

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 3.50** (3.00)

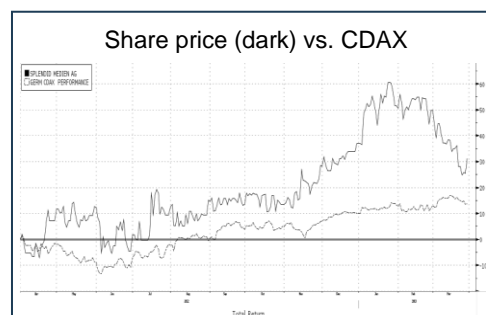
03 April 2013

## EPS higher than expected; positive tax effect Guidance for 2013/2014 higher than we had assumed

- Final figures 2012:** splendid medien AG published its annual report and the final figures confirmed the key preliminary figures. Hence, the figures did not include any surprises. However, the guidance for 2013/2014 was quite a surprise (see next section). Group revenues in 2012 came in at EUR 50.1m after EUR 41.8m in 2011 (+19.6% YoY). Group EBIT stood at EUR 4.2m.
- Guidance 2013/2014:** As aforementioned the guidance for 2013/2014 is way more bullish than we had anticipated. Especially as from 2014E onwards the upside both in top and bottom line seems ambitious but achievable. The management expects that in 2013 the group will achieve revenues to ranging between EUR 58m and EUR 61m. On EBIT level this would lead to a range of EUR 4.4m and EUR 4.9m. Given the very promising film pipeline for 2013E/2014E (amongst others: Expendables 3, Sin City 2) including the first own production ('Systemfehler – Wenn Inge tanzt'; theatrical release: 11 July 2013)) the guidance for 2014E seems achievable. In 2014E, the company plans to achieve group revenues between EUR 70m and EUR 75m with an EBIT of EUR 5.0m to EUR 6.0m.
- Adjusted estimates:** Already in our update regarding the preliminary figures (14 February 2013) we had outlined that splendid is well on track to achieve its mid-term goals and given the guidance for the next two years we are convinced that the company will achieve its own goals. Over the last two years splendid was able to extend its film pipeline to a greater extent and also picked up to cash in on all levels of the added value of a film (theatrical towards free-tv). Consequently, we move from a rather conservative valuation approach to a more realistic one. Given that, we lifted our estimates regarding all parameters. Regarding 2013E we now see group revenues to be at EUR 59.7m with an EBIT of EUR 4.6m (both in mid range of guidance). For next year we believe that the guidance of the company is within reach. After our adjustments we expect group revenues to come in at EUR 70.5m with an EBIT of EUR 5.6m (top line lower end; bottom line mid-range of guidance).
- PT up to EUR 3.50:** As a result of the new estimates and the promising mid-term outlook, **we lift our PT up to EUR 3.50** (prev.: EUR 3.00) and continue to rate the stock with BUY.

Y/E 31 Dec, EURm	2010	2011	2012	2013E	2014E
Sales	39.5	41.8	50.1	59.7	70.5
EBITDA	12.6	15.5	16.2	20.6	21.7
EBIT (reported)	3.0	4.6	4.2	4.6	5.6
Net income/loss	1.8	5.1	3.6	3.1	3.6
EPS	0.18	0.53	0.37	0.32	0.36
CPS	0.72	1.18	1.63	1.51	1.85
DPS	0.00	0.00	0.10	0.10	0.10
EBITDA margin	31.9%	37.0%	32.3%	34.5%	30.8%
EBIT margin	7.7%	11.1%	8.4%	7.7%	8.0%
Net margin	4.5%	12.3%	7.2%	5.3%	5.0%
EV/EBITDA	2.0	1.6	1.5	1.2	1.1
EV/EBIT	8.2	5.4	5.9	5.4	4.4
P/E	12.8	4.5	6.4	7.3	6.4

Source: splendid medien AG, CBS Research AG



Sources: CBS Research AG, Bloomberg

Change	2012		2013E		2014E	
	rep.		new	old	new	old
Sales	50.1		59.7	56.7	70.5	-
EBIT	4.2		4.6	4.2	5.6	-
EPS	0.37		0.32	0.29	0.36	-

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 2.34</b>
Shares outstanding (m):	9.79
Market capitalisation (EURm):	22.9
Enterprise value (EURm):	24.9
Ø daily trading volume (3m, no. of shares):	10,558

