



**Buy** (old: Buy)

**Price target: EUR 4.90** (old: EUR 5.00)

**Price:** EUR 3.54      **Next result:** 9M 18: 30.11.18  
**Bloomberg:** ERMK@GR      **Market cap:** EUR 65.1 m  
**Reuters:** ERMGK.DE      **Enterprise Value:** EUR 46.7 m

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### Prospects for FY 18 remain positive after a strong Q2; chg.

Thanks to a well-attended open-air season, solid Q2 results reported in late August put DEAG **on track to show continued earnings improvement in FY 18**. On top of that, recent M&A transactions serve as a testimony to management's plan of gradually reducing minority interest.

In fact, the strong +33% yoy sales growth to € 91m in Q2 mainly reflects **decent demand in DEAG's rock/pop division** which provided a range of large-volume events with Ed Sheeran, the Foo Fighters and Iron Maiden. Positively, **DEAG also remains on track for a further improved operating profitability**: While reported Q2 EBIT of € 7.7m was notably boosted by a € 5.3m deconsolidation gain following the sale of Raymond Gubbay Ltd. (RGL) in June, adjusted EBIT still rose by 23% yoy to € 2.5m (vs. € 2m in Q2 17 excl. € -1.8m from Austrian business discontinued as of Q3 17).

What's more, management made **visible progress in its strategic aim to gradually reduce minority interest** striving to increase EPS for DEAG's shareholders: **1)** DEAG acquired the remaining 49% stake in DEAG Classics while **2)** simultaneously selling its subsidiary RGL Ltd. to Sony (net inflow of both deals € 10.6m). **3)** DEAG repurchased a 24.9% stake of 'myticket' from Starwatch (ProSieben) now holding 75.1%. Beyond this, the recent takeover of the renowned Scottish 'Belladrum' festival taking place on an annual basis in August **further enhances DEAG's line-up in the UK while boding well for this year's Q3** (eH&A c. 20k visitors in FY 18E, c. € 2.5m sales volume).

Despite the overall negative consolidation effects which are set to weigh on H2 (eH&A: RGL with pro forma € 22m sales and € 2m EBIT contribution in FY 18E), **prospects for the remainder of the year look promising**:

Keep in mind: Q4 as DEAG's seasonally strongest quarter with disproportionate contributions (c. 30% of total sales in FY 17 with € 4m EBIT) is **set to benefit from an expansion of the profitable Christmas Garden formats** in Germany from one city last year to three cities in FY 18 as well as several Family Entertainment formats rolled-out into Switzerland, hence likely compensating for the fading contribution of RGL. Accordingly, **we still consider DEAG to achieve this year's targets** of at least 20% yoy sales growth (i.e. € 190m) and at least 40% yoy EBIT growth (i.e. € 7m, excluding one-off gain from the sale of RGL Ltd.).

**Reiterate BUY, new PT of € 4.90** (old: € 5.00) (FCFY 2019E). - next page for chg. -

Y/E 31.12 (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
Sales	172.2	200.4	179.5	159.8	191.7	212.9	223.6
Sales growth	4 %	16 %	-10 %	-11 %	20 %	11 %	5 %
EBITDA	8.6	-24.5	5.2	6.5	14.7	12.9	15.4
EBIT	5.3	-26.2	3.7	5.1	12.4	10.5	12.8
Net income	1.0	-29.8	-3.6	-2.3	6.6	4.8	6.4
Net debt	-33.6	-6.4	-2.4	-14.9	-18.4	-21.6	-28.9
Net gearing	-111.2 %	-63.1 %	-40.1 %	-199.0 %	-113.4 %	-146.9 %	-170.2 %
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.15	-1.73	0.02	0.04	0.36	0.26	0.35
CPS	1.56	-2.53	-0.40	0.82	-0.22	0.09	0.31
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	21.5 %	7.0 %	17.2 %	18.4 %	20.3 %	21.2 %	22.0 %
EBITDA margin	5.0 %	-12.2 %	2.9 %	4.1 %	7.7 %	6.1 %	6.9 %
EBIT margin	3.1 %	-13.1 %	2.1 %	3.2 %	6.5 %	4.9 %	5.7 %
ROCE	9.4 %	-48.8 %	8.0 %	10.6 %	23.6 %	18.1 %	21.3 %
EV/sales	0.1	0.3	0.3	0.3	0.2	0.2	0.2
EV/EBITDA	1.8	-2.1	10.8	7.7	3.2	3.4	2.4
EV/EBIT	2.8	-2.0	14.9	10.0	3.8	4.2	2.8
PER	23.6	-2.1	173.8	85.9	9.9	13.5	10.1
Adjusted FCF yield	24.6 %	-60.2 %	5.6 %	14.1 %	27.2 %	16.1 %	24.5 %

