

Equities

31 May 2012 | 24 pages

UBM plc (UBM.L)

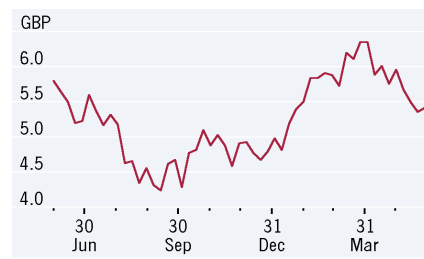
Event Horizon – Upgrade To Buy

- Company Update
- Rating Change
- Target Price Change

- **What's Changing In This Report?** — We make no changes to forecasts but raise our target price to £6.10 (from £5.70) having re-assessed the resilience of Events, which now account for near two-thirds of UBM's EBITA FY12E. We think recent fears on Events (exposure to China, US Tech) are overdone. The stock is down 16% from its April peak (underperforming the market 7%). We think risk-reward tilts positively and we upgrade UBM to Buy.
- **Structural Growth Story At Events Still Intact** — Globalization of industries and customers, ease of global travel and importance of face-to-face contact (buyers meet sellers) unaffected in a digital world remains an important part of the LT growth thesis.
- **We'll Take China Over Europe** — While Events are undeniably cyclical, we emphasise UBM's global exposure and weighting away from Europe (Emerging Markets 40%, US 29%) plus a weighting to exhibitor revenues (booked in advance). China GDP may be slowing but this is not enough to derail the story in our view - China events grew 25% in 2011 vs 9% real GDP growth. Furthermore, we believe China and US Tech events are 1H weighted, meaning management would have had some visibility before upping Events guidance at the April IMS.
- **Long Standing PRN Worries Remain But Risk Reward Tilts Positively** — We still worry about the high margin per-word pricing model at the newswire in a world where Twitter has taught us that less is more. At the same time, we see lower likelihood of a near term margin miss (mechanically driven by slower growth at some lower margin non-wire businesses), and even on our worst case (2pt margin miss FY12, 25% de-rating), there is only 8% downside to our SOTP vs 20% ETR to our base case.
- **All in on B2B** — We rate each of UBM, Informa and DMGT Buy. INF remains our overall top pick for balanced quality of assets and balance sheet strength. Despite our caution on UBM's non-Events business, we acknowledge the increasing weighting to the attractive Events segment, and see scope from a significant re-rating from 8.9x EBITDA, 9.1x PE 2012E.

Buy	1
from Neutral	
Price (30 May 12)	£5.33
Target price	£6.10
from £5.70	
Expected share price return	14.4%
Expected dividend yield	5.1%
Expected total return	19.5%
Market Cap	£1,305M
	US\$2,041M

Price Performance (RIC: UBM.L, BB: UBM LN)



UBM plc (GBP)

Year to 31 Dec	2010A	2011A	2012E	2013E	2014E
Sales (£M)	889.2	972.3	1,023.3	1,078.6	1,103.1
Profit Before Tax (£M)	155.6	177.4	183.6	210.6	216.6
Diluted EPS (p)	50.2	56.8	58.4	67.2	68.7
Diluted EPS (Old) (p)	50.2	56.8	58.4	67.2	68.7
PE (x)	10.6	9.4	9.1	7.9	7.8
EV/EBITDA (x)	9.3	8.6	8.1	6.9	6.3
DPS (p)	25.0	26.3	27.0	31.1	31.8
Net Div Yield (%)	4.7	4.9	5.1	5.8	6.0

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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UBM.L: Fiscal year end 31-Dec						Price: £5.33; TP: £6.10; Market Cap: £1,305m; Recomm: Buy					
Profit & Loss (£m)	2010	2011	2012E	2013E	2014E	Valuation ratios	2010	2011	2012E	2013E	2014E
Sales revenue	889	972	1,023	1,079	1,103	PE (x)	10.6	9.4	9.1	7.9	7.8
Cost of sales	-688	-737	-775	-802	-819	PB (x)	3.3	3.4	2.7	2.3	2.0
Gross profit	202	236	248	277	284	EV/EBITDA (x)	9.3	8.6	8.1	6.9	6.3
Gross Margin (%)	22.7	24.2	24.3	25.7	25.7	FCF yield (%)	8.0	12.7	17.0	18.5	18.7
EBITDA	215	254	249	277	283	Dividend yield (%)	4.7	4.9	5.1	5.8	6.0
EBITDA Margin (%)	24.2	26.1	24.4	25.7	25.6	Payout ratio (%)	50	46	46	46	46
Depreciation	-16	-14	-15	-16	-16	ROE (%)	30.7	29.0	31.1	29.9	26.4
Amortisation	-28	-38	-25	-25	-25	Cashflow (£m)	2010	2011	2012E	2013E	2014E
EBIT	172	202	209	236	241	EBITDA	215	254	249	277	283
EBIT Margin (%)	19.3	20.8	20.5	21.9	21.9	Working capital	-6	0	0	0	0
Net interest	-15	-25	-26	-25	-25	Other	-85	-66	-4	-12	-15
Associates	0	0	0	0	0	Operating cashflow	124	188	245	265	268
Non-op/Except	-13	-38	-10	-10	-10	Capex	-19	-20	-20	-21	-21
Pre-tax profit	143	140	174	201	207	Net acq/disposals	-242	-50	-12	0	0
Tax	-16	-16	-28	-32	-32	Other	-23	-27	-25	-24	-24
Extraord./Min.Int./Pref.div.	-9	-10	-11	-13	-14	Investing cashflow	-284	-97	-57	-45	-45
Reported net profit	119	113	135	156	160	Dividends paid	-65	-72	-64	-66	-76
Net Margin (%)	13.3	11.7	13.2	14.5	14.5	Financing cashflow	149	-97	-64	-66	-76
Core NPAT	124	141	145	166	170	Net change in cash	-10	-6	124	154	147
Per share data	2010	2011	2012E	2013E	2014E	Free cashflow to s/holders	105	168	225	244	246
Reported EPS (p)	47.9	45.8	54.3	63.1	64.7						
Core EPS (p)	50.2	56.8	58.4	67.2	68.7						
DPS (p)	25.0	26.3	27.0	31.1	31.8						
CFPS (p)	50.2	75.8	98.9	106.9	108.0						
FCFPS (p)	42.4	67.7	90.7	98.5	99.4						
BVPS (p)	162.3	158.1	197.1	233.0	265.5						
Wtd avg ord shares (m)	243	244	244	244	244						
Wtd avg diluted shares (m)	248	248	248	248	248						
Growth rates	2010	2011	2012E	2013E	2014E						
Sales revenue (%)	4.9	9.3	5.2	5.4	2.3						
EBIT (%)	2.6	17.5	3.7	12.6	2.4						
Core NPAT (%)	-7.1	13.3	2.8	15.1	2.3						
Core EPS (%)	-7.5	13.2	2.8	15.1	2.3						
Balance Sheet (£m)	2010	2011	2012E	2013E	2014E						
Cash & cash equiv.	126	107	188	296	395						
Accounts receivables	209	228	228	228	228						
Inventory	8	6	10	10	10						
Net fixed & other tangibles	50	52	57	62	67						
Goodwill & intangibles	1,222	1,251	1,250	1,225	1,200						
Financial & other assets	27	42	42	42	42						
Total assets	1,641	1,685	1,774	1,862	1,941						
Accounts payable	80	80	80	80	80						
Short-term debt	75	53	53	53	53						
Long-term debt	535	580	580	580	580						
Provisions & other liab	532	560	554	554	554						
Total liabilities	1,222	1,273	1,267	1,267	1,267						
Shareholders' equity	397	385	480	567	647						
Minority interests	22	27	27	27	27						
Total equity	419	412	507	594	674						
Net debt	485	526	445	338	238						
Net debt to equity (%)	115.6	127.8	87.8	56.8	35.4						

For further data queries on Citi's full coverage universe please contact CIRA Data Services Europe at CIRADatasevicesEMEA@citi.com or +44-207-986-4050
For definitions of the items in this table, please click [here](#).

