

NOTORIOUS PICTURES

BUY

Sector: Media

Price: Eu1.30 - Target: Eu2.00

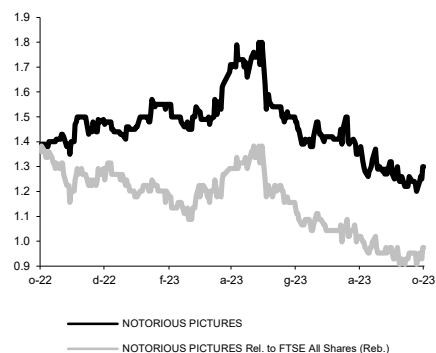
Navigating a Dynamic Landscape

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 2.20 to 2.00		
	2023E	2024E	2025E
Chg in Adj EPS	-20.5%	-20.8%	-2.9%

NOTORIOUS PICTURES - 12M Performance



Stock Data

Reuters code:	NPI.MI
Bloomberg code:	NPI IM

Performance	1M	3M	12M
Absolute	2.4%	-8.5%	-4.4%
Relative	3.7%	-5.9%	-37.3%
12M (H/L)	1.80/1.20		
3M Average Volume (th):	13.06		

Shareholder Data

No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	29
Total Mkt Cap (Eu mn):	29
Mkt Float - Ord (Eu mn):	6
Mkt Float (in %):	21.9%
Main Shareholder:	
Marchetti Guglielmo	75.4%

Balance Sheet Data

Book Value (Eu mn):	33
BVPS (Eu):	1.45
P/BV:	0.9
Net Financial Position (Eu mn):	-46
Enterprise Value (Eu mn):	75

■ **Soft 1H23, largely because film productions will be sold in 2H23.** 1H23 revenues were Eu14.0mn, down 20% YoY. Distribution revenues came to Eu4.0mn, down 29.0% YoY, as the sharp growth of cinema distribution revenues was more than offset by lower sales of PPV/PAY TV rights. There was a very positive trend for revenues linked to cinema management, going from Eu2.4mn to Eu3.5mn, +48% YoY, thanks to the full reopening of cinemas and the good recovery in audiences, which continued into 3Q23. Revenues from production activity fell from Eu8.7mn to Eu4.6mn, but this value is nearly cancelled out by the change in inventories, as several film productions were completed in July 2023 and will start to be marketed in 2H23. Other revenues and income, largely relating to public subsidies, increased considerably from Eu0.9mn to Eu6.2mn. In terms of margins, the drop in revenues, and in particular the reduced contribution from production activity, drove an important decline: EBITDA and EBIT closed at Eu5.7mn and Eu1.8mn respectively, down 42% and 34% YoY, while net profit was up 13% thanks to the positive effect of tax exempt public contributions.

■ **2H23: navigating a dynamic landscape.** In 1H23, Italian cinemas experienced a promising recovery and 2023 is now projected to end with approximately 70 million tickets sold, down 20% on pre-Covid levels, but up more than 50% on 2022. At the same time, there was a discernible cooling of demand for “first pay” content exploitation. All the main industry players have reduced purchasing budgets and consequently impacted independent producers. In conclusion, 2H23 should let Notorious capitalize on the resurgence in cinema-going via a promising film pipeline. Revenue outlook hinges on ongoing negotiations for the monetization of “first pay” rights, with potential for bundle sales, especially given the blockbuster potential of The Hunger Games and on the effective timing of the sales of newly completed productions. For 2024 and 2025, cautious optimism prevails, anticipating a reduced distribution slate, but the chance of acquiring higher-profile titles.

■ **Change in estimates.** In light of indications from 1H23 results we are reducing our 2023-25 revenue forecasts for the distribution business but also improving our estimates for the theatrical management business. We perceive increasing visibility on our forecasts for the film production business, where Notorious is working on a number of important projects and where there is a production project for an internally-developed series to be delivered in 2024. However, in 2023 it is not fully certain that the company will be able to finalise the sale of the most important film production (“A sudden case of Christmas”, starring Danny De Vito and Andie Mac Dowell); if sale is postponed to 2024, we assume a shift of about Eu8mn in revenues. Our estimates assume public subsidies to the film industry remain unchanged in the coming years. Below the EBIT line, we are increasing financial charges, partially offset by the assumption of lighter taxes.

