



Buy (old: Buy)

Price target: EUR 5.00 (old: EUR 5.00)

Price:	EUR 2.54	Next result:	Q3/9M16: 30.11.16
Bloomberg:	ERMK GR	Market cap:	EUR 41.5 m
Reuters:	ERMGK.DE	Enterprise Value:	EUR 41.8 m

30-August-16

Christian Schwenkenbecher
Analyst

christian.schwenkenbecher@ha-research.de
Tel.: +49 40 414 3885 76

H1 results out: Festivals in the books, FY targets confirmed

This morning, DEAG released Q2/H1 results which came in broadly in-line with expectations. While overall **H1 16 sales had been impacted by the company's streamlining of now established festival activities**, DEAG's bottom-line improved yoy. In light of this, **management reiterated its FY 16 targets**.

- H1 sales came in at € 79m down 33% yoy** (eH&A: € 82m) mainly due to 1) disciplined streamlining of the respective formats but also 2) some seasonal phasing into Q3/Q4 due to the European Championships (i.e. Peter Maffay, Böhse Onkelz). Importantly, **DEAG's H2 pipeline looks strong and should enable the company to reach an expected sales level of € 187m** given that FY 15 has been rather geared towards H1 (implied H2: € 109m, 33% implied sales growth). H2 pipeline activities are mainly driven by the Red Hot Chili Peppers, Böhse Onkelz, David Garrett and Disney on Ice and are seen to receive healthy demand.
- H1 EBIT came in at € -3.8m** (eH&A: € -3.5m) **and hence substantially improved from last years level** (H1 15: € -8.5m). This was driven by strongly improved cost discipline during this year's festival activities (i.e. cost-efficient infrastructure, improved ticketing sales). Given that H1 EBIT likely also includes some pre-financing costs for the strong H2 pipeline activities, underlying EBIT should have been notably improved. This **trend is expected to be even more visible in H2 when DEAG's top-line is seen to accelerate** and lead to economies of scale.
- FY 16 guidance confirmed:** In light of the company's strong focus on improving costs and to strengthen the group's profitability, management confirmed its FY 16 target of € 3-5m in operational EBIT. Additionally, total proceeds of outstanding legal claims of c. € 10m are expected by management to be paid in H2. Importantly, current estimates only assume proceeds of € 2m which explains the € 7.1m in EBIT expected for FY 16E.

Trading at only 5.2x EV/EBITDA '16E (adj. for minority interests) and with FY 16 only partially reflecting the expected ramp-up of own ticketing, **valuation looks appealing**.

BUY, PT € 5.00, conservatively based on FCFY '16E (FCFY '17E would yield a PT of € 7.50).

Y/E 31.12 (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
Sales	155.7	165.5	172.2	200.4	186.8	196.7	206.7
Sales growth	21 %	6 %	4 %	16 %	-7 %	5 %	5 %
EBITDA	8.6	8.9	5.9	-17.8	8.7	12.6	16.4
EBIT	7.2	7.3	5.3	-17.8	7.1	11.1	15.0
Net income	2.7	1.0	1.0	-21.4	3.8	6.7	9.5
Net debt	-7.7	-0.7	-33.6	4.8	-12.9	-19.2	-28.4
Net gearing	-72.0 %	-24.3 %	-111.3 %	-34.5 %	-66.6 %	-77.2 %	-86.8 %
Net Debt/EBITDA	0.0	0.0	0.0	-0.3	0.0	0.0	0.0
EPS pro forma	0.22	0.26	0.15	-1.21	0.23	0.41	0.58
CPS	-0.25	0.00	1.65	-2.43	0.27	0.38	0.57
DPS	0.08	0.12	0.00	0.00	0.00	0.00	0.00
Dividend yield	3.1 %	4.7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Gross profit margin	24.1 %	22.3 %	21.5 %	7.0 %	21.5 %	22.5 %	22.7 %
EBITDA margin	5.5 %	5.4 %	3.5 %	-8.9 %	4.7 %	6.4 %	7.9 %
EBIT margin	4.6 %	4.4 %	3.1 %	-8.9 %	3.8 %	5.7 %	7.3 %
ROCE	13.7 %	13.3 %	9.1 %	-30.7 %	11.8 %	16.0 %	19.7 %
EV/sales	0.2	0.2	0.2	0.3	0.2	0.2	0.1
EV/EBITDA	3.6	4.5	6.1	-3.4	4.8	2.8	1.6
EV/EBIT	4.3	5.5	6.8	-3.4	5.9	3.2	1.8
PER	11.7	9.7	16.9	-2.1	10.9	6.2	4.4
Adjusted FCF yield	22.1 %	16.3 %	67.5 %	-51.9 %	18.5 %	39.7 %	104.3 %

