

Company Update

Buy (maintained)

03 April 2017 – 5:30PM

 MARKET PRICE: **EUR0.90**

 TARGET PRICE: **EUR1.50 (from EUR1.16)**
Entertainment
Data

Shares Outstanding (m):	22.5	
Market Cap. (EURm):	20.3	
Enterprise Value (EURm):	14.9	
Free Float (%):	17.5%	
Av. Daily Trad. Vol. (m):	0.0	
Main Shareholder:	Mr. Marchetti	82.0%
Reuters/Bloomberg:	NPI.MI	NPI IM
52-Week Range (EUR)	0.6	1.4

Source: Factset, UbiBanca estimates

Performance

	1m	3m	12m
Absolute	6.3%	7.7%	-36.4%
Rel. to FTSE	-2.3%	-0.1%	-44.2%

IT
Source: Factset

Graph area Absolute 12 M


Source: Factset

Marco Cristofori
 Senior Analyst
marco.cristofori@ubibanca.it
 Tel. +39 02 62753015

Website: www.ubibanca.com/equity-research

Better than expected 2016 results, driven by product mix improvement

Despite weak box office results and a delay in the executive production of “Black Butterfly”, which is showing modest profitability, Notorious Pictures reported 2016 results that were higher than the forecasts in its business plan and our estimates. The main reason is the different product mix, with growing sales from new media (contracts with Netflix and TIM Vision) and DTV (direct to video) that offer higher margins. Net profit was 39% above our estimates permitting a dividend of EUR0.0529 per share (42% pay-out ratio) with an attractive yield of 5.9% at the current market price. The only negative news was net cash below our expectations and those in the business plan due to higher NWC absorption. Given the improvement in the product mix and the significant pipeline in coming years (39 movies and three productions already secured), we believe that the 2017 revenues forecast in the business plan will be achieved. We remain buyers of the stock, which should benefit from an undemanding valuation (2017 EV/EBITDA below 2x), an attractive dividend yield, potential acquisitions, which could lead to a listing on the STAR segment (a reiterated management objective), a solid financial structure (net cash is currently equal to 19% of market capitalisation), higher tax credits and possible future blockbusters. In addition, its potential classification as an innovative small company (“PMI innovativa”) increases the appeal of the shares given the associated tax benefits for investors. Our new estimates are below the company’s targets for 2017 while our target price has risen to EUR1.50 per share.

- > We were positively surprised by 2016 results. In particular, the second half performance exceeded our expectations, despite the revenue slowdown, due to higher high-margin sales (new media and SVOD) and lower than expected D&A costs. The bottom line was 39% higher than our estimate, although 60% lower than 2015.
- > The 2017-19 pipeline (18 movies in 2017, 16 already secured for 2018 and five for 2019) should result in rapid growth in both the company’s top line and margins following the slowdown in 2016 and it should generate net profit of >EUR6 million in 2019, assisted by lower taxation.
- > Given our revised estimates, we have upgraded our target price to EUR1.50 per share (from EUR1.16) with a potential upside of >65%. The share is now trading at a discount of 60% to its peers. Buy.

Financials	priced on 31 March 2017			
	2016	2017E	2018E	2019E
Revenues (EURm)	23.0	28.8	29.0	30.7
EBITDA (EURm)	6.6	12.8	13.9	15.9
EBITDA margin (%)	28.7%	44.4%	47.9%	51.8%
EBIT (EURm)	3.2	5.2	7.1	8.4
EPS (EUR)	0.12	0.17	0.24	0.28
CFPS (EUR)	0.28	0.44	0.56	0.61
DPS (EUR)	0.053	0.055	0.070	0.080

Source: Company Data, UBI Banca Estimates

Ratios	priced on 31 March 2017			
	2016 *	2017E	2018E	2019E
P/E(x)	9.0	5.2	3.8	3.2
P/CF(x)	4.0	1.8	1.7	1.5
P/BV(x)	1.2	0.9	0.7	0.6
Dividend Yield	4.7%	6.1%	7.7%	8.9%
EV/EBITDA(x)	3.3	1.2	0.7	0.4
Debt/Equity (x)	-0.2	-0.2	-0.4	-0.5
Debt/EBITDA (x)	-0.6	-0.4	-0.7	-0.9

