

Roularta Media Group

BELGIUM

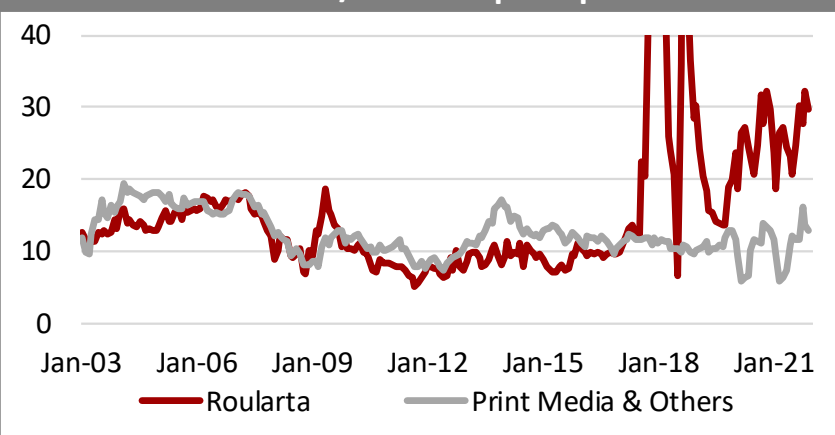
Bloomberg: ROU:BB

Reuters: RLRT.BR



Roularta Media Group

Roularta P/E vs European peers



€m	2017	2018	2019	2020	2021e	2022e	2023e
Sales	258.3	278.4	298.0	258.5	307.9	359.3	389.1
EBIT	-13.0	-63.7	7.5	4.0	5.3	19.0	22.5
Net profit	-10.9	79.9	10.9	6.0	8.6	21.8	25.6
EPS (€)	-0.84	6.14	0.83	0.50	0.71	1.81	2.12
DPS (€)	0.00	5.50	0.00	1.00	1.00	1.00	1.00
P/E (x)	na	3.2	16.3	26.6	26.6	10.5	9.0
Yield (%)	0.0	28.0	0.0	7.6	5.3	5.3	5.3
Adj. EV/EBIT (x)	na	na	3.4	9.2	20.1	na	na

Source: Merodis Equity Research, Factset
Pricing date: 31/12/2021

Market review and peer benchmarking

17 January 2022

Key quarterly insights: 4Q21

Building a second “home-market” close to home

Roularta announced on 22 December the acquisition of Dutch magazine publisher New Skool Media (NSM, ex-Sanoma), becoming the country’s second largest publisher. NSM owns 20 magazine titles including EW (ex-Elsevier, a weekly business/opinion magazine) and Beleggersbelangen, an investment portal, as well as a range of thematic magazines titles from fashion (Knipmode) to sports (Formula 1). NSM reported sales of EUR 43m in 2020 with EUR 5m EBITDA (source: De Tijd, 22/12/21), ie. higher margins than Roularta’s. The company has 170 FTEs and a subscriber base of 260k (85-90% of sales are B2C), including 50k for EW (vs. Knack’s 65k) highlighting further upside potential. The transaction is subject to approval from the Dutch Authority for Consumers & Markets (ACM) which is expected to be reached in 1Q22. This acquisition follows Roularta’s strategic steps to focus on its core magazine activity and the buyout of minority/JV partners, with the aim to build a second home market in the Netherlands (Roularta already publishes Plus Magazine, Landleven and G/Geschiedenis and owns the events organiser for senior population, 50PlusBeurs) with sales of close to EUR 70m (c. 20% of group) based on our estimates. Further growth is expected in the Netherlands by rolling out the company’s strategy with the aim to lock-in customers through a multi-channel/multi-title approach (magazine and digital), while monetising the growing subscriber base with ancillary services such as events, cruise trips, webshops and lead generations. We estimate a price tag of around EUR 20m, ie. at a multiple of 4x EBITDA and 0.4x sales.

Strong momentum is starting to face some COGS headwinds

We expect ongoing strong momentum driven by a post-lockdown market revival, impacted nevertheless by rising paper prices (wood pulp price indices are up 50% y-o-y, albeit from very low levels). As paper is a significant input cost for Roularta (10% of COGS), we expect some added gross margin pressure in 2H21 compared to our previous estimates. We stick to our previous gross margin estimates for '22e and '23e which reflect significant easing from the unusually high levels reached in 2020. All-in-all, we have revised down our '21e EPS by 5%, but we raise our '22e and '23e estimates by 20% and 24% respectively owing to the accretive impact of the NSM acquisition.

Valuation assessment

The market currently values Roularta at an enterprise value (EV) of EUR 106m, which includes a market cap of EUR 250m, the value of other liabilities of EUR 5m, EUR 93m of net cash in 2021e 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 raised to EUR 22.8/share (from EUR 20.8). We value the core Print Media activity at an EV of EUR 156m (8.2x EV/EBIT '22e). We believe this business has more potential value, given, among others, Roularta’s leading market positions in free newspapers and in (news, business and women) magazines as well as its state-of-the-art printing facilities.

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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, 8 March 2022: FY21 results
- ➔ Tuesday, 17 May 2022: AGM
- ➔ Tuesday, 19 August 2022: 1H22 results

Access our recent research reports on Roularta:

- ➔ ["4Q20 market review" \(quarterly dashboard\), 18 January 2020](#)
- ➔ ["3Q21 market review" \(quarterly dashboard\), 14 October 2021](#)

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

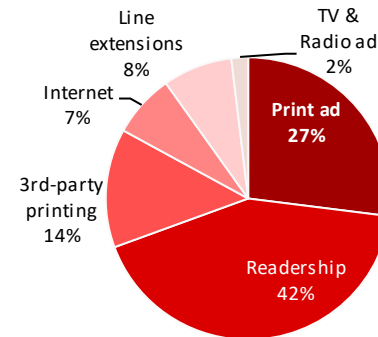
Company description

Roularta is Belgium's leading media company offering

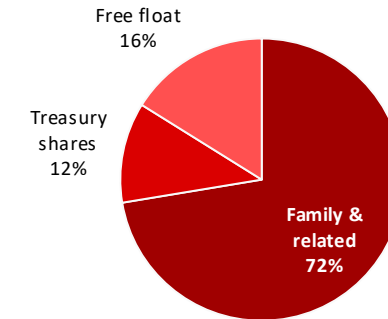
- (1) local weekly free newspapers in Flanders (Deze Week, De Zondag, Steps),
- (2) weekly news, business and women magazines in Belgium (Knack, Le Vif L'Express, Trends, Trends Tendance, Libelle/Femme d'Aujourd'hui and Flair and Feeling/Gael) and the Netherlands (EW, Beleggersbelangen, Knipmode, Forule 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) and a 35% stake in ImmoVlan.

Combined group sales are almost entirely generated in Belgium and the Netherlands (c20% of group sales) through (1) Print Media Advertising, (2) Readers Market (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% stakes in Mediafin is equity-accounted. The company acquired the 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 2021 and acquired NSM (ex-Sanoma) in the Netherlands at the end of 20214 (to be closed in Q1 2022).

