

MONDADORI

BUY

Sector: Media

Price: Eu2.13 - Target: Eu3.20

FY24 to Match Guidance and Consensus; Strong CF Still the Catalyst

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Stock Rating

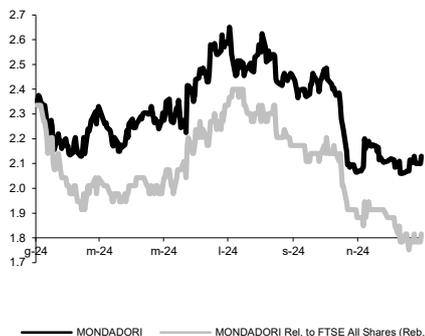
Rating: Unchanged
Target Price (Eu): from 3.30 to 3.20

	2024E	2025E	2026E
Chg in Adj EPS	-3.0%	-2.2%	-4.3%

Next Event

4Q Results Out 13 March

MONDADORI - 12M Performance



Stock Data

Reuters code:	MOED.MI		
Bloomberg code:	MN IM		
Performance	1M	3M	12M
Absolute	0.9%	-14.1%	-9.4%
Relative	-4.5%	-17.4%	-27.2%
12M (H/L)	2.65/2.06		
3M Average Volume (th):	226.74		

Shareholder Data

No. of Ord shares (mn):	261
Total no. of shares (mn):	261
Mkt Cap Ord (Eu mn):	556
Total Mkt Cap (Eu mn):	556
Mkt Float - Ord (Eu mn):	219
Mkt Float (in %):	39.5%
Main Shareholder:	
Fininvest	53.3%

Balance Sheet Data

Book Value (Eu mn):	352
BVPS (Eu):	1.35
P/BV:	1.6
Net Financial Position (Eu mn):	-136
Enterprise Value (Eu mn):	692

■ **4Q preview: FY24 to match guidance and consensus.** We expect Mondadori to close 2024 with results in line with the guidance provided in March. In 4Q24, we estimate sales up +4% (+0.5% organic) to €233mn and adj. EBITDA up +6% to €24mn (10.3% margin). In 4Q, Mondadori sell-out was down -8.5% on a negative market (-3.4%) amid: i) €30mn negative impact from missing incentives to libraries; ii) weaker MN editorial plan; iii) poor e-commerce performance (impacting paperback sales). Moreover, we recall missing 18App incentives impacted the entire FY24 (~€30mn). Thus, we see Trade book sales down -2% (but +5% in FY24) and Retail up +2% (+6% in FY24). On the other hand, we expect Media to keep on growing (sales up +8%) thanks to Digital Services and acquisition, while we expect flat sales from Education in 4Q, not seasonally relevant. We estimate CF remaining strong at €67mn and net debt pre IFRS16 closing at YE24 at €86mn, flat YoY after M&A, dividend payment, investment in renovation.

■ **Mid-term guidance to be confirmed. Good financial flexibility.** We think the management will confirm mid-term outlook, which foresees sales at ~€1.0bn and adj. EBITDA margin at ~17% by 2026. We assume 2025 guidance will be on this path (we see sales at €966mn and adj. EBITDA at €163mn, 16.9% margin). Strong cash generation to be confirmed, supporting the generous dividend policy (target min. DPS of €0.16 in FY26) and M&A. Management prioritising acquisitions, but otherwise it does not rule out the possibility of implementing an extraordinary dividend distribution and/or a buyback plan if no suitable targets are found.

■ **2025: organic growth expected.** In 2025 Trade books should benefit from an easier comp. basis mainly in 2H thanks to a stronger editorial plan and the reintroduction of incentives to libraries (~€8mn impact for MN in 4Q). Retail should also benefit from a strong pipeline of bookstore openings. We remain quite conservative on Education (FY25 sales flat), as we take note of the second-hand trend that reduced books sales in FY24. The findings of the investigation into the education market should come out in September 2025, thus should not impact the 2025/26 schoolbook campaign. Digital media services to keep growing, also thanks to Benedetta Rossi's Waimea integration.

■ **Change in estimates.** We fine-tune the top line by -1%/-3%/-3% for 24/25/26 to incorporate the abovementioned trends: Education sales CAGR 24-26 flat vs prev. +2%, but stronger Media (CAGR 5% vs 3% prev.) and Retail (CAGR 4% vs 2.5% prev.). As a result, we now see adj. EBITDA at €157/163/166mn for 2024/25/26. On 10 January, MN reached a 100% stake in ALI (from the previous 75%): we see lower minorities impacting net profit, while we include the relative cash-out (€3mn).

■ **BUY confirmed, TP €3.2.** We confirm our positive view on the stock. In the last 6 months, the stock went down -18%. We deem the poor performance unmotivated, as we think the main potential risk for MN (the antitrust investigation) should not prevent the Group from growing organically and confirming itself as undisputed leader on the Italian book market. The valuation is attractive, especially in terms of cash generation (11% FCF yield). We confirm our BUY rating, with our DCF-based valuation leading to a €3.2 TP. At current prices, MN is trading at 4.6x/4.3x EV/EBITDA 25/26E, ~50% discount to book publishers.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	903	905	939	966	986
EBITDA Adj (Eu mn)	136	152	157	163	166
Net Profit Adj (Eu mn)	64	71	68	75	79
EPS New Adj (Eu)	0.245	0.271	0.262	0.288	0.302
EPS Old Adj (Eu)	0.245	0.271	0.270	0.294	0.315
DPS (Eu)	0.110	0.120	0.132	0.145	0.160
EV/EBITDA Adj	4.8	4.5	4.9	4.3	4.0
EV/EBIT Adj	7.2	7.8	8.1	6.7	6.2
P/E Adj	8.7	7.9	8.1	7.4	7.1
Div. Yield	5.2%	5.6%	6.2%	6.8%	7.5%
Net Debt/EBITDA Adj	1.3	1.0	1.0	0.8	0.7

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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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

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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OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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