



**Buy** (old: Buy)

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

<b>Price:</b>	EUR 2.51	<b>Next result:</b>	AGM: 27.06.17
<b>Bloomberg:</b>	ERMK GR	<b>Market cap:</b>	EUR 46.2 m
<b>Reuters:</b>	ERMGK.DE	<b>Enterprise Value:</b>	EUR 71.9 m

01-June-17

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### Seasonally soft Q1 should not distract from positive outlook

While DEAG's Q1 17 results reveal the inherent seasonality of the live entertainment business, a couple of indicators show that DEAG remains on track to undergo a positive earnings development in the remainder of the year.

Notably, Q1 sales of € 20m (eH&A € 21m) came in below prior year's level of € 31m. However, **we see no reason to be concerned** as the softer start into the year was largely driven by one-offs and seasonal effects:

(1) **DEAG sold its stake in the event promoter Manfred Hertlein in Q1 17.** Hertlein's top-line contribution amounted to € 4.4m in Q1 16. (2) **Due to the European soccer championship in FY 16, selected formats had been shifted from Q2 to Q1 and Q4.** This year, these events will return to 'normal' slots in Q2. (3) As part of its pursued strategic realignment, **DEAG dropped minor low-margin events especially in the German Rock & Pop genre** in order to increasingly focus on more attractive niche activities including Family Entertainment and Arts + Exhibitions (Christmas formats) going forward. While this has negatively affected the top line in Q1, **the enhanced focus on a better product mix is manifested in DEAG's strong gross margin improvement of 10pp yoy to 31%.**

Positively, also **DEAG's deferred revenues which serve as a proxy for the business activities in Q2 increased substantially by c. 15% yoy to € 48m.** This should reflect a well-filled event pipeline with strong demand for the upcoming quarters compensating for the shift effects in Q1.

Keeping in mind that Q1 is seasonally a weak quarter with lower EBIT contributions, the Q1 EBIT of € 0.2m (eH&A € 0.2m; vs. € 0.6m adj. EBIT in Q1 16) should not be overrated. In fact, **we remain confident that DEAG will achieve its confirmed FY 17 guidance** targeting the EBIT to arrive in the 'mid to high single-digit € m' range mainly driven by: (1) The continued dynamic development of the UK operations, (2) an expected expansion of the company's appealing Family Entertainment business and Christmas-related events, as well as (3) a further increase in the distribution share of its high-margin ticketing channel 'myticket' (target: 40% distribution share by year-end FY 17E vs. c. 20% in FY 16).

Given the undemanding valuation at current levels on 6.5x EV/EBIT 18E, the progressing realignment with DEAG's enhanced positioning in attractive niche formats implies **attractive upside potential. BUY, PT € 5.00** (FCFY 2018E).

Y/E 31.12 (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
Sales	165.5	172.2	200.4	184.8	196.7	213.2	231.2
Sales growth	6 %	4 %	16 %	-8 %	6 %	8 %	8 %
EBITDA	10.2	8.6	-24.5	2.0	8.3	11.7	14.8
EBIT	7.3	5.3	-26.2	0.5	6.2	9.6	12.6
Net income	1.0	1.0	-29.8	-3.6	1.6	3.8	5.5
Net debt	-5.0	-33.6	-6.4	-2.4	-9.9	-15.9	-24.2
Net gearing	-41.4 %	-111.2 %	-63.1 %	-40.1 %	-59.0 %	-93.9 %	-129.8 %
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	0.21	0.30
CPS	-0.66	1.56	-2.53	-0.40	0.06	0.25	0.36
DPS	0.12	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	4.8 %	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 %	4.2 %	5.5 %	6.4 %
EBIT margin	4.4 %	3.1 %	-13.1 %	0.3 %	3.2 %	4.5 %	5.5 %
ROCE	13.8 %	9.4 %	-48.8 %	1.1 %	11.4 %	15.4 %	19.1 %
EV/sales	0.2	0.2	0.3	0.3	0.4	0.3	0.2
EV/EBITDA	3.5	4.2	-2.4	30.3	8.7	5.3	3.1
EV/EBIT	4.9	6.7	-2.3	113.7	11.5	6.5	3.7
PER	9.6	16.7	-1.5	-14.4	29.2	12.2	8.4
Adjusted FCF yield	24.0 %	174.4 %	-92.4 %	-7.6 %	20.0 %	21.2 %	39.4 %

Source: Company data, Hauck & Aufhäuser Close price as of: 31.05.2017



Source: Company data, Hauck & Aufhäuser

<b>High/low 52 weeks:</b>	3.69 / 2.19
<b>Price/Book Ratio:</b>	2.8
<b>Relative performance (SDAX):</b>	
3 months	-31.1 %
6 months	-38.1 %
12 months	-50.7 %

### Changes in estimates

		Sales	EBIT	EPS
2017	old:	196.7	6.2	0.09
	Δ	-	-	-
2018	old:	213.2	9.6	0.21
	Δ	-	-	-
2019	old:	231.2	12.6	0.30
	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	47.0 %
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.

