Tougher times, tougher businesses

B2B Media sector

November 2011

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B2B Media: Tougher times, tougher businesses

In response to structural challenges, B2B media companies, big and small, have followed similar strategies: build up events, grow subscriptions, reduce advertising and drive further into digital. Now, with stronger business models, the industry is well placed to manage slower economic growth. Organic investment continues while strong cash flow will fund targeted acquisitions as well as rising dividends.

Strategic drive

B2B groups continue to strengthen their portfolios by improving their revenue mix, expanding into digitally based subscription products and events, and driving deeper into higher-growth emerging markets, while further reducing print-based advertising revenues. Size has not been a limiting factor in following this strategy and all companies have enhanced their capacity for sustained growth.

Stronger business models

Economic forecasts continue to be cut back, and there is clear uncertainty about trading in 2012, but the B2B groups have evolved into stronger businesses as they have shifted into faster growing markets. This should moderate pressure on margins from the market place and from the need to invest in organic growth.

Cash and valuation

Cash flow should remain strong, leading to falling overall debt levels and creating strategic options for acquisitions as well as funding dividend payouts. Overall, B2B shares are currently rated in line with the market for 2011 and 2012 in P/E terms and offer a prospective yield for 2011 of 4.6% (FTSE All Share 3.4%).

Investment conclusions: Favouring growth

Centaur's restructuring should create a strong rebound in profits over the next two years, and it offers a good yield. Both **ITE** and **Euromoney** have strong track records and are well placed for high-margin, long-term growth. Modestly rated **UBM** should see better growth as its strategy falls into place and continues to offer a good yield. Among the very small players, **Aspermont** and **Dods** have strong balance sheets and are well positioned in growth markets.

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COMPANIES IN THIS REPORT

Aspermont
Centaur Media*
DMGT
Dods Group
Electric Word
Euromoney
Haynes Publishing Group
Informa
ITE Group
Progressive Digital Media
Tarsus Group
UBM
Wilmington Group

**Client of Edison Investment Research*

Note: All prices as at 18 November 2011

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Exhibit 1: Company ratings

	Year end	Price (p)	Mkt cap (£m)	Year	P/E (x)	Yield (x)
Aspermont	Jun	10	23.67	2010	27.0	0.0%
		(A$)	(A$)	2011	12.0	0.0%
Centaur Media	Jun	39	55	2010	19.5	4.4%
				2011	11.8	5.1%
				2012e	9.1	5.6%
				2013e	7.4	6.2%
DMGT	Sep	413	1616	2010	8.9	3.9%
				2011	8.8	4.1%
				2012e	8.5	4.4%
				2013e	7.7	4.7%
Dods Group	Dec	5.0	8.0	2009	N/A	0.0%
				2010	166.7	5.0%
Electric Word	Nov	2.0	7.1	2009	2.4	0.0%
				2010	3.4	0.0%
Euromoney	Sep	680	825	2010	12.7	2.6%
				2011	12.1	2.8%
				2012e	11.0	2.9%
				2013e	9.9	3.2%
Haynes	May	225	37	2010	7.9	6.9%
				2011	7.8	7.0%
Informa	Dec	355	2134	2009	10.4	3.2%
				2010	10.2	3.9%
				2011e	9.6	4.2%
				2012e	8.7	4.8%
ITE Group	Sep	189	470	2009	14.9	2.9%
				2010	16.3	3.0%
				2011e	11.8	3.2%
				2012e	11.8	3.2%
Progressive Digital Media	Dec	14.0	54	2009	37.8	0.0%
				2010	17.5	0.0%
Tarsus Group	Dec	138	119	2009	7.9	4.3%
				2010	13.3	4.3%
				2011e	8.6	4.5%
				2012e	13.8	4.6%
UBM	Dec	478	1171	2009	8.8	5.1%
				2010	9.5	5.2%
				2011e	8.9	5.6%
				2012e	8.2	6.1%
Wilmington Group	Jun	85	72	2010	8.0	8.2%
				2011	7.4	8.2%
				2012e	7.7	8.2%
				2013e	7.1	8.2%

Source: Company accounts/Thomson Datastream

Company summaries

Aspermont: Aspermont is achieving high-profit growth rates (EBITDA could rise 76% this year) as it rolls out its multiplatform strategy for meeting the information demands of the expanding natural resources industry. Revenue is still mainly from Australia (58%) and mining (80%), but it is targeting other resource markets, eg agriculture. Online and events are being globalised, building the capacity for future growth.

Centaur Media: Centaur's recent radical restructuring exercise, the appointment of a new generation of managers and the setting out of three-year targets for organic growth, EBITDA margins and M&A spending (aimed at doubling the size of the group over the period) are focused on driving higher organic growth from a strong portfolio of assets, augmented by acquisitions.

DMGT: DMGT's well established strategy of investing in higher-margin, long-term growth businesses in B2B payed off in 2011, as the consumer businesses slowed down and B2B profits grew by an underlying 14% to account for 74% of group profit. This pattern of growth will persist, reinforced by uncertainty on the consumer side. The B2B offering grows stronger, but the short-term focus for the shares will be on the performance of advertising at the newspaper businesses.

Dods Group: Dods has transformed itself into a B2B group focused on the political information and intelligence market. It is now driven by digital revenues (27% of the group total) and events (36%). When the government decides to outsource political training revenue, it will add to company growth. Dods has net cash of £0.8m. The shares' rating has yet to reflect the growth potential of the reorganised business.

Electric Word: Electric Word's strategic focus on potential growth markets is paying off, with the major exception of Education, the company's largest market (61% of group revenue in H111) where government cutbacks have hit it hard, causing reductions in group forecasts for 2011. The headwinds are strong, but the potential for a profits rebound is material when stability returns to the education market and as the rest of the group continues to grow.

Euromoney Publishing Group: Euromoney continues to deliver profits growth from its globally-oriented niche markets, driven increasingly by subscription revenues (now over 50% of the total) and the switch to online information publishing. To sustain this growth, more organic investment, in old and new products, and more M&A are required. Current macro uncertainties could temper growth in 2012, but the strong fundamentals and powerful cash generation remain attractive.

Haynes: Haynes is a high-margin, cash-generative information business dominating a niche market that it has effectively carved out for itself. Trading performance was steady last year and the short-term outlook is uncertain. There have been investments in distribution and, importantly, in digital, but the full potential of digital (13% of group revenues) for the company has yet to be seen.

Informa: Informa's continued focus on near-term margins and on cash flow as well as on investment for the longer term came through in the latest IMS, which reported organic growth in all three divisions and endorsed the group's full year 2011 expectations. Debt levels continue to fall and this will enlarge strategic opportunities and support continued growth in the dividend.

ITE Group: ITE has a strong, simple business model and is very well placed to capture the rising demand for exhibitions in a growing number of emerging markets. However, ITE has the limits of its virtues, operating in a cyclical industry in fast growing, but oil-dependent territories and it could feel the effect of globally slowing GDP at some point. The Q4 trading statement was confident, and led to modest upgrades for 2011, but investors need to see what 2012 looks like before the shares can reverse the underperformance seen in 2011.

Progressive Digital Media: Progressive Digital Media has been built into an information and digital marketing group over the past four years, driven mainly by acquisitions. More recently, reorganisation and cost cutting have started to produce rising margins, still below the industry average, reflecting the cost of building up the business. Looking just at the historic numbers, the market already seems to be rating the shares highly, perhaps anticipating that the dominant shareholder (Chairman Mike Danson) will reproduce the success he had with Datamonitor.

Tarsus Group: Tarsus continues to roll out its strategy of globalising its leading brands and building up its presence in emerging markets. For a relatively small company it has a wide geographic and market spread, as well as a range of other B2B interests. Aside from the biennial effect, a generally slower 2012 should be largely offset by faster growing revenue streams from the medical interests and from emerging markets, which continue to be expanded by acquisition.

UBM: UBM's clear strategic vision is driving strong growth in events and emerging markets. Investment in other parts of the group continues, limiting margin increases, but raising underlying growth rates. Despite short-term economic uncertainties, there should be continued progress at events, which have been boosted by acquisitions, while print is now very small and continued organic investment points to an improved underlying performance from the other businesses too.

Wilmington Group: Wilmington is still feeling the effects of weaknesses in the law market and suffers from the fall in legacy print revenues and margins. On a longer-term view, the company is investing in new products on a sustained basis and continues the drive into digital, while revenues and profits will be boosted by acquisitions. Dealing with the decline in demand for law training, which has retarded corporate growth and obscured the benefits of investment and disposals, is a key step forward.

Sector definition and scope

This report covers the non-FTSE B2B companies within the FTSE Media Sector and on AIM. The activities of these companies are mainly focused on digital and print-based information and on the events market, but include other revenue streams such as training and conferences. For an international perspective, we have also included Australian-listed Aspermont.

Investment summary: Tougher times, tougher businesses

Strategic drive: Portfolios for growth

B2B media company strategies are aimed at maximising profitable, long-term growth in their product portfolios. This is being achieved by changing the revenue mix through investment in subscription-based, digitally driven products and events at the expense of cyclical and mainly print-based advertising. The drive into emerging markets is producing strong revenue growth. The rollout of digital is creating multiplatform opportunities for the exploitation of content and social media are taking a greater role in increasing audience engagement and loyalty.

Outlook: More resilient now

Economic forecasts continue to slide and there is obvious concern about trading in 2012. But the strategies that contributed to margin stability over 2007-10 or, in the case of smaller companies were implemented a bit later, have created tougher, more resilient businesses, with steadier growth from subscription-based revenue streams, more higher-margin events, further expansion into faster-growing emerging markets and moves into verticals with more growth potential. Recent trading statements have typically been a mixture of corporate confidence and economic caution.

Smaller players grow and rebound

Among the smaller companies (< £100m market cap) there are a range of growth and rebound strategies. Centaur's radical restructuring plan aims to rebalance its portfolio away from print and advertising into digital and events and increase organic growth and profitability. Wilmington has moved far into digital, and is dealing with the issues in legal training that have held back earnings. Dods will benefit from a revival in the outsourcing of civil service training. Mining and resources focused Aspermont has a global, multiplatform strategy and is set for good growth this year.

M&A: Deals that point the way

M&A deals point to where the industry expects to grow. This includes areas such as events with global potential, verticals where long-term growth prospects are attractive and data businesses that can be rolled out globally.

Valuation: In line, with yield attractions

The economic slowdown will bring some pressure on margins over 2011-12 as will (discretionary) investment in organic growth. However, cash generation remains strong, with industry net debt likely to fall over 50% over 2010-12, leaving companies well able to fund acquisitions and dividend increases. The average 2011 dividend yield for B2B companies is 4.6% (FTSE 100: 3.4%). This could rise to 4.8% in 2012. In P/E terms, B2B shares are rated in line with the market on a 2011 and 2012 basis.

Recommendations: Turnarounds, steady growth, dividend yields

Centaur is an undervalued restructuring case. Relatively highly rated ITE and Euromoney have strong track records and offer sustained high-margin growth. Modestly rated UBM offers scope for better earnings growth as its strategy falls into place. Among the very small players, Aspermont and Dods have strong balance sheets and good prospects in their markets.

Strategic drivers: Portfolios for growth

Seeking higher-return revenue streams

Faced by the challenge of structural change within the industry B2B companies aim to protect the profitability of their portfolios in the short term and maximise their long-run profitable growth. The overarching strategy adopted by B2B companies has been to change their revenue mix in favour of subscriptions and events at the expense of advertising, which is mainly print-based, and to exploit fully the potential opened up by digital.

Subscriptions are mainly digitally driven with high repeat revenues, offering steady, higher-margin growth. Events have provided good underlying growth for the B2B industry and margins have been rising with the focus on larger, global events. The exploitation of digital takes in greater investment in subscription-based data products as well as exploitation of mobile and social media.

Subscriptions

Subscription revenues can be in any format. Market-leading print brands remain important subscription products in certain professional information markets and continue to attract advertising. However, the drive to grow subscriptions is inseparable from the growth of digitally based products. Intellectual capital is leveraged using digital technology to offer products on a global basis. The drive to scale in digital is behind the rise in subscription margins. There is operational gearing from new product development, implying selling more value-adding product to the same customer with opportunities for price increases and higher margins.

Steadily the share of subscriptions in total company revenues has been rising. Euromoney (see Exhibit 2) currently generates 47% of group revenue from subscriptions. In 2010, Informa generated 36% of group revenue from subscriptions (27% in 2007). This figure rises to 65% for the publishing operations on their own and 75% for the specialist publishing interests.

Euromoney exemplifies the drive into subscriptions, which have grown from 17% of group revenues in 2005 to 47% in 2011 at the expense of advertising and sponsorship. There was a doubling of subscriptions' share in 2007, due to the acquisition of Metal Bulletin in 2006 with its large proportion of high-margin, subscription-based electronic product. The recent acquisition of NDR will take the group over the 50% mark.

Exhibit 2: Euromoney revenue share by type

(%)	2005	2006	2007	2008	2009	2010	2011
Advertising	27.4%	26.6%	21.4%	20.0%	17.3%	17.5%	17.2%
Subscriptions	16.8%	16.9%	34.1%	37.1%	48.0%	46.6%	47.1%
Delegates	24.6%	25.5%	24.4%	26.0%	21.9%	21.5%	20.7%
Sponsorship	24.0%	26.1%	15.2%	13.8%	12.1%	12.3%	13.4%
Other/closed	7.2%	4.9%	4.9%	3.1%	0.8%	2.2%	1.6%
Total	100%	100%	100%	100%	100%	100%	100%

Source: Company reports, Edison Investment Research

The growth in subscription income is mainly driven by the growth in the Research and Data division, which produces digital and database products, sold predominantly on a subscription basis. The track record of this division shows how rising scale, driven mainly by acquisition but also organic investment, produces rising margins. It accounts for a rising share of group revenue and profits and is now the single largest division in the group.

