

Buy (old: Buy)

Price target: EUR 3.10 (old: EUR 2.90)

Price: EUR 1.93 **Next result:** FY 09: 31.03.09
Bloomberg: ERMK GR **Market cap:** EUR 23.9 m
Reuters: ERMGk.DE **Enterprise Value:** EUR 16.3 m

25-March-10

Marc Osigus, CFA
Analyst

marc.osigus@ha-research.de
Tel.: +49 40 4143885 90

Strong prel. results; est. and PT up

Yesterday, DEAG released strong preliminary figures for FY 2009 and announced the extension of the CEO and founder's contract (Peter Schwenkow) until 2015 as well as the long-term commitment of the major shareholders (Schwenkow and Heliad).

DEAG	Q4 09	Q4 09 est	Q3 08	yoy	FY 09	FY 09 est	FY 08	yoy
Sales	34.8	25.9	33.1	5.2%	116.0	107.1	109.5	6.0%
EBITDA	3.2	1.8	0.3	1050.7%	6.4	5.0	3.7	71.0%
EBITDA margin	9.1%	6.9%	0.8%	+ 8.2 pp	5.5%	4.7%	3.4%	+ 2.1 pp
Net profit	0.2	-0.1	-5.9	n.a.	0.3	0.0	-11.1	n.a.
Net margin	0.5%	-0.4%	-17.8%	+ 18.3 pp	0.3%	0.0%	-10.2%	+ 10.5 pp
EPS	0.02	-0.01	-0.24	n.a.	0.03	0.00	-0.46	n.a.

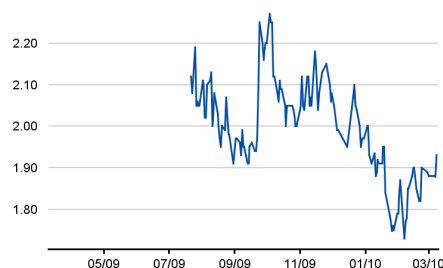
*H&A estimates

Q4 sales came in at € 34.8m (+5.2% yoy) despite the divestiture of two business segments in 2009, which is mainly a result of the company's successful 360-degree strategy launched three years ago; i.e. offering artists and customers all services from one source. Specifically, Q4 saw strong CD/DVD sales of e.g. David Garrett (more than 200.000 copies sold of "Encore") and Jessye Norman as well as successful concerts in the structurally growing classics business.

EBITDA improved disproportionately to € 3.2 in q4, which not only reflects the improved revenue mix; i.e. the higher share of Music and Classical sales, but also the rejection of managing low-margin concert tours in the Rock/Pop segment.

Theme looks set to remain positive. Q1 should show profitable yoy growth based on strong CD/DVD sales in the Music business, sold-out concert tours from David Garret, Jean Michel Jarre, LangLang etc. and an excellent classical business in the UK (Raymond Gubbay). Further, DEAG could benefit somehow from the changing competitive environment in the German Rock/Pop market, which might result from the market entry of Live Nation/Ticketmaster.

Hence, DEAG expects earnings to rise significantly in all divisions in 2010. We have slightly adjusted sales and earnings to reflect the strong pipeline. The stock remains a Buy with a new PT of € 3.10.



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 2.27 / 1.73
Price/Book Ratio: 1.0
Relative performance (SDAX):
3 months -9.8 %
6 months -12.1 %
12 months -

Changes in estimates

		Sales	EBIT	EPS
2009	old:	107.1	3.8	0.00
	Δ	8.3%	23.5%	-3020.5%
2010	old:	117.8	6.2	0.15
	Δ	3.4%	3.8%	4.3%
2011	old:	127.1	7.8	0.21
	Δ	1.6%	1.7%	2.0%

Key share data:

Number of shares: (in m pcs) 12.4
Authorised capital: (in € m) 0.0
Book value per share: (in €) 2.0
Ø trading volume: (12 months) 38,000

Major shareholders:

Free Float 50.0 %
Heliad Equity Partners 25.1 %
Peter Schwenkow 24.9 %

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.

