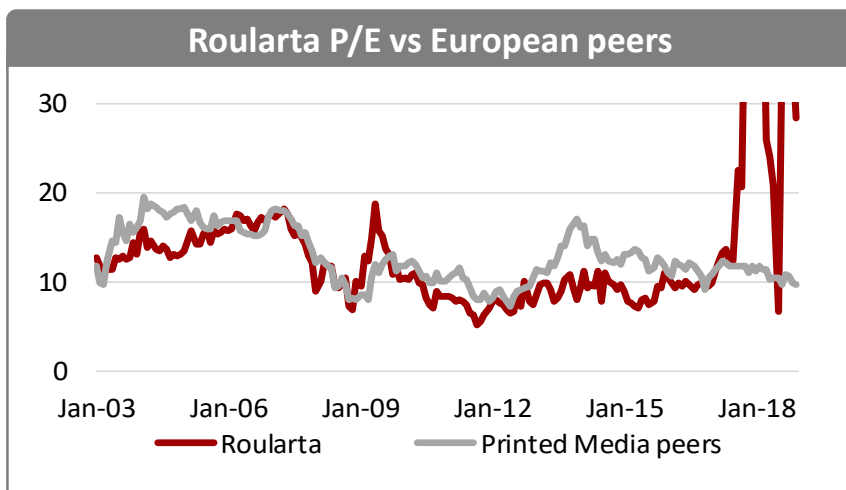


Roularta Media Group

BELGIUM
Bloomberg: ROU:BB
Reuters: RLRT.BR



€m	2014	2015	2016	2017	2018	2019e	2020e
Sales	300.1	291.9	278.6	258.3	278.4	304.3	289.8
EBIT	3.9	12.3	6.7	-13.0	-63.7	-4.1	-1.9
Net profit	-142.5	64.4	21.5	-10.9	79.9	2.2	4.1
EPS (€)	-10.98	4.92	1.65	-0.84	6.14	0.17	0.31
DPS (€)	0.00	0.50	0.50	0.00	5.50	0.50	0.50
P/E (x)	na	3.2	14.7	na	3.2	84.3	45.3
Yield (%)	0.0	3.2	2.1	0.0	28.0	3.5	3.5
Adj. EV/EBIT (x)	36.0	9.6	32.7	na	na	na	na

Source: Merodis Equity Research, Factset
Pricing date: 28/2/2019

Market review and peer benchmarking

5 March 2019

Key monthly insights

Strong 2H18 results reflect effective cost control, synergies with brands acquired from Sanoma and lower digital start-up losses

Roularta reported a strong set of 2H18 results after the close of market on Thursday 28 February. Sales were slightly shy of our forecast, reflecting further advertising weakness in 2H18 particularly in Local Media and Magazine (36% of group sales in 2018), which were the main drivers of the organic sales decline of 6.8%. Acquisitions in 2017 (Landleven and Sterck) and 2018 (Sanoma brands consolidated from June 2018) added €39m in sales in 2018 (+15%). Improving gross margins, effective cost-control (Opex-EXCOGS as a % of sales -113bps vs MERe -87bps), well-exploited synergies of the acquired Sanoma brands as well as lower-than-expected start-up losses at Storesquare (€2.8m vs MERe €4m) lead to higher-than-expected EBITDA margins (2.9% vs MERe 1.6%). Significant one-off costs in 1H18, including major impairment losses on intangibles (magazine titles) amounted to €63m but did not recur in 2H18. EPS was better-than-expected thanks to the above-mentioned items but negatively impacted by a non-cash and non-recurring impairment of €4.7m for intangible assets at the level of JVs (equity accounted; including at Mediafin). Mediafin delivered, nevertheless, a strong performance in 2018, with sales of €58.3m (MERe €57m), a Belgian GAAP EBITDA margin of 19% (in line with MERe), a net profit of €6m (vs. MERe €4m) and a dividend income of €3.4m for Roularta's 50% stake. Group financing costs do not yet reflect the FY effect of the €100m bond repayment at the end of 2018. Net cash is broadly in line with our forecast at €95m. In addition to the already-paid out exceptional dividend of €5/share, the Board will propose an ordinary €0.5/share (vs. MERe €0), reflecting the company's confidence in the future. We have revised our earnings estimates upwards (2019e EPS at €0.17 from -€0.06 and 2020e EPS at €0.31 from -€0.07), while keeping our 2019e and 2020e sales forecasts unchanged.

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 at the end of 2018 (€5m annual cost saving), and (3) full-year impact in 2019 of Mediafin and Sanoma acquisitions with an expected positive bottom-line effect.

Valuation assessment

The market currently values Roularta at an enterprise value (EV) of €35m, which includes a market cap of €185m, €82m of net cash in 2019e as well as the estimated value of its 50% stakes in Mediafin and Bayard. Our fair equity value estimate is at €20/share (from €19.2). We value the core Print Media activity at an EV of €99m including the Sanoma magazines, assuming an unchanged equity value of €0 for Roularta's existing print business. We believe this business has value, given, among others, Roularta's leading market positions in free newspapers and in (news and business) 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

- ➔ Tuesday, 21 May 2019: AGM
- ➔ Friday, 14 August: 1H19 results (8.15AM CET; Analyst meeting at 1PM)

Access our recent research reports on Roularta:

- ➔ ["Back on its feet" \(initiation\), 14 October 2015](#)
- ➔ ["When the going gets tough" \(update\), 28 August 2017](#)
- ➔ ["January 2019 market review" \(monthly dashboard\), 4 February 2019](#)

2H18 results wrap-up

Effective cost control

	2H18 results				FY 2018 results				Merodis Equity Research comments
	Actuals	MER est.	Consensus	% A vs MER	Actuals	MER est.	Consensus	% A vs MER	
Consolidated sales	152.9	157.2	151.4	-2.8	278.4	282.8	277.0	-1.5	<p>Consolidated sales in 2H18 were slightly ahead of consensus, reflecting an organic sales decline of 7.3% y-o-y in FY18 from -8.8% in 1H18. The organic sales trend deteriorated in 2H18 in Local Media and Magazines (together worth close to 36% of group sales in FY18), while the trend improved in the Readers Market and in Printing (together worth c. 45% of group sales). Acquisitions in 2017 (Landleven and Sterck) and 2018 (Sanoma brands consolidated from June 2018) added €39m in sales in 2018 (+15%). Online advertising growth slowed to 6% over FY18 from 7% in 1H18.</p> <p>Gross margins improved further in FY18, by 146bps (MERe +63bps). EBITDA was negatively impacted by weak advertising revenues, while good cost-control (Opex ex-COGS as a % of sales -113bps vs MERe -87bps), well-exploited synergies with the acquired Sanoma brands and lower start-up losses at Storesquare lead to higher-than-expected EBITDA margins.</p> <p>There were significant one-off costs in 1H18, with a major impairment losses on intangibles (magazine titles) amounting to €63m, which did not repeat in 2H18 and which we exclude from Adj. REBIT.</p> <p>EPS was impacted by the above-mentioned items and negatively impacted by a non-cash and non-recurring impairment of €4.7m on intangible assets at the JVs (equity accounted) including at Mediafin. Financing costs do not yet reflect the FY effect of the €100m bond repayment at the end of 2018.</p> <p>Net cash is broadly in line with our forecast. In addition to the already-paid out exceptional dividend of €5/share, the Board will propose an ordinary €0.5/share (vs. MERe €0), reflecting the company's confidence in the future.</p>
% growth	21.5	25.0	20.4		7.8	9.5	7.2		
Adj. EBITDA	9.6	6.0		59.4	8.2	4.6	12.0	78.3	
% growth	8,592.7	5,354.6			711.8	355.3	1,092.8		
% sales	6.3	3.8			2.9	1.6	4.3		
Adj. REBIT*	5.6	0.5		1,123.2	-0.5	-4.9		-89.6	
% growth	na	na			na	na			
% sales	3.6	0.3			-0.2	-1.7			
EPS	0.34	0.14	-5.88	145.4	6.14	6.01	-0.08	2.0	
% growth	na	na	na		na	na	na		
Net debt	-95.7	-95.7	38.0	0.0	-95.7	-99.6	38.0	-4.0	
ND/EBITDA (annualised)	na	na	3.2		na	na	3.2		

Source: Company data, Merodis Equity Research, Facts et consensus (* Reported EBIT includes equity accounted results)

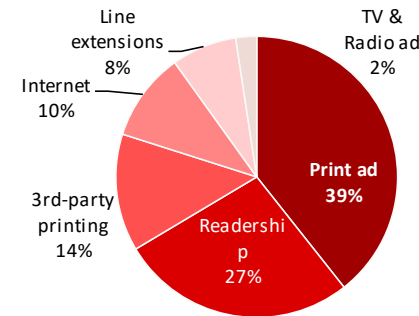
Company description

Roularta is Belgium's leading media company offering

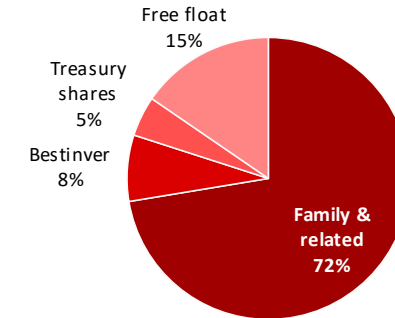
- (1) local weekly free newspapers in Flanders (Deze Week, De Zondag, Steps),
- (2) nationwide weekly news, business and women magazines (Knack, Le Vif L'Express, Trends, Trends Tendance, Libelle/Femme d'Aujourd'hui and Flair and Feeling/Gael),
- (3) internet platforms (Storesquare, Digilocal, Proxistore, own content websites) and
- (4) a 50% JV stake in Mediafin, Belgium's leading daily business newspapers (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 €25m. The company recently restated its business segmentation to include two activities: Media Brands (86% of group sales in 1H18) and Printing Services (14%).

