

Equity Story

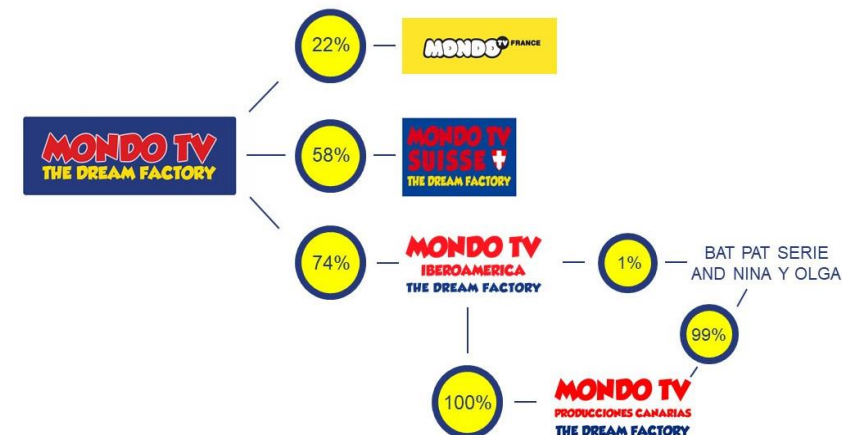
MONDO TV S.p.A

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

Mondo TV's structure



Key Metrics 19E

Key Metrics 19E	Unit
Products	11
Operating Margin	32%
EBITDA margin	67%

Revenue Mix 19E

Revenue Mix 19E	%	Gross (€000)
Distribution	70,71%	15.112
Coproduction*	24,87%	5.316
Licensing & Merchandising	4,41%	942

*It includes audiovisual services in Canarias for €1.7m

Milestones



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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

...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



Clients Tier-1 / Tier-2

NETFLIX



Rai

rtve



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.

*Includes everything from character design to storyboards, for animated series in which the parent company participates as a co-producer or for third parties.

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*

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 40% 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 percentages are 45 % on the first million euro, and 40 % thereafter.
- **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.

First web series



· Agreement reached for the exploitation of the House of Talent brand for the production of a web series and the development of related licensing and merchandising. The agreement is for the production of at least 260 episodes of about 12-15 minutes each, with the protagonists of House of Talent, the digital phenomenon among Italian teen audience, a brand that brings together some of the most followed influencers on Youtube, Instagram and TIK TOK in Italy targeting group of children aged 13 to 17, and some of the protagonists of the successful series The College.

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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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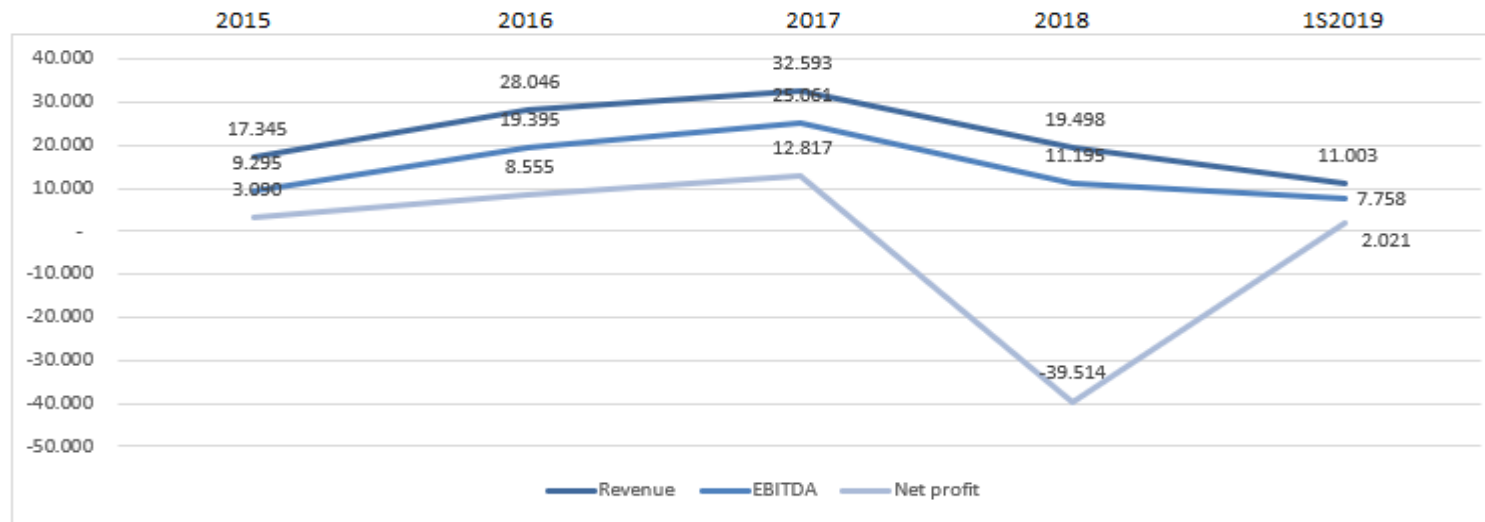
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Mondo, at a glance

Historical Performance



During the 2018, the deterioration of the international economic situation, and the slowdown in the Chinese economy deriving also from the trade war between China and the USA, decreased the investments including media products. That, together with three Asian customers that announced to significantly revise their investments in some productions partly due to difficulties in the exploitation of such programs in their markets, led Mondo TV to impair its library of approximately €31 million and a write-off of its credits of approximately € 27m.

