

ILBE

Sector: Media

NEUTRAL

Price: Eu0.80 - Target: Eu1.25

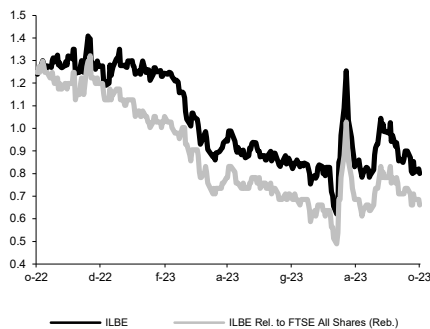
Estimate Revision and Change in View

Andrea Randone +39-02-77115.364
andrea.randone@intermonte.it

Stock Rating

Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	from 2.20 to 1.25		
	2023E	2024E	2025E
Chg in Adj EPS	-66.4%	-32.2%	-25.6%

ILBE - 12M Performance



Stock Data

Reuters code:	IE.MI
Bloomberg code:	IE IM

Performance	1M	3M	12M
Absolute	-18.4%	0.0%	-35.9%
Relative	-14.9%	5.8%	-56.2%
12M (H/L)		1.41/0.62	
3M Average Volume (th):		60.78	

Shareholder Data

No. of Ord shares (mn):	35
Total no. of shares (mn):	35
Mkt Cap Ord (Eu mn):	28
Total Mkt Cap (Eu mn):	28
Mkt Float - Ord (Eu mn):	6
Mkt Float (in %):	20.9%
Main Shareholder:	
Andrea Iervolino	31.7%

Balance Sheet Data

Book Value (Eu mn):	95
BVPS (Eu):	2.71
P/BV:	0.3
Net Financial Position (Eu mn):	-45
Enterprise Value (Eu mn):	74

■ **The group unveiled a weak set of results on 30 September.** The group's 2Q23 revenues fell 51% to Eu27.5mn, while EBIT was negative to the tune of Eu0.5mn. 1H23 revenues were down 28% YoY, while adj. EBIT came to Eu2.7mn, down 75% YoY, a 4.5% margin on sales (vs. 13.5% in 1H22). Net financial debt, excluding Eu2.8mn of IFRS16 liabilities, came to Eu41.3mn as at the end of June 2023, higher than the corresponding figure at the end of March 2023 (Eu37.6mn) and at the end of December 2022 (Eu23.1mn).

■ **Management indications and outlook.** According to new management guidance, 2H23 revenues should be in line with 2H22 while 2H23 EBIT margin should be in line with 1H23. However, in 2H23, management also expects to book revenues from licensing the internally developed pipeline for animation characters. In the meantime, we believe the covenants on the 2 bonds issued must be up for discussion. In the press release, Andrea Iervolino outlined the major cinematographic projects being prepared, such as the "Maserati" and "Ferrari vs. Mercedes" films, while underlining that these films will not deliver immediate financial returns and may impact the financial profile over the coming quarters.

■ **Estimates update.** In this report we are cutting our 2023-24 estimates to take the new outlook into account. In terms of EBIT and cash flow generation, it remains difficult to get a clear grasp of the impact of the various projects, which are likely to provide different contributions in terms of margins and cash profile. The core animation business should continue to grow thanks to new projects and new formats (e.g. animation movies, TikTok clips) but evidence of public appreciation of these product types remains mixed. All in all, we are cutting 2023 EBIT by 51% to Eu9.0mn, corresponding to a 6% margin on sales; for 2024, we assume margins partially recovering and we expect EBIT to reach Eu14mn, down 23% from our last forecast. Looking ahead, our focus will be on tracking ILBE's success in exploiting the potential of intellectual property related to animated characters, working in partnership with other industry players. In terms of cash flow, we expect net debt as at YE23 to be in line with the level of June 2023. We are not assuming a significant debt reduction in 2024.

■ **Downgrade to NEUTRAL; target from Eu2.2 to Eu1.25.** 1H figures were weak, with low margins on revenues envisaged continuing in 2H23, and these make a cash flow rebalancing unlikely in the short term. As a consequence, our recommendation goes to NEUTRAL pending greater visibility. In conclusion, even after rolling our 6x EV/EBIT fair valuation one year forward from 2023 to 2024, our target price comes down to Eu1.25 from Eu2.2. We stress that confirming a sustainable cash flow balance and stronger evidence of public appreciation of the company's animated products remain essential conditions for triggering a re-rating.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	152	161	153	161	163
EBITDA Adj (Eu mn)	138	131	124	130	133
Net Profit Adj (Eu mn)	18	3	4	8	10
EPS New Adj (Eu)	0.523	0.099	0.112	0.226	0.277
EPS Old Adj (Eu)	0.523	0.099	0.334	0.333	0.372
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	1.1	0.7	0.6	0.6	0.5
EV/EBIT Adj	6.2	4.2	8.2	5.2	4.1
P/E Adj	1.5	8.1	7.1	3.5	2.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.2	0.2	0.4	0.3	0.3