Exhibit 3: Euromoney's research and data revenue, profits and margins

(£m)	2005	2006	2007	2008	2009	2010	2011	CAGR
Revenue	16.5	21.2	51.6	66.1	87.5	90.2	104.3	30.1%
% of group rev	8.5%	9.6%	16.9%	19.9%	27.6%	27.3%	28.7%	
Operating profit	3.9	5.4	18.7	21.1	36.2	38.0	42.5	40.7%
% group op. profit	8.6%	10.3%	20.3%	21.4%	35.5%	32.1%	33.1%	
Operating margins	23.6%	25.5%	36.2%	31.9%	41.4%	42.1%	40.7%	

Source: Company reports, Edison Investment Research

Events

The drive by B2B groups into the events industry continues. Events is now a major revenue stream in the total portfolio of many B2B groups, eg 35% of total group revenues for UBM and 45% for Informa, while two events only companies (ITE and Tarsus) have grown strongly to become significant businesses in the sector.

Events appear to have grown faster than other B2B revenue streams and continue to do so as client spending has favoured them against advertising-based media, especially print-based products. They offer structural growth opportunities with high underlying growth rates. UBM's 2007-10 trading record shows how organic growth and acquisitions have led to growth in events revenues and a steady rise in margins to the point where they are 56% above the corporate average. In 2010, events accounted for 55% of corporate profits (2007: 40%).

Exhibit 4: UBM divisional breakdown

(£m)	2005	2006	2007	2008	2009	2010	CAGR
Revenue							
Events	167	220	245	292	288	310	6.1%
Print	260	256	231	216	166	144	(11.2%)
Group	634	739	802	887	848	889	2.6%
Operating profit							
Events	N/A	N/A	67	82	87	94	8.7%
Print	N/A	N/A	28	24	9	10	(22.8%)
Group	142	150	166	174	171	172	0.8%
Margins							
Events	N/A	N/A	27.4%	28.2%	30.3%	30.2%	
Print	N/A	N/A	12.2%	11.1%	5.4%	6.9%	
Group	22.4%	20.3%	20.7%	19.6%	20.2%	19.3%	

Source: Company reports, Edison Investment Research

Almost all B2B companies, big and small, continue to expand into the events market and client budgets continue to favour B2B events. Growth strategies in the events market are driven by globalisation and scale, emerging markets and targeting growth verticals.

Globalisation and scale: As digital products grow, the face-to-face market grows too. The events industry remains fragmented, but the strategic aim of events owners now is to build or acquire businesses of scale, by controlling verticals with common features: there must be the need for the industry to come together, the targeted markets must be substantial, they must have the capacity to grow, and there must be the opportunity to roll out the event across geographies. Events can produce higher margins as major, global brands are built up.

Informa is launching more exhibitions, benefiting from acquisitions and from the increase in the size of existing events, and notes that exhibitions have done well over the past three years of economic turbulence. In acquiring Ecobuild in July 2011, UBM sees big potential in rolling this (currently) single event business globally, starting with a second event in China next year.

Emerging markets: B2B companies continue to extend the geographic bounds of their events businesses, focusing on emerging markets (EMs). These are natural targets for expansion with face-to-face dealing being an established and popular way of doing business and with strong underlying growth rates.

Almost all of ITE's revenues stem from events held in EMs and ITE has proved to be a high-margin, fast-growing operation. Tarsus continues its drive into EMs targeting 50% of group revenues from EMs by 2013. Among the larger groups, UBM reported that in H111 revenue from EMs had grown 16% to account for 20% of total group revenues. This advance was spearheaded by events, which accounted for 69% of total EM revenue and had an underlying growth rate of 29%. B2B groups continue to invest directly in these markets, by acquisition or joint venture.

Targeting growth verticals: This is an obvious strategy to adopt though not always easy to execute as it depends heavily on acquisition opportunities. It can be combined with entry into emerging markets, eg ITE expanded into Turkey in July 2011 by acquiring an events business (IFO) in building products and construction, growth industries in that country and verticals where ITE already has a strong presence. UBM's Ecobuild acquisition (see above) takes it into the sustainable building products market, which has long-term growth potential. Smaller companies also target growth niches, for example in April 2011 Centaur acquired FEM, which stages an events aimed at expatriates, a market that the company believes has good long-term growth prospects.

Recent trading by events businesses: Recent trading statements on the performance of events have been confident, pointing to good underlying growth in revenues. UBM's H111 results showed underlying events revenue growth of 13.6%; reported margins rose from 29.2% to 32.6%. Comments on forward bookings have been positive: in its IMS (18 October) UBM reported forward bookings up 16% vs +13% at end July. In its IMS of 26 October, Informa reported organic revenue growth of 5.2% for events and training for Q311 and saw steady progress for events in 2012. ITE reported in its IMS (3 October) that underlying revenue was up 17% in the fourth quarter of FY11. Tarsus issued a positive IMS (17 November) for the period from 1 July 2011 to 16 November 2011 confirming that it was on target to meet full year expectations for 2011, with momentum in the Middle and Far East in 2011 auguring well for 2013.

Advertising and print

Within B2B the strategic focus on building steady subscription revenues and reducing the share of cyclical advertising in the revenue mix has produced a steady fall in dependence on advertising for most companies. In the main, the reduction in the contribution from print and advertising revenues has been achieved by cutting the number of advertising funded print titles.

The 2009 downturn accelerated the move out of print and advertising based products. Advertising continues to generally be cyclical and slow growing, reflecting the fact that it is still largely print based, however there are strong print brands that offer attractive advertising growth in specific markets.

There is a range of strategic stances towards print. EMAP has a clear cut view; it has reduced the publication frequency of its print titles and has set a deadline of 2015 for a possible end to print publishing. Other publishers take a more pragmatic approach and focus on the role of individual titles and the role they play in particular markets.

Exhibit 5: Print revenue, profits and margins within UBM

(£m)	2005	2006	2007	2008	2009	2010	CAGR
Revenue							
Group with print	634	739	802	887	848	889	2.6%
Group ex-print	374	483	570	671	682	745	6.9%
Print share of total	41%	35%	29%	24%	20%	16%	
Operating profit							
Group with print	142	150	166	174	171	172	0.8%
Group ex-print	N/A	N/A	138	150	162	162	4.1%
Print share of total	N/A	N/A	17%	14%	5%	6%	
Margins							
Print only	N/A	N/A	12.2%	11.1%	5.4%	6.9%	
Group with print	22.4%	20.3%	20.7%	19.6%	20.2%	19.3%	
Group ex-print	N/A	N/A	24.2%	22.3%	23.8%	21.7%	

Source: Company reports, Edison Investment Research

UBM, historically heavily committed to print, continues to manage structural decline (the underlying fall in revenues in 2010 was 8%) by reducing its portfolio of print titles by means of sales and closures. In 2011 it actually acquired more print titles through the acquisition of Canon, meaning that print accounted for 12.6% of group revenue in H111. It sees a continued role in some markets, but while print margins rose slightly in 2010 to 6.9% (2009: 5.4%) the trend continues to be down. In H111 they fell to 5.3% compared with a group margin of 19.4%; print accounted for just 3% of UBM's total operating profit.

The impact of the large, but declining, print based advertising business of UBM has been to hide the underlying growth rate of the rest of the business; without this, group operating profits would have grown five times faster than reported.

However, it is the migration from print to digital that will decide the fate of the paper-based format. The migration patterns appear to be title specific: Centaur, for example, has cut certain print titles (eg *New Media Age*) in markets where migration to digital means reaching a larger audience at lower costs. But it is also retaining print titles (eg *Marketing Week*) that continue to capture advertising in valuable markets.

In a counter-revolutionary fashion, Aspermont continues to get attractive growth from its natural resources-focused print titles and is launching new ones. These are mainly monthlies that publish multi-page in depth articles not suited to be read in a digital format and that attract good support from advertisers.

Digital and multiplatform

The roll-out of digital is about more than just migration from print to digital. The emerging result is that B2B media is becoming a fully digital, multi-platform business. There is now less explicit focus on the technology itself and more on the use of the digital platform to increase engagement and increase exploitation of the industry's most valuable asset, copywrited proprietary content.

The rollout of digital capacity underpins the growth in multiplatform delivery offerings, adding functionality to existing data and making possible the creation of new products, such as enhanced websites, webinars and mobile applications, all of which have the potential to add to revenue per client and so increase overall revenue growth.

The industry uses social media and digital marketing to engage its audiences more closely so as to produce more targeted, more relevant and richer information. Engaging with customers on these platforms promotes greater customer loyalty, aids customer retention and provides opportunities to grow additional revenue streams.

Social media implications

The role of social media in events and conferences: Social media lend themselves to marketing and this seems to have been applied most successfully in the events business.

Twitter, Facebook and LinkedIn are used to market events. Most events are managed and promoted online. Social media sites are part of the marketing process and are used to build a community before, during and after an event. A dialogue is maintained through the year (in the build up to the next event) between speakers, delegates, industry contacts and others so that the community is sustained and the event is kept up to date and relevant.

The ROI on the incremental spending on social media is not always clear in that spending is typically small and part of a multi-platform marketing process enabling engagement and community building. These communities can be quite large. Informa, for example, notes that some of its LinkedIn groups can be 80,000 to 90,000 strong, much larger than the number of attendees to the event. Larger communities offer the chance of greater revenue growth.

Is there a role for online events? Events are essentially a face to face medium, but there is a role for online, for example if an event is staged in more than one centre and the client is going to attend one, but not all of them, then online events can be a help in keeping up to date. Not everyone who is interested goes to a particular event, but they do want to find out what went on. This applies especially to events held in emerging markets, where face to face is very important, but where distance (and time) can be a barrier to attendance. However, there is no substitute for direct, face to face contact.

Social media and the product landscape: Many examples could be given of how social media and other digital products combine with other information platforms and products to create an entire product landscape. A good example is the Centaur-owned *Creative Review*, which serves the international market for commercial creativity. It has a print circulation of around 20,000, containing in-depth articles on advertising and design and running for up to 200 pages per issue. It sells subscriptions in over 80 countries and publishes a print directory (*The Creative Handbook*).

It has a website offering advertising (including job advertising) through a network of sites with online readers in over 120 countries. Here, editorial is more immediate, without the in-depth articles of the print edition. It has over 500,000 followers on Twitter, a TV channel on YouTube and a community page on Facebook. It sends DVDs of creative work to customers. It runs awards and competitions as well as conferences such as ‘Click’ for people working in digital advertising.

M&A: Deals that point the way

Industry M&A activity picked up in 2010/11 as industry profitability and cash generation improved. There continue to be small, add-on deals in most parts of the B2B market, but strategically most deals have focused on three areas: events with global potential, verticals with attractive growth prospects and data businesses with global potential.

M&A activity on the rise

The construction of stronger portfolios produces the basis for better growth and sustainably high margins, longer term. Both M&A and organic investment will continue to drive growth. Investors have often been wary of the level of M&A activity in media, but the increase in M&A activity over the past year is nothing new, as many of the B2B groups have been built up by using M&A. Informa, for example, estimates that between 2002 and 2010 about half of its growth came from acquisitions and half was organic.

Prices

The prices of some recent deals can look high relative to others in the sector. This happens when a company is targeted in an early stage of its growth and is set to continue to grow quickly. The Ecobuild deal (see below) is a case in point. The exit multiple (5.4x historic revenues) looks to be way ahead of other deals in the events and B2B market (around 2x revenue), but this really reflects the early stage of development of the Ecobuild business, with UBM in effect paying for synergies that it is confident will accrue.

Another example is Euromoney's acquisition of Arete (see below) with an exit multiple of 3.2x historic revenue.

At the smaller end of the scale some deals have been struck without any up-front payment, implying an exit multiple of zero, but in reality gearing the value of the final price paid entirely to the performance of the business after takeover. For example, on 10 June 2011 Wilmington announced the acquisition of Kemps, owner of the international film database 'The Knowledge' for no initial consideration plus up to £1.5m to be paid subject to performance over 2001-14. On 1 July 2011 Dods Group announced the acquisition of the 'politicshome' website for no initial consideration and a deferred consideration of up to £2m payable in 2014, subject to a revenue target for 2013.

Target areas

Broadly, target areas for M&A include owners of proprietary intellectual property generally, especially subscription-funded digitally based information, and events in emerging markets, especially China and India. The three target areas set out below and the example of each show where the industry sees its future growth.

Events with global potential

A good example of such a market lies in UBM's acquisition in July 2011 of Ecobuild for up to £57m. Ecobuild is the world's leading exhibition for sustainable building products, an industry that is growing strongly. Currently, Ecobuild is just one event with revenue of £9.4m. UBM's first move will be to stage an Ecobuild event in Shanghai in April 2012. It aims to double the size of the business in four years and sees a global potential for the brand, especially in emerging markets. On the face of it the entry price looks high (at 5.4x 2011 revenues), but the prospects for growth are excellent and as the business is globalised, margins should rise.

Verticals with attractive growth prospects

In October 2010, UBM acquired Canon Communications for $287m (£185m) implying an exit multiple of 2.7x revenue and 7.8x EBITDA for the 12 months to June 2010. Canon is the leader in the medical device design and manufacturing market. The acquisition takes UBM into a new vertical and one that offers global growth opportunities, especially in EMs, to a business that currently derives 75% of its revenue from the US. It is a multiplatform company with revenue divided among events (48%), print titles (35%) and websites (17%). Though the EBITDA margins were fairly high (35% compared to UBM's own EBITDA margin of 21%), UBM made it clear that it was buying the business to grow it.

Data business with global potential

In August 2010, Euromoney acquired 100% of Arete Consulting for £8m. Arete is a subscription business that owns the world's largest database of retailed structured investment products and is the leading online information source for the structured products market. There are no 'legacy' print products. At the time of purchase it had customers in 52 markets, including emerging markets, but was still very UK-oriented. It was already earning attractive margins that had exhibited strong growth (30% on revenues of £2.5m). Euromoney's opportunity is to turn it into a global business within two to three years with a much larger revenue base, targeting operating margins of over 40%. Last year, Euromoney's Database and Information services division had operating margins of 41% on revenues of £90m.

The acquisition falls neatly in line with the strategy of building up subscription revenues and driving further into online information services.

Smaller players grow and rebound

Companies at the smaller end of the range (ie below £100m market cap) have all targeted niche markets with apparent good growth prospects. They are in various stages of strategic development, the full benefits of which have yet to be seen by investors. However, Dods and Electric Word, two of the smallest, have been held back by factors outside their control, namely cuts in government spending.

