

Regulatory Announcement

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Company BKN International AG
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Press Release

25 April 2006

BKN International AG

("BKN" or "the Company")

Interim Results for the six months to 31 March 2006 (Record Earnings)

BKN International AG, a global animation company engaged in the distribution and marketing of animated children's television programmes and related consumer products that has been listed on the Deutsche Boerse of the Frankfurt Stock Exchange since March 2000 and the AIM segment of the London Stock Exchange since December 2003, today reports its Interim Results for the six months ended 31 March 2006 with record net earnings for the Group.

Financial Highlights

In million €	1st Half 2005*	1st Half 2006*	
Turnover	5,90	7,18	+22 %
EBT	1,02	1,45	+42 %
Net income	1,02	1,42	+39 %
EPS	0,07	0,09	+29 %

* Fiscal year begins at the 1st October of the previous year and ends at 30th September

Financial Detail

- Turnover increased to €7.18 million, an increase of 22% from the €5.90 million in the first half of fiscal 2005.
- Total expenses amounted to €5.48 million, a 15% increase over the €4.76 million in the corresponding period in the prior year.
- Profit before tax increased 42% to €1.45 million from €1.02 million in the first half of fiscal 2005.
- Net income increased 39% to €1.42 million from €1.02 million in the first half of fiscal 2005.
- Earnings per share increased 29% to €0.09 per share from €0.07 per share in the corresponding period in the prior year.
- Cash generated from operations increased to €4.26 million or 63% from €2.61 million in the first half of fiscal 2005.
- Cash and cash equivalents increased to €2.04 million from €474,000 at 30 September 2005.
- Working capital increased to €3.31 million from €2.54 million or 31% from the corresponding period in the prior year.
- Company invested €8.0 million in Film Rights in the period versus €4.3 million in the corresponding period in the prior year. After a €2.0 million amortisation charge in the period, Film Assets on the balance sheet rise by €6.0 million to €29.6 million from €23.6 million in the corresponding prior period.

Activities

The Company is focused on 5 major areas and projects on a global scale:

- a. Legend of the Dragon - this property was initially delivered in 2004 with 26 episodes and has been expanded by 50% to 39 episodes for global distribution with the key USA marketing launch in fall 2006 and China in spring 2007.
- b. Zorro: Generation Z - this property has received very strong early market response to the 26 episodes and the Company is considering expanding initial production to 39 episodes. This property will be marketed in 2007 in selected markets and 2008 in the balance of the world.
- c. Dork Hunters from Outer Space - this property consists of 26 episodes with a marketing launch planned for 2007. This is a new style for the Company stressing comedy versus action adventure which will broaden our customer base.
- d. Classic Titles - this list of great titles including Jungle Book, A Christmas Carol, Robin Hood and The Prince and the Pauper produced initially for direct-to-DVD distribution will create a new revenue stream, and steady monthly cash flow, for the Company.
- e. Film Catalogue - the Company now owns the 6th largest library of animation for global consumption providing the Company with a reliable and valuable perpetual asset.

New Venture

The recently formed BKN Home Entertainment is establishing itself in the market as a quality and dependable supplier of animated films and TV series for home entertainment worldwide. Beginning in September 2006 (fiscal 2006) with the first release of Ali Baba and the Forty Thieves and continuing monthly with A Christmas Carol, Jungle Book, Zorro: Generation Z, The Prince and The Pauper and Alice in Wonderland, to name a few, until December 2007 (fiscal 2008) with the release of The Nutcracker, this division will provide quality animation in state-of-the art 3D or Computer Graphic Imagery to a global market.

The division, which will distribute under its own label in the United Kingdom, has already signed a number of distribution global contracts throughout the world with quality distributors that will maximise global sales of this collection.

