

MONDO TV	Italy	Euronext Star Milan	Media & Entertainment
Rating: BUY	Target Price: € 3,10	Initiation of Coverage	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	-5,08%	-22,55%	-25,95%	-33,38%
to FTSE Italia Growth	-9,59%	-14,80%	-22,68%	-52,43%
to Euronext STAR Milan	-5,45%	-9,12%	-14,75%	-40,25%
to FTSE All-Share	-10,09%	-11,59%	-20,41%	-34,17%
to EUROSTOXX	-7,49%	-11,31%	-20,44%	-30,09%
to MSCI World Index	-10,24%	-15,02%	-24,22%	-35,62%

Stock Data

Price	€ 1,01
Target price	€ 3,10
Upside/(Downside) potential	208,2%
Bloomberg Code	MTV IM EQUITY
Market Cap (€m)	€ 45,40
EV (€m)	€ 53,92
Free Float	69,73%
Share Outstanding	45.134.057
52-week high	€ 1,82
52-week low	€ 0,81
Average Daily Volumes (3m)	233.200

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Revenues	29,2	36,0	38,0	40,0
VoP	35,6	41,5	44,0	46,0
EBITDA	24,4	30,2	33,1	35,3
EBIT	6,7	9,7	14,1	17,3
Net Profit	5,4	6,7	10,0	12,1
EBITDA margin	68,5%	72,8%	75,1%	76,6%
EBIT margin	18,9%	23,4%	31,9%	37,5%
Net Profit margin	15,3%	16,1%	22,6%	26,2%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	2,2	1,8	1,6	1,5
EV/EBIT (x)	8,0	5,6	3,8	3,1
P/E (x)	8,4	6,8	4,6	3,8

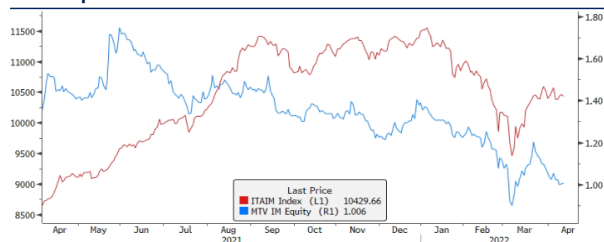
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Stocks performance relative to FTSE Italia Growth



Company Overview

Mondo TV Ltd., established in 1985 in Rome by Orlando Corradi, is a company that historically operates in the production and marketing of television series and animated feature films. The Company today represents the holding company of a group active in the production and marketing of animated series. In particular, Mondo TV has strongly emphasized its vocation as a group dedicated to the production of animated series and, to a lesser extent, to the acquisition of the same on the market, for use both in television and in licensing and merchandising. In this regard, it's worth mentioning a company strategy, mainly oriented to investing in new productions with high licensing potential, co-produced with third parties, and on the distribution of third-party libraries.

Market

The Company, through its activities, operates in the Media & Entertainment, Animation and Licensing & Merchandising markets. As for the Media & Entertainment market, the forecast for 2021 suggests that incomes will rise again and exceed pre-Covid levels, with a result of \$ 2,200 billion. Further growth is also expected for the following years. For the global animation and visual effects (VFX) market, growth was estimated at 11.5% during the period 2021-2026. Despite the crisis caused by the COVID-19 pandemic, the global market for licensed merchandise was estimated to \$ 291.4 billion in 2020 and is projected to reach a value equal to \$ 338.7 billion in 2027, growing to a CAGR 2020-2027 of 2.2%.

Valuation Update

We conducted the valuation of Mondo TV equity value based on the DCF methodology and multiples of a comparable Companies sample. The DCF method (which also includes a specific risk of 2.5% for prudential purposes in the calculation of the WACC) returns an equity value of € 153.8 million. The equity value of Mondo TV using market multiples is equal to € 126.1 million (including a discount of 25%). The result is an average equity value of about € 139.9 million. The target price is € 3.10, BUY rating, and MEDIUM risk.

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1. Company Overview

1.1 Business activity

Mondo TV Ltd. (“the Group” or “Mondo TV”), established in 1985 in Rome by Orlando Corradi, is a company that historically operates in the production and marketing of television series and animated feature films. The Company today represents the holding company of a group active in the production and marketing of animated series. Its library, second in Europe in terms of the number of titles, is composed of over 1200 episodes of property, as well as 5500 episodes of Japanese cartoons, of which the same holds, in its own and/or co-production with primary Italian and international partners, distribution rights. The production process involves more than 1200 designers, animators, scriptwriters, and directors involved in animation studios.

In particular, Mondo TV has strongly emphasized its vocation as a group dedicated to the production of animated series and, to a lesser extent, to the acquisition of the same on the market, for use both in television and in-licensing and merchandising. In this regard, it’s worth mentioning the company strategy, mainly oriented to investing in new productions with high licensing potential, co-produced with third parties, and the distribution of third-party libraries.

Mondo TV is now part of a Group which, in addition to occupying a leadership position in the Italian market, it is also one of the main players in the sector at the European level with an animation library composed of more than 1,600 episodes of television series and more than 75 animation films. Setting itself at the head of a multinational group, Mondo TV is present today in markets all over the world either directly or through its subsidiaries Mondo TV France S.A., Mondo TV Suisse S.A., and Mondo TV Studios S.A.

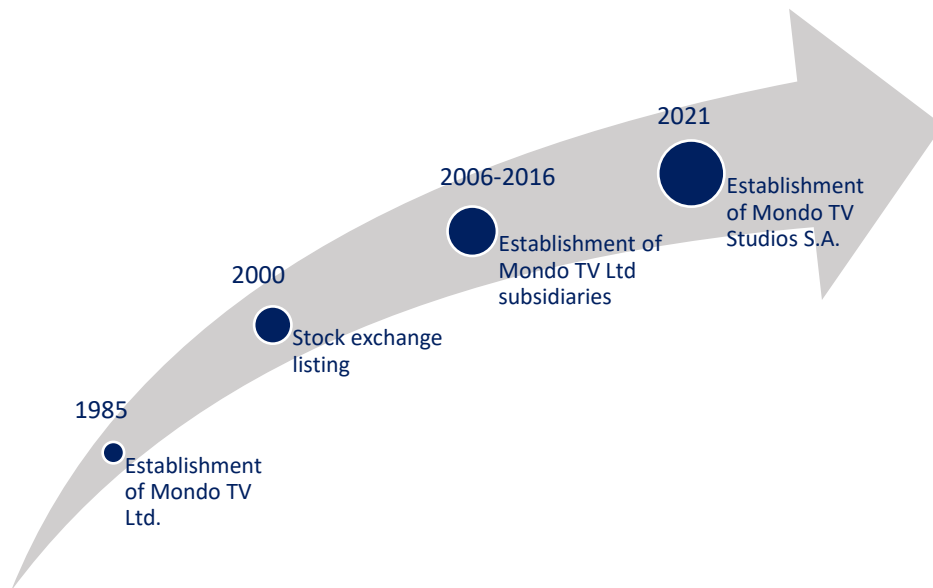
Chart 1 – A selection of Mondo TV’S library



Source: Mondo TV

1.2 History of the Group

Chart 2 – Company Story



Source: Mondo TV

- In 1985, Orlando Corradi established Mondo TV, to continue the production of cartoons television series started in 1979 by Doro TV and Italian TV Broadcasting SrL (ITB), companies founded by Orlando Corradi and Kenichi Tominaga. The purpose of the two companies was to market Japanese cartoons in Italy to two distinct types of clients: Doro TV to larger national television networks and ITB to smaller regional television networks;
- In June 2000, the Stock exchange listing process on Mondo TV was completed. Before the listing, in December 1999, the Corradi family acquired 100% of Doro TV. In addition, in January 2000, the sale of 100% of Doro TV by members of the Corradi family was completed;
- On 27 March 2006, Mondo TV France was established, listed on Euronext Growth Milan (formerly AIM) on 20 February 2013. On 5 February 2014, Mondo TV Suisse was established and was listed on 13 April 2015. Subsequently, Mondo TV Iberoamerica was also established, listed in 2016 on the Alternative Bursatil Market (MAB) on the Madrid Stock Exchange. Finally, also in the same year, Mondo TV Producciones Canarias was established, 100% owned by Mondo TV Iberoamerica;
- In September 2021, the inverse merger of Mondo TV Iberoamerica into Mondo TV Producciones Canarias was completed, creating Mondo TV Studios. The purpose of the operation is to make the Spanish structure more streamlined, allowing the rationalization of the subsidiary's structural costs.

1.3 Shareholders and Group structure

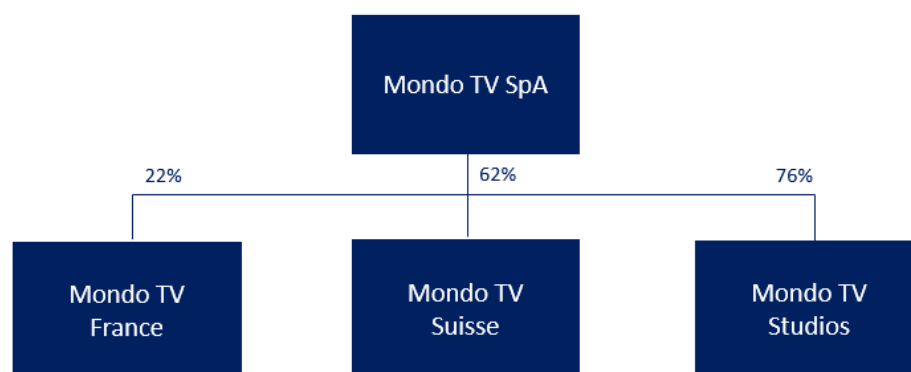
Table 1 – Shareholders

Azionisti	Quota di Partecipazione
Giuliana Bertozzi	17,28%
Matteo Corradi	5,44%
Monica Corradi	4,46%
Riccardo Corradi	4,72%
Mercato	68,10%

Source: Mondo TV

The company is currently 31.90% owned by the Corradi family, composed of Giuliana Bertozzi (17.28%), Matteo Corradi (5.44%), Monica Corradi (4.46%), and Riccardo Corradi (4.72%). The remaining part of Mondo TV is owned by the market for a share equal to 68.10%.