Source: Company data, Hauck & Aufhäuser Close price as of: 29.08.2016



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 5.18 / 2.44

Price/Book Ratio: 1.3

Relative performance (SDAX):

3 months -31.1 %

6 months -35.0 %

12 months -66.4 %

Changes in estimates

		Sales	EBIT	EPS
2016	old:	186.8	7.1	0.23
	Δ	-	-	-
2017	old:	196.7	11.1	0.41
	Δ	-	-	-
2018	old:	206.7	15.0	0.58
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs) 16.4

Authorised capital: (in € m) 0.0

Book value per share: (in €) 2.0

Ø trading volume: (12 months) 38,000

Major shareholders:

Free Float 51.5 %

Plutus Holdings 2 Ltd. 10.3 %

Monolith Investment Management 10.0 %

Allianz Global Investors 10.0 %

Heliad Equity Partners 9.7 %

Kabouter Management, LLC 6.0 %

Company description:

Leading European Live Entertainment provider with a broad basis of content in Rock/Pop, Classics, Family Entertainment and Middle of the Road.

Financials

Profit and loss (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
Sales	155.7	165.5	172.2	200.4	186.8	196.7	206.7
Sales growth	21.4 %	6.3 %	4.1 %	16.3 %	-6.8 %	5.3 %	5.1 %
Cost of sales	118.2	128.6	135.3	186.3	146.6	152.4	159.8
Gross profit	37.5	36.9	37.0	14.1	40.2	44.3	46.9
Sales and marketing	20.1	19.4	21.2	24.5	22.1	20.7	20.7
General and administration	13.4	14.9	14.2	15.7	13.6	15.3	15.5
Research and development	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	3.9	6.1	5.3	15.3	5.6	5.9	6.2
Other operating expenses	0.7	1.4	1.5	7.0	2.9	3.0	1.9
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	8.6	8.9	5.9	-17.8	8.7	12.6	16.4
Depreciation	0.3	0.4	0.4	0.0	0.4	0.4	0.4
EBITA	8.3	8.5	5.5	-17.8	8.3	12.2	16.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.1	1.2	0.2	0.0	1.2	1.1	1.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	7.2	7.3	5.3	-17.8	7.1	11.1	15.0
Interest income	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Interest expenses	0.5	0.6	0.5	1.0	1.0	1.0	1.0
Other financial result	-1.1	-0.4	-1.4	0.0	0.0	0.0	0.0
Financial result	-1.4	-0.8	-1.7	-0.9	-0.9	-0.9	-0.9
Recurring pretax income from continuing operations	5.9	6.5	3.6	-18.8	6.2	10.2	14.1
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	5.9	6.5	3.6	-18.8	6.2	10.2	14.1
Taxes	1.1	1.7	0.0	0.2	1.7	2.7	3.8
Net income from continuing operations	4.8	4.7	3.6	-18.9	4.6	7.5	10.4
Result from discontinued operations (net of tax)	0.0	2.6	1.3	1.6	0.0	0.0	0.0
Net income	4.8	2.2	2.2	-20.6	4.6	7.5	10.4
Minority interest	2.1	1.2	1.2	0.9	0.7	0.8	0.8
Net income (net of minority interest)	2.7	1.0	1.0	-21.4	3.8	6.7	9.5
Average number of shares	12.4	13.0	15.2	16.4	16.4	16.4	16.4
EPS reported	0.22	0.08	0.07	-1.31	0.23	0.41	0.58

