



Splendid Medien AG

Buy → | Target price : 3.20 EUR

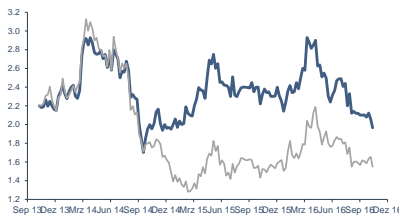
Price (11/10/2016) : 1.97 EUR | Upside : 63 %

Est.chg	2016e	2017e
EPS	-	-

9M 2016 figures on track to meet full-year guidance

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Capital			
SPM GY SPME.DE			
Market Cap (EURm)			19
Enterprise value (EURm)			25
Extrema 12 months	1.97	-	2.95
Free Float (%)			32.3
Performance (%)			
	1m	3m	12m
Absolute	-10.6	-18.4	-18.0
Perf. rel. Country Index	-9.8	-17.2	-9.0
Perf. rel. Media	-5.9	-11.2	-0.3
P&L			
	12/16e	12/17e	12/18e
Sales (EURm)	58.2	63.6	68.5
EBITDA (EURm)	23.2	27.4	30.9
Current EBIT (EURm)	2.2	4.3	5.5
Attr. net profit (EURm)	1.3	2.9	3.8
Adjusted EPS (EUR)	0.13	0.29	0.39
Dividend (EUR)	0.10	0.10	0.10
P/E (x)	14.8	6.7	5.1
P/B (x)	0.7	0.6	0.6
Dividend Yield (%)	5.1	5.1	5.1
FCF yield (%)	8.6	11.3	13.7
EV/Sales (x)	0.42	0.37	0.32
EV/EBITDA (x)	1.1	0.9	0.7
EV/Current EBIT (x)	11.1	5.4	4.0
Gearing (%)	18	13	7
Net Debt/EBITDA(x)	0.2	0.2	0.1

Next Events

Recap of Q3/9M 2016 results: Q3 in line

Splendid Medien AG published solid Q3/9M 2016 figures (see table). 9M 2016 EBIT of € -0.2m came in as expected after the company updated its full-year guidance in August. Sales, at € 36.6m (down ~11% yoy from € 41.2m in 9M 2015), were roughly in line with our estimate. Operating cash flow totalled € 10.5m, a 29% yoy decline. 9M 16 capex came in at € 12.7m, corresponding to FCF of € -2.2m.

Splendid Medien: 9M 2016 key figures

	9M 16	9M15	YoY in %	Q3 16
Sales	36.6	41.2	-11%	11.3
EBIT	-0.2	2.2	-	-0.7
EBT	-0.6	1.8	-	-0.8
Capex film	12.7	11.7	+9%	6.0

Source : Oddo Seydler Bank, Company Data

Guidance confirmed; company on track

Given its in-line Q3/9M 2016 figures, the company confirmed its full-year guidance for 2016: i) revenues of € 55-59m, and ii) EBIT of € 2.0-2.5m. Assuming the low end of the guidance range, the company would achieve revenues of € 18.4m for Q4 2016; the high end implies Q4 2016 revenues of € 22.4m. We feel confident about Q4 and stick to our full-year estimate of € 58.2m (still at the upper end of the guidance range). We also leave our EBIT forecast for 2016e unchanged at € 2.2m (midpoint of guided range), implying an EBIT of € 2.4m for Q4 2016e.

After updated guidance, Q3 was in line and Q4 also looks promising

The stock has come down a bit since the company lowered its full-year guidance in August. However, the Q3 figures and the outlook for Q4, indicating that the company has managed to get back on track after a weak H1, should restore confidence. We would also highlight that one of the main reasons for the company's softened business in 2016 was the multiple postponements of theatrical releases into 2017 and not structural issues at Splendid. While the company should still end 2016 with a net profit, the postponements into 2017e could end up lifting next year to a higher result than expected. We reiterate our Buy rating with an unchanged TP of € 3.20/share.

