FMR Frankfurt Main Research AG

" Media "

# Splendid Medien AG

WKN: 727950 | ISIN: DE0007279507 | Bloomberg: SPM GY

## After a positive 2018, we expect a solid 2019

*We initiate our coverage of Splendid Medien with a BUY recommendation and a target price of EUR 1.50 per share, which represents a share price potential of 15%. This is based on our DCF model. Our peer group valuation at a discount of 20% gives a fair value of EUR 1.42 per share.*

Consolidated sales in 2018 decreased by 2.5% to EUR 51.7m (previous year: EUR 53.0m), with an EBIT of EUR 2.5m (previous year: EUR -2.9m). Thus, the 2018 guidance (range: EUR 1.0m to 3.0m) was achieved. The significant improvement in earnings compared to the previous year is mainly due to reductions in production costs and sales expenses. The consolidated annual result for the financial year amounts to EUR 1.4m (previous year EUR -3.9m).

Cash flow from operating activities rose to EUR 19.5m in 2018 (previous year: EUR 13.9m). Taking into account the CAPEX of EUR 15.7m (prior year: EUR 15.6m), clearly a positive free cash flow of EUR 3.8m was achieved. Again, no dividend will be proposed for the past year.

For financial year 2019, the Management Board predicts consolidated sales in the range of EUR 51–55m with EBIT between EUR 1.0m and 3.0m. The film capex is expected to be in the range of EUR 13–18m.

For 2019e, we expect revenue of EUR 53.7m, which is closer to the upper end of the guidance range. Regarding EBIT, we expect EUR 1.61m for 2019e (EBIT margin: 3.0%), which is also within the guidance range, but rather at the lower end. We forecast free cash flow in 2019e to be at EUR +2.1m (2018: EUR 3.8m).

**Risks for the Equity Story:** 1) Project delays in theatrical licenses and 2) Flops in theatrical or Home Entertainment releases. All this can lead to increased volatility in sales / EBIT figures.

| FY End: 31.12;.in EURm | CAGR (18-21e) | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e |
|---|---|---|---|---|---|---|---|
| Turnover | 4.3% | 51.9 | 53.0 | 51.7 | 53.7 | 57.6 | 58.7 |
| EBITDA | 2.3% | 17.0 | 15.4 | 18.7 | 21.4 | 20.3 | 20.0 |
| Margin | | 32.8% | 29.1% | 36.1% | 39.9% | 35.2% | 34.1% |
| EBIT | 3.7% | -1.4 | -2.2 | 2.4 | 1.6 | 2.5 | 2.7 |
| Margin | | -2.6% | -4.2% | 4.7% | 3.0% | 4.3% | 4.6% |
| net result | -0.1% | -3.9 | -3.9 | 1.4 | 0.3 | 1.2 | 1.4 |
| EPS | -0.1% | -0.40 | -0.40 | 0.14 | 0.03 | 0.12 | 0.14 |
| Dividend per share | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EV | | 26.0 | 27.7 | 23.9 | 21.8 | 19.2 | 17.0 |
| EV/Sales | | 0.5 | 0.5 | 0.5 | 0.4 | 0.3 | 0.3 |
| EV/EBITDA | | 1.5 | 1.8 | 1.3 | 1.0 | 0.9 | 0.8 |
| P/E | | -3.2 | -3.3 | 9.1 | 45.2 | 10.5 | 9.1 |
| Net debt/EBITDA | | -0.8 | -1.0 | -0.6 | -0.4 | -0.3 | -0.2 |

Source: Splendid Medien, FMR

Published: 11th April 2019

" Initial Coverage"

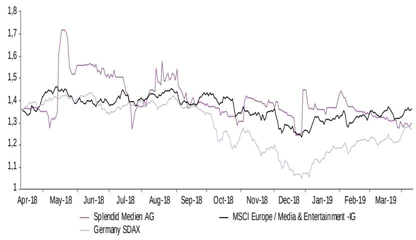
**BUY**

Before: -

**Price Target** **EUR 1,50 (-)**
Share price* EUR 1.30 (+15%)

*last XETRA closing price

| Initial | 2018e | 2019e | 2020e |
|---|---|---|---|
| Sales | 53.7 | 57.6 | 58.7 |
| EBIT | 1.6 | 2.5 | 2.7 |
| EPS | 0.03 | 0.12 | 0.14 |




Source: Factset

### Basic share data

| | |
|---|---|
| Number of shares (million) | 9.8 |
| Free Float (in %) | 31% |
| Market Cap (in million EUR) | 12.7 |
| Trading volume (Ø) | 5,200 |
| High (EUR, 52 weeks) | 1.75 |
| Low (EUR, 52 weeks) | 1.22 |

### Shareholder structure

| | |
|---|---|
| Andreas R. Klein & Family | 59,3% |
| Josef Siepe | 10,1% |
| Free float | 30,6% |

### Corporate calendar

| | |
|---|---|
| AGM | 13.06.2019 |
| H1 19 report | 30.08.2019 |

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## Investment Thesis

Splendid Medien is a medium-sized, integrated, independent media company that has been operating successfully in German-speaking countries for over 40 years. With cinema, DVD / Blu-Ray, Pay-TV, Free-TV and Video on Demand (VoD), the company covers the entire value chain of the film business. The Group's core business model is to generate revenue and earnings from the exploitation of films and edutainment programs, as well as distribution services to home entertainment companies and postproduction services.

**Splendid is an independent media company**

Splendid's operating business is divided into two segment, Content and Services. The Content segment encompasses licensing trade with film rights, film and programme evaluations in cinema and home entertainment (DVD, Blu-ray Disc, video-on-demand VoD, electronic sell-through EST), as well as film and TV production. With the Services segment, the company provides comprehensive services for the film and television industry with a focus on digitization / new media and synchronization.

**2 Segments – Content and Services**

Splendid Medien is a full-service provider that covers the entire value chain of the film business. The company has established a business model that ensures a quick time-to-market for new services while being highly innovative.

**Full-service provider**

The company has the opportunity to generate revenue at every stage of the entire value chain. By offering all stages Splendid can control its activities and guarantee the program schedule. In addition, the company also benefits from cross-selling potential and synergy effects through its subsidiaries.

**Every stage of the value chain is being served**

In 2016 and 2017, there were some project shifts, but also worse than expected performance of both movies and from the acquired TV production Joker (now Splendid Studios). This meant that not only sales were stagnant at around EUR 50m, but also a negative EBIT was realised in 2016 and 2017.

**2016 und 2017 were not good years….**

However, 2018 showed a turnaround, and again a positive EBIT was attained (2018: EUR 2.46m). Revenue was EUR 51.73m.

**…however, in 2018, a turnaround toward profit**

For financial year 2019, the Management Board forecasts consolidated sales in the range of EUR 51m and 55m with EBIT between EUR 1.0m and EUR 3.0m. The film capex is expected to be in the range of EUR 13m to EUR 18m.

**2019 Guidance expects solid development in 2019**

We expect sales in 2019e to be EUR 53.7m, which is closer to the upper end of the guidance range. In regard to EBIT, we expect EUR 1.61m for 2019e (EBIT margin: 3.0%), which is also within the guidance range, but rather at the lower end.

**We believe the guidance is realistic**

For 2020e, we anticipate stronger revenue growth of 7.2%, led by the improved performance of the TV Production unit. We believe the 2018 reorientation should show its first success in 2019 and then continued revenue growth from 2020e onwards.

**2020e is first year with strong sales growth in the TV production division**

Regarding EBIT we believe that Splendid will return to a margin of over 4% from 2020 onwards and we assume that the company can achieve 5% + in the long term. For our DCF, we currently compute a 5% EBIT margin.

**For the mid-term, we can expect an EBIT Margin of 5%**

We performed our valuation using a discounted cash flow (DCF) model and also based on a peer group evaluation. Our peer group valuation shows a fair value of EUR 1.42 per share. Here we took the 2020 EV/Sales and implemented a 20% discount due to the smaller size of Splendid compared to its peers.

**Peer group valuation derives at a fair value per share of 1.42 EUR**

Our DCF model produces a fair value of EUR 1.55 per share. We initiate our coverage with a BUY recommendation and a price target of 1.50 EUR (upside potential: + 15%).

