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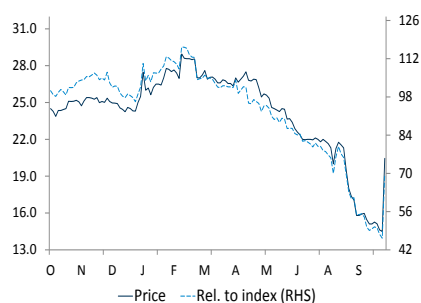
## ROULARTA

### Exit Medialaan, welcome Mediafin

MEDIA  
BELGIUM

CURRENT PRICE €20.45  
TARGET PRICE €24.00

**BUY**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	ROU BB
Reuters	RLRT.BR
www.roularta.be	
Market Cap	€268.5m
Shares outst.	13.1m
Volume (daily)	€80,506
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	44.1	42.1
EV/REBITDA	9.3	14.3	13.9
FCF Yield	2.4%	3.7%	3.9%
Dividend yield	2.1%	0.7%	0.7%

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Yesterday, Roularta Media Group and De Persgroep jointly announced that the former would sell its 50% stake in Medialaan to the latter for an undisclosed amount and in return De Persgroep would sell its 50% stake in Mediafin to Roularta.

With TV advertising in troubled waters due to changing viewing habits and the rise of OTT services, Roularta's sale of Medialaan might have been opportunistic. Against a backdrop of solid macro growth, ad spending was not keeping pace, leading to a general derating of the European broadcasters throughout 2017. A full assessment will be easier two years from now, when it will be clearer whether 2017 was the beginning of a longer-term decline in TV advertising or just a dip in an otherwise strongly-performing media market.

Post the transaction the main question is how Roularta will use its cash from 2018. We forecast a net cash position of €191m, which represents 71% of yesterday's closing market cap. A plausible scenario is a major capital reimbursement to shareholders, which would give the family behind Roularta (which owns 70.3% of all shares) sufficient firepower to trigger a take-out of the remaining minorities. Along the same lines, the company could opt to launch a share buyback program to gradually raise the family's stake in the business and thereby tighten its grip. On the other end of the spectrum, Roularta could decide to ramp up investment in its digital portfolio and explore material M&A. At its latest HY analyst meeting, management indicated that M&A activity has intensified in 2017 and that it remains interested in assets that complement its current business and would directly contribute to EBITDA. Thinking on a large scale, there might be a further cooperation of Roularta with media group Rossel & Cie, which owns media assets such as Le Soir, Sudpresse, Voix du Nord, holds a minority stake in RTL Belgium, and runs various JVs with Roularta, including classified ads "Vlan" and Mediafin. The group, which primarily serves the French-speaking part of Belgium, generated revenues and EBITDA of €531m and €40m in 2016, fully covering its financial debts with cash.

Reacting to the transaction, Roularta management commented that "it does not foresee great changes" at Mediafin and that "it sees no point in changing a winning strategy". Chairman of Mediafin, Dirk Velghe, pointed out that there are opportunities in the B2B space as Roularta, amongst which, owns business magazine "Trends" and TV channel "Kanaal Z". Yet, regarding a continued co-ownership (with Rossel) of the business, pending approval of the competition authorities, and the lack of overlap, we model no direct synergies for now. Besides the valuation of Roularta's legacy printing business and its JV in Bayard, we estimate an equity valuation of €47m for Mediafin. As discussed, this valuation exercise assumes no synergies, a 20% EBITDA margin and 3% top-line growth in 2018. Besides the daily operations, we have estimated €191m in net cash, €24m in non-operating assets, €19m relevant liabilities, and last but not least €25m in (unrecognized) deferred tax assets. Note that we have only included 50% of the total DTA as part of our valuation. Overall, this points to a group valuation of €24 TP.