

# Lucisano Media Group

## Italy Bucks Cinema Audience Trend

Lucisano Media Group - Key estimates and data					
Y/E December		2018A	2019E	2020E	2021E
Revenues	EUR M	37.15	42.94	48.99	50.15
EBITDA	EUR M	13.19	16.66	19.80	20.62
EBIT	EUR M	4.25	5.71	7.32	7.84
Net Income	EUR M	3.29	3.56	4.78	5.17
Dividend ord.	EUR	0.05	0.05	0.05	0.05
Adj. EPS	EUR	0.22	0.24	0.32	0.35
EV/EBITDA	x	4.7	3.3	2.7	2.3
Adj. P/E	x	9.3	7.1	5.3	4.9

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

- FY18A results.** In FY18A, revenues decreased by 3.2% to EUR 37.1M, with revenues from services up by 3.9% to EUR 29.2M and other revenues down by 22.7% to EUR 7.9M due to the postponement of government grants. EBITDA came in at EUR 13.2M, -6.9% yoy with the margin down by 140bps to 35.5%. D&A increased by 6.4% to EUR 8.9M, mainly due to a higher amortisation of movies in the library. Therefore, EBIT was EUR 4.3M, -26.3% yoy. Financial charges were broadly stable, while there was a positive tax contribution, leading to a EUR 3.3M net income. Net working capital increased by around 30.7% vs. FY17A to EUR 23.9M, with a ratio to revenue which improved to 64.3% vs. 47.6% in FY17A. The increase was mainly due to the concentration of the production activities in the last quarter of the year which lead to an increase in receivables. Net debt was EUR 31.8M, broadly aligned with FY17A, the net debt/EBITDA ratio slightly increased from 2.2x in FY17A, to 2.4x in FY18.
- Outlook.** Results were generally below our expectations and were affected by multiplex activities which recorded the most significant drop in presences in the last 10 years. On the production/distribution side, the performances were in line with last year, with revenues and margins broadly stable. In FY18A, three movies were produced ("Gli Uomini d'Oro", "Mollami!", and "Via dall'Aspromonte"), which are scheduled for release in FY19, while the movie "Non ci Resta che il Crimine" was released in cinemas in January 2019 instead of 2018 (as previously expected). By including the latter, the number of films that should be released in 2019, including cinemas and TVs, rises to 4. In addition to this pipeline we estimate the release of two more films ("Cohousing", and "Roma") whose production has already begun.
- Estimates and valuation.** In light of FY18A results, we revised our estimates. Regarding multiplex revenues, we assumed that the number of visitors would slightly increase between FY19E and FY21E, although at a slower pace (FY19E-21E CAGR of 1.5%) than previously expected (FY19E-20E CAGR of 6%). We lowered our production/distribution estimates for FY19E and FY20E by incorporating possible delays in the release of the movies in the pipeline (as happened in FY18A). Consistent with the current extensive pipeline, we add our estimates for 2021. In FY21E, we expect revenue to reach EUR 50.2M, with margins at 41.1%. We valued Lucisano Media Group with a DCF model, which points to a **EUR 3.0/sh. target price (EUR 3.3/sh. previously) and we confirm our BUY rating.**
- Key risks.** In our view, the key risks are: 1) film production is subject to many uncertainties that include possible delays affecting the completion of the project for events of force majeure, which would result in an increase of the forecast costs; 2) the strong seasonality of the Italian film market, with a concentration of film releases in a few months of the year; 3) credit risk due to a temporal difference between revenues and costs; and 4) increasing competitive pressure from online platforms on the multiplex side, which could cause a downsizing of the traditional cinematographic market.

