Mediaset Espana

Spain/ Media

Flash note

Investment Research | *Reason: Company Visit* | *14 April 2016*

Buy

Recommendation unchanged

Share price: EUR	**10.15**

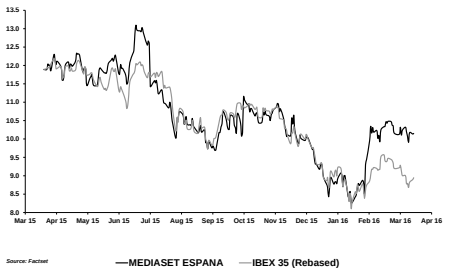
closing price as of 12/04/2016

Target price: EUR	**14.00**

Target Price unchanged

Reuters/Bloomberg	TL5.MC/TL5 SM
Daily avg. no. trad. sh. 12 mth	12,067,520
Daily avg. trad. vol. 12 mth (m)	121,449.04
Price high 12 mth (EUR)	13.10
Price low 12 mth (EUR)	8.26
Abs. perf. 1 mth	-0.9%
Abs. perf. 3 mth	9.4%
Abs. perf. 12 mth	-17.8%
Market capitalisation (EURm)	3,416
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	13.1	11.7
EV/EBITDA (adj.)	14.9	13.1	11.7
EV/EBIT	16.2	14.1	12.6
P/E (adj.)	21.0	19.1	16.5
P/BV	3.3	2.9	2.8
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

Una sola novedad en la JGA: Be Mad

Asistimos ayer a la JGA (74% del capital presente+representado) en Madrid. Estaban presentes el Consejo de Administración al completo con especial mención al Presidente Alejandro Echevarría Busquets y el CEO Paolo Vasile.

- **Los sólidos indicadores macroeconómicos en España** (PIB16e 2,6% según FMI y ventas minoristas +3,9% ajustadas por efectos estacionales para Feb-16) deberían cristalizar en la inversión publicitaria a pesar de la incertidumbre política. Estos son más potentes que el resto de los países de la Zona Euro (PIB16e 1,5%) y EE.UU. (2,4%). P. Vasile comentó que "la publicidad en abril va bien pero unas Elecciones en junio podría no ayudar". Y es que si se este hecho llega a materializarse también haría disminuir el valor de los derechos de la Eurocopa (con MSE como principal interesado y negociando bilateralmente con la UEFA junto con otros grupos) al aumentar las posibilidades de que alguno de los partidos de la Selección coincida con este período.
- **Defensa de su posición dominante junto con Atresmedia en el mercado televisivo.** A. Echevarría defendió el alto share conjunto de ambos grupos recordando que las primeras licencias de televisión privada se dieron a Antena 3, Telecinco y el grupo Prisa (Canal+) y que; posteriormente, se entregaron más a otros grupos como Vocento, Unidad Editorial, La Sexta (Mediapro). Y más recientemente, en el último concurso de canales a 13TV, Kiss FM, Real Madrid y la productora Secuoya. "***Lo que ocurre es que es el mercado el que, con su normal funcionamiento, autodefine tanto su dimensión como su composición. Ninguna de ambas variables puede ser modificada establemente de forma artificial***".
- **Be Mad, el nuevo canal del grupo** que comenzará a emitir el próximo 21 de Abril (casi en el límite legal ligado a la adjudicación de la licencia) en HD. Se aportó más color respecto al target comercial al que irá dirigido el nuevo canal, **público masculino** de poder adquisitivo medio/alto. El canal será de **temática cultural**: gastronomía, viajes, ciencia, historia, naturaleza y misterio con "*un punto de locura*". El nuevo canal tiene una vocación 360º: TV+ Internet (IPTV).

  Según Vasile, Be Mad nace un canal dedicado a las "*grandes pasiones del hombre y de las mujeres, a las grandes preguntas, a la incansable curiosidad*" porque, según ha apuntado, "*no todo lo que nace de la locura es bueno, pero todo lo que es bueno tiene dentro una dosis de locura*". De este modo MSE completará su oferta de canales temáticos (CNG) y generalistas (+1 vs. A3M): Telecinco, Cuatro, FDF, Divinity, Boing, Energy y ahora BEMAD.
- **Vuelta a la política de remuneración atractiva confirmada. Aprobación del dividendo a cuenta (todo cash) que implica distribuir 167,4mEUR (DPS 0,4939148EUR/acc.)** el próximo 19 de abril (definitiva, exdate 18-Abril) con cargo a resultados 2015. El Pay-out fue la sorpresa positiva de los pasados resultados: 100,7%. MSE distribuyó 2,453bnEUR en dividendos desde su salida a Bolsa.
- **Amortización de autocartera (8,09%) por un 8,04% del capital.** Este movimiento reforzará la posición en el capital de su mayor accionista Mediaset S.p.A. desde el 46,17% al 50,21%. Nuevo número de acciones: 336.717.490.
- **Autorización para la compra de acciones propias con el objetivo de amortizarlas o como herramienta para la retribución al management** (máximo 0,33% y 0,11% para los Consejeros Ejecutivos). Pronosticamos que el grupo comience un nuevo buy-back a partir del 2S16, una vez que la posición de caja neta se haya recuperado.

