



## 1H17 review - TP cut to € 18.5, Hold maintained

**Challenging times for traditional media:** On Monday, Roularta reported half-year results that fell 1% short on combined revenues, and 39% on combined EBITDA. While a large part of this sharp decline in profitability can be attributed to substantial negative operating leverage in print, the group is investing extensively (mostly opex) in innovation and future growth. This includes projects such as Mobile Vikings, Storesquare, Proxistore, Stieve, etc. Moreover, big ad spenders such as FMCG are cutting their budgets for traditional media and content costs are rising.

**TP down to € 18.5, Hold rating maintained:** The company's guidance for a comparable advertising picture to 1H17 in 3Q17 suggests that TV advertising will continue to decouple from a strong macro environment. Looking ahead to 2019, which will be marked by much lower operating lease payments (€ -9m yoy), lower financial expenses (€ -4.5m yoy), and new MVNO wholesale conditions, our EBITDA (consolidated) forecasts now sit at € 29m (down 34%) and net income at € 19m (down 46%). As a result, our TP falls to € 18.5, implying a 12x P/E and 8% FCF yield valuation on 2019 estimates. We reiterate our Hold rating but point out that our forecasts assume an improvement in Audiovisual as of 2018 (growth from new initiatives such as NEO, Trinity, Stieve, and mobile telecom services) and some fixed cost reductions for print (€ 4m/annum).

**Large estimate cuts:** Due to a structural decline in print advertising, falling third-party printing sales (low margin), a lack of restructuring, continued investments in the digital portfolio and increased D&A, we now forecast 5.4% and 4.0% declines in Printed Media sales in 2017 and 2018, with EBIT declining to € -2.2m this year and to € -5.3m in 2018. With regards to Audiovisual Media, we have reduced our sales and net income forecasts by 1% and 20% resp.

**Traditional TV in a pickle, but new "Stieve" offers potential:** On Monday, Medialaan announced the revamp of its online TV platform, Stieve, which contains either the "Free" version or the subscription service, called Stieve "Premium". The latter offers live TV, a catch-up option (6 days), 18 TV channels (incl. those of Medialaan, SBS, VRT, Discovery, and FOX), and viewing on all screens. Given the 1) broad channel offering (almost 90% of TV viewers in Flanders watch these channels), 2) increasing appetite for OTT services and on-demand TV offers, and 3) attractive price level (€ 9.99/month), we consider Medialaan is offering an attractive complement (or substitute?) to a traditional TV subscription. Combined with its mobile activities, the company can basically offer a 'double-play' telecom pack targeted at the millennial generation.

**Other pockets of growth?** If the BIPT's recently-proposed regulations are approved at the European level, Medialaan could even consider reselling broadband-only services via the cable and fiber networks of the major telecom operators. Also, via its JV (NEO, Trinity) with De Persgroep Publishing, Medialaan could generate targeted ad growth for other online media such as i.a. [vtm.be](http://vtm.be) and Stieve "Free".

### Summary of 2017 / 2018 estimates

		FY15	1H16	FY16	1H17A	% growth	FY17E	FY18E
<b>Group</b>	Adjusted sales (combined)	471.0	240.9	476.4	232.7	-3.4%	463.4	461.9
	% growth	-1.2%	1.2%	1.1%	-3.4%	-4.6%	-2.7%	-0.3%
	Adjusted sales (consolidated)	290.2	143.0	276.5	132.6	-7.3%	259.9	249.3
	% growth	-3.1%	-4.8%	-4.7%	-7.3%	-2.5%	-6.0%	-4.1%
	EBITDA (cons.)	33.6	19.9	34.4	8.8	-55.7%	18.8	18.7
	% margin	11.6%	13.9%	12.4%	6.7%	-7.3%	7.2%	7.5%
	EBIT (cons.)	31.4	16.2	24.9	3.4	-79.1%	8.1	8.2
	Net income	64.4	14.7	21.5	1.3	-91.2%	5.1	6.2
	CFO	-2.6	6.9	14.8	6.2	-9.9%	15.4	16.5
	Capex	-5.5	-3.9	-7.5	-2.7	-30.5%	-6.0	-6.6
Net debt	76	79	57	59	-25.0%	38	14	
<b>Print</b>	Sales (comb.)	308.1	152.1	295.2	142.4	-6.4%	279.3	268.1
	% growth	-3.6%	-3.9%	-4.2%	-6.4%	-2.5%	-5.4%	-4.0%
	EBITDA (comb.)	18.8	10.5	20.6	2.9	-72.4%	9.2	5.9
	% margin	6.1%	6.9%	7.0%	2.0%	-4.9%	3.3%	2.2%
	Net income	55.6	4.1	5.3	-6.0		-6.8	-8.8
<b>Audiovisual</b>	Sales (comb.)	164.1	89.4	182.7	90.7	1.4%	185.6	195.4
	% growth	3.4%	11.3%	11.4%	1.4%	-9.9%	1.6%	5.3%
	EBITDA (comb.)	31.9	18.1	31.2	13.5	-25.2%	25.0	28.5
	% margin	19.5%	20.2%	17.1%	14.9%	-5.3%	13.5%	14.6%
	Net income	16.4	9.8	15.0	6.5	-33.6%	10.7	13.8

Source: KBC Securities, Company Data

### SOTP Valuation 2018

	Method	Multiple	Driver	EV
<b>Print (ex.JV)</b>	EV/EBITDA	6.5x	€ 2.7	€ 17.5
	DCF-based EV			€ 87.0
	Average Enterprise Value (RMG ex. JV)			€ 52.3
<b>Audiovisual</b>	Adjusted P/E	14.0x	€ 12.3	€ 172.3
	DDM	7.4%	€ 12.9	€ 174.4
	Average Equity Value (Audiovisual)			€ 173.3
<b>Bayard</b>	Adjusted P/E	12.0x	€ 2.1	€ 25.2
	DDM	7.4%	€ 1.7	€ 23.1
	Average Equity Value (Audiovisual)			€ 24.2

"-" Provisions	€ 6.9
"-" Net financial debt	€ 13.9
"-" Off-balance sheet liabilities	€ 4.2
"-" Non-operating liabilities	€ 5.7
"-" Minorities	€ 2.3
"+" Financial assets	€ 0.0
"+" Non-operating assets	€ 22.9
"+" Deferred payments sale of France	€ 0.8
"+" MVNO option	€ 19.0

Total (€m)	€ 259.6
Conglomeration + liquidity discount (%)	10%
<b>RMG Equity value</b>	<b>€ 233.6</b>
Number of shares (m)	12.6
<b>Target price</b>	<b>€ 18.5</b>

Source: KBC Securities, Company Data