



Splendid Medien AG

Buy → | Target price : 2.30 EUR

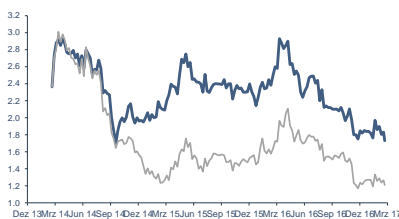
Price (21/03/2017) : 1.73 EUR | Upside : 33 %

Est.chg	2016e	2017e
EPS	-	-

Preliminary net earnings hit by impairment of deferred tax assets; EBIT and revenue roughly in line

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Capital

SPM GY SPME.DE	
Market Cap (EURm)	17
Enterprise value (EURm)	25
Extrema 12 months	1.70 - 2.95
Free Float (%)	32.3

Performance (%)	1m	3m	12m
Absolute	-5.7	-0.5	-33.4
Perf. rel. Country Index	-6.2	-4.5	-39.6
Perf. rel. Media	-3.8	1.4	-29.0

P&L	12/16e	12/17e	12/18e
Sales (EURm)	51.9	59.9	65.5
EBITDA (EURm)	23.7	22.6	25.6
Current EBIT (EURm)	-1.3	2.6	3.6
Attr. net profit (EURm)	-4	1.6	2.3
Adjusted EPS (EUR)	-0.40	0.16	0.23
Dividend (EUR)	0.00	0.00	0.10

P/E (x)	ns	10.7	7.4
P/B (x)	1.0	0.7	0.6
Dividend Yield (%)	0.0	0.0	5.8
FCF yield (%)	ns	1.8	5.5
EV/Sales (x)	0.59	0.41	0.36
EV/EBITDA (x)	1.3	1.1	0.9
EV/Current EBIT (x)	ns	9.6	6.6
Gearing (%)	36	32	26
Net Debt/EBITDA(x)	0.3	0.3	0.3

Next Events

04.04.2017	Earnings Release
17.05.2017	Earnings Release
31.08.2017	Earnings Release

Top line slightly better than expected, EBIT roughly in line

Splendid Medien posted preliminary revenue, EBIT and net profit figures today, 22 March. While revenue and EBIT were roughly in line with our expectations, net profit was € 2.3m lower (see table) The main reason for this miss was a € 1.9m impairment of deferred tax assets. Given the two profit warnings last year, it is understandable that management should be more cautious on its 2016 earnings than at the beginning of last year. While the company missed on the net profit level, the € 1.9m non-cash adjustment helps it to enter 2017 with a clean slate. In view of the net earnings reduction, the company will also omit its dividend for 2016 (we had anticipated € 0.10 per share) because i) it does not want to reduce its equity ratio even further, and ii) it needs more financial power to restore its earnings to former earnings levels (e.g. an EBIT margin of 5-6% as in 2015).

2016 key figures

	Preliminary	Oddo Seydler est.	Δ in € m	Guidance
Revenues	51.9	50.6	+1.3	50-53
EBIT	-1.3	-1.2	-0.1	-1.0 to -1.5
Net profit	-3.9	-1.6	-2.3	-

Source : Oddo Seydler Bank, Company Data

Outlook for 2017: nothing out of the ordinary

Regarding 2017, the company guides for revenues of € 55-60m and EBIT of € +1.0-2.0m. For the first time Splendid also provided guidance for net earnings, i.e. slightly positive.

Considering that management was forced to issue 2 profit warnings last year, its guidance for 2017 can be considered conservative. We believe the company understands that it must meet its guidance this year. From this perspective we are not surprised that our current estimates are somewhat above the company's guidance (EBIT and net income) and we leave our group estimates unchanged: revenue of € 59.9m, EBIT of € 2.6m, and net profit at € 1.6m. We now lower our DPS for 2017e from € 0.10 to € 0 as we expect the group to continue its re-strengthening process, which will probably preclude a dividend. From 2018e, however, we expect DPS to return to € 0.10 per share.

