



Digital Entertainment Company

May 2019

EXECUTIVE SUMMARY

1.

WHO WE ARE

NOTORIOUS PICTURES (“Notorious”), founded in **2012** by **Guglielmo Marchetti, Chairman and CEO**, with offices in Rome and Milan, is an important player in the production and distribution of multimedia contents in Italy.

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; (iii) **executive production** on behalf of international producers and (iv) **management of movie theatres** through its 100% subsidiary Notorious Cinemas.

LIBRARY includes over **870 films** at different stages in the distribution process, with **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**.

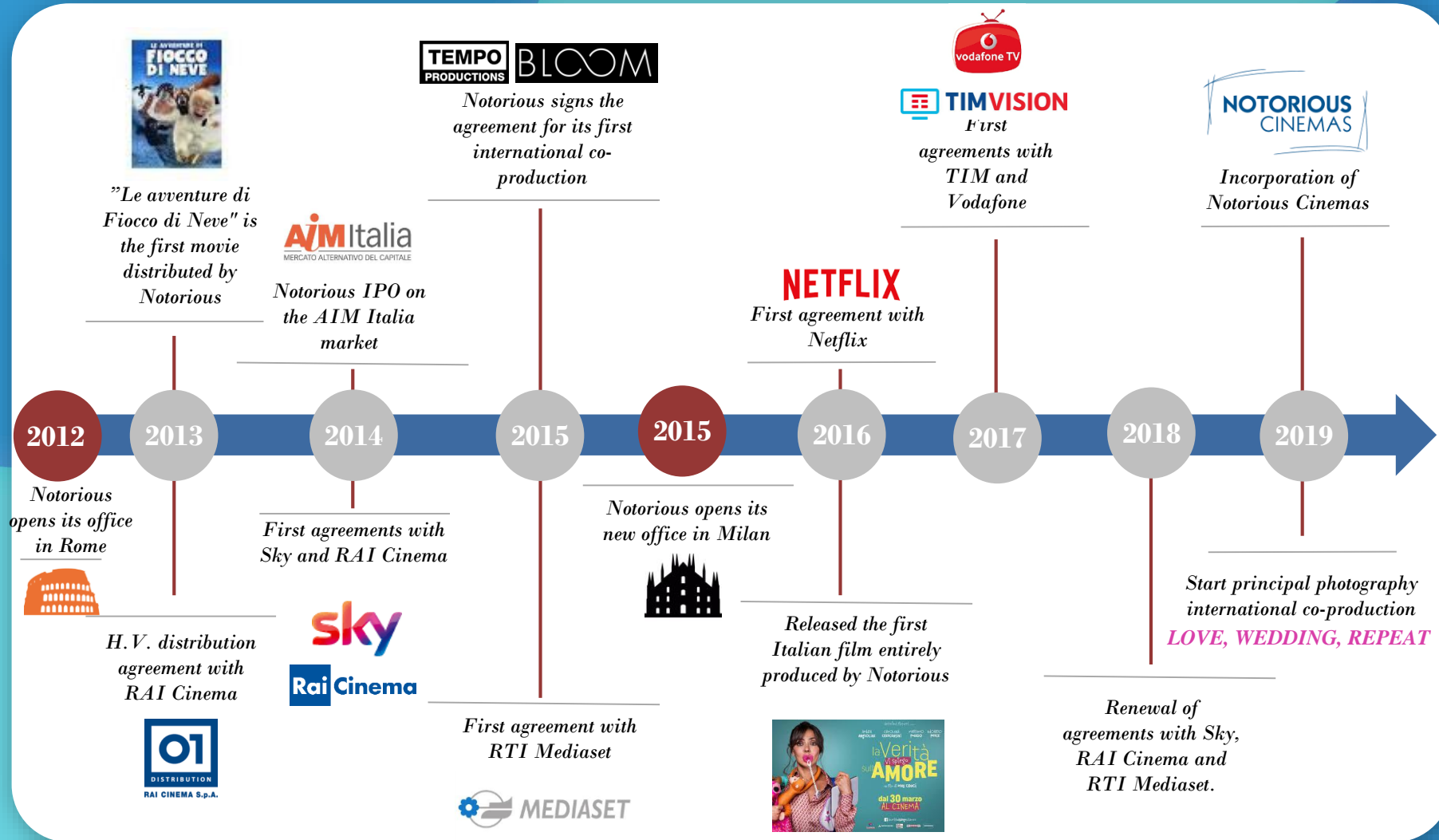
LONG TERM RELATIONSHIPS with the most significant players active in **different distribution channels**: movie theatres (The Space Cinema and UCI CINEMAS), national broadcasts (Rai, Sky, RTI Mediaset), digital over the top and telecoms (Netflix, Tim Vision, Vodaphone TV, Apple, Chili).

