



PRESS RELEASE

ILBE APPROVES ITS H1 2021 RESULTS

REVENUES GROWING STRONGLY AND EBIT UP

INVESTMENTS IN QUALITY INTELLECTUAL PROPERTIES, STREAMING AND INTERNATIONAL MARKETS

ILBE S.p.A.

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- **Consolidated revenues amounted to €114.2 million (€55.5 million as at 30 June 2020)**
- **EBIT equal to €15.9 million (€12.2 million as at 30 June 2020)**
- **Net result of €12.3 million (€9.6 million as at 30 June 2020)**
- **Consolidated net financial position equal to €17.3 million (€15.6 million as at 31 December 2020)**
- **Backlog worth €44.2 million**
- **Activities for projects in development for the next three years 2022-2024 worth €349 million**

Rome, 22 September 2021 – The Board of Directors of **ILBE (Iervolino and Lady Bacardi Entertainment)** – a company listed on the AIM Italia stock exchange engaged in the production and co-production of cinematographic and television content for the international market – today approved the **Consolidated Half-Yearly Financial Report as at 30 June 2021** prepared in accordance with IAS/IFRS international accounting standards.

Andrea Iervolino, president and founder of ILBE, noted: *“The excellent results achieved by ILBE in the first half of the year are the result of a series of strategic choices, including investments in quality IP and streaming, and the decision to compete in an international market. We wanted to prioritise long-term growth and value creation over increased short-term profitability, focusing on investments and growth as part of a financial equilibrium. In the future our productions will be increasingly dedicated to streaming platforms and content with a social impact, and since these are qualities that are already associated with our core business, we expect an increase in growth opportunities”.*

The half-yearly consolidated financial statements as at 30 June 2021 closed with **total revenues** of €114.170 million, up by €58.682 million compared to the first half of 2020 (+106%), and with a Group **net profit** of €12.349 million (+29% compared to the previous year).

The EBIT, before some non-recurring charges of €0.899 million, amounted to €15.903 million, equal to 14% of total revenues, with an increase of €3.722 million compared to the same period of 2020 (+31%).



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The **NFP** as at 30 June 2021 had a negative balance of €17.333 million, with a slight increase of €1.707 million compared to the balance as at 31 December 2020.

As of 30 June 2021, the contracted production portfolio (revenue with a guaranteed minimum yet to be produced) amounted to a total of €44.2 million, while the projects in development for future production, services (executive production) and licensing are generally estimated at €349 million for the next three-year period 2022-2024.

With regard to the restrictions related to the explosion of the COVID-19 pandemic, since the productions of the ILBE Group are mainly intended for streaming platforms they have not suffered significant effects, essentially related to the non-recurring charges incurred for the activation of teleworking (from home with technological adaptations) for the production of cartoons and some limited delays in the shooting of films.

During the half year the company changed its name from "Iervolino Entertainment" to "Iervolino & Lady Bacardi Entertainment", starting a rebranding process that included the birth of a new logo.

Analysis of economic and financial management

The first half of 2021 closed for ILBE with **total revenues** of €114.170 million (+106% compared to €55.488 million in H1 2020) and a Group **net profit** of €12.349 million (+29% compared to the same period of 2020, equal to €9.589 million).

The Group's **EBIT** before non-recurring charges is €15.903 million (equal to 14% of total revenues), showing an increase of 31% compared to the same period in 2020, equal to €12.182 million.

The result mainly derives from revenues from the sale of film, audiovisual and government grant rights minus the related cost of sales, essentially represented by the portion pertaining to the amortisation of intangible assets (film and audiovisual works) equal to €92,993 million (€41,436 million in the first half of 2020), the impact of overhead costs being contained, equal to €3,623 million (€1,870 million in H1 2020).

Revenues and operating income, including government grants recognised on an accruals basis for the productions they pertain to, mainly relate to the productions of *Arctic Friends* (€49.041 million), *Puffins* (€26.540 million), and *Tell It Like a Woman* (€2.573 million).

Licence revenues for use of the pipeline and the licence for the use of the animated characters amounted overall to €25,797 million (new revenue line).

Audiovisual productions (web series) represent 66% of revenues (94% in H1 2020), while IP use licences and services account for 29% (not present in the first half of 2020) and film productions 2% (3% in the first half of 2020). Other revenues are residual.

