

NOTORIOUS PICTURES OUTPERFORM

Price (Eu): **1.30**

Target Price (Eu): **1.80**

SECTOR: Media

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Production and New Media, a New Episode of Sustainable Growth

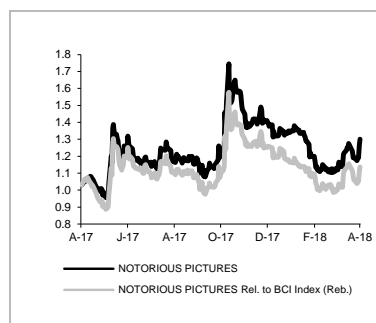
- A leading independent player in the whole distribution chain, now exploiting opportunities in production.** Notorious Pictures is an independent company in the Italian cinematographic sector that started out as a domestic distributor with a strong and experienced management team. Notorious' core historical business is the acquisition of the full range of movie rights and distribution through all available channels (cinema, payTV and pay-per-view, Free-to-Air and Over-the-Top), while it has recently entered the production business as well, typically acting as a co-producer with international partners.
- Public incentives, a long-term tailwind for the media sector.** The Italian government has made substantial contributions to Italian companies operating in the media sector for a long time and this aid has shown a solid growth trend. In particular, indirect subsidies in the form of tax credits are gaining ever more significance compared to direct subsidies; the impact of this aid depends on the specific business activity being supported (e.g. the recently enacted Franceschini law raised tax credits on production activities to as much as 30%). Furthermore, additional types of contribution are available from national agencies and regional film commissions.
- A dynamic strategy to keep up with consumers' changing habits.** The media sector is going through a secular transformation led by digital innovation: consumers are slowly but surely abandoning physical products such as DVDs. Digitalization is growing the overall media market and with it the global cinematographic industry. While the trends for purely digital and physical products run counter to each other, with the former giving way to the latter, the theatrical segment is still of huge importance to the cinematographic world and here the overall Italian Box Office trend in recent years has been flat. Notorious Pictures entered the production sector in order to ride the positive trend in the overall media market and take advantage of public support. The company intends to focus in particular on executive production (producing films and TV-series domestically for third-party producers) as it benefits from public subsidies for foreign productions.
- Estimates point to a very strong 2018-2020 trend.** This year NPI is expected to post solid 39% top line growth thanks in particular to the launch of 18 films, 2 of which are internal productions. We expect EBITDA to increase 57% YoY in 2018 and reach Eu10.5mn in 2020. Furthermore, the executive production business for both international films and TV series represents a great opportunity that may enable the company to exceed our current estimates.
- We initiate coverage with an OUTPERFORM rating; target Eu1.80.** In our opinion, NPI is in a position to benefit from the recent introduction of richer public incentives for the film industry and further opportunities related to production business and the New Media segment. Our target price of Eu1.80 comes from the average value of DCF and peer comparison models. At our valuation, the company would trade at 12.1x P/E (average of 2018-19 figures) and at current price the stock offers a 6.2% dividend yield.

Key Figures	2016A	2017A	2018E	2019E	2020E
Sales (Eu mn)	23	18	25	27	28
Ebitda (Eu mn)	7	6	9	10	10
Net profit (Eu mn)	3	1	3	4	4
EPS - New (Eu)	0.125	0.061	0.140	0.158	0.171
EPS - Old (Eu)					
DPS (Eu)	0.053	0.054	0.067	0.080	0.080

Ratios & Multiples	2016A	2017A	2018E	2019E	2020E
P/E	10.4	21.4	9.3	8.3	7.6
Div. Yield	4.1%	4.2%	5.1%	6.2%	6.2%
EV/Ebitda	3.9	3.9	2.8	2.6	2.3
ROCE	20.5%	11.2%	22.9%	21.6%	21.9%

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NOTORIOUS PICTURES - 12m Performance



RATING: New Coverage

TARGET PRICE (Eu): New Coverage

Change in EPS est: 2018E 2019E

STOCK DATA

Reuters code: NPI.MI

Bloomberg code: NPI IM

Performance	1m	3m	12m
Absolute	15.0%	-3.7%	26.2%
Relative	13.3%	-2.4%	11.8%
12 months H/L:			1.75/0.95

SHAREHOLDER DATA

No. of Ord. shares (mn):	22
Total No. of shares (mn):	22
Mkt Cap Ord (Eu mn):	29
Total Mkt Cap (Eu mn):	29
Mkt Float - ord (Eu mn):	5
Mkt Float (in %):	16.9%
Main shareholder:	
Marchetti Guglielmo	82.0%

BALANCE SHEET DATA 2018

Book value (Eu mn):	23
BVPS (Eu):	1.02
P/BV:	1.3
Net Financial Position (Eu mn):	3
Enterprise value (Eu mn):	26

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NOTORIOUS PICTURES - KEY FIGURES

		2016A	2017A	2018E	2019E	2020E
	Fiscal year end	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020
PROFIT & LOSS (Eu mn)	Sales	23	18	25	27	28
	EBITDA	7	6	9	10	10
	EBIT	3	2	4	4	5
	Financial income (charges)	(0)	(0)	0	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	3	2	4	4	5
	Taxes	(0)	(0)	(1)	(1)	(1)
	Tax rate (%)	11.5%	19.9%	19.8%	19.5%	19.5%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	3	1	3	4	4
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	7	6	9	10	10
	Ebit excl. extraordinary items	3	2	4	4	5
Net profit restated	3	1	3	4	4	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	22	22	22	22	22
	EPS stated fd	0.125	0.061	0.140	0.158	0.171
	EPS restated fd	0.125	0.061	0.140	0.158	0.171
	BVPS fd	0.923	0.935	1.021	1.139	1.279
	Dividend per share (ord)	0.053	0.054	0.067	0.080	0.080
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	42.5%	89.5%	47.6%	50.8%	46.7%
CASH FLOW (Eu mn)	Gross cash flow	7	6	8	9	10
	Change in NWC	(0)	5	(3)	0	0
	Capital expenditure	(7)	(7)	(7)	(7)	(7)
	Other cash items	0	(0)	1	0	0
	Free cash flow (FCF)	(1)	4	(2)	3	3
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(2)	(1)	(1)	(2)	(2)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	(3)	2	(3)	1	2	
BALANCE SHEET (Eu mn)	Total fixed assets	11	14	16	18	20
	Net working capital	11	6	9	9	9
	Long term liabilities	(5)	(5)	(5)	(6)	(6)
	Net capital employed	17	15	20	21	23
	Net financial position	4	6	3	4	6
	Group equity	21	21	23	26	29
	Minorities	0	0	0	0	0
Net equity	21	21	23	26	29	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	29	29	29	29	29
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	4	6	3	4	6
	Enterprise value	25	23	26	25	23
RATIOS(%)	EBITDA margin*	28.7%	32.5%	36.1%	35.8%	35.4%
	EBIT margin*	13.8%	9.8%	15.6%	16.4%	16.9%
	Gearing - Debt/equity	-18.5%	-29.6%	-14.9%	-17.4%	-21.3%
	Interest cover on EBIT	825.8	22.5	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	20.5%	11.2%	22.9%	21.6%	21.9%
	ROE*	13.6%	6.5%	14.3%	14.6%	14.2%
	EV/CE	1.6	1.5	1.5	1.2	1.1
	EV/Sales	1.1	1.3	1.0	0.9	0.8
	EV/Ebit	8.0	12.9	6.6	5.6	4.8
Free Cash Flow Yield	-1.8%	12.2%	-5.4%	8.7%	11.9%	
GROWTH RATES (%)	Sales	-10.0%	-21.1%	38.7%	7.0%	5.6%
	EBITDA*	-49.7%	-10.5%	53.9%	5.9%	4.4%
	EBIT*	-68.8%	-43.8%	120.3%	12.1%	8.8%
	Net profit	-60.4%	-51.3%	130.8%	12.5%	8.8%
	EPS restated	-60.4%	-51.3%	130.8%	12.5%	8.8%

* Excluding extraordinary items

Source: Intermonte SIM estimates

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Executive Summary

- **A leading independent player in the whole distribution chain, now exploiting opportunities in production.** Notorious Pictures is an independent company in the Italian cinematographic sector. The company was founded in July 2012 by Guglielmo Marchetti, a prominent industry figure, and it started out as a domestic distributor with a strong and experienced management team. Leveraging networking and management skills, Notorious reported outstanding business growth even in its first years of existence, and has risen quickly to become a leading sector player.
- **Entering the production business while maintaining a prominent position as a distributor.** Notorious' core historical business is the acquisition of the full range of movie rights and distribution through all available channels (cinema, pay TV and pay-per-view, Free-to-Air and Over-the-Top). The company boasts a unique structure because it operates independently at each stage of the distribution chain, contrary to its main competitors who resort to third-party support. More recently, it has entered the production business, typically acting as a co-producer with international partners and as an executive producer for international films and TV series. In this regard, public incentives in the form of direct and indirect subsidies have played a major role in stimulating this strategic move.
- **Public incentives, a long-term tailwind for the media sector.** A key factor shared by companies in the broad media industry in the Italian market is public subsidy: the Italian government has made substantial contributions to Italian companies operating in the media sector for a long time and this aid has shown a solid growth trend. In particular, indirect subsidies in the form of tax credits are gaining ever more significance compared to direct subsidies; the impact of this aid depends on the specific business activity being supported (e.g. P&A tax credits are lower than those for distribution, while the Franceschini law raised tax credits on production activities to as much as 30%). Broadly speaking, tax credits have increased in recent years, supporting the Italian media industry in general and the distribution and production sectors in particular. Furthermore, additional types of contribution are available from national agencies and regional film commissions.
- **A dynamic strategy to keep up with consumers' changing habits.** The media sector is going through a secular transformation led by digital innovation: consumers are slowly but surely abandoning physical products such as DVDs. Digitalization is growing the overall media market and with it the global cinematographic industry. While the trends for purely digital and physical products run counter to each other, with the former giving way to the latter, the theatrical segment is still of huge importance to the cinematographic world and here the overall trend in recent years has been flat. Notorious Pictures entered the production sector in order to ride the positive trend in the overall media market and take advantage of public support. The company intends to focus in particular on executive production (producing movies domestically for third-party producers) as it benefits from public subsidies for foreign productions.
- **Estimates point to a very strong 2018-2020 trend.** This year NPI is expected to post solid 39% top line growth thanks in particular to the launch of 18 films, 2 of which are internal productions. We expect EBITDA to increase 57% YoY in 2018 and reach Eu10.5mn in 2020. Furthermore, the executive production business for both international films and TV series represents a great opportunity that may enable the company to exceed our current estimates.
- **We initiate coverage with an OUTPERFORM rating; target Eu1.80.** In our opinion, NPI is in a position to benefit from the recent introduction of richer public incentives for the film industry and further opportunities related to production business and the New Media segment. Our target price of Eu1.80 comes from the average value of DCF and peer comparison models. At our valuation, the company would trade at 12.1x P/E (average of 2018-19 figures) and at the current price the stock offers a 6.2% dividend yield.

SWOT Analysis

Strengths

- **Management team** with strong international relationships in the industry;
- **Synergies from production & distribution**;
- **Multi-year contracts** with the main Free-to-Air and Pay-TV players;
- **Full-range distribution oversight**;
- **Well-structured to benefit from incentive schemes** introduced by Franceschini law;
- **Solid balance sheet**;
- **Recognized as an Innovative SME**.

Opportunities

- **Expansion of the production business**;
- **Expansion of the client base**. The film industry is witnessing the entry of new players (Amazon, Netflix) interested in enriching the content offering;
- **Entry to New Media and TV series production** with a Direct-to-Video approach;
- **M&A** can enhance group know-how.

Weaknesses

- **Limited diversification** from the film distribution business;
- **Heavily dependent on personnel expertise**;
- **High client base concentration in Pay-TV**;
- **Limited scale** compared to international competitors;
- **Limited appeal of Italian movies** on international markets.

Threats

- **Reduction of tax credits**;
- **Structural changes in consumers' habits**;
- **Piracy**;

Source: Intermonte SIM

Company highlights and description

Notorious Pictures (i.e. NPI or “Notorious”) is an independent company operating in the Italian cinematographic sector. It engages in the acquisition of the full range of movie rights and in distribution through all available channels. More recently, the company entered the production business, in most cases as a co-producer with international partners.

The company was founded in July 2012 by Guglielmo Marchetti, a key figure on the Italian cinematographic scene who has had important roles in the industry for decades (before leaving to found NPI, he was president and CEO of Moviemax Media Group SpA from 2001 to 2012). Marchetti started the company with an experienced and trustworthy management team, which has grown further since then.