Source: Company data, Hauck & Aufhäuser Close price as of: 26.09.2018



Source: Company data, Hauck & Aufhäuser

**High/low 52 weeks:** 3.91 / 2.34

**Price/Book Ratio:** 4.0

**Relative performance (SDAX):**

3 months -  
6 months -  
12 months -

#### Changes in estimates

		Sales	EBIT	EPS
2018	old:	205.2	8.1	0.17
	Δ	-6.6%	52.2%	116.0%
2019	old:	223.5	11.7	0.27
	Δ	-4.8%	-10.4%	-1.8%
2020	old:	232.5	13.9	0.34
	Δ	-3.8%	-8.0%	3.3%

#### Key share data:

Number of shares: (in m pcs) 18.4  
 Authorised capital: (in € m) 0.0  
 Book value per share: (in €) 0.9  
 Ø trading volume: (12 months) 38,000

#### Major shareholders:

Free Float 57.9 %  
 Apeiron Investment Group 11.4 %  
 Plutus Holdings 2 Ltd. 10.4 %  
 Allianz Global Investors 10.0 %  
 SRE Holding GmbH 7.6 %  
 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.

**Action:** We adjust our estimates in the forecast period to account for recent M&A transactions including 1) the acquisitions of incremental stakes in DEAG Classics and myticket, 2) the takeover of the 'Belladrum' festival as well as 3) the sale of RGL (UK). While reported EBIT in FY 18E is raised due to the € 5.3m deconsolidation gain from the sale of RGL, we now expect adj. EBIT to come in at some € 7m be in line with the company's guidance. Positively, management indicated in recent discussions that DEAG is about to win at least 2-3 additional cities for its profitable Christmas Garden formats next year beyond initial expectations. In our view, this should yield the potential to partly compensate for the deconsolidation of RGL in FY 19-20E. Overall, the changes yield a new PT of € 4.90 (old: € 5.00) based on FCFY 2019E.

