

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 2.50** (2.50)

05 April 2012

## EPS exceeded our estimates by far

▪ **Final figures FY11:** The annual report of splendid medien AG once again showed a nice YoY growth. Since the group already published some key figures the sales and EBIT did not provide any kind of surprise. While revenues amounted to EUR 41.8m (+5.1% YoY), EBIT (incl. currency effects) achieved EUR 4.6m (+52% YoY). However, due to adjusted deferred tax valuations (mostly regarding loss carry forwards) net income came in above our estimate. We had previously assumed that net income would be at EUR 2.9m. Reported net income even reached EUR 5.1m, correspondingly reported EPS of EUR 0.51 clearly exceeded our estimate of EUR 0.30. Furthermore, operating cash flow per share amounted to EUR 1.63, which was also above our expectations (CBSRe: EUR 1.41). Overall, splendid showed not only a nice growth YoY but also that the group still has a lot of upside potential to further improve its operational success.

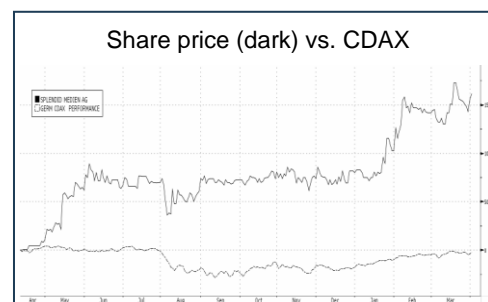
▪ **Company guidance:** In the course of the annual report, the management released its guidance for 2012 and 2013. For 2012, the company expects revenues to range within EUR 45m and EUR 49m. As a result from higher sales & marketing expenses for its enlarged film pipeline EBIT should come in a range of EUR 2.7m and EUR 3.2m. For the next year splendid forecasts revenues of EUR 55m to EUR 60m with an EBIT of EUR 4.0m to EUR 5.0m. Although the company did not provide further details about its dividend policy we stick to our approach of a steady dividend payout of EUR 0.10. The group mentioned to invest about EUR 38m in film assets over 2012/2013. We assume that in both years the group will invest EUR 19m.

▪ **Slightly adjustments in our estimates:** After talks to the management and review of the annual report we slightly adjusted our 2012E estimates. While our revenue forecast of EUR 48.7m fits into the company guidance our previously given EBIT estimate was adjusted to EUR 3.1m which is at the higher end of the guidance. As we have a more conservative approach regarding tax expenses we do not include any bigger deferred taxes revaluations for the time being. Hence, our EPS estimate of EUR 0.21 (previously: EUR 0.24) could be too pessimistic. For 2013E we stick to our forecast with revenues to total EUR 56.7m and EBIT of EUR 4.2m. EPS should amount to EUR 0.29.

▪ **Momentum remains strong:** We clearly confirm our BUY recommendation with an unchanged PT of EUR 2.50.

Y/E 31 Dec, EURm	2009	2010	2011	2012E	2013E
Sales	36.4	39.5	41.8	48.7	56.7
EBITDA	11.2	12.6	15.5	16.4	20.3
EBIT (reported)	0.6	3.0	4.6	3.1	4.2
Net income/loss	-1.6	1.8	5.1	2.0	2.8
EPS	-0.16	0.18	0.53	0.21	0.29
CPS	0.72	1.18	1.63	1.44	1.84
DPS	0.00	0.00	0.10	0.10	0.10
EBITDA margin	30.9%	31.9%	37.0%	33.8%	35.7%
EBIT margin	1.5%	7.7%	11.1%	6.4%	7.5%
Net margin	-4.3%	4.5%	12.3%	4.2%	5.0%
EV/EBITDA	1.3	1.1	0.9	0.9	0.7
EV/EBIT	25.3	4.6	3.0	4.5	3.3
P/E	n.m.	10.1	3.5	8.9	6.4

Source: splendid medien AG, CBS Research AG



Sources: CBS Research AG, Bloomberg

Change	2011	2012E		2013E	
	rep.	new	old	new	old
Revenues	418	-	48.7	-	56.7
EBITDA	15.5	16.4	14.7	20.3	16.4
EPS	0.53	0.21	0.24	-	0.29

