Mediaset Espana

Spain/ Media

Flash note

Investment Research

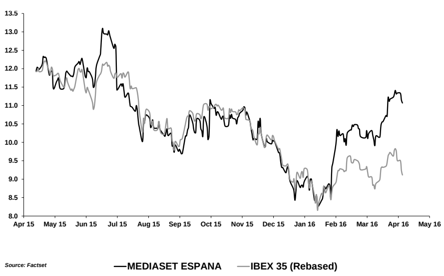
Reason: Company Results

5 May 2016

Buy	
Recommendation unchanged	
Share price: EUR	**11.07**
closing price as of 04/05/2016	
Target price: EUR	**14.00**
Target Price unchanged	

Reuters/Bloomberg	TL5.MC/TL5 SM
Daily avg. no. trad. sh. 12 mth	1,106,391
Daily avg. trad. vol. 12 mth (m)	12,259.70
Price high 12 mth (EUR)	13.10
Price low 12 mth (EUR)	8.26
Abs. perf. 1 mth	7.3%
Abs. perf. 3 mth	23.0%
Abs. perf. 12 mth	-7.3%
Market capitalisation (EURm)	3,726
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	3.4	3.3
EV/EBITDA	14.9	14.3	12.9
EV/EBITDA (adj.)	14.9	14.3	12.9
EV/EBIT	16.2	15.5	13.8
P/E (adj.)	21.0	20.9	18.0
P/BV	3.3	3.1	3.0
OpFCF yield	*5.5%*	*5.2%*	*6.7%*
Dividend yield	*4.4%*	*4.3%*	*5.0%*
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

POST-1T16: sensiblemente superiores a lo estimado, registrando continua reducción de costes

MSE presentó resultados 1T16 ayer a cierre seguidos de una c.c. **Resultados sensiblemente por encima de nuestras estimaciones y el consenso en términos de reducción de costes. Ingresos netos +4,5%, opex -8,1%, EBITDA aj. +51,5%, M.EBITDA aj. +30,7% (+9,5 p.p.), B. Neto +37,7% (a/a).**

MEDIASET ESPAÑA. POST 1Q'16 RESULTS

EURm	1Q'15	1Q'16e	1Q'16	Δ% y/y
TV Net Income	*207.7*	*215.5*	*214.1*	*3.1%*
Others	*13.0*	*15.5*	*16.7*	*28.4%*
Net Revenues	**220.7**	**231.0**	**230.7**	**4.5%**
Op. Expenses *	**174.0**	**174.1**	**160.0**	**-8.1%**
Adj. EBITDA **	**46.7**	**56.9**	**70.8**	**51.5%**
% Adj. EBITDA M.	***21.2%***	***24.6%***	***30.7%***	***+9.5 p.p.***
EBT	**47.6**	**52.9**	**64.2**	**34.9%**
% EBT Margin	*21.6%*	*21.0%*	*27.8%*	*+6.3 p.p.*
Taxes	11.2	11.1	14.2	26.4%
Net Profit	**36.4**	**41.8**	**50.1**	**37.7%**
% Adj. Net Profit Margin	*16.5%*	*18.1%*	*21.7%*	***+5.2 p.p.***
% Adv. Invest. TV (y/y)	**11.8%**	**6.0%**	**5.6%**	**+6.2 p.p.**
M. Share Reported ***	**43.0%**	**42.8%**	**42.8%**	**-0.2 p.p.**
Audience TV	**31.4%**	**29.4%**	**29.4%**	**-2 p.p.**
Power ratio	**1.37**	**1.46**	**1.46**	**6.3%**
Adj. EPS	0.099	0.124	0.149	49.8%
Net Cash Position	**299.6**	**159.6**	**168.1**	**-43.9%**
ND/Adj. EBITDA	**-1.83x**	**-0.67x**	**-0.70x**	
Adj. EBITDA /Net Rev.	**21.2%**	**24.6%**	**30.7%**	
Net Profit/Net Rev.	**16.5%**	**18.1%**	**21.7%**	

*Source: Mediaset España & Infoadex & BEKA Finance Estimates. * General, TV Rights Amortisation and Adm.*
*** Includes TV Rights Amortizations. *** Includes 2% internet revenues*

- **Se consolida el ciclo expansivo.** El mercado publicitario de TV creció un +5,6% (a/a). Dadas las audiencias/targets en prime time de MSE (-1,8 p.p., -2,3 p.p. hasta marzo a/a), éste se situó c.0,6 p.p. (Infoadex, ingreso bruto) por debajo de dicha cota aunque con power ratio creciendo un +6,3% (incremento de c/GRPs).

