MEDIA FOR EUROPE

OUTPERFORM

Sector: Media

Price: Eu3.55 - **Target: Eu4.40**

Strong Start to the Year Enhances Visibility on Estimates

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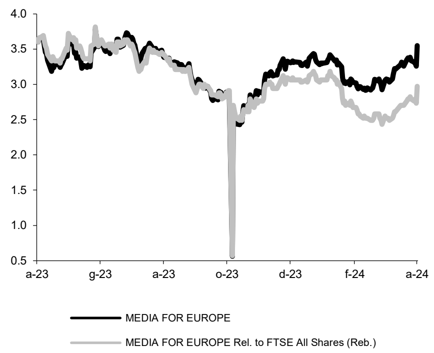
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 4.00 to 4.40
	2024E	**2025E**	**2026E**
Chg in Adj EPS	2.6%	1.1%	

Next Event 1Q24 Results
Results out: 22 May 2024

MEDIA FOR EUROPE - 12M Performance



Stock Data			
Reuters code:			MFEB.MI
Bloomberg code:			MFEB IM
Performance	**1M**	**3M**	**12M**
Absolute	16.1%	7.6%	-2.3%
Relative	16.4%	-3.4%	-21.9%
12M (H/L)			3.78/0.56
3M Average Volume (th):			313.05

Shareholder Data	
No. of Ord shares (mn):	236
Total no. of shares (mn):	568
Mkt Cap Ord (Eu mn):	839
Total Mkt Cap (Eu mn):	1,690
Mkt Float - Ord (Eu mn):	221
Mkt Float (in %):	26.4%
Main Shareholder:	
Fininvest S.p.A.	50.0%

Balance Sheet Data	
Book Value (Eu mn):	3,284
BVPS (Eu):	5.78
P/BV:	0.6
Net Financial Position (Eu mn):	-760
Enterprise Value (Eu mn):	2,450

- **Positive results, attractive dividend announced.** In 4Q23, adjusted group EBIT came in at Eu246.7mn, up 10.2% YoY and 10.3% better than expected. The positive surprise mainly came from the Italian business, where EBIT was up 19.1% YoY (+11.9% vs. our estimates). EBIT in Spain was also 6.4% better than expected – albeit down 6.3% YoY. YE23 net debt (Eu903mn) was consistent with management guidance and broadly in line with our estimates. Annual free cash flow amounted to Eu280mn and during the year the group spent Eu142mn on dividend payments and Eu197mn on the cash component of the TL5 merger and to round up the stake in Prosieben. The board resolved to propose the distribution of a dividend of Eu0.25 per share for all category A and B shares, in line with the 2022 dividend.
- **Encouraging indications.** In 2024, the Italian business consolidates Mediamond, bringing in Eu70mn of higher revenues but also additional costs. Advertising trends were very positive in 1Q24, with Italy up 5% YoY and Spain up 8% YoY. Other revenues are expected to remain flat in Italy (before a Eu50mn contribution from Mediamond) while in Spain this line should go back to c.Eu100mn. Cost assumptions for the year are set to remain flat in Italy (i.e. Eu1,870mn including Mediamond) and to amount to about Eu690mn in Spain (up Eu20mn YoY).
- **Change in estimates:** in this report we are raising our 2024 and 2025 advertising revenue forecast for Italy (from +0.5% to +1.5% for 2024) exclusively for the consolidation of Mediamond (worth +1% on the advertising line). Net of the Mediamond contribution, our estimates imply a 0.6% YoY drop in advertising revenues from April to December. For the Spanish business, in light of an even stronger 1Q24 (+8%) we are becoming more constructive on 2024 (from flat to +2%) partly in light of the improving macro picture. As for “other revenues” and cost forecasts, we are aligning our estimates to the management guidance outlined above. All in all, we are raising our 2024/25 EBIT by 1.6%/1.3%. Below EBIT, we have included Eu25mn of net financial charges, as commented by management, and a Eu69.3mn positive contribution from associates.
- **OUTPERFORM confirmed; MFE-B target Eu4.4 (from Eu4.0); MFE-A target Eu3.5 (from Eu3.2).** As in our last report, we are applying our fair 6.0x EV/EBIT multiple to 2024 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. Cash generation has been strong and supports a very generous dividend distribution. 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. As expected, MFE is now playing a more active role in governance and this, in our opinion, could be beneficial to value creation at Prosiebensat.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,801	2,810	2,914	2,923	2,928
EBITDA Adj (Eu mn)	788	822	831	862	873
Net Profit Adj (Eu mn)	245	217	283	288	299
EPS New Adj (Eu)	0.093	0.382	0.498	0.507	0.526
EPS Old Adj (Eu)	0.093	0.374	0.485	0.502	
DPS (Eu)	0.050	0.250	0.250	0.250	0.260
EV/EBITDA Adj	11.6	3.0	2.9	2.7	2.4
EV/EBIT Adj	30.9	7.5	6.9	6.3	5.7
P/E Adj	38.0	9.3	7.1	7.0	6.8
Div. Yield	1.4%	7.0%	7.0%	7.0%	7.3%
Net Debt/EBITDA Adj	1.1	1.1	0.9	0.7	0.5

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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&PMIB40 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:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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