

Splendid Medien AG

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

Published: 28th August 2019

HOLD

Before: BUY

Price Target EUR 1.00 (1.50)
Share price* EUR 0.99 (+0%)

*last XETRA closing price

Change	2019e	2020e	2021e
Sales	-12.2%	-17.6%	-14.7%
EBIT	n.m.	n.m.	n.m.
EPS	n.m.	n.m.	n.m.



Source: Factset

Basic share data

Number of shares (million)	9.8
Free Float (in %)	31%
Market Cap (in million EUR)	9.8
Trading volume (Ø)	5,200
High (EUR, 52 weeks)	1.75
Low (EUR, 52 weeks)	0.95

Shareholder structure

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

Corporate calendar

H1 19 report	30.09.2019
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2019 marked by write-offs

Book value adjustments in film library: Splendid announced that the book values of their film library have to be adjusted, which lead to a special write-off in the amount of EUR 8.4m. Additionally, the goodwill value of splendid studios were lowered by EUR 1m (previously: EUR 4.9m). All in all, write-offs amount to EUR 9.4m in 2019.

New EBIT guidance 2019: The book value adjustments, the revaluation of goodwill and the reduced sales expectation accordingly led to an adjustment of the EBIT expectation in the 2019 financial year. The EBIT previously forecasted in a range of EUR 1.0m to EUR 3.0m will not be achieved. The Management Board now expects EBIT for the year as a whole to be in the range of EUR -9.0m to EUR -10.5m.

New sales guidance 2019: In addition, the Management Board expects that the Group sales forecast for 2019 as a whole in the range of EUR 51m to EUR 55m will also no longer be achieved. Instead, the Management Board expects consolidated sales for the year as a whole to range between EUR 47m and EUR 51m.

Updated estimates for 2019e: We now forecast revenues of EUR 47.2m and an EBIT of EUR -10.1m for 2019e. As we had already pointed out in our initial note, flops in Theatrical and Home Entertainment releases can lead to high volatility both in sales and on EBIT level, which now happened.

HOLD recommendation; new TP of EUR 1.00/share: The company plans to invest in a broad portfolio of less capital-intensive films in the future. In this way, the company is deviating somewhat from its previous strategy, which in our view limits visibility. We have therefore adjusted our estimates for the next 2 years conservatively. Splendid needs good news/films in order to give the share a positive momentum again.

FY End: 31.12.; in EURm	CAGR (18-21e)	2016	2017	2018	2019e	2020e	2021e
Turnover	-1.1%	51.9	53.0	51.7	47.2	47.5	50.0
EBITDA	-2.0%	17.0	15.4	18.7	19.2	17.3	17.6
Margin		32.8%	29.1%	36.1%	40.6%	36.4%	35.1%
EBIT	-51.6%	-1.4	-2.2	2.4	-10.1	-0.6	0.3
Margin		-2.6%	-4.2%	4.7%	-21.3%	-1.2%	0.5%
net result	-173.1%	-3.9	-3.9	1.4	-10.6	-1.2	-0.5
EPS	-173.1%	-0.40	-0.40	0.14	-1.08	-0.12	-0.06
Dividend per share		0.00	0.00	0.00	0.00	0.00	0.00
EV		22.9	24.6	20.8	22.1	17.1	11.4
EV/Sales		0.4	0.5	0.4	0.5	0.4	0.2
EV/EBITDA		1.3	1.6	1.1	1.2	1.0	0.6
P/E		-2.5	-2.5	6.9	-0.9	-8.0	-17.7
Net debt/EBITDA		-0.8	-1.0	-0.6	-0.6	-0.4	-0.1

