



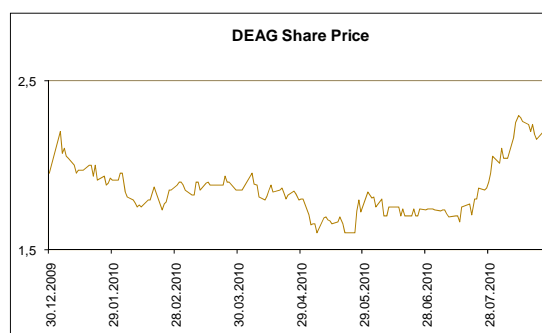
Deutsche Entertainment AG

Analysis of H1 '10 results: Profitability rises on slightly lower revenues

Key Data

Absolute	-1m	-3m	Y-t-d
%	15.6	34.4	10.3
Net Gearing (2009)			15.0%
FCF Yield (2010e)			4.6%
Shares outstanding (m)			12.4
Market Cap (€m)			24.5
Next Event	Q3 results, 30.11.2010		

Source: Bloomberg, Silvia Quandt Research GmbH



Rating: Buy

Target price: €3.15

Close 25/08/10: €2.15

RIC: ERMGK.DE

DEAG announced its H1 figures today, which showed a solid increase in profitability on slightly lower revenues. The lower revenues can be explained by the concert line-up during the summer months.

Revenues declined 5% to €54.2m but considering the concert line-up in Q4 we are not worried for the Full-Year.

EBITDA rose 7% to €3.3m whilst EBIT rose 9% to €2.7m. EPS increased a whopping 67% to 10 cents per share which considering our expectations for H2 (Q4 especially) will probably mean we need to increase our FY targets.

We expect DEAG to earn €0.19 per share this year on revenues of €120.1m valuing the company at a modest 5.8x EV/EBITDA.

DEAG has been full of good news recently including the stake build up by David Garrett, the JV with Sony Music for Schlagermusik (German Pop Music) and now, the excellent H1 results. Investors seem to warm to the story too, as can be seen by the share price performance recently. We reiterate our Buy rating and price target of €3.15 and may have to upgrade our targets after the Q3 results.

Year end	Sales	EBIT	EPS /EBITDA
Dec	(€m)	(€m)	€ (x)
2009	116.7	4.8	0.04 7.7
2010e	120.1	7.4	0.19 5.8
2011e	124.1	7.9	0.20 5.5
2012e	125.9	8.0	0.22 5.4

Source: Company Data, Silvia Quandt Research GmbH

Disclaimer

This analysis was prepared by Jacques Abramowicz, Head of Technology, Media and Telecommunications, and was first published 26 August 2010, Silvia Quandt Research GmbH, Grüneburgweg 18, 60322 Frankfurt is responsible for its preparation. German Regulatory Authority: Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Str. 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt.

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