

MEDIA & ENTERTAINMENT

A Research Publication by DZ BANK AG

Splendid Medien⁶⁾

Reuters: SPME.DE

Bloomberg: SPM GY

Year *	Sales EUR m	Adj. IFRS- Earnings per sh. EUR	Cash flow per share EUR	PER	PCF	Dividend per share EUR
2012	50.1 (50.1)	0.37 (0.37)	0.41 (0.41)	7.0	6.3	0.10
2013e	59.0 (59.0)	0.37 (0.37)	0.43 (0.43)	7.3	6.3	0.10
2014e	72.0 (72.0)	0.41 (0.41)	0.47 (0.47)	6.6	5.7	0.10
2015e	78.0 (78.0)	0.46 (0.46)	0.52 (0.52)	5.8	5.1	0.15

* Fiscal year end December – In brackets: Figures from the last publication

Successful start to the year

- » Group sales increased significantly in Q1/13 by 34.1% to EUR 16.5m. The Content segment contributed first and foremost to this growth with an increase in revenues of 38.9% to EUR 15.7m. Although the film "The Last Stand" with Arnold Schwarzenegger did not quite meet expectations in the cinema exploitation, thanks to the very solid development at home entertainment level, especially due to the very successful exploitation of "Expendables II", the EBIT increased considerably by 41.7% to EUR 1.7m. This corresponds to an EBIT margin of around 10.2%. The EBT also rose by 50.0% to EUR 1.5m.
- » The balance sheet situation is good with an equity ratio of 39.3% and liquid funds of EUR 12.5m. In view of further investments in film assets in the amount of EUR 3.7m the foundation was laid for further profitable growth. Rights for the sequel "Expendables 3" were also acquired, among other things.
- » The management confirmed the guidance for 2013 and expects revenues between EUR 58m and EUR 61m, as well as an EBIT in the range between EUR 4.4m and EUR 4.9m. We are still expecting sales of EUR 59.0m and an EBIT of EUR 5.4m. The first self-produced film "Systemfehler – Wenn Inge tanzt" (System Error- When Inge Dances) should also contribute to the growth as well as a series of films successfully licensed to the television stations. The order situation in the Services segment is also still good.

Following the presentation of the good Q1/13 figures we do not see any need to change our sales and earnings estimates. In particular, our earnings forecast seems to be attainable, even though the film exploitation is always associated with an attractiveness risk. Our fair value is still EUR 4.0 per share. We see interesting share price potential and still recommend Buying the share.

Selected Companies	Price on 15 May 2013	PER 13e 14e	EV / EBITDA 13e 14e	EV / Sales 13e	Re- com.
Splendid Medien	2.68 EUR	7.3 6.6	6.3 6.0	0.64	↑
Highlight Communications	4.29 EUR	8.3 7.8	8.1 7.2	0.76	↑
Constantin Medien	1.51 EUR	8.6 7.6	5.4 5.1	0.52	↑
EuropaCorp	3.37 EUR	3.9 3.9	3.5 2.6	0.85	–
Lions Gate Entert Corp	27.59 USD	20.3 16.4	13.2 10.1	1.70	–
Median for all peer group companies		8.6 7.8	7.1 6.5	0.85	–

↑ = Buy, → = Hold, ↓ = Sell, ● = not rated, n/a = not appropriate
Source: DZ BANK, I/B/E/S, FactSet

EQUITIES

Flash
16 May 2013

Buy (prev. Buy)

Closing price 15 May 2013

(in EUR): 2.68

Fair value: 4.00 (prev. 4.00)

Risk classification: 4

Financial ratios 2013e:

Book value per share (in EUR):	2.59
Equity ratio (in %):	41.2
Net margin (in %):	6.1
ROE (in %):	14.1
Dividend yield (in %):	3.7
Free cash flow (EUR m):	-6.5
Net debt (EUR m):	11.7

Number of shares

(million units): 9.8

Market cap

(in EUR m): 26.24

Free float (in %): 35.0

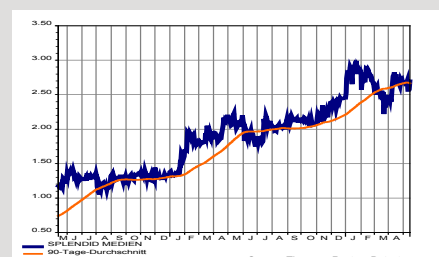
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Author: Harald Heider, Analyst

DZ BANK
Bank on Germany

AT A GLANCE

Company profile

Splendid Medien is a medium-sized, integrated media group with global procurement activities in the area of audiovisual content and focuses its sales on the German-speaking area, as well as Belgium and the Netherlands. The group's activities cover the acquisition, production and processing of audiovisual content as well as its marketing, exploitation and distribution.

