Mondo TV Studios

LIGHTHOUSE WINNER 2020 Special Mention — European Commission — European — Small & Mid-Cap Awards

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Mondo TV Studios (MONI), is a Spanish company based in Tenerife (the Canary Islands, Spain) that provides animation, co-production and content distribution services (TV and OTT platforms over the internet) focused on children and young people and with activity in Spain, Portugal, Latam and Spanish-speaking areas of the US. MONI forms part of the Mondo TV Group (that controls c. 76% of capital).

David López Sánchez – david.lopez@lighthouse-ieaf.com
+34 915 904 226

The opportunity (but also the challenge) of "real" growth

A BUSINESS STILL UNDER DEVELOPMENT, HYPER-DEPENDENT (TO DATE) ON THE RELATIONSHIP WITH ITS PARENT. MONI is a small Spanish media sector company at a theoretical ramp-up stage, based in the Canary Islands (that allows it to benefit from an excellent framework of tax incentives) still highly dependent on the relationship with its parent (the Mondo TV Group), to date its main client and financier.

WITH AN OPPORTUNITY FOR "REAL" GROWTH. Our scenario for 22e-24e envisages an acceleration of revenue growth (especially in 2022e: +33% vs 2021) to c. EUR 7Mn in 2024e (+22% CAGR 21-24e). This represents a significant step-up in scale underpinned mainly by: (i) continued growth in animation services (+15% CAGR 21-24e) and (ii) the ramp-up of the content distribution business (we estimate this represents c. 50% of 22e revenue vs < 5% in 2021). "Real" growth, in other words, adding to its current P&L profitable revenues obtained with new clients.

BUT BREAK EVEN IN RECURRENT EBITDA WON'T BE EXCEEDED UNTIL 2024E. For two reasons: (i) the narrowing of the gross margin estimated for 2022e due to the larger weighting of the distribution business in the revenue mix and (ii) a cost structure (after the enlarging of the Canary Island production studio in 2021) that will continue to weigh heavily on Recurrent EBITDA (operating costs of c. EUR 3.5Mn; of which c. 75% correspond to personnel costs).

LEVERAGE WILL REMAIN HIGH. In our view, the main obstacle to the generation of Recurrent FCF will continue to be the narrow margins generated by MONI's businesses, so investment on the production of new content will need financing (we project net debt growing to EUR 5.5Mn in 2024e vs EUR 4.2Mn in 2021).

OPPORTUNITY/CHALLENGE. In the coming years MONI has a clear opportunity: to grow beyond the business provided by its parent and, consequently, make a step-up in size (2024e revenue: EUR 7Mn). However, this is subject to three conditions: (i) financing, (ii) the opening of new markets and (iii) the inherent risk of a media sector business: highly dependent on the success of its content.

Market Data

Market Cap (Mn EUR and USD)	8.6	9.2
EV (Mn EUR and USD) (1)	11.9	12.8
Shares Outstanding (Mn)	20.0	
-12m (Max/Med/Mín EUR)	0.49 / 0.29 / 0.14	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation(2)	13.8	
Factset / Bloomberg	MONI-ES / MONI SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

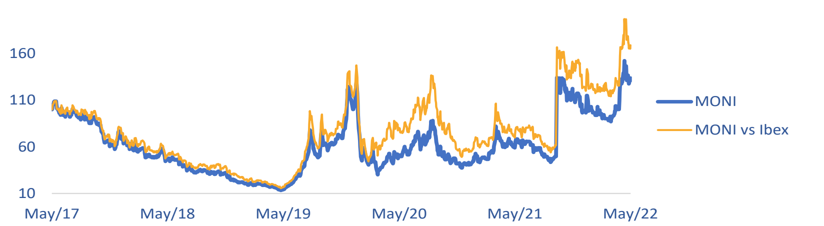
Mondo TV S.p.A	75.6
Corradi Family	10.4
Free Float	14.0

Financials (Mn EUR)	2021	2022e	2023e	2024e
Adj. nº shares (Mn)	19.6	20.0	20.0	20.0
Total Revenues	3.8	5.1	6.0	7.0
Rec. EBITDA	0.3	-0.6	-0.1	0.5
% growth	*-12.5*	*-321.9*	*83.0*	*575.6*
% Rec. EBITDA/Rev.	*7.0*	*n.a.*	*n.a.*	*6.9*
% Inc. EBITDA sector(3)	*24.8*	*9.9*	*20.6*	*15.9*
Net Profit	0.0	0.4	1.6	1.4
EPS (EUR)	0.00	0.02	0.08	0.07
% growth	*149.0*	*950.7*	*247.4*	*-10.5*
Ord. EPS (EUR)	0.01	0.02	0.08	0.07
% growth	*713.9*	*271.9*	*247.4*	*-10.5*
Rec. Free Cash Flow(4)	-0.7	-0.8	-0.5	-0.1
Pay-out (%)	*0.0*	*0.0*	*0.0*	*0.0*
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	4.2	4.9	5.4	5.5
ND/Rec. EBITDA (x)	15.4	n.a.	n.a.	11.4
ND/Equity (x)	3.9	3.3	1.8	1.2
ROE (%)	*4.1*	*35.1*	*68.4*	*37.1*
ROCE (%)(4)	*2.9*	*11.9*	*26.0*	*18.7*

Ratios & Multiples (x)(5)				
P/E	n.a.	19.1	5.5	6.2
Ord. P/E	71.2	19.1	5.5	6.2
P/BV	8.2	5.7	2.8	1.9
Dividend Yield (%)	*0.0*	*0.0*	*0.0*	*0.0*
EV/Sales	3.10	2.33	1.99	1.71
EV/Rec. EBITDA	44.1	n.a.	n.a.	24.6
EV/Adjusted EBIT	n.a.	20.0	6.8	7.5
FCF Yield (%)(4)	*n.a.*	*n.a.*	*n.a.*	*n.a.*

(1) Please refer to Appendix 3.
(2) Rotation is the % of the capitalisation traded - 12m.
(3) Sector: Stoxx Europe 600 Media.
(4) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.
(5) Multiples and ratios calculated over prices at the date of this report.

Relative performance (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	0.9	48.3	126.3	35.2	844.4	33.7
vs Ibex 35	1.2	40.8	141.4	36.5	903.8	69.0
vs Ibex Small Cap Index	-0.5	36.1	126.8	29.1	631.4	-6.3
vs Eurostoxx 50	6.3	55.7	150.4	59.3	767.5	31.5
vs Sector benchmark(3)	10.7	53.7	127.4	55.8	743.7	19.8

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

Mondo TV Studios (MONI) is a BME Growth company

BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

BME Growth is the Spanish equity market for companies of reduced capitalization which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in BME Growth (former MAB) started in July 2009. There are currently c. 130 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

The possibility of growth (beyond the business provided by the parent) is the real equity story. The period 22e-23e is crucial to demonstrating this

Mondo TV Studios (MONI) is a small Spanish company (Market Cap. EUR 8.6Mn) based in Tenerife (the Canary Islands; Spain) that provides animation, co-production and distribution of content services (TV and OTT platforms via the internet) focused on children and young people with activity in Spain, Portugal, Latam and Spanish-speaking areas of the US.

MONI provides animation, co-production and distribution of content services (TV and OTT platforms)

It is part of the Mondo TV Group (that controls c. 76% of capital), an Italian company that is a key player in the production and distribution of animated series sector (controlled by the Corradi family, the founder of the company, and listed on the Euronext Star segment of the Italian stock market; capitalisation of c. EUR 40Mn and consensus sales for 2022e of c. EUR 36Mn).

A) 2016-2021: a business still under development, hyper-dependent on the relationship with the parent and for which its tax situation is crucial.

Focused on children and young people

It was founded in 2008 as a subsidiary of the Mondo TV Group for the distribution in the Iberian and Latin American markets of the animation catalogue of its parent (at that time its sole shareholder and client). In 2016, coinciding with its market listing, it established a production studio in Tenerife (Canary Islands) for the creation and production of fiction and animation content for young people (both for the Mondo TV Group and for third parties); something that, in our view, was a turning point for the company.

Specifically, over 2016-2021 we highlight:

2021 Revenues: EUR 3.8Mn (vs EUR 2.1Mn in 2016)

- **Capacity for revenue growth (2021: EUR 3.8Mn vs EUR 2.1Mn in 2016), although with a very volatile mix.** Logical given the size and nature of MONI's business (content production and distribution; characterised by very irregular revenue recognition).
- **Maintaining a high volume of revenue generated with its parent (the Mondo TV Group).** To date, MONI has generated a very significant volume of its revenues with companies of the Mondo TV Group (to date its main client; c. 70% of 2021 revenue).

Although still low margins (2021 Recurrent EBITDA in breakeven)

- **And low margins.** Specifically, in order to generate total revenue of EUR 3.8Mn in 2021, MONI increased its total costs to EUR 3.6Mn (c. 70% corresponding to personnel costs); leaving Recurrent EBITDA close to breakeven (EUR 0.3Mn; 2021 Recurrent EBITDA Margin c. 7%).
- **Tax incentives are essential from the point of view of cash generation.** With an address for tax purposes in the Canary Islands, MONI benefits from an excellent tax incentive framework (essential to its business model), highlighting: (i) a special tax area (the ZEC), with a reduced corporate tax rate of 4% vs 25% in mainland Spain, and (ii) a tax rebate for animation services (deduction of 45-50% of eligible expenses incurred in the Canary Islands).

And high leverage (2021 Net debt: EUR 4.2Mn; mitigated by the continuous financial support of the parent)

- **However, investment on new content to drive growth has resulted in high net debt (2021 ND: EUR 4.2Mn).** Growing the production and distribution of audiovisual content business is very capital-intensive (it is crucial to include new releases in the catalogue to boost revenue through distribution). In addition, the Canary Island production studio was enlarged in 2021, that increased the company's net debt to EUR 4.2Mn (vs EUR 2.9Mn in 2020).

In conclusion, MONI is a small media sector company present throughout almost the entire value chain of the audiovisual sector (animation services, co-production of content, distribution and licencing & merchandising), based in the Canary Islands (that allows it to benefit from an excellent framework of tax incentives), at the ramp-up stage (2021 revenue: EUR 3.8Mn vs EUR 2.6Mn in 2020) still highly dependent on the relationship with its parent (the Mondo TV Group), to date its main client and financier.

B) 2022e-2024e: the opportunity (and the challenge) of "real" growth. Although the support of its parent and tax incentives will continue to play a crucial role

Having reached this point, there is only one question: What can we expect from MONI in coming years in terms of growth, profitability and recurrent FCF generation?

Capable of continued growth (2021-2024e revenue growth: +22% CAGR)

- **Revenue, EUR 5.1Mn in 2022e (+33.4% vs 2021) and the possibility of reaching c. EUR 7Mn in 2024e (+22% CAGR 2021-2024e).** Growth that should be underpinned mainly by: (i) continued growth in animation services (+15% CAGR 21-24e; c. 45% of the 2022e revenue mix), driven by the capacity increase executed in 2021 (including 3D animation services) and the increase in the number of services provided to third parties (only 30% of 2021 revenue) and (ii) the ramp-up of the content distribution business, that we expect to represent c. 50% of the revenue mix as early as 2022e (vs < 5% in 2021) boosted by the contract signed with the RAI (announced in April 2022 and that, if fully executed, would provide MONI with a source of recurrent revenue over the coming years). This would gradually reduce the weighting of revenue generated by contracts with the parent to c. 50% in 2024e (vs c. 70% in 2021).

But exceeding breakeven in Rec. EBITDA does not seem feasible until 2024e

- **But break even in Recurrent EBITDA won't be exceeded until 2024e.** We estimate negative recurrent EBITDA in 2022e (EUR -0.6Mn) for two reasons: (i) the narrowing of the gross margin estimated for 2022e due to the larger weighting of the distribution business in the revenue mix (22e gross margin c. 60% vs c. 90% in 2021) and (ii) a cost structure that will continue to weigh heavily on Recurrent EBITDA (operating costs of c. EUR 3.5Mn; of which c. 75% correspond to personnel costs). In our view, exceeding breakeven in Recurrent EBITDA (before capitalised expenses and tax incentives) does not seem feasible until 2024e (2024e Recurrent EBITDA of EUR 0.5Mn; EBITDA margin c. 7%).

