

Centaur Media

Building margin

CMD and trading update

Media

13 October 2021

Price **50.5p**
Market cap **£74m**

Centaur's trading update, issued alongside its capital markets day, indicates good progress in H221 to date, building on the post-pandemic recovery in revenues and margin reported for H1. We have edged up our expectations, particularly on the pace of improvement in EBITDA margin towards the FY23 management target of 23%. The share price has held the gain made after the interim results and is now up 68% year-to-date, yet the rating remains at a discount to peers.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	P/E (x)	EV/EBITDA (x)	Yield (%)
12/19	39.6	(1.5)	(1.4)	N/A	13.7	3.0
12/20	32.4	(0.3)	0.2	252.5	16.3	1.0
12/21e	37.5	2.0	0.9	56.1	11.0	2.0
12/22e	42.8	4.2	2.2	23.0	7.8	2.0

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

Net cash (£m) as at end September 2021	12.4
Shares in issue	146.9m
Free float	90.5%
Code	CAU
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	0.0	24.7	124.4
Rel (local)	(0.1)	25.0	86.6
52-week high/low		52p	23p

Business description

Centaur Media is an international provider of business information, training 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

Year-end trading update	January 2022e
Preliminary results	March 2022e

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Progress at XEIM and The Lawyer

The statement indicates that XEIM is likely to achieve (underlying) revenue growth for FY21 of around 16%, with The Lawyer expected to report a 7% increase. We have therefore edged our full year revenue figures ahead by £0.3m for FY21 and FY22. The uplift in FY21 adjusted EBITDA margin guidance to c 15% compares with our earlier expectation of 13.7%, indicating a more profitable mix of business coupled with good control of the cost base. Within the 'Flagship 4' brands, Econsultancy is achieving stronger subscription growth (both new business and blended learning propositions), while the Marketing Week Mini MBA is delivering 'high double-digit growth'. The recovery post the COVID-19 lockdowns in Influencer Intelligence is taking hold as the customer base re-establishes. The Lawyer is benefiting from good corporate renewals and more subscription sales, indicating a higher quality of earnings. We have lifted our expectation for the EBITDA margin in FY22e from 18.0% to 18.5%.

Strong balance sheet supports growth

The statement indicates end September net cash of £12.4m, from £11.9m at the half-year (which excluded lease liabilities of £2.4m). This implies that payment terms have stayed strong through the pandemic and the recovery to date. With the interim dividend payment of 0.5p per share yet to go out, our model indicates a year-end figure of £11.7m (was £11.0m previously). With a long-term £10m revolving credit facility also in place, Centaur has plenty of financing flexibility.

Valuation

The share price is up 68% year to date as confidence builds that management will deliver against its MAP23 objectives. While improved profit expectations among some quoted B2B media peers have reduced comparative EV/EBITDA multiples, Centaur's valuation remains at a discount on this metric (averaged over FY20–22 to smooth out the pandemic impact). If this discount were to close, the shares would be priced at 56p (July: 58p), still over 10% above the current level.