Analysis of Asset and Financial Management as at 30 June 2021



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Net invested capital amounted to €96.757 million, increased by €14.091 million compared to the balance as at 31 December 2020 of €82.667 million. This net invested capital is mainly represented by intangible assets (film works, intellectual properties and others) equal to €75.515 million. Other fixed assets are equal to €9.287 million.

The Group's **net working capital** was positive for €12.547 million, an increase of €5.919 million compared to the positive balance at 31 December 2020. The working capital mainly includes the government grants for film productions, whose monetisation will take place starting from the following financial year through the offsetting of other taxes or transfer to authorised intermediaries. Other non-current liabilities amounted to €592,000.

Net invested capital was financed by the **net financial position**, which as at 30 June 2021 had a negative balance of €17.333 million (an increase of €1.707 million compared to the balance as at 31 December 2020), which appears modest compared to the strong growth in investments and revenues, and by **shareholders' equity**, equal to €79.425 million (an increase compared to €67.041 million as at 31 December 2020).

From a financial point of view, **cash and cash equivalents** as at 30 June 2021 had a balance of €2.347 million, down compared to the beginning of the period when the balance was €3.513 million.

The change in cash and cash equivalents of €1,166 million consists of the flows generated from financing activities of €435 thousand and those absorbed from investments in audiovisual works and in the preparation of future new productions for a total of €73.341 million, higher than the flows generated from operating activities of €71.740 million.

Activities carried out in H1 2021

❖ Production

Arctic Friends (formerly Arctic Justice)

The *Arctic Friends* project concluded in the first half of 2021, a web series started in 2018 taken from the animated film *Arctic Justice*, produced by Andrea Iervolino. The series consists of mini-episodes lasting five minutes each. During the period the last 68 episodes were produced and delivered, resulting in revenues totalling €49.041 million (including government grants) as well as revenues for back-end, production pipeline licence and character licence totalling €22.862 million. Distribution takes place via "Collection" (groupings of four episodes) on the Apple TV and Amazon Prime Video platforms for enjoyment by the public in about 80 nations. The debut on Apple TV was particularly successful, the first season of *Arctic Friends* ranking second in Italy and first for families.

Puffins

In the first half of 2021, 59 episodes of *Puffins the series* were produced and delivered to the customer, resulting in revenues totalling €26.540 million (including government grants). *Puffins the series* is an animated web series, a spin-off of the animated family film *Arctic Justice*. An additional 61 episodes are expected to be produced during the second half of the year. The project



features Hollywood actor Johnny Depp, who will lend his voice to the character Johnny Puff. The Puffins also enjoyed a successful debut on Apple TV, the first season ranking first in Italy for families.

Tell it like a woman (formerly Together now)

Tell it like a woman, a live-action and animation project entirely by women produced by ILBE and consisting of seven shorts lasting 15 minutes each.

For 2021 the contract entailed the recognition of revenues relating to the production and delivery to the customer of the last segments of the film totalling €2.573 million (including government grants).

❖ Production in progress

Eddie & Sunny

Last year an agreement was signed with Paradox Studios LLC for the sale of the worldwide distribution rights of the film *Eddie&Sunny*. It is a film by English director and screenwriter Desmond Devenish based on the critically acclaimed novel by Stacey Cochran published in the USA. The contract is worth \$4.6 million of guaranteed minimum revenues for ILBE, in addition to a share of the film's worldwide box office. But the exploitation rights in Italy remain the property of ILBE. Filming was done in Rome and vicinity and then continued in Guatemala. The film (3D part) is scheduled to be completed in H2 2021.

State of Consciousness

One of the films covered by the agreement with Paradox, *State of Consciousness* qualifies as an Italian production and therefore subject to the regulations on government grants and the rules on European quotas. The contract is worth at least \$4.8 million of revenues for ILBE, in addition to a share of the film's worldwide box office. The exploitation rights in Italy, however, remain the property of ILBE. The film is scheduled to be completed in H2 2021.

Dakota

Dakota is a film directed by Kirk Harris and written by Johnny Harrington, shot in Italy (province of Bari) and Los Angeles. It will qualify as an Italian film, thus benefiting from a tax credit and the rules on European quotas for exports to China. The film is produced by ILBE, which has signed agreements with Universal Pictures and WWPS.TV Corp for the distribution rights of the film. The agreements in place provide ILBE with guaranteed minimum revenues for an overall total of \$6,250 million. As of 30 June 2021 costs totalling €4,091 million were capitalised.

