

REDUCE (vs. ADD)

Price (21/08/2017)	EUR 19.48
Target price	16.50
Risk	High
Reuters	RLRT.BR
Bloomberg	ROU BB
Shares number (m)	13.14
Market cap. (m)	256
Net debt 12/17e (m)	43
Net debt/EBITDA 12/17e	7.35
1 year price perf.	-21.3%
Diff. with Euro Stoxx	-37.1%
Volume (sh./day)	5,231
H/L 1 year	28.95 - 19.48
Free Float	20.1%
Bestinvestor Gestion	7.6%
Koinon NV	56.9%
West Investment Holding	15.4%

Company description

Roularta is market leader in Belgium in news and special interest magazines, and free sheets. Other activities include third party printing, and commercial television & radio via a 50% stake in Mediaaan Group



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Roularta

Severe pressure on profits

Sales decline is accelerating

- In H1-17, consolidated sales decreased -7.3% y/y of which -6.4% organically. Both numbers marked an acceleration compared to the past three years. This is worrying because the decline in sales has been pushing down gross profits, whereas opex has been flattish, thus squeezing operating profits. For reference, gross profit in H1-17 was EUR 9m lower than in H1-14 whereas opex was only EUR 0.7m lower over that same period. Employee costs are on average 88% of opex and they have been flattish. Management indicated that they will continue to monitor opex but they do not intend to start a new restructuring programme. We believe this poses a further risk to profitability. The printed media sector has been suffering for some time now from a shift in consumption patterns to digital media from traditional media. Digital is still relatively small within Roularta's portfolio so sales c/should remain under pressure, which requires lower opex in order to maintain a certain level of operating profits. The outlook for profitability in H2-17 is slightly better than profits as reported over H1-17 because of seasonality of employee costs (H1>H2).

A boost in 2019 but from a lower than expected base

- As highlighted on several occasions, profitability should benefit in 2019 from expiration of an expensive lease, redemption of an expensive bond, and a renegotiated contract at Mobile Vikings (part of Mediaaan). This is still on the cards, albeit from a much lower base than previously expected. Our estimates for 2019 and beyond reflect said changes.

Storesquare expansion is making progress

- The H1-17 results included EUR 2m in start-up costs for Storesquare, just like in H2-16. Our half-yearly scan of 41 SKUs reveals that Storesquare's product offering has risen by 32% vs. March 2017 vs +11% for Bol.be and -1% for eBay.be over the same period. However, Storesquare's offering as a percentage of the offering of the two other platforms is still very small and the website and the product tagging require additional fine-tuning.

EUR	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Sales	676.3	299.6	290.2	276.5	258.0	250.3	242.7
EBITDA	14.0	12.7	23.9	16.3	5.8	3.8	11.9
Adj. profit	9.6	19.4	30.2	24.7	11.0	10.0	23.5
EPS	0.77	1.56	2.42	1.97	0.88	0.80	1.88
Div.	0.00	0.00	0.50	0.50	0.25	0.25	0.50
EV/EBITDA	16.4	2.4	5.6	8.8	14.4	19.5	4.9
EV/EBITA	nm	7.7	9.3	18.0	nm	nm	16.8
P/E	13.9	7.9	10.1	12.3	22.1	24.3	10.4
Div. Yield	0.0%	0.0%	2.0%	2.1%	1.3%	1.3%	2.6%

We have cut our estimates and target price

In response to much weaker than expected profits over H1-17, and comments that the advertising portfolio in Q3-17 seems to develop in line with H1-17, we have significantly cut our estimates for H2-17 and beyond. Our new estimates for 2017, 2018, and 2019 are respectively 52%, 57%, and 39% below our previous estimates.

The strong cut in our estimates also impacts our valuation models, which now point to a target price of EUR 16.5 (vs EUR 28.0 previously). This offers 15% downside compared to the current share price. We flag additional risk to earnings should sales continue to slide without additional restructuring, as that would further squeeze profits. Hence, our Reduce rating. At our target price, Roularta would trade at 2019 multiples of 8x EV/EBITA and 10x P/E, which reflect the uncertain prospects related to the continuous sales decline and the associated impact on profitability.

