

# Future

Trading update

## Strong finish to FY18

Future has now completed its acquisition of Purch, fully funded by a successful rights issue. Trading results in the core Media business are ahead of earlier management expectations for FY18, helped by some strong product launches and World Cup-related campaigns. We have finessed our indicative forecasts, including Purch, and updated to reflect the trading update and adjusted historic EPS for the bonus element of the rights. There are clear opportunities to leverage the Purch assets, generating incremental growth, which we believe justify a higher rating.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	EV/EBITDA (x)	Yield (%)
09/16	59.0	2.3	6.9	0.0	65.1	73.2	N/A
09/17	84.4	8.3	17.5	0.0	25.7	34.6	N/A
09/18e	118.6	15.5	19.9	1.0	22.6	19.0	0.2
09/19e	167.0	27.3	24.8	2.0	18.1	12.0	0.4

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. Historical EPS restated for bonus element of rights issue.

## Revisions to forecasts

At the time of the rights issue in July, we set out an indicative combined forecast [income statement](#). For FY18e, this showed revenue of £114.6m and EBITDA of £18.4m. With the acquisition now completed (5 September), we have updated and formalised these numbers. The core trading uplift referred to in the pre-close statement is project specific to FY18e. We have raised our group revenue forecast to £118.6m, with a resulting 9% increase in EBITDA to £20.0m. For the following year, our revised revenue number of £167.0m is slightly lower than our initial estimate (£176.7m). This reflects three factors: a planned reduction in some less profitable business at Purch, other refining of the broader portfolio, and timing of an event that will now fall into FY20e. Our EBITDA projection for FY19e is unchanged at £31.8m. The historic EPS has now been adjusted to reflect the bonus elements of the rights, making the progression more evident.

## Acquisitions improve the mix

Our July note described the Purch B2C business acquisition in some detail, outlining opportunities. In particular, Purch gives Future the scale needed to be a credible proposition to US advertisers in the attractive consumer technology market. Allied to the earlier acquisition of Newbay, the group now has a good revenue balance between the US and other markets, with a broad range of content and an attractive mix of different income streams.

## Valuation: Clear upside

At 449p, Future's shares are trading at a discount of around 8% to our blended peer set on an EV/EBITDA basis for FY19e, despite the premium growth and expanding EBITDA margin. Looking at a DCF on unchanged assumptions of a conservative 7% medium-term, top-line growth and with the EBITDA margin growing to 23% (reflecting the shift in mix more towards Media), we derive a suggested valuation of 564p, 26% ahead of the current level.

Media

10 September 2018

**Price** **449p**
**Market cap** **£365m**

£1: \$1.30

Net debt (£m) at 31 March 2018 (pro forma for rights/Purch, but pre-Newbay) 1.1

Shares in issue 81.4m

Free float 99.5%

Code FUTR

Primary exchange LSE

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 12.5 4.8 66.1

Rel (local) 18.4 10.6 67.4

52-week high/low 471.3p 246.7p

### Business description

Future is an international media group and leading digital publisher, with a scalable platform and a range of leading consumer brands. It operates two separately managed, brand-led divisions: Media and Magazine.

### Next events

Full year results 23 November 2018

### Analysts

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**Exhibit 1: Financial summary**

