

October 18, 2016

## 1H16 RESULTS

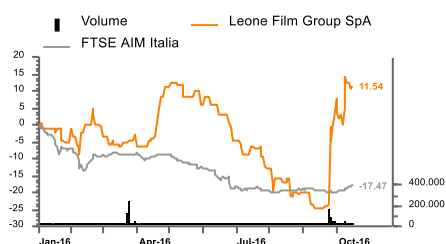


**Target Price: €3.30**  
(Prev. €3.60)

Kevin TEMPESTINI  
+39.02.83424007  
[ktempestini@ktepartners.com](mailto:ktempestini@ktepartners.com)

Fabio COZZI  
+39.02.83424008  
[fcozzi@ktepartners.com](mailto:fcozzi@ktepartners.com)

### LFG Relative Performance Chart



### Market Data:

Price (€)	2.98
Market Cap (€/mn)	41.97
52 Wk High/Low (€)	1.94-3.20
Free Float (%)	23.8%
Avg. Daily Trading 90d	6,647
Share Out (mn)	14.09
Price Change YTD (%)	11.54
Dividend Yield (%)	3.0

## Lion's Roar: Solid First Half Results!

LFG delivered a strong first half as expected considering both the distribution and production fronts:

- Revenues up 340% YoY at €31.90mn vs €7.25mn in 1H15
- EBITDA up 334% YoY at €11.66mn vs €2.69mn in 1H15
- Net income up 171% YoY at €1.42mn vs €0.52mn in 1H15
- Net financial position came in at €28.49mn vs €24.24mn in FY15

**1H16 results summary.** The strong revenue growth seen in 1H16 was achieved thanks to good results in the box office and successful productions. At the cinema, the big hit distributed was Quentin Tarantino's *The Hateful Eight*, which collected over €8mn at the box office. As for productions, extraordinary box office results were posted by the executive production of Genovese's *Perfetti Sconosciuti*, which cashed in over €17mn, and by Virzi's *La Pazza Gioia*, a Lotus and Manny Film's co-production, which posted a notable €6mn at the box office.

**2H16 started with two important pieces of news!** In September 2016, LFG signed a four-year agreement with RAI for the distribution - via O1 Distribution - of a minimum of ten international films per year, selected from LFG lists, starting from 2017 till the end of 2020. According to the agreement, RAI will acquire distribution rights for Free TV and have an option to acquire a 50% stake in the remaining distribution rights. RAI will also have a right to the first offer to co-produce all film and television productions with LFG. Furthermore, the Company announced a deal with Maite Bulgari, the owner of Anthos, an independent production company active in the production of multiple script serials and documentaries for RAI. As part of this deal, Maite Bulgari bought a 10.6% stake in LFG for €4.0 ps (deal value €6mn), implying a premium of app. 100%. The new deal aims to expand the Company's focus on TV production and fiction TV with a new production hub in order to compete on the international market. The new partner will serve as shareholder and vice president of LFG.

**Outlook and estimates revision.** We expect LFG's revenues and margins to continue to perform well in 2016, although top-line growth will not replicate the 1H16 growth rate. In fact, the Company indicated that some films originally planned to be distributed in 2H16 will be distributed now in the first months of 2017, due to both commercial reasons and delays in foreign film productions. We therefore revise our estimates accordingly, moving downward our forecast to incorporate changes in the 2H16 pipeline on the distribution front. Here are the main changes: i) FY16E revenues stand at app. 14% below; ii) EBITDA at €20.8mn vs our previous €29.7mn forecast; iii) net income down 41% at €2.54mn. As for 2017, we are looking at an important pipeline but prudentially we maintain unchanged our forecast as some films expected to be distributed in 2017 could be postponed to 2018. Looking at net debt, we maintain steady the Group's NFP as the affluent pipeline for the next year will require a significant investment plan.

