



**iervolino & lady bacardi
entertainment**

Film productions
100% made in Italy,
distributed all over the world

COMPANY PRESENTATION

European Midcap Event – Paris, 23/24 June 2022

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Speakers



Andrea Iervolino
Chairman & CEO

+ 15 years of experience as an entrepreneur in the Media & Entertainment industry at Ern



Flavio Marziali
CFO

+ 10 years of experience in Accounting & Finance as an auditor





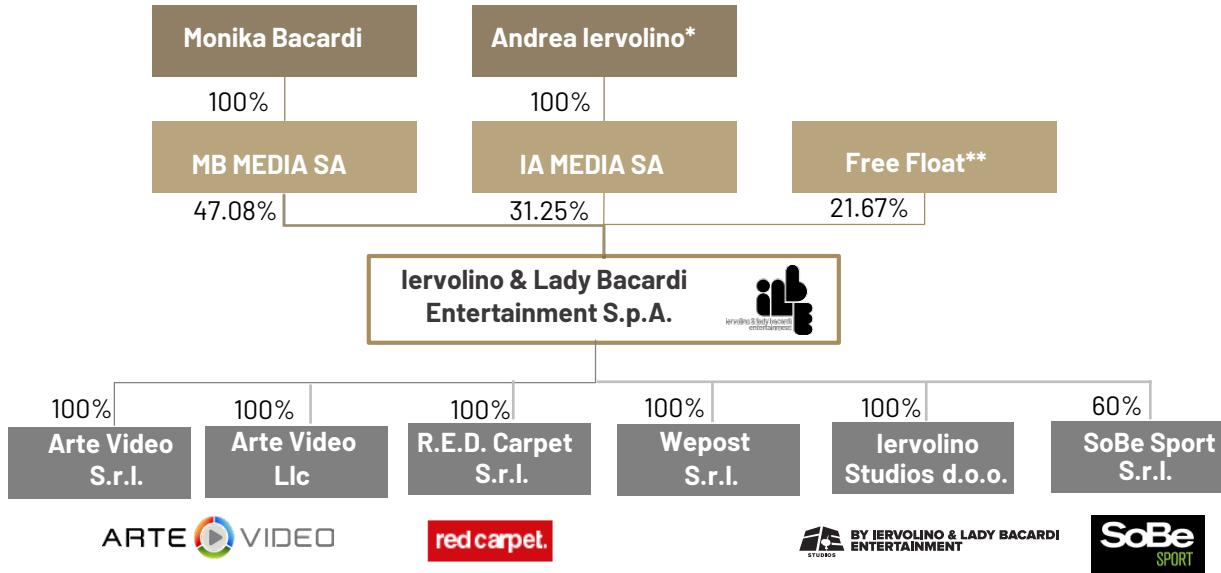
WHO WE ARE

ILBE at a glance

- **Iervolino & Lady Bacardi Entertainment S.p.A.(ILBE) is a global production company** established by **Andrea Iervolino** and Monika Bacardi in 2011 **specialized in cinema and television content production**
- The company, listed on Euronext Growth Milan and in Paris, has a strong focus on OTTs contents. **It produces diversified contents for an international audience, focusing on core production phases and IP ownership**
- As a European producer, ILBE on the one hand benefits from significant public tax incentives, on the other hand can guarantee a rich catalog contents made in Europe – but with an international appeal – a key element in light of the constraints imposed by European media law

ILBE BUSINESS LINES	ACTIVITIES	OUTPUTS
IP PRODUCTION	Business Development & Negotiation	Business Idea, Cast Selection, Sale & Production Agreements
	Pre Production, Production, Post Production	IP Asset
	Delivery	Movie / Web Series / TV Shows / Web Shows
SERVICES PROVISION	IP Asset Valorization	Pipeline & Characters
	Service Rendering	Service Agreements and rendered
CELEBRITY MANAGEMENT	Celebrities & Events Exploration	Celebrity Management Plan
	Negotiation on Fees	Celebrity Participation to Events

Shareholders & Corporate Governance



(*): Andrea Iervolino owns the control of the company with 57.63% voting rights thanks to multiple-voting shares.

(**): of which 0.24% owned by Andrea Iervolino.

Group's Structure

IP Productions & Service Provision

- **ILBE** mainly focuses on production of Film, TV show, web show and Service activities to third party producers, coming from IP production processes (the "Pipeline") and IP Characters exploitation.
- **Iervolino Studios by ILBE (IES by ILBE)** (Serbia) focuses on the executive production (service) of animation content to third party producer.
- **Arte Video** is active in the high-quality production of video, film, animation and multimedia contents and post productions services.

Celebrity Management

- **Red Carpet** is a reference point at national level in the select of VIP casting for the main Italian TV shows, as well as in the creation of video contents for TV and web.
- **SoBe Sport** is a key player in communication and marketing in the field of sports for professional athlete and coaches, offering services of sponsorship and management of image rights, brand identity, social media, web design.