Contents

Event of the Year – Upgrade To Buy	4
Events Risks Overdone; Time To Take A Fresh Look	6
China Still A Driver Of Growth	6
1. Timing of Large China Events	7
2. Growth Well In Excess of GDP...And Don't forget The US	7
3. Thinking About Exhibitor Mix	8
Technology Exposure Largely 1H	9
A Health Warning on Forward Bookings	10
Events Are Cyclical But We're Comfortable On UBM's Track Record	11
Medium Term Forecasts Are Conservative	11
Sum of the Parts – Target Price up to £6.10	12
Assessing Risk-Reward	12
PRN	12
Events	13
Valuation Metrics	13
Financial Forecasts	14
UBM plc	18
Company description	18
Investment strategy	18
Valuation	18
Risks	18
Appendix A-1	20

Event Horizon – Upgrade To Buy

Target Price raised to 610p, 20% ETR

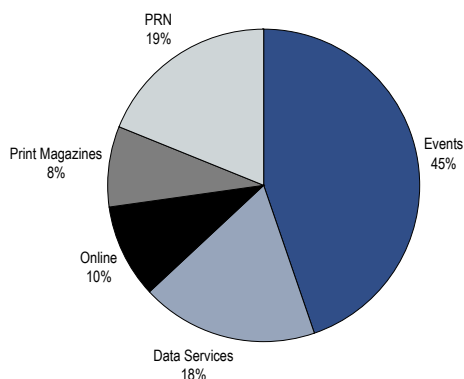
Following a recent share price pull back, we see risk reward tilted positively and upgrade UBM to Buy. Our target price moves up to 610p (from 570p) and with a dividend yield of 5.1% this provides 20% ETR. UBM trades at 8.9x 2012E EBITDA, 9.1x 2012E PE falling quickly to 7.9x / 7.9x respectively in 2013E which benefits from a positive cycling in of biennial events.

Events are 64% of group profit

While representing only 2% share of a highly fragmented global events industry, UBM is commonly seen as the largest listed, almost “pure-play” investment option in this sub-sector. Events are weighted to large scale exhibitions (sale of floor space to exhibitors rather than attendee revenue are the driver) and represent 45% of group revenue, 64% of group profit on our FY12 forecasts.

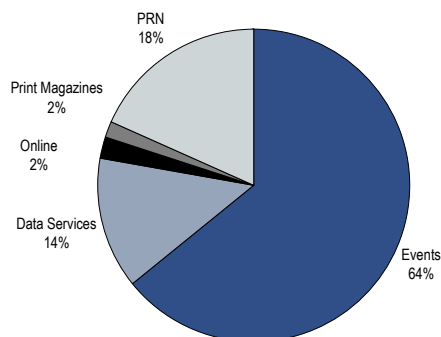
Our report from May 2010 (See [B2B: Exhibiting Potential](#)) provides further useful background to the Events Industry.

Figure 1. UBM Revenue Split FY12E



Source: Citi Investment Research and Analysis

Figure 2. UBM EBITA Split FY12E



Source: Citi Investment Research and Analysis

No change in our view here: Events are structural growth

We see Events as a structural growth area, well-placed to grow in excess of GDP, driven by the increased ease of global travel, the globalization of industries and the ever important need for face-to-face contact between buyers and sellers, not diminished by the move to a digital world. This however is not new.

Risks on China & US Tech exposure look to be captured in the recent pull back

In this report we address two specific concerns on Events (exposure to China and exposure to Tech) that we believe are now more than reflected in the recent share price pull back, and explain why we still remain comfortable with an outlook for 10%-12% organic growth in Events in 2012E (5% medium term).

On Geographic Exposure we argue:

Comfort on Timing...

- 1) the larger Chinese events will run by September and we believe management should have already had reasonable visibility on bookings here when setting guidance at the April IMS

Figure 3. UBM - Number of Top 20 Events By Quarter

Quarter	Top 20 Events	Of Which Those In China/HK
1Q	6	2
2Q	5	3
3Q	5	3
4Q	4	1
	20	9

Source: Citi Investment Research and Analysis, UBM

...Growth Outlook...

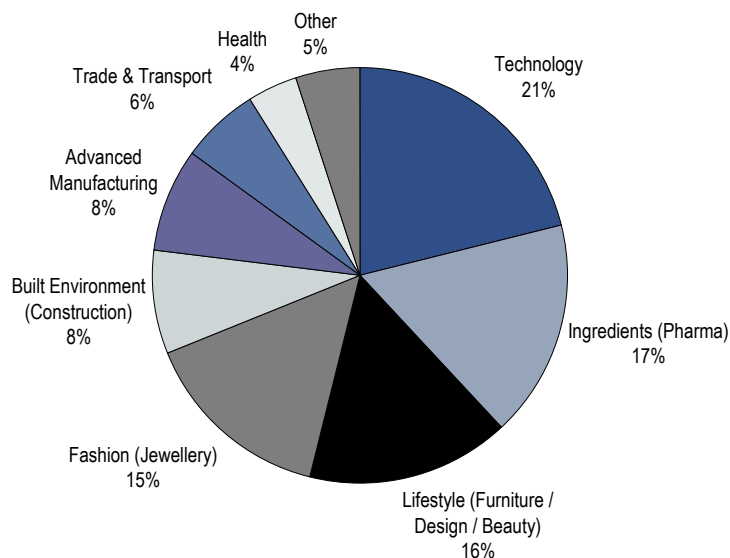
- 2) Chinese events grew 25% in FY11 vs GDP growth of 9% - a 1pt slowing in China GDP growth is not sufficient to derail the structural growth story in our view

...and balance of global exposure

- 3) The US remains a key market (29%) and our economists' forecasts here are slightly raised

With regard to concerns on **Tech exposure**, we note that the most vulnerable large US attendee driven events have run by now (Game Developer we know grew double digit in 1Q, Interop ran in the first week of May). Again, we believe management should have had sufficient visibility at the April IMS.

Figure 4. UBM Events Sector Exposure 2011



Source: Citi Investment Research and Analysis, UBM

Data Services and PRNewswire concerns remain but risk-reward tilts positively from here

Our concerns over the balance of the business remain. We recently discussed our preference for Informa's Professional & Commercial Information (see [Informa PLC](#)) and this still stands. We continue to worry about PRN, still predominantly a newswire service which enjoys high margins on per word pricing structures which could come under pressure in our view. At the same time, the risk to our sum-of-the-parts valuation from a 2point margin miss and 25% derating to the PRN business is c.8% vs 20% expected total return to our new target price.

Acknowledging the growing weighting of Events within the group, and assessing risk-reward at the current valuation skewed positively, we upgrade UBM to Buy.

Events Risks Overdone; Time To Take A Fresh Look

Events are a structural growth area in our view

We continue to see Events as a structural growth area, well-placed to grow in excess of GDP (see Figure 8 and Figure 9 below), driven by the increased ease of global travel, the globalization of industries and the ever important need for face-to-face contact between buyers and sellers, not diminished by the move to a digital world. Through its acquisition spree in the last five years, we believe UBM has done a good job in cherry picking assets that are deemed “must-attend” events for professionals.

Events are cyclical, but can prove resilient to pockets of uncertainty...

While not immune to a sustained global economic downturn (not our economists' base case), UBM's weighting to exhibitor sales (sale of floor space) vs attendee sales (ticket sales), should provide some resilience in pockets of uncertainty, as space has to be booked in advance (in the most extreme case, some of the most popular shows may be already fully booked for the year ahead before the multi-day event has even finished).

... and provide global diversification

We favour the global diversification within Events at UBM. Even with recent cuts to China GDP forecasts, we see the exposure here (c.40% Emerging Markets of which the majority is China) as driving a stronger growth profile vs peers.

10%-12% growth guidance FY12E looks well set

In this section we explain why we remain confident in a growth profile of 10%-12% for FY12 (As per guidance) and 5% p.a. medium term.

