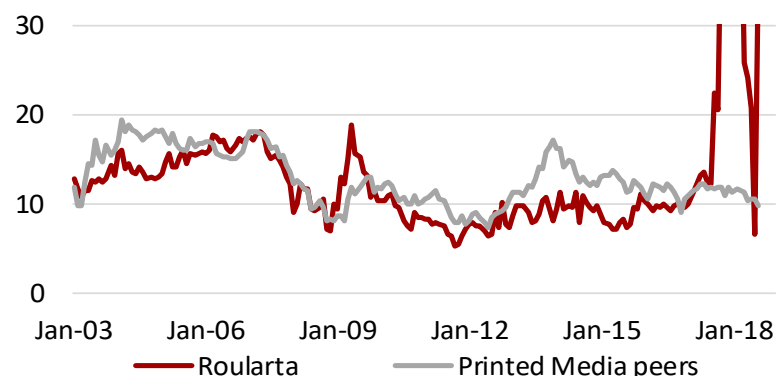




Roularta P/E vs European peers



€m	2014	2015	2016	2017	2018e	2019e	2020e
Sales	300.1	291.9	278.6	258.3	282.8	304.3	289.8
EBIT	3.9	12.3	6.7	-13.0	-68.1	-7.6	-7.4
Net profit	-142.5	64.4	21.5	-10.9	78.4	-0.8	-0.8
EPS (€)	-10.98	4.92	1.65	-0.84	6.01	-0.06	-0.07
DPS (€)	0.00	0.50	0.50	0.00	5.00	0.00	0.00
P/E (x)	na	3.2	14.7	na	2.9	na	na
Yield (%)	0.0	3.2	2.1	0.0	28.6	0.0	0.0
Adj. EV/EBIT (x)	36.0	9.6	32.7	na	na	na	na

Source: Merodis Equity Research, Factset
Pricing date: 31/08/2018

Market review and peer benchmarking

5 September 2018

Key monthly insights

H1 2018 review: weak top-line - as expected, stronger-than-expected margin pressure offset by strong cash flow

Roularta reported a weak set of interim results on 17 August, negatively impacted by lower-than-expected cost control (mainly at the level of opex excluding COGS). The net profit of €75.6m (vs. MERE €142.8m) was further hit by a significant non-cash (intangible asset) impairment which wiped-off almost half of the Mediaaan capital gain. Cash flow was, however, strong as witnessed by the reported €169m net cash position (€106m post the special dividend paid out on 19 July) as well as management's guidance for a net cash level of €80m by year-end (vs. our previous net cash forecast of €69m). Sales, down 5% due to advertising revenue weakness, were in line with our forecasts, which had been adjusted downwards following the profit warning dated 9 July. Although Opex was down 4.2%, this was mainly due to lower COGS (paper-price related), while Opex ex-COGS was down only 1.7%. As expected, Roularta booked a €146m capital gain on the Mediaaan disposal, which was partly offset by an unexpected €63m intangible asset impairment relating to the value of a number of magazines titles (mainly, it seems, Le Vif/L'Express and Tendances as well as some free press titles). The cash flow was positively impacted by working capital management as well as a number of unexpected one-off items such as a €3.4m dividend from Mediafin (acquired in early 2018) and a €4.6m interest payment on the Mediaaan disposal. In addition, we were positively surprised by the purchase price for the Sanoma assets (€25m with €8m paid in June, the remainder in two instalments in Dec-18 and in Jun-19; vs. MERE €33m). In terms of guidance, Roularta remains, as usual, quite conservative. Top-line indications point to 3Q18 trends in line with 1H18, which suggests ongoing weakness for the entire group except online ad, which grew by 7% y-o-y but represents 8% of group sales, and the readers' market which is expected to be stable thanks to the high level of subscriptions. Management expects a positive contribution as from 2H18 from the Sanoma magazine titles. We have revised our forecasts accordingly. Going forward, we would expect more focus on containing Opex (ex-COGS) trends in line with sales.

Next steps in Roularta's improving equity story

The next steps in Roularta's equity story are: (1) from end-2018, unwinding of the Econocom leasing contract (€9m pa opex savings) and (2) repayment of €100m bond in 2019 (€5m annual cost saving), (3) expected latent tax loss write-back of €15m in 2019 and (4) full-year impact in 2019 of Mediafin and Sanoma acquisitions with an expected positive bottom-line effect.

Valuation assessment

Our fair equity value estimate is cut to €19.9/share (from €17.8), thanks to the positive cash effects mentioned above. We value Print Media at an EV of €98m including the Sanoma magazines, assuming an unchanged equity value of €0 for Roularta's existing print business. We believe the business has 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, which highlights a clear re-rating potential.

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 (see below)
- ➔ 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

- ➔ Friday, 1 March 2019: Announcement of FY18 results (08.15AM CET; Analyst meeting at 2PM)

Access our recent research reports on Roularta:

- ➔ ["Back on its feet" \(initiation\), 14 October 2015](#)
- ➔ ["When the going gets tough" \(update\), 28 August 2017](#)
- ➔ ["July 2018 market review" \(monthly dashboard\), 2 August 2018](#)

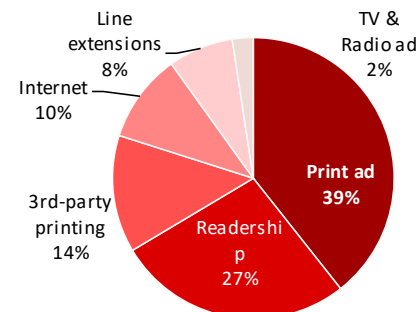
Company description

Roularta is Belgium's leading media company offering

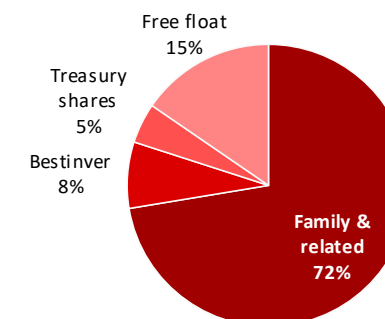
- (1) local weekly free newspapers in Flanders (Deze Week, De Zondag, Steps),
- (2) nationwide weekly news, business and women magazines (Knack, Le Vif L'Express, Trends, Trends Tendence, Libelle/Femme d'Aujourd'hui and Flair and Feeling/Gael),
- (3) internet platforms (Storesquare, Digilocal, Proxistore,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

Combined group sales are almost entirely generated in Belgium through (1) Print Media Advertising (40% of group in 2017, ie. excluding the Sanoma acquisition), (2) Readers Market (subscriptions and newsstand sales) (28%), (3) Third-Party Printing (14%), (4) Internet advertising and related (10%) and (5) other sources of revenues (inc. Line Extensions) (8%). Roularta's consolidated accounts include the full contribution of its Print Media activity (advertising and readers market ex-Bayard, internet activity, line extensions and third-party printing). The 50% stakes in Mediafin and Bayard are equity-accounted. The company acquired the women magazines in an asset deal with Sanoma (June 2018), with sales in the region of €70m for a consideration of €34m. The company recently restated its business segmentation to include two activities: Media Brands (86% of group sales in 1H18) and Printing Services (14%).

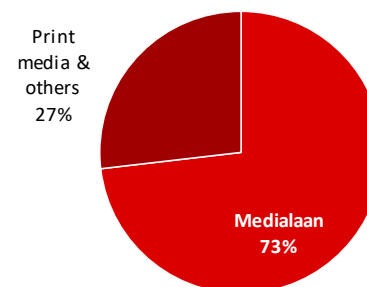
Combined sales breakdown (2017)



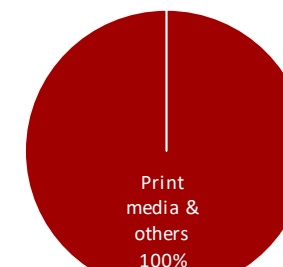
Shareholders



Combined EBIT breakdown (2016)