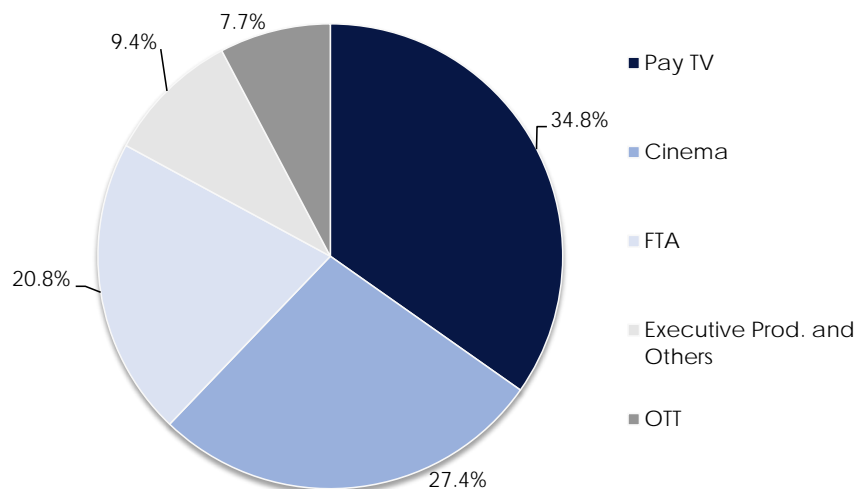
The core business of Notorious Pictures has always been the commercialization of movie rights from Italian and international markets in order to distribute content through all media channels: cinema, home video, TV (both Pay and Free-to-air), NewMedia (VoD). Since 2016, the company has expanded its business via the production/co-production of movies, thus enlarging the library for distribution. The business model covers each step of distribution, leveraging both internal and external resources when needed. The expertise and experience of the management team are key to the success of Notorious, as the selection of movies is crucial. Moreover, they can point to a strong network of relationships with the main industry players such as film production houses, television channels and on-demand providers.

In numerical terms, NPI made an outstanding start, closing 2013 with positive revenue of Eu8.5mn and Eu1.3mn in earnings. The company then quickly became one of the main players in the sector: in 2014 it was the sixth-largest Italian distributor, with revenue of Eu24.5mn.

The Notorious management team is future-oriented, meaning they take into consideration the macro trends affecting the entertainment and media industry, which has been undergoing major changes in recent years, mainly due to technological advances and changes in user habits. For this reason, the company has further expanded its business by creating two new divisions: the first is Direct-to-Video, which consists of media content trading geared to broadcast, primarily on the New Media platform, and the second is the executive production of international films and TV series.

Notorious Pictures is headquartered in Rome with founder Guglielmo Marchetti as CEO.

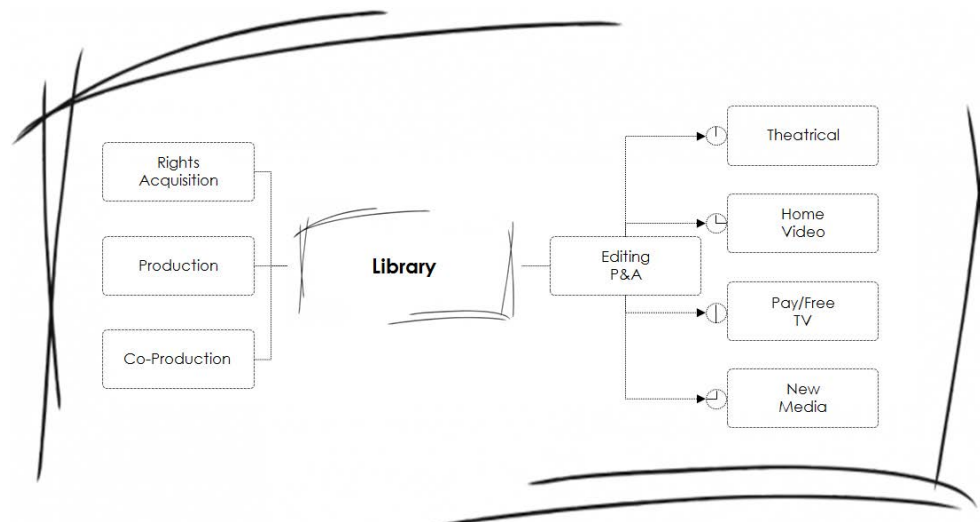
Notorious Pictures – Revenue breakdown by distribution channel (2017)



Source: Intermonte SIM

Business model and activities

The main activities currently performed by Notorious are shown in the following figure:



The core of the business is the Library, which is the catalogue of movie rights owned by the company. Whether a movie is owned because the rights were purchased from a third party or the movie was produced by the company itself is not relevant for the purpose of distribution, as it follows the same process.

Distribution

As an independent content provider, NPI has operated on the Italian market since the end of 2012. The company has become a major player on the national scene in very short time thanks to the expertise of a management team that has been together for a very long time and which exploits both internal resources and external relationships with industry players.

The process is composed of the following phases:

1. **Rights Acquisition.** The company acquires the audiovisual utilization rights from sales companies and producers, primarily from international markets. International movies are marketed at four main fairs: three festivals (Cannes, Toronto and Berlin) and the American Film Market. Utilization rights typically last 18-20 years and are related to the Italian market.
2. **Editing.** International movies need to be processed to be distributed in Italy. This step is often limited to dubbing into Italian; to perform this activity, NPI makes use of external companies. In other cases, the process also involves adapting the marketing material to the local market.
3. **P&A.** This activity stands for Print & Advertising (i.e. copies and marketing costs). NPI manages this activity through internal resources, as it is considered to be a core operation: advertising benefits Box Office performance, which in turn drives revenue from subsequent distribution channels. The general manager directly oversees this phase before it is approved by the licensor for publication. P&A accounts for a major part of the cost base, amounting to approximately 80% net of the costs incurred for the production business. The Italian government has introduced significant tax benefits to foster the activity.
4. **Distribution.** The industry recognizes a general "timing rule" when distributing movies through the various channels, which follows a waterfall structure that sets launch priorities.
 - a. **Theatrical.** Cinema has always been the prime channel for a movie release, except for the singular case of television series and recent Direct-To-Video productions. The success of this step, namely the box office (BO) proceeds, is the main parameter on which revenues from Pay and Free-to-air TV are contractually set, as it represents an approximation of the film's success. In this channel, NPI mainly distributes to UCI Cinema and The Space, which are the top two clients, accounting for almost half of this business.

- b. Home Video. After 15 weeks, the movie is sold to traditional retail and newsstand channels by rental and/or sale in both digital and physical forms. To do this, NPI reaches agreements with other distributors, such as RAI Cinema (physical) and Mondadori (newsstand), which account for the vast majority of the client base for this business. This revenue line has become less important.
- c. Pay-per-View. 28 weeks after theatrical release, the movie is distributed to the pay-per-view channel, mainly represented by Sky.
- d. Pay-TV and Free-to-air TV. 12 months from theatrical release, movies go on Pay-TV, and after 12-24 months on free-to-air TV. NPI sells movie rights defining licensing agreements with the main Free-to-air (FTA) and Pay-TV players. In this sense, NPI boasts active contracts with Sky, RAI Cinema, Viacom, Tele Svizzera and Turner, with Rai and Sky representing the lion's share.
- e. OVI. Last comes the new media segment, which is covered through agreements with provider such as Sky, Apple, Google, Sony, Chili, Netflix, and TimVision. This covers video on-demand and electronic sell-through on platforms. Netflix, TimVision and Vodafone represent the majority; Under The Milky Way is the digital distributor covering the Apple, Sony and Google platforms.

Production and co-production

In 2015 Notorious entered the production and co-production business as a major strategic move in order to face up to the changing environment in the entertainment and media industry. Digitalization has brought many improvements in the last decade, leading to significant structural changes to the business model at the same time.

An additional benefit from producing movies is related to licensing dynamics: typically, acquiring movie rights from third parties implies a time frame of 18-20 years and a predetermined geographic area for exploiting the license, whereas the rights of a proprietary movie are valid in any circumstance.

	<u>Distribution</u>	<u>Production and Co-production</u>
Rights Ownership	License	Ownership
Duration	15-20 years	Unlimited
Market	Italy	Global (ex co-producer's country)
Procurement	Third-party Rights	Autonomous

NPI started to develop experience in this new area gradually: the initial move was a co-production intended as a remake of the French film "Plan de table", while the first production arrived last year with the movie "La coppia dei campioni". The first movie produced entirely by the company was "La verità, vi spiego, sull'amore", released in March 2017.

Tax Credits and forms of Contribution

The cinematographic industry, in both the distribution and production sectors, benefits from a series of subsidies. These are offered by different sources and in both direct and indirect forms.

Tax Credits. Automatic contribution. This public aid is the most significant and essential for film production. This measure is periodically reviewed by the government and, in recent years, has been increased (25% tax credit for production last year, probably 30% this year) and put on a more stable footing in order to promote the cinematographic business and its positive impact on the country. This public incentive is targeted at specific activities to varying degrees, as shown in the table below.

<u>Type of subsidy</u>	<u>Rate</u>
Internal tax credit for production	30%
Internal tax credit for P&A	15%
External tax credit	15%
Film commission (regional)	7%
Product placement	3%
Box Office subsidy	
from 0 to 1 million Euro	22.5%
from 1.1 to 2 million Euro	20%
from 2.01 to 2.4 million Euro	17.5%

Source: Company data

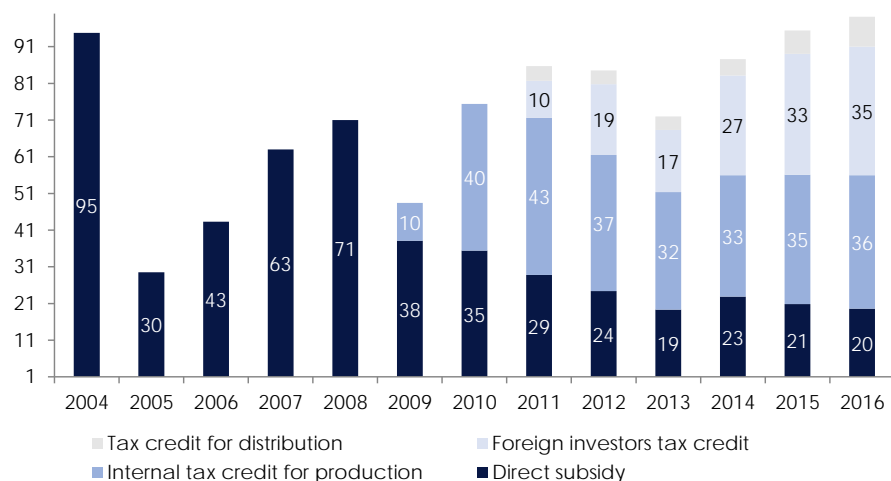
Production activity benefits from a higher contribution, with a tax credit of 30%, while distribution is fostered with 15% on P&A activities. It is worth noting that combining production and distribution means an additional effect, implying an overall tax credit of 40%.

Film commissions and community aid. Automatic contribution. Each Italian region has a film commission (or other similar agency) which allocates a specific budget to finance cinematographic activities considered to benefit the region, both in terms of image/reputation or economically by providing work for local suppliers.

Selective aid. The ones listed above can be considered automatic contributions, since all that is needed to obtain the benefit is to satisfy certain requirements. Selective forms of financing exist, based on additional variables, often focused on performance (i.e. Box Office revenue). This is the case for contributions to executive productions: an Italian producer selected by a foreign producer to conduct activities on site benefits from higher tax credits. As an example, "Black Butterfly" is a Spanish movie on which NPI has collaborated as executive producer.

All in all, these forms of financing are an essential factor for ensuring the existence of independent producers and distributors. In this regard, the Franceschini Law has played an important role in establishing solid support for the industry.

National public contribution for Italian cinema production (2004-2016; Eu mn)



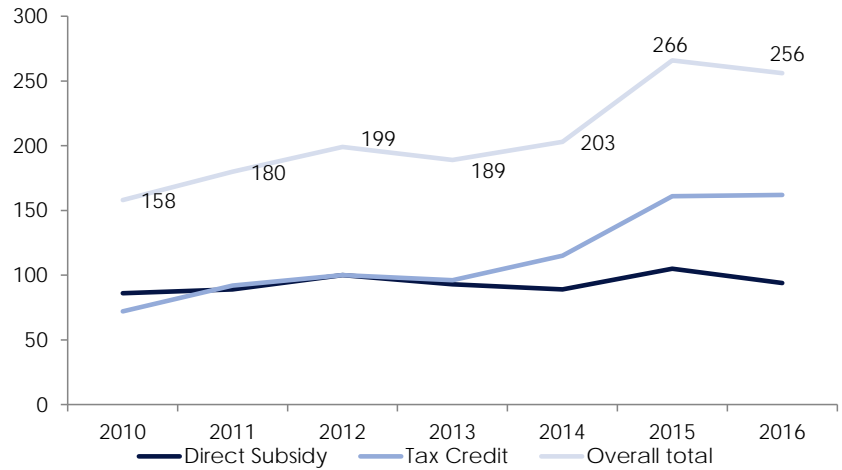
Source: MIBACT, "Tutti I numeri del cinema italiano 2016"

The overall contribution level is increasing, with a rise in support through tax credits. Direct subsidies decreased in recent years, although this has now levelled off, leaving space for the other forms of support.

