

Company Update

Buy (maintained)

24 September 2019 – 5:30PM

MARKET PRICE: EUR2.86

TARGET PRICE: EUR4.54 (from EUR4.30)

## Entertainment

### Data

Shares Outstanding (m):	22.5
Market Cap. (EURm):	64.3
Enterprise Value (EURm):	67.3
Free Float (%):	16.9%
Av. Daily Trad. Vol. (m):	0.0
Main Shareholder:	Mr. Marchetti 82.0%
Reuters/Bloomberg:	NPI.MI NPI.IM
52-Week Range (EUR)	2.6 3.7

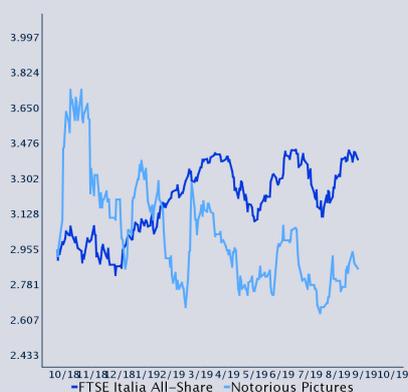
Source: Factset, UBI Banca estimates

### Performance

	1m	3m	12m
Absolute	3.6%	4.8%	1.4%
Rel. to FTSE	-2.8%	2.5%	1.3%

Source: Factset

### Graph area Absolute/Relative 12 M



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### Financials

	2018	2019E	2020E	2021E
Revenues (EURm)	31.5	41.7	51.0	60.6
EBITDA (EURm)	11.1	15.2	15.4	18.3
EBITDA margin (%)	35.3%	36.5%	30.1%	30.1%
EBIT (EURm)	4.1	8.1	8.5	10.7
EPS (EUR)	0.18	0.29	0.31	0.39
CFPS (EUR)	0.36	0.41	0.51	0.63
DPS (EUR)	0.08	0.09	0.10	0.12

Source: Company Data, UBI Banca Estimates

## Good top line growth in 1H19, margins will follow

1H19 was characterized by a sharp growth of theatrical and pay TV sales (+28% and +50% respectively) driven by the releases of several blockbusters (>EUR11.4 million box office receipts or +20% vs. 1H18), but also from a declining EBITDA margin (29.6% vs. 37.3% in 1H18) caused by a different sales mix (EUR5.5 million for the distribution of library owned by third parties, a low-margin business, and EUR6.5 million of work in progress which will record earnings in the last part of the year) and higher labour cost, due to variable costs associated with the production activity. EBIT, up 12%, benefitted from lower D&A costs but net result was impacted by a higher tax rate due to the lack of tax credits which, although certain, will be recorded in the second half. Net cash (EUR3.4 million at Dec-18) turned into EUR5.2 million of net debt due to the impact of the first time adoption of IFRS 16. Notorious Pictures also announced two agreements with Sky Italia for a total consideration of EUR7.45 million (around 24% of 2018 revenues) in four years and will open its second multiplex in October (8 screens with 1,300 seats). As a result, we expect a bright second half of the year with a sizeable improvement of the EBITDA margin and net result driven by the production of "Love. Wedding. Repeat." already sold to Netflix, the revamp of executive productions ("Lamborghini") and the accounting of the tax credits which should lower the tax rate. In a nutshell, we see a lot of room for a share overperformance driven by positive upcoming newsflow, after the share price slowdown YTD (-10.6%). We increased our target price to EUR4.54 per share (from EUR4.30) offering a potential upside of >50%. Buy.

- > While we left unchanged our forecasts for 2020 and 2021, we revised upward our 2019 estimates to incorporate an improving sales mix and the different tax credit maturity, increasing our net profit estimate by 8.5%. Our forecasts now incorporate the impact of the adoption of IFRS 16.
- > The shares are trading at an impressive discount to peers (40% on 2019-21 EV/EBITDA, 34% in P/E and 42% on EV/EBIT) and our new target price of EUR4.54 per share (from EUR4.30) offers a potential upside of nearly 60%. At the target price, the company trades at 6.9x 2019 EV/EBITDA, well below the median multiple for the industry (8.7x). Positive stance confirmed.

