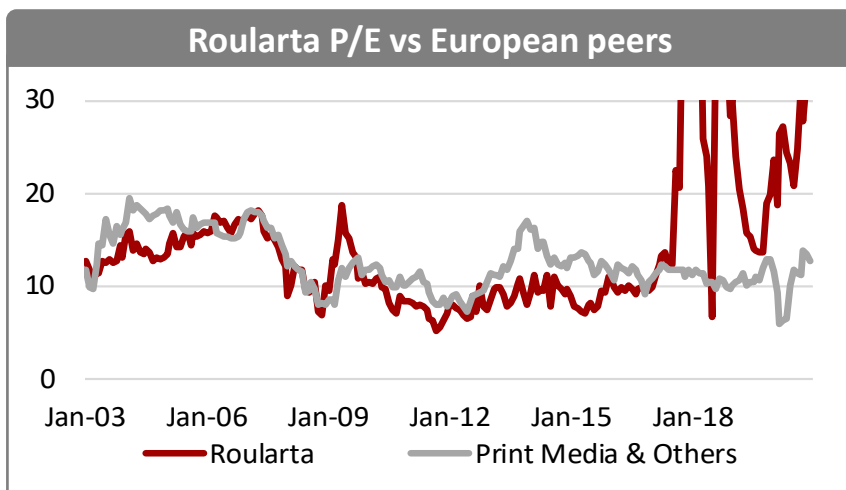


Roularta Media Group

BELGIUM

Bloomberg: ROU:BB

Reuters: RLRT.BR



€m	2016	2017	2018	2019	2020e	2021e	2022e
Sales	278.6	258.3	278.4	298.0	252.0	288.9	289.1
EBIT	6.7	-13.0	-63.7	7.5	-0.5	4.1	8.7
Net profit	21.5	-10.9	79.9	10.9	1.9	6.7	12.3
EPS (€)	1.65	-0.84	6.14	0.83	0.16	0.56	1.02
DPS (€)	0.50	0.00	5.50	0.50	0.00	0.55	0.55
P/E (x)	14.7	na	3.2	16.3	84.4	25.4	13.9
Yield (%)	2.1	0.0	28.0	3.7	0.0	3.9	3.9
Adj. EV/EBIT (x)	32.7	na	na	3.1	na	10.3	na

Source: Merodis Equity Research, Factset
Pricing date: 31/12/2020

Market review and peer benchmarking

18 January 2021

Key quarterly insights: 4Q20

Cautiously optimistic outlook in August confirmed by 3Q trading update in late October

As a reminder, Roularta reported 1H20 results in August which showed a much more resilient top line than expected, strong gross margins and opex well under control. We qualified the guidance provided in August as “cautiously optimistic” at the time, with upside and optimism stemming from the company’s external printing activity (14.5% of group sales, with new external orders helping to fill the added capacity from the new and more efficient printer) as well as the move to shift sales to subscriptions (now 43% of group sales from 34% in 1H19) with the “New Deal” strategy (particularly at the recently-acquired women magazines with well-know titles such as Libelle, Femmes d’Aujourd’hui, and GAEL), providing superior visibility in a market afflicted by a structural decline ad revenues. This trend was confirmed during 3Q20, with sales reported down 4% (vs -18.5% during 1H20 and 9M20 sales down 14%, mainly impacted by falling ad revenues, partly offset by rising susception sales). EBITDA in 3Q20 was EUR 7m, with 9M20 adjusted EBITDA reaching as much as EUR 13m (the adjustment excludes equity accounted results), which compares to our previous FY20 EBITDA forecast of EUR 10.7m. The group’s net cash at the end of 3Q20 reached EUR 95m, up from the level of 1H20. The company did warn, however, that the second lockdown and weak business confidence would weigh on results of the last two months of 2020. As a result of the strong 3Q20 and taking into account the weaker end of the year, we have raised our EBITDA forecast for 2020e by 19% to EUR 12.7m, leading to an EPS of EUR 0.15 from EUR -0.01 expected previously.

Roularta holds 11% of own-shares

Roularta announced on 25 November that it acquired 0.917m of its own shares (a stake of 7%) from long-term owner, Bestinver a Spanish fund manager. The price was EUR 12.4 per share (11% discount to the previous day’s share price, but in line with the 3M average) for a total of EUR 11.4m. As a result, treasury shares now reach a total of 11.5% based on our estimates and free float is roughly unchanged at 16% (with potential to rise should the treasury shares be placed in the market at some stage). Including this cash-out and our forecast of capex of EUR 17m for 2020 (from EUR 6.4m in 1H20) mainly due to a new printing machine, we expect the Roularta’s net cash position to reach EUR 73m on 31 December 2020, excluding the value of the treasury shares (EUR 21m).

Valuation assessment

The market currently values Roularta at an enterprise value (EV) of a mere EUR 42m, which includes a market cap of EUR 186m, the value of restated minorities of EUR 6m, EUR 96m of net cash reported in 2019 as well as the estimated value of EUR 56m for its 50% stakes in Mediafin and Bayard. Our fair equity value estimate is at EUR 14.2/share (from EUR 14.4). We value the core Print Media activity at an EV of €37m (9x EV/EBIT ‘21e). We believe this business has more potential value, given, among others, Roularta’s leading market positions in free newspapers and in (news, business and women) magazines as well as its state-of-the-art printing facilities.

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
- ➔ 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, 18 May 2021: AGM
- ➔ Tuesday, 17 August 2021: 1H21 results

Access our recent research reports on Roularta:

- ➔ ["2Q20 market review" \(quarterly dashboard\), 14 July 2020](#)
- ➔ ["3Q20 market review" \(quarterly dashboard\), 13 October 2020](#)

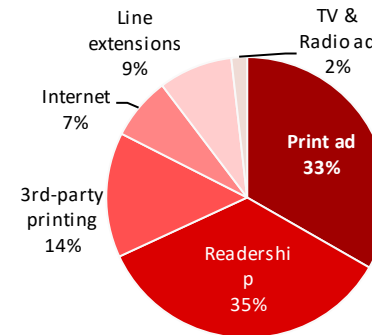
Company description

Roularta is Belgium's leading media company offering

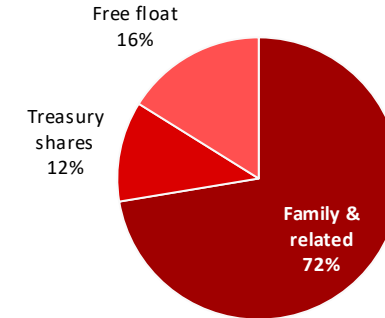
- (1) local weekly free newspapers in Flanders (Deze Week, De Zondag, Steps),
- (2) nationwide weekly news, business and women magazines (Knack, Le Vif L'Express, Trends, Trends Tendance, Libelle/Femme d'Aujourd'hui and Flair and Feeling/Gael),
- (3) internet platforms (Storesquare, Digilocal, Proxistore, 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 (33%), (2) Readers Market (subscriptions and newsstand sales) (35%), (3) Third-Party Printing (14%), (4) Internet advertising and related (7%), (5) other sources of revenues (inc. Line Extensions) (8%) and (6) TV and Radio advertising revenues (2%). 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 restated its business segmentation to include two activities: Media Brands (87% of group sales in 2019) and Printing Services (13%).