Exposure to government spending

Smaller players such as Dods Group and Electric Word have targeted information markets that offer attractive long-term growth opportunities, but are dependent on state spending. Both are anticipating that cuts in spending will create outsourcing opportunities. However, the slowdown in education spending has been weighing on Electric Word since the general election in May 2010 and in its Q3 IMS in October, the company had to issue a profit warning as no recovery had so far appeared in this market, which accounted for 61% of its revenue and 36% of EBITA in H111.

Electric Word also sees deregulation of health as a major opportunity, with the need for CPD and compliance, and is expanding by acquisition in this area where trends are more favourable.

Uncertainty about spending from the outsourcing of civil service training has hit Dods Group until recently. On 25 October, Civil Service Learning, a new body that controls the outsourcing of civil service training, announced that the tender process had begun for the outsourcing of this function. The tender will be worth up to £250m over the life of the contract. Dods will compete for parts of this contract and if successful this could have a significant effect on group revenues from 2012 and beyond. This news comes at a good time for Dods, which has just completed a long period of group rationalisation to focus exclusively on the political information and training markets.

Unleashing potential within the players

Centaur has the greatest challenges. It has a strong content and brand base and has recently rebuilt its management team. With a high dependence on advertising (49% of revenues in FY11) and print (44% of revenues in 2011) it has set targets for growing its revenues from digital, which it looks to account for 50% of revenue in FY14 (2011: 26%). It also aims to raise group EBITDA margin to over 25% in three years compared to 14% in FY11, by cutting costs, moving out of low return areas and expanding into higher-return markets.

Wilmington has made major advances in building up its level of subscription and information sales (57% of revenue in FY11) as well as its digital exposure, which was 72% of Publishing and Information revenues in FY11, while reducing advertising to a low share (8%) of total revenues, but its high dependence on the UK law training market has held back its profit performance. In its IMS of 15 November, the company announced a plan to cut the company cost base by £1m p.a., mainly in the Legal Training business. A new MD was appointed to head up the legal and corporate training businesses.

Aspermont is a relatively small company, but with a global orientation in mining and resources information markets. Since making a key strategic acquisition in the UK three years ago, the company has seen volatile resource markets and currency pressure, but is now set to deliver strong growth on the back of improving markets and the accelerated development of its multiplatform product offering.

Haynes Publishing is only just starting to play its digital hand in the consumer market, in our view, but has good content assets. Recent initiatives are based on greater use of electronic product and include exploiting colour illustrated titles in the e-book market. We suspect there is more to come from this high-margin, debt-free business.

Outlook

2011 in the bag, but general nervousness about 2012

Company comments made on trading during 2011 so far have typically shown confidence in their business models, but expressed obvious caution about the economic outlook, saying little in detail about 2012. This has led to a small (2% to 3%) raising of estimates for 2011 (eg by ITE and UBM), while the state of the global economy is leading to estimate trimming for 2012 as GDP forecasts are steadily lowered and given that visibility is non-existent.

We use consensus estimates in our individual and aggregated forecasts. The lag in compiling the consensus suggests that profit growth in 2012 is still being overestimated. On current forecasts, EPS for the B2B companies in this note will grow by 7.7% in 2011 and by 9.0% in 2012.

A Eurocentric view?

While the state of the eurozone is inevitably in the forefront of investors' minds, and conditions there could put a brake on growth elsewhere in the world, it is worth remembering that B2B companies, especially the larger ones, have a wide geographic spread of revenue. North America typically accounts for the biggest slice of group revenue, with Europe and the UK being somewhat smaller. For UBM, EMs are now a more important source of revenue than either the UK or Europe.

Exhibit 6: Geographical spread of revenue (2010)

(%)	North America	Europe	UK	Emerging markets
Informa	39	25	13	12
UBM	47	16	15	19

Source: Edison Investment Research

The drive into EMs continues. They account for about 93% of ITE's revenues, reflecting the company's strategic objectives in the events market, while Tarsus, the other pure-play event company, reached 26% (2009/10 average) and targets 50% by 2013.

The smaller companies get most of their revenue from the UK, but companies like Centaur (92%) are planning to grow their non-UK operations, while Wilmington (74%) has been expanding abroad for some time.

There must be a risk that estimates fall further. Economists' forecasts of GDP growth continue to slide, with modest European and US growth rates being reduced even further. For example, the latest forecasts from the IMF, released in September, show falling GDP forecasts globally, with European/UK forecasts coming back to very low levels. On 20 October, the EIU aggressively downgraded its GDP estimates to produce a decline for the eurozone in 2012. However, emerging markets growth rates are still far ahead of Europe, while US growth rates are still ahead of projected European growth rates.

Tougher times, but tougher businesses

Given the steady industry operating margins recorded from 2007 to 2009, it can be argued that in general the industry had a good recession and overall the B2B companies came through the downturn in good shape, though smaller ones had a difficult time, showing more margin volatility.

The steady operating margin track record of the quoted UK B2B business reflected some help from the weaker pound against the US dollar (the US is still the largest market for the biggest B2B companies), but fundamentally it reflected the benefits of swift, short-term cost cutting combined with payoffs from strategic investment in steadily growing revenue streams. B2B business models proved to be strong enough to withstand the impact of a major downturn and where weaknesses were exposed changes have been made.

The actions taken by all B2B companies during and after the downturn, to perfect their portfolios, increase their return on sales and generally toughen up their business models, will work in their favour in a period of slower economic growth. The same actions also mean that companies now have better long-term growth prospects.

The key features of the industry that underpin future growth are:

- Less cyclical and more defensive revenue streams
  Driven by the downturn of 2008/09, the industry accelerated its strategy of changing its revenue profile with the aim of reducing revenue cyclicality. Dependence on advertising continues to fall with the stepped up closure and disposal of advertising dependent print titles and there has been a sustained push into steadier, 'stickier' and more predictable subscription revenue, so there is a more stable and more profitable revenue balance now.
- Flexible costs in cyclical businesses
  Cyclical revenue streams such as training and the smaller end of the events businesses have very flexible cost bases that can be managed down if the market demands it, giving management a high degree of control over margins.
- More and larger events
  The industry continues to launch and acquire events. Events have produced relatively high returns in the recent past and should continue to do so. Following the downturn, events portfolios have been adjusted with fewer (often low-margin) smaller events and a move to build and leverage bigger event brands, many of which can be rolled out globally and which typically deliver higher margins. Events margins have steadily risen over the past five years, eg at UBM they rose from 27.3% in 2005 to 30.2% in 2010.
- Emerging markets offering faster growth
  Faster growing emerging markets have become a key area for expansion of event businesses. They are a now an important part of the leading B2B groups and are becoming more important in the plans of smaller B2B players. They feature prominently in the drive to grow events revenues and offer above average growth prospects. In 2010, for example, UBM obtained 38.7% of its events revenues from emerging markets (2009: 34.3%).
- Verticals with more potential
  B2B companies will continue to move into verticals/markets/sectors that offer scope for long-term growth and value creation. There is continued focus on those that offer global potential and recent M&A deals point to such areas (see above).

- Smaller companies recovery
  A number of smaller companies have transformed themselves strategically and operationally and now have much stronger business models and offer good rebound potential as their strategies fall into place.
- Margin resilience
  Industry margins generally remained resilient in the period to 2010, driven by the rise of subscription revenues, the decline of lower-margin, print-based advertising, the rise of events (and event margins) and advances in some data-based businesses. In 2010 and 2011, there has been some pressure on margins as investment in content, data and technology increased. Additionally, the economic slowdown is likely to bring some further pressure on margins in 2012. However, the full benefits of the strategic changes and this increased investment should continue to be seen in a continued resilient margin performance.
- Cash generation
  Cash generation should remain strong and underwrite strategic options. Consensus estimates imply that B2B net debt will fall by 25% in 2012 and by over 50% in 2013. This will support continued growth in dividends (see above) and gives the industry plenty of room to make more acquisitions. Over 2010-11, the companies in this note spent around £600m on acquisitions.

Valuation

Operating margins

Track record

Since 2007, B2B trading margins have showed considerable resilience, but with weaker trends at the smaller end where Centaur, Wilmington and Dods Group have seen declines, due to specific issues. The effects of the industry downturn in 2009 were mitigated by favourable currency movements, but more fundamentally by cost cutting and the benefits of portfolio changes, where acquisitions, disposals and organic growth have led to higher-margin subscription products and events and less low-margin print.

Considered over the 2007/10 period, the highest margin companies were the pure play events businesses, ITE and Tarsus. Euromoney was the most profitable multi-platform B2B group, benefiting from cost cutting and the drive into subscriptions-based revenues, which helped to lift margins to record levels. DMGT's B2B interests benefited from portfolio changes, especially the disposal of lower-margin consumer events. Informa, Euromoney and DMGT's B2B interests show the best advance in margins.

Exhibit 7: B2B operating margin record

Note: Ranked on 2007/10 figures. Figures are calendarised.

	2007	2008	2009	2010	2011a/e	2012e	Average 2007/10	Average 2011/12
ITE Group	32.7%	33.8%	35.0%	34.0%	30.0%	28.7%	33.9%	29.4%
Tarsus Group	30.1%	29.8%	28.1%	26.6%	26.1%	23.1%	28.6%	24.6%
Euromoney	25.4%	24.6%	26.4%	30.2%	29.6%	28.5%	26.7%	29.1%
Informa	23.1%	23.9%	25.3%	25.5%	25.6%	25.3%	24.5%	25.4%
DMGT (B2B ex Euromoney)	21.3%	21.9%	23.2%	24.8%	25.2%	N/A	22.8%	25.2%
Haynes	23.4%	21.9%	22.4%	23.4%	23.5%	N/A	22.8%	N/A
UBM	20.7%	19.6%	20.2%	19.3%	19.0%	19.2%	20.0%	19.1%
Wilmington	18.8%	17.6%	18.1%	15.4%	13.4%	13.6%	17.5%	13.5%
Centaur	20.6%	15.3%	6.7%	8.3%	13.1%	16.8%	12.7%	14.9%
Electric Word	11.1%	11.6%	12.6%	13.5%	11.7%	12.9%	12.2%	12.3%
Dods Group	11.6%	11.8%	12.6%	7.7%	N/A	N/A	10.9%	N/A

Source: Company reports, Edison Investment Research

At the smaller end, companies generally have lower margins and on an individual company basis only Electric Word has shown any increase over the 2007/10 period.

Outlook

It is clear that the market has already factored in a slower period in 2012 for these companies. Comparing the average forecast margin for the 2011/12 period with the most recent reported year (2010) shows that margins are expected to show modest declines in most cases, with only Centaur, the restructuring story of the sector, set to do better.

However, the forecast declines in margins are very modest and the market still expects good EPS growth (see below).

Forecasts

Exhibit 8: B2B Sector and market estimated EPS growth

	2011e	2012e	2013e
FTSE All Share	14.4	11.9	8.7
FTSE Media sector	11.5	8.9	8.6
B2B companies (in this study)	7.7	9.0	8.7

Source: Thomson One, Edison Investment Research

Based on consensus forecasts, the B2B companies in this study will grow EPS more slowly than the Media Sector and the market as a whole (as measured by the FTSE 100) in 2011. Next year and in 2013 the B2B companies grow in line with the Media Sector.

The key trend to note is that while growth by the companies in the All Share and the Media Sector is forecast to slow down over 2011-13, B2B will record steady growth over this period. This steady earnings trend occurs in spite of the pressure on margins that is already in the forecasts.

The outcome for 2012 and 2013 leans quite heavily on the state of the global economy. Economic forecasts for the US and 'Europe' have already been cut substantially, with some trimming for the rest of the world. There may of course be more cutting to do and consensus is not necessarily up with events, but from a bottom-up perspective, robust business models, strong cash generation and a wide international spread of earnings for many groups form a strong basis from which to grow earnings.

EPS growth

Exhibit 9: B2B EPS growth record (CAGR)

Note: Ranked on 2010/12 forecasts. Calendarised growth rates.

	2007/10	2010/12
Centaur	(32.7%)	34.6%
ITE Group	13.5%	14.2%
Informa	5.2%	8.5%
Euromoney	13.2%	8.5%
UBM	(1.4%)	7.5%
Wilmington	(5.1%)	2.4%
DMGT	(0.6%)	2.2%
Tarsus Group	1.5%	(3.1%)

Source: Company data, Edison Investment Research

Track record

Exhibit 9 shows CAGR in calendarised EPS (adjusted) in historic (2007/10) and in projected terms (2010/12). Historically, Euromoney and ITE grew fastest. Bigger players such as DMGT and UBM achieved only low declines, while the smaller ones such as Centaur and Wilmington had a tougher time, seeing a fall in EPS in the period.

Forecasts

Over 2010/12, Centaur shows a strong rebound in growth due to the benefits of its radical restructuring plan, which has only recently commenced.

ITE looks set to continue to grow at a good, mid-teen rate. Euromoney shows slower forecast rates of growth than it achieved historically, when it was one of the fastest growing, but it will still grow faster than most other B2B companies.

Both Informa and UBM are estimated to grow at faster rates than they did historically, which suggests that some of the portfolio management of recent years is coming through to earnings. This is particularly true of UBM, which could see a good rise in EPS growth after a long period of seeing none.

Debt

Exhibit 10: B2B trend in net debt

Note: * Excluding Euromoney, a subsidiary of DMGT.

(£bn)	2009	2010	2011e	2012e	2013e
All B2B companies*	2.2	2.1	2.0	1.5	0.7

Source: Edison Investment Research, Thomson One

Between 2009 and 2010 net debt was little changed. This reflects the fall in net debt at all companies except UBM, where the rise in net debt almost exactly offset the decline by all the others. Between 2010 and 2012, forecast net debt levels fall off quite quickly, as would be expected from a cash generative business, with consensus estimates pointing to a decline of around 29% followed by a fall of 56% in 2013.

Collectively, the B2B groups covered here increased their acquisition spending by 270% in 2010 to £342m. However, while there were increases by most companies, there were declines by others and the net increase in 2010 is entirely attributable to a big step up in acquisitions by UBM, from £26m to £241m. UBM accounted for 70% of acquisition spending in 2010.

