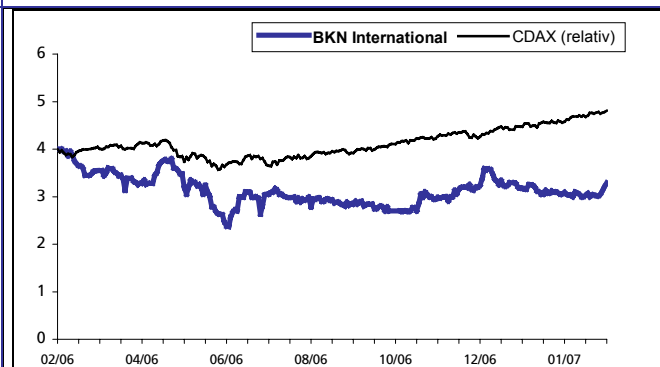


**Buy** Risk: **Price Target: EUR 4.10**  
(old: Buy) high

## New deals underline growth trend

Bloomberg: BKQ GY Price: EUR 3.29  
Reuters: BKQG.DE CDAX: 628.19  
ISIN: DE0005290704  
Internet: www.bknkids.com  
Segment: General Standard  
Sector: Entertainment/Media



Price data: Bloomberg 26.02.2007 / closing price

High / Low 52 W: EUR 4.08 / 2.25  
Market capitalisation: EUR 51.71 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%

Calendar:

### Analysis: SES Research

Published: Feb 27, 2007  
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Over the last days BKN announced several agreements with partners on the **utilisation of publishing rights and licenses of BKN productions and the decision on financing measures**. Overall the newsflow underlines that the company is doing well and will continue to grow.

In regard to finance decisions, BKN has announced to **discharge a convertible bond** of EUR 3.2 m via a bank loan and stated that a new credit line of EUR 12 m has been agreed on.

The premature repayment of the convertible bond of EUR 3.2 million is a very positive factor. The conversion price of EUR 3.2 per share is below our fair value and with this move BKN has been able to **reduce any potential dilution**. At the same time BKN was able to get a much lower interest rate (6.3%) for the loan than for the old convertible bond (10,25%), which will have a **positive effect on the financial result**.

The **loan agreement on EUR 12 m** will serve to finance further growth and will also be used to pay liabilities from other convertible bonds, which are equipped with a price that is much higher than the current share price level. Paybacks from these bonds are partially due in the course of this financial year.

The **contracts in regard to the utilisation of rights concern different royalties**:

- BKN signed an agreement with Digital Music Group, INC. (DMGI), which covers the **utilisation of digital rights** of all existing and future BKN productions in the US and Canada via DMGI. This will allow selling programmes via leading online portals. In regard to the current sales volume this is of only minor importance now, but it is due to change over the next few years. It is a positive factor that BKN has found a strong partner in this field at an early stage.

Geschäftsjahresende	9/06	9/07e	9/08e	9/09e	CAGR
<b>Umsatz</b>	13,9	17,9	22,3	25,0	21,6%
<b>EBITDA</b>	6,2	11,2	14,9	16,9	39,8%
<i>Marge</i>	44,43%	62,50%	67,00%	67,50%	
<b>EBIT</b>	4,7	5,1	6,8	7,8	18,1%
<i>Marge</i>	34,14%	28,70%	30,50%	31,25%	
<b>Nettoerg.</b>	4,5	4,1	5,4	6,3	11,7%
<i>Marge</i>	32,35%	22,67%	24,23%	25,09%	
<b>EpA</b>	0,29	0,26	0,32	0,38	9,6%
<b>Dividende</b>	0,00	0,00	0,00	0,00	n.m.
<i>Rendite</i>	0,00%	0,00%	0,00%	0,00%	
EpA in €, andere Angaben in Mio. €, Kurs: 3,29 €					
<b>KUV</b>	3,72	2,89	2,32	2,07	
<b>KGV</b>	11,50	12,73	10,13	8,73	
<b>EV/Umsatz</b>	4,51	3,50	2,81	2,51	
<b>EV/EBITDA</b>	10,15	5,60	4,19	3,72	



- A contract with Fintage Music rules the utilisation and management of the music rights in BKN productions. The revenues from music rights are overall of minor importance at present, but the agreement underlines the general interest in BKN titles and the intention of optimising the utilisation of its own rights.
- BKN was able to sign **two deals on the selling of broadcasting rights and one merchandising deal** for the important new production Dork Hunters from Outer Space.

RTL II bought the broadcasting rights of this series for Germany starting from the end of 2007. GMTV purchased the rights to broadcast in the UK from 2008 on. As the production will be on air on main TV channels, it was also possible to sign a merchandising deal that covers all of Europe. The partner is Character Group plc., who specialise on license rights of animated television programmes.

These deals indicate the economic success that will be coming from the new production. Revenues from the utilisation of Dork Hunters from the end of 2007 on are already part of our analysis and estimates.

