

Mondo TV

Management expects “best year ever”

Mondo’s H1 trading update points to revenues up 39% and with a strong contribution from higher-margin library, licensing and merchandise sales, EBIT up 68%. Much of the pipeline is committed moving into the second half, and we believe the group is on track to deliver on its budget for FY17, which management confirms is expected to be Mondo’s best ever year.

Year end	Revenue (€m)	EBIT (€m)	PBT* (€m)	EPS* (€)	DPS (c)	P/E (x)	EV/EBIT (x)
12/15	16.8	5.6	5.4	0.12	0.0	33.3	21.4
12/16	27.4	12.7	12.7	0.32	2.0	12.5	9.4
12/17e	37.6	17.9	17.6	0.41	0.0	9.7	6.7
12/18e	49.7	17.7	17.4	0.37	0.0	10.8	6.7

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. EV/EBIT is adjusted for minorities.

A strong H1 points to delivery of full year plan

Mondo’s 25 July trading update reports H117 revenues of €14.7m (up 39% y-o-y), EBITDA of €11.1m (up 46%), EBIT of €6.8m (up 68%) and net profit of €5.9m (up 77%). This good start to the year was a result of strong high-margin library sales as well as licensing and merchandising revenues from new international projects. The EBITDA margin at 76% is considerably higher than our forecast for the year, reflecting the work the group has done in reorganising the production process as well as the mix of revenues, although we expect margins to come down in the second half, which should have a greater share of production sales (Heidi S2, Invention Story, Sissi and the first episodes of YooHoo). H1 revenues represent approximately 39% of our full year forecast, which given that H1 is typically the seasonally weaker half, puts the group on track to deliver its full year guidance.

Outlook: FY17 “best year ever for Mondo”

Management’s ambition is to almost triple revenues to €85m, EBITDA to €64m and net income to €25m over the next five years. The group has a number of interesting new series in production and several long-term production commitments. We estimate that approximately 70% of FY17 budget is committed and the strong H1 adds to our confidence regarding deliverability of our FY17 forecasts and management has reaffirmed that it expects 2017 to be “the best year ever for Mondo”. Since our July 19 [initiation report](#), Mondo has also announced that it will expand its role as distributor for Robot Trains to co-produce season two of the series, expanding its distribution rights both within and outside Korea.

Valuation: Discount to sector despite high margins

Mondo is making good progress executing its strategy. It has projects underway with Henan York and Studio 56 in China, Aurora World and CJ E&M in Korea, as well as for its largest customer, Abu Dhabi Media. As one of the few international animation pure plays in Europe, with a strong and funded pipeline and an experienced management team, we think the shares should trade closer to peers in the kid’s content and Italian media sector; this would imply a value per share closer to €5.6.

H1 trading update

Media

10 August 2017

Price €3.99

Market cap €119m

Net debt (€m) at 31 December 2016 0.8

Shares in issue 29.7m

Free float 52%

Code MTV

Primary exchange Borsa Italiana Star

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (1.4) (7.5) (11.4)

Rel (local) (5.1) (8.8) (32.1)

52-week high/low €4.93 €3.60

Business description

Mondo TV is a global media group with a focus on the production, acquisition and exploitation of animated children’s television series. Headquartered in Rome, it also holds controlling stakes in listed subsidiaries Mondo TV France (47%), Mondo TV Suisse (67%) and Mondo TV Iberoamerica (72%). It owns the rights to over 1,500 TV episodes and films, which it distributes across 75 markets. 80% of revenues are generated in Asia, 10% in Italy, 7% in Europe and 3% in America.