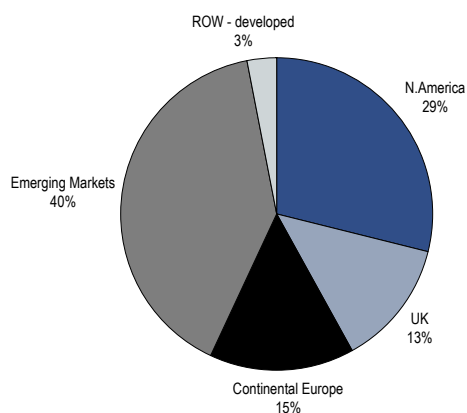
China Still A Driver Of Growth

China good / China bad? China Still Better Than The Rest of Europe

UBM has done a good job in educating investors about its growing exposure to China. For the group, c.40% of Events revenue comes from Emerging Markets, almost entirely China. Furthermore, of the top 20 events in 2011, half were from Emerging markets (from China/Hong Kong).

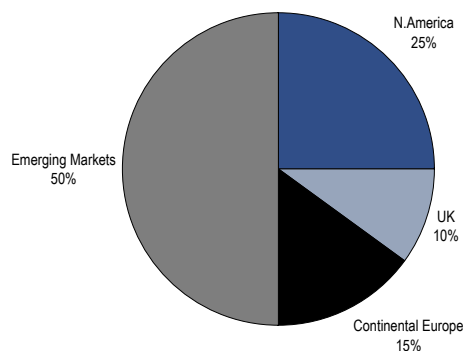
The top 20 events typically account for c.50% of total Events revenue, and we estimate nearly two-thirds of Events profit.

Figure 5. UBM Total Events Geographic Revenue Split, 2011



Source: Citi Investment Research and Analysis, Company reports

Figure 6. UBM Top 20 Events Geographic Split By Number of Events, 2011



Source: Citi Investment Research and Analysis, Company reports

As such, it is no surprise that recent concerns over a slowdown in growth in China (this month Citi economists cut their GDP forecast for FY12E to 8.1% from 8.4%) have lead to investor concern over growth prospects at UBM.

There are a number reasons why we remain comfortable that China Events will continue to support Events' growth.

Figure 7. UBM - Number of Top 20 Events By Quarter

	Top 20 Events	Of Which Those In China/HK
1Q	6	2
2Q	5	3
3Q	5	3
4Q	4	1
	20	9

Source: Citi Investment Research and Analysis, UBM

1. Timing of Large China Events

Of the nine large events in China/Hong Kong, we note that two have already run in 1Q (and no doubt contributed to the division's overall 19% organic growth performance; the breakdown for China specifically was not given).

Six of the nine large Chinese events then run across 2Q/3Q with only one in 4Q. This gives us some comfort as it was only last month that UBM raised its Events outlook (from 7%-9% to 10%-12% for the year), when management should have had some visibility on event bookings. We think it likely that these larger events in the group (leading brands and "must-attend" events) will book up at least 6 months in advance, if not earlier.

2. Growth Well In Excess of GDP...And Don't forget The US

Events growing in excess of GDP

We note that Emerging Markets events (driven by China) grew 25% in 2011, well in excess of GDP of 9.2%. This gives some context to the 1ppt slowing in GDP growth forecast in China in FY12E. We do not see this as sufficient to derail the structural growth story.

US almost as important as China

Furthermore, we emphasise that North America remains the second largest market for UBM (29% of divisional revenue), also growing well in excess of GDP and in fact this is a market where our economists have most recently slightly nudged up FY13E growth forecasts.

Figure 8. UBM Events 2011 Organic Growth By Geography

	2011
N.America	10.2%
UK	6.1%
Continental Europe	11.7%
Emerging Markets (largely china)	24.6%
ROW - developed	-4.4%

Source: UBM

Figure 9. Citi GDP / Inflation Forecasts

	Real GDP Growth			CPI Inflation		
	2011	2012E	2013E	2011	2012E	2013E
USA	1.7%	2.1%	2.1%	2.5%	1.9%	1.7%
UK	0.6%	-0.2%	0.5%	4.5%	2.9%	1.8%
Euro Area	1.5%	-0.6%	-0.7%	2.7%	2.5%	1.8%
China	9.2%	8.1%	8.5%	5.4%	3.5%	3.5%
Global	3.0%	2.7%	2.9%	3.7%	3.0%	2.9%

Source: Citi Investment Research and Analysis, Global Economic Outlook & Strategy May 2012

3. Thinking About Exhibitor Mix

Figure 10. UBM's Top 20 Events In 2011 (China/Hong Kong Events Highlighted)

Show	Industry	Market	Quarter
Game Developer Conference	Technology (Video Gaming)	N America	Q1
The Interiors Show	Lifestyle (Design)	UK	Q1
MD&M West (Canon)	Medical Technology	N America	Q1
Sign China	Signage / Printing / Lighting	China	Q1
Cruise Shipping Convention	Travel	N America	Q1
APLF - Materials (HK)	Leather (Fashion)	Hong Kong	Q1
HK Jewellery & Gem (June)	Fashion	Hong Kong	Q2
Interop Las Vegas	Technology (incl. Cloud Computing)	N America	Q2
CPhI China	Pharma (Ingredients)	China	Q2
IFSEC	Fire & Security	UK	Q2
Hotelex Shanghai	Hospitality	China	Q2
HK Jewellery Show - Sept	Fashion	Hong Kong	Q3
Furniture China	Lifestyle (Furniture)	China	Q3
Black Hat USA	Technology (Information Security)	N America	Q3
Concrete Show	Built Environment	India	Q3
Children-Baby-Maternity Expo	Children (Fashion / Food / Furniture / Toys)	China	Q3
CPhI Worldwide	Pharma (Ingredients)	Europe	Q4
Cosmoprof Asia (HK)	Lifestyle (Beauty)	Hong Kong	Q4
ICSE	Pharma (Ingredients)	Europe	Q4
World Routes	Aviation	Europe	Q4

Source: Citi Investment Research and Analysis, Company websites and presentations

Exhibitor revenues are most important for UBM, making up 70% of Event's revenue.

Not all Chinese events driven by local demand

UBM has not disclosed the mix of international vs local exhibitors and we believe it can vary significantly by event. For example, we believe an event like Furniture China, would consist of more local (or at least Asian) exhibitors and attendees than for example the Jewellery & Gem fair which UBM states attracted exhibitors from 37 countries and attendees from 104 countries in 2011.

Even those which are, appear exposed to structurally growing segments

More clarity here would be welcome but overall we remain comfortable with the fact that: 1) Many of the large events appear to us to attract exhibitors from across the Asian region, if not globally; 2) Those which are more locally oriented still look well placed to benefit from a growing Chinese middle class (eg. China Furniture, Dentech dental show).

21% of UBM's Events are in the Technology space

Tech events are more US and attendee driven and we know they drove weakness in 2009

Timing and topic of tech events is an important factor

Technology Exposure Largely 1H

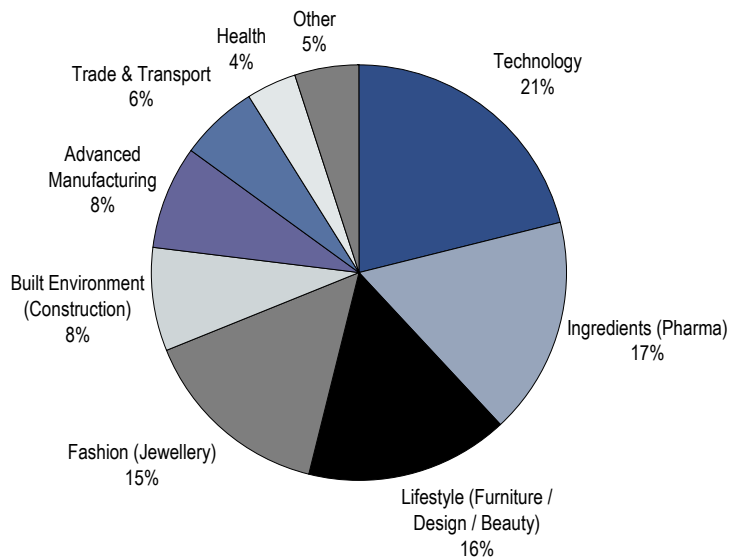
A second concern, in light of weak headlines coming out of Dell, HP, Cisco, to name a few, has been UBM's Technology exposure. It accounts for a fifth of UBM's Events' exposure.

