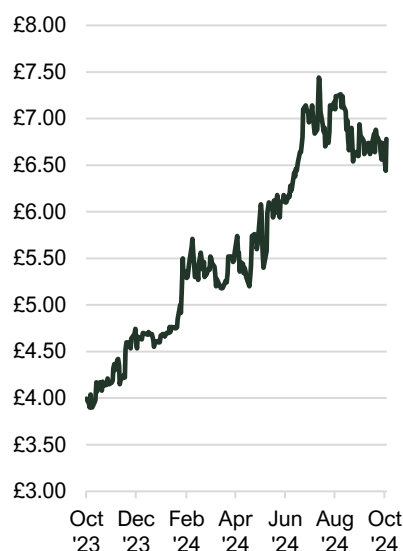


H1 FY25: Impressive headlines, consensus upgrade

1 Year Chart



Bloomsbury Publishing PLC is a research client of H2 Radnor Ltd.

MiFID II – this research is deemed to be a minor, non-monetary benefit.

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Iain Daly

idaly@h2radnor.com

+44 (0) 203 897 1832

Bloomsbury has not only reported a very strong set of H1 results, but it has indicated that the full year outcome is now likely to be ahead of consensus expectations. The portfolio effect within the group has seen momentum within Consumer maintained and more than offsetting a challenging budgetary environment within the academic market.

The strength and breadth of the Consumer performance is particularly impressive, even after a stand-out FY24. Although H2 will not benefit from a new Sarah J Maas title, this will be a year where contributions across a range of authors and across front and backlist come to the fore, demonstrating the portfolio of portfolios approach in action.

Beyond the challenging academic market backdrop, Bloomsbury Digital Resources continues to grow and remains on track for the FY28 target of £41m of revenue. The Rowman & Littlefield acquisition has contributed in-line with initial expectations and represents a significant future growth driver.

The FY25 PE of 19.2x and EV/EBITDA of 11.0x continue to look attractive for a group showing consistent momentum and future upgrade potential.

- **Strong results:** H1 results are impressive at a headline level. Revenue / PBT growth of +32% / +50% respectively will be difficult to match elsewhere in the media sector. Performance was led primarily by Consumer which delivered +47% revenue growth and material margin expansion.
- **Estimate upgrades:** We have upgraded our FY25E revenue / PBT estimates by 6% / 5% respectively. Beneath the headlines we have materially upgraded our expectations around Consumer, whilst taking a more cautious view on Non-Consumer. At this stage, we are leaving our FY26E headline estimates unchanged although we have revisited our segmental mix assumptions.
- **Academic & Consumer content-led strategy:** Bloomsbury's strategic focus is on investing in academic and consumer content, expanding what it describes as the "portfolio of portfolios" effect, diversified across content, formats and geographies.
- **Undemanding valuation & strong total returns:** Bloomsbury's valuation is undemanding in the context of the strength of the track record, cash generation and potential for further upgrades. The recent FTSE250 inclusion was an important milestone for the group.

January, £m	Revenue	PBT adj	EPS (p)	Div (p)	Net Cash	PE x	Yield %
FY 2023A	264.1	31.1	30.6	11.8	51.5	22.4	1.7
FY 2024A	342.7	48.7	46.6	14.7	65.8	14.7	2.1
FY 2025E	338.1	39.0	35.7	15.4	14.9	19.2	2.3
FY 2026E	339.8	44.3	40.5	16.2	31.7	16.9	2.4
FY 2027E	347.6	47.2	43.1	17.0	54.5	15.9	2.5

H1 results

The key headlines from the Bloomsbury H1 results are outlined below and make for impressive reading.

- Overall **group** revenue +32% YoY to £179.8m:
 - **Consumer** revenue +47%YoY to £131.3m
 - **Non-Consumer** revenue +3% to £48.5m, with Academic & Professional revenue +6% to £38.5m and Special Interest -8% to £10.0m. Within Academic & Professional, Bloomsbury Digital Resources revenue grew +2% to £13.7m
- Group EBITA margins expanded by +220 basis points to 14.8%:
 - **Consumer** EBITA margins increased materially to 16.4% (H1 FY23: 12.7%)
 - **Non-Consumer** margins decreased to 10.7% (H1 FY23: 12.6%); with A&P margins down 80 basis points to 15.6% and Special Interest reporting a small loss of £0.8m at the half year.
- Group adjusted profit before tax was up +50% at £26.6m
- Adjusted, diluted earnings per share up +41% to 24.7p
- Interim dividend proposed at 3.89p, up +5% YoY
- Group net cash of £9.7m (H1 FY23: £39.1m), reflecting the acquisition of the Rowman & Littlefield publishing assets partially offset by strong underlying cash generation.

