

Euromoney Institutional Investor

Interim results

Finding its wings

The interim figures show a mixed picture of head- and tailwinds, but with a definite improvement in Q217 over Q117, particularly in the events business. The loosening of the DMGT relationship is facilitating a faster implementation of the strategy to drive profit growth, with the benefit set to show more strongly in FY18. We have adjusted our forecasts to reflect the RISI acquisition in April, with underlying trading in line. The step-up in the dividend payout reflects the group's strong underlying cash generation.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/15	403.4	107.8	70.1	23.4	16.8	2.0
09/16	403.1	102.5	66.5	23.4	17.7	2.0
09/17e	438.6	103.7	74.6	30.0	15.8	2.5
09/18e	466.0	111.2	82.3	34.0	14.3	2.9

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

Benefits (and costs) of independence

The reduction of DMGT's shareholding has had various impacts, with the share buyback element earnings enhancing, but with higher financing costs. ERM is now managing its own balance sheet and has had to establish 'normalised' corporate banking relationships. It has also had to take on some of the corporate services previously shared, such as tax, treasury and internal audit, and boost its resource in M&A, HR, legal, etc. This cost £1m in H117, with £3m expected for current year, and £4m in FY18. Corporate decision-making has been speeded up, facilitating the recycling of capital into group companies and acquisitions fitting most closely to its strategic objectives (like RISI, which clearly fits with the price discovery segment). Euromoney has also now acted on its earlier promise to review the dividend payout ratio. Our forecast dividend for the current year now stands at 30.0p, from 26.5p.

Mixed underlying markets

The underlying markets remain mixed, although the elements have switched round, with the banking, finance and commodity sectors lifting off their lows, while the asset management sector is facing pressures from regulatory changes and the ascendancy of passive fund management. Foreign exchange continues to be favourable (80% of subscriptions are US\$-denominated), adding 0.2% to the adjusted operating margin in H117. Some benefit continues into H217, although Q3 sees the anniversary of the Brexit vote. Stripping the currency element out, the current level of the subscription book of business is 1.54% ahead of the prior year.

Valuation: Discount to peers remains

With potential liquidity much improved, the element of discount on those grounds is largely eliminated. Our valuation methodology, using historical and forward revenue and EBITDA multiples, shows the group continuing to trade at a discount of around 8% to peers. The positive impact of management strategy to improve the quality of the underlying earnings should start to come through into FY18. Provided that the balance of underlying markets stays at least neutral, the discount rating should narrow.

Media

23 May 2017

Price **1,180.00p**
Market cap **£1,287m**

\$1.30/£

Net debt (£m) at end March 2017 83.6

Shares in issue 109.1m

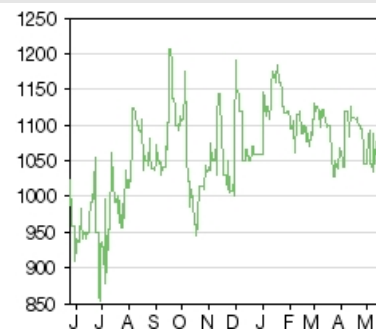
Free float 41.5%

Code ERM

Primary exchange LSE

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	7.3	9.2	22.3
Rel (local)	2.3	5.6	1.0

52-week high/low 1216.0p 852.5p

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

Trading update Est 21 July 2017

Final results 23 November 2017

Analysts

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

Bridie Barrett +44 (0)20 3077 5700

media@edisongroup.com
[Edison profile page](#)

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

Pulling the levers

More active portfolio management

While Euromoney has an extensive history of buying assets, they have historically been run as entrepreneurial businesses, realising little in terms of economies of scale or from the transfer of best practice. The intention under the new regime is to support the businesses more from the centre, with the resources now being put into position. While acquisitions have been a key theme, disposals have not, and this is a distinct change. Since the start of the calendar year, there have been three purchases, of which RISI was far and away the most significant at a cost of \$125m (post the half-year balance sheet date). There were also four disposals: Hedge Fund Intelligence and II Intelligence both in December 2016, and Euromoney Indices and LatinFinance both in March 2017. As described in previous notes (March 2016, May 2016, November 2016), CEO Andrew Rashbass has described the portfolio in terms of four quadrants along axes of structural strength/weakness and position in the trading cycle. The issues that placed assets in the bottom left corner a year ago have now been dealt with. This is not to say that that quadrant is now empty. Market changes and management actions will be moving the positioning around. Metal Bulletin for example is now cited as a 'top right'; the Euromoney brand has moved from 'bottom left' to 'top left'.

Potential signs of turn

Exhibit 1: Revenue change by quarter

Year-on-year % change	Q116	Q216	Q316	Q416	Q117	Q217
Subscriptions & content	2%	0%	1%	2%	1%	2%
Advertising	-2%	-16%	-14%	-12%	-16%	-10%
Events	-14%	-13%	0%	-9%	-14%	2%
Total	-6%	-6%	-1%	-4%	-5%	1%

Source: Euromoney Institutional Investor. Note: Like-for-like, excluding FX, acquisitions.

Subscriptions continue to grow modestly, boosted by new products and investment ensuring that the offer is fresh. The implication from management's comments is that the figure for Q217 at 2% would have been notably higher but for the frustration of the sectoral headwinds in the asset management sector. Subscription/content revenues derived from pricing, data and market intelligence grew by 3% as Metal Bulletin improved its performance, helped further by the acquisition of FastMarkets in September 2016. The RISI acquisition fits well with this segment. It provides price reporting and market intelligence services in the forest products (ie paper and pulp) segment. The purchase price was 4.2x pro forma revenues, 16.2x pro forma EBITDA.