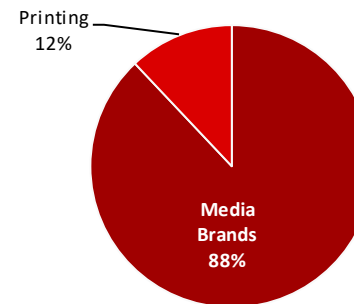
Combined sales breakdown (2020)



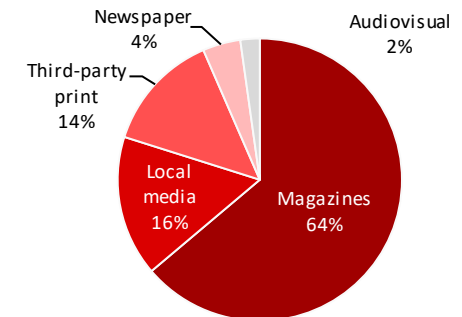
Shareholders



Segment sales (2020)



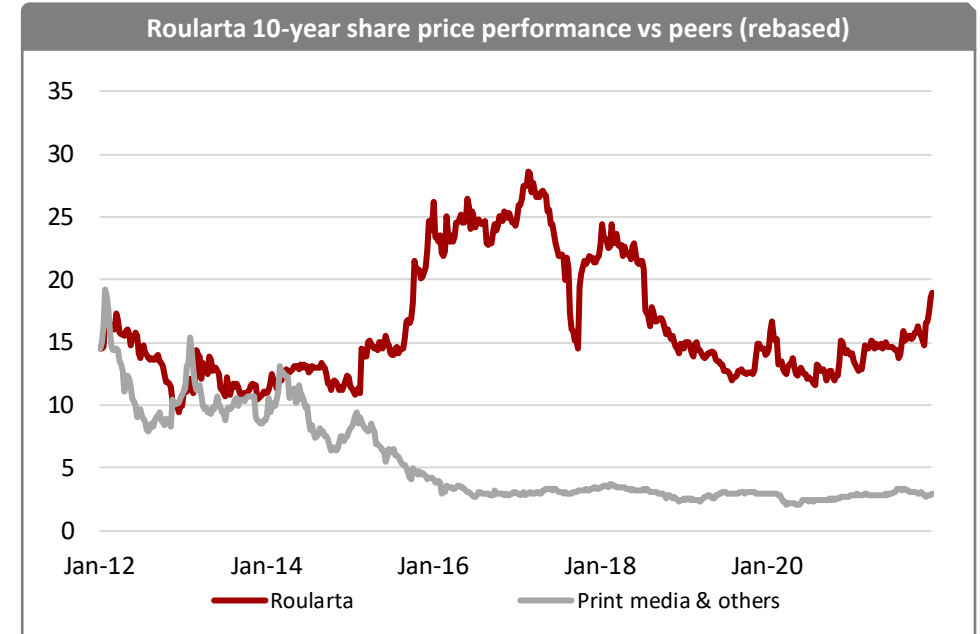
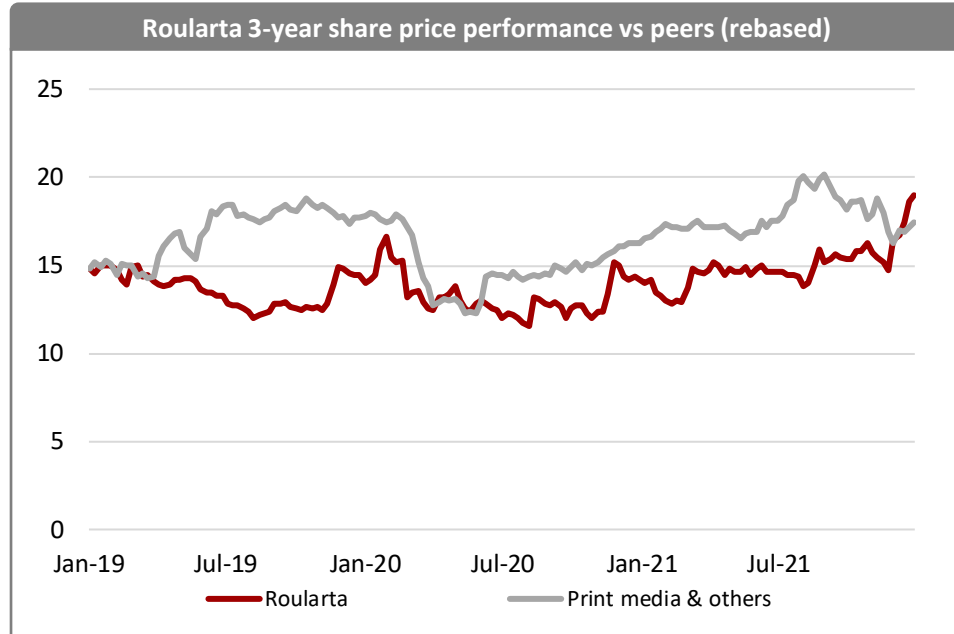
BU sales (2020)



Source: Merodis, Factset

Share price performance

Under pressure since 1Q17, with transformational deals and strong 2H18, 2019 and 2H20 to the rescue



Source: Merodis, Factset

Analyst Recommendations, Earnings Expectations

Consensus stabilizes after downgrading due to Covid-19

Consensus view

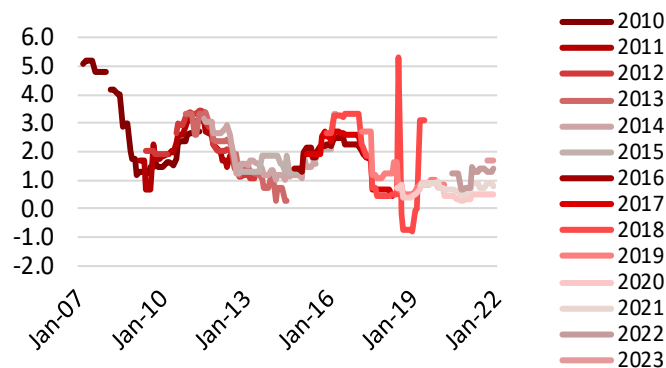
2021e consensus EPS estimates for Roularta remained unchanged q-o-q, despite strong 1H20 results and the ensuing momentum as well as the buyout of Bayard from the JV which we expect to be earnings enhancing.

Consensus currently expects 2022e earnings of EUR 1.40 per share (flat q-o-q and +77% y-o-y), vs. our forecast of EUR 1.81 (reflecting 153% growth y-o-y). Momentum is strong and we expect it to continue as the company's strategy of focused growth and cost discipline is paying off.

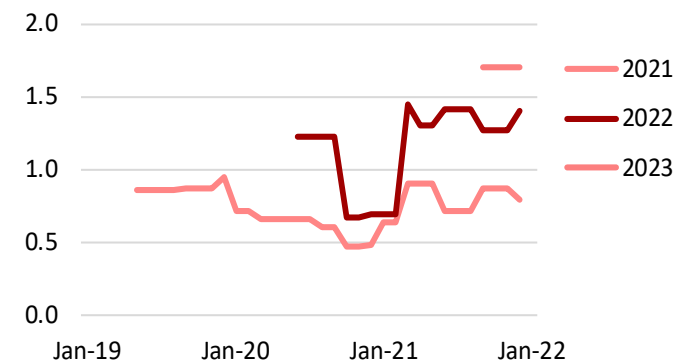
Roularta's share price was up a solid 21.0% in 4Q21, outperforming the broader market (+7.3% for the Euro Stoxx 600), as well as Print Media peers who were down in the quarter (-3.2% q-o-q) while Belgian SMCs were up only modestly (+3.3%). The share's 12 months low was EUR 12.80 (on 12 February 2021), while its high during the year was EUR 19.10 (28 December 2021), post the NSM acquisition.

