

Equity Story

MONDO TV S.p.A



Group overview

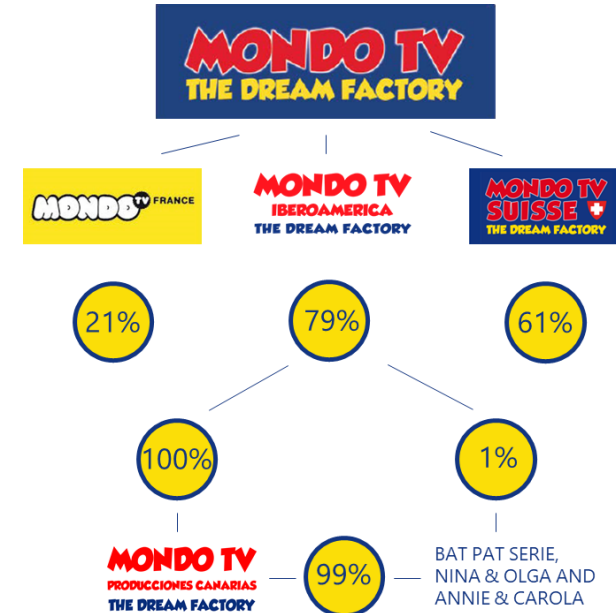


WHO WE ARE

- A Dream Factory with more than 50 years of expertise
- One of the largest european producers and distributors of animated contents
- A global player in the entertainment industry, thanks to high quality franchises with successful track record

Key Data	2T 2020 ('000)
Products	13
EBITDA	8.313
EBIT	3.568
Net profit	2.222

MONDO TV'S STRUCTURE



Milestones



Business model

Unique Selling Point



Agile and dynamic enterprise with the ability to rapidly adapt to changes in the market.

...offers the target market **contents with enormous potential**, selected thanks to a **deep knowledge of the needs** of the target audience and to an **extensive experience** in the marketing of similar contents.

...**an agile cost structure** that takes advantage of the group's synergies, thus obtaining considerable operating margins

Clients Tier-1 / Tier-2



...Deep **knowledge of the world market** both at the level of clients as well as suppliers

...**partnership with internationally renowned**, with which there is the possibility of developing new businesses

...**management of recognized prestige and excellent reputation**, with enormous experience in the sector

Mondo TV can rely on experienced professionals with long-time knowledge of the market, capable of reaching potential clients all around the world. Years of experience together with an in house audiovisual pipeline that includes preproduction, animation and postproduction allows Mondo TV to deliver top quality contents. In addition to that, our hubs in the Canary Islands and China and the tax credit/rebate available in Italy, Spain and France drastically reduce the production costs, giving an high profitability for each production

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Business Strategy



Commercial plan

The Group expects a positive evolution of its revenues, due to **the differentiation of the business** with respect to the past, in particular, **widening the target of the contents to have more options for sale**. For this reason, the projects now being developed cover **all targets from children to adults** (such as "2050") through teenagers. With reference to distribution, the Group's intention is to **increase the portfolio of third party programs in distribution**, which offer the possibility of having income throughout the year with interesting margins and which do not require investment in production.

Coproduction

Business development in target territories through:

- The search of **new opportunities** offering products to markets along the territories they operate in.
- A significant **market consolidation** achieved due to a wider range of series offered. In addition to a quest in order to increase profits with an enlargement of the series catalogue with projects working with European partners.
- Looking forward to apply a **coproduction model with pre-sales in order to reduce the risk and self financing**. Considering that RTVE, RAI and all the digital platforms (such as Netflix, Amazon, Disney etc.) are willing to work together in the production of an animated series.

Distribution

Focused on:

- Projecting the series at peak hours in the most popular channels, assuring that way the maximum audience, and therefore facilitating product sales. Key objective for license negotiation as manufacturers want a well-known license, as the audience is their last consumer.
- Maintaining the most territories possible when it comes to distributing the possible territories for projecting the series.
- Mondo TV Italy, with its **International Sales department, provides a strong presence in EMEA and Australasia**. And a Consumer Product department for L&M sales.