Basis for investment recommendation

Splendid Medien is active on all the stages of the audiovisual added value chain with a regional focus on the German-speaking area and increasingly in the Benelux states. The company has a lot of experience in the procurement and exploitation of documentaries and feature films from the areas action, martial arts and horror. Based on a solid financial balance sheet structure, Splendid aims to further increase investments in film assets in future to exploit existing growth potential. In our opinion Splendid has very interesting earnings potential.

Price sensitive current issues

- » Expansion of the number of film releases for cinema
- » Production of own movies for the domestic market
- » Extension of the regional exploitation territories

Opportunities and risks

Opportunities	Risks
Successful market entry and marketing of the Online-Videoportal Videociety	The delay in delivery of movie can have significant negative earnings impact
Successful exploitation of the own movie production „Systemfehler – Wenn Inge tanzt“	The exploitation of movies is always related with a broad chance/risk profile with considerable negative impact on the earnings development in the worst case

¹⁾⁻⁹⁾ Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

PROFIT AND LOSS ACCOUNT

Euro m	2012	2013e	2014e	2015e	2016e	2017e
Sales	50.1	59.0	72.0	78.0	84.0	90.0
% against prev. year	20%	18%	22%	8%	8%	7%
Cost of goods sold	-30.2	-33.9	-42.3	-45.2	-48.7	-51.7
Gross profit	20.0	25.1	29.7	32.8	35.3	38.3
% against prev. year	31%	26%	18%	10%	8%	9%
Sales costs	-11.1	-14.2	-17.1	-18.5	-19.7	-21.2
Administration costs	-7.4	-7.4	-8.6	-9.0	-9.2	-9.9
R&D expenditure	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	3.0	2.1	2.4	2.1	2.3	2.5
Other operating expenses	-0.2	-0.3	-0.4	-0.5	-0.8	-0.9
Extraordinary income/expenses	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	4.3	5.4	6.1	6.9	7.8	8.9
For information: EBIT adjusted	4.3	5.4	6.1	6.9	7.8	8.9
% against prev. year	-7%	26%	12%	13%	14%	14%
Interest paid / received	-0.9	-1.0	-1.1	-1.2	-1.2	-1.1
Profit before tax	3.4	4.4	4.9	5.7	6.6	7.7
For information: EBT adjusted	3.4	4.4	4.9	5.7	6.6	7.7
% against prev. year	-20%	32%	11%	15%	17%	16%
Income taxes from continuing operations	0.2	-0.8	-0.9	-1.2	-1.5	-1.9
Tax rate	-7%	19%	19%	21%	23%	25%
Net profit from continuing operations	3.6	3.6	4.0	4.5	5.1	5.8
Net profit from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	3.6	3.6	4.0	4.5	5.1	5.8
Profit or loss attributable to minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Profit or loss attributable to shareholders	3.6	3.6	4.0	4.5	5.1	5.8
thereof from continuing operations	3.6	3.6	4.0	4.5	5.1	5.8
thereof from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Weighted average number of shares, diluted (m)	9.790	9.790	9.790	9.790	9.790	9.790
IFRS earnings per share, diluted	0.37	0.37	0.41	0.46	0.52	0.59
Adjusted earnings per share, diluted (contin.)	0.37	0.37	0.41	0.46	0.52	0.59
For information						
Depreciation	0.4	0.6	0.6	0.6	0.6	0.6
EBITDA	4.7	6.0	6.7	7.5	8.4	9.5
EBITDA adjusted	4.7	6.0	6.7	7.5	8.4	9.5

Fiscal year end December

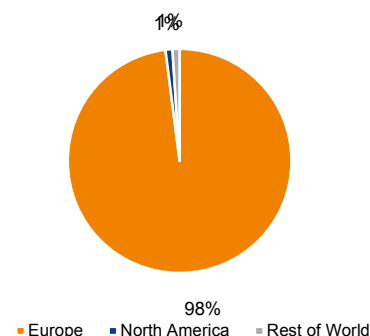
Source: Splendid Medien and DZ BANK estimates

