

NOTORIOUS PICTURES

BUY

SECTOR: Media

Price (Eu):

1.75

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Target Price (Eu):

2.20

Promising Signs Awaiting Reopening

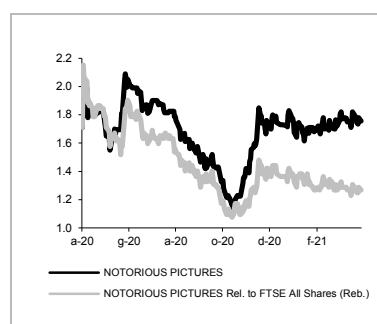
- Group defended cash flow well in FY20.** In an incredibly difficult year worldwide, the group demonstrated the validity of its strategy of diversifying distribution channels and saw cash levels hold up well thanks in part to public subsidies. 2020 revenues came in at Eu13.4mn, down 70% YoY but thanks to a 75% reduction in OpEx and a halving of personnel costs, EBITDA came to Eu5.0mn, broadly in line with our expectations. YE20 net debt was Eu12.9mn, an improvement on both the end of June 2020 (Eu13.7mn) and the end of December 2019 (Eu14.3mn). It is important to underline that without the impact of IFRS16 the YE20 debt would have been just Eu0.6mn.
- Supportive recent newsflow.** On 17th March 2021, Notorious Pictures announced the signing of a co-production agreement with Amazon Studios for the first Italian Amazon Original film, entitled "Anni da cane", developed from a subject originated by Notorious. Based on the agreement, Notorious Pictures will carry out executive production for the film at a higher-than-usual margin, as it also developed the script and will retain certain distribution rights. On 22nd March, Notorious announced the acquisition of rights for 8 international films at the European Film Market (Berlin Film Festival), enhancing visibility on the group's film distribution line-up by adding important titles such as "The Actor" starring Ryan Gosling or "Places, Please" starring Meryl Streep. By the end of April, the timeline for the reopening of cinemas should become clear, with major surveys indicating a large portion of the public is looking forward to living the cinema-going experience again.
- Change in estimates.** We are updating the 2021 estimates we published at the beginning of November 2020 to take into account the prolonged closure of cinemas, but newsflow since the beginning of the year provides good visibility on the fact that, once lockdowns are a thing of the past, the group may resume growth along 3 strategic avenues: distribution, production and cinema management. We are also adding the Eu3mn contribution to 2021 EBITDA from public grants related to the coronavirus emergency, so we are raising our EPS forecast by 29.4%. For 2022 and 2023 we are confirming our main assumptions, with the postponement of certain projects offset by greater cost efficiencies; all in all, we are improving 2022 and 2023 EPS by 4.4% and 1.9% respectively.
- BUY; target Eu2.2 unchanged.** Notorious can be a major beneficiary of the recovery of the Italian film industry in 2021-2022, thanks to a solid balance sheet and diversified business model. The pandemic has created significant uncertainty, but Notorious is well placed for a future restart, while also benefitting from very supportive recent newsflow. For the time being we are leaving our target unchanged; it cautiously reflects a 25% liquidity discount on a fair valuation.

Key Figures	2019A	2020E	2021E	2022E	2023E
Sales (Eu mn)	44	13	30	57	70
Ebitda (Eu mn)	15	5	12	17	21
Net profit (Eu mn)	5	-2	5	5	6
EPS - New Adj.(Eu)	0.232	-0.095	0.206	0.238	0.284
EPS - Old Adj.(Eu)	0.232	-0.024	0.159	0.228	0.279
DPS (Eu)	0.000	0.000	0.082	0.095	0.114
Ratios & Multiples	2019A	2020E	2021E	2022E	2023E
P/E Adj.	7.6	nm	8.5	7.4	6.2
Div. Yield	0.0%	0.0%	4.7%	5.4%	6.5%
EV/Ebitda Adj.	3.5	10.4	4.4	3.3	2.8
ROCE	21.6%	-7.6%	13.4%	14.5%	15.5%

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Next event: 1H21 results
Results out 29 September 2021

NOTORIOUS PICTURES - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Ch. in Adj. EPS est:	2021E	2022E
	29.4%	4.4%