Only one broker covers the stock according to Factset, KBC Securities (Overweight recommendation with EUR 16 target price). Kepler Chevreux, 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.

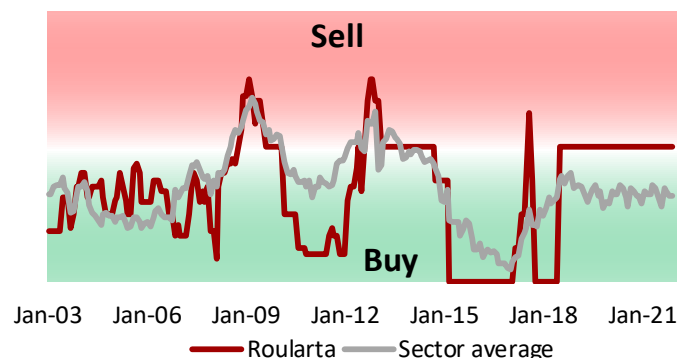
EPS Worms (€/share)



Consensus EPS 2020-22 (€/share)



Analyst recommendations vs. peer average



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

	2021e	2022e	2023e
Sales	4.9	16.5	n.a.
EBITDA	-3.9	11.8	n.a.
EBIT	-11.3	83.5	n.a.
EPS	-9.6	28.9	n.a.
DPS	33.3	33.3	n.a.
Net cash	105.0	149.7	n.a.

Source: Merodis, Factset

Sector benchmarking and valuation analysis

Benchmarking Print Media peers and listed Printing companies

Sector financial benchmarking

Company	Freefloat (%) 2021	Liquidity (daily,€m)	Depr/EBITDA	Capex/Sales	ND/EBITDA			EBITDA margin (%)			EBIT margin (%)			Net margin (%)			ROE (%)			2021-23e CAGR (%)			
					2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e	EPS
Solocal	100	0.61	28%	7%	1.7	1.2	-0.5	27.7	28.2	30.4	20.0	20.9	23.1	9.2	9.7	11.8				19.4	10.8	5.7	
Mondadori	46	0.89	37%	3%	1.0	1.0	0.3	12.6	14.3	14.6	7.5	9.2	9.5	6.0	5.3	5.6	20.4	24.9	22.4	22.6	13.2	5.4	
RCS	15	0.20	33%	2%	0.7	0.1	0.1	13.8	16.1	16.5	9.7	10.5	11.1	7.2	6.4	6.9	15.4	13.6	15.0	9.9	16.4	6.5	
Vocento	54	0.02	49%	3%	0.8	0.4	0.0	11.8	13.0	13.2	7.8	8.2	8.6	4.8	4.2	4.6					8.8	2.8	
Sanoma	38	0.76	106%	3%	2.0	1.7	1.5	27.0	28.4	29.0	12.9	13.4	14.2	8.0	9.7	10.3			18.0	12.6	6.1	2.4	
Wilmington	82	0.16	32%	3%	0.8			19.6			14.7	15.1		10.6									
PRINT MEDIA AVERAGE	56	0.44	47%	4%	1.2	0.9	0.3	18.7	20.0	20.7	12.1	12.9	13.3	7.6	7.1	7.8	17.9	19.3	18.5	16.1	11.1	4.6	
PRINT MEDIA MEDIAN	50	0.40	35%	3%	0.9	1.0	0.1	16.7	16.1	16.5	11.3	12.0	11.1	7.6	6.4	6.9	17.9	19.3	18.0	16.0	10.8	5.4	
Roularta (consolidated)	15	0.04	68%	5%	-3.9	-2.9	-3.2	7.7	9.9	10.1	-0.2	5.3	5.8	2.8	6.1	6.6	4.1	11.2	13.1	72.3	29.0	12.4	
% prem./disc. vs median	-70	-88.8	97.0	64.4	-548.4	-376.0	-2,889.2	-53.8	-38.4	-38.3	-101.5	-55.8	-48.1	-63.2	-5.6	-4.6	-77.3	-42.1	-27.4	352.5	168.5	131.9	

Source: Merodis, Factset

Sector valuation

Company	Country	Price (local)	MCap (local m)	P/E			EV/Sales			EV/EBITDA			EV/EBIT			P/B			DYield		
				2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e
Solocal	FRANCE	1.23	160	4.0	3.6	2.8	0.8	0.7	0.2	3.1	2.5	0.6	4.2	3.3	0.8				0.0	0.3	1.4
Mondadori	ITALY	2.04	531	13.3	9.1	8.9	0.8	0.8	0.7	6.3	5.3	4.5	10.6	8.3	6.9	2.4	2.1	1.9	2.0	2.4	2.8
RCS	ITALY	0.89	458	9.0	9.0	7.4	0.7	0.6	0.5	5.0	3.5	3.3	7.1	5.3	4.9	1.3	1.2	1.1	4.0	4.0	4.5
Vocento	SPAIN	0.94	113	7.0	8.3	7.2	0.4	0.4	0.3	3.6	2.8	2.4	5.4	4.4	3.6				5.1	5.3	
Sanoma	FINLAND	13.62	2,223	20.7	18.0	16.3	2.3	2.2	2.1	8.7	7.9	7.4	18.2	16.7	15.1		3.0	2.9	4.0	4.2	4.4
Wilmington	UNITED KINGDOM	2.15	188	1586%	14.2		1.8	1.7		9.3			12.4	11.0					2.8	3.1	
PRINT MEDIA AVERAGE				11.6	10.4	8.5	1.2	1.0	0.8	6.0	4.4	3.6	9.6	8.2	6.3	1.9	2.1	1.9	3.0	3.2	3.3
PRINT MEDIA MEDIAN				11.1	9.1	7.4	0.8	0.7	0.5	5.7	3.5	3.3	8.9	6.8	4.9	1.9	2.1	1.9	3.4	3.5	3.6
Roularta (consolidated)	BELGIUM	19.00	250	26.6	10.5	9.0	0.3	0.3	0.2	4.5	2.7	1.8	20.1	5.1	3.2	1.2	1.3	1.2	5.3	5.3	5.3
% prem./disc. vs median				138.9	16.1	20.8	-58.0	-63.2	-66.4	-21.2	-21.4	-45.6	127.0	-25.1	-35.3	-33.4	-37.9	-33.5	56.0	49.8	46.7

Source: Merodis, Factset

P/E valuation relative to the sector

A recent normalisation driven by regained profitability momentum

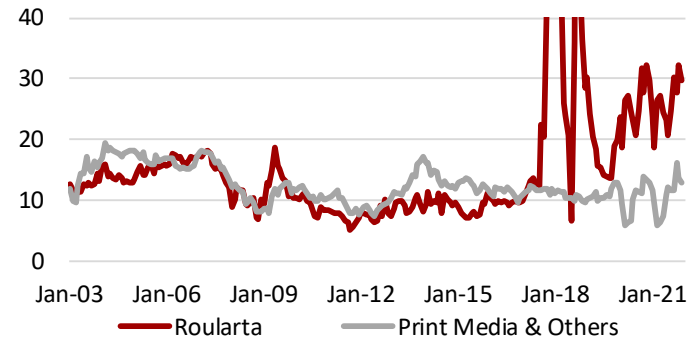
Valuation

On consensus EPS estimates, Roularta shares trade at a P/E 12M forward of 29.8x, a hefty premium versus Print Media peers in Europe (currently at a median of 12.9x). 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.

