

ILBE

Sector: Media

NEUTRAL

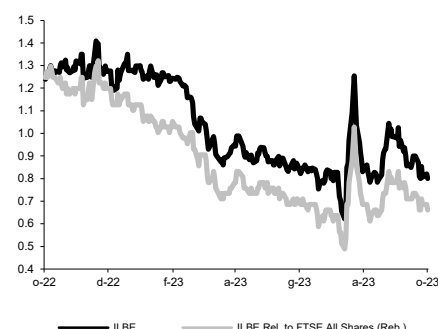
Price: Eu0.80 - Target: Eu1.25

Estimate Revision and Change in View

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Stock Rating			
Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	from 2.20 to 1.25		
	2023E	2024E	2025E
Chg in Adj EPS	-66.4%	-32.2%	-25.6%

ILBE - 12M Performance



Stock Data			
Reuters code:	IE.MI		
Bloomberg code:	IE IM		
Performance	1M	3M	12M
Absolute	-18.4%	0.0%	-35.9%
Relative	-14.9%	5.8%	-56.2%
12M (H/L)	1.41/0.62		
3M Average Volume (th):	60.78		

Shareholder Data	
No. of Ord shares (mn):	35
Total no. of shares (mn):	35
Mkt Cap Ord (Eu mn):	28
Total Mkt Cap (Eu mn):	28
Mkt Float - Ord (Eu mn):	6
Mkt Float (in %):	20.9%
Main Shareholder:	
Andrea Iervolino	31.7%

Balance Sheet Data	
Book Value (Eu mn):	95
BVPS (Eu):	2.71
P/BV:	0.3
Net Financial Position (Eu mn):	-45
Enterprise Value (Eu mn):	74

■ **The group unveiled a weak set of results on 30 September.** The group's 2Q23 revenues fell 51% to Eu27.5mn, while EBIT was negative to the tune of Eu0.5mn. 1H23 revenues were down 28% YoY, while adj. EBIT came to Eu2.7mn, down 75% YoY, a 4.5% margin on sales (vs. 13.5% in 1H22). Net financial debt, excluding Eu2.8mn of IFRS16 liabilities, came to Eu41.3mn as at the end of June 2023, higher than the corresponding figure at the end of March 2023 (Eu37.6mn) and at the end of December 2022 (Eu23.1mn).

■ **Management indications and outlook.** According to new management guidance, 2H23 revenues should be in line with 2H22 while 2H23 EBIT margin should be in line with 1H23. However, in 2H23, management also expects to book revenues from licensing the internally developed pipeline for animation characters. In the meantime, we believe the covenants on the 2 bonds issued must be up for discussion. In the press release, Andrea Iervolino outlined the major cinematographic projects being prepared, such as the "Maserati" and "Ferrari vs. Mercedes" films, while underlining that these films will not deliver immediate financial returns and may impact the financial profile over the coming quarters.

■ **Estimates update.** In this report we are cutting our 2023-24 estimates to take the new outlook into account. In terms of EBIT and cash flow generation, it remains difficult to get a clear grasp of the impact of the various projects, which are likely to provide different contributions in terms of margins and cash profile. The core animation business should continue to grow thanks to new projects and new formats (e.g. animation movies, TikTok clips) but evidence of public appreciation of these product types remains mixed. All in all, we are cutting 2023 EBIT by 51% to Eu9.0mn, corresponding to a 6% margin on sales; for 2024, we assume margins partially recovering and we expect EBIT to reach Eu14mn, down 23% from our last forecast. Looking ahead, our focus will be on tracking ILBE's success in exploiting the potential of intellectual property related to animated characters, working in partnership with other industry players. In terms of cash flow, we expect net debt as at YE23 to be in line with the level of June 2023. We are not assuming a significant debt reduction in 2024.

■ **Downgrade to NEUTRAL; target from Eu2.2 to Eu1.25.** 1H figures were weak, with low margins on revenues envisaged continuing in 2H23, and these make a cash flow rebalancing unlikely in the short term. As a consequence, our recommendation goes to NEUTRAL pending greater visibility. In conclusion, even after rolling our 6x EV/EBIT fair valuation one year forward from 2023 to 2024, our target price comes down to Eu1.25 from Eu2.2. We stress that confirming a sustainable cash flow balance and stronger evidence of public appreciation of the company's animated products remain essential conditions for triggering a re-rating.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	152	161	153	161	163
EBITDA Adj (Eu mn)	138	131	124	130	133
Net Profit Adj (Eu mn)	18	3	4	8	10
EPS New Adj (Eu)	0.523	0.099	0.112	0.226	0.277
EPS Old Adj (Eu)	0.523	0.099	0.334	0.333	0.372
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	1.1	0.7	0.6	0.6	0.5
EV/EBIT Adj	6.2	4.2	8.2	5.2	4.1
P/E Adj	1.5	8.1	7.1	3.5	2.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.2	0.2	0.4	0.3	0.3