Licensing & Merchandising

The Company has as goals:

- **The sale of the master toy** to a manufacturer which ensures the mass-production of base category products (toys, school materials...) in the case of (co)produced series. This will act as the driver of many other categories such as textile, food, etc.
- **The sale of non base category products** like textile or food, which in the end provide the biggest amount of revenues with the series use.
- Launching a **new line of business of series production** addressed to a more adult public that will carry along potential development of L&M. With the difference that it doesn't look to sell the master toy but to sell solely the target's interest areas (usually textiles and gadgets).

Audiovisual Services/Animation

Taking advantage of:

- Production service companies with fiscal residence in the Canary Island, who are in charge of a foreign production, benefit from a **refund of 50% on the first million euro, and 45 % thereafter** of the eligible expenditure in the Canary Islands.
- In the case of national production taking place in the Canary Islands and obtaining the Canary Islands Work Certificate, the **deduction are 50 % on the first million euro, and 45 % thereafter**.
- **Corporate tax at 4%**
- All these incentives make it possible to reduce the Group's tax expense and generate an extra cash flow.

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Important business agreements



Mondo TV first move into North Europe market

Toon2Tango

Mondo TV S.p.A. and Mondo TV Suisse S.A. have entered into a new strategic cooperation agreement aimed at developing, coproducing and distributing at least eight 3D CGI new animated TV series in the next four years, with the German company **Toon2Tango GmbH**, a new venture founded by Mr. Hans Ulrich Stoef, formerly CEO of m4e and Chairman of Studio 100. The agreement sets forth a preferential route for the Parties to cooperate in the development and production of new IP, created or found by Toon2Tango: the new projects will all have high quality, strong merchandise appeal and will be targeted to global market with a special initial focus to the European countries and the relevant main broadcasters and digital platforms. As co-producers, the parties will co-own the underlying IP of the produced series and will share all revenues deriving from the exploitation thereof. In terms of distribution, the parties will cooperate on multi-territorial deals, but will operate independently in some respective countries; in particular in Europe, Toon2Tango will be responsible for distribution in Germany, Austria, Switzerland, UK and Ireland, Scandinavia and Benelux, while Mondo will be responsible for distribution in all other European countries. Distribution shall include both audiovisual and all licensing & merchandising rights.

New coproduction contract with MB Producciones, RTVE for a TV series called “Annie & Carola”



Mondo TV Producciones Canarias, S.L.U. has recently signed a new coproduction contract with the spanish company MB Producciones. for a TV series called “Annie & Carola”, created by legendary writer Myriam Ballesteros.

“Annie & Carola”, a 52×11’ 2D HD animation for 6-10 year-olds, tells the story of Carola, a nerd with no social skills, builds her own robot clone as a friend. Someone to share her love for science with and as a buffer against the teen world that she doesn’t understand and fears. But, an accident turns her clone into a crazy, uninhibited friend who drags her into all the kinds of situations she fears the most.

Opening of our internal 3D CGI animation studio

Starting from the 4Q 2020, will start to use its internal created 3D CGI animation studio placed in the Canary Island. The tax incentives, together with a better workflow control, will allow the Group to reduce its costs and increase its capacity for the future productions.



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Portfolio

Main series in portfolio



Coproduction and own library

The Catalogue consists of more than 900 hours of series and movies

NEW Production (selection)



CLASSIC Title (selection)



Distribution



- **Robot Trains:** Teamwork, friendship, problem-solving skills and protection of natural energy: these are the key elements that accompany the adventures of the Robot Trains in this series.



- **Catálogo RTVE:** successful RTVE's series..