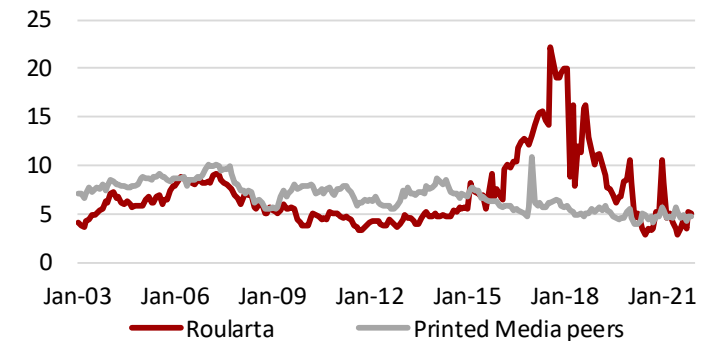
As a reminder, Roularta disposed of its stake in Medialaan in 2018, which means Roularta is now a Print Media pure play compared to the past when TV broadcasting (through Medialaan) was the main profit contributor and the key value driver of the stock (in 2016, 73% of Roularta's EBIT and 80% of its EPS was generated by Medialaan). The rerating compared to the Print Media sector is driven entirely by the share price performance since October 2017 as well as the sharp cut in Roularta's earnings estimates due to launching costs in digital initiatives such as Storesquare (discontinued as from 2019).

The Print Media sector is valued at 12.9x P/E 12M forward (from 12.9x in December 2020, ie. flat y-o-y) and at 4.8x EV/EBITDA 12M forward (unchanged y-o-y), which compares to a 18-year average of 12.5x and 6.8x respectively. The historical valuation range for the sector is 5.9x-19.4x (P/E) and 3.9x-10.9x (EV/EBITDA), which suggest that the sector remains at the low-end of its historical range on both multiples.

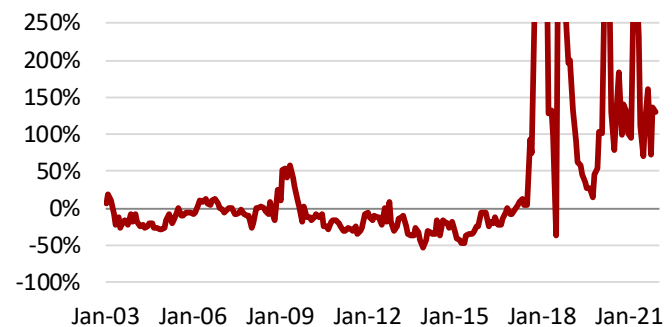
P/E ratio of Roularta vs. Print Media



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



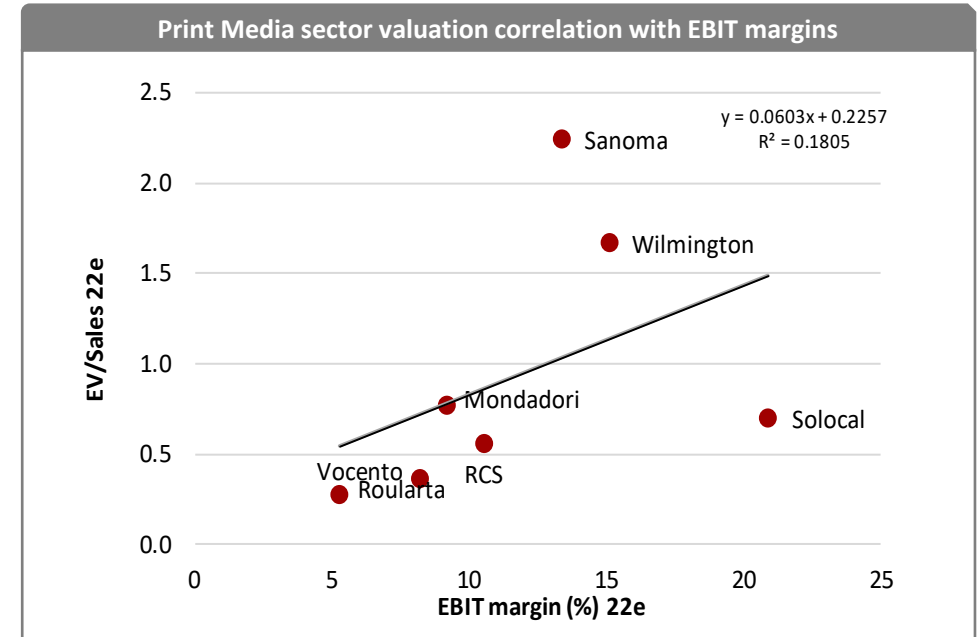
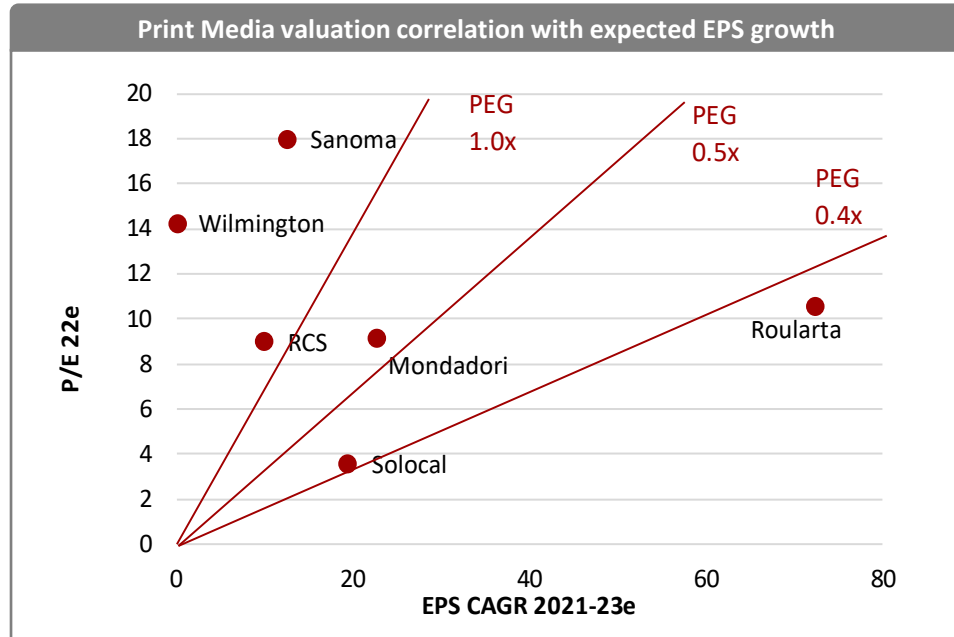
Source: Merodis, Factset

