

18 September 2017

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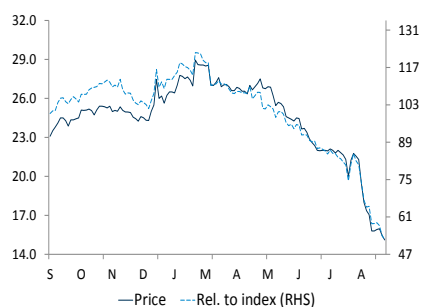
ROULARTA

Flemish gov't assigns licenses to network radios

MEDIA
BELGIUM

CURRENT PRICE €15.11
TARGET PRICE €18.50

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	ROU BB
Reuters	RLRT.BR
www.roularta.be	
Market Cap	€198.4m
Shares outst.	13.1m
Volume (daily)	€56,910
Free float	26.4%

Next corporate event

Results FY17: 12 March 2018

(€m)	2016	2017E	2018E
Sales	276.5	259.9	249.3
REBITDA	34.4	18.8	18.7
Net earnings	21.5	5.1	6.2
Adj. EPS (€)	1.76	0.46	0.49
P/E (x)	13.7	32.6	31.1
EV/REBITDA	9.3	10.7	10.4
FCF Yield	2.4%	5.0%	5.2%
Dividend yield	2.1%	0.9%	1.0%

Ruben Devos

+32 2 429 58 43

ruben.devos@kbcsecurities.be

News: Last Friday, the Flemish Government assigned four radio licenses to network radios, among which SBS Belgium, de Vrije Radio Omroep, Stadsradio Vlaanderen and Hit FM.

Background: On 15 July 2016, the Flemish Government determined that from 2018 onwards it would be possible to launch broadcasting via “radio networks”. These radio broadcasters would not have national coverage but would be able to reach various urban regions (covering at least 50% of Flanders). Moreover, the Flemish Government decided to extend the analogue FM frequencies until 2021 to the national radio broadcasters under the condition that they would broadcast digitally as well (via DAB+) by 1 Sep’18.

SBS on the TV market: Last year, SBS Belgium as second largest commercial TV broadcaster (after Medialaan) launched a third TV channel, “Zes” and reached a combined market share of 17.8% in the category VVA 18-54. The company’s ambition is to expand its share to 20% of the market by 2019.

Medialaan loses market share in radio: According to the latest CIM figures, Medialaan (as largest commercial radio broadcaster) reached a combined market share (in the category 11+) of 18.3% (from 21.2% the year before). The public broadcaster held a market share of 62.2%.

TV down, radio up: At 1H17, Roularta reported an organic sales decline of audiovisual media of 3% as a result of lower ad sales from TV, partly offset by radio (+2.6%), and “other” income (+15%). The company’s guidance for a comparable advertising picture to 1H17 in 3Q17 indicates that TV will remain difficult, likely due to ad buyers allocating a higher share to alternative media channels such as short-form video, social media, mobile, online, etc.

Our view: Of the four network radios, SBS Belgium will most likely represent the toughest competition for Medialaan given its ties with Telenet (owns 50% of shares in the parent company of SBS Belgium) and its strong commercial position in the Flemish media landscape.

Medialaan generates roughly one third of its EBIT from radio, indicating that its margins are far higher than those of TV, line extensions, VOD, etc. In 2016, we estimate that radio revenues represented “only” 13% of total audiovisual media whereas TV revenues accounted for 61%.