■ **BUY; target from Eu2.2 to Eu2.0.** 1H results showed a sharp decline in revenues and margins, largely attributable to film production projects that were not sold by the end of the period but whose positive impact will come in 2H23 or 2024. While this shortfall is purely temporary, we have adjusted our estimates to account for a reduced purchasing budget from leading media players. On the other hand, the significant upturn in cinema attendance is comforting for the sector. All in all, we confirm our view on the stock, moving our target to Eu2.0 (DCF Model, Wacc 10%, t.g. 1.0%).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	26	36	41	56	69
EBITDA Adj (Eu mn)	10	18	18	23	26
Net Profit Adj (Eu mn)	4	4	4	6	9
EPS New Adj (Eu)	0.158	0.194	0.195	0.283	0.395
EPS Old Adj (Eu)	0.158	0.194	0.245	0.357	0.407
DPS (Eu)	0.082	0.115	0.078	0.113	0.158
EV/EBITDA Adj	5.3	3.1	4.1	3.1	2.8
EV/EBIT Adj	16.4	9.8	14.5	8.8	6.7
P/E Adj	8.2	6.7	6.7	4.6	3.3
Div. Yield	6.3%	8.8%	6.0%	8.7%	12.2%
Net Debt/EBITDA Adj	1.6	1.2	2.5	1.9	1.7

NOTORIOUS PICTURES – Key Figures

Profit & Loss (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	13	26	36	41	56	69
EBITDA	5	10	18	18	23	26
EBIT	-3	3	6	5	8	11
Financial Income (charges)	-0	-0	-0	-1	-1	-1
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	-3	3	5	4	7	10
Taxes	1	0	-1	0	-1	-1
Tax rate	32.7%	-14.7%	17.5%	-2.3%	10.0%	10.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	-2	4	4	4	6	9
EBITDA Adj	5	10	18	18	23	26
EBIT Adj	-3	3	6	5	8	11
Net Profit Adj	-2	4	4	4	6	9
Per Share Data (Eu)	2020A	2021A	2022A	2023E	2024E	2025E
Total Shares Outstanding (mn) - Average	22	22	22	22	22	22
Total Shares Outstanding (mn) - Year End	23	23	23	23	23	23
EPS f.d	-0.095	0.158	0.194	0.195	0.283	0.395
EPS Adj f.d	-0.095	0.158	0.194	0.195	0.283	0.395
BVPS f.d	1.094	1.252	1.366	1.446	1.651	1.933
Dividend per Share ORD	0.000	0.082	0.115	0.078	0.113	0.158
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	51.8%	59.2%	40.0%	40.0%	40.0%
Cash Flow (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Gross Cash Flow	5	10	16	18	21	24
Change in NWC	2	-0	-3	-6	3	-0
Capital Expenditure	-4	-12	-14	-20	-15	-14
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	3	-4	-3	-10	8	8
Acquisitions, Divestments & Other Items	0	0	0	0	0	0
Dividends	0	0	-2	-3	-2	-3
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	1	-4	-4	-25	3	-2
Balance Sheet (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Total Fixed Assets	26	33	36	57	62	70
Net Working Capital	13	13	16	22	19	19
Long term Liabilities	-2	-1	-1	-1	-1	-1
Net Capital Employed	38	45	52	78	80	88
Net Cash (Debt)	-13	-17	-21	-46	-42	-44
Group Equity	25	28	31	33	37	43
Minorities	0	0	0	0	0	0
Net Equity	25	28	31	33	37	43
Enterprise Value (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Average Mkt Cap	41	39	34	29	29	29
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-13	-17	-21	-46	-42	-44
Enterprise Value	54	55	55	75	72	74
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA Adj Margin	37.5%	39.5%	49.5%	44.9%	40.5%	37.6%
EBIT Adj Margin	nm	12.9%	15.8%	12.7%	14.5%	15.9%
Gearing - Debt/Equity	52.4%	59.0%	67.9%	140.7%	114.2%	101.9%
Interest Cover on EBIT	nm	12.0	17.2	5.8	7.4	10.0
Net Debt/EBITDA Adj	2.6	1.6	1.2	2.5	1.9	1.7
ROACE*	-7.6%	8.2%	11.7%	8.0%	10.4%	13.1%
ROE*	-8.3%	13.5%	14.8%	13.8%	18.3%	22.0%
EV/CE	1.4	1.3	1.1	1.2	0.9	0.9
EV/Sales	4.0	2.1	1.5	1.8	1.3	1.1
EV/EBITDA Adj	10.7	5.3	3.1	4.1	3.1	2.8
EV/EBIT Adj	nm	16.4	9.8	14.5	8.8	6.7
Free Cash Flow Yield	10.4%	-14.6%	-8.9%	-35.3%	27.6%	26.3%
Growth Rates (%)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	-69.5%	95.3%	35.6%	14.9%	37.7%	22.2%
EBITDA Adj	-67.3%	106.0%	69.8%	4.3%	24.1%	13.5%
EBIT Adj	nm	nm	66.1%	-7.9%	57.8%	34.3%
Net Profit Adj	nm	nm	22.8%	0.2%	45.4%	39.6%
EPS Adj	nm	nm	22.8%	0.2%	45.4%	39.6%
DPS		nm	40.2%	-32.3%	45.4%	39.6%