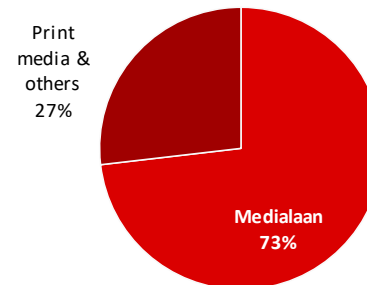
Combined sales breakdown (2017)



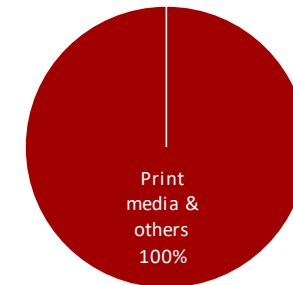
Shareholders



Combined EBIT breakdown (2016)



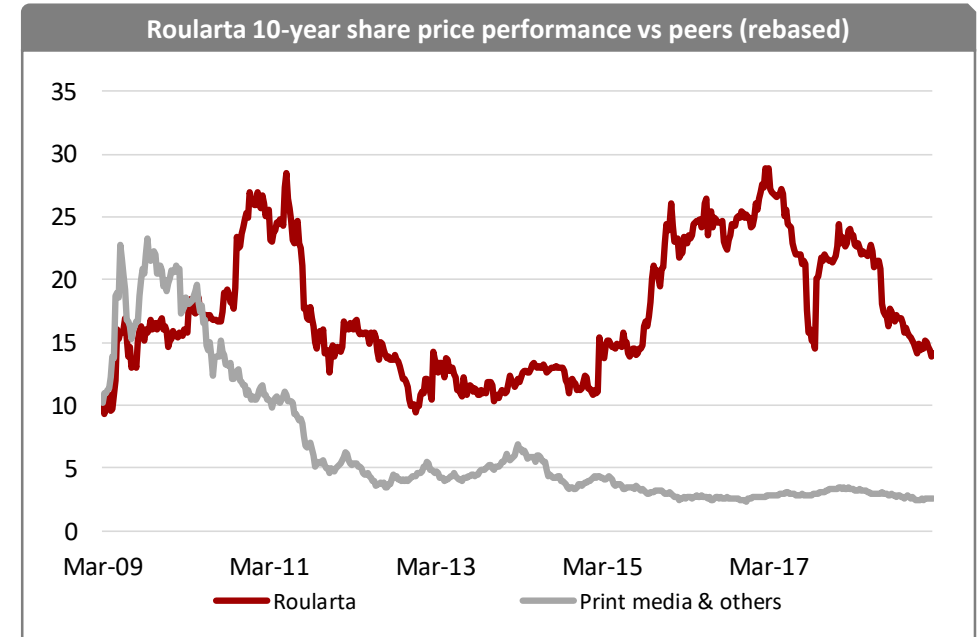
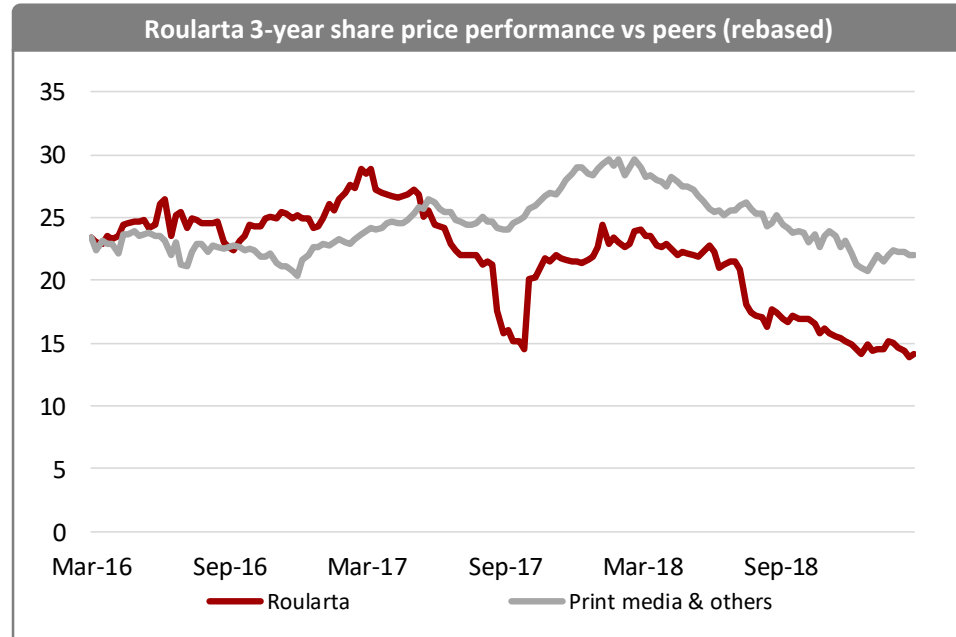
Consolidated EBIT breakdown (2017)



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 remains volatile, but stable in the past month

Consensus view

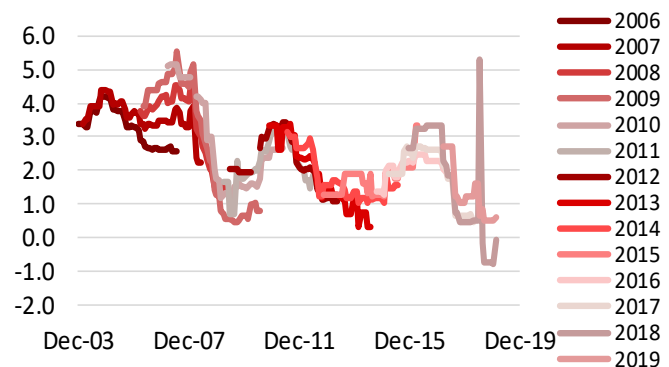
2018 consensus EPS estimates for Roularta were revised up just ahead of the FY18 results announcement, albeit still reflecting the weak interim results reported in August and the unexpected brand-value impairment which offset the capital gain from the disposal of the MediaLaan stake. We adjusted our estimates in August after the weak 1H18 results and now, following the solid 2018 results.

Consensus currently expects 2019e consensus earnings of €0.60 (up 20% m-o-m) vs. our new forecast of €0.17 (from €-0.06), still reflecting persistent top line weakness but improved gross margins and lower start-up losses within the digital activities, as well as the full-year effects of the end of Econocom's leasing contract (end-2018) and the repayment of the €100m bond (also end-2018).

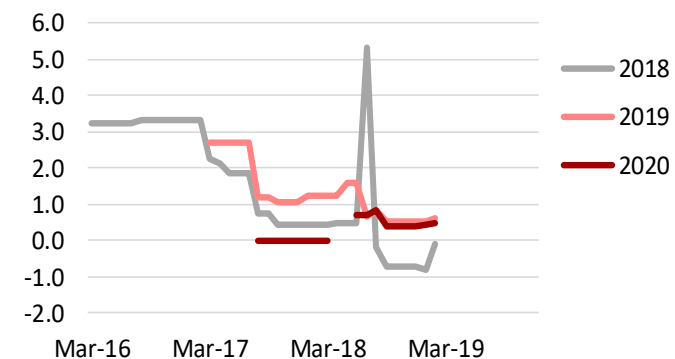
Roularta's share price was again under pressure in February, underperforming the broader market. The stock is down 6% m-o-m in February. The stock underperformed Print Media peers (-2% m-o-m) as well as the Euro Stoxx 600 (+4%) and Belgian SMCs (+0.7%). The share's 12 months low was €13.5 (close on 20 February 2019), while its high during the year was €24 (2 March 2018).

