

Impresa

Market Cap.: €93.1m

Share price: €4.68

(Previous day's closing price)

Bloomberg: IPR PL

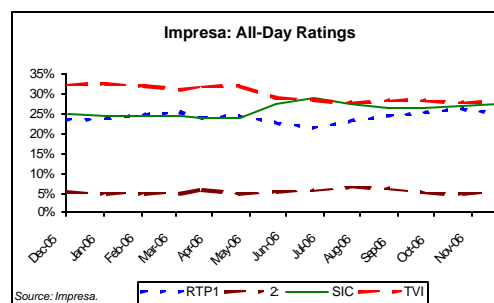
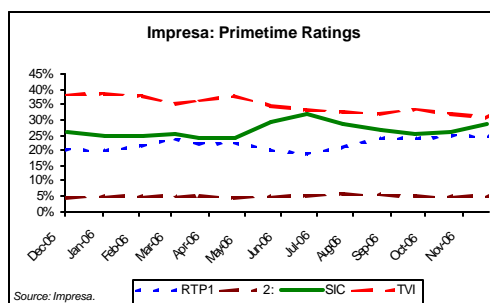
Valuation: €5.50 (Prev. €4.80)

Reuters: IPR.LS

Recommendation: BUY (Prev. Hold)

High definition!

- Along 2006, SIC, the free-to-air (FTA) television station controlled by Impresa, not only clearly justified the revamping of its programming team which took place at year-end 2005, but also our belief that the station would be able to build upon the momentum granted to it from the exclusive broadcast rights of the World Cup 2006 soccer championship aired this past summer. Not having the crutch of soccer to lean on for the latter part of the year, SIC was nonetheless able to take an existing formula of Portuguese, fictional-based productions and build upon its strengthening viewer-base. As such, SIC ended 2006 with a 26.7% share of primetime audiences, after having registered a 28.6% share in December, a very strong 2.3pp MoM improvement. More importantly perhaps was the fact that during the past month TVi, SIC's main rival and still the leading FTA station in Portugal, lost 1.1pp MoM in share to 30.9%. Albeit, for the year TVi ended with a 34.7% share of primetime audiences, 60bp better than the 34.1% enjoyed in FY05, opening an 8pp gap to SIC versus the 6.3pp gap registered in 2005.



- Given the strengthening line-up of SIC, we believe that it will continue to close the gap on TVi during 2007, which should underpin advertiser confidence. As such, we have improved our FY07 revenue estimate for the station by a full 3pp to €181.3m from the €176m we previously expected. Given the improvement expected at SIC, together with €3m that the company expects to generate from its new business unit, namely Impresa Digital, which is aimed at the multimedia segment, total group revenues should reach €275.6m in FY07, 2.9% better than our previous estimate. Overall, and although 2006 is behind us, we were forced to reduce our EBITDA figure by €1.6m or 14% for the Newspaper division in order to account for the increased marketing expenditure during the 4Q06 mainly at Expresso. We remind investors that for the first time in its history, Expresso, the staple weekly publication, was confronted with competition from "Sol," which as we have seen did not have a dramatic impact on Expresso's circulation figures. In any manner, since we now expect an EBITDA in Newspapers closer to €10m, our net profit figure FY06 suffered a 7.3% downward revision to €19.1m from our previous estimate of €20.6m (please see table below).

