EDISON

Centaur Media

FY22 results

Good cash conversion funds further special dividend

Media

Centaur's FY22 results have come in slightly better than indicated at the year-end update, showing good revenue growth of 6% and a notable step-up in adjusted EBITDA margin, from 16% to 20%, as the group focuses on its higher-quality repeat and recurring revenue streams. The 'new' news is of an additional special dividend of 2.0p, coming soon after the 3.0p special dividend paid in February, reflecting the accumulation of cash on the balance sheet beyond the level needed to support the existing business and the investment required to support the anticipated growth. Management's FY23 MAP23 targets of £45m in revenue and an EBITDA margin of 23% are demanding but achievable.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/21	39.1	3.0	2.0	1.0	28.3	1.9
12/22	41.6	5.2	2.7	1.1	20.1	2.1
12/23e	45.0	6.4	3.3	1.3	16.6	2.5
12/24e	47.7	6.9	3.9	1.4	13.3	2.7

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. Dividend yield based on ordinary dividend only.

Improving quality of earnings

Centaur is focused on building its core client relationships, developing products and services that attract and retain its blue-chip customer roster and growing the revenue base further through cross-selling. Its Flagship 4 brands (Econsultancy, Influencer Intelligence, MW Mini MBA and The Lawyer) outperformed the remainder of the group in revenue terms, with growing subscription and repeat revenues. 77% of FY22 group revenue was derived from Premium Content, Training & Advisory, and Marketing Services repeat and recurring revenue streams, up from 74% in FY21. With rigorous cost control and the benefits of scale, adjusted EBITDA margins rose from 16.4% to 20.4%, and we expect further improvement in FY23.

Second special dividend payment

Centaur is inherently cash generative, with little need for substantive capital spend. The group ended the year with net cash of £16.0m, comfortably more than needed to fund the business's growth and ride out the working capital cycle (with some contingency). The FY22 ordinary dividend of 1.1p was 0.1p more than we had modelled. A 3.0p special dividend was announced with the January trading update, paid in February, and a second special of 2.0p has now been announced, which leaves the group with a pro forma net cash position of £7.1m following that second payment.

Valuation: Continues to be well below peers

The one-year share price performances of B2B media peers have fluctuated widely, with a median setback of 10%. Centaur's share price, however, is up 26% (+44% calendar year to date). Despite this, the valuation remains below that of quoted peers on EV/EBITDA (averaged over FY22–24). If this discount were to close, the shares would be 64p (January 2023: 68p), 22% above the current level.

15 March 2023

Price	**52.5p**
Market cap	**£77m**

Net cash (£m) at end December 2022	16.0
Shares in issue	146.9m
Free float	88.8%
Code	CAU
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	0.0	36.4	19.3
Rel (local)	4.3	34.2	14.9
52-week high/low		54.5p	38.5p

Business description

Centaur Media is an international provider of business intelligence, learning 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

Interim results	Expected July 2023

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Good progress in FY22

Overall revenue growth of 6.4% is a blend of 4% at Xeim and 19% at The Lawyer. This, though, is also a blend of the underlying service offerings and brands.

The two largest brands within Xeim are two of the group's Flagship 4: Econsultancy and MW Mini MBA. Econsultancy lifted its revenues by 8%, boosted by a double-digit uplift in subscription income and a 38% increase in Training & Advisory as it undertook more, larger contracts for major global names with substantial marketing budgets, such as Unilever, Jacobs Douwe Egberts, Specsavers and PepsiCo.

MW Mini MBA revenues were up by 7%, on delegate numbers broadly flat (excluding a custom course run in FY21). More delegates came through from larger corporate engagement programmes, offsetting the reduction in online sales, with the top-line growth reflecting price increases and restricted discounting.

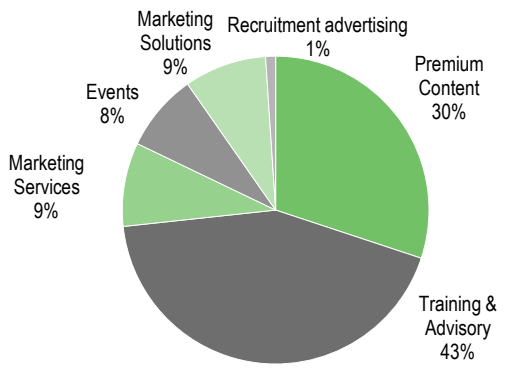
The smaller Xeim Flagship 4 brand, Influencer Intelligence, posted a good recovery, accelerating through H222, after a difficult period of trading, with 13% revenue growth and annual renewals back up to 90%.

