



# Advanced Inflight Alliance

Buy

Media / Inflight Entertainment

Share price: €2.78

Target price: €4.50

## 12 May 2010

DAX index	6,038
Market cap. (€mn / \$mn)	40.3 / 51.2
Free float (€mn / %)	19.8 / 100.0
12 Month High / Low (€)	3.66 / 2.04
Daily trading volume	200,000
Q1 report	14 May 2010
Bloomberg / Reuters	DVNI GR / DVNGk.F

31/12 (€mn)	2008	2009	2010e	2011e
Sales	107.4	108.1	110.2	113.5
EBITDA	13.2	11.7	11.8	12.4
EBIT	9.3	6.8	6.6	6.9
Net income	6.1	4.7	4.8	5.3

(€)	2008	2009	2010e	2011e
EPS	0.42	0.33	0.33	0.36
CFPS	0.69	0.66	0.69	0.74
BVPS	1.82	2.30	2.37	2.73
FCFPS	-0.28	0.31	-0.05	0.39
Dividend	0.08	0.10	0.08	0.08

(%)	2008	2009	2010e	2011e
EBITDA margin	12.3	10.9	10.7	10.9
EBIT margin	8.6	6.3	6.0	6.1
Dividend yield	6.0	3.6	2.9	2.9

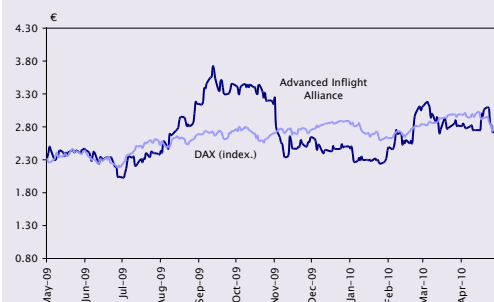
(x)	2008	2009	2010e	2011e
P/E	4.1	8.6	8.3	7.7
P/E rel. DAX	0.4	0.6	0.6	0.6
P/CF	2.5	4.2	4.0	3.8
P/BV	0.9	1.2	1.2	1.0
EV/sales	0.2	0.3	0.3	0.3
EV/EBITDA	1.2	3.0	2.9	2.5

## Main shareholders %

Lars Tvede	11.0
Axxion	5.6
Hauck & Aufhäuser	5.1

## Performance (%)

	-1M	-3M	-12M
Absolute	-1.4	13.9	-11.7
Relative to DAX	2.0	4.2	-18.3



Source: Capital IQ

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## Connectivity is the name of the game

### 2009 annual report – overview

AIA reported its annual report for FY2009. Revenues increased to €108.1mn from €107.4mn in 2008 (+0.6%). Unadjusted EBITDA decreased to €11.7mn from €13.2mn. This drop was mainly due to FX effects, since AIA booked FX losses of €-0.2mn in Q4/09, compared to FX gains of €1.6mn in Q4/08. EPS amounted to €0.33, down from €0.44 in 2008. We were surprised to notice that AIA has not made any provisions yet for the upcoming lawsuit against its previous CEO Otto Dauer. Should AIA lose the case, the potential damage is expected to be more than €2.5mn or 45% of 2009 EBT.

Operating cash flow, being significantly above last year's levels after six months, dropped below 2008 levels after twelve months. With €9.8mn, this was significantly below our expectations. Free cash flow, however, was positive again with reduced M&A activities.

### Our mid term scenario for IFE suppliers

Airline traffic has continued to pick up during the first four months of the year, and the outlook for passenger traffic over the coming 12 months remains strong. Improving economic outlook underpins most of the expectations for continued traffic growth. Notwithstanding the positive industry outlook, being a late cyclical AIA could face some operational headwind in 2010. The main drivers for this could be the airlines' concern over rising fuel prices and other inflationary effects such as labour costs from the uptick in economic activity post-recession. Therefore, it would not be unexpected to see increased concern over rising cost pressures as the year progresses.

### Connectivity is the name of the game

Yet as a counter balance there will be a necessity for connectivity and differentiation of service to improve the overall quality for the passengers. Therefore, 2010 will be the first year that connectivity – i. e. voice and data – will become a normal part of IFE. Following this, 2010 will show growth in content and productivity apps for pax and crew alike. Since not all players are currently able to offer interconnectivity though, consolidation will continue and partnerships will emerge in this industry to offer new options in closing the business case for the various suppliers.

### Not ready for acquisitions yet

The real reasons for the replacement of former CEO Dauer, who had been closely connected to the company for the last decade, with supervisory board member Dr. Berndt are still unclear. To our understanding, the new management has not specified the reasons for his immediate dismissal even to Mr Dauer. Since Mr Dauer took legal action against the company we believe the new AIA management is



FY2011e, we forecast revenues, EBITDA and EPS of €113.5mn, €12.4mn, and €0.36, respectively.