Exhibit 11: B2B acquisition spending (£m)

	2009	2010	2011e
Total	126	342	250
Total (ex-UBM)	100	101	177

Source: Company data, Edison Investment Research

On an ex-UBM basis, acquisition spending between 2009 and 2010 was stable, but in 2011 so far has risen by 77%. We estimate that spending on acquisitions in 2011 so far (for all companies) is running at about £250m or 73% of 2010 levels.

Dividends

Track record

The dividend payout record for B2B companies is generally good, though there were cuts in payouts that reflected the very difficult trading conditions in late 2008 and in the first half of 2009. On the whole, the cuts reflected falls in EBITDA and pressure on debt levels in certain cases, but the cash generative nature of the business remained intact.

Specifically, Informa cut its 2008 payout by 41% because of pressure from high debt levels, which were dealt with by a rights issue in 2009 and continued strong cash flow. Centaur cut its interim FY09 payout by 58% after a 70% fall in EBITDA in the period, while retaining a net cash position. Euromoney cut its full year 2009 payout by 27% after a 40% cut in the final, aimed at helping to keep debt levels stable. It set out a policy of distributing one-third of post-tax earnings thereafter. All the companies that cut dividends have steadily increased payments since.

Forecasts

The 2010 profits recovery and continued good trading in 2011 has improved the financial position of these companies. Most B2B companies currently offer above market yields and most of these are likely to increase their dividends. High operating margins support strong cash generation by all these companies and capex demands remain modest. Most of the larger companies listed below are able to keep the dividend advancing from levels that are already attractive. Acquisitions could of course place demands on free cash flow.

Exhibit 12: B2B dividend yields

Note: B2B only excludes DMGT. Yields are calendarised. Ranked on 2012 estimates.

	2010	2011e	2012e
Wilmington Group	8.2%	8.2%	8.2%
UBM	5.2%	5.6%	6.1%
Tarsus Group	4.3%	4.3%	5.1%
Centaur Media	4.7%	5.4%	5.9%
Informa	3.9%	4.2%	4.8%
B2B only	**4.0%**	**4.3%**	**4.7%**
Daily Mail & General Trust	3.9%	4.2%	4.5%
ITE Group	3.0%	3.2%	3.2%
Euromoney	2.8%	3.0%	3.3%
FTSE 100 (current)		3.4%	
FTSE Small Cap (current)		3.4%	
FTSE Media (current)		2.9%	

Source: Thomson One, Financial Times, Edison Investment Research

The average dividend cover for B2B shares and the Media sector is above that of the FTSE 100 for 2011, but dividend cover ratios are generally steady or rising on forecast payouts. This indicates that companies are both increasing payouts and, in most cases, building cover. Importantly, the high level of discretion that these companies have over free cash flow, given their low capital expenditure needs and a clear choice over the size and timing (and type of funding) of acquisitions, gives them scope to support and increase payouts through the cycle.

Exhibit 13: B2B dividend cover

Note: Tarsus and ITE are two-year averages. Ranked on 2012 estimates.

	2010	2011e	2012e
Euromoney	3.0	3.1	3.1
ITE Group	2.2	2.4	2.7
Daily Mail & General Trust	2.9	2.7	2.5
Informa	2.5	2.5	2.4
B2B only	**2.4**	**2.5**	**2.4**
Centaur Media	1.2	1.7	2.2
UBM	2.0	2.0	2.0
Tarsus Group	2.3	2.2	2.0
Wilmington Group	1.5	1.6	1.6
FTSE 100 (current)		3.2	
FTSE Small Cap (current)		2.4	
FTSE Media (current)		2.2	

Source: Edison Investment Research, Financial Times

P/E and EV/EBITDA ratios

In P/E terms, on a 2012 basis, B2B companies stand on a P/E of 8.9x, a premium of just 1% to the FTSE All Share (8.8x). However, the B2B companies collectively stand on 21% discount to the FTSE Media sector (11.3x) and all of them are rated lower than the sector as a whole. At the smaller end, Wilmington is rated below the FTSE Small Cap Index (7.9x).

Exhibit 14: B2B P/E ratios

Note: ITE and Tarsus P/E ratios averaged over two years. B2B only excludes DMGT. Ranked on 2012 estimates. Calendarised.

	2010	2011e	2012e
ITE Group	15.0	13.3	11.5
FTSE Media	13.8	12.3	11.3
Tarsus Group	10.7	11.0	11.2
Euromoney	10.5	9.8	8.9
B2B only	10.6	9.6	8.9
FTSE All Share	11.3	9.9	8.8
Informa	10.2	9.6	8.7
Daily Mail & General Trust	8.8	8.7	8.3
UBM	9.5	8.9	8.2
Centaur Media	14.7	10.3	8.1
FTSE Small Cap	9.7	9.5	7.9
Wilmington Group	7.8	7.6	7.4

Source: Thomson One, Edison Investment Research

Exhibit 15: B2B EV/EBITDA ratios

Note: ITE and Tarsus ratios are averaged over two years. B2B only excludes DMGT. Ranked on 2012 estimates. Calendarised.

	2010	2011e	2012e
ITE Group	9.8	9.5	8.5
Tarsus Group	16.0	8.7	8.1
Informa	8.6	8.1	7.2
B2B only	8.7	7.9	7.1
UBM	8.8	7.7	7.1
Wilmington Group	5.7	7.1	6.6
Euromoney	7.8	7.5	6.4
Daily Mail & General Trust	6.7	6.4	6.2
Centaur Media	6.5	5.0	4.1

Source: Thomson One, Edison Investment Research

In the 2012 EV/EBITDA league table the two events companies lead the way, while the two largest pure B2B companies inevitably cluster around the B2B average of 7.1x. Typically, the smaller companies come in at the bottom of the range, while DMGT's rating is held back by the market's negative view of its newspaper interests.

In both P/E and EV/EBITDA terms the ranking of individual shares is broadly similar. The market is willing to put a relatively high rating on ITE and Informa. The only significant difference is in respect of Centaur, which looks to be relatively cheaper on an EV/EBITDA basis (4.0x, a discount of 44% to the B2B average) than on a P/E basis (8.1x, a discount of 9% to the B2B average).

Investment conclusions

Exhibit 16: EPS growth and ratings

Note: EPS growth figures show CAGR over the period. All figures are calendarised.

	EPS growth 2010/12	P/E 2012	EV/EBITDA 2012	Dividend Yield 2012
Centaur	34.6%	8.1	4.0	5.9%
ITE Group	14.2%	11.5	8.5	3.2%
Informa	8.5%	8.7	7.2	4.8%
Euromoney	8.5%	8.9	6.4	3.3%
UBM	7.5%	8.2	7.1	6.1%
Tarsus Group	-3.1%	11.2	8.1	5.1%
Wilmington Group	2.4%	7.4	6.6	8.2%
DMGT	2.2%	8.3	6.2	4.5%

Source: Edison Investment Research

Recommendations

Against a hugely uncertain background, most of the B2B shares tracked in this note offer a relatively steady advance in EPS and high and rising yields. Our aggregation of (non-FTSE) B2B companies shows them to be rated in line with the market, but on a stock specific level there are a variety of arguments.

In particular, we recommend:

- **Centaur:** The company's radical restructuring exercise offers a strong rebound in earnings, which is undervalued in EV/EBITDA terms, while the yield is attractive.
- **ITE Group:** ITE Group is now the most highly rated B2B share, but strong fundamentals point to continued good earnings growth, which is likely to be boosted by acquisitions.
- **Euromoney:** Has one of the best track records of any B2B company and a business model that should deliver sustained earnings growth. It is undervalued on a medium-term view.
- **UBM**: UBM is cheaper than its obvious peer Informa, which has the superior track record, but UBM now offers scope for better growth as its strategy falls into place. The yield is attractive too.

Shortages of up to date published consensus forecasts for five of the smaller players is frustrating and prevents proper valuations and therefore share prices being achieved.

However, based on market position, financial health and trading outlook, we would recommend specifically:

- **Aspermont:** This Australia-based company, focused on the mining and resources markets, is exploiting its brands on more platforms and globalising the business. It expects a strong jump in EBITDA this year and group debt is falling fast.
- **Dods Group** has restructured radically to become a well focused, multiplatform B2B operation serving the growing political information market. It is debt free and set to return to earnings growth.

Company profiles

Aspermont

Year End	Revenue (A$m)	PBT* (A$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/10	20.9	1.1	0.3	0.0	27.0	N/A
06/11	25.0	2.7	0.8	0.0	12.0	N/A
06/12e	N/A	N/A	N/A	N/A	N/A	N/A
06/13e	N/A	N/A	N/A	N/A	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items.

Aspermont is achieving high-profit growth rates (EBITDA could rise 76% this year) as it rolls out its multiplatform strategy for meeting the information demands of the expanding natural resources industry. Revenue is still mainly from Australia (58%) and mining (80%) but it is targeting other resources markets, eg agriculture. Online and events are being globalised, building the capacity for future growth.

Strategy: Going global with more platforms

Building on its original business of supplying information on Australian mining, Aspermont has expanded to become a globally oriented, multiplatform supplier of information on natural resources and construction. Mining (globally) still accounts for 80% of revenue and profits, but the group is targeting other resource-related verticals as the transition to a multiplatform operation accelerates. The acquisition of the Kondinin group last year took the group into farming information in Australia, while there has recently been a small step into the Australian consumer market.

Print still dominates the group (55% of revenue in FY11, 67% of which is advertising). It is based mainly on strong monthly/weekly titles that attract brand advertising. Print will continue to grow, with advertising taking a greater share of revenue, but the growth strategy is based mainly on driving online and events revenues. Online revenue is targeted to rise from 19% of the group total in 2011 to 25-30% in 2012. This is driven by strong growth from key subscription-based websites, which attract good advertising support, as well as launches and re-launches. Events should expand from 27% of revenue to around a third of the total, driven mainly by the Mines & Money based brands being globalised from a UK base and also by expansion of Australian-based events focused on resources markets.

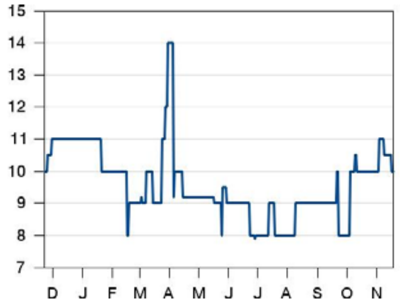
Outlook: Growth strategy in growth markets

Aspermont targets a 76% rise in EBITDA from A$3.4m to A$6m in FY12, driven by margin expansion from continued growth from resources-based information markets and by the accumulating benefits of the company's multiplatform growth strategy. Some of this came through last year (when Australian online margins rose from 7% to 28%). The group EBITDA margin is set to reach 20% compared to 13.6% in 2011. Growth could be trimmed by currency movements, with the Australian dollar up 11% vs sterling last year and up 5% at current rates, but the underlying growth message is a strong one.

Price	A$0.10
Market cap	A$24m

Price as at 18 November 2011

Share price graph



Share details

Code	ASP
Listing	ASX
Sector	Media
Shares in issue	236.79m

Price

52 week	High	Low
	14c	8c

Balance Sheet as at 30 June 2011

Debt/Equity (%)	60
NAV per share (c)	6.46
Net debt (A$m)	6.4

Business

Aspermont is an Australia-based specialist information and event business, focused on global markets in natural resources, mainly mining. In 2011 Australia accounted for 58% of sales and 43% of contribution; the UK for 42% and 57%. It listed on the ASX in April 2000.

Top five shareholders

Andrew Kent	49%
John Stark	10%
Cannavo Investments	5%
Glacier Media	4%
National Nominees	2%

Revenues by geography 2010

UK	Australia
42%	58%

Analyst

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Exhibit 1: Company profile

Competitive strengths	Aspermont has a strong position in Australia, where it has built up a profitable business serving the information needs of the mining industry and is steadily diversifying into other resource-based information markets. The strategic acquisition of the UK-based *Mining Journal* and allied operations in 2008 was the key step forward in globalising the business and in rolling out strongly branded new products in online and event formats.
Track record	Operating revenue grew from A$9.2m in 2006 to a peak of A$24.7m in 2009 (with A$ 11.4m coming from the acquisition of *Mining Journal* and allied businesses). Since then revenues have plateaued (2010 A$23m and 2011 $25m). EBITDA peaked at A$4.7m (normalised) in 2009 and since then has fallen back to A$3.2m in 2010 and A$3.4m in 2011. Trading in 2010 and 2011 was hit by the strength of the Australian dollar and by volatile trends in the resources market.
Profit and earnings outlook	The company has indicated that FY12 will be a year of rebounding revenue and profits with EBITDA forecast to rise by 76% to A$6m.
Finances	Net debt levels continue to fall, from A$14.4m in FY09 to A$10.1m in FY10 and A$6.4m in FY11.
Dividend outlook	The company does not currently pay a dividend, however it is reviewing this policy.
Recent M&A	In 2011 the outstanding 71% of Kondinin Information Services was purchased for A$700,000 from a share buyback with Kondinin Information Services

Source: Aspermont, Edison Investment Research

Valuation

Aspermont has indicated to the market that it expects EBITDA to rise 76% in FY12 to A$6m. This is a very strong number, but in the absence of public guidance on other key metrics and without any consensus figures being available we have refrained from supplying full year estimates for FY12. We expect the interim figures to be announced at the end of January.

Centaur Media

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/10	59.9	3.7	2.0	1.7	19.5	4.4
06/11	68.3	6.5	3.3	2.0	11.8	5.1
06/12e	67.0	8.5	4.3	2.2	9.1	5.6
06/13e	73.6	10.3	5.3	2.4	7.4	6.2

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items.

Centaur's recent radical restructuring exercise, the appointment of a new generation of managers and the setting out of three-year targets for organic growth, EBITDA margins and M&A spending (aimed at doubling the size of the group over the period) are focused on driving higher organic growth from a strong portfolio of assets, augmented by acquisitions.

Strategy: Transformation and new targets

Strategic issues have loomed large at Centaur in recent months. In June 2011, the group abandoned the decentralised business structure on which it was founded and created a structure of three divisions. It aims to exploit a portfolio of market-leading brands that were not fulfilling their potential in the digital age. A new management team has been appointed to mastermind the changes. Centaur has set itself three-year targets for organic growth (5% CAGR), EBITDA margins (>25% compared to 14% in FY11) and M&A spending of £50m. The new structure is designed to support three overriding strategic objectives: first, Centaur has to build scale, ie achieve market-leading positions in the high-growth market; second, increased scale must be leveraged to increase margins and cash generation; and third, revenues have to be rebalanced in favour of digital with a target of 50% of revenue to come from digital in FY14 (26% in FY11) and with lower dependence on print (16% in FY14 compared to 43% in FY11).