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Buy

Upside 62.77%

Price 1.97EUR

TP 3.20EUR

PER SHARE DATA (EUR)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Adjusted EPS	0.52	0.37	0.37	0.09	0.30	0.13	0.29	0.39
Reported EPS	0.52	0.37	0.37	0.09	0.30	0.13	0.29	0.39
Growth in EPS(%)	-	-30.3%	2.1%	-75.4%	ns	-55.6%	ns	32.2%
Net dividend per share	0.10	0.00	0.00	0.05	0.10	0.10	0.10	0.10
FCF to equity per share	0.43	-0.53	-0.25	-0.30	0.27	0.17	0.22	0.27
Book value per share	2.06	2.33	2.60	2.57	2.82	2.95	3.14	3.43
Number of shares market cap	9.79	9.79	9.79	9.79	9.79	9.79	9.79	9.79
Number of diluted shares	9.79	9.79	9.79	9.79	9.79	9.79	9.79	9.79
VALUATION	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
12m highest price	1.45	2.56	3.00	2.94	2.75	2.95		
12m lowest price	0.59	1.32	2.10	1.65	1.92	1.97		
(*) Reference price	1.09	2.02	2.46	2.41	2.31	1.97	1.97	1.97
Capitalization	10.7	19.8	24.1	23.6	22.6	19.2	19.2	19.2
Restated Net debt	-4.1	2.0	5.4	9.3	7.1	5.3	4.1	2.5
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value	6.6	21.7	29.5	32.8	29.7	24.6	23.4	21.7
P/E (x)	2.1	5.5	6.6	26.2	7.7	14.8	6.7	5.1
P/CF (x)	0.8	1.2	1.3	1.0	1.0	0.8	0.7	0.7
Net Yield (%)	9.1%	0.0%	0.0%	2.1%	4.3%	5.1%	5.1%	5.1%
FCF yield (%)	39.4%	ns	ns	ns	11.9%	8.6%	11.3%	13.7%
P/B incl. GW (x)	0.53	0.87	0.95	0.94	0.82	0.67	0.63	0.57
P/B excl. GW (x)	0.53	0.87	0.95	0.94	0.82	0.67	0.63	0.57
EV/Sales (x)	0.16	0.43	0.54	0.50	0.52	0.42	0.37	0.32
EV/EBITDA (x)	0.4	1.3	1.5	1.4	1.3	1.1	0.9	0.7
EV/EBIT (x)	1.6	5.1	6.8	17.7	8.8	11.1	5.4	4.0
(*) historical average price								
PROFIT AND LOSS (EURm)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Sales	41.8	50	55	66	57	58	64	68
EBITDA	15.5	16.6	20.2	23.9	23.7	23.2	27.4	30.9
Depreciations	-11.3	-12.3	-15.9	-22.0	-20.4	-21.0	-23.1	-25.4
Current EBIT	4.2	4.3	4.3	1.9	3.4	2.2	4.3	5.5
Published EBIT	4.6	4.2	4.1	2.0	3.7	2.2	4.3	5.5
Net financial income	-0.9	-0.8	-0.7	-0.6	-0.6	-0.6	-0.6	-0.6
Corporate Tax	1.4	0.2	0.3	-0.5	-0.2	-0.3	-0.9	-1.1
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	5.1	3.6	3.7	0.9	2.9	1.3	2.9	3.8
Adjusted attributable net profit	5.1	3.6	3.7	0.9	2.9	1.3	2.9	3.8
BALANCE SHEET (EURm)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Goodwill	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other intangible assets	0.4	0.4	0.4	0.3	0.3	0.2	0.1	-0.1
Tangible fixed assets	10.8	19.7	24.1	28.0	25.7	29.9	32.6	33.5
WCR	8.5	7.4	10.6	10.7	12.6	9.0	7.6	8.4
Financial assets	4.9	6.5	6.3	6.7	6.7	6.1	6.1	6.1
Ordinary shareholders equity	20.2	22.8	25.5	25.1	27.6	28.9	30.7	33.5
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	20.2	22.8	25.5	25.1	27.6	28.9	30.7	33.5
