

Euromoney Institutional Investor

Trading update

Result of strategic review and COVID-19 update

Euromoney has concluded that shareholder value is best served by continuing to own its Asset Management segment, following a strategic review instigated in September 2019. The focus is on bringing it back into growth, with opportunities to develop new products and leverage data already captured. It is now very unlikely that events scheduled for the group's Q4 will take place. These are now excised from our forecasts, with a £34m top-line impact. Further cost actions are being taken and the group remains on a strong financial footing. Interims are now set for 4 June.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/18	390.3	99.9	73.6	32.5	11.5	3.8
09/19	401.7	104.6	77.7	33.1	10.9	3.9
09/20e	335.5	50.0	37.0	18.8	23.0	2.2
09/21e	400.0	84.0	62.2	26.7	13.7	3.1

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

Further adjustments to forecasts

Asset Management now stays within the group and there will be a greater focus on collaboration between Institutional Investor and the research businesses, NDR and BCA, as well as on organic product development. There are further opportunities to develop the brands in Asia and in packaging data gleaned by Institutional Investor, such as that on asset allocation decisions. The COVID-19 impact is still mainly being felt in the Events segment and, in line with management guidance, we have again adjusted our forecasts, taking £34m off FY20e revenue. The associated gross profit is £18m, but there is a further £7m of irrecoverable costs, resulting in our FY20 PBT forecast coming back to £50.0m from £75.0m after the March COVID-19 update. We have also taken a more cautious stand on the following year until there is greater clarity regarding how businesses will adapt operationally, particularly in respect of travel and face-to-face meetings. Our FY21e PBT moves to £84.0m from £104.0m. The experience to date on subscriptions (over 70% of FY20 forecast revenue) is that renewals have held up well, but that the sales cycle for new conversions is longer.

Resilient balance sheet

The group had £8.0m net cash at end March (from £12.2m at end February), with funding in place of £188m through to December 2022. We expect the group to have around £44m of net debt at the September year-end (was £40m), given reduced capital spend and the intended absence of an interim dividend payment, and be broadly cash neutral the following year. Payment of a final dividend in respect of FY20 will be decided on in November, dependent on the outlook at that point.

Valuation: Remains deeply discounted

Euromoney's share price remains c 40% below highs of around £15 prior to the strategic review announced in September. The stock now stands at a discount of around c 36% to peers across EV/EBITDA and P/E metrics (although not all forecasts are yet adjusted for the full COVID-19 impact), despite the intrinsically strong business model with a high level of recurring revenue in the mix.

Media

1 May 2020

Price 850p

Market cap £956m

\$1.25/£

Net cash (£m) at 31 March 2020 8.0

Shares in issue 109.2m

Free float 99%

Code ERM

Primary exchange LSE

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 1.9 (32.6) (32.8)

Rel (local) (3.0) (16.2) (16.2)

52-week high/low 1,498p 708p

Business description

Euromoney Institutional Investor is a global, multi-brand information business that provides critical data, price reporting, insight and analysis to global and specialist markets.

Next events

Interim results 4 June 2020

Analysts

Fiona Orford-Williams +44 (0)20 3077 5739

Russell Pointon +44 (0)20 3077 5700

media@edisongroup.com

[Edison profile page](#)

Euromoney Institutional Investor is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	£m	2018	2019	2020e	2021e
30-September		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		390.3	401.7	335.5	400.0
Cost of Sales		(63.5)	(60.0)	(50.3)	(60.0)
Gross Profit		326.8	341.7	285.1	340.0
EBITDA		105.0	108.2	58.5	94.6
Operating Profit (before amort. and except.)		101.6	105.4	52.6	87.0
Intangible Amortisation		(22.7)	(25.1)	(25.6)	(25.6)
Exceptionals		81.4	0.0	0.0	0.0
Capital Appreciation Plan		0.0	0.0	0.0	0.0
Operating Profit before ass's & fin. except'ls		160.3	80.3	27.0	61.4
Associates		0.1	(0.1)	0.0	0.0
Net Interest		(1.8)	(0.7)	(2.5)	(2.9)
Exceptional financials		(6.6)	0.0	0.0	0.0
Profit Before Tax (norm)		99.9	104.6	50.0	84.0
Profit Before Tax (FRS 3)		152.0	79.5	24.4	58.4
Tax		(20.6)	(20.8)	(10.0)	(16.8)
Profit After Tax (norm)		79.3	83.8	40.0	67.2
Profit After Tax (FRS 3)		102.5	58.7	14.4	41.6
Average Number of Shares Outstanding (m)		107.4	107.6	107.6	107.6
EPS - normalised (p)		73.6	77.7	37.0	62.2
EPS - (IFRS) (p)		122.2	54.4	13.3	38.6
Dividend per share (p)		32.5	33.1	18.8	26.7
EBITDA Margin (%)		26.9	26.9	17.4	23.7
Operating Margin (before GW and except.) (%)		26.0	26.2	15.7	21.7
BALANCE SHEET					
Fixed Assets		616.5	433.9	426.8	401.0
Intangible Assets		588.2	405.4	397.3	376.4
Tangible Assets		24.0	23.2	24.2	19.4
Investments		4.3	5.3	5.3	5.3
Current Assets		165.7	397.4	374.2	428.3
Stocks		0.0	0.0	0.0	0.0
Debtors		68.3	49.0	50.3	60.0
Cash		78.3	50.1	26.9	71.4
Other		19.1	298.4	296.9	296.9
Current Liabilities		(262.2)	(273.2)	(197.3)	(218.0)
Creditors		(262.2)	(273.2)	(197.3)	(218.0)
Short term borrowings		0.0	0.0	0.0	0.0
Long Term Liabilities		(41.4)	(31.7)	(191.6)	(120.4)
Long term borrowings		0.0	0.0	(71.2)	(71.2)
Other long term liabilities		(41.4)	(31.7)	(120.4)	(49.2)
Net Assets		478.6	526.4	412.0	490.9
CASH FLOW					
Operating Cash Flow		108.6	92.4	47.3	99.9
Net Interest		(2.8)	(0.2)	0.1	(0.4)
Tax		(38.9)	(38.4)	(27.8)	(14.8)
Capex		(4.9)	(10.0)	(6.2)	(10.9)
Acquisitions/disposals		195.8	(48.4)	(15.8)	0.0
Equity Financing / Other		2.7	11.9	0.0	0.0
Dividends		(34.2)	(35.8)	(20.7)	(29.4)
Net Cash Flow		226.2	(28.5)	(23.2)	44.5
Opening net debt/(cash)		154.6	(78.3)	(50.1)	44.3
Redemption of pref		0.0	0.0	0.0	0.0
Other		0.0	0.3	(71.2)	0.0
Closing net debt/(cash)		(78.3)	(50.1)	44.3	(0.2)

Source: Company accounts, Edison Investment Research

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1,185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia