Mediaset Espana

Spain/ Media

Flash note

Investment Research

Reason: Estimates Revision

7 April 2016

Buy

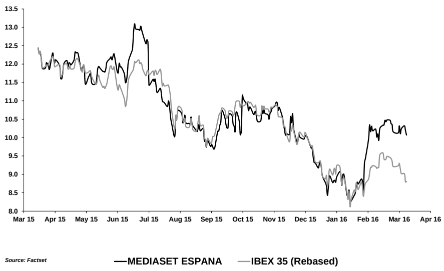
Recommendation unchanged

Share price: EUR	**10.07**
closing price as of 06/04/2016	
Target price: EUR	**14.00**
Target Price unchanged	

Reuters/Bloomberg	TL5.MC/TL5 SM
Daily avg. no. trad. sh. 12 mth	1,071,386
Daily avg. trad. vol. 12 mth (m)	10,767.57
Price high 12 mth (EUR)	13.10
Price low 12 mth (EUR)	8.26
Abs. perf. 1 mth	-1.1%
Abs. perf. 3 mth	6.2%
Abs. perf. 12 mth	-14.9%

Market capitalisation (EURm)	3,389
Current N° of shares (m)	337
Free float	46%

Key financials (EUR)	12/15	12/16e	12/17e
Sales (m)	972	1,002	1,047
EBITDA (m)	223	239	266
EBITDA margin	*22.9%*	*23.9%*	*25.4%*
EBIT (m)	205	221	248
EBIT margin	*21.1%*	*22.1%*	*23.7%*
Net Profit (adj.)(m)	166	178	206
ROCE	20.2%	18.4%	19.9%
Net debt/(cash) (m)	(198)	(141)	(150)
Net Debt Equity	*-0.2*	*-0.1*	*-0.1*
Net Debt/EBITDA	-0.9	-0.6	-0.6
Int. cover(EBITDA/Fin.int)	(211.1)	(145.1)	(108.0)
EV/Sales	3.4	3.1	3.0
EV/EBITDA	14.9	12.9	11.6
EV/EBITDA (adj.)	14.9	12.9	11.6
EV/EBIT	16.2	14.0	12.5
P/E (adj.)	21.0	19.0	16.4
P/BV	3.3	2.8	2.7
OpFCF yield	*5.5%*	*5.7%*	*7.4%*
Dividend yield	*4.8%*	*4.7%*	*5.5%*
EPS (adj.)	0.48	0.53	0.62
BVPS	3.06	3.55	3.67
DPS	0.48	0.48	0.55



Shareholders: Mediaset S.p.A. 46%; Treasury Stocks 8%;

For company description please see summary table footnote

Outlook positivo para 2016 pero conservador de cara a 2017e y sucesivos

Hemos implementado los resultados reportados correspondientes al 2015 y también realizado ajustes en nuestras proyecciones para 2016/17/18e en términos de capex (especialmente por cine), otros ingresos (firma de contratos para la comercialización de publicidad de medios externos como 13TV –cancelación de contrato de Movistar ya incorporado con anterioridad-), monetización publicitaria de medios propios (power ratio 2016e 1,4x), aportación de DTS (ingresos potenciales según cumplimiento de milestones en materia de número de abonados de c.9mEUR/año) y circulante. Con todo, no realizamos cambios ni en nuestro precio objetivo ni recomendación.

MEDIASET ESPAÑA. ESTIMATES REVISION.

	Old			Last			% change		
	Spanish Advertising Market								
	2015e	2016e	2017e	2015	2016e	2017e	2015	2016e	2017e
TV Adv. Invest.	7%	5%	4.5%	6.4%	5%	4.5%	-0.4 p.p.	-	-
Audience	31.0%	31.3%	31.6%	31.0%	31.3%	31.6%	-	-	-
Market Share MSE *	43.8%	43.4%	43.5%	43.4%	43.4%	43.5%	-0.4 p.p.	-	-
	Key Financial Figures								
Sales	965	1021	1113	972	1002	1047	0.7%	-1.9%	-5.9%
Adj. EBITDA	211	242	316	223	239	266	5.7%	-1.2%	-15.8%
Adj. EBITDA M.	19.9%	23.7%	28.4%	22.9%	23.9%	25.4%	+3 p.p.	+0.2 p.p.	-3 p.p.
Net Profit	162	185	241	166	178	206	2.6%	-3.8%	-14.5%
Adj. EPS	0.46	0.55	0.72	0.48	0.48	0.62	4.3%	-13.0%	-13.7%

*Source: BEKA Finance Estimates * Including internet revenues (2% aprox.). Employing gross advertsing revenue reported to Infoadex Excluding advertsing sales for external channels (Cosmopolitan, Chello Channel & others)*

- **Un 2015 reportado sensiblemente por encima de nuestras expectativas.** Todas las magnitudes financieras se encontraron por encima de nuestras estimaciones. **Destacar que el opex (-21,7% desde 2010 pro-forma) disminuyó un -2,5% a/a, en cotas inferiores a la guía proporcionada por la compañía** (760mEUR vs. 749,3mEUR reportados vs. 754,1mEUR BEKA). Los costes de programación/cine se incrementaron puntualmente en el 4T estanco.

- **Menor monetización de audiencia (power ratio 1,4x vs. 1,6x de A3M) que continuará al menos en el 1T16.** Esperamos que la evolución de MSE registre un spread negativo de entre 1-1,5 p.p. vs. mercado publicitario de TV. No se aportaron datos en lo referente a market share aunque nosotros esperamos que aumente levemente en la segunda parte del año (+0,2 p.p.).

- **Incremento del apalancamiento operativo.** Los márgenes EBITDA15 aj. crecieron en (+5,3 p.p. vs. +4,3 p.p. esperados) siendo superiores a los de su principal competidor Atresmedia y poniendo de manifiesto la alta traslación de inv. publicitaria a nivel de EBITDA. Esta tendencia continuará gracias a los crecimientos del mercado publicitario esperados para este año (+5% con MSE c. de 1/1,5 p.p. por debajo en TV).

- **Posición de caja neta (c.140mEUR a cierre de 2016e) que se recuperará en el 2S16e**, lo que permitirá continuar con buy-backs y afrontar un sustancial dividendo (Pay-out 2016e >90%).

- **Outlook positivo confirmado para el 1T16e.** MSE ofreció una visión positiva respecto al mercado: enero en negativo y febrero claramente positivo. Estos dos meses supusieron un crecimiento del entorno del +5/6%. En cuanto a marzo, se dijo que era positivo a pesar del efecto de Semana Santa (resta entre 3 y 5 p.p. de crecimiento estimados para el mes). Las perspectivas para abril por tanto son positivas al recoger el efecto contrario.

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For important disclosure information, please refer to the disclaimer page of this report

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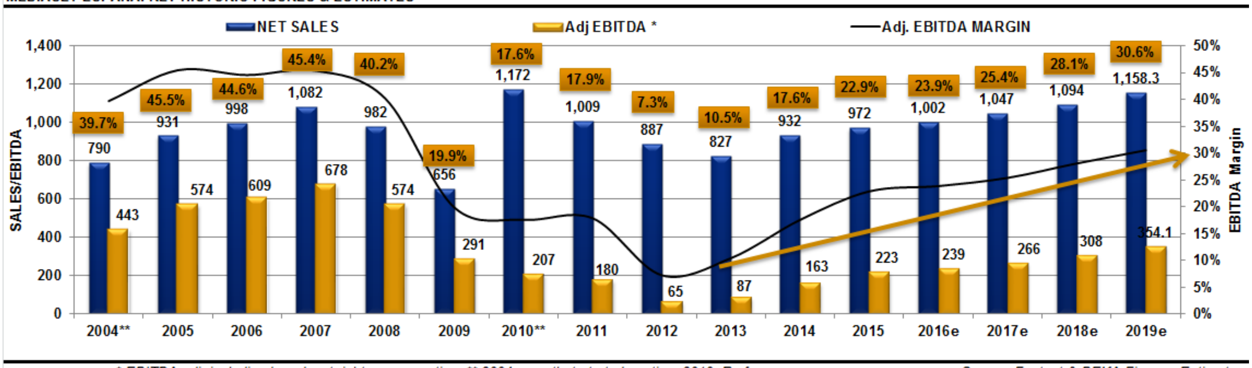
- **Posición conservadora de cara a 2017e y sucesivos.** Contemplamos una inversión publicitaria en deceleración para 2017e/18e. Somos especialmente cautos ante la posibilidad de que la incertidumbre política se refleje en dichos años en las magnitudes core de las que depende la inversión publicitaria: PIB y sobretodo consumo retail.

MEDIASET ESPAÑA. KEY HISTORIC FIGURES & ESTIMATES



** EBITDA adj. including broadcast rights consumption, ** 2004: year that started quoting, 2010: Proforma* *Source: Factset & BEKA Finance Estimates*

Empleamos el descuento de flujos de caja (WACC 8,6% y crecimiento a perpetuidad g del 2,5%) considerando un intervalo de referencia a corto/medio plazo (2015/18e). El motivo por el cual acotamos tanto el horizonte temporal es por la alta volatilidad de la inversión publicitaria tanto en radio como televisión unida por la variabilidad de los ingresos provenientes del cine y otros negocios como Media for Equity. A consecuencia de esto el valor residual de la empresa será superior al 80% (83%, múltiplo implícito un 30% por debajo del máximo de último ciclo publicitario en 2007, EV/EBITDA Aj. 10,5x).

Este período se caracteriza por un progresivo aumento de márgenes operativos a consecuencia de: (1) base de costes en su mayoría fijos (>80%) con variables en tendencia ascendente, (2) incremento de la inversión publicitaria con cierta ralentización, (3) optimización y reestructuración ya completada, (4) contribución positiva del circulante e incremento de costes variables/cine/aportación a RTVE a medida que aumenten los ingresos. Consideramos 2016 como un año de alto apalancamiento operativo pero a la vez como el punto de inflexión de costes. Esta tendencia positiva en opex vendrá de la mano del lanzamiento de nuevos canales y el incremento de esfuerzos en programación ante el aumento de competencia y para sustentar las mejoras en prime time. El capex decrecerá a consecuencia parcial de la produc. externa (54,6% en 2015).

MEDIASET ESPAÑA. DCF VALUATION

CASH FLOW (EUR m)	2011	2012	2013	2014	2015	2016e	2017e	2018e	VR
EBIT	153	48	70	145	205	221	248	289	
Normative Tax Rate	*25%*	*5%*	*271%*	*35%*	*24%*	*21%*	*21%*	*20%*	
NOPLAT	114	45	-120	94	155	176	196	232	
Depreciation&other provisions	243	226	192	216	222	233	230	240	
Gross Operating Cash Flow	357	272	72	311	378	409	426	472	
Capex	-179	-214	-194	-193	-187	-187	-185	-174	
Change in Net Working Capital	44	-148	-38	-17	-1	-31	0	-19	
Cash Flow to be discounted	221	-90	-160	101	189	191	241	279	287
DCF VALUATION (EUR m)									
WACC						8.6%	8.6%	8.6%	8.6%
Discount Rate factor						1.00	0.92	0.85	0.78
Discounted Cash Flow						191	222	237	
Cumulated DCF						191	413	650	

WACC & DCF ANALYSIS					
Free Risk Rate (10y Govn. Bonds	3.5%	Cumulated DCF	650	- Net Financial Debt (16e)	-141
Company Risk Factor or Beta	1.02	Perpetual Growth Rate (g)	**2.5%**	- Minorities (estimated value)	0
Mkt Risk Premium	5.0%	Normalised Annual CF	287	+ Associates	0
Cost of Equity (Ke or COE)	8.6%	Terminal Value at Nominal Year	4,849	- Pension underfunding	0
Cost of Debt (gross)	0.0%	Disc. Rate of Terminal Value	0.78	- Off-balance sheet commitm.	0
Debt Tax Rate	30%	Discounted Terminal Value	3,786		
Cost of Debt net (kd or COD)	0.0%			Equity Market Value (EURm)	4,697
Target Gearing (D/E) or % Kd	0%	Financial assets	120	Number of shares (m)*	335.4
% Ke	100%	**Enterprise Value (EURm)**	**4,556**	**Fair Value per share (EUR)**	**14.00**
Normative Tax Rate	25%			Price (EUR)	10.4
WACC	**8.6%**			Potential upside (downside)	35%

** Adjusted by treasury stock*
Source: ESN BEKA Finance Estimates

A pesar de la revalorización de sus títulos vs. IBEX continuamos confiando con una visión positiva sobre el valor y el sector apoyándonos en los siguientes catalizadores que le confieren una inercia positiva relevante: (1) Tendencia a la concentración de grupos de medios a nivel europeo (Vivendi/Mediaset?), (2) intensa de adquisición de productoras y grupos de comunicación (Telefónica/DTS) por parte de los operadores de telecomunicaciones para llenar de contenidos sus ofertas convergentes (Pay-TV) y (3) sólidos resultados 1T16 tanto de A3M como de la propia MSE.

Mediaset Espana: Summary tables

PROFIT & LOSS (EURm)	12/2012	12/2013	12/2014	12/2015	12/2016e	12/2017e
Sales	**887**	**827**	**932**	**972**	**1,002**	**1,047**
Cost of Sales & Operating Costs	-822	-740	-768	-749	-763	-781
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**64.9**	**87.2**	**164**	**223**	**239**	**266**
EBITDA (adj.)*	**64.9**	**87.2**	**164**	**223**	**239**	**266**
Depreciation	-16.1	-17.0	-19.1	-17.5	-18.0	-18.2
EBITA	**48.8**	**70.2**	**145**	**205**	**221**	**248**
EBITA (adj)*	**48.8**	**70.2**	**145**	**205**	**221**	**248**
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**47.8**	**70.1**	**145**	**205**	**221**	**248**
EBIT (adj.)*	**47.8**	**70.1**	**145**	**205**	**221**	**248**
Net Financial Interest	-4.0	-3.3	0.0	1.1	1.7	2.5
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	7.4	-70.8	-59.2	-1.7	-1.4	-1.0
Other Non Recurrent Items	0.1	1.6	0.0	15.6	0.0	0.0
Earnings Before Tax (EBT)	**52.3**	**-2.3**	**85.5**	**219**	**222**	**250**
Tax	-2.8	6.2	-30.0	-53.2	-45.8	-52.3
Tax rate	*5.3%*	*n.m.*	*35.1%*	*24.3%*	*20.6%*	*20.9%*
Discontinued Operations	0.0	0.0	0.0	0.0	2.0	9.0
Minorities	0.6	0.3	3.9	0.0	0.0	0.0
Net Profit (reported)	**50.1**	**4.2**	**59.5**	**166**	**178**	**206**
Net Profit (adj.)	**65.3**	**49.3**	**67.5**	**166**	**178**	**206**