STOCK DATA

Reuters code: NPI.MI
Bloomberg code: NPI IM

Performance	1m	3m	12m
Absolute	2.0%	-0.3%	2.6%
Relative	0.3%	-8.5%	-36.3%
12 months H/L:	2.09/1.12		

SHAREHOLDER DATA

No. of Ord. shares (mn):	22
Total No. of shares (mn):	22
Mkt Cap Ord (Eu mn):	39
Total Mkt Cap (Eu mn):	39
Mkt Float - ord (Eu mn):	6
Mkt Float (in %):	15.2%
Main shareholder:	
Marchetti Guglielmo	82.3%

BALANCE SHEET DATA

	2021
Book value (Eu mn):	29
BVPS (Eu):	1.28
P/BV:	1.4
Net Financial Position (Eu mn):	-14
Enterprise value (Eu mn):	54

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on the last page of this report

NOTORIOUS PICTURES - KEY FIGURES

		2019A	2020E	2021E	2022E	2023E
	Fiscal year end	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
PROFIT & LOSS (Eu mn)	Sales	44	13	30	57	70
	EBITDA	15	5	12	17	21
	EBIT	7	(3)	5	7	8
	Financial income (charges)	(0)	(0)	(1)	(0)	(0)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	6	(3)	5	6	8
	Taxes	(1)	1	(0)	(1)	(1)
	Tax rate (%)	17.7%	32.7%	5.4%	15.0%	15.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	5	-2	5	5	6
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	15	5	12	17	21
	Ebit excl. extraordinary items	7	(3)	5	7	8
Net profit restated	5	(2)	5	5	6	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	22	22	22	22	22
	EPS stated fd	0.232	-0.095	0.206	0.238	0.284
	EPS restated fd	0.232	-0.095	0.206	0.238	0.284
	BVPS fd	1.192	1.094	1.285	1.432	1.561
	Dividend per share (ord)	0.000	0.000	0.082	0.095	0.114
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	0.0%	0.0%	40.0%	40.0%	40.0%
CASH FLOW (Eu mn)	Gross cash flow	13	5	11	16	20
	Change in NWC	(6)	2	(5)	(5)	(3)
	Capital expenditure	(11)	(4)	(7)	(11)	(14)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	(4)	3	(1)	(2)	1
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(2)	0	0	(2)	(2)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	(18)	2	(1)	(2)	1	
BALANCE SHEET (Eu mn)	Total fixed assets	29	26	27	28	29
	Net working capital	15	13	18	23	25
	Long term liabilities	(3)	(2)	(2)	(2)	(2)
	Net capital employed	41	38	43	49	52
	Net financial position	(14)	(13)	(14)	(18)	(19)
	Group equity	27	25	29	32	35
	Minorities	0	0	0	1	2
Net equity	27	25	29	31	33	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	39	39	39	39	39
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(14)	(13)	(14)	(18)	(19)
	Enterprise value	54	52	54	57	59
RATIOS(%)	EBITDA margin*	34.9%	37.5%	39.6%	29.9%	30.1%
	EBIT margin*	15.0%	nm	17.7%	11.6%	11.2%
	Gearing - Debt/equity	53.2%	52.4%	48.8%	54.5%	54.4%
	Interest cover on EBIT	23.8	nm	10.8	19.0	24.9
	Debt/Ebitda	0.93	2.56	1.17	1.02	0.91
	ROCE*	21.6%	-7.6%	13.4%	14.5%	15.5%
	ROE*	20.7%	-8.3%	17.3%	17.8%	19.9%
	EV/CE	1.8	1.3	1.3	1.2	1.2
	EV/Sales	1.2	3.9	1.8	1.0	0.8
	EV/Ebit	8.1	nm	9.9	8.6	7.5
Free Cash Flow Yield	-9.3%	7.7%	-3.0%	-4.1%	1.5%	
GROWTH RATES (%)	Sales	39.9%	-69.5%	126.3%	88.6%	21.8%
	EBITDA*	38.6%	-67.3%	139.2%	42.5%	22.5%
	EBIT*	59.7%	nm	nm	23.6%	17.6%
	Net profit	25.8%	nm	nm	16.0%	19.2%
	EPS restated	25.8%	nm	nm	16.0%	19.2%

* Excluding extraordinary items

Source: Intermonte SIM estimates

FY20 Results

On 30th March 2021 the group unveiled FY20 results.

