

## Corporate

Current price **17.5p**

Sector **Entertainment**

Code **AEO**

AIM **AIM**

### Share Performance



	1m	3m	12m
AEO	-48%	-55%	-34%

Source: Thomson Reuters, Allenby Capital

### Share Data

Market Cap (£m) **1.58m**

Shares in issue (m) **9.05**

52 weeks High Low

**43.0** **14.0**

Financial year end **June**

Source: Company Data, Allenby Capital

### Key Shareholders

Michael Hale (Chairman) 19.5%

J Hicking 13.1%

Brian Geary 5.8%

Spreadex Ltd 5.6%

S Quah – CEO 5.3%

Source: Company Data, Allenby Capital

### Matt Butlin

0203 328 5666

m.butlin@allenbycapital.com

www.allenbycapital.com

## Aeorema Communications Plc (AEO)

### Strong 2020 interims & acquisition but outlook uncertain

Aeorema delivered an impressive set of interim results for the 6m period ended 31 December 2019. Revenues were 46% ahead of the previous year and the balance sheet ended the period with a healthy net cash position of £1.39m. The results were followed by a small but strategic acquisition. However, COVID-19 has led to events being postponed and hence a detrimental impact on forecast revenues. The Company expects a loss before tax for FY20 of between £150k and £250k against our prior forecast of a profit of £388k. Until we have greater clarity, we are withdrawing our market forecasts.

- Strong interims, revenues +46% year on year.** A strong 1H 2020 driven by both projects for existing clients and new client wins led to the leap in revenues in the seasonally weaker first half of the year. The increased revenues enabled a narrowing of the loss before tax to £90k from £139k in the previous year.
- COVID-19 leading to event postponement.** The second half of the financial year is key for Aeorema given that many large corporate events are held in May and June. Many of these events are now being rescheduled and depending on the severity of COVID-19 may be cancelled completely for 2020. Management has acted quickly to reduce overheads including the reduction of the workforce by 25%. The dividend has been placed under review (c.£100k cash outflow).
- Acquisition strengthens offering for when market returns.** The acquisition of Eventful, a boutique events and incentive travel company will diversify and enhance the Group's offering and provide cross selling opportunities. The acquisition cost is £480k but £100k is based on a 2-year earnout, Eventful comes with £227k cash and £26k is being settled in shares and so the near-term net cash outflow is just £127k. In the ten months to 31 Jan 2020 Eventful generated PBT of £50.3k. Assuming, pre any synergies and cross selling, Eventful can make PBT c. £60k in a normalised year then the Company has paid c. 4x PBT. The acquisition will add just £120k pa to the cost base.
- Balance sheet strong but much uncertainty remains.** Aeorema ended December 2019 with a net cash position of £1.39m. This improved further to c. £1.7m as of the day of the results, equivalent to just under 19p per share. The cash position should still be well over £1m at the end of June 2020 if the Company records a loss before tax of c. £200k as guided. Aeorema is well positioned to weather this storm and if events have indeed just been pushed into early next year then the year to June 2021 should be incredibly profitable for the Group. However, it remains too early to accurately predict when COVID-19 concerns will subside and corporates will return to holding events. In such a rapidly evolving situation we are withdrawing our market forecasts until we have a better level of clarity.

### Year End: June

(£'000)	2016A	2017A	2018A	2019A	2020E
REVENUE	4,583	4,157	4,820	6,765	na
EBITDA	383.3	299.8	310.1	403.2	na
ADJ. PRE TAX PROFIT	340.2	248.9	290.0	382.2	na
ADJ. EPS (p)	2.92	2.26	3.01	3.22	na
NET DEBT/(CASH)	(1,427.7)	(1,897.2)	(1,436.3)	(2,211.2)	na
EV/EBITDA (x)	na	na	na	na	na
PER (x)	5.47	7.07	5.31	4.97	na
Dividend Yield	12.5%	3.13%	4.69%	6.25%	na

Allenby Capital acts as Nomad & Broker to Aeorema Communications Plc (AEO).

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Matt Butlin is the author of this research and is employed by Allenby Capital Limited as an Equity Analyst. Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication. Information on research methodologies and disclosure in relation to interests or conflicts of interests can be found at [www.allenbycapital.com](http://www.allenbycapital.com). Allenby Capital acts as Nomad and Joint broker to Aeorema Communications plc.

**Allenby Capital, 5 St Helen's Place London EC3A 6AB, +44 (0)20 3328 5656, [www.allenbycapital.com](http://www.allenbycapital.com)**