

MONDADORI

Sector: Media

BUY

Price: Eu2.31 - Target: Eu3.30

Solid Quarter, Fully on Track to Hit FY Guidance

Andrea Randone +39-02-77115.364

andrea.randone@intermonte.it

Chiara Pampurini: +39-02-77115.633

chiara.pampurini@intermonte.it

Stock Rating

Rating: Unchanged

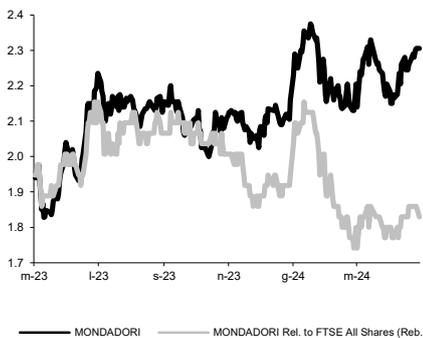
Target Price (Eu): Unchanged

| | 2024E | 2025E | 2026E |
|-----------------------|-------|-------|-------|
| Chg in Adj EPS | 0.5% | 0.7% | 0.6% |

Next Event

2Q24 Results Out 31 July

MONDADORI - 12M Performance



Stock Data

Reuters code: MOED.MI

Bloomberg code: MN IM

| Performance | 1M | 3M | 12M |
|-------------------------|------|-----------|-------|
| Absolute | 4.5% | 2.4% | 17.6% |
| Relative | 1.5% | -8.9% | -8.0% |
| 12M (H/L) | | 2.38/1.83 | |
| 3M Average Volume (th): | | 320.90 | |

Shareholder Data

No. of Ord shares (mn): 261

Total no. of shares (mn): 261

Mkt Cap Ord (Eu mn): 602

Total Mkt Cap (Eu mn): 602

Mkt Float - Ord (Eu mn): 237

Mkt Float (in %): 39.5%

Main Shareholder:

Fininvest 53.3%

Balance Sheet Data

Book Value (Eu mn): 325

BVPS (Eu): 1.25

P/BV: 1.9

Net Financial Position (Eu mn): -137

Enterprise Value (Eu mn): 738

■ **Solid 1Q24 despite low season.** 1Q24 results were solid, although we note the low seasonality of the quarter in terms of profitability. Revenues came in at €166mn, up +3.8% YoY (+1.5% organic) and +0.2% better than expected. Trade book revenues were €92.0mn, up +4.2% YoY/+1.7% organic, thanks to the quality of the editorial plan and the contribution of recently-acquired Star Shop (€2.2mn). Education sales experienced typical low seasonality, with revenues at €9.2mn. Retail sales rose +9% YoY (+5% organic) reaching €43.8mn, +4% better than expected thanks to the good performance of the books business, favoured by increasing in-store sales. The Media segment only reported a slight drop (-0.9% YoY), thanks to strong digital advertising revenues (up +25% YoY). Adj. EBITDA was in line with our forecast and up +9% YoY, sustained by the Trade book and retail areas. At bottom line, the net result was negative to the tune of €-7.1mn, in line with our estimate and €1.9mn worse YoY, partly explained in part by non-recurring items (€-1.3mn) and in part by minorities (€-1.0mn). As for the NFP, net debt excluding IFRS 16 closed at €133.3mn (€128.6mn exp.), €17mn better vs. 1Q23 despite the Star Shop acquisition (~€9mn) and dividend cash-out (€28.7mn). Strong ordinary cash flow generation (€69mn) confirmed the Group's ability to finance external growth and its shareholder remuneration policy.

■ **FY24 guidance confirmed.** In light of positive 1Q results, management confirmed FY24 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%.

■ **Positive messages from conference call.** During the call, management expressed satisfaction with the start to the year, with the Trade book market performing better than initially foreseen, demonstrating the dynamism of the book market. In the last 5 weeks, Mondadori's sell-through was up +10% YoY (better than market at +7.7%) almost entirely offsetting the 1Q24 performance (-4.7%) that suffered a tough comparison. In the Education area, the adoption campaign is almost finished: while it is too early for precise indications, management seemed positive. Retail business performance was a nice surprise and management's strategy to further reinforce the direct store network is borne out by the results achieved so far.

■ **Change in estimates:** in this report we are leaving our estimates unchanged, apart from adjusting for the small recent acquisition. Net debt (excl. IFRS16) is now seen at €63mn at YE24. Our estimates are consistent with management guidance, on which we consider visibility to be high.

■ **BUY confirmed; target €3.3 unchanged:** indications confirm the group's positive performance and consistency with management guidance, with the company saying results are completely on track. We therefore confirm our estimates for the year and our positive view. The valuation remains very attractive, especially in terms of the free cash flow yield (11%-12%). The stock is currently trading at 4.7x/4.3x EV/EBITDA 2024-'25 vs. 8.0x/8.2x book publishing peer average.

| Key Figures & Ratios | 2022A | 2023A | 2024E | 2025E | 2026E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn) | 903 | 905 | 939 | 985 | 999 |
| EBITDA Adj (Eu mn) | 136 | 152 | 159 | 164 | 169 |
| Net Profit Adj (Eu mn) | 64 | 71 | 70 | 74 | 77 |
| EPS New Adj (Eu) | 0.245 | 0.271 | 0.270 | 0.283 | 0.296 |
| EPS Old Adj (Eu) | 0.230 | 0.248 | 0.269 | 0.281 | 0.294 |
| DPS (Eu) | 0.110 | 0.120 | 0.132 | 0.145 | 0.160 |
| EV/EBITDA Adj | 4.8 | 4.5 | 4.7 | 4.3 | 4.0 |
| EV/EBIT Adj | 7.2 | 7.8 | 7.0 | 6.4 | 5.8 |
| P/E Adj | 9.4 | 8.5 | 8.5 | 8.1 | 7.8 |
| Div. Yield | 4.8% | 5.2% | 5.7% | 6.3% | 6.9% |
| Net Debt/EBITDA Adj | 1.3 | 1.0 | 0.9 | 0.6 | 0.4 |

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- 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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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;

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| | |
|--------------|---------|
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| OUTPERFORM: | 46.22 % |
| NEUTRAL: | 27.73 % |
| UNDERPERFORM | 00.84 % |
| SELL: | 00.00 % |

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| | |
|--------------|---------|
| BUY: | 38.78 % |
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| NEUTRAL: | 10.20 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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| Emitente | % | Long/Short |
|----------|---|------------|
| | | |

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