#### **Substantial cash outflow from financing activities in H1/10**

Advanced Inflight Alliance is confronted with substantial cash outflows from financing activities in H1/10, coming from four sources: 1) regular redemption of the bank debt of €1mn; 2) extraordinary redemption of the bank debt of €1mn due to high free cash flows in 2009; 3) dividend payment of €1.5mn; and 4) second tranche earn out payments for DTI of €1.3mn. Even without further acquisitions, we expect cash outflow from financing of approximately €4.7mn in H1/10. With a gross cash position of just under €16.5mn at y/e 2009, the management believe they should be able to meet these demands without any difficulty. However, since the board members are proposing the AGM the issue of a convertible bond of €10.0mn, doubts may arise if the parent company really has access to the liquidity of the subsidiaries on short notice.

#### **We reiterate our Buy rating, but cut our price target to €4.50 from €5.20**

On the current level, Advanced Inflight Alliance is trading at 2.5x 2011e EV/EBITDA and 7.7x 2011e P/E. We derive our price target from a blend of our proprietary ROCE methodology (50%) and a standardized three-stage DCF model (50%). Our ROCE methodology is based on WACC of 10.9% (Rf 3.5%, Rp 5.0%, beta 1.5, and target equity ratio 50%) and NOPAT for FY2010e and FY2011e of €7.9mn and €8.3mn, respectively. Applying a 25% small caps discount to reflect low market cap of the shares, our value-added analysis suggests a 12-month target price of €4.50 per share.

In our standardized three-stage DCF methodology, our price target comes to €4.50 per share, too. Our 12-month price target of €4.50 (before €5.20) implies 62% upside potential. At our price target, Advanced Inflight Alliance would trade on a 2010e EV/EBITDA of 4.6x, which is above AIA's long-run average (2004-2009) of 3.0. This premium is justified due to the improved market position of the company.

**Economic profit model, fair value and price performance, 2003-2011e**

Source: Capital IQ, VISCARDI

**Investment risks**

Risks relate to an ongoing negative news flow, the cyclical nature of the airline industry – whose overall market sentiment cannot fail to impact the Advanced Inflight Alliance share –, FX volatility and a delay in the company's takeover plans.