Three brokers cover the stock, Degroof Petercam, KBC Securities and Kepler Chevreux (since September), with Factset indicating a Hold recommendation for the two latter and unchanged target prices of €17.50 and €17.90 respectively.

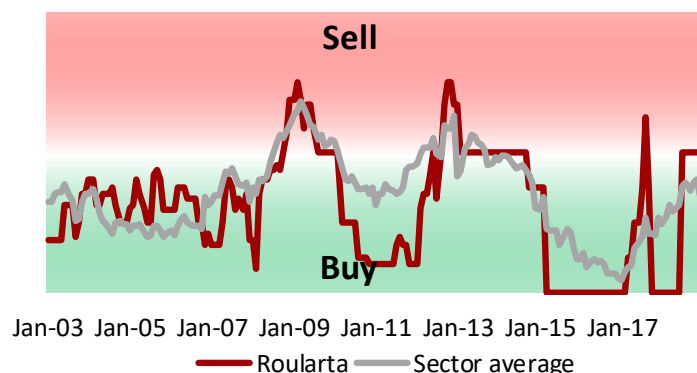
EPS Worms (€/share)



Consensus EPS 2017-19 (€/share)



Analyst recommendations vs. peer average



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

	<u>2018</u>	<u>2019e</u>	<u>2020e</u>
Sales	0.5	-0.8	-1.6
EBITDA	-31.9	-46.2	-22.8
EBIT	-7.0	94.9	-37.1
EPS	na	-72.3	-36.0
DPS	10.0	na	na
Net cash	na	78.8	58.9

Source: Merodis, Factset

Sector benchmarking and valuation analysis

Benchmarking Print Media peers and listed Printing companies

Sector financial benchmarking

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	2018e	2019e	2020e
Impresa	36	0.08		2%	8.8	7.7	7.1	11.4	12.4	12.6	9.3	9.2	9.4	3.0	4.1	4.4		5.5	5.6	16.7	5.6	0.4
Solocal	95	1.45	12%	7%	1.9	2.6	1.9	25.6	26.8	30.2	-8.5	24.1	28.6	-12.1	7.3	12.1					3.9	-4.5
Gruppo Editoriale			36%	2%	2.5	2.1	1.8	7.3	7.3	7.7	4.1	4.3	4.4	1.6	1.7	1.5	2.3	2.1	2.1	-3.2	0.1	-3.0
Mondadori	46	0.69	33%	1%	2.0	1.1	0.7	8.8	9.8	10.2	6.1	7.4	7.7	-19.1	3.8	4.1	13.8	20.9	18.9	9.5	6.3	-1.3
RCS	12	0.78	27%	2%	1.3	0.8	0.6	15.9	16.5	16.8	12.1	12.8	13.1	8.1	8.6	8.8	34.8	27.5	23.3	5.8	1.4	-1.3
Vocento	53	0.05	48%	2%	0.9	0.5	0.1	10.7	10.5	10.5	6.9	6.8	6.9	2.8	3.2	3.5	3.7	5.7	5.7	24.9	-2.6	-1.6
Sanoma	37	1.07	-383%	3%	1.3	1.4	1.0	23.8	25.4	25.6	14.4	14.3	14.4	8.7	10.1	10.1	23.6	21.6	20.4	1.1	4.4	0.8
Connect	98	0.14	55%	1%	1.8	1.7	1.6	3.0	2.9	3.1	2.2	2.1	2.2	1.5	1.1	1.3				-2.5	-2.5	-3.6
Tarsus	76	0.25	24%	1%	2.5	1.5	1.8	32.4	37.2	33.6	28.4	33.6	29.4	16.2	25.3	21.5		31.7	20.0	7.4	10.5	8.4
Wilmington	94	0.14	32%	2%	1.5	1.4	1.1	21.4	19.9	20.3	20.1	17.7	18.3	14.7	7.9	8.7				-3.2	-0.4	2.3
Independent News	97	0.03	29%	1%	-3.1	-4.1	-5.1	15.3	13.5	12.1	11.8	9.8	8.1				23.3	17.2	12.2			
Axel Springer	43	7.63	30%	6%	1.5	1.1	0.8	23.3	23.6	24.7	16.6	17.2	17.7	9.3	9.5	10.3	13.3	14.4	15.5	9.4	6.5	3.6
PRINT MEDIA AVERAGE	62	1.12	-5%	3%	1.9	1.5	1.1	16.6	17.1	17.3	10.3	13.3	13.4	3.2	7.5	7.8	16.4	16.3	13.7	6.6	3.0	0.0
PRINT MEDIA MEDIAN	53	0.25	30%	2%	1.7	1.4	1.1	15.6	15.0	14.7	10.6	11.3	11.3	3.0	7.3	8.7	13.8	17.2	15.5	6.6	3.9	-1.3
Roularta (consolidated)	15	0.02	1126%	6%	-11.7	-12.1	-8.7	2.9	2.2	3.1	-0.2	-1.3	-0.6	28.7	0.7	1.4	37.6	1.0	2.0	na	5.7	2.0
% prem./(disc.) vs median	-72	-90.1	3619.1	205.6	-803.7	-951.0	-913.9	-81.2	-85.2	-78.6	-101.7	-111.9	-105.8	848.1	-90.1	-83.9	171.3	-94.1	-87.4	#VALUE!	45.2	-256.3

Source: Merodis, Factset

Sector 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
Impresa	PORTUGAL	0.23	39	6.9	5.5	5.0	1.2	1.2	1.1	10.7	9.5	8.8	13.1	12.8	11.8	0.3	0.3	0.3	0.0	0.0	0.0
Solocal	FRANCE	0.49	287	5.7	5.7	3.9	0.9	1.2	1.1	3.6	4.4	3.5	4.9	4.9	3.7				0.0	0.0	0.0
Gruppo Editoriale	ITALY	0.38	185	14.7	15.7	15.6	0.5	0.5	0.5	6.6	6.3	5.9	11.7	10.7	10.4	0.3	0.3	0.3	0.0	0.0	0.0
Mondadori	ITALY	1.75	455	13.5	12.2	11.3	0.7	0.6	0.6	7.7	6.3	5.8	11.1	8.3	7.7	2.8	2.3	2.0	0.0	1.2	2.0
RCS	ITALY	1.36	706	9.7	9.1	8.7	0.9	0.9	0.8	5.9	5.3	5.0	7.7	6.8	6.4	2.9	2.2	1.8	2.7	3.9	4.4
Vocento	SPAIN	1.47	178	21.1	14.3	13.5	0.6	0.5	0.5	5.4	5.1	4.8	8.4	7.9	7.3	0.8	0.8	0.8	0.0	0.0	0.5
Sanoma	FINLAND	8.74	1,420	10.4	10.4	10.2	1.4	1.4	1.3	5.8	5.7	5.2	9.7	10.1	9.3	2.3	2.2	2.0	5.1	5.5	6.0
Connect	UNITED KINGDOM	0.39	95	4.2	4.7	4.4	0.1	0.1	0.1	3.9	4.0	3.8	5.3	5.5	5.1				9.0	2.6	2.7
Tarsus	UNITED KINGDOM	2.85	321	16.5	10.1	14.3	4.3	3.1	3.6	13.3	8.3	10.7	15.1	9.1	12.2	3.5	3.0	2.7	3.9	4.1	4.4
Wilmington	UNITED KINGDOM	1.90	166	9.3	10.6	10.0	1.7	1.6	1.5	7.9	8.2	7.5	8.4	9.2	8.3				4.6	4.8	4.9
Independent News	IRELAND	0.06	90	4.6	5.2	6.4	0.0	0.0	-0.1	0.0	-0.3	-0.6	0.1	-0.4	-0.9	1.0	0.8	0.7			
Axel Springer	GERMANY	50.15	5,411	18.1	16.8	15.1	2.0	1.9	1.8	8.8	8.1	7.2	12.3	11.1	10.0	2.5	2.4	2.3	4.2	4.4	4.6
PRINT MEDIA AVERAGE				11.7	10.0	9.9	1.2	1.1	1.1	6.6	5.9	5.6	9.3	8.0	7.6	1.8	1.6	1.4	2.7	2.4	2.7
PRINT MEDIA MEDIAN				10.4	10.2	10.1	0.9	1.0	0.9	6.2	6.0	5.5	9.7	8.7	8.0	2.3	2.2	1.8	2.7	2.6	2.7
Roularta (consolidated)	BELGIUM	14.10	185	2.3	84.3	45.3	0.3	0.1	0.1	11.5	5.2	4.2	-1.5	-8.7	-20.2	0.8	0.9	0.9	39.0	3.5	3.5
% prem./(disc.) vs median				-77.9	722.9	350.1	-63.4	-88.6	-86.2	84.8	-12.5	-24.4	-115.3	-200.0	-352.2	-64.5	-59.0	-51.0	1,364.4	37.1	32.7

