

# ILBE Spa

Sector: Media content production



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## Still time to invest: “Free Cash Flow can wait”

Iervolino & Lady Bacardi Entertainment (ILBE) is an Italian cinema, TV and web content production company with a *Hollywood* footprint and strong focus on OTTs contents, listed on Euronext Growth Milan. It produces diversified contents for an international audience, focusing on core production phases and IP ownership.

### 1H21 confirm trend of strong growth and margin dilution

Interim results confirm the limited impact of pandemic on operations due to animation contents for streaming platforms and to recovery of minor activities, as celebrity mngt. Yet they also confirm trends outlined in FY2020: strong revenues growth (2x y/y); material margin dilution (EBIT +31% y/y, EBIT margin -270bps) and steady cash absorption (net debt up to €17.3mn from €15.6mn), despite strong earnings (net profit +25% y/y).

### Growth at expenses of margins and FCF seen to persist

Management indicated trends outlined in 1H will persist in 2H, albeit we consider that: a) margin y/y comparison in 2H will be easier and b) the recent bond issue will help lowering the average cost of debt. As for productions ILBE is fully on track for 2021E deliveries, while management expects to accelerate on the service businesses, both executive production and IP management, with the aim of balancing capital requirements of pure content production. Also, management has provided updated backlog (contracts signed) and target value of projects (incl. executive productions/distribution) over the next three years.

### Revised forecasts now go beyond signed contracts

We have updated our model, which now factors not only the business already secured, but also the projects likely to be finalised over the next three years, based on indications provided. Hence revised 2021E-23E forecasts incorporate a higher top line, but also lower profitability and heavier cash absorption: all in all we leave EBIT/EPS broadly unchanged for 2021E and upgrade 2022E-23E, but at the expense of FCF. We still expect flattish earnings and no FCF generation until 2023E.

### Fair value unchanged, supported by sector re-rating

The stock has slightly traced back recently and trades at deep discount to peers, whose ratings have expanded since our last update. We confirm our fair value at €5.3 p/s, now based on relative peers' multiples (quite scattered around) and DCF. At fair value ILBE would trade at 9.5x EV/EBIT on 2021-22E, i.e. 12% average premium to domestic peers and 40% discount to pure content production players (the latter trading at 15.0x-10.8x for 2021-22E), justified by lower EPS growth and FCF generation.

<b>Fair Value (€)</b>	<b>5.3</b>
<b>Market Price (€)</b>	<b>3.3</b>
<b>Market Cap. (€m)</b>	<b>115.6</b>

KEY FINANCIALS	2020A	2021E	2022E
REVENUES	120.7	178.2	155.2
EBITDA	112.5	162.2	111.4
EBIT	22.0	22.0	22.0
NET PROFIT	19.5	19.2	19.6
EQUITY	67.0	86.4	105.9
NET FIN. POS.	-15.7	-23.6	-24.1
EPS ADJ. (€)	0.56	0.55	0.56
DPS (€)	0.00	0.00	0.00

Source: Company (historical figures),  
Value Track (2021E-22E estimates)

RATIOS & MULTIPLES	2020A	2021E	2022E
EBITDA MARGIN (%)	93.2	91	71.8
EBIT MARGIN (%)	18.3	12.3	14.2
NET DEBT / EBITDA (x)	0.1	0.1	0.2
NET DEBT / EQUITY (x)	0.2	0.3	0.2
EV/SALES (x)	1.3	0.8	0.9
EV/EBIT (x)	6.9	6.3	6.3
P/E ADJ. (x)	7.0	6.0	5.9
DIV YIELD (%)	0.0	0.0	0.0

Source: Company (historical figures),  
Value Track (2021E-22E estimates)

STOCK DATA	
FAIR VALUE (€)	5.30
MARKET PRICE (€)	3.30
SHS. OUT. (m)	35.0
MARKET CAP. (€m)	115.6
FREE FLOAT (%)	25.8
AVG. -20D VOL. ('000)	45
RIC / BBG	IE.MI / IE.IM
52 WK RANGE	2.98-4.37

Source: Stock Market Data



## Business Description

ILBE (Iervolino & Lady Bacardi Entertainment, ex Iervolino Entertainment) is an Italian cinematographic production company with a global footprint that, through its headquarters in Rome and thanks to its founder and CEO's relationships and experience in the world of Cinema, is able to produce "Hollywood Style" movies and web series. It produces diversified contents for an international audience, focusing on the core production phases and IP ownership and exploitation.

The company was listed in August 2019 on AIM Italia (now Euronext Growth Milan) and the IPO proceeds are funding the accelerating growth in high quality and innovative contents for cinema, TV and streaming platforms. BoD has recently decided to apply for a secondary listing on Euronext Growth Paris.

### Key Financials

€'000	2020A	2021E	2022E	2023E
<b>Total Revenues (VoP)</b>	<b>120.7</b>	<b>178.2</b>	<b>155.2</b>	<b>162.9</b>
Chg. % YoY	51%	48%	-13%	5%
<b>EBITDA</b>	<b>112.5</b>	<b>162.2</b>	<b>111.4</b>	<b>114.2</b>
EBITDA Margin (% of VoP)	93.2%	91.0%	71.8%	70.1%
<b>EBIT</b>	<b>22.0</b>	<b>22.0</b>	<b>22.0</b>	<b>21.7</b>
EBIT Margin (% of VoP)	18.3%	12.3%	14.2%	13.3%
<b>Net Profit</b>	<b>19.5</b>	<b>19.2</b>	<b>19.6</b>	<b>18.1</b>
Chg. % YoY	-3.7%	-1.5%	1.7%	-7.3%
<b>Net Fin. Position</b>	<b>-15.7</b>	<b>-23.6</b>	<b>-24.1</b>	<b>-15.0</b>
Net Fin. Pos. / EBITDA (x)	-0.1	-0.1	-0.2	-0.1
Capex	-109.1	-159.9	-100.5	-106.3
<b>OpFCF b.t.</b>	<b>-7.1</b>	<b>-5.3</b>	<b>2.0</b>	<b>12.7</b>
OpFCF b.t. as % of EBITDA	-6.3%	-3.3%	1.8%	11.1%

Source: ILBE (historical figures), Value Track (estimates)

## Investment Case

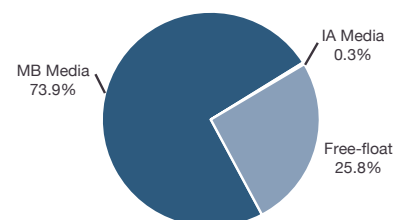
### Strengths / Opportunities

- ILBE is set to benefit from the rising global demand for audio-visual contents, as it produces contents with international appeal, ranging from movies to animation;
- The company has recently focused on short contents, i.e. short animation contents for web series with hundreds of episodes (of 5-8') and time horizon of many years;
- ILBE focuses on the core production phases and IP ownership and exploitation, with a risk-adverse approach: it gets funding of new productions ahead of kick-off.

### Weaknesses / Risks

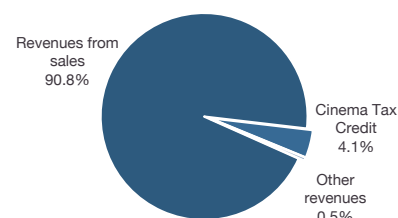
- In the content production industry the FCF lags behind the revenues recognition. This implies a small and fast growing producer faces material ST funding needs;
- The Company is highly dependent upon its founder, CEO and Chairman Mr Iervolino, given the lean structure and his key relationships in the industry;
- The Covid-19 outbreak and OTTs boom may challenge the media & content industry driven by box office and advertising spending.

