Intermonte

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Italian Equity Research – 1H23 Preview

MONDADORI

OUTPERFORM

Sector: Media

Price: Eu2.12 - **Target: Eu2.80**

Guidance Raised, New Acquisition Announced

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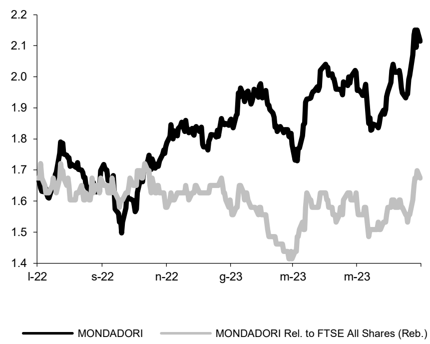
- **On 29 June the BoD raised 2023 guidance** on EBITDA (now forecast to grow at a high single-digit/ low double-digit rate compared to the previous estimate for single-digit growth), net profit (now foreseen at +20% YoY from +10% YoY) and ordinary cash flow (from Eu60-65mn to Eu65-70mn). The revised guidance confirms the excellent business trends, especially in the books business, and cost benefits that we believe will mainly relate to the cost of paper.
- **New acquisition announced.** On 29 June, the group also signed a contract for the purchase of a 51% stake in the share capital of Star Shop Distribuzione, active in distribution for third-party publishers and in the management of points of sale, both directly and through franchises, all in the comics segment. In the 2022 financial year Star Shop Distribuzione generated Eu34.2mn of revenues, EBITDA of Eu2mn and net profit of Eu1.2mn. The Enterprise Value of the deal, on a cash-free/ debt-free basis (for 100%), was defined as Eu9mn and includes options relating to the transfer of the remaining 49% stake in 2 equal tranches (the first to be exercised in 2026, the second in 2029). Execution is conditional on antitrust approval. The deal should be accretive on a multiple basis (EV/EBITDA and P/E of 4.5x and 7.5x respectively).
- **2Q23 results should mark continuation of excellent performance.** We expect 2Q23 revenues to have come in at Eu204.1mn, up +1.3% YoY. Book revenues - 62% of total quarterly sales - are expected to have come in at Eu131.5mn, up 11% YoY or +5% at constant consolidation base, despite the tough comparison. Retail sales (Eu43mn) are expected to have risen 6.3% YoY, favoured by solid book sales. Adj. EBITDA (IFRS 16) is expected to have closed positively at Eu31.5mn, up +11% YoY, with a 15.5% margin. This would be a remarkable achievement considering that in 2Q22 Eu6mn of Covid-related government grants (so called "ristori") were booked. The Book business should represent 90% of quarterly EBITDA. Net profit should have reached Eu10.9mn vs. Eu14.1mn in 2Q22, assuming a normalised tax rate (33% in 2Q23 vs. 8.4% in 2Q22).
- **Change in estimates.** In light of management indications and our 1H23 estimates, we are leaving our FY revenue forecasts broadly unchanged, while raising 2023 estimates for adjusted EBITDA by 5.6% from Eu142mn to Eu150mn, and for reported profit by c.8% from Eu58mn to Eu63mn. This does not include the contribution from the Star Shop acquisition, which we are factoring into our estimate model with effect from 2024. All in all, we are lifting 2023/24 EPS by 6.9%/ 5.4%.
- **OUTPERFORM confirmed; target from Eu2.65 to Eu2.80.** 2Q23 results should show a continuation of the excellent performance in the trade book segment, and in general should provide visibility on the new upgraded guidance. We are lifting our target price to Eu2.8 from Eu2.65 to reflect the new estimates that are consistent with 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.

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 2.65 to 2.80
	2023E	2024E	2025E
Chg in Adj EPS	6.9%	5.4%	6.3%

Next Event 1H23 results
Results Out 1 August 2023

MONDADORI - 12M Performance



Stock Data			
Reuters code:			MOED.MI
Bloomberg code:			MN IM
Performance	**1M**	**3M**	**12M**
Absolute	8.4%	4.7%	24.3%
Relative	6.2%	2.9%	-1.2%
12M (H/L)			2.15/1.50
3M Average Volume (th):			262.66

Shareholder Data	
No. of Ord shares (mn):	261
Total no. of shares (mn):	261
Mkt Cap Ord (Eu mn):	552
Total Mkt Cap (Eu mn):	552
Mkt Float - Ord (Eu mn):	218
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):	702

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	0.235	0.242	0.242
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