2020 revenues came in at Eu13.4mn (from Eu44.1mn in 2019), a decrease of c.70%. This shift was due to cinematographic distribution and production activities being effectively on hold for nearly the entire year due to the Covid pandemic. Specifically, during 2020 Notorious Pictures distributed 5 films to cinemas (from 17 in 2019), generating box office takings of Eu2.3mn vs. Eu17mn in 2019.

Thanks to a 75% reduction in OpEx and a halving of personnel costs, NPI achieved EBITDA of Eu5.0mn, broadly in line with our expectations, but well down on 2019 (Eu15.4mn). The company posted a net loss of Eu2.1mn, higher than our estimate due to greater D&A.

YE20 net debt was Eu12.9mn, more or less in line with our estimate (Eu12.1mn) but an improvement on both the end of June 2020 (Eu13.7mn) and the end of December 2019 (Eu14.3mn). It is important to underline that without the impact of IFRS16 the YE20 debt would have been just Eu0.6mn. The press release highlights that Eu3mn of public subsidies, despite relating to 2020, will be consolidated, accrued and cashed-in during 2021.

Notorious Pictures – FY20 results

(Eu mn)	1H19A	1H20A	YoY	2H19A	2H20A	YoY	2H20E	A. vs E.	2019A	2020A	YoY
Value of production	24.748	5.624	-77%	19.369	7.817	-60%	12.254	-36%	44.117	13.441	-70%
EBITDA	7.33	0.91	-88%	8.08	4.12	-49%	4.60	-10%	15.41	5.03	-67%
margin %	29.6%	16.2%		41.7%	52.7%		37.5%		34.9%	37.5%	
DA	(3.512)	(2.429)		(5.275)	(5.606)		(3.878)		(8.786)	(8.035)	
EBIT	3.820	(1.518)	-140%	2.806	(1.483)	-153%	0.722	-305%	6.626	(3.000)	-145%
margin %	15.4%	(27.0%)		14.5%	(19.0%)		5.9%		15.0%	(22.3%)	
Net fin. income/(expense)	(0.078)	(0.062)		(0.200)	(0.100)		(0.038)		(0.278)	(0.162)	
Pretax Profit	3.742	(1.580)	-142%	2.606	(1.582)	-161%	0.684	-331%	6.348	(3.162)	-150%
Taxes	(1.082)	0.742		(0.043)	0.293		(0.383)		(1.124)	1.035	
Tax Rate	(28.9%)	(46.9%)		0.0%	0.0%		0.0%		(17.7%)	(32.7%)	
Net profit	2.660	(0.838)	-132%	2.564	(1.289)	-150%	0.301	-529%	5.223	(2.127)	-141%
minorities	0	0		0	0		0		0	0	
Group net profit	2.660	(0.838)	-132%	2.564	(1.289)	-150%	0.301	-529%	5.223	(2.127)	-141%

Source: Company data and Intermonte SIM

Change in Estimates

As for 2021, we are updating the estimates we published at the beginning of November 2020 to take into account the prolonged closure of cinemas, but newsflow since the beginning of the year provides good visibility on the fact that, once lockdowns are a thing of the past, the group may resume growth along 3 strategic avenues: distribution (important film rights recently acquired at the Berlin festival), production (major agreement recently announced with Amazon) and cinema management. We are adding the Eu3mn contribution to 2021 EBITDA from public grants related to the coronavirus emergency, so we are raising our EPS forecast by 29.4%. For 2022 and 2023 we are confirming our main assumptions, with the postponement of certain projects offset by greater cost efficiencies; all in all, we are raising 2022 and 2023 EPS by 4.4% and 1.9% respectively.

