

MONDADORI

Sector: Media

OUTPERFORM

Price: Eu1.77 - Target: Eu2.65

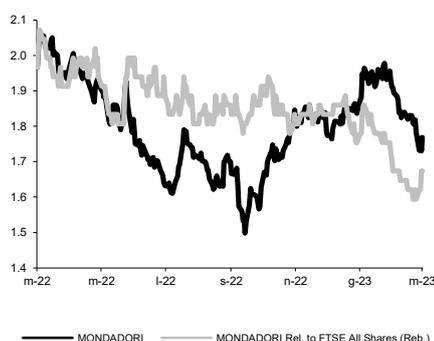
Estimates Up In Light of Supportive Outlook

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 2.40 to 2.65		
	2023E	2024E	2025E
Chg in Adj EPS	8.7%	10.4%	

MONDADORI - 12M Performance



Stock Data

Reuters code:	MOED.MI		
Bloomberg code:	MN IM		
Performance	1M	3M	12M
Absolute	-7.3%	-0.3%	-10.1%
Relative	-0.6%	-9.5%	-15.8%
12M (H/L)	2.07/1.50		
3M Average Volume (th):	217.89		

Shareholder Data

No. of Ord shares (mn):	261
Total no. of shares (mn):	261
Mkt Cap Ord (Eu mn):	461
Total Mkt Cap (Eu mn):	461
Mkt Float - Ord (Eu mn):	182
Mkt Float (in %):	39.5%
Main Shareholder:	
Fininvest	53.3%

Balance Sheet Data

Book Value (Eu mn):	290
BVPS (Eu):	1.11
P/BV:	1.6
Net Financial Position (Eu mn):	-147
Enterprise Value (Eu mn):	608

■ **4Q22 results stronger than expected.** 4Q22 revenues came in at Eu224.8mn, up +2.8% YoY and 13.2% better than expected. Book revenues came to Eu132.8mn, up 14.1% YoY or slightly higher under a constant consolidation base (i.e. with the contribution from D Scuola and Star Comics), despite a tough comparison. Sales in the retail business (Eu63.2mn, mainly generated by selling books) rose 6.1% YoY, 11.8% better than expected. Adj. EBITDA closed positively at Eu20.8mn, up +0.6% YoY, with a 9.2% margin and 19% above our forecast. Notably, the positive margin surprise to our estimates came from the Media and Retail business, while the Book business showed a lower margin, probably due to the cost of paper and some prudent accounting. Non-recurring charges at EBITDA level amounted to Eu4.6mn in the quarter, while EBIT was hit by a Eu7.2mn write-down of the magazines Grazia and Icon, sold in January 2023. On the balance sheet, net debt excluding IFRS 16 closed at Eu106mn (Eu104mn exp.), down Eu67.4mn from the figure as at the end of September 2022 (the cash-in from the textbooks business is mainly booked in 4Q). In the last 12 months ordinary cash flow (including D Scuola) amounted to Eu70.2mn, Eu2mn above management guidance.

■ **Positive 2023 guidance.** In light of the strong group positioning and an excellent start to year (booming book business in 1Q23 thanks to bestsellers), in FY23 management expects: (i) single-digit revenue growth with a positive trend in the Book business, (ii) adjusted EBITDA up single digit (despite assuming no “Ristori” public grants, which amounted to Eu6.4mn in 2022); (iii) net result up about 10% YoY; (iv) ordinary cash flow in the Eu60mn-Eu65mn range; NFP under IFRS 16 principles at 1.0x adjusted EBITDA. As for the paper cost inflation effect this year, the net impact (i.e., including price adjustments and volume reduction) on the P&L was commented at about Eu4mn (but positively, recent signs of a correction suggest this might be a cautious assumption).

■ **Change in estimates.** We are improving our assumptions for the book business, in light of management indications and the excellent start to the year. The impact on revenues is mitigated by a lower expected contribution from the newly-acquired ALI (book distribution business), but only because, based on IFRS15, ALI will only book net revenues (hence, with a higher percentage margin). For the trade business we are now expecting 2% growth, which can still be considered a conservative assumption. Similarly, we are assuming the textbook business will remain merely flat YoY. All in all, we are raising our 2023 recurring EBITDA forecast by 2.9% to Eu142mn, up 4% YoY. At bottom line, our expected net profit of Eu58mn is up 12% YoY. In conclusion, our new estimates are consistent with management guidance that we consider highly visible.

■ **OUTPERFORM confirmed; target Eu2.65 from Eu2.40.** FY22 results showed the group’s ability, in a very turbulent year, to neutralise significant cost inflation with effective and prompt action, to grow the business organically and through strategic acquisitions, to produce sufficient cash flow to sustain M&A and a generous dividend payment, and to keep on focusing on the core book business with important divestitures. The valuation remains very attractive, especially in terms of free cash yield, we confirm our view and raise our target in light of new estimates.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	808	903	913	922	936
EBITDA Adj (Eu mn)	106	136	142	145	145
Net Profit Adj (Eu mn)	42	60	61	63	63
EPS New Adj (Eu)	0.162	0.230	0.235	0.242	0.242
EPS Old Adj (Eu)	0.171	0.216	0.216	0.219	
DPS (Eu)	0.085	0.110	0.110	0.110	0.110
EV/EBITDA Adj	6.1	4.8	4.3	3.9	3.7
EV/EBIT Adj	9.5	7.3	6.8	6.1	5.7
P/E Adj	10.9	7.7	7.5	7.3	7.3
Div. Yield	4.8%	6.2%	6.2%	6.2%	6.2%
Net Debt/EBITDA Adj	1.7	1.3	1.0	0.8	0.5