

LUCISANO MEDIA OUTPERFORM

Price (Eu): **1.83**
 Target Price (Eu): **3.60**

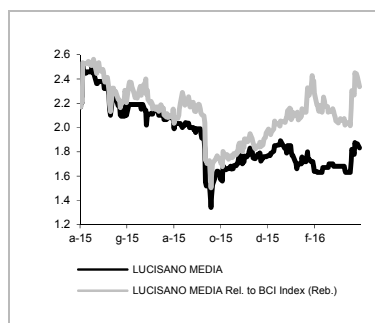
SECTOR: Media

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Further Expansion in TV Series To Boost Production Revenues in 2016

- FY15 results: strong top line but lighter margins.** LMG recently released FY15 results. Revenues came in above expectations at Eu50.7mn, growing 15.1% from Eu44mn the year before, in line with guidance. EBITDA stood at Eu20.2mn, growing 6.5% but with a slightly lower margin on sales at around 40% (down from 43%). D&A were lower than expected, yielding Eu7.6mn in EBIT, above expectations. Net profit reached Eu5.1mn, more than double the previous year's result. Net debt stood at Eu27.0mn, partly as a consequence of higher investments made last year, while the proposed dividend came out higher than expected at Eu0.07ps (around Eu1.0mn cash-out), which represents a 21% payout and a dividend yield just below 4%.
- Key productions last year.** The strong revenue growth seen in FY15 as achieved thanks to good results in box offices and successful TV productions. At the cinema, the big hits produced last year were *Noi e la Giulia*, which was released in February and collected Eu4.0mn at the box office, followed by *lo che amo solo te* (October, Eu3.3mn) and *Gli ultimi saranno gli ultimi* (November, Eu2.5mn). As for TV productions, very good audience results were posted in November by "Anna and Yusef", which collected almost a 21% prime time audience share. As for the movie distribution business, "*Non sposate le mie figlie!*" posted a notable Eu4.0mn at the box office in February and yielded very good margins. Lastly, for the multiplex cinema business, some investments were made during the year, including to open the first Imax technology cinema in central or southern Italy.
- Outlook for FY16.** We expect solid revenues and margin developments to continue, although top line growth will probably not be as fast as in 2015. Lucisano has a sound production pipeline of 4-5 new movies under emerging Italian directors that are expected to receive a warm welcome and at least 2-3 new TV series that could bring in Eu15-20mn in revenue. As such, productions will remain the main driver for revenues at around 60% of the total. As for distribution revenues, we expect the company to slightly increase its revenues after a good performance last year: the Cannes Festival will be an important moment for the company to find good new films. Multiplex cinema revenues are expected to grow by 5-10% in the next two years. On the financial side, the company has been able to renegotiate loan terms, lowering the interest rate by 1ppt, so we are lowering our estimates on financial charges for the next few years. We are also expecting positive trends overall in 2017 thanks to the company's established positioning on the market and solid track record. Operating estimates have been revised downwards for 2016 to take a more cautious approach on margin trends and revenue growth, but we still expect positive trends.
- OUTPERFORM confirmed.** We think the stock is undervalued on a fundamental basis we confirm our positive stance. LMG's stock performance has been penalized by low liquidity and limited float but would deserve higher valuations. We would anticipate increasing interest in the stock as long as the company shows an ability to meet its targets. Our fair value is set at Eu3.60 per share. OUTPERFORM confirmed.