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**.

45 full time EMPLOYEES.

LISTED ON THE AIM ITALIA MARKET managed by Borsa Italiana since **July 2014**; **market cap of approximately € 67 million**.

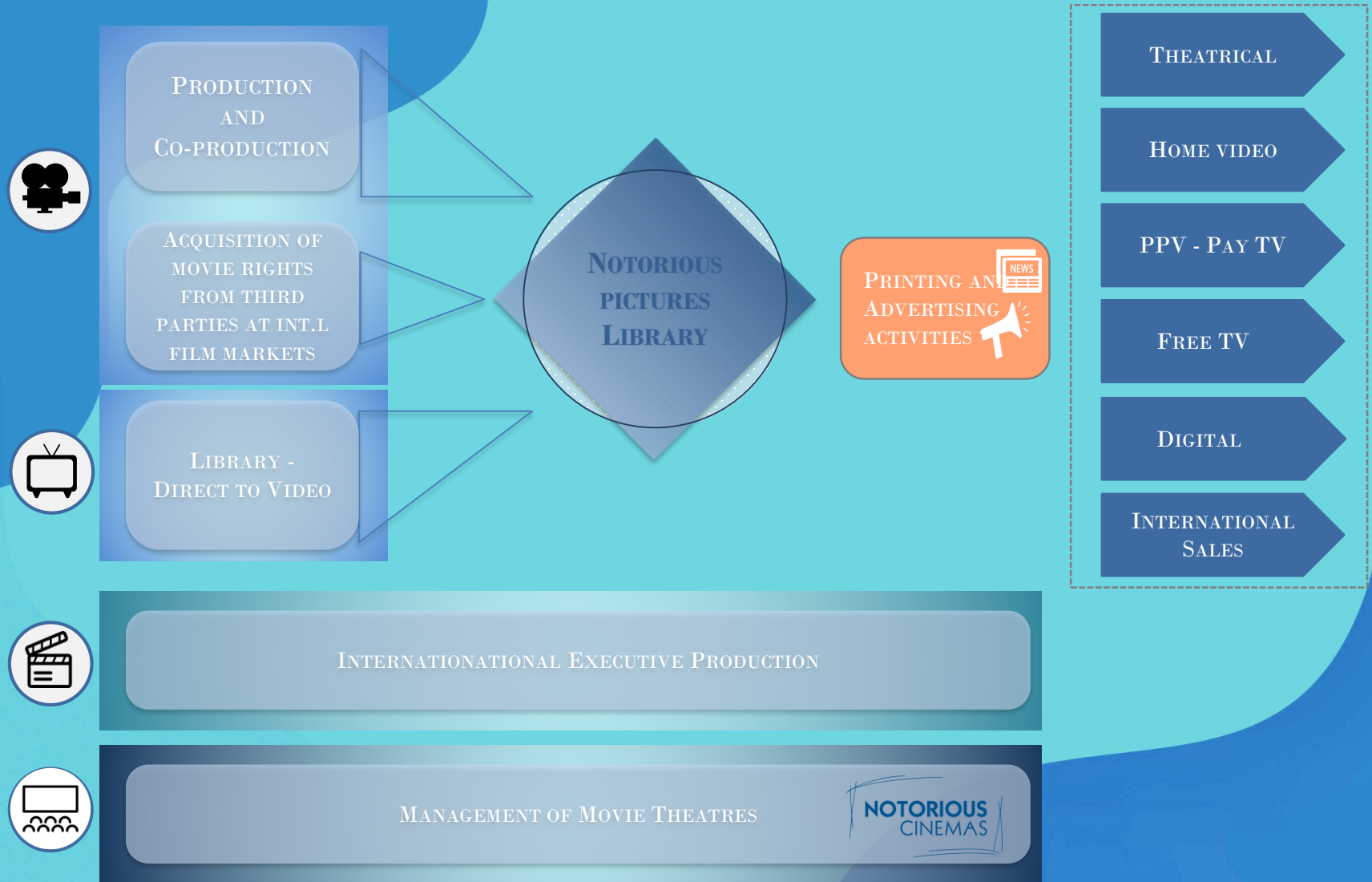
OUR HISTORY



BUSINESS MODEL

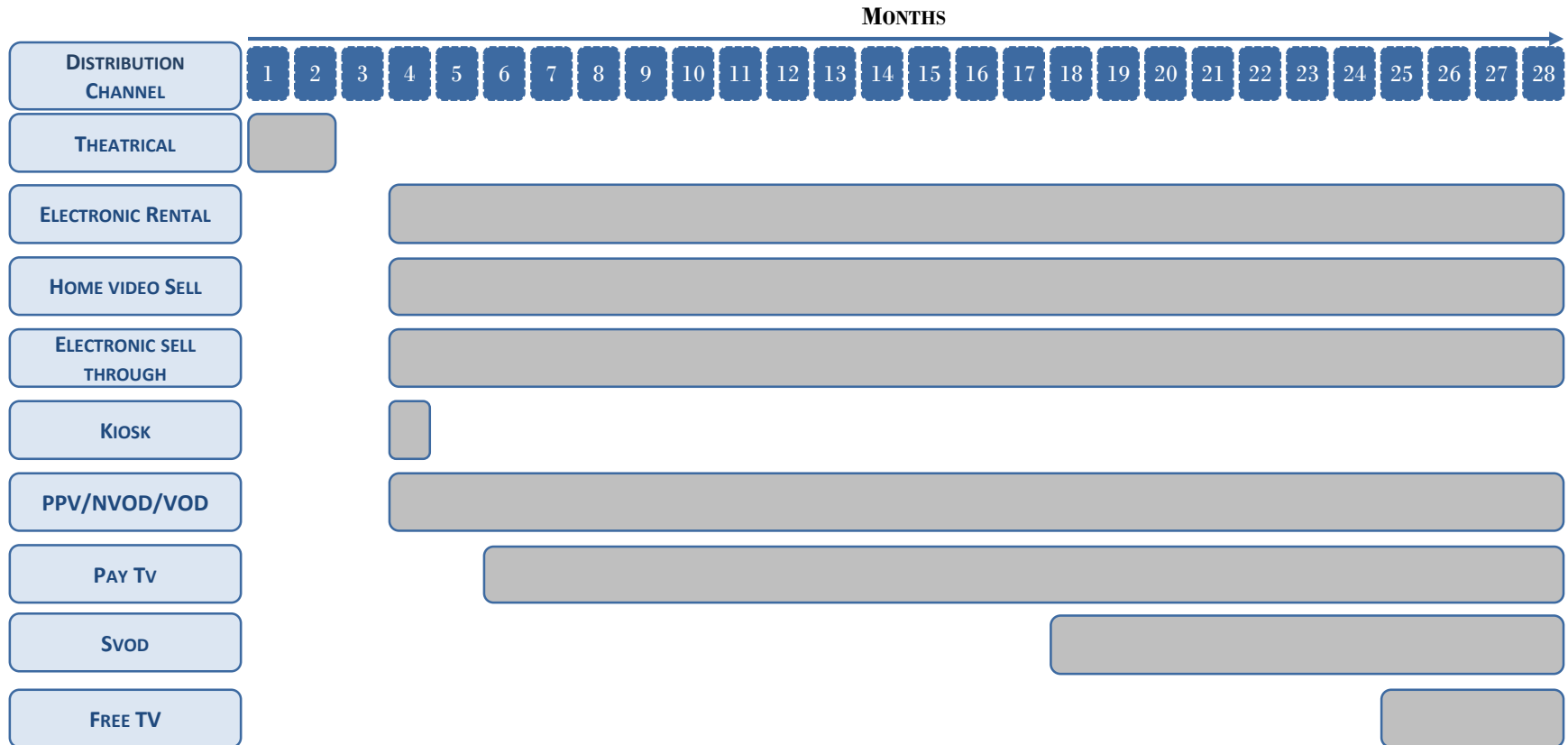
2.

