

Pantaleon Entertainment

Ambitious VOD strategy

The launch of global video-on-demand (VOD) platform PANTAFLIX at the end of 2016 and the recent announcement of a new JV in China could prove transformative for Pantaleon, traditionally known for its hit film productions. The market opportunity is significant, it has a first-mover advantage and capital risk is limited. Although at an early stage of development, the direction of travel is positive and the shares have started to reflect the potential.

Expanding beyond its success in film

An established film production company, Pantaleon in 2016 extended its success to other genres delivering Germany's first original series for Amazon Prime (You Are Wanted), as well as its first television film for Sat 1. Moreover, in December 2016 it launched PANTAFLIX, a global transactional VOD service. PANTAFLIX exports local language films to the world's expatriate and migrant audiences and is targeting 30k titles by the end of this year. Significantly, in May 2017 it announced a new JV with a major Chinese media conglomerate giving access to a huge library of 100,000 films from which to launch a service for the 50 million Mandarin speakers living abroad.

PANTAFLIX VOD platform potentially transformative

The production business has a strong pipeline in FY17 and FY18 and should deliver strong growth in its own right. However, the VOD business is highly scalable and potentially transformative for the group. It stands apart from other OTT platforms by handing control back to the content creators and taking a cut of sales that are on a per stream, rather than subscription, basis. Success will ultimately be driven by the quality of content on the platform; on this measure the JV with Sun Seven Stars Entertainment and Media Group, one of China's largest private media companies, is an exciting step forward.

Valuation: Starting to reflect strategic potential

Pantaleon offers investors the opportunity to be involved in an early-stage, differentiated global VOD platform that has relatively little capital exposure. Consensus estimates factor in very rapid take-up, which may prove aspirational in the near term; however, it is the direction of travel rather than meeting synthetic short-term targets that should drive the share performance. Announcements related to significant content deals, and the sharing of first KPIs will be the main drivers of the share price, which has already started to reflect an element of success.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	EV/EBIT (%)
12/15	13.7	(0.4)	(0.4)	0.0	N/A	N/A
12/16	15.1	(1.6)	(1.5)	0.0	N/A	N/A
12/17e	56.4	(4.4)	1.8	0.0	72.4	37.3
12/18e	116.4	11.0	17.4	0.0	7.5	5.5

Source: Pantaleon Entertainment accounts, Bloomberg

Media

10 July 2017

Price €130.4
Market cap €151m

Share price graph



Share details

Code PAL
Listing Deutsche Börse Scale
Shares in issue 1.155m
Last reported net debt as at December 2016 €3.9m

Business description

Pantaleon Entertainment is a film production company based in Berlin. Founded in 2009 by a group of successful actors and producers, the group has produced a string of successful films for German cinema. In December 2016 it launched a global VOD platform designed to serve the demand for high-quality local language film by expatriate and migrant communities.

Bull

- PANTAFLIX opportunity is significant.
- Limited capital risk: successful core production business supports the funding of the platform.
- Chinese JV provides unique access to almost 100k titles providing a significant launch pad for the services.

Bear

- No visibility on the take-up of PANTAFLIX.
- Market not established; piracy a concern.
- Consensus estimates factor in aggressive growth, leaving the risk to the downside.

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Company description: Film production & VOD platform

Pantaleon Entertainment is a German media group based in Munich with offices in Berlin and Cologne. It employs approximately 90 employees.

The bulk of its revenues and profits are currently generated from the production and sale of German language film and television content. Since it was established in 2009, it has produced some of Germany's most successful films including *What a Man*, *The Manny* and *Most Beautiful Day*. In 2016, after two years in development, it started the global roll out of its cloud-based VOD platform PANTAFLIX, which brings local language filmed content from around the world to expatriate and migrant audiences. If successful, the platform would be transformative to the group. It targets 30,000 films available for download by the end of this year, rising to 300,000 by 2019, and recently announced a major new JV with major Chinese media group Sun Seven Stars Entertainment and Media Group.

