



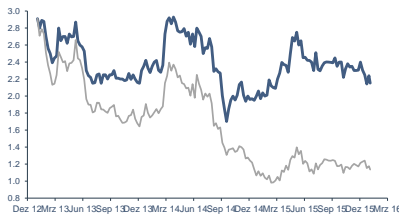
# Splendid Medien AG

Buy → | Target price : 3.50 EUR

Price : 2.15 EUR | Upside : 63 %

## Takeover of Joker Productions to boost sales by € 10m, EBIT by ~€ 1m

Wednesday 03 February 2016



### Capital

SPM GY   SPME.DE	
Market Cap (EURm)	21
Enterprise value (EURm)	25
Extrema 12 months	1.96 - 2.75
Free Float (%)	32.3

Performance (%)	1m	3m	12m
Absolute	-10.3	-10.3	3.6
Perf. rel. Country Index	-1.9	1.0	13.7
Perf. rel. Media	-6.4	-4.6	4.6

### P&L

	12/15e	12/16e	12/17e
Sales (EURm)	57.4	70.7	76.1
EBITDA (EURm)	23.0	25.9	29.0
Current EBIT (EURm)	3.7	4.9	5.9
Attr. net profit (EURm)	2.6	3.7	4.1
Adjusted EPS (EUR)	0.27	0.37	0.42
Dividend (EUR)	0.10	0.10	0.10
P/E (x)	8.6	5.8	5.1
P/B (x)	0.8	0.7	0.6
Dividend Yield (%)	4.3	4.6	4.6
FCF yield (%)	33.8	4.9	9.1
EV/Sales (x)	0.43	0.33	0.29
EV/EBITDA (x)	1.1	0.9	0.8
EV/Current EBIT (x)	6.6	4.7	3.7
Gearing (%)	8	7	3
Net Debt/EBITDA(x)	0.1	0.1	0.0

### Next Events

### Details of the deal

At the end of last week Splendid Medien AG announced that it would acquire 60% of Joker Productions GmbH with an option to buy the remaining 40% in the near future. Joker develops and produces television formats as well as commercial and corporate image films. Joker's current focus is on non-fictional television formats like "Die Geissens", which Joker produced until 2014.

According to the release, Splendid will pay € 3.75m for the 60% stake, which values the entire company at € 6.25m. In 2014, Joker generated revenues of € 11.3m and EBIT of € 1.1m. Assuming largely flat sales and EBIT in 2015 (we assume revenues of € 10-11m, EBIT of € 1m), the price corresponds to 6x 2015e EBIT, while Splendid Media trades at 6.6x. Given Joker's EBIT margin of c.10% vs. Splendid's 6.5%, the deal is margin-accretive. We assume Splendid's EBIT margin will increase to 7.0% in 2016e and even to 7.8% in 2017e.

### We forecast a jump in EBIT to € 4.9m in 2016e

This deal supports Splendid's growth story; we add revenues of € 10m for 2016e and EBIT of € 1m to our 2016e estimates. All in all, we expect group revenues to come in at € 70.7m in 2016e and EBIT at € 4.9m. Compared to 2015e, this equates to a top-line increase of 23.1% (5.7% organic) and EBIT growth of 32.4% (+6% organic). For 2017e we estimate group revenues at € 76.1m and group EBIT at € 5.9m.

On the bottom line we estimate EPS at € 0.37 in 2016e (up from € 0.27 in 2015e) and € 0.42 in 2017e.

### Buy rating maintained; stock could break out of current trading range

Our initial take is that the takeover appears to be a good fit for Splendid and its strategy to diversify the business model of its TV production unit. This deal is definitely a step in that direction. Overall, the deal confirms our bullish view on Splendid Medien. We confirm our Buy recommendation and reiterate our TP of € 3.50, which implies a 2016e EV/EBIT multiple of 7x. This would still represent a discount of roughly 30% to its closest peers. Hence, further improvement in key KPIs could be a catalyst for the shares to realise some of their upside potential and reduce the deep discount to a more normalised level, which we estimate at c.10% based on the size of the company.

