

10 March 2017

THIS DOCUMENT HAS NOT BEEN PRODUCED BY KBC SECURITIES USA, INC.

ROULARTA

Results hit by higher launch costs and slow print

 MEDIA
 BELGIUM

 CURRENT PRICE € 28.90
 TARGET PRICE € 29.00

 BUY
 RATING UNCHANGED


Source: Thomson Reuters Datastream

 Bloomberg ROU BB
 Reuters RLRT.BR
 www.roularta.be

 Market Cap € 379.5m
 Shares outst. 13.1m
 Volume (daily) € 95,370
 Free float 26.4%

Next corporate event

Results 1H17: 21 August 2017

(€ m)	2016E	2017E	2018E
Sales	279.7	271.9	266.2
REBITDA	39.3	41.9	44.5
Net earnings	29.4	32.5	36.3
Adj. EPS (€)	2.13	2.42	2.64
P/E (x)	13.5	11.9	11.0
EV/REBITDA	9.4	8.5	7.6
FCF Yield	4.5%	5.6%	7.5%
Dividend yield	2.2%	2.5%	2.7%

Ruben Devos

+32 2 429 58 43

ruben.devos@kbcsecurities.be

Group financials: Combined sales reached € 476m (kbc: € 479m) in FY16 reflecting a sales increase of 1.1%. Group EBITDA (on a combined basis) increased by 2.1% from € 50.8m in FY15 to € 51.8m (kbc: € 58.9m) in 2016. The increase in EBITDA but decline in EBIT is the result of a one-off positive in 2015 of the reversal of provisions and the write-down against 2016 for € 5.7m. Reported net income stood at € 20.3m (kbc: € 28.6m), deviating from our forecast due to lower EBIT and no recognition of a € 3m DTA we were expecting. Total capex amounted to € 6.9m (kbc: € 7.7m) including € 0.5m capital increase, € 3.1m in intangible assets, and € 4.5m in fixed assets. Net financial debt stood at € 57m (kbc: € 49m). The BoD proposed to pay a gross dividend of € 0.50ps (kbc: € 0.64ps).

Printed media: Combined sales for printed media (incl. Internet and Events) declined by 4.2% to € 295m (kbc: € 298m). The decline is again driven by a 6% drop in typesetting and printing and weak print ad revenues (-3%) Revenue from the readership market fell by 2% yoy. Internet ad sales grew by 14% in FY16. EBITDA (combined) increased by 10% from € 18.8m in FY15 to € 20.6m (kbc: € 22.8m) in FY16.

Audiovisual media: Combined sales for the year increased by 11% (+2% excl. changes in consolidation scope) to € 183m (kbc: € 183m) driven by higher advertising sales from radio and TV (+1%). Mediaalaan's online media platform (Stievie Free, vtm.be, etc.) is well on track, achieving 22% ad revenue growth. EBITDA (combined) decreased by 2% to € 31.2m (kbc: € 34.0m) whereas the contraction in margins (-240 bps) includes the acquisition of Mobile Vikings and reflects the launch costs.

Outlook: Low visibility of the entire media sector makes it difficult to make predictions for 1H17. The ad portfolio for 1Q17 shows an evolution in revenue that is in line with the print operations, audiovisual and internet activities for 2016, but with large variations from month to month. Mediaalaan foresees no automatic extension into 2017 of the increased ad revenues but sees growing revenues from new viewing patterns (delayed viewing, Stievie, etc.). New activities such as Storesquare, Digilocal, Mobile Vikings will require additional hiring and launch costs.

Questions for analyst meeting: We'd like to have some colour on 1) the subscriber intake and profitability of Stievie Free, 2) view on JIM Mobile and the prepaid market in general, 3) expectations on the TV and radio advertising market, 4) the degree of operating leverage for printed media, 5) development of the digital portfolio (Storesquare, Proxistore, etc.), 6) dividend policy of Mediaalaan going forward,

Conclusion: Not a great set of FY16 results, despite the relatively easy comparable of 2015. Following the release, we wonder how much profitability has been affected by slowing print versus higher investments in new initiatives. In other words, to what degree can it be explained by (non)-recurring factors.