Notorious Pictures - Change to estimates

	0	2020A	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Revenue from Notorious Pictures	11.89	27.75	48.50	54.95	40.75	54.93	56.20		-31.9%	-11.7%	-2.2%
YoY %	(72%)	133%	75%	13%	150%	35%	2%				
Revenues from Notorious Cinema	1.55	2.66	8.85	14.89	4.83	11.03	19.04		-44.8%	-19.8%	-21.8%
YoY %	(31%)	72%	232%	68%	207%	129%	73%				
Total Revenues	13.44	30.41	57.35	69.84	45.57	65.96	75.24		-33.3%	-13.1%	-7.2%
YoY %	(70%)	126%	89%	22%	155%	45%	14%				
EBITDA Notorious Pictures	5.04	11.38	14.61	16.28	11.21	15.44	15.91		1.5%	-5.4%	2.3%
YoY %	(67%)	126%	28%	11%	113%	38%	3%				
margin %	42%	41%	30%	30%	28%	28%	28%				
EBITDA Notorious Cinema	0.25	0.67	2.57	4.77	1.21	3.20	6.09		-44.8%	-19.8%	-21.8%
margin %	16%	25%	29%	32%	25%	29%	32%				
TOTAL EBITDA	5.03	12.05	17.17	21.04	12.42	18.64	22.00		-3.0%	-7.9%	-4.4%
YoY %	(67.33%)	139.25%	42.55%	22.54%	125.26%	50.10%	18.07%				
margin %	37.5%	39.6%	29.9%	30.1%	27.2%	28.3%	29.2%				
D&A Notorious Pictures	(4.8)	(6.0)	(8.8)	(10.1)	(7.0)	(10.0)	(10.2)				
D&A Notorious Cinema	(0.4)	(0.7)	(1.7)	(3.1)	(1.2)	(2.5)	(4.4)				
D&A	(8.0)	(6.7)	(10.5)	(13.2)	(8.2)	(12.5)	(14.6)				
EBIT	(3.000)	5.388	6.657	7.831	4.254	6.140	7.377		26.6%	8.4%	6.2%
YoY %	(145.28%)	(279.57%)	23.56%	17.64%	(634.55%)	44.32%	20.15%				
margin %	(22.3%)	17.7%	11.6%	11.2%	9.3%	9.3%	9.8%				
Net financial income/expense	(0.162)	(0.500)	(0.350)	(0.315)	(0.100)	(0.100)	0.000				
	(1.20%)	(1.64%)	(0.61%)	(0.45%)	(0.22%)	(0.15%)	0.00%				
Pretax Profit	(3.162)	4.888	6.307	7.516	4.154	6.040	7.377		17.7%	4.4%	1.9%
YoY %	(149.82%)	(254.57%)	29.04%	19.17%	(563.72%)	45.39%	22.14%				
margin %	(23.5%)	16.1%	11.0%	10.8%	9.1%	9.2%	9.8%				
Taxes	1.035	(0.264)	(0.946)	(1.127)	(0.582)	(0.906)	(1.107)				
Tax Rate	(32.7%)	(5.4%)	(15.0%)	(15.0%)	(14.0%)	(15.0%)	(15.0%)				
Net profit	(2.127)	4.624	5.361	6.389	3.573	5.134	6.271		29.4%	4.4%	1.9%

Source Intermonte SIM

2021-2023 Estimates

The following tables show our 2021-2023 revenue expectations broken down by business unit. Our main assumptions are broken down as follows: 1) Distribution; 2) Production; and 3) other revenues (tax credits are included in this line). Our forecasts for Notorious Cinemas are presented separately.

Notorious Pictures – Revenue breakdown

Revenue Breakdown	2019A	2020A	2021E	2022E	2023E
Distribution	27.1	9.6	15.0	22.5	24.2
YoY		-64.5%	55.4%	50.2%	7.9%
Production	10.7	-	6.0	18.5	22.1
YoY				208.3%	19.4%
Tax credit and other revenues	4.1	2.3	6.8	7.6	8.6
YoY		-44.2%	199.6%	11.0%	14.3%
Total	41.9	11.9	27.8	48.5	54.9
YoY		-71.6%	133.4%	74.8%	13.3%

Source: Intermonte SIM estimates

Distribution

In our model we assume that Notorious will be able to distribute 10 films in 2H21, while starting from 2022 we are assuming 18 films per year in line with its historical track record. This number may include internally-produced films.

