



Buy (old: Buy)

Price target: EUR 106.00 (old: EUR 106.00)

Price:	EUR 45.00	Next result:	Q3/9M 16 30.09.16
Bloomberg:	PAL:GR	Market cap:	EUR 49.5 m
Reuters:	PALG.XE	Enterprise Value:	EUR 31.6 m

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PANTAFLIX: READY, SET, LAUNCH

Pantaleon will release its VoD streaming platform PANTAFLIX on 28th July during its AGM. In our view, this presents an attractive BUYing opportunity to benefit from the company's promising future growth prospects. With the launch of the platform, Pantaleon's share price should continue its recovery.

- Getting ready for the roll-out:** Overall, PANTAFLIX is seen to create a virtuous circle of demand as **in territorially limited distribution structures only 10% of global production enters international distribution**. Additionally, content owners only receive 10% of underlying revenues (c. 45% are captured by cinema operators and c. 20% by distributors). As global products deserve global distribution and monetisation, **PANTAFLIX offers an attractive 75% revenue share to respective content owners while keeping a 25% share as commission**. In our view, this provides a highly attractive commission share for both parties and hence should substantially drive content offerings on the platform. While we expect c. 25,000 movies to be available on the platform in the first year, **management sets the long-term target at 100,000 movies** (eH&A: 75,000 in FY 19E). Primarily, this content will focus on a global expat communities which currently have no excess to their 'home market content'. This alone includes 1m German and 2.4m Chinese expats in the US as well as 3m Turkish people in Germany. However, **also large US production studios are increasingly seeking for alternative VoD platforms** to distribute their global content. Accordingly, the initial expat niche opportunity might even become a global volume opportunity in the long-term and support the roll-out of PANTAFLIX.
- Timing and future outlook:** Overall, **PANTAFLIX is seen to boost sales and disproportionate earnings growth after the digestion of launching costs**, adding a highly scalable business model which should by far outgrow today's solid core production business (currently 90% of sales, eH&A: 35% of sales in FY 18E). The **planned ramp-up in FY '16 explains the substantial acceleration in sales growth of 50% p.a. CAGR '15-18E to € 53m** while bottom-line contributions from high-margin incremental sales should become visible from FY '18E onwards (c. 80% incremental EBITDA margin).

A successful launch and roll-out of PANTAFLIX implies significant value accretion, in our view. **BUY, PT € 106 based on DCF** (10% terminal EBIT margin vs. avg. >25% assuming a successful roll-out of PANTA in FY '20E). FCFY 18E implies a PT of € 104.

Y/E 31.12 (EUR m)	2012	2013	2014	2015	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	5.3	6.5	2.0	1.3	1.3	0.7
EV/EBITDA	n/a	12.3	n/a	n/a	-6.4	-10.2	3.3
EV/EBIT	n/a	13.0	n/a	n/a	-5.9	-9.1	3.5
PER	n/a	n/a	n/a	n/a	-6.9	-10.1	6.4
Adjusted FCF yield	n/a	n/a	-1.3 %	0.3 %	-17.2 %	-11.2 %	20.5 %

Source: Company data, Hauck & Aufhäuser Close price as of: 26.07.2016



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 74.06 / 36.50

Price/Book Ratio: 9.3

Relative performance (SDAX):

3 months -23.7 %

6 months -37.5 %

12 months -

Changes in estimates

		Sales	EBIT	EPS
2016	old:	33.2	-7.2	-6.48
	Δ	-	-	-
2017	old:	34.7	-5.0	-4.46
	Δ	-	-	-
2018	old:	52.8	10.9	6.99
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs) 1.1

Authorised capital: (in € m) -

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).