

Notorious Pictures

Italy/Media

Accumulate

Recommendation unchanged

Share price: EUR **1.30**

closing price as of 30/03/2016

Target price: EUR **2.55**

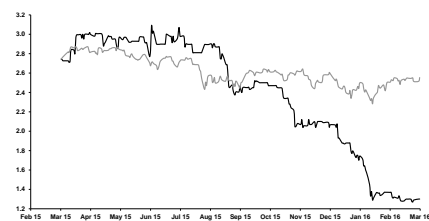
Target Price unchanged

Reuters/Bloomberg

NPI.MI/NPI.MI

Market capitalisation (EURm)	29
Current N° of shares (m)	22
Free float	18%
Daily avg. no. trad. sh. 12 mth	2,400
Daily avg. trad. vol. 12 mth (m)	3
Price high 12 mth (EUR)	3.09
Price low 12 mth (EUR)	1.27
Abs. perf. 1 mth	-5.04%
Abs. perf. 3 mth	-37.08%
Abs. perf. 12 mth	-52.62%

Key financials (EUR)	12/15	12/16e	12/17e
Sales (m)	26	30	33
EBITDA (m)	13	19	21
EBITDA margin	51.2%	63.1%	64.4%
EBIT (m)	10	13	14
EBIT margin	39.7%	43.1%	41.5%
Net Profit (adj.)(m)	7	9	9
ROCE	52.2%	38.3%	31.6%
Net debt/(cash) (m)	(6)	(4)	(5)
Net Debt/Equity	-0.3	-0.2	-0.2
Debt/EBITDA	-0.5	-0.2	-0.2
Int. cover(EBITDA/Fin. int)	3,194.1	high	high
EV/Sales	1.5	0.8	0.7
EV/EBITDA	2.9	1.2	1.1
EV/EBITDA (adj.)	2.9	1.2	1.1
EV/EBIT	3.8	1.8	1.6
P/E (adj.)	6.6	3.3	3.2
P/BV	2.3	1.1	0.9
OpFCF yield	20.7%	44.1%	31.4%
Dividend yield	7.7%	9.5%	9.8%
EPS (adj.)	0.32	0.39	0.40
BVPS	0.89	1.18	1.45
DPS	0.10	0.12	0.13



Source: Factset — NOTORIOUS PICTURES — FTSE All Share (Rebased)

Shareholders: Guglielmo Marchetti 82%;

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FY 2015 Post: weak sales performance not a surprise

The facts: Notorious published FY 2015 results, which were down Y/Y on revenue and EBITDA but stable at the EBIT level and up on the bottom line.

Our analysis: FY 2015 results were mixed, clearly below the original business plan targets and down Y/Y at the revenues and EBITDA level, however not completely unexpected given the available information on Box Office results. Indeed, the latter were down one third Y/Y (on a very strong 2014, actually) driving the related theatrical revenues and the subsequent revenue stream of Pay-TV. The EBITDA was 5% below our estimates and 25% below the original guidance; in absolute terms the gap on the latter was EUR 3.5/4.1m at the revenues and EBITDA level. Nevertheless, the accounting discretion on amortization (also related to lower than expected sales) allowed posting a flattish EBIT and higher net income Y/Y (also above our estimates). Net cash was broadly in line with estimates at EUR 6.35m and implying EUR 1.7m cash burn in the year.

NPI FY 2015 results (EUR m)

	H1 2014	Y/Y	FY 2014	H1 2015	H2 2015	FY 2015	FY 2015e
Sales	14.1	-25%	22.9	10.5	12.2	22.7	21.6
O/w theatrical	7.13	-49%	10.20	3.65	3.70	7.35	6.90
O/w Pay TV	4.70	-39%	8.50	2.85	5.04	7.89	7.80
O/w Free TV	1.40	138%	2.00	3.33	1.73	5.06	4.40
O/w HV	0.68	-29%	0.80	0.48	0.53	1.00	1.04
O/w New Media	0.17	19%	0.30	0.20	1.21	1.41	1.50
Other revenues	1.12	-6%	1.28	1.05	1.80	2.85	3.00
Total Turnover	15.2	-24%	24.1	11.6	14.0	25.6	24.6
EBITDA	9.33	-39%	13.78	5.70	7.40	13.10	13.76
Margin	61.4%	-12%	57.1%	49.3%	52.9%	51.2%	55.8%
EBIT	7.11	-46%	10.45	3.85	6.30	10.15	8.80
Margin	46.8%	-29%	43.3%	33.3%	45.0%	39.7%	35.7%
Net Income	4.74	-46%	7.01	2.58	4.51	7.09	5.87

Source: Company data, BANCA AKROS estimates

Outlook: We have revised our estimates down in late January, taking into account weaker than expected end of year theatrical releases and more cautious expectations for the 2016 line-up. The forthcoming release of the first co-produced movie is the main short-term catalyst.

Conclusion & Action: Neutral impact on estimates, pending a few key releases of 2016. Unchanged target price and recommendation.

Disclaimer

This research has been prepared by Andrea Devita, Luigi Tramontana, Claudio Giacomello, Paola Saglietti, Gabriele Gambarova, Dario Michi, Giada Cabrino, Enrico Esposti (all members of AIAF), Francesco Previtera, Francesco Sala, Marcello Renna (ordinary member of SIAT), who are financial analysts with Banca Akros SpA ("Banca Akros"), which is responsible for the preparation of the research.

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- 13) Fiera Milano:
the Bank was acting as Co-Lead Manager in the consortium for the capital increase organized in November/December 2015.
the Bank was the placement bank and guarantor for the capital increase organized in January 2016.

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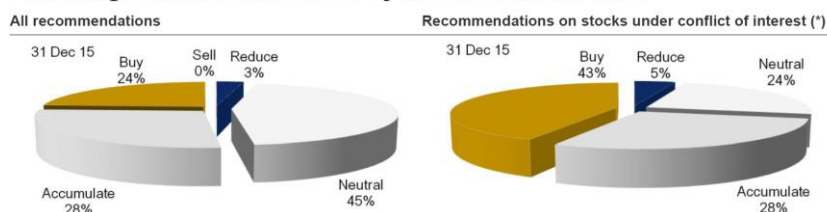
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Percentage of recommendations by the 31 December 2015



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