m4e AG
Germany - Media

HAUCK & AUFHÄUSER
PRIVATBANKIERS SEIT 1796

Buy (Initiation)

Price target: EUR 5.60

Price:	EUR 3.60	**Next result:**	H1 2014 30.09.14
Bloomberg:	MU4:GR	**Market cap:**	EUR 16.1 m
Reuters:	MU4G.F	**Enterprise Value:**	EUR 17.4 m

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Leonhard Bayer
Analyst

leonhard.bayer@ha-research.de
Tel.: +49 40 414 3885 79

Come fly with me - Initiate with BUY

m4e is a full service brand management and media company with a clear focus on the development of own intellectual property (IP) centred around family entertainment.

At the heart of the investment case is Mia & Me, the company's blockbuster kid's series. Launched in 2012, the series was highly awarded at several important industry fairs. After having successfully created a brand out of Mia & Me, m4e is now focussed on monetising it.

Given that m4e has already licensed TV rights for Mia & Me to >70 broadcasters worldwide, **the basis is laid for a successful commercialisation of the brand**. While the broadcasting bodes well for a continued high brand awareness of Mia & Me, the next step for m4e is now to monetise this desirability. This is done through the ramp up of existing as well as the signing of more license deals. Partners already won include renowned licensees such as Mattel (toys), Panini (magazines), Deichmann (shoes) and Unilever (dental care). These license deals are seen to **boost m4e's top-line to grow at 20% p.a. (2013-2016E)** given the international expansion of Mia & Me.

The beauty of this business is that after initial investments, **a licensor generates constant cash flows out of the royalties** which are charged on each and every merchandise product that is sold. Therefore sales and returns look extremely scalable given little need to invest into the capital base. On the back of leveraging the own IP through license deals, margins should improve significantly. Hence **EBIT is seen to grow at a stellar 78% p.a. (2013-2016E)**.

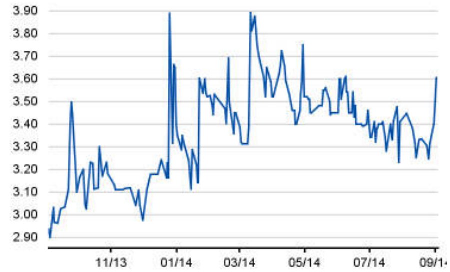
Investors' visibility on the commercial potential of Mia & Me looks set to increase continuously thanks to the attraction of the brand with licensors and the resulting merchandise deals.

While news flow is seen to remain very positive, we expect a **significant re-rating of the stock** on the back of a strong operational performance.

We initiate coverage on m4e with **BUY** and a **PT of € 5.60** based on FCFY 2015E.

Y/E 31.12 (EUR m)	2010	2011	2012	2013	2014E	2015E	2016E
Sales	9.6	16.3	19.0	19.1	20.4	27.1	32.8
Sales growth	-10 %	69 %	17 %	1 %	6 %	33 %	21 %
EBITDA	0.7	0.5	2.2	2.2	3.1	5.3	8.5
EBIT	0.1	-0.1	1.1	1.2	2.0	4.1	7.1
Net income	-0.1	-0.4	0.2	0.1	0.4	1.2	2.1
Net debt	1.6	2.4	2.2	2.1	1.3	-1.4	-6.3
Net gearing	14.0 %	21.3 %	18.9 %	17.9 %	10.3 %	-9.6 %	-32.2 %
Net Debt/EBITDA	2.3	4.9	1.0	0.9	0.4	0.0	0.0
EPS pro forma	-0.02	-0.11	0.06	0.02	0.10	0.26	0.48
CPS	-0.27	-0.06	-0.10	0.17	0.34	0.70	1.20
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	46.9 %	28.7 %	34.1 %	33.4 %	37.9 %	41.3 %	45.0 %
EBITDA margin	7.4 %	3.0 %	11.7 %	11.6 %	15.4 %	19.4 %	26.0 %
EBIT margin	1.0 %	-0.8 %	5.9 %	6.5 %	9.7 %	15.1 %	21.7 %
ROCE	0.7 %	-0.9 %	7.8 %	8.4 %	12.9 %	24.2 %	34.6 %
EV/sales	1.7	1.0	0.9	0.9	0.9	0.5	0.3
EV/EBITDA	22.9	34.9	7.6	7.5	5.5	2.8	1.2
EV/EBIT	174.6	-132.5	14.9	13.5	8.8	3.6	1.4
PER	-200.6	-33.6	61.6	225.6	37.1	13.7	7.5
Adjusted FCF yield	0.3 %	-1.2 %	2.7 %	2.9 %	6.4 %	12.2 %	31.5 %

Source: Company data, Hauck & Aufhäuser Close price as of: 17.09.2014



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks:	3.89 / 2.90
Price/Book Ratio:	1.3
Relative performance (SDAX):	
3 months	6.4 %
6 months	10.2 %
12 months	10.6 %

Changes in estimates

		Sales	EBIT	EPS
2014	*old:*	20.4	2.0	0.10
	Δ	-	-	-
2015	*old:*	27.1	4.1	0.26
	Δ	-	-	-
2016	*old:*	32.8	7.1	0.48
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs)	4.5
Authorised capital: (in € m)	1.6
Book value per share: (in €)	2.7
Ø trading volume: (12 months)	1,740

Major shareholders:

Hans-Ulrich Stoef (CEO & founder)	38.7 %
Free Float	33.2 %
TSC/WMG	13.2 %
Michael Büttner (CFO & co-founder)	9.3 %

Company description:
m4e is a full brand management and media company centred around the development and production of own intellectual property with a clear focus on the family entertainment sector.

Table of Contents

m4e AG 1

Executive Summary 3

Competitive Quality 4

Growth 7

Valuation 11

Theme 13

Financial analysis 14

Company Background 16

Financials 19

Contacts: Hauck&Aufhäuser Privatbankiers KGaA 28

Executive Summary

m4e is a full service brand management and media company focussed on the development of own intellectual property (IP) in the realm of family entertainment, with the most notable product being Mia & Mia. This series is jointly produced with Lucky Punch and is seen to significantly contribute to the continuation of **m4e's success story** going forward.

The company's **blockbuster Mia & Me** was highly awarded over the past two years. Amongst others, it won the mipcom junior licensing challenge in Cannes and was voted best animated TV series for kids at the International Trick Film Festival in Stuttgart.

The success of **Mia & Me** is further underlined by the fact that the first season grabbed some **71% market share** at peak level with girls aged 6-9 years, representing some **1.2m viewers per episode**. Having successfully created desirability for Mia & Me, m4e is now focussing on the **execution of license deals** through merchandising (e.g. Mattel for toys, Deichmann for shoes, Unilever for dental care and many more).

Whilst a second season of the Mia & Me hit series is currently in production and scheduled to be released in 2014/2015, the company also has **several other highly anticipated productions in its pipeline**, e.g. Mia & Me's third season and the feature film, Tip the Mouse (season 1 & 2), Atchoo!, Wissper and many more. This should result in a significant increase of own IP over the next two years.

Besides the upcoming releases of further own IP, the company benefits from its **extensive programme library containing more than 2200 episodes** of children's and family entertainment. Additionally the company also manages a license portfolio that comprises more than 130 titles that are marketed worldwide in 150 countries.

Over the past years **m4e has established a pan-European business** which is run from its Munich headquarters. Furthermore its **strong network of top decision-makers at all major TV stations and film studios** provides m4e with excellent access in order to secure air-time for its own IP.