  El market share publicitario descendió ligeramente -0,2 p.p. en parte por la igualdad temporal en número de canales con A3M y viéndose superado por este grupo (43,6%). La comercialización de publicidad para terceros bajó de 12 a 6,8mEUR (-43%) a consecuencia de la pérdida del contrato con DTS, aunque esperamos mejora a lo largo del año. Otros ingresos aumentaron a consecuencia de los dos estrenos de cine en el 1T16. **Destacar que los 1T suelen corresponder a los registros más bajos en cuota publicitaria de MSE** (42,8% 1T14 vs. 43% 1T15 vs. 42,8% 1T16) por lo que; **tanto desde MSE como desde BEKA, consideramos que se recuperará terreno a lo largo del año (43,4% 2016e) aunque podría perderse el liderazgo (no en materia de audiencia pero si en share) frente a A3M si no compran los derechos de la EURO2016.**

- **Subidas de c/GRP bien acogidas: +2,3%**. Valoramos positivamente que el incremento del top-line venga dado no sólo por un aumento de inventarios (+13,7%) sino también por incremento de precios. Gran parte (c.2/3) de la contracción del mercado entre 2008/2013 vino explicada por esta componente.

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- **Crecimiento de la producción externa (56%) vs. in-house (44%).** En 2015, la producción propia fue del 47,4%. Es cierto que los CNG (especialmente Boing, Divinity y Energy) consumen más derechos externos para alcanzar sus core targets pero la disminución de este tipo de contenidos in-house fue en parte la razón de la fuerte disminución de opex.
- **"Best in class" en materia de opex, reducción exponencial del -29,7% (-67,3mEUR) desde el 1T10 pro-forma (MSE+Sogecuatro). Los costes operativos se contrajeron un -8,1%, significativamente mejor que nuestras proyecciones (+0,1% a/a).** MSE achacó este efecto al timing. Al observar cierta debilidad del mercado publicitario en Dic-15/Ene-16 redujeron la inversión en programación (-19,3% a/a otros costes operativos) e incrementaron la amortización de derechos (+22,3% a/a). A todo ello se sumó una reducción del -4,2% a/a en personal. **Recordar que los costes aún no recogen BEMAD y están libres de eventos deportivos Premium (excepción Moto GP FTA).**
- **Aun habiéndose producido este importante ahorro de costes, MSE no varió su guidance de opex anual, 770mEUR vs. 763mEUR estimados para 2016e.** Esta cifra incluye D&A (pero no PPA) y excluye la potencial compra de la EURO2016. **Tampoco nosotros modificaremos nuestras proyecciones anuales** ante los nuevos formatos de realities y programas como Got Talent que arrancaron en el 2T16. **La contención de costes es la clave de su alto apalancamiento operativo (+9,5 p.p. en M.EBITDA a/a) con M. EBITDA aj. del 30,7%, nivel no visto desde 2008.**
- **El CFOp fue de 67,6mEUR (vs.15mEUR A3M) frente a los 49,6mEUR del 1T15. Ratio de conversión del 95,6%. El EPS creció un +49,8%** y para su cálculo se excluyó la amortización de acciones propias (8,02%, 808,6mEUR) a 31 de marzo de 2016.
- **MSE es un claro candidato a la compra de los derechos de la EURO2016 FTA para poder competir con A3M (Champions).** Estimábamos un costes de los derechos cercano a los 45mEUR aunque este precio iría erosionándose a medida que avanza el deadline (faltan de c.25 días para que dé comienzo la competición). No se cuantificó impacto financiero.
- Los impuestos fueron puntualmente algo superiores al 21% (orientación anual de MSE) y los **extraordinarios inferiores por el efecto comparativo adverso a/a asociado al exit (100%) de La Nevera Roja**. Ligero impacto negativo de 8TV. Durante este año, MSE acelerará las deducciones fiscales procedentes de pérdidas acumuladas por Endemol (VAN 125mEUR).
- **Posición de caja neta mermada por el buy-back** (150mEUR) y sin disminución por FCF al destinarse el 100,7% del B.Neto15 a dividendo. Aún con todo, la caja neta se encontró por encima de lo proyectado: 168mEUR vs. 159,6mEUR BEKA. Posible nuevo buy-back en el 2S16.
- **Perspectivas 2T16.** MSE continuará con su política de incremento de precios en el 2T con las negociaciones con anunciantes situándose en subidas c.+7% que podrían ser levemente superiores/inferiores en función del mix de anunciante. Este incremento es significativo ante los nuevos segundos publicitarios disponibles con BEMAD. MSE señaló un crecimiento del **mercado publicitario TV de dígito medio en mayo**, inferior al mencionado por A3M.
- **Guidance estratégico.** MSE marcó un triple objetivo no demasiado ambicioso,
    - **Mantener su liderazgo de audiencias.** Pensamos que lo hará durante todo el 2016 a pesar de la falta de eventos deportivos Premium y los nuevos canales 5 canales de TDT de otros competidores
    - **Share publicitario plano (a/a, 43,4% a cierre de 2015).** Estos resultados no brillaron en términos de cuota de mercado publicitario; sin embargo esperamos que el año vaya de menos a más.
    - **Primer grupo en materia de rentabilidad (objetivo principal)**. Ya alcanzado y esperamos que el spread en términos de márgenes se mantenga vs. A3M durante 2016 (sin tener en cuenta la Eurocopa).