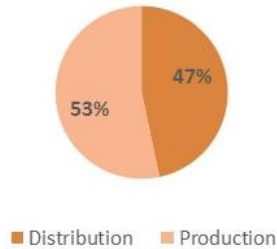
**Valuation.** Despite the stock having outperformed the AIM market by 12.7% since our previous report, we believe LFG continues to be undervalued. LFG's growth rates are not yet fully reflected in its 2016E and 2017E multiples. On the basis of 2016E-2017E peers' EBIT and P/E consensus, we see the discount vs its comparables as unjustified. We therefore confirm our positive stance and considering the low visibility we have on 2017 potential estimates' upside, we prudentially set €3.30 as target price.

€ thousand	Revenues	EBITDA	EBITDA Margin	EBIT	Earnings	Net Margin
2013	20,271	12,551	62%	4,264	2,364	12%
2014	24,288	14,735	61%	3,766	2,598	11%
2015	38,833	19,181	49%	4,363	3,577	9%
2016E	51,688	20,814	40%	4,595	2,538	5%
2017E	65,655	34,872	53%	8,725	5,612	9%

Source: Company data, KT&P estimates

## 1H16 Results: Good Start to the Year

Revenues' Breakdown 1H16



Leone Film Group continues to deliver strong growth with the 2016 first half results. On the distribution front, LFG distributed, among others, eight top international films in Italy during 1H16, generating an aggregate box office revenue of app. €16.7mn and 2.6mn audience. Overall, during the first six months of the year LFG generated €14.9mn revenues from content distribution (+176% YoY). In detail, €3.1mn came from theatrical revenues, €2.6mn from the sale of rights, €3.2mn from the sale of Free TV rights, €3.7mn from the sale of Pay TV rights and €0.9mn from the sale of digital and home video rights. Finally, other revenues amounted to €1.37mn.

Table 1: LFG's Main 1H16 Films

Title	Type	Box Office (€000)
The Divergent: Allegiant	Distribution	3,349
The Hateful Eight	Distribution	8,509
Gods of Egypt	Distribution	1,224
Mothers' Day	Distribution	251
Fuga dal Pianeta Terra	Distribution	304
American Ultra	Distribution	16
Hardcore	Distribution	567
Now You See Me 2	Distribution	2,496
La Pazza Gioia	Co-Production	5,658
Perfetti Sconosciuti	Exec. Production	17,157
Miami Beach	Co-Production	780

Source: Cinetel (Last update: 06/30/2016)

Note: Cinetel underestimates box office revenues as it collects data related to about 90% of the total market

LFG's 1H16 Top Productions



While 47% of LFG's operating revenues (€13.5mn) came from content distribution, the remaining 53%, i.e. €17mn, was generated from upstream. Production revenues were up over twelve times with respect to 1H15 and include €3.78mn coming from tax credit. Specifically, LFG 1H16 productions include Paolo Genovese's *Perfetti Sconosciuti*, Virzi's *La Pazza Gioia* and Vanzina's *Miami Beach*. It is worth noting that *Perfetti Sconosciuti* won the David di Donatello award as "Best Film" and was awarded "Best Screenplay" at New York's Tribeca Film Festival. Furthermore, *Perfetti Sconosciuti* is the second most watched film of 2016 at the moment, just behind the extraordinarily successful *Quo Vado* by Checco Zalone and even ahead of the award-winning *The Revenant*. We remark that executive productions generate a pre-determined producer's fee for LFG which is based on a percentage of the production budget. However, the executive production *Perfetti Sconosciuti* generated an extra revenue (bonus) correlated to the box office success of the movie.

**Table 2: Top 10 Most Watched Films of 2016 by Box Office Revenues**

Rank	Film	Nationality	Distributor	Box Office (€)	Audience
1	Quo Vado?	ITA	Medusa Film	65,315,455	9,357,659
2	Perfetti Sconosciuti	ITA	Medusa Film	17,156,558	2,678,551
3	The Revenant	USA	20th Century Fox	13,868,884	2,087,290
4	Captain America: Civil War	USA	Walt Disney	11,290,676	1,637,978
5	Zootropolis	USA	Walt Disney	11,287,896	1,772,056
6	Batman vs Superman: Dawn of Justice	USA	Warner Bros	10,546,782	1,549,682
7	Il Libro della Giungla	USA	Walt Disney	10,397,983	1,634,472
8	Il Piccolo Principe	ITA	Lucky Red Distrb.	9,460,822	1,512,748
9	The Hateful Eight	USA	01 Distribution	8,509,339	1,240,609
10	Kong Fu Panda 3	USA	20th Century Fox	8,341,045	1,315,839

