Centaur Media

Initiation of coverage

Flagships lead the way

Media

Centaur has undergone a significant transformation over recent years. It is now a focused provider of market intelligence and consultancy, with growing subscription revenue, addressing two verticals, the marketing and legal markets. Management's updated three-year plan, MAP23, sets out how its portfolio, including four key flagship brands, will be developed as a growing, profitable and sustainable B2B business, with attractive cash-flow characteristics. Under MAP23, revenues are targeted to exceed £45m in FY23 on a 23% EBITDA margin, which sits comfortably with our FY22 forecasts. The shares are priced at a notable discount to B2B media peers, with cash at 17% of the market capitalisation.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	P/E (x)	EV/EBITDA (x)
12/19	38.4	(2.3)	(1.9)	N/A	8.9
12/20e	32.2	(0.4)	(0.3)	N/A	11.0
12/21e	36.1	1.1	0.5	66.0	8.1
12/22e	41.5	3.6	2.0	16.5	5.2

Note: *PBT and EPS (diluted) are normalised, excluding amortisation of acquired intangibles, exceptionals and share-based payments. FY19 shows estimated continuing business.

Building subscription revenues

The underlying premise behind the MAP23 plan is to use the flagship brands' content and authoritative positioning in their verticals to drive engagement and subscription revenues. By moving from a transactional to a subscription basis, the cash-flow characteristics (already strong) are emphasised and the business gains resilience. A greater focus of the group and professionalisation of the sales function should help drive enterprise level sales and take better advantage of cross- and up-sell opportunities within the marketing business, Xeim. The FY19 disposal programme realised £16.4m, giving a cash positive balance sheet; the collateral to underpin the required investment in systems and people to scale efficiently.

FY20 sets base for resumed growth

The trading update indicates FY20 revenues were down around 16% underlying, in line with management indications in October. The EBITDA margin (adjusted, post IFRS) is expected to be over the 10% target. The clearest pandemic impact was on events, with the Festival of Marketing in Q4 moved to an online format. The business now has far greater clarity than before the disposal programme and the emphasis on the 'Flagship 4' brands, identified in the MAP23 plan, throws the growth drivers into relief. Key to delivering on the plan's revenue and margin targets will be driving further growth of the Mini MBA online marketing course.

Valuation: Well below peers

With a mixed financial history and an initially slow response to the opportunities presented by digital transformation, it is unsurprising the share price is valued at a discount to peers. Looking across FY19 to FY21e on an EV/EBITDA basis (to smooth for the pandemic impact), parity with peers would require the share price to increase around 20% to 40p. We would expect this differential to close as management demonstrates the successful implementation of the MAP23 strategy.

2 February 2021

Price	**33p**
Market cap	**£48m**

Net cash (£m) at end December 2020	8.3
Shares in issue	146.9m
Free float	88.1%
Code	CAU
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	10.0	46.7	(10.8)
Rel (local)	10.0	27.1	(1.1)
52-week high/low		42p	19p

Business description

Centaur Media is an international provider of business information and specialist consultancy for the marketing and legal professions. Its Xeim and The Lawyer business units serve the marketing and legal sectors respectively and, across both, offer customers a wide range of products and services targeted at helping them add value.

Next events

FY20 results	17 March 2021

Analyst

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

media@edisongroup.com

Edison profile page

Centaur Media is a research client of Edison Investment Research Limited

Investment summary

Company description: Digital content with blue-chip client base

Centaur has undergone a significant transformation over the last few years, from a magazine and newsletter publisher for consumer and professional markets to an international B2B market intelligence and consultancy business with growing subscription revenues. Its portfolio is now focused on two verticals, marketing and brand management and the professional legal market. The group is increasingly supplying data and analysis to help its clients in their digital transformation and ecommerce implementations. It is leveraging its expertise through a content-delivery strategy that is building its subscription base. Its offering includes premium content, training and advisory consultancy, events, marketing services, marketing solutions and recruitment advertising.

Financials: MAP23 strategy

With the previous MAP22 plan affected by the COVID-19 pandemic, management has now reframed its objectives around FY23. By this time, the target is for revenues to have exceeded £45m (from £32.2m in FY20e) and for the EBITDA margin to have reached 23% (over 10% in FY20e). Although our formal modelling only extends to FY22, these targets fit with the trajectory we have illustrated. To reach these levels, the group needs to move up a gear in driving new business through new clients and by driving up- and cross-selling. The balance sheet is strong, having been bolstered before the pandemic through various disposals for cash, leaving the group with a healthy net cash position. Cash conversion is strong (80%+), meaning the group is in a position to invest in the necessary resources to drive the growth.

