

Mondo TV

Interim results

Production value well ahead

Mondo TV's interims show a big step up in production value to €17.5m at end June (+36% y-o-y), with delivery of 26 episodes of *Disco Dragon* from Mondo TV France a large element. The regular stream of newsflow of sales and licensing agreements continued through H1, underpinning forecast progress for FY22. The newer deals give a broader international reach, reducing the weighting of Asia in the mix. The €10.5m funding from Atlas Special Opportunities has secured the balance sheet, allowing for the associated investment. The rating remains modest, given the continuing strong demand for original content and the proliferation of platforms.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	EV/EBIT (x)	P/E (x)
12/19	23.1	6.2	11.3	0.0	7.0	12.6
12/20	24.7	6.4	13.2	0.0	6.0	10.8
12/21e	29.2	9.1	14.6	0.0	5.4	9.8
12/22e	31.3	10.2	18.3	0.0	4.9	7.8

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

Deal flow momentum continues

H121 was very busy at Mondo TV France, with the delivery of *Disco Dragon*. Elsewhere, the pre-purchase of *Grisù* by RAI on a seven-year licence is particularly significant as it effectively underwrites the project cost. Our Outlook note outlined key recent deals to end April 2021. Since then, Mondo has also sold some licence rights in China for *Invention Story* (plus one other property) as well as some audio-visual rights in other Asian territories for US\$4.2m, which we assume falls mostly in FY22. More recently, Mondo has also contracted a new property for the Argentinian market, *Nivis*, agreeing 12 11-minute episodes for US\$0.4m. This is the first third-party contract for the upgraded Gran Canarias animation facility (currently conducting a reverse takeover of Mondo TV Iberoamerica).

Growth in EBITDA and shareholder funds

Production value was 36% up on H121, with the European proportion increasing from 22% in H120 to 31% in H121. EBITDA was up 45%. The investment in new series means higher amortisation, with EBIT up 17% on H120. Net profit was ahead by 16%, with guidance for the full year at €5.9m, in line with our model. A swing in working capital with a reduction in receivables and the conversion of the final Atlas bonds (see [Outlook note](#)) lifted shareholder funds from €69.3m to €78.7m. Mondo is re-evaluating its functional responsibilities and structure, targeting savings up to €1.5m over 12 months, which should be within scope of our forecast.

Valuation: Deep discount persists

Parity to global peers on averaged earnings multiples across FY21 and FY22 would imply a value of €3.54/share. A DCF (WACC of 11.5%, terminal growth 2%) suggests a price of €2.03. The midpoint of these is €2.79. We would expect Mondo's valuation discount to close further as the financial benefit of recent deals flows through to revenues and EBITDA.

Media

17 September 2021

Price €1.42

Market cap €62m

Net debt (€m) at 31 June 21 (IFRS) 3.6

Shares in issue 43.6m

Free float 71.6%

Code MTVI

Primary exchange Borsa Italiana Star

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(3.8)	(13.3)	(18.5)
Rel (local)	(2.2)	(14.0)	(37.6)
52-week high/low		€1.81	€1.21

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 (63%) and Mondo TV Iberoamerica (78%). It owns the rights to more than 1,600 TV episodes and films, which it distributes across global markets.

Next events

Q3 figures 12 November 21

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A strong H121 performance

The figures for the first half year demonstrate clearly the strategy of concentrating mostly on opportunities outside of Asia is delivering results, with key properties such as *MeteoHeroes*, *Disco Dragon* and *Grisù* gaining good traction. The joint venture with Toon2Tango, discussed in previous notes, also allows for newer properties to be developed at lower financial risk.

The summary income statement for H121, shown below, shows the momentum. Progress at EBIT level is obviously more muted, given the increase in amortisation, but is nevertheless impressive at +17%. The underlying attributes of the market remain positive, with proliferating content channels, a very strong demand for children's content (given how it can lead household platform subscriptions) and the appetite for animated content, which is readily adaptable for different territories.

Exhibit 1: H121 Mondo TV Group results summary

€m	H121	H120	% change	FY20
Revenue	15.0	11.2	+33	24.7
Capitalised content development	2.5	1.7	+48	5.7
Production value	17.5	12.9	+35	30.4
Operating costs	(5.5)	(4.6)	+18	(11.6)
EBITDA	12.1	8.3	+45	18.8
D&A (including exceptionals)	(7.9)	(4.7)	+66	(10.5)
EBIT	4.2	3.6	+17	8.3
Net financial costs	0.3	(0.2)	N/A	(2.4)
PBT reported	4.5	3.4	+33	6.0
Tax	(1.3)	(1.2)	+14	(2.0)
Minorities	(0.3)	0.2	N/A	0.4
Net profit	2.9	2.5	+16	4.4

Source: Mondo TV

Changes to detail, rather than substance of forecasts

Our projections for full year and FY22e production values (being revenue plus capitalised content development, so giving a better reflection of the levels of activity) and net income are unchanged on our previous estimates. Our EBITDA number for the current year is edged up from €24.6m to €25.8m to reflect the strong H121 but our assumptions for amortisation for both years are increased.