❖ IP and distribution rights

The item IP and distribution rights, where the capitalisation of costs incurred for the acquisition of distribution rights of films in Italy and abroad and rights related to Intellectual Properties, increased by €5,016 million mainly for the acquisition of world rights of the films *The Good Witch of Christmas* and *Christmas Thieves*.

❖ Service activities including licences to use Intellectual Properties

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The activities in question amount to a total of €32,830 million – including the animated series *Puffins: impossible* and the films *Spin Me Round*, *Vote for Santa*, *The Christmas Witch* – also include the sales of licences for the exploitation of the animation production process (pipeline). Specifically this concerns a total of 34 projects relating to works of the "family" category that have been or will be made by a number of national and European producers.

❖ **Post-production activities**

Film post-production and the service for the streaming platforms for video on demand are handled by Arte Video S.r.l., a company recognised as Official Encoding House by the most important brands in the sector such as Apple iTunes, Google Play, Sony Entertainment, Amazon Prime Video, Disney+, Microsoft and Rakuten.

These activities generated revenues of €926 thousand for the Group.

❖ **Casting, celebrity management and digital ADV content production**

Casting, celebrity management and production of digital ADV content is done by the subsidiary R.E.D. Carpet S.r.l.

In the first half of 2021 Red Carpet continued the positive results achieved in H2 2020 despite the pandemic. In fact the Company maintained its past customers and added new ones to take on new challenges. Below are the main objectives that it achieved:

- ✓ Individual projects completed: about 50
- ✓ Total customers managed: about 35
- ✓ Total new customers acquired: 20
- ✓ Total talent contracted: about 70
- ✓ Total turnover: €2,442 thousand

Red Carpet has also consolidated partnerships with its historical customers in media centres and broadcasts (e.g. Mediacom, Mindshare, Fascino, Rai) collaborating in activities of value for clients such as Ferrero, Bolton (digital/social activities) and initiated new partnerships with Disney+, Amazon Prime Video, McDonald's and the Sicily Region.

❖ **Internationalisation: development of activities in the Serbian Republic**

The ILBE Group operates in Serbia through the wholly-owned subsidiary Iervolino Studios d.o.o. with operating offices in Belgrade and Novi Sad with about 80 employees and about 30 external contractors as at 30 June 2021, but destined to increase due to the expected growth in the production of both animated episodes and films with a combination of animated parts. The Company's main contract is executive production (service) on behalf of the producer Archangel Digital Studios, the Serbian company of the actor and producer Milos Bikovic for the production of animated content.

Specifically, the current agreement gives Archangel Digital Studios the right to use the animated characters of the *Puffins* series (the "Intellectual Properties of the animated characters") and the production process of the ILBE animated web series. For its part, the Group will invest in the project and, through its Serbian subsidiary Iervolino Studios, will provide executive



production (service) of the new episodes of the series called *Puffins: impossible*. The contracts in place relate to the first 36 episodes. However, with regard to those to be signed under the framework agreement, the pre-production of 54 episodes was concluded and work on the next 54 episodes began.

In the first half of 2021 the production of the service amounted to approximately €6.583 million.

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Significant events occurring after the end of the period

Issuance of a bond loan of €10,000,000

On 27 July 2021 ILBE successfully completed the issuance of a bond loan for a total principal amount of €10,000,000 maturing in 2028. The resources collected will be used by the Group for the production of films and audiovisual works.

The issue of the bond loan is part of the "Supply Chain Basket Bond" operation promoted by Cassa Depositi e Prestiti and UniCredit.

The Bond Loan has a duration of seven years with semi-annual instalments and is of the amortising type with a pre-amortisation period of 12 months. The bonds will bear interest at a gross nominal annual fixed rate of 2.55%.

Operating outlook

Business development will continue based on the guidelines of the business plan that envisage a change in the focus of the company's priorities, balancing investments with activities that generate more cash such as services (executive production) and character and pipeline licences. The effects of this change have already been visible during this first six months.