					Group
Products	Licenses			Trading goods	









					Group
Sales 13 (€ m)	5.7			13.4	19.1
	Mia & Me	Tip the Mouse	Wissper		
Description	m4e's flagship title. The first season went on air during 2012 and grabbed some 71% market share at peak levels which translated into 1.2m viewers. The second season is currently in production and scheduled to be released at the end of 2014/beginning of 2015. The first season was sold to 70+ broadcasters in more than 80 countries.	Tip the Mouse is an animated series featuring 52 episodes. The story is centred around the amazing adventures of the cute little mouse Tip. The series is based on the highly successul children's books. The production of season 1 & 2 is currently running and scheduled to be released still in 2014.	Wissper is the most recently announced new kids series by m4e. The series centres around the adventures of a little girl that possesses the ability to communicate with animals and hence is able to help them.		
Competitors	Studio 100 (BE), Dago (FR), Xilam (FR), Beta Film (DE), Telepool (DE), Planeta Junior (ES), BRB Internacional (ES), DHX Media (CDN)				
EBIT 13 (€ m)					1.24
EBIT-margin					6.5%

Source: Hauck & Aufhäuser; company data

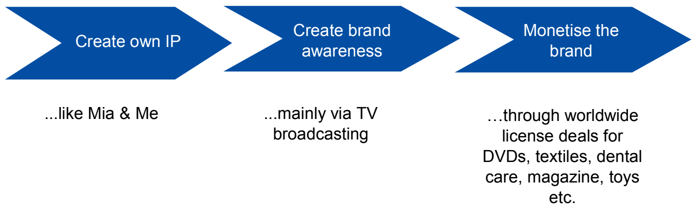
Competitive Quality

Over the past years m4e transformed itself successfully from a license agency into a full-service brand management and media company, thereby **becoming increasingly focussed on the production and development of own intellectual property (IP)** related to the family entertainment sector.

As a full-service provider, m4e covers the entire range of brand management from the production and development of new content to its distribution and finally the handling of its licensing and merchandising.

The **company's sound competitive quality is anchored in m4e's own IP rights**, especially Mia & Me. In the brand management business, content is king, which means that success largely depends on the creativity of individuals to capture the target groups' attention.

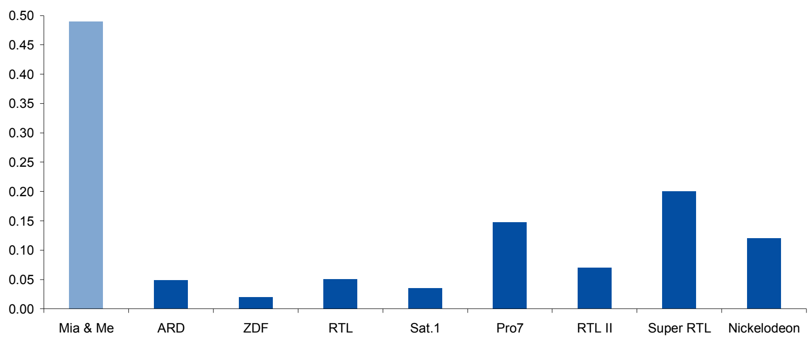
m4e's business model: monetising a brand like Mia & Me



Source: Hauck & Aufhäuser

That Mia & Me is a real hit is underlined by its viewership numbers. Already the first season grabbed some 71% market share amongst girls aged 6-9 years. This represents some 1.2m viewers per episode at peak level and a strong average of 0.5m.

Mia & Me's reach vs. competitors in m viewers on Monday-Sunday at 7pm with kids aged 3-13 years



Source: Hauck & Aufhäuser; GfK; AGF; TV Scope

Since the TV launch of Mia & Me in 2012, m4e has been successful in creating demand for the brand. Now the next step is to **monetise this desire** through license deals.

The worldwide commercial success of m4e's Italian co-producer Rainbow with its Winx Club brand indicates what is possible in this business in general and in particular with m4e's Mia & Me. Winx Club is now in its eleventh year of existence and generates some € 35-40m in annual license revenues (eH&A).

The license deal with Mattel provides comfort regarding the **desirability of Mia & Me**. Having won one of the world's largest toy makers as a licensee indicates the potential that Mia & Me is seen to entail.

An excerpt of **m4e's licensing partners** reveals how well-connected the company is. **Renowned multinationals** like adidas, Coca-Cola, Unilever and Mattel are amongst them, to name just a few. This should help to drive the business in the future. Licensing contracts are long term with an average of 3-5 years.

m4e's licensing partners (excerpt)

Sources: Hauck & Aufhäuser; company data

Given m4e's experienced and well-connected management the company can rely on an **excellent network of partners to drive sales with its own IP.** This is crucial in order to keep brand awareness high among the respective target group for formats such as Mia & Me. m4e was successful in securing broadcasting deals with all the important TV stations worldwide, amongst others:

- DACH: ZDF/KiKa (Aug. 2012)
- Italy: RAI (Sept. 2012)
- France: gulli (Jan. 2014)
- UK: Nickelodeon: (Jan. 2014)
- Spain: Clan TV (Feb. 2014)
- US: Nickelodeon junior (May 2014)
- Russia: CTC (May 2014)
- Mexico: Televisa (Sept. 2014)

Overall **m4e has already sold Mia & Me to > 70 broadcasters worldwide** in > 80 countries.

TV stations worldwide broadcasting Mia & Me (as of September 2014)

Sources: Hauck & Aufhäuser; company data

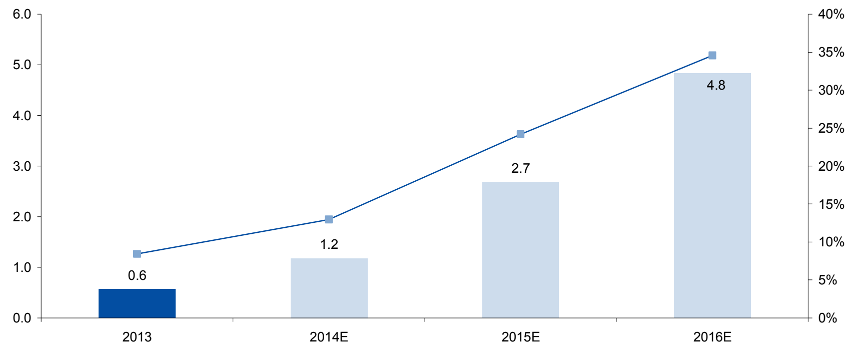
Business quality

m4e’s competitive quality looks sound given the successful development of own IP rights such as Mia & Me. However, the company’s business quality is not yet highly visible and historically the level of returns also fluctuated a lot. Due to the phase-out of the low margin legacy business and the ramp-up of sales with own IP such as Mia & Me, this is expected to change significantly.

After having established a highly desirable brand with Mia & Me, m4e should increasingly be able to generate sales through worldwide license deals with renowned partners such as Mattel, Unilever, Panini and many more. Therefore **m4e’s sound competitive quality is seen to also increasingly translate into a higher business quality** going forward.

Licensing IP rights is a **very scalable business model** due to virtually no production and distribution costs. Hence we expect profitability and returns to improve strongly. Moreover licensing IP rights provides m4e with a constant inflow of cash. Therefore we expect FCF to increase significantly from € 0.6m in 2013 to € 4.8m in 2016E.