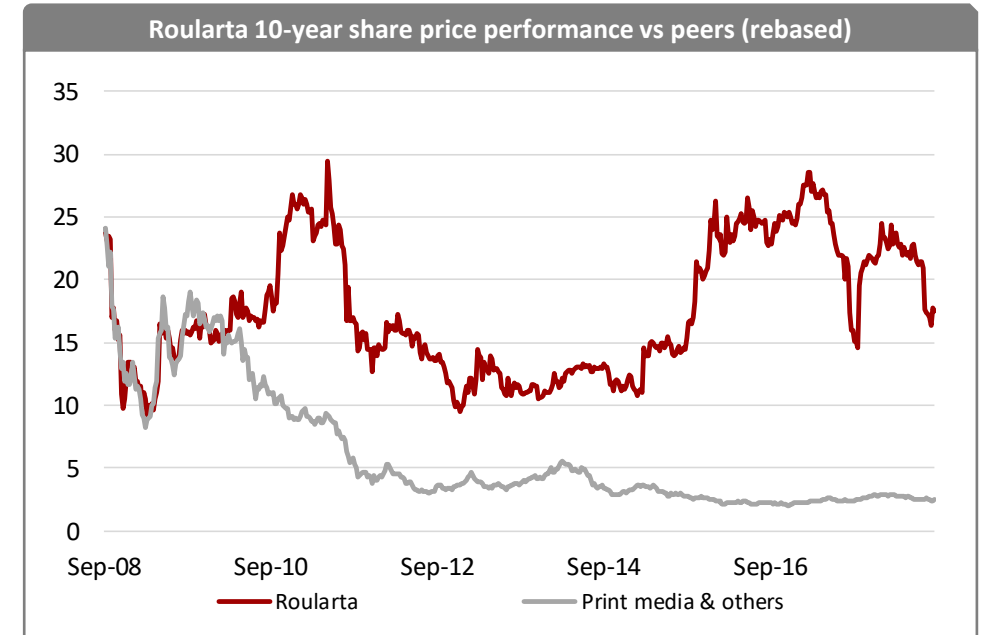
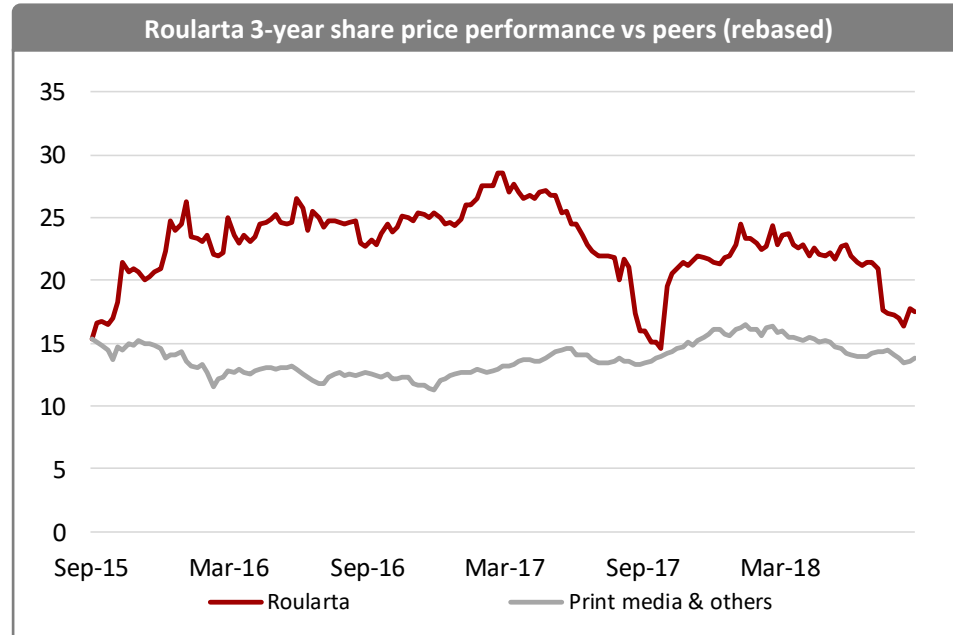
Consolidated EBIT breakdown (2017)



Source: Merodis, Factset

Share price performance

Under pressure since 1Q17, with major transformational deals to the rescue



Source: Merodis, Factset

Analyst Recommendations, Earnings Expectations

Consensus has stabilised

Consensus view

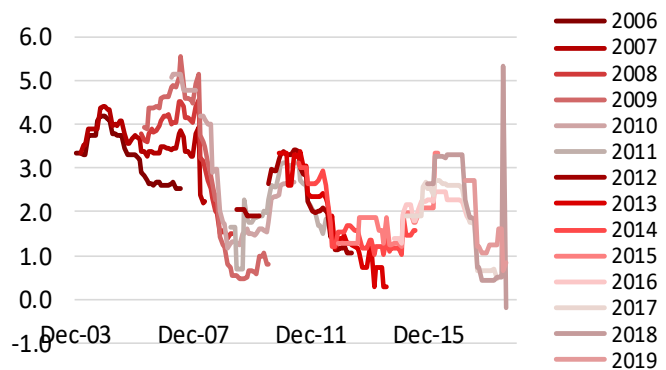
2018 consensus EPS estimates for Roularta are back down sharply m-o-m, due to the rather weak results reported in August as well as the unexpected impairment which offset the capital gain in the disposal of the Mediaaan stake. We have adjusted our estimates, taking into account the 1H18 results.

Consensus currently expects a 2018e EPS of €-0.19 which compares to our forecast of €-0.73 (excluding the capital gain on Mediaaan; vs. €-0.26 previously expected) and €6.01 (including the one-time items), while 2019e consensus earnings are at €0.83 (up 26% m-o-m) vs. our forecast of €-0.06, reflecting mainly the persistent top line weakness as well as high start-up losses within the digital activities, which we expect to offset the full-year effect of the end of the leasing contract with Econocom (end-2018) and the repayment of the €100m bond (also at the end of 2018).

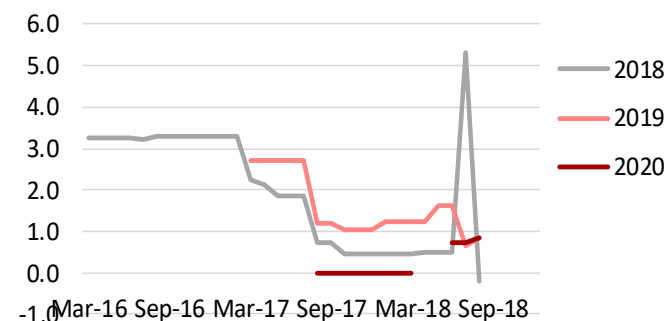
Roularta's share price was under limited pressure following the weak results. The stock is even up 2.3% m-o-m in August. The stock's performance in the month is above that of Print Media peers (-2.3% m-o-m), outperforming the Euro Stoxx 600 (-2.4%) and Belgian SMCs (-2.1%). The shares' low over the last 12 months remains €14.48 (27 September 2017), while its high during the year was €25.4 (26 February 2018).

The two brokers are covering the stock, KBC Securities and Degroof Petercam, with Factset indicating a Hold recommendation for the former and a target price of €16.35.

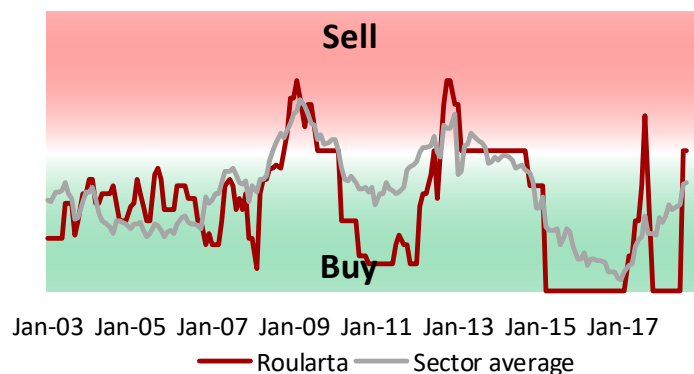
EPS Worms (€/share)



Consensus EPS 2017-19 (€/share)



Analyst recommendations vs. peer average



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

	<u>2018e</u>	<u>2019e</u>	<u>2020e</u>
Sales	-0.9	-3.0	-4.3
EBITDA	-39.8	-80.3	-74.5
EBIT	na	na	na
EPS	na	na	na
DPS	0.0	na	na
Net debt	na	183.3	133.8