Y/E 31.12 (EUR m)	2005	2006	2007	2008	2009E	2010E	2011E
Sales	62.7	82.8	78.7	109.5	116.0	121.8	129.1
Sales growth	n/a	32 %	-5 %	39 %	6 %	5 %	6 %
EBITDA	2.4	4.3	6.7	3.7	6.4	7.1	8.6
EBIT	2.1	3.1	5.6	-3.1	4.8	6.4	7.9
Net income	-5.5	-0.4	1.1	-11.1	0.3	2.0	2.7
Net debt	20.0	7.0	4.7	11.3	1.1	-4.0	-10.2
Net gearing	39.6 %	-10.1 %	-8.5 %	-16.5 %	-30.2 %	-38.9 %	-47.5 %
Net Debt/EBITDA	8.3	1.6	0.7	3.0	0.2	0.0	0.0
EPS fully diluted	-0.28	0.00	0.05	-0.37	0.03	0.16	0.22
CPS	-0.02	-0.43	-0.15	0.22	-0.45	0.32	0.44
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	21.2 %	21.0 %	26.9 %	24.2 %	21.6 %	23.3 %	24.0 %
EBITDA margin	3.9 %	5.2 %	8.5 %	3.4 %	5.5 %	5.9 %	6.7 %
EBIT margin	3.4 %	3.7 %	7.1 %	-2.9 %	4.1 %	5.3 %	6.1 %
ROCE	3.2 %	5.2 %	11.1 %	-6.2 %	9.3 %	11.7 %	13.1 %
EV/sales	0.6	0.4	0.5	0.4	0.1	0.1	0.1
EV/EBITDA	15.5	7.8	6.3	11.5	2.6	1.7	0.8
EV/EBIT	17.6	11.0	7.5	-13.7	3.4	1.9	0.9
PER	-26.6	209.6	21.4	-7.7	29.1	11.9	9.0
Adjusted FCF yield	1.6 %	7.1 %	9.3 %	3.0 %	12.8 %	14.8 %	27.0 %

Source: Company data, Hauck & Aufhäuser Close price as of: 24.03.2010

Financials

Profit and loss (EUR m)	2005	2006	2007	2008	2009E	2010E	2011E
Sales	62.7	82.8	78.7	109.5	116.0	121.8	129.1
Sales growth	n/a	32.2 %	-4.9 %	39.0 %	6.0 %	5.0 %	6.0 %
Cost of sales	49.3	65.4	57.6	82.9	90.9	93.5	98.2
Gross profit	13.3	17.4	21.2	26.5	25.1	28.3	30.9
Sales and marketing	6.3	9.5	8.7	13.8	10.6	11.4	12.1
General and administration	8.3	9.6	8.7	10.2	10.9	12.2	12.8
Research and development	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	4.3	6.7	3.5	2.1	2.8	2.4	2.6
Other operating expenses	0.6	0.5	0.6	1.0	0.0	0.0	0.0
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	2.4	4.3	6.7	3.7	6.4	7.1	8.6
Depreciation	0.0	0.2	0.2	0.3	0.6	0.4	0.4
EBITA	2.4	4.1	6.5	3.4	5.7	6.7	8.2
Amortisation of goodwill	0.0	0.3	0.0	2.3	0.0	0.0	0.0
Amortisation of intangible assets	0.3	0.8	0.9	4.2	1.0	0.3	0.3
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	2.1	3.1	5.6	-3.1	4.8	6.4	7.9
Interest income	0.0	0.0	0.0	0.0	0.0	0.1	0.2
Interest expenses	2.3	1.7	0.2	1.1	1.2	0.8	0.8
Other financial result	0.3	-0.1	-1.1	-0.2	-0.1	0.0	0.0
Financial result	-2.0	-2.2	-1.5	-1.4	-1.3	-0.7	-0.7
Recurring pretax income from continuing operations	0.1	0.9	4.1	-4.6	3.5	5.7	7.2
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	0.1	0.9	4.1	-4.6	3.5	5.7	7.2
Taxes	1.3	0.4	0.6	0.4	0.9	0.9	1.1
Net income from continuing operations	-1.1	0.5	3.5	-5.0	2.6	4.9	6.1
Result from discontinued operations (net of tax)	4.1	0.6	1.0	5.2	0.5	0.0	0.0
Net income	-5.2	-0.1	2.5	-10.1	2.1	4.9	6.1
Minority interest	0.3	0.3	1.4	1.0	1.8	2.9	3.5
Net income (net of minority interest)	-5.5	-0.4	1.1	-11.1	0.3	2.0	2.7
Average number of shares	14.6	19.0	23.1	24.0	12.4	12.4	12.4
EPS reported	-0.37	-0.02	0.05	-0.46	0.03	0.16	0.22