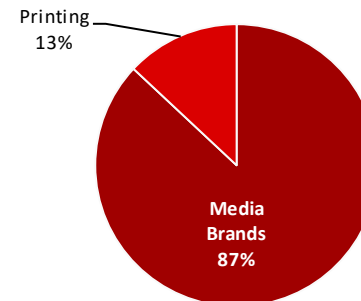
Combined sales breakdown (2019)



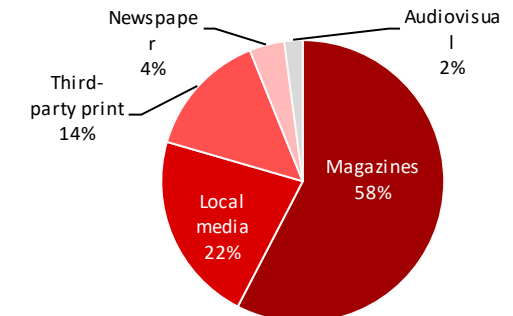
Shareholders



Segment sales (2019)



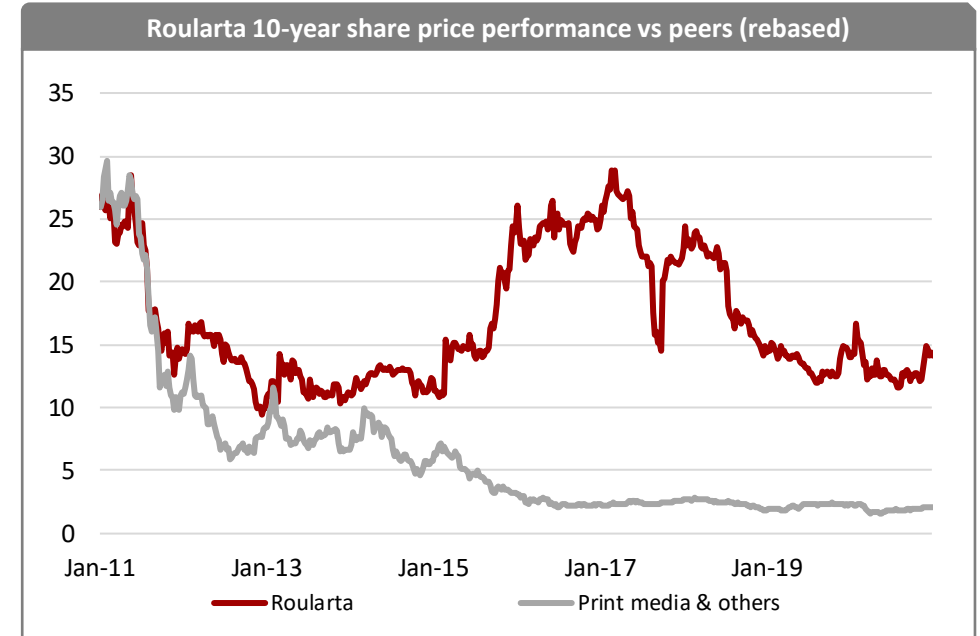
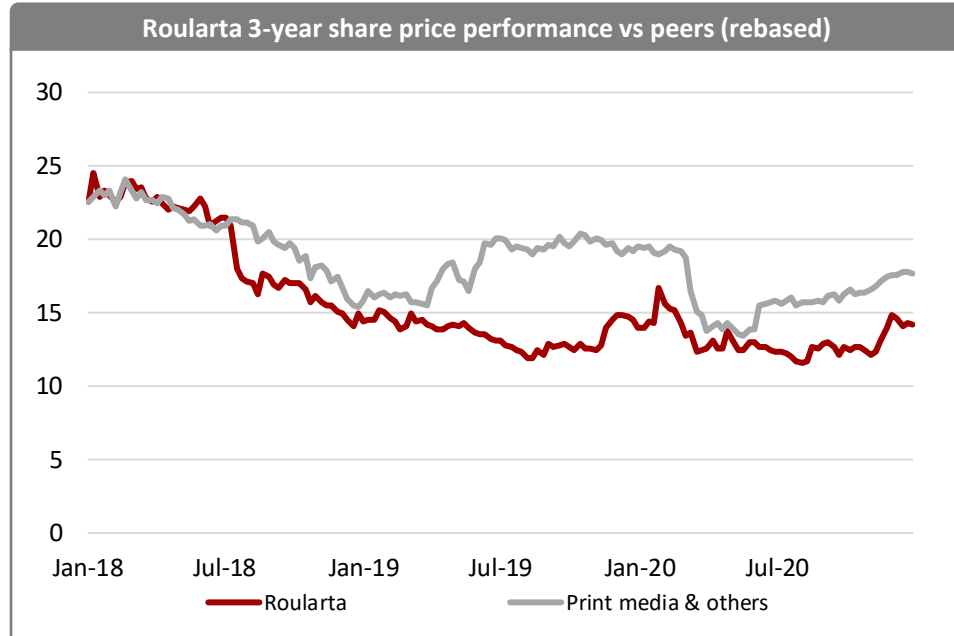
BU sales (2019)



Source: Merodis, Factset

Share price performance

Under pressure since 1Q17, with transformational deals and strong 2H18, 1H19 & 2H19 to the rescue



Source: Merodis, Factset

Analyst Recommendations, Earnings Expectations

Consensus stabilizes after downgrading due to Covid-19

Consensus view

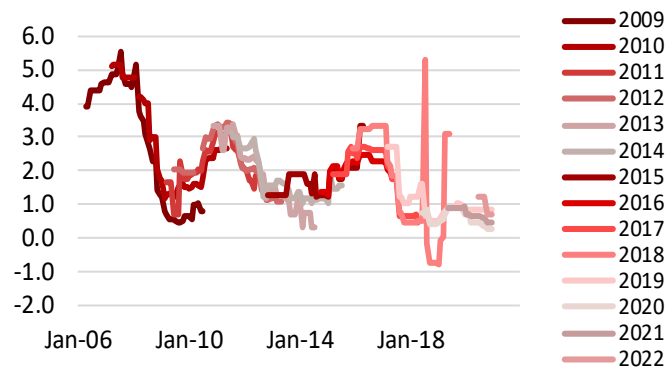
2020 consensus EPS estimates for Roularta have been revised down (-19% q-o-q) with a 60%-downwards revision since December 2019.

Consensus currently expects 2021e earnings of €0.47 per share (-23% q-o-q) vs. our forecast of €0.56. For 2022e, consensus EPS is at €0.67 (vs. MERE €1.02), implying 44% growth y-o-y (vs. MERE +83%). Our forecasts reflect improving EBITDA margins to 7.5% from 5.8% in 2021e.

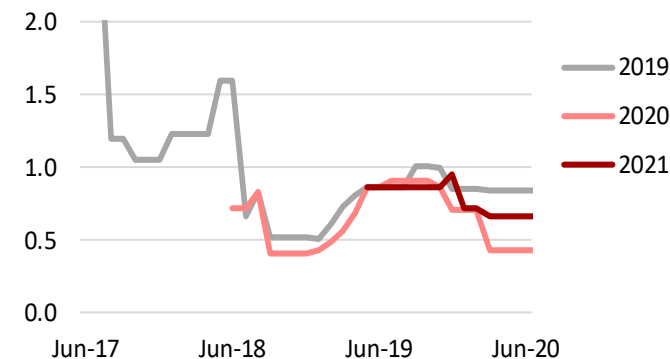
Roularta's share price was up 12% in 4Q20, faring better than the broader market (+10.5% for the Euro Stoxx 600), and beating both Belgian SMCs (+7.7%) and Print Media peers (+9.1% q-o-q). The share's 12 months low was €11.30 (intraday on 16 March 2020), while its high during the year was €17.00 (29 January 2020).