While less significant than its film and television ventures, through its subsidiaries March&Friends (100%) and Creative Cosmos 15 (40.5%) it also provides services in branded entertainment to clients including Mercedes-Benz, Red Bull, Krombacher and Hugo Boss. Also, in 2016 it launched its own record label, PantaSounds (67.5%), which seeks to exploit soundtracks from its films.

Management, organisation and shareholders

Pantaleon was founded in 2009 by actors and producers Marco Beckman, Dan Maag and Matthias Schweighöfer. The founders, via the investment vehicle BlackMars Capital, went on to list the group in March 2015 on the Entry Standard of the Frankfurt Stock Exchange at a price of €9.5 (raising €9.5m). In November 2015, it placed a further 100,000 shares at €60 (raising €6m), and a further 55,000 in February 2017 at €90 (raising €5m) to fund the roll-out of the VOD platform. Approximately 77% of the shares are held by BlackMars Capital, with 23% free float.

The group is run by CEO Dan Maag who joined the board in 2012 ahead of the IPO. He is an accomplished producer of national and international films, which (along with those he has worked on since joining Pantaleon) include *Dead Fish* (Gary Oldman and Robert Carlyle), *Open Waters* and *Streets of Rio*. CFO Stefan Elsser joined in 2015 from private equity group 3i, prior to which he worked at German federal development bank KfW. One of the largest shareholders of the group is actor Matthias Schweighöfer, who remains actively involved in the company in his capacity as an actor, as well as being instrumental in securing quality scripts and talent within the production business.

Stefan Langefeld joined as COO of the group in May 2017, and took on the additional role of CEO of PANTAFLIX in June 2017. Stefan joined from Apple, where he was head of TV and Movies, Central and Eastern Europe since its launch in 2007, while he latterly held the title of head of Apple Music and iTunes Music, bringing strong credentials to the roll-out of the PANTAFLIX platform. CTO Rainer Knebel joined in 2013. Prior to this he founded and ran 1on1, a cloud-based video service in Germany, and earlier in his career he worked in technology across a number of broadcast and post production companies.

In common with other German listed companies, Pantaleon has a two-tier board structure, where the management board sits beneath the (non-executive) supervisory board. The supervisory board comprises Mathis Schultz (chairman), Marcus Machura (deputy chairman) and Marc Schönberger.

PANTAFLIX: A VOD platform targeting a global niche

The original concept for PANTAFLIX was put together in 2014, when demand was identified for people away from their home market wanting to watch content culturally familiar and in their native language – a need largely unmet by the existing video streaming platforms such as those from Netflix, Amazon Prime and Hulu VOD channels. The platform does not aim to compete directly with these global majors. Its target users would typically be migrants or expatriates, multilingual individuals or those interested in foreign films. While in any one individual market, this may not represent a significant audience, the platform is global and consequently the target market is the world's 216 million expat and migrant populations (source: World Bank 2016), equivalent to 12% of OECD populations (source: OECD) including an estimated 50 million Chinese, four million Germans, 55 million Hispanics, four million Turks and 11 million Indians.

PANTAFLIX, though, should be regarded as a content platform rather than as an updated version of a broadcaster. The intention is not to purchase or to generate own content, but to facilitate the connection between content providers and consumers. In contrast to the vast majority of on-demand video platforms, PANTAFLIX has chosen to operate on a pay-per-view basis. This means that customers can view and pay for only the content that they want, representing a cheaper alternative to the aforementioned offerings. This means that the approach to marketing will be much more akin to a retail model, with no minimum guarantees built into the contractual rights. This is a particularly attractive model for independent content producers and providers that might struggle to achieve the discoverability that they (and their products) deserve on the major global VOD channels.

There is a significant amount of local language content that (like Pantaleon's productions) may be hits at home, but is not considered commercial to market internationally alongside existing distribution channels; distributors and international sales houses tend to buy bundles of rights to distribute on a geographical basis and therefore some content is never aired beyond the local market. According to management, only 10% of films are distributed outside their home market. The model depends on the rights' owners knowing where they have already sold the rights and seeking to access additional markets in a low-cost, low-maintenance manner. Therefore, the platform also seeks to 'cut out the middle man' by enabling rights holders to upload their films directly to the platform, select the countries that they wish to distribute in and, importantly, the relevant wholesale price they wish to charge. In return, they get to retain a larger share of revenues, as there is no 'cut' to be taken by distributors or content aggregators. PANTAFLIX takes c 25% of each download fee vs the 40-60% typically taken by more traditional routes to market, although it is not having to cover marketing costs out of its percentage.