Source: Merodis, Factset

Sector benchmarking analysis

Benchmarking Print Media peers and Listed Printing companies

	Company	Freefloat (%) 2018	Liquidity (daily,€m)	Depr/ EBITDA	Capex/ Sales	ND/EBITDA			EBITDA margin (%)			EBIT margin (%)			Net margin (%)			ROE (%)			2018-20e CAGR (%)		
						2018e	2019e	2020e	2018e	2019e	2020e	2018e	2019e	2020e	2018e	2019e	2020e	2018e	2019e	2020e	EPS	EBITDA	Sales
PRINT & OTHER MEDIA	Impresa	36	0.04		2%	8.8	7.5	7.7	10.4	11.5	11.3	8.4	8.9	8.2	3.4	3.9	3.2		5.7	4.2			
	Solocal	95	1.60	12%	7%	2.0	1.4	0.8	25.1	29.4	33.9	5.6	16.7	25.2	-2.1	7.4	12.9					15.0	-0.9
	Gruppo Editoriale			36%	2%	2.5	2.2	2.0	7.3	7.1	7.4	4.0	3.7	3.7	2.0	1.6	1.7	2.4	2.3	1.7	-15.3	-1.6	-2.0
	Mondadori	46	1.28	33%	1%	1.7	1.1	0.8	7.8	8.6	8.8	5.2	5.9	6.1	2.0	2.9	3.1	9.0	10.3	9.6	13.0	5.8	-0.7
	RCS	14	0.41	27%	2%	1.2	0.8	0.6	17.9	18.7	19.1	13.5	14.6	15.0	8.9	10.0	10.3	36.4	29.7	25.4	9.0	3.5	0.3
	Vocento	53	0.09	48%	2%	1.0	0.7	0.4	10.8	11.1	11.0	6.8	7.1	7.3	3.1	3.5	3.9	5.8	6.4	6.5	7.5	1.2	0.3
	Sanoma	37	1.40	-383%	3%	1.1	0.9	0.7	24.6	25.3	25.3	13.5	14.2	14.3	9.2	10.2	10.2	21.7	20.8	18.9	2.6	1.7	0.3
	Connect	99	0.33	55%	1%	1.8	1.7	1.5	3.3	3.6	4.0	2.4	2.7	3.0	1.6	1.7	1.7				12.0	8.0	-2.8
	Tarsus	74	0.25	24%	1%	2.7	1.7	2.0	34.3	38.1	34.9	32.3	37.2	33.6	21.0	25.6	21.1		36.0	21.3	7.9	6.2	5.2
	Trinity Mirror	98	0.30	20%	1%	0.3	0.0	0.1	22.0	23.2	25.3	18.6	19.8	21.7	15.7	17.7	17.1				3.2	6.8	-0.3
	Wilmington	94	0.69	32%	2%	1.5	1.4	1.0	22.0	20.1	20.7	20.1	18.0	18.6	9.8	8.4	9.3				0.5	0.4	3.6
	Independent News	67	0.08	29%	1%	-3.7	-4.9		10.4	9.0		9.0	7.4					23.2	14.9				
	Axel Springer	45	10.07	30%	6%	1.4	0.9	0.7	23.2	24.6	25.4	15.4	16.9	18.1	9.4	10.2	10.9	13.0	14.1	15.1	11.7	8.6	3.9
	PRINT MEDIA AVERAGE	63	1.38	-3%	2%	1.7	1.2	1.5	16.9	17.7	18.9	11.9	13.3	14.5	7.0	8.6	8.8	15.9	15.6	12.9	5.2	5.1	0.6
	PRINT MEDIA MEDIAN	60	0.37	30%	2%	1.5	1.1	0.8	17.9	18.7	19.9	9.0	14.2	14.6	6.2	7.9	9.8	13.0	14.1	12.4	7.7	5.8	0.3
	Roularta (consolidated)	25	0.06	1126%	6%	-21.7	-30.4	-27.5	1.6	1.1	1.2	-1.7	-2.5	-2.6	27.7	-0.3	-0.3	35.1	-0.3	-0.4	na	-12.0	1.2
	% prem./(disc.) vs median	-59	-84.2	3705.6	206.3	-1,561.5	-2,757.3	-3,466.0	-90.9	-94.3	-93.8	-119.4	-117.5	-117.6	350.0	-103.2	-103.0	169.8	-102.3	-103.0	#VALUE!	-306.6	394.9
PRINTING	St Ives	93	0.39	-68%	1%	1.0	1.3	0.8	14.2	13.9	13.5	11.4	11.5	11.7	7.8	8.3	8.7	12.2	12.1	13.9	7.0	3.2	6.0
	QuadGraphics	85	6.29	59%	2%	1.9	1.7		10.1	9.3		4.6	4.4		2.4	2.3			20.3				
	Dai Nippon Printing	69	13.01	57%	3%				8.3	8.4	8.5	3.6	3.7	3.8	2.3	2.5	2.6	3.1	3.3	3.5	na	na	na
	PRINTING AVERAGE	82	6.57	16%	2%	1.5	1.5	0.8	10.9	10.5	11.0	6.5	6.5	7.8	4.2	4.4	5.7	7.6	11.9	8.7	7.0	3.2	6.0
	PRINTING MEDIAN	85	6.29	57%	2%	1.5	1.5	0.8	10.1	9.3	11.0	4.6	4.4	7.8	2.4	2.5	5.7	7.6	12.1	8.7	7.0	3.2	6.0
	Roularta (consolidated)	25	0.06	1126%	6%	-21.7	-30.4	-27.5	1.6	1.1	1.2	-1.7	-2.5	-2.6	27.7	-0.3	-0.3	35.1	-0.3	-0.4	na	-12.0	1.2
	% prem./(disc.) vs median	-71	-99.1	1871.8	204.6	-1,564.0	-2,134.9	-3,553.2	-83.9	-88.5	-88.9	-138.0	-156.8	-133.0	1,078.8	-109.9	-105.1	359.4	-102.7	-104.2	#VALUE!	-476.8	-79.5

Source: Merodis, Factset

Sector valuation summary

Multiple-based valuation

	Company	Country	Price (local)	MCap (local m)	P/E			EV/Sales			EV/EBITDA			EV/EBIT			P/B			DYield		
					2018e	2019e	2020e	2018e	2019e	2020e	2018e	2019e	2020e	2018e	2019e	2020e	2018e	2019e	2020e	2018e	2019e	2020e
PRINT & OTHER MEDIA	Impresa	PORTUGAL	0.25	42	6.1	5.5	7.1	1.1	1.1	1.1	10.9	9.4	9.7	13.5	12.0	13.5	0.3	0.3	0.3	0.0	0.0	0.0
	Solocal	FRANCE	1.04	604		8.5	6.7	1.4	1.3	1.2	5.4	4.4	3.4	24.2	7.7	4.6				0.0	0.0	0.0
	Gruppo Editoriale	ITALY	0.33	158	12.1	12.7	16.9	0.4	0.4	0.4	5.9	5.8	5.6	10.7	11.2	11.1	0.3	0.3	0.3	2.0	2.0	3.1
	Mondadori	ITALY	1.32	343	11.2	9.1	8.8	0.4	0.4	0.4	5.2	4.4	4.0	7.9	6.4	5.8	1.0	0.9	0.8	0.0	0.9	2.1
	RCS	ITALY	0.97	503	6.6	6.0	5.6	0.8	0.7	0.7	4.4	3.9	3.6	5.9	5.0	4.5	2.0	1.6	1.3	2.6	2.6	3.1
	Vocento	SPAIN	1.34	163	12.3	11.6	10.7	0.5	0.5	0.5	5.0	4.7	4.3	8.0	7.3	6.5	0.8	0.7	0.7	0.0	0.0	0.9
	Sanoma	FINLAND	8.94	1,460	11.6	11.0	11.0	1.4	1.4	1.3	5.7	5.4	5.2	10.4	9.6	9.2	2.4	2.2	2.0	4.8	5.2	5.6
	Connect	UNITED KINGDOM	0.31	76	3.1	2.9	2.5	0.1	0.1	0.1	3.3	3.2	2.8	4.5	4.3	3.7				14.4	8.5	13.0
	Tarsus	UNITED KINGDOM	2.95	333	17.4	10.2	14.9	4.5	3.3	3.9	13.1	8.5	11.2	13.9	8.7	11.7	4.2	3.3	3.1	3.6	3.9	4.2
	Trinity Mirror	UNITED KINGDOM	0.69	204	1.9	1.8	1.8	0.4	0.3	0.3	1.7	1.4	1.3	2.0	1.6	1.5				8.8	9.3	9.7
	Wilmington	UNITED KINGDOM	1.83	160	9.2	10.0	9.1	1.6	1.6	1.4	7.4	7.8	6.9	8.2	8.7	7.7				4.7	4.9	4.9
	Independent News	IRELAND	0.09	119	5.8	7.3		0.1	0.0		0.5	0.3		0.6	0.3		1.2	1.0				
	Axel Springer	GERMANY	62.60	6,754	22.3	19.8	17.9	2.4	2.3	2.1	10.5	9.2	8.4	15.9	13.4	11.9	2.9	2.7	2.7	3.3	3.5	3.7
	PRINT MEDIA AVERAGE				10.0	8.9	9.4	1.2	1.0	1.1	6.1	5.2	5.5	9.7	7.4	7.6	1.7	1.4	1.4	3.7	3.4	4.2
	PRINT MEDIA MEDIAN				10.2	9.1	8.9	0.8	0.7	0.9	5.4	4.7	4.7	8.2	7.7	7.1	1.2	1.0	1.1	2.9	3.0	3.4
	Roularta (consolidated)	BELGIUM	17.50	230	2.9	-298.9	-269.1	0.3	0.2	0.3	15.4	22.1	20.6	-1.0	-9.5	-9.8	0.9	1.0	1.0	28.6	0.0	0.0
	% prem./(disc.) vs median				-71.5	-3,402.6	-3,114.1	-68.4	-67.5	-71.7	185.2	373.4	334.9	-112.7	-222.6	-237.5	-19.7	-2.3	-4.1	870.1	-100.0	-100.0
PRINTING	St Ives	UNITED KINGDOM	0.95	146	9.6	9.1	8.4	0.9	0.9	0.8	6.6	6.7	6.0	8.3	8.1	6.9	1.0	1.2	1.1	2.1	2.1	2.1
	QuadGraphics	UNITED STATES	22.77	1,175	11.2	10.8		0.5	0.4		4.8	4.7		10.4	10.1		2.2	2.2				
	Dai Nippon Printing	JAPAN	2,493.00	751,796	22.9	21.0	19.9										0.7	0.7	0.7	2.6	2.6	2.6
	PRINTING AVERAGE				14.6	13.6	14.1	0.7	0.7	0.8	5.7	5.7	6.0	9.3	9.1	6.9	1.3	1.4	0.9	2.3	2.3	2.3
	PRINTING MEDIAN				11.2	10.8	14.1	0.7	0.7	0.8	5.7	5.7	6.0	9.3	9.1	6.9	1.0	1.2	0.9	2.3	2.3	2.3
	Roularta (consolidated)	BELGIUM	17.50	230	-20.9	2.9	-298.9	0.3	0.2	0.3	15.4	22.1	20.6	-1.0	-9.5	-9.8	0.9	1.0	1.0	28.6	0.0	0.0
	% prem./(disc.) vs median				-286.9	-73.1	-2,214.2	-64.7	-65.6	-69.1	171.8	285.6	240.4	-111.1	-204.3	-241.0	-6.3	-16.9	10.3	1,133.4	-100.0	-100.0