Focus on the Franceschini Law: named after the Minister of Cultural Heritage, the law came into force on January 12th 2018, and envisages four key elements:

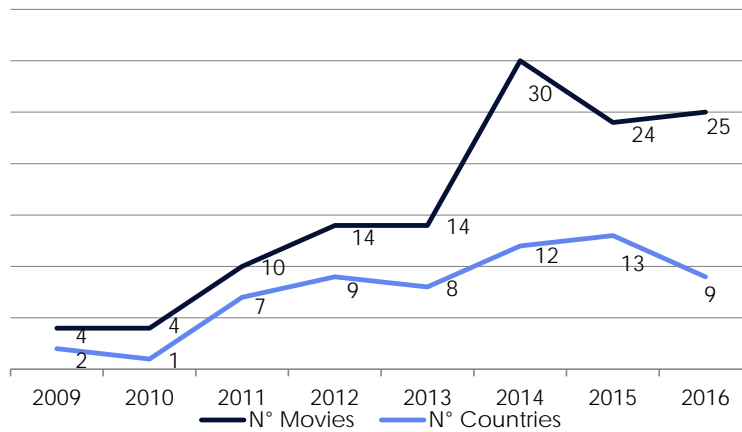
- the creation of a fund to finance the cinema and audiovisual industry, which will be funded by an 11 percent slice of the VAT and IRES tax paid by companies in the communications industry (in a broad sense). Inflows to the fund will be no lower than Eu400mn per year.
- a reduction in the percentage of selective contributions and the introduction of automatic contributions in favour of production companies and companies distributing Italian cinematographic or audiovisual work abroad. Selective contributions will be between 15 percent and 18 percent of the fund mentioned above and will be devoted to debut films, second films, films by young directors, etc.
- six different tax credits will be provided, in order to foster cinematographic and audiovisual production and distribution, post-production companies, etc.
- development of movie theatres and digitalisation of the artistic heritage. Renovating existing theatres and opening new ones will be funded by an extraordinary plan worth Eur 120 million over five years. A plan also exists for the digitisation of the cinematographic and audiovisual heritage.

National public contributions for Production-Distribution-Promotion-Entities in the form of direct subsidies and tax credits in the sector (2010-2016)



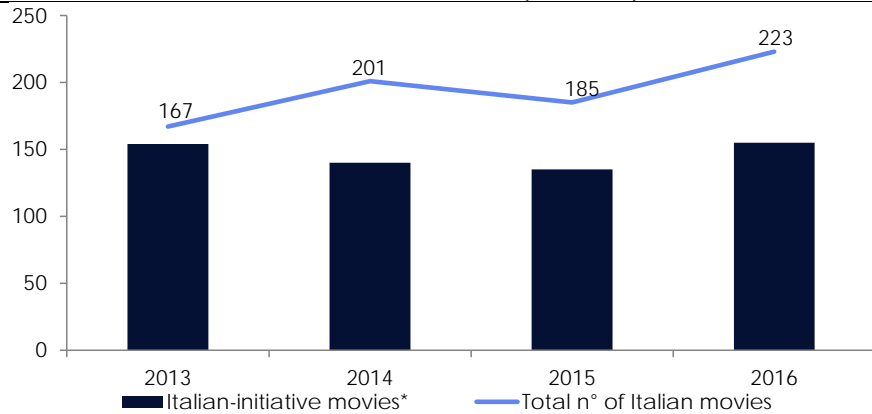
Source: MiBACT, "Tutti I numeri del cinema italiano 2016"

Number of movies and countries that applied for the tax credit for foreign movies (2009-2016)



Source: MiBACT, "Tutti I numeri del cinema italiano 2016"

Italian-initiative* movies versus total number of movies (2013-2016)



Source: MiBACT, "Tutti I numeri del cinema italiano 2016"

*An Italian-initiative movie is one produced entirely with Italian capital, or co-produced with Italian capital representing the majority share or at least 50% of the total.

Competitive scenario

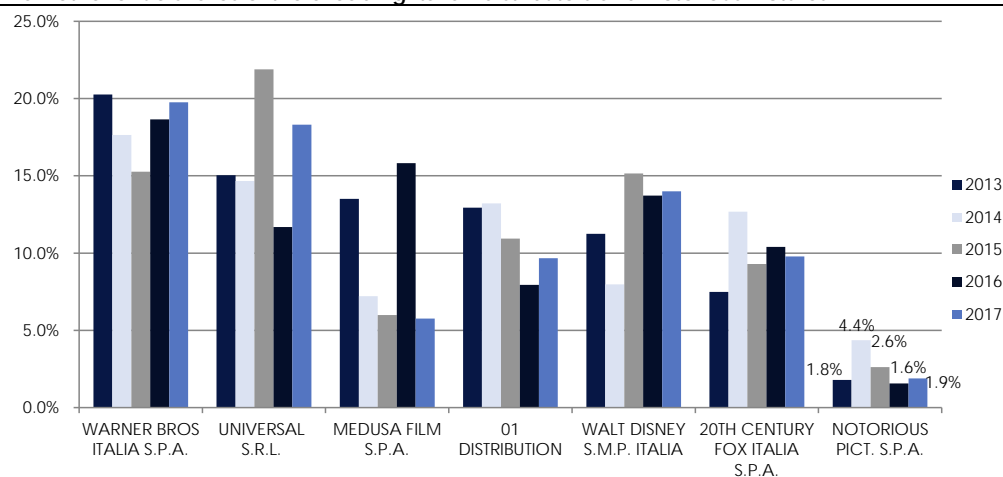
Notorious Pictures has been in the distribution market top ten since its launch and always among the top independent distributors. The market shows moderate concentration, with the first three players accounting for 52% of the business and the first ten 90%. As seen in the chart and the table below, revenue is split among major international operators, who regularly occupy the highest positions in the ranking, with market growth and ticket prices basically flat; the average market size is Eu615mn and the average ticket price is Eu6.33, both calculated for the 2013-17 period.

Distribution market share of the main players

	2013	2014	2015	2016	2017	CAGR '13-'17
WARNER BROS ITALIA S.P.A.	20.3%	17.6%	15.3%	18.7%	19.8%	
UNIVERSAL S.R.L.	15.0%	14.7%	21.9%	11.7%	18.3%	
MEDUSA FILM S.P.A.	13.5%	7.2%	6.0%	15.8%	5.8%	
01 DISTRIBUTION	12.9%	13.2%	10.9%	7.9%	9.7%	
WALT DISNEY S.M.P. ITALIA	11.3%	8.0%	15.2%	13.7%	14.0%	
20TH CENTURY FOX ITALIA S.P.A.	7.5%	12.7%	9.3%	10.4%	9.8%	
NOTORIOUS PICT. S.P.A.	1.8%	4.4%	2.6%	1.6%	1.9%	
BO takings (Eu mn)	618	574	637	661	585	(1.4%)
Average Ticket Price (Eu)	6.35	6.29	6.41	6.28	6.33	(0.1%)

Source: Cinetel, Dati Cinema. "BO" stands for Box-Office

Market revenue shares of the 6 leading Italian distributors and Notorious Pictures



Source: Cinetel, Dati Cinema

In terms of business diversification, the leaders typically cover the whole value chain of the movie industry, while the others have a more independent structure, focusing on buying rights in the international marketplace and distributing on the Italian one. However, some of the latter are also producers, an example being Notorious itself.

The top Italian players are Medusa Film SpA and 01 Distribution, respectively controlled by broadcasters Mediaset Group and RAI. As regards foreign players, Warner Bros Italia corresponds to the American group Time Warner, Universal Pictures to NBC Universal, Walt Disney Italia to the Disney Group, and 20th Century Fox Italia to 21st Century Fox.

01 Distribution. Private company. Based in Italy, it is engaged in motion picture production and distribution. It started operation in June 2001. The company is principally involved in producing and distributing theatrical motion pictures, television shows, and animation and other programming, as well as distributing home video products, family entertainment, video-on-demand, and music content, and it licenses rights to its feature films, television programming, and characters. It serves residential and commercial clients. The company has its active operations in Italy, and operates as a wholly-owned subsidiary of Rai Cinema S.p.A.

Medusa Film. Private Company. It has engaged in the production and distribution of motion pictures since 1995, and its head office is in Rome, Italy. The company offers film production and distribution services for Italian and international movies and its editorial line focuses on Italian productions in various genres including comedy, romance, and action. Its product offering includes full-length films, short films, documentaries, drama, radio and television programs. Medusa Film also distributes foreign films in Italy, such as the US movies "What Women Want" and "Autumn in New York". The company operates as a subsidiary of Mediaset SpA, which operates in the television (TV) industry in Italy and Spain. In 2016, revenue was Eu96mn.

Lucky Red. Private Company. A full service firm engaged in the business of motion picture and video production in Italy. It was incorporated in the year 1987 and its registered headquarters is located in Potsdam, Germany. The company primarily involves in producing motion pictures, videos, television programs, and television commercials. Some of its programs include reality TV, documentary series, game shows and movies. In 2016, revenue was Eu38mn.

Eagle Pictures. Private Company. Founded in 1986, it is engaged in motion picture and video production. The registered office of the company is strategically located in Milan, Italy. The company is primarily involved in producing and distributing motion pictures, videos, television programs, and television commercials. Its business operation is principally active in Italy and it acts as one of the subsidiaries of Prima TV Spa, which operates as a production and distribution company in theatrical and home entertainment markets. In 2016, revenue was Eu41mn.

BIM Distribuzione. Private Company. Incorporated in 1983, it is engaged in the movie production business in Italy and has a registered office in Rome. The company specializes in taped material closed-captioning services, film and video transfer services, motion picture animation post-production, motion picture and video editing services, motion picture and video titling, post-synchronization sound dubbing, post-production special effects for motion picture production, tape transfer services, tele-production services, and video conversion between formats. Revenue in 2016 reached Eu12mn.

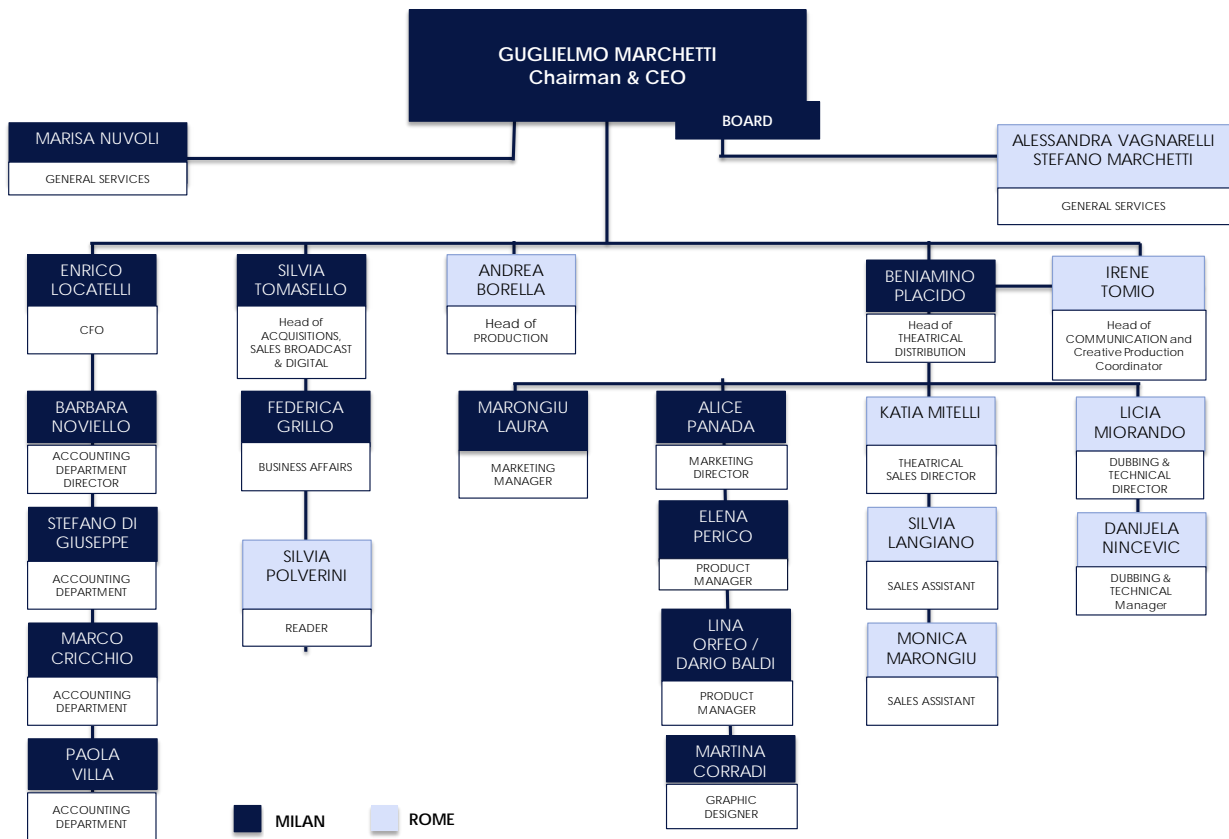
M2 Pictures. Private Company. It provides film and motion picture distribution services. The firm specializes in cinematographic production and distribution as well as television programming activities. It was founded in November 2010 and is headquartered in Rome.

