

ILBE

Sector: Media

OUTPERFORM

Price: Eu0.99 - Target: Eu2.20

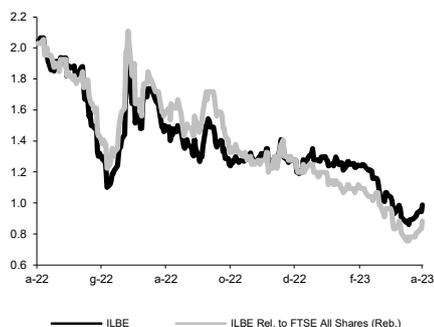
2023 To Be A Transitional Year

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 3.00 to 2.20		
	2023E	2024E	2025E
Chg in Adj EPS	-17.7%	-17.8%	

ILBE - 12M Performance



Stock Data

Reuters code:	IE.MI		
Bloomberg code:	IE IM		
Performance	1M	3M	12M
Absolute	-5.9%	-22.4%	-51.3%
Relative	-10.3%	-25.4%	-64.2%
12M (H/L)	2.06/0.86		
3M Average Volume (th):	13.87		

Shareholder Data

No. of Ord shares (mn):	35
Total no. of shares (mn):	35
Mkt Cap Ord (Eu mn):	35
Total Mkt Cap (Eu mn):	35
Mkt Float - Ord (Eu mn):	7
Mkt Float (in %):	20.9%
Main Shareholder:	
Andrea Iervolino	31.7%

Balance Sheet Data

Book Value (Eu mn):	103
BVPS (Eu):	2.93
P/BV:	0.3
Net Financial Position (Eu mn):	-31
Enterprise Value (Eu mn):	66

■ FY22 adj. EBIT in line with expectations, one-off charges for Eu11mn, better debt.

The consolidated accounts for 2022 closed with total revenues at Eu161mn, up 5.7% YoY and 3.7% better than expected, with a sharp acceleration in 4Q22 (Eu61mn). Revenues from film and audiovisual rights and government grants reached Eu108.6mn (Eu93.6mn in 2021). EBIT was Eu20.8mn, down 14.9% YoY and broadly in line with our expectations. Below this line were Eu11.0mn of non-recurring one-offs (Eu9.5mn in 4Q22), related to the change in the commercial strategy and consequent higher amortisation of family movies. Net debt excluding IFRS16 closed over Eu5mn better than expected at Eu23.1mn, down more than Eu6mn vs. YE21.

■ Management indications and outlook.

The contracted production portfolio (minimum guaranteed revenues from productions yet to be realised) stands at Eu172.9mn. The value of projects under development for future activities for which the group is likely to develop and sign contracts in 2023-25 is estimated at c.Eu311.1mn. For 2023, management foresees growth in revenue and capitalised projects, but with slightly lower profit margins than in 2022.

■ Estimate update.

In this report we are raising our 2023-24 revenue estimates to take into account the visibility offered by the backlog, while remaining a touch more cautious than management indications. 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 both 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 for these types of products remains mixed. Live action films seems to be a higher-risk, higher-margin business, with the further possibility of some quite promising projects in 2023. We remind that ILBE is investing in Serbia to develop future business in innovative areas, such as the metaverse, on which we expect more visibility during the year. All in all, we are broadly confirming our 2023-24 EBIT estimates. At the same time, we are factoring higher financial charges and a slightly higher tax rate into our estimates. Looking ahead, our focus will be on tracking ILBE's success in exploiting the great potential of intellectual property for animated characters, working in partnership with other industry players. In terms of cash flow, we expect net debt to grow again after the positive 2022 reduction, without including any new investments related to productions that could be announced in the coming months.

■ OUTPERFORM; target from Eu3.0 to Eu2.2.

On a positive note, group business is more diversified than in the past; however, it is difficult to gain a clear understanding of the profitability and cash profile of individual projects. We expect 2023 to be characterised by the production of some good quality live-action movies such as "Paradox Effect", but also to show slightly declining adjusted EBIT and increasing net debt. In conclusion, by moving our 2023 EV/EBIT fair valuation from 7.0x to 6.0x, our target price comes down to Eu2.2 from Eu3.0. 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	158	162	163
EBITDA Adj (Eu mn)	138	131	125	126	129
Net Profit Adj (Eu mn)	18	3	12	12	13
EPS New Adj (Eu)	0.523	0.099	0.334	0.333	0.372
EPS Old Adj (Eu)	0.526	0.328	0.406	0.405	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	1.1	0.7	0.5	0.5	0.5
EV/EBIT Adj	6.2	4.2	3.6	3.4	3.0
P/E Adj	1.9	10.0	3.0	3.0	2.7
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.2	0.2	0.2	0.2	0.2