

## Exit Reach: Uncertainty made me cut the position early

<b>Company:</b>	Reach (RCH LN)	<b>Market Cap:</b>	£375mio
<b>Industry:</b>	Media/Newspaper	<b>Net Cash:</b>	£43.8mio + £69.1mio pension deficit
<b>Country:</b>	UK	<b>Revenue:</b>	£600mio
<b>Date:</b>	14 <sup>th</sup> November 2022	<b>Net Income:</b>	£50mio (8.3%)
<b>Dividend:</b>	£23.6mio (9.5%)	<b>Free Cash Flow:</b>	£23mio (3.8%)
<b>Entry:</b>	£273mio	<b>Exit:</b>	£350mio

### An uncertain macro outlook

Ahead of the US CPI inflation print JP Morgan came out suggesting that the stock market could either jump or lose by 6% depending on the outcome of the print<sup>1</sup>. This came after US tech firms have all started laying off staff and hitting the cost and capex breaks. According to Similarweb, (aside from the National Lottery) Amazon is the Mirror's & Express's top advertiser with over 3.57% traffic share over the last three months. At the same time, monthly visits to mirror.co.uk and express.co.uk appear to be in rapid decline according to Similarweb. The outlook for advertising (layoffs in big Tech) and the potential for further market volatility led me to lock in profits ahead of the CPI print, as my target valuation was relatively close with £400mio (14% upside).






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<sup>1</sup> <https://markets.businessinsider.com/news/stocks/stock-market-outlook-october-cpi-inflation-volatility-trading-markets-if-2022-11>

## Mirror (blue) & Express (orange) top web advertisers

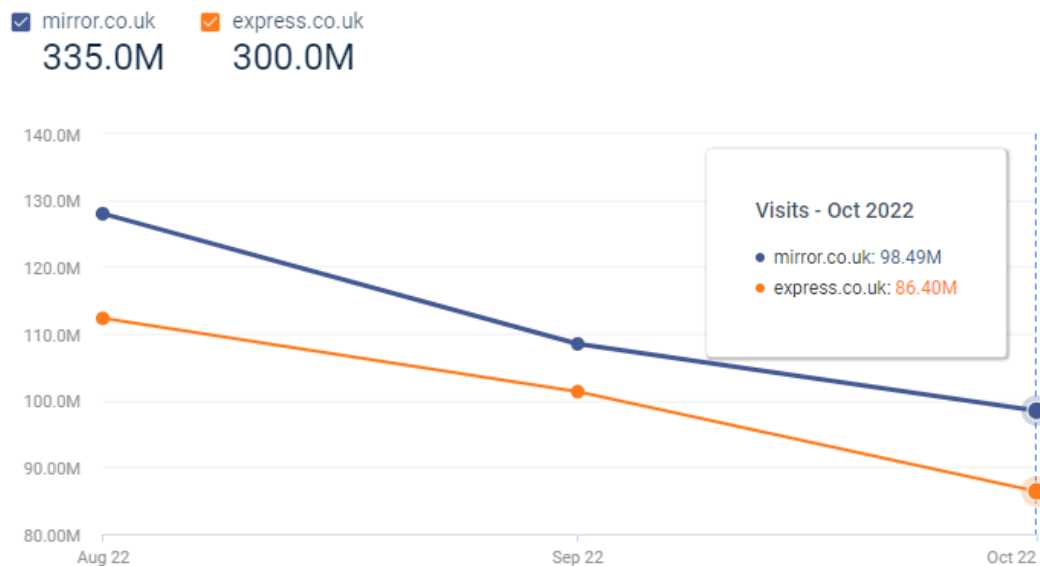
### Top Ad Destinations ?