<b>Consolidated income statement</b>										
<b>IFRS (31/12)</b>		<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>
<b>Sales</b>	<b>€mn</b>	<b>1.0</b>	<b>14.8</b>	<b>25.9</b>	<b>64.2</b>	<b>88.5</b>	<b>107.4</b>	<b>108.1</b>	<b>110.2</b>	<b>113.5</b>
<i>YoY</i>	<i>%</i>	<i>-90.2%</i>	<i>1445.3%</i>	<i>74.2%</i>	<i>148.1%</i>	<i>37.9%</i>	<i>21.4%</i>	<i>0.6%</i>	<i>2.0%</i>	<i>3.0%</i>
Material expenses	€mn	0.0	-10.9	-18.0	-43.9	-63.6	-70.8	-67.7	-68.4	-69.7
<i>in % of total sales</i>	<i>%</i>	<i>-3.0%</i>	<i>-73.2%</i>	<i>-69.7%</i>	<i>-68.4%</i>	<i>-71.9%</i>	<i>-65.9%</i>	<i>-62.7%</i>	<i>-62.1%</i>	<i>-61.4%</i>
Gross margin	€mn	0.9	4.0	7.8	20.3	24.9	36.6	40.3	41.8	43.8
<i>in % of total sales</i>	<i>%</i>	<i>97.0%</i>	<i>26.8%</i>	<i>30.3%</i>	<i>31.6%</i>	<i>28.1%</i>	<i>34.1%</i>	<i>37.3%</i>	<i>37.9%</i>	<i>38.6%</i>
Other operating income	€mn	1.0	1.5	1.2	2.9	1.9	2.3	0.4	0.4	0.5
<i>in % of total sales</i>	<i>%</i>	<i>103.1%</i>	<i>10.4%</i>	<i>4.7%</i>	<i>4.5%</i>	<i>2.1%</i>	<i>2.1%</i>	<i>0.4%</i>	<i>0.4%</i>	<i>0.4%</i>
Personnel expenses	€mn	-0.6	-2.0	-3.2	-9.5	-12.4	-15.8	-19.0	-19.1	-18.8
<i>in % of total sales</i>	<i>%</i>	<i>-66.0%</i>	<i>-13.2%</i>	<i>-12.5%</i>	<i>-14.8%</i>	<i>-14.0%</i>	<i>-14.7%</i>	<i>-17.6%</i>	<i>-17.3%</i>	<i>-16.5%</i>
Depreciation and amortization	€mn	-10.1	-1.1	-0.6	-3.5	-1.9	-4.0	-4.9	-5.2	-5.4
<i>in % of total sales</i>	<i>%</i>	<i>n/m</i>	<i>-7.4%</i>	<i>-2.3%</i>	<i>-5.4%</i>	<i>-2.1%</i>	<i>-3.7%</i>	<i>-4.6%</i>	<i>-4.7%</i>	<i>-4.8%</i>
Other operating expenses	€mn	-1.3	-2.2	-3.0	-6.2	-8.6	-9.8	-10.0	-11.5	-13.1
<i>in % of total sales</i>	<i>%</i>	<i>-132.8%</i>	<i>-14.8%</i>	<i>-11.6%</i>	<i>-9.6%</i>	<i>-9.7%</i>	<i>-9.1%</i>	<i>-9.3%</i>	<i>-10.4%</i>	<i>-11.5%</i>
<b>Operating profit</b>	<b>€mn</b>	<b>-10.1</b>	<b>0.3</b>	<b>2.2</b>	<b>4.0</b>	<b>3.8</b>	<b>9.3</b>	<b>6.8</b>	<b>6.6</b>	<b>6.9</b>
<i>in % of total sales</i>	<i>%</i>	<i>n/m</i>	<i>1.8%</i>	<i>8.6%</i>	<i>6.2%</i>	<i>4.3%</i>	<i>8.6%</i>	<i>6.3%</i>	<i>6.0%</i>	<i>6.1%</i>
<i>YoY</i>	<i>%</i>	<i>n/m</i>	<i>n/m</i>	<i>n/m</i>	<i>81.2%</i>	<i>-4.7%</i>	<i>142.2%</i>	<i>-26.3%</i>	<i>-3.6%</i>	<i>5.1%</i>
Financial income	€mn	0.0	0.0	0.1	1.0	0.9	0.3	0.1	0.1	0.1
Financial expenses	€mn	-0.3	0.0	-0.2	-0.7	-0.6	-1.0	-1.1	-0.6	-0.4
<b>EBT</b>	<b>€mn</b>	<b>-10.4</b>	<b>0.2</b>	<b>2.1</b>	<b>4.3</b>	<b>4.2</b>	<b>8.6</b>	<b>5.9</b>	<b>6.0</b>	<b>6.6</b>
<i>in % of total sales</i>	<i>%</i>	<i>n/m</i>	<i>1.7%</i>	<i>8.3%</i>	<i>6.7%</i>	<i>4.7%</i>	<i>8.0%</i>	<i>5.4%</i>	<i>5.5%</i>	<i>5.8%</i>
Taxes	€mn	0.0	-0.5	-0.6	-0.6	-0.5	-2.5	-1.2	-1.2	-1.3
<i>in % of EBT</i>	<i>%</i>	<i>n/m</i>	<i>n/m</i>	<i>-28.6%</i>	<i>-13.2%</i>	<i>-11.0%</i>	<i>-28.6%</i>	<i>-19.7%</i>	<i>-20.0%</i>	<i>-20.0%</i>
<b>Net income before minorities</b>	<b>€mn</b>	<b>-10.4</b>	<b>-0.3</b>	<b>1.5</b>	<b>3.7</b>	<b>3.7</b>	<b>6.1</b>	<b>4.7</b>	<b>4.8</b>	<b>5.3</b>
<i>in % of total sales</i>	<i>%</i>	<i>n/m</i>	<i>-2.0%</i>	<i>5.9%</i>	<i>5.8%</i>	<i>4.2%</i>	<i>5.7%</i>	<i>4.4%</i>	<i>4.4%</i>	<i>4.6%</i>
Minorities	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary result	€mn	0.0	4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>€mn</b>	<b>-10.4</b>	<b>4.2</b>	<b>1.5</b>	<b>3.7</b>	<b>3.7</b>	<b>6.1</b>	<b>4.7</b>	<b>4.8</b>	<b>5.3</b>
Number of shares	mn	12.6	8.1	8.9	15.4	15.5	14.7	14.5	14.5	14.5
<b>EPS</b>	<b>€</b>	<b>-0.82</b>	<b>0.52</b>	<b>0.17</b>	<b>0.24</b>	<b>0.24</b>	<b>0.42</b>	<b>0.33</b>	<b>0.33</b>	<b>0.36</b>

