

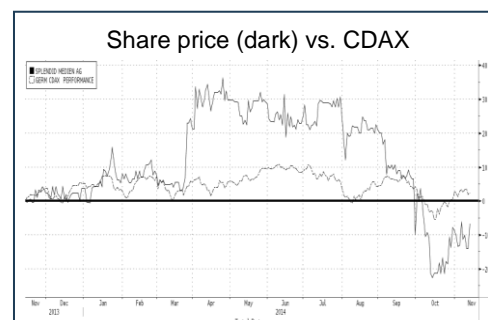
Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 3.00** (3.00)

13 November 2014

3Q/9M14 figures as expected

First indications for 4Q14E are very positive, we stick to our estimates and PT

- 3Q/9M14 figures:** Today, splendid medien AG reported its 3Q/9M figures for FY14. Overall, the figures came in as expected, given that the company had already posted a profit warning in October, hence, no surprises. Group revenues amounted to EUR 42.4m of which EUR 38.9m are contributed by the Content segment. As mentioned in our last update, the home entertainment unit was the positive driver while the theatrical releases performance in 9M14 was not as positive as in previous years. Therefore, it was no surprise that EBIT stood at EUR -2.6m after EUR +1.4m in previous year. EBT was at EUR -3.0m.
- Confirmed guidance:** In the course of the 9M report the company confirmed its updated guidance for 2014, expecting group revenues between EUR 62m and EUR 66m with EBIT to range within EUR 1-2m. We had adjusted our estimates in October and are still convinced that 4Q14E will be as positive as assumed and stick to our previous estimates for revenues of EUR 62.3m with forecasted EBIT of EUR 1.5m. We want to point out that – despite the weak theatrical releases in 2014 – the home entertainment segment was on track throughout the year. Therefore, we remain optimistic that 4Q will come in as previously expected.
- Outlook for 4Q14E:** First indications about the 'christmas quarter' are positive and we feel confident that splendid will reach its targets for 2014. Amongst others Expendables 3 will be released on Blu-Ray/DVD/VoD at the beginning of December. Hence, we see group revenues in 4Q14E at EUR 19.9m and EBIT at +4.1m, which would lead to a net result of EUR 0.5m for 2014E. In 4Q13 group revenues stood at EUR 16.6m and EBIT amounted to EUR 2.7m.
- BUY recommendation:** Our mid-term outlook for 2015E and 2016E remain unchanged as we think that the impact on the home entertainment segment in 2015 is rather limited. The upcoming film releases for the next years are also not linked to previous theatrical releases, hence, no impact on the mid-term outlook in general. We therefore leave our PT at EUR 3.00 per share and confirm our BUY recommendation.



Sources: CBS Research AG, Bloomberg

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	-	62.3	-	76.4	-	82.3
EBIT	-	15	-	6.8	-	7.5
EPS	-	0.05	-	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 2.00
Shares outstanding (m):	9.79
Market capitalisation (EURm):	19.6
Enterprise value (EURm):	22.4
Ø daily trading volume (3m, no. of shares):	5,408

Performance data:

High 52 weeks (EUR):	2.94
Low 52 weeks (EUR):	1.64
Absolute performance (12 months):	-8.7%
Relative performance (vs. CDAX):	
1 month:	13.3%
3 months:	-26.5%
6 months:	-23.4%
12 months:	-13.9%

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:

FY14 report	March 2015
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Y/E 31 Dec, EURm	2011	2012	2013	2014E	2015E	2016E
Sales	41.8	50.1	54.9	62.3	76.4	82.3
EBITDA	15.5	16.2	20.2	18.2	23.9	24.9
EBIT (reported)	4.6	4.2	4.1	1.5	6.8	7.5
Net income/loss	5.1	3.6	3.7	0.5	5.0	5.4
EPS	0.53	0.37	0.37	0.05	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%	29.3%	31.2%	30.2%
EBIT margin	11.1%	8.4%	7.4%	2.4%	8.9%	9.1%
Net margin	12.3%	7.2%	6.7%	0.8%	6.5%	6.6%
EV/EBITDA	1.4	1.4	1.1	1.2	0.9	0.9
EV/EBIT	4.9	5.3	5.5	15.0	3.3	3.0
P/E	3.8	5.5	5.4	40.3	3.9	3.6

Source: splendid medien AG, CBS Research AG

Appendix

Profit and loss account

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Sales			41.82	50.11	54.94	62.28	76.43	82.30
YoY growth			48.6%	19.8%	9.6%	13.4%	22.7%	7.7%
Cost of revenues			-26.56	-30.16	-34.29	-37.99	-42.80	-45.84
as % of sales			-63.5%	-60.2%	-62.4%	-61.0%	-56.0%	-55.7%
Total output			15.25	19.95	20.65	24.29	33.63	36.46
as % of sales			36.5%	39.8%	37.6%	39.0%	44.0%	44.3%
General & administrative expenses			-6.73	-7.36	-7.17	-6.85	-8.41	-9.05
as % of sales			-16.1%	-17.6%	-17.1%	-16.4%	-20.1%	-21.6%
Sales & marketing			-6.79	-11.15	-13.44	-17.13	-19.87	-21.40
as % of sales			-16.2%	-26.7%	-32.1%	-41.0%	-47.5%	-51.2%
Other operating income			2.90	3.04	4.43	2.43	3.06	3.29
as % of sales			6.9%	7.3%	10.6%	5.8%	7.3%	7.9%
Other operating expenses			-0.44	-0.22	-0.16	-1.25	-1.61	-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	1.49	6.80	7.49
as % of sales			10.0%	8.5%	7.9%	2.4%	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	1.49	6.80	7.49
as % of sales			11.1%	8.4%	7.4%	2.4%	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	0.69	6.00	6.69
as % of sales			9.0%	6.7%	6.2%	1.1%	7.9%	8.1%
Income taxes (incl. other taxes)			1.37	0.23	0.26	-0.21	-1.02	-1.27
as % of EBT			36.4%	6.8%	7.5%	-30.1%	-17.0%	-19.0%
Net income			5.14	3.58	3.66	0.49	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	0.49	4.98	5.42
as % of sales			12.3%	7.2%	6.7%	0.8%	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	0.05	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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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
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
01 October 2014	BUY	EUR 2.39	EUR 3.00
13 November 2014	BUY	EUR 2.00	EUR 3.00

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