

Company Update

Buy (maintained)

16 January 2019 – 5:30PM

 MARKET PRICE: **EUR3.19**

 TARGET PRICE: **EUR3.82 (from EUR3.50)**
Entertainment
Data

Shares Outstanding (m):	22.5
Market Cap. (EURm):	71.7
Enterprise Value (EURm):	68.6
Free Float (%):	15.5%
Av. Daily Trad. Vol. (m):	0.1
Main Shareholder:	Mr. Marchetti 82.3%
Reuters/Bloomberg:	NPI.MI NPI IM
52-Week Range (EUR)	1.1 3.7

Source: Factset, UBI Banca estimates

Performance

	1m	3m	12m
Absolute	-0.3%	21.3%	136.3%
Rel. to FTSE IT	-1.9%	22.2%	190.9%

Source: Factset

Graph area Absolute/Relative 12 M


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Entering the multiplex business

Notorious Pictures announced the landing in the cinema management business through a newco (Notorious Cinema), 100% controlled, which targets to manage 20 multiplexes in 5 years reaching around 5 million of admission. Even if the multiplex activity presents a lower profitability compared with the rest of the group (we estimate an EBITDA margin of 10-15% compared with >30% of Notorious Pictures), we believe this could be a good strategic move: 1) after two years of declining box office we are confident in a positive 2019, given several upcoming blockbusters and the deseasonalisation of the movie windows; 2) the multiplex business should moderate the relative unpredictability of the results of the production and distribution activities, thus lowering the overall risk of the company; 3) multiplex activity has structurally a negative NWC and therefore is a strong cash generator; 4) multiplex is a deferred tax assets source as VAT on box office revenues stands at 10% compared with 22% VAT on purchasing as a whole. In addition, this activity enjoys substantial tax credit, even on the restructuring of the theatres; 5) the new CEO, Mr. Stratta, has a proven experience in the national and international cinema networks and should adopt an innovative cinema format (high quality standard, new pricing model etc.). A contract for a multiplex (10 screens near Milan) has been already signed. Following the entrance in the multiplex business we revised our estimates and increase our target price to EUR3.82 per share (from EUR3.50) offering a potential upside of 20%. Buy reiterated.

- > The multiplex business is expected to start next March while in September the theatre acquired should be restructured. We estimate that this activity could generate >EUR10 million revenues in 2020 (27% of our 2020 sales forecast) with 6 multiplex (40 screens) which could grow to >EUR40 million in 2023 with 19 multiplex and around 130 screens. We expect >EUR1 million of additional EBITDA in 2020 (10% margin) with a positive impact on the bottom line (+5%). EBITDA margin should progressively grow to 13%.
- > We also revised our 2018 forecast factoring in the delay in the executive production of Lamborghini (EUR6 million impact, which should be recovered this year).
- > Our target price has been increased to EUR3.82 per share (from EUR3.50). At the target price, the company trades at 5.9x 2019 EV/EBITDA, well below the average multiple for the industry (8.3x).

Financials

	2017	2018E	2019E	2020E
Revenues (EURm)	18.1	31.1	40.9	50.1
EBITDA (EURm)	6.0	10.4	14.0	15.2
EBITDA margin (%)	33.1%	33.4%	34.1%	30.3%
EBIT (EURm)	1.9	3.7	8.3	8.9
EPS (EUR)	0.07	0.13	0.30	0.32
CFPS (EUR)	0.48	0.25	0.51	0.68
DPS (EUR)	0.05	0.07	0.08	0.10

Source: Company Data, UBI Banca Estimates

Ratios
priced on 15 January 2019

	2017 *	2018E	2019E	2020E
P/E(x)	17.4	23.9	10.6	9.8
P/CF(x)	4.6	7.4	5.8	5.3
P/BV(x)	1.2	3.1	2.6	2.1
Dividend Yield	4.7%	2.2%	2.5%	3.1%
EV/EBITDA(x)	3.3	6.6	4.9	4.5
Debt/Equity (x)	-0.3	-0.2	-0.1	-0.1
Debt/EBITDA (x)	-1.0	-0.3	-0.2	-0.3