Board of Directors



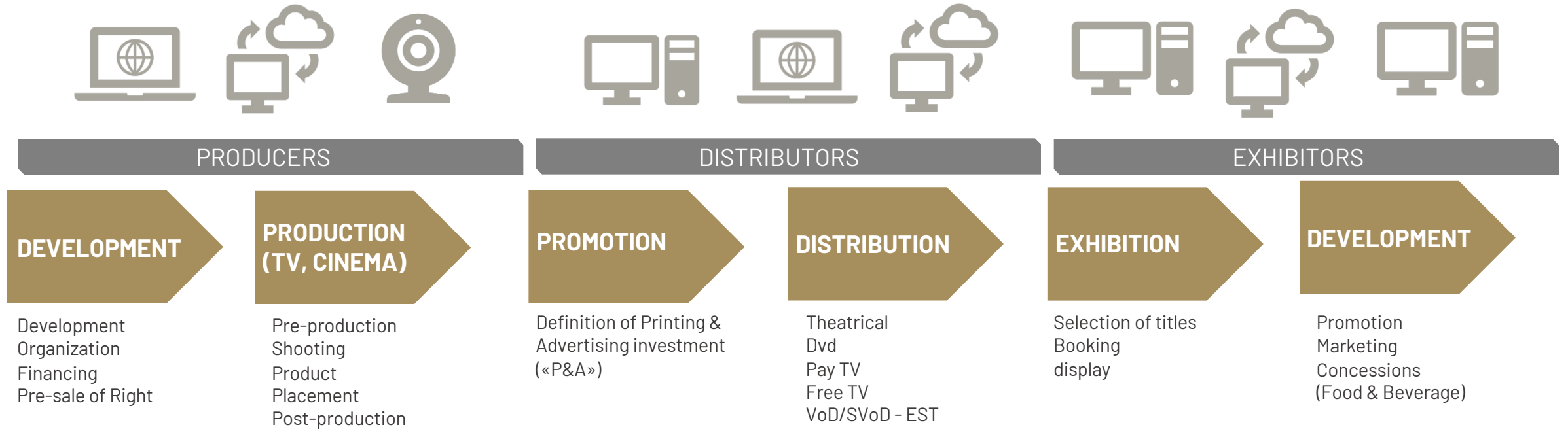
Board of Statutory Auditors



Audit Firm



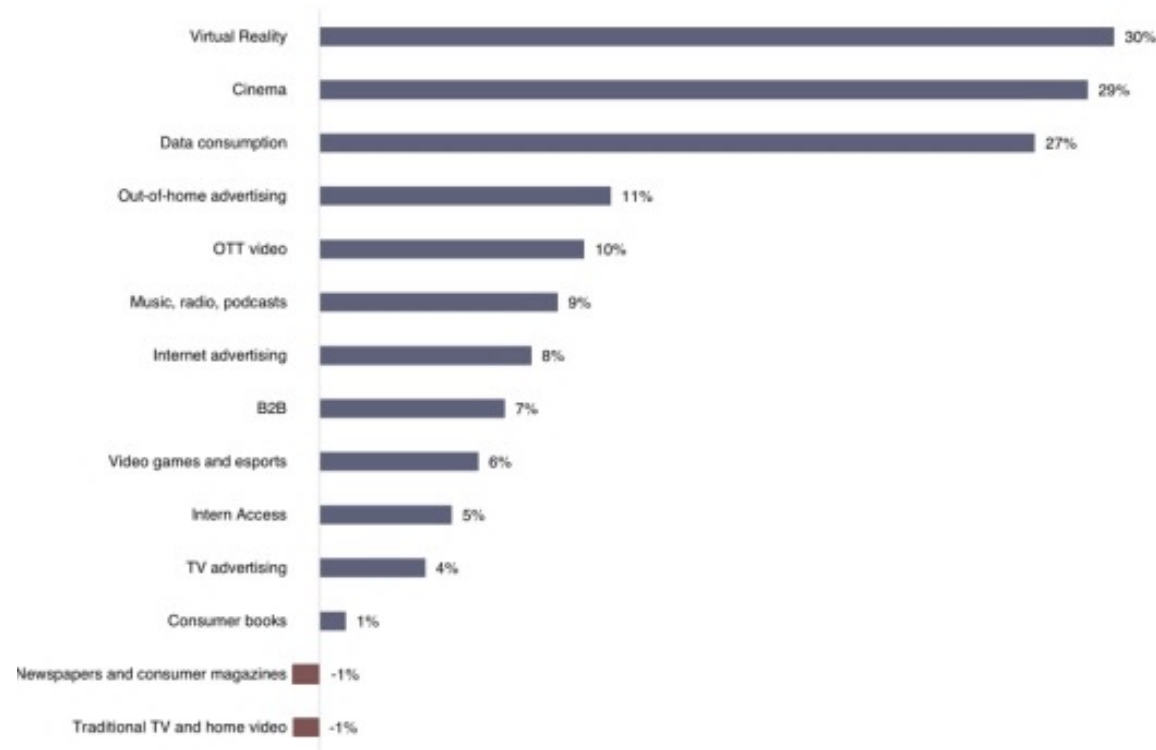
Industry Structure



Positive medium term visibility for pure content providers

- **Overall demand for video contents remains extremely resilient in most segments**, only traditional TV viewership and newspaper appear in secular decline (-1% CAGR 2020-2025)