Profit and loss (common size)	2012	2013	2014	2015	2016E	2017E	2018E
Sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	75.9 %	77.7 %	78.5 %	93.0 %	78.5 %	77.5 %	77.3 %
Gross profit	24.1 %	22.3 %	21.5 %	7.0 %	21.5 %	22.5 %	22.7 %
Sales and marketing	12.9 %	11.7 %	12.3 %	12.3 %	11.9 %	10.5 %	10.0 %
General and administration	8.6 %	9.0 %	8.3 %	7.8 %	7.3 %	7.8 %	7.5 %
Research and development	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other operating income	2.5 %	3.7 %	3.1 %	7.6 %	3.0 %	3.0 %	3.0 %
Other operating expenses	0.5 %	0.9 %	0.8 %	3.5 %	1.6 %	1.6 %	0.9 %
Unusual or infrequent items	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBITDA	5.5 %	5.4 %	3.5 %	-8.9 %	4.7 %	6.4 %	7.9 %
Depreciation	0.2 %	0.2 %	0.2 %	0.0 %	0.2 %	0.2 %	0.2 %
EBITA	5.3 %	5.1 %	3.2 %	-8.9 %	4.5 %	6.2 %	7.8 %
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.7 %	0.7 %	0.1 %	0.0 %	0.6 %	0.6 %	0.5 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	4.6 %	4.4 %	3.1 %	-8.9 %	3.8 %	5.7 %	7.3 %
Interest income	0.1 %	0.1 %	0.1 %	0.0 %	0.1 %	0.1 %	0.0 %
Interest expenses	0.3 %	0.3 %	0.3 %	0.5 %	0.5 %	0.5 %	0.5 %
Other financial result	-0.7 %	-0.3 %	-0.8 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	-0.9 %	-0.5 %	-1.0 %	-0.5 %	-0.5 %	-0.5 %	-0.4 %
Recurring pretax income from continuing operations	3.8 %	3.9 %	2.1 %	-9.4 %	3.3 %	5.2 %	6.8 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	3.8 %	3.9 %	2.1 %	-9.4 %	3.3 %	5.2 %	6.8 %
Tax rate	18.6 %	26.6 %	1.1 %	-1.0 %	26.6 %	26.6 %	26.6 %
Net income from continuing operations	3.1 %	2.9 %	2.1 %	-9.5 %	2.4 %	3.8 %	5.0 %
Result from discontinued operations (net of tax)	0.0 %	1.6 %	0.8 %	0.8 %	0.0 %	0.0 %	0.0 %
Net income	3.1 %	1.3 %	1.3 %	-10.3 %	2.4 %	3.8 %	5.0 %
Minority interest	1.4 %	0.7 %	0.7 %	0.4 %	0.4 %	0.4 %	0.4 %
Net income (net of minority interest)	1.7 %	0.6 %	0.6 %	-10.7 %	2.0 %	3.4 %	4.6 %

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
Intangible assets	24.7	27.0	33.2	33.2	32.2	31.3	30.5
Property, plant and equipment	10.7	11.5	11.0	8.8	9.1	9.4	9.7
Financial assets	1.7	1.5	3.1	3.1	3.1	3.1	3.1
FIXED ASSETS	37.1	40.0	47.3	45.1	44.4	43.8	43.3
Inventories	13.6	11.9	23.2	14.5	13.5	14.2	14.9
Accounts receivable	10.0	8.8	12.9	13.0	12.2	13.2	14.2
Other current assets	6.0	6.5	7.6	7.0	7.0	7.0	7.0
Liquid assets	31.6	22.9	54.1	25.8	38.9	45.8	55.7
Deferred taxes	0.5	0.4	0.3	0.2	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.2	0.2	0.5	0.0	0.0	0.0	0.0
CURRENT ASSETS	61.9	50.7	98.7	60.5	71.6	80.3	91.8
TOTAL ASSETS	99.0	90.8	146.0	112.7	116.0	124.1	135.1
SHAREHOLDERS EQUITY	26.4	26.1	38.4	18.5	32.9	37.3	44.6
MINORITY INTEREST	5.4	4.0	5.8	5.9	6.7	7.5	8.3
Long-term debt	9.0	10.4	4.5	9.6	7.2	7.2	7.2
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	10.2	8.9	6.7	9.9	10.1	10.3	10.6
Non-current liabilities	19.3	19.3	11.3	19.5	17.3	17.5	17.7
short-term liabilities to banks	3.6	6.2	6.8	9.8	9.8	9.8	9.8
Accounts payable	11.3	5.6	9.1	11.1	9.0	9.6	10.3
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	0.0	0.0	0.0	0.0
Deferred taxes	2.0	2.4	2.5	2.2	2.2	2.2	2.2
Deferred income	31.0	27.2	64.6	41.7	38.8	40.9	43.0
Current liabilities	47.9	41.4	83.0	64.8	59.9	62.5	65.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	99.0	90.8	146.0	112.7	116.8	124.8	135.9

