

Refocusing on core business and cost savings

July 7th 2023, at 18:00

FENIX
entertainment

Revenues below estimates; double-digit margin confirmed

In 2022, Fenix Value of Production came in at €24.6m, well below our estimate at €42.6m. [Please refer to our Company Update on October the 14th]. The contraction in VoP derived from i) fewer productions and ii) decreasing sales in marketing and music division, as the Group strategically chose to focus on film production and post-production services. Laser 2022 VoP increased to €11.8m from €10.9m in 2021, in line with our forecast at €11.4m. Overall, the Group VoP decreased to €36.4m in 2022 (vs our at €54.5m) compared to pro forma Aggregated VoP at €54.7m in 2021. EBITDA came in at €10m (vs our €11.1m) or 27% margin, above our projections at 20%. In FY21 Fenix and Laser aggregated EBITDA came in at €8.9m or 16% margin. The increase is mainly due to higher tax credit, which offset the increase costs not directly related to new productions. At the end of 2022, Net Debt rose to €18.7m from €14.2m at the end of 2021, vs our estimate at €24.1m. NPF still includes the residual debt (€1.65m) to Di Nardo for the acquisition of 60% of Laser.

New strategic guidelines and structural reorganization

In 2023, Fenix has started a structural reorganization aimed at (i) containing the Company's structural costs, (ii) rescheduling trade payables, deriving from film productions and (iii) redefining the deadline for the payment of the remaining €1.65m owed to A. Di Nardo for Laser acquisition. Within the process of overheads saving, the Company announced some changes in governance and top management with resignation of key people. Moreover, in March 2023 Di Pasquale resigned as CEO, giving its powers to Andrea Musso, formerly the Director of the Company. Di Pasquale was appointed as Chief Operating Officer, responsible for strategy, product and commercial development.

€10m of convertible bond

In March 2023, Fenix approved a €10m convertible bond subscribed by Negma Group. Negma will subscribe up to 1,000 bonds (€10k each) in 10 tranches each of €1m. Negma Group disbursed the first, the second and part of the third tranches for a total amount of €2.25m equal to 225 bonds. As of now, no.160 bonds remain to be converted for a nominal value of €1.6m. We forecast Fenix to raise up to €6.1m in 2023E, €1.6m in 2024E and €0.5m in 2025E, for a total of €8.1m out of potential €10m.

Estimates revision: reducing 2023-2025E

We revised downward our estimates, planning VoP to raise at a 2% 22-25E CAGR to reach €38.5m, below our previous 21-24E CAGR at 4% to €61.5m. We end up with EBITDA at €10.8m (vs our previous €12.9m) in 2023E or 30% margin. We plan EBITDA to grow at 2% CAGR over the 2022-2025E to reach €10.5m or 27% margin, below our previous estimate at a 27% CAGR over 21-24E period, but better than our previous EBITDA margin forecast in 2024E (23%). Because of the convertible bond subscription, we increased the Share Capital to €543,284 (vs previous €174,269) and a share premium reserve of €106,715 for a total Shareholders' Equity of €650k. Lastly, we estimate Net Debt to increase to €22.2m at the end of 2024E and to decrease at the end of 2025E reaching €19.1m.

Valuation: NOT RATED

We have decided to suspend our rating on Fenix due to current significant uncertainty linked to: (i) €10m Convertible Bond emission by Negma with weekly conversions, which is extremely dilutive and has led to a plunge in the share price as well as uncertainty on its future trend; (ii) Corporate governance reorganization with management resignations and reshuffle at the end of 2022, including the exit of founder and previous CEO, Di Pasquale, who is now dedicated to business development; (iii) Lack of guidelines for the financial community. As soon as more visibility comes in, including first results of new management team and business refocusing, we will publish our new recommendation.

Target Price - **From €5.6**
Recommendation **NOT RATED** **From BUY**

Company Profile

Ticker FNX IM (Bloomberg), FNX-IT (FactSet)
Reference Industry Media & Entertainment
Stock exchange Italian Stock Exchange
Reference Index Euronext Growth Milan

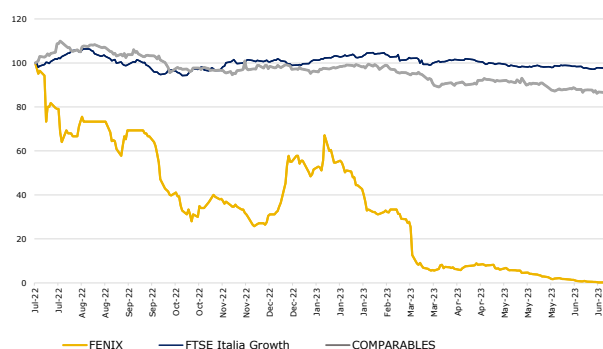
Market Data

Last Closing Price as of July 6th 0.03 €
Number of shares (mln) 12.8
Market capitalization €128k
1-year performance
Absolute -99.4%
Max / Min 4.6/0.01
Average daily volumes 133,185

Main Financials

(€ mln)	FY22	2023E	2024E	2025E
Fenix VoP	24.6	22.6	23.8	22.8
yoy change	-44%	-8%	5%	-4%
Laser VoP	11.8	13.0	14.3	15.7
yoy change	8%	10%	10%	10%
Group VoP (FENIX + LASER)	36.4	35.5	38.1	38.5
yoy change	-33%	-2%	7%	1%
Added Value	20.3	20.4	20.6	19.3
Margin (%)	56%	57%	54%	50%
EBITDA	10.0	10.8	10.6	10.5
yoy change	13%	8%	-2%	-1%
Margin (%)	27%	30%	28%	27%
EBIT	-7.8	1.4	2.1	1.8
Margin(%)	n.m.	4%	6%	5%
Net Income	-8.5	0.2	0.7	0.5
Margin (%)	n.m.	0%	2%	1%
Net Debt (Cash)	18.7	21.6	22.2	19.1
Consolidated Shareholders' Equity	6.9	8.0	8.6	9.1
Net Operating Working Capital	(1.9)	(0.7)	(0.2)	(0.7)
CapEx	5.2	6.6	7.8	6.0
FCFs	7.6	2.9	2.1	4.9

1Y Rebased performance


Francesca Sabatini

Head of Equity Research
francesca.sabatini@bancaprofilo.it
+39 02 58408 461

Eleonora Chetri

Equity Research Analyst
eleonora.chetri@bancaprofilo.it
+39 02 58408 298

Sales Desk

+39 02 58408 478

Contents

SWOT analysis	3
FY2022 results	4
<i>A few premises on accounting principles</i>	4
<i>Historical performance analysis</i>	5
Strategy and estimates	10
<i>Management evolution and relevant facts</i>	10
<i>POC subscription and evolution.....</i>	10
<i>Our 2023-2025E estimates revision</i>	11
<i>Key risks</i>	17
Valuation assumption	19
<i>DCF</i>	19
<i>Fenix competitive arena.....</i>	20
<i>Market multiples</i>	21
APPENDIX.....	23
The reference market.....	23
<i>The Media & Entertainment Industry</i>	23
<i>The Global Film Industry</i>	23
<i>The Italian Film Industry.....</i>	25
<i>Film Industry outlook.....</i>	26
Fenix overview and business model	27
<i>Company's foundation and business scope</i>	27
<i>Business model and activities</i>	27
<i>Revenue model.....</i>	28
<i>The corporate structure</i>	29
<i>Management.....</i>	30
DISCLAIMER	33

SWOT analysis

STRENGTHS

- Financial coverage of films ahead of the actual start of production
- Know-how and expertise across different segments of the Media & Entertainment Industry, from film and music production to digital marketing
- Well-structured to benefit from tax incentive schemes and local grants
- Structural reorganization of corporate governance to reduce overheads
- New partnerships for production and distribution activities

WEAKNESSES

- Low degree of internationalization
- Weak diversification among type of activity
- Limited scale compared to international competitors
- Film pipeline delays

OPPORTUNITIES

- Expansion of the production business
- Synergies from the acquisitions of Laser Group
- M&A opportunities to enhance further group expertise
- Global demand for new entertainment product is undergoing continuous growth
- Public financing through tax credit

THREATS

- Increasing competition in both film production and distribution
- Possible changes in the regulatory framework affecting tax incentives and local grants for film producers and distributors
- Share price instability and ownership uncertainty due to POC issue by Negma and continuing share capital increase with original shareholders relevant dilution

FY2022 results

A few premises on accounting principles

Movie production companies have a few accounting peculiarities Media & Entertainment companies, including movie producers, follow specific accounting practices regarding revenue and cost recognition, amortisation of production costs and tax credits treatment.

- In the Income Statement, peculiarities mainly affect: (i) revenue, and (ii) D&A.
- ITA GAAP accounting principle for motion pictures companies recognize the increase in own work capitalized (capitalized production costs) in the Value of Production, namely the change in the value of cinematographic and audio-visual assets not finished yet. This change in value corresponds to production costs incurred up to that moment. Tax credits and local grants can also be included in other revenue. Under IAS/IFRS accounting principles, capitalized production costs cannot be included in the VoP and are accounted as Inventory. So, once Fenix completes its transition towards IAS principles, expected ahead of the FY23 financial statement publication, the increase in own capitalized work will be included in the Income Statement as “change in inventory” and recognized as an increase in inventory in the Income Statement. The impact on EBITDA will be null.
- A very important item for film producers is D&A on own library's titles. Initially, D&A had a limited impact over past years resulting in higher profit margins than industry average. With the increase in own library production, D&A is having a heavier impact, reducing the EBIT margin.

In the Balance Sheet, peculiarities mainly relate to: (i) deferred income, and (ii) internally generated intangible asset.

- Earned inflows before the film distribution, so from pre-valuation to post-production phases, must be recognized as deferred income. Inflows can be recognized as revenues only once a film is completed and distributed. Deferred income can include tax credits, grants as well as IP sale.
- Capitalized production costs are recognized both in the Income Statement as part of Value of Production and in the Balance Sheet as part of Intangible Assets. They are not subject to amortization. Once the movie/soundtrack/TV series is completed and enters the distribution phase, its value can be recorded among intellectual property rights and becomes subject to amortization.

EBITDA is now the preferred benchmarking figure in this Industry Since the weight and value of Fenix library has increased over time, we decided to change the Industry benchmarking figure to EBITDA instead of EBIT. In fact, the number of titles in Fenix library has risen impacting on EBIT.

First-Time Adoption The Company is working on the transition towards IAS. The most significant change will affect capitalized production costs: according to ITA GAAP, they are included in the VoP, while after First Time Adoption they will be treated as Inventory changes and included costs (with opposite sign) with no impact on margins.

Historical performance analysis

No yoy comparison data for the Income Statement

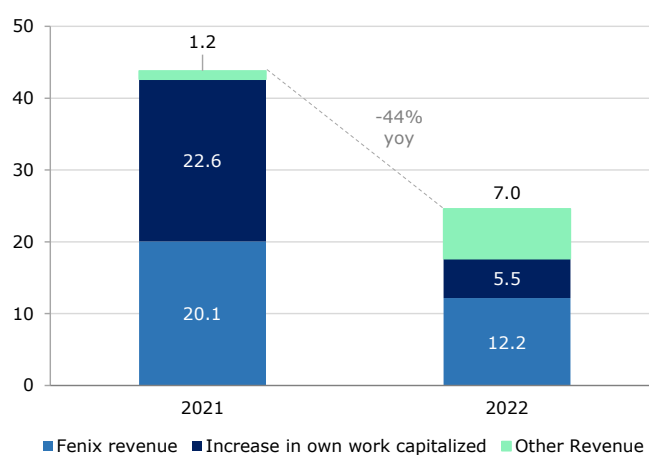
No yoy comparison data have been provided because Fenix did not draw up consolidated Income Statement in 2021, as the purchase of Laser Group took place at the end of 2021, when it was integrated in Fenix Group Balance Sheet.

Income Statement

FY22: VoP at €24.6mIn (-44% yoy) vs our estimate at €42.6mIn

In 2022, Fenix Value of Production came in at €24.6mIn, well below our estimate at €42.6mIn. [Please refer to our Company Update on October the 14th]. The contraction in VoP derived mainly from i) fewer productions and ii) decreasing sales in marketing activities and music division, as the Group strategically chose to focus on film production and post-production services. In detail, in 2022 Fenix suspended further production activities to allow the completion of those started in 2021 so as not to further burden the financial exposure. In July and August 2022, the Company delivered to Vision Distribution the films 'Toilet' and 'Sposa in Rosso', both of which were released in cinemas in July and August 2022. In 4Q22, Fenix completed the production of 'Stranizza d'Amuri' by Giuseppe Fiorello, which was released in cinemas in March 2023, and the two films 'A Day with Santa' and 'Sherlock Santa' by Francesco Cinquemani, which will be distributed in Italian cinemas in 2023.

