

Pantaflix

Content catch-up

Pantaflix has had a busy first half, with productions delayed from FY20 coming to completion and with more expected to complete in H221. H121 revenue of €22.7m will be the bulk of the year's total, with management guiding to a figure of more than €30m. EBIT for the year will be in a range of -€2.5m and break-even, having narrowed to a €2.1m loss in H121 (H120: -€4.3m). The industry fundamentals remain positive across the group's operations, particularly in terms of high levels of demand for content from the major streaming platforms. The group's offering in the B2B2C sector is also gaining traction, with a strong portfolio of partners. Half year cash of €6.5m (production finance debt only) was boosted by a €2.0m gross fund-raise, which puts the group in a sound financial position.

Busy in film and streaming content

Pantaflix has some notable projects set for H221. It has finished filming *Army of Thieves*, the prequel to Netflix's very successful *Army of the Dead*, available from the end of October 2021. *Generation Beziehungsunfähig*, filmed in FY20, was released in July 2021 and two more movies, *Wolke unterm Dach* and *Oskars Kleid* are now in post-production, to complete in H221. Pantaflix Studios has finished filming the third series of *Das Internat* for streaming service Joyn (airing from October). *Sex Zimmer, Küche, Bad*, for Amazon Prime, is also in post-production.

Positioning for growth

The management board was strengthened in August with the appointment of a COO from within the business, Stephanie Schettler-Köhler, who now oversees Pantaleon Films, finance, HR and legal. Nicolas Paalzow remains CEO of the group. Pantaflix's streaming platform is gaining traction with its 'entertainment-as-a-service' concept for organisations that want to offer their customers video content but lack the infrastructure. The group is strengthening its proposition with the film festival and cinema sectors, offering services beyond additional digital screenings, such as curation and editing. There is good potential for international expansion here, and for building the group's recurring revenues and operating margin. The audio operation, PantaSounds (now wholly owned), is also targeted for expansion.

Valuation: Below peers

There are no broker forecasts, and FY20 and FY21 financials have been severely disrupted by the pandemic impact. Pantaflix trades on a FY20 EV/sales of 3.0x, compared with peers on 2.8x. For FY21, this falls to 0.8x, with peers at 1.8x. The €17m EV implies a very low valuation for its production arm, in a market where streamers remain hungry for quality, local content as they compete for viewers.

Adjusted consensus estimates

Year end	Revenue (€m)	PBT (€m)	GAAP EPS (€)	DPS (€)	P/E (x)	EV/EBIT (x)
12/19	28.7	(8.6)	(0.52)	0.0	N/A	N/A
12/20	7.8	(7.1)	(0.42)	0.0	N/A	N/A
12/21e	30.0+	N/A	N/A	N/A	N/A	N/A

Source: Pantaflix

Media & technology

20 October 2021

Price €1.24
Market cap €23m

Share price graph



Share details

Code	PAL
Listing	Deutsche Börse Scale
Shares in issue	18.6m
Last reported cash at end H121	€6.5m

Business description

Pantaflix is a European media group. It consists of the VoD platform Pantaflix, the film production division Pantaleon Films, the production unit Pantaflix Studios, the audio unit PantaSounds and the creative agency Creative Cosmos 15.

Bull

- Significant VoD demand and opportunities.
- Increasing B2B offering.
- Internationalisation of platform.

Bear

- Large productions mean large working capital swings.
- Limited liquidity.
- Project risk on film/series production.

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Review of H121 results

The group does not disclose the split of its revenues between production and distribution elements, nor does it separately identify revenues from its creative agency (56% owned) or music business (57.5% owned in FY20, now 100% owned). These latter two activities only accounted for 4% of group FY19 revenues but are likely to have contributed a greater proportion in FY20, given the restrictions in film and episodic TV/streaming series production (for both Pantaleon Films and Pantaflix Studios) over successive lockdowns. For H121, the percentage from these activities is likely to have dipped as production activity stepped back up. Generally, revenues falling into any period can swing by substantial amounts as film and episodic projects move towards completion and distribution.

Exhibit 1: Summary of results

€m	H119	H120	H121	H121 % change y-o-y
INCOME STATEMENT				
Revenue	14.5	4.9	22.7	+364
Increase (decrease) in finished goods and work in progress	(8.3)	(1.2)	(13.0)	+971
Other own work capitalised	0.2	0.5	0.0	N/A
Other operating income	0.9	0.2	1.1	+334
Gross revenues	7.3	4.4	10.8	+146
Cost of purchased services	(3.6)	(3.0)	(3.7)	+24
Gross profit	3.7	1.4	7.1	+408
Opex	(4.8)	(4.7)	(3.3)	+42
EBITDA (loss)/profit	(1.1)	(3.3)	3.7	N/A
D&A	(5.2)	(1.0)	(5.9)	+485
EBIT (loss)	(6.3)	(4.3)	(2.1)	N/A
Profit Before Tax (as reported)	(6.3)	(4.3)	(2.1)	N/A
Net income (as reported)	(6.3)	(4.3)	(2.1)	N/A
EPS (as reported) (€)	(0.41)	(0.27)	(0.13)	N/A
BALANCE SHEET				
	End FY19	End H120	End H121	
Total non-current assets	6.0	10.8	17.6	+63
Total current assets	14.6	8.5	11.2	-24
Total assets	21.1	19.5	28.7	-32
Total current liabilities	(9.0)	(11.7)	(21.6)	-46
Total non-current liabilities	0.0	0.0	0.0	N/A
Total liabilities	(9.0)	(11.7)	(21.6)	-46
Total Equity	12.1	7.8	6.6	+18