Source: Merodis, Factset

P/E valuation relative to the sector

A recent re-rating driven by an accounting impact and major digital investments which hurt profitability

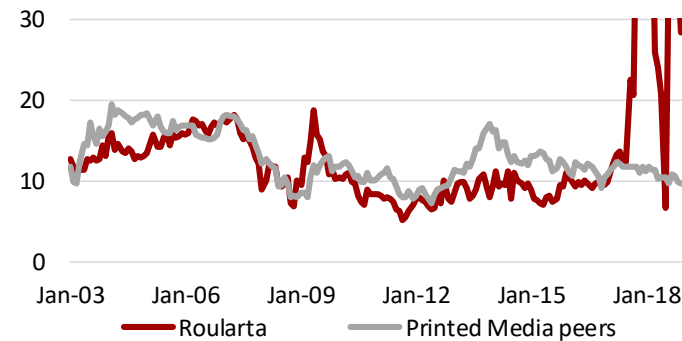
Valuation

On consensus EPS estimates, Roularta shares trade at a P/E 12M forward of 24x, a 130% premium versus Print Media peers in Europe (from a 200% premium in December). Importantly, the volatility is due to the inclusion, within 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. In addition, profitability at Roularta is still expected to be negatively impacted by high start-up losses in the digital ventures as well as weak market conditions in the ad space for Roularta's core activity.

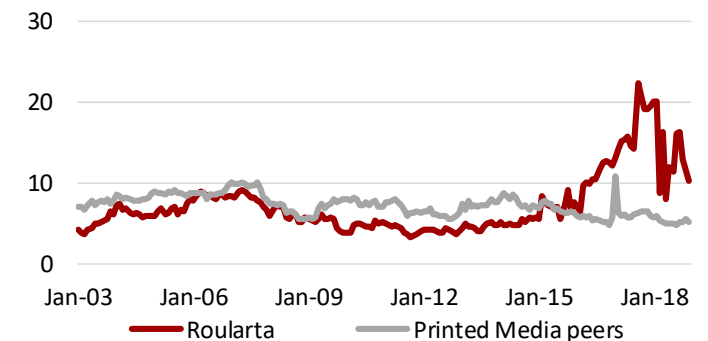
As a reminder, Roularta has disposed of its stake in Mediaaan, which means Roularta is now a Print Media pure play compared to the past when TV broadcasting (through Mediaaan) was the main profit contributor and the key value driver of the stock (in 2016, 73% of Roularta's EBIT and 80% of its EPS was generated by Mediaaan). The re-rating compared to the Print Media sector is driven entirely by the share price performance since October 2017 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 10.4x P/E 12M forward (vs. 10.1x previously, ie. a slight re-rating m-o-m) and at 5.6x EV/EBITDA 12M forward (vs. 5.4x previously), which compares to a LT average of 12.8x and 7.2x 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 remains at the low-end of its historical range.

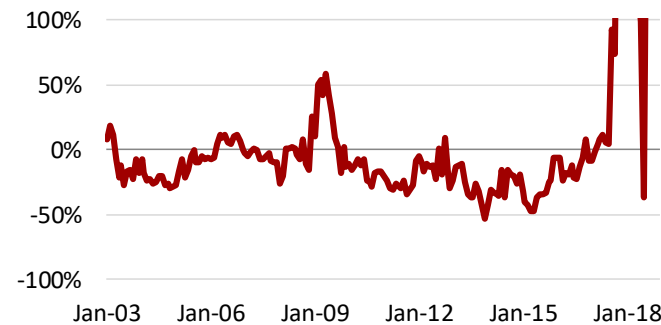
P/E ratio of Roularta vs. Print Media



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

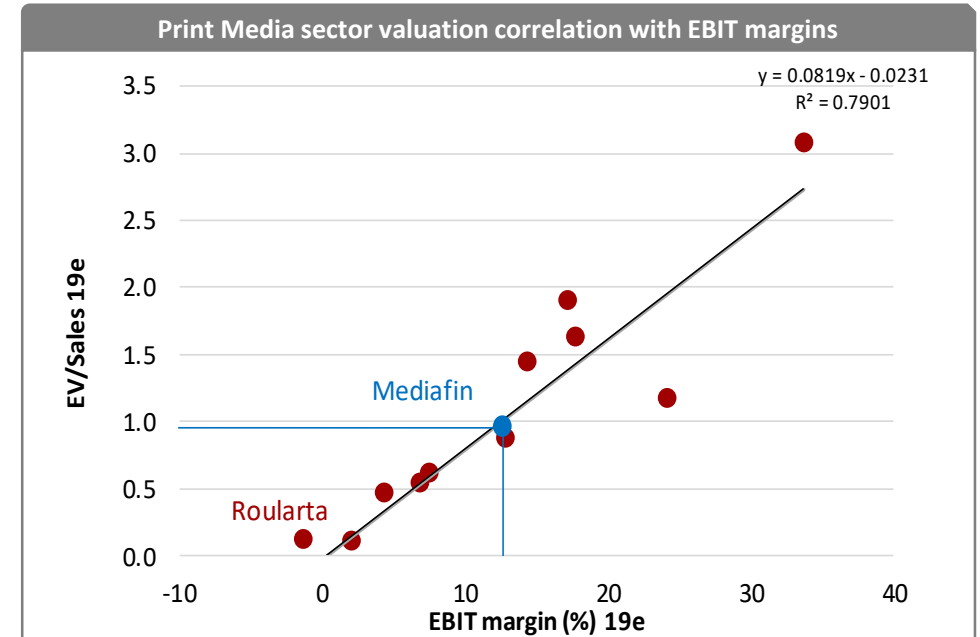
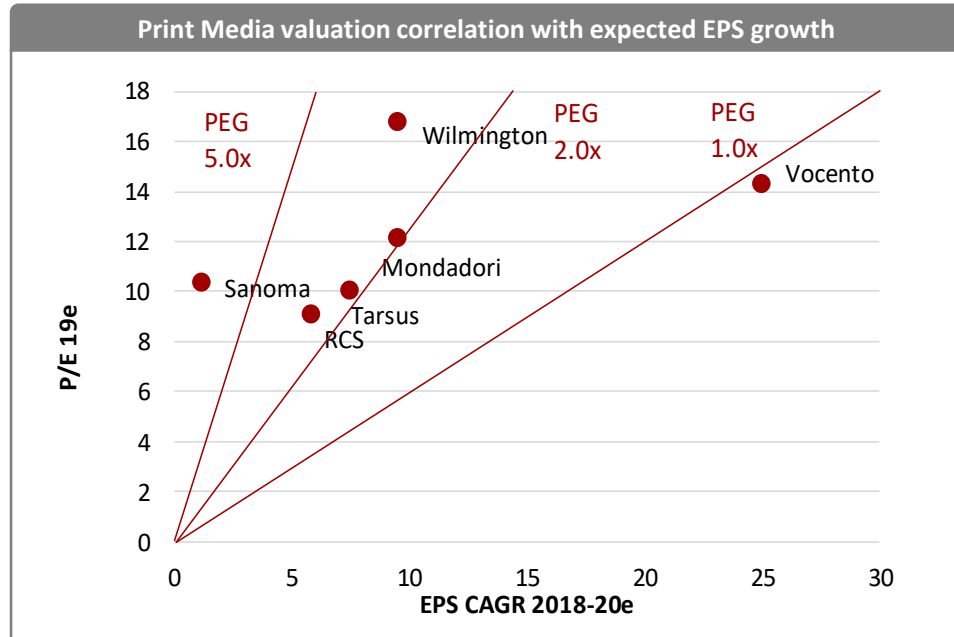


Source: Merodis, Factset

Reflecting the Medialaan disposal, the Mediafin acquisition, and, since July 2018, 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%	-61.9	na	na		98.8	14.7	74%	98.8
Group enterprise value						98.8			98.8
+ Net Fin. cash (1H18) - Sanoma acquisition (remaining amount) - Sp. div.						95.7			95.7
- Other liabilities (1H18)						-7.1			-7.1
+ NPV tax asset (balance sheet)						5.8			5.8
+ Equity value of Mediafin stake	50%					44.3	3.4	17%	44.3
+ Equity value of Bayard stake	50%	5.2	10.0	8.7	-5.3	25.3	1.9	10%	27.8
= Estimated market value of equity						262.7			265.2
Total share outstanding (m)						13.1			13.1
Equity value per share						20.0			20.2