**Consolidated income statement (quarterly 2010e)**

IFRS (31/12)		Q1/10e	Q2/10e	H1/10e	Q3/10e	9M/10e	Q4/10e	2010e
<b>Sales</b>	€mn	<b>27.9</b>	<b>31.0</b>	<b>59.0</b>	<b>27.7</b>	<b>86.7</b>	<b>23.5</b>	<b>110.2</b>
<i>YoY</i>	%	1.9%	2.1%	2.0%	1.9%	2.0%	2.1%	2.0%
Material expenses	€mn	-18.1	-19.9	-38.0	-19.2	-57.1	-11.3	-68.4
<i>in % of total sales</i>	%	-64.7%	-64.2%	-64.4%	-69.1%	-65.9%	-47.9%	-62.1%
Gross margin	€mn	9.9	11.1	21.0	8.6	29.5	12.3	41.8
<i>in % of total sales</i>	%	35.3%	35.8%	35.6%	30.9%	34.1%	52.1%	37.9%
Other operating income	€mn	0.2	0.3	0.5	0.2	0.7	-0.2	0.4
<i>in % of total sales</i>	%	0.5%	1.1%	0.8%	0.5%	0.8%	-0.9%	0.4%
Personnel expenses	€mn	-4.1	-5.1	-9.2	-4.2	-13.4	-5.6	-19.1
<i>in % of total sales</i>	%	-14.6%	-16.6%	-15.6%	-15.1%	-15.5%	-23.9%	-17.3%
Depreciation and amortization	€mn	-0.8	-1.3	-2.1	-0.8	-3.0	-2.2	-5.2
<i>in % of total sales</i>	%	-2.8%	-4.3%	-3.6%	-3.1%	-3.4%	-9.5%	-4.7%
Other operating expenses	€mn	-2.9	-3.1	-6.0	-2.2	-8.2	-3.2	-11.5
<i>in % of total sales</i>	%	-10.2%	-10.1%	-10.2%	-8.0%	-9.5%	-13.8%	-10.4%
<b>Operating profit</b>	€mn	<b>2.3</b>	<b>1.9</b>	<b>4.2</b>	<b>1.5</b>	<b>5.6</b>	<b>1.0</b>	<b>6.6</b>
<i>in % of total sales</i>	%	8.3%	6.0%	7.1%	5.2%	6.5%	4.1%	6.0%
<i>YoY</i>	%	-3.3%	8.2%	1.5%	-3.3%	0.2%	-21.2%	-3.6%
Financial income	€mn	0.1	0.0	0.1	0.1	0.2	0.0	0.1
Financial expenses	€mn	-0.2	-0.2	-0.4	-0.1	-0.5	-0.1	-0.6
<b>EBT</b>	€mn	<b>2.2</b>	<b>1.7</b>	<b>3.9</b>	<b>1.4</b>	<b>5.3</b>	<b>0.8</b>	<b>6.0</b>
<i>in % of total sales</i>	%	7.8%	5.6%	6.6%	4.9%	6.1%	3.3%	5.5%
Taxes	€mn	-0.4	-0.3	-0.8	-0.3	-1.1	-0.2	-1.2
<i>in % of EBT</i>	%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%
<b>Net income before minorities</b>	€mn	<b>1.7</b>	<b>1.4</b>	<b>3.1</b>	<b>1.1</b>	<b>4.2</b>	<b>0.6</b>	<b>4.8</b>
<i>in % of total sales</i>	%	6.2%	4.5%	5.3%	3.9%	4.9%	2.6%	4.4%
Minorities	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary result	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	€mn	<b>1.7</b>	<b>1.4</b>	<b>3.1</b>	<b>1.1</b>	<b>4.2</b>	<b>0.6</b>	<b>4.8</b>
Number of shares	mn	14.5	14.5	14.5	14.5	14.5	14.5	14.5
<b>EPS</b>	€	<b>0.12</b>	<b>0.10</b>	<b>0.22</b>	<b>0.08</b>	<b>0.29</b>	<b>0.04</b>	<b>0.33</b>

<b>Balance sheet (Assets)</b>										
<b>IFRS (31/12)</b>		<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>
Intangibles Assets	€mn	6.7	9.2	9.4	20.4	18.5	39.1	41.2	39.0	39.0
Software and other rights	€mn	0.0	0.1	5.6	4.2	3.2	2.1	0.0	2.0	2.0
Goodwill	€mn	0.0	3.4	2.4	11.2	11.1	21.4	23.7	21.5	21.5
Film assets	€mn	6.7	5.7	0.0	0.0	0.0	0.0	0.5	0.0	0.0
other intangible assets	€mn	0.0	0.0	1.4	5.0	4.2	15.6	17.0	15.6	15.6
Property, plant and equipment	€mn	0.0	0.1	0.1	2.3	2.2	2.4	2.4	2.7	2.7
Financial assets	€mn	0.0	0.0	2.5	2.5	0.1	0.0	0.0	0.0	0.0
Receivables	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	€mn	0.0	0.0	0.7	1.7	1.8	1.6	1.5	1.5	1.5
<b>Non-current assets, total</b>	<b>€mn</b>	<b>6.8</b>	<b>9.3</b>	<b>12.7</b>	<b>26.9</b>	<b>22.7</b>	<b>43.2</b>	<b>45.2</b>	<b>43.2</b>	<b>43.2</b>
<i>in % of total assets</i>	<i>%</i>	<i>0.6</i>	<i>52.3%</i>	<i>56.1%</i>	<i>35.2%</i>	<i>35.3%</i>	<i>51.4%</i>	<i>53.4%</i>	<i>51.4%</i>	<i>48.6%</i>
Receivables and other assets	€mn	0.4	1.8	2.0	16.5	17.0	20.8	17.0	26.5	27.7
Trade receivables	€mn	0.4	1.8	1.6	13.6	15.6	17.9	17.0	23.0	24.2
Receivables against associated	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	€mn	0.1	0.1	0.4	3.0	1.4	2.9	0.0	3.5	3.5
Inventories	€mn	0.0	2.0	1.1	0.9	0.8	0.4	0.7	0.0	0.0
Cash	€mn	0.1	4.2	6.8	14.8	19.0	17.5	16.5	12.3	16.0
Accruals and deferrals	€mn	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
deferred taxes	€mn	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current claim on drawback	€mn	0.0	0.0	0.0	0.3	0.5	2.1	2.3	2.0	2.0
Other financial assets	€mn	0.0	0.0	0.0	17.1	4.4	0.0	2.8	0.0	0.0
<b>Current assets, total</b>	<b>€mn</b>	<b>4.2</b>	<b>8.5</b>	<b>9.9</b>	<b>49.6</b>	<b>41.6</b>	<b>40.8</b>	<b>39.4</b>	<b>40.8</b>	<b>45.7</b>
<b>Total assets</b>	<b>€mn</b>	<b>10.9</b>	<b>17.9</b>	<b>22.5</b>	<b>76.6</b>	<b>64.4</b>	<b>83.9</b>	<b>84.5</b>	<b>84.0</b>	<b>88.9</b>

