

BUY	<i>Potential</i>	102%
Target Price		4,00 €
Share at 07/03/2020 (c)		1,98 €
Alternext Paris		
Reuters / Bloomberg	ALREW.PA / ALREW.FP	

Reworld Media

Media

Digital immunity

Performance (%)	Ytd	1m	3m	12m
Absolute perf	-28,2%	5,1%	2,1%	-41,0%
CAC Small perf	-16,3%	0,3%	20,7%	-13,7%

Market data

Market capitalisation	102,6
Number of shares (in millions)	518
12-month average volume (share)	25 199
12-month trading range	1,51 € - 3,43 €

Major shareholders

Management	17%
ID Invest	16%
Arnoldo Mondadori Editore	17%
Montjoie Investissements	10%
Flottant	40%

Financial data (in €m)

at 12/31	2019	2020e	2021e	2021e
Sales	294,4	422,4	417,9	415,1
%change	65,8%	43,5%	-1,1%	-0,7%
EBITDA	31,6	36,2	40,4	44,0
%of sales	10,8%	8,6%	9,7%	10,6%
EBIT	25,5	28,4	32,5	36,0
%of sales	8,7%	6,7%	7,8%	8,7%
Net result, Group sha	25,4	8,9	19,6	22,0
%of sales	8,6%	2,1%	4,7%	5,3%
EPS (€)	0,51	0,17	0,38	0,42
Gearing (%)	43,5%	36,3%	18,5%	3,1%
ROCE (%)	17,4%	18,9%	21,6%	24,0%
ROE (%)	26,3%	8,5%	15,9%	15,2%
Net debt	42,0	38,0	22,8	4,6
Dividend n (€)	0,0	0,0	0,0	0,0
Yield (%)	0,0%	0,0%	0,0%	0,0%

Ratios

	2019	2020e	2021e	2022e
EV/Sales (x)	0,5	0,3	0,3	0,3
EV/EBITDA (x)	4,8	3,8	3,1	2,4
EV/Current Op Result	6,0	4,9	3,9	3,0
PE (x)	4,5	11,2	5,2	4,7

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- **With the acquisition of Mondadori France on 31 July 2019, Reworld Media became the leading thematic press group in France with 26 million monthly readers.**
- Created in 2012, the Group has been built via external growth with the acquisition of titles from Axel Springer (Télé Magazine), the Marie Claire Group in 2013 (Marie France), Lagardère in 2014 (Auto Moto, Maison & Travaux, etc.) and, more recently, from Arnoldo Mondadori Editore SpA (Télé Star, Télé Poche, Auto Plus, Closer, Pleine Vie, Science & Vie, etc.).
- While 2020 had been expected to see a first earnings contribution from the integration of Mondadori France, the H1 priority became one of managing a high-on-three-month-standstill for the Print business, difficulties in monetising advertising space despite markedly higher audiences and the preservation of cash.
- **Since mid-March the Group has managed to publish all its issues and benefited from a resilient profile in the magazine press universe thanks to: 1/ low exposure to Print advertising (8.7% of 2019 sales pro forma), 2/ 3.5 million print subscribers and 3/ very strong growth in digital audiences.**
- Given the amplification in the trends since mid-March 2020 with a decline in print media consumption and an increase for digital media, the diversification into digital by Reworld Media has proven perfectly adapted to the situation.
- Once the wave has passed, the main valuation catalysts will remain an **improvement** in the product mix, synergies with Mondadori France and an increasing proportion of variable costs. With cash of €54.0 million at end 2019 (gearing of 43.5%) and having just obtained a **€33.0 million government-backed loan**, Reworld should weather the Covid-19 phase without difficulty.
- For the 2020 financial year, we are forecasting a 43.5% increase in sales to €422.4 million and an EBITDA of €36.2 million. In 2022, we expect an EBITDA of €44.0 million.

We are initiating coverage of Reworld Media with a Buy opinion and a price target of €4.00 derived from the average of the DCF (€4.00) and sum of the parts (€4.00) valuations.

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Investment case

- **Untapped potential for the Mondadori brands in digital**

The twenty-odd new Mondadori France brands having joined the Reworld Media portfolio in July 2019 generated digital revenues of €10.1 million in 2019. With a digital audience of 12 million unique visitors (UV), the revenue per unique visitor (ARPU) amounts to €0.84. Or just a third of the ARPU for Reworld's legacy brands (€2.4 with an audience of 8.5 million UVs and revenues of €20.7 million in 2019). Reworld's expertise in driving digital audience growth (via SEO, newsletters, the social media, etc.) and optimising advertising space (via advertising on websites, networks and the mining of databases), together with the growth in verticals with qualified profiles are going to automatically leverage the volumes and selling prices of the newly-integrated titles.

- **A leadership premium**

At the end of 2019, with the integration of the Mondadori titles, Reworld reached 26 million press readers and 20 million unique visitors a month, and disposed of 9 million email addresses and 9 million fans and followers on the social media. This attainment of a critical audience volume on six thematics (Women, Entertainment, Home/Garden/Nature, Auto/Sport, Health/Wellbeing/Food, Science/Culture) coupled with a high level of audience qualification enables Reworld to defend its selling prices to advertisers whether offline or online.

- **Independence and editorial quality underpin the economic attraction**

With only 22% of 2019 pro forma revenues generated from advertising on its print and digital media, Reworld is free of any dependence on advertisers on its proprietary media. This independence vis-à-vis advertising will be maintained since it enables more visibility on revenue generation. Furthermore, the editorial quality of the magazines is also a growth lever for volumes and prices. Sub-contracting to freelance journalists is not synonymous with a decline in quality but does enable an increased proportion of variable costs.

- **A rapidly-growing digital market**

Reworld is positioned in the rapidly-growing digital advertising market. With average annual growth of 16% over the last five years, the global market was worth nearly €300 billion in 2019 and should near €440 billion by 2023. The digital share of total advertising should thus increase from 46% to 61% in 2023. Leaving aside the top six players who cornered 79% of the market in 2019 (Google, Facebook, Alibaba, Baidu, Tencent, Microsoft), growth should be close to 14% for the other players through to 2023 (*source: The Global Internet Industry-August 2019- Xerfi*).

• A favourable product mix and a reduction in fixed costs

The ramp-up of Digital Branding with an annual revenue growth rate of 16.5% between 2019 and 2022 will partially offset the expected decline in Print (-8.2%). Digital, which posted an EBITDA margin of 15.6% in 2019 (vs 10.2% for Print), will contribute to boosting profitability. In parallel, with the integration of Mondadori France, Reworld Media will benefit from cost synergies of around €13 million (c.€7 million in payroll costs, €5 million linked to office moves and €1.5 million in printing costs).

As such, we expect a managed average annual decline in revenues of -3.5% between 2019 and 2022, and an EBITDA of €36.2 million in 2020.

• Positive momentum

Given the strong growth in digital magazine consumption, the revenue and cost synergies with the Mondadori France titles and Reworld Media's expertise in media digitalisation, the current share price level represents an opportunity in our view.

SWOT Matrix

Strengths

- Brand portfolio focused on fast-growing thematic
- Powerful multi-media contact
- Experienced teams
- International presence
- Multiple revenue sources
- Monetisation levers in digital
- Expertise in turning around profitability
- Key player for advertisers

Weaknesses

- High proportion of press fixed costs

Opportunities

- External growth
- Rapidly-growing digital advertising market
- Sector consolidation

Threats

- Ongoing decline in the print press market
- Pricing pressure in digital and print advertising



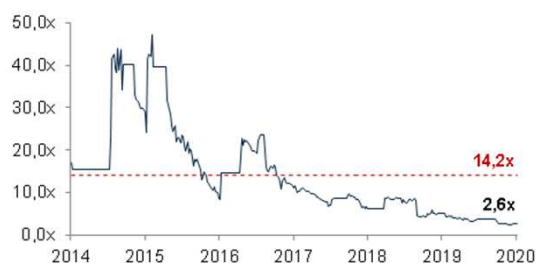
Historic growth driven by the integration of new titles and profitability reinforced by cost synergies and the ramp-up of digital. A strategy which has paid off in a difficult print press market and a rapidly-growing digital market. Short-term turnarounds and the adopted strategy point to a new story of cash generation in the coming financial years.

Share price vs CAC small



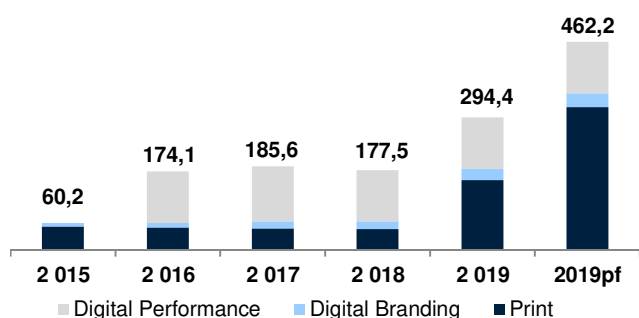
source: Factset / Euroland Corporate

EV/EBIT trend since 2014



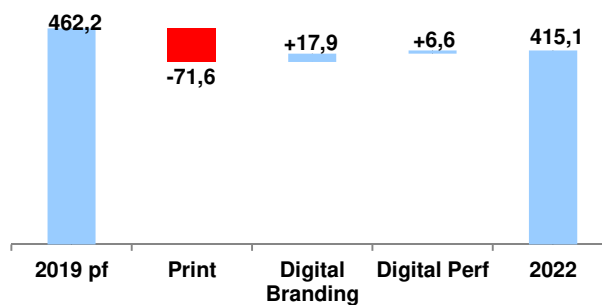
source: Factset / Euroland Corporate

Revenue trend 2015-2019 (in €m)



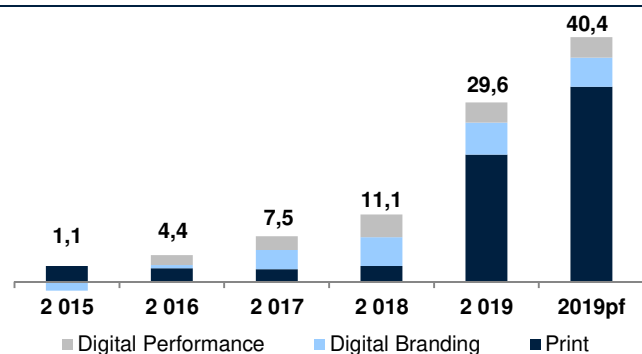
source: Reworld / Euroland Corporate

Revenue bridge 2019 pro forma-2022e (in €m)



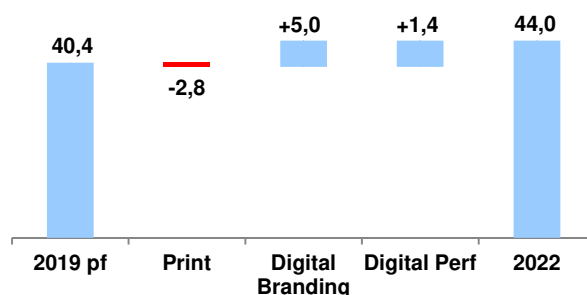
source: Euroland Corporate

Trend in company EBITDA 2015-2019 (in €m)



source: Reworld / Euroland Corporate

EBITDA bridge 2019 pro forma-2022e (in €m)



source: Euroland Corporate

History

Reworld Media's history is founded on a series of successful acquisitions and integrations (11 since 2012), enabling the company to gradually enrich its portfolio of media brands and supplement its technological platform. Its history can be outlined in four successive phases.