Leone Film Group. Public Company. Leone Film Group SpA engages in the production, co-production, and distribution of audiovisual products. It operates through the following business units: film production, distribution, and product placement. The film production unit engages in film-making produced independently by the company or with the participation of third parties for the Italian market, as well as in co-producing films for the international market. The distribution unit exploits film rights in the company library through cinema (relying on third parties), home entertainment, free television, pay television, video on demand, subscription video on demand, and new media marketing channels. Through the Pacmedia Srl and Pacmedia International LLC subsidiaries, the product placement unit carries out the implementation of brand integration and management strategies in a movie or television program. The company was founded by Sergio Leone in 1989 and is headquartered in Rome. Revenue in 2016 was Eu48mn.

Lucisano Media Group. Public Company. It engages in the production, acquisition, and distribution of films and television programs, as well as in the management of movie theatre complexes. It operates through the following business units: production, distribution, and multiplex management. The production business unit executes film and television productions as well as co-production and copyright purchasing for cinema and television release. The distribution business unit deals with the marketing and the legal side of releasing films and programs produced locally and internationally through theatrical, home video, television and new media channels. The multiplex management business unit operates movie theatres throughout Italy as well as conducting special or private screenings. The company was founded on November 11, 1997 and is headquartered in Rome. In 2016, revenue was Eu30mn.

NPI organization

Notorious Pictures – Organization structure



Source: Company data

Sectors, market and positioning

Notorious has gained significant share in the Italian market since the start of operations. Even though formally a start-up, the experience and networks of the founding management team have given the company an enormous boost: it reported Eu8mn and Eu24mn at the top line as early as the first and second years of operation respectively. NPI has been among the top Italian distributors since its early years, and the companies ahead of it are mostly large international companies with greater firepower.

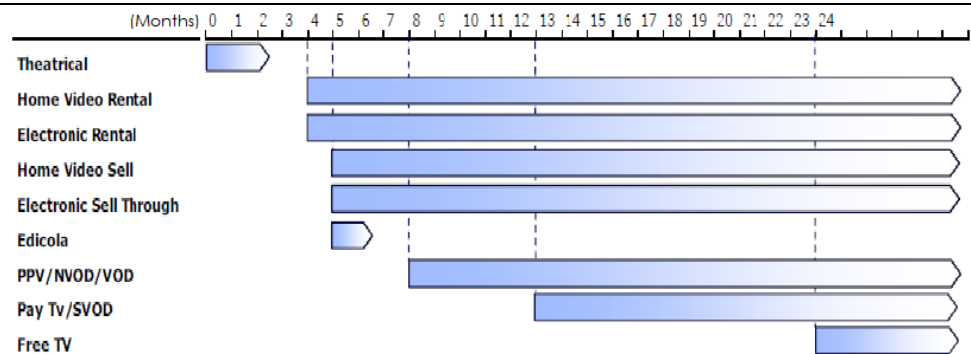
Ranking of top 20 Italian distributors 2017

Distribution	Major/Independent	Attendees	BO Takings (€)
Warner Bros Italia SpA	Major	17,854,265	115,575,709
Universal/Filmauro	Major	16,494,513	107,103,025
Walt Disney S.M.P Italia	Major	12,278,213	81,861,351
01 Distribution	RAI	9,405,902	56,566,526
20th Century Fox Italia SpA	Major	8,957,730	57,237,125
Medusa Film SpA	Mediaset Group	5,622,253	33,730,503
Lucky Red Distribution	Independent	4,363,996	25,890,345
Eagle Pictures SpA	Independent	4,085,650	24,748,267
Videa-CDE SpA	Independent	1,908,021	11,089,587
Notorious Pictures SpA	Independent	1,830,257	11,053,097
Koch Media Srl	Independent	1,001,049	6,242,894
M2 Pictures Srl	Independent	985,521	6,116,816
Adler Entertainment Srl	Independent	874,369	5,270,483
BIM Distribution Srl	Independent	853,528	4,660,766
Cinema Srl	Independent	786,690	4,330,372
Vision Distribution	Independent	778,474	5,246,608
Nexo Digital SpA	Independent	684,905	6,840,836
Good Films	Independent	360,563	1,570,377
Teodora Film Srl	Independent	357,543	2,032,337
Adler/Nexo Digital	Independent	213,361	1,877,188
Others		2,640,160	15,799,129

Source: Cinetel, Dati Cinema 2016

As a distributor, Notorious deals with several phases corresponding to the different channels through which movie rights are sold. The following figure shows the typical schedule, split into "distribution windows" that determine releases through various channels:

Movie distribution windows



Source: Company presentation

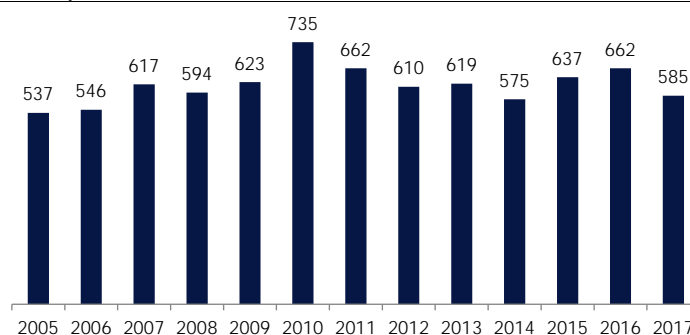
Different platforms/channels mean different markets and trends in the entertainment industry. Consumers' habits change over time: in recent years they have been particularly affected by digitalization. The main features of these channels and their evolution are described below.

Theatrical

The theatrical market is the most important for the cinematographic industry. Movies are released on this market first of all; as well as being historically one of the major sources of revenue, it also dictates the success of the movie on channels further down the line: BO proceeds are considered the main driver for the negotiation of selling contracts on the other platforms. In other words, the success of a movie during theatrical release is a KPI.

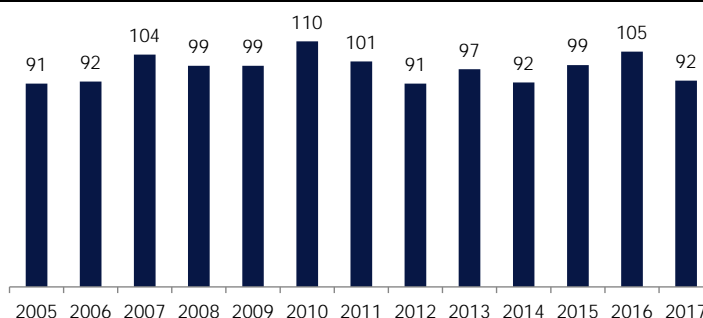
As shown by the bar graphs below, this market has experienced a broadly stable trend in recent years, which has been highly influenced by big individual releases in specific years. For example, in 2017, only two Italian movies garnered more than Eu10mn, while in 2016 one film, "Quo vado?" by Checco Zalone, generated Eu65mn and accounted for 34% of total box office revenues generated by Italian productions.

Italian cinema – BO proceeds (2017; Eu mn)



Source: Cinetel, Dati Cinema

Italian cinema – Number of tickets (2017; mn)



Source: Cinetel, Dati Cinema

The following table adds some colour to the picture of the Italian market: in particular, it highlights the evolution of market share for Italian movies on the domestic cinema market, at 18% last year including co-productions (29% in 2016 thanks to the Checco Zalone movie "Quo vado?"). The average cinema admission ticket has been stable at around Eu6.3: the average full price is usually higher (ca. +25%), but the overall average is held down by the various discounts available (i.e. lower prices for youngsters, for women on particular days, days where audiences are historically low, promotions).

The second table in the same figure shows the growth of cinema facilities in recent years in Italy. Cities with cinemas have increased to 706, confirming positive growth rates. Cinema facilities totalled 1,204 in 2017, and the total number of screens reached 3,510 in the same year (+2%).

International market share and Italian facilities

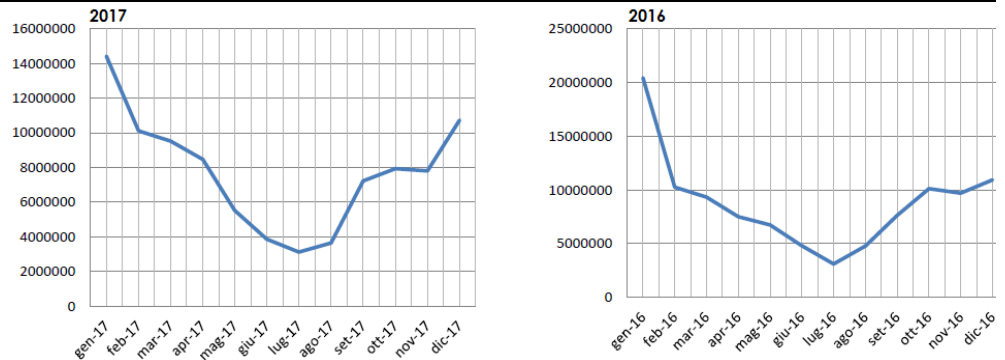
Market share	2017	2016	2015	2014	2013	2012
	Proceeds %	Proceeds %	Proceeds %	Proceeds %	Proceeds %	Proceeds %
United States	66.28	55.65	60.97	50.2	54.03	53.2
Italy+ Coop	17.64	29.05	20.74	27.35	30.64	25.22
Europe and others	16.08	15.3	18.29	22.45	15.33	21.58
Total n° tickets (mn)	92	105.4	99.4	91.5	97.4	91.4
Average ticket price (Eu)	6.33	6.28	6.41	6.29	6.35	6.67

Cinetel Network	2017	2016	2015	2014
Cities with at least one cinema	706	702	653	578
Total n° of cinemas	1204	1202	1152	1070
Total n° of screens	3510	3438	3358	3266

Source: Cinetel, Dati Cinema

The cinema business experiences strong seasonality, therefore promotions are needed to foster demand. The graphs below show clearly how demand varies by season: high in the winter, low in the summer.

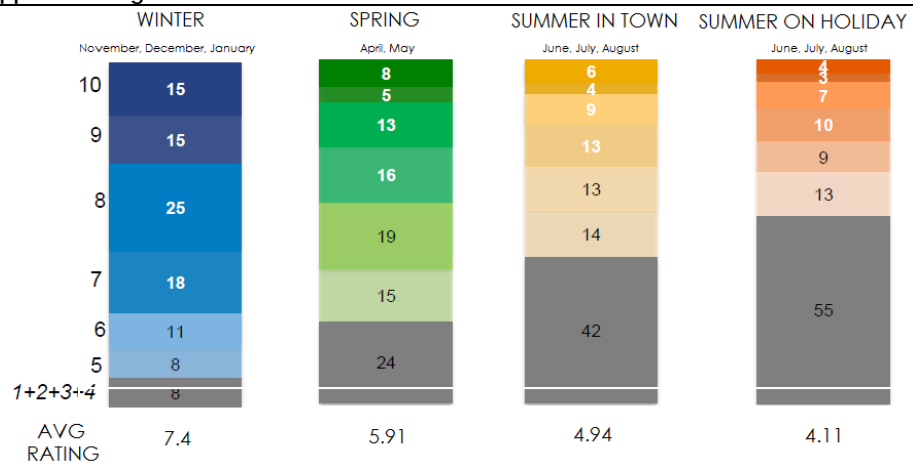
Monthly ticket trend (Number of tickets)



Source: ANICA GfK, La Digitalizzazione del Cinema

Finally, the following graph shows the results of a survey into propensity for cinema attendance by season; the left scale is the degree of interest, the blocks in the bars show the percentages of respondents at the various levels of engagement for each season.