Balance sheet (common size)	2012	2013	2014	2015	2016E	2017E	2018E
Intangible assets	24.9 %	29.8 %	22.7 %	29.4 %	27.6 %	25.1 %	22.4 %
Property, plant and equipment	10.8 %	12.7 %	7.6 %	7.8 %	7.8 %	7.6 %	7.2 %
Financial assets	1.7 %	1.6 %	2.1 %	2.8 %	2.7 %	2.5 %	2.3 %
FIXED ASSETS	37.5 %	44.1 %	32.4 %	40.0 %	38.1 %	35.1 %	31.9 %
Inventories	13.7 %	13.2 %	15.9 %	12.9 %	11.6 %	11.4 %	11.0 %
Accounts receivable	10.1 %	9.7 %	8.9 %	11.6 %	10.4 %	10.6 %	10.4 %
Other current assets	6.1 %	7.1 %	5.2 %	6.2 %	6.0 %	5.6 %	5.2 %
Liquid assets	31.9 %	25.3 %	37.0 %	22.9 %	33.3 %	36.7 %	41.0 %
Deferred taxes	0.5 %	0.4 %	0.2 %	0.2 %	0.0 %	0.0 %	0.0 %
Deferred charges and prepaid expenses	0.2 %	0.3 %	0.3 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	62.5 %	55.9 %	67.6 %	53.7 %	61.3 %	64.3 %	67.6 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	99.4 %	99.4 %	99.5 %
SHAREHOLDERS EQUITY	26.6 %	28.8 %	26.3 %	16.4 %	28.2 %	29.9 %	32.8 %
MINORITY INTEREST	5.5 %	4.4 %	4.0 %	5.3 %	5.7 %	6.0 %	6.1 %
Long-term debt	9.1 %	11.4 %	3.1 %	8.5 %	6.1 %	5.7 %	5.3 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	10.4 %	9.8 %	4.6 %	8.8 %	8.7 %	8.3 %	7.8 %
Non-current liabilities	19.4 %	21.3 %	7.7 %	17.3 %	14.8 %	14.0 %	13.1 %
short-term liabilities to banks	3.6 %	6.8 %	4.7 %	8.7 %	8.4 %	7.9 %	7.2 %
Accounts payable	11.4 %	6.2 %	6.3 %	9.9 %	7.7 %	7.7 %	7.6 %
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)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred taxes	2.0 %	2.6 %	1.7 %	1.9 %	1.9 %	1.7 %	1.6 %
Deferred income	31.4 %	29.9 %	44.2 %	37.0 %	33.3 %	32.8 %	31.6 %
Current liabilities	48.4 %	45.6 %	56.8 %	57.5 %	51.3 %	50.1 %	48.1 %
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)	2012	2013	2014	2015	2016E	2017E	2018E
Net profit/loss	4.8	2.2	3.6	-18.9	4.6	7.5	10.4
Depreciation of fixed assets (incl. leases)	0.3	0.4	3.2	1.7	0.4	0.4	0.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.1	1.2	0.2	0.0	1.2	1.1	1.0
Others	-6.6	0.0	2.6	-6.4	0.0	0.0	0.0
Cash flow from operations before changes in w/c	-0.5	3.8	9.6	-23.7	6.1	9.0	11.8
Increase/decrease in inventory	-0.8	1.6	-15.4	8.9	1.0	-0.7	-0.7
Increase/decrease in accounts receivable	-3.0	1.2	-4.1	-0.1	0.9	-1.1	-1.0
Increase/decrease in accounts payable	1.8	-5.7	39.4	-21.4	-2.1	0.6	0.7
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	-2.0	-2.9	19.9	-12.6	-0.2	-1.2	-1.0
Cash flow from operating activities	-2.5	0.9	29.5	-36.3	5.9	7.8	10.8
CAPEX	0.6	0.7	0.9	0.9	0.9	0.9	0.9
Payments for acquisitions	0.0	5.4	1.5	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	0.0	0.0	0.0	6.7	0.0	0.0	0.0
Cash flow from investing activities	-0.6	-6.1	-2.4	5.8	-0.9	-0.9	-0.9
Cash flow before financing	-3.1	-5.3	27.1	-30.4	5.0	6.9	9.9
Increase/decrease in debt position	1.6	4.0	-4.8	8.1	-2.4	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	4.0	13.4	0.0	0.0	0.0	0.0
Dividends paid	0.5	1.0	1.6	0.0	0.0	0.0	0.0
Others	-2.8	0.0	-1.3	-4.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	-1.7	7.0	5.7	4.1	-2.4	0.0	0.0
Increase/decrease in liquid assets	-4.1	1.8	32.8	-26.3	2.6	6.9	9.9
Liquid assets at end of period	28.9	30.6	63.4	37.1	39.7	46.6	56.4

