EthiFinance Ratings

PROSIEBENSAT.1 MEDIA SE

HRB 219439 CORPORATE

BB+ ISSUER RATING
Long term

OUTLOOK
Positive

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Rating Action and Rationale

- EthiFinance Ratings affirms ProSiebenSat.1 Media SE's (PSM) long-term rating at BB+, but changes its outlook from Stable to Positive.
- Our positive outlook reflects the expectation of an improvement in overall credit metrics over the next two years. This progress could potentially lead to a rating upgrade, considering PSM's current standing within its rating category.
- Our rating affirmation is supported by PSM's resilient financial profile despite some deterioration in 2023, and its leading position in the German-speaking (DACH) media market, where it commands a 24.6% audience share among viewers aged 14 to 49. In FY23, the company reported another revenue decline of 7.5%, due to weaker advertising and content sales (-16% vs FY22) and underperformance in both the entertainment and dating & video business lines (-13% vs FY22). While the advertising-based business model is inherently cyclical, the German TV advertising market has lagged behind key European peers like the UK, France and Italy, which have broadly returned to pre-pandemic levels. Addressing this challenge, PSM has prioritized diversification beyond linear TV advertising revenue. The company's hybrid video-on-demand (HVOD) platform, "Joyn", has emerged as a key growth driver within the digital & smart segment, achieving a 62% increase in monthly users between 3Q24 and 3Q23. To further differentiate from global streaming players, ProSiebenSat.1 focuses on exclusive local and live programming, leveraging its production hub, Seven, to strengthen its content offerings. The EthiFinance Ratings adjusted EBITDA margin declined by 120 bps YoY, mainly due to challenges in the entertainment and dating & video segments. Consequently, the EthiFinance adjusted net leverage has slightly deteriorated from 2.8x in FY22 to 3.2x in FY23. However, we expect this ratio to progressively improve to 2.0x by 2026, along with other credit metrics. Another factor supporting our rating is the favorable assessment of the industry, which is characterized by high margins (Average EBIT margin ~15%), in addition to high barriers of entry.
- However, our current rating is constrained by the macro headwinds in the German TV Ad market and the pressure from streaming platforms. The latter threatens both audience reach and monetization, which are central to PSM's business model. While the company's non-advertising segments, such as dating and commerce, accounted for 33.5% of FY23 sales, the remaining 66.5% of revenue remains heavily reliant on cyclical market trends as well as consumer behavior inherent to advertising. These factors are volatile, requiring PSM to adapt its strategies swiftly, in order to maintain competitiveness.
- Under our methodology, the media & entertainment industry has moderate ESG risks (sector heatmap score between 2 and 3.5), which is neutral for our industry assessment. The sector has a low impact on climate, biodiversity, and resource use, while also providing valuable infrastructure to communities – a factor we assess positively. However, given its extensive reach and influence, this industry could potentially pose risks to consumers. This makes corporate responsibility, the quality of information, and related ethical considerations particularly important.
- On a company level, we assign an ESG score of between 1.5 and 3.5, which is neutral in our assessment. This change compared to our last review results from the yoy increase in energy and carbon use by 8% and 23%, respectively. By 2030, PSM targets the goal of climate neutrality by lowering its energy consumption and sourcing electricity from renewable energy sources.

Issuer Description

Headquartered in Germany, PSM is a media company, specializing in advertising-financed free-to-air television. Its core television channels include SAT.1, ProSieben and Kabel Eins. PSM operates across 3 primary business segments: (i) Entertainment (c. 67% of FY23 revenues), (ii) Commerce & Ventures (c. 21%) and (iii) Dating & Video (c. 12%). The company focuses on the DACH region, covering German-speaking countries in Europe, including Germany, Austria, and Switzerland. Through its network of free and pay-TV channels, PSM creates, distributes and monetizes virtual content, with advertising serving as its largest revenue driver with c.58% of FY23 revenue. Additionally, PSM capitalizes on advertising synergies through other ventures such as online shops, digital platforms and its hybrid video-on-demand (HVOD) platform "Joyn". ProSiebenSat.1 Media SE is publicly listed on the Frankfurt Stock Exchange, with a free float of 59.1% and a market capitalization of €1.12bn as of 18 November, 2024.

For FY23, the company reported revenues of €3.85bn for EthiFinance Ratings-adjusted EBITDA of €570m and the net adjusted leverage ratio stood at 3.2x.

Liquidity

We assess the liquidity profile as "Good" reflecting its strong refinancing profile as well as its high level of liquidity.

Main Financial Figures & Forecasts

Main financial figures. millions of EUR	FY22	FY23	FY24e	FY25e	FY26e	23vs22
Turnover	4 163	3 852	3 948	4 067	4 189	-7.5%
Adj EBITDA (1)	668	570	541	545	570	-14.7%
Adj EBITDA Margin (1)	16.0%	14.8%	13.7%	13.4%	13.6%	-1.2pp
EBIT	236	-87	344	342	360	-136.9%
EBIT Margin	5.7%	-2.3%	8.7%	8.4%	8.6%	-7.9pp
EBT	-81	-165	272	270	301	-103.7%
Total Assets	6 005	5 904	6 154	6 186	6 190	-1.7%
Equity	1 774	1 580	1 789	1 990	2 208	-10.9%
Adj Total Financial Debt (2)	2 399	2 421	2 440	2 244	2 002	0.9%
Adj Net Financial Debt (2)	1 895	1 848	1 624	1 399	1 157	-2.5%
Equity/Adj TFD (2)	73.9%	65.3%	73.3%	88.7%	110.3%	-8.7pp
Adj NFD/ Adj EBITDA (1) (2)	2.8x	3.2x	3.0x	2.6x	2.0x	0.4x
Adj Funds From Operations	418	-50	473	468	487	-112.0%
Adj FFO/ Adj NFD (2)	22.1%	-2.7%	29.1%	33.4%	42.1%	-24.8pp
Adj EBITDA/ Interest (1)	18.1x	6.9x	6.5x	6.8x	8.5x	-11.2x

(1) Adjusted EBITDA is derived from accounting EBITDA, adjusted for gains or losses on disposals and certain one-off, non-recurring items included in reconciling adjustments.

(2) Adj Total financial debt includes pension benefits, capitalized operating leases, put options and earn-outs.

Credit Rating

Credit Rating	
Business Risk Profile	**BBB-**
Industry risk assessment	*BBB*
Industry's ESG	*Neutral*
Competitive Positioning	*BB+*
Governance	*BB+*
Financial Risk Profile	**BB+**
Cash flow and leverage	*BB+*
Capitalisation	*BB+*
Company's ESG	*Neutral*
Anchor Rating	**BB+**
Modifiers	-
Final Rating	**BB+**

Rating Sensitivity

- List of ratings:
    - LT Rating: BB+

Factors that may (individually or collectively) impact the rating:

- **Positive factors (↑)**

Given the positive outlook, we could upgrade our long-term rating should the company improve its credit ratios on the back of a better coverage of interest costs and a successful deleveraging strategy. Such an upgrade could be triggered by an adjusted net leverage of 2.5x or lower along with an interest coverage ratio of 8.0x or higher, on a sustainable basis. Also, a rating upgrade could also occur if the company's ESG score falls below 1.5.

- **Negative factors (↓)**

We may consider downgrading our long-term rating if the company's credit ratios deteriorate beyond current expectations due to revised guidance or adverse macroeconomic conditions. A downgrade could be triggered if the adjusted net leverage exceeds 5.0x or if the interest coverage ratio falls below 4.0x.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
  - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

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