



**NOTORIOUS**  
P I C T U R E S

**Digital Entertainment Company**

September 2019

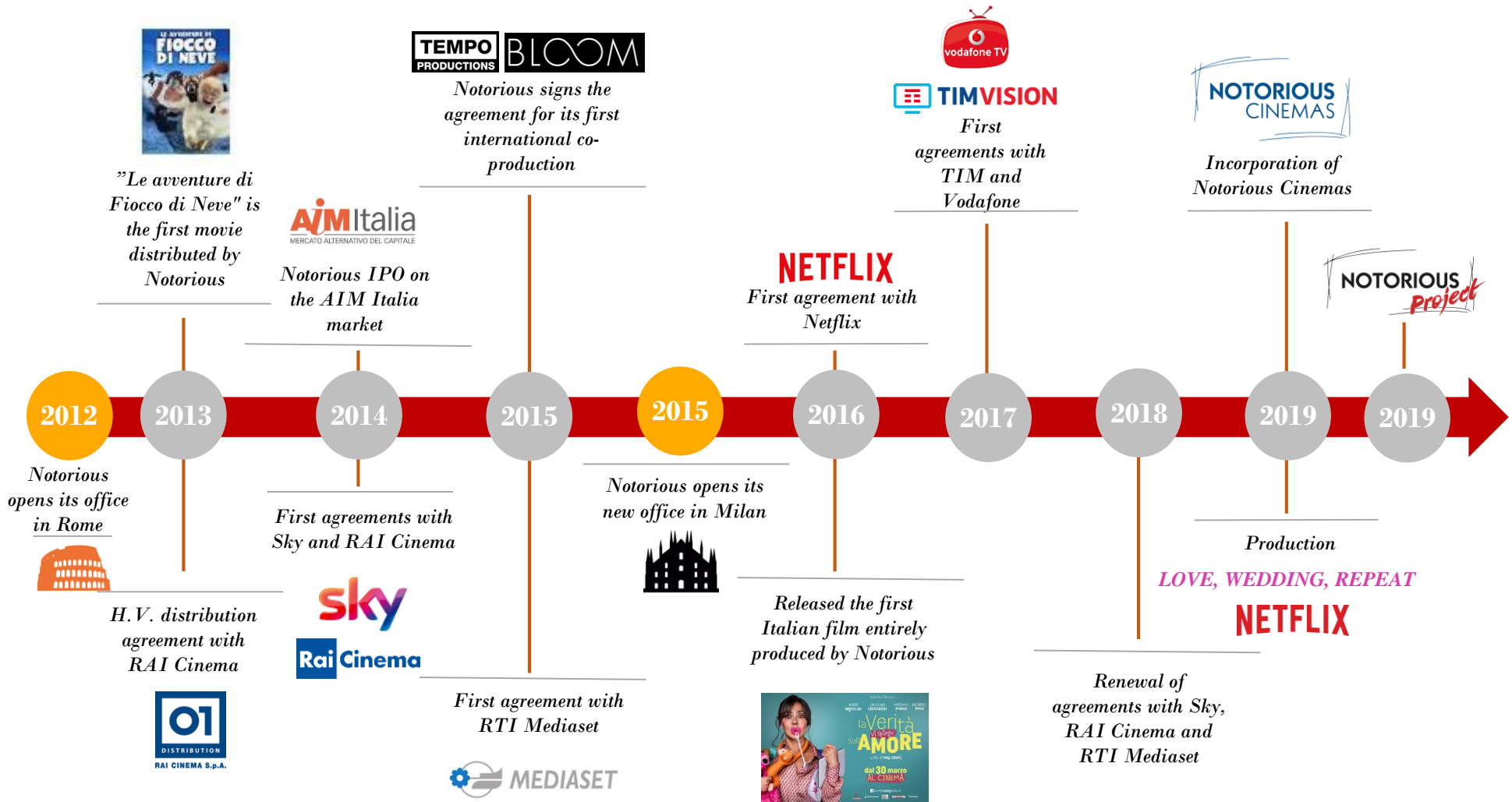
# EXECUTIVE SUMMARY

# 1.

## WHO WE ARE

- ❖ NOTORIOUS PICTURES (“Notorious”), founded in 2012 by Guglielmo Marchetti, Chairman and CEO, with offices in Rome and Milan, is an important player in the production and distribution of multimedia contents in Italy.
- ❖ **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; (iii) executive **production** on behalf of international producers and **(iv) management of movie theatres** through its 100% subsidiary Notorious Cinemas.
- ❖ **LIBRARY** includes 912 films at different stages in the distribution process, with 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.
- ❖ **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.
- ❖ 45 full time **EMPLOYEES**.
- ❖ **LISTED ON THE AIM ITALIA MARKET** managed by Borsa Italiana since July 2014; market cap of approximately € 65 million.