During the 2019's first semester, the Group returns to profit thanks to the sale of "Yoohoo to the Rescue" to Netflix and presales of "Bat Pat 2" and "MeteoHeroes". It should be evidenced that the Company's shareholders' equity at June 30, 2019 amounted to Euros 59.3 million with a significantly positive net financial position (€1.7m), which guarantees adequate financial resources to support the business development in future years.

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Group key financials

The Company is able to generate positive returns with several revenues streams, a revenue-maximizing profile and supported on a strong export component.

Rationale

Co-production revenue correspond to Yoohoo to the Rescue, Bat Pat 2, Heidi, 2050, Disco Dragon, Robot Trains, MeteoHeroes etc. The Group is constantly looking for new coproductions.

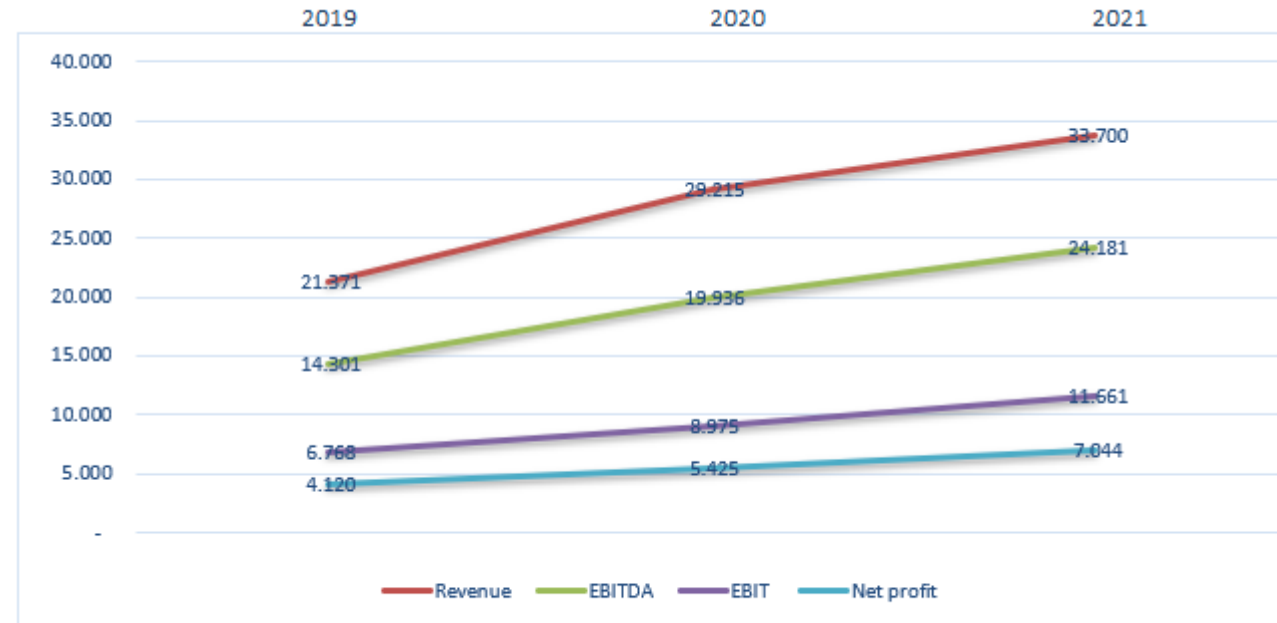
The distribution segment depends on the agreements and the matching between purchase and sale, and its evolution is not always linear.

The Group has decided to reduce its exposition in China and penetrate new market such as US and North Europe.

Although 2018 has been a year that closes with losses, these are not due to a fall in business but to deterioration of some investments and credits

2019's first semester is in line with the new business plan

Key Forecast Performance Indicators (€000s)



*It does not take into consideration internal capitalizations and other income no related to sales and services

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Revenue by segment Forecast

Revenue from sales and services*														
(in thousands of Euro)	2015	% of total	2016	% of total	2017	% of total	2018	% of total	2019	% of total	2020	% of total	2021	% of total
Revenue from sales of rights	9.597	57,11%	14.617	53,32%	10.115	31,59%	13.642	72,13%	15.112	70,71%	18.014	61,66%	21.657	64,26%
Revenue from licensing	632	3,76%	5.257	19,18%	16.149	50,44%	436	2,31%	942	4,41%	1.685	5,77%	2.527	7,50%
Revenue from coproduction	5.627	33,49%	7.525	27,45%	5.739	17,92%	4.783	25,29%	5.316	24,87%	9.516	32,57%	9.516	28,24%
Other income	947	5,64%	16	0,06%	16	0,05%	53	0,28%	-	0,00%	-	0,00%	-	0,00%
Total	16.803	100,00%	27.415	100,01%	32.019	100,00%	18.914	100,00%	21.371	100,00%	29.215	100,00%	33.700	100,00%

