



Investment Research

Reason: Initiation of Coverage

28 November 2014

## Accumulate

Initiating Coverage

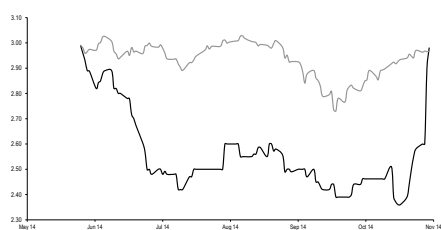
**Share price: EUR 2.98**

closing price as of 27/11/2014

**Target price: EUR 3.15**

Reuters/Bloomberg	NPLI/M/NPI IM
Daily avg. no. trad. sh. 12 mth	33,200
Daily avg. trad. vol. 12 mth (m)	97.94
Price high 12 mth (EUR)	2.99
Price low 12 mth (EUR)	2.36
Abs. perf. 1 mth	22.1%
Abs. perf. 3 mth	14.6%
Abs. perf. 12 mth	
<b>Market capitalisation (EURm)</b>	<b>67</b>
Current N° of shares (m)	22
<b>Free float</b>	<b>10%</b>

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	9	24	28
EBITDA (m)	3	14	17
EBITDA margin	31.2%	56.9%	59.9%
EBIT (m)	2	10	12
EBIT margin	22.0%	43.0%	43.6%
Net Profit (adj.)(m)	1	7	8
ROCE	84.9%	86.1%	49.3%
Net debt/(cash) (m)	(0)	(8)	(9)
Net Debt Equity	-0.2	-0.5	-0.4
Net Debt/EBITDA	-0.1	-0.6	-0.5
Int. cover(EBITDA/Fin.int)	83.3	high	high
EV/Sales		2.4	2.1
EV/EBITDA		4.3	3.5
EV/EBITDA (adj.)		4.3	3.5
EV/EBIT		5.6	4.8
P/E (adj.)		9.6	8.3
P/BV		4.4	2.9
OpFCF yield		14.7%	19.0%
Dividend yield	0.0%	0.0%	3.4%
EPS (adj.)	0.05	0.31	0.36
BVPS	0.08	0.67	1.03
DPS	0.00	0.00	0.10



Shareholders: Guglielmo Marchetti 90%;

For company description please see summary table footnote

## Growth opportunities with more titles and co-productions

Notorious Pictures is an independent movie distributor operating in the Italian market. The Company has a short business life but relies on a very experienced management team, and has so far produced strong economic results. NPI went public in June 2014 on the AIM market with a primary offer involving (including the Greenshoe) 10.4% of its capital and collecting EUR 7.0m.

- ✓ **Notorious Pictures (NPI) is an independent operator in the Italian cinematographic sector**; it is specialized in the acquisition of the full range of movie rights and the commercialization/distribution through all the available channels. NPI was founded in 2012 by a veteran of the Italian Home Video and movie industry, Guglielmo Marchetti. In its first year of activity (2013), it entered the Italian top-10 of movie distributors as the 14 titles released grossed EUR 11.1m at the Box Office with 1.9m viewers. In the first 9 months of 2014, NPI was the sixth Italian distributor (first independent) with EUR 21.3m at the Box Office.
- ✓ The **business model** covers all of the phases of movie product distribution, either with internal or outsourced resources. The key assets are the expertise, the networks of relationships with key players in the ecosystem and the marketing capacity, hard-coded in a strong team which has worked together for several years. NPI directly runs the commercialization and the distribution to cinemas; the Home Video (HV) channel is managed through a partnership with RAI Cinema; in Pay-TV is covered with a 3-year output agreement with Sky, Free TV with RAI; in New Media it includes the TV-based Video on Demand within the Sky contract and new distribution agreements with iTunes, Google Play, Sony Entertainment and Chili.
- ✓ **In FY 2013**, NPI generated EUR 9.0m revenues, EUR 2.82m EBITDA and EUR 1.26m net profit, and closed with EUR 0.32m net cash at December 31. **In H1 2014**, revenues were EUR 15.2m, EBITDA EUR 9.3m, Net Income EUR 4.8m. Net cash rose to EUR 8.8m boosted by the IPO proceeds. **We expect strong growth in FY 2014**, supported by the positive BO performance of the past few months (driving the subsequent product life cycle), and by the Sky contract.
- ✓ **NPI has just presented a new business plan** which entails 16% 3-year revenue CAGR (acceleration over the years), above 66% EBITDA margin in 2017, up by 10pp from the already top level (57%) that should be achieved this year. Operating leverage and more profitable revenue mix are the key drivers. Indeed, the targets definitely exceed our (pre-money) estimates as, starting from 2016, NPI moves upwards in the value chain with five planned international co-productions.
- ✓ **Valuation.** We assume more cautious estimates against the plan targets, given the intrinsic volatility of the traditional activity and even more of the new business of co-production. A DCF approach easily provides fair values in excess of EUR 3 per share. Peers comparison on the other hand reflects the tiny size and liquidity of the listed Italian players, which appear in general undervalued. In all, we argue that the current price level offers an interesting opportunity. **Accumulate, TP EUR 3.15.**
- ✓ **Risks.** NPI is a small player in comparison with other large independent distributors and the US majors; it has a totally domestic exposure and is highly dependent on key personnel. Piracy is the main challenge for the industry; as a consequence the digitalization process is both a risk and an opportunity. The traditional HV market is declining, while cinema should remain a relevant institution. More in general, disintermediation risk will test the scouting, marketing and innovation capabilities, the financial firepower and the vertical integration of the players.

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**For important disclosure information, please refer to the disclaimer page of this report**



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## Company highlights and history

Notorious Pictures (NPI) is an independent operator in the Italian cinematographic sector; it is specialized in the acquisition of the full range of movie rights and the commercialization and distribution through all the available channels. The company was founded in July 2012 by a veteran of the Italian home video and movie industry, Guglielmo Marchetti, and started operations at the end of 2012. In its first year of activity, NPI entered the Italian top-10 of movie distributors as the 14 titles released grossed EUR 11.1m with 1.9m viewers (*Source: Anica/Cinetel*) in the Italian cinemas (reaching around 2% market share). Also thanks to two strong titles, NPI grossed EUR 21.3m at the Box Office in the first 9 months of 2014, being the sixth-largest Italian distributor (first among independent players).

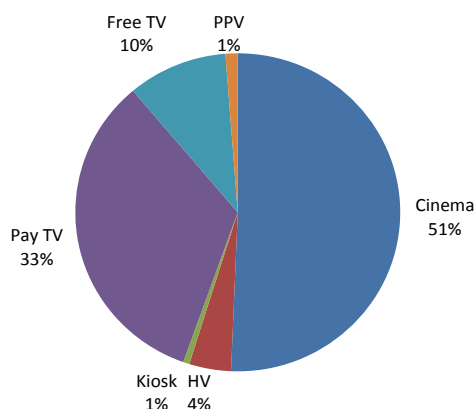
The business model covers all of the phases of a movie product distribution, either with internal or outsourced resources. The key assets are the expertise, the networks of relationships with key players in the ecosystem including the film major and independent production houses, sales companies, television channels, and the marketing capacity, hard-coded in a strong team which has worked together for several years.

While the commercialization and distribution to cinemas is run directly by the company through an internal structure coordinating the network of agents, the home video channel is managed through partnerships with RAI Cinema and Mondadori. In the television channel, NPI sells directly to Free and Pay Televisions, both private and public, on all the platforms. In June 2013, NPI signed an output contract with Sky which committed to buying and exploiting a certain number of movies (in all the pay formats) for the three years to June 2016. NPI also sells movie rights for new media, including IPTV, Web-TV and mobile platforms. The consumption mode is on demand, either through downloads or streaming.

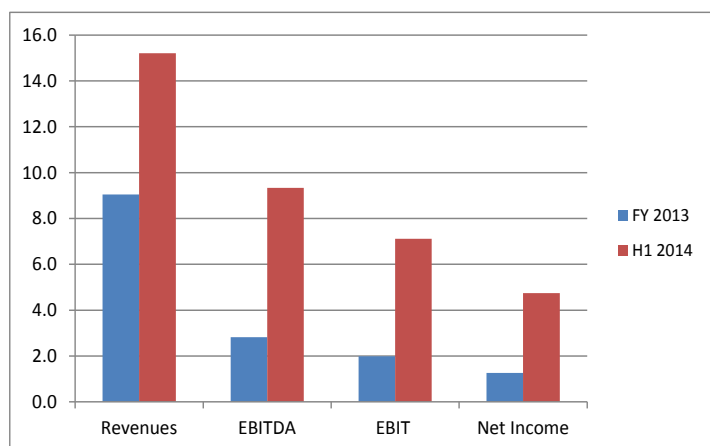
**In FY 2013**, NPI generated EUR 9.0m revenues, EUR 2.82m EBITDA and EUR 1.26m net profit. The net financial position was positive at the end of December 2013 (EUR 0.32m). **In H1 2014**, revenues were EUR 15.2m, EBITDA EUR 9.3m and Net Income EUR 4.7m. Net cash rose to EUR 8.8m boosted by the IPO proceeds

The company is headquartered in Rome, has a very limited asset base, a lean cost structure and simple and effective organizational structure. NPI is run by the founder Guglielmo Marchetti acting as CEO. The personnel consist of just 16 employees to manage the key functions of market scouting, dubbing/localization, partnerships and marketing/promotions to the movie chains, along with 10 agents and 3 free-lance associates involved in script-reading and movie scouting.

H1 2014 net sales by channel



H1 2014 performance (EUR m)

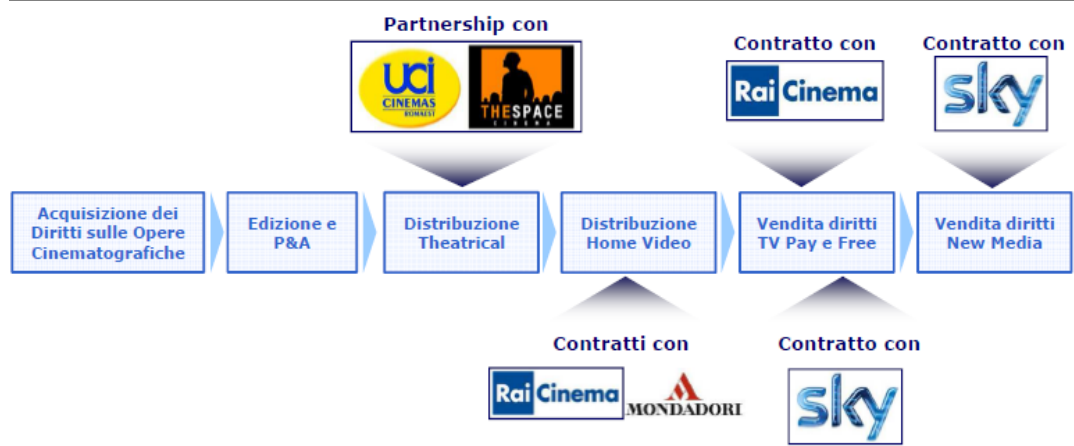


Source: Notorious

## NPI activities

Notorious Pictures (NPI) is an **independent “content provider”** operating in the Italian market since mid-2012. Although nominally a start-up given its recent incorporation, the company is characterized by an experienced and consolidated management team which has worked together for several years in other organizations. The core business is the acquisition of full-rights of cinematographic works and their distribution to cinemas and home video, as well as the sale of television rights and new media rights to free and pay televisions and other operators.

### Notorious Business Model



Source: Notorious

The company **strategy** is based on an **integrated model**, which covers all the stages of the distribution cycle through both internal and external resources. NPI benefits from an experienced and well-connected management team that has developed relationships with the main global sales companies and movie producers and is definitely marketing-oriented with a strong consumer focus. NPI has in place several distribution agreements in all the channels (cinema, home, pay) and solid relationships with the main national broadcasters and new media. **NPI’s specific business processes** are articulated as follows:

**Rights acquisition.** NPI acquires the audiovisual utilization rights in the international marketplace from international sales companies and, to a lesser extent, directly from the content rights owners (producers) including European as well as US operators. The rights purchase usually happens at the industry fairs and exhibitions, in particular at the American Film Market in November and the international festivals of Cannes, Berlin and Toronto. The acquisition activity is based on an editorial plan including an 18-month schedule, and involves a screening of 450 scripts (or footages) a year, more rarely of the finished product. NPI’s editorial policy is relatively wide, with a preference for family movies or titles suitable for television. The acquisition usually involves: a) the full rights to the cinematographic work, including all distribution platforms; b) for the Italian and Italian-speaking (eg Vatican, Switzerland) territories, films in Italian and original language; c) License duration of 15 to 20 years; d) No output agreements; e) the provision of marketing material; f) the negotiation of the release date (in any case not before the domestic release). The economic conditions usually involve a “Minimum Guaranteed” which is partly paid up front. The agreement can also include royalties or certain further compensations “Bumps” related to Box Office levels in case of significant success of the movie.

**Publishing.** Prior to starting the rights exploitation, the cinematographic work needs to be processed for local distribution. These publishing activities involve the dubbing into Italian language, which is performed by external companies under the supervision of NPI’s publishing manager.

**P&A.** NPI considers the P&A a strategic activity, which is managed internally with the supervision of the general manager. Indeed, the Box Office performance will also drive the economic results in the other distribution platforms such as Pay and free TV. NPI management think that the condition of local independent distributor is optimal for an effective and efficient P&A, as it can best address the core target market and hopefully find new audience clusters. The marketing material is discussed with and approved by the licensor prior to publication. The P&A effort is largely dependent on variables such as the movie features, the time schedule and the estimated Box Office performance.

**Sales to theaters.** The business model and economic terms follow the industry standard with a 40/60% split and the payment of the “virtual print fee”. NPI is multiplex-oriented. The main chains UCI and The Space account for 54% of NPI's FY 2013 theatrical revenues, compared to 40% of the Italian Box Office. These chains are managed as “directional accounts” through the direct interaction with the marketing manager; NPI has established distribution agreements which allow, under the payment of a fixed fee, the preferential screen allocations for premieres, on-site promotions and trailers. The general multitude of cinemas across the territory is managed through a network of exclusive sales agents.

#### **Sales to Televisions**

The sale of film rights to televisions is managed directly by the company CEO and the general manager, through the definition of licensing agreements with the main free-to-air, DTT and satellite broadcasters. The contracts currently in place include:

- a) **Sky** (signed in August 2013). Sky agreed to buy from NPI at least 37 films in the three-year period from July 1 2013 to June 30, 2016. The rights and the exploitation acquired include PPV/NVOD/VOD as well as Pay-TV/sVOD; the rights are on exclusive terms for 12 months and non-exclusive terms for the following 12 months. The economic terms include, for PPV/NVOD and VOD a 60% share of net revenues generated from the service; for Pay/sVOD the amount has been already set for movies already released, while for future releases the parties agreed a range between EUR 250K and EUR 1.8m (depending on the admissions at the cinemas). Sky is also granted a first refusal right for titles exceeding the quota agreed for the second and third years.
- b) **RAI Cinema** (December 2013). NPI granted RAI Cinema the exclusive rights on nine unreleased movies on the Italian territory. The agreement covers free TV and catch-up TV for four to six years. The contract is worth EUR 1.4m.

#### **Home Video**

NPI covers the HV market in both traditional retail and kiosk channels through agreements with other distributors. In particular, NPI has in place:

- a) A three-year, “pure distribution” agreement with **RAI Cinema** (signed in November 2013) which involves the distribution of 13 movies (already released to cinemas and could extend to other titles). The agreement involves 24 month exploitation rights and excludes newsstands and bookshops. NPI is entitled to a percentage of the price charged by RAI Cinema to third party resellers.
- b) In the kiosk channel, agreements with **Mondadori** grant thirty-day exclusive rights on certain movies to be published as DVDs and distributed as add-ons with the magazine “Panorama”. The agreements include two different revenue models, ie 1) a forfeit amount up to a certain number of copies sold, with a further royalty for the excess copies, and 2) a fixed contribution for each copy sold.

#### **New Media**

NPI has been covering the new media segment mainly through the Sky agreement, which also involves the VOD channel. In June 2014, NPI signed non-exclusive distribution agreements for VOD and Electronic Sell-Through on other platforms including Apple iTunes, Google Play and Sony Entertainment. In October, it also signed with Chile for 30 movies.

## Financial Performance

NPI was incorporated in mid-2012 and started generating revenues in 2013, which implies that there is no proper full-year comparison to help project a trend into 2014. As the company is still a start-up, last year's business activities have still to generate their full potential, especially in virtue of the already announced agreements.

The **revenue mix** is largely dependent on theatrical release which accounted for 42% of FY 2013 sales (51% in H1), and on Pay TV (42% and 33% respectively). In H1 2014, NPI booked the EUR 1.4m revenues granted by the contract with RAI TV, along with the agreed compensation for 10 movies to be broadcast on Sky (EUR 470K per movie on average). HV was up 150% Y/Y but accounted for just 4% of sales, New Media and PPV for c 1%.

