

Inside Cirilium

May 2021

Premier Miton
INVESTORS

Reach

Premier Miton UK Value Opportunities Fund: Reach plc

The Cirilium portfolio managers have a long and trusted relationship with many of the managers in which they invest, including the team at Premier Miton. The Premier Miton UK Value Opportunities Fund, managed by Andrew Jackson, has been a core holding of the Cirilium Portfolios since 2013. Here we delve into one of the interesting companies held in the fund that, consequently, is also held by Cirilium investors.

Reach plc

Company background: This company is the owner of nine leading national newspapers and magazines including the *Daily Express*, the *Daily Mirror* and *OK!*, as well as more than 110 regional titles and over 70 online brands.

Reach is the UK's leading commercial national and regional news publisher. Its online presence has an average of 42 million online visitors per month with 1.2bn average UK monthly page views, making it the fifth largest online property in the UK, behind names such as *Google*, *Microsoft*, *Facebook* and *Amazon*.

Investment rationale: While recent years have seen an erosion in revenues as advertisers have moved away from printed media, Reach successfully managed its cost base downwards to protect profitability as it developed an exciting new digital strategy, which saw digital revenue growth sharply accelerate through 2020. Five million customers were registered users by the end of 2020, well ahead of targets, and up from 800,000 at the end of 2019. However, this is still only 10% of all users, leaving plenty of scope for further growth.

Once users are registered, Reach can deliver more bespoke content, improving reader engagement, while advertisements can be targeted. As a result of some early success, commercial trials began with several brands offering targeted marketing campaigns using Reach's data and insights, with plans in place to actively promote these data-led campaigns to brands and agencies in 2021.

Fund manager view: Andrew Jackson says: "We are perhaps just at the start of what could be a long and very profitable period of progress."

Outlook: Having successfully navigated the challenges of lockdowns in 2020 which saw the closure of many retail outlets, there was an accelerated adoption of digital products but unsurprisingly, a loss of circulation sales, which has re-focused management on efficiency savings. Its new Customer Value Strategy enables content to be shared across the organisation with the editorial team operating as one, but with the ability for content to be tailored and adapted by the editorial sub-teams of each title or website. Live analytics ensure content responds to reader demand and cross promotion of titles draws in new readers.

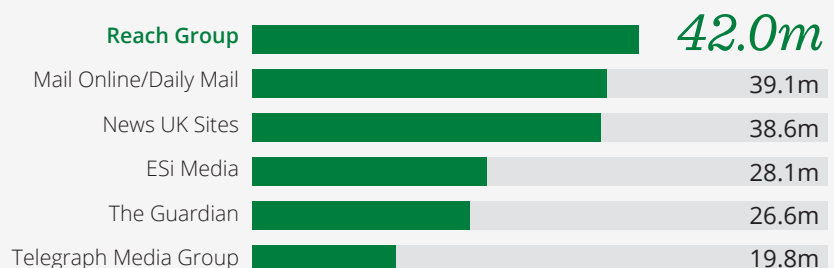
Growth of the network is also strong, with 19 online brands launched in 2020.

One of these, *YorkshireLive*, reached 6.3m readers in December 2020, just nine months after its launch, making it the largest of any publisher based in the region. Meanwhile, *MyLondon*, another recent launch has also grown rapidly. Reach has no debt but sits on £42m of cash, pays a reasonable dividend and the price/earnings (p/e) ratio – a measure of the company's value – is modest.

Conclusion: This company is a good example of how the Premier Miton UK Value Opportunities Fund looks not only for attractively priced assets, but ones that have the necessary attributes to recover and grow, with the potential for achieving a higher market valuation. Having delivered returns well ahead of the benchmark in 2020, and risen by 50% in the first quarter of 2021, this stock has firmly earned its place in the Premier Miton portfolio and remains a major holding.

UK leading news publishing industry online audience¹

Monthly unique visitors (m)



Source: Reach plc annual report 2020. ¹ ComScore 2020.

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