## 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>196.7</b>	<b>213.2</b>	<b>231.2</b>
Sales growth	6.3 %	4.1 %	16.3 %	-7.8 %	6.5 %	8.4 %	8.4 %
Cost of sales	128.6	135.3	186.3	156.2	152.2	163.8	176.9
<b>Gross profit</b>	<b>36.9</b>	<b>37.0</b>	<b>14.1</b>	<b>28.6</b>	<b>44.5</b>	<b>49.5</b>	<b>54.3</b>
Sales and marketing	19.4	21.2	24.5	21.1	23.6	24.8	26.4
General and administration	14.9	14.2	15.7	14.1	15.3	16.0	16.6
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	5.9	6.4	6.9
Other operating expenses	1.4	1.5	9.6	0.8	5.2	5.4	5.7
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>8.3</b>	<b>11.7</b>	<b>14.8</b>
Depreciation	2.9	3.2	1.7	1.5	1.6	1.6	1.7
<b>EBITA</b>	<b>7.3</b>	<b>5.3</b>	<b>-26.2</b>	<b>0.5</b>	<b>6.7</b>	<b>10.1</b>	<b>13.1</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	0.5	0.5	0.5
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>7.3</b>	<b>5.3</b>	<b>-26.2</b>	<b>0.5</b>	<b>6.2</b>	<b>9.6</b>	<b>12.6</b>
Interest income	0.2	0.2	0.0	0.0	0.2	0.2	0.3
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>8.3</b>	<b>11.3</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>8.3</b>	<b>11.3</b>
Taxes	1.7	0.0	0.2	0.5	1.3	2.2	3.0
<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>6.1</b>	<b>8.3</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>6.1</b>	<b>8.3</b>
Minority interest	1.2	1.2	0.9	1.4	2.0	2.3	2.8
<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>3.8</b>	<b>5.5</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>0.21</b>	<b>0.30</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 %	11.4 %
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>4.2 %</b>	<b>5.5 %</b>	<b>6.4 %</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>3.4 %</b>	<b>4.8 %</b>	<b>5.7 %</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 %	0.3 %	0.2 %	0.2 %
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>3.2 %</b>	<b>4.5 %</b>	<b>5.5 %</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 %	0.7 %
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 %	-0.6 %
<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>2.5 %</b>	<b>3.9 %</b>	<b>4.9 %</b>
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>3.9 %</b>	<b>2.1 %</b>	<b>-13.6 %</b>	<b>-0.5 %</b>	<b>2.5 %</b>	<b>3.9 %</b>	<b>4.9 %</b>
Tax rate	26.6 %	1.1 %	-0.7 %	-48.6 %	26.6 %	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>2.8 %</b>	<b>3.6 %</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>2.8 %</b>	<b>3.6 %</b>
Minority interest	0.7 %	0.7 %	0.4 %	0.7 %	1.0 %	1.1 %	1.2 %
<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>1.8 %</b>	<b>2.4 %</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>31.7</b>	<b>31.4</b>	<b>31.1</b>
Property, plant and equipment	10.9	11.0	6.2	6.4	5.5	4.6	3.6
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>41.7</b>	<b>40.5</b>	<b>39.3</b>
Inventories	11.9	23.2	14.5	14.2	15.1	16.4	17.7
Accounts receivable	8.8	12.9	13.0	15.3	13.2	14.6	15.8
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	35.8	41.8	50.0
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>70.4</b>	<b>79.1</b>	<b>89.9</b>
<b>TOTAL ASSETS</b>	<b>90.1</b>	<b>146.0</b>	<b>104.3</b>	<b>107.4</b>	<b>112.1</b>	<b>119.6</b>	<b>129.2</b>
