

# Splendid Medien AG

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

 Price (last closing price) : **EUR 2.33** | Upside : 50%

Est. change	2015e	2016e
EPS	-	-

## H1 2015s result in line; no surprises expected for H2e

Thursday, 27 August 2015



Capital	
<b>SPM GY   SPME.DE</b>	
Market Cap (EURm)	23
Enterprise value (EURm)	32
Extrema 12 months	52 - 52
Free Float (%)	35.1%

Performance (%)	1m	3m	12m
Absolute	-0.9	-11.8	-9.1
Perf. rel. "sector"	5.0	-1.9	-22.7
Perf. rel. CDAX	5.7	-0.3	-16.9

P & L	12/15e	12/16e	12/17e
Sales (EURm)	63	71	76
EBITDA (EURm)	23.5	25.8	29.0
EBIT (EURm)	4.2	4.8	5.9
Attr. net profit (EURm)	3.0	3.4	3.7
EPS (EUR)	0.31	0.35	0.38
Dividend (EUR)	0.10	0.10	0.10
P/E (x)	7.6	6.7	6.2
P/B (x)	0.8	0.8	0.7
Dividend yield (%)	4%	4%	4%
FCF yield (%)	4%	7%	5%
EV/Sales (x)	0.5	0.5	0.4
EV/EBITDA (x)	1.4	1.3	1.1
EV/EBIT (x)	7.6	6.7	5.5
Gearing (%)	-0.3	-0.3	-0.2
Net Debt/EBITDA(x)	-0.4	-0.3	-0.3

Next Events	
Q3 2015 results	Nov 15

### H1 2015 review

Today, Splendid Medien AG announced its H1 2015 results, which came in as expected. After a weak H2 2014, the company returned to its former operating strength in H1 2015. Group revenues totalled € 28.4 after € 25.0m in H1 2015, up 13% yoy. Reported EBIT, at € 2.0m, was well above the H1 2014 loss of € -1.4m. In Q2 2015 splendid achieved an EBIT of € 0.5m vs. € -1.1m in Q2 2014. H1 2015 EBT swung from € -1.7m in H1 2014 to € +1.7m. Finally, net income swung to a profit as well from € -1.8m in H1 2014 to € 1.7m, corresponding to EPS of € 0.17 (PY: € -0.18). Operating CF rose to € 11.9m (H1 2014: € 5.2m), leading to FCF of € 3.9m, which is quite positive considering last year's FCF of € -5.1m. CAPEX declined to € 8.0m after € 10.3m in H1 2014.

#### Segment level:

**Content:** revenues rose to € 26.0m (PY: € 22.7m), led especially by strong improvement in the home entertainment unit; EBIT jumped from € -1.4m to € +2.4m. **Services:** revenues were flat at € 2.3m; EBIT marginally lower, from € 0.4m to € 0.2m.

### Guidance confirmed

For the full-year 2015 management confirmed its guidance: i) group revenues of € 57-62m, and ii) EBIT of € 3.5-4.5m. The company is right on track to reach its guidance, which is very important given last year's profit warning in H2 2014. Especially the EBIT run rate implies a strong full-year 2015 performance. Considering that this year's Q3 is a non-event due to a lack of substantial theatrical releases, all eyes are on Q4. And considering the traditionally strong back-end-loaded seasonality in the Home Entertainment unit, we are convinced that splendid is well on track to meet its guidance. We stick to our revenue estimate of € 63.4m for 2015e (slightly above guidance). Due, however, to some minor delays and postponements of film releases, we may be too bullish. Considering that we assess these 'on-top' revenues as low-margin for 2015e, their impact on EBIT is only marginal. Our unchanged EBIT forecast of € 4.2m for 2015e lies in the middle of the guidance range.

### BUY; PT at € 3.50

The impact on the stock should be positive as the yoy comparison is very strong and the outlook remains unchanged after a weak year 2014. Our FVpS stands unchanged at € 3.94. **We confirm our PT of € 3.50** and reiterate our BUY recommendation.

**Marcus Silbe** (Analyst)  
 +49 (0)69 920 54 814  
 Marcus.silbe@oddoseydler.com

## 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>

## 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

**Disclaimer and statement according to § 34b German Securities Trading Act (“Wertpapierhandelsgesetz”) in combination with the provisions on financial analysis (“Finanzanalyseverordnung” FinAnV)**

This report has been prepared independently of the company analysed by Oddo Seydler Bank AG and/ or its cooperation partners and the analyst(s) mentioned on the front page (hereafter all are jointly and/or individually called the ‘author’). None of Oddo Seydler Bank AG or its cooperation partners, the Company or its shareholders has independently verified any of the information given in this document.

