



*IR Top Lugano Small & Mid Cap Investor Day
September 21st, 2018*

NOTORIOUS PICTURES – Digital Entertainment Company



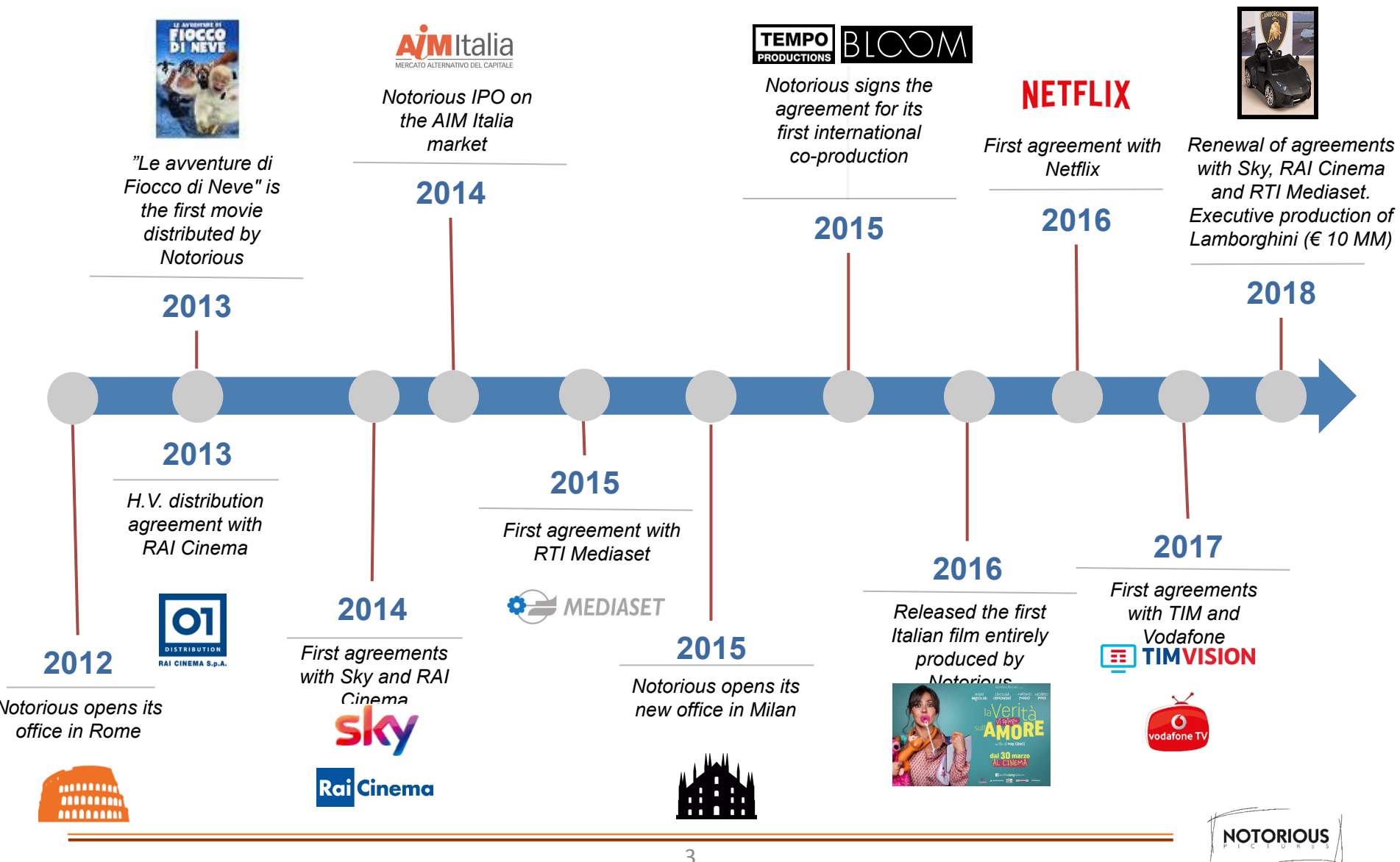
1. Executive Summary

Who we are

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

1. Executive Summary

Our history