In common with other video platforms, the success of PANTAFLIX will to a large extent be dependent on the size and quality of the content catalogue, where the content can be accessed, and the ease of navigation through the site. Management is targeting 300,000 films in its library by 2019. To put this in context, Netflix currently offers around 4,400 films and TV programmes in the UK; Amazon Prime offers 15,000 films and TV programmes in the UK. While the PANTAFLIX brand itself is not going to be actively promoted, users will be drawn to the platform through seeking out titles, with 'halo' effect marketing and a database performance-based, targeted approach to promotion that will build with increased use.

Having identified suitable launch partners, the initial development has been on a web-based model with mobile and app-based delivery following on. Android and iOS apps were launched in H117, and management expects roll-out of Smart TV offerings in H217. There need to be as few barriers as possible between the consumer looking for the content and being able to view it. The public launch was in December 2016 with the first phase territories being the US and across Europe, and parts of South-East Asia including Indonesia, Japan and the Philippines.

JV with Bruno Wu's Sun Seven Stars Entertainment

As indicated above, the Chinese expatriate community is a particularly attractive demographic, both from a scale perspective and in terms of disposable income. In May 2017, PANTAFLIX announced a new joint venture, of which it will own 50%, with two related partners owning the other half. Sun Seven Stars Entertainment and Media Group is a significant private media industry player and investor in the Chinese market, with additional interests globally. Its revenues are undisclosed, but are reported to be in 'multiple \$bn'. It is majority-owned and controlled by Bruno Wu, its founder, co-chairman and CEO. It will hold 10% of the JV through its Red Rock Capital finance arm. 40% will be owned by Wecast Network (NASDAQ: WCST), which is focused on 'BASE' or blockchain, artificial intelligence, supply chain and exchanges. Wecast is chaired by Bruno Wu.

The JV will therefore use the extensive content resource of Sun Seven Stars, sophisticated technological input from Wecast and PANTAFLIX's platform engineering and route to market. PANTAFLIX will gain access to a broad range of Chinese movies enhancing the platform's global content library by up to 100,000 additional movies (Chinese home market content as well as US blockbuster content in Mandarin).

VOD – market context

The global VOD market is estimated to be worth \$17.9bn in FY17 (source: Statista), with forecast CAGR of 7.5% through to 2021. Within these figures, the US represents c \$9.5bn, Europe \$3.5bn and China \$1bn. Streaming (SVoD) is the largest segment, representing around 62% of the total market value. The Chinese market lags; only 2.6% of internet users in China currently use VoD, (SVoD \$0.9bn, TVoD \$0.1bn) due to lower pricing, piracy and lack of comprehensive offers; however, growth rates are forecast to be high (22% CAGR to 2021), with penetration rising to 8.8% by that time.

While we are not aware of directly competing platforms, it is not to say there is no competition. In large markets cable or pay TV services offer international TV channels or packages designed for international customers (for instance Mandarin Direct from AT&T), and specific local language IPTV services are also available in a number of markets (eg KyLinTV – Chinese HD channels and 30,000 hours of VOD programmes; yuppTV – Indian channels available globally). Furthermore, in some markets local language channels may already have been launched to meet this demand; in the US for instance, Spanish language channels are among the most watched nationally (Univision, MundoFox, Telemundo).

What differentiates Pantaleon's strategy is that it is transactional, it is not providing access to TV channels but filmed content and it targets multiple languages.

Nasdaq-listed Eros provides a supportive reference demonstrating the demand for foreign language content outside home markets, focused on Indian language film production and distribution. In 2012, Eros also launched its own OTT platform 'Eros now' (c 5,000 titles, c 250,000 audio tracks). It now has over two million paid subscribers worldwide.