### Ratios

priced on 23 September 2019

	2018 *	2019E	2020E	2021E
P/E(x)	11.0	9.8	9.3	7.3
P/CF(x)	4.1	4.7	4.7	3.9
P/BV(x)	1.9	2.3	1.9	1.6
Dividend Yield	4.0%	3.1%	3.5%	4.2%
EV/EBITDA(x)	3.8	4.4	4.6	4.0
Debt/Equity (x)	-0.1	0.1	0.2	0.2
Debt/EBITDA (x)	-0.3	0.2	0.4	0.4

Source: UBI Banca Estimates \* Based on 2018 average price

**Key Financials**

(EURm)	2018	2019E	2020E	2021E
Revenues	31.5	41.7	51.0	60.6
EBITDA	11.1	15.2	15.4	18.3
EBIT	4.1	8.1	8.5	10.7
NOPAT	2.8	5.5	5.7	7.2
Free Cash Flow	0.6	-3.3	-1.3	0.7
Net Capital Employed	20.1	31.0	39.2	47.3
Shareholders' Equity	23.6	28.3	33.2	39.7
Net Financial Position	-3.4	2.7	6.0	7.6

Source: Company data, UBI Banca estimates

**Key Profitability Drivers**

	2018	2019E	2020E	2021E
Net Debt/Ebitda (x)	-0.3	0.2	0.4	0.4
Net Debt/Equity (x)	-0.1	0.1	0.2	0.2
Interest Coverage (%)	143.0	54.2	424.0	536.1
Free Cash Flow Yield (%)	1.2%	nm	nm	1.1%
ROE (%)	17.6%	23.2%	20.9%	22.1%
ROI (%)	12.7%	18.6%	14.7%	15.4%
ROCE (%)	15.9%	21.3%	16.2%	16.6%

Source: Company data, UBI Banca estimates

**Key Valuation Ratios**

	2018 *	2019E	2020E	2021E
P/E (x)	11.0	9.8	9.3	7.3
P/BV (x)	1.9	2.3	1.9	1.6
P/CF (x)	4.1	4.7	4.7	3.9
Dividend Yield (%)	4.0%	3.1%	3.5%	4.2%
EV/Sales (x)	1.4	1.6	1.4	1.2
EV/EBITDA (x)	3.8	4.4	4.6	4.0
EV/EBIT (x)	10.3	8.3	8.3	6.7
EV/CE (x)	2.1	2.2	1.8	1.5

Source: Company data, UBI Banca estimates

\* Based on average 2018 price

**Key Value Drivers**

(%)	2018	2019E	2020E	2021E
Payout	44.4%	30.9%	32.4%	30.8%
NWC/Sales	29.2%	32.6%	31.2%	29.9%
Capex/Sales	23.7%	30.0%	25.0%	22.3%