1. Executive Summary

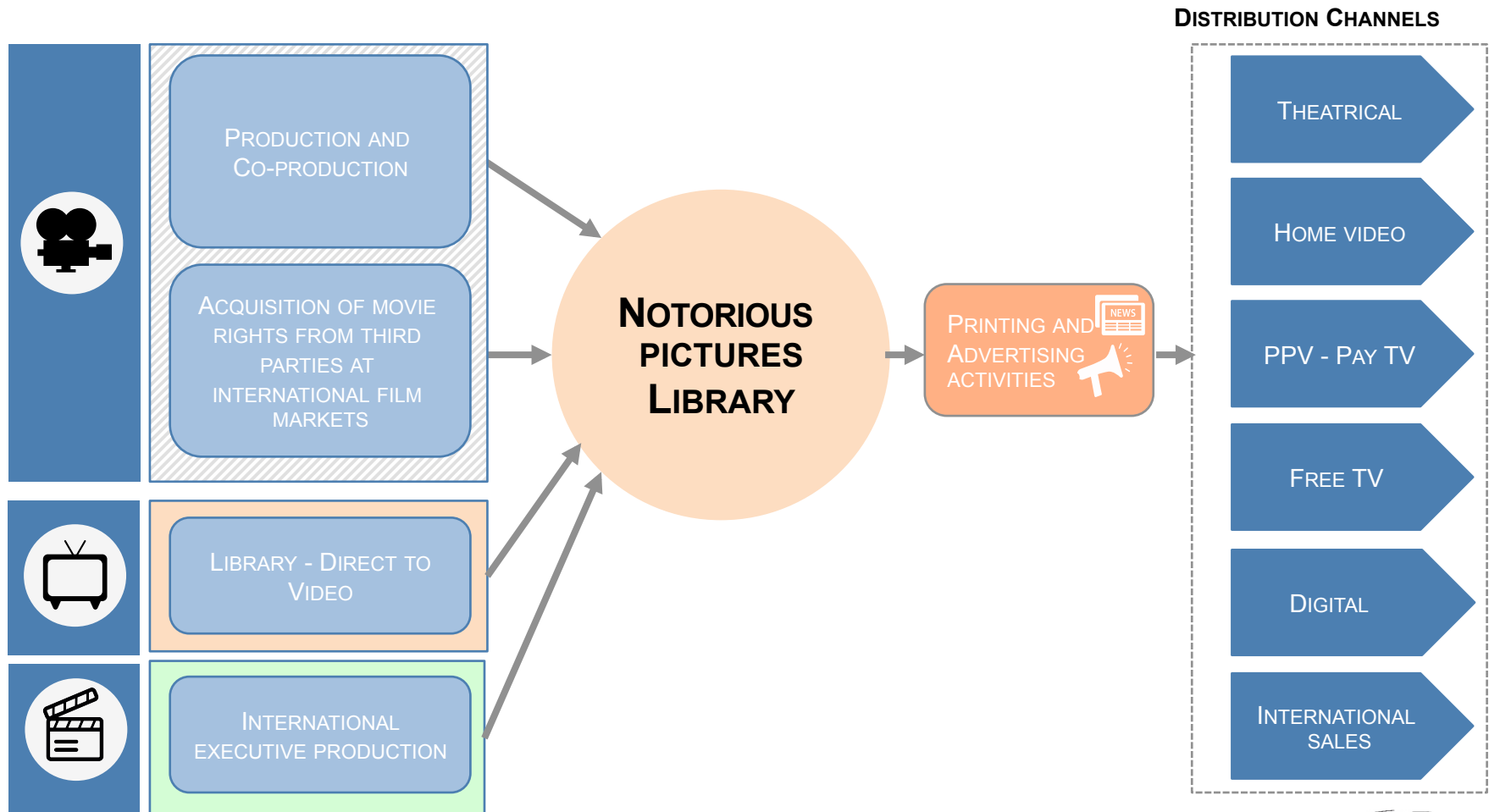
Our first 5 years

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

2. Business Model

Three macro business areas

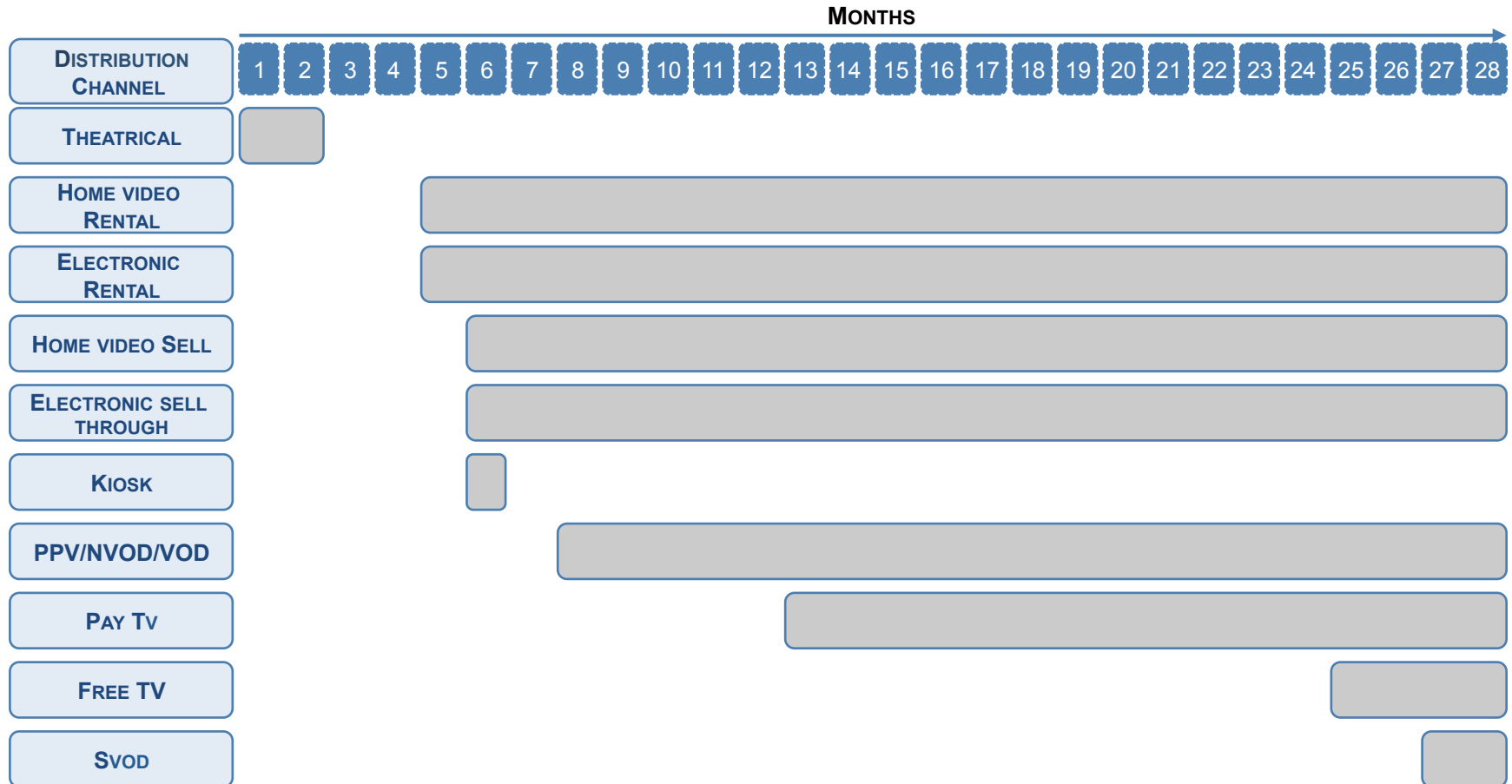
The **production, acquisition and distribution** of movie film rights, to be exploited in all distribution channels, represents Notorious' historic **core business**. The company recently added **two new important areas of business**: trading of **Direct to Video rights and Libraries** aimed primarily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