### NP: key financials (EUR m)

	2012	H1 2013	FY 2013	H1 2014a
<b>Sales</b>	<b>None</b>	3.07	<b>8.48</b>	<b>14.08</b>
Theatrical	None	0.00	4.19	7.13
TV Pay	None	0.00	3.55	4.70
TV Free	None	0.23	None	1.40
HV	None	0.02	0.62	0.59
PPV	0.00	0.00	0.07	0.17
Other revenues	0.08	0.25	0.54	1.12
Total Turnover	0.08	3.57	9.04	15.20
<b>EBITDA</b>	<b>-0.28</b>	<b>0.42</b>	<b>2.82</b>	<b>9.33</b>
Margin	<i>nm</i>	11.8%	31.2%	61.4%
D&A	-0.10	-0.29	-0.77	-2.10
Other Provisions	0.00	-0.03	-0.05	-0.11
<b>EBIT</b>	<b>-0.38</b>	0.10	<b>1.99</b>	<b>7.11</b>
Margin	<i>nm</i>	2.8%	22.0%	46.8%
<b>Net Income</b>	<b>-0.58</b>	0.02	<b>1.26</b>	<b>4.74</b>
Capex	-0.48	na	-1.96	-3.73
<b>Net Debt (cash)</b>	<b>-0.08</b>	<b>na</b>	<b>-0.32</b>	<b>-8.76</b>

Source: Company data

The **top-line trend** reflects the number and quality of the movie line-up which from Box Office sales directly affects the subsequent exploitations in the other channels. We argue that the "time windows" system imply an initial disproportionate contribution from the theatrical channel, which stabilizes in the following years as NPI's business reaches its full-steam and the revenue mix becomes more balanced across the distribution channels.

NPI distributed a total of 14 movies in its first year, which grossed around EUR 11m at the Box Office; theatrical revenues are broadly equivalent to the 40% payable to the distributor under the standard industry terms.

In Q1 2014, with 5 titles, NPI grossed EUR 13.8m or 3.7x Y/Y, when it distributed 3 films. Indeed, the line-up of the quarter included high-grossing titles "Belle & Sebastien" (EUR 7.5m) and "La Bella e La Bestia" (EUR 5m).

The 3 movies released in Q2 delivered further EUR 4.2m at the BO, while Q3 closed with around EUR 3m (5 movies). As a result, the average BO revenue was EUR 2.26m which compares with EUR 0.79m in the full year and EUR 1.37m of the Italian market as a whole.

In FY 2013 NPI reported **EBITDA** of EUR 2.8m (31% margin) after EUR 2.13m advertising costs, EUR 0.88m commercial, EUR 0.68m labor and EUR 1.50m external costs.

The margin grew to c 60% in H1 2014 thanks to operating leverage and the strong positive BO surprise, as revenues surpassed those of the full year 2013 while some of the costs had already been anticipated in the previous months. Rights amortizations accounted for around





10% of sales in FY 2013, 14% in and H1 2014. As a result, the EBIT more than tripled H1 2014 on FY 2013, and net income was 275% higher.

**Investments** are mainly related to rights acquisitions (up to 3/4 of the total) and dubbing activities; in FY 2013 NPI spent around EUR 2m for 14 titles (EUR 153K each), while in H1 2014 the commitment increased to EUR 3.7m for 16 titles (EUR 231K each). In June 2014, Notorious also spent EUR 0.67m for the acquisition of the 200-title library (full rights, 5 years) of Indaco Pictures.

NPI's **balance sheet** is rather simple, sound and balanced; at the end of 2013, the main asset-film library, worth EUR 1.58m, was completely financed by shareholders' equity. A small net working capital was matched by a positive EUR 300K cash position.

In H1 2014, the library increased to EUR 3.22m while equity increased to EUR 12.9m as a consequence of the IPO.



## FY 2014/17 Estimates

### THE ECONOMICS

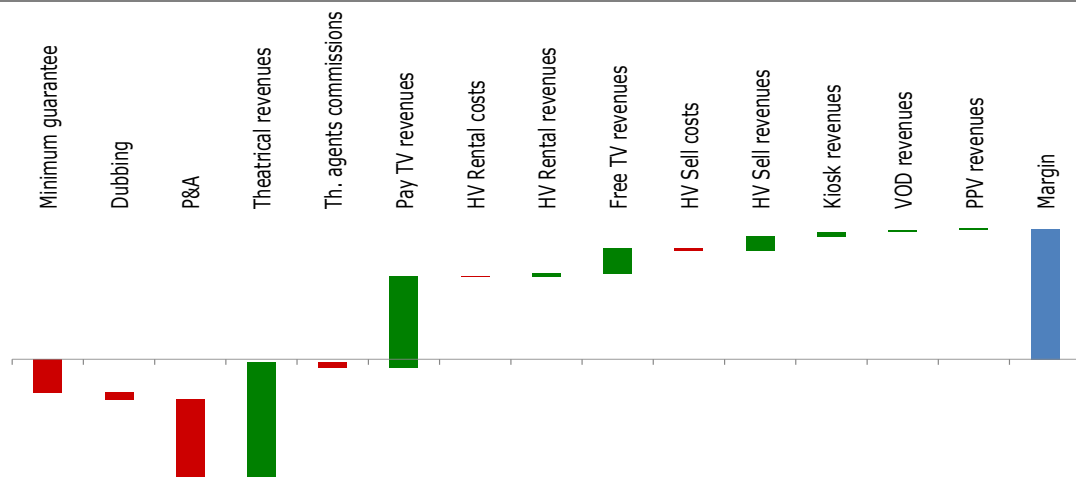
Forecasting for NPI is not a trivial activity, taking into account:

- The company’s limited history does not allow extrapolations of past trends; this issue is partially mitigated by the personal track record of the top management, which can boast a consistent string of profitable releases in the past several years;
- The movie industry involves non-standard products, affected by a multitude of factors and sometimes featuring hardly predictable financial performances; the estimates’ reliability can however be improved through a more aggregated approach (“clusters”).
- The analysis of peers’ performances reveals that volatility is significant also at firm level;

There is a series of elements which provide support and visibility to mid-term results, based on the mechanisms of rights exploitation and on NPI’s specific business model. In particular:

**A profitable business through the lifecycle.** The profitability of a movie should be seen across all the platforms and through its first complete two-year lifecycle (with following re-runs potential as nice add-ons). In fact, theatrical release hardly covers production costs; Cinetel figures reveal that the average BO revenues for a movie have been consistently below EUR 2m, whereas production costs for Italian movies averaged EUR 2.8m in 2009/13. We argue that the same economics broadly apply to the distribution stage. The profitability of a movie is firstly related to the BO performance; however, for the average movie it progressively builds as it enters the Pay-TV window and then home video and Free TV. From inception to May 2014, (20 months, 25 movies), and across all the platforms, NPI has generated a positive profit in all of its movies (including all the cash costs from rights acquisitions to editing and P&A).

### The movie product economics



Source: Notorious

**Accounting conventions.** Revenues are recognized after the transfer of the utilization right. The Minimum Guarantee is capitalized, along with the dubbing costs. P&A costs are completely booked in the P&L when the cost is sustained. The library is amortized proportionally to the revenue stream.

**The presence of output contracts.** In Pay TV, Sky committed to buy a minimum of 37 movies (on average 12 per annum), with a minimum payment of EUR 250K each. Hence, the EUR 3.5m booked last year represents a floor. The RAI contract for free TV is definitely





smaller (EUR 1.4m for the current year). The agreements in home video (retail and newsstand) offer margin protection and optionality in declining markets.

**H1 2014 positive results** in terms of theatrical releases will boost Pay-TV revenues in this financial year and the next. The contribution of “Belle & Sebastien” and “la Bella & la Bestia” alone should be EUR 2m; the total could easily surpass EUR 8m (<EUR 350K per each other movie). We expect free TV will also provide EUR 2/3m revenues.

**H2 movie line-up.** Notorious released 5 movies in Q3, which collected above EUR 3m at the Box Office. The Q4 line-up includes further 4 titles; the performance was mixed in our view as Posh and AMWM in particular fell short of expectations at the BO in spite of generally positive critic reviews. Notorious said that the movies released until October 31, 2014, will generate EUR 2.5m revenues in 2015.

**NP: movies line-up and KPIs (EUR m)**

Date Release	Title	Genre	Country	BO results
July	Universal Soldier	Action	USA	0.16
August	Quel momento imbarazzante	Comedy	USA	0.56
11 Sept	The Giver	Sci-Fi	USA	1.57
18 Sept	L'ape Maia	Animation	Germany	0.95
25 Sept	Posh	Thriller	UK	0.43
30 Oct	Little Ghost	Family/Fiction	Ger/Switzerland	1.0
30 Oct	A Most Wanted Man	Thriller	Ger/UK/USA	0.95
13 Nov	Lo Sciacallo (Night Crawler)	Thriller	USA	Est 0.7
27 Nov	Cub	Horror	Belgium	Est 1.2

Source: Notorious, Banca Akros estimates

## THE NEW PLAN: NO DISCONTINUITIES, CAUTIOUS ENTRY INTO PRODUCTION

On November 27, the management presented its post-money industrial plan 2015/2017; the key growth pillars reflect the strategic directions already anticipated at the time of the IPO, namely a) the extension of the existing library with the acquisition of around 18 titles per year; b) an upgraded editorial plan featuring movies with higher commercial potential (higher production budget, higher promotions costs); c) a cautious upstream move in the audio-visual value chain, through via national/international co-productions. The plan is based on the current consolidation perimeter, however the company could pursue M&A to further strengthen its library and/or enter new business lines. The headline figures assume:

- Above 16% 3-year revenue CAGR, characterized by acceleration over the years.
- Above 66% **EBITDA margin** in 2017e, up by almost 10pp from the already top level (57%) that the company expects to achieve this year. Operating leverage and more profitable revenue mix are the key drivers.
- Unleveraged balance sheet**; taking into account the underlying cash generation on top of the EUR 6.9m IPO cash proceeds. The company will not pay a dividend on its FY2014 result, while the planned dividend policy going forward assumes the distribution of 25% of net income for a total of EUR 2.2m and 2.7m cash disbursements in the years 2016 and 2017 respectively.

**Compared to our (pre-money) estimates** as published last June, the projections for the current year are in line/better than expected, with above 180% revenue growth to EUR25.5m, EBITDA up >5x (EUR 14.5m) and net income above EUR 7m.

We see around 10% positive gap in 2015 (at both revenues and EBITDA level) as the IPO resources become productive (increase in the number of movie released) and the Indaco library contribution starts flowing-in. The deviation gets larger from 2016 with the entry in the co-production activity, which provides alone > 10pp boost to the revenue line with two titles (5pp incremental in 2017 with 3 titles). The evolution in revenue mix also benefits the EBITDA margin, as production offers intrinsically higher profitability in virtue of varied and well-engineered funding mechanisms.

### NPI 2013/2017 estimates (EUR m) vs. Akros (pre-money) estimates

	2013	2014e		2015e		2016e		2017e	
	Actual	Plan	Akros	Plan	Akros	Plan	Akros	Plan	Akros
Theatrical	4.19	9.8	11.8	13.5	12.6	12.5	13.3	15.2	14.0
TV	3.55	12.7	10.7	13.7	11.2	15.9	11.7	16.9	12.0
HV	0.66	1.2	0.90	0.41	1.0	1.3	0.95	0.90	0.75
New Media	0.07	0.2	0.30	0.12	0.70	1.0	0.91	1.1	1.1
Other revenues	0.54	1.66	0.40	1.00	0.50	1.00	0.5	1.0	0.50
Production Contrib	nm	nm	nm	nm	nm	3.16	nm	4.74	nm
<b>Total Turnover</b>	<b>9.04</b>	<b>25.5</b>	<b>24.1</b>	<b>28.7</b>	<b>26.0</b>	<b>34.9</b>	<b>27.4</b>	<b>39.8</b>	<b>28.4</b>
Costs	-6.23	-10.9	-10.3	-11.1	-10.8	-12.5	-10.9	-13.2	-11.1
o/w Personnel Costs	-0.67	-1.1	-1.1	-1.55	-1.1	-1.7	-1.2	-1.9	-1.2
<b>EBITDA</b>	<b>2.82</b>	<b>14.5</b>	<b>13.8</b>	<b>17.6</b>	<b>15.2</b>	<b>22.4</b>	<b>16.5</b>	<b>26.6</b>	<b>17.2</b>
Margin	31.2%	57.1%	57.2%	61.3%	58.6%	64.1%	60.2%	66.9%	60.7%
D&A/Other	-0.83	-3.4	-3.3	-4.5	-4.0	-6.3	-5.0	-7.4	-5.3
<b>EBIT</b>	<b>1.99</b>	<b>11.1</b>	<b>10.5</b>	<b>13.1</b>	<b>11.3</b>	<b>16.1</b>	<b>11.5</b>	<b>19.2</b>	<b>11.9</b>
Margin	22.0%	43.5%	43.4%	45.7%	43.3%	46.0%	42.0%	48.2%	42.1%
Net Income	1.26	7.4	7.0	8.9	7.6	10.9	7.7	13.1	8.0
Capex	-1.96	-4.7	-3.6	-6.2	-5.0	-8.4	-6.2	-9.8	-5.6
<b>Net Debt (Cash)</b>	<b>-0.32</b>	<b>-7.5</b>	<b>-7.5</b>	<b>-8.8</b>	<b>-13.7</b>	<b>-11.7</b>	<b>-20.1</b>	<b>-18.1</b>	<b>-27.6</b>

Source: Company data, Banca Akros estimates

The pillars of the plan include:

**Editorial strategy/ movie line-up.** The available scheduling includes a further 15 titles between 2015 and 2016. On May 27, Notorious announced the acquisition of 5 movies in the Cannes Film Festival, for a consideration of EUR 1.7m. The movies which grossed a combined USD 50m in the US market, include “That awkward moment/quel momento imbarazzante” which NPI released in August, along with Garm Wars, Norm of the North, Den of Thieves and Mune) which will be released between 2015 and 2016. In the Toronto Film Festival, NPI acquired three movies namely Criminal, Rambo 5 and Selma. In the American Film Market in November, NPI acquired the titles Robison Crusoe; We are your friends and Unlocked.

**NP: movies line-up and KPIs (EUR m)**

Date Release	Title	Genre	Country	Prod. Budget
<b>2015</b>				
8-Jan-2015	Italo	Family	Italy	na
5-Feb-2015	Mune	Animation	France	EUR 50m
26-Feb-2015	Black Sea	Thriller/Adventure	UK	na
2-Apr-2015	Wolf Totem	Family	France	USD 38m
01-Oct 2015	Belle&Sebastien 2	Family	France	USD 20m
Pending	Criminal	Thriller/action	US/UK	na
Pending	Rambo5	Action	US	na
Pending	Selma	Historical Drama	US	na
<b>2016</b>				
Pending	Left Behind	Action/Thriller	USA	USD 16m
Pending	Garm Wars	Anime/Sci-Fi	Japan	na
Pending	The Reach	Thriller	USA	na
Pending	Cell	Thriller	USA	na
Pending	Norm of the North	Animation	USA	na
Pending	Den of Thieves	Action/Thriller	USA	na
Pending	Bleed for this	Biopic	USA	USD 10/20m

Source: Notorious Pictures, Banca Akros estimates

NPI plans to release a total of 18 movies in each of the next three years, whereas we originally assumed 15/16 titles including a couple of “technical releases” of movies that are pre-destined to the HV/Pay-TV markets. NPI bets on a strong success of the Belle & Sebastien sequel in Q4 2015; which explains the expected BO spike next year. NPI forecasts in any case a further improvement in 2017 to just above EUR 2m per title, which implies 43% above the average level for the current year. The progression of the movie size and commercial potential is a key pillar for NPI’s strategy, and is clearly visible in the planned investments for rights acquisition/production and P&A activities, which are seen increasing more than proportionally, by 62% in aggregate.

**NPI Editorial Plan: Summary (EUR m)**

Year	# Movies (o/w co-prod)	Per Movie			Total		
		M/G	P&A	BO	M/G +Co-Prod	P&A	BO
2014e	17	0.21	0.42	1.47	3.62	7.09	24.9
2015e	18	0.29	0.43	1.88	5.23	7.68	33.8
2016e	18 (2)	0.40	0.48	1.74	4.70+2.40	8.67	31.3
2017e	18 (3)	0.52	0.50	2.10	5.66+3.60	9.07	37.9

Source: Notorious Pictures

As a reality check, we point out that the planned BO collection in 2017e would account for around 6% market share in EURO terms vs. the average of the last three years, with 4.6% share of released titles. This performance implies NPI strengthens its ability to scout, acquire and promote titles with higher-than-average theatrical performance.

**Revenue Mix.** Cinemas will continue driving the top-line, with Pay and Free TV to follow. The sales of TV Rights are directly related to the theatrical results, on the basis of the existing output deal. NPI assumes to renew and extend the existing contract with Sky, as well as its business with traditional Free to Air broadcasters. Although NPI sees a positive impact in 2016 from the DVD releases of “Belle & Sebastien 2”, Home Video will remain marginal and will likely continue to decline in its traditional format; accounting for just above 2% of turnover at the end of the period. However, the redefined digital, on-demand HV should more than compensate this trend. The plan includes conservative assumptions on PPV and new media, at just EUR 1.1m in 2017e. NPI includes revenues coming from the exploitation of the Indaco library (EUR 0.6/07m pa). Starting from 2016, NPI will also benefit from the 2<sup>nd</sup> exploitation period for the titles released between 2012/14. Finally, NPI includes the contribution of the new activity of co-production also from 2016, consisting of several different revenue lines.

#### NPI Revenues Mix detail (EUR m)

	2013	2014	2015	2016	2017	CAGR 17/14
Theatrical	4.19	9.79	13.50	12.51	15.15	15.7%
Home	0.66	1.15	0.91	1.34	0.90	-7.8%
Pay TV	3.55	8.56	9.05	10.6	11.35	9.9%
Free TV	0	4.13	4.15	4.70	4.00	-1.0%
2 <sup>nd</sup> run	0	0	0	0.53	1.48	nm
PPV/New Media	0.07	0.17	0.12	1.00	1.13	88%
Other revenues	0.54	1.66	1.00	1.00	1.00	-15.5%
Production Contrib.	0	0	0	3.16	4.74	nm
<b>Total Revenues</b>	<b>9.01</b>	<b>25.45</b>	<b>28.73</b>	<b>34.84</b>	<b>39.75</b>	<b>16.0%</b>

Source: Notorious Pictures

**Production.** NPI had anticipated that the IPO proceeds could help to extend its business model upwards to the production/co-production stage. We had not included in our estimates any contribution from such activity, which should account for 12% of FY 2017 turnover according to NPI management. NPI chose to enter the production segment through partnerships, via national or preferably international co-productions. The single ticket could be largely variable, extending to a few millions Euros for a stake in international productions; the related potential reward can be significant.