**Balance sheet (Liabilities)**

<b>IFRS (31/12)</b>		<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>
Subscribed capital	€mn	1.8	8.1	9.3	16.2	14.8	14.5	14.5	14.5	14.5
Reserves	€mn	52.6	0.0	0.7	7.1	8.3	8.7	8.8	8.7	8.7
Revenue reserves	€mn	0.0	0.0	1.6	5.3	5.8	11.7	14.5	19.3	24.6
Legal reserves	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue reserves	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency item	€mn	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit	€mn	-58.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accumulated equity	€mn	0.0	0.0	0.1	-0.5	-0.8	-8.1	-4.5	-8.1	-8.1
Minorities	€mn	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
<b>Equity, total</b>	<b>€mn</b>	<b>0.0</b>	<b>7.4</b>	<b>11.7</b>	<b>28.3</b>	<b>28.1</b>	<b>26.8</b>	<b>33.3</b>	<b>34.4</b>	<b>39.6</b>
<i>Equity ratio</i>	<i>%</i>	<i>0.0%</i>	<i>41.4%</i>	<i>52.0%</i>	<i>37.0%</i>	<i>43.7%</i>	<i>31.9%</i>	<i>39.4%</i>	<i>40.9%</i>	<i>44.6%</i>
Minorities	€mn	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Bank debt	€mn	0.0	0.0	0.0	0.4	2.1	8.4	6.4	3.4	1.4
Other liabilities	€mn	0.0	0.0	0.0	0.0	0.0	2.9	0.0	0.0	0.0
Deferred taxes	€mn	0.0	0.0	0.7	2.9	2.0	6.8	6.1	2.4	2.4
<b>Non-current liabilities, total</b>	<b>€mn</b>	<b>0.0</b>	<b>0.0</b>	<b>0.7</b>	<b>3.3</b>	<b>4.1</b>	<b>18.0</b>	<b>12.7</b>	<b>5.8</b>	<b>3.8</b>
Bank debt	€mn	8.5	3.7	3.9	17.2	4.5	3.1	2.6	3.0	3.0
Trade payables	€mn	1.2	3.7	3.7	21.6	22.8	26.3	24.3	32.0	33.6
Accrued taxes	€mn	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accruals	€mn	0.9	1.2	1.1	0.5	0.1	0.1	0.4	0.0	0.0
Advance payment on order	€mn	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	€mn	0.2	0.6	0.5	4.9	3.5	8.2	9.9	8.0	8.0
thereof earnout payments	€mn	0.0	0.0	0.0	0.0	0.0	2.6	2.6	0.0	2.6
Liabilities against associated companies	€mn	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Accruals and deferrals	€mn	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currant tax liabilities	€mn	0.0	0.0	0.9	0.6	1.2	1.5	1.3	0.8	0.8
<b>Current liabilities, total</b>	<b>€mn</b>	<b>10.9</b>	<b>10.5</b>	<b>10.1</b>	<b>44.8</b>	<b>32.1</b>	<b>39.1</b>	<b>38.5</b>	<b>43.8</b>	<b>45.4</b>
<b>Liabilities, total</b>	<b>€mn</b>	<b>10.9</b>	<b>17.9</b>	<b>22.5</b>	<b>76.6</b>	<b>64.4</b>	<b>83.9</b>	<b>84.5</b>	<b>84.0</b>	<b>88.9</b>