RATIOS

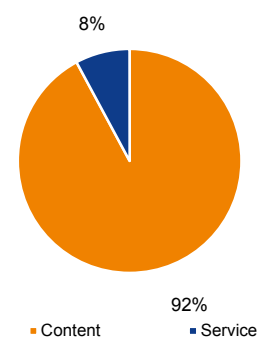
Euro	2012	2013e	2014e	2015e	2016e
Profit and loss ratios					
Sales (m)	50.1	59.0	72.0	78.0	84.0
EBITDA margin	9.4%	10.2%	9.3%	9.6%	10.0%
EBIT margin	8.5%	9.2%	8.4%	8.8%	9.3%
Net margin	7.2%	6.1%	5.5%	5.8%	6.1%
Investment ratio	0.0%	35.5%	29.7%	28.2%	28.1%
R&D as % of sales					
Admin and sales costs as % of sales	36.9%	36.5%	35.6%	35.2%	34.5%
Net other operating costs as % of sales	-5.6%	-3.1%	-2.7%	-2.0%	-1.8%
Net financial income as % of sales	-1.8%	-1.7%	-1.6%	-1.5%	-1.4%
Interest cover	5.1	5.5	5.3	5.8	6.6
Average sales growth next five years	12.4%				
Average earnings growth next five years	10.1%				
Profitability ratios					
ROE	15.7%	14.1%	14.0%	14.1%	14.4%
ROCE	20.3%	16.8%	16.1%	16.7%	18.0%
Productivity ratios					
Sales per employee ('000)	477.27	508.62	592.59	611.76	633.96
EBIT per employee ('000)	40.77	46.60	49.81	53.84	58.96
Balance sheet ratios					
Equity ratio	40.1%	41.2%	41.4%	43.3%	45.2%
Long term debt and equity / Fixed assets	104.7%	96.4%	101.7%	106.7%	109.9%
Liquidity (quick ratio)	96.2%	85.5%	91.1%	96.3%	99.5%
Receivables as % of sales	30.0%	31.5%	33.0%	34.0%	33.0%
Investment (net of GW) / Depreciation		140.4%	111.6%	109.1%	109.0%
Working capital as % of sales	-0.4%	8.3%	11.2%	12.6%	12.0%
Net debt (m)	3.1	11.7	14.1	14.2	12.7
Net debt complete (m)	3.3	11.8	14.2	14.3	12.8
Figures per share					
Earnings per share, diluted	0.37	0.37	0.41	0.46	0.52
Diluted cash earnings per share	0.41	0.43	0.47	0.52	0.59
Dividend per common share	0.10	0.10	0.10	0.15	0.20
Cash per share, diluted	1.06	0.44	0.29	0.30	0.42
Net debt per share, diluted	0.32	1.19	1.44	1.45	1.30
Valuation ratios					
Enterprise value / Sales	0.6	0.6	0.6	0.5	0.5
Enterprise value / EBITDA	6.0	6.3	6.0	5.4	4.6
Enterprise value / EBIT	6.6	7.0	6.7	5.9	5.0
EV/Sales to sales growth	0.04	0.05	0.05	0.04	0.04
PEG ratio - common shares	0.64	0.73			
Fiscal year end December					