Source: Company accounts, Edison Investment Research

The percentage changes in the income statement between H120 and H121 are obviously greatly distorted by the heavy impact of the pandemic in the prior year. In the exhibit above, we have also included H119 for reference. As described in the H121 earnings release statement, there were a number of larger film and episodic productions ongoing and due for completion in H221, with revenue generation and operating costs not necessarily fully aligned. Substantial projects completed in H121, delayed from the prior year, leading to a larger reduction in finished goods and work in progress at €13.0m (H120: €1.2), with gross revenues up 146% at €10.8m. With modest growth in cost of materials (including co-producers' shares of licensing income), the group delivered an EBITDA profit of €3.7m. Higher D&A from completed projects translated this into a loss at the EBIT level of €2.1m.

No cash flow statement is provided by the company at the interim stage. The balance sheet also swings widely as finished films and projects move in and out of work-in-progress. During the reporting period, the group sold a 49% stake in its Munich-based Studios (purchaser and

transaction price undisclosed) and bought in the minority of its audio operation PantaSounds (price undisclosed).

The half-year cash and cash equivalents position was €6.5m. This is down from €7.2m at the end of the previous financial year despite including the proceeds of the May 2021 share placing (a 10% increase in the number of shares), which raised €2.0m gross. The bank debt of €8.2m on the face of the balance sheet relates specifically to project financing, rather than any indebtedness for Pantaflix itself.

Operating update

All areas busy

The largest film and episodic projects of the period are highlighted above (*Army of Thieves*, *Das Internat* and *Generation Beziehungsunfähig* being the most significant). *Oskars Kleid* and *Wolke unterm Dach* will have more significant impact in H221.

The exploitation of the Pantaflix streaming platform is still at a relatively early stage, but it clearly has good potential to deliver significant and higher-quality earnings (being less exposed to projects which may or may not succeed at the box office/ streaming views), with a greater proportion of recurring revenues. The pandemic and consequent lockdowns have highlighted the opportunity for cinemas to build their audience base (which, away from the main commercial brands, is typically loyal and engaged) beyond those in the physical vicinity of the buildings. We regard this area as the key to building out value within the group.

Pantaflix's creative agency, CC15, has been growing its client base, adding food service delivery company Flink to the roster. It also delivered notable campaigns including around the Paralympics.

Management has recognised the increased levels of interest around audio content, which has been something of a poor relation historically. As indicated above, it has bought in the minority of PantaSounds with the intention of driving the business more actively, with audio books and podcasts.

Forecasts and valuation

There are no longer any broker estimates in the market, so the current year estimates shown here are based on management revenue guidance. This indicates full year revenues of over €30m. The guided level of EBIT is between -€2.5m and break-even, so calculating a multiple on this basis is not practicable.

Exhibit 2: Peer multiples

Name	Ytd perf (%)	Market cap (m)	Sales growth 1FY (%)	Sales growth 2FY (%)	EV/Sales 0FY (x)	EV/Sales 1FY (x)	EV/Sales 2FY (x)	EV/EBIT 0FY (x)	EV/EBIT 1FY (x)	P/E 0FY (x)	P/E 1FY (x)
Pantaflix (€)	7	22	332	9	3.0	0.8	-	(3.3)	N/A	(2.8)	N/A
Eros Stx (\$)	(56)	302	135	-	4.0	1.7	-	(8.7)	(11.1)	8.9	(5.0)
Lions Gate Ent. (\$)	28	3,067	19	15	2.0	1.7	1.4	50.5	53.9	(50.1)	(54.3)
Mondo TV (€)	1	59	16	10	2.5	2.2	2.0	7.7	5.9	11.2	9.6
ProSiebensat.1 Media (€)	15	3,688	11	5	1.5	1.4	1.3	11.8	0.4	16.2	11.1
Notorious Pictures (€)	18	40	123	110	4.0	1.8	0.9	-	10.7	-	9.1
Average	1		61	35	2.8	1.8	1.4	15.3	12.0	(3.5)	(5.9)

Source: Refinitiv, Edison Investment Research. Note: Priced as at 15 October 2021. Average excludes Pantaflix.

The share price has now recovered to levels earlier in the summer. Without longer-term insight into revenue and earnings potential through market forecasts, forming a considered view on valuation is difficult, particularly since historical revenues have been so affected by the restrictions stemming from the pandemic. In any event, with many projects lasting more than one year, revenue falling

into a specific reporting period is not necessarily indicative of the amount of work flowing through the business. Across FY20 and FY21, Pantaflix's EV/Sales averages 1.9x, while that for peers averages 2.3x. Given the market forces underpinning demand for content, we see no reason for revenues to drop off in FY22. If they were just to be flat in that year, the average across the three years, Pantaflix would be trading on 1.5x EV/Sales versus peers at 2.0x.

Assets are not an appropriate valuation metric given the nature of the industry.

BlackMars Capital, the management team (including Austrian entrepreneur, Klemens Hallmann, who was elected to the supervisory board in July 2019) and the founding shareholders (Marco Beckmann, Dan Maag and Matthias Schweighöfer) together own around 70% of the shares. The free float stands at 30%.

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