The continuation of tax incentives will remain crucial

- **So the continuation of tax incentives will remain crucial for the future of the business in the mid and long terms.** We think MONI's business can only be understood by including the tax incentives arising from its activity as a producer with an address for tax purposes in the Canary Islands. From a FCF generation viewpoint, we estimate the tax incentives generated in 2020 (EUR 0.5Mn) should enter the company's cash in 2023e (that, from a cash flow generation viewpoint, should offset the generation of Recurrent EBITDA still in breakeven and help to finance growth in the business).

And leverage will remain high (2024e Net Debt: EUR 5.5Mn vs EUR 4.2Mn in 2021)

- **With capacity for cash generation that will remain small (2024e ND: EUR 5.5Mn vs EUR 4.2Mn in 2021).** The main obstacle to the generation of Recurrent FCF will continue to be the narrow margins generated by MONI's businesses (Recurrent EBITDA at breakeven until 2024e); so investment on the production of new content will need financing (we project net debt growing to EUR 5.5Mn in 2024e).

In conclusion: the opportunity for "real" growth. The result of examining the company's numbers and strategy is clear. Having a source of recurrent and sustainable revenue in the parent is an obvious advantage. Although (also obviously) the real equity story of MONI, and the really attractive aspect of a company like this, lies in its capacity to grow beyond the revenue provided by the parent. This clearly implies a very significant opportunity for growth, that at present is only being marginally materialised with the main restriction of the current level of debt (albeit partially mitigated by the continuous financial support of the parent).

In conclusion, MONI can be seen as a conventional Media business, still at the ramp-up stage, and with the opportunity (but also the challenge) of "really" growing: in other words, of adding to its current P&L profitable revenues obtained with new clients. The question mark lies in the extent to which and speed at which this opportunity (growing beyond the revenue provided by the parent) can be exploited. Both aspects (extent and speed) are, in our view, the mainstay of MONI's equity story today and the next two years (2022e and 2023e) can be seen as crucial to assessing the strength and dimension of this. Both the support of the parent and the tax framework reduce risk but do not in themselves provide growth.

The possibility of growth (beyond the business provided by the parent) is the real equity story

This explains why MONI's equity story narrows down to materialising its theoretical opportunity for growth beyond the group: an opportunity and challenge at the same time. The indicators of the last two years are, however, favourable; e.g.: the start of the co-production of the series Annie & Carola (expected to be finished in 2024e), the contract with the RAI signed in April 2022 and the alliance with Kenn Viselman for the distribution in the US and Canada of the animation series MeteoHeroes (although its materialisation in real and material growth in revenue and margins is still pending).

Business description

A niche operator in the Media sector (production and distribution of animated audiovisual content)

Chart 1. Total Revenues (2016-2021)

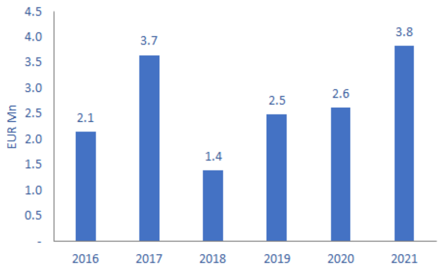


Chart 2. Sales breakdown by business line (2021)

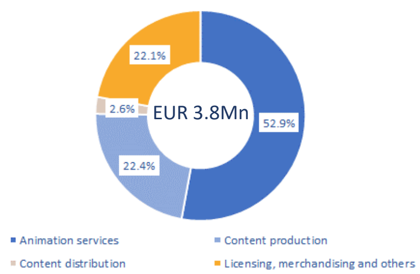
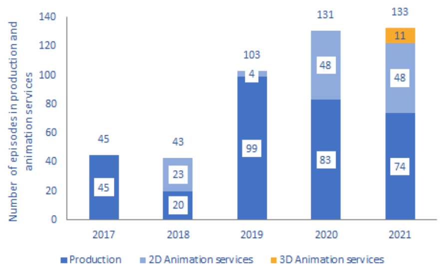


Chart 3. Number of episodes in production and animation services (2017-2021)



Mondo TV Studios (MONI) is a small company (Mkt. Cap of EUR 8.6Mn) that provides animation, co-production and distribution of content services (TV and OTT platforms; free-to-view) focused on children and young people, although since 2021 it has been working on the development of its first co-production of a fiction series for a more adult public (that broadens its target audience). It is part of the Mondo TV Group (that controls c. 76% of capital), an Italian company that is a key player in the production and distribution of animated series sector (controlled by the Corradi family, the founder of the company, and listed on the Euronext Star segment of the Italian stock market; capitalisation of c. EUR 40Mn). Since December 2016, MONI has been listed on BME Growth.

It was founded in 2008 as a subsidiary of the Mondo TV Group for the distribution in the Iberian and Latin American markets of the animation catalogue of its parent (at that time its sole shareholder and client). In 2016, it developed a production studio in Tenerife (Canary Islands) for the creation, development and production of fiction and animation projects aimed at young people (both for the Mondo TV Group and for third parties); something that, in our view, was a turning point for the company (the Canary Island studio now has a team of over 50 artists).

With headquarters in the Canary Islands that allows MONI to benefit from the very advantageous tax incentive regime (essential to its business model)

As a producer with an address for tax purposes in the Canary Islands, MONI benefits from an excellent framework of tax incentives: (i) a special tax area (the ZEC), with a reduced corporate tax rate of 4% vs 25% in mainland Spain, (ii) a tax rebate of up to 50% for animation services and (iii) a tax credit of up to 50% for co-productions. Both the tax rebate and the tax credit consist of a 50% deduction in tax on the first million euros of eligible expenditure and a 45% deduction on the rest of the eligible expenditure in the Canary Islands capped at c. EUR 20Mn of the tax base. The amount of the tax deduction (50%-45% of eligible expenditure) is deducted from the full amount of total corporate income tax payable after the tax period in which the production service concludes (if the total tax payable is insufficient to qualify for a deduction, MONI's current situation, payment of the amount not deducted may be requested from the tax authorities).

In our view, this tax incentive is one of the main competitive advantages of MONI's production studio over other European studios. In 2020 and 2021 the tax rebate generated by MONI amounted to EUR 0.5Mn and EUR 0.8Mn, respectively (capitalised on the balance sheet for a total of EUR 1.3Mn, of which EUR 0.5Mn will be monetised in 2023e).

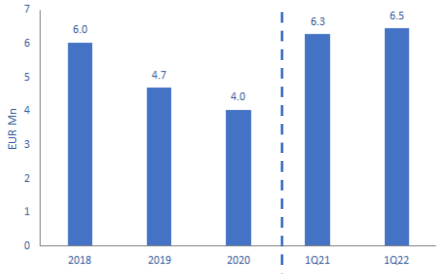
And a business model with a presence in almost the entire value chain of the audiovisual sector (animation, content co-production, distribution services, etc.)

Specifically, we highlight:

- **Animation services (52.9% of 2021 revenue).** Animation services (2D and 3D CGI) provided from the Canary Island studio to both the Mondo TV Group (the business' main client; c. 70% s/2021 revenues) and to third parties. This business has shown continuous growth in the last five years, with turnover of EUR 2.0Mn in 2021 (vs EUR 0.7Mn in 2020) and accounting for c. 58% of the revenue mix (vs 28% in 2020).

  In our opinion, the animation services business plays a crucial role by providing MONI's P&L with more recurrent revenue, covering the wait for the arrival of revenue from content production and distribution services (characterised by still highly irregular revenue recognition).

Chart 4. Intellectual propertiy gross value (1Q22)



- **Content production (22.4% of 2021 revenue).** MONI has included content production and co-production among its services since 2016. This is a highly capital-intensive business (although it is crucial to include new releases in the catalogue to boost revenue through distribution). MONI's main audiovisual assets are: "Heidi, Bienvenida a Casa", "Heidi, Bienvenida al Show", "BAT PAT 2" and "Nina y Olga" (closed in 2021). The gross value of the company's intellectual property amounted to EUR 6.4Mn at the 1Q22 close (Chart 4).

  The new series "Annie & Carola" (a series of 52 episodes lasting 11 minutes each), is a co-production among MONI, MB Producciones, Mondo TV S.p.A and RTVE. This is the biggest production to date from an investment point of view (MONI expects to invest EUR 6Mn in its production; currently in pre-production, with an estimated production period of 18-24 months).

- **Content distribution (2.6% of 2021 revenue).** The distribution business includes: (I) the distribution of its own catalogue, (ii) the exclusive distribution of the content catalogue of the Mondo TV Group (MONI's parent; catalogue of 781 hours) in Spain, Portugal, Latam and Spanish-speaking areas of the US and (iii) the distribution of third party content (retaining a commission in the sale process). This is a business line that we expect to gain traction from 2022e (the contract signed with the RAI for the sale of a fiction series with 100 episodes, that will be reflected in the P&L of 2Q22 will bring about a significant change in the revenue mix by increasing the weight of the distribution business to c. 50% of total revenue).

- **Licences, merchandising and others (22.1% of 2021 revenue).** MONI focuses its content production on the creation of characters that can be exploited for licences and merchandising. In 2021 in Italy the first licencing and merchandising contract for the series "Annie & Carola" was signed (2021 revenue: EUR 0.6Mn). In addition, in 2021 MONI entered the video games business with the announcement of a video game based on one of the Mondo TV Group's animated series (MeteoHeroes; developed in co-production with Sony Interactive Entertainment España and Gammera Nest; launched in February 2022).

Chart 5. Value chain of the audiovisual sector

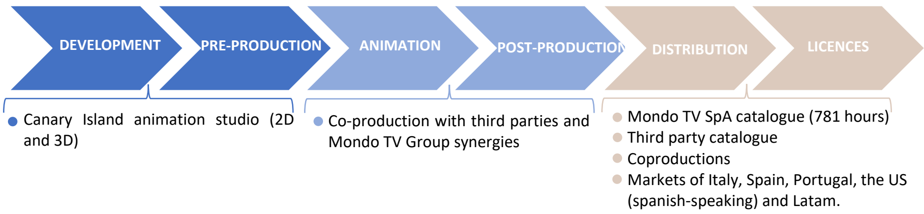
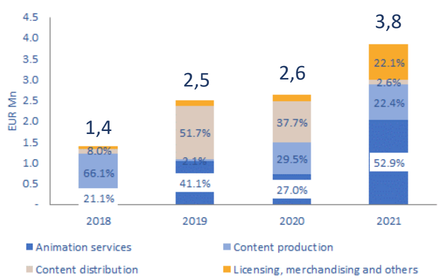


Chart 6. Total revenues breakdown by business line (2016-2021)



2018-2021: a business under development, hyper-dependent on the relationship with the parent and for which an understanding of its tax position is crucial

MONI may be considered a niche operator (production and distribution of animated audiovisual content) in a sector in which size is critical (tending towards concentration). Between 2018-2021 MONI's business was characterised by:

- **A capacity for revenue growth, although with a very volatile mix.** Logical given the nature of the business (Chart 6), characterised by still very irregular revenue recognition (greatly dependent on the signing of contracts for content distribution and production; with delivery periods of 12-24 months).

  This revenue volatility should decrease from 2022e as: (i) 2D and 3D animation services (a business with greater recurrence; c. 53% of the 2021 revenue mix) and (ii) the ramp-up of the content distribution business gain traction. In 1Q22 MONI announced the sale of a fiction series consisting of 100 episodes (out of a total of 485) to the RAI that will be reflected in the P&L in 2Q22. The execution of the purchase option on the remaining 385 episodes in 4Q22 will provide MONI with recurrent revenue over the next years (that will change its revenue profile).

