Intermonte

Milan, 22 November 2024

Italian Equity Research – 3Q24 Results

MEDIA FOR EUROPE

OUTPERFORM

Sector: Media

Price: Eu4.11 - **Target: Eu5.40**

3Q24 Results and 4Q24 Outlook Exceed Our Expectations

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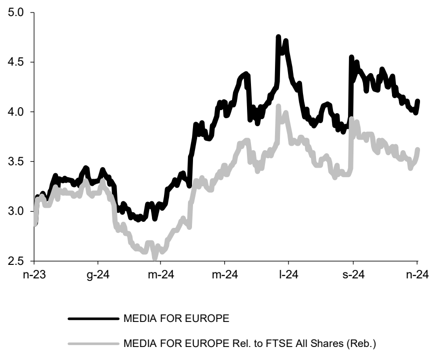
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 5.20 to 5.40
	2024E	**2025E**	**2026E**
Chg in Adj EPS	5.0%	9.2%	9.1%

Next Event FY24 Results
Results out: April 2025

MEDIA FOR EUROPE - 12M Performance



Stock Data			
Reuters code:			MFEB.MI
Bloomberg code:			MFEB IM
Performance	**1M**	**3M**	**12M**
Absolute	-5.8%	2.9%	43.1%
Relative	-1.3%	3.0%	29.2%
12M (H/L)			4.76/2.88
3M Average Volume (th):			270.26

Shareholder Data	
No. of Ord shares (mn):	236
Total no. of shares (mn):	568
Mkt Cap Ord (Eu mn):	970
Total Mkt Cap (Eu mn):	1,936
Mkt Float - Ord (Eu mn):	256
Mkt Float (in %):	26.4%
Main Shareholder:	
Fininvest S.p.A.	50.0%

Balance Sheet Data	
Book Value (Eu mn):	3,318
BVPS (Eu):	5.84
P/BV:	0.7
Net Financial Position (Eu mn):	-705
Enterprise Value (Eu mn):	2,641

- **An excellent set of 3Q24 results**. In 3Q24, net advertising revenues rose 11.5% YoY in Italy, reaching Eu312.7mn (1.4% above expectations), while in Spain they decreased 6.9% YoY to Eu135.1mn (in line with expectations). The sequential acceleration in Italy compared to 1Q24 (+5.4% YoY) and 2Q24 (+8.1% YoY) is particularly appreciated, confirming the importance of offering unparalleled customer reach. Regarding other revenues, Italy increased 15.2% YoY to Eu62.0mn (mainly thanks to Mediamond), while Spain increased 33.6% YoY. Overall, Group quarterly revenues rose 7.2% YoY to Eu528.2mn, slightly above our estimates, while Group EBIT improved from a Eu22.6mn loss in 3Q23 to a Eu9.7mn loss in 3Q24. Finally, net debt as at end-September 2024 amounted to Eu718.6mn (compared to Eu720mn estimated), confirming excellent FCF generation in the last 9 months (Eu318.8mn compared to Eu285.8mn in 9M23).
- **Management outlook**. Management indicated that MFE advertising revenues will remain in positive territory in 4Q24, resulting in year-end growth of around 5%. In detail, MFE expects to reach ad revenue growth of more than 6% in Italy in FY24, despite the lack of sporting events on its channels, while Spanish FY24 ad revenues are seen flat YoY.
- **Estimates on Italy up.** In this report, we are upgrading our 2024 advertising revenue forecast for Italy (from +5.0% to +6.5%) while we trim estimates in Spain (from +1.5% to +0.2%). We expect 4Q24 advertising revenue to increase by 1.3%, as a combination of a +3.0% in Italy coupled with -4% in Spain. As for 2025, we expect Italian ad revenues to continue to benefit from the current favourable momentum, so we are upgrading our revenue growth forecast from -0.5% to 0.5%, a level that can still be deemed quite conservative; on the other hand, in Spain, we are moving our FY25 forecast from +1.5% to +1.0% to reflect the current weaker audience, but expect gradually improving numbers thanks to the actions already put in place by the management. We are leaving our forecasts unchanged both for OpEx and below EBIT. All in all, we are raising group 2024/2025 EPS by 5.0%/ 9.2% respectively.
- **OUTPERFORM confirmed; MFE-B target Eu5.4 (from Eu5.2); MFE-A target Eu4.3 (from Eu4.2).** As in our last report, we apply a fair 6.75x EV/EBIT multiple to 2024 EBIT in order to calculate our fair value. 3Q24 results were very positive, and the 4Q24 indications on the Italian business were higher than our expectations and those of the market, considering that advertising had already grown almost 8% in 4Q23. The stock is trading at very attractive multiples, above all compared to cash generation (2024 FCF yield at 17%) with numbers that look very solid entering FY25. We confirm our positive view, highlighting the company's outstanding work on the adoption of technology to exploit the opportunities offered by targeted TV advertising and the official tracking of total audience data. 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 the MFE's industrial project makes sense.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,801	2,810	2,976	2,994	3,008
EBITDA Adj (Eu mn)	788	822	874	911	924
Net Profit Adj (Eu mn)	245	217	317	330	343
EPS New Adj (Eu)	0.093	0.382	0.557	0.580	0.603
EPS Old Adj (Eu)	0.093	0.382	0.531	0.531	0.553
DPS (Eu)	0.050	0.250	0.250	0.250	0.290
EV/EBITDA Adj	11.6	3.0	3.0	2.6	2.3
EV/EBIT Adj	30.9	7.5	6.6	5.9	5.1
P/E Adj	44.0	10.7	7.4	7.1	6.8
Div. Yield	1.2%	6.1%	6.1%	6.1%	7.1%
Net Debt/EBITDA Adj	1.1	1.1	0.8	0.5	0.2

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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;
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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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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