

Splendid Medien AG

BUY (BUY) | Target EUR 3.00 (EUR 3.00)

 Price (last closing price) : **EUR 2.19** | Upside : 36%

Est. change	2015e	2016e
EPS	-	-

2014 results slightly ahead of expectations; EBIT should double in 2015e

Wednesday, 01 April 2015


Capital
SPM GY | SPME.DE

Market Cap (EURm)		22
Enterprise value (EURm)		27
Extrema 12 months	52	- 52
Free Float (%)		34.9%

Performance (%)

	1m	3m	12m
Absolute	10.4	13.8	-18.4
Perf. rel. "sector"	7.1	-4.4	-37.2
Perf. rel. CDAX	5.1	-6.9	-34.6

P & L

	12/15e	12/16e	12/17e
Sales (EURm)	63	71	76
EBITDA (EURm)	23.5	25.8	29.2
EBIT (EURm)	4.2	4.8	6.1
Attr. net profit (EURm)	3.0	3.4	3.8
EPS (EUR)	0.31	0.35	0.39
Dividend (EUR)	0.10	0.10	0.10
P/E (x)	7.2	6.4	5.7
P/B (x)	0.8	0.7	0.7
Dividend yield (%)	5%	5%	5%
FCF yield (%)	5%	7%	6%
EV/Sales (x)	0.4	0.4	0.4
EV/EBITDA (x)	1.2	1.1	0.9
EV/EBIT (x)	6.4	5.7	4.5
Gearing (%)	-0.3	-0.3	-0.2
Net Debt/EBITDA(x)	-0.4	-0.3	-0.3

Next Events

1Q15 results	May 2015
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2014 results

Splendid Medien AG released its 2014 figures which were slightly better than expected on the top line, EBIT and net income – beating guidance, our estimates and consensus. Group revenues amounted to EUR 66.0m reaching the upper range of its guidance (EUR 62-66m), and surpassing our estimate (EUR 62.3m) and consensus (EUR 63.8m). Group EBIT stood at EUR 2.0m also at the upper range of guidance (EUR 1.0-2.0m), topping our estimate (EUR 1.5m) and consensus (EUR 1.5m). Net income came in at EUR 0.9m again beating our estimate (EUR 0.5m) and consensus (EUR 0.6m).

On the segment level: **Content** generated revenues of EUR 61.1m (2013: EUR 50.8m). The increase is largely due to higher revenues generated by theatrical releases and the sale of TV licenses. Also attributable are the record figures from the Home Entertainment business vs 2013 results. **Services** revenues rose to EUR 4.9m (2013: EUR 4.2m). Operating cash flow increased by EUR 3.0m to EUR 21.7m (2013: EUR 18.7m). Capex rose to EUR 25.0m (2013: EUR 19.9m). The company will propose a DPS of EUR 0.05 (2013: EUR 0.10). The decline is understandable in our view due to EPS of EUR 0.09. From 2015e we expect the DPS will revert to EUR 0.10.

Outlook for 2015 and beyond

Management expects group revenues of EUR 57-62m and EBIT of EUR 3.5-4.5m. Thus, the mid-point of the EBIT guidance represents a doubling up of the 2014 level. Management assumes capex for film assets of EUR 23-27m. From 2016e we expect the bottom line to grow due to an increase in revenues. We consider the company's top line outlook as conservative; hence while we have lowered our revenue estimate to EUR 63.4m for 2015e to reflect the company's outlook, we remain slightly above the guidance; our EBIT of EUR 4.2m for 2015e, comfortably in middle of the guidance range (margin: 6.7% vs. 2.8% in 2014). From 2016e we expect the EBIT margin to expand further (8% in 2017e). Assuming more box office hits from the theatrical releases, we expect the top line to also rise again in 2016e.

Firmly reiterate BUY – PT at EUR 3.00

The stock's momentum has turned positive and should remain so, as we expect news flow to remain positive. After updating our figures, we derive a FVpS of EUR 3.94. For the time being we leave our PT unchanged at EUR 3.00. In case of a stronger-than-expected stock momentum, we will update our PT accordingly. Currently the upside potential is ~36%. We firmly reiterate our BUY recommendation.