Fair value estimate

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

Roularta updated sum-of-the-parts										
(EURm)	Ownership (%)	Adjusted EBIT 22e	Discount to peers	EV/EBIT multiple 22e	Net debt 19e	Value	Equity value/sh.	Value split	Value w/o discount	
RMG	100%	19.0	0.0	8.2		155.5	18.9	83%	155.5	
Group enterprise value						<u>155.5</u>			<u>155.5</u>	
- Net Financial Debt/(cash) (21e)						92.5			92.5	
- Other liabilities (21e)						-5.3			-5.3	
+ NPV tax asset (balance sheet)						5.2			5.2	
+ Equity value of Mediafin stake	50%					43.5	3.3	15%	43.5	
+ Immovlan stake	35%					7.5	0.6	3%	7.5	
= Estimated market value of equity						<u>299.0</u>			<u>299.0</u>	
Total share outstanding (m)						13.1			13.1	
Equity value per share						22.8			22.8	

Source: Merodis, Factset



Source: Merodis, Factset

Sales growth expectations

Impacted by cyclical and structural effects

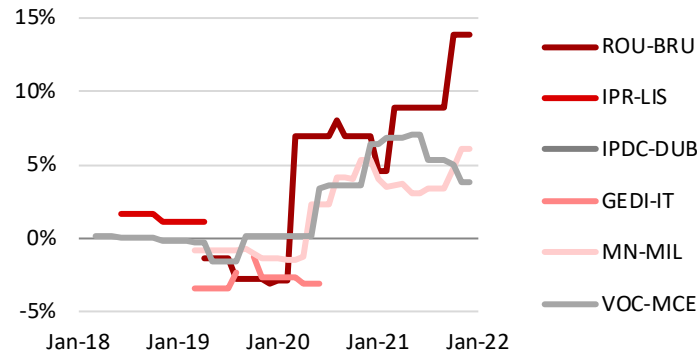
Expected Sales Growth

At the end of December, consensus expectations for 2021 Print Media sales growth stood at +4.9% (up q-o-q from +4.4%) and vs. -1.3% at the start of 2020, reflecting the impact of the Covid-19 rebound. As a reminder, we expect Roularta sales to grow by 19% in FY21e with organic growth of c. 11%.

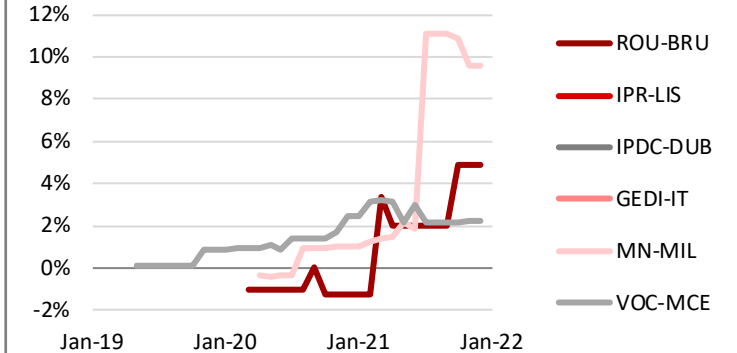
Roularta has engaged in a number of acquisitions and disposals over the past 4 years, leading to a repositioning of the company towards more focus on magazines and printing in Belgium and in neighbouring countries. These transactions impede, however, on the comparability of the accounts from one year 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.

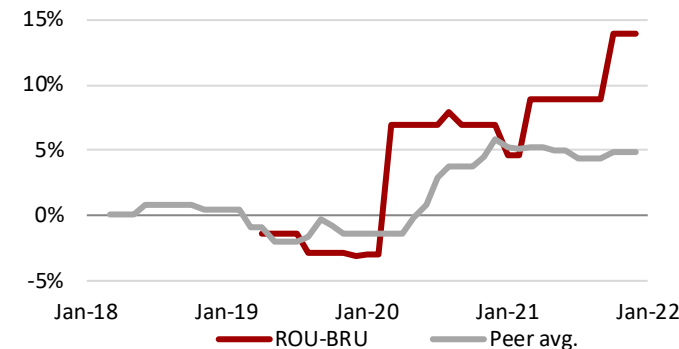
2021 expected sales growth (%)



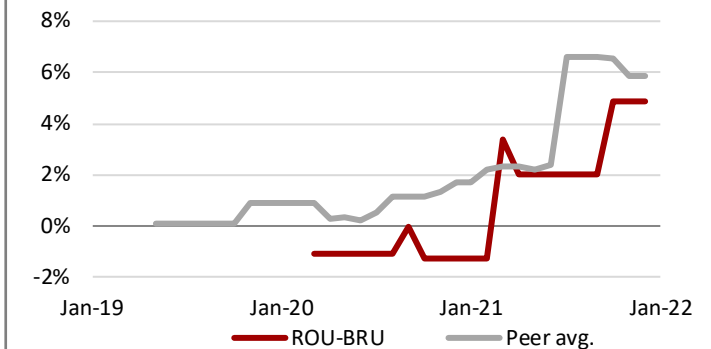
2022 expected sales growth (%)



2021 expected sales growth, Roularta vs. peers



2022 expected sales growth, Roularta vs. peers



Source: Merodis, Factset

EBITDA growth and margin expectations

Advertising revenue pressure continues to hurt margins

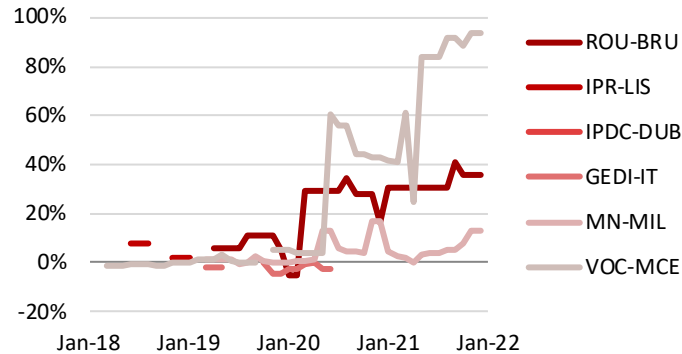
EBITDA expectations

At the end of December, expected consensus EBITDA growth for 2021e at Roularta lies at +35.7% (vs 16.2% in December 2020), compared to the peer average of +53.2% (from +48.5% previously expected). Margin expectations remain below the peer average for 2021.

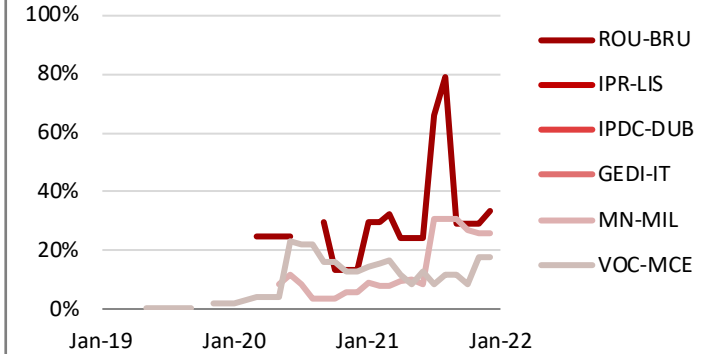
Note that consensus changes to EBIT or EBITDA at Roularta are not interpretable in a straightforward manner. In Roularta's case, its reported EBITDA margin (as reflected by Factset consensus) is positively influenced by the IFRS 11 treatment of its 50% stake in Mediafin (from March 2018), whereby 50% 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 2018. Sanoma's contribution is included in the consolidation scope from July 2018, as reflected in our forecasts. Finally, we have added the Bayard JV as being fully consolidated since April 2021 with the buyout transaction (and ensuing 100% ownership). We have also added the contribution of the NSM acquisition as from Q1 2022, with an expected accretive impact driven by a estimated reasonable price paid (MERe 4x EBITDA) and NSM high margins (11.6% EBITDA margin vs Roularta's 7.7% in 2021e)

