ODDO SEYDLER

**First Take – Profit warning**
Broadcasting | Germany

# Splendid Medien AG

**Buy ➔ | Target price : 2.30 EUR vs 3.20 EUR ➘**

Price (12/09/2016) : 1.80 EUR | Upside : 28 %

| Est.chg | 2016e | 2017e |
|---|---|---|
| EPS | -226,2% | -44,4% |

## 2nd profit warning this year; after cutting our EBIT estimates for 2017/2018e and our TP by ~30%; our new TP still leaves 28% upside; Buy reiterated

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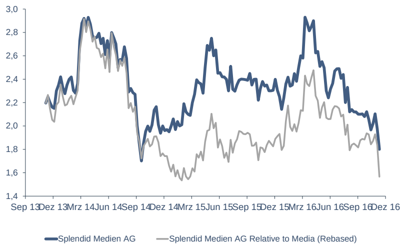


| Capital | | | |
|---|---|---|---|
| **SPM GY \| SPME.DE** | | | |
| Market Cap (EURm) | | | 18 |
| Enterprise value (EURm) | | | 26 |
| Extrema 12 months | | 1,80 – | 2,95 |
| Free Float (%) | | | 32,3 |

| Performance (%) | 1m | 3m | 12m |
|---|---|---|---|
| Absolute | -11,7 | -15,9 | -24,4 |
| Perf. rel. Country Index | -15,6 | -18,2 | -22,5 |
| Perf. rel. Media | -17,9 | -14,8 | -17,6 |

| P&L | 12/16e | 12/17e | 12/18e |
|---|---|---|---|
| Sales (EURm) | 50,6 | 59,9 | 65,5 |
| EBITDA (EURm) | 23,8 | 22,6 | 25,6 |
| Current EBIT (EURm) | -1,2 | 2,6 | 3,6 |
| Attr. net profit (EURm) | -2 | 1,6 | 2,3 |
| Adjusted EPS (EUR) | -0,17 | 0,16 | 0,23 |
| Dividend (EUR) | 0,10 | 0,10 | 0,10 |
| P/E (x) | ns | 11,1 | 7,7 |
| P/B (x) | 0,7 | 0,7 | 0,6 |
| Dividend Yield (%) | 5,6 | 5,6 | 5,6 |
| FCF yield (%) | ns | 10,8 | 5,3 |
| EV/Sales (x) | 0,52 | 0,42 | 0,38 |
| EV/EBITDA (x) | 1,1 | 1,1 | 1,0 |
| EV/Current EBIT (x) | ns | 9,8 | 7,0 |
| Gearing (%) | 33 | 28 | 27 |
| Net Debt/EBITDA(x) | 0,4 | 0,3 | 0,3 |

**Next Events**

### Profit warning came by surprise, just 4 weeks after Q3 figures

On 8 December splendid medien very surprisingly reported a second profit warning this year, citing business in November and early December below its internal guidance – especially in the content segment. The sub-segments theatrical releases, home entertainment, licenses and tv-productions are fell short of revenue expectations. Furthermore, the company assumes lower exploitability from TV-licenses, leading it to write-down certain film assets, which also affected the P&L. To summarise, the company now projects 2016 revenues of € 50-53m and an EBIT loss of –€ 1.0m to –€ 1.5m. Its new revenue guidance is c.24%/€ 15m below its original revenue guidance for 2016 (using range mid-points); and its new EBIT guidance is € 5.75m below its original full-year EBIT guidance (mid-points). The timing of the profit warning – just 4 weeks after the Q3 results were released – was also very surprising. When we talked with management at that time, it was confident of reaching its then-current guidance (issued on 18 August, see table). The € 3m gap between the company's EBIT guidance on 18 August and 8 December can be broken down into: i) a weakish operational performance in Q4, as indicated by the ~9% reduction of its sales guidance, and ii) write-offs of film assets. Excluding the write-downs, we would expect operational EBIT at around break-even for 2016e. We now estimate 2016e revenues at € 50.6m (low end of guided range) and EBIT at € -1.2m (mid-point of range), leading to a net loss of € -1.6m.

**Change in company guidance for 2016**

| | Original guidance | 1st profit warning on 18th August | 2nd profit warning on 8 December | Δ original guidance vs 2nd profit warning |
|---|---|---|---|---|
| Sales | 64-69 | 55-59 | 50-53 | -15m or -24% |
| EBIT | 4-5 | 2-2,5 | -1,0 to -1.5 | -5.75m (mid points) |

*Source : Oddo Seydler Bank, Company Data*

### Given lack of visibility on 2017/2018, we cut our EBIT estimates by 30% as a precautionary measure

Forecasting 2017 now becomes a quite uncertain exercise given that this was company's 2nd profit warning this year and given that it projects weak revenues and weak EBIT for Q4 16. We do not expect the company to issue guidance for 2017 until it publishes its annual report, normally at the end of March. We had updated our estimates for 2017e and 2018e after the first profit warning (on 8 August) and felt comfortable with them after the Q3 call with management. The magnitude of the company's Q4 weakness was a surprise, which would normally imply a weakish Q1 2017, too. 2016 is the company's first year with a large amount of postponements and delays in film production & releases. To be on the safe side, we lower our estimates for 2017e and 2018e by about 30% each on EBIT level due to a general lack of visibility. We also reduce our revenue estimates by c.5% for both years. We now forecast for 2017e revenues of € 59.9m and EBIT of € 2.6m, down from € 63.6m and € 4.3m, respectively. For 2018e we forecast revenues of € 65.5m with an EBIT of € 3.6m.