Chart 3 – Group Structure



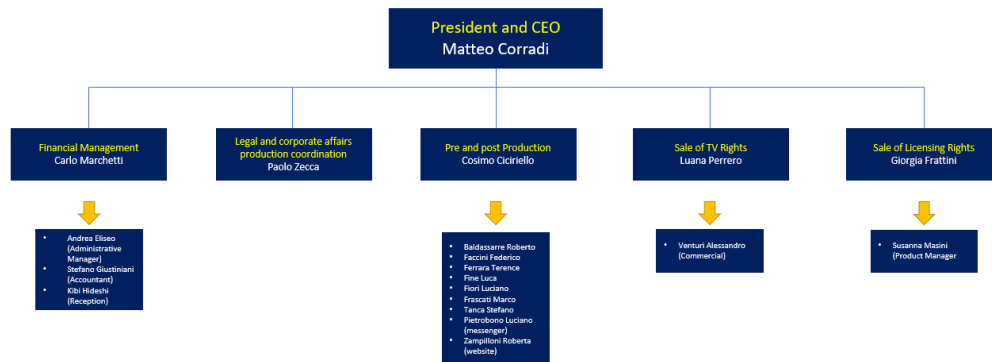
Source: Mondo TV

Mondo TV is the head of the Group consisting of 3 subsidiaries:

- **Mondo TV France S.A.**, approx. 22% subsidiary, produces and co-produces animated television series for French television broadcasters and, from a strategic point of view, allows the Mondo TV Group to expand its operational scope in France and French-speaking countries;
- **Mondo TV Suisse S.A.**, approx. 62% subsidiary, has as its mission the realization of productions and co-productions of television animation series for clients outside Europe. In particular, the agreement with CJ for the production and marketing of the animated series “Robot trains” is highlighted, among others;
- **Mondo TV Studios**, approx. 76% subsidiary, is a company founded in September 2021 through an inverse merger by the incorporation of Mondo TV Iberoamerica into Mondo TV Producciones Canarias. The company aims to sell the television rights of the Group Library in Spain, Portugal, and South America and to realize productions and co-productions of live TV and animation series for television broadcasters in Spanish and Portuguese languages.

1.4 Corporate Governance

Chart 4 – Organization



Source: Mondo TV

The organizational structure of the Company today uses 21 full-time equivalent (FTE) resources to carry out its activities.

The Board of Directors is composed of 5 members:

- Matteo Corradi is the President;
- Monica Corradi, Non-Executive Director;
- Carlo Marchetti, Non-Executive Director;
- Aurelio Fedele, Independent Director;
- Angelica Mola, Independent Director.

The Board of Statutory Auditors is composed of three statutory auditors and two alternate auditors, and will remain in office until the approval of the financial statements on 31 December 2022:

- Maurizio Bernardo is the President;
- Adele Barra and Alberto Montuori are the two Statutory Auditors;
- Sara Acquarelli and Davide Salatino served as Alternate Auditors.

1.5 Key people

Matteo Corradi – President and Chief Executive Officer

Born in Rome, on 26 February 1974. He graduated in Political Sciences from the Free University of Social Studies (LUISS) in Rome in 1996. In the same year, and for the next three years, he started working at Mondo TV S.r.l. as an external collaborator in the Commercial Sector. Since January 2000, he has served as a Member of the Board of Directors of the Parent Company and, in March of the same year, he becomes, for the same company, Commercial Manager for Europe and Africa and relations with investors.

Carlo Marchetti - CFO

Born in Rome, on 17 September 1969. In 1994 he graduated in Economics and Commerce from the Free University of Social Studies (LUISS) in Rome. Member of the Register of Accountants since 1995. For three years (1995-1997) he worked at the auditing company Ernst&Young. From 1997 to 2006, he worked at Datamat SpA. where he also held the position of Administrative Director. Since 15 May 2008, he has been Financial Director and Head of the Company responsible for drawing up the accounting documents of the Parent Company under Art. 154-bis of the TUF (Consolidate Law on Finance). In 2009 he became a Member of the Board of Directors of the same Parent Company. He joined the Board of Directors of the Company in 2011.

2. Business Model

2.1 Value Proposition

The Group has historically been active in the production and marketing of television series and animated feature films. The activity has also been directed for five years toward sectors related to its main activity, among which the most important ones related to the exploitation of its rights for merchandising. Moreover, Mondo TV has modified its production and sales strategy, focusing its efforts and investments mainly on new productions with high licensing potential, co-produced with third parties, and on the distribution of third-party libraries. The economic context of reference in recent years has suffered from the Covid emergency, even if the media sector is among the least affected; in a context that has seen the cancellation of the main trade fairs the Group has focused on the production of the products already acquired. More significant is the negative impact on licensing and merchandising sales, as many licensees have preferred to postpone the release of products.

The creation and production of the Group's animation products are achieved both through the Group's productions and through co-production agreements with television broadcasters and producers, among which those concluded with RAI Radiotelevisione Italiana SpA and with other players active in the entertainment sector for children. The Management believes that the series of cartoons produced and co-produced by the Group are characterized by educational content without reference to situations and bloody episodes. Moreover, the classic content of the animation products produced by the Group means that such products can be cyclically re-proposed (typically every 3-5 years) without negative repercussions in terms of audience satisfaction and significant reductions in terms of sales prices. The animated series in the Group's library have been broadcast by some of the main television networks in Italy and abroad in the context of programs specifically dedicated to the younger audience. Compared to the past, the Group has recently aimed to further differentiate its business by expanding its content target to have more sales options. For this reason, recent projects that have been developed seek to cover all age groups, from children to adults, including teenagers. Concerning distribution activity, Mondo TVs intends to increase the portfolio of third-party programs, which offers the possibility to generate revenues during the year through excellent margins that do not require investment in production.

In addition to the production and distribution of television and film animation products, the Group is active in a whole series of related sectors concerning:

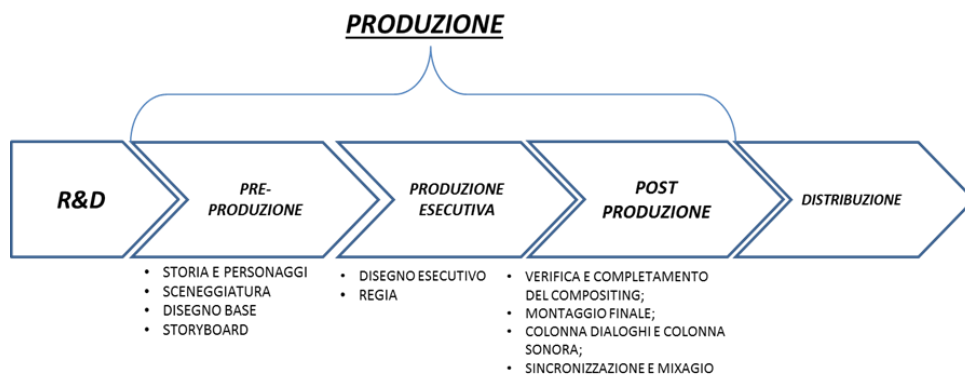
- The use of video rights, in particular through the sale and rental in different channels of video media containing the series and feature films present in the Group's library;
- The use of editorial rights by publishing and distributing books, comics, magazines, and albums of stickers containing the stories or images of the series and feature films present in the Group's library;
- The use of licensing and merchandising rights, through the manufacturing and distribution of products representing in various ways the characters of the series and the feature films present in the Group's library (toys, clothing, and accessories);

- The use of musical rights through the sale in different channels of CDs and music books for children containing the soundtracks of the series and feature films present in the Group's library;
- The use of multimedia rights, in particular through the manufacturing and distribution of multimedia products and interactive games for children, focuses on the characters, stories, and situations reproduced in the series and the feature films present in the Groups library.

The Group is, therefore, able to offer the reference market with enormous potential, selected thanks to a deep knowledge of the needs of the target audience and extensive experience in marketing similar content. Mondo TV can rely on experienced professionals with years of experience and market knowledge, thus having the ability to reach potential clients around the world. Years of experience together with an in-house audio-visual pipeline that includes preproduction, animation, and post-production, allows Mondo TV to broadcast content of the highest quality. In addition, the Group's hub in the Canary Islands and China and the tax credit available in Italy, Spain, and France drastically reduce production costs, creating high profitability for each production.

2.1.1.1 Production and co-production

Chart 5 – Production phases



Source: Mondo TV

The production activities are carried out by Mondo TV on its own or, as typical of this sector, in co-production, that is in collaboration with third companies that participate in the production, bearing part of the costs or part of the organizational and executive charges, while Mondo TV controls its creative appearance. The co-production contracts drawn up by Mondo TV provide for a distribution among the co-producers of the utilization rights relating to the production carried out and/or the income deriving from the economic use of the production carried out, attributed to one of them.