We have reduced our assumptions for net interest, with the benefit to the balance sheet of the conversion of the final Atlas bonds augmented by the positive swing in working capital (and management's indications that H221 will also be positive). Minorities were a net positive in H121 and we have adjusted our full-year assumption to reflect this. The net effect is an unchanged estimate for FY21e net profit of €5.9m and an uplift in our estimate for FY22e from €7.1m to €7.7m. This assumes no major disruption or substantive cost relating to the planned internal structural review.

We are also now expecting the balance sheet to be more net cash positive by the end of the year, with a balance of €3.1m, up from €2.1m at the time of writing our [June Outlook note](#), despite higher assumed levels of investment. We have also lifted our investment assumption for FY22e from €20.2m to €25.2m, given the momentum in the order intake. Despite this and a modelling of a small swing back in working capital, we expect the group to remain cash positive at the end of FY22e.

Exhibit 2: Financial summary

	€'m	2019	2020	2021e	2022e
31-December		IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue		23.1	24.7	29.2	31.3
Production value		26.7	30.4	34.9	36.9
Cost of Sales		(6.6)	(5.9)	(3.4)	(3.9)
Gross Profit		16.4	18.8	25.8	27.4
EBITDA		16.4	18.8	25.8	27.4
Operating Profit (before amort. and except.)		6.5	8.7	9.6	10.7
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0
Exceptionals		(0.2)	(0.4)	0.0	0.0
Share-based payments		0.0	0.0	0.0	0.0
Reported operating profit		6.3	8.3	9.6	10.7
Net Interest		(0.3)	(2.4)	(0.5)	(0.5)
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0
Profit Before Tax (norm)		6.2	6.4	9.1	10.2
Profit Before Tax (reported)		6.0	6.0	9.1	10.2
Reported tax		(2.1)	(2.0)	(2.7)	(3.2)
Profit After Tax (norm)		4.1	4.6	6.6	7.4
Profit After Tax (reported)		3.9	3.9	6.4	7.1
Minority interests		(0.1)	0.4	(0.5)	0.6
Discontinued operations		0.0	0.0	0.0	0.0
Net income (normalised)		4.0	5.0	6.1	8.0
Net income (reported)		3.8	4.4	5.9	7.7
Average Number of Shares Outstanding (m)		35	38	42	44
EPS - normalised (c)		11.3	13.2	14.6	18.3
EPS - normalised fully diluted (c)		11.3	13.2	14.6	18.3
EPS - (c)		10.8	11.4	14.1	17.6
Dividend per share (c)		0.0	0.0	0.0	0.0
Revenue growth (%)		21.9	7.1	18.4	6.9
EBITDA Margin on production value (%)		61.4	62.0	74.0	74.2
Normalised Operating Margin on production value (%)		24.4	28.7	27.6	29.0
BALANCE SHEET					
Fixed Assets		50.5	59.1	70.6	79.7
Intangible Assets		35.8	44.8	56.8	65.8
Tangible Assets		1.6	1.2	1.2	1.3
Investments & other		13.1	13.1	12.6	12.6
Current Assets		35.7	43.6	46.8	48.6
Stocks		0.0	0.0	0.0	0.0
Debtors		24.9	30.7	30.9	32.4
Cash & cash equivalents		8.0	9.9	13.0	13.3
Other		2.8	3.0	3.0	3.0
Current Liabilities		(19.9)	(23.7)	(23.1)	(24.3)
Creditors		(13.8)	(14.6)	(16.9)	(18.2)
Tax and social security		(0.8)	(3.6)	(3.2)	(3.1)
Short term borrowings		(5.3)	(5.3)	(2.8)	(2.8)
Other		(0.0)	(0.2)	(0.2)	(0.2)
Long Term Liabilities		(4.7)	(9.6)	(7.9)	(7.9)
Long term borrowings		(4.1)	(8.8)	(7.0)	(7.0)
Other long term liabilities		(0.6)	(0.8)	(0.8)	(0.8)
Net Assets		61.6	69.3	86.4	96.1
Minority interests		(1.2)	(0.7)	(0.6)	(0.7)
Shareholders' equity		60.4	68.6	85.8	95.4
CASH FLOW					
Op Cash Flow before WC and tax		16.4	17.0	25.3	27.4
Working capital		(10.6)	(2.5)	2.0	(0.2)
Exceptional & other		1.4	(0.4)	1.1	0.0
Tax		(2.1)	(2.0)	(3.4)	(3.9)
Operating cash flow		5.1	12.1	25.0	23.4
Capex		(14.2)	(18.7)	(27.7)	(25.2)
Acquisitions/disposals		(0.1)	0.0	0.0	0.0
Net interest		2.9	4.8	(0.5)	(0.5)
Equity financing		1.8	3.8	6.2	0.0
Dividends		0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	0.0
Net Cash Flow		(4.5)	2.0	3.1	(2.3)
Opening net debt/(cash)		(8.0)	1.4	4.1	(3.1)
FX		0.0	0.0	0.0	0.0
Other non-cash movements		(4.9)	(4.7)	4.2	0.0
Closing net debt/(cash)		1.4	4.1	(3.1)	(0.8)

Source: Company accounts, Edison Investment Research

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