2017 a transition year

As mentioned above, 2017 should be a transition year with the company's key goals being restoring some financial momentum and regaining investors' trust; as such we are confident the company will achieve its guidance for 2017.

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Buy
Upside 32.87%

Price 1.73EUR
TP 2.30EUR

	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
PER SHARE DATA (EUR)								
Adjusted EPS	0.52	0.37	0.37	0.09	0.30	-0.40	0.16	0.23
Reported EPS	0.52	0.37	0.37	0.09	0.30	-0.40	0.16	0.23
Growth in EPS(%)	-	-30.3%	2.1%	-75.4%	ns	ns	ns	43.5%
Net dividend per share	0.10	0.00	0.00	0.05	0.10	0.00	0.00	0.10
FCF to equity per share	0.43	-0.53	-0.25	-0.30	0.27	-0.01	0.03	0.09
Book value per share	2.06	2.33	2.60	2.57	2.82	2.32	2.48	2.71
Number of shares market cap	9.79	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	9.79
VALUATION								
12m highest price	1.45	2.56	3.00	2.94	2.75	2.95	1.97	
12m lowest price	0.59	1.32	2.10	1.65	1.92	1.74	1.70	
(*) Reference price	1.09	2.02	2.46	2.41	2.31	2.33	1.73	1.73
Capitalization	10.7	19.8	24.1	23.6	22.6	22.8	16.9	16.9
Restated Net debt	-4.1	2.0	5.4	9.3	7.1	8.1	7.8	6.8
Minorities (fair value)	0.0	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	0.0
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value	6.6	21.7	29.5	32.8	29.7	30.9	24.7	23.8
P/E (x)	2.1	5.5	6.6	26.2	7.7	ns	10.7	7.4
P/CF (x)	0.8	1.2	1.3	1.0	1.0	0.9	0.8	0.7
Net Yield (%)	9.1%	0.0%	0.0%	2.1%	4.3%	0.0%	0.0%	5.8%
FCF yield (%)	39.4%	ns	ns	ns	11.9%	ns	1.8%	5.5%
P/B incl. GW (x)	0.53	0.87	0.95	0.94	0.82	1.00	0.70	0.64
P/B excl. GW (x)	0.53	0.87	0.95	0.94	0.82	1.01	0.70	0.64
EV/Sales (x)	0.16	0.43	0.54	0.50	0.52	0.59	0.41	0.36
EV/EBITDA (x)	0.4	1.3	1.5	1.4	1.3	1.3	1.1	0.9
EV/EBIT (x)	1.6	5.1	6.8	17.7	8.8	ns	9.6	6.6
(*) historical average price								
PROFIT AND LOSS (EURm)								
Sales	41.8	50	55	66	57	52	60	65
EBITDA	15.5	16.6	20.2	23.9	23.7	23.7	22.6	25.6
Depreciations	-11.3	-12.3	-15.9	-22.0	-20.4	-25.0	-20.0	-22.0
Current EBIT	4.2	4.3	4.3	1.9	3.4	-1.3	2.6	3.6
Published EBIT	4.6	4.2	4.1	2.0	3.7	-1.3	2.6	3.6
Net financial income	-0.9	-0.8	-0.7	-0.6	-0.6	-0.6	-0.6	-0.6
Corporate Tax	1.4	0.2	0.3	-0.5	-0.2	-2.0	-0.4	-0.7
Net income of equity-accounted companies	0.0	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	0.0
Minority interests	0.0	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	-3.9	1.6	2.3
Adjusted attributable net profit	5.1	3.6	3.7	0.9	2.9	-3.9	1.6	2.3
BALANCE SHEET (EURm)								
Goodwill	0.3	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	0.1	0.1	0.0
Tangible fixed assets	10.8	19.7	24.1	28.0	25.7	23.5	29.1	33.3
WCR	8.5	7.4	10.6	10.7	12.6	14.2	10.2	7.9
Financial assets	4.9	6.5	6.3	6.7	6.7	6.1	6.1	6.1
Ordinary shareholders equity	20.2	22.8	25.5	25.1	27.6	22.7	24.3	26.6