<u>**Sólidos resultados. El único punto débil como viene siendo habitual fue el top-line. MSE obtuvo uno de los márgenes EBITDA más elevados del sector en Europa (30,7%) y se sitúa como compañía líder en rentabilidad del sector media español.**</u> El objetivo de su directo competidor A3M (M. EBITDA aj. 16,4% en el 1T16) es obtener unos márgenes del 25% en el medio plazo y esta cota ya fue superada por MSE en el 4T15 (26,3%)

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	3.4	3.3
EV/EBITDA	28.0	35.9	23.3	14.9	14.3	12.9
EV/EBITDA (adj.)*	**28.0**	**35.9**	**23.3**	**14.9**	**14.3**	**12.9**
EV/EBITA	37.2	44.6	26.3	16.2	15.5	13.8
EV/EBITA (adj.)*	**37.2**	**44.6**	**26.3**	**16.2**	**15.5**	**13.8**
EV/EBIT	38.0	44.6	26.3	16.2	15.5	13.8
EV/EBIT (adj.)*	**38.0**	**44.6**	**26.3**	**16.2**	**15.5**	**13.8**
P/E (adj.)	**31.2**	**n.m.**	**n.m.**	**21.0**	**20.9**	**18.0**
P/BV	1.4	2.4	3.3	3.3	3.1	3.0
Total Yield Ratio	0.0%	0.0%	1.1%	4.1%	4.3%	5.0%
EV/CE	1.5	2.7	4.8	4.3	3.6	3.5
OpFCF yield	-4.1%	-1.1%	1.5%	5.5%	5.2%	6.7%
OpFCF/EV	-4.7%	-1.2%	1.7%	6.0%	5.6%	7.3%
Payout ratio	0.0%	0.0%	84.7%	101%	90.0%	90.0%
Dividend yield (gross)	0.0%	0.0%	1.3%	4.4%	4.3%	5.0%

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	11.07	11.07
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**	**3,726**	**3,726**
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**	**3,435**	**3,427**

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*

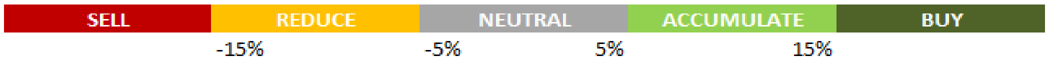
***Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years*

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)**.

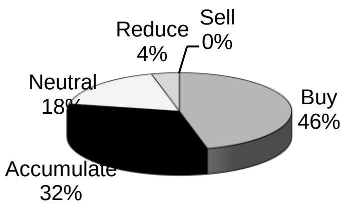
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

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

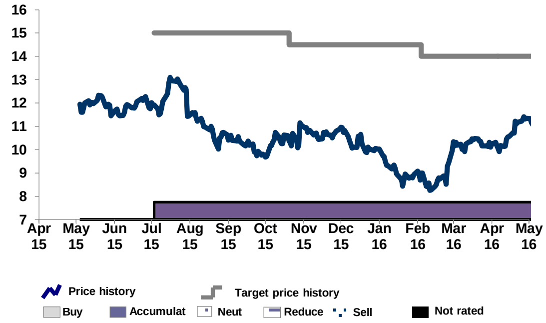
BEKA Finance Ratings Breakdown



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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