Figure 1: Fenix Value Of Production Breakdown – FY21-22 (€mIn)



Source: Banca Profilo elaborations on Company data

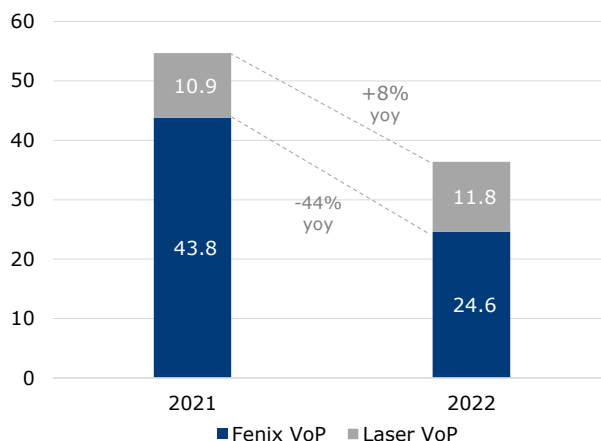
FY22: Laser VoP + 8% yoy in line with our forecast

Laser Vop increased to €11.8mIn in 2022 from €10.9mIn in 2021, in line with our forecast at €11.4mIn.

Aggregated VoP at €36.4mIn, 33% below our estimate

Overall, the Group VoP decreased to €36.4mIn in 2022 (vs our at €54.5mIn) compared to pro forma Aggregated VoP at €54.7mIn in 2021.

Figure 2: Fenix and Laser VoP FY21-22 (€ mln)



Source: Banca Profilo elaborations on Company data

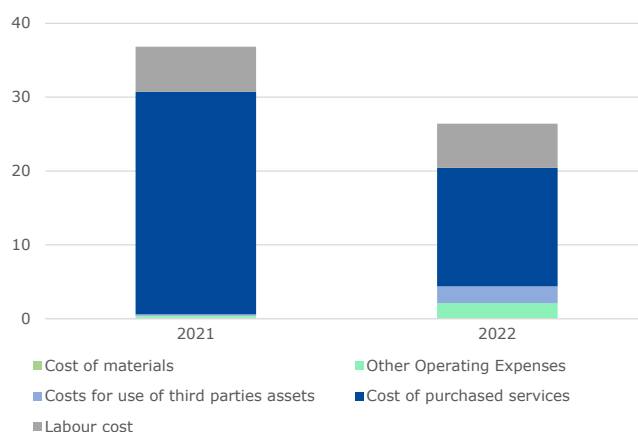
FY22: COGS at €26.4mln or 73% of VoP

Total COGS came in at €26.4mln or 73% of VoP, decreasing from €45.8mln or 84% of Pro Forma Aggregated VoP in 2021. The decrease is a result of fewer film productions made and structural reorganisation aimed at containing the Company's structural costs.

Main costs included are:

- €6mln of labour costs or 16% on FY22 VoP, versus an incidence of 14% in 2021;
- €16.1mln of raw materials and purchased services, with an incidence of 44% on VoP compared to FY21 at 69%;
- €2.3mln and €2mln related to the cost of third parties' assets and other operating expenses with a 2022 incidence on VoP at 6.2% and 5.6%, well above 0.4% and 0.6% in FY21, respectively.

Figure 3: COGS Breakdown- FY21-22 (€ mln)

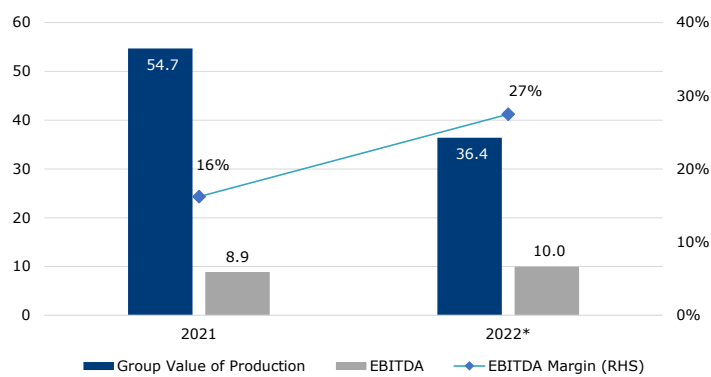


Source: Banca Profilo elaborations on Company data

FY22: EBITDA at €10mln or 27% margin

Lower than expected turnover has been off set by better than projected EBITDA margin. In fact, in 2022, EBITDA came in at €10mln (vs our €11.1mln) or 27% margin, well above our projections (20% margin). In FY21 Fenix and Laser aggregated EBITDA came in at €8.9mln or 16% margin. The increase is mainly due to higher tax credit, which offset the increase costs not directly related to new productions.

Figure 4: EBITDA and EBITDA Margin- FY21-22 (€,mln), (%)

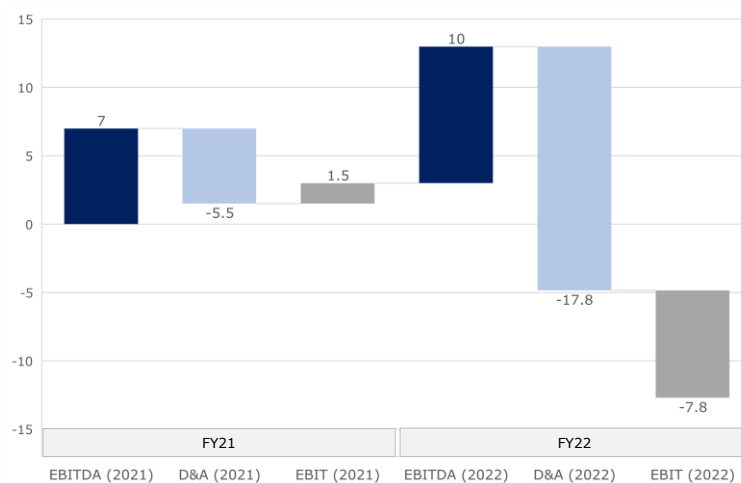


Source: Banca Profilo elaborations on Company data

FY22: EBIT -€7.8mln due to higher D&A and library write-down

EBIT came in at -€7.8mln, much worse than our estimate at €1.2mln and down from €1.5mln in FY21. The plunge derived from (i) a higher incidence of intangible amortization at €11.6mln from €5.5mln in 2021; and (ii) library write-down for (€4.3mln) following the impairment test performed as of 31 December 2022.

Figure 5: EBITDA, D&A and EBIT evolution - FY21-22 (€,mln)



Source: Banca Profilo elaborations on Company data

FY22: €8.5mln net loss In 2022 Fenix recorded a net loss of -€8.5mln from a net profit of €0.5mln in FY21.

Table 1: Fenix Profit & Loss 21-22 (Old vs New) (€, mln)

Profit & Loss (€ / mln)			
	FY21	FY22	
		OLD	ACTUAL
Fenix revenue	20.1	34.0	12.2
Increase in own work capitalized	22.6	7.4	5.5
Other revenue	1.2	1.2	7.0
Fenix Value of Production	43.8	42.6	24.6
yoy change (%)	170%	-3%	-44%
Laser Value of Production	10.9	11.4	11.8
yoy change (%)		5%	8%
Group Value of Production (FENIX + LASER)	54.7	54.5	36.4
yoy change (%)		-4%	-33%
Cost of materials and purchased services	(30.3)	(31.1)	(16.1)
ii) Altri costi per servizi	(11.7)	(11.0)	(6.4)
% on VoP	-69%	-57%	-44%
Added Value	13.5	23.5	20.3
yoy	173%	74%	50%
gross margin	31%	43%	56%
Labor cost	(6.1)	(9.3)	(6.0)
% on VoP	-13.9%	-17.0%	-16.4%
Costs for use of third parties assets	(0.2)	(2.4)	(2.3)
% on VoP	0%	-4%	-6%
Other Operating Expenses	(0.3)	(0.4)	(2.0)
% on VoP	-1%	-1%	-6%
Comprehensive COGS	(36.8)	(43.5)	(26.4)
% on VoP	-84%	-80%	-73%
Comprehensive COGS FENIX + LASER	(45.8)		(26.4)
			-73%
EBITDA	7.0	11.1	10.0
EBITDA Margin on VoP	16%	20%	27%
EBITDA FENIX + LASER	8.9		10.0
EBITDA Margin on VoP	16%		27%
D&A	(5.5)	(9.9)	(17.8)
% on VoP	-13%	-18%	-49%
EBIT	1.5	1.2	(7.8)
EBIT Margin on VoP	3%	2%	n.m.
Net financial income (expenses)	(0.3)	(0.6)	(0.6)
% on VoP	-1%	-1%	-2%
EBT	1.2	0.6	(8.4)
EBT Margin on VoP	3%	1%	n.m.
Income Tax Expense	(0.6)	(0.2)	(0.1)
Tax rate	55%	28%	-1%
Net Income	0.5	0.4	(8.5)
Net Income Margin on VoP	1%	1%	n.m.

Source: Banca Profilo elaborations on Company data. 2022 data are not comparable with previous years.

Balance Sheet

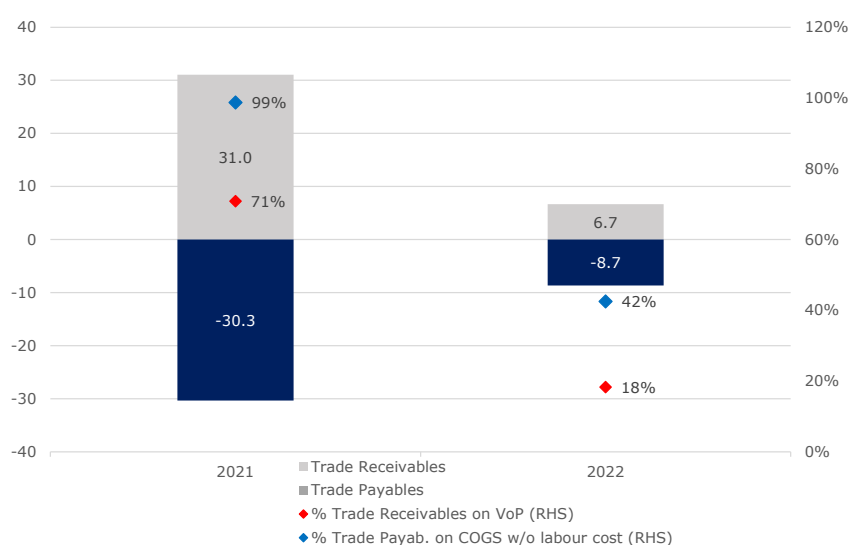
FY2022 data are comparable with the previous year

Since the Company published the consolidated Balance Sheet (including Laser) in 2021, FY2022 data are comparable with previous year.

31.12.22: Net Operating Working Capital decreased to -€1.9mln (from €0.9mln a year before)

At the end of December 2022, Net Operating Working Capital stood at -€1.9mln (vs €0.9mln at the end of 2021 and our estimate at €2.5mln), including trade receivables for €6.7mln (from €31mln at the end of 2021), trade payables for €8.7mln (from €30.3mln at the end of 2021) and inventories of €0.1mln (from €0.2mln at the end of 2021). The main cause of the plunge was the decrease in the number of film productions in 2022. The incidence of trade receivables on VoP fell to 18% from 71% at the end of 2021, while the incidence of trade payable on COGS without labour cost plunged to 42% from 99% at the end of 2021.

Figure 6: Net Operating Working Capital - FY21-22 (€,mln)



Source: Banca Profilo elaborations on Company data

31.12.22: Net Debt rose by €4.5mln to €18.7mln

At the end of December 2022, Net Debt rose to €18.7mln from €14.2mln in December 2021, vs our previous estimate at €24.1mln. Net Financial Position still includes the residual debt to Andrea Di Nardo for the acquisition of 60% of Laser at €1.65mln.

Table 2: Fenix Balance Sheet FY21-22 (Ols vs New) (€, mln)

Balance Sheet (€/mln)			
	FY21	FY22	
		OLD	ACTUAL
Intangible Assets	40.1	36.8	28.7
Property, Plant & Equipment	2.0	2.0	2.1
Financial Assets	0.1	0.1	0.1
Fixed Assets	42.2	40.2	30.9
Trade Receivable	31.0	38.6	6.7
Inventories	0.2	0.2	0.1
Trade Payable	(30.3)	(37.4)	(8.7)
Net Operating Working Capital	0.9	2.5	(1.9)
	% on VoP	2%	5%
	Trade receivables (% on VoP)	71%	18%
	Inventories (% on VoP)	0%	0%
	Trade payb. (%COGS without labour cost)	99%	42%
Other Assets	9.0	9.0	10.1
Other Liabilities	(24.8)	(11.5)	(12.7)
	Ratei e risconti passivi	(8.8)	(6.5)
Funds	(0.7)	(0.7)	(0.8)
Net Invested Capital	26.5	39.5	25.6
CapEx	24.8	7.9	5.2
	Intangible	8.0	5.0
	Tangible	(0.1)	0.2
	% on VoP	15%	14%
Shareholders' equity	11.8	14.7	6.5
	Share capital	0.1	0.2
	Reserves	7.7	10.2
	Retained earnings	3.4	3.9
	Group Net Income	0.5	(8.3)
Shareholders' equity attributable to third parties	0.6	0.7	0.6
Net Income attributable to third parties	-	-	(0.1)
Consolidated Shareholders' Equity	12.3	15.4	6.9
Net Financial Position (Cash)	14.2	24.1	18.7

Source: Banca Profilo elaborations and estimates on Company data

Strategy and estimates

Management evolution and relevant facts

Structural reorganization and corporate governance changes

At the beginning of 2023, Fenix has started a structural reorganization aimed at (i) containing the Company's structural costs, (ii) rescheduling trade payables, deriving from film productions and (iii) redefining the deadline for the payment of the remaining €1.6mln owed to A. Di Nardo for the acquisition of Laser.

