

MEDIA FOR EUROPE

Sector: Media

OUTPERFORM

Price: Eu0.69 - Target: Eu0.77

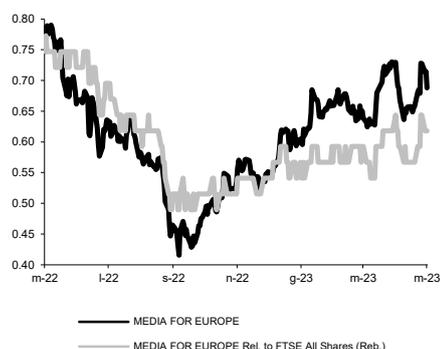
1Q23 Results Highlighted Strong Resilience And Cash Flow

Andrea Randone +39-02-77115.364
 andrea.randone@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-0.4%	-1.3%	-1.6%

Next Event: 1H23 Results
 Results Out 1 August 2023

MEDIA FOR EUROPE - 12M Performance



Stock Data			
Reuters code:	MFEB.MI		
Bloomberg code:	MFEB IM		
Performance	1M	3M	12M
Absolute	-5.7%	4.4%	-7.9%
Relative	-1.9%	6.6%	-17.7%
12M (H/L)	0.79/0.42		
3M Average Volume (th):	1,362.75		

Shareholder Data	
No. of Ord shares (mn):	1,181
Total no. of shares (mn):	2,840
Mkt Cap Ord (Eu mn):	813
Total Mkt Cap (Eu mn):	1,571
Mkt Float - Ord (Eu mn):	192
Mkt Float (in %):	23.6%
Main Shareholder:	
Fininvest S.p.A.	49.2%

Balance Sheet Data	
Book Value (Eu mn):	3,007
BVPS (Eu):	1.06
P/BV:	0.6
Net Financial Position (Eu mn):	-844
Enterprise Value (Eu mn):	2,462

■ **1Q23 EBIT up 26% YoY, 19% better than expected, net debt Eu30mn lower than forecast.** 1Q23 advertising revenues were up 0.4% YoY in the Italian business (strong progress given the tough comparison), but down 4.7% in the Spanish business, albeit with an improving trend in March that continued in April and May. Other revenues fell 3.7% YoY in the Italian business and rose 10.1% YoY in Spanish business. The Italian business cut total costs by 1.3% YoY, 0.7% lower than expected, while the Spanish business showed a 3.4% cost reduction (slightly above our estimates). All in all, Italian business EBIT improved from a negative 1Q22 result of Eu-14.7mn to Eu-9.6mn in 1Q23 (vs. Eu-13.9mn exp.), while the Spanish business recorded EBIT of Eu28.8mn, down 3.6% YoY. Looking at Group figures, EBIT came to Eu19.3mn, up 26.1% YoY and 19.1% better than expected. Below this line, higher financial charges (by Eu1.6mn), a similar tax rate and, most importantly, lower minority interests (from Eu10.1mn to Eu4.3mn), brought net profit to Eu10.1mn, corresponding to YoY growth of almost 300%. In terms of cash flow, group net debt reached Eu731.7mn at the end of March 2023, better than our estimate of Eu760mn, a significant achievement.

■ **Management indications.** In Italy, advertising sales in April and May remained consistent with the 1Q23 trend; visibility is low going forward but the comparison eases considerably from June. In Spain, after a difficult start in the first two months of the year, April saw a consolidation of the recovery that had begun in March. Other indications (at group level): 1) other revenues are foreseen in line with 2022; 2) cost guidance was also flat YoY at Eu2.47bn; 3) financial charges are foreseen up Eu10mn YoY, while dividends from ProSieben will decline from Eu42mn in 2022 to Eu3mn this year. The Italian TV advertising market has so far proved more resilient than other European markets thanks to a greater weight of TV vs. digital, more robust GDP performance, stronger support from tourism and the implementation of the total audience metric.

■ **Change in estimates:** in this report we are leaving our revenue and cost assumptions unchanged (costs at Eu2.46bn, a touch better than guidance). Our EPS revision is therefore entirely driven by changes below EBIT: the main impact comes from higher net financial charges offset by a minor impact from MSE minorities (the merger became effective on 3 May).

■ **OUTPERFORM confirmed; MFE-B target Eu0.77 and MFE-A target Eu0.62 unchanged.** Our fair valuation continues to be based on a multiple of 6.5x 2023 EV/EBIT. Our target reflects the fair value after the Eu0.05 per share dividend payment. In 1Q23 the group confirmed solid execution on cost savings and cash generation. Moreover, the Italian market posted a very 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 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	774	800	824
Net Profit Adj (Eu mn)	308	245	213	231	249
EPS New Adj (Eu)	0.119	0.093	0.076	0.082	0.089
EPS Old Adj (Eu)	0.119	0.093	0.077	0.084	0.090
DPS (Eu)	0.050	0.050	0.040	0.040	0.040
EV/EBITDA Adj	4.6	3.3	3.2	2.8	2.4
EV/EBIT Adj	11.2	8.8	8.8	7.3	6.1
P/E Adj	5.8	7.4	9.0	8.3	7.7
Div. Yield	7.3%	7.3%	5.8%	5.8%	5.8%
Net Debt/EBITDA Adj	1.1	1.1	1.1	0.8	0.5