CASH FLOW (EURm)	12/2012	12/2013	12/2014	12/2015	12/2016e	12/2017e
Cash Flow from Operations before change in NWC	276	195	274	389	411	436
Change in Net Working Capital	-148	-38.1	-16.8	-1.5	-30.8	0.2
Cash Flow from Operations	**129**	**157**	**257**	**387**	**381**	**437**
Capex	-214	-194	-193	-187	-187	-185
Net Financial Investments	99.7	1.2	-4.4	-9.1	-9.4	-9.4
Free Cash Flow	**14.1**	**-36.4**	**59.7**	**191**	**184**	**242**
Dividends	-55.3	0.0	0.0	-47.5	-167	-160
Other (incl. Capital Increase & share buy backs)	1.4	-54.2	-291	-78.2	-76.4	-73.8
Change in Net Debt	**-39.8**	**-90.6**	**-231**	**65.6**	**-59.0**	**7.9**
NOPLAT	45.2	-120	94.0	155	176	196

BALANCE SHEET & OTHER ITEMS (EURm)	12/2012	12/2013	12/2014	12/2015	12/2016e	12/2017e
Net Tangible Assets	53.2	49.7	48.6	54.4	54.4	54.4
Net Intangible Assets (incl.Goodwill)	1,221	1,144	743	713	869	900
Net Financial Assets & Other	181	191	171	149	149	149
Total Fixed Assets	**1,455**	**1,385**	**963**	**917**	**1,073**	**1,104**
Inventories	6.0	4.7	1.6	6.6	6.6	6.6
Trade receivables	203	220	224	243	253	240
Other current assets	23.1	16.1	22.1	7.8	7.8	7.8
Cash (-)	-80.6	-109	-276	-211	-96.2	-114
Total Current Assets	**312**	**350**	**523**	**469**	**364**	**368**
Total Assets	**1,767**	**1,735**	**1,486**	**1,386**	**1,437**	**1,472**
Shareholders Equity	1,408	1,419	1,181	1,062	1,192	1,231
Minority	12.5	12.2	8.3	8.2	8.2	8.2
Total Equity	1,421	1,431	1,189	1,070	1,200	1,239
Long term interest bearing debt	6.6	9.9	9.3	7.6	-50.0	-41.1
Provisions	74.7	45.0	48.1	45.3	45.3	45.3
Other long term liabilities	0.2	0.2	12.3	8.5	7.7	7.7
Total Long Term Liabilities	**81.6**	**55.0**	**69.7**	**61.3**	**3.0**	**11.9**
Short term interest bearing debt	0.3	6.0	0.8	5.4	5.4	5.4
Trade payables	264	242	227	249	228	215
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	**265**	**248**	**227**	**255**	**234**	**221**
Total Liabilities and Shareholders' Equity	**1,767**	**1,735**	**1,486**	**1,386**	**1,437**	**1,472**
Net Capital Employed	**1,422**	**1,383**	**984**	**925**	**1,112**	**1,143**
Net Working Capital	**-55.8**	**-17.8**	**-0.9**	**0.6**	**31.4**	**31.1**

GROWTH & MARGINS	12/2012	12/2013	12/2014	12/2015	12/2016e	12/2017e
Sales growth	*-12.1%*	*-6.8%*	*12.7%*	*4.3%*	*3.1%*	*4.5%*
EBITDA (adj.)* growth	***-64.0%***	***34.3%***	***87.9%***	***35.9%***	***7.5%***	***11.2%***
EBITA (adj.) growth*	*-70.3%*	*43.8%*	*106.3%*	*41.7%*	*7.9%*	*12.1%*
*EBIT (adj)*growth*	*-68.9%*	*46.7%*	*106.6%*	*41.7%*	*7.9%*	*12.1%*

Mediaset Espana: Summary tables

GROWTH & MARGINS	12/2012	12/2013	12/2014	12/2015	12/2016e	12/2017e
Net Profit growth	*-54.4%*	*-24.5%*	*36.9%*	*145.9%*	*7.2%*	*16.0%*
EPS adj. growth	*-54.4%*	*-24.7%*	*49.4%*	*160.7%*	*10.8%*	*16.0%*
DPS adj. growth	*n.m.*		*n.m.*	*251.5%*	*-0.9%*	*16.0%*
EBITDA (adj) margin*	*7.3%*	*10.5%*	*17.6%*	*22.9%*	*23.9%*	*25.4%*
EBITA (adj) margin*	*5.5%*	*8.5%*	*15.5%*	*21.1%*	*22.1%*	*23.7%*
EBIT (adj) margin*	*5.4%*	*8.5%*	*15.5%*	*21.1%*	*22.1%*	*23.7%*