Within the process of overheads saving, the Company announced some changes in governance and top management with resignation of key people: (i) A. Di Nardo as Fenix BoDs' member; (ii) F. Cipriano as General Manager and (iii) Paolo Grippo as CFO/Investor Relator. The Accounting, Financial Planning and Administration Department has been restored appointing two new figures: R. Dattilio and M.Storelli, both with a robust experience in the field.

Moreover, in March 2023 Riccardo Di Pasquale resigned as CEO; Andrea Musso, formerly the Director of the Company, was appointed as new CEO with powers on Finance which were previously held by the CFO. Mr. Di Pasquale was appointed as Chief Operating Officer, responsible for strategy, product and commercial development, aiming to drive Fenix Group business development. As a consequence of these changes, we expect a service cost savings in 2023E.

Exit from non-core businesses; stop pushing on Marketing and Music

In terms of CapEx containment, the agreement to acquire Verve Media Company automatically ended as the original assumptions on Fenix stock price have not occurred. Moreover, in November 2022 Fenix sold the majority of Lovit, which was set up in January 2022.

Focus on film production and post-production

Main goal of Fenix in 2023 is to focus on film production, post-production and distribution, rather than marketing and music. At the beginning of 2023, the Group signed (i) an agreement with Rizzoli to acquire the film rights of "L'uomo più ricco del mondo" for 18 months with the collaboration of the author Comandini; (ii) a co-production agreement with the American Company ClaRo Production for the movie "Here After"; (iii) a preliminary partnership agreement with Epico Play for the creation of exclusive audio-visual content in the world of sports entertainment.

New partnership with Galassia Cinema to strengthen its distribution activities

Moreover, Fenix recently signed an agreement with Galassia Cinema which counted approximately 200 cinema theatres widespread towards Italy and other 200 in the process of affiliation. Thanks to this agreement Fenix strengthens its distribution activities, being able to guarantee the safe theatrical release of films of its own production and/or those acquired from third parties for distribution. The collaboration is functional in creating a vigorous Theatrical Distribution structure. Fenix also aims to strengthen its presence abroad and to become a point of reference for international cinema for distribution in Italy. Another great advantage is that the Group will be able: (i) to use the cinemas during daytime hours for post-production activities and (ii) to organize events, film shows, festivals, and make the cinemas available to third parties for private screenings.

POC subscription and evolution

€10mln convertible bond subscription by Negma Group

In March 2023, Fenix Entertainment approved a €10mln convertible bond ("POC") subscribed by Negma Group. Negma will subscribe up to 1,000 bonds (€10k each) in 10 tranches each of €1mln. Each tranche will bring warrants to be converted in shares at 1:1 ratio and strike price equal to 130% of the average Fenix price in previous 15 days. Bonds maturity is six months; after this period non-reimbursed bonds will be converted into Fenix shares.

Negma disbursed the first three tranches for a total amount €2.25mln

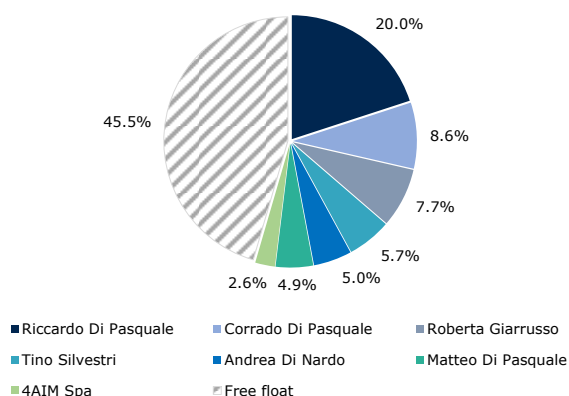
Negma Group disbursed the first, the second and part of the third tranches for a total amount of €2.25mln equal to 225 bonds. As of now, no.160 bonds remain to be converted for a nominal value of €1.6mln. The amount received by Fenix, equal to €1.15mln, is already net of: (i) 2% of the nominal value, as provided for in the investment agreement; (ii) an advance of €850k on the first tranche, received on 14 March 2023 and (iii) €200k as a commitment fee.

We forecast Fenix to raise up to €6.1mln in 2023E, €1.5mln in 2024E and €0.5mln in 2025E.

No. 12.8mln of shares outstanding

Before the subscription of the POC, Fenix total outstanding shares were 4,356,734 with 45.5% of free float. Main shareholder was Riccardo di Pasquale with 20%, followed by Corrado Di Pasquale and Roberta Giarrusso. As of now, 13,475,363 new shares have been issued by Fenix out of 16,475,363 that have been converted. Therefore, fully diluted shares are 20,832,097.

Figure 7: Ownership structure before POC emission



Source: Banca Profilo elaborations on Company data

Table 3: POC evolution in FY23

No. of shares before POC	4,356,734
No. of new shares issued after POC	13,475,363
Total no. of shares as of now	17,832,097
Shares converted	16,475,363
Fully diluted shares	20,832,097

Source: Banca Profilo elaborations on Company data as of 10th July 2023

Our 2023-2025E estimates revision

A distinctive forecasting modelling for film and TV production & distribution

Our forecasts for movie & TV production are based on production agreements. Fenix current pipeline of movies includes pre-productions, productions, and post-productions. This pipeline is our starting point for developing a fictitious pipeline for the next few years, used to compute: i) production costs and their competence per year, ii) the increase in own capitalized work; iii) productions revenues, iv) distribution revenues and v) the increase in IP rights. Key variables are: i) a single movie budget, which corresponds to both the production cost and 85% of the production revenue, and ii) the project starting date, which sets the number of years for accounting costs, D&A, revenues, and the increase in own capitalized work.

Our estimates now exclude Verve

Since Fenix has not completed the acquisition of Verve Media Company, our estimates now exclude Verve. In our last Report, we had estimated the acquisition of Verve Media Company from the last quarter of 2022 with €2.3mln impact on the 2023 Group turnover.

Income Statement

Assumptions on revenue; synergies from Laser

To estimate revenue from movie & TV production, given the short track record of Fenix, it may not be feasible to rely on a normalized carry-forward of past figures. However, year-end pipeline might be considered as a sustainable level of activity on which we based assumptions for a future pipeline.

We forecast an average of 3 new movies per year (vs our previous projection of 5 movies), with an average budget of about €2mIn in the medium-term. Moreover, thanks to the business evolution and to the inclusion in TV production, we also estimate a new television entertainment program for 2024 and 2025 with an initial budget of €2.4mIn and €3.1mIn respectively.

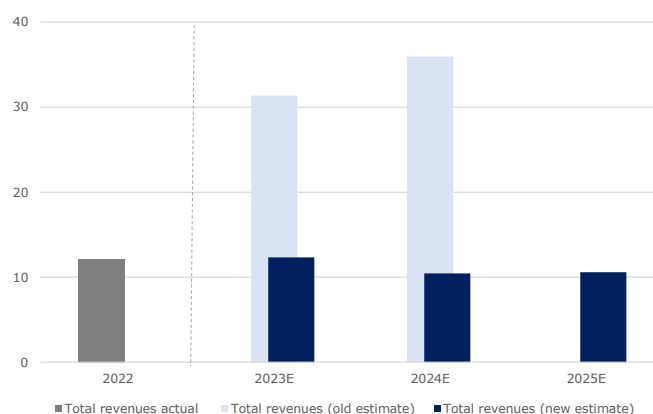
Revenues from the film pipeline are not immediately recognized, but only once the project is finalised. Before that time, cash inflows are recorded as Deferred Income in the Balance Sheet, and the increase in the value of a movie under production is included in the Value of Production under the item "increase in own capitalized work". In addition, we forecast distribution turnover separately. Our estimates assume no changes in the Italian regulatory framework regarding tax credits, government and local grants.

- (i) Production revenues are estimated as the costs incurred to produce the movie plus a 15% producer fee, namely the commission that Fenix generates through each production. Revenues from production are recognized in the income statement only once the film is distributed, therefore not necessarily in the year in which the proceed is collected. Revenues from production mainly come from: IP licensing or sale (20%), Government grants (8%), Local Film Commission grants (12%), external Tax Credit (15%), Tax Credit production (40%) and product placement activities (5%).
- (ii) Distribution revenues depend on cinema proceeds, as the success of a movie at the box office sets the economic standard for IP rights. We estimated average revenues from cinema of about €300k per film (production company revenues correspond to only a percentage of cinema's proceeds). However, we assume that only half of Fenix films will be released in theatres. Part of Fenix productions are, in fact, commissioned directly by a broadcaster, such as RAI, with no release to the cinema.
- (iii) We forecast two new entertainment programs for 2024 and 2025 with an initial budget of €2.3mIn and €3.1mIn respectively; the revenues are immediately accounted together with related costs;
- (iv) Laser turnover is expected to increase on average by 10% over 2023-2025E period at the same level of our previous estimates;
- (v) Compared to our last research, we no longer include Verve Media revenues since the acquisition does not occur.

Fenix Revenues at €12.3mIn in 2023E

We revised downward our estimates on Fenix Revenues amid €12.2mIn in FY22 is only 36% of our FY22 estimates (€34mIn). Therefore, we assume Total Revenues at €12.3mIn in 2023E from €12.2mIn in 2022.

Figure 8: Old vs new estimates on Total Revenues– FY 2022-2025E (€mIn)



Source: Banca Profilo elaborations and estimates on Company data

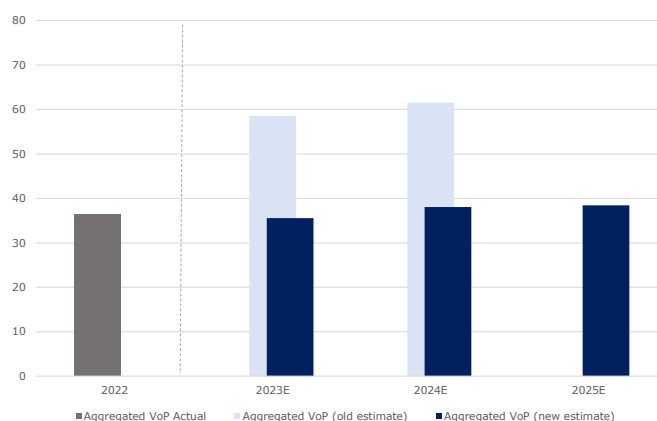
Laser VoP to reach €15.7mIn in 2025E.

We estimate Laser Vop to increase at 22-25E CAGR of 10% (at the same level of our previous research) to reach €15.7mIn in 2025E.

Aggregated VoP is set to grow at a 22-25E CAGR of 2%

According to our estimates, the aggregated VoP (including Laser) is set to rise at a 2% 22-25E CAGR to reach €38.5mIn, below our previous 21-24E CAGR at 4% to €61.5mIn in 2024E.

Figure 9: Old vs new estimates on Aggregated VoP- FY2022-2025E (€,mln)



Source: Banca Profilo elaborations on Company data

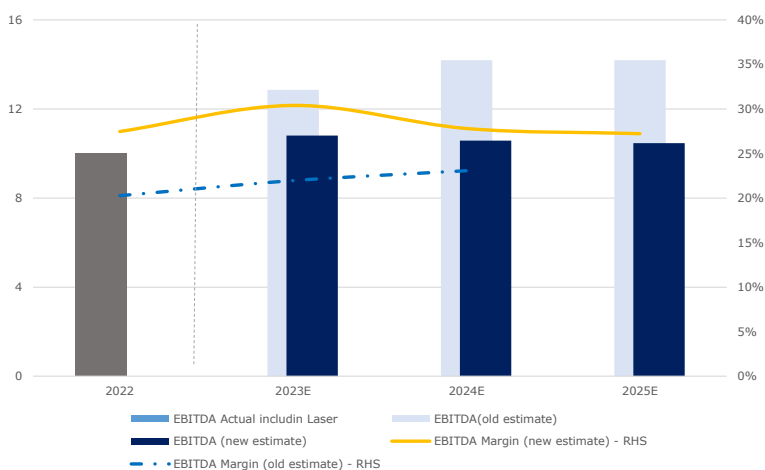
Raw materials and services VoP incidence down to 43% in 2023E

We reduced the incidence of raw material and service costs due to the structural reorganization started in 2022. We now project a 46% average incidence on VoP in 2023-25E, down from our previous assumption at 54% and more in line with FY22 (44% from 69% in 2021).

EBITDA margin improved 8pp to 30% in 2023E

Following our revenue and operating costs projections, we end up with EBITDA at €10.8mln (vs our previous €12.9mln) in 2023E or 30% margin, above our previous estimate at 12%. We plan EBITDA to grow at 2% CAGR over the 2022-2025E to reach €10.5mln or 27% margin, below our previous estimate at a 27% CAGR over 21-24 period, but better than our previous EBITDA margin forecast in 2024E (23%). Overall, EBITDA margin average over 2023E-2025E is now seen improving to 28%, higher than previous 22%.

Figure 10: Old vs new estimates on EBITDA and EBITDA margin– FY 2022-25E (€,mln)



Source: Banca Profilo elaborations on Company data

D&A incidence on VoP up to 26% as the library grows

We assumed an increase of D&A incidence on VoP to 26% in 2023E (vs previous 20%), as Fenix Library grows. The D&A incidence on VoP is now revised to 24% on average over 2023-25E from our previous estimate at 19% over 22-24E period.