See page 13 for full disclosures and analyst certification  
 Banca IMI is Specialist to Lucisano Media Group

24 May 2019: 7:48 CET  
 Date and time of production

**BUY**

Target Price: EUR 3.0  
 (from EUR 3.3)

Italy/Media  
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Price performance, -1Y

22/05/2019



Source: FactSet

Date and time of first circulation:  
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AIM

Priced at market close on 22/05/2019\*

Target price (€)	3.0
Target upside (%)	75.47
Market price (€)	1.71
52Wk range (€)	2.33/1.38
Market cap (€ M)	25.44
No. of shares	14.88
Free float (%)	11.9
Major shr	Keimos
(%)	68.0
Reuters	LMG.MI
Bloomberg	LMG.IM
FTSE IT All Sh	22494

Performance %			
Absolute	Rel. to	FTSE IT All	
-1M	-5.0	-1M	1.4
-3M	-5.0	-3M	-5.9
-12M	-26.6	-12M	-17.1

\*unless otherwise indicated within report. Source: FactSet and Intesa Sanpaolo Research estimates

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## The Reference Market

### Production and distribution

According to the first Report on the Italian Audio-visual Production redacted by APA ("Associazione Produttori Audiovisivi"), the Italian audio-visual production sector has entered a positive phase, despite the general stagnation of the national economy. In this regard, it is possible to identify some important drivers including:

- An extension of the tax credit to television products and a greater understanding of its cultural centrality;
- Growing orders from Internet Over The Top operators (OTT), resulting in a general increase in the amount of products requested;
- An expansion of the activities of national and international Svod operators such as Netflix and Amazon.

Still according to APA, fiction (TV-movies, series, mini-series, sitcoms, soap-opera, TV series) is booming, absorbing 38% of the audio-visual market, corresponding to a value of EUR 360-380M. The weighting of the Over The Top platforms is destined to grow, thanks to a renewed interest in the national product which is increasingly consistent for exploitation on a global scale.

The weighting of Internet operators on the total value of the national audio-visual production could reach about 9-10% by 2022 (source APA). Numerous factors could drive this estimate upwards, like the accelerated development of the market, the entry into production of original Internet player contents, the development of national Over The Top platforms, and an increase in users with internet-connected television.

In recent years, moreover, the number of mergers and business combinations on the Italian market has grown, following two lines of evolution: the aggregation between national companies and the entry of foreign groups that aim not only to integrate production (cinema, TV and internet) but also to extend their global presence. Examples of such transactions are the acquisition of 72% of Palomar by the French Mediawan, the acquisition of Wildside by Fremantle, and the acquisition of 52% of Cattleya by ITV. These operations are fundamental to create the economies of scale necessary to cope with the greater investments now required by the market. This phenomenon could also arise in niche areas of television production (small-sized operators) whose commissioning could grow to meet the requests coming from Over The Top players.

### Multiplex

The Motion Picture Association of America has released official data on the performance of the cinema market for 2018. Overall, the turnover of cinema plus home entertainment was USD 96.8Bn, +9% compared to 2017. 2018 was a record year for cinema: the total box office reached USD 41.1Bn worldwide, including USD 11.9Bn in the US and USD 29.2Bn internationally. The US Box Office registered its highest level for the last 10 years. Another very interesting figure concerns the number of subscriptions to online video service channels, which reached 613M (+27% yoy) globally, exceeding those of cable channels for the first time.

Italian cinema bucked the trend: box office fell 5% yoy in 2018, and presences in cinemas were down 7% yoy. Despite these negative figures, Italian box office productions (including co-productions) has grown compared to the previous year and in 2018 reached EUR 127.8M box office (EUR 103.2M in 2017; +23.9% yoy) corresponding to a share of around 23% on the total (in 2017 it was 17.7%). The number of presences in cinemas for Italian produced movies (including co-productions) increased by 17.9% (19.9M in 2018 compared to 16.8M in 2017) for a 23.2% share of the total.