Source: UBI Banca Estimates * Based on 2016 average price

Key Financials

(EURm)	2016	2017E	2018E	2019E
Revenues	23.0	28.8	29.0	30.7
EBITDA	6.6	12.8	13.9	15.9
EBIT	3.2	5.2	7.1	8.4
NOPAT	2.1	3.5	4.7	5.6
Free Cash Flow	-0.9	3.0	5.8	6.2
Net Capital Employed	16.9	17.8	17.3	17.4
Shareholders' Equity	20.7	23.5	27.5	32.2
Net Financial Position	-3.8	-5.6	-10.2	-14.8

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2016	2017E	2018E	2019E
Net Debt/Ebitda (x)	-0.6	-0.4	-0.7	-0.9
Net Debt/Equity (x)	-0.2	-0.2	-0.4	-0.5
Interest Coverage (%)	792.5	174.2	353.6	418.2
Free Cash Flow Yield (%)	-3.7%	14.8%	28.7%	30.4%
ROE (%)	13.5%	16.6%	19.2%	19.4%
ROI (%)	10.5%	15.4%	20.7%	24.7%
ROCE (%)	13.9%	20.2%	28.0%	32.3%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2016 *	2017E	2018E	2019E
P/E (x)	9.0	5.2	3.8	3.2
P/BV (x)	1.2	0.9	0.7	0.6
P/CF (x)	4.0	1.8	1.7	1.5
Dividend Yield (%)	4.7%	6.1%	7.7%	8.9%
EV/Sales (x)	0.9	0.5	0.4	0.2
EV/EBITDA (x)	3.3	1.2	0.7	0.4
EV/EBIT (x)	6.8	2.8	1.5	0.7
EV/CE (x)	1.3	0.8	0.6	0.3

Source: Company data, UBI Banca estimates

* Based on average 2016 price

Key Value Drivers

(%)	2016	2017E	2018E	2019E
Payout	42.4%	31.7%	29.8%	28.8%
NWC/Sales	49.1%	44.5%	42.9%	40.9%
Capex/Sales	30.6%	24.1%	23.0%	24.4%

Source: Company data, UBI Banca estimates

Recent Developments

- > In the second half of 2016, Notorious Pictures distributed six movies (compared with ten movies in 2H15) with a box office take of around EUR3 million (the average box office take was EUR0.32 million, well below the figure for last year and below the average Italian box office figure, which is around EUR1.2 million per movie). Consequently, theatrical sales were down 47% but were still ahead of our estimate. However, other revenues were below our forecasts at EUR7.7 million (-25%) mostly due to the postponement to 2017 of EUR1.8 million for the executive production of “Black Butterfly”, a thriller starring Antonio Banderas to be released in 3Q17. This activity (which presents no risk but a modest 4.7% EBITDA margin) contributed EUR1.2 million to the top line in 2H16 (and EUR5.3 million for the full year). Total revenues were down 31% in 2H16 and down 40% excluding the executive production of “Black Butterfly”. Full year consolidated revenues were EUR23 million, 10% below the figure for 2015 but exactly in line with our estimate and with the business plan of Notorious Pictures. Pay TV revenues (EUR5.9 million vs. EUR7.9 million in 2015), declined by nearly 25% and free TV by 60% (to EUR2 million) due to the lower box office take in 2016. The best news was the strong performance of new media, which more than doubled following the agreements with Netflix (which contributed over EUR1 million in sales) and TIM Vision and the success of direct to video movies.
- > The EBITDA margin of 37.1% in 2H16 was well above our expectation despite the poor profitability of the executive production (excluding this the EBITDA margin would have been 41.5%). It reflected lower P&A costs and a better product mix. D&A increased giving an EBIT of EUR2.1 million, down 66% compared with 2H15 but nearly double our estimate. The net result was 62% lower than in 2H15 (-60% in the full year) but ahead of our forecast. Net cash declined to EUR3.8 million (from EUR5.3 million at June-16) after EUR4.8 million of capex (EUR7 million in the full year vs. EUR5 million in 2015).
- > The company’s film library of 362 movies had a net value of EUR5.7 million at Dec-16 (+23% vs. Dec-15) with an average amortization of 66%.
- > The company announced a DPS of EUR0.053 (vs. EUR0.08 in 2015) giving an attractive yield of 5.9% at the current market price and represents a payout ratio of 42%, above the stated 25% policy of the company.
- > The trend in the movie market was positive in 2016: admissions increased 6.1% in 2016 and box office receipts rose 3.9% (source: Cinetel). Notorious Pictures, which distributed 14 movies in 2016, ranked tenth as a distributor and fourth among independent distributors, with 1.8 million admissions and a EUR10.3 million box office take. However, none of the 14 movies released in 2016 was in the top 100 movies.
- > In February, the company acquired the full rights to six new movies at the European Film Market of Berlin. These included: “Belle & Sebastien”; “211” with Nicolas Cage; a musical called “Teen spirit”; and “Light of my life”, directed by and starring Casey Affleck, all to be released in 2017-18.
- > The company has started the process to be classified as an innovative small company (“PMI innovativa”). This classification should give Notorious Pictures several advantages: some tax savings, the possibility to remunerate staff with a tax-free “work for equity plan” while investors in the company would benefit from a tax credit equal to 19% of their investment (up to EUR0.5 million for individual people) and 20% for legal entities (up to EUR1.8 million) thereby increasing the appeal of the shares.

