



Splendid Medien AG

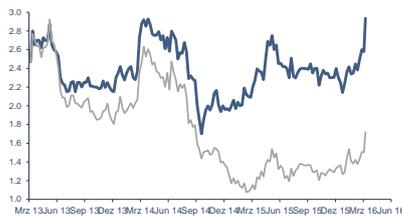
Buy → | Target price : 3.50 EUR

Price : 2.94 EUR | Upside : 19 %

	Est.chg	2016e	2017e
EPS		0.0%	0.0%

FY15 above expectations; outlook for 2016 matches our forecasts

Thursday 07 April 2016



Capital

SPM GY SPME.DE	
Market Cap (EURm)	29
Enterprise value (EURm)	34
Extrema 12 months	2.10 - 2.94
Free Float (%)	32.3

Performance (%)	1m	3m	12m
Absolute	19.9	27.1	33.4
Perf. rel. Country Index	23.9	36.2	60.5
Perf. rel. Media	20.8	30.4	48.6

P&L	12/15	12/16e	12/17e
Sales (EURm)	56.8	70.7	76.1
EBITDA (EURm)	23.7	25.9	29.0
Current EBIT (EURm)	3.4	4.9	5.9
Attr. net profit (EURm)	2.9	3.7	4.1
Adjusted EPS (EUR)	0.30	0.37	0.42
Dividend (EUR)	0.10	0.10	0.10

P/E (x)	7.7	7.9	6.9
P/B (x)	0.8	0.9	0.8
Dividend Yield (%)	4.3	3.4	3.4
FCF yield (%)	11.9	4.9	13.9
EV/Sales (x)	0.52	0.49	0.41
EV/EBITDA (x)	1.3	1.3	1.1
EV/Current EBIT (x)	8.8	6.9	5.3
Gearing (%)	26	18	7
Net Debt/EBITDA(x)	0.3	0.2	0.1

Next Events

EBIT bang in line; net income beat market expectations

Splendid Medien AG released its 2015 figures which were slightly better than expected at the net income level, beating our estimates and consensus. Group revenues amounted to € 56.8m reaching the lower end of group guidance (€ 57-62m), slightly below our estimate (€ 57.4m) and consensus (€ 58.0m). Group EBIT stood at € 3.7m, also at the lower end of group guidance (€ 3.5-4.5m), matching our and consensus' estimate (both € 3.7m). Net income came in at € 2.9m beating our estimate as well as consensus (both € 2.6m). The main reason for higher-than-expected net income is lower- than-anticipated tax expenses (€ -0.2m vs. € -0.5m expected).

Breaking it down by segment: **Content** generated revenues of € 52.2 (2014: € 61.1m); the decline yoy is as expected given that € 2014 was a record year in terms of revenues (especially due to the strong film pipeline both in theatrical releases as well as Home Entertainment). **Service** revenues declined to € 4.6m (2014: € 4.9m).

Operating cash flow increased to € 22.1m after € 21.7m in FY14. Capex amounted to € 20.0m (2014: € 25m). The company will propose a DPS of EUR 0.10 (2014: EUR 0.05) which we anticipated (Oddo Seydler : € 0.10).

FY15 key figures vs. market expectations

	FY15	Oddo Seydler	Consensus	FY14
Sales	56.8	57.4	58.0	66.0
EBIT	3.7	3.7	3.7	2.0
Net income	2.9	2.6	2.6	0.9
EPS	0.30	0.27	0.27	0.09

Source : Oddo Seydler Bank AG, Company Data, Factset

Outlook FY16 in line with our estimates

In a recent call with management we discussed the guidance for 2016: i) group revenues: € 64-69m, ii) Joker revenues: € 9-11m, iii) EBIT: € 4-5m with H1 down yoy but still in positive territory, iv) CAPEX in films: € 23-27m.

Given that the new guidance perfectly fits our current estimates for 2016, the new outlook does not provide much of a trigger for the stock. Nonetheless, the management still expects the company to grow in all key areas yoy. We stick to our estimates as follows: i) group revenues of € 70.7m (main reason why we are above company guidance is our more bullish approach in terms of the planned theatrical releases for 2016e), ii) Joker revenues of € 10m, iii) EBIT of € 4.9m, iv) CAPEX to reach € 25.1m. All in all, the company beat bottom line market expectations due to some tax effects, while the operational development was bang in line. The outlook for 2016 is on a similar trend. Although our tax expenses were too high in 2015, we did not update them at this stage, leaving room for another bottom line beat for 2016 (Oddo Seydler: € 3.7m; consensus: € 3.7m).

Stock momentum should remain positive; upside potential of ~30%

The stock's momentum has turned positive and should remain so, as we expect newsflow to remain positive over the course of the year. Since H1 figures will not be positive yoy, the stock trading levels could stabilise in this range over the next few months. As Q3 is traditionally a strong quarter for Splendid, we expect that the stock will pick up prior to the earnings release. We therefore leave our PT unchanged at € 3.50, presenting an upside potential of ~30%.

