

EQUITY - SPAIN

Sector: Media

 Closing price: EUR 0.27 (13 Apr 2023)
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Important news
 Independent Equity Research

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Business description

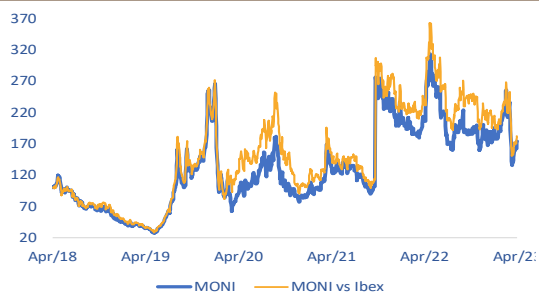
Mondo TV Studios (MONI), is a Spanish company based in Tenerife (the Canary Islands, Spain) that provides animation, co-production and content distribution services (TV and OTT platforms over the internet) focused on children and young people and with activity in Spain, Portugal, Latam and Spanish-speaking areas of the US. MONI forms part of the Mondo TV Group (that controls c. 75% of capital).

Market Data

Market Cap (Mn EUR and USD)	5.4	6.0
EV (Mn EUR and USD) ⁽²⁾	8.6	9.5
Shares Outstanding (Mn)	20.0	
-12m (Max/Med/Mín EUR)	0.49 / 0.32 / 0.21	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	17.7	
Factset / Bloomberg	MONI-ES / MONI SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Mondo TV S.p.A	74.2
Corradi Family	9.4
Free Float	16.4

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-23.2	-11.1	-17.6	74.3
vs Ibex 35	-26.1	-15.2	-23.7	82.9
vs Ibex Small Cap Index	-20.6	-10.3	-12.4	61.1
vs Eurostoxx 50	-27.9	-15.4	-27.7	37.8
vs Sector benchmark ⁽⁴⁾	-25.6	-16.9	-18.8	28.4

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Stoxx Europe 600 Media.

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

Squirrel Media reaches agreement to buy MONI

MONI'S MAJORITY SHAREHOLDER (MONDO TV S.P.A) SIGNED A BINDING LETTER OF INTENT WITH SQUIRREL MEDIA. Yesterday (13 April 2023), Squirrel Media, a media company listed on the Spanish continuous trading market (ticker: SQRL SM; Mkt. Cap: c. EUR 220Mn), and Mondo TV S.p.A (parent company of MONI) announced the signing of a binding letter of intent for the acquisition by Squirrel Media of MONI's entire stake (74.24%) in Mondo TV S.p.A. The Corradi family (holder of a controlling interest in Mondo TV S.p.A.) still holds shares representing 9.4% of MONI's capital.

AMOUNT OF THE TRANSACTION. The transaction values 100% of MONI's capital at EUR 6.2Mn (+15,6% vs the closing share price before the announcement and in line with the 3m and 12m average share prices) and will be carried out through a share exchange. This valuation would imply a 2023e EV/sales of 1.8x. Specifically, the exchange ratio values MONI at EUR 0.31/share and SQRL at EUR 3.2/share (+37% vs yesterday's closing price). SQRL has expressed its intention of acquiring 100% of MONI's capital (guaranteeing payment of the price in cash at EUR 0.31/share to shareholders not wishing to tender their shares in a hypothetical offer). As at the date of this report, MONI (ex Corradi family) had a free float of 16.4%.

A DEAL THAT CREATES SYNERGIES FOR BOTH SQUIRREL MEDIA... SQRL is present throughout the entertain and media value chain through: i) advertising (46% of 2022 revenue), ii) media (34%), iii) TMT services (11%) and iv) content -production and distribution of audiovisual content - (9%). In recent years, SQRL has invested heavily in the content business (c. EUR 45Mn -4y) to "nurture" its catalogue. These investments should start becoming visible in the 2023e P&L.

The acquisition of MONI, which has an animation studio in the Canary Islands (where the company benefits from an excellent tax incentive framework), and its catalogue would cement SQRL's content distribution and generation capacity (in Spanish, Portuguese and Italian). MONI reported revenue in 2022 of EUR 4.9Mn (6.2% of SQRL's revenue). For further details details about MONI' 2022 results, see [moni_20230316](#).

...AND MONI. The deal should enable MONI to grow more than just through the revenue contributed by its parent (c. 30% of 2022 revenue), leveraging its animation content business in SQRL's structure, as SQRL not only boasts greater distribution capacity, but it also has stronger financing capacity, which would make it easier for MONI to raise the capital it needs to undertake new investments in content (currently its business model's biggest drawback).

WHAT'S NEXT? The transaction is subject to two conditions precedent: i) a legal, tax and business review of MONI to SQRL's satisfaction and ii) MONI's delisting from BME Growth (complying with all legal requirements to delist and guaranteeing payment in cash to shareholders not wishing to take part in the transaction). Signing of the letter of intent leads to a 6-month exclusivity period.

Mondo TV Studios (MONI) is a BME Growth company

BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

BME Growth is the Spanish equity market for companies of reduced capitalization which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in BME Growth (former MAB) started in July 2009. There are currently c. 130 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	5.4	
+ Minority Interests	-	12m Results 2022
+ Provisions & Other L/T Liabilities	-	12m Results 2022
+ Net financial debt	3.2	Lighthouse 2023
- Financial Investments	-	12m Results 2022
+/- Others		
Enterprise Value (EV)	8.6	

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LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
14-Apr-2023	n.a.	0.272	n.a.	n.a.	Important news	David López Sánchez
16-Mar-2023	n.a.	0.354	n.a.	n.a.	12m Results 2022 - Estimates downgrade	David López Sánchez
23-Nov-2022	n.a.	0.264	n.a.	n.a.	9m Results 2022	David López Sánchez
14-Sep-2022	n.a.	0.350	n.a.	n.a.	6m Results 2022	David López Sánchez
25-May-2022	n.a.	0.430	n.a.	n.a.	Initiation of Coverage	David López Sánchez