### Shareholders Structure



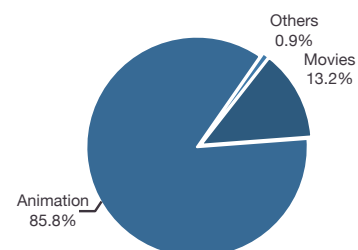
Source: ILBE

### Revenues breakdown 2020



Source: ILBE

### Sales breakdown 2020



Source: ILBE

### Stock multiples @ €5.3 Fair Value

	2021E	2022E
EV / SALES (x)	1.2	1.4
EV / EBIT (x)	9.5	9.5
EV / CAP.EMP. (x)	1.9	1.6
OpFCF Yield (%)	1.1	5.2
P / E (x)	9.7	9.5
P / BV (x)	2.1	1.8
Div. Yield. (%)	0.0	0.0

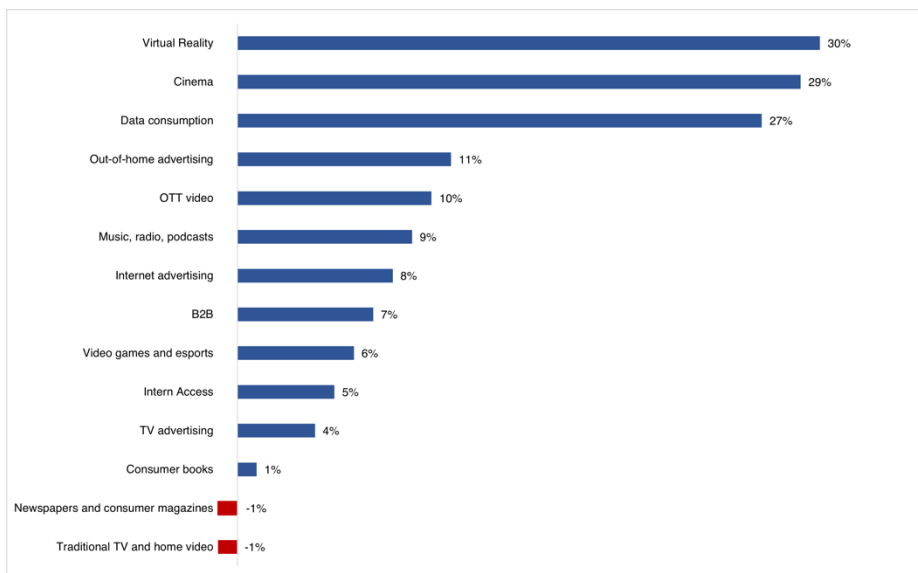
Source: Value Track

## Some relief for content providers

Despite a few unknowns remain about the long-term strategic outlook of pure content providers, at least visibility about post-Covid-19 recovery has improved and we see a few positive short-term elements to highlight:

- ◆ Overall **demand for video contents remains extremely resilient** in most segments and media, only traditional TV viewership and newspaper appear in secular decline in terms of size/target of audience (-1% CAGR 2020-2025);

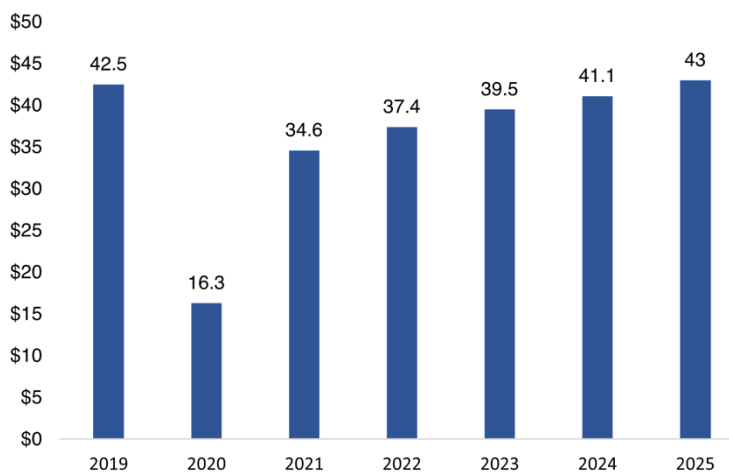
### Worldwide market: Revenues CAGR 2020 – 2025 by sector



Source: Global Entertainment & Media Outlook 2020–2025, PwC

- ◆ Cinema industry expects a 29% CAGR over the period 2020-2025, after the “dark” 2020, as part of the audience has promptly demonstrated the willingness to come back to theaters as soon as it has been possible. However, according to PWC and Statista report, the **global box offices revenues will reach pre-pandemic level only by 2025**.

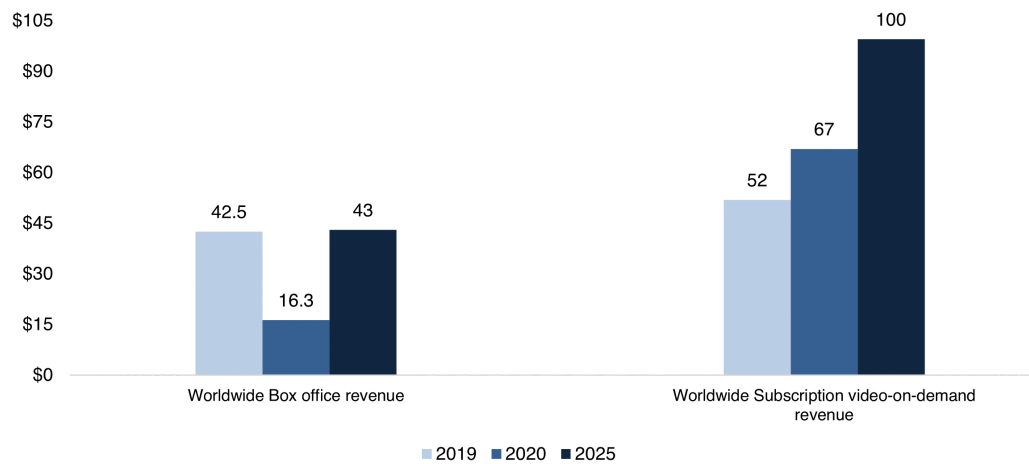
### Worldwide Box Office Revenues in billion of dollars



Source: Statista

- ◆ **In Italy cinema business fully reopened by 11<sup>th</sup> of October 2021, with strong appetite from viewers** and revenues going gradually back to pre-Covid levels, reminding however that Italian box office reported ca. 182.5mn income in 2020 (-71.3% YoY), with the number of total visitors at 28mn vs 98mn in 2019. Yet, at worldwide level box office is expected more than double in 2021E.
- ◆ With the persistency of pandemic and cinemas closed, many films have been released directly to streaming networks allowing over-the-top platform to acquire many more subscribers than originally forecasted during the pandemic of 2020. In particular, **Subscription video-on-demand revenues increase by 29% between 2019 and 2020** while box office revenue decreased by 62% over the same period.