Only one broker covers the stock according to Factset, KBC Securities (Hold recommendation with €16 target price). Kepler Chevreux, which initiated coverage in September 2018, is no longer listed on Factset as actively covering the stock and Degroof Petercam does not appear to have published anything recently, according to Factset.

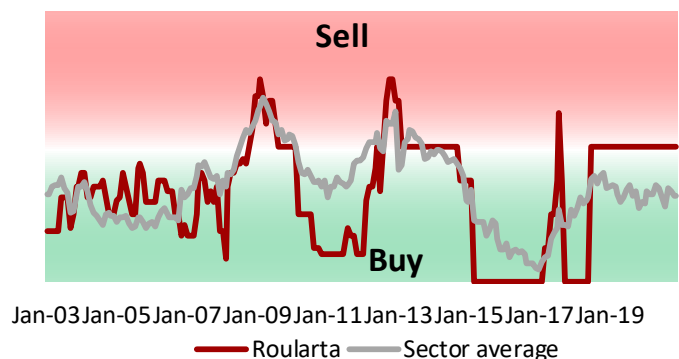
EPS Worms (€/share)



Consensus EPS 2017-19 (€/share)



Analyst recommendations vs. peer average



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

	<u>2020e</u>	<u>2021e</u>	<u>2022e</u>
Sales	-7.2	2.3	3.6
EBITDA	-5.3	-4.2	9.8
EBIT	-64.3	2.5	-2.9
EPS	-44.0	19.7	51.8
DPS	-100.0	4.8	4.8
Net cash	-17.1	-13.5	-8.8

Source: Merodis, Factset

Sector benchmarking and valuation analysis

Benchmarking Print Media peers and listed Printing companies

Sector financial benchmarking

Company	Freefloat (%) 2020	Liquidity (daily,€m)	Depr/ EBITDA	Capex/ Sales	ND/EBITDA			EBITDA margin (%)			EBIT margin (%)			Net margin (%)			ROE (%)			2020-22e CAGR (%)		
					2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Solocal	99	1.05	12%	7%	2.2	2.1	1.2	30.3	28.4	32.0	16.3	13.9	17.8	8.0	7.4	9.9				40.1	7.2	4.3
Mondadori	46	0.50	33%	1%	1.3	0.7	0.1	10.4	12.0	12.8	4.5	7.3	7.9	1.5	3.6	4.2	8.1	15.5	15.6	53.3	15.2	4.0
RCS	15	0.19	27%	2%	3.4	1.9	1.5	10.1	13.7	13.6	4.1	7.9	7.7	2.7	5.3	5.1	7.7	13.0	11.4	36.9	18.2	2.0
Vocento	54	0.03	48%	2%	2.2	1.3	1.0	8.7	11.5	12.7	2.3	5.6	6.9	-1.9	2.0	3.1	-0.9	4.5	6.4		26.2	4.4
Sanoma	38	0.95	-383%	3%	1.0	1.5	1.2	35.1	28.4	28.8	13.2	14.0	14.7	22.3	9.1	9.9				12.2	-1.5	8.6
Connect	91	0.09	55%	1%	-1.8	-1.5	-1.2	3.9	4.4	4.6	3.0	3.4	3.7	0.9	2.1	2.4			35.6	50.9	2.3	-5.9
Wilmington	83	0.11	32%	2%	1.5	1.5	1.0	16.8	17.7	19.8	12.4	12.9	14.9	8.3	10.0	12.2				13.1	9.3	0.6
PRINT MEDIA AVERAGE	61	0.42	-25%	3%	1.4	1.1	0.7	16.5	16.6	17.8	8.0	9.3	10.5	6.0	5.6	6.7	5.0	11.0	17.2	34.4	11.0	2.6
PRINT MEDIA MEDIAN	54	0.19	32%	2%	1.5	1.5	1.0	10.4	13.7	13.6	4.5	7.9	7.9	2.7	5.3	5.1	7.7	13.0	13.5	38.5	9.3	4.0
Roularta (consolidated)	15	0.12	98%	7%	-5.8	-5.2	-4.5	5.0	5.8	7.5	-0.2	1.4	3.0	0.8	2.3	4.3	0.9	3.2	5.7	155.2	31.0	7.1
% prem./(disc.) vs median	-72	-37.3	209.7	214.6	-492.8	-449.3	-549.8	-51.8	-57.4	-44.7	-104.4	-82.0	-61.7	-72.1	-56.0	-17.1	-88.9	-75.6	-57.6	302.9	232.5	79.7

Source: Merodis, Factset

Sector valuation

Company	Country	Price (local)	MCap (local m)	P/E			EV/Sales			EV/EBITDA			EV/EBIT			P/B			DYield			
				2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	
Solocal	FRANCE	2.66	64	25.8	20.9	13.2	1.4	1.4	1.1	4.7	4.8	3.4	8.8	9.7	6.0				0.0	0.0	0.0	
Mondadori	ITALY	1.51	392	26.6	12.9	11.3	0.7	0.6	0.5	6.4	4.9	4.0	15.0	8.1	6.5	2.1	1.9	1.7	0.0	2.1	2.5	
RCS	ITALY	0.57	295	13.4	7.1	7.1	0.7	0.6	0.6	7.1	4.6	4.2	17.6	7.9	7.4	1.0	0.9	0.8	1.3	4.4	4.4	
Vocento	SPAIN	0.92	111		12.3	8.4	0.5	0.5	0.4	6.1	4.1	3.4	23.1	8.5	6.3	0.6	0.5	0.5	0.0	2.8	3.0	
Sanoma	FINLAND	13.74	2,240	21.3	18.1	16.9	2.5	2.3	2.2	7.0	8.0	7.5	18.7	16.3	14.7				3.1	3.8	4.0	
Connect	UNITED KINGDOM	0.30	72	6.9	3.2	3.0	0.0	0.0	0.0	-0.2	0.1	0.3	-0.2	0.1	0.4			1.1	1.1	0.0	5.1	6.8
Wilmington	UNITED KINGDOM	1.60	139	1510%	15.3	11.8	1.5	1.6	1.4	8.8	8.8	7.2	12.0	12.1	9.5				0.0	3.4	4.2	
PRINT MEDIA AVERAGE				18.2	12.8	10.2	1.0	1.0	0.9	5.7	5.0	4.3	13.6	9.0	7.3	1.2	1.1	1.4	0.7	3.1	3.6	
PRINT MEDIA MEDIAN				18.2	12.9	11.3	0.7	0.6	0.6	6.4	4.8	4.0	15.0	8.5	6.5	1.0	1.0	1.1	0.0	3.4	4.2	
Roularta (consolidated)	BELGIUM	14.15	87	90.6	25.4	13.9	0.2	-0.2	-0.2	3.5	-3.4	-3.1	-89.8	-13.9	-7.8	0.8	0.4	0.4	0.0	8.3	8.3	
% prem./(disc.) vs median				397.6	96.8	22.7	-75.7	-131.5	-141.2	-46.0	-171.1	-177.9	-697.0	-262.6	-219.4	-18.2	-57.6	-63.6	na	146.5	97.2	