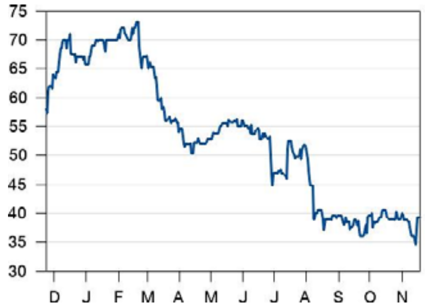
Outlook: Already delivering with more to come

Subject to short-term trading prospects, the outlook for the shares will be decided by success against clear corporate targets. Progress has already been made in cutting costs and selling some low-return, non-core assets, and in FY11 these helped produce a 125% rise in EBITDA for Business Publishing, which in turn drove a 50% rise in EBITDA for the group for the full year. We expect a rise of 22% in EBITDA in FY12 as this momentum continues. Corporate targets imply there is more to come, but right now, given economic uncertainties and the group's exposure to advertising, it is too early to adjust estimates.

Price	39p
Market cap	£55m

Price as at 18 November 2011

Share price graph



Share details

Code	CAU
Listing	FULL
Sector	Media
Shares in issue	140m

Price

52 week	High	Low
	73.0p	36.0p

Balance Sheet as at 30 June 2011

Debt/Equity (%)	N/A
NAV per share (p)	124.3
Net cash (£m)	2.0

Business

Centaur Media is a business publishing, events and information group with leading positions in law, marketing, engineering, construction, financial services and business information.

Top five shareholders

Aberforth Partners	9.9%
FIL	9.6%
Graham Veere Sherren	7.3%
Artemis Investment Mgmt	5.8%
River & Mercantile Asset Mgmt	4.5%

Revenues by geography 2011

UK	Non-UK
92%	8%

Analyst
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Centaur Media is a research client of Edison Investment Research Limited

Exhibit 1: Company profile

Competitive strengths	Centaur's competitive strengths lie in having leading brands in attractive growth verticals such as the law (*The Lawyer*), financial services (*Money Marketing*), marketing (*Marketing Week*) and engineering (*The Engineer*). Increasingly, these strengths will be used as the basis for building scale and rebalancing revenues towards digital and events.
Track record	Pre-tax profits (adjusted) fell from £19.2m in FY08 to £4.4m in FY09, on the back of a 27% fall in group revenue; advertising fell 34%. This reflected the benefits and then the costs of being too dependent on advertising. Revenue and pre-tax profit fell again in FY10 (by 10%), but recovered in FY11 (when pre-tax profits rose 63% to £6.5m) as costs were cut and key advertising markets returned to growth.
Profit and earnings outlook	We expect a continued recovery in margins and profits. The portfolio has already benefited from some restructuring and is being strengthened by acquisition, investment, cost cutting and sale and closure of non-core businesses. The group has set new growth and margin targets as part of a radical restructuring of the group and a drive into digital and events. Between 2011 and 2013 we expect pre-tax profits to rise by 58% to £10.3m.
Finances	Centaur ended FY11 with net cash of £2m.We estimate that this will rise to £3.9m in FY12 after acquisition payments of £1.8m.
Dividend outlook	The dividend was raised 18% in FY11 to 2.0p covered 1.7x. With EPS estimated to rise 30% this year and 23% next year, we allow some building of cover and forecast a 10% rise in the payout in each year.
Recent M&A	Bought Investment Platforms Limited (IPL) on 22 August for £1.8m. IPL had *pro-forma* 2011 revenues of £0.9m and EBITA of £0.3m.

Source: Edison Investment Research

Valuation: Undiscounted recovery

On a calendarised 2012 basis, the shares are on a P/E ratio of 8.1x, a discount of 9% to the B2B average of 8.9x, and at a discount of 28% to the FTSE Media P/E of 11.3x. On an EV/EBITDA rating of 4.0x, the shares stand at a substantial (42%) discount to the B2B average of 7.1x. Similarly, on a calendarised basis, the yield is on a 26% premium to the B2B average of 4.7%.

Daily Mail & General Trust

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/10	1968	230	46.3	16.0	8.9	3.9
09/11	1,990	237	47.0	17.0	8.8	4.1
09/12e	1,993	246	48.4	18.1	8.5	4.4
09/13e	2059	275	53.6	19.4	7.7	4.7

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items. Consensus estimates are from Thomson Datastream.

DMGT's well established strategy of investing in higher-margin, long-term growth businesses in B2B payed off in 2011, as the consumer businesses slowed down and B2B profits grew by an underlying 14% to account for 74% of group profit. This pattern of growth will persist, reinforced by uncertainty on the consumer side. The B2B offering grows stronger, but the short-term focus for the shares will be on the performance of advertising at the newspaper businesses.

Strategy: Expansion into B2B

Expansion into B2B has long been a key part of DMGT's overall corporate strategy. In 2011, its four B2B divisions (including Euromoney) accounted for 45% of group sales and 74% of group EBITA. DMGT aims to sustain growth and improve the returns on the B2B portfolio, which is the long-term driver of corporate growth.

Of the four B2B businesses, **Euromoney** is the largest (41% of B2B revenue and 41% of B2B profit in 2011 – see separate note). Business information division **dmg information** (27%/21%) is focused on property, which accounted for 36% of sales and 38% of its profits last year, and has continued to invest in this business despite difficult markets. To refine the portfolio, the low-margin geospatial business, Sanborn, was sold in September. At **dmg events** (15%/17%) the sale of the gift shows in September ended the group's involvement in consumer events, leaving it focused mainly on big shows in the Middle East that are not in the energy market. **Risk Management Solution (RMS)** (18%/21%) has a different business model being 90% focused on the global property and casualty insurance and re-insurance industry and driven entirely by organic growth, ie selling more models to more customers and moving into data management tools and solutions.

Outlook

For the full year FY11, DMGT reported underlying revenue growth of 10% for B2B businesses compared to an underlying fall of 2% on the consumer side. While events revenue and margins fall in FY12, due to disposals and the absence of key biennials, the outlook for other B2B businesses in the current year is for mid to high single-digit revenue growth and maintained margins. This will help the group to defy the weaker trends on the consumer side. DMGT describes trading in Q111 as "reasonable" but describes trading conditions for the consumer division as "challenging", setting the tone for the rest of the year.

Price 413p

Market cap £1,616m

Price as at 18 November 2011

Share price graph

Share details

Code	DMGO
Listing	FULL
Sector	Media
Shares in issue	383.3m

Price

	High	Low
52 week	594.5p	343.4p

Balance Sheet as at 2 October 2011

Debt/Equity (%)	578
NAV per share (p)	32
Net debt (£m)	719

Business

DMGT is a consumer and professional information group, split broadly into its UK focused, advertising dependent, consumer business (55% of group sales, 26% of group EBITA) and its globally oriented B2B operations, which account for the balance.

Top shareholder

Rothermere Continuation 20.7%

Revenues by geography 2010

UK	North America	RoW
65%	28%	7%

Analyst

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Exhibit 1: Company profile

Competitive strengths	DMGT has been building up its B2B portfolio over a long period and margins in 2011 were 25.4% (compared with Informa 25.5% and UBM 19.9%). It is still being refined to focus on verticals and products with potential for long-term growth.
Track record	There was a slow rise in group margins over 2007-10, but B2B margins rose steadily from 22% in 2007 to be in line with or ahead of the peer group in 2011.
Profit and earnings outlook	Portfolio management will produce continued progress in profit and margin terms by the B2B operations. Stronger headwinds are likely from consumer operations where advertising is weakening.
Finances	DMGT's net debt fell to £719m in FY11 compared to £862m in 2011, reflecting operating cash flow growth and disposals. Consensus expects net debt to fall to £624m in FY12.
Dividend outlook	A long record of steady dividend increases was interrupted in 2009 when the dividend was held, but it was raised 9% in 2010 and 6% in 2011.The outlook is for continued above inflation growth. Dividend cover was 2.8x in FY11.
Recent M&A	Sale of Sanborn (Sep) and RMSI (Pvt.) (Aug) for nominal sums. Sale of GLM for £90m (Oct). Purchase by Euromoney of 87% of NDRG for £66m (Aug).

Source: Edison Investment Research

Valuation: More B2B value in the price

On a calendarised 2012 basis on consensus forecasts DMGT is on a P/E of 8.3x, which is just ahead of UBM (8.2x) and 5% behind Informa (8.7x), indicating that the B2B operations, which have steadily accounted for a greater share of sales and profits and have produced rising margins (see above) are pushing the rating closer to the average for B2B companies. However, it is the state of the consumer business that will determine share price performance and ratings in the short term.

Dods Group

Edison investment research

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/09	25.3	1.5	(5.12)	0.00	N/A	N/A
12/10	17.7	1.0	0.03	0.25	167	5.0
12/11e	N/A	N/A	N/A	N/A	N/A	N/A
12/12e	N/A	N/A	N/A	N/A	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items. Consensus estimates are from Thomson Datastream.

Dods has transformed itself into a B2B group focused on the political information and intelligence market. It is now driven by digital revenues (27% of the group total) and events (36%). When the government decides to outsource political training revenue, it will add to company growth. Dods has net cash of £0.8m. The shares' rating has yet to reflect the growth potential of the reorganised business.

Strategy: Politics is the focus

Following the sale of the Education business for £10m in March 2010 and the change of name (from Huveaux) in June, Dods emerged as a debt-free business, focused entirely on supplying information, training, events and communications to the political information and intelligence market in the UK and Europe.

As well as key disposals there has been sustained investment in events and digital and a reduction in dependence on print-based advertising, just as in other B2B companies. Events have seen the strongest growth, rising from just one event in 2004 to over 100 in 2010 when they accounted for 36% of revenue and 29% of gross profit. Digital revenues grew by 14% to account for 27% of revenue and 37% of gross profit in 2010. Investment in IT infrastructure and creation of a unified platform has laid the basis for lower costs, further migration from print and more digital launches. In July 2011, Dods acquired the political news aggregation site PoliticsHome from Michael Ashcroft's interests for £2m not payable until 2014, subject to performance.

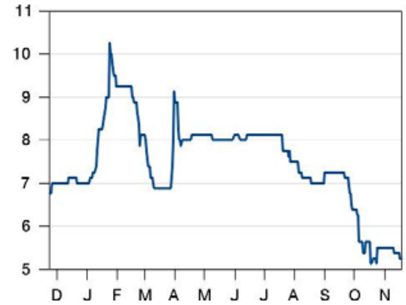
Outlook: Growth and higher margins to come

In the first half of 2011, continuing revenue fell 3% to £6.1m, and EBITDA losses rose to £0.3m from £0.2m. Events and digital grew to reach 69% of group revenue (digital was 40%) and 84% of gross profit. This rise was offset by falls in display advertising (all print-based) and training, where the closure of the National School of Government has not yet been replaced with outsourced civil service training business. Profits are very H2-weighted and will benefit from the party conference season (which appears to have gone well), directory launches by the French political business, new event launches and new digital launches (such as Dods Legislation). In the longer term, Dods will benefit from the growth in its higher-margin digital businesses, investment in new products, a unified platform (a 2011/12 project) and selective acquisitions.

Price	**5.0p**
Market cap	**£8m**

Price as at 18 November 2011

Share price graph



Share details

Code	DODS
Listing	AIM
Sector	Media
Shares in issue	152.0m

Price

52 week	High	Low
	10.25p	5.13p

Balance Sheet as at 30 June 2011

Debt/Equity	N/A
NAV per share (p)	0.21p
Net cash (£m)	0.8

Business

Dods is a political communications business, supplying information, published material, training and events to the political information and intelligence market in the UK and Europe.

Top five shareholders

Schroder Investment Mgmt	13.1%
Artemis Investment Mgmt	7.7%
JO Hambro Capital Mgmt	5.6%
ISIS EP	4.4%
Sasqua Fields Capital Ptnrs	3.2%

Revenues by geography H111

UK	Europe
77%	23%

Analyst
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Exhibit 1: Company profile

Competitive strengths	Dods is now a well focused political communications business and has leading positions in the UK and European markets. Its digital and events revenues are growing strongly and offer the prospect of rising group margins.
Track record	In the continuing (ie political) businesses, the steady recovery in revenues and EBITDA margins seen in 2007-09 was reversed in 2010 as public sector cuts hit the group, but cost cutting and the continued advance in profitable digital subscriptions limited the downside to some degree. EBITDA margins slipped from 14.7% in 2009 to 12.5% in 2010.
Finances	The financial condition of the group has steadily improved since 2006 and after the sale of the Education business in 2010 the group ended the year with net cash of £1.3m (2009 net debt of £6.6m). Net cash at the end of H111 was £0.8m.
Profit outlook	There should be a profits recovery in FY11, despite uncertainty on government spending and the economy generally. Uncertainty remains on the question of civil service training, which accounts for about 15% of revenues. The group is in a much better position now to achieve longer-term organic growth, which is likely to be reinforced by acquisitions, funded by improving cash flow.
Recent M&A	Sold the Education business for £10m in March 2010; acquired PoliticsHome in July 2011 with payment of £2m deferred until 2014, subject to performance.
Dividend outlook	Dividend payments recommenced in 2010.

Source: Dods Group; Edison Investment Research

Valuation

The group has net cash of £0.8m and a clear strategy and, as the training part of the UK political communications market stabilises and revenues return, there is the potential for profit upgrades and a re-rating of the shares. No published consensus estimates are currently available.

Edison investment research

Electric Word

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
11/09	16.5	1.90	0.84	0.0	2.4	N/A
11/10	14.6	1.94	0.58	0.0	3.4	N/A
11/11e	N/A	N/A	N/A	N/A	N/A	N/A
11/12e	N/A	N/A	N/A	N/A	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items. Consensus estimates are from Thomson Datastream.

