



**NOTORIOUS PICTURES – Digital Entertainment Company**

*Milan, September 17th,  
2018*



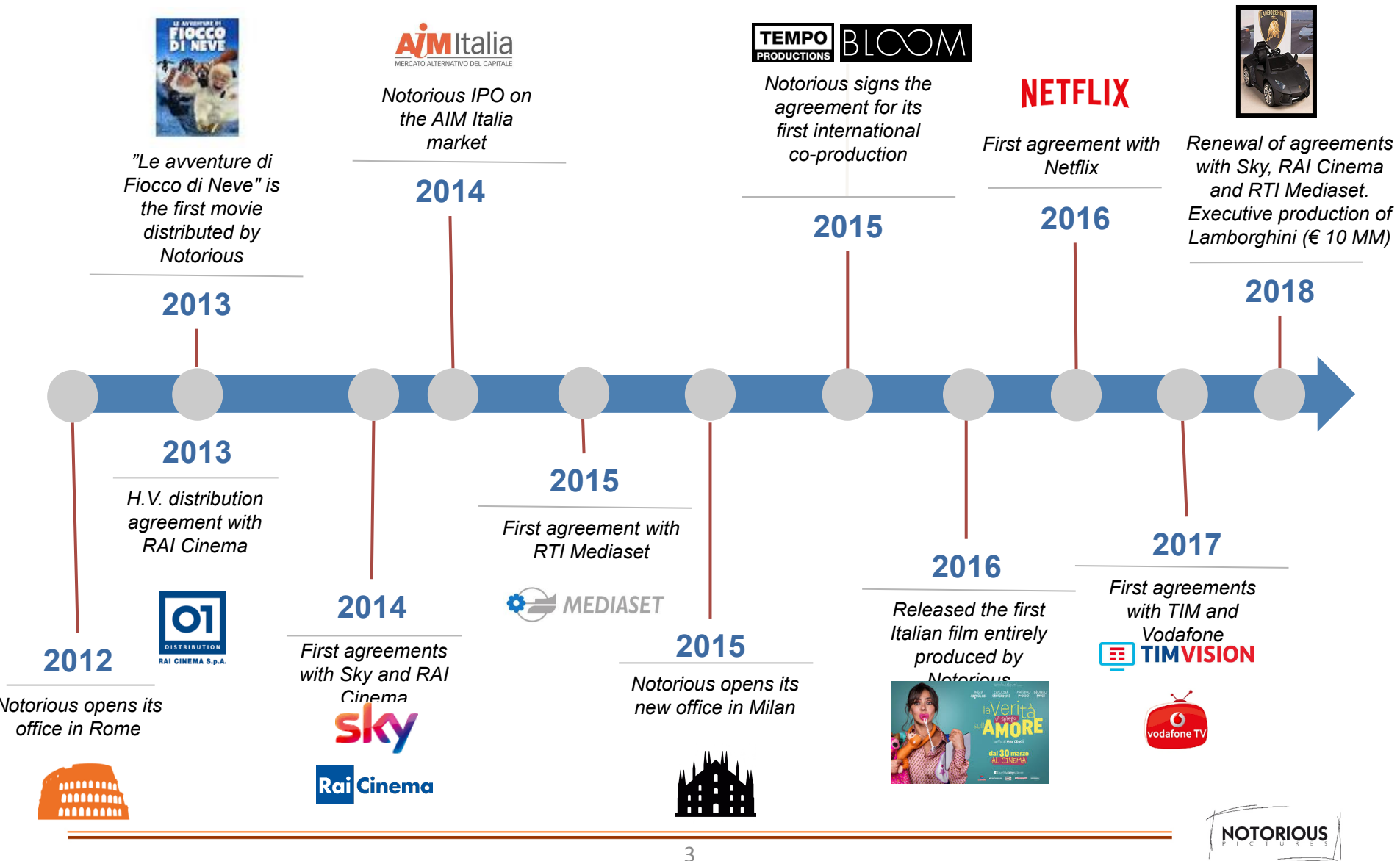
# 1. Executive Summary

## Who we are

- ❖ **Notorious Pictures** (“Notorious”), **founded in 2012 by Guglielmo Marchetti**, with offices in Rome and Milan, is an important player in the production and distribution of multimedia contents in Italy.
- ❖ The company is active in: (i) **acquisition of distribution rights** from third party producers and **production or co-production of feature films**; (ii) acquisition and distribution of **direct to video** film rights; and (iii) **executive production** on behalf of international producers.
- ❖ Notorious exploits the distribution rights of its library through the following main channels:
  - Cinema;**
  - Home-Video;**
  - Pay TV and Pay Per View;**
  - Free TV;**
  - Digital** (Video on Demand – Subscription Video on Demand, Electronic Sell Through, Electronic Rental).
- ❖ Currently the company’s **library includes over 950 films** at different stages in the distribution process and **7 own production and co-production films**. The distribution agreements typically allow Notorious to **exploit the film rights for periods of 15 to 20 years**.
- ❖ The company has established **long term relationships** with the most significant players active in **different distribution channels**: movie theatres (The Space Cinema and UCI CINEMAS), national broadcasts (Rai, Sky, RTI Mediaset), digital over the top and telecoms (Netflix, Tim Vision, Vodaphone TV, Apple, Chili).
- ❖ Since 2015 Notorious started acquiring options on rights for books, subjects and screenplays with the objective of **expanding direct production and co-production of films and of entering the TV series** business.
- ❖ Guglielmo **Marchetti** is **Chairman and CEO**. The company currently **employs 25 staff**. Since July 2014 Notorious is **listed on the AIM Italia market** managed by Borsa Italiana and has a **market cap of approximately € 62 million**.