LUCISANO MEDIA - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2016E	2017E
	-27.9%	na

STOCK DATA

Reuters code: LCMG.MI
 Bloomberg code: LMG IM

Performance	1m	3m	12m
Absolute	9.0%	-1.0%	-16.7%
Relative	13.2%	7.5%	4.4%
12 months H/L:	2.51/1.34		

SHAREHOLDER DATA

No. of Ord. shares (mn):	15
Total No. of shares (mn):	15
Mkt Cap Ord (Eu mn):	27
Total Mkt Cap (Eu mn):	27
Mkt Float - ord (Eu mn):	3
Mkt Float (in %):	12.3%
Main shareholder:	
Keimos Srl	68.3%

BALANCE SHEET DATA

	2016
Book value (Eu mn):	28
BVPS (Eu):	1.91
P/BV:	1.0
Net Financial Position (Eu mn):	-23
Enterprise value (Eu mn):	50

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 on the last page of this report

Key Figures	2013A	2014A	2015A	2016E	2017E
Sales (Eu mn)	35	44	51	55	57
Ebitda (Eu mn)	15	19	20	23	24
Net profit (Eu mn)	0	2	5	6	7
EPS - New (Eu)	0.026	0.149	0.340	0.403	0.450
EPS - Old (Eu)					
DPS (Eu)	0.004	0.000	0.070	0.083	0.093
Ratios & Multiples	2013A	2014A	2015A	2016E	2017E
P/E	70.8	12.3	5.4	4.5	4.1
Div. Yield	0.2%	0.0%	3.8%	4.5%	5.1%
EV/Ebitda	4.6	3.0	2.7	2.2	2.0
ROCE	3.0%	8.1%	14.6%	17.6%	18.6%

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LUCISANO MEDIA - KEY FIGURES

	2013A	2014A	2015A	2016E	2017E	
	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017	
Fiscal year end						
PROFIT & LOSS (Eu mn)	Sales	35	44	51	55	57
	EBITDA	15	19	20	23	24
	EBIT	2	4	8	9	10
	Financial income (charges)	(1)	(2)	(2)	(1)	(1)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	0	3	6	8	9
	Taxes	0	(0)	(1)	(2)	(2)
	Tax rate (%)	26.3%	-11.9%	-14.1%	-26.8%	-25.6%
	Minorities & discontinue activities	(0)	0	0	0	0
	Net profit	0	2	5	6	7
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	15	19	20	23	24
	Ebit excl. extraordinary items	2	4	8	9	10
Net profit restated	0	2	5	6	7	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	13	15	15	15	15
	EPS stated fd	0.026	0.149	0.340	0.403	0.450
	EPS restated fd	0.026	0.149	0.340	0.403	0.450
	BVPS fd	0.966	1.408	1.740	1.907	2.241
	Dividend per share (ord)	0.004	0.000	0.070	0.083	0.093
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
Dividend pay out ratio (%)	14.9%					
CASH FLOW (Eu mn)	Gross cash flow	14	17	18	20	21
	Change in NWC	0	(4)	(7)	(4)	(4)
	Capital expenditure	(8)	(8)	(8)	(12)	(13)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	6	5	3	5	4
	Acquisitions, divestments & others	0	(1)	0	0	0
	Dividend	(0)	(0)	0	(1)	(1)
	Equity financing/Buy-back	0	6	0	0	0
Change in Net Financial Position	6	10	3	4	3	
BALANCE SHEET (Eu mn)	Total fixed assets	52	46	41	37	38
	Net working capital	5	9	15	19	20
	Long term liabilities	(4)	(4)	(4)	(4)	(4)
	Net capital employed	53	51	53	52	54
	Net financial position	(40)	(30)	(27)	(23)	(20)
	Group equity	13	21	26	28	33
	Minorities	1	0	0	0	0
Net equity	14	21	26	28	33	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	27	27	27	27	27
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(40)	(30)	(27)	(23)	(20)
	Enterprise value	67	57	54	50	48
RATIOS(%)	EBITDA margin*	41.6%	43.0%	39.8%	42.2%	43.0%
	EBIT margin*	4.5%	9.6%	14.9%	16.7%	17.3%
	Gearing - Debt/equity	nm	143.6%	104.2%	81.9%	61.4%
	Interest cover on EBIT	1.3	2.5	4.5	9.2	12.3
	Debt/Ebitda	2.71	1.58	1.34	1.00	0.84
	ROCE*	3.0%	8.1%	14.6%	17.6%	18.6%
	ROE*	2.5%	12.8%	25.1%	27.0%	24.6%
	EV/CE	1.3	1.1	1.0	1.0	0.9
	EV/Sales	1.9	1.3	1.1	0.9	0.8
	EV/Ebit	nm	13.5	7.1	5.5	4.9
Free Cash Flow Yield	21.4%	17.1%	11.0%	17.6%	14.7%	
GROWTH RATES (%)	Sales		25.1%	15.1%	8.4%	2.7%
	EBITDA*		29.3%	6.5%	15.0%	4.7%
	EBIT*		164.3%	79.7%	21.6%	6.5%
	Net profit		554.8%	129.4%	18.7%	11.7%
	EPS restated		474.6%	128.4%	18.7%	11.7%