Indeed, Italian productions can benefit from a **series of fiscal benefits**, which include an “internal tax credit” on production costs (15% of the amount sustained by the company); an “external tax credit” recognized to other investors in the “movie project” (40% of the amount provided by the partner), other tax credits on P&A and distribution (15% of related costs) and other discretionary contributions provided by regional film commissions. With international co-productions, NPI would obtain, on a perpetual basis, the exclusivity of Italian distribution along with its share of international distribution revenues (excluding the domestic markets of its partners). In its plan, NPI assumes it will engage in two co-productions in 2016 and further three in the following year with an investment in the region of EUR 1.2m each, in order to take a 10/15% stake in the specific movie project. The total EUR 6m investment is expected to yield, including all the potential revenue lines, a total of EUR 7.9m in the two years.

**Cost Structure: organization.** In spite of the ongoing and expected top-line growth, the firm organizational structure should remain lean, given the scalability of the business model against the movie size and to a certain extent to the number of titles. NPI will not develop house production capability; however the activities of co-production will require some additional personnel and a couple of managers.

NPI is also implementing a **personnel incentive scheme**, which extends to all the employees of the company and involves up to EUR 0.5m cumulated cash compensation in



the next three years, subject to the achievement of revenue and EBIT targets. In all, the company expects the personnel cost to grow by c 18% CAGR to 2017, in line with the top-line trend so remaining below 5% of sales.

**Operating leverage.** Along with personnel costs, other structural costs can be considered fixed or just increasing with the expected inflation. These costs, which include rents, materials and associations fees, accounted for below 5% of FY 2013 revenues.

**Operating costs.** The costs related to the acquisition, development and marketing of a movie include variable and fixed as well as “hybrid” items. Pure variable costs mainly involve the royalties payable to content owners when exceeding pre-set Box Office results or under particular agreements, the commissions payable to sales agents in the theatrical channel and the physical supports for Home Video. We estimate these costs were below 5% of 2013 revenues.

The acquisition of a movie implies an investment in content rights and localization; this is translated in the P&L as amortization throughout the economic life (generally two years) of the product. P&A costs are mainly fixed; the pure printing costs are driven by the number of screens planned for the release (EUR 240/480 each); marketing and advertising is scaled according to the expected performance at the Box Office, is tuned to the production budget and can be adjusted during the early days of theatrical release.

NPI adopts an accurate and detailed planning process for each movie in order to maximize the impact of its P&A effort, the plan assumes the P&A cost to range between 23% and 28% of the expected BO collection in 2015/17, which is in line with the industry average of around 25%.

**NWC dynamics.** The strong BO performance was clearly reflected in the balance sheet, with a 5.8m increase in account receivables in the first six months, only partially offset by EUR 3.2m and EUR 1.4m increase in commercial and payables. NPI expects the DSO will remain in the region of 100 for theatrical, stable at 90 in the HV segment 120 in pay per view. We understand the payment terms in pay and free TV are much longer at above 8 months and above 20 months respectively. NPI pays the content owner upfront for the “Minimum Guarantee”; the P&A costs are paid on four-month terms and the publishing and dubbing activities imply a 5-month term. The new plan assumes that the progression in movie size and related promotion, along with an increasing contribution from the television channel, would require increasing investments in working capital in 2015/2016, to a cumulated level of EUR 8m, while the expected impact in 2017 is below EUR 1m.

## Valuation

We value NPI with the DCF and Peers' Comparison analysis. We assume more cautious estimates against the plan targets, given the intrinsic volatility of the traditional activity and even more of the new business of co-production. In 2015, the deviation is 4% at the top-line and 8% at the EBIT level, while in 2017 the gaps widen to 10% and 15% respectively.

### DCF analysis

We build a three stage DCF; outside the business plan period, the assumptions for the following five years include inertial growth and margin stabilization towards the 60% level. The terminal value is calculated based on a conventional EBIT margin of 25/35%. The company is characterized by a positive cash position, and is likely to remain unlevered. We hence adopt the cost of equity as discount rate, in turn taken at conservative level of 10% in virtue of the size of the company, and the liquidity of the stock. We also assume a terminal growth (g) of 1.0%, and a normative tax rate of 40% for the final year.

#### NPI valuation. DCF detail (EUR m)

CASH FLOW (EUR m)	2014	2015	2016	2017	2018	2019	2020
Net Sales	24.1	27.6	33.2	35.5	36.9	38.0	38.7
<b>EBITDA</b>	<b>13.7</b>	<b>16.5</b>	<b>21.9</b>	<b>23.8</b>	<b>24.9</b>	<b>25.1</b>	<b>25.2</b>
Margin	56.9%	59.9%	65.8%	66.9%	67.3%	66.1%	65.1%
<b>EBITA</b>	<b>10.4</b>	<b>12.0</b>	<b>15.6</b>	<b>16.3</b>	<b>17.5</b>	<b>17.5</b>	<b>17.5</b>
Taxes	-3.4	-4.0	-5.1	-5.4	-5.8	-5.8	-5.8
<b>NOPLAT</b>	<b>7.0</b>	<b>8.0</b>	<b>10.4</b>	<b>10.9</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>
Depreciation & other provisions	3.3	4.5	6.3	7.5	7.4	7.6	7.7
<b>Gross Operating Cash Flow</b>	<b>10.3</b>	<b>12.5</b>	<b>16.7</b>	<b>18.4</b>	<b>19.1</b>	<b>19.3</b>	<b>19.4</b>
Capex	-4.7	-5.8	-8.3	-9.8	-9.0	-9.5	-9.7
Change in Net Working Capital	-4.2	-4.4	-3.7	-0.7	-1.0	-1.0	-1.0
<b>Cash Flow to be discounted</b>	<b>nm</b>	<b>2.5</b>	<b>5.0</b>	<b>8.2</b>	<b>9.4</b>	<b>9.1</b>	<b>9.0</b>
Cumulated DCF		41.6	<b>- Net financial position (Dec 14e)</b>				<b>8.0</b>
Perpetual Growth Rate (g)		1.0%	<b>- Off-balance sheet items</b>				<b>0</b>
Normalised Annual CF		6.8					
Terminal Value @ 12/2020		76.2					
Disc. Rate of Terminal Value		0.38	<b>Equity Value (EUR m)</b>				<b>78.7</b>
Discounted Terminal Value		29.1	Number of shares (m)				22.32
<b>Enterprise Value (EUR m)</b>		<b>70.7</b>	<b>Fair Value per share (EURc)</b>				<b>3.53</b>

#### NPI DCF valuation: sensitivity to EBIT margin and WACC

WACC	Terminal EBIT margin						
	22.5%	25.0%	27.5%	30.0%	32.5%	35.0%	37.5%
8.5%	3.73	3.87	4.01	4.16	4.30	4.44	4.59
9.0%	3.54	3.66	3.79	3.92	4.05	4.18	4.30
9.5%	3.37	3.48	3.60	3.71	3.83	3.94	4.06
10.0%	3.21	3.32	3.42	3.53	3.63	3.73	3.84
10.5%	3.08	3.17	3.27	3.36	3.45	3.55	3.64
11.0%	2.95	3.04	3.12	3.21	3.30	3.38	3.47
11.5%	2.84	2.92	3.00	3.07	3.15	3.23	3.31

Source: Banca Akros estimates

## Peers comparison

We provide a sample of domestic and international players operating in the audio-visual industry with different sizes, business models and financial structures. We can compare NPI against its peers along a few dimensions, including international exposure; size; revenue mix and channel breakdown. In terms of economics, we consider the reported top-line growth rate; underlying profitability and financial solidity as measured by debt/EBITDA ratio.

### International Audio-visual players: ID Cards

	Rep Cur	Market Cap (m)	Sales 2013	Country	Geographical Revenue Split	Activities
Constantin Medien	EUR	113	458	Germany	54% Germany, other Europe 33%	Films 58% revenues, Sports 32%
Entertainment One	GBP	868	826*	UK/USA/CAN	Can 38%, UK 25%, US 19%, EU 11%	World's largest independent movie distributor
Eros Intl	USD	1,203	241	USA/India	India 59%, Europe 15%, US 5%	Co-production and distribution of India films globally
EuropaCorp	EUR	129	200*	France	France 39%	Integrated film Co (incl. Cinema halls)
Leone FG	EUR	38	20.3	Italy	Italy 92%, Other Europe 7%	Intl co-production and distribution
Lionsgate	USD	4,469	2,708	USA	US 75%, Canada 2%	Multi-platform/genre (Twilight, Hunger Games)
Lucisano MG	EUR	40	38.2	Italy	Italy 100%	Production/distribution/Theatres
Mondo TV	EUR	47	12.5	Italy	Italy 26%, Other Europe 63%	cartoons, distribution and production
RLJE	USD	44	165	USA	US 83%, UK 14%, Australia 2%	International, multi-platform/genre

Source: Company data, Bloomberg, Reuters, Banca Akros estimates

(\*) estimates for the Year to March 2014

### International Audio-visual players: economics 2012/14e

	ND/EBITDA		ROI		Sales growth			EBITDA Margin			EBIT Margin		
	2013	2012	2013	2014e	2012	2013	2014e	2012	2013	2014e	2012	2013	2014e
Constantin Film	1.6	4.6%	1.7%	4.9%	12%	-12%	-4.0%	26.4%	20.5%	25.5%	4.1%	1.8%	5.7%
Entertainment One	1.8	6.1%	7.1%	7.1%	25%	31%	3.5%	9.9%	11.0%	11.5%	9.5%	10.7%	11.0%
Eros International	0.8	4.2%	7.1%	7.3%	4.3%	12%	27%	na	33.2%	33.9%	15.7%	25.3%	26.1%
EuropaCorp	0.9	7.7%	7.6%	7.8%	10%	9.3%	-1.5%	67.3%	31.4%	34.2%	16.3%	15.8%	17.5%
LFG	-0.3	7.0%	8.3%	13.5%	12%	54%	40%	50.7%	62.2%	65.0%	19.2%	21.0%	26.2%
Lions Gate	2.4	9.9%	11.1%	13.2%	71%	2.2%	7.2%	10.4%	14.2%	15.8%	10.1%	11.1%	13.2%
LMG	2.3	2.8%	5.2%	8.3%	na	-11%	+26%	43.9%	46.1%	46.0%	7.0%	11.9%	15.0%
Mondo TV	1.0	0.1%	neg	3.1%	-22%	4%	42%	37.0%	28.0%	44.9%	0.5%	neg	10.1%
RLJE	2.9	neg	neg	na	116%	-9.0%	na	5.0%	8.3%	na	-8.0%	-14.3%	na

Source: Company data, Bloomberg, Reuters, Banca Akros estimates

### International Audio-visual players: economics

	Revenue Mix				Channel					
	Content Production	Content Distribution	D2C/ merchandising	Other	Theatre	HV	TV	New Media	Int'l rights	Other
Constantin Film	na	na	na	na	na	na	na	na	na	na
Entertainment One	na	na	na	na	15%	40%	23%	20%	na	2%
Eros Intl	Co-Production + distribution (proportion not disclosed)				Theatrical, Television and new media (prop non disclosed)					
EuropaCorp	89%	0%	3%	8%	5%	7%	40%	na	37%	11%
Leone FG	36%	50%	13%	1%	27.4%	0.2%	54.1%	0.5%	0.5%	17.2%
Lions Gate	79%	21%	na	na	33%	24%	22%	na	14%	7%
Lucisano MG	54%	7%	na	39%	39%	na	39%	na	na	na
Mondo TV	10%	75%	10%	5%	0	0	83%	na	na	17%
RLJE	5%	70%	25%	0%	0%	68%	na	15%	na	17%

Source: Company data, Bloomberg, Reuters, Banca Akros estimates





**Constantin Medien AG** (EV4:GR) is a Germany-based, internationally operating media company focused on the Sports Segment and, via its holding in the Swiss media company Highlight Communications AG, on the Segments Film, Sports- and Event-Marketing. The Sports Segment covers the activities within the TV sector (free-TV, Pay-TV, digital radio, production) as well as sports marketing. The Film Segment includes Constantin Film group - the major independent German producer and distributor of theatrical films, and Highlight Communications, which operates the Home Video distribution on the German market (in co-operation with Paramount Home Entertainment) and in Switzerland and Austria, (through the subsidiary Rainbow HE). The Segment Other Business Activities operates in the event and entertainment business (including marketing for the Eurovision Song Contest and the Vienna Philharmonic Orchestra) and controls an on-line gaming firm. Constantin had a difficult 2013 with sales down by 12% and a EUR 11m net loss; the performance fell short of the original guidance across its business lines (lower-than-expected market share in Sports and theatrical revenues, higher-than-expected release costs). For FY 2014, the company projects stable-to-8% down revenues, mainly as a consequence of a disposal in the sports segment, with theatrical distribution and HV sales expected up, TV service production slightly down.

**Entertainment One** (ETO) is an international entertainment company specialising in the acquisition, production and distribution of films and television content. Its operations include Canada, the U.S., the UK, Ireland, Australia, New Zealand, Benelux and Spain plus partnerships in France, Germany, Scandinavia, South Africa and South Korea. The company was created in Canada as a music distribution business, it moved into home video following the acquisition of Koch Entertainment and was taken private and listed on the UK AIM market in 2005. A series of deals in the following years (culminating in the USD 225m acquisition of Alliance in January 2013) built ETO as the world's largest independent film distributor. It currently operates through two divisions, Film (35K titles) and TV (2,800 hours) across all consumer media including theatrical, television, home video and on-line.

**Eros international** (EROS) is a global company in the Indian film entertainment industry, which co-produces, acquires and distributes Indian-language films in multiple formats across theatrical, television and digital channels. Eros, founded in 1977, controls rights to over 2,000 films in its library, along 700 additional films for which it holds digital rights only, and has distributed a portfolio of over 230 new films over the last three fiscal years, and 26 in the six months ended September 30. EROS is now listed on the NYSE (formerly on AIM).

**EuropaCorp** (ECP FP) is a French integrated media and entertainment company founded by the director Jan Luc Besson (who still controls 62% of the capital) in 1999 and listed on the Euronext Paris since 2007. ECP produces and co-produces movies as well as television programs and operates a world-wide home video distribution business. The company is specialized in the production of English language films, has worked on 80 movies in 14 years and has a catalogue of 500 films. In 2009, ECP undertook a restructuring and reorganization process with a new CEO which included the closure of unprofitable activities (music, publishing, and animation) a step-up in feature movie production and the entry into TV series production and culminated with a EUR 20m capital increase at the beginning of 2013. ECP pursues a vertical integration strategy which includes the control of cinema halls; the first multiplex was inaugurated in October 2013 with a target of seven by 2020. The internationalization strategy includes distribution and co-production agreements with Relativity Media in the US and Fundamental Films in China.

**Leone Film Group** (LFG) is an Italian film company, founded in 1989 by the film director Sergio Leone and is currently owned by his two sons. The company manages the renowned library of all Sergio Leone' pictures for Italy and co-owns the rights for the rest of the world together with co-producers MGM, PARAMOUNT and United Artist. LFG entered the theatrical arena in 2000 with independent local productions and co-productions in large international projects. The company operates as a distributor for the Italian market of the titles from larger US independent producers (long term output deal with Dreamworks), in



turn utilizing other partners (Medusa, RAI Cinema) for the actual delivery to cinemas, television and home video.

**Lionsgate** is a large North America Entertainment Company, with diversified presence in motion picture production and distribution, television programming and syndication, home entertainment, family entertainment, digital distribution, new channel platforms and international distribution and sales. The company grew to the current USD 2.7bn size through a series of deals culminating in 2012 with the USD 0.4bn acquisition of Summit Entertainment, producer and distributor of "Twilight". Together with the Twilight Saga (USD 3.3bn Box Office) and the Hunger Games franchise, (USD 0.69bn and 0.87bn from the first two instalments respectively, and other two scheduled for November 2014 and 2015) Lionsgate also handles a library of 15,000 motion pictures and television titles and has 28 television shows on 20 networks, including Mad Men and Nashville.

**Lucisano Media Group (LMG IM)** is an integrated player in the Italian content market; the company was founded in 1958 by the director Fulvio Lucisano who still acts as chairman supported his two daughters as CEOs. LMG produces movies and participates in international co-production, acquires titles abroad and distributes them in the Italian territory and has recently engaged in the TV content production. LMG also owns and operates movie theatres (these revenues accounted for 39% of the FY 2013 total figure). The company got listed in the AIM market in July 2014, it collected EUR 6.5m with the placement of 12% of the capital.

**Mondo TV Group (MTV IM)** is an Italian based, international player in the production and distribution of children-oriented (mainly animated cartoon series) audio-visual content. The group distributes some of the best-known Japanese animated series in Italy and in several Spanish-speaking countries. The group is also active in merchandising and publishing, (10% of revenues). MTV was created in 1964 and listed on the Italian stock market in 2000; in the past few years it has produced two other listed companies, namely Mondo Home Entertainment (2005) and Mondo TV France (2013). MTV has experienced significant volatility in its financial results, with the EBITDA margin ranging from 20% to above 60% (FY 2011 peak) due to large swings in production and distribution revenues (the latter dropping 50% in FY 2012, the former freezing last year). The group has just released a new ambitious business plan based on: a) a larger panel of co-producers, b) the acquisition of new properties, c) strengthening the rights acquisition with products appealing for licensing & merchandising, and d) restructure the production department. The financial targets include 26% revenue CAGR 2013/16 (+42% in 2014); EBITDA 45/55% of the value of production; EBIT margin 10/23%; NFP turning positive.