Chart 7. Revenue generated with its parent (Mondo TV Group) in 2021

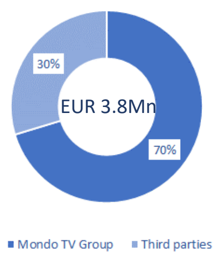
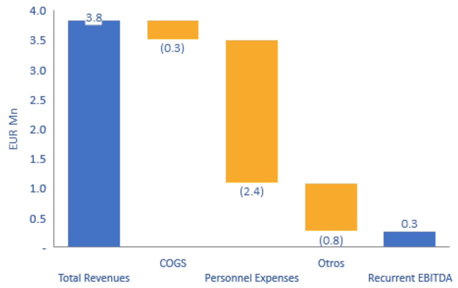


Chart 8. From total revenues to Recurrent EBITDA (2021)



Note: Recurrent EBITDA excludes: (i) capitalised expenses (EUR 0.3Mn in 2021) and (ii) the tax rebate (EUR 0.8Mn in 2021).

- **With a high volume of revenue generated with its parent (the Mondo TV Group).** To date, MONI has generated a significant volume of its revenues with Mondo TV Group companies (c. 70% of 2021 revenue; Chart 7). Among the main synergies generated with its parent, we would highlight: (i) the exclusive distribution of the Group's catalogue in Spain, Portugal, Latam and the US, (ii) the provision of 2D pre-production and 3D animation services to the Group (within an excellent framework of tax incentives), (iii) access to the Group's post-production services (studio in Rome), (iv) greater commercial capacity (the signing of the contract with the RAI in Italy and the alliance with Kenn Videlman are examples) and (v) continuous financial support.

- **And still narrow margins (Recurrent EBITDA at breakeven).** The high weighting of the audiovisual services business in 2021 (very labour-intensive) translates to narrow margins in operating terms (excluding the tax incentive). Specifically, in order to generate total revenue of EUR 3.8Mn in 2021, MONI increased its total costs to EUR 3.6Mn (c. 70% corresponding to personnel costs). This left 2021 Recurrent EBITDA at EUR 0.3Mn (EBITDA margin c. 7%; Chart 8).

- **So to understand the true fundamentals of the business it is essential to understand its taxation (and its impact on FCF).** Spain has a very competitive framework of tax incentives favouring audiovisual production (that acts as an incentive for the sector). We think MONI's business can only be understood by including the tax incentives arising from its activity as a producer with an address for tax purposes in the Canary Islands (a key factor for understanding the company's capacity for cash generation). The continuation of these tax incentives is critical to the future of the business.

  Specifically, in 2021 MONI generated EUR 0.8Mn in tax incentives. In our case we have included this item above EBIT (but outside EBITDA) as it is similar in nature to a subsidy (Chart 9) and is essential for the business's cash generation (the monetisation of the tax rebate occurs in the tax period in which the service produced ends; impact on cash flow of c. EUR 0.5Mn in 2022e). Without the inclusion of the tax incentive, EBIT would have been negative in 2020 and 2021.

Chart 9. From EBITDA to adjusted EBIT (2021)

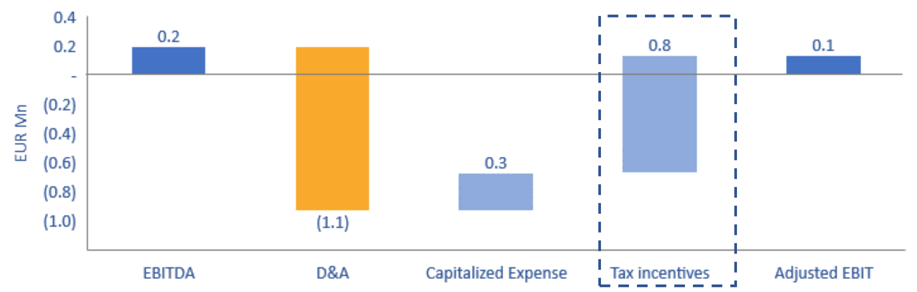
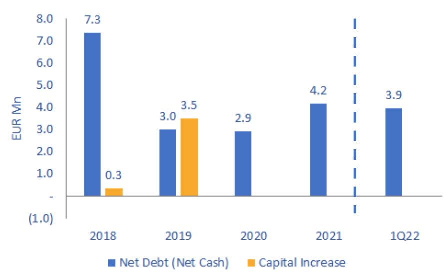


Chart 10. Net debt (2016-2021)

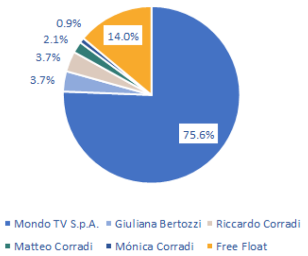


Note: Net debt at year end including the capital increase impact.

- **With 2021 net debt of EUR 4.2Mn (mitigated by the support of its controlling shareholder).** MONI closed 2021 with net debt of EUR 4.2Mn (vs EUR 2.9Mn in 2020) an increase explained by the investment required to fund the increase in the capacity of the animation services activities carried out in 2021; Chart 10.

  This is a very high volume of net debt but one that is mitigated by the fact that: (i) a large percentage of total debt is funding obtained from the Mondo TV Group (c. 40% of total debt, including a participating loan with its parent in an amount of EUR 0.6Mn; that allows potential cash tensions to be managed flexibly) and (ii) c. 25% of total financing is related to the advance of the tax rebate (required to finance the productions and that cannot be monetised until the end of the production; so once the tax rebate has been recovered the advance is cancelled).

Chart 11. Shareholder structure



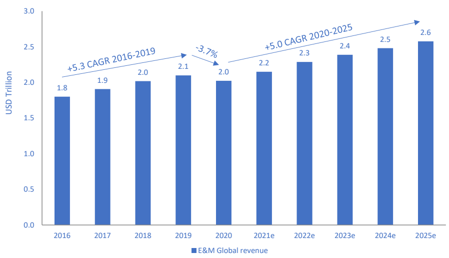
A shareholder structure fully controlled by the core shareholder (the Mondo TV Group)

MONI is part of the Mondo TV Group (a company listed in Italy and controlled by the Corradi family; Market Cap. of c. EUR 40Mn, free float c. 62%), that has a controlling stake in the company (75.6% at the date of this report; Chart 11) and has representation on the Board of Directors (occupying 2 of the 6 seats: (i) Matteo Corradi, CEO of the Mondo TV Group, who is the Chair of the MONI board and (ii) Carlo Marchetti, CFO of the Mondo TV Group).

Controlling shareholders that in practice have not changed since the company was founded in 2008 (except for its listing on BME Growth in 2016) and that seem to be in it for the long run. Changes to the shareholder structure are not, a priori, a factor to take into account. The free float is 14%.

Entertainment & Media: an industry undergoing transformation (access to content, distribution models and monetisation…)

Chart 12. Growth in global turnover of the E&M industry (2016-2025e)



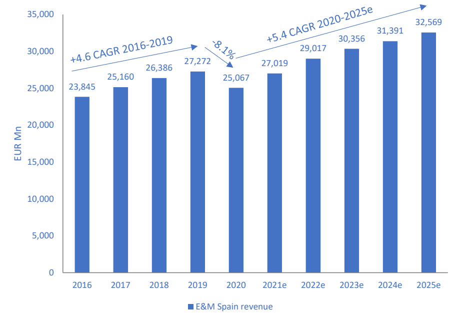
Monetary units: US trillions.
Source: Entertainment & Media Outlook, PWC.

The Entertainment and Media industry (E&M) and audiovisual consumption are experiencing one of the most disruptive moments in their history, shaped by new trends in consumer behaviour (accelerated by the digital transformation). This has resulted in a reduction in the consumption of traditional linear TV (cable TV/paid content) and the rise of new digital platforms that allow users to view content at any time (OTT; Netflix, Amazon Prime, HBO Max and Disney +) for a fixed monthly price.

Changes in sector dynamics have meant that box office revenue is also being lost to streaming platforms. Consequently, the pandemic is having an uneven impact on the various segments that make up the sector (especially negative for media such as the written press and cinemas but positive for digital platforms and streaming transmissions).

The global turnover of the E&M sector in 2020 was USD 2.0 Trillion (-3.7% vs 2019), a CAGR of 3.0% over 2016-2020 (+5.3% CAGR 2016-2019 excluding the impact of Covid-19; Chart 12). According to a report published by PWC (Entertainment & Media Outlook, 2021), total revenue will be USD 2.6 Trillion in 2025 (+5.0% CAGR 2020-2025e).

Chart 13. Turnover of the Spanish E&M industry (2016-2025e)



Source: Entertainment & Media Outlook, PWC.

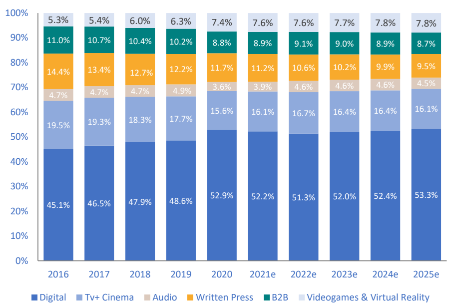
Technological disruption, globalisation and the change in consumption habits are variables that have been affecting the E&M sector in recent years. Specifically, the changes caused by technological disruption have been accelerated by the impact of Covid-19 in 2020. The main consequence of the change in consumption habits has been the transformation of sector companies' business models (content access, distribution models, monetisation…) to adapt these to the new environment (shaped by the digital transformation).

And at the domestic level? In Spain, the E&M industry registered revenue of EUR 25.07Bn in 2020 (-8.1% vs 2019, losing 4.4 p.p. more than the global industry). However, the Spanish industry is expected to return to the growth path with revenue of EUR 32.57Bn in 2025 (+5.4% CAGR 2020-2025; Chart 13) with the support of the Spanish government's plan for the audiovisual sector, based on four measures: i) the promotion and digitisation of audiovisual activity, ii) the improvement of financial and tax instruments, iii) the development of human capital and iv) regulatory reforms.

Content access: today's "match" is being played on the internet

The various segments that make up the E&M industry (Television and Cinema, Music, Written Press, Video Games, Digital Platforms) have performed very unevenly in this new context.

Chart 14. E&M sector revenue by segments in Spain (2016-2025e)



Source: Entertainment & Media Outlook, PWC.

The restrictions imposed as a result of Covid-19 in 2020 accelerated access to content via the internet. Specifically, the consumption of series and films on digital platforms has recorded much higher growth than the rest of the market (Charts 15 and 16) especially in the form of OTT, with the following formats standing out: (i) SVOD, with exponential growth of +80% CAGR over 2016-2020 (Subscription Video on Demand; that enables access to content via streaming on platforms such as Netflix, HBO Max and Disney +) and (ii) TVOD, with a 2016-2020 CAGR of +9% (Transaction Video on Demand; by which the user chooses a certain content without the need to pay for a full subscription, Chart 16).

All this strengthens the idea of the shift towards all things digital that is occurring in the industry, accelerating a trend that was already apparent in 2016 (digital media represented c. 53% in 2020 vs c. 45% in 2016; Chart 14). In addition, the other big winners in the current context are video games and virtual reality, that have seen their weighting of the total industry increase to 7.4% in 2020 (vs 5.3% in 2016; Chart 14).

Chart 15. SVOD Turnover (2016-2025e)

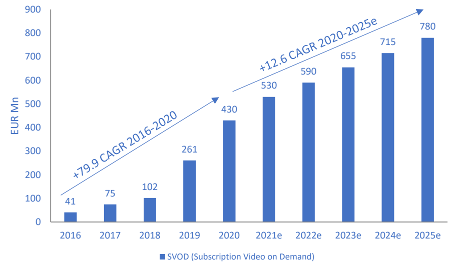
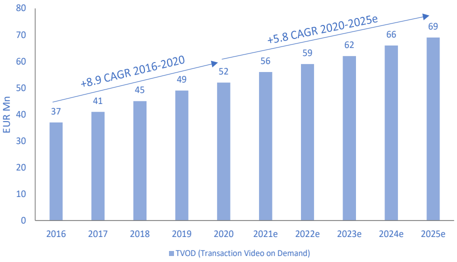
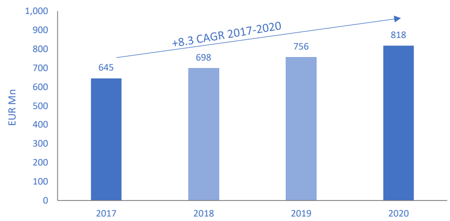


Chart 16. TVOD Turnover (2016-2025e)



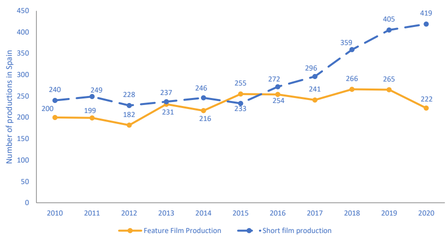
Source: Entertainment & Media Outlook, PWC.

