Milan, 01 February 2024

Italian Equity Research – FY23 Preview

MEDIA FOR EUROPE

OUTPERFORM

Sector: Media

Price: Eu3.34 - **Target: Eu4.00**

Sound Advertising Trends Suggest Strategy Makes Sense

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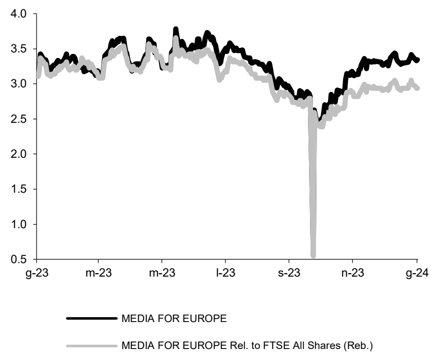
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 4.10 to 4.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-21.1%	-5.3%	-5.7%

Next Event FY23 Results
Results out: 17 April 2024

MEDIA FOR EUROPE - 12M Performance



Stock Data			
Reuters code:			MFEB.MI
Bloomberg code:			MFEB IM
Performance	**1M**	**3M**	**12M**
Absolute	2.3%	33.5%	7.5%
Relative	1.0%	21.9%	-6.9%
12M (H/L)			3.78/0.56
3M Average Volume (th):			302.32

Shareholder Data	
No. of Ord shares (mn):	236
Total no. of shares (mn):	568
Mkt Cap Ord (Eu mn):	790
Total Mkt Cap (Eu mn):	1,573
Mkt Float - Ord (Eu mn):	208
Mkt Float (in %):	26.4%
Main Shareholder:	
Fininvest S.p.A.	50.0%

Balance Sheet Data	
Book Value (Eu mn):	3,416
BVPS (Eu):	6.01
P/BV:	0.6
Net Financial Position (Eu mn):	-747
Enterprise Value (Eu mn):	2,320

- **Positive comments from CEO Pier Silvio Berlusconi.** During a press conference held yesterday afternoon, CEO Pier Silvio Berlusconi declared that Mediaset Italia's advertising revenues grew 2.1% YoY in 2023. Group net profit, net of the contribution from Prosieben, should have exceeded Eu200mn in 2023, up from Eu185mn in 2022. As for the TV tower business, Berlusconi believes that the best option is a merger between RAI Way and EI Towers, and not the sale of a stake by RAI. On Prosiebensat, the MFE CEO expressed concern and called for management to make decisive choices. MFE's project remains to replicate the development of a cross-media system, a strategy that has been successful in Italy and is showing the first encouraging results in Spain, in the rest of Europe. The MFE group will strengthen its investments in programming, but the price of Champions League rights was deemed unsustainable. Discussing the collaboration with DAZN, the CEO spoke of "mutual satisfaction" and hinted that the agreement on advertising sales is expected to continue, with some possible innovations.
- **Trimming 2024-25 EBIT but confirming a strong dividend per share.** In this report we are raising our 2023 and 2024 advertising revenue forecast for Italy (from +1.5% to +2.1% for 2023; +0.5% unchanged for 2024) in light of new indications. For the Spanish business, we are confirming our advertising assumptions for 2023 (-2.3% YoY) but becoming a bit more constructive on 2024 (from -1.0% to flat) in light of the improving macro picture. As for Spain, we are cutting our 2023 "other revenues" forecast because the cinema release of some films was postponed to 2024 ("other revenues" forecast for 2024 left unchanged). We expect management to decide to increase investments in programming, especially in Spain: we are therefore slightly lifting 2024 and 2025 OpEx, by 0.9% and 0.9% at group level, almost entirely related to Spain. All in all, we are lowering 2023 group EBIT by 8% (higher OpEx in Italy, lower other revenues in Spain) and trimming 2024/25 EBIT by 2.6%/2.5% (higher programming costs in Spain to win back audience). Below EBIT, we update the pro-rata contribution from Prosieben (booked among associates) taking the impact of recently announced one-off costs in 2023 into account. Importantly, we expect the company to pay the same dividend per share in 2024 as was paid in 2023.
- **OUTPERFORM confirmed; MFE-B target Eu4.0 (from Eu4.1); MFE-A target Eu3.2 (from Eu3.3).** Compared to our last report, we are applying our fair 6.0x EV/EBIT multiple to 2024 EBIT rather than 2023 EBIT. In 2023, the group produced a solid advertising performance, especially in relation to peers, highlighting the company's excellent work, not only on programming but also on the adoption of technology to exploit the opportunities offered by targeted TV advertising and by the official tracking of total audience data. As for the group's European ambitions, the MFE industrial project looks to be the most compelling at a time when all sector firms are facing volatile advertising revenues, fiercer competition, and cost inflation. In the coming months we expect MFE to play a more active role in governance.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,914	2,801	2,803	2,826	2,827
EBITDA Adj (Eu mn)	792	788	805	846	853
Net Profit Adj (Eu mn)	308	245	212	275	285
EPS New Adj (Eu)	0.119	0.093	0.374	0.485	0.502
EPS Old Adj (Eu)	0.119	0.093	0.474	0.512	0.532
DPS (Eu)	0.050	0.050	0.250	0.250	0.250
EV/EBITDA Adj	9.8	11.6	3.0	2.7	2.5
EV/EBIT Adj	24.1	30.9	7.6	6.6	6.1
P/E Adj	28.0	35.8	8.9	6.9	6.7
Div. Yield	1.5%	1.5%	7.5%	7.5%	7.5%
Net Debt/EBITDA Adj	1.1	1.1	1.1	0.9	0.7