

# Splendid Medien AG

**BUY (BUY) | Target EUR 3.50 (EUR 3.00)**

 Price (last closing price) : **EUR 2.49** | Upside : 40%

Est. change	<b>2015e</b>	<b>2016e</b>
EPS	-	-

## 1Q15 a promising start into 2015; EBIT estimate at 4.2m

Wednesday, 13 May 2015



Capital	
SPM GY   SPME.DE	
Market Cap (EURm)	24
Enterprise value (EURm)	34
Extrema 12 months	52 - 52
Free Float (%)	34.9%

Performance (%)	1m	3m	12m
Absolute	5.5	20.3	-10.6
Perf. rel. "sector"	11.0	12.7	-31.8
Perf. rel. CDAX	12.6	14.5	-24.6

P & L	12/15e	12/16e	12/17e
Sales (EURm)	63	71	76
EBITDA (EURm)	23.5	25.8	29.2
EBIT (EURm)	4.2	4.8	6.1
Attr. net profit (EURm)	3.0	3.4	3.8
EPS (EUR)	0.31	0.35	0.39
Dividend (EUR)	0.10	0.10	0.10
P/E (x)	8.0	7.1	6.3
P/B (x)	0.9	0.8	0.7
Dividend yield (%)	4%	4%	4%
FCF yield (%)	4%	6%	5%
EV/Sales (x)	0.5	0.5	0.4
EV/EBITDA (x)	1.4	1.3	1.2
EV/EBIT (x)	7.9	7.0	5.5
Gearing (%)	-0.3	-0.3	-0.2
Net Debt/EBITDA(x)	-0.4	-0.3	-0.3

Next Events	
1H15 results	Aug 15

### 1Q15 results

Splendid Medien AG posted its 1Q15 results today, which indicated a strong start into 2015. In particular, the positive EBIT swing from EUR -0.3m in 1Q14 to EUR +1.5m this year can be considered a clear success. Group revenues came in at EUR 15.7m, up from EUR 11.4m in 1Q14. EBT also swung to profitability, rising from EUR -0.5m to EUR +1.3m. Operating CF rose to EUR 4.1m (1Q14: EUR 1.2m), leading to FCF of EUR -0.3m, which is quite a positive outcome vs. last year's FCF of EUR -7.1m. CAPEX rose rising to 4.4m after EUR 8.3m in 1Q14.

### Segment level:

**Content:** revenues of EUR 14.6m (1Q14: EUR 10.4m); led especially by strong improvement in the home entertainment unit thanks to popular films like Sin City 2 and Expendables 3. Additionally, the TV-licensing business showed some nice growth, and the news that Splendid extended its longstanding partnership with BBC (since 2000) for an additional 5 years was also positive. As a result, Splendid has access to all available titles in the BBC Worldwide portfolio for release on DVD/Blu-ray in German-speaking countries.

**Services:** revenues of EUR 1.1m vs. EUR 1.0m in 1Q14.

### Outlook for 2015 unchanged

Given the positive 1Q performance, it was no surprise that the management confirmed its full-year outlook for 2015, i.e. group revenues of EUR 57-62m and EBIT of EUR 3.5-4.5m. We still consider the revenue outlook conservative, and hence stick to our revenue estimate to EUR 63.4m for 2015e (slightly above guidance). Our EBIT forecast of EUR 4.2m for 2015e is in middle of the guidance range (margin: 6.7% vs. 2.8% in 2014).

### Stock momentum positive – PT upped to EUR 3.50

As we had already pointed out in our last update, the stock's momentum is positive again and should remain so given that after a weak 2014, 2015 should see the return of Splendid's growth story. Our FVpS stands at EUR 3.94. **We raise our PT to EUR 3.50** as the stock's momentum seems to continue to be strong. Our TP suggests upside potential of ~40%. BUY recommendation confirmed.