The continuing decline in advertising is entirely as expected, but is rapidly diminishing in significance, now representing just 8% of H117 revenue. The interesting segment is events, where the gain is diluted by the last of the drag from commodity events and training closed in prior periods, and from portfolio changes that have seen the emphasis shift from smaller to larger events. Split out into the elements of sponsorship and delegates, revenues from the former were ahead 5% y-o-y in Q217, having been down 14% in Q117; the latter recovered from -14% in Q117 to +1% in Q217.

Changes to forecasts

Exhibit 2: Revised forecasts

	EPS (p)			PBT (£m)			EBITDA (£m)		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
2016	66.5	66.5	N/A	102.5	102.5	N/A	104.2	104.2	N/A
2017e	72.6	74.6	+3	100.0	103.7	+4	109.6	114.2	+4
2018e	77.0	82.3	+7	103.9	111.2	+7	115.8	123.7	+7

Source: Euromoney Institutional Investor accounts, Edison Investment Research

Exhibit 3: Financial summary

	£m	2014	2015	2016	2017e	2018e
Year end 30 September		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		406.6	403.4	403.1	438.6	466.0
Cost of Sales		0.0	0.0	0.0	0.0	0.0
Gross Profit		406.6	403.4	403.1	438.6	466.0
EBITDA		122.7	109.4	104.2	114.2	123.7
Adjusted Operating Profit (before amort. and except.)		119.8	106.7	101.4	109.9	118.5
Intangible Amortisation		(16.7)	(17.0)	(16.7)	(17.8)	(17.8)
Exceptionals		2.6	33.4	(37.3)	0.0	0.0
Capital Appreciation Plan		(2.4)	2.5	0.0	0.0	0.0
Operating Profit before ass's & fin. except'ls		103.3	123.1	47.4	92.1	100.6
Associates		0.3	2.4	(1.8)	(2.4)	(2.4)
Net Interest		(1.6)	(1.3)	(1.7)	(3.9)	(4.9)
Exceptional financials		(0.6)	(0.9)	0.0	0.0	0.0
Profit Before Tax (norm)		116.2	107.8	102.5	103.7	111.2
Profit Before Tax (FRS 3)		101.5	123.3	43.9	85.8	93.4
Tax		(25.6)	(17.6)	(12.9)	(20.7)	(22.3)
Profit After Tax (norm)		90.8	90.2	89.6	83.0	88.9
Profit After Tax (FRS 3)		75.9	108.2	31.0	65.2	71.0
Average Number of Shares Outstanding (m)		126.5	126.4	126.5	112.8	107.7
EPS - normalised fully diluted (p)		70.6	70.1	66.5	74.6	82.3
EPS - (IFRS) (p)		59.1	83.5	24.3	57.5	65.7
Dividend per share (p)		23.0	23.4	23.4	30.0	34.0
Gross Margin (%)		100.0	100.0	100.0	100.0	100.0
EBITDA Margin (%)		30.2	27.1	25.9	26.0	26.6
Operating Margin (before GW and except.) (%)		29.5	26.5	25.2	25.1	25.4
BALANCE SHEET						
Fixed Assets		564.2	579.1	601.9	625.7	625.7
Intangible Assets		545.4	531.4	551.1	574.1	574.1
Tangible Assets		18.6	9.5	14.9	15.7	15.7
Investments		0.1	38.3	35.9	35.9	35.9
Current Assets		86.0	110.1	170.3	129.6	158.8
Stocks		0.0	0.0	0.0	0.0	0.0
Debtors		68.4	83.7	79.0	85.7	87.6
Cash		8.6	18.7	84.2	36.2	63.5
Other		9.1	7.7	7.1	7.7	7.7
Current Liabilities		(208.9)	(210.8)	(249.4)	(225.4)	(233.4)
Creditors		(208.4)	(209.8)	(249.0)	(224.9)	(232.9)
Short term borrowings		(0.5)	(1.0)	(0.4)	(0.5)	(0.5)
Long Term Liabilities		(84.7)	(33.2)	(45.3)	(243.4)	(218.4)
Long term borrowings		(45.7)	0.0	0.0	(200.0)	(175.0)
Other long term liabilities		(39.1)	(33.2)	(45.3)	(43.4)	(43.4)
Net Assets		356.5	445.2	477.5	286.6	332.8
CASH FLOW						
Operating Cash Flow		110.2	109.5	102.2	106.6	117.1
Net Interest		(1.1)	(1.1)	0.1	(3.9)	(4.9)
Tax		(22.5)	(13.7)	(16.8)	(17.6)	(19.0)
Capex		(6.3)	9.4	(3.5)	(12.2)	(4.5)
Acquisitions/disposals		(58.9)	(15.6)	13.2	(100.0)	0.0
Equity Financing / Other		(21.5)	(4.4)	0.0	(187.7)	0.0
Dividends		(29.0)	(29.4)	(29.1)	(33.4)	(36.2)
Net Cash Flow		(29.3)	54.6	66.1	(248.1)	52.4
Opening net debt/(cash)		10.9	37.6	(17.7)	(83.8)	164.3
HP finance leases initiated		0.0	0.0	0.0	0.0	0.0
Other		2.6	0.7	0.0	0.0	0.0
Closing net debt/(cash)		37.6	(17.7)	(83.8)	164.3	111.9

Source: Euromoney Institutional Investor accounts, Edison Investment Research

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Euromoney Institutional Investor and prepared and issued by Edison for publication globally. 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. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US 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. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and 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 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. This document is provided 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. Edison has a restrictive policy relating to personal dealing. 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. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. 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. 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 (ie 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. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2017. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.