EBIT revised upward to €1.4mln in 2023E

Our EBIT estimate rose to €1.4mln in 2023E (vs our old €1.2mln) to reach €1.8mln in 2025E (vs our old €2.7mln in 2024E).

Net income at €0.2mln in 2023E and to reach €0.5mln in 2025E

Net income is now seen at approximately €0.2mln in 2023E, below our previous estimate at €0.6mln and to reach €0.5mln in 2025E vs previous €1.7mln in 2024E.

Table 4: Fenix Profit & Loss 2021-2025E (€ mln)

	Profit & Loss (€ mln)							
	FY21	FY22		2023E		2024E		2025E
		OLD	ACTUAL	OLD	NEW	OLD	NEW	NEW
Fenix revenue	20.1	34.0	12.2	31.4	12.3	36.0	10.4	10.6
Increase in own work capitalized	22.6	7.4	5.5	10.9	3.2	7.1	7.4	6.0
Other revenue	1.2	1.2	7.0	1.5	7.1	1.5	6.0	6.2
Fenix Value of Production	43.8	42.6	24.6	43.7	22.6	44.6	23.8	22.8
<i>yoy change (%)</i>	170%	-3%	-44%	3%	-8%	2%	5%	-4%
Laser Value of Production	10.9	11.4	11.8	12.6	13.0	14.5	14.3	15.7
<i>yoy change (%)</i>		5%	8%	10%	10%	15%	10%	10%
Group Value of Production (FENIX + LASER)	54.7	54.5	36.4	58.6	35.5	61.5	38.1	38.5
<i>yoy change (%)</i>		-4%	-33%	7%	-2%	5%	7%	1%
Cost of materials and purchased services	(30.3)	(31.1)	(16.1)	(31.5)	(15.2)	(32.0)	(17.5)	(19.1)
ii) Altri costi per servizi	(11.7)	(11.0)	(6.4)	(12.0)	(4.4)	(9.4)	(3.4)	(2.6)
<i>% on VoP</i>	-69%	-57%	-44%	-54%	-43%	-52%	-46%	-50%
Added Value	13.5	23.5	20.3	27.1	20.4	29.6	20.6	19.3
<i>yoy</i>	173%	74%	50%	15%	0%	9%	1%	-6%
<i>gross margin</i>	31%	43%	56%	46%	57%	48%	54%	50%
Labor cost	(6.1)	(9.3)	(6.0)	(9.7)	(5.5)	(10.2)	(5.5)	(5.3)
<i>% on VoP</i>	-13.9%	-17.0%	-16.4%	-16.6%	-15.6%	-16.6%	-14.3%	-13.8%
Costs for use of third parties assets	(0.2)	(2.4)	(2.3)	(2.5)	(2.0)	(2.9)	(2.2)	(1.7)
<i>% on VoP</i>	0%	-4%	-6%	-4%	-6%	-5%	-6%	-5%
Other Operating Expenses	(0.3)	(0.4)	(2.0)	(0.5)	(2.0)	(0.5)	(2.3)	(1.8)
<i>% on VoP</i>	-1%	-1%	-6%	-1%	-6%	-1%	-6%	-5%
Comprehensive COGS	(36.8)	(43.5)	(26.4)					
<i>% on VoP</i>	-84%	-80%	-73%					
Comprehensive COGS FENIX +LASER	(45.8)		(26.4)	(45.7)	(24.7)	(47.3)	(27.5)	(28.0)
<i>% on VoP</i>	-84%		-73%	-78%	-70%	-77%	-72%	-73%
EBITDA	7.0	11.1	10.0					
<i>EBITDA Margin on VoP</i>	16%	20%	27%					
EBITDA FENIX +LASER	8.9		10.0	12.9	10.8	14.2	10.6	10.5
<i>EBITDA Margin on VoP</i>	16%		27%	22%	30%	23%	28%	27%
D&A	(5.5)	(9.9)	(17.8)	(11.7)	(9.4)	(11.4)	(8.4)	(8.7)
<i>% on VoP</i>	-13%	-18%	-49%	-20%	-26%	-19%	-22%	-23%
EBIT	1.5	1.2	(7.8)	1.2	1.4	2.7	2.1	1.8
<i>EBIT Margin on VoP</i>	3%	2%	n.m.	2%	4%	4%	6%	5%
Net financial income (expenses)	(0.3)	(0.6)	(0.6)	(0.4)	(1.2)	(0.4)	(1.2)	(1.2)
<i>% on VoP</i>	-1%	-1%	-2%	-1%	-3%	-1%	-3%	-3%
EBT	1.2	0.6	(8.4)	0.8	0.2	2.3	0.9	0.6
<i>EBT Margin on VoP</i>	3%	1%	n.m.	1%	1%	4%	2%	2%
Income Tax Expense	(0.6)	(0.2)	(0.1)	(0.2)	(0.1)	(0.6)	(0.3)	(0.2)
<i>Tax rate</i>	55%	28%	-1%	28%	28%	28%	28%	28%
Net Income	0.5	0.4	(8.5)	0.6	0.2	1.7	0.7	0.5
<i>Net Income Margin on VoP</i>	1%	1%	n.m.	1%	0%	3%	2%	1%

Source: Banca Profilo elaborations and estimates

Balance Sheet & Cash Flow

Operating Net Working Capital to rise on average by about €400k per year

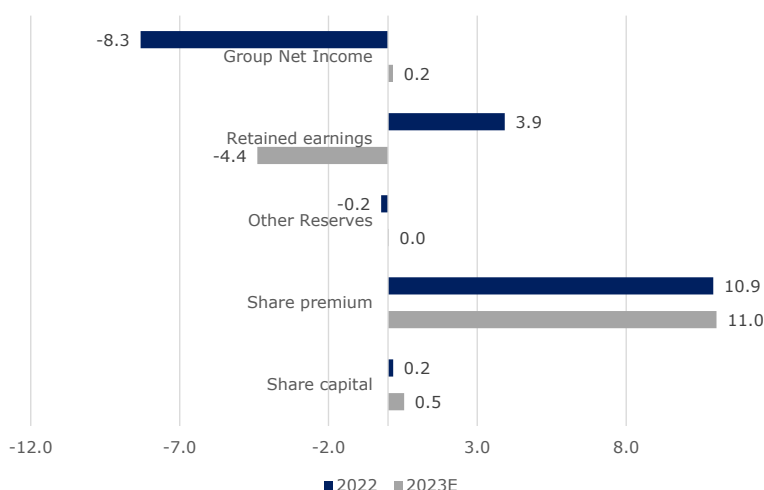
Regarding Balance Sheet estimates, we expect Net Operating Working Capital to increase by €400k on average over 2023-2025E with an incidence on VoP of -1% on average, in line with FY22 results, when the incidence of NOWC was at -5% from 2% in 2021.

In details, over 2023-2025E we forecast stable trade receivables, on average at €6.1mln, with an average incidence on VoP at 16% from 18% in 2022, vs our previous estimates at 70%. We estimate trade payables to remain stable at approximately €6.8mln on average in 23-25E period with an incidence on COGS without labour cost on average equal to 32% from 42% in 2022.

Shareholders' Equity following the convertible bond

We included in Shareholders' Equity the changes in share capital and share premium that have occurred to date, as a result of bond conversion. As of now, we increased the Share capital to €543,284 (vs previous €174,269) and a share premium reserve of €106,715 for a total Shareholders' Equity of €650k. We have not yet included future share capital increase coming from bond conversion. Nevertheless, we assumed Fenix to raise up to €6.1mln in 2023E, €1.5mln in 2024E and €0.5mln in 2025E for a total of €8.1mln out of potential €10mln.

Figure 11: Shareholders' equity composition and evolution (€ mln)



Source: Banca Profilo elaborations and estimates on Company data

Net Debt up to €22.2mln at the end of 2024E

We estimate Net Debt to increase to €22.2mln at the end of 2024E and to decrease at the end of 2025E reaching €19.1mln. Our previous estimate was €19.6mln at the end of 2024E.

Table 5: Fenix Balance Sheet 2021-2025E (€, mln)

Balance Sheet (€/mln)								
	FY21	FY22		2023E		2024E		2025E
		OLD	ACTUAL	OLD	NEW	OLD	NEW	NEW
Intangible Assets	40.1	36.8	28.7	35.5	31.4	31.1	32.5	31.0
Property, Plant & Equipment	2.0	2.0	2.1	2.0	1.8	2.0	1.6	1.4
Financial Assets	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Fixed Assets	42.2	40.2	30.9	37.7	33.2	33.2	34.2	32.6
Trade Receivable	31.0	38.6	6.7	40.5	6.0	42.3	6.3	6.0
Inventories	0.2	0.2	0.1	0.2	0.1	0.2	0.1	0.1
Trade Payable	(30.3)	(37.4)	(8.7)	(37.1)	(6.8)	(35.3)	(6.6)	(6.8)
Net Operating Working Capital	0.9	2.5	(1.9)	3.6	(0.7)	7.2	(0.2)	(0.7)
% on VoP	2%	5%	-5%	6%	-2%	12%	-1%	-2%
Trade receivables (% on VoP)	71%	71%	18%	69%	17%	69%	16%	16%
Inventories (% on VoP)	0%	0%	0%	0%	0%	0%	0%	0%
Trade payb. (%COGS without labour cost)	99%	109%	42%	103%	36%	95%	30%	30%
Other Assets	9.0	9.0	10.1	8.5	5.0	9.7	3.7	2.9
Other Liabilities	(24.8)	(11.5)	(12.7)	(15.9)	(6.9)	(12.2)	(5.5)	(4.8)
Ratei e risconti passivi	(18.3)	(8.8)	(6.5)	(12.9)	(1.6)	(8.0)	(0.9)	(0.8)
Funds	(0.7)	(0.7)	(0.8)	(0.7)	(1.0)	(0.8)	(1.4)	(1.8)
Net Invested Capital	26.5	39.5	25.6	33.1	29.6	37.3	30.8	28.2
CapEx	24.8	7.9	5.2	9.3	6.6	7.3	7.8	6.0
Intangible	24.8	8.0	5.0	9.4	6.2	7.3	7.4	5.7
Tangible	0.0	(0.1)	0.2	(0.1)	0.3	(0.1)	0.4	0.3
% on VoP	57%	15%	14%	16%	19%	12%	21%	16%
Shareholders' equity	11.8	14.7	6.5	15.3	7.4	17.0	8.1	8.5
Share capital	0.1	0.2	0.2	0.2	0.5	0.2	0.5	0.5
Reserves	7.7	10.2	10.7	10.2	11.1	10.2	11.1	11.1
Retained earnings	3.4	3.9	3.9	4.4	(4.4)	5.0	(4.2)	(3.6)
Group Net Income	0.5	0.4	(8.3)	0.6	0.2	1.7	0.7	0.5
Shareholders' equity attributable to third parties	0.6	0.7	0.6	0.7	0.6	0.7	0.6	0.6
Net Income attributable to third parties	-	-	(0.1)	-	-	-	-	-
Consolidated Shareholders' Equity	12.3	15.4	6.9	16.0	8.0	17.7	8.6	9.1
Net Financial Position (Cash)	14.2	24.1	18.7	17.1	21.6	19.6	22.2	19.1

Source: Banca Profilo elaborations and estimates

Cumulated FCFs at €9.8mln or €3.3mln as yearly average

According to our 2023-2025E Profit & Loss and Balance Sheet estimates, Free Cash Flow generation should reach €4.9mln in 2025E. We now project cumulated FCFs at €9.8mln or €3.3mln as a yearly average, which is above our previous estimates at €6.9mln and €2.3mln, respectively. Cumulated Free Cash Flows rose from previous forecast mainly because of lower cumulated CapEx, now seen at €20.3mln in 2023-35E (vs previous €24.5mln) as a result of Fenix strategy to reduce its investment and focus on production and post-production activities. Indeed, the Company has not completed the acquisition of Verve Media Company and sold the majority of Lovit.