## Financials

Profit and loss (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
<b>Sales</b>	<b>172.2</b>	<b>200.4</b>	<b>179.5</b>	<b>159.8</b>	<b>191.7</b>	<b>212.9</b>	<b>223.6</b>
<i>Sales growth</i>	4.1 %	16.3 %	-10.4 %	-11.0 %	20.0 %	11.0 %	5.0 %
Cost of sales	135.3	186.3	148.7	130.5	152.9	167.8	174.4
<b>Gross profit</b>	<b>37.0</b>	<b>14.1</b>	<b>30.8</b>	<b>29.3</b>	<b>38.8</b>	<b>45.1</b>	<b>49.2</b>
Sales and marketing	21.2	24.5	20.7	13.1	17.6	19.6	20.6
General and administration	14.2	15.7	13.6	12.6	15.0	16.2	17.0
Research and development	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	5.3	9.5	8.1	2.6	8.2	3.2	3.4
Other operating expenses	1.5	9.6	0.8	1.2	1.5	1.7	1.7
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>8.6</b>	<b>-24.5</b>	<b>5.2</b>	<b>6.5</b>	<b>14.7</b>	<b>12.9</b>	<b>15.4</b>
Depreciation	3.2	1.7	1.4	1.5	1.4	1.5	1.6
<b>EBITA</b>	<b>5.3</b>	<b>-26.2</b>	<b>3.7</b>	<b>5.1</b>	<b>13.3</b>	<b>11.4</b>	<b>13.7</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	0.9	0.9	0.9
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>5.3</b>	<b>-26.2</b>	<b>3.7</b>	<b>5.1</b>	<b>12.4</b>	<b>10.5</b>	<b>12.8</b>
Interest income	0.2	0.0	0.0	0.0	0.2	0.2	0.3
Interest expenses	0.5	0.9	1.0	1.2	1.8	1.8	1.8
Other financial result	-1.5	0.0	-0.5	-0.9	0.0	0.0	0.0
Financial result	-1.7	-0.9	-1.5	-2.1	-1.6	-1.6	-1.6
<b>Recurring pretax income from continuing operations</b>	<b>3.6</b>	<b>-27.2</b>	<b>2.2</b>	<b>2.9</b>	<b>10.7</b>	<b>8.9</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>3.6</b>	<b>-27.2</b>	<b>2.2</b>	<b>2.9</b>	<b>10.7</b>	<b>8.9</b>	<b>11.3</b>
Taxes	0.0	0.2	0.5	0.6	2.4	2.3	2.9
<b>Net income from continuing operations</b>	<b>3.6</b>	<b>-27.4</b>	<b>1.7</b>	<b>2.3</b>	<b>8.4</b>	<b>6.6</b>	<b>8.3</b>
Result from discontinued operations (net of tax)	1.3	1.6	3.9	3.0	0.0	0.0	0.0
<b>Net income</b>	<b>2.2</b>	<b>-29.0</b>	<b>-2.2</b>	<b>-0.7</b>	<b>8.4</b>	<b>6.6</b>	<b>8.3</b>
Minority interest	1.2	0.9	1.4	1.6	1.8	1.7	1.9
<b>Net profit (reported)</b>	<b>1.0</b>	<b>-29.8</b>	<b>-3.6</b>	<b>-2.3</b>	<b>6.6</b>	<b>4.8</b>	<b>6.4</b>
Average number of shares	15.2	16.4	16.4	17.6	18.4	18.4	18.4
<b>EPS reported</b>	<b>0.07</b>	<b>-1.83</b>	<b>-0.22</b>	<b>-0.13</b>	<b>0.36</b>	<b>0.26</b>	<b>0.35</b>

