

**Buy** (old: Buy)

**Price target: EUR 4.30** (old: EUR 4.30)

**Price:** EUR 2.42      **Next result:** Q2 2011 31.08.11  
**Bloomberg:** ERMK GR      **Market cap:** EUR 30.0 m  
**Reuters:** ERMGk.DE      **Enterprise Value:** EUR 23.8 m

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## Strong Q2 results underpin healthy growth expectations

Last week, DEAG reported excellent preliminary Q2 results which exceeded our estimates. The full report will be published on 31 August.

Sales increased by some 21% yoy to € 40.7m on the back of a multitude of events; i.e. David Garrett and Peter Maffay in GER, Justin Timberlake, Shakira, Sting, etc. in CH and productions like Romeo&Juliet and Madame Butterfly in the UK.

EUR	Q2 11	Q2 11 est	Q2 10	yoy	Q1 11	qoq
<b>Sales</b>	<b>40.7</b>	<b>42.1</b>	<b>33.7</b>	20.7%	<b>24.0</b>	69.6%
<b>EBIT</b>	<b>4.0</b>	<b>3.1</b>	<b>1.4</b>	177.8%	<b>1.6</b>	154.8%
EBIT margin	9.8%	7.4%	4.3%	+ 5.6 pp	6.5%	+ 3.3 pp
<b>Net profit</b>	<b>1.5</b>	<b>1.2</b>	<b>0.9</b>	57.7%	<b>0.4</b>	231.1%
Net margin	3.6%	2.9%	2.7%	+ 0.8 pp	1.8%	+ 1.7 pp
<b>EPS</b>	<b>0.11</b>	<b>0.09</b>	<b>0.07</b>	57.7%	<b>0.04</b>	175.0%

EBIT increased disproportionately by c. 180% yoy to € 4m driven by a considerably improved operating development in all business segments, i.e. DEAG Classics, Rock/Pop in CH and GER, DEAG Music and Manfred Hertlein.

### More specifically, the company benefitted from

- A higher share of high-margin Classics business as a result of the two highly successful tours of David Garrett and Peter Maffay.
- The increased utilisation of its preferred ticketing partner Ticketmaster which has intensified its effort in Germany recently.
- A strong business in the UK as well as in the new segment Schlager/MOR which already contributed positively to the operating result

Theme should remain well intact as a result of a healthy pipeline for H2 2011 and beyond in all the relevant segments. Consequently, the company has reiterated its guidance to improve the operating profitability in 2011 compared to last year. While our estimates remain unchanged, there is a chance that DEAG could exceed our full year net profit estimate of € 2.9m on the back of the strong performance in H1 (€ 1.9m).

DEAG remains a Buy with a PT of € 4.30 based on FCFY 2012E underpinned by a sum-of-the-parts valuation of Good News, DEAG Classics, Manfred Hertlein and DEAG Music which would yield € 4.00.

Y/E 31.12 (EUR m)	2007	2008	2009	2010	2011E	2012E	2013E
Sales	78.7	109.5	116.7	125.8	151.5	164.8	173.9
Sales growth	-5 %	39 %	7 %	8 %	20 %	9 %	6 %
EBITDA	6.7	3.7	6.4	10.0	10.4	12.1	13.2
EBIT	5.6	-3.1	4.8	8.2	9.3	11.0	12.1
Net income	1.1	-11.1	0.5	1.3	2.9	3.7	4.2
Net debt	4.7	11.3	4.2	0.3	-6.2	-12.8	-21.0
Net gearing	-8.5 %	-16.5 %	-41.7 %	-83.4 %	-87.8 %	-93.3 %	-96.7 %
Net Debt/EBITDA	0.7	3.0	0.7	0.0	0.0	0.0	0.0
EPS fully diluted	0.05	-0.37	0.07	0.16	0.23	0.30	0.34
CPS	-0.15	0.22	-0.02	0.75	0.45	0.52	0.64
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Gross profit margin	26.9 %	24.2 %	22.7 %	24.9 %	24.1 %	24.2 %	24.5 %
EBITDA margin	8.5 %	3.4 %	5.5 %	8.0 %	6.8 %	7.3 %	7.6 %
EBIT margin	7.1 %	-2.9 %	4.1 %	6.5 %	6.1 %	6.7 %	7.0 %
ROCE	11.1 %	-6.2 %	9.8 %	17.0 %	18.2 %	19.5 %	19.3 %
EV/sales	0.8	0.6	0.3	0.2	0.2	0.1	0.1
EV/EBITDA	9.1	18.6	5.3	3.0	2.3	1.4	0.7
EV/EBIT	10.9	-22.1	7.1	3.7	2.6	1.6	0.7
PER	26.8	-9.7	23.8	22.2	10.3	8.1	7.2
Adjusted FCF yield	7.5 %	2.5 %	12.1 %	12.5 %	14.9 %	24.7 %	51.9 %