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):	<b>EUR 1.86</b>
Shares outstanding (m):	9.79
Market capitalisation (EURm):	18.2
Enterprise value (EURm):	14.1
Ø daily trading volume (3m, no. of shares):	11,261

### Performance data:

High 52 weeks (EUR):	2.12
Low 52 weeks (EUR):	0.765
Absolute performance (12 months):	132.1%
Relative performance (vs. CDAX):	
1 month:	3.9%
3 months:	20.9%
6 months:	16.9%
12 months:	146.1%

### Shareholders:

Andreas R. Klein (CEO)	53.2%
Family Klein GbR	6.3%
Josef Siepe	5.1%
COMMIT GmbH	5.1%
Free float	30.3%

### Financial calendar:

1Q12 report	15 May 2012
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Author: **Marcus Silbe** (Analyst)

Close Brothers Seydler Research AG  
Phone: +49 (0)69 - 977 84 56 0  
E-Mail: research@cbseydlerresearch.ag  
www.cbseydlerresearch.ag

## Appendix

### Profit and loss account

	IFRS	EURm	2009	2010	2011	2012E	2013E
<b>Sales</b>			<b>36.43</b>	<b>39.48</b>	<b>41.82</b>	<b>48.69</b>	<b>56.73</b>
YoY growth			29.5%	8.4%	5.9%	16.4%	16.5%
Cost of revenues			-25.66	-24.12	-26.56	-29.46	-33.19
as % of sales			-70.4%	-61.1%	-63.5%	-60.5%	-58.5%
<b>Total output</b>			<b>10.78</b>	<b>15.36</b>	<b>15.25</b>	<b>19.23</b>	<b>23.54</b>
as % of sales			29.6%	38.9%	36.5%	39.5%	41.5%
General & administrative expenses			-4.17	-5.18	-6.73	-6.33	-6.81
as % of sales			-11.5%	-14.2%	-18.5%	-17.4%	-18.7%
Sales & marketing			-7.16	-8.97	-6.79	-11.93	-14.47
as % of sales			-19.6%	-24.6%	-18.6%	-32.7%	-39.7%
Other operating income			1.59	1.88	2.90	2.68	2.55
as % of sales			4.4%	5.1%	8.0%	7.4%	7.0%
Other operating expenses			-0.40	-0.22	-0.44	-0.49	-0.57
as % of sales			-1.1%	-0.6%	-1.1%	-1.0%	-1.0%
<b>Operating profit</b>			<b>0.63</b>	<b>2.85</b>	<b>4.19</b>	<b>3.17</b>	<b>4.25</b>
as % of sales			1.7%	7.2%	10.0%	6.5%	7.5%
Currency effects			-0.08	0.19	0.44	-0.07	-0.01
<b>EBIT (reported)</b>			<b>0.56</b>	<b>3.04</b>	<b>4.63</b>	<b>3.09</b>	<b>4.25</b>
as % of sales			1.5%	7.7%	11.1%	6.4%	7.5%
Net financial results			-0.79	-0.82	-0.86	-0.74	-0.90
<b>EBT (Earnings before income taxes)</b>			<b>-0.24</b>	<b>2.22</b>	<b>3.77</b>	<b>2.36</b>	<b>3.35</b>
as % of sales			-0.7%	5.6%	9.0%	4.8%	5.9%
Income taxes (incl. other taxes)			-1.31	-0.44	1.37	-0.28	-0.47
as % of EBT			548.1%	-19.6%	36.4%	-12.0%	-14.0%
<b>Net income</b>			<b>-1.55</b>	<b>1.78</b>	<b>5.14</b>	<b>2.08</b>	<b>2.88</b>
Minorities			0.00	0.01	0.00	-0.03	-0.04
<b>Net income attributable to shareholders</b>			<b>-1.55</b>	<b>1.80</b>	<b>5.14</b>	<b>2.04</b>	<b>2.84</b>
as % of sales			-4.3%	4.5%	12.3%	4.2%	5.0%
Shares outstanding (in m)			9.79	9.79	9.79	9.79	9.79
<b>Basic earnings per share (EUR)</b>			<b>-0.16</b>	<b>0.18</b>	<b>0.53</b>	<b>0.21</b>	<b>0.29</b>