Source: Cinetel (Last update: 06/30 /2016)

LFG reached €11.67mn of EBITDA in 1H16, showing a 333% YoY increase, while its bottom line was €1.42mn, which was 141% higher with respect to 1H15 but - after deducting €9.1mn of amortization (+295% compared to €2.3mn in 1H15) - 2.8 percentage point lower in terms of weight on revenues.

**Table 3: Summary Income Statement**

€ thousand	1H16	1H15
Sales	26,734	6,520
Other revenues	1,391	160
Tax credit	3,776	570
<b>Total Revenues</b>	<b>31,901</b>	<b>7,250</b>
Growth %	340.0%	
Operating costs	- 4,319	- 1,131
Services	- 10,996	- 7,634
Personnel costs	- 5,827	- 1,636
Capitalized costs	906	5,842
<b>EBITDA</b>	<b>11,665</b>	<b>2,691</b>
EBITDA margin	36.6%	37.1%
Growth %	333.5%	
D&A	- 9,140	- 2,262
<b>EBIT</b>	<b>2,525</b>	<b>429</b>
EBIT margin	7.9%	5.9%
Growth %	488.6%	
Financial income and expenses	- 704	415
Extraordinary income and expenses	-	-
<b>EBT</b>	<b>1,821</b>	<b>844</b>
Income taxes	- 401	- 320
<b>Net income</b>	<b>1,420</b>	<b>524</b>
Net margin	4.5%	7.2%
Growth %	171.0%	

Source: Company data

Looking at the balance sheet items, the change in intangible assets reflects the acquisition of both distribution rights and ongoing productions. The Company's net debt had reached €28.4mn by June 2016, up by €4.4mn from FY15, due mainly to: i) the acquisition of the films for LFG's 2H16 and 1H17 pipeline; and ii) the financing of upstream projects. Indeed, during the first half, LFG spent €13.6mn for the acquisition of rights or productions, of which €9.9mn correlated to products that have not yet been released.

Table 4: Summary Balance Sheet

€ thousand	1H16	FY15
Intangible fixed assets	48,775	44,254
Tangible fixed assets	340	353
<b>Fixed assets</b>	<b>49,115</b>	<b>44,607</b>
Goodwill	5,684	5,684
<b>Total fixed assets</b>	<b>54,799</b>	<b>50,291</b>
Trade receivables	30,978	26,340
Trade payables	- 20,388 -	15,778
Inventory	653	653
Trade working capital	11,243	11,215
Other asset and liabilities	- 4,533 -	4,259
<b>Net working capital</b>	<b>6,710</b>	<b>6,956</b>
Provisions	- 207 -	208
<b>Net capital employed</b>	<b>61,302</b>	<b>57,039</b>
Shareholders' equity	32,814	32,799
Cash and equivalents (-)	- 20,092 -	5,628
Short-term liabilities	25,784	15,471
Long-term liabilities	22,796	14,397
<b>Net financial position</b>	<b>28,488</b>	<b>24,240</b>
<b>Sources</b>	<b>61,302</b>	<b>57,039</b>

Source: Company data

## Market Trend: 1H16 Italian Box Office Revenues

According to Cinetel, the Italian box office was up 14.6% in the first half of 2016 with revenues at €378.8mn (€330.6mn in 1H15). Looking at the audience, tickets sold were 59mn vs 51mn in 1H15 with €6.42 the average ticket price. The four majors (i.e. 20th Century Fox, Walt Disney, Warner Bros and Universal) experienced a decline in their box office revenues with €157.0mn cashed in vs €190.9mn in 1H15. On the other hand, the Italian distributors' box office grew 58.8% YoY from €139.7mn to €221.8mn. This important trend is chiefly explained by the extraordinary success of *Quo Vado* and *Perfetti Sconosciuti* at the box office, which amounted to €65.3mn and €17.2mn respectively, both distributed by Medusa Film.