**MHE** originally included the home video business of MTV; 25% of the shares of the company were distributed to Mondo TV shareholders in February 2005, creating a 10% free float. In 2005 The company acquired a 51% of the movie distributor Moviemax with the remainder in June 2011, and changed its name into **Moviemax** in November 2011. The financial effort undertaken for the acquisition, along with the increased costs for full rights acquisitions put the group's financial position under pressure, while the decline in the home video market affected the top-line. Moviemax has been struggling with an above EUR30m net debt position, and is currently in a restructuring process.

**Mondo TV France (MTF)** has been listed on the Italian AIM market since March 2013, the parent company distributed 25% of MTF shares to its shareholders; the market cap is currently below EUR 15m. The company produces and co-produces animated TV series for the French and European markets.

**RLJ Entertainment (NASDAQ: RLJE)** is an independent owner, developer, licensee and distributor of entertainment content and programming in North America, UK and Australia with over 5,300 exclusive titles. RLJE covers numerous genres (feature films, comedy, and documentaries) via its owned and distributed brands in multiple formats including television theatrical, HV and new media. RLJE also owns 64% of Agatha Christie Limited, a company which manages the intellectual property and publishing rights of the novelist. RLJE has



been built as a collection of media assets, lastly through the merger with Image Entertainment and Acorn Media in October 2012. In 2013, the company generated 54% of its revenues from physical distribution (DVD, Blue Ray), 25% direct to consumers (proprietary e-commerce, mail-order catalogues and merchandise), 15% via digital exploitation and 6% from Intellectual Property rights.

#### NP: Peers comparison (local currencies)

	Mkt Cap	EV/Sales		EV/EBITDA		EV/EBIT		P/E	
		2014e	2015e	2014e	2015e	2014e	2015e	2014e	2015e
Constantin Film	113	0.6	0.5	2.4	2.2	22.1	11.4	neg	24.1
Entert. One	868	1.2	1.1	9.2	8.3	9.6	8.8	13.8	12.3
Eros Intern.	1,203	4.7	3.9	13.5	11.5	15.7	13.0	23.3	18.0
Europa corp	129	1.1	1.1	3.6	3.4	na	na	5.0	4.2
Leone FG	38	1.5	1.3	3.2	2.8	10.0	7.0	9.3	6.4
Lions Gate	4,469	2.0	1.8	13.0	12.1	20.0	16.2	18.5	16.9
Lucisano MG	40	2.0	1.3	2.7	3.3	10.7	8.1	16.9	12.6
Mondo TV	47	2.8	2.3	6.0	4.4	30.6	10.0	nm	14.3
<b>Median</b>	<b>nm</b>	<b>1.75</b>	<b>1.3</b>	<b>4.8</b>	<b>3.9</b>	<b>15.7</b>	<b>10.0</b>	<b>15.4</b>	<b>13.5</b>
<b>NPI</b>	<b>67</b>	<b>2.4</b>	<b>2.1</b>	<b>4.3</b>	<b>3.5</b>	<b>5.6</b>	<b>4.8</b>	<b>9.6</b>	<b>8.3</b>

Source: Banca Akros estimates, Bloomberg, Datastream

**Size.** Even excluding the largest multimedia conglomerates such as Walt Disney (USD 140bn market cap), 21th Century Fox (73bn), Viacom (37bn), the film entertainment arena includes a string of large US operators such as Lions Gate, Dreamworks (USD 2.3bn) and English-language players (Entertainment One). The listed German and French champions clearly have smaller size, while in Italy we have a few “microcaps”.

**Business Model.** Most of the operators in the audio-visual industry are vertically integrated, including distribution as well as production activities or co-production investments. The latter usually imply higher risk as well as higher margins. Lions Gate and Europa Corp are the most exposed to the production business. Merchandising and product placement are other still limited revenue streams for the industry. In terms of distribution platforms, companies have long diversified from the traditional theatrical and HV channels, to television and new media. RJLE is the most exposed to HV; Mondo TV obtains over 80% sales from TV; LFG more than half. New media already account for a significant proportion for eOne and RLJE.

**Geographic Exposure.** The sample above is generally characterized by a significant international projection, which is closely related to the cultural and linguistic features of the productions (EuropaCorp is involved in English-speaking movies). Cartoons are a global product; LFG is stepping-up international co-production to raise its global profile.

**Economics.** Volatility in top-line growth and margins, both across the sample and in dynamic terms. This volatility can be broadly attributed to the size or to the business model, with larger, more diversified or more integrated companies usually expressing more stability

**Financial Structure:** the volatility of the underlying business suggests a conservative capital structure. The debt/EBITDA ratio is usually low; however, significant debt positions could emerge from important acquisition campaigns like those which built RLJE and Entertainment One or the Summit deal on behalf of Lions Gate.



We compare NPI on the basis of FY 201/2015 ratios, which do not include the contribution of co-production activities yet; this choice reflects a conservative approach towards a new business for which we still have few hints.

#### NPI peer group: stock market performance

Company	Perf 1M	Perf 3M	Perf 6M	Perf 12M
Constantin Medien	-1.2%	-7.8%	-7.9%	-23.4%
Entertainment One	-2.7%	-14.3%	4.2%	31.7%
Eros International	30.5%	39.4%	46.6%	113%
Europacorp	10.0%	-2.9%	-9.6%	19.2%
Leone Film Group	-10.0%	-27.0%	-41.6%	nm
Lions Gate Entm.	2.3%	7.6%	25.9%	15.8%
Lucisano Media Group	-7.3%	-15.4%	nm	nm
Mondo Tv	10.3%	-1.1%	-13.7%	252%
Rlj Entertainment	-8.1%	1.7%	6.4%	-18.9%

Source: Data Stream

We assume more cautious estimates against the plan targets, given the intrinsic volatility of the traditional activity and even more of the new business of co-production.

The DCF approach with these reasonable assumptions easily provides fair values in the region of EUR 3.5 per share.

Peers comparison on the other hand reflects the tiny size and liquidity of the listed Italian players, which appear in general undervalued.

A 10% discount on the fair value is probably warranted also for NPI in our view. In all, we see the current price level offers an interesting opportunity. **We initiate our coverage with Accumulate recommendation, EUR 3.15 Target Price.**



## Appendix

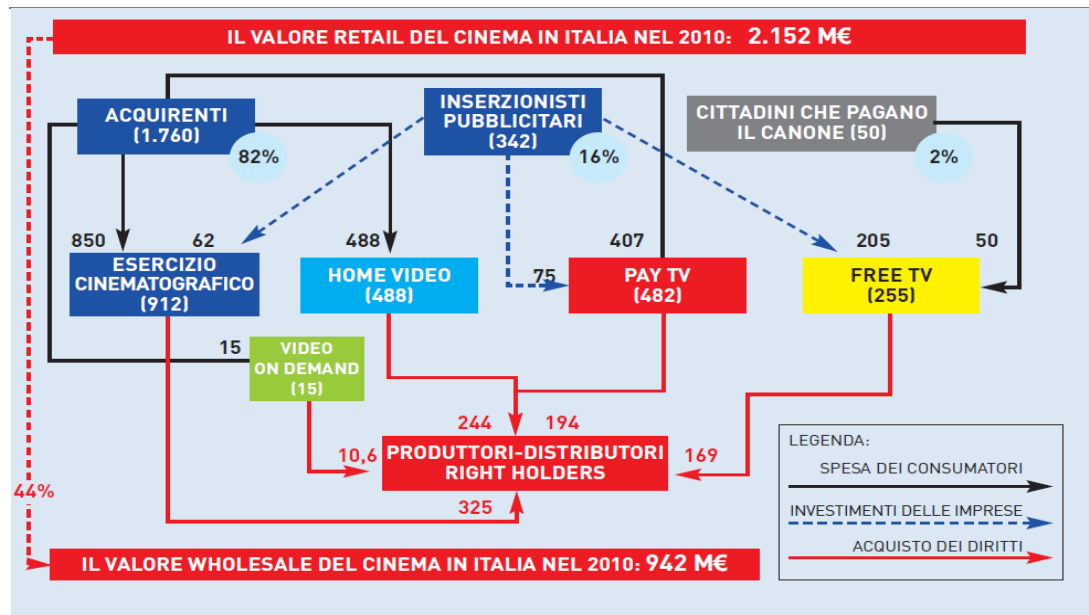
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## The reference market

Notorious Pictures operates in the Italian movie distribution industry, **a market that is worth above EUR 2bn at the retail level, EUR 0.94bn at the wholesale level and is populated by above 6,000 firms.**

The estimate by the category association includes, in the retail market, the consumers' outlays at cinemas, on Home Video and on Pay-TV subscriptions (movie channels + pro quota) and of businesses, through television advertising (pro-quota attached to movie broadcasting). At the wholesale level, the estimate considers the economic flows to the producers/rights holders/distributors, which account for 44% of the retail market.

### The Italian movie ecosystem



Source: Anica/Cinetel, Rapporto 2011

The dynamic view below is based on a slightly different measurement (Anica/Cinetel for movies revenues, Univideo for Home Video) and estimates and produces a slightly smaller size of the market; however, it is largely consistent with the picture above.

### Italian distribution economics (EUR m)

	2006	2007	2008	2009	2010	2011	2012	2013e
Free	87	279	278	245	255	na	240	250e
Pay	348	397	444	462	481	na	480	500e
Home	828	968	804	660	590	495	420	400e
VOD	8	8	12	4	15	na	50	150e
Theatrical	546	617	594	623	735	662	610	618a
<b>Total</b>	<b>1,817</b>	<b>2,269</b>	<b>2,132</b>	<b>1,994</b>	<b>2,076</b>	<b>na</b>	<b>1,800</b>	<b>1,928e</b>

Source: Anica/Cinetel, Banca Akros est.

The total size of the industry has remained relatively stable in the past few years, though the production and consumption patterns of movie products have been affected by a combination of economic, technological, sociological, climatic and idiosyncratic factors.

Such factors have rather driven the revenue mix within the industry, as the home video has consistently declined in the past ten years, while pay TV has increased by 40% in six years and new media have just entered their real growth phase. The theatrical channel has been flatish in the period, with a few spikes mainly related to particularly successful releases.

Free and Pay TV performances reflect the programming choices of the involved operators, as well as the economics of the underlying markets (subscription/advertising revenues).

### The theatrical market

The theatrical market, as measured by Anica/Cinetel (90% of screens covered) has experienced a 10-year compounded growth rate of 1.7%, which reflects a 1.1% CAGR in viewers. The performance was however erratic year to year depending on the release of certain blockbusters; for instance, in 2010 “Avatar” alone grossed over EUR 65m, explaining half of the Y/Y increase in revenues, whereas the total new releases were lower vs. 2009.

#### Italian distribution revenues (EUR m)

	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>	546	617	594	623	735	662	610	618
Movies released	385	370	376	355	345	360	364	453
# Spectators	92.1	103.5	99.3	99.3	110.0	101.3	91.4	97.4
<b>Total Screens</b>	<b>3,062</b>	<b>3,092</b>	<b>3,141</b>	<b>3,276</b>	<b>3,217</b>	<b>3,227</b>	<b>3,238</b>	<b>3,256</b>
Revenue/Screen	0.178	0.200	0.189	0.194	0.229	0.206	0.188	0.190
Revenues/Movie	1.419	1.668	1.579	1.754	2.131	1.838	1.675	1.365
Revs/M/S (EUR)	463	539	503	546	662	571	517	419

Source: Anica/Cinetel, Banca Akros est.

According to a global, secular trend, the cinema business is consolidating; while the number of screens has been steadily increasing in the past 10 years, the number of cinemas has declined, in favour of larger size and multi-screen locations. Indeed, “multiplexes”, ie cinemas with 8 or more screens, now account for over 12% of the total cinemas (and 40% of the screens). These multiplexes have, in turn, aggregated into chains or “circuits” through a process of M&A, including the acquisition of failed operators; several of these chains are international in scope, operating across several European countries.

#### Italian cinemas KPIs (EUR m)

	2006	2007	2008	2009	2010	2011	2012	2013
Total Cinemas	1,210	1,165	1,129	1,112	1,071	1,074	1,062	1,063
Total Screens	3,062	3,092	3,141	3,208	3,217	3,227	3,238	3,256
o/w Single Screen	713	658	612	582	548	548	531	530
o/w Multiplex	1,080	1,132	1,184	1,246	1,272	1,272	1,291	1,286
Avg Screen/Cinema	2.5	2.7	2.8	2.9	3.0	3.0	3.0	3.1

Source: Anica/Cinetel Rapporto 2013, Banca Akros est.

In Italy, the main national cinema circuits are Odeon/UCI Cinemas with 445 screens (43 cinemas) and “The Space” with 360 screens (36 multiplexes). The cumulated market share is around 25% in terms of screens; however, it exceeds 40% based on Box Office revenues, given the much higher yield of their halls.

Other smaller chains are present on a regional basis as family-run businesses (such as Giometti, with 9 multiplexes, following the disposal of 7 cinemas to UCI in 2011). **ODEON & UCI Cinemas Group** is the largest operator in Europe and in the world outside of the Americas with (as of Dec-2013) 239 cinemas and 2,191 screens. UCI operates in four major European markets: UK, Spain, Italy and Germany; and three smaller markets: Austria, Portugal and Ireland. **The Space** was created in September 2009 with the merger of Warner Village Cinemas and Medusa Multicinema, followed by the acquisition of the Planet Network (3 cinemas, 2010) and the Cinecity network (at the time the 3rd player with 6 sites) in 2011. The main shareholders are Mediaset and the investment firm 21 Investimenti.

Since 2005, the industry has undergone technological innovation, featuring the migration to the digital platform and more recently to 3D. This process has been delayed by the high involved investments, especially for smaller cinemas. However, penetration is over 70% and



30% respectively. The benefits include lower operating costs, quicker time to market and higher programming flexibility with the introduction of a wider content range.

### The home video market

The home video market has been constantly declining in the past decade; revenues more than halved since 2006 (now accounting for below 20% of the domestic video industry), as volumes sold have dropped by 40%, volumes rented by 70%. The number of shops also halved in the period, to 2,390 at the end of last year. The largest chain, Blockbuster, closed its Italian business in 2012; contributing to a 30% decline of the rental market in the year.

#### Italian distribution revenues (EUR m)

	2006	2007	2008	2009	2010	2011	2012
Sales	267	443	382	344	336	281	240
News-stand	301	307	261	201	164	130	115
Rents	260	218	161	115	90	75	52
Digital	0	0	0	0	0	9	13
Total	828	968	804	660	590	495	420
Y/Y	22%	17%	-17%	-18%	-11%	-16%	-15%

Source: Anica/Cinetel, Univideo, Banca Akros est.

The decline in Home Video reflects the impact of the macro-economic crisis on families, the technological evolution (moving to on-line fruition and purchases), as well as piracy. Finally, the launch of Mediaset Premium in 2005 and the 0.5m increase in Sky's subscriber base in the period contributed to the decline.

### The Television market

At the retail level, the movie product is estimate to generate over EUR 700m annual revenues for television, representing over one third of the total market.

#### Television movie distribution: economics (EUR m)

	2006	2007	2008	2009	2010	2011	2012	2013
Free TV channel	87	279	278	245	255	na	240	250e
Tot FTA advertising	4,599	4,653	4,851	4,359	4,619	4,624	3,918	3,527
Pay-TV channel	348	397	444	462	481	na	480	na
Sky revenues	na	2,474	2,680	2,715	2,764	2,751	2,730	2,800e
Premium Revenues	84	125	199	312	474	525	518	552

Source: Anica/Cinetel, Rapporto 2012, Banca Akros est.

The economic impact of **Free TV** in the movie value chain has in the past three years reflected the fall in advertising collection and the related changes in programming schedule, as prime time slots have been filled with other, more cost-effective content. The generalist channels have kept in any case airing a stable number of movies in the past few years; on top of this, the surge in thematic free channels since 2012 (the year of digital switch-off) generated a significant additional demand so that the total number of titles on offer basically doubled.

**Pay TV** generates a much higher share of revenue from films and contributes 20% more proceeds to movie holders, the estimated cost is however less than 7% of the gross revenues of Sky + Mediaset Premium. The subscriber market peaked in 2011 with Sky reaching 5m units, Mediaset above 2m, but has since slightly declined owing to the financial crisis and an increasingly rich offer of free channels.

**TV movie distribution: KPIs**

		2008	2009	2010	2011	2012	2013
Unique titles	Free Generalist	3,995	3,815	3,951	3,791	3,967	3,771
	Satellite	3,853	3,490	3,089	na	2,726	2,144
	DTT thematic	na	na	na	na	3,945	4,668
		2008	2009	2010	2011	2012	2013
Runs	Free Generalist	3,995	4,088	4,253	4,056	4,442	4,258
	Satellite	34,386	38,303	50,995	52,300	52,233	48,479
	DTT thematic	na	na	na	12,189	11,884	12,298

Source: Company data, Anica/Cinetel, Rapporto 2013, Banca Akros estimates

**The new media market**

The innovative distribution outlets still represent a tiny fraction of Italian movie distribution revenues. Among the reasons, the industry participants blame: a) negligible point-to-multipoint distribution channels (most suitable for real Video on Demand) given the lack of cable and low penetration of IPTV (0.6m), b) limited success of Push-VOD (asynchronous download on hard-disk), c) piracy, d) bandwidth constraints, e) often contrasting interests of rights-holders and distributors in the VOD arena.

