

Entertainment One

11:58 04 Apr 2019

Entertainment One sizzles as Peppa Pig once again helps bring home the bacon in 2019

Entertainment One Ltd (LON:ETO) has once again seen its Peppa Pig brand drive growth in its latest full year, while a restructuring of its film arm started to yield results.

In a trading update for the year ended 31 March, the FTSE 250 media firm said underlying earnings (EBITDA) in its Family & Brands division, which includes Peppa Pig, had jumped 25% over the year.

READ: Entertainment One dips as it swings to loss in half year amid restructuring of film distribution arm

The growth had been boosted by Peppa Pig's popularity in the Chinese market, with the territory reported a 50% revenue increase, thanks to subscription video and 71 live licensing and merchandising contracts.

The company's other dominant brand, PJ Masks, which depicts children becoming superheroes thanks to magical pyjamas, grew over 40% in the year and represented 37% of the division's total revenues, compared to 57% for Peppa Pig.

TV content increases but pivot to film production dents revenues

The company's television arm, which produces shows such as medical drama Grey's Anatomy, had "strong" momentum in the year with 1,000 half hours of produced and acquired content delivered during the year, 20% higher than the year before.

Meanwhile, ETO said its pivot toward production and away from third-party distribution, part of a restructuring plan to increase its content ownership, had resulted in "fewer, but more profitable films" in the year which had improved underlying EBITDA margins.

The company has been aiming to increase its library of unique content in order to address the decline of home media distribution such as DVD sales as consumers shift more toward streaming services like Netflix Inc (NASDAQ:NFLX).

ETO had previously said this shift was fuelling demand for high-quality content and "accelerating at an unprecedented level", pushing it to make more content in order to remain competitive.

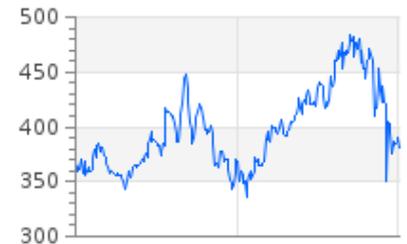
However, the company added that, as expected, the lower number of releases had resulted in lower revenues across the division, with the total of unique titles expected to be 57 for the year, down from 85 previously.

That number was expected to decline further in the coming years as the company aimed for around 35-40 unique titles per year going forward.

Price: 380.6p

Market Cap: £1888.49M

1 Year Share Price Graph



June 2018 December 2018 June 2019

Share Information

Code: ETO

Listing: AIM

52 week High Low
485.40p 333.20p

Sector: Media & Publishing

Website:
www.entertainmentonegroup.com

Company Synopsis:

Entertainment One is a leading independent entertainment content owner that acquires film, television and music rights and exploits these rights in all media in more than 190 countries. The company currently operates in Canada, the U. S. , the UK, Holland and Belgium through its four primary businesses units: E1 Television, E1 Films, E1 Music and E1 Distribution.

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For its music business, ETO said a recovery in the industry alongside investment in new business verticals meant the segment's revenue and underlying EBITDA would be over 20% higher for the current year.

It added that the transition to subscription streaming from a transactional model (i.e. buying music) was now "substantially complete" and had generated "significant revenue expansion" which appeared set to continue into the 2020 fiscal year.

2019 in line

Overall, the company said its underlying performance for 2019 was in line with expectations, with its net debt at year-end around 1.8x its underlying EBITDA.

For 2020, the firm said it was planning to roll out its Ricky Zoom property, a show about a rescue motorcycle, in the Chinese market in the spring and summer of 2019, with a launch in other territories over the autumn and winter.

A number of new television shows and films were slated for release in 2020, including romantic comedic thriller Run and Scary Stories to Tell in the Dark, a film co-produced by Guillermo Del Toro.

Brokers hike target prices

In a note to clients, analysts at broker Investec upped their target price for ETO to 500p from 455p and retained their 'buy' rating, saying the company was delivering growth and "leveraging strong global demand" for its content as it evolved into an integrated content pure-play.

There was also a price target hike from JP Morgan to 623p from 621p on the back of what analysts said was a "reassuring" trading update.

The US investment bank also retained its 'overweight' rating, adding that they expected "rising interest" from US media majors in ETO, given an "increasing demand for high-quality content" across the industry.

In lunchtime trading Thursday, Entertainment One's shares were up 3.1% at 458.2p.

-- Adds broker changes and updates target price --

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