Profit & Loss (EUR m)	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Revenues	676.3	299.6	290.2	276.5	258.0	250.3	242.7
(Y/Y - %)	-5%	-56%	-3%	-5%	-7%	-3%	-3%
EBITDA	14.0	12.7	23.9	16.3	5.8	3.8	11.9
EBITA	-3.4	3.9	14.5	8.0	-2.6	-4.6	3.5
(Ebita margin - %)	-0.5%	1.3%	5.0%	2.9%	-1.0%	-1.9%	1.4%
Amortization	0.0	0.0	0.0	-1.3	-3.0	-3.0	-3.0
Impairment	-45.8	0.0	-2.2	0.0	0.0	0.0	0.0
EBIT	-49.2	3.9	12.3	6.7	-5.6	-7.6	0.5
Net Financial Result	-7.4	-6.8	-5.4	-4.7	-4.8	-4.6	0.0
Except. / Discont. operations	-	-	-	-	-	-	-
Pre-tax result	-56.6	-2.9	6.9	2.0	-10.4	-12.2	0.5
Taxes	-1.8	-2.5	46.1	0.1	-0.5	0.0	0.0
Associates	-0.2	18.0	19.1	18.2	14.6	15.1	16.1
Minorities	0.7	0.1	-0.1	1.2	1.4	1.2	0.9
Net declared earnings	-57.9	-142.5	64.1	21.5	5.0	4.0	17.5
Net adjusted earnings	9.6	19.4	30.2	24.7	11.0	10.0	23.5
Cash Flow (EUR m)	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
EBIT	-49.2	3.9	12.3	6.7	-5.6	-7.6	0.5
Depreciation	11.2	4.2	5.4	5.4	5.5	5.5	5.5
Amortization	6.3	4.6	3.9	4.2	5.9	5.9	5.9
Impairment	45.8	0.0	2.2	0.0	0.0	0.0	0.0
Changes in provision	19.0	-4.1	-11.4	-0.7	0.0	0.0	0.0
Changes in working capital	-14.5	5.0	-20.1	-6.4	3.6	0.9	0.8
Others	-	-	-	-	-	-	-
Operational Cash Flow	18.5	13.6	-7.6	9.3	9.4	4.7	12.8
Tax expenses	-1.8	-2.5	-0.1	0.1	-0.5	0.0	0.0
Dividends from associates	0.2	22.3	16.7	9.6	10.0	10.0	10.0
Net interest charges	-7.4	-6.8	-5.4	-4.7	-4.8	-4.6	0.0
Others	-5.7	-5.8	-6.1	-	-	-	-
CF from operating activities	3.8	20.7	-2.6	14.3	14.1	10.1	22.8
CAPEX	-6.3	-3.2	-2.3	-4.4	-2.0	-2.0	-2.0
Investments in intangibles	-4.7	-4.2	-3.2	-3.1	-3.0	-3.0	-3.0
Acquisitions	-2.0	-10.6	-1.6	-0.5	-0.2	0.0	0.0
Divestments	3.3	0.7	14.1	16.0	10.0	6.0	0.0
Others	19.7	18.6	1.2	0.2	0.0	0.0	0.0
CF from investing activities	9.9	1.2	8.2	8.2	4.8	1.0	-5.0
Dividend payment	0.0	0.0	0.0	-6.3	-6.3	-3.3	-3.3
Minor. & pref. dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity financing	-0.2	-0.2	0.2	1.4	0.8	0.0	0.0
Others	-20.4	-23.4	1.7	0.1	0.0	0.0	0.0
CF from financing activities	-20.5	-23.5	1.8	-4.7	-5.5	-3.3	-3.3
Changes in consolidation scope	-	-	-	-	-	-	-
Exchange rate impact	-	-	-	-	-	-	-
Net debt/cash change	-6.8	-1.6	7.5	17.8	13.5	7.8	14.5
FCF to Enterprise	2.0	22.6	-2.6	11.4	14.4	9.7	17.8
FCF to Equity	-7.2	13.3	-8.1	6.8	9.1	5.1	17.8

Notes As of 2014 the company no longer proportionally consolidates the 50% stake in the Audiovisual activities