# 1. Executive Summary

## Our history



# 1. Executive Summary

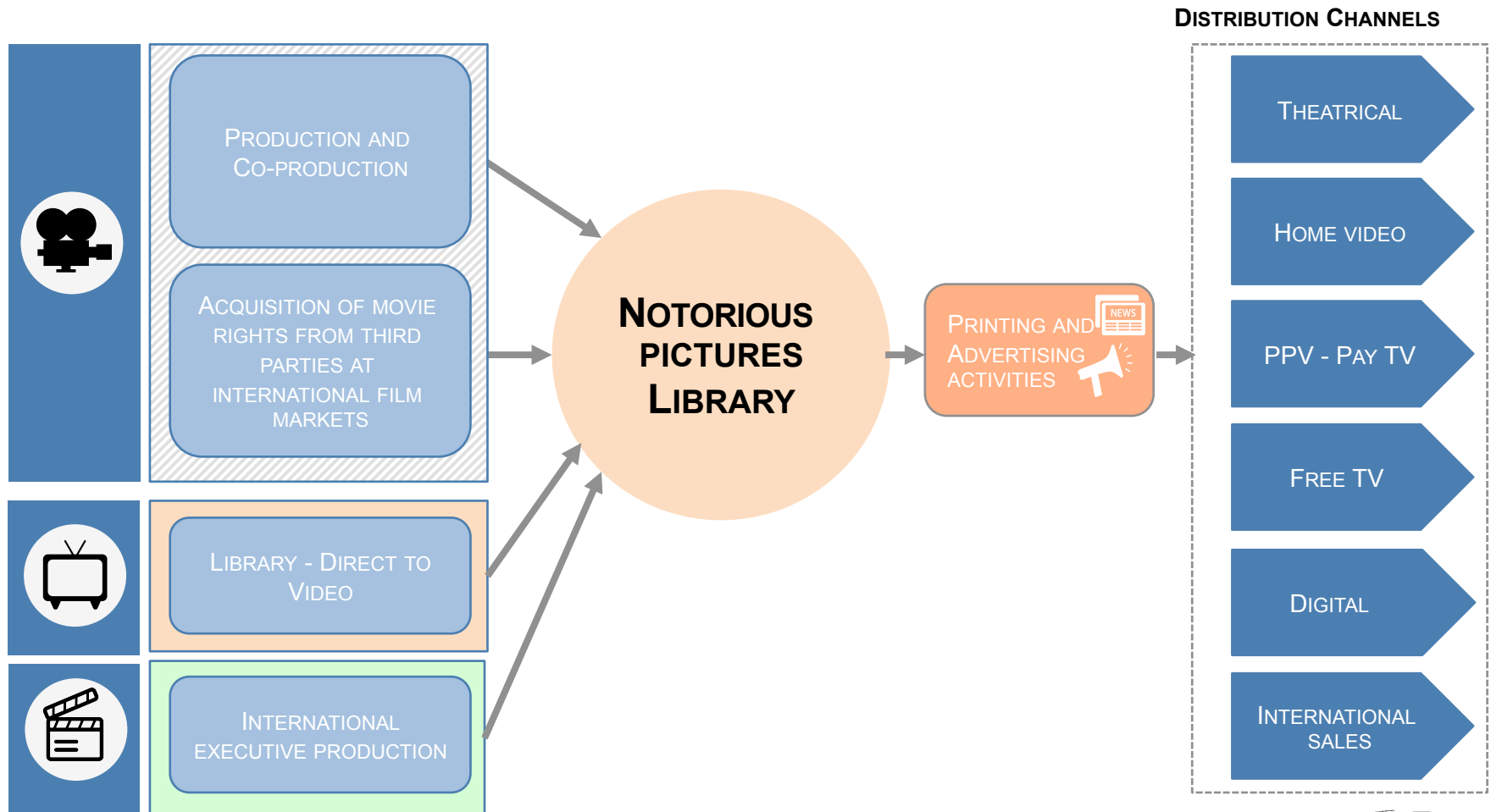
## Our first 5 years

<b>P/L results (€ million)</b>	<b>2013-17 cumulative</b>
<b>Revenues</b>	<b>102,5</b>
<b>EBITDA</b>	<b>42,8</b>
<i>EBITDA %</i>	<i>41,8%</i>
<b>EBIT</b>	<b>27,2</b>
<i>EBIT %</i>	<i>26,5%</i>
<b>Net Profit</b>	<b>19,2</b>
<i>Net Profit %</i>	<i>18,7%</i>
<b>Distributed dividends</b>	<b>6,0</b>