Table 5: Key Numbers of the Italian Market

1H2016					1H2015				
Majors	Box Office Revenues (€)	Audience (#)	Box Office Revenues (%)	Audience (%)	Majors	Box Office Revenues (€)	Audience (#)	Box Office Revenues (%)	Audience (%)
20TH CENTURY FOX ITALIA S.P.A.	47,753,015	7,347,298	12.6%	12.4%	UNIVERSAL S.R.L.	75,149,257	11,074,135	22.7%	21.6%
WALT DISNEY S.M.P. ITALIA	46,457,663	7,037,343	12.3%	11.9%	WARNER BROS ITALIA S.P.A.	45,686,858	6,879,932	13.8%	13.4%
WARNER BROS ITALIA S.P.A.	37,005,755	5,692,846	9.8%	9.6%	WALT DISNEY S.M.P. ITALIA	40,434,691	6,117,926	12.2%	11.9%
UNIVERSAL S.R.L.	25,788,768	4,132,118	6.8%	7.0%	20TH CENTURY FOX ITALIA S.P.A.	29,591,233	4,602,611	9.0%	9.0%
<b>Total</b>	<b>157,005,200</b>	<b>24,209,605</b>	<b>41.4%</b>	<b>41.0%</b>	<b>Total</b>	<b>190,862,039</b>	<b>28,674,604</b>	<b>57.7%</b>	<b>56.0%</b>

1H2016					1H2015				
Italian Companies	Box Office Revenues (€)	Audience (#)	Box Office Revenues (%)	Audience (%)	Italian Companies	Box Office Revenues (€)	Audience (#)	Box Office Revenues (%)	Audience (%)
MEDUSA FILM S.P.A.	91,184,757	13,406,449	24.1%	22.7%	O1 DISTRIBUTION	39,648,967	6,326,133	12.0%	12.4%
O1 DISTRIBUTION	28,721,736	4,635,985	7.6%	7.9%	MEDUSA FILM S.P.A.	18,445,985	2,883,395	5.6%	5.6%
LUCKY RED DISTRIB.	27,104,531	4,419,323	7.2%	7.5%	LUCKY RED DISTRIB.	16,282,122	2,596,319	4.9%	5.1%
EAGLE PICTURES S.P.A.	17,201,766	2,767,121	4.5%	4.7%	EAGLE PICTURES S.P.A.	11,510,682	1,826,941	3.5%	3.6%
FILMAURO/UNIVERSAL	8,783,238	1,381,428	2.3%	2.3%	VIDEA-CDE S.P.A.	10,080,321	1,605,384	3.0%	3.1%
BIM DISTRIB. S.R.L.	7,678,763	1,342,733	2.0%	2.3%	NOTORIOUS PICT. S.P.A.	9,876,290	1,672,218	3.0%	3.3%
M2 PICTURES S.R.L.	6,610,723	1,046,552	1.7%	1.8%	BIM DISTRIB. S.R.L.	6,528,158	1,115,560	2.0%	2.2%
Others	34,534,352	5,806,693	9.1%	9.8%	Others	27,343,046	4,502,773	8.3%	8.8%
<b>Total</b>	<b>221,819,865</b>	<b>34,806,284</b>	<b>58.6%</b>	<b>59.0%</b>	<b>Total</b>	<b>139,715,571</b>	<b>22,528,723</b>	<b>42.3%</b>	<b>44.0%</b>

1H2016					1H2015				
Grand total	Box Office Revenues (€)	Audience (#)	Box Office Revenues (%)	Audience (%)	Grand total	Box Office Revenues (€)	Audience (#)	Box Office Revenues (%)	Audience (%)
<b>Grand total</b>	<b>378,825,065</b>	<b>59,015,889</b>	<b>100.0%</b>	<b>100.0%</b>	<b>Grand total</b>	<b>330,577,610</b>	<b>51,203,327</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data and Cinetel. We remark LFG distributes its films through the main Italian operators (i.e. Medusa Film and O1 Distribution)

We note that in the 1H16 the top three movies cashed in €96.3mn (audience at 14.1mn) compared with €57.3mn in 1H15 (audience at 8.3mn). This evidence confirms the volatility of the market.