**BUY recommendation with a price target of 1.50 EUR**

## SWOT

**Strengths**

- Strong, experienced management: The management team, led by CEO Andreas R. Klein, has built the company into a major niche player in the film industry
- Family-owned company: The Klein family owns about 60% of the shares
- High brand awareness and strong presence in the media and Internet world, especially in home-entertainment
- The company is a player in the entire film and television value chain
- Splendid covers all value stages of film distribution
- Splendid has developed into one of the largest independent providers in the German-speaking film sector

**Weaknesses**

- Due to the currently low market capitalization, market liquidity is somewhat limited; Free float is <40%
- The film segment is highly dependent on market development in Germany, which constitutes a concentration of risks. However, the company has been expanding its business for years, especially into the Benelux region, in order to broaden its base
- Very high dependence on the success of the films can lead to strong volatility in sales / net result

**Opportunities**

- Further expansion of the film business into new markets and continued expansion of the VoD business could take the company to a new level in terms of revenue growth and margin profile
- Promising Market Outlook: The current film pipeline has certain potential, which could help the company to further improve sales. There is also optimism regarding a possible 4th part of the Expendables series, which is currently being planned for 2020e

**Risks**

- Developments in the German TV production market: The company is heavily dependent on new orders from German TV stations
- Moving Home Entertainment (Blu-Ray, DVD) to VoD: Even though it's basically not a negative move, the shift can still lead to revenue losses if the revenue mix is not balanced
- Low visibility regarding the prospects for success of new films may lead to increased adjustments in corporate guidances, which in turn would escalate stock volatility

# Valuation

## *Summary*

We used two valuation approaches to derive at the fair value of Splendid Medien. While a DCF valuation can indicate long-term growth potential very well, our peer group valuation gives better insights into current market dynamics. We have focused on multipliers for 2020e, as it is common for investors to use the coming year as a base line.

**2 Valuation approaches – DCF and Peer-Group Multiples**

Our DCF model leads to a fair value of EUR 1.55 per share and our fair value from the multiple valuation is EUR 1.42 per share. We initiate our coverage with a BUY recommendation and a price target of 1.50 EUR (upside potential: + 16%).

**BUY-Recommendation with target price of 1.50 EUR**

### Fair Value Summary

| Valuation method | Fair value per share (EUR) |
|---|---|
| DCF | 1.55 |
| Peer-Group | 1.42 |

*Source: FMR*

## *Peer Group valuaiton*

### Peer Group – Überblick

| Company name | | Market cap. | EV | EPS 2019E | EPS 2020E | EPS 2021E | EBITDA 2019E | EBITDA 2020E | EBITDA 2021E | EBIT 2019E | EBIT 2020E | EBIT 2021E | Sales 2019E | Sales 2020E | Sales 2021E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| splendid medien AG | EUR | 12.7 | 23.9 | 0.03 | 0.12 | 0.14 | 21.4 | 20.3 | 20.0 | 1.6 | 2.5 | 2.7 | 53.7 | 57.6 | 58.7 |
| Highlight Communications AG | EUR | 282.2 | 331.1 | 0.31 | 0.38 | - | 148.8 | 153.9 | - | 33.7 | 39.9 | - | 493.9 | 515.4 | - |
| Village Roadshow Limited | USD | 639.3 | 861.2 | 0.13 | 0.19 | 0.20 | 128.9 | 147.9 | 148.4 | 61.8 | 79.7 | 77.0 | 984.8 | 1,008.0 | 1,016.0 |
| Lions Gate Entertainment Corp Class A | USD | 3,320.0 | 6,340.4 | 0.72 | 0.88 | 0.93 | 647.7 | 687.7 | 712.4 | 358.7 | 411.7 | 419.3 | 4,021.8 | 4,256.4 | 4,449.9 |
| PANTAFLIX AG | USD | 38.6 | 37.2 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Average** | | | | **0.39** | **0.49** | **0.56** | **308.5** | **329.8** | **430.4** | **151.4** | **177.1** | **248.2** | **1,833.5** | **1,926.6** | **2,732.9** |
| **Median** | | | | **0.31** | **0.38** | **0.56** | **148.8** | **153.9** | **430.4** | **61.8** | **79.7** | **248.2** | **984.8** | **1,008.0** | **2,732.9** |

| Company name | Net margin 2019E | Net margin 2020E | Net margin 2021E | EBITDA-margin 2019E | EBITDA-margin 2020E | EBITDA-margin 2021E | EBIT-margin 2019E | EBIT-margin 2020E | EBIT-margin 2021E | Sales growth 2019E | Sales growth 2020E | Sales growth 2021E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| splendid medien AG (FMR) | 0.5% | 2.1% | 2.4% | 39.9% | 35.2% | 34.1% | 3.0% | 4.3% | 4.6% | 3.9% | 7.2% | 1.9% |
| splendid medien AG (Consensus) | - | - | - | - | - | - | - | - | - | - | - | - |
| Highlight Communications AG | 4.0% | 4.7% | - | 30.1% | 29.9% | - | 6.8% | 7.7% | - | 3.9% | 4.3% | - |
| Village Roadshow Limited | 2.1% | 3.3% | 3.8% | 13.1% | 14.7% | 14.6% | 6.3% | 7.9% | 7.6% | 3.4% | 2.4% | 0.8% |
| Lions Gate Entertainment Corp Class A | 8.4% | 6.9% | 4.7% | 16.1% | 16.2% | 16.0% | 8.9% | 9.7% | 9.4% | - | 5.8% | 4.5% |
| PANTAFLIX AG | - | - | - | - | - | - | - | - | - | - | - | - |
| **Average** | **4.8%** | **5.0%** | **4.2%** | **19.8%** | **20.2%** | **15.3%** | **7.3%** | **8.4%** | **8.5%** | **3.6%** | **4.2%** | **2.7%** |
| **Median** | **4.0%** | **4.7%** | **4.2%** | **16.1%** | **16.2%** | **15.3%** | **6.8%** | **7.9%** | **8.5%** | **3.6%** | **4.3%** | **2.7%** |

*Source: Factset, FMR*

All in all, our peer group consists of four listed companies in this market that have similar business models. We also included Pantaflix, even though there are currently no estimates (no recent updates with valid estimates).

As we already noted in the summary, we focused for the peer group on EV/Sales and 2020e.

Based on 2020, EV/Sales Multiples and a 20% discount to account for the smaller size as compared to the peer companies, this results in a fair value per share of EUR 1.42.

**Fair Value per share based on the Peer-Group valuation is EUR 1.42**

## Peer-Group valuation

| Company name | P/E 2019E | P/E 2020E | P/E 2021E | EV/EBITDA 2019E | EV/EBITDA 2020E | EV/EBITDA 2021E | EV/EBIT 2019E | EV/EBIT 2020E | EV/EBIT 2021E | EV / Sales 2019E | EV / Sales 2020E | EV / Sales 2021E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Splendid (consensus) | - | - | - | - | - | - | - | - | - | - | - | - |
| Current Premium/Discount | | | | | | | | | | | | |
| vs. Average peer | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. |
| vs. Median peer | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. |
| Highlight Communications AG | 14.2 | 11.7 | - | 2.2 | 2.0 | - | 9.8 | 7.8 | - | 0.7 | 0.6 | - |
| Village Roadshow Limited | 25.8 | 16.9 | 16.4 | 6.7 | 5.6 | 5.3 | 13.9 | 10.4 | 10.2 | 0.9 | 0.8 | 0.8 |
| Lions Gate Entertainment Corp Class A | 21.9 | 17.9 | 17.1 | 9.1 | 8.2 | 6.0 | 16.4 | 13.6 | 10.2 | 1.5 | 1.3 | 1.0 |
| PANTAFLIX AG | - | - | - | - | - | - | - | - | - | - | - | - |
| **Average (excl. Splendid)** | **20.7** | **15.5** | **16.8** | **6.0** | **5.3** | **5.6** | **13.4** | **10.6** | **10.2** | **1.0** | **0.9** | **0.9** |
| **Median (excl. Splendid)** | **21.9** | **16.9** | **16.8** | **6.7** | **5.6** | **5.6** | **13.9** | **10.4** | **10.2** | **0.9** | **0.8** | **0.9** |

| in Mio. EUR, außer EPS (in EUR) | | EPS 2019E | EPS 2020E | EPS 2021E | EBITDA 2019E | EBITDA 2020E | EBITDA 2021E | EBIT 2019E | EBIT 2020E | EBIT 2021E | Sales 2019E | Sales 2020E | Sales 2021E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| splendid medien AG: Financial estimates by FMR | | 0.03 | 0.12 | 0.14 | 21.4 | 20.3 | 20.0 | 1.6 | 2.5 | 2.7 | 53.7 | 57.6 | 58.7 |
| Applied multiples: Peer group median | | 21.9 | 16.9 | 16.8 | 6.7 | 5.6 | 5.6 | 13.9 | 10.4 | 10.2 | 0.7 | 0.6 | 0.9 |
| **Enterprise value (derived)** | | - | - | - | **143.1** | **113.9** | **112.9** | **22.4** | **25.7** | **27.5** | **36.0** | **34.9** | **50.9** |
| - Financial net debt & minority interests | -17.5 | | | | | | | | | | | | |
| **Market capitalisation (derived)** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **17.3** | **-** |

| | |
|---|---|
| **Market capitalisation (derived)** | **17.3** |
| Premium (discount) vs. Peer Group | -20% |
| **Fair market capitalisation** | **13.9** |
| Number of shares (m) | 9.8 |
| **Fair value per share (EUR)** | **1.42** |