> Notorious Pictures' buy-back program (worth up to EUR1.7 million), lasting until July-17, reached 230k shares or 1.03% of the share capital at March -17. The buy-back is for possible M&A activity, to enhance the liquidity of the shares and to support the stock option plan of the company.

Figure 1 – 2016 results

(EURm)	2015A	2016A	% Chg.	2016A ex EP	% Chg.	2016E UBI	% Chg.
Sales Theatrical	7.35	4.78	-35.0%	4.78	-35.0%	3.90	22.4%
Sales Other	18.21	18.22	0.0%	12.95	-28.9%	19.17	-5.0%
Sales total	25.56	22.99	-10.0%	17.73	-30.6%	23.07	-0.3%
EBITDA	13.10	6.59	-49.7%	6.34	-51.6%	4.95	33.2%
% margin	51.2%	28.7%		35.8%		21.4%	
EBIT	10.14	3.17	-68.7%	2.92	-71.2%	2.13	48.9%
% margin	39.7%	13.8%		16.5%		9.2%	
Pre tax profit	10.14	3.17	-68.8%	2.92	-71.2%	2.09	51.5%
Net profit	7.08	2.80	-60.4%	2.35	-66.8%	2.03	39.3%
Net debt/(cash)	(6.36)	(3.84)				(4.51)	-14.7%

Source: Company data, UBI Banca estimates

Figure 2 – 2H16 results

(EURm)	2H15A	2H16A	% Chg.	2H16A ex EP	% Chg.	2H16E UBI	% Chg.
Sales Theatrical	3.70	1.94	-47.5%	1.94	-47.6%	1.06	82.2%
Sales Other	10.24	7.65	-25.3%	6.46	-36.9%	8.60	-11.1%
Sales total	13.93	9.59	-31.2%	8.40	-39.7%	9.67	-0.8%
EBITDA	7.41	3.56	-52.0%	3.49	-52.9%	1.91	85.9%
% margin	53.2%	37.1%		41.5%		19.8%	
EBIT	6.30	2.12	-66.3%	2.05	-67.4%	1.08	96.3%
% margin	45.2%	22.1%		24.4%		11.2%	
Pre tax profit	6.29	2.12	-66.3%		-100.0%	1.04	103.2%
Net profit	4.51	1.70	-62.1%	1.76	-60.9%	0.93	85.4%

Source: Company data, UBI Banca estimates

Figure 3 – 2016 results: comparison with the business plan

	Business Plan	2016A	% Change
Sales total	23.35	22.99	-1.5%
EBITDA	5.14	6.59	28.4%
% margin	22.0%	28.7%	
EBIT	2.65	3.17	19.5%
% margin	11.4%	13.8%	
Net debt/(cash)	-6.96	-3.84	-44.8%