### FY16 Outlook and Changes in Estimates

Looking upstream, LFG’s 2H16 pipeline includes the executive production of Enrico Lando’s *Quel Bravo Ragazzo*, expected to be released in November. Moreover, in September Lotus - LFG’s film production company - completed the production of its first TV series, named *Immaturi* and inspired by the 2011 film *Immaturi* featuring Raul Bova that reached €11.4mn at the box office in the first three weeks of its theater performance. The Company acts both as the executive producer and as the co-producer (together with Mediaset) for this TV series and will therefore own a share of future revenues. Mediaset will release the series in 1H17. There are also two other TV series in LFG’s pipeline. The first is a western series named *Colt* (based on an original idea of Sergio Leone), while the second is the 12-episode *I Beati Paoli* (from the book by Luigi Natoli), which will be directed by Giuseppe Tornatore during 2017 and will be released in 2018. We note that the 10.6% LFG stake acquired by the Bulgari family will allow the development of important industrial synergies with regard to TV production and series as Maite Bulgari is the owner of Anthos, an independent production company, specializing in TV production.



Also, 2016 is the first year in which LFG has acted as executive producer of an international film (*John Wick 2*, expected to hit the theaters in 1H17) which will represent a new area of business for the Group. Thanks to the “tax credit”, foreign producers intending to locate part of their foreign film-making on Italian soil can take advantage of a production partnership with domestic producers. In simple terms, even if the Italian executive producer is the only one who can claim the benefit, the foreign producer will transfer to the Italian company a sum equal to the total Italian cost less the fiscal benefit accrued. LFG has recently started the production of other international executive productions, including Garth Davis’ *Mary Magdalene*, Jingle Ma’s *Europe Raiders* and *The Long Walk*. Another one, Steven Spielberg’s *Il Rapimento di Edgardo Mortara*, will start production by the end of the year and LFG will act as Italian executive producer and movie co-producer.

#### LFG’s 2H16 Distribution pipeline



On the downstream side, in 2H16 LFG will distribute, among others, Peter Berg’s *Deepwater Horizon* and Tate Taylor’s *The Girl on the Train*. Furthermore, the thriller *Blair Witch* already hit the theaters in September.

Table 6: LFG’s Main Films for Content Distribution and Production in 2H16

Title	Type	Release Date	Director	Main Actors	Producer
Deepwater Horizon	Distribution	Sept. 2016	Peter Berg	Mark Wahlberg, Kurt Russel	Lionsgate
The Girl on The Train	Distribution	Oct. 2016	Tate Taylor	Emily Blunt, Kate Mara	Dreamworks
Blair Witch	Distribution	Already hit the theaters	Adam Wingard	James Allen McCune, Callie Hernandez	Lionsgate
Quel Bravo Ragazzo	Exec. Production	Nov. 2016	Enrico Lando	Luigi Luciano, Tony Sperandeo	Medusa Film

Source: Company data

According to the management, the ten important films (*The Big Friendly Giant*, *Tulip Fever*, *Lost City of Z*, *Nerve*, *The Light Between Oceans*, *La La Land*, *A Monster Calls*, *The Last Face*, *Hacksaw Ridge* and *Les Nouvelles Aventures d’Aladin*) that were expected to hit the theaters in 2H16 will be distributed in 2017, due to both commercial reasons and delays in foreign film productions.

