



**Buy** (old: Buy)

**Price target: EUR 5.00** (old: EUR 5.00)

<b>Price:</b>	EUR 3.20	<b>Next result:</b>	FY 17: tba
<b>Bloomberg:</b>	ERMK GR	<b>Market cap:</b>	EUR 58.8 m
<b>Reuters:</b>	ERMGK.DE	<b>Enterprise Value:</b>	EUR 55.4 m

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### Seasonally soft Q3 no concern / all eyes on strong Q4

While DEAG's Q3 17 results reveal the inherent seasonality of the live entertainment business, the profitability improvements achieved year to date put DEAG well on track to record a positive earnings development for the full year.

In fact, Q3 is a seasonally soft quarter with disproportionately low contributions (only 10% of total sales in FY 16, eH&A 10% in FY 17E). Nevertheless, DEAG managed to improve both its Q3 top line (+12% yoy to € 21m) and its operating profitability (€ -1.2m vs. € -2.7m in Q3 16) thanks to its **streamlined format set up as well as a substantially improved cost discipline** (cost of sales down by 12pp yoy to 76% of sales). Importantly, with € 1.1m EBIT after 9M 17 (excluding negative contributions from the recently discontinued operations in Austria of € 2.5m), **DEAG is on track to achieve a much improved operating result this year.**

This holds especially true considering that Q4 is seasonally the strongest quarter with disproportionate contributions (c. 50% of total sales in FY 16 with an EBIT of € 7m). Hence, **we remain confident that DEAG will achieve its FY guidance** ('mid to high single-digit € m' EBIT) supported by the fact that the highly profitable Christmas Garden programmes have been expanded from 3 cities in FY 16 to 7 cities this year.

But even more importantly, prospects for the next years look encouraging driven by:

- **Strong ticket pre-sale.** DEAG has already sold > 2.2m tickets for future events (eH&A c. 1.8m for FY 18) already covering c. 30% of the target volume for FY 18E.
- **Dynamic development of the UK business.** With the acquisition of the Flying Music Group, DEAG looks set to generate > € 100m sales in the UK in FY 18E.
- An expected **expansion of the company's appealing Family Entertainment business and Christmas-related events** such as its Christmas Garden programmes which will be further expanded to 10 cities in FY 18.
- A gradual **increase in the distribution share of its high-margin ticketing channel 'myticket'** which will be further supported by the integration of the Flying Music Group (500k tickets). With this, DEAG should generate profit contributions from overall ticketing activities (Germany, UK and Austria) in excess of € 1m in FY 18E.

Given the undemanding valuation of 5.0x EV/EBIT 18E, DEAG's ongoing strategic refocusing on attractive niche formats and its UK expansion imply **attractive upside potential. BUY, PT € 5.00** (FCFY 2018E).



Source: Company data, Hauck & Aufhäuser

**High/low 52 weeks:** 3.40 / 2.43

**Price/Book Ratio:** 3.5

**Relative performance (SDAX):**

3 months 26.3 %

6 months 20.5 %

12 months -21.1 %

#### Changes in estimates

		Sales	EBIT	EPS
2017	old:	205.0	6.3	0.09
	Δ	-	-	-
2018	old:	234.3	10.1	0.22
	Δ	-	-	-
2019	old:	255.0	13.1	0.31
	Δ	-	-	-

#### Key share data:

Number of shares: (in m pcs) 17.7

Authorised capital: (in € m) 0.0

Book value per share: (in €) 0.9

Ø trading volume: (12 months) 38,000

#### Major shareholders:

Free Float	49.2 %
Plutus Holdings 2 Ltd.	10.4 %
Allianz Global Investors	10.0 %
Monolith Investment Management	9.5 %
Quaero Capital	5.4 %
Moritz Schwenkow	2.7 %

#### Company description:

Leading European live entertainment provider with a broad basis of content in rock/pop, classics, family entertainment and middle-of-the-road music.