**the Italian audio-visual production sector has entered a positive phase**

**The weighting of Internet operators is increasing**

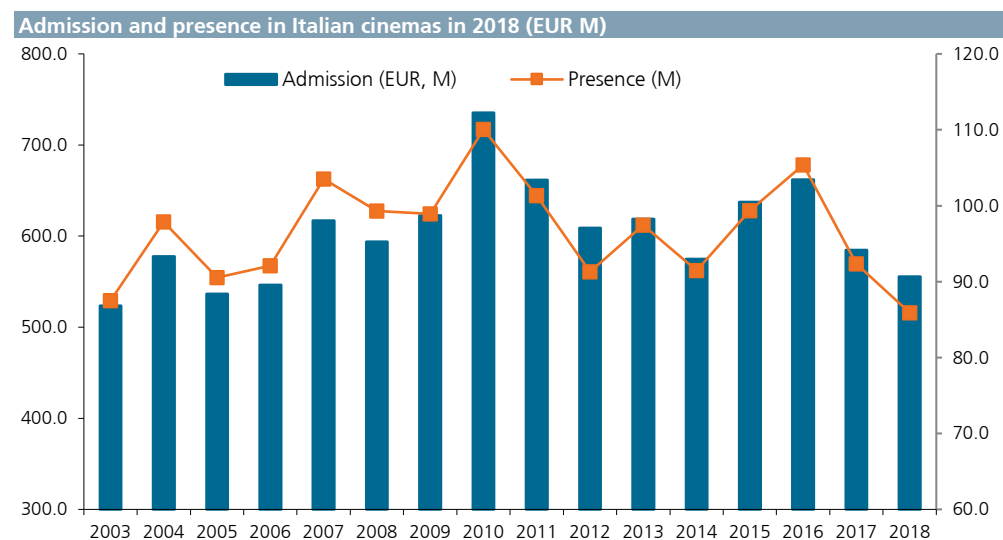
**Mergers and business combinations increasing in Italy**

**The US Box Office registered its highest level for the last 10 years in 2018**

A theme that could positively influence the multiplex market is the "Moviement" project. This project brings together all components of the value chain (distributors, exhibitors and producers) to try to counter the seasonality problem that affects the Italian multiplex business, creating a schedule with blockbusters coming out on the same dates as the main European countries, flanked by important Italian and international production.

Year-on-year change in admission and presences in Italy (2004-18)															
%	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Admission	10.3	-7.1	1.8	12.9	-3.8	4.9	18.1	-10.0	-8.0	1.6	-7.1	10.9	3.9	-11.6	-5.0
Presence	11.8	-7.5	1.7	12.4	-4.1	-0.4	11.2	-7.9	-9.9	6.7	-6.1	8.6	6.1	-12.4	-7.0

Source: Intesa Sanpaolo Research elaboration on Cinetel data



Source: Intesa Sanpaolo Research elaboration on Cinetel data

## FY18 Results

FY18A revenues decreased by 3.2% to EUR 37.1M, with revenues from services up by 3.9% to EUR 29.2M and other revenues down by 22.7% to EUR 7.9M.

Lucisano Media Group - FY18A results					
EUR M	FY17A	FY18A	yoy %	FY18E	A/E %
Revenues from services	28.1	29.2	3.9	31.9	-8.3
Other revenues	10.2	7.9	-22.7	7.0	13.2
Revenues	38.4	37.1	-3.2	38.9	-4.4
EBITDA	14.2	13.2	-6.9	14.8	-10.8
EBITDA margin (%)	36.9	35.5		38.0	
EBIT	5.8	4.3	-26.3	4.6	-8.1
Net income	3.8	3.3	-13.4	3.0	11.0
Net debt	30.5	31.8	4.2	27.1	17.1

A: actual; E: estimates; Source: Company data

The main drivers of revenues from services were:

- The "Sale of film property shares" revenues were EUR 7M (EUR 5.1M in FY17A), deriving from movies and series co-productions finalised during the year, while third party contribution revenues decreased by 87.3% to EUR 0.3M (EUR -2M). We highlight that these items are two sides of the same coin, since they are allocated according to the contract stipulated with the broadcasters. Therefore, by aggregating these items, we note that the annual change was flat (EUR 7.4M in FY17A vs EUR 7.5M in FY18A);
- Revenues from TV rights grew by 10.6% to EUR 6.5M;
- Revenues from box offices at multiplexes decreased by 9.7% to EUR 8.4M and other revenues from multiplexes decreased by 19.6% to EUR 1.9M, due to lower admissions;
- Revenues from film distribution increased by 56% to EUR 2.1M;
- Revenue from Hv – Est – Vod – Svod (internet streaming) increased by around 106%, confirming the growing importance they hold for film producers and distributors.