*Source: Factset, FMR*

## *DCF Model*

Our Discounted Cash Flow (DCF) Model is based on the following assumptions:

**WACC at 8.56%**

**Weighted average cost of capital (WACC):** The risk-free rate is set at 2.0%, assuming an equity risk premium of 6.0% and a debt risk premium of 2.0%. We have set the beta factor to 1.5 and assume that the long-term target equity ratio at market values is 70%. With these assumptions, we arrived at a capital cost rate (WACC) of 8.56%.

**Revenue growth of 4.5% p.a. (CAGR)**

**Phase 1 (2019E-2021E):** We calculate the Free Cashflow (FCF) for Phase 1 according to our detailed financial projections described in the Financial Section. Sales is expected to grow by 4.5% in 2019-21e with a CAGR, while the EBIT margin in 2021e will improve to 4.6%.

**Mid-term expectation of EBIT margin is 5.0%**

**Phase 2 (2022E-28E):** Phase 2 covers 2022e to 2028e. For this period, we expect stable revenue growth of 2%, with the EBIT margin remaining at ~ 5.0% in the long term.

**Terminal Value:** To calculate the terminal value, we set a long-term growth rate for FCF of 2.0%, noting that this is a rather conservative estimate. Based on our estimates, we arrive at a fair value of the company of EUR 32.7m.

To this, we add the cash at hand and deduct financial liabilities, as well as the minority interests at market values, and subsequently arrive at a fair value of EUR 15.1m or EUR 1.55 per share.

**Fair value of DCF is EUR 1.55**

## DCF Model

| | PHASE 1 | | | PHASE 2 | | | | | | | PHASE 3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| in EURm | 2019e | 2020e | 2021e | 2022e | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | ∞ |
| Sales | 53.7 | 57.6 | 58.7 | 59.9 | 61.1 | 62.3 | 63.5 | 64.8 | 66.1 | 67.4 | |
| Sales growth YoY in % | 3.9% | 7.2% | 1.9% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | |
| EBIT | 1.6 | 2.5 | 2.7 | 3.0 | 3.1 | 3.1 | 3.2 | 3.2 | 3.3 | 3.4 | |
| EBIT margin in % | 3.0% | 4.3% | 4.6% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | |
| Income tax on EBIT | -0.3 | -0.3 | -0.3 | -0.8 | -0.9 | -0.9 | -0.9 | -0.9 | -0.9 | -0.9 | |
| Depreciation and amortisation | 19.8 | 17.8 | 17.3 | 17.6 | 17.6 | 17.6 | 17.6 | 17.6 | 17.6 | 17.6 | |
| Change in net working capital | -2.0 | -0.2 | 0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | |
| Net capital expenditure | -16.0 | -16.3 | -16.6 | -17.5 | -17.5 | -17.5 | -17.5 | -17.5 | -17.5 | -17.6 | |
| **Free cash flow** | **3.1** | **3.5** | **3.2** | **2.1** | **2.1** | **2.2** | **2.3** | **2.3** | **2.4** | **2.3** | |
| **Present values** | **2.9** | **3.0** | **2.6** | **1.5** | **1.4** | **1.3** | **1.3** | **1.2** | **1.1** | **1.0** | **15.3** |

| | | |
|---|---|---|
| Present value Phase 1 | 8.5 | 55% |
| Present value Phase 2 | 8.9 | 27% |
| Present value Phase 3 | 15.3 | 47% |
| **Total present value** | **32.7** | 100% |
| - Net debt | -17.5 | |
| - Minority interest (est. market value) | 0.0 | |
| **Fair value of equity** | **15.1** | |
| Number of shares (m) | 9.8 | |
| **Fair value per share (EUR)** | **1.55** | |

| | | | |
|---|---|---|---|
| Risk free rate | 2.0% | Target equity ratio | 70.0% |
| Equity risk premium | 6.0% | Tax shield | 28.0% |
| Debt risk premium | 2.0% | Beta (fundamental) | 1.50 |
| CAGR Sales Phase 2 | 2.0% | **WACC** | **8.56%** |
| Ø EBIT-margin Phase 2 | 5.0% | **Terminal growth** | **2.0%** |

**Sensitivity analysis**

| | | Terminal growth (Phase 3) | | | | |
|---|---|---|---|---|---|---|
| | | **1.0%** | **1.5%** | **2.0%** | **2.5%** | **3.0%** |
| **EBIT margin** | **3.0%** | 0.38 | 0.44 | 0.51 | 0.58 | 0.68 |
| | **4.0%** | 0.85 | 0.93 | 1.03 | 1.13 | 1.26 |
| | **5.0%** | 1.33 | 1.43 | **1.55** | 1.68 | 1.85 |
| | **6.0%** | 1.80 | 1.92 | 2.07 | 2.23 | 2.43 |
| | **7.0%** | 2.27 | 2.42 | 2.59 | 2.78 | 3.02 |

*Source: FMR*

## Company Profile

Splendid Medien is an independent, medium-sized, integrated media company that has been operating successfully for more than 40 years in German-speaking countries. With cinema, DVD / Blu-Ray, Pay-TV, Free-TV and Video on Demand (VoD), the company covers the entire value chain of the film business. The Group's core business model is to generate revenue and earnings from the exploitation of films and edutainment programs, as well as from distribution services to home entertainment companies and post-production services.

**Splendid is one of the largest independent film companies in Germany**

The subsidiaries Splendid Film GmbH and Polyband Medien GmbH acquire rights to feature movies, TV productions and children's programs, which are distributed in the German-speaking areas, as well as in the Benelux. WVG Medien GmbH sells DVDs / Blu-Rays to retailers and sells programs to around 30 different partners, including Splendid Film, Polyband, Entertainment One, Fremantle, Edel: motion and National Geographic. The subsidiary Splendid Studios produces TV formats for TV channels.

**Subsidiaries cater to stages of the value chain**

**Recently, TV productions were added**

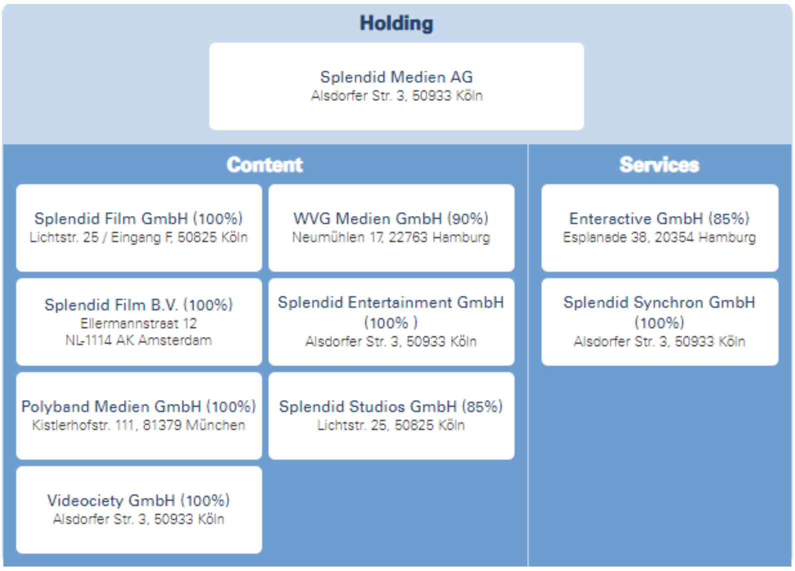
Enteractive GmbH provides digital services to the national and international media industry, including the creation of masters for Blu-ray and DVD production, digitization and archiving of feature movies and TV programs, digital distribution of Video-on-Demand (VoD) data to VoD providers as well as setup and operation of VoD portals. Together with Splendid Synchron GmbH, this constitutes the "Services" segment.