Source: Merodis, Factset

P/E valuation relative to the sector

A recent normalisation driven by regained profitability momentum

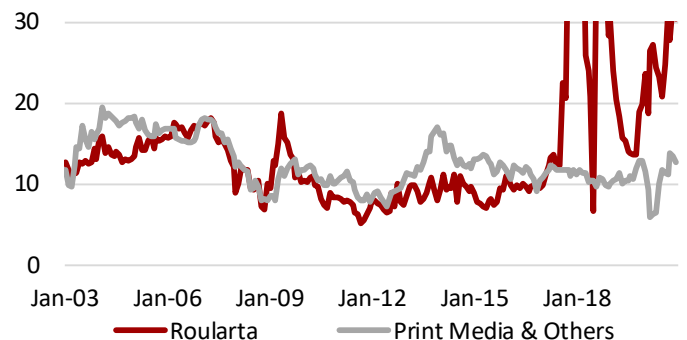
Valuation

On consensus EPS estimates, Roularta shares trade at a P/E 12M forward of 30.4x, a hefty premium versus Print Media peers in Europe (currently at a median of 12.6x; the premium was 141% in December 2020). Importantly, the volatility is due to profitability at Roularta which is still expected to be negatively impacted by weak market conditions in the ad space for Roularta's core activity.

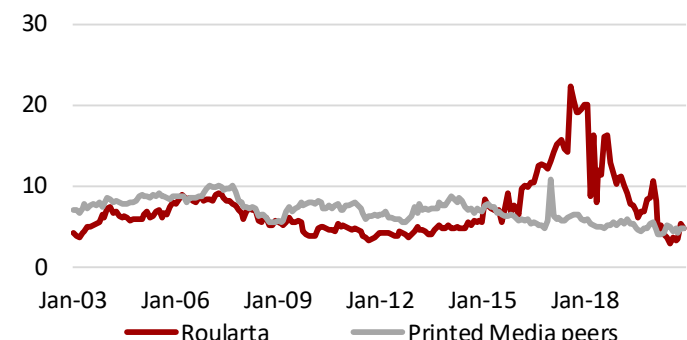
As a reminder, Roularta disposed of its stake in Medialaan in 2018, which means Roularta is now a Print Media pure play compared to the past when TV broadcasting (through Medialaan) was the main profit contributor and the key value driver of the stock (in 2016, 73% of Roularta's EBIT and 80% of its EPS was generated by Medialaan). The rerating 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 (discontinued as from 2019).

The Print Media sector is valued at 12.6x P/E 12M forward (from 5.9x in March 2020, ie. a 110% rise due to easing of lockdown measures and reversion of the broader market) and at 4.7x EV/EBITDA 12M forward (vs. 4.8x previously), which compares to a LT average of 12.5x and 6.9x respectively. The historical valuation range for the sector is 5.9x-19.4x (P/E) and 3.9x-10.9x (EV/EBITDA), which suggest that the sector remains at the low-end of its historical range, particularly with regards to EV/EBITDA.

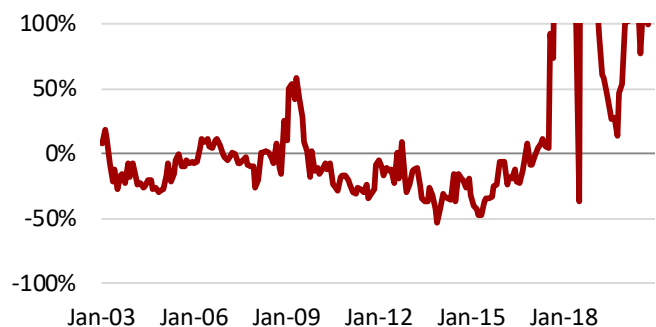
P/E ratio of Roularta vs. Print Media



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

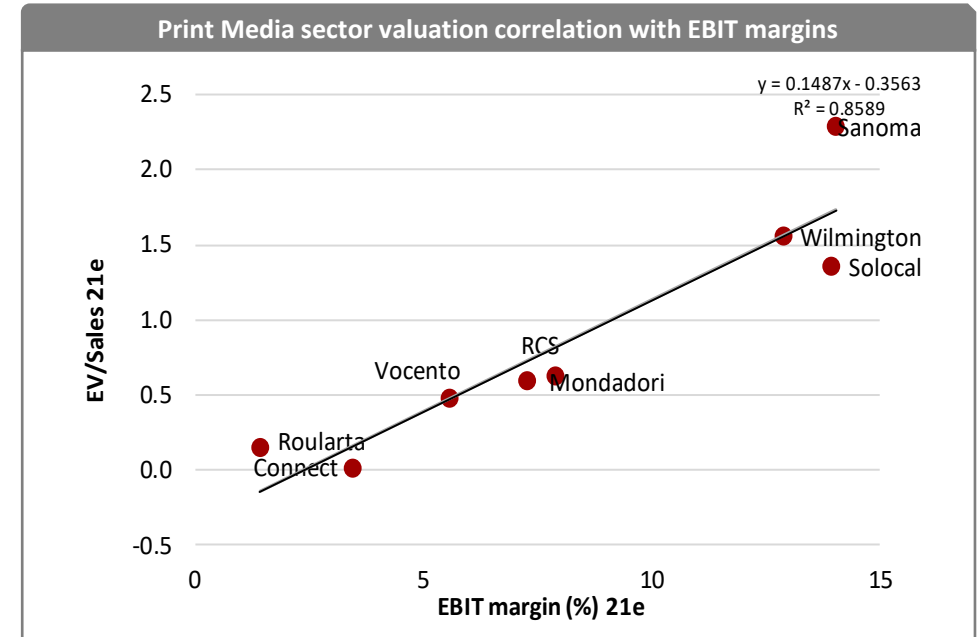
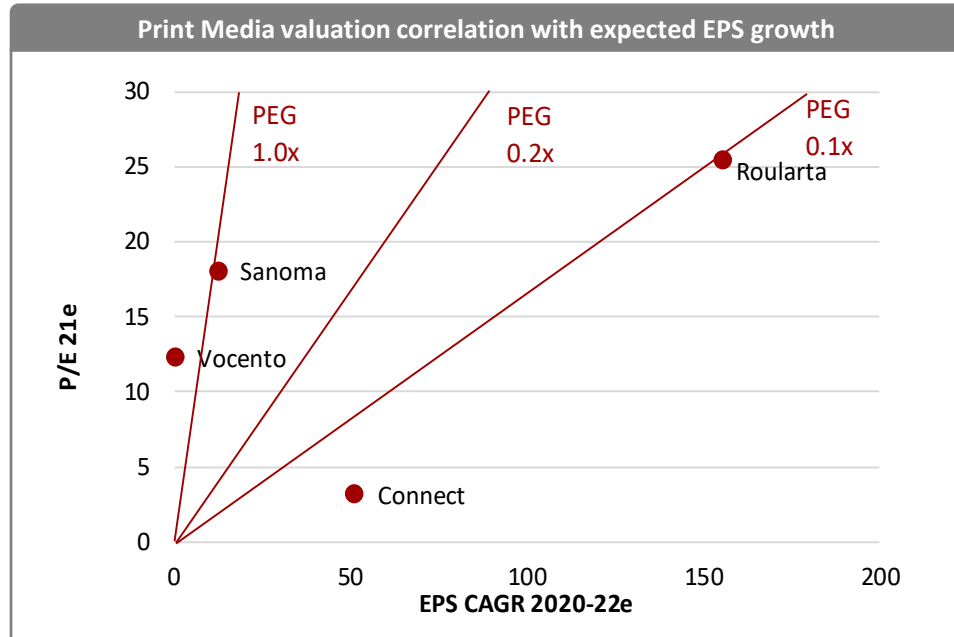


