

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

16 September 2014

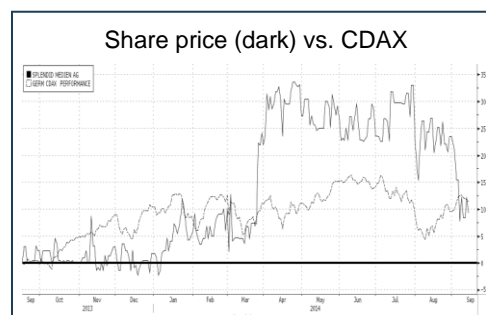
1H14 figures mostly in line with expectations

Expendables 3 release below forecast and Sin City 2 indications for a weak start

- 1H14 figures:** Recently, splendid medien AG released its 1H14 figures and overall the figures came in mostly as expected. Given that 1H14 was not filled with big theatrical releases and in 2H the two major releases Expendables 3 and Sin City 2 were scheduled, the development in 1H14 can be considered in line. Group revenues stood at EUR 25.0m after EUR 28.4m in 1H13 (positive impact due to Expendables 2 in the home entertainment unit). Group EBIT was at EUR -1.4m after EUR +2.2m in previous year. This is mostly attributable to the weak development of the content segment in 1H14. Hence, net result stood at EUR -1.8m after EUR +1.8m in 1H13. **Segment reporting:** To give a clearer view on the development in 1H14 the segment reporting shows that the Services unit delivered a solid sales growth to EUR 2.3m in 1H14 and EBIT to EUR 0.4m (1H13: EUR 0.2m). The Content unit however showed decreasing revenues of about EUR 4m to EUR 22.7m which led to a negative EBIT of EUR -1.4m (1H13: EUR 2.7m).
- Expendables 3 release below previous installments:** After a few weeks in the cinema, the theatrical release of Expendables 3 is somewhat disappointing. With about 660k sold tickets in Germany so far the development is quite below the general expectations for this film. Compared to that, Expendables 2 had 1.2m sold tickets in Germany in 2012. We had assumed that at least 1m tickets will be sold. While there are still some weeks to go and also the release in Austria and Switzerland should be considered, however, in the end this will not change the fact that Expendables 3 will not be the growth trigger some had anticipated. Despite the lack of sold tickets we still believe that the film is at least break-even regarding the theatrical release.
- Outlook 2H14E:** For the remaining year there are two obvious triggers: 1) the theatrical release of Sin City 2 on 18 September and of course 2) the Christmas quarter for the Home Entertainment unit. First indications however predict that the film release of Sin City 2 might also be not too positive given the weak development in the US release. Hence, many expectations are on the Home Entertainment in 4Q. Overall, we expect 4Q14E to be very positive, but given the weak indications for Sin City 2 and after the performance of Expendables 3 we had to adjust our estimates for full year. We lowered our estimates to the lower end of the guidance and now expect group EBIT to come in at EUR 5.0m. We confirm our BUY recommendation with an unchanged PT of EUR 3.50 per share.

Y/E 31 Dec, EURm	2011	2012	2013	2014E	2015E	2016E
Sales	41.8	50.1	54.9	67.0	76.4	82.3
EBITDA	15.5	16.2	20.2	21.8	23.9	24.9
EBIT (reported)	4.6	4.2	4.1	5.0	6.8	7.5
Net income/loss	5.1	3.6	3.7	3.5	5.0	5.4
EPS	0.53	0.37	0.37	0.36	0.51	0.55
DPS	0.00	0.00	0.10	0.10	0.10	0.10
EBITDA margin	37.0%	32.3%	36.9%	32.5%	31.2%	30.2%
EBIT margin	11.1%	8.4%	7.4%	7.5%	8.9%	9.1%
Net margin	12.3%	7.2%	6.7%	5.3%	6.5%	6.6%
EV/EBITDA	1.7	1.6	1.3	1.2	1.1	1.0
EV/EBIT	5.5	6.1	6.3	5.1	3.8	3.4
P/E	4.4	6.3	6.2	6.5	4.6	4.2

Source: splendid medien AG, CBS Research AG



Sources: CBS Research AG, Bloomberg

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	67.0	71.0	-	76.4	-	82.3
EBIT	5.0	5.6	-	6.8	-	7.5
EPS	0.36	0.42	-	0.51	-	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 2.32
Shares outstanding (m):	9.79
Market capitalisation (EURm):	22.7
Enterprise value (EURm):	25.6
Ø daily trading volume (3m, no. of shares):	4,846

Performance data:

High 52 weeks (EUR):	2.94
Low 52 weeks (EUR):	2.10
Absolute performance (12 months):	29.1%
Relative performance (vs. CDAX):	
1 month:	8.3%
3 months:	1.2%
6 months:	20.7%
12 months:	13.0%

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:

3Q14 report November 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	66.95	76.43	82.30
YoY growth			48.6%	19.8%	9.6%	21.9%	14.2%	7.7%
Cost of revenues			-26.56	-30.16	-34.29	-37.76	-42.80	-45.84
as % of sales			-63.5%	-60.2%	-62.4%	-56.4%	-56.0%	-55.7%
Total output			15.25	19.95	20.65	29.19	33.63	36.46
as % of sales			36.5%	39.8%	37.6%	43.6%	44.0%	44.3%
General & administrative expenses			-6.73	-7.36	-7.17	-7.36	-8.41	-9.05
as % of sales			-16.1%	-17.6%	-17.1%	-17.6%	-20.1%	-21.6%
Sales & marketing			-6.79	-11.15	-13.44	-18.08	-19.87	-21.40
as % of sales			-16.2%	-26.7%	-32.1%	-43.2%	-47.5%	-51.2%
Other operating income			2.90	3.04	4.43	2.61	3.06	3.29
as % of sales			6.9%	7.3%	10.6%	6.2%	7.3%	7.9%
Other operating expenses			-0.44	-0.22	-0.16	-1.34	-1.60	-1.81
as % of sales			-1.1%	-0.4%	-0.3%	-2.0%	-2.1%	-2.2%
Operating profit			4.19	4.28	4.32	5.02	6.80	7.49
as % of sales			10.0%	8.5%	7.9%	7.5%	8.9%	9.1%
Currency effects			0.44	-0.08	-0.23	0.00	0.00	0.00
EBIT (reported)			4.63	4.20	4.08	5.02	6.80	7.49
as % of sales			11.1%	8.4%	7.4%	7.5%	8.9%	9.1%
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	4.22	6.00	6.69
as % of sales			9.0%	6.7%	6.2%	6.3%	7.9%	8.1%
Income taxes (incl. other taxes)			1.37	0.23	0.26	-0.70	-1.02	-1.27
as % of EBT			36.4%	6.8%	7.5%	-16.7%	-17.0%	-19.0%
Net income			5.14	3.58	3.66	3.52	4.98	5.42
Minorities			0.00	0.00	0.00	0.00	0.00	0.00
Net income attributable to shareholders			5.14	3.59	3.66	3.52	4.98	5.42
as % of sales			12.3%	7.2%	6.7%	5.3%	6.5%	6.6%
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	0.36	0.51	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
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
07 August 2014	BUY	EUR 2.68	EUR 3.50
16 September 2014	BUY	EUR 2.32	EUR 3.50

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