



Buy (old: Buy)

Price target: EUR 5.00 (old: EUR 5.00)

Price:	EUR 2.45	Next result:	Q2 17: 31.08.17
Bloomberg:	ERMK GR	Market cap:	EUR 45.1 m
Reuters:	ERMGK.DE	Enterprise Value:	EUR 41.7 m

21-August-17

Pierre Gröning
Analyst

pierre.groening@ha-ib.de
Tel.: +49 40 450 6342 30 92

Pushing ahead with profitable UK expansion; chg.

Friday's successfully closed bolt-on acquisition of the British event promoter Flying Music Group (FMG) represents a further step in DEAG's sensible UK expansion strategy. In fact, **the deal appears reasonable** as FMG looks set to provide attractive synergy potential with DEAG's existing UK business.

With that, the dynamically growing UK business is set to become the **key cash cow and growth driver going forward**: With FMG's future sales contributions, DEAG's revenues in the UK are expected to increase to > € 100m in FY 18E, hence already accounting for > 42% of total sales (vs. 35% in FY 16).

- Deal terms:** The deal is based on a **purchase price of € 5.5m for 60%** of FMG pointing to an implied (pre-synergy) **EV/EBITDA ratio of 9.6x** given that we estimate FMG's EBITDA to amount to c. € 1m (c. 5% EBITDA margin, € 20m sales). Notably, the effective purchase price could slightly increase due to earn-out agreements.
- Representing a good fit:** In our view, **the bolt-on acquisition appears to be a strong fit** given that FMG is seen to provide tangible synergies with DEAG's UK subsidiaries Kilimanjaro Live and Raymond Gubbay Ltd. Two main reasons:

(1) Further synergies: FMG as an additional promoter will extend DEAG's network, enabling it to further improve operational efficiency in the UK as the bundling of resources, the exchange of services as well as cross-promotions (e.g. artist and programme marketing) between the companies imply substantial synergy potential.

(2) Strengthening direct ticketing distribution: Rising volumes of directly controlled tickets bode well for DEAG's ongoing transformation into direct distribution via its own platform 'myticket' and its intention to monetise its own content. **In fact, the acquisition of FMG should lead to an increase in DEAG's annual ticket volume in the UK by c. 500,000 tickets to > 2m by year-end FY 18E.** With that, we expect DEAG to generate profit contributions from overall ticketing activities (Germany, UK and Austria) in excess of € 1m.

Action: We adjust our estimates to incorporate the takeover and FMG's contributions.

Given the undemanding valuation of 3.6x EV/EBIT 18E, a successful expansion of the UK operations and the exploitation of the underlying distribution potential of direct ticketing implies **attractive upside potential. BUY, PT € 5.00.**

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	4.9 %	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	0.1	0.0	0.2	0.2	0.2	0.2	0.1
EV/EBITDA	2.2	-0.3	-1.4	19.0	4.8	2.9	1.8
EV/EBIT	3.1	-0.5	-1.3	71.5	6.6	3.6	2.1
PER	9.4	16.4	-1.4	-14.0	28.5	11.3	7.9
Adjusted FCF yield	24.7 %	260.6 %	-95.1 %	-8.0 %	35.1 %	29.8 %	30.6 %

Source: Company data, Hauck & Aufhäuser Close price as of: 18.08.2017



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 3.40 / 2.19

Price/Book Ratio: 2.7

Relative performance (SDAX):

3 months -8.3 %

6 months -34.8 %

12 months -23.9 %

Changes in estimates

		Sales	EBIT	EPS
2017	old:	196.7	6.2	0.09
	Δ	4.2%	0.7%	0.2%
2018	old:	213.2	9.6	0.21
	Δ	9.9%	4.7%	6.1%
2019	old:	231.2	12.6	0.30
	Δ	10.3%	4.1%	4.4%