Source: Company data, Hauck & Aufhäuser Close price as of: 29.08.2011



Source: Company data, Hauck & Aufhäuser

**High/low 52 weeks:** 3.58 / 2.05

**Price/Book Ratio:** 1.1

**Relative performance (SDAX):**

3 months -5.2 %

6 months 1.5 %

12 months 10.0 %

### Changes in estimates

		Sales	EBIT	EPS
2011	old:	151.5	9.3	0.23
	Δ	-	-	-
2012	old:	164.8	11.0	0.30
	Δ	-	-	-
2013	old:	173.9	12.1	0.34
	Δ	-	-	-

### Key share data:

Number of shares: (in m pcs) 12.4

Authorised capital: (in € m) 0.0

Book value per share: (in €) 2.3

Ø trading volume: (12 months) 38,000

### Major shareholders:

Free Float 50.0 %  
Heliad Equity Partners 25.1 %  
Peter Schwenkow 24.9 %  
David Garrett (incl. in free float) 3.0 %

### Company description:

DEAG is one of the leading live entertainment providers in Europe. While it is the dominant market leader in the organisation of Rock/Pop tours in Switzerland, it is the second biggest player in Germany and the biggest European concert promoter in the classical music business.

## Financials

Profit and loss (EUR m)	2007	2008	2009	2010	2011E	2012E	2013E
<b>Sales</b>	<b>78.7</b>	<b>109.5</b>	<b>116.7</b>	<b>125.8</b>	<b>151.5</b>	<b>164.8</b>	<b>173.9</b>
<i>Sales growth</i>	-4.9 %	39.0 %	6.6 %	7.8 %	20.5 %	8.8 %	5.5 %
Cost of sales	57.6	82.9	90.2	94.5	115.0	125.0	131.3
<b>Gross profit</b>	<b>21.2</b>	<b>26.5</b>	<b>26.5</b>	<b>31.3</b>	<b>36.5</b>	<b>39.9</b>	<b>42.6</b>
Sales and marketing	8.7	13.8	14.7	13.2	15.9	17.0	17.9
General and administration	8.7	10.2	11.0	11.4	13.3	14.2	15.0
Research and development	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	3.5	2.1	5.2	3.2	3.4	3.9	4.1
Other operating expenses	0.6	1.0	1.1	1.7	1.5	1.6	1.7
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>6.7</b>	<b>3.7</b>	<b>6.4</b>	<b>10.0</b>	<b>10.4</b>	<b>12.1</b>	<b>13.2</b>
Depreciation	0.2	0.3	0.2	0.2	0.6	0.6	0.6
<b>EBITA</b>	<b>6.5</b>	<b>3.4</b>	<b>6.2</b>	<b>9.8</b>	<b>9.8</b>	<b>11.5</b>	<b>12.6</b>
Amortisation of goodwill	0.0	2.3	0.4	0.7	0.0	0.0	0.0
Amortisation of intangible assets	0.9	4.2	1.0	0.9	0.5	0.5	0.5
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>5.6</b>	<b>-3.1</b>	<b>4.8</b>	<b>8.2</b>	<b>9.3</b>	<b>11.0</b>	<b>12.1</b>
Interest income	0.0	0.0	0.1	0.1	0.1	0.1	0.3
Interest expenses	0.2	1.1	1.4	1.2	0.6	0.5	0.4
Other financial result	-1.1	-0.2	-0.3	-0.2	0.0	0.0	0.0
Financial result	-1.5	-1.4	-1.6	-1.3	-0.5	-0.4	-0.1
<b>Recurring pretax income from continuing operations</b>	<b>4.1</b>	<b>-4.6</b>	<b>3.3</b>	<b>6.9</b>	<b>8.8</b>	<b>10.6</b>	<b>12.0</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>4.1</b>	<b>-4.6</b>	<b>3.3</b>	<b>6.9</b>	<b>8.8</b>	<b>10.6</b>	<b>12.0</b>
Taxes	0.6	0.4	0.4	2.5	1.8	2.2	2.5
<b>Net income from continuing operations</b>	<b>3.5</b>	<b>-5.0</b>	<b>2.9</b>	<b>4.4</b>	<b>6.9</b>	<b>8.4</b>	<b>9.4</b>
Result from discontinued operations (net of tax)	1.0	5.2	0.8	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>2.5</b>	<b>-10.1</b>	<b>2.1</b>	<b>4.4</b>	<b>6.9</b>	<b>8.4</b>	<b>9.4</b>
Minority interest	1.4	1.0	1.6	3.0	4.0	4.7	5.3
<b>Net income (net of minority interest)</b>	<b>1.1</b>	<b>-11.1</b>	<b>0.5</b>	<b>1.3</b>	<b>2.9</b>	<b>3.7</b>	<b>4.2</b>
Average number of shares	23.1	24.0	12.4	12.4	12.4	12.4	12.4
<b>EPS reported</b>	<b>0.05</b>	<b>-0.46</b>	<b>0.04</b>	<b>0.11</b>	<b>0.23</b>	<b>0.30</b>	<b>0.34</b>