Source: Splendid Medien, FMR

Valuation

DCF valuation

in EURm	PHASE 1			PHASE 2							PHASE 3
	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	∞
Sales	47.2	47.5	50.0	51.0	52.1	53.1	54.2	55.3	56.4	57.5	
Sales growth YoY in %	-8.8%	0.6%	5.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
EBIT	-10.1	-0.6	0.3	2.6	2.6	2.7	2.7	2.8	2.8	2.9	
EBIT margin in %	-21.3%	-1.2%	0.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Income tax on EBIT	0.5	0.3	0.1	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8	-0.8	
Depreciation and amortisation	29.2	17.8	17.3	17.6	17.6	17.6	17.6	17.6	17.6	17.6	
Change in net working capital	-5.0	-1.0	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
Net capital expenditure	-14.9	-10.6	-10.8	-17.5	-17.5	-17.5	-17.5	-17.5	-17.5	-17.6	
Free cash flow	-0.2	6.0	6.6	1.8	1.8	1.9	1.9	2.0	2.0	1.9	
Present values	-0.2	5.3	5.3	1.3	1.2	1.1	1.1	1.0	0.9	0.8	10.9
Present value Phase 1	10.4	95%									
Present value Phase 2	7.4	26%									
Present value Phase 3	10.9	38%									
Total present value	28.7	100%									
- Net debt	-17.5										
- Minority interest (est. market value)	0.0										
Fair value of equity	11.2										
Number of shares (m)	9.8										
Fair value per share (EUR)	1.14										

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)	1.70
CAGR Sales Phase 2	2.0%	WACC	9.40%
∅ 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%	0.27	0.30	0.35	0.40	0.45
	4.0%	0.63	0.68	0.74	0.81	0.89
	5.0%	1.00	1.06	1.14	1.23	1.33
	6.0%	1.36	1.45	1.54	1.64	1.77
	7.0%	1.73	1.83	1.93	2.06	2.20

Source: Splendid Medien, FMR

Appendix

P&L							
	in EURm	2016	2017	2018	2019e	2020e	2021e
Revenues		51.9	53.0	51.7	47.2	47.5	50.0
YoY growth		-8.6%	2.2%	-2.5%	-8.8%	0.6%	5.5%
Cost of revenues		-38.2	-39.2	-34.9	-28.8	-27.3	-28.3
as % of revenues		-73.5%	-73.9%	-67.5%	-61.0%	-57.5%	-56.5%
Gross profit		13.7	13.9	16.8	18.4	20.2	21.8
as % of revenues		26.5%	26.1%	32.5%	39.0%	42.5%	43.5%
General & administrative expenses		-7.0	-6.8	-6.6	-6.1	-6.6	-6.8
as % of revenues		-13.5%	-12.7%	-12.8%	-13.0%	-14.0%	-13.6%
Sales and marketing expenses		-9.7	-10.8	-8.6	-13.0	-14.1	-14.7
as % of revenues		-18.7%	-20.4%	-16.6%	-27.5%	-29.8%	-29.4%
Other operating income/expenses		1.7	0.8	0.8	0.1	0.0	0.0
as % of revenues		3.2%	1.6%	1.6%	0.1%	0.1%	0.1%
Reported EBITDA		17.1	14.8	18.7	19.2	17.3	17.6
as % of revenues		33.0%	27.9%	36.2%	40.6%	36.4%	35.1%
Depreciation and amortisation (incl. PPA)		-18.4	-17.7	-16.3	-29.2	-17.8	-17.3
as % of revenues		-35.5%	-33.3%	-31.4%	-61.9%	-37.6%	-34.6%
Reported EBIT		-1.3	-2.9	2.5	-10.1	-0.6	0.3
as % of revenues		-2.5%	-5.4%	4.8%	-21.3%	-1.2%	0.5%
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	-11.1	-1.5	-0.7
as % of revenues		-3.7%	-7.0%	2.9%	-23.4%	-3.2%	-1.4%
Income taxes		-2.0	-0.1	-0.1	0.5	0.3	0.1
as % of EBT		106.3%	3.8%	-6.1%	-4.5%	-20.0%	-20.0%
Income from continuing operations		-3.9	-3.9	1.4	-10.6	-1.2	-0.5
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	-10.6	-1.2	-0.5
Minorities		0.0	0.0	0.0	0.0	0.0	0.0
Net income attributable to shareholders		-3.9	-3.9	1.4	-10.6	-1.2	-0.5
Net margin in %		-7.6%	-7.3%	2.7%	-22.4%	-2.5%	-1.1%
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	-1.08	-0.12	-0.06