Valuation: Discount to peers, DCF

Centaur's stock is relatively tightly held with a high-quality institutional register. We would argue this has accentuated the pricing discrepancy between Centaur and its peers, although an element reflects the mixed history of delivery against financial expectations. With a tighter focus and clearer implementation plan, this record should improve. Our preferred metric is EV/EBITDA and we have looked at the group in the context of other B2B media groups (applying a 30% discount to the larger, more liquid shares). Averaging across FY19, FY20e and FY21e to take account of the effect of the pandemic, Centaur's shares are trading at a discount of 21% with parity indicating an equivalent price of 40p. A DCF, with a WACC of 9% and terminal growth rate of 2% suggests a price nearer 58p. To close this discount will require management to deliver on its outlined strategy.

Sensitivities: Economic and execution risk

Experiences through FY20 have shown not all risks can be anticipated. By ensuring the utility of the content provided to users, Centaur can (and has) retained its strong client base. The business inevitably has sensitivities to issues such as credit risk (mitigated by a wide range of customers), IT and data risk. In our view, the most substantive risk is executing on delivering against the MAP23 strategy.

Company description: B2B content and services

Over recent years, Centaur Media has undergone a substantial transformation programme, migrating from a specialist consumer and professional print business across a wide variety of sectors, to an online provider of B2B content, consultancy and training services to the marketing and legal sectors. In FY10, the group's revenues were split 39% print advertising, 31% live events, 15% digital advertising and 14% paid-for content. By FY15, print advertising had decreased to 13% and live events were the largest element at 39%, with paid-for content increased to 28% of group.

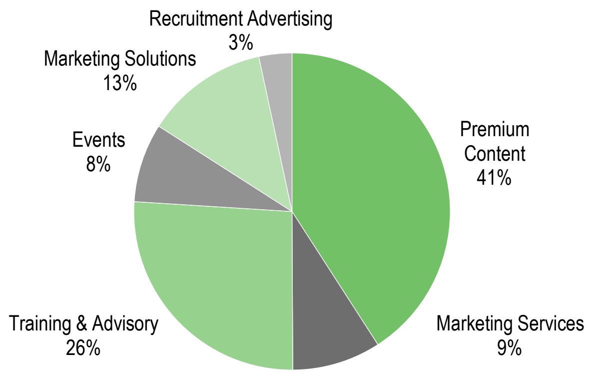
In 2018, the group undertook a strategic review to identify those markets where prospects were strongest, resulting in the decision to concentrate on the marketing and legal sectors, where the group had scale and where rapid structural change was most likely to lead to demand for business insight and guidance. The following year (FY19), Centaur trimmed its portfolio from 28 to seven brands, raising gross disposal proceeds of £22.0m and bolstering the balance sheet. With the interim results that year, management set out its strategy for resuming growth and improving profitability, MAP22.

In August 2020, and in response to the COVID-19 pandemic, the group slimmed down further, with the closure of MarketMakers, a low-margin telemarketing operation.

Given FY20 was considerably different to expectations due to the pandemic, MAP22 has been reframed and relaunched as MAP23. We examine this in more detail below.

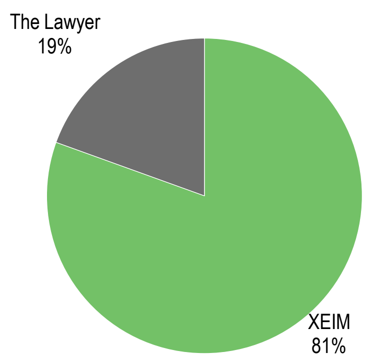
Reporting lines were realigned after the strategic review, with the group brands now organised in two segments, Xeim, which operates in the marketing services industry, and The Lawyer, which serves the legal profession. These are described in greater detail below. Both areas offer premium content, events, marketing solutions and advertising solutions (mostly recruitment advertising). On a group basis, our model for FY20e (based on H120 figures, but with a heavier H2 weighting to Training & Advisory) indicates 41% of revenues from continuing business from premium content, with 26% from training and advisory activities. Obviously, in FY20 live events were severely curtailed by the COVID-19 pandemic and recruitment advertising was also heavily constrained. In FY19, the underlying revenue (excluding the telemarketing operation MarketMakers) was split: 37% Premium content, 25% Training & Advisory, 12% Events, 9% Marketing Solutions, 11% Marketing Services and 5% Recruitment Advertising.

Exhibit 1: FY20e revenue by activity (continuing ops.)



Source: Edison Investment Research

Exhibit 2: FY20e revenue by segment (continuing ops.)



Source: Edison Investment Research

Growing the recurring revenue base

The group has a high degree of recurring and repeatable revenues, identified at 62% of FY19 revenues, up from 56% the previous year. The group's Premium Content revenues are effectively all derived from annual subscriptions.

As the group builds its suite of digital subscription products and, in particular, grows its enterprise-level subscription book of business, the quality of earnings is increasing and the 'stickiness' improves.