* Excluding extraordinary items

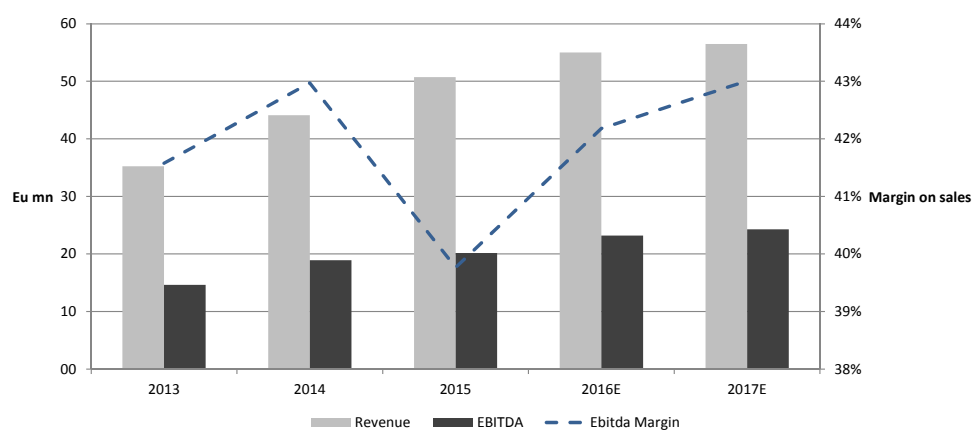
Source: Intermonte SIM estimates

Lucisano Media Group FY15 Results

	2H14A	2H15A	YoY %	2H15E	A vs E	FY14A	FY15A	YoY %
Total revenues	28.4	35.1	23.8%	35.4	-0.7%	44.1	50.7	15.1%
Costs	-16.2	-20.8		-18.9		-25.1	-30.6	
EBITDA	12.2	14.3	17.9%	16.5	-12.9%	18.9	20.2	6.5%
<i>Margin</i>	43%	41%		47%		43%	39.8%	
D&A	-10.3	-9.4		-9.8		-14.7	-12.6	
EBIT	1.8	5.0	172.7%	6.7	-25.9%	4.2	7.6	79.7%
<i>Margin</i>	6%	14%		19%		9.6%	15%	
Pre-tax Profit	0.9	4.2	389.9%	6.1	-31.5%	2.5	5.9	135.0%
Taxes	0.0	-0.9		-2.2		-0.3	-0.8	
Disc. Activities	0.0	0.0		0.0		0.0	0.0	
Group Net profit	0.9	3.3	258.8%	3.9	-16.4%	2.2	5.1	125.5%
<i>Margin</i>	3%	9%		11%		5.1%	10%	
PFN	-30.0	-27.0	-9.9%	-24.6	9.6%	-30.0	-27.0	-9.9%