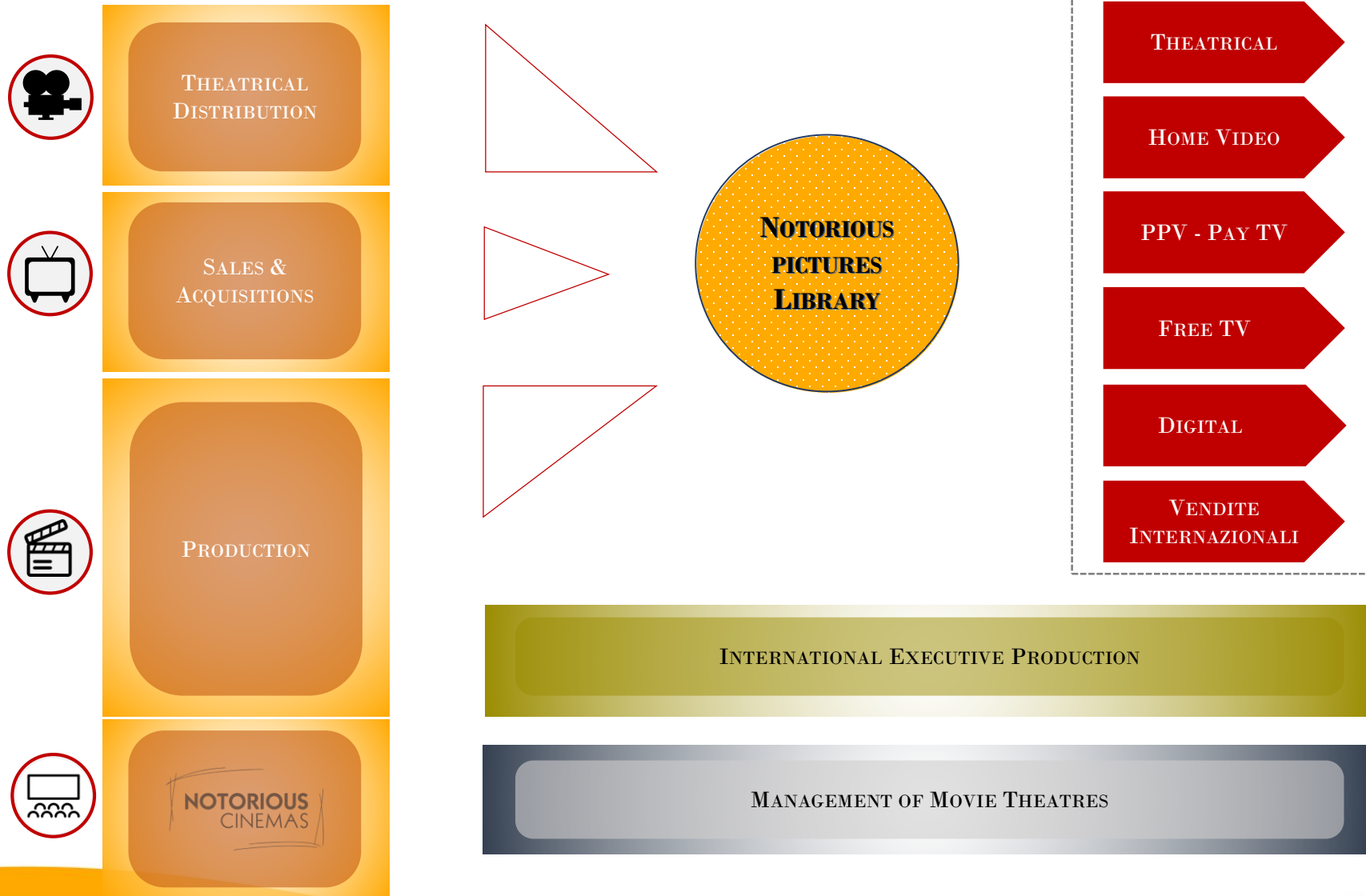
# OUR HISTORY



