

**Buy** Risk: Price target: **EUR 3.80**  
(old: Buy) high

## Animated to a capital increase

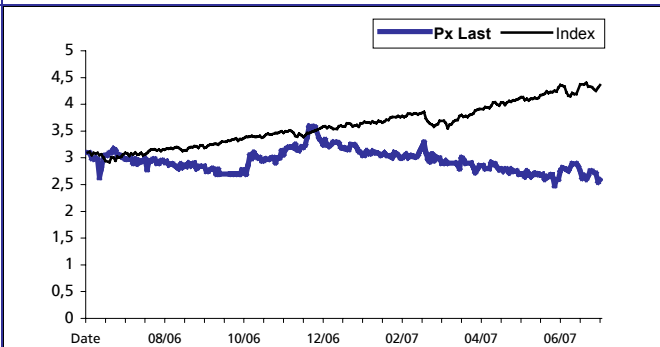
On June 27, 2007, BKN International announced a capital increase of 33% (5.24 m new shares). The shares will be offered, by way of rights, to existing shareholders of the company in the ratio 3:1 during the time period from June 29, 2007 to July 12, 2007. The new shares will be offered at EUR 2.45 per share to raise up to approximately EUR 13.0 m. The proceeds of the offer will be used to set up a state-of-the-art digital high definition animation studio and to pay off the balance of the company's outstanding convertible bond.

The following effects result from the planned application of funds:

- The investment in the animation studio expands the value added chain (increase of EBITDA), but also increases the fixed costs.
- The dependency of external capacities at production will be reduced.
- The complete repayment of the convertible bonds of EUR 6.2 m will have a positive effect on the financial result (financial result improves by roughly EUR 300 k)

After termination of the rights offering our estimates will be trimmed.

Bloomberg: BKQ GY Price: EUR 2.59  
Reuters: BKQG.DE CDAX: 718,39  
ISIN: DE0005290704  
Internet: www.bknkids.com  
Segment: General Standard  
Sector: Entertainment/Media



Share data: Bloomberg 29.06.2007 / Closing price

High / Low 52 w: EUR 3.70/ 2.36  
Market cap.: EUR 40.71 m.  
No. of shares: 15.72 m.

Shareholders: Free Float 63.50%  
Gordon Group Holding LLC 20.30%  
Allen Bohbot 8.10%  
Jack Kugler 8.10%

Termine:

### Analysis: SES Research

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| Fiscal year end                                    | 12/06  | 12/07e | 12/08e | 12/09e | CAGR  |
|--|--------|--------|--------|--------|-------|
| <b>Sales</b>                                       | 13.9   | 17.7   | 22.1   | 24.8   | 21.3% |
| <b>EBITDA</b>                                      | 6.2    | 7.9    | 13.4   | 15.4   | 35.6% |
| <i>Margin</i>                                      | 44.43% | 44.68% | 60.70% | 62.00% |       |
| <b>EBIT</b>  | 4.7    | 5.9    | 6.8    | 7.9    | 18.7% |
| <i>Margin</i>                                      | 34.14% | 33.20% | 30.70% | 32.00% |       |
| <b>Net Income</b>                                  | 4.5    | 4.4    | 4.8    | 5.7    | 8.5%  |
| <i>Margin</i>                                      | 32.35% | 25.08% | 21.67% | 23.13% |       |
| <b>EpS</b>   | 0.29   | 0.28   | 0.29   | 0.34   | 6.4%  |
| <b>Dividend</b>                                    | 0.00   | 0.00   | 0.00   | 0.00   | n.a.  |
| <i>Yield</i>                                       | 0.00%  | 0.00%  | 0.00%  | 0.00%  |       |
| EpS in EUR, other figures in EURm, price: EUR 2.59 |        |        |        |        |       |
| <b>Price/Sales</b>                                 | 2.93   | 2.30   | 1.84   | 1.64   |       |
| <b>P/E</b>   | 9.06   | 9.16   | 8.98   | 7.51   |       |
| <b>EV/Sales</b>                                    | 4.16   | 3.26   | 2.61   | 2.33   |       |
| <b>EV/EBITDA</b>                                   | 9.37   | 7.31   | 4.30   | 3.76   |       |