Equity Research

John dos Santos
 +351 21 323 29 00 / jsantos@lisbonbrokers.pt
 Filipa Ferreira

Sales/Dealing

Francisco Marques Pereira Paulo Grade André Antunes
 +351 21 323 29 34 +351 21 323 29 36 +351 21 323 29 35

| Impresa: Changes in Estimates | | | | | | |
|-------------------------------|--------------|--------------|---------------|--------------|--------------|---------------|
| | 2006e | | | 2007e | | |
| | New | Previous | % Chg. | New | Previous | % Chg. |
| Turnover | 261.5 | 261.7 | -0.1% | 275.6 | 267.7 | 2.9% |
| Television | 168.3 | 168.3 | 0.0% | 181.3 | 176.0 | 3.0% |
| Newspapers | 54.1 | 54.1 | 0.0% | 54.6 | 51.4 | 6.3% |
| Magazines | 41.1 | 41.2 | -0.2% | 39.3 | 42.3 | -7.0% |
| Impresa Digital | n.a. | 0.0 | n.a. | 3.0 | n.a. | n.a. |
| Other | (1.9) | (1.9) | n.a. | (2.6) | (2.0) | n.a. |
| Gross Profit | 161.0 | 162.7 | -1.1% | 171.9 | 166.1 | 3.5% |
| Gross Margin | 62.0% | 62.2% | | 62.4% | 62.0% | |
| EBITDA | 42.9 | 44.9 | -4.3% | 51.6 | 46.9 | 9.9% |
| EBITDA margin | 16.4% | 17.2% | | 18.7% | 17.5% | |
| Television | 30.6 | 30.6 | 0.1% | 40.0 | 32.9 | 21.6% |
| EBITDA Margin | 18.2% | 18.2% | | 22.1% | 18.7% | |
| Newspapers | 10.1 | 11.7 | -14.0% | 10.5 | 10.2 | 2.6% |
| EBITDA Margin | 18.6% | 21.6% | | 19.2% | 19.8% | |
| Magazines | 3.7 | 3.8 | -2.4% | 3.8 | 4.2 | -10.6% |
| EBITDA Margin | 9.0% | 9.2% | | 9.5% | 10.0% | |
| Impresa Digital | n.a. | n.a. | n.a. | 0.6 | n.a. | n.a. |
| EBITDA Margin | n.a. | n.a. | n.a. | 20.0% | n.a. | n.a. |
| Others | (1.5) | (1.2) | n.a. | (3.3) | (0.4) | n.a. |
| EBIT | 35.3 | 36.0 | -1.9% | 43.6 | 38.1 | 14.4% |
| EBIT Margin | 13.5% | 13.8% | | 15.8% | 14.2% | |
| Net Profit | 19.1 | 20.6 | -7.3% | 23.0 | 21.7 | 6.1% |
| Adjusted Net Profit | 19.3 | 20.7 | -6.9% | 23.3 | 21.8 | 6.9% |
| EPS | 0.23 | 0.25 | -9.0% | 0.27 | 0.26 | 5.4% |
| Adjusted EPS | 0.23 | 0.25 | -8.3% | 0.28 | 0.26 | 6.7% |

Source: Lisbon Brokers.

- Having improved our revenue and EBITDA outlook for 2007, along with including Impresa's new multimedia division, Impresa Digital, also bolstered our CAGR for the three-period 2006-2009. As such, for revenues we now expect a 4.4% CAGR versus our previous estimate of 2.5%, driven mainly by improving fundamentals at SIC, namely audience share which should stimulate advertising revenues further. In fact, while we had been expecting a 3.6% CAGR in revenues generated at SIC, we now estimate a 4.9% CAGR for the 2006-2009 timeframe. Overall, and with costs remaining strictly under control after the turbulent restructuring taking place at the end of 2005 at SIC, we now expect an 11.9% CAGR in EBITDA for the group as a whole versus our previous expectation of 3.9% as we now estimate a marked improvement in FY07. Although we also improved our EBITDA expectations for the Newspaper division, the most noticeable increase comes from SIC, as previously we were estimating a 5.2% CAGR and now expect a 13.7% CAGR in EBITDA at the Television division. Therefore, we expect a €19.1m net profit for FY06 growing to around €23m in FY07 on the heels of a solid recovery in advertising revenues which should in turn be propelled by improving economic fundamentals in the nation but mainly a noticeable recovery in the ratings at SIC.