BUSINESS MODEL

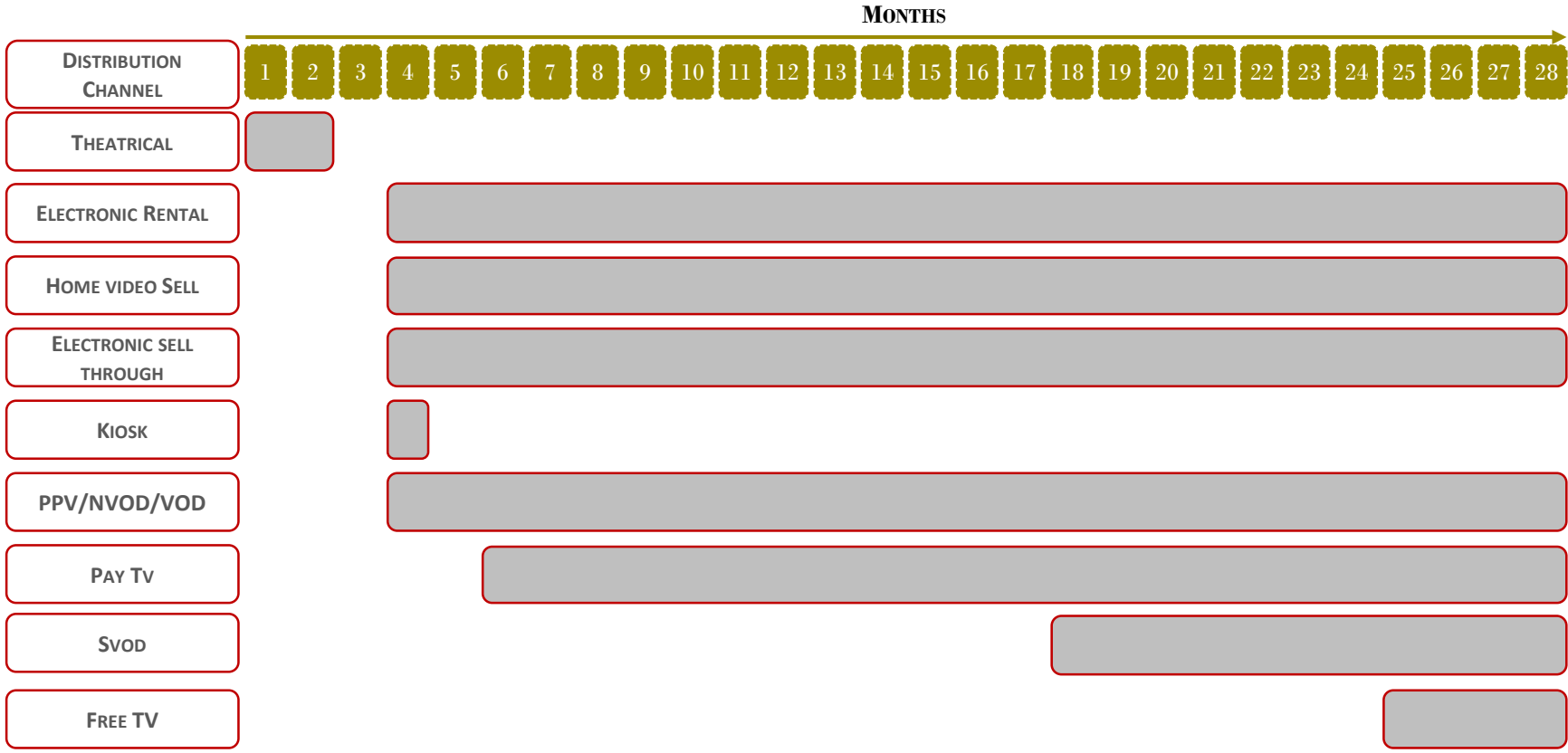
2.