Electric Word's strategic focus on potential growth markets is paying off, with the major exception of Education, the company's largest market (61% of group revenue in H111) where government cutbacks have hit it hard, causing reductions in group forecasts for 2011. The headwinds are strong, but the potential for a profits rebound is material when stability returns to the education market and as the rest of the group continues to grow.

Strategy: Aim for growing niches

Electric Word is a specialist information publisher focused on niches in education, sport and healthcare. Its strategy is to identify and supply niches offering attractive growth prospects. Growth comes from organic investment and acquisitions. Investment continues in migrating print products to online with the aim of growing a higher margin, higher value added subscription business. The largest part of the group is the Professional Division, which was expanded in November 2010 when the company made an initial move into healthcare by acquiring Radcliffe Publishing for £1.1m; this was reinforced by the acquisition of HR software provider Ikonami in April 2011. The Business Information division continues to focus on the business of sport and online gaming. The small and marginally profitable Specialist Consumer Division is the consumer arm of the other two, focusing on sports and education.

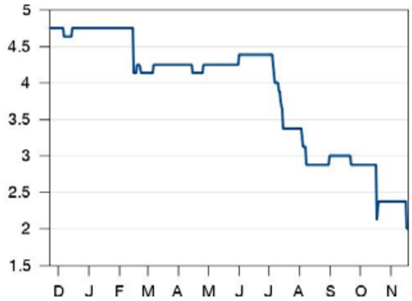
Outlook: Educational uncertainties cause profit warning

In its latest trading update (18 October) the company confirms that the Business Information division has traded well and will achieve a 40% rise in (adjusted) profits in 2011. However, this will not be enough to offset the downturn in the larger Professional publishing division, which is heavily dependent on Education spending. Here, Q3 sales were below expectations, a trend that has continued into Q4. Further, there was investment in subscriptions in education and expenditure on product development in the period in the Healthcare part of this division. As a result, profits at the Professional division are likely to reach only a third of their 2010 levels (adjusted EBITA of £1.9m) and (adjusted) profits for the group as a whole will be "materially below market expectations". The company expects Professional profits to improve in 2012 with many parts of the division continuing to trade well and with some restructuring benefits and a further boost from Radcliffe to come.

Price	**2.0p**
Market cap	**£7.1m**

Price as at 18 November 2011

Share price graph



Share details

Code	ELE
Listing	AIM
Sector	Media
Shares in issue (m)	376.6

Price

52 week	High	Low
	4.75p	2.00p

Balance Sheet as at 31 May 2011

Debt/Equity (%)	71
NAV per share (p)	2.98
Net debt (£m)	0.8

Business

Electric Word is a specialist publisher focused on niche professional and consumer markets in education, sport and healthcare. It is grouped into professional publishing (62% of sales, 69% of EBITA in 2010), business information (30%, 31%) and specialist consumer (8%, 0%).

Top five shareholders

ISIS EP	28.8%
Stewart Worth Newton	26.0%
Nigel William Wray	10.1%
Hargreave Hale London	4.8%
Henderson New Star	4.4%

Revenues by geography 2010

UK

100%

Analyst

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Exhibit 1: Company profile

Competitive strengths	Electric Word is focused on a small number of well targeted niches in education, healthcare, sport and gaming. The Business Information division, which is not suffering from the effects of government cutbacks, is recording high (27%) EBITA margins and continues to grow.
Track record	EBITA grew strongly between 2004 and 2008, as the group was built up, but since then it has plateaued. Revenue declined from its FY08 peak of £17.3m to £14.6m in FY10, while adjusted EBITA was steady at around £2m in 2009 and 2010 with EBITA margins continuing to rise.
Profit and earnings outlook	Revenue and profits growth in 2011 have been hit hard by cutbacks in government spending and their effects in education, Electric Word's largest market. Estimates have been cut and stability has not yet returned to this important market, which accounted for 61% of group revenues and 36% of EBITA in the first half of 2011.
Finances	Electric Word ended FY10 with net cash of £0.6m after raising £2.3m (net) by way of a placing in November 2010 to fund two acquisitions. At the end of H111 the company had net debt of £0.8m
Dividend outlook	The company does not pay a dividend.
Recent M&A	In April 2011 it bought Ikonami for an initial cash payment of £151,250 with a maximum payable of £2.2m, subject to 2013 profits reaching £1.15m.

Source: Electric Word, Edison Investment Research

Valuation

No published consensus estimates are currently available.

Euromoney Institutional Investor

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/10	330.0	86.6	53.5	18.0	12.7	2.6
09/11	363.1	92.7	56.1	18.8	12.1	2.8
09/12e	389.0	103.8	62.0	20.0	11.0	2.9
09/13e	408.6	117.7	69.0	22.0	9.9	3.2

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items. Consensus estimates are from Thomson Datastream.

Euromoney continues to deliver profits growth from its globally-oriented niche markets, driven increasingly by subscription revenues (now over 50% of the total) and the switch to online information publishing. To sustain this growth, more organic investment, in old and new products, and more M&A are required. Current macro uncertainties could temper growth in 2012, but the strong fundamentals and powerful cash generation remain attractive.

Strategy: Drive into online information and emerging markets

Euromoney's strategic objective is to build a focused, global, online information business that continues to drive further into emerging markets (currently 50% of revenues). At the same time, the company seeks less volatile revenue streams and, driven mainly by acquisitions (Metal Bulletin, 2006; Ned Davis Research Group (NDR), 2011), subscription revenues now account for over half of revenues.

The balance of revenues consists of the more cyclical sponsorship and delegate revenues and advertising, all driven by Euromoney's leading brands. Advertising's share of total revenue fell to 17% in 2011 (2006: 25%). The rise in investment in new platforms and in the launch of new digital products in 2010 and 2011 reflected an accelerated move of print titles to online and the growth of digital only products.

Future growth is likely to require rising levels of M&A activity and Euromoney will continue to make targeted acquisitions and investment in organic growth, focusing on technology and digital publishing.

Outlook: General caution, but profit growth in 2012

Euromoney reported maintained operating margins (30%) on a 10% rise in revenues for 2011, reflecting better than expected growth in higher-margin subscription sales and tight cost control and despite a £3m rise in organic investment. Advertising growth slowed in H2 (+5% vs +15% in H1) as expected. The company is confident about Q1, but sees the rest of FY12 as challenging. However, despite weaknesses in advertising and sponsorship, profits should rise in FY12, due to continued growth from subscription sales, a full year of benefits from the acquisition of NDR, returns from investment in new products and stable levels of new product spending, while strong cash generation should see a fall in interest charges. Beyond current cyclical uncertainties, the business is highly cash generative and is increasingly capable of generating sustained long-term growth.

Price	680p
Market cap	£825m

Price as at 18 November 2011

Share price graph

Share details

Code:	ERM
Listing:	FULL
Sector:	Media
Shares in issue	121.2m

Price

	High	Low
52 week	736.0p	522.5p

Balance Sheet as at 30 September 2011

Debt/Equity	53
NAV per share (p)	186
Net debt (£m)	119

Business

Euromoney Institutional Investor is a global financial business and information group with allied interests in training, conferences and seminars. It is focused on a series of niche markets, mainly in the international finance, metals and commodities sectors.

Top shareholders

Daily Mail & General Hldgs	66.0%

Revenues by geography 2011

North America	UK	RoW
40%	15%	45%

Analyst

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Exhibit 1: Company profile

Competitive strengths	Euromoney has a well established portfolio of global brands and an improving revenue mix, with the more resilient subscription revenues over 50% of the total now. In addition, 50% of revenues now come from emerging markets. It has a well established reputation for cost control.
Track record	Euromoney sailed through the 2009 downturn, with only a 2% fall in operating profit, sustained by strong global brands, rising subscription revenues and cost cutting.
Profit and earnings outlook	The group's strategy is to build a focused, global, online information business, with a strong emphasis on emerging markets. It aims to get more revenue from existing products and invest in new platforms to sustain growth in digital publishing. Good underlying growth was seen in 2011, as cyclical markets (advertising, training) slowed. Acquisitions and investment will continue to drive the company's push into faster growing markets with the aim of delivering sustained, high-margin underlying growth.
Finances	Net debt fell from £129m to £119m at the end of FY11, despite the £68.5m spent on NDR in H2. Cash flow is strong enough to eliminate debt in 2013, but free cash flow looks increasingly likely to be deployed in acquisitions.
Dividend outlook	There has been a steady rise in the payout apart from the cut in 2009. The company's dividend policy is to pay out a third of its post-tax earnings. The full year dividend was increased by 4% in 2011, to give a yield of 2.8% with dividend cover at 3x. From this level there is scope to keep the dividend growing in line with earnings.
Recent M&A	Euromoney bought 85% of NDR for £68.5m in July 2011, with a maximum of £12m in further cash payments for the balance over 2012 and 2013. It bought 100% of Arete Consulting in August 2010.

Source: Edison Investment Research

Valuation: Strong fundamentals and cash generation

Euromoney is one of the most profitable B2B companies, with margins of 30.2% in 2010 and 29.6% in 2011. This compares with 2010 margins for Informa of 25.5% and 19.3% for UBM. In P/E terms, based on calendarised 2012 consensus ratings, it is ranked just ahead of Informa and UBM with a P/E of 8.9x (Informa 8.7x and UBM 8.2x). On an EV/EBITDA basis Euromoney is rated more attractively (Euromoney 6.4x, Informa 7.2x and UBM 7.1x). The shares are not materially cheap against peers, but the company is well placed to deliver high-margin, long-term growth and strong cash generation.

Haynes Publishing Group

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
08/10	33.3	7.2	28.6	15.5	7.9	6.9
08/11	32.7	7.2	29.0	15.7	7.8	7.0
08/12e	N/A	N/A	N/A	N/A	N/A	N/A
08/13e	N/A	N/A	N/A	N/A	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items.

Haynes is a high-margin, cash-generative information business dominating a niche market that it has effectively carved out for itself. Trading performance was steady last year and the short-term outlook is uncertain. There have been investments in distribution and, importantly, in digital, but the full potential of digital (13% of group revenues) for the company has yet to be seen.

Strategy: Into digital

Haynes has steadily been rationalised to eliminate low-return or loss-making areas and move into digital. A review in 2006 led to the disposal of two loss-making businesses in France and the UK and the setting out of a growth strategy. This strategy has four elements: new product launches, finding new geographical markets for core products, the development of company skills in DIY publishing in new areas, and the development of new platforms and formats for content delivery. This strategy has been followed ever since. In 2007, Bookworks, an Australian repair information distributor was acquired for £0.7m. In February 2008, Haynes paid £6.2m for Vivid Holdings, a leading European supplier of multilingual, digital technical information to the motor trade, so acquiring the skills to develop and deliver electronic product. In 2009, all printing was centralised in the US and the UK printing operation was sold. In 2010, Haynes reported that all parts of the group were profitable for the first time in 10 years.

Outlook

For FY11, Haynes reported a 1% rise in like-for-like revenue and flat operating profit (£7.69m). The CEO made only cautious comments on the short-term outlook, pointing to macro-economic uncertainties. However, there were positive comments on three new product developments, all in the digital space. Firstly, development of an online prototype for US retail customers that aims to convert the 50 top selling US manuals into an electronic format; this will occur in FY12. Secondly, Haynes sees opportunities in the e-book market as advancing technology opens up opportunities for colour illustrated titles. Thirdly, using its technological and language skills, Vivid will expand into new geographical markets, starting with Brazil. Further, given strategic aims and a net cash position, acquisitions are being assessed.

Price	225p
Market cap*	£37m

Price as at 18 November 2011

**Based on A Ordinary and Ordinary shares*

Share price graph

Share details

Code	HYNS
Listing	FULL
Sector	Media
Shares in issue	16.35m

Price

	High	Low
52 week	257.0p	208.5p

Balance Sheet as at 31 May 2011

Debt/Equity (%)	N/A
NAV per share (p)	248
Net cash (£m)	5.4

Business

Haynes has worldwide market leadership in the production and sale of automotive and motor cycle repair manuals. It also publishes DIY titles and books about motor sport, vehicles and transport.

Top shareholders*

John Harold Haynes	58.4%
Hunter Hall Inv Mgmt	28.5%
Marc Edward Haynes	20.4%
Haynes Motor Museum	8.6%
AXA Framlington Inv Mgmt	7.7%

*Includes cross-shareholdings.

Revenues by geography

US	Rest of Europe	UK	RoW
48%	18%	23%	11%

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Exhibit 1: Company profile

Competitive strengths	Haynes dominates its vehicle manual niche and has built its business mainly in the UK, the US and Australia, but is aiming to move into non-English language markets. It is currently building up its digital capacity in the manual market.
Track record	The recent track record shows a 7% fall in turnover between 2009 and 2011 with operating profits steady at around £7.7m, implying modest margin increases as operational performance was improved against a tough trading background. In 2011, the US business (48% of group sales) saw a 7% rise in revenues and Australia (7% of group sales) rose 20%, but the UK fell 17% to account for 23% of group sales. Digital data accounted for 13% of sales.
Profit and earnings outlook	No earnings estimates are currently available.
Finances	A steady improvement in operational performance has led to a rise in cash balances since 2008, with net cash of £5.4m in 2011. Haynes has a DB pension fund deficit of £10.43m
Dividend outlook	The dividend was held steady at 15.5p from 2006 to 2010 and was increased to 15.7p in FY11, resulting in a FY11 yield of 7%.
Recent M&A	The most recent acquisition was Vivid Holdings (for £6.2m) in 2008. It was acquired on an exit multiple of 1.9x sales and 8.9x PBT.

Source: Edison Investment Research

Valuation

No forecasts are currently available.

Informa

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/09	1,221	261.3	34.3	11.45	10.4	3.2
12/10	1,226	276.4	34.8	14.00	10.2	3.9
12/11e	1,269	296.6	37.0	15.00	9.6	4.2
12/12e	1,315	320.5	41.0	17.00	8.7	4.8

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items. Consensus estimates are from Thomson Datastream.

Informa's continued focus on near-term margins and on cash flow as well as on investment for the longer term came through in the latest IMS, which reported organic growth in all three divisions and endorsed the group's full year 2011 expectations. Debt levels continue to fall and this will enlarge strategic opportunities and support continued growth in the dividend.