Balance Sheet (EUR m)	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Fixed assets	549.9	271.8	319.0	307.4	292.2	285.8	279.4
Tangible fixed assets	91.8	60.9	57.0	56.0	52.5	49.0	45.5
Goodwill	41.1	0.0	0.0	0.0	0.0	0.0	0.0
Other intang. assets	403.5	87.6	86.2	84.4	81.5	78.6	75.7
Financial fixed assets	7.5	122.0	155.1	145.8	137.4	137.4	137.4
Other fixed assets	6.0	1.2	20.8	21.3	20.9	20.9	20.9
Current assets	302.2	109.4	130.6	135.8	148.6	155.4	168.6
Inventories	56.1	6.2	5.5	6.2	6.2	6.2	6.2
Trade receivables	184.2	66.1	82.3	74.3	72.2	70.1	68.0
Other current assets	11.0	3.3	4.4	4.6	4.6	4.6	4.6
Cash & Equivalents	50.9	33.8	38.5	50.6	65.4	74.4	89.8
Discontinued assets	0.0	151.9	0.0	0.0	0.0	0.0	0.0
Total assets	852.1	533.2	449.6	443.2	440.8	441.2	448.0
Total Equity	298.9	145.8	209.5	224.1	220.0	221.7	229.9
Equity	287.5	143.3	207.6	222.3	218.3	220.0	228.1
Minorities & preferred	11.4	2.5	1.9	1.8	1.8	1.8	1.8
Provisions	148.1	48.2	12.5	13.0	13.0	13.0	13.0
Provisions for pensions	8.6	4.2	3.5	5.1	5.1	5.1	5.1
Deferred taxes	110.3	27.1	0.5	0.5	0.5	0.5	0.5
Other provisions	29.2	16.8	8.5	7.4	7.4	7.4	7.4
Other LT liabilities	-	-	-	-	-	-	-
LT interest bearing debt	121.1	113.4	111.4	105.8	105.8	5.8	5.8
Current liabilities	284.4	128.9	116.3	100.3	101.9	200.6	199.3
ST interest bearing debt	6.1	2.5	2.9	2.2	2.2	102.2	102.2
Accounts payables	163.0	66.8	48.1	42.3	43.9	42.5	41.3
Other ST liabilities	115.3	59.5	65.4	55.8	55.8	55.8	55.8
Discontinued liabilities	0.0	97.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	852.1	533.2	449.6	443.2	440.8	441.2	448.0
EV and CE details (EUR m)	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Market cap.	141.5	160.9	322.0	319.6	256.0	256.0	256.0
+ Net financial debt	76.3	82.0	75.7	57.4	42.6	33.6	18.3
(of which LT debt)	121.1	113.4	111.4	105.8	105.8	5.8	5.8
(of which ST debt)	6.1	2.5	2.9	2.2	2.2	102.2	102.2
(of which Cash position)	50.9	33.8	38.5	50.6	65.4	74.4	89.8
+ Provisions (pension)	8.6	4.2	3.5	5.1	5.1	5.1	5.1
+ Minorities (MV)	11.4	2.5	1.9	1.8	1.8	1.8	1.8
- Peripheral assets (MV)	-7.5	-8.1	-3.1	-2.5	-9.6	-9.6	-9.6
+ Others	-1.2	-211.3	-265.3	-237.7	-212.6	-212.6	-212.6
Enterprise Value	229.2	30.2	134.7	143.7	83.2	74.2	58.9
Equity (group share)	287.5	143.3	207.6	222.3	218.3	220.0	228.1
+ Net financial debt	76.3	82.0	75.7	57.4	42.6	33.6	18.3
+ Provisions (pension)	8.6	4.2	3.5	5.1	5.1	5.1	5.1
+ Minorities	11.4	2.5	1.9	1.8	1.8	1.8	1.8
- Peripheral assets	-7.5	-8.1	-3.1	-2.5	-9.6	-9.6	-9.6
+ Others	-1.2	-211.3	-265.3	-237.7	-212.6	-212.6	-212.6
Capital employed (for ROCE)	375.1	12.5	20.4	46.4	45.5	38.2	31.0

Notes Our estimates for EBIT(D/A) exclude net income from associates, unlike the company's reported figures