Source: Company data, UBI Banca estimates

### Recent Developments

- > Notorious Pictures reported 1H19 sales of EUR24.7 million, equal to nearly 80% of 2018 sales and well above the revenues of the entire 2017. This remarkable performance vs. 1H18 could be explained by strong box office results (>EUR11.4 million, or +20% vs. 1H18), driven by one blockbuster (“Five Feet Apart”, with a box office of nearly EUR5 million) and by several successful movies (“City of Lies”, “Richard Says Goodbye” and “Terra Willy” all above EUR1 million box office). Theatrical sales reached EUR5.1 million, or +28% vs. 1H18, implying a box office per movie of EUR1.41 million, well above the result reported in 2018 (EUR0.74 million per movie). Theatrical sales clearly pushed up Pay TV revenues (up 50%). Notorious Pictures also accounted EUR5.5 million of revenues for the distribution of library owned by third parties. This activity presents a lower margin (we estimate around 10%) but allows Notorious Pictures to exploit its distribution network. Finally, the company accounted EUR6.5 million as work in progress for the production of “Love. Wedding. Repeat.” a movie which has already been sold and will be supplied to Netflix within year-end. Notorious Cinema contributed with EUR0.7 million revenues, bang in line with our estimate. There were no executive productions in the first half of the year.
- > EBITDA declined to EUR7.3 million (including EUR0.2 million of contribution from the first time adoption of IFRS 16) or -7.9% vs. 1H18. This slight slowdown can be explained by three reasons: 1) the lower margin of revenues generated by the distribution of library owned by third parties, 2) EUR6.5 million of WIP for the production of “Love. Wedding. Repeat.” The profit, including tax credits, on this production will be recorded when Notorious Pictures will issue the invoice to Netflix, and 3) higher personnel costs, mostly variable costs for new productions.
- > Despite the EBITDA decline, EBIT increased by 12.1% due to lower D&A costs (EUR3.5 million compared with EUR4.6 million in 1H18) leading to an increase of pre tax profit. However, the lack of tax credits, which will be recorded in the second half of the year, lowered the bottom line to EUR2.7 million compared with EUR3.0 million in 1H18. Net debt was EUR5.2 million at Jun-19 (vs. a net cash of EUR3.4 million at Dec-18) mostly due to the first time adoption of IFRS 16 which added EUR5.3 million of debt. Notorious Pictures’ library is now of 912 movies including seven movies directly produced or co-produced.
- > The trend in the movie market was positive since the beginning of the year, despite a negative first quarter: box office increased by 12.2% in January-August 2019 (and by 4.7% compared to the same period of 2017), mostly thanks to the adoption of the “Moviement” system which has changed the film distribution releasing blockbusters also in summer season and extending the stay in the cinemas. In particular, summer 2019 has been the best of the past eight years with around EUR138 million box office (May-August) compared with EUR95.8 million in 2018 and EUR98.5 million in 2017, an increase of +44% and +40% respectively. The positive trend was also sustained by several blockbusters (“The Lion King”, “Avengers: Endgame”, “Aladdin”, “Spiderman: Far From Home”, “Dumbo”, “Green Book”) which were released mostly in the second quarter of the year. Overall, 1H19 closed with 49 million admission (+7.2%) and EUR309 million of box office receipts (+5.1%).
- > On September 10, Notorious Pictures announced two agreements with Sky Italia for the distribution of 14 movies free TV and for 700 movies Pay TV and SVOD (internet distribution) for a total consideration of EUR7.45 million (around 24% of 2018 revenues). Considering that the duration of the agreements is

around four years, the additional revenues could be close to EUR1.9 million p.a. or around 4.7% of 2019 expected revenues. This kind of agreements generally presents a high margin given that all the distribution costs have been already paid with the only exception of D&A.

- > Next November, Notorious Cinema will open its second multiplex in Rovigo (Veneto). This cinema has 8 screens with 1,300 seats and will be totally refurbished in order to cope with Notorious' standards or high technical audio and video quality, extreme comfort, a welcoming environment, innovative food and drinks selection, and automated ticketing systems. Initially, 4 screens, for a capacity of 500 seats, will be opened to public. This should translate into around EUR1.6 million additional revenues, already included in our estimates which reflect the progressive opening of new multiplex, in line with the company's targets (around 20 cinemas up in five years with potential 5 million admissions in 2023, which should imply a market share of >5%).
- > The executive production of "Lamborghini", a movie with Antonio Banderas expected to be realized in 2018 and released in 2019 for a total consideration of EUR12.5 million, has been further postponed: we now assume the shooting in 4Q19 and the release in 2020.
- > Notorious Pictures' buyback program reached 544k shares or 2.42% of the share capital at June-19, corresponding to 22,491,480 shares. The buyback is for possible M&A activity, to enhance the liquidity of the shares and support the stock option plan of the firm.

Figure 1 – 1H19 results

(EURm)	1H18A	1H19A	% Chg.	1H19E UBI	% Chg.
<b>Sales total</b>	<b>21.32</b>	<b>24.75</b>	<b>16.1%</b>	<b>24.50</b>	<b>1.0%</b>
<b>EBITDA</b>	<b>7.96</b>	<b>7.33</b>	<b>-7.9%</b>	<b>8.00</b>	<b>-8.4%</b>
<b>% margin</b>	<b>37.3%</b>	<b>29.6%</b>		<b>36.7%</b>	
EBIT	3.41	3.82	12.1%	4.00	-4.5%
% margin	16.0%	15.4%		22.4%	
Pre tax profit	3.40	3.74	10.2%	4.00	-6.5%
<b>Net profit</b>	<b>3.02</b>	<b>2.66</b>	<b>-12.0%</b>	<b>3.20</b>	<b>-16.8%</b>
Net debt/(cash)	(5.14)	5.21		5.00	