Source: UBI Banca Estimates * Based on 2017 average price

Key Financials

(EURm)	2017	2018E	2019E	2020E
Revenues	18.1	31.1	40.9	50.1
EBITDA	6.0	10.4	14.0	15.2
EBIT	1.9	3.7	8.3	8.9
NOPAT	1.3	2.5	5.6	6.0
Free Cash Flow	3.6	-1.6	1.4	2.4
Net Capital Employed	14.8	19.4	24.8	29.7
Shareholders' Equity	21.0	22.8	28.0	33.5
Net Financial Position	-6.2	-3.4	-3.3	-3.8

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2017	2018E	2019E	2020E
Net Debt/Ebitda (x)	-1.0	-0.3	-0.2	-0.3
Net Debt/Equity (x)	-0.3	-0.2	-0.1	-0.1
Interest Coverage (%)	24.0	184.3	414.3	446.2
Free Cash Flow Yield (%)	14.0%	nm	1.9%	3.3%
ROE (%)	7.0%	13.2%	24.2%	21.8%
ROI pre-tax (%)	6.0%	11.1%	20.5%	18.7%
ROCE (%)	8.0%	14.5%	25.2%	22.0%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2017 *	2018E	2019E	2020E
P/E (x)	17.4	23.9	10.6	9.8
P/BV (x)	1.2	3.1	2.6	2.1
P/CF (x)	4.6	7.4	5.8	5.3
Dividend Yield (%)	4.7%	2.2%	2.5%	3.1%
EV/Sales (x)	1.1	2.2	1.7	1.4
EV/EBITDA (x)	3.3	6.6	4.9	4.5
EV/EBIT (x)	10.4	18.6	8.3	7.6
EV/CE (x)	1.3	3.5	2.8	2.3

Source: Company data, UBI Banca estimates

* Based on average 2017 price

Key Value Drivers

(%)	2017	2018E	2019E	2020E
Payout	82.7%	52.4%	26.5%	30.8%
NWC/Sales	33.8%	32.7%	27.2%	18.8%
Capex/Sales	39.5%	23.2%	24.7%	25.7%

Source: Company data, UBI Banca estimates

Recent Developments

- > Notorious Pictures last week announced the incorporation of Notorious Cinemas, a 100% controlled newco (with a paid-up share capital of EUR0.1 million) dedicated to the direct management of cinemas held exclusively under a lease agreement (therefore excluding any real estate acquisition). The new business will be managed by Mr. Stratta, a top manager with proven experience in the national and international cinema networks (he was the CEO of UCI Cinemas, the largest Italian cinema network).
- > The company plans to manage around 20 cinemas in the next five years and targets audiences of around 5 million in 2023, which should imply a market share of >5% making Notorious Pictures the third largest operator in Italy for screens after UCI Cinemas and The Space. One preliminary contract (9+9 years duration) has already been signed with IGD for the management of a multiplex with 10 screens in Sesto San Giovanni (close to Milan): the cinema should be operational from the beginning of March and totally restructured next summer. Notorious will convert the cinema to incorporate the innovative Notorious Cinemas “Experience” format which should offer a new entertainment model based on the highest standards of technical audio and video quality, extreme comfort, a welcoming environment, carefully selected locations, high quality food and drinks and computerised and automated ticketing systems.
- > Investors could argue that management of cinemas could be risky, given that admission decreased in the past two years (-6.9% in 2018 and -12.4% in 2016) and the average EBITDA margin of this business is well below production and distribution businesses, therefore, there will be some margin dilution for Notorious Pictures. However, we believe the entrance in the multiplex business is a right strategic development with a perfect timing for the following reasons: 1) two years of admission slowdown lowered the rentals of cinemas and therefore Notorious Pictures should benefit from lower rentals in future; 2) we expect a rebound of admission in 2019 and 2020 due to several upcoming blockbusters (including “Avatar 2”, “Star Wars 9”, “Avengers Endgame” and the new movie of Checco Zalone), the offering of blockbuster titles in the summer period by Major and independent film companies, starting from the summer of 2019 (so-called deseasonalisation), of a significant number of films of huge appeal to the public and the new law on the windows for the different media which should reduce the competition from digital platforms; 3) strategically, multiplex theatres should allow Notorious Pictures to reach the final customers while simultaneously moderating the relative unpredictability of the results of the production and distribution activities; 4) we expect sizeable tax credits coming from the new law on cinemas and contributions for restructuring from the real estate owners. We also highlight that Multiplex is a deferred tax assets source as VAT on box office revenues stands at 10% compared with 22% VAT on purchasing as a whole; 5) multiplex business has structurally a negative NWC (no trade receivables and limited inventories) and therefore is a strong cash generator. Altogether, we are confident that this business diversification would be earnings enhancing already next year.
- > According to Cinetel, the trend in the movie market was negative in 2018: admissions declined by 6.9% (-18.5% vs. 2016) and box office receipts were down 5.0% (-16.1% vs. 2016) but with some improvement in the second part of the year (in particular in November and December that saw an increase of 4.8%). Italian movies performed well with a box office increase of 23.8% (source: Cinetel) and a weight on the total box office of 23.0% compared with 17.6% in 2017. Overall, in 2018 Notorious Pictures distributed 19 movies (compared to 16 movies in 2017) with a box office take of around EUR13.7

