

Future

e-Commercial

Trading update

Future's H1 trading update shows continued good progress in diversifying the group's revenue streams, reinforcing the strategy of building a global platform for specialist media. e-Commerce and events both performed notably strongly in the period, up 70% and 15% on the prior year (albeit off lower bases). Cash performance was also better than expected. The acquisitions of Imagine Publishing and the magazines of Team Rock have played out to plan and the benefits should accrue more strongly in FY18, as built into our (unchanged) forecast figures. This faster earnings growth brings the rating down to attractive levels. Interims are due on 19 May.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/15	59.8	0.2	2.7	0.0	67.4	0.0
09/16	59.0	1.6	5.7	0.0	31.9	0.0
09/17e	70.0	4.6	10.0	0.0	18.2	0.0
09/18e	73.0	8.6	18.0	0.0	10.1	0.0

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

Content and data

Future's focus is on building recurring and repeatable revenue streams based on monetising the data generated by consumption of its content. Developing these new sources of income is fuelling much faster growth than would be possible through traditional media activities such as advertising. It also provides its content consumers with relevant opportunities, be it to purchase, attend events or interact through other channels. The recent Photography Show at the NEC attracted over 30,000 attendees over four days. In the magazine division, the addition of the Imagine portfolio and the Team Rock titles has increased the reach and number of verticals addressed. As per management strategy, magazines are generating cash to invest in the digital assets across the group, including brand extensions to T3 into areas such as Home and Baby, as well in their own online presence.

e-Commerce greatest potential

The e-commerce opportunity has the greatest transformative potential, building on the high level of trust that users of websites such as T3 and TechRadar have with their audiences. The group recently recruited an e-commerce and trading director, Jason Kemp, a consultant with an extensive background in retail and e-commerce. He adds retail expertise to the data and content knowledge already in place.

Valuation: Starting to reflect opportunity

The share price picked up strongly after the finals in November, as the market took on board the degree of transformation implemented and the extent of the opportunity to build a global platform for media brand leverage. The shares then settled back to current levels, putting them on an historical EV/ EBITDA of 13.9x, with the substantial forecast growth bringing that figure in to 7.3x for FY17e. Global B2C media peers trade on a historical 14.6x, prospective 9.7x, allowing further upside as the group builds its record of delivering against expectations.

Media

11 April 2017

Price 182.00p
Market cap £67m

Net cash (£m) at end September 2016 0.5

Shares in issue 36.6m

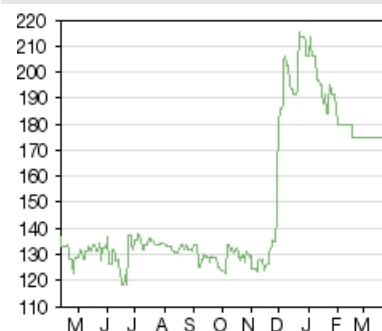
Free float 67%

Code FUTR

Primary exchange LSE

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	11.7	(14.9)	28.1
Rel (local)	10.9	(17.8)	8.2
52-week high/low	14.4p	7.9p	

Business description

Future is an international media group and leading digital publisher. It operates two separately managed brand-led divisions: Media and Magazine.

Next events

Interims 19 May 2017

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Exhibit 1: Financial summary

	£'m	2015	2016	2017e	2018e
30 September		IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue		59.8	59.0	70.0	73.0
Cost of Sales		(40.6)	(37.2)	(44.1)	(45.3)
Gross Profit		19.2	21.8	25.9	27.7
EBITDA		3.6	4.7	9.0	12.4
Normalised operating profit		0.8	2.3	6.1	9.5
Amortisation of acquired intangibles		(2.3)	(0.9)	(3.7)	(3.7)
Exceptionals		(2.5)	(16.5)	(2.0)	(1.0)
Share-based payments		0.0	0.0	0.0	0.0
Reported operating profit		(4.0)	(15.1)	0.4	4.8
Net Interest		(0.6)	(0.7)	(1.5)	(1.0)
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0
Profit before tax (norm)		0.2	1.6	4.6	8.6
Profit before tax (reported)		(2.3)	(14.9)	(1.1)	3.9
Reported tax		0.3	0.5	0.2	(2.0)
Profit after tax (norm)		0.5	2.1	3.6	6.7
Profit after tax (reported)		(2.0)	(14.4)	(0.9)	1.9
Minority interests		0.0	0.0	0.0	0.0
Discontinued operations		0.7	0.2	0.0	0.0
Net income (normalised)		0.6	1.4	3.6	6.7
Net income (reported)		(1.3)	(14.2)	(0.9)	1.9
Basic average number of shares outstanding (m)		22	24	36	37
EPS - basic normalised (p)		2.7	5.9	10.1	18.0
EPS - normalised (p)		2.7	5.7	10.0	18.0
EPS - basic reported (p)		(5.9)	(58.7)	(2.5)	5.1
Dividend (p)		0.0	0.0	0.0	0.0
Revenue growth (%)		(9.4)	(1.3)	0.2	0.0
Gross margin (%)		32.1	37.0	37.0	38.0
EBITDA margin (%)		6.0	8.0	12.9	17.0
Normalised operating margin (%)		1.3	3.9	8.7	13.0
BALANCE SHEET					
Fixed assets		44.9	38.6	51.9	51.3
Intangible assets		43.8	33.2	46.1	45.5
Tangible assets		0.6	3.0	3.4	3.4
Investments & other		0.5	2.4	2.4	2.4
Current assets		19.5	15.8	17.4	21.3
Stocks		0.5	0.4	0.3	0.3
Debtors		15.3	12.4	14.7	14.4
Cash & cash equivalents		2.5	2.9	2.3	6.4
Other		1.2	0.1	0.1	0.1
Current liabilities		(25.9)	(25.1)	(31.6)	(34.3)
Creditors		(20.7)	(21.4)	(25.4)	(28.1)
Tax and social security		(0.9)	(1.4)	(1.4)	(1.4)
Short-term borrowings		(4.3)	(2.3)	(4.8)	(4.8)
Other		0.0	0.0	0.0	0.0
Long-term liabilities		(7.1)	(5.6)	(10.2)	(10.1)
Long-term borrowings		0.0	(0.1)	(4.7)	(4.6)
Other long-term liabilities		(7.1)	(5.5)	(5.5)	(5.5)
Net assets		31.4	23.7	27.5	28.2
Minority interests		0.0	0.0	0.0	0.0
Shareholders' equity		31.4	23.7	27.5	28.2
CASH FLOW					
Operating cash flow before WC and tax		0.8	1.5	7.1	12.9
Working capital		(8.0)	1.6	(1.8)	(2.1)
Exceptional & other		(0.4)	(0.3)	(2.5)	(1.0)
Tax		(0.5)	(0.8)	(1.2)	(3.2)
Net operating cash flow		(8.1)	2.0	1.6	6.6
Capex		(2.0)	(2.5)	(2.0)	(2.0)
Acquisitions/disposals		1.3	(0.3)	(20.0)	0.0
Net interest		(0.6)	(0.4)	(1.5)	(1.0)
Equity financing		0.0	3.1	14.2	0.0
Dividends		0.0	0.0	0.0	0.0
Other		0.0	0.2	0.0	0.3
Net cash flow		(9.4)	2.1	(7.7)	4.0
Opening net debt/(cash)		(7.5)	1.8	(0.5)	7.2
FX		0.1	0.2	0.0	0.0
Other non-cash movements		0.0	0.0	0.0	0.2
Closing net debt/(cash)		1.8	(0.5)	7.2	3.0

Source: Company accounts, Edison Investment Research

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