Table 6: Fenix Free Cash Flow 2022-2025E (€, mln)

Cash Flow (€/mln)							
	FY22		2023E		2024E		2025E
	OLD	ACTUAL	OLD	NEW	OLD	NEW	NEW
EBIT	1.2	(7.8)	1.2	1.4	2.7	2.1	1.8
Tax rate	28%	-1%	28%	28%	28%	28%	28%
NOPAT	0.8	(7.9)	0.9	1.0	2.0	1.5	1.3
D&A	9.9	17.8	11.7	9.4	11.4	8.4	8.7
Changes in Funds	0.0	0.0	0.0	0.2	0.0	0.3	0.4
Changes in Operating NWC	(0.6)	2.8	(1.1)	(1.2)	(3.6)	(0.4)	0.5
Capex	(7.9)	(5.2)	(9.3)	(6.6)	(7.3)	(7.8)	(6.0)
Free Cash Flow	2.2	7.6	2.2	2.9	2.5	2.1	4.9

Source: Banca Profilo elaborations and estimates

Key risks

	TYPE OF RISK	DESCRIPTION
EXTERNAL CONTEXT	<i>Regulatory risk:</i> - medium-low likelihood - very high impact	Italian Film production and distribution companies can rely on significant tax benefit provided by the government which allows a saving of 40% on eligible production costs. Our estimates assume no changes in the Italian regulatory framework regarding tax credits and government and local grants. Any repeal, reduction, or modification of these tax incentive could have negative effects on Fenix profitability, negatively impacting its economic and financial situation.
	<i>Competitive risk:</i> - medium-low likelihood - medium-low impact	Fenix operates in a highly competitive market scenario and have a limited scale compared to some well-known international competitors. However, competition is growing more among broadcasters than among content producers. In addition, Fenix is a unique player on the domestic market for the degree of vertical integration it has.
	<i>Obsolescence risk:</i> - medium likelihood - medium impact	The Global Film Industry is characterized by a high level of technological innovation, both in production and distribution activities. As for production, technology's greatest impact is perhaps felt in new cameras that allow cinematographers to shoot in a higher definition. Post-production is another area where technological innovation leads to new trends. The process of distributing film has undergone a technological transformation with the rise of streaming platforms that has radically changed the market. Finally, the market may face several technological changes over the next few years about how a film or video is viewed. VR, glasses-free 3D, augmented reality, IoT are just a few emerging technologies that may revolutionize the Film Industry.
	<i>Illegal distribution risk:</i> - medium-low likelihood - medium impact	The illegal distribution of film, known as film piracy, is constantly evolving. Moreover, the unauthorized creation, transmission and sharing of high-quality copies of films is made easier by technological progress. In the absence of high adequate technological tools and an efficient cybersecurity system, Fenix may have to face a significant economic and image damage. We asked the Company a deepening about this topic, and it told us to have implemented any possible security safeguard measure regarding IP rights protection. Cybersecurity is 50% internalized and the remaining 50% outsourced to Unidata.
BUSINESS & STRATEGY EXECUTION	<i>Start-up stage risks:</i> - low high likelihood - low impact	Being operative only since 2017, Fenix is characterized by a limited previous operating history and a limited set of information useful for deeply evaluating historical financial performance. Moreover, early-stage Company traditionally might incur unexpected costs deriving from the embryonic phase of its life.
	<i>Seasonality risk:</i> - high likelihood - low impact	The Global Film Industry is characterized by highly seasonality, with the concentration of releases and cinema attendance in the last quarter of the calendar year. The distribution period can affect the success of a movie, and any delay or postponement of the launch could compromise related economic results.
	<i>Risk of losing qualified personnel:</i> - medium-low likelihood - high impact	Fenix strategic and financial results strictly depend on its management and on some key figures. The Company, should there be an interruption of the professional collaboration relationships with some key figures, may be exposed to a deterioration of its competitiveness, with repercussions on both demand and economic results.
FINANCIAL	<i>Risks linked to an underestimation of costs:</i> - medium likelihood - medium-low impact	The production processes require significant financial sources. Fenix starts the production of a movie or similar only once it has guaranteed the financial coverage of all estimated costs. However, production and co-production works may be influenced by events beyond the control of the Company. These circumstances may lead to an increase in the costs initially estimated by Fenix and the need to find additional resources to finance the project. However, Fenix minimizes this risk by ensuring financial coverage usually 15% higher than the budget estimated.

Table 7: Risk matrix

Impact	Very high		Regulatory risk			
	High		Risk of losing qualified personnel or key manager			
	Medium		Film piracy risk	Obsolescence risk		
	Medium-Low		Competitive risk	Risks linked to an underestimation of costs		
	Low	Start-up stage risks			Seasonality risk	
Potential impact on the business VS likelihood of occurrence		Low	Medium-Low	Medium	High	Very high
		Likelihood				

Source: Banca Profilo elaborations on Company data

Valuation assumption

Combined DCF and market multiples approach

We would use a DCF method combined with relative market multiples as a valuation approach for Fenix.

Rating suspended

We have decided to suspend our rating on the stock due to current significant uncertainty linked to:

- (i) €10mIn Convertible Bond emission by Negma with weekly conversions, which is extremely dilutive and has led to a plunge in the share price as well as uncertainty on its future trend;
- (ii) Corporate governance reorganization with management resignations and reshuffle at the end of 2022, including the exit of founder and previous CEO, Riccardo Di Pasquale, who is now dedicated to business development;
- (iii) Lack of guidelines for the financial community.

As soon as more visibility comes in, including first results of new management team and business refocusing, we will publish our new recommendation.

DCF

€8.9mIn cumulated FCFs and Terminal FCF at €3.3mIn

To run a DCF model, we would use our projections of FCFs for the 2023-25E explicit period: €9.8mIn of cumulated FCFs. We would consider the average 2023-25E FCF of €3.3mIn as the Terminal Value cash flow.

Table 8: DCF valuation

Cash flow (€/mIn)	2022	2023E	2024E	2025E	Over
EBIT	(7.8)	1.4	2.1	1.8	
Tax Rate	-1%	28%	28%	28%	
NOPAT	(7.9)	1.0	1.5	1.3	
D&A	17.8	9.4	8.4	8.7	
Changes in Funds	0.0	0.2	0.3	0.4	
Changes in Operating NWC	2.8	(1.2)	(0.4)	0.5	
Capex	(5.2)	(6.6)	(7.8)	(6.0)	
Free Cash Flow (FCF)	7.6	2.9	2.1	4.9	3.3

Source: Banca Profilo estimates and elaborations (as of July, 6th 2023)

WACC at 7.8% from previous 7.1% for higher Rf

To discount cash flows, we would use a WACC of 7.8%, higher than our last Company Update at 7.1%, mainly due to the increase of risk-free rate from 4.5% to 5%.

The WACC derives from:

- 5% risk free rate, as the moving average of the last 100 days assuming further interest rate increases (+50bps).
- 5.5% market risk premium;
- 0.9 the leveraged beta;
- 4.3% after tax cost of debt;
- Debt-to-equity target ratio at 40%, in the middle between the figure at the end of 2020 and 2021

In order to assess the Terminal Value, we would use a 2% perpetual growth rate.

Table 9: WACC calculation

WACC Calculation	
Perpetual growth rate	2.0%
WACC	7.8%
Risk free rate (Italy 30 + Projected increase)	5.0%
Equity Risk Premium	5.5%
Beta	0.9
Cost of Equity	10.1%
After tax cost of Debt	4.3%
Tax rate	28%

Source: Banca Profilo estimates and elaborations

Fenix competitive arena

Six main comparables: To select Fenix competitors, we carried out an overlap analysis on Italian and European Media & Entertainment companies specialized in film production & distribution. Revenue breakdown by activities (Film production & distribution, TV & video or broadcasting, Music production & distribution, Marketing & Advertising, Cinema & Other)

- (i) Revenue breakdown by country (Italy, rest of Europe, rest of the world)
- (ii) Additional business considerations regarding core activities conducted by the companies (Production, Post-production, Distribution, Animation production and movie theatres as asset).

Potential competitors were compared with Fenix for each of these macro-categories. For business and geo revenue breakdown we computed a quantitative score equal to the weighted average between the weights of Fenix revenue breakdown with the weights deriving from peers' revenue breakdown. The step 3, namely considerations on peers' business model vs Fenix one, have taken us to validate, or not, the peers previously identified through quantitative analysis of steps 1 and 2. We identified six main comparables: Iervolino & Lady Bacardi Entertainment SpA, Leone Film Group SpA, Lucisano Media Group SpA, Notorious Pictures SpA, Xilam Animation and Splendid Medien AG.

Highlight
Communication and Squirrel Media removed from our selected peers

Since Fenix has started to disinvest in: i) content production outside the Film industry, through Verve; ii) marketing & advertising activities through LovIt, we removed from our sample two international peers in the Media & Entertainment industry active in content creation and digital marketing activities: Highlight Communication and Squirrel Media.

Figure 12: Fenix competitive arena

Company	STEP 1: Revenue breakdown by activities							STEP 2: Revenue breakdown by country			STEP 3: Additional business considerations					Final Score	
	Film produc. & distrib.	TV produc. & distrib.	Music produc. & distrib.	Marketing, Advertising	Movie theaters	Other	Score	Italy	Rest of Europe	RoW	Score	Production	Post-production	Dis-tribution	Animated movies		Movie theaters as asset
Fenix Entertainment	72%	-	-	18%	-	9%		100%	-	-		✓	✓	✓	✓	✗	
Iervolino & Lady Bacardi	100%	-	-	-	-	-	72%	100%	-	-	100%	✓	✓	✗	✓	✗	73%
Leone Film Group	100%	-	-	-	-	-	72%	84%	2%	14%	84%	✓	✓	✓	✗	✗	68%
Lucisano Media Group	67%	14%	-	-	19%	-	48%	100%	-	-	100%	✓	✓	✓	✗	✓	54%
Notorious Pictures	70%	17%	-	1%	10%	2%	51%	73%	-	27%	73%	✓	✓	✓	✗	✓	50%
Xilam Animation	100%	-	-	-	-	-	72%	1%	53%	46%	1%	✓	✓	✓	✓	✗	43%
Splendid Medien	80%	18%	-	-	-	2%	57%	-	98%	2%	0%	✓	✓	✓	✓	✗	40%

Source: Banca Profilo elaborations on Company data

Iervolino (Italy)
 - €161mln FY22 revenue
 - 81% EBITDA margin

Iervolino & Lady Bacardi Entertainment SpA is an Italian film production & distribution company. It operates through the following business segments: Film Productions; Authoring, Encoding, and Digital Delivery; and Celebrity Management. The Film Production segment specializes in producing Hollywood-style cinematic and television content for the international market. The Authoring, Encoding, and Digital Delivery segment engages in the activities of the subsidiary Arte Video which mainly involves in film post-production, managing streaming platforms, and web video management. The Celebrity Management segment engages in talent agency operations.

Leone Film (Italy)
 - €56.2mln FY22 revenue
 - 69% EBITDA margin

Leone Film Group SpA is an Italian Film production and distribution Company. The Company engages in the production, co-production, and distribution of audio-visual products. It operates through the following business units: Film Production, Distribution, and Product Placement. The Film Production unit engages in filmmaking produced by the company or with the participation of third parties for the Italian market. The Distribution unit exploits film rights that belong to the company library through cinema,

home entertainment, free television, pay television, video on demand, subscription video on demand, and new media marketing channels. The Product Placement unit involves in brand integration and management strategies in movies or television programs.

Lucisano (Italy)

- €72.4mIn FY22 revenue
- 28% EBITDA margin

Lucisano Media Group SpA is an Italian company providing motion picture film services. The Company engages in the production, acquisition, and distribution of films and television programs, as well as in the management of movie theatre complexes. It operates through the following business Units: Production, Distribution and Multiplex Management. The Production business unit executes the phases of film and television works production as well as co-production and purchases copyrights for cinema and television release. The Distribution business unit deals with the marketing and the legal release of films and programs produced locally and internationally through theatrical, home video, television and new media channels. The Multiplex Management business unit operates movie theatres throughout Italy as well as conducts special or private screenings.

Notorious (Italy)

- €35.6mIn FY22 revenue
- 49% EBITDA margin

Notorious Pictures SpA is an Italian film production and distribution company. Notorious is specialized in the acquisition of rights of cinematographic works in its distribution and marketing through all available channels (cinema, home video, pay-TV, free TV, and new media). In 2015, the company entered the production business, in most cases as a co-producer with international partners. In January 2019, Notorious established Notorious Cinema Srl, a wholly-owned subsidiary to run the cinema management business in Italy.

Xilam Animation (France)

- €50.5mIn FY22 revenue
- 60% EBITDA margin

Xilam Animation SA is a French integrated studio founded in 1999 that creates, produces and distributes original programmes in more than 190 countries for both children and adult audiences. Xilam engages in the production of audio-visual and multimedia entertainment programs, mainly animated movies and cartoons. Xilam content is broadcast on television as well as on SVoD and AVoD streaming platforms.

Splendid Medien (Germany)

- €43.7mIn FY22 revenue
- 31% EBITDA margin

Splendid Medien AG is a Germany-based Company that operates in German-speaking countries, as well as in Belgium, Luxembourg and the Netherlands. The Company produces and distributes films and provides for film-related services. The Company operates through two segments: Content and Services. The Content segment covers licensing with film rights, film exploitation in cinema and home entertainment, marketing of edutainment programs and music content as well as film production. The Services segment provides a wide range of services for the film and television industry, such as digitization, soundtrack post-production, new media and dubbing.

Market multiples

EV/EBITDA the "best" multiple to be used

To assess a relative valuation of Fenix through the market multiples relative approach, we selected a sample of listed national and international companies specialized in film production, post-production & distribution.

We suggest using a blend of 2023-2024E EV/EBITDA multiple. Our selected sample comprises: Iervolino & Lady Bacardi Entertainment SpA, Leone Film Group SpA, Lucisano Media Group SpA, Notorious Pictures SpA, Xilam Animation and Splendid Medien AG.

Fenix lower sales growth and EBITDA margin

We conducted an analysis on main financial indicators of Fenix's selected competitors, which highlights Fenix's lower sales growth and EBITDA margin. In fact, in terms of revenue growth, the sample shows a median 4% yoy in 2022, while Fenix turnover decreased by 33% yoy. In terms of cash flows generation, in 2022 peer's median EBITDA margin was 55%, above Fenix's 27%.