Source: Company data, UBI Banca estimates

Figure 2 – 1H19 revenues breakdown

(EURm)	1H18A	1H19A	% Chg.
Theatrical	4.0	5.1	28.0%
Pay TV	3.5	5.3	50.0%
Free TV	3.1	1.8	-41.9%
New media and others	0.8	0.6	-31.3%
Library & DTV	0.7	5.5	685.7%
Executive production	6.9	-	-100.0%
<b>Total core business</b>	<b>19.0</b>		<b>126.9%</b>
Other revues and inventories	2.4	6.5	176.6%
<b>Total consolidated revenues</b>	<b>21.3</b>	<b>24.7</b>	<b>16.1%</b>

Source: Company data, UBI Banca estimates

Figure 3 – Movie releases in 1H19

Movie title	Release	Genre	Country	Box office (000)
City of lies - L'ora della verità	Jan-19	Thriller	USA	1,383
Copperman	Feb-19	Drama	Italy	165
The Vanishing - Il mistero del faro	Feb-19	Thriller	USA	340
Asterix e la pozione magica	Mar-19	Animation	France	530
Five feet apart - A un metro da te	Mar-19	Drama/Romance	USA	4,804
Terra Willy	Apr-19	Animation	France	1,100
Extremely wicked, shockingly evil	May-19	Thriller	USA	591
Polaroid	May-19	Horror	USA	611
Richard says goodbye	Jun-19	Drama	USA	1,385
<b>Total 1H19</b>				<b>10,909</b>

Source: Cinetel, Company data, UBI Banca estimates

**Financial Projections**

- > Notorious Pictures should distribute 9 movies in the second half of the year; five movies were already been released generating EUR1.4 million receipts up to date. Excluding any potential blockbuster, Notorious Pictures could generate around EUR7.2 million of theatrical revenues in the full year (or +22% vs. 2018) based on our estimates. We have slightly increased our top line forecast for 2019 factoring in the new contracts and the revenues of 1H19 which were slightly above our expectations. We also expect a sizable contribution from executive production, namely “Lamborghini” in the second part of the year. Conservatively, we left unchanged our 2020-21 projections.
- > As a consequence of the different sales mix and higher tax credits expected in the second half of the year, our EBITDA estimates for 2019 have been increased by around 7% leading to a net result EUR6.5 million for 2019 (vs. EUR6.0 million before).
- > Our estimates now include the impact of IFRS 16 adoption (EUR5.3 million of additional debt), therefore we now estimate a net debt of EUR2.7 million at Dec-19, EUR6.0 million at Dec-20 and EUR7.6 million at Dec-21. Our estimates include a dividend pay-out ratio of around 30% (compared with a pay-out ratio of 44% in 2018), which gives a dividend yield of >3% at current market price.
- > Our estimates do not include any external growth although this has not been ruled out by Notorious Pictures, which is currently looking at some film production companies. A significant acquisition could see the company list on the main Italian stock market (STAR segment), which remains one of the company’s targets.

Figure 4 – Old vs. New estimates

(EURm)	2018A		2019E		2020E		2021E	
	Old	New	Old	New	Old	New	Old	New
Total Sales	31.5	40.6	41.7	51.0	51.0	60.6	60.6	
% change			2.7%		0.0%		0.0%	
<b>EBITDA</b>	<b>11.1</b>	<b>14.2</b>	<b>15.2</b>	<b>15.4</b>	<b>15.4</b>	<b>18.3</b>	<b>18.3</b>	
% change			7.1%		0.0%		0.0%	
EBIT	4.1	7.4	8.1	8.5	8.5	10.7	10.7	
% change			10.3%		0.0%		0.0%	
<b>Net Profit</b>	<b>4.2</b>	<b>6.0</b>	<b>6.5</b>	<b>6.9</b>	<b>6.9</b>	<b>8.8</b>	<b>8.8</b>	
% change			8.5%		0.0%		0.0%	
Net Debt/(Cash)	(3.4)	0.1	2.7	3.8	6.0	5.3	7.6	
<b>EBIT margin</b>	<b>13.2%</b>	<b>18.2%</b>	<b>19.5%</b>	<b>16.6%</b>	<b>16.6%</b>	<b>17.7%</b>	<b>17.7%</b>	
<b>EBITDA margin</b>	<b>35.3%</b>	<b>35.0%</b>	<b>36.5%</b>	<b>30.1%</b>	<b>30.1%</b>	<b>30.1%</b>	<b>30.1%</b>	