We therefore revise downward our forecast to incorporate these changes in the 2H16 pipeline. Overall, our new €51.7mn revenues estimates stand at app. 14% below our previous forecast. We therefore revise 2016E EBITDA to €20.8mn, EBIT to €4.6mn and net income to €2.5mn. We note that a decrease in margin is correlated with changes in the distribution pipeline and accounting of executive productions. Looking at 2017, for the time being we prudentially maintain unchanged our previous forecast to take into account the possibility that some films expected to be distributed in 2017 could be postponed to 2018, as is going to happen this year. We, therefore, expect 2017E sales to continue to grow, reaching €65.65mn and EBITDA to reach €34.87mn, with a 9.0% and a 17.5% YoY expected growth, respectively. As for net income, we expect a 30.6% increase from €2.54mn to €5.6mn.

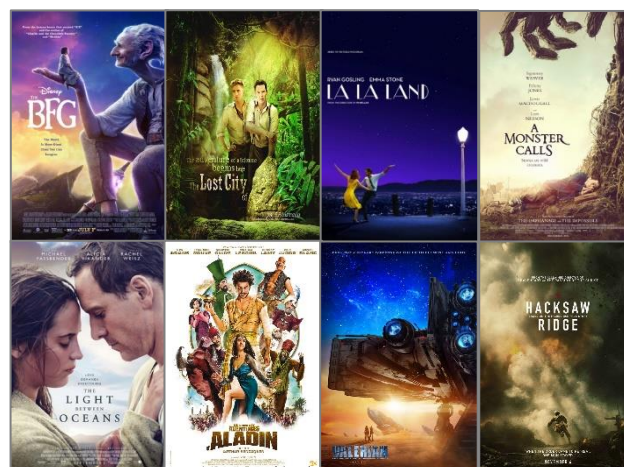
Table 7: Changes in Estimates

€ thousand	2015A	2016E Prev.	2016E Curr.	Change	2017E Prev.	2017E Curr.	Change
Revenues	38,833	60,231	51,688	-14%	65,655	65,655	0%
YoY Change (%)		55.1%	33.1%		9.0%	27.0%	
EBITDA	19,181	29,685	20,814	-30%	34,872	34,872	0%
YoY Change (%)		54.8%	8.5%		17.5%	67.5%	
EBIT	4,363	7,186	4,595	-36%	8,725	8,725	0%
YoY Change (%)		64.7%	5.3%		21.4%	89.9%	
Net Income	3,577	4,298	2,538	-41%	5,612	5,612	0%
YoY Change (%)		20.2%	-29.0%		30.6%	121.1%	

Source: Company data, KT&P estimates

We remark that FY17 includes an affluent pipeline increased by the postponed 2H16 films. On the downstream side, some films expected to be distributed have already received positive appreciation at the recent Venezia Film Festival, such as *La La Land*, *Hacksaw Ridge* and *The Light Between Oceans*. In particular, *La La Land* - an American romantic musical comedy-drama film written and directed by Damien Chazelle - was awarded “Best Actress” (Emma Stone) and nominated as “Best Film”. We note that distribution includes also revenues generated from LFG’s library.

Chart 1: Main Films Included in LFG’s 2017 Distribution Pipeline



Source: Company data



Finally, the recently announced four-year (2007-2020) agreement with RAI for the distribution - via O1 Distribution - of a minimum of ten international films per year gives an additional boost to this business line. According to the agreement, RAI will acquire distribution rights for Free TV and will have an option to acquire a 50% stake in the remaining distribution rights. RAI will also have a right to the first offer to participate in co-production with LFG on all film and television productions.

## Valuation

Given the level of volatility that characterizes this business, we believe the best way to provide a fair valuation of LFG is to focus on multiple comparisons. Even if we recognize that different amortization policies could affect results, we prefer to compare EBIT and earnings multiples, as at the EBITDA level the cost of films produced or distributed could not be properly reflected.

Our panel of peers is slightly different from our previous report, since we have removed DreamWorks Animation (which went private after being acquired in August 2016 by Comcast Corp.) and Bona Film Group (which went private after the merger with Mountain Tiger Limited in April 2016).

Peers have been chosen to take into account the business activity and the services provided. However, it is worth noting that the selected companies are quite different in terms of the size of revenues and international presence.