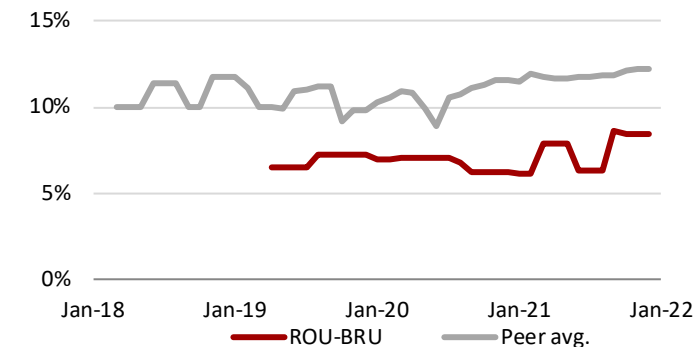
2021 expected EBITDA growth (%)



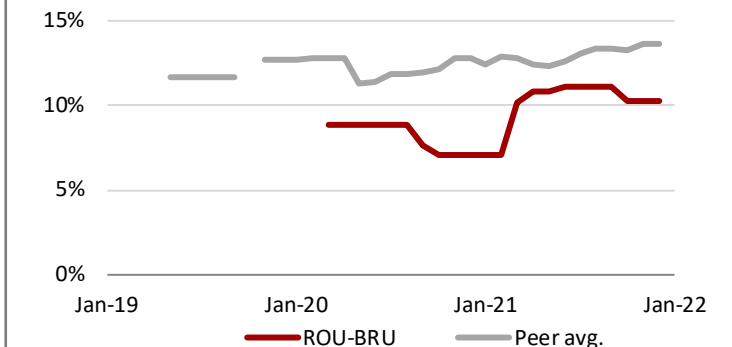
2022 expected EBITDA growth (%)



2021 expected EBITDA margin, Roularta vs. peers



2022 expected EBITDA margin, Roularta vs. peers



Source: Merodis, Factset

Consensus payout expectations

Stable dividend outlook backed by a strong balance sheet

Dividend payout

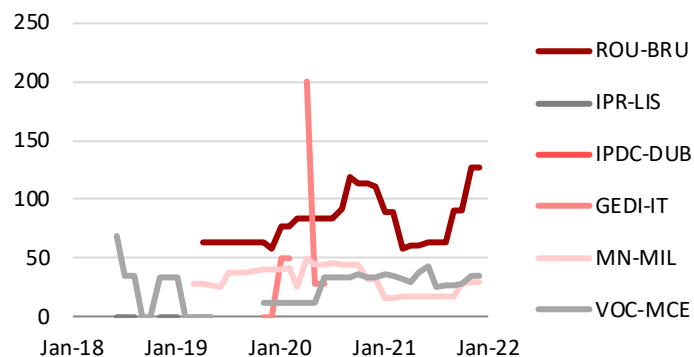
Roularta announced on 5 March 2021 that an ordinary dividend of EUR 1/share would be paid out on 2020 earnings. The amount is double the level we would normally expect and the purpose of this higher payout is to compensate for the decision to scrap the dividend last year due to the Covid-19 crisis and the resulting lack of visibility caused by the pandemic at the time.

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% (2002-2006) and broadly in line with the Sector average.

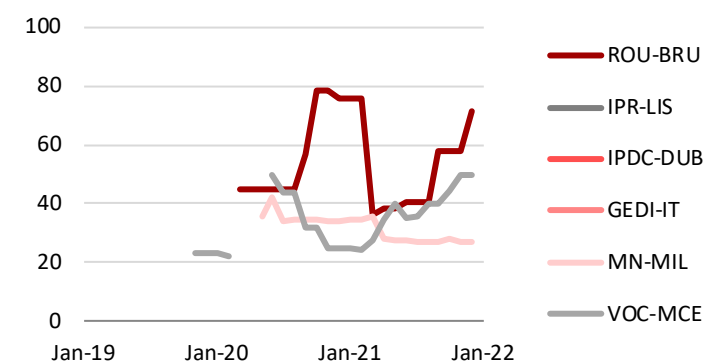
Consensus expects Roularta to pay out a dividend of EUR 0.75/share in 2022e (vs. EUR 1/share MERE, in line with the company's guidance).

Going forward, we believe that a EUR 1/share dividend in the next years is sustainable given the €83m net cash position reported in 1H21. 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) or used as M&A currency (although we do not expect any major/disrupting acquisitions in the future).

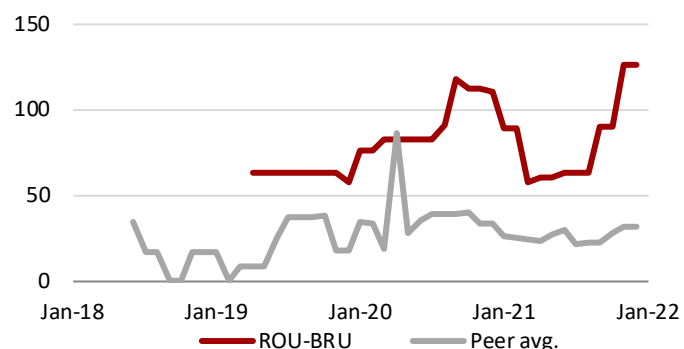
2021 expected Payout, Sector



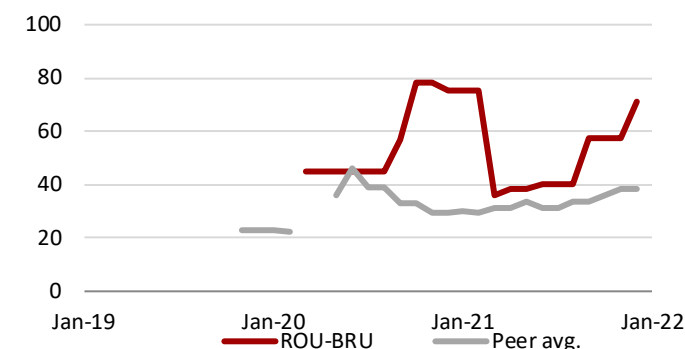
2022 expected Payout, Sector



2021 expected payout, Roularta vs. Peers



2022 expected payout, Roularta vs. Peers



Source: Merodis, Factset

Leverage expectations

No longer an issue post the Medialaan disposal

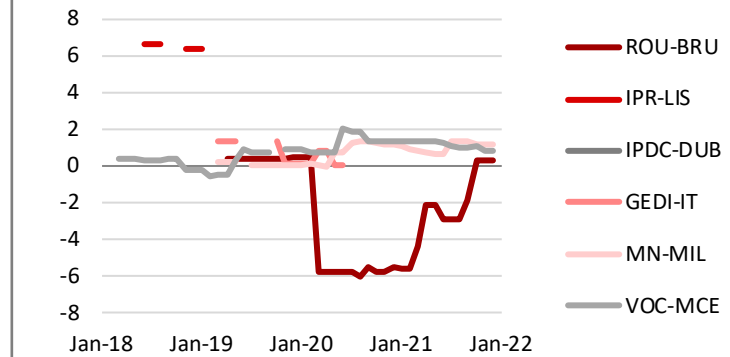
Net-debt-to-EBITDA

The level of expected financial leverage in the Media Sector was high in 2011 and 2012 and again in 2014 (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 2014 but has reached a net cash position of €86m at the end of 2020, 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 2018.