Profit and loss (common size)	2007	2008	2009	2010	2011E	2012E	2013E
<b>Sales</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Cost of sales	73.1 %	75.8 %	77.3 %	75.1 %	75.9 %	75.8 %	75.5 %
<b>Gross profit</b>	<b>26.9 %</b>	<b>24.2 %</b>	<b>22.7 %</b>	<b>24.9 %</b>	<b>24.1 %</b>	<b>24.2 %</b>	<b>24.5 %</b>
Sales and marketing	11.0 %	12.6 %	12.6 %	10.5 %	10.5 %	10.3 %	10.3 %
General and administration	11.0 %	9.3 %	9.5 %	9.1 %	8.8 %	8.6 %	8.6 %
Research and development	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other operating income	4.4 %	1.9 %	4.5 %	2.5 %	2.3 %	2.3 %	2.3 %
Other operating expenses	0.8 %	0.9 %	0.9 %	1.3 %	1.0 %	1.0 %	1.0 %
Unusual or infrequent items	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBITDA</b>	<b>8.5 %</b>	<b>3.4 %</b>	<b>5.5 %</b>	<b>8.0 %</b>	<b>6.8 %</b>	<b>7.3 %</b>	<b>7.6 %</b>
Depreciation	0.3 %	0.3 %	0.2 %	0.2 %	0.4 %	0.4 %	0.3 %
<b>EBITA</b>	<b>8.2 %</b>	<b>3.1 %</b>	<b>5.3 %</b>	<b>7.8 %</b>	<b>6.5 %</b>	<b>7.0 %</b>	<b>7.2 %</b>
Amortisation of goodwill	0.0 %	2.1 %	0.3 %	0.6 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	1.1 %	3.8 %	0.8 %	0.7 %	0.3 %	0.3 %	0.3 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBIT</b>	<b>7.1 %</b>	<b>-2.9 %</b>	<b>4.1 %</b>	<b>6.5 %</b>	<b>6.1 %</b>	<b>6.7 %</b>	<b>7.0 %</b>
Interest income	0.0 %	0.0 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Interest expenses	0.3 %	1.0 %	1.2 %	0.9 %	0.4 %	0.3 %	0.2 %
Other financial result	-1.4 %	-0.2 %	-0.2 %	-0.2 %	0.0 %	0.0 %	0.0 %
Financial result	-1.8 %	-1.3 %	-1.3 %	-1.0 %	-0.3 %	-0.2 %	-0.1 %
<b>Recurring pretax income from continuing operations</b>	<b>5.2 %</b>	<b>-4.2 %</b>	<b>2.8 %</b>	<b>5.5 %</b>	<b>5.8 %</b>	<b>6.4 %</b>	<b>6.9 %</b>
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>5.2 %</b>	<b>-4.2 %</b>	<b>2.8 %</b>	<b>5.5 %</b>	<b>5.8 %</b>	<b>6.4 %</b>	<b>6.9 %</b>
Tax rate	15.4 %	-8.6 %	11.9 %	36.6 %	21.0 %	21.0 %	21.0 %
<b>Net income from continuing operations</b>	<b>4.4 %</b>	<b>-4.5 %</b>	<b>2.5 %</b>	<b>3.5 %</b>	<b>4.6 %</b>	<b>5.1 %</b>	<b>5.4 %</b>
Result from discontinued operations (net of tax)	1.2 %	4.7 %	0.7 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Net income</b>	<b>3.2 %</b>	<b>-9.2 %</b>	<b>1.8 %</b>	<b>3.5 %</b>	<b>4.6 %</b>	<b>5.1 %</b>	<b>5.4 %</b>
Minority interest	1.8 %	0.9 %	1.4 %	2.4 %	2.7 %	2.8 %	3.0 %
<b>Net income (net of minority interest)</b>	<b>1.4 %</b>	<b>-10.2 %</b>	<b>0.4 %</b>	<b>1.1 %</b>	<b>1.9 %</b>	<b>2.2 %</b>	<b>2.4 %</b>

