

IEG

Sector: Media

OUTPERFORM

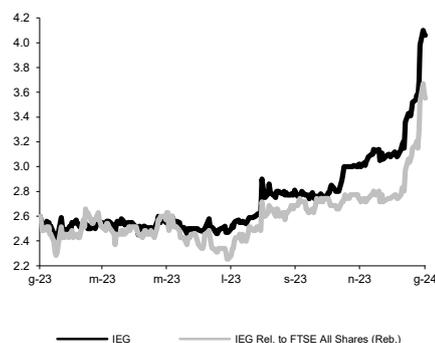
Price: Eu4.06 - Target: Eu6.50

Strong Momentum and New Capacity to Drive Growth

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 4.20 to 6.50		
	2023E	2024E	2025E
Chg in Adj EPS	7.3%	21.3%	26.7%

IEG - 12M Performance



Stock Data			
Reuters code:	IEG.MI		
Bloomberg code:	IEG IM		
Performance	1M	3M	12M
Absolute	31.8%	45.5%	56.2%
Relative	30.5%	34.0%	41.8%
12M (H/L)	4.10/2.36		
3M Average Volume (th):	12.90		

Shareholder Data	
No. of Ord shares (mn):	31
Total no. of shares (mn):	31
Mkt Cap Ord (Eu mn):	125
Total Mkt Cap (Eu mn):	125
Mkt Float - Ord (Eu mn):	34
Mkt Float (in %):	27.0%
Main Shareholder:	
Rimini Congressi	49.3%

Balance Sheet Data	
Book Value (Eu mn):	124
BVPS (Eu):	4.01
P/BV:	1.0
Net Financial Position (Eu mn):	-63
Enterprise Value (Eu mn):	169

- New 2023-2028 Strategic Plan presented:** on Friday, IEG's top management presented the update to the group's Strategic Plan, extending financial targets to 2028 with a focus on two main growth pillars: 1) consolidation of domestic events through a further focus on core sectors, an increase in capacity (over 5.5k m² in Vicenza and 8.6k m² in Rimini), and the potential spin-off of events; 2) international growth through the expansion of Italian events into foreign venues and the import of successful fairs currently managed abroad (e.g. Drone Show and MundoGeo), along with partnerships with international organisers. The group will also aim to create value through the development of new high-margin businesses (e.g. digital services, digital venue infrastructure) and increased margins from Services, while assessing potential small M&A opportunities in Italy and abroad, especially in new sectors.
- Focus on organised events and organic growth:** the plan envisages 2023-28 revenue growth of over 50% (2028 revenues at Eu323mn) almost entirely generated organically (M&A only accounting for 4%), and features a very strong push on Organised Events (75% increase in revenues, vs. an increase of just 27% for Services), which are expected to rise from 58% of revenues in 2023 to 66% in 2028. As for EBITDA, the Eu41mn growth between 2023 and 2028 is also predominantly driven by Organised Events (nearly 80% of the growth) and includes a Eu21mn increase in structural costs (personnel etc.). Thanks to these dynamics, management expects the EBITDA margin to move from c.23% in 2023 (and also in 2019) to 28%, a best-in-class level within the trade fair industry. The major Eu172mn investment plan (Eu125mn attributable to the expansion of the two fair districts and Eu33mn to maintenance CapEx, as well as some expenditure for digitalisation and small M&A) will not push the net debt/ EBITDA ratio above 2x and will leave the company effectively debt free in 2028, even after the payment of Eu16-21mn in cumulative dividends (average dividend yield between 2.5% and 3.3%).
- Strong FY24 guidance.** Together with 2028 targets management also provided guidance for FY24, with revenues seen at Eu234-239mn, adjusted EBITDA at Eu56-58mn, an EBITDA margin of 24%, and the NFP at Eu66-70mn. Such strong guidance underlines the positive sector momentum and represents a very good starting point for the remaining years of the plan.
- Change in estimates and target price:** we have updated our model to incorporate stronger than previously expected momentum for the overall business, the Rimini expansion CapEx and extra revenues, and the higher expansion CapEx at Vicenza. Overall, we think we have remained more cautious than management on volumes trajectory, revenues from foreign activities and revenues from digital projects, and our 2028 EBITDA is c.9% below company targets. All this results in an increase of c.21% on average in 2023-2028 EPS, with our target lifted from Eu4.20 to Eu6.50, also as a consequence of the lower risk-free rate (down 0.5% to 4.0%) and roll-over of the DCF.
- OUTPERFORM confirmed, TP Eu6.50 (from Eu4.20).** The strong FY24 guidance demonstrates the positive sector momentum and the quality of the company's portfolio of events, while we appreciate the plan's focus on organic growth and internationalisation. At 4.3x EV/EBIT for 2024E the valuation remains depressed (multiple was 8.5x before covid), even after its good recent performance.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	103	162	212	235	243
EBITDA Adj (Eu mn)	-7	18	49	57	59
Net Profit Adj (Eu mn)	-27	2	19	23	23
EPS New Adj (Eu)	-0.861	0.077	0.607	0.738	0.732
EPS Old Adj (Eu)	-0.861	0.079	0.566	0.608	0.578
DPS (Eu)	0.000	0.000	0.120	0.126	0.132
EV/EBITDA Adj	nm	8.2	2.7	3.0	3.1
EV/EBIT Adj	nm	nm	4.1	4.3	4.7
P/E Adj	nm	52.6	6.7	5.5	5.5
Div. Yield	0.0%	0.0%	3.0%	3.1%	3.3%
Net Debt/EBITDA Adj	-16.1	5.3	1.5	1.1	1.3