Source: Merodis, Factset

P/E valuation relative to the sector

A recent de-rating driven by an accounting impact

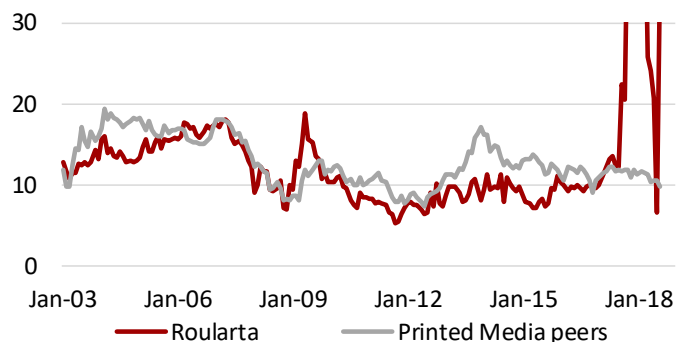
Valuation

On consensus EPS estimates, Roularta shares trade at a P/E 12M forward of 36x, a 269% premium versus Print Media peers in Europe (from a 37% discount in July). The volatility is probably due to the inclusion, within the July consensus, of the capital gain on the disposal of the Mediaaan stake which has been largely offset by the value impairment of the magazine titles.

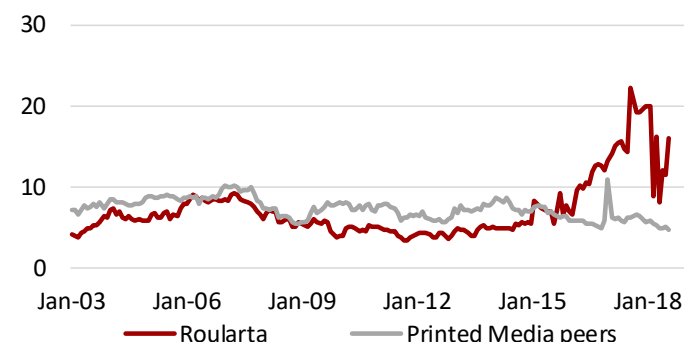
As a reminder, Roularta has disposed of its stake in Mediaaan, which means Roularta is now a Print Media pure play compared to the past when TV broadcasting (through Mediaaan) was the main profit contributor and the key value driver of the stock (in 2016, 73% of Roularta's EBIT and 80% of its EPS was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

The Print Media sector is currently valued at 9.7x P/E 12M forward (vs. 10.4x previously, ie. a sharp de-rating) and at 4.7x EV/EBITDA 12M forward (vs. 5.0x previously), which compares to a LT average of 12.9x and 7.3x respectively. The historical valuation range for the sector is 7x-19x (P/E 12M forward) and 5x-11x (EV/EBITDA 12M forward), which suggest that the sector is 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



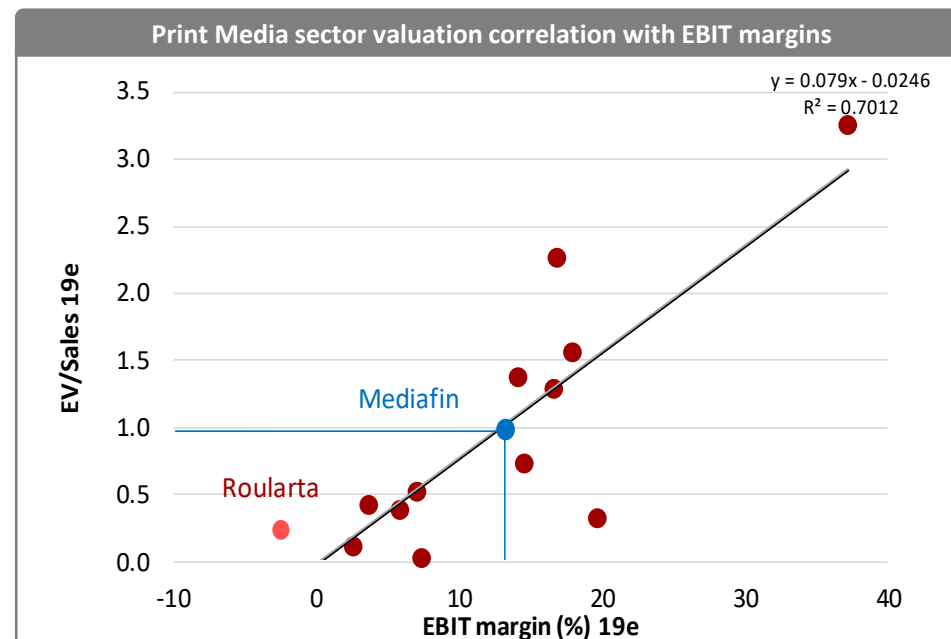
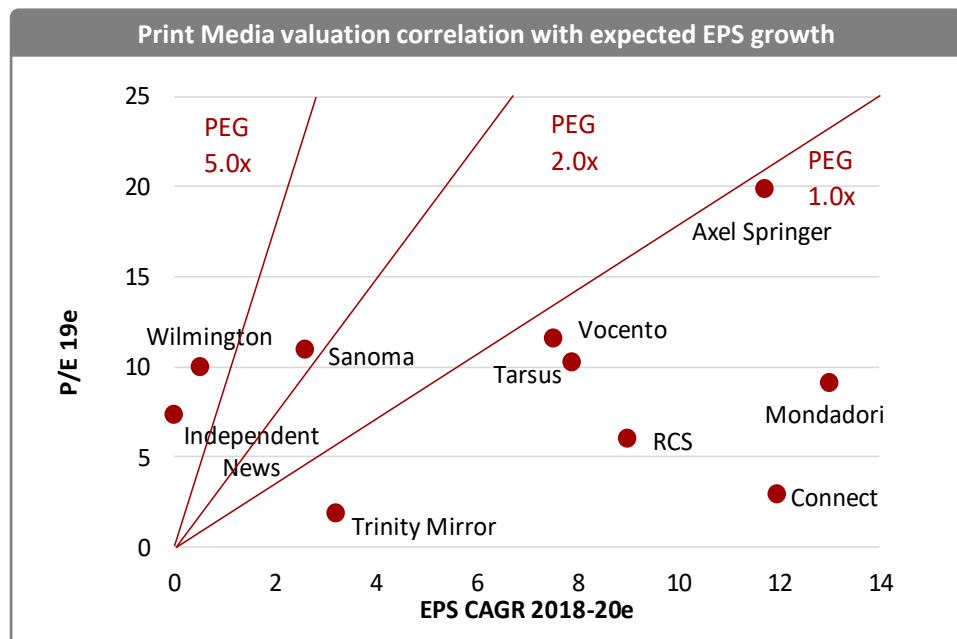
Source: Merodis, Factset

Fair value estimate

Reflecting the Mediaaan disposal, the Mediafin acquisition, since July, the Sanoma acquisition

Roularta updated sum-of-the-parts									
(€m)	Ownership (%)	Adjusted EBIT 18e	Discount to peers	EV/EBIT multiple 18e	Net debt 17e	Value	Equity value/sh.	Value split	Value w/o discount
Print media	100%	-65.5	na	na		98.1	13.9	70%	98.1
Group enterprise value						98.1			98.1
+ Net Fin. cash (1H18) - Sanoma acquisition (remaining amount) - Sp. div.						89.1			89.1
- Other liabilities (1H18)						-10.5			-10.5
+ NPV tax asset (balance sheet)						6.5			6.5
+ Equity value of Mediafin stake	50%					56.5	4.3	22%	56.5
+ Equity value of Bayard stake	50%	5.2	10.0	7.3	-5.3	21.7	1.7	8%	23.8
= Estimated market value of equity						261.5			263.6
Total share outstanding (m)						13.1			13.1
Equity value per share						19.9			20.1

Source: Merodis, Factset



Source: Merodis, Factset

Sales growth expectations

Impacted by cyclical and structural effects

Expected Sales Growth

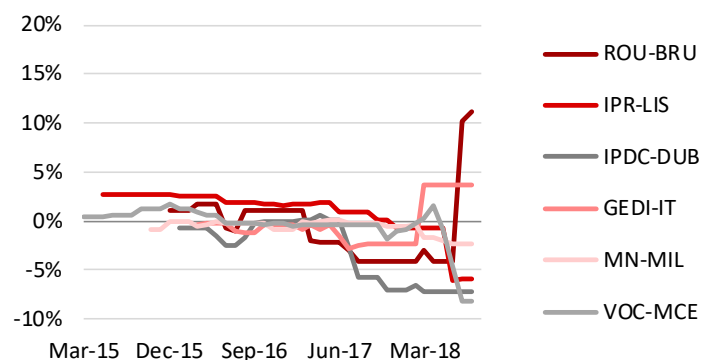
At the end of August, consensus maintained Print Media sector sales growth expectations flat for 2018 at -4.0%.