Source: Merodis, Factset



Source: Merodis, Factset

Sales growth expectations

Impacted by cyclical and structural effects

Expected Sales Growth

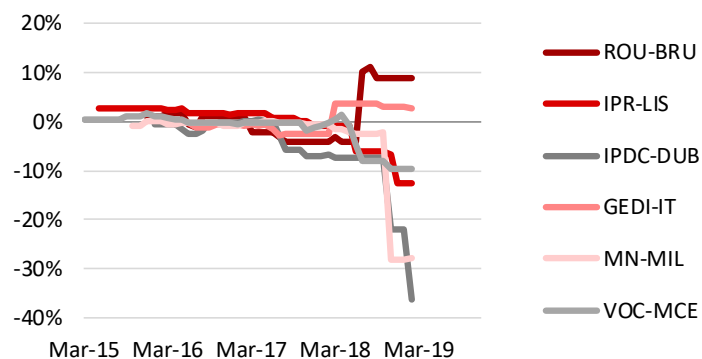
At the end of January, consensus Print Media sector sales growth expectations for 2018 deteriorated somewhat m-o-m to -16.% (from -13.8%), driven mainly by sharp downgrades in February for Independent News (-36.3% vs. -21.9% previously expected).

Consensus sales expectations for Roularta in 2019 are flat m-o-m, following a sharp increase in July and August with the inclusion of the Sanoma assets acquired in June 2018 with a full-year impact expected in 2019. Consensus now expects 8.8% sales growth (vs +9.3% MERE).

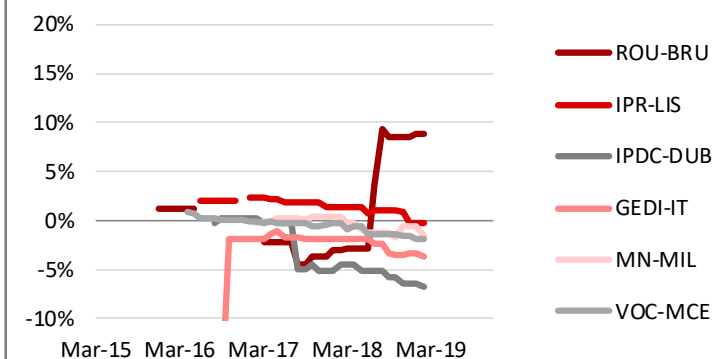
As a reminder the announced disposal of Medialaan and acquisition of Mediafin have no impact on Roularta's consolidated sales as both stakes are equity-accounted JVs.

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.

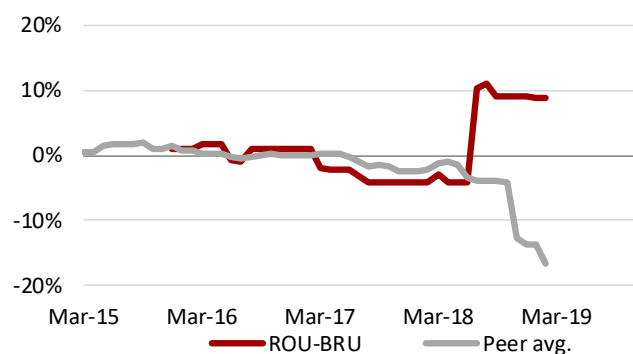
2018 expected sales growth (%)



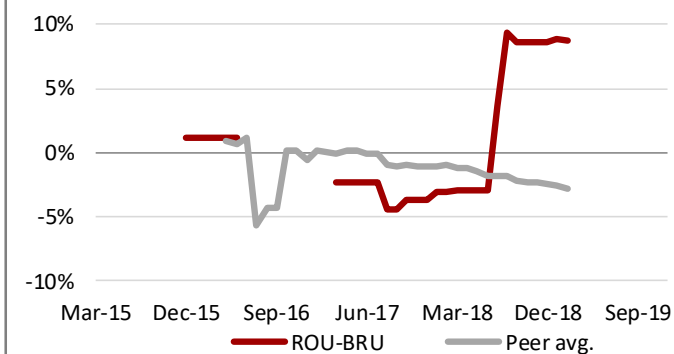
2019 expected sales growth (%)



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

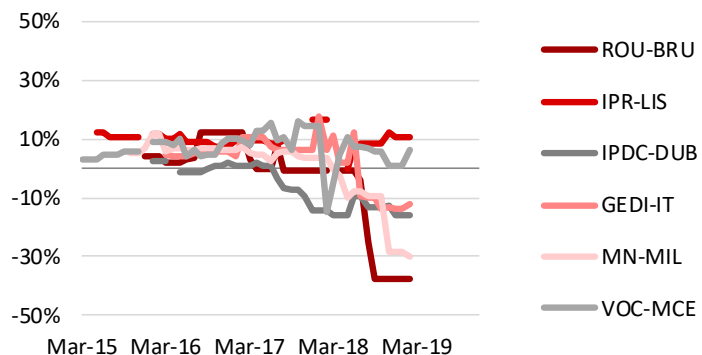
EBITDA expectations

During the month of February, the expected annual EBITDA growth at Roularta by consensus in 2019e remains high, at +139%, compared to the peer average of -0.2% (from +0.6% expected previously). Margin expectations remain below the peer average for 2018 and 2019, albeit with a slightly improving trend.

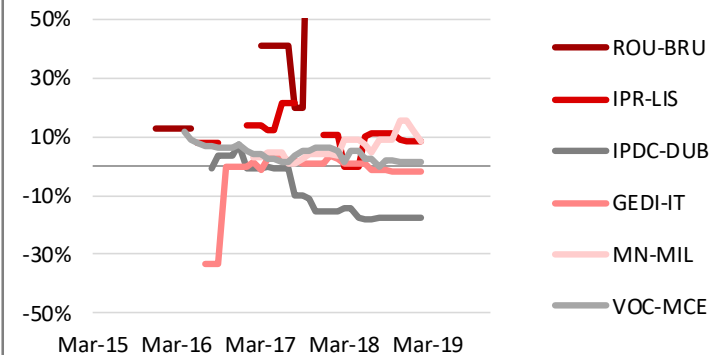
Note that consensus changes to EBIT or EBITDA at Roularta are not interpretable in a straightforward manner. In Roularta's case, its reported EBITDA margin (as reflected by Factset consensus) is positively influenced by the IFRS 11 treatment of its 50% stake in Bayard (and Mediafin, from March 2018), 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 is included in the consolidation scope from July 2018, as reflected in our forecasts.

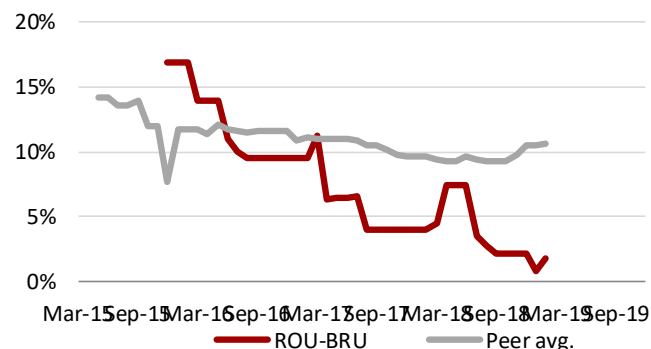
2018 expected EBITDA growth (%)



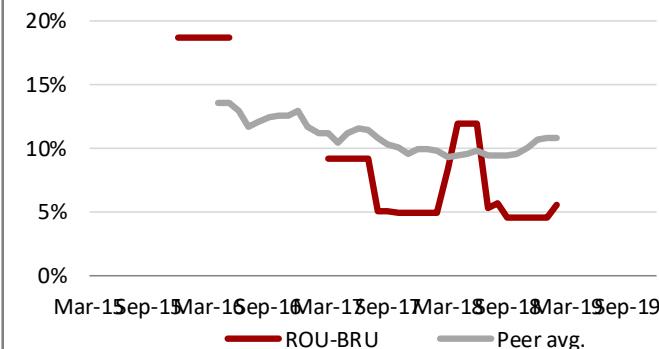
2019 expected EBITDA growth (%)



2018 expected EBITDA margin, Roularta vs. peers



2019 expected EBITDA margin, Roularta vs. peers



Source: Merodis, Factset

Consensus payout expectations

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

Dividend payout

Roularta announced on 1 March 2019 that an ordinary dividend of €0.5/share will be paid out on 2018 earnings, which compared to our previous forecast of no dividend. The amount is in line with the historical average dividend of €0.55/share in years when a dividend was paid (13 years over the past 19 since the IPO).

