

Bloomsbury Publishing Plc

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Bloomsbury Publishing looking for a score after 20 years of Harry Potter

You've probably heard that this year marks 20 years since the very first Harry Potter book - Harry Potter and the Philosopher's Stone - was first published.

What has received less attention is the fact that this year also marks a quarter-of-a-century since London-listed Bloomsbury Publishing PLC (LON:BMJ) made the best decision it will like ever make.

Taking a punt on Joanne

J K Rowling, or Joanne as she was known back then, finished the manuscript for what would become the first Potter book back in 1995 but struggled to find anyone willing to take it on.

After being rejected by several different publishers, Bloomsbury was the one which eventually decided to take a punt on Rowling and her story about a young wizard named Harry.

It proved to be a master stroke, a company-maker.

The decision transformed Bloomsbury from a small, independent company into one of the most successful children's publishers.

Back then Bloomsbury wasn't quite so sure it was on to a winner and the first hardback print run - which came out on 26 June 1997 - was for just 500 copies.

They're worth a pretty penny given the almost magical success that followed.

Success extended far beyond books

That first book and the subsequent six instalments went on to sell the best part of half a billion (yes, 500,000,000) copies around the world and were printed in 79 different languages.

It didn't end there though. All of the books were made into films which grossed more than £6bn worldwide, a theme park followed not long after as did several spin-offs.

Even in his wildest dreams, Bloomsbury founder and chief executive Nigel Newton couldn't have imagined Harry Potter enjoying the kind of enduring success that it has.

Nor would he have thought 20 years ago that that decision would change Bloomsbury and the wider children's books landscape forever.

With Harry Potter acting as the proverbial golden goose, Bloomsbury boss Nigel Newton has ploughed the money back into the business and sought to diversify the revenue stream.

This has mainly taken the form of a decisive move into higher-margin professional and academic publishing, where the

Price: 260

Market Cap: £195.85 m

1 Year Share Price Graph



Share Information

Code: BMJ

Listing: LSE

52 week High Low
291.14 194

Sector: Media

Website: www.bloomsbury-ir.co.uk

Company Synopsis:

Bloomsbury is a leading independent publisher of fiction, non-fiction, children's, specialist, academic and professional titles, listed on the London Stock Exchange. We are one of the few publishers with a portfolio that includes both general and academic publishing. Bloomsbury's ambitious growth story has seen the Group become a significant global publisher with offices in the UK, US, Australia and India.

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focus is business-to-business digital publishing and goes under the name of Bloomsbury 2020.

So far, there are few signs of growth pains

The company reported a 15% improvement in revenues to £142.6m in the year to the end of February from £123.7m the year before, driven by a 48% increase in revenue from its Children's division.

Sales of the Harry Potter series in the year grew by 88%, including the Harry Potter and the Chamber of Secrets Illustrated Edition.

Increases in market & distribution costs and administrative expenses meant adjusted profit before tax slipped to £12.03m from £13.03m the previous year.

Cash generation was very strong, with the group's net cash position rising to £15.5m from £5.2m a year earlier.

Bloomsbury proposed a final dividend of 5.6p, taking the full-year pay-out to 6.7p, up from 6.4p the year before. With the shares trading at around 164p, that equates to a very reasonable 4.1% yield.

In the half-year results, the interim dividend was hiked 5% to 1.15p so there is every reason to expect the shares will remain of interest to income hunters.

Half-year revenues rose 15% to £72.1m in the six months to the end of August from £62.7m in the same period of last year.

Revenues from the Consumer division rose 20% to £44.7m from £37.3m the year before, driven by Children's titles, which saw revenues rise 33% to £31.7m.

Revenues in the Non-consumer division were up 8% to £27.4m from £25.4m.

The group's adjusted profit before tax rose 74% to £2.5m from £1.5m the year before.

Net cash rose 85% to £16.9m from £9.1m a year earlier

Share price drift leaves the shares undervalued

Numis Securities upgraded the stock to 'buy' from 'add' and nudged up the target price from 205p to 210p.

Although Bloomsbury's results are traditionally second-half weighted, the first half showing still represented "a very strong performance" in the view of Numis.

Adjusted profit before tax of £2.5m was well ahead of the £1.4m Numis had forecast, and the Bloomsbury 2020 digital publishing initiative is "firmly on track".

In fact, Bloomsbury will launch two new digital resources in the second half of the financial year, which is one more than originally anticipated.

Newton said the company has a strong second half list "including the Illustrated Edition of Harry Potter and the Prisoner of Azkaban, the Illustrated Edition of Fantastic Beasts and Where to Find Them and two major books to accompany the British Library's Harry Potter exhibition, which was launched last Thursday to huge public acclaim".

Lest you think the publisher is one-trick pony, a conversation with Newton soon disabuses you of that notion. Also going great guns in the books world are the likes of A Court of Wings and Fury by Sarah J. Maas, Norse Mythology by Neil Gaiman, Tom Kerridge's Dopamine Diet and The Strange Death of Europe by Douglas Murray.

Meanwhile, Fantastically Great Women Who Changed the World by Kate Pankhurst was the biggest selling children's non-fiction title in the UK in the calendar year to 3 June, according to market research group Nielsen.

On the academic side, Bloomsbury Popular Music, released earlier this year, is proving popular in academic library trials.

Bloomsbury Professional Online has had a strong start to the new financial year, while the group's professional resource, International Tax, was launched in May. The law resources Practice and Procedure; Intellectual Property and Info Technology and Clinical Negligence were also launched in the first quarter.

In the second quarter, the Bloomsbury Design Library was launched, following its successful showcase at the American Library Association conference in Chicago in June.

So, it is not all about Harry Potter, but with the erstwhile teenaged wizard celebrating his 20th anniversary, it's fair to say he - and Bloomsbury - are set to be around for some time yet.

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