Development of m4e's FCF (in m €, left scale) & ROCE (in %, right scale)



Source: Hauck & Aufhäuser; company data

Growth

Expected top-line growth of 20% p.a. (CAGR 2013-2016E) based on the ramp up of licensing

Overall our estimates "only" reflect the current portfolio

m4e's expected strong top-line growth should mainly be based on Mia & Me. Viewer ratings during the first season peaked at 71% market share translating into 1.2m viewers (i.e. girls aged 6-9 years). This underlines the high desirability for the brand. Whereas the first season is already completely broadcasted in Germany, there are many highly populated territories where Mia & Me has only been launched recently or is about to be launched soon:

- UK: January 2014
- Brazil: April 2014
- US: May 2014
- Russia: May 2014
- Australia: July 2014
- Mexico: Sept. 2014

New initiatives look set to spur Mia & Me-related sales:

Going forward we expect Mia & Me to continuously grow on the back of a series of new brand initiatives. This should lay the basis for keeping awareness for Mia & Me high and hence also the desirability for the product:

- Continuous worldwide roll-out of the licensing scheme: toys (with Mattel), shoes (with Deichmann), magazines (with Panini) etc.
- Mia & Me: Season 2 (scheduled to be released in late 2014/early 2015)
- Mia & Me: Season 3 (in development)
- Mia & Me amusement park (in Roermond, The Netherlands)
- feature film (in development)

Mia & Me on its way to become a world hit

The examples of worldwide known brands such as Spongebob, Winx Club and Hello Kitty show the enormous commercial potential that a brand can develop:

- Spongebob:
    - Estimated license revenue over ten years: $ 8bn
    - Licensed to >700 licensees
    - Marketed to >170 countries
    - Brand awareness is fostered by eight TV seasons and two feature films

- Winx Club:
    - Estimated annual license revenues of € 35-40m
    - Includes c. € 6-10m from Russia alone
    - Already running for 11 years

- Hello Kitty:
    - Estimated annual license revenues of $ 5bn
    - Originally created in 1974 by the Japanese company Sanrio

m4e has all the necessary ingredients to make a worldwide hit out of Mia & Me, in our view. As a result, **we expect sales to increase strongly from € 19m in FY 13 to € 33m in FY 16E**. This should be carried by the ramp-up of license sales mainly related to Mia & Me.

EBIT is seen to increase disproportionately by 78% p.a. (CAGR 2013-2016E)

Going forward we expect m4e to significantly increase the number of its license deals. The company's monetisation of own IP rights, especially Mia & Me, should translate into strong bottom-line growth given that license sales are highly margin accretive. Hence EBIT is seen to grow substantially from € 1.2m in 2013 to € 7.1m in 2016E.

Historically, the company's largest cost item has always been **material expenses** (**67% of sales** in 2013). This splits up into 89% related to supplies for merchandise such as t-shirts, bags etc. and 11% related to licenses. As the company is transforming itself from a license agency towards a developer and producer of own IP rights, material expenses are seen to decrease to 55% of sales by 2016E.

The second-largest cost item on m4e's P&L are **personnel expenses**, which explain **14% of opex** (2013). In general we expect the company to keep these costs rather stable (i.e. in absolute terms) as license deals do not require significant additional headcount. m4e operates a very lean staff structure with merely 28 employees at the end of 2013.

Other operating expenses represent 11% of opex (2013) and are mainly comprised of SG&A and rental costs. Going forward we expect this cost item to increase on the back of the general expansion of the business which is seen to require higher expenses in order to promote new series and feature films etc.

Conclusively, **EBIT is seen to grow strongly by 78% p.a.** (CAGR 2013-2016E) on the back of an increase in sales with own IP and a decline in sales generated with third party IP.

Noteworthy, m4e carries considerable minorities relating to the JV Lucky Punch (LP) which is run together with the Mia & Me creator Gerhard Hahn. Equity in LP is equally held by m4e and Gerhard Hahn. Moreover the license sales generated with Mia & Me are fully booked at LP and the JV is fully consolidated by m4e (for further details see company background).

Due to the expected ramp up of m4e's license sales which majorly relate to Mia & Me, m4e's minorities are also seen to increase significantly from € 0.5m in 2013 to € 2.5m in 2016E.

m4e AG (in m €)	2010	2011	2012	2013	2014E	2015E	2016E
Sales	**9.6**	**16.3**	**19.0**	**19.1**	**20.4**	**27.1**	**32.8**
yoy	-9.8%	69.0%	16.8%	0.6%	6.5%	33.0%	21.0%
Material expenses	5.1	11.6	12.5	12.8	12.7	15.9	18.0
yoy	-15.0%	126.9%	8.0%	1.7%	-0.7%	25.7%	13.4%
in % of sales	53.1%	71.3%	65.9%	66.6%	62.1%	58.7%	55.0%
Personnel expenses	2.3	2.2	2.1	2.4	2.5	2.8	2.8
yoy	-11.4%	-2.5%	-6.3%	14.1%	5.0%	13.5%	-0.9%
in % of sales	23.8%	13.7%	11.0%	12.5%	12.3%	10.5%	8.6%
Other operating income	0.2	0.1	0.1	0.1	0.1	0.2	0.2
yoy	22.8%	-23.1%	-7.8%	3.0%	9.3%	33.0%	21.0%
in % of sales	1.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%
Other operating expenses	1.7	2.1	2.3	1.9	2.2	3.3	3.6
yoy	-14.1%	23.9%	9.6%	-17.2%	16.8%	47.8%	10.9%
in % of sales	17.4%	12.7%	12.0%	9.8%	10.8%	12.0%	11.0%
EBITDA	**0.7**	**0.5**	**2.2**	**2.2**	**3.1**	**5.3**	**8.5**
EBITDA margin in %	7.4%	3.0%	11.7%	11.6%	15.4%	19.4%	26.0%
D&A	0.6	0.6	1.1	1.0	1.2	1.2	1.4
in % of sales	6.4%	3.8%	5.8%	5.1%	5.7%	4.3%	4.3%
EBIT	**0.1**	**-0.1**	**1.1**	**1.2**	**2.0**	**4.1**	**7.1**
EBIT margin in %	1.0%	-0.8%	5.9%	6.5%	9.7%	15.1%	21.7%
Financial result	-0.1	-0.2	-0.2	-0.4	-0.3	-0.2	-0.2
yoy	19.7%	105.3%	-16.3%	102.3%	-23.9%	-33.3%	0.0%
EBT	**0.0**	**-0.4**	**0.9**	**0.8**	**1.7**	**3.9**	**6.9**
EBT margin in %	-0.2%	-2.2%	4.9%	4.4%	8.3%	14.4%	21.1%
Income taxes	0.0	-0.1	0.4	0.3	0.6	1.3	2.3
Tax rate in %	47.6%	30.3%	40.4%	36.7%	33.0%	33.0%	33.0%
Minority interest	0.1	0.2	0.3	0.5	0.7	1.4	2.5
Net income	**-0.1**	**-0.4**	**0.2**	**0.1**	**0.4**	**1.2**	**2.1**
Net income margin in %	-0.8%	-2.7%	1.3%	0.3%	2.1%	4.4%	6.5%

Source: Hauck & Aufhäuser; company data

Valuation

To value m4e, we have used two different approaches:

- A DCF model
- An adjusted FCF valuation

All valuation metrics suggest a significant undervaluation of the share. In our view, the current share price of € 3.60 does not at all reflect the enormous commercial potential that Mia & Me is seen to provide for m4e.

The DCF model yields a fair value of € 7.30 per share.

Our DCF model incorporates a short-term growth rate (2013-2016E) of 20%. The mid-term growth rate (2015E-2019E) is set at 23%. The long-term growth rate (2019E- infinity) is set at a conservative 1%.

Our DCF model points to an implied fair value of € 7.30 per share using a WACC of 8%, a long-term growth rate of 1% and an EBIT margin of 12% in the terminal year vs. a FY 14E-16E avg. of 15%.

The DCF model allows for the reflection of the expected monetisation potential of own IP such as Mia & Me over a wider time horizon.

Even under the very conservative assumptions of -1% long-term growth and a WACC of 10% or a terminal EBIT margin of only 10% and a WACC of 10%, the sensitivity analysis suggests that the valuation is very undemanding at the current share price level of € 3.60.

