

Euromoney Institutional Investor

AGM update

Subscribing to growth

Euromoney's AGM trading update indicates performance continuing in line with full year expectations, subject to currency which is now a headwind. Our forecasts are adjusted to take this, and recent M&A, into account. Q118 subscriptions and content are showing underlying growth of 2%. This masks the divergence between a strong showing from Pricing (+10%) and continued MiFID II-prompted drag from Asset Management (-6%). Portfolio changes (as well as strong cash conversion) have resulted in a marked reduction in net debt to £49.0m as at end December 2017, with the prospect of moving into net cash during FY19, subject to M&A.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/16	403.1	102.5	66.6	23.4	17.4	2.0
09/17	428.4	106.5	76.4	30.6	15.2	2.6
09/18e	429.4	103.0	75.8	30.6	15.3	2.6
09/19e	442.5	108.0	79.9	31.5	14.5	2.7

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

Underlying trading broadly +ve, currency -ve

Q1 underlying trading patterns from subscriptions have extrapolated the trends of Q417, with encouraging progress in Pricing, accelerating from 8% (exit rate for Q4) to 10% growth, while Asset Management, afflicted by the uncertainties surrounding the implementation of MiFID II, declined by 6%. The quarter is a quiet one for the events business, but the trading news is again of the positive impact of the strategic focus on the larger events, with underlying revenues ahead by 9%. These changes were already built into our figures. We have now adjusted for M&A since our last publication, principally the disposal of the minority stake in Dealogic, along with three other business disposals, as well as mechanistic changes as a result of the move in the £/US\$ exchange rate. Around two-thirds of group revenues and c 80% of profits are earned in US\$, and each 1 cent change results in a £0.7m movement in profits on an annualised basis. Our earnings estimates for FY18 are trimmed by 5-6%, while FY19, with a full year effect, is pulled back by 8%.

Cash building

The balance sheet has benefited from the proceeds from disposals (as well as cash conversion of over 100%), with net debt of £49m at end December from £155m at the September year-end. In the absence of M&A (which is a very unlikely scenario), our model indicates this coming down to £28.5m by the year-end and moving to net cash during FY19.

Valuation: Overshadowed by asset management

The group continues to trade at a modest discount to peers (we estimate this at around 7% based on a mixture of multiples), reflecting concerns over the outlook for the asset management sector and the tougher y-o-y comparatives as of Q218. However, the group has strong cash flow characteristics and capacity for earnings-enhancing M&A, with a reverse DCF showing that the current valuation implies just 2% medium-term revenue growth on stable EBITDA margins.

Media

2 February 2018

Price **1160.00p**
Market cap **£1266m**

£/US\$1.38

Net debt (£m) at 31 December 2017 49.06

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	(11.1)	1.2	4.6
Rel (local)	(8.8)	1.3	(1.8)

52-week high/low 1305.0p 1027.0p

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

Interims May 2018

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Exhibit 1: Financial summary

	£m	2016	2017	2018e	2019e
30-September		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		403.1	428.4	429.4	442.5
Cost of Sales		0.0	0.0	0.0	0.0
Gross Profit		403.1	428.4	429.4	442.5
EBITDA		104.3	110.3	110.8	112.8
Operating Profit (before amort. and except.)		101.5	107.1	106.9	108.6
Intangible Amortisation		(16.8)	(20.8)	(20.6)	(12.3)
Exceptionals		(37.3)	(31.3)	0.0	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	86.3	96.3
Associates		2.2	3.3	0.0	0.0
Net Interest		(1.1)	(4.0)	(3.9)	(0.6)
Exceptional financials		0.0	0.0	0.0	0.0
Profit Before Tax (norm)		102.5	106.5	103.0	108.0
Profit Before Tax (FRS 3)		48.4	54.4	82.4	95.6
Tax		(18.1)	(19.8)	(21.1)	(21.6)
Profit After Tax (norm)		84.5	86.6	81.9	86.4
Profit After Tax (FRS 3)		30.4	34.6	61.3	74.0
Average Number of Shares Outstanding (m)		126.5	112.5	107.3	107.3
EPS - normalised (p)		66.6	76.4	75.8	79.9
EPS - (IFRS) (p)		23.8	30.3	56.7	68.6
Dividend per share (p)		23.4	30.6	30.6	31.5
EBITDA Margin (%)		25.9	25.8	25.8	25.5
Operating Margin (before GW and except.) (%)		25.2	25.0	24.9	24.6
BALANCE SHEET					
Fixed Assets		601.9	648.8	352.5	340.0
Intangible Assets		551.1	594.0	317.1	303.9
Tangible Assets		14.9	24.4	5.1	5.7
Investments		35.9	30.4	30.4	30.4
Current Assets		170.3	127.8	131.8	180.2
Stocks		0.0	0.0	0.0	0.0
Debtors		78.6	64.5	68.7	70.8
Cash		84.2	4.4	4.6	50.9
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)	(89.9)	(89.9)
Long term borrowings		0.0	(168.9)	(33.1)	(33.0)
Other long term liabilities		(45.3)	(43.4)	(56.8)	(56.8)
Net Assets		477.5	296.8	155.1	182.3
CASH FLOW					
Operating Cash Flow		103.8	118.2	99.0	108.7
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)	88.4	(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)	126.1	46.4
Opening net debt/(cash)		(17.7)	(83.8)	154.6	28.5
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	28.5	(17.9)

Source: Company accounts, Edison Investment Research

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