Recent history tells us that the Tech events are typically more US weighted and more reliant on attendee revenue (vs exhibitor revenue) where booking cycles tend to be shorter and uncertainty can weigh on decision to attend events. Tech weakness was one of the drivers of the 2009 organic decline in Events of -8.8%. At the time, we also learned that there was a concentration of **attendee-led Tech events in the first half of the year** (big shows like Game Developer and Interop) and we don't think this has particularly changed.

Game Developer was already flagged as growing double digit in 1Q and we believe UBM likely already had sufficient visibility on Interop (held first week of May) at the April IMS when setting Events guidance.

The next big Tech event is Black Hat USA in July, which focuses on Internet Security. Especially given our recent work on the growing importance of ePrivacy and Data Protection (See the report at: [e-Privacy & Data Protection - What If The Cookie Crumbles?](#)) – we would argue this is a hot topic and therefore more likely to be seen as a “must attend” event.

Figure 11. UBM Events Sector Exposure 2011



Source: Citi Investment Research and Analysis, UBM

A Health Warning on Forward Bookings

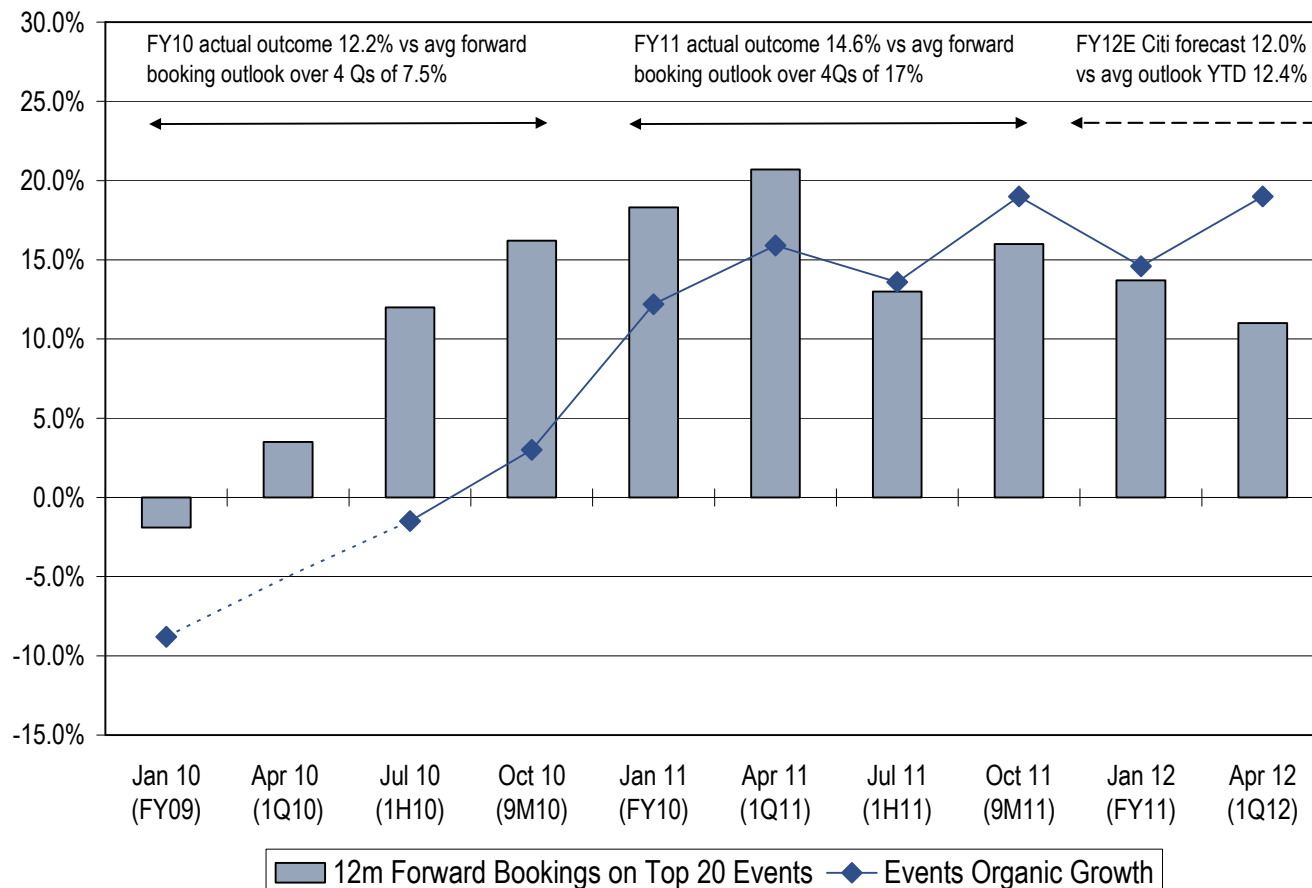
Forward bookings for large events is a useful directional indicator...

Forward bookings for exhibitor space on the top 20 shows are a useful directional indicator for the growth in the overall business as shown in the figure below. However, we are reluctant to read too much into one quarter of slowing forward bookings (11% at April IMS vs 14% in Feb), especially where it can be seen that point to point bookings growth can be influenced by phasing of bookings (eg. greater confidence in 2011 drove early bookings in the year with a surge in 1Q).

... but suffers from survivorship bias

Forward booking on the top 20 shows in 2011 also suffers from survivorship bias as the current year's top 20 events may differ. For example, Ecobuild which was acquired last year and said to be growing double digit when it ran in 1Q is a hot contender for the top 20 list this year.

Figure 12. UBM Total Events Organic Growth vs Forward Bookings on Top 20 Events



Source: Citi Investment Research and Analysis, UBM reports

Note: Forward bookings for floor space at exhibitions are for the top 20 annual shows, over the coming 12 months – as reported by UBM. Organic growth is for the period as reported by UBM at each update (only 1Q10 was not disclosed).

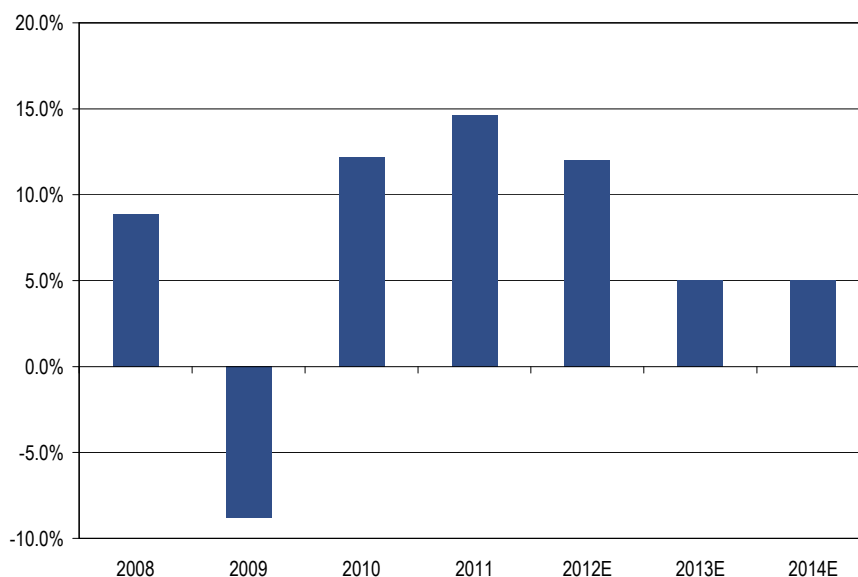
Overall, we are satisfied that guidance for 10%-12% organic growth in events in FY12 is in line with the current trend in forward bookings (+11%).

Events Are Cyclical But We're Comfortable On UBM's Track Record

Events declined 9% in 2009, but that was also a year where global advertising declined 7%; The outlook is currently more robust.

UBM has also demonstrated the resilience of its Event portfolio (reflective of what it claims are a high proportion of "must attend" events), with only one year of organic decline through the last downturn, albeit a large one, -8.8% in 2009. To put this in context, this was in a year when other forms of discretionary spend like advertising declined 6.6% globally according to Group M. This is not the outlook we currently face - current FY12 global ad forecasts range from 4.8% (Zenith Optimedia, March 2012 report) to 6.3% (Group M, Winter 2011 report).