million up 26.6% with a strong first half of the year (box office +110%, but a slowdown in 2H18 (-32%).

- > The executive production of “Lamborghini”, a movie with Antonio Banderas expected to be realized in 2018 and released in 2019 for a total consideration of EUR12.5 million has been postponed for the unavailability of Mr. Banderas, depriving 2018 revenues of around EUR6 million (in front the expected EUR7.2 million) which should be recovered in 2019.

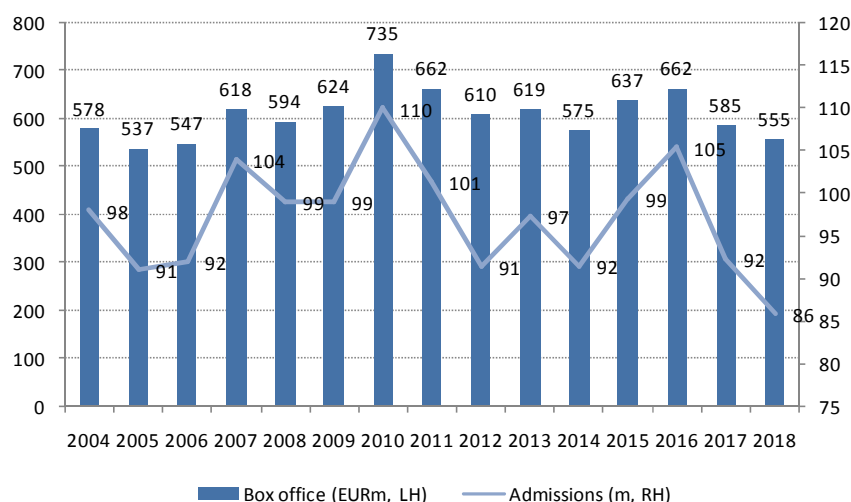
Figure 1 – Notorious Pictures multiplex activity: 2019-23 estimates

Multiplex	2019E	2020E	2021E	2022E	2023E
Admission Italy (m)	90.0	90.0	90.0	90.0	90.0
Multiplex	2	6	10	14	19
Screens	18	40	70	98	128
Seats	2,448	5,440	10,500	14,700	19,200
Seats per screen	136	136	150	150	150
Admission (EURm)	0.30	1.32	2.31	3.53	4.74
Market share	0.3%	1.5%	2.6%	3.9%	5.3%
Avg. Ticket price (EUR)	6.30	6.43	6.55	6.69	6.82
Avg. Ancillary expenses (EUR)	1.70	1.75	1.80	1.86	1.91
Avg. Expense per person (EUR)	8.00	8.18	8.36	8.54	8.73
Revenues (EURm)	2.38	10.79	19.31	30.14	41.36
EBITDA (EURm)	0.12	1.08	2.12	3.62	5.38
% margin	5.0%	10.0%	11.0%	12.0%	13.0%
D&A (EURm)	-0.12	-0.60	-1.05	-1.76	-2.56
EBIT (EURm)	0.00	0.48	1.07	1.85	2.82
% margin	-0.1%	4.4%	5.6%	6.1%	6.8%

Source: UBI Banca estimates

Figure 2 – Box office and admissions in Italy

2018 was another year of slowdown due to the lack of blockbusters. Admissions were the lowest of the past 14 years.



