

# MONDADORI

Sector: Media

**BUY**

Price: Eu2.28 - Target: Eu3.30

## Strong Cash Flow Supports Strategy; On Track to Meet FY24 Targets

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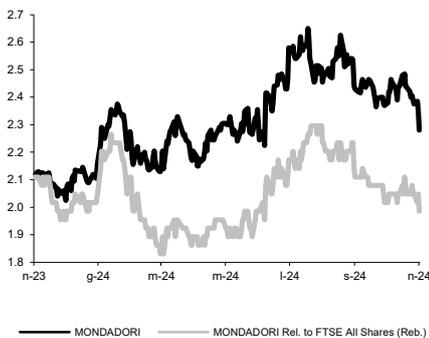
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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	-5.3%	-3.4%	-1.0%

### 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	-3.8%	-7.1%	8.1%
Relative	-2.1%	-12.2%	-8.1%
12M (H/L)	2.65/2.02		
3M Average Volume (th):	204.94		

### Shareholder Data

No. of Ord shares (mn):	261
Total no. of shares (mn):	261
Mkt Cap Ord (Eu mn):	595
Total Mkt Cap (Eu mn):	595
Mkt Float - Ord (Eu mn):	235
Mkt Float (in %):	39.5%
Main Shareholder:	
Fininvest	53.3%

### Balance Sheet Data

Book Value (Eu mn):	320
BVPS (Eu):	1.23
P/BV:	1.9
Net Financial Position (Eu mn):	-150
Enterprise Value (Eu mn):	745

- 3Q profitability in line with our estimate.** Mondadori's 3Q24 results were in line with our overall estimates. Sales rose +0.4% YoY (-2.0% organic) to €318.7mn, 1% below our estimate. Strong growth in Retail (+6%) and Media (+5%) beat our estimates, while growth in Book revenues was a bit weaker than forecast. Despite slightly negative sales trends in Education (as expected), the market share was flat at 31.8%, supported by secondary school (the most profitable area, which accounts for 80% of Education sales). Group adj. EBITDA was in line with our estimate and up +1% YoY, with a positive tailwind from the lower cost of paper, while the EBITDA margin came to 29.0% (vs. 28.7% in 3Q23). Net profit was down -3% YoY, although we note that 3Q23 was boosted by one-offs (~€2.0mn). Net debt ex-IFRS16 was €150.9mn as at 30 September, €2.7mn better than our estimate and down €1.4mn YoY, despite the dividend distribution and acquisitions of Star Shop and CGP. The company boasted strong ordinary cash flow generation (at €67.3mn), as expected, confirming the ability to finance external growth and dividend distributions.
- On track to meet FY24 guidance, which has been confirmed.** Management confirmed 2024 guidance, which points to: (i) low single-digit revenue growth, (ii) adjusted EBITDA up mid-single-digit, sustained by cost savings and synergies; (iii) adj. EBITDA margin ~17%; ordinary cash flow ~€70mn. Management said that current trading is in line with initial expectations.
- Positive messages from management.** The Group's sell-through trade rose +0.1% YTD on a slightly negative market, a trend that is in line with Group forecasts (mainly attributed to reduced government incentives such as 18App). Looking ahead, the potential reintroduction of funding for libraries in 2025 (€30mn) could provide a boost. As for the Education market, we note that despite a structural decline in students (-1.2%), the secondary school sector (highly profitable) is supported by pricing (+3.5%). The Group recently opened a new bookstore in Rome and is going to expand its retail presence with new directly-managed stores. As for the Media segment, Digital services continue to grow strongly, poised to surpass print revenue within the next 2 years. New initiatives are showing better-than-expected results: recent acquisitions are yielding positive synergies, and the PLAI project is exceeding expectations, including from funders. Overall, these positive messages demonstrate the solidity of the business.
- Change in estimates:** we are adjusting our estimates, incorporating: 1) a slightly different mix, with a higher contribution from Media (now up +6%) and lower from Books (up +3%); 2) higher D&A (€63mn vs. €57mn previously) reflecting investments in new printer and renovation of the group's headquarters.
- BUY confirmed; target €3.3 unchanged.** We confirm our positive view on the stock, supported by management's positive comments and the strong cash flow generation. We confirm our positive recommendation and target price (DCF-based). The valuation is attractive, especially considering the FCF yield (~11%). With an EV/EBITDA multiple of 4.7x/4.3x for 2024/2025, the stock is trading at a discount to the book publishing sector average of 9.1x/9.3x.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	903	905	945	996	1,013
EBITDA Adj (Eu mn)	136	152	160	168	174
Net Profit Adj (Eu mn)	64	71	64	72	78
EPS New Adj (Eu)	0.245	0.271	0.247	0.276	0.297
EPS Old Adj (Eu)	0.245	0.271	0.261	0.286	0.300
DPS (Eu)	0.110	0.120	0.132	0.145	0.160
EV/EBITDA Adj	4.8	4.5	4.7	4.2	3.9
EV/EBIT Adj	7.2	7.8	7.6	6.6	5.9
P/E Adj	9.3	8.4	9.2	8.3	7.7
Div. Yield	4.8%	5.3%	5.8%	6.4%	7.0%
Net Debt/EBITDA Adj	1.3	1.0	0.9	0.7	0.5

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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