Section 34b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a security analysis to point out possible conflicts of interest with respect to the company that is the subject of the analysis.

Oddo Seydler Bank AG is a subsidiary of Oddo & Cie, Paris (hereafter ‘Oddo’, together ‘Oddo Group’). However, Oddo Seydler Bank AG (hereafter ‘Oddo Seydler’) provides its research work independent from Oddo. Oddo Group is offering a wide range of Services not only including investment banking services and liquidity providing services (designated sponsoring). Oddo Group may possess relations to the covered companies as follows (additional information and disclosures will be made available upon request):

- a. Oddo Group holds more than 5% interest in the capital stock of the company that is subject of the analysis.
- b. Oddo Group was a participant in the management of a (co)consortium in a selling agent function for the issuance of financial instruments, which themselves or their issuer is the subject of this financial analysis within the last twelve months.
- c. Oddo Group has provided investment banking and/or consulting services during the last 12 months for the company analysed for which compensation has been or will be paid for.
- d. Oddo Group acts as designated sponsor for the company's securities on the basis of an existing designated sponsorship contract. The services include the provision of bid and ask offers. Due to the designated sponsoring service agreement Oddo Group may regularly possess shares of the company and receives a compensation and/ or provision for its services.
- e. The designated sponsor service agreement includes a contractually agreed provision for research services.
- f. Oddo Seydler and the analysed company have a contractual agreement about the preparation of research reports. Oddo Seydler receives a compensation in return.
- g. Oddo Group has a significant financial interest in relation to the company that is subject of this analysis.

In this report, the following conflicts of interests are given at the time, when the report has been published: d, f

Oddo Group and/or its employees or clients may take positions in, and may make purchases and/ or sales as principal or agent in the securities or related financial instruments discussed in this analysis. Oddo Group may provide investment banking, consulting, and/ or other services to and/ or serve as directors of the companies referred to in this analysis. No part of the authors compensation was, is or will be directly or indirectly related to the recommendations or views expressed.

Recommendation System:

Oddo Seydler uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months:

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

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

SELL: The expected performance of the share price is below 0%.

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
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
27 August 2015	BUY	EUR 2.33	EUR 3.50

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are

dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks. These may change at any time without prior notice.

The opinions and forecasts contained in this report are those of the author alone. Material sources of information for preparing this report are publications in domestic and foreign media such as information services (including but not limited to Reuters, VWD, Bloomberg, DPA-AFX), business press (including but not limited to Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times), professional publications, published statistics, rating agencies as well as publications of the analysed issuers. Furthermore, discussions were held with the management for the purpose of preparing the analysis. Potentially parts of the analysis have been provided to the issuer prior to going to press; no significant changes were made afterwards, however. Any information in this report is based on data considered to be reliable, but no representations or guarantees are made by the author with regard to the accuracy or completeness of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Possible errors or incompleteness of the information do not constitute grounds for liability, neither with regard to indirect nor to direct or consequential damages. The views presented on the covered company accurately reflect the personal views of the author. All employees of the author's company who are involved with the preparation and/or the offering of financial analyzes are subject to internal compliance regulations.

The report is for information purposes, it is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the securities mentioned in this report. Any reference to past performance should not be taken as indication of future performance. The author does not accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report. The report is confidential and it is submitted to selected recipients only. The report is prepared for professional investors only and it is not intended for private investors. Consequently, it should not be distributed to any such persons. Also, the report may be communicated electronically before physical copies are available. It may not be reproduced (in whole or in part) to any other investment firm or any other individual person without the prior written approval from the author. The author is not registered in the United Kingdom nor with any U.S. regulatory body.

It has not been determined in advance whether and in what intervals this report will be updated. Unless otherwise stated current prices refer to the closing price of the previous trading day. Any reference to past performance should not be taken as indication of future performance. The author maintains the right to change his opinions without notice, i.e. the opinions given reflect the author's judgment on the date of this report.

This analysis is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor.

By accepting this report the recipient accepts that the above restrictions are binding. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt am Main (Germany).

This report should be made available in the United States solely to investors that are (i) "major US institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also "qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "US Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any such securities may not be offered or sold to US Persons at this time and may be resold to US Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made there under or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance companies.

The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident thereof.



Responsible Supervisory Authority:  
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)  
Graurheindorferstraße 108  
53117 Bonn

and

Marie-Curie-Str. 24-28  
60439 Frankfurt

Oddo Seydler Bank AG  
Schillerstrasse 27 - 29  
60313 Frankfurt am Main  
[www.oddoseydler.com](http://www.oddoseydler.com)  
Tel.: 0049 - (0)69 - 920 54 800