The Italian new media ecosystem is definitely smaller and less advanced than in the US and several other European markets. According to the 2012 Cinema Report, the on-demand market in Europe was worth (in 2011) EUR 848m in the TV-based mode, further EUR 364m in internet-based. In the US, the digital segment accounts for USD 5.1bn out of a total USD 18bn home entertainment market.

The secular ongoing trends in device adoption (smartphones, tablets, Smart-TVs) access speed and usage patterns point to positive developments ahead.

**New media economics**

	2006	2007	2008	2009	2010	2011	2012	2013
TV based on demand	na	90.3	101.5	101.4	98.2	90.4	na	na
o/w movies	7.8	9.0	11.9	13.5	13.7	30e	45e	na
Internet-based on demand	na	0.5	0.6	0.9	1.9	8.2	na	na
o/w movies	0.2	0.3	0.4	0.5	1.5	na	na	na

Source: Anica/Cinetel, Rapporto 2012, Banca Akros est.

## The competitive scenario

The Italian movie distribution sector is relatively concentrated and stable, as 70/75% of the gross revenues are generated by the 5 largest players, with the following five contributing 15/18% and almost the total accounted for by the top 20. This market can be segmented into two categories, namely the “majors”, which cover the whole value chain of the movie industry, and the “independents” which mainly buy the rights to a product on the international marketplace and adapt and distribute it in Italy. Some of these distributors are also producers.

### Italian distribution ranking 9m 2014 (EUR m)

Operator	Box Office	Tickets	Share		Share of Box Office Grosses	
			BO 2013	2013	2012	2011
Warner Bros Italia	59.8	9.32	16.7%	20.3%	22.1%	19.2%
20TH Century Fox	55.2	8.81	15.4%	7.5%	8.5%	5.0%
01 Distribution	45.5	7.37	12.7%	12.9%	8.4%	11.2%
Universal	36.6	5.48	10.2%	15.0%	17.1%	15.0%
Walt Disney	26.1	4.05	7.3%	11.2%	6.0%	6.2%
Notorious Pict	21.3	3.69	6.0%	1.8%	0.0%	0.0%
Lucky Red	21.1	3.28	5.9%	4.5%	2.8%	1.2%
Eagle Pictures	15.6	2.65	4.3%	3.6%	5.1%	7.2%
Medusa	14.0	2.27	3.9%	13.5%	18.0%	24.2%
Bim Distrib	12.0	2.03	3.3%	1.9%	2.3%	2.1%
Filmauro	11.4	1.83	3.2%		2.0%	3.6%
M2 Pictures	8.90	1.44	2.5%	1.4%	1.9%	0.8%
Videa-Cde	6.97	1.14	1.9%	0.5%	0.5%	0.4%
Good Films	4.57	0.82	1.3%	0.3%	0.0%	na
Koch Media	4.14	0.70	1.2%	0.4%	0.2%	na
ADLER ENT. S.R.L.	2.00	0.35	0.6%	na	na	na
Nexo Digital	1.55	0.19	0.4%	0.5%	0.3%	0.2%
MICROCINEMA S.P.A.	1.21	0.22	0.3%	na	na	na
PARTHENOS S.R.L.	1.06	0.18	0.3%	na	na	na
INDIE PICTURES S.P.A.	0.91	0.20	0.3%	na	na	na

Source: Anica/Cinetel, Rapporto 2013

The “majors” firmly and consistently hold the top positions in the above rankings; we note the financial firepower of these US multimedia groups with activities ranging from movie production/distribution to television programming and broadcasting to home video, newspapers, magazines and theme parks. Italy usually accounts for just a small fraction of their global revenues and earnings.

### The “majors” economics (EUR m)

Operator	Italian results				Group (2013) USD m			
	BO 2013	BO 2012	Revs 2012	Net 2012	Group	Revs	Net Income	Note
Warner Bros It (1)	125	135	113*	1.2	Time Warner	29,795	2,925	USD 12.3bn movies
Universal Pictures	93.0	104	51.9	0.3	NBCUniversal (Comcast)	23,650	na	Movies+TV acquired by cableCo
int'l + UP(2)			+26.1	+0.6				
Walt Disney (5)	69.6	36.8	52.5	3.5	Disney Group	45,041	6,136	5.98bn in movies
20 <sup>th</sup> Century Fox (6)	46.3	51.7	13.2	-0.5	21 <sup>st</sup> Century fox	27,675	6,820	8.64bn in movies

Source: Company data, Banca Akros estimates

(\*) FY 2011

We note the two largest “independent players” are actually controlled by the two leading Italian broadcasters RAI and Mediaset.



**01 Distribution** is the largest Italian movie company by revenues and is part of RAI Cinema (EUR 359m revenues), the movie production and distribution unit of the Italian Public Television RAI company.

**Medusa** is the largest Italian distributor, being a top-3 player in each of the past five years and topping the ranking in 2012 and 2010. Medusa is an integrated operator (over EUR 200m annual revenues) which invests around EUR 80m annually in movie production (of which EUR 60m in Italy) and is part of the Mediaset Group.

The other main domestic players include:

**Lucky Red**, a distributor focused on quality movies since 1985; its main success was “The Millionaire” which generated EUR 6.2m box office revenues in 08/9. The company also produced national and co-produced international movies.

**Eagle Pictures**, a full-rights operator in all the distribution channels is part of the group of media companies controlled by the financier Tarak Ben Ammar, which include, among others, the TV network Europa TV, a digital Multiplex (Prima TV) and 25% of the production company Lux Vide.

**Bim Distribution**, a niche distributor focused on auteur films, which has usually managed to remain a top-10 player in the past few years.

**Filmauro**, involved in the production and distribution of films to cinemas and in Home Video. The company was founded in 1975 by the father of Aurelio De Laurentiis, Luigi De Laurentiis. Its catalogue counts over 400 movies. The company also owns a series of Cinemas, and the Serie A football club Napoli. The company is focused on Italian comedy and has seen its box office results contracting in the past five years from EUR 35m in 2009 to EUR 12m in 2012. In 2012, Filmauro signed a three-year “physical distribution” agreement with Universal, under which it will keep the marketing activity.

**Moviemax Media Group**, a movie producer and distributor originally a subsidiary of the home video distributor Mondo Home Entertainment with Spa (which changed its name in MovieMax following the buy-out of MMG minorities in 2011). MMG was a top-10 player in 2009, 2010 and 2013; however, it has recently experienced financial issues and is undergoing a restructuring.

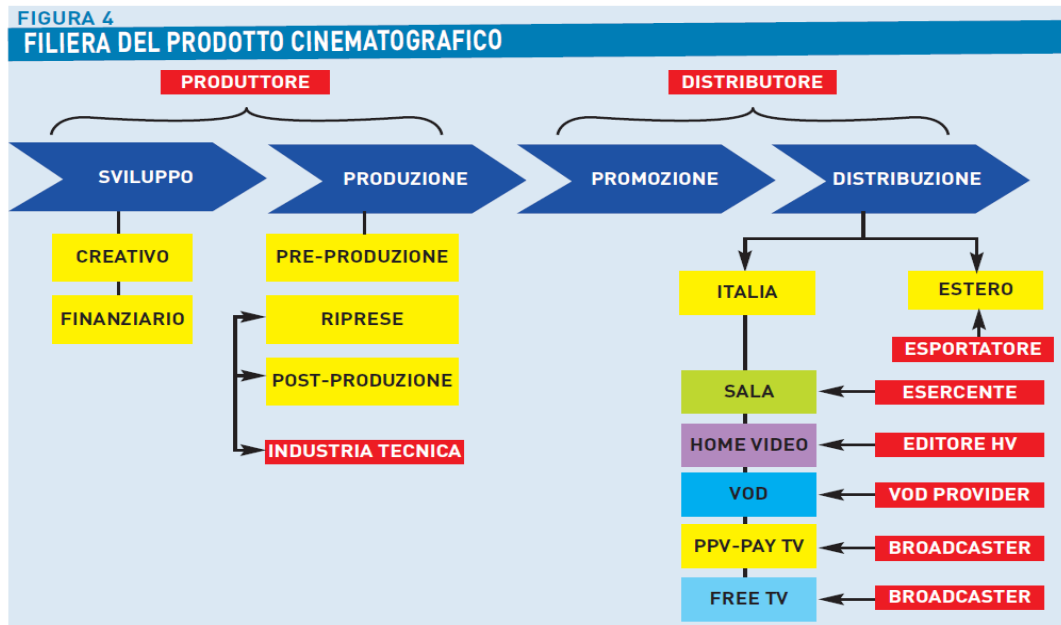
**M2 Pictures**, an independent production and distribution house created in 2011 by the two founders of Moviemax.

**Nexo Digital**, a company created in 2009 to produce and distribute alternative content in high definition. In partnership with Eutelsat, it developed a digital network devoted to such content. It operates through three lines, namely Nexo Live (live concerts-Ligabue Day in 2011), Nexo Legend (restored films for unique events - The Blues Brothers in 2012) and Nexo Fine Arts (ballet, symphonic music, opera and cultural events).

## Movie distribution: the business model

The video value chain involves several players in four main stages, distributors and the operators covering all the different delivery platforms. In spite of the variety of technologies and usage opportunities available (see the table below), television networks account for a vast part of content acquisition and distribution outside the cinema.

### The Italian movie ecosystem



Source: Rapporto Cinema 2011

Quoting the category association “Fondazione Ente Spettacolo”, the **contracts of licensing and the trade of utilization rights** represent “...the real backbone of the movie industry value chain”, “...the currency underpinning the national as well the international marketplace and the economic sustainability of the enterprises”.

### Rights utilization taxonomy

Channel			
Cinema	Theatrical	Non-Theatrical	Public Video
Video	Rental	Sell-Thru	Commercial
Pay per View	Terrestrial	Cable	Satellite
	Video on Demand	-	PPV/INVOD
Free TV	Terrestrial	Cable	Satellite
Ancillary	Airline	Ship	Hotel
Other rights	Music Publishing	Soundtrack Album	Mobile
	Multimedia	Videogames	Merchandising

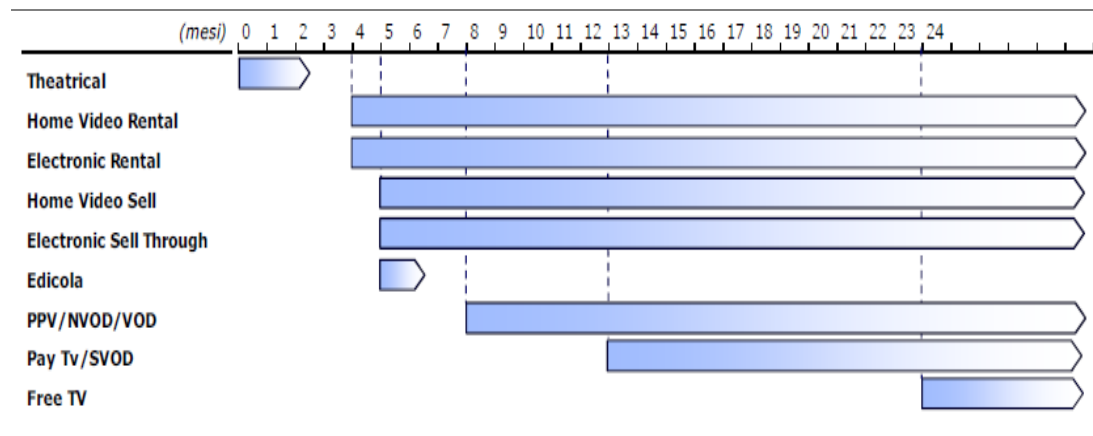
Source: Anica/Cinetel

In Italy, the authorship of a cinematographic work and its related utilization rights are governed by a law issued in 1941, the “Legge Autore” (Author’s Law). The pivotal figure is **the Producer**, ie the operator which co-ordinates, finances and manages the audiovisual product. The Producer is guaranteed a series of rights of use on the work by law, including the copyright and all the economic rights related to the physical support which incorporates the final and approved version of the movie.

These rights are articulated in several sub-rights that can be unbundled and sold separately, depending on the physical support (DVD, Blue Ray), the distribution medium (cinema, television, and internet), the model (free, pay, sale, and rental) and timing of consumption (VOD, NVOD, streaming). Other ancillary rights involve the single parts of the cinematographic work, including the soundtrack, the Publishing Rights of the movie characters and other multimedia utilization, and merchandising rights. The Producer's rights also include the adaptation, alteration or translation of the work or its parts, including the production of sequels or "prequels".

The video product "flows" through the different platforms and the various operators according to a typical time schedule, defined in terms of "**distribution windows**" which start from the "time zero" in which the movie is distributed to the cinemas.

#### The movies "time windows"



Source: Notorious

The main features of these channels and activities involved in the process consist of:

**Rights acquisition.** Since the availability and circulation of content rights is the engine of the audiovisual industry, rights acquisition is the first crucial step in the distribution process. The original producer (or co-producers) of the movie grants the full rights of the work, or alternatively a license utilization, to third-party distributors, usually for a period of 18 years.

**Print and Advertising (P&A).** The actual release of the movie to the cinemas is always supported by P&A activity, which includes the physical duplications of the copies distributed to the cinemas (printing) and the marketing and advertising activities needed to promote the title to the general public. Mass-market media such as television, radio, outdoor and the web are usually involved along with special events and on-site advertising. P&A is usually a large but highly variable share of the total costs and can have a loose correlation with the film budget and/or rights acquisition cost. With Italian movies, P&A can amount to c 25% of production costs (source: *Leone Film Group prospectus*). P&A costs are usually incurred by the production studio or the distributor controlling the full rights in that particular market.

**Dubbing and market adaption.** The movie needs localization to the specific markets, which includes the title selection, dubbing and other activities.

**Distribution to Cinemas.** The release of a movie can occur at the same time worldwide or more often after it has been released in the domestic market (usually the US). The number and locations of requested screens is a function of the expected success of the product, which in turn is assessed from foreign performance and the feedback from the P&A activity and the planned "depth" (capillarity) of distribution. The actual number of screens offered by the cinemas reflects the interaction with other concurrent/forthcoming releases. The movies are usually shown for 2/3 weeks, with extensions (of reduction) based on BO success.

The distributor agrees a contract with the cinema owner which includes the rent of the analogic or digital copy along with the provision of advertising material. The economic terms of the contract usually include a sharing on the box office revenues according to a 40/60% split for the distributor and the cinema owner, respectively.

According to Anica/Cinetel statistics, the cinema industry has shifted towards multi-screens (single screens are just 16% of the total) and a concentration into fewer large chains. The technology is evolving towards digital (75% of screens), 3D (30%) and ultra-high-definition. Distributors are contributing to the digitalization process (costing 70K per projector) through the payment of a “virtual print fee” of EUR 240/480 (for single week/2-week programming respectively) to the cinema owners.

The implications for the distributor are positive for both trends, implying more effective and efficient relationships with fewer clients, which in turn can show more movies and run more projections with higher flexibility and lower operating costs.

**Distribution to Home Video.** Home video is the second destination based on the traditional “distribution window” scheme; the lag is usually at least two months after the cinema release. The movie is either sold or rented in a DVD or Blue Ray format. The retail market is mainly operated by specialized video stores and department stores. Distribution contracts can vary; in a “pure distribution” model, the rights owner directly duplicates the physical copies and assigns distribution to the points of sales to a third-party distributor, which keeps a fee on the retail price. Alternatively, the rights owner can license the rights to the distributor, which will both duplicate and distribute the film to retailers and pay a royalty to the licensor. Finally, the content owners can manage all the phases of the distribution chain themselves (for instance, RAI Cinema).

**Sales to Television.** Television rights include several platforms such as satellite, digital terrestrial and cable, both on a free and pay basis. The latter can in turn be distributed according to several models including sPay, PPV and VOD in its different formats. The agreements are usually based on licensing contracts which include a fixed payment, which allow a pre-set number of runs in a certain time period. The television rights can in general be exploited starting 8 months from the cinema release. The rights are split according to platform/consumption mode and follow specific time windows, from Pay per View to Free TV, in order to limit cannibalization. The contract can also be structured as an output agreement, under which the broadcaster commits to the acquisition, on a multi-year basis, of a set number of movies, including titles not yet released in cinemas. In this case, the consideration will be determined by the parties based on box office results. The television market has been evolving through the proliferation of satellite and free digital channels, as well as TV-based Video on Demand.

**Sales to New Media.** Content distribution is becoming less and less constrained by the limits of a small number of channels with predefined schedules. The proliferation of satellite and later DTT channels has increased programming flexibility, multiplying the average number of “runs” of a movie. The availability of high speed internet, both fixed and mobile, along with new devices (smart-TV, tablets, new generation consoles) has boosted new ways (streaming, VOD) and new occasions (on the move, “second screen”) of consumptions. In Italy, Sky has increased its offering in quality (high definition, 3D) usability (catch up TV, specific tablet streaming- “Sky Go”) and new services (ie Sky Online). Mediaset, already present in Pay, launched its Premium Play service at the end of last year. The move to non-linear programming is however driven by other new players in the video arena, namely telecom companies such as Telecom Italia, big internet names such as Apple or Google and specialized distributors like Netflix, Hulu. These operators increase the consumption opportunities, the breadth of choice and the usability and value of content. The new media rights are usually conceded through license agreements which include fixed payments, royalties depending on the access metrics, or a combination of the two.





## NPI Organization

NPI is characterized by a relatively simple and lean structure, including a workforce of just 15 people under 4 functions. Indeed, NPI usually leverages on external resources including free-lance professionals and specialized operators for activities such as script reading, editing and dubbing while the core activities involving the acquisition and sale of rights and marketing are managed internally.

This kind of a structure is relatively common in the movie industry; as a reference Leone Film Group (EUR 20m revenues in FY 2013), which does not have proprietary distribution, employs just 10 people.