Source: Company data, UBI Banca estimates

Figure 5 – 2H19E estimates

(EURm)	2H18A	2H19E	% Chg.
Sales Theatrical	1.92	1.85	-3.7%
Sales Other	8.29	15.10	82.1%
<b>Sales total</b>	<b>10.21</b>	<b>16.95</b>	<b>66.0%</b>
<b>EBITDA</b>	<b>3.16</b>	<b>7.88</b>	<b>149.1%</b>
<b>% margin</b>	<b>31.0%</b>	<b>46.5%</b>	
EBIT	0.74	4.32	482.7%
% margin	7.3%	25.5%	
Pre tax profit	0.72	4.24	488.1%
<b>Net profit</b>	<b>1.13</b>	<b>3.89</b>	<b>244.1%</b>
<b>Net debt/(cash)</b>	<b>(3.41)</b>	<b>2.73</b>	

Source: Company data, UBI Banca estimates

Figure 6 – 2H19 movie pipeline

Movie title	Release	Genre	Country
Patrick	Jul-19	Comedy/Family	UK
Cats and pechtopia	Jul-19	Animation	China
Isabelle - The Wanting	Aug-19	Horror	USA
Teen Spirit	Aug-19	Comedy/Romance	USA
Strange but true	Sep-19	Thriller	USA
Rambo V (Last blood)	Sep-19	Action	USA
Scary stories to tell in the dark	Oct-19	Horror	USA
Light of my life	Nov-19	Action/SciFi	USA
Haunt	Nov-19	Horror	USA
Playmobil	Dec-19	Animation	USA

Source: Company data, UBI Banca estimates

Figure 7 – 2020 movie pipeline

Movie title	Release	Genre	Country
Judy	Jan-20	Biopic/Drama	USA
The last full measure	Jan-20	Drama/Legal	USA
War with gradpa	Jan-20	Comedy	USA
Arctic Justice	Feb-20	Animation	USA
I Still Believe	Mar-20	Drama/Legal	USA
Latte and the magic waterstone	Apr-20	Animation	Germany
Al Capone	1Q20	Drama	USA
Kung Fury	1Q20	Sci-Fi	USA
Synchronic	1Q20	Sci-Fi	USA
Lamborghini	2Q20	Biography	USA
Skin	2Q20	Drama	Italy
The Shift	2Q20	Drama	Italy/Belgium
Primal	TBC	Action	USA
Honest Thief	TBC	Thriller	USA
Vivarium	TBC	Sci-Fi/Horror	USA
Trash	TBC	Animation	Italy
Love, Wedding, Repeat	TBC	Comedy	UK/Italy

Source: Company data, UBI Banca estimates

**Valuation**

- > Since the beginning of the year, Notorious Pictures share price has declined by 10.6% despite buoyant results, the entrance in the multiplex business, new agreements with TV broadcasters and the release of several blockbusters. We believe this underperformance is unjustified also in light of the positive newsflow we expect in the coming months and the current huge discount to peers: 40% on 2019-21 EV/EBITDA, 34% on P/E and 42% on EV/EBIT. Our target price, based on our DCF valuation (70% weight) and a relative valuation (30% weight) applying a 20% discount to take into account the limited free float of Notorious Pictures, has been revised upward to EUR4.54 (vs. EUR4.30), now offers nearly 60% potential upside. Therefore, we confirm our Buy rating.
- > At the target price, the company trades at 6.9x 2019 EV/EBITDA and 7.1x 2020 EV/EBITDA, both well below the median multiple for the industry (8.7x and 7.6x respectively).
- > We remind that Notorious Pictures could benefit from the classification as an innovative small company (“PMI innovativa”), which increases the appeal of the shares given the associated tax benefits for investors, from the potential listing on the STAR segment (a reiterated management objective), from a solid financial structure and from an attractive dividend yield (we estimate >3% in 2019-21).