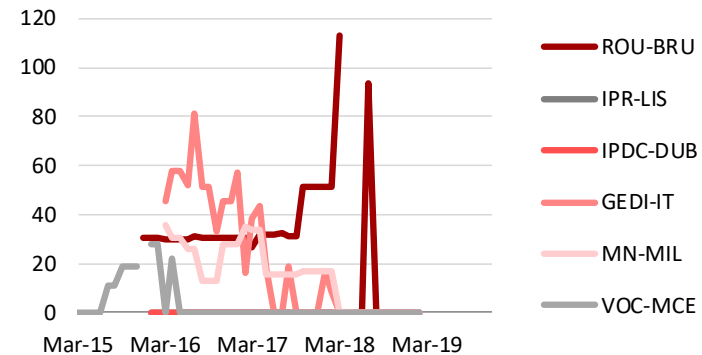
This come in addition to the already-announced €5/share interim dividend (€63m pay out) which was paid out on 19 July 2018. The purpose of the interim dividend was to remunerate shareholders for the €145m capital gain on the Medialaan disposal which was closed in February 2018.

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.

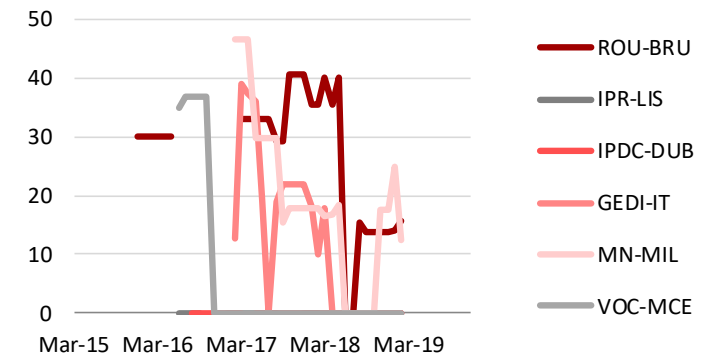
Consensus expects Roularta to pay out a dividend of €0.13/share in 2019e (vs. MERE €0.50), with an expected payout of 16% (vs. 14% previously expected).

The Mediafin acquisition and the Medialaan disposal are likely to have a negative impact on Roularta's (ordinary) dividend payment profile given the lower cash-generation potential of Mediafin vs. Medialaan. We believe, however, that a €0.50/share dividend in the next years is sustainable given Roularta's €95m net cash position following the Medialaan disposal.

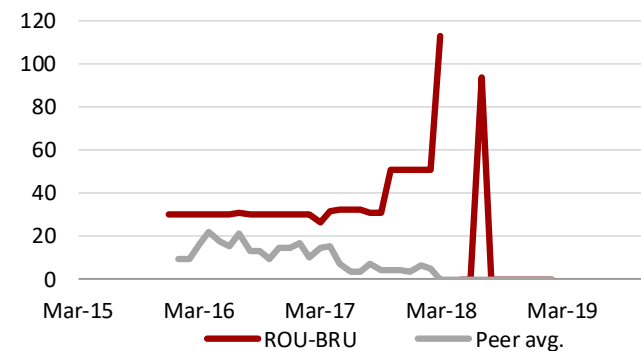
2018 expected Payout, Sector



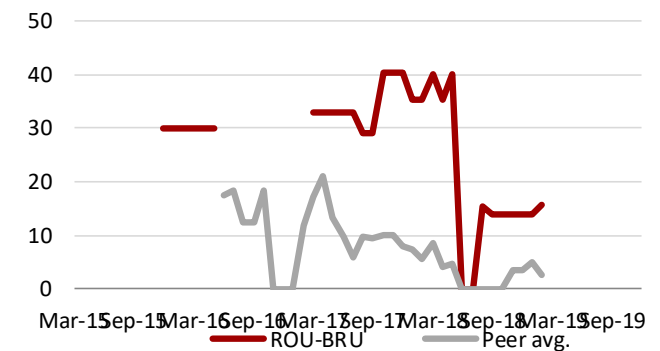
2019 expected Payout, Sector



2018 expected payout, Roularta vs. Peers



2019 expected payout, Roularta vs. Peers



Source: Merodis, Factset

Leverage expectations

No longer an issue post-transactions

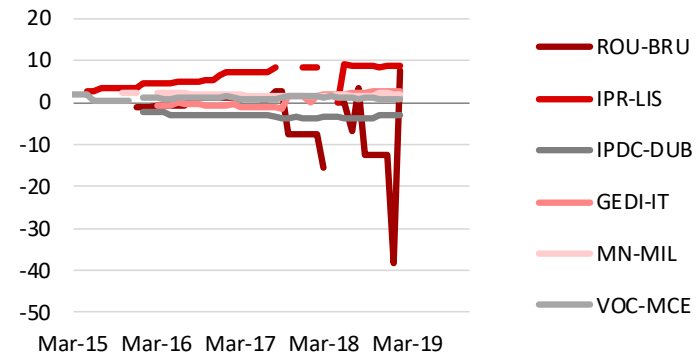
Net-debt-to-EBITDA

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 but has now reached a net cash position of €95m following the recent transactions (including the special €5/share dividend payout to shareholders and the Sanoma acquisition).

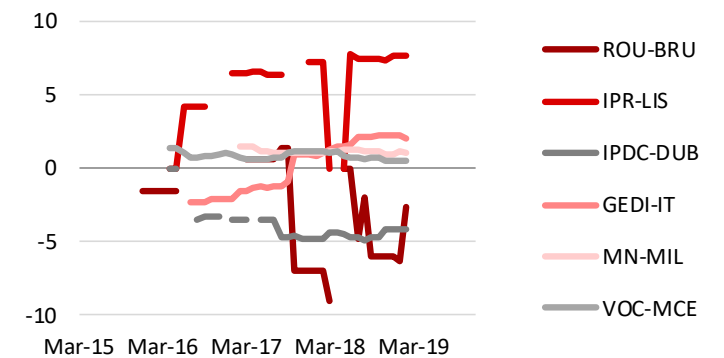
As a reminder, Roularta's covenant threshold of 3.5x net debt over EBITDA is based on annual EBITDA including the company's share of Mediafin's and Bayard's net profit. Based on this definition, the company reported a ratio of 1.5x in 2017 despite the depressed consolidated EBITDA.

Going forward, this has become a non-issue given Roularta's reported net cash position compared to a reported net debt position of €63m at the end of 2017.