We reiterate that NPI is characterized by an experienced and consolidated management team which has worked together for several years in other organizations. The top managers of the company are:

**Guglielmo Marchetti** is the company founder, main shareholder and CEO. Mr Marchetti started his career in Nestlè in the sales area, then moved to Walt Disney Italy as sales director and in 2000 became general manager for Home Video/Licensing at the video distribution company DNC Spa. In 2006/12 he served as chairman and CEO in Mondo Home Entertainment which became Moviemax Media Group in 2011. In NP, Mr Marchetti is directly involved in content acquisitions and has direct responsibility for the relationships with broadcasters.

**Roberto Proia** is the general manager. Mr Proia has a wide and deep experience in the communication and entertainment industry as he worked in Buston Marsteller, MTV Networks and Nexo in the press and marketing offices. More recently, he managed marketing and the cinema areas for Moviemax.

The organizational structure of NPI per function includes:

**Rights acquisitions.** The acquisition director works with an internal reader and occasionally with free-lance professionals in order to screen the available scripts. The ultimate decision on the picks and the negotiation is managed by the CEO and the general manager themselves.

**Marketing.** The marketing manager works with a media manager and a specialist to optimize the P&A activity. The function also follows the dedicated events and manages the contacts with the specialized press.

**Edition.** Co-ordination of the dubbing process, which is done by external operators and the technical activities involved in the processing, storage and distribution of the content.

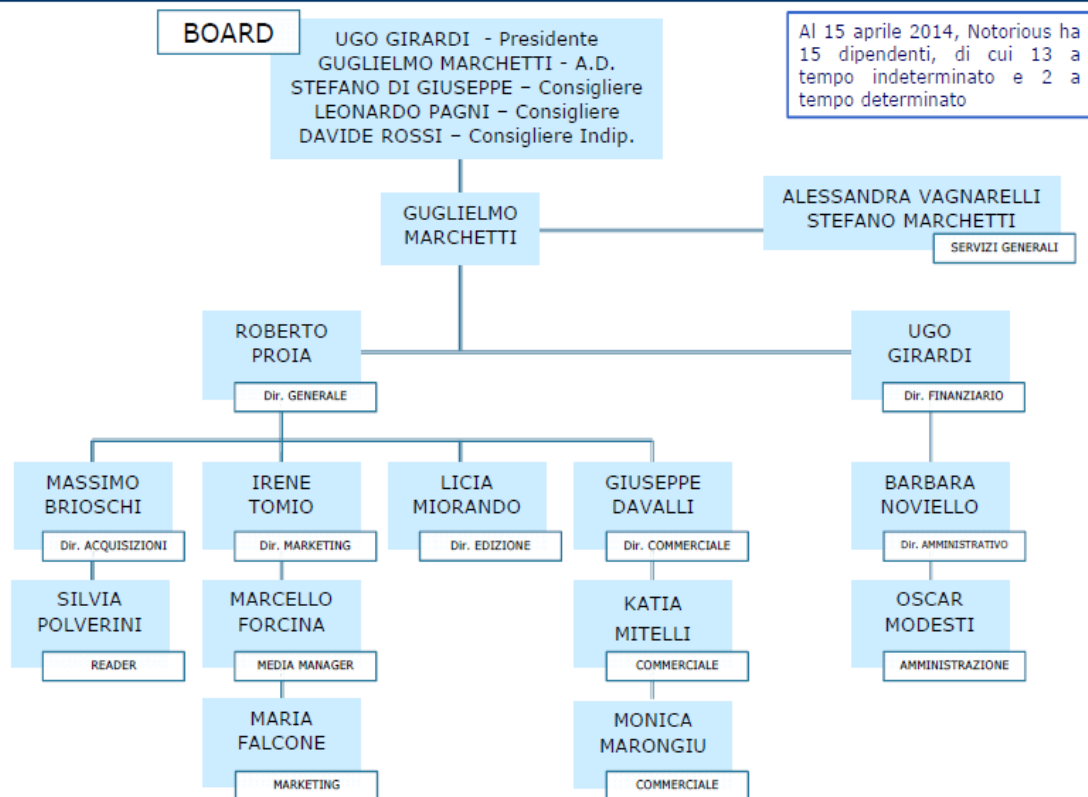
**Commercial.** Management of relationships with cinemas. The main chains, UCI and The Space, which account for 54% of the reference market (*source: Notorious*), are managed directly, while the general multitude of cinemas is addressed through sales agents.

**Administration.** The manager reports to the company chairman who currently act as interim CFO.



NPI organizational structure

Organigramma



Source: Notorious Pictures

## NPI Competitive Position - Porter analysis

The Porter Analysis suggests NPI's competitive position is relatively solid.

- Existing competition (Medium/Low).** The structure of the distribution market has been rather stable in the past few years, with the first six places firmly controlled by the international majors, along with Medusa and RAI Cinema, while more volatility has characterized players with below 5% share, depending on specific releases. These smaller players are characterized by either proprietary production structures (Filmauro), or specific editorial lines (Bim, Nexus). The arena has been characterized by the distress of Moviemax, whose founders have subsequently launched a new house. Competition for rights acquisition is mainly based on prices. Competition for screen space is based on the strength of available titles and existing relationships, or better output contracts, with the main chains. We argue that NPI's position is solid and the perspectives look positive, taking into account: a) its mass-market editorial line, b) the full-rights acquisition strategy, c) increased financial firepower post-IPO; c) ongoing contracts with UCI and The Space. The track record, although short, is strong, in the first year NPI was 10<sup>th</sup> in the distribution ranking, while it rose to sixth place in 9m 2014.
- Power of suppliers (Medium/High).** NPI deals with both movie majors and independent content producers; the size ratio implies different bargaining power with the two different groups. In 2013, NPI distributed 14 movies, accounting for 3.1% of the total new releases and 1.8% of total BO results, which rose to 6% in 9m 2014. The relevance is due to increase with the IPO proceeds as NPI extends its movie line-up in number and size; the entry into the production arena through international partnerships should also increase its clout within the industry.
- Power of clients (Medium/High).** In spite of the large number of operators, the addressable market in the cinema segment is relatively concentrated for NP, which obtains c 54% of its revenue from UCI and the Space. The television market is also very concentrated, with two Pay TV-operators and four main FTA players (o/w RAI and Mediaset control the vast majority of channels, audience and related advertising).
- Potential new entrants (Medium/High).** The barriers to entry in the movie distribution industry are not very high, given the relatively low capital intensity of the business, the opportunities offered by technological innovation (digitalization) and the lack of regulatory constraints. Producers can in theory integrate downstream to secure a higher degree of control of their product. New players are also emerging in the specific VOD and streaming arena, on a global (Apple TV, Netflix) as well as national basis (Chili).
- Substitute goods (Medium/High).** In a broad sense, watching a movie at the cinema can be seen in competition with several other forms of entertainment, including attending live concerts, sport events, theatre performances, visiting museums. The comparative cost, the social impact, cultural accessibility and the overall experience (shopping, dining in multiplexes) remain very favourable to cinema in our view. The time windows scheme generally protects cinemas from home video and the latter from Pay TV, granting a profitable economic cycle of the product. The main threat is then the pirated copy, which can sometime be accessed at the same time as the movie release, thus cannibalizing cinemas as well as subsequent exploitations in HV and Pay formats.



## SWOT Analysis

The company is clearly a start-up; however, it builds on the solid grounds of an experienced management team, an established business model and a successful track record in terms of box office performance, economic results and financial viability. The business model is rather traditional but diversified across the different distribution platforms, the market is relatively mature and the existing contracts provide visibility to medium-term results. The cost base is lean as the structure is slim and flexible since the start.

On the other hand, NPI is still a rather small player in comparison with large independent distributors and the US majors; it has a totally domestic exposure and is highly dependent on key personnel. The stake in the company of the main shareholder/CEO, Mr Marchetti, obviously reduces this risk at the top.

## SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>▪ Experienced management team</li> <li>▪ Successful track record</li> <li>▪ High visibility on next two years' results</li> <li>▪ Business stability provided by existing contracts</li> <li>▪ Diversified business mix</li> <li>▪ Lean cost structure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Small size vis-à-vis the US majors</li> <li>▪ Domestic focus</li> <li>▪ Key personnel risk</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>▪ Entry in the production business</li> <li>▪ Market Rationalization</li> <li>▪ Digitalization</li> <li>▪ New channels</li> <li>▪ New media opportunities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Piracy</li> <li>▪ Home Video perspectives</li> <li>▪ Disintermediation</li> </ul>

Source: Banca Akros

## OPPORTUNITIES

- **Entry in the production business.** With the new business plan, NPI announced it will move upward in the value chain, via five planned international co-productions between 2016 and 2017. The new business should involve several financing lines fiscal benefits, international distribution and product placement. The activity also involves a higher margin and international projection.
- **Market rationalization.** According to the company, the recent exit of some players from the marketplace of international rights acquisition is producing important benefits in terms of acquisition prices.
- **Digitalization.** The migration of the audiovisual product to the digital platform is a process that involves the whole value chain, from production to distribution to the projection on cinema screens. The implications are wide-ranging and significant from a cost, timing and flexibility standpoint. Satellite distribution allows saving on logistics, insurance and printing of the print copy. The cost of a digital copy is around EUR 300 against 2,000 for a traditional 35mm film; with above 200 units it is still 5x cheaper at

200 vs. 930 and with >500 the ratio is 150/600. Real-time delivery allows for more flexible and timing programming and the increase in the number of films projected. The advertising videos can also be directly embedded in the digital copy.

- The **proliferation of new channels**, both free and pay, increases the demand for audiovisual content in the broadcasting market. RAI and Mediaset are currently offering 13 and 10 free channels, respectively. Discovery has a line-up of 5 and Cairo Comm. said it could add a couple of new thematic channels on top of the existing two.
- **The new media market** is now ready to take-off. The traditional fixed broadband market is now mature as operators are preparing for ultra-broadband, fiber-based solutions. Telecom Italia is going to cover 50% of the population in three years with NGAN and has just announced an agreement with Sky for the distribution of the whole Pay-TV offer through its fiber platform. Vodafone's "Project Spring" includes an independent fiber plan to reach 150 cities. Smart-TVs are now widespread, with an estimated installed base of 4.6m in December last year (*source: Politecnico di Milano*), which could reach 12m by the end of 2015. In the wireless platform, the vast majority of devices sold are smartphones while mobile broadband is now mass market with 28% penetration. Fourth-generation technology (mobile ultra-broadband) is already at 50% coverage and will reach 80% by December 2016.

#### Italian digital KPIs (millions)

	FY 2011	FY 2012	FY 2013
BB lines: Fixed/Mobile	13.4/11.3	13.6/18.4	14.0/26.9
Smartphones sales	5.3	8.6	12.3
Tablet sales	0.86	2.05	3.40

Source: Assinform,

- **Relevance of Cinemas.** In spite of macro-economic fluctuation and new consumption patterns in the past several years cinemas have maintained substantial business stability. The evolution of cinemas into multiplexes offers a wider entertainment experience including shopping and dining. The benefits of digital migration for cinemas include 3D, high definition video, higher flexibility in programming and the possibility to offer additional content such as live concerts or sports events.

#### Italian Cinema KPIs (End of Period)

	FY 2010	FY 2011	FY 2012	FY 2013
Italian screens	3,217	3,227	3,238	3,256
o/w multiplexes	1,272	1,272	1,291	1,286
o/w digital	912	1,519	2,112	2,930
o/w 3D	342	842	>1,000	na
Total movies released	345	360	364	453
o/w 3D movies	28	na	36	37
Additional Content	na	na	61	69

Source: Anica/Cinetel, Rapporto 2013

- **The State and the regions are taking concrete steps to support the national film industry.** Public support to the audio-visual industry can take several direct and indirect forms, involving the national government (Fondo Unico Spettacolo, tax credit), local administrations (regional film commissions) and the European Union (Digit Fund). The tax credit instrument, introduced in 2011, is proving particularly effective and efficient for the production and distribution; the concessions of an "external tax credit" of 40% as it incentivizes firms from other sectors to provide capital to the industry.



## THREATS

- **Piracy is the main issue, and challenge, for the industry.** The extent and timing of piracy has significantly increased along with the full digitalization of the movie product, as high quality copies are often available at the same time as the movie release. The industry responses include stricter legal enforcement, more effective technological protection, better experience in cinemas and more flexible windowing system.
- **The Home Video market has collapsed in the past few years and the outlook is uncertain.** The trend is global and secular, driven by the technological evolution and adoption patterns which could eventually migrate all of the content out of the physical support to the on-line environment. Players have to manage the transition with a balanced exposure and the rapid adoption of new technologies. Netflix started as a video rental company, its DVD business was down by 16% Y/Y in 9m 2014 but still accounted for 19% of domestic revenues and 32% of domestic contribution profit.
- **The distribution of movie theatres** is not homogeneous through the territory; the municipal cinemas are progressively disappearing. The single-screen cinemas now account for 16% of total screens vs. 28% in 2005, as multiplexes increased their number and size, benefitting from economies of scale also against the digitalization costs. The increased polarization of the cinema channel represents a threat for independent distributors in terms of loss of “depth in the market” and reduced bargaining power vs. the larger cinema chains.
- **The adverse macro conditions** have affected the consumption of non-primary goods and services, including entertainment. This factor was felt in most mature European markets and mainly affected the theatrical segment with -4.6% admissions. Following a -0.7% and -0.4% GDP decline in 2012 and 2013, respectively, the current macro outlook points to a further 0.4% contraction this year, modest growth in 2015 (+0.5%).
- **Relevance for young generations.** New generations are spending increasingly more of their time on games and social networks than on movies - whatever the device. A survey (IPSOS, January 2013) suggests that the average kid or young adult in the US spends above 3 hours per week on social media, vs. 2 hours for the average person. User-generated content is becoming increasingly relevant; however, we clearly do not expect this to make movies obsolete. On the contrary, the integration between social media and the movie industry could generate some synergy and positive feedback loop.
- **Disintermediation risk (see Porter Analysis).** The underlying technological and consumption trends in the audio-visual industry are making the value chain more dynamic and less clear-cut. We argue that the position of a middle-man such as NPI can be justified in virtue of its features or independence, flexibility and agility, as well as its capacity to discover good films at interesting prices. In the longer term, as the company grows in size, a partial integration in the production stage will help keep the relevance and reinforce the distribution business.
- **Customer risk.** NPI has a concentrated customer base as the chains, UCI/The Space, account for above 54% of theatrical revenues, while Sky is currently the only client in Pay-TV. We estimate they accounted for 27% and 42% of FY 2013 revenues, respectively. The financial strength of these players implies a minimal credit risk. At full steam, the multitude of small cinemas should account for 20/25% of revenues so that the attached credit risk will be overall low.

The **financial risks** are rather low in our view. NPI has a positive financial position, boosted by the IPO proceeds and no bank debt. Exchange Rate risk is also low. NPI acquires the movie rights in the international marketplace; transactions could be either in Euros or in USD. NPI is in theory exposed to the USD/EUR risk, which it does not cover. The actual exposure is however rather low, as acquisition costs represent a small portion of the total cash costs sustained by the Company.



## The Library

Movie	Date release	Genere	Production	Country/Year	Budget	Screens	Box office Ita (EUR m)	Yield (EURK/screen)
Le Avventure di Fiocco di Neve	Jan-13	Cartoon	Castelao Producciones	Spain (2011)	na	174	1.7	9.8
Rec3	17-Jan-13	Horror	Filmox (ES)	Spain (2012)	2	na	0.3	nm
Upside Down	28-Feb-13	Sci-Fi	Studio 37, Onyx Films	Fra/Can (2012)	50	227	2	8.8
Attacco al Potere	18-Apr-13	Action	Nu Image / Millennium Films, Sony	USA (2013)	70	336	3.7	11.0
Le Streghe di Salem	24-Apr-13	Horror	Alliance Film	USA/UK (2012)	1.5	196	0.4	2.0
Dino e la Macchina del Tempo	04-Jul-13	Cartoon	CJ Entert., Myriad Pictures, Toiion	USA/SK (2013)	na	204	0.6	2.9
Una spia al liceo	01-Aug-13	Action	Rai Cinema - 01 Distribution	USA (2012)	na	64	0.2	3.1
Riddick	05-Sep-13	Action, Sci-Fi	One Race Productions, Radar Films	USA (2013)	38	295	1.4	4.7
The last days	10-Oct-13	Thriller	Morena Films, Rebellion Terrestre, A3 Media Cine	Spain (2013)	5	na	0.2	nm
Giovani ribelli - Kill Your Darlings	17-Oct-13	Thriller	Killer Films, Benaroya Pictures, Dontanville etc	USA (2013)	na	153	0.3	2.0
100 volte Natale	05-Dec-13	Family	Eh-Okay Productions, OutPost Media,	Canada (2013)	na	na	0.2	nm
Il castello magico	01-Jan-14	Animation Family	nWave Pictures, Studio Canal Int, Anton Capital Entertainment (ACE)	Belgium, UK, USA (2013)	34	na	1.1	nm
Belle & Sebastien	30-Jan-14	Family	Radar Films, Epithète Films	France (2013)	na	361	7	19.4
Codice Fantasma	06-Feb-14	Action, Thriller	ContentFilm International, Echo Lake Productions (I), Piccadilly Pictures	Belgium, UK, USA (2013)	na	na	0.2	nm
La bella e la bestia	27-Feb-14	Thriller, Fantasy	Eskwad, Pathé, Studio Babelsberg	France	33	368	4.8	13.0
Non buttiamoci giù	20-Mar-14	Comedy	Wildgaze Films, BBC, DCM Prod	UK	na	258	0.95	3.7

Source: Company data, Banca Akros (\*) at the time of acquisition



## Glossary

**HV “Home Video”:** Watching movies, from all sources, at home. HV is an umbrella term for rentals and purchases of movies on DVD and Blu-ray discs.