Profit and loss (common size)	2014	2015	2016	2017	2018E	2019E	2020E
<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	78.5 %	93.0 %	82.8 %	81.6 %	79.8 %	78.8 %	78.0 %
<b>Gross profit</b>	<b>21.5 %</b>	<b>7.0 %</b>	<b>17.2 %</b>	<b>18.4 %</b>	<b>20.3 %</b>	<b>21.2 %</b>	<b>22.0 %</b>
Sales and marketing	12.3 %	12.3 %	11.5 %	8.2 %	9.2 %	9.2 %	9.2 %
General and administration	8.3 %	7.8 %	7.6 %	7.9 %	7.8 %	7.6 %	7.6 %
Research and development	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other operating income	3.1 %	4.7 %	4.5 %	1.6 %	4.3 %	1.5 %	1.5 %
Other operating expenses	0.8 %	4.8 %	0.5 %	0.7 %	0.8 %	0.8 %	0.8 %
Unusual or infrequent items	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBITDA</b>	<b>5.0 %</b>	<b>neg.</b>	<b>2.9 %</b>	<b>4.1 %</b>	<b>7.7 %</b>	<b>6.1 %</b>	<b>6.9 %</b>
Depreciation	1.9 %	0.9 %	0.8 %	0.9 %	0.8 %	0.7 %	0.7 %
<b>EBITA</b>	<b>3.1 %</b>	<b>neg.</b>	<b>2.1 %</b>	<b>3.2 %</b>	<b>6.9 %</b>	<b>5.3 %</b>	<b>6.1 %</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 %	0.4 %	0.4 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>EBIT (inc revaluation net)</b>	<b>3.1 %</b>	<b>neg.</b>	<b>2.1 %</b>	<b>3.2 %</b>	<b>6.5 %</b>	<b>4.9 %</b>	<b>5.7 %</b>
Interest income	0.1 %	0.0 %	0.0 %	0.0 %	0.1 %	0.1 %	0.1 %
Interest expenses	0.3 %	0.5 %	0.6 %	0.7 %	1.0 %	0.9 %	0.8 %
Other financial result	-0.9 %	0.0 %	-0.3 %	-0.6 %	0.0 %	0.0 %	0.0 %
Financial result	neg.	neg.	neg.	neg.	neg.	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>2.1 %</b>	<b>neg.</b>	<b>1.2 %</b>	<b>1.8 %</b>	<b>5.6 %</b>	<b>4.2 %</b>	<b>5.0 %</b>
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>2.1 %</b>	<b>neg.</b>	<b>1.2 %</b>	<b>1.8 %</b>	<b>5.6 %</b>	<b>4.2 %</b>	<b>5.0 %</b>
Tax rate	1.1 %	-0.7 %	22.1 %	20.4 %	22.0 %	26.0 %	26.0 %
<b>Net income from continuing operations</b>	<b>2.1 %</b>	<b>neg.</b>	<b>1.0 %</b>	<b>1.5 %</b>	<b>4.4 %</b>	<b>3.1 %</b>	<b>3.7 %</b>
Result from discontinued operations (net of tax)	0.8 %	0.8 %	2.2 %	1.9 %	0.0 %	0.0 %	0.0 %
<b>Net income</b>	<b>1.3 %</b>	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>	<b>4.4 %</b>	<b>3.1 %</b>	<b>3.7 %</b>