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## Profit and loss account

	IFRS	EURm	2012	2013	2014	2015E	2016E	2017E
<b>Sales</b>			<b>50.11</b>	<b>54.94</b>	<b>66.03</b>	<b>63.35</b>	<b>70.67</b>	<b>76.08</b>
YoY growth			78.1%	9.6%	20.2%	-4.1%	11.5%	7.6%
Cost of revenues			-30.16	-34.29	-43.25	-36.24	-40.28	-43.36
as % of sales			-60.2%	-62.4%	-65.5%	-57.2%	-57.0%	-57.0%
<b>Total output</b>			<b>19.95</b>	<b>20.65</b>	<b>22.78</b>	<b>27.12</b>	<b>30.39</b>	<b>32.71</b>
as % of sales			39.8%	37.6%	34.5%	42.8%	43.0%	43.0%
General & administrative expenses			-7.36	-7.17	-7.10	-7.60	-8.48	-9.13
as % of sales			-14.7%	-14.3%	-14.2%	-15.2%	-16.9%	-18.2%
Sales & marketing			-11.15	-13.44	-16.12	-16.47	-18.37	-19.02
as % of sales			-22.2%	-26.8%	-32.2%	-32.9%	-36.7%	-38.0%
Other operating income			3.04	4.43	2.46	2.53	2.83	3.04
as % of sales			6.1%	8.8%	4.9%	5.1%	5.6%	6.1%
Other operating expenses			-0.22	-0.16	-0.17	-1.33	-1.55	-1.67
as % of sales			-0.4%	-0.3%	-0.3%	-2.1%	-2.2%	-2.2%
<b>Operating profit</b>			<b>4.28</b>	<b>4.32</b>	<b>1.86</b>	<b>4.24</b>	<b>4.81</b>	<b>6.09</b>
as % of sales			8.5%	7.9%	2.8%	6.7%	6.8%	8.0%
Currency effects			-0.08	-0.23	0.14	0.00	0.00	0.00
<b>EBIT (reported)</b>			<b>4.20</b>	<b>4.08</b>	<b>2.00</b>	<b>4.24</b>	<b>4.81</b>	<b>6.09</b>
as % of sales			8.4%	7.4%	3.0%	6.7%	6.8%	8.0%
Net financial results			-0.84	-0.68	-0.59	-0.60	-0.60	-0.60
<b>EBT (Earnings before income taxes)</b>			<b>3.36</b>	<b>3.40</b>	<b>1.41</b>	<b>3.64</b>	<b>4.21</b>	<b>5.49</b>
as % of sales			6.7%	6.2%	2.1%	5.8%	6.0%	7.2%
Income taxes (incl. other taxes)			0.23	0.26	-0.51	-0.64	-0.82	-1.70
as % of EBT			6.8%	7.5%	-36.4%	-17.5%	-19.4%	-31.1%
<b>Net income</b>			<b>3.58</b>	<b>3.66</b>	<b>0.90</b>	<b>3.01</b>	<b>3.39</b>	<b>3.78</b>
Minorities			0.00	0.00	0.00	0.00	0.00	0.00
<b>Net income attributable to shareholders</b>			<b>3.59</b>	<b>3.66</b>	<b>0.90</b>	<b>3.01</b>	<b>3.39</b>	<b>3.78</b>
as % of sales			7.2%	6.7%	1.4%	4.7%	4.8%	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>0.37</b>	<b>0.37</b>	<b>0.09</b>	<b>0.31</b>	<b>0.35</b>	<b>0.39</b>

Source: Company Data, Oddo Seydler Bank AG

## Balance Sheet

	IFRS	EURm	2012	2013	2014	2015E	2016E	2017E
<b>Assets</b>								
<b>Non-current assets</b>			<b>26.88</b>	<b>31.11</b>	<b>35.37</b>	<b>41.44</b>	<b>46.38</b>	<b>49.72</b>
as % of total assets			47.2%	49.0%	48.9%	57.8%	62.1%	62.3%
Intangible assets			0.41	0.36	0.35	0.51	0.66	0.76
Goodwill			0.33	0.33	0.33	0.33	0.33	0.33
Property, plant and equipment			0.77	0.80	1.22	1.29	1.35	1.40
Film assets			18.90	23.28	26.73	33.17	37.90	41.09
Advanced payments			0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax assets			5.65	5.91	6.00	5.40	5.40	5.40
Other assets			0.05	0.06	0.01	0.01	0.01	0.01
Other long-term receivables			0.78	0.38	0.73	0.73	0.73	0.73
<b>Current assets</b>			<b>30.02</b>	<b>32.39</b>	<b>36.91</b>	<b>30.19</b>	<b>28.31</b>	<b>30.07</b>
as % of total assets			52.8%	51.0%	51.1%	42.2%	37.9%	37.7%
Inventories			2.29	2.00	2.39	1.90	2.12	2.28
Accounts receivable, other receivables and other assets			17.27	22.11	27.05	20.30	17.67	18.92
Current tax assets			0.07	0.07	0.04	0.04	0.04	0.04
Assets held for sale			0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents			10.40	8.21	7.44	7.95	8.49	8.83
<b>Total assets</b>			<b>56.91</b>	<b>63.50</b>	<b>72.28</b>	<b>71.63</b>	<b>74.69</b>	<b>79.79</b>
<b>Shareholders' equity and liabilities</b>								
<b>Shareholders' equity</b>			<b>22.79</b>	<b>25.45</b>	<b>25.11</b>	<b>27.63</b>	<b>30.04</b>	<b>32.84</b>
as % of total equity and liabilities			40.1%	40.1%	34.7%	38.6%	40.2%	41.2%
Subscribed capital			9.79	9.79	9.79	9.79	9.79	9.79
Capital reserve			0.40	0.40	0.40	0.40	0.40	0.40
Retained profits			0.00	0.00	0.00	0.00	0.00	0.00
Net retained earnings			12.60	15.27	14.93	17.45	19.86	22.66
Other reserves (incl. currency effects)			0.00	0.00	0.00	0.00	0.00	0.00
<b>Equity attributable to shareholders</b>			<b>22.78</b>	<b>25.46</b>	<b>25.12</b>	<b>27.63</b>	<b>30.04</b>	<b>32.85</b>
Minorities			0.01	-0.01	-0.01	-0.01	-0.01	-0.01
<b>Current provisions and liabilities</b>			<b>28.76</b>	<b>33.92</b>	<b>43.50</b>	<b>40.33</b>	<b>40.98</b>	<b>43.28</b>
as % of total equity and liabilities			50.5%	53.4%	60.2%	56.3%	54.9%	54.2%
Financial lease			0.06	0.07	0.12	0.12	0.12	0.12
Financial liabilities			7.69	9.77	13.65	13.65	13.65	13.65
Current provisions			7.00	7.32	7.49	8.36	8.78	9.22
Advance payments received			0.97	0.62	3.57	3.57	3.57	3.57
Accounts payable			10.87	12.61	14.46	10.41	10.65	12.51
Current income tax liabilities			0.31	0.22	0.25	0.25	0.25	0.25
Other current liabilities			1.87	3.31	3.96	3.96	3.96	3.96
Debts related to assets held for sale			0.00	0.00	0.00	0.00	0.00	0.00
<b>Non-current provisions and liabilities</b>			<b>5.35</b>	<b>4.13</b>	<b>3.67</b>	<b>3.67</b>	<b>3.67</b>	<b>3.67</b>
as % of total equity and liabilities			9.4%	6.5%	5.1%	5.1%	4.9%	4.6%
Provisions for pensions			0.00	0.00	0.00	0.00	0.00	0.00
Financial liabilities			4.67	3.86	3.04	3.04	3.04	3.04
Financial lease			0.16	0.15	0.27	0.27	0.27	0.27
Deferred tax liabilities			0.41	0.02	0.05	0.05	0.05	0.05
Other payables and liabilities			0.10	0.10	0.31	0.31	0.31	0.31
<b>Total equity and liabilities</b>			<b>56.91</b>	<b>63.50</b>	<b>72.28</b>	<b>71.63</b>	<b>74.69</b>	<b>79.79</b>