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**SPME.DE | SPM GY**  
**Broadcasting | Germany**

**Buy**  
Upside 62.56%  
Price 2.15EUR  
TP 3.50EUR

	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
<b>PER SHARE DATA (EUR)</b>							
Adjusted EPS	0.52	0.37	0.37	0.09	0.27	0.37	0.42
<b>Reported EPS</b>	<b>0.52</b>	<b>0.37</b>	<b>0.37</b>	<b>0.09</b>	<b>0.27</b>	<b>0.37</b>	<b>0.42</b>
Growth in EPS(%)	-	-30.3%	2.1%	-75.4%	ns	39.6%	13.5%
Net dividend per share	0.10	0.00	0.00	0.05	0.10	0.10	0.10
FCF to equity per share	0.43	-0.53	-0.25	-0.30	0.78	0.10	0.20
Book value per share	2.06	2.33	2.60	2.57	2.78	3.06	3.38
Number of shares market cap	9.79	9.79	9.79	9.79	9.79	9.79	9.79
Number of diluted shares	9.79	9.79	9.79	9.79	9.79	9.79	9.79
<b>VALUATION</b>							
12m highest price	1.45	2.56	3.00	2.94	2.75	2.34	
12m lowest price	0.59	1.32	2.10	1.65	1.92	2.10	
(*) Reference price	1.09	2.02	2.46	2.41	2.31	2.15	2.15
Capitalization	11	20	24	24	23	21	21
Restated Net debt	-4.1	2.0	5.4	9.3	2.1	2.1	1.1
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Enterprise Value</b>	<b>6.6</b>	<b>22</b>	<b>30</b>	<b>33</b>	<b>25</b>	<b>23</b>	<b>22</b>
P/E (x)	2.1	5.5	6.6	26	8.6	5.8	5.1
P/CF (x)	0.8	1.2	1.3	1.0	1.0	0.9	0.8
Net Yield (%)	9.1%	0.0%	0.0%	2.1%	4.3%	4.6%	4.6%
FCF yield (%)	39.4%	ns	ns	ns	33.8%	4.9%	9.1%
P/B incl. GW (x)	0.53	0.87	0.95	0.94	0.83	0.70	0.64
P/B excl. GW (x)	0.53	0.87	0.95	0.94	0.83	0.71	0.64
EV/Sales (x)	0.16	0.43	0.54	0.50	0.43	0.33	0.29
EV/EBITDA (x)	0.4	1.3	1.5	1.4	1.1	0.9	0.8
<b>EV/EBIT (x)</b>	<b>1.6</b>	<b>5.1</b>	<b>6.8</b>	<b>18</b>	<b>6.6</b>	<b>4.7</b>	<b>3.7</b>
(*) historical average price							
<b>PROFIT AND LOSS (EURm)</b>							
12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e	
Sales	41.8	50	55	66	57	71	76
EBITDA	15.5	16.6	20.2	23.9	23.0	25.9	29.0
Depreciations	-11.3	-12.3	-15.9	-22.0	-19.2	-21.0	-23.1
<b>Current EBIT</b>	<b>4.2</b>	<b>4.3</b>	<b>4.3</b>	<b>1.9</b>	<b>3.7</b>	<b>4.9</b>	<b>5.9</b>
Published EBIT	4.6	4.2	4.1	2.0	3.7	4.9	5.9
Net financial income	-0.9	-0.8	-0.7	-0.6	-0.6	-0.6	-0.6
Corporate Tax	1.4	0.2	0.3	-0.5	-0.5	-0.7	-1.2
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	5.1	3.6	3.7	0.9	2.6	3.7	4.1
<b>Adjusted attributable net profit</b>	<b>5.1</b>	<b>3.6</b>	<b>3.7</b>	<b>0.9</b>	<b>2.6</b>	<b>3.7</b>	<b>4.1</b>
<b>BALANCE SHEET (EURm)</b>							
12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e	
Goodwill	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other intangible assets	0.4	0.4	0.4	0.3	0.5	0.7	0.8
Tangible fixed assets	11	20	24	28	28	33	36
WCR	8.5	7.4	11	11	6.5	4.9	4.4
Financial assets	4.9	6.5	6.3	6.7	6.1	6.1	6.1
Ordinary shareholders equity	20	23	25	25	27	30	33