Source: UBI Banca on Cinetel data

Figure 3 – Movie releases in 2H18

Movie title	Release	Genre	Country	Box office (000)
The extraordinary journey of the fakir	Jul-18	Action/Drama	India/France/Spain	208
Bent - Polizia criminale	Jul-18	Thriller/Crime	USA	48
Mary Shelley	Aug-18	Bio/Drama	UK	308
Dog days	Sep-18	Comedy/Family	USA	219
Achille Tarallo	Oct-18	Comedy	Italy	275
A private war	Oct-18	Drama	USA	309
Hell Fest	Oct-18	Horror	USA	723
Non è vero ma ci credo	Oct-18	Comedy	Italy	232
#OPS	Nov-18	Bio	Italy	Single event
The glass castle	Dec-18	Bio/Drama	USA	200
Ben is back	Dec-18	Drama	USA	1,830
Total 2H18				4,352

Source: Cinetel, Company data, UBI Banca estimates

Financial Projections

- > Our estimates for the multiplex business are based on the following assumptions: 1) a flat Italian box office up to 2023 with 90 million admissions p.a. (85.8 million in 2018); 2) the acquisition of four multiplex p.a. which should lead to 19 cinemas managed in 2023; 3) every multiplex is expected to have 6-7 screens with around 150 seats per screen. This means >5.000 seats in 2020 and nearly 20.000 in 2023; 4) every seat should generate around 240 admission p.a. (thus implying a load factor <50%, which could be a conservative assumption) translating in around 1.3 million admission in 2020 and 4.7 million in 2023; 5) we calculated an average ticket price of EUR6.30 which should grow by 2% p.a. We also considered ancillary revenues of EUR1.70 per admission (growing by 3% p.a.), coming primarily from food & beverage but also from merchandise sales, advertising, parking and alternative events. Therefore total expense per person should reach EUR8.2 per admission in 2020 (EUR8.7 in 2023). Multiplying admissions for the average expense per person we reach around EUR2.4 million sales this year (6.2% of our estimates for Notorious Pictures) and EUR10.8 million in 2020 (27.4% of our consolidated forecasts) which should progressively grow to EUR41.4 million in 2023; 6) EBITDA margin is expected at 5% this year, due to the start-up costs, but should double in 2020 and progressively grow to 13% in 2023. This means around EUR1.1 million of additional EBITDA in 2020 and EUR5.4 million in 2023; 7) we considered EUR15-20k D&A cost per multiplex leading to an operating margin which should be around 4.4% in 2020 and nearly 7% in 2023. Altogether, we believe this new business could be earnings enhancing already in 2020.
- > In the second half of the year Notorious Pictures distributed 11 movies with a box office of around EUR4.3 million, slightly below our expectations, which should translate in around EUR1.7 million of theatrical revenues leading to an increase of around 27% in the full year. We also incorporated in our 2018 estimate the delay of the executive production of “Lamborghini”, therefore lowering our revenues assumption by around EUR6.0 million, partially offset by stronger pay and free TV revenues. EBITDA is now expected at EUR10.4 million, 22% below our previous expectation, due to lower theatrical sales and the postponement of “Lamborghini” executive production.
- > 2019 presents an attractive line up with >20 movies already scheduled. “Ben is Back” which is still on screens, have surpassed EUR1.8 million of box office while “City of Lies”, released on January 10, has reached receipts for around EUR0.7 million.
- > Our net cash estimates have been revised to incorporate the multiplex business. We estimate investments in this business to reach EUR15 million along the plan (2019-23) that should be totally covered by the cash generation of multiplex, which presents a negative NWC, tax credits and restructuring contributions. Still, there is a negative impact in 2019-20 due to the investment rump-up. We now expect a net cash of EUR3.3 million at Dec-19 and EUR3.8 million at Dec-20. Our estimates include a dividend pay-out ratio of around 30% (compared with a pay-out ratio of 83% in 2017), which gives a dividend yield close to 3% at current market price.

