

MONDADORI

BUY

Sector: Media

Price: Eu2.14 - Target: Eu3.30

Growth in Profitability & FCF Generation Supports Positive, Long-Term View

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Stock Rating

Rating: from OUTPERFORM to BUY

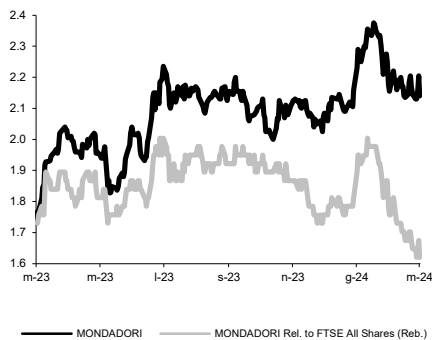
Target Price (Eu): from 2.80 to 3.30

	2024E	2025E	2026E
Chg in Adj EPS	5.3%	9.4%	

Next Event

1Q24 Results Out 14 May

MONDADORI - 12M Performance



Stock Data

Reuters code: MOED.MI

Bloomberg code: MN IM

Performance	1M	3M	12M
Absolute	-0.7%	2.6%	23.7%
Relative	-7.4%	-8.6%	-6.7%
12M (H/L)		2.38/1.77	
3M Average Volume (th):		331.84	

Shareholder Data

No. of Ord shares (mn):	261
Total no. of shares (mn):	261
Mkt Cap Ord (Eu mn):	559
Total Mkt Cap (Eu mn):	559
Mkt Float - Ord (Eu mn):	220
Mkt Float (in %):	39.5%
Main Shareholder:	
Fininvest	53.3%

Balance Sheet Data

Book Value (Eu mn):	325
BVPS (Eu):	1.24
P/BV:	1.7
Net Financial Position (Eu mn):	-123
Enterprise Value (Eu mn):	681

■ **4Q23 profitability well-above expectation.** 4Q23 revenues came in at Eu224.8mn, stable YoY and 3% below our estimate. Trade Book revenue came to Eu106.3mn (up +1.8% YoY), slightly lower than expected, and the Education Book figure was Eu22.0mn (-6% YoY). Sales in the Retail business came to Eu66.2mn, +4.6% YoY. The Media business posted Eu39.5mn, -7% YoY (digital up +25% YoY). Adj. EBITDA was Eu22.8mn/10.1% margin (+9.6%/+0.8pp YoY), posting a 10%/+1.2pp beat on our estimates. The strong result was supported by synergies from recent acquisitions and the positive impact of savings on paper costs. Net debt excluding IFRS 16 closed at Eu86.1mn (after an ordinary cash flow of Eu68.7mn in line with our estimates but impacted by non-recurring cash-outs for ca. Eu5mn), Eu66.2mn better than the 9M23 figure. The net debt/EBITDA ratio at 1.0x was perfectly in line with company guidance. Ordinary cash flow amounted to Eu68.7mn, in line with our estimate.

■ **Strong 2024 guidance on EBITDA; supporting indications to 2026.** In 2024, the group expects: (i) low single-digit revenue growth, also thanks to consolidation of Star Shop (as of 1st February 2024) and despite a slight decrease forecast in the book market, (ii) adjusted EBITDA up mid-single digit, sustained by cost savings and synergies; (iii) adj. EBITDA margin ~17%. For the first time, Mondadori gave mid-term outlook, which by 2026 foresees revenues at Eu1.0bn (at constant scope) and adj. EBITDA at 17%. Ordinary cash flow was indicated as not below Eu70mn annually in 2024-2026. The group announced a Eu0.12 dividend per share (50% payout ratio, dividend yield 6%) and a more generous dividend policy, which points to a minimum DPS of Eu0.16 in FY2026.

■ **Change in estimates.** We move our 2024 EBITDA up by 3.3% to Eu158mn/16.9% margin, in line with company guidance that we consider credible, also in light of 2023 results. At bottom line, we expect net profit of Eu67mn, up 5.5%. We update our revenues forecast for 2024 (3.4% growth YoY vs. 4.3% previous) but the pace should speed up in 2025 to reach Eu993mn in 2026 (vs. management guidance of Eu1bn).

■ **Positioning and competitive advantage: a detailed analysis.** In this report, we look in depth at the Group's main business segment (Trade and Education Books, Retail and Media) in order to unveil its potential and better understand the strategy. The increasing focus on the core book division has driven enhanced profitability and strong cash flow generation, enabling dividend distribution and external growth, as well as lower leverage.

■ **Upgrade to BUY; target price Eu3.3 from Eu2.8:** 2023 results and management mid-term indications confirm Mondadori is able to generate strong profitability, and sufficient cash flow to support M&A, the dividend payment, and to lower leverage. Based on our DCF model, we update the target price to Eu3.3 in light of new estimates and a lower risk-free rate (4.0% from 4.5%), and we upgrade our recommendation to BUY. The valuation is attractive, with the stock currently trading at 4.3x/4.0x EV/EBITDA 2024-'25 vs. 7.9x/7.8x book publishing peer average.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	903	905	935	979	993
EBITDA Adj (Eu mn)	136	152	158	163	168
Net Profit Adj (Eu mn)	60	65	70	73	77
EPS New Adj (Eu)	0.230	0.248	0.269	0.281	0.294
EPS Old Adj (Eu)	0.230	0.251	0.255	0.257	
DPS (Eu)	0.110	0.120	0.132	0.145	0.160
EV/EBITDA Adj	4.8	4.5	4.3	4.0	3.7
EV/EBIT Adj	7.2	7.8	6.5	5.9	5.3
P/E Adj	9.3	8.6	8.0	7.6	7.3
Div. Yield	5.1%	5.6%	6.2%	6.8%	7.5%
Net Debt/EBITDA Adj	1.3	1.0	0.8	0.6	0.3

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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)

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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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.

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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