2013-14: Building of a portfolio of 15 brands with the acquisition of titles from Marie Claire (Marie France), Axel Springer (Télé Magazine, Gourmand, Vie Pratique, Papilles, etc.) and Lagardère (Auto Moto, Be, Maison & Travaux). Raising of €3.4 million of equity over the period to contribute to acquisition financing (€2.0 million in April 2014 and €1.0 million in November 2014). The titles purchased are systematically loss-making and will be developed via the digitalisation of their offer and cost savings (increased proportion of variable payroll costs, reduction in printing costs, optimisation of overheads).

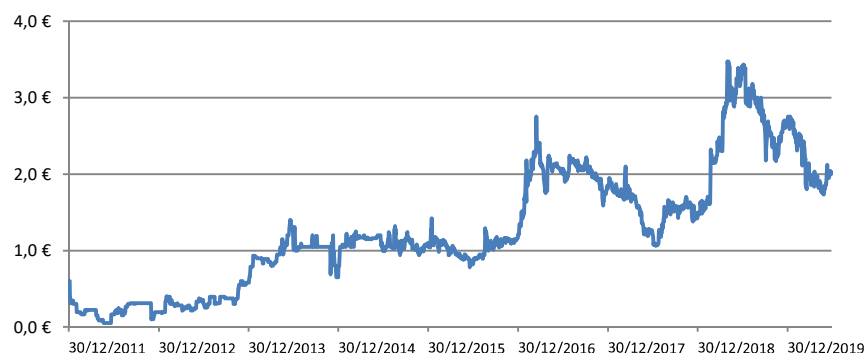
2015-18: As of 2015, the chosen strategy enables a return to profitability with revenues of €60.2 million and current operating income of €1.1 million. Reworld then purchases a 19.1% equity interest in Tradedoubler which it will fully integrate as of 2016. Revenues thus increase by some €115m in 2016. Given the adoption of French accounting standards, the net result remains burdened by goodwill amortisation until 2015. Exceptional charges also weigh on the net result through to 2017. 2018 is thus the year of maturity, post restructuring.

2019: On 31 July 2019, Reworld embarks on the acquisition of Mondadori France, bringing some 20 additional titles and boosting the Reworld portfolio to 40 brands. 2019 pro forma revenues thus stand at €462.2 million and current operating income at €40.4 million (€175.6 million and €10.0 million estimated for Reworld stand-alone). The acquisition is financed in shares (€10.0 million against 14.3% of the Mondadori share capital) and cash (€55.4 million of which a vendor credit of €9.5 million + an eventual additional consideration of €5 million). The year is marked by a €8.95 million private placing in April 2019 at €2.81 and a €10.0 million capital increase reserved to Arnoldo Mondadori Editore in July 2019 at €2.81, followed by a second in December 2019 at €2.49 without a preferential subscription right. Arnoldo Mondadori Editore thus holds 17.3% of the Group.

2020: As of mid-March, Reworld manages to publish all of its issues and demonstrates its resilient profile in the face of the crisis: 1/ low exposure to print advertising (14% of Print revenues in 2019), 2/ 3.5 million of print subscribers and 3/ strong digital audience growth. The H1 is also marked by an increased equity interest in Tradedoubler from 40.21% to 51.8%. The transaction is paid for in shares (creation of 760,122 new shares, i.e. dilution of around 1.45%).

Stock market history

10-year share price chart



source: Factset / EuroLand Corporate

- Listed for trading on the Marché Libre in 2009, acquired by Pascal Chevalier and Gautier Normand in 2012, transferred to Euronext Growth in 2014 and to the 'Offre au Public' section in 2017, the shares started to take off as of the end of 2016, moving from €1.00 to €2.00 on average.
- A significant improvement in operational profitability from €0.1 million in 2015 to €7.9 million in 2018 confirmed the soundness of the digital growth strategy and propelled the share price. As of mid-2018, market pressure triggered a correction which saw the shares at times revisit the €1.00 level (July 2018).
- A new stock market phase opened with the announcement of the acquisition of Mondadori France in February 2019, the shares then reaching €3.47 in May 2019. Fears on the integration of Mondadori France (3x larger in terms of EBITDA at €30.0 million in 2019) nonetheless prompted a return to around the €2.50 level.
- Although Reworld had opened 2020 at around €2.80, the shares have been trading at around €2.00 since mid-March and the fears surrounding the economic repercussions of the Covid-19 crisis.

Business presentation

Reworld Media is the only European media company to offer customers a presence on its proprietary media brands and a complementary network of websites and databases compensated on performance.

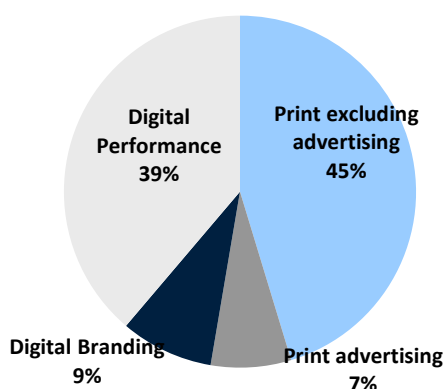
Of its brand portfolio (75% of 2019 pro forma revenues and 35% on average for Reworld standalone in the past three years), **Print** (68.6% of 2019 pro forma revenues and c.27% of revenues in the past three years with a CAGR of -4%) represents the legacy business of magazine sales with approaching 40 reference brands covering six strong thematic: Auto/Sport, Entertainment, Women, House/Garden/Nature, Health/Wellbeing/Food and Science/Culture.

Digital Branding (6.7% of 2019 pro forma revenues and 8.1% of revenues for Reworld standalone in the last three years with a CAGR of +29%) corresponds to the digital sales generated by the media brands.

Lastly **Digital Performance** (24.7% of 2019 pro forma revenues and 65% of Reworld standalone revenues in the last three years, CAGR of 0%) is the activity coming from the consolidation of Tradedoubler, a leading European affiliate marketing network, listed on the Stockholm stock market. Reworld bought an initial 30% in 2016 before increasing its equity interest to 40% in 2018 and now holds 51.80% of the Tradedoubler share capital.

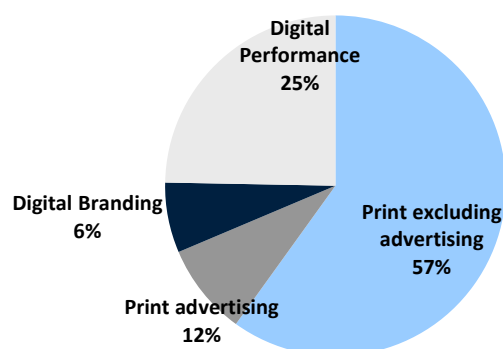
Its highly-complementary communication channels and leadership position in 6 specialised press thematic enable Reworld to capture the growth in the digital media market and, at the end of 2019, address a portfolio of 2,500 customers (2,000 on Tradedoubler and 500 on Reworld Media).

Breakdown in 2019 revenues by segment



source: Reworld / EuroLand Corporate

Breakdown in 2019 pf revenues by segment



source: Reworld / EuroLand Corporate

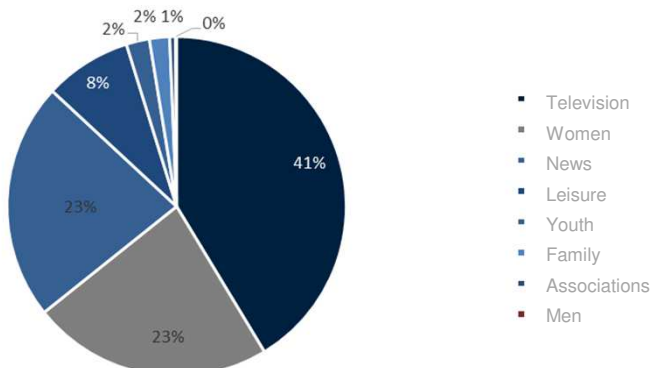
A portfolio of strong brands

Through its 40 titles and approaching 140 million annual copies sold, Reworld is investing in the main magazine press thematic verticals in France.

Panorama of the Reworld offer at the end of 2019

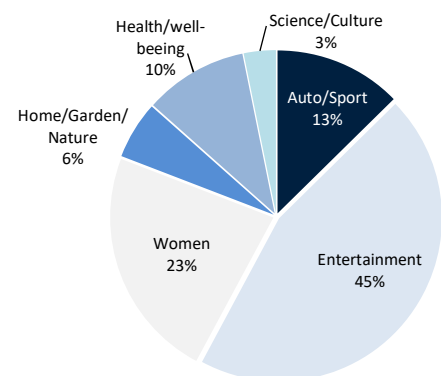
Women		8m readers of whom 6.1m women 7m website UVs per month
House/Garden/ Nature		4.1m readers 1.5m website UVs per month
Auto/Sport		6.5m readers of whom 5.2m men 7.3m website UVs per month
Science/Culture		4.2m readers 384,000 website UVs per month
Health/Wellbeing/ Food		4m readers of whom 3m women 4.7m website UVs per month
Entertainment		5.8m readers 3.7m website UVs per month

Breakdown in the number of magazines by family (2018)



source : ACPM

Breakdown in the number of Reworld magazines by family (2019) in pf (100% Mondadori)



source : ACPM / Euroland Corporate

In term of volumes, as in the French magazine publishing market, **TV magazines sell the most copies with 35 million for Télé Star in 2019 and 16 million for Télé Poche.**

Then come the women's magazines with **Closer** and **Nous Deux**, each with annual sales of c.10 million copies, representing two-thirds of the Reworld women's press business.

Auto/Sport is a vertical which is particularly well represented at Reworld with **Auto Plus and its 13 million annual copies sold**, accounting for 75% of this segment.

In total, 10 titles sell 3 million copies per year, 13 titles sell between 1 million and 3 million and 9 titles fewer than 1 million copies.