Y/E 31.12 (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
Sales	165.5	172.2	200.4	184.8	205.0	234.3	255.0
Sales growth	6 %	4 %	16 %	-8 %	11 %	14 %	9 %
EBITDA	10.2	8.6	-24.5	2.0	8.7	12.7	15.9
EBIT	7.3	5.3	-26.2	0.5	6.3	10.1	13.1
Net income	1.0	1.0	-29.8	-3.6	1.6	4.0	5.7
Net debt	-5.0	-33.6	-6.4	-2.4	-3.4	-8.6	-17.1
Net gearing	-41.4 %	-111.2 %	-63.1 %	-40.1 %	-20.3 %	-50.1 %	-89.6 %
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.26	0.15	-1.73	-0.17	0.09	0.22	0.31
CPS	-0.66	1.56	-2.53	-0.40	0.02	0.21	0.37
DPS	0.12	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	3.8 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Gross profit margin	22.3 %	21.5 %	7.0 %	15.5 %	22.6 %	23.2 %	23.5 %
EBITDA margin	6.2 %	5.0 %	-12.2 %	1.1 %	4.3 %	5.4 %	6.2 %
EBIT margin	4.4 %	3.1 %	-13.1 %	0.3 %	3.1 %	4.3 %	5.1 %
ROCE	13.8 %	9.4 %	-48.8 %	1.1 %	11.5 %	16.1 %	19.7 %
EV/sales	0.2	0.1	0.2	0.3	0.3	0.2	0.2
EV/EBITDA	3.2	1.1	-1.9	25.1	6.4	3.9	2.6
EV/EBIT	4.5	1.8	-1.7	94.5	8.8	5.0	3.2
PER	12.2	21.3	-1.9	-18.3	37.1	14.7	10.2
Adjusted FCF yield	17.8 %	34.5 %	-68.1 %	-4.6 %	15.6 %	18.7 %	19.4 %

Source: Company data, Hauck & Aufhäuser Close price as of: 24.11.2017

## Financials

Profit and loss (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
<b>Sales</b>	<b>165.5</b>	<b>172.2</b>	<b>200.4</b>	<b>184.8</b>	<b>205.0</b>	<b>234.3</b>	<b>255.0</b>
Sales growth	6.3 %	4.1 %	16.3 %	-7.8 %	11.0 %	14.3 %	8.9 %
Cost of sales	128.6	135.3	186.3	156.2	158.7	179.9	195.1
<b>Gross profit</b>	<b>36.9</b>	<b>37.0</b>	<b>14.1</b>	<b>28.6</b>	<b>46.3</b>	<b>54.3</b>	<b>59.9</b>
Sales and marketing	19.4	21.2	24.5	21.1	24.5	27.3	29.5
General and administration	14.9	14.2	15.7	14.1	16.0	17.6	18.4
Research and development	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	6.1	5.3	9.5	8.1	6.2	7.0	7.7
Other operating expenses	1.4	1.5	9.6	0.8	5.4	5.9	6.2
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>10.2</b>	<b>8.6</b>	<b>-24.5</b>	<b>2.0</b>	<b>8.7</b>	<b>12.7</b>	<b>15.9</b>
Depreciation	2.9	3.2	1.7	1.5	1.6	1.8	1.8
<b>EBITA</b>	<b>7.3</b>	<b>5.3</b>	<b>-26.2</b>	<b>0.5</b>	<b>7.1</b>	<b>11.0</b>	<b>14.0</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.8	0.9	0.9
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>7.3</b>	<b>5.3</b>	<b>-26.2</b>	<b>0.5</b>	<b>6.3</b>	<b>10.1</b>	<b>13.1</b>
Interest income	0.2	0.2	0.0	0.0	0.2	0.2	0.2
Interest expenses	0.6	0.5	0.9	1.0	1.6	1.6	1.6
Other financial result	-0.4	-1.5	0.0	-0.5	0.0	0.0	0.0
Financial result	-0.8	-1.7	-0.9	-1.5	-1.4	-1.4	-1.3
<b>Recurring pretax income from continuing operations</b>	<b>6.5</b>	<b>3.6</b>	<b>-27.2</b>	<b>-1.0</b>	<b>4.9</b>	<b>8.7</b>	<b>11.8</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>6.5</b>	<b>3.6</b>	<b>-27.2</b>	<b>-1.0</b>	<b>4.9</b>	<b>8.7</b>	<b>11.8</b>
Taxes	1.7	0.0	0.2	0.5	1.3	2.3	3.1
<b>Net income from continuing operations</b>	<b>4.7</b>	<b>3.6</b>	<b>-27.4</b>	<b>-1.5</b>	<b>3.6</b>	<b>6.4</b>	<b>8.6</b>
Result from discontinued operations (net of tax)	2.6	1.3	1.6	0.7	0.0	0.0	0.0
<b>Net income</b>	<b>2.2</b>	<b>2.2</b>	<b>-29.0</b>	<b>-2.2</b>	<b>3.6</b>	<b>6.4</b>	<b>8.6</b>
Minority interest	1.2	1.2	0.9	1.4	2.0	2.4	2.9
<b>Net income (net of minority interest)</b>	<b>1.0</b>	<b>1.0</b>	<b>-29.8</b>	<b>-3.6</b>	<b>1.6</b>	<b>4.0</b>	<b>5.7</b>
Average number of shares	13.0	15.2	16.4	16.4	17.7	18.4	18.4
<b>EPS reported</b>	<b>0.07</b>	<b>0.07</b>	<b>-1.83</b>	<b>-0.22</b>	<b>0.09</b>	<b>0.22</b>	<b>0.31</b>