DCF (EUR m) (except per share data and beta)		2014E	2015E	2016E	2017E	2018E	2019E	2020E	Terminal value
NOPAT	*	0.6	1.3	2.3	3.1	3.6	4.0	4.3	2.0
Depreciation		1.2	1.2	1.4	1.8	1.8	1.8	1.8	1.7
Increase/decrease in working capital		0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Increase/decrease in long-term provisions and accruals		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capex		-1.1	-1.2	-1.3	-1.4	-1.5	-1.6	-1.7	-1.7
Acquisitions		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow		**0.7**	**1.4**	**2.5**	**3.6**	**4.0**	**4.3**	**4.4**	**2.0**
Present value		0.7	1.3	2.1	2.8	2.9	2.9	2.7	16.3
WACC		7.7%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

DCF per share derived from	
Total present value	31
thereof terminal value	52%
Net debt (net cash) at start of year	2
Financial assets	1
Provisions and off balance sheet debt	0
Equity value	30
No. of shares outstanding	4.1
Discounted cash flow per share	**7.3**
upside/(downside)	**103%**
Share price	**3.6**

DCF avg. growth and earnings assumptions	
Short term growth (2013-2016)	19.7%
Medium term growth (2016 - 2020)	23.0%
Long term growth (2020 - infinity)	1.0%
Terminal year EBIT margin	12.0%

WACC derived from	
Cost of borrowings before taxes	6.0%
Tax rate	36.7%
Cost of borrowings after taxes	3.8%
Required return on invested capital	8.0%
Risk premium	5.0%
Risk-free rate	3.0%
Beta	1.0

Sensitivity analysis DCF

		Long term growth				
		-1.0%	0.0%	1.0%	2.0%	3.0%
WACC	10.0%	5.5	5.8	6.1	6.4	6.9
	9.0%	5.9	6.2	6.6	7.1	7.8
	8.0%	6.4	6.8	7.3	8.0	9.0
	7.0%	7.0	7.6	8.3	9.4	11.0
	6.0%	7.8	8.6	9.8	11.4	14.2

Sensitivity analysis DCF

		EBIT margin terminal year				
		10.0%	11.0%	12.0%	13.0%	14.0%
WACC	10.0%	5.6	5.8	6.1	6.3	6.5
	9.0%	6.1	6.3	6.6	6.9	7.2
	8.0%	6.7	7.0	7.3	7.7	8.0
	7.0%	7.5	7.9	8.3	8.7	9.2
	6.0%	8.7	9.2	9.8	10.3	10.8

*Source: Hauck & Aufhäuser; company data; *NOPAT is adjusted for minorities*

FCF yield implies a fair value of € 5.60 per share conservatively based on 2015E

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and due to the fact that long-term returns often are flawed by the lack of sufficient visibility, an adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investor's capital (opportunity costs) and the purchase price – in this case the enterprise value of the company.

Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (i.e. maintenance capex).

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after tax return equals the models' hurdle rate of 7.5%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap.

To reflect some of the expected license sales (on the back of closed deals with eg global toy producer Mattel), **we value m4e on 2015 estimates which yields a PT of € 5.60**. This can still be seen as conservative considering that the ramp up in license deals has just started and the full monetisation potential should mainly become visible post-2015.

m4e AG

FCF yield, year end Dec. 31	2014E	2015E	2016E
EBITDA	**3.1**	**5.3**	**8.5**
- Maintenance capex	0.8	0.8	0.8
- Minorities	0.7	1.4	2.5
- tax expenses	0.6	1.3	2.3
= Adjusted Free Cash Flow	**1.1**	**1.7**	**3.0**
Actual Market Cap	**16.1**	**16.1**	**16.1**
+ Net debt (cash)	1.3	-1.4	-6.3
+ Pension provisions	0.0	0.0	0.0
+ Off balance sheet financing	0.0	0.0	0.0
+ Adjustments prepayments	0.0	0.0	0.0
- Financial assets	-0.5	-0.5	-0.5
- Dividend payment	0.0	0.0	0.0
EV Reconciliations	*0.7*	*-1.9*	*-6.8*
= Actual EV'	**16.9**	**14.2**	**9.4**
Adjusted Free Cash Flow yield	**6.4%**	**12.2%**	**31.5%**
Sales	**20.4**	**27.1**	**32.8**
Actual EV/sales	0.8x	0.5x	0.3x
Hurdle rate	7.5%	7.5%	7.5%
FCF margin	5.3%	6.4%	9.0%
Fair EV/sales	0.7x	0.9x	1.2x
Fair EV	**14.5**	**23.1**	**39.3**
- EV Reconciliations	*0.7*	*-1.9*	*-6.8*
Fair Market Cap	**13.8**	**25.1**	**46.1**
No. of shares (million)	4.5	4.5	4.5
Fair value per share	**3.1**	**5.6**	**10.3**
Premium (-) / discount (+) in %	**-15%**	**55%**	**186%**

Sensitivity analysis fair value				
	7.5%	3.1	5.6	10.3
Hurdle rate	10.0%	2.3	4.3	8.1
	12.5%	1.8	3.5	6.8
	15.0%	1.5	3.0	5.9

Source: Hauck & Aufhäuser; company data

Theme

Increasing number of license deals

m4e's blockbuster hit Mia & Me is seen to provide a positive development for the company going forward. Launched in 2012 and already highly awarded at the annual mipcom in Cannes and the International Trick Film Festival in Stuttgart, this own IP right holds all the necessary ingredients to also become a financial success for the company.

Given the acceleration in license deal announcements over the past months, evidence is mounting that m4e is gaining traction in actually being successful in monetising Mia & Me. Having created the brand and established awareness for it, now it is all about executing the monetisation potential of the brand.

The recently signed merchandise deal with global toy maker Mattel provides comfort that this should be possible. The fact that one of the world's largest toy makers deliberately approaches m4e for a global toy license deal provides confidence that the Mia & Me brand should also become a merchandise hit.

Moreover, having signed deals with one of Germany's largest shoe outlets, Deichmann, indicates the broad potential that the Mia & Me brand holds in terms of licensing possibilities.

Further brand initiatives ahead

Although Mia & Me is still in the initial broadcasting phase in big markets like the US, UK, Brazil, Mexico and Russia, m4e is currently producing the second season which is scheduled to be released in late-2014/early 2015 and developing the third season.

Having successfully established the Mia & Me brand amongst the target group of girls aged 6-9 years old, m4e is now starting to ramp-up license sales. However in order to keep brand awareness high, m4e is also active in re-filling the brand pipeline. Producing the second and third Mia & Me seasons is only the beginning. Furthermore a Mia & Me amusement park is planned in Roermond, the Netherlands (to open in 2015), and the feature film is already in development.

Moreover m4e has an extensive pipeline of new series. This includes promising formats such as Tip the Mouse which is the TV adaptation of a highly successful children's book. Also m4e is in the development phase for two further kids series named Fingerling and Atchoo which are expected to be released in 2015.

The right time to invest is NOW

On the back of the increased number of license deals recently signed with renowned company's such as Mattel, Deichmann and Panini, Mia & Me's commercial potential should become increasingly visible.

Hence the best time to invest into the company is seen to be now in order to fully benefit from the expected financial success that m4e's blockbuster Mia & Me is seen to provide.

A strong improvement of the operating performance is expected on the back of m4e's transformation towards license sales of own-developed IP.

Financial analysis

Balance sheet structure

m4e focuses on the development and production of own IP. Given the nature of this business, it hardly requires fixed assets. With an amount of € 0.2m these are and will always be negligible.

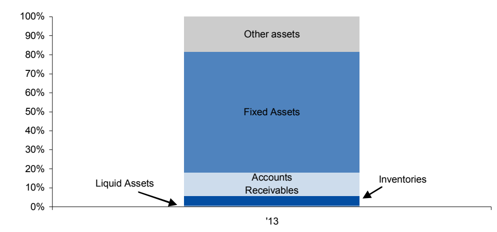
In contrast, intangible assets explain the major part of the balance sheet. In 2013 the company's fixed intangible assets amounted to € 12.6m and split up into € 7.8m related to goodwill, € 0.1m to customer relationships and € 4.6m to other intangible assets.

The goodwill of € 7.8m splits up into € 1.8m for the m4e merchandise GmbH & Co. KG, € 4.9m for Tex-ass GmbH and € 0.9m for Telescreen B.V. The other intangible assets, which account for € 4.6m, relate to acquired licenses to the tune of € 0.3m and costs for self-developed intangible assets (i.e. IP rights such as Mia & Me) of € 4.3m representing capitalised development expenses.