Figure 4 – Old vs. New estimates

(EURm)	2017A	2018E		2019E		2020E	
	New	Old	New	Old	New	Old	New
Total Sales	18.1	35.7	31.1	38.5	40.9	39.3	50.1
% change			-12.9%		6.2%		27.4%
EBITDA	6.0	13.4	10.4	13.9	14.0	14.2	15.2
% change			-22.5%		0.4%		7.2%
EBIT	1.9	6.6	3.7	8.3	8.3	8.5	8.9
% change			-44.2%		-0.7%		5.0%
Net Profit	1.5	5.4	3.0	6.8	6.8	7.0	7.3
% change			-44.3%		-0.7%		5.0%
Net Debt/(Cash)	(6.2)	(4.7)	(3.4)	(6.6)	(3.3)	(8.8)	(3.8)
EBIT margin	10.4%	18.5%	11.9%	21.7%	20.3%	21.6%	17.8%
EBITDA margin	33.1%	37.5%	33.4%	36.1%	34.1%	36.1%	30.3%

Source: Company data, UBI Banca estimates

Figure 5 – 2019 movie pipeline

Movie title	Release	Genre	Country
City of lies - L'ora della verità	Jan-19	Thriller	USA
Copperman	Feb-19	Drama	Italy
The Vanishing - Il mistero del faro	Feb-19	Thriller	USA
Asterix e la pozione magica	Mar-19	Animation	France
Terra Willy	Mar-19	Animation	France
Five feet apart - A un metro da te	Mar-19	Drama/Romance	USA
Little Miss Dolittle	Apr-19	Family	Germany
Latte and the magic waterstone	May-19	Animation	Germany
Arkie	Oct-19	Animation	USA
Playmobil	Nov-19	Animation	USA
War with gradpa	Nov-19	Comedy	USA
Richard says goodbye	1Q19	Drama	USA
Extremely wicked, shockingly evil	1Q19	Thriller	USA
Patrick	2Q19	Comedy/Family	UK
The last full measure	2Q19	Drama/Legal	USA
Light of my life	2Q19	Action/SciFi	USA
Polaroid	2Q19	Horror	USA
Teen Spirit	3Q19	Comedy/Romance	USA
Strange but true	3Q19	Thriller	USA
Lamborghini	3Q19	Biography	USA
Primal	3Q19	Action	USA
Rambo V	4Q19	Action	USA
Scary stories to tell in the dark	4Q19	Horror	USA
Kung Fury	4Q19	Sci-Fi	USA
Judy	4Q19	Biopic/Drama	USA

Source: Company data, UBI Banca estimates

Valuation

- > Following the entrance of Notorious Pictures in the multiplex business we modified the weight of the DCF on our target price to 70% (from 50%) as this valuation method has a long time horizon and therefore reflects the value of the multiplex business. On the contrary, the weight of the relative valuation method decline to 30% as the multiples comparison is possible up to 2020, when the multiplex business should still be in a rump-up phase. Given our new estimates, our DCF valuation has increased to EUR4.19 per share (from EUR3.38), benefitting from higher revenues and lower NWC absorption even if we decreased the long term EBIT margin to 17% (from 20% before) reflecting the lower profitability of the multiplex business. Our relative valuation drops to EUR2.97 per share (applying a 20% discount) from EUR3.63 per share due to our 2018 estimates reduction and the negative trend of the stock market in the past few months. The simple average of our DCF and the relative valuation gives a price of EUR3.82 per share, which is our new target price (from the previous figure of EUR3.50). The upside potential is around 20% and justifies our Buy rating. We highlight that the company is still trading at a huge discount to peers: 23% on 2019-20 EV/EBITDA, 37% in P/E and 55% on EV/EBIT.
- > At the target price, the company trades at 5.9x 2019 EV/EBITDA and 5.4x 2020 EV/EBITDA, compared with an average multiple for the industry of 8.3x in 2019 and 4.8x in 2020.
- > We remind that Notorious Pictures could benefit from the classification as an innovative small company (“PMI innovativa”), which increases the appeal of the shares given the associated tax benefits for investors, from the potential listing on the STAR segment (a reiterated management objective), from a solid financial structure and from an attractive dividend yield (we estimate around 3% in 2018-20).