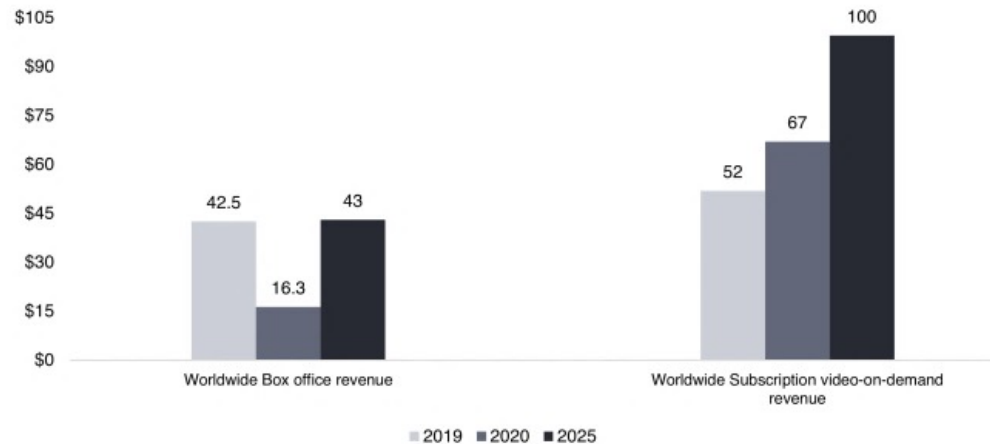
Worldwide market Revenue CAGR 2020-2025 by Sector



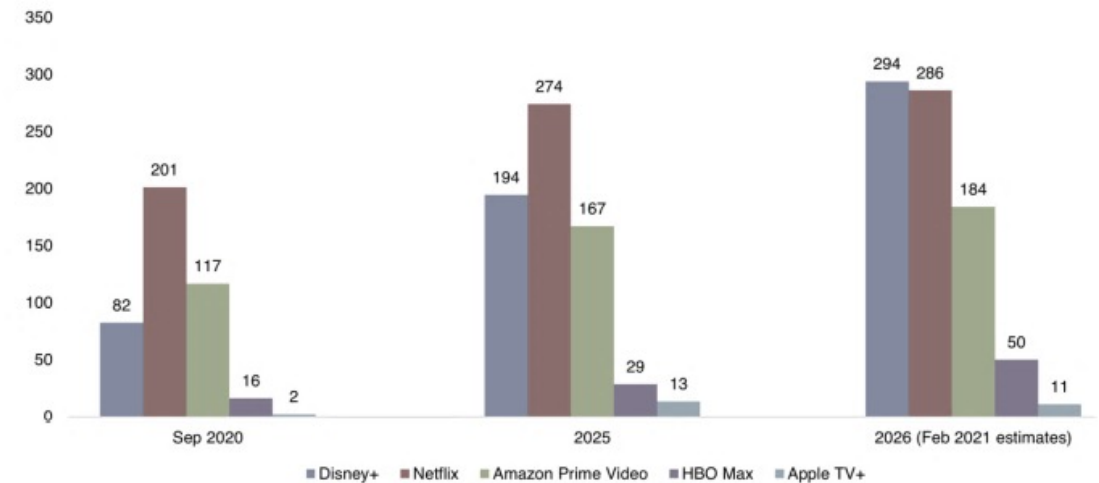
The context opens up new growth opportunities for the ILBE

- **Consumer expectations continue to evolve, and technology is transforming the production**, delivery and consumption of audiovisual content. Covid crisis as a catalyst in this respect, OTT platforms for video content saw their audience soar
- **At global level, the Media & Entertainment industry is also considered as under renovation.** The consolidation catalysts for the companies in the Media & Entertainment market are clearly defined. In particular, they include the strategic need to acquire content to feed the streaming growth
- Success will depend on industry leaders adapting strategies to deal with unforeseen market opportunities and threats

Global market SVOD vs BOX OFFICE 2019-2025



Reference market, Main OTT platforms subscribers count worldwide (millions)





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KEY INVESTMENT HIGHLIGHTS

Key Investment Highlights



Global production group with high profitability and relative low risk

Long-term relationships with foreign production and distribution companies, as well as strong connections with international players and actors



Generation and exploitation of valuable Intellectual Property rights and of international style quality movies