Profit and loss (common size)	2013	2014	2015	2016	2017E	2018E	2019E
<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	77.7 %	78.5 %	93.0 %	84.5 %	77.4 %	76.8 %	76.5 %
<b>Gross profit</b>	<b>22.3 %</b>	<b>21.5 %</b>	<b>7.0 %</b>	<b>15.5 %</b>	<b>22.6 %</b>	<b>23.2 %</b>	<b>23.5 %</b>
Sales and marketing	11.7 %	12.3 %	12.3 %	11.4 %	12.0 %	11.7 %	11.6 %
General and administration	9.0 %	8.3 %	7.8 %	7.6 %	7.8 %	7.5 %	7.2 %
Research and development	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other operating income	3.7 %	3.1 %	4.7 %	4.4 %	3.0 %	3.0 %	3.0 %
Other operating expenses	0.9 %	0.8 %	4.8 %	0.5 %	2.6 %	2.5 %	2.4 %
Unusual or infrequent items	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBITDA</b>	<b>6.2 %</b>	<b>5.0 %</b>	<b>-12.2 %</b>	<b>1.1 %</b>	<b>4.3 %</b>	<b>5.4 %</b>	<b>6.2 %</b>
Depreciation	1.8 %	1.9 %	0.9 %	0.8 %	0.8 %	0.8 %	0.7 %
<b>EBITA</b>	<b>4.4 %</b>	<b>3.1 %</b>	<b>-13.1 %</b>	<b>0.3 %</b>	<b>3.5 %</b>	<b>4.7 %</b>	<b>5.5 %</b>
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.0 %	0.0 %	0.0 %	0.0 %	0.4 %	0.4 %	0.4 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBIT</b>	<b>4.4 %</b>	<b>3.1 %</b>	<b>-13.1 %</b>	<b>0.3 %</b>	<b>3.1 %</b>	<b>4.3 %</b>	<b>5.1 %</b>
Interest income	0.1 %	0.1 %	0.0 %	0.0 %	0.1 %	0.1 %	0.1 %
Interest expenses	0.3 %	0.3 %	0.5 %	0.5 %	0.8 %	0.7 %	0.6 %
Other financial result	-0.3 %	-0.9 %	0.0 %	-0.3 %	0.0 %	0.0 %	0.0 %
Financial result	-0.5 %	-1.0 %	-0.5 %	-0.8 %	-0.7 %	-0.6 %	-0.5 %
<b>Recurring pretax income from continuing operations</b>	<b>3.9 %</b>	<b>2.1 %</b>	<b>-13.6 %</b>	<b>-0.5 %</b>	<b>2.4 %</b>	<b>3.7 %</b>	<b>4.6 %</b>
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>3.9 %</b>	<b>2.1 %</b>	<b>-13.6 %</b>	<b>-0.5 %</b>	<b>2.4 %</b>	<b>3.7 %</b>	<b>4.6 %</b>
Tax rate	26.6 %	1.1 %	-0.7 %	-48.6 %	26.4 %	26.6 %	26.6 %
<b>Net income from continuing operations</b>	<b>2.9 %</b>	<b>2.1 %</b>	<b>-13.7 %</b>	<b>-0.8 %</b>	<b>1.8 %</b>	<b>2.7 %</b>	<b>3.4 %</b>
Result from discontinued operations (net of tax)	1.6 %	0.8 %	0.8 %	0.4 %	0.0 %	0.0 %	0.0 %
<b>Net income</b>	<b>1.3 %</b>	<b>1.3 %</b>	<b>-14.5 %</b>	<b>-1.2 %</b>	<b>1.8 %</b>	<b>2.7 %</b>	<b>3.4 %</b>
Minority interest	0.7 %	0.7 %	0.4 %	0.7 %	1.0 %	1.0 %	1.1 %
<b>Net income (net of minority interest)</b>	<b>0.6 %</b>	<b>0.6 %</b>	<b>-14.9 %</b>	<b>-1.9 %</b>	<b>0.8 %</b>	<b>1.7 %</b>	<b>2.3 %</b>

