

Media

DEAG DT. ENTERTAINMENT

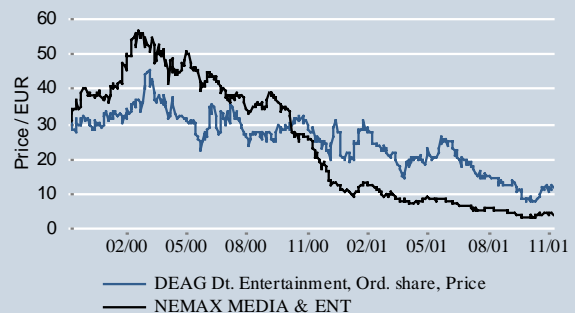
8 November 2001      €12.03      ERMG.DE

**OUTPERFORMER**

**FAIR VALUE      €15**

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## COOPERATION WITH STAGE HOLDING & Q3 FIGURES

The strong margin improvements in the Artist&Tours segment show that the strategy of reducing competition by acquiring rival Entertainment One has been successful. In our view the co-operation with STAGE Holding announced today is based on the same strategy and will be margin-enhancing in the musical business. Consequently we have adjusted our figures and underlying assumptions and changed our recommendation to outperformer with a new fair value of €5.47 (€1.20).

Yr. End	Sales	Net Profit.	EPS	PER	EV/EBITDA	EV/Sales	EBIT-Margin	Dividend	Yield
2000	259	3	0.32	96.2	10.6	0.8	2.3%	0.00	0.0%
2001e	349	9	0.89	13.5	3.8	0.3	3.3%	0.00	0.0%
2002e	396	12	1.15	10.4	2.7	0.2	5.1%	0.00	0.0%
2003e	415	14	1.32	9.1	2.4	0.2	5.9%	0.00	0.0%
€m	Market Cap.: €101.2m		EPSCAGR 99-2003: 86.1%			High/low: 30.8/7.81		Free Float: 60%	

### Strong sales and earnings contribution through Artists&Tours segment

Preliminary 9-month figures show a sales increase of 54% to €225m and an even better performance in EBITDA €15.3m (+127 %) and EBIT €4.6m (-€1.2m) compared with last year. Although sales on a like-for-like basis probably have not grown much, the improvement in the A&T segment is obvious. Q4 will be important as the theatre segment is contributing the lion share of earnings and A&T has some important acts in its repertoire (e.g. “Die Prinzen”). The successful start of “Mozart” and promising presales for the other musicals should underpin this development. DEAG might well benefit from the fact that people are currently cutting back on long-distance travel as we do not believe that fears of terrorist attacks have led to a decreasing interest in concerts. Even directly after September 11<sup>th</sup>, sport and musical events did not have fewer spectators. As DEAG has signed no American artists for Q4 there have not been any cancellations yet.

### Co-operation with STAGE Holding in Hamburg will avert “over-staging”

Both companies will run the *Operettenhaus* Hamburg jointly from July 2002 onwards and plan to install a new musical. As STAGE has several licenses but lacks stages in Germany, this seems to be a perfect fit. The musicals “Mozart” (DEAG) and “Lion King” (STAGE) in Hamburg are not affected by this agreement. Margins should increase for both partners as competition decreases. We believe this could also be a model for Berlin as we assume that the Disney musical “The Hunchback of Notre Dame” involves high license payments that might be difficult to recoup. Showing additional musicals for children, such as “Emil & die Detektive” and “Peterson & Findus” which are both based on very successful feature films, will increase margins through higher theatre utilization and lower license payments.

**P&L (Total cost)****DEAG Dt. Entertainment**

	EURm	2000	2001 (e)	2002 (e)	2003 (e)
<b>Revenues</b>		<b>259</b>	<b>349</b>	<b>396</b>	<b>415</b>
<i>Change in %</i>			34.7	13.5	5.00
+/- Inventory changes and internally produced assets		0	0	0	0
Total output		259	349	396	415
- Cost of materials		125	179	201	209
- Personnel costs		65	83	94	98
- Depreciation/Amortization		14	14	16	16
+/- Other operating income/expenses		-49	-61	-64	-68
EBITDA		20	26	36	41
<b>EBIT</b>		<b>6</b>	<b>11</b>	<b>20</b>	<b>24</b>
<i>Change in %</i>			88.9	78.5	19.5
+/- Non-operating income/expenses		0	0	0	0
+/- Participation result and other financial result		-1	0	0	0
+/- Interest result		-2	-2	-2	-2
<b>Financial result (+/-)</b>		<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>
Extraordinary profit or loss (+/-)		0	0	0	0
Other income/expenses (+/-)		0	0	0	0
<b>Earnings before tax</b>		<b>4</b>	<b>10</b>	<b>19</b>	<b>23</b>
<i>Change in %</i>			154.6	89.7	20.7
- Taxes		1	1	7	9
<i>Tax ratio in %</i>		32.0	12.0	38.0	38.0
<b>Profit/loss for the year</b>		<b>3</b>	<b>9</b>	<b>12</b>	<b>14</b>
+/- Minority interest		0	1	2	3
<b>Net earnings</b>		<b>3</b>	<b>7</b>	<b>10</b>	<b>11</b>
<i>Change in %</i>			181.1	29.7	14.4
+/- Adjustments		0	0	0	0
<b>Adjusted net earnings</b>		<b>3</b>	<b>7</b>	<b>10</b>	<b>11</b>
Number of shares		8	8	8	8
<b>Earnings per share (adj.)</b>		0.32	0.89	1.15	1.32
<i>Change in %</i>			181.1	29.7	14.4
Dividend per share		0.00	0.00	0.00	0.00
<b>Profitability ratios in %</b>					
EBITDA margin		7.73	7.38	9.12	9.79
EBIT margin		2.33	3.27	5.14	5.86
Net margin		1.03	2.15	2.45	2.67

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