Rich and valuable content library and work in progress



Integrated synergic offer in the entertainment industry



High top line business visibility





Global Production Group with high profitability and relative low risk

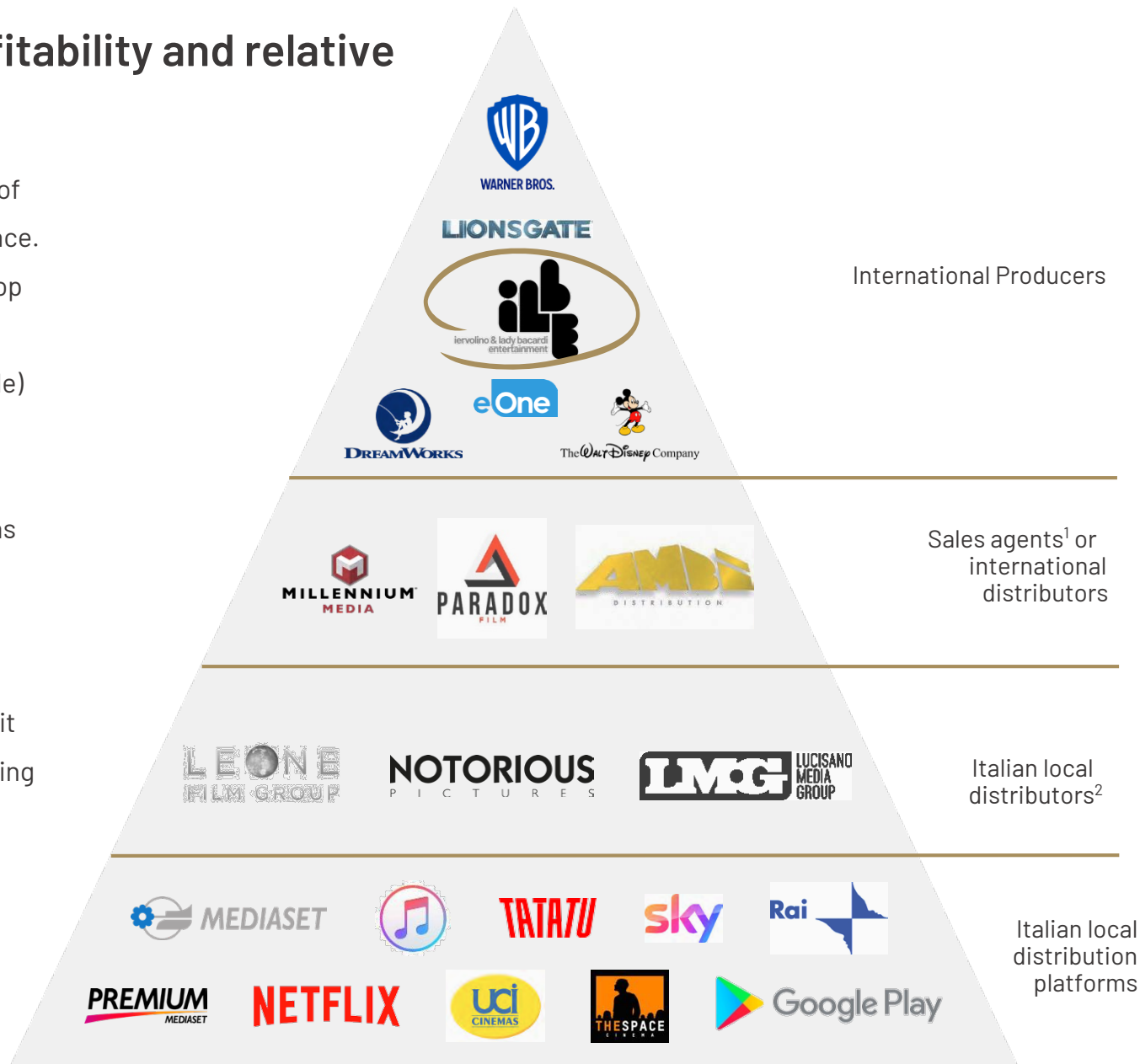
- The pyramid shows the positioning of the principal players of the film production and distribution market up to the audience.
- ILBE, as a “pure” production company, is positioned at the top
- Distributors ensure ILBE a “minimum non-revocable guaranteed amount” (MG) and a backend (where applicable)

Business model with High Profitability

- ILBE operates on a global scale
- ILBE holds the Intellectual Property rights of the productions

Business model with relative low risk

- ILBE focuses on the core production phase and Intellectual Property (IP) ownership and exploitation, which means that it does not take care of the distribution and print and advertising phases, leaving most of box office risk to Sales Agents and Distributor.
- The budget is submitted to a sale agent who ensures a minimum non-revocable guaranteed MG



(1) Sales agents are above all referable to the major Hollywood players.

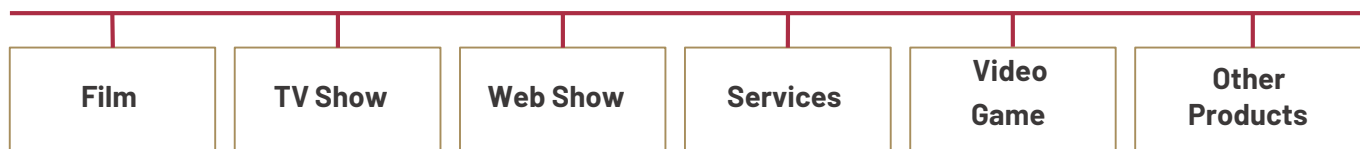
(2) Local distributors of international contents and domestic producers are shown by way of example but not limited to, and relating to the Italian scene. Considering the global market, the average presence is 10 local distributors per country.