Source: splendid medien AG, CBS Research AG

## Balance Sheet

	IFRS	EURm	2009	2010	2011	2012E	2013E
<b>Assets</b>							
<b>Non-current assets</b>			<b>13.42</b>	<b>13.92</b>	<b>16.46</b>	<b>23.52</b>	<b>28.77</b>
as % of total assets			37.6%	35.6%	35.1%	39.9%	46.5%
Intangible assets			0.11	0.17	0.44	0.39	0.37
Goodwill			0.33	0.33	0.33	0.33	0.33
Property, plant and equipment			0.50	0.50	0.72	0.52	0.30
Film assets			4.01	7.77	10.10	17.60	22.60
Advanced payments			4.50	1.87	0.00	2.62	3.40
Deferred tax assets			3.19	2.95	4.82	2.01	1.71
Other assets			0.05	0.05	0.05	0.06	0.06
Other long-term receivables			0.74	0.29	0.00	0.00	0.00
<b>Current assets</b>			<b>22.29</b>	<b>25.24</b>	<b>30.44</b>	<b>35.45</b>	<b>33.10</b>
as % of total assets			62.4%	64.4%	64.9%	60.1%	53.5%
Inventories			1.68	1.84	2.05	1.95	1.70
Accounts receivable, other receivables and other assets			13.11	13.60	14.25	15.01	16.54
Current tax assets			0.29	0.20	0.09	0.25	0.27
Assets held for sale			0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents			7.20	9.60	14.06	18.26	14.59
<b>Total assets</b>			<b>35.70</b>	<b>39.16</b>	<b>46.90</b>	<b>58.98</b>	<b>61.87</b>
<b>Shareholders' equity and liabilities</b>							
<b>Shareholders' equity</b>			<b>13.21</b>	<b>15.05</b>	<b>20.19</b>	<b>21.29</b>	<b>23.19</b>
as % of total equity and liabilities			37.0%	38.4%	43.1%	36.1%	37.5%
Subscribed capital			9.79	9.79	9.79	9.79	9.79
Capital reserve			0.37	0.40	0.40	0.40	0.40
Retained profits			0.00	0.00	0.00	0.00	0.00
Net retained earnings			3.00	4.85	9.99	11.05	12.91
Other reserves (incl. currency effects)			0.00	0.00	0.00	0.00	0.00
<b>Equity attributable to shareholders</b>			<b>13.16</b>	<b>15.03</b>	<b>20.18</b>	<b>21.24</b>	<b>23.10</b>
Minorities			0.05	0.02	0.01	0.05	0.09
<b>Current provisions and liabilities</b>			<b>14.58</b>	<b>14.64</b>	<b>18.67</b>	<b>17.99</b>	<b>19.09</b>
as % of total equity and liabilities			40.8%	37.4%	39.8%	30.5%	30.9%
Financial lease			0.05	0.07	0.09	0.11	0.11
Financial liabilities			0.20	0.41	2.48	2.23	2.28
Current provisions			6.29	5.93	6.57	7.22	7.59
Advance payments received			0.23	0.91	0.85	1.07	1.18
Accounts payable			5.99	5.68	6.53	5.87	6.53
Current income tax liabilities			0.64	0.12	0.22	0.16	0.17
Other current liabilities			1.17	1.52	1.93	1.33	1.24
Debts related to assets held for sale			0.00	0.00	0.00	0.00	0.00
<b>Non-current provisions and liabilities</b>			<b>7.92</b>	<b>9.47</b>	<b>8.04</b>	<b>19.70</b>	<b>19.59</b>
as % of total equity and liabilities			22.2%	24.2%	17.1%	33.4%	31.7%
Provisions for pensions			0.00	0.00	0.00	0.00	0.00
Financial liabilities			7.66	9.22	7.43	19.30	19.30
Financial lease			0.06	0.05	0.22	0.23	0.22
Deferred tax liabilities			0.05	0.10	0.29	0.08	0.07
Other payables and liabilities			0.15	0.10	0.10	0.08	0.00
<b>Total equity and liabilities</b>			<b>35.70</b>	<b>39.16</b>	<b>46.90</b>	<b>58.98</b>	<b>61.87</b>

