

Euromoney Institutional Investor

On the money

Euromoney's H118 results show that all the KPIs are moving broadly in the right direction, with revenues ahead by 3%, adjusted PBT up 6% and reduced net debt. The picture shown by the moving parts is more complex, with income streams from asset management remaining under pressure but good growth from Pricing, Data and Market Intelligence and a strong performance in Events. The completion of the GMID disposal since the period end has bolstered the balance sheet by a further net £103m, giving plenty of scope for the pursuit of further acquisitions to support growth.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/16	403.1	102.5	66.6	23.4	20.1	1.7
09/17	428.4	106.5	76.4	30.6	17.5	2.3
09/18e	405.0	103.5	72.8	30.6	18.4	2.3
09/19e	410.0	105.0	74.6	31.5	17.9	2.4

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Net positives

Management's internal view was that the weakness in Asset Management related to the impact of MiFID II. It is now regarded as a longer-term structural problem around overall industry costs and the value obtained from spending on research. This is prompting a different strategy at BCA, to protect profits and invest in sales and marketing. Institutional Investor, which also sells into the asset management sector, draws more from marketing budgets and is running ahead of the prior year. Pricing, Data and Market Intelligence has been growing well, with subscriptions and events both delivering revenues up 9%, with a stronger profit performance (+13%) with the first benefits from last year's investment. Events had a particularly strong Q2, with more banking-oriented events in the US and China, and a good turnaround at Mining Indaba. Our forecasts are adjusted for the disposal impact, which is dilutive to EPS (-4% FY18e, -7% FY19e) until the proceeds are redeployed.

Back in net cash on the balance sheet

As at the end of March, net debt was £37m (from £155m at the year-end), with rolling 12-month underlying cash conversion of 108% and net M&A proceeds of £95m. This mostly reflects the disposal of the Dealogic minority stake, along with some smaller deals, offset by the purchase of the 15% outstanding minority in Ned Davis Research. The GMID deal (flagged at the year-end) has released another \$145m (£103m), leaving the group with a meaningful cash resource. The term loans put in place at the time of the share buyback/DMGT sell-down have been rolled into the existing, lower-cost RCF, giving an undrawn facility of £240m.

Valuation: Discounting opportunities

The group continues to trade at a discount to peers (we estimate this at around 5% based on a mixture of multiples), reflecting concerns over the outlook for the asset management sector. However, the group has strong cash flow characteristics and capacity for earnings-enhancing M&A, with a reverse DCF showing that the current valuation implies just 2% medium-term revenue growth on stable EBITDA margins.

Half-year results

Media

18 May 2018

Price 1,338.00p
Market cap £1,460m

Net debt (£m) at 31 March 2018	37.0
Shares in issue	109.1m
Free float	50.8%
Code	ERM
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	6.0	12.8	19.6
Rel (local)	(1.3)	5.8	14.6
52-week high/low	1346.0p	1046.0p	

Business description

Euromoney Institutional Investor (ERM) is an international B2B information and events group. Its portfolio of over 50 specialist businesses spans macroeconomic data, investment research, news and market analysis, industry forums and institutes, financial training and excellence awards.

Next events

Q3 trading update	19 July 2018
Final results	22 November 2018

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Exhibit 1: Financial summary

	£m	2016	2017	2018e	2019e
30-September		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		403.1	428.4	405.0	410.0
Cost of Sales		0.0	0.0	0.0	0.0
Gross Profit		403.1	428.4	405.0	410.0
EBITDA		104.3	110.3	109.4	110.3
Operating Profit (before amort. and except.)		101.5	107.1	107.1	108.0
Intangible Amortisation		(16.8)	(20.8)	(24.0)	(24.0)
Exceptionals		(37.3)	(31.3)	(0.1)	0.0
Capital Appreciation Plan		0.0	0.0	0.0	0.0
Operating Profit before ass's & fin. except'ls		47.4	55.1	83.1	84.0
Associates		2.2	3.3	(0.1)	0.0
Net Interest		(1.1)	(4.0)	(3.6)	(3.0)
Exceptional financials		0.0	0.0	0.0	0.0
Profit Before Tax (norm)		102.5	106.5	103.5	105.0
Profit Before Tax (FRS 3)		48.4	54.4	79.5	81.0
Tax		(18.1)	(19.8)	(21.3)	(24.4)
Profit After Tax (norm)		84.5	86.6	80.7	80.6
Profit After Tax (FRS 3)		30.4	34.6	58.2	56.7
Average Number of Shares Outstanding (m)		126.5	112.5	107.3	107.3
EPS - normalised (p)		66.6	76.4	72.8	74.6
EPS - (IFRS) (p)		23.8	30.3	53.8	52.4
Dividend per share (p)		23.4	30.6	30.6	31.5
EBITDA Margin (%)		25.9	25.8	27.0	26.9
Operating Margin (before GW and except.) (%)		25.2	25.0	26.5	26.3
BALANCE SHEET					
Fixed Assets		601.9	648.8	391.6	366.5
Intangible Assets		551.1	594.0	370.7	345.9
Tangible Assets		14.9	24.4	16.9	16.5
Investments		35.9	30.4	4.1	4.1
Current Assets		170.3	127.8	333.3	335.5
Stocks		0.0	0.0	0.0	0.0
Debtors		78.6	64.5	68.7	70.8
Cash		84.2	4.4	206.2	206.2
Other		7.5	58.9	58.5	58.5
Current Liabilities		(249.4)	(267.5)	(239.2)	(248.0)
Creditors		(249.0)	(267.5)	(239.2)	(248.0)
Short term borrowings		(0.4)	0.0	0.0	0.0
Long Term Liabilities		(45.3)	(212.3)	(167.4)	(121.8)
Long term borrowings		0.0	(168.9)	(110.5)	(65.0)
Other long term liabilities		(45.3)	(43.4)	(56.8)	(56.8)
Net Assets		477.5	296.8	318.4	332.2
CASH FLOW					
Operating Cash Flow		103.8	118.2	104.2	108.4
Net Interest		(0.4)	(1.5)	(3.7)	(0.4)
Tax		(16.7)	(21.8)	(18.6)	(19.0)
Capex		(3.2)	(10.9)	(5.5)	(5.5)
Acquisitions/disposals		(3.8)	(99.9)	207.3	(3.0)
Equity Financing / Other		10.6	(193.0)	0.0	0.0
Dividends		(29.9)	(31.3)	(33.4)	(34.3)
Net Cash Flow		60.3	(240.2)	250.2	46.1
Opening net debt/(cash)		(17.7)	(83.8)	154.6	(95.6)
Redemption of pref		7.8	0.0	0.0	0.0
Other		(2.0)	1.8	0.0	0.0
Closing net debt/(cash)		(83.8)	154.6	(95.6)	(141.7)

Source: Company accounts, Edison Investment Research

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