Estimates are built assuming an average standard level of revenues per film. In reality Notorious's line-up consists of a very diversified offer ranging from major US blockbusters that are expected to rake in several million euros in box office revenues, to small Italian productions.

As for 2021, we have assumed coronavirus will continue to have a negative impact due to restrictions in the number of seats that can be occupied in any cinema.

Notorious Pictures – Forecasts on distribution business

Assumptions	2019A	2020A	2021E	2022E	2023E
# films	17	5	10	18	18
Theatrical revenue per film (Eu '000)	422	188	300	500	510
REVENUES	2019A	2020A	2021E	2022E	2023E
Theatrical	7.18	0.94	3.00	9.00	9.18
Free TV	1.27	1.67	3.20	2.20	3.30
Pay TV / Digital	17.10	6.72	8.50	11.00	11.50
Other revenues	1.52	0.28	0.25	0.25	0.25
Total Distribution	27.07	9.62	14.95	22.45	24.23

Source: Intermonte SIM estimates

Theatrical: we expect the cinema segment to remain a significant part of Notorious's business, recovering from the 2020 crisis as early as 2021, as the films originally slated for release in 2020 will contribute to 2021 figures instead. We forecast cinema revenues to recover gradually, reaching Eu9.2mn in FY23. On 22nd March, Notorious announced the acquisition of rights for 8 international films at the European Film Market (Berlin Film Festival). This deal enhances visibility on the group's film distribution line-up, adding important titles such as "The Actor" starring Ryan Gosling or "Places, Please" starring Meryl Streep.

Pay TV / Digital: traditionally, the Pay TV (i.e. SKY) and digital (i.e. Amazon Prime, Netflix, Tim Vision, etc.) segment closely follows cinema revenue trends, as box-office proceeds broadly dictate income from pay TV/digital. The increasing role played by OTT players should favour Notorious.

Free-to-Air TV: this business division is proving quite resilient, partly thanks to the sale of new films being included in bundles with other titles from the library. As for 2021, we remind that at the beginning of March Notorious signed a multi-year agreement for the sale of an FTA broadcasting licence on a bundle of recent and back-catalogue films to a leading international broadcasting group for Eu2.3mn.

Production

This is the key business area looking forward. In 2019 Notorious produced the film *Love, Wedding, Repeat*, which it then sold to Netflix for Eu10.7mn. This represented a great success that we cautiously assume the company will be unable to replicate in the coming years. In the meantime the group is developing a number of different projects, with some of them already at an advanced stage with leading industry players.

Notorious Pictures – Forecasts on production business

	2019A	2020A	2021E	2022E	2023E
International Ex. Production (Eu mn)				4.50	4.59
# direct to video projects				1	2
TV Series (Eu mn)				5.00	8.50
# films in production	1		2	3	3
Film Production (Eu mn)	10.72		6.00	9.00	9.00
Total Production	10.72	-	6.00	18.50	22.09

Source: Intermonte SIM estimates

Executive Production: this activity is expected to restart in 2022 and Notorious enjoys good visibility on a number of projects. It represents a contract business that Notorious carries out in general for international producers. This activity benefits from specific public incentives, with tax credits of up to 30% of the total costs, and typically shows an EBITDA margin of c.10%, structurally lower than the company's other activities but with a very low risk profile, no associated CapEx and a favourable cash flow profile. Given the strong public incentives, we expect this business to enjoy healthy growth in the coming years, reaching Eu4.6mn by the end of 2023.

TV series and film production. In 2021 we expect Notorious to be able to complete 2 film productions. At the moment 4 projects have already been announced, but we only expect 2 to be completed before year-end: (1) the co-production of the first Italian Amazon Original film "Anni da cane" born from the development of the winning subject of the first edition of Notorious Project, a competition dedicated to young authors; (2) An international comedy co-produced with Solaria Film and Minerva Pictures; (3) The drama "Sulla giostra" with Claudia Gerini, co-produced with Anele and RAI Cinema; (4) The international co-production "Europe C-19", a work made with 4 other European producers. In 2022 we expect Notorious to be able to complete a TV series and 2 film productions. In 2023 we expect 2 TV series and 3 film productions. The group's involvement in these projects can vary from a role similar to executive production to being the main originator of the intellectual property. Notorious is working on both Italian and international projects. We remind that global platforms like Netflix and Amazon Prime have to produce local content.