Lucisano Media Group - Revenues from service break-down (FY18A)			
EUR M	FY17A	FY18A	yoy %
Theatrical distribution	1.4	2.1	56.0
TV rights	5.9	6.5	10.6
Hv - Est - Vod - Svod	1.3	2.7	106.0
Third party contributions	2.3	0.3	-87.3
Sale of film property shares	5.1	7.0	36.8
Other revenues from movie works	0.5	0.3	-35.2
Multiplexes – box office collections	9.3	8.4	-9.7
Multiplexes - others	2.4	1.9	-19.6
Others	0.1	0.0	-18.2

A: actual; Source: Company data

The decrease in other revenues was mainly due to lower grants from the government (EUR -1.5M), and lower revenue from participations (EUR -1M). We highlight that the lower grants from the government were impacted by the transition to a new legislative framework, whereby the grants have been postponed to 2019-20.

Looking at costs, we highlight that:

- The decrease of 11.2% in costs for services to EUR 26.5M (weighting in revenues down from 77.9% in FY17A to 71.5%), was mainly due to lower movie production costs (-21.8% to EUR 11.5M);
- Labour costs were broadly stable at EUR 3.3M;

- Capitalised costs decreased by 29.8% to reach EUR 7.1M. These costs refer to those incurred to produce movie works that were suspended and capitalised with respect to the intangible asset item costs of movie productions in progress;
- Raw materials costs decreased by 6.6% to EUR 0.6M (weighting in revenues down by 10bps to 1.5%).

Lucisano Media Group - Costs breakdown (FY18A)			
EUR M	FY17A	FY18A	yoy %
Raw materials (net)	0.6	0.6	-6.6
Cost for services	29.9	26.5	-11.2
Cost of labour	3.3	3.3	1.4
Other costs	0.5	0.6	15.0
Capitalised costs	-10.1	-7.1	-29.8
Weighting in revenue (%)			
	FY17A	FY18A	
Raw materials (net)	1.6	1.5	
Cost of services	77.9	71.5	
Cost of labour	8.5	8.9	
Other costs	1.4	1.7	
Capitalised costs	-26.3	-19.1	

A: actual; Source: Company data

Reflecting the abovementioned trends in revenues and costs, FY18 EBITDA came in at EUR 13.2M, -6.9% yoy, and with margins down by 140bps to 35.5%. D&A increased by 6.4% to EUR 8.9M, mainly due to a higher amortisation of movies in the library. Therefore, EBIT was EUR 4.3M, -26.3% yoy. Financial charges were broadly stable, while there was a positive tax contribution, leading to a EUR 3.3M net income.

#### Net working capital and net debt

Net working capital increased by around 30.7% vs. FY17A to EUR 23.9M, with a ratio to revenue which improved to 64.3% vs. 47.6% in FY17A. The increase was mainly due to the concentration of the production activities in the last quarter of the year which lead to an increase in receivables. Net debt was EUR 31.8M, broadly aligned with FY17A, the net debt/EBITDA ratio slightly increased from 2.2x in FY17A, to 2.4x in FY18.

Lucisano Media Group - Key balance sheet items (FY18A)			
EUR M	FY17A	FY18A	yoy %
Net working capital	18.3	23.9	30.7
Net working capital to revenue (%)	47.6	64.3	
Net debt	30.5	31.8	4.2
Net debt/EBITDA (x)	2.2	2.4	

A: actual; Source: Intesa Sanpaolo Research elaboration on Company data

## Earnings Outlook

Overall, LMG's FY18 results were below our expectations. Performances were impacted by multiplex activities which, by recording the most important drop in presences in the last 10 years, had a negative impact on revenues. On the production/distribution side, the performances were in line with last year, with revenues and margins broadly stable. It should also be stressed that without the postponement of the film "Non ci Resta che il Crimine", these results would have been better, given the success that the film had in cinemas once released<sup>1</sup>.

The following table shows the release production pipeline scheduled between 2019 and 2021.

