

Buy (old: Buy)

Price target: EUR 106.00 (old: EUR 106.00)

Price:	EUR 40.50	Next result:	Final FY 15: 17.06.16
Bloomberg:	PAL:GR	Market cap:	EUR 44.6 m
Reuters:	PALG.XE	Enterprise Value:	EUR 26.7 m

15-June-16

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Positive feedback from recent company visit

Last week, we attended a **reassuring company visit to Pantaleon's Berlin HQ** where we visited the set of the company's exclusive production 'You are Wanted' for Amazon Prime. Overall, Pantaleon's core business looks fully on track. At the same time, the delay of its streaming platform PANTAFLIX can be explained by technical factors (tax/digital rights management) which are now solved and should allow **global roll-out of the platform which is planned for end of July 16**. In our view, the recent share price slump provides an attractive buying opportunity.

- PANTAFLIX roll-out expected for end of July:** Meeting the company's tech-team responsible for the development of the platform was impressive. Led by experienced CTO Rainer Knebel (ex tech Oscar winner), the company has built a carefully selected team to drive development, user interface and consumer experience (front end/back end). While in our view, the **platform had been ready to be launched already in Q1 16 from a tech point of view**, some tax/legal related tasks had to be solved to facilitate a global roll-out. This included high-profile digital rights management as well as handling local taxation at source which is all solved now.

Feedback from content owners and test users has been very positive, indicating strong future demand of the easy-to-use and transaction-based VoD platform which provides access to niche market content (based on 1,000 targeted test users, 60,000 registered for testing). The Turkish community in Germany alone accounts for 3m potential users while the **global opportunity is even bigger with c. 100m potential users not having access to their 'home market content'**. The **planned ramp-up explains the substantial acceleration in sales growth of 50% p.a. CAGR '15-18E to € 53m** while bottom-line contributions from high-margin sales should become visible from FY '18E onwards (c. 80% incremental EBITDA margin).

- Core production business fully on track:** Overall, the Amazon production is set to be released in Q1 17 primarily in German-speaking markets. Importantly, the **company is the first producer outside the US to provide content for Amazon** which is a huge milestone and potential for additional business. The deal should boost FY 16 sales by c. € 7m already included in our estimates. However, the recent agreement should **only be seen as a starting point for further productions** and sets the base for Pantaleon's future sales and earnings growth.

BUY, PT € 106.00, based on FCFY '18.

Y/E 31.12 (EUR m)	2012	2013	2014	2015P	2016E	2017E	2018E
Sales	2.7	7.2	6.0	15.6	33.2	34.7	52.8
Sales growth	n/a	165 %	-17 %	160 %	113 %	4 %	52 %
EBITDA	0.4	3.1	-0.3	8.8	-6.7	-4.5	11.7
EBIT	0.4	2.9	-0.3	0.1	-7.2	-5.0	10.9
Net income	0.4	2.8	-0.4	0.2	-7.1	-4.9	7.7
Net debt	-0.7	-7.0	-5.9	-17.9	-6.6	-3.9	-11.2
Net gearing	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.37	2.76	-0.39	0.18	-6.48	-4.46	6.99
CPS	0.37	6.45	-1.08	5.44	-10.26	-2.46	6.60
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	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EBITDA margin	14.0 %	42.7 %	-5.5 %	56.3 %	-20.2 %	-12.9 %	22.2 %
EBIT margin	13.8 %	40.7 %	-5.8 %	0.6 %	-21.7 %	-14.4 %	20.7 %
ROCE	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV/sales	n/a	4.6	5.8	1.7	1.1	1.2	0.6
EV/EBITDA	n/a	10.9	n/a	n/a	n/a	n/a	2.8
EV/EBIT	n/a	11.4	n/a	n/a	n/a	n/a	3.1
PER	n/a	n/a	n/a	n/a	n/a	n/a	5.8
Adjusted FCF yield	n/a	n/a	-1.5 %	0.4 %	-19.6 %	-12.6 %	23.6 %

Source: Company data, Hauck & Aufhäuser Close price as of: 14.06.2016



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 74.06 / 37.85

Price/Book Ratio: 8.4

Relative performance (SDAX):

3 months -33.9 %

6 months -37.5 %

12 months -

Changes in estimates

		Sales	EBIT	EPS
2015	old:	15.6	0.1	0.18
	Δ	-	-	-
2016	old:	33.2	-7.2	-6.48
	Δ	-	-	-
2017	old:	34.7	-5.0	-4.46
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs) 1.1

Authorised capital: (in € m) 0.4m

Book value per share: (in €) 4.8

Ø trading volume: (12 months) 1,900

Major shareholders:

BlackMars Capital 80.0 %

GmbH 20.0 %

Company description:

PANTALEON Entertainment AG develops and produces films in Germany and internationally. It is also involved in the exploitation of the rights to films through international film distributors. In Q3 '16, the company will launch its online streaming platform PANTAFLIX (PANTA).