

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

11 May 2012

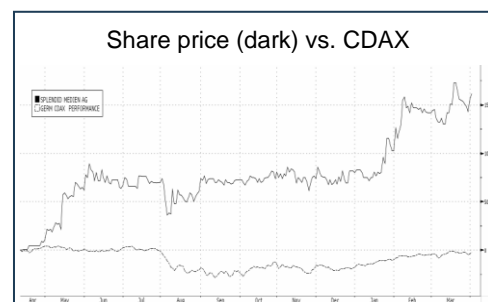
Film pipeline very promising

Feedback from Luxembourg Roadshow

- Meeting in Luxembourg:** Yesterday, we organised a roadshow for several media companies - splendid Medien was one of these companies. The management of the company accentuated the strong market position splendid has in several product segments like special interests (Direct-to-Video, Documentary, Asian and Horror releases), but also has proven that its theatrical slate improved over the last years.
- Strong theatrical performance and outlook:** After showing the latest trailer for the upcoming movie *The Expendables 2* (release date: 30 August 2012; including several 'Super' Action stars like Sylvester Stallone, Arnold Schwarzenegger, Bruce Willis, Chuck Norris) we are convinced that this film will exceed the general expectations and definitely the results from the first installment. Regarding the current cinema schedule in Germany no major competitor in the Action Genre is expected to release its film around the *Expendables* date – which is a very good sign for splendid. Besides that, the film *Iron Sky* was surprisingly successful. More than 400,000 viewer since the start plus the fifth highest attendance average per cinema in 2012 clearly exceeded our estimates (even the best case scenario). While children movies like 'Seafood' and 'Knerten traut sich' are within expectations the upcoming animation film 'Zambezia (3D)' could also beat our expectations. Looking forward in 2013 especially the film 'Last Stand' (with Arnold Schwarzenegger) in 1Q13 could be a massive crowd puller. We also see 'I, Frankenstein' as a potential hit.
- No changes in estimates:** The overall fundamental development of splendid is well on track. Since the upcoming film slate is 'bigger and better' than in the recent years it is no surprise that the sales & distribution expenses will be rather high in 2012 (as noted in our update in April). However, given the fact that **a better part of the upcoming films can surprise positively** which will also boost the Home Entertainment (incl. VOD) business several months later as well as the TV deals, **there is a chance that our stated estimates might be too conservative.**
- Stock remains on the upside:** Hence, we are quite optimistic that the stock of splendid will further rise. We leave our **PT of EUR 2.50 unchanged for the time being** and confirm our **BUY recommendation.**

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	1.5	1.3	1.1	1.0	0.8
EV/EBIT	29.6	5.4	3.5	5.3	3.9
P/E	n.m.	11.4	4.0	10.1	7.2

Source: splendid medien AG, CBS Research AG



Sources: CBS Research AG, Bloomberg

Change	2011	2012E		2013E	
	rep.	new	old	new	old
Sales	41.8	-	48.7	-	56.7
EBITDA	15.5	-	16.4	-	20.3
EPS	0.53	-	0.21	-	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):	EUR 2.10
Shares outstanding (m):	9.79
Market capitalisation (EURm):	20.6
Enterprise value (EURm):	16.4
Ø daily trading volume (3m, no. of shares):	9,207

Performance data:

High 52 weeks (EUR):	2.21
Low 52 weeks (EUR):	0.93
Absolute performance (12 months):	115.2%
Relative performance (vs. CDAX):	
1 month:	17.4%
3 months:	13.1%
6 months:	39.5%
12 months:	146.2%

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
-------------	-------------

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
Sales			36.43	39.48	41.82	48.69	56.73
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%
Total output			10.78	15.36	15.25	19.23	23.54
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%
Operating profit			0.63	2.85	4.19	3.17	4.25
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
EBIT (reported)			0.56	3.04	4.63	3.09	4.25
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
EBT (Earnings before income taxes)			-0.24	2.22	3.77	2.36	3.35
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%
Net income			-1.55	1.78	5.14	2.08	2.88
Minorities			0.00	0.01	0.00	-0.03	-0.04
Net income attributable to shareholders			-1.55	1.80	5.14	2.04	2.84
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
Basic earnings per share (EUR)			-0.16	0.18	0.53	0.21	0.29