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2007	2008	2009	2010	2011E	2012E	2013E
<b>Intangible assets</b>	<b>31.5</b>	<b>31.0</b>	<b>25.4</b>	<b>24.2</b>	<b>23.9</b>	<b>23.6</b>	<b>23.3</b>
Property, plant and equipment	9.1	9.1	9.1	9.0	8.8	8.6	8.4
Financial assets	1.0	1.0	1.6	1.0	1.0	1.0	1.0
<b>FIXED ASSETS</b>	<b>41.5</b>	<b>41.1</b>	<b>36.1</b>	<b>34.2</b>	<b>33.7</b>	<b>33.2</b>	<b>32.7</b>
Inventories	3.7	6.5	6.5	7.7	9.5	11.0	12.0
Accounts receivable	6.5	6.6	8.9	7.5	9.1	9.9	10.5
Other current assets	4.1	5.6	3.0	3.8	3.8	3.8	3.8
Liquid assets	14.3	22.2	23.5	31.8	36.9	43.5	51.5
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>28.6</b>	<b>40.9</b>	<b>41.8</b>	<b>50.9</b>	<b>59.3</b>	<b>68.2</b>	<b>77.7</b>
<b>TOTAL ASSETS</b>	<b>70.1</b>	<b>82.0</b>	<b>77.9</b>	<b>85.1</b>	<b>93.0</b>	<b>101.4</b>	<b>110.4</b>
SHAREHOLDERS EQUITY	30.7	20.4	21.8	22.4	28.2	34.2	41.8
MINORITY INTEREST	3.3	3.6	4.2	4.8	4.8	4.8	4.8
Long-term debt	8.9	14.7	12.0	10.6	9.5	9.0	8.5
Provisions for pensions and similar obligations	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Other provisions	5.4	7.5	7.7	8.2	8.3	8.4	8.6
<b>Non-current liabilities</b>	<b>14.3</b>	<b>22.2</b>	<b>19.7</b>	<b>18.7</b>	<b>17.8</b>	<b>17.4</b>	<b>17.1</b>
short-term liabilities to banks	2.7	4.1	2.4	2.6	2.6	2.6	2.6
Accounts payable	4.2	7.5	10.2	9.4	11.5	12.0	12.2
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	0.0	1.8	0.0	0.0	0.0	0.0	0.0
Deferred taxes	1.6	2.0	1.0	2.3	2.3	2.3	2.3
Deferred income	13.3	20.4	18.5	24.8	25.8	28.1	29.6
<b>Current liabilities</b>	<b>21.8</b>	<b>35.8</b>	<b>32.2</b>	<b>39.1</b>	<b>42.2</b>	<b>45.0</b>	<b>46.8</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>70.1</b>	<b>82.0</b>	<b>77.9</b>	<b>85.1</b>	<b>93.0</b>	<b>101.4</b>	<b>110.5</b>