Chart 17. Turnover of the Spanish animation industry (2017-2020)



Source: ICEX.

Chart 18. Audiovisual content production in Spain (2010-2020)



Source: Instituto de la cinematografía y de las Artes Audiovisuales.

Table 1. Earnings of animated feature films produced in Spain

Movie	Budget (USD)	Global Collection (USD)
Las aventuras de Tadeo Jones (2012)	8 Mn	60.8 Mn
Ozzy (2016)	2 Mn	14 Mn
Tadeo Jones 2: El secreto de Rey Midas (2017)	9 Mn	34.2 Mn
Deep (2017)	1.1 Mn	7.1 Mn

Source: boxofficemojo.com

Animation, a growth niche in the E&M sector (+8.3% 2017-2020 CAGR)

The animation industry includes the development, production, making, editing and distribution of content for feature films, shorts and series. Technology plays a key role in production, reducing work time and improving the quality of the animations (Federación de Animación, 2018). Joint productions between countries are a recurrent practice that opens the door to new international markets and the incentives these offer.

ICEX (the Spanish Institute for Foreign Trade) estimates that the revenue of the animation sector in Spain was close to EUR 818Mn in 2020 (Chart 17; +8.3% 2017-2020 CAGR). One of the drivers of this growth in recent years has been free broadcast media (such as YouTube Kids). This type of platform has driven a need in the industry to create a new business model (AVOD; Advertising Video on Demand) that generates enough revenue to offset the additional production, marketing and branding costs needed to adapt content and enhance visibility. According to the Spanish Federation of Animation Producers, these channels are also changing consumer behaviour and contributing to the transition from the traditional 90-120-minute format to shorter formats of 2-20 minutes (a format that MONI has a lot of experience in).

In Spain, there are over 250 animation companies, although at least 65% of these have revenue of <EUR 0.5Mn a year (so the sector is highly fragmented). Spain ranks second in Europe in production of fiction by hours produced, with 75 series in 2020. In 2020, 419 shorts were produced in Spain (vs 233 in 2015; Chart 18), reflecting the positive evolution of production in Spain. And, although the number of feature films produced in Spain fell to 222 in 2020 (vs 265 in 2019), there have also been success stories such as the "Tadeo Jones" domestic franchise, with the first feature film earning c.8x the budget in 2012, vs c.4x for the latest instalment.

Animation is holding its ground both in traditional media, with feature films in cinemas and series on television (the main international channels are Disney, Nickelodeon and Cartoon Network; in Spain TVE and Televisió de Catalunya are key players), and on streaming platforms (Netflix, Disney +). Allowing the industry's current context to be exploited for greater diffusion.

The España, Hub Audiovisual de Europa plan

The government intends to encourage audiovisual production through initiatives in Spain involving investment of EUR 1.60Bn between 2021 and 2025. The "España, Hub Audiovisual de Europa" plan, aims to favour the audiovisual industry, the target being a 30% increase in audiovisual production in the country by 2025, improving competitiveness and making international production, investment and shoots in Spain more attractive via tax incentives.

The lines on which the strategy for promoting audiovisual production in Spain is based are: i) the promotion and digitisation of audiovisual activity, ii) actions to improve investors' access to funding and iii) the use of tax incentives.

And with a tendency towards concentration (driven by the need to grow in content)

In recent years, concentration has become a clear trend in a sector focused on improving margins and increasing the available content, redesigning the business in the face of the threat of a loss of market share to OTT platforms (Netflix).

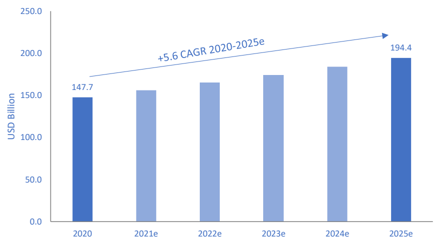
The period 2021-2022 saw a host of large corporate movements. We would highlight Amazon's acquisition of the MGM film studio for USD 8.5Bn to increase the content available in its catalogue and AT&T's decision to merge Warner Bros with Discovery for USD 59Bn in 2021.

Table 2. Main transacctions in the E&M sector (2021 Y 2022)

Year	Target	Country	Buyer	Price (USD Mn)
2022	Metro-Goldwyn-Mayer	USA	Amazon	8,450
2021	Complex Media (Verizon)	USA	BuzzFeed	300
2021	Crunchyroll	USA	Sony Corp	1,175
2021	Entertainment One (Hashbro)	CANADA	Blackstone	385
2022	Warner Bros	USA	Discovery	59,025
2021	CBS	USA	Viacom	1,850

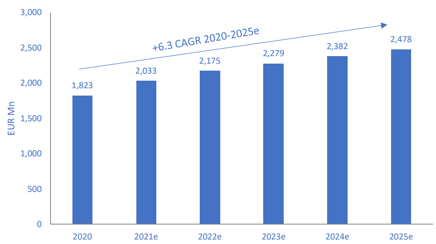
Source: Factset.

Chart 19. Global turnover of the video games industry (2020-2025e)



Source: Entertainment & Media Outlook, PWC.

Chart 20. Turnover of the spanish video games industry (2020-2025e)



Source: Entertainment & Media Outlook, PWC.

Video games and e-sports: A segment with the capacity for mid-single-digit growth in Spain (+6.3% 2020-2025e CAGR)

Video games are another favourite entertainment option chosen by consumers. In Spain, there were already over 18 million players in 2021 (of which c. 47% were women according to the 2021 Annual Report of the Asociación Española de Videojuegos). The pandemic has benefited this industry, increasing consumption. The large sector players such as Microsoft and Sony have announced the presentation of new next generation consoles (Xbox and Playstation) that together with PCs and mobile phones are the main platforms used.

The global turnover of the video games and e-sports industry amounted to USD 147Bn in 2020 (+12% vs 2019). Growth since 2019 has been boosted by the pandemic; growth that should continue to USD 194Bn in 2025 (+5.6% 2020-2025 CAGR; Chart 19).

Currently, Spain is the fifth largest video games and e-sports market in Europe, with turnover of EUR 1.82Bn in 2020 (+ 7.2% vs 2019). The online format of video game purchasing has been one of the levers that the industry has benefited from in recent years. Online purchasing accounted for >50% of total video game purchases in Spain in 2021 and should be one of the main drivers of growth over 2020-2025 up to a level of turnover of c. EUR 2.5Bn in 2025e (+6.3% 2020-2025 CAGR; Chart 20).

E-sports (professional gaming competitions) have seen exponential growth in the last 4 years mainly thanks to the success of video games such as League of Legends, Dota 2 and Fortnite, among others. In Spain, e-sports recorded turnover of EUR 34Mn in 2021 (+26% vs 2020); although lower than turnover in countries like Germany, France and the UK.

Video games, e-sports and virtual reality could be boosted by the development of the metaverse (an additional option from the generation of business and growth viewpoint; although this is still at a very early stage of development).

In conclusion: A highly diverse industry undergoing transformation, in which digital platforms play a key role (20-25e SVOD revenue: +12.6% CAGR)

The sector is immersed in a process of digital transformation that affects almost all its segments. The changes brought about by the restrictions on mobility imposed by the global Covid-19 pandemic have led to new behaviour by consumers for whom internet access has been critical.

The boom in OTT services (VOD, SVOD and TVOD) has multiplied the ability to access content at any time and place (leading the internalisation of TV series and films). This global trend is easily applicable to MONI's situation (small local operator), as the international expansion of SVOD platforms (such as Netflix) favours the search for original content of a local nature to attract new clients; for example: the first season of "Heidi, bienvenida" produced by MONI was launched on Netflix).

In conclusion, the Entertainment & Media sector (E&M) is characterised by:

- **Greater dependence on technology...** The "match" (access to content, distribution model, monetisation…) is now being played on digital media (that represented c. 53% of the total turnover generated by the E&M industry in 2021; vs c. 45% in 2016).

- **… that makes higher growth niches feasible.** Although with mid-single-digit growth: +5.4% for the sector as a whole over 2020-2025e, there are high growth niches such as the digital platforms (that will continue to drive growth): 20-25e SVOD turnover: +12.6% CAGR (Subscription Video on Demand on platforms such as Netflix, HBO Max and Disney +). And the video games industry (another segment with growth potential).

- **Search for original content of a local nature** but with the potential to be transferred to other countries ("La Casa de Papel" in Spain is a case in point).

- **A very favourable breeding ground for M&A,** given the need to grow in content and adapt the new business models to the current context (in an industry in which small producers are increasingly gaining ground on large ones).

Capable of continued growth. Tax incentives and the backing of the parent will remain crucial

MONI should be seen as a developing business that is still highly dependent on the relationship with its parent (the Mondo TV Group), to date its main client (c. 55% of 2021 revenue) and financier. In 2021 MONI generated EUR 3.8Mn in revenue (vs EUR 2.6Mn in 2020; +45%), a record for company turnover. Strong growth explained by:

- **The ramp-up of the animation services business (2D and 3D CGI pre-production)**, with turnover of EUR 2.0Mn (vs EUR 0.7Mn in 2020) as a result of the enlarging of the Canary Island production studio that can now provide services for any third party project. In 2021 c. 30% of the revenue of the animation services business was generated by contracts with third parties (while previously this activity was carried out exclusively for the parent).

- **The signing of the first Licencing & Merchandising agreement.** In 2021 MONI signed a first contract for the cession of licencing rights in an amount of EUR 0.6Mn for the co-production of the new series Annie & Carola (whose production will be concluded in 2024e).

It is important to bear in mind that given the size and nature of MONI's business (with discontinuous contracting, highly dependent on the signing of new distribution/production contracts), the P&L is very volatile, making quarterly results difficult to read (and reducing the visibility of the business if we look beyond 2022e). Having reached this point, there is only one question: What can we expect from MONI in coming years in terms of business generation and profitability?

Chart 21. Total revenues by business line (2021-2024e)

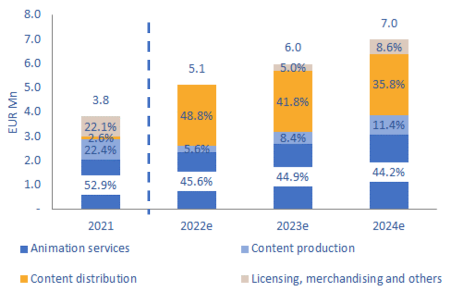
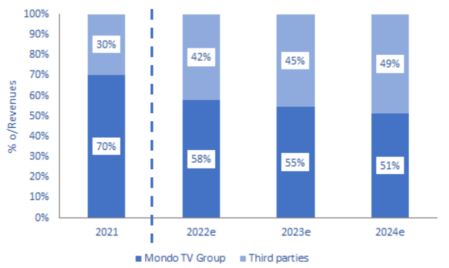


Chart 22. Weighting of revenue generated by contracts with the parent (2021-2024e)



The ramp-up of the distribution business will drive revenue (+22% CAGR 21-24e), gradually reducing the (still high) weight of sales to the parent

Our central scenario for 2022e-2024e envisages the acceleration of growth in revenue (especially in 2022e), to EUR 7.0Mn at the end of the period (+22% CAGR 2021-2024e). This is a significant step-up in scale bearing in mind that MONI ended 2021 with revenue of EUR 3.8Mn. This growth is underpinned by:

- **Continued growth in animation services (+15% CAGR 21-24e).** In our view, the main drivers of the animation services business in 2022e-2024e will be: (i) the increased capacity of digital animation services (including 3D CGI from 2021) and (ii) growth in the number of services provided to third parties (c. 30% of 2021 revenue) attracted by the tax incentive framework.