The table does not consider any dilution effects

## Key figures (BKN)

| P&L (EUR m)                     |            |            |            |            | Price Data  |       |       |       |        |
|---------------------------------|------------|------------|------------|------------|---|-------|-------|-------|--------|
|                                 | 2006       | 2007e      | 2008e      | 2009e      |   |       |       |       |        |
| Sales                           | 13.9       | 17.7       | 22.1       | 24.8       | Share Price (EUR)   |       |       |       | 2.59   |
| Total Sales                     | 13.9       | 17.7       | 22.1       | 24.8       | Market Cap. (EUR m)   |       |       |       | 41     |
| COGS                            | 1.0        | 0.9        | 1.0        | 1.1        | Enterprise Value (EUR m)  |       |       |       | 58     |
| Gross Profit                    | 12.9       | 16.8       | 21.1       | 23.7       |   |       |       |       |        |
| Personnel Expenses              | 3.0        | 3.3        | 3.2        | 3.3        | Share Key Data  |       |       |       |        |
| Other Operating Expenses        | 3.7        | 4.0        | 4.4        | 5.0        | Earnings per Share (EUR)  | 0.29  | 0.28  | 0.29  | 0.34   |
| EBITDA                          | 6.2        | 7.9        | 13.4       | 15.4       | Sales per Share (EUR)   | 0.88  | 1.13  | 1.33  | 1.49   |
| Depreciation and Amortisation   | 1.4        | 2.0        | 6.6        | 7.4        | Free Cash Flow per Share (EUR)  | -0.32 | -0.29 | 0.02  | 0.11   |
| - thereof Goodwill Amortisation | 0.0        | 0.0        | 0.0        | 0.0        | Dividend per Share (EUR)  | 0.00  | 0.00  | 0.00  | 0.00   |
| EBIT                            | 4.7        | 5.9        | 6.8        | 7.9        | Valuation Key Data  |       |       |       |        |
| Financial Result                | -0.6       | -1.0       | -1.0       | -0.9       | P/E   | 9.06  | 9.16  | 8.98  | 7.51   |
| Extraordinary Result            | 0.0        | 0.0        | 0.0        | 0.0        | P/Sales   | 2.93  | 2.30  | 1.95  | 1.74   |
| EBT                             | 4.1        | 4.9        | 5.8        | 7.0        | EV/Sales  | 4.16  | 3.26  | 2.61  | 2.33   |
| Taxes                           | -0.4       | 0.5        | 1.0        | 1.3        | EV/EBITDA   | 9.37  | 7.31  | 4.30  | 3.76   |
| Net Profit before Minorities    | 4.5        | 4.4        | 4.8        | 5.7        | EV/EBIT   | 12.19 | 9.83  | 8.51  | 7.29   |
| Net Profit                      | 4.5        | 4.4        | 4.8        | 5.7        | P/Book  | 1.44  | 1.25  | 0.96  | 0.84   |
| Dividend Payout                 | 0.0        | 0.0        | 0.0        | 0.0        | Dividend Yield  | 0.0%  | 0.0%  | 0.0%  | 0.0%   |
| Cash-Flow                       |            |            |            |            | No. of shares (million)   |       |       |       |        |
| Cash Flow from Operations       | 5.9        | 6.5        | 11.4       | 13.2       | Ordinary shares out   | 15.72 | 15.72 | 16.64 | 16.64  |
| Free Cash Flow                  | -5.0       | -4.5       | 0.3        | 1.9        |   |       |       |       |        |
| Capex                           | 11.5       | 10.5       | 11.0       | 11.0       | Profitability   |       |       |       |        |
| Balance sheet (EUR m)           |            |            |            |            | EBITDA-margin   | 44.4% | 44.7% | 60.7% | 62.0%  |
| Fixed Assets                    | 0.2        | 0.3        | 0.3        | 0.4        | EBIT-margin   | 34.1% | 33.2% | 30.7% | 32.0%  |
| Intangible Assets               | 33.5       | 45.7       | 50.0       | 53.5       | EBT-margin  | 29.6% | 27.7% | 26.2% | 28.4%  |
| Net Working Capital             | 1.6        | 2.2        | 2.3        | 2.7        | Net Profit-margin   | 32.4% | 25.1% | 21.7% | 23.1%  |
| Current Assets                  | 6.8        | 9.2        | 9.4        | 11.7       | ROE   | 15.9% | 13.6% | 11.3% | 11.9%  |
| Cash and Cash Equivalents       | 3.4        | 5.2        | 5.1        | 6.9        | ROA   | 13.4% | 11.2% | 10.3% | 10.8%  |
| Equity                          | 28.2       | 32.7       | 42.5       | 48.2       | ROCE  | 13.1% | 12.5% | 13.2% | 14.3%  |
| Provisions                      | 1.0        | 1.1        | 1.2        | 1.3        | Company profile   |       |       |       |        |
| Financial Liabilities           | 12.7       | 23.3       | 18.3       | 18.3       | BKN develops and markets animated entertainment programmes for children.  |       |       |       |        |
| Net Cash                        | -9.3       | -18.2      | -13.2      | -11.4      | Furthermore, the company has an own film library consisting of titles for children entertainment at its disposal. Based on this catalogue of rights BKN licences merchandising rights for consumer products. BKN is marketing the broadcasting and merchandising rights on a worldwide scale. |       |       |       |        |
| Total                           | 41.1       | 56.2       | 60.8       | 66.6       | Management  |       |       |       |        |
| Reporting standard              | IFRS       | IFRS       | IFRS       | IFRS       | Allen Bohbot (CEO), Wayne Mowat (CFO), Ben Heng (Managing Director Asia)  |       |       |       |        |
| Fiscal year ending              | 30.09.2006 | 30.09.2007 | 30.09.2008 | 30.09.2009 | Shareholders  |       |       |       |        |
| Growth rates                    |            |            |            |            | Free Float  |       |       |       | 63.50% |
| Sales                           | 16.2%      | 27.5%      | 25.0%      | 12.0%      | Gordon Group Holding LLC  |       |       |       | 20.30% |
| EBITDA                          | -8.3%      | 28.2%      | 69.8%      | 14.4%      | Allen Bohbot  |       |       |       | 8.10%  |
| EBIT                            | 17.0%      | 24.0%      | 15.6%      | 16.7%      | Jack Kugler   |       |       |       | 8.10%  |
| EBT                             | 7.6%       | 19.0%      | 18.3%      | 21.4%      |   |       |       |       |        |
| Net profit                      | -12.7%     | -1.2%      | 8.0%       | 19.6%      | Cost intensities  |       |       |       |        |
| Dividend                        | n.a.       | n.a.       | n.a.       | n.a.       | COGS / Sales  | 7.1%  | 5.3%  | 4.7%  | 4.5%   |
|                                 |            |            |            |            | Personnel Expenses / Sales  | 21.5% | 18.5% | 14.6% | 13.5%  |

Source: Company (reported figures), SES Research (estimates and key figures), Bloomberg (share data)

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