# 4 BUSINESS UNITS



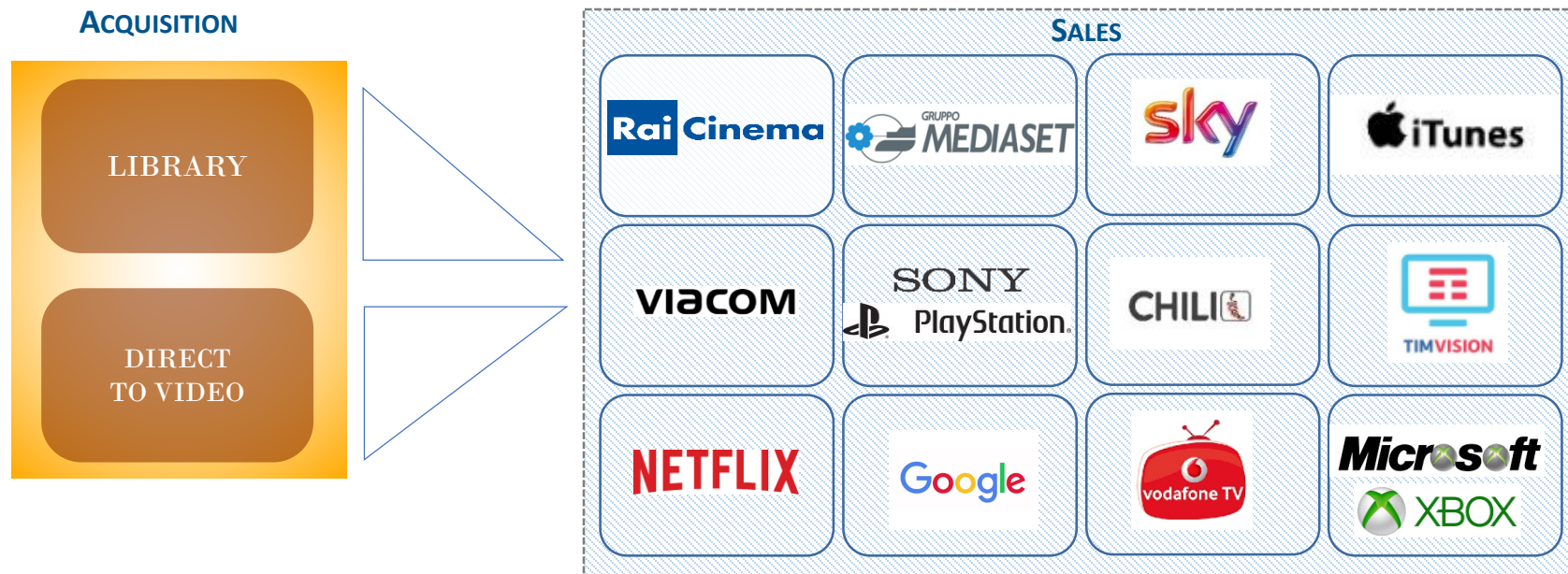
# THEATRICAL DISTRIBUTION

**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).



# SALES & ACQUISITIONS

- ❖ **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).

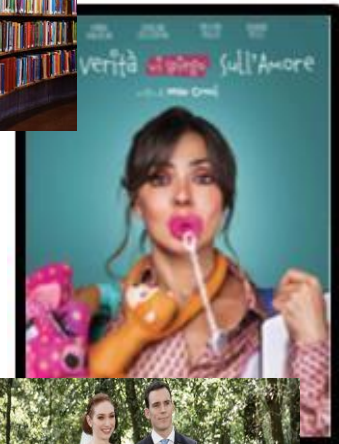




# PRODUCTION

The **Production** business unit develops its activity on **four** distinct business areas:

- ❖ Development
- ❖ Finance
- ❖ Production/Co-produzione
- ❖ International Executive Production



NOTORIOUS CINEMAS

3.



NOTORIOUS CINEMAS  
ESTABLISHED IN JANUARY 2019,  
IS A 100% SUBSIDIARY OF  
NOTORIOUS PICTURES.