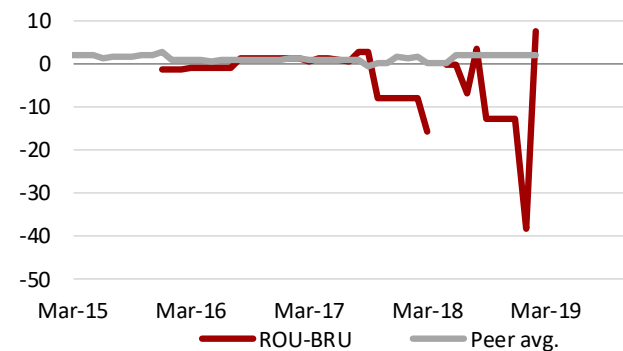
2018 NFD/EBITDA, sector



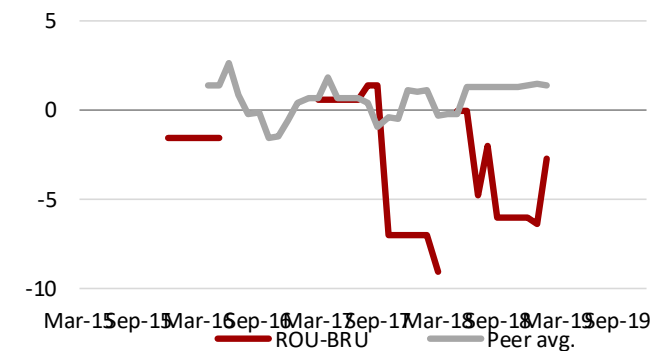
2019 NFD/EBITDA, sector



2018 NFD/EBITDA, Roularta vs. Peers

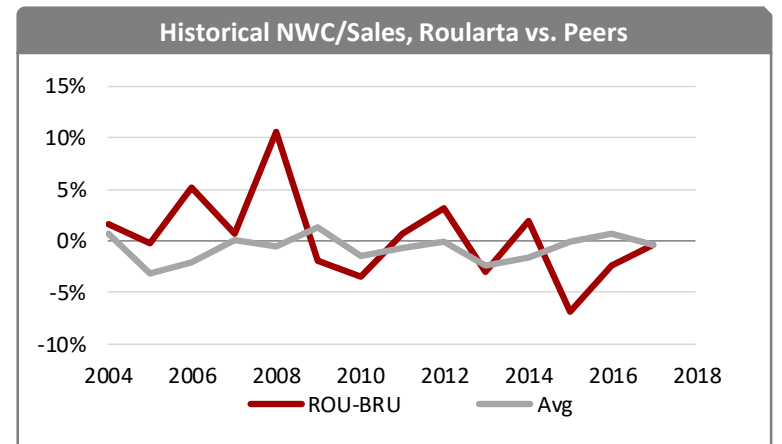
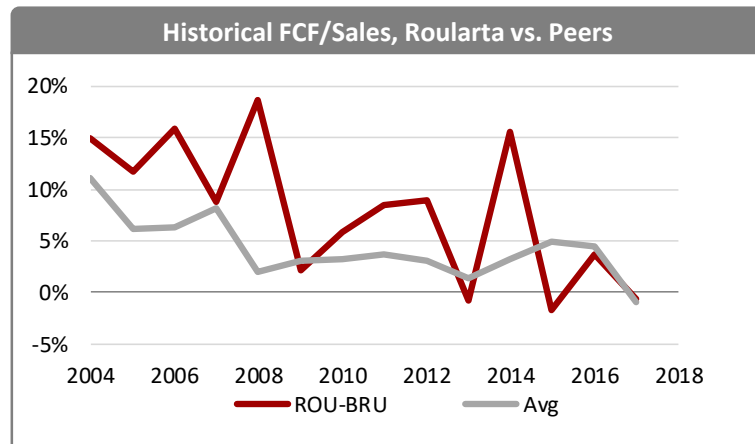
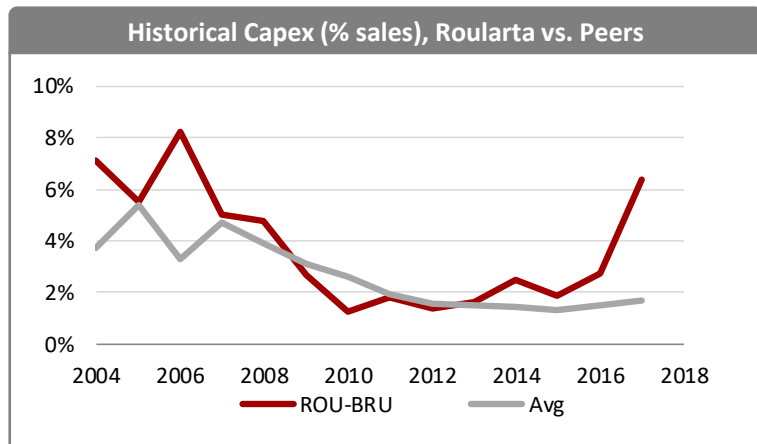
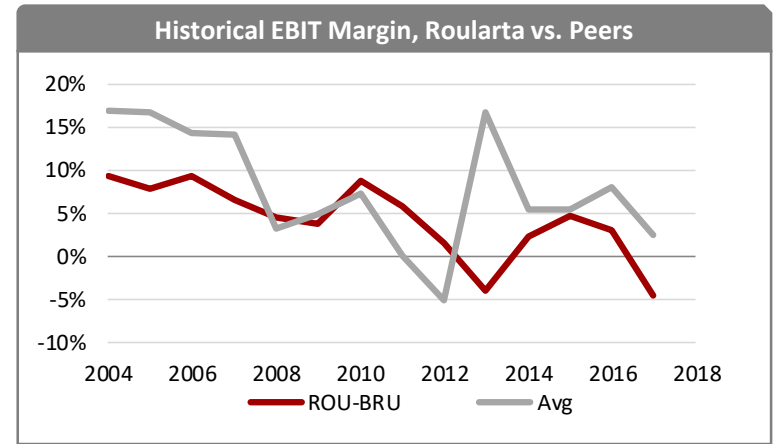
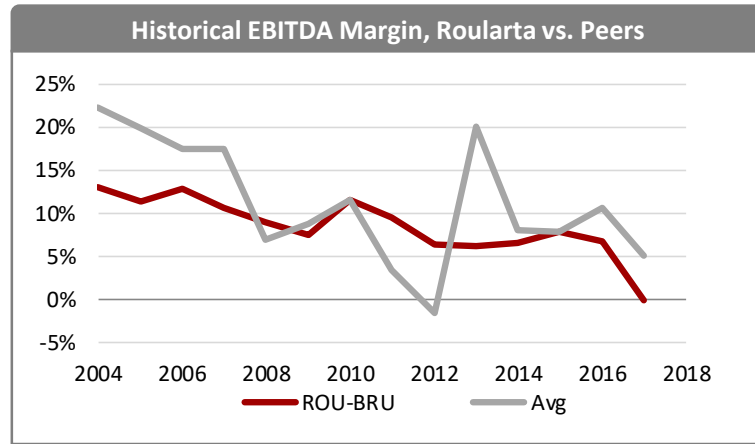
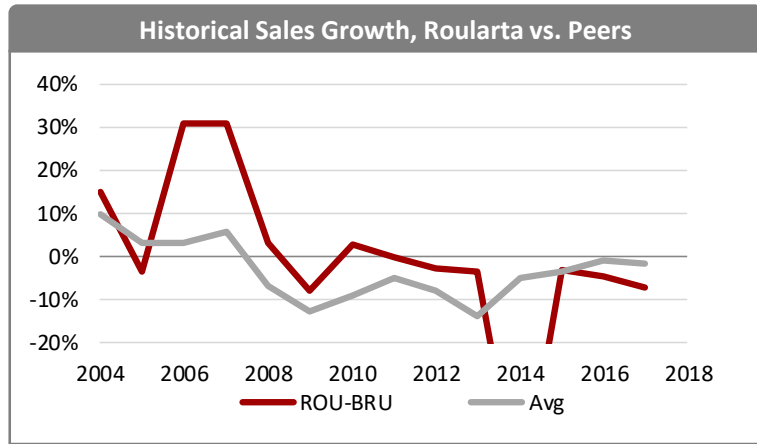


2019 NFD/EBITDA, Roularta vs. Peers



Source: Merodis, Factset

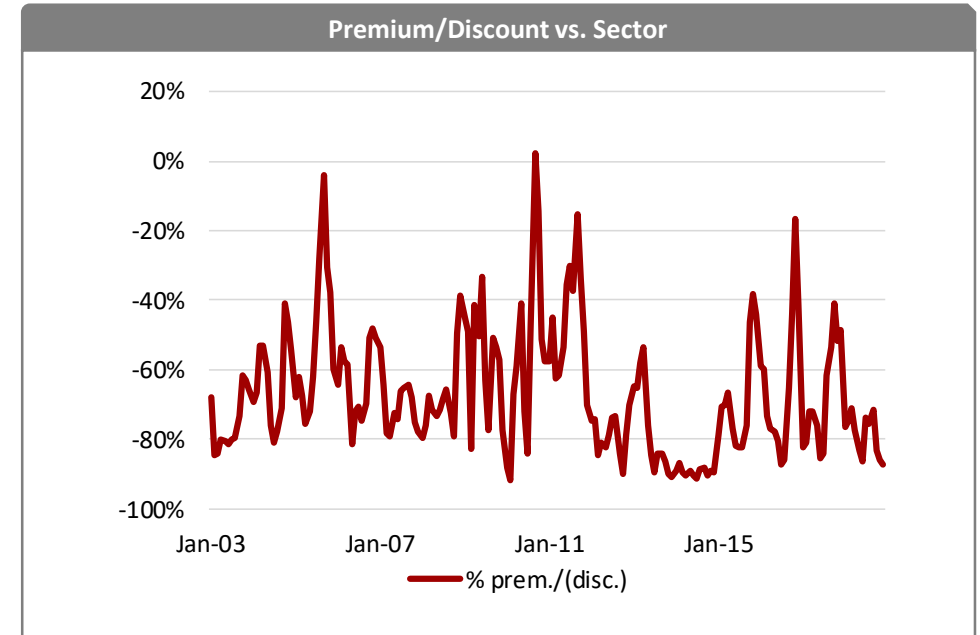
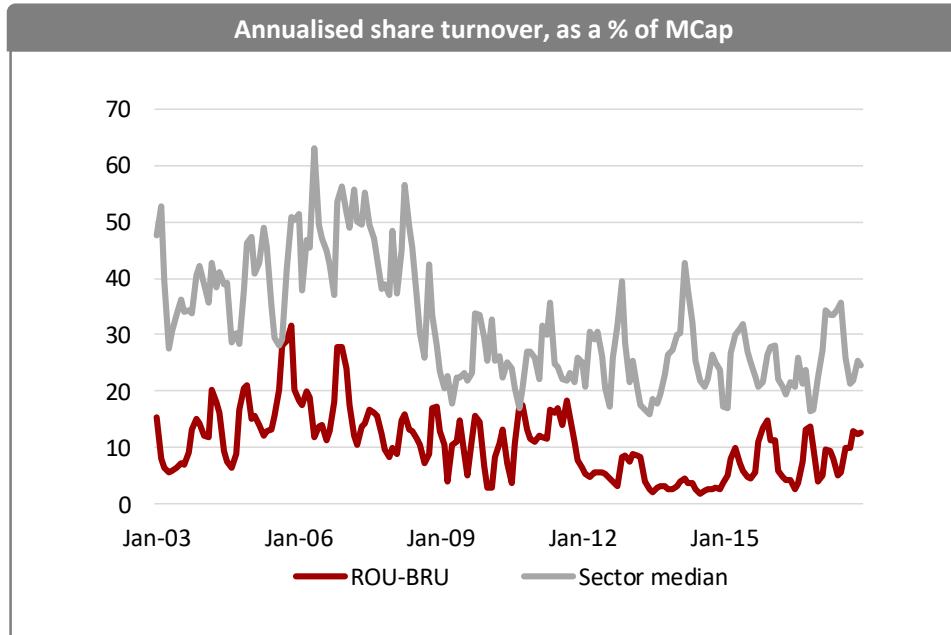
Historical P&L, CF and Balance Sheet Performance



