

Reworld Media Buy

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France | Media

Beta Profile: QUALITY

MCap: EUR160.0m

Target Price: EUR6.20
Current Price: EUR3.02
Up/downside: 105.3%
Market data: 29 May 2024

Bloomberg: ALREW FP Reuters: ALREW.PA
Free float 8%
Avg. daily volume (EURm) 0.4
YTD abs performance -15.2%
52-week high/low (EUR) 4.61/2.46

Q1 sales remain steady, mostly in line with forecasts

Key points:

- Q1 sales came in at EUR129m, up by 0.5% LFL and on a reported basis, mostly in line with our expectations.
- B2C sales were down by 8.5% LFL, reflecting both the broader market trend and an estimated 3-4% negative calendar effect.
- B2B sales growth was strong at +8.4% LFL, driven by the strong growth of performance and social media offers.
- Our stance on the name remains unchanged. We reiterate our Buy rating and EUR6.20 target price.

Q1 sales up by 0.5% LFL, fuelled by strong momentum in the B2B segment

- Reworld Media Q1 sales were mostly in line with our expectations and consistent with our FY sales estimates.
- Q1 sales came in at EUR129m, up by 0.5% LFL and on a reported basis, fuelled by a strong performance in B2B (+8.4% YOY), while its B2C activities continued to decline (-8.5% YOY).
- Despite the absence of consensus for Q1, we feel that the flattish organic performance YOY was in line with expectations.
- The B2C segment reported sales of EUR55m (2% below KECH), down by 8.5% on a LFL basis. This decline reflects both a drop in magazine volumes, mirroring the broader market trend, and a negative calendar effect caused by some weekly magazines having one fewer issue published this year. We estimate the negative calendar effect to be between 3% and 4% in Q1.
- The decline in magazine sales (-9.5% YOY), was partially offset by the group's diversification activities, which grew by 7.6% YOY in Q1. This, combined with increased selling prices, resulted in a 3.4% increase in the average basket price to EUR5.37 compared to Q1 2023.
- B2B sales were EUR74m (1% below KECH) up by 8.4% LFL, driven by the strong growth of performance and social media offers. According to management, the company outperformed the digital market, which was up by 6% in Q1.

Table 1: Reworld Media Q1 sales vs. Kepler Cheuvreux

FY-end Dec (EURm)	Q1 2023	Q1 2024	% change	% LFL	KECH	Δ vs. KECH
Total revenues	129	129	0.5%	0.5%	132	-2%
...o/w B2C	55	60	-8.5%	-8.5%	57	-3%
...o/w B2B	74	69	8.4%	8.4%	75	-1%

Source: Kepler Cheuvreux, Reworld Media

Buy rating and EUR6.20 target price reiterated

- While the market environment remains uncertain, as advertisers take more time to make their investment decisions, Reworld Media's B2B activities continue to perform well thanks to the company's diversified offering. This strengthens our confidence in our FY sales forecasts.
- Our stance on the name remains unchanged. After a transitional year, we expect the company's top line and profitability to improve in FY 2024, due to: 1) the successful integration of Unify's activities; 2) a supportive digital marketing market; and 3) the strong momentum of the Social and Retail Media activities.
- We expect visibility on the group's end markets to improve throughout the year, which should ultimately drive the share price higher. Moreover, we believe that the stock looks cheap at 5.4x P/E 2024E and a >20% FCF yield, considering its leadership position in promising end-markets, its sound financial structure (1.8x leverage), and its solid FCF generation (50-60% of EBITDA), allowing the company to seize both external and organic market opportunities.
- We reiterate our Buy rating and EUR6.20 target price.

Appendix 1: Research framework

Last model update: 29 May 2024

Investment case

- Reworld Media's strong digital focus (adtech and contents) is set to improve its growth profile (+4% CAGR 2019-25E pro forma), accelerating in later years as the digital mix grows (61% in 2025E vs. 35% in 2020).
- We expect an accretive impact on EBITDA margins (c. 12.5% in 2025E vs. 9.7% in 2020) from the mix evolution, dragging the ROIC in its wake.
- Solid FCF generation ahead (towards 65% by 2025E) to build a fortress balance sheet, leaving room to continue the build-up strategy.

Catalysts

- Ongoing trend in digitalisation of corporate communications.
- M&A to be an attractive driver within the fragmented adtech/content landscape.
- Sweet spot in the growing digital communication market.

Valuation Methodology

- Our TP is based on the average of a DCF (12.6% WACC and 2% LTG) and SOP valuation on both divisions.
- In our SOP, we value the company based on each segment and 2024E numbers, applying 5.0x 2024E EBITDA for B2C and 4.0x for B2B and Performance.