Source: Company data, UBI Banca estimates

Figure 4 – Movie releases in 2H16

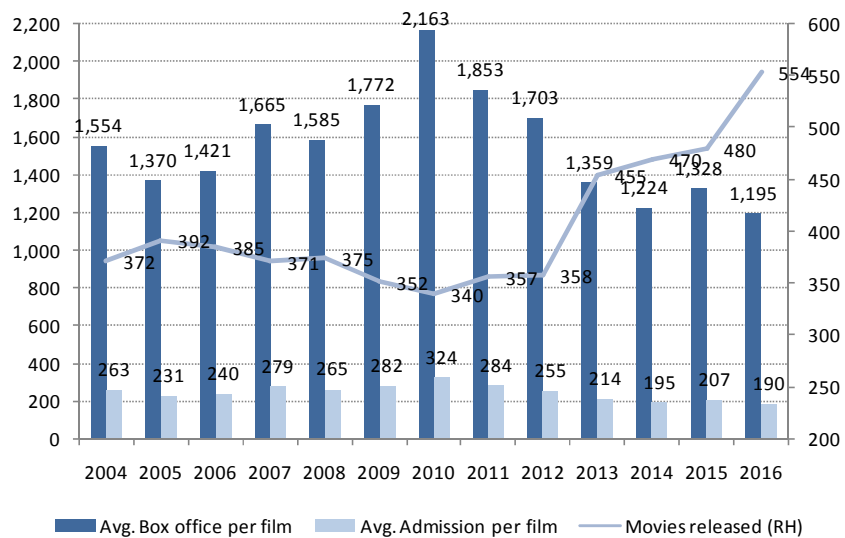
Total box office revenues were considerably below our estimates and those in the company's business plan.

Movie title	Release	Genre	Country	Cluster	Box office (000)
Cell	Jul-16	Thriller/Horror	USA	C	339
Skiptrace	Jul-16	Action/Comedy	USA	D	275
A street cat named Bob	Nov-16	Drama	UK	C	1.119
Snowtime	Nov-16	Animation	Canada	D	415
Paw Patrol	Dec-16	Animation	USA	D	365
Shut in	Dec-16	Thriller	USA	C	514
Total					3.027

Source: Cinetel, UBI Banca estimates

Figure 5 – Box office and admissions in Italy – average per movie (000)

There was a strong increase in movies released in 2016 (554 vs. 480 in 2014). However, box office take increased by just 3.9% and admissions by 6.4%. Therefore, the average box office per movie fell 10% and the average admission per movie 8.1%.



Source: Cinetel

Financial Projections

- > Following better than expected profitability in 2H16, we have revised our estimates and increased 2017-18 forecasts, as well as including forecasts for 2019. We have raised our 2017 revenues due to the postponement to 2017 of around EUR1.8 million of sales stemming from the executive production. Our EBITDA estimate for 2017 has been increased by 10% to EUR12.8 million (but remains 12% below the company's target) as we have incorporated the impact of the growth in new media and DTV revenues that generate higher margins. Our estimate for the net result is EUR3.9 million while expected net cash is EUR5.6 million.
- > 18 movies should be released in 2017 with an average increase in box office receipts of approximately 45%. This should give EUR6.9 million in theatrical sales (vs. EUR4.8 million in 2016). However, this is 24% below our previous estimate and, therefore, we have reduced our Pay TV forecasts by 15% and free TV forecasts by 39%. The three movies already released generated box office receipts of EUR2.1 million.
- > We expect 19 movies to be released in 2018 of which 16 are already in the pipeline (including the recent acquisitions). As a result consolidated revenues should reach EUR29 million (+1% vs. 2017) while the EBITDA margin should increase slightly to 48%. Net profit is expected to be EUR5.3 million.
- > The 2019 pipeline is still limited but we expect 18 movies to be distributed with sales exceeding EUR30 million. EBITDA should improve further to >EUR15 million.
- > Our net cash estimates (EUR5.6 million at Dec-17, EUR9.9 million at Dec-18 and EUR14 million at Dec-19) have been increased as a result of the higher operating cash flow. Our estimates include a dividend pay-out ratio of around 30% (compared with our previous estimates of 25% in), which gives an attractive dividend yield (6.1% on 2017 rising to 8.9% on 2018 results).
- > 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 6 – Old vs. New estimates

(EURm)	2016A	2017E		2018E		2019E
		Old	New	Old	New	
Total Sales	23.0	27.7	28.8	29.8	29.0	30.7
% change			4.0%		-2.7%	
EBITDA	6.6	11.6	12.8	12.9	13.9	15.9
% change			10.1%		7.8%	
EBIT	3.2	4.7	5.2	5.5	7.1	8.4
% change			10.1%		27.7%	
Net Profit	2.8	3.5	3.9	4.1	5.3	6.3
% change			10.2%		27.8%	
Net Debt/(Cash)	(3.8)	(5.8)	(5.6)	(8.6)	(10.2)	(14.8)
EBIT margin	13.8%	17.2%	18.2%	18.5%	24.3%	27.2%
EBITDA margin	28.7%	42.0%	44.4%	43.3%	47.9%	51.8%