Exhibit 3: Activities by brand

Segment	Brand	Premium content	Marketing services	Training and advisory	Events	Marketing and advertising solutions
Xeim	Econsultancy, Oystercatchers	✓		✓	✓	✓
	Influencer Intelligence, Fashion & Beauty Monitor	✓				
	Mini-MBA			✓		
	Marketing Week					✓
	Festival of Marketing				✓	
	Creative Review / Design Week	✓			✓	✓
	Really B2B		✓			
The Lawyer	The Lawyer	✓			✓	✓

Source: Company accounts

Management brings range of skills

The management team is headed by Swag Mukerji CEO and Simon Longfield CFO. Swag joined the group in July 2016 as CFO and took over as CEO when Andria Vidler stepped down in September 2019. Swag is a qualified accountant with senior management experience in CEO, CFO and COO roles across a wide range of private and quoted companies and multiple sectors from healthcare to consumer products to medical technology. Simon joined the group in November 2019, having previously been CFO of BMI Research. This was a subscription business, acquired by Fitch having expanded internationally under his watch. Their tenure marks a distinct departure from the print heritage of the group. The chair is Colin Jones, previously group finance director of Euromoney.

Swag and Simon present their views on the challenges and opportunities facing the group in this video interview.

Exhibit 4: Management interview

Source: Edison Investment Research

MAP22 morphs into MAP23

MAP22, the earlier margin acceleration plan, was put in place to drive improvement in EBITDA margin over three years to at least 20% by FY22. Obviously, this took no account of the impact of the pandemic on the business and the economy, and the initiative has now been reframed with the time horizon pushed out a year to FY23.

The key targets are now to deliver:

- revenue of at least £45m in FY23; and
- an EBITDA margin of at least 23% for FY23.

This requires a CAGR of 11.8% from the guidance of at least £32m revenue for FY20e and a doubling of EBITDA margin from the forecast 11.5% in FY20.

The underlying objective is unchanged: to deliver against Centaur's financial targets through profitable, organic revenue growth. MAP22 also sought (and achieved) enhanced cost efficiencies. It included the following objectives:

- Cross-selling Xeim's suite of products and services to enterprise clients.
- Making operational improvements at Econsultancy (this originally encompassed MarketMakers, but this business was closed as COVID-19 took hold and its route to sustainable profitability was compromised).
- Launching new products at The Lawyer to enhance digital subscription growth.
- Taking advantage of its common technology stack, a recent investment, to build new content offerings.

The theme within MAP22 of driving revenues from Influencer Intelligence, Mini-MBA and other eLearning courses, Festival of Marketing, Econsultancy and The Lawyer has been refined. With the exception of Festival of Marketing, these other properties have been identified as the group's Flagship 4, which will benefit from prioritisation of investment and resource.

The rest of the portfolio will continue to play an important role, particularly in facilitating the cross- and up-sell across the range of the group's expertise.

Xeim in focus

The Xeim brands are as shown in Exhibit 3, above. Three are identified as Flagship brands: Econsultancy, Influencer Intelligence and the Mini-MBA. We estimate these business areas represented around 60% of segmental revenues in FY20 and we discuss them in greater detail below.

Econsultancy (we estimate around 19% of the group's expected continuing FY20 revenues) has two key service offerings: insight and learning. The platform helps its users to enhance the performance of their marketing and ecommerce propositions through digital marketing transformation. This is delivered online as training, insight and essential information to stay up to date in a fast-changing landscape.

The premium content may be provided on a traditional consultancy basis, typically to major brands but increasingly on a subscription basis, incorporating business information and analytics. Most content is now behind a paywall. Although digital transformation has been in progress amongst the potential and existing client base for many years, the process is never complete and one-off projects can and do morph into long-term working relationships. While subscriptions are lower value, the value is considerably higher in margins, with content created once and used multiple times. Management believes it deals with 55 of the largest UK spenders on digital marketing.

Econsultancy also offers digital learning content, built into courses and available as one-off modules. While traditionally this was offered on a face-to-face basis, COVID-19 has encouraged the development of online options, with the future likely to be one of blended learning.

Historically, Econsultancy sold its training and consultancy services separately from its subscription offering. A revised marketing approach is putting subscriptions at the heart of a combined offering, which should help lift volumes, with cross- and up-sells to existing clients and a more coherent proposition for potential customers.

Influencer Intelligence (we estimate c 10% of FY20 revenues) has established itself as a market-leading source of trusted information and analytics for brands looking to harness the power of global influencers and talent. Revenues grew 11% in 2019, although we would anticipate it may have been a more difficult market in FY20 as the pandemic took hold and brands' marketing strategies were reappraised. The influencer market is a relatively recent phenomenon and pricing structures are yet to formalise. However, it is gaining traction quickly and management states Mediakix has valued the market at $15bn by FY22. A small number of influencers now command very high fees and value is difficult to assess. Centaur's database currently covers around 120k individual influencers and the intention is to scale considerably, adding another 250k.

The product is sold on subscription to brands and to agencies. The additional scale, alongside the analytics, should enable subscription pricing to build.