*Excluding extraordinary items Source: Intermonte SIM estimates

1H23 Results

1H23 revenues came to Eu14.0mn, down 20% YoY. Distribution revenues came to Eu4.0mn, down 29.0% YoY, as the sharp growth in cinema distribution revenues was more than offset by lower sales of PPV/PAY TV rights. Revenues linked to cinema management tracked a very positive trend, going from Eu2.4mn to Eu3.5mn, +48% YoY, thanks to the full reopening of cinemas and the good recovery in audiences, which continued into 3Q23. Revenues from production activity fell from Eu8.7mn to Eu4.6mn, but this value is nearly cancelled out by the change in inventories, as several film productions were completed in July 2023 and will start to be marketed in 2H23. Other revenues and income, largely relating to public subsidies, increased considerably from Eu0.9mn to Eu6.2mn, partly due to the fact that the subsidies accrued in relation to 2022 activity received formal ministerial approval, and were therefore booked during 1H23. In terms of margins, the drop in revenues, and in particular the reduced contribution from production activity, drove an important decline: EBITDA and EBIT closed at Eu5.7mn and Eu1.8mn respectively, down 42% and 34% YoY. Public subsidies clearly bolstered margins (as they are pure profit), enabling net profit to close at Eu2.5mn, up 13%. Net debt (excluding IFRS16 effects) was Eu15.3mn as at the end of June 2023, up c.Eu7mn on YE22. We note that the company distributed Eu2.5mn in dividends in the period, that public subsidies booked on the P&L did not entirely translate into a cash benefit, and that the company made over Eu10mn of investments in the production of four new films.

Notorious – 1H23 results

Revenues	1H22A	1H23A	YoY chg %
Total distribution revenues	5.61	3.97	-29%
Total Notorious Cinemas	2.40	3.54	48%
Total production revenues	8.74	4.62	-47%
Work in progress	-0.02	-4.24	
Tax Credits and other revenues	0.88	6.14	
Total Revenues	17.62	14.03	-20%

(Eu mn)	1H22A	1H23A	YoY chg %
Value of production	17.6	14.0	(20%)
EBITDA	9.7	5.7	(42%)
margin %	55.3%	40.3%	
D&A	(7.0)	(3.9)	
EBIT	2.7	1.8	(34%)
margin %	15.4%	12.8%	
Net fin. income/(expense)	(0.1)	(0.5)	
Pretax Profit	2.6	1.3	(49%)
margin %	14.7%	9.5%	
Taxes	(0.4)	1.2	
Net profit	2.2	2.5	13%
margin %	12.6%	17.9%	
Net Debt excl. IFRS 16	(4.5)	(15.3)	

Source: Company data and Intermonte SIM estimates

Business Updates

The core market

In 1H23, Italian cinema-going finally experienced the long-awaited recovery. The harbinger of this was "Super Mario Bros", released in cinemas on 5 April 2023, which grossed Eu20.4mn. The turning point came with "Barbie", released on 20 July 2023, which grossed Eu32.1mn. And confirmation came from "Oppenheimer" which, despite lacking the ideal characteristics for a blockbuster, has grossed Eu27.4mn at the box office since 23 August 2023.