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
<b>Intangible assets</b>	<b>27.0</b>	<b>33.2</b>	<b>33.6</b>	<b>32.0</b>	<b>36.9</b>	<b>36.2</b>	<b>35.5</b>
Property, plant and equipment	10.9	11.0	6.2	6.4	5.4	4.4	3.2
Financial assets	1.5	3.1	3.2	4.5	4.5	4.5	4.5
<b>FIXED ASSETS</b>	<b>39.4</b>	<b>47.3</b>	<b>43.0</b>	<b>42.9</b>	<b>46.9</b>	<b>45.1</b>	<b>43.3</b>
Inventories	11.9	23.2	14.5	14.2	15.7	18.0	19.6
Accounts receivable	8.8	12.9	13.0	15.3	13.8	16.0	17.5
Other current assets	6.5	7.6	7.8	6.3	6.3	6.3	6.3
Liquid assets	22.9	54.1	25.8	28.4	29.3	34.5	43.0
Deferred taxes	0.4	0.3	0.2	0.3	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.2	0.5	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>50.7</b>	<b>98.7</b>	<b>61.3</b>	<b>64.5</b>	<b>65.1</b>	<b>74.8</b>	<b>86.3</b>
<b>TOTAL ASSETS</b>	<b>90.1</b>	<b>146.0</b>	<b>104.3</b>	<b>107.4</b>	<b>111.9</b>	<b>119.9</b>	<b>129.6</b>
SHAREHOLDERS EQUITY	25.7	38.4	10.1	6.0	16.8	17.2	19.1
MINORITY INTEREST	4.0	5.8	5.9	4.7	6.8	9.2	12.1
Long-term debt	6.1	4.5	9.6	9.6	9.5	9.5	9.5
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	9.1	6.7	9.9	11.3	11.6	11.9	12.1
<b>Non-current liabilities</b>	<b>15.2</b>	<b>11.2</b>	<b>19.5</b>	<b>21.0</b>	<b>21.1</b>	<b>21.4</b>	<b>21.7</b>
short-term liabilities to banks	6.2	6.8	9.8	16.4	16.4	16.4	16.4
Accounts payable	5.6	9.1	11.1	13.6	10.0	11.6	12.6
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)	4.1	7.6	4.0	6.8	0.0	0.0	0.0
Deferred taxes	2.2	2.5	2.2	1.6	1.6	1.6	1.6
Deferred income	27.2	64.6	41.7	37.3	41.4	44.9	48.7
<b>Current liabilities</b>	<b>45.2</b>	<b>90.5</b>	<b>68.8</b>	<b>75.7</b>	<b>69.4</b>	<b>74.5</b>	<b>79.2</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>90.1</b>	<b>146.0</b>	<b>104.3</b>	<b>107.4</b>	<b>114.1</b>	<b>122.2</b>	<b>132.1</b>