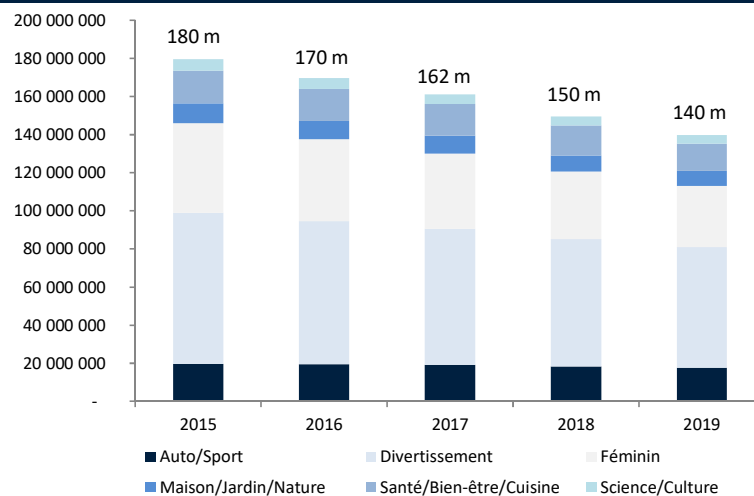
Breakdown in the number of copies sold by title in 2019 in pro forma (Mondadori at 100%)

Plus de 3M d'exemplaires		Entre 1M et 3M d'exemplaires		Moins de 1M d'exemplaires	
Télé Star	38,5	Le Chasseur français	2,6	Sport Auto	0,5
Télé Poche	17,9	Science & Vie	2,5	Campagne Décoration	0,5
Auto Plus	13,3	Gourmand	2,4	La Revue nationale de la chasse	0,5
Closer	10,6	L'Auto-Journal	2,4	Vie Pratique Féminin	0,3
Nous Deux	9,8	Biba	2,1	Diapason	0,3
Télé Magazine	6,5	Science & Vie Junior	1,8	Vital	0,3
Pleine Vie	6,4	Dr. Good	1,3	Vital Food	0,2
Grazia	5,1	Auto Moto	1,3	Réponses photo	0,2
Top Santé	3,6	Maison & Travaux	1,2	Auto-Journal Evasion 4x4	0,1
Modes & Travaux	3,1	Mon Jardin & Ma Maison	1,1		
		Le Journal de La Maison	1,1		
		Marie France	1,1		
		L'Ami des Jardins	1,0		

source: ACPM / Euroland corporate

In terms of market dynamics, the volumes of Reworld Media titles follow the same trends as the overall market (see Market section p.19).

Trend in number of copies sold 2015/2019 in pro forma (Mondadori at 100% over the period)



source : ACPM / Euroland Corporate

Reworld benefits from substantial pricing power on its titles, enabling it to partially offset the decline in print volumes with annual price increases.

Based on our estimates, Reworld thus **increased its prices by around 4% per year** on average between 2015 and 2018.

On our estimates, the top five titles (Télé Star, Auto Plus, Pleine Vie, Nous Deux and Télé Poche) account for around 50% of revenues and 60% of volumes.

Estimated 2019 Print revenue per title excl. advertising in pro forma (Mondadori at 100%) in €m

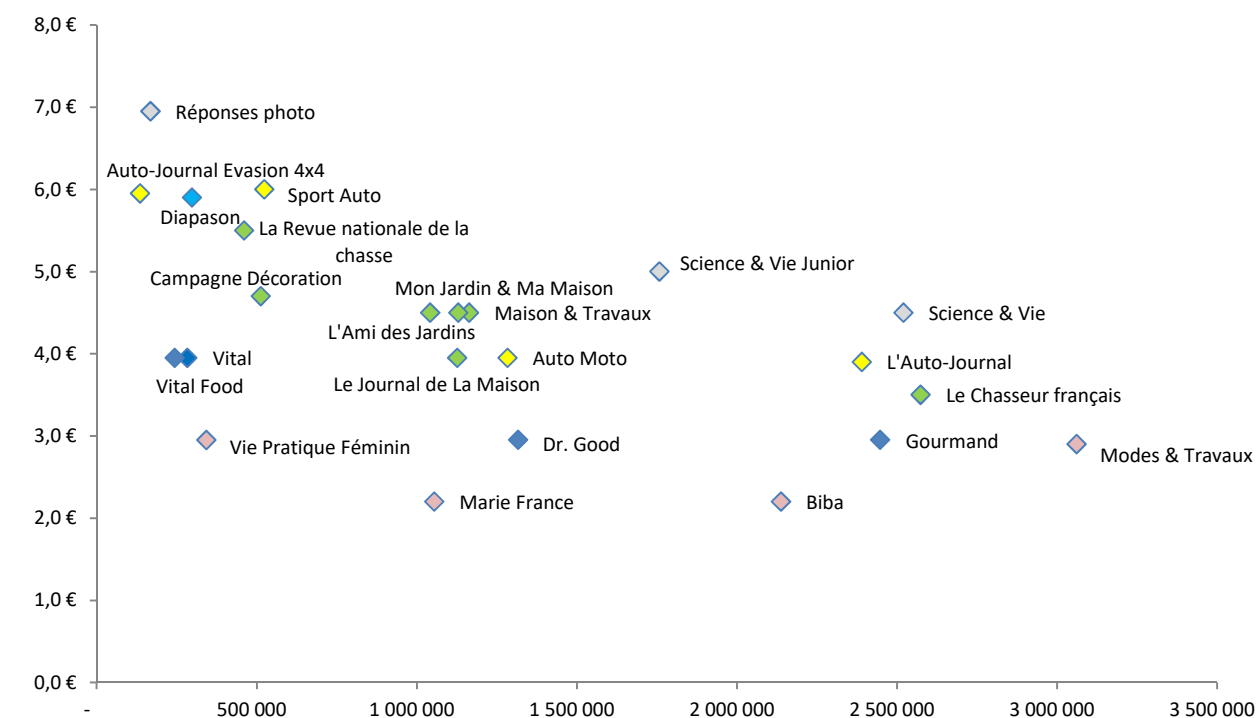
Plus de 10M€ générés en 2019		Entre 4M€ et 10M€ générés en 2019		Moins de 4M€ générés en 2019	
Télé Star	47,4	Science & Vie	9,3	Le Journal de La Maison	3,9
Auto Plus	27,3	Top Santé	9,2	Dr. Good	3,7
Pleine Vie	20,3	L'Auto-Journal	8,7	Biba	3,4
Nous Deux	20,1	Modes & Travaux	8,3	Sport Auto	2,6
Télé Poche	19,9	Le Chasseur français	8,2	La Revue nationale de la chasse	2,2
Closer	16,8	Science & Vie Junior	7,4	Marie France	2,1
Télé Magazine	10,2	Gourmand	6,9	Campagne Décoration	2,0
		Grazia	5,7	Diapason	1,4
		Mon Jardin & Ma Maison	4,6	Vie Pratique Féminin	1,0
		Maison & Travaux	4,5	Vital	1,0
		Auto Moto	4,3	Réponses photo	0,9
		L'Ami des Jardins	4,0	Vital Food	0,9
				Auto-Journal Evasion 4x4	0,7

source: ACPM / Euroland corporate

With a per-copy selling price averaging €4.0, on our estimates Reworld generates nearly 85% its pro forma Print revenues (excluding advertising) from titles sold at below €2.0.

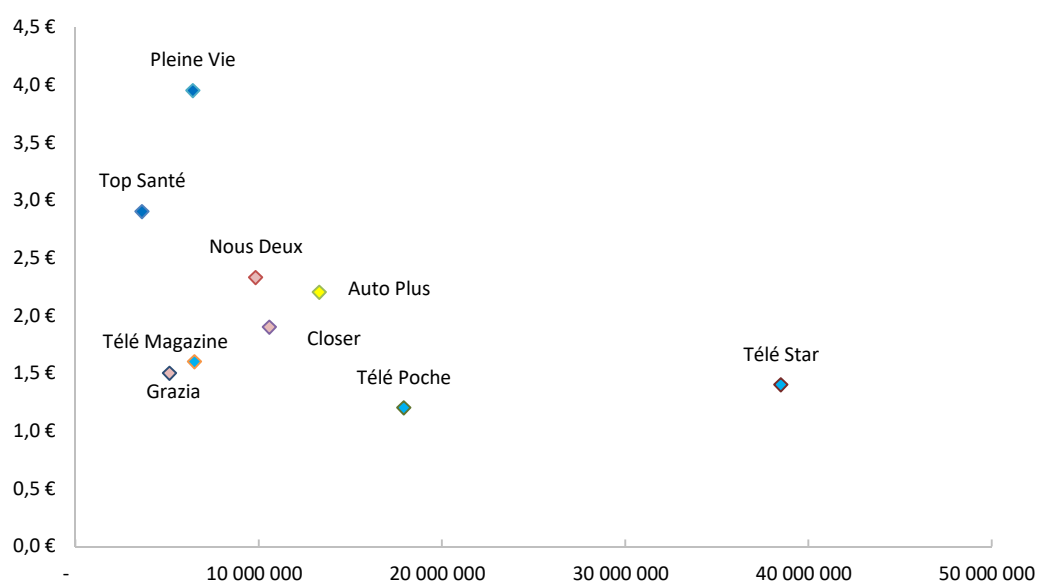
Reworld nonetheless covers the whole qualitative spectrum for magazines, from high-end periodicals like Réponses Photo (bi-monthly at €6.95) and Diapason (monthly at €5.90) to cheaper titles like, for example, Télé Poche (weekly at €1.20) and Grazia (44 editions a year at €1.50). This diversity enables the targeting of a wide range of readers and advertisers, and the diversification of risk.

Mapping of the magazines based on per-copy selling price and 2019 circulation figures (volumes <3.5m copies)



source : ACPM / Euroland Corporate

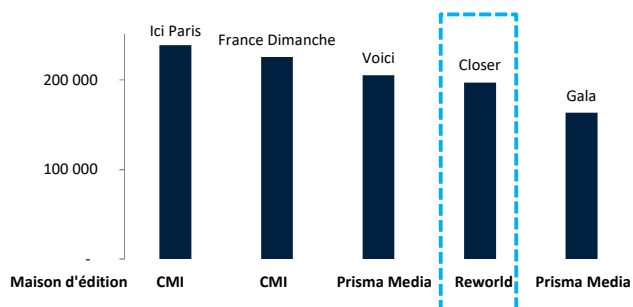
Mapping of the magazines based on per-copy selling price and 2019 circulation figures (volumes <3.5m copies)



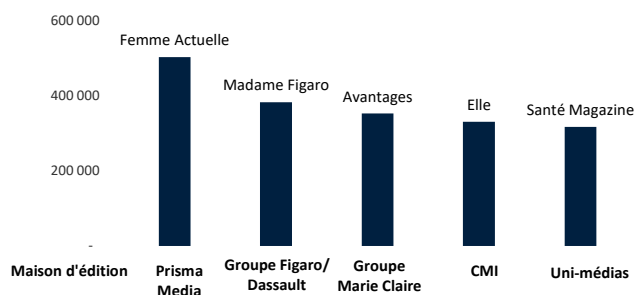
source : ACPM / Euroland Corporate

Panorama of the competitive forces

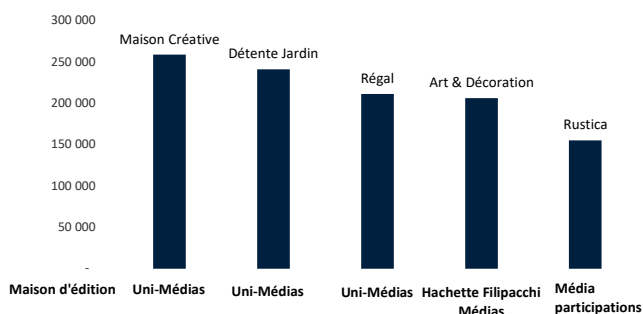
Celebrity (French circulation paid by copy 2019)



