

# MEDIA FOR EUROPE

Sector: Media

# OUTPERFORM

Price: Eu0.66 - Target: Eu0.77

## 1Q23 Results Should Highlight Convincing Resilience

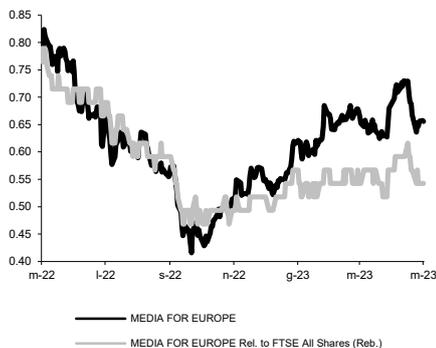
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### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 0.83 to 0.77		
	2023E	2024E	2025E
Chg in Adj EPS	-5.9%	-6.6%	-6.3%

**Next Event: 1Q23 Results**  
 Results Out 23 May 2023

### MEDIA FOR EUROPE - 12M Performance



### Stock Data

 Reuters code: MFEB.MI  
 Bloomberg code: MFEB IM

Performance	1M	3M	12M
Absolute	-3.5%	-0.9%	-16.9%
Relative	-4.0%	-0.1%	-35.4%
12M (H/L)	0.82/0.42		
3M Average Volume (th):	1,300.02		

### Shareholder Data

No. of Ord shares (mn):	1,181
Total no. of shares (mn):	2,840
Mkt Cap Ord (Eu mn):	775
Total Mkt Cap (Eu mn):	1,512
Mkt Float - Ord (Eu mn):	183
Mkt Float (in %):	23.6%
Main Shareholder:	
Fininvest S.p.A.	49.2%

### Balance Sheet Data

Book Value (Eu mn):	3,002
BVPS (Eu):	1.06
P/BV:	0.6
Net Financial Position (Eu mn):	-769
Enterprise Value (Eu mn):	2,327

■ **Management indications.** In presenting FY22 results, management already indicated the Italian business recorded flat 1Q23 advertising revenues (despite the tough comparison) while commenting the Spanish business showed a mid-single-digit decline in advertising revenues, but with an improving trend in March that continued in April. Our estimates for the Italian business (+0.2% YoY) and the Spanish business (-5.2% YoY) are aligned with these indications. In terms of other revenues, we expect the Italian business to show a 4.5% contraction, while the Spanish business is expected to have risen 10.6% YoY. As for costs, we have made assumptions consistent with the respective advertising trends, assuming a stable cost base in Italy and a 4.4% decline in Spain. **We therefore expect Italian business EBIT to have improved marginally from a negative 1Q22 result of Eu-14.7mn to Eu-13.9mn in 1Q23, while the Spanish business should have recorded EBIT of Eu30.1mn, up 0.8% YoY.** Looking at Group figures, EBIT is expected to have come to Eu16.2mn, up 6.0% YoY. Below this line, we expect higher financial charges (by Eu2mn), a similar tax rate but, more importantly, lower minority interests (from Eu10.1mn to Eu4.1mn), bringing net profit to Eu8.4mn, corresponding to YoY growth of over 200%. In terms of cash flow, we expect group net debt to have declined by Eu113mn in the quarter to Eu760mn, a significant achievement.

■ **Change in estimates:** in this report we are leaving our estimates unchanged both in terms of revenue and cost assumptions. Our EPS revision is therefore entirely driven by changes below EBIT: the main impact comes from a harsher-than-expected cut in dividends from ProSieben (set at Eu0.05 from Eu0.80 last year), with a minor impact from the dilutive effect of issuing a slightly higher-than-expected number of new MFE-A shares related to the conversion of MSE minority shareholders.

■ **OUTPERFORM confirmed; MFE B target from Eu0.83 to Eu0.77 (MFE A target from Eu0.66 to Eu0.62).** Our fair valuation remains based on 6.5x 2023 EV/EBIT but factors in the negative impact from the mark to market of the stake in ProSiebensat. We remind that our target reflects the fair value after the Eu0.05 dividend payment. We expect the group to confirm solid execution on cost savings and cash generation in 1Q23. Moreover, the Italian market is expected to single out a very solid advertising performance, especially in relation to peers, that is suggesting the excellent work did by the company not only on the programming but also on the ability to exploit, thanks to technology adoption, of the opportunities offered by the targeted TV advertising and by the official tracking of total audience data. As for the group's European ambitions, as we have written in the past, the MFE industrial project that aims to achieve synergies via consolidation of broadcasters in Europe looks to be the only feasible project when all sector firms are facing declining advertising revenues, fiercer competition and cost inflation. Convincing evidence on synergies from the MES merger might push PSM shareholders to back the MFE plan.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,914	2,801	2,742	2,731	2,741
EBITDA Adj (Eu mn)	792	788	774	800	824
Net Profit Adj (Eu mn)	308	245	214	234	253
EPS New Adj (Eu)	0.119	0.093	0.077	0.084	0.090
EPS Old Adj (Eu)	0.119	0.093	0.081	0.089	0.096
DPS (Eu)	0.050	0.050	0.040	0.040	0.040
EV/EBITDA Adj	4.6	3.3	3.0	2.6	2.3
EV/EBIT Adj	11.2	8.8	8.3	6.9	5.7
P/E Adj	5.5	7.0	8.6	7.9	7.3
Div. Yield	7.6%	7.6%	6.1%	6.1%	6.1%
Net Debt/EBITDA Adj	1.1	1.1	1.0	0.7	0.4