Mini-MBA (we estimate c 16% of FY20 revenues) was set up as an offering of Marketing Week, along with its columnist and high-profile industry figure, Mark Ritson, in 2016 and has since taken on a life of its own. It sells courses in marketing and, since 2019, brand management. While the qualification is not independently accredited, it is increasingly cited by marketing professionals in their resumes. Customers include familiar global names in the technology and FMCG sectors.

With online delivery and a move to a new operating platform, the proposition is increasingly scalable, with the opportunity to increase the number of cohorts each year. The marketing effort is now being stepped up, using the experience gleaned from ecommerce in other parts of the group. Professor Mark Ritson continues to be the 'face' of the Mini-MBA. He has a high profile in the industry for keynote speaking and thought leadership, having taught marketing on MBA programmes and has a financial interest in the ongoing success of the programme, although the IP rests with Centaur. There is considerable opportunity to extend the programme geographically – particularly in the US.

The remaining brands within the portfolio have been retained because they are of genuine value to the group. **Oystercatchers**, previously reported within Econsultancy, is a consultancy bought in 2016 that assists clients with the pitch process between client and agency. This gives the group a strong entrée into new clients, which can then be introduced to the other group services. **Really** was kept when MarketMakers was sold and is now run (remotely for the time being) from the main group offices. Its business model is about curating leads to drive return on marketing investment – a service inherently useful inside the group and to third parties. **Festival of Marketing** has had to reinvent itself to suit the altered circumstances but has good traction with sponsors and audiences. Its efforts are now focused on building greater year-round engagement with its stakeholders. **Marketing Week**, **Fashion & Beauty Monitor**, **Design Week** and **Creative Review** are all strong brands within their verticals, driven by relevant and engaging content.

The Lawyer

We estimate The Lawyer is c 20% of continuing FY20 group revenues. The Lawyer brand is the sole remaining non-marketing-oriented business from what used to be a very broad portfolio. When other titles were sold, offers were invited but none reflected the quality and potential of the asset, which is a genuine flagship market intelligence product for the global legal sector. Around 60% of the segmental revenues are derived from premium content. In FY19, The Lawyer had more than 300 corporate clients, including 90% of the 50 largest UK firms and top US firms in London.

The strategy to develop the business is centred on driving subscription revenues and increase regular engagement by individuals within subscribing firms, so building value. Historically, The Lawyer compiled one-off reports throughout the year that help firms benchmark themselves against their peers. By increasing the relevant content delivered through regular newsletters and by running trackers in areas such as litigation, the utility to the individual user and the client is increasing. Driving regular use of The Lawyer's resources should help with client retention, although this is not an issue as renewals are reported by management to be very strong. Embedding The Lawyer's content into users' work-flows also makes conversations on pricing easier to broach.

The Lawyer also runs popular events and awards ceremonies, although this has obviously not been possible in the traditional way during the pandemic.

Corporate social responsibility

In FY19, the group set up an employee advisory panel on diversity, inclusion, culture and engagement, reporting to the CEO and with a NED sponsor. Management conducts regular 'town hall' meetings with staff, including Q&A, currently carried out virtually.

The workforce is roughly evenly split male: female, with the ratio at board level of 5:3. The board consists of six non-executive directors, plus the group CEO and CFO.

With the workforce now predominantly consolidated into the WeWork office at Waterloo, London and little in the way of remaining print assets, Centaur's direct environmental footprint is relatively limited. However, management is committed to minimising the impact under its control.

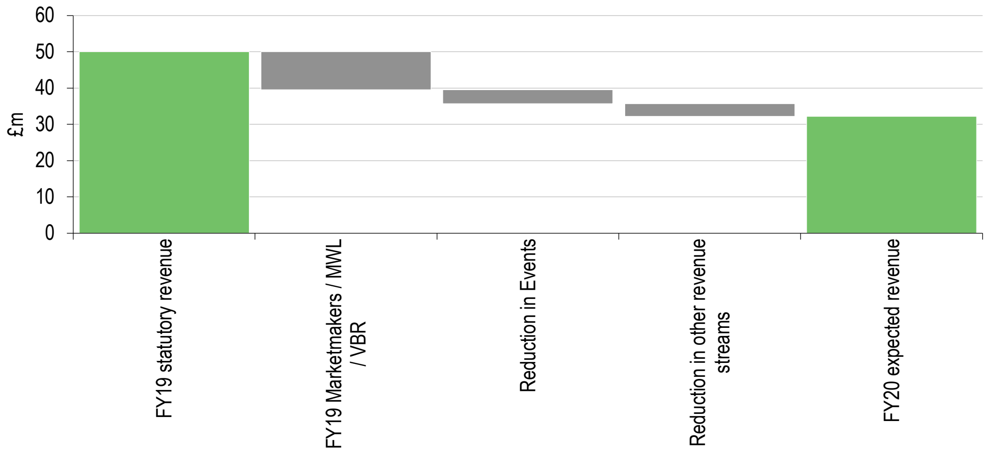
Financials

Rebased earnings

The group has undergone a considerable transformation over the last few years, with a large number of operations closed or disposed, leading to restatements of earlier accounts and making any assessment of the long-term historical performance of limited use. Our financial summary (Exhibit 8) presents the historic FY19 and FY18 numbers as published in the FY19 Report & Accounts, themselves restated for the earlier disposals. During FY20, the telemarketing operation was closed and we would therefore anticipate the FY19 figures will be restated on a continuing basis on publication of the full-year figures on 17 March. Stripping the MarketMakers, Marketing Week Live and VBR revenue (£10.4m) out of the FY19 figures gives a true revenue comparator of £38.4m.