Lucisano Media Group – Production release pipeline	
Film	
Non ci resta che il crimine	released in Jan 19
Aspromonte	2019
Gli uomini d'oro	2019
Mollami! (TV)	2019
Cohousing (TV)	2019
Roma	2019
Il rosso e il nero	
The Night Child	
Sienna (TV)	
Non ci resta che il crimine 2	
Mina Settembre (TV)	
Il clandestino (TV)	
La biblioteca dei morti (TV)	
Non fate come me	
Dragon Girl	
Les Italiens	

Source: Intesa Sanpaolo Research elaboration on Company data

### Change in Estimates

In light of FY18A results, and the recently announced agreements for the production and distribution of new movies, we slightly revised our estimates.

Regarding multiplex revenues, management expects results to be broadly stable over the next few years. A focus on the management of other multiplexes in central-southern Italy will be maintained, along with an investment plan for enlarging the multiplex in Brindisi, and the technological upgrade of several projection rooms. We assumed that the number of visitors would slightly increase between FY19E and FY21E, although at a slower pace (FY19E-21E CAGR of 1.5%) than previously expected (FY19E-20E CAGR of 6%). We then assume a stable average ticket price, and stable average revenue for miscellaneous revenues (beverage, snacks, etc.).

As regards production/distribution, we slightly lowered our estimates for FY19E and FY20E by incorporating possible delays in the release of movies in pipeline (as happened in FY18A).

At EBITDA level, we maintain our FY20E estimates, while we slightly lower FY19E estimates following the more marked slowdown in the multiplex division. These changes lead to a slight improvement in margins which should reach 40.4% in FY20E.

For D&A, we assume a depreciation of material assets (mainly the multiplexes) broadly stable at EUR 2M, while for the depreciation of immaterial assets (EUR 6.2M in FY17A, related to the capitalisation of production costs and/or to licence rights), we assumed an increase up to EUR 10.5M in FY20E, in line with the capex trend.

<sup>1</sup> Produced by IIF with Rai Cinema and distributed by 01 Distribution, "Non ci resta che il crimine", starring Alessandro Gassmann, Marco Giallini, Edoardo Leo, Gianmarco Tognazzi and Ilenia Pastorelli, has been one of the most viewed Italian films in cinemas since the beginning of 2019, collecting EUR 4.7M at the box office and catching over 700k spectators.

In light of the consistent pipeline, we add the estimates for 2021. In FY21E, we expect revenue to reach EUR 50.2M, with margins at 41.1%.

Lucisano Media Group – Estimates revision							
EUR M	FY19E Old	FY19E New	chg %	FY20E old	FY20E New	chg %	FY21E New
Revenues	46.8	42.9	-8.3	50.9	49.0	-3.8	50.2
EBITDA	18.3	16.7	-9.1	19.8	19.8	0.3	20.6
EBITDA margin (%)	39.1	38.8		38.8	40.4		41.1
EBIT	6.8	5.7	-16.2	6.8	7.3	8.4	7.8
Net income	4.8	3.6	-25.0	4.7	4.8	0.9	5.2
Net debt	26.6	30.0	12.8	24.1	27.3	0.9	21.5

Source: Intesa Sanpaolo Research estimates



## Valuation

We valued Lucisano Media Group with a DCF model and we cross-checked our result with a multiples comparison.

### DCF valuation

We ran a DCF model based on our estimates and the following key assumptions: i) a 5.8% WACC (5.6% previously), incorporating a 2.75% risk-free rate (3% previously), an equity risk premium of 6.5% (5.75% previously) and a gearing of 48%; ii) 0% terminal value growth; 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	48.0
Beta relevered (x)	1.0
Risk-free rate	2.75
Equity risk premium	6.5
<b>WACC</b>	<b>5.8</b>

