

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 3.50** (3.50)

02 April 2014

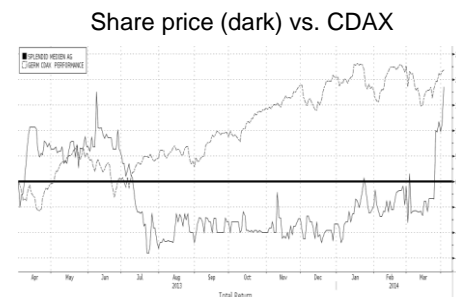
Final figures with no surprises

Mid-term outlook very promising; stock momentum back on track

- Final figures for FY13:** splendid medien reported its annual report and confirmed its already given key figures. Overall, the performance in 2013 can be considered very positive as the revenues coming from theatrical releases was down YoY (2013: EUR 2.4m; 2012: EUR 7.8m). Group revenues stood at EUR 54.9m after EUR 50.1m in 2012. Group EBIT (after FX effects) came in at EUR 4.1m which was flat YoY. Net result amounted to EUR 3.7m which was slightly higher than last year (2012: EUR 3.6m). The corresponding EPS was at EUR 0.37. As already mentioned the company will propose a dividend payment of EUR 0.10 per share at the AGM.
- Outlook for 2014:** With no surprise the guidance for 2014 was once again confirmed by the management. For the current FY the management expects group sales to range within EUR 66m and EUR 72m with an EBIT of EUR 5.0m-6.0m. However, for 1H the group forecasts a clear decline in EBIT YoY which will be more than compensated within 2H. Among others the high profile film releases Expendables 3 (as well as increased home entertainment sales for the first two films of the series) and Sin City 2. Capex in new films are estimated to amount to EUR 25m-29m. Noteworthy is that some FX effects (mostly USD) could negatively affect this year's development. For the YTD so far the FX rate EUR/USD was rather stable.
- Mid-term outlook:** Without presenting any numbers, the management also expects to continue its growth path also in 2015 which is more than reasonable given the prestigious film pipeline and library the company has established over the last couple of years. Since the final figures did not deviate from the previous posted figures we only adjusted our tax estimates for 2014E. We had previously not included any positive effects coming from deferred taxes, hence after including these effects, estimated net income for 2014E increased up to EUR 4.1m and EPS rose to EUR 0.42 (previous: EUR 0.36). Revenues are still expected to come in at EUR 71.0m. Overall, our 2014E estimates fits the company guidance. For 2015E and 2016E we are convinced that splendid medien will further grow dynamically. Group revenues are forecasted to be at EUR 80.9m for 2015E and EUR 87.0m for 2016E. Regarding EBIT, we assume the group to achieve EUR 6.9m in 2015E and EUR 7.4m in 2016E.
- PT at EUR 3.50:** We stick to our **PT of EUR 3.50/BUY** recommendation.

Y/E 31 Dec, EURm	2011	2012	2013	2014E	2015E	2016E
Sales	41.8	50.1	54.9	71.0	80.9	87.0
EBITDA	15.5	16.2	20.2	22.3	23.9	24.8
EBIT (reported)	4.6	4.2	4.1	5.6	6.9	7.4
Net income/loss	5.1	3.6	3.7	4.1	5.0	5.3
EPS	0.53	0.37	0.37	0.42	0.52	0.55
DPS	0.00	0.00	0.10	0.10	0.10	0.10
EBITDA margin	37.0%	32.3%	36.9%	31.5%	29.6%	28.5%
EBIT margin	11.1%	8.4%	7.4%	7.9%	8.5%	8.5%
Net margin	12.3%	7.2%	6.7%	5.8%	6.2%	6.1%
EV/EBITDA	1.9	1.8	1.5	1.3	1.2	1.2
EV/EBIT	6.4	7.0	7.2	5.3	4.3	4.0
P/E	5.2	7.4	7.3	6.4	5.3	5.0

Source: splendid medien AG, CBS Research AG



Sources: CBS Research AG, Bloomberg

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	-	71.0	80.9	-	87.0	-
EBIT	-	5.6	6.9	-	7.4	-
EPS	0.42	0.36	0.52	-	0.55	-

Internet: splendidmedien.de Sector: Media
WKN: 727950 ISIN: DE0007279507
Reuters: SPME.DE Bloomberg: SPM GY

Short company profile:

splendid medien is a medium-sized media group that generates sales and income from the exploitation of films and edutainment program, sales services for companies in the home entertainment sector and postproduction services.