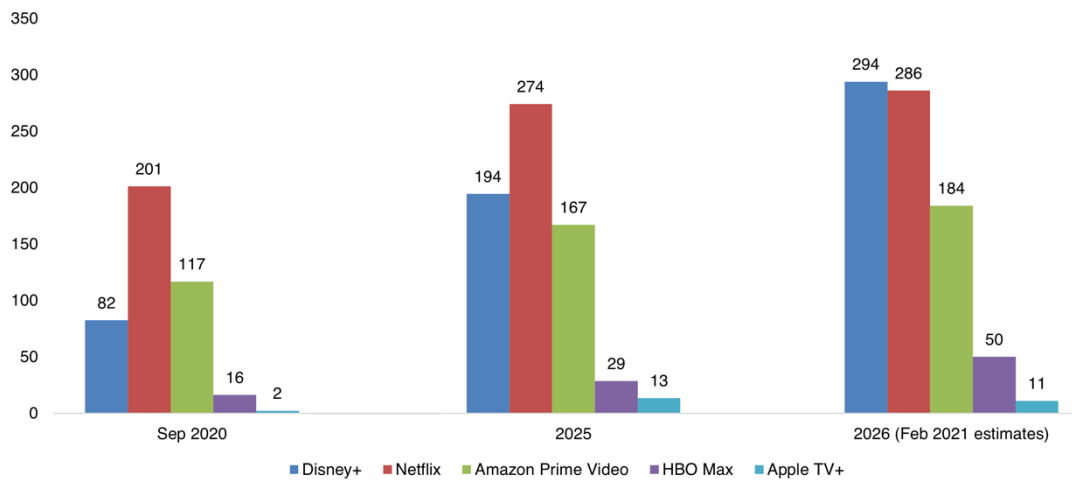
**Global market: SVOD vs Box Office revenues 2019 - 2025**



Source: Statista, Value Track Analysis

- ◆ The large **Streaming Platforms keep investing heavily on contents**, as their subscribers' bases are steadily growing, beating all initial expectations. Also, their offers seem to segment by **including "premium" sections** that target niche audience which is willing to pay more to access contents recently streamed in theaters, or even contemporaneously to them.

**Reference market: Main OTT platforms subscribers count worldwide (millions)**



Source: Statista, Value Track Analysis

- ◆ The EU smaller independent content providers may benefit from the introduction of national Laws that translate the **European directive 2018/1808**, so-called on "Audiovisual Media Services", with the aim to raise the national production of streaming platform catalogues to a quota of at least 30%.
- ◆ **Production of movies has normalized**, following the exit from the toughest phase of the pandemic and the vaccination campaign progress, and also a few projects which were put on hold for some times are now live again (e.g. the movie *Lamborghini*).

At this point we reckon persisting content demand and we see “the light at the end of the tunnel” for cinema/box office as well as for movie production and hence major concerns probably relate to some medium term issues:

- ◆ as OTTs audiences continue to grow **more competition enters the market** – also listed Italian players previously focused on distribution have started investing more and more in production - and the stakes may getting higher also for local contents;
- ◆ in relation to the outlook of back-end revenues, and in turn of medium-term profitability of contents, as the average life span of contents may reduce dramatically. Content tends to be available in theaters for a narrower time span before being uploaded to streaming platforms, hopefully in premium sections in the first place. However, there is the risk that **margins offered by SVOD platforms** may be lower than those traditionally offered by cinemas.

## Steady progresses in new projects and productions for ILBE

As for ILBE we acknowledge that, despite the challenging environment of the first part of the year, management was able to **secure a few projects / distribution agreements**:

- ◆ Management announced that ***Tell it like a Woman*** (initially a 5 episode project, previously known as *Together Now*) will in the end include 7 episodes, beyond the animation contents, which will be all delivered in 2021;
- ◆ They also signed an agreement with WWPS TV Corp. for the production and distribution of four Italian movies, worth at least \$22mn, equally split between 2021 and 2022. Within this frame contract one title, **“Dakota”** (minimum granted of \$6.25mn), is currently being shot between Italy and Los Angeles and it will be qualified as an Italian film, to take advantage of the tax credit regulation. ILBE acquired from WWPS the production rights and sold to Universal and WWPS itself the distribution rights.
- ◆ As for the recently announced projects for executive and co-productions of “Christmas movies”, management indicated that ILBE will contribute also its IP assets, its know-how in the animation segment and its post-production services. In more details:
  1. the first movie with Fenix Entertainment, that acquired the script rights of the film project **“The Christmas Goofy Burglars” (“Christmas Thieves”)**, combines live action and animation. Fenix Entertainment obtains the right for the exploitation of the animated characters from the “Arctic Friends” series (the “Intellectual Properties”) using the same production process (the “Pipeline”) of the web series. ILBE acquired distribution rights for a value of €1.68 millions and the firm will take care of the post-production process;
  2. the second project **“The Christmas Witch”** was made possible by the agreement between ILBE and Minerva Pictures. The latter, in fact, acquired the licensing rights of the characters starring in the web series “Puffin” and consequently the license of the “Pipeline”. Filming of the live part will take place entirely in Rome;

3. Production of the third one, "**Vote for Santa**", has already begun in Rome, as part of an international project produced by Santo Versace and Gianluca Curti for Minerva Pictures in collaboration with ILBE, always mixing live action and animation. ILBE will take care of the post-production process;
  4. the fourth Christmas project is "**The Good Witch of Christmas**" for which ILBE has acquired in 1H 2021 worldwide distribution rights worth €2.4 mn.
- ◆ ILBE wants to further develop its activities in Serbia. The Company's main contract is an executive production (service) activity regarding the project "**Puffins: Impossible**" on behalf of producer Archangel Digital Studios. The contracts in place relate to the first 36 episodes. However, in relation to those to be signed under the framework agreement, the pre-production activity of 54 episodes was concluded and the activities of a further 54 episodes began. In the first half of 2021, the production of the service activity was approximately € 6.58 mn.

In terms of production, management announced the following **deliveries in the first half**:

- ◆ the last 68 episodes of "**Arctic Friends**" were produced and delivered, resulting in the recognition of revenues for a total of €49mn (including the relevant "government grants") as well as revenues for "back-end", "pipeline" license and font license for € 22.86mn.
- ◆ 59 episodes of the web series "**Puffins**" were produced and delivered, resulting in the recording of revenues for a total of €26.54mn (including "government grants").
- ◆ the last three episodes of the short movie series "**Tell it like a woman**" (**previously "Together Now"**) were produced and delivered, resulting in revenues for a total of €25.5mn (of which €1.5mn of "government grants").

The **second half** should benefit from the conclusion of a few key projects:

- ◆ A further 61 episodes of the web series "**Puffins**" are expected to be produced in the second half of the year with a minimum guaranteed of €23.2 million.
- ◆ In 2020 an agreement was signed with Paradox Studios LLC for the sale of the worldwide distribution rights of the film "**Eddie & Sunny**" with a minimum guaranteed of \$4.6 mn for ILBE, as well as stakes in the film's worldwide income. The residual 3D production of the film for approximately € 1.3mn is expected to be delivered in the second half of 2021.
- ◆ "**State of Consciousness**" is a film produced in agreement with Paradox and it is qualified for Italian government grants. The contract provides for revenues of at least € 4.1 million for ILBE and delivery is due in the second half of 2021.
- ◆ Production of the film "**Muti**" for approximately €12mn to be developed in the second half of 2021 and the first half of 2022. The film, shot between Italy and the United States, will be qualified as an Italian film.
- ◆ Also the movie "**Dakota**" mentioned above has its delivery scheduled between end of 2021 and beginning of 2022, with approximately €3.5mn of minimum granted.

As for the **casting and celebrity management activities** (Red Carpet) we report that ILBE completed 50 projects and managed 35 clients reporting €2.4 mn in turnover over the first half of 2021.

As for the **service activities** (executive productions and IP licensing, characters and "pipeline"), they amount to €32.8mn and are relative to Christmas movies previously cited ( "Vote for Santa" and "The Good Witch of Christmas"), the film "Spin me around" as well as the series "Puffins: Impossible" (Iervolino Serbia).

As for the **post production activity** towards third parties, Arte Video reported revenues in the range of €0.5mn (in strong expansion), opened offices in Rome and Pasadena California.