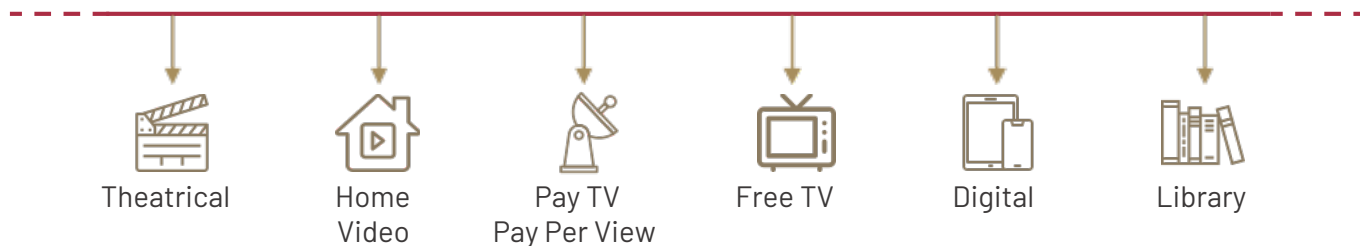
Generation and exploitation of valuable Intellectual Property rights

- ILBE Group **generates** and **exploits IP** of different natures, that are distributed by its customers through different third parties distribution channels in various territories.
- As a production company **ILBE creates, buys and manages IP rights**, that represent the bulk of the Company's revenues.
- When ILBE creates a new movie, web series or short video, that content becomes indefinitely protected by IP right.
- All the features** linked to a film or a series, such as prequels, sequels, merchandising, books and so on, are a form of exploitation of the same IP right, and generate the so called "**Ancillary Revenues**".

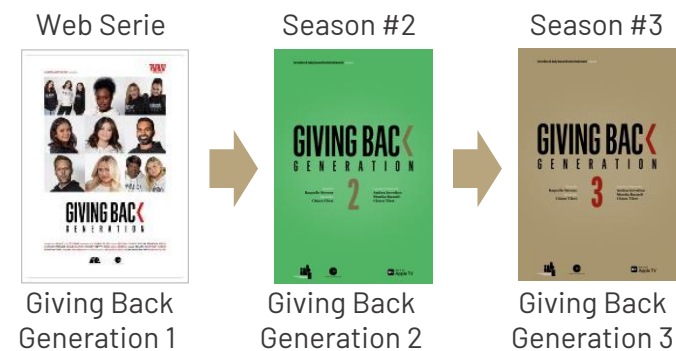
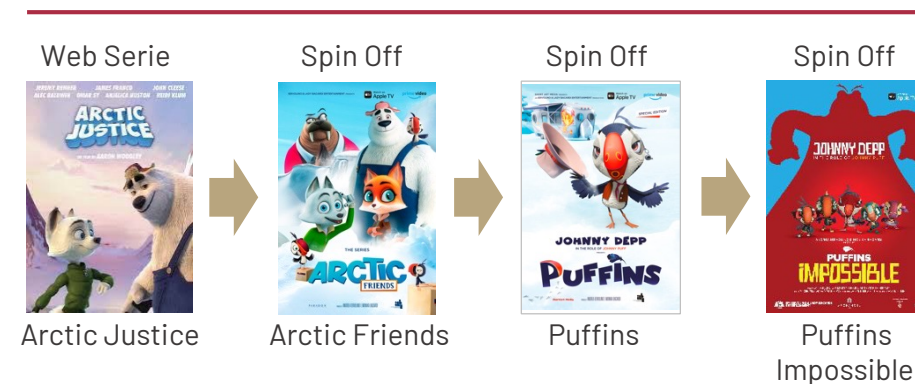
INTELLECTUAL PROPERTY



Distribution Channels



ILBE'S IP EXPLOITATION





Rich and valuable content library and work in progress

- ILBE's library is composed by 34 movies and series, of which 10 directly produced by ILBE

ILBE's library (own productions)

								
Arctic Friends	Puffins	The Poison Rose	Waiting For The Barbarians	Tell it Like a Woman	Dakota	Puffins Impossible	Eddie & Sunny	
								
Actual MG Revenues ¹ (€/M)	140.9	66.4	16.5	20.6	9.8	3.9	10.8	2.5

Animation IPs

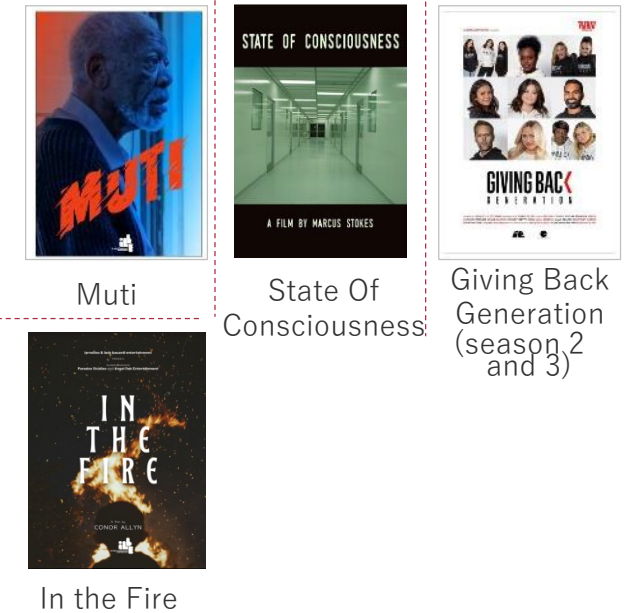
Pipeline

IP on processes and working methods for the production of short animated contents.

Characters

Characters of Arctic Justice, Puffins, Puffins Impossible, etc., represent an high valuable IP commonly licensed to be used in third parties productions, typically in the New Format Animation Live Action.