Next events

Interim results 29 September 2017

Q3 results 14 November 2017

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Mondo TV Mondo TV is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	€m	2014	2015	2016	2017e	2018e	2019e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT							
Revenue		11.3	16.8	27.4	37.6	49.7	54.6
Cost of Sales		(3.8)	(7.9)	(9.3)	(11.7)	(14.8)	(15.9)
Gross Profit		7.5	8.9	18.1	25.9	35.0	38.7
EBITDA		7.5	8.9	18.1	25.9	35.0	38.7
Normalised operating profit		2.2	5.6	12.7	17.9	17.7	21.1
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0
Share-based payments		0.0	0.0	0.0	0.0	0.0	0.0
Reported operating profit		2.2	5.6	12.7	17.9	17.7	21.1
Net Interest		(0.4)	(0.1)	0.0	(0.3)	(0.3)	(0.3)
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		1.8	5.4	12.7	17.6	17.4	20.8
Profit Before Tax (reported)		1.8	5.4	12.7	17.6	17.4	20.8
Reported tax		(0.0)	(2.2)	(4.5)	(5.8)	(5.8)	(6.9)
Profit After Tax (norm)		1.8	3.3	8.3	11.8	11.7	13.9
Profit After Tax (reported)		1.8	3.3	8.3	11.8	11.7	13.9
Minority interests		(0.1)	(0.2)	0.3	(0.4)	(0.8)	(0.8)
Discontinued operations		0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		1.7	3.1	8.6	11.4	10.9	13.1
Net income (reported)		1.7	3.1	8.6	11.4	10.9	13.1
Basic average number of shares outstanding (m)		26	26	26	28	29	29
EPS - basic normalised (€)		0.07	0.12	0.32	0.41	0.37	0.45
EPS - diluted normalised (€)		0.07	0.12	0.32	0.41	0.37	0.45
EPS - basic reported (€)		0.07	0.12	0.32	0.41	0.37	0.45
Dividend (€)		0.00	0.00	0.02	0.00	0.00	0.00
Revenue growth (%)		N/A	48.5	63.2	37.3	32.1	9.8
Gross Margin (%)		66.4	52.7	66.0	68.8	70.3	70.9
EBITDA Margin (%)		66.4	52.7	66.0	68.8	70.3	70.9
Normalised Operating Margin		19.6	33.2	46.4	47.5	35.7	38.7
BALANCE SHEET							
Fixed Assets		19.6	25.0	37.0	50.5	55.4	60.4
Intangible Assets		9.7	16.1	31.4	44.9	49.8	54.8
Tangible Assets		0.3	0.3	0.3	0.3	0.3	0.3
Investments & other		9.7	8.5	5.3	5.3	5.3	5.3
Current Assets		27.5	32.2	37.8	48.1	55.2	64.4
Stocks		0.0	0.0	0.0	0.0	0.0	0.0
Debtors		18.4	22.3	31.7	41.1	42.5	46.6
Cash & cash equivalents		0.4	2.9	1.8	4.7	12.4	17.5
Other		8.7	7.0	4.3	2.3	0.3	0.3
Current Liabilities		(15.4)	(14.5)	(14.1)	(14.7)	(14.9)	(15.2)
Creditors		(10.2)	(10.9)	(11.7)	(12.3)	(12.6)	(12.9)
Tax and social security		(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Short term borrowings		(3.9)	(2.9)	(2.1)	(2.1)	(2.1)	(2.1)
Other		(1.3)	(0.7)	(0.1)	(0.1)	(0.1)	(0.1)
Long Term Liabilities		(0.6)	(0.4)	(0.8)	(0.8)	(0.8)	(0.8)
Long term borrowings		(0.2)	(0.2)	(0.6)	(0.6)	(0.6)	(0.6)
Other long term liabilities		(0.4)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Net Assets		31.2	42.3	59.9	83.2	94.9	108.8
Minority interests		1.0	1.4	0.6	0.6	0.6	0.6
Shareholders' equity		32.2	43.7	60.4	83.8	95.4	109.4
CASH FLOW							
Op Cash Flow before WC and tax		7.5	8.9	18.1	25.9	35.0	38.7
Working capital		(2.8)	(0.4)	(1.9)	(6.9)	0.9	(3.9)
Exceptional & other		(0.5)	1.0	0.7	0.0	0.0	0.0
Tax		(0.0)	(2.2)	(4.5)	(5.8)	(5.8)	(6.9)
Net operating cash flow		4.1	7.3	12.5	13.2	30.1	28.0
Capex		(7.3)	(9.8)	(20.6)	(21.6)	(22.1)	(22.6)
Acquisitions/disposals		0.0	0.0	0.0	0.0	0.0	0.0
Net interest		(0.3)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Equity financing		3.4	6.1	7.2	11.5	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0	0.0
Other		0.2	0.1	0.3	0.0	0.0	0.0
Net Cash Flow		0.1	3.4	(0.7)	2.9	7.7	5.1
Opening net debt/(cash)		3.7	3.6	0.2	0.8	(2.0)	(9.7)
FX		0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash movements		0.0	0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash)		3.6	0.2	0.8	(2.0)	(9.7)	(14.8)

Source: Mondo TV accounts, Edison Investment Research

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