## 2. Business Model

### Three macro business areas

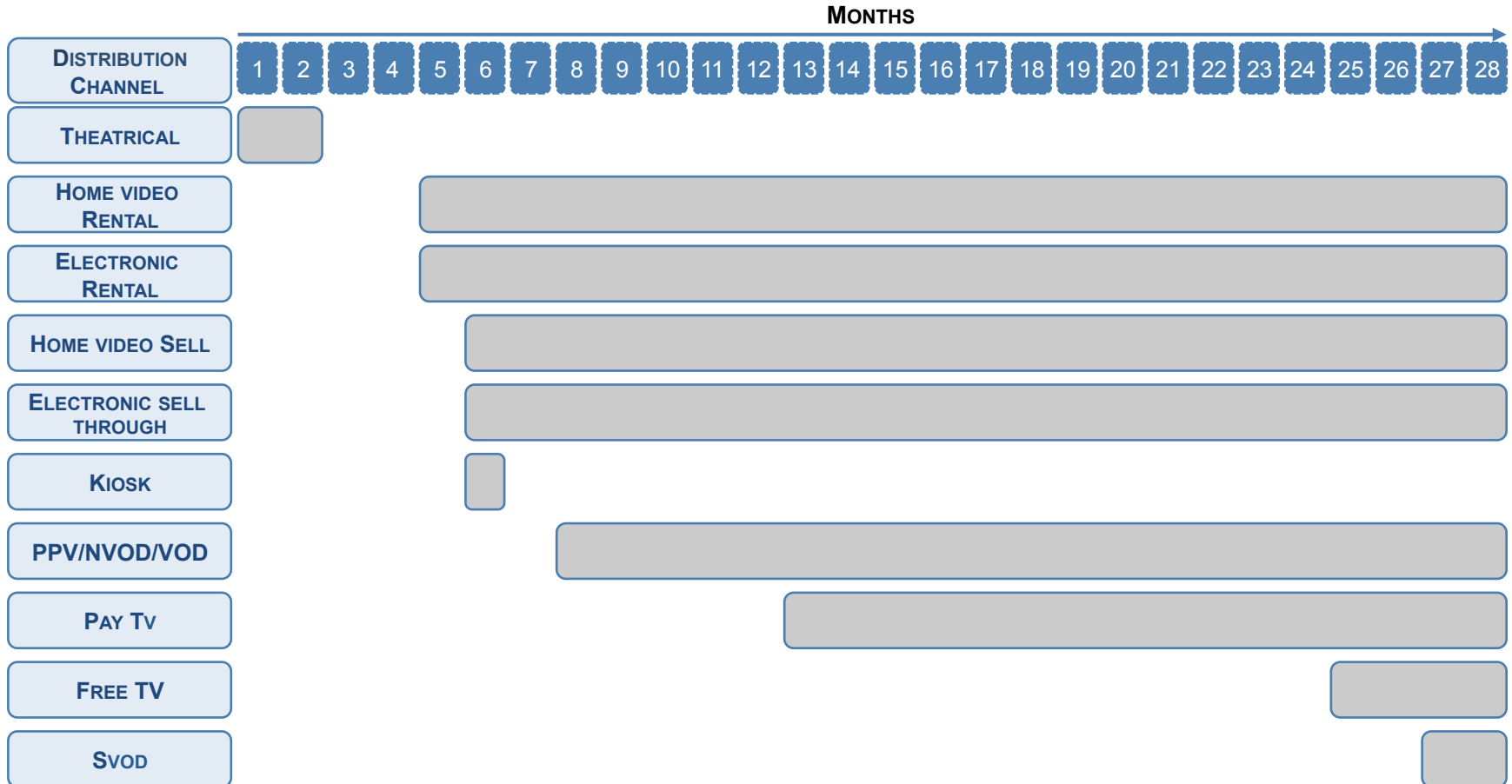
The **production, acquisition and distribution** of movie film rights, to be exploited in all distribution channels, represents Notorious' historic **core business**. The company recently added **two new important areas of business**: trading of **Direct to Video rights and Libraries** aimed primarily for TV release; **International Executive Productions**.