Figure 8 – Valuation summary

(EUR)	24 Sept-19	Weight	4 Apr-19	Delta
DCF Valuation	4.81	70.0%	4.32	11.4%
Relative Valuation (at 20% discount)	3.91	30.0%	4.26	-8.2%
<b>Target Price</b>	<b>4.54</b>		<b>4.30</b>	<b>5.6%</b>
Current price	2.86		3.12	-8.3%
Potential upside	58.8%		37.8%	

Source: UBI Banca estimates

Figure 9 – DCF Valuation

**Our model incorporates a WACC of 7.0%, a terminal growth rate of 1% and an EBIT margin of 17% at terminal value, which is below the margin we expect for 2019-21. Our DCF valuation implies a 3.3x EV/EBITDA at terminal value.**

	(EURm)	(% weight)
Sum of PV 2019-27 FCF	23.4	22%
Terminal value	81.6	78%
<b>Total Enterprise value</b>	<b>105.1</b>	<b>100%</b>
- Pension Provision	(0.3)	
- Net debt (+ cash)	3.4	
<b>Total Equity value</b>	<b>108.2</b>	
Fully diluted number of shares (m)	22.5	
<b>Fair value per share (EUR)</b>	<b>4.81</b>	

Source: UBI Banca estimates

Figure 10 – Peer comparison and valuation based on multiples (priced on 23 September 2019)

Company	Market Cap (EURm)	P/E			EV/EBITDA			EV/EBIT		
		2019E	2020E	2021E	2019E	2020E	2021E	2018E	2019E	2020E
EuropaCorp	41		6.3 x		2.2 x	1.1 x		31.1 x	7.2 x	
Lions Gate Entertainment	1,823	31.2 x	15.4 x	11.8 x	8.7 x	7.6 x	5.7 x	15.9 x	14.0 x	9.9 x
Entertainment One	3,233	21.5 x	19.4 x	18.0 x	14.7 x	13.2 x	11.8 x	17.8 x	15.6 x	15.8 x
Constantin Medien	213		57.0 x		44.7 x	26.7 x			57.2 x	
Leone Film Group	69	10.0 x	8.4 x	6.3 x	3.9 x	3.2 x	2.6 x	17.7 x	11.6 x	8.3 x
<b>Average</b>		<b>15.9 x</b>	<b>18.9 x</b>	<b>12.5 x</b>	<b>14.8 x</b>	<b>10.3 x</b>	<b>6.7 x</b>	<b>20.6 x</b>	<b>21.1 x</b>	<b>11.3 x</b>
<b>Median</b>		<b>15.7 x</b>	<b>11.9 x</b>	<b>12.9 x</b>	<b>8.7 x</b>	<b>7.6 x</b>	<b>5.7 x</b>	<b>17.7 x</b>	<b>14.0 x</b>	<b>9.9 x</b>
Current market multiples	64	9.8 x	9.3 x	7.3 x	4.4 x	4.6 x	4.0 x	8.3 x	8.3 x	6.7 x
<b>Discount to median</b>		<b>-37.5%</b>	<b>-22.1%</b>	<b>-43.1%</b>	<b>-49.3%</b>	<b>-39.2%</b>	<b>-31.1%</b>	<b>-53.3%</b>	<b>-40.5%</b>	<b>-32.2%</b>

Source: Factset, UBI Banca estimates

Figure 11 – Implicit multiples based on our EUR4.54 target price

(x)	2019E	2020E	2024E
P/E	15.6 x	14.7 x	11.6 x
EV/EBITDA	6.9 x	7.1 x	6.0 x
EV/EBIT	12.9 x	12.8 x	10.3 x
EV/Sales	2.5 x	2.1 x	1.8 x
P/BV	3.6 x	3.1 x	2.6 x
EV/ Capital employed	3.4 x	2.8 x	2.3 x

Source: UBI Banca estimates

**Income Statement**

(EURm)	2018	2019E	2020E	2021E
Net Revenues	31.5	41.7	51.0	60.6
EBITDA	11.1	15.2	15.4	18.3
EBITDA margin	35.3%	36.5%	30.1%	30.1%
EBIT	4.1	8.1	8.5	10.7
EBIT margin	13.2%	19.5%	16.6%	17.7%
Net financial income /expense	-0.0	-0.2	-0.0	-0.0
Associates & Others	0.0	0.0	0.0	0.0
Profit before taxes	4.1	8.0	8.5	10.7
Taxes	0.0	-1.4	-1.5	-1.9
Minorities & discontinuing ops	0.0	0.0	0.0	0.0
Net Income	4.2	6.5	6.9	8.8

