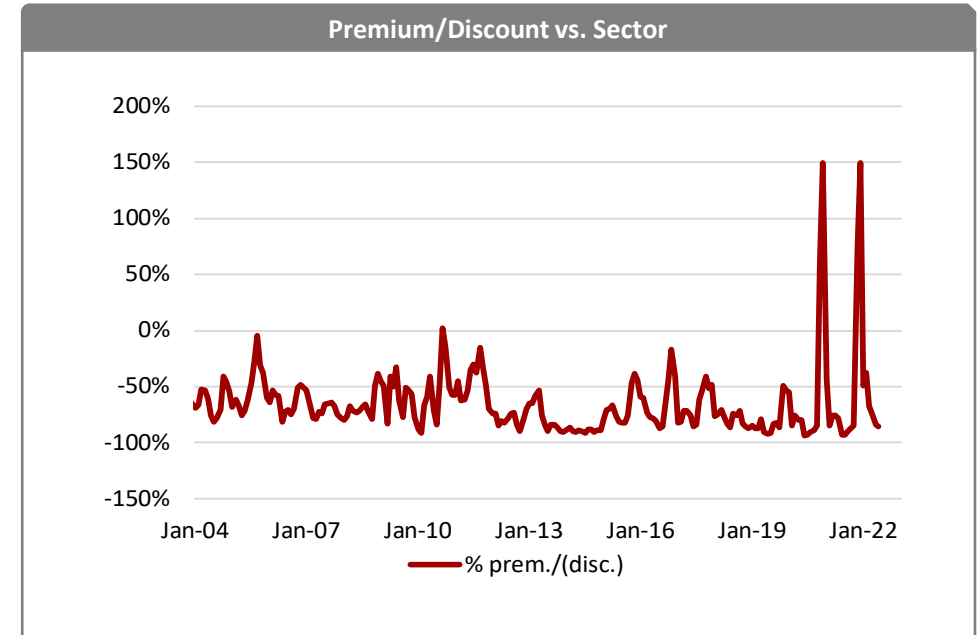
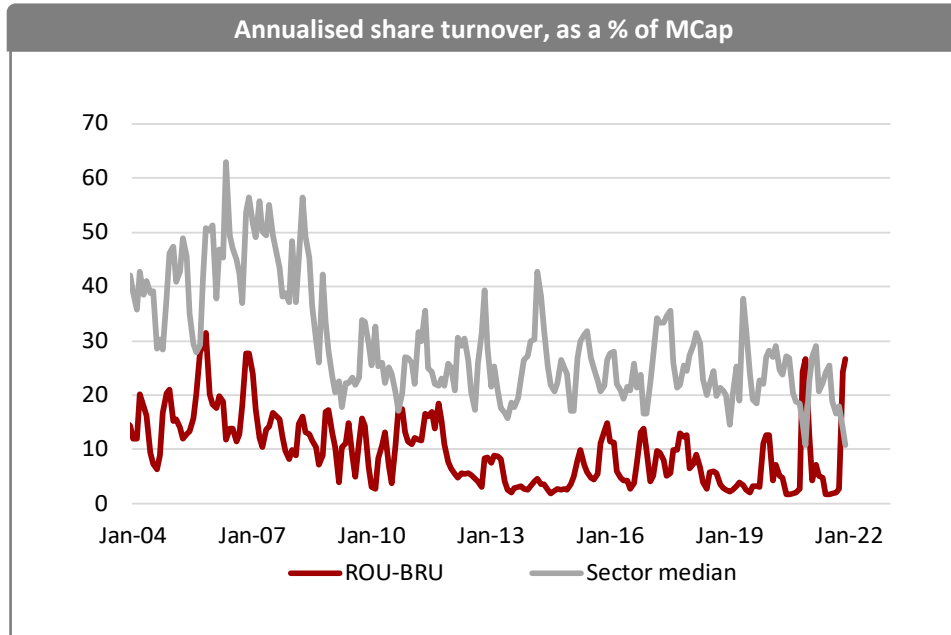
Historical P&L, CF and Balance Sheet Performance



Source: Merodis, Factset

Share liquidity

Well-below peers



Source: Merodis, Factset

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