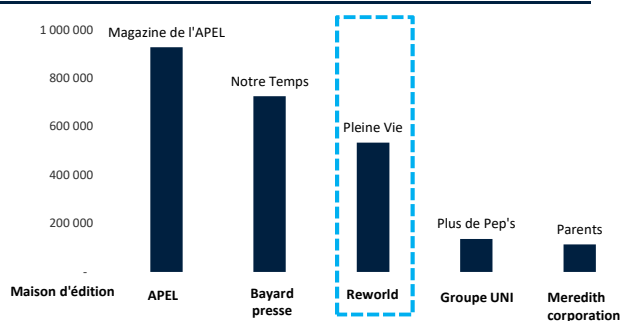
Women



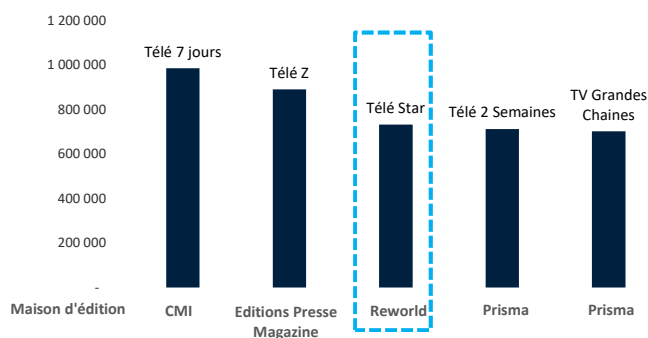
House/Garden/Decoration



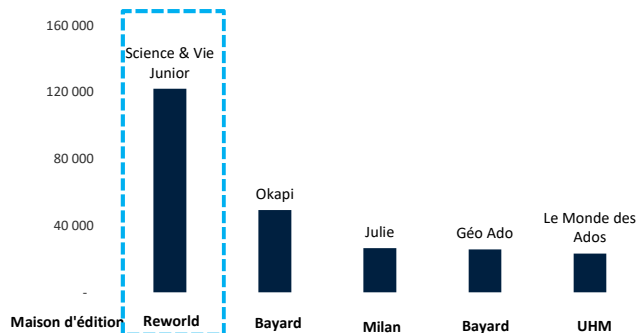
Family



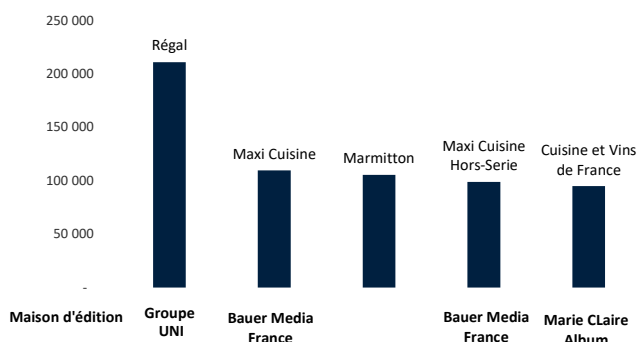
TV



Teen/educational



Food



Panorama of the competitive forces

CMI: Czech Média Invest (CMI) is a Czech holding company owning one of the largest Czech press groups, Czech News Center. In 2018, CMI Média (CMI France) made its first investment, by purchasing 91.5% of *Marianne* magazine and an equity interest in the *Le Monde* Group, both published in print and digital versions. In February 2019, CMI acquired the Elle France, Version Femina, Télé 7 Jours and Public from the Lagardère Group, all published in print and digital versions, together with France Dimanche, Ici Paris and Art & Direction, which are only available in a print version. Air France Madame and Air France magazine are also part of the catalogue. CMI Média generated 2018 revenues of €319.8 million and a net result of €(3.4) million.

Prisma Media: Headed by Rolf Heinz, Prisma Media is a subsidiary of leading leading European magazine group, the German Gruner + Jahr, itself owned by the Bertelsmann Group, the world leader in communication. The French Group owns a catalogue of 20 titles headed by Voici, Télé Loisirs, Télé 2 Semaines, Néon, National Geographic, Management, Harvard Business Review, Geo, Gala, Flow, Femme Actuelle Senior, Femme Actuelle, Cuisine Actuelle, Capital and Ça M'intéresse, all available in print and digital. TV Grande Chaîne is also available in print while Prima, Oh My Mag!, Gentside and Business Insider France are only available in digital versions. In 2018, Prisma Media generated revenues of €376.9 million and a net result of €(30.1) million.

Figaro Group: The Figaro Group is a multi-media publisher whose output covers both the print press and digital content & media. The Group has 3 segments: firstly, newspapers and magazines in print and digital, i.e. Le Figaro, Le Figaro Magazine, Le Figaro Madame and Le Figaro TV Magazine. Secondly, digital press with the Le Figaro Immobilier, Kelformation, Keljob, La Chaîne Météo, Meteo Consult, Cadremploi, Les Maisons du Voyage, Marco Vasco, Le Particulier, Figaro Store, Cplussur.com, Ticketac.com and Propriétés Le Figaro websites. And, lastly, digital editorial which regroups Figaro Magazine, Figaro Etudiant, Santé, Sciences, Tech et Web, Bourse, Figaro Immobilier, Art et Vivre, Automobile, Vin, Golf, Langue Française, Histoire, Programme TV, Jardin, Figaroscope, Fig Data, Carnet du Jour and Guide Achat et Services. In 2018, the Group posted revenues of €600 million, up from €550 million in 2017.

Marie Claire Group: The Marie Claire Group is the holding company for a French press group, owned by the Prouvost family. The company owns the titles Marie Claire, Marie Claire Maison, Marie Claire Idées, Cuisine et Vins de France, MagicMaman, Cosmopolitan, Stylist, Avantages, Marie Claire Enfants, La revue du Vin de France and Marie Claire Fashion Shows, all available in print and digital versions. It also owns Marie Claire International, a purely digital title. In 2017, the Group generated revenues of €200 million.

Uni-médias: French magazine publisher Uni-médias is a subsidiary of the Crédit Agricole Group. Its titles and websites are orientated towards the family and wellbeing themes and regroup Parents, Santé Magazine, Pep's, Dossier familial, Régali, Bottin Gourmand, Maison Créative, Détente Jardin, Détours en France and Secrets d'Histoire. The company generated 2018 revenues of €96.47 million with a net result of €12.48 million.

Média-Participations: The number four publishing group in France with a press business divided into two segments: leisure and religious. The company owns Famille Chrétienne, Magnificat, Rustica and Système D in print and digital and La Gazette des Petits Gourmands, Pilote, Six Mois, Le Journal de Spirou and XXI only in print versions. 2018 revenues amounted to €555 million.

Bayard Group: The Bayard Group, the number five press publisher in France is positioned in three segments of the magazine press: religion, press and seniors. The title La Croix belongs to the Group's stable of daily publications, available in print and digital. The press magazines number La Croix l'Hebdo, Le Pèlerin, Panorama, Les Cahiers Prions en Eglise and Le Monde de la Bible in print and digital. Les Cahiers Croire and Prions en Eglise Junior are only available in print versions. This segment also includes Notre Temps in print and digital, and Tempo Santé in print. In nature, travel and geographical, there are Terre Sauvage, Alpes Magazines, Pyrénées Magazine and Bretagne Magazine, all in print and digital. Destination and Partir en France are marketed in print. The Group owns more than 30 youth-oriented titles like Astrapi and Geo Ado, retailed solely in print, of which 15 are managed by its subsidiary Milan Presse. Internationally, the Group's titles are adapted to the countries it serves like Plus Magazine and OwlKids. In 2018/19, the Group generated revenues of €344.3 million for a net result of €3.9 million.

Editions Presse Magazine 2000: A French publisher, owning a single title, Télé Z, with a circulation in France of 890,000 paid by issue.

Le Magazine de l'Apel: With 957,000 subscribers, L'Apel is the largest Parent-Teacher association in France. Situated in the family press category, its sole title is Famille & Education in a print version. With a circulation of 920,000, a new issue is published every two months for its subscriber customers.

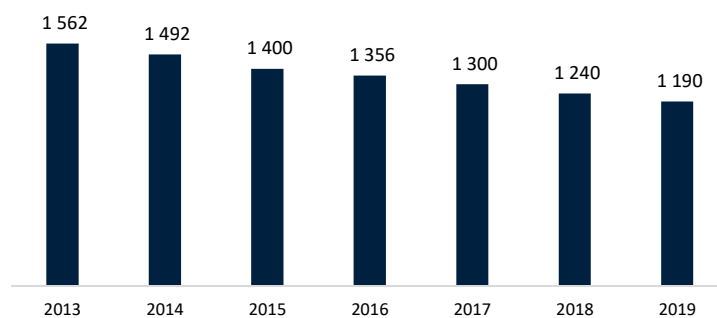
Bauer Media: French subsidiary of the Bauer Media Group and a European press leader with operations in 17 countries. In France the group publishes Maxi, Jeux Maxi, Maxi Astro and Maxi Cuisine in print versions. In digital, there is Maximag.fr. The Bauer Média France brands benefit from a total audience of approaching 6 million individuals (source One Global 2017).

A print media market undergoing a radical transformation

Reworld operates in the two complementary media channels of press and digital. With 68.6% of 2019 pro forma revenues generated in Print, Reworld is exposed to the **rapidly-changing magazine publishing market** representing a volume of 1.2 billion copies (-5%). In print, the decline in the number of copies sold is partially being offset by price increases. In 2019, retail prices for magazines increased by 4.1%.

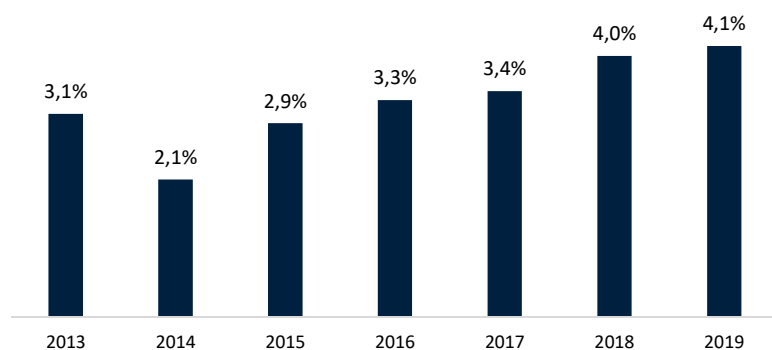
In total, the magazine publishing market in France is expected to stabilise at around one billion copies by 2023.

Number of copies of magazines sold in France (in million)



source : ACPM / Euroland Corporate

Retail price inflation for magazines and periodicals

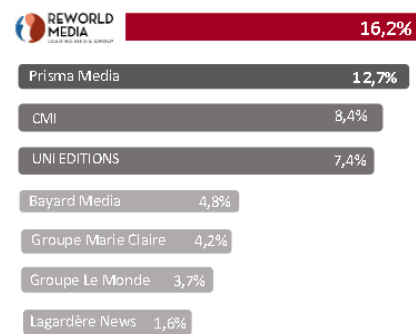


source : Insee / Euroland Corporate

Reworld Media is the market leader with 40 titles, some of whose brands are iconic. In terms of circulation figures, it is thus the number one in the thematic magazine segment.