The production activities are carried out under the direction and supervision of the creatives and the management of the Group, making use of all or part, according to the practice of the sector, both external designers, screenwriters and directors (usually freelancers), and third-party animation studios, the production of the series and animated feature films are required. The phases concerning the realization of a cartoon television series can be divided into:

- Preliminary study;
- Pre-production;
- Executive production;
- Post-production.

Preliminary study

The premise of every production in Mondo TV is the identification of a Property and/or an original idea suitable for the development of an animated television series. The choice is made by the management of the Group through alternatively a selection of existing publishing products (but unpublished from the point of view of audio-visual production) or working together with authors (writers or graphics) of products for young people to create a completely new Property. In both cases, the Group will have to acquire the relative rights of elaboration of animated series to legitimately proceed to the realization of the same series.

Subsequently, the selected idea must be adapted by collaborators identified by the Group to develop a Concept of series. The supervision by Group's management at this stage is necessary to ensure that the Concept:

- Has originality in the animation market;
- Is adequate and in line with the needs of television partners;
- Is consistent with the target audience.

Once the preliminary process of selection and adaptation of the Concept has been completed, the search is started for possible partners interested in the development of a series project: The series project normally consists of six Subjects, six Screenplays, a Storyboard, and an Animatic to supply a vision of the essential elements to understand the series intended to produce.

Both the elaboration of the Concept and the realization of the Subjects, the Screenplays and Storyboards are entrusted to external authors with temporary contracts which, in addition to providing for the performance of the professional work, also provide for the assignment to the Group of the rights of further elaboration and use through the various distribution channels of the works realized and of the works to be derived. The development phase, which lasts between six months and one year, can also benefit from public funding.

The pre-production phase

The pre-production phase is composed of 4 main moments: The research and the study of the Concept for the elaboration of the Subjects of all the episodes of the series; the writing of all the Screenplays; the arrangement of the basic drawing of the single characters and settings (the backgrounds); The arrangement of Storyboards and the realization of Animatics of all episodes. As is the practice in the field, the realization of such works is entrusted by the Group to professionals, so-called freelancers, with contracts connected to individual projects which, in addition to providing for the performance of professional work, also provide for the assignment to the Group of the rights of further elaboration and exploitation through the various distribution channels of the works realized and of the works derived from them. For this purpose, the Group has consolidated its collaborative relationships with a wide range of professionals over the years. Specifically, the moments that define the pre-production phase, the definition of which generally requires a time-lapse of between 2 and 6 months, are defined as follows:

- **Story and Characters:** the first step necessary for the realization of the product is represented by the phase of conception and creation of the story and the characters of the cartoon. This phase is generally carried out entirely within the Group or with

the help of a limited number of external collaborators from whom the Group acquires all rights of use related to what they create. Normally, this phase requires extensive research and the procurement of funding that can be used for the production of the final product. In the hypothesis, for example, of a cartoon having as its object an event set in a certain era of the past, it will be necessary to reconstruct in the most faithful way possible the customs and traditions, and the customs of the historical period;

- **Screenplay:** once the characters and the story have been defined, the stage of creation of the script is followed, that is to say, the stage of the description of the environments in which the various characters of the cartoon will move, and the drafting of the different dialogs between the characters themselves, the whole according to the setlist. The screenplay, the definition of which may be entrusted to one or more screenwriters, is usually realized outside the Group by using professional screenwriters with whom special works commission contracts are drawn up. Also, in this, Mondo TV acquires from the screenwriters all rights of use related to the screenplay realized;
- **Basic drawing:** once the screenplay is defined the cartoonists intervene in the realization of the basic drawings of the characters and the environments: the cartoonists draw the characters, the backgrounds, and the environments where the different scenes take place. The realization of a typical episode requires the average involvement of many cartoonists between 20 and 50. As far as the realization of the basic design is concerned, the Group is generally directed to external cartoonists with whom special contracts are concluded for the works commission and the assignment of the relative rights of use;
- **Storyboard:** the basic drawings of the characters and environments of the cartoon are then used for the realization of the Storyboard that is to say the paper representation of the entire development of each episode of the series or the feature film. The Storyboard essentially represents the comic book graphic summary of the final cartoon and it shows not only the lines to be attributed to the individual characters but also the times of the respective scenes and the guidelines for defining the soundtrack that will animate the plot. Also, in the context of the Storyboard is defined the lipsing, that is, the labial movement of the different characters must be synchronized with the beats that they must pronounce. The lipsing indicated in the Storyboard, generally structured based on the English language, is essential in the execution phase of the cartoon in that the executive designers will follow the indications to synchronize in the most realistic way the designs of the character with the part that the same must recite or sing. Also, in this case, Mondo TV acquires from the creators of the Storyboard all the related rights of use.

The executive production phase

The production stage represents the moment of the production of the animation. The executive design that requires the intervention of a very high number of human resources is entirely outsourced to third-party animation studios, which can be both European and Oriental. Also, in this case, the contract for the provision of the service by the animation studio selected from time to time typically provides not only for the performance of work but also the termination for the assignment to the Group of rights of further elaboration and use through the various distribution channels of the works realized and of the works derived from them. The executive production phase generally takes between 4 and 6 months. This phase consists of the following:

- **Executive design:** the executive production phase is entirely realized outside by studios of cartoonists specialized in the style of animated design proper to the productions or co-productions of Mondo TV. On average, 300 to 600 designers are involved in the production of a typical series. Every minute of animation produced by Mondo TV requires many drawings between 600 and 900. In this phase, a production delegate of Mondo TV and the director chosen for the production supervise the production of the drawings both from an artistic point of view and from a creative

point of view; the rights of use related to the executive production are acquired by the Group;

- **Direction:** the drawings are animated or filmed under the supervision of the director who actively intervenes in the production of the product suggesting modifications or integrations of the Storyboard and even variations of the plot. The directors are normally employees of the production house to which the executive production phase is commissioned and to which, in certain cases, the Group decides to support other directors chosen by the same. The Group acquires the rights relating to the direction's activities carried out.

The post-production phase

The last phase is represented by post-production, which requires for its definition a period generally comprised between 2 and 4 months and is in turn divided into 5 main steps: the editing and possible modifications; the final editing; the column of dialogs; the soundtrack; synchronization and mixing. Also, for the post-production phases, the Group makes use of the service of professionals (so-called freelancers), with contracts connected to individual projects that, in addition to providing for the performance of professional work, also provide for the termination of the assignment to the Group of the rights of further elaboration and use through the various distribution channels of the works realized and of the works derived from them. Specifically, the 5 main steps are structured as follows:

- **Editing and eventual modifications:** once the executive production has been carried out, the material filmed is examined by specialized external operators commissioned by the Group. This examination is limited to quality analysis of the technical aspects and takes the form of possible correction of the product;
- **Final editing:** in this phase, also entrusted to external collaborators but characterized by the presence and supervision of Mondo TV, the product is examined in a perspective of verification of the final and artistic result of the same. Where necessary, the executive producer requests the correction of drawings made and not in conformity with the specific requests, or the production of new drawings, the rights of use of which are also acquired by the Group. In this case, the new material produced is again subjected to the verification step presented in the previous point;
- **Column of dialogs:** the dialogs are generally realized by Mondo TV in English with subsequent dubbing in Italian and, at times, in French and Spanish. The production of the dialogs is entrusted to external dubbing offices whose activity is constantly followed by the Group to verify the standards of television quality required. Dubbings in other languages are performed directly by the licensees on the Group's commission. The rights of use of dialog columns are acquired by Mondo TV;
- **Soundtrack:** the creation of the soundtracks is externalized to companies belonging to musicians known and appreciated by the Group. The production of the soundtrack takes place simultaneously with the post-production phase and only in some cases does it take place in the executive production phase. The Group constantly follows the stages of the production of the column until its definition. Also in this case, the rights to use the soundtrack are acquired by Mondo TV;
- **Synchronization and mixing:** the dialogs and soundtrack are synchronized and mixed with the edited copy of the series or feature film. This step is normally carried out by the same office responsible for verifying the editing. The Group acquires the rights relating to the synchronization and mixing activities carried out.

2.1.2 Distribution

The activity of the use of the television series is concentrated on the assignment to third parties of the rights of communication and diffusion to the public of programs in different territories

and on the various platforms of offer audio-visual content. The Group's business model generally provides for a pre-license activity of certain rights to be started from the production stage to anticipate the economic advantages of distribution, to verify on the market the approval of the series to be realized by adopting possible corrections on the creative level, better plan for the broadcast also to support distribution in related sectors.

Distribution at a local level takes place through the assignment of agency, distribution, and/or representation mandates to third parties identified in the individual territories based on their penetration capacity and the based on the economic parameters.

For the distribution activity, the Group normally receives remuneration from the production partner, being able to retain a variable percentage of the revenues deriving from the distribution. Net of the distribution remuneration, the Group is also entitled to receive a share of the residual revenues generated by the distribution of the series and related sectors such as Licensing and Merchandising.