ILBE's work in progress



(1) Actual MG Revenues is referred to the 31 December 2021 data.



Integrated synergic offer in the entertainment industry

red carpet.

Red Carpet: Celebrity Management

- Red Carpet is a consultancy agency active in: celebrity management, VIP casting selection, production of tailor-made TV formats, influencer marketing, event organization, designing of tailor-made communication strategies.
- The Company is a reference point in Italy for national and international stars casting consultancy, thanks to its constant connections and partnerships with top brands, production companies, TV channels and networks, web and digital platforms.



ARTE VIDEO

Arte Video: Service Rendering

- Arte Video offers audio/video encoding, post-production, XML programming and quality control services for online broadcasting and streaming.
- In order to enlarge its production services Arte Video created a department for replication and mastering of CDs, DVDs, Blu-Ray and new generation multimedia supports.
- The Company is Authorized Encoding House of:



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IES by ILBE: IP Production

- IES by ILBE is an animation company based in Serbia, with the main focus on creating high-quality short animated contents for streaming platforms.
- The Company carries out all the phases of the creative process: from the initial idea to the distribution of the animated content all around the world.



With a relative de-risked business model and a rich pipeline of films and animation under production, ILBE is well positioned to expand into foreign markets and continue its profitable growth



Assets Improvement:

- Keep on focusing on quality IPs production with the possibility of perpetual exploitation
- Further realization of International Standing Film Productions and animated Web Series and co-production of films with players of international standing
- Set to benefit from the rising global demand for audio-visual contents, as it produces contents with international appeal
- Consolidation of business model.



Sustainable Growth:

- Focus on business growth aimed at creating value for shareholders through: cash generation, increase of productions and services providing



Market Expansion:

- Generate valuable market growth by attracting new top quality customers and increasing the presence with existing ones;
- Diversify the business model;
- Pursue both organic and external growth.

Growth at EBIT margins level vs. Q1 2021, decrease in net financial debt vs. 31 December 2021

- **Revenues at €26.8m (compared to €44.5 million in Q1 2021)**
 - **EBIT of €4.0m and EBIT margin increasing to 14.9% compared to 13,3% in Q1 2021**
 - **Backlog confirmed at €152.4m over three years, of which approximately half relates to 2022**
 - **First deliveries of the new animated productions (Baby Puffins & Bunny) in Q2 2022 along with the other film productions in the backlog**
 - **No exposure to the Russian, Belarusian or Ukrainian markets**
-
- The decrease at top line level is due to the effect of the completion of the Arctic Friends production, while the new animated productions (Baby Puffins & Bunny) will deliver their first episodes in the second quarter of 2022, together with the other film productions (Puffins, State of Consciousness, Muti, Giving Back 2, Giving Back 3, In the Fire)
 - NFP debt of €28.9m (€29.3m at 31 December 2021)

ILBE continued to grow in 2021 compared to 2020 - both at Revenues and EBIT level

- **Strong revenue growth to €152.3m +26% compared to FY2020 (€120.7m in FY2020)**
 - **EBIT of €24.4m (16% of total revenue), +7% compared to 2020 (€22.8m)**
 - **Net profit of €18.4m, equal to 12% of total revenues**
 - **NFP debt of €29.3 million (€15.6 million as at 31 December 2020)**
-
- At the beginning of 2022, ILBE started the listing on Euronext Growth Paris to attract new investors to participate in the future success of the group, being part of a market that has grown in importance across Europe over the last years. The company can be well positioned to benefit from a thriving French media and entertainment industry, by reaching a new investors' community receptive to ILBE business

Significant events and news after the end of the financial year

- **Acquisition of 60% of Sobe Sport S.r.l.**
 - ✓ In February 2022 ILBE signed an agreement for the acquisition of **60% of SoBe Sport S.r.l.**, a leader in sports communications and marketing for athletes and professional coaches. This operation is strengthening the Celebrity management business line
- **Other News**
 - ✓ Sign of an agreement with the international distribution company WWPS.TV for **the sale of the rights** of the sequel of Arctic Friends and Puffins entitled **Baby Puffins & Bunny - a total of 405 five-minute episodes - 2022 and 2024**
 - ✓ Sign of an agreement with **KidsMe, the children content factory of De Agostini Group** granting programming rights of the **Puffins series** - 60 episodes for 18 months
 - ✓ **Apple TV and Amazon Prime Video** started both playing **"Puffins Impossible"**
 - ✓ **Award of the 'PREFERRED' certification from Apple iTunes**, the world leader in on-demand platforms - Arte Video as the only company certified by Apple for the Italian market that respects the high qualitative and quantitative parameters required

Increasingly focused on streaming platforms and with social impact content following the megatrends

