

Company Note
MID CORPORATE

Lucisano Media Group

FY19A Results

Although the restrictions by the Italian government to contain the Covid-19 epidemic have put some of the group's activities (Multiplex and Productions) temporarily on hold, the group is catching the new opportunities brought about by the lockdown scenario in terms of distribution rights and audiovisual production, confirming the versatility of its business model. Overall, we believe that in the current difficult market context the group should be favored by its fully integrated business model and its sound balance sheet.

FY19A Results

Revenue grew by 2.3% to EUR 38.0M, despite the temporary closure of the Multiplex Andromeda in Brindisi for 45 days during 4Q19, due to the discovery of a war device in an adjacent area. EBITDA was EUR 13.4M, +1.4% yoy, with a margin of 35.2%. Net income came in at EUR 2.3M vs. EUR 3.3M posted in FY18A.

Moving to digital distribution and several actions taken to mitigate the difficult context

The company is focusing on the new opportunities of entertainment fruition (digital distribution and OTT dedicated production) to mitigate the impact of the lock-down put in place by the Government. We positively regard that fact that the movie '7 ore per farti innamorare' has been directly available on demand on primary streaming platforms since 20 April, to be followed in May by 'Georgetown', an international title acquired by the group for distribution in Italy. Management also put several initiatives in place to contain costs, while it is ready to quickly start, or resume production activities of four works which at the time of the lockdown were in various stages of production. The uncertainty of the time span and the geographic spread of the health emergency, makes it difficult to outline a fully predictable scenario, but new business opportunities are emerging. For now, we have revised our estimates assuming the group's Production activities will restart in June and the Multiplex would reopen in Autumn.

Valuation

Following our estimates revision, and the periodical update of our risk premium parameter, **our DCF model points to a new target price of EUR 2.3/share** (from EUR 2.5/share). **We confirm our BUY rating.** Further developments related to the Covid-19 health emergency could undermine the feasibility of these estimates (e.g. obligation to maintain distance in public spaces and other lock-down measures, etc.).

28 April 2020: 12:54 CET

Date and time of production

BUY

Target Price: EUR 2.3
 (from EUR 2.5)

 Italy/Media
 Update

AIM

Price Performance
 (RIC: LMG.MI, BB: LMG IM)


Lucisano Media Group - Key Data

| Price date (market close) | 24/04/2020 |
|---------------------------|------------|
| Target price (EUR) | 2.3 |
| Target upside (%) | 81.10 |
| Market price (EUR) | 1.27 |
| Market cap (EUR M) | 18.89 |
| 52Wk range (EUR) | 1.99/1.22 |

| Price performance % | 1M | 3M | 12M |
|------------------------|------|-------|-------|
| Absolute | -2.3 | -31.4 | -29.4 |
| Rel. to FTSE IT All Sh | -2.8 | -3.1 | -9.3 |

| Y/E Dec (EUR M) | FY19A | FY20E | FY21E |
|-------------------|-------|-------|-------|
| Revenues | 38.01 | 38.00 | 46.69 |
| EBITDA | 13.37 | 12.50 | 17.50 |
| EBIT | 3.40 | 3.18 | 5.60 |
| Net income | 2.29 | 1.44 | 3.47 |
| EPS (EUR) | 0.15 | 0.10 | 0.23 |
| Net debt/-cash | 35.25 | 37.45 | 32.03 |
| Adj P/E (x) | 10.3 | 13.1 | 5.4 |
| EV/EBITDA (x) | 4.4 | 4.5 | 2.9 |
| EV/EBIT (x) | 17.4 | 17.7 | 9.1 |
| Div ord yield (%) | 0 | 0 | 0 |

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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FY19A Results

- **Revenue grew by 2.3% to EUR 38.0M**, despite the temporary closure of the Multiplex Andromeda in Brindisi for 45 days during 4Q19, due to the discovery of a war device in an adjacent area. Looking at the business units we underscore that Production/Distribution revenues came in at EUR 23.2M, with a divisional EBITDA of about EUR 9.3M, while Multiplex revenues stood at EUR 14.7M, with presences that outperformed the market increasing by 24% yoy (vs. +14%). Multiplex BU EBITDA was EUR 4.1M. We also underline that, although the group completed production of the movies 'Ritorno al crimine' and '7 ore per farti inammorare' in 2019, the release of those movies is planned for 2020 and therefore they did not contribute to the FY19A top-line;
- **EBITDA was EUR 13.4M, +1.4% yoy**, with a margin of 35.2%;
- **Net income** came in at EUR 2.3M vs. EUR 3.3M posted in FY18A;
- **Net debt** (including IFRS 16) was EUR 35.2M, vs. EUR 31.9M at YE18A. The NFP excluding leasing improved by around EUR 1.4M thanks to a careful control of NWC.