Approval rating



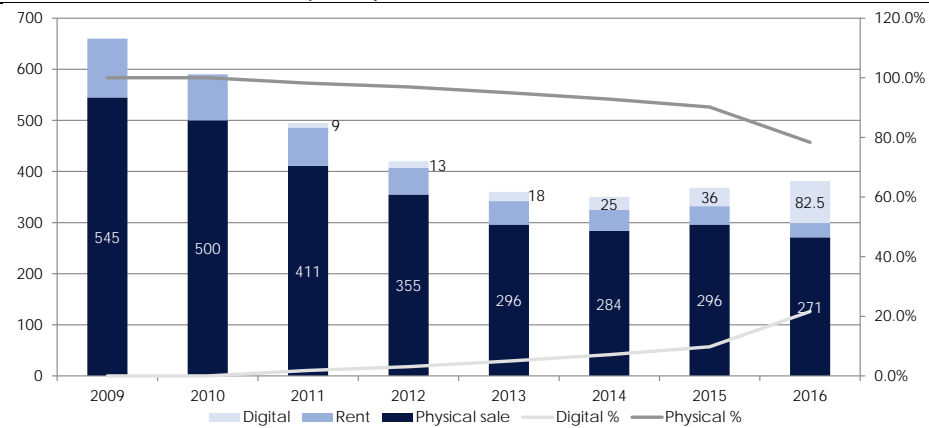
Source: ANICA GfK, La Digitalizzazione del Cinema

Generally speaking, the theatrical sector is on a recovering trend and is some way to overcoming the change in attitude among new generations and dealing with new ways to enjoy media products. Cinema is not a direct substitute for TV and VoD, it is more of an experience in itself and it is highly correlated to the economic cycle.

Home Video and New Media

The home entertainment market has been undergoing an evolution in trends, mainly due to the rise of the digital segment. Home Video revenues showed a downtrend trend (see figure below) until 2015, when sales of physical products began to pick up again and digital ones kept growing.

Home entertainment revenue (Eu mn)



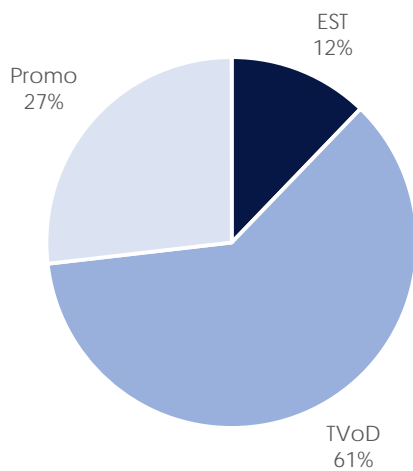
Source: Univideo Report 2017

Physical sales fell 7% a year (CAGR 2011-2016), while rentals declined 15% on the same metric. On the other hand, digital sales have seen a significant increase in the last 5 years (56% CAGR), which led to total revenue share in 2016 of 22%; +129% last year.

TV series in particular have grown almost 10% in the last year in both physical and digital formats, while rentals and newsstand sales fell 22% and 15% respectively. In terms of sales, excluding through newsstands, films have the highest percentage (57%), followed by animation (22%), and TV Series (12.2%). The latter was the only category to show positive growth in absolute terms, with a +7.7% increase in volume.

E-commerce has gained a significant slice of overall share. From 2015 to 2016, distribution through technology superstores stood at 41.7%, e-commerce 24.5%, entertainment specialists 18.6% and hyper/supermarkets at 15.2%. It is worth noting that e-commerce gained 9.2% on the 2015 figures, while all other channels showed a decline.

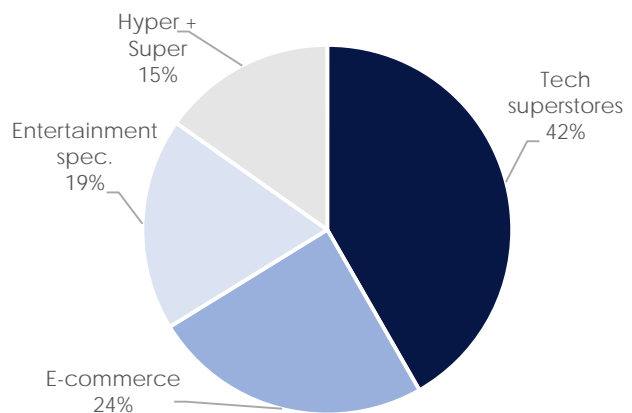
Distribution by channel (2016)



Source: Rapporto Univideo 2017.

TVoD (Transactional Video on Demand) refers to pay-per-view consumption; SVoD (Subscription Video on Demand) refers to consumption with a periodic flat rate; AVoD (Advertising on Demand) refers to free consumption with ad-based video

Distribution by sale type (2016; Eu mn)



Source: Rapporto Univideo 2017

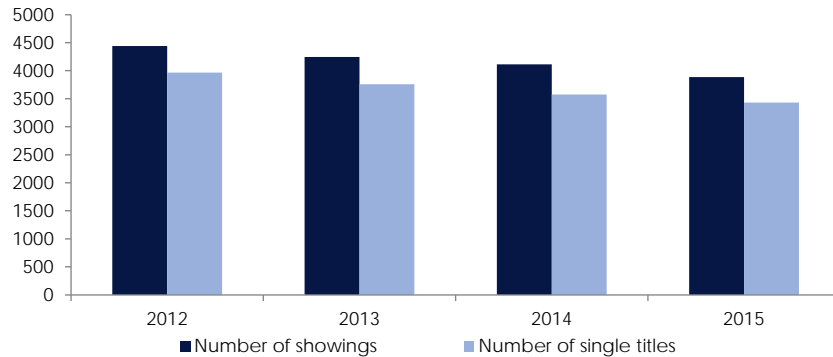
Digital product sales (EST – Electronic Sell Through) in 2016 were Eu10mn, while rental sales revenues (TVoD) were Eu50mn; the remaining Eu22mn (of Eu82mn in total for 2016) came from promotional activities.

Television

Television is the major sector for Notorious, accounting for more than 38% of revenues in 2016. The channel is the final step on the distribution timeline.

The chart below shows the number of titles and the number of appearances for movies on Free-to-air TV: both figures show CAGR 2012-2015 of ca. -4.5%. The current environment is viewed as highly uncertain for the linear multichannel television segment (Free-to-air TV is defined as "linear" TV), with generational turnover and changing habits the main factors having a bearing on it.

Free-to-air TV showings VS individual titles



Source: PwC Entertainment & Media Outlook in Italy 2017-2021

Italy - Traditional TV and HV revenue; 2017-2021 figures are estimates (Eu mn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	CAGR 2016-2021
Pay-TV Subscription	3018	2966	3013	3016	3102	3169	3228	3287	3347	3410	1.9%
YoY Growth %	-	(1.7%)	1.6%	0.1%	2.9%	2.2%	1.9%	1.8%	1.8%	1.9%	
Public Licence Fees	1647	1643	1488	1517	1769	1714	1726	1737	1748	1759	(0.1%)
YoY Growth %	-	(0.2%)	(9.4%)	1.9%	16.6%	(3.1%)	0.7%	0.6%	0.6%	0.6%	
Physical Home Video	407	342	325	332	299	286	276	264	251	235	(4.7%)
YoY Growth %	-	(16.0%)	(5.0%)	2.2%	(9.9%)	(4.3%)	(3.5%)	(4.3%)	(4.9%)	(6.4%)	
End-user spending	5072	4951	4826	4865	5170	5169	5230	5288	5346	5404	0.9%
YoY Growth %	-	(2.4%)	(2.5%)	0.8%	6.3%	(0.0%)	1.2%	1.1%	1.1%	1.1%	

Source: PwC Entertainment & Media Outlook in Italy 2017-2021

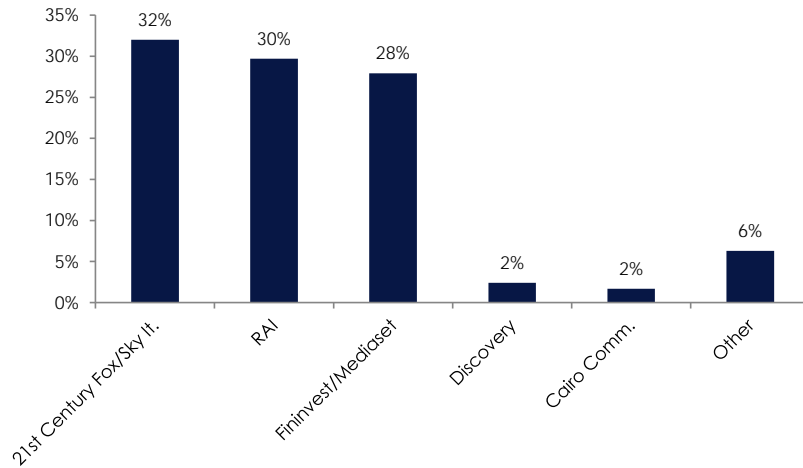
Pay TV shows different trends: it generates a much higher share of revenue from films and contributes 20% more in proceeds to movie rights holders. Pay-TV subscription is forecast to grow at a CAGR of almost 2% for 2016-2021 (see table above).

From a recent study by IT Media Consulting ("Il mercato TV in Europa 2016-2018), it appears that Italian viewers now approach TV with a better awareness of the thematic offering and the non-linear services available. Pay-TV in Italy is led by a few players such as Sky and Mediaset Premium. The former, in the guise of 21st Century Fox/Sky Italia, has the biggest share of sector revenue (32%) and is the major operator in the Pay-TV market with a 77% market share. The Murdoch group has overtaken RAI, 70% of whose revenue comes from the TV license (i.e. Canone RAI). The overall market accounted for Eu8bn in 2016 (+7% YoY).

Mediaset group is in second place in the Pay-TV segment with a 21% market share; the top two operators account for 98% of the Pay-TV market.

Free-to-air TV market share is highly concentrated: 80% of total revenues go to RAI and Fininvest/Mediaset. The former has consolidated its growing share of ca. 50% and the latter boasts a third of the market.

Market Share of the Italian Television Market in terms of total revenue (2016)



Source: AGCOM, Ricavi TV 2016

Television was one of the least-affected sectors by the economic slowdown in the last decade. It also showed the most promising signs of recovery in 2016.

Finally, from the perspective of both Free and Pay-TV audiences, the 1990-2016 trend shows a decline in interest in general interest/linear TV and an increase in terms of operators. However, although RAI and Mediaset have maintained their leading positions by a large margin, the IT Media Consulting study forecasts that linear analogic TV broadcasters will need to offer a more complementary range of media products.

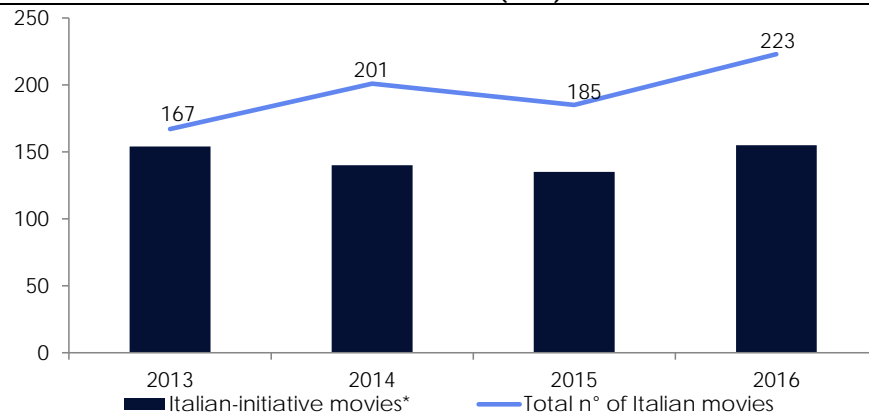
Production

A key point in the evolution of Notorious' strategy was entry into the production and co-production business in late 2015. The reason was diversification, with margin improvement and fiscal optimization standing out among the various benefits.

Compared to the company's other business areas, production has a more attractive structure: the competitive landscape goes beyond national borders with the possibility of collaboration with international players; more importantly, media production growth is positive and strong.

Movie production in Italy is growing at a positive rate thanks to a strong contribution from foreign producers attracted by public subsidies.

Italian-initiative movies* vs total number of movies (2016)



Source: MiBACT, "Tutti I numeri del cinema italiano 2016"

*An Italian-initiative movie is one produced entirely with Italian capital, or co-produced with Italian capital representing the majority share or at least 50% of the total.