### *Corporate Structure*

Splendid Medien's two segments - Content and Entertainment Services - are divided into over nine affiliated companies at four locations in Germany and the Netherlands.

**2 segments with 9 affiliated companies**

**Corporate Structure**




*Source: Splendid medien*

## Management

**CEO**

**Andreas R. Klein** is CEO of Splendid Medien AG and responsible for the Licenses and Strategy division. In 1980, he joined the company founded by his father Albert E. Klein in 1974 and built up the home entertainment and post-production sectors. With the transformation of the Splendid Group into Splendid Medien AG, he was appointed Chairman of the Executive Board in June 1999.

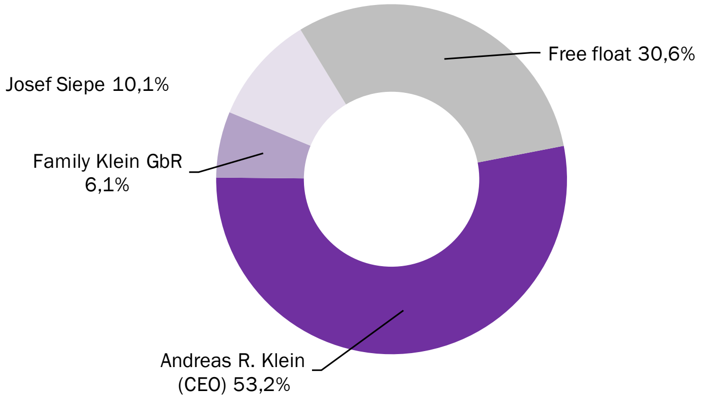
**Andreas Welzhofer** has been a member of the Executive Board since February 2001 and is responsible for marketing and sales at Splendid Medien AG. He is also managing director of the group companies WVG Medien GmbH and Early Learning Group GmbH.

## Shareholder Structure

**Shareholder structure with 30% freefloat**

The shareholder structure of the corporation basically consists of the shares of the Klein family (ca. 60%) and the 10% share of Josef Siepe. The remaining 30.6% are freefloat.

**Actual Shareholder Structure**




*Source: Splendid Medien, FMR*

# Business Model

Splendid's operating business is divided into the Content and Services segments. The Content segment comprises licensing with film rights, film and program exploitations in cinema and home entertainment (DVD, Blu-ray Disc, Video-on-Demand VoD, Electronic Sell-Through EST), as well as film and TV production. From the Services segment, the company provides comprehensive services for the film and television industry with a focus on digitisation/new media and synchronization.

**Stong position throughout value chain**

Splendid Medien is a full-service provider covering the entire value chain concerning the film business. The company has established a business model that ensures a quick time-to-market for new services, while being highly innovative.

**Full-Service provider**

The company has the opportunity to generate revenue at every stage of the entire value chain. By offering all stages Splendid can direct its activities and guarantee program delivery and schedule. In addition, the company also benefits from cross-selling potential and synergy effects through its subsidiaries.

**All stages in the value chain are being served**

Splendid offers the entire utilisation phases from the time of acquisition of new rights or licenses until broadcast of the film on Free-TV. While the group always takes care of home entertainment, the TV exploitations (pay-TV, free-TV, SVoD, TVoD) are not mandatory for every license.

## *Strong Position in Content Value Creation throughout the Value Chain*

Splendid acquires licensing rights at international film fairs for feature movies, TV series, special interest programs and children's programs, among others. In addition, the company also develops and produces films and TV formats.

**Splendid acquires Licensing Rights**

The licensing rights for feature movies are usually acquired for a period of 15-20 years. As a rule, the contracts include payment of minimum guarantees, which are written off in accordance with the value chain, affecting net income. For TV productions and special interest programs, a shorter license period (5 to 7 years) is usually agreed to and the license models are based primarily on sales-dependent, quarterly license fees. Increasingly, minimum guarantee payments are also negotiated for these program areas, which are then written off in accordance with the exploitation step of the value chain.

**Long-term licenses offer planning security**

Currently, the film library includes more than 1,500 titles and represents a wide range of action, documentary, horror / fantasy, TV series, comedy, children's and family entertainment, fitness / wellness and health, drama and arthouse.

**Current film library includes over 1500 titles**

The film content is marketed along the value chain (cinema, home entertainment and TV), mainly in the German-speaking countries and the Benelux.

**Cinema**

Since it is not worth bringing all the films that Splendid purchases to the cinema, only selected films and documentaries are brought there. Cinema distribution in the Netherlands is managed from Splendid's own distribution company. In

**Selected films are brought to the cinema**

Germany, Austria and Belgium so-called "Booking & Billing" is used to cooperate with various partners.

**Home Entertainment**

**Home Entertainment**

About four to six months after cinema release, the movie is made available for home entertainment. This division is the most profitable business for the Splendid Group and comprises rental and sale via the Internet [Video-on-Demand (VoD) and Electronic Sell-Through (EST)], as well as the sale of physical video carriers (Blu-ray and DVD) and rental through video stores.

**… Splendid serves all distribution channels**

Here, Splendid serves all distribution channels. In addition to its own products, the company also handles the sales process for numerous other partners from Germany and abroad.

**VoD/EST**

**VoD/EST**

Regarding VoD / EST, the Splendid Group markets its content via all major Internet platforms, as well as through its own platform Videociety (www.videociety.de). Under the "meinVoD" label, Splendid is also making VoD platform concepts available to business customers from various sectors (e.g., telecommunications, retail) as white-label solutions, offering B2B customers a range of content, development, operations and portal management services for their end customers offers. As a content aggregator for iTunes and other portals, the Splendid Group also handles the distribution and technical provision of film content for third-party providers.

**TV-Licenses**

**TV-Licenses**

Splendid's customers include all major TV stations as well as Streaming VoD (SVoD) providers in the German-speaking area and Benelux. About six to eight months after the start of availability in home entertainment, the film is offered on TV channels and on SVoD platforms. As a rule, the film is first broadcast via pay-TV. Next, with a time interval of about a year, the film is available in Free-TV and SVoD. After the license agreement expires, the film is available for reuse (subsequent exploitation).

**TV-Produktion**

**TV-Productions**

The subsidiary Splendid Studios produces TV formats for TV channels. As a rule, Splendid Studios develops a format idea with the broadcasters and produces these as part of a commissioned production. The production of fictional entertainment formats and feature movies is becoming increasingly important in the company's business.

## *Services Segment*

**Synchronisation and digital postproduction**

In terms of services, Splendid sees itself as one of the leading companies in Germany and Europe with its services relating to synchronization and digital post-production.

**Synchronisation**

As such, Splendid creates synchronisations, sound-technical post processing and digitization services for VoD and EST sales on the Internet, as well as for Blu-ray and

DVD productions. Synchronization and digitization of films and series in-house not only guarantees a consistently high-quality standard for the in-house film library, but is also in demand from external customers.

**Digital postproduction**

Before the start of the utilisation in cinema, home entertainment and television, the films are synchronized and processed technologically for sound. This happens in parallel with the digitization of the film material for Blu-ray, DVD and VoD / EST. In addition, Splendid also creates the program guidance and generates additional content for the Blu-ray / DVD (making of, bonus material, games, etc.).

# Market environment

**Cinema and Home Entertainment are the core business of Splendid**

In Splendid Medien's business model there are two film utilisation stages that constitute strong growth factors for the company: cinema and home entertainment (including VoD). In order to concentrate on the important segments of the business model, we have decided to clearly highlight the market environment of the German cinema movie market. In terms of home entertainment (including digital products such as TVoD), we have focused on the global market.

## *German Cinema Market*

**Cinema market**

Cinemas and films are considered a very important means of mass communication. In 2010, the German cinema industry recorded 126.6m moviegoers, which is, however, almost 14% fewer visitors than in the previous year. Overall, total sales in 2010 amounted to EUR 920.4m (previous year: EUR 976.1m).