Distribution and pre-license agreements

Distribution agreements are those with which the Group licenses to third-party broadcasters (television or operators of other platforms) the rights to communicate to the public of the series in production for a limited time-lapse and a certain territory relative to specific modes of distribution. Based on the purchase, the third party pays the Group a fee for the use of the rights acquired. Distribution activity is typically found in the conclusion of licensing agreements with third-party broadcasters (e.g., free-to-air TV, pay-TV) or digital platforms (SVOD, TVOD, Mobile, etc.):

- In the case of licenses to broadcasters, the license fee provides for the payment of a fixed amount, the amount of which varies according to the territories licensed, the rights transferred, the number of episodes, whether it is a first-run or subsecutive, whether there is or not the exclusivity;
- In the case of digital platforms, the license fee is often variable and is linked to the performance of the licensed programs, sometimes providing for a guaranteed minimum recoverable by the licensee. In the case of SVOD pure platforms (e.g., Netflix), the remuneration is fixed;
- The third mode of distribution involves the assignment to sub-distributors, syndicators, or agents. This type of contract is made for the territories in which Mondo TV does not have direct contact with end clients, that is to say in those territories in which a local representative (e.g., the Middle East) is required. The agent normally holds a commission on the license fees (typically 30%) and pays the rest to the licensing company. It may happen, but it is increasingly rare, that the agent pays guaranteed minimums. The sub-license mode is also spreading to the agent: in this case, the client, with a payment of a fixed license fee, becomes the distributor who then will take care of the sales to the television broadcasters without paying any further royalties to the licensing company.

The distribution activity is carried out through local external agents or international distribution companies. The distribution costs are mostly related to the compensation of the distributors and agents identified, generally consisting of a percentage of the sales made, as well as the marketing expenses.

Pre-license contracts are distinguished from distribution agreements: although they are qualitative as license contracts, they are contracts that can be concluded in the course of production and can therefore represent a further source of remuneration for production.

2.1.3 Licensing & Merchandising

Licensing and Merchandising include a wide range of possibilities for using property, whether or not they are the subject of television series: this form of use of the property includes the production and distribution of different products, inspired by the elements of the properties, such as t-shirts, products for the school, until also to the food products (sweets, ice-creams, etc.). The manufacturer normally receives from the Group the right to use the property for the realization of specific categories of products in a certain territory by paying a license fee. Property owners normally use third parties who act as an intermediary between the same owners and third licensees.

Concerning the average distribution, the licensee never pays (if not in very rare cases) only a fixed consideration: the most widespread structure provides for the payment of a Guaranteed Minimum and, in the case of exceeding the Guaranteed Minimum, royalties. The use of sub-agents is more frequent since a thorough and thorough knowledge of producers and distributors in the territory is necessary.

Mondo TV has in its mission the acquisition of licenses by property owners, not necessarily connected with the animated series produced by the Group, to sub-license the same rights to third producers. Mondo TV will then receive sub-license fees from third-party producers with an obligation to the relegation of a share of that fee to property holders. In the field of Licensing & Merchandising, there is a particular sector of games, clothing for children, and publishing, that is the publication of books, comics, magazines, and albums of stickers. As for licensing sales, these are made directly by the commercial force of Mondo TV in Italy, while abroad local licensing agents are used.

2.1.4 Economic-financial coverage

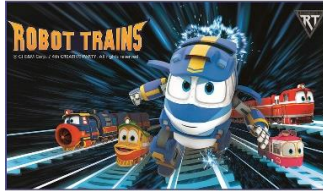
Mondo TV, for its production and co-production activities, has been funded over the years mainly through capital operations, such as the issue of convertible bonds. The management considered it appropriate to limit the use of excessive forms of funding which would create imbalances and financial tensions, thus providing the Mondo TV with adequate capitalization, against of limited indebtedness.

2.2 Products and services offered

In general, in recent years the Group has preferred the scheme of sharing revenues without sharing ownership. The classical library consists of about 800 hours of animation programs, of which about 100 hours of film. For the distributed series, however, in addition to all the ones belonging to them, there can be counted about 25 series in distribution (in this field included both the series co-produced with third parties that foresee a share of the revenues and distributed from Mondo TV, both in series produced by third parties and distributed by the Company, which is responsible for a distribution fee without sharing any additional revenues). All television programs, both owned and produced with shared revenues and distributed, cover the widest range of content, to have maximum product diversification to satisfy the needs of different broadcasters. The investment in an animation series can vary a lot in value depending on the level of quality required and the animation technique used (2D or 3D). On average, the value varies from € 2.50 million to € 3.00 million for the simplest series up to € 8.00 - € 10.00 million for the most complex productions. Normally, for executive productions, a margin of about 30% is foreseen, while for co-productions the co-producer investment tends to cover the cost of production of the Group, while the margin is given by the television distribution of the series and/or by licensing and merchandising.

Among the animation series in the Mondo TV library, we can find:

- **Robot trains (Season 1 and 2)**



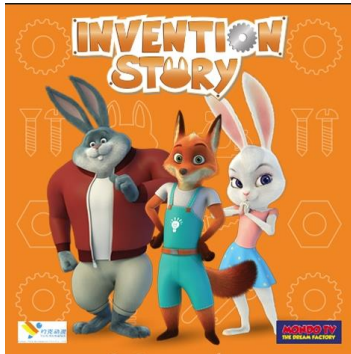
In a magical world of trains, Kay, Alf, Duck, Jeffrey, Sally, and Becky are small heroes that turn into robots to protect the people of Train World. Both seasons consist of 52 minutes each lasting 11 minutes.

- **Meteo Heroes**



Meteo Heroes is an action-packed, fun, and exciting show that takes on themes such as the fight against climate change, ecology, and respect for nature through the incredible adventures of six children who become superheroes. The season consists of 52 episodes lasting 7 minutes each.

- **Invention Story**



Kit is a very intelligent fox that, in every episode of the series, can create new and surprising inventions that amaze the inhabitants of Carrot Town. The series encourages young audiences to take a creative approach to problems as they discover more about science and how it works. Currently, the series consists of 2 seasons, each with 52 episodes lasting 15 minutes.

Among the productions that the Group has in the pipeline we can find:

- **Grisù**, is an animated series co-produced between Mondo TV Italy and Mondo TV France. The series has a production cost equal to € 10.00 million, of which about 50% are already covered by the German state television pre-sales Zweites Deutsches Fernsehen (ZDF), RAI, and the various fundings. The first episodes of the animated series will be delivered in the second half of 2022, finally completing production in 2023;
- **Meteo Heroes** (season 2), a co-production between Mondo TV Italy and Mopi. The series has a production budget of approx. € 6.50 million with a pre-sales of approx. € 6.00 million. Production is expected to be completed in 2022;
- **Robot trains** (season 3), a co-production of Mondo TV with the Korean company CJ Corporation, with a production budget of about € 4.80 million of which € 4.30 million was covered by pre-sales. Production is expected to be completed in 2022;
- **Agent 203**, a co-production between Mondo TV and the German company Toon2tango, with a production budget for the Mondo TV part equal to approx. € 4.50 million of which approx. € 1.00 million covered by the pre-sales to date.
- The pipeline is completed by the series **One love**, **Letrabotz**, and once the production budget has been covered, with the entrance of RAI and Spanish television RTVE, the series **Annie and Carola**.

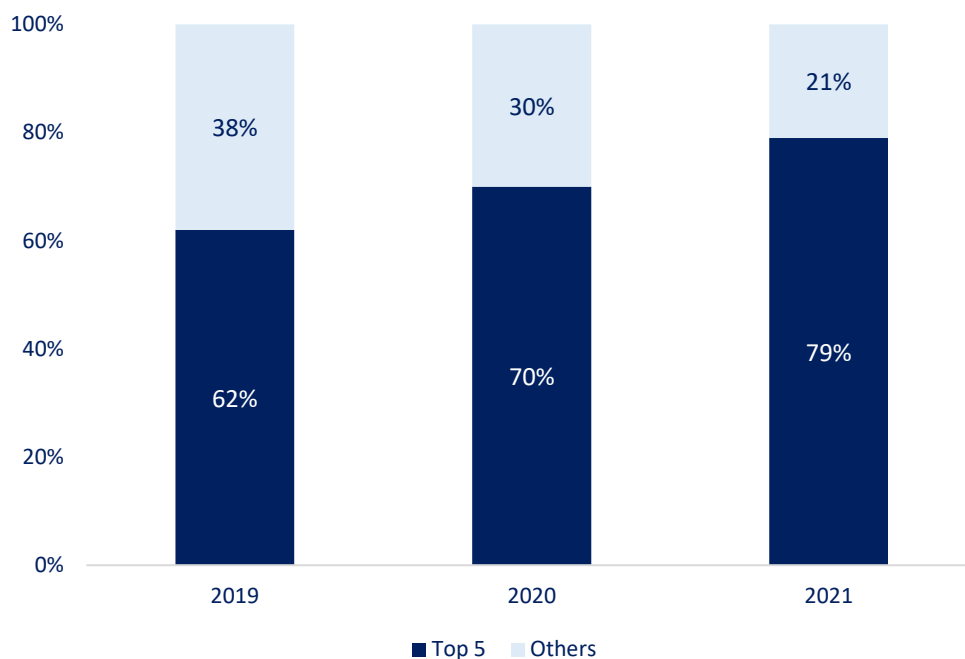
2.3 Research & Development

In the sector in which Mondo TV operates, there is no real division of Research and Development. In general, the idea of a new series comes from a product already famous in the publishing, licensing, or toy field, on which the development of a series is based. Once the lineup of the story is set and the main drawings and characters are defined, a Concept is developed that is analyzed and discussed with partners and televisions. In this phase focus tests are also carried out, mainly by television, on characters and stories; based on the received feedback the product is modified until a trailer of the series, which is used to pre-sell the product to televisions. When a sufficient amount of pre-sales is reached, the production of the series starts.