- With a broad improvement in our figures as from 2007, we also went back and updated our Sum-of-the-Parts (SoP) model, which having also rolled forward our DCF valuation models for the various divisions, now generates an equity value of €459.7m or €5.50 per share versus our previous valuation of €4.80 per share. Therefore, and with a potential upside of nearly 17% from current market levels, we upgrade our rating on Impresa to **BUY**.

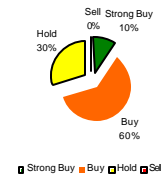
| Impresa: SoP valuation | | | | | |
|------------------------|------------------|---------|----------------------|---------------|--------|
| | Equity value (m) | % owned | Value to Impresa (m) | % of total | Method |
| Television | 519.6 | 100.0% | 519.6 | 113.0% | DCF |
| Newspapers | 91.6 | 100.0% | 91.6 | 19.9% | DCF |
| Magazines | 27.5 | 50.0% | 13.7 | 3.0% | DCF |
| Other Investments | | | 14.7 | 3.2% | |
| Net Debt | | | 180.0 | -39.2% | |
| Equity Value | | | 459.7 | 100.0% | |
| Value per share | | | 5.5 | | |
| Upside / (downside) | | | 16.9% | | |

Source: Lisbon Brokers; figures in Euro mln.

| Impresa: Forecast Profit & Loss Accounts | | | | | | | | | | | | |
|--|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2005 | 2006e | +/-% | 2007e | +/-% | 2008e | +/-% | 2009e | +/-% | 2010e | +/-% | 3Y CAGR |
| Turnover | 261.3 | 261.5 | 0.1% | 275.6 | 5.4% | 286.3 | 3.9% | 297.2 | 3.8% | 307.1 | 3.3% | 4.4% |
| Television | 162.0 | 168.3 | 3.9% | 181.3 | 7.7% | 188.1 | 3.8% | 194.2 | 3.2% | 200.4 | 3.2% | 4.9% |
| Newspapers | 61.0 | 54.1 | -11.3% | 54.6 | 1.0% | 55.2 | 1.0% | 55.6 | 0.9% | 56.0 | 0.6% | 0.9% |
| Magazines | 40.9 | 41.1 | 0.5% | 39.3 | -4.3% | 40.2 | 2.3% | 41.0 | 1.9% | 41.7 | 1.7% | -0.1% |
| Impresa Digital | n.a. | n.a. | n.a. | 3.0 | n.a. | 5.4 | 80.0% | 9.0 | 66.0% | 11.7 | 30.0% | n.a. |
| Other | (2.7) | (1.9) | n.a. | (2.6) | n.a. | (2.6) | n.a. | (2.6) | n.a. | (2.6) | n.a. | n.a. |
| COGS | 87.6 | 100.6 | 14.7% | 103.7 | 3.1% | 107.5 | 3.7% | 111.9 | 4.1% | 117.3 | 4.8% | 3.6% |
| Gross Profit | 173.6 | 161.0 | -7.3% | 171.9 | 6.8% | 178.8 | 4.0% | 185.3 | 3.7% | 189.9 | 2.5% | 4.8% |
| <i>Gross Margin</i> | <i>66.5%</i> | <i>61.6%</i> | | <i>62.4%</i> | | <i>62.4%</i> | | <i>62.3%</i> | | <i>61.8%</i> | | |
| External Supplies | 61.3 | 60.4 | -1.4% | 61.6 | 2.0% | 62.7 | 1.8% | 63.6 | 1.5% | 64.6 | 1.5% | 1.7% |
| Labor Costs | 59.2 | 53.9 | -9.0% | 55.0 | 2.0% | 56.2 | 2.3% | 57.6 | 2.5% | 59.0 | 2.5% | 2.2% |
| Own Works Capitalized | 0.0 | 0.0 | n.a. | 0.0 | n.a. | 0.0 | n.a. | 0.0 | n.a. | 0.0 | n.a. | n.a. |
| Others | 2.3 | 2.2 | -6.8% | 2.2 | -0.4% | 2.1 | -4.8% | 2.2 | 7.1% | 2.2 | -1.4% | 0.5% |
| Provisions | 1.6 | 1.6 | -1.0% | 1.6 | 2.0% | 1.6 | 2.0% | 1.6 | 2.0% | 1.7 | 2.0% | 2.0% |
| EBITDA | 49.2 | 42.9 | -12.7% | 51.6 | 20.0% | 56.2 | 8.9% | 60.2 | 7.2% | 62.4 | 3.6% | 11.9% |
| <i>EBITDA Margin</i> | <i>18.8%</i> | <i>16.4%</i> | | <i>18.7%</i> | | <i>19.6%</i> | | <i>20.3%</i> | | <i>20.3%</i> | | |