Risk to our rating

- Consumer stickiness, with Reworld Media's ability to retain its clients with quality content (captive audience).
- Execution risk for both its M&A and diversification plans, which might not lead to the expected returns.
- Technological risk related to third-party cookies for adtech, and changes in the behaviour of advertisement buyers.

Appendix 2: Company description

Reworld Media is an independent media company, positioned at the heart of the digital revolution of its industry. Founded in 2012, it built itself a powerful brand magazine portfolio, making it the French leader in the print magazine industry, along with comprehensive adtech expertise. Its activities are divided between two divisions: B2C, which takes part in the digitalisation of consumer trends, and B2B, which focuses on the digitalisation of the corporate communication market.

Mgmt

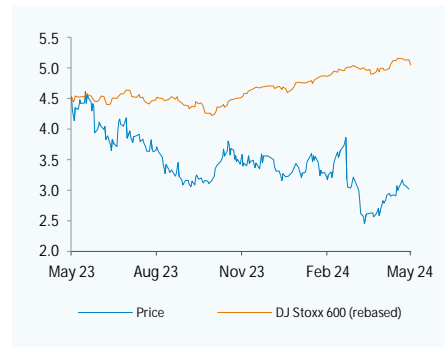


Pascal Chevalier, Chairman | Gautier Normand, CEO | Laetitia Quet, CFO

Ownership

Free float: 8.30% | Management: 27.20% | DLB Investments: 9.78% | Eurazeo: 8.30%

Appendix 3: share price perf.



Appendix 4: SWOT analysis

Strengths

- Top position in magazine allows pricing power and captive audience.
- Digital front-runner attracting online communication investments.
- Expert in adtech tools, a healthy and growing market.

Opportunities

- Adtech fragmented market and media concentration to be hunting ground.
- Tighter third-party cookie regulation, to favour content owners.
- Development outside media.

Weaknesses

- Past controversies could affect customer content quality perception.
- Still-high exposure to print media, in structural decline.

Threats

- Tighter cookies regulation could impact the affiliation business.
- Competition from various players in a fragmented ad-tech market.
- Changing behaviour among either advertisement buyer or customers.