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	22.1	14.8	8.3
as % of total assets			57.5%	60.5%	57.1%	45.6%	31.1%	17.3%
Intangible assets (incl. Goodwill)			5.2	5.1	5.1	5.0	5.0	5.1
Property, plant and equipment			1.1	1.3	1.3	1.3	1.3	1.3
Long-term investments			27.7	26.0	24.5	10.3	3.0	-3.6
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	26.4	32.8	39.6
as % of total assets			42.5%	39.5%	42.9%	54.4%	68.9%	82.7%
Inventories			2.1	1.7	1.3	1.4	1.4	1.5
Accounts receivable			19.2	17.8	19.5	19.7	21.1	22.2
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	5.1	10.2	15.8
Total assets			67.8	63.4	63.6	48.5	47.6	47.9
Shareholders' equity and liabilities								
Shareholders' equity			22.1	18.2	19.0	8.4	7.2	6.7
as % of total equity and liabilities			32.6%	28.8%	29.8%	17.4%	15.2%	13.9%
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	-1.7	-2.9	-3.5
Treasury shares			0.0	0.0	0.0	0.0	0.0	0.0
Equity attributable to shareholders			22.1	18.2	19.0	8.4	7.2	6.7
Minorities			0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities and provisions			39.1	39.6	42.1	37.5	37.9	38.7
as % of total equity and liabilities			57.7%	62.5%	66.1%	77.3%	79.5%	80.7%
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	9.0	9.1	9.6
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%	5.3%	5.4%	5.3%
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	48.5	47.6	47.9

Source: Splendid Medien, FMR

Cash Flow Statement

in EURm	2016	2017	2018	2019e	2020e	2021e
Net income	-1.3	-2.9	2.5	-10.1	-0.6	0.3
Depreciation and amortisation	18.4	17.7	16.3	29.2	17.8	17.3
Other transactions incl. non-cash	-1.5	0.1	-0.5	-0.5	-0.7	-0.8
Change in Working Capital	1.0	-1.0	1.3	-5.0	-1.0	-0.3
Cash flow from operating activities	16.6	13.9	19.5	13.7	15.6	16.4
CAPEX	-18.1	-15.6	-15.7	-14.9	-10.6	-10.8
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	-14.9	-10.6	-10.8
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	-1.2	5.0	5.7
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	5.1	10.2
Cash and cash equivalents at year's end	6.8	5.6	6.4	5.1	10.2	15.8

Source: Splendid Medien, FMR

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- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Lurgiallee 12, 60439 Frankfurt am Main
- d) Previous analyses: No analysis was published in the 12 months before publication of this analysis that contains a recommendation for a specific investment decision which contradicts this analysis.
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Company	Disclosure(s)
Splendid Medien AG	-

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

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Company	Disclosure(s)
Splendid Medien AG	iii, v, vi

Recommendation history over last 12 months:

Date	Recommendation	Share price at publication date	Price target
11.04.2019	BUY	1.30	1.50
28.08.2019	HOLD	0.99	1.00

4. Creation and distribution

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FMR Frankfurt Main Research AG

Registered office: Frankfurt am Main; Commercial Register No. HRB 113537, Frankfurt am Main district court; Chairman: Marcus Silbe

b) Issuer

Marcus Silbe, Head of Research, Senior Analyst

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BUY: In our opinion, the stock will demonstrate an absolute price gain of at least 10 % in a 12-month period.

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