Figure 6 – Valuation summary

(EUR)	16 January-19	Weight	19 September-18	Delta
DCF Valuation	4.19	70.0%	3.38	23.8%
Relative Valuation (at 20% discount)	2.97	30.0%	3.63	-18.1%
Target Price	3.82		3.50	9.1%
Current price	3.19		2.84	12.3%
Potential upside	19.8%		23.3%	

Source: UBI Banca estimates

Figure 7 – DCF Valuation

Our model incorporates a WACC of 8.0%, a terminal growth rate of 1% and an EBIT margin of 17% at terminal value (vs. 20% utilized before, as multiplex activity presents a lower margin), which is below the margin we expect for 2019-20. Our DCF valuation implies a 3.0x EV/EBITDA at terminal value.

	(EURm)	(% weight)
Sum of PV 2018-26 FCF	24.8	28%
Terminal value	63.4	72%
Total Enterprise value	88.2	100%
- Pension Provision	(0.2)	
- Net debt (+ cash)	6.2	
Total Equity value	94.1	
Fully diluted number of shares (m)	22.5	
Fair value per share (EUR)	4.19	

Source: UBI Banca estimates

Figure 8 – Peer comparison (priced on 15 January 2019)

Company	Market Cap (EURm)	P/E			EV/EBITDA			EV/EBIT		
		2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
EuropaCorp	49				3.5 x	2.4 x	1.9 x		40.1 x	25.8 x
Lions Gate Entertainment	3,281		24.9 x	19.7 x	10.0 x	9.2 x	8.0 x	22.1 x	16.1 x	13.2 x
Entertainment One	1,892	14.9 x	13.6 x	12.9 x	10.6 x	9.5 x	8.9 x	10.7 x	9.5 x	10.2 x
Constantin Medien	177		94.8 x		80.4 x	22.5 x			78.7 x	
Leone Film Group	64	11.4 x	8.0 x	6.0 x	3.7 x	3.1 x	2.5 x	16.5 x	10.3 x	7.7 x
Lucisano Media Group	26	8.6 x	5.4 x	5.4 x	3.4 x	2.9 x	2.5 x	11.0 x	7.7 x	7.4 x
Average		11.6 x	29.3 x	11.0 x	18.6 x	8.3 x	4.8 x	15.1 x	27.1 x	12.9 x
Median		11.4 x	13.6 x	9.5 x	6.8 x	6.2 x	2.5 x	13.7 x	13.2 x	10.2 x
Current market multiples	72	23.9 x	10.6 x	9.8 x	6.6 x	4.9 x	4.5 x	18.6 x	8.3 x	7.6 x
Discount to median		105.0%	-63.9%	-10.8%	-64.5%	-40.3%	-6.0%	23.5%	-69.3%	-40.6%

Source: Factset, UBI Banca estimates

Figure 9 – Implicit multiples based on our EUR3.82 target price

(x)	2018E	2019E	2020E
P/E	28.6 x	12.7 x	11.8 x
EV/EBITDA	8.0 x	5.9 x	5.4 x
EV/EBIT	22.4 x	10.0 x	9.2 x
EV/Sales	2.7 x	2.0 x	1.6 x
P/BV	3.8 x	3.1 x	2.6 x
EV/ Capital employed	4.3 x	3.4 x	2.8 x

Source: UBI Banca estimates

Income Statement

(EURm)	2017	2018E	2019E	2020E
Net Revenues	18.1	31.1	40.9	50.1
EBITDA	6.0	10.4	14.0	15.2
EBITDA margin	33.1%	33.4%	34.1%	30.3%
EBIT	1.9	3.7	8.3	8.9
EBIT margin	10.4%	11.9%	20.3%	17.8%
Net financial income /expense	-0.1	-0.0	-0.0	-0.0
Associates & Others	0.0	0.0	0.0	0.0
Profit before taxes	1.8	3.7	8.3	8.9
Taxes	-0.3	-0.7	-1.5	-1.6
Minorities & discontinuing ops	0.0	0.0	0.0	0.0
Net Income	1.5	3.0	6.8	7.3