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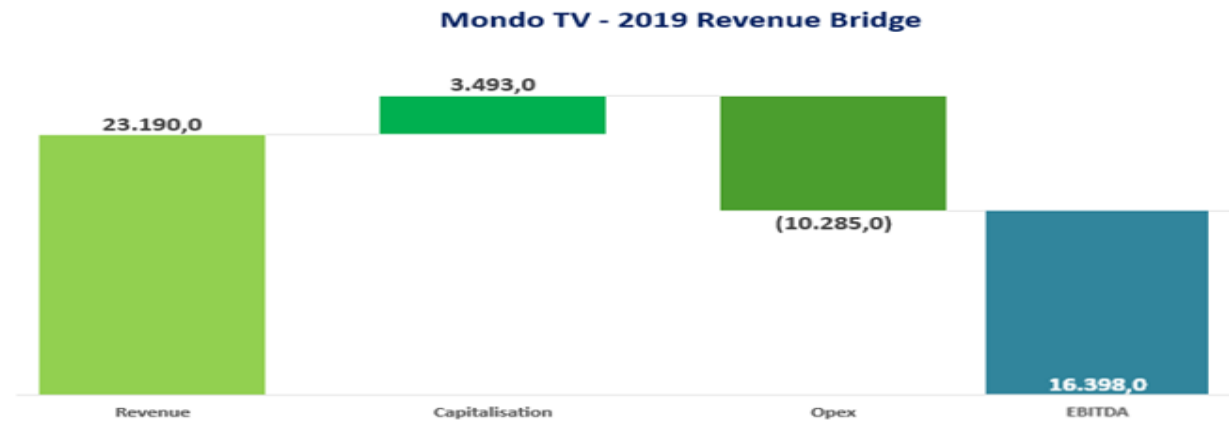
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2019 AT A GLANCE



The company finished 2019 with a strong positive result.

€ '000



Drivers:

- Compared to 2018, revenue increased 22%. Of them, 91% come from sales of rights (including coproductions income): the main drivers have been the sales of “Yoohoo to the Rescue” to Netflix (more than 100 countries), “Invention Story” to York (China), “Rocky” to the french television and “MeteoHeroes”, “Bat Pat 2”, “Robot Trains 3” in China. It is important to highlight how the Group has been working in a rebalancing of the geographical segments achieving a better balance between Asia and other territories to reduce the overall risk levels within the business (China from 81% to 74% and Europe from 7% to 17%).
- The majority of the internal capitalisations refer to Mondo TV France's products “Rocky” and “Disco Dragon” being completed between 2020 and 2021.
- Diversify the range of products offered through a greater volume of third-party deals, including those where Mondo is not involved in production.
- Thanks to revenue increase and opex cost reduction (-7%), Ebitda increased 47% compared to 2018.



2Q 2020 PERFORMANCE



- Strong revenue growth continued in Q220, reflecting the outstanding performance of Mondo TV Iberoamérica Group, with its sales of “Yo Soy Franky” to Turner Broadcasting System and “Bat Pat 2” to RTVE. Other drivers have been “Invention Story” sales, capitalisation of “Disco Dragon” and licensing & merchandising of our/third parties products such as Graffalo, Feisty Pets and MeteoHeroes.
- All that, together with a better budgetary control system and experienced labour force, led to an increase in Ebitda margin from 70% to 74%.
- Limited COVID-19 impact: the Group has continued to trade with little interruption, with the transition to remote working quickly implemented and production in the Canary Islands continuing.

2Q CONSOLIDATED

€ Thousands	2Q 2020	2Q 2019	Δ%
Revenue	11.206	11.003	+1,8%
EBITDA	8.313	7.758	+7,15%
Margin	74,18%	70,05%	+413 bps

REVENUE BY ACTIVITY

Sale of rights

2Q 2020	2Q 2019	Δ%
9.717	10.033	-3%

Licensing & Merchandising

2Q 2020	2Q 2019	Δ%
491	448	+10%

Production services and others

2Q 2020	2Q 2019	Δ%
903	484	+86,58%

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LIQUIDITY ANALYSIS



Cash Balance (`000)

	As of June 30, 2020	As of Dec 31, 2019
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Corporate cash

	As of June 30, 2020	As of Dec 31, 2019
Net Debt/ EBITDA LTM	x0,21	x0,08
NFP	(3.587)	(1.375)
Liquidity Ratio	x1,74	X1,90

- Thanks to its liquidity position, the Group has been able to face the COVID-19 crisis;
- The Group has a low Net Debt/Ebitda ratio;
- Decrease in cash in the 2020 is due to opex and capex costs (especially for "MeteoHeroes" and "Robot Trains") and some short-term impact on working capital as customers moved into lockdown, but this is now correcting as business.
- For this reason and in order to guarantee the cash needed during all 2020, thanks to the access to Covid-19 credit lines, the Group can easily face all its cash requirements during all 2020.
- The Group has signed with Atlas a convertible bonds contract that will give an extra cash of €10.5m due to the increase in the productions with its partner Toon2Tango