Minority interest	0.7 %	0.4 %	0.8 %	1.0 %	0.9 %	0.8 %	0.9 %
<b>Net profit (reported)</b>	<b>0.6 %</b>	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>	<b>3.4 %</b>	<b>2.3 %</b>	<b>2.9 %</b>

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
<b>Intangible assets</b>	<b>33.2</b>	<b>33.6</b>	<b>32.0</b>	<b>35.0</b>	<b>38.8</b>	<b>38.1</b>	<b>37.4</b>
Property, plant and equipment	11.0	6.2	6.4	7.8	7.1	6.2	5.3
Financial assets	3.1	3.2	4.5	3.6	3.6	3.6	3.6
<b>FIXED ASSETS</b>	<b>47.3</b>	<b>43.0</b>	<b>42.9</b>	<b>46.5</b>	<b>49.5</b>	<b>48.0</b>	<b>46.4</b>
Inventories	23.2	14.5	13.0	11.2	13.4	14.9	15.6
Accounts receivable	12.9	13.0	15.3	25.9	32.0	36.2	38.6
Other current assets	7.6	7.8	7.5	5.9	4.6	4.6	4.6
Liquid assets	54.1	25.8	28.4	41.8	45.3	48.5	55.8
Deferred taxes	0.3	0.2	0.3	0.8	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.5	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>98.7</b>	<b>61.3</b>	<b>64.5</b>	<b>85.5</b>	<b>95.4</b>	<b>104.2</b>	<b>114.6</b>
<b>TOTAL ASSETS</b>	<b>146.0</b>	<b>104.3</b>	<b>107.4</b>	<b>132.0</b>	<b>144.9</b>	<b>152.2</b>	<b>161.0</b>
<b>SHAREHOLDERS EQUITY</b>	<b>38.4</b>	<b>10.1</b>	<b>6.0</b>	<b>7.5</b>	<b>16.2</b>	<b>14.7</b>	<b>17.0</b>
<b>MINORITY INTEREST</b>	<b>5.8</b>	<b>5.9</b>	<b>4.7</b>	<b>5.2</b>	<b>6.9</b>	<b>8.7</b>	<b>10.6</b>
Long-term debt	4.5	9.6	9.6	10.1	10.0	10.0	10.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	6.7	9.9	11.3	7.4	7.6	7.8	8.0
<b>Non-current liabilities</b>	<b>11.2</b>	<b>19.5</b>	<b>21.0</b>	<b>17.5</b>	<b>17.7</b>	<b>17.8</b>	<b>18.0</b>
short-term liabilities to banks	6.8	9.8	16.4	16.9	16.9	16.9	16.9
Accounts payable	9.1	11.1	13.6	10.5	11.7	12.4	12.9
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)	7.6	4.0	6.8	4.7	0.0	0.0	0.0
Deferred taxes	2.5	2.2	1.6	2.2	2.2	2.2	2.2
Deferred income	64.6	41.7	37.3	67.6	73.3	79.5	83.5
<b>Current liabilities</b>	<b>90.5</b>	<b>68.8</b>	<b>75.7</b>	<b>101.8</b>	<b>104.1</b>	<b>111.0</b>	<b>115.4</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>146.0</b>	<b>104.3</b>	<b>107.4</b>	<b>132.0</b>	<b>144.9</b>	<b>152.2</b>	<b>161.0</b>

