

**Company Note**
**MID CORPORATE**

# Lucisano Media Group

## 1H19A Results

Lucisano posted 1H19A results broadly in line with last year, with a positive recovery on the multiplex side. However, the probable postponement of the documentary "Roma", and the temporary closure of the Andromeda multiplex in Brindisi, lead us to revise downwards our FY19E revenue estimates.

### 1H19 results

In a context of a modest recovery of the Italian cinematographic market compared to 2018, Lucisano posted results in line with last year, with revenues up by 3% yoy at EUR 14.4M. Revenues from services were broadly in line vs. 1H18A at EUR 12.3M while other revenues were up by 25.1% at EUR 2.1M, mainly reflecting the increase in government grants for the movies released. On a divisional basis, the group reported a positive increase in Multiplex revenues, up by around 6% yoy to EUR 6.6M.

### Outlook

Management reiterated its strategy of strengthening its competitive positioning in the different business units in which it operates, maintaining direct control of the entire value chain, from content production to multiplex management. Looking at the pipeline, two movies produced in FY18A are scheduled for release in 2H19 ("Uomini d'oro" and "Aspromonte"), and two international movies bought in the previous years will be distributed ("Midway" and "Ailo's journey"). On the production side, the sequel of the movie "Non ci resta che il crimine" ("Ritorno al crimine") and the TV series "Mina Settembre" should be produced in 2H19, with expected releases in FY20E.

### Estimates and Valuation

We revised downwards our FY19E estimates to take into account the probable postponement of the release of the documentary "Rome" to FY20, and the closure of the Andromeda multiplex in Brindisi, following the discovery of an explosive device dating back to World War II, during expansion works to the complex. We also fine-tuned our FY20E estimates taking a more cautious approach by assuming the postponement of one movie, while we confirm our FY21E revenue estimates. We valued Lucisano Media Group with a DCF model, which points to **a EUR 2.5/sh. target price** (EUR 3.0/sh. previously) and **we confirm our BUY rating**.

**21 November 2019: 12:59 CET**

Date and time of production

# BUY

**Target Price: EUR 2.5**  
 (from EUR 3.0)

 Italy/Media  
 Update

### AIM

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



#### Lucisano Media Group - Key Data

Price date (market close)	11/19/2019
Target price (EUR)	2.5
Target upside (%)	76.06
Market price (EUR)	1.42
Market cap (EUR M)	21.13
52Wk range (EUR)	1.81/1.30

Price performance %	1M	3M	12M
Absolute	-2.1	9.2	-12.1
Rel. to FTSE IT All Sh	-6.3	-2.8	-28.4

Y/E Dec (EUR M)	FY18A	FY19E	FY20E
Revenues	37.15	36.95	46.69
EBITDA	13.19	13.46	17.50
EBIT	4.25	4.05	5.60
Net income	3.29	2.29	3.47
EPS (EUR)	0.22	0.15	0.23
Net debt/-cash	31.79	33.91	34.41
Adj P/E (x)	9.3	9.2	6.1
EV/EBITDA (x)	4.7	4.1	3.2
EV/EBIT (x)	14.7	13.6	9.9
Div ord yield (%)	2.4	3.5	3.5

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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## 1H19A Results

### Theatrical market

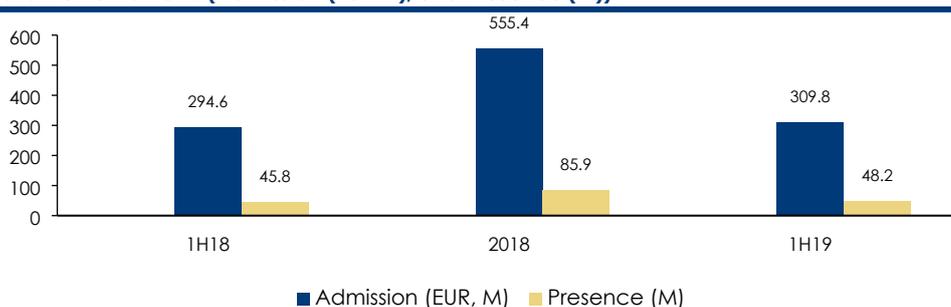
According to Cinetel data, the Italian cinema market improved in 1H19 vs. 1H18: revenues from admissions increased by 5.2% (from EUR 294.6M to 1H18 to EUR 309.8M in 1H19) and the number of presences rose by 5.3% yoy. However, the average ticket price remained stable at around EUR 6.4.