Profit and loss (common size)	2005	2006	2007	2008	2009E	2010E	2011E
Sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	78.8 %	79.0 %	73.1 %	75.8 %	78.4 %	76.8 %	76.1 %
Gross profit	21.2 %	21.0 %	26.9 %	24.2 %	21.6 %	23.3 %	24.0 %
Sales and marketing	10.0 %	11.5 %	11.0 %	12.6 %	9.1 %	9.4 %	9.4 %
General and administration	13.2 %	11.6 %	11.0 %	9.3 %	9.4 %	10.0 %	9.9 %
Research and development	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other operating income	6.8 %	8.0 %	4.4 %	1.9 %	2.4 %	2.0 %	2.0 %
Other operating expenses	0.9 %	0.6 %	0.8 %	0.9 %	0.0 %	0.0 %	0.0 %
Unusual or infrequent items	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBITDA	3.9 %	5.2 %	8.5 %	3.4 %	5.5 %	5.9 %	6.7 %
Depreciation	0.0 %	0.3 %	0.3 %	0.3 %	0.6 %	0.3 %	0.3 %
EBITA	3.8 %	4.9 %	8.2 %	3.1 %	4.9 %	5.5 %	6.3 %
Amortisation of goodwill	0.0 %	0.3 %	0.0 %	2.1 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.4 %	0.9 %	1.1 %	3.8 %	0.8 %	0.2 %	0.2 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	3.4 %	3.7 %	7.1 %	-2.9 %	4.1 %	5.3 %	6.1 %
Interest income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.1 %	0.1 %
Interest expenses	3.7 %	2.0 %	0.3 %	1.0 %	1.0 %	0.7 %	0.6 %
Other financial result	0.5 %	-0.1 %	-1.4 %	-0.2 %	-0.1 %	0.0 %	0.0 %
Financial result	-3.2 %	-2.6 %	-1.8 %	-1.3 %	-1.1 %	-0.6 %	-0.5 %
Recurring pretax income from continuing operations	0.2 %	1.1 %	5.2 %	-4.2 %	3.0 %	4.7 %	5.6 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	0.2 %	1.1 %	5.2 %	-4.2 %	3.0 %	4.7 %	5.6 %
Tax rate	875.3 %	48.6 %	15.4 %	-8.6 %	25.0 %	15.0 %	15.0 %
Net income from continuing operations	-1.8 %	0.6 %	4.4 %	-4.5 %	2.3 %	4.0 %	4.7 %
Result from discontinued operations (net of tax)	6.5 %	0.7 %	1.2 %	4.7 %	0.4 %	0.0 %	0.0 %
Net income	-8.3 %	-0.1 %	3.2 %	-9.2 %	1.8 %	4.0 %	4.7 %
Minority interest	0.4 %	0.3 %	1.8 %	0.9 %	1.6 %	2.3 %	2.7 %
Net income (net of minority interest)	-8.7 %	-0.4 %	1.4 %	-10.2 %	0.3 %	1.6 %	2.1 %

