

16 August 2017

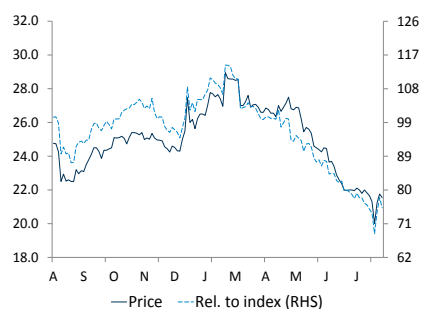
ROULARTA

1H17E – Traditional ad media in hot water

MEDIA
BELGIUM

CURRENT PRICE € 21.55
TARGET PRICE € 24.50

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg ROU BB
Reuters RLRT.BR

www.roularta.be

Market Cap € 283.0m
Shares outst. 13.1m
Volume (daily) € 75,059
Free float 26.4%

Next corporate event

Results 1H17: 21 August 2017

(€ m)	2016	2017E	2018E
Sales	276.5	267.4	259.2
REBITDA	34.4	33.9	36.6
Net earnings	21.5	21.1	23.4
Adj. EPS (€)	1.76	1.67	1.85
P/E (x)	13.7	12.9	11.6
EV/REBITDA	9.3	8.2	7.2
FCF Yield	2.4%	5.6%	7.9%
Dividend yield	2.1%	2.3%	2.6%

Ruben Devos

+32 2 429 58 43

ruben.devos@kbcsecurities.be

Roularta will publish its 1H17 results on Monday 21st August 8.15am CET, followed by an analyst meeting at 1pm CET.

Trading update warns of trouble: Recall that Mid-May, the company released a trading update which pointed to a 5 to 10% decline in all media (TV, print and online), with the exception of radio. Moreover, the press release stated that “the ad market is undergoing ups and downs” and that it would be “difficult to make an accurate forecast for the entire year”.

1H17 forecasts: Incl. some external growth from the acquisition of Channel 8 and Mobile Vikings last year, we expect combined 1H17 sales to decline by 2.7% yoy to € 234m (consolidated sales of € 136m). Next, we bank on a 10% decline of EBITDA (consolidated basis), and a 20% drop in EPS.

TP lowered to € 24.5: Given the structural headwinds in print and a TV advertising picture which seems to have decoupled from a strong macro environment, we've further reduced our group sales forecasts by 2% for the next few years. Due to the limited capacity of the variable cost base to absorb top-line decreases, new roam-like-at-home regulation in mobile, development costs of Storesquare, and accelerated amortization of intangible assets related to Mobile Vikings (net profit of JV Medialaan is reported as EBITDA under the consolidated accounting), our EBITDA forecasts now sit at € 30.6m in 2017 and € 33.9m in 2018. This reflects a cut of 10% and 7% respectively. Our EPS forecasts are down 15% in 2017 and 11% in 2018 with the latter year reflecting a tax benefit for Medialaan following the recently introduced tax reform of the Belgian gov't. On the back of a lower SOTP valuation, we've lowered our TP from € 27.0 to € 24.5.

Net positive impact from tax reform: The reduction of the statutory tax rate from 33.99% in 2017 to 29% in 2018 and to 25% in 2020 is a positive for Medialaan whose tax base is to a very limited degree exposed to potentially compensating measures (as the Belgian gov't seeks to make the tax reform budget neutral). Another positive is the possible introduction of tax consolidation by 2020 which would allow Roularta to combine or offset the respective taxable profit of each entity in the group and to be taxed on the overall sum, as if it were a single taxpayer. Though, it is hitherto unsure whether the gains / losses of subsidiaries / JVs will be eligible for tax consolidation. Lastly, recall that Roularta's printing business has a deferred tax asset (DTA) of € 21m in the books and another € c.50m DTA hidden from the balance sheet. In anticipation of future tax benefits (from the reduction in ETR), Roularta would need to impair its total DTA, presumably at FY17 results.

JV with De Persgroep: Mid-June, De Persgroep Publishing and Medialaan announced the establishment of an integrated saleshouse and a joint data team. The 50/50 JV will be fully operational as of Jan'18 and will be able to reach a very broad and audience through its omnichannel approach. Moreover, we applaud the investments in data intelligence (Trinity) which will support targeted ad growth and deliver customized solutions.