## ILBE 1H 2021: booming revenues, weaker margins

Interim results' main outcomes are the following:

- ◆ **Total Revenues +106% YoY to €114.2mn**, driven by animations' productions (*Arctic Friends* and *Puffins*) and by income from IP licensing, representing 66% and 29% of total revenues respectively. Also, the minor activities (post production and celebrity management) performed very well, including the latter, whose business has finally restarted post the pandemic;
- ◆ **EBIT +25% to €15.0mn**, or 13% margin vs 22% of 1H2020, despite the strong top line growth. We see the main reasons for the margin dilution to be a) new executive projects (Iervolino Studios in Serbia) to be less profitable than historical productions and not at their full "capacity"; b) ca. €900k of non-recurring costs carried on implementing smart working solution and ensure business continuity (in 1H2020 these costs were around €180k); c) lower and lower R&D tax credits (due to disappear completely from next year);
- ◆ **Net profit at €12.3mn (+29% YoY)**, supported by the low tax rate, which almost offset the increased financial charges (linked to higher net debt and to the new debt structure);
- ◆ **Net Debt worsened slightly to €17.3mn from €15.6mn of Dec 2020**, despite the higher profits, due to the increased capital requirements, almost equally split between production investments and net working capital. The recourse to debt is also justified by the fact that the firm still needs to cash in the increased amount of Cinema Tax Credits - more than doubled compared to 1H20 (€10.9mn 1H2021 vs €5mn 1H2020), mainly thanks to the *Puffins* Web Series (€4mn in 1H2021).

### ILBE Pipeline, delivery and distribution planning as of 2H2021

Title	Film/Serie	Delivery			Distribution schedule
		2020A	1H2021	2H2021E	
Arctic Friends	Web Series	72 episodes	68 episodes	-	SVOD (Apple TV, Amazon Prime)
Tell it like a woman	5 Short	3 ( <i>Unspoken,</i>	3 ( <i>A week of my life,</i>	-	n.a.
	Films & animations	<i>Lagonegro, Sharing a ride</i> )	<i>Elbows Deep, Pepcy &amp; Kim</i> )		
Puffins	Web Series	50 episodes	59 episodes	61	SVOD (Apple TV)
Eddie & Sunny	Film	√		3D contents	Paradox Studios
State of Consciousness	Film			√	Paradox Studios
Puffins: Impossible (Exec.Prod.)	Web Series	8 episodes	18	36	n.a.
Dakota	Film			√	WWPS/Universal
Christmas movies (Exec. Prod.)	4 Films & animations		√	√	WWPS/others
Muti	Film			√	n.a.

Source: ILBE, Value Track estimates

### Revenues

Total revenues increased to €114.2mn in 1H21, due to an exponential growth of Revenues from Sales (€103.1mn in 1H21 vs €41.9mn in 1H20). Other Revenues and Income were recorded for an amount equal to €125k: the sharp reduction compared to 1H20 is due to the absence of operations of rights

transfer (back-end rights), which are spot deals. Value of production increased also because of Tax credits which go along with revenues from sales and were mostly related to animations.

#### ILBE: Total Revenues 1H20A – 1H21E

(€mn)	1H20A	2H20A	1H21A
Revenues from Sales	41.9	52.7	103.1
Other Revenues	8.6	3.2	0.1
Tax credits	5.0	9.4	10.9
<b>Total Revenues</b>	<b>55.5</b>	<b>65.2</b>	<b>114.2</b>

Source: ILBE, Value Track Analysis

Most of Revenues from Sales came from the core content production, which totalled €100.2mn (see table below): over the first half, main contributors were

- ◆ 68 episodes of “**Arctic Friends**” with recognition of revenues for a total of €49 mln (including the relevant government grants) as well as revenues for "back-end", production "pipeline" license and font license for a total of € 22.86 million;
- ◆ 59 episodes of the web series “**Puffins**” resulting in the recording of €26.54 mln (including the relevant government grants) in revenues.

#### ILBE: 1H21 - 1H20 Revenues breakdown by title (€mn)

Title	1H20A	1H21A
The Poison Rose	0.1	--
Arctic Friends Web Series (incl. "Pipeline")	25.6	68.2
Puffins	13.7	22.5
Tell it like a woman	1.1	2.4
Puffins: Impossible		6.5
others		0.5
<b>Revenues from content production</b>	<b>40.5</b>	<b>100.2</b>
Waiting for Barbarians – rights disposal	4.6	--
WS Arctic Friends – rights disposal	4.0	--
<b>Revenues from contents and rights disposal</b>	<b>49.1</b>	<b>100.3</b>
Tax Credits	5.0	10.9
Revenues other activities (eg. adv, Arte Video, Red Carpet)	1.4	2.9
<b>Total Revenues</b>	<b>55.5</b>	<b>114.2</b>

Source: ILBE, Value Track Analysis

#### From Revenues to Net Profit: production costs eat up margins

In line with the sizeable increase of revenues, both labour costs and Opex increased year-on- year, although most of the costs related to production are represented by the amortization of the capitalized production costs. Hence, D&A were inflated by the sizeable productions (mostly Arctic Justice and Puffins) and accounted for €92.9mn. EBIT increased up to €15mn vs €12mn of 1H20 and EBIT margin stood at ca. 13% (22% in 1H20). Net financial charges increased and accounted for €1.9mn and reflected the higher Net Financial debt and new debt structure (see below for more details on funding).

### ILBE: Income Statement (1H20-1H21)

€mn	1H20A	1H21A
<b>Value of Production</b>	<b>55.2</b>	<b>114.2</b>
Raw Materials	0.0	-0.1
Labour Costs	-0.3	-1.8
Other Opex	-1.2	-4.4
<b>EBITDA</b>	<b>53.6</b>	<b>107.9</b>
<i>EBITDA margin (%)</i>	<i>97%</i>	<i>95%</i>
Depreciation	0.0	0.0
Amortisation	-41.6	-92.9
<i>o/w Poison Rose</i>	-0.4	0.0
<i>o/w Artic Friends</i>	-24.0	-59.8
<i>o/w WFTB</i>	-3.2	-0.1
<i>o/w Puffins</i>	-13.1	-28.7
<i>o/w Tell it like a woman</i>	-0.9	-1.8
<i>o/w Paradox Productions</i>	0.0	0.0
<i>o/w others prod.</i>	0.0	-0.5
<i>o/w other rights</i>	0.0	-2.1
<b>EBIT</b>	<b>12.0</b>	<b>15.0</b>
<i>EBIT margin (%)</i>	<i>22%</i>	<i>13%</i>
<i>Net Financial charges</i>	-0.4	-1.9
<i>Taxes</i>	-2.0	-0.8
<b>Net Profit</b>	<b>9.6</b>	<b>12.4</b>

Source: ILBE, Value Track Analysis

### Backlog and medium term production & services targets

Following the BoD, management of ILBE for the first time decided to provide investors a few additional information regarding planned activities, in order to shade some light over expected revenues stream, also considering the very strong growth achieved in the last couple of years. In particular they provided a) the backlog of contracts signed as of June 2021, i.e. the amount of minimum granted already due, provided contents are delivered, and b) the planned productions, executive productions and service business over the medium term.

The contractual production portfolio (minimum guaranteed revenues still to be produced), totalling €44.2mn, is made up as follows:

- ◆ The latest episodes of the Puffins are expected to be delivered by year end for approximately € 23.2mn (other episodes are under development but there is no distribution agreement yet);
- ◆ residual 3D production of the film Eddie & Sunny is expected to be delivered in the second half of 2021 for approximately € 1.3mn;
- ◆ State of Consciousness has to be delivered in the second half of 2021 for a value €4.1mn;
- ◆ residual production of the Dakota film is expected to be delivered between the end of the year and the first half of 2022 for a value of €3.5mn;
- ◆ production of the film Muti is expected to be closed in 2H2021 for approximately € 12mn.

According to management, looking into years 2022-2024 ILBE is expected to carry i) production activities for €150mn and ii) licensing and service (executive production) activities for ca. €200 millions (of which € 78mn from the film “**Puffins Impossible**” in Serbia). In addition, management expects digital delivery & post production and celebrity management to contribute for around €15mn revenues over the three years.