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2005	2006	2007	2008	2009E	2010E	2011E
Intangible assets	36.2	27.4	31.5	31.0	25.6	25.5	25.4
Property, plant and equipment	8.8	8.5	9.1	9.1	9.0	8.9	8.9
Financial assets	0.9	1.5	1.0	1.0	1.0	1.0	1.0
FIXED ASSETS	45.9	37.4	41.5	41.1	35.5	35.3	35.2
Inventories	3.6	5.5	3.7	6.5	8.3	8.7	9.2
Accounts receivable	3.1	2.9	6.5	6.6	8.3	9.0	9.6
Other current assets	7.3	9.4	4.1	5.6	6.0	6.0	6.0
Liquid assets	27.3	14.4	14.3	22.2	21.4	25.5	31.0
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
CURRENT ASSETS	41.2	32.2	28.6	40.9	44.0	49.2	55.8
TOTAL ASSETS	87.1	69.7	70.1	82.0	79.5	84.5	91.0
SHAREHOLDERS EQUITY	23.6	29.9	30.7	20.4	25.1	30.0	36.1
MINORITY INTEREST	0.9	2.0	3.3	3.6	6.5	6.5	6.5
Long-term debt	32.6	10.5	8.9	14.7	10.6	10.6	10.6
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	6.7	6.1	5.4	7.5	6.9	6.9	6.9
Non-current liabilities	39.3	16.7	14.3	22.2	17.5	17.5	17.5
short-term liabilities to banks	4.0	0.9	2.7	4.1	3.3	3.3	3.3
Accounts payable	4.3	3.4	4.2	7.5	6.2	6.4	6.7
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	0.0	0.0	1.8	0.0	0.0	0.0
Deferred taxes	2.1	1.9	1.6	2.0	1.9	1.9	1.9
Deferred income	13.0	14.9	13.3	20.4	19.0	19.0	19.0
Current liabilities	23.4	21.1	21.8	35.8	30.4	30.6	30.9
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	87.1	69.7	70.1	82.0	79.5	84.5	91.0