## 2. Business Model

### Film rights life cycle

**Notorious fully controls the first cycle of exploitation** of film rights that **lasts typically 28 months** (time frame now tending to shorten as a consequence of market changes induced by new technologies). This first cycle typically generates **70% of a film entire revenues**, with the remaining 30% generated during the rest of its rights life (15 to 20 years overall).



## 2. Business Model

### Acquisition of distribution rights VS. Direct production



The company expands its library through two principal mechanisms of rights acquisition:

#### ACQUISITION OF DISTRIBUTION RIGHTS

Notorious acquires the distribution rights for the Italian territory from producers and international sales companies at the main world film markets.



#### KEY SUCCESS FACTORS

- ❖ Highly experienced team.
- ❖ Long lasting relationships with key producers and international sales companies.
- ❖ Full use of own financial resources.

#### PRODUCTION AND CO-PRODUCTION

Notorious acquires book rights and develops original subjects and screenplays; then produces or co-produces the entire film.

Costs are incurred typically over a period of 4 months and are capitalized. Tax credits accrue monthly and are deducted from production costs.



#### KEY SUCCESS FACTORS

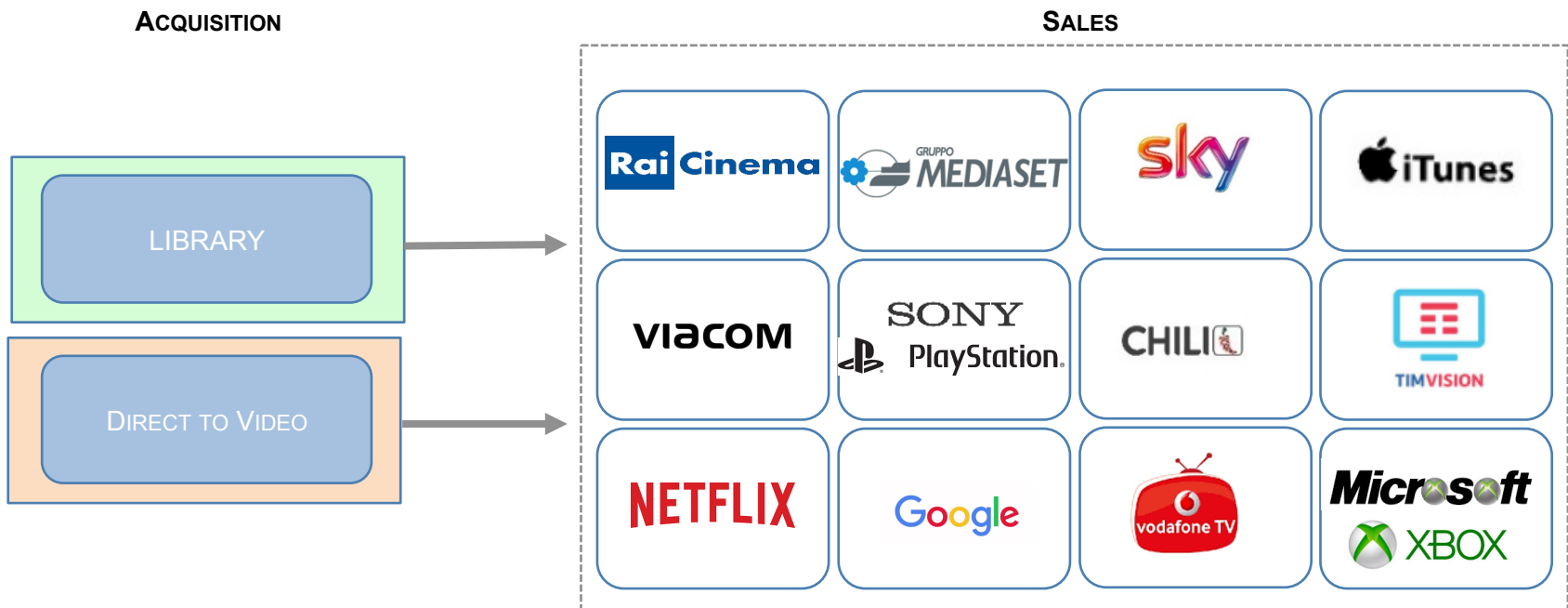
- ❖ Being both distributor and producer allows Notorious to retain control over the entire value chain and to distribute the film without the involvement of any other intermediate player.
- ❖ Access to contributions and financial support of various nature.