This corresponds to a broad indication of “sustainable” annual revenues in the range of ca €120mn, albeit we reckon that the business indicated suggests that profitability is unlikely to return to historical levels and that a “mid-single-digit” EBIT margin seems more at reach.

### Cash Flow & Balance Sheet

1H2021 showed a consistent increase in working capital, moving from a negative €-1.1mn to €12.7mn, i.e. with a production cycle which is no longer self funded. Net fixed assets reached €84.6mn, driven by sizeable capitalizations/production costs, close to €100mn.

As a result, Net Debt slightly increased from €4.8mn as the end of 2020 to €17.3mn 1H21.

#### ILBE: Cash Flow Statement (1H20-1H21)

€mn	1H20A	1H21A
<b>EBITDA</b>	53.6	107.9
Op. WC requirements	-3.5	-6.7
Capex	-51.6	-100.0
Change in Provisions	0.0	0.0
<b>OpFCF b.t.</b>	-1.5	1.2
Cash Taxes	-2.0	-0.8
<b>OpFCF a.t.</b>	-3.5	0.5
<i>As a % of EBITDA</i>	-7%	0%
Capital Injections	0.0	0.0
Other Op. Items (incl. Fin. Inv.)	-0.4	-0.2
<b>CF available to serve debt / equity investors</b>	-3.9	0.3
Net Financial Charges	-0.4	-1.9
Dividends paid	0.0	0.0
<b>Net Cash generated (absorbed)</b>	-4.3	-1.6

Source: ILBE, Value Track Analysis

#### ILBE: Balance Sheet (1H20-1H21)

€mn	1H20A	1H21A
Working Capital	-1.1	12.7
Net Fixed Assets	63.8	84.6
Provisions	0.4	0.6
<b>Total Capital Employed</b>	62.2	96.7
Shareholders' Equity	57.4	79.4
Minorities' Equity	0.0	0.0
Group Net Equity	57.4	79.4
<b>Net Fin. Position</b>	<b>-4.8</b>	<b>-17.3</b>

Source: ILBE, Value Track Analysis

## Review of 2021-2023E forecasts

We have update our forecasts moving from a model exclusively based on contracts already signed, to a **model that also factors the planned productions**, i.e. those projects in pre-production phase for which ILBE has not signed any distribution or executive production contract yet. This is a less “safe” approach, but

- it is supported by the positive track record witnessed by management so far and by their effort to provide more visibility into their pipeline;
- this approach is more aligned to average “quality” of peers’ consensus;
- this better fits to the strengthened management structure and the increased in-house pre-production activity.

Despite this new approach - which has driven up our top line forecasts from 2021E and EBIT from 2022E - the earnings outlook of ILBE remains flattish and FCF generation is further postponed.

### ILBE: New vs. Old 2021E-23E forecasts

€mn	2021E			2022E			2023E		
	Old	New	Change	Old	New	Change	Old	New	Change
Total Group Revenues	153.6	178.2	+16%	110.9	155.2	+40%	105.3	162.9	+55%
<b>EBITDA</b>	<b>126.7</b>	<b>162.2</b>	<b>+28%</b>	<b>89.8</b>	<b>111.4</b>	<b>+24%</b>	<b>89.2</b>	<b>114.2</b>	<b>+28%</b>
EBIT	22.9	22.9	-	19.2	22	+15%	19.6	21.7	+11%
<b>Net Profit</b>	<b>19.2</b>	<b>19.2</b>	<b>-</b>	<b>15.8</b>	<b>19.6</b>	<b>+24%</b>	<b>16.2</b>	<b>18.1</b>	<b>+12%</b>
<b>OpFCF after tax</b>	<b>2.4</b>	<b>-6</b>	<b>n.m.</b>	<b>29.5</b>	<b>0.3</b>	<b>-99%</b>	<b>35.7</b>	<b>9.7</b>	<b>-73%</b>
<b>Net Financial Position</b>	<b>-15.1</b>	<b>-23.6</b>	<b>-56%</b>	<b>14.1</b>	<b>-24.1</b>	<b>n.m.</b>	<b>49.7</b>	<b>-15</b>	<b>n.m.</b>

Source: Value Track analysis

### Updated strategy

IE has promptly entered the animation content and the short content (web series, short episodes) segments, in order to exploit the OTTs boom, while on the other hand, it is cautiously and selectively considering the traditional production of movies (see ILBE updated production pipeline above).

We expect management to keep sailing in such uncertain waters with an opportunistic and cautious stance, in order to secure business while minimizing capital at risk; this implies

- ◆ small-medium size projects;
- ◆ co-productions and executive-productions with short term funding need;
- ◆ exploitation of existing IPs;
- ◆ a cautious accounting policy, which tends to amortize relatively quickly its contents and this is particularly appreciated in the light of increasingly uncertain exploitation of content rights in the medium term.

Yet, more recently ILBE has indicated they intend **to strengthen investments**, namely on management structure, in-house development of new productions and IP, including rights of distribution as part of the executive production and service activity. Despite we do not see much value in the latter, as a) in the current environment we see a certain risk attached and b) this tends to dilute

the benefits of executive productions in terms of financial cycle, we reckon it may prove a favourable bet in the medium term.

Finally management has decided to provide some guidance relative to backlog and planned productions, as described above and this has allowed us to factor in our model also new productions (not announced yet) and to offer a more “realistic” medium term picture of the business.

### Revised Estimates 2021E-23E

Overall, we have adjusted our 2021E-22E estimates, in order to incorporate at the top line:

- ◆ higher revenues in the current year, as ILBE has massively anticipated the delivery of the Puffins episodes (120 vs initially 60 planned) as well as other executive productions (Christmas Movies);
- ◆ higher revenues in 2022E as we added the delivery of the new productions announced recently (e.g. the movie “Muti”), a few new executive productions not yet subject to contracts, and the launch of two new series of animations (Puffins and a spin-off from Arctic Friends);
- ◆ new distribution revenues (from 2022E onwards) related to the the distribution rights acquired within the executive production agreements;
- ◆ the above assumptions more than offset lower revenues from Puffins: Impossible, as Iervolino Studios doo seems to take longer than initially expected to reach its target output in the post Covid-19 scenario;
- ◆ finally, our updated model is much more cautious in terms of back-end revenues, given the current OTTs boom and the shorter life cycle of contents. This seems particularly true for movies, while for animation IPs, management is actively seeking new agreements to exploit the value of ILBE “pipeline’ for animation contents’ production and of its characters;
- ◆ as for the minor businesses (Arte Video and Red Carpet), following the recovery in the event industry and the steady demand of encoding, digital delivery and post production services, the updated model includes cumulated 2021-23E revenues of €15mn vs previous €12mn.

### ILBE 2020A-23E Revenues breakdown by title (€mn)

Title	2020A	2021E	2022E	2023E
The Poison Rose	0.1			
Arctic Friends	62.2	68.2	11.4	
Waiting for the Barbarians	0.2			
Puffins Web Series	23.7	46.2	30.4	45.4
Women Stories	3.6	2.4		
Giving Back Generation				
Film for Paradox	1.6	5.6	4.9	0.8
Puffin Impossible	2.9	17.6	23.4	28.8
Film for WWPS		3.5		0.5
Executive Prod. (Xmas Movies & others)		12.0	37.8	40.9
<b>Revenues (incl. Tax credits)</b>	<b>119.6</b>	<b>150.6</b>	<b>106.4</b>	<b>100.8</b>
R&D Tax Credit	2.3	0.6	0.0	0.0
Others (post prod., celebrity mnngt) (*)	11.8	5.0	5.0	5.0
<b>Total Revenues</b>	<b>120.7</b>	<b>178.2</b>	<b>155.2</b>	<b>162.9</b>

Source: Value-Track Analysis (\*) Revenues in 2020 included advertising revenues (discontinued)

### ILBE: 2020 – 2023E Revenues Split by legal entities

€ mn	2020A	2021E	2022E	2023E
ILBE	116.0	155.6	126.8	129.1
Iervolino Studios doo (animation exec. Prod. – Serbia)	2.9	17.6	23.4	28.8
Arte e Video (Post Prod., Encoding. Digital – Italy)	0.9	4.0	4.0	4.0
Red Carpet (Celebrity Management – Italy)	0.9	1.0	1.0	1.0
<b>Group Revenues</b>	<b>120.7</b>	<b>178.2</b>	<b>155.2</b>	<b>162.9</b>

Source: ILBE, Value Track Analysis

As for profitability, the change in strategy -namely the launch of the executive production business and the strengthened activities of post-production/encoding/digital and celebrity management - and the fading back-end revenues flows have the following implications:

- ◆ service costs and labour costs are expected to growth significantly;
- ◆ amortization is also expected to jump in 2021E and to remain high in 2022-23E, due to:
  - 1) increased production costs,
  - 2) higher in-house development costs,
  - 3) lower expectations about back-end, which drive accelerated amortization of IPs.