**Italian cinema market improved in 1H19**

1,283 films were screened in theatres in 1H19 (of which 439 were Italian), vs. the 1,166 films screened in 1H18. The weighting of Italian films in the total number of films shown has risen from 33% to 34%.

The majors posted 1H19 box office revenues of around EUR 188M vs. EUR 170M in 1H18, with around 29M presences vs. around 26M in 1H18. The top three films totalled around EUR 56M at the box office and 8M presences, compared to EUR 43M at the box office and 6M presences in 1H18.

### Italian Cinema trend (Admission (EUR M), and Presence (M))



Source: Cinetel

### 1H19A results

1H19A revenues increased by 3% to EUR 14.4M, with revenues from services broadly in line vs. 1H18A at EUR 12.3M and other revenues up by 25.1% at EUR 2.1M, mainly reflecting the increase in government grants for the movies released.

### Lucisano Media Group - Key economic data (1H19A)

EUR M	1H18A	1H19A	yoy %
Revenues	14.0	14.4	3.0
EBITDA	4.7	4.9	3.8
EBITDA margin (%)	33.7	33.9	
EBIT	2.2	2.6	13.8
Net income	1.5	1.6	8.8
Net debt	31.9*	34.9	9.1

\*FY18A data; A: actual; Source: Company data

Looking at costs, we highlight that:

- There was a 14.5% decrease in service costs to EUR 9M (the weighting in revenues fell from 75% in 1H18 to 62.2%), mainly due to a fall in movie production costs (-47.6% to EUR 2.3M);

- Capitalised costs decreased by 48.4% to EUR 1.8M. 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.

Reflecting the abovementioned trends in revenues and costs, 1H19A EBITDA came in at EUR 4.9M, +3.8%, with margins up by 20bps to 33.9%.

D&A and financial charges were broadly in line vs. 1H18A, leading to a EUR 1.6M net income (+8.8% yoy).

Net debt was EUR 34.9M, from EUR 31.9M at YE18A. The increase is mainly attributable to the application of IFRS16, which caused a worsening in the net financial position by approx. EUR 5.8M.

### Business unit analysis

Lucisano's operations can be divided into three business units, the Production BU, the Distribution BU, and the Multiplex BU:

- Production/Distribution: revenues came in at EUR 7.8M, broadly in line vs. 1H18. In 1H19 two movies/TV series were produced ("Sette ore per farti innamorare" and "Co-housing – Il nido"), two movies bought in previous years were distributed ("Attacco a Mumbai" and "Non sposate le mie figlie 2"), and one movie produced in previous years was released in cinemas ("Non ci resta che il crimine"). EBITDA decreased by 22.2% to EUR 3.1M;
- Mirroring the positive industry trend, Multiplex revenues grew by 6% to EUR 6.6M. The revenue increases also boosted EBITDA, which was EUR 1.8M (vs. EUR 0.7M in 1H18).

### Lucisano Media Group - Business units' breakdown (1H19A)

EUR M	Production/distribution			Multiplex			Total		
	1H18A	1H19A	yoy %	1H18A	1H19A	yoy %	1H18A	1H19A	yoy %
Revenue	7.8	7.8	0.6	6.3	6.6	6.0	14.0	14.4	3.0
EBITDA	4.0	3.1	-22.2	0.7	1.8	NM	4.7	4.9	3.8
EBITDA margin (%)	52.0	40.3		10.9	26.5		33.7	33.9	
EBIT	2.5	2.4	-3.4	-0.2	0.2	NM	2.2	2.6	13.8
Net income	1.7	1.6	-4.9	-0.2	0.0	NM	1.5	1.6	8.8

NM: not meaningful; A: actual; Source: Company data

## Earnings Outlook

Two movies produced in FY18A are scheduled for release in 2H19 ("Uomini d'oro" and "Aspromonte"), and two international movies bought in previous years will also be distributed ("Midway" and "Ailo's journey"). On the production side, the sequel of the movie "Non ci resta che il crimine" ("Ritorno al crimine") and the TV series "Mina Settembre" should be produced in 2H19, with expected releases in FY20, while on the distribution side, the group has finalised the acquisition of the Italian distribution rights of the movie "Moonfall". The following table shows the production release pipeline scheduled in 2020.