Strategy: Balance and sustained investment

Informa consists of three divisions: Academic Information (AI); Professional and Commercial Information (PCI); and Events and Training. AI, with its steadier growth record, tends to balance out the more cyclical Events business. Informa's growth strategy is based on building, acquiring and deepening attractive verticals, continuing to move into digital formats and digital media distribution and on expanding into faster growing, emerging markets.

Behind AI's steady growth at high margins lies sustained investment in digital platforms and digital product, with almost all journals now digitally delivered and with e-books making an increasing contribution to growth. In addition, AI continues to push further into emerging markets (13% of divisional revenues).

Within PCI, the move to digital is well advanced (now 89% of revenue). Investment in platforms and distribution systems and in digital content enables the creation of more new digital product by exploiting content assets. Other growth strategies include greater focus on corporate customers and expanding geographically.

Within Events the strategic focus is on bigger shows and reducing the number of smaller conferences and events. Acquisitions continue, especially those in emerging markets and those that can be geo-cloned.

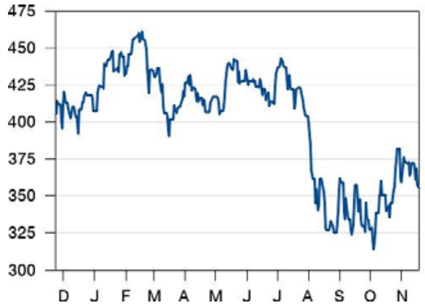
Outlook: On target for 2011, confident about 2012

In its Q3 IMS, Informa reported organic growth in all divisions. This reflected the benefits of the continued rollout of the group's strategy, despite the uncertain background. Recent acquisitions, which broadened the range of verticals and took the group further into emerging markets such as Brazil, have strengthened the business. Informa believes it is on track to meet market expectations for the full year and is also confident about growth in 2012.

Price	355p
Market cap	£2,134m

Price as at 18 November 2011

Share price graph



Share details

Code	INF
Listing	FULL
Sector	Media
Shares in issue	601.2m

Price

52 week	High	Low
	461.1p	313.9p

Balance Sheet as at 30 June 2011

Debt/Equity (%)	63
NAV per share (p)	232
Net debt (£m)	877.7

Business

Informa is a global supplier of specialist information, events and training. It is grouped into Academic Information (25% of revenue, 35% of operating profit in 2010), Professional & Commercial Information (30%, 35%) and Events & Training (45%, 30%).

Top five shareholders

Prudential	8.5%
Legal & General Gp.	5.0%
FMR	4.9%
Standard Life Inv.	4.6%
Norges Bank	3.4%

Revenues by geography 2010

UK	North America	Europe	ROW
13%	39%	25%	23%

Analyst

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Exhibit 1: Company profile

Competitive strengths	Informa has built the business on targeting attractive verticals, moving further into digital and events and expanding into faster growing geographies, so creating a broad platform for delivering growth.
Track record	The three-divisional structure plus organic investment and targeted acquisitions underpinned stable group profits over the volatile 2008-10 period, with a successful focus on maintaining and increasing margins and on strong cash generation.
Profit and earnings outlook	Group strategy continues to deliver all-round organic growth. The market is confident, but wary of the economic slowdown having an effect on the more cyclical parts of the business (training, events), but none has been seen yet.
Finances	Strong cash generation continues. In its IMS (26 October) Informa anticipated that its borrowing ratio would drop to the lower end of 2.0x to 2.5x net debt to EBITDA for 2011. Current consensus estimates are 2.03x for 2011 and 1.52x for 2012.
Dividend outlook	Cover for 2010 was 2.5x remaining at 2.5x for 2011 and falling marginally to 2.4x for 2012, implying dividend increases of 7% in 2011 and 13% in 2012 on consensus estimates. Given the healthy debt position, these projections look realistic.
Recent M&A	In June 2011, bought Brazil Trade Show Partners (BTS) a leading organiser of trade shows in Brazil (with 12 shows) for £50.7m. Also purchased Ibratexpo Feiras E Eventos for £12.2m.

Source: Informa announcements, Edison Investment Research

Valuation: Robust business model, but not immediately cheap

Based on consensus figures, Informa stands on a P/E of 8.7x for 2012, a premium to UBM on 8.2x. On an EV/EBITDA basis Informa is on 7.2x, which is just ahead of the B2B average (7.1x) and UBM, also 7.1x. Consensus expects continued good growth from Informa's robust business model. The shares would be attractive on any underperformance.

ITE Group

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/09	116.7	41.5	12.7	5.5	14.9	2.9
09/10	113.5	36.6	11.6	5.7	16.3	3.0
09/11e	153.4	50.1	16.0	6.0	11.8	3.2
09/12e	166.4	51.2	16.0	6.0	11.8	3.2

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items. Consensus estimates are from Thomson Datastream. Figures are pre-FY11 results.

ITE has a strong, simple business model and is very well placed to capture the rising demand for exhibitions in a growing number of emerging markets. However, ITE has the limits of its virtues, operating in a cyclical industry in fast growing, but oil-dependent territories and it could feel the effect of globally slowing GDP at some point. The Q4 trading statement was confident, and led to modest upgrades for 2011, but investors need to see what 2012 looks like before the shares can reverse the underperformance seen in 2011.

Strategy: Driving further into emerging markets

ITE is a pure play trade exhibitions operator focused on the expanding economies of Russia, Central Asia and Eastern Europe. It is still heavily dependent on Moscow-based shows (about 50% of group revenue), but the business model continues to evolve. ITE is becoming more diverse by sector (by buying specialist events) and by geography as it makes acquisitions in Turkey, India and Russia outside Moscow. Expansion comes from being in faster growing markets (where exhibitions are, in turn, growing faster than GDP), from the expansion in the size of events, from greater internationalisation of the big shows (which brings enhanced pricing power), but mainly from acquisitions that move it into new industries and new territories. The number of larger, market-leading shows with an international audience continues to grow in line with the strategy of increasing international brand strength. ITE's free cash flow has been largely used for acquisitions and this will continue as the company moves further into its existing markets and into new territories.

Outlook: Events lead the way, now and longer term

ITE is heavily influenced by the state of the economies in which it operates and these in turn are dependent on the oil price, so the shares have become an 'oil play' as well as a play on the Russian stock market. This will change steadily as the business diversifies and grows in other geographies. The trading update for Q4 (3 October) surprised a little on the upside with a like-for-like rise in revenue of 17%; all regions contributed to the growth, with Moscow-based shows doing especially well. Modest revenue and profit upgrades for 2011 followed, but the market is cautious about 2012.

Price	189p
Market cap	£470m

Price as at 18 November 2011

Share price graph

Share details

Code	ITE
Listing	AIM
Sector	Media
Shares in issue	248.6m

Price

	High	Low
52 week	258.2p	157.7p

Balance Sheet as at 31 March 2011

Debt/Equity	N/A
NAV per share (p)	27
Net cash (£m)	15.6

Business

Established just 20 years ago, ITE has become a leading international exhibitions group. It is focused mainly on Russia, Central Asia and Eastern Europe, but is expanding by acquisition into other markets such as Turkey and India.

Top five shareholders

BlackRock	14.6%
Schroder Investment Mgmt	12.8%
Lloyds Banking Group	9.6%
Standard Life Invs	7.1%
Old Mutual Asset Mgmt	6.0%

Revenues by geography 2010

Russia	Central Asia/East & South Europe	RoW
58%	31%	11%

Analyst

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Exhibit 1: Company profile

Competitive strengths	ITE has leadership in emerging markets in Russia, Central Asia and Eastern Europe. This is being used as a financial and managerial springboard for expansion into other emerging markets (Turkey, India).
Track record	An exclusive focus on events in emerging markets has produced one of the best trading records in the B2B sector. Over the whole 2007/10 period, ITE's EPS grew at a CAGR of 13.5%, deferring only to Euromoney (13.2%).
Profit and earnings outlook	On consensus forecasts, the year just completed should see 26% EPS growth against 2009 (also an 'up' year in terms of the timing of biennials) but investors need to see the impact of slower economic growth on the 'down' year of 2012.
Finances	ITE will end FY11 with net cash of £2.6m (as indicated in October's trading statement) after acquisition spending of £49m. Future free cash flow will continue to be used to make acquisitions. Consensus estimates point to £30m of cash in 2012 and £63m in 2013.
Dividend outlook	With the forecast 2011 dividend covered 2.7x, the payout should increase in line with earnings, following a 'progressive' dividend policy.
Recent M&A	Bought 100% of MVK, a Russian events company for £28m in December 2010. Bought 100% of Krasnodar, a South Russia based events company, for £8.8m in March 2011. Bought 60% of YEMF, a leading Turkish events company, for £13.1m in July 2011.

Source: Edison Investment Research

Valuation: Attractive high-margin growth

Using consensus forecasts, on a calendarised 2012 basis ITE stands on a P/E of 11.5x, which is a 29% premium to an average for the other B2B groups. On an EV/EBITDA of 8.5x, it is on a premium of 20% to the B2B average. These premiums reflect ITE's superior track record and continuing investor confidence in the business model. Over just the forecast period (2010/12) ITE could grow EPS by CAGR 14.2% rivalled only by Centaur, CAGR 34.6%, which is a restructuring story. The shares were de-rated with the market fall last August. The current rating looks sustainable given the prospects of sustainable high-margin growth.

Progressive Digital Media

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/09	37.1	0.3	0.37	0.0	37.8	N/A
12/10	48.0	2.0	0.80	0.0	17.5	N/A
12/11e	N/A	N/A	N/A	N/A	N/A	N/A
12/12e	N/A	N/A	N/A	N/A	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items.

Progressive Digital Media has been built into an information and digital marketing group over the past four years, driven mainly by acquisitions. More recently, reorganisation and cost cutting have started to produce rising margins, still below the industry average, reflecting the cost of building up the business. Looking just at the historic numbers, the market already seems to be rating the shares highly, perhaps anticipating that the dominant shareholder (Chairman Mike Danson) will reproduce the success he had with Datamonitor.

Strategy: Targeting high-growth B2B markets

Progressive Digital Media was created in August 2007 and is the brainchilld of Mike Danson, former CEO of Datamonitor, who owns 84% of the company. SPG Media, a B2B events and publishing business, was acquired in 2008 and the group was much enlarged in June 2009 by means of a reverse takeover by the TMN Group, an online digital marketing business. In September 2010 it purchased Canadean, a supplier of business and marketing intelligence to the global beverage industry. In 2010, the business was split between Business Information (87% of revenue, 90% of earnings) and Digital Marketing (13% of revenue; 10% of earnings). Having integrated all the acquisitions and with common processes and systems in place, the company's growth strategy rests on exploiting a scalable asset base, targeting subscription and digital revenues and global coverage, with organic and acquisition driven growth. The focus is on high-growth B2B markets and subscription-based digital content, leveraged across multiple platforms.

Outlook: First build the business, then the margins

There is likely to be continual investment in the business to support the company's growth strategy and for this reason (adjusted) operating profit margins are below other comparable groups (we estimate 4.5% for 2010 compared to an industry average in the mid-20s). The Canadean acquisition is seen as attractive in its own right and as a platform for expansion into other verticals allied to the beverage industry and its suppliers. The strategy began to bear fruit in H111 with a 12% rise in group revenue and a 59% rise in (adjusted) operating profit, with operating margins reaching 11.4%. Management reiterated its belief that investment in the business would drive further growth over the next two years, in line with the strategy of delivering profitable long-term growth.

Price	14.0p
Market cap	£54m

Price as at 18 November 2011

Share price graph

Share details

Code	PRO
Listing	AIM
Sector	Media
Shares in issue	376.6m

Price

	High	Low
52 week	18.63p	12.63p

Balance Sheet as at 30 June 2011

Debt/Equity (%)	673
NAV per share (p)	0.9
Net debt (£m)	22.7

Business

Progressive Digital Media Group consists of two divisions, namely Business Information and Digital Marketing, both focused mainly on the B2B market.

Top shareholder

Michael Thomas Danson 83.9%

Revenues by geography

UK

100%

Analyst

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Exhibit 1: Company profile

Competitive strengths	Progressive Digital Media is unencumbered by legacy print issues and is sheltered by the largest shareholder in its quest to build a digitally driven B2B business.
Track record	Only a brief track record to date, showing the cost of business building, but margins are starting to rise.
Profit and earnings outlook	In line with the strategy there are likely to be more acquisitions, but also sustained organic investment, and both should produce rising margins.
Finance	Rising profits will produce rising cash flow for use in acquisitions, but shares are likely to be used too for anything sizeable.
Dividend outlook	Unknown so far.
Recent M&A	Bought Canadean in September 2011 for £9m cash and 6.9m shares valuing the business at £10.1m. This implies an exit multiple on 2009 revenues of 1.6x.

Source: Edison Investment Research

Valuation

No published estimates are currently available.

Tarsus

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/09	57.5	14.6	17.4	6.0	7.9	4.3
12/10	43.6	9.5	10.4	6.0	13.3	4.3
12/11e	61.5	16.5	16.0	6.2	8.6	4.5
12/12e	45.4	11.5	10.0	6.3	13.8	4.6

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items. Consensus estimates are from Thomson Datastream.

Tarsus continues to roll out its strategy of globalising its leading brands and building up its presence in emerging markets. For a relatively small company it has a wide geographic and market spread, as well as a range of other B2B interests. Aside from the biennial effect, a generally slower 2012 should be largely offset by faster growing revenue streams from the medical interests and from emerging markets, which continue to be expanded by acquisition.

Strategy: Globalising leading brands, building up presence

Tarsus is an international media company with a portfolio of exhibitions, conferences, publications and online media. The highly experienced management continues to focus on face-to-face events, which have taken a rising share of B2B spend. Tarsus aims to acquire and build events that have the potential for scale and are (or can be built into) international market leaders. The priority is to roll out this strategy in emerging markets, from which the company aims to draw 50% of its revenue by 2013. The share was 17% in the 'down' year of 2010; the current (proforma) share is 37%. In May, Tarsus acquired 75% of Turkish B2B group IFO, which has three leading brands serving the lifts industry, recycling/waste management and outdoor advertising. Turkey offers the opportunity to build events of scale and grow yields. Faster growing emerging markets offer the potential for even faster growth by the domestic events industry and the potential to internationalise key events.