2.4 Clients & Providers

2.4.1 Clients

Chart 6 – Top 5 Clients



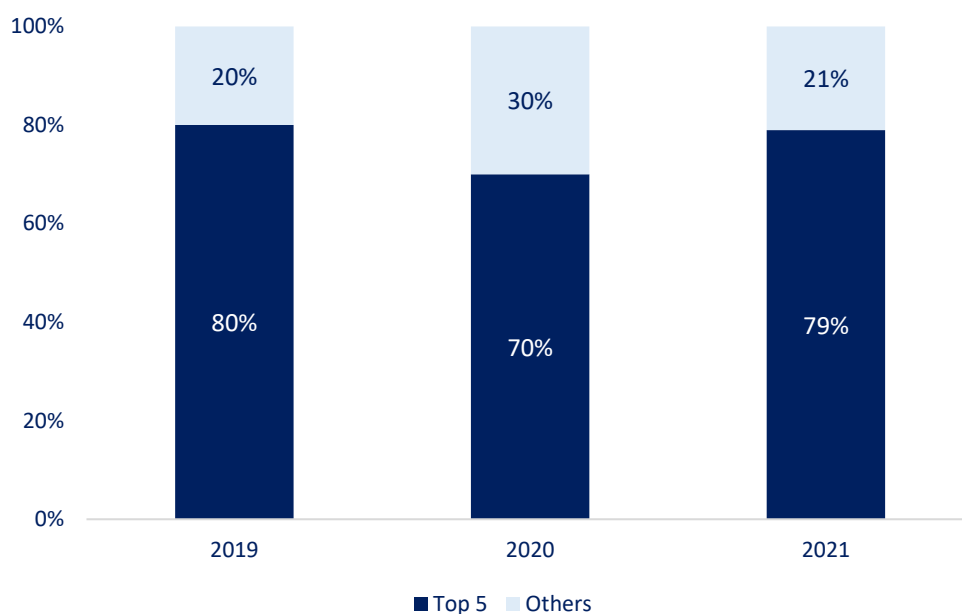
Source: Mondo TV

The graphic shows the effect of the first 5 clients on total revenues for the years 2019-2021. The main clients of Mondo TV are RAI, Enanimation, Mopi, and Chinese distributors HK nine, HK TIANHAI, and HK YIQI, while the other clients are very numerous and fragmented with a lower turnover volume. In recent years, the Chinese distributors have formed a significant part of the Mondo TV business, with Enanimation (co-producer of the Nina and Olga series) MoPi, co-producer of the animated series MeteoHeroes and Rai, which has acquired for Italy the rights of the animated series Grisù and is entering into co-production in a new series of animation called “Annie and Carola”.

Clients are normally acquired at trade fairs, among which the most important ones can be mentioned such as those of Cannes (MIPCOM and MIPTV), Miami (KIDSCREEN), and Annecy. In the last two years, due to the Covid emergency, it has not been possible to organize such fairs, which have consequently taken place online or in reduced format. The recovery of the normal operation of the trade fair sector will allow resuming at full speed the research activity of new clients and commercial initiatives.

2.4.2 Providers

Chart 7 – Top 5 Providers



Source: Mondo TV

The graphic shows the percentage effect of the Company's 5 main providers. It is possible to observe the cost-effectiveness of the most important providers, which are between 70% and 80% of the total.

The main providers are Asian companies that provide animation services for the animated series and are the main suppliers of the Parent Company Mondo TV. In particular, the Company has acquired animation services from Henan York and HK HZ Media in recent years, and to a lesser extent from HK Yueke.

3. Market

The Group, through its activities, operates in the Media & Entertainment, Animation, and Licensing & Merchandising markets.

3.1 Media & Entertainment Market

Chart 8 – Value of the global M&E market from 2018 to 2025 (\$ trillion)



Source: Statista

The entertainment and media market includes all means of broadcasting from newspapers, magazines, TV, and radio and popular forms of entertainment such as movies, music, and books.

Due to the global recession, the value of the Media & Entertainment world market fell to \$ 2,000 billion in 2020. However, the forecast for 2021 suggests that incomes will rise again and exceed pre-COVID levels, with a result of \$ 2,200 billion. Further growth is also expected for the following years.

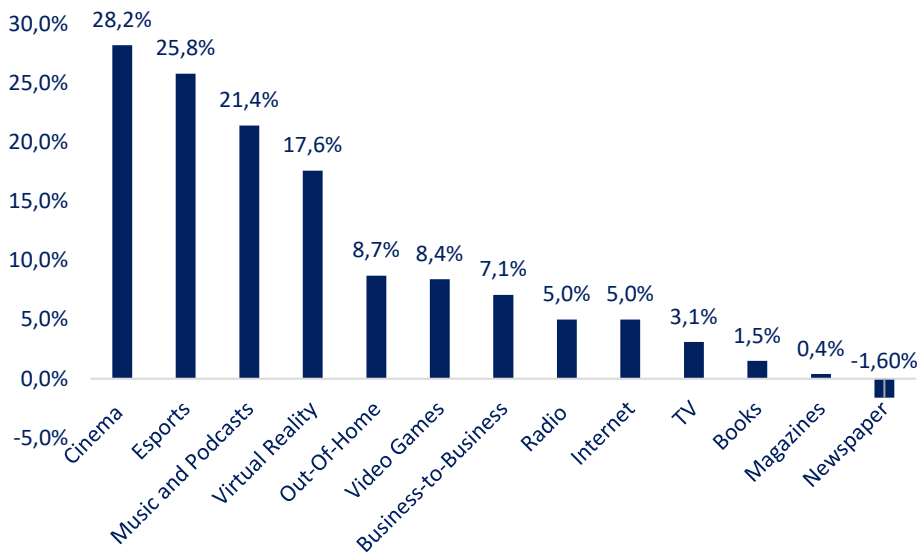
In 2021, the M&E industry saw continuous changes due to technological progress, the evolution of generational behavior, and the continued impact of the global pandemic. The COVID-19 pandemic forced people to focus their Media & Entertainment activity at home, often avoiding big events in person. The commitment of the digital media remained strong even during the summer after the first wave, proof that the pandemic only accelerated the pre-existing trends toward the digital world. For 2022 it is expected that:

- Maturation of the video streaming industry, thanks also to an expansion of the existing business models to increase profitability amid global competition;
- Live Entertainment will offer innovative and interactive experiences to bring people back out of their homes.
- Social media, the largest meeting point in the world, will be active in the construction of a new generation of retail shopping;

- The sudden rise of NFTs and their success in bringing scarcity and exclusivity to digital assets will drive new models of clients' engagement and loyalty. They will also lead to greater innovation in digital products, greater accountability of their creators, and an increase in the importance of blockchain, cryptocurrencies, and decentralized web;
- Each of these trends is slowly approaching people to the metaverse, where they will have the possibility to spend more time in social and engaging digital worlds, mixing themselves more and more with the physical one.

In the Italian context, according to PwC's "Entertainment & Media (E&M) Outlook in Italy 2021-2025", total revenues from E&M will grow to a CAGR level equal to 4.9%, to reach € 39.6 billion in 2025. This will represent a strong recovery from the sharp decline in revenues in 2020 (equal to -7.5%), due to the lockdowns impact and the Covid-19 economic recession.

Chart 9 – Revenue for E&M segments (CAGR%), 2020-2025



Source: Entertainment & Media Outlook in Italy 2021-2025, PwC

Following the various reopening, the live event sector showed strong signs of recovery. As regards the traditional TV and home video sector, revenues will probably remain below the pre-pandemic levels. In particular:

- Subscription TV revenues fell by -10.2% in 2020 and the market will continue to decline for several years before stabilizing toward the end of the forecast period, with a CAGR of -3.4% generating revenues of € 2.3 billion in 2025;
- The pay-TV sector has suffered from cord-cutting in recent years, with a difficult macroeconomic environment and increasing pressure of the OTT market. As a result, pay-TV households fell to 4.6 million in 2020, compared to 6.7 million in 2016;
- The satellite sector saw a fall in households of -10.3% in 2020, but it will remain the most popular technology. IPTV is the main growth platform, outstripping pay-DTT in 2023;
- Physical home video is becoming an increasing niche industry while streaming platforms are taking over. Revenues fell by 32.8% in 2020 and account for only 1.5% of the traditional TV market in 2025.

3.2 Animation market

For the global animation and visual effects (VFX) market, growth was estimated at 11.5% during the period 2021-2026. The increasing adoption of animation and VFX solutions is mainly due both to the convenience for many industries (including those of films) in terms of production value and budget and to the growing interest on the part of writers and directors in using screenplays that require the use of VFX. Moreover, growing attention to the “children” genre and the growing popularity of video streaming will fuel market demand in all emerging economies. Modern artists require more tools and software to produce animated content that captures the viewer's attention. Within these new technologies, Virtual Reality (VR) is gaining more and more popularity.

Another technology that the E&M industry has been demanding in recent years is 3D animation. Nowadays, viewers increasingly demand high-quality productions with immersive visual effects and realistic animations. In addition, consumers are using increasingly innovative channels, such as ultra-high-definition TVs, tablets, and smartphones, which implement OTT streaming services such as Netflix, Amazon Prime Video, and YouTube. Demand is also increasing for the industrial sector, thanks to a strong expansion in the use of 3D technologies used to create virtual simulations of products of the Original Equipment Manufacturer (OEM). The increase in the distribution of innovative software will thus bring various sectors, including architecture and construction, manufacturing, E&M, defense, education, and health care, to fuel growth in the animation sector.