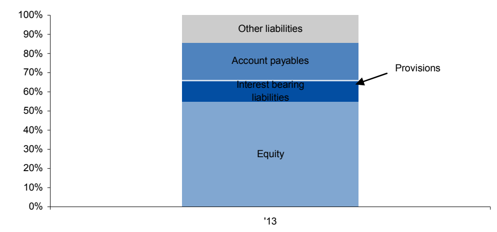
The company's business model neither requires significant fixed assets nor significant w/c needs. Inventory is not necessary and receivables and payables largely balance each other.

The company's equity ratio is very strong accounting for 55% of the balance sheet. Assets are largely financed by equity. Interest bearing liabilities made up 11% of the 2013 balance sheet and split up into € 0.9m short-term liabilities and a convertible bond amounting to € 1.3m. Its maturity was recently extended until 2016 and now includes improved terms and a lower interest for m4e (ie 6% vs old 8.25%). The exercise price was set at € 3.28 and the bond can be converted into 407k shares.

Balance sheet - Assets



Balance sheet - Liabilities

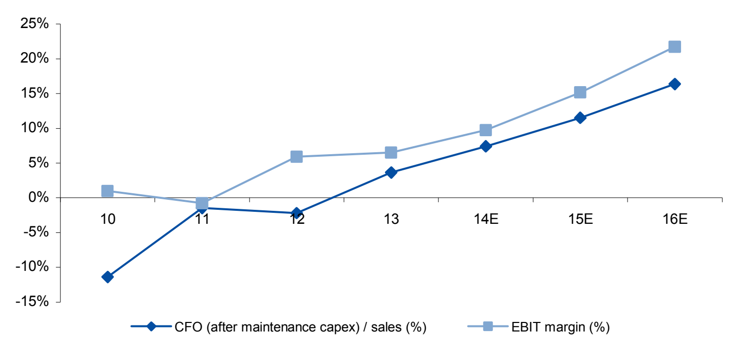


Source: Hauck & Aufhäuser; company data

Cash flow analysis

Following the inflection point in 2011, m4e's earnings quality has already improved significantly since then. This positive trend is seen to continue going forward on the back of the expected successful monetisation of own IP rights like Mia & Me. As a result of this, the company should be able to translate an increasing amount of sales into cash from operations.

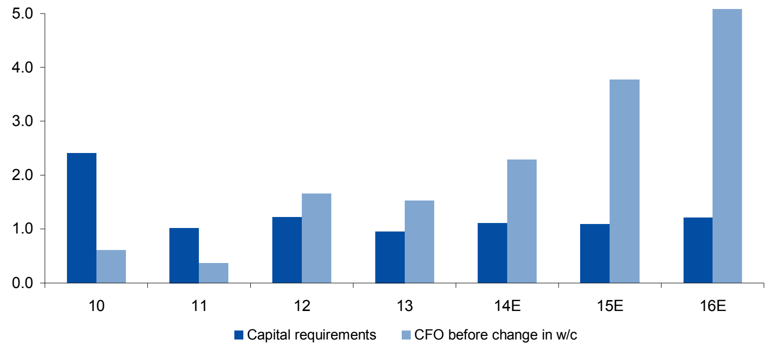
CFO/sales and EBIT margin



Source: Hauck & Aufhäuser; company data

The graph below shows that m4e should generate an increasing amount of cash. Given the expected ramp up of high margin license sales, there is little additional need for opex. This development is seen to drive a strong increase in operating cash flow and should come along with only little capex and w/c needs.

Capital requirements and CFO before changes in w/c

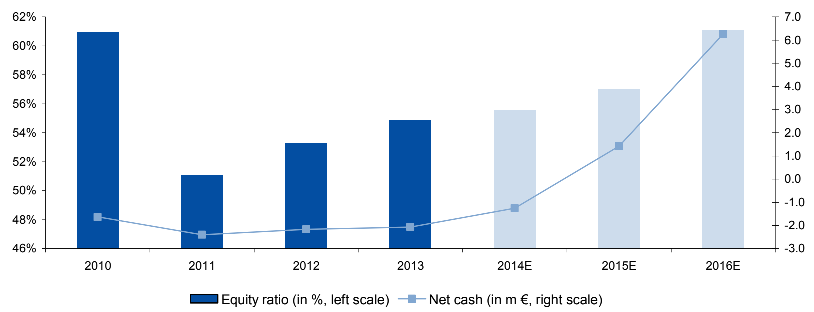


Source: Hauck & Aufhäuser; company data

Solvency

m4e's solvency is very robust given an equity ratio of 55% in 2013. On the back of the expected successful monetisation of own IP rights (i.e. especially Mia & Me) going forward, the company is seen to turn net cash positive in 2014E.

Solvency



Source: Hauck & Aufhäuser; company data

Company Background

m4e was founded in 2003 in Munich by Mr Hans Ulrich Stoef and Mr Michael Büttner. The company was originally established as a license agency. In FY 13 the company's license business accounted for € 5.7m or 30% of total sales. Therein some 70% was generated with own IP from which the majority should relate to Mia & Me. The trading goods business still accounted for 70% or € 13.4m of total sales. However, m4e's transformation to increasingly focus on the development and production of own IP is in full swing. While the company has already established a strong brand with Mia & Me, the monetisation of own IP is just about to start.

m4e's blockbuster hit Mia & Me went on air in Germany in 2012, after receiving several international awards amongst others at the annual mipcom in Cannes and the International Trick Film Festival in Stuttgart. m4e has been very successful in licensing this TV format also internationally. Until now broadcasting agreements have been signed with > 70 TV stations worldwide in over 80 different countries.

Business model

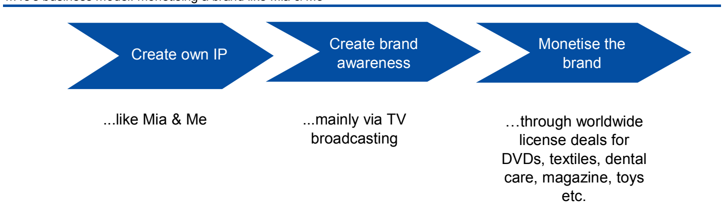
m4e's business model is easily explained by taking its blockbuster hit Mia & Me as an example and consists of three phases:

1. Initially the company creates own IP.

2. Thereafter m4e engages in creating a brand out of the content mostly by licensing broadcasting rights worldwide. This creates brand awareness amongst the target group.

3. The third step is then to monetise the created desirability for the brand by licensing merchandise deals with a wide range of partners from several industry sectors such as toys (e.g. Mattel), magazines (e.g. Panini), dental care (e.g. Unilever), shoes (e.g. Deichmann) and many more.

m4e's business model: monetising a brand like Mia & Me

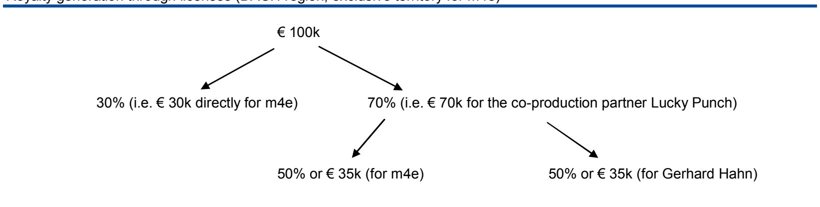


Source: Hauck & Aufhäuser

Below it is further explained how m4e actually monetises the created desirability in the case of Mia & Me. Under the assumption that m4e licenses a certain right to a licensee in an exclusive territory worth € 100k, 30% of that directly goes to m4e. The remaining 70% are booked at Lucky Punch (LP), which is the JV between m4e and Gerhard Hahn, the creator of Mia & Me.