We have based our valuation on 2016 and 2017 multiples and have applied a 10% stock liquidity discount to EV/EBIT and P/E peers' average. We note that the liquidity discount was not applied to Italian peers. This translates into €3.36ps on the EV/EBIT basis and €3.24ps looking at the P/E multiple. We therefore set €3.30ps - 2016-2017E average - as a target price.

**Table 7: Multiple Valuation**

Multiple Valuation (€mn)	2016E	2017E
<b>EV/EBIT multiple comparison</b>		
Peer Group EV/EBIT netted from 10% liquidity discount	13.76	10.15
<b>LFG EBIT</b>	4.60	8.73
Enterprise value	63.21	88.59
<b>LFG Net Debt</b>	28.49	28.49
Equity Value	34.72	60.10
<b>Number of shares (mn)</b>	14.09	14.09
Value per share	2.46	4.26
<b>Target Price - € ps</b>	<b>3.36</b>	
<b>P/E multiple comparison</b>		
Peer Group P/E netted from 10% liquidity discount	14.79	9.61
<b>LFG earnings</b>	2.54	5.61
Market Cap	37.54	53.92
<b>Number of shares (mn)</b>	14.1	14.1
Value per share	2.66	3.83
<b>Target Price - € ps</b>	<b>3.24</b>	
<b>Target Price (Avg.) - € ps</b>	<b>3.30</b>	

Source: KT&Partners' elaboration on Factset data

It is worth pointing out that our valuation takes into account the following points:

- The target price was revised slightly downward as a consequence of changes in 2016E estimates (ten films postponed to 1H17);
- The company's 2016E multiples are relatively high as they take into account the weak 2H16 expected; however, LFG is one of the fast-growing players in its peer group;
- On a 2017 multiple basis, LFG trades at discount to both American and European comparables. We prudentially kept our 2017 estimates unchanged despite the fact that some 2H16 films have been postponed to 1H17. We believe the company may overcome our expectations and therefore be even more undervalued compared to its peers;
- The recent acquisition of a 10.6% stake in LFG by the Bulgari family at €4.0 ps - which is 21% above our €3.30 target price - makes our valuation conservative in the short run. In fact, focusing on 2017E multiples, LFG fair value will be €4.05 ps, which is perfectly in line with the mentioned transaction and leaves additional upside on 2017 and future results. This is therefore consistent with the valuation of a long-term investor such as Bulgari.

We have reported in the following tables the peers' valuation showing both 2016 and 2017 multiples at current market prices.

**Table 8: Peer Group Valuation Table - 2016 Multiples**

Company Name	Stock Exchange	Market Cap	EV/SALES 2016	EV/EBITDA 2016	EV/EBIT 2016	P/E 2016
Lions Gate Entertainment Corp.	NYSE	2,804	1.77	18.69	n.m.	n.m.
Entertainment One Ltd.	London	1,092	1.38	8.79	9.03	11.33
EuropaCorp SA	Euronext Paris	120	1.53	9.44	40.47	40.03
Splendid Medien AG	XETRA	22	0.60	2.62	16.10	17.54
Lucisano Media Group S.p.A.	Milan	18	0.81	1.94	4.96	2.93
Notorious Pictures S.p.A.	Milan	17	0.46	2.04	4.78	9.03
<b>Avg. Peer Group</b>		<b>679</b>	<b>1.09</b>	<b>7.25</b>	<b>15.07</b>	<b>16.17</b>
<b>Leone Film Group SpA</b>	<b>Milan</b>	<b>42</b>	<b>1.36</b>	<b>3.39</b>	<b>15.33</b>	<b>16.54</b>