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Profit and loss account

	IFRS	EURm	2012	2013	2014	2015E	2016E	2017E
Sales			50.11	54.94	66.03	63.35	70.67	76.08
YoY growth			78.1%	9.6%	20.2%	-4.1%	11.5%	7.6%
Cost of revenues			-30.16	-34.29	-43.25	-36.24	-40.28	-43.36
as % of sales			-60.2%	-62.4%	-65.5%	-57.2%	-57.0%	-57.0%
Total output			19.95	20.65	22.78	27.12	30.39	32.71
as % of sales			39.8%	37.6%	34.5%	42.8%	43.0%	43.0%
General & administrative expenses			-7.36	-7.17	-7.10	-7.60	-8.48	-9.13
as % of sales			-14.7%	-14.3%	-14.2%	-15.2%	-16.9%	-18.2%
Sales & marketing			-11.15	-13.44	-16.12	-16.47	-18.37	-19.02
as % of sales			-22.2%	-26.8%	-32.2%	-32.9%	-36.7%	-38.0%
Other operating income			3.04	4.43	2.46	2.53	2.83	3.04
as % of sales			6.1%	8.8%	4.9%	5.1%	5.6%	6.1%
Other operating expenses			-0.22	-0.16	-0.17	-1.33	-1.55	-1.67
as % of sales			-0.4%	-0.3%	-0.3%	-2.1%	-2.2%	-2.2%
Operating profit			4.28	4.32	1.86	4.24	4.81	6.09
as % of sales			8.5%	7.9%	2.8%	6.7%	6.8%	8.0%
Currency effects			-0.08	-0.23	0.14	0.00	0.00	0.00
EBIT (reported)			4.20	4.08	2.00	4.24	4.81	6.09
as % of sales			8.4%	7.4%	3.0%	6.7%	6.8%	8.0%
Net financial results			-0.84	-0.68	-0.59	-0.60	-0.60	-0.60
EBT (Earnings before income taxes)			3.36	3.40	1.41	3.64	4.21	5.49
as % of sales			6.7%	6.2%	2.1%	5.8%	6.0%	7.2%
Income taxes (incl. other taxes)			0.23	0.26	-0.51	-0.64	-0.82	-1.70
as % of EBT			6.8%	7.5%	-36.4%	-17.5%	-19.4%	-31.1%
Net income			3.58	3.66	0.90	3.01	3.39	3.78
Minorities			0.00	0.00	0.00	0.00	0.00	0.00
Net income attributable to shareholders			3.59	3.66	0.90	3.01	3.39	3.78
as % of sales			7.2%	6.7%	1.4%	4.7%	4.8%	5.0%
Shares outstanding (in m)			9.79	9.79	9.79	9.79	9.79	9.79
Basic earnings per share (EUR)			0.37	0.37	0.09	0.31	0.35	0.39