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

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- Vasile hizo las siguientes declaraciones: "*Audiencia (31%, la más alta de su historia), facturación (971 millones de euros), resultado neto (166 millones), márgenes (el 21,1%), dividendo (167 millones)... Hemos liderado en el sector los cinco aspectos fundamentales de la gestión de una televisión. Todo lo que podía, y debía, ir bien, fue bien".*

- Se destacaron los siguientes **riesgos potenciales**,
  - **Sostenibilidad de RTVE como prioridad de Estado.**
  - **Incremento de competidores en TDT con un total de 21 canales privados.**
  - **Necesidad de estabilidad regulatoria** en el sector y un nuevo Gobierno que tome medidas a su favor.
  - **Salvaguardar del espectro de frecuencias que garantice una franja estable para la radiodifusión sin primar el espacio reservado a las telecomunicaciones**. Este hecho tiene un especial impacto en España y otros países mediterráneos (TDT con gastos adicionales y no subvencionados con origen en la resintonización y adaptación de antenas) frente a otros países del norte de Europa en los que el cable/satélite son las tecnologías predominantes.

    Esperamos un **segundo dividendo digital en España para 2020/22e** que obligará a recolocar las frecuencias de TV y las dotará de una menor franja. Sin embargo, confiamos en que las tecnologías de multiplexación avancen lo suficiente para condensar un mayor número de canales en un menor espacio radioeléctrico.

- **Adelanto del prime time?** El grupo rechaza la propuesta del Gobierno para el adelanto del prime time de modo que finalice a las 23h (la estrategia de MSE es la de prolongar hasta el late night dicho período -01.00h-). La finalidad de esta medida sería la conciliación de la vida familiar y laboral.

- **Track demostrado del management.** El Consejo de Administración está compuesto en un 38% por consejeros ejecutivos y 31% por externos independientes. Consideramos que en los casi 26 años de historia de la empresa el track record del management se demostró con crecer de modo que la empresa hizo frente de manera satisfactoria a los retos provenientes de ciclos recesivos e incertidumbre política en el pasado. A. Echavarría calificó al equipo directivo como "*el mejor de Europa*".

MEDIASET ESPAÑA. BOARD OF DIRECTORS.

Name of Director	Type	Position on the Board	Date	Significant Shareholders
D. Alejandro Echevarría Busquet	External	Chairman	15/05/1996	
D. Fedele Confalonieri	Representing a substantial shareholder	Vice President	21/12/2000	Yes
D. Giuseppe Tringali	Representing a substantial shareholder	Vice President	29/03/2004	
D. Paolo Vasile	Executive	CEO	29/03/1999	
D. Massimo Musolino	Executive	Director	09/04/2008	
D. Giuliano Adreani	Representing a substantial shareholder	Director	26/09/2001	Yes
D. Mario Rodríguez Valderas	Executive	Secretary	09/04/2014	
D. Marco Giordani	Representing a substantial shareholder	Director	07/05/2003	Yes
D. Alfredo Messina	Representing a substantial shareholder	Director	30/06/1995	Yes
D. Ángel Durández Adeva	Independent	Director	20/05/2004	
D. José Ramón Álvarez-Rendueles	Independent	Director	28/07/2004	
D. Borja Prado Eulate	Independent	Director	28/07/2004	
Doña Helena Revoredo Delvecchio	Independent	Director	01/04/2009	

Source: Mediaset España & BEKA Finance

Conclusión

Visión positiva sobre el sector y Mediaset España. El foco se encuentra ahora en los próximos resultados 1T16 que prevemos serán fuertes, especialmente a nivel de apalancamiento operativo. **A esto se suma la inercia positiva en la que está sumida el sector ante la concentración de los grupos de medios a nivel europeo** (Mediaset/Vivendi?) **y la tendencia cada vez más 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). La única cautela: la materialización de la **incertidumbre política** en el consumo retail y a consecuencia en la inversión publicitaria. Este hecho aún no se materializó pero estamos atentos ante una posible erosión de los indicadores macro en España.

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	-76.1	-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.*	*252.1%*	*-1.1%*	*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	13.1	11.7
EV/EBITDA (adj.)*	**28.0**	**35.9**	**23.3**	**14.9**	**13.1**	**11.7**
EV/EBITA	37.2	44.6	26.3	16.2	14.1	12.6
EV/EBITA (adj.)*	**37.2**	**44.6**	**26.3**	**16.2**	**14.1**	**12.6**
EV/EBIT	38.0	44.6	26.3	16.2	14.1	12.6
EV/EBIT (adj.)*	**38.0**	**44.6**	**26.3**	**16.2**	**14.1**	**12.6**
P/E (adj.)	**31.2**	**n.m.**	**n.m.**	**21.0**	**19.1**	**16.5**
P/BV	1.4	2.4	3.3	3.3	2.9	2.8
Total Yield Ratio	0.0%	0.0%	1.1%	4.5%	4.7%	5.4%
EV/CE	1.5	2.7	4.8	4.3	3.3	3.2
OpFCF yield	-4.1%	-1.1%	1.5%	5.5%	5.7%	7.4%
OpFCF/EV	-4.7%	-1.2%	1.7%	6.0%	6.2%	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	10.15	10.15
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**	**3,416**	**3,416**
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**	**3,126**	**3,117**

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)**.

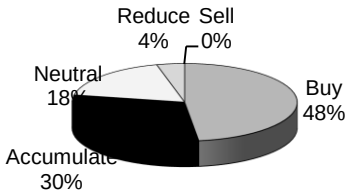
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

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

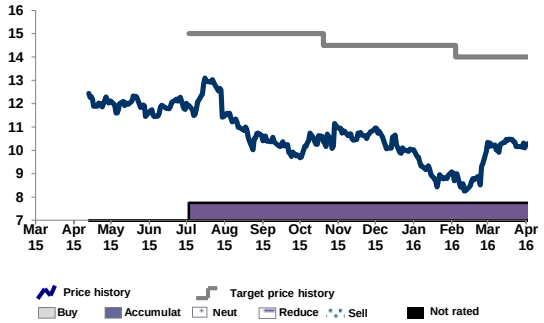
BEKA Finance Ratings Breakdown



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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