Source: Merodis, Factset

Share liquidity

Well-below peers



Source: Merodis, Factset

Financial summary

Enterprise Value (€m): 35
Market Cap. (€m): 185
Free-float MCap (€m): 28

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	CAGR	CAGR
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	06-17	18-20e
Consolidated P&L (€m)																	
Sales	609	767	782	707	712	731	712	677	300	292	279	258	278	304	290	-7.5	2.0
EBITDA	78	81	70	53	82	76	45	42	20	18	16	1	8	7	9	-32.7	5.7
EBIT	51	50	33	10	57	36	5	-49	4	12	7	-13	-64	-4	-2	na	-82.8
Pretax profit	49	36	18	-3	51	28	-4	-57	-3	7	2	-18	-69	-3	-1	na	-87.3
Net profit	25	16	14	-4	31	15	-3	-58	-142	64	21	-11	80	2	4	na	-77.5
Combined P&L (€m)																	
Sales	491	477	471	476	287	329	361	349	12.1								
EBITDA	46	48	55	53	1	161	17	22	242.1								
EBIT	23	33	42	36	-11	88	4	9	na								
Pretax profit	16	26	37	31	-16	83	5	10	na								
Net profit	-58	-142	64	21	-11	81	5	9	na								
Cash Flow (€m)																	
Adj. EBITDA	72	80	67	36	77	63	39	21	17	15	16	1	8	7	9	-32.2	5.7
WCR	22	4	62	-10	-19	4	17	-16	4	-17	-8	0	28	4	-2	na	na
Gross Op CF	95	84	129	26	58	66	56	5	21	-3	8	1	36	10	7	-35.3	-56.1
Capex	-50	-38	-35	-20	-8	0	-4	-6	-7	-5	-8	-16	-7	-14	-7	-9.6	0.1
FCF	20	13	74	-8	24	46	44	-10	27	0	5	-26	28	1	4	na	-63.4
Net disp./acq.)	-214	-14	4	57	-9	1	0	1	9	12	16	17	221	-9	0	na	na
Dividends paid	-8	-8	-9	0	-6	-4	0	0	0	0	0	-6	-63	-6	-6	-2.3	-68.4
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	-28	0	0	na	na
Net Debt (incr./decr.)	-182	-24	81	39	15	22	20	-7	-6	6	18	-5	158	-14	-2	-27.7	na
Balance Sheet (€m)																	
WC	17	13	-49	-39	-20	-24	-41	-25	-51	-21	-13	-13	-41	-45	-42	na	1.9
Capital Employed	660	689	640	584	602	581	549	511	221	298	295	154	143	144	142	-12.4	-0.5
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	96	82	79	0.3	-9.1
Gross Debt	263	278	275	198	155	124	148	127	116	114	108	106	0	0	0	-8.0	0.0
Equity	285	284	318	312	345	351	345	287	143	208	222	203	223	209	204	-3.0	-4.2
Growth (%)																	
Sales	31	31	3	-8	3	0	-3	-3	-58	1	-4	-6	10	10	-4		
EBITDA	40	4	-14	-24	54	-15	-35	-6	-54	-8	-10	-94	712	-17	35		
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	-97		
FCF	-51	-36	491	na	na	92	-6	na	na	-100	18859	na	na	-98	475		
NWC	-57	-24	na	-20	-49	19	72	-38	99	-58	-39	-2	222	9	-5		
Capital Employed	123	4	-7	-9	3	-4	-5	-7	-57	35	-1	-48	-7	0	-1		
Shareholder Equity	32	0	12	-2	11	2	-2	-17	-50	45	7	-9	10	-6	-2		
Financial Ratios																	
Gross margin (%)	71	74	75	76	78	76	75	76	72	75	76	76	76	78	79		
EBITDA margin (%)	13	11	9	8	12	10	6	6	7	6	6	6	0	3	2		
EBIT margin (%)	9	7	4	4	9	6	2	-4	2	5	2	-4	0	-1	-1		
Net margin (%)	4	2	2	-1	4	2	0	-9	-47	22	8	4	29	1	1		
Opex/Sales (%)	87	89	92	92	88	91	94	94	94	92	94	99	96	97	96		
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	143	160	121		
Tax rate (%)	48	55	31	-84	37	43	28	-3	-89	-671	-4	-82	-2	0	0		
Capex/Sales (%)	8	5	5	3	1	0	1	1	2	2	2	3	6	3	5		
FCF/Sales (%)	3	2	9	-1	3	6	6	-1	9	0	2	-10	10	0	1		
WCR/Sales (%)	4	1	8	-1	-3	1	2	-2	-1	-6	-3	0	10	1	-1		
WC/Sales (%)	3	2	-6	-6	-3	-3	-6	-4	-17	-7	-5	-5	-15	-15	-15		
Capital Employed/Sales (%)	108	90	82	83	85	79	77	75	74	102	106	59	51	47	49		
Gearing (%)	74	83	50	39	31	25	19	26	56	36	26	31	-43	-39	-38		
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	-11.7	-12.1	-8.7		
ROCE post-tax (%)	6	3	3	3	6	3	1	6	8	32	8	-9	58	3	7		
ROE (%)	10	6	5	-1	9	4	-1	-18	-66	37	10	-5	38	1	2		
Dividend Payout (%)	33	52	0	0	22	30	0	0	0	10	30	0	90	299	161		
Valuation																	
Market Capitalisation (€m)	579	669	393	184	248	275	185	155	162	208	319	306	258	185	185	-5.7	-15.3
+ Net Financial Debt (€)	222	246	165	127	111	89	70	76	82	76	57	63	-96	-82	-79	-10.9	-9.1
- Restated Min. + others (€m)	38	38	22	15	17	16	14	35	20	10	10	7	7	7	7	-11.6	0.0
- Associates & Inv. (€m)	16	11	12	10	11	12	14	14	123	176	167	20	75	75	75	1.9	0.0
= Enterprise Value (€m)	824	942	568	316	365	369	254	253	141	118	219	358	94	35	38	-7.3	-36.5
Assoc. NFD (gr. share) (€m)	0	0	0	0	0	0	0	0	0	-7	-10	0	-3	-3	-4		
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	0.1	0.1		
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	356.3	11.5	5.2	4.2		
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	-27.7	-1.5	-8.7	-20.2		
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	3.3	53.9	10.0		
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	0.7	0.2	0.3		
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	3.2	84	45.3		
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	1.2	0.9	0.9		
FCF yield (%)	3.4	1.9	18.9	-4.6	9.8	16.9	23.7	-6.5	16.4	0.0	1.6	-8.5	11.0	0.4	2.0		
Per share data																	
# 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	13.43	13.42	13.21	13.18	13.05	12.97	13.07	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	23.25	19.64	14.10	14.10	-7.2	-15.3
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	6.14	0.17	0.31	na	-77.5
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	6.14	0.17	0.31	na	-77.5
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	16.94	15.89	15.56	-4.6	-4.2
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	5.50	0.50	0.50	na	-69.8

Source: Company data, Merodis Equity Research

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