Balance sheet (common size)	2005	2006	2007	2008	2009E	2010E	2011E
Intangible assets	41.6 %	39.3 %	44.9 %	37.8 %	32.2 %	30.2 %	27.9 %
Property, plant and equipment	10.1 %	12.3 %	13.0 %	11.1 %	11.3 %	10.5 %	9.7 %
Financial assets	1.0 %	2.2 %	1.4 %	1.2 %	1.2 %	1.2 %	1.1 %
FIXED ASSETS	52.7 %	53.7 %	59.3 %	50.1 %	44.7 %	41.8 %	38.7 %
Inventories	4.1 %	7.9 %	5.3 %	7.9 %	10.4 %	10.3 %	10.1 %
Accounts receivable	3.5 %	4.1 %	9.3 %	8.1 %	10.4 %	10.7 %	10.5 %
Other current assets	8.4 %	13.6 %	5.8 %	6.8 %	7.5 %	7.1 %	6.6 %
Liquid assets	31.3 %	20.7 %	20.4 %	27.0 %	27.0 %	30.2 %	34.1 %
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 %
CURRENT ASSETS	47.3 %	46.3 %	40.7 %	49.9 %	55.3 %	58.2 %	61.3 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
SHAREHOLDERS EQUITY	27.1 %	42.9 %	43.8 %	24.9 %	31.6 %	35.4 %	39.6 %
MINORITY INTEREST	1.0 %	2.9 %	4.7 %	4.3 %	8.2 %	7.7 %	7.1 %
Long-term debt	37.4 %	15.1 %	12.7 %	17.9 %	13.3 %	12.5 %	11.6 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	7.7 %	8.8 %	7.7 %	9.1 %	8.7 %	8.2 %	7.6 %
Non-current liabilities	45.1 %	23.9 %	20.4 %	27.0 %	22.0 %	20.7 %	19.2 %
short-term liabilities to banks	4.6 %	1.2 %	3.9 %	5.0 %	4.2 %	3.9 %	3.6 %
Accounts payable	4.9 %	4.9 %	6.0 %	9.1 %	7.8 %	7.6 %	7.4 %
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 %	0.0 %	0.0 %	2.2 %	0.0 %	0.0 %	0.0 %
Deferred taxes	2.4 %	2.7 %	2.2 %	2.5 %	2.4 %	2.2 %	2.1 %
Deferred income	14.9 %	21.5 %	18.9 %	24.9 %	23.9 %	22.5 %	20.9 %
Current liabilities	26.8 %	30.3 %	31.1 %	43.7 %	38.3 %	36.2 %	34.0 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2005	2006	2007	2008	2009E	2010E	2011E
Net profit/loss	-1.1	0.5	2.5	-10.1	2.1	4.9	6.1
Depreciation of fixed assets (incl. leases)	0.0	0.2	0.2	0.3	0.6	0.4	0.4
Amortisation of goodwill	0.0	0.3	0.0	2.3	0.0	0.0	0.0
Amortisation of intangible assets	0.3	0.8	0.9	4.2	1.0	0.3	0.3
Others	-2.9	-3.1	0.0	4.3	0.0	0.0	0.0
Cash flow from operations before changes in w/c	-3.7	-1.4	3.6	1.0	3.7	5.6	6.8
Increase/decrease in inventory	0.0	-2.0	1.8	-2.8	-1.8	-0.4	-0.5
Increase/decrease in accounts receivable	-1.7	0.2	-3.6	-0.1	-1.6	-0.7	-0.5
Increase/decrease in accounts payable	0.0	-0.8	0.8	3.3	-1.2	0.2	0.3
Increase/decrease in other working capital positions	5.3	-3.5	-5.9	4.6	-4.0	0.0	0.0
Increase/decrease in working capital	3.6	-6.1	-6.9	4.9	-8.6	-1.0	-0.7
Cash flow from operating activities	-0.1	-7.6	-3.3	5.9	-4.9	4.6	6.1
CAPEX	0.2	1.0	0.5	0.5	0.8	0.5	0.6
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	-0.3	-0.4	0.5	0.5	0.0	0.0	0.0
Income from asset disposals	0.6	0.1	1.4	-2.5	6.5	0.0	0.0
Cash flow from investing activities	0.7	-0.5	1.4	-2.6	5.7	-0.5	-0.6
Cash flow before financing	0.6	-8.0	-2.8	2.4	0.8	4.1	5.5
Increase/decrease in debt position	-0.5	-2.9	3.6	7.1	-4.9	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	6.2	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	1.3	-1.0	0.0	0.0	0.0
Others	-0.7	-1.1	-1.0	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	5.0	-4.0	1.2	8.1	-4.9	0.0	0.0
Increase/decrease in liquid assets	5.6	-12.1	-1.6	10.5	-4.1	4.1	5.5
Liquid assets at end of period	26.9	14.8	14.1	25.6	21.4	25.5	31.0

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2005	2006	2007	2008	2009E	2010E	2011E
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
TTL	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