Overall, a very strong set of H1 results with a very strong Consumer performance more than offsetting a challenging academic market backdrop for the non-digital revenue mix within Non-Consumer.

Consumer

The Consumer performance was driven across the portfolio and also across both new and existing titles. Although the success of Sarah J Maas's newest title has caught the headlines, it is important to note that the real benefit to Bloomsbury has been across all of the 15 other Sarah J Maas titles in the portfolio, helping to drive the material uplift in segmental margins. Overall, Sarah J Maas revenue was up +102% in H1.

Bloomsbury Consumer also saw a strong performance outside of Sarah J Maas with a number of bestseller titles contributing across a range of fiction / non-fiction genres. Notable highlights include Katherine Rundell's *Impossible Creatures*, Cixin Liu's *Three Body Problem* (buoyed by the Netflix screen adaptation, now recommissioned for an additional two seasons) and non-fiction authors such as Hugh Fearnley-Whittingstall and Poppy O'Toole. The Harry Potter series continues to be strong contributor to the

group, with an enduring presence in the sales charts across a range of titles, 27 years after first publication.

The critical point here is the breadth of the sales performance, not just by number of authors but also the contribution from backlist titles. This is a powerful margin driver for Bloomsbury and sits at the heart of the Bloomsbury portfolio strategy.

Non-Consumer

The £65m acquisition of the Rowman & Littlefield publishing assets was an important milestone for Bloomsbury, marking their largest acquisition to date, bringing a large, well established and prestigious portfolio of c.41,000 academic titles into the portfolio. These results mark the first three month contribution from the acquired business (£7.2m revenue of additional revenue).

Bloomsbury has stated that the acquisition is performing in line with initial expectations, despite the broader challenges within the academic market. It still remains too early to see the incremental benefits offered by this deal but the group continues to highlight the focus on driving digital revenue opportunities through the expansion of the Bloomsbury Digital Resources content set alongside sales and marketing synergies. The group has re-iterated their previous guidance around BDR revenue reaching £41m by FY28.

Whilst the original motivation behind the acquisition was predicated on the top line opportunity presented by combining Rowman & Littlefield with Bloomsbury's existing academic publishing business, the group has also highlighted the incremental potential for greater efficiencies as the two businesses come together.

The challenging budgetary conditions facing academic institutions in both the UK and North America have not improved. This can be seen in the 14% organic revenue decrease reported within the Academic & Professional segment. Challenges in the UK revolve around the specific decline in overseas student numbers, whilst the US market is seeing a bifurcation between larger institutions (holding up well) and smaller colleges (coming under more general enrolment pressure).

However, Bloomsbury's focus on expanding its digital offering in the academic market (both through BDR and e-books) continues to balance out these shorter-term negatives. BDR revenue growth of +2% should be seen as a positive outcome against this context, with overall digital revenue now representing 52% of Academic & Professional revenue.

Upgrades to h2Radnor FY25E estimates

Bloomsbury has stated that the combination of the strong H1 outturn, as well good trading in September and October, now means that full year results are likely to be ahead of market expectations.

We initiated coverage on Bloomsbury (please see our detailed initiation note [here](#)), with forecasts that were in line with market consensus. We are taking this opportunity to upgrade our FY25E expectations by **c.5%**. The full detail of our estimate changes can be seen below.

Fig 1: Detailed estimate changes

	FY24	FY25E Old	FY26E Old	FY25E New	FY26E New	FY25E Var %	FY26E Var %
Consumer	249.2	199.0	205.1	228.0	228.2	+ 15%	+ 11%
Non Consumer	93.4	120.1	134.7	110.1	111.6	(8%)	(17%)
Revenue	342.7	319.1	339.8	338.1	339.8	+ 6%	+ 0%
Consumer	38.0	24.6	27.2	28.4	30.9	+ 15%	+ 14%
Non Consumer	9.9	13.5	17.9	11.5	14.2	(15%)	(21%)
EBITA	47.9	38.1	45.0	39.8	45.0	+ 5%	(0%)
PBT - Adjusted	48.7	37.3	44.3	39.0	44.3	+ 5%	(0%)
EPS - Adjusted	46.6	34.1	40.6	35.7	40.5	+ 5%	(0%)
Dividend	14.7	15.4	16.2	15.4	16.2	+ 0%	+ 0%
Net Cash / (Debt)	65.8	10.5	28.8	14.9	31.7		

