

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 2.80** (2.50)

16 May 2012

1Q12 results – EBIT slightly above expectations

Stock momentum remains strong – PT up by 12%

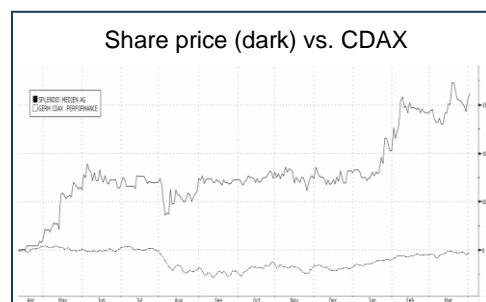
▪ **1Q12 results:** Yesterday, splendid medien AG presented its 1Q12 figures. Group revenues amounted to EUR 12.3m which was as expected slightly below last year's performance of EUR 13.0m due to higher home entertainment revenues (Expendables 1 in 1Q11). EBIT came in at EUR 1.2m which was roughly EUR 0.6m below 1Q11. The company already gave an outlook for full year and noted that the 2012E EBIT will be lower than 2011 due to higher sales and marketing expenses. In the mid-term however, this effect will turn and boost the P&L to a much higher level resulting from the enhanced theatrical release power (like The Last Stand in 1Q13). While top line was in line, we see 1Q12 EBIT as positive as it came in slightly above our estimates. The company includes the currency effects above EBIT, however, according to the company no major effect resulted from currency translations. Overall, 1Q12 can be considered a good start into 2012 and anticipating the successful theatrical release of the film 'Iron Sky' with currently more than 500,000 viewers, also the second quarter could show a nice top line performance. Reported EBT amounted to EUR 1m and deducting tax expenses of EUR 0.2m (CBSR estimate), net income should be EUR 0.8m (CBSR estimate). With operating cash flows of EUR 2.2m and capex of EUR -2.9m, free cash flow stood at EUR -0.7m.

▪ **No need to change estimates:** As repeatedly mentioned in our last several updates the upcoming film pipeline will lift the company's performance to a new level of profitability. Last week we also noted that the company might surprise positively on its fundamental performance which the company already achieved with EBIT in the first quarter. Including the outperformance of Iron Sky vs. our estimates and the strong feeling that Expendables 2 will be more successful than previously anticipated we believe that the stock momentum of splendid medien is not over yet. It is worth mentioning that the share has increased by more than 65% since our initial coverage in September 2011.

▪ **PT up by 12%:** Currently, our DCF valuation shows a fair value of EUR 2.95. The fundamental development remains on track and the stock momentum continues to be on a high level, thus, we lift our PT up to EUR 2.80 (2.50) 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	418	-	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 2.15
Shares outstanding (m):	9.79
Market capitalisation (EURm):	21.0
Enterprise value (EURm):	16.9
Ø daily trading volume (3m, no. of shares):	9,145

Performance data:

High 52 weeks (EUR):	2.24
Low 52 weeks (EUR):	1.01
Absolute performance (12 months):	76.4%
Relative performance (vs. CDAX):	
1 month:	21.8%
3 months:	18.9%
6 months:	47.7%
12 months:	101.7%

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:

1H12 report	30 August 2012
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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

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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

16 May 2012	BUY	EUR 2.15	EUR 2.80
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