Appendix 5: Key financials

Last model update: 29 May 2024

Market data date: 29 May 2024

FY to 31/12 (EUR)	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24E	12/25E	12/26E
Income Statement (EURm)										
Sales	185.6	177.5	294.4	424.7	469.8	505.8	549.3	560.7	583.2	606.5
% Change	6.6%	-4.4%	65.8%	44.3%	10.6%	7.7%	8.6%	2.1%	4.0%	4.0%
EBITDA adjusted	8.0	11.4	31.7	48.9	69.1	71.5	59.9	66.9	74.8	78.8
EBITDA adj. margin (%)	4.3%	6.4%	10.8%	11.5%	14.7%	14.1%	10.9%	11.9%	12.8%	13.0%
EBIT adjusted	3.9	7.9	25.5	37.4	62.8	64.5	58.0	55.7	66.1	69.7
EBIT adj. margin (%)	2.1%	4.5%	8.7%	8.8%	13.4%	12.7%	10.6%	9.9%	11.3%	11.5%
Net financial items & associates	-2.4	-0.6	-3.5	-29.3	-5.7	-11.1	-24.1	-10.5	-10.5	-10.5
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	0.3	-0.4	2.6	4.3	-11.1	-8.1	-5.2	-11.1	-13.7	-14.6
Net profit from continuing operations	1.8	6.9	24.6	12.4	42.2	44.7	27.2	33.3	41.0	43.7
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	1.8	6.9	24.6	12.4	42.2	44.7	27.2	33.3	41.0	43.7
Net profit reported	1.8	6.9	25.4	12.8	38.8	43.0	24.5	30.5	38.3	41.0
Net profit adjusted	3.7	6.9	25.0	32.1	44.9	47.0	33.7	31.6	39.4	42.1
Cash Flow Statement (EURm)										
Levered post tax CF before capex	-4.7	3.8	-1.5	28.8	35.4	29.9	21.8	56.3	52.2	60.7
Capex	-3.5	-3.3	-3.8	-6.7	-6.8	-5.3	-10.2	-6.7	-5.8	-6.1
Free cash flow	-8.1	0.4	-5.4	22.1	28.7	24.6	11.6	49.5	46.3	54.7
Acquisitions & divestments	-0.4	-2.3	-54.2	-2.8	-19.5	-84.9	-9.9	0.0	0.0	0.0
Dividend paid	0.0	0.0	0.0	0.0	0.0	-2.0	-0.8	0.0	0.0	0.0
Others	-4.0	2.4	97.1	30.8	9.7	57.7	-21.3	-10.5	-10.5	-10.5
Change in net financial debt	12.5	-0.5	-37.5	-50.1	-18.9	4.6	20.3	-39.1	-35.9	-44.2
Balance Sheet (EURm)										
Intangible assets	38.8	40.6	210.9	213.6	223.9	329.0	342.1	342.1	342.1	342.1
Tangible assets	1.6	1.4	1.7	4.0	4.9	5.4	6.9	5.2	5.2	5.2
Financial & other non-current assets	4.7	4.4	6.6	5.3	14.4	14.3	16.9	16.9	16.9	16.9
Total shareholders' equity	19.8	26.8	96.5	113.0	149.4	190.6	218.9	252.2	293.3	337.0
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	105.0	97.5	313.4	354.5	360.6	461.5	445.3	463.4	465.7	473.8
Net debt	8.2	10.4	42.0	24.3	28.6	98.2	108.1	69.1	33.2	-11.0
Net financial debt	8.2	10.4	42.0	24.3	28.6	98.2	108.1	69.1	33.2	-11.0
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net working capital	-15.4	-8.0	-59.2	-61.2	-47.1	-35.1	-20.2	-24.3	-19.2	-19.6
Invested capital	29.6	38.3	160.0	161.7	196.0	313.6	345.5	339.8	344.9	344.5
Per share data (EUR)										
EPS adjusted	0.10	0.18	0.51	0.65	0.86	0.89	0.64	0.60	0.74	0.80
EPS adj and fully diluted	0.09	0.17	0.45	0.59	0.84	0.85	0.58	0.54	0.68	0.73
% Change	-41.1%	86.9%	170.1%	33.0%	41.6%	1.6%	-32.0%	-6.2%	24.6%	7.0%
EPS reported	0.05	0.18	0.52	0.26	0.74	0.81	0.46	0.58	0.72	0.77
Cash flow per share	-0.13	0.10	-0.03	0.59	0.68	0.56	0.41	1.06	0.99	1.15
Book value per share	0.53	0.71	1.74	2.08	2.59	3.33	3.81	4.39	5.11	5.88
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Number of shares, YE (m)	37.07	37.62	48.85	49.10	52.23	52.97	52.97	52.97	52.97	52.97
Ratios										
ROE (%)	26.9%	29.5%	44.6%	34.3%	37.8%	30.2%	17.8%	14.6%	15.7%	14.5%
ROIC (%)	12.6%	15.6%	17.1%	16.7%	25.8%	19.0%	13.2%	12.2%	14.5%	15.2%
ND(F+IFRS16) / EBITDA (x)	1.0	0.9	1.3	0.5	0.4	1.4	1.8	1.0	0.4	-0.1
Gearing (%)	41.3%	38.9%	43.5%	21.5%	19.1%	51.5%	49.4%	27.4%	11.3%	-3.3%
Valuation										
P/E adjusted	20.1	8.4	5.1	3.7	5.5	7.0	7.0	5.1	4.1	3.8
P/E adjusted and fully diluted	22.6	9.3	5.8	4.1	5.6	7.2	7.6	5.5	4.5	4.2
P/BV	3.7	2.2	1.5	1.2	1.8	1.9	1.2	0.7	0.6	0.5
P/CF	na	15.3	na	4.1	6.9	11.0	10.8	2.8	3.1	2.6
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield preference shares (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	-11.0%	0.8%	-4.2%	18.5%	11.7%	7.5%	4.9%	31.0%	29.0%	34.2%
EV/Sales	0.5	0.4	0.7	0.4	0.5	0.8	0.6	0.3	0.3	0.2
EV/EBITDA adj.	10.7	5.8	6.6	3.5	3.3	5.8	5.1	2.9	2.1	1.4
EV/EBIT adj.	22.2	8.4	8.2	4.6	3.6	6.4	5.3	3.5	2.4	1.6

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Rating Breakdown	A	B
Buy	56%	59%
Hold	33%	31%
Reduce	9%	7%
Not Rated/Under Review/Accept Offer	2%	3%
Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

B: % of issuers to which material services of investment firms are supplied

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Company Name	Date	Business Line	Rating	Target Price	Closing Price
Reworld Media (EUR)	10/07/2023 04:34	Equity Research	Buy	7.50	3.89
	16/11/2023 05:52	Equity Research	Buy	6.50	3.75
	21/03/2024 06:48	Equity Research	Buy	6.20	3.86

Credit research does not issue target prices. Left intentionally blank.

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Local insight, European scale.



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