Balance sheet (common size)	2014	2015	2016	2017	2018E	2019E	2020E
<b>Intangible assets</b>	<b>22.7 %</b>	<b>32.2 %</b>	<b>29.8 %</b>	<b>26.5 %</b>	<b>26.8 %</b>	<b>25.1 %</b>	<b>23.3 %</b>
Property, plant and equipment	7.6 %	5.9 %	5.9 %	5.9 %	4.9 %	4.1 %	3.3 %
Financial assets	2.1 %	3.1 %	4.2 %	2.7 %	2.5 %	2.4 %	2.2 %
<b>FIXED ASSETS</b>	<b>32.4 %</b>	<b>41.2 %</b>	<b>40.0 %</b>	<b>35.2 %</b>	<b>34.2 %</b>	<b>31.5 %</b>	<b>28.8 %</b>
Inventories	15.9 %	13.9 %	12.1 %	8.5 %	9.2 %	9.8 %	9.7 %
Accounts receivable	8.9 %	12.5 %	14.3 %	19.6 %	22.1 %	23.8 %	24.0 %
Other current assets	5.2 %	7.5 %	7.0 %	4.4 %	3.2 %	3.0 %	2.9 %
Liquid assets	37.0 %	24.7 %	26.4 %	31.7 %	31.3 %	31.9 %	34.7 %
Deferred taxes	0.2 %	0.2 %	0.3 %	0.6 %	0.0 %	0.0 %	0.0 %
Deferred charges and prepaid expenses	0.3 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>CURRENT ASSETS</b>	<b>67.6 %</b>	<b>58.8 %</b>	<b>60.0 %</b>	<b>64.8 %</b>	<b>65.8 %</b>	<b>68.5 %</b>	<b>71.2 %</b>
<b>TOTAL ASSETS</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>
<b>SHAREHOLDERS EQUITY</b>	<b>26.3 %</b>	<b>9.7 %</b>	<b>5.6 %</b>	<b>5.7 %</b>	<b>11.2 %</b>	<b>9.7 %</b>	<b>10.5 %</b>
<b>MINORITY INTEREST</b>	<b>4.0 %</b>	<b>5.7 %</b>	<b>4.4 %</b>	<b>3.9 %</b>	<b>4.8 %</b>	<b>5.7 %</b>	<b>6.6 %</b>
Long-term debt	3.1 %	9.2 %	9.0 %	7.6 %	6.9 %	6.6 %	6.2 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	4.6 %	9.5 %	10.6 %	5.6 %	5.3 %	5.1 %	5.0 %
<b>Non-current liabilities</b>	<b>7.7 %</b>	<b>18.7 %</b>	<b>19.5 %</b>	<b>13.3 %</b>	<b>12.2 %</b>	<b>11.7 %</b>	<b>11.2 %</b>
short-term liabilities to banks	4.7 %	9.4 %	15.2 %	12.8 %	11.7 %	11.1 %	10.5 %
Accounts payable	6.3 %	10.7 %	12.6 %	7.9 %	8.1 %	8.2 %	8.0 %
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)	5.2 %	3.8 %	6.4 %	3.6 %	0.0 %	0.0 %	0.0 %
Deferred taxes	1.7 %	2.1 %	1.5 %	1.6 %	1.5 %	1.4 %	1.3 %
Deferred income	44.2 %	40.0 %	34.7 %	51.3 %	50.6 %	52.3 %	51.9 %
<b>Current liabilities</b>	<b>62.0 %</b>	<b>66.0 %</b>	<b>70.5 %</b>	<b>77.2 %</b>	<b>71.8 %</b>	<b>72.9 %</b>	<b>71.7 %</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)	2014	2015	2016	2017	2018E	2019E	2020E
Net profit/loss	3.6	-27.4	1.7	2.3	8.4	6.6	8.3
Depreciation of fixed assets (incl. leases)	3.2	1.7	1.4	1.5	1.4	1.5	1.6
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	0.9	0.9	0.9
Others	-3.4	0.3	-7.7	-9.2	-5.3	0.0	0.0
Cash flow from operations before changes in w/c	3.4	-25.4	-4.5	-5.4	5.4	9.0	10.9
Increase/decrease in inventory	-10.6	9.0	1.3	2.1	-2.2	-1.5	-0.7
Increase/decrease in accounts receivable	-4.1	-0.1	-2.3	-10.6	-6.1	-4.1	-2.4
Increase/decrease in accounts payable	39.4	-21.4	0.3	30.5	1.3	0.7	0.5
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	24.7	-12.5	-0.6	22.0	-7.1	-4.9	-2.7
<b>Cash flow from operating activities</b>	<b>28.1</b>	<b>-37.9</b>	<b>-5.2</b>	<b>16.7</b>	<b>-1.7</b>	<b>4.1</b>	<b>8.2</b>
CAPEX	1.4	0.8	3.8	1.2	0.9	0.9	0.9
Payments for acquisitions	3.2	0.0	0.0	2.1	4.5	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	2.2	6.6	7.0	-2.2	10.6	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-2.4</b>	<b>5.8</b>	<b>3.2</b>	<b>-5.5</b>	<b>5.2</b>	<b>-0.9</b>	<b>-0.9</b>
Cash flow before financing	25.7	-32.0	-1.9	11.2	3.5	3.2	7.3
Increase/decrease in debt position	-1.0	8.1	6.5	1.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	12.5	0.0	0.0	4.5	0.0	0.0	0.0
Dividends paid	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Others	-4.3	-4.0	-1.6	-3.3	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.3	-0.3	-0.4	0.1	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>5.7</b>	<b>4.1</b>	<b>4.9</b>	<b>2.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Increase/decrease in liquid assets	31.1	-28.3	2.6	13.4	3.5	3.2	7.3
<b>Liquid assets at end of period</b>	<b>54.1</b>	<b>25.8</b>	<b>28.4</b>	<b>41.8</b>	<b>45.3</b>	<b>48.5</b>	<b>55.8</b>