Consensus sales expectations for Roularta in 2018 have increased sharply with the inclusion of Sanoma assets acquired in June 2018. Consensus now expects 11.1% sales growth from -4.1% expected previously (and vs. +10.3% expected in July 2018).

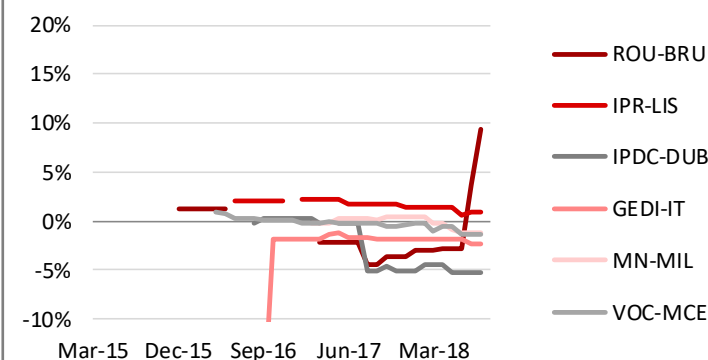
As a reminder the announced disposal of Medialaan and acquisition of Mediafin have no impact on Roularta's consolidated sales as the stakes are equity-accounted JVs.

The 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.

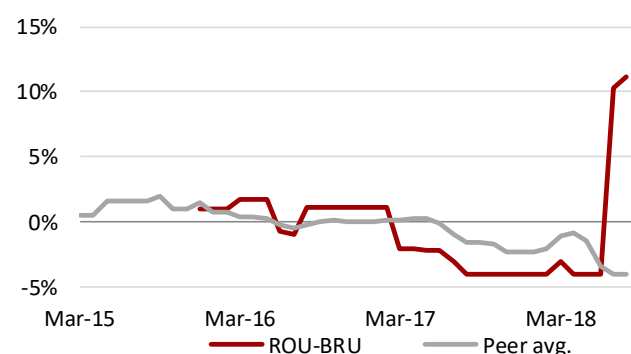
2018 expected sales growth (%)



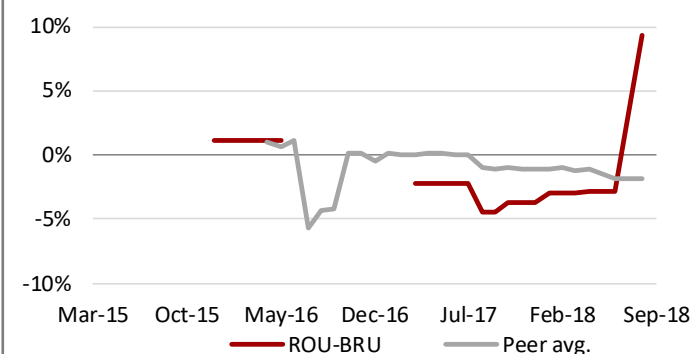
2019 expected sales growth (%)



2018 expected sales growth, Roularta vs. peers



2019 expected sales growth, Roularta vs. peers



Source: Merodis, Factset

EBITDA growth and margin expectations

Advertising revenue pressure hurting margins, but cost cutting to positively impact 2019e

EBITDA expectations

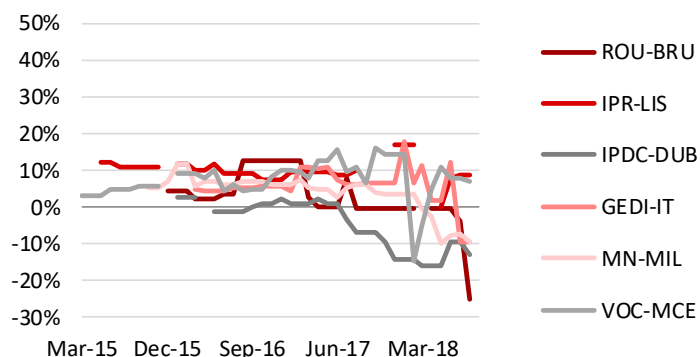
During the month of August, the expected annual EBITDA growth at Roularta by consensus in 2018e has dropped to -25%, compared to the peer average of -3.3% (from -2% expected previously). Margin expectations remain below the peer average for 2018, even with a weakening trend.

Note that consensus changes to EBIT or EBITDA at Roularta are not interpretable in a straightforward manner.

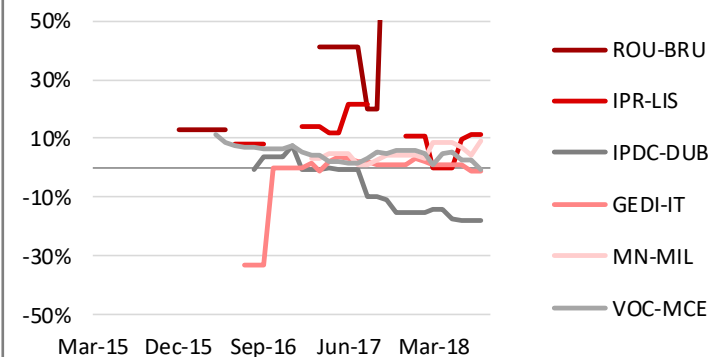
In Roularta's case, its reported EBITDA margin (as reflected by Factset consensus) is positively influenced by the IFRS 11 treatment of its 50% stake in Bayard (and Mediafin, from March 2018), whereby 50% of Bayard's net profit is accounted for in Roularta's EBITDA and EBIT, but where its sales are not 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 recent transactions will impact IFRS EBITDA and EBIT as the Mediafin net contribution is added as from March 2018. Sanoma's contribution will be included in the consolidation scope from July 2018, as per our forecasts.

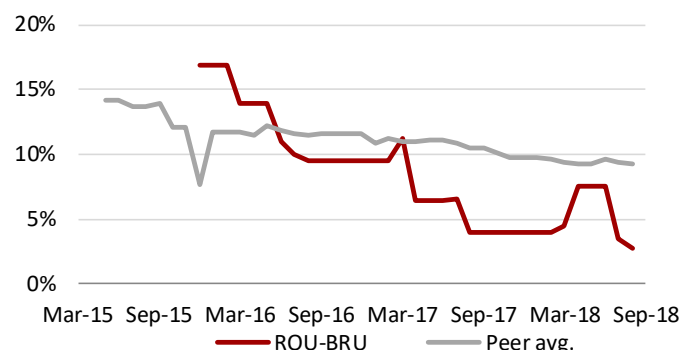
2018 expected EBITDA growth (%)



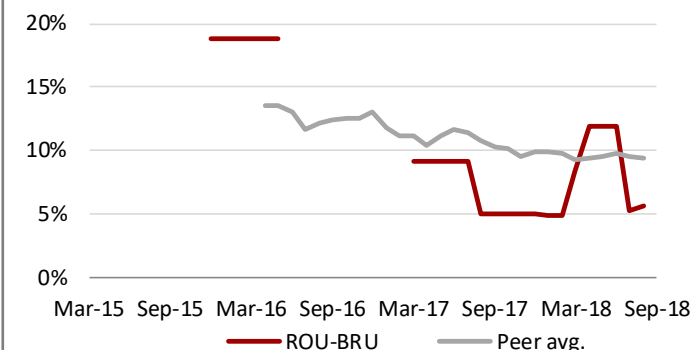
2019 expected EBITDA growth (%)



2018 expected EBITDA margin, Roularta vs. peers



2019 expected EBITDA margin, Roularta vs. peers



Source: Merodis, Factset

Consensus payout expectations

Margin pressure and the Mediaaan/Mediafin swap may impact the dividend strategy

Dividend payout

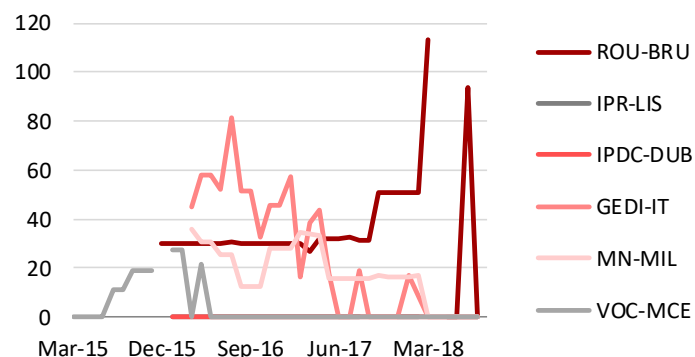
In 2017, Roularta announced on 16 January 2018 that no ordinary dividend will be paid out, which compared to our previous forecast of €0.20/share. The company announced, however, a €5/share interim dividend (€63m pay out) which was paid out on 19 July 2018. The intention was to remunerate shareholders for the €145m capital gain on the Mediaaan disposal which was closed in February 2018.

Roularta's targeted pay-out ratio is 30%, which is in line with its average payout ratio prior to the acquisition in France of c32% (2002-2006) and broadly in line with the Sector average.