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2012	2013	2014	2015	2016E	2017E	2018E
P&L growth analysis							
Sales growth	21.4 %	6.3 %	4.1 %	16.3 %	-6.8 %	5.3 %	5.1 %
EBITDA growth	2.5 %	3.9 %	-33.3 %	-400.0 %	-148.8 %	45.0 %	30.3 %
EBIT growth	-2.7 %	1.0 %	-26.9 %	-433.7 %	-140.0 %	55.9 %	35.3 %
EPS growth	5.5 %	-65.3 %	-10.9 %	-2057.7 %	-117.8 %	75.1 %	42.4 %
Efficiency							
Total operating costs / sales	19.5 %	17.9 %	18.4 %	15.9 %	17.7 %	16.9 %	15.4 %
Sales per employee	674.3	607.8	565.1	581.9	522.1	555.0	554.5
EBITDA per employee	37.1	32.7	19.5	-51.8	24.3	35.6	44.1
Balance sheet analysis							
Avg. working capital / sales	7.2 %	8.3 %	12.2 %	10.8 %	8.8 %	8.8 %	8.9 %
Inventory turnover (sales/inventory)	11.5	13.9	7.4	13.8	13.8	13.8	13.8
Trade debtors in days of sales	23.4	19.4	27.4	23.7	23.7	24.5	25.0
A/P turnover [(A/P*365)/sales]	35.0	15.9	24.7	21.8	22.5	23.0	23.5
Cash conversion cycle (days)	30.3	37.4	65.4	30.3	34.9	35.6	35.6
Cash flow analysis							
Free cash flow	-3.1	0.2	28.6	-37.1	5.0	6.9	9.9
Free cash flow/sales	-2.0 %	0.1 %	16.6 %	-18.5 %	2.7 %	3.5 %	4.8 %
FCF / net profit	-114.1 %	15.3 %	2808.7 %	173.2 %	131.0 %	102.8 %	103.4 %
Capex / deprec	44.8 %	43.8 %	25.0 %	50.2 %	57.2 %	60.0 %	64.3 %
Capex / maintenance capex	66.7 %	77.8 %	34.2 %	19.0 %	44.5 %	46.7 %	50.0 %
Capex / sales	0.4 %	0.4 %	0.5 %	0.4 %	0.5 %	0.5 %	0.4 %
Security							
Net debt	-7.7	-0.7	-33.6	4.8	-12.9	-19.2	-28.4
Net Debt/EBITDA	0.0	0.0	0.0	-0.3	0.0	0.0	0.0
Net debt / equity	-0.3	0.0	-0.9	0.3	-0.4	-0.5	-0.6
Interest cover	14.1	13.1	10.0	0.0	7.1	10.9	14.7
Dividend payout ratio	36.9 %	159.6 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Asset utilisation							
Capital employed turnover	2.8	3.0	2.8	3.7	2.8	2.7	2.6
Operating assets turnover	6.8	6.2	4.5	8.0	7.3	7.2	7.2
Plant turnover	14.5	14.3	15.6	22.8	20.5	20.9	21.2
Inventory turnover (sales/inventory)	11.5	13.9	7.4	13.8	13.8	13.8	13.8
Returns							
ROCE	13.7 %	13.3 %	9.1 %	-30.7 %	11.8 %	16.0 %	19.7 %
ROE	10.2 %	3.7 %	2.7 %	-116.0 %	11.6 %	17.9 %	21.4 %
Other							
Interest paid / avg. debt	4.3 %	3.8 %	3.8 %	6.8 %	5.5 %	6.0 %	6.0 %
No. employees (average)	231	272	305	344	358	354	373
Number of shares	12.4	13.0	15.2	16.4	16.4	16.4	16.4
DPS	0.1	0.1	0.0	0.0	0.0	0.0	0.0
EPS reported	0.22	0.08	0.07	-1.31	0.23	0.41	0.58
Valuation ratios							
P/BV	1.2	1.3	1.1	2.2	1.3	1.1	0.9
EV/sales	0.2	0.2	0.2	0.3	0.2	0.2	0.1
EV/EBITDA	3.6	4.5	6.1	-3.4	4.8	2.8	1.6
EV/EBITA	3.8	4.7	6.6	-3.4	5.0	2.9	1.7
EV/EBIT	4.3	5.5	6.8	-3.4	5.9	3.2	1.8
EV/FCF	-10.2	268.6	1.3	-1.6	8.3	5.2	2.7
Adjusted FCF yield	22.1 %	16.3 %	67.5 %	-51.9 %	18.5 %	39.7 %	104.3 %
Dividend yield	3.1 %	4.7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Company data, Hauck & Aufhäuser

