

# Entertainment One

## Exceptional charge to restructure Film

Entertainment One (eOne) has announced that it will incur a one-off £47m exceptional charge related to the restructuring of one of its larger output deals and the accelerated restructuring of the Film division. On an underlying basis, EBITDA for FY17 is in line with previous guidance for strong growth and in line with our forecasts.

Year end	Revenue (£m)	EBITDA (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/15	785.8	107.3	88.8	20.8	1.1	12.2	0.4
03/16	802.7	129.1	104.1	19.4	1.2	13.1	0.5
03/17e	1,003.1	157.0	126.7	20.0	1.3	12.7	0.5
03/18e	1,093.9	178.0	149.4	23.7	1.4	10.7	0.6

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

eOne will incur a one-off £47m of cash exceptional costs in the FY17 results. This is £39.5m higher than the exceptional we had forecast.

\$25m stems from the renegotiation of one of its larger distribution arrangements. No details have been provided, but given eOne's strategy to reduce its reliance on larger distribution deals to bring itself closer to the production process, we expect this to be a further step in this direction.

£27m relates to the accelerated restructuring of the Film division, which the group started in FY16, targeting £10m of savings by the end of FY18.

These measures are expected to drive improved underlying profitability and cash flow and we anticipate that more information may be provided at the time of the full year results.

On an underlying basis, management has confirmed that EBITDA in FY17 is in line with previous expectations. In its March update, eOne indicated a strong performance from Television and Family and continued recovery at the Box Office in Film should result in strong growth in reported revenues and underlying EBITDA in FY17.

The FY17 results will be reported on 23 May, at which time we will update our FY18e net debt forecast (£125m) to capture the additional exceptional charge.

Exceptional charge

Media

12 May 2017

**Price** 245p  
**Market cap** £1,043m

Net debt (£m) at end September 2016	263
Production finance (£m) at end Sept 2016	138
Shares in issue	425.9m
Free float	68%
Code	ETO
Primary exchange	LSE (FTSE 250)
Secondary exchange	N/A

### Share price performance



### Business description

Entertainment One is a leading international entertainment company that sources, selects and sells films and television content. Its library contains over 40,000 film and TV titles, 4,500 half-hours of TV programming and 45,000 music tracks.

### Analysts

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