Balance sheet (common size)	2007	2008	2009	2010	2011E	2012E	2013E
<b>Intangible assets</b>	<b>44.9 %</b>	<b>37.8 %</b>	<b>32.6 %</b>	<b>28.4 %</b>	<b>25.7 %</b>	<b>23.2 %</b>	<b>21.1 %</b>
Property, plant and equipment	13.0 %	11.1 %	11.6 %	10.6 %	9.5 %	8.5 %	7.6 %
Financial assets	1.4 %	1.2 %	2.0 %	1.2 %	1.1 %	1.0 %	0.9 %
<b>FIXED ASSETS</b>	<b>59.3 %</b>	<b>50.1 %</b>	<b>46.3 %</b>	<b>40.2 %</b>	<b>36.2 %</b>	<b>32.8 %</b>	<b>29.6 %</b>
Inventories	5.3 %	7.9 %	8.3 %	9.1 %	10.2 %	10.8 %	10.9 %
Accounts receivable	9.3 %	8.1 %	11.4 %	8.9 %	9.8 %	9.8 %	9.5 %
Other current assets	5.8 %	6.8 %	3.8 %	4.4 %	4.0 %	3.7 %	3.4 %
Liquid assets	20.4 %	27.0 %	30.2 %	37.4 %	39.7 %	42.9 %	46.6 %
Deferred taxes	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>CURRENT ASSETS</b>	<b>40.7 %</b>	<b>49.9 %</b>	<b>53.7 %</b>	<b>59.8 %</b>	<b>63.7 %</b>	<b>67.2 %</b>	<b>70.4 %</b>
<b>TOTAL ASSETS</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
SHAREHOLDERS EQUITY	43.8 %	24.9 %	28.0 %	26.3 %	30.3 %	33.7 %	37.8 %
MINORITY INTEREST	4.7 %	4.3 %	5.4 %	5.7 %	5.2 %	4.7 %	4.4 %
Long-term debt	12.7 %	17.9 %	15.4 %	12.4 %	10.2 %	8.9 %	7.7 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	7.7 %	9.1 %	9.8 %	9.6 %	8.9 %	8.3 %	7.8 %
<b>Non-current liabilities</b>	<b>20.4 %</b>	<b>27.0 %</b>	<b>25.3 %</b>	<b>22.0 %</b>	<b>19.1 %</b>	<b>17.2 %</b>	<b>15.5 %</b>
short-term liabilities to banks	3.9 %	5.0 %	3.1 %	3.1 %	2.8 %	2.6 %	2.4 %
Accounts payable	6.0 %	9.1 %	13.1 %	11.1 %	12.3 %	11.8 %	11.1 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	0.0 %	2.2 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred taxes	2.2 %	2.5 %	1.3 %	2.7 %	2.5 %	2.3 %	2.1 %
Deferred income	18.9 %	24.9 %	23.7 %	29.1 %	27.7 %	27.7 %	26.8 %
<b>Current liabilities</b>	<b>31.1 %</b>	<b>43.7 %</b>	<b>41.3 %</b>	<b>46.0 %</b>	<b>45.4 %</b>	<b>44.4 %</b>	<b>42.4 %</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2007	2008	2009	2010	2011E	2012E	2013E
Net profit/loss	2.5	-10.1	2.1	4.4	6.9	8.4	9.4
Depreciation of fixed assets (incl. leases)	0.2	0.3	0.2	0.2	0.6	0.6	0.6
Amortisation of goodwill	0.0	2.3	0.4	0.7	0.0	0.0	0.0
Amortisation of intangible assets	0.9	4.2	1.0	0.9	0.5	0.5	0.5
Others	0.0	4.3	-0.3	3.3	0.0	0.0	0.0
Cash flow from operations before changes in w/c	3.6	1.0	3.4	9.5	8.0	9.5	10.5
Increase/decrease in inventory	1.8	-2.8	-3.0	0.8	-1.8	-1.5	-1.0
Increase/decrease in accounts receivable	-3.6	-0.1	0.0	0.0	-1.6	-0.8	-0.5
Increase/decrease in accounts payable	0.8	3.3	0.0	0.0	2.0	0.5	0.2
Increase/decrease in other working capital positions	-5.9	4.6	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-6.9	4.9	-3.0	0.8	-1.3	-1.8	-1.3
<b>Cash flow from operating activities</b>	<b>-3.3</b>	<b>5.9</b>	<b>0.4</b>	<b>10.3</b>	<b>6.7</b>	<b>7.7</b>	<b>9.2</b>
CAPEX	0.5	0.5	0.3	0.3	0.6	0.6	0.6
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.5	0.5	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	1.4	-2.5	-0.1	1.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>1.4</b>	<b>-2.6</b>	<b>-0.4</b>	<b>0.7</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-0.6</b>
Cash flow before financing	-2.8	2.4	0.0	11.0	6.1	0.0	0.0
Increase/decrease in debt position	3.6	7.1	3.6	-0.8	-1.1	-0.5	-0.5
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	1.3	-1.0	1.2	1.5	0.0	0.0	0.0
Others	-1.0	0.0	-1.4	-3.1	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.1	2.8	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>1.2</b>	<b>8.1</b>	<b>1.1</b>	<b>-5.5</b>	<b>-1.1</b>	<b>-0.5</b>	<b>-0.5</b>
Increase/decrease in liquid assets	-1.6	10.5	1.2	8.3	5.0	n/a	n/a
<b>Liquid assets at end of period</b>	<b>14.1</b>	<b>25.6</b>	<b>23.5</b>	<b>31.8</b>	<b>36.9</b>	<b>43.5</b>	<b>51.6</b>