Table 10: Sample benchmarking on Sales growth and EBITDA margin

Company	Sales growth			EBITDA margin		
	2022	2023E	2024E	2022	2023E	2024E
Iervolino & Lady Bacardi	6%	-2%	3%	81%	79%	78%
Leone Film Group	-43%	77%	14%	69%	54%	54%
Lucisano Media Group	74%	-31%	41%	28%	38%	38%
Notorious Pictures	1%	28%	33%	49%	48%	48%
Splendid Medien	-2%	-5%	7%	31%	35%	36%
Xilam Animation	26%	0%	17%	60%	59%	57%
Mean	10%	11%	19%	53%	52%	52%
Median	4%	-1%	16%	55%	51%	51%
Fenix Entertainment Spa	-33%	-2%	-95%	27%	30%	28%

Source: Banca Profilo estimates and elaborations on Factset data (as of July 6th, 2023)

Median FY23-24
EV/EBITDA equal to
2.2x and 1.8x

The Peers' median EV/EBITDA is 2.2x in 2023E and 1.8x in 2024E (as of 6th July). Therefore, Fenix trades at discount in 2023E while in line with 2024E multiples.

Table 11: Market multiple

Company	EV / EBITDA		
	06/07/2023	2023E	2024E
Iervolino & Lady Bacardi	0.4x	0.4x	
Leone Film Group	1.9x	1.7x	
Lucisano Media Group	3.0x	2.1x	
Notorious Pictures	2.4x	1.8x	
Splendid Medien	0.7x	0.7x	
Xilam Animation	5.1x	4.6x	
Median	2.2x	1.8x	
Fenix Entertainment Spa	1.8x	1.8x	

Source: Banca Profilo estimates and elaborations on Factset data (as of July, 6th, 2023)

APPENDIX

The reference market

The Media & Entertainment Industry

A diversified Company among segments of the Media & Entertainment sector The Media & Entertainment Industry, Fenix reference market, has multiple segments that combine into one vertical: Film & Video, Cinema and Television.

The Global Film Industry

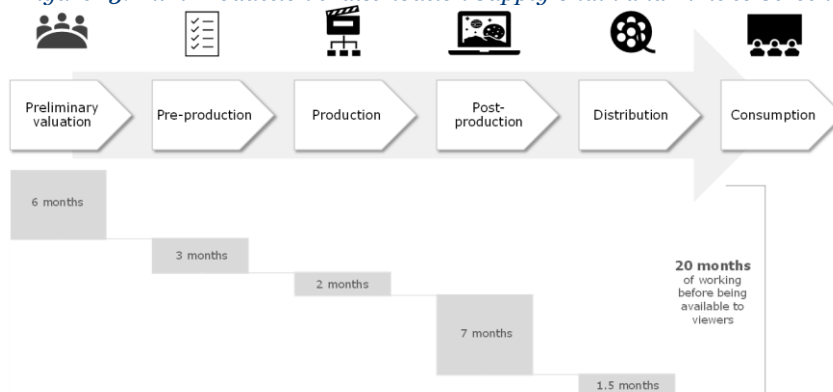
M&E Industry bounced back from the Covid-19 contraction with revenues increase of 10.4% and 2021-2026 CAGR of 4.6% The M&E industry has radically changed over the last few years, as live events such as Music concerts and Cinema have been severely hit by Covid-19 outbreak. Looking at the Film industry, Cinema has suffered the most, with box office turnover collapsing double-digit in 2020. On the opposite, the persistent growth of digitization and VoD services softened the blow for the broader industry. As recently as 2015, box office takings were three times those of the SVoD (subscription video on demand) service, but in 2020 the situation has changed, as global revenue from subscription video services has overtaken worldwide cinema box office. This, not only because lockdowns made home entertainment the only choice during lockdowns, but also thanks to the increase in the use of internet-related services. In 2021, M&E Industry bounced back from 2020 contraction with revenues up by 10.4% yoy. The Entertainment and Media industry revenue is seen reaching \$2.9tn in 2026, growing at 4.6% CAGR in 2022-2026E.

VoD services companies have represented a disruption for the Film industry VoD (video on demand) services have represented a disruption for the Film industry. At first, this change seemed to affect only the distribution phase, as SVoD services created another channel through which the audience could access the content it was interested in. But later, companies managing streaming platforms started to generate increasingly higher cash flows and began producing their own content, becoming studios themselves.

The Global Film Industry value chain: Fenix operates as an integrated player The appearance of these highly profitable new players has increased the competition within the industry and, consequently, the demand for new productions. In addition, they significantly changed the industry value chain mainly in its final phases, the distribution, and the consumption. The diagram below shows the five main steps involved in the cinematographic business. With the (✓) symbol we marked those where Fenix gets involved.

- (i) Preliminary valuation (✓). This is the phase when studios select the project. The selection mainly involves a production or co-production partner and the selection of a potentially winning screenplay after market analysis on audience tastes and current trends.
- (ii) Pre-production (✓). In this phase, film companies financially organize the production and carry out the preparatory activities, such as the selection of the actors, the director, the music, the location for the filming, etc. In this phase, Fenix ensures in advance the coverage of the estimated costs before starting production.
- (iii) Production (✓). The shooting phase, or animation phase in the case of animated films, represents the key phase of the entire production process. Some companies, like Fenix, outsource the various activities of this phase to third-party companies, while maintaining supervision.
- (iv) Post-production (✓). During post-production, the editing is carried out, the soundtrack, the dialogues (including any dubbing), the special effects and the mixing are made, up to the final editing.
- (v) Distribution (✓). Distribution is the final stage of the value chain. Movies are distributed to strike a lucrative deal amongst cinemas, TV, and other distribution channels such as streaming platforms.

Figure 13: Film Production & distribution Supply Chain and Time to Screen



Source: Banca Profilo elaborations on Company data

The distribution phase: cinematographic products are exploited in different markets (movie theatres, VOD, Pay TV, and free TV) and at different times, or "windows"

For the distribution of a cinematographic product, studios exploit different markets (movie theatres, VOD, Pay TV, and free TV) at different times, or "windows", to maximize profits by avoiding competition between those markets. Both the order and the length of these windows have witnessed a profound and ever-lasting transformation related to the development of the new digital technologies. Movie theaters still represent the first distribution channel for a film as box office takings set the benchmark for the success of a product and consequently its economic value. However, as Covid-19 pandemic forced movie theaters to shut down throughout 2020 studios adopted new distribution strategies: many have cut the exclusive theatrical window, for example from 90 days to 45 days to have the movie available on their proprietary streaming platforms as soon as possible – a blatant example was the case of the Netflix movie *È stata la mano di Dio*, released in movie theaters on November 24, 2021, and already available on Netflix from December 15, 2021 –. After the theatrical release, films will move into the typical modern era of distribution with a traditional VoD release along with DVD/Blu-ray and electronic sell-through. After this phase, films would debut on either a pay-TV network, or a streaming service. Below there is a graphical proxy of what could be the new pattern of release windows.

Figure 14: Film Distribution: release windows

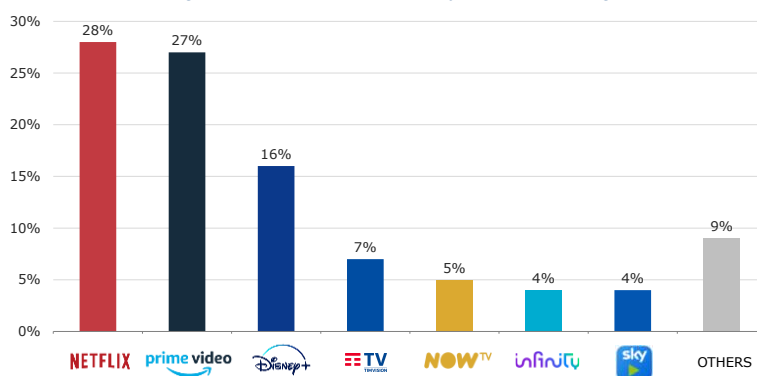
Distribution Channel	Months
	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19
Movie theaters	1-3
Home-video	4-6 (DVD, Blu-ray)
Pay-per-View & TVOD	7-9 (Apple TV, Google Play)
Pay TV	10-12 (sky)
SVOD	13-19 (prime video, NETFLIX)
Free TV	20-19

Source: Banca Profilo elaborations and estimate on European Audiovisual Observatory and S&P Global data

The SVoD market: main players

The United States are the most profitable geographic market for SVoD platforms as it can counts on almost 110mln of citizens and more than 40% of its population over 15 years old with a streaming service subscription in 2021.

Figure 15: Market shares of SVOD in Italy



Source: Banca Profilo elaboration on Just Watch data

The Italian Film Industry

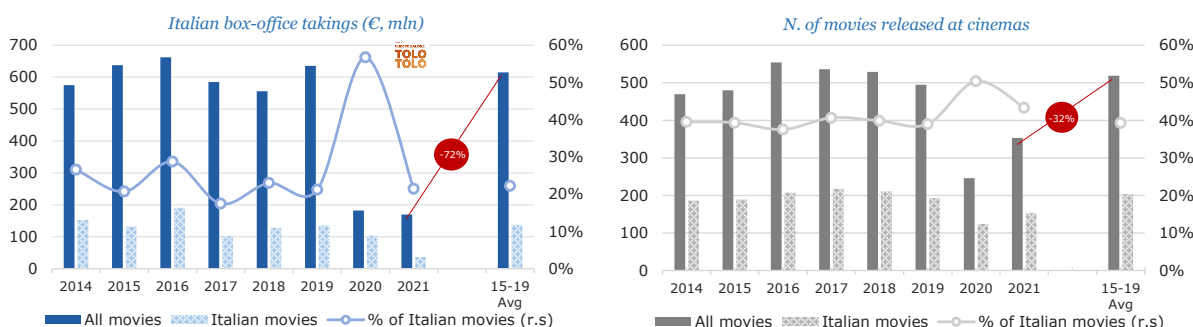
In Italy, the first signs of a recovery in cinema came from production, with a 23% yoy growth in movies released

From a geographical point of view, Fenix main reference market is Italy. In line with the global trend, the Italian Film industry took a serious hit from the pandemic outbreak. In 2021, box-office takings decreased 7% yoy to €169m, from an already weak performance in 2020. The closure of movie theatres during Covid-19 restriction was the main constraint. The industry has still to recover, as 2021 box-office takings were 72% below their 2015-2019 average levels. On the other hand, the production sector showed some signs of recovery, as the number of movies released in cinemas increased by 23% from 2020, despite being still 32% below their 2015-2019 average. The incidence of Italian productions and co-productions remained almost in line with the historical average in 2021, both in terms of revenue and number of produced films. In 2020, this incidence was particularly high due to the release of Tolo Tolo, a record box office.

Seasonality matters for box-office takings

Finally, it is important to highlight that seasonality is a significant feature of the movie industry, with December and January (Christmas season) as the strongest months of the year.

Figure 16: ANICA data about box-office takings in Italy

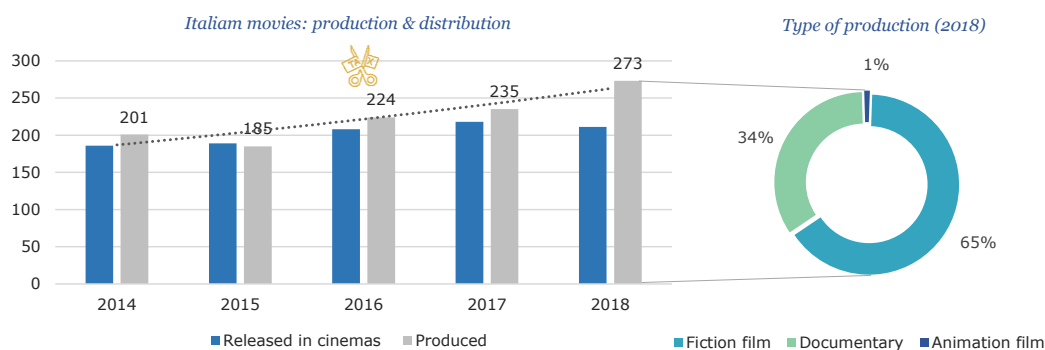


Source: Banca Profilo elaborations on ANICA data

The Italian movie industry has always benefitted from considerable public financial support: in 2022 tax credit reached €545m

As already stated, while the audience at cinemas still lag, Italian productions are recovering. According to ANICA, the recovery of production was supported by the Italian Government, that raised the tax credit on film and audiovisual production costs to 40% and lifted the cap for tax credit to €20m for each production company. Even before the Covid-19 outbreak, the Italian movie industry had been benefitting from considerable financial support from both central government and local public authorities (mainly regional). The most consistent financing typically comes in the form of tax credits, which were introduced in 2009, rapidly increased and were later extended to distribution and foreign producers. In 2022, the Government has awarded €545m through various forms of tax credit, to support the audiovisual sector.

Figure 17: ANICA data about Italian movies both produced and released in cinemas in 2018 (most recent data)



Source: Banca Profilo elaborations on ANICA data

Note: For Italian film produced ANICA intends those film that have obtained clearance for public screening from DGCinema - MiBACT during the calendar year. Re-editions or second editions of films that have previously obtained the authorization are excluded.

