

# Constantin Medien

**Media**
**14 November 2017**

## A sporting chance

After a complex series of disputes, now effectively resolved, Constantin is a focused sports media business, with a new management team, delivering sports content over a variety of owned free- and pay-TV channels, digital and mobile platforms. Its main revenue streams are advertising and sponsorship, with strengthening commercial relationships with gambling operators. Over half of its market valuation reflects its remaining stake in Highlight Communications, itself now considering a bid for Constantin.

## Legal disputes closed

There has been considerable upheaval over FY17 to date, principally relating to the relationship with Highlight Communications. Since August's AGM, there has been a complete refresh of Constantin's supervisory board. The management board now consists of CEO Olaf Schröder (previously running the Sports segment) and Dr Matthias Kirschenhofer as Chief Officer Legal & Finance (and MD Sport1 Media). Previous management board members have left the group. The legal case with Highlight (post the latter's capital increase diluting Constantin's holding below 50%) has been halted. A resolution has also been reached with Stella Finanz, with the group settling its loan with 8m Highlight shares. Constantin now holds 32.7% of Highlight's equity. Constantin is currently renegotiating its €65m bond, expiring in April 2018 and carrying a 7.0% coupon.

## Focus on broad spectrum of sports

Constantin is not in a position to enter into bidding wars over high-profile broadcast rights (nor would it wish to, given the available margins). Rather, it has widened its content in traditional sports, eg soccer, motorsports, ice hockey, basketball, darts, volleyball, US sports and boxing and expanding into new areas like eSports and drone racing. In doing so, it is strengthening commercial relationships, particularly with the gambling sector. Management attention was understandably diverted in H17, which will have had a financial impact that should start to correct in FY18.

## Valuation: Operating business lowly valued

Post the deconsolidation of Highlight Communications, revised guidance is for lower FY17 revenues of €250-280m. The guided increased net income figure (€7-10m) is post the non-recurring, non-cash benefit less the costs of settling the various disputes. Any Highlight dividend would be incremental. At the current Highlight share price, the value of Constantin's holding is €107m. The implied market valuation of the remaining operating business is €86m, or €0.92/share.

### Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/15	481	28.4	9.0	0.0	22.9	N/A
12/16	566	20.6	15.0	0.0	13.7	N/A
12/17e	275	20.3	9.0	0.0	22.9	N/A
12/18e	155	9.9	15.0	5.0	13.7	2.4

Source: Company accounts, DZ Bank

**Price** €2.06  
**Market cap** €193m

### Share price graph



### Share details

Code	EV4
Listing	Xetra
Shares in issue	93.6m
Net debt (€m) as at 30 Jun 2017	46.8

### Business description

The deconsolidation of Highlight Communications leaves Constantin as a pure play sports media company. The group's key brand is Sport1, accessible on TV, online, mobile and on video platforms. PLAZAMEDIA supplies technical services for sports content providers.

### Bull

- Clear focus on sports.
- End of major litigation.
- Improved margin on remaining business.

### Bear

- Need to refinance bond ahead of April 2018.
- Costs of deconsolidation, severance etc.
- Below expected performance from Sport.

### Analysts

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