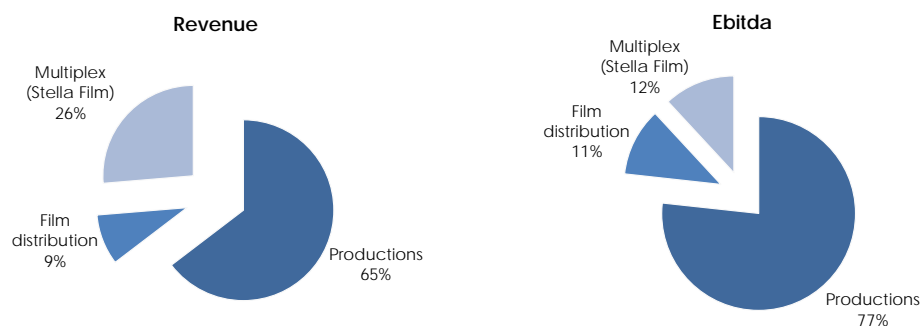
Source: Company Data (A) and Intermonte SIM estimates (E)

Revenue and Ebitda Growth



Source: Company data and Intermonte SIM Estimates

Revenue and Ebitda Breakdown



LUCISANO MEDIA Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
LUCISANO MEDIA	1.83	EUR	27	9.0%	-1.0%	11.7%	-3.1%	-16.7%	-48.4%
CONSTANTIN MEDIEN	1.98	EUR	185	1.5%	11.2%	4.9%	11.2%	22.3%	27.9%
EUROPACORP	4.28	EUR	125	-9.9%	-13.2%	3.6%	-12.7%	-7.0%	-7.8%
HIGHLIGHT COMM.	5.43	EUR	241	-2.3%	-3.0%	12.0%	-2.8%	34.1%	39.3%
LEONE FILM	2.50	EUR	35	-0.9%	-5.7%	-10.6%	-6.4%	-14.4%	-50.0%
MONDO TV	4.15	EUR	110	-19.1%	-28.6%	32.0%	-30.5%	16.2%	167.7%
NOTORIUS	1.29	EUR	29	0.5%	-31.5%	-47.1%	-37.8%	-54.7%	---
SPLENDID MEDIEN	2.85	EUR	28	18.9%	21.8%	16.4%	18.8%	25.6%	-2.4%
Mean performance				-0.3%	-6.2%	2.9%	-7.9%	0.7%	18.1%
Italy FTSE Mib	17,722.7	EUR	249,693	-6.7%	-10.3%	-20.4%	-17.3%	-25.8%	-16.4%

Source: FactSet

LUCISANO MEDIA Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
LUCISANO MEDIA	1.83	EUR	27	0.9	0.8	2.2	2.0	5.5	4.9	4.5	4.1	4.5%	5.1%
CONSTANTIN MEDIEN	1.98	EUR	185	0.5	0.4	2.6	2.3	7.6	6.2	16.9	11.2	0.8%	0.8%
EUROPACORP	4.28	EUR	125	0.8	0.6	3.3	2.2	7.2	4.0	8.2	5.9		
HIGHLIGHT COMM.	5.43	EUR	241	0.7	0.7	4.3	3.5	10.4	8.5	13.4	11.2	3.1%	3.6%
LEONE FILM	2.50	EUR	35							9.8			
MONDO TV	4.15	EUR	110	3.3	2.4	5.8	3.8	11.2	7.7	17.7	13.0	1.7%	3.1%
NOTORIUS	1.29	EUR	29	0.7	0.6	1.2	0.9	1.8	1.4	3.4	3.0	7.3%	8.6%
SPLENDID MEDIEN	2.85	EUR	28	0.5	0.5	2.4	2.0	7.7	6.3	8.0	6.9	4.4%	5.3%
Median				0.7	0.6	3.0	2.3	7.6	6.2	9.8	9.1	3.1%	3.6%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

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OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

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UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

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NEUTRAL: 31.11%

UNDERPERFORM: 0.0%

SELL: 0.0%

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OUTPERFORM: 46.67%

NEUTRAL: 18.42%

UNDERPERFORM: 0.00%

SELL: 0.00%

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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	LUCISANO MEDIA		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (€):	3.60	Previous Target (€):	3.60
Current Price (€):	1.83	Previous Price (€):	1.64
Date of report:	12/04/2016	Date of last report:	08/10/2015

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