The most consistent financing comes in the form of tax credit: law n. 220 of 14 November 2016 was a milestone

A milestone in this sense was law n. 220 of 14 November 2016, *Disciplina del cinema e dell'audiovisivo*. The law established the *Film and Audiovisual Fund* aimed at funding works through tax credits, automatic contributions, and selective contributions. The law recognizes six types of tax credits: (i) tax credits for production companies, (ii) tax credits for distribution companies, (iii) tax credits for film exhibitors, technical industries and post-production companies, (iv) tax credits for strengthening the film supply, (v) tax credits for attracting investments in film and audiovisual products to Italy, and (iv) tax credits for companies that manage cinema rooms. Among these, Fenix particularly benefits from tax credits for production companies, which allows it to partially offset tax liabilities (IRES – corporate income tax, IRPEF – income tax, IRAP – regional income tax, VAT, social security and insurance contributions) with credits accrued following an investment in film and audiovisual development and production.

Film Industry outlook

The most consistent financing comes in the form of tax credit: law n. 220 of 14 November 2016 was a milestone

Streaming providers are entering into a new war as demand slow due to reopening, while box office takings should recover after the collapse in revenue of past years. However, which streaming service will win over the other and which distribution channel will grow the most are dynamics that impact Fenix only to a limited extent. Regardless of where a film is shown, the demand for new content remains strong and as an audio-visual content producer, Fenix will be among the main beneficiaries within the value chain.

The Film industry is going local, and Italy is a highly desirable place to be in this sense

Italian film studios could also benefit from another factor, namely the increasing demand for local productions. In a battle for subscribers, VoD streaming platforms have been investing in an increasing number of productions, but above all in local productions. Numbers of streaming giants' budgets for local productions confirm this thesis. Italy is a very attractive country in this sense, as the location plus the access to local tax credits make the country a highly desirable place for studios. Moreover, since VoD platforms do not require shows to compete for scarce prime-time slots like on linear TV, the market is becoming less selective and more oriented to satisfy a local audience demand.

Fenix overview and business model

Company's foundation and business scope

Fenix business at a glance

Fenix Entertainment is a film, television content production and distribution Company, which is characterised by being present in the entire value chain: from the choice of subjects to scriptwriting, to production/co-production/post-production, to distribution. The exploitation of post-production works takes place through traditional channels (cinema, free TV, Home Video) and extends to the most innovative Video On Demand platforms.

The acquisition of Laser Digital Film makes Fenix a unique player in the Italian Media & Entertainment sector

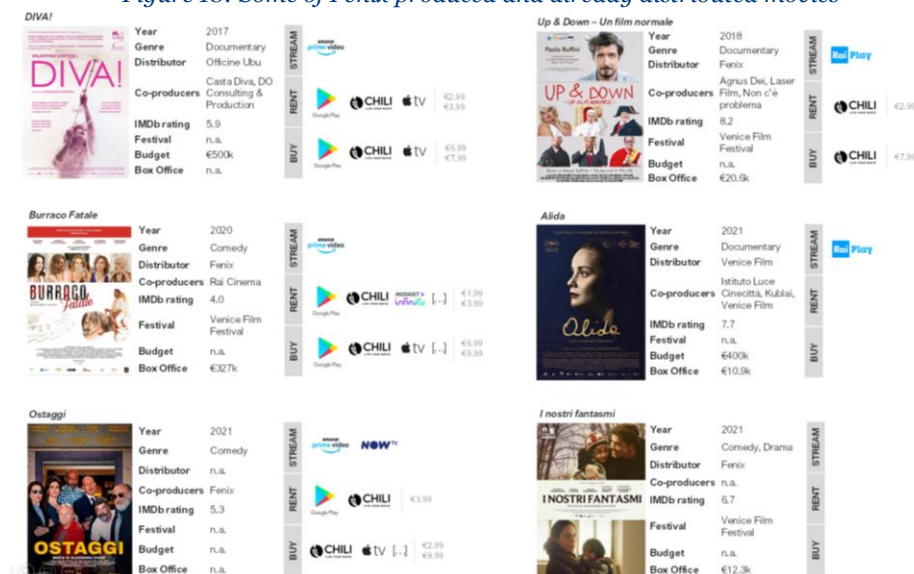
In December 2021 the Company acquired the majority (60%) of Laser Film Digital, a crucial Media & Entertainment supplier of post-production activities, namely dubbing, mixing, colour grading, subtitling, and visual effects among others. This vertical addition integrates Fenix business model with inhouse management and control of quality and timing of last production phase, making Fenix the only player among Italian entertainment companies such vertically integrated and at the same time diversified across sub-industries and activities. Fenix will consolidate 100% of Laser despite a majority stake being 60%.

Business model and activities

A vertically integrated player

Alongside its ongoing diversification projects, Fenix keeps pushing its core business of production and distribution, with an increasing number of produced and distributed film throughout the years.

Figure 18: Some of Fenix produced and already distributed movies



Source: Banca Profilo elaborations on Company data

The main steps of a film production

A film or television project goes through five main steps, and Fenix has direct management of all of them, starting from the story and leading to the final output.

- (i) Every film starts with a story and once it is found, the Company assesses its marketability and, if potentially successful, takes on meetings to secure financing for the film. This phase, in terms of costs incurred, is worth about 5% of the total budget.
- (ii) The pre-production phase starts immediately after. Here Fenix financially organizes the production and only once the financial coverage is reached – please note that Fenix does not directly finance its production activities – Fenix validates the project. After ensuring the financial coverage, Fenix carries out the preparatory activities, such as the selection of the actors, the director, the music, the location for the filming, etc. Pre-production costs amount to approximately 7% of the total budget.

- (iii) Production starts only after the financial coverage of the project is ensured. The shooting phase, or animation phase in the case of animated films, represents the key phase of the entire production process. Some companies, like Fenix, outsource the various activities of this phase to third-party companies, while maintaining supervision. Production costs amount to approximately 78% of the total budget.
- (iv) Once the production phase is over, the post-production phase begins. These activities are generally outsourced to external suppliers, given the highly specialized expertise required for this work, and take several months to be completed, representing the longest stage of the entire process. Post-production costs amount to approximately 10% of the total budget: however, the acquisition of Laser Digital Film will allow Fenix to internalize these activities, thus saving on services costs.
- (v) The last step is the distribution phase. Being both producer and distributor, Fenix has the right to both distribute internally produced films and distribute films of which it has acquired the IP right from third party producers. Distribution activities generally cost around 7% of a film budget but generate additional revenues to those related to production. Net of distribution costs, revenues from distribution activities converge almost entirely in the operating margin. This is because production costs of a film have already been fully covered by production revenues, whether in the form of grants, tax credits or IP rights sale.

Revenue model

A deep dive into Fenix revenue model

- From a business point of view, Fenix Value of Production can be divided into:
- Revenues from production activities include: (i) government and local grants, (ii) tax credits, and (iii) operating revenues such as IP licensing or sale and product placement revenue.
 - Revenue from distribution activities come from cinema takings and subsequently from distribution agreements with Pay-Per-View companies, Free TV, other broadcasters, and streaming platforms.
 - increase in own work capitalized (capitalized production costs): Fenix recognizes as VoP the change in value of cinematographic and audio-visual assets that are still work in progress. This change in value corresponds to the costs incurred up to that moment to produce the work.

Revenues from production: IP sale, tax credits & grants

- Focusing on Fenix current core business, namely motion picture activities, revenues from production are those primarily used for the economic and financial coverage of a project. Main sources are:
- Intellectual Property (IP) licensing or sale. TV broadcasters and streaming platforms must purchase movie licensing to play that copyrighted content to their audience. Movie licensing pricing depends mainly on the box office proceeds, which proxies the potential success of a movie, the participation in festivals and eventual awards, and the cast. License agreements are accounted as sales when the rights are transferred to the customer or when the license period begins. IP rights of film produced internally do not expire, while IP rights of the films purchased have a duration defined by the contract which can vary from 1 to 10 years.
 - Tax credit. Under the Italian scheme, Italian movie production companies can obtain a tax credit up to 40% of the eligible production costs up to €9mln. Only Italian production service companies that are subject to taxation in Italy and meet certain legal requirements, such as Fenix, are entitled to apply. Since 2018 production companies have been authorized to sell their tax credits to financial intermediaries to reduce working capital and free up cash flows. Tax credits are accounted as other revenues and follow the amortizing schedule of costs to which they are related.

- Local grants. Each Italian region has a so-called *Film Commission* which, on an annual basis, allocates a specific budget to finance those films that most represent that region in two ways (i) the presence of local images in the film and, (ii) the costs actually incurred by the production company in the region.
- Government grants. There are also ministerial funding in case the movie is of national interest. This funding is recognized in two specific cases: (i) the film deals with an issue which is particularly relevant to the society and difficult to represent, and (ii) the film is a first or second work by an emerging artist.

Revenue from distribution activities

Besides grants and tax credits, Fenix mainly generate revenues from distribution where its main customers, are: (i) cinema, (ii) broadcasters, (iii) satellite television platforms, (iv) and streaming platforms. Revenue mainly comes from:

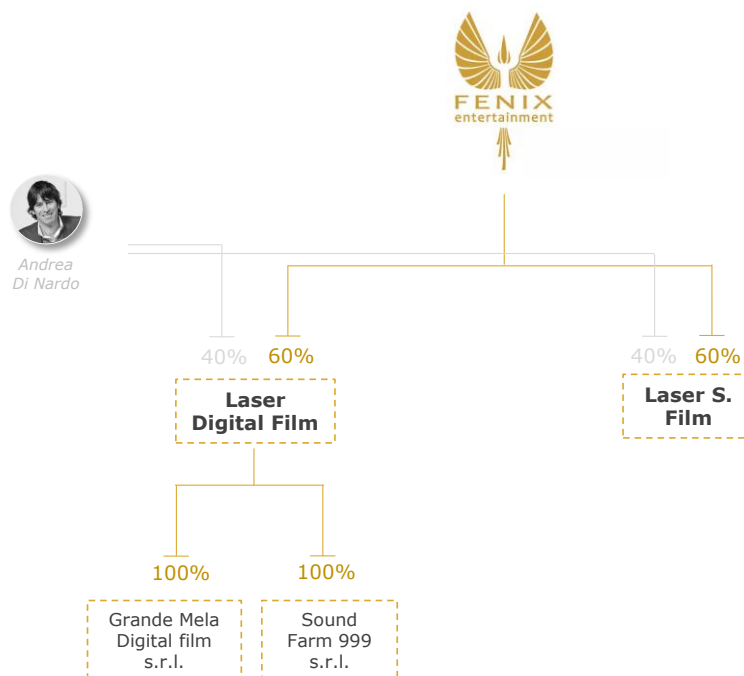
- Box office takings, equal to approximately 40% of tickets sold;
- Royalties. In addition to movie licensing, TV broadcasters and streaming platforms pay royalties to the owner of the intellectual property, which are a percentage of revenues generated by broadcasters and are paid according to contractual agreements for that specific piece of intellectual property;
- Ancillary revenues coming from further exploitation of IP through merchandising, spinoffs, books etc. They are recognised as they occur.

The corporate structure

Fenix acts as the operating holding directly controlling two subsidiaries

The Group structure is led by Fenix that directly controls 2 subsidiaries: Laser Digital Film and Laser S. Film, both acquired at the end of 2021 and specialized in post-production. Between the end of 2022 and the beginning of 2023, Fenix (i) sold the majority of Lovit, which was set up in January 2022 and (ii) does not complete the investment in Verve Media Company, signed in June 2022.

Figure 19: Fenix corporate structure



Source: Banca Profilo elaborations on Company data

Management

Key figures

Fenix Board of Directors is made up of seven members. The Board of Statutory Auditors is made up of five members appointed up to December 2023.

Table 12: Composition of the Board of Directors

BoD members	Position	Executive	Independent	Gender	Nationality
Tino Silvestri	Chairman	x		M	Italian
Andrea Musso	CEO	x		M	Italian
Maurizio Paternò	Director		x	M	Italian
Riccardo Di Pasquale	Director			M	Italian
Maurizio Baldassarini	Director			M	Italian
Daniele Orazi	Director			M	Italian
Stefano Cervone	Director			M	Italian

Source: Banca Profilo elaborations on Company data (As of 6th July 2023)



FENIX "ID Card"	Recommendation NOT RATED	Target Price -	Upside -
----------------------------	------------------------------------	-------------------	-------------

Company Overview

Fenix Entertainment is a film, television content production and distribution Company, which is characterised by being present in the entire value chain: from the choice of subjects to scriptwriting, to production/co-production/post-production, to distribution. The exploitation of post-production works takes place through traditional channels (cinema, free TV, Home Video) and extends to the most innovative Video On Demand platforms. The group structure is led by Fenix that directly controls two subsidiaries: Laser Digital Film and Laser S. Film, both acquired at the end of 2021. Laser Digital and Laser Film are specialized in post-production. Main goal of Fenix in 2023 is to focus on film production, post-production and distribution, rather than marketing and music. At the beginning of 2023, the Group signed (i) an agreement with Rizzoli to acquire the film rights of "L'uomo più ricco del mondo" for 18 months with the collaboration of the author Comandini; (ii) a co-production agreement with the American Company ClaRo Production for the movie "Here After" with shootings expected to begin in March and lasts for 5 weeks; (iii) a preliminary partnership agreement with Epico Play for the creation of exclusive audio-visual content in the world of sports entertainment. Moreover, Fenix recently signed an agreement with Galassia Cinema which counted approximately 200 cinema theatres widespread towards Italy and other 200 in the process of affiliation. Thanks to this agreement Fenix strengthens its distribution activities, being able to guarantee the safe theatrical release of films of its own production and/or those acquired from third parties for distribution.