**From 2011 through 2015, the 3D-Trend contributed to growth**

During the years 2011 to 2015, the 3D movie trend helped to increase tickets sold to 139.2m. Also, the average selling price increased significantly and, therefore, total cinema sales in 2015 amounted to EUR 1.17bn (CAGR 2010-15 at 4.9%, while CAGR for sold tickets was only 1.9%).

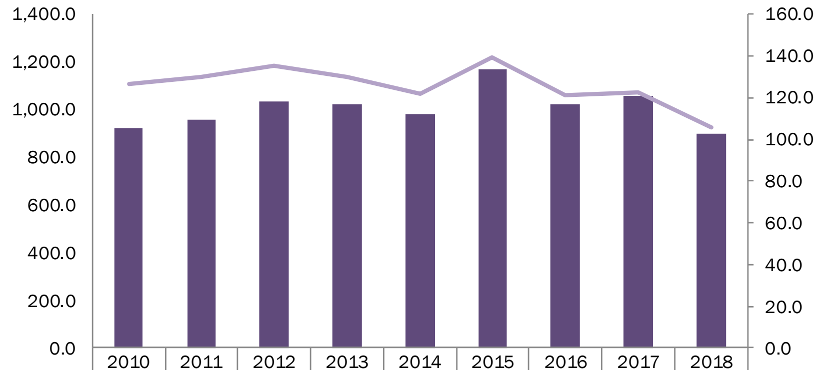
**Since 2016 there has been a trend reversal**

However, since 2016, the trend is negative again, which has several reasons. Firstly, this could be disenchantment, because in recent years, the bulk of the big-budget movies were superhero movies which are not to everyone's taste. In addition, we are back in a phase in which many sequels are produced.

**VoD/Streaming is in direct competition with Cinemas**

Another reason that is probably important is the unwillingness to pay EUR 10+ for a ticket and an additional EUR 10 for popcorn plus a drink per person. Especially if one wants to watch yet another sequel. Accordingly, many people may just as well wait now until the movie is available on Blu-Ray / DVD or can be streamed.

**German Cinema Market**



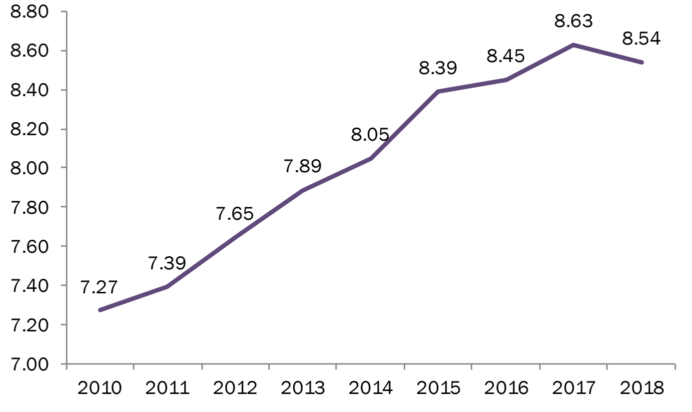

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Total sales (in EURm) | 920.4 | 958.1 | 1,033.0 | 1,023.0 | 979.7 | 1,167.1 | 1,023.0 | 1,056.1 | 899.3 |
| Admissions (in m) | 126.6 | 129.6 | 135.1 | 129.7 | 121.7 | 139.2 | 121.1 | 122.3 | 105.4 |

*Source: FFA, FMR*

**Average ticket price fell again in 2018**

This trend can also be seen in the average ticket prices. While the price increase CAGR from 2010 to 2015 at 2.9% p.a., the price increase slowed down in 2017 and has even fallen slightly in 2018. Looking at declining ticket sales, cinemas had to lower prices in order to improve attractiveness.

**Average Cinema Ticket Price Development in EUR**




*Source: FFA, FMR*

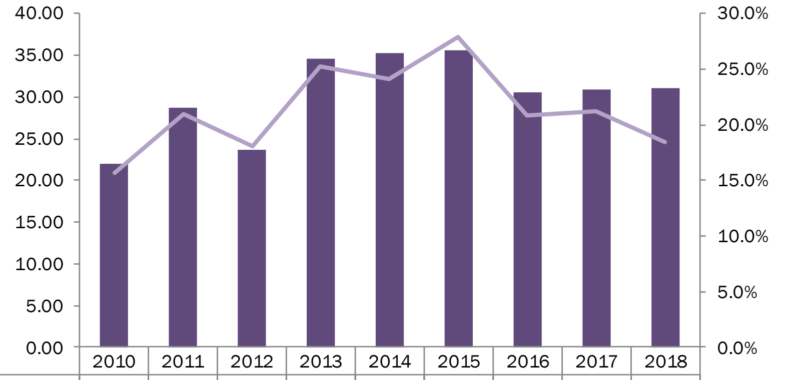
The graph below indicates that the market share of German films in 2010 reached 16.9% with 20.9m viewers. In line with general film market development, the number of tickets sold for German films rose to 37.1m in 2015, corresponding to 26.7%.

**Market share of german movies in 2010, almost 27%**

In the years 2016 to 2018, the market share dropped to about 23%, which reflected a number of tickets sold of 24.6m in 2018. Although it fell below that of the 2013 to 2015 period, the current share is stable. As mentioned above, the steady increase in superhero movies, which are practically all US big-budget productions, is a problem for all smaller films and, with a few exceptions, most German movies tend to be in the "low budget" category

**Between 2016 to 2018 the share was about 23%**

**Share of German Movies**




| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Share in % | 16.5% | 21.5% | 17.8% | 25.9% | 26.4% | 26.7% | 22.9% | 23.1% | 23.3% |
| Admissions German films | 20.90 | 27.90 | 24.00 | 33.60 | 32.10 | 37.10 | 27.70 | 28.30 | 24.60 |

*Source: FFA, FMR*

## *Home Entertainment Market*

Looking at the development of the global home entertainment market, it is clear that since 2016, digital has been generating more revenue than physical sales. Consequently, it can be explained why the global home entertainment market has a CAGR of 12.5% (2015-18), while the physical market is at CAGR of -13.9%. Digital revenues are up 31.8%. Although the momentum is slowly decreasing (base effect), it is still growing faster than what the physical market is losing every year.

**Global Home Entertainment market supported by digitisation**

In 2018, the physical market generated barely USD$ 13bn in revenue, while the digital market grew by nearly USD 10bn. Thus, it is obvious that global growth will continue to increase, and every film company should benefit from this, as long as it focuses on revenues from digital services.

**Growth of digital USD >10bn per Year**

**Global Home Entertainment Market (2015-2018)**

| | 2015 | 2016 | 2017 | 2018 | CAGR 15-18 |
|---|---|---|---|---|---|
| Physical | 20.5 | 17.9 | 15.2 | 13.1 | *-13.9%* |
| *YoY in %* | *-18.7%* | *-12.7%* | *-15.1%* | *-13.8%* | |
| International | 11.4 | 9.9 | 8.4 | 7.3 | *-13.8%* |
| *YoY in %* | *-23.5%* | *-13.2%* | *-15.2%* | *-13.1%* | |
| US | 9.1 | 8 | 6.8 | 5.8 | *-13.9%* |
| *YoY in %* | *-11.7%* | *-12.1%* | *-15.0%* | *-14.7%* | |
| Digital | 18.6 | 25.1 | 32.9 | 42.6 | *31.8%* |
| *YoY in %* | *18.5%* | *34.9%* | *31.1%* | *29.5%* | |
| International | 9.7 | 13.7 | 18.8 | 25.1 | *37.3%* |
| *YoY in %* | *19.8%* | *41.2%* | *37.2%* | *33.5%* | |
| US | 8.9 | 11.4 | 14.1 | 17.5 | *25.3%* |
| *YoY in %* | *17.1%* | *28.1%* | *23.7%* | *24.1%* | |
| Total | 39.1 | 43 | 48.1 | 55.7 | *12.5%* |
| *YoY in %* | *-4.4%* | *10.0%* | *11.9%* | *15.8%* | |

*Source: MPAA, FMR*

# Key Financial Data

## *Historical Development*

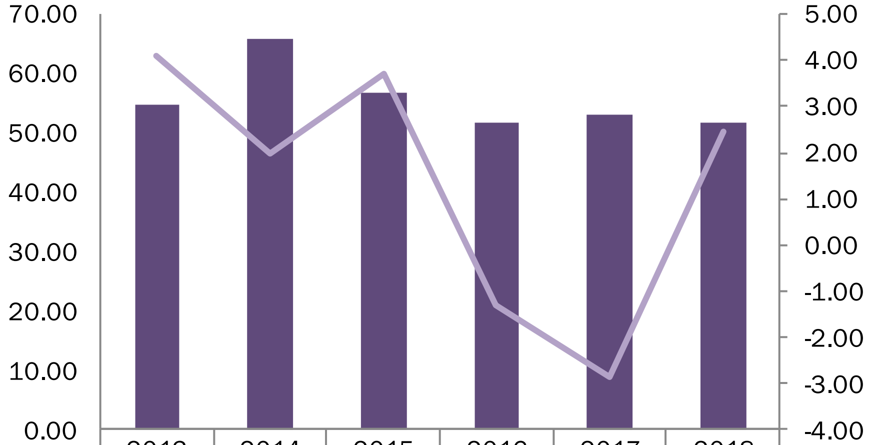
**2013 through 2015 were positive years**

From 2013 to 2015, Splendid did develop very positively. While sales peaked at EUR 66m in 2014, EBIT was always maintained at a minimum of EUR 2 million during this period. At its peak in 2013, it even exceeded EUR 4 million. On average, Splendid achieved an EBIT margin of 5% +.