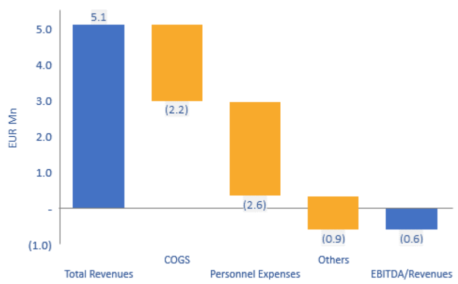
- **Ramp-up of the content distribution business (c. 50% of 2022e revenue),** driven, among other things, by the contract signed with the RAI (Italian state TV) for the sale of a fiction series of 100 episodes (out of a total of 485) that will appear on the P&L in 2Q22 and leads us to estimate revenue of c. EUR 2.5Mn for the content distribution business (that will increase to c. 50% of the revenue mix vs < 5% in 2021).

  The contract with the RAI includes a purchase option on the other 385 episodes. We assume that the RAI will execute the purchase option in 4Q22 that would provide MONI with recurrent revenue over the coming years, and this leads us to estimate revenue of c. EUR 2.5Mn /year in 2023e and 2024e (maintaining revenue per episode in line with our estimate for 2022e). Obviously, given the size of the contract with the RAI (estimated by Lighthouse), the impact of the Italian state broadcaster not executing the purchase option would be very negative, taking revenue to c. EUR 4Mn again (-30% vs our central scenario for 2023e).

The foregoing (continued growth in animation services and the ramp-up of the distribution business) should allow MONI to close 2022e with revenue of c. EUR 5Mn (+33% vs 2021), reducing the weighting of revenue generated by contracts with the parent to c. 60% in 2022e (and c. 50% in 2024e vs 70% in 2021).

In addition, in 2021 MONI entered the video games segment, launching its first video game in 2022 (based on the Mondo TV Group's animation series MeteoHeroes; already available on the PlayStation digital platform and expected to be launched in physical format in Spain and Italy at Christmas 2022) co-produced with Sony Interactive Entertainment España and Gammera Nest, and that could act as an additional growth lever (although we have not included it in our estimates due to the high degree of uncertainty regarding its evolution).

Chart 23. From total revenues to EBITDA (2022e)



But break even in Recurrent EBITDA won't be achieved until 2023e.

Despite the big increase in revenue estimated in 2022e (EUR 5.1Mn vs EUR 3.6Mn), we estimate negative recurrent EBITDA in 2022e as a result of the change in the revenue mix caused by the ramp-up of the distribution business, that will drag the gross margin down to c. 60% (vs c. 90% in 2021; gross margin of the distribution business c. 30%). This will result in a gross margin of EUR 3Mn (vs EUR 3.5Mn in 2021; when the content distribution business only accounted for < 5% of the revenue mix vs c. 50% in 2022e).

Below the gross margin line, in 2022e we estimate growth in personnel costs to EUR 2.6Mn (+9% vs 2021) and other operating costs of EUR 0.8Mn (+10% vs 2021). This leads us to estimate negative Recurrent EBITDA of EUR -0.6Mn (Chart 23).

What about 2024e? In our opinion, MONI's business has high operating leverage (growth in 22e operating costs of c. 10% vs growth in 22e revenue of c. 30%) that should allow MONI to achieve Rec. EBITDA of c. EUR 0.5Mn in 2024e (Rec. EBITDA margin 7%; Chart 25) with revenue of c. EUR 7Mn.

Chart 24. Gross Margin (2021-2024e)

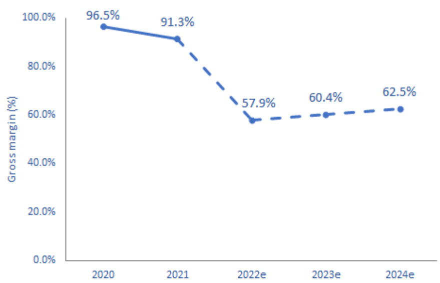
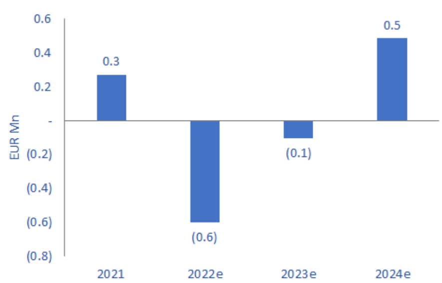


Chart 25. Recurrent EBITDA (2021-2024e)



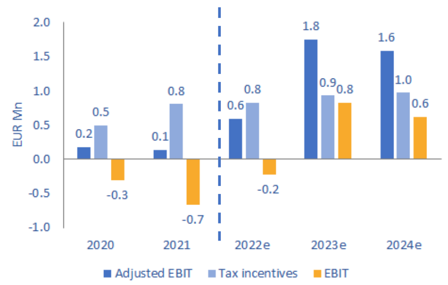
So the continuation of tax incentives will remain crucial for the future of the business in the mid and long terms.

There are two key items that are outside of Recurrent EBITDA but with an impact on EBIT:

- Capitalised expenses, that we estimate will increase to c. EUR 0.8Mn in 2022e and EUR 1.5Mn in 2023e (c. 25% of total costs) mainly as a result of the increase in capitalised personnel costs required to advance production of the new series Annie & Carola (and that will be capitalised as an increase in the value of the production).

- Tax incentives (EUR 0.8Mn in 2022e) generated by the audiovisual activity based in the Canary Islands (tax deduction of 50% on the first million euros of eligible expenses of the cost of production and of 45% on the rest of the expenses incurred in the Canaries). If the total tax liability is insufficient to qualify for a deduction, MONI's current situation, payment of the amount not deducted may be requested of the tax authorities. This makes this kind of incentive a de facto subsidy.

Chart 26. Adjusted EBIT (2021-2024e)



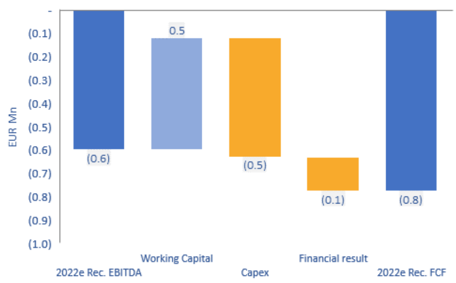
Note: Adjusted EBIT includes the tax incentives generated by MONI's audiovisual activity (tax rebate) as these can be monetised even with negative PBT (the company's current situation). These tax incentives are not reflected in EBITDA.

The capitalisation of production expenses (EUR 0.8Mn in 2022e) and the tax incentives (EUR 0.8Mn in 2022e) will offset amortisation of EUR 0.4Mn (useful live of 5 years for MONI's productions and of 20 years for its parent's catalogue) and generate 2022e adjusted EBIT of EUR 0.6Mn. This underlines the importance of the continuation of these tax incentives for MONI's business in the mid and long terms.

With cash generation capability that will remain small

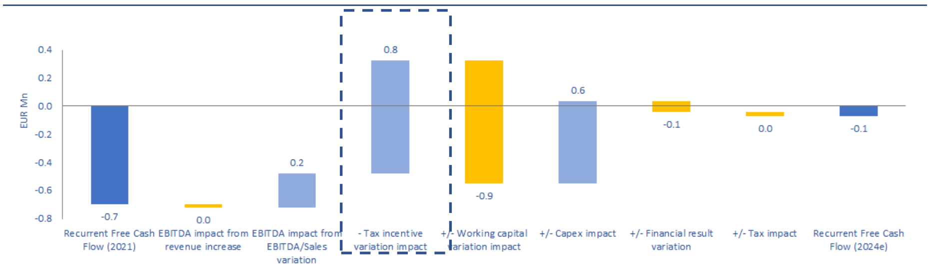
Although we estimate the ramp-up of the content business will generate abundant cash flow (impact of c. EUR 1.2Mn due to change in working capital), we project negative 2022e Recurrent FCF of EUR 0.7Mn explained mainly by: (i) the generation of negative Recurrent EBITDA (EUR -0.6Mn) and (ii) CAPEX of EUR 0.5Mn (associated with the start of the production of Annie & Carola).

Chart 27. From Rec. EBITDA to Rec. Free Cash Flow (2022e)



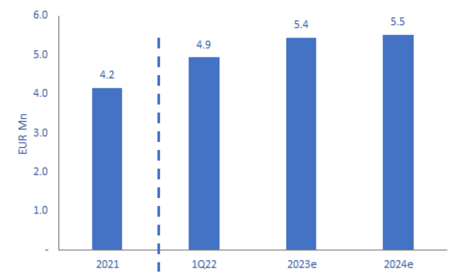
Although we estimate a reduction in the business' cash consumption (24e Rec. FCF at breakeven), we rule out the generation of positive Rec. FCF because MONI's business is still under development and at the ramp-up stage. In our opinion, the main obstacle to the generation of Free Cash Flow over 2022e-2024e will continue to be the narrow margins generated by the animation services businesses (that depend on the continuation of the tax incentives generated). This underlines even more, if possible, the importance of tax incentives to the business (not only from a P&L point of view, but also as regards FCF and net debt; Chart 28). In 2023e and 2024e we estimate a cash inflow of EUR 0.5Mn and EUR 0.8Mn from the tax incentives generated in 2020 and 2021 (that will help to finance the growth of its business).

Chart 28. Recurrent Free Cash Flow accumulated variation analysis (2021-2024e)



That will translate to an increase in net debt to c. EUR 5.5Mn in 2024e and explains why the financial support of the parent remains crucial

Chart 29. Net Debt (2021-2024e)



In recent years, the Mondo TV Group has provided MONI with the financial support necessary to remain in business. This means that, at present, a significant amount of MONI's gross debt corresponds to liabilities with the Mondo TV Group (c. 40% of total debt, including a c. EUR 0.6Mn participating loan).

The estimated cash outflow for 2022e (EUR -0.8Mn) will mean an increase in net debt to c. EUR 5Mn in 2022e (vs EUR 4.2Mn in 2021; Chart 29). And given the business' low capacity for cash generation in 2022e-2024e, this could reach levels of c. EUR 5.5Mn in 2024e (c. 60% of the current Mkt Cap).

Valuation inputs

Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value [(1)]
Free Cash Flow "To the Firm"	**(0.6)**	**(0.3)**	**0.1**	**n.a.**

			Best Case	Worst Case
Market Cap	**8.6**	At the date of this report		
Net financial debt	**4.2**	Debt net of Cash (12m Results 2021)		
Cost of Debt	4.0%	Net debt cost	3.8%	4.3%
Tax rate (T)	20.0%	T (Normalised tax rate)	=	=
Net debt cost	**3.2%**	**Kd = Cost of Net Debt * (1-T)**	**3.0%**	**3.4%**
Risk free rate (rf)	2.1%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	8.0%	R (own estimate)	7.5%	8.5%
Beta (B)	1.2	B (own estimate)	1.1	1.3
Cost of Equity	**11.7%**	**Ke = Rf + (R * B)**	**10.3%**	**13.1%**
Equity / (Equity + Net Debt)	67.4%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	32.6%	D	=	=
WACC	**8.9%**	**WACC = Kd * D + Ke * E**	**7.9%**	**9.9%**
G "Fair"	**2.0%**		**2.0%**	**1.5%**

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 22e	EPS 22e-24e	EV/EBITDA 22e	EBITDA 22e-24e	EV/Sales 22e	Revenues 22e-24e	EBITDA/Sales 22e	FCF Yield 22e	FCF 22e-24e
Toei Animation	4816-JP	4,257.6	40.0	8.3%	24.6	5.2%	8.0	5.3%	32.4%	2.4%	12.4%
Lions Gate	LGF.A-US	2,249.1	15.0	-16.2%	13.8	23.3%	1.6	10.3%	11.3%	5.6%	63.0%
Wildbrain	WILD-CA	265.3	80.1	n.a.	13.1	16.0%	2.4	12.0%	18.4%	7.3%	n.a.
Xilam Animation	XIL-FR	183.0	25.1	24.1%	9.6	6.7%	4.8	18.4%	50.3%	n.a.	96.6%
Mondo TV S.p.A.	MTV-IT	40.2	n.a.	n.a.	1.7	8.0%	1.4	5.4%	83.9%	n.a.	n.a.
Your Family Entertainmen	RTV-DE	39.0	68.5	50.0%	22.8	23.9%	10.9	15.6%	47.9%	1.6%	48.5%
Audiovisual production and animation			45.7	16.6%	14.3	13.8%	4.8	11.2%	40.7%	4.2%	55.1%
MONI	MONI-ES	8.6	19.1	76.3%	n.a.	67.6%	2.3	16.8%	n.a.	n.a.	69.1%

What could go wrong?

