

# MONDADORI

Sector: Media

## OUTPERFORM

Price: Eu2.11 - Target: Eu2.80

### Supportive Indications from Most Significant Quarter

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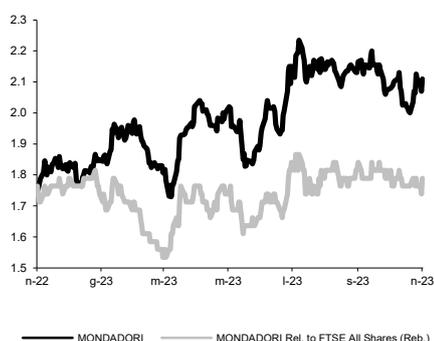
#### Stock Rating

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

#### Next Event FY23 results

Results Out March 2024

#### MONDADORI - 12M Performance



#### Stock Data

Reuters code:	MOED.MI		
Bloomberg code:	MN IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	1.7%	-1.4%	19.6%
Relative	-0.6%	-2.7%	1.4%
12M (H/L)	2.23/1.73		
3M Average Volume (th):	235.15		

#### Shareholder Data

No. of Ord shares (mn):	261
Total no. of shares (mn):	261
Mkt Cap Ord (Eu mn):	551
Total Mkt Cap (Eu mn):	551
Mkt Float - Ord (Eu mn):	217
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):	700

■ **3Q23 results were positive, a touch ahead of expectations.** 3Q23 revenues came in at Eu317.6mn, down 1.7% YoY but 0.8% better than our estimates. Book revenues – 75% of total quarterly sales – amounted to Eu86.4mn, up 2.8% YoY as a combination of a 4% contraction in the Education business to Eu157.6mn, due to some deliveries having been brought forward to 2Q22 (9M23 segment revenues were up 0.8% YoY), while the trade business (Eu92.5mn) was up 7.4% YoY (+1% on like-for-like). Retail sales (Eu49.5mn) rose 2.3% YoY, favoured by solid book sales. Finally, the Media business posted an 11.5% drop in turnover, mainly due to the change in scope. **Adj. EBITDA (IFRS 16) closed positively at Eu91.1mn, up +3.6% YoY**, with a 28.7% margin, 2.4% ahead of our expectations. The Book business represented 94% of quarterly EBITDA and might have been favoured by a positive Eu3mn one-off effect entailed by temporary problems in deliveries.

■ **Management comments.** In light of these results, management confirmed FY guidance suggesting that EBITDA (forecast to grow at a high single-digit/ low double-digit rate) might be towards the high end of the range. As for 4Q23, the group can outperform the trade book market, as happened in October, thanks to the release of a number of important new titles. Looking ahead to 2024, trade market revenues could suffer a minor negative impact from the change in the incentive system for spending on cultural products for those turning 18 (the so-called App18), while revenues in the school publishing business are expected to remain stable. In terms of margins, however, management sees the possibility that Books segment margins will grow thanks to the achievement of cost synergies and savings on the price of paper. The Media sector is expected to be stable (declining prints offset by the growth of the digital business), while the Retail sector should benefit from gradual growth in the sales network. In terms of M&A, management is currently exploring several possibilities: a potential target in the digital segment was mentioned during the call. In 2024 the group will start consolidating Star Shop Distribuzione, after the recent Antitrust approval, with an expected EBITDA contribution of at least Eu2mn.

■ **Change in estimates.** In this report we are leaving our estimates unchanged. Our FY23 adj. EBITDA forecast of Eu150mn corresponds to 10% YoY growth, which may appear fairly prudent (the implicit assumption is for flat EBITDA in 4Q23 at Eu20.7mn). Our 2024 EBITDA forecast of Eu153mn is also likely to be on the cautious side, considering the contribution from Start Shop Distribuzione and management comments about potential new cost synergies.

■ **OUTPERFORM confirmed; target Eu2.80 unchanged.** 3Q23 results are seasonally very significant (they represent >60% of annual EBITDA) and enhanced visibility on company guidance. We confirm our target price at Eu2.8, a cautious valuation (DCF model with 9% WACC and 1% long-term growth) based on cautious estimates. Even on our assumptions, the valuation remains very attractive, especially in terms of the free cash yield (ranging from 12% to 13%). We therefore 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	4.3	4.1
EV/EBIT Adj	9.5	7.3	7.2	6.6	6.2
P/E Adj	13.0	9.2	8.4	8.3	8.2
Div. Yield	4.0%	5.2%	5.2%	5.2%	5.2%
Net Debt/EBITDA Adj	1.7	1.3	1.0	0.7	0.5