**Cash flow Statement**

IFRS (31/12)		2003	2004	2005	2006	2007	2008	2009	2010e	2011e
Net income	€mn	-10.1	0.2	1.5	3.7	3.7	6.1	4.7	4.8	5.3
Depreciation	€mn	10.1	1.1	0.6	3.5	1.9	4.0	4.9	5.2	5.4
Other operational adjustments	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Operating profit before ΔNWC</b>	<b>€mn</b>	<b>0.0</b>	<b>1.3</b>	<b>2.1</b>	<b>7.2</b>	<b>5.6</b>	<b>10.1</b>	<b>9.6</b>	<b>10.0</b>	<b>10.7</b>
YoY	%	-99.9%	n/a	58.5%	237.8%	-22.2%	80.6%	-4.7%	4.0%	6.9%
Δ Accruals	€mn	-1.1	1.1	-0.9	-0.6	-0.4	0.0	0.5	-0.6	0.0
Δ Inventories, receivables and others	€mn	9.2	-3.6	1.0	-14.4	-0.4	-3.4	3.4	-8.8	-1.2
Δ Liabilities and other liabilities	€mn	-4.3	3.2	-0.4	22.3	-0.2	11.0	-3.2	5.8	1.6
Interest payment	€mn	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary result	€mn	0.0	4.5	0.0	0.0	0.0	0.0	-2.6	0.0	0.0
Drawback last year	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ deferred taxes	€mn	0.0	0.0	0.4	1.2	-1.1	4.9	-0.5	-3.6	0.0
Other cash-item changes	€mn	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other operational adjustments	€mn	-4.2	-3.0	0.6	-13.4	0.0	-10.9	2.5	0.8	-0.1
<b>Operating cash flow</b>	<b>€mn</b>	<b>-0.7</b>	<b>3.5</b>	<b>2.8</b>	<b>2.3</b>	<b>3.6</b>	<b>11.8</b>	<b>9.8</b>	<b>3.6</b>	<b>11.0</b>
YoY	%	n/a	n/a	-18.2%	-19.5%	56.2%	231.8%	-16.6%	-62.9%	202.3%
Payments from tangibles assets	€mn	-0.3	-0.1	-0.1	-0.6	-0.2	0.0	-0.8	0.0	0.0
Payments from financial assets	€mn	0.0	-1.5	0.0	-5.3	0.0	0.0	0.0	0.0	0.0
Payouts for investments in film assets	€mn	0.0	0.0	-0.2	-0.7	-0.9	-0.5	-2.0	-2.4	-2.9
Payments from selling company division	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payouts for investments in participations	€mn	0.0	0.0	-2.4	0.0	0.0	-17.1	0.0	-2.6	0.0
Payments from non-current cash	€mn	0.0	0.0	0.0	-16.9	0.0	1.7	-2.5	0.0	-2.4
<b>Cash flow from investing</b>	<b>€mn</b>	<b>-0.3</b>	<b>-1.6</b>	<b>-2.7</b>	<b>-23.5</b>	<b>-1.0</b>	<b>-15.9</b>	<b>-5.3</b>	<b>-5.0</b>	<b>-5.3</b>
YoY	%	n/a	473.0%	65.0%	772.9%	-95.7%	n/a	-66.6%	-5.1%	5.8%
<b>Free Cash flow</b>	<b>€mn</b>	<b>-0.9</b>	<b>1.8</b>	<b>0.1</b>	<b>-21.2</b>	<b>2.6</b>	<b>-4.1</b>	<b>4.5</b>	<b>-1.4</b>	<b>5.7</b>
YoY	%	n/a	n/a	-92.5%	n/a	n/a	n/a	n/a	n/a	n/a
Payments from capital increase	€mn	0.0	7.1	1.9	13.3	-0.2	0.0	0.1	-0.1	0.0
Δ Bank debt	€mn	-15.6	-4.9	0.2	13.6	-10.9	4.8	-2.4	-2.6	-2.0
Other operational adjustments	€mn	16.6	0.0	0.2	2.3	11.0	-1.0	-2.7	0.0	0.0
<b>Financing cash flow</b>	<b>€mn</b>	<b>1.0</b>	<b>2.2</b>	<b>2.4</b>	<b>29.3</b>	<b>-0.1</b>	<b>3.9</b>	<b>-5.0</b>	<b>-2.8</b>	<b>-2.0</b>
YoY	%	n/a	118.4%	5.2%	n/a	n/a	n/a	n/a	-44.5%	-27.7%
Changes of exchange rate	€mn	0.0	0.0	0.2	-0.1	0.0	-1.0	-0.6	0.0	0.0
Net cash inflow	€mn	0.1	4.1	2.5	8.0	2.5	-0.2	-0.4	-4.2	3.7
Net cash opening balance	€mn	0.0	0.1	4.1	6.8	14.8	19.0	17.5	16.5	12.3
Effect from selling company division	€mn	0.0	0.0	0.0	0.0	0.0	-0.6	0.0	0.0	0.0
Other operational adjustments	€mn	0.0	0.0	0.0	0.0	1.7	0.3	0.0	0.0	0.0
<b>Net cash closing balance</b>	<b>€mn</b>	<b>0.1</b>	<b>4.2</b>	<b>6.8</b>	<b>14.8</b>	<b>19.0</b>	<b>17.5</b>	<b>16.5</b>	<b>12.3</b>	<b>16.0</b>