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2005	2006	2007	2008	2009E	2010E	2011E
P&L growth analysis							
Sales growth	n/a	32.2 %	-4.9 %	39.0 %	6.0 %	5.0 %	6.0 %
EBITDA growth	n/a	78.8 %	53.8 %	-44.1 %	71.0 %	12.1 %	20.5 %
EBIT growth	n/a	43.5 %	82.0 %	-156.2 %	-251.9 %	35.1 %	22.7 %
EPS growth	n/a	-94.8 %	-355.2 %	-1047.0 %	-105.6 %	523.3 %	33.2 %
Efficiency							
Total operating costs / sales	17.4 %	15.8 %	18.4 %	20.8 %	16.1 %	17.4 %	17.3 %
Sales per employee	1,648.8	862.7	554.5	632.7	632.8	629.9	632.8
EBITDA per employee	63.7	45.1	46.9	21.5	34.7	36.8	42.1
Balance sheet analysis							
Avg. working capital / sales	3.7 %	4.4 %	7.0 %	5.3 %	6.9 %	8.9 %	9.0 %
Inventory turnover (sales/inventory)	17.6	15.0	21.3	16.8	14.0	14.0	14.0
Trade debtors in days of sales	17.8	12.7	30.2	22.2	26.0	27.0	27.0
A/P turnover [(A/P*365)/sales]	31.7	19.2	26.7	32.9	25.0	25.0	25.0
Cash conversion cycle (days)	12.5	24.4	26.9	17.9	34.3	36.0	36.3
Cash flow analysis							
Free cash flow	-0.3	-8.5	-3.8	5.4	-5.7	4.1	5.5
Free cash flow/sales	-0.5 %	-10.3 %	-4.8 %	4.9 %	-4.9 %	3.3 %	4.3 %
FCF / net profit	6.0 %	2337.8 %	-334.5 %	-48.5 %	-1778.8 %	203.5 %	205.7 %
FCF yield	-1.2 %	-23.3 %	-8.5 %	11.7 %	-23.9 %	17.0 %	22.9 %
Capex / deprec	-36.5 %	49.5 %	91.2 %	14.3 %	50.0 %	71.4 %	85.7 %
Capex / maintenance capex	0.0 %	0.0 %	0.0 %	0.0 %	83.3 %	50.0 %	66.7 %
Capex / sales	-0.2 %	0.8 %	1.2 %	0.9 %	0.7 %	0.4 %	0.5 %
Security							
Net debt	20.0	7.0	4.7	11.3	1.1	-4.0	-10.2
Net Debt/EBITDA	8.3	1.6	0.7	3.0	0.2	0.0	0.0
Net debt / equity	0.8	0.2	0.2	0.6	0.0	-0.1	-0.3
Interest cover	0.9	1.8	23.1	0.0	4.0	7.7	9.5
Dividend payout ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Asset utilisation							
Capital employed turnover	0.9	1.7	1.5	2.2	2.2	2.1	2.0
Operating assets turnover	5.6	6.1	5.2	7.4	6.0	6.0	6.2
Plant turnover	7.1	9.7	8.7	12.0	13.0	13.8	14.6
Inventory turnover (sales/inventory)	17.6	15.0	21.3	16.8	14.0	14.0	14.0
Returns							
ROCE	3.2 %	5.2 %	11.1 %	-6.2 %	9.3 %	11.7 %	13.1 %
ROE	-23.1 %	-1.2 %	3.7 %	-54.5 %	1.3 %	6.7 %	7.4 %
Other							
Interest paid / avg. debt	6.3 %	7.1 %	2.1 %	6.9 %	7.4 %	6.0 %	6.0 %
No. employees (average)	38	96	142	173	183	193	204
Number of shares	14.6	19.0	23.1	24.0	12.4	12.4	12.4
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-0.37	-0.02	0.05	-0.46	0.03	0.16	0.22
Valuation ratios							
P/BV	1.6	1.5	1.5	2.3	1.0	0.8	0.7
EV/sales	0.6	0.4	0.5	0.4	0.1	0.1	0.1
EV/EBITDA	15.5	7.8	6.3	11.5	2.6	1.7	0.8
EV/EBITA	15.6	8.2	6.5	12.6	2.9	1.8	0.8
EV/EBIT	17.6	11.0	7.5	-13.7	3.4	1.9	0.9
EV/FCF	-114.9	-3.9	-11.1	7.9	-2.9	3.0	1.2
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Company data, Hauck & Aufhäuser

Disclosure in respect of section 34b of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG)

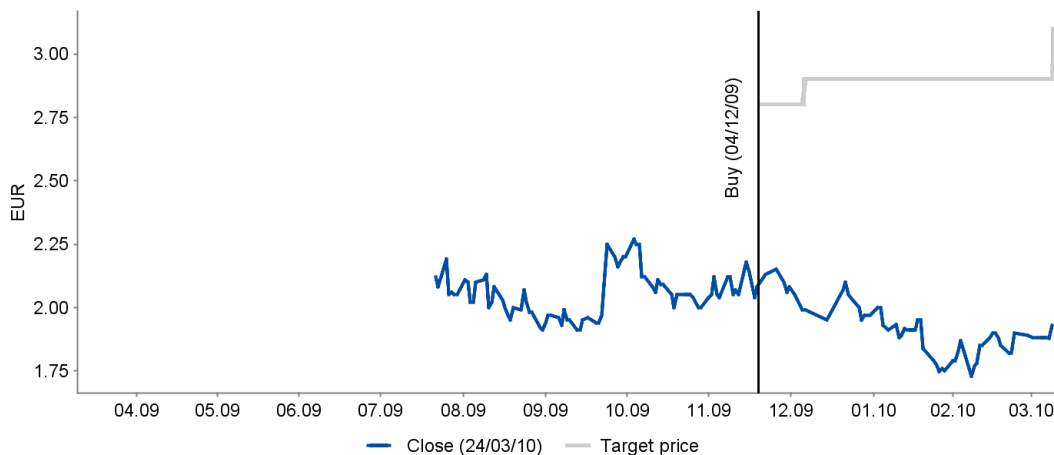
Company	Disclosure
DEAG Deutsche Entertainment AG	2