Chart 10 – Global Animation and VFX Market – Growth Rate by Region (2021-2026)

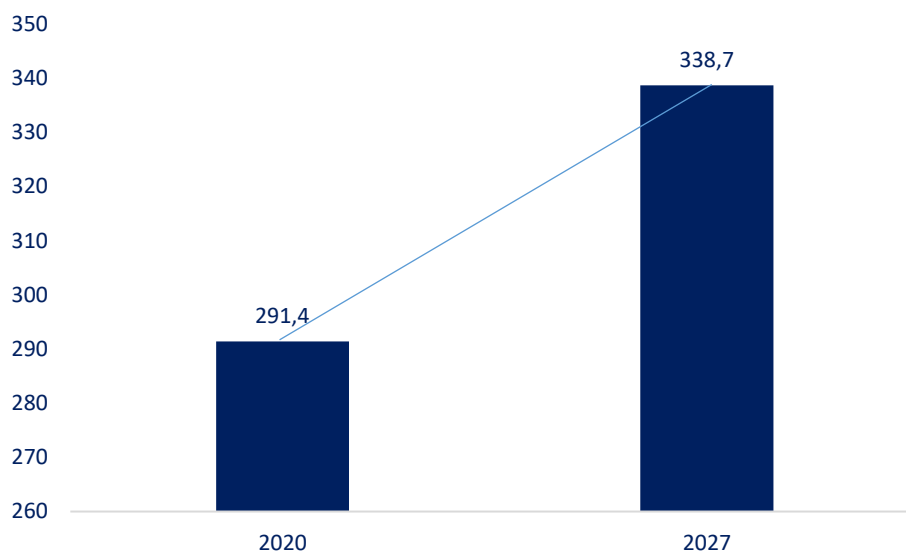


Source: Mordor Intelligence

Asia Pacific is expected to show the highest CAGR during the forecast period. Countries like New Zealand and Singapore have emerged as a hub for VFX artists, thanks to the strong presence of animation schools offering very advanced education and training. The spread of multimedia content through several innovative channels has led to an increase in demand in China as well. Indeed, the development of numerous training programs, software, and e-learning platforms using video and simulations should support the growth in the field of education and academies in this region. Many schools want to integrate such technologies into their education system, providing students with an ecosystem for more advanced learning. According to forecasts, China is expected to surpass North America as the world's largest film market in the next three years. Finally, according to the India Brand Equity Foundation (IBEF), the country's gaming industry stood at \$930 million in 2020 and is expected to reach \$ 3.8 billion by 2024.

3.3 Licensing & Merchandising market

Chart 11 – Global Licensed Merchandise Market 2020-2027



Source: Globenewswire

Despite the crisis caused by the COVID-19 pandemic, the global market for licensed merchandise was estimated to be \$ 291.4 billion in 2020 and is aimed to reach a value equal to \$ 338.7 billion in 2027, growing to a CAGR 2020-2027 of 2.2%.

The U.S. licensed merchandise market was estimated to be \$ 78.80 billion in 2020. China, the world's second-largest economy, will achieve a market size of \$ 66.80 billion for the 2027 year, with a CAGR equal to 4.2% over the forecast period analyzed. Among other noteworthy geographic markets, Japan and Canada are estimated to grow by 0.4% and 1.6%, respectively, for the period 2020-2027. As for Europe, Germany is expected to grow at a 0.9% CAGR.

4. Competitive positioning

Table 2 – Mondo TV competitors

	VoP	EBITDA	EBITDA Margin	EBIT	EBIT Margin	Net Income	Net Income Margin	NFP	NFP/EBITDA
€ mln	2020	2020	2020	2020	2020	2020	2020	2020	2020
Xilam Animation	24,65	15,31	62,1%	4,25	17,2%	2,56	10,4%	17,62	1,15x
Toei Animation Co.	397,31	122,30	30,8%	117,66	29,6%	85,22	21,4%	-331,80	-2,71x
Entertainment One	962,63	951,63	98,9%	951,54	98,8%	1169,65	121,5%	-6,40	-0,01x
Rainbow	65,67	25,17	38,3%	1,19	1,8%	2,61	4,0%	2,12	0,08x
MEDIAN	231,49	73,74	50,2%	60,95	23,4%	43,92	15,9%	-2,14	0,04x
Mondo TV	23,01	18,74	81,4%	9,06	39,4%	4,43	19,2%	1,12	0,06x

Source: Mondo TV

Mondo TV deals with the production, co-production, distribution of animation series, and related rights; in particular, Mondo TV has always been oriented toward a product for commercial television and direct sales to television worldwide.

The main competitors of Mondo TV are the animation companies that operate internationally, with particular reference to Entertainment one, Xilam Animation, Toei Animation, and Rainbow SpA. The Group, compared to its competitors, presents:

- A large number of productions that Mondo TV can develop;
- An excellent cost/quality ratio of the product;
- Leadership in certain geographical areas (Asia, Middle East).

4.1 S.W.O.T. Analysis

Strengths:

- Management of recognized prestige and excellent reputation, with great experience in the sector;
- The excellent price-quality ratio of the products offered;
- Scalability in the management of different projects;
- Low financial debt and high capitalization.

Weaknesses:

- The concentration of sales in a few clients in a single geographic area;

Opportunities:

- Diffusion of streaming platforms in recent years (Netflix, Amazon Prime Video, etc.);
- Better use of the library thanks to the creation of special TV channels and thematic streaming, specifically dedicated to entertainment for children;
- Development of new animation technologies.

Threats:

- Continuous change in the tastes of the main spectators of the animated series;
- Entry of new competitors into the market of the production of animated series.

5. Economics & Financials

Table 3 – Economics&Financials

CONSOLIDATED INCOME STATEMENT (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenues	24,70	29,22	36,00	38,00	40,00
Work in Progress	5,02	4,33	4,50	5,00	5,00
Other Revenues	0,64	2,02	1,00	1,00	1,00
Value of Production	30,36	35,56	41,50	44,00	46,00
COGS	0,06	0,04	0,05	0,05	0,05
Employees	4,86	5,02	5,25	5,00	4,90
Other Operating Expenses	6,64	6,14	6,00	5,90	5,80
EBITDA	18,81	24,36	30,20	33,05	35,25
<i>EBITDA Margin</i>	<i>62,0%</i>	<i>68,5%</i>	<i>72,8%</i>	<i>75,1%</i>	<i>76,6%</i>
D&A	10,49	17,64	20,50	19,00	18,00
EBIT	8,32	6,73	9,70	14,05	17,25
<i>EBIT Margin</i>	<i>27,4%</i>	<i>18,9%</i>	<i>23,4%</i>	<i>31,9%</i>	<i>37,5%</i>
Financial Management	(2,35)	0,98	0,50	0,50	0,50
EBT	5,97	7,71	10,20	14,55	17,75
Taxes	2,04	2,28	3,50	4,60	5,70
Net Income	3,93	5,43	6,70	9,95	12,05
Minorities	(0,44)	(0,05)	(0,05)	(0,10)	(0,15)
Consolidated Net Income	4,37	5,48	6,75	10,05	12,20

CONSOLIDATED BALANCE SHEET (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E
Fixed Assets	59,09	73,45	87,00	86,00	86,00
Account receivable	30,69	25,39	25,00	26,50	27,50
Account payable	14,69	6,75	8,00	8,60	9,00
Operating Working Capital	16,01	18,64	17,00	17,90	18,50
Other receivable	2,79	0,95	1,10	1,15	1,20
Other payable	3,74	2,85	3,35	3,60	3,80
Net Working Capital	15,06	16,74	14,75	15,45	15,90
Severance Indemnities & Other Provisions	0,75	0,60	0,60	0,60	0,60
NET INVESTED CAPITAL	73,40	89,59	101,15	100,85	101,30
Share Capital	19,96	22,57	22,57	22,57	22,57
Reserves	44,32	52,49	57,97	64,72	74,77
Net Income	4,37	5,48	6,75	10,05	12,20
Equity	68,64	80,54	87,29	97,34	109,54
Minorities Equity	0,70	0,54	0,59	0,69	0,84
Cash & Cash Equivalent	9,91	6,09	2,23	10,18	20,08
M/L Term Debt to Bank	8,79	7,71	7,00	6,00	5,00
Short Term Debt to Bank	5,17	6,89	8,50	7,00	6,00
Net Financial Position	4,06	8,51	13,27	2,82	(9,08)
SOURCES	73,40	89,59	101,15	100,85	101,30

CONSOLIDATED CASH FLOW (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT		6,73	9,70	14,05	17,25
Taxes		2,28	3,50	4,60	5,70
NOPAT		4,45	6,20	9,45	11,55
D&A		17,64	20,50	19,00	18,00
Change in receivable		5,31	0,39	(1,50)	(1,00)
Change in payable		-7,93	1,25	0,60	0,40
Change in others		0,95	0,36	0,20	0,15
<i>Change in NWC</i>		<i>-1,68</i>	<i>1,99</i>	<i>-0,70</i>	<i>-0,45</i>
Change in provisions		-0,15	0,00	0,00	0,00
OPERATING CASH FLOW		20,26	28,69	27,75	29,10
Capex		(32,00)	(34,1)	(18,0)	(18,0)
FREE CASH FLOW		(11,74)	(5,36)	9,75	11,10
Financial Management		0,98	0,50	0,50	0,50
Change in Debt to Bank		0,64	0,90	(2,50)	(2,00)
Change in Equity		6,31	0,10	0,20	0,30
FREE CASH FLOW TO EQUITY		(3,82)	(3,86)	7,95	9,90

Source: Integrae SIM

5.1 FY21A Results

In FY21A, the value of production, increased by about 17.17% compared to the previous year, from a value equal to € 24.70 million in FY20A to € 29.22 million in the balance sheet as of 31/12/21. The increase is mainly due to the development of existing contracts by the Group. In 2021, the Group continued its process of orienting its business toward the western market to rebalance its market position concerning the centrality of the Asian market in recent years. In particular, the production of Agent 203 has been launched, in partnership with the German client Toon2Tango and which sees the German television channel Super RTL as a “commissioning broadcaster”, has advanced in the production of the series Grisù already sold to RAI and the German group ZDFE, and continues the use of the series MeteoHeroes, co-produced with MOPI. Mondo TV also reported that relations with Asian clients carried on normally, with a continued decline in overall credit exposure.