### Lucisano Media Group – Production release pipeline for FY20

Film	
Il rosso e il nero	2020
Il clandestino (TV)	2020
Ritorno al crimine	2020
7 ore per farti innamorare	2020
Lasciarsi un giorno a Roma	2020
Roma	2020
Mina settembre (TV)	2020

Source: Intesa Sanpaolo Research elaboration on Company data

### Estimates revision

Despite a healthier cinematographic market, we slightly revised our FY19E estimates, to incorporate the following:

#### FY19E revenue revised down

- The postponement of the release of the documentary "Roma" to FY20, which we had previously assumed would be released in FY19;
- The discovery of an explosive device dating back to World War II in the immediate vicinity of the Andromeda Cinema in Brindisi (owned by Lucisano), where the group was carrying out expansion works. This event led to the closure of the multiplex and the interruption of works to a date yet to be defined, as all the residents of the area had to be evacuated. Indeed, we expect this situation to have a negative impact on FY19, resulting in a likely lower box office (in the peak period of the year), and fewer regional contributions for the completion of the expansion work.

For FY20E, we revised downwards our previous revenue estimates, taking a more cautious approach by assuming the postponement of one movie, while for FY21E we confirm our previous revenue assumption. As for profitability, we estimate an EBITDA margin broadly in line at 37.5% in FY20E-21E, vs. 40.4% and 41.1% previously, incorporating the increased costs needed for the production of higher budgeted movies/series.

### TLucisano Media Group – Estimates revision

EUR M	FY19E Old	FY19E New	chg %	FY20E old	FY20E New	chg %	FY21E New	FY21E New	chg %
Revenues	42.9	36.9	-14.0	49.0	46.7	-4.7	50.2	50.2	0.0
EBITDA	16.7	13.5	-19.2	19.8	17.5	-11.7	20.6	18.8	-8.9
EBITDA margin (%)	38.8	36.4		40.4	37.5		41.1	37.5	
EBIT	5.7	4.0	-29.0	7.3	5.6	-23.5	7.8	6.0	-23.3
Net income	3.6	2.3	-36.3	4.8	3.5	-27.4	5.2	3.8	-26.8
Net debt	30.0	33.9	13.0	28.7	34.4	20.0	22.9	31.0	35.6

E: estimates; 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 5.6% WACC (5.8% previously), incorporating a 1.5% risk-free rate (2.75% previously), an equity risk premium of 7% (6.50% previously) and a gearing of 48%; 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	48.0
Beta* relevered (x)	1.0
Risk-free rate	1.50
Equity risk premium	7.0
<b>WACC</b>	<b>5.6</b>

Source: Intesa Sanpaolo Research estimates

**Our model returns a target price of EUR 2.5/share** (EUR 3.0/share previously) and **we confirm our BUY rating.**

**TP at EUR 2.5/sh; BUY rating**

#### Lucisano Media Group - DCF calculation (2019E-21E)

EUR M	2019E	2020E	2021E	LT
EBIT	4.0	5.6	6.0	5.6
Tax	-0.7	-1.1	-1.2	-1.1
Depreciation	9.4	11.9	12.8	
NOPAT	3.3	4.5	4.8	4.5
WC	1.1	-4.8	-1.3	
Capex	-8.2	-10.3	-11.1	
FCF	5.6	1.3	5.2	4.5
Discounted FCF	5.6	1.2	4.7	3.8
WACC (%)	5.6			
TV growth (%)	0			
Sum	11.5			
TV	58.1			
EV	69.6			
Debt 2018A	31.8			
Equity	37.8			
Shares	14.9			
<b>Target price (EUR/share)</b>	<b>2.5</b>			

E: estimates; Source: Intesa Sanpaolo Research

### Multiples cross-check

We double-checked our DCF valuation with a peers' multiples comparison (Leone Film and Notorious Pictures). Lucisano trades at a 6-14% discount on EV/EBITDA in FY19E and FY20E, respectively, and at a significant discount on FY20E P/E (28.9%). Note that we do not consider the peers sample as particularly meaningful, given the companies' different business models.