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Buy Price **2.94EUR**
Upside TP **3.50EUR**
19.25%

	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e
PER SHARE DATA (EUR)							
Adjusted EPS	0.52	0.37	0.37	0.09	0.30	0.37	0.42
Reported EPS	0.52	0.37	0.37	0.09	0.30	0.37	0.42
Growth in EPS(%)	-	-30.3%	2.1%	-75.4%	ns	24.5%	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	0.27	0.14	0.41
Book value per share	2.06	2.33	2.60	2.57	2.82	3.19	3.51
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
VALUATION							
12m highest price	1.45	2.56	3.00	2.94	2.75	2.94	
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	2.94	2.94
Capitalization	11	20	24	24	23	29	29
Restated Net debt	-4.1	2.0	5.4	9.3	7.1	5.6	2.6
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
Enterprise Value	6.6	22	30	33	30	34	31
P/E (x)	2.1	5.5	6.6	26	7.7	7.9	6.9
P/CF (x)	0.8	1.2	1.3	1.0	1.0	1.1	1.1
Net Yield (%)	9.1%	0.0%	0.0%	2.1%	4.3%	3.4%	3.4%
FCF yield (%)	39.4%	ns	ns	ns	11.9%	4.9%	13.9%
P/B incl. GW (x)	0.53	0.87	0.95	0.94	0.82	0.92	0.84
P/B excl. GW (x)	0.53	0.87	0.95	0.94	0.82	0.92	0.84
EV/Sales (x)	0.16	0.43	0.54	0.50	0.52	0.49	0.41
EV/EBITDA (x)	0.4	1.3	1.5	1.4	1.3	1.3	1.1
EV/EBIT (x)	1.6	5.1	6.8	18	8.8	6.9	5.3
(*) historical average price							
PROFIT AND LOSS (EURm)							
Sales	41.8	50	55	66	57	71	76
EBITDA	15.5	16.6	20.2	23.9	23.7	25.9	29.0
Depreciations	-11.3	-12.3	-15.9	-22.0	-20.4	-21.0	-23.1
Current EBIT	4.2	4.3	4.3	1.9	3.4	4.9	5.9
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	-0.2	-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	2.9	3.7	4.1
Adjusted attributable net profit	5.1	3.6	3.7	0.9	2.9	3.7	4.1
BALANCE SHEET (EURm)							
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	0.3	0.2	0.1
Tangible fixed assets	11	20	24	28	26	30	33
WCR	8.5	7.4	11	11	13	12	9.6
Financial assets	4.9	6.5	6.3	6.7	6.7	6.1	6.1
Ordinary shareholders equity	20	23	25	25	28	31	34
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	20	23	25	25	28	31	34
Non-current provisions	8.9	9.5	11	12	11	11	12
Net debt	-4.1	2.0	5.4	9.3	7.1	5.6	2.6
CASH FLOW STATEMENT (EURm)							
EBITDA	15.5	16.6	20.2	23.9	23.7	25.9	29.0
Change in WCR	1.8	-2.1	0.1	-0.9	-1.0	1.1	2.4
Interests & taxes	-0.9	-1.2	-1.1	-1.2	-1.0	-1.3	-1.8
Others	-0.4	0.9	-0.4	-0.1	0.3	0.8	0.0
Operating Cash flow	16.0	14.3	18.8	21.7	22.1	26.5	29.6
CAPEX	-11.7	-19.5	-21.3	-24.7	-19.4	-25.1	-25.6
Free cash-flow	4.2	-5.2	-2.5	-2.9	2.7	1.4	4.0
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	0.0	-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	-1.8	0.0	0.0
Change in net debt	4.2	-6.1	-3.4	-3.8	2.2	1.4	3.0
GROWTH MARGINS PRODUCTIVITY							
Sales growth	-	19.8%	9.6%	20.2%	-14.0%	24.4%	7.6%
Lfl sales growth	-	19.8%	9.6%	20.2%	-14.0%	24.4%	7.6%
Current EBIT growth	-	2.2%	0.8%	-56.9%	81.1%	47.0%	20.0%
Growth in EPS(%)	-	-30.3%	2.1%	-75.4%	ns	24.5%	13.5%
Net margin	12.3%	7.1%	6.7%	1.4%	5.2%	5.2%	5.5%
EBITDA margin	37.0%	33.1%	36.9%	36.1%	41.8%	36.7%	38.1%
Current EBIT margin	10.0%	8.5%	7.9%	2.8%	5.9%	7.0%	7.8%
CAPEX / Sales	-28.1%	-39.0%	-38.7%	-37.4%	-34.1%	-35.5%	-33.6%
WCR / Sales	20.3%	14.8%	19.2%	16.2%	22.1%	16.5%	12.7%
Tax Rate	-36.4%	-6.8%	-7.5%	36.4%	6.5%	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	1.7	1.8
ROCE post-tax (normative tax rate)	-	12.5%	9.6%	3.5%	6.0%	8.6%	9.8%
ROCE post-tax hors GW (normative tax rate)	-	12.7%	9.7%	3.5%	6.1%	8.6%	9.9%
ROE	-	16.7%	15.2%	3.6%	11.1%	12.4%	12.6%
DEBT RATIOS							
Gearing	-21%	9%	21%	37%	26%	18%	7%
Net Debt / Market Cap	-0.39	0.10	0.22	0.39	0.31	0.19	0.09
Net debt / EBITDA	ns	0.12	0.27	0.39	0.30	0.21	0.09
EBITDA / net financial charges	18.0	19.7	29.7	40.3	41.0	43.2	48.3

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

Date	Reco	Price Target (EUR)	Price (EUR)
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