

February 13, 2019

LEONE FILM GROUP

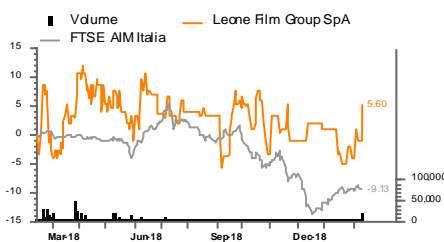
Fair Value: €6.11
(Prev. €6.11)

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LFG 1Y Relative Performance Chart



Market Data:

Current Price (€)	4.90
Fair Value (€)	6.11
Upside (%)	24.3
Market Cap (€/mn)	69.6
52 Wk High/Low (€)	5.45-4.20
Free Float (%)	24.6
Avg. Daily Trading 90d	803
Share Out (mn)	14.2
Price Change YTD (%)	4.3
Price Change 1Y (%)	5.6
Dividend Yield (%)	0.0

Good 2018 and promising 2019...

FY18 Preliminary Unaudited Results. On February 2nd, 2019 the BoD announced the 2018 full-year preliminary unaudited results, which confirm LFG's ability to achieve its business plan targets. LFG kept recording substantial top-line growth, notwithstanding a 4.98% decrease in the Italian box office and the delayed release of six movies (*Hotel Artemis*, *La Ch'tite Famille*, *Billionaire Boys Club*, *Maradona*, *Kin* and *Remi*). In detail, revenues reached €119.0mn, growing by 12.5% with respect to FY17 (10.6% and 9.2% ahead of the business plan's estimates and our forecasts, respectively), thanks to the good performance recorded by movies distributed in theaters and through the FreeTV, PayTV and digital channels. LFG's consolidated EBITDA grew by 1.9% YoY up to €30.0mn and it was broadly in line with both our expectations and the business plan. LFG's preliminary unaudited results highlight a higher than expected net financial position which came in at €49.5mn (+22.2% YoY), mainly due to the split payment mechanism which implies a VAT debt reduction and a consequent VAT credit increase for over €6.0mn.

Table 1: LFG's FY18 Preliminary Results vs KT&P's Estimates

€ thousand	2017A	2018 Prel.	2018E	A/E %
Revenues	105.8	119.0	109.0	9.2%
YoY Change (%)		12.5%	3.0%	
EBITDA	29.4	30.0	30.2	-0.7%
YoY Change (%)		1.9%	2.7%	
Net Debt	40.50	49.5	45.0	10.0%
YoY Change (%)		22.2%	11.1%	

Source: Company data and KT&Partners' estimates

LFG has had a good start in 2019. Since the beginning of the year, three movies (*Mia e il Leone*, *Vice* and *Green Book*) have already been released and are still playing on the screen, cashing in over €10.8mn up to now. Of these, the film *Green Book* - directed by Peter Farrelly and starring Viggo Mortensen and Mahershala Ali - hits the theaters on January 31, 2019, collecting over €1.8mn at the box office in its opening weekend. Furthermore, the films *Green Book* and *Vice* have received five and eight Academy Award nominations, respectively.

Estimates confirmed for FY19. Following the FY18 preliminary results, which confirmed the growth trend shown in the 2018-2020 business plan, we have left our P&L 2019 estimates unchanged and have updated the net debt to the current level. We will consider a possible review of our projections once the company has disclosed its new business plan and has provided a clear view of LFG's 2019 pipeline.

Current valuation. We confirm a €6.11 p.s. fair value, +24.3% upside, and consider the current valuation to be unjustifiably cheap. LFG is currently trading at 11.98x and 8.41x on expected P/E2018 and P/E2019. 2019 had a strong start and we expect a possible improvement on 2019 guidance on the back of the current pipeline, the box office performance and the growth of the digital entertainment market.

€ thousand	Revenues	EBITDA	EBITDA Margin	EBIT	Earnings	EPS
2016A	54,707	23,518	43.0%	2,964	1,818	0.13
2017A	105,790	29,423	27.8%	5,423	3,904	0.28
2018E	108,970	30,220	27.7%	6,870	5,429	0.38
2019E	128,100	32,460	25.3%	9,675	7,691	0.54
2020E	136,045	39,310	28.9%	13,045	10,135	0.71

Source: Company data, KT&Partners' estimates

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