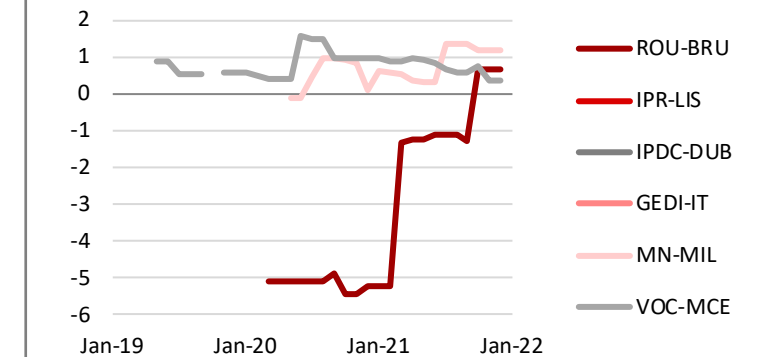
As a reminder, Roularta has paid back its €100m bond in 2018 and benefited from the first full-year impact in 2019. The company had a covenant threshold of 3.5x net debt over EBITDA based on annual EBITDA including the company's share of Mediafin's and Bayard's net profit.

Going forward, this has become a non-issue given our forecast of a net cash position of €102m at the end of 2022e. However, we are well above consensus which stands, according to Factset, at a net cash position of EUR 41m.

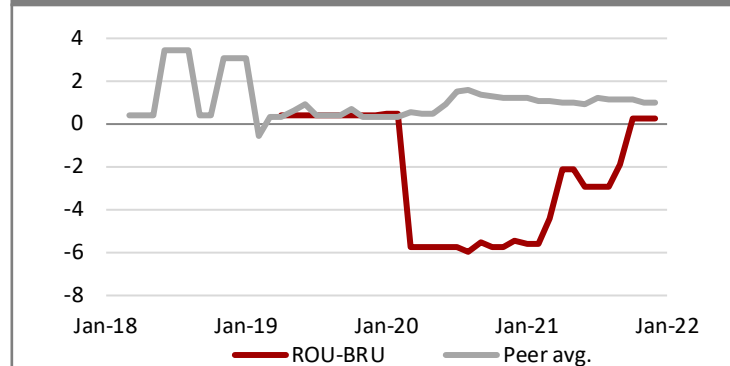
2021 NFD/EBITDA, sector



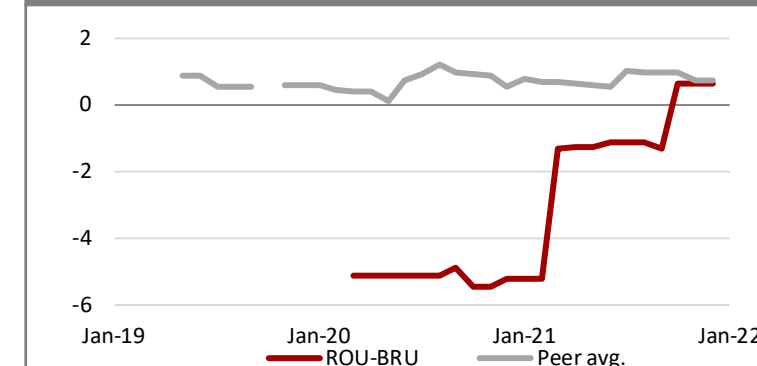
2022 NFD/EBITDA, sector



2021 NFD/EBITDA, Roularta vs. Peers

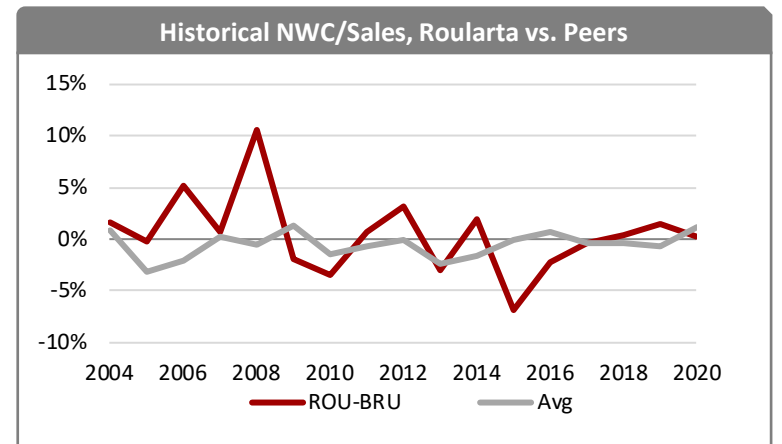
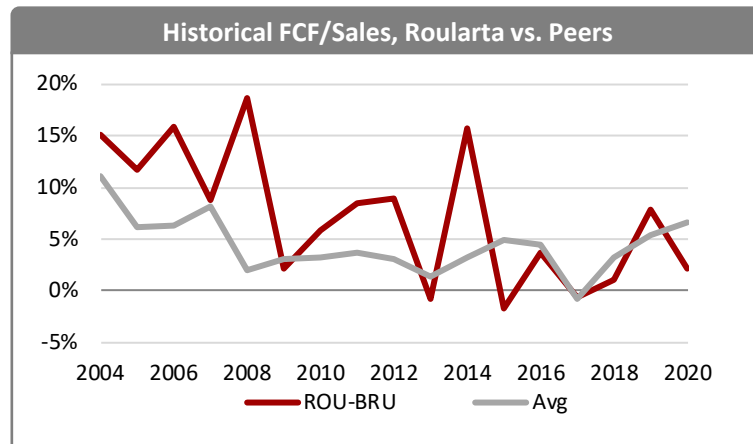
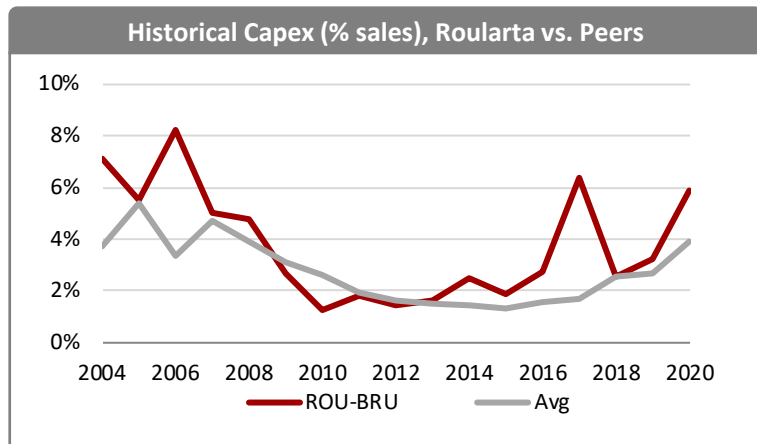
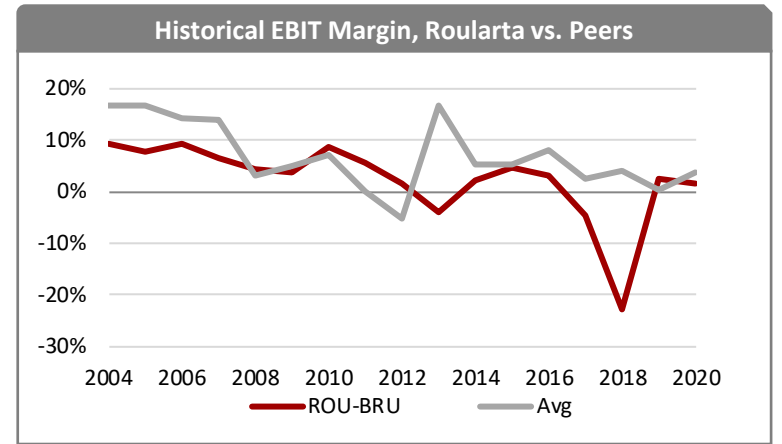
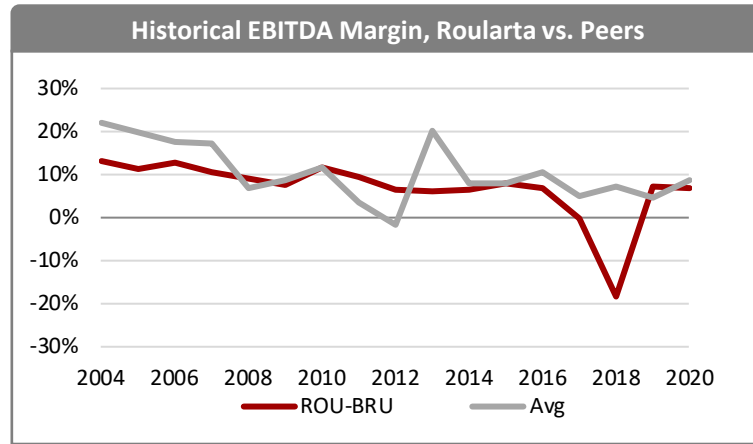
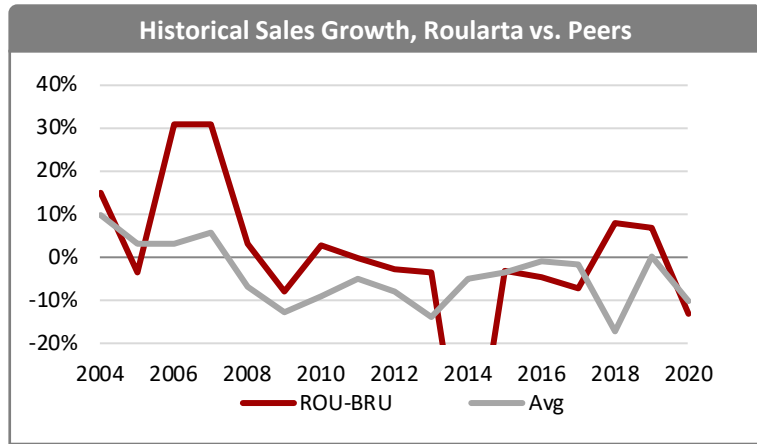