	£'m	2015	2016	2017	2018e	2019e
30 September		IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>						
Revenue		59.8	59.0	84.4	118.6	167.0
Cost of Sales		(40.6)	(16.0)	(23.4)	(38.2)	(41.0)
Gross Profit		19.2	43.0	61.0	80.4	126.0
EBITDA		3.7	5.2	11.0	20.0	31.8
Operating Profit (before amort. and except.)		0.7	2.8	8.9	17.0	28.8
Amortisation on acquired intangibles		(2.3)	0.0	(2.3)	(8.3)	(14.8)
Exceptionals		(2.5)	(16.5)	(3.7)	(4.6)	(1.5)
Share-based payments		(0.1)	(0.5)	(2.1)	(4.0)	(4.0)
Reported operating profit		(4.2)	(14.2)	0.8	0.1	8.5
Net Interest		(0.6)	(0.5)	(0.6)	(1.5)	(1.5)
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		0.1	2.3	8.3	15.5	27.3
Profit Before Tax (reported)		(2.3)	(14.9)	0.2	(1.4)	7.0
Reported tax		0.3	0.5	1.4	0.3	(1.4)
Profit after tax (norm)		0.4	2.3	8.6	12.4	21.8
Profit after tax (reported)		(2.0)	(14.4)	1.6	(1.1)	5.6
Minority interests		0.0	0.0	0.0	0.0	0.0
Discontinued operations		0.7	0.2	0.0	0.0	0.0
Net income (normalised)		0.5	2.3	8.6	12.4	21.8
Net income (reported)		(1.3)	(14.2)	1.6	(1.1)	5.6
Average Number of Shares Outstanding (m)		22	32	45	56.9	82
EPS - basic normalised (p)		2.3	7.1	19.0	21.8	26.6
EPS - normalised, diluted (p)		2.2	6.9	17.5	19.9	24.8
EPS - basic reported (p)		(5.9)	(43.9)	3.5	(2.0)	6.8
Dividend per share (p)		0.0	0.0	0.0	1.0	2.0
Revenue growth (%)		(9.4)	(1.3)	43.1	40.5	40.8
Gross margin (%)		32.1	72.9	72.3	67.8	75.5
EBITDA margin (%)		6.2	8.8	13.0	16.9	19.0
Normalised operating margin (%)		1.2	4.7	10.5	14.3	17.2
<b>BALANCE SHEET</b>						
Fixed assets		44.9	36.1	97.9	207.0	191.8
Intangible assets		43.8	33.2	92.3	199.8	184.5
Tangible assets		0.6	0.5	1.0	2.3	2.4
Investments & other		0.5	2.4	4.4	5.7	4.7
Current assets		19.5	15.8	24.5	43.2	60.5
Stocks		0.5	0.4	0.7	0.7	0.7
Debtors		15.3	12.4	13.6	38.0	41.9
Cash & cash equivalents		2.5	2.9	10.1	4.4	17.8
Other		1.2	0.1	0.1	0.1	0.1
Current liabilities		(25.9)	(25.1)	(36.4)	(57.8)	(58.7)
Creditors		(20.7)	(21.4)	(29.9)	(44.5)	(45.4)
Tax and social security		(0.9)	(1.4)	(3.2)	(3.2)	(3.2)
Short-term borrowings		(4.3)	(2.3)	(3.2)	(10.0)	(10.0)
Other		0.0	0.0	(0.1)	(0.1)	(0.1)
Long-term liabilities		(7.1)	(5.6)	(24.7)	(28.8)	(21.8)
Long-term borrowings		0.0	(0.1)	(16.9)	(15.1)	(11.7)
Other long-term liabilities		(7.1)	(5.5)	(7.8)	(13.7)	(10.1)
Net assets		31.4	21.2	61.3	163.5	171.8
Minority interests		0.0	0.0	0.0	0.0	0.0
Shareholders' equity		31.4	21.2	61.3	163.5	171.8
<b>CASH FLOW</b>						
Operating cash flow before WC and tax		0.8	5.2	11.0	20.0	31.8
Working capital		(8.0)	(2.1)	4.7	2.0	(3.0)
Exceptional & other		(0.4)	0.0	(3.7)	(5.1)	(1.5)
Tax		(0.5)	(0.7)	(1.4)	(4.6)	(5.0)
Net operating cash flow		(8.1)	2.4	10.6	12.3	22.3
Capex		(2.0)	(2.5)	(2.6)	(2.6)	(2.6)
Acquisitions/disposals		1.3	(0.3)	(31.8)	(119.6)	0.0
Net interest		(0.6)	(0.4)	(0.6)	(1.5)	(1.5)
Equity financing		0.0	3.1	21.0	102.0	0.0
Dividends		0.0	0.0	0.0	0.0	(1.4)
Other		0.0	(0.1)	0.2	0.0	0.0
Net cash flow		(9.4)	2.2	(3.2)	(9.4)	16.8
Opening net debt/(cash)		(7.5)	1.8	(0.5)	10.0	19.4
FX		0.1	0.1	0.0	0.0	0.0
Other non-cash movements		0.0	0.0	(7.3)	0.0	0.0
Closing net debt/(cash)		1.8	(0.5)	10.0	19.4	2.6

Source: Company accounts, Edison Investment Research

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