MEDIA FOR EUROPE

OUTPERFORM

Sector: Media

Price: Eu0.69 - **Target: Eu0.79**

2Q23 Results Confirm Strong Resilience and Cash Flow

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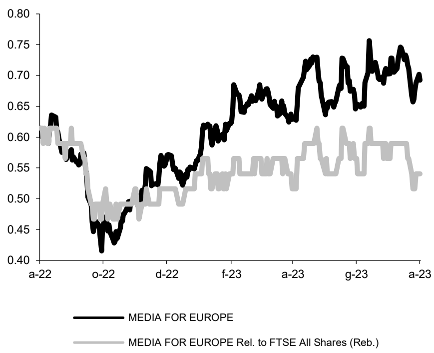
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 0.77 to 0.79
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.1%	-1.1%	-0.2%

Next Event: 9M23 Results
Results Out 14 November 2023

MEDIA FOR EUROPE - 12M Performance



Stock Data			
Reuters code:			MFEB.MI
Bloomberg code:			MFEB IM
Performance	**1M**	**3M**	**12M**
Absolute	-1.4%	3.7%	12.7%
Relative	-5.0%	-3.6%	-15.0%
12M (H/L)			0.76/0.42
3M Average Volume (th):			2,117.57

Shareholder Data	
No. of Ord shares (mn):	1,181
Total no. of shares (mn):	2,840
Mkt Cap Ord (Eu mn):	818
Total Mkt Cap (Eu mn):	1,602
Mkt Float - Ord (Eu mn):	193
Mkt Float (in %):	23.6%
Main Shareholder:	
Fininvest S.p.A.	49.2%

Balance Sheet Data	
Book Value (Eu mn):	3,008
BVPS (Eu):	1.06
P/BV:	0.7
Net Financial Position (Eu mn):	-851
Enterprise Value (Eu mn):	2,500

- **2Q23 EBIT up 4.9% YoY, 7.8% better than our above-consensus forecast.** 2Q23 advertising revenues confirmed great resilience, down just 1.5% YoY at the Italian business (despite the change to programming in June due to the death of the founder) and just 2.0% at the Spanish business, despite general elections in June. Other revenues were up 8.7% YoY at the Italian business but down 26.5% YoY at Spanish one (tough comparison). The Italian business cut total costs by 3.7% YoY, 1.4% lower than expected, while the Spanish business produced a mere 0.8% cost reduction (1.5% above our estimates). All in all, EBIT at the Italian business improved 53.1% to Eu48.6mn (vs. Eu36.4mn exp.), while the Spanish business recorded EBIT of Eu52.9mn, down 19.8% YoY and 9.8% lower than expected. Looking at Group figures, EBIT came to Eu101.6mn, up 4.9% YoY and 7.8% better than expected. Below this line, higher financial charges, a similar tax rate but, most importantly, lower minority interests (thanks to the merger with TL5), took net profit to Eu77.0mn, very close to the corresponding figure in 2Q22 (Eu82.3mn). In terms of cash flow, group net debt reached Eu807.6mn as at the end of June 2023.
- **Management indications.** Advertising sales in July and August remained consistent with the 1H23 trend; visibility remains low going forward but management expects the 9M23 trend to remain in line with 1H23. Other indications (at group level): 1) other revenues are foreseen at Eu380mn; 2) cost guidance was also flat YoY at Eu2.47bn; 3) financial charges are foreseen up Eu10mn YoY, while MFE's stake in ProsiebenSat1 Media SE will be recognised using the equity method from 30 June 2023. The positive delivery on costs in 2Q23 was commented on during the call as preliminary synergies from the integration between the Italian and Spanish activities, made possible by the recent merger.
- **Change in estimates.** In this report we marginally improve our 2023 advertising revenue forecast in Italy (from -2.2% to -2.0%) in light of results and indications on 3Q23. For the Spanish business, we are trimming our forecasts for "other revenues" by just Eu3mn. We are not changing our estimates in terms of OpEx, which are a touch better than management guidance (about Eu10mn lower). Below EBIT, we assume slightly higher net financial charges while, for the time being, we are not factoring in the pro-rata contribution from Prosieben among associates (this item could be worth about 30mn in 2H23).
- **OUTPERFORM confirmed; MFE-B target Eu0.79 (from Eu0.77); MFE-A target Eu0.63 (from Eu0.62).** Our fair valuation is still based on a multiple of 6.5x 2023 EV/EBIT. In 2Q23, the group confirmed solid execution on cost savings and current guidance might turn out to be prudent. Moreover, the Italian market confirmed 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 declining advertising revenues, fiercer competition, and cost inflation. Convincing evidence on synergies from the Italian-Spanish business integration might push PSM shareholders to back the MFE plan.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,914	2,801	2,744	2,732	2,742
EBITDA Adj (Eu mn)	792	788	775	801	825
Net Profit Adj (Eu mn)	308	245	214	228	248
EPS New Adj (Eu)	0.119	0.093	0.076	0.082	0.089
EPS Old Adj (Eu)	0.119	0.093	0.076	0.082	0.089
DPS (Eu)	0.050	0.050	0.040	0.040	0.040
EV/EBITDA Adj	4.6	3.3	3.2	2.8	2.5
EV/EBIT Adj	11.2	8.8	8.9	7.4	6.3
P/E Adj	5.8	7.4	9.1	8.5	7.8
Div. Yield	7.2%	7.2%	5.8%	5.8%	5.8%
Net Debt/EBITDA Adj	1.1	1.1	1.1	0.8	0.5