From the 70% or € 70k that are booked at LP, 50% again go to m4e and 50% go to Gerhard Hahn, given that it is a 50/50 JV. Hence of the initially € 100k in license fees, m4e would receive € 65k or 65%.

Royalty generation through licenses (DACH region, exclusive territory for m4e)



Source: Hauck & Aufhäuser; company data

If the license deal is executed in a non-exclusive territory for m4e, the structure looks slightly different. The commission at the first layer can vary between 20-30%, for simplification purposes we calculate with 30%:

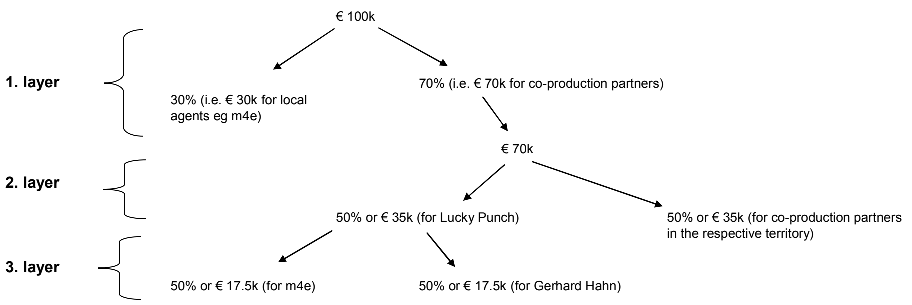
1. At the first layer (assuming a license deal worth € 100k), 30% thereof or € 30k goes to the respective local agent (eg m4e) that orchestrates the deal. The remaining 70% or € 70k go to the co-production partners.

2. At the second layer, the € 70k for the co-production partners are split 50/50 between LP and the co-production partner in that respective territory. In numbers this translates into € 35k for LP and € 35k for the partner.

3. At the third layer, the € 35k which go to LP are further split into 50% for m4e and 50% for Gerhard Hahn, representing € 17.5k each.

Conclusively, m4e always stays with at least € 17.5k or 17.5% of the initial € 100k in a non-exclusive territory. If m4e also acts as the local agent its fee can increase up to € 47.5k.

Royalty generation through licenses (non-exclusive territory for m4e)



Source: Hauck & Aufhäuser; company data

Management board

Hans Ulrich Stoef, CEO & founder

After having received a degree as an export merchant, Mr Stoef entered the realm of family entertainment whilst working for Schmidt Spiele. Thereafter he held a position at EM.TV which brought him in touch with the licensing business. This was followed by a position at CTM where Mr Stoef worked as a managing director and also was a shareholder himself. CTM was part of the Tele München Gruppe. In 2003 he founded m4e.

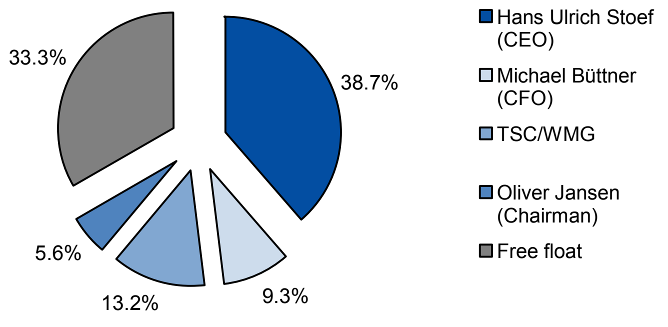
Michael Büttner, CFO & co-founder

Mr Büttner studied business administration at Bayreuth University. After university Mr Büttner started working for Feinkost Käfer in Munich where he held several positions in the event management and catering business of the company. After working in different event management departments of renowned companies such as Schwarz Pharma and the Cinemaxx Group, he met Mr Stoef whilst working at CTM. In 2003 Mr Büttner co-founded m4e together with Mr Stoef.

Shareholder structure

The two founders and management board members Mr Stoef (CEO) and Mr Büttner (CFO) hold 38.7% and 9.3% respectively. TSC/WMG is the investment vehicle of Mr Cees Wessels (supervisory board member) who holds 13.2% of the shares. Besides that, Mr Jansen, the chairman of the supervisory board, holds 5.6%. The remaining share capital amounts to 33.3% and is free float.

Shareholder structure



Source: Hauck & Aufhäuser; company data

Financials

Profit and loss (EUR m)	2010	2011	2012	2013	2014E	2015E	2016E
Net sales	**9.6**	**16.3**	**19.0**	**19.1**	**20.4**	**27.1**	**32.8**
Sales growth	*-9.8 %*	*69.0 %*	*16.8 %*	*0.6 %*	*6.5 %*	*33.0 %*	*21.0 %*
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**9.6**	**16.3**	**19.0**	**19.1**	**20.4**	**27.1**	**32.8**
Other operating income	0.2	0.1	0.1	0.1	0.1	0.2	0.2
Material expenses	5.1	11.6	12.5	12.8	12.7	15.9	18.0
Personnel expenses	2.3	2.2	2.1	2.4	2.5	2.8	2.8
Other operating expenses	1.7	2.1	2.3	1.9	2.2	3.3	3.6
Total operating expenses	8.9	15.8	16.8	16.9	17.3	21.9	24.3
EBITDA	**0.7**	**0.5**	**2.2**	**2.2**	**3.1**	**5.3**	**8.5**
Depreciation	0.1	0.1	0.1	0.1	0.1	0.1	0.1
EBITA	**0.6**	**0.4**	**2.2**	**2.2**	**3.1**	**5.2**	**8.5**
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.5	0.5	1.0	0.9	1.1	1.1	1.4
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**0.1**	**-0.1**	**1.1**	**1.2**	**2.0**	**4.1**	**7.1**
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Other financial result	0.0	0.0	0.1	0.2	0.1	0.0	0.0
Financial result	-0.1	-0.2	-0.2	-0.4	-0.3	-0.2	-0.2
Recurring pretax income from continuing operations	**0.0**	**-0.4**	**0.9**	**0.8**	**1.7**	**3.9**	**6.9**
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	**0.0**	**-0.4**	**0.9**	**0.8**	**1.7**	**3.9**	**6.9**
Taxes	0.0	-0.1	0.4	0.3	0.6	1.3	2.3
Net income from continuing operations	**0.0**	**-0.3**	**0.6**	**0.5**	**1.1**	**2.6**	**4.6**
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**0.0**	**-0.3**	**0.6**	**0.5**	**1.1**	**2.6**	**4.6**
Minority interest	0.1	0.2	0.3	0.5	0.7	1.4	2.5
Net income (net of minority interest)	**-0.1**	**-0.4**	**0.2**	**0.1**	**0.4**	**1.2**	**2.1**
Average number of shares	4.1	4.1	4.1	4.1	4.5	4.5	4.5
EPS reported	**-0.02**	**-0.11**	**0.06**	**0.02**	**0.10**	**0.26**	**0.48**