Balance sheet (common size)	2013	2014	2015	2016	2017E	2018E	2019E
<b>Intangible assets</b>	<b>30.0 %</b>	<b>22.7 %</b>	<b>32.2 %</b>	<b>29.8 %</b>	<b>32.4 %</b>	<b>29.6 %</b>	<b>26.9 %</b>
Property, plant and equipment	12.1 %	7.6 %	5.9 %	5.9 %	4.8 %	3.6 %	2.5 %
Financial assets	1.6 %	2.1 %	3.1 %	4.2 %	4.0 %	3.7 %	3.4 %
<b>FIXED ASSETS</b>	<b>43.7 %</b>	<b>32.4 %</b>	<b>41.2 %</b>	<b>40.0 %</b>	<b>41.1 %</b>	<b>36.9 %</b>	<b>32.8 %</b>
Inventories	13.3 %	15.9 %	13.9 %	13.2 %	13.8 %	14.7 %	14.8 %
Accounts receivable	9.8 %	8.9 %	12.5 %	14.3 %	12.1 %	13.1 %	13.2 %
Other current assets	7.2 %	5.2 %	7.5 %	5.9 %	5.5 %	5.1 %	4.8 %
Liquid assets	25.5 %	37.0 %	24.7 %	26.4 %	25.7 %	28.2 %	32.5 %
Deferred taxes	0.4 %	0.2 %	0.2 %	0.3 %	0.0 %	0.0 %	0.0 %
Deferred charges and prepaid expenses	0.3 %	0.3 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>CURRENT ASSETS</b>	<b>56.3 %</b>	<b>67.6 %</b>	<b>58.8 %</b>	<b>60.0 %</b>	<b>57.0 %</b>	<b>61.2 %</b>	<b>65.3 %</b>
<b>TOTAL ASSETS</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>98.1 %</b>	<b>98.1 %</b>	<b>98.1 %</b>
SHAREHOLDERS EQUITY	28.5 %	26.3 %	9.7 %	5.6 %	14.7 %	14.1 %	14.5 %
MINORITY INTEREST	4.4 %	4.0 %	5.7 %	4.4 %	5.9 %	7.5 %	9.1 %
Long-term debt	6.8 %	3.1 %	9.2 %	9.0 %	8.4 %	7.8 %	7.2 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	10.1 %	4.6 %	9.5 %	10.6 %	10.2 %	9.7 %	9.2 %
<b>Non-current liabilities</b>	<b>16.9 %</b>	<b>7.7 %</b>	<b>18.7 %</b>	<b>19.5 %</b>	<b>18.5 %</b>	<b>17.5 %</b>	<b>16.4 %</b>
short-term liabilities to banks	6.9 %	4.7 %	9.4 %	15.2 %	14.3 %	13.4 %	12.4 %
Accounts payable	6.2 %	6.3 %	10.7 %	12.6 %	8.8 %	9.5 %	9.5 %
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)	4.5 %	5.2 %	3.8 %	6.4 %	0.0 %	0.0 %	0.0 %
Deferred taxes	2.4 %	1.7 %	2.1 %	1.5 %	1.4 %	1.3 %	1.2 %
Deferred income	30.2 %	44.2 %	40.0 %	34.7 %	36.3 %	36.7 %	36.9 %
