



ISSUER RATING

Long-Term

Outlook Stable

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Rating Action and Rationale

- EthiFinance Ratings reaffirms ProSiebenSat.1 Media SE ("ProSiebenSat" or "PSM") "BB+" rating, with a Stable outlook.
- The rating is based on its strong financial fundamentals and its leading position in the DACH market. The group has a positive liquidity level, while showing favourable 2022 ratios such as NFD/NFD<3x, EBITDA/Interest>15x, and a balanced solvency position (Equity/TFD>75%). However, the rating is constrained by the negative performance in 2022 and the third quarter of 2023, having been affected by the difficult market environment.
- Additionally, from an economic-financial point of view, because of the decline in business and the worsening EBITDA margin, the debt ratios worsened in 2022, but remained at adequate levels. Despite the reduction of the net financial debt volume by 14.5% (€1.8bn in FY22 and €2.1bn in FY21), the decline in EBITDA indeed led to a worsening of the NFD/EBITDA and FFO/NFD debt ratios to 2.9x (2.6x in FY21) and 24.5% (27.8% in FY21) in 2022. The interest coverage ratio remained at an optimal level at 15.4x at end-2022 (14.9x in FY21). For the twelve months to end-September 2023, debt and interest coverage ratios (NFD/EBITDA: 4.4x, FFO/NFD: 19.0% and EBITDA/Interest: 6.3x) have further worsened, but to an extent that, in our view, does not justify changing the outlook or downgrading the rating.
- However, the group's revenues have clearly been influenced by the market environment, showing a negative trend in 2022 that continued into the third quarter of 2023. Revenues in 2022 amounted to €4.2bn (-7.4% YoY; €4.5bn FY2021). In 2022, the revenues of its main business line, Entertainment (69% of total revenue), experienced a decreased by 6.8%, and both Commerce & Ventures (18% of total revenue) and Dating & Video (12% of total revenue) revenues decreased by 11.5% and 4.4% respectively, compared to 2021. In 2022, the decrease in adjusted EBITDA was 21.5%, reaching €645m (€822m in FY21). Consequently, the EBITDA margin has been reduced to 15.5% (18.3% in FY21). The decrease in turnover coupled with the deteriorations in the Commerce & Ventures segment have caused EBIT in 2022 to decrease by 57.2% to €236m (€552m in FY21). In the third quarter of 2023, revenues reached €2.6bn (-11% YoY; 2.9bn in the third quarter of 2022), and the EBITDA margin worsened to 6.0% (11.7% in the third quarter of 2022).
- Concerning to the business profile, ProSiebenSat, a leader in the DACH market, continues to strengthen its presence through acquisitions and by investing heavily in content and new business, thereby expanding the group's service offering and coverage. Over the past ten years, PSM has made more than 60 acquisitions, mostly in Germany and the US. These transactions enabled the company to expand its range of services and reaffirmed its leading position in the DACH market. However, ProSiebenSat is operating in an industry that is currently undergoing major changes, with the rise of streaming giants such as Disney+ and Netflix facing the threat of losing viewers to new players.
- PSM has good business diversification with exposure to sectors including media, consumer products, and services, providing a mix of services to different segments within the industry. However, the group's focus on the DACH market, although the most resilient market across Europe, exposes PSM to some geographical risk, which constrains our rating.
- In line with our methodology, the Media and Telecommunication industry has medium ESG risks (heatmap score between 2 and 3.5), which is neutral for our industry assessment. Our assessment of the company's ESG policy is neutral as well (company ESG score between 1 and 4), resulting in no adjustments based on ESG considerations
- The company presents a favorable ESG assessment (72/100) with a positive impact on the rating. PSM's activities are not particularly directly subject to environmental issues. Indeed, the gas emissions of media companies are lower than those of a comparable company in another sector. Furthermore, PSM aims to be climate-neutral by 2030 by lowering its energy consumption as well as by purchasing electricity from renewable energy sources.

Issuer Description

Headquartered in Germany, ProSiebenSat is a leader amongst media companies in the country (revenues of c.€4.2bn in FY22) with its TV stations – primarily “Pro7” and “Sat1” but also some others, reaching 60m people a month in Germany. The company operates television channels in the DACH region, the German-speaking area of continental Europe, i.e., Germany, Switzerland and Austria. Through its network of free and pay TV stations, ProSiebenSat produces, distributes and sells its virtual content as well as generating revenue through advertising, which is usually by far the major source of revenues (c.69% of FY22 revenue). In addition to that, the company has other activities which largely benefit from advertising, such as online shops and digital platform for different online services. In 2020, ProSiebenSat developed a new segment, “Dating”, following the closing of the acquisition of Meet Group in September 2020 for €418m. The dating business, which represented slightly more than 12% of total FY22 revenue (12% of total FY21), improves the diversification of the group. This segment has satisfactory growth prospects and could benefit from the synergies and know-how in online services and advertising of ProSiebenSat.