Source: Company data, UBI Banca estimates

**Balance Sheet**

(EURm)	2018	2019E	2020E	2021E
Net working capital	9.2	13.6	15.9	18.1
Net Fixed assets	14.6	21.2	26.7	32.8
M/L term funds	-3.7	-3.8	-3.4	-3.6
Capital employed	20.1	31.0	39.2	47.3
Shareholders' equity	23.6	28.3	33.2	39.7
Minorities	0.0	0.0	0.0	0.0
Shareholders' funds	23.6	28.3	33.2	39.7
Net financial debt/(cash)	-3.4	2.7	6.0	7.6

Source: Company data, UBI Banca estimates

**Cash Flow Statement**

(EURm)	2018	2019E	2020E	2021E
NFP Beginning of Period	-6.2	-3.4	2.7	6.0
Group Net Profit	4.2	6.5	6.9	8.8
Minorities	0.0	0.0	0.0	0.0
D&A	7.0	7.1	6.9	7.5
Change in Funds & TFR	0.0	0.0	0.0	0.0
Gross Cash Flow	11.1	13.6	13.8	16.3
Change In Working Capital	-3.1	-4.4	-2.3	-2.1
Other	0.0	0.0	0.0	0.0
Operating Cash Flow	8.0	9.2	11.5	14.2
Net Capex	-7.5	-12.5	-12.7	-13.5
Other Investments	0.0	0.0	0.0	0.0
Free Cash Flow	0.6	-3.3	-1.3	0.7
Dividends Paid	-1.2	-1.8	-2.0	-2.2
Other & Chg in Consolid. Area	-2.2	-1.0	0.0	0.0
Chg in Net Worth & Capital Incr.	0.0	0.0	0.0	0.0
Change in NFP	-2.8	-6.1	-3.3	-1.6
NFP End of Period	-3.4	2.7	6.0	7.6

Source: Company data, UBI Banca estimates

<b>Financial Ratios</b>				
(%)	2018	2019E	2020E	2021E
ROE	17.6%	23.2%	20.9%	22.1%
ROI	12.7%	18.6%	14.7%	15.4%
Net Fin. Debt/Equity (x)	-0.1	0.1	0.2	0.2
Net Fin. Debt/EBITDA (x)	-0.3	0.2	0.4	0.4
Interest Coverage	143.0	54.2	424.0	536.1
NWC/Sales	29.2%	32.6%	31.2%	29.9%
Capex/Sales	23.7%	30.0%	25.0%	22.3%
Pay Out Ratio	44.4%	30.9%	32.4%	30.8%

Source: Company data, UBI Banca estimates

<b>Per Share Data</b>				
(EUR)	2018	2019E	2020E	2021E
EPS	0.18	0.29	0.31	0.39
DPS	0.082	0.090	0.100	0.120
Op. CFPS	0.36	0.41	0.51	0.63
Free CFPS	0.03	-0.15	-0.06	0.03
BVPS	1.05	1.26	1.48	1.77

Source: Company data, UBI Banca estimates

<b>Stock Market Ratios</b>				
(x)	2018 *	2019E	2020E	2021E
P/E	11.0	9.8	9.3	7.3
P/OpCFPS	5.7	7.0	5.6	4.5
P/BV	1.9	2.3	1.9	1.6
Dividend Yield (%)	4.0%	3.1%	3.5%	4.2%
Free Cash Flow Yield (%)	1.2%	nm	nm	1.1%
EV (EURm)	42.6	67.3	70.6	72.2
EV/Sales	1.4	1.6	1.4	1.2
EV/EBITDA	3.8	4.4	4.6	4.0
EV/EBIT	10.3	8.3	8.3	6.7
EV/Capital Employed	2.1	2.2	1.8	1.5

Source: Company data, UBI Banca estimates

Based on average 2018 price

<b>Growth Rates</b>				
(%)	2018	2019E	2020E	2021E
Growth Group Net Sales	73.9%	32.2%	22.4%	18.7%
Growth EBITDA	84.9%	36.8%	1.0%	18.8%
Growth EBIT	119.0%	96.2%	4.2%	26.4%
Growth Net Profit	181.4%	57.7%	5.9%	26.5%

Source: Company data, UBI Banca estimates

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4 March 2016	BUY	2.28	1.31
6 April 2016	BUY	2.28	1.33
7 December 2016	BUY	1.16	0.69
3 April 2017	BUY	1.50	0.90
3 May 2018	BUY	1.75	1.42
20 September 2018	BUY	3.50	2.84
16 January 2019	BUY	3.82	3.19
4 April 2019	BUY	4.30	3.12