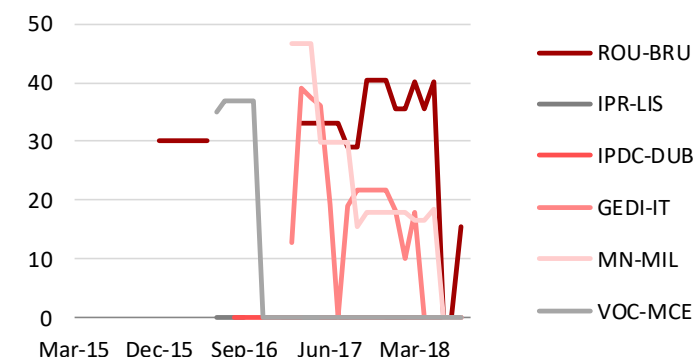
Consensus now expects Roularta to pay out a dividend in 2019e (contrary to MERe), with an expected payout of 15%.

The Mediafin acquisition and the Mediaaan disposal is likely to have a negative impact on Roularta's dividend outlay given the lower cash-generation potential of Mediafin vs. Mediaaan. Given our forecast of losses in 2018e and 2019e, we do not expect any dividends soon.

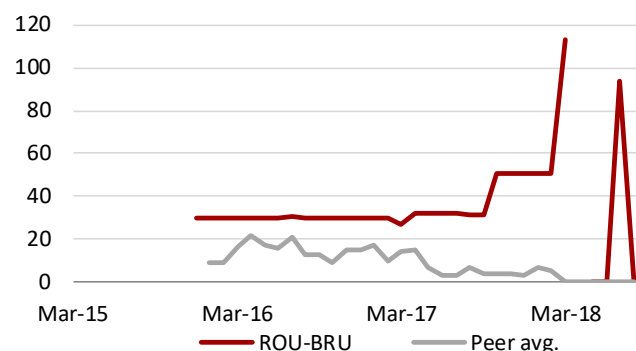
2018 expected Payout, Sector



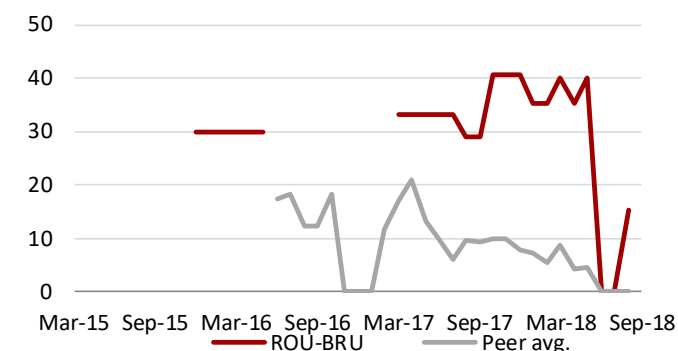
2019 expected Payout, Sector



2018 expected payout, Roularta vs. Peers



2019 expected payout, Roularta vs. Peers



Source: Merodis, Factset

Leverage expectations

No longer an issue post-transactions

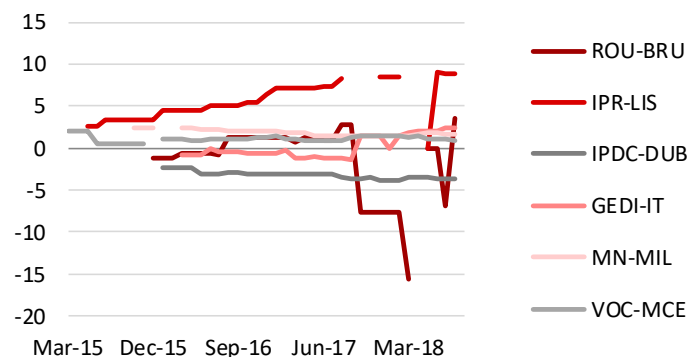
Net-debt-to-EBITDA

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 and is now expected to reach a net cash position of around €100m following the recent transactions (including the special €5/share dividend payout and the Sanoma acquisition).

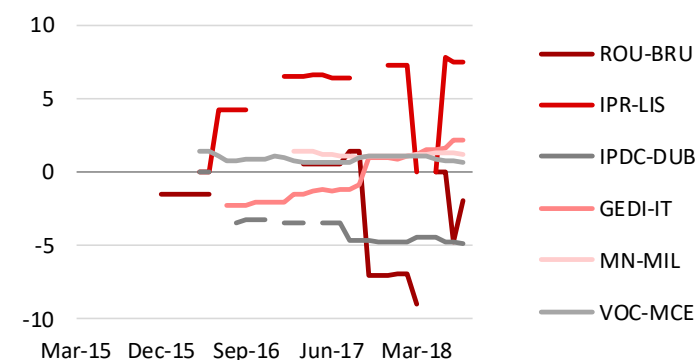
As a reminder, Roularta's covenant threshold of 3.5x net debt over EBITDA is based on annual EBITDA including the company's share of Mediafin's and Bayard's net profit. Based on this definition, the company reported a ratio of 1.5x in 2017 despite the depressed consolidated EBITDA.

Going forward, this has become a non-issue as we expect Roularta to report a net cash €99m in 2019e (revised up from the level expected in July), compared to a reported net debt position of €63m at the end of 2017.