Figure 13. UBM Events Organic Growth 2008 – 2014E



Source: Citi Investment Research and Analysis, UBM

Medium Term Forecasts Are Conservative

5% medium term Events growth looks conservative in light of our Economists' global growth forecasts

Medium term we forecast 5% organic growth at Events (2013/14E) which we believe is if anything conservative in the context of Citi's nominal global GDP growth forecasts (5.7%/5.8% 2013/14) and even more so when weighted for developed market vs China growth forecasts (closer to 6.5% 2013/14E).

Sum of the Parts – Target Price up to £6.10

Deleveraging & greater confidence in Events drives our SOTP higher

Our financial forecasts are unchanged but we have updated our sum-of-the-parts analysis to reflect 1) average net debt for 2011/12 given we are nearly half way through the year now – this now reflects some benefit for UBM's deleveraging YTD; 2) we slightly nudge up our applied multiple to Events (3.6x revenue vs 3.5x previously which backs out at 10.8x EBITDA vs 10.5x previously) in light of our renewed assessment over the strength of the Events portfolio.

£6.10 new target price.

We set our new price target at £6.10 (from £5.70). Combined with a 5% dividend yield, this provides a total expected return of 20%, and we move our rating to Buy (from Neutral).

Figure 14. 2012E Sum of the Parts Analysis

	Revs £m	EBIT £m	Margin %	Depreciation £m	EBITDA £m	EV/EBITDA x	Revenue x	Valuation £m	Valuation £
PRN	193.2	42.1	21.8%	2.9	45.0	7.9	1.9	357.5	
Events	458.0	146.6	32.0%	6.8	153.4	10.8	3.6	1653.5	
Data, Services	187.0	31.2	16.7%	2.8	34.0	7.7	1.4	261.8	
Online	99.1	5.0	5.0%	1.5	6.4	10.0	0.7	64.4	
Print Magazines	85.9	3.4	4.0%	1.3	4.7	6.4	0.4	30.1	
<i>Sub total</i>	<i>1023.3</i>	<i>228.3</i>	<i>22.3%</i>				<i>2.3</i>	<i>2367.3</i>	
Central costs (pre-tax)		-19.0						-152.0	
Exceptionals (pre-tax)		-10						-80.0	
EV								2135.3	
Minorities (post tax)	-11.4							-137.3	
Net Debt - avg 2011/12E								-485.7	
Market cap target								1512.3	
NOSH (m)								247.8	6.10

Source: Citi Investment Research and Analysis

Assessing Risk-Reward

PRN

Still worried about per word pricing model at UBM..

We have consistently worried about the structural risks inherent in what is still predominantly a text press release distribution business. While we see the value in pushing out a message (and an authenticated one at that), we continue to worry about pressure to the status quo high margin per word pricing model, in a world where customers can direct interested readers to more information on their own websites (which UBM itself is helping build out, albeit we suspect at a lower margin). A la Twitter, why say it in 2 pages when you can say it in 140 characters.

...but competitive concerns have eased

Over the years however, our competitive concerns in the space have eased (Thomson Reuters's acquisition of Hugin has not appeared to accelerate its move towards a bundled investor relations offering – terminals, webcasting, newswire services). For PRN we model 3-4% top line growth 2012-14E, with margins stable at 22%, in line with guidance.

Investor focus is on PRN margins and these should be mechanically supported by changing growth mix

The margin is the real focus for investors, ever since the unexpected margin downgrade at FY10 results. If anything, a slowing in growth at non-wire products like Vintage Fillings (previously flagged as a lower margin product) should mechanically help to support stable to growing margins.

Downside risk from PRN is 8% to our SOTP

To demonstrate the downside risk, we note that a 2point margin miss for FY12 (probably an extreme case given the point above), and a de-rating to 6x 2012 EBITDA would drive 8% downside to our SOTP.

Events

Events are 70% of our SOTP, and focus here is on top line momentum.

As it is the largest division and accounts for 70% of the operational value in our SOTP, it is worth assessing the risk to valuation from Events, albeit, we see this as the most resilient part of the business.

2pt top line miss → 2% downside to SOTP

Should organic growth for FY12 end up at the lower end of the guidance range of ie 10% vs our assumed 12% (we see it as unlikely that it would fully miss the range, given a strong forward bookings outlook and general conservatism in management guidance on Events), this could have c.2% downside pressure on our SOTP valuation.

Not worried about Events margins

We have on occasion worried about the sustainability of margins >30% but draw comfort from two facts: 1) UBM has disclosed that some biennial exhibitions (amongst the largest that are run) can make margins >50%; 2) we note only 11 geo-adaptions (ie new event launches) in 2011 vs >400 total events so while these can typically take a year to break even, we do not believe new launches are a significant margin drag relative to the size of the total portfolio. We feel comfortable that the 32% that we model FY12E is achievable and It already incorporates 1.9pts margin decline to reflect a low biennial year.

With 20% ETR on our base case scenario, we see overall risk-reward tilted positively and upgrade our rating to Buy.

Valuation Metrics

Figure 15. UBM Valuation Multiples

	2011	2012E	2013E	2014E
Price	532			
Market cap	1295.4			
2011 Net Debt	526.4			
Minority adjustment	114.4			
Pension deficit	31.5			
EV	1967.7			
EV/Sales	2.0x	1.9x	1.8x	1.8x
EBIT Margin	20.8%	20.5%	21.9%	21.9%
EV/EBITDA	9.2x	8.9x	7.9x	7.7x
P/E	9.4x	9.1x	7.9x	7.7x
FCF Yield	9.6%	12.1%	13.3%	13.4%
Dividend Yield	4.9%	5.1%	5.8%	6.0%
Net Debt / EBITDA	2.5	2.0	1.4	0.9
Adjusted Net Debt / EBITDA (including pension & lease adjustments)		2.9		

Source: Citi Investment Research and Analysis, Reuters (Price at close 30/05/12), UBM reports

Financial Forecasts

Figure 16. UBM Divisional Forecasts

	2004	2005	2005	2006	2007	2008	2009	2010	2011	2012E	2013E	2014E
Revenues												
Events					244.8	291.8	287.5	310.0	396.9	458.0	496.9	506.8
Data, Services & Online (up to 2010)					184.4	225.3	232.9	253.9				
- Data Services							179.1	184.7	187.0	187.0	190.7	194.6
- Online							53.8	69.2	88.5	99.1	109.0	116.7
Print Magazines					231.3	215.6	165.8	144.1	112.1	85.9	81.6	77.5
Marketing Services - Print & Online combined (from 2011)									200.6	185.0	190.6	194.2
PRNewswire					141.1	154.3	161.4	181.2	187.8	193.2	200.3	207.6
Total Revenue	557.3	675.8	633.7	739.1	801.6	887.0	847.6	889.2	972.3	1023.3	1078.6	1103.1
Rev Growth												
Events						19.2%	-1.5%	7.8%	28.0%	15.4%	8.5%	2.0%
Data, Services & Online						22.2%	3.4%	9.0%				
- Data Services								3.1%	1.2%	0.0%	2.0%	2.0%
- Online								28.6%	27.9%	12.0%	10.0%	7.0%
Print Magazines						-6.8%	-23.1%	-13.1%	-22.2%	-23.4%	-5.0%	-5.0%
Marketing Services - Print & Online combined (from 2011)									-6.0%	-7.8%	3.0%	1.9%
PRNewswire						9.4%	4.6%	12.3%	3.6%	2.9%	3.7%	3.7%
Group						10.7%	-4.4%	4.9%	9.3%	5.2%	5.4%	2.3%
Underlying Rev Growth												
Events						8.9%	-8.8%	12.2%	14.6%	12.0%	5.0%	5.0%
Data, Services & Online						3.9%	-9.2%	8.1%				
- Data Services								3.5%	3.0%	0.0%	2.0%	2.0%
- Online								20.2%	16.4%	12.0%	10.0%	7.0%
Print Magazines						-8.4%	-18.6%	-8.1%	-4.6%	-10.0%	-5.0%	-5.0%
Marketing Services - Print & Online combined (from 2011)										1.8%	3.6%	2.2%
PRNewswire						-1.0%	-9.6%	5.6%	4.2%	3.0%	3.7%	3.7%
Group	3.2%	4.1%	4.1%	4.3%	5.0%	1.4%	-11.1%	5.6%	7.9%	5.8%	3.9%	3.7%
Adjusted Op profit												
Events					67.0	82.2	87.2	93.5	135.2	146.6	164.0	162.2
Data, Services & Online					25.3	31.1	37.9	35.4	33.9	36.2	44.0	50.6
- Data Services							37.3	34.1	30.3	31.2	35.3	38.9
- Online							0.6	1.3	3.6	5.0	8.7	11.7
Print Magazines					28.2	23.9	8.9	10.0	6.1	3.4	4.1	3.9
Marketing Services - Print & Online combined (from 2011)									9.7	8.4	12.8	15.5
PRNewswire					49.1	43.3	44.8	42.1	41.0	42.1	43.7	45.7
Corporate costs					-3.5	-7.0	-7.6	-9.2	-14.3	-19.0	-20.0	-21.0
Total Adj Op Profit	132.9	141.9	141.9	149.7	166.1	173.5	171.2	171.8	201.9	209.3	235.8	241.3
Margins												
Events					27.4%	28.2%	30.3%	30.2%	34.1%	32.0%	33.0%	32.0%
Data, Services & Online					13.7%	13.8%	16.3%	13.9%				
- Data Services							20.8%	18.5%	16.2%	16.7%	18.5%	20.0%
- Online							1.1%	1.9%	4.1%	5.0%	8.0%	10.0%
Print Magazines					12.2%	11.1%	5.4%	6.9%	5.4%	4.0%	5.0%	5.0%
Marketing Services - Print & Online combined (from 2011)									4.8%	4.5%	6.7%	8.0%
PRNewswire					34.8%	28.1%	27.8%	23.2%	21.8%	21.8%	21.8%	22.0%
Group					20.7%	19.6%	20.2%	19.3%	20.8%	20.5%	21.9%	21.9%