Source: Bloomsbury, h2Radnor

- Although we are upgrading our FY25E estimates, driven predominantly by the strength in Consumer, we are leaving our FY26E estimates unchanged at the headline level. However, we have re-assessed our revenue mix assumptions between Consumer (upgraded) and Non-Consumer (scaled back), reflecting the current market conditions within academic publishing remaining broadly constant but being offset by continued progress within Bloomsbury Digital Resources.
- It is still worth noting that although we have upgraded our revenue expectations for Consumer by 15% for FY25E, we still expect FY25E to be down relative to FY24. This is due to the lack of a new Sarah J Maas title in H2. The company has been clear on this point for a while and it is an important point for investors to note.
- Our FY25E net cash estimate has also increased, driven partly by the increased profitability but also working capital management. We do note however, that the group has indicated the likelihood of a partial paydown of the Rowman & Littlefield acquisition facility. We have not explicitly factored this into our estimates but remain alert to the possibility.

Bloomsbury Publishing

Iain Daly
+44 203 897 1832
idaly@h2radnor.com

Price (p): 684 p
Market Cap: 555 m
EV: 541 m

PROFIT & LOSS

Year to 28 February, £m	FY22	FY23	FY24	FY25e	FY26e	FY27e
Consumer	148.2	166.7	249.2	228.0	228.2	231.2
Non-Consumer	81.9	97.4	93.4	110.1	111.6	116.4
Group Net Revenue	230.1	264.1	342.7	338.1	339.8	347.6
Consumer	18.0	18.3	38.0	28.4	30.9	32.9
Non-Consumer	9.2	13.2	9.9	11.5	14.2	14.8
Associates & JV's	(0.1)	(0.2)	(0.0)	-	-	-
EBITA - Adjusted	27.1	31.3	47.9	39.8	45.0	47.8
EBITA margin, %	11.8%	11.8%	14.0%	11.8%	13.2%	13.7%
Net Bank Interest	(0.3)	(0.2)	0.9	(0.8)	(0.7)	(0.6)
PBT - Adjusted	26.8	31.1	48.7	39.0	44.3	47.2
Acquired intangible amortisation	(2.8)	(5.2)	(4.9)	(8.2)	(8.2)	(8.2)
Other highlighted items	(1.7)	(0.5)	(2.3)	(3.0)	(2.0)	(1.0)
PBT - Reported	22.3	25.4	41.5	27.8	34.1	37.9
Tax	(5.3)	(5.2)	(9.2)	(6.9)	(8.5)	(9.5)
Tax - Adjusted	(5.2)	(5.9)	(10.3)	(9.8)	(11.1)	(11.8)
Tax rate - Adjusted	19.3%	18.9%	21.0%	25.0%	25.0%	25.0%
Minority interests	-	-	-	-	-	-
No. shares m	81.5	81.2	81.2	81.1	81.1	81.1
No. shares m, diluted	83.1	82.5	82.6	82.0	82.0	82.0
IFRS EPS (p)	20.8	24.9	39.8	25.7	31.5	35.1
Adj EPS (p), diluted	26.0	30.6	46.6	35.7	40.5	43.1
Core Dividend	10.7	11.8	14.7	15.4	16.2	17.0
Special Dividend	-	-	-	-	-	-
Total DPS (p)	10.7	11.8	14.7	15.4	16.2	17.0

