Milan, 24 November 2023
Italian Equity Research – 3Q23 Results

MEDIA FOR EUROPE

OUTPERFORM

Sector: Media

Price: Eu3.06 - **Target: Eu4.10**

Encouraging Management Outlook Drives Our Estimates Up

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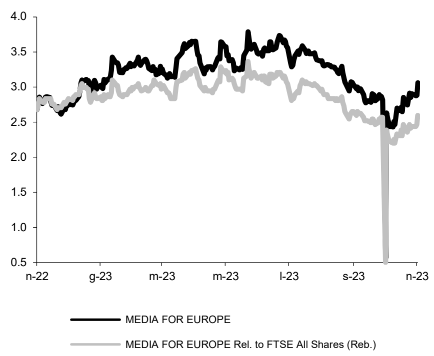
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 3.95 to 4.10
	2023E	**2024E**	**2025E**
Chg in Adj EPS	24.2%	25.7%	20.2%

MEDIA FOR EUROPE - 12M Performance



Stock Data			
Reuters code:			MFEB.MI
Bloomberg code:			MFEB IM
Performance	**1M**	**3M**	**12M**
Absolute	443.3%	-9.2%	14.4%
Relative	437.0%	-12.5%	-2.8%
12M (H/L)			3.78/0.56
3M Average Volume (th):			329.22

Shareholder Data	
No. of Ord shares (mn):	236
Total no. of shares (mn):	568
Mkt Cap Ord (Eu mn):	723
Total Mkt Cap (Eu mn):	1,437
Mkt Float - Ord (Eu mn):	191
Mkt Float (in %):	26.4%
Main Shareholder:	
Fininvest S.p.A.	50.0%

Balance Sheet Data	
Book Value (Eu mn):	3,065
BVPS (Eu):	5.40
P/BV:	0.6
Net Financial Position (Eu mn):	-826
Enterprise Value (Eu mn):	2,308

- **Quarterly results slightly better than expected.** 3Q23 advertising revenues confirmed great resilience, down just 1.2% YoY at the Italian business and up 0.1% at the Spanish business. Other revenues were up 2.5% YoY at the Italian business but down 55.5% YoY at the Spanish (tough comparison). The Italian business cut total costs by 1.3% YoY, 1.4% lower than expected, while the Spanish business produced a 3.8% cost reduction (0.4% above our estimates). All in all, EBIT at the Italian business was negative by Eu28.8mn (vs. Eu-34.3mn exp.), while the Spanish business recorded EBIT of Eu6.2mn, down significantly YoY because of a lower contribution from other revenues but better than our Eu4.7mn forecast. Looking at Group figures, EBIT was negative by Eu22.6mn, Eu7mn better than expected. Below this line, financial charges were in line with our forecasts while there was a Eu3.9mn pro-rata net contribution from the stake in Prosieben, which has been consolidated since 3Q23 using the equity method. In terms of cash flow, group net debt reached Eu877.5mn as at end-September 2023, a touch better than expected and in line with September 2022, despite expenditure totalling about Eu300mn (on dividend payments, on purchasing additional Prosieben shares, and on the merger with MS España).
- **Supportive management indications.** Advertising sales in October and November were commented as being strong and up 8% YoY, partly because in 4Q22 advertising budget was highly concentrated on the Football World Cup in December. During the call, management confirmed quite supportive outlook for 2024 as well, in terms of both advertising revenues (benefitting from a rising contribution from addressable advertising) and costs (synergies from the integration with MS España are arriving earlier than expected).
- **Change in estimates.** In this report we improve our 2023 and 2024 advertising revenue forecast in Italy (from -2.0% to +1.5% for 2023; from -1.0% to +0.5% for 2024) in light of very positive indications on 4Q23. For the Spanish business, we improve our advertising assumptions (from -3.5% and -1.0% for 2023 and 2024 to -2.3% and -1.0%). We expect that management will decide to increase investment in programming, especially in Spain: we therefore slightly increase OpEx in 2024 and 2025, by 0.9% and 1.3% at group level, entirely related to Spain. All in all, we improve 2023/23 EBIT by 21.7% and 19.9%. Below EBIT, we factor in the pro-rata contribution from Prosieben among associates (this item could be worth about 45mn in 2H23, then about Eu68mn in FY24), a contribution that was not in our previous estimates, but we are also slightly increasing financial charges and taxes.
- **OUTPERFORM confirmed; MFE-B target Eu4.1 (from Eu3.95); MFE-A target Eu3.3 (from Eu3.15).** Our target increases even if we cautiously move our fair valuation from 6.5x to 6.0x 2023 EV/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. 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.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,914	2,801	2,811	2,814	2,815
EBITDA Adj (Eu mn)	792	788	838	861	868
Net Profit Adj (Eu mn)	308	245	269	291	302
EPS New Adj (Eu)	0.119	0.093	0.474	0.512	0.532
EPS Old Adj (Eu)	0.596	0.467	0.381	0.408	0.443
DPS (Eu)	0.050	0.050	0.230	0.250	0.260
EV/EBITDA Adj	9.8	11.6	2.8	2.4	2.2
EV/EBIT Adj	24.1	30.9	6.7	5.7	5.1
P/E Adj	25.6	32.7	6.5	6.0	5.7
Div. Yield	1.6%	1.6%	7.5%	8.2%	8.5%
Net Debt/EBITDA Adj	1.1	1.1	1.0	0.7	0.5