Lucisano Media Group- FY19A results

| EUR M | FY18A | FY19A | yoy % | FY19E | A/E % |
|-------------------|-------|-------|-------|-------|-------|
| Revenues | 37.1 | 38.0 | 2.3 | 36.9 | 3.0 |
| EBITDA | 13.2 | 13.4 | 1.4 | 13.5 | -0.9 |
| EBITDA margin (%) | 35.5 | 35.2 | | 36.4 | |
| EBIT | 4.3 | 3.4 | -20.2 | 4.0 | -15.1 |
| Net Profit | 3.3 | 2.3 | -29.8 | 2.3 | -0.3 |
| Net debt | 31.9 | 35.2 | | 33.9 | |

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Earnings Outlook

Looking at 2020, we highlight that January was characterised by positive production and commercial activities. The shooting of the TV series 'Mina Settembre' continued, while the preparation of two new cinematographic productions began ('Lasciarsi un giorno a Roma' by Edoardo Leo and 'Una famiglia mostruosa' by Volfango De Biasi). Furthermore, Multiplex activities recorded significant increases in presences compared to an already positive 2019.

The abovementioned positive trend was interrupted by the Covid-19 pandemic outbreak. Indeed, following the restrictions put in place by the Italian government to contain the epidemic, some of the group's activities have been temporarily suspended. In particular, Multiplex BU activities have been suspended since 8 March while on the basis of the additional restrictions taken by government the group also suspended its Movie Production activities.

Despite the lockdown, the group has always been fully operative in the rights distribution and the development of film projects. In this sense we particularly appreciated the news regarding the movie '7 ore per farti innamorare' directed by Giampaolo Morelli, which has been directly available on demand since 20 April on primary streaming platforms such as SKYPRIMAFILA PREMIERE, CHILI, INFINITY, RAKUTEN TV, GOOGLE PLAY, ITUNES, CG ENTERTAINMENT and TIMVISION. This on-demand release will be followed by that of 'Georgetown', a foreign production for which LMG has acquired distribution rights in Italy, which was scheduled to open in cinemas on 23 April and will instead go on demand on 19 May.

Using the same rationale, management is working to conclude agreements with the new OTT operators (such as Netflix) for the production of movies primarily intended for the streaming platforms).

In addition, management put in place several initiatives to contain costs and potential financial imbalances. In particular:

- The temporary suspension of unnecessary services (for instance the cleaning services of Cinemas);
- Where necessary and permitted, the group activated the social safety net put in place by the government, which should allow it to mitigate the weighting of personnel costs;
- The group also activated procedures to postpone the repayment of some bank loans, and taxes;
- Moreover, we underline that the weighting of fixed cost of the Production activities is limited.

Lastly, our understanding is that the group can look with optimism at the 'day after' also thanks to the following factors:

- Production activity will most likely resume in June, and trade associations are constantly at work to study the best safety and sanitary measures to be immediately able to comply with the Covid-containment requirements which will apply to on-set activities;
- The group has four productions ready to go: the TV series 'Mina Settembre' (which was already on set at the time of the lockdown), the theatrical movies 'Lasciarsi un Giorno a Roma' and 'Una Famiglia Mostruosa' which were just starting principal

Catching opportunities in rights distribution

What's next?

photography; and the documentary 'The Powers of Rome'. For all of these, there is already a binding agreement with a broadcaster or distributor (Rai, Rai Cinema, Vision Distribution and Sky);

- The increased habit of using audiovisual products on digital platforms should generate a growing demand for contents, with potential positive effects both on new works and on the library owned;
- Looking at the Multiplex BU, at the time of reopening, the activity should benefit from a significant pipeline of attractive movies not distributed during the interruption period;
- The government has announced the adoption of significant economic and financial support measures to sustain all the audio-visual chain. We particularly highlight that the 'Cura Italia' decree approved by the Italian Government envisages the set-up of an extraordinary fund worth about EUR 130M dedicated to the industry.