Source: Splendid Medien, DZ BANK estimates

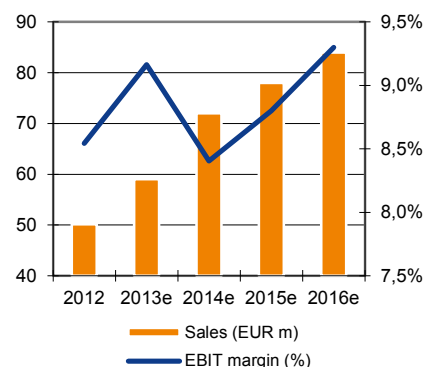
SALES BY REGION 2012



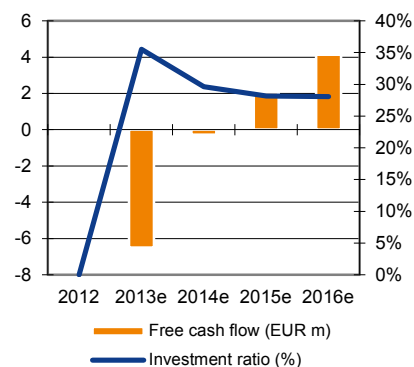
SALES BY BUSINESS SEGMENT 2012



SALES AND MARGIN DEVELOPMENT



FREE CASH FLOW AND INVESTMENT RATIO



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BALANCE SHEET

IFRS - Euro m	2012	2013e	2014e	2015e	2016e	2017e
ASSETS						
Non current assets	26.9	32.9	35.1	37.0	38.9	40.5
Intangible assets	0.7	0.6	0.5	0.4	0.4	0.4
thereof goodwill	0.3	0.3	0.3	0.3	0.3	0.3
Tangible assets	0.8	0.8	0.6	0.5	0.5	0.5
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term assets	6.5	6.5	6.5	6.5	6.5	6.5
Current assets	30.0	28.6	33.4	36.7	39.6	43.0
Inventories	2.3	3.1	3.5	3.7	3.9	4.2
Trade receivables	15.0	18.6	23.8	26.5	27.7	29.7
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Other receivables and short-term assets	2.3	2.7	3.3	3.6	3.8	4.1
Liquid assets	10.4	4.3	2.9	2.9	4.1	5.0
Assets available for sale	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	56.9	61.6	68.5	73.7	78.6	83.5
LIABILITIES						
Shareholders' equity	22.8	25.4	28.4	31.9	35.5	39.4
Share capital	9.8	9.8	9.8	9.8	9.8	9.8
Reserves	13.0	15.6	18.6	22.1	25.7	29.6
Other equity	0.0	0.0	0.0	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Treasury stock	0.0	0.0	0.0	0.0	0.0	0.0
Non current liabilities	5.3	6.3	7.3	7.5	7.2	6.7
Provisions for pensions	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities	4.8	5.8	6.8	7.0	6.7	6.2
Other payables	0.5	0.5	0.5	0.5	0.5	0.5
Current liabilities	28.8	29.8	32.8	34.2	35.8	37.4
Trade payables	10.9	9.4	11.5	12.5	13.4	14.4
Other provisions	7.0	7.2	7.4	7.6	7.9	8.3
Financial liabilities	8.7	10.1	10.1	10.1	10.1	10.1
Other liabilities	2.2	3.1	3.8	4.1	4.3	4.6
Liabilities assoc. with assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity and liabilities	56.9	61.6	68.5	73.7	78.6	83.5
Fiscal year end December						

Source: Splendid Medien and DZ BANK estimates

DISCOUNTED CASH FLOW VALUATION

Market data	
Risk-free interest rate	1.30%
Market premium	5.00%
Data from comparable company	
Levered beta factor	1.7000
Data from company to be valued	
Growth rate of perpetuity	1.0%
Weighted average cost of capital (WACC)	8.39%
(Capital cost are specifically calculated for each particular period)	

Euro m	2013e	2014e	2015e	2016e	2017e	2018e
Adjusted EBIT	5.4	6.1	6.9	7.8	8.9	9.9
Taxes on EBIT	-1.0	-1.1	-1.4	-1.8	-2.2	-2.6
Cash Taxes	19.0%	19.0%	21.0%	23.0%	25.0%	26.0%
Net Operating Profit After Tax (NOPAT)	4.4	4.9	5.4	6.0	6.7	7.3
+ Depreciations (-Reversals)	14.9	19.1	20.1	21.6	22.6	23.7
- Investments (+Proceeds from sale)	-21.0	-21.4	-22.0	-23.6	-24.2	-25.2
Change in working capital	-5.1	-3.2	-1.8	-0.2	-0.9	-0.9
Other changes	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	-6.7	-0.5	1.8	3.9	4.2	4.9
Present value of free cash flows	45.2					
Market value of non-operating assets	0.0					
Financial and liquid assets	10.4					
Enterprise value, beginning of period	55.6					
Liabilities	-13.7					
Provisions (inc. provisions for pensions)	0.0					
Equity value incl. minority interest, bop	42.0					
Value of minority interest	-4.0					
Correction of liabilities by convertible bonds	0.0					
EQV excl. minority interest, bop	38.0					
Accumulation till effective valuation date (with KE-rate)	1.2					
EQV excl. minority interest at valuation date	39.2					
Equity value per share, diluted (EUR)	4.0					

Fiscal year end December

Source: Splendid Medien and DZ BANK estimates

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Buy 64.1%, Hold 14.5%, Sell 21.4%

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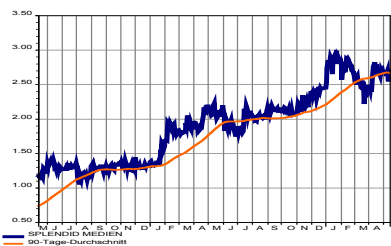
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RATING HISTORY

Recommendation	Date	Price
Buy	7 Nov 2012	2.10 EUR

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