We consider risks to be those that could have a significant negative impact on our projections, mainly those for operating profit and the capacity to generate free cash flow:

1. **High volume of related party balances and transactions.** To date, MONI has generated a very significant volume of its revenues with Mondo TV Group companies (c. 70% of 2021 revenue). Also, at the 2021 close, MONI had a total of EUR 1.7Mn in accounts receivable with its Group. Although our estimates envisage a gradual reduction in revenue generated with the Group, we estimate these will still account for c. 50% in 2024e. This means that, as for any company with a very high volume of related party balances and transactions, MONI's performance (revenue, FCF, net debt) is highly dependent on the performance of the Group.

   A loss of market share of the Mondo TV Group due to changes in market trends and consumer tastes, would have a very negative impact on our revenue estimates (and the company's solvency). At the date of this report, Factset consensus estimates revenue growth for the Mondo TV Group of c. 20% in 2022e (that mitigates this risk).

2. **Dependence on the success of the content produced:** Revenue from the production and distribution of content (c. 50% of 2023e revenue) depends largely on the number of new releases and other unpredictable variables (such as changes in consumer tastes). Currently, MONI is working on the co-production of the new series "Annie & Carola (together with MB Producciones, Mondo TV S.p.A and RTVE) on which a total of c. EUR 6Mn is expected to be invested with a production period of 18-24 months (currently at the pre-production stage). Any variation in either the number of new releases or the expected success of these would impact our revenue estimates.

3. **Content distribution contracts.** MONI's content distribution business reported very irregular revenue recognition over 2016-2021 (for example: in 2021 the content distribution business generated revenue of EUR 0.1Mn vs EUR 1.0Mn in 2020). Our estimates envisage revenue for the content distribution business of c. EUR 2.5Mn/year over 2022e-2024e. This volume of revenue is underpinned, among other things, by the contract signed with the RAI (Italian state TV) for the sale of a fiction series of 100 episodes (out of a total of 485) that will appear on the P&L in 2Q22 (and that we estimate will enable MONI to close 2022e with distribution revenue of c. EUR 2.5Mn).

   In addition, we assume that the RAI will execute the purchase option on the remaining 385 episodes in 4Q22, that would provide MONI with recurrent revenue over the coming years (and that leads us to estimate, among other distribution agreements, c. EUR 2.5Mn/year in 2023e and 2024e). Obviously, given the size of the contract with the RAI, the impact of the Italian state broadcaster not executing the purchase option would be very negative, taking 2023e revenue to c. EUR 4Mn again (-30% vs our central scenario for 2023e).

4. **Exposure to emerging markets (Latam).** In 2021, revenue generated in Latam accounted for 6.3% of total revenue. In our opinion, growth in Latam, where MONI owns the exclusive distribution rights for both its own catalogue and that of the Mondo TV Group, is one of the pillars that explains the expected growth of the company in 2022e-2024e (especially in the animation services and content distribution businesses). This in itself implies dependence on the region's macro and growth.

5. **Dependence on tax incentives (crucial to the business):** Today MONI's business can only be understood by including the tax incentives arising from its activity as a producer with an address for tax purposes in the Canary Islands (a key factor for understanding the company's capacity for cash generation). So the continuation of these tax incentives (tax credit and tax rebate) is critical to the future of the business.

   In 2020 and 2021 the tax rebate generated by MONI amounted to EUR 0.5Mn and EUR 0.8Mn, respectively (capitalised on the balance sheet for a total of EUR 1.3Mn, of which EUR 0.5Mn should be monetised in 2023e). Any change in the regulations of these tax incentives would have a very significant impact on MONI's cash generation capacity (and liquidity).

6. **Increase in CAPEX requirements:** The production of audiovisual content is a business whose growth is highly dependent on the level of investment and, so, is very capital-intensive. In addition to our estimate for personnel costs capitalised as an increase in the value of the production of Annie & Carola (EUR 0.8Mn in 2022e and EUR 1.5Mn in 2023e), we estimate CAPEX of c. EUR 0.5Mn in 2022e and 2023e. An increase in 2023e CAPEX to EUR 1Mn (vs EUR 0.5Mn estimated) would cause an increase in 2023e net debt to c. EUR 6Mn (vs EUR 5.4Mn estimated).

7. **Dilution risk.** In recent years, MONI has maintained Recurrent EBITDA at breakeven (excluding capitalised expenses and tax incentives). In this respect, accelerating business growth could increase capital requirements (22e net debt: EUR 4.9Mn; 2022e net debt/equity: c. 3x). Given MONI's size/sector/business situation (at the development stage), access to new capital to grow could mean additional equity increases (implying dilution for current shareholders). At present, MONI has a participating loan with its parent in an amount of EUR 0.6Mn.

The Mondo TV Group: controlling shareholder and main client

Table 3. Shareholder structure

Name	Direct	Indirect	Total
Mondo TV S.p.A.	75.6%	-	-
Matteo Corradi	2.1%	4.1%	6.2%
Giuliana Bertozzi	3.7%	13.1%	16.8%
Riccardo Corradi	3.7%	3.6%	7.3%
Mónica Corradi	0.9%	3.4%	4.3%
Free Float	14.0%	-	-
Total	**100%**		

Table 4. Board of Directors

Name	Position	Category	%Capital
Matteo Corradi	President	Propietary	6.2%
María Bonaria Fois	Member and Secretary	Executive	0%
Patricia Motilla Bonias	Member and Deputy Secretary	Independient	0%
Jesús Ángel García-Quilez	Member	Independient	0%
Carlo Marchetti	Member	Propietary	0%
Enrico Martinis	Member	Non Executive	0%
Total			**6.2%**

Note: Including direct and indirect participation.

MONI forms part of the Mondo TV Group (a company listed on the Euronext Star segment of the Italian stock market and controlled by the Corradi family; Mkt. Cap. c. EUR 40Mn), that holds a controlling interest in the company. This means that, as for any listed company totally controlled by its parent, corporate governance is logically affected by the interests of the controlling shareholder (transfer pricing, transactions with related parties, etc.). We highlight:

The Mondo TV Group, controlling shareholder (75.6% of capital) and apparently in it for the long term. At present, possible changes in the shareholder structure are not a factor to take into account.

With a Board of Directors that has remained relatively stable since the market listing in 2016. Comprised of six members since 2021 (year in which Enrico Martinis was included; non Executive director), the Board of Directors includes: (i) two proprietary directors (33.3% of the total) in representation of the Mondo TV Group (Matteo Corradi, Chairman of the Board and Chairman of the Mondo TV Group and Carlo Marchetti), (ii) 1 executive director, María Bonaria (CEO of MONI), and (iii) 2 independent directors (who represented 33.3% of the total in 2021 vs 40% in 2020).

Table 5. Key corporate governance indicators

KPI	2019	2020	2021
% of independent directors	40.0%	40.0%	33.3%
% of proprietary directors	40.0%	40.0%	33.3%
% of executive directors	20.0%	20.0%	16.6%
% of women on the board of directors	40.0%	40.0%	33.3%
% Remuneration of the Board (without Senior Management)/personnel costs*	16.3%	9.5%	6.4%
% Remuneration of the Board including Senior Management/personnel costs*	38.5%	34.0%	18.4%

*Figures for 2019 and 2020 taken from the consolidated financial statements prior to the reverse merger of Mondo TV Iberoamérica and its subsidiary Mondo TV Producciones Canarias in 2021 (that simplified the company's structure).

Remuneration of the board of directors and management team. In 2021 the remuneration of the Board of Directors (comprised of 6 members vs 5 in 2020) was stable at EUR 0.15Mn (c. 6.4% of personnel costs in 2021 vs 9.5% of personnel costs in 2020). There are no commitments for complements in respect of pensions, sureties or guarantees granted in favour of the Board of Directors.

Compensation of senior management (1 employee out of an average headcount in 2021 of 55) was EUR 0.3Mn in 2021, representing c.12% of personnel costs. In October 2019, Maria Bonaria (CEO) updated her variable remuneration, indexing this to the net sales margin and to the cash funding provided for productions by third parties. In addition, in 2020 it was stipulated that the CEO would also act as Executive Producer of the audiovisual productions (receiving a variable percentage of the budget, within a range that varies depending on their degree of complexity; the amount accrued in 2020 for this item amounted to EUR 0.2Mn).

Independent board members and Audit Committee. Independent directors occupy 2 seats on the Board (Patricia Motilla with a legal background – Chair of the Audit Committee – and Jesús Ángel Carcía-uilez, with 20 years' experience in the financial sector). 66.7% of the members of the Audit, Control and Compliance Committee are independent. Currently, MONI does not have an Appointments and Remuneration Committee.

ESG policies. In September 2021 the company created an ESG department that is working on the preparation of a NFIR (Non-Financial Information Report; the company is not legally obliged to present this). The main initiatives carried out in the area of ESG are: (i) an audit to calculate emissions via Tree-Nation (a NGO dedicated to offsetting global deforestation and equipped to calculate CO_2 emissions associated with business activity), (ii) the creation of a flexible remote working programme for employees and (iii) in respect of governance, in 2021 the Board approved a new compensation policy that establishes a variable amount based on making ESG targets.

No explicit diversity policy. Despite not having an explicit diversity policy, the company has no gender problems in respect of its governance (33% of board members are women vs a national average of 30%) or in its workforce (48.8% of the average headcount in 2021 were women, including the CEO).

With a significant volume of balances and transactions with related parties (mainly its controlling shareholder), that correspond mainly to the financial support received from the parent company and the audiovisual and production services provided to the Mondo TV Group (through MONI's production studio in the Canary Islands). Specifically, we highlight:

- **Related party transactions:** In 2021, MONI generated total revenue of EUR 2.7Mn with the Mondo TV Group (c. 74% of total revenue reported in 2021; Table 6), mainly from: (I) the signing of two animation services contracts for the production of "Agent203" and "MeteoHeroes 2" with the parent Mondo TV S.p.A., (ii) the sale to Mondo TV S.p.A. of the rights for Asia and Italy of the film "Inolvidable Heidi" and the L&M of the series "Annie & Carola", and (iii) the provision of audiovisual services for "Disco Dragon" and the signing of a contract for the production of the 3D animation series "Grisù" with Mondo TV France S.A.

Table 6. Revenues with related parties

	2021	2020
Revenues with related parties (EUR Mn)	**2.7**	**1.4**
Mondo TV S.p.A.	2.1	0.6
Mondo TV France	0.6	0.3
Bat Pat Serie A.I.E.	0.0	0.4
% Revenues with related parties/Total revenues	*74.2%*	*54.6%*

The large volume of revenues with related parties should decrease from 2022e after the signing of a distribution contract with the RAI (Italian state TV) announced in 2022 that we estimate will have a very significant impact on revenues; this should reduce the weighting of revenue from related parties to c. 60% in 2022e (vs c. 70% in 2021).

- **Outstanding balances with related parties.** Liabilities corresponding mainly to the financial support provided by the parent Mondo TV S.p.A. In addition, the total amount of balances receivable amounted to EUR 1.7Mn in 2021 (vs EUR 2.2Mn in 2020; Table 7).