The trading update indicates a FY20 revenue of 'at least £32m' and our model suggests £32.2m, in line with management guidance. This is an underlying, like-for-like decrease of 16%, which primarily reflects the impact of the COVID-19 pandemic on the conduct of the business. The largest element of the shortfall is attributable to events, both within Xeim, where the Festival of Marketing was conducted online rather than in person (although this improved the achieved gross margin) and at The Lawyer, where the normal awards ceremonies were also in abeyance. Recruitment advertising also understandably will have taken a hit in the year, with the other areas of shortfall shown in the exhibit below.

Exhibit 5: Bridge of FY19 published revenue to FY20 expected revenue



Source: Company accounts, Edison Investment Research

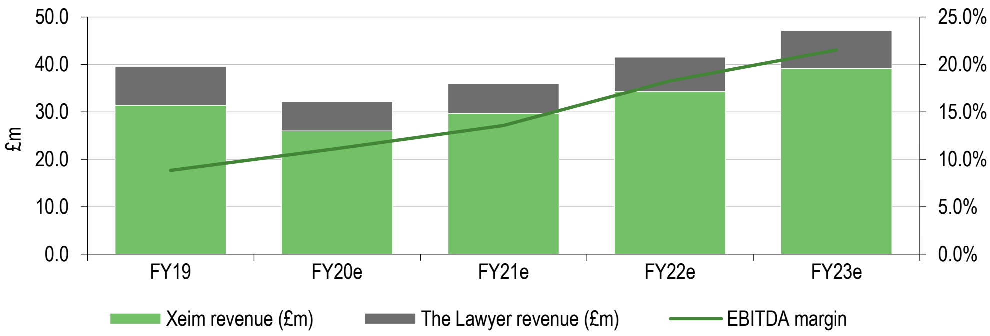
We have been relatively cautious in our assumptions and do not anticipate that in-person events will resume in FY21. Future events may evolve as a hybrid offering with a mix of physical and virtual. Our modelling is more aggressive in the build of training and advisory over the forecast period, given the group's ambitions to scale the Mini-MBA platform and offering. We anticipate this segment will account for 43% of Xeim's revenues by FY22, from 24% in FY19 (continuing revenues). We expect there will be a seasonal weighting to H2 each year, driven by the timing of events and with some year-end budget utilisation at client companies. Driving subscriptions within the mix will obviously help to smooth this out.

Exhibit 6 shows how the revenues are set to build across our forecast period to FY22. The new MAP23 plan extends a year further, with the stated ambition to build to revenue of £45m and an EBITDA margin of 23%. This looks achievable on the trajectory we have outlined.

Reduced operating cost base

A key benefit of the portfolio concentration has been the reduction of the operating cost base, with close management of costs has been a continuing theme. The removal of duplicated brand management and processing costs were estimated at taking £5m out of central costs on an annualised basis at the time of the FY19 final results. On a practical level, it facilitated the group's operations being able to move out of expensive office space in London W1 and relocate to serviced offices in London SE1.

Exhibit 6: Revenue and EBITDA margin over forecast period and MAP23



Source: Company accounts, Edison Investment Research

With the onset of the pandemic, management acted quickly on controllable costs, halting recruitment, reducing board and senior management remuneration and furloughing roughly 25% of the workforce. The decision was also taken to close MarketMakers, which had been operating from offices in Portsmouth. This will also have a beneficial impact on future group margins, as MarketMakers was a relatively labour-intensive, telemarketing operation, making it more difficult to scale.

While some of the pandemic cost cutting will have been temporary, we expect there to be a continuing improvement in EBITDA margin as the business evolves along the MAP23 path. This is predicated on an underlying principle that is much of the premium content can be created once and sold many times. Systemisation should help the business to scale efficiently. Similarly, expanding the numbers within the cohorts taking the Mini MBA courses drives the revenue while having little impact on costs.

Cash flow should stay strong

Centaur has, in retrospect, been fortunate in the timing of its simplification and disposal programme. The rebasing of costs to better align with the revised scale and scope of the group's activities should flow through in an improved, smoother cash flow profile.

The group's business model has inherently attractive cash flow properties, with conversion of adjusted EBITDA to cash of 85% in FY18 and 100% in FY19.