Notorious Cinemas

Italian cinemas are currently closed but the Italian government has recently indicated the possibility of a re-opening in May. We expect the situation to normalise gradually over the course of 2021. The crisis is providing players like Notorious with significant opportunities for consolidation. In our model we cautiously assumed no new openings in 2021 while, in 2022 and 2023, we added 2 and 3 new cinemas under management per year, respectively.

The key number in our estimates is the occupancy ratio, i.e. the average number of tickets sold annually per seat. In a normal year we estimate this ratio close to 300, while on 2021 we expect this figure to be about 110.

(see table on the next page)

Notorious Pictures – Forecasts on Notorious Cinemas

	2019	2020	2021 E	2022 E	2023 E	
Newly Opened Cinemas	2	1	-	2	3	
Cinemas YE	2	3	3	5	8	
Avg Screens per Cinema	8	5	5	7	7	
Total Screens	16	21	21	35	56	
Avg Seats per Screen	150	150	150	150	150	
Seats	Initial	2,400	3,150	3,150	5,250	
Seats	Final	2,400	3,150	3,150	8,400	
Seats	Average	1,000	2,775	3,150	4,200	6,825
Occupancy ratio (ticket per seat per	278	76	110	270	275	
Tickets	277,858	212,039	346,500	1,134,000	1,879,605	
Average Price	6.0	5.5	5.6	5.7	5.8	
Box office revenues	1,667,145	1,166,215	1,934,336	6,425,513	10,810,043	
Bar revenue per ticket	1.7	1.5	1.8	1.8	1.9	
Bar revenues	474,418	320,073	623,700	2,082,024	3,519,974	
Ad per ticket	0.4	0.3	0.3	0.3	0.3	
Advertising and Services	122,129	65,137	103,950	340,200	563,882	
Tax Credit	305,351					
Total Revenues	2,263,692	1,551,425	2,661,986	8,847,737	14,893,898	

Source: Intermonte SIM estimates

Notorious has built an extremely flexible business model, so we consider Notorious Cinemas to be an opportunity with very limited associated risks.

Not only are rents expected to be agreed according to the number of tickets sold, but CapEx to refurbish cinemas to meet the highest industry standards is largely funded by landlords or public subsidies.

In our estimates we expect box office revenues to normalise in 2022. The main risk to this assumption is the possible decision, taken by leading Hollywood majors like Disney, to release films directly on digital platforms. We still believe that cinema distribution is not only the best way to enjoy a film, but also the best channel to start the distribution process.

Positively, a recent U.K.-wide survey commissioned by the Film Distributors' Association has shown that the U.K. public is keen to return to cinemas, with 59% of respondents citing the cinema as their most missed out-of-home entertainment activity, while an additional 40% of audiences is planning to return within the first few weeks after reopening. We remind that U.K. drive-in cinemas reopened on 12th April and indoor screens are currently scheduled to reopen from 17th May. The research shows that those who have rented or purchased films digitally over the past year are the most likely to return to cinemas as soon as they reopen. Similar surveys in Italy have shown similar results: a survey from Hearst Italia found that 74% of over 5,000 people interviewed said they are willing to go back to cinemas as soon as possible.

Cash Flow

We have based our model on the following assumptions:

- **Net working capital:** starting from 2022, we expect net working capital to sales ratio to converge towards 38%-35% thanks to better payment terms when dealing with large OTT players and thanks to the increasing contribution from the cinema management business.
- **Dividend:** dividends are foreseen at Eu1.8mn and Eu2.1mn in 2022 and 2023 respectively (i.e. a 40% payout on 2021 and 2022 EPS); no dividends will be paid in 2021.
- **CapEx:** we estimate CapEx will amount to about 20% of sales in the coming years, mainly supporting the distribution and internal production activities.