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
Sales	165.5	172.2	200.4	184.8	205.0	234.3	255.0
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
Gross profit	36.9	37.0	14.1	28.6	46.3	54.3	59.9
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
EBITDA	10.2	8.6	-24.5	2.0	8.7	12.7	15.9
Depreciation	2.9	3.2	1.7	1.5	1.6	1.8	1.8
EBITA	7.3	5.3	-26.2	0.5	7.1	11.0	14.0
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
EBIT	7.3	5.3	-26.2	0.5	6.3	10.1	13.1
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
Recurring pretax income from continuing operations	6.5	3.6	-27.2	-1.0	4.9	8.7	11.8
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	6.5	3.6	-27.2	-1.0	4.9	8.7	11.8
Taxes	1.7	0.0	0.2	0.5	1.3	2.3	3.1
Net income from continuing operations	4.7	3.6	-27.4	-1.5	3.6	6.4	8.6
Result from discontinued operations (net of tax)	2.6	1.3	1.6	0.7	0.0	0.0	0.0
Net income	2.2	2.2	-29.0	-2.2	3.6	6.4	8.6
Minority interest	1.2	1.2	0.9	1.4	2.0	2.4	2.9
Net income (net of minority interest)	1.0	1.0	-29.8	-3.6	1.6	4.0	5.7
Average number of shares	13.0	15.2	16.4	16.4	17.7	18.4	18.4
EPS reported	0.07	0.07	-1.83	-0.22	0.09	0.22	0.31

Profit and loss (common size)	2013	2014	2015	2016	2017E	2018E	2019E
Sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	77.7 %	78.5 %	93.0 %	84.5 %	77.4 %	76.8 %	76.5 %
Gross profit	22.3 %	21.5 %	7.0 %	15.5 %	22.6 %	23.2 %	23.5 %
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 %
EBITDA	6.2 %	5.0 %	-12.2 %	1.1 %	4.3 %	5.4 %	6.2 %
Depreciation	1.8 %	1.9 %	0.9 %	0.8 %	0.8 %	0.8 %	0.7 %
EBITA	4.4 %	3.1 %	-13.1 %	0.3 %	3.5 %	4.7 %	5.5 %
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 %
EBIT	4.4 %	3.1 %	-13.1 %	0.3 %	3.1 %	4.3 %	5.1 %
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 %
Recurring pretax income from continuing operations	3.9 %	2.1 %	-13.6 %	-0.5 %	2.4 %	3.7 %	4.6 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	3.9 %	2.1 %	-13.6 %	-0.5 %	2.4 %	3.7 %	4.6 %
Tax rate	26.6 %	1.1 %	-0.7 %	-48.6 %	26.4 %	26.6 %	26.6 %
Net income from continuing operations	2.9 %	2.1 %	-13.7 %	-0.8 %	1.8 %	2.7 %	3.4 %
Result from discontinued operations (net of tax)	1.6 %	0.8 %	0.8 %	0.4 %	0.0 %	0.0 %	0.0 %
Net income	1.3 %	1.3 %	-14.5 %	-1.2 %	1.8 %	2.7 %	3.4 %
Minority interest	0.7 %	0.7 %	0.4 %	0.7 %	1.0 %	1.0 %	1.1 %
Net income (net of minority interest)	0.6 %	0.6 %	-14.9 %	-1.9 %	0.8 %	1.7 %	2.3 %

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
Intangible assets	27.0	33.2	33.6	32.0	36.9	36.2	35.5
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
FIXED ASSETS	39.4	47.3	43.0	42.9	46.9	45.1	43.3
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
CURRENT ASSETS	50.7	98.7	61.3	64.5	65.1	74.8	86.3
TOTAL ASSETS	90.1	146.0	104.3	107.4	111.9	119.9	129.6
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
Non-current liabilities	15.2	11.2	19.5	21.0	21.1	21.4	21.7
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	39.3	42.6	46.2
Current liabilities	45.2	90.5	68.8	75.7	67.3	72.2	76.7
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	90.1	146.0	104.3	107.4	111.9	119.9	129.6