Source: Company Data, Oddo Seydler Bank AG

Balance Sheet

	IFRS	EURm	2012	2013	2014	2015E	2016E	2017E
Assets								
Non-current assets			26.88	31.11	35.37	41.44	46.38	49.72
as % of total assets			47.2%	49.0%	48.9%	57.8%	62.1%	62.3%
Intangible assets			0.41	0.36	0.35	0.51	0.66	0.76
Goodwill			0.33	0.33	0.33	0.33	0.33	0.33
Property, plant and equipment			0.77	0.80	1.22	1.29	1.35	1.40
Film assets			18.90	23.28	26.73	33.17	37.90	41.09
Advanced payments			0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax assets			5.65	5.91	6.00	5.40	5.40	5.40
Other assets			0.05	0.06	0.01	0.01	0.01	0.01
Other long-term receivables			0.78	0.38	0.73	0.73	0.73	0.73
Current assets			30.02	32.39	36.91	30.19	28.31	30.07
as % of total assets			52.8%	51.0%	51.1%	42.2%	37.9%	37.7%
Inventories			2.29	2.00	2.39	1.90	2.12	2.28
Accounts receivable, other receivables and other assets			17.27	22.11	27.05	20.30	17.67	18.92
Current tax assets			0.07	0.07	0.04	0.04	0.04	0.04
Assets held for sale			0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents			10.40	8.21	7.44	7.95	8.49	8.83
Total assets			56.91	63.50	72.28	71.63	74.69	79.79
Shareholders' equity and liabilities								
Shareholders' equity			22.79	25.45	25.11	27.63	30.04	32.84
as % of total equity and liabilities			40.1%	40.1%	34.7%	38.6%	40.2%	41.2%
Subscribed capital			9.79	9.79	9.79	9.79	9.79	9.79
Capital reserve			0.40	0.40	0.40	0.40	0.40	0.40
Retained profits			0.00	0.00	0.00	0.00	0.00	0.00
Net retained earnings			12.60	15.27	14.93	17.45	19.86	22.66
Other reserves (incl. currency effects)			0.00	0.00	0.00	0.00	0.00	0.00
Equity attributable to shareholders			22.78	25.46	25.12	27.63	30.04	32.85
Minorities			0.01	-0.01	-0.01	-0.01	-0.01	-0.01
Current provisions and liabilities			28.76	33.92	43.50	40.33	40.98	43.28
as % of total equity and liabilities			50.5%	53.4%	60.2%	56.3%	54.9%	54.2%
Financial lease			0.06	0.07	0.12	0.12	0.12	0.12
Financial liabilities			7.69	9.77	13.65	13.65	13.65	13.65
Current provisions			7.00	7.32	7.49	8.36	8.78	9.22
Advance payments received			0.97	0.62	3.57	3.57	3.57	3.57
Accounts payable			10.87	12.61	14.46	10.41	10.65	12.51
Current income tax liabilities			0.31	0.22	0.25	0.25	0.25	0.25
Other current liabilities			1.87	3.31	3.96	3.96	3.96	3.96
Debts related to assets held for sale			0.00	0.00	0.00	0.00	0.00	0.00
Non-current provisions and liabilities			5.35	4.13	3.67	3.67	3.67	3.67
as % of total equity and liabilities			9.4%	6.5%	5.1%	5.1%	4.9%	4.6%
Provisions for pensions			0.00	0.00	0.00	0.00	0.00	0.00
Financial liabilities			4.67	3.86	3.04	3.04	3.04	3.04
Financial lease			0.16	0.15	0.27	0.27	0.27	0.27
Deferred tax liabilities			0.41	0.02	0.05	0.05	0.05	0.05
Other payables and liabilities			0.10	0.10	0.31	0.31	0.31	0.31
Total equity and liabilities			56.91	63.50	72.28	71.63	74.69	79.79

Source: Company Data, Oddo Seydler Bank AG

Cash flow statement

	IFRS	EURm	2012	2013	2014	2015E	2016E	2017E
Net income			4.20	4.08	2.00	4.24	4.81	6.09
Depreciation and amortisation			12.32	15.93	22.00	19.24	20.97	23.07
Other transactions incl. non-cash			-0.15	-1.32	-1.39	-0.64	-1.42	-2.30
Change in Working Capital			-2.05	0.10	-0.86	4.07	3.07	0.87
Cash flow from operating activities			14.32	18.79	21.75	26.92	27.43	27.72
CAPEX			-19.53	-21.27	-24.69	-25.91	-25.91	-26.41
Other investing activities			0.13	0.04	0.10	0.00	0.00	0.00
Cash flow from investing activities			-19.40	-21.23	-24.59	-25.91	-25.91	-26.41
Change in debt			2.40	1.24	3.04	0.00	0.00	0.00
Repayment of liabilities under finance lease			0.00	0.00	0.00	0.00	0.00	0.00
Paid interests			0.00	0.00	0.00	0.00	0.00	0.00
Net proceeds from capital increase & right capital			0.00	0.00	0.00	0.00	0.00	0.00
Dividend payments			-0.98	-1.00	-0.98	-0.49	-0.98	-0.98
Cash flow from financing activities			1.42	0.25	2.06	-0.49	-0.98	-0.98
Total change in cash and cash equivalents			-3.66	-2.19	-0.79	0.52	0.53	0.34
Changes in cash due to changes in consolidation			0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents at the start of the period			14.06	10.40	8.21	7.44	7.95	8.49
Cash and cash equivalents at year's end			10.40	8.21	7.42	7.95	8.49	8.83
<i>Adjusted cash and cash equivalents</i>			<i>10.40</i>	<i>8.21</i>	<i>7.44</i>	<i>7.95</i>	<i>8.49</i>	<i>8.83</i>
<i>Current account</i>			<i>0.00</i>	<i>0.00</i>	<i>0.01</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>

Source: Company Data, Oddo Seydler Bank AG

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

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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 2014	BUY	EUR 2.72	EUR 3.50
15 May 2014	BUY	EUR 2.75	EUR 3.50
07 August 2014	BUY	EUR 2.68	EUR 3.50
16 September 2014	BUY	EUR 2.32	EUR 3.50
01 October 2014	BUY	EUR 2.39	EUR 3.00
13 November 2014	BUY	EUR 2.00	EUR 3.00
01 April 2015	BUY	EUR 2.19	EUR 3.00

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