Overall, 1H23 box office was 35% below pre-covid (the benchmark is the 2017-18-19 average) but up 54% on 1H22 and with a clearly improving trend, as May marked a 10% drop vs. pre-covid levels but June saw growth of 21%. July witnessed growth of 67% (thanks to Barbie, the best July ever) and August 20% (continuing Barbie effect + start of Oppenheimer), while September recorded a decline of only 7%, meaning 9M23 was 22% down on pre-covid. In light of this encouraging trend and the good programming expected for the final part of the year, we think 2023 could close with around 70 million tickets sold vs. a pre-covid level of 91 million for estimated revenue down around 20% on pre-covid but up 57% on 2022 (44.5 million tickets sold).

The excellent numbers in Italy are in line with the international picture and mark a global recovery in box office numbers that has made it clear to producers, previously tempted by the "Direct To Video" model, that cinematic distribution is an indispensable channel, not only to monetize returns that would otherwise have been much more diluted had the same film been uploaded to a platform, but also to generate "buzz marketing" effects among viewers, which firmly lodge a film, together with its stars, the memorable scenes and the best lines, in the collective imagination, thus making the film an asset with enduring value.

As we were saying, the semester saw a good recovery in attendance at cinemas but also a cooling in the appetite for cinema content for so-called "first pay" exploitation. In recent years, with the arrival of the major OTTs (Netflix, Amazon Prime, Disney+ et al), a ferocious competition has broken out amongst the various operators old and new, a conflict being fought out with new films and TV series on the various platforms or in schedules every week. This battle intensified during Covid, when the various operators could count on unprecedented attention from the public. The effects of this rivalry have weighed on accounts: starting from the end of 2022, all operators have significantly reduced their purchasing budgets, with negative consequences, especially for independent producers.

Updating our estimates

In many ways this path was predictable, and, over time, a healthy group like Notorious has been able to diversify its revenue sources across the different segments of the value chain. At the same time, the distribution business would struggle to support demands for guaranteed minimums without the substantial revenue contribution from "first pay" exploitation.

At the moment, Notorious has not yet finalized the sale of the "first pay" rights relative to the films from its library that it distributed in cinemas during the year such as "The Three Musketeers: D'Artagnan", "Jeanne du Barry – La favorita del re", "Noi Anni Luce" and "Asterix and Obelix – The Middle Kingdom" or animated film "Argonauts Missione Olimpo (international title "Epic Tails"). For reasons of prudence, the purchase of new titles for distribution in 2024 has been postponed for the moment, pending greater guarantees from the market and an expected decline in guaranteed minimums requested by producers. We note that Notorious already has an important pipeline of film releases for 2H23, including, above all, "The Hunger Games – The Ballad of Songbirds and Snakes" and "Improvvisamente a Natale Mi Sposo". The Hunger Games prequel promises to be a true global blockbuster, a type of product that is not normally distributed by an independent like Notorious; the film will debut in cinemas in Italy on November 22, 2023, one week after theatrical release in the USA (the last film in the series in 2015 grossed \$282 million worldwide). The second film is a Notorious production, the sequel to "Improvvisamente Natale" sold to Amazon Prime in 2H22 (directly, without a theatrical release), which was the most watched film on the platform in Italy during the 2022 Christmas period.

Thus, in conclusion, in 2H23 the group can exploit the current recovery in cinema attendance with a good pipeline. On the revenue front, we need to gauge what the ongoing negotiations will bring in terms of monetization of the "first pay" rights of the various films (the availability of a blockbuster like The Hunger Games suggests the possibility of a bundle sale). For 2024, there is greater uncertainty on the distribution business as the group has prudently decided not to purchase films for the moment. In our estimates we foresee a reduction of films in distribution from 16 (in 2023) to 12 in 2024 and 8 in 2025, but with a less-than-proportional drop in revenues as we think that Notorious will acquire more important titles on average.

Reinforcing the management team

On 14 November 2022, Notorious Pictures announced that Guglielmo Marchetti would step down as Group CEO with effect from 1 January 2023. Marchetti, who controls the group through his 75% stake in the share capital, remains Chairman of the Board with a range of executive powers. At the same time, the company announced that Executive Director Laura Marongiu would leave the board, to be replaced by **Stefano Bethlen**, who became Chief Executive Officer on 1 January 2023. Bethlen came to Notorious Pictures from Titanus S.p.A., where he had been General Manager from July 2021 following a high-profile career at The Walt Disney Company Italia (from 2003); he has also been an independent consultant and producer of Italian films. On joining Notorious, he assumed operational responsibilities and simultaneously took on the role of Managing Director of Notorious Pictures. The arrival of Bethlen was good news, not only in terms of governance (separation of the Executive Chairman and Managing Director roles) but above all in operational terms. Thanks to his distinguished career, Bethlen's arrival could signal a significant acceleration in Group growth, above all in the field of film production, which saw exceptionally strong growth in 2022, with important productions not just in Italian but also in English for an international audience.