### ILBE: 2020-2023E Profit & Loss

(€mn)	2020A	2021E	2022E	2023E
Revenues from Sales	94.5	155.8	135.0	147.5
Other Revenues	11.8	5.0	5.0	5.0
Tax credits	14.3	17.5	15.2	10.4
<b>Total Revenues i.e. VoP</b>	<b>120.7</b>	<b>178.2</b>	<b>155.2</b>	<b>162.9</b>
Cost of Sales	-6.5	-11.8	-38.7	-43.7
Labour Costs	-1.7	-4.2	-5.0	-5.1
<b>EBITDA</b>	<b>112.5</b>	<b>162.2</b>	<b>111.4</b>	<b>114.2</b>
<b>EBITDA Margin (%)</b>	<b>93.2%</b>	<b>91.0%</b>	<b>71.8%</b>	<b>70.1%</b>
Depreciation / Provisions	0.0	-0.2	-0.2	-0.2
Amortization	-90.4	-140.0	-89.2	-92.2
<i>o/w Poison Rose</i>	-1.4	0.0	0.0	0.0
<i>Arctic Friends</i>	-55.7	-61.8	-8.5	0.0
<i>WFTB</i>	-3.3	-0.5	0.0	0.0
<i>Puffin</i>	-24.3	-54.3	-40.8	-34.9
<i>Tell it like a woman</i>	-2.7	-4.1	0.0	0.0
<i>Paradox Productions</i>	-2.2	-5.3	-5.9	-1.1
<i>Others (incl. distribution)</i>	-0.8	-14.0	-34.0	-56.2
<b>EBIT</b>	<b>22.0</b>	<b>22.0</b>	<b>22.0</b>	<b>21.7</b>
<b>EBIT Margin (%)</b>	<b>18.3%</b>	<b>12.3%</b>	<b>14.2%</b>	<b>13.3%</b>
Net Fin. charges & others	-0.6	-2.1	-0.8	-0.6
<b>Pre-Tax Profit</b>	<b>21.4</b>	<b>19.9</b>	<b>21.3</b>	<b>21.1</b>
Taxes	-1.9	-0.7	-1.7	-3.0
<b>Net Profit</b>	<b>19.5</b>	<b>19.2</b>	<b>19.6</b>	<b>18.1</b>

Source: Value-Track Analysis

### FCF generation further postponed to 2023E

As for Cash Flow, we expect Capital Expenditure, i.e. capitalized production costs, to absorb all the cash generated in 2021E and 2022E. This is due to a few factors, in part linked to the typical features of the business and to some extent linked to ILBE strategy and recent market trends:

- ◆ the content production business is characterized by a **mismatch between free cash flow generation and profits**, as the former may follow the latter even by a couple of years;
- ◆ ILBE in particular requires **cash in order to support its growth** and should start to generate free cash flow as soon as the number of **new** productions stabilise. We expect ILBE to continue to invest on new IPs in order to support organic growth, with Capex and WC absorbing cash;
- ◆ in addition, ILBE has started an executive business, that often requires also a **distribution** activity and this implies that monetization requires further 12-24 months. In fact the value (cost) of distribution rights absorbs most of executive production proceeds;
- ◆ also the **increased in-house development activity** will require higher costs, that are capitalised (and hence do not have immediate effect in the P&L) but reduce FCF;
- ◆ finally, the flows of **back-end revenues** of traditional contents (movies) are currently seen well **below** the levels expected **pre-Covid**; this does not affect the top line materially (as back-end were not a key component of the top line), but it materially reduces the cash generated by contents in the medium term.

As a consequence, we expect a good improvement on cash generation only from 2023E, as lower working capital needs and gradually lowering capex would allow Net Financial Position to start improving (by ca. €9mn in 2023E). Moreover, we foresee IE free cash flow to benefit from executive production of Iervolino Studios doo (Serbia) reaching its output targets and from post production/digital delivery and IP management activities carried by its subsidiaries, as these are characterized by little capital requirements. It is clear that **the actual free cash flow** that will be generated by the company **will depend on the actual new productions** that will be launched in the next quarters, as these initially absorb cash and may materially affect the cash flow profile.

#### ILBE: 2020A-23E Cash Flow Statement

(€mn)	2020A	2021E	2022E	2023E
<b>EBITDA</b>	<b>112.5</b>	<b>162.2</b>	<b>111.4</b>	<b>114.2</b>
Op. WC Chg. / Provisions	-10.5	-7.5	-8.9	4.9
Capex	-109.1	-159.9	-100.5	-106.3
Cash Taxes	-1.9	-0.7	-1.7	-3.0
<b>OpFCF a.t.</b>	<b>-8.9</b>	<b>-6.0</b>	<b>0.3</b>	<b>9.7</b>
Other (Incl. Fin. Inv.)	-5.7	-1.1	0.0	0.0
Net Financial Charges	-0.4	-0.9	-0.8	-0.6
<b>Change in Net Fin. Position</b>	<b>-15.1</b>	<b>-7.9</b>	<b>-0.5</b>	<b>9.1</b>

Source: Value-Track Analysis

#### ILBE: 2020A-23E Balance Sheet

(€mn)	2020A	2021E	2022E	2023E
Net Working Capital	5.9	13.6	22.6	17.8
Net Fixed Assets	77.2	97.0	108.1	122.0
Provisions	0.5	0.6	0.7	0.8
<b>Capital Employed</b>	<b>82.7</b>	<b>110.0</b>	<b>130.0</b>	<b>139.0</b>
<b>Group Net Equity</b>	<b>67.0</b>	<b>86.4</b>	<b>105.9</b>	<b>124.1</b>
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>-15.7</b>	<b>-23.6</b>	<b>-24.1</b>	<b>-15.0</b>

Source: Value-Track Analysis

## Valuation

As already outlined in the past, **the stock still trades at cheap multiples vs. domestic and international peers**, i.e. 6.3x EV/EBIT on revised 2021E/2022E estimates. In the past we attributed this to a few factors: 1) size and track record, 2) risk profile and visibility, 3) earnings growth and Free Cash Flow generation. While we believe at this point the stock rating should not be affected by the first two factors, the third point remains an issue. In more detail:

- ◆ **size and track record** – in this respect we note that ILBE is become one of the largest players among the peers’ group and that during the pandemic management provided reassuring evidence of prompt reaction and timely execution capabilities;
- ◆ **risk profile and visibility** - ILBE is virtually a pure production business of international contents, focused on animations for OTTs platforms’ and with very “visible” revenues and also follows very cautious accounting practices on IPs depreciation;
- ◆ **earnings growth and Free Cash Flow generation** - ILBE is independent and young and it is not able yet to generate FCF and growth at the same time; also it is not able yet to benefit of the “long tail” of its content rights. Despite management has started to address this issue, with an increasing focus on executive productions and IP exploitation, on the other hand a few factors keep postponing the inflexion point of FCF generation (as described in our forecasts revision).