**DTT “Digital Terrestrial Television”** is the technological evolution of broadcast television and an advancement of analog television. DTTV broadcasts land-based (terrestrial) signals. The purposes of digital terrestrial television, similar to digital versus analog in other platforms such as cable, satellite, and telecommunications, reduced use of spectrum and to provide more capacity than analog, provide better quality picture, and to lower operating costs for broadcast and transmission (after the initial upgrade costs).

**IPTV. “Internet Protocol television”** is the delivery of programming by video stream encoded as a series of IP packets. IPTV is distributed by a service provider and can be free or fee-based and can deliver either live TV or stored video. It can be bundled with other Internet Protocol services, including VoIP and high-speed Internet access. In traditional television delivery, all programming is broadcast simultaneously. The available program signals flow downstream and the viewer selects which program he wants to watch by changing the channel. IPTV, by contrast, sends only one program at a time. Content remains on the service provider's network and only the program the customer selects is sent to the home. When a viewer changes the channel, a new stream is transmitted from the provider's server directly to the viewer. Like cable TV, IPTV requires a set-top box.

**VOD “Video on demand”** is a system which allows users to select and watch video content on demand, in the place and at the specific time chosen by the user.

**sVOD. “subscription Video On Demand”**, implies that users pay a monthly fee to access a bundled set of content. Main examples are services such as Netflix and Lovefilm.

**TV-Based VOD.** An offer related to satellite and DTT television platforms.

**Internet-based VOD.** The acquisition or rental of content occurs through the PC or internet linked devices such as smartphones, smart TVs or consoles.

**NVOD “Near-Video On Demand”** is a one-way video system that emulates an interactive video-on-demand service through clever switching between a looping main channel and a series of repeating time-shifted services each of which delays, by a common number of minutes, the content of the preceding channel in the sequence. By using an extremely short cycle time, say 1 minute, near video on demand is nearly indistinguishable from video on demand. (If the receiver were to cache 1 minute or so of content, the service could be made indistinguishable from video on demand. *(Source: EtherGuide Glossary)*).

**PPV “Pay per View”.** Pay-per-View is a type of pay television service by which a subscriber of a television service provider can purchase events to view via private telecast. The broadcaster shows the event at the same time to everyone ordering it (as opposed to video-on-demand systems, which allow viewers to see recorded broadcasts at any time).

**Catch up TV** is a form of video on demand, namely when television content providers offer television programming outside their original schedule. Thanks to these services viewers can watch that programming when they are most able to, thus catching up with programming they have missed.

**New Media:** innovative distribution platforms for the audiovisual content in digital format. New media content can be accessed through devices such as smart TVs, smartphones, videogames consoles and tablets.



**OTT “Over the Top”.** Over-the-top content refers to delivery of video, audio and other media over the Internet without a multiple system operator being involved in the control or distribution of the content. The provider may be aware of the contents of the Internet Protocol packets but is not responsible for, nor able to control, the viewing abilities, copyrights, and/or other redistribution of the content. This is in contrast to purchase or rental of video or audio content from an Internet service provider (ISP), such as pay television video on demand or an IPTV video service. OTT in particular refers to content provided by a third party, such as NowTV, Netflix and is delivered to an end user device, leaving the ISP responsible only for transporting IP packets

**NGAN “Next Generation Access Networks”:** wired access networks which consist wholly or in part of optical elements and which are capable of delivering broadband access services with enhanced characteristics (such as higher throughput) as compared to those provided over already existing copper networks.

**FTTH “Fibre-to-the-home”:** an access network consisting of optical fibre lines in both the feeder and the drop segments of the access network, i.e. connecting a customer’s premises (the home or in multi-dwelling units the apartment) to the MPoP by means of optical fibre.

**Smart TV.** (Connected TV/hybrid TV), describes a trend of integration and technological convergence of the PC, Internet and Web 2.0 into television sets and set-top boxes. The devices have a higher focus on online interactive media, Internet TV, over-the-top content, as well as on-demand streaming media, and home networking access, with much less focus on the traditional broadcasting media that traditional television sets and set-top boxes offers.

**Notorious Pictures: Summary tables**

<b>PROFIT &amp; LOSS (EURm)</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
<b>Sales</b>	<b>0.1</b>	<b>9.0</b>	<b>24.1</b>	<b>27.6</b>	<b>33.2</b>
Cost of Sales & Operating Costs	-0.4	-6.2	-10.4	-11.0	-11.4
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>-0.3</b>	<b>2.8</b>	<b>13.7</b>	<b>16.5</b>	<b>21.9</b>
<b>EBITDA (adj.)*</b>	<b>-0.3</b>	<b>2.8</b>	<b>13.7</b>	<b>16.5</b>	<b>21.9</b>
Depreciation	-0.1	-0.8	-3.1	-4.3	-6.0
<b>EBITA</b>	<b>-0.4</b>	<b>2.0</b>	<b>10.6</b>	<b>12.2</b>	<b>15.9</b>
<b>EBITA (adj)*</b>	<b>-0.4</b>	<b>2.0</b>	<b>10.6</b>	<b>12.2</b>	<b>15.9</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>-0.4</b>	<b>2.0</b>	<b>10.4</b>	<b>12.0</b>	<b>15.6</b>
<b>EBIT (adj.)*</b>	<b>-0.4</b>	<b>2.0</b>	<b>10.4</b>	<b>12.0</b>	<b>15.6</b>
Net Financial Interest	-0.3	0.0	0.0	0.0	0.0
Other Financials	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>-0.7</b>	<b>2.0</b>	<b>10.4</b>	<b>12.0</b>	<b>15.6</b>
Tax	0.1	-0.7	-3.4	-4.0	-5.1
<i>Tax rate</i>	<i>11.6%</i>	<i>35.6%</i>	<i>33.0%</i>	<i>33.1%</i>	<i>33.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Net Profit (reported)</b>	<b>-0.6</b>	<b>1.3</b>	<b>7.0</b>	<b>8.0</b>	<b>10.4</b>
<b>Net Profit (adj.)</b>	<b>-0.3</b>	<b>1.0</b>	<b>7.0</b>	<b>8.0</b>	<b>10.4</b>
<b>CASH FLOW (EURm)</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Cash Flow from Operations before change in NWC	-0.5	2.1	10.3	12.5	16.7
Change in Net Working Capital	0.0	0.0	4.2	5.9	3.1
<b>Cash Flow from Operations</b>	<b>-0.5</b>	<b>2.1</b>	<b>14.5</b>	<b>18.5</b>	<b>19.8</b>
Capex	-0.5	-2.0	-4.7	-5.8	-8.3
Net Financial Investments	0.0	0.0	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>-1.0</b>	<b>0.1</b>	<b>9.8</b>	<b>12.7</b>	<b>11.5</b>
Dividends	0.0	0.0	0.0	0.0	-2.2
Other (incl. Capital Increase & share buy backs)	0.0	0.0	0.0	0.0	0.0
<b>Change in Net Debt</b>	<b>-1.0</b>	<b>0.1</b>	<b>9.8</b>	<b>12.7</b>	<b>9.3</b>
NOPLAT	-0.2	1.2	6.2	7.2	9.4
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Tangible Assets	0.1	0.1	1.7	3.2	5.5
Net Intangible Assets (incl. Goodwill)	0.4	1.6	1.6	1.6	1.6
Net Financial Assets & Other	0.1	0.0	0.0	0.0	0.0
<b>Total Fixed Assets</b>	<b>0.5</b>	<b>1.7</b>	<b>3.3</b>	<b>4.8</b>	<b>7.1</b>
Inventories	0.0	0.0	0.0	0.0	0.0
Trade receivables	0.0	4.8	7.0	10.5	13.5
Other current assets	0.6	0.2	1.0	1.5	2.5
Cash (-)	-0.2	-0.6	-8.3	-9.0	-11.7
<b>Total Current Assets</b>	<b>0.8</b>	<b>5.7</b>	<b>16.3</b>	<b>21.0</b>	<b>27.7</b>
<b>Total Assets</b>	<b>1.3</b>	<b>7.4</b>	<b>19.6</b>	<b>25.8</b>	<b>34.8</b>
Shareholders Equity	0.4	1.7	15.0	23.0	31.3
Minority	0.0	0.0	0.0	0.0	0.0
Total Equity	0.4	1.7	15.0	23.0	31.3
Long term interest bearing debt	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.1	0.3	0.3	0.4
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total Long Term Liabilities</b>	<b>0.0</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>
Short term interest bearing debt	0.1	0.3	0.3	0.3	0.2
Trade payables	0.8	3.8	2.2	2.1	3.0
Other current liabilities	0.0	1.6	1.8	0.0	0.0
<b>Total Current Liabilities</b>	<b>0.9</b>	<b>5.6</b>	<b>4.3</b>	<b>2.4</b>	<b>3.2</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1.3</b>	<b>7.4</b>	<b>19.6</b>	<b>25.8</b>	<b>34.8</b>
<b>Net Capital Employed</b>	<b>0.3</b>	<b>1.4</b>	<b>7.3</b>	<b>14.7</b>	<b>20.1</b>
<b>Net Working Capital</b>	<b>-0.2</b>	<b>-0.2</b>	<b>4.0</b>	<b>9.9</b>	<b>13.0</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
<i>Sales growth</i>		<i>11798.7%</i>	<i>166.5%</i>	<i>14.4%</i>	<i>20.6%</i>
<b>EBITDA (adj.)* growth</b>		<i>n.m.</i>	<b>386.5%</b>	<b>20.5%</b>	<b>32.5%</b>
<i>EBITA (adj.)* growth</i>		<i>n.m.</i>	<i>418.6%</i>	<i>15.1%</i>	<i>30.3%</i>
<i>EBIT (adj.)* growth</i>		<i>n.m.</i>	<i>420.6%</i>	<i>15.9%</i>	<i>29.6%</i>

**Notorious Pictures: Summary tables**

<b>GROWTH &amp; MARGINS</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Profit growth		<i>n.m.</i>	576.1%	15.8%	29.8%
EPS adj. growth		<i>n.m.</i>	505.8%	15.8%	29.8%
DPS adj. growth				<i>n.m.</i>	29.8%
EBITDA (adj)* margin	<i>n.m.</i>	31.2%	56.9%	59.9%	65.8%
EBITA (adj)* margin	-495.8%	22.6%	44.0%	44.3%	47.9%
EBIT (adj)* margin	<i>n.m.</i>	22.0%	43.0%	43.6%	46.9%
<b>RATIOS</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Debt/Equity	-0.2	-0.2	-0.5	-0.4	-0.4
Net Debt/EBITDA	0.3	-0.1	-0.6	-0.5	-0.5
Interest cover (EBITDA/Fin.interest)	<i>n.m.</i>	83.3	high	high	high
Capex/D&A	480.6%	237.9%	140.8%	129.1%	131.8%
Capex/Sales	628.0%	21.7%	19.5%	21.0%	25.0%
NWC/Sales	-305.0%	-2.7%	16.5%	35.9%	39.1%
ROE (average)		100.9%	83.5%	42.3%	38.5%
ROCE (adj.)	-100.4%	84.9%	86.1%	49.3%	46.6%
WACC		0.0%	0.0%	0.0%	0.0%
ROCE (adj.)/WACC		<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
<b>PER SHARE DATA (EUR)***</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Average diluted number of shares	1.0	20.0	22.3	22.3	22.3
EPS (reported)	-0.58	0.06	0.31	0.36	0.47
EPS (adj.)	-0.34	0.05	0.31	0.36	0.47
BVPS	0.39	0.08	0.67	1.03	1.40
DPS	0.00	0.00	0.00	0.10	0.13
<b>VALUATION</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
EV/Sales			2.4	2.1	1.7
EV/EBITDA			4.3	3.5	2.5
<b>EV/EBITDA (adj.)*</b>			<b>4.3</b>	<b>3.5</b>	<b>2.5</b>
EV/EBITA			5.5	4.7	3.5
<b>EV/EBITA (adj.)*</b>			<b>5.5</b>	<b>4.7</b>	<b>3.5</b>
EV/EBIT			5.6	4.8	3.5
<b>EV/EBIT (adj.)*</b>			<b>5.6</b>	<b>4.8</b>	<b>3.5</b>
<b>P/E (adj.)</b>			<b>9.6</b>	<b>8.3</b>	<b>6.4</b>
P/BV			4.4	2.9	2.1
Total Yield Ratio		0.0%	0.0%	3.4%	4.4%
EV/CE			8.1	4.0	2.7
OpFCF yield			14.7%	19.0%	17.4%
OpFCF/EV			16.8%	21.9%	21.0%
Payout ratio	0.0%	0.0%	0.0%	27.7%	27.7%
Dividend yield (gross)		0.0%	0.0%	3.4%	4.4%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Price** (EUR)			2.98	2.98	2.98
Outstanding number of shares for main stock	1.0	20.0	22.3	22.3	22.3
<b>Total Market Cap</b>			<b>67</b>	<b>67</b>	<b>67</b>
<b>Net Debt</b>	<b>0</b>	<b>0</b>	<b>-8</b>	<b>-9</b>	<b>-12</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>0</i>	<i>-1</i>	<i>-8</i>	<i>-9</i>	<i>-12</i>
<i>o/w Gross Debt (+)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Other EV components</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Enterprise Value (EV adj.)</b>			<b>59</b>	<b>58</b>	<b>55</b>

Source: Company, Banca Akros estimates.

**Notes**

\* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Media/Broadcasting & Entertainment

Company Description: Notorious Pictures (NP) is an independent operator in the Italian cinematographic sector, specialized in the acquisition of the full range of movie rights and the commercialization/distribution through all the available channels. The company was founded in 2012 by a veteran of the Italian Home Video and movie industry Guglielmo Marchetti and started operations in early 2013. In its first year of activity, NP entered the Italian top-10 of movie distributors, as the 14 titles released grossed EUR 11.1m with 1.9m presences in the Italian theatres (2% share). Thanks to two strong titles, it grossed EUR 13.8m in the first 3 months of 2014.



## European Coverage of the Members of ESN

<b>Aerospace &amp; Defense</b>	<b>Mem(*)</b>	Banco Popolare	BAK	Talvivaara Mining Co Plc	POH	Schneider Electric Sa	CIC	Ldc	CIC
Airbus Group	CIC	Banco Popular	BKF	Tubacex	BKF	Vacon	POH	Lotus Bakeries	BDG
Aviation Latecoere	CIC	Banco Sabadell	BKF	Upm-Kymmene	POH	Vaisala	POH	Naturex	CIC
Bae Systems Plc	CIC	Banco Santander	BKF	<b>Biotechnology</b>	<b>Mem(*)</b>	<b>Financial Services</b>	<b>Mem(*)</b>	Nutreco	SNS
Carbures Europe Sa	BKF	Bankia	BKF	4Sc	EQB	Ackermans & Van Haaren	BDG	Olvi	POH
Dassault Aviation	CIC	Bankinter	BKF	Bioalliance Pharma	CIC	Azimut	BAK	Parmalat	BAK
Finmeccanica	BAK	Bbva	BKF	Cytotoools Ag	EQB	Banca Generali	BAK	Pernod-Ricard	CIC
Lisi	CIC	Bcp	CBI	Epigenomics Ag	EQB	Banca Ifis	BAK	Raisio	POH
Mtu	EQB	Bes	CBI	Metabolic Explorer	CIC	Bb Biotech	EQB	Remy Cointreau	CIC
Rheinmetall	EQB	Bnp Paribas	CIC	Neovacs	CIC	Binckbank	SNS	Sipef	BDG
Rolls Royce	CIC	Bper	BAK	Oncodesign	CIC	Bois Sauvage	BDG	Ter Beke	BDG
Safran	CIC	Bpi	CBI	Transgene	CIC	Bolsas Y Mercados Espanoles	BKF	Unilever	SNS
Thales	CIC	Commerzbank	EQB	Wilex	EQB	Capman	POH	Vidrala	BKF
Zodiac Aerospace	CIC	Creдем	BAK	Zeltia	BKF	Cir	BAK	Vilmorin	CIC
<b>Airlines</b>	<b>Mem(*)</b>	Credit Agricole Sa	CIC	<b>Chemicals</b>	<b>Mem(*)</b>	Comdirect	EQB	Viscofan	BKF
Air France Klm	CIC	Creval	BAK	Air Liquide	CIC	Corp. Financiera Alba	BKF	Vranken Pommery Monopole	CIC
Finnair	POH	Deutsche Bank	EQB	Akzo Nobel	SNS	Deutsche Boerse	EQB	Wessanen	SNS
Lufthansa	EQB	Eurobank	IBG	Basf	EQB	Deutsche Forfait	EQB	<b>Food &amp; Drug Retailers</b>	<b>Mem(*)</b>
<b>Automobiles &amp; Parts</b>	<b>Mem(*)</b>	Garanti Bank	IBG	Dsm	SNS	Euronext	CIC	Ahold	SNS
Bmw	EQB	Halkbank	IBG	Evonik	EQB	Financiere De Tubize	BDG	Bim	IBG
Brembo	BAK	Ing Group	SNS	Fuchs Petrolub	EQB	Gbl	BDG	Carrefour	CIC
Continental	EQB	Intesa Sanpaolo	BAK	Henkel	EQB	Gimv	BDG	Casino Guichard-Perrachon	CIC
Daimler Ag	EQB	Kbc Group	BDG	Holland Colours	SNS	Grenkeleasing Ag	EQB	Colruyt	BDG
Elektrobit Group	POH	Mediobanca	BAK	K+S Ag	EQB	Hellenic Exchanges	IBG	Delhaize	BDG
Elingklinger	EQB	National Bank Of Greece	IBG	Kemira	POH	Kbc Ancora	BDG	Dia	BKF
Faurecia	CIC	Natixis	CIC	Lanxess	EQB	Luxempart	BDG	Jeronimo Martins	CBI
Fiat	BAK	Nordea	POH	Linde	EQB	Mlp	EQB	Kesko	POH
Landi Renzo	BAK	Piraeus Bank	IBG	Nanogate Ag	EQB	Patrizia Ag	EQB	Marr	BAK
Leoni	EQB	Postbank	EQB	Recticel	BDG	<b>Food &amp; Beverage</b>	<b>Mem(*)</b>	Metro	CIC
Michelin	CIC	Societe Generale	CIC	Solvay	BDG	Acomo	SNS	Rallye	CIC
Nokian Tyres	POH	Ubi Banca	BAK	Symrise Ag	EQB	Agrarius Ag	EQB	Sligro	SNS
Piaggio	BAK	Unicredit	BAK	Tessenderlo	BDG	Anheuser-Busch Inbev	BDG	Sonae	CBI
Pirelli & C.	BAK	Yapi Kredi Bank	IBG	Tikkurila	POH	Atria	POH		
Plastic Omnium	CIC	<b>Basic Resources</b>	<b>Mem(*)</b>	Umicore	BDG	Baywa	EQB		
Porsche	EQB	Acerinox	BKF	Wacker Chemie	EQB	Berentzen	EQB		
Psa Peugeot Citroen	CIC	Altri	CBI	<b>Electronic &amp; Electrical Equipment</b>	<b>Mem(*)</b>	Bonduelle	CIC		
Renault	CIC	Arcelormittal	BKF	Alstom	CIC	Campari	BAK		
Sogefi	BAK	Crown Van Gelder	SNS	Areva	CIC	Coca Cola Hbc Ag	IBG		
Stern Groep	SNS	Ence	BKF	Barco	BDG	Corbion	SNS		
Valeo	CIC	Europac	BKF	Euro micron Ag	EQB	Danone	CIC		
Volkswagen	EQB	Metka	IBG	Evs	BDG	Ebro Foods	BKF		
<b>Banks</b>	<b>Mem(*)</b>	Metsä Board	POH	Gemalto	CIC	Enervit	BAK		
Aareal Bank	EQB	Mytilineos	IBG	Ingenico	CIC	Fleury Michon	CIC		
Akbank	IBG	Nyrstar	BDG	Jenoptik	EQB	Forfarmers	SNS		
Aktia	POH	Outokumpu	POH	Kontron	EQB	Greenyard Foods	BDG		
Alpha Bank	IBG	Portucel	CBI	Legrand	CIC	Heineken	SNS		
Banca Carige	BAK	Rautaruukki	POH	Neways Electronics	SNS	Hkscan	POH		
Banca Etruria	BAK	Semapa	CBI	Nexans	CIC	Ktg Agrar	EQB		
Banca Mps	BAK	Stora Enso	POH	Pkc Group	POH	Lanson-Bcc	CIC		
Banco Bradesco	CBI	Surteco	EQB	Rexel	CIC	Laurent Perrier	CIC		



