

21 August 2017

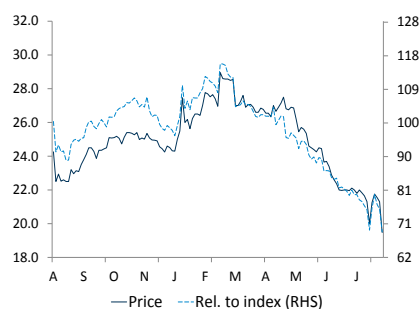
ROULARTA

First look 1H17 results

MEDIA
BELGIUM

CURRENT PRICE € 21.03
TARGET PRICE € 24.50

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	ROU BB
Reuters	RLRT.BR
www.roularta.be	
Market Cap	€ 276.2m
Shares outst.	13.1m
Volume (daily)	€ 73,916
Free float	26.4%
Next corporate event	

(€ m)	2016	2017E	2018E
Sales	276.5	263.2	253.1
REBITDA	34.4	27.5	30.5
Net earnings	21.5	17.9	20.9
Adj. EPS (€)	1.76	1.17	1.39
P/E (x)	13.7	17.9	15.2
EV/REBITDA	9.3	10.0	8.5
FCF Yield	2.4%	4.9%	7.6%
Dividend yield	2.1%	1.7%	2.0%

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Group financials: Combined sales reached € 233m (kbc: € 234m) in 1H17 reflecting a sales decrease of 3%. Group EBITDA (on a combined basis) fell by 43% from € 28.6m in 1H16 to € 16.5m (kbc: € 26.8m) in 1H17. The decline in EBITDA is primarily due to the result of lower revenues, investments in content for TV, launch costs for Storesquare and Proxistore, and investments in a new digital platform for mobile telecom activities. Reported net income stood at only € 0.5m, additionally affected by a reversal of a deferred tax asset at the Healthcare entity. Total capex amounted to € 2.7m (kbc: € 3.8m) including € 0.2m acquisitions, € 1.4m in intangible assets, and € 1.0m in fixed assets. Net financial debt stood at € 59m (kbc: € 74m), supported by an improvement in working capital.

Printed media: Combined sales for printed media (incl. Internet and Events) declined by 6% to € 142m (kbc: € 144m). The decline is driven by a 12% drop in typesetting and printing and weak print ad revenues. Revenue from the readership market fell by 3% yoy. Internet ad sales grew by 15% in 1H17. EBITDA (combined) decreased to € 2.9m from € 10.5m in 1H16

Audiovisual media: Combined sales for the year increased by 1.4% (kbc: +1.5%), primarily due to changes in consolidation scope (Channel 8, Mobile Vikings). Organically, sales of audiovisual media declined by 3% as a result of lower advertising sales from TV, partly offset by radio (+2.6%), and "other" income (+15%). EBITDA (combined) decreased by 25% to € 13.5m (kbc: € 17.4m) with a 530 bps contraction in margins due to the consolidation effect, higher development costs (Mobile Vikings), and increasing broadcasting costs.

Outlook: "Insufficient visibility of ad revenues in all media makes it difficult to produce a 2H17 forecast". The ad portfolio for 3Q17 shows a similar evolution to 1H17 regarding print, audiovisual and internet activities. New activities like mobile telecom, Storesquare and Digilocal continue to weigh on the bottom-line due to increased investments.

Questions for analyst meeting: We'd like to have some commentary on 1) the visibility of the TV advertising market, 2) the subscriber intake and profitability of Stieve Free, 3) the performance of Mobile Vikings, 4) the headroom for reducing business costs, 5) the development of the digital portfolio (Storesquare, Proxistore, etc.), 6) the impact of the proposed tax reform on next year's ETR, and 7) management's view on reselling telecom services in light of a potentially regulated fiber and cable network.

Conclusion: Roularta reported large declines of its financial results for the largest part due to continued mid-single digit top-line pressure in printed media. There is only a limited capacity in revenue decline that Roularta can offset with variable costs, suggesting that the group could look for another round of cost reductions. Additionally, investments in new media and the digital portfolio will continue to weigh on earnings for the near-term future.

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The company disclosures can be consulted on our website <http://www.kbcsecurities.com/disclosures>.

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