Exhibit 1: Financial summary

	£m	2019	2020	2021e	2022e
31-December		IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue		39.6	32.4	37.5	42.8
Other operating income		1.6	0.0	0.0	0.0
Cost of Sales		(9.4)	(7.3)	(10.3)	(12.2)
Gross Profit		30.2	25.1	27.1	30.6
EBITDA		4.0	3.8	5.6	7.9
Normalised operating profit/ loss		(1.2)	0.0	2.4	4.5
Amortisation of acquired intangibles		(2.5)	(1.5)	(1.1)	(0.5)
Exceptionals		(4.0)	(0.3)	0.0	0.0
Share-based payments		(0.1)	(0.5)	(0.5)	(0.5)
Reported operating profit/ loss		(7.8)	(2.3)	0.8	3.5
Net Interest		(0.3)	(0.3)	(0.3)	(0.3)
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0
Profit Before Tax (norm)		(1.5)	(0.3)	2.0	4.2
Profit/Loss Before Tax (reported)		(8.1)	(2.6)	0.4	3.2
Reported tax		0.6	0.9	(0.6)	(0.7)
Profit After Tax (norm)		(2.0)	0.3	1.4	3.5
Profit After Tax (reported)		(7.5)	(1.7)	(0.2)	2.5
Minority interests		0.0	0.0	0.0	0.0
Discontinued operations		9.4	(12.7)	(0.0)	0.0
Net income (normalised)		0.4	0.4	1.4	3.5
Net income (reported)		1.9	(14.4)	(0.2)	2.5
Average Number of Shares Outstanding (m)		143	144	145	147
EPS - normalised (p)		(1.4)	0.2	1.0	2.4
EPS - normalised fully diluted, continuing (p)		(1.4)	0.2	0.9	2.2
EPS - basic reported, continuing (p)		(5.3)	(1.2)	(0.1)	1.7
Dividend per share (p)		1.5	0.5	1.0	1.0
Revenue growth (%)		(2.5)	(15.6)	15.4	14.2
Gross Margin (%)		76.3	77.5	72.4	71.6
EBITDA (IFRS) Margin (%)		10.1	11.7	14.9	18.5
Normalised Operating Margin (%)		(3.0)	0.0	6.3	10.5
BALANCE SHEET					
Fixed Assets		67.4	52.3	50.7	49.3
Intangible Assets		61.2	46.1	45.1	44.5
Tangible Assets		4.3	3.3	3.3	3.3
Deferred tax		1.4	2.4	1.8	1.0
Other receivables		0.5	0.5	0.5	0.5
Current Assets		19.7	14.3	16.8	20.8
Stocks		0.0	0.0	0.0	0.0
Debtors		10.3	5.8	4.9	5.6
Cash & cash equivalents		9.3	8.3	11.7	15.0
Other		0.1	0.2	0.2	0.2
Current Liabilities		(23.3)	(17.8)	(19.4)	(20.4)
Creditors		(12.5)	(8.8)	(9.6)	(9.6)
Tax and social security		0.0	0.0	0.0	0.0
Short term borrowings		0.0	0.0	0.0	0.0
Other/ Lease liabilities		(10.8)	(9.0)	(9.8)	(10.8)
Long Term Liabilities		(2.7)	(1.6)	(0.7)	(0.7)
Long term borrowings		0.0	0.0	0.0	0.0
Other long term liabilities, including leases		(2.7)	(1.6)	(0.7)	(0.7)
Net Assets		61.1	47.2	47.4	49.1
Minority interests		0.0	0.0	0.0	0.0
Shareholders' equity		61.1	47.2	47.4	49.1
CASH FLOW					
Op Cash Flow before WC and tax		4.5	(0.0)	5.6	7.9
Working capital		2.1	(1.0)	2.6	0.2
Exceptional & other		(2.0)	3.1	0.0	0.0
Tax		0.1	0.0	0.0	0.0
Operating cash flow		4.7	2.1	8.1	8.1
Capex		(1.6)	(0.8)	(0.9)	(1.1)
Acquisitions/disposals		16.3	0.0	0.0	0.0
Net interest		(0.2)	(0.2)	(0.3)	(0.3)
Equity financing		(0.6)	0.0	(0.4)	(0.3)
Dividends		(7.1)	0.0	(1.5)	(1.5)
Other		(2.2)	(2.1)	(1.6)	(1.7)
Net Cash Flow		9.3	(1.0)	3.4	3.3
Opening net debt/(cash)		(0.1)	(9.3)	(8.3)	(11.7)
FX		0.0	0.0	0.0	0.0
Other non-cash movements		(0.1)	0.0	0.0	0.0
Closing net debt/(cash)		(9.3)	(8.3)	(11.7)	(15.0)

Source: Company accounts, Edison Investment Research

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