Per Common Share (EUR)	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Adjusted EPS (*)	0.77	1.56	2.42	1.97	0.88	0.80	1.88
Adjusted EPS (fully diluted)	0.77	1.56	2.42	1.96	0.88	0.80	1.88
Declared EPS	-4.64	-11.42	5.13	1.72	0.40	0.32	1.40
CFS	2.17	2.26	3.17	2.74	1.79	1.71	2.79
FCF (to Equity)	-0.57	1.07	-0.65	0.54	0.73	0.40	1.42
Dividend	0.00	0.00	0.50	0.50	0.25	0.25	0.50
Book Value	22.74	11.09	15.94	17.05	16.75	16.87	17.49
Shares (m)							
At the end of F.Y.	13.141	13.141	13.141	13.141	13.141	13.141	13.141
Average number	12.483	12.483	12.486	12.516	12.516	12.516	12.516
Fully diluted Average number	12.483	12.483	12.517	12.612	12.516	12.516	12.516
(*) Adjusted EPS : pre-goodwill amortisation earnings, adjusted for post-tax non-recurrent items							
Ratios	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Valuation analysis							
P/E	13.9	7.9	10.1	12.3	22.1	24.3	10.4
P/CF	5.0	5.4	7.7	8.9	10.9	11.4	7.0
P/BV	0.5	1.1	1.5	1.4	1.2	1.2	1.1
EV/Sales	0.3	0.1	0.5	0.5	0.3	0.3	0.2
EV/EBITDA	16.4	2.4	5.6	8.8	14.4	19.5	4.9
EV/EBITA	-66.7	7.7	9.3	18.0	-31.5	-16.0	16.8
EV/EBIT	-4.7	7.7	10.9	21.5	-14.8	-9.7	113.4
EV/CE	0.6	2.4	6.6	3.1	1.8	1.9	1.9
EV/CE (grossed goodwill)	0.6	2.4	6.6	3.1	1.8	1.9	1.9
EV/FCF (1)	114.1	1.3	-52.7	12.6	5.8	7.7	3.3
FCF yield (2)	-5.1%	8.3%	-2.5%	2.1%	3.6%	2.0%	6.9%
Dividend yield	0.0%	0.0%	2.0%	2.1%	1.3%	1.3%	2.6%
Financial ratios							
Interest cover	-0.5	0.6	2.7	1.7	-0.5	-1.0	-
Net Debt/EBITDA	5.4	6.5	3.2	3.5	7.4	8.9	1.5
Net Debt/Equity	25.5%	56.3%	36.1%	25.6%	19.4%	15.2%	7.9%
Net Debt/FCF (2)	-10.7	6.2	-9.4	8.5	4.7	6.7	1.0
Capital turnover	1.8	23.9	14.2	6.0	5.7	6.5	7.8
ROCE pre-tax	-0.9%	31.3%	71.2%	17.2%	-5.8%	-12.1%	11.3%
ROCE post-tax	-0.9%	58.5%	548.9%	17.9%	-6.1%	-12.1%	11.3%
ROCE pre-tax (grossed goodwill)	-0.9%	31.3%	71.2%	17.2%	-5.8%	-12.1%	11.3%
ROCE post-tax (grossed gdwill)	-0.9%	58.5%	548.9%	17.9%	-6.1%	-12.1%	11.3%
ROE	-20.1%	-99.5%	30.9%	9.7%	2.3%	1.8%	7.7%
Working capital (in % of sales)	-4.0%	-16.9%	-7.3%	-4.7%	-6.4%	-7.0%	-7.5%
Payout	0.0%	0.0%	20.7%	25.3%	28.4%	31.2%	26.7%
Margin analysis and tax rate							
Gross margin	34.5%	37.5%	39.5%	39.5%	38.2%	38.2%	42.7%
EBITDA margin	2.1%	4.2%	8.2%	5.9%	2.2%	1.5%	4.9%
EBITA margin	-0.5%	1.3%	5.0%	2.9%	-1.0%	-1.9%	1.4%
Adjusted profit margin	1.4%	6.5%	10.4%	8.9%	4.3%	4.0%	9.7%
Tax rate	-3.1%	-87.0%	-671.0%	-3.6%	-4.4%	0.0%	0.0%
Growth analysis							
Sales	-5%	-56%	-3%	-5%	-7%	-3%	-3%
EBITDA	-55%	-9%	88%	-32%	-65%	-34%	214%
EBITA	-chg	+chg	271%	-45%	-chg	-chg	+chg
Adjusted profit	-38%	102%	56%	-18%	-55%	-9%	134%
Adjusted EPS	-38%	102%	56%	-19%	-55%	-9%	134%
Dividend	-	-	+chg	0%	-50%	0%	100%

(1) Based on FCF to Enterprise - (2) Based on FCF to Equity

Notes

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	SELL	REDUCE	HOLD	ADD	BUY
High Beta \geq 1.3	RP < -15%	-15% \leq RP < -6%	-6% \leq RP < +6%	+6% \leq RP < +15%	RP \geq 15%
Medium 0.9 < Beta < 1.3	RP < -10%	-10% \leq RP < -4%	-4% \leq RP < +4%	+4% \leq RP < +10%	RP \geq 10%
Low Beta \leq 0.9	RP < -6%	-6% \leq RP < -2%	-2% \leq RP < +2%	+2% \leq RP < +6%	RP \geq 6%

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RP : Relative Performance against Degroof Petercam coverage universe

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