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	20	23	25	25	27	30	33
Non-current provisions	8.9	9.5	11	12	13	13	13
<b>Net debt</b>	<b>-4.1</b>	<b>2.0</b>	<b>5.4</b>	<b>9.3</b>	<b>2.1</b>	<b>2.1</b>	<b>1.1</b>
<b>CASH FLOW STATEMENT (EURm)</b>							
12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e	
<b>EBITDA</b>	<b>15.5</b>	<b>16.6</b>	<b>20.2</b>	<b>23.9</b>	<b>23.0</b>	<b>25.9</b>	<b>29.0</b>
Change in WCR	1.8	-2.1	0.1	-0.9	5.1	2.1	0.9
Interests & taxes	-0.9	-1.2	-1.1	-1.2	-1.1	-1.3	-1.8
Others	-0.4	0.9	-0.4	-0.1	0.6	0.0	0.0
Operating Cash flow	16.0	14.3	18.8	21.7	27.5	26.7	28.1
CAPEX	-11.7	-19.5	-21.3	-24.7	-19.9	-25.7	-26.2
<b>Free cash-flow</b>	<b>4.2</b>	<b>-5.2</b>	<b>-2.5</b>	<b>-2.9</b>	<b>7.6</b>	<b>1.0</b>	<b>1.9</b>
Acquisitions / disposals	0.0	0.1	0.0	0.1	0.0	0.0	0.0
Dividends	0.0	-1.0	-1.0	-1.0	-0.5	-1.0	-1.0
Net capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.2	2.4	1.2	3.0	0.0	0.0	0.0
Change in net debt	4.2	-6.1	-3.4	-3.8	7.1	0.0	0.9
<b>GROWTH MARGINS PRODUCTIVITY</b>							
12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e	
Sales growth	-	19.8%	9.6%	20.2%	-13.1%	23.1%	7.6%
<b>Lfl sales growth</b>	<b>-</b>	<b>19.8%</b>	<b>9.6%</b>	<b>20.2%</b>	<b>-13.1%</b>	<b>23.1%</b>	<b>7.6%</b>
Current EBIT growth	-	2.2%	0.8%	-56.9%	ns	32.2%	20.0%
Growth in EPS(%)	-	-30.3%	2.1%	-75.4%	ns	39.6%	13.5%
Net margin	12.3%	7.1%	6.7%	1.4%	4.6%	5.2%	5.5%
<b>EBITDA margin</b>	<b>37.0%</b>	<b>33.1%</b>	<b>36.9%</b>	<b>36.1%</b>	<b>40.0%</b>	<b>36.7%</b>	<b>38.1%</b>
<b>Current EBIT margin</b>	<b>10.0%</b>	<b>8.5%</b>	<b>7.9%</b>	<b>2.8%</b>	<b>6.5%</b>	<b>7.0%</b>	<b>7.8%</b>
CAPEX / Sales	-28.1%	-39.0%	-38.7%	-37.4%	-34.6%	-36.3%	-34.4%
WCR / Sales	20.3%	14.8%	19.2%	16.2%	11.4%	6.9%	5.8%
Tax Rate	-36.4%	-6.8%	-7.5%	36.4%	16.7%	15.9%	22.2%
Normative tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Asset Turnover	-	2.1	1.7	1.8	1.5	1.9	1.9
<b>ROCE post-tax (normative tax rate)</b>	<b>-</b>	<b>12.5%</b>	<b>9.6%</b>	<b>3.5%</b>	<b>7.0%</b>	<b>9.3%</b>	<b>10.3%</b>
ROCE post-tax hors GW (normative tax rate)	-	12.7%	9.7%	3.5%	7.0%	9.4%	10.4%
ROE	-	16.7%	15.2%	3.6%	10.0%	12.8%	13.2%
<b>DEBT RATIOS</b>							
12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e	
Gearing	-21%	9%	21%	37%	8%	7%	3%
Net Debt / Market Cap	-0.39	0.10	0.22	0.39	0.09	0.10	0.05
<b>Net debt / EBITDA</b>	<b>ns</b>	<b>0.12</b>	<b>0.27</b>	<b>0.39</b>	<b>0.09</b>	<b>0.08</b>	<b>0.04</b>
EBITDA / net financial charges	18.0	19.7	29.7	40.3	38.3	43.2	48.3

**Recommendation and target price changes history over the last 12 months for the company analysed in this report**

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