However, the industry as a whole faces challenges from piracy, as it has become increasingly easy for less conscientious members of the public to access to video content illegally, despite regulatory efforts. Furthermore, the majority of the content hosted on PANTAFLIX to date is not licensed solely to Pantaleon, but can also be found on rival platforms for similar fees, both on subscription and pay-per-view bases (eg Vimeo Plus [VHX], BIGFlix, JustWatch). Management's view, which is borne out to an extent by other SVOD platforms (where much of the content can also be pirated), is that users are willing to pay for quality, seamless streaming and a safe online environment. The more niche nature of much of the content compared with the overall global catalogue and the likely greater proportion of views of back catalogue may also provide some natural protection.

Pantaleon: Extending its success in film production

The film division, Pantaleon, produces and co-produces feature films, which it then licenses to film distributors for exploitation across cinema, television and in the home entertainment markets for a limited period of time on a territory basis. Depending on the nature of the agreement with the distributor, the rights revert to the producer, which can continue to monetise the content over the longer term.

Pantaleon released its first film *What a Man* in 2011. Originally focused on films for cinema release, over the last couple of years, the division has expanded into also producing content for television and OTT platforms. The majority of Pantaleon's content is German language and although it releases on average only one or two titles a year, most of its titles have been hits (Exhibit 1).

In 2016, it released the comedy *The Most Beautiful Day* and starring Florian David Fitz (who also directed) and Matthias Schweighöfer. The film topped the German charts in early 2016 and attracted over 1.6m visitors during the year. FY16 also saw the delivery of its first film for TV, *Jack the Ripper* for Sat 1, which was co-produced with its partner Fireworks Entertainment.

Extending its success in film to other genres, Pantaleon in FY16 delivered Germany's first original series for Amazon Prime Video, in partnership with Warner Bros. *You Are Wanted* is a six-part serial, again starring Matthias Schweighöfer, which has been dubbed into four European languages and is available in 200 markets. The first series was released in March 2017 and was among the five most watched series in 70 markets; its success has secured the commissioning of a second season to be filmed in 2017 for delivery in 2018.

Another first for the group and the German market in FY16 has been the development of *Bullshit TV* (BS TV based on the comedy *The Three from the Filling Station*) for Google's YouTube Red service, which broadcasts viral hits and original shows from YouTube's biggest influencers.

Production – market context

While the majors dominate global movie production and distribution, there remains a vibrant, albeit fairly mature market for local film production in Germany, supported by generous government subsidies. Having access to quality scripts is often the most significant challenge for smaller producers (as they may get bid up by the industry majors); however, the rich experience and network of Pantaleon's management team, and its major shareholder have helped Pantaleon punch above its weight in the German film industry. For a company that produces on average one or two films a year, having had five consecutive number one block busters in Germany is impressive and with its high profile and growing list of partners, the group is also rapidly building a name for itself in the emerging markets for VOD and OTT content. This is an important element of Pantaleon's growth strategy. The rise of global OTT platforms (Netflix, Amazon Prime) has increased the pressure on the traditional cinema model, resulting in shorter release windows. It is also having an impact on the dynamics in the secondary home entertainment markets. While in the past the broadcast premier of a film may have been used as a flagship product to attract new subscribers to a platform or premium advertising, nowadays it is access to original high-quality drama that demands a premium and film has become more a staple catalogue item.

Exhibit 1: Summary of releases

Film/TV series	Date	Distribution	Notes
What a Man	2011	20th Century Fox	1.8m tickets sold, making it the most successful German film of 2011, and the most successful German film released by Fox.
The Break-Up Artist (Schlussmacher)	2013	20th Century Fox	The most successful German film since 2011, selling c 1m tickets in two weeks. Won a Romy Award and the Audience Award of the German TV Prizes in 2013.
Mrs Ella (Frau Ella)	2013	Warner Bros	Marked the beginning of the long-term collaboration with Hollywood major Warner Bros.
Joys of Fatherhood (Vaterfreuden)	2014	Warner Bros	Bronze Bogey (German Box Office) award for selling 1m tickets in 10 days, going on to sell 2.3m tickets, and becoming one of the most successful German films of 2014.
The Manny (Der Nanny)	2015	Warner Bros	Led German box-office charts, selling over 1m tickets.
Highway to Hellas	2015	Warner Bros	Culture clash comedy, shot in Greece.
The Most Beautiful Day (Der Geilste Tag)	2016	Warner Bros	Filmed in 2015, released in 2016, when it topped charts.
Jack the Ripper	2016	ProSiebenSat.1	Won awards at the German Television Awards in 2017.
You Are Wanted	2017	Amazon Prime	First German series to be launched simultaneously in 200 countries. It is one of the five most popular series watched over the weekend in 70 countries, including Canada, Mexico, Brazil, France, Italy and Spain.