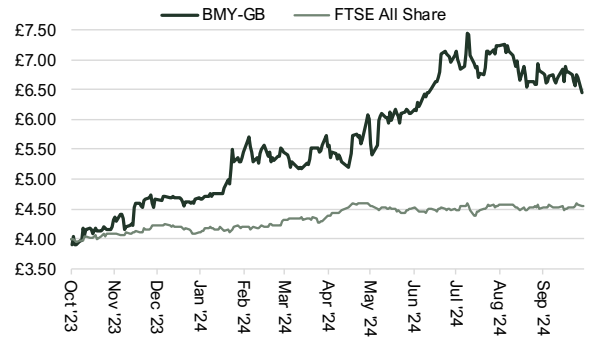
CASH FLOW

Year to 28 February, £m	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net Profit: (add back)	17.0	20.2	32.3	20.8	25.6	28.4
Depreciation & Amortisation	9.9	12.5	13.3	17.6	17.7	17.7
Net Finance costs	0.3	0.2	(0.9)	0.8	0.7	0.6
Tax	5.3	5.2	9.2	6.9	8.5	9.5
Other	2.2	1.9	2.2	1.6	1.6	1.6
Cashflow pre Working Capital	34.7	40.0	56.1	47.8	54.1	57.9
Working Capital	13.0	(6.8)	(5.6)	(3.9)	(4.3)	(1.3)
Cash from Ops	47.7	33.3	50.5	43.9	49.7	56.5
Cash Tax	(7.9)	(6.6)	(12.9)	(8.3)	(10.2)	(11.4)
Tangible Capex	(0.6)	(0.8)	(0.7)	(0.8)	(0.8)	(0.9)
Free Cashflow	39.2	25.8	36.9	34.8	38.7	44.3
Intangible Capex	(3.7)	(5.2)	(5.1)	(5.1)	(5.1)	(5.2)
Acquisitions & Inv.	(22.9)	(0.1)	-	(65.0)	-	-
Dividends	(15.2)	(8.8)	(11.3)	(12.1)	(13.3)	(13.3)
Financing - Other	(11.4)	(4.6)	(4.4)	26.5	(3.5)	(33.0)
Net Cashflow	(14.0)	7.2	16.1	(20.8)	16.8	(7.2)
Net Cash (Debt)	55.2	51.5	65.8	14.9	31.7	54.5

BALANCE SHEET

Year to 28 February, £m	FY22	FY23	FY24	FY25e	FY26e	FY27e
Intangibles	88.2	86.9	80.3	135.6	126.0	116.6
P,P+E	2.3	2.5	2.2	2.1	2.0	1.8
Tax Asset & Other	18.8	18.0	22.0	20.0	17.9	15.9
Total Fixed Assets	109.3	107.4	104.5	157.7	145.9	134.3
Net Working Capital	35.7	44.6	49.5	53.4	57.8	59.1
Capital Employed	145.0	152.0	154.0	211.1	203.7	193.4
Liabilities	(17.2)	(15.7)	(17.3)	(15.1)	(12.9)	(10.7)
Net Cash	55.2	51.5	65.8	14.9	31.7	54.5
Net Assets	183.0	187.8	202.5	210.9	222.5	237.1

PRICE CHART - 1 YEAR ABSOLUTE vs FTSE ALL SHARE



SHAREHOLDERS

	% of ord. Share capital
Charles Stanley	7.1%
BlackRock	6.8%
JPMorgan AM	4.9%
Montanaro AM	4.9%
Hargreaves Lansdown	4.7%
Canaccord Wealth	4.4%
Canaccord Fund Mgmt	4.3%
	37.1%

Announcements

Date	Event
October 2024	FY25 H1 results
July 2024	AGM trading update
May 2024	Rowman & Littlefield acquisition
May 2024	FY24 final results
February 2024	Trading update
December 2023	Trading update
October 2023	FY24 H1 results
July 2023	AGM trading update
June 2023	BDR capital markets event

RATIOS

	FY23	FY24	FY25e	FY26e	FY27e
RoE	13.4%	19.0%	13.9%	14.9%	14.9%
RoCE	20.4%	31.0%	18.9%	22.1%	24.7%
Asset Turnover (x)	0.4x	0.3x	0.5x	0.4x	0.4x
NWC % Revenue	16.9%	14.4%	15.8%	17.0%	17.0%
Op Cash % EBITA	106.3%	105.6%	110.3%	110.5%	118.4%

VALUATION

Fiscal	FY23	FY24	FY25e	FY26e	FY27e
P/E	22.4x	14.7x	19.2x	16.9x	15.9x
EV/EBITDA	14.0x	9.7x	11.0x	9.9x	9.4x
Div Yield	1.7%	2.1%	2.3%	2.4%	2.5%
FCF Yield	4.8%	6.8%	6.4%	7.2%	8.2%
EPS growth	17.4%	52.5%	-23.5%	13.6%	6.4%
DPS growth	9.4%	25.0%	5.0%	5.0%	5.0%

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H2 Radnor Ltd
68 King William Street
London
EC4N 7HR

www.h2radnor.com

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