*It does not take into consideration internal capitalizations and other income no related to sales and services

2019 main drivers

- **Revenue from sales of rights:** €9m coming from sales already closed from MeteoHeroes, Rocky, Heidi, Robot Trains, Invention Story and Yoohoo to the Rescue and €4.5m from contracts in its final phase;
- **Revenue from coproduction:** €1.9m coming from contracts already signed for Invention Story and Yoohoo to the Rescue.

2020 main drivers

- **Revenue from sales of rights:** revenue coming from RTVE's catalogue, Robot Trains, MeteoHeroes, Yoohoo to the Rescue, Bat Pat 2, and new products developed with Toon2Tango GmbH.
- **Revenue from coproduction:** revenue coming from new product such as GooDoil Family, 2050, Isola del Tesoro, the increasing of the Canary Islands audiovisual services and new coproductions in order to satisfy the increasing demand of the digital platforms such as Netflix.
- **Revenue from licensing:** revenue coming from Feisty Pets and other products already known by the markets

2021 main drivers

- **Revenue from sales of rights:** revenue coming from RTVE's catalogue, Robot Trains, 2050, Disco Dragon, MeteoHeroes, Yoohoo to the Rescue, Bat Pat 2, and new products and new products developed with Toon2Tango GmbH.
- **Revenue from coproduction:** revenue coming from new product such as GooDoil Family, Isola del Tesoro, the increasing of the Canary Islands audiovisual services and new coproductions in order to satisfy the increasing demand of the digital platforms such as Netflix.
- **Revenue from licensing:** revenue coming from Feisty Pets and other products already known by the markets

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Capex and margin Forecast

Capex and ratios							
(in thousands of Euro)	2015	2016	2017	2018	2019	2020	2021
Capex	9.616	20.477	18.959	28.451	13.000	11.000	11.000
Capex/Sales ratio	57,23%	74,69%	59,21%	150,42%	60,83%	37,65%	32,64%
Ebitda margin	53,59%	69,15%	76,89%	57,42%	66,92%	68,24%	71,75%
Operating margin	32,19%	45,31%	53,89%	-279,64%	31,67%	30,72%	34,60%
EPS	0,12	0,31	0,43	- 1,17	0,12	0,15	0,19
ROI	13,83%	22,42%	22,00%	-114,00%	13,2%	17,8%	24,00%
ROE	7,90%	15,44%	17,00%	-68,00%	7,00%	8,3%	9,4%

- 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.
- Ebitda will increase thanks to the decrease in operating expenses being implemented through the Group starting from 2019.
- Ebit will stay stable due to new amortization coming from the present and future coproductions.
- During the first semester of 2019, the Group has invested around €10m in Capex, especially for the production of “Bat Pat 2” and “MeteoHeroes”. ROI is set at 5,72% and ROE at 3,41%.
- Expected investments by Mondo TV in the next three years of approximately €17m will be with York, a leading Chinese animation studio with which the Company and 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.

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Valuation

Price evolution



Target price

- Price at 16/10/2019 is 1,281

RACCOMANDAZIONE BUY Target Price 2,93 €	MONDO TV Settore: Media Codice negoziazione Bloomberg: MTV IM Mercato STAR/MTA							
	<table border="0"> <tr> <td>Capitalizzazione di borsa:</td> <td>41.148.060 €</td> </tr> <tr> <td>Numero di Azioni:</td> <td>36.414.212</td> </tr> <tr> <td>Outstanding Warrants(1:1):</td> <td>1.520.000*</td> </tr> <tr> <td>Patrimonio Netto al 30.06.2019:</td> <td>59.336.000 €</td> </tr> </table>	Capitalizzazione di borsa:	41.148.060 €	Numero di Azioni:	36.414.212	Outstanding Warrants(1:1):	1.520.000*	Patrimonio Netto al 30.06.2019:
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Outstanding Warrants(1:1):	1.520.000*							
Patrimonio Netto al 30.06.2019:	59.336.000 €							
Prezzo al 09/10/2019 1,13 €								

Initiation of coverage

MONDO TV

New business plan: safer and achievable

Target :€2.3



Mondo TV

€2.82



Management Team

Experience of the management with strong capabilities in business expansion

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Degree in Economics from the University of Genoa (Italy) and Master's Degree in Auditing and Accounting from the UAM (Madrid). 5 years of international experience as auditor (BDO Madrid, EY Sydney, KPMG Madrid) and one in the Department of Economics of the Vatican for the development of budgets, accounting of the Holy See. He is currently Financial Manager of Mondo TV Iberoamérica and Investor Relator of Mondo TV S.p.A.

Carlo Marchetti

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CFO and Member of the Board of Directors of Mondo TV Group

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