Table 7. Balances with related parties

EUR Mn	2021	2020
Non-Current Assets	**0.5**	**-**
Non-Current Investments in group companies	**0.5**	**-**
Mondo TV France	0.5	-
Current Assets	**1.7**	**2.2**
Trade accounts receivables	**1.7**	**2.2**
Mondo TV S.p.A.	1.5	1.0
Mondo TV France	0.2	0.4
BAT PAT SERIE	-	0.8
Current Investments in group companies	**0.0**	**0.0**
BAT PAT SERIE	-	0.0
Annie & Carola A.I.E.	0.0	0.0

EUR Mn	2021	2020
Non-Current Liabilities	**0.9**	**0.4**
Non-current debt	**0.9**	**0.4**
Mondo TV S.p.A.	0.9	-
Mondo TV France	0.5	-
Mondo TV Iberoamérica (merged in 2021)	-	0.4
Current Liabilities	**0.7**	**0.6**
Current debt	**0.5**	**0.2**
Mondo TV S.p.A.	0.5	-
Mondo TV France		-
Mondo TV Iberoamérica (merged in 2021)	-	0.2
Trade accounts payable	**0.2**	**0.4**
Mondo TV France	0.2	0.2
Mondo TV Iberoamérica (merged in 2021)	-	0.2

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Intangible assets	6.3	3.0	2.1	2.0	1.3	2.1	3.7	4.9
Fixed assets	0.0	0.1	0.1	0.2	0.4	0.4	0.4	0.4
Other Non Current Assets	0.1	0.1	0.1	0.8	1.6	2.4	2.9	3.1
Financial Investments	0.2	0.0	0.0	0.0	1.1	1.1	1.1	1.1
Goodwill & Other Intangilbles	-	-	-	-	-	-	-	-
Current assets	2.9	1.6	2.2	2.8	2.0	1.8	2.1	2.4
Total assets	**9.4**	**4.8**	**4.4**	**5.9**	**6.3**	**7.9**	**10.1**	**11.8**
Equity	1.3	(3.9)	1.1	1.0	1.1	1.5	3.1	4.5
Minority Interests	-	-	-	-	-	-	-	-
Provisions & Other L/T Liabilities	1.4	1.0	0.5	1.1	0.2	0.2	0.2	0.2
Other Non Current Liabilities	-	-	-	-	-	-	-	-
Net financial debt	6.4	7.1	2.1	2.9	4.2	4.9	5.4	5.5
Current Liabilities	0.4	0.6	0.7	1.0	0.9	1.2	1.4	1.6
Equity & Total Liabilities	**9.4**	**4.8**	**4.4**	**5.9**	**6.3**	**7.9**	**10.1**	**11.8**

									CAGR	
P&L (EUR Mn)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**	**17-21**	**21-24e**
Total Revenues	**3.7**	**1.4**	**2.5**	**2.6**	**3.8**	**5.1**	**6.0**	**7.0**	***1.2%***	***22.1%***
Total Revenues growth	*70.1%*	*-61.6%*	*77.7%*	*5.4%*	*45.9%*	*33.4%*	*16.9%*	*16.8%*		
COGS	(0.6)	(0.0)	(0.0)	(0.1)	(0.3)	(2.2)	(2.4)	(2.6)		
Gross Margin	**3.0**	**1.4**	**2.5**	**2.5**	**3.5**	**3.0**	**3.6**	**4.4**	***3.9%***	***7.6%***
Gross Margin/Revenues	*82.4%*	*96.6%*	*99.4%*	*96.5%*	*91.3%*	*57.9%*	*60.4%*	*62.5%*		
Personnel Expenses	(0.7)	(1.0)	(0.9)	(1.6)	(2.4)	(2.6)	(2.7)	(2.7)		
Other Operating Expenses	(0.4)	(0.7)	(0.9)	(0.6)	(0.8)	(0.9)	(1.0)	(1.1)		
Recurrent EBITDA	**1.9**	**(0.3)**	**0.7**	**0.3**	**0.3**	**(0.6)**	**(0.1)**	**0.5**	***-38.4%***	***21.5%***
Recurrent EBITDA growth	*53.8%*	*-117.8%*	*310.2%*	*-55.9%*	*-12.5%*	*-321.9%*	*83.0%*	*575.6%*		
Rec. EBITDA/Revenues	*51.3%*	*n.a.*	*28.1%*	*11.7%*	*7.0%*	*n.a.*	*n.a.*	*6.9%*		
Restructuring Expense & Other non-rec.	(0.0)	(0.1)	0.5	0.0	(0.1)	-	-	-		
EBITDA	**1.9**	**(0.4)**	**1.2**	**0.3**	**0.2**	**(0.6)**	**(0.1)**	**0.5**	***-43.2%***	***35.8%***
Depreciation & Provisions	(1.2)	(1.3)	(1.1)	(0.8)	(1.1)	(0.4)	(0.6)	(0.8)		
Capitalized Expense	-	0.2	0.1	0.2	0.3	0.8	1.5	1.0		
Tax incentives	-	-	-	0.5	0.8	0.8	0.9	1.0		
Adjusted EBIT[1]	**0.7**	**(1.6)**	**0.2**	**0.2**	**0.1**	**0.6**	**1.8**	**1.6**	***-33.6%***	***n.a.***
Adjusted EBIT growth	*101.2%*	*-330.5%*	*113.2%*	*-15.3%*	*-24.5%*	*350.4%*	*194.5%*	*-9.4%*		
Adjusted EBIT / Revenues	*18.5%*	*n.a.*	*8.3%*	*6.7%*	*3.4%*	*11.6%*	*29.3%*	*22.7%*		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	**0.5**	**(1.8)**	**0.0**	**0.1**	**0.0**	**0.4**	**1.6**	**1.4**	***-46.8%***	***n.a.***
Ordinary Profit Growth	*69.6%*	*-441.9%*	*101.7%*	*118.8%*	*-37.9%*	*970.7%*	*253.3%*	*-10.9%*		
Extraordinary Results	-	(3.8)	0.0	-	-	-	-	-		
Profit Before Tax	**0.5**	**(5.6)**	**0.0**	**0.1**	**0.0**	**0.4**	**1.6**	**1.4**	***-46.8%***	***n.a.***
Tax Expense	(0.1)	0.0	0.0	(0.0)	0.0	-	(0.0)	(0.0)		
Effective Tax Rate	*16.5%*	*n.a.*	*n.a.*	*25.9%*	*n.a.*	*n.a.*	*1.7%*	*1.3%*		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	**0.4**	**(5.5)**	**0.1**	**0.1**	**0.0**	**0.4**	**1.6**	**1.4**	***-44.3%***	***n.a.***
Net Profit growth	*74.4%*	*n.a.*	*101.1%*	*-17.8%*	*-16.2%*	*970.0%*	*247.4%*	*-10.5%*		
Ordinary Net Profit	**0.5**	**(1.7)**	**(0.5)**	**0.0**	**0.1**	**0.4**	**1.6**	**1.4**	***-28.5%***	***n.a.***
Ordinary Net Profit growth	*35.9%*	*-472.3%*	*72.6%*	*109.3%*	*174.0%*	*278.7%*	*247.4%*	*-10.5%*		

									CAGR	
Cash Flow (EUR Mn)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**	**17-21**	**21-24e**
Recurrent EBITDA						**(0.6)**	**(0.1)**	**0.5**	***-38.4%***	***21.5%***
Tax incentives[1]						-	0.5	0.8		
Working Capital Increase						0.5	(0.1)	(0.1)		
Recurrent Operating Cash Flow						**-0.1**	**0.3**	**1.2**	***59.7%***	***4.5%***
CAPEX						(0.5)	(0.6)	(1.0)		
Net Financial Result affecting the Cash Flow						(0.1)	(0.2)	(0.2)		
Tax Expense						-	(0.0)	(0.0)		
Recurrent Free Cash Flow						**(0.8)**	**(0.5)**	**(0.1)**	***37.5%***	***52.7%***
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						**(0.8)**	**(0.5)**	**(0.1)**	***32.3%***	***54.3%***
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						**0.8**	**0.5**	**0.1**		

Note 1: EBIT adjusted to include the impact of tax incentives with impact in free cash flow.

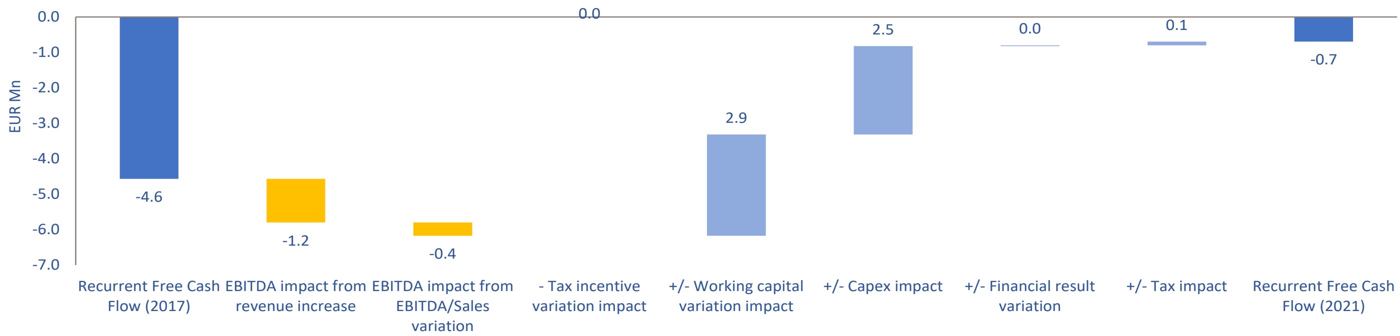
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 18-21	CAGR 21-24e
Recurrent EBITDA	**(0.3)**	**0.7**	**0.3**	**0.3**	**(0.6)**	**(0.1)**	**0.5**	*41.1%*	*21.5%*
Recurrent EBITDA growth	*-117.8%*	*310.2%*	*-55.9%*	*-12.5%*	*-321.9%*	*83.0%*	*575.6%*		
Rec. EBITDA/Revenues	*n.a.*	*28.1%*	*11.7%*	*7.0%*	*n.a.*	*n.a.*	*6.9%*		
-Tax incentives	-	-	-	-	-	0.5	0.8		
+/- Working Capital increase	1.5	(0.4)	(0.4)	0.8	0.5	(0.1)	(0.1)		
= Recurrent Operating Cash Flow	**1.2**	**0.3**	**(0.1)**	**1.0**	**(0.1)**	**0.3**	**1.2**	*-4.7%*	*4.5%*
Rec. Operating Cash Flow growth	*619.7%*	*-77.7%*	*-139.3%*	*n.a.*	*-111.6%*	*337.2%*	*313.2%*		
Rec. Operating Cash Flow / Sales	*84.0%*	*10.5%*	*n.a.*	*26.6%*	*n.a.*	*4.7%*	*16.7%*		
- CAPEX	(1.7)	(0.2)	(0.5)	(1.6)	(0.5)	(0.6)	(1.0)		
- Net Financial Result affecting Cash Flow	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)		
- Taxes	(0.2)	-	-	0.0	-	(0.0)	(0.0)		
= Recurrent Free Cash Flow	**(0.9)**	**(0.1)**	**(0.6)**	**(0.7)**	**(0.8)**	**(0.5)**	**(0.1)**	*6.8%*	*52.7%*
Rec. Free Cash Flow growth	*81.1%*	*90.4%*	*-650.4%*	*-12.1%*	*-11.5%*	*34.6%*	*85.4%*		
Rec. Free Cash Flow / Revenues	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		
- Restructuring expenses & others	-	-	-	-	-	-	-		
- Acquisitions / + Divestments	0.2	-	0.1	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	0.1	0.5	0.0	(0.1)	-	-	-		
= Free Cash Flow	**(0.6)**	**0.4**	**(0.5)**	**(0.8)**	**(0.8)**	**(0.5)**	**(0.1)**	*-6.1%*	*54.3%*
Free Cash Flow growth	*82.4%*	*163.5%*	*-232.8%*	*-41.6%*	*-0.4%*	*34.6%*	*85.4%*		
Recurrent Free Cash Flow - Yield (s/Mkt Cap)	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		
Free Cash Flow Yield (s/Mkt Cap)	*n.a.*	*4.8%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		

