Intermonte

Milan, 20 September 2024

Italian Equity Research – 2Q24 Results

MEDIA FOR EUROPE

OUTPERFORM

Sector: Media

Price: Eu4.55 - **Target: Eu5.20**

Reaping the Rewards of an Unparalleled Total Media Offering

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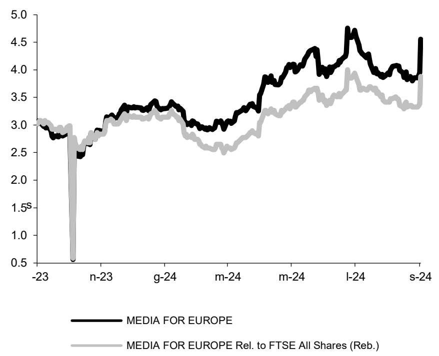
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 5.00 to 5.20
	2024E	**2025E**	**2026E**
Chg in Adj EPS	2.1%	0.4%	1.0%

Next Event 3Q24 Results
Results out: November 2024

MEDIA FOR EUROPE - 12M Performance



Stock Data			
Reuters code:			MFEB.MI
Bloomberg code:			MFEB IM
Performance	**1M**	**3M**	**12M**
Absolute	15.3%	15.6%	50.9%
Relative	13.1%	13.3%	32.8%
12M (H/L)			4.76/0.56
3M Average Volume (th):			356.65

Shareholder Data	
No. of Ord shares (mn):	236
Total no. of shares (mn):	568
Mkt Cap Ord (Eu mn):	1,075
Total Mkt Cap (Eu mn):	2,145
Mkt Float - Ord (Eu mn):	284
Mkt Float (in %):	26.4%
Main Shareholder:	
Fininvest S.p.A.	50.0%

Balance Sheet Data	
Book Value (Eu mn):	3,303
BVPS (Eu):	5.82
P/BV:	0.8
Net Financial Position (Eu mn):	-709
Enterprise Value (Eu mn):	2,853

- **A strong set of 2Q24 results**. In 2Q24, net advertising revenues grew by 8.1% YoY in Italy to Eu468.2mn and by 4.4% YoY in Spain to Eu204.9mn. The acceleration in Italy compared to 1Q24 (+5.4% YoY) is particularly appreciable, confirming the importance of offering unparalleled customer reach. As for other revenues, Italy increased 15.1% YoY to Eu85.9mn (mainly thanks to Mediamond) while Spain decreased 6.7% YoY (10% short of expectations). All in all, quarterly group revenues were up 7.4% YoY to Eu776.7mn, in line with estimates, while group EBIT grew 11.0% to Eu112.8mn, 1.9% better than expected. OpEx were up Eu15mn in Italy, net of the Mediamond effect and similar to the 1Q24 figure (+Eu17mn), while they were Eu12mn higher in Spain (vs. +Eu17mn in 1Q24); as expected, the group is making a partial reinvestment in programming from better-than-expected ad revenues. Finally, net debt amounted to Eu662mn as at the end of June 2024 (vs. Eu700mn exp.), confirming excellent FCF generation in the last 6 months (Eu223mn).
- **Management outlook**. Management indicated that MFE advertising revenues in 9M24 stayed well in line with 1H24 (i.e. +6.7% YoY), despite the presence of international sporting events for which the group held no rights (the European Football Championships until mid-July and the Paris Olympics between end-July and early August). At the same time, visibility on the advertising market for 4Q24 remains rather low and the comparison with 4Q23 will be challenging. Management confirmed the guidance for other revenues, Opex and Capex.
- **Estimates in Italy up.** We expect advertising revenue in 3Q24 to have continued the trend observed in 2Q24, therefore a solid acceleration in Italy coupled to a mild deceleration in Spain, driven by deteriorating consumer confidence. In this report, we upgrade our 2024 advertising revenue forecast for Italy (from +3.0% to +5.0%). Our new estimates imply ad revenues up 9.5% in 3Q24 and flat in 4Q24, bearing in mind the very tough comparison on 4Q23 (+7.9% YoY). For the Spanish business, our 2024 ad revenue forecast is now +1.5% from +3.5% YoY, implying -2.3% YoY in 2H24. At the same time, we are slightly raising our cost forecasts, remaining consistent with management guidance. Below EBIT, we make no change to the Eu25mn in net financial charges mentioned by management, and also keep a Eu69.3mn positive contribution from associates. All in all, we raise group 2024E EPS by 2.1%. Importantly, we are improving our FCF assumption by ca. Eu40mn.
- **OUTPERFORM confirmed; MFE-B target Eu5.2 (from Eu5.0); MFE-A target Eu4.2 (from Eu4.0).** Compared to our last report, we apply a fair 6.75x EV/EBIT multiple to 2024 EBIT, rather than 6.5x, in order to reflect the increasing visibility on estimates. The group commented that the 3Q24 advertising performance has been excellent, especially in relation to peers, highlighting the company's outstanding work 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 should remain strong and supports very generous dividend distribution. As for Prosiebensat, in the short-term, key newsflow will be related to the disposal of non-core assets, but the excellent synergies achieved between Italy and Spain suggest that the industrial project makes sense.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,801	2,810	2,960	2,965	2,978
EBITDA Adj (Eu mn)	788	822	858	881	895
Net Profit Adj (Eu mn)	245	217	301	302	314
EPS New Adj (Eu)	0.093	0.382	0.531	0.531	0.553
EPS Old Adj (Eu)	0.093	0.382	0.520	0.529	0.548
DPS (Eu)	0.050	0.250	0.250	0.250	0.270
EV/EBITDA Adj	11.6	3.0	3.3	3.0	2.7
EV/EBIT Adj	30.9	7.5	7.4	6.9	6.1
P/E Adj	48.7	11.9	8.6	8.6	8.2
Div. Yield	1.1%	5.5%	5.5%	5.5%	5.9%
Net Debt/EBITDA Adj	1.1	1.1	0.8	0.5	0.3

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- 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;
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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:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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

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Emittente	%	Long/Short

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