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2007	2008	2009	2010	2011E	2012E	2013E
<b>P&amp;L growth analysis</b>							
Sales growth	-4.9 %	39.0 %	6.6 %	7.8 %	20.5 %	8.8 %	5.5 %
EBITDA growth	53.8 %	-44.1 %	72.5 %	56.1 %	3.7 %	16.3 %	9.4 %
EBIT growth	82.0 %	-156.2 %	-254.1 %	69.9 %	13.2 %	18.2 %	10.3 %
EPS growth	-355.2 %	-1047.0 %	-108.3 %	184.0 %	114.7 %	27.7 %	13.1 %
<b>Efficiency</b>							
Total operating costs / sales	18.4 %	20.8 %	18.5 %	18.3 %	18.0 %	17.5 %	17.5 %
Sales per employee	554.5	632.7	634.6	638.0	671.9	640.8	631.4
EBITDA per employee	46.9	21.5	34.9	50.8	46.0	46.9	47.9
<b>Balance sheet analysis</b>							
Avg. working capital / sales	7.0 %	5.3 %	4.6 %	4.4 %	4.3 %	4.9 %	5.5 %
Inventory turnover (sales/inventory)	21.3	16.8	18.0	16.3	15.9	15.0	14.5
Trade debtors in days of sales	30.2	22.2	27.8	21.9	22.0	22.0	22.0
A/P turnover [(A/P*365)/sales]	26.7	32.9	41.4	36.4	36.4	35.0	34.0
Cash conversion cycle (days)	26.9	17.9	12.6	15.3	15.8	n/a	n/a
<b>Cash flow analysis</b>							
Free cash flow	-3.8	5.4	0.1	10.0	6.1	7.1	8.6
Free cash flow/sales	-4.8 %	4.9 %	0.1 %	8.0 %	4.0 %	4.3 %	5.0 %
FCF / net profit	-334.5 %	-48.5 %	20.2 %	744.4 %	210.5 %	191.3 %	206.6 %
FCF yield	-6.8 %	9.3 %	0.3 %	33.5 %	20.3 %	23.6 %	28.8 %
Capex / depn	91.2 %	14.3 %	18.7 %	15.3 %	54.5 %	54.5 %	54.5 %
Capex / maintenance capex	0.0 %	0.0 %	49.0 %	16.0 %	36.4 %	33.3 %	30.8 %
Capex / sales	1.2 %	0.9 %	0.3 %	0.2 %	0.4 %	0.4 %	0.3 %
<b>Security</b>							
Net debt	4.7	11.3	4.2	0.3	-6.2	-12.8	-21.0
Net Debt/EBITDA	0.7	3.0	0.7	0.0	0.0	0.0	0.0
Net debt / equity	0.2	0.6	0.2	0.0	-0.2	-0.4	-0.5
Interest cover	23.1	0.0	3.4	6.9	15.5	21.9	30.3
Dividend payout ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Asset utilisation</b>							
Capital employed turnover	1.5	2.2	2.4	2.6	2.8	2.8	2.6
Operating assets turnover	5.2	7.4	8.2	8.5	9.5	9.4	9.3
Plant turnover	8.7	12.0	12.9	13.9	17.1	19.1	20.6
Inventory turnover (sales/inventory)	21.3	16.8	18.0	16.3	15.9	15.0	14.5
<b>Returns</b>							
ROCE	11.1 %	-6.2 %	9.8 %	17.0 %	18.2 %	19.5 %	19.3 %
ROE	3.7 %	-54.5 %	2.2 %	6.0 %	10.3 %	10.8 %	10.0 %
<b>Other</b>							
Interest paid / avg. debt	2.1 %	6.9 %	8.7 %	8.6 %	4.7 %	4.2 %	3.5 %
No. employees (average)	142	173	184	197	225	257	275
Number of shares	23.1	24.0	12.4	12.4	12.4	12.4	12.4
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	0.05	-0.46	0.04	0.11	0.23	0.30	0.34
<b>Valuation ratios</b>							
P/BV	1.8	2.8	1.4	1.3	1.1	0.9	0.7
EV/sales	0.8	0.6	0.3	0.2	0.2	0.1	0.1
EV/EBITDA	9.1	18.6	5.3	3.0	2.3	1.4	0.7
EV/EBITA	9.4	20.3	5.5	3.1	2.4	1.5	0.7
EV/EBIT	10.9	-22.1	7.1	3.7	2.6	1.6	0.7
EV/FCF	-16.0	12.8	356.4	3.0	3.9	2.4	1.0
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Company data, Hauck & Aufhäuser

