

# Euromoney Institutional Investor

On track

Q3 trading update

Media

Euromoney's Q3 trading update shows little change from the position at the interims in May, with overall underlying revenues flat. This, however, masks divergent segmental performances. Structural issues in the asset management sector persist, while the pricing, data and market-intelligence subscription revenues are relatively robust. The net result is no change to our full year or prospective forecasts. The group's cash position of £94.1m at end June reflects the GMID proceeds and gives plenty of scope for M&A. News on this may be a catalyst for closing the rating discount to peers.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/16	403.1	102.5	66.6	23.4	21.0	1.7
09/17	428.4	106.5	76.4	30.6	18.3	2.2
09/18e	405.0	103.5	72.8	30.6	19.2	2.2
09/19e	410.0	105.0	74.6	31.5	18.8	2.3

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

## Subscription revenues ahead

Adjusting for currency and M&A, subscriptions and content revenues and those from events were ahead of Q317, by 2% and 1% respectively. The growth in subscriptions is despite the previously disclosed issues at BCA and NDR, where the underlying customers' markets have been undergoing fundamental changes. The consequent changes to the business model at BCA are underway although its fundamental strengths as a digital subscription business should not be overlooked. There are also opportunities to diversify its customer base to include a broader spectrum of wealth and asset management. The membership business of Institutional Investor continues to build well, while the magazine business has now transitioned to digital only. The events segment looks well placed as it concentrates on the larger, higher-quality (and margin) events.

## Cash resource

The only M&A in Q3 was the GMID disposal, bringing in £117.8m net, which we addressed at the interims in May (although there may be some additional tax and transaction costs before the year end). The group has converted operating profit to cash at a rate averaging 102% over the last 10 years. With additional banking facilities in place, this is plenty of acquisition firepower. Management is focused on only buying where it sees opportunities to add value and on sensible multiples.

## Valuation: Overshadowed by asset management

The shares have risen 27% over the last year but the discount to peers (based on a mixture of multiples) has opened to 11% from 5% at the interims, reflecting concerns over the outlook for the asset management sector. However, the cash resource and inherently strong cash flow characteristics give plenty of capacity for earnings-enhancing M&A. Meanwhile, a reverse DCF shows that the current valuation implies just 2% medium-term revenue growth on stable EBITDA margins.

19 July 2018

**Price** **1,400.00p**

**Market cap** **£1,527m**

£1:\$1.32

Net cash (£m) at 30 September 2018 94.1

Shares in issue 109.1m

Free float 50.8%

Code ERM

Primary exchange LSE

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs 0.4 10.6 29.5

Rel (local) 0.0 5.5 24.0

52-week high/low 1450.0p 1059.0p

## Business description

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

## Next events

FY18 results 22 November 2018

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**Exhibit 1: Financial summary**

	£m	2016	2017	2018e	2019e
30-September		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		403.1	428.4	405.0	410.0
Cost of Sales		0.0	0.0	0.0	0.0
Gross Profit		403.1	428.4	405.0	410.0
EBITDA		104.3	110.3	109.4	110.3
Operating Profit (before amort. and except.)		101.5	107.1	108.2	109.0
Intangible Amortisation		(16.8)	(20.8)	(24.0)	(24.0)
Exceptionals		(37.3)	(31.3)	(0.1)	0.0
Capital Appreciation Plan		0.0	0.0	0.0	0.0
Operating Profit before ass's & fin. except'ls		47.4	55.1	84.2	85.0
Associates		2.2	3.3	(0.1)	0.0
Net Interest		(1.1)	(4.0)	(3.6)	(3.0)
Exceptional financials		0.0	0.0	0.0	0.0
Profit Before Tax (norm)		102.5	106.5	103.5	105.0
Profit Before Tax (FRS 3)		48.4	54.4	80.5	82.1
Tax		(18.1)	(19.8)	(21.5)	(24.6)
Profit After Tax (norm)		84.5	86.6	81.5	81.4
Profit After Tax (FRS 3)		30.4	34.6	59.0	57.5
Average Number of Shares Outstanding (m)		126.5	112.5	107.3	107.3
EPS - normalised (p)		66.6	76.4	72.8	74.6
EPS - (IFRS) (p)		23.8	30.3	54.6	53.1
Dividend per share (p)		23.4	30.6	30.6	31.5
EBITDA Margin (%)		25.9	25.8	27.0	26.9
Operating Margin (before GW and except.) (%)		25.2	25.0	26.7	26.6
<b>BALANCE SHEET</b>					
Fixed Assets		601.9	648.8	391.6	366.5
Intangible Assets		551.1	594.0	370.7	345.9
Tangible Assets		14.9	24.4	16.9	16.5
Investments		35.9	30.4	4.1	4.1
Current Assets		170.3	127.8	333.6	336.5
Stocks		0.0	0.0	0.0	0.0
Debtors		78.6	64.5	68.7	70.8
Cash		84.2	4.4	206.4	207.2
Other		7.5	58.9	58.5	58.5
Current Liabilities		(249.4)	(267.5)	(239.2)	(248.0)
Creditors		(249.0)	(267.5)	(239.2)	(248.0)
Short term borrowings		(0.4)	0.0	0.0	0.0
Long Term Liabilities		(45.3)	(212.3)	(167.4)	(121.8)
Long term borrowings		0.0	(168.9)	(110.5)	(65.0)
Other long term liabilities		(45.3)	(43.4)	(56.8)	(56.8)
Net Assets		477.5	296.8	318.7	333.2
<b>CASH FLOW</b>					
Operating Cash Flow		103.8	118.2	105.2	109.4
Net Interest		(0.4)	(1.5)	(3.7)	(0.4)
Tax		(16.7)	(21.8)	(18.6)	(19.0)
Capex		(3.2)	(10.9)	(5.5)	(5.5)
Acquisitions/disposals		(3.8)	(99.9)	207.3	(3.0)
Equity Financing / Other		10.6	(193.0)	0.0	0.0
Dividends		(29.9)	(31.3)	(33.4)	(34.3)
Net Cash Flow		60.3	(240.2)	251.3	47.1
Opening net debt/(cash)		(17.7)	(83.8)	154.6	(95.9)
Redemption of pref		7.8	0.0	0.0	0.0
Other		(2.0)	1.8	0.0	(0.0)
Closing net debt/(cash)		(83.8)	154.6	(95.6)	(143.0)

Source: Company accounts, Edison Investment Research

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