EDISON

Centaur Media

Interim results

Robust rebound

Media

Centaur Media's H121 results show revenue and EBITDA margin picking up strongly, with the group on track to meet its FY23 targets, as set out in January in its MAP23 strategy. This envisages group revenue of £45m, with a 23% EBITDA margin. The Flagship 4 brands are leading the way, posting 26% revenue growth over H120. Econsultancy's blended learning is achieving good traction, while events across the group are benefiting from attractive digital propositions. We have edged our revenue forecast up by £1m in both FY21e and FY22e, retaining earlier expectations on adjusted EBITDA. The H121 cash performance was particularly strong, and we now expect year-end net cash of £11.0m (was £8.3m).

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	11.3	N/A
12/20	32.4	(0.3)	0.2	202.5	13.5	1.2
12/21e	37.2	1.2	0.6	72.6	10.0	2.5
12/22e	42.5	3.6	2.0	20.7	6.7	2.5

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

Growth and recovery

The strongest recovery has been in training and advisory, with revenues 53% up on H120. Econsultancy is selling more digital training contracts to blue-chip clients, while the MW Mini MBA goes from strength to strength. Its revenues were 84% up on the prior year, with over 3,000 delegates taking its courses in H121, including many repeat corporate clients. Econsultancy's subscription rates are improving, with a pick-up in new business, and Influencer Intelligence looks to be turning the corner after a pandemic-prompted retrenchment. Events' revenues recovered sharply to £1.9m in H121 (H120: £0.3m), with digital editions of the Festival of Marketing and a step-up in The Lawyer's events schedule. Adjusted for event timing, The Lawyer's underlying revenue grew 13%. Group underlying revenues were up 19% (reported revenue +22%). The operational gearing from higher revenues helped lift adjusted EBITDA margin from 6% to 12%. Our revenue forecasts are edged up £1m and we anticipate a full-year adjusted EBITDA margin of c 14%, rising to 18% for FY22e.

Strong balance sheet underlines opportunities

A particularly strong working capital performance helped boost half year net cash to £11.9m from £8.3m at the year-end (lease liabilities only of £2.4m). With lower capital investment requirements than we had previously factored in, we now expect an end-FY21 position of £11.0m. The group has a long-term £10m RCF in place, giving plenty of financing flexibility.

Valuation: Starting to build

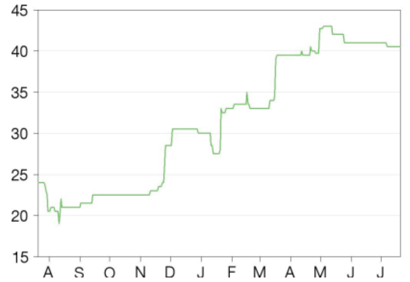
The share price is up 35% year to date as confidence builds. However, the valuation remains at a discount to quoted B2B media peers. If that differential on EV/EBITDA (averaged across FY20–22 to smooth out pandemic impact) were to close, the shares would be priced at 58p (March: 57p), well above the current level.

21 July 2021

Price	40.5p
Market cap	£59m

Net cash (£m) at end June 2021, excluding IFRS lease liabilities of £2.4m	11.9
Shares in issue	146.9m
Free float	88.6%
Code	CAU
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(1.2)	2.5	68.8
Rel (local)	0.5	2.2	48.5
52-week high/low		43.0p	19.0p

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

Q3 trading update	October 2021

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Edison profile page

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Flagship 4 leading the way

Earlier this year, Centaur identified four brands across the business which were the likely drivers of growth in revenue and margin. These are Econsultancy, Influencer Intelligence, Mini MBA and The Lawyer (the three former are within Xeim and details of their operations can be found in our initiation note). In H121, they grew revenues by 26% and between them represent two-thirds of group sales. This implies that the core brands, which form the balance of the group, achieved growth of 15%.

Training and Advisory largest segment in H121

Exhibit 1: Segmental performance H121

	H121 revenue	u/lying % change	Adjusted EBITDA	Central costs	Total	Adj. EBITDA margin
XEIM						
Premium Content	4.3	-16%				
Marketing Services	1.7	13%				
Training & Advisory	5.5	53%				
Events	1.4	367%				
Marketing Solutions	1.8	6%				
Recruitment advertising	0.1	0%				
Xeim Total	**14.8**	**20%**	**2.4**			**16%**
The Lawyer						
Premium Content	1.9	6%				
Events	0.5	25%				
Marketing Solutions	0.5	25%				
Recruitment advertising	0.6	20%				
The Lawyer Total	**3.5**	**13%**	**1.3**			**37%**
GroupTotal	**18.3**	**19%**	**3.7**	**(1.5)**	**2.2**	**12%**

Source: Company

Econsultancy is highlighted in the statement for its wins of large digital training and consultancy contracts (training ahead 20% over the prior period). The MW Mini MBA continues to gain traction and the repeat corporate clients are testament to its efficacy. Revenues here are now recognised weekly rather than smoothed monthly to better reflect how the courses are delivered, with a slight consequent change to the comparative numbers.