We also point out that **the sector has witnessed a further re-rating** over the past months and sector multiples have further widened. As this tends to reduce the “quality” of multiples of peers as value driver, we have also introduced in our valuation exercise a DCF model, now made possible by the longer horizon of our forecasts.

The mix of the two methodologies supports our **fair equity value per share of €5.3**, which we leave unchanged. At fair value the stock trades at EV/EBIT of 9.5x/9.5x and P/E of 9.7x/9.5x for 2021E-22E respectively. These multiples would put the stock at 12% premium to domestic peers and at 40% discount to content production players, in particular to the French Xilam Animation and the Canadian Thunderbird Entertainment, which however are expected to deliver much faster earnings growth and/or free cash flow.

As in the past we focus on **EV/EBIT and P/E** and prefer to avoid metrics that are not fully comparable because of the differences in accounting methodologies: all peers considered report under IFRS/IAS and follow the individual-film-forecast-computation-method for IPs, but there is a certain degree of subjectivity and some of them report EBITDA net of contents’ amortisations.

### ILBE: Sensitivity of implicit stock ratings

Share price (€)	EV / EBIT (x)			P / E (x)		
	2021E	2022E	2023E	2021E	2022E	2023E
€ 4.1	10.1	8.5	7	9	7.8	6.5
€ 4.7	8.6	8.6	8.3	8.6	8.4	9.1
<b>€ 5.3</b>	<b>9.5</b>	<b>9.5</b>	<b>9.2</b>	<b>9.7</b>	<b>9.5</b>	<b>10.2</b>
€ 5.9	10.5	10.5	10.2	10.7	10.6	11.4
€ 6.5	11.4	11.4	11.2	11.8	11.6	12.6

Source: Value Track Analysis

## Peers Analysis

ILBE trades at material discount to domestic and international peers, whose market multiples expanded over the last months as

- ◆ The **Italian peers** Notorious picture and Lucisano Media Group were largely exposed to the direct effects of pandemic (i.e. forced closures), thus they reported respectively -70% and -15% in FY20 as well as +130% and +56% 1H21 revenues. Yet consensus has recently improved for these names thanks the fact that people are coming back to cinemas and from 11<sup>th</sup> October maximum occupancy of indoor cinemas has been re-established.
- ◆ In addition, all domestic players are heavily **investing into production** activities following the pandemic outbreak and the reduced visibility of the traditional box-office buz. As from the table below in 1H 2021 also the names traditionally focused on distribution, benefitted from increased activities in production and international executive production in particular.
- ◆ **Mondo TV**, thanks to a business mix exposed to animation products, reported more solid 2020 results and management indicated further growth for 2021E;
- ◆ Among names focused on production and contents for OTTs, the French comparable **Xilam Animation** still trades at demanding multiples on resilient business performance (guidance for FY2021E revenues is +80% YoY and consensus even higher), despite the loss in revenues in FY2020 (-32%). **Thunderbird Ent.** is trading around its peak levels, after a great performance in terms of revenue over the last year (+41% Revenue YoY with fiscal year ending June 2021), supported also by its combined (Production and Distribution) business model.

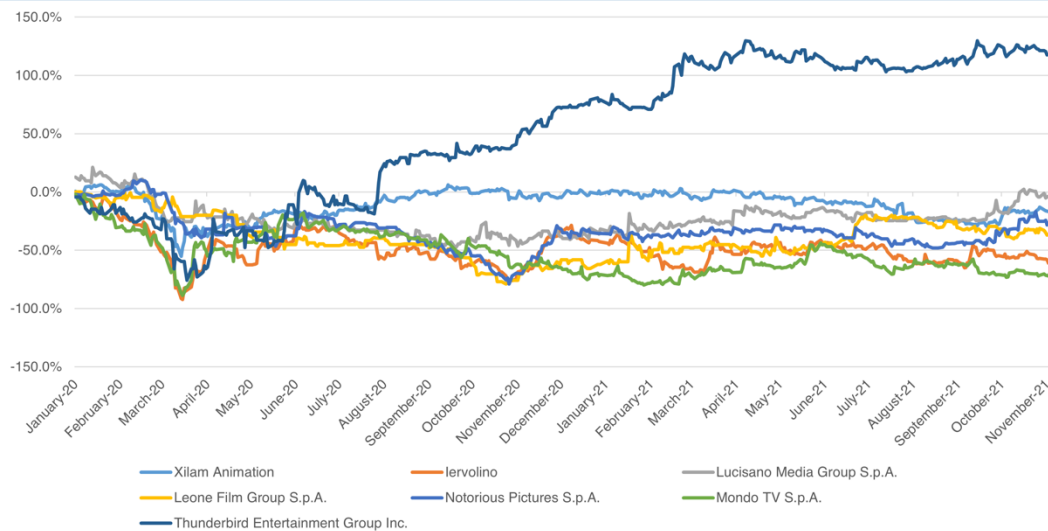
### ILBE: Positioning vs. peers

Company	Revenue FY20A (€mn)	Change YoY	Revenue 1H21 (€mn)	Change YoY	Revenues Composition (last reported)			
					Production	Distribution	Cinema	Other
Notorious Pictures	13.4	-69%	12.9	+130%	32%	52%	1%	15%
Leone Film Group	72.5	+3%	38.6	+141%	80%	20%	--	--
Lucisano Media Group	32.2	-15%	13.0	+56%	46%	37%	9%	--
Xilam Animation	21.9	-34%	13.2	+35%	100%	--	--	--
Thunderbird(*)	54.9	+41%	n.a.	n.a.	70%	30%	--	--
Mondo TV	30.4	+14%	15	+33%	86%	14%	--	--
<b>Iervolino</b>	<b>120.7</b>	<b>+51%</b>	<b>114.2</b>	<b>+105%</b>	<b>100%</b>			

Source: Value Track Analysis, Market Consensus; (\*) FY2020 ended in June 2021

In the chart below, we report the peers' group share price performance since Jan 2020 – i.e. since a pre-pandemic picture - to date. Current trading market multiples continue to diverge based on relative exposure to the movie industry, nevertheless the spread has narrowed over time. Indeed, stock prices of companies with a significant exposure to cinemas/box office revenues partially recovered from the low point reached at the end of October 2020, as investor expectations improved, aided by vaccination campaigns, theatres full capacity re-establishment and important movie releases (“Dune” and “No Time to Die”).

**ILBE vs. peers: Share price evolution 01 January 2020 – 10 November 2021**



Source: Value Track Analysis

The tables below summarise the current ratings of the selected peers, split into two panels, and show the wide valuation gap between Italian and International peers. Should we include a large global player as Lions’ Gate among international peers – which we leave out because of its much bigger size, leadership and global presence as well as its sizeable subs. video services division (Media Network division) - the gap would further widen.