Source: splendid medien AG, CBS Research AG

Balance Sheet

	IFRS	EURm	2009	2010	2011	2012E	2013E
Assets							
Non-current assets			13.42	13.92	16.46	23.52	28.77
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
Current assets			22.29	25.24	30.44	35.45	33.10
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
Total assets			35.70	39.16	46.90	58.98	61.87
Shareholders' equity and liabilities							
Shareholders' equity			13.21	15.05	20.19	21.29	23.19
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
Equity attributable to shareholders			13.16	15.03	20.18	21.24	23.10
Minorities			0.05	0.02	0.01	0.05	0.09
Current provisions and liabilities			14.58	14.64	18.67	17.99	19.09
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
Non-current provisions and liabilities			7.92	9.47	8.04	19.70	19.59
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
Total equity and liabilities			35.70	39.16	46.90	58.98	61.87

Source: splendid medien AG, CBS Research AG

Cash flow statement

	IFRS	EURm	2009	2010	2011	2012E	2013E
Net income			0.56	3.04	4.63	3.09	4.25
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
Cash flow from operating activities			7.04	11.54	15.96	14.06	18.06
CAPEX			-10.31	-10.92	-11.74	-20.53	-20.78
Other investing activities			0.17	0.06	0.00	0.00	0.00
Cash flow from investing activities			-10.14	-10.87	-11.74	-20.53	-20.78
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
Cash flow from financing activities			0.53	1.73	0.23	10.67	-0.94
Total change in cash and cash equivalents			-2.58	2.40	4.46	4.20	-3.67
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
Cash and cash equivalents at year's end			7.20	9.60	14.06	18.26	14.59

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 Roger.Peeters@cbseydlerresearch.ag	Igor Kim	+49 (0)69 -977 8456- 15 Igor.Kim@cbseydlerresearch.ag
Martin Decot	+49 (0)69 -977 8456- 13 Martin.Decot@cbseydlerresearch.ag	Gennadij Kremer	+49 (0)69 – 977 8456- 23 Gennadij.Kremer@cbseydlerresearch.ag
Anna von Klopmann	+49 (0)69 -977 8456- 10 Anna.Klopmann@cbseydlerresearch.ag	Ralf Marinoni	+49 (0)69 -977 8456- 17 Ralf.Marinoni@cbseydlerresearch.ag
Daniel Kukalj	+49 (0)69 – 977 8456- 21 Daniel.Kukalj@cbseydlerresearch.ag	Felix Parmantier	+49 (0)69 -977 8456- 22 Felix.Parmantier@cbseydlerresearch.ag
Manuel Martin	+49 (0)69 -977 8456- 16 Manuel.Martin@cbseydlerresearch.ag	Veysel Taze	+49 (0)69 -977 8456- 18 Veysel.Taze@cbseydlerresearch.ag
Marcus Silbe	+49 (0)69 -977 8456- 14 Marcus.Silbe@cbseydlerresearch.ag	Ivo Višić	+49 (0)69 -977 8456- 19 Ivo.Visic@cbseydlerresearch.ag

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

Disclaimer and statement according to § 34b German Securities Trading Act (“Wertpapierhandelsgesetz”) in combination with the provisions on financial analysis (“Finanzanalyseverordnung” FinAnV)

This report has been prepared independently of the company analysed by Close Brothers Seydler Research AG and/ or its cooperation partners and the analyst(s) mentioned on the front page (hereafter all are jointly and/or individually called the ‘author’). None of Close Brothers Seydler Research AG, Close Brothers Seydler Bank AG or its cooperation partners, the Company or its shareholders has independently verified any of the information given in this document.

Section 34b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a security analysis to point out possible conflicts of interest with respect to the company that is the subject of the analysis.