Subscription rates within premium content look to have turned the corner. Within Econsultancy, renewal rates are picking up and new business is considerably better. Influencer Intelligence was heavily affected by the altered circumstances of the pandemic conditions on the marketing sector but is now seeing much better renewal rates and new business coming through, with sequential quarterly improvements.

At The Lawyer, renewal rates have been particularly positive at 114%. While it is early days for Signal, its new premium content subscription service, initial indications are positive. Events revenues at The Lawyer benefited from the moving around of the timing of virtual events into the period. This is adjusted for in the quoted underlying revenue growth.

Edge up on revenue expectations

In light of the first half performance, we have edged up our revenue number for the year. In normal circumstances, Centaur's revenues would be more skewed to the second half. The shifts in the timing of events, such as running two additional smaller themed virtual Festival of Marketing events, as well as the larger event in October and other similar changes, are likely to make the effect less pronounced in FY21e. We have edged our revenue forecast up by £1.0m to £37.2m, which gives a

49:51 split H1:H2. Our adjusted EBITDA forecast is unchanged at £5.1m for the year, implying an improvement in adjusted EBITDA margin to 13.7% in H221 from the 12.0% achieved in H121. For FY22e, our forecast adjusted EBITDA margin is 18.0%, progressing towards management's target of 23% for FY23e.

Strong cash performance

With little capital requirement, the group's natural rate of conversion of operating profit to cash is high. Capital spend has been very low in the first half at £0.3m and we have revised down our assumption from £1.6m to £0.9m for the current year and £1.1m for FY22e. In this reporting period, the working capital performance has been particularly good, with strong cash collection and a reduction in debtor days.

Dividend payments were reinstated with the FY20 results, with the payment of 0.5p. The future payout ratio was set at 40%, with a minimum payment of 1.0p. We had previously forecast a flat net cash position at end FY21 but have revised this assumption in light of the good H121 performance and now assume the group ends the year with £11.0m of net cash on the balance sheet. There are lease liabilities only and these amounted to £2.4m at the half-year end.

Exhibit 2: Financial summary

£m	2019	2020	2021e	2022e
31-December	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT				
Revenue	39.6	32.4	37.2	42.5
Other operating income	1.6	0.0	0.0	0.0
Cost of Sales	(9.4)	(7.3)	(10.3)	(12.1)
Gross Profit	30.2	25.1	26.9	30.4
EBITDA	4.0	3.8	5.1	7.6
Normalised operating profit/ loss	(1.2)	0.0	1.6	3.9
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)	0.0	0.0
Reported operating profit/ loss	(7.8)	(2.3)	0.5	3.4
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)	1.2	3.6
Profit/ Loss Before Tax (reported)	(8.1)	(2.6)	0.1	3.1
Reported tax	0.6	0.9	(0.4)	(0.7)
Profit After Tax (norm)	(2.0)	0.3	0.8	3.0
Profit After Tax (reported)	(7.5)	(1.7)	(0.2)	2.4
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	0.8	3.0
Net income (reported)	1.9	(14.4)	(0.3)	2.4
Average Number of Shares Outstanding (m)	143	144	145	145
EPS - normalised (p)	(1.4)	0.2	0.6	2.0
EPS - normalised fully diluted, continuing (p)	(1.4)	0.2	0.6	2.0
EPS - basic reported, continuing (p)	(5.3)	(1.2)	(0.2)	1.7
Dividend per share (p)	1.5	0.5	1.0	1.0
Revenue growth (%)	(2.5)	(15.6)	14.7	14.2
Gross Margin (%)	76.3	77.5	72.3	71.5
EBITDA (IFRS) Margin (%)	10.1	11.7	13.7	18.0
Normalised Operating Margin (%)	(3.0)	0.0	4.2	9.2
BALANCE SHEET				
Fixed Assets	67.4	52.3	50.6	49.0
Intangible Assets	61.2	46.1	44.8	43.8
Tangible Assets	4.3	3.3	3.2	3.3
Deferred tax	1.4	2.4	2.0	1.4
Other receivables	0.5	0.5	0.5	0.5
Current Assets	19.7	14.3	16.3	20.0
Stocks	0.0	0.0	0.0	0.0
Debtors	10.3	5.8	5.1	5.8
Cash & cash equivalents	9.3	8.3	11.0	14.0
Other	0.1	0.2	0.2	0.2
Current Liabilities	(23.3)	(17.8)	(19.4)	(20.3)
Creditors	(12.5)	(8.8)	(9.7)	(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	46.8	48.0
Minority interests	0.0	0.0	0.0	0.0
Shareholders' equity	61.1	47.2	46.8	48.0
CASH FLOW				
Op Cash Flow before WC and tax	4.5	(0.0)	5.1	7.6
Working capital	2.1	(1.0)	2.4	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	7.5	7.8
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)	2.8	3.0
Opening net debt/(cash)	(0.1)	(9.3)	(8.3)	(11.0)
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)	(11.0)	(14.0)

Source: Company accounts, Edison Investment Research

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