Disclosures regarding research publications of Hauck & Aufhäuser Privatbankiers KGaA pursuant to section 34b of the German Securities Trading Act (WpHG) and the regulations of the German Financial Analysis Ordinance (FinAnV) 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 or indicates relevant conflicts of interest. Pursuant to section 34b of the German Securities Trading Act (WpHG) and section 5 of the Financial Analysis Ordinance (FinAnV) 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 KGaA

- (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 5% or more of the share capital of the analysed company, or the analysed company holds 5% or more of the share capital of Hauck & Aufhäuser Privatbankiers KGaA or its affiliate(s),
- (5) or its affiliate(s) regularly holds a trading position in shares of the analysed company or derivatives thereof,
- (6) or its affiliate(s) manages the financial instruments of the analysed company on the basis of an existing contractual relationship,
- (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.

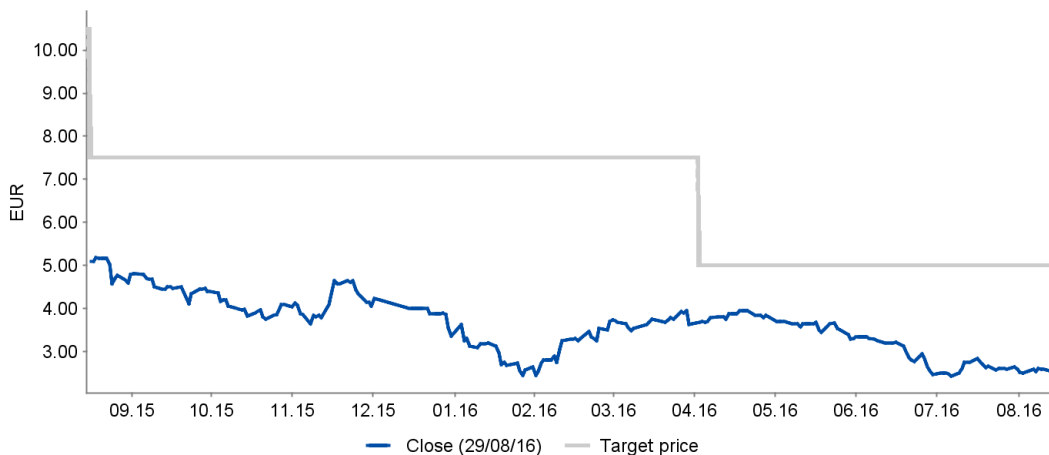
Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
DEAG Deutsche Entertainment AG	2, 3

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 30/08/16**

Initiation coverage
04-December-09



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

Buy	59.54 %	100.00 %
Sell	9.92 %	0.00 %
Hold	30.53 %	0.00 %

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 KGaA, 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 KGaA. Reproduction of this document, in whole or in part, is not permitted without prior permission Hauck & Aufhäuser Privatbankiers KGaA. All rights reserved.