Balance sheet (common size)	2013	2014	2015	2016	2017E	2018E	2019E
Intangible assets	30.0 %	22.7 %	32.2 %	29.8 %	33.0 %	30.2 %	27.4 %
Property, plant and equipment	12.1 %	7.6 %	5.9 %	5.9 %	4.9 %	3.7 %	2.5 %
Financial assets	1.6 %	2.1 %	3.1 %	4.2 %	4.0 %	3.8 %	3.5 %
FIXED ASSETS	43.7 %	32.4 %	41.2 %	40.0 %	41.9 %	37.6 %	33.4 %
Inventories	13.3 %	15.9 %	13.9 %	13.2 %	14.1 %	15.0 %	15.1 %
Accounts receivable	9.8 %	8.9 %	12.5 %	14.3 %	12.3 %	13.4 %	13.5 %
Other current assets	7.2 %	5.2 %	7.5 %	5.9 %	5.6 %	5.2 %	4.8 %
Liquid assets	25.5 %	37.0 %	24.7 %	26.4 %	26.2 %	28.8 %	33.2 %
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 %
CURRENT ASSETS	56.3 %	67.6 %	58.8 %	60.0 %	58.1 %	62.4 %	66.6 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
SHAREHOLDERS EQUITY	28.5 %	26.3 %	9.7 %	5.6 %	15.0 %	14.4 %	14.7 %
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 %	7.9 %	7.4 %
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 %	9.9 %	9.4 %
Non-current liabilities	16.9 %	7.7 %	18.7 %	19.5 %	18.9 %	17.8 %	16.7 %
short-term liabilities to banks	6.9 %	4.7 %	9.4 %	15.2 %	14.6 %	13.6 %	12.6 %
Accounts payable	6.2 %	6.3 %	10.7 %	12.6 %	8.9 %	9.7 %	9.7 %
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)	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 %	35.1 %	35.5 %	35.6 %
Current liabilities	50.2 %	62.0 %	66.0 %	70.5 %	60.1 %	60.2 %	59.2 %
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)	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
Cash flow from operating activities	-8.1	28.1	-37.9	-5.1	2.5	6.1	9.4
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
Cash flow from investing activities	1.1	-2.4	5.8	3.2	-6.4	-0.9	-0.9
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
Cash flow from financing activities	1.3	5.7	4.1	4.9	4.8	0.0	0.0
Increase/decrease in liquid assets	-5.9	31.1	-28.3	2.6	0.9	5.2	8.5
Liquid assets at end of period	22.9	54.1	25.8	28.4	29.3	34.5	43.0

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
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

DEAG Deutsche Entertainment AG

Key ratios (EUR m)	2013	2014	2015	2016	2017E	2018E	2019E
P&L growth analysis							
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 %
Efficiency							
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	1,056.6	1,129.4	1,134.0
EBITDA per employee	36.0	47.9	-122.6	10.1	44.9	61.4	70.6
Balance sheet analysis							
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
Cash flow analysis							
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 %
Security							
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 %
Asset utilisation							
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
Returns							
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 %
Other							
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	0.22	0.31
Valuation ratios							
P/BV	1.3	1.0	4.0	6.7	2.7	2.6	2.4
EV/sales	0.1	0.0	0.2	0.2	0.2	0.2	0.1
EV/EBITDA	2.2	-0.3	-1.4	19.0	4.8	2.9	1.8
EV/EBITA	3.1	-0.5	-1.3	71.5	5.9	3.3	2.0
EV/EBIT	3.1	-0.5	-1.3	71.5	6.6	3.6	2.1
EV/FCF	-2.3	-0.1	-0.9	-4.2	26.0	7.0	3.3
Adjusted FCF yield	24.7 %	260.6 %	-95.1 %	-8.0 %	35.1 %	29.8 %	30.6 %
Dividend yield	4.9 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Company data, Hauck & Aufhäuser

Disclosures regarding research publications of Hauck & Aufhäuser Privatbankiers AG pursuant to section 34b of the German Securities Trading Act (WpHG) and distributed in the UK under an EEA branch passport, subject to the FCA requirements on research recommendation disclosures

It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 34b of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analysed company. Further to this, under the FCA's rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if Hauck & Aufhäuser Privatbankiers AG

- (1) or its affiliate(s) (either in its own right or as part of a consortium) within the past twelve months, acquired the financial instruments of the analysed company,
- (2) has entered into an agreement on the production of the research report with the analysed company,
- (3) or its affiliate(s) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analysed company or have received services or a promise of services under the term of such an agreement,
- (4) or its affiliate(s) holds a) 5% or more of the share capital of the analysed company, or b) the analysed company holds 5% or more of the share capital of Hauck & Aufhäuser Privatbankiers AG or its affiliate(s),
- (5) or its affiliate(s) holds a net long (a) or a net short (b) position of 0.5% of the outstanding share capital of the analysed company or derivatives thereof,
- (6) or its affiliate(s) is a market maker or liquidity provider in the financial instruments of the issuer,
- (7) or the analyst has any other significant financial interests relating to the analysed company such as, for example, exercising mandates in the interest of the analysed company or a significant conflict of interest with respect to the issuer,
- (8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