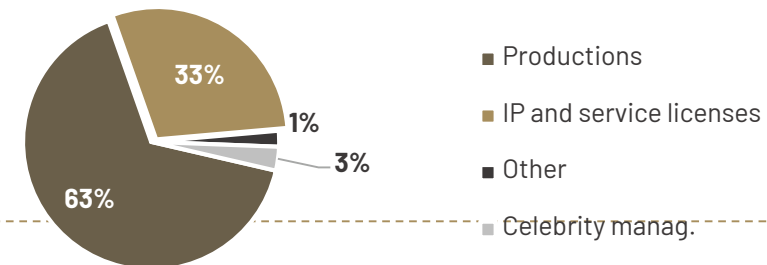
- **Contracted production portfolio (revenues from guaranteed minimums still to be produced) totalled €152.4m spread over 2022, 2023 and 2024, with approximately half in 2022 alone.** This includes:
 - ✓ Last episodes of the **Puffins** expected to be delivered in H1 2022 for approximately €13.7m, the production of the film **State of Consciousness** for approximately €3.6m, the film **Muti** for approximately €12m and the production of the film **In the Fire** for approximately €3.7m, expected to be delivered in H2 2022
 - ✓ **Baby Puffins & Bunny** backlog of €116.8m, with an almost constant production plan spread over the years 2022, 2023 and 2024
- To be added **projects under development** - reasonably to be taken on in 2022-2024 for an estimated amount of €338m
- In light of the above, **a growth in revenues and capitalised works is expected for the year 2022**, while margins will decrease slightly. The new activities will be financed with dedicated loans. In general, net financial debt is expected to drop slightly

Income Statement 2020-2021

Income Statement €/M	FY2021	FY2020	Change %
Revenues	152,3	120,7	26,2%
Operating costs	10,6	6,6	61,6%
Personnel expenses	3,4	1,7	99,2%
Amortisation/depreciation, write-downs	113,8	89,7	26,9%
EBIT	24,4	22,8	7,3%
EBIT margin %	16,0%	18,9%	-2,8%
Non recurring charges	0,9	0,7	27,0%
EBIT net of non-recurring charges	23,5	22,0	6,6%
Net financial expenses	3,1	0,7	>100%
Pre-tax profit	20,4	21,4	-4,8%
Taxes	(1,9)	(1,9)	2,6%
Net profit for the period	18,4	19,5	-5,5%

Revenues breakdown by activity 2021)

- Revenues include government grants recognized on an accrual basis with regard to the productions to which they refer – in 2021 mainly **Arctic Friend, Puffin, Tell it Like a Woman**. Revenues from Film Productions are related: (i) licenses for the exploitation of Intellectual Property rights during the year (€81,9m); (ii) licenses for 'pipeline' know-how (30,2m); (iii) licenses for the exploitation of characters (€6,9); (iv) revenues from services (€12,9m).
- The tax credit for cinema production** – the tax benefit deriving from tax credits granted to film production companies concerning costs incurred for producing Italian audiovisual works – was €14,9m.



- Operating Costs** are mainly made up of Cost of Services and Personnel Costs; the latter are characterized by a lean structure

D&A is calculated on a single production basis related to the revenues flow (Individual Film Forecasting Method IFFM). The first amortization is recognized at the delivery date. The remaining is recognized over the following three years.

Balance Sheet 2020-2021

Balance Sheet €/M	FY2021	FY2020
Intangible assets	99,8	68,5
Tangible assets	0,5	0,2
Other non-current assets	10,8	8,6
Fixed assets	111,0	77,3
Trade receivables	18,8	16,8
Trade payables	(22)	(25)
Other current assets/(liabilities)	8,1	14,4
NWC	4,6	5,9
Employee benefits	(0,3)	(0,2)
Other non-current liabilities	(0,4)	(0,4)
Net Capital Invested	114,9	82,7
Shareholders'equity	85,6	67,0
Cash and cash equivalents	(3,2)	(3,5)
Financial assets	(12,1)	(4,3)
Financial liabilities	44,6	23,5
NFP	29,3	15,6
Source of funds	114,9	82,7

- **Fixed assets** consists mainly of **intangible assets**

a. Finished productions - €40,2m, includes the capitalization of the works produced, completed and delivered to the customers (primarily #190 episodes of Artic Friends, #129 episodes of the Puffins;

b. Ip and distribution rights - €36,3m, includes the capitalisation of costs incurred for acquiring distribution rights for films in Italy and abroad and of rights related to Intellectual Properties. The increase is mainly related to the films 'The Good Witch of Christmas', 'Vote for Santa', 'A Day with Santa', 'Detective Santa and 'Lamborghini'

c. Productions in progress - €22,7m, mainly related to the film Muti.

- **Trade Receivables** are mainly generated by cinema production activities

- Changes in **Net financial position** are mainly referable to the following financial transactions carried out during the year:

a. Two **medium-term loans** of € 3.0meach taken out with Banca IFIS and Unicredit, backed by a SACE guarantee to support the existing film productions;

b. The main financial and investment transactions during the period included the issuance of a €10m medium-term bond maturing in 2028. The resources collected are being used by the Group for the production of films and audiovisual works.

Net Financial Position 2020-2021

Cash Flow €/M	FY2021	FY2020
A - Net flow generated/(used) from operating activities	102,6	68,8
B - Net flow generated/(used) from investing activities	(123,6)	(88,4)
C - Net flow generated/(used) from financing activities	20,7	15,2
D - Total cash flow generated/(used) in the period (A+B+C)	(0,3)	(4,4)
E - Cash and cash equivalents at the beginning of the period	3,5	8,0
F - Cash and cash equivalents at the beginning of the period (D+E)	3,2	3,5

The **total cash flow** balance for the period was negative, although it improved compared to the 2020 financial year

The **net financial position** at 31 December 2021 showed a debit balance of €29.3m due to some payments for investments in films (the movies *Lamborghini* and *Muti*) in H2 2021 supported by new financing.