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	20.2	22.8	25.5	25.1	27.6	22.7	24.3	26.6
Non-current provisions	8.9	9.5	10.8	11.8	11.0	11.5	11.8	12.2
Net debt	-4.1	2.0	5.4	9.3	7.1	8.1	7.8	6.8
CASH FLOW STATEMENT (EURm)								
EBITDA	15.5	16.6	20.2	23.9	23.7	23.7	22.6	25.6
Change in WCR	1.8	-2.1	0.1	-0.9	-1.0	-1.4	4.3	2.7
Interests & taxes	-0.9	-1.2	-1.1	-1.2	-1.0	-0.6	-1.0	-1.3
Others	-0.4	0.9	-0.4	-0.1	0.3	3.3	0.0	0.0
Operating Cash flow	16.0	14.3	18.8	21.7	22.1	25.0	25.9	27.0
CAPEX	-11.7	-19.5	-21.3	-24.7	-19.4	-25.1	-25.6	-26.1
Free cash-flow	4.2	-5.2	-2.5	-2.9	2.7	-0.1	0.3	0.9
Acquisitions / disposals	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Dividends	0.0	-1.0	-1.0	-1.0	-0.5	-1.0	0.0	0.0
Net capital increase	0.0	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	0.0
Change in net debt	4.2	-6.1	-3.4	-3.8	2.2	-1.1	0.3	0.9
GROWTH MARGINS PRODUCTIVITY								
Sales growth	-	19.8%	9.6%	20.2%	-14.0%	-8.6%	15.5%	9.3%
Lfl sales growth	-	19.8%	9.6%	20.2%	-14.0%	-8.6%	15.5%	9.3%
Current EBIT growth	-	2.2%	0.8%	-56.9%	81.1%	ns	ns	39.8%
Growth in EPS(%)	-	-30.3%	2.1%	-75.4%	ns	ns	ns	43.5%
Net margin	12.3%	7.1%	6.7%	1.4%	5.2%	-7.5%	2.7%	3.5%
EBITDA margin	37.0%	33.1%	36.9%	36.1%	41.8%	45.7%	37.7%	39.1%
Current EBIT margin	10.0%	8.5%	7.9%	2.8%	5.9%	-2.5%	4.3%	5.5%
CAPEX / Sales	-28.1%	-39.0%	-38.7%	-37.4%	-34.1%	-48.4%	-42.7%	-39.8%
WCR / Sales	20.3%	14.8%	19.2%	16.2%	22.1%	27.3%	17.1%	12.0%
Tax Rate	-36.4%	-6.8%	-7.5%	36.4%	6.5%	ns	19.6%	24.0%
Normative tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Asset Turnover	-	2.1	1.7	1.8	1.5	1.3	1.5	1.6
ROCE post-tax (normative tax rate)	-	12.5%	9.6%	3.5%	6.0%	-2.3%	4.6%	6.2%
ROCE post-tax hors GW (normative tax rate)	-	12.7%	9.7%	3.5%	6.1%	-2.4%	4.7%	6.3%
ROE	-	16.7%	15.2%	3.6%	11.1%	-15.5%	6.8%	9.0%
DEBT RATIOS								
Gearing	-21%	9%	21%	37%	26%	36%	32%	26%
Net Debt / Market Cap	-0.39	0.10	0.22	0.39	0.31	0.35	0.46	0.40
Net debt / EBITDA	ns	0.12	0.27	0.39	0.30	0.34	0.34	0.27
EBITDA / net financial charges	18.0	19.7	29.7	40.3	41.0	39.5	37.6	42.7

- **Valuation method**

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo Securities' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

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Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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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)	Analyst
12.12.16	Buy	2.30	1.77	Marcus Silbe, CEFA
22.08.16	Buy	3.20	2.18	Marcus Silbe, CEFA

Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(414)	48%	43%	9%
Liquidity providers coverage	(152)	52%	43%	5%
Research service coverage	(66)	56%	41%	3%
Investment banking services	(39)	69%	26%	5%

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