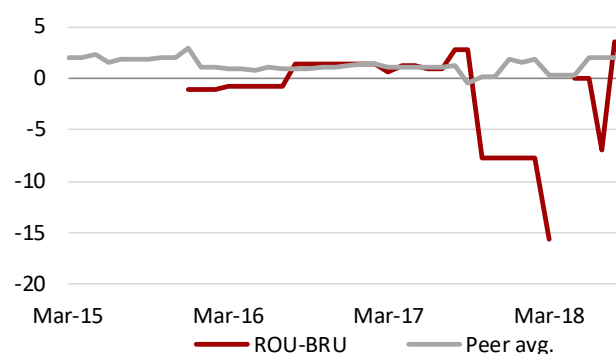
2018 NFD/EBITDA, sector



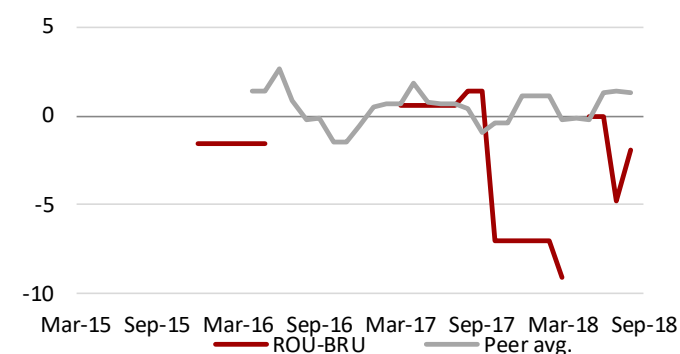
2019 NFD/EBITDA, sector



2018 NFD/EBITDA, Roularta vs. Peers

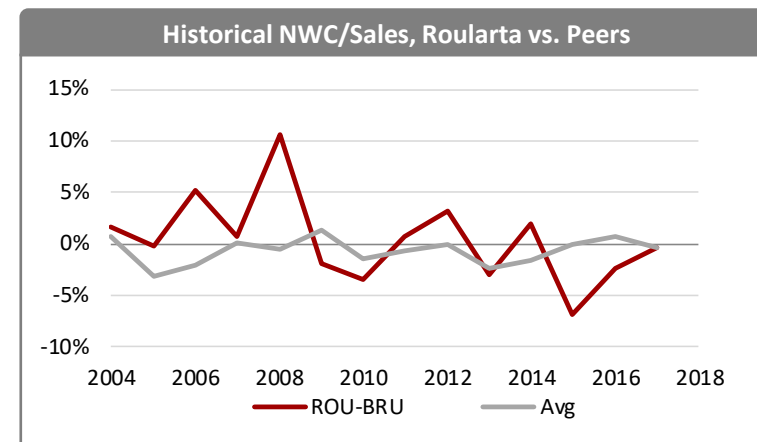
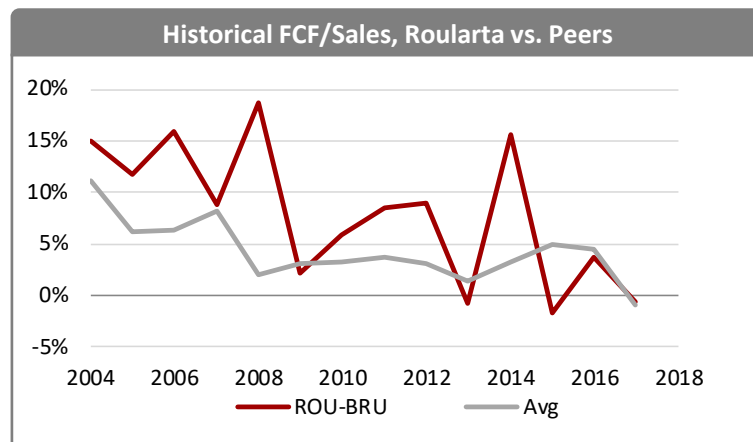
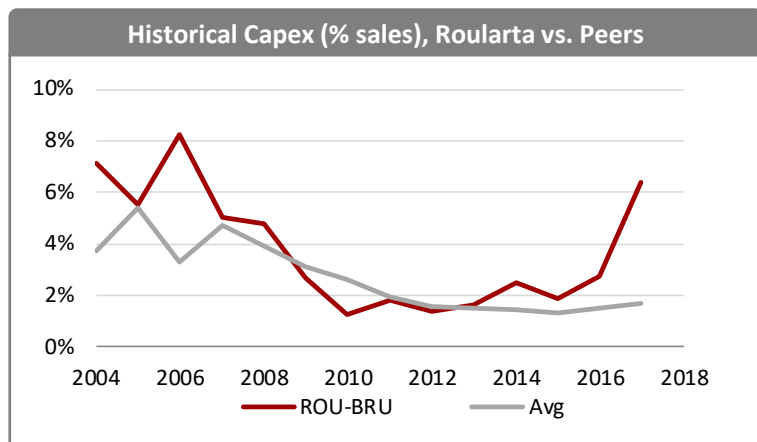
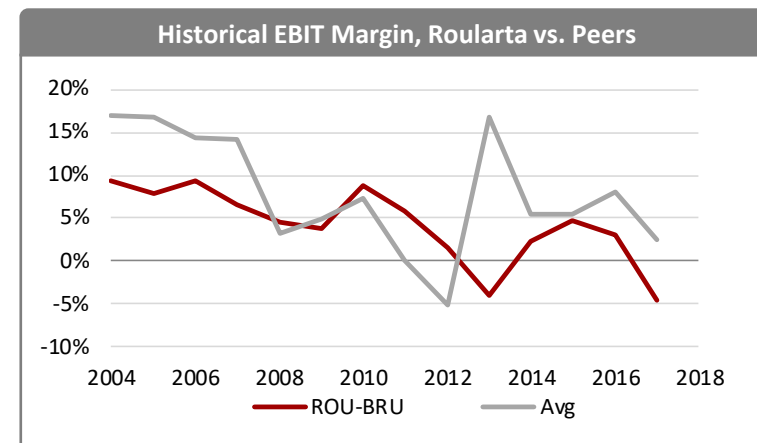
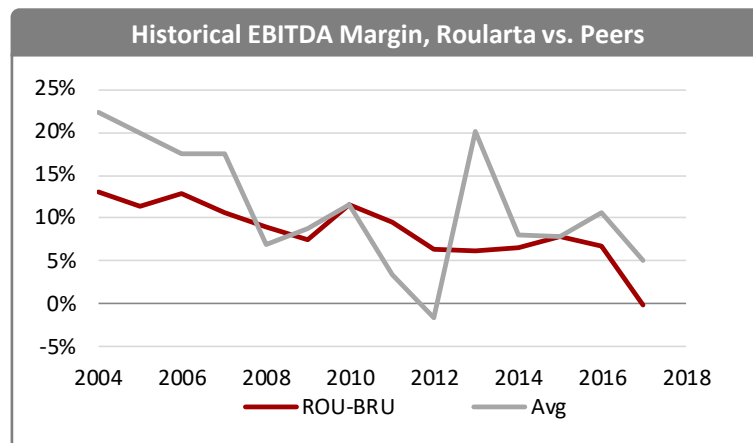
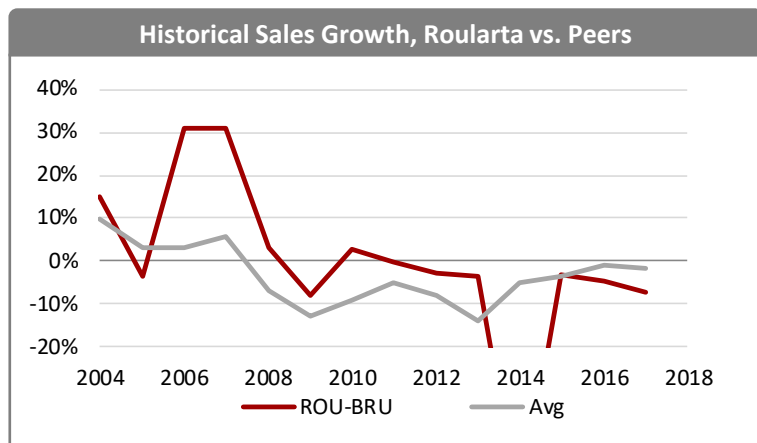


2019 NFD/EBITDA, Roularta vs. Peers



Source: Merodis, Factset

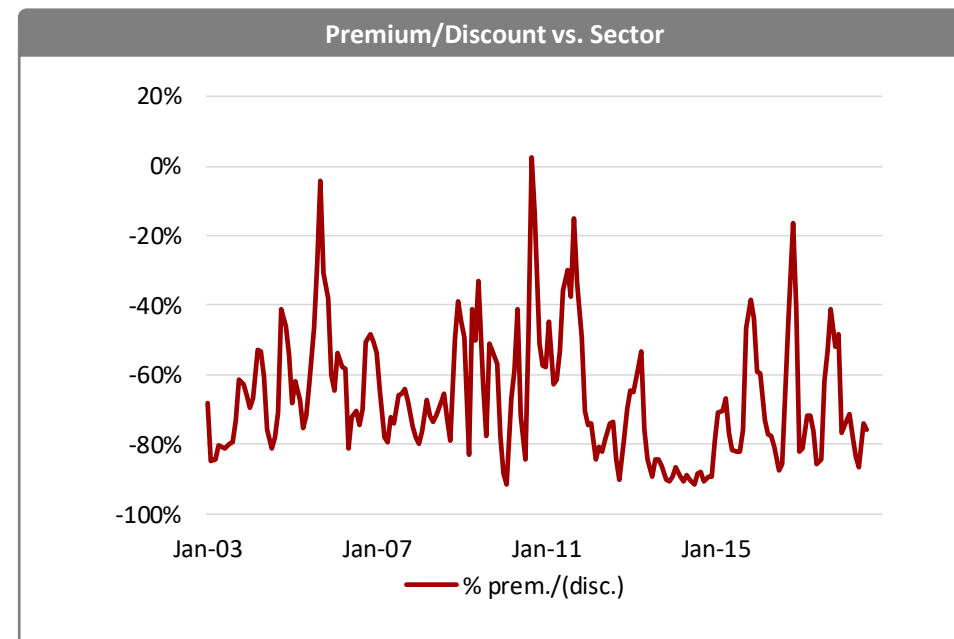
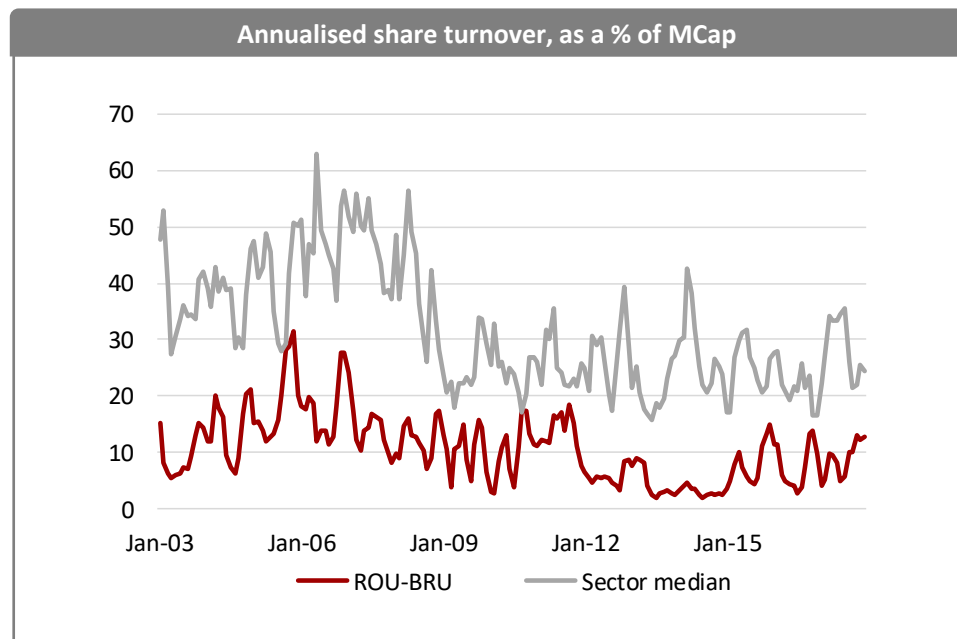
Historical P&L, CF and Balance Sheet Performance