Estimates Revision

The uncertainty on the temporal extension and the geographic spread of the health emergency, makes it difficult to outline a fully predictable scenario.

For now, we decided to revise our estimates to project a hypothetical scenario in which the group's Production activities restart in June, while the group's Multiplex would not reopen until Autumn (although during the summer the company could set-up drive-in or outdoor arenas to restart projections). We conservatively assumed that the TV series 'Il Clandestino', which we previously expected to be released in FY20 would shift to FY21.

This scenario led to a potential decrease of about 18% in 2020E revenues vs. our previous estimates, driven by a significant one-off reduction of the Multiplex BU, which we project at -40% yoy in terms of top-line. On the other hand, we forecast an EBITDA of the Production/Distribution activities broadly in line vs. 2019. All in all, we reduced EBITDA by around EUR 5M vs. our previous estimates.

Looking at the NFP we underline that a potential extraordinary concentration of production activities in the last quarter of the year could lead to an increase in receivables. However, we do not expect any significant financial tensions on the group's liquidity position.

Lastly, as regard 2021E, we now project the same level of sales we previously expected for 2020.

We underscore that some unpredictable further developments related to the Covid-19 health emergency could undermine the feasibility of these estimates (e.g. obligation to maintain distance in public spaces and other lock-down measures, etc.).

Lucisano Media Group – Estimates revision

| EUR M | FY20E Old | FY20E New | Chg. % | FY21E Old | FY21E New | Chg. % |
|-------------------|-----------|-----------|--------|-----------|-----------|--------|
| Revenues | 46.7 | 38.0 | -18.6 | 50.2 | 46.7 | -7.0 |
| EBITDA | 17.5 | 12.5 | -28.6 | 18.8 | 17.5 | -6.9 |
| EBITDA margin (%) | 37.5 | 32.9 | | 37.5 | 37.5 | |
| EBIT | 5.6 | 3.2 | -43.2 | 6.0 | 5.6 | -6.7 |
| Net income | 3.5 | 1.4 | -58.9 | 3.8 | 3.5 | -8.6 |
| Net debt | 34.4 | 37.4 | | 31.0 | 32.0 | |

E: estimates; Source: Intesa Sanpaolo Research estimates

Valuation

We believe that the most appropriate methodology to value Lucisano Media Group is a DCF valuation, due to the absence of listed companies with a similar business model. Following our estimates revision, and the periodical update of our risk premium parameter, **our DCF model points to a new target price of EUR 2.3/share** (from EUR 2.5/share). **As the potential upside vs. the current market price is around 81%, we confirm our BUY rating.**

BUY rating confirmed and new TP of EUR 2.3/share

Our key DCF assumptions are: i) a 5.8% WACC (5.6% previously), incorporating a 1.5% risk-free rate, an equity risk premium of 7.5% (7.0% previously) and a gearing of 49%; ii) 0% terminal value growth; and iii) LT EBIT is calculated as a rolling average of historical EBIT.

Lucisano Media Group - WACC calculation (%)

| % | |
|---------------------|------------|
| Gross debt rate | 3.2 |
| Tax rate | 24.0 |
| Net debt rate | 2.5 |
| Beta* levered (x) | 1.0 |
| Gearing | 49.0 |
| Beta* (x) | 1.0 |
| Risk-free rate | 1.50 |
| Equity risk premium | 7.5 |
| WACC | 5.8 |

Source: Intesa Sanpaolo Research estimates, (*) elaboration on FactSet data

Lucisano Media Group - DCF calculation (2020E-21E)

| EUR M | 2020E | 2021E | LT |
|---------------------------------|------------|-------|------|
| EBIT | 3.2 | 5.6 | 5.5 |
| Tax | -0.6 | -1.1 | -1.1 |
| NOPAT | 2.6 | 4.5 | 4.4 |
| No-cash items | 9.3 | 11.9 | |
| WC change | -5.0 | 0.1 | |
| Net Capex | -8.0 | -10.0 | |
| FCF | -1.1 | 6.5 | 4.4 |
| Discounted FCF | -1.0 | 5.8 | 3.7 |
| WACC (%) | 5.8 | | |
| TV growth (%) | 0 | | |
| Sum | 4.7 | | |
| TV | 65.1 | | |
| EV | 69.8 | | |
| NFP @ 2019A | 35.2 | | |
| Equity | 34.6 | | |
| Shares | 14.9 | | |
| Target price (EUR/share) | 2.3 | | |