2022 NFD/EBITDA, Roularta vs. Peers



Source: Merodis, Factset

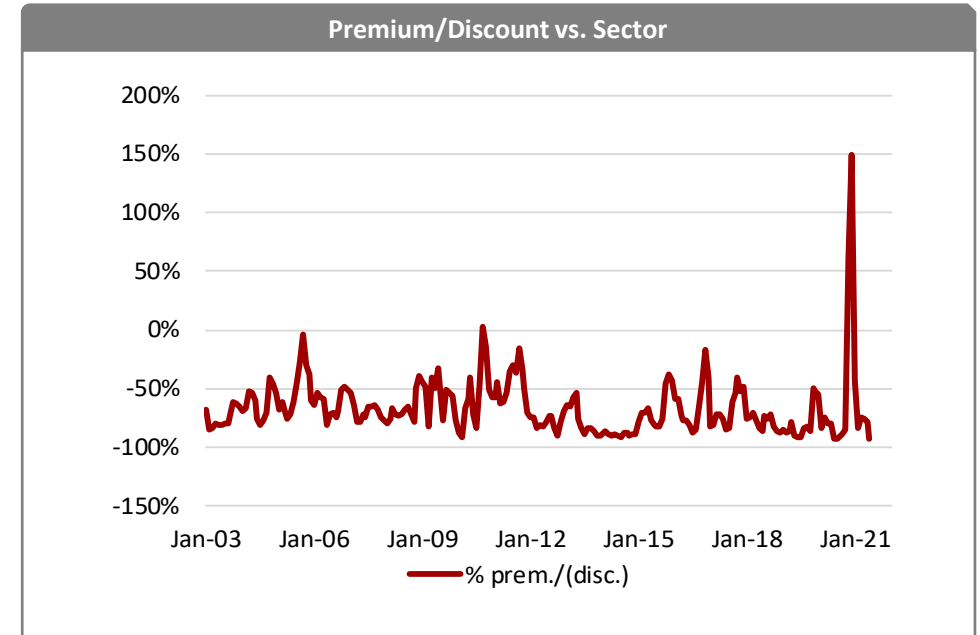
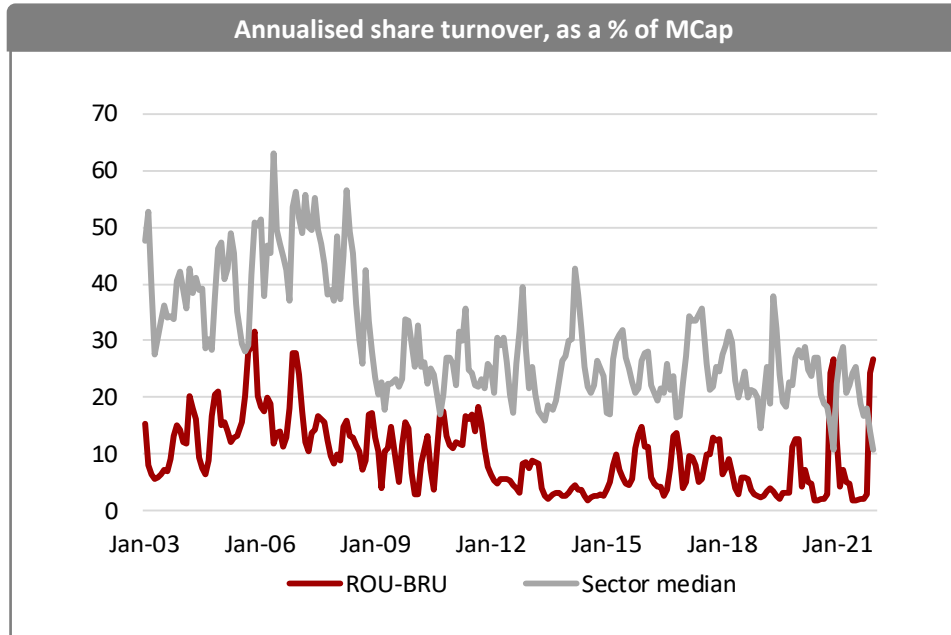
Historical P&L, CF and Balance Sheet Performance



Source: Merodis, Factset

Share liquidity

Well-below peers



Source: Merodis, Factset

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