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2014	2015	2016	2017	2018E	2019E	2020E
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)	2014	2015	2016	2017	2018E	2019E	2020E
<b>P&amp;L growth analysis</b>							
Sales growth	4.1 %	16.3 %	-10.4 %	-11.0 %	20.0 %	11.0 %	5.0 %
EBITDA growth	-16.2 %	-386.0 %	-121.0 %	27.0 %	124.8 %	-12.1 %	18.8 %
EBIT growth	-26.9 %	-591.1 %	-114.2 %	35.7 %	145.0 %	-15.3 %	22.4 %
EPS growth	-10.7 %	-	-88.0 %	-40.6 %	-375.2 %	-26.5 %	32.8 %
<b>Efficiency</b>							
Total operating costs / sales	18.4 %	20.1 %	15.1 %	15.2 %	13.5 %	16.1 %	16.1 %
Sales per employee	962.2	1,001.8	923.8	920.5	1,125.3	1,152.6	1,134.8
EBITDA per employee	47.9	-122.6	26.5	37.7	86.3	70.0	77.9
<b>Balance sheet analysis</b>							
Avg. working capital / sales	12.2 %	10.8 %	9.0 %	13.7 %	16.1 %	17.0 %	17.9 %
Inventory turnover (sales/inventory)	7.4	13.8	13.8	14.3	14.3	14.3	14.3
Trade debtors in days of sales	27.4	23.7	31.1	59.2	61.0	62.0	63.0
A/P turnover [(A/P*365)/sales]	24.7	21.8	33.3	29.3	28.0	27.0	27.0
Cash conversion cycle (days)	65.4	30.3	29.7	61.2	65.0	67.4	68.7
<b>Cash flow analysis</b>							
Free cash flow	26.7	-38.6	-9.0	15.4	-2.6	3.2	7.3
Free cash flow/sales	15.5 %	-19.3 %	-5.0 %	9.7 %	-1.3 %	1.5 %	3.3 %
FCF / net profit	2616.6 %	neg.	neg.	neg.	neg.	66.0 %	113.3 %
Capex / depn	44.2 %	43.6 %	265.1 %	81.9 %	38.5 %	36.8 %	35.7 %
Capex / maintenance capex	34.2 %	19.0 %	239.8 %	51.5 %	29.9 %	28.6 %	27.8 %
Capex / sales	0.8 %	0.4 %	2.1 %	0.8 %	0.5 %	0.4 %	0.4 %
<b>Security</b>							
Net debt	-33.6	-6.4	-2.4	-14.9	-18.4	-21.6	-28.9
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt / equity	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Interest cover	10.7	0.0	3.7	4.2	6.7	5.7	7.0
Dividend payout ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Asset utilisation</b>							
Capital employed turnover	2.8	4.4	3.7	3.4	3.3	3.7	3.6
Operating assets turnover	4.5	8.9	8.5	4.6	4.7	4.7	4.8
Plant turnover	15.6	32.3	28.1	20.5	27.2	34.2	42.2
Inventory turnover (sales/inventory)	7.4	13.8	13.8	14.3	14.3	14.3	14.3
<b>Returns</b>							
ROCE	9.4 %	-48.8 %	8.0 %	10.6 %	23.6 %	18.1 %	21.3 %
ROE	2.7 %	-295.4 %	-59.7 %	-30.6 %	40.6 %	32.9 %	37.9 %
<b>Other</b>							
Interest paid / avg. debt	4.2 %	6.1 %	4.4 %	4.5 %	6.9 %	6.9 %	6.9 %
No. employees (average)	179	200	194	174	170	185	197
Number of shares	15.2	16.4	16.4	17.6	18.4	18.4	18.4
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	0.07	-1.83	-0.22	-0.13	0.36	0.26	0.35
<b>Valuation ratios</b>							
P/BV	1.5	5.7	9.7	8.7	4.0	4.4	3.8
EV/sales	0.1	0.3	0.3	0.3	0.2	0.2	0.2
EV/EBITDA	1.8	-2.1	10.8	7.7	3.2	3.4	2.4
EV/EBITA	2.8	-2.0	14.9	10.0	3.5	3.8	2.6
EV/EBIT	2.8	-2.0	14.9	10.0	3.8	4.2	2.8
EV/FCF	0.6	-1.3	-6.2	3.3	-18.2	13.6	5.0
Adjusted FCF yield	24.6 %	-60.2 %	5.6 %	14.1 %	27.2 %	16.1 %	24.5 %
Dividend yield	0.0 %	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 26/09/18

Initiation coverage

04-December-09



Company	Date	Analyst	Rating	Target price	Close
DEAG Deutsche Entertainment AG	05.06.2018	Gröning, Pierre	Buy	EUR 5,00	EUR 3,39
	09.04.2018	Gröning, Pierre	Buy	EUR 5,00	EUR 2,53
	09.04.2018	Gröning, Pierre	Buy	EUR 5,00	EUR 2,53
	27.11.2017	Gröning, Pierre	Buy	EUR 5,00	EUR 3,20

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