**The leading
magazine
publishing
group in France**

Market share based on annual circulation per issue

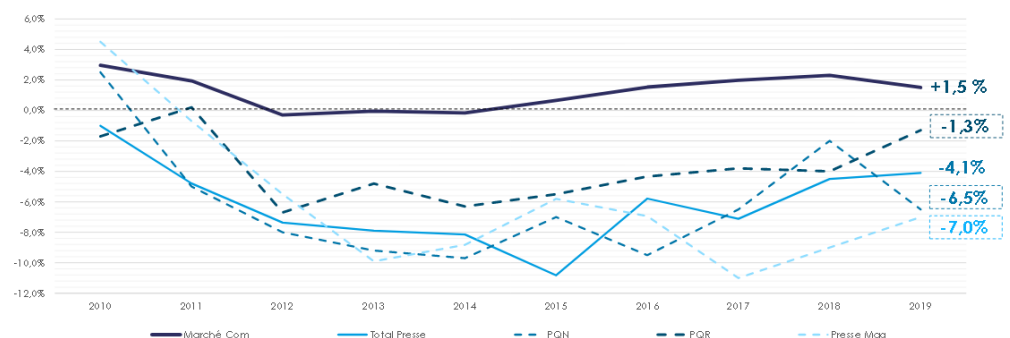


source : OJD

In print, 80% of revenues are generated from the sale of magazines and 20% from advertising (DGMIC/Euroland Corporate).

Revenues from the sale of advertising space amount to €2.0 billion (-4.1%). In the print magazine segment, the number of pages of advertising declined by 5% in 2019, linked to the fall in circulation.

Trend in the press vs. the communication markets



source : BUMP 2019

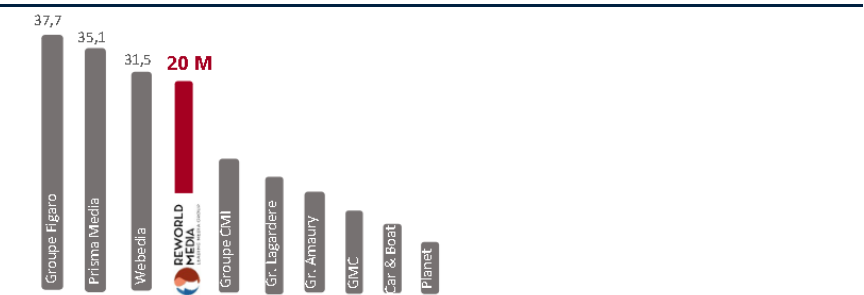
With only 8.7% of 2019 pro forma print magazine revenues exposed to advertising, Reworld can mitigate the effect of advertising investment migrating away from this channel.

Reworld's main growth relay is monetising its media brands on digital (Digital Branding). These revenues currently represent 6.7% of 2019 pro forma revenues and 8.9% of the revenues generated by the brands. Digital Branding represented 27% of the revenues generated by the brands on the Reworld scope in 2018, giving an idea of the ambition in this area.

Digital represents a significant audience growth relay for the magazine market with an audience of 7.7 billion visits (+10.1%) and very positive momentum for mobile formats (websites and apps) which are posting growth of +19.4% to 5.8 billion visits. The sale of digital copies is again posting growth of more than 20% (+24.6% to 125.7 million copies) and represents a still-minor proportion of digital revenues, mainly generated by advertising.

Number of unique visitors/month in 2019

The number four
for thematic
media on digital



source : Médiamétrie octobre 2019 - ONE Next 2019 V

During the Covid-19 crisis as of mid-March, website media consumption saw very strong growth, with the audiences for both news websites and thematic media exploding during this period.

Volume of visits recorded on news websites and apps from 1 February to 26 May



source : ACPM

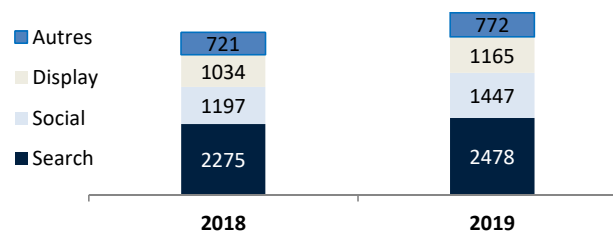
In that the lockdown linked to the public health crisis adversely affected the largest advertisers, this audience growth was not reflected in a higher advertising spend.

In 2019, 3 of the 10 largest advertisers came from the automotive sector (Renault, Peugeot and Citroën), who saw their activity come to a standstill in Q2 2020.

Exponential growth in the digital communication market

Reworld is positioned on the two-thirds of the digital communication market which is up by 12% to €5.9bn, the remaining third being appropriated by the GAFAs. Its market segment, composed of display, affiliation and emailing campaigns, is posting the fastest growth (+13%).

Trend in the digital advertising market 2018-19 (€m)



source : SRI 2019

Video (+33% in 2019) and audio (+19%) are the growth levers in monetising the digital audience which are being extensively explored by Reworld on its media websites. In this regard, Reworld has a catalogue of **21,000 proprietary videos**.

Tradedoubler (an **affiliation** platform regrouping 180,000 websites worldwide), enables advertisers to generate leads and sales while controlling their acquisition costs thanks to its pay-for-performance-based system. Banking more on volume than on data, this market is posting growth of 7% in France to €277m.

With **9 million opt-in email addresses**, Reworld can also propose an emailing offer to its customers and prospects. The finely-honed segmentation of its database enables advertisers to identify targeted emails and Reworld to benefit from valuable pricing power on its database. This market represents €145 million in France (+3%).

This database can also be used to activate the Group's audience with referencing to the media brands' websites. We estimate that 30% to 40% of the website audience for the media brands is generated by newsletters. Audience acquisition is nonetheless mainly achieved via SEO (free searches on search engines) with the remainder coming from the social media (9 million fans and followers).

Reworld Media's business model

Revenues are mainly composed of revenues from magazine sales, advertising via the media brands, pay-for-performance advertising and other services like the organization of events.

Revenues linked to magazine sales (volume x selling price excluding advertising) are booked on the publication dates for the titles (subscription revenues are spread over the subscription period). They represent 56.8% of 2019 pro forma sales and 23.9% of Reworld sales in the last two years.

Like the press market, sales volumes are on a downwards trajectory but Reworld has substantial pricing power and can partially mitigate this decline with regular price rises.

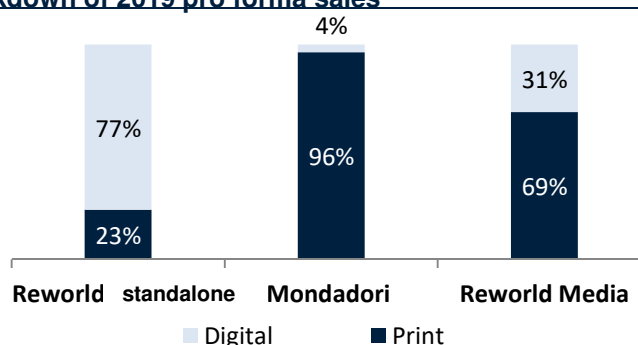
Advertising revenues are recognised when the advertising has been carried on the press or digital channels. Three types of advertising revenue may be recorded:

1/ **Print advertising revenues** (8.7% of 2019 pro forma revenues vs 2.0% of Reworld revenues in the last three years) are suffering directly from the decline in the volumes sold. Reworld's goal is thus to maintain the share of advertising revenues generated by Print at below 10% of total Group revenues on a three-year time-frame.

2/ **Digital advertising revenues linked to the media brands - Digital Branding** - represent 6.7% of 2019 pro forma revenues (vs 9.8% of Reworld revenues in the last three years). Given the strong demand for content on digital, this is the main growth lever for the Group. They also include the still-marginal revenues generated from the diversification into event management or TV production (Reworld Media TV).

3/ **Advertising revenues linked to Tradedoubler - Digital Performance** - represent 24.7% of Reworld's 2019 pro forma revenues. They are recognised when the affiliation campaigns go live. They represent the amounts paid by the advertisers before payment is passed on to the publishers (included under cost of goods sold).

Breakdown of 2019 pro forma sales



source : Reworld / Euroland Corporate

The Group mainly addresses large accounts in its media brands activity. It sells to the main communication networks and the large advertisers.

With 35% of revenues generated internationally, the currency risk is controlled. However, significant Euro/SEK variations may impact the Digital Performance segment (Tradedoubler financial statements converted from Swedish kronas to euros).

There is significant seasonality for revenues during the Q4, in both Digital Branding and Digital Performance.

The main cost line is **cost of goods sold** (41% of 2019 revenues). Some 90% of this cost is composed of the payments passed on by Tradedoubler to the publishers in its network. With the integration of Mondadori and its proprietary brands, the percentage of costs of goods sold/revenues automatically declined from 56.4% in 2018 to 41.2% in 2019. With the integration of 100% of Mondadori France over a full year, these costs are set to fall further as a percentage of revenues.

Other external purchasing and expenses represented 33% of 2019 revenues. These costs include the **variable costs linked to the sale of magazines in kiosks** (payment of the distribution networks), logistics costs (printers, shipping, storage) and **subcontracting to freelance journalists**. In this regard, with the integration of Mondadori over six months, these costs rose from 21.9% of 2018 revenues to 33.5% in 2019 and are set to further increase with the integration of Mondadori over a full year.

Payroll costs average around 16% of revenues.

Trend in headcount since 2015

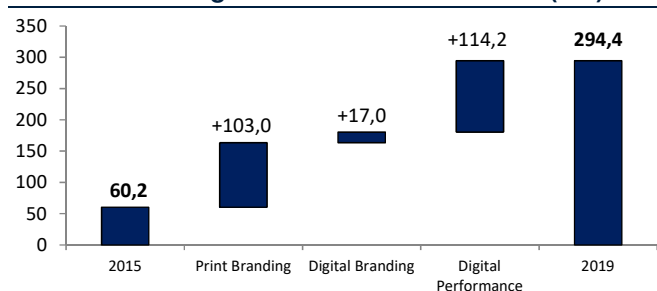
	2 015	2 016	2 017	2 018	2 019
Headcount (at the end of the period)	210	541	489	453	973
Branding	210	187	195	199	734
Performance	-	354	294	254	239
Average headcount	220	376	515	471	713

source : Reworld / Euroland Corporate

Reworld: an external growth success story

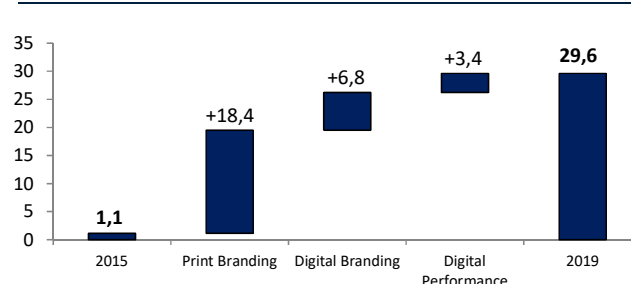
Since 2015, Reworld Media has enjoyed strong revenue growth (CAGR of 48.7%) driven mainly by acquisitions. This has reinforced all of its divisions, Print, Digital Branding and Digital Performance.