Profit and loss (common size)	2010	2011	2012	2013	2014E	2015E	2016E
Net sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Increase/decrease in finished goods and work-in-process	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Other operating income	1.6 %	0.7 %	0.6 %	0.6 %	0.6 %	0.6 %	0.6 %
Material expenses	53.1 %	71.3 %	65.9 %	66.6 %	62.1 %	58.7 %	55.0 %
Personnel expenses	23.8 %	13.7 %	11.0 %	12.5 %	12.3 %	10.5 %	8.6 %
Other operating expenses	17.4 %	12.7 %	12.0 %	9.8 %	10.8 %	12.0 %	11.0 %
Total operating expenses	92.6 %	97.0 %	88.3 %	88.4 %	84.6 %	80.6 %	74.0 %
EBITDA	**7.4 %**	**3.0 %**	**11.7 %**	**11.6 %**	**15.4 %**	**19.4 %**	**26.0 %**
Depreciation	1.0 %	0.5 %	0.3 %	0.3 %	0.3 %	0.2 %	0.2 %
EBITA	**6.4 %**	**2.5 %**	**11.4 %**	**11.4 %**	**15.1 %**	**19.2 %**	**25.8 %**
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	5.4 %	3.3 %	5.4 %	4.9 %	5.4 %	4.1 %	4.1 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	**1.0 %**	**-0.8 %**	**5.9 %**	**6.5 %**	**9.7 %**	**15.1 %**	**21.7 %**
Interest income	0.3 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Interest expenses	1.3 %	1.3 %	0.9 %	1.1 %	1.1 %	0.8 %	0.7 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	-1.2 %	-1.4 %	-1.0 %	-2.1 %	-1.5 %	-0.7 %	-0.6 %
Recurring pretax income from continuing operations	**-0.2 %**	**-2.2 %**	**4.9 %**	**4.4 %**	**8.3 %**	**14.4 %**	**21.1 %**
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	**-0.2 %**	**-2.2 %**	**4.9 %**	**4.4 %**	**8.3 %**	**14.4 %**	**21.1 %**
Tax rate	47.6 %	30.3 %	40.4 %	36.7 %	33.0 %	33.0 %	33.0 %
Net income from continuing operations	**-0.1 %**	**-1.5 %**	**2.9 %**	**2.8 %**	**5.5 %**	**9.7 %**	**14.1 %**
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	**-0.1 %**	**-1.5 %**	**2.9 %**	**2.8 %**	**5.5 %**	**9.7 %**	**14.1 %**
Minority interest	0.7 %	1.1 %	1.7 %	2.5 %	3.4 %	5.3 %	7.6 %
Net income (net of minority interest)	**-0.8 %**	**-2.7 %**	**1.3 %**	**0.3 %**	**2.1 %**	**4.4 %**	**6.5 %**

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2010	2011	2012	2013	2014E	2015E	2016E
Intangible assets	**12.0**	**12.5**	**12.2**	**12.6**	**12.6**	**12.7**	**12.6**
Property, plant and equipment	0.3	0.2	0.2	0.2	0.1	0.1	0.1
Financial assets	0.4	0.4	0.8	0.6	0.5	0.5	0.5
FIXED ASSETS	**12.7**	**13.1**	**13.2**	**13.3**	**13.2**	**13.3**	**13.2**
Inventories	1.5	1.9	1.2	1.0	1.1	1.5	1.8
Accounts receivable	3.0	3.4	4.8	2.6	2.8	3.7	4.5
Other current assets	1.3	3.0	1.6	3.3	3.3	3.3	3.3
Liquid assets	0.1	0.3	0.2	0.2	1.0	3.7	8.5
Deferred taxes	0.4	0.5	0.6	0.6	0.6	0.6	0.6
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	6.4	9.0	8.3	7.7	8.8	12.7	18.6
TOTAL ASSETS	**19.1**	**22.0**	**21.5**	**21.1**	**22.0**	**26.0**	**31.9**
SHAREHOLDERS EQUITY	11.6	11.2	11.5	11.5	12.2	14.8	19.5
MINORITY INTEREST	0.1	0.3	0.6	1.0	1.0	1.0	1.0
Long-term debt	1.8	2.7	2.4	1.3	1.3	1.3	1.3
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Non-current liabilities	**1.8**	**2.8**	**2.5**	**1.5**	**1.5**	**1.5**	**1.5**
short-term liabilities to banks	0.0	0.0	0.0	0.9	0.9	0.9	0.9
Accounts payable	3.3	6.0	4.2	4.0	4.3	5.7	6.9
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)	1.9	1.5	2.2	1.0	1.0	1.0	1.0
Deferred taxes	0.3	0.2	0.6	1.0	1.0	1.0	1.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	**5.6**	**7.7**	**7.0**	**7.0**	**7.2**	**8.6**	**9.8**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**19.1**	**22.0**	**21.5**	**21.1**	**22.0**	**26.0**	**31.9**

Balance sheet (common size)	2010	2011	2012	2013	2014E	2015E	2016E
Intangible assets	**62.7 %**	**56.6 %**	**56.6 %**	**59.7 %**	**57.2 %**	**48.7 %**	**39.6 %**
Property, plant and equipment	1.4 %	1.0 %	0.8 %	0.7 %	0.6 %	0.5 %	0.3 %
Financial assets	2.3 %	1.8 %	3.9 %	2.9 %	2.3 %	2.0 %	1.6 %
FIXED ASSETS	**66.4 %**	**59.3 %**	**61.4 %**	**63.4 %**	**60.1 %**	**51.1 %**	**41.5 %**
Inventories	7.9 %	8.6 %	5.5 %	4.9 %	5.0 %	5.6 %	5.5 %
Accounts receivable	15.7 %	15.3 %	22.1 %	12.3 %	12.6 %	14.1 %	14.0 %
Other current assets	7.1 %	13.5 %	7.3 %	15.5 %	14.8 %	12.5 %	10.2 %
Liquid assets	0.7 %	1.4 %	1.0 %	0.9 %	4.5 %	14.1 %	26.7 %
Deferred taxes	2.3 %	2.0 %	2.7 %	3.1 %	2.9 %	2.5 %	2.0 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	33.6 %	40.8 %	38.6 %	36.6 %	39.9 %	48.9 %	58.5 %
TOTAL ASSETS	**100.0 %**	**100.1 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
SHAREHOLDERS EQUITY	60.9 %	51.1 %	53.3 %	54.8 %	55.6 %	57.0 %	61.1 %
MINORITY INTEREST	0.4 %	1.2 %	2.7 %	5.0 %	4.8 %	4.0 %	3.3 %
Long-term debt	9.2 %	12.3 %	11.1 %	6.3 %	6.1 %	5.1 %	4.2 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	0.4 %	0.5 %	0.5 %	0.8 %	0.8 %	0.6 %	0.5 %
Non-current liabilities	**9.7 %**	**12.8 %**	**11.6 %**	**7.1 %**	**6.8 %**	**5.8 %**	**4.7 %**
short-term liabilities to banks	0.0 %	0.0 %	0.0 %	4.4 %	4.2 %	3.5 %	2.9 %
Accounts payable	17.4 %	27.1 %	19.6 %	19.2 %	19.6 %	22.0 %	21.8 %
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)	10.1 %	6.8 %	10.0 %	4.8 %	4.6 %	3.9 %	3.2 %
Deferred taxes	1.6 %	1.1 %	2.8 %	4.7 %	4.5 %	3.8 %	3.1 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	**29.0 %**	**35.0 %**	**32.4 %**	**33.1 %**	**32.9 %**	**33.2 %**	**30.9 %**
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)	2010	2011	2012	2013	2014E	2015E	2016E
Net profit/loss	0.0	-0.3	0.6	0.5	1.1	2.6	4.6
Depreciation of fixed assets (incl. leases)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.5	0.5	1.0	0.9	1.1	1.1	1.4
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from operations before changes in w/c	0.6	0.4	1.7	1.5	2.3	3.8	6.0
Increase/decrease in inventory	-0.7	-0.4	0.7	0.2	-0.1	-0.4	-0.3
Increase/decrease in accounts receivable	-0.9	-0.4	-1.4	2.2	-0.2	-0.9	-0.8
Increase/decrease in accounts payable	-0.4	2.6	-1.8	-0.2	0.3	1.4	1.2
Increase/decrease in other working capital positions	0.9	-1.9	1.5	-2.0	0.0	0.0	0.0
Increase/decrease in working capital	-1.1	0.0	-1.0	0.2	0.0	0.1	0.1
Cash flow from operating activities	**-0.5**	**0.4**	**0.7**	**1.7**	**2.3**	**3.9**	**6.2**
CAPEX	1.3	1.0	0.2	1.1	1.1	1.2	1.3
Payments for acquisitions	-0.3	0.0	0.1	0.4	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	0.0	0.0	0.0	0.0
Cash flow from investing activities	**-1.0**	**-1.1**	**-0.3**	**-1.5**	**-1.1**	**-1.2**	**-1.3**
Cash flow before financing	-1.5	-0.7	0.4	0.2	1.2	2.7	4.8
Increase/decrease in debt position	-0.8	0.8	-0.5	-0.1	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	**-0.9**	**0.8**	**-0.5**	**-0.2**	**0.0**	**0.0**	**0.0**
Increase/decrease in liquid assets	-2.3	0.2	-0.1	0.0	1.2	2.7	4.8
Liquid assets at end of period	**-0.2**	**-0.1**	**-0.2**	**-0.2**	**1.0**	**3.7**	**8.5**