Under no circumstances shall Hauck & Aufhäuser Privatbankiers KGaA, 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 KGaA 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 KGaA 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.

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 KGaA 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 KGaA 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 KGaA. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of Hauck & Aufhäuser Privatbankiers KGaA whether and when it publishes an update to this research report.

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 KGaA has checked the information for plausibility but not for accuracy or completeness.

6. Competent Supervisory Authority

Hauck & Aufhäuser Privatbankiers KGaA 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.

Contacts: Hauck&Aufhäuser Privatbankiers KGaA

Hauck & Aufhäuser Research

Hauck & Aufhäuser
Privatbankiers KGaA
Mittelweg 16/17

20148 Hamburg
Germany

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

Sascha Berresch, CFA
Head of Research
Tel.: +49 (0)40 414 3885 - 85
E-Mail: sascha.berresch@ha-research.de

Leonhard Bayer
Analyst
Tel.: +49 (0)40 414 3885 - 79
E-Mail: leonhard.bayer@ha-research.de

Henning Breiter
Analyst
Tel.: +49 (0)40 414 3885 - 73
E-Mail: henning.breiter@ha-research.de

Lars Dannenberg
Analyst
Tel.: +49 (0)40 414 3885 - 92
E-Mail: lars.dannenberg@ha-research.de

Nils-Peter Gehrmann
Analyst
Tel.: +49 (0)40 414 3885 - 86
E-Mail: nils-peter.gehrmann@ha-research.de

Christian Glowa
Analyst
Tel.: +49 (0)40 414 3885 - 95
E-Mail: christian.glowa@ha-research.de

Aliaksandr Halitsa
Analyst
Tel.: +49 (0)40 414 3885 - 83
E-Mail: aliaksandr.halitsa@ha-research.de

Christian Schwenkenbecher
Analyst
Tel.: +49 (0)40 414 3885 - 76
E-Mail: christian.schwenkenbecher@ha-research.de

Torben Teichler
Analyst
Tel.: +49 (0)40 414 3885 - 74
E-Mail: torben.teichler@ha-research.de

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

Hauck & Aufhäuser Sales

Christian Alisch
Sales
Tel.: +49 (0)40 414 3885 - 99
E-Mail: christian.alisch@ha-research.de

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

Vincent Bischoff
Sales
Tel.: +49 (0)40 414 3885 - 88
E-Mail: vincent.bischoff@ha-research.de

Georgina Harrold
Sales
Tel.: +49 (0) 69 2161-1299
E-Mail: georgina.harrold@ha-research.de

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

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

Jan Neynaber
Sales
Tel.: +49 (0) 69 2161-1268
E-Mail: jan.neynaber@hauck-aufhaeuser.de

Quinn Rafferty
Sales
Tel.: + 1 231 649 4998
E-Mail: quinn.rafferty@haa-na.com

Marco Schumann
Sales
Tel.: +49 (0) 69 2161-1250
E-Mail: marco.schumann@hauck-aufhaeuser.de

Markus Weiss
Sales
Tel.: +49 (0)40 414 3885 - 89
E-Mail: markus.weiss@ha-research.de

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

Hauck & Aufhäuser Sales Trading

Hauck & Aufhäuser
Privatbankiers KGaA
Mittelweg 16/17

20148 Hamburg
Germany

Tel.: +49 (0) 40 414 3885 - 75
Fax: +49 (0) 40 414 3885 - 71
Email: info@hauck-aufhaeuser.de
www.hauck-aufhaeuser.de

Mirko Brueggemann
Trading
Tel.: +49 (0)40 414 3885 75
E-Mail: mirko.brueggemann@hauck-aufhaeuser.de

Joseph Kaselak
Trading
Tel.: +49 (0)40 450 6342 3093
E-Mail: joseph.kaselak@hauck-aufhaeuser.de

Christian von Schuler
Trading
Tel.: +49 (0)40 414 3885 77
E-Mail: christian.schuler@hauck-aufhaeuser.de

Fin Schaffer
Trading
Tel.: +49 (0)40 414 3885 98
E-Mail: fin.schaffer@hauck-aufhaeuser.de

Carolyn Weber
Middle-Office
Tel.: +49 (0)40 414 3885 87
E-Mail: carolyn.weber@hauck-aufhaeuser.de