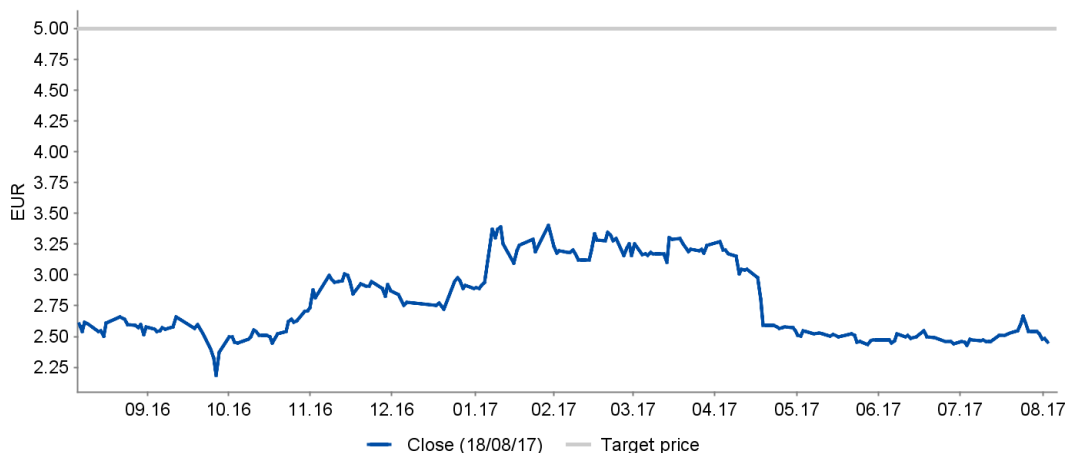
Conflicts of interest that existed at the time when this research report was published:

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 21/08/17

Initiation coverage
04-December-09



Company	Date	Analyst	Rating	Target price	Close
DEAG Deutsche Entertainment AG	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
	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

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

Buy	54.23 %	92.31 %
Sell	16.20 %	0.00 %
Hold	29.58 %	7.69 %

Date of publication creation: 21/08/2017 09:44 AM

Date of publication dissemination: 21/08/2017 09:47 AM

1. General Information/Liabilities

This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by Hauck & Aufhäuser Privatbankiers AG, exclusively to selected recipients [in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of Hauck & Aufhäuser Privatbankiers AG. Reproduction of this document, in whole or in part, is not permitted without prior permission Hauck & Aufhäuser Privatbankiers AG. All rights reserved.

Under no circumstances shall Hauck & Aufhäuser Privatbankiers AG, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

2. Responsibilities

This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently. The content of the research report was not influenced by the issuer of the analysed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

3. Organisational Requirements

Hauck & Aufhäuser Privatbankiers AG took internal organisational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of Hauck & Aufhäuser Privatbankiers AG involved in the preparation of the research report are subject to internal compliance regulations. No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis. In case a research analyst or a closely related person is confronted with a conflict of interest, the research analyst is restricted from covering this company.

4. Information Concerning the Methods of Valuation/Update

The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made.

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.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value.

Hauck & Aufhäuser Privatbankiers AG uses the following three-step rating system for the analysed companies:

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 is limited. No immediate catalyst visible.

NB: The ratings of Hauck & Aufhäuser Privatbankiers AG are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analysed in this document was solely made by Hauck & Aufhäuser Privatbankiers AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of Hauck & Aufhäuser Privatbankiers AG whether and when it publishes an update to this research report, but in general updates are created on a regular basis, after 6 months at the latest. A sensitivity analysis is included and published in company's initial studies.

5. Major Sources of Information

Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. Hauck & Aufhäuser Privatbankiers AG has checked the information for plausibility but not for accuracy or completeness.

6. Competent Supervisory Authority

Hauck & Aufhäuser Privatbankiers AG are under supervision of the BaFin – German Federal Financial Supervisory Authority Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M.

This document is distributed in the UK under a MiFID EEA branch passport and in compliance with the applicable FCA requirements.