Across the Xeim segment, there were a total of 88 clients that each contributed more than £50k in revenue. Although the client count was down two on the prior year, the average value of these accounts grew 17% to £158k from £134k in FY21.

Renewal rates were particularly strong at The Lawyer, at 116%, with Premium Content progress notable, boosted by the newer, data-driven, paid-for subscription products, such as Signal. This is getting good traction, as well as showing strong performance on its first renewal cycle. The Lawyer served 144 of the top 250 law firms (top 200 UK plus top 50 US), down eight on the previous year, but again with a substantial increase in the average value of each account, up 24% to £22k.

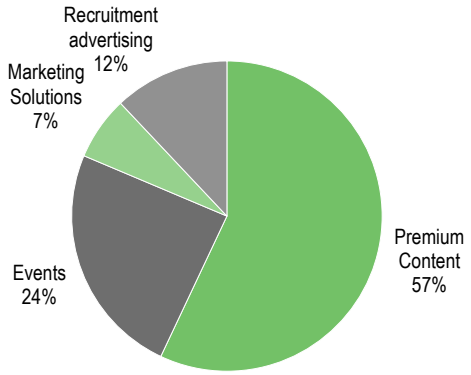
The FY22 split of revenue by activity across the two segments is shown in the pie charts below.

Exhibit 1: Xeim FY22 revenue by activity



Source: Centaur Media

Exhibit 2: The Lawyer FY22 revenue by activity



Source: Centaur Media

It is also worth noting the group's geographical diversity, particularly the increase in European revenues within Xeim, as shown below.

Exhibit 3: FY22 revenue growth by segment and geography

£m	Xeim	Y-o-y growth	The Lawyer	Y-o-y growth	Group	Y-o-y growth
UK	19.6	2.7%	6.9	21.5%	**26.5**	**7.0%**
Europe (ex-UK)	5.7	25.4%	0.6	-9.8%	**6.3**	**20.9%**
North America	4.6	-6.4%	0.6	41.1%	**5.3**	**-2.4%**
RoW	3.4	-5.0%	0.2	-4.2%	**3.5**	**-4.9%**
	33.3	3.7%	8.3	19.1%	**41.6**	**6.4%**

Source: Centaur Media

Xeim leads margin progress

The shift in mix towards the larger clients and larger contracts helped boost operating and adjusted EBITDA margins, particularly at Xeim. Revenue growth was 4%, to £33.3m, while adjusted operating costs were down £0.5m to £27.1m, lifting operating margin from 14% to 19%, with a small increase in depreciation, amortisation and impairment resulting in an adjusted EBITDA margin of 26%, from 21%.

Adjusted operating margin at The Lawyer was stable at 30%, with a slight dip in adjusted EBITDA margin from 39% to 37%.

Cash balances through the year

With net cash balances through the year, finance charges simply reflect commitment fees. The tax charge for FY22 was 26%, resulting in adjusted diluted EPS of 2.6p, up from 1.9p for FY21.

Adjusted operating cash conversion for the year was 99% (adjusted for one-off items). Prior year cash conversion benefited from a positive temporary swing in working capital, which corrected after the year-end. The year-end cash balance was £16.0m (no bank debt), up from £13.1m at end FY21. This build in cash had left the group with more cash than necessary to run the business, invest to the degree necessary to support organic growth and provide a working capital buffer. Hence the decision to pay shareholders a special dividend – initially the 3.0p declared in January and paid in February, and now a further 2.0p to be paid in April.

Aiming to meet MAP23 targets

Management's MAP23 targets (MAP standing for Margin Acceleration Plan) were set against a very different macro backdrop and the fact that they look to be still within reach is testament to the amount of hard work going on in the background. £45m of group revenue looks plausible but will require there to be no further deterioration in the target market, which for Xeim is the top 200 companies as defined by those companies' marketing spend and for The Lawyer the major UK and European law firms and in-house corporate lawyers.