Overall, we expect free cash flow generation to improve throughout the forecast period, reaching a positive balance in 2023 despite NWC absorption entailed by the expected top line growth.

Notorious – Cash Flow Statement

(Eu mn)	2019A	2020A	2021E	2022E	2023E
Net income	5.2	(2.1)	4.6	5.4	6.4
Minorities	0.0	0.0	0.0	0.0	0.0
Amortization & Depr.	8.8	8.0	6.7	10.5	13.2
Rights of use		(0.2)	(0.4)	(1.2)	(2.4)
Gross cash flow	14.0	5.7	10.9	14.6	17.2
Change in working capital	(5.7)	2.0	(5.1)	(4.8)	(2.7)
Other funds and provisions	(1.1)	(0.4)	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Operating cash flow	7.2	7.2	5.8	9.9	14.6
Capex	(10.9)	(4.2)	(7.0)	(11.5)	(14.0)
% on sales	25%	31%	23%	20%	20%
FCF (Eu mn)	(3.7)	3.0	(1.2)	(1.6)	0.6
FCF/EBITDA	(0.2)	0.6	(0.1)	(0.1)	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Dividends	(1.8)	0.0	0.0	(1.8)	(2.1)
Right Issue	0.0	0.0	0.0	0.0	0.0
Other	(12.2)	(1.7)	0.0	0.0	0.0
Cash Flow	(17.7)	1.4	(1.2)	(3.5)	(1.5)
NFP at bgn year Cash/(Debt)	3.4	(14.3)	(12.9)	(14.1)	(17.6)
Cash Flow: Cash/(Debt)	(17.7)	1.4	(1.2)	(3.5)	(1.5)
NFP at year end: Cash/(Debt)	(14.3)	(12.9)	(14.1)	(17.6)	(19.1)
of which: Rights of Use liabilities (IFRS 16)	(10.7)	(12.3)	(12.3)	(12.3)	(12.3)

Source: Intermonte SIM estimates

NOTORIOUS PICTURES Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
NOTORIOUS PICTURES	1.76	EUR	39	2.0%	-0.3%	32.5%	1.4%	2.6%	-44.1%
LEONE FILM	2.74	EUR	39	-2.1%	11.4%	25.7%	16.1%	-27.1%	-40.4%
LIONS GATE ENTERT.	15.99	USD	3,536	-14.2%	32.3%	82.1%	40.6%	154.2%	-3.6%
LUCISANO MEDIA	1.38	EUR	20	9.5%	22.1%	11.3%	17.9%	6.2%	-22.9%
MONDO TV	1.52	EUR	66	13.8%	12.0%	-10.9%	14.0%	-7.8%	18.9%
Mean performance				1.8%	15.5%	28.1%	18.0%	25.6%	-18.4%
Italy FTSE Mib	24,457.2	EUR	0	1.4%	8.0%	24.0%	10.0%	38.8%	11.9%

Source: FactSet

NOTORIOUS PICTURES Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
NOTORIOUS PICTURES	1.76	EUR	39	1.8	1.0	4.4	3.3	9.9	8.6	8.5	7.4	4.7%	5.4%
LEONE FILM	2.74	EUR	39										
LIONS GATE ENTERT.	15.99	USD	3,536	1.5	1.2	11.4	8.8	41.6	21.3	21.0	14.3	0.0%	0.0%
LUCISANO MEDIA	1.38	EUR	20										
MONDO TV	1.52	EUR	66	2.3	2.1	2.7	2.4	5.5	5.2	10.1	9.2	0.0%	0.0%
Median				1.9	1.7	7.1	5.6	23.6	13.3	15.6	11.8	0.0%	0.0%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	NOTORIOUS PICTURES		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	2.20	Previous Target (Eu):	2.20
Current Price (Eu):	1.75	Previous Price (Eu):	1.23
Date of report:	13/04/2021	Date of last report:	03/11/2020

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed; among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

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NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	51,22 %
NEUTRAL:	28,45 %
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SELL:	00,00 %

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NEUTRAL:	17,31 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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