Source: Company data, UBI Banca estimates

Figure 7 - Detailed P&L estimates

(EURm)	2015A	2016A	2017E	2018E	2019E
Total movies	18	14	18	19	18
Theatrical	7.35	4.78	6.88	7.51	8.28
Pay TV	7.89	5.92	6.33	6.90	6.97
Free TV	5.06	2.01	2.62	2.91	2.79
Home video	0.92	0.88	0.79	0.64	0.48
Vod, PPV, Kiosk	1.50	2.91	3.57	4.11	4.88
Production	0.00	4.05	5.50	3.60	3.60
Other	2.85	2.96	3.08	3.39	3.73
Total sales	25.56	23.51	28.79	29.05	30.73
Direct costs (P&A and other)	(11.02)	(14.80)	(14.37)	(13.41)	(12.98)
Gross margin	14.54	8.71	14.42	15.64	17.74
Gross margin (%)	56.9%	37.0%	50.1%	53.8%	57.7%
Labour and other structure costs	(1.54)	(1.60)	(1.63)	(1.71)	(1.84)
EBITDA	12.99	7.11	12.79	13.92	15.90
% margin	50.8%	30.3%	44.4%	47.9%	51.8%
D&A on the library	(2.95)	(2.71)	(7.44)	(6.72)	(7.40)
Other D&A	(0.03)	(0.12)	(0.13)	(0.13)	(0.14)
EBIT	10.01	4.28	5.23	7.07	8.36
% margin	39.2%	18.2%	18.2%	24.3%	27.2%

Source: Company data, UBI Banca estimates

Figure 8 - 2017 movie pipeline

The line-up includes one Notorious Pictures production and one executive production

Movie title	Release	Genre	Country	Cluster
Sleepless night	Feb-17	Thriller/Action	USA	B
La marcia dei pinguini: il richiamo	Feb-17	Documentary	France	B-C
Bleed for this	Mar-17	Biopic	USA	C
La verità che vi spiego sull'amore	Mar-17	Comedy	Italy	A-B
Shot caller	Mar-17	Thriller	USA	C
Lasciami per sempre	Apr-17	Comedy	Italy	C
Unlocked	May-17	Thriller/Action	UK	B-C
Coconut the little dragon	Jun-17	Animation	Germany	D
02:22	Jun-17	Thriller	USA	C
Revenger	Jul-17	Thriller	USA	B
The brotherhood	Jul-17	Thriller	USA	B-C
Black Butterfly	Jul-17	Thriller	Spain	C
Amityville	Aug-17	Horror	USA	C
The little vampire	Oct-17	Animation		D
The nut job 2	Nov-17	Animation	USA	C
The men who invented Christmas	Nov-17	Comedy/Drama	USA	B-C
Pablo Escobar	Dec-17	Thriller	Spain	B-C
War with grandpa	Dec-17	Comedy	USA	B

Source: Company data, UBI Banca estimates

Figure 9 – 2018-19 movie pipeline

Movie title	Release	Genre	Country
A bag of marbles	Jan-18	Drama/Family	France
Belle & Sebastien 3	Feb-18	Family	France
Labyrinth	1Q18	Thriller	USA
Palato assoluto	1Q18	Comedy	Italy
Hostiles	1Q18	Drama	USA
Polaroid	1Q18	Horror	USA
Light of my life	1Q18	Action/SciFI	USA
Heidi - Regina della montagna	1Q18	Family	
Amy Winehouse	2Q18	Biopic	USA
Keepers	2Q18	Thriller	USA
Teen Spirit	3Q18	Comedy/Romance	USA
Notorious Untitled	3Q18		
Rambo V	4Q18	Action	USA
The man who made it snow	4Q18	Thriller/Action	USA
Plan de table	4Q18	Comedy	USA
Undying	4Q18	Romance/SciFI	USA
Idol's eye	1Q19	Thriller/Action	USA
Latte and the magic waterstone	1Q19	Animation	
Snow Ponies	1Q19	Action/Western	USA
Playmobil	4Q19	Animation	USA
Arkie	4Q19	Animation	USA