Source: Merodis, Factset

Reflecting the Medialaan disposal, the Mediafin acquisition, and, since July 2018, the Sanoma acquisition

Roularta updated sum-of-the-parts										
(EURm)	Ownership (%)	Adjusted EBIT 21e	Discount to peers	EV/EBIT multiple 21e	Net debt 19e	Value	Equity value/sh.	Value split	Value w/o discount	
Print media	100%	4.1	0.0	9.0		36.7	9.9	70%	36.7	
Group enterprise value						36.7			36.7	
- Net Financial Debt/(cash) (1H20)						93.7			93.7	
- Other liabilities (19)						-5.6			-5.6	
+ NPV tax asset (balance sheet)						5.5			5.5	
+ Equity value of Mediafin stake	50%					43.5	3.3	23%	43.5	
+ Equity value of Bayard stake	50%	2.2	0.0	9.0	-6.1	12.7	1.0	7%	12.7	
= Estimated market value of equity						186.6			186.6	
Total share outstanding (m)						13.1			13.1	
Equity value per share						14.2			14.2	

Source: Merodis, Factset



Source: Merodis, Factset

Sales growth expectations

Impacted by cyclical and structural effects

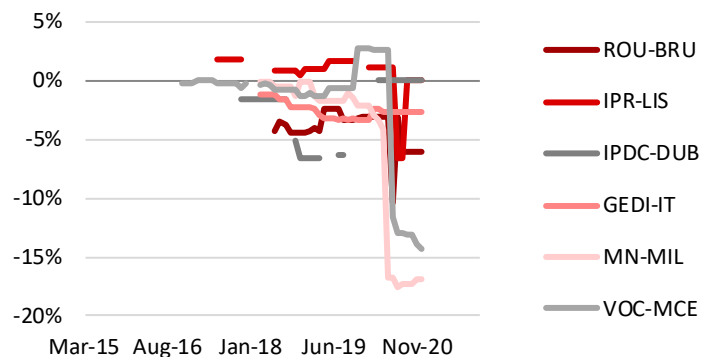
Expected Sales Growth

At the end of December, consensus expectations for 2020 Print Media sales stood at -11% (flat vs September 2020) but vs. -3% at the start of 2020, reflecting the Covid-19 impact. As a reminder, we expect Roularta sales to fall by 15% in FY20e with a more severe impact in 1H20 (-18.5 reported). The acquisition of 100% of Plus Magazine, a magazine for senior citizens with sales of EUR 6.6m (in 2019), should have a slight positive impact on top-line growth for 2020e.

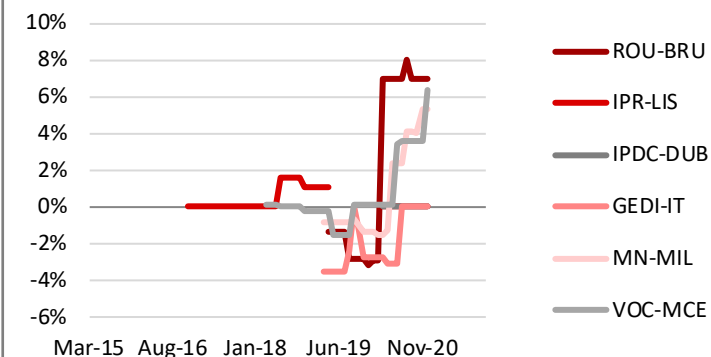
Consensus sales growth expectations for Roularta in 2021 were flat at +7% (vs. MERE +14.6% with a Covid-19 catch-up effect). Sector sales, are expected to increase by 5.9% in 2021 (from +3.8% previously).

In addition to the Covid-19 crisis which is affecting the world economy, the media 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.

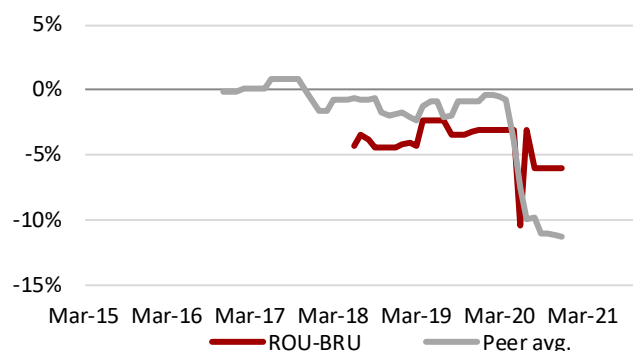
2020 expected sales growth (%)



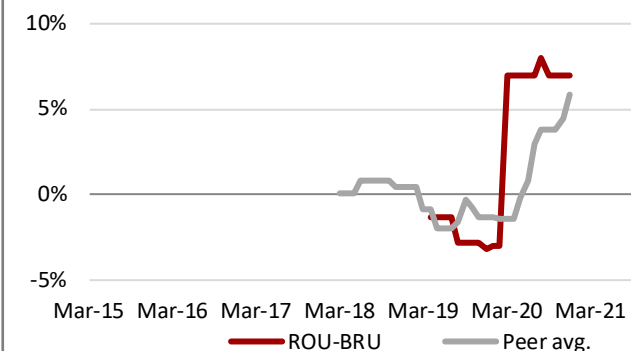
2021 expected sales growth (%)



2020 expected sales growth, Roularta vs. peers



2021 expected sales growth, Roularta vs. peers



Source: Merodis, Factset

EBITDA growth and margin expectations

Advertising revenue pressure continues to hurt margins

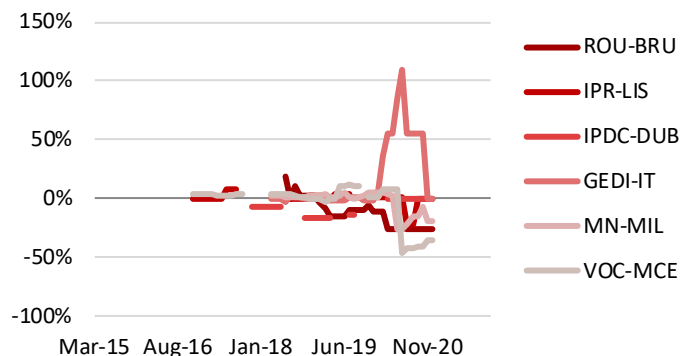
EBITDA expectations

At the end of December, expected consensus EBITDA decline for 2020e at Roularta lies at -26% (flat q-o-q), compared to the peer average of -28% (from -0.5% previously expected). Margin expectations remain below the peer average for 2020 and 2021.