Revenue bridge between 2015 and 2019 (€m)



source : Reworld / Euroland Corporate

EBITDA bridge between 2015 and 2019 (€m)



source : Reworld / Euroland Corporate

As for the magazine publishing business as a whole, **Print**, is in structural decline and was exclusively reinforced by the acquisition of the Mondadori titles over the period (consolidation of an additional €114 million in 2019). Averaging -6% on the standalone scope between 2015 and 2019.

With an average EBITDA margin of 5.0% between 2015 and 2019 for Reworld and around 10% for Mondadori, this margin increased from 5.0% in 2015 to 6.1% in 2019, benefiting from a volume effect, cost savings and the first synergies with Mondadori. Between 2018 and 2019, Print EBITDA increased from €2.6 million to €21 million (of which €2.5 million over the Reworld standalone scope in view of the teams' focus on the integration of Mondadori over the year).

Digital Branding is the Group's fastest-growing segment with average annual revenue growth of 33% (of which 26% organic). This growth is underpinned by the optimised monetisation of the media websites and the database, and growth in the digital audience.

Reworld has adopted a different strategy to that of Mondadori France with 34% of its 2019 revenues generated by digital versus 4% for Mondadori. This expertise is the cornerstone of the synergies in the new Group.

The EBITDA margin has averaged 18% since 2016, having seen steady growth from 4.9% in 2015 to 27.8% in 2018, given the low level of fixed costs and significant operational leverage. 2019 was nonetheless marked by a deterioration in the EBITDA margin over the Reworld standalone scope to 19.8%. For Mondadori, the EBITDA margin is lower than the Reworld standalone margin in this segment.

Digital Performance: the recognition of 100% of Tradedoubler's revenues as of 1 March 2016 (the date on which control over the company was established with 30% of the share capital and three seats within the Board) reinforced the Group's revenues, equipped Reworld with performance marketing tools and enabled the insourcing of the margin on the campaigns realised on its proprietary media websites. This contribution to revenues is not proportional in terms of EBITDA given the lower margins generated by Tradedoubler which has averaged an EBITDA margin of 2.4% since 2016. This margin did, however, double to 3% between 2016 and 2019, driven by the company's repositioning in affiliation, margin progression by customer and fewer subscription cancellations. The H2 2019 was nonetheless marked by a temporary 25% decline in EBITDA to €1.9 million.

Breakdown in revenues by activity 2015/2019

Annual revenue by business (€M)	2 015	2 016	2 017	2 018	2019 pf	2 019
Total Print	52,1	49,9	47,6	46,4	317,2	155,1
Print excluding advertising	45,8	44,8	43,9	42,7	277,0	133,4
Print advertising	6,3	5,1	3,7	3,7	40,2	21,7
Digital Branding	8,1	10,3	16,2	17,1	30,8	25,1
Digital Performance	0,0	113,9	121,7	114,0	114,2	114,2
Total Digital	8,1	124,2	138,0	131,1	145,0	139,3
Total chiffre d'affaires	60,2	174,1	185,6	177,5	462,2	294,4

Var revenue by business (%)	2 015	2 016	2 017	2 018	2019 pf	2 019
Total Print		-4,2%	-4,6%	-2,5%	-9,2%	234,3%
Print excluding advertising		-2,2%	-2,1%	-2,7%	-0,9%	212,3%
Print advertising		-18,9%	-26,8%	-1,0%	-25,7%	489,6%
Digital Branding		27,2%	57,7%	5,3%	10,4%	46,8%
Digital Performance		ns	6,9%	-6,4%	0,2%	0,2%
Total Digital		ns	11,1%	-5,0%	2,2%	6,3%
Total		189,2%	6,6%	-4,4%	-5,9%	65,9%

source : Reworld / Euroland Corporate

Breakdown of the company EBITDA per activity 2015/2019

EBITDA by business (€M)	2 015	2 016	2 017	2 018	2019 pf	2 019
Total Print	2,6	2,2	2,1	2,6	32,2	21,0
Digital Branding	-1,5	0,5	3,2	4,8	4,8	5,3
Total Media Branding	1,1	2,7	5,3	7,4	37,0	26,3
Digital Performance	0,0	1,6	2,3	3,8	3,4	3,4
Total Digital	-1,5	2,1	5,5	8,5	8,2	8,6
Autres		0,1	0,4	0,4	0,0	2,0
Total	1,1	4,4	7,9	11,5	40,4	31,6

EBITDA margin (%)	2 015	2 016	2 017	2 018	2019 pf	2 019
Total Print	5,0%	4,4%	4,3%	5,5%	10,2%	13,5%
Digital Branding	-18,5%	4,9%	19,7%	29,2%	15,6%	21,1%
Total Media branding		4,5%	8,2%	11,6%	10,6%	14,6%
Digital Performance		1,4%	1,8%	3,1%	3,0%	3,0%
Total Digital	-18,5%	1,7%	3,9%	6,2%	5,7%	6,2%
Total	1,8%	2,5%	4,3%	6,2%	8,7%	10,7%

source : Reworld / Euroland Corporate

Income statement since 2015 (€m)

Compte de résultat (M€)	2015	2016	2017	2018
Sales	60,2	174,1	185,6	177,5
Purchasing	15,7	102,8	107,7	100,0
%sales	26,1%	59,0%	58,1%	56,4%
External charges	32,1	39,8	41,8	39,0
%sales	53,4%	22,9%	22,5%	21,9%
Payroll	11,3	29,2	29,2	27,4
%sales	18,7%	16,8%	15,7%	15,4%
Others	0,4	2,6	1,9	1,0
%sales	1%	1%	1%	1%
EBITDA	1,1	4,4	8,0	11,5
%sales	1,9%	2,5%	4,3%	6,5%
Depreciations & amortisations	1,0	3,2	4,1	3,5
%sales	1,7%	1,8%	2,2%	2,0%
EBIT	0,1	1,1	3,9	7,9
%sales	0,2%	0,7%	2,1%	4,5%

source : Reworld / EuroLand Corporate

The bottom of the income statement also reveals the reinforcement of the Group with the net result increasing from €3.6 million in 2015 to €25.4 million in 2019. Note, however, the significant increase in financial expenses which moved from €120k to €4.0 million between 2015 and 2019 taking into account the interest expenses on bank loans contracted for the acquisition of Mondadori. In this respect, €93.3 million was raised in debt financing from banks (of which €13.0 million to refinance the €6.0 billion of bond debt and part of the €20.7 million in bank loans). In total, Reworld Media will have paid €55.4 million in cash for the acquisition of 85.7% of Mondadori shares, plus an eventual additional consideration of €5.0 million. Reworld also issued 3,558,718 shares at €2.81 in addition to the cash consideration (i.e. €10.0 million) in July 2019 (for 14.3% of the Mondadori France share capital).

The cash generated from operations in 2019 was held back by a €6.5 billion increase in the WCR linked to the integration of Mondadori France. The company is however helped by a structurally negative WCR. In the last three years, capex has averaged €4.0 million. In view of the debt contracted to finance the acquisition, the variation in cash finally came to €37.1 million in 2019. Net debt stands at €42.0 million, i.e. gearing of 43.5% at the end of 2019.

Strategic and financial outlook

The diversification of the business towards digital constitutes the cornerstone of Reworld Media's strategy.

The synergies with Mondadori France are substantial in that the web audience for the Mondadori titles has to date seen very little development and monetisation. Between now and 2022, we expect an average annual revenue decline of 3.5% (versus 2019 pro forma) factoring in a 8.2% decline in print and a 5.3% increase in digital (+16.5% for Digital Branding and +1.9% for Digital Performance).

Our growth scenerio is based on an increasing contribution from the Digital Branding business with the consolidation of the Group's audiences, optimised monetisation of the websites and databases, and revenue diversification (TV channels, events, etc.). Digital Branding is expected to be the main driver of Reworld Media's revenue and EBITDA growth over the next three years. We are forecasting 16.5% revenue growth for this segment.

This positive momentum will be accompanied by a modest rise in Digital Performance revenues (+1.9% between 2019 and 2022) taking into account the strong competitive pressure in this segment.

Inversely, the Print segment will continue to decline with revenues expected to be down by 8.2% between 2019 and 2022, including a sharp fall in 2020 (-15.1%).

Revenue breakdown by activity 2019/2022e

Annual revenue by business (€M)	2019 pf	2 019	2020e	2021e	2022e	2019pf/2022
Total Print	317,2	155,1	269,3	257,2	245,6	-8,2%
Print excluding advertising	277,0	133,4	248,8	237,1	226,0	-6,6%
Print advertising	40,2	21,7	20,5	20,0	19,6	-21,3%
Digital Branding	30,8	25,1	36,8	42,3	48,7	16,5%
Digital Performance	114,2	114,2	116,3	118,4	120,8	1,9%
Total Digital	145,0	139,3	153,1	160,7	169,5	5,3%
Total chiffre d'affaires	462,2	294,4	422,4	417,9	415,1	-3,5%

Var revenue by business (%)	2019 pf	2 019	2020e	2021e	2022e
Total Print	-9,2%	234,3%	-15,1%	-4,5%	-4,5%
Print excluding advertising	-0,9%	212,3%	-10,2%	-4,7%	-4,7%
Print advertising	-25,7%	489,6%	-49,1%	-2,2%	-2,2%
Digital Branding	10,4%	46,8%	19,4%	15,0%	15,0%
Digital Performance	0,2%	0,2%	1,8%	1,8%	2,0%
Total Digital	2,2%	6,3%	5,6%	5,0%	5,4%
Total	-5,9%	65,9%	-8,6%	-1,1%	-0,7%

source : Euroland Corporate

In view of an improved product mix, we expect EBITDA to increase to €44.0 million by 2022 (vs €31.6 million in 2019 and €40.4 million pro forma).

EBITDA breakdown 2019-2022e

EBITDA by business (€M)	2019 pf	2 019	2020e	2021e	2022e	2019pf/22
Total Print	32,2	21,0	26,7	28,6	29,4	-3,0%
Digital Branding	4,8	5,3	6,1	7,8	9,8	26,9%
Digital Performance	3,4	3,4	3,5	4,1	4,8	12,2%
Total Digital	8,2	8,6	9,5	11,9	14,6	21,2%
Autres	0,0	2,0	0,0	0,0	0,0	
Total	40,4	31,6	36,2	40,4	44,0	2,9%

EBITDA margin (%)	2019 pf	2 019	2020e	2021e	2022e
Total Print	10,2%	13,5%	9,9%	11,1%	12,0%
Digital Branding	15,6%	21,1%	16,5%	18,3%	20,2%
Total Media branding	10,6%	14,6%	10,7%	12,1%	13,3%
Digital Performance	3,0%	3,0%	3,0%	3,5%	4,0%
Total Digital	5,7%	6,2%	6,2%	7,4%	8,6%
Total	8,7%	10,7%	8,6%	9,7%	10,6%

source : Euroland Corporate

2020 focus

In H1 2020, digital will help offset the decline in revenues: we expect the momentum to be negative but the downturn will be more moderate than in Print. **Over the medium term, digital continues to be the main driver of the Group's growth and profitability.**

To limit the repercussions from falling print magazine sales, in mid June Reworld announced that it was reducing the number of print issues for the loss-making magazine Grazia to four a year (vs 44) and maintaining the digital version. On our estimates, this corresponds to revenues of around €5.7m over a full year and a recurring net loss.