### Valuation also down ~30%; current TP at € 2.30 for 28% upside; Buy

Post profit warning #2 the stock is now trading at c.€ 1.80. Prior to the second profit warning our TP was € 3.20, assuming 2017e EBIT of € 4.3m and € 5.5m for 2018e. We now assume 2017e/2018e EBIT € 2.6m/€ 3.6m. Including this 30% haircut on the operational level, we now derive a fair value per share of € 2.32. We therefore lower our TP from € 3.20/share to € 2.30/share. As we expect earnings momentum to turn positive in 2017e and 2018e, the valuation currently looks undemanding (28% upside) and we reiterate our Buy rating.


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**SPME.DE | SPM GY** **Buy** Price 1.80EUR

**Broadcasting | Germany** Upside 27,78% TP 2.30EUR

| 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 | -0,17 | 0,16 | 0,23 |
| **Reported EPS** | **0,52** | **0,37** | **0,37** | **0,09** | **0,30** | **-0,17** | **0,16** | **0,23** |
| Growth in EPS(%) | - | -30,3% | 2,1% | -75,4% | ns | ns | ns | 43,5% |
| 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 | -0,15 | 0,19 | 0,09 |
| Book value per share | 2,06 | 2,33 | 2,60 | 2,57 | 2,82 | 2,65 | 2,71 | 2,84 |
| 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 | 1,80 | | |
| (*) Reference price | 1,09 | 2,02 | 2,46 | 2,41 | 2,31 | 1,80 | 1,80 | 1,80 |
| Capitalization | 10,7 | 19,8 | 24,1 | 23,6 | 22,6 | 17,6 | 17,6 | 17,6 |
| Restated Net debt | -4,1 | 2,0 | 5,4 | 9,3 | 7,1 | 8,5 | 7,5 | 7,6 |
| 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** | **26,1** | **25,1** | **25,2** |
| P/E (x) | 2,1 | 5,5 | 6,6 | 26,2 | 7,7 | ns | 11,1 | 7,7 |
| P/CF (x) | 0,8 | 1,2 | 1,3 | 1,0 | 1,0 | 0,7 | 0,8 | 0,7 |
| Net Yield (%) | 9,1% | 0,0% | 0,0% | 2,1% | 4,3% | 5,6% | 5,6% | 5,6% |
| FCF yield (%) | 39,4% | ns | ns | ns | 11,9% | ns | 10,8% | 5,3% |
| P/B incl. GW (x) | 0,53 | 0,87 | 0,95 | 0,94 | 0,82 | 0,68 | 0,66 | 0,63 |
| P/B excl. GW (x) | 0,53 | 0,87 | 0,95 | 0,94 | 0,82 | 0,68 | 0,67 | 0,63 |
| EV/Sales (x) | 0,16 | 0,43 | 0,54 | 0,50 | 0,52 | 0,52 | 0,42 | 0,38 |
| EV/EBITDA (x) | 0,4 | 1,3 | 1,5 | 1,4 | 1,3 | 1,1 | 1,1 | 1,0 |
| **EV/EBIT (x)** | **1,6** | **5,1** | **6,8** | **17,7** | **8,8** | **ns** | **9,8** | **7,0** |
| *(*) 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 | 51 | 60 | 65 |
| EBITDA | 15,5 | 16,6 | 20,2 | 23,9 | 23,7 | 23,8 | 22,6 | 25,6 |
| Depreciations | -11,3 | -12,3 | -15,9 | -22,0 | -20,4 | -25,0 | -20,0 | -22,0 |
| **Current EBIT** | **4,2** | **4,3** | **4,3** | **1,9** | **3,4** | **-1,2** | **2,6** | **3,6** |
| Published EBIT | 4,6 | 4,2 | 4,1 | 2,0 | 3,7 | -1,2 | 2,6 | 3,6 |
| 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 | 0,2 | -0,4 | -0,7 |
| 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 | -1,6 | 1,6 | 2,3 |
| **Adjusted attributable net profit** | **5,1** | **3,6** | **3,7** | **0,9** | **2,9** | **-1,6** | **1,6** | **2,3** |
| **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 | 0,1 | 0,1 | 0,0 |
| Tangible fixed assets | 10,8 | 19,7 | 24,1 | 28,0 | 25,7 | 23,5 | 29,1 | 33,3 |
| WCR | 8,5 | 7,4 | 10,6 | 10,7 | 12,6 | 15,8 | 10,2 | 7,9 |
| 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 | 25,9 | 26,5 | 27,8 |
| 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 | 25,9 | 26,5 | 27,8 |
| 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** | **8,5** | **7,5** | **7,6** |
| **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** | **23,8** | **22,6** | **25,6** |
| Change in WCR | 1,8 | -2,1 | 0,1 | -0,9 | -1,0 | -3,1 | 5,9 | 2,7 |
| Interests & taxes | -0,9 | -1,2 | -1,1 | -1,2 | -1,0 | -0,4 | -1,0 | -1,3 |
| Others | -0,4 | 0,9 | -0,4 | -0,1 | 0,3 | 3,3 | 0,0 | 0,0 |