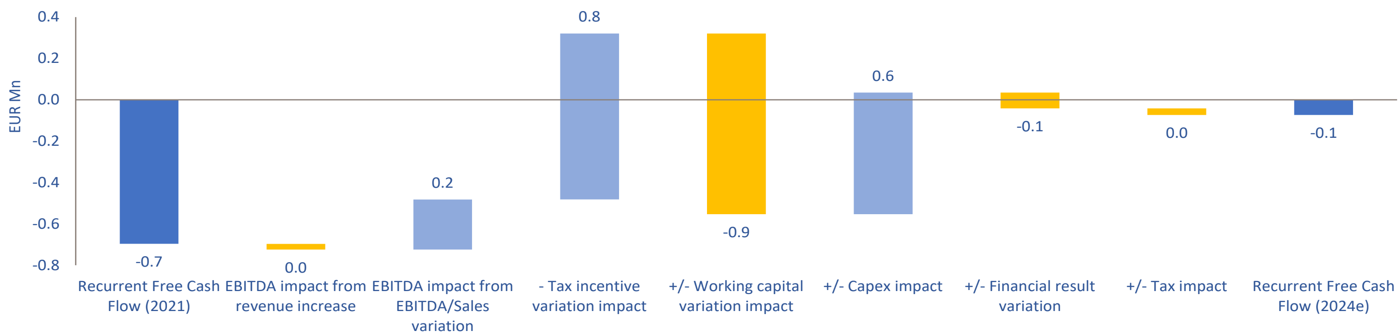
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)	2018	2019	2020	2021	2022e	2023e	2024e
Recurrent FCF(FY - 1)	**(4.6)**	**(0.9)**	**(0.1)**	**(0.6)**	**(0.7)**	**(0.8)**	**(0.5)**
EBITDA impact from revenue increase	(1.2)	(0.3)	0.0	0.1	0.1	(0.1)	(0.0)
EBITDA impact from EBITDA/Sales variation	(1.1)	1.3	(0.4)	(0.2)	(1.0)	0.6	0.6
= Recurrent EBITDA variation	**(2.2)**	**1.0**	**(0.4)**	**(0.0)**	**(0.9)**	**0.5**	**0.6**
- Tax incentive	-	-	-	-	-	0.5	0.3
+/- Working capital variation impact	3.6	(2.0)	0.0	1.2	(0.3)	(0.6)	(0.0)
= Recurrent Operating Cash Flow variation	**1.4**	**(0.9)**	**(0.4)**	**1.1**	**(1.1)**	**0.4**	**0.9**
+/- CAPEX impact	2.5	1.5	(0.3)	(1.2)	1.1	(0.1)	(0.4)
+/- Financial result variation	0.0	(0.1)	0.1	(0.0)	(0.0)	(0.0)	(0.0)
+/- Tax impact	(0.2)	0.2	-	0.0	(0.0)	(0.0)	0.0
= Recurrent Free Cash Flow variation	**3.7**	**0.8**	**(0.5)**	**(0.1)**	**(0.1)**	**0.3**	**0.4**
Recurrent Free Cash Flow	**(0.9)**	**(0.1)**	**(0.6)**	**(0.7)**	**(0.8)**	**(0.5)**	**(0.1)**

C) "FCF to the Firm" (pre debt service) (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 18-21	CAGR 21-24e
Adjusted EBIT	**(1.6)**	**0.2**	**0.2**	**0.1**	**0.6**	**1.8**	**1.6**	*27.7%*	*n.a.*
** Theoretical Tax rate*	*0.0%*	*0.0%*	*25.9%*	*0.0%*	*0.0%*	*1.7%*	*1.3%*		
= Taxes (pre- Net Financial Result)	-	-	(0.0)	-	-	(0.0)	(0.0)		
Recurrent EBITDA	**(0.3)**	**0.7**	**0.3**	**0.3**	**(0.6)**	**(0.1)**	**0.5**	*41.1%*	*21.5%*
- Tax incentives	-	-	-	-	-	0.5	0.8		
+/- Working Capital increase	1.5	(0.4)	(0.4)	0.8	0.5	(0.1)	(0.1)		
= Recurrent Operating Cash Flow	**1.2**	**0.3**	**(0.1)**	**1.0**	**(0.1)**	**0.3**	**1.2**	*-4.7%*	*4.5%*
- CAPEX	(1.7)	(0.2)	(0.5)	(1.6)	(0.5)	(0.6)	(1.0)		
- Taxes (pre- Financial Result)	-	-	(0.0)	-	-	(0.0)	(0.0)		
= Recurrent Free Cash Flow (To the Firm)	**(0.5)**	**0.1**	**(0.6)**	**(0.6)**	**(0.6)**	**(0.3)**	**0.1**	*-7.1%*	*29.2%*
Rec. Free Cash Flow (To the Firm) growth	*88.8%*	*121.1%*	*-677.1%*	*-1.0%*	*-2.7%*	*45.3%*	*128.2%*		
Rec. Free Cash Flow (To the Firm) / Revenues	n.a.	4.2%	n.a.	n.a.	n.a.	n.a.	1.4%		
- Acquisitions / + Divestments	0.2	-	0.1	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	0.1	0.5	0.0	(0.1)	-	-	-		
= Free Cash Flow "To the Firm"	**(0.3)**	**0.6**	**(0.5)**	**(0.7)**	**(0.6)**	**(0.3)**	**0.1**	*-34.1%*	*28.9%*
Free Cash Flow (To the Firm) growth	*92.0%*	*309.1%*	*-188.9%*	*-29.5%*	*8.7%*	*45.3%*	*128.2%*		
Rec. Free Cash Flow To the Firm Yield (o/EV)	*n.a.*	*0.9%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*0.8%*		
Free Cash Flow "To the Firm" - Yield (o/EV)	*n.a.*	*5.0%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*0.8%*		

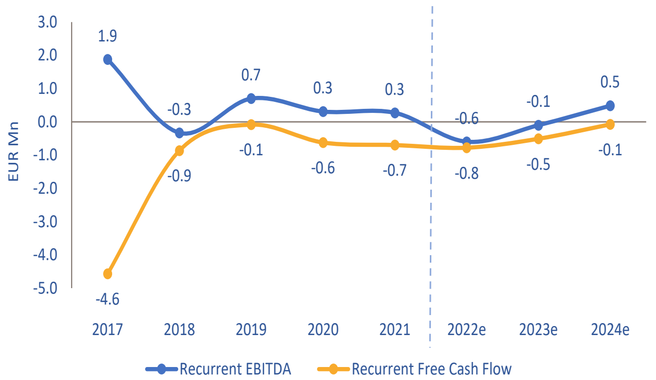
Recurrent Free Cash Flow accumulated variation analysis (2017 - 2021)



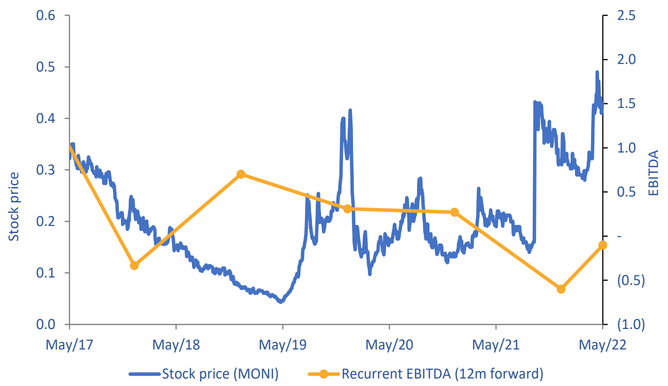
Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	8.6	
+ Minority Interests	-	12m Results 2021
+ Provisions & Other L/T Liabilities	0.2	12m Results 2021
+ Net financial debt	4.2	12m Results 2021
- Financial Investments	1.1	12m Results 2021
+/- Others		
Enterprise Value (EV)	**11.9**	

Appendix 4. Main peers 2022e

	EUR Mn	Toei Animation	Lions Gate	Wildbrain	Xilam Animation	Mondo TV S.p.A.	Your Family Entertainment	Average	MONI
		Audiovisual production and animation							
Market data	Ticker (Factset)	4816-JP	LGF.A-US	WILD-CA	XIL-FR	MTV-IT	RTV-DE		MONI-ES
	Country	Japan	USA	Canada	France	Italy	Germany		Spain
	Market cap	4,257.6	2,249.1	265.3	183.0	40.2	39.0		8.6
	Enterprise value (EV)	3,701.7	5,868.5	877.9	210.7	50.0	47.0		11.9
Basic financial information	Total Revenues	464.7	3,782.9	364.2	43.7	36.0	4.3		5.1
	Total Revenues growth	*10.6%*	*11.6%*	*11.0%*	*62.1%*	*23.2%*	*38.1%*	*23.8%*	*33.4%*
	2y CAGR (2022e - 2024e)	*5.3%*	*10.3%*	*12.0%*	*18.4%*	*5.4%*	*15.6%*	*11.5%*	*16.8%*
	EBITDA	150.5	425.7	67.0	22.0	30.2	2.1		(0.6)
	EBITDA growth	*9.2%*	*14.1%*	*4.4%*	*-11.5%*	*25.6%*	*n.a.*	*4.0%*	*-409.8%*
	2y CAGR (2022e - 2024e)	*5.2%*	*23.3%*	*16.0%*	*6.7%*	*8.0%*	*23.9%*	*12.8%*	*67.6%*
	EBITDA/Revenues	*32.4%*	*11.3%*	*18.4%*	*50.3%*	*83.9%*	*47.9%*	*28.1%*	*n.a.*
	EBIT	143.9	108.6	71.5	10.5	9.7	0.9		0.6
	EBIT growth	*7.9%*	*110.6%*	*80.9%*	*n.a.*	*44.2%*	*165.6%*	*66.5%*	*350.4%*
	2y CAGR (2022e - 2024e)	*6.1%*	*22.9%*	*13.5%*	*18.1%*	*33.4%*	*43.3%*	*15.2%*	*63.4%*
	EBIT/Revenues	*31.0%*	*2.9%*	*19.6%*	*24.2%*	*26.9%*	*21.9%*	*19.4%*	*11.6%*
	Net Profit	103.7	(34.4)	3.2	7.2	6.8	0.6		0.4
	Net Profit growth	*9.8%*	*69.6%*	*163.1%*	*14.0%*	*23.1%*	*831.8%*	*64.1%*	*970.0%*
	2y CAGR (2022e - 2024e)	*8.3%*	*-93.7%*	*n.a.*	*25.0%*	*34.4%*	*48.6%*	*-20.1%*	*76.3%*
	CAPEX/Sales %	*0.7%*	*1.0%*	*1.0%*	*81.0%*	*94.7%*	*0.7%*	*20.9%*	*10.0%*
	Free Cash Flow	101.0	126.3	19.3	(2.5)	(3.9)	0.6		(0.8)
	Net financial debt	(521.1)	2,000.1	335.5	24.4	13.3	(4.2)		4.9
	ND/EBITDA (x)	n.a.	4.7	5.0	1.1	0.4	n.a.	3.6	n.a.
	Pay-out	*24.9%*	*0.0%*	*0.0%*	*0.0%*	*n.a.*	*0.0%*	*6.2%*	*0.0%*
Multiples and Ratios	P/E (x)	40.0	15.0	80.1	25.1	n.a.	68.5	40.0	19.1
	P/BV (x)	5.3	0.9	1.4	2.5	n.a.	2.0	2.5	5.7
	EV/Revenues (x)	8.0	1.6	2.4	4.8	1.4	10.9	4.2	2.3
	EV/EBITDA (x)	24.6	13.8	13.1	9.6	1.7	22.8	15.3	n.a.
	EV/EBIT (x)	25.7	n.a.	12.3	20.0	5.2	49.9	19.3	20.0
	ROE	*13.3*	*6.2*	*1.8*	*9.9*	*n.a.*	*2.9*	*7.8*	*35.1*
	FCF Yield (%)	*2.4*	*5.6*	*7.3*	*n.a.*	*n.a.*	*1.6*	*5.1*	*n.a.*
	DPS	*0.63*	*0.00*	*0.00*	*0.00*	*n.a.*	*0.00*	*0.16*	*0.00*
	Dvd Yield	*0.6%*	*0.0%*	*0.0%*	*0.0%*	*n.a.*	*0.0%*	*0.2%*	*0.0%*

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).
Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
25-May-2022	n.a.	0.430	n.a.	n.a.	Initiation of Coverage	David López Sánchez