In September 2019, Centaur laid out a revised dividend policy, targeting a 40% payout of adjusted earnings. It had planned a 5.0p special dividend to share the disposal proceeds, to be paid in May 2020, but this was deferred in light of the circumstances of the pandemic. In our model, we have assumed that the strength of the balance sheet will enable a final dividend to be paid in respect of FY20e and have pencilled this in at 0.5p. For the following year and for FY22e, we have assumed a payment of 1.0p.

Cash-positive balance sheet

The FY19 disposals of assets servicing financial services, business travel, HR and engineering raised net proceeds of £16.4m and transformed the balance sheet, which ended that year in a net cash position of £9.1m. Despite the effect of the pandemic on the operation of the business, the careful management of cash has ensured the balance sheet has stayed healthy without recourse either to shareholders or the banks.

In November 2018 the group renewed its £25m multi-currency revolving credit facility with the Royal Bank of Scotland and Lloyds, which runs to November 2021, with the option to extend for two periods of one year each. The recent end FY20 trading update indicates a year-end position of £8.3m net cash, with the RCF undrawn. This is despite having paid out £1.2m in H220 in exceptional costs mostly relating to the closure of MarketMakers. We expect the cash position to remain at around the same level in FY21e and step up over the following years, reflecting the good projected cash flow, despite continuing investment in sales and capability. At some juncture acquisitions may be back on the cards, but at this point, management's efforts are concentrated on developing the assets within the portfolio to their optimum extent.

Sensitivities

With the greater focus in the business model following the series of disposals, the sensitivities to the financial performance have also concentrated. The last year has clearly demonstrated that not all can be foreseen or planned for. The COVID-19 pandemic has had a profound effect on the way business is conducted, with the impact most obviously demonstrated within the events segment, where in-person events were first postponed then reconfigured to an online format, although with a high negative effect on revenues and margin. The roll-out of the vaccine programme increases the prospect that some or all planned events can be resumed, although we think this unlikely for FY21. In future years, it is possible an online element will be maintained.

The key sensitivity is in the execution risk around the implementation of MAP23. The reconfiguration of the sales function needs to deliver against the promise and on the subscription revenues that will improve the quality of underlying earnings.

The Financial Conduct Authority (FCA) requires premium listed companies to maintain a free float of at least 25%. It does not regard Centaur's major institutional shareholders (see page 12) as contributing to that free float, which it calculates at 18.5%. The FCA has granted the company a temporary modification to its listing obligations to allow for a minimum of 17.5% of the ordinary shares in the company to be held in public hands. This modification runs until 27 May 2021.

Other sensitivities are common to most business and include:

- Credit risk: the group has a large number of clients, with no one or small group representing a meaningful percentage of revenue. Most are large businesses in verticals such as pharmaceuticals and FMCG.
- IT risk: migration to new platforms is always an additional concern beyond the normal reliance on IT systems. Centaur is committed to investing in its tech stack to support its commercial offering and scale its growth. Allied to this is the importance of data security and the commercial and reputational risks of breaches.

Valuation

Centaur has a high-quality share register, comprising multiple institutions as listed below, with the shares tightly held.

We have appraised the valuation of Centaur's shares in the context of a UK-based peer group and looked at the value suggested by a DCF analysis.

Peer comparison

We have chosen a peer set comprising other UK quoted B2B media companies, which we regard as the closest comparators. Two of them are far larger in scale (RELX and Ascential). To reflect their size and scale differential, we have discounted their ratings by 30%, while acknowledging t this is a subjective judgement.

Exhibit 7: Peer valuation multiples

	Price (p)	Mkt Cap (£m)	YTD Perf (%)	EV/Sales 1 (x)	EV/EBITDA (x)	EV/EBITDA 1 (x)	EV/EBITDA 2 (x)	P/E (x)	P/E 1 (x)	P/E 2 (x)
Wilmington	161	141	0.9	1.7	9.4	9.4	8	15.3	15.5	11.9
Hyve	102.3	271	-9.6	4.7			13.2			28.4
Ebiquity	20.5	16	3.0	0.6	3	19.7	6.5	5.7		110.8
Dods	3.05	18	1.7	0.9				25.4		
Bonhill	9.75	10	-11.4	0.51	4.4	25.6	11.4	4.4	-	19.5
Kin and Carta	143	241	0.7	2.1	17	14.2	11.3	27.5	23.4	16.7
RELX (discounted 33%)	1812.5	35062	1.1	3.9	11.0	11.6	10.5	13.0	15.4	13.5
Ascential (discounted 33%)	331.6	1337	-13.7	3.6	8.2	22.2	10.5	11.9	175.5	20.6
Average			-3.4	2.2	8.8	17.1	10.2	14.7	57.5	31.6
Median			0.8	1.9	8.8	17.0	10.5	13.0	19.5	19.5
Centaur	33.00	48.5	10.0	1.2	8.9	11.0	8.1			66.5
Parity with median implies share price of				47.3	32.0	47.3	40.6			

Source: Edison Investment Research, Refinitiv. Note: Priced at 1 February 2021.