The company should see an improvement in 2020 margins: 1/ synergies with Mondadori France estimated at €13m (€7m in headcount costs, €5m linked to offices moves and €1.5m in printing costs), 2/ governmental measures on part-time working from which 30% of employees benefited (between 50% and 100% of their activity) from mid-March through to June.

The bottom of the 2020 income statement should nonetheless be burdened by exceptional items: 1/ Presstalis bad debts that we estimate at €9.0 million, 2/ a social plan at Grazia that we estimate at €3.0 million.

The company has also announced the obtention of a €33.0 million government loan, enabling it to weather the crisis and reinforce an already-solid balance sheet (2019 shareholders' funds of €96.5 million and gearing of 43.5%) .

Forecast income statement

Mainly composed of payments passed on to the Tradedoubler publishers, this line tracks the company's overall trend (part of Digital Performance: +1.9%e 2019/22)

Mainly composed of expenses linked to Print (logistics, distribution network, freelancers), this line tracks the company's overall trend (-8.2%e 2019/22) and the increasing proportion of variable costs

Compte de résultat (M€)	2019	2020e	2021e	2022e
Sales	294,4	422,4	417,9	415,1
Purchasing	121,4	160,5	163,5	166,8
%sales	41,2%	38,0%	39,1%	40,2%
External charges	98,7	166,1	152,8	141,3
%sales	33,5%	39,3%	36,6%	34,0%
Payroll	46,9	67,2	68,6	70,0
%sales	15,9%	15,9%	16,4%	16,9%
Others	6,2	10,0	10,0	10,0
%sales	2%	2%	2%	2%
EBITDA	31,6	36,2	40,4	44,0
%sales	10,8%	8,6%	9,7%	10,6%
Depreciation & amortisation	6,2	7,8	7,9	8,0
%sales	2,1%	1,8%	1,9%	1,9%
EBIT	25,5	28,4	32,5	36,0
%sales	8,7%	6,7%	7,8%	8,7%

In view of the weight of debt, over the next three years we are forecasting financial expenses of €3.9 million and a tax rate of 33.33%.

In terms of cash generation, we expect the WCR to reach a normative level of c.-15% of revenues as of 2020 (vs -7% in 2018 and -14% of 2019 revenues).

In view of its digital profile, the company is not that capital intensive and our estimates put capex at less than 2.0% of revenues.

Valuation

We value Reworld Media using the DCF and peer group comparison methodologies.

DCF-derived valuation

Our assumptions are as follows:

- **Revenue growth:** we assume an average annual growth rate of -3.5% from 2019 pro forma to 2022 in view of the structural decline in print media and despite the very strong momentum expected for digital. Between 2022 and 2029, we assume a revenue CAGR of 0.2% then a growth rate to perpetuity of 1.0%.
- **Operating result:** the operating margin is expected to improve by 2022 owing to the volume effect, cost savings and the ramp up of digital. An operating margin of 8.7% is thus forecast for 2022. Thereafter, we assume a margin of 9.4% in 2029.
- **Investment:** we assume an annual level of renewal and growth capex at around 2.0% of revenues through to 2029 to finance innovation.
- **WCR:** we assume a level of WCR at approaching -15.0% of revenues excluding taxes.
- **Net financial debt:** estimated level at 31/12/2020 (€38 million)
- **Summary of the assumptions used to calculate the WACC**

Risk-free rate (10-year government bonds)	-0,2%
Risk premium	6,8%
Beta without debt	1,6
Beta with debt	2,0
Cost of equity	13,4%
Cost of debt, post tax	4,0%
WACC	10,9%
Growth rate to perpetuity	1,0%

source : Euroland Corporate

Forecast cash flow statement 2017e-2026e

En M€	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
CA	422,4	417,9	415,1	413,2	412,1	411,8	412,5	414,1	416,6	420,3
Croissance	43%	-1%	-1%	0%	0%	0%	0%	0%	1%	1%
Résultat opérationnel courant	28,4	32,5	36,0	36,0	36,2	36,5	36,9	37,6	38,4	39,3
Marge opérationnelle courante	6,7%	7,8%	8,7%	8,7%	8,8%	8,9%	9,0%	9,1%	9,2%	9,4%
Taux d'impôt	33,3%	33,3%	33,3%	33,3%	33,3%	33,3%	33,3%	33,3%	33,3%	33,3%
Impôts sur les sociétés corrigé	9,5	10,8	12,0	12,0	12,1	12,2	12,3	12,5	12,8	13,1
Dotation aux amortissements et provisions	7,8	7,9	8,0	8,0	8,0	8,0	8,0	8,0	8,0	8,0
Cash flow	26,8	29,6	32,0	32,0	32,1	32,3	32,6	33,0	33,6	34,2
Variation de BFR	4,2	0,3	0,2	0,3	0,2	0,0	-0,1	-0,2	-0,4	-0,5
Investissements	-7,6	-7,5	-7,5	-7,6	-7,7	-7,8	-7,9	-8,0	-8,1	-8,2
Capex en % du CA	-1,8%	-1,8%	-1,8%	-1,8%	-1,9%	-1,9%	-1,9%	-1,9%	-1,9%	-1,9%
Free cash flow	14,9	21,7	24,4	24,2	24,3	24,5	24,8	25,3	25,9	26,6
Free cash flow actualisé	14,2	18,6	18,8	16,8	15,3	13,9	12,7	11,7	10,8	10,0

Valuation sensitivity matrix

		Taux de croissance à l'infini				
		0,0%	0,5%	1,0%	1,5%	2,0%
C M P C	9,9%	4,3	4,4	4,5	4,7	4,9
	10,4%	4,0	4,1	4,3	4,4	4,5
	10,9%	3,8	3,9	4,0	4,1	4,2
	11,4%	3,6	3,7	3,8	3,9	4,0
	11,9%	3,4	3,5	3,6	3,7	3,8

We derive a fully diluted DCF-based valuation for Reworld Media of €4.00 per share with a WACC of 10.90% and a growth rate to perpetuity of 1.0%.

Sum of the parts-based valuation

In view of Reworld's profile, we have chosen a sample of international press groups for our peer-group valuation of Branding and, for Digital Performance, digital marketing specialists.

Branding

Arnoldo Mondadori Editore: Mondadori is one of the largest publishing groups in Europe, with its head office in Italy. The company has an extensive portfolio of businesses, balanced between digital and more traditional formats: ranging from publishing, book publishing, magazines and radio, to the management of museum concessions and the organisation of cultural events. The Einaudi publishing company and food magazine Giallozafferano are amongst the most established titles.

GED: The GEDI Group is a major player in the Italian publishing world. Its business ranges from press and radio to publishing and digital. The Group thus proposes titles in both digital, like Huffpost and Business Insider Italia, and the print format with Espresso and National Geographic.

RCS Média Group: The leading daily newspaper group in Italy and Spain. Also present in television, radio, new media, advertising and book and magazine publishing (16.7% digital). The company's proposition includes 100% digital titles but also titles in the dual print/digital format. The highly popular daily **Corriere della Sera** and Io Donna and Oggi magazines belong to the company's catalogue.

Future Plc: A UK media group with operations in the UK, EU and Australia. The company operates in the media, magazine (with print and digital formats) and events segments. The company's catalogue is composed of a range of titles including Mac Format, Mac Life, PC Gamer and Tech Life.

Digital marketing

Numberly (ex 1000mercis): Created in 2019, Numberly is a supplier of interactive advertising and marketing services. Ranging from the harvesting of data to activation (email, SMS, video, etc.), the Group designs incremental solutions for customer prospecting and loyalty programmes. In 2008, Numberly acquired Ocito and, in 2013, the French specialist RTB Matiro.

Antevenio: A Spanish e-marketing company specialised in brand performance and marketing. Founded in 1997, Antevenio is organised around four activities: online advertising agency, emailing, performance and proprietary portals. The Group recently expanded in the EU with the acquisition of the digital marketing agency React2Media in 2017.

Ad Pepper: A German performance marketing group, specialised in lead generation and the targeting of specific audiences. Created in 1999, in 2006 Ad Pepper expanded via the acquisition of French affiliate marketing company Webgains and German online marketing agency ad agents in 2007.

Bilendi SA: Subsidiary of the Bilendi Group founded in 1999. The company designs and markets online loyalty programmes. Its business mainly focuses on online panels and the development and marketing of loyalty programmes and customer relationship management.

Qwamplify: A digital and marketing group founded in 1997. The company helps brands to define and implement their customer acquisition, activation and loyalty strategies. The Group's activity focuses on promotional personalisation, logistics, licensing and web. After the dual acquisitions of digital agencies La Revanche des Sites and Meet Your Data, Qwamplify also acquired the social media and brand content specialist Kamden Content .

Alkemy: An Italian Group created in 2012 and specialised in digital transformation. Alkemy's main activities revolve around support for transformation and innovation, together with performance enhancement.

Reply: Italian company working in the information technology and communication sector. Reply specialises in advisory, systems integration and digital services based on the new communication networks and digital media. The Group recently reinforced its presence in Germany by integrating the company Elbkind in 2019.

Main aggregates of the peer group

Société	Capitalisation	Dette nette	VE	CA			EBITDA			EBIT			RN		
				2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Media															
Arnoldo Mondadori Editore S.p.A.	263	162	425	751,0	786,0	784,0	77,0	81,0	91,0	42,0	55,0	66,0	19,0	26,0	32,0
GEDI Gruppo Editoriale S.p.A.	234	102	336	593,0	571,0		42,0	41,0					7,0	3,0	
RCS MediaGroup S.p.A.	325	320	644	803,0	862,0	871,0	87,0	112,0	112,0	39,0	63,0	70,0	22,0	41,0	47,0
Future plc	1 363	44	1 407	354,0	476,0	489,0	97,0	122,0	130,0	84,0	104,0	111,0	67,0	83,0	89,0
Digital Marketing															
1000mercis SA	53	4	57	53,0	66,0		2,0	6,0	-	2,0	2,0	-	2,0	2,0	
Antevernio, S.A.	31	-1	29	21,0	24,0	26,0	-	1,0	2,0	-	1,0	1,0	2,0	-	1,0
ad pepper media International N.V.	68	-23	45	23,0	26,0	29,0	4,0	5,0	6,0	3,0	4,0	5,0	2,0	2,0	3,0
Bilendi SA	45	-1	44	32,0	34,0	37,0	5,0	6,0	7,0	3,0	4,0	4,0	2,0	3,0	3,0
Qwamplify SA	34	1	35	22,0	27,0	29,0	2,0	3,0	4,0	2,0	3,0	4,0	3,0	2,0	3,0
Alkemy SpA	34	6	40	85,0	95,0	104,0	6,0	8,0	9,0	4,0	5,0	7,0	2,0	3,0	4,0
Reply S.p.A.	2 780	-105	2 675	1 220,0	1 348,0	1 469,0	187,0	214,0	229,0	149,0	175,0	193,0	102,0	123,0	136,0
Reworld Media	98,5	10,4	108,9	422,4	417,9	415,1	36,2	40,4	44,0	28,4	32,5	36,0	8,9	19,6	22,0