Source: Citi Investment Research and Analysis, UBM reports

Figure 17. UBM Summary P&L, £m, December year end

	2004	2005	2005	2006	2007	2008	2009	2010	2011	2012E	2013E	2014E
Total Revenue	557.3	675.8	633.7	739.1	801.6	887.0	847.6	889.2	972.3	1023.3	1078.6	1103.1
Group reported Growth	-25.4%	21.3%	13.7%	16.6%	8.5%	10.7%	-4.4%	4.9%	9.3%	5.2%	5.4%	2.3%
Group Organic Growth	3.2%	4.1%	4.1%	4.3%	5.0%	1.4%	-11.1%	5.6%	7.9%	5.8%	3.9%	3.7%
Total Adj Op Profit	132.9	141.9	141.9	149.7	166.1	173.5	171.2	171.8	201.9	209.3	235.8	241.3
Group Margins					20.7%	19.6%	20.2%	19.3%	20.8%	20.5%	21.9%	21.9%
Exceptionals	-11.7	-56.3	-56.3	-34.9	-20.1	-43.4	-16.5	-12.3	-37.7	-10.0	-10.0	-10.0
Gain/ loss on sale	0.0	150.7	150.7	4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of tax on associates	-0.8	1.9	1.9	-0.7	-0.4	0.0	-0.7	-0.8	0.0	0.0	0.0	0.0
Net interest	9.0	10.2	10.2	10.8	3.9	-2.0	-6.1	-15.4	-24.5	-25.7	-25.2	-24.7
Amortisation of intangibles / Impairments	-3.1	-11.4	-11.4	-15.0	-20.0	-26.1	-179.8	-27.8	-37.5	-25.0	-25.0	-25.0
Amortisation of goodwill / Other (post 2004)	0.0	0.0	0.0	0.0	0.0	0.0	-3.8	0.0	0.0	0.0	0.0	0.0
Pre Tax Profit	126.3	237.0	237.0	114.2	129.5	102.0	-35.7	115.5	102.2	148.6	175.6	181.6
Pre-Tax Profit adjusted	141.9	152.1	152.1	160.5	170.0	171.5	165.1	156.4	177.4	183.6	210.6	216.6
Reported tax	97.9	-24.8	-23.5	11.9	-21.5	-19.3	116.8	-16.1	-15.9	-27.5	-31.6	-32.5
Adjusted tax	-30.3	-26.0	-26.0	-28.9	-28.9	-27.3	-24.8	-23.5	-26.3	-27.5	-31.6	-32.5
Discontinued	38.6	270.1	275.3	21.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported minorities	-1.8	-1.9	-1.9	-4.5	-5.2	-6.3	-6.6	-8.6	-10.4	-11.4	-12.6	-13.8
Adjusted minorities	-1.8	-1.9	-1.9	-4.5	-5.2	-6.3	-6.6	-8.6	-10.4	-11.4	-12.6	-13.8
B share dividend	-0.4	-0.4	-0.4	-0.4	-0.3	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Reported PAT	260.6	480.0	486.5	142.2	108.5	75.9	74.5	90.7	75.9	109.6	131.4	135.3
Adjusted PAT	109.4	123.8	123.8	126.7	135.6	137.4	133.7	124.2	140.7	144.6	166.4	170.3
EBITDA	145.8	152.3	152.3	158.3	175.9	188.5	183.5	187.4	216.3	224.5	251.8	257.7
Adj. EBITDA	140.8	139.1	139.1	153.9	173.3	186.7	181.5	184.6	213.4	221.6	248.9	254.8
Weight av. shares	334.4	302.5	302.5	278.7	254.0	241.2	243.1	243.4	243.5	243.5	243.5	243.5
Weight av fully diluted shares	386.8	346.2	346.2	289.9	259.5	246.3	246.5	247.6	247.8	247.8	247.8	247.8
Dilution adjustment	3.5	19.1	19.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted EPS	32.7	40.9	40.9	45.5	53.4	57.0	55.0	51.0	57.8	59.4	68.3	69.9
Fully diluted adjusted EPS	29.2	36.7	36.7	43.8	52.3	55.8	54.2	50.2	56.8	58.4	67.2	68.7
FCFPS	30.4	26.3	26.3	30.0	48.0	37.4	37.2	20.7	51.0	64.2	70.7	71.5
Net Div	12.0	15.0	15.0	18.0	21.6	23.8	24.2	25.0	26.3	27.0	31.1	31.8
Effective tax rate	21.4%	17.1%	17.1%	18.0%	17.0%	15.9%	15.0%	15.0%	14.8%	15.0%	15.0%	15.0%
Div cover	2.7x	2.7x	2.7x	2.5x	2.5x	2.4x	2.3x	2.0x	2.2x	2.2x	2.2x	2.2x
EBITDA/ net int	-16.2x	-14.9x	-14.9x	-14.7x	-45.1x	NA	NA	12.1x	8.8x	8.7x	10.0x	10.4x
<i>Op Profit margin</i>	<i>23.8%</i>	<i>21.0%</i>	<i>22.4%</i>	<i>20.3%</i>	<i>20.7%</i>	<i>19.6%</i>	<i>20.2%</i>	<i>19.3%</i>	<i>20.8%</i>	<i>20.5%</i>	<i>21.9%</i>	<i>21.9%</i>
<i>Adj. EBITDA mgin</i>	<i>25.3%</i>	<i>20.6%</i>	<i>22.0%</i>	<i>20.8%</i>	<i>21.6%</i>	<i>21.0%</i>	<i>21.4%</i>	<i>20.8%</i>	<i>21.9%</i>	<i>21.7%</i>	<i>23.1%</i>	<i>23.1%</i>
<i>% chg Rev</i>		<i>21.3%</i>		<i>9.4%</i>	<i>8.5%</i>	<i>10.7%</i>	<i>-4.4%</i>	<i>4.9%</i>	<i>9.3%</i>	<i>5.2%</i>	<i>5.4%</i>	<i>2.3%</i>
<i>% chg Op Profit</i>		<i>6.8%</i>		<i>5.5%</i>	<i>11.0%</i>	<i>4.5%</i>	<i>-1.3%</i>	<i>0.4%</i>	<i>17.5%</i>	<i>3.7%</i>	<i>12.6%</i>	<i>2.4%</i>
<i>% chg PtP</i>		<i>87.6%</i>		<i>-51.8%</i>	<i>13.4%</i>	<i>-21.2%</i>	<i>-135.0%</i>	<i>-423.4%</i>	<i>-11.5%</i>	<i>45.4%</i>	<i>18.2%</i>	<i>3.4%</i>
<i>% chg Attrib</i>		<i>13.2%</i>		<i>2.3%</i>	<i>7.0%</i>	<i>1.3%</i>	<i>-2.7%</i>	<i>-7.1%</i>	<i>13.3%</i>	<i>2.8%</i>	<i>15.1%</i>	<i>2.3%</i>
<i>% chg Net Div</i>		<i>25.0%</i>		<i>20.0%</i>	<i>20.0%</i>	<i>10.2%</i>	<i>1.7%</i>	<i>3.3%</i>	<i>5.2%</i>	<i>2.8%</i>	<i>15.1%</i>	<i>2.3%</i>