With a relatively wide range of valuation metrics, we have compared Centaur's rating with the median of peers. As we estimate negative EPS for FY20, we have looked at FY21e, where the P/E of 66.5x at the current price compares to 19.5x for peers, but the larger recovery is in earnings is set for FY22, where sector forecasts are not yet broadly available. The differential is clearer when looking at EV/Sales and EV/EBITDA. Centaur's shares are priced at a notable discount, which we would ascribe partly to the group's mixed financial performance and previous disappointments. Parity with peers on EV/Sales for FY20 would imply a share price of 47p and on EV/EBITDA averaged across FY19, FY20 and FY21 would suggest a price of 40p, 21% higher than the current level.

DCF valuation

Exhibit 8: DCF (p/share) at varying WACCs and terminal growth rates

		-----------------Terminal growth rate-----------------				
		0.00%	1.00%	2.00%	3.00%	4.00%
----------------WACC----------------	11.50%	0.41	0.43	0.44	0.47	0.49
	11.00%	0.43	0.45	0.47	0.49	0.52
	10.50%	0.45	0.47	0.49	0.52	0.56
	10.00%	0.47	0.49	0.52	0.55	0.60
	9.50%	0.49	0.51	0.55	0.59	0.65
	9.00%	0.51	0.54	**0.58**	0.63	0.70
	8.50%	0.54	0.58	0.62	0.68	0.77
	8.00%	0.57	0.61	0.67	0.74	0.86
	7.50%	0.61	0.66	0.72	0.82	0.97
	7.00%	0.65	0.71	0.79	0.91	1.12

Source: Edison Investment Research

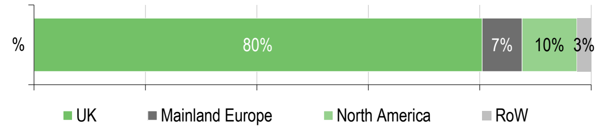
We have also looked at a DCF using various WACCs and terminal growth rates, as shown in the exhibit above, with an assumption of 5% forecast revenue growth beyond the explicit forecast period. For illustrative purposes, if we select a WACC of 9.0% and a terminal growth rate of 2%, the valuation derived is 58p, ahead of the level suggested by the peer comparison.