<b>Current liabilities</b>	<b>50.2 %</b>	<b>62.0 %</b>	<b>66.0 %</b>	<b>70.5 %</b>	<b>60.8 %</b>	<b>60.9 %</b>	<b>60.0 %</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)	2013	2014	2015	2016	2017E	2018E	2019E
Net profit/loss	4.7	3.6	-27.4	-1.5	3.6	6.4	8.6
Depreciation of fixed assets (incl. leases)	2.9	3.2	1.7	1.5	1.6	1.8	1.8
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.8	0.9	0.9
Others	-4.6	-3.4	0.3	-4.5	0.0	0.0	0.0
Cash flow from operations before changes in w/c	3.0	3.4	-25.4	-4.5	6.1	9.1	11.4
Increase/decrease in inventory	8.2	-10.6	9.0	1.3	-1.6	-2.2	-1.6
Increase/decrease in accounts receivable	1.2	-4.1	-0.1	-2.3	1.5	-2.3	-1.4
Increase/decrease in accounts payable	-20.5	39.4	-21.4	0.3	-3.6	1.6	1.0
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-11.1	24.7	-12.5	-0.6	-3.6	-2.9	-2.0
<b>Cash flow from operating activities</b>	<b>-8.1</b>	<b>28.1</b>	<b>-37.9</b>	<b>-5.1</b>	<b>2.5</b>	<b>6.1</b>	<b>9.4</b>
CAPEX	2.0	1.4	0.8	3.8	0.9	0.9	0.9
Payments for acquisitions	-3.0	3.2	0.0	0.0	5.5	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.2	2.2	6.6	7.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>1.1</b>	<b>-2.4</b>	<b>5.8</b>	<b>3.2</b>	<b>-6.4</b>	<b>-0.9</b>	<b>-0.9</b>
Cash flow before financing	-6.9	25.7	-32.0	-1.9	-3.9	5.2	8.5
Increase/decrease in debt position	-0.3	-1.0	8.1	6.5	-0.1	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	1.9	12.5	0.0	0.0	4.9	0.0	0.0
Dividends paid	1.0	1.6	0.0	0.0	0.0	0.0	0.0
Others	0.7	-4.3	-4.0	-1.6	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.3	-0.3	-0.3	-0.4	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>1.3</b>	<b>5.7</b>	<b>4.1</b>	<b>4.9</b>	<b>4.8</b>	<b>0.0</b>	<b>0.0</b>
Increase/decrease in liquid assets	-5.9	31.1	-28.3	2.6	0.9	5.2	8.5
<b>Liquid assets at end of period</b>	<b>22.9</b>	<b>54.1</b>	<b>25.8</b>	<b>28.4</b>	<b>29.3</b>	<b>34.5</b>	<b>43.0</b>