ILBE – Key Figures						
Profit & Loss (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	121	152	161	153	161	163
EBITDA	112	138	131	124	130	133
EBIT	22	24	10	9	14	16
Financial Income (charges)	-1	-3	-5	-5	-5	-5
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	21	20	5	5	9	11
Taxes	-2	-2	-1	-1	-1	-1
Tax rate	8.8%	9.5%	22.3%	12.0%	12.0%	12.0%
Minorities & Discontinued Operations	0	0	-0	0	0	0
Net Profit	19	18	3	4	8	10
EBITDA Adj	112	138	131	124	130	133
EBIT Adj	23	24	21	9	14	16
Net Profit Adj	19	18	3	4	8	10
Per Share Data (Eu)	2020A	2021A	2022A	2023E	2024E	2025E
Total Shares Outstanding (mn) - Average	35	35	35	35	35	35
Total Shares Outstanding (mn) - Year End	35	35	35	35	35	35
EPS f.d	0.553	0.523	0.099	0.112	0.226	0.277
EPS Adj f.d	0.553	0.523	0.099	0.112	0.226	0.277
BVPS f.d	1.901	2.427	2.535	2.706	3.004	3.369
Dividend per Share ORD	0.000	0.000	0.000	0.000	0.000	0.000
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Flow (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Gross Cash Flow	96	140	123	107	124	127
Change in NWC	2	-5	-21	-19	-10	-1
Capital Expenditure	-109	-147	-99	-108	-113	-119
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-10	-13	3	-20	1	7
Acquisitions, Divestments & Other Items	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	-15	-14	3	-20	1	7
Balance Sheet (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Total Fixed Assets	69	101	78	72	71	75
Net Working Capital	6	4	26	57	67	68
Long term Liabilities	-1	-1	-0	-0	-0	-0
Net Capital Employed	83	115	115	141	151	157
Net Cash (Debt)	-16	-29	-26	-45	-45	-38
Group Equity	67	86	89	95	106	119
Minorities	0	0	0	0	0	0
Net Equity	67	86	89	95	106	119
Enterprise Value (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Average Mkt Cap	137	123	61	28	28	28
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-16	-29	-26	-45	-45	-38
Enterprise Value	153	152	87	74	73	66
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA Adj Margin	93.1%	90.8%	81.1%	81.0%	80.9%	81.7%
EBIT Adj Margin	18.9%	16.0%	12.9%	5.9%	8.7%	9.9%
Gearing - Debt/Equity	23.3%	34.2%	28.9%	47.6%	42.1%	32.1%
Interest Cover on EBIT	33.5	7.5	1.9	2.0	2.8	3.2
Net Debt/EBITDA Adj	0.1	0.2	0.2	0.4	0.3	0.3
ROACE*	33.7%	23.8%	8.5%	7.0%	9.6%	10.5%
ROE*	34.0%	24.1%	4.0%	4.3%	7.9%	8.7%
EV/CE	2.3	1.5	0.8	0.6	0.5	0.4
EV/Sales	1.3	1.0	0.5	0.5	0.5	0.4
EV/EBITDA Adj	1.4	1.1	0.7	0.6	0.6	0.5
EV/EBIT Adj	6.7	6.2	4.2	8.2	5.2	4.1
Free Cash Flow Yield	-36.9%	-44.6%	11.5%	-69.4%	2.7%	23.1%
Growth Rates (%)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	50.9%	26.2%	5.7%	-4.9%	5.2%	1.5%
EBITDA Adj	49.1%	23.0%	-5.6%	-5.0%	5.0%	2.5%
EBIT Adj	0.6%	7.3%	-14.9%	-56.7%	56.0%	14.6%
Net Profit Adj	-3.7%	-5.5%	-81.1%	14.0%	100.9%	22.6%
EPS Adj	-8.9%	-5.5%	-81.1%	14.0%	100.9%	22.6%
DPS						