Source: Intesa Sanpaolo Research estimates

**Our model returns a target price of EUR 3.0/share** (EUR 3.3/share previously) **and we confirm our BUY rating.**

**BUY; EUR 3.0/sh. target price**

Lucisano Media Group - DCF calculation (2019E-21E)				
EUR M	2019E	2020E	2021E	LT
EBIT	5.7	7.3	7.8	6.4
Tax	-1.1	-1.5	-1.6	-1.3
Depreciation	10.9	12.5	12.8	
NOPAT	4.6	5.8	6.2	5.1
WC	-2.4	-3.0	-0.3	
Capex	-9.5	-10.9	-11.1	
FCF	3.6	4.4	7.6	5.1
Discounted FCF	3.6	4.1	6.8	4.3
WACC (%)	5.8			
TV growth (%)	0			
Sum	14.5			
TV	61.9			
EV	76.4			
Debt 2017A	31.8			
Equity	44.6			
Shares	14.9			
<b>Target price (EUR/share)</b>	<b>3.0</b>			

E: estimates; Source: Intesa Sanpaolo Research estimates

### Multiples cross-check

We double-checked our DCF valuation with a peers' multiples comparison (Leone Film and Notorious Pictures). Lucisano trades at a 15-24% discount on EV/EBITDA in FY19E and FY20E, respectively, and at a significant discount on FY20E P/E (31.6%). We highlight that we do not consider the peers sample as particularly meaningful, given the companies' different business models.

**Multiples**

Lucisano Media Group - Peers' EV/EBITDA and P/E						
x	Price (EUR/sh)	Mkt Cap (EUR M)	EV/EBITDA		P/E	
			FY19E	FY20E	FY19E	FY20E
Leone Film	4.6	65.3	3.3	2.6	8.5	6.4
Notorious Pictures	2.8	62.1	4.5	4.4	10.5	9.2
<b>Average</b>			<b>3.9</b>	<b>3.5</b>	<b>9.5</b>	<b>7.8</b>
Lucisano	1.8	27	3.3	2.7	7.1	5.3
<b>Discount vs. average %</b>			<b>-14.9</b>	<b>-24.0</b>	<b>-24.9</b>	<b>-31.6</b>