2. Business Model

Film rights life cycle

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



2. Business Model

Acquisition of distribution rights VS. Direct production

NOTORIOUS
PICTURES

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

ACQUISITION OF DISTRIBUTION RIGHTS

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



KEY SUCCESS FACTORS

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

PRODUCTION AND CO-PRODUCTION

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

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



KEY SUCCESS FACTORS

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

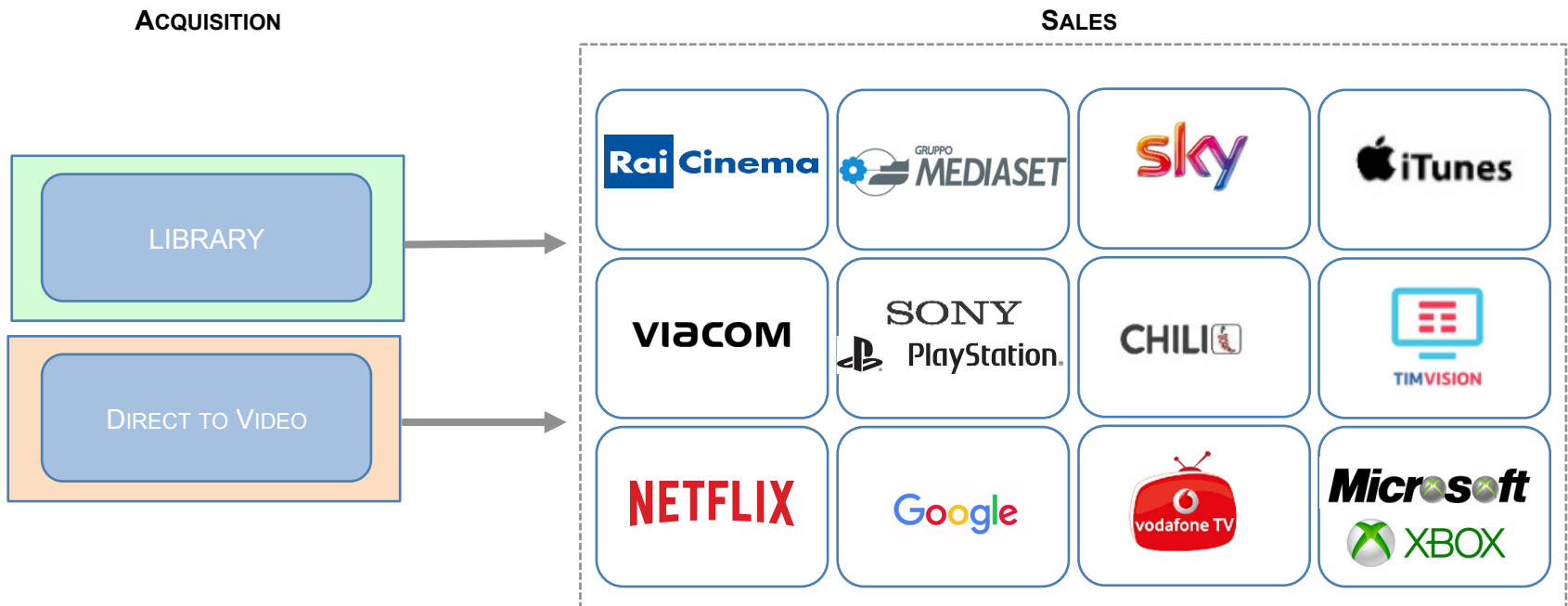
RIGHTS

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

2. Business Model

Direct to Digital

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



2. Business Model

International Executive Production

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



PRODUCTION
BUDGET
€ 7.2 MILLION



PRODUCTION
BUDGET
€ 2.5 MILLION

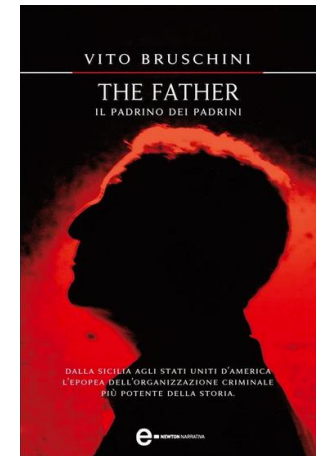


PRODUCTION
BUDGET
€ 12.5 MILLION

2. Business Model

Production of TV Series

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



3. Financial Data




H1 2018 – P/L results

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

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

3. Financial Data

H1 2018 – Revenues by Business Area and Distribution Channel

		Revenue By Business Area and Channel (€ mln)		1H18		1H17		2017	
	PRODUCTION AND CO-PRODUCTION	Cinema	4,0	34,7%	1,5	26,6%	4,5	35,4%	
		Home Video	0,2	1,7%	0,0	0,5%	0,2	1,5%	
	ACQUISITION OF MOVIE RIGHTS FROM THIRD PARTIES AT INTERNATIONAL FILM MARKETS	Kiosk	0,0	0,3%	0,0	0,2%	0,0	0,2%	
		Pay TV	3,5	30,7%	1,8	32,3%	4,7	37,3%	
		Free TV	3,1	26,5%	1,4	25,0%	2,0	15,3%	
		Pay Per View	0,2	2,1%	0,1	1,3%	0,3	2,5%	
		New Media - Digital	0,4	3,7%	0,8	14,1%	1,0	7,7%	
		Total	11,5	60,2%	5,5	65,0%	12,7	75,0%	
	LIBRARY - DIRECT TO VIDEO	Pay TV	-	0,0%	0,9	35,3%	1,0	35,7%	
		Free TV	0,6	89,6%	1,4	52,3%	1,5	53,9%	
		New Media - Digital	0,1	10,4%	0,3	12,4%	0,3	10,4%	
		Total	0,7	3,6%	2,6	31,1%	2,7	15,9%	
	INTERNATIONAL EXECUTIVE PRODUCTION	Executive Production	6,9	36,2%	0,3	3,9%	1,5	9,1%	
		Total	6,9	36,2%	0,3	3,9%	1,5	9,1%	
	Total Core Business		19,1		8,4		16,9		
	Other Revenues & Inventories		2,4		0,8		1,2		
	TOTAL REVENUES		21,5		9,1		18,1		

3. Financial Data

H1 2018 – Revenues by Business Area and Distribution Channel

- Revenue growth was driven essentially by the **positive results of films released in 1H18** and by the **growth of Executive Production** revenues.