Source: Company data, UBI Banca estimates

Valuation

- > Given the upgrade in our estimates, our DCF valuation has increased to EUR1.60 per share (from EUR1.20) and our relative valuation to EUR1.40 per share (applying a 30% discount to take into account the limited free float of Notorious Pictures and its modest size) from EUR1.12 per share. The simple average of our DCF and the relative valuation gives a price of EUR1.51 per share, which is our new target price (from the previous figure of EUR1.16). The upside potential is above 65% and justifies our Buy rating.
- > At the target price, the company trades at 2.2x 2017 EV/EBITDA and 1.7x 2018 EV/EBITDA, both well below the average multiple for the industry (3.7x and 3.6x respectively). There is also a considerable gap in the P/Es: Notorious Pictures at our target price would trade at 8.7x 2017 P/E and 6.4x for 2018 compared with 8.9x 2017 and 7.2x 2018 for its peers.

Figure 10 – Valuation summary

(EUR)	3 April-17	Weight	7-Dec-16	Delta
DCF Valuation	1.60	50.0%	1.20	33.6%
Relative Valuation (at 30% discount)	1.40	50.0%	1.12	24.9%
Target Price	1.50		1.16	29.4%
Current price	0.90		0.69	30.9%
Potential upside	66.1%		68.1%	

Source: UBI Banca estimates

Figure 11 – DCF Valuation

Our model incorporates a WACC of 8.35%, a terminal growth rate of 1% and an EBITDA margin of 17% at terminal value, which is below the margin we expect this year. Our DCF valuation implies a 2.2x EV/EBITDA at terminal value.

	(EUR m)	(% weight)
Sum of PV 2017-25 FCF	21.5	66%
Terminal value	10.9	34%
Total Enterprise value	32.4	100%
- minorities	0.0	
- Pension Provision	(0.2)	
- Net debt (+ cash)	3.8	
Total Equity value	36.1	
Fully diluted number of shares (m)	22.5	
Fair value per share (EUR)	1.60	

Source: UBI Banca estimates

Figure 12 - Peer comparison and valuation based on multiples priced on 31 March 2017
 Our sample does not include DreamWorks Animation and Lions Gate, which have multiples that are well above those of other companies due to their leading position worldwide and their large size. Nor have we included Leone Film Group due to the lack of a reliable consensus estimates. Notorious Pictures is trading at a significant discount to its direct peers (60% on average), mainly due to its modest size compared to other competitors and its short history.

Company	Market Cap (EURm)	P/E		EV/EBITDA		EV/EBIT	
		2017	2018	2017	2018	2017	2018
EuropaCorp	154	8.1 x		3.2 x		11.5 x	
Splendid Medien	17	14.8 x	10.2 x	2.4 x	2.1 x	14.0 x	10.3 x
Entertainment One	1,229	10.7 x	9.9 x	7.3 x	7.1 x	7.5 x	7.2 x
Lucisano Media Group	32	1.9 x	1.4 x	2.0 x	1.5 x	3.9 x	2.7 x
Average		8.9 x	7.2 x	3.7 x	3.6 x	9.2 x	5.1 x
Median		9.4 x	9.9 x	2.8 x	2.1 x	9.5 x	5.0 x
Notorious Pictures valuation							
Based on simple average		1.54	1.69	2.36	2.66	2.39	2.04
Based on median		1.63	2.33	1.83	1.73	2.46	2.02
Current market multiples	20	5.2 x	3.8 x	1.2 x	1.2 x	2.8 x	1.5 x
Discount to Average		-41.3%	-46.6%	-68.7%	-67.3%	-69.1%	-71.2%
Discount to Median		-44.5%	-61.2%	-58.1%	-43.4%	-70.0%	-70.7%

Source: Factset, UBI Banca estimates

Income Statement

(EURm)	2016	2017E	2018E	2019E
Net Revenues	23.0	28.8	29.0	30.7
EBITDA	6.6	12.8	13.9	15.9
EBITDA margin	28.7%	44.4%	47.9%	51.8%
EBIT	3.2	5.2	7.1	8.4
EBIT margin	13.8%	18.2%	24.3%	27.2%
Net financial income /expense	-0.0	-0.0	-0.0	-0.0
Associates & Others	0.0	0.0	0.0	0.0
Profit before taxes	3.2	5.2	7.1	8.3
Taxes	-0.4	-1.3	-1.8	-2.1
Minorities & discontinuing ops	0.0	0.0	0.0	0.0
Net Income	2.8	3.9	5.3	6.3

