

Centaur Media

Simplification and innovation

Capital markets day

Media

11 November 2021

Price **56p**

Market cap **£82m**

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 10.9 16.7 148.9

Rel (local) 7.2 14.5 110.5

52-week high/low 57p 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

Trading update January 2022e

Preliminary results March 2022e

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Centaur's recent capital markets day (CMD) facilitated a deeper dive into the transformation that the group has undergone, with detailed presentations on the underlying businesses by operational management. These underlined the route map towards achieving the goals enshrined in MAP23 – management's target of revenues of over £45m and an adjusted EBITDA margin of 23% by FY23. We edged up our estimates on the trading update accompanying the CMD and see the MAP23 targets as demanding but achievable, with the valuation overstating the execution risk.

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	15.4	2.7
12/20	32.4	(0.3)	0.2	280.0	18.4	0.9
12/21e	37.5	2.0	0.9	62.2	12.6	1.8
12/22e	42.8	4.2	2.2	25.5	8.8	1.8

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

Deeper dive on the business

The CMD highlighted just how far the group has already travelled in its remodelling as a business-critical information and support provider to the legal and marketing professions. Management teams from The Lawyer and from Xeim presented in depth on how their respective businesses are positioning to take best advantage of existing and new opportunities in their markets. They particularly brought out the success to date of the transition to digital delivery and how that is helping to grow the proportion of recurring and repeatable revenues within the mix. Highlights of the divisional presentations, and that of CEO Swag Mukerji, are contained within this report, with the full recording of the session available on the investor relations pages of the company's [website](#).

Improving quality of earnings

The value being delivered to clients through the use of Centaur's products and services is becoming much clearer, enhanced by more coherent messaging. The quality of earnings is also increasing as those products and services become more deeply embedded in clients' workflows, driving recurring and repeatable revenue. It is also clear that there is considerable scope to increase revenue per client. The path to the MAP23 targets is set and the strong balance sheet (with a long-term £10m revolving credit facility also in place) provides further comfort.

Valuation: Still overstating the execution risk

With a further bounce on the trading update, the share price is now up 87% year to date as confidence builds that management will deliver against its MAP23 objectives. Centaur's valuation remains at a discount to its quoted B2B media peers on EV/EBITDA (averaged over FY20–22 to smooth out the pandemic impact). If this discount were to close, the shares would be priced at 60p (October: 56p), 7% above the current level.

Highlights from the CMD

Centaur has the full recording of the CMD on its website. Below we highlight some of the pertinent elements in shorter form.

Overview of the transformation

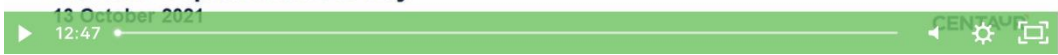
In Exhibit 1 CEO Swag Mukerji outlines how the group has been brought into focus through a major simplification process to concentrate on two key markets: law and marketing.

Exhibit 1: Centaur CMD, group overview

Connecting the market through tailored solutions



Centaur Capital Markets Day



Source: Centaur

Focus on the 'Flagship 4'

The next part of the presentation gave a more thorough exposition on the history, positioning and opportunities of the four key brands identified by management as the key growth drivers to meet the MAP23 objectives.

The Lawyer

In the exhibit below, we show highlights of the presentation by Jane Wilkinson, managing director of The Lawyer, who joined in August 2021, and from Catrin Griffiths, Editor. Jane joined from Euromoney, where she was group chief marketing officer and was particularly focused on driving subscription revenues. In the video, Jane and Catrin identify key trends driving the need for accurate and timely information, who their key clients are and the products and services provided by The Lawyer that best suit their needs.

Exhibit 2: The Lawyer

A quality business

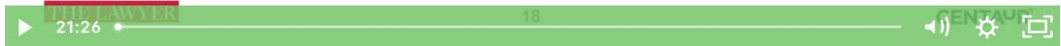
The Lawyer has been reporting on the legal market since 1987. It is a trusted brand, known for its independence; quality of its content and access to the top City law firms & in-house corporate lawyers

- Award winning brand with differentiated content, senior reach & strong growing engagement
- Successfully transitioning to a paid subscriptions model
- Migrated to digital for all business lines
- Excellent customer engagement/perception with NPS of over 30
- High margin at 33%
- Significant improvement in the revenue mix over the past few years



"The Lawyer... is seen as the bible of the UK legal industry. Other UK legal publications just do not have the same standing."

Top UK Law Firm



Source: Centaur

The other three flagship brands fall within the XEIM portfolio and are here presented by Steve Newbold, group managing director, XEIM. To introduce them, he first discusses XEIM (standing for 'Excellence in Marketing').

Exhibit 3: XEIM

Xeim



Steve Newbold Group Managing Director, Xeim
Richard Robinson Managing Director, Xeim Engage



Source: Centaur

eConsultancy

eConsultancy supports its clients in the fast-changing arena of digital marketing through blended learning, expounded on by Steve in this video.

Exhibit 3: eConsultancy

Econsultancy



Source: Centaur

Influencer Intelligence

A more recent innovation, Influencer Intelligence brings together the resources needed for marketers to efficiently deploy influencers within their campaigns.

Exhibit 5: Influencer Intelligence

Influencer Intelligence



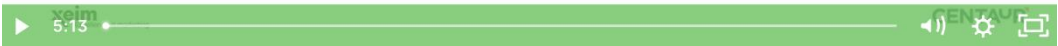
Source: Centaur

The Marketing Week Mini MBA

Having started as an adjunct to the original print magazine, the Marketing Week Mini MBA has developed as a product and brand in its own right, with potential to extend its remit and to build recurring revenue streams, as explained here.

Exhibit 6: Mini MBA

The Marketing Week Mini MBA



Source: Centaur

Centaur's core brands

Steve Newbold here briefly outlines the other important brands within the portfolio and how they deliver value to the group.

Exhibit 7: Core brands

Xeim Core Brands



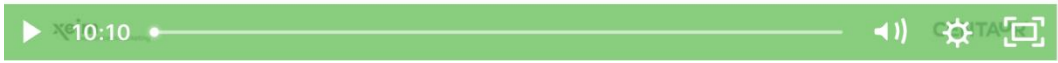
Source: Centaur

Articulating the XEIM proposition

Richard Robinson, the managing director of XEIM Engage, here describes how XEIM is addressing its larger clients and driving cross-selling opportunities.

Exhibit 8: XEIM Engage

Selling Xeim solutions



Source: Centaur

Financial implications

With the CMD, Centaur issued a trading update guiding to FY21 adjusted EBITDA margin of c 15% compared to our earlier expectation of 13.7%, indicating a more profitable mix of business coupled with good control of the cost base. We updated our forecasts to reflect this (see our update [Building margin](#)) and lifted our expectation for the EBITDA margin in FY22e from 18.0% to 18.5%.

Exhibit 4: 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
Operating profit (before amort. and excepts.)		(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 (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: Centaur Media accounts, Edison Investment Research

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