4 MACRO BUSINESS AREAS



FILM RIGHTS LIFECYCLE

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).



DISTRIBUTION vs. 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

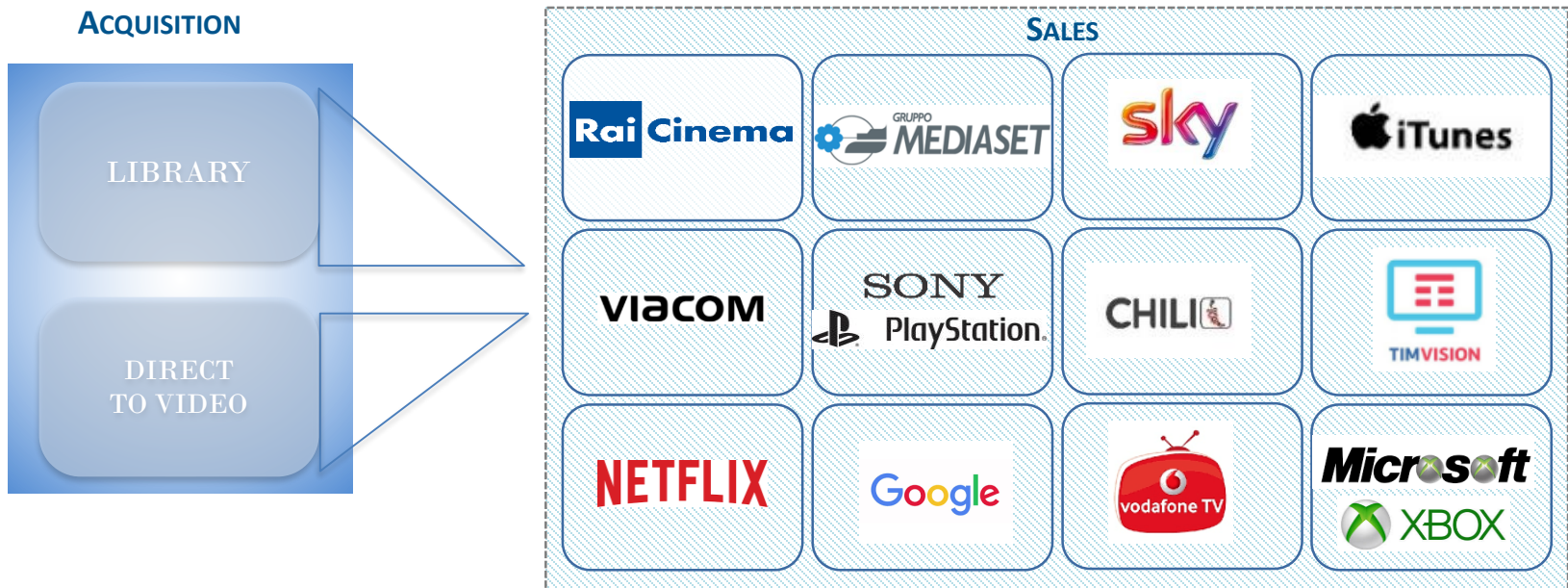
- ❖ Being both distributor and producer allows Notorious to **retain control over the entire value chain** and to distribute the film without the involvement of any other intermediate player.
- ❖ Access to **contributions and financial support** of various nature.