**2016 and 2017 were 2 years of losses**

In 2016 and 2017, there were some project shifts, but also worse-than-expected performance of both movies and resulting from the acquisition of TV Production Joker (now Splendid Studios). This meant that not only sales were merely stagnant at around EUR 50m, but in 2016 as well as 2017, a negative EBIT was realised (especially due to depreciation of film assets).

**Revenue and EBIT Development (2013 through 2018)**




| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Sales | 54.94 | 66.03 | 56.80 | 51.90 | 53.04 | 51.73 |
| EBIT | 4.08 | 2.00 | 3.72 | -1.29 | -2.86 | 2.46 |

*Source: Splendid Medien, FMR*

**2018 marked a return to the plus**

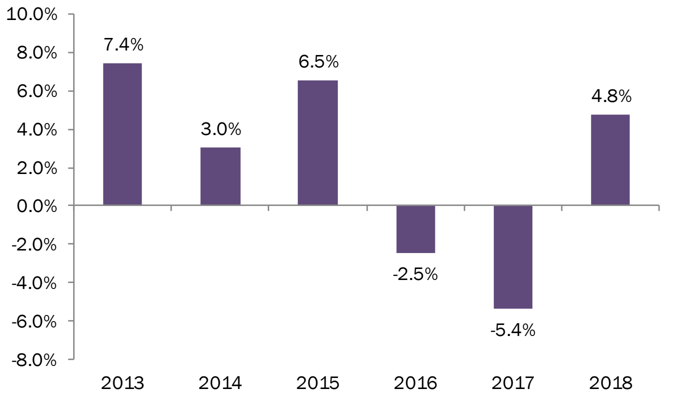
However, 2018 showed a turnaround, and again a positive EBIT was achieved (2018: EUR 2.46m). Revenue was at EUR 51.73m.

Although the company issued a sales warning for the fiscal year, this had no impact on EBIT for 2 reasons: 1) much of the loss of revenue was a kind of "zero-margin" business, and 2) the initialised cost savings in the Group showed the first results in cost management.

**2018 EBIT-Margin at 4,8%**

Accordingly, this was reflected in the EBIT margin. Splendid reported an EBIT margin of 4.8% in 2018, which marked a return to the levels of the 2013 - 2015 timeframe. If the company manages to further streamline the cost base and focuses more on higher-margin projects, this would not just grow profitability across the group but also direct the fair price upward (regardless of revenue growth).

**EBIT-margins development (2013 through 2018)**




*Source: Splendid Medien, FMR*

## *Fiscal Year 2018*

**Revenue in 2018 at EUR 51.7m**

Revenue for the group fell by 2.5% to EUR 51.7m in the 2018 fiscal year (previous year: EUR 53.0m). As a result, the Splendid Group did not achieve the sales volume originally forecast for FY 2018 (EUR 53m to EUR 57m), however the sales discrepancies were offset by the improved cost ratios to sales.

**…with EBIT of EUR 2.5m**

In FY 2018, EBIT amounted to EUR 2.5m (previous year: EUR -2.9m). Thus, the 2018 guidance (range: EUR 1.0m to 3.0m) was attained. The significant improvement in earnings compared to the previous year is mainly due to cost reductions in production costs and sales expenses. Consolidated net income for the financial year amounts to EUR 1.4m (previous year EUR -3.9m) and earnings per share rose to EUR 0.14 as of 31 December 2018 (previous year: EUR -0.40).

**Both segments show higher EBIT in 2018**

Segment results: The Content segment attained sales of EUR 46.3m (previous year: EUR 46.9m) with an EBIT of EUR 3.4m (previous year: EUR -2.2m) for the segment. As anticipated, the Services segment recorded weaker sales in the FY 2018 with revenues of EUR 5.4m (previous year: EUR 6.2m). Nevertheless, the segment EBIT improved to EUR 0.6m as a result of operating cost reductions (Previous year: EUR 0.4m).

**Free Cash Flow in 2018 at EUR 3.8m**

Cash flow from operating activities rose to EUR 19.5m in 2018 (previous year: EUR 13.9m). Taking into account the CAPEX of EUR 15.7m (prior year: EUR 15.6m), clearly a positive free cash flow of EUR 3.8m was achieved. Again, no dividend will be proposed for the past year.

## *Guidance 2019*

**Guidance 2019: Revenue EUR 51-55m; EBIT of EUR 1-3m**

For fiscal year 2019, the Management Board forecasts consolidated sales in the range of EUR 51m to EUR 55m with EBIT between EUR 1.0m and EUR 3.0m. The film capex is expected to be in the range of EUR 13m to EUR 18m. Investments are financed from the operating cash flow and the existing credit line.

**We find the guidance realistic**

Now that in 2018, the company has shown improved discernibility at the project level, and that the cost-saving measures are showing initial effects, we believe that the company should reach the new guidance. We expect sales in 2019e of EUR 53.7m, which is closer to the upper end of the guidance range. Regarding EBIT we expect EUR 1.61m for 2019e (EBIT margin: 3.0%), which is also within the guidance range, but more at the lower end. Due to the increased volatility in recent years, we are currently somewhat conservative regarding margins. However, should we notice in the course of H1 that Splendid can show a good performance, we will re-examine our conservative approach.

**For 2019e, we estimate a FCF of EUR 2.1m**

As far as cash flow, we expect a free cash flow of EUR 2.1m (which was EUR 3.8m in 2018). Based on CAPEX, this means that we expect investments in film assets to amount to just under EUR 16m, which is in line with the expectations of Splendid (EUR 13-18m).

## *Medium Term Outlook*

**Enhancing profitability in the medium term; EBIT-margin should be above 5%**

For the medium term, Splendid Medien AG is aiming for an improvement in profitability that, in our opinion can be achieved with a stable EBIT margin of at least 5%. In our estimation, the EBIT margin seems realistic, because revenue growth is driven by the combination of the following factors:

**Well positioned in the Home Entertainment growth area**

**Well positioned in Home Entertainment**

The company will continue to take part of expected growth in the home entertainment products market segment. Also, in regard to a further shift to on-line VoD / streams, the group is well positioned (including its own VoD platform Videociety), whose brand awareness is already at the consumption level.

**Continued expansion of license sales**

**Expansion of licensing business**

Already in 2018, the company was able to increase sales in this area by EUR 5m (+54% YoY). In addition to sales to TV stations in Germany, Austria, and Switzerland (DACH region) and the Benelux, especially noteworthy revenues were generated from license agreements with SVoD providers (Netflix, Amazon, freenet). We expect that the large movie library of more than 1300 titles (plus those to be purchased in the future) will lead to a stronger increase in sales, since there is strong demand for these in the SVoD (as well as TVod) niche products segment. Splendid has a very good starting position, because it focused from very early on on special topics such as horror and Asian movies.

**Expansion of TV productions**

**Further expansion of TV productions**

In 2018, the TV productions business unit had to be realigned. We believe that the management has succeeded in doing so and will again be able to record revenue growth from 2019 onwards. The format changes introduced as a result of the reorientation should have a greater revenue effect from 2019 on, because in 2018, the majority of sales were achieved with only 1 series ("The Wollyns").