7. Specific Comments for Recipients Outside of Germany

This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

8. Miscellaneous

According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under:
https://www.hauck-aufhaeuser.de/page/UVV_InstitutResearch

Contacts: Hauck&Aufhäuser Privatbankiers AG

Hauck & Aufhäuser Research

Hauck & Aufhäuser
Privatbankiers AG
Mittelweg 16/17
20148 Hamburg
Germany

Tel.: +49 (0) 40 414 3885 93
Fax: +49 (0) 40 414 3885 71
Email: research@ha-ib.de
www.ha-research.de

Henning Breiter

Head of Research
Tel.: +49 40 414 3885 73
E-Mail: henning.breiter@ha-ib.de

Tim Wunderlich, CFA

Head of Research
Tel.: +49 40 414 3885 81
E-Mail: tim.wunderlich@ha-ib.de

Robin Brass, CFA

Analyst
Tel.: +49 40 414 3885 76
E-Mail: robin.brass@ha-ib.de

Lars Dannenberg

Analyst
Tel.: +49 40 414 3885 92
E-Mail: lars.dannenberg@ha-ib.de

Christian Glowa

Analyst
Tel.: +49 40 414 3885 95
E-Mail: christian.glowa@ha-ib.de

Pierre Gröning

Analyst
Tel.: +49 40 450 6342 30 92
E-Mail: pierre.groening@ha-ib.de

Aliaksandr Halitsa

Analyst
Tel.: +49 40 414 3885 83
E-Mail: aliaksandr.halitsa@ha-ib.de

Christian Salis

Analyst
Tel.: +49 40 414 3885 96
E-Mail: christian.salis@ha-ib.de

Torben Teichler

Analyst
Tel.: +49 40 414 3885 74
E-Mail: torben.teichler@ha-ib.de

Hauck & Aufhäuser Sales

Oliver Anderson

Sales
Tel.: +44 207 408 1100
E-Mail: oliver.anderson@ha-ib.de

Christian Schwenkenbecher

Sales
Tel.: +44 207 408 1100
E-Mail: christian.schwenkenbecher@ha-ib.de

Toby Woods

Sales
Tel.: +44 207 408 1100
E-Mail: toby.woods@ha-ib.de

Christian Alisch

Sales
Tel.: +49 40 414 3885 99
E-Mail: christian.alisch@ha-ib.de

Vincent Bischoff

Sales
Tel.: +49 40 414 3885 88
E-Mail: vincent.bischoff@ha-ib.de

Hugues Madelin

Sales
Tel.: +33 1 78 41 40 62
E-Mail: hugues.madelin@ha-ib.de

Georgina Harrold

Sales
Tel.: +49 69 2161 1299
E-Mail: georgina.harrold@hauck-ib.de

Jan Neynaber

Sales
Tel.: +49 69 2161 1268
E-Mail: jan.neynaber@hauck-aufhaeuser.com

Marco Schumann

Sales
Tel.: +49 69 2161 1250
E-Mail: marco.schumann@hauck-aufhaeuser.com

JPP Eurosecurities Inc.

Sales North America
Quinn Raftery
Tel.: +1 231 649 4998
E-Mail: quinn.raftery@haa-na.com

Alexander Lachmann

Sales
Tel.: +41 43 497 30 23
E-Mail: alexander.lachmann@ha-ib.de

Hauck & Aufhäuser Sales Trading

Hauck & Aufhäuser
Privatbankiers AG
Mittelweg 16/17
20148 Hamburg
Germany

Tel.: +49 40 414 3885 75
Fax: +49 40 414 3885 71
Email: info@hauck-aufhaeuser.com
www.hauck-aufhaeuser.com

Mirko Brueggemann

Trading
Tel.: +49 40 414 3885 75
E-Mail: mirko.brueggemann@hauck-aufhaeuser.com

Joseph Kaselak

Trading
Tel.: +49 40 450 6342 3093
E-Mail: joseph.kaselak@hauck-aufhaeuser.com

Christian von Schuler

Trading
Tel.: +49 40 414 3885 77
E-Mail: christian.schuler@hauck-aufhaeuser.com

Fin Schaffer

Trading
Tel.: +49 40 414 3885 98
E-Mail: fin.schaffer@hauck-aufhaeuser.com

Kathleen Jonas

Middle-Office
Tel.: +49 40 414 3885 97
E-Mail: kathleen.jonas@hauck-aufhaeuser.com

Carolin Weber

Middle-Office
Tel.: +49 40 414 3885 87
E-Mail: carolin.weber@hauck-aufhaeuser.com