In 2022, the company reported revenue of €4.2bn along with adjusted EBITDA of €645m and the net adjusted leverage ratio stood at 2.9x, slightly up from 2.6x at end-2021.

Main Financial Figures

Main Financial figures. Thousands of €					
	2021	2022	2023E	2024E	22vs21
Turnover	4,495	4,163	3,934	4,058	-7.4%
EBITDA ⁽¹⁾	822	645	580	670	-21.5%
EBITDA Margin	18.3%	15.5%	14.7%	16.5%	-0.2pp
EBIT	552	236	387	461	-57.2%
EBIT Margin	12.3%	5.7%	9.8%	11.4%	-0.5pp
EBT	614	97	279	364	-84.2%
Total Assets	6,656	6,005	6,110	6,268	-9.8%
Equity	1,968	1,774	1,761	1,923	-9.9%
Total Financial Debt	2,768	2,363	2,355	2,355	-14.6%
Net Financial Debt	2,174	1,859	2,012	2,012	-14.5%
Equity/TFD	71.1%	75.1%	74.8%	81.7%	0.1pp
NFD/EBITDA	2.6x	2.9x	3.5x	3.0x	0.1x
Funds From Operations	604	456	434	499	-24.5%
FFO/NFD	27.8%	24.5%	21.6%	24.8%	-0.1pp
EBITDA/Interest	14.9x	15.4x	9.2x	10.4x	0.03x

⁽¹⁾EBITDA has been adjusted for Reconciling items.

Credit Rating

Credit Rating	
Business Risk Profile	BB+
<i>Industry Risk Assessment</i>	<i>BBB-</i>
<i>Sector ESG Adjustment</i>	<i>Neutral</i>
<i>Competitive Positioning</i>	<i>BB+</i>
<i>Governance</i>	<i>BB</i>
Financial Risk Profile	BB+
<i>Cash flow and leverage</i>	<i>BB+</i>
<i>Solvency</i>	<i>BB+</i>
<i>Company's ESG Adjustment</i>	<i>Positive</i>
Anchor Rating	BB+
<i>Modifiers</i>	<i>No</i>
Rating	BB+

Rating Sensitivity

- **Long-term rating positive factors (↑)**

We could upgrade the rating of the company if credit metrics improve on the back of a better-than-expected performance of its businesses. This improvement would involve restoring a positive trend in revenue across business lines, enhancing the EBIT margin (above 18%), and achieving positive year-end results. In addition, an improvement in debt ratios (NFD/EBITDA below 2x and FFO/NFD above 30%) would be a positive development.

- **Long-term rating negative factors (↓)**

A rating downgrade could happen should ProSiebenSat's results fall materially short of our forecast. This scenario could materialize with the persistence of the negative trend in revenue, the deterioration of the EBIT margin, and an increase in negative results by the end of the 2023 fiscal year. In addition, a worsening of debt ratios (NFD/EBITDA above 4.5x and FFO/NFD below 15%) would be negatively assessed.

REGULATORY DISCLOSURES

LEI: 529900NY0WWQUKOMWQ37

Follow-up report of the long-term corporate rating.

Last rating action: "BB+" rating with a Stable outlook to ProSiebenSat.1 Media SE (November 25, 2022).

Rating nature: Unsolicited long-term rating (this report is paid by investors, not the issuer).

With rated entity or related third party participation: No - The report was published without having been reviewed by the issuer.

With access to internal documents: No.

With access to management: No.

Ancillary services provided to the entity: *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.*

Name of the rating committee chair: Guillermo Cruz, Chief Rating Officer.

Material sources used to support the rating decision:

- * 1Q23 trading update, 2Q23 Results.
- * 2022, 2021, 2020 annual reports.
- * Company presentation.
- * Bloomberg.

Limitation of the Rating action:

- Ethifinance Ratings believes that the quality and quantity of information available on the rated entity is sufficient to provide a rating.
- Ethifinance Ratings has no obligation to audit the data provided.

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, and in accordance with the Corporate Rating Methodology and Outlook Methodology that can be consulted on <https://www.ethifinance.com/en/ratings/methodologies> and according to the Long-term Corporate Rating scale available at <https://www.ethifinance.com/en/ratings/ratingScale>.

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