### Performance data:

High 52 weeks (EUR):	3.05
Low 52 weeks (EUR):	1.7
Absolute performance (12 months):	31.1%
Relative performance (vs. CDAX):	
1 month:	-9.8%
3 months:	-7.5%
6 months:	1.6%
12 months:	8.7%

### Shareholders:

Andreas R. Klein (CEO)	53.4%
Family Klein GbR	6.3%
Josef Siepe	5.1%
Free float	35.2%

### Financial calendar:

1Q13 report	15 May 2013
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## Appendix

### Profit and loss account

	IFRS	EURm	2009	2010	2011	2012	2013E	2014E
<b>Sales</b>			<b>36.43</b>	<b>39.48</b>	<b>41.82</b>	<b>50.11</b>	<b>59.73</b>	<b>70.49</b>
YoY growth			29.5%	8.4%	5.9%	19.8%	19.2%	18.0%
Cost of revenues			-25.66	-24.12	-26.56	-30.16	-34.94	-39.47
as % of sales			-70.4%	-61.1%	-63.5%	-60.2%	-58.5%	-56.0%
<b>Total output</b>			<b>10.78</b>	<b>15.36</b>	<b>15.25</b>	<b>19.95</b>	<b>24.79</b>	<b>31.01</b>
as % of sales			29.6%	38.9%	36.5%	39.8%	41.5%	44.0%
General & administrative expenses			-4.17	-5.18	-6.73	-7.36	-7.17	-7.75
as % of sales			-11.5%	-14.2%	-18.5%	-20.2%	-19.7%	-21.3%
Sales & marketing			-7.16	-8.97	-6.79	-11.15	-15.11	-19.03
as % of sales			-19.6%	-24.6%	-18.6%	-30.6%	-41.5%	-52.2%
Other operating income			1.59	1.88	2.90	3.04	2.69	2.82
as % of sales			4.4%	5.1%	8.0%	8.4%	7.4%	7.7%
Other operating expenses			-0.40	-0.22	-0.44	-0.22	-0.60	-1.41
as % of sales			-1.1%	-0.6%	-1.1%	-0.4%	-1.0%	-2.0%
<b>Operating profit</b>			<b>0.63</b>	<b>2.85</b>	<b>4.19</b>	<b>4.28</b>	<b>4.60</b>	<b>5.64</b>
as % of sales			1.7%	7.2%	10.0%	8.5%	7.7%	8.0%
Currency effects			-0.08	0.19	0.44	-0.08	0.00	0.00
<b>EBIT (reported)</b>			<b>0.56</b>	<b>3.04</b>	<b>4.63</b>	<b>4.20</b>	<b>4.60</b>	<b>5.64</b>
as % of sales			1.5%	7.7%	11.1%	8.4%	7.7%	8.0%
Net financial results			-0.79	-0.82	-0.86	-0.84	-0.89	-0.80
<b>EBT (Earnings before income taxes)</b>			<b>-0.24</b>	<b>2.22</b>	<b>3.77</b>	<b>3.36</b>	<b>3.71</b>	<b>4.84</b>
as % of sales			-0.7%	5.6%	9.0%	6.7%	6.2%	6.9%
Income taxes (incl. other taxes)			-1.31	-0.44	1.37	0.23	-0.52	-1.24
as % of EBT			548.1%	-19.6%	36.4%	6.8%	-14.0%	-25.6%
<b>Net income</b>			<b>-1.55</b>	<b>1.78</b>	<b>5.14</b>	<b>3.58</b>	<b>3.19</b>	<b>3.60</b>
Minorities			0.00	0.01	0.00	0.00	-0.05	-0.04
<b>Net income attributable to shareholders</b>			<b>-1.55</b>	<b>1.80</b>	<b>5.14</b>	<b>3.59</b>	<b>3.14</b>	<b>3.56</b>
as % of sales			-4.3%	4.5%	12.3%	7.2%	5.3%	5.0%
Shares outstanding (in m)			9.79	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>0.37</b>	<b>0.32</b>	<b>0.36</b>

Source: splendid medien AG, CBS Research AG

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Date	Recommendation	Price at change date	Price target
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
04 September 2012	BUY	EUR 2.13	EUR 2.80
16 November 2012	BUY	EUR 2.37	EUR 3.00

14 February 2013	BUY	EUR 2.88	EUR 3.00
02 April 2013	BUY	EUR 2.34	EUR 3.50

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