**Key figures**

		2003	2004	2005	2006	2007	2008	2009	2010e	2011e
<b>Key data</b>										
Sales	€mn	1.0	14.8	25.9	64.2	88.5	107.4	108.1	110.2	113.5
Gross profit	€mn	0.9	4.0	7.8	20.3	24.9	36.6	40.3	41.8	43.8
EBITDA	€mn	0.0	1.4	2.8	7.5	5.7	13.2	11.7	11.8	12.4
EBIT	€mn	-10.1	0.3	2.2	4.0	3.8	9.3	6.8	6.6	6.9
EBT	€mn	-10.4	0.2	2.1	4.3	4.2	8.6	5.9	6.0	6.6
Net income	€mn	-10.4	4.2	1.5	3.7	3.7	6.1	4.7	4.8	5.3
Nr. of employees		8	43	42	195	219	335	411	416	416
<b>Per Share data</b>										
Price high	€	2.92	1.73	2.55	2.37	2.99	2.08	3.72		
Price low	€	0.39	0.5	1.46	1.55	1.28	1.18	1.24		
Price average	€	1.36	1.19	1.99	1.91	2.07	1.72	2.34		
Price last	€	1.56	0.5	1.69	1.98	1.75	1.34	2.47	2.78	2.78
EPS	€	-0.82	0.52	0.17	0.24	0.24	0.42	0.33	0.33	0.36
CFPS	€	0.00	0.17	0.24	0.47	0.36	0.69	0.66	0.69	0.74
BVPS	€	0.00	0.92	1.31	1.83	1.81	1.82	2.30	2.37	2.73
FCFPS	€	-0.07	0.23	0.02	-1.38	0.16	-0.28	0.31	-0.10	0.39
Dividend	€	0.00	0.00	0.00	0.00	0.00	0.08	0.10	0.08	0.08
Price target	€									4.50
Performance to price target	%									61.9%
<b>Profitability ratios</b>										
EBITDA margin	%	1.3%	9.2%	10.9%	11.7%	6.5%	12.3%	10.9%	10.7%	10.9%
EBIT margin	%	-1053.2%	1.8%	8.6%	6.2%	4.3%	8.6%	6.3%	6.0%	6.1%
Pretax margin	%	-1083.5%	1.7%	8.3%	6.7%	4.7%	8.0%	5.4%	5.5%	5.8%
Net margin	%	-1083.3%	28.3%	5.9%	5.8%	4.2%	5.7%	4.4%	4.4%	4.6%
FCF margin	%	-97.8%	12.3%	0.5%	-33.1%	2.9%	-3.8%	4.2%	-1.3%	5.0%
ROE	%	n/a	56.8%	13.1%	13.1%	13.2%	22.9%	14.2%	14.0%	13.3%
ROCE	%	0.4%	9.7%	21.7%	31.8%	26.4%	26.4%	21.1%	24.0%	25.6%
CE/Sales	%	630.4%	64.1%	33.9%	25%	16%	31%	34%	30%	29%
NWC/Sales	%	-93.6%	0.2%	-3.8%	-11.1%	-7.2%	-7.4%	-6.1%	-8.2%	-8.3%
Sales per head	€mn	0.120	0.345	0.616	0.329	0.404	0.321	0.263	0.265	0.273
EBIT per head	€k	-1264.7	6.2	52.7	20.6	17.4	27.6	16.6	15.8	16.6
DSO	d	131.4	43.5	22.3	76.1	63.5	60.0	56.7	75.1	76.6
<b>Growth ratios</b>										
Sales	%	-90.3%	326.6%	96.7%	159.2%	22.7%	47.0%	10.2%	3.7%	4.7%
EBITDA	%	-99.9%	n/a	106.4%	166.8%	-23.9%	131.7%	-11.3%	0.2%	5.1%
EBIT	%	102.8%	n/a	734.9%	81.2%	-4.7%	142.2%	-26.3%	-3.6%	5.1%
EBT	%	52.8%	n/a	767.2%	99.5%	-2.4%	105.8%	-31.7%	2.9%	8.9%
Net income	%	79.7%	n/a	-63.6%	141.9%	0.0%	65.5%	-23.1%	2.4%	8.9%
EPS	%	155.6%	n/a	-67.1%	40.4%	-0.8%	74.3%	-21.8%	2.4%	8.9%
CFPS	%	-99.8%	n/a	43.1%	96.1%	-22.9%	90.3%	-3.1%	4.0%	6.9%