SWOT Analysis

Strengths

- Financial coverage of films ahead of the actual start of production
- Know-how and expertise across different segments of the Media & Entertainment Industry, from film and music production to digital marketing
- Structural reorganization of corporate governance to reduce overheads
- Well-structured to benefit from tax incentive schemes and local grants
- New partnerships for production and distribution activities

Opportunities

- Expansion of the production business
- Synergies coming from the acquisition of Laser Film and Laser Digital
- M&A that will enhance further group expertise
- Growing global demand for new entertainment products
- Public financing through tax credit

Weaknesses

- Low degree of internationalization
- Weak diversification among type of activity
- Limited scale compared to international competitors
- Film pipeline delays

Threats

- Increasing competition in both film production and distribution
- Possible changes in the regulatory framework affecting tax incentives and local grants for film producers and distributors
- Share price instability and ownership uncertainty due to POC issue by Negma and continuing share capital increase with original shareholders relevant dilution

Main catalysts

- 👍 Full grounding of the potential deriving from the latest acquisitions
M&A operations expected to continue in the coming years

Main risks

- ⚠️ Risk associated with the change in the regulatory framework that affects tax incentives
Film pipeline delays
Share price instability and ownership uncertainty due to POC issue by Negma



FENIX "ID Card"

July 10, 2023

 Recommendation
NOT RATED

 Target Price
-

 Upside
-

Main Financials

(€ mln)	FY22	2023E	2024E	2025E
Fenix VoP	24.6	22.6	23.8	22.8
yoy change	-44%	-8%	5%	-4%
Laser VoP	11.8	13.0	14.3	15.7
yoy change	8%	10%	10%	10%
Group VoP (FENIX + LASER)	36.4	35.5	38.1	38.5
yoy change	-33%	-2%	7%	1%
Added Value	20.3	20.4	20.6	19.3
Margin (%)	56%	57%	54%	50%
EBITDA	10.0	10.8	10.6	10.5
yoy change	13%	8%	-2%	-1%
Margin (%)	27%	30%	28%	27%
EBIT	-7.8	1.4	2.1	1.8
Margin(%)	n.m.	4%	6%	5%
Net Income	-8.5	0.2	0.7	0.5
Margin (%)	n.m.	0%	2%	1%
Net Debt (Cash)	18.7	21.6	22.2	19.1
Consolidated Shareholders' Equity	6.9	8.0	8.6	9.1
Net Operating Working Capital	(1.9)	(0.7)	(0.2)	(0.7)
CapEx	5.2	6.6	7.8	6.0
FCFs	7.6	2.9	2.1	4.9

Solvency Ratio

	FY22	2023E	2024E	2025E
Net Debt/EBITDA	1.9x	2.0x	2.1x	1.8x
Net Debt/Equity	2.7x	2.7x	2.6x	2.1x
EBIT Interest Coverage Ratio	-14.1x	1.2x	1.8x	1.5x

Financial and Operative ratios

	FY22	2023E	2024E	2025E
Tax rate	-1%	28%	28%	28%
ROE	-1.20	0.02	0.08	0.05
ROA	-0.20	0.00	0.02	0.01
D&A/Capex	3.44	1.43	1.08	1.45

Company Description

Company Sector	Media & Entertainment
Number of shares (mln)	17.8
Market Cap (€)	128k
Stock Exchange	Italian Stock Exchange
Reference Index	Euronext Growth Milan
Last Closing Price (as of 6th July)	0.03
Max/min	0.01/4.6
Main Shareholders	Riccardo Di Pasquale
Absolute 1-Y performance	-99.4%
Average Daily Volumes	133,185
Sample of comparables	Iervolino & Lady Bacardi, Leone Film, Lucisano Media, Notorius Pictures, Splendid Medien, Xilam Animation

Data of peers - Media & Entertainment

	FY22	2023E	2024E
Sales Growth (yoy)	4%	-1%	16%
EBITDA Margin	55%	51%	51%

(Median data)

DISCLAIMER

ANALYST'S AND BANK'S INFORMATION

THIS DOCUMENT CONCERNING FENIX ENTERTAINMENT S.P.A. (THE "ISSUER" OR THE "COMPANY") HAS BEEN DRAFTED BY FRANCESCA SABATINI WHO IS EMPLOYED BY BANCA PROFILO S.P.A. ("THE BANK") AS FINANCIAL ANALYST; FRANCESCA SABATINI IS RESPONSIBLE FOR THE DRAFTING OF THE DOCUMENT.

BANCA PROFILO S.P.A. IS A BANK AUTHORISED TO PERFORM BANKING AND INVESTMENT SERVICES; IT IS PART OF BANCA PROFILO BANKING GROUP (THE "GROUP") AND IT IS SUBJECT TO THE MANAGEMENT AND CO-ORDINATION OF AREPO BP S.P.A. (THE "PARENT COMPANY"). SATOR PRIVATE EQUITY FUND "A" LP (THE "PARENT ENTITY") HOLDS INDIRECT CONTROL PARTICIPATION INTERESTS IN BANCA PROFILO.

THE BANK IS REGISTERED WITH THE ITALIAN BANKING ASSOCIATION CODE NO. 3025 AND IS SUBJECT TO THE REGULATION AND SURVEILLANCE OF THE BANK OF ITALY AND OF CONSOB (COMMISSIONE NAZIONALE PER LE SOCIETÀ E LE BORSE). THE BANK HAS PREPARED THIS DOCUMENT FOR ITS PROFESSIONAL CLIENTS ONLY, PURSUANT TO DIRECTIVE 2004/39/EC AND ANNEX 3 OF THE CONSOB REGULATION ON INTERMEDIARIES (RESOLUTION N. 16190). THIS DOCUMENT IS BEING DISTRIBUTED AS OF [JULY 10, 2023].

THE ANALYST FRANCESCA SABATINI WHO HAS DRAFTED THIS DOCUMENT HAS SIGNIFICANT EXPERIENCE IN BANCA PROFILO S.P.A. AND OTHER INVESTMENT COMPANIES. THE ANALYST AND ITS RELATIVES DO NOT OWN FINANCIAL INSTRUMENTS ISSUED BY THE ISSUER AND SHE DOES NOT ACT AS SENIOR MANAGER, DIRECTOR OR ADVISOR FOR THE ISSUER. THE ANALYST DOES NOT RECEIVE BONUSES, INCOME OR ANY OTHER REMUNERATION CORRELATING, DIRECTLY OR INDIRECTLY, TO THE SUCCESS OF THE INVESTMENT BANKING OPERATIONS OF BANCA PROFILO S.P.A.

A REDACTED VERSION OF THIS REPORT HAS BEEN DISCLOSED TO THE ISSUER TO PERMIT TO IT TO REVIEW AND COMMENT ON FACTUAL INFORMATION RELATING TO THE ISSUER AND THIS REPORT HAS BEEN AMENDED FOLLOWING SUCH DISCLOSURE PRIOR TO ITS FINAL DISSEMINATION.

THIS DOCUMENT IS BASED UPON INFORMATION THAT WE CONSIDER RELIABLE, BUT THE BANK HAS NOT INDEPENDENTLY VERIFIED THE CONTENTS HEREOF. THE OPINIONS, ESTIMATES AND PROJECTIONS EXPRESSED IN IT ARE AS OF THE DATE HEREOF AND ARE SUBJECT TO CHANGE WITHOUT NOTICE TO THE RECIPIENT. PAST PERFORMANCE IS NOT GUARANTEE OF FUTURE RESULTS.

THIS REPORT HAS BEEN PREPARED BY ITS AUTHORS INDEPENDENTLY OF THE COMPANY AND ITS SHAREHOLDERS, SUBSIDIARIES AND AFFILIATES. THE BANK HAS NO AUTHORITY WHATSOEVER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF THE COMPANY, ANY OTHER PERSON IN CONNECTION THEREWITH. IN PARTICULAR, THE OPINIONS, ESTIMATES AND PROJECTIONS EXPRESSED IN IT ARE ENTIRELY THOSE OF THE AUTHOR HEREOF.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE AS TO AND NO RELIANCE SHOULD BE PLACED ON THE FAIRNESS, ACCURACY, COMPLETENESS OR REASONABLENESS OF THE INFORMATION, OPINIONS AND PROJECTIONS CONTAINED IN THIS DOCUMENT, AND NONE OF THE BANK, THE COMPANY, NOR ANY OTHER PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH.

RESEARCH DISTRIBUTION POLICY

ACCORDING TO ARTICLE 3, PARAGRAPH 1, NUMBERS (34) AND (35) REGULATION (EU) NO 596/2014, THIS EQUITY RESEARCH ON FENIX HAS BEEN PRODUCED BY BANCA PROFILO IN THE NAME AND ON BEHALF OF MIT SIM SPA ACTING AS SPECIALIST ON FENIX SHARES.

NO DUPLICATION

NO PART OF THE CONTENT OF THE DOCUMENT MAY BE COPIED, FORWARDED OR DUPLICATED IN ANY FORM OR BY ANY MEANS WITHOUT THE PRIOR CONSENT OF THE BANK. BY ACCEPTING THIS REPORT, YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS.

NO OFFER OR SOLICITATION

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION OR FORM PART OF AN OFFER, SOLICITATION OR INVITATION TO PURCHASE ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

RECIPIENTS

THIS DOCUMENT IS GIVEN TO YOU SOLELY FOR YOUR INFORMATION ON A CONFIDENTIAL BASIS AND MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN OR TRANSMITTED IN OR INTO THE UNITED STATES (THE "U.S."), AUSTRALIA, CANADA OR JAPAN OR REDISTRIBUTED, DIRECTLY OR INDIRECTLY, IN THE U.S., AUSTRALIA, CANADA OR JAPAN. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S., AUSTRALIAN, CANADIAN OR JAPANESE SECURITIES LAWS.

THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, PERSONS WHO ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1) (E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) (ALL SUCH PERSONS BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

IN CASE THAT THIS DOCUMENT IS DISTRIBUTED IN ITALY IT SHALL BE DIRECTED ONLY AT QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 100(1) (A) OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, AS AMENDED, AND ARTICLE 34-TER, PARA. 1, LETT B), OF CONSOB REGULATION NO. 11971 OF 1999, AS AMENDED. THIS DOCUMENT IS NOT ADDRESSED TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY. IN NO CIRCUMSTANCES SHOULD THIS DOCUMENT CIRCULATE AMONG OR BE DISTRIBUTED TO (I) A MEMBER OF THE GENERAL PUBLIC, (II) INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE DEFINITION OF "QUALIFIED INVESTORS" AS SPECIFIED ABOVE OR (III) TO DISTRIBUTION CHANNELS THROUGH WHICH INFORMATION IS OR IS LIKELY TO BECOME AVAILABLE TO A LARGE NUMBER OF PERSONS.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF ANY SUCH OTHER JURISDICTION.

CONFLICTS OF INTEREST

THE BANK MAY, FROM TIME TO TIME, DEAL IN, HOLD OR ACT AS MARKET MAKER OR ADVISER, BROKER OR BANKER IN RELATION TO THE FINANCIAL INSTRUMENTS, OR DERIVATIVES THEREOF, OF PERSONS, FIRMS OR ENTITIES MENTIONED IN THIS DOCUMENT, OR BE REPRESENTED IN THE GOVERNING BODIES OF THE COMPANY. IN FACT, THE BANK IS GLOBAL COORDINATOR IN THE IPO PROCESS, IT IS PRESENTLY NOMAD, CORPORATE BROKER AND SPECIALIST OF THE ISSUER.

BANCA PROFILO S.P.A. HAS ADOPTED INTERNAL PROCEDURES FOR THE PREVENTION AND AVOIDANCE OF CONFLICTS OF INTEREST WITH RESPECT TO THE RECOMMENDATIONS, WHICH CAN BE CONSULTED ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").

EQUITY RESEARCH PUBLICATIONS IN LAST 12M

THE BANK PUBLISHES ON ITS WEBSITE WWW.BANCAPROFILO.IT, ON A QUARTERLY BASIS, THE PROPORTION OF ALL RECOMMENDATIONS THAT ARE 'BUY', 'HOLD', 'SELL' OR EQUIVALENT TERMS OVER THE PREVIOUS 12 MONTHS, AND THE PROPORTION OF ISSUERS CORRESPONDING TO EACH OF THOSE CATEGORIES TO WHICH SUCH PERSON HAS SUPPLIED MATERIAL SERVICES OF INVESTMENT FIRMS SET OUT IN SECTIONS A AND B OF ANNEX I TO DIRECTIVE 2014/65/EU OVER THE PREVIOUS 12 MONTHS.

ADDITIONAL INFORMATION

THE BANK PROVIDES ALL OTHER ADDITIONAL INFORMATION, ACCORDING TO ARTICLE 114, PARAGRAPH 8 OF LEGISLATIVE DECREE 58/98 ("FINANCIAL DECREE") AND COMMISSION DELEGATED REGULATION (EU) 2016/958 AS OF 9 MARCH 2016 (THE "COMMISSION REGULATION") ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").