RIGHTS	
TYPE	License
DURATION	15 – 20 years
MARKET	Italy
SOURCE	Third party
Ownership	Ownership
No limits	No limits
Worldwide	Worldwide
Self-produced	Self-produced

## 2. Business Model

### Direct to Digital

- ❖ **Digital technology** developments have allowed the growth of **new broadcast channels** and **new platforms** for the fruition of audiovisual contents. **Technological innovation** has driven the success of **new media** determining a true revolution in the home fruition of entertainment contents.
- ❖ The company has created a **business unit** specifically dedicated to trading audiovisual contents targeted primarily for TV showing.
- ❖ Film contents targeted for the broadcast market fall into two key categories: **Library** (films that have been through a first round of exploitation) and **Direct to Video** (new films designed for priority broadcast exploitation).





## 2. Business Model

### International Executive Production

- ❖ Recently approved legislation (“**Legge Franceschini**”) has devoted considerable resources to encourage the production of international films in Italy.
- ❖ Legge Franceschini establishes a tax credit equal to **30% of the film production costs** incurred in Italy.
- ❖ Notorious leverages its **production expertise** and the **tax capacity** derived from its core business to promote its role as **Executive Producer** of international films in Italy.



PRODUCTION  
BUDGET  
€ 7.2 MILLION



PRODUCTION  
BUDGET  
€ 2.5 MILLION

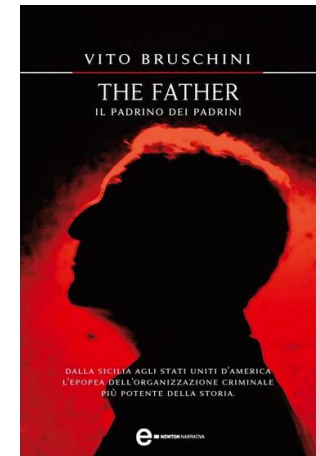


PRODUCTION  
BUDGET  
€ 12.5 MILLION

## 2. Business Model

### Production of TV Series

- ❖ **The entering of Over the Top and Telecoms** into the contents market has generated exponential growth in the production of TV series.
- ❖ Through the acquisition of rights options on published books, Notorious is developing **pilot subjects and screenplays** for the production of TV series.
- ❖ Currently Notorious **holds the TV series production rights** for such books or original scripts as:
  - ❖ “The father” by Vito Bruschini
  - ❖ “Splendido visto da qui” by Walter Fontana
  - ❖ “Prigioniero del presente” by Suzanne Corkin
  - ❖ “#OPS” by Elisa Maino
  - ❖ “Polidoro” by M.Bonini, S. Moustard, R.Ravello, V. Rispoli