This new focus entails greater exploitation of the services and the licensing of characters and pipelines both in Italy and abroad, especially for the Intellectual Properties of the web series. These activities will achieve the dominant share of revenues after the guaranteed minimum distribution. This includes: (i) the activities of Iervolino Studios d.o.o. in Serbia for the production of episodes related to the web series *Puffins: Impossible* that will be making new episodes for the client producer, in line with the development plan; (ii) the licence of characters and processes and processing methods for animated production.

With regard to new films, we recall *Muti* that will continue filming in Italy in the coming months.

Finally, as regards the subsidiaries R.E.D. Carpet, Arte Video and Iervolino Studios, their activities in the respective operating sectors envisaged by IFRS 8 are expected to grow strongly.

In light of the above expectations of growing revenues and capitalised works in 2021 are confirmed. The new activities will be financed with dedicated loans



and therefore self-liquidating. Revenues are forecasted to grow, while margins are expected to grow more slowly than in previous years, as in the first half.

iervolino and Lady Bacardi Entertainment S.p.A. (ILBE) is a global production company, previously called **iervolino Entertainment (IE)**, founded by Andrea Iervolino, engaged in the production of cinematographic and television content including mainly films, TV shows and animated web series.

The Company also operates through its subsidiaries Arte Video, Red Carpet, IES Serbia and Iexchange, and was listed on the AIM Italia market of Borsa Italiana in August 2019. In 2020 ILBE recorded revenues of €120.7 million, EBIT of €22.8 million and net income of €19.5 million. www.ilbegroup.it/com

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Attached are the Group's income statement, the reclassified balance sheet, the main indicators of the cash flow statement and the details of the Group's NFP.

Reclassified Group Income Statement:

\$ thousand	30/06/2021	30/06/2020	Change	% Change
Revenues	114,170	55,488	58,682	>100%
Operating costs	4,406	1,562	2,844	>100%
Personnel costs	1,767	309	1,458	>100%
Amortisation, depreciation, impairment charges and provisions	92,993	41,436	51,557	>100%
EBIT	15,903	12,182	3,722	31%
EBIT margin %	14%	22%	N/A	-8%
Non-recurring charges (classified in the balance sheet under amortisation and depreciation)	899	181	719	>100%
EBIT net of non-recurring charges	15,004	12,001	3,003	25%
Net financial charges	1,905	401	1,504	>100%
Pre-tax result	13,100	11,600	1,499	13%
Taxes	(750)	(2,011)	1,260	-63%
Net income for the period	12,349	9,589	2,760	29%

Reclassified Group Balance Sheet:

Main equity and financial indicators - € thousand	30/06/2021	31/12/2020
Intangible Fixed Assets (including Trademark and Goodwill)	75,515	68,491
Tangible Fixed Assets	235	214
Other non-current assets	9,052	8,641
Fixed assets	84,802	77,345
Trade receivables	34,482	16,787
Payables to suppliers	(40,475)	(25,289)
Other current assets/(liabilities)	18,540	14,421
NWC	12,547	5,919
Employee severance indemnities (TFR)	(179)	(181)
Other non-current liabilities	(413)	(417)
NIC	96,757	82,667
Shareholders' Equity	79,425	67,041
Cash and cash equivalents	(2,347)	(3,513)
Financial Assets (investment funds)	(4,419)	(4,348)
Financial liabilities	24,099	23,487
NFP	17,333	15,626
Sources of financing	96,757	82,667

Main indicators of the Group's financial statements:

\$ thousand	30/06/2021	30/06/2020
A - Net flows generated/(used) by operating activities	71,740	16,785
B - Net flows generated/(used) by investment activities	(73,341)	(21,208)
C - Net flows generated/(used) in financing activities	435	(1,623)
D - Total cash flows generated / (used) in the period (A+B+C)	(1,166)	(6,047)
E - Cash and cash equivalents at the beginning of the period	3,513	8,225
F - Cash and cash equivalents at the end of the period (D+E)	2,347	2,179

Detail of the Group's NFP:

Net financial position - € thousand	30/06/2021	31/12/2020
Cash and cash equivalents	(2,347)	(3,513)
Liquidity	(2,347)	(3,513)
Financial Assets (investment funds)	(4,419)	(4,348)
Bank payables	24,099	23,487
Net debt	19,680	19,139
Debt NFP	17,333	15,626