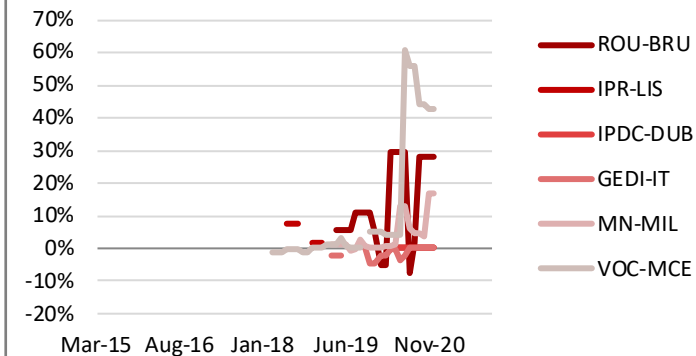
Note that consensus changes to EBIT or EBITDA at Roularta are not interpretable in a straightforward manner. In Roularta's case, its reported EBITDA margin (as reflected by Factset consensus) is positively influenced by the IFRS 11 treatment of its 50% stake in Bayard and Mediafin (from March 2018),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

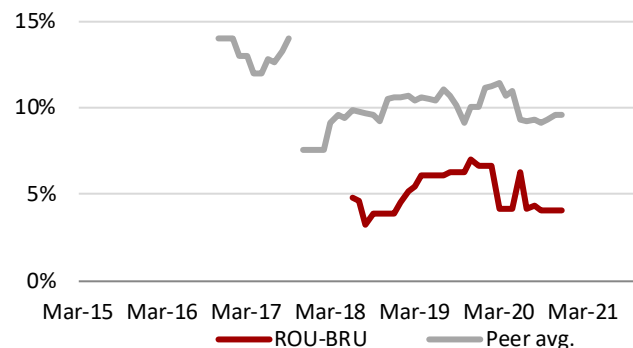
2020 expected EBITDA growth (%)



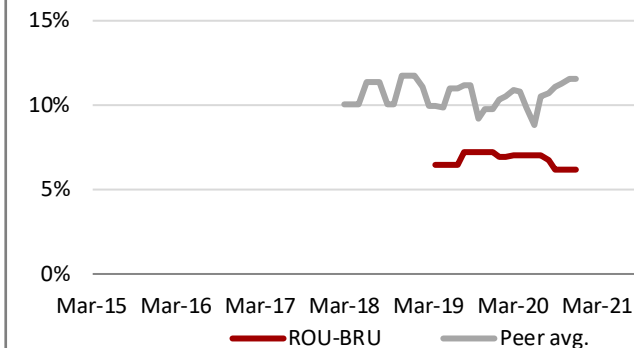
2021 expected EBITDA growth (%)



2020 expected EBITDA margin, Roularta vs. peers



2021 expected EBITDA margin, Roularta vs. peers



Source: Merodis, Factset

Consensus payout expectations

Stable dividend outlook backed by a strong balance sheet

Dividend payout

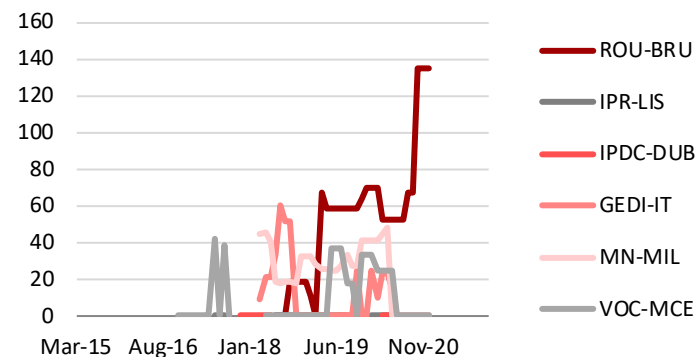
Roularta announced on 6 March 2020 that an ordinary dividend of €0.5/share would be paid out on 2019 earnings, in line with our forecast. The amount was in line with the historical average dividend of €0.55/share in years when a dividend was paid (13 years over the past 19 since the IPO). On 23 March 2020, Roularta announced, however, like many Belgian SMEs, that the Board would, in fact, propose to scrap the dividend due to the Covid-19 crisis and the pursuing lack of visibility from the pandemic.

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.

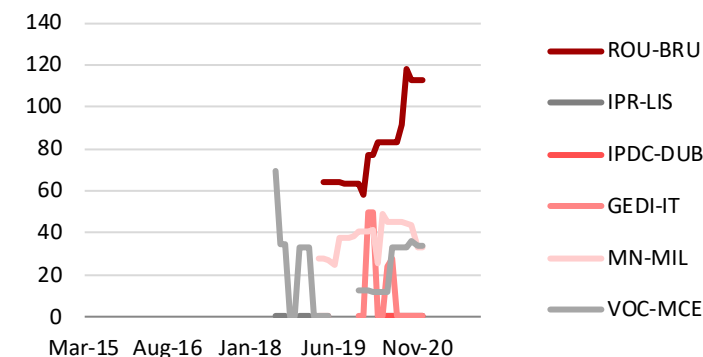
Consensus expects Roularta to pay out a dividend of €0.60/share in 2021e (vs. €0.54/share MERE), which leads to an expected payout of 92%.

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 €0.55/share dividend in the next years is sustainable given the €73m net cash position which we expect. This excludes treasury shares worth a total of EUR 21m, which could either be cancelled (ie. considered as a form of payout) or placed in the market in case of appetite (ie. turned back into cash).

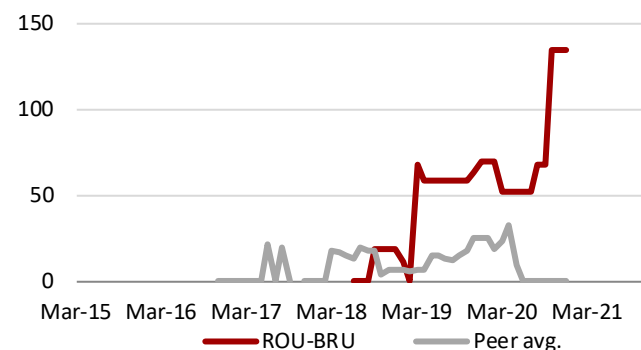
2020 expected Payout, Sector



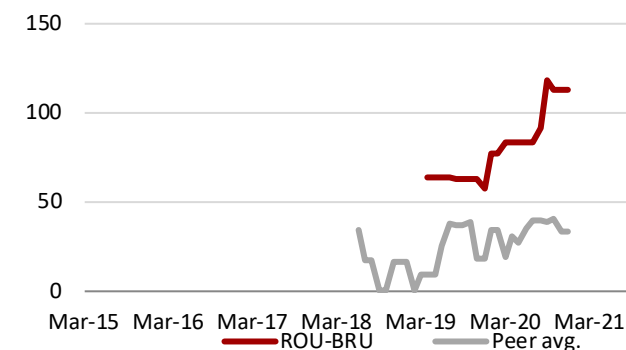
2021 expected Payout, Sector



2020 expected payout, Roularta vs. Peers



2021 expected payout, Roularta vs. Peers



Source: Merodis, Factset

Leverage expectations

No longer an issue post the Medialaan disposal

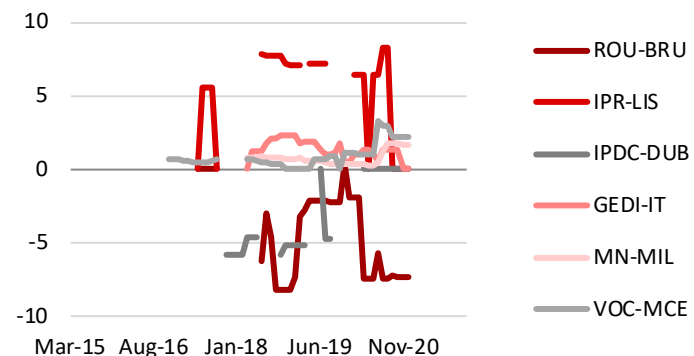
Net-debt-to-EBITDA

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 reached a net cash position of €96m at the end of 2019, following the transactions (Medialaan disposal and the acquisitions of Mediafin and Sanoma's women magazine titles) as well as the special €5/share dividend payout to shareholders in 2018.