E: estimates; Source: Intesa Sanpaolo Research

Lucisano Media Group - Sensitivity analysis

| EUR/Share % growth | WACC % | | | | |
|-----------------------|--------|-----|------------|-----|-----|
| | 4.8 | 5.3 | 5.8 | 6.3 | 6.8 |
| -2.0 | 1.8 | 1.5 | 1.2 | 1.0 | 0.7 |
| -1.0 | 2.5 | 2.0 | 1.7 | 1.4 | 1.1 |
| 0.0 | 3.4 | 2.8 | 2.3 | 1.9 | 1.6 |
| 1.0 | 4.9 | 4.0 | 3.2 | 2.7 | 2.2 |
| 2.0 | 7.3 | 5.8 | 4.7 | 3.8 | 3.1 |

Source: Intesa Sanpaolo Research estimates

Lucisano Media Group – Key Data

| Rating | Target price (EUR/sh) | Mkt price (EUR/sh) | Sector | |
|---|-----------------------|--------------------|--------|-------|
| BUY | Ord 2.3 | Ord 1.27 | Media | |
| Values per share (EUR) | | | | |
| | 2018A | 2019A | 2020E | 2021E |
| No. ordinary shares (M) | 14.88 | 14.88 | 14.88 | 14.88 |
| Total no. of shares (M) | 14.88 | 14.88 | 14.88 | 14.88 |
| Market cap (EUR M) | 30.61 | 23.72 | 19.34 | 19.34 |
| Adj. EPS | 0.22 | 0.15 | 0.10 | 0.23 |
| CFPS | 0.82 | 0.82 | 0.72 | 1.0 |
| BVPS | 2.3 | 2.4 | 2.5 | 2.7 |
| Dividend ord | 0.05 | 0 | 0 | 0 |
| Income statement (EUR M) | | | | |
| | 2018A | 2019A | 2020E | 2021E |
| Revenues | 37.15 | 38.01 | 38.00 | 46.69 |
| EBITDA | 13.19 | 13.37 | 12.50 | 17.50 |
| EBIT | 4.25 | 3.40 | 3.18 | 5.60 |
| Pre-tax income | 3.22 | 2.28 | 2.06 | 4.57 |
| Net income | 3.29 | 2.29 | 1.44 | 3.47 |
| Adj. net income | 3.29 | 2.29 | 1.44 | 3.47 |
| Cash flow (EUR M) | | | | |
| | 2018A | 2019A | 2020E | 2021E |
| Net income before minorities | 3.3 | 2.3 | 1.4 | 3.5 |
| Depreciation and provisions | 8.9 | 10.0 | 9.3 | 11.9 |
| Others/Uses of funds | 0 | 2.1 | 0 | 0 |
| Change in working capital | -4.7 | -3.6 | -5.0 | 0.1 |
| Operating cash flow | 7.5 | 10.7 | 5.8 | 15.4 |
| Capital expenditure | -8.2 | -7.4 | -8.0 | -10.0 |
| Financial investments | 0 | 0 | 0 | 0 |
| Acquisitions and disposals | 0 | 0 | 0 | 0 |
| Free cash flow | -0.7 | 3.3 | -2.2 | 5.4 |
| Dividends | -0.7 | 0 | 0 | 0 |
| Equity changes & Other non-operating items | 0.2 | -6.8 | 0 | 0 |
| Net cash flow | -1.3 | -3.5 | -2.2 | 5.4 |
| Balance sheet (EUR M) | | | | |
| | 2018A | 2019A | 2020E | 2021E |
| Net capital employed | 66.2 | 71.1 | 74.8 | 72.8 |
| of which associates | 0 | 0 | 0 | 0 |
| Net debt/-cash | 31.8 | 35.2 | 37.4 | 32.0 |
| Minorities | 0 | 0 | 0 | 0 |
| Net equity | 34.4 | 35.9 | 37.3 | 40.8 |
| Minorities value | 0 | 0 | 0 | 0 |
| Enterprise value | 62.4 | 59.0 | 56.8 | 51.4 |
| Stock market ratios (x) | | | | |
| | 2018A | 2019A | 2020E | 2021E |
| Adj. P/E | 9.3 | 10.3 | 13.5 | 5.6 |
| P/CFPS | 2.5 | 1.9 | 1.8 | 1.3 |
| P/BVPS | 0.89 | 0.66 | 0.52 | 0.47 |
| Payout (%) | 23 | 0 | 0 | 0 |
| Dividend yield (% ord) | 2.4 | 0 | 0 | 0 |
| FCF yield (%) | -2.3 | 14.1 | -11.4 | 28.0 |
| EV/sales | 1.7 | 1.6 | 1.5 | 1.1 |
| EV/EBITDA | 4.7 | 4.4 | 4.5 | 2.9 |
| EV/EBIT | 14.7 | 17.4 | 17.9 | 9.2 |
| EV/CE | 0.94 | 0.83 | 0.76 | 0.71 |
| D/EBITDA | 2.4 | 2.6 | 3.0 | 1.8 |
| D/EBIT | 7.5 | 10.4 | 11.8 | 5.7 |
| Profitability & financial ratios (%) | | | | |
| | 2018A | 2019A | 2020E | 2021E |
| EBITDA margin | 35.5 | 35.2 | 32.9 | 37.5 |
| EBIT margin | 11.4 | 8.9 | 8.4 | 12.0 |
| Tax rate | NM | 0.8 | 30.0 | 24.0 |
| Net income margin | 8.9 | 6.0 | 3.8 | 7.4 |
| ROCE | 6.4 | 4.8 | 4.3 | 7.7 |
| ROE | 10.0 | 6.5 | 3.9 | 8.9 |
| Interest cover | 4.1 | -3.0 | -2.8 | -5.4 |
| Debt/equity ratio | 92.4 | 98.2 | 100.3 | 78.5 |
| Growth (%) | | | | |
| | | 2019A | 2020E | 2021E |
| Sales | | 2.3 | -0.0 | 22.9 |
| EBITDA | | 1.4 | -6.5 | 40.0 |
| EBIT | | -20.2 | -6.3 | 76.1 |
| Pre-tax income | | -29.4 | -9.7 | NM |
| Net income | | -30.3 | -37.3 | NM |
| Adj. net income | | -30.3 | -37.3 | NM |