**Cinema successes must be evident again**

Regardless of the two core themes mentioned above, the goal for the company should be to again achieve greater successes in the cinema arena, which in turn, boosts the home entertainment business. The current film Iron Sky 2, which is in theatres since March 2019, could not fully meet the expectations after the surprise success of the first part and is presently below expectations. Otherwise, the 2019 cinema pipeline is more characterised by smaller "niche" films such as the in-house production Misfits (German "remake" of the Dutch movie with the same name that Splendid also produced).

**Possibly Expendables 4 can give a new boost**

A movie that could bring a boost to the cinema business would be Expendables 4, which was originally planned for 2020. However, every few weeks there are contradictory statements about the current state of production. Since we did not get a valid confirmation of the state of this project at the beginning of April 2019, we exclude it from our medium-term estimates.

**Growth drivers in the core business are very promising**

In conclusion, as a result of all these growth drivers of the core business (cinema, licensing, home entertainment, post-production), the medium-term prospects for the company appear very promising. From our point of view, the current positive development should be the starting point for operational profitability and show shareholders the necessary sustainability over the next few years.

**High volatility for projects can't be ruled out**

All of the above is, of course, always under the condition that there are no major changes or non-releases of movies / series, which can happen quite frequently in this business.

**Estimates for Revenue and EBIT (2019e through 2021e)**

| in EURm | 2019e | 2020e | 2021e |
|---|---|---|---|
| **Sales** | 53.7 | 57.6 | 58.7 |
| **EBITDA** | 21.4 | 20.3 | 20.0 |
| in % of Sales | 39.9% | 35.2% | 34.1% |
| **EBIT** | 1.6 | 2.5 | 2.7 |
| in % of Sales | 3.0% | 4.3% | 4.6% |
| **Net result** | 0.3 | 1.2 | 1.4 |
| in % of Sales | 0.5% | 2.1% | 2.4% |
| **EPS** | 0.03 | 0.12 | 0.14 |

*Source: Splendid Medien, FMR*

**2019e Estimates within the guidance range**

As already described above, we expect a consolidated revenue of EUR 53.7m (+ 3.9% YoY) for 2019e with an EBIT of EUR 1.6m. For 2020e, we anticipate sales of EUR 57.6m (+7.2% YoY) with an EBIT of EUR 2.5m.

**We see 2020e sales with a clear plus due to positive development in TV Production**

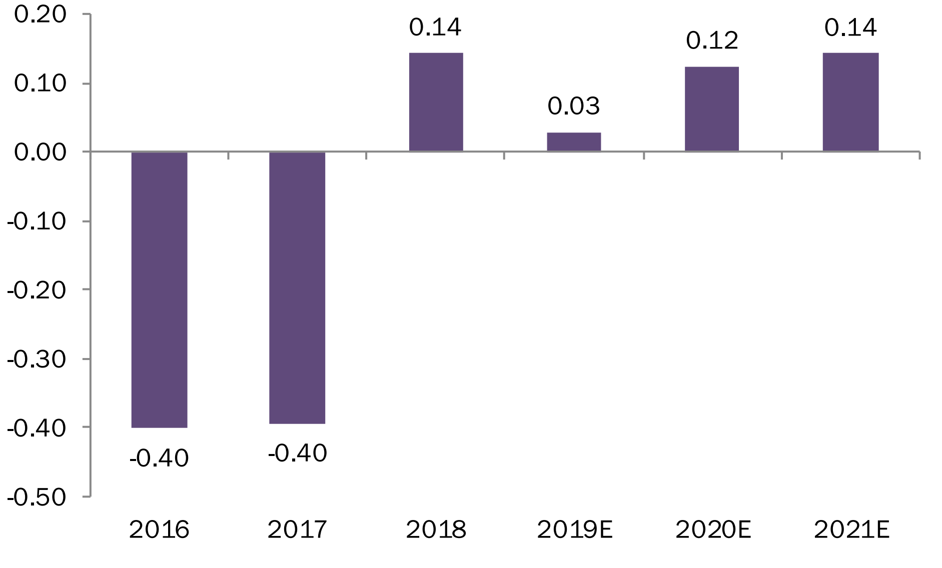
The reason for the increased sales increase in 2020e can be found particularly in the area of TV Production, for which we expect a significant increase in revenue as a result of the reorientation, which should show initial successes in 2019 and, according to our assessment, be fully reflected in revenue from 2020e onwards. However, we are still somewhat cautious about the costs associated with TV Production, so the EBIT margin in 2020e is only expected to improve by 130bp despite 7% revenue growth.

Due to a lack of clarity regarding future film pipelines, we currently predict an increase in sales of only 1.9% for 2021e to EUR 58.7m with an EBIT of EUR 2.7m (margin: 4.6%).

As can be seen in the figure below, the expected positive development of Splendid is quite obvious from the EPS data. With constant revenue growth and improvements to the Company's OPEX through 2021e, the EPS is expected to increase from EUR -0.40 in 2016 to EUR 0.10 in 2021e with consistent growth. When sustained, the net margin should rise above 2%. In our estimates, through 2021e, the net margin will be 1.8% and 1.7%, respectively.

**EPS development 2018-2021e**

**EPS Outlook 2019-2021e**

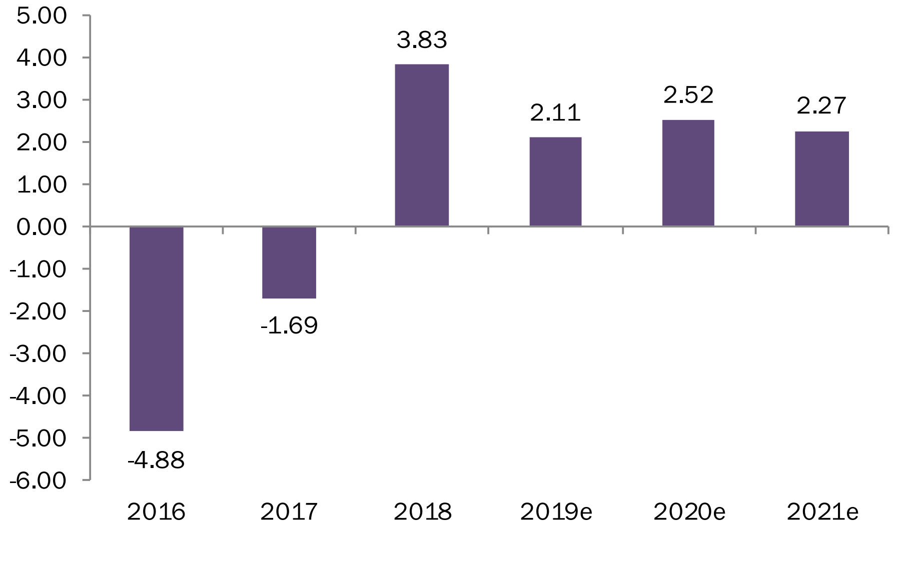



*Source: Splendid Medien, FMR*

After two weaker years in 2016 and 2017, the company managed again to attain a positive FCF in 2018. We believe that the cost savings introduced in 2018 have created a solid foundation for the company to also achieve a positive FCF over the next few years. We currently estimate an annual FCF of around EUR 2m for 2019e to 2021e.