<b>General Industrials</b>	<b>Mem(*)</b>	Grifols Sa	BKF	Duro Felguera	BKF	Hannover Re	EQB	Srv	POH
2G Energy	EQB	Korian-Medica	CIC	Emak	BAK	Mapfre Sa	BKF	Thermador Groupe	CIC
Aalberts	SNS	Laboratorios Rovi	BKF	Exel Composites	POH	Mediolanum	BAK	Titan Cement	IBG
Accell Group	SNS	Merck	EQB	Faiveley	CIC	Munich Re	EQB	Trevi	BAK
Ahlstrom	POH	Novartis	CIC	Gea Group	EQB	Sampo	POH	Uponor	POH
Analytik Jena	EQB	Oriola-Kd	POH	Gesco	EQB	Talanx Group	EQB	Uzin Utz	EQB
Arcadis	SNS	Orion	POH	Haulotte Group	CIC	Unipol	BAK	Vbh Holding	EQB
Aspo	POH	Orpea	CIC	Heidelberger Druck	EQB	Unipolsai	BAK	Vicat	CIC
Bekaert	BDG	Recordati	BAK	Ima	BAK	Zurich Financial Services	BAK	Vinci	CIC
Evolis	CIC	Rhoen-Klinikum	EQB	Interpump	BAK	<b>Materials, Construction &amp; Infrastructure</b>	<b>Mem(*)</b>	Yit	POH
Frigoglass	IBG	Roche	CIC	Kone	POH	Abertis	BKF	<b>Media</b>	<b>Mem(*)</b>
Huhtamäki	POH	Sanofi	CIC	Konecranes	POH	Acs	BKF	Ad Pepper	EQB
Kendrion	SNS	Sorin	BAK	Krones Ag	EQB	Adp	CIC	Alma Media	POH
Martifer	CBI	Stallergènes	CIC	Kuka	EQB	Astaldi	BAK	Brill	SNS
Mifa	EQB	Ucb	BDG	Man	EQB	Atlantia	BAK	Cofina	CBI
Nedap	SNS	<b>Hotels, Travel &amp; Tourism</b>	<b>Mem(*)</b>	Manitou	CIC	Ballast Nedam	SNS	Editoriale L'Espresso	BAK
Neopost	CIC	Accor	CIC	Max Automation Ag	EQB	Bilfinger Se	EQB	GI Events	CIC
Pöyry	POH	Autogrill	BAK	Metso	POH	Boskalis Westminster	SNS	Havas	CIC
Prelios	BAK	Beneteau	CIC	Outotec	POH	Buzzi Unicem	BAK	Impresa	CBI
Saf-Holland	EQB	Compagnie Des Alpes	CIC	Pfeiffer Vacuum	EQB	Caverion	POH	Ipsos	CIC
Saft	CIC	Gtech	BAK	Ponsse	POH	Cfe	BDG	Jcdecoux	CIC
Siegfried Holding Ag	EQB	I Grandi Viaggi	BAK	Prima Industrie	BAK	Ciments Français	CIC	Kinopolis	BDG
Tkh Group	SNS	Ibersol	CBI	Prysmian	BAK	Cramo	POH	Lagardere	CIC
Wendel	CIC	Intralot	IBG	Reesink	SNS	Deceuninck	BDG	M6-Metropole Television	CIC
<b>General Retailers</b>	<b>Mem(*)</b>	Melia Hotels International	BKF	Sabaf	BAK	Eiffage	CIC	Mediaset	BAK
Beter Bed Holding	SNS	Nh Hotel Group	BKF	Singulus Technologies	EQB	Ellaktor	IBG		
D'leteren	BDG	Opap	IBG	Smt Scharf Ag	EQB	Ezentis	BKF		
Fielmann	EQB	Snowworld	SNS	Ten Cate	SNS	Fcc	BKF		
Folli Follie Group	IBG	Sonae Capital	CBI	Valmet	POH	Ferrovia	BKF		
Fourlis Holdings	IBG	Trigano	CIC	Vossloh	EQB	Fraport	EQB		
Inditex	BKF	Tui	EQB	Wärtsilä	POH	Grontmij	SNS		
Jumbo	IBG	Wdf	BAK	Zardoya Otis	BKF	Grupo San Jose	BKF		
Macintosh	SNS	<b>Household Goods</b>	<b>Mem(*)</b>	<b>Industrial Transportation</b>	<b>Mem(*)</b>	Heijmans	SNS		
Rapala	POH	Bic	CIC	Bollore	CIC	Hochtief	EQB		
Stockmann	POH	De Longhi	BAK	Bpost	BDG	Holcim Ltd	CIC		
<b>Healthcare</b>	<b>Mem(*)</b>	Indesit	BAK	Caf	BKF	Imerys	CIC		
Ab-Biotics	BKF	Seb Sa	CIC	Ctt	CBI	Italcementi	BAK		
Almirall	BKF	<b>Industrial Engineering</b>	<b>Mem(*)</b>	Deutsche Post	EQB	Joyou Ag	EQB		
Amplifon	BAK	Accsys Technologies	SNS	Hes Beheer	SNS	Lafarge	CIC		
Bayer	EQB	Aixtron	EQB	Hhla	EQB	Lemminkäinen	POH		
BioMerieux	CIC	Ansald Sts	BAK	Logwin	EQB	Maire Tecnimont	BAK		
Biotest	EQB	Bauer Ag	EQB	Postnl	SNS	Mota Engil	CBI		
Celesio	EQB	Biesse	BAK	Tnt Express	SNS	Obrascon Huarte Lain	BKF		
Diasorin	BAK	Cargotec Corp	POH	<b>Insurance</b>	<b>Mem(*)</b>	Ramirent	POH		
Draegerwerk	EQB	Cnh Industrial	BAK	Aegon	SNS	Royal Bam Group	SNS		
Espirito Santo Saude	CBI	Danieli	BAK	Ageas	BDG	Sacyr	BKF		
Faes Farma	BKF	Datalogic	BAK	Allianz	EQB	Saint Gobain	CIC		
Fresenius	EQB	Delclima	BAK	Axa	CIC	Salini Impregilo	BAK		
Fresenius Medical Care	EQB	Deutz Ag	EQB	Delta Lloyd	SNS	Sias	BAK		
Gerresheimer Ag	EQB	Dmg Mori Seiki Ag	EQB	Generali	BAK	Sonae Industria	CBI		

<b>Oil &amp; Gas Producers</b>	<b>Mem(*)</b>	Atenor	BDG	Guillemot Corporation	CIC	Iliad	CIC
Eni	BAK	Banimmo	BDG	I:Fao Ag	EQB	Jazztel	BKF
Galp Energia	CBI	Befimmo	BDG	Ict Automatisering	SNS	Kpn Telecom	SNS
Gas Plus	BAK	Beni Stabili	BAK	Indra Sistemas	BKF	Mobistar	BDG
Hellenic Petroleum	IBG	Citycon	POH	Novabase	CBI	Nos	CBI
Maurel Et Prom	CIC	Cofinimmo	BDG	Ordina	SNS	Numericable	CIC
Motor Oil	IBG	Corio	BDG	Psi	EQB	Orange	CIC
Neste Oil	POH	Deutsche Euroshop	EQB	Reply	BAK	Ote	IBG
Petrobras	CBI	Grand City Properties	EQB	Rib Software	EQB	Ses	CIC
Qgep	CBI	Home Invest Belgium	BDG	Seven Principles Ag	EQB	Telecom Italia	BAK
Repsol	BKF	Igd	BAK	Tie Kinetix	SNS	Telefonica	BKF
Total	CIC	Intervest Offices & Warehouses	BDG	Tieto	POH	Telenet Group	BDG
<b>Oil Services</b>	<b>Mem(*)</b>	Leasinvest Real Estate	BDG	Tomtom	SNS	Teliasonera	POH
Bourbon	CIC	Montea	BDG	Visiativ	CIC	Tiscali	BAK
Cgg	CIC	Realia	BKF	Wincor Nixdorf	EQB	Turkcell	IBG
Fugro	SNS	Retail Estates	BDG	<b>Support Services</b>	<b>Mem(*)</b>	United Internet	EQB
Saipem	BAK	Sponda	POH	Batenburg	SNS	Vodafone	BAK
Technip	CIC	Technopolis	POH	Brunel	SNS	<b>Utilities</b>	<b>Mem(*)</b>
Tecnicas Reunidas	BKF	Unibail-Rodamco	BDG	Bureau Veritas S.A.	CIC	A2A	BAK
Tenaris	BAK	Vastned Retail	BDG	Dpa	SNS	Acciona	BKF
Vallourec	CIC	Vastned Retail Belgium	BDG	Edenred	CIC	Acea	BAK
Vopak	SNS	Vib Vermoegen	EQB	Ei Towers	BAK	Albioma	CIC
<b>Personal Goods</b>	<b>Mem(*)</b>	Wdp	BDG	Fiera Milano	BAK	Direct Energie	CIC
Adidas	EQB	Wereldhave Belgium	BDG	Imtech	SNS	E.On	EQB
Adler Modemaerkte	EQB	<b>Renewable Energy</b>	<b>Mem(*)</b>	Lassila & Tikanoja	POH	Edp	CBI
Amer Sports	POH	Daldrup & Soehne	EQB	Randstad	SNS	Edp Renováveis	CBI
Basic Net	BAK	Deutsche Biogas	EQB	Usg People	SNS	Elia	BDG
Beiersdorf	EQB	Enel Green Power	BAK	<b>Technology Hardware &amp; Equipment</b>	<b>Mem(*)</b>	Enagas	BKF
Christian Dior	CIC	Gamesa	BKF	Alcatel-Lucent	CIC	Endesa	BKF
Geox	BAK	<b>Software &amp; Computer Services</b>	<b>Mem(*)</b>	Asm International	SNS	Enel	BAK
Gerry Weber	EQB	Affecto	POH	Asml	SNS	Falck Renewables	BAK
Hermes Intl.	CIC	Akka Technologies	CIC	Besi	SNS	Fluxys Belgium	BDG
Hugo Boss	EQB	Alten	CIC	Ericsson	POH	Fortum	POH
Interparfums	CIC	Altran	CIC	Gigaset	EQB	Gas Natural Fenosa	BKF
Kering	CIC	Amadeus	BKF	Nokia	POH	Hera	BAK
Luxottica	BAK	Atos	CIC	Okmetic	POH	Iberdrola	BKF
Lvmh	CIC	Basware	POH	Roodmicrotec	SNS	Iren	BAK
Marimekko	POH	Bull	CIC	Slm Solutions	EQB	Public Power Corp	IBG
Moncler	BAK	Cenit	EQB	Stmicroelectronics	BAK	Red Eléctrica De Espana	BKF
Puma	EQB	Comptel	POH	Suess Microtec	EQB	Ren	CBI
Richemont	CIC	Digia	POH	Teleste	POH	Rwe	EQB
Safilo	BAK	Docdata	SNS	<b>Telecommunications</b>	<b>Mem(*)</b>	Sham	BAK
Salvatore Ferragamo	BAK	Ekinops	CIC	Acotel	BAK	Terna	BAK
Sarantis	IBG	Engineering	BAK	Belgacom	BDG		
Swatch Group	CIC	Esi Group	CIC	Bouygues	CIC		
Tod'S	BAK	Exact Holding Nv	SNS	Deutsche Telekom	EQB		
Zucchi	BAK	Exprivia	BAK	Drillisch	EQB		
<b>Real Estate</b>	<b>Mem(*)</b>	F-Secure	POH	Elisa	POH		
Aedifica	BDG	Gameloft	CIC	Eutelsat Communications Sa	CIC		
Ascencio	BDG	Gft Technologies	EQB	Freenet	EQB		

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(\*\*) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts



## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

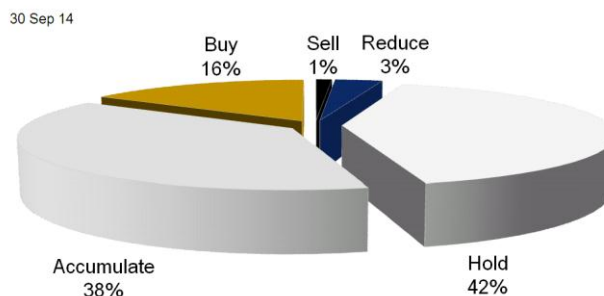
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer of the document (a member of ESN) or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a member of ESN) or a related party of the issuer

### Banca Akros Ratings Breakdown

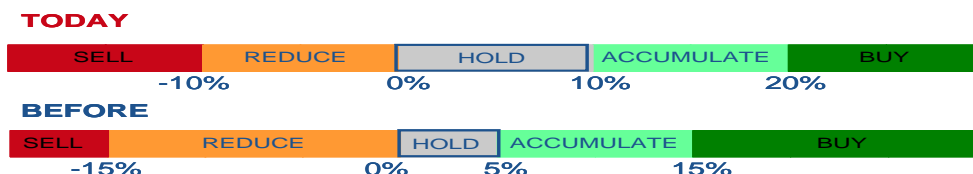


### History of ESN Recommendation System

**Since 18 October 2004**, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.

**Since 4 August 2008**, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:



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<http://www.bancaakros.it/media/990634/3-mktabuse-daf-sitointernet-conflitti-aggiornato-30-09-2014.pdf>

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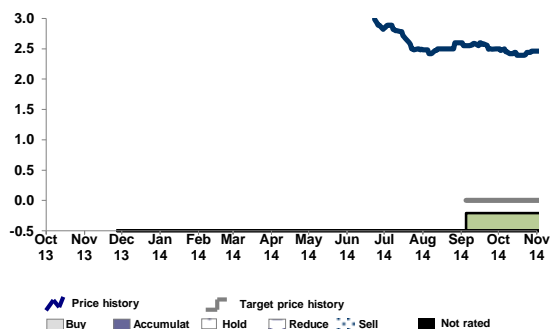
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#### Recommendation history for NOTORIOUS PICTURES

Date	Recommendation	Target price	Price at change date
28-Nov-14	Accumulate	3.15	2.98
05-Sep-14	Not rated	0.00	2.55

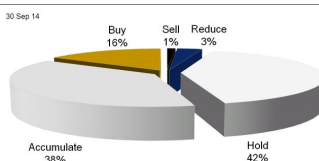
Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Andrea Devita, CFA (since 30/06/2014)

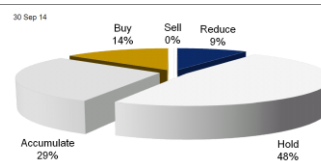


#### Percentuale delle raccomandazioni al 30 settembre 2014

Tutte le raccomandazioni



Raccomandazioni su titoli in conflitto di interessi (\*)



(\*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 24% del totale degli emittenti oggetto di copertura

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