Trends in movie production have seen the entry of new players in response to changes in customers preferences, as well as technological innovation that has brought new ways of viewing media

content. Among these new, mainly international players are Netflix and Amazon (the latter a very recent entrant via Amazon Prime Video).

According to very recent announcements, other players whose core business is media but not movie related are seeking to enter the production business. The big three internet companies Apple, Facebook and Snapchat are starting to produce movies, TV-series and general video content. In particular, Facebook wants to launch a platform called "Watch" with the aim of becoming the number one video platform. The focus is not on movie production but rather on fostering new video content discovery. The platform is mainly for smartphones and tablets, the devices used most by millennials; according to Zenith Online Video 2016, 75% of those between 18 and 29 years old watch TV series on smartphones). Snapchat wants to produce original videos and series appropriate for mobile devices. Finally, Apple is targeting a USD1bn investment in original media content for Apple-TV.

NPI Positioning – Porter Analysis

Existing Competition. Medium/High – the distribution market has historically been relatively stable in terms of structure: a few major operators take the lion’s share while the numerous other players split the remaining slice into small individual shares. There has been little change in the identities of the top ten companies in recent years. From an operational point of view, competition in rights acquisition is strictly based on price, but once acquired, the ability to distribute a movie through the chain depends on the strength of relationships with cinemas, output contracts, but mostly on the appeal of the titles. Notorious is therefore relatively stable in this sector, as it boasts a renowned management team, a structured film selection process, a solid network, and a well-known brand.

On the other hand, the company is new to the production segment and competition is typically tougher in the entry stages. However, the production of TV series and cinema in general shows growing opportunities, thereby mitigating the intensity of competition. The following table shows the geographical allocation of new movie releases from 2013 to 2017: Italy is number one for new releases, followed by the United States, translating into an average share of 38%. Moreover, the total number of new releases has grown positively in recent years (2012-2017 CAGR of 8%).

New movie releases

	2012	2013	2014	2015	2016	2017
Italy	112	148	157	186	199	203
% on total	30.8%	32.6%	33.4%	38.8%	35.9%	37.9%
United States	130	146	141	159	158	154
France	35	46	38	39	50	46
Others	87	114	134	96	147	133
Total	364	454	470	480	554	536
YoY %		24.7%	3.5%	2.1%	15.4%	(3.2%)

Source: Cinetel, Dati Cinema

The most successful movies of the year are typically those from the major players. Looking at the ranking of the top 100 movies for each year and their respective distributors, it can be concluded that Notorious’ power among suppliers is pretty low. Indeed, out of the top 100 movies launched each year, only a few tend to be distributed by the company, as evidenced in the following table.

Top 100 movies of the year

	2013	2014	2015	2016
Notorious distribution	2	4	4	0
Total attendance	97,374,246	90,174,523	99,362,667	105,376,569
Notorious's share	1.0%	2.8%	1.5%	n.a.

Source: Cinetel, Dati Cinema

Power of suppliers. Medium – Suppliers exercise a great deal of power, depending on their size. The most important producers are often approached by the major distributors; however, in the Italian market, Notorious is one of the leading players and the management team is able to leverage significant networks, giving the company a good deal of bargaining power.

Taking into consideration the recent entry into the production and co-production business, the company should be less affected by external producers’ bargaining power, thereby reducing the impact of this issue.

Power of clients. Medium – the client base of NPI is widespread but at the same time concentrated, depending on the channel. In cinemas, UCI and TheSpace together account for the majority of Notorious’ theatrical business (50% in 2017). It is a similar story in television: Pay TV mainly means Sky, and there are two major players in Free-to-air TV. In the Home Video/New Media channel, the number of potential clients has risen in recent years, even though important players remain few. Netflix is an example of a client with high contractual power.

Client base concentration		
Channel	Client	Channel concentration
Theatrical	UCI Cinema	50% first 2
	The Space	
Pay-TV, PPV	Sky	100%
FTA	Rai	90% first 2
	Sky	
	Viacom	
	Tele Svizzera	
	Turner	
Home Video	Rai Cinema Mondadori	99% first 2
OTT	Netflix	99% first 3
	TimVision	
	Vodafone	
	Under The Milky Way (Apple, Sony, Google)	
	Chili	

Source: Intermonte SIM

In light of the high concentration among cinema clients, which also influences the power towards downstream clients in the distribution channel, NPI has to deal with medium client power.

Threat of new entrants. Medium/High – the distribution business is not highly capital intensive, implying moderate or even low entry barriers. Digitalization has played a significant role, as technology eases vertical integration for existing producers and the entry of independents. In addition, there are no regulatory constraints to head off the threat posed by new entrants. New entrants are a particular feature in the New Media sector (e.g. Amazon Prime Video, Apple, Facebook, etc.).

Starting to produce movies translates into a benefit in terms of mitigating the threat from new players, as the production business has higher barriers to entry.

Threats of substitutes. Medium - Despite the dynamic environment in media entertainment, cinema appears to be hard to replace: it is perceived as far more than watching a movie, and more like a whole experience. Substitutes are other similar activities like the theatre, and live events in general, such as sport, concerts, and circuses. Apart from the movie itself, going to the cinema is also much appreciated during the colder seasons, and is considered a valid alternative to other everyday leisure activities.

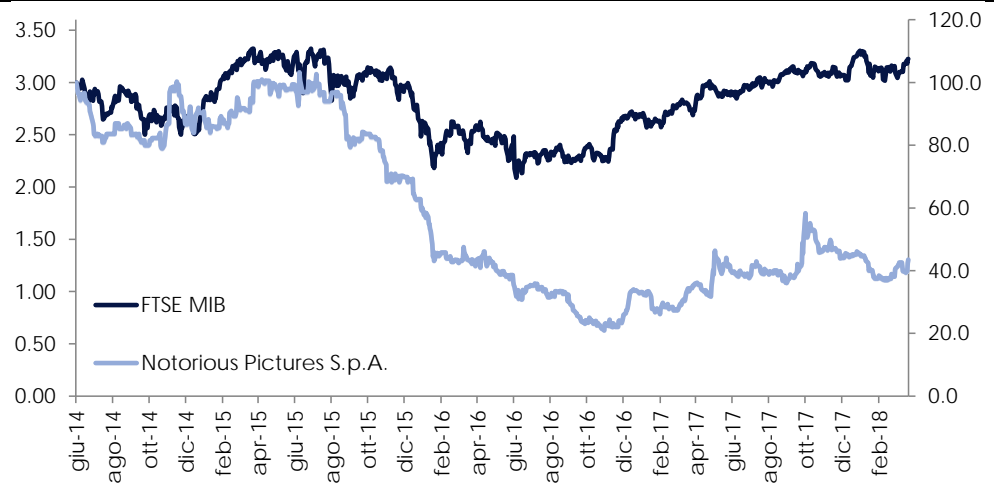
The threat of substitutes should be seen in terms of a slow change to what the leading media content is, rather than where it is broadcast, since Notorious covers different platforms. In order to deal with the recent success of TV Series, the company intends to start making these as well.

The main threat for NPI is common to all in the business, affecting all players: cinematographic and audiovisual piracy. Technology made possible the (illicit) downloading of movies from various channels on the internet; the arrival of streaming and simultaneous improvements to regulation and security systems mean that nowadays, given the aggressive pricing of VoD services, ever fewer people choose to download movies illegally. The piracy issue is more concrete when it comes to theatrical releases, as the time span before seeing the movie at home is four months.

Share information

Notorious Pictures was listed on June 23rd 2014 on the Italian AIM through an IPO of 2.316.000 shares subscribed by both national and international institutional and retail investors. The offer translated into a 10.36% free float before exercise of the greenshoe option. The share price offered was Eu3.00, equivalent to almost Eu6.95mn.

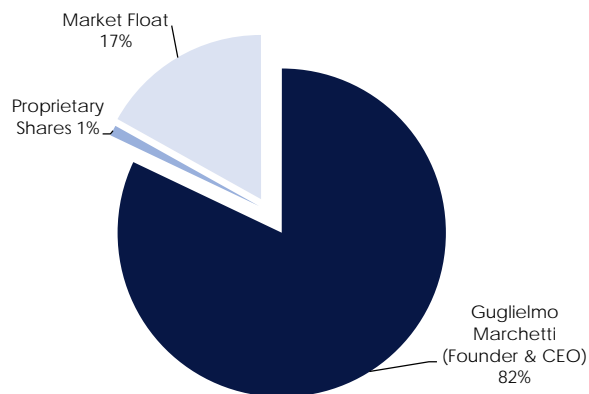
Notorious Pictures (NPI IM) share price performance since IPO



Source: Factset

The vast majority of the company has always been owned by the founder and current CEO, Guglielmo Marchetti. Except for a small number of treasury shares, the remainder is composed of the free float, which stands at 17%.

Notorious Pictures - Shareholder structure



Source: Factset

At the end of March 2018, institutions owned 12.5% of the free float, while other minor investors owned the remaining 87.5%; no single investor owned more than 1% of the company.

Financials

2017 results

In FY17, Notorious Pictures reported revenues of Eu18.1mn, compared to Eu23mn for FY16 (-21% YoY), which benefitted from executive production of the movie "Black Butterfly", bringing in Eu5.3mn.

Over the year, the company distributed 16 films that generated Eu11.1mn in Box Office proceeds (vs Eu10.3mn in 2016), corresponding to 1,851,306 tickets sold, and confirmed its fourth place in the Italian independent distributors ranking ("La fratellanza", "Nut job – Tutto molto divertente" and "Dickens: l'uomo che inventò il Natale" were among the best performers).

The revenue reduction from the previous year was mainly attributable to the Weinstein scandal, which led to the postponement of two films scheduled for 4Q17. The closing of new executive production agreements was postponed to 2018 as well.

In terms of revenue breakdown, the theatrical division accounted for Eu4.5mn (-6.25% YoY), while TV grew by almost 12% YoY. Executive Production division revenue was Eu1.9mn.

EBITDA saw a significant improvement compared to 2016, reaching 33.2% from 28.7% (+450bps YoY) thanks to lighter operating costs (labour costs flat YoY). On the other hand, higher D&A increased pressure on the net operating margin, which fell to Eu1.8mn from Eu3.2mn in 2016; it is worth noting that the amortization policy is particularly cautious, with the major investment expenses front-end loaded.

Financial expenses accounted for only Eu79k (Eu4k in 2016), due to differences in exchange rates, and net profit was Eu1.37mn. Finally, the positive net financial position increased further to Eu6.2mn from Eu3.3mn as at the end of June 2017.

Notorious Pictures – Historical financials

	(Eu mn)	2013A	2014A	2015A	2016A	2017A
Revenue from sales		8.5	24.5	22.7	20.6	16.9
YoY %			188.9%	(7.3%)	(9.5%)	(17.9%)
Other income		0.6	2.3	2.8	2.4	1.3
Value of production		9.04	26.76	25.56	22.99	18.14
YoY %			195.9%	(4.5%)	(10.0%)	(21.1%)
Operating costs		(5.5)	(11.2)	(10.9)	(14.8)	(10.7)
margin %		(61.2%)	(41.7%)	(42.7%)	(64.4%)	(58.8%)
Other income/costs		(0.0)	(0.1)	(0.1)	(0.1)	0.0
Value Added Core		3.5	15.5	14.5	8.1	7.5
YoY %		0.0%	342.8%	(5.9%)	(44.2%)	(7.7%)
margin %		38.6%	57.7%	56.9%	35.3%	41.3%
Labour costs		(0.7)	(1.1)	(1.4)	(1.5)	(1.5)
margin %		(7.4%)	(4.1%)	(5.6%)	(6.6%)	(8.1%)
TOTAL EBITDA		2.82	14.34	13.10	6.59	6.02
YoY %			409.1%	(8.7%)	(49.7%)	(8.8%)
margin %		31.2%	53.6%	51.2%	28.7%	33.2%
D&A		(0.8)	(4.3)	(3.0)	(3.4)	(4.1)
YoY %			425.7%	(32.0%)	15.9%	20.3%
margin %		(9.1%)	(16.2%)	(11.5%)	(14.9%)	(22.7%)
EBIT		1.99	10.00	10.14	3.17	1.78
YoY %			402.2%	1.4%	(68.8%)	(43.8%)
margin %		22.0%	37.4%	39.7%	13.8%	9.8%
Net financial income/expens		(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Pretax Profit		1.96	9.97	10.14	3.17	1.70
YoY %		0.0%	409.4%	1.7%	(68.8%)	(46.2%)
margin %		21.7%	37.3%	39.7%	13.8%	9.4%
Taxes		(0.7)	(3.5)	(3.1)	(0.4)	(0.3)
Tax Rate		(35.6%)	(35.1%)	(30.1%)	(11.5%)	(19.9%)
Net profit		1.26	6.47	7.09	2.80	1.36
YoY %			413.1%	9.5%	(60.4%)	(51.3%)
margin %		14.0%	24.2%	27.7%	12.2%	7.5%
minorities		0	0	0	0	0
Group net profit		1.262	6.473	7.086	2.803	1.365
Net (debt)/cash		0.3	7.5	6.4	3.8	6.2

Source: Company data and Intermonte SIM

Although Notorious Pictures continues to deliver healthy financial results, last year revenue and profit trends failed to live up to forecasts, mainly due to the impact of a general slowdown in the cinema business, delays to the release of two major films purchased from the Weinstein Company, and the shifting of part of the budget for an international executive production to the following year. The company has nevertheless moved quickly to grasp the opportunities arising in the executive production business, largely attributable to the consolidation and expansion of tax breaks, and in the direct-to-digital content business, driven by the entry of leading players such as Netflix, TIM and Amazon onto the market.