EBITDA at the end of the 2021 fiscal year amounted to € 24.36 million, an increase of 29.54% compared to the previous year’s result of € 18.81 million. The FY21A marginality is equal to 68.5% compared to an FY20A value of 62.0%. The positive change in EBITDA is mainly due to an increase in revenues compared to a reduction in overheads, which remained stable compared to the previous fiscal year.

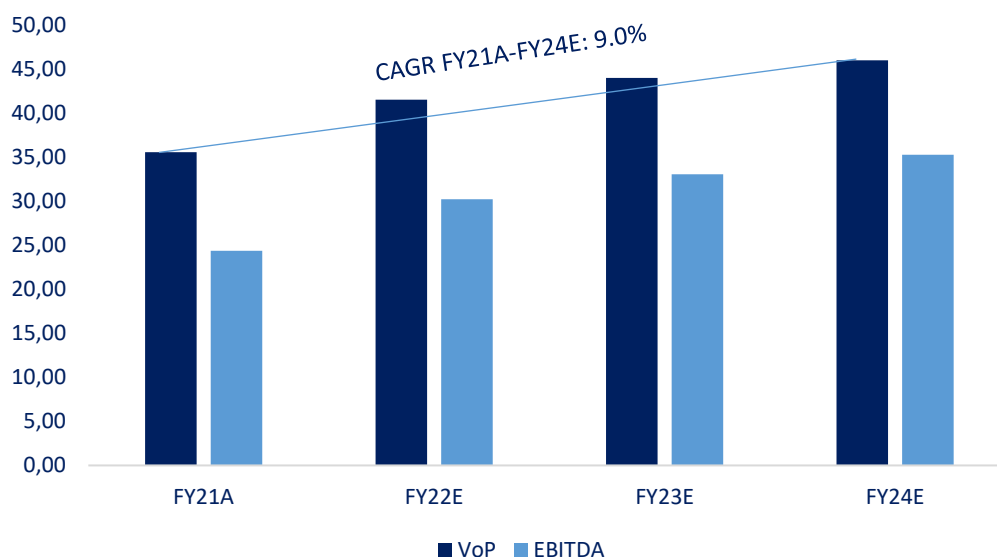
EBIT amounted to € 6.73 million, after amortization and depreciation of € 17.64 million, compared to an FY20A value equal to € 8.32 million. EBIT margin goes from 27.4% to 18.9%, for the reasons outlined above.

Net income was positive and equal to € 5.43 million, an improvement compared to the previous year's result of € 3.93 million. Net income for 2021 has been positively influenced by financial management, mainly due to the effect of foreign exchange gains determined by the strengthening of the exchange rate of the US dollar against the Euro.

Concerning NFP, there was a worsening compared to the previous year, from a value of € 4.06 million to € 8.51 million in FY21A, mainly due to investments made in the production of new animated series which amounted to approx. € 32.00 million.

5.2 FY22E – FY24E Estimates

Chart 12 – VoP and EBITDA FY21A-24E

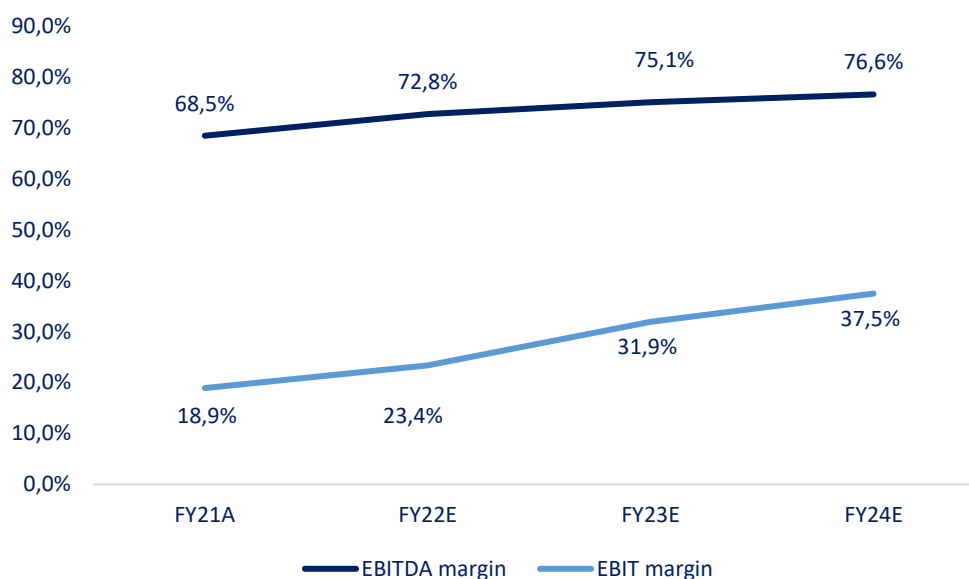


Source: Integrae SIM

For the next years, we expect an increase in the value of production that, according to our estimates, will increase from € 41.50 million in the FY22E to € 46.00 million in the FY24E (CAGR 22E-24E: 5.3%).

We believe that the Group's strategy will focus on the completion by 2022E of the cycle of investments in productions to expand its library, and then direct its activity, starting from 2023E, on the maximization of return on investments, carrying out a smaller number of productions, essentially already covered by pre-sales. Another factor that we estimate could contribute to the growth of the Mondo TV turnover is the exploitation of licensing rights. We also expect the Group to extend its business to new markets that are not yet manned and offer high growth potential, such as Germany and England, to continue to reduce its dependence on the Asian market.

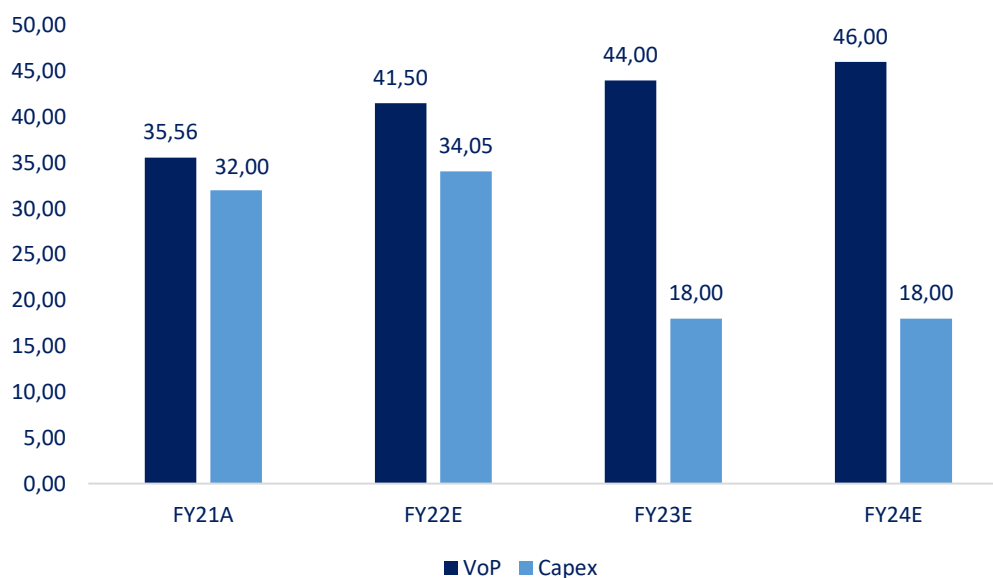
Chart 13 – EBITDA% and EBIT% FY21A-24E



Source: Integrae SIM

We expect EBITDA to increase in absolute terms, from € 30.20 million in FY22E to € 35.25 million in FY24E, according to our estimates. As a result, we estimate that the EBITDA margin will increase steadily, with growth from 72.8% (FY22E) to a margin of 76.6% in FY24E.

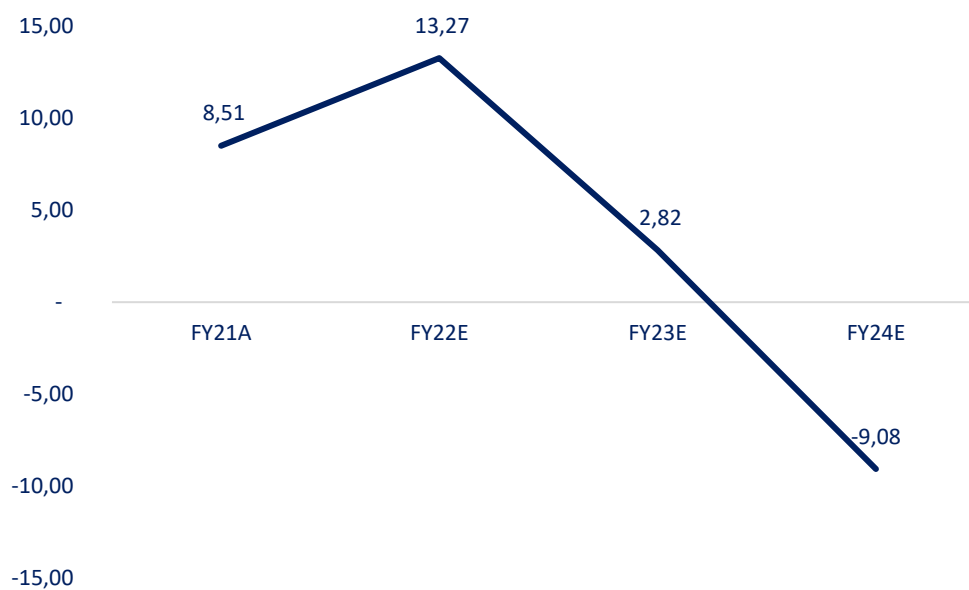
Chart 14 – VoP, Capex FY21A-24E



Source: Integrae SIM

At Capex level, we believe that the Group, in the years of the plan, will make continuous investments up to 2022E (€ 34.05 million) to conclude its pipeline production cycle, and then considerably reduce the number of productions in the following years.