RIGHTS

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

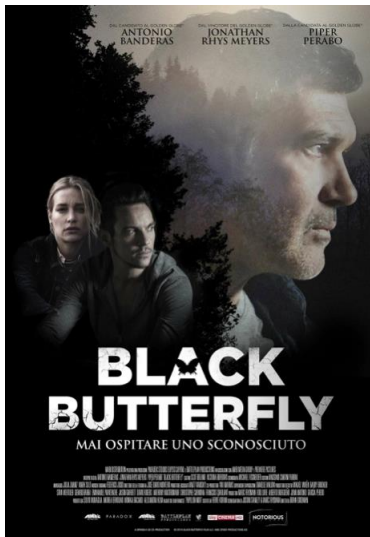
DIRECT TO DIGITAL

- ❖ **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).



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



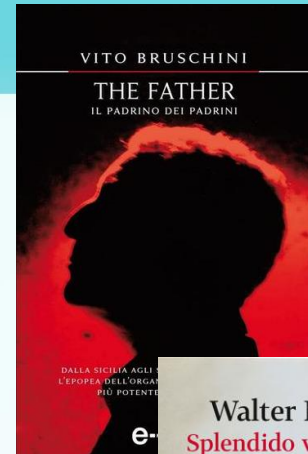
PRODUCTION
BUDGET
€ 2.5 MILLION



PRODUCTION
BUDGET
€ 12.5 MILLION

TV SERIES PRODUCTION

- ❖ **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
 - ❖ “#OPS” by Elisa Maino
 - ❖ “Polidoro” by M.Bonini, S. Moustard, R.Ravello, V. Rispoli
 - ❖ “L’ora di punta” by N. Venturini



NOTORIOUS CINEMAS

3.



NOTORIOUS CINEMAS ESTABLISHED IN JANUARY 2019 , IS A 100% SUBSIDIARY OF NOTORIOUS PICTURES.

NOTORIOUS CINEMAS HAS AS MAIN OBJECTIVE to manage 20 Multiplex by the end of 2023 reaching 5 million admissions and becoming the third movie theatre circuit in Italy.



Andrea Stratta

For over 18 years CEO of UCI Cinemas (Odeon Group), is the new CEO of Notorious Cinemas.

NOTORIOUS CINEMAS BORN AT A VERY FAVOURABLE TIME:

1. THE NEW LAW FRANCESCHINI HELPS EXHIBITORS.
2. NEW LAW ON WINDOWS GIVES 105 DAYS OF EXCLUSIVITY.
3. NEW SUMMER TERMS TO RELEASE BLOCKBUSTER DAY & DATE.

NOTORIOUS CINEMAS OPENED VERY SUCCESSFULLY ITS FIRST SITE ON MARCH 1°; DURING SUMMER IT WILL BE TRANSFORMED TO A RECLINING CINEMA.

WORLDWIDE CINEMA MARKET

- USA & Canada Box Office has reached the new record at \$11.9 billion.
- UK Market hits a new record in admissions due to industry initiatives and investments (reclining).
- In the main European countries the market declined due to lack of animation and comedy and the World Cup.
- In France admissions decreased due to yellow vest unrest.
- In Italy market decreased by 7% due to lack of animation and extremely hot weather.