We maintain our estimates and underline the price target of EUR **4.10 per share**. After the company will have presented its semi-annual reporting we will adjust our estimates and will also include the positive effects of the financing measures on the result. At present this is less significant for an evaluation but a potentially lower dilution should create additional price scope. In the meantime we reiterate our **Buy** rating.

## Key figures (BKN)

P&L (€m)	2006	2007e	2008e	2009e
Sales	13.9	17.9	22.3	25.0
Total operating performance	15.2	19.2	23.7	26.5
Purchases	1.0	1.0	1.1	1.2
Gross Profit	14.2	18.2	22.5	25.2
Personnel costs	3.0	3.0	3.1	3.2
Other operating expenses	3.7	3.9	4.5	5.1
EBITDA	6.2	11.2	14.9	16.9
Depreciation	1.4	6.1	8.1	9.1
- thereof amortisation of goodwill	0.0	0.0	0.0	0.0
EBIT	4.7	5.1	6.8	7.8
Financial result	-0.6	-0.6	-0.4	-0.2
Extraordinary result	0.0	0.0	0.0	0.0
EBT	4.1	4.5	6.4	7.6
Taxes	-0.4	0.5	1.0	1.3
Net result before minorities	4.5	4.1	5.4	6.3
Net profit	4.5	4.1	5.4	6.3
Profit distribution	0.0	0.0	0.0	0.0

Cash-Flow	2006	2007e	2008e	2009e
Operativer Cash-Flow	5.9	10.1	13.5	15.3
Free-Cash-Flow	-5.0	-0.6	2.3	4.1
Investitionen	11.5	10.5	11.0	11.0

Balance sheet (€m)	2006	2007e	2008e	2009e
Fixed assets	0.2	0.2	0.3	0.4
Intangible assets	33.5	37.9	40.7	42.6
Net working capital	1.6	1.9	2.2	2.6
Current assets	6.8	6.5	9.2	13.6
Liquid funds	3.4	2.7	4.9	8.9
Equity capital	28.2	32.3	42.7	49.0
Provisions	1.0	1.1	1.2	1.3
Financial Liabilities	12.7	12.7	7.7	7.7
Net liquidity	-9.3	-10.0	-2.8	1.2
Balance total	41.1	45.4	51.0	57.3

Reporting standard	IFRS	IFRS	IFRS	IFRS
Fiscal year end	30.09.2006	30.09.2007	30.09.2008	30.09.2009

Growth rates	2006	2007e	2008e	2009e
Sales	16.2%	29.0%	24.5%	12.0%
EBITDA	-8.3%	81.5%	33.5%	12.8%
EBIT	17.0%	8.4%	32.3%	14.8%
EBT	7.6%	9.8%	41.6%	18.2%
Net profit	-12.7%	-9.6%	33.0%	16.0%
Dividend	n.a.	n.a.	n.a.	n.a.

Cost intensities	2006	2007e	2008e	2009e
Purchases / Sales	7.1%	5.7%	5.0%	5.0%
Personnel costs / Sales	21.5%	17.0%	14.0%	13.0%

Segments	0	0	0	0
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Price Data				
Price (€)				3.29
Marketcap. (€m)				52
Enterprise Value (€m)				63

Share Key Data	2006	2007e	2008e	2009e
Earnings per share (€)	0.29	0.26	0.32	0.38
Sales per share (€)	0.88	1.14	1.34	1.50
Free-Cash-Flow per share (€)	-0.32	-0.04	0.14	0.24
Dividend per share (€)	0.00	0.00	0.00	0.00

Valuation Key Data	2006	2007e	2008e	2009e
P/E	11.50	12.73	10.13	8.73
P/SALES	3.72	2.89	2.45	2.19
EV/SALES	4.51	3.50	2.81	2.51
EV/EBITDA	10.15	5.60	4.19	3.72
EV/EBIT	13.21	12.18	9.21	8.03
P/Bookvalue	1.83	1.60	1.21	1.06
Dividend yield	0.0%	0.0%	0.0%	0.0%

No. of shares (million)	2006	2007e	2008e	2009e
Ordinary shares out	15.72	15.72	16.64	16.64

Profitability	2006	2007e	2008e	2009e
EBITDA / Sales	44.4%	62.5%	67.0%	67.5%
EBIT / Sales	34.1%	28.7%	30.5%	31.3%
EBT / Sales	29.6%	25.2%	28.7%	30.3%
Net profit / Sales	32.4%	22.7%	24.2%	25.1%
EC yield	15.9%	12.6%	12.7%	12.8%
SC yield	12.5%	10.4%	11.4%	11.6%
ROCE	13.1%	13.0%	15.4%	17.4%

## Company profile

BKN develops and markets animated entertainment programmes for children. 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.

## Management

Allen Bohbot (CEO), Wayne Mowat (CFO), Ben Heng (Managing Director Asia)

## Shareholders

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

Sources: company (reported data), SES Research (key figures and estimates), Bloomberg (share price data)

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