Source: Factset and Intesa Sanpaolo Research estimates

Lucisano Media Group - Key data							
Rating	Target price (EUR/sh)	Mkt price (EUR/sh)	Sector	Free float (%)		Reuters Code	
BUY	Ord 3.0	Ord 1.71	Media	11.9		LMG.MI	
Values per share (EUR)			2017A	2018A	2019E	2020E	2021E
No. ordinary shares (M)			14.88	14.88	14.88	14.88	14.88
No. NC saving/preferred shares (M)			0.00	0.00	0.00	0.00	0.00
Total no. of shares (M)			14.88	14.88	14.88	14.88	14.88
Market cap (EUR M)			34.79	30.61	25.44	25.44	25.44
Adj. EPS			0.26	0.22	0.24	0.32	0.35
CFPS			0.82	0.82	0.97	1.2	1.2
BVPS			2.1	2.3	2.5	2.8	3.1
Dividend ord			0.05	0.05	0.05	0.05	0.05
Income statement (EUR M)			2017A	2018A	2019E	2020E	2021E
Revenues			38.39	37.15	42.94	48.99	50.15
EBITDA			14.17	13.19	16.66	19.80	20.62
EBIT			5.77	4.25	5.71	7.32	7.84
Pre-tax income			4.80	3.22	4.68	6.29	6.81
Net income			3.80	3.29	3.56	4.78	5.17
Adj. net income			3.80	3.29	3.56	4.78	5.17
Cash flow (EUR M)			2017A	2018A	2019E	2020E	2021E
Net income before minorities			3.8	3.3	3.6	4.8	5.2
Depreciation and provisions			8.4	8.9	10.9	12.5	12.8
Others/Uses of funds			0	0	0	0	0
Change in working capital			-5.5	-4.7	-2.4	-3.0	-0.3
Operating cash flow			6.7	7.5	12.1	14.2	17.7
Capital expenditure			-11.7	-8.2	-9.5	-10.9	-11.1
Financial investments			0	0	0	0	0
Acquisitions and disposals			0	0	0	0	0
Free cash flow			-4.9	-0.7	2.6	3.4	6.6
Dividends			-0.7	-0.7	-0.7	-0.7	-0.7
Equity changes & Other non-operating items			-0.1	0.2	0	0	0
Net cash flow			-5.8	-1.3	1.8	2.6	5.8
Balance sheet (EUR M)			2017A	2018A	2019E	2020E	2021E
Net capital employed			62.2	66.2	67.2	68.6	67.2
of which associates			0	0	0	0	0
Net debt/-cash			30.5	31.8	30.0	27.3	21.5
Minorities			0	0	0	0	0
Net equity			31.7	34.4	37.2	41.3	45.7
Minorities value			0	0	0	0	0
Enterprise value			65.3	62.4	55.4	52.8	47.0
Stock market ratios (x)			2017A	2018A	2019E	2020E	2021E
Adj. P/E			9.2	9.3	7.1	5.3	4.9
P/CFPS			2.9	2.5	1.8	1.5	1.4
P/BVPS			1.1	0.89	0.68	0.62	0.56
Payout (%)			20	23	21	16	14
Dividend yield (% ord)			2.1	2.4	2.9	2.9	2.9
FCF yield (%)			-14.3	-2.3	10.1	13.2	25.8
EV/sales			1.7	1.7	1.3	1.1	0.94
EV/EBITDA			4.6	4.7	3.3	2.7	2.3
EV/EBIT			11.3	14.7	9.7	7.2	6.0
EV/CE			1.1	0.94	0.82	0.77	0.70
D/EBITDA			2.2	2.4	1.8	1.4	1.0
D/EBIT			5.3	7.5	5.2	3.7	2.7
Profitability & financial ratios (%)			2017A	2018A	2019E	2020E	2021E
EBITDA margin			36.9	35.5	38.8	40.4	41.1
EBIT margin			15.0	11.4	13.3	14.9	15.6
Tax rate			20.5	NM	24.0	24.0	24.0
Net income margin			9.9	8.9	8.3	9.8	10.3
ROCE			9.3	6.4	8.5	10.7	11.7
ROE			12.6	10.0	9.9	12.2	11.9
Interest cover			5.9	4.1	5.5	7.1	7.6
Debt/equity ratio			96.3	92.4	80.5	66.3	47.1
Growth (%)				2018A	2019E	2020E	2021E
Sales				-3.2	15.6	14.1	2.4
EBITDA				-6.9	26.3	18.9	4.1
EBIT				-26.3	34.4	28.1	7.1
Pre-tax income				-32.9	45.4	34.3	8.2
Net income				-13.4	8.1	34.3	8.2
Adj. net income				-13.4	8.1	34.3	8.2

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

## **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**

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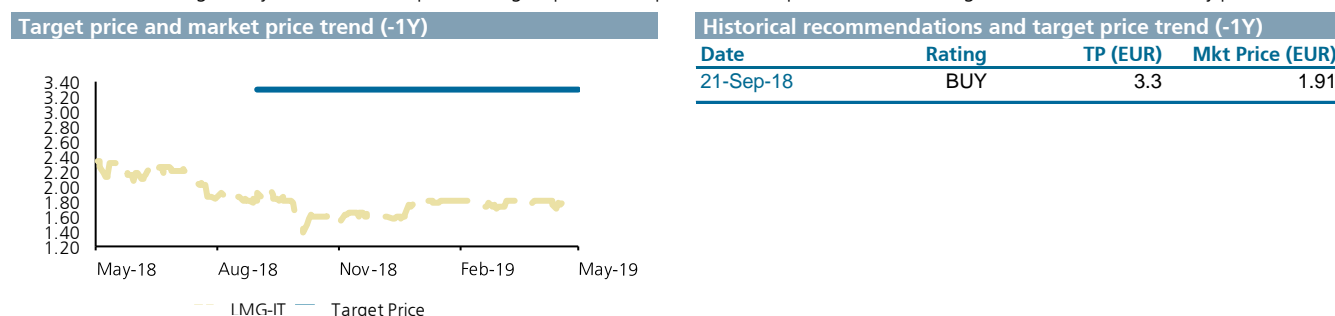
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ADD	If the target price is 10%-20% higher than the market price
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REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
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TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
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### Equity rating allocations (long-term horizon: 12M)

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Number of companies considered: 108	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	45	21	32	1	0
of which Intesa Sanpaolo's Clients (%) (*)	80	43	40	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

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