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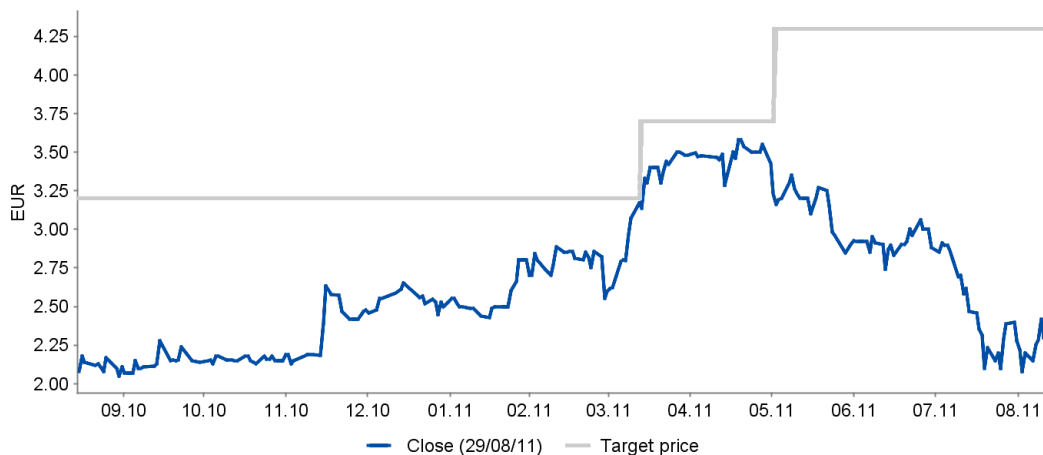
Company	Disclosure
DEAG Deutsche Entertainment AG	2

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**Historical target price and rating changes for DEAG Deutsche Entertainment AG in the last 12 months**

**Price and Rating History**  
DEAG Deutsche Entertainment AG as of 30/08/11

**Initiation coverage**  
04-December-09



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