- (1) Hauck & Aufhäuser or its affiliate(s) was Lead Manager or Co-Lead Manager over the previous 12 months of a public offering of this company.
- (2) Hauck & Aufhäuser acts as Designated Sponsor for this company or offers Equity Advisory Services.
- (3) Over the previous 12 months, Hauck & Aufhäuser and/or its affiliate(s) has effected an agreement with this company for investment banking services or received compensation or a promise to pay from this company for investment banking services.
- (4) Hauck & Aufhäuser and/or its affiliate(s) holds 5 % or more of the share capital of this company.
- (5) Hauck & Aufhäuser holds a trading position in shares of this company.
- (6) Hauck & Aufhäuser and/or its affiliate(s) holds a net short position of 1 % or more of the share capital of this company, calculated by methods required by German law as of the last trading day of the past month.
- (7) Within the last five years Hauck & Aufhäuser was a member of the issuing syndicate of this company.
- (8) The research report has been made available to the company prior to its publication / dissemination. Thereafter, only factual changes have been made to the report

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 25/03/10

Initiation coverage
04-December-09



Hauck & Aufhäuser distribution of ratings and in proportion to investment banking services

Buy	79.17 %	75.00 %
Sell	16.67 %	0.00 %
Hold	4.17 %	25.00 %

Valuation basis/rating key

- Buy:** Sustainable upside potential of more than 10% within 12 months.
- Sell:** Sustainable downside potential of more than 10% within 12 months.
- Hold:** Upside/downside potential limited. No immediate catalyst visible.

Competent supervisory authority

Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin – (Federal Financial Supervisory Authority), Graurheindorfer Straße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt am Main, Germany

Important Disclosures

This research report has been prepared by Hauck & Aufhäuser Institutional Research GmbH, Hamburg, or one of its affiliates (“**Hauck & Aufhäuser**”).

Hauck & Aufhäuser has made every effort to carefully research all information contained in this financial analysis. The information on which the financial analysis is based has been obtained from sources which we believe to be reliable such as, for example, Reuters, Bloomberg and the relevant specialised press as well as the company which is the subject of this financial analysis.

Only that part of the research note is made available to the issuer, who is the subject of this analysis, which is necessary to properly reconcile with the facts. Should this result change considerably, a reference is made in the research note.

Opinions expressed in this financial analysis are the current, personal opinions of the analyst responsible for the document as of the issuing date indicated on this document and are subject to change without notice. Hauck & Aufhäuser does not commit itself in advance to whether and in which intervals an update is made. Also, the opinions in this document do not necessarily correspond to the opinions of Hauck & Aufhäuser.

The document and the recommendations and estimations contained therein are not linked - whether directly or indirectly - to the compensation of the analyst responsible for the document.

No representation, guarantees or warranties are made by Hauck & Aufhäuser with regard to the accuracy, completeness or suitability regarding all the information on the stocks, stock markets or developments referred to in it.

On no account should the document be regarded as a substitute for the recipient's procuring information for himself or exercising his own judgements.

The document has been produced for information purposes only, and only for institutional clients or market professionals. In particular, it is not intended to be distributed to private investors or private customers. Private investors or private customers, into whose possession this document comes, should discuss possible investment decisions with their customer service officer as differing views and opinions may exist with regard to the stocks referred to in this document.