NOTORIOUS CINEMAS HAS AS MAIN  
OBJECTIVE to manage Multiplex  
movie theatres both within **shopping  
malls and in city centres.**



### *Andrea Stratta*

*For over 18 years CEO of UCI Cinemas (Odeon Group), is the new CEO of Notorious Cinemas.*



- 1. Top comfort** before, during and after the vision of a film.
- 2. High level of service** with great attention to cleaning and security.
- 3. Ample choice of food & beverage** not just pop corn and Coca Cola.
- 4. High level of technology** in sound and projection.
- 5. Fully digital experience.**
- 6. Loyalty program** with high incentives.
- 7. Large choice of film and alternative contents** for every customer segment.

## NOTORIOUS CINEMAS BORN AT A VERY FAVOURABLE TIME

1. Despite the growth of new forms of entertainment **the movie theatre world market continues to grow** (e.g. 2018 record volumes in US and UK).
2. **In 2019 the Italian market grows** after declines in 2017 e 2018.
3. The recent **Legge Franceschini** helps exhibitors.
4. New law on «Windows».
5. Agreement for the **launch of blockbuster during the summer months** reduces seasonality. **(Progetto Moviemment)**
6. Real estate market conditions determine **particularly attractive theatres rental contracts**.

## OBJECTIVES

# 1.

OPENING OF 20 SITES  
BY 2023

- New construction in shopping malls
- “*Takeover*” of existing sites
- “*Takeover*” of traditional cinemas in downtowns

# 2.

BECOMING THE  
3rd CIRCUIT OF  
CINEMAS IN ITALY  
WITH 5 MILLION  
ADMISSIONS BY  
THE END OF 2023

FINANANCIAL DATA

4.





## CONSOLIDATED P/L RESULTS

Economic Data (€ mln)	1H 2019 consolid.	1H 2018	1H 2017	2018
<b>Revenues</b>	<b>24,7</b>	<b>21,3</b>	<b>9,1</b>	<b>31,5</b>
<b>EBITDA</b>	<b>7,3</b>	<b>8,0</b>	<b>3,8</b>	<b>11,1</b>
<i>EBITDA %</i>	<i>29,6%</i>	<i>37,3%</i>	<i>41,5%</i>	<i>35,3%</i>
<b>EBIT - Result from operations</b>	<b>3,8</b>	<b>3,4</b>	<b>1,6</b>	<b>4,1</b>
<i>EBIT %</i>	<i>15,4%</i>	<i>16,0%</i>	<i>17,4%</i>	<i>13,3%</i>
<b>Net profit/(loss)</b>	<b>2,7</b>	<b>3,0</b>	<b>1,2</b>	<b>4,2</b>
<i>Net Profit/(Loss) %</i>	<i>10,7%</i>	<i>14,2%</i>	<i>12,7%</i>	<i>13,2%</i>

- ❖ Following the incorporation of Notorious Cinemas in January 2019, **for the first time the company presents consolidated semi-annual accounts.** Notorious Cinemas revenue data are reported in the following slides.
- ❖ Additionally the semi-annual accounts reflect the **first time application of the IFRS 16 accounting principle.** The following slides provide details about the impact of the application of the accounting principle in comparison to the previously adopted criteria.
- ❖ **Revenues grow 15,8%** vs. H1 2018 and represent 78% of 2018 full year revenues.
- ❖ The EBITDA margin reflects the dilutive effect of (i) **Euro 5.5 million revenues from the distribution of third party library,** a business generating lower margins and of (ii) **Euro 6,5 million from work in progress,** where the full margin and the associated public contributions, are recorded in the accounts only once the work is completed, presumably in H2 2019.