Aug 2022 - Oct 2022 Worldwide Desktop

Domain	Traffic share	Group Traffic Share Split
 amazon.co.uk	3.57%	<div><div style="width: 69.0%;"></div></div> 69.0% 31.0%
 toolstation.com	3.13%	<div><div style="width: 26.5%;"></div></div> 26.5% 73.5%
 next.co.uk	2.33%	<div><div style="width: 97.3%;"></div></div> 97.3%
 greedyfinance.com	2.03%	<div><div style="width: 98.6%;"></div></div> 98.6%
 tesco.com	1.68%	<div><div style="width: 42.3%;"></div></div> 42.3% 57.7%

Source: Similarweb

## Mirror.co.uk and Express.co.uk monthly site visitors



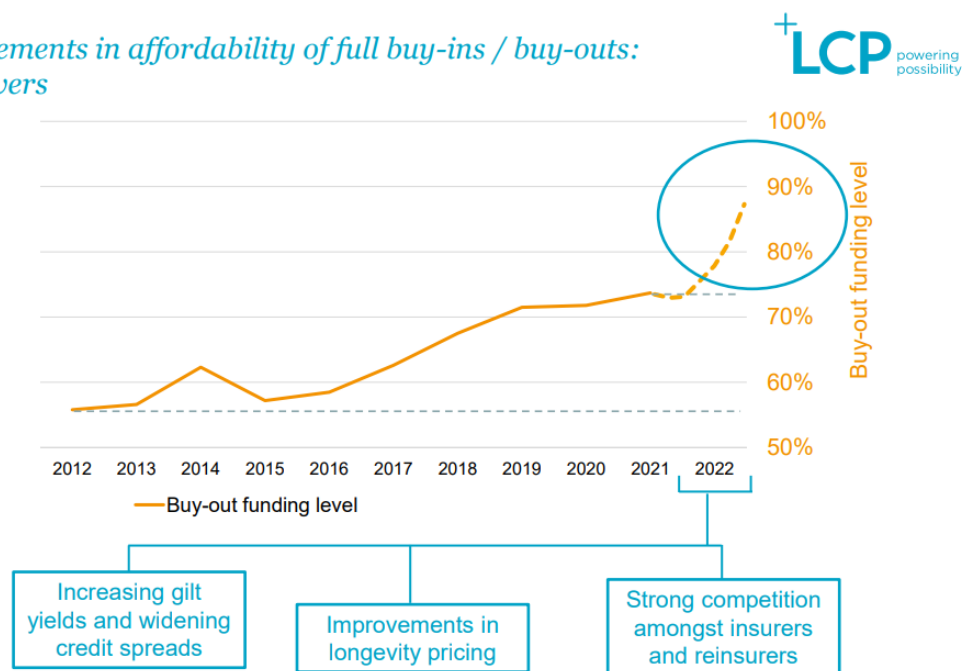
Source: Similarweb

## Post CPI print

After the lower-than-expected US CPI print I tried to buy back Reach, but the liquidity was so bad that I only ended up with a very tiny position. So far, I was also unable to re-schedule the call with Reach's outgoing CFO to discuss the pension deficit and a potential buy-out. A recent presentation by Just Group shows that a buy-out of pension schemes has become much more affordable due to the rise in gilt yields, widening credit spreads, improvements in longevity pricing and strong competition amongst insurers & reinsurers. Given that Reach has around 25% of their pension assets in cash, they should be able to take advantage of this current situation as they are less hedged. All in all, it is fair to say it was a mistake to sell Reach ahead of my valuation target due to macro & sentiment factors.

### Just Group de-risk seminar selected buy-out slides

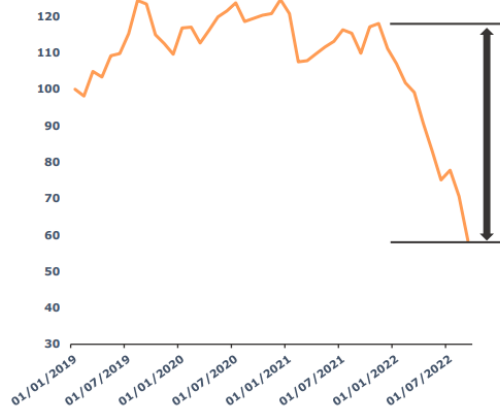
#### *Improvements in affordability of full buy-ins / buy-outs: Key drivers*



## The small scheme opportunity



**K3 small scheme buyout price index (2019=100)**



- 47% cheaper since start of the year

### A fast moving environment

- Smaller schemes less hedged
- Funding positions rapidly improving
- Large increase in demand

Source: Just Group



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