

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

14 November 2013

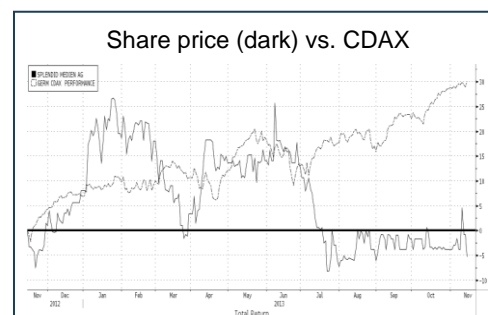
3Q13 with a negative EBIT....

...but full year guidance still reachable, estimates remain unchanged

- 3Q13 results:** Today splendid medien released its interim report for 3Q13. While top line came in roughly in line with our estimates, EBIT was slightly short of expectations. However, given the assumed positive FX effect and the strong Home Entertainment performance anticipated for 4Q, the full year guidance as well as our previous estimates are still more than realistic. Overall, Group revenues resulted in EUR 9.9m after EUR 13.8m in 3Q12 (-23% YoY). For 9M the revenues amounted to EUR 38.3m which was slightly ahead of 9M12 (EUR 35.6m). Reported EBIT (incl. negative FX effects) came in at EUR -0.8m for 3Q13 (3Q12: EUR +0.8m) and EUR +1.4m for 9M13 (9M12: EUR 2.8m). To a large extent the positive 9M12 effect was based on the successful release of Expendables 2.
- Segment reporting:** The Content segment showed a positive YoY performance. After EUR 32.9m in 9M12 this period the unit came in at EUR 35.2m In 3Q13 the revenues in this segment were at EUR 8.6m (3Q12: EUR 12.7m incl. 'Expendables 2'). This year's theatrical releases struggled and especially the movies 'The Last Stand' with Mr. Schwarzenegger and the own production 'SYSTEMFEHLER – Wenn Inge tanzt' fell short of expectations. However, it seems that the Home Entertainment segment will compensate most of these effects as 4Q should also be a strong quarter. The segment Services generated revenues of EUR 3.1m (9M12: EUR 2.7m).
- Confirmed guidance for 2013:** In the course of the 3Q report the management confirmed its previous guidance. For this year the management still expects group revenues to range within EUR 53m and EUR 56m with an EBIT of EUR 3.8m to EUR 4.2m.
- Unchanged estimates:** Although 3Q13 lacked behind we think that the prospect for 4QE is good enough for the group to reach this guidance. Therefore, group sales are still assumed to amount to EUR 56.2m with an EBIT of EUR 4.2m for 2013E.
- PT at EUR 3.50:** Given the positive outlook for 4Q13E and the promising mid-term outlook we confirm our BUY recommendation with a **PT of EUR 3.50**.

Y/E 31 Dec, EURm	2010	2011	2012	2013E	2014E
Sales	39.5	41.8	50.1	56.2	71.0
EBITDA	12.6	15.5	16.2	20.2	21.7
EBIT (reported)	3.0	4.6	4.2	4.2	5.6
Net income/loss	1.8	5.1	3.6	2.8	3.6
EPS	0.18	0.53	0.37	0.29	0.36
CPS	0.72	1.18	1.63	1.51	1.88
DPS	0.00	0.00	0.10	0.10	0.10
EBITDA margin	31.9%	37.0%	32.3%	35.9%	30.5%
EBIT margin	7.7%	11.1%	8.4%	7.4%	7.9%
Net margin	4.5%	12.3%	7.2%	5.0%	5.0%
EV/EBITDA	2.0	1.6	1.5	1.2	1.2
EV/EBIT	8.3	5.4	6.0	6.0	4.5
P/E	12.4	4.3	6.2	7.9	6.2

Source: splendid medien AG, CBS Research AG



Sources: CBS Research AG, Bloomberg

Change	2012		2013E		2014E	
	rep.		new	old	new	old
Sales	50.1	-	56.2	-	71.0	-
EBIT	4.2	-	4.2	-	5.6	-
EPS	0.37	-	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):	EUR 2.27
Shares outstanding (m):	9.79
Market capitalisation (EURm):	22.2
Enterprise value (EURm):	25.1
Ø daily trading volume (3m, no. of shares):	3,587

Performance data:

High 52 weeks (EUR):	3.25
Low 52 weeks (EUR):	2.04
Absolute performance (12 months):	-5.3%
Relative performance (vs. CDAX):	
1 month:	-9.1%
3 months:	-8.6%
6 months:	-24.9%
12 months:	-29.5%

Shareholders:

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

Financial calendar:

2013 report	March 2014
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Appendix

Profit and loss account

	IFRS	EURm	2009	2010	2011	2012	2013E	2014E
Sales			36.43	39.48	41.82	50.11	56.18	71.03
YoY growth			29.5%	8.4%	5.9%	19.8%	12.1%	26.4%
Cost of revenues			-25.66	-24.12	-26.56	-30.16	-32.87	-39.77
as % of sales			-70.4%	-61.1%	-63.5%	-60.2%	-58.5%	-56.0%
Total output			10.78	15.36	15.25	19.95	23.32	31.25
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	-6.74	-7.81
as % of sales			-11.5%	-14.2%	-18.5%	-20.2%	-18.5%	-21.4%
Sales & marketing			-7.16	-8.97	-6.79	-11.15	-14.21	-19.18
as % of sales			-19.6%	-24.6%	-18.6%	-30.6%	-39.0%	-52.6%
Other operating income			1.59	1.88	2.90	3.04	2.36	2.77
as % of sales			4.4%	5.1%	8.0%	8.4%	6.5%	7.6%
Other operating expenses			-0.40	-0.22	-0.44	-0.22	-0.56	-1.42
as % of sales			-1.1%	-0.6%	-1.1%	-0.4%	-1.0%	-2.0%
Operating profit			0.63	2.85	4.19	4.28	4.16	5.61
as % of sales			1.7%	7.2%	10.0%	8.5%	7.4%	7.9%
Currency effects			-0.08	0.19	0.44	-0.08	0.00	0.00
EBIT (reported)			0.56	3.04	4.63	4.20	4.16	5.61
as % of sales			1.5%	7.7%	11.1%	8.4%	7.4%	7.9%
Net financial results			-0.79	-0.82	-0.86	-0.84	-0.89	-0.80
EBT (Earnings before income taxes)			-0.24	2.22	3.77	3.36	3.27	4.81
as % of sales			-0.7%	5.6%	9.0%	6.7%	5.8%	6.8%
Income taxes (incl. other taxes)			-1.31	-0.44	1.37	0.23	-0.46	-1.25
as % of EBT			548.1%	-19.6%	36.4%	6.8%	-14.0%	-25.9%
Net income			-1.55	1.78	5.14	3.58	2.81	3.57
Minorities			0.00	0.01	0.00	0.00	0.00	0.00
Net income attributable to shareholders			-1.55	1.80	5.14	3.59	2.81	3.57
as % of sales			-4.3%	4.5%	12.3%	7.2%	5.0%	5.0%
Shares outstanding (in m)			9.79	9.79	9.79	9.79	9.79	9.79
Basic earnings per share (EUR)			-0.16	0.18	0.53	0.37	0.29	0.36

Source: splendid medien AG, CBS Research AG

Research

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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
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
15 May 2013	BUY	EUR 2.62	EUR 3.50
23 August 2013	BUY	EUR 2.23	EUR 3.50

02 September 2013	BUY	EUR 2.15	EUR 3.50
14 November 2013	BUY	EUR 2.27	EUR 3.50

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