APPENDIX

The Business from the Accounting point of view

- Companies operating in the entertainment and media industry, production companies in particular, have some peculiarities in the treatment and representation of some financial statement items.

Revenue Recognition	Capitalization of Production Costs	Amortization of Intangible Assets	Tax Credit Recognition
<p>The different revenues streams related to the content business are, according to consolidated industry practices and IAS guidelines:</p> <ol style="list-style-type: none">1. Sale or license of distribution rights of the Intellectual property through the payment of the "Minimum Guaranteed Amount" must be recognized as revenue at the moment in which the IP Distribution rights are passed to the customer (i.e. the content is accepted by the agent/distributor);2. Ancillary Revenues, revenues from further exploitation of IP through merchandising, spinoffs, books etc., are recognized as they occur;3. So-called "Backend Revenues", a share of the extra profits earned by the Distributor that are owed by contract to the Producer and must be recognized as they occur.	<p>The production costs in the content industry are capitalized, as production leads to an Intellectual Property, not to a "good". These costs can be capitalized and recognized both as "Intangible Assets" as well as "Inventory" according to the different criteria: guidelines suggest that in case of the sale or license of distribution rights only (i.e. when the production company retains the majority of its rights on the IP) expenses should be capitalized as "Intangible Assets" thus falling into the guidelines established by IAS 38 (Work in progress). Production costs that can be capitalized are all those costs directly related to the production of the Intellectual Property, including some direct overhead costs, administrative costs and, if any, related interest expenses.</p>	<p>It represents the amortization of the rights of exploitation of the Intellectual Property stemming from the production or acquisition of movies or other video contents' rights. In the Cinema Industry the rights of movies and series are amortized using the "individual-film-forecast-computation-method".</p> <p>Under this method and in the absence of changes in estimates, an entity amortizes capitalized film costs in a manner that yields a constant rate of profit over the ultimate period, which considers a film's actual current-period revenue and estimated remaining "Ultimate Revenue".</p> <p>"Ultimate Revenue" is an estimate of all revenues expected to be received from the exploitation, exhibition and sale of a film in all markets and territories.</p> <p>Hence, for each period, there is an amortization schedule that follows the predicted percentage of revenues coming from the movie in all forms (so comprehensive of expected royalties, merchandising sales, usage etc.).</p>	<p>The accounting of the Cinema Tax Credits follows the industry common practice that includes them among the other revenues, following the same distribution of the specific costs they refer to, i.e. the amortization of the production costs. As for R&D tax credit they are also included among other revenues in the year they are recognized.</p>

The Business from the Accounting point of view – the production

The Group starts the production of film and audiovisual content after reaching agreements for the sale of international distribution rights that provide for the payment of a "guaranteed minimum".

The Group retains the intellectual property rights, which can be used in the years following the content production through remakes, sequels and other derivative products.

Revenues and income from the production of films and audiovisual content (TV series) are divided into 4 categories:

1. Revenues from the sale of the so-called guaranteed minimum right (GM) to the sales agent or distributor (the majority of the revenues of a work); these revenues are realised upon delivery to the customer
 - Actual production period can last from four to seven months for web series, ten to eighteen months for films
 - GM collection takes place between five and six months after delivery to the customer, but also after a period of more than one year
2. Government grant income (tax credit or other contributions to the production costs) whose collection takes place, on average, 18M from the commercial delivery of the work
3. Revenues deriving income subsequent to the GM (so-called backend, of which the majority obviously pertains to the distributor). In this case, these are revenues that are recognised when they are realised, i.e. the collection that generally takes place over a long-term time horizon; or, in the case of assignment to third parties, at the time of assignment of the related rights. Revenues from the backend are collected at the time of realisation, which normally takes place over a long-term time horizon. The backends of the web series include also the licenses of characters and pipelines both in Italy and abroad, which, in this case of works, generate the majority of revenues subsequent to the guaranteed minimum of distribution.
4. Income from distribution rights. The cost of sales of films and audiovisual content is given by the portion pertaining to the year of the amortisation of the projects whose costs, during the production phase, are recorded under intangible assets. Amortisation is calculated according to IAS i.e. the "film forecast computation method", according to which it is calculated on the time horizon over which the intangible asset will generate revenues. The amortisation period is set at maximum four years. Consequently, at the end of the fourth year the work will have a net book value of zero even if it will not have terminated the ability to generate cash through the backends in subsequent years.



International style quality movies

- Thanks to the peculiarity of the business model and to a strong relationship network, ILBE is able to **attract and collaborate with some of the best celebrities**

Celebrity	Personal Nominations	Award	Co-Lab with ILBE	Celebrity	Personal Nominations	Award	Co-Lab with ILBE
 Morgan Freeman	 	 		 James Franco	 		
 Alec Baldwin	 			 Mark Rylance	 		
 Johnny Depp	 			 John Cleese	   	 	
 John Travolta	 			 Peter Stormare			





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