

MONDADORI

Sector: Media

OUTPERFORM

Price: Eu2.02 - Target: Eu2.65

Strong Quarter, Full Year Guidance Confirmed

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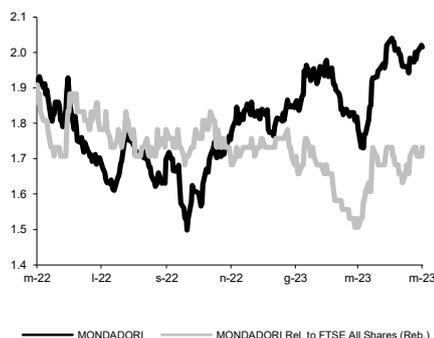
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event 1H23 results

Results Out 1 August 2023

MONDADORI - 12M Performance



Stock Data

Reuters code:	MOED.MI
Bloomberg code:	MN IM

Performance	1M	3M	12M
Absolute	-0.2%	4.3%	5.6%
Relative	-0.2%	4.6%	-11.2%
12M (H/L)	2.04/1.50		
3M Average Volume (th):	219.42		

Shareholder Data

No. of Ord shares (mn):	261
Total no. of shares (mn):	261
Mkt Cap Ord (Eu mn):	526
Total Mkt Cap (Eu mn):	526
Mkt Float - Ord (Eu mn):	207
Mkt Float (in %):	39.5%
Main Shareholder:	
Fininvest	53.3%

Balance Sheet Data

Book Value (Eu mn):	290
BVPS (Eu):	1.11
P/BV:	1.8
Net Financial Position (Eu mn):	-147
Enterprise Value (Eu mn):	673

■ **1Q23 results stronger than expected.** 1Q23 revenues came in at Eu160.0mn, up +4.5% YoY and 1% lower than expected. Book revenues came to Eu96.8mn, up 25.4% YoY thanks to trade revenues of Eu88.3mn, up 11% on a like-for-like basis and consolidating the revenue contribution of the recently-acquired Star Comics and A.L.I (about Eu8mn and Eu4mn respectively). Sales in the retail business (Eu41.6mn, mainly generated by selling books) rose 12% YoY, 1.7% better than expected. Media business revenues fell 31.4% YoY to Eu32.3mn, largely due to the deconsolidation of the recently-sold *Grazia* and *Icon* magazine titles; notably digital advertising revenues were up 5% on a like-for-like basis. Adj. EBITDA closed positively at Eu4.4mn, improving by Eu5.5mn compared to the negative result posted in 1Q22 and above our estimate of Eu3.8mn. It is worth nothing that the positive margin surprise to our estimates came from the Media and Retail business, while the Book business performed strongly, as expected. At bottom line, the net result was negative to the tune of Eu5.2mn, significantly better than our estimate (Eu-7.8mn) and well above 1Q22 (Eu-11.4mn). On the balance sheet, net debt excluding IFRS 16 closed at Eu150.7mn (Eu150mn exp.), up Eu44.6mn from the figure as at the end of December 2022 due in part to the purchase of a further 25% stake in A.L.I. (Eu9.5mn cash-out), and in part to seasonal NWC absorption. In the last 12 months ordinary cash flow amounted to Eu63mn, in the middle of management's guidance range.

■ **FY23 guidance confirmed.** In light of the strong 1Q23 performance, management confirmed FY23 guidance, pointing to: (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. During the call, management showed satisfaction with the start of the year and hinted that there could be some room for a revision of the guidance in July (with the approval of 1H23 results) if trends continue in this direction. In our opinion, the gradual normalisation of the price of paper could be a favourable driver for margins. In the Education sector, management envisages market shares remaining stable and sees leeway for a slight increase in price (overall we estimate about 2%). The price increase is expected to be more marked in the Trade Books segment. Regarding M&A opportunities, management said some talks are underway without commenting further.

■ **Change in estimates.** In this report we are leaving our estimates unchanged. For the trade business we expect 2% growth, which can still be considered a conservative assumption. Similarly, we assume the textbook business will remain merely flat YoY. Our estimates are consistent with management guidance, on which we consider visibility to be high.

■ **OUTPERFORM confirmed; target Eu2.65 unchanged.** 1Q23 results showed an excellent performance in the trade book segment, even though 1Q has a limited impact on FY numbers due to the seasonality of the Education business. The valuation remains very attractive, especially in terms of the free cash yield, while our estimates might turn out to be excessively cautious. We confirm our positive recommendation.

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)	0.162	0.230	0.235	0.242	0.242
DPS (Eu)	0.085	0.110	0.110	0.110	0.110
EV/EBITDA Adj	6.1	4.8	4.7	4.4	4.1
EV/EBIT Adj	9.5	7.3	7.6	6.8	6.4
P/E Adj	12.4	8.8	8.6	8.3	8.3
Div. Yield	4.2%	5.5%	5.5%	5.5%	5.5%
Net Debt/EBITDA Adj	1.7	1.3	1.0	0.8	0.5