Exhibit 9: Financial summary

£m	2018	2019	2020e*	2021e	2022e
31-December	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue	50.3	48.9	32.2	36.1	41.5
Cost of Sales	(9.9)	(9.4)	(7.3)	(10.0)	(11.9)
Gross Profit	40.4	39.6	24.9	26.1	29.7
EBITDA	1.4	4.4	3.6	4.9	7.6
Normalised operating profit	(2.2)	(1.1)	(0.1)	1.4	3.9
Amortisation of acquired intangibles	(2.5)	(2.4)	(1.5)	(1.1)	(0.5)
Exceptionals	(14.8)	(4.8)	(0.1)	0.0	0.0
Share-based payments	(0.8)	(0.1)	(0.5)	0.0	0.0
Reported operating profit	(20.3)	(8.4)	(2.2)	0.3	3.3
Net Interest	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)
Joint ventures & associates (post tax)	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)	(2.4)	(1.4)	(0.4)	1.1	3.6
Profit Before Tax (reported)	(20.5)	(8.7)	(2.5)	(0.0)	3.0
Reported tax	1.1	0.7	0.0	(0.3)	(0.7)
Profit After Tax (norm)	(2.0)	(1.9)	(0.4)	0.7	2.9
Profit After Tax (reported)	(19.4)	(8.0)	(2.5)	(0.4)	2.4
Minority interests	0.0	0.0	0.0	0.0	0.0
Discontinued operations	5.2	9.9	(13.1)	(0.0)	0.0
Net income (normalised)	(2.0)	(1.9)	(13.5)	0.7	2.9
Net income (reported)	(14.2)	1.9	(15.6)	(0.4)	2.4
Average Number of Shares Outstanding (m)	144	143	144	147	147
EPS - normalised (p)	(1.4)	(1.3)	(0.3)	0.5	2.0
EPS - normalised fully diluted (p)	(1.4)	(1.3)	(0.3)	0.5	2.0
EPS - basic reported (p)	(9.9)	1.4	(10.8)	(0.3)	1.6
Dividend per share (p)	3.0	1.5	0.5	1.0	1.0
Revenue growth (%)	(22.3)	(2.7)	(16.1)	12.1	15.2
Gross Margin (%)	80.3	80.8	77.3	72.3	71.4
EBITDA (IFRS) Margin (%)	2.8	9.1	11.2	13.6	18.3
Normalised Operating Margin (%)	(4.4)	(2.2)	(0.3)	3.8	9.3
BALANCE SHEET					
Fixed Assets	80.2	66.9	53.3	51.7	50.1
Intangible Assets	78.1	61.2	47.6	46.3	45.3
Tangible Assets	1.3	4.3	4.3	4.3	4.3
Investments & other	0.8	1.4	1.4	1.1	0.4
Current Assets	15.4	20.2	15.7	15.4	19.3
Stocks	1.4	0.0	0.0	0.0	0.0
Debtors	13.7	10.8	7.3	7.0	8.5
Cash & cash equivalents	0.1	9.3	8.3	8.3	10.7
Other	0.2	0.1	0.1	0.1	0.1
Current Liabilities	(28.3)	(23.3)	(20.8)	(20.6)	(22.0)
Creditors	(13.2)	(12.5)	(11.0)	(10.8)	(11.1)
Tax and social security	0.0	0.0	0.0	0.0	0.0
Short term borrowings	0.0	0.0	0.0	0.0	0.0
Other/ Lease liabilities	(15.1)	(10.8)	(9.9)	(9.9)	(11.0)
Long Term Liabilities	(0.6)	(2.7)	(2.7)	(2.7)	(2.7)
Long term borrowings	0.0	0.0	0.0	0.0	0.0
Other long term liabilities, including leases	(0.6)	(2.7)	(2.7)	(2.7)	(2.7)
Net Assets	66.7	61.1	45.5	43.7	44.7
Minority interests	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	66.7	61.1	45.5	43.7	44.7
CASH FLOW					
Op Cash Flow before WC and tax	3.9	4.4	3.6	4.9	7.6
Working capital	0.4	2.1	3.3	0.1	(0.1)
Exceptional & other	2.5	(1.9)	(4.6)	(0.0)	0.0
Tax	(1.2)	0.1	0.0	0.0	0.0
Net operating cash flow	5.6	4.7	2.3	5.0	7.5
Capex	(2.8)	(1.6)	(0.9)	(1.6)	(1.6)
Acquisitions/disposals	(1.5)	16.3	(0.1)	0.0	0.0
Net interest	(0.4)	(0.2)	(0.3)	(0.3)	(0.3)
Equity financing	(0.4)	(0.6)	0.0	0.0	0.0
Dividends	(4.3)	(7.1)	0.0	(1.5)	(1.5)
Other	(0.2)	(2.2)	(1.9)	(1.6)	(1.7)
Net Cash Flow	(4.0)	9.3	(0.9)	(0.0)	2.4
Opening net debt/(cash)	(4.1)	(0.1)	(9.3)	(8.3)	(8.3)
FX	0.0	0.0	0.0	0.0	0.0
Other non-cash movements	0.0	(0.1)	(0.1)	0.0	0.0
Closing net debt/(cash)	(0.1)	(9.3)	(8.3)	(8.3)	(10.7)

Source: Company accounts, Edison Investment Research. Note: *FY20 estimates are adjusted for closure of MarketMakers.

EDISON

Contact details	Revenue by geography
Floor M 10 York Road London SE1 7ND UK www.centaurmedia.com	

Management team

Chair: Colin Jones	CEO: Swag Mukerji
Colin joined Centaur in September 2018 and became chair in June 2019. Until mid-June 2018, Colin was FD of Euromoney, where he worked in leadership roles for 22 years. He is also an independent NED and audit committee chair at M&C Saatchi, and an NED and trustee of City Lit., London's leading adult education college. Before joining Euromoney, Colin was a director at Price Waterhouse Europe, where he qualified as a chartered accountant (ICAEW).	Swag joined Centaur in 2016. He had previously held senior management/ financial positions with several blue chip FMCG companies, including United Biscuits, Guinness and Virgin. As Group FD of Biocompatibles Intl, he co-led the commercialisation and growth of the company with the CEO. Since then, he has been a C-suite director of three private-equity backed businesses in a variety of sectors with the common themes of strategy refresh and turnaround. He has also led a substantial number of M&A transactions and multi-lender refinancings. Swag qualified as a Chartered Accountant at PricewaterhouseCoopers LLP and is a Warwick MBA.

CFO: Simon Longfield	
Simon joined Centaur in November 2019. He spent the previous 10 years as CFO of BMI Research, a leading provider of macroeconomic, industry and financial market analysis, which was acquired by Fitch Group in 2014. Prior to this, Simon was CFO of Newfound, an AIM-listed property and leisure group. Simon began his career at PricewaterhouseCoopers LLP where he qualified as a Chartered Accountant and worked in London and Australia.	

Principal shareholders	(%)
Aberforth Partners	24.5
Artemis Investment Mgmt	9.5
Harwood Capital	8.1
Chelverton AM	8.0
Quaero Capital (Argos Funds)	7.7
Gresham House	6.7
Graham Sherren	5.6
Aberdeen AM	4.2
Herald IM	3.1

EDISON

General disclaimer and copyright

This report has been commissioned by Centaur Media and prepared and issued by Edison, in consideration of a fee payable by Centaur Media. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.