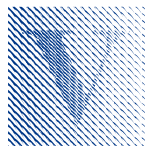
**Key figures (cont.)**

		2003	2004	2005	2006	2007	2008	2009	2010e	2011e
<b>Balance sheet ratios</b>										
Non-current assets, total	€mn	6.8	9.3	12.7	26.9	22.7	43.2	45.2	43.2	43.2
Current assets, total	€mn	4.2	8.5	9.9	49.6	41.6	40.8	39.4	40.8	45.7
Equity	€mn	0.0	7.4	11.7	28.3	28.1	26.8	33.3	34.4	39.6
Liabilities	€mn	10.9	10.5	10.8	48.1	36.2	57.2	51.2	49.6	49.2
Intensity of investments	%	0.2%	32.5%	0.3%	3.1%	3.5%	2.9%	3.5%	3.2%	3.0%
Equity ratio	%	0.0%	41.4%	52.0%	37.0%	43.7%	31.9%	39.4%	40.9%	44.6%
Gearing	%	n/a	-6.8%	-24.8%	9.8%	-43.8%	-12.6%	-14.3%	-17.1%	-22.6%
Working Capital	€mn	-0.9	0.0	-1.0	-7.1	-6.4	-8.0	-6.5	-9.0	-9.5
Capital Employed	€mn	6.1	9.5	8.8	15.8	14.5	33.7	37.2	32.9	32.4
<b>Enterprise Value</b>										
Nr. of shares	mn	12.6	8.1	8.9	15.4	15.5	14.7	14.5	14.5	14.5
Market cap. high	€mn	36.9	14.0	22.8	36.5	46.5	30.7	53.9		
Market cap. low	€mn	4.9	4.0	13.1	23.9	19.9	17.4	18.0		
Market cap. average	€mn	17.2	9.6	17.8	29.4	32.2	25.4	33.9		
Market cap. last	€mn	19.7	4.0	15.1	30.5	27.2	19.8	35.8	40.3	40.3
Net debt	€mn	8.4	-0.5	-2.9	2.8	-12.3	-3.4	-4.8	-5.9	-9.0
Pension reserves	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	€mn	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Enterprise Value	€mn	28.1	3.5	12.2	33.4	14.9	16.4	31.1	34.4	31.3
<b>Valuation ratios</b>										
EV/sales	x	29.3	0.24	0.47	0.52	0.17	0.15	0.29	0.31	0.28
EV/EBITDA	x	2235.4	2.6	4.3	4.5	2.6	1.2	2.6	2.9	2.5
EV/EBIT	x	-2.8	13.3	5.5	8.3	3.9	1.8	4.6	5.2	4.5
P/E	x	-1.7	2.3	11.6	7.9	8.7	4.1	7.6	8.3	7.7
P/CF	x	1365.5	7.2	8.4	4.1	5.7	2.5	3.7	4.0	3.8
P/BV	x	n/a	1.3	1.5	1.0	1.1	0.9	1.1	1.2	1.0
FCF yield	%	-4.8%	45.3%	0.9%	-69.6%	9.4%	-20.7%	12.7%	-3.4%	14.2%
Payout	€mn	0.0	0.0	0.0	0.0	0.0	1.2	1.5	1.2	1.2
Payout ratio	%	0.0%	0.0%	0.0%	0.0%	0.0%	19.2%	30.8%	24.0%	22.1%
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	6.0%	4.0%	2.9%	2.9%
<b>Economic Value Added</b>										
WACC	%	12.6%	11.3%	10.1%	9.7%	10.2%	9.8%	10.9%	10.9%	10.9%
ROCE/WACC	%	0.0	0.9	2.1	3.3	2.6	2.7	1.9	2.2	2.3
EV/CE	x	4.2	1.0	1.7	2.0	1.4	0.6	0.9	1.0	0.9
<b>Cash flow</b>										
Cash flow from Operations	€mn	-0.7	3.5	2.8	2.3	3.6	11.8	9.8	3.6	11.0
Cash flow from Investments	€mn	-0.3	-1.6	-2.7	-23.5	-1.0	-15.9	-5.3	-5.0	-5.3
Free Cash flow	€mn	-0.9	1.8	0.1	-21.2	2.6	-4.1	4.5	-1.4	5.7
Cash flow from Financing	€mn	1.0	2.2	2.4	29.3	-0.1	3.9	-5.0	-2.8	-2.0

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### Investment Recommendations (12 months):

Date:	Target Price:	Investment Recommendation:	Conflict of Interest (Key)
12/05/2010	4.50	Buy	1
21/08/2009	5.20	Buy	1
15/05/2009	5.10	Buy	1

**Specific disclosures according to Section. 34b(1)(1) German Securities Trading Act and Ordinance on the Analysis of Financial Instruments**

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- has been providing investment banking services for the issuer analysed during the last 12 months for which a compensation has been or will be paid,
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- or the analyst covering the issue has other significant financial interests with respect to the issuer that is the subject of this analysis, for example holding a seat on the company's boards.

**Key 1:** The analysed company actively provided information material for preparation of this publication.

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**Investment Recommendations (12 months investment period)**

**Buy:** We expect a stock to rise by at least 20% and outperform the benchmark by over 10%.

**Buy:** We expect a stock to move within 10% of the benchmark.

**Sell:** We expect a stock to fall by at least 20% and underperform the benchmark.

The benchmark for the stocks analysed in this publication is the DAX.

An overview on the allocation of VISCARDI's investment recommendations is available under <http://www.viscardi.com/research/researchdisclaimer.html>.

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The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Consequently, our recommendations and price targets derived from the models might change accordingly. The investment ratings related to a 12-month period are subject to market conditions and can only represent a snapshot. The ratings might in fact be achieved more quickly or slowly than expected, or need to be revised upward or downward.

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