

NOTORIOUS PICTURES

BUY

Sector: Media

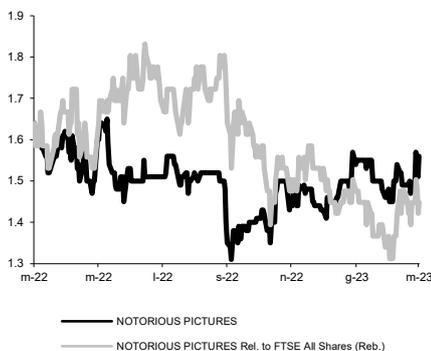
Price: Eu1.56 - Target: Eu2.20

New Advances in Film Production Business in 2023

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 2.00 to 2.20		
	2023E	2024E	2025E
Chg in Adj EPS	-0.1%	-0.6%	

NOTORIOUS PICTURES - 12M Performance



Stock Data			
Reuters code:	NPI.MI		
Bloomberg code:	NPI IM		
Performance	1M	3M	12M
Absolute	6.8%	9.1%	-4.9%
Relative	8.3%	-4.9%	-12.3%
12M (H/L)	1.65/1.31		
3M Average Volume (th):	4.89		

Shareholder Data	
No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	35
Total Mkt Cap (Eu mn):	35
Mkt Float - Ord (Eu mn):	5
Mkt Float (in %):	15.2%
Main Shareholder:	
Marchetti Guglielmo	82.3%

Balance Sheet Data	
Book Value (Eu mn):	30
BVPS (Eu):	1.35
P/BV:	1.2
Net Financial Position (Eu mn):	-26
Enterprise Value (Eu mn):	62

■ **FY22 EBIT up strongly YoY, beating our estimates.** The group unveiled FY22 results on 29 March 2023. Revenues rose +36% YoY to Eu35.6mn, slightly below our Eu36.9mn estimate, while EBIT came to Eu5.6mn, +66% YoY and 4.9% better than expected. Net debt as at the end of December was Eu20.9mn (Eu8.1mn excluding the IFRS16 effect, slightly better than our Eu8.3mn estimate). The BoD will propose a DPS of Eu0.115 to the AGM with a dividend yield of 7.6% (at the last closing price).

■ **Supportive management outlook for the current year.** For 2023 the group envisages continuing growth in all business areas: i) in production, 3 films are due to be completed, with 4 scheduled for 2024. Major focus will be dedicated to research and development of international films to feed the global distribution channel. From May 2023, with the arrival of new manager Benedetta Galbiati, the new department for the development and production of TV series will start operating; ii) in distribution, the group hopes to exploit a significant pipeline (which includes the new chapter of the Hunger Games franchise) in a market environment that is expected to show recovery, while it plans to launch 6 films in Spain; iii) in the cinema business, Notorious Cinemas confirmed its important opening plan that should allow it to reach a market share of 5% in 2027.

■ **Visibility on our estimates increasing.** In light of indications from 2022 results we are trimming our 2023-24 revenue forecasts but confirming margins. We perceive increasing visibility on our forecasts for the film production business, where Notorious is working on a number of important projects and where this year a production project for an internally-developed series should get underway. Our estimates are quite cautious in assuming benefits from government grants that could represent a positive surprise (also thanks to the recognition of grants related to 2022 activities).

■ **BUY; target from Eu2.0 to Eu2.2.** 2022 results were better than expected, especially for the production business which, thanks in part to the strengthening of the management team, should show important signs of development again in 2023. The group is also working to finalise the production of its first film series. Overall, we expect the company to benefit from recovering cinema attendance trends in 2023, but we underline that our estimates increasingly rely on the production business, which is less dependent on recovery in the cinema channel. Our new target reflects the rollover of our valuation model.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	26	36	46	61	73
EBITDA Adj (Eu mn)	10	18	22	29	36
Net Profit Adj (Eu mn)	4	4	6	8	9
EPS New Adj (Eu)	0.158	0.194	0.245	0.357	0.407
EPS Old Adj (Eu)	0.158	0.191	0.245	0.360	
DPS (Eu)	0.082	0.115	0.098	0.143	0.163
EV/EBITDA Adj	5.3	3.1	2.8	2.1	1.0
EV/EBIT Adj	16.4	9.8	8.8	6.1	3.1
P/E Adj	9.9	8.0	6.4	4.4	3.8
Div. Yield	5.3%	7.4%	6.3%	9.2%	10.4%
Net Debt/EBITDA Adj	1.6	1.2	1.2	0.9	0.0