Source: splendid medien AG, CBS Research AG

**Cash flow statement**

	IFRS	EURm	2009	2010	2011	2012E	2013E
<b>Net income</b>			<b>0.56</b>	<b>3.04</b>	<b>4.63</b>	<b>3.09</b>	<b>4.25</b>
Depreciation and amortisation			10.61	9.74	11.30	13.27	16.02
Other transactions incl. non-cash			-0.05	-1.25	-1.73	1.43	-1.10
Change in Working Capital			-4.08	0.02	1.77	-3.74	-1.11
<b>Cash flow from operating activities</b>			<b>7.04</b>	<b>11.54</b>	<b>15.96</b>	<b>14.06</b>	<b>18.06</b>
CAPEX			-10.31	-10.92	-11.74	-20.53	-20.78
Other investing activities			0.17	0.06	0.00	0.00	0.00
<b>Cash flow from investing activities</b>			<b>-10.14</b>	<b>-10.87</b>	<b>-11.74</b>	<b>-20.53</b>	<b>-20.78</b>
Change in debt			0.53	1.73	0.23	11.62	0.04
Repayment of liabilities under finance lease			0.00	0.00	0.00	0.03	-0.01
Paid interests			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
Dividend payments			0.00	0.00	0.00	-0.98	-0.98
<b>Cash flow from financing activities</b>			<b>0.53</b>	<b>1.73</b>	<b>0.23</b>	<b>10.67</b>	<b>-0.94</b>
<b>Total change in cash and cash equivalents</b>			<b>-2.58</b>	<b>2.40</b>	<b>4.46</b>	<b>4.20</b>	<b>-3.67</b>
Changes in cash due to changes in consolidation			0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents at the start of the period			9.78	7.20	9.60	14.06	18.26
<b>Cash and cash equivalents at year's end</b>			<b>7.20</b>	<b>9.60</b>	<b>14.06</b>	<b>18.26</b>	<b>14.59</b>

Source: splendid medien AG, CBS Research AG

## Research



Schillerstrasse 27 - 29  
60313 Frankfurt am Main

Phone: +49 (0)69 – 977 8456-0

Roger Peeters Member of the Board	+49 (0)69 -977 8456- 12 <a href="mailto:Roger.Peeters@cbseydlerresearch.ag">Roger.Peeters@cbseydlerresearch.ag</a>	Igor Kim	+49 (0)69 -977 8456- 15 <a href="mailto:Igor.Kim@cbseydlerresearch.ag">Igor.Kim@cbseydlerresearch.ag</a>
Martin Decot	+49 (0)69 -977 8456- 13 <a href="mailto:Martin.Decot@cbseydlerresearch.ag">Martin.Decot@cbseydlerresearch.ag</a>	Gennadij Kremer	+49 (0)69 – 977 8456- 23 <a href="mailto:Gennadij.Kremer@cbseydlerresearch.ag">Gennadij.Kremer@cbseydlerresearch.ag</a>
Anna von Klopmann	+49 (0)69 -977 8456- 10 <a href="mailto:Anna.Klopmann@cbseydlerresearch.ag">Anna.Klopmann@cbseydlerresearch.ag</a>	Ralf Marinoni	+49 (0)69 -977 8456- 17 <a href="mailto:Ralf.Marinoni@cbseydlerresearch.ag">Ralf.Marinoni@cbseydlerresearch.ag</a>
Daniel Kukalj	+49 (0)69 – 977 8456- 21 <a href="mailto:Daniel.Kukalj@cbseydlerresearch.ag">Daniel.Kukalj@cbseydlerresearch.ag</a>	Felix Parmantier	+49 (0)69 -977 8456- 22 <a href="mailto:Felix.Parmantier@cbseydlerresearch.ag">Felix.Parmantier@cbseydlerresearch.ag</a>
Manuel Martin	+49 (0)69 -977 8456- 16 <a href="mailto:Manuel.Martin@cbseydlerresearch.ag">Manuel.Martin@cbseydlerresearch.ag</a>	Veysel Taze	+49 (0)69 -977 8456- 18 <a href="mailto:Veysel.Taze@cbseydlerresearch.ag">Veysel.Taze@cbseydlerresearch.ag</a>
Marcus Silbe	+49 (0)69 -977 8456- 14 <a href="mailto:Marcus.Silbe@cbseydlerresearch.ag">Marcus.Silbe@cbseydlerresearch.ag</a>	Ivo Višić	+49 (0)69 -977 8456- 19 <a href="mailto:Ivo.Visic@cbseydlerresearch.ag">Ivo.Visic@cbseydlerresearch.ag</a>

