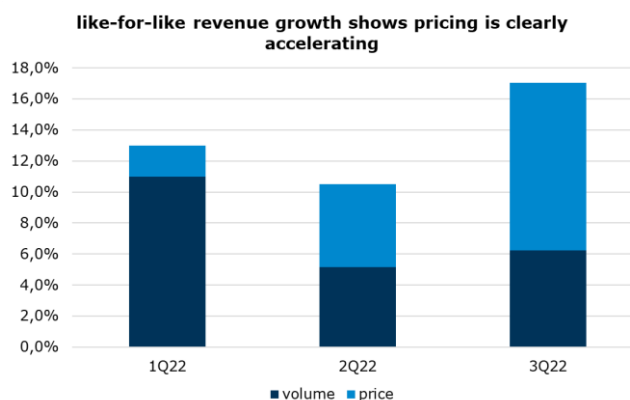
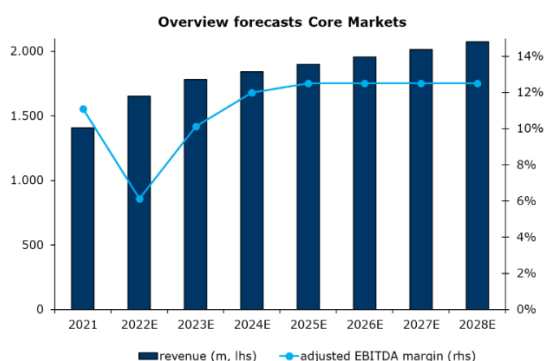


WHY DID WE ADD THESE STOCKS?

ONTEX

Ontex' results have been under significant pressure in the past 1.5 years, as steepening inflationary pressures could not be swiftly passed through to customers, given the fairly long duration of contracts. Pricing is now significantly accelerating, and was up c. 11% y/y in the Core Markets in 3Q22, resulting in a 28% sequential improvement in 3Q22 adjusted EBITDA. As implied in the FY22 guidance, we expect a further significant step up in 4Q22 to be announced (adj EBITDA margin +300bps), with further progression in 2023. The combination of significant EBITDA growth and the pending divestment of the non-core Mexican activities (for cash proceeds of c. € 250m) are expected to result in a quickly deleveraging balance sheet, with leverage expected to drop swiftly to c. 3x by the end of 2023. Valuation is clearly attractive on forward multiples and prompts us to include Ontex in our top pick list.



(€ m)	2019	2020	2021	2022E	2023E	2024E
Sales	2,281.3	2,086.8	2,026.4	1,650.1	1,779.4	1,841.7
EV / Sales	1.0	0.9	0.7	0.9	0.6	0.6
EBITDA	174.7	197.8	87.5	6.6	175.2	221.0
EV / REBITDA	9.1	8.1	8.7	14.1	6.2	4.7
Net earnings	37.2	54.0	-61.8	-188.8	41.4	87.3
Diluted, adjusted EPS	1.32	1.13	0.07	-0.39	0.48	0.90
PE (diluted, adjusted)	12.5	11.4	143.8	-18.4	14.8	7.9
Dividend per share	0.16	0.00	0.00	0.00	0.00	0.05
Dividend yield	1.0%	0.0%	0.0%	0.0%	0.0%	0.7%
Net debt / EBITDA	4.9	4.3	8.3	128.7	3.1	2.1
FCF yield	7.8%	5.4%	6.4%	-22.4%	10.8%	14.4%

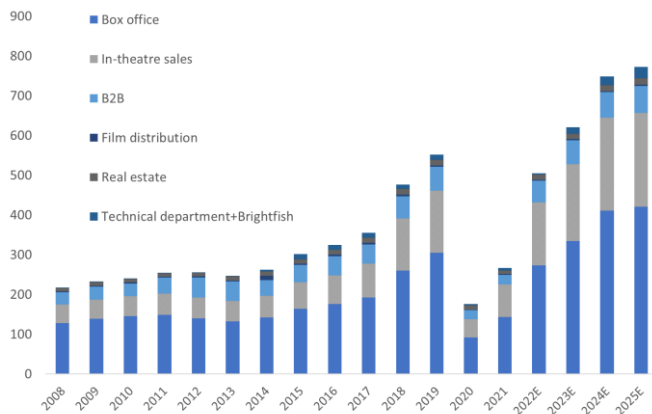
Source : KBC Securities

WHY DID WE REMOVE THESE STOCKS?

KINEPOLIS GROUP

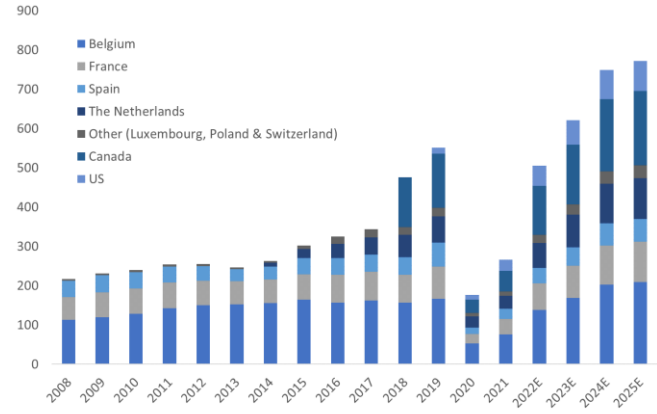
Although we believe in the longer term potential of Kinopolis Group we lower our Target Price to €59 (from € 68) after revising our FY23E visitor numbers from 40m to 36m. Kinopolis management is also seeing FY23 as a “transition year”. For FY24E the delta in our model is much more limited (from 45.7m to 43.4m). On the other hand, we have confidence in the pricing power of Kinopolis (passing on at least the inflation on the In-theatre sales) so we slightly increased our FY23 sales per visitor from € 16.8 to € 17.25. As a result the FY23E sales decline is somewhat more limited (FY23E sales going from 677m to 621m). As we believe that the long term story remains intact (theatrical exclusivity of content to cinemas before going to streaming platforms) we maintain our Buy rating but as long as we are driving in the fog related to the impact of FY23 as a “transition year” we remove Kinopolis Group from our Dynamic Top Pick List.

REVENUES BY ACTIVITY



Source: Kinopolis Group, KBC Securities

REVENUES BY COUNTRY



Source: Kinopolis Group, KBC Securities

(€ m)	2019	2020	2021	2022E	2023E	2024E
Sales	551.5	176.3	266.4	505.1	620.9	748.8
EV / Sales	4.1	10.9	8.9	3.7	2.9	2.2
EBITDA	172.3	17.2	72.7	160.8	189.5	225.1
EV / REBITDA	13.1	110.0	32.8	11.6	9.4	7.4
Net earnings	54.4	-68.9	-25.4	36.4	61.6	93.7
Diluted, adjusted EPS	2.01	-2.54	-0.93	1.34	2.26	3.44
PE (diluted, adjusted)	26.5	-14.7	-60.2	29.1	17.2	11.3
Dividend per share	0.00	0.00	0.00	0.67	1.13	1.72
Dividend yield	0.0%	0.0%	0.0%	1.7%	2.9%	4.4%
Net debt / EBITDA	4.8	52.7	11.8	5.0	3.8	2.8
FCF yield	6.1%	-6.4%	4.7%	6.2%	11.4%	14.8%

Source : KBC Securities