Notorious Pictures – Productions overview



September 2017
 Box Office revenue Eu134k
 Genre: Dramatic
 Direction: Matteo Botrugno, Daniele Coluccini



March 2017
 Box Office revenue Eu422k
 Genre: Comedy
 Direction: Max Croci



April 2016
 Box Office revenue Eu396k
 Genre: Comedy
 Direction: Giulio Base

Source: MyMovies

Estimates

The following tables show our revenue expectations for 2018-2020 broken down by business. Our main assumptions are as follows:

Cinema: we expect the theatrical segment to account for a significant part of Notorious' business, recovering from the 2017 sales result as early as 2018, as the films originally slated for release in late 2017 will contribute to 2018 figures instead. Generally speaking, we forecast cinema revenues recovering gradually to reach Eu7mn by YE20, and the cinema market to grow low single-digit over the coming years; in this regard, we note that the Italian market is very sensitive to the release of extremely popular films (e.g. by Checco Zalone in 2016). Apart from the swings related to big hits, we consider Eu7mn in theatrical revenues achievable as the company reported Eu7.2mn in FY15 at this division.

Pay TV: the Pay TV segment closely follows the theatrical revenue trend, as box-office proceeds broadly dictate income from pay TV. As a consequence, we expect a recovery in 2018 to Eu8mn and gradual growth in the coming years.

Free-to-Air: the business division where we forecast declining sales due to a structural change in consumers' habits. As reported in the sector analysis, Free TV is going through a business slowdown and we therefore expect revenues at this division to decrease accordingly.

OTT: this business division is seen as offsetting the slowdown expected at FTA, as it is strongly driven by digitalization and represents the new area to which consumer habits are shifting.

Executive Production: we consider the Executive Production division apart as it represents a contract business that Notorious carries out for international producers. This activity benefits from specific public incentives, with tax credits of up to 30%, and typically shows an EBITDA margin of ca. 7.5%, structurally lower than the company's other activities but with a very low risk profile. Given the strong public incentives, we expect this business to see healthy growth in the coming years, reaching Eu6mn by the end of 2020. This area also includes the production of TV series.

Notorious Pictures – Revenue breakdown

(Eu mn)	2017A	2018E	2019E	2020E
	16.0	18.0	18.0	18.0
o/w Internal Productions	-	2.00	2.00	2.00
Avg Revenues per film	0.28	0.32	0.36	0.39
Revenues from Cinema	4.47	5.80	6.50	7.00
YoY %	-6.4%	29.7%	12.1%	7.7%
Revenues from PAY TV	5.68	8.00	8.10	8.20
YoY %	-4.1%	41.0%	1.3%	1.2%
Revenues from FTA	3.39	3.10	2.90	2.70
YoY %	68.7%	-8.5%	-6.5%	-6.9%
Revenues from OTT	1.26	0.75	1.40	2.00
YoY %	-45.2%	-40.6%	86.7%	42.9%
N° of exec. Productions	-	2.0	2.0	2.0
Net revenues per production	-	2.5	2.8	3.0
Executive Production	1.53	5.00	5.50	6.00
YoY %	-62.3%	227.2%	10.0%	9.1%
Others	0.54	1.00	1.00	1.00
YoY %	-63.6%	84.0%	0.0%	0.0%
Revenue from sales	16.87	23.65	25.40	26.90
YoY %	-17.9%	40.2%	7.4%	5.9%

Source: Company data and Intermonte SIM

Income Statement

Our estimates take into account a strong recovery of revenues in 2018 and high single-digit growth in 2019 and 2020 driven, as mentioned above, by both theatrical recovery and a healthy positive trend in production activity, including both internal and executive productions. The company has guided for a 2018 line-up of 18 film releases, of which two are internal productions.

According to our forecasts, **value of production** should reach Eu28.4mn by YE20, translating into a 17-20 CAGR of 16.1%, front-end loaded due to the 17/18 recovery, while the 18-20 CAGR is 4.1%, representing more conservative but concrete growth.

EBITDA is forecast at Eu10.5mn in 2020, with an 18-20 CAGR of 3.4%. The EBITDA margin decreases slightly over this period as the Executive Production business increases faster than other divisions, consequently bringing down the total margin due to the lower margin it produces. On the other hand, the 18-20 EBIT CAGR is forecast at 6.8% (exp. CAGR for 17-20 at +39%), with D&A increasing slowly in step with Capex.

The company is expected to remain debt-free, therefore we estimate very low financial expenses. The **tax rate** largely benefits from tax credits on the various activities (distribution and production), and is particularly sensitive to executive production tax rates. Factoring limited growth into this latter business, the tax credit is forecast to stay at ca. 20%, but it would fall further in the event of a strong increase at the Executive Production division. Net profit is expected to show healthy front-loaded growth, with a 17-20 CAGR of +41.4% and an 18-20 CAGR of +7%.

Notorious Pictures – Profit & Loss

(Eu mn)	2017A	2018E	2019E	2020E	CAGR 17-20	CAGR 18-20
Revenue from sales	16.9	23.7	25.4	26.9		
YoY %	(17.9%)	40.2%	7.4%	5.9%		
Value of production	18.1	25.2	26.9	28.4	16.1%	4.1%
YoY %	(21.1%)	38.7%	7.0%	5.6%		
Value Added Core	7.5	11.1	11.8	12.3		
YoY %	(7.7%)	48.0%	6.2%	4.7%		
margin %	41.3%	55.0%	55.0%	55.0%		
Labour costs	(1.5)	(2.0)	(2.2)	(2.3)		
margin %	(8.1%)	(8.0%)	(8.0%)	(8.0%)		
EBITDA Core	5.9	9.1	9.6	10.0	19.4%	3.4%
YoY %	(10.5%)	53.9%	5.9%	4.4%		
margin %	32.5%	36.1%	35.8%	35.4%		
EBITDA from Ex. Prod.	0.1	0.4	0.4	0.5	57.8%	6.3%
YoY %	0.0%	227.2%	10.0%	9.1%		
margin %	7.5%	7.5%	7.5%	7.5%		
TOTAL EBITDA	6.0	9.5	10.0	10.5	20.4%	3.5%
YoY %	(8.8%)	57.2%	6.1%	4.6%		
margin %	33.2%	37.6%	37.3%	36.9%		
D&A	(4.1)	(5.2)	(5.2)	(5.3)		
margin %	(22.7%)	(20.5%)	(19.4%)	(18.5%)		
EBIT	1.8	3.9	4.4	4.8	39.0%	6.8%
YoY %	(43.8%)	120.3%	12.1%	8.8%		
margin %	9.8%	15.6%	16.4%	16.9%		
Net financial income/expens	(0.1)	0.0	0.0	0.0		
Pretax Profit	1.7	3.9	4.4	4.8		
YoY %	(46.2%)	130.5%	12.1%	8.8%		
Taxes	(0.3)	(0.8)	(0.9)	(0.9)		
Tax Rate	(19.9%)	(19.8%)	(19.5%)	(19.5%)		
Net profit	1.4	3.1	3.5	3.9	41.4%	7.0%
YoY %	(51.3%)	130.8%	12.5%	8.8%		
margin %	7.5%	12.5%	13.2%	13.6%		

Source: Company data and Intermonte SIM

Balance Sheet and Cash Flow

We have based our model on the following assumptions:

- **Net working capital:** except for 2018, when we expect an increase due to higher receivables recovering from the sharp fall in 2016, we expect net working capital to remain largely stable;
- **Dividend:** dividends are foreseen at Eu1.5mn and Eu1.8mn in 2019 and 2020 respectively;
- **Capex:** we estimate Capex remaining broadly above Eu7mn in the next few years, supporting the distribution and internal production activities with a target of 18 film releases per year.

Overall, we expect Notorious Pictures' cash generation to improve throughout the forecast period.

Notorious Pictures – Cash Flow Statement

(Eu mn)	2017A	2018E	2019E	2020E
Net income	1.4	3.1	3.5	3.9
Minorities	0.0	0.0	0.0	0.0
Amortization & Depr.	4.1	5.2	5.2	5.3
<i>% on sales</i>	22.7%	20.5%	19.4%	18.5%
Gross cash flow	5.5	8.3	8.8	9.1
Change in working capital	5.2	(2.9)	0.2	0.3
Other funds and provisions	0.4	(0.3)	0.7	1.2
Other	(0.4)	0.5	0.0	0.0
Operating cash flow	10.7	5.6	9.7	10.6
Capex	(7.2)	(7.2)	(7.1)	(7.1)
<i>% on sales</i>	39.6%	28.5%	26.5%	25.0%
FCF	3.6	(1.6)	2.5	3.5
<i>FCF/EBITDA</i>	60.4%	(17.2%)	26.3%	34.5%
Acquisitions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Dividends	(1.2)	(1.2)	(1.5)	(1.8)
<i>% Pay Out</i>	42.5%	89.5%	47.6%	50.8%
Right Issue	0.0	0.0	0.0	0.0
Other	(0.0)	0.0	0.0	0.0
Cash Flow	2.4	(2.8)	1.0	1.7
NFP at bgn year Cash/(Debt)	3.8	6.2	3.4	4.5
NFP at year end: Cash/(Debt)	6.2	3.4	4.5	6.1

Source: Company data and Intermonte SIM

Notorious Pictures – Balance Sheet

(Eu mn)	2017A	2018E	2019E	2020E
Inv entories	0.2	0.2	0.2	0.2
<i>% on sales</i>	0.8%	0.8%	0.8%	0.7%
Trade Receiv ables	12.5	15.3	15.6	16.5
<i>% on sales</i>	68.9%	61.0%	58.0%	58.0%
Trade Payables	(7.0)	(7.5)	(7.5)	(7.7)
<i>% on sales</i>	(38.6%)	(30.0%)	(28.0%)	(27.0%)
Commercial working capital	5.7	8.0	8.3	9.0
<i>% on sales</i>	31.1%	31.8%	30.8%	31.7%
Other current Assets/Liabilities	0.5	1.0	0.5	(0.5)
Net working capital	6.1	9.0	8.8	8.5
<i>% on sales</i>	33.8%	35.8%	32.6%	30.0%
<i>% on Net capital employed</i>	41.4%	46.1%	41.5%	37.6%
Tangible asset	0.1	0.2	0.3	0.4
Total intangible	13.7	15.7	17.6	19.5
Participations	0.0	0.0	0.0	0.0
Net Fixed Asset	13.8	15.9	17.9	19.9
Other non current assets/liabilitie	(5.2)	(5.4)	(5.5)	(5.7)
Net capital employed	14.8	19.5	21.1	22.6
Net (debt)/cash	6.2	3.4	4.5	6.1
<i>% on Net capital employed</i>	(42.0%)	(17.6%)	(21.1%)	(27.1%)
Net Equity	21.0	23.0	25.6	28.8
<i>% on Net capital employed</i>	142.0%	117.6%	121.1%	127.1%
Shareholders Funds	21.0	23.0	25.6	28.8
Minorities	0.0	0.0	0.0	0.0
Net capital employed	14.8	19.5	21.1	22.6

Source: Company data and Intermonte SIM

Peers

We think Notorious Pictures has a rather unusual structure which makes comparison with other players difficult. First, the company is the only listed independent player on the distribution market covering the whole distribution chain. Second, the company has historically been strongly focused on distribution, while the main comparable firms on the listed market are focused on other activities in the same sector.