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2017	2018E	2019E	2020E
Net working capital	6.1	10.2	11.1	9.4
Net Fixed assets	13.8	14.3	18.7	24.6
M/L term funds	-5.2	-5.1	-5.0	-4.4
Capital employed	14.8	19.4	24.8	29.7
Shareholders' equity	21.0	22.8	28.0	33.5
Minorities	0.0	0.0	0.0	0.0
Shareholders' funds	21.0	22.8	28.0	33.5
Net financial debt/(cash)	-6.2	-3.4	-3.3	-3.8

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2017	2018E	2019E	2020E
NFP Beginning of Period	-3.8	-6.2	-3.4	-3.3
Group Net Profit	1.5	3.0	6.8	7.3
Minorities	0.0	0.0	0.0	0.0
D&A	4.1	6.7	5.7	6.3
Change in Funds & TFR	0.0	0.0	0.0	0.0
Gross Cash Flow	5.6	9.7	12.4	13.6
Change In Working Capital	5.2	-4.1	-0.9	1.7
Other	0.0	0.0	0.0	0.0
Operating Cash Flow	10.8	5.7	11.5	15.2
Net Capex	-7.2	-7.2	-10.1	-12.9
Other Investments	0.0	0.0	0.0	0.0
Free Cash Flow	3.6	-1.6	1.4	2.4
Dividends Paid	-1.2	-1.2	-1.6	-1.8
Other & Chg in Consolid. Area	-0.0	0.0	0.0	0.0
Chg in Net Worth & Capital Incr.	0.0	0.0	0.0	0.0
Change in NFP	2.4	-2.8	-0.2	0.6
NFP End of Period	-6.2	-3.4	-3.3	-3.8

Source: Company data, UBI Banca estimates

Financial Ratios

(%)	2017	2018E	2019E	2020E
ROE	7.0%	13.2%	24.2%	21.8%
ROI	6.0%	11.1%	20.5%	18.7%
Net Fin. Debt/Equity (x)	-0.3	-0.2	-0.1	-0.1
Net Fin. Debt/EBITDA (x)	-1.0	-0.3	-0.2	-0.3
Interest Coverage	24.0	184.3	414.3	446.2
NWC/Sales	33.8%	32.7%	27.2%	18.8%
Capex/Sales	39.5%	23.2%	24.7%	25.7%
Pay Out Ratio	82.7%	52.4%	26.5%	30.8%

Source: Company data, UBI Banca estimates

Per Share Data

(EUR)	2017	2018E	2019E	2020E
EPS	0.07	0.13	0.30	0.32
DPS	0.054	0.070	0.080	0.100
Op. CFPS	0.48	0.25	0.51	0.68
Free CFPS	0.16	-0.01	0.15	0.18
BVPS	0.93	1.12	1.35	1.58

Source: Company data, UBI Banca estimates

Stock Market Ratios

(x)	2017 *	2018E	2019E	2020E
P/E	17.4	23.9	10.6	9.8
P/OpCFPS	2.4	12.7	6.2	4.7
P/BV	1.2	3.1	2.6	2.1
Dividend Yield (%)	4.7%	2.2%	2.5%	3.1%
Free Cash Flow Yield (%)	14.0%	nm	1.9%	3.3%
EV (EURm)	19.8	68.6	68.8	68.2
EV/Sales	1.1	2.2	1.7	1.4
EV/EBITDA	3.3	6.6	4.9	4.5
EV/EBIT	10.4	18.6	8.3	7.6
EV/Capital Employed	1.3	3.5	2.8	2.3

Source: Company data, UBI Banca estimates

Based on average 2017 price

Growth Rates

(%)	2017	2018E	2019E	2020E
Growth Group Net Sales	-21.1%	71.5%	31.5%	22.6%
Growth EBITDA	-8.8%	72.8%	34.3%	9.0%
Growth EBIT	-40.3%	94.6%	124.8%	7.7%
Growth Net Profit	-47.4%	103.7%	125.5%	7.7%

Source: Company data, UBI Banca estimates

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Date	Rating	Target Price (EUR)	Market Price (EUR)
3 March 2015	BUY	3.73	2.60
18 September 2015	BUY	3.43	2.55
4 March 2016	BUY	2.28	1.31
6 April 2016	BUY	2.28	1.33
7 December 2016	BUY	1.16	0.69
3 April 2017	BUY	1.50	0.90
3 May 2018	BUY	1.75	1.42
20 September 2018	BUY	3.50	2.84