Source: Pantaleon Entertainment

Business model: Limited capital risk

The two core parts to Pantaleon's business have very different business models, but there is one unifying theme: limited capital risk.

Film productions generally have the majority of costs covered before production begins; Pantaleon will receive minimum guarantee payments from distribution companies from the advanced sale of the rights to cinema, pay TV, free TV and VOD platforms and for home entertainment sales.

Pantaleon has a first look/last refusal deal with Warner Bros for nine films by 2022. Once these partners have covered their costs, Pantaleon will share in any 'overages' made. Pantaleon also makes use of generous governmental subsidies for German film producers that adhere to certain criteria. On average Pantaleon will have covered approximately 80-90% of the cost of production of a film before production starts, limiting its capital risk. To take account of the fact that these sources of finance tend to be paid in instalments, Pantaleon, like most independent film producers, draws on interim production finance (PF) vehicles. We consider PF akin to working capital finance. It is arranged on an individual production basis by special purpose vehicles (SPVs), which are ring-fenced from the group (if a production is not delivered, it is the SPV that is affected, not the group as a whole). The group will also take out insurance in case of cast drop out or other key risks. The PF financing is short term, and is paid back once the production is delivered. A higher level of production debt, in theory, should reflect a better outlook for the group as a whole as it is indicative of a strong pipeline of activities, which (once the PF has been repaid) go on to drive revenues across the group. At the end of FY16 PF was €5.8m (FY15: €3.0m).

Pantaleon's production business produces only a small number of films and series each year and hence while there is limited capital risk, revenues and profitability from year to year can vary significantly subject to the success of a film relative to budget.

The PANTAFLIX business model is more operationally geared, and more scalable. Revenues are on a per view basis, where PANTAFLIX takes a c 25% cut of the total price paid by the end customer. The bulk of the platform development costs have been incurred and all have been expensed rather than capitalised, using funds generated by the Pantaleon film production and the capital raise. As those cost demands flatten off, the resource can be diverted into increased marketing effort to drive utilisation. Hosting costs will increase as the group expands the library of content; however, there will be scale economies to be had and storage costs have been falling over time.

The potential impact of the JV on the financial performance of Pantaleon is as yet difficult to quantify, particularly as the timing of the launch and roll-out is not yet disclosed, but is clearly potentially transformative.

Financial performance

We present Pantaleon's five-year financial history in Exhibit 2.

In FY15, revenues more than doubled to €13.7m, reflecting the step up in film activity post the IPO and the release of *Der Nanny* (revenues €9.1m), *Highway to Hellas* (€1.7m) and *Der Geilste Tag* (€8.1m). In FY16, revenues increased again to €15.1m with successful release of *You Are Wanted* (€8.1m), *Jack the Ripper* (€2.6m) and BS TV (€0.8m). There was also a considerable increase in 'other sales' (€5.2m), which reflects the sale of library rights and initial revenues from contract work for commercials (March&Friends) and the new music label.

Despite the increase in revenues from the film division, FY16 EBIT losses increased to €1.7m, affected by a reduction in other operating income (which reflects subsidies received for film production) from €6.6m to €0.9m and continued investment in PANTAFLIX.

The step up in investment in FY16 to €17.3m as well as the increase in production finance to €5.8m is indicative of a strong pipeline. Pantaleon has approximately 20 films in development, half of which are at the screenplay and financing stage alongside 10 potential VOD formats, marking a significant increase in activity for the group.