Two of the closest comparable entities could be Lucisano Media Group and Leone Film Group in terms of both dimension and core market. However, neither is really focused on distribution:

- **Lucisano Media Group** earns revenues from the movie theatre business (42%), production (54%), and distribution (just 4%). The EBITDA margins in 2016 and 2017 were 14% and 9% respectively.
- **Leone Film Group** started business as a producer and this remains its core activity. The EBITDA margin was 5% in both 2016 and 2017.

Notorious Pictures – Comparable peers

	Mkt Cap	EV / Sales			EV / EBITDA			EV / EBIT			Price / Earnings		
		LTM	2018	2019	LTM	2018	2019	LTM	2018	2019	LTM	2018	2019
Notorious Pictures*	29	1.4x	1.4x	1.3x	4.3x	3.7x	3.5x	13.5x	9.0x	8.1x	19.8x	9.3x	8.3x
Mondo TV*	155	4.9x	3.1x	2.3x	6.8x	4.3x	3.2x	9.3x	6.9x	4.8x	11.6x	8.7x	8.2x
Leone Film Group	69	1.0x	0.9x	0.8x	2.0x	2.9x	2.5x	3.7x	11.3x	8.7x	17.7x	11.1x	9.8x
Lucisano Media Group	32	1.5x	-	-	4.1x	1.1x	1.1x	10.2x	2.0x	1.9x	8.5x	-	-
Eros International	568	4.0x	3.0x	2.5x	5.7x	9.7x	7.3x	22.8x	12.0x	8.5x	283.9x	23.5x	14.7x
Lions Gate Entertainment	4,408	1.9x	2.1x	2.0x	3.6x	14.4x	13.0x	22.8x	29.7x	22.7x	11.5x	37.1x	36.0x
Entertainment One	1,479	1.7x	1.6x	1.4x	3.5x	9.5x	8.7x	14.8x	9.8x	9.0x	111.1x	11.7x	10.5x
Mean	963	2.4x	2.0x	1.7x	4.3x	6.5x	5.6x	13.9x	11.5x	9.1x	66.3x	16.9x	14.6x
Median	361.5x	1.8x	2.1x	2.0x	3.9x	6.9x	5.2x	12.5x	10.5x	8.6x	14.7x	11.7x	10.5x

Source: Intermonte SIM estimates (*) and Factset

Notorious Pictures – Comparable peers' performances

	52 Week			Price Performance						
	Price	High	Low	1M	3M	6M	YTD	1Y	3Y	
Notorious Pictures	1.30	1.88	0.93	15.0%	(3.7%)	5.7%	(4.6%)	26.2%	(54.2%)	
Mondo TV	5.00	7.33	3.71	(2.7%)	(18.3%)	0.4%	(21.6%)	20.7%	39.3%	
Leone Film Group	4.90	5.68	4.00	7.9%	9.9%	2.7%	6.5%	19.5%	67.8%	
Lucisano Media Group	2.18	3.83	1.88	(0.9%)	(13.8%)	(15.2%)	(9.6%)	13.5%	0.5%	
Eros International	10.90	16.90	6.65	(17.7%)	5.3%	(26.1%)	13.0%	13.0%	(36.5%)	
Lions Gate Entertainment	26.00	36.48	24.56	(11.8%)	(22.9%)	(14.4%)	(23.1%)	2.6%	(16.2%)	
Entertainment One	2.78	3.34	2.11	(6.8%)	(11.5%)	(3.4%)	(14.7%)	12.8%	0.3%	

Source: Factset

Notorious Pictures – Broadly comparable peers

	Mkt Cap	EV / Sales			EV / EBITDA			EV / EBIT			Price / Earnings		
		LTM	2018	2019	LTM	2018	2019	LTM	2018	2019	LTM	2018	2019
Italian-listed Peers													
Mondo TV*	155	4.9x	3.1x	2.3x	6.8x	4.3x	3.2x	9.3x	6.9x	4.8x	11.6x	8.7x	8.2x
Leone Film Group	69	1.0x	0.9x	0.8x	2.0x	2.9x	2.5x	3.7x	11.3x	8.7x	17.7x	11.1x	9.8x
Lucisano Media Group	32	1.5x	-	-	4.1x	1.1x	1.1x	10.2x	2.0x	1.9x	8.5x	-	-
International Peers													
Eros International	568	4.0x	3.0x	2.5x	5.7x	9.7x	7.3x	22.8x	12.0x	8.5x	283.9x	23.5x	14.7x
Lions Gate Entertainment	4,408	1.9x	2.1x	2.0x	3.6x	14.4x	13.0x	22.8x	29.7x	22.7x	11.5x	37.1x	36.0x
Entertainment One	1,479	1.7x	1.6x	1.4x	3.5x	9.5x	8.7x	14.8x	9.8x	9.0x	111.1x	11.7x	10.5x
Digital/NewMedia Peers													
Constantin Medien	197	239.6x	0.9x	1.7x	1.6x	7.0x	24.0x	18.4x	-	59.9x	31.9x	7.0x	52.5x
Splendid Medien	13	26.7x	0.5x	0.4x	0.4x	1.7x	1.0x	1.1x	-	7.4x	6.3x	-1.6x	6.6x
Highlight Communications	333	243.1x	0.7x	-	-	2.0x	-	-	11.8x	-	-	14.3x	-

Source: Intermonte SIM estimates (*) and Factset

Valuation

We have calculated our target price of Eu1.8 per share as the simple average between the result of a DCF model and the fair value from a peer comparison, to which we have applied a liquidity discount of 15%. The final target price confirms the fair value calculated through the DCF model.

Notorious Pictures – Valuation Summary

Model	Target Price (Eu)
DCF	1.8
Mutliples	2.4
Simple av erage	2.1
Liquidity discount	15%
Fair Equity value per share	1.8
Current share price	1.3
Upside/Downside	36%

Source: Intermonte SIM

DCF valuation range (Eu mn)

WACC	terminal growth		
	0.5%	1.0%	1.5%
7.5%	1.85	1.94	2.06
8.0%	1.73	1.81	1.90
8.5%	1.62	1.69	1.76

Source: Intermonte SIM

Our discounted cash-flow model yields an equity value of ca. Eu40.6mn. The model is based on the following assumptions:

- 2.5% risk-free rate;
- 5.0% risk premium;
- 1.10x beta;
- 100% equity weighting;
- Long-term terminal growth rate of 1.0%.

The peer comparison model uses the EBIT and EBITDA multiples for years 2018 and 2019, calculated as the median of the values for the peer group.

Peer Valuation

	2018	2019		2018	2019
Median EV/EBIT	10.5x	8.6x	Median EV/EBITDA	6.9x	5.2x
Notorious EBIT (Eu mn)	3.9	4.4	Notorious EBITDA (Eu mn)	9.1	9.6
Fair Enterprise Value (Eu mn)	41.3	38.0	Fair Enterprise Value (Eu mn)	62.7	50.4
NFP (debt)/ cash (Eu mn)	6.2	3.4	NFP (debt)/ cash (Eu mn)	6.2	3.4
Fair Equity Value (Eu mn)	47.6	41.4	Fair Equity Value (Eu mn)	68.9	53.8
Share Price (Eu)	2.1	1.8	Share Price (Eu)	3.1	2.4
Av g. Share Price (Eu)	2.0		Av g. Share Price (Eu)	2.7	
Final Share Price (Eu)	2.4				

Source: Intermonte SIM

Appendix I: Line-up 2018-2019

Notorious Pictures – Line-up 2018-2019 (ordered by release date)

UN SAC DE BILLES (A BAG OF MARBLES)	IL GIARDINO DEGLI ANIMALI
Jan-18	4Q 2018
BELLE & SEBASTIEN - Pour la vie	ASTERIX AND THE SECRET OF THE MAGIC POTION
Feb-18	Dec-18
HOSTILES	STRANGE BUT TRUE
Mar-18	TBD 2019
QUANTO BASTA	HEDI - Queen of the mountain
Apr-18	Feb-19
LOVING PABLO	BEN IS BACK
Apr-18	1Q 2019
LES DENTS, PIPI, AU LIT	RICHARD SAYS GOODBYE
May-18	1Q2019
THE STRANGERS 2	PLAN DE TABLE (Remake)
May-18	1Q2019
BENT	THE LAST FULL MEASURE
Jun-18	1/2 Q 2019
THE EXTRAORDINARY JOURNEY OF THE FAKIR	LIGHT OF MY LIFE
Jun-18	1/2Q2019
#211	THE WANTING
Jul-18	1/2Q2019
PATRICK	PRIMAL
Aug-18	2Q 2019
MARY SHELLEY	PLAYMOBIL - THE MOVIE
Sep-18	Apr-19
LILLI - Little miss Dolittle	SNOW PONIES
3Q 2018	2/3Q 2019
KEEPERS	LATTE AND THE MAGIC WATERSTONE
4Q 2018	4Q 2019
EXTREMELY WICKED, SHOCKINGLY EVIL	RAMBO V
TBA November 2018	4Q 2019
CITY OF LIES (aka LABYRINTH)	ARKIE
3/4Q 2018	4Q 2019
TEEN SPIRIT	
4Q 2018	

Source: Company data

Encouragingly, "Belle and Sebastien – Pour la vie" released on February 22nd 2018, reported Eu2.7mn of Box Office proceeds in the first three weeks of screenings (Eu1mn in the first weekend).

NOTORIOUS PICTURES Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
NOTORIOUS PICTURES	1.30	EUR	29	15.0%	-3.7%	5.7%	-4.6%	26.2%	0.0%
ENTERTAINMENT ONE	2.78	GBP	1,280	-6.8%	-11.5%	-3.4%	-14.7%	12.8%	75.2%
EROS INT'L	10.90	USD	700	-17.7%	5.3%	-26.1%	13.0%	13.0%	-6.6%
LEONE FILM	4.90	EUR	68	7.9%	9.9%	2.7%	6.5%	19.5%	92.2%
LIONS GATE ENTERT.	26.00	USD	5,684	-11.8%	-22.9%	-14.4%	-23.1%	2.6%	28.1%
LUCISANO MEDIA	2.18	EUR	32	-0.9%	-13.8%	-15.2%	-9.6%	13.5%	12.8%
MONDO TV	5.00	EUR	143	-2.7%	-18.3%	0.4%	-21.6%	20.7%	18.4%
Mean performance				-2.4%	-7.9%	-7.2%	-7.7%	15.5%	31.4%
Italy FTSE Mib	23,330.3	EUR		2.8%	-0.4%	4.1%	6.8%	18.0%	28.4%

Source: FactSet

NOTORIOUS PICTURES Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
NOTORIOUS PICTURES	1.30	EUR	29	1.0	0.9	2.8	2.6	6.6	5.6	9.3	8.3	5.1%	6.2%
ENTERTAINMENT ONE	2.78	GBP	1,280	1.4	1.3	8.6	8.1	8.8	8.3	11.7	10.4	0.5%	0.6%
EROS INT'L	10.90	USD	700	2.5	1.9	7.8	6.0	9.5	6.7	18.6	14.0	0.0%	0.0%
LEONE FILM	4.90	EUR	68	1.0	0.9	3.1	2.7	10.8	9.0	11.1	9.8	3.1%	4.1%
LIONS GATE ENTERT.	26.00	USD	5,684	1.7	1.6	12.1	10.2	20.5	16.3	54.1	32.7	1.2%	1.4%
LUCISANO MEDIA	2.18	EUR	32										
MONDO TV	5.00	EUR	143	3.1	2.3	4.3	3.2	6.9	4.8	8.7	8.2	0.0%	3.3%
Median				1.7	1.6	7.8	6.0	9.5	8.3	11.7	10.4	0.5%	1.4%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

NOTORIOUS PICTURES - Estimates Comparison with Consensus

(Eu mn)	2018			2019		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
Revenues	25.2	23.3	8.0%	26.9	24.7	9.0%
Ebitda	9.1	9.1	-0.3%	9.6	9.7	-0.4%
Net Profit	3.1	2.3	35.6%	3.5	2.9	24.2%
EPS	0.140	0.103	35.6%	0.158	0.127	24.2%
Net Debt	3.4	5.1	-32.7%	4.5	7.6	-41.0%

Source: Intermonte SIM estimates and Factset consensus estimates

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	NOTORIOUS PICTURES		
Current Recomm:	OUTPERFORM		
Current Target (Eu):	1.80		
Current Price (Eu):	1.30		
Date of report:	16/04/2018		

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- 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)

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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;

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OUTPERFORM:	43,59 %
NEUTRAL:	37,18 %
UNDERPERFORM	05,13 %
SELL:	00,00 %

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UNDERPERFORM	00,00 %
SELL:	00,00 %

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IKF	0,57	SHORT
OLIDATA	0,88	SHORT
WASTE ITALIA	0,61	SHORT

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