SHAREHOLDERS EQUITY	25.7	38.4	10.1	6.0	16.8	17.0	18.6
MINORITY INTEREST	4.0	5.8	5.9	4.7	6.7	9.0	11.8
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	9.6	10.5	11.4
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)	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	39.3	42.6	46.2
<b>Current liabilities</b>	<b>45.2</b>	<b>90.5</b>	<b>68.8</b>	<b>75.7</b>	<b>66.9</b>	<b>71.1</b>	<b>75.6</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>111.5</b>	<b>118.5</b>	<b>127.7</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>28.5 %</b>	<b>26.5 %</b>	<b>24.4 %</b>
Property, plant and equipment	12.1 %	7.6 %	5.9 %	5.9 %	4.9 %	3.9 %	2.8 %
Financial assets	1.6 %	2.1 %	3.1 %	4.2 %	4.0 %	3.8 %	3.5 %
<b>FIXED ASSETS</b>	<b>43.7 %</b>	<b>32.4 %</b>	<b>41.2 %</b>	<b>40.0 %</b>	<b>37.4 %</b>	<b>34.2 %</b>	<b>30.8 %</b>
Inventories	13.3 %	15.9 %	13.9 %	13.2 %	13.5 %	13.8 %	13.9 %
Accounts receivable	9.8 %	8.9 %	12.5 %	14.3 %	11.8 %	12.3 %	12.4 %
Other current assets	7.2 %	5.2 %	7.5 %	5.9 %	5.6 %	5.3 %	4.9 %
Liquid assets	25.5 %	37.0 %	24.7 %	26.4 %	32.1 %	35.3 %	39.2 %
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>63.1 %</b>	<b>66.7 %</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>100.5 %</b>	<b>100.9 %</b>	<b>101.2 %</b>
SHAREHOLDERS EQUITY	28.5 %	26.3 %	9.7 %	5.6 %	15.0 %	14.3 %	14.6 %
MINORITY INTEREST	4.4 %	4.0 %	5.7 %	4.4 %	6.0 %	7.6 %	9.3 %
Long-term debt	6.8 %	3.1 %	9.2 %	9.0 %	8.5 %	8.0 %	7.5 %
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 %	10.4 %	10.0 %	9.5 %
<b>Non-current liabilities</b>	<b>16.9 %</b>	<b>7.7 %</b>	<b>18.7 %</b>	<b>19.5 %</b>	<b>18.9 %</b>	<b>18.1 %</b>	<b>17.0 %</b>
short-term liabilities to banks	6.9 %	4.7 %	9.4 %	15.2 %	14.7 %	13.8 %	12.8 %
Accounts payable	6.2 %	6.3 %	10.7 %	12.6 %	8.6 %	8.9 %	8.9 %
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 %	1.5 %	1.4 %	1.3 %
Deferred income	30.2 %	44.2 %	40.0 %	34.7 %	35.2 %	35.9 %	36.2 %
<b>Current liabilities</b>	<b>50.2 %</b>	<b>62.0 %</b>	<b>66.0 %</b>	<b>70.5 %</b>	<b>60.0 %</b>	<b>60.0 %</b>	<b>59.2 %</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	6.1	8.3
Depreciation of fixed assets (incl. leases)	2.9	3.2	1.7	1.5	1.6	1.6	1.7
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	0.5	0.5	0.5
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	5.7	8.2	10.5
Increase/decrease in inventory	8.2	-10.6	9.0	1.3	-0.9	-1.3	-1.4
Increase/decrease in accounts receivable	1.2	-4.1	-0.1	-2.3	2.1	-1.4	-1.2
Increase/decrease in accounts payable	-20.5	39.4	-21.4	0.3	-4.0	0.9	0.8
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	-2.8	-1.7	-1.8
<b>Cash flow from operating activities</b>	<b>-8.1</b>	<b>28.1</b>	<b>-37.9</b>	<b>-5.1</b>	<b>2.9</b>	<b>6.5</b>	<b>8.7</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	0.0	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>-0.9</b>	<b>-0.9</b>	<b>-0.9</b>
Cash flow before financing	-6.9	25.7	-32.0	-1.9	2.0	5.6	7.8
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	6.8	5.6	7.8
<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>35.2</b>	<b>40.7</b>	<b>48.5</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