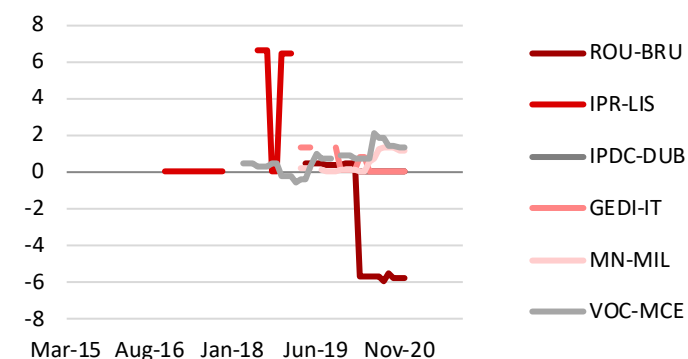
As a reminder, Roularta has paid back its €100m bond in 2018 and benefited from the first full-year impact in 2019. The company had a covenant threshold of 3.5x net debt over EBITDA based on annual EBITDA including the company's share of Mediafin's and Bayard's net profit.

Going forward, this has become a non-issue given Roularta's reported net cash position compared to a reported net debt position of €73m expected at the end of 2020.

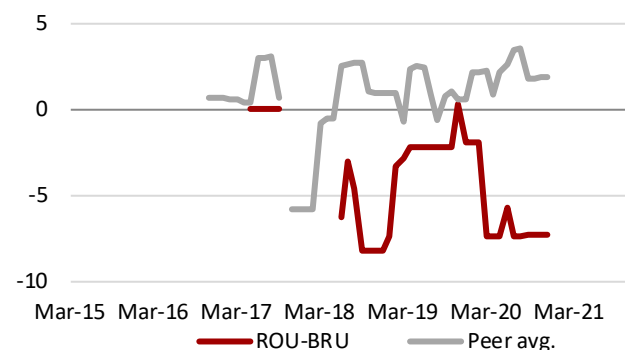
2020 NFD/EBITDA, sector



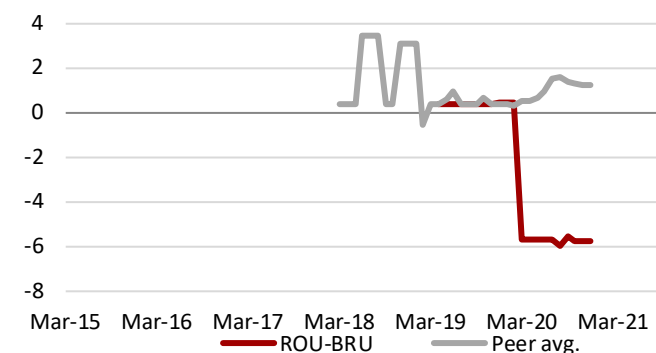
2021 NFD/EBITDA, sector



2020 NFD/EBITDA, Roularta vs. Peers

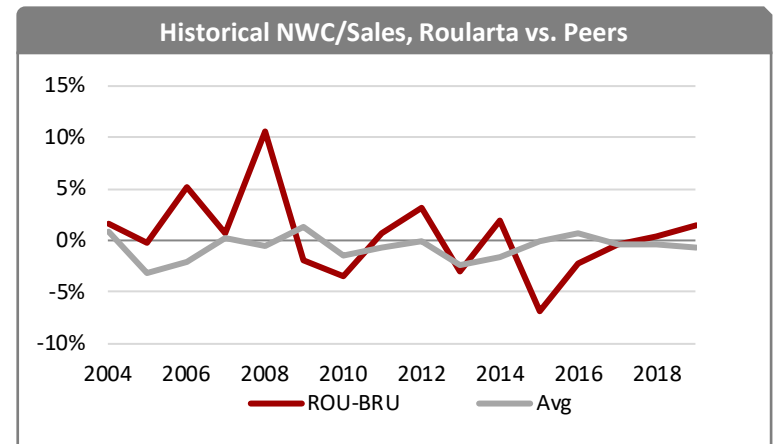
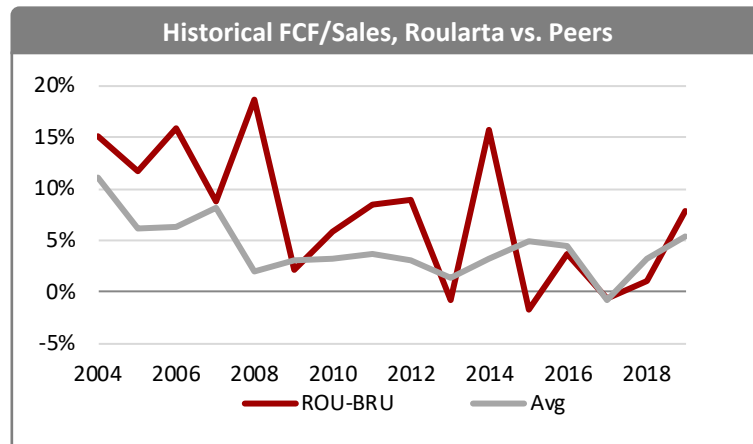
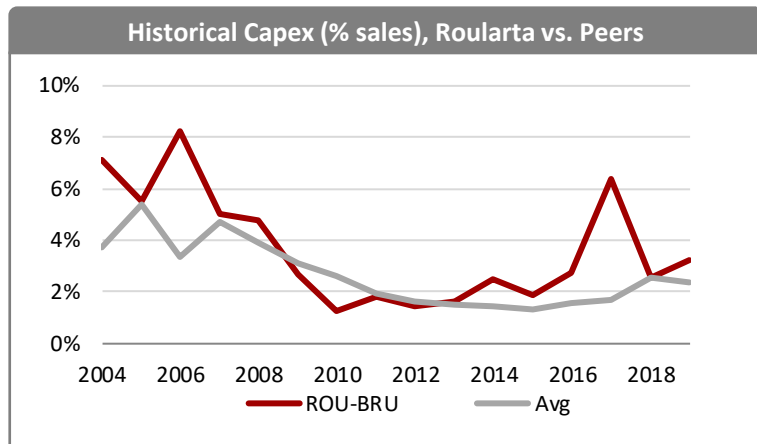
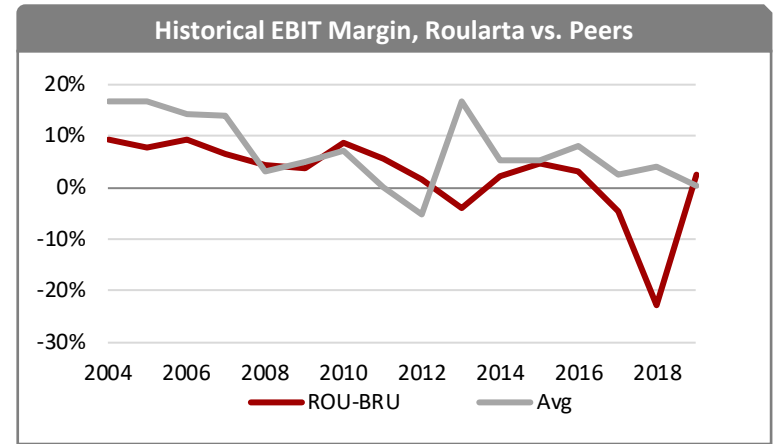
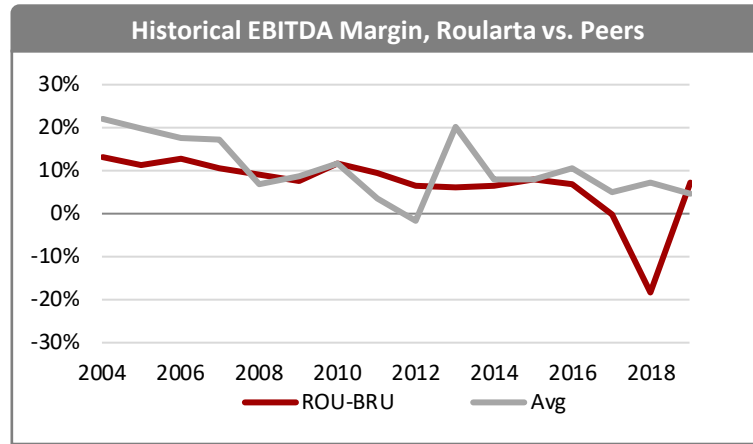
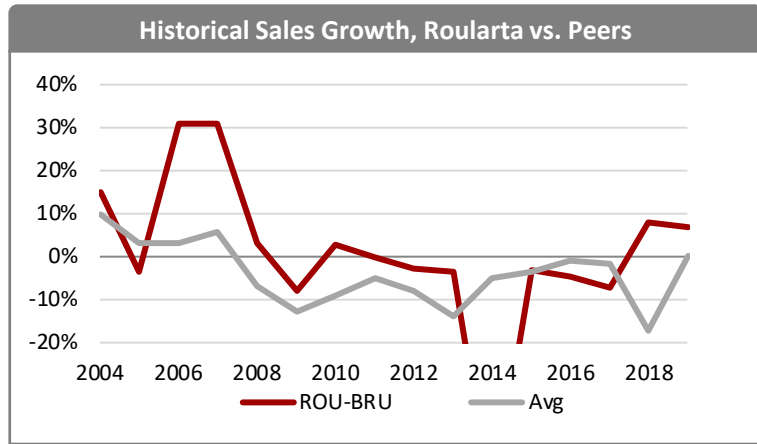