### 3. Financial Data

#### H1 2018 – P/L results

Economic Data (€ mln)	1H 2018	1H 2017	2017
<b>Revenues</b>	<b>21,3</b>	<b>9,1</b>	<b>18,0</b>
<b>EBITDA</b>	<b>8,0</b>	<b>3,8</b>	<b>6,0</b>
<i>EBITDA %</i>	<i>37,3%</i>	<i>41,5%</i>	<i>33,3%</i>
<b>EBIT - Result from operations</b>	<b>3,4</b>	<b>1,6</b>	<b>1,9</b>
<i>EBIT %</i>	<i>16,0%</i>	<i>17,4%</i>	<i>10,6%</i>
<b>Net profit/(loss) for the year</b>	<b>3,0</b>	<b>1,2</b>	<b>1,5</b>
<i>Net Profit/(Loss) %</i>	<i>14,2%</i>	<i>12,7%</i>	<i>8,3%</i>

- **1H18 Revenues** up 133.2% on 1H17 and 18.5% on FY17.
- **1H18 EBITDA** of Euro 8.0MM compares with Euro 3.8MM for 1H17 and Euro 6.0MM for FY17.
- **EBITDA %** (37.3%) is lower than 1H17 due to the dilutive effect of executive production revenues that were Euro 6.9MM in 1H18 vs. Euro 0.3MM in 1H17 (excluding related tax credits).
- **Net Profit** of Euro 3.0MM (14.2% of Revenues) compares with Euro 1.5MM (8.3%) for the FY17.

### 3. Financial Data

#### H1 2018 – B/S results

Balance Sheet Data (€ mln)	1H 2018	1H 2017	2017
Fixed assets	11,8	11,9	13,8
Net working capital	10,9	10,9	6,1
Provisions	5,3	5,4	5,2
Net invested capital	17,4	17,4	14,8
Net financial position / (Cash)	(5,1)	(3,3)	(6,2)
Shareholders' equity	22,6	20,7	21,0

- **Fixed assets of Euro 11.8MM** are down from Euro 13.8MM at year end 2017, reflecting **new investments during the period for Euro 2.6MM and depreciation for Euro 4.6MM.**
- NWC increases from Euro 6.1MM at 31/12/17 to Euro 10.9MM at 30/6/18, reflecting the **start of a new significant investment cycle in 2018.**
- At 30/6/18 the company maintains a **net cash position of Euro 5.1MM**, reduced vs. Euro 6.2MM at year end 2017, due to the growth in NWC, but increased vs. Euro 3.3MM at 30/6/17.

## 4. Investment Opportunity

### Attention to investors

- ❖ **EQUITY RESEARCH:** since the IPO the company is committed to ensure the publishing of quality research on its stock. Currently **Intermonte** and **UBI Banca** publish regular research and periodic updates on the Notorious Pictures stock.
- ❖ **BUY BACK:** on **November 8th, 2017** the company approved an **18 months** buy-back program with the main objective of allowing to support the liquidity and the regular trading conditions of the stock. The buy-back follows up on a similar program expired in 2017. As of August 31st, 2018 the company's own stock represented **2,2%** of the company capital.
- ❖ **DIVIDENDS:** beginning with the 2015 accounts, the company has approved a **stable dividend policy** with the objectives of:
  - Distributing a consistent part of the profits generated during the period
  - Generate a regular income flow for investors
  - Provide the market with stable guidelines for assessing expected dividend flows
  - Stimulate investment in the Notorious Pictures stock

With reference to the **financial years 2015-17** the company distributed **dividends for a total of € 6.0 MM** with an average **pay out of 34%** and an average **dividend yield of 4.8%\***.

- ❖ **NOMAD/SPECIALIST/CORPORATE BROKER:** in managing its relationship with the financial market, Notorious Pictures is supported by:
  - **Banca Finnat** - Nomad and Specialist
  - **Intermonte** - Corporate broker and research
  - **UBI Banca** – Corporate broker and research

\* Calculated as simple average of annual dividend yields on the share price at the date of proposal of the dividend.

## 4. Investment Opportunity

### Conclusions

- ❖ Full control of the entire value chain, including theatrical distribution.
- ❖ Consolidation of the production/co-production activity provides the base for the development of TV series business.
- ❖ Significant expansion opportunity provided by the new TV series business, on the back of developments induced by new technology players.
- ❖ Strong growth in the high potential New Media business, thanks to the agreements in place with the major market players and the acquisition of DTV rights.
- ❖ Growth in diverse areas of business reduces Notorious' results dependence on the Box Office revenues of new films.
- ❖ Historical and projected high profitability.
- ❖ Strong balance sheet.
- ❖ Expansion and consolidation of the company's library with the acquisition of films of high commercial potential with highly visible cast.
- ❖ High dividend yield.
- ❖ Comparatively low market multiples.