source: FactSet / EuroLand Corporate

Peer group valuation multiples

	VE/CA			VE/EBITDA			VE/EBIT			PER		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Media												
Arnoldo Mondadori Editore S.p.A.	0,6	0,5	0,5	5,5	5,2	4,7	10,1	7,7	6,4	13,8	10,1	8,2
GEDI Gruppo Editoriale S.p.A.	0,6	0,6		8,0	8,2					33,4	78,0	
RCS MediaGroup S.p.A.	0,8	0,7	0,7	7,4	5,8	5,8	16,5	10,2	9,2	14,8	7,9	6,9
Future plc	4,0	3,0	2,9	14,5	11,5	10,8	16,7	13,5	12,7	20,3	16,4	15,3
Moyenne Media	1,5	1,2	1,4	8,9	7,7	7,1	14,5	10,5	9,4	20,6	28,1	10,1
Mediane Media	0,7	0,7	0,7	7,7	7,0	5,8	16,5	10,2	9,2	17,5	13,3	8,2
	VE/CA			VE/EBITDA			VE/EBIT			PER		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Digital marketing												
ad pepper media International N.V.	2,0	1,7	1,6	11,3	9,1	7,6	15,1	11,3	9,1	34,2	34,2	22,8
Bilendi SA	1,4	1,3	1,2	8,8	7,3	6,3	14,7	11,0	11,0	22,7	15,1	15,1
Qwamplify SA	1,6	1,3	1,2	17,3	11,5	8,6	17,3	11,5	8,6	11,3	16,9	11,3
Alkemy SpA	0,5	0,4	0,4	6,7	5,0	4,4	10,0	8,0	5,7	17,1	11,4	8,5
Reply S.p.A.	2,2	2,0	1,8	14,3	12,5	11,7	18,0	15,3	13,9	27,3	22,6	20,4
Moyenne Marketing Digital	1,5	1,3	1,2	11,7	9,1	7,7	15,0	11,4	9,7	22,5	20,0	15,6
Mediane Marketing Digital	1,6	1,3	1,2	11,3	9,1	7,6	15,1	11,3	9,1	22,7	16,9	15,1

We apply the average peer group multiples to the Reworld EBITDA aggregates for the years 2020, 2021 and 2022. Note that the Media multiples are applied to Branding (Digital + Print) and the Digital Marketing multiples are applied to the aggregates for the Digital Performance business.

**This results in an equity value of €182m (sizeable 10% discount), for the Branding division, i.e. €3.50 per share, and €22.6m, i.e. €0.50, for the Digital Performance division.
We thus derive a sum of the parts valuation of €4.00.**

Conclusion

In conclusion, we are initiating coverage of Reworld Media with a Buy opinion and a price target of €4.00, based on the average of the DCF (€4.00) and peer group valuations (€4.00).

Income statement (€m)						
	2017	2018	2019	2020e	2021e	2022e
Sales	185,6	177,5	294,4	422,4	417,9	415,1
EBITDA	8,0	11,5	31,6	36,2	40,4	44,0
EBIT	3,9	7,9	25,5	28,4	32,5	36,0
Operating result	3,9	7,9	25,5	28,4	32,5	36,0
Financial result	- 0,3	0,6	3,9	3,9	-3,9	-3,9
Taxes	- 0,3	0,4	2,6	4,2	9,5	10,7
Affiliates	-	-	-	-	0,0	0,0
Minorities	0,0	0,0	0,7	0,6	-0,6	-0,6
Net result, Group share	1,8	6,9	25,4	8,9	19,6	22,0
Balance sheet (€m)						
	2017	2018	2019	2020e	2021e	2022e
Long-term assets	47,8	50,3	219,2	219,0	218,6	218,1
o/w goodwill	33,6	35,3	34,8	34,8	34,8	34,8
WCR	- 19,1	13,0	65,9	61,6	-61,3	-61,2
Cash + short-term investments	16,1	16,6	54,0	90,7	105,8	124,1
Shareholders' equity	19,8	26,8	96,5	104,6	123,7	145,1
Borrowings and financial debt	24,3	27,0	96,0	128,7	128,7	128,7
Total balance sheet	124,8	124,3	409,9	503,0	515,8	532,3
Cash flow statement (€m)						
	2017	2018	2019	2020e	2021e	2022e
Cash flow from operations	4,3	8,7	5,0	16,2	27,0	29,4
Change in WCR	-9,0	4,9	6,5	4,2	0,3	0,2
Cash flow from operating activities	-4,7	3,8	-1,5	11,9	26,7	29,2
Operational investment, net	-3,8	-3,9	-3,8	-7,6	-7,5	-7,5
Financial investments, net	0,0	0,0	-1,9	0,0	0,0	0,0
Cash flow from investment activities, net	-3,9	-5,6	-58,1	-7,6	-7,5	-7,5
Capital increase	0,0	-0,1	30,8	0,0	0,0	0,0
Change in borrowings	-2,0	4,9	68,4	32,7	0,0	0,0
Dividends paid	0,0	0,0	0,0	0,0	0,0	0,0
Cash flow from financing activities, net	-3,4	2,9	96,8	32,7	0,0	0,0
Change in net financial debt	-12,5	0,5	37,1	37,0	19,2	21,8
Ratios (%)						
	2017	2018	2019	2020e	2021e	2022e
Sales growth	6,6%	-4,4%	65,8%	43,5%	-1,1%	-0,7%
EBITDA margin	4,3%	6,5%	10,8%	8,6%	9,7%	10,6%
Current operating margin	2,1%	4,5%	8,7%	6,7%	7,8%	8,7%
Operating margin	2,1%	4,5%	8,7%	6,7%	7,8%	8,7%
Net margin	0,9%	3,9%	8,6%	2,1%	4,7%	5,3%
Operational investment, net/sales	-2,0%	-2,2%	-1,3%	-1,8%	-1,8%	-1,8%
WCR/Sales	-10,3%	-7,3%	-22,4%	-14,6%	-14,7%	-14,7%
ROCE	16,1%	24,1%	17,4%	18,9%	21,6%	24,0%
ROCE excl. GW	ns	ns	22,8%	24,5%	28,0%	31,2%
ROE	8,9%	25,6%	26,3%	8,5%	15,9%	15,2%
Payout	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Debt ratios						
	2017	2018	2019	2020e	2021e	2022e
Gearing (%)	41%	39%	43%	36%	18%	3%
Net debt/EBITDA	1,0	0,9	1,3	1,0	0,6	0,1
EBITDA/financial costs	27,4	17,9	8,1	9,3	10,4	11,2
Valuation						
	2017	2018	2019	2020e	2021e	2022e
Number of shares (in millions)	37,1	37,6	49,7	51,8	51,8	51,8
Average number of shares (in millions)	34,5	37,3	43,6	50,7	51,8	51,8
Share price (annual average in euros)	2,00	1,53	2,60	1,98	1,98	1,98
(1) Average market capitalisation	69,0	57,2	113,3	100,5	102,6	102,6
(2) Net debt (+)/net cash (-)	8,2	10,4	42,0	38,0	22,8	4,6
(3) Carrying value of minority interests	0,0	0,0	0,0	4,0	4,0	4,0
(4) Fair value of financial assets	3,5	3,5	3,5	3,5	3,5	3,5
Enterprise value = (1)+(2)+(3)-(4)	73,7	64,2	151,8	138,9	125,9	107,7
PER	39,4	8,3	4,5	11,2	5,2	4,7
EV/EBITDA	9,2	5,6	4,8	3,8	3,1	2,4
EV/Current operating result	19,0	8,1	6,0	4,9	3,9	3,0
EV/Sales	0,4	0,4	0,5	0,3	0,3	0,3
P/B	3,5	2,1	1,2	1,0	0,8	0,7
Per share data (€)						
	2017	2018	2019	2020e	2021e	2022e
EPS	0,05	0,18	0,51	0,17	0,38	0,42
Book value/share	0,5	0,7	1,9	2,0	2,4	2,8
Dividend/share	0,0	0,0	0,0	0,0	0,0	0,0

Recommendation system:

EuroLand Corporate recommendations cover the coming twelve-month period and are defined as follows:

Buy: potential valuation upside exceeding 15% on an absolute basis relative to the current share price, backed by high-quality fundamentals.
 Accumulate: potential valuation upside of between 5% and 15% on an absolute basis relative to the current share price.
 Neutral: potential valuation upside of between -5% and +5% on an absolute basis relative to the current share price.
 Lighten: potential valuation downside of between 5% and 15% on an absolute basis relative to the current share price.
 Sell: potential downside of more than 15% on an absolute basis relative to the current share price, excessive valuation.
 Under review: recommendation under review due to a transaction involving the share capital (takeover bid/exchange offer/capital increase, etc.), a change in analyst or a situation of temporary conflict of interest between EuroLand Corporate and the issuer.

Recommendation history over the past 12 months:

Buy: Since 07/03/2020

Accumulate: (-)

Lighten: (-)

Neutral: (-)

Sell: (-)

Under review: (-)

Valuation methodologies:

This document may mention valuation methodologies whose definitions are summarized as follows:

1/ Peer group comparison: the valuation multiples of the relevant company are compared with those of a sample of companies in the same business sector or with a similar financial profile. The average of the sample serves as a valuation reference point, to which the analyst applies any applicable discounts or premia resulting from his or her perception of the specific characteristics of the company in question (legal status, growth outlook, level of profitability, etc.).

2/ NAV: the Revalued Net Asset Value is based on the estimated market value of the assets in a company's balance sheet, using the methodology deemed appropriate by the analyst.

3/ Sum of the Parts: consists of valuing the different businesses in a company separately based on the valuation methods most appropriate for these individual activities then adding them together.

4/ Discounted Cash Flow (DCF): consists of determining the present day value of the future cash flows the company is expected to generate. Cash flow projections are established by the analyst based on his or her assumptions and modelling. The discount rate used is the average weighted cost of capital, which represents the cost of the company's debt and the theoretical cost of equity as estimated by the analyst, weighted by the proportion of the two components in the company's financing.

5/ Transaction multiples: consists of applying the multiples observed in transactions already realized involving companies comparable to the company in question.

6/ Discounted dividends: consists of establishing the discounted value of the dividends to be received by a shareholder in the company, based on dividend forecasts made by the analyst and the discount rate which is deemed appropriate (generally the theoretical cost of equity).

7/ EVA: the "Economic Value Added" methodology consists of determining the annual growth in the profitability generated by a company from its assets relative to its cost of capital (also known as "value creation"). This growth in profitability is then discounted for the years to come at a discount rate corresponding to the average weighted cost of capital, and the result obtained is added to the net book value.

* Stock market coordination including regular research coverage with or without liquidity.

DETECTION OF POTENTIAL CONFLICTS OF INTEREST

Corporate Finance	Analyst's personal interest	Ownership of assets in the issuer	Prior communication to the issuer	Liquidity agreement	Eurovalue contract*
No	No	No	Yes	No	Yes

*Market coordination including regular coverage of the stock in terms of financial analysis with or without a liquidity agreement

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