NM: not meaningful; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

Lucisano Media Group (LMG.IT) is the holding company controlling all the movie production and multiplex management activities of the Lucisano Family. The core business is managed through the controlled subsidiary Italian International Film ("IIF") which is the oldest integrated Italian player active in production, acquisition and distribution of movie and television products. Funded in 1958 by Fulvio Lucisano, IIF made history in the Italian movie industry and its brand contributed to the development of the sector and in its success on the global scenario. During its history, IIF produced around 150 films and it distributed nearly 500 foreign movies. The library is today composed by around 230 Italian and international films. In 2006, with the acquisition of Stella Film, the group entered in the Multiplex management business and own today 7 multiplex movie theaters with 56 screens. The Group went public in 2014.

Key data

| | | | |
|------------------------|-----------------|----------------|----------------------------|
| Mkt price (EUR) | 1.27 | Free float (%) | 11.9 |
| No. of shares | 14.88 | Major shr | Keimos |
| 52Wk range (EUR) | 1.99/1.22 | (%) | 68.0 |
| Reuters | LMG.MI | Bloomberg | LMG IM |
| Performance (%) | Absolute | | Rel. FTSE IT All Sh |
| -1M | -2.3 | -1M | -2.8 |
| -3M | -31.4 | -3M | -3.1 |
| -12M | -29.4 | -12M | -9.3 |

Key Risks

Company specific risks:

- Delays/interruptions affecting the completion of the project for events of force majeure;
- Increasing competitive pressure from online platforms on the multiplex side

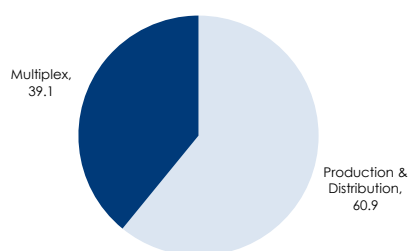
Sector generic risks:

- Seasonality of the Italian film market, with a concentration of film releases in a few months of the year
- Credit risk due to a temporal difference between revenues and costs
- We underline that some unpredictable further developments related to the Covid-19 health emergency could undermine the feasibility of our estimates.