Close Brothers Seydler Research AG is a majority owned subsidiary of Close Brothers Seydler Bank AG (hereafter ‘CBS’). However, Close Brothers Seydler Research AG (hereafter ‘CBSR’) provides its research work independent from CBS. CBS is offering a wide range of Services not only including investment banking services and liquidity providing services (designated sponsoring). CBS or CBSR may possess relations to the covered companies as follows (additional information and disclosures will be made available upon request):

- a. CBS holds more than 5% interest in the capital stock of the company that is subject of the analysis.
- b. CBS was a participant in the management of a (co)consortium in a selling agent function for the issuance of financial instruments, which themselves or their issuer is the subject of this financial analysis within the last twelve months.
- c. CBS has provided investment banking and/or consulting services during the last 12 months for the company analysed for which compensation has been or will be paid for.
- d. CBS acts as designated sponsor for the company’s securities on the basis of an existing designated sponsorship contract. The services include the provision of bid and ask offers. Due to the designated sponsoring service agreement CBS may regularly possess shares of the company and receives a compensation and/ or provision for its services.
- e. The designated sponsor service agreement includes a contractually agreed provision for research services.
- f. CBSR and the analysed company have a contractual agreement about the preparation of research reports. CBSR receives a compensation in return.
- g. CBS has a significant financial interest in relation to the company that is subject of this analysis.

In this report, the following conflicts of interests are given at the time, when the report has been published: d, f

CBS and/or its employees or clients may take positions in, and may make purchases and/ or sales as principal or agent in the securities or related financial instruments discussed in this analysis. CBS may provide investment banking, consulting, and/ or other services to and/ or serve as directors of the companies referred to in this analysis. No part of the authors compensation was, is or will be directly or indirectly related to the recommendations or views expressed.

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
11 May 2012	BUY	EUR 2.10	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 to 12 months:

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

HIGH: The volatility is expected to be higher than the volatility of the benchmark

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks.

These may change at any time without prior notice.

The opinions and forecasts contained in this report are those of the author alone. Material sources of information for preparing this report are publications in domestic and foreign media such as information services (including but not limited to Reuters, VWD, Bloomberg, DPA-AFX), business press (including but not limited to Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times), professional publications, published statistics, rating agencies as well as publications of the analysed issuers. Furthermore, discussions were held with the management for the purpose of preparing the analysis. Potentially parts of the analysis have been provided to the issuer prior to going to press; no significant changes were made afterwards, however. Any information in this report is based on data considered to be reliable, but no representations or guarantees are made by the author with regard to the accuracy or completeness of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Possible errors or incompleteness of the information do not constitute grounds for liability, neither with regard to indirect nor to direct or consequential damages. The views presented on the covered company accurately reflect the personal views of the author. All employees of the author's company who are involved with the preparation and/or the offering of financial analyzes are subject to internal compliance regulations.

The report is for information purposes, it is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the securities mentioned in this report. Any reference to past performance should not be taken as indication of future performance. The author does not accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report. The report is confidential and it is submitted to selected recipients only. The report is prepared for professional investors only and it is not intended for private investors. Consequently, it should not be distributed to any such persons. Also, the report may be communicated electronically before physical copies are available. It may not be reproduced (in whole or in part) to any other investment firm or any other individual person without the prior written approval from the author. The author is not registered in the United Kingdom nor with any U.S. regulatory body.

It has not been determined in advance whether and in what intervals this report will be updated. Unless otherwise stated current prices refer to the closing price of the previous trading day. Any reference to past performance should not be taken as indication of future performance. The author maintains the right to change his opinions without notice, i.e. the opinions given reflect the author's judgment on the date of this report.

This analysis is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor.

By accepting this report the recipient accepts that the above restrictions are binding. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt am Main (Germany).

This report should be made available in the United States solely to investors that are (i) "major US institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also "qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "US Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any such securities may not be offered or sold to US Persons at this time and may be resold to US Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made there under or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance companies.

The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident thereof.

Responsible Supervisory Authority:

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)

Graurheindorferstraße 108

53117 Bonn

and

Lurgiallee 12

60439 Frankfurt

 Close Brothers Seydler
Research AG

Schillerstrasse 27 - 29

60313 Frankfurt am Main

www.cbseydlerresearch.ag

Tel.: 0049 - (0)69 - 97 78 45 60