Chart 15 – NFP FY21A-24E



Source: Integrae SIM

We estimate that the Group can improve its NFP in the next few years, reaching cash positive NFP in FY24E of € 9.08 million, mainly thanks to positive cash flows generated by the return on investments made in previous years.

6. Valuation

We conducted the valuation of Mondo TV equity value based on the DCF methodology and the multiples of a comparable Companies sample.

6.1 DCF

Table 4 – WACC

WACC		7,30%
Risk Free Rate	0,78% α (specific risk)	2,50%
Market Premium	6,42% Beta Adjusted	0,7
D/E (average)	5,26% Beta Relevered	0,7
Ke	7,61% Kd	2,00%

Source: Integrae SIM

In particular:

- The Risk-Free Rate is represented by the Rendistato from March 2022 with a maturity between 3 years and 7 months and 4 years and 6 months;
- The Market Premium coincides with the premium for the Italian market risk calculated by Professor A. Damodaran;
- D/E was calculated based on the estimates of Integrae SIM;
- Ke was calculated using CAPM;
- The Alpha, i.e., specific additional risk, is typical of equity investments in companies characterised by small-scale operations. As we are dealing with small sizes, the small-cap risk premium was equal to 2.5%, the average value of those suggested by the main studies carried out in this field (Massari Zanetti, Valutazione Finanziaria (Financial Valuation), McGraw-Hill, 2004, p. 145, A. Damodaran, cost of Equity and Small Cap Premium in Investment Valuation, Tools and techniques for determining the value of any assets, 3rd Edition 2012, Guatri Bini, Nuovo Trattato sulla Valutazione Finanziaria (News Insights on Corporate Valuation), 2009 p. 236);
- The Beta is calculated starting from the unlevered 5-year Beta of the competitors;
- Kd coincides with the Company's current debt cost.

Using this data the result is a WACC of 7.30%.

Table 5 – DCF Valuation

DCF Equity Value		153,8
FCFO actualized	14,9	9%
TV actualized DCF	147,4	91%
Enterprise Value	162,3	100%
NFP (FY21A)	8,5	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is **an equity value of € 153.8 million.**

Table 6 – Equity Value – Sensitivity Analysis

€/mln		WACC						
		5,8%	6,3%	6,8%	7,3%	7,8%	8,3%	8,8%
Growth Rate (g)	2,5%	299,1	257,3	225,2	199,8	179,2	162,2	147,9
	2,0%	260,7	228,2	202,5	181,6	164,3	149,8	137,4
	1,5%	231,2	205,1	184,0	166,5	151,8	139,2	128,4
	1,0%	207,8	186,4	168,7	153,8	141,1	130,1	120,6
	0,5%	188,9	170,9	155,8	142,9	131,8	122,2	113,6
	0,0%	173,2	157,9	144,8	133,6	123,8	115,2	107,5
	-0,5%	160,0	146,8	135,4	125,4	116,7	108,9	102,0

Source: Integrae SIM

6.2 Market Multiples

6.2.1 Composition of the Panel

- **Toei Animation Co., Ltd.**

Toei Animation produces, markets, and licenses animation products all over the world. Operates through three segments: Video Production and Sales, Copyright, and Product Sales. The company designs and produces various animation works for cinema and television, terrestrial broadcasts, CS broadcasts, and packaging, and sells in various forms of media such as video games, mobile devices, and the Internet. In March 2020, it owns 246 films, 223 television works, and 12,867 episodes of content. The company was founded in 1948 and is based in Tokyo, Japan.

- **Xilam Animation SA**

Xilam Animation operates as an audio-visual production company in France and internationally. The company creates, produces, and distributes original programs for children and adults. Broadcast content on television; subscription-on-demand video streaming platforms such as Netflix, Disney +, Amazon, and NBC Universal; and advertising-on-demand video streaming platforms such as YouTube, Facebook, Rakuten TV, Tubing, and Pluto TV. The company also produces 3D animation films. Xilam Animation was founded in 1999 and is based in Paris, France.

- **Technicolor SA**

. Technicolor SA develops, creates, and provides products and services for the media and entertainment sectors mainly in France, the United Kingdom, and the United States. The Company operates through three segments: Production Services, DVD Services, and Connected Home. The production services segment offers visual effects (VFX) services, including pre-display, object creation, texturing, animation, rigging, rotoscoping, lighting, match move, and compositing; the DVD Services segment replicates, packs, and distributes CDs for video games and music, DVDs and Blu-ray discs. The company was established in 1985 and is based in Paris, France.

- **Toho Company Limited**

Toho Co., Ltd. operates in cinema, theatre production, and real estate activities in Japan. It is involved in the production, purchase/sale, and rental of films, production, and sale of television programs, film brochures, and video software, as well as merchandising rights, and other activities. The company is also involved in the planning, production, and representation of theatre performances and the renting of land/buildings and other activities. Toho Co., Ltd. was founded in 1932 and is based in Tokyo, Japan.

- **TV Asahi Holdings Corp.**

TV Asahi Holdings Corporation, through its branches, is engaged in television broadcasting activities in Japan and internationally. The company operates through the TV Broadcasting Business segments, Music Publication Business, and Other Businesses. Its television

broadcasting activity includes time sales, spot sales, special programs, and sports broadcasting activities; and other activities include Internet-related activities, television shopping programs, and special events. The company also invests in films and sells and rents equipment and DVDs. TV Asahi Holdings Corporation was founded in 1957 and is based in Tokyo, Japan.

Table 7 – Comparables (data € mln)

FY20A	Toei Animation Co., Ltd.	Xilam Animation SA	Technicolor SA	Toho Company Limited	TV Asahi Holdings Corp.	Peer Median	Mondo TV
Country	Japan	France	France	Japan	Japan		Italy
Mkt Cap	3,117.0	171.0	691.0	6,501.0	1,257.0	1,257.0	54.4
EV	2,785.2	198.2	1,503.0	5,914.2	829.6	1,503.0	55.6
Profitability							
Sales	397.3	20.4	3,006.0	1,736.9	2,037.3	1,736.9	21.3
EBITDA	122.3	15.8	69.0	333.0	211.8	122.3	18.7
Net Profit	85.2	4.6	-207.0	184.2	97.0	85.2	4.4
EBITDA Margin	30.8%	77.5%	2.3%	19.2%	10.4%	19.2%	88.0%
Net Profit Margin	21.4%	22.6%	-6.9%	10.6%	4.8%	10.6%	20.8%
Capital Structure							
NFP	-331.8	27.2	812.0	-586.8	-427.4	-331.8	1.1
NFP/EBITDA	-2.7x	1.7x	11.8x	-1.8x	-2.0x	-1.8x	0.1x

Source: Infinitals

6.2.2 Multiples Method

Table 8 – Market Multiples

Company Name	EV/EBIT (x)			P/E (x)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Toei Animation Co., Ltd.	19,8	19,3	17,5	29,4	29,2	25,3
Xilam Animation SA	17,7	13,1	N/A	26,4	17,5	N/A
Technicolor SA	12,3	9,6	9,7	13,1	8,5	8,4
Toho Company Limited	14,8	12,8	12,1	24,2	20,3	18,9
TV Asahi Holdings Corp.	5,2	5,9	5,2	9,5	10,3	9,0
Peer median	14,8	12,8	10,9	24,2	17,5	14,0

Source: Infinaicals

Table 9 – Market Multiples Valuation

€/mln	FY22E	FY23E	FY24E
Enterprise Value (EV)			
EV/EBIT	143,85	180,12	187,16
P/E	161,81	174,42	168,22
Equity Value			
EV/EBIT	130,6	177,3	196,2
P/E	161,8	174,4	168,2
Equity Value post discount			
EV/EBIT	97,9	133,0	147,2
P/E	121,4	130,8	126,2
Average	109,6	131,9	136,7

Source: Integrae SIM processing

The equity value of Mondo TV, using the market multiples EV/EBIT and P/E, is equal to approx. € 168.1 million. We have applied a 25% discount to this value. **Therefore, the result is an equity value of € 126.1 million.**

7. Equity Value

Table 9 – Equity Value

Equity Value (€/mln)	139,9
Equity Value DCF (€/mln)	153,8
Equity Value multiples (€/mln)	126,1
Target Price (€)	3,10

Source: Integrae SIM

The result is an average equity value equal to € 139.9 million. **The target price is, therefore, € 3.10, BUY rating and MEDIUM risk.**

Table 10 – Target Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	6,1x	4,9x	4,5x	4,2x
EV/EBIT	22,1x	15,3x	10,6x	8,6x

Source: Integrae SIM

Table 11 – Current Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	2,2x	1,8x	1,6x	1,5x
EV/EBIT	8,0x	5,6x	3,8x	3,1x

Source: Integrae SIM

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SELL	ETR \leq -5%	ETR \leq -5%	ETR \leq 0%
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