# REVENUES BY BUSINESS AREA

Revenue By Business Area and Channel (€ mln)		1 H 2019		1 H 2018		2018	
	THEATRICAL DISTRIBUTION	<b>17,5</b>	71,0%	<b>11,5</b>	60,2%	<b>17,1</b>	61,0%
	SALES & ACQUISITIONS	<b>5,9</b>	23,8%	<b>0,7</b>	3,7%	<b>2,2</b>	7,7%
	PRODUCTION	-	0,0%	<b>6,9</b>	36,1%	<b>8,7</b>	31,3%
	NOTORIOUS CINEMAS	<b>0,7</b>	2,9%	-	0,0%	-	0,0%
<b>Other Revenues &amp; Inventories</b>		<b>0,6</b>	2,2%	<b>2,2</b>	0,0%	<b>3,5</b>	0,0%
<b>Total Revenues</b>		<b>24,7</b>	100,0%	<b>21,3</b>	100,0%	<b>31,5</b>	100,0%

## IMPACT OF IFRS 16 ON EBITDA

P/L Impact (€ mln)	
Revenues	0,0
EBITDA	+ 0,2
EBIT - Result from operations	- 0,1
Net profit/(loss)	- 0,1

- ❖ The application of the IFRS 16 accounting principle **produces negligible effects on the P/L**, essentially limited to the substitution of rental and lease costs with the corresponding depreciation.

## CONSOLIDATED B/S RESULTS

Balance Sheet Data (€ mln)	1H 2019 consolid.	1H 2018	2018
Fixed assets	19,9	11,8	14,6
Net working capital	13,4	10,9	9,2
Provisions	3,8	5,3	3,7
Net invested capital	29,5	17,4	20,1
Net financial position / (Cash)	5,2	(5,1)	(3,4)
Shareholders' equity	24,3	22,6	23,6

- ❖ **Fixed Assets increase to Euro 19.9 million** from Euro 14.6 million at 31/12/18 primarily as a consequence of the **capitalization of the right of use of rental contract for the new movie theatre**, amounting to Euro 5.2 million.
- ❖ **NWC increases by Euro 4.2 million** vs. 31/12/18 primarily due to the **increase in work in progress for Euro 6.5 million**; the net value of other current assets/liabilities being negative for Euro 2.3 million.
- ❖ **NFP goes from – Euro 3.4 million (net cash) at 31/12/18 to Euro 5.2 million** due to the combined effect of (i) the **application of the IFRS 16 accounting principle** (Euro 5.3 million) (see slides below for details) and (ii) the **cash outlay relating to the work in progress** above.

## IMPACT OF IFRS 16 ON THE NFP

B/S Impacts (€ mln)	
Fixed Assets	+ 5,2
LT financial indebttness	- 4,7
LT financial indebttness	- 0,6
Net Worth	- 0,1

- ❖ The application of the IFRS 16 accounting principle has a **more relevant impact on the B/S.**
- ❖ Fixed assets increase by approximately **Euro 5.2 million as a consequence of the capitalization of rental and lease contracts.** The most significant item being the rental contract for the Viale Sarca, Milan movie theatre underwritten by the Notorious Cinemas Srl subsidiary.
- ❖ **Financial indebtedness and NFP increase by an approximately equal amount.**

INVESTMENT OPPORTUNITY

5.

## 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:** since **December 2015** the company has a buy-back program with the main objective of allowing to support the liquidity and the regular trading conditions of the stock. The program has been renewed in April 2019. As of August 31st, 2019 the company's own stock represented **2,4%** of the company capital.
- ❖ **DIVIDENDS:** beginning with the 2015 accounts, the company has approved a **stable dividend policy** with the objective of:
  - Distributing a consistent part of the profits generated during the period
  - Generating a regular income flow for investors
  - Providing the market with stable guidelines for assessing expected dividend flows
  - Stimulating investment in the Notorious Pictures stock

With reference to the **financial years 2014-18** the company distributed **dividends for a total of € 7.9 MM** with an average **pay out of 36%** and an average **dividend yield of 4.4%\***.

- ❖ **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.

# 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**.
- ❖ Significant growth/profits opportunity provided by the **new Notorious Cinemas business**.
- ❖ 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**.
- ❖ High **dividend yield**.
- ❖ Still attractive **market multiples**.

## PARTNERS



**London**  
Stock Exchange



The background features a vibrant, abstract landscape with rolling hills in shades of yellow, orange, and red. White, hand-drawn scribbles are overlaid on the scene, framing the central text.

# NOTORIOUS

P I C T U R E S

**Digital Entertainment Company**

September 2019