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of Europe	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
NAFTA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of world	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>TTL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
<b>P&amp;L growth analysis</b>							
Sales growth	6.3 %	4.1 %	16.3 %	-7.8 %	11.0 %	14.3 %	8.9 %
EBITDA growth	19.3 %	-16.2 %	-386.0 %	-108.1 %	339.4 %	46.1 %	24.6 %
EBIT growth	1.0 %	-26.9 %	-591.1 %	-102.0 %	1089.1 %	60.5 %	30.2 %
EPS growth	-65.4 %	-10.7 %	-2825.5 %	-88.0 %	-140.9 %	143.3 %	43.3 %
<b>Efficiency</b>							
Total operating costs / sales	17.9 %	18.4 %	20.1 %	15.2 %	19.4 %	18.7 %	18.2 %
Sales per employee	582.7	962.2	1,001.8	937.8	1,028.2	1,071.7	1,076.1
EBITDA per employee	36.0	47.9	-122.6	10.1	43.7	58.3	67.0
<b>Balance sheet analysis</b>							
Avg. working capital / sales	8.3 %	12.2 %	10.8 %	8.7 %	8.6 %	9.0 %	9.2 %
Inventory turnover (sales/inventory)	13.9	7.4	13.8	13.0	13.0	13.0	13.0
Trade debtors in days of sales	19.4	27.4	23.7	30.2	24.5	25.0	25.0
A/P turnover [(A/P*365)/sales]	15.9	24.7	21.8	31.7	23.0	23.5	23.5
Cash conversion cycle (days)	37.4	65.4	30.3	31.7	37.7	38.0	38.1
<b>Cash flow analysis</b>							
Free cash flow	-10.1	26.7	-38.6	-9.0	1.6	5.2	8.5
Free cash flow/sales	-6.1 %	15.5 %	-19.3 %	-4.9 %	0.8 %	2.2 %	3.3 %
FCF / net profit	-1033.2	2616.6 %	129.3 %	250.8 %	101.3 %	130.3 %	147.4 %
Capex / depre	67.9 %	44.2 %	43.6 %	262.2 %	36.9 %	33.9 %	32.7 %
Capex / maintenance capex	167.1 %	34.2 %	19.0 %	236.8 %	32.9 %	30.2 %	26.8 %
Capex / sales	1.2 %	0.8 %	0.4 %	2.1 %	0.4 %	0.4 %	0.4 %
<b>Security</b>							
Net debt	-5.0	-33.6	-6.4	-2.4	-3.4	-8.6	-17.1
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt / equity	-0.2	-0.9	-0.6	-0.4	-0.2	-0.5	-0.9
Interest cover	13.1	10.7	0.0	0.5	4.0	6.5	8.5
Dividend payout ratio	160.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Asset utilisation</b>							
Capital employed turnover	3.2	2.8	4.4	3.8	3.4	3.7	3.7
Operating assets turnover	6.4	4.5	8.9	8.3	8.2	8.7	9.2
Plant turnover	15.2	15.6	32.3	28.9	37.7	53.4	78.7
Inventory turnover (sales/inventory)	13.9	7.4	13.8	13.0	13.0	13.0	13.0
<b>Returns</b>							
ROCE	13.8 %	9.4 %	-48.8 %	1.1 %	11.5 %	16.1 %	19.7 %
ROE	3.8 %	2.7 %	-295.4 %	-59.7 %	9.5 %	23.3 %	30.1 %
<b>Other</b>							
Interest paid / avg. debt	4.5 %	4.2 %	6.1 %	4.4 %	6.0 %	6.0 %	6.0 %
No. employees (average)	284	179	200	197	199	219	237
Number of shares	13.0	15.2	16.4	16.4	17.7	18.4	18.4
DPS	0.1	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	0.07	0.07	-1.83	-0.22	0.09	0.22	0.31
<b>Valuation ratios</b>							
P/BV	1.7	1.4	5.2	8.7	3.5	3.4	3.1
EV/sales	0.2	0.1	0.2	0.3	0.3	0.2	0.2
EV/EBITDA	3.2	1.1	-1.9	25.1	6.4	3.9	2.6
EV/EBITA	4.5	1.8	-1.7	94.5	7.8	4.6	3.0
EV/EBIT	4.5	1.8	-1.7	94.5	8.8	5.0	3.2
EV/FCF	-3.3	0.4	-1.2	-5.6	34.5	9.6	4.9
Adjusted FCF yield	17.8 %	34.5 %	-68.1 %	-4.6 %	15.6 %	18.7 %	19.4 %
Dividend yield	3.8 %	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, 3, 6

### 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 27/11/17

Initiation coverage  
04-December-09



Company	Date	Analyst	Rating	Target price	Close
DEAG Deutsche Entertainment AG	01.09.2017	Gröning, Pierre	Buy	EUR 5,00	EUR 2,73
	21.08.2017	Gröning, Pierre	Buy	EUR 5,00	EUR 2,45
	01.06.2017	Gröning, Pierre	Buy	EUR 5,00	EUR 2,50
	08.05.2017	Gröning, Pierre	Buy	EUR 5,00	EUR 2,59
	03.05.2017	Gröning, Pierre	Buy	EUR 5,00	EUR 2,80

02.05.2017

Gröning, Pierre

Buy

EUR 5,00

EUR 2,98

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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