| Television | 34.5 | 30.6 | -11.2% | 40.0 | 30.6% | 42.9 | 7.2% | 45.1 | 5.2% | 47.5 | 5.4% | 13.7% |
| <i>EBITDA Margin</i> | <i>21.3%</i> | <i>18.2%</i> | | <i>22.1%</i> | | <i>22.8%</i> | | <i>23.2%</i> | | <i>23.7%</i> | | |
| Newspapers | 13.0 | 10.1 | -22.6% | 10.5 | 4.0% | 9.9 | -5.1% | 9.5 | -4.4% | 9.0 | -4.8% | -1.9% |
| <i>EBITDA Margin</i> | <i>21.3%</i> | <i>18.6%</i> | | <i>19.2%</i> | | <i>18.0%</i> | | <i>17.1%</i> | | <i>16.1%</i> | | |
| Magazines | 4.1 | 3.7 | -10.6% | 3.8 | 1.2% | 4.0 | 5.9% | 4.1 | 3.1% | 4.2 | 2.8% | 3.4% |
| <i>EBITDA Margin</i> | <i>10.1%</i> | <i>9.0%</i> | | <i>9.5%</i> | | <i>9.9%</i> | | <i>10.0%</i> | | <i>10.1%</i> | | |
| Impresa Digital | n.a. | n.a. | n.a. | 0.6 | n.a. | 1.2 | 95.0% | 2.0 | 67.0% | 2.3 | 20.0% | n.a. |
| <i>EBITDA Margin</i> | <i>n.a.</i> | <i>n.a.</i> | | <i>20.0%</i> | | <i>21.7%</i> | | <i>21.8%</i> | | <i>20.1%</i> | | |
| Others | (2.4) | (1.5) | n.a. | (3.3) | n.a. | (1.8) | n.a. | (0.4) | n.a. | (0.7) | n.a. | n.a. |
| Depreciation | 8.8 | 7.6 | -13.7% | 8.0 | 4.5% | 8.2 | 3.0% | 8.5 | 4.0% | 7.9 | -7.6% | 3.8% |
| EBIT | 40.4 | 35.3 | -12.5% | 43.6 | 23.4% | 48.0 | 10.0% | 51.7 | 7.8% | 54.5 | 5.4% | 13.5% |
| <i>EBIT Margin</i> | <i>15.5%</i> | <i>13.5%</i> | | <i>15.8%</i> | | <i>16.8%</i> | | <i>17.4%</i> | | <i>17.7%</i> | | |
| Financial Income | (9.5) | (9.8) | n.a. | (11.0) | n.a. | (10.0) | n.a. | (9.0) | n.a. | (8.5) | n.a. | n.a. |
| Non-recurring items | 0.0 | (0.1) | n.a. | 0.0 | n.a. | 0.0 | n.a. | 0.0 | n.a. | 0.0 | n.a. | n.a. |
| Income Before Taxes | 30.9 | 25.4 | -17.6% | 32.6 | 28.1% | 38.0 | 16.5% | 42.7 | 12.4% | 46.0 | 7.7% | 18.8% |
| Taxes | 7.2 | 6.0 | -17.6% | 8.5 | 42.2% | 9.9 | 16.5% | 11.1 | 12.4% | 12.0 | 7.7% | 23.0% |
| <i>Tax rate</i> | <i>23.4%</i> | <i>23.4%</i> | | <i>26.0%</i> | | <i>26.0%</i> | | <i>26.0%</i> | | <i>26.0%</i> | | |
| Minorities | 1.6 | 0.4 | n.a. | 1.1 | n.a. | 1.1 | n.a. | 1.1 | n.a. | 1.1 | n.a. | n.a. |
| Net Profit | 22.0 | 19.1 | -13.2% | 23.0 | 20.5% | 27.0 | 17.3% | 30.5 | 12.9% | 32.9 | 8.0% | 16.9% |
| Adjusted Net Profit | 22.4 | 19.3 | -14.0% | 23.3 | 21.0% | 27.3 | 17.1% | 30.8 | 12.8% | 33.2 | 7.9% | 16.9% |
| Price earnings (P/E) | 19.1 | 20.6 | | 17.1 | | 14.6 | | 12.9 | | 11.9 | | |
| Adjusted price earnings (P/E) | 18.8 | 20.4 | | 16.9 | | 14.4 | | 12.8 | | 11.8 | | |
| P/BV | 3.1 | 2.6 | | 2.2 | | 1.9 | | 1.7 | | 1.5 | | |
| Dividend yield (DY) | 0.0% | 0.0% | | 0.0% | | 0.0% | | 0.0% | | 0.0% | | |
| EPS | 0.26 | 0.23 | | 0.27 | | 0.32 | | 0.36 | | 0.39 | | |
| Adjusted EPS | 0.27 | 0.23 | | 0.28 | | 0.32 | | 0.37 | | 0.40 | | |
| BVPS | 1.59 | 1.82 | | 2.09 | | 2.41 | | 2.78 | | 3.17 | | |
| DPS | 0.0 | 0.0 | | 0.0 | | 0.0 | | 0.0 | | 0.0 | | |
| EV/EBITDA | 12.3 | 9.1 | | 7.4 | | 6.5 | | 6.5 | | 6.5 | | |
| ROE | 16.5% | 12.5% | | 13.1% | | 13.3% | | 13.3% | | 13.3% | | |