#### 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	4.7	66.2	4.8	3.3	13.9	9.0
Notorious Pictures	2.6	58.0	3.9	4.1	8.7	8.1
<b>Average</b>			<b>4.4</b>	<b>3.7</b>	<b>11.3</b>	<b>8.6</b>
Lucisano	1.8	27	4.1	3.2	9.2	6.1
Discount vs. average %			-6.3	-14.1	-18.4	-28.9

Source: FactSet and Intesa Sanpaolo Research estimates

## Lucisano Media Group – Key Data

Rating	Target price (EUR/sh)	Mkt price (EUR/sh)		Sector	
BUY	Ord 2.5	Ord 1.42		Media	
<b>Values per share (EUR)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
No. ordinary shares (M)	14.88	14.88	14.88	14.88	14.88
Total no. of shares (M)	14.88	14.88	14.88	14.88	14.88
Market cap (EUR M)	34.79	30.61	21.13	21.13	21.13
Adj. EPS	0.26	0.22	0.15	0.23	0.25
CFPS	0.82	0.82	0.79	1.0	1.1
BVPS	2.1	2.3	2.0	2.2	2.4
Dividend ord	0.05	0.05	0.05	0.05	0.05
<b>Income statement (EUR M)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Revenues	38.39	37.15	36.95	46.69	50.15
EBITDA	14.17	13.19	13.46	17.50	18.79
EBIT	5.77	4.25	4.05	5.60	6.01
Pre-tax income	4.80	3.22	3.02	4.57	4.98
Net income	3.80	3.29	2.29	3.47	3.79
Adj. net income	3.80	3.29	2.29	3.47	3.79
<b>Cash flow (EUR M)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Net income before minorities	3.8	3.3	2.3	3.5	3.8
Depreciation and provisions	8.4	8.9	9.4	11.9	12.8
Others/Uses of funds	0	0	0	0	0
Change in working capital	-5.5	-4.7	1.1	-4.8	-1.3
Operating cash flow	6.7	7.5	12.8	10.6	15.3
Capital expenditure	-11.7	-8.2	-8.2	-10.3	-11.1
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0
Free cash flow	-4.9	-0.7	4.6	0.2	4.2
Dividends	-0.7	-0.7	-0.7	-0.7	-0.7
Equity changes & Other non-operating items	-0.1	0.2	-6.0	0	0
Net cash flow	-5.8	-1.3	-2.1	-0.5	3.4
<b>Balance sheet (EUR M)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Net capital employed	62.2	66.2	63.9	67.1	66.7
of which associates	0	0	0	0	0
Net debt/-cash	30.5	31.8	33.9	34.4	31.0
Minorities	0	0	0	0	0
Net equity	31.7	34.4	30.0	32.7	35.7
Minorities value	0	0	0	0	0
Enterprise value	65.3	62.4	55.0	55.5	52.1
<b>Stock market ratios (x)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Adj. P/E	9.2	9.3	9.2	6.1	5.6
P/CFPS	2.9	2.5	1.8	1.4	1.3
P/BVPS	1.1	0.89	0.71	0.65	0.59
Payout (%)	20	23	32	21	20
Dividend yield (% ord)	2.1	2.4	3.5	3.5	3.5
FCF yield (%)	-14.3	-2.3	21.9	1.1	19.7
EV/sales	1.7	1.7	1.5	1.2	1.0
EV/EBITDA	4.6	4.7	4.1	3.2	2.8
EV/EBIT	11.3	14.7	13.6	9.9	8.7
EV/CE	1.1	0.94	0.86	0.83	0.78
D/EBITDA	2.2	2.4	2.5	2.0	1.6
D/EBIT	5.3	7.5	8.4	6.1	5.2
<b>Profitability &amp; financial ratios (%)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
EBITDA margin	36.9	35.5	36.4	37.5	37.5
EBIT margin	15.0	11.4	11.0	12.0	12.0
Tax rate	20.5	NM	24.0	24.0	24.0
Net income margin	9.9	8.9	6.2	7.4	7.5
ROCE	9.3	6.4	6.3	8.3	9.0
ROE	12.6	10.0	7.1	11.1	11.1
Interest cover	5.9	4.1	3.9	5.4	5.8
Debt/equity ratio	96.3	92.4	113.2	105.3	86.8
<b>Growth (%)</b>		<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Sales		-3.2	-0.5	26.4	7.4
EBITDA		-6.9	2.1	30.0	7.4
EBIT		-26.3	-4.8	38.4	7.4
Pre-tax income		-32.9	-6.4	51.4	9.0
Net income		-13.4	-30.4	51.4	9.0
Adj. net income		-13.4	-30.4	51.4	9.0