**ILBE: Peers’ stock trading multiples**

Company	EV / EBIT (x)			P / E (x)		
	2021E	2022E	2023E	2021E	2022E	2023E
<b>Italian players</b>						
Notorious Pictures	10.1	8.5	7.0	9.0	7.8	6.5
Leone Film Group	nm	14.3	9.0	27.8	8.0	4.8
Lucisano Media Group	9.5	8.2	nm	6.4	6.3	nm
Mondo TV	3.5	2.2	1.1	8.3	6.3	5.2
<b>Average</b>	<b>7.7</b>	<b>8.3</b>	<b>5.7</b>	<b>12.9</b>	<b>7.1</b>	<b>5.5</b>
<b>Median</b>	<b>9.5</b>	<b>8.4</b>	<b>7.0</b>	<b>8.7</b>	<b>7.1</b>	<b>5.2</b>

Source: Value Track Analysis

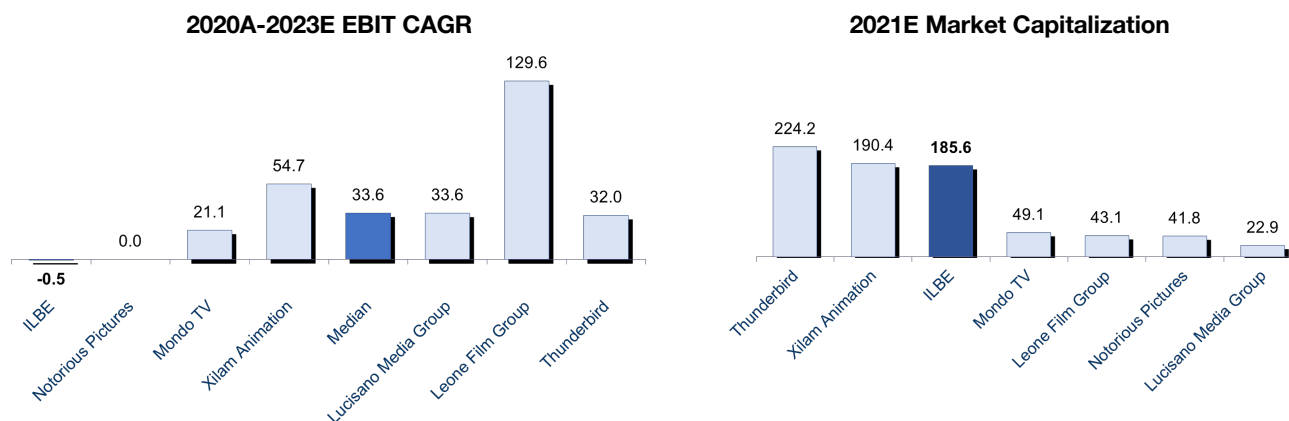
**ILBE: Peers’ stock trading multiples**

Company	EV / EBIT (x)			P / E (x)		
	2021E	2022E	2023E	2021E	2022E	2023E
<b>Players focused on Production</b>						
Xilam Animation	18.6	15.6	13.2	26.3	21.4	16.1
Thunderbird	23.0	14.7	11.2	39.4	27.3	18.2
Mondo TV	3.5	2.2	1.1	8.3	6.3	5.2
<b>Average</b>	<b>15.0</b>	<b>10.8</b>	<b>8.5</b>	<b>24.7</b>	<b>18.4</b>	<b>13.2</b>
<b>Median</b>	<b>18.6</b>	<b>14.7</b>	<b>11.2</b>	<b>26.3</b>	<b>21.4</b>	<b>16.1</b>
<b>IE @ €3.3 mkt price</b>	<b>6.3</b>	<b>6.3</b>	<b>6.0</b>	<b>6.0</b>	<b>5.9</b>	<b>6.4</b>

Source: Value Track Analysis

The ratings gaps above seem partially supported by the difference in business mix, as outlined above, as well as by the different financial performances (expected growth) and size, as highlighted by the charts below.

**ILBE: Peers' group EBIT growth and market cap**



Source: Value Track Analysis

Finally, here below we report a comparison among the peers considered in terms of expected cash flow generation over the next three years and again we outline that a) there is a wide dispersion and b) ILBE is positioned in the lower end of the group.

**ILBE: Peers' group EFCF Yield (mn local currency)**

Company	Equity Free Cash Flow			Market Cap.	Cumulated EFCF Yield (*)
	2021E	2022E	2023E	2021	
<b>Italian players</b>					
Notorious Pictures	0.3	-0.1	3.6	38.9	10%
Leone Film Group	-3.7	9.8	6.6	45.1	28%
Lucisano Media Group	0.3	4.7	0.0	19.9	25%
Mondo TV	10.3	10.6	13.6	49.1	70%
<b>Average</b>	<b>1.8</b>	<b>6.2</b>	<b>6.0</b>	<b>38.3</b>	<b>33%</b>
<b>Players focused on Production/Animation</b>					
Xilam Animation	0.3	-0.1	3.6	193.0	2%
Thunderbird	6.8	13.7	11.1	229.5	14%
Mondo TV	10.3	10.6	13.6	49.1	70%
<b>Average</b>	<b>5.8</b>	<b>8.1</b>	<b>9.4</b>	<b>157.2</b>	<b>29%</b>
<b>IE @mkt price</b>	<b>-7.9</b>	<b>-0.5</b>	<b>9.1</b>	<b>115.6</b>	<b>0.6%</b>

Source: Value Track Analysis; \*: computed as  $\sum \text{cash generated (2021E-2023E)} / \text{Market Cap.}$

On the back of the above considerations, we believe that ILBE's market ratings should be in between those of the Italian players – much smaller and more exposed to the distribution and box-office business - and those of the pure content producers, boosted by the two French and Canadian names, whose premium ratings are supported by much higher growth and FCF prospects. Based on peers' multiples and applying a 25% premium to Italian names over EV/EBIT and P/E for 2021-22E, we get to a **fair equity value per share of €6.3**.

### ILBE: Fair Equity Value based on peers' relative multiples

	EV / EBIT (x)		P / E (x)	
	2021E	2022E	2021E	2022E
Fair Multiples (x) – 25% premium to Italian peers	9.6	10.4	16.1	8.9
Fair Value (€ mn)	188	205	310	174
<b>Fair Value (€ per share)</b>	<b>5.4</b>	<b>5.9</b>	<b>8.8</b>	<b>5.0</b>
Discount/Premium vs Italian peers (avg)	25%	25%	25%	25%
Discount/Premium vs. production focused peers (avg)	-36%	-4%	-35%	-52%

Source: Value Track Analysis

### DCF model

Our DCF model provides a **fair equity value per share of €4.4** and is built on the back of the following assumptions:

- time horizon for explicit forecasts is 2022-27E;
- valuation date is December 2021 and net debt refers to 2021E;
- WACC is equal to 8.4% (see table below for its components);
- terminal value is based on PGR of 0% and implies an exit EV/EBIT of 9.3x.

### ILBE: WACC calculation

Risk free	2%
Risk Premium	6.85%
Credit spread	3%
Beta Levered	0.86
Small Cap Mkt Risk Premium	1.0%
<b>Cost of Equity</b>	<b>8.9%</b>
<b>Cost of Debt a.t.</b>	<b>3.8%</b>
D/D+E	10%
<b>WACC</b>	<b>8.4%</b>

Source: Value Track Analysis

### ILBE: DCF valuation

	€mn
PV of future cash flows (2022-2027E)	53.5
PV of Terminal value	124.7
<b>Fair Enterprise value</b>	<b>178.1</b>
<b>Fair Equity value</b>	<b>154.5</b>
Shares (mn)	35.0
<b>Fair Equity Value p.s.</b>	<b>4.41</b>

Source: Value Track Analysis

The table below offers a sensitivity analysis based on different assumptions in term of WACC and long term growth potential (PGR) compared to our base case.

#### Sensitivity analysis of price p/s from DCF

	4.4	PGR (%)				
		-1.00%	-0.50%	0.00%	0.50%	1.00%
WACC (%)	7.4%	4.68	4.92	5.19	5.50	5.86
	7.9%	4.33	4.53	4.76	5.03	5.33
	8.4%	4.03	4.21	<b>4.41</b>	4.64	4.90
	8.9%	3.73	3.88	4.05	4.25	4.46
	9.4%	3.47	3.61	3.76	3.92	4.11

Source: Value Track Analysis

By averaging the fair value per share coming from the peer's analysis (€6.3 p/s) and from the DCF analysis (€4.4) we come up with a **fair value per share of €5.3**, confirming our previous stance.

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