Source: KT&Partners' elaboration on Factset data

**Table 9: Peer Group Valuation Table - 2017 Multiples**

Company Name	Stock Exchange	Market Cap	EV/SALES 2017	EV/EBITDA 2017	EV/EBIT 2017	P/E 2017
Lions Gate Entertainment Corp.	NYSE	2,804	1.70	16.82	38.27	34.89
Entertainment One Ltd.	London	1,092	1.25	7.75	7.90	9.71
EuropaCorp SA	Euronext Paris	120	1.18	4.14	6.24	3.86
Splendid Medien AG	XETRA	22	0.53	2.12	8.30	7.94
Lucisano Media Group S.p.A.	Milan	18	0.78	1.86	4.47	2.51
Notorious Pictures S.p.A.	Milan	17	0.39	0.86	1.82	4.38
<b>Avg. Peer Group</b>		<b>679</b>	<b>0.97</b>	<b>5.59</b>	<b>11.17</b>	<b>10.55</b>
<b>Leone Film Group SpA</b>	<b>Milan</b>	<b>42</b>	<b>1.07</b>	<b>2.02</b>	<b>8.08</b>	<b>7.48</b>

Source: KT&Partners' elaboration on Factset data



## DISCLAIMER

THIS DOCUMENT WAS PREPARED BY KT&PARTNERS S.R.L., WITH REGISTERED OFFICE AT VIA DELLA POSTA 10, MILAN, ITALY, MILAN COMPANY REGISTER NO. 1926922, SPECIALIZING IN FINANCIAL RESEARCH AND ANALYSIS (HEREINAFTER, "KT&PARTNERS").

KT&PARTNERS PREPARED THIS DOCUMENT ON BEHALF OF LEONE FILM GROUP S.P.A. AND ON THE BASIS OF THE DATA AND PUBLIC INFORMATION PROVIDED BY THE SAME OR DERIVED FROM SOURCES DEEMED SERIOUS AND RELIABLE ON THE FINANCIAL MARKET BUT WHOSE ABSOLUTE TRUSTWORTHINESS, COMPLETENESS, AND ACCURACY CANNOT BE GUARANTEED.

THIS DOCUMENT IS A SOURCE OF INFORMATION ONLY, AND IS NOT PART OF, AND IN NO WAY MUST IT BE CONSIDERED, AN OFFER TO SELL, SUBSCRIBE OR TRADE, OR A SOLICITATION TO PURCHASE, SUBSCRIBE OR TRADE, FINANCIAL INSTRUMENTS/PRODUCTS, OR IN GENERAL TO INVEST, NOR MUST IT BE CONSIDERED ANY FORM OF CONSULTING FOR AN INVESTMENT IN FINANCIAL INSTRUMENTS.

THE INFORMATION PROVIDED IN THIS DOCUMENT MUST NOT BE UNDERSTOOD AS A REQUEST OR SUGGESTION TO CONDUCT OR CARRY OUT A SPECIFIC TRANSACTION.

EACH INVESTOR MUST FORM HIS/HER OWN OPINION BASED EXCLUSIVELY ON HIS/HER ASSESSMENT OF THE ADVISABILITY OF INVESTING. ANY INVESTMENT DECISION MADE ON THE BASIS OF THE INFORMATION AND ANALYSES IN THIS DOCUMENT IS THE EXCLUSIVE RESPONSIBILITY OF THE RECIPIENTS OF THIS DOCUMENT, WHO MUST CONSIDER THIS DOCUMENT MERELY AS A SOURCE OF INFORMATION AND ANALYSIS TO SUPPORT SUCH DECISION.

IN THIS DOCUMENT WERE DEVELOPED ESTIMATES AND JUDGMENTS WHICH ARE NOT GUARANTEED IN ANY WAY COMPLIANCE WITH THE FUTURE TREND OF PRICES. KT&PARTNERS MAKES NO EXPLICIT OR IMPLICIT GUARANTEE WITH RESPECT TO PERFORMANCE OR THE OUTCOME OF ANY INVESTMENT OR PROJECTIONS MADE.

THEREFORE, KT&PARTNERS, ITS REPRESENTATIVES AND/OR EMPLOYEES WILL NOT BE LIABLE FOR ANY EFFECT DERIVING FROM THE USE OF THIS DOCUMENT, AND HEREBY DECLINE ALL LIABILITY FOR ANY DIRECT OR INDIRECT DAMAGES, FINANCIAL OR OTHERWISE, DERIVING FROM ANY USE OF THE INFORMATION IT CONTAINS.