NM: not meaningful; NA: not available; Neg.: negative; 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. Founded 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 globally. During its history, IIF produced around 150 films and it distributed nearly 500 foreign movies. The library is today composed of around 230 Italian and international films. In 2006, with the acquisition of Stella Film, the group entered into Multiplex management business and today owns 7 multiplex movie theatres with 56 screens. The group went public in 2014.

### Key data

Mkt price (EUR)	1.42	Free float (%)	11.9
No. of shares	14.88	Major shr	Keimos
52Wk range (EUR)	1.81/1.30	(%)	68.0
Reuters	LMG.MI	Bloomberg	LMG IM
<b>Performance (%)</b>	<b>Absolute</b>		<b>Rel. FTSE IT All Sh</b>
-1M	-2.1	-1M	-6.3
-3M	9.2	-3M	-2.8
-12M	-12.1	-12M	-28.4

### 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

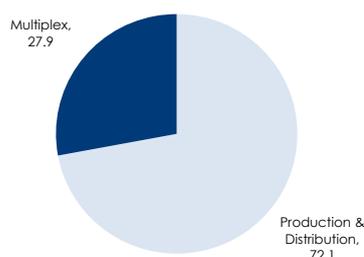
#### Sector generic risks:

- 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

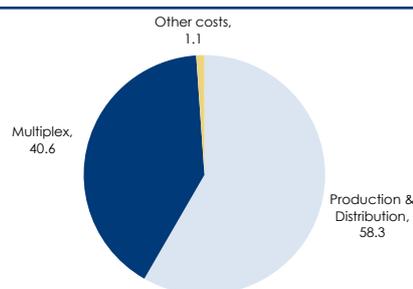
### Estimates vs. consensus

EUR M (Y/E Dec)	2018A	2019E	2019C	2020E	2020C	2021E	2021C
Sales	37.15	36.95	NM	46.69	NM	50.15	NM
EBITDA	13.19	13.46	NM	17.50	NM	18.79	NM
EBIT	4.25	4.05	NM	5.60	NM	6.01	NM
Pre-tax income	3.22	3.02	NM	4.57	NM	4.98	NM
Net income	3.29	2.29	NM	3.47	NM	3.79	NM
EPS	0.22	0.15	NM	0.23	NM	0.25	NM

### Sales breakdown by BU (%)



### Costs breakdown by BU (% on revenue)



NM: not meaningful; Source: Company data, Intesa Sanpaolo Research estimates and FactSet (priced at market close of 19/11/2019)

## 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.

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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:

[http://www.group.intesasanpaolo.com/scripts/sir0/si09/studi/eng\\_archivio\\_racc\\_equity.jsp](http://www.group.intesasanpaolo.com/scripts/sir0/si09/studi/eng_archivio_racc_equity.jsp)

### 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://www.group.intesasanpaolo.com/script/sir0/si09/studi/eng\\_storia\\_raccomandazioni.jsp](https://www.group.intesasanpaolo.com/script/sir0/si09/studi/eng_storia_raccomandazioni.jsp).

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

Date	Rating	TP (EUR)	Mkt Price (EUR)
24-May-19	BUY	3.0	1.68

**Equity rating allocations (long-term horizon: 12M)****Intesa Sanpaolo Research Rating Distribution (at November 2019)**

Number of companies considered: 115	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	50	18	30	1	0
of which Intesa Sanpaolo's Clients (%) (*)	79	57	37	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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In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the Financial Conduct Authority Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research " and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage [http://www.group.intesaspaolo.com/script/sir0/si09/studi/eng\\_archivio\\_conflitti\\_mad.jsp](http://www.group.intesaspaolo.com/script/sir0/si09/studi/eng_archivio_conflitti_mad.jsp) 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.

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- 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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