Specific projects likely to impact FY17 and FY18 include: *Hot Dog*, which fell across the financial year end, *Vielmachglas* (starring Jella Haase, of *Fack Ju Göhte*) and a film based on the bestselling book *Generation Beziehungsunfähig* by Michael Nast. It has also completed filming for a new TV film *Dein Song*, is collaborating with YouTube influencers Die Lochis on a potential project, and will start production on the second series of *You Are Wanted* for AMAZON Prime.

Exhibit 2: Summary of historical financials

€m	2012	2013	2014	2015	2016
Year end 31 December	HGB	HGB	HGB	HGB	HGB
Income statement					
Revenue	1.6	5.7	6.0	13.7	15.1
Other own work capitalised	0.0	0.0	0.0	0.0	0.4
Other operating income	1.1	2.0	1.9	6.6	0.9
Gross revenues	2.7	7.7	7.9	20.3	16.5
EBIT	(0.5)	(7.5)	0.2	(0.5)	(1.7)
Profit before tax (as reported)	(0.5)	(7.5)	(2.5)	(0.4)	(1.6)
Net income (as reported)	1.1	0.0	(0.4)	(0.4)	(1.7)
Balance sheet					
Total non-current assets	1.1	0.6	0.0	1.1	7.6
Total current assets	3.8	2.9	18.1	12.4	10.4
Total assets	4.9	3.4	18.1	13.5	18.1
Total current liabilities	(3.9)	(2.4)	(18.8)	(8.7)	(14.8)
Total non-current liabilities	0.0	0.0	(0.2)	(0.1)	(0.2)
Total liabilities	(3.9)	(2.4)	(19.0)	(8.7)	(14.8)
Total equity	1.0	1.0	(0.9)	4.8	3.1
Cash flow statement					
Net cash from operating activities	(1.2)	3.1	(8.8)	10.7	11.6
Net cash from investing activities	(1.1)	0.5	0.0	(10.3)	(17.3)
Net cash from financing activities	0.8	(1.1)	0.0	6.0	0.0
Net cash flow	(1.5)	2.5	(8.8)	6.4	(5.7)
Net cash/(debt) at end of year	2.2	(0.9)	(4.6)	1.8	(3.9)
Notes:					
Amortisation	N/A	N/A	0.0	10.9	9.4
Investment in content and production	N/A	N/A	0.0	(10.4)	(17.3)
Cash	0.6	1.4	5.9	4.8	1.8
Production finance and other debt	1.6	(2.3)	10.5	3.0	5.8
Net cash/(debt)	2.2	(0.9)	(4.6)	1.8	(3.9)

Source: Pantaleon Entertainment accounts. Note: HGB = German GAAP.

Consensus estimates, which we summarise on page one, factor in a near tenfold increase in revenues by 2018 with EBIT margins expanding to 24% over the same period (although it is worth

noting that the range of forecasts is very wide between the two contributors to this consensus). Meeting these numbers is largely contingent on the take up of the VOD platform, where there is very little visibility. However, management has guided to substantial increases in both revenue and earnings.

Valuation

We include a selection of peers in Exhibit 3; however, these are only relevant to benchmark the production business. Production businesses tend to trade on c 6x to 9x EBITA multiples. Assuming an EBITA margin of 10% (typical for this industry) implies that the vast majority of the current market capitalisation reflects the PANTAFLIX opportunity. This is also captured in the shares' performance; the share price has increased from approximately 40c since the launch of PANTAFLIX last December to 140c following the recent announcement of the Chinese JV.

There is little merit in comparing PANTAFLIX to the likes of Netflix given its early stage of development and the differences in business model (Netflix operates on a subscription basis and invests heavily in content). Furthermore the wide range of consensus estimates and the lack of any financial data points make valuing PANTAFLIX based on forecast financial metrics highly speculative.

Nevertheless, deals such as that with Sun Seven Stars Entertainment underpin the valuation to a degree. Management's ambitions are to target multiple migrant communities, however by way of illustration we look to this JV as this is where the majority of filmed content will be in the near term. Should each of the 50m Chinese abroad spend €3 on content from the platform (ie assuming one mid-tier film downloaded per year), this would add €19m to revenues (after 75% commissions and its 50% share). This level of success on its own would justify the current rating (although not consensus forecasts).