RATIOS	12/2012	12/2013	12/2014	12/2015	12/2016e	12/2017e
Net Debt/Equity	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1
Net Debt/EBITDA	-1.1	-1.1	-1.6	-0.9	-0.6	-0.6
Interest cover (EBITDA/Fin.interest)	16.4	26.7	n.m.	n.m.	n.m.	n.m.
Capex/D&A	1326.8%	1141.9%	1009.1%	1067.5%	1037.0%	1019.6%
Capex/Sales	24.2%	23.5%	20.7%	19.2%	18.6%	17.7%
NWC/Sales	-6.3%	-2.1%	-0.1%	0.1%	3.1%	3.0%
ROE (average)	4.6%	3.5%	5.2%	14.8%	15.8%	17.0%
ROCE (adj.)	3.7%	-10.2%	11.9%	20.2%	18.4%	19.9%
WACC	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
ROCE (adj.)/WACC	0.4	-1.2	1.4	2.4	2.1	2.3

PER SHARE DATA (EUR)***	12/2012	12/2013	12/2014	12/2015	12/2016e	12/2017e
Average diluted number of shares	400.4	401.3	367.6	346.7	335.4	335.4
EPS (reported)	0.13	0.01	0.16	0.48	0.53	0.62
EPS (adj.)	0.16	0.12	0.18	0.48	0.53	0.62
BVPS	3.52	3.54	3.21	3.06	3.55	3.67
DPS	0.00	0.00	0.14	0.48	0.48	0.55

VALUATION	12/2012	12/2013	12/2014	12/2015	12/2016e	12/2017e
EV/Sales	2.0	3.8	4.1	3.4	3.1	3.0
EV/EBITDA	28.0	35.9	23.3	14.9	12.9	11.6
EV/EBITDA (adj.)*	**28.0**	**35.9**	**23.3**	**14.9**	**12.9**	**11.6**
EV/EBITA	37.2	44.6	26.3	16.2	14.0	12.5
EV/EBITA (adj.)*	**37.2**	**44.6**	**26.3**	**16.2**	**14.0**	**12.5**
EV/EBIT	38.0	44.6	26.3	16.2	14.0	12.5
EV/EBIT (adj.)*	**38.0**	**44.6**	**26.3**	**16.2**	**14.0**	**12.5**
P/E (adj.)	**31.2**	**n.m.**	**n.m.**	**21.0**	**19.0**	**16.4**
P/BV	1.4	2.4	3.3	3.3	2.8	2.7
Total Yield Ratio	0.0%	0.0%	1.1%	4.5%	4.7%	5.5%
EV/CE	1.5	2.7	4.8	4.3	3.2	3.1
OpFCF yield	-4.1%	-1.1%	1.5%	5.5%	5.7%	7.4%
OpFCF/EV	-4.7%	-1.2%	1.7%	6.0%	6.3%	8.1%
Payout ratio	0.0%	0.0%	84.7%	101%	90.0%	90.0%
Dividend yield (gross)	0.0%	0.0%	1.3%	4.8%	4.7%	5.5%

EV AND MKT CAP (EURm)	12/2012	12/2013	12/2014	12/2015	12/2016e	12/2017e
Price** (EUR)	5.09	8.39	10.45	10.03	10.07	10.07
Outstanding number of shares for main stock	406.9	406.9	406.9	366.2	336.6	336.6
Total Market Cap	**2,071**	**3,413**	**4,250**	**3,673**	**3,389**	**3,389**
Net Debt	**-74**	**-93**	**-266**	**-198**	**-141**	**-150**
o/w Cash & Marketable Securities (-)	*-81*	*-109*	*-276*	*-211*	*-96*	*-114*
o/w Gross Debt (+)	*7*	*16*	*10*	*13*	*-45*	*-36*
Other EV components	**-181**	**-191**	**-171**	**-149**	**-149**	**-149**
Enterprise Value (EV adj.)	**1,816**	**3,129**	**3,813**	**3,325**	**3,099**	**3,090**

Source: Company, BEKA Finance estimates.