On 7 March 2023, the group announced the arrival of Benedetta Galbiati as Head of Scripted Series Development & Production, starting from May. Benedetta Galbiati had an extraordinary career at Endemol, which she joined in 2003 as a consultant for the acquisition of scripted formats, becoming manager of scripted acquisitions in 2004 and assistant to the fiction director, eventually collaborating in the production of important series produced for both Rai and Mediaset, a path that led her to become Head of Scripted at Endemol Shine Italy in 2018. Among her successes as a producer we note "L' Allieva" (2016-2020, 3 seasons), "Mentre ero via" (2019) and the mini-series "La Sposa" (2022). Since March 2022, she has been Head of International Development of Lux Vide (a company that created extremely successful series such as Don Matteo, I Medici, Doc. In 2022, Fremantle bought the majority of Lux Vide). Her arrival at Notorious is aimed at strengthening managerial skills and structuring the Editorial Department with a specific focus on series production.

The appointment in October 2022 of Jorge Vázquez as the new Managing Director of Notorious Pictures Spain completes the round of moves to strengthen management.

Series Production: a possible kick-off in 2024

We believe that the strengthening of the management team is the final step on an investment path that the group has been following for several years in order to structure itself as an important and recognised film producer. We currently understand that Notorious has a strong pipeline of scripts under evaluation. We note that the series consists of several episodes (normally 8, or fewer if a mini-series) lasting about 50 minutes each (although this parameter can also vary). Normally, margins on this type of production are lower than on a film production (above all because the client, by appropriating the rights, also takes on the risk); however, they can become very attractive if the project continues for future series (as always occurs if the first series is successful).

Change in estimates

In light of indications from 1H23 results, we are reducing our 2023-25 revenue forecasts for the distribution business but also improving our estimates for the theatrical management business. We perceive increasing visibility on our forecasts for the film production business, where Notorious is working on a number of important projects and where there is a production project for an internally-developed series to be delivered in 2024. However, in 2023 it is not entirely certain that the company will be able to finalise the sale of the most important film production (“A sudden case of Christmas” starring Danny De Vito and Andie Mac Dowell); if the sale is postponed to 2024, we assume a shift of about €8mn in revenues. Our estimates assume that public subsidies to the film industry remain unchanged over the coming years. Below the EBIT line, we are increasing financial charges, an effect partially offset by the assumption of lighter taxes.

Notorious Pictures - New Estimates, Summary

	2020A	2021A	2022A	2023E	2024E	2025E
Distribution Business	9.6	11.8	10.9	13.4	14.9	14.3
Theatrical Management Business	1.6	2.3	5.1	8.7	14.4	19.0
Production Business	-	5.1	18.3	12.8	20.0	27.5
Other Revenues	2.3	7.0	1.4	6.0	7.0	8.0
Total Revenues	13.4	26.3	35.6	40.9	56.3	68.9