Source: Company Data, Oddo Seydler Bank AG

## Cash flow statement

	IFRS	EURm	2012	2013	2014	2015E	2016E	2017E
<b>Net income</b>			<b>4.20</b>	<b>4.08</b>	<b>2.00</b>	<b>4.24</b>	<b>4.81</b>	<b>6.09</b>
Depreciation and amortisation			12.32	15.93	22.00	19.24	20.97	23.07
Other transactions incl. non-cash			-0.15	-1.32	-1.39	-0.64	-1.42	-2.30
Change in Working Capital			-2.05	0.10	-0.86	4.07	3.07	0.87
<b>Cash flow from operating activities</b>			<b>14.32</b>	<b>18.79</b>	<b>21.75</b>	<b>26.92</b>	<b>27.43</b>	<b>27.72</b>
CAPEX			-19.53	-21.27	-24.69	-25.91	-25.91	-26.41
Other investing activities			0.13	0.04	0.10	0.00	0.00	0.00
<b>Cash flow from investing activities</b>			<b>-19.40</b>	<b>-21.23</b>	<b>-24.59</b>	<b>-25.91</b>	<b>-25.91</b>	<b>-26.41</b>
Change in debt			2.40	1.24	3.04	0.00	0.00	0.00
Repayment of liabilities under finance lease			0.00	0.00	0.00	0.00	0.00	0.00
Paid interests			0.00	0.00	0.00	0.00	0.00	0.00
Net proceeds from capital increase & right capital			0.00	0.00	0.00	0.00	0.00	0.00
Dividend payments			-0.98	-1.00	-0.98	-0.49	-0.98	-0.98
<b>Cash flow from financing activities</b>			<b>1.42</b>	<b>0.25</b>	<b>2.06</b>	<b>-0.49</b>	<b>-0.98</b>	<b>-0.98</b>
<b>Total change in cash and cash equivalents</b>			<b>-3.66</b>	<b>-2.19</b>	<b>-0.79</b>	<b>0.52</b>	<b>0.53</b>	<b>0.34</b>
Changes in cash due to changes in consolidation			0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents at the start of the period			14.06	10.40	8.21	7.44	7.95	8.49
<b>Cash and cash equivalents at year's end</b>			<b>10.40</b>	<b>8.21</b>	<b>7.42</b>	<b>7.95</b>	<b>8.49</b>	<b>8.83</b>
<i>Adjusted cash and cash equivalents</i>			<i>10.40</i>	<i>8.21</i>	<i>7.44</i>	<i>7.95</i>	<i>8.49</i>	<i>8.83</i>
<i>Current account</i>			<i>0.00</i>	<i>0.00</i>	<i>0.01</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>

Source: Company Data, Oddo Seydler Bank AG

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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
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
01 April 2015	BUY	EUR 2.19	EUR 3.00
13 May 2015	BUY	EUR 2.49	EUR 3.50

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