

17 May 2017

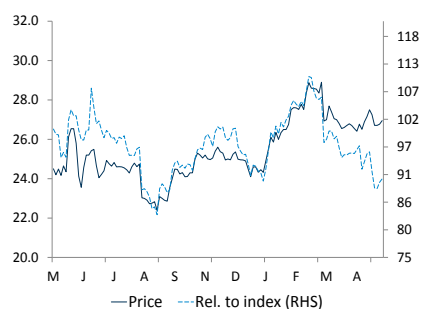
## ROULARTA

## Difficult start to the year

MEDIA  
BELGIUM

CURRENT PRICE € 26.95  
TARGET PRICE € 27.00

**HOLD**  
RATING DOWNGRADED



Source: Thomson Reuters Datastream

Bloomberg	ROU BB
Reuters	RLRT.BR
www.roularta.be	
Market Cap	€ 353.9m
Shares outst.	13.1m
Volume (daily)	€ 85,608
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	16.1	14.5
EV/REBITDA	9.3	10.2	9.0
FCF Yield	2.4%	4.5%	6.4%
Dividend yield	2.1%	1.9%	2.1%

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**Trading update:** Yesterday, ahead of its AGM, Roularta unexpectedly released a trading update for the first 4M17 that pointed to a 5 to 10% decline in all media (TV, print and online), except for radio. In line with previous communication, Roularta does not make forward-looking statements for the advertising market given the high degree of intra-year volatility and limited visibility.

**TV advertising in troubled waters:** After last week's comments by Peter Quaghebeur (CEO of commercial broadcaster SBS) that the Belgian TV advertising market is "particularly weak in 2017" and that "commercial broadcasters cannot survive in the current environment", Roularta's reported decline in TV advertising does not come as a total surprise.

Although we acknowledge that part of the decline can be explained by challenging comps (in even years with major sport events, advertisers buy ahead of the sport-filled Summer months) and a particularly weak Easter period, we wonder whether a more structural trend is surfacing. After all, viewing habits are changing, with households increasingly opting for delayed viewing, OTT services, and online. As we've seen with the steady decline of print ad share, advertisers can now choose to tap into their TV spending budgets to allocate a higher share to alternative media channels such as short-form video, social media, mobile, non-linear TV, etc.

**What does 2017 have in store?** In addition to the weak start to the year, there are few catalysts to look forward to in 2017, given 1) a continuation of the mid-single-digit decline in printing sales for 3d parties and print advertising, 2) high development costs for Storesquare, and 3) regulatory pressure on Medialaan Mobile (elimination of roaming costs, mandatory prepaid registration). However, a revamp of Medialaan's online TV platform, Stievie (Free), in 2H17 and a rethink of the current revenue model between broadcasters and distributors could unlock value for Roularta's audiovisual segment.

**Downgrade to Hold:** Even though we expect Roularta's earnings power to improve in 2019 (expiry of operating lease, better economics for Medialaan Mobile, first profits of Storesquare, and reduced financial expenses), the outlook for print is gloomy and there's high uncertainty for audiovisual in the short-term. Following our downward revision of audiovisual sales (c.-2%), our group EPS is down by 6% and 4% in 2017 and 2018. As a result, on the back of a lower SOTP valuation of € 27.0ps (from € 29.0), we've decided to lower our rating to Hold (from Accumulate). At our TP, Roularta would trade at a P/E 17e/18e of 16.2x/14.6x and a FCF yield of 4.5%/6.3%. Note that our free cash flow forecasts include a € 15m dividend assumption (from Medialaan) in 2018, up from € c.10m in 2017.