That said there remains much work to be done; the existing platform only launched in December 2016 and the new JV is pre-launch. Evidence of significant new content deals and traction among key communities will be the most likely drivers of growth. We await with interest the setting of the KPIs.

Exhibit 3: Peer comparison summary

	Market cap (m)	Sales growth 1FY (%)	Sales growth 2FY (%)	EBIT margin last (%)	EBIT margin 1FY (%)	EBIT margin 2FY (%)	EV/sales last (x)	EV/sales 1FY (x)	EV/sales 2FY (x)	EV/EBIT 1FY (x)	EV/EBIT 2FY (x)	P/E 1FY (x)	P/E 2FY (x)
Pantaleon Entertainment	€167	272.4	107	(11)	7.4	24.4	11.3	3.0	1.5	41.2	6.0	79.0	8.3
Netflix	\$65,095	27.8	20	4	6.9	9.4	7.6	5.9	4.9	85.9	52.7	109.8	65.6
Eros international	\$707	(3.8)	27	14	12.2	21.4	3.5	3.2	2.5	25.9	11.6	87.6	19.9
Entertainment one	£953	7.0	9	6	13.5	13.1	0.8	0.8	0.7	5.8	5.5	10.1	9.0
Lions Gate Entertainment-a	\$5,606	35.1	6	(1)	10.8	11.5	2.8	2.0	1.9	19.0	16.8	22.8	20.0
Constantin Medien	€192	16.6	0	8.1	6.0	7	0.5	0.5	0.5	7.7	6.3	20.5	13.7
Mondo TV	€119	33.1	33	46.4	41.1	35	4.2	3.2	2.4	7.7	6.8	10.6	8.9
Prosiebensat.1 Media	€8,696	11.0	7	20.5	20.5	21	2.9	2.6	2.4	12.8	11.8	14.9	13.8

Source: Bloomberg. Priced: 3 July 2017

Sensitivities

The financial and share price performance may be sensitive to the following factors:

- **PANTAFLIX is an early stage and unproven business model:** PANTAFLIX is still at an early stage of development commercially. Success is predicated on gaining access to a critical mass of quality content and then customers. While the VOD market is growing strongly, success is not a given, challenges will be faced and the business model may have to evolve over time.

- **Consumer tastes:** for the production division returns on investment (both for new content and library titles) depend on a variety of factors including audience taste (both for specific titles and for alternative leisure activities) and the strength of consumer spending. Results fluctuate according to the number, timing and popularity of releases. Pantaleon releases a relatively small number of titles each year and while the pipeline looks strong, revenues from this side of the business may be volatile.
- **Changes in content delivery formats:** DVD sales account for c 20% of industry sales, but are declining at 5-10% a year. Digital sales are broadly offsetting this, and we view competition for content from both film and television platform owners as a net positive for the industry. However, evolving viewing habits may influence revenues and margins on films over time.
- **Access to quality content:** Pantaleon competes with significantly larger companies for access to quality content, including scripts, producers, directors and actors. We believe its strong relationships put it in a good position to do so; however, the risk remains that access to quality content may affect margins.
- **Key management and talent:** the business is very reliant on a small group of key stakeholders who support the group either directly in their capacity as managers, or indirectly as actors.
- **Regulation:** the financing of film budgets is dependent in part on public subsidy commitments. Specifically, the Federal Republic of Germany and individual federal states support film production as these activities have a wide range of positive effects on the local economy. Depending on the film project and the subsidy programme, a large portion of the film budget may be financed by subsidies of this nature, mostly at favourable conditions. The restriction or abolition of public-sector film funding in Germany would have a significant detrimental effect on the industry as a whole. In terms of the financing of Pantaleon's film projects, it could also mean that the company is only able to realise film projects with increased risk and increased costs or, in the worst case, not at all.
- **Technology:** the operational reliability and performance of the PANTAFLIX platform is yet to be proven at scale. The systems are actively managed and updated; nevertheless, service problems cannot be ruled out.
- **Currency:** as the platform business grows, so too will currency exposure – costs are based in euros but revenues will be derived in local currencies.

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