Forecast revenue by segment

Revenue breakdown						
(in thousands of Euro)	2020	% of total	2021	% of total	2022	% of total
Revenue from sales of rights	18.014	52,96%	21.657	56,25%	24.842	60,96%
Revenue from licensing	1.685	4,95%	2.527	6,56%	3.093	7,59%
Revenue from coproduction	9.516	27,98%	9.516	24,72%	8.016	19,67%
Capitalisation of animated series	4.800	14,11%	4.800	12,47%	4.800	11,78%
Total	34.015	100,00%	38.500	100,00%	40.750	100,00%

2020 main drivers

- **Revenue from sales of rights:** main drivers are "Invention Story", "MeteoHeroes", "Robot Trains", "Yo Soy Franky" and "Disco Dragon".
- **Revenue from coproduction:** main drivers are "Bat Pat 2", .
- **Capitalisation:** it refers to "Disco Dragon", "Nina y Olga", "Grisú".

2021 main drivers

- **Revenue from sales of rights:** main drivers are "Disco Dragon", "MeteoHeroes", "2050" and "Grisú".
- **Revenue from coproduction:** main drivers are "Nina y Olga", "Annie & Carola", "Grisú", "Agent 203" and "2050"
- **Capitalisation:** it includes "Nina y Olga", "Annie & Carola", "Grisú", "Agent 203" and "2050".

2022 main drivers

- **Revenue from sales of rights:** "GooDoil Family", "Grisú", "Agent 203", "Annie & Carola", live fictions (such as "2050") and game apps
- **Revenue from coproduction and capitalisation:** new series with Toon2Tango and new coproductions like "Cenicienta enmascarada"



Capex and margin Forecast

Capex and ratios			
(in thousands of Euro)	2020	2021	2022
Capex	13.200	11.000	11.000
Capex/Sales ratio	38,81%	28,57%	26,99%
Ebitda margin	59%	63%	69%
EBIT margin	26,38%	30,29%	34,24%

- Compared to the past years, we want to avoid investing without a clear vision of the future revenue stream. In that sense, we have chosen to produce a pilot and offer it to possible co producers or customers to close pre-sales or to start a coproduction where our risk is lower compared to the past. The market has changed a lot in recent years with the arrival of SVOD platforms, which is why we believe that what will allow us to grow in this segment is the search for projects to co-produce and distribute in Europe.
- Expected investments by Mondo TV in the next three years of approximately €17m will be with York, a leading Chinese animation studio with whom the Group have created their best products in recent years (such as "Yoohoo to the Rescue"). The new agreements fall within the recent strategic commercial partnership agreements, entered into on June 20, 2019 with Toon2Tango GmbH and are preliminary to the start of the related productions. Such investments will not take place without adequate coverage coming from pre-sales. In addition to that, the Group is also investing in its new internal 3D CGI animation studio in the Canary Island in order to reduce its dependence from third parties and develop its own animation studio taking advantage of the tax incentives..
- Ebitda will increase thanks to the decrease in operating expenses being implemented through the Group starting from 2019. Moreover, the Group is considering creating its own internal animation studio, leading to a further decrease in capex and a better operational management
- Ebit will stay stable due to new amortization coming from the present and future co-productions, but overall it will increase thanks to the revenue stream.



Company valuation



Price Evolution



Target Price

The **Current Stock Price** is **1,820 €/Share**. Currently, we think that the market is underestimating the value of Mondo TV, due to the overall performance in 2019, a fantastic 2Q 2020 and all the projects (especially the strategic agreement with Toon2Tango) that we have been working and will generate future revenue and an increase in our Ips and position worldwide.

The **Target Analyst Price** as at 14/04/2020 is between **€2,22-2,60 €/Share**



€2.70



RACCOMANDAZIONE
BUY (da BUY)

Target Price
2,6 € (da 2,93€)

Prezzo al 14/04/2020
1,66€

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Management Team

Matteo Corradi

CEO

matteo.corradi@mondotvgroup.com

Piergiacomo Pollonio

INVESTOR RELATOR

p.pollonio@mondotviberoamerica.com

Carlo Marchetti

CFO

carlo.marchetti@mondotvgroup.com