| Operating Cash flow | 16,0 | 14,3 | 18,8 | 21,7 | 22,1 | 23,6 | 27,5 | 27,0 |
| 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** | **-1,5** | **1,9** | **0,9** |
| 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 | -1,5 | 0,9 | -0,1 |
| **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% | -11,0% | 18,5% | 9,3% |
| **Lfl sales growth** | **-** | **19,8%** | **9,6%** | **20,2%** | **-14,0%** | **-11,0%** | **18,5%** | **9,3%** |
| Current EBIT growth | - | 2,2% | 0,8% | -56,9% | 81,1% | ns | ns | 39,8% |
| Growth in EPS(%) | - | -30,3% | 2,1% | -75,4% | ns | ns | ns | 43,5% |
| Net margin | 12,3% | 7,1% | 6,7% | 1,4% | 5,2% | -3,3% | 2,7% | 3,5% |
| **EBITDA margin** | **37,0%** | **33,1%** | **36,9%** | **36,1%** | **41,8%** | **47,1%** | **37,7%** | **39,1%** |
| **Current EBIT margin** | **10,0%** | **8,5%** | **7,9%** | **2,8%** | **5,9%** | **-2,4%** | **4,3%** | **5,5%** |
| CAPEX / Sales | -28,1% | -39,0% | -38,7% | -37,4% | -34,1% | -49,7% | -42,7% | -39,8% |
| WCR / Sales | 20,3% | 14,8% | 19,2% | 16,2% | 22,1% | 31,2% | 17,1% | 12,0% |
| Tax Rate | -36,4% | -6,8% | -7,5% | 36,4% | 6,5% | 9,4% | 19,6% | 24,0% |
| 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 | 1,3 | 1,5 | 1,6 |
| **ROCE post-tax (normative tax rate)** | **-** | **12,5%** | **9,6%** | **3,5%** | **6,0%** | **-2,2%** | **4,5%** | **6,2%** |
| ROCE post-tax hors GW (normative tax rate) | - | 12,7% | 9,7% | 3,5% | 6,1% | -2,2% | 4,6% | 6,3% |
| ROE | - | 16,7% | 15,2% | 3,6% | 11,1% | -6,1% | 6,1% | 8,4% |
| **DEBT RATIOS** | **12/11** | **12/12** | **12/13** | **12/14** | **12/15** | **12/16e** | **12/17e** | **12/18e** |
| Gearing | -21% | 9% | 21% | 37% | 26% | 33% | 28% | 27% |
| Net Debt / Market Cap | -0,39 | 0,10 | 0,22 | 0,39 | 0,31 | 0,48 | 0,43 | 0,43 |
| **Net debt / EBITDA** | **ns** | **0,12** | **0,27** | **0,39** | **0,30** | **0,36** | **0,33** | **0,30** |
| EBITDA / net financial charges | 18,0 | 19,7 | 29,7 | 40,3 | 41,0 | 39,7 | 37,6 | 42,7 |

## Mention of conflicts of interest

- **Valuation method**

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.

- **Our stock market recommendations**

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.
Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).
Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).
Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

- **The prices of the financial instruments used and mentioned in this document are the closing prices.**
- **All publications by Oddo Securities or Oddo Seydler concerning the companies covered and mentioned in this document are available on the research site: www.oddosecurities.com**

**Recommendation and target price changes history over the last 12 months for the company analysed in this report**

| Date | Reco | Price Target (EUR) | Price (EUR) | Analyst |
|---|---|---|---|---|
| 12.12.16 | Buy | 2,30 | 1,80 | Marcus Silbe, CEFA |
| 22.08.16 | Buy | 3,20 | 2,18 | Marcus Silbe, CEFA |

**Recommendation split**

| | | Buy | Neutral | Reduce |
|---|---|---|---|---|
| Our whole coverage | (415) | 48% | 42% | 10% |
| Liquidity providers coverage | (153) | 52% | 42% | 7% |
| Research service coverage | (67) | 63% | 34% | 3% |
| Investment banking services | (38) | 66% | 29% | 5% |

**Risk of conflict of interest :**

| | |
|---|---|
| **Investment banking and/or Distribution** | |
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| **Disclosure to Company** | |
| Has a copy of this report ; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements ? | No |
| Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution? | No |
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