Source: Citi Investment Research and Analysis, UBM reports

Figure 18. UBM, Summary Cash Flow, £m, December year end

	2004	2005	2005	2006	2007	2008	2009	2010	2011	2012E	2013E	2014E
Total operating profit	107.7	137.1	130.6	149.0	166.1	173.5	171.2	171.8	201.9	209.3	235.8	241.3
Discontinued	25.2	4.8	11.3	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of joint ventures	-5.0	-13.2	-13.2	-4.4	-2.6	-1.8	-2.0	-2.8	-2.9	-2.9	-2.9	-2.9
Depreciation	12.9	10.4	10.4	8.6	9.8	11.5	12.3	15.6	14.4	15.2	16.0	16.3
Other	0.0	0.0	0.0	0.0	0.4	-0.3	-0.8	0.4	2.7	-3.1	-3.1	-3.1
Op Cash Inflow pre WC	140.8	139.1	139.1	153.9	173.7	182.9	180.7	185.0	216.1	218.5	245.8	251.7
Provisioning	-16.1	-19.9	-19.9	-27.9	-32.2	0.0	-41.3	-24.5	-14.2	0.0	0.0	0.0
Changes in w cap	-3.7	-4.9	-4.9	-31.8	-8.6	-13.9	3.1	-5.8	0.1	0.0	0.0	0.0
Other non-cash items	-13.5	-14.2	-14.2	-1.6	5.8	-40.8	-16.5	0.0	0.0	0.0	0.0	0.0
Op Cash Inflow	107.5	100.1	100.1	92.6	138.7	128.2	126.0	154.7	202.0	218.5	245.8	251.7
Returns on investments and servicing of finance												
Net interest paid	7.8	3.5	3.5	10.2	1.2	-4.2	-4.6	-23.1	-27.8	-25.7	-25.2	-24.7
Dividends rec'd	4.8	2.8	2.8	5.1	0.8	3.3	1.5	0.6	1.3	1.0	1.0	1.0
Dividends paid	-31.2	-339.7	-339.7	-49.1	-47.6	-61.5	-63.2	-64.8	-72.1	-64.0	-65.8	-75.7
Other income	4.8	3.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash outflow	-13.8	-330.4	-330.4	-33.8	-45.6	-62.4	-66.3	-87.3	-98.6	-88.8	-90.0	-99.5
Tax Paid	-10.0	-17.4	-17.4	-6.2	-5.3	-18.7	-16.5	-62.1	-29.9	-15.9	-27.5	-31.6
Investing activities												
Asset cap ex	-8.5	-9.7	-9.7	-13.1	-12.6	-15.0	-14.5	-19.1	-20.0	-20.4	-20.8	-21.2
Acquisitions	-191.9	-115.6	-115.6	-155.8	-82.4	-47.7	-34.3	-240.7	-62.4	-24.1	0.0	0.0
Asset disposals	1.9	744.0	744.0	57.2	5.0	0.0	0.0	-1.7	12.1	12.1	0.0	0.0
Invest disposals	67.1	42.8	42.8	-0.3	1.1	0.0	3.4	0.0	0.0	0.0	0.0	0.0
Net chg liquid funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-4.1	-7.4	-7.4	-13.9	-0.2	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Net cash outflow	-135.5	654.1	654.1	-125.9	-89.1	-63.1	-45.4	-261.5	-70.3	-32.4	-20.8	-21.2
Net cash outflow pre financing	-51.8	406.4	406.4	-73.3	-1.3	-16.0	-2.2	-256.2	3.2	81.4	107.4	99.4
Financing activities												
Equity issues	-0.4	1.4	1.4	-66.3	-272.5	-14.4	0.2	-4.4	1.1	0.0	0.0	0.0
Net repayment of debt	-98.9	-273.2	-273.2	-22.3	55.2	75.0	-7.4	218.6	-25.6	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Net cash inflow	-99.3	-271.8	-271.8	-88.6	-217.3	60.6	-7.2	214.2	-24.6	0.0	0.0	0.0
Inc/(Dec) Cash and Equivalents	-151.1	134.6	134.6	-161.9	-218.6	44.6	-9.4	-42.0	-21.4	81.4	107.4	99.4
Free cash flow	101.6	79.5	79.5	83.5	122.0	90.3	90.4	50.4	124.3	156.4	172.2	174.2
	-151.1	134.6	134.6	-161.9	-218.6	44.6	-9.4	-42.0	-21.4	81.4	107.4	99.4
Other	-54.3	-104.4	-104.4	23.4	-14.3	15.0	7.0	-3.2	-46.6	0.0	0.0	0.0
Exchange diff	-8.0	11.4	11.4	0.0	0.0	-87.7	29.2	5.6	0.5	0.0	0.0	0.0
Chg loans & leases	98.9	273.2	273.2	22.3	-55.2	-75.0	7.4	-218.6	25.7	0.0	0.0	0.0
Chg net debt in period	-114.5	314.8	314.8	-116.2	-288.1	-103.1	34.2	-258.2	-41.8	81.4	107.4	99.4
Opening net (debt)	46.5	-68.0	-68.0	246.8	130.6	-157.5	-260.6	-226.4	-484.6	-526.4	-445.0	-337.6
Closing net (debt)	-68.0	246.8	246.8	130.6	-157.5	-260.6	-226.4	-484.6	-526.4	-445.0	-337.6	-238.2
<i>Net Debt/EBITDA</i>				-0.8	0.9	1.4	1.2	2.6	2.5	2.0	1.4	0.9