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2016	2017E	2018E	2019E
Net working capital	11.3	12.8	12.5	12.6
Net Fixed assets	10.9	10.3	10.2	10.2
M/L term funds	-5.3	-5.3	-5.4	-5.4
Capital employed	16.9	17.8	17.3	17.4
Shareholders' equity	20.7	23.5	27.5	32.2
Minorities	0.0	0.0	0.0	0.0
Shareholders' funds	20.7	23.5	27.5	32.2
Net financial debt/(cash)	-3.8	-5.6	-10.2	-14.8

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2016	2017E	2018E	2019E
NFP Beginning of Period	-6.4	-3.8	-5.6	-10.2
Group Net Profit	2.8	3.9	5.3	6.3
Minorities	0.0	0.0	0.0	0.0
D&A	3.4	7.6	6.9	7.5
Change in Funds & TFR	0.0	0.0	0.0	0.0
Gross Cash Flow	6.2	11.5	12.1	13.8
Change In Working Capital	-0.1	-1.5	0.4	-0.1
Other	0.0	0.0	0.0	0.0
Operating Cash Flow	6.1	9.9	12.5	13.7
Net Capex	-7.0	-6.9	-6.7	-7.5
Other Investments	0.0	0.0	0.0	0.0
Free Cash Flow	-0.9	3.0	5.8	6.2
Dividends Paid	-1.8	-1.2	-1.2	-1.6
Other & Chg in Consolid. Area	0.2	0.0	0.0	0.0
Chg in Net Worth & Capital Incr.	0.0	0.0	0.0	0.0
Change in NFP	-2.6	1.8	4.6	4.6
NFP End of Period	-3.8	-5.6	-10.2	-14.8

Source: Company data, UBI Banca estimates

Financial Ratios

(%)	2016	2017E	2018E	2019E
ROE	13.5%	16.6%	19.2%	19.4%
ROI	10.5%	15.4%	20.7%	24.7%
Net Fin. Debt/Equity (x)	-0.2	-0.2	-0.4	-0.5
Net Fin. Debt/EBITDA (x)	-0.6	-0.4	-0.7	-0.9
Interest Coverage	792.5	174.2	353.6	418.2
NWC/Sales	49.1%	44.5%	42.9%	40.9%
Capex/Sales	30.6%	24.1%	23.0%	24.4%
Pay Out Ratio	42.4%	31.7%	29.8%	28.8%

Source: Company data, UBI Banca estimates

Per Share Data

(EUR)	2016	2017E	2018E	2019E
EPS	0.12	0.17	0.24	0.28
DPS	0.053	0.055	0.070	0.080
Op. CFPS	0.27	0.44	0.56	0.61
Free CFPS	-0.04	0.13	0.26	0.27
BVPS	0.92	1.04	1.22	1.43

Source: Company data, UBI Banca estimates

Stock Market Ratios

(x)	2016 *	2017E	2018E	2019E
P/E	9.0	5.2	3.8	3.2
P/OpCFPS	4.1	2.0	1.6	1.5
P/BV	1.2	0.9	0.7	0.6
Dividend Yield (%)	4.7%	6.1%	7.7%	8.9%
Free Cash Flow Yield (%)	-3.7%	14.8%	28.7%	30.4%
EV (EURm)	21.5	14.9	10.3	5.7
EV/Sales	0.9	0.5	0.4	0.2
EV/EBITDA	3.3	1.2	0.7	0.4
EV/EBIT	6.8	2.8	1.5	0.7
EV/Capital Employed	1.3	0.8	0.6	0.3

Source: Company data, UBI Banca estimates

Based on average 2016 price

Growth Rates

(%)	2016	2017E	2018E	2019E
Growth Group Net Sales	-10.0%	25.2%	0.9%	5.8%
Growth EBITDA	-49.7%	94.1%	8.8%	14.2%
Growth EBIT	-68.7%	64.9%	35.3%	18.3%
Growth Net Profit	-60.4%	39.0%	35.7%	18.3%

Source: Company data, UBI Banca estimates

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Date	Rating	Target Price (EUR)	Market Price (EUR)
22 September 2014	BUY	3.48	2.58
5 December 2014	BUY	3.33	2.92
3 March 2015	BUY	3.73	2.60
18 September 2015	BUY	3.43	2.55
4 March 2016	BUY	2.28	1.31
6 April 2016	BUY	2.28	1.33
7 December 2016	BUY	1.16	0.69