# DEAG Deutsche Entertainment AG

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 %	6.5 %	8.4 %	8.4 %
EBITDA growth	19.3 %	-16.2 %	-386.0 %	-108.1 %	318.6 %	41.2 %	26.0 %
EBIT growth	1.0 %	-26.9 %	-591.1 %	-102.0 %	1080.3 %	54.5 %	30.9 %
EPS growth	-65.4 %	-10.7 %	-2825.5 %	-88.0 %	-140.8 %	129.8 %	45.6 %
<b>Efficiency</b>							
Total operating costs / sales	17.9 %	18.4 %	20.1 %	15.2 %	19.4 %	18.7 %	18.0 %
Sales per employee	582.7	962.2	1,001.8	937.8	1,013.7	1,028.0	1,028.2
EBITDA per employee	36.0	47.9	-122.6	10.1	42.8	56.5	65.7
<b>Balance sheet analysis</b>							
Avg. working capital / sales	8.3 %	12.2 %	10.8 %	8.7 %	8.8 %	9.2 %	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	2.0	5.6	7.8
Free cash flow/sales	-6.1 %	15.5 %	-19.3 %	-4.9 %	1.0 %	2.6 %	3.4 %
FCF / net profit	-1033.2	2616.6 %	129.3 %	250.8 %	125.6 %	147.2 %	142.0 %
Capex / depre	67.9 %	44.2 %	43.6 %	262.2 %	43.4 %	42.9 %	41.4 %
Capex / maintenance capex	167.1 %	34.2 %	19.0 %	236.8 %	38.7 %	38.2 %	33.9 %
Capex / sales	1.2 %	0.8 %	0.4 %	2.1 %	0.5 %	0.4 %	0.4 %
<b>Security</b>							
Net debt	-5.0	-33.6	-6.4	-2.4	-9.9	-15.9	-24.2
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	-0.6	-0.9	-1.3
Interest cover	13.1	10.7	0.0	0.5	4.0	6.2	8.1
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	3.2	3.3	3.4
Operating assets turnover	6.4	4.5	8.9	8.3	8.1	8.5	9.0
Plant turnover	15.2	15.6	32.3	28.9	35.7	46.2	63.6
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 %	11.4 %	15.4 %	19.1 %
ROE	3.8 %	2.7 %	-295.4 %	-59.7 %	9.4 %	22.2 %	29.5 %
<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	194	207	225
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	0.21	0.30
<b>Valuation ratios</b>							
P/BV	1.3	1.1	4.1	6.9	2.8	2.7	2.5
EV/sales	0.2	0.2	0.3	0.3	0.4	0.3	0.2
EV/EBITDA	3.5	4.2	-2.4	30.3	8.7	5.3	3.1
EV/EBITA	4.9	6.7	-2.3	113.7	10.7	6.2	3.5
EV/EBIT	4.9	6.7	-2.3	113.7	11.5	6.5	3.7
EV/FCF	-3.5	1.3	-1.6	-6.7	36.2	11.2	5.9
Adjusted FCF yield	24.0 %	174.4 %	-92.4 %	-7.6 %	20.0 %	21.2 %	39.4 %
Dividend yield	4.8 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Company data, Hauck & Aufhäuser

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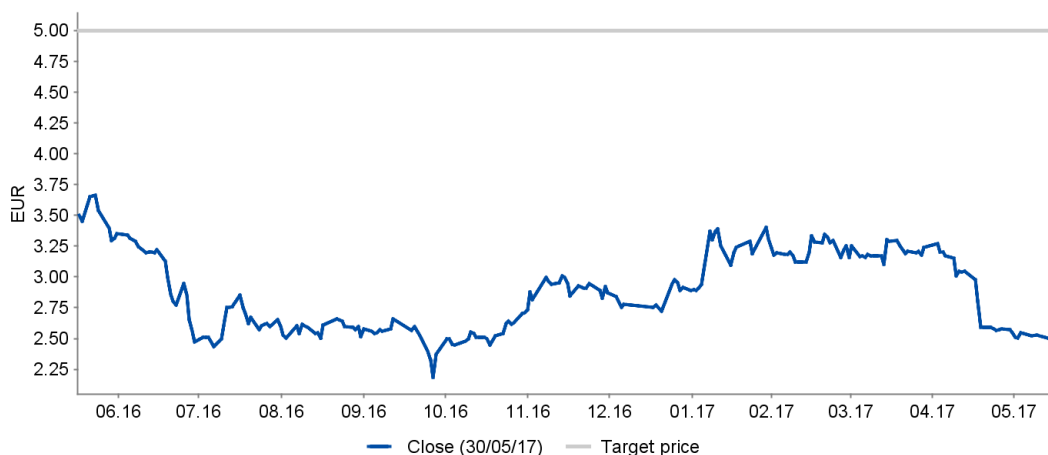
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Company	Disclosure
DEAG Deutsche Entertainment AG	2, 3, 6

### 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 01/06/17

**Initiation coverage**  
04-December-09



Company	Date	Analyst	Rating	Target price	Close
DEAG Deutsche Entertainment AG	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
	14.10.2016	Schwenkenbecher, Christian	Buy	EUR 5,00	EUR 2,37
	29.09.2016	Schwenkenbecher, Christian	Buy	EUR 5,00	EUR 2,66

30.08.2016

Schwenkenbecher, Christian

Buy

EUR 5,00

EUR 2,55

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