WE HAVE TO OFFER TO OUR CUSTOMERS THE BEST CINEMA EXPERIENCE

1. Top comfort before, during and after the vision of a film.
2. High level of service with great attention to cleaning and security.
3. Big choice of food & beverage, not only pop corn and drinks.
4. High level of technology in sound & projection.
5. Fully digital experience.
6. Loyalty program.
7. Large choice of film and alternative content.

NOTORIOUS CINEMAS

OBJECTIVES

1.

OPENING OF 20
SITES BY 2023

- New construction in shopping malls
- “Takeover” of existing sites
- “Takeover” of traditional cinemas in downtowns

2.

BECOMING THE
3rd CIRCUIT OF
CINEMAS IN ITALY
WITH 5 MILLION
ADMISSIONS BY
THE END OF 2023

FINANCIAL DATA

4.

2018 P/L RESULTS

| Economic Data (€ mln) | 2018 | 2017 |
|----------------------------|--------------|--------------|
| Revenues | 31,5 | 18,0 |
| EBITDA | 11,1 | 6,0 |
| <i>EBITDA %</i> | <i>35,3%</i> | <i>33,2%</i> |
| EBIT | 4,1 | 1,9 |
| <i>EBIT %</i> | <i>13,3%</i> | <i>10,5%</i> |
| Net Profit/(Loss) | 4,2 | 1,5 |
| <i>Net Profit/(Loss) %</i> | <i>13,2%</i> | <i>8,2%</i> |

- ❖ 2018 **Revenues up 74%** vs. 2017.
- ❖ **EBITDA of Euro 11.1 million up 85%** vs. 2017 and reaching 35.3% of Revenues.
- ❖ **Net Profit of Euro 4.2 million up 181%** vs. 2017.
- ❖ 2018 an **excellent year, not exceptional**.

2018 B/S RESULTS

| Balance Sheet Data (€ mln) | 2018 | 2017 |
|---------------------------------|-------|-------|
| Fixed Assets | 14,6 | 13,8 |
| Net Working Capital | 9,2 | 6,1 |
| Provisions | 3,7 | 5,2 |
| Net Invested Capital | 20,1 | 14,8 |
| Net Financial Position / (Cash) | (3,4) | (6,2) |
| Shareholders' Equity | 23,6 | 21,0 |
| Dividends * | 1,8 | 1,2 |

* Approved with reference to the year and paid out during the following year.

- ❖ **Fixed Assets** increase to Euro 14.6 million reflecting **new investments during the year for Euro 7,5 million and Depreciation of Euro 7 million**
- ❖ **NWC** increases from Euro 6.1 million in 2017 to Euro 9.2 million **reflecting the increase in trade credits primarily vs. TV operators and tax credit.**
- ❖ **At 31/12/18 the company maintains a net cash position of Euro 3.4 million,** reduced vs. Euro 6.2 million at 31/12/17 (Euro 5.1 million at 30/06/18) reflecting increased investments and NWC.

INVESTMENT OPPORTUNITY

5.

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:** since **December 2015** the company has a buy-back program with the main objective of allowing to support the liquidity and the regular trading conditions of the stock. The program has been renewed in April 2019. As of March 31st, 2019 the company's own stock represented **2,4%** of the company capital.
- ❖ **DIVIDENDS:** beginning with the 2015 accounts, the company has approved a **stable dividend policy** with the objective of:
 - Distributing a consistent part of the profits generated during the period
 - Generating a regular income flow for investors
 - Providing the market with stable guidelines for assessing expected dividend flows
 - Stimulating investment in the Notorious Pictures stock

With reference to the **financial years 2016-18** the company distributed **dividends for a total of € 4.2 MM** with an average **pay out of 54%*** and an average **dividend yield of 4.3%****.

- ❖ **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 pay outs.

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

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**.
- ❖ Significant growth/profits opportunity provided by the **new Notorious Cinemas business**.
- ❖ 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**.
- ❖ High **dividend yield**.
- ❖ Still attractive **market multiples**.