Notes

** Where EBITDA (adj.) or EBITA (adj)= EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj)= EBIT-/+ Non Recurrent Expenses/Income - PPA amortisation*

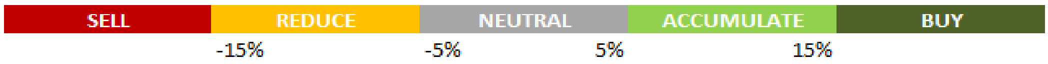
***Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years*

Sector: Media/Broadcasting & Entertainment

Company Description: Following the acquisition of Cuatro in 2010, Telecinco is Spain's largest FTA broadcaster with a 31% (2015) group 24-hr audience and 43.4% of TV's market share. 93% of Mediaset Spain's revenues come from TV advertising. The company has traditionally enjoyed of one of the higher margins among European broadcasters thanks to its solid commercial policy based on stable audience shares and a high operating leverage (>85%)

ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B), Accumulate (A), Neutral (N), Reduce (R) and Sell (S)**.

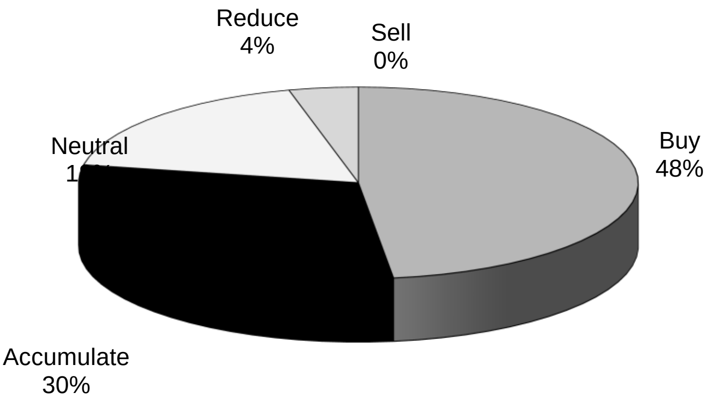
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy**: the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral**: the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce**: the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell**: the stock is expected to generate total return **under -15%** during the next 12 months time horizon
- **Rating Suspended**: the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, …) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
- **Not Rated**: there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

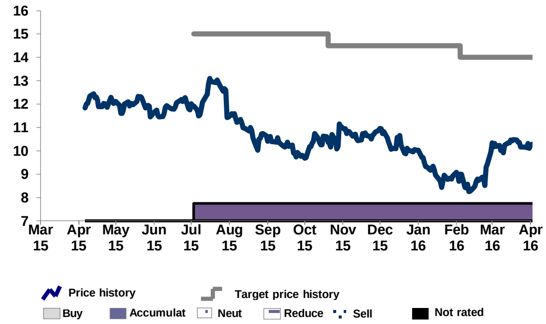
BEKA Finance Ratings Breakdown



Recommendation history for MEDIASET ESPANA

Date	Recommendation	Target price	Price at change date
04-Feb-16	Buy	14.00	9.00
20-Oct-15	Buy	14.50	10.37
03-Jul-15	Buy	15.00	11.92

Source: Factset & ESN, price data adjusted for stock splits.
This chart shows BEKA Finance continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Eduardo Garcia Arguelles (since 03/07/2015)



Information regarding Market Abuse and Conflicts of Interests and recommendation history available in our web page: www.bekafinance.com and our offices
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