Non-current provisions	8.9	9.5	10.8	11.8	11.0	11.5	11.8	12.2
Net debt	-4.1	2.0	5.4	9.3	7.1	5.3	4.1	2.5
CASH FLOW STATEMENT (EURm)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
EBITDA	15.5	16.6	20.2	23.9	23.7	23.2	27.4	30.9
Change in WCR	1.8	-2.1	0.1	-0.9	-1.0	3.7	1.8	-0.4
Interests & taxes	-0.9	-1.2	-1.1	-1.2	-1.0	-0.9	-1.5	-1.7
Others	-0.4	0.9	-0.4	-0.1	0.3	0.8	0.0	0.0
Operating Cash flow	16.0	14.3	18.8	21.7	22.1	26.8	27.8	28.7
CAPEX	-11.7	-19.5	-21.3	-24.7	-19.4	-25.1	-25.6	-26.1
Free cash-flow	4.2	-5.2	-2.5	-2.9	2.7	1.7	2.2	2.6
Acquisitions / disposals	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Dividends	0.0	-1.0	-1.0	-1.0	-0.5	0.0	-1.0	-1.0
Net capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.2	2.4	1.2	3.0	-1.8	0.0	0.0	0.0
Change in net debt	4.2	-6.1	-3.4	-3.8	2.2	1.7	1.2	1.7
GROWTH MARGINS PRODUCTIVITY	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Sales growth	-	19.8%	9.6%	20.2%	-14.0%	2.5%	9.3%	7.6%
Lfl sales growth	-	19.8%	9.6%	20.2%	-14.0%	2.5%	9.3%	7.6%
Current EBIT growth	-	2.2%	0.8%	-56.9%	81.1%	-34.3%	95.6%	26.6%
Growth in EPS(%)	-	-30.3%	2.1%	-75.4%	ns	-55.6%	ns	32.2%
Net margin	12.3%	7.1%	6.7%	1.4%	5.2%	2.2%	4.5%	5.5%
EBITDA margin	37.0%	33.1%	36.9%	36.1%	41.8%	39.8%	43.1%	45.1%
Current EBIT margin	10.0%	8.5%	7.9%	2.8%	5.9%	3.8%	6.8%	8.0%
CAPEX / Sales	-28.1%	-39.0%	-38.7%	-37.4%	-34.1%	-43.1%	-40.2%	-38.1%
WCR / Sales	20.3%	14.8%	19.2%	16.2%	22.1%	15.5%	11.9%	12.2%
Tax Rate	-36.4%	-6.8%	-7.5%	36.4%	6.5%	19.2%	23.2%	22.5%
Normative tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Asset Turnover	-	2.1	1.7	1.8	1.5	1.5	1.6	1.7
ROCE post-tax (normative tax rate)	-	12.5%	9.6%	3.5%	6.0%	3.9%	7.6%	9.3%
ROCE post-tax hors GW (normative tax rate)	-	12.7%	9.7%	3.5%	6.1%	4.0%	7.6%	9.4%
ROE	-	16.7%	15.2%	3.6%	11.1%	4.6%	9.6%	11.8%
DEBT RATIOS	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Gearing	-21%	9%	21%	37%	26%	18%	13%	7%
Net Debt / Market Cap	-0.39	0.10	0.22	0.39	0.31	0.28	0.21	0.13
Net debt / EBITDA	ns	0.12	0.27	0.39	0.30	0.23	0.15	0.08
EBITDA / net financial charges	18.0	19.7	29.7	40.3	41.0	38.6	45.7	51.4

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Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo Securities' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

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Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
22.08.16	Buy	3.20	2.18	Marcus Silbe, CEFA

Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(414)	49%	40%	11%
Liquidity providers coverage	(147)	53%	41%	5%
Research service coverage	(66)	65%	32%	3%
Investment banking services	(33)	70%	27%	3%

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