The goal for Xeim is to increase its sales of paid content and strategic information through corporate packages, subscriptions and partnerships, so becoming much more embedded in its customers' workflows and business practices. The Lawyer is set to continue to enhance the utility it provides to its clients and to grow its subscription revenue base.

The statement indicates that FY23 has started well and that trading to date is in line with expectations. However, sentiment remains somewhat volatile and Centaur's management is anticipating that sales cycles will be drawn out while uncertainty persists. Internally, cost control will remain a key focus to help deliver the targeted adjusted EBITDA margin of 23.0%. Our modelling currently infers an adjusted EBITDA margin of 22.7%.

Our modelling indicates year-end net cash of £12.8m, despite the payment of £9.0m to shareholders in the form of dividends.

Early thoughts on FY24

With management focus firmly on delivering on the MAP23 targets, there is (as yet) no guidance beyond that goal. We have now introduced our first thoughts on performance for FY24, building on an assumption of top-line growth of 5.9%, led by continued progress in sales of Premium Content across both Xeim and The Lawyer and of Training & Advisory by Xeim.

We would anticipate that the major improvement in margins has now been achieved and that further progress would not be substantive, with additional return reinvested to support sustainable growth. Assuming that ordinary dividends alone are paid on the basis of 40% of adjusted EPS, net cash would start to rebuild beyond the end-FY23 levels.

Valuation

The UK B2B media peers are diverse in size, geographic exposure and business model. Those with more of a tech bias have suffered from the derating and rotation away from the sector. Meanwhile, those with substantial revenue streams from live events have benefited from the sector restarting physical operations. Hyve has recently been in receipt of a bid from venture capital, boosting the one-year average share price performance of the cohort. Hence we use the median rather than the arithmetic mean for our calculation.

Exhibit 4: B2B media peer valuations

	Current price (ccy value)	Market cap (£m)	One-year perf (%)	EV/sales 1FY (x)	EV/EBITDA FY0 (x)	EV/EBITDA 1FY (x)	EV/EBITDA 2FY (x)
Wilmington	300.0	264.5	20.0	2.1	6.8	8.7	8.1
Hyve Group	100.4	292.8	76.1	2.3	10.5	13.1	8.4
Ebiquity	52.5	61.0	3.3	0.9	6.1	6.9	5.3
Merit Group	28.5	6.8	-39.4	0.9	8.3	7.2	5.3
Bonhill Group	5.5	6.6	-32.0	0.5	1.4		
Kin and Carta	102.2	181.9	-59.0	1.8	15.1	7.9	6.5
Relx	2505.0	47,770	10.6	5.9	16.5	15.6	14.6
Ascential	264.2	1,160	-22.4	2.8	22.7	12.4	10.7
Average			-5.3	2.1	10.9	10.2	8.4
Median			**-9.6**	**1.9**	**9.4**	**8.7**	**8.1**
Centaur Media	**52.5**	**77.1**	**26.3**	**1.4**	**7.2**	**6.0**	**5.6**
Parity with median implies share price (p) of				70.3	65.3	60.5	60.7

Source: Refinitiv. Note: Prices as at 13 March 2023.

Based on EV/sales for the current year and EV/EBITDA for FY22–24, the share price implied for parity with peers would be 64.2p, a little below the 68.0p we quoted in January reflecting the intervening share price movements but still 22% ahead of the current level.