**FCF should be positive in the coming years**

**Free Cash Flow Outlook**




*Source: Splendid Medien, FMR*

# Appendix

## P&L

| in EURm | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e |
|---|---|---|---|---|---|---|
| **Revenues** | **51.9** | **53.0** | **51.7** | **53.7** | **57.6** | **58.7** |
| YoY growth | -8.6% | 2.2% | -2.5% | 3.9% | 7.2% | 1.9% |
| Cost of revenues | -38.2 | -39.2 | -34.9 | -32.0 | -33.1 | -33.2 |
| as % of revenues | -73.5% | -73.9% | -67.5% | -59.5% | -57.5% | -56.5% |
| **Gross profit** | **13.7** | **13.9** | **16.8** | **21.8** | **24.5** | **25.5** |
| as % of revenues | 26.5% | 26.1% | 32.5% | 40.5% | 42.5% | 43.5% |
| General & administrative expenses | -7.0 | -6.8 | -6.6 | -6.4 | -7.0 | -7.2 |
| as % of revenues | -13.5% | -12.7% | -12.8% | -12.0% | -12.1% | -12.2% |
| Sales and marketing expenses | -9.7 | -10.8 | -8.6 | -14.8 | -16.1 | -16.7 |
| as % of revenues | -18.7% | -20.4% | -16.6% | -27.5% | -28.0% | -28.5% |
| Other operating income/exenses | 1.7 | 0.8 | 0.8 | 1.1 | 1.1 | 1.1 |
| as % of revenues | 3.2% | 1.6% | 1.6% | 2.0% | 1.8% | 1.8% |
| **Reported EBITDA** | **17.1** | **14.8** | **18.7** | **21.4** | **20.3** | **20.0** |
| as % of revenues | 33.0% | 27.9% | 36.2% | 39.9% | 35.2% | 34.1% |
| Depreciation and amortisation (incl. PPA) | -18.4 | -17.7 | -16.3 | -19.8 | -17.8 | -17.3 |
| as % of revenues | -35.5% | -33.3% | -31.4% | -36.9% | -30.9% | -29.5% |
| **Reported EBIT** | **-1.3** | **-2.9** | **2.5** | **1.6** | **2.5** | **2.7** |
| as % of revenues | -2.5% | -5.4% | 4.8% | 3.0% | 4.3% | 4.6% |
| Net financial results incl. equity results | -0.6 | -0.9 | -1.0 | -1.0 | -1.0 | -1.0 |
| **EBT (Earnings before income taxes)** | **-1.9** | **-3.7** | **1.5** | **0.6** | **1.5** | **1.7** |
| as % of revenues | -3.7% | -7.0% | 2.9% | 1.1% | 2.6% | 3.0% |
| Income taxes | -2.0 | -0.1 | -0.1 | -0.3 | -0.3 | -0.3 |
| as % of EBT | 106.3% | 3.8% | -6.1% | -53.4% | -20.0% | -20.0% |
| **Income from continuing operations** | **-3.9** | **-3.9** | **1.4** | **0.3** | **1.2** | **1.4** |
| Income from discontinued operations, net of taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net income** | **-3.9** | **-3.9** | **1.4** | **0.3** | **1.2** | **1.4** |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net income attributable to shareholders** | **-3.9** | **-3.9** | **1.4** | **0.3** | **1.2** | **1.4** |
| Net margin in % | -7.6% | -7.3% | 2.7% | 0.5% | 2.1% | 2.4% |
| Shares outstanding (in m) | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 |
| **Basic earnings per share (EUR)** | **-0.40** | **-0.40** | **0.14** | **0.03** | **0.12** | **0.14** |

*Source: Splendid Medien, FMR*

## Balance sheet

| IFRS in EURm | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Non-current assets** | **39.0** | **38.4** | **36.4** | **32.6** | **31.0** | **30.3** |
| as % of total assets | 57.5% | 60.5% | 57.1% | 53.7% | 49.4% | 46.8% |
| Intangible assets (incl. Goodwill) | 5.2 | 5.1 | 5.1 | 5.1 | 5.2 | 5.2 |
| Property, plant and equipment | 1.1 | 1.3 | 1.3 | 1.3 | 1.3 | 1.4 |
| Long-term investments | 27.7 | 26.0 | 24.5 | 20.6 | 19.0 | 18.3 |
| Income tax claims (incl. Deferred) | 4.3 | 4.5 | 5.0 | 5.0 | 5.0 | 5.0 |
| Other assets | 0.6 | 1.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| **Current assets** | **28.8** | **25.0** | **27.3** | **28.0** | **31.8** | **34.5** |
| as % of total assets | 42.5% | 39.5% | 42.9% | 46.3% | 50.6% | 53.2% |
| Inventories | 2.1 | 1.7 | 1.3 | 1.6 | 1.7 | 1.8 |
| Accounts receivable | 19.2 | 17.8 | 19.5 | 17.8 | 19.0 | 19.3 |
| Other receivables and other assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current income tax claims | 0.7 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Cash and cash equivalents | 6.8 | 5.6 | 6.4 | 8.5 | 11.0 | 13.3 |
| **Total assets** | **67.8** | **63.4** | **63.6** | **60.6** | **62.9** | **64.8** |
| **Shareholders´ equity and liabilities** | | | | | | |
| **Shareholders´ equity** | **22.1** | **18.2** | **19.0** | **19.3** | **20.5** | **21.9** |
| as % of total equity and liabilities | 32.6% | 28.8% | 29.8% | 31.8% | 32.6% | 33.8% |
| Subscribed capital | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 |
| Capital reserve | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Accumulated and other comprehensive income | 11.9 | 8.1 | 8.8 | 9.1 | 10.3 | 11.7 |
| Treasurey shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Equity attributable to shareholders** | **22.1** | **18.2** | **19.0** | **19.3** | **20.5** | **21.9** |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Current liabilities and provisions** | **39.1** | **39.6** | **42.1** | **38.7** | **39.8** | **40.4** |
| as % of total equity and liabilities | 57.7% | 62.5% | 66.1% | 64.0% | 63.3% | 62.3% |
| Financial liabilities | 16.7 | 18.7 | 16.9 | 16.9 | 16.9 | 16.9 |
| Advance payments received | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounts payable | 13.5 | 17.2 | 14.0 | 10.3 | 11.0 | 11.3 |
| Tax liabilities | 0.0 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Other provisions | 4.2 | 3.6 | 6.2 | 6.5 | 6.8 | 7.2 |
| Other liabilities | 2.6 | 0.0 | 4.9 | 4.9 | 4.9 | 4.9 |
| **Non-current liabilities and provisions** | **6.6** | **5.5** | **2.6** | **2.6** | **2.6** | **2.6** |
| as % of total equity and liabilities | 9.7% | 8.7% | 4.0% | 4.2% | 4.1% | 3.9% |
| Pension provisions and similar obligations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial liabilities | 3.5 | 2.3 | 1.0 | 1.0 | 1.0 | 1.0 |
| Deferred tax liabilities | 0.1 | 0.2 | 0.4 | 0.4 | 0.4 | 0.4 |
| Provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities | 3.0 | 3.1 | 1.2 | 1.2 | 1.2 | 1.2 |
| **Total equity and liabilities** | **67.8** | **63.4** | **63.6** | **60.6** | **62.9** | **64.8** |

*Source: Splendid Medien, FMR*

## Cash Flow Statement

| in EURm | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e |
|---|---|---|---|---|---|---|
| **Net income** | **-1.3** | **-2.9** | **2.5** | **1.6** | **2.5** | **2.7** |
| Depreciation and amortisation | 18.4 | 17.7 | 16.3 | 19.8 | 17.8 | 17.3 |
| Other transactions incl. non-cash | -1.5 | 0.1 | -0.5 | -1.3 | -1.3 | -1.3 |
| Change in Working Capital | 1.0 | -1.0 | 1.3 | -2.0 | -0.2 | 0.2 |
| **Cash flow from operating activities** | **16.6** | **13.9** | **19.5** | **18.1** | **18.8** | **18.9** |
| CAPEX | -18.1 | -15.6 | -15.7 | -16.0 | -16.3 | -16.6 |
| Change in consolidation, net cash | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other investing activities | -3.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Cash flow from investing activities** | **-21.5** | **-15.6** | **-15.7** | **-16.0** | **-16.3** | **-16.6** |
| Change in debt | 5.1 | 0.5 | -3.1 | 0.0 | 0.0 | 0.0 |
| Net proceeds from capital increase & right capital & change in capital reserve | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Acquisition of treasury shares & minority stakes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend payments | -1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other financing activities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Cash flow from financing activities** | **3.8** | **0.5** | **-3.1** | **0.0** | **0.0** | **0.0** |
| **Total change in cash and cash equivalents** | **-1.1** | **-1.2** | **0.8** | **2.1** | **2.5** | **2.3** |
| Effect of exchange rate changes on cash | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other changes in cash and cash equivalents | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash and cash equivalents at the start of the period | 7.8 | 6.8 | 5.6 | 6.4 | 8.5 | 11.0 |
| **Cash and cash equivalents at year´s end** | **6.8** | **5.6** | **6.4** | **8.5** | **11.0** | **13.3** |

*Source: Splendid Medien, FMR*

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b) Time conditions of expected updates: quarterly

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(v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;

(vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.

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|---|---|
| Splendid Medien AG | - |

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(ii.) was involved in the management of a syndicate within the past five months that issued financial instruments of the issuer in the context of a public tender;

(iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements:

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(v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;

(vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.

(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

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|---|---|
| Splendid Medien AG | iii, vi |

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