

MEDIA FOR EUROPE

Sector: Media

OUTPERFORM

Price: Eu4.32 - Target: Eu5.40

FY24 Results to Confirm Excellent FCF Generation

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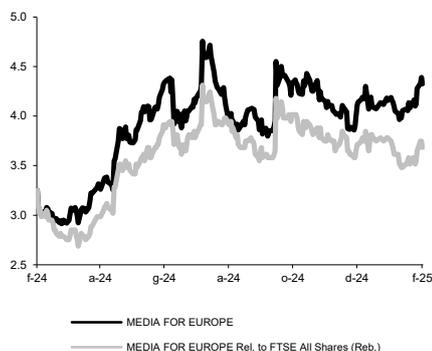
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-6.6%	-4.5%	-4.2%

Next Event FY24 Results

Results out: 16 April 2025

MEDIA FOR EUROPE - 12M Performance



Stock Data

Reuters code:	MFEB.MI		
Bloomberg code:	MFEB IM		
Performance	1M	3M	12M
Absolute	4.0%	4.4%	33.0%
Relative	-2.8%	-1.8%	15.7%
12M (H/L)	4.76/2.92		
3M Average Volume (th):	253.33		

Shareholder Data

No. of Ord shares (mn):	236
Total no. of shares (mn):	568
Mkt Cap Ord (Eu mn):	1,022
Total Mkt Cap (Eu mn):	2,065
Mkt Float - Ord (Eu mn):	269
Mkt Float (in %):	26.4%
Main Shareholder:	
Fininvest S.p.A.	50.0%

Balance Sheet Data

Book Value (Eu mn):	3,744
BVPS (Eu):	6.59
P/BV:	0.7
Net Financial Position (Eu mn):	-484
Enterprise Value (Eu mn):	2,549

- Advertising forecasts confirmed, some adjustments on costs, strong FCF.** Management indicated that MFE's advertising revenues will rise more than 6% in Italy in FY24, while Spanish FY24 ad revenues are seen flat YoY. In this report, we confirm our ad forecasts, while trimming estimates for other revenues in Spain. We are lifting our 2024/25 cost estimates by Eu25/15mn as for Italy. All in all, we are reducing group 2024/2025 EBIT by 7.5%/ 5.2%. At the same time, we remain very positive on FCF generation, which we estimate at over Eu330mn in FY24.
- Preview to 4Q/FY24 results.** In 4Q/FY24 we expect revenues to have risen 1.3%/5.5% YoY to Eu961mn/Eu2,966mn, while EBIT is seen at Eu237mn/Eu363mn, up 16% and 20% YoY respectively. Excluding the contribution from Prosieben (booked under associates), FY24 net profit should have closed at Eu250mn.
- Speculative considerations.** MFE has already obtained authorisation for *de facto* control of Prosieben, so it should be able to launch a PTO. So far it has always denied any intention to do so, at least until Prosieben management unlocks the value of certain non-core assets (Flaconi and Verivox). In our opinion, any offer would be in cash. In the event of a mandatory PTO, German law sets the offer price at the maximum of: 1) the 3-month VWAP; and 2) the highest price paid in the 6 months preceding publication of the offer document. Despite being aware that it would be difficult to achieve the objective of de-listing, MFE could still obtain governance benefits from exceeding the 30% threshold. The group has negotiated credit lines with a pool of banks for Eu3.4bn at favourable conditions to secure adequate financial flexibility. In any case, the time is ripening for a change of pace at Prosieben: on 28 May 2025, PSM shareholders will appoint 2 new members of the Supervisory Board; in our opinion, MFE could seek to select the new Chair, who in turn will appoint a new CEO next autumn. MFE is highly satisfied with how synergies between Italy and Spain are going and this has strengthened its conviction on the soundness of its European project. At present, we don't believe the MFE share price factors in any speculation on the benefits that Prosieben might obtain (our target also values the Prosieben stake at market price). The European merger project being conducted by MFE appears the only real industrial proposition in the secto, and in this sense we think it will create short and medium term opportunities. Finally, RAI is examining a merger of Ei Towers with RaiWay, but the timing of any deal is still up in the air.
- OUTPERFORM confirmed; MFE-B target Eu5.4 (unch.); MFE-A target Eu4.3 (unch.).** Our target price is calculated applying a fair 6.75x EV/EBIT multiple (unch.) to 2025 EBIT (previously 2024). FY24 results, for which we have fine-tuned our estimates in this report, should be positive, with excellent free cash flow generation (c.Eu330mn in our estimates), which we deem sustainable in 2025 and 2026. On these numbers, the stock is trading at very attractive multiples. As for Prosiebensat, key newsflow will be related to the disposal of non-core assets, but the excellent synergies achieved between Italy and Spain confirm that MFE's industrial project makes sense.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,801	2,810	2,966	2,986	3,000
EBITDA Adj (Eu mn)	788	808	842	888	902
Net Profit Adj (Eu mn)	245	217	296	315	329
EPS New Adj (Eu)	0.093	0.382	0.520	0.554	0.578
EPS Old Adj (Eu)	0.093	0.382	0.557	0.580	0.603
DPS (Eu)	0.050	0.250	0.250	0.250	0.280
EV/EBITDA Adj	11.6	3.0	3.0	2.9	2.6
EV/EBIT Adj	30.9	7.9	6.9	6.6	5.8
P/E Adj	46.3	11.3	8.3	7.8	7.5
Div. Yield	1.2%	5.8%	5.8%	5.8%	6.5%
Net Debt/EBITDA Adj	1.1	1.1	0.8	0.5	0.3

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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- BUY: stock expected to outperform the market by over 25% over a 12 month period;
- OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
- NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;
- UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
- SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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