## Institutional Sales



Schillerstrasse 27 – 29  
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400

Raimar Bock Head of Sales	+49 (0)69 -9 20 54-115 <a href="mailto:Raimar.Bock@cbseydler.com">Raimar.Bock@cbseydler.com</a>	Sule Erkan (Sales-Support)	+49 (0)69 -9 20 54-107 <a href="mailto:Sule.Erkan@cbseydler.com">Sule.Erkan@cbseydler.com</a>
Rüdiger Eich (Germany, Switzerland)	+49 (0)69 -9 20 54-119 <a href="mailto:Ruediger.Eich@cbseydler.com">Ruediger.Eich@cbseydler.com</a>	Klaus Korzilius (Benelux, Germany)	+49 (0)69 -9 20 54-114 <a href="mailto:Klaus.Korzilius@cbseydler.com">Klaus.Korzilius@cbseydler.com</a>
Dr. James Jackson (UK)	+49 (0)69 -9 20 54-113 <a href="mailto:James.Jackson@cbseydler.com">James.Jackson@cbseydler.com</a>	Markus Laifle (Execution)	+49 (0)69 -9 20 54-120 <a href="mailto:Markus.Laifle@cbseydler.com">Markus.Laifle@cbseydler.com</a>
Stefan Krewinkel (Execution, UK)	+49 (0)69 -9 20 54-118 <a href="mailto:Stefan.Krewinkel@cbseydler.com">Stefan.Krewinkel@cbseydler.com</a>	Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 <a href="mailto:Bruno.deLencquesaing@cbseydler.com">Bruno.deLencquesaing@cbseydler.com</a>
Michael Laufenberg (Germany)	+49 (0)69 -9 20 54-112 <a href="mailto:Michael.Laufenberg@cbseydler.com">Michael.Laufenberg@cbseydler.com</a>	Janine Theobald (Austria, Germany)	+49 (0)69 -9 20 54-106 <a href="mailto:Janine.Theobald@cbseydler.com">Janine.Theobald@cbseydler.com</a>
Christopher Seedorf (Sales-Support)	+49 (0)69 -9 20 54-110 <a href="mailto:Christopher.Seedorf@cbseydler.com">Christopher.Seedorf@cbseydler.com</a>	Bas-Jan Walhof (Benelux)	+49 (0)69 -9 20 54-105 <a href="mailto:Bas-Jan.Walhof@cbseydler.com">Bas-Jan.Walhof@cbseydler.com</a>

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Recommendation System:

Close Brothers Seydler Research AG uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months:

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

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

SELL: The expected performance of the share price is below 0%.

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

Date	Recommendation	Price at change date	Price target
27 September 2011	BUY (Initiating Coverage)	EUR 1.28	EUR 2.50
14 November 2011	BUY	EUR 1.40	EUR 2.50
10 February 2012	BUY	EUR 1.89	EUR 2.50
05 April 2012	BUY	EUR 1.86	EUR 2.50

Risk-scaling System:

Close Brothers Seydler Research AG uses a 3-level risk-scaling system. The ratings pertain to a time horizon of up

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LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

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53117 Bonn  
and  
Lurgiallee 12  
60439 Frankfurt

 **Close Brothers Seydler**  
Research AG

Schillerstrasse 27 - 29  
60313 Frankfurt am Main  
[www.cbseidlerresearch.ag](http://www.cbseidlerresearch.ag)  
Tel.: 0049 - (0)69 - 97 78 45 60