Source: Merodis, Factset

Share liquidity

Well-below peers



Source: Merodis, Factset

Enterprise Value (€m): 71
Market Cap. (€m): 230
Free-float MCap (€m): 57

Financial summary

Consolidated P&L (€m)																	CAGR	CAGR
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e		06-17	18-20e
Sales	609	767	782	707	712	731	712	677	300	292	279	258	283	304	290		-7.5	1.2
EBITDA	78	81	70	53	82	70	45	42	20	18	16	1	5	3	4		-32.7	-12.0
EBIT	51	50	33	10	57	36	5	-49	4	12	7	-13	-68	-8	-7		na	-66.9
Pretax profit	49	36	18	-3	51	28	-4	-57	-3	7	2	-18	-73	-7	na		na	-69.6
Net profit	25	16	14	-4	31	15	-3	-58	-142	64	21	-11	78	-1	-1		na	na
Combined P&L (€m)																	06-17	18-20e
Sales	491	477	471	476	287	329	361	349									12.1	
EBITDA	46	48	55	53	1	153	13	16									203.9	
EBIT	23	33	42	36	-11	80	1	4									na	
Pretax profit	16	26	37	31	-16	75	2	4									na	
Net profit	-58	-142	64	21	-11	75	2	4									na	
Cash Flow (€m)																	06-17	18-20e
Adj. EBITDA	72	80	67	36	77	63	39	21	17	15	16	1	5	3	4		-32.2	-12.0
WCR	22	4	62	-10	-19	4	17	-16	4	-17	-8	0	4	14	-1		na	na
Gross Op CF	95	84	129	26	58	66	56	5	21	-3	8	1	8	18	2		-35.3	-50.2
Capex	-50	-38	-35	-20	-8	0	-4	-6	-7	-5	-8	-16	-4	-14	-7		-9.6	32.3
FCF	20	13	74	-8	24	46	44	-10	27	0	5	-26	5	8	-1		na	na
Net disp./ (acq.)	-214	-14	4	57	-9	1	0	1	9	12	16	17	220	-9	0		na	na
Dividends paid	-8	-8	-9	0	0	-6	-4	0	0	0	-6	-6	-63	0	0		-2.3	na
Equity issue	51	-13	28	2	0	-3	0	0	0	0	0	0	0	0	0		na	na
Others	-29	-2	-17	-12	0	-16	-19	2	-41	-6	3	10	0	0	0		na	na
Net Debt (incr./)decr.	-182	-24	81	39	15	22	20	-7	-6	6	18	-5	162	-1	-1		-27.7	na
Balance Sheet (€m)																	06-17	18-20e
WC	17	13	-49	-39	-20	-24	-41	-25	-51	-21	-13	-13	-17	-31	-29		na	33.3
Capital Employed	660	689	640	584	602	581	549	511	221	298	295	154	168	156	154		-12.4	-4.3
Discontinued Assets	0	0	0	0	0	0	0	0	152	0	0	129	0	0	0		na	na
Cash & Equivalent	42	32	110	72	44	35	79	51	34	39	51	43	105	104	103		0.3	-1.0
Gross Debt	263	278	275	198	155	124	148	127	116	114	108	106	6	6	6		-8.0	0.0
Equity	285	284	318	312	345	351	345	287	143	208	222	203	244	232	228		-3.0	-3.2
Growth (%)																		
Sales	31	31	3	-8	3	0	-3	-3	-58	1	-4	-6	-10	7	-5			
EBITDA	40	4	-14	-24	54	-15	-35	-6	-54	-8	-10	-94	355	-29	9			
EBIT	48	-11	-31	-23	131	-32	-73	na	na	139	-58	na	na	na	na			
Net profit	10	-36	-14	na	na	-50	na	na	na	na	-67	na	na	na	na			
FCF	-51	-36	491	na	na	92	-6	na	na	-100	18859	na	na	42	na			
NWIC	-57	-24	na	-20	-49	19	72	-38	99	-58	-39	-2	30	86	-5			
Capital Employed	123	4	-7	-9	3	4	-5	-7	-57	35	-1	-48	9	-7	-2			
Shareholder Equity	32	0	12	-2	11	2	-2	-17	-50	45	7	-9	20	-5	-2			
Financial Ratios																		
Gross margin (%)	71	74	75	76	78	76	75	76	72	75	76	76	77	77	76			
EBITDA margin (%)	13	11	9	8	12	10	6	6	7	6	6	0	2	1	1			
EBIT margin (%)	9	7	4	4	9	6	2	-4	2	5	2	-5	-2	-2	-3			
Net margin (%)	4	2	2	-1	4	2	0	-9	-47	22	8	-4	28	0	0			
Opex/Sales (%)	87	89	92	92	88	91	94	94	94	92	94	99	98	98	98			
Depreciation/Sales (%)	3	3	3	3	2	2	2	3	3	3	4	4	4	4	4			
Depreciation/EBITDA (%)	25	29	37	42	22	22	34	41	45	52	63	1126	227	333	310			
Tax rate (%)	48	55	31	-84	37	43	28	-3	-89	-671	-4	-82	0	0	0			
Capex/Sales (%)	8	5	5	3	1	0	1	1	2	2	3	6	1	5	2			
FCF/Sales (%)	3	2	9	-1	3	6	6	-1	9	0	2	-10	2	3	0			
WCR/Sales (%)	4	1	8	-1	-3	1	2	-2	1	-6	-3	0	1	5	-1			
WC/Sales (%)	3	2	-6	-6	-3	-3	-6	-4	-17	-7	-5	-5	-6	-10	-10			
Capital Employed/Sales (%)	108	90	82	83	85	79	77	75	74	102	106	59	59	51	53			
Gearing (%)	74	83	50	39	31	25	19	26	56	36	26	31	-40	-42	-42			
Net Debt/EBITDA (x)	2.8	3.0	2.4	2.4	1.4	1.3	1.5	1.8	4.2	4.2	3.5	62.2	-21.7	-30.4	-27.5			
ROCE post-tax (x)	6	3	3	3	6	3	1	6	8	32	8	-9	50	1	2			
ROE (%)	10	6	5	-1	9	4	-1	-18	-66	37	10	-5	35	0	0			
Dividend Payout (%)	33	52	0	0	22	30	0	0	0	10	30	0	83	0	0			
Valuation																	06-17	18-20e
Market Capitalisation (€m)	579	669	393	184	248	275	185	155	162	208	319	305	230	230	230		-5.7	0.0
+ Net Financial Debt (€)	222	246	165	127	111	89	70	76	82	76	57	63	-100	-99	-98		-10.9	-1.0
+ Restated Min. + others (€m)	38	38	22	15	17	16	14	35	20	10	10	10	12	12	12		-1.6	0.8
- Associates & Inv. (€m)	16	11	12	10	11	12	14	14	123	176	167	20	71	71	71		1.9	0.0
= Enterprise Value (€m)	824	942	568	316	365	369	254	253	141	118	219	358	71	72	73		-7.3	1.6
Assoc. NFD (gr. share) (€m)	0	0	0	0	0	0	0	0	0	-6	-6	-6	-6	-6	-6			
EV/Sales (x)	1.4	1.2	0.7	0.4	0.5	0.5	0.4	0.4	0.3	0.4	0.8	1.4	0.3	0.2	0.3			
EV/EBITDA (x)	10.5	11.6	8.2	5.9	4.5	5.3	5.6	6.0	7.2	6.6	13.5	355.6	15.4	22.1	20.6			
EV/EBIT (x)	16.1	19.0	17.4	30.9	6.4	10.4	53.7	-5.1	36.0	9.6	32.7	-27.6	-1.0	-9.5	-9.8			
EV/FCF (x)	42.2	75.0	7.7	-37.3	15.1	7.9	5.8	-25.0	5.3	na	42.8	-13.7	13.2	9.4	-61.9			
EV/Capital Employed (x)	1.2	1.4	0.9	0.5	0.6	0.6	0.5	0.5	0.6	0.4	0.7	2.3	0.4	0.5	0.5			
P/E (x)	23.3	42.0	28.9	-45.0	8.2	17.9	-74.0	-2.7	-1.1	3.2	14.7	-27.7	2.9	-299	-269.1			
P/BVPS (x)	2.0	2.4	1.2	0.6	0.7	0.8	0.5	0.5	1.1	1.0	1.4	1.5	0.9	1.0	1.0			
FCF yield (%)	3.4	1.9	18.9	-4.6	9.8	16.9	23.7	-6.5	16.4	0.0	1.6	-8.6	2.3	3.3	-0.5			
Per share data																	06-17	18-20e
# of shares	11.01	11.04	13.13	13.13	13.13	13.14	13.14	13.14	13.14	13.14	13.14	13.14	13.14	13.14	13.14		1.6	0.0
# of avg sh. (FD, ex-treas.)	10.96	11.03	13.26	13.42	13.21	13.18	13.05	12.97	13.07	13.03	13.03	13.03	13.03	13.03	13.03		1.6	0.0
Share price	52.65	60.61	29.96	14.02	18.85	20.95	14.06	11.81	12.36	15.85	24.24	23.20	17.50	17.50	17.50		-7.2	0.0
EPS	2.26	1.44	1.04	-0.31	2.31	1.17	-0.19	-4.44	-11.0	4.92	1.65	-0.84	6.01	-0.06	-0.07		na	na
EPS FD	2.26	1.44	1.04	-0.31	2.31	1.17	-0.19	-4.44	-11.0	4.92	1.65	-0.84	6.01	-0.06	-0.07		na	na
BVPS	25.88	25.70	24.22	23.75	26.28	26.73	26.23	21.84	10.90	15.80	16.92	15.45	18.55	17.66	17.38		-4.6	-3.2
DPS	0.75	0.75	0.00	0.00	0.50	0.35	0.00	0.00	0.00	0.00	0.50	0.00	5.00	0.00	0.00		na	na

Source: Company data, Merodis Equity Research

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