Source: Citi Investment Research and Analysis, UBM reports

Figure 19. UBM Balance Sheet, £m, Year End December

	2004	2005	2005	2006	2007	2008	2009	2010	2011	2012E	2013E	2014E
Cash and marketable securities	339.4	489.4	489.4	316.2	95.0	139.6	158.9	125.9	106.7	188.1	295.5	394.9
Accounts receivable	128.0	106.5	106.5	120.0	135.0	140.0	169.8	208.6	227.8	227.8	227.8	227.8
Inventory	14.9	9.4	9.4	6.7	7.1	10.0	7.7	7.8	6.3	10.0	10.0	10.0
Total other current assets	178.1	68.9	68.9	61.1	46.2	60.0	0.3	0.1	0.0	0.0	0.0	0.0
Current assets	660.4	674.2	674.2	504.0	283.3	349.6	336.7	342.4	340.8	425.9	533.3	632.7
Net tangible fixed assets	45.0	36.7	36.7	30.2	29.1	32.6	38.2	41.2	40.8	46.0	50.9	55.8
Investments	54.2	22.2	22.2	23.9	24.6	25.0	17.0	20.4	18.3	18.3	18.3	18.3
Other financial assets	47.9	5.0	5.0	2.7	1.6	3.0	0.6	6.8	23.3	23.3	23.3	23.3
Total financial assets	102.1	27.2	27.2	26.6	26.2	28.0	17.6	27.2	41.6	41.6	41.6	41.6
Net goodwill	583.8	590.6	590.6	690.8	783.2	830.9	820.9	1044.1	1088.0	1112.1	1112.1	1112.1
Other intangible assets	50.4	79.9	79.9	109.1	120.4	94.3	110.6	177.4	162.8	137.8	112.8	87.8
Other assets	5.1	0.0	0.0	0.0	40.3	0.0	0.0	9.1	10.9	10.9	10.9	10.9
Total assets	1446.8	1408.6	1408.6	1360.7	1282.5	1335.4	1324.0	1641.4	1684.9	1774.4	1861.6	1940.9
Accounts payable	60.4	59.0	59.0	60.0	65.0	70.0	70.0	80.0	80.0	80.0	80.0	80.0
Short-term debt	142.8	239.3	239.3	188.0	39.3	145.0	0.3	75.3	53.0	53.0	53.0	53.0
Total other current liabilities	443.0	510.7	510.7	478.1	461.6	490.0	365.7	368.1	393.9	390.0	390.0	390.0
Current liabilities	646.2	809.0	809.0	726.1	565.9	705.0	436.0	523.4	526.9	523.0	523.0	523.0
Long-term debt	304.8	3.3	3.3	2.9	213.2	255.2	385.0	535.2	580.1	580.1	580.1	580.1
Net deferred tax liability	16.8	24.0	24.0	30.2	44.5	28.9	27.7	49.7	44.9	44.9	44.9	44.9
Other non-current liabilities	100.6	57.9	57.9	7.8	22.9	20.0	12.9	78.8	91.7	90.0	90.0	90.0
Total other non-current liabilities	422.2	85.2	85.2	40.9	280.6	304.1	425.6	663.7	716.7	715.0	715.0	715.0
Total provisions	48.6	70.0	70.0	52.9	69.5	69.5	76.6	35.1	29.3	29.3	29.3	29.3
Total liabilities	1117.0	964.2	964.2	819.9	916.0	1078.6	938.2	1222.2	1272.9	1267.3	1267.3	1267.3
Minority interest - accumulated	2.6	2.7	2.7	4.8	5.7	5.0	9.5	22.2	27.0	27.0	27.0	27.0
Preferred equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common equity	327.2	441.7	441.7	536.0	360.8	251.8	376.3	397.0	385.0	480.1	567.3	646.6
Shareholders' equity	327.2	441.7	441.7	536.0	360.8	251.8	376.3	397.0	385.0	480.1	567.3	646.6
Shareholders' funds	329.8	444.4	444.4	540.8	366.5	256.8	385.8	419.2	412.0	507.1	594.3	673.6
Liabilities and shareholders' funds	1446.8	1408.6	1408.6	1360.7	1282.5	1335.4	1324.0	1641.4	1684.9	1774.4	1861.6	1940.9

Source: Citi Investment Research and Analysis, UBM Reports

UBM plc

Company description

UBM is primarily a B2B publisher. About 80% of group revenues come from Events (revenues from exhibitors, sponsorship and paying attendees), Data services & online (listings, subscriptions, advertising revenues), and print B2B magazines (largely advertising revenue). Sector exposure is largely within technology, healthcare, media, jewellery & fashion and financial services industries.

The other 20% of group revenue is "B2B distribution, monitoring and targetting" in which the principal business is PR Newswire, a global corporate news distribution service. It has also expanded its service into related multi-media services and into more geographies (though it is still largely US centric, 80% of divisional revenues).

Investment strategy

We rate UBM Buy. 64% of the portfolio (by FY12E EBITA) comes from B2B events, an area where we see structural growth as globalisation of industries / ease of global travel continues. Cyclical exposure is diversified through its global reach and we favour its weighting to Emerging Markets/US.

We remain cautious on the LT growth and margin prospects at PRN but note that it is a far smaller contributor to our sum-of-the-parts valuation. Even on our downside scenario (2point margin miss, 25% de-rating at PRN), we see downside to our SOTP limited to 8%.

Risk reward tilts positively in our view.

Valuation

We set our target price at 610p based on a 2012E sum-of-the-parts analysis. We apply revenue multiples to each of the divisions, reflecting the relative margins and cross-check these against EBITDA multiples. We attribute the highest multiple to Events, which makes up around 2/3rds of group profit and where we see margins as sustainable at >30%. At PRN, we apply a 1.9x revenue multiple and view sustainable margins in the high teens/low 20s. We apply lower multiples to Data, Services & Online and Print Magazines reflecting their lower margins. This is also backed up by our DCF based on 10% WACC and 1% long-term growth.

Risks

We would highlight the following risks for UBM: (i) highly volatile end markets, in particular revenues from technology end-markets; (ii) pharmaceutical end-markets are competitive, pharmaceutical companies are using procurement departments more aggressively, and regulation is having an impact on marketing investment; (iii) uncertain returns from potential acquisitions; (iv) competitive pressures in the newswire market which could pressure margins over time. If any of these factors proves to have more/less of an effect than we anticipate, the stock could materially underperform/outperform our target.

Informa PLC

(INF.L; £3.45; 1)

Valuation

We focus on a relative multiple analysis as the primary driver of our assessment of fair value. We apply a 10.3x 2012E EV/EBITDA multiple (a premium to its closest B2B peers, given we prefer the mix of assets) to reach our 530p target price. This level is also well supported by both our SOTP- and DCF-based analyses (WACC 9.5%, long-term growth 2%) as shown below.

Risks

We see the following risks which could prevent Informa meeting our forecasts:

Exposure to 'bubble' categories including, but not limited to, property, hedge funds, private equity, financial services and biofuels.

Uncertainty over how discretionary "performance improvement" spend by both corporates and governments actually is.

The impact of FX changes on reported earnings.

If the impact of these factors is greater than we anticipate, then the stock would likely have difficulty in reaching our target price.

Daily Mail & General Trust PLC

(DMGOa.L; £3.88; 1)

Valuation

Our target price of 495p is based on a 2012E sum of the parts backed up by an analysis of multiples. In our SOTP, we apply a 0.5x revenue multiple to the regional newspapers, 0.75x revenues to the print national newspaper businesses, 5x revenues to the faster growing, higher-margin online classified assets, 10x to the MailOnline (based on recently observed transaction multiples). At the B2B businesses, we apply c.9x EBIT. We do not apply a holding company discount but reflect the risk on the pension by reflecting the net pension deficit as debt. At 495p, DMGT would trade at 10x calendarised 2012E P/E, which is between where consumer publishers and professional publishers would trade based on our 12-month target prices. This is appropriate, in our view, as c.1/4 of its business by EBIT is newspapers and c.3/4 is more attractive long-term growth B2B businesses.

Risks

Key risks include: (i) the outlook for advertising expenditure is subject to macroeconomic conditions, and visibility remains low; (ii) property within DMGi is dependent on a pick-up in US/UK property market transactions where trends remain uncertain; (iii) the B2B businesses are late cycle - the visibility on the return to growth is low. If the subscription products / B2B events are slower to pick up than we anticipate, this could imply downward pressure to our forecasts; and (iv) DMGT has denied illegal practices such as phone-hacking have been used in its newspapers to gain stories, but the outcome of the industry wide investigation (and potential consequences) is unknown. If the impact of these risk factors is more negative than we anticipate, then the share price likely won't reach our target price.

Appendix A-1

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IMPORTANT DISCLOSURES

UBM plc (UBM.L)

Ratings and Target Price History Fundamental Research

Analyst: Ruchi Malaiya, CFA
Covered since April 30 2010



	Date	Rating	Target Price	Closing Price
1	3-Aug-09	*2M	*4.25	4.23
2	13-Oct-09	*3M	4.25	5.03
3	22-Jan-10	3M	*4.00	4.32
4	4-May-10	3M	*4.80	5.52
5	24-Oct-10	3M	*5.60	6.58

* Indicates change

	Date	Rating	Target Price	Closing Price
6	19-Jan-11	*2M	*6.95	7.11
7	2-Mar-11	2M	*6.40	6.45
8	16-Aug-11	2M	*5.00	4.66
9	9-Sep-11	2M	*4.50	4.24
10	7-Oct-11	Stock rating system changed		

	Date	Rating	Target Price	Closing Price
11	8-Oct-11	*2	4.50	4.71
12	12-Jan-12	2	*4.85	5.04
13	29-Feb-12	2	*5.70	5.83

Rating/target price changes above reflect Eastern Standard Time

UBM plc (UBM.L)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Ruchi Malaiya, CFA
Covered since April 30 2010



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD LP	-	7.25

* Indicates change

	Date	Rating	Target Price	Closing Price
2	15-Aug-11	*REM LP	-	4.74

Rating/target price changes above reflect Eastern Standard Time

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