Source: Impresa; Lisbon Brokers; figures in Euro mln.

Lisbon Brokers: Current Ratings



Strong Buy: Expected return to target price greater than 20% over 12M
Buy: Expected return to target price of between 10% and 20% over 12M
Hold: Expected return to target price between 0% and 10% over 12M
Sell: Expected depreciation to target price greater than 0% over 12M

Certification: I, John dos Santos, hereby certify that the views expressed in this report accurately reflect my personal views about the company and its respective securities. I also certify that I have not been, am not, and will not be receiving any compensation in exchange for expressing the specific recommendations in this report.

This document has been prepared by Lisbon Brokers Sociedade Corretora, S.A. for information purposes only, for distribution to its customers, and may not be used for publication or reproduction. Any opinions, predictions and recommendations expressed in this document relate to the date indicated herein and are subject to change without notice. The information, estimates, predictions and recommendations expressed in this document are based on information obtained from sources considered to be reliable, but no warranty, express or implied, is given by Lisbon Brokers Sociedade Corretora S.A. regarding its accuracy, integrity or correctness and Lisbon Brokers does not accept any liability whatsoever for the information contained herein. This document does not constitute an offer, invitation or solicitation to subscribe for, purchase or sell any of the securities mentioned and neither this document nor its contents shall form the basis of any contract, commitment or decision of any kind. Lisbon Brokers Sociedade Corretora S.A. does not have any corporate banking, corporate finance, or liquidity providing agreements with any of the companies covered. Lisbon Brokers Sociedade Corretora S.A. is regulated by the CMVM.