Customers

The Company continues to expand its customer base, in all formats and venues, including such prestigious names as the BBC in the UK, Disney/Jetix in the USA, CBC in Canada, Super RTL in Germany, TV Espanola in Spain, Nickelodeon in Latin America, UTV in India, Promus in China, RAI in Italy, as well as Grand Toys, Planeta DeAgostini, The Game Factory and Warner Home Entertainment worldwide to name a few.

Outlook

Allen Bohbot, Group CEO states "These record earnings for the first half of fiscal 2006, on top of record earnings recently published for full year 2005, have given the Company a sound foundation and confidence in the business. Europe, North America, Asia, Latin America and Africa/Middle East are all contributing to turnover and we expect each of our operating subsidiaries to be profitable in fiscal 2006. We believe that our 5 key product offerings will lead to strong revenues for the balance of 2006 and into 2007 and 2008."

Wayne Mowat, Group CFO, adds "Our costs are under control, our people are professional and our vendors are proven and established. Our film rights are conservatively valued on the balance sheet and we feel confident to meet the full year forecast of 30% turnover and EBT profit growth (€3.0 million in 2005 before one-time tax benefit). While we do expect to have tax liability this year, we believe that the rate can be managed at 10-15% assuring good EPS growth (excluding the one time tax benefit in 2005). We have cancelled the share buyback program so as to invest more heavily in the business and intend to sell the shares purchased on hand which currently amount to less than 1% of total share capital in a very slow and orderly manner before the end of our current fiscal year."

Copies of the interim financial statement have been posted at the Company's website (www.bknkids.com) and at the website of the Deutsche Boerse. Further copies are available from the Company's Registered Office in Germany at Im Mediapark 8, 50670 Koln Germany and in the United Kingdom at BKN New Media Ltd, 77 Kingsway, London WC2B 6SR.

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Enquiries:

BKN International AG

Allen Bohbot, Chief Executive Officer
allen.bohbot@bknkids.com Tel: +44 (0)20 7269 8683

Wayne Mowat, Chief Financial Officer
wayne.mowat@bknkids.com Tel: +44 (0)20 7269 8687

Sascha Ziemann, Finance Manager
sascha.ziemann@bknkids.com Tel: +49 221 5540 5190

Laura Tapias, Managing Director
Latin and Italian markets
laura.tapias@bknkids.com Tel: +34 93 368 18 00

Ben Heng, Managing Director
Asia
ben.heng@bknkids.com Tel: +65 6820 2118

Matthew Graham-Clare, Managing Director
Home Entertainment
matthew.graham-clare@bknkids.com Tel: +44 (0)20 7269 8678

www.bknkids.com

Broker/Designated Sponsor:

Panmure Gordon
Aubrey Powell / Stuart Gledhill
aubrey.powell@panmure.com
stuart.gledhill@panmure.com Nominated Adviser & UK Broker
Tel: +44 (0)20 7459 3600

Seydler AG in Germany
Rene Parmantier
rene.parmantier@seydler.de Designated Sponsor
Tel: +49 69 92054 130

Deutsche Bank
Jens Hagemann
jens.hagemann@db.com German Broker
Tel: +49 69 910 34495

Media Enquiries:

SSA Public Relations for trade & industry press
Karine Fouchet
kfouchet@ssapr.com Tel: +44 (0)20 7863 8806

Notes to editors:

About BKN:

BKN International AG is a global animation company engaged in the distribution and marketing of animated children's television programmes and the marketing of related consumer products (licensing and merchandising) in all forms. BKN has worked on numerous successful animation projects.

The Company is currently listed on the Deutsche Bourse and AIM and it operates all over the world. BKN has successfully negotiated distribution deals in over 80 countries and territories in the children's programming market.