Share data:

Share price (last closing price):	EUR 2.72
Shares outstanding (m):	9.79
Market capitalisation (EURm):	26.6
Enterprise value (EURm):	29.5
Ø daily trading volume (3m, no. of shares):	5,828

Performance data:

High 52 weeks (EUR):	3.25
Low 52 weeks (EUR):	2.04
Absolute performance (12 months):	18.5%
Relative performance (vs. CDAX):	
1 month:	20.7%
3 months:	27.2%
6 months:	15.5%
12 months:	-6.0%

Shareholders:

Andreas R. Klein (CEO)	53.4%
Family Klein GbR	6.3%
Josef Siepe	5.1%
Free float	35.2%

Financial calendar:

1Q14 report	15 May 2014
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Appendix

Profit and loss account

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Sales			41.82	50.11	54.94	71.03	80.91	87.00
YoY growth			48.6%	19.8%	9.6%	29.3%	13.9%	7.5%
Cost of revenues			-26.56	-30.16	-34.29	-39.77	0.00	0.00
as % of sales			-63.5%	-60.2%	-62.4%	-56.0%	0.0%	0.0%
Total output			15.25	19.95	20.65	31.25	80.91	87.00
as % of sales			36.5%	39.8%	37.6%	44.0%	100.0%	100.0%
General & administrative expenses			-6.73	-7.36	-7.17	-7.81	0.00	0.00
as % of sales			-16.1%	-17.6%	-17.1%	-18.7%	0.0%	0.0%
Sales & marketing			-6.79	-11.15	-13.44	-19.18	0.00	0.00
as % of sales			-16.2%	-26.7%	-32.1%	-45.9%	0.0%	0.0%
Other operating income			2.90	3.04	4.43	2.77	3.24	3.48
as % of sales			6.9%	7.3%	10.6%	6.6%	7.7%	8.3%
Other operating expenses			-0.44	-0.22	-0.16	-1.42	0.00	0.00
as % of sales			-1.1%	-0.4%	-0.3%	-2.0%	0.0%	0.0%
Operating profit			4.19	4.28	4.32	5.61	6.88	7.40
as % of sales			10.0%	8.5%	7.9%	7.9%	8.5%	8.5%
Currency effects			0.44	-0.08	-0.23	0.00	0.00	0.00
EBIT (reported)			4.63	4.20	4.08	5.61	6.88	7.40
as % of sales			11.1%	8.4%	7.4%	7.9%	8.5%	8.5%
Net financial results			-0.86	-0.84	-0.68	-0.80	-0.80	-0.80
EBT (Earnings before income taxes)			3.77	3.36	3.40	4.81	6.08	6.60
as % of sales			9.0%	6.7%	6.2%	6.8%	7.5%	7.6%
Income taxes (incl. other taxes)			1.37	0.23	0.26	-0.67	-1.03	-1.26
as % of EBT			36.4%	6.8%	7.5%	-14.0%	-17.0%	-19.1%
Net income			5.14	3.58	3.66	4.14	5.05	5.34
Minorities			0.00	0.00	0.00	0.00	0.00	0.00
Net income attributable to shareholders			5.14	3.59	3.66	4.14	5.05	5.34
as % of sales			12.3%	7.2%	6.7%	5.8%	6.2%	6.1%
Shares outstanding (in m)			9.79	9.79	9.79	9.79	9.79	9.79
Basic earnings per share (EUR)			0.53	0.37	0.37	0.42	0.52	0.55

Source: splendid medien AG, CBS Research AG

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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
02 April 2013	BUY	EUR 2.34	EUR 3.50
15 May 2013	BUY	EUR 2.62	EUR 3.50
23 August 2013	BUY	EUR 2.23	EUR 3.50
02 September 2013	BUY	EUR 2.15	EUR 3.50
14 November 2013	BUY	EUR 2.27	EUR 3.50

26 March 2014	BUY	EUR 2.36	EUR 3.50
02 April 2014	BUY	EUR 2.72	EUR 3.50

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