This document is not a recommendation, offer or solicitation to buy or sell the mentioned stock and will not form the basis or a part of any contract.

The document may include certain descriptions, statements, estimates, and conclusions underlining potential market and company development. These reflect assumptions, which may turn out to be incorrect. Past performance is not a guide to future results. The price of securities may decrease or increase and as a result investors may lose the amount originally invested. Changes in exchange rates may also cause the value of investments to decrease or increase. Hauck & Aufhäuser and/or its directors, officers and employees accept no responsibility or liability whatsoever for any direct or consequential loss or damages of any kind arising out of the use of this document or any part of its content. To the extent this research report is being transmitted in connection with an existing contractual relationship, e.g. financial advisory or similar services, the liability of Hauck & Aufhäuser shall be restricted to gross negligence and wilful misconduct. In any case, the liability of Hauck & Aufhäuser is limited to typical, foreseeable damages and liability for any indirect damages is excluded.

Hauck & Aufhäuser may act as market-maker or underwrite issues for any securities mentioned in this document, derivatives thereon or related financial products or perform or seek to perform capital market or underwriting services.

Hauck & Aufhäuser reserves all the rights in this document. No part of the document or its content may be rewritten, copied, photocopied or duplicated in any form by any means or redistributed without Hauck & Aufhäuser's prior written consent.

Please note that our research is only for the personal use of Hauck & Aufhäuser institutional clients. Do not pass on to third parties or make available to third parties.

By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

Remarks regarding foreign investors

The preparation of this document is subject to regulation by German law. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions

Contacts: Hauck&Aufhäuser Investment Banking**Hauck & Aufhäuser Research**

Hauck & Aufhäuser
Institutional Research GmbH
Harvestehuder Weg 48

20149 Hamburg
Germany

Tel.: +49 (0) 40 414 3885 - 70
Fax: +49 (0) 40 414 3885 - 71
Email: info@ha-research.de
www.ha-research.de

Sascha Berresch, CFA
Analyst

Tel.: +49 (0)40 414 3885 - 85
E-Mail: sascha.berresch@ha-research.de

Marc Osigus, CFA
Analyst

Tel.: +49 (0)40 414 3885 - 90
E-Mail: marc.osigus@ha-research.de

Thomas Wissler
Analyst

Tel.: +49 (0)40 414 3885 - 80
E-Mail: thomas.wissler@ha-research.de

Tim Wunderlich
Analyst

Tel.: +49 (0)40 414 3885 - 81
E-Mail: tim.wunderlich@ha-research.de

Bastian Timm
Analyst

Tel.: +49 (0)40 414 3885 - 82
E-Mail: bastian.timm@ha-research.de

Marie-Therese Gruebner
Analyst

Tel.: +49 (0)40 414 3885 - 83
E-Mail: marie-therese.gruebner@ha-research.de

Senior Advisors

Dr. Alexander Klemm
Senior Advisor

Tel.: +49 (0) 69 50 500 49- 82
E-Mail: alexander.klemm@ha-ib.com

Graeme Davies
Senior Advisor

Tel.: +49 (0)40 414 3885 - 72
E-Mail: graeme.davies@ha-research.de

Jeronimo Bremer
Senior Advisor

Tel.: +49 (0)40 414 3885 - 73
E-Mail: jeronimo.bremer@ha-research.de

Hauck & Aufhäuser Sales Trading

Hauck & Aufhäuser
Privatbankiers KGaA
Kaiserstraße 24

60311 Frankfurt am Main
Germany

Tel.: +49 (0) 69 2161- 0
Fax: +49 (0) 69 2161- 1340
Email: info@hauck-aufhaeuser.de
www.hauck-aufhaeuser.de

Kirsten Meissner-Lange
Trading

Tel.: +49 (0)69 2161 - 1225
E-Mail: kirsten.meissner@hauck-aufhaeuser.lu

Oliver Hauer
Trading

Tel.: +49 (0) 69 2161 - 1526
E-Mail: oliver.hauer@hauck-aufhaeuser.de