

# MEDIA FOR EUROPE

Sector: Media

# OUTPERFORM

Price: Eu0.72 - Target: Eu0.83

## Reassuring Outlook, Valuation Remains Attractive

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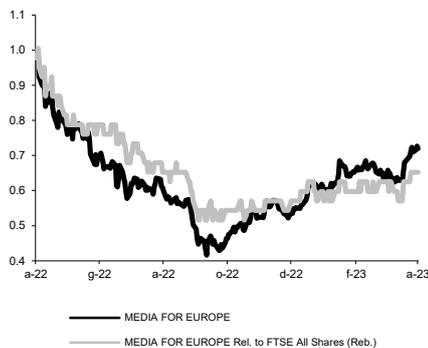
### Stock Rating

**Rating:** Unchanged  
**Target Price (Eu):** from 0.77 to 0.83

	2023E	2024E	2025E
<b>Chg in Adj EPS</b>	-15.2%	-12.0%	

**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	13.5%	21.3%	-26.4%
Relative	4.4%	12.8%	-38.4%
12M (H/L)			1.00/0.42
3M Average Volume (th):			1,377.03

### Shareholder Data

No. of Ord shares (mn):	1,181
Total no. of shares (mn):	2,785
Mkt Cap Ord (Eu mn):	850
Total Mkt Cap (Eu mn):	1,586
Mkt Float - Ord (Eu mn):	201
Mkt Float (in %):	23.6%
Main Shareholder:	
Fininvest S.p.A.	49.2%

### Balance Sheet Data

Book Value (Eu mn):	3,008
BVPS (Eu):	1.08
P/BV:	0.7
Net Financial Position (Eu mn):	-782
Enterprise Value (Eu mn):	2,424

■ **Positive results, attractive dividend announced.** Italian business advertising revenues were flat in 4Q22 and 3.5% better than expected. Other revenues were down 20%, in line with our forecasts. FY22 costs before non-recurring items came in at Eu1,806.8mn, consistent with guidance (Eu1.8bn). Adjusted EBIT stood at Eu145.3mn in 4Q22, up 25.9% YoY and 8.4% better than expected. Non-recurring costs came to Eu42.4mn. Net debt for the Italian business was Eu1,351.2mn, bang in line with our estimate. Annual free cash flow amounted to Eu366mn. The board resolved to propose to the AGM the distribution of a dividend of Eu0.05 per share for all category A and B shares, in line with the 2021 dividend.

■ **Management indications.** Looking at advertising trends, MFE should have recorded flat 1Q23 advertising revenues (despite the tough comparison). The outlook is quite reassuring despite the uncertain macro picture. Other indications: 1) other revenues are foreseen in line with 2022; 2) cost guidance will be provided after the finalisation of the MES merger, but a flat assumption makes sense; 3) CapEx guidance was set in line with 2022. The Italian advertising market has enjoyed greater resilience than other European markets so far. In 1Q23, the Spanish business is expected to show a mid-single-digit decline in advertising revenues, but with an improving trend in March that is continuing in April.

■ **Change in estimates:** in this report we are updating our advertising estimates, thanks to a better 2022 comparison base and assuming a softer contraction in 2023 (from -3.0% to -2.2% YoY for the Italian business and from -4.0% to -3.5% for the Spanish business) mainly in light of quite reassuring management comments on current trading and, in Italy, thanks to the expected benefits of the application of the so-called “total audience” metric. On the other hand, we are trimming the “other revenue” line to remain consistent with management indications. In terms of costs, our estimates were already broadly consistent with management guidance in Italy, while we are now assuming a more gradual cost saving trajectory in Spain. All in all, we are trimming our 2023 and 2024 group EBIT forecasts by 4.4% and 1.9% respectively. Our EPS revision is driven by the assumption of higher financial charges, lower dividends from ProSieben and the dilutive impact of issuing new MFE-A shares related to the conversion of MSE minority shareholders.

■ **OUTPERFORM confirmed; MFE B target from Eu0.77 to Eu0.83 (MFE A target from Eu0.61 to Eu0.66).** Our fair valuation is now based on 6.5x 2023 EV/EBIT (from 6.0x, in light of the re-rating of the peer group now trading at about 7.5x). In 4Q22 the group confirmed solid execution on cost savings and cash generation, providing fundamental support, and the dividend yield is very attractive, especially for MFE A. 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	771	800	824
Net Profit Adj (Eu mn)	308	245	223	246	265
EPS New Adj (Eu)	0.119	0.093	0.081	0.089	0.096
EPS Old Adj (Eu)	0.119	0.088	0.096	0.102	
DPS (Eu)	0.050	0.050	0.040	0.040	0.050
EV/EBITDA Adj	4.6	3.3	3.1	2.7	2.3
EV/EBIT Adj	11.2	8.8	8.7	7.1	5.9
P/E Adj	6.0	7.7	8.9	8.0	7.5
Div. Yield	6.9%	6.9%	5.6%	5.6%	6.9%
Net Debt/EBITDA Adj	1.1	1.1	1.0	0.7	0.4