Source: Company data and Intermonte Sim Estimates

Notorious Pictures - Change in estimates

	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Revenue from Notorious Pictures	30.55	37.55	44.15	35.90	45.45	52.90	-14.9%	-17.4%	-16.5%
YoY %	0%	23%	18%	21%	27%	16%			
Revenues from Notorious Cinema	8.74	14.38	19.04	7.47	10.11	14.56	17.0%	42.3%	30.8%
YoY %	73%	64%	32%	30%	35%	44%			
Revenues from Notorious Spain	1.61	4.39	5.66	2.57	5.06	5.66			
YoY %		173%	29%		97%	12%			
Total Revenues	40.9	56.3	68.9	45.9	60.6	73.1	-11.0%	-7.1%	-5.8%
YoY %	15%	38%	22%	29%	32%	21%			
TOTAL EBITDA	18.4	22.8	25.9	21.7	29.3	35.5	-15.4%	-22.2%	-27.2%
YoY %	4%	24%	14%	23%	35%	21%			
margin %	44.9%	40.5%	37.6%	47.3%	48.4%	48.6%			
D&A	(13.2)	(14.6)	(14.9)	(14.8)	(19.4)	(24.3)			
EBIT	5.2	8.2	11.0	7.0	10.0	11.3	-25.8%	-17.9%	-2.6%
YoY %	(8%)	58%	34%	24%	43%	13%			
margin %	12.7%	14.5%	15.9%	15.2%	16.4%	15.4%			
Net financial income/expense	(0.900)	(1.100)	(1.100)	(0.500)	(0.500)	(0.500)			
	(2.20%)	(1.95%)	(1.60%)	(1.09%)	(0.82%)	(0.68%)			
Pretax Profit	4.3	7.1	9.9	6.5	9.5	10.8	-34.0%	-25.2%	-8.3%
YoY %	(19%)	65%	40%	22%	46%	14%			
margin %	10.5%	12.6%	14.3%	14.1%	15.6%	14.7%			
Taxes	0.100	(0.707)	(0.987)	(0.972)	(1.419)	(1.614)			
Tax Rate	0.0%	(10.0%)	(10.0%)	(15.0%)	(15.0%)	(15.0%)			
Net profit	4.4	6.4	8.9	5.5	8.0	9.1	-20.5%	-20.8%	-2.9%
YoY %	0%	45%	40%	26%	46%	14%			
margin %	10.7%	11.3%	12.9%	12.0%	13.3%	12.5%			
minorities	0	0	0	0	0	0			
Group net profit	4.377	6.364	8.884	5.508	8.038	9.147			

Source Intermonte SIM

Cash Flow

Notorious – Cash Flow Statement

(Eu mn)	2019A	2020A	2021A	2022A	2023E	2024E	2025E
Net income	5.2	(2.1)	3.6	4.4	4.4	6.4	8.9
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization & Depr.	8.8	8.0	7.0	12.0	13.2	14.6	14.9
Rights of use		(0.2)	(1.1)	(1.5)	(1.4)	(1.7)	(2.3)
Gross cash flow	14.0	5.7	9.4	14.9	16.2	19.3	21.5
Change in working capital	(5.7)	2.0	(0.3)	(3.0)	(6.0)	3.5	(0.1)
Other funds and provisions	(1.1)	(0.4)	(0.9)	(0.3)	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating cash flow	7.2	7.2	8.2	11.6	10.1	22.7	21.5
Capex	(10.9)	(4.2)	(12.5)	(14.2)	(20.4)	(14.6)	(13.8)
% on sales	25%	31%	47%	40%	50%	26%	20%
FCF (Eu mn)	(3.7)	3.0	(4.3)	(2.6)	(10.3)	8.1	7.7
FCF/EBITDA	-23.8%	60.5%	-41.1%	-14.8%	-56.1%	35.4%	29.7%
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	(1.8)	0.0	0.0	(1.8)	(2.6)	(1.8)	(2.5)
Right Issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other / Change in Rights of Use	(12.2)	(1.7)	0.5	0.2	(12.0)	(3.0)	(7.0)
Cash Flow	(17.7)	1.4	(3.7)	(4.2)	(24.9)	3.3	(1.9)
NFP at bgn year Cash/(Debt)	3.4	(14.3)	(12.9)	(16.6)	(20.9)	(45.8)	(42.4)
Cash Flow: Cash/(Debt)	(17.7)	1.4	(3.7)	(4.2)	(24.9)	3.3	(1.9)
NFP at year end: Cash/(Debt)	(14.3)	(12.9)	(16.6)	(20.9)	(45.8)	(42.4)	(44.3)
of which: Rights of Use liabilities (IFRS16)	(10.7)	(12.3)	(13.2)	(12.8)	(24.0)	(25.3)	(30.0)
Net Cash (Debt) at YE excl. IFRS 16	(3.6)	(0.6)	(3.4)	(8.1)	(21.8)	(17.2)	(14.3)

Source: Intermonte SIM estimates

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	NOTORIOUS PICTURES		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	2.00	Previous Target (Eu):	2.20
Current Price (Eu):	1.30	Previous Price (Eu):	1.56
Date of report:	16/10/2023	Date of last report:	03/04/2023

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

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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As at 30 September 2023 Intermonte's Research Department covered 114 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	24.79 %
OUTPERFORM:	52.99 %
NEUTRAL:	20.51 %
UNDERPERFORM	01.71 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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