Outlook: An 'up' year

In biennial terms, 2011 is an 'up' year. It has already seen a record Off Price show (revenue +6%) and a good result from Labelexpo Europe (+13%), with the group's largest event, the Dubai Air show (held in November) seeing record attendances. In October, Tarsus reduced its exposure to the lower growth European market by disposing of 51% of the Modamont fashion event, meaning that France will now account for less than 10% of group profits. 2012 could be a tougher year than expected. However, the strength of core shows and the rising importance of emerging markets in the portfolio (30% of revenue and 20% of profits in H1) may offset this. Further, Medical events (plus allied anti-ageing education and training) should be countercyclical. In its 17 November IMS, Tarsus notes that it is well on track to meet 2011 expectations, with momentum built up in 2011 in the Middle and Far Eastern markets boding well for 2013, but it remains 'vigilant' about H212 despite good momentum in US Medical, Off-Price events and Labelexpo Americas.

Price	138p
Market cap	£119m

Price as at 18 November 2011

Share price graph

Share details

Code	TRS
Listing	FULL
Sector	Media
Shares in issue	86.8m

Price

52 week	High	Low
	165p	114p

Balance Sheet as at 30 June 2011

Debt/Equity (%)	40
NAV per share (p)	50
Net debt (£m)	17.3

Business

Tarsus is an international media company focused mainly on trade exhibitions and with interests in publishing, online and training. Currently, 37% of revenues are from emerging markets: the target is 50% by 2013.

Top five shareholders

Neville David Buch	10.2%
AXA Framlington Inv Mgmt	7.8%
Artemis Inv Mgmt Ltd	6.9%
P O'Donnell	6.3%
Rathbone Brothers	5.8%

Revenues by geography 2010

US	Europe	Emerging markets
43%	40%	17%

Analyst

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Exhibit 1: Company profile

Competitive strengths	Tarsus has market leading positions in key verticals such as medical (including medical events and education) and labels, both events that can be globalised. It has a growing presence in emerging markets, which now account for 37% of group revenue (target 50% by 2013) and include major events such as the Dubai air show.
Track record	Strong record in emerging markets and US, less so in Europe. Combined with focus on business building, this has historically produced modest earnings growth (measured peak to peak).
Profit and earnings outlook	While 2011 is an 'up' year (consensus EPS is forecast to rise by 53%), the company approaches a 'down' year with an uncertain economic background, though acquisitions, disposals and organic investment have strengthened the portfolio. 2012 sees the full-year impact of the May 2011 placing of shares on EPS, and 2011 consensus EPS is forecast to fall by 35%. The full benefits of the Turkish acquisition are due to appear in 2013, when consensus EPS is forecast to rise by 72%.
Finances	£15m was raised by a placing in May, of which £10m was used for the acquisition of IFO. Net debt was £17.3m at the half year 2011 stage and consensus expects a rise to £18.6m by the end of 2011.
Dividend outlook	The dividend was held at 6.0p pa over 2008-10, but the interim 2011 payout was increased by 5%, and consensus expects a 5% increase in the final to reach 6.2p for the full year. Consensus expectations are for an increase to 6.3p for 2012. The company dividend policy is to increase dividends subject to a target dividend cover of over 2x. The shares are owned by a mixture of growth and income funds.
Recent M&A	Tarsus bought 75% of IFO (a Turkish event organiser) in May for £10m. It sold its 51% interest in French fashion business Modamont in October to raise €6.1m.

Source: Tarsus; Edison Investment Research

Valuation: At a premium

Both 'pure play' events groups have built up premiums to other B2B operations. Based on calendarised consensus earnings averaged over 2012, Tarsus stands on a P/E ratio of 11.2x, a 26% premium to the average for all B2B shares. This compares to ITE, which is on a P/E of 11.5x (a premium of 29%) on the same basis. These premiums indicate investor confidence in the events business and in the companies involved, but consensus forecasts imply no growth in EPS for Tarsus between 2009/10 and 2011/12 compared to average growth of 14% pa in EPS for ITE on the same basis.

UBM

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/09	848	165.1	54.2	24.2	8.8	5.1
12/10	889	156.4	50.2	25.0	9.5	5.2
12/11e	968	162.5	54.0	27.0	8.9	5.6
12/12e	997	173.9	58.0	29.0	8.2	6.1

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items. Consensus estimates are from Thomson Datastream.

UBM's clear strategic vision is driving strong growth in events and emerging markets. Investment in other parts of the group continues, limiting margin increases, but raising underlying growth rates. Despite short-term economic uncertainties, there should be continued progress at events, which have been boosted by acquisitions, while print is now very small and continued organic investment points to an improved underlying performance from the other businesses too.

Strategy: Investing to raise organic growth

UBM's strategy is to target attractive business communities in growing geographies and develop and supply information products in multiple formats. The overriding aim is to create a portfolio of B2B businesses that benefit from structural growth. UBM's track record shows modest growth in revenue (CAGR of 2.6% over 2005-10), but this hides the 2009 downturn and major changes in revenue composition. If print is excluded, the CAGR rises to 6.9%. Print was just 13% of revenue in H111 (2005: 41%). Events accounted for 37% of group revenue in H111 (2005: 26%), and the drive into faster growing, emerging markets (EMs) continues. In 2010 19% of group revenues and 29% of profits came from EMs; 40% of events revenue now come from EMs. Strategically, there are still challenges. PR Newswire's organic growth rate has risen, due to higher investment in technology and new products coming through. Data Services and Online Marketing Services have yet to see the benefit of investment and margins remain low. However, the underlying revenue growth rate of the group is rising steadily and margins should come to reflect the benefits of investment, acquisitions and portfolio management.

Outlook: 2011 in line

The IMS for the first nine months of 2011 (18 October) suggested that UBM would meet current market expectations for 2011, despite macroeconomic uncertainties, which had made no material impact on the group. This confidence was based largely on events, which continued to perform strongly (underlying growth 19%) with margins rising to 30.7% and forward bookings for the top 20 shows up 16%. Elsewhere, underlying revenue was up 5% at PRN, flat in Data and down 8% in Print. Pressure on margins remains, but EPS should be growing at better than historic rates over 2011 and 2012.

Price	478p
Market cap	£1,171m

Price as at 18 November 2011

Share price graph

Share details

Code	UBM
Listing	FULL
Sector	Media
Shares in issue	244.7m

Price

52 week	High	Low
	725p	416p

Balance Sheet as at 30 June 2011

Debt/Equity (%)	108
NAV per share (p)	182
Net debt (£m)	482

Business

UBM consists of two main groups: the global information distribution business (PR Newswire) and the B2B businesses (80% of group sales, 79% of EBITA) which comprise events, data services, online and print operations.

Top five shareholders

BlackRock	12.6%
Massachusetts Financial Services Investment Mgmt	5.4%
Aviva	5.0%
Ignis Investment Services	4.9%
Standard Life Invs	4.9%

Revenues by geography (H111)

US	UK	Other
51%	18%	31%

Analyst

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Exhibit 1: Company profile

Competitive strengths	UBM has a well developed strategy for dealing with digitally driven change and has captured the growth opportunities offered by events (39% of group sales) and emerging markets (22% of group sales), which are key drivers of the group. Investment in data services, online and PR Newswire is squeezing margins, but is strengthening these operations to meet the digital challenge.
Track record	Slow growth over 2007-10, with revenue up 11%, adjusted operating profits up 3%, and EPS (adjusted) down 4%. These trends reflect the impact of the downturn and the cost of dealing with digital challenges. Over the same period the dividend has been steadily increased, rising overall by 16%.
Profit and earnings outlook	Consensus still expects 7.4% EPS growth in 2012 after 7.5% in 2011. This is mainly fuelled by acquisitions, continued progress by events, slightly lower interest charges on the back of strong cash generation, but no margin improvement.
Finances	Net debt reached £482m at H111 (£477m at end Q311). Consensus expectations are for debt to fall to £462m in 2011 and £413m in 2012.
Dividend outlook	Dividend cover was 2.0x in 2010 and consensus assumes that this cover will be maintained and that the dividend will be raised in line with earnings. The company has a 'progressive' dividend policy in operation through the cycle.
Recent M&A	UBM bought four small events businesses in the first half of 2011 for a maximum consideration of £21.2m and in July 2011 it purchased Ecobuild for an initial cash payment of £31.2m with the balance of £20m due over the next 12 months.

Source: Edison Investment Research

Valuation

On its 2012 P/E ratio of 8.2x, UBM stands on an 8% discount to the B2B average of 8.9x and on a 6% discount to Informa (8.7x). On an EV/EBITDA basis, UBM stands on 7.1x matching the B2B multiple of 7.1x. UBM offers a 5.6% yield for 2011 and 6.1% for 2012, towards the top end of the range for the B2B shares covered here, and with a realistic possibility of a steady growth in the payout. The shares are attractively priced given UBM's clear strategic vision driving strong growth in events and emerging markets, leading to rising EPS, forecast for 2011 and 2012.

Wilmington

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/10	78.4	13.1	10.4	7.0	8.0	8.2
06/11	83.8	13,4	11.5	7.0	7.4	8.2
06/12e	85.5	12.9	11.0	7.0	7.7	8.2
06/13e	88.5	14.2	12.0	7.0	7.1	8.2

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items. Consensus estimates are from Thomson Datastream.

Wilmington is still feeling the effects of weaknesses in the law market and suffers from the fall in legacy print revenues and margins. On a longer-term view, the company is investing in new products on a sustained basis and continues the drive into digital, while revenues and profits will be boosted by acquisitions. Dealing with the decline in demand for law training, which has retarded corporate growth and obscured the benefits of investment and disposals is a key step forward.

Strategy: Information and training to professional markets

Wilmington has been transformed over the past five years by cutting advertising-based print titles, investing in digital products and expanding training (in the UK and overseas). Its established strategy is to grow sustainable long-term profits by supplying information and training to professional markets on a global basis.

But, on a five-year view, revenues and profits have been static, despite the rise of subscription and information sales (now 57% of revenue) and the rise of digital (now 72% of all publishing revenue) at the expense of advertising (now 8% of revenue), and even including the insurance information group Axco, acquired in 2010.

The training and events business is highly dependent on the law (around half of sales) and central law training revenues have fallen by £5m since 2007, while legacy print revenues have also fallen by £5m over the same period; together these have cost the group £7m in lost profits. However, Wilmington announced in its IMS of 15 November that it planned to cut £1m from the company cost base, mainly in the legal training business, at a cost of £1m to be incurred in the current year.

Outlook

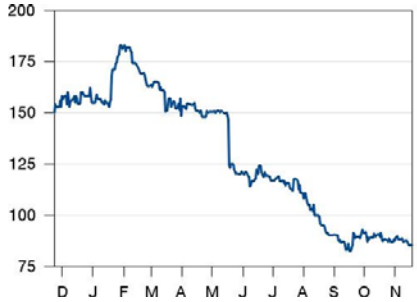
FY11 results showed flat underlying revenues and a £1m fall in operating profit, due to continued pressure from structural and cyclical trends. Despite a "very tough" trading environment the company will continue to invest in new products, cut costs and make acquisitions, and is set to build out the training business overseas. In its IMS, Wilmington maps out cost cutting (worth £1m) and related exceptional costs, mainly affecting the legal training business; all other parts of the group have continued to perform well. It anticipates a first half FY12 result below last year, but expects full year results to meet current expectations. Wilmington has the pieces in place to drive growth and the cost cutting measures are expected to make a major contribution to returning the company to the growth path once they are put in place.

Price 85p

Market cap £72m

Price as at 18 November 2011

Share price graph



Share details

Code	WIL
Listing	FULL
Sector	Media
Shares in issue	84.2m

Price

52 week	High	Low
	183.0p	82.5p

Balance Sheet as at 30 June 2011

Debt/Equity (%)	76
NAV per share (p)	64
Net debt (£m)	40.0

Business

Wilmington provides information and training to professional and business markets, serving mainly the law market as well as banking, accountancy, charities and insurance. Last year, 72% of publishing and information revenue was delivered digitally.

Top five shareholders

Aberforth Partners	9.5%
Threadneedle Asset Mgmt	5.9%
Aberdeen Asset Management	5.1%
BlackRock Inc	4.9%
Rory Conwell	4.6%

Revenues by geography

UK	Overseas
74%	26%

Analyst

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Exhibit 1: Corporate profile

Competitive strengths	Wilmington's strategy is to supply a wide range of products to information markets with long-term growth potential and it has built strong franchises in niche markets in law, finance, insurance and healthcare.
Track record	Wilmington has moved the group away from print, invested in digital and moved into new markets while coping with recession. Over the past five years, the net effect has been slow growth in revenues, earnings and dividends, but with steady margins and cash generation. Margins slipped from 20.7% in 2007 to 16.9% in 2008 and were 16.9% in 2011.
Profit and earnings outlook	There has been a change in revenue mix in favour of subscriptions, but the legal training market has slowed company growth and this issue (15% revenues) is being dealt with, probably by cutting back capacity. The Axco acquisition is important for growth in 2012 and 2013.
Finances	Net debt at the year end was £40m after acquisition spend of £25.1m. Interest, tax and capex were higher and led to a fall in reported FCF from £10.7m to £7.1m. Interest cover for 2011 was 9.9x.
Dividend outlook	The payout was maintained again in 2011 and dividend cover rose from 1.5x to 1.7x. The company may wish to improve its free cash flow and cover before increasing this; in 2011 the cost of the dividend was £6.1m out of free cash flow of £7.1m.
Recent M&A	Bought Axco, supplier of compliance and regulatory information to the global insurance industry, for £20m (net) in September 2010. In FY11, bought a minority in Mercia (for £2.6m) and a further 5% of Beechwood for £1.2m.

Source: Edison Investment Research

Valuation: At the cheaper end of the range

Wilmington is at the cheaper end of the range of B2B valuations. On a calendarised 2012 consensus basis it stands on a P/E of 7.4x compared to a B2B average of 8.9x, a discount of 17%. On an EV/EBITDA basis, the rating is 6.6x compared to a B2B average of 7.1x, a discount of 7%. The shares have a very attractive yield (8.2%) but the payout has been steady at 7.0p since 2008. Evidence of success from the recent cost cutting strategy in CPD should reveal the stronger underlying growth outlook for the company.

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