2021 NFD/EBITDA, Roularta vs. Peers



Source: Merodis, Factset

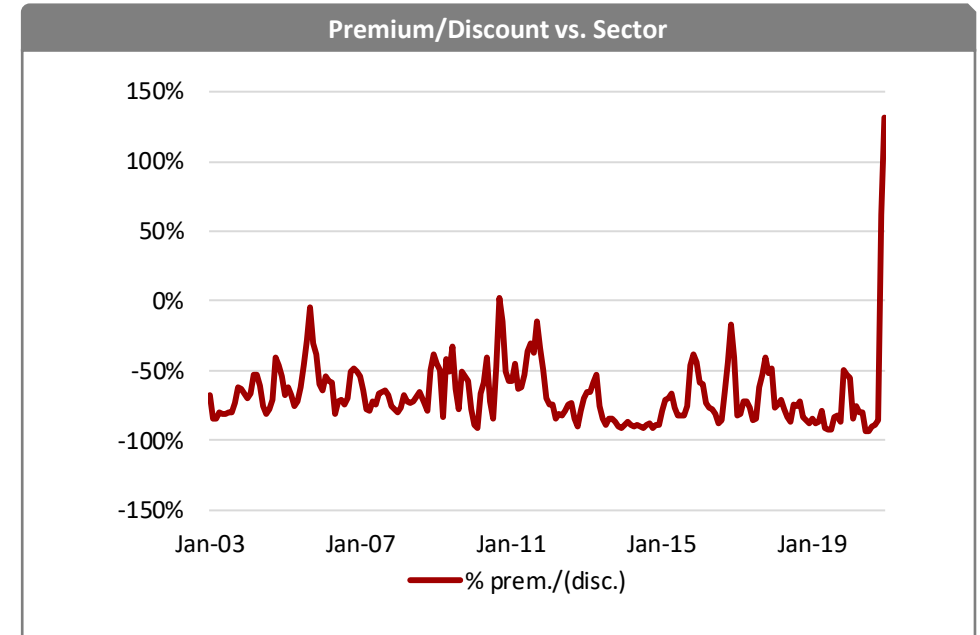
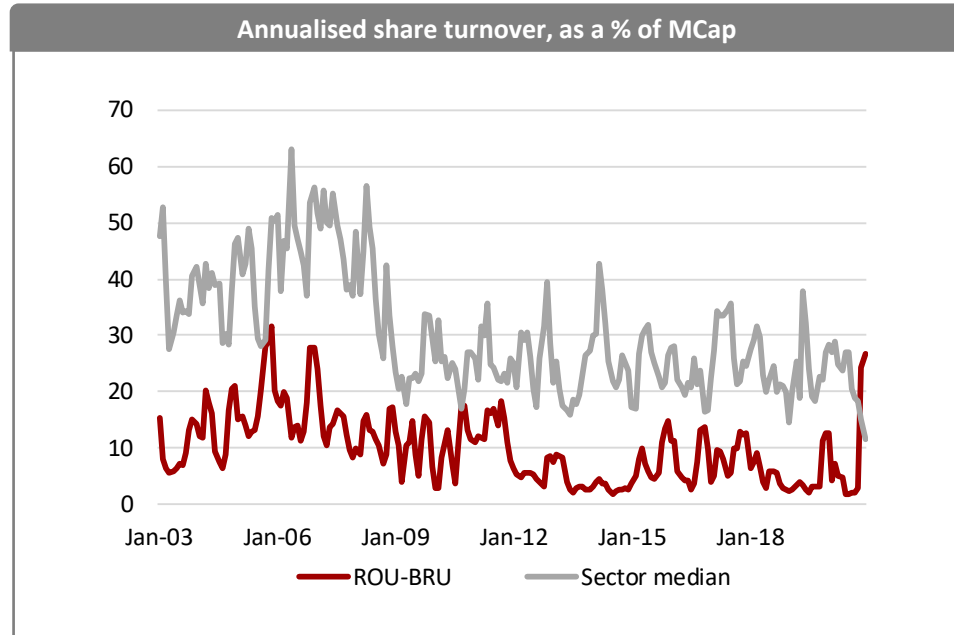
Historical P&L, CF and Balance Sheet Performance



Source: Merodis, Factset

Share liquidity

Well-below peers



Source: Merodis, Factset

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