

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

15 May 2014

1Q14 lower YoY but in line for full year guidance

Film pipeline with strong releases in 2H14

- 1Q14 results:** Today splendid medien released its interim report for 1Q14. Overall, the figures are in line to achieve the given guidance for 2014. However, on a YoY comparison the figures came in lower than last year which results in a strong home entertainment business in 1Q13 due to some major film releases (e.g. Expendables 2). We had already anticipated these in our estimates, as already mentioned in our last update from 2 April 2014. Despite the decline in top line the development within the quarter was mostly expected. Therefore the outlook remains very positive and since the major releases in 2014 will be within 2H14 the performance in 1Q and also 2Q to a large extent can be neglected. In total, group revenues amounted to EUR 11.4m after EUR 16.5m in 1Q13. The operating result stood at EUR -0.3m after EUR 1.7m a year earlier. The EBT came in at EUR -0.5m (1Q13: EUR 1.5m).
- Segment reporting:** A positive surprise was the YoY increase in the Services unit. After EUR 0.8m in 1Q13 the company posted EUR 1.0m in this quarter. The company stated that especially dubbing helped this unit to show a nice growth in 1Q. The Content segment therefore declined to EUR 10.4m (1Q13: EUR 15.7m). While the theatrical releases managed a small increase YoY, the Home Entertainment business was significantly down as aforementioned due to some major releases in the corresponding quarter last year. But also the TV licensing was down YoY – however, some new contracts had been finalised which will be sales-related within the next quarters.
- Outlook for 2014:** In the course of the 1Q release, the management noted that the group should also post a weaker result in 2Q – mostly due to the lack of major releases. Since the focus will be on 2H the management unsurprisingly confirmed its previous guidance. Group sales should still range within EUR 66m and EUR 72m with an EBIT of EUR 5.0m-6.0m.
- Unchanged estimates:** Although we had forecasted that EBIT will be closer to the break-even level, the full-year outlook remains unchanged. We assume that EBIT in 2Q14E will be at around 1Q14 level – or slightly better. For full year we stick to our estimate of group revenues amounting to EUR 71.0m with an EBIT of EUR 5.6m.
- BUY:** We reiterate to our **PT of EUR 3.50/BUY** recommendation.

Y/E 31 Dec, EURm	2011	2012	2013	2014E	2015E	2016E
Sales	41.8	50.1	54.9	71.0	80.9	87.0
EBITDA	15.5	16.2	20.2	22.3	23.9	24.8
EBIT (reported)	4.6	4.2	4.1	5.6	6.9	7.4
Net income/loss	5.1	3.6	3.7	4.1	5.0	5.3
EPS	0.53	0.37	0.37	0.42	0.52	0.55
DPS	0.00	0.00	0.10	0.10	0.10	0.10
EBITDA margin	37.0%	32.3%	36.9%	31.5%	29.6%	28.5%
EBIT margin	11.1%	8.4%	7.4%	7.9%	8.5%	8.5%
Net margin	12.3%	7.2%	6.7%	5.8%	6.2%	6.1%
EV/EBITDA	1.9	1.8	1.5	1.3	1.2	1.2
EV/EBIT	6.4	7.1	7.3	5.3	4.3	4.0
P/E	5.2	7.5	7.4	6.5	5.3	5.0

Source: splendid medien AG, CBS Research AG

Share price (dark) vs. CDAX



Sources: CBS Research AG, Bloomberg

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	-	710	-	80.9	-	87.0
EBIT	-	5.6	-	6.9	-	7.4
EPS	-	0.42	-	0.52	-	0.55

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 entertainment program, sales services for companies in the home entertainment sector and postproduction services.

Share data:

Share price (last closing price):	EUR 2.75
Shares outstanding (m):	9.79
Market capitalisation (EURm):	26.9
Enterprise value (EURm):	29.8
Ø daily trading volume (3m, no. of shares):	5,828

Performance data:

High 52 weeks (EUR):	3.25
Low 52 weeks (EUR):	2.04
Absolute performance (12 months):	18.5%
Relative performance (vs. CDAX):	
1 month:	20.7%
3 months:	27.2%
6 months:	15.5%
12 months:	-6.0%

Shareholders:

Andreas R. Klein (CEO)	53.4%
Family Klein GbR	6.3%
Josef Siepe	5.1%
Scherrer Small Caps Europe	3.2%
Free float	32.0%

Financial calendar:

2Q14 report	August 2014
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Appendix

Profit and loss account

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Sales			41.82	50.11	54.94	71.03	80.91	87.00
YoY growth			48.6%	19.8%	9.6%	29.3%	13.9%	7.5%
Cost of revenues			-26.56	-30.16	-34.29	-39.77	0.00	0.00
as % of sales			-63.5%	-60.2%	-62.4%	-56.0%	0.0%	0.0%
Total output			15.25	19.95	20.65	31.25	80.91	87.00
as % of sales			36.5%	39.8%	37.6%	44.0%	100.0%	100.0%
General & administrative expenses			-6.73	-7.36	-7.17	-7.81	0.00	0.00
as % of sales			-16.1%	-17.6%	-17.1%	-18.7%	0.0%	0.0%
Sales & marketing			-6.79	-11.15	-13.44	-19.18	0.00	0.00
as % of sales			-16.2%	-26.7%	-32.1%	-45.9%	0.0%	0.0%
Other operating income			2.90	3.04	4.43	2.77	3.24	3.48
as % of sales			6.9%	7.3%	10.6%	6.6%	7.7%	8.3%
Other operating expenses			-0.44	-0.22	-0.16	-1.42	0.00	0.00
as % of sales			-1.1%	-0.4%	-0.3%	-2.0%	0.0%	0.0%
Operating profit			4.19	4.28	4.32	5.61	6.88	7.40
as % of sales			10.0%	8.5%	7.9%	7.9%	8.5%	8.5%
Currency effects			0.44	-0.08	-0.23	0.00	0.00	0.00
EBIT (reported)			4.63	4.20	4.08	5.61	6.88	7.40
as % of sales			11.1%	8.4%	7.4%	7.9%	8.5%	8.5%
Net financial results			-0.86	-0.84	-0.68	-0.80	-0.80	-0.80
EBT (Earnings before income taxes)			3.77	3.36	3.40	4.81	6.08	6.60
as % of sales			9.0%	6.7%	6.2%	6.8%	7.5%	7.6%
Income taxes (incl. other taxes)			1.37	0.23	0.26	-0.67	-1.03	-1.26
as % of EBT			36.4%	6.8%	7.5%	-14.0%	-17.0%	-19.1%
Net income			5.14	3.58	3.66	4.14	5.05	5.34
Minorities			0.00	0.00	0.00	0.00	0.00	0.00
Net income attributable to shareholders			5.14	3.59	3.66	4.14	5.05	5.34
as % of sales			12.3%	7.2%	6.7%	5.8%	6.2%	6.1%
Shares outstanding (in m)			9.79	9.79	9.79	9.79	9.79	9.79
Basic earnings per share (EUR)			0.53	0.37	0.37	0.42	0.52	0.55

Source: splendid medien AG, CBS Research AG

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

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

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This rating system is only a guideline. Therefore, deviations from this system may apply.

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

Date	Recommendation	Price at change date	Price target
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
26 March 2014	BUY	EUR 2.36	EUR 3.50
02 April 2014	BUY	EUR 2.72	EUR 3.50
15 May 2014	BUY	EUR 2.75	EUR 3.50

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

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