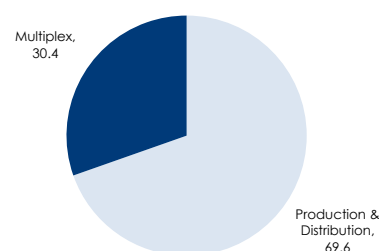
Estimates vs. consensus

| EUR M (Y/E Dec) | 2019A | 2020E | 2020C | 2021E | 2021C |
|-----------------|-------|-------|-------|-------|-------|
| Sales | 38.01 | 38.00 | NM | 46.69 | NM |
| EBITDA | 13.37 | 12.50 | NM | 17.50 | NM |
| EBIT | 3.40 | 3.18 | NM | 5.60 | NM |
| Pre-tax income | 2.28 | 2.06 | NM | 4.57 | NM |
| Net income | 2.29 | 1.44 | NM | 3.47 | NM |
| EPS | 0.15 | 0.10 | NM | 0.23 | NM |

Sales breakdown by BU (%)



EBITDA breakdown by BU (% on revenue)



NM: not meaningful; Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 24/04/2020)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

Notes

Notes

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Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

<https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

Equity rating key: (long-term horizon: 12M)

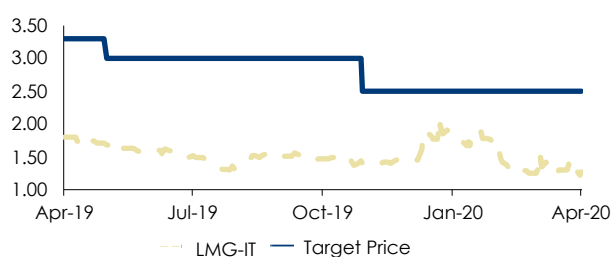
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

Equity Rating Key (long-term horizon: 12M)

| Long-term rating | Definition |
|------------------|---|
| BUY | If the target price is 20% higher than the market price |
| ADD | If the target price is 10%-20% higher than the market price |
| HOLD | If the target price is 10% below or 10% above the market price |
| REDUCE | If the target price is 10%-20% lower than the market price |
| SELL | If the target price is 20% lower than the market price |
| RATING SUSPENDED | The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock. |
| NO RATING | The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances. |
| TARGET PRICE | The market price that the analyst believes the share may reach within a one-year time horizon |
| MARKET PRICE | Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated |

Historical recommendations and target price trends (long-term horizon: 12M)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

| Date | Rating | TP (EUR) | Mkt Price (EUR) |
|-----------|--------|----------|-----------------|
| 21-Nov-19 | BUY | 2.5 | 1.40 |
| 24-May-19 | BUY | 3.0 | 1.68 |

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at February 2020)**

| Number of companies considered: 106 | BUY | ADD | HOLD | REDUCE | SELL |
|--|-----|-----|------|--------|------|
| Total Equity Research Coverage relating to last rating (%) | 50 | 20 | 29 | 1 | 0 |
| of which Intesa Sanpaolo's Clients (%) (*) | 79 | 57 | 58 | 0 | 0 |

(*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

Equity rating key (short-term horizon: 3M)

| Short-term rating | Definition |
|-------------------|--|
| LONG | Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event |
| SHORT | Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event |

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At the Intesa Sanpaolo website, webpage <https://group.intesasnpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest> you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest.

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- One or more of the companies of the Intesa Sanpaolo Banking Group have a Long position larger than the 0.5% of the issued share capital of Lucisano Media Group
- One or more of the companies of the Intesa Sanpaolo Banking Group are one of the main financial lenders to Lucisano Media Group and its parent and group companies
- Banca IMI acts as Specialist, Nominated Advisor relative to securities issued by Lucisano Media Group

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