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2010	2011	2012	2013	2014E	2015E	2016E
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of Europe	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
NAFTA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of world	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TTL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2010	2011	2012	2013	2014E	2015E	2016E
P&L growth analysis							
Sales growth	-9.8 %	69.0 %	16.8 %	0.6 %	6.5 %	33.0 %	21.0 %
EBITDA growth	177.7 %	-31.2 %	355.9 %	-0.1 %	41.0 %	67.6 %	62.2 %
EBIT growth	-112.1 %	-237.9 %	-975.1 %	10.3 %	59.8 %	106.8 %	73.5 %
EPS growth	-87.3 %	497.1 %	-154.6 %	-72.7 %	507.6 %	171.5 %	81.9 %
Efficiency							
Total operating costs / sales	92.6 %	97.0 %	88.3 %	88.4 %	84.6 %	80.6 %	74.0 %
Sales per employee	296.8	571.8	692.3	683.8	1,456.4	n/a	n/a
EBITDA per employee	21.9	17.2	81.1	79.5	224.3	n/a	n/a
Balance sheet analysis							
Avg. working capital / sales	2.1 %	1.4 %	2.6 %	4.1 %	-0.8 %	-0.9 %	-1.2 %
Inventory turnover (sales/inventory)	6.4	8.6	16.0	18.6	18.6	18.6	18.6
Trade debtors in days of sales	113.6	75.2	91.1	49.6	49.6	49.6	49.6
A/P turnover [(A/P*365)/sales]	125.9	133.8	80.8	77.1	77.1	77.1	77.1
Cash conversion cycle (days)	-16.4	-52.9	3.0	-36.8	-43.1	-48.4	-55.0
Cash flow analysis							
Free cash flow	-1.8	-0.7	0.4	0.6	1.2	2.7	4.8
Free cash flow/sales	-18.6 %	-4.0 %	2.3 %	3.0 %	5.8 %	9.9 %	14.7 %
FCF / net profit	2455.3 %	149.6 %	186.8 %	876.5 %	270.6 %	227.4 %	225.2 %
Capex / depn	212.8 %	166.8 %	21.8 %	112.8 %	98.4 %	107.0 %	95.1 %
Capex / maintenance capex	0.2 %	4.9 %	2.0 %	3.5 %	4.3 %	4.3 %	4.3 %
Capex / sales	13.6 %	6.3 %	n/a	n/a	n/a	n/a	n/a
Security							
Net debt	1.6	2.4	2.2	2.1	1.3	-1.4	-6.3
Net Debt/EBITDA	2.3	4.9	1.0	0.9	0.4	0.0	0.0
Net debt / equity	0.1	0.2	0.2	0.2	0.1	-0.1	-0.3
Interest cover	0.7	0.0	6.7	5.9	9.0	18.7	32.4
Dividend payout ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Asset utilisation							
Capital employed turnover	0.7	1.1	1.3	1.3	1.3	1.5	1.4
Operating assets turnover	6.7	-32.8	10.0	-73.3	-66.3	-57.3	-53.2
Plant turnover	35.5	73.7	107.6	121.9	147.7	227.7	327.9
Inventory turnover (sales/inventory)	6.4	8.6	16.0	18.6	18.6	18.6	18.6
Returns							
ROCE	0.7 %	-0.9 %	7.8 %	8.4 %	12.9 %	24.2 %	34.6 %
ROE	-0.6 %	-3.9 %	2.1 %	0.6 %	3.6 %	8.0 %	11.0 %
Other							
Interest paid / avg. debt	5.9 %	9.5 %	6.6 %	9.0 %	9.8 %	9.8 %	9.8 %
No. employees (average)	33	29	28	28	14	0	0
Number of shares	4.1	4.1	4.1	4.1	4.5	4.5	4.5
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-0.02	-0.11	0.06	0.02	0.10	0.26	0.48
Valuation ratios							
P/BV	1.3	1.3	1.3	1.3	1.3	1.1	0.8
EV/sales	1.7	1.0	0.9	0.9	0.9	0.5	0.3
EV/EBITDA	22.9	34.9	7.6	7.5	5.5	2.8	1.2
EV/EBITA	26.6	41.7	7.8	7.7	5.6	2.8	1.2
EV/EBIT	174.6	-132.5	14.9	13.5	8.8	3.6	1.4
EV/FCF	-9.1	-26.1	37.8	29.4	14.8	5.5	2.0
Adjusted FCF yield	0.3 %	-1.2 %	2.7 %	2.9 %	6.4 %	12.2 %	31.5 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Company data, Hauck & Aufhäuser

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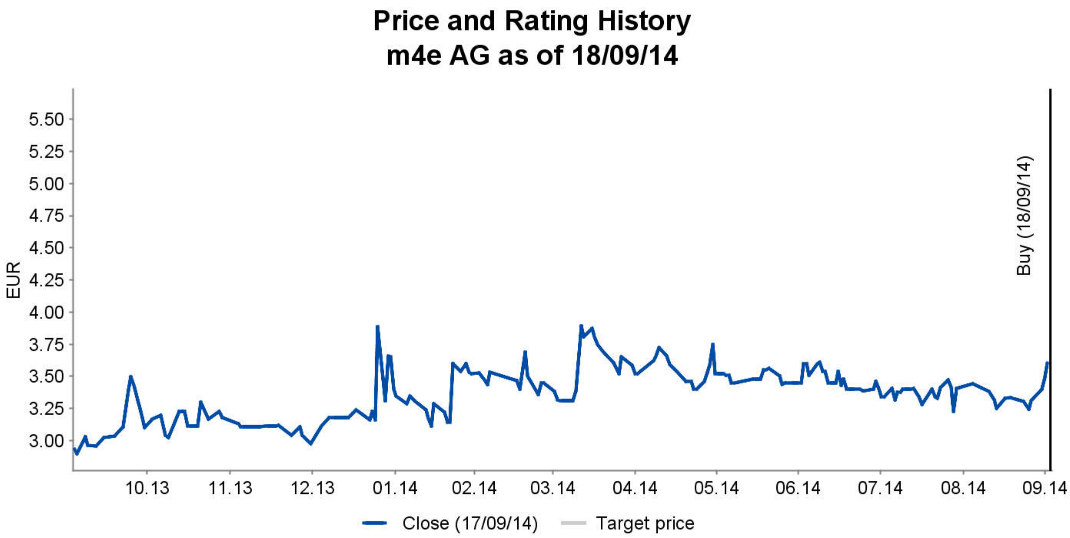

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Contacts: Hauck&Aufhäuser Privatbankiers KGaA

Hauck & Aufhäuser Research

Hauck & Aufhäuser
Privatbankiers KGaA
Mittelweg 16/17

20148 Hamburg
Germany

Tel.: +49 (0) 40 414 3885 - 70
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.dannenbergl@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

Philippe Lorrain
Analyst
Tel.: +49 (0)40 414 3885 - 83
E-Mail: philippe.lorrain@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

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

James Bonsor, CFA
Sales
Tel.: +44 207 408 1100
E-Mail: james.bonsor@ha-research.de

Hamish Edsell, CFA
Sales
Tel.: +44 207 408 1100
E-Mail: hamish.edsell@ha-research.de

Alexander Lachmann
Sales
Tel.: +49 (0)40 414 3885 - 96
E-Mail: alexander.lachmann@ha-research.de

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

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

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