

MEDIA FOR EUROPE

Sector: Media

OUTPERFORM

Price: Eu3.97 - Target: Eu4.50

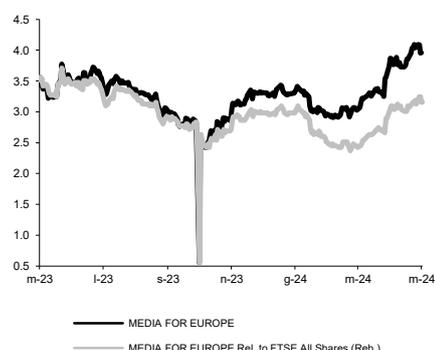
Strong Start to the Year, Good Visibility on Estimates

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 4.40 to 4.50		
	2024E	2025E	2026E
Chg in Adj EPS	1.1%	1.1%	1.1%

Next Event 1H24 Results
 Results out: September 2024

MEDIA FOR EUROPE - 12M Performance



Stock Data			
Reuters code:	MFEB.MI		
Bloomberg code:	MFEB IM		
Performance	1M	3M	12M
Absolute	2.4%	33.7%	11.1%
Relative	1.9%	28.4%	-14.1%
12M (H/L)	4.10/0.56		
3M Average Volume (th):	369.70		

Shareholder Data	
No. of Ord shares (mn):	236
Total no. of shares (mn):	568
Mkt Cap Ord (Eu mn):	937
Total Mkt Cap (Eu mn):	1,932
Mkt Float - Ord (Eu mn):	247
Mkt Float (in %):	26.4%
Main Shareholder:	
Fininvest S.p.A.	50.0%

Balance Sheet Data	
Book Value (Eu mn):	3,287
BVPS (Eu):	5.79
P/BV:	0.7
Net Financial Position (Eu mn):	-756
Enterprise Value (Eu mn):	2,689

- Positive results, very strong FCF generation.** In 1Q24, group revenues amounted to Eu699.8mn, up 8.2% YoY, thanks to Italian revenues up 7.9% YoY to Eu501.9mn (partly thanks to the consolidation of Mediamond) and Spanish revenues up 9.1% YoY to Eu198.0mn. Group EBIT came in at Eu22.3mn, up 34.8% YoY and 7.2% better than expected. The positive surprise came mainly from the Italian business, where EBIT, in a seasonally weak quarter, nearly halved the loss recorded in 1Q23, turning out Eu1mn better than expected. EBIT in Spain was also 1.7% better than expected – albeit down 1.8% YoY. Net debt as at the end of March 2024 (Eu676.9mn) was a positive surprise (Eu43mn better), highlighting ordinary FCF generation in the quarter of Eu213mn vs. Eu159mn in 1Q23 (+34% YoY).
- Encouraging indications.** Advertising trends were very positive in 1Q24, with Italy up 5.7% YoY and Spain up 8.0% YoY. According to management, ad revenues in the first 4 months were up 6.3% in Italy and 9.3% in Spain, implying growth in April of about 8% and 12% respectively; these very positive trends have continued in May. These numbers are extremely positive and confirm that the strategic decision to merge the Italian and Spanish activities was the right one. A number of projects between the two countries are bearing fruit and producing synergies, e.g. the adoption of the addressable advertising approach, already implemented in Italy and now in Spain, or the adoption in Italy of content distribution strategies that have already been successfully tested in Spain. After the strong results of the first months, MFE confirms full-year guidance for all the key figures. The company notes that the middle portion of the year – seasonally weaker for advertising – is affected by major sport events that are not available to the Group (the European Football Championships in June and July and the Olympics between July and August), while 4Q23 advertising revenues amount to a very tough comparison base in Italy.
- Estimates slightly up, remaining cautious.** In this report, we are slightly upgrading our 2024 advertising revenue forecast for Italy (from +1.5% to +2.0%). For the Spanish business, our 2024 ad revenue forecast remains +2.0%, even though we consider this assumption extremely cautious. As for “other revenues” and cost forecasts, our estimates are aligned to the reiterated management guidance. Below EBIT, we assume Eu25mn of net financial charges, as commented by management, and a Eu69.3mn positive contribution from associates.
- OUTPERFORM confirmed; MFE-B target Eu4.5 (from Eu4.4); MFE-A target Eu3.6 (from Eu3.5).** As in our last report, we are applying our fair 6.0x EV/EBIT multiple to 2024 EBIT. We note that our targets are expressed ex dividend payment (on 24 July) of Eu0.25 per share. In 1Q24, the group produced an excellent advertising performance, 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 has been strong and supports very generous dividend distribution. 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: in the short-term, key newsflow will be related to the disposal of non-core assets.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,801	2,810	2,918	2,928	2,933
EBITDA Adj (Eu mn)	788	822	836	867	877
Net Profit Adj (Eu mn)	245	217	286	291	302
EPS New Adj (Eu)	0.093	0.382	0.504	0.513	0.532
EPS Old Adj (Eu)	0.093	0.382	0.498	0.507	0.526
DPS (Eu)	0.050	0.250	0.250	0.250	0.260
EV/EBITDA Adj	11.6	3.0	3.2	2.9	2.7
EV/EBIT Adj	30.9	7.5	7.4	6.9	6.3
P/E Adj	42.5	10.4	7.9	7.7	7.5
Div. Yield	1.3%	6.3%	6.3%	6.3%	6.6%
Net Debt/EBITDA Adj	1.1	1.1	0.9	0.7	0.5

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- 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)

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Frequency of research: quarterly.

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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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NEUTRAL:	27,73 %
UNDERPERFORM	00,84 %
SELL:	00,00 %

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NEUTRAL:	10,20 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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Emitente	%	Long/Short
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