

Mondo TV

Tax settlement agreed

Mondo TV has settled its outstanding tax disputes in respect of FY12 and FY14. While it maintains that the conversion of deferred tax assets into tax credits was implemented correctly, the potential for further disputes with respect to similar procedures carried out in other years makes this a sensible and pragmatic resolution. The potential risk from the claims in full in respect of 2012–19 was up to €30.8m, plus legal costs. With penalties and interest, the total payment now agreed for 2012–19 is €2.8m, to be paid over four years from FY21. Our last published model derived an expected end-FY21 net cash figure of €4.7m, so this settlement is unlikely to materially compromise the group's ability to fund its growth programme.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	EV/EBIT (x)	P/E (x)
12/18	18.9	(30.1)	(56.3)	0.0	N/A	N/A
12/19	23.1	6.2	11.3	0.0	6.4	13.2
12/20e	24.5	7.0	11.7	0.0	5.6	12.7
12/21e	28.0	8.7	13.9	0.0	4.4	10.7

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

It would clearly have been possible to pursue the disputing of these claims through the Italian courts and management to date has maintained that there was no merit in them. The tax authorities have acknowledged that the navigation of the relevant statutes was highly complex and that the group had no intention of avoiding genuine tax liabilities. This is recognised in the level at which the settlement has been struck. For the 2012 dispute, the settlement is for €0.5m, against a claim of €5.3m; for 2014, a payment has been agreed of €0.2m against a claim of €2.5m. Claims for the other years were for €2.1m. All are resolved by this settlement.

The total payments now agreed are €2.8m, covering all years from 2012–19 inclusive, to be paid over four years from FY21. Management quantifies the total profit and loss impact at approximately €1.0m, a lower figure than the €2.8m payment as there is a partial offset from reduced future tax rates and interest charges.

The agreed funding from Atlas and the positive trading outlook for the group were covered in our November [update note](#).

Agreement with tax authorities

Media

18 December 2020

Price **€1.49**

Market cap **€54m**

Net debt (€m) at 30 September 5.7

Shares in issue 36.4m

Free float 62%

Code MTVI

Primary exchange Borsa Italiana Star

Secondary exchange N/A

Share price performance



Business description

Mondo TV is a global media group with a focus on the production, acquisition and monetisation of animated children's television series. Headquartered in Rome, it also holds controlling stakes in listed subsidiaries Mondo TV France (21%), Mondo TV Suisse (56%) and Mondo TV Iberoamerica (79%). It owns the rights to over 1,600 TV episodes and films which it distributes across 75 markets. In total, 74% of revenues are generated in Asia, with the remainder from Europe and South America.

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