*Excluding extraordinary items

Source: Intermonte SIM estimates

1H23 Results

ILBE – 1H23 Results

Income Statement	2Q22A	2Q23A	YoY	1H22A	1H23A	YoY
Value of production	56.4	27.5	-51.3%	83.3	60.0	-27.9%
Labour costs				(3.4)	(2.4)	
Operating costs				(13.8)	(12.4)	
EBITDA				66.0	45.2	
D&A				(54.8)	(42.5)	
EBIT before one-off	7.2	(0.5)	-107.5%	11.2	2.7	-75.9%
margin %	12.8%	-2.0%		13.5%	4.5%	
one-off items				(1.5)	(0.1)	
EBIT				9.7	2.6	-73.0%
margin %				11.6%	4.4%	
Net financial income/expense				(3.6)	(1.2)	
Pretax Profit				6.1	1.4	
YoY %				-54%	-77%	
Taxes				(2.7)	(0.7)	
Tax Rate				-44.3%	-50.9%	
Group net profit				3.4	0.7	
YoY %				-72.6%	-79.8%	
minorities				(0.0)	(0.1)	
Net profit				3.3	0.6	
Net Cash (Debt) excl. IFRS16				(26.5)	(41.3)	

Source: Intermonte SIM estimates

ILBE – Key Balance Sheet figures

Balance Sheet	2019	1H20A	2020A	1H21A	2021A	1H22A	2022A	1H23A
Trade Working Capital	(6.2)	(7.5)	(8.5)	(6.0)	(3.5)	16.0	17.7	17.8
Other current Assets/Liabilities	1.6	6.4	14.4	18.5	7.2	1.3	8.5	29.2
Net working capital	(4.6)	(1.1)	5.9	12.5	3.7	17.3	26.2	47.0
Net Fixed Asset	53.2	63.8	77.3	84.8	111.9	101.1	89.4	87.7
Other LTLiabilities	(0.3)	(0.4)	(0.6)	(0.6)	(0.7)	(0.4)	(0.4)	(0.4)
Net capital employed	48.2	62.2	82.7	96.7	114.9	118.0	115.2	134.3
Financed by:								
Net (debt) cash	(0.5)	(4.8)	(15.6)	(17.3)	(29.3)	(28.6)	(25.8)	(44.2)
<i>o/w IFRS 16 (leasing)</i>	-	-	-	-	-	(2.1)	(2.7)	(2.8)
Net Equity	47.7	57.4	67.0	79.4	85.6	89.4	89.4	90.1

Source: Intermonte SIM estimates

Change in estimates

ILBE – Changes to estimates

(Eu mn)	NEW			OLD			% CHANGE		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Value of production	153.1	161.0	163.4	158.1	161.5	163.4	-3.2%	-0.3%	0.0%
		5.17%			2.16%				
EBIT adjusted	9.0	14.0	16.1	18.4	18.3	19.9	-51.1%	-23.4%	-19.2%
<i>margin %</i>	5.9%	8.7%	9.9%	11.6%	11.4%	12.2%			
EBIT	9.0	14.0	16.1	18.4	18.3	19.9	-51.1%	-23.4%	-19.2%
<i>margin %</i>	5.9%	8.7%	9.9%	11.6%	11.4%	12.2%			
Net financial charges	(4.5)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)			
Pretax Profit	4.5	9.0	11.1	13.4	13.3	14.9	-66.4%	-32.2%	-25.6%
<i>margin %</i>	2.9%	5.6%	6.8%	8.5%	8.3%	9.1%			
Taxes	(0.5)	(1.1)	(1.3)	(1.6)	(1.6)	(1.8)			
<i>Tax Rate</i>	-12.0%	-12.0%	-12.0%	-12.0%	-12.0%	-12.0%			
Group net profit	4.0	8.0	9.8	11.8	11.7	13.1	-66.4%	-32.2%	-25.6%
<i>YoY%</i>	12.4%	100.9%	22.6%	234.7%	(0.4%)	11.7%			
<i>margin %</i>	2.6%	4.9%	6.0%	7.5%	7.3%	8.0%			
minorities	-	-	-	-	-	-			
Net profit	4.0	8.0	9.8	11.8	11.7	13.1	-66.4%	-32.2%	-25.6%
Net Cash (Debt)	(45.4)	(44.6)	(38.1)	(31.3)	(28.0)	(24.8)	(14.1)	(16.6)	(13.3)

Source: Intermonte SIM estimates

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	ILBE		
Current Recomm:	NEUTRAL	Previous Recomm:	OUTPERFORM
Current Target (Eu):	1.25	Previous Target (Eu):	2.20
Current Price (Eu):	0.80	Previous Price (Eu):	0.99
Date of report:	26/10/2023	Date of last report:	27/04/2023

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	24.79 %
OUTPERFORM:	52.99 %
NEUTRAL:	20.51 %
UNDERPERFORM	01.71 %
SELL:	00.00 %

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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