Milan, 02 August 2023

Italian Equity Research – 1H23 Results

MONDADORI

OUTPERFORM

Sector: Media

Price: Eu2.14 - **Target: Eu2.80**

A Strong Set of Results and Supportive Indications

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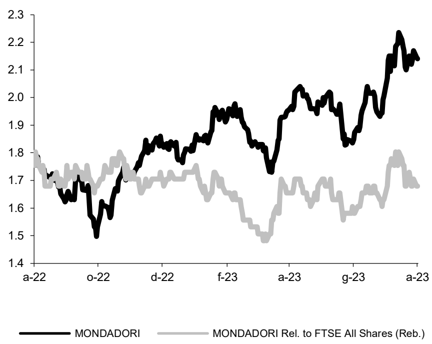
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event 9M23 results
Results Out 8 November 2023

MONDADORI - 12M Performance



Stock Data			
Reuters code:			MOED.MI
Bloomberg code:			MN IM
Performance	**1M**	**3M**	**12M**
Absolute	6.7%	7.9%	22.0%
Relative	3.2%	0.6%	-5.7%
12M (H/L)			2.23/1.50
3M Average Volume (th):			296.10

Shareholder Data	
No. of Ord shares (mn):	261
Total no. of shares (mn):	261
Mkt Cap Ord (Eu mn):	559
Total Mkt Cap (Eu mn):	559
Mkt Float - Ord (Eu mn):	220
Mkt Float (in %):	39.5%
Main Shareholder:	
Fininvest	53.3%

Balance Sheet Data	
Book Value (Eu mn):	295
BVPS (Eu):	1.13
P/BV:	1.9
Net Financial Position (Eu mn):	-150
Enterprise Value (Eu mn):	708

- **2Q23 results marked continuation of excellent performance.** 2Q23 revenues came in at Eu202.5mn, up +0.5% YoY and almost in line with our estimates. Book revenues – 63% of total quarterly sales – amounted to Eu136.0mn, up 15% YoY thanks to strong growth of the Education business (Eu49.4mn, +21.8% YoY), mainly driven by a more favourable timing effect of deliveries, while the trade business (Eu87.2mn) was down 3.5% YoY because sell-in turnover reflected lower seasonality in terms of new publishing; in sell-out, Mondadori remained positive and gained market share. Retail sales (Eu42.3mn) rose 4.6% YoY, favoured by solid book sales. Finally, the Media business posted an 8% like-for-like drop in turnover, in line with the trend experienced in 1Q23. **Adj. EBITDA (IFRS 16) closed positively at Eu33.9mn, up +19.1% YoY**, with a 16.7% margin, 7.3% ahead of our expectations. This represents a remarkable achievement considering that in 2Q22 Eu6.3mn in Covid-related government grants (so called "ristori") were booked. The Book business represented 80% of quarterly EBITDA and was favoured by the aforementioned "timing effect" at the Education business for about Eu3mn, but even netting for this contribution growth would have been almost 10%. Net profit reached Eu17.3mn vs. Eu14.1mn in 2Q22, above our estimates thanks to a lower tax rate.
- **Management comments**. In light of these results, management confirmed FY guidance raised on 29 June for: EBITDA forecast to grow at a high single-digit/ low double-digit rate, net profit foreseen at +20% YoY, and ordinary cash flow of Eu65-70mn. As of 2023, the synergies from D Scuola were estimated at approximately Eu4-5mn, with Eu4mn already realized in 1H23. The company is actively working on achieving further synergies from other acquisitions without compromising the identity of the different publishing brands. Asked about the possibility of considering a buyback in light of the very cheap trading multiple, management did not rule out the option but confirmed the priority remains acquisitions; they are currently exploring several possibilities and in particular a potential target in the digital segment was mentioned during the call. By the end of the year, debt/EBITDA (not IFRS 16) is projected to be between 0.6x and 0.7x. There is an unused acquisition line of Eu140mn. The covenants leave ample room for acquisitions.
- **Change in estimates.** The revised guidance confirms the excellent business trends, especially at the books business, and cost benefits that we believe will mainly relate to the cost of paper. We confirm our estimates, which are consistent with management indications that we consider highly visible.
- **OUTPERFORM confirmed; target Eu2.80 unchanged.** 2Q23 results showed a continuation of the excellent performance in the trade book segment, and in general provided more visibility on the new, upgraded guidance. We confirm our target price at Eu2.8, recently upgraded to reflect the new management targets. The valuation remains very attractive, especially in terms of the free cash yield (ranging from 12% to 13%). We confirm our positive recommendation.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	808	903	912	951	961
EBITDA Adj (Eu mn)	106	136	150	153	154
Net Profit Adj (Eu mn)	42	60	65	67	67
EPS New Adj (Eu)	0.162	0.230	0.251	0.255	0.257
EPS Old Adj (Eu)	0.162	0.230	0.251	0.255	0.257
DPS (Eu)	0.085	0.110	0.110	0.110	0.110
EV/EBITDA Adj	6.1	4.8	4.7	4.4	4.1
EV/EBIT Adj	9.5	7.3	7.3	6.7	6.2
P/E Adj	13.2	9.3	8.5	8.4	8.3
Div. Yield	4.0%	5.1%	5.1%	5.1%	5.1%
Net Debt/EBITDA Adj	1.7	1.3	1.0	0.7	0.5