Exhibit 5: Financial summary

£m	2020	2021	2022	2023e	2024e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue	32.4	39.1	41.6	45.0	47.7
Other operating income	0.0	0.0	0.0	0.0	0.0
Cost of Sales	(7.3)	(10.9)	(11.2)	(12.0)	(12.6)
Gross Profit	25.1	28.3	30.4	33.1	35.1
EBITDA	3.8	6.4	8.5	10.2	10.9
Operating profit (before amort. and excepts.)	0.0	3.2	5.3	6.6	7.0
Amortisation of acquired intangibles	(1.5)	(1.1)	(0.5)	(0.5)	(0.1)
Exceptionals	(0.3)	(0.0)	(0.1)	0.0	0.0
Share-based payments	(0.5)	(0.5)	(0.8)	(0.8)	(0.8)
Reported operating profit/ loss	(2.3)	1.6	3.9	5.3	6.1
Net Interest	(0.3)	(0.3)	(0.1)	(0.2)	(0.2)
Joint ventures & associates (post tax)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)	(0.3)	3.0	5.2	6.4	6.9
Profit/ Loss Before Tax (reported)	(2.6)	1.4	3.8	5.1	5.9
Reported tax	0.9	0.1	(1.0)	(1.8)	(2.1)
Profit After Tax (norm)	0.3	2.8	3.9	4.9	5.1
Profit After Tax (reported)	(1.7)	1.4	2.8	3.3	3.8
Discontinued operations	(12.7)	0.0	0.0	0.0	0.0
Net income (normalised)	0.4	2.8	3.9	4.9	6.1
Net income (reported)	(14.4)	1.4	2.8	3.3	3.8
Average Number of Shares Outstanding (m)	144	145	144	147	147
EPS - normalised (p)	0.2	2.0	2.7	3.3	4.1
EPS - normalised fully diluted (p)	0.2	1.9	2.6	3.2	3.9
EPS - basic reported, continuing (p)	(1.2)	1.0	1.9	2.3	2.6
Ordinary dividend per share (p)	0.5	1.0	1.1	1.3	1.4
Revenue growth (%)	(15.6)	20.6	6.4	8.2	5.9
Gross Margin (%)	77.5	72.2	73.1	73.4	73.6
EBITDA (IFRS) Margin (%)	11.7	16.4	20.4	22.7	22.9
Normalised Operating Margin (%)	0.0	8.3	12.7	14.8	14.7
BALANCE SHEET					
Fixed Assets	52.3	49.6	45.9	46.1	45.3
Intangible Assets	46.1	44.3	43.8	43.6	43.0
Tangible Assets	3.3	2.5	0.4	0.3	0.1
Deferred tax	2.4	2.5	1.7	1.7	1.7
Other receivables	0.5	0.3	0.0	0.5	0.5
Current Assets	14.3	19.3	21.5	18.8	24.3
Stocks	0.0	0.0	0.0	0.0	0.0
Debtors	5.8	6.1	5.4	5.8	6.1
Cash & cash equivalents	8.3	13.1	16.0	12.8	18.0
Other	0.2	0.2	0.2	0.2	0.2
Current Liabilities	(17.7)	(21.1)	(18.5)	(19.4)	(20.6)
Creditors	(8.7)	(11.4)	(9.7)	(9.8)	(10.4)
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	(9.0)	(9.7)	(8.9)	(9.6)	(10.2)
Long Term Liabilities	(1.6)	(0.6)	(0.0)	(0.0)	(0.0)
Long term borrowings	0.0	0.0	0.0	0.0	0.0
Other long term liabilities, including leases	(1.6)	(0.6)	(0.0)	(0.0)	(0.0)
Net Assets	47.2	47.1	48.8	45.4	49.0
Minority interests	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	47.2	47.1	48.8	45.4	49.0
CASH FLOW					
Op Cash Flow before WC and tax	(0.0)	6.4	8.5	10.2	10.9
Working capital	(1.0)	3.2	0.1	0.4	0.8
Exceptional & other	3.1	(0.1)	(0.2)	1.8	2.3
Tax	0.0	0.0	(0.0)	(1.8)	(2.1)
Operating Cash Flow	2.1	9.5	8.4	10.6	12.0
Capex	(0.8)	(0.8)	(1.4)	(1.7)	(1.7)
Acquisitions/disposals	0.1	0.0	0.0	0.0	0.0
Net interest	(0.1)	(0.1)	(0.0)	(0.2)	(0.2)
Equity financing	0.0	(0.3)	(0.6)	(0.6)	(0.6)
Dividends	0.0	(1.4)	(1.4)	(9.0)	(2.0)
Other	(2.2)	(2.1)	(2.2)	(2.3)	(2.3)
Net Cash Flow	(1.0)	4.8	2.8	(3.2)	5.2
Opening net debt/(cash)	(9.3)	(8.3)	(13.1)	(16.0)	(12.8)
FX	0.0	0.0	0.0	0.0	0.0
Other non-cash movements	0.0	0.0	0.1	0.0	0.0
Closing net debt/(cash)	(8.3)	(13.1)	(16.0)	(12.8)	(18.0)

Source: Company, Edison Investment Research

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