- During 1H18 the company released **8 new films (vs. 9 in 1H17)** that generated box office revenues of Euro 9.9MM (vs. Euro 3.2MM in 1H17 and Euro 11.0MM for FY17).
- **Box office results** impacted proportionately on Theatrical revenues and drove the growth of Pay TV (up 100% vs. 1H17) and Free TV (up 123% vs. 1H17) revenues.
- **Executive Production revenues** were Euro 6.9MM vs. Euro 0.3MM in 1H17 (excluding related tax credits). Period to period fluctuations are typical of this business driven by few large contracts.
- **DTV-Library revenues** in 1H18 were Euro 0.7MM down from Euro 2.6MM in 1H17 since significant new contracts with major OTT operators were finalized in 2017 and new ones are currently under discussion.

3. Financial Data

H1 2018 – B/S results

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

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

4. Investment Opportunity

Attention to investors

- ❖ **EQUITY RESEARCH:** since the IPO the company is committed to ensure the publishing of quality research on its stock. Currently **Intermonte** and **UBI Banca** publish regular research and periodic updates on the Notorious Pictures stock.
 - ❖ **BUY BACK:** on **November 8th, 2017** the company approved an **18 months** buy-back program with the main objective of allowing to support the liquidity and the regular trading conditions of the stock. The buy-back follows up on a similar program expired in 2017. As of August 31st, 2018 the company's own stock represented **2,2%** of the company capital.
 - ❖ **DIVIDENDS:** beginning with the 2015 accounts, the company has approved a **stable dividend policy** with the objectives of:
 - Distributing a consistent part of the profits generated during the period
 - Generate a regular income flow for investors
 - Provide the market with stable guidelines for assessing expected dividend flows
 - Stimulate investment in the Notorious Pictures stock
- With reference to the **financial years 2015-17** the company distributed **dividends for a total of € 6.0 MM** with an average **pay out of 34%** and an average **dividend yield of 4.8%***.
- ❖ **NOMAD/SPECIALIST/CORPORATE BROKER:** in managing its relationship with the financial market, Notorious Pictures is supported by:
 - **Banca Finnat** - Nomad and Specialist
 - **Intermonte** - Corporate broker and research
 - **UBI Banca** – Corporate broker and research

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

4. Investment Opportunity

Conclusions

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