The Company's Film Library includes:

- Legend of the Dragon
- Kong - The Animated Series
- Kong - King of Atlantis
- Kong II - Return to the Jungle
- A Christmas Carol
- Robin Hood
- Zorro: Generation Z
- Roswell Conspiracies
- Dork Hunters from Outer Space
- Jungle Book

Consolidated Balance Sheet

(in thousands of €)

	As at 31st March 2006	As at 30th Sept 2005
Assets		
A. Fixed and Intangible assets		
1. Intangible Assets	29,466	23,602
2. Fixed Assets	85	69
	-----	-----
	29,551	23,671
B. Other Long term assets		
1. Other Assets	249	220
2. Deferred taxes	1,502	1,502
3. Deferred financing costs	623	188
	-----	-----
	2,374	1,910
C. Current assets		
1. Accounts receivable, trade	885	2,048
2. Other current assets	922	1,272
3. Own shares	425	
4. Cash and Cash equivalents	2,043	384
	-----	-----
	4,275	3,704
	-----	-----
	36,200	29,285
	=====	=====
Liabilities		
A. Shareholders Equity		
1. Common Stock	15,718	15,718
2. Additional paid in capital	8,161	8,161
3. Other comprehensive income	224	197
4. Retained earnings	1,416	0
	-----	-----
	25,519	24,076
B. Long term liabilities		
1. Bonds	9,532	3,851
2. Deferred tax liability	172	172
3. Deferred long term liabilities	18	22
	-----	-----
	9,722	4,045
C. Short term liabilities		
1. Accrued expenses	654	903
2. Accounts payable. trade	305	261
	-----	-----

959	1,164
-----	-----
36,200	29,285
=====	=====

Consolidated Statements of Operations

(in thousands of € except share data and number of employees)

	Year to date 31 Mar 2006	31 Mar 2005
Revenues		
Television	4,202	3,778
Consumer Brands	2,422	1,765
	-----	-----
Sales Revenues	6,624	5,543
Other Revenues	554	361
	-----	-----
Total Revenues	7,178	5,904
Expenses		
Depreciation amortisation and Goodwill	2,004	1,714
Producer fees and other direct operating costs	612	65
Salaries and employee benefits	1,253	812
General and administrative	1,610	2,169
	-----	-----
Total expenses	5,479	4,760
	-----	-----
Other Income/ (Expenses)		
Interest cost	246	120
	-----	-----
Income/(loss) before provision for income tax	1,453	1,024
Provision for tax	37	-
	-----	-----
Net income/(loss)	1,416	1,024
EBITDA	3,703	2,980
Earnings per share	0.09	0.07
Basic number of shares	15,717,566	15,012,487
Number of employees including Directors at the end of the period	33	24

The Company employs, at its London studio and at suppliers in India and China, more than 100 artists to produce its films and series.

Consolidated Statements of Cash Flows

(in thousands of €)

31st March 2006 FY 2006	31st March 2005 FY 2005
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Cash flow from Operations		
Net Income	1,416	1,024
Depreciation and amortization	2,004	1,714
Deferred Taxes	0	0
	-----	-----
	3,420	2,738
Changes in Operating assets and liabilities		
Accounts receivable	1,163	(395)
Tax receivable		(28)
Others current assets	350	(22)
Other long term assets	(29)	1
Deferred financing costs	(435)	154
Accounts payable , trade	44	607
Accruals	(249)	(466)
Other liabilities	(4)	26
	-----	-----
Net cash generated by operating activities	4,260	2,615
Cash flow from investing activities		
Intangible Assets/Programming rights	(7,911)	(4,306)
Property, equipment, and leasehold improvement	(40)	(16)
	-----	-----
Net cash used in investing activities	(7,951)	(4,322)
Cash flow from financing activities		
Bank overdraft and other loans	0	(3)
Convertible bond	5,681	0
Proceeds from issuance of share capital	0	(46)
Purchase of own shares	(425)	0
Comprehensive income/(loss)	94	10
	-----	-----
Net cash provided by financing activities	5,350	(39)
Net increase/(decrease) in cash and cash equivalents	1,659	(1,746)
Cash and cash equivalents at beginning of period	384	2,220
	-----	-----
Cash and cash equivalents at end of period	2,043	474
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