

Impresa

Media

BUY*High Risk*

Target: €3.5

Potential: +17%

Company Note Valuation Update

PORTUGAL
03-10-03

	Net Profit	Cash Flow	EPS	D EPS	CFPS	P/E	P/CF	D EBITDA	EV/EBITDA	DY
2001	-50.0	-20.1	-0.69		-0.28	n.a	n.a	n.a	high	0.0%
2002	-34.7	-2.6	-0.48	31%	-0.04	n.a	-80.3	high	24.7	0.0%
2003E	-9.9	16.2	-0.14	72%	0.23	n.a	12.7	249.3%	9.7	0.0%
2004E	-6.5	18.6	-0.09	34%	0.26	n.a	11.0	25.6%	8.0	0.0%
2005E	-4.8	19.8	-0.07	26%	0.27	n.a	10.4	9.5%	7.7	0.0%

Note: Extraordinary items excluded from net profit, cash flow, EPS and CFPS; net profit and cash flow in €m; EPS and CFPS in €; price target for June 2004;

Last Price: €2.86.

Trading

Reuters Code	IPRN.IN
Bloomberg Code	IPR PL
Shares Outstanding (k)	72,000
Market Cap (EURm)	206
Avg. Daily Vol (#shares)	150,355
Daily Volume (EURm)	0.28
PSI20 Index Weight	0.36%
52 W High/Low	2.4/1.46

Performance D D vs PSI20

3m	31%	24%
6m	76%	56%
YTD	59%	51%

Financials

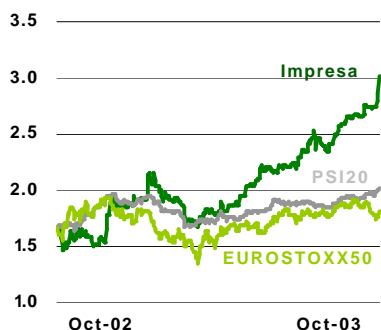
	2003E
EBITDA mg	16.5%
Interest Coverage	6.5
Gearing (D/E)	222%
ROCE	-4.1%
ROE	-12.9%

Shareholders

	stake
Impreger	52.2%
BPI	15.2%
B. Santander Neg. Portugal	2.5%
Free-float	30.1%

Source: Espírito Santo Research

Impresa - Last 52 weeks



Source: Bloomberg.

GETTING BETTER AND BETTER...

The Advertising Market is growing above expectations. In July and August ad spend accelerated compared with the 1H figures (Jan-Aug +3.6% vs Jan-Jun +2.8%) with the TV segment growing twice the market. Audience shares are also running in favor of Impresa consolidating the leadership position in September with more than 30% share (inc. cable/DTH). We are revising this year's ad market growth from 2% to 3% in which the TV segment is expected to grow 5% instead of 3.5%.

SIC is also doing better at the EBITDA mg level as seen in 1H results. We are revising our EBITDA mg from 12.1% to 16.5% due to the better ad market but also due to the positive results of the cost rationalization that started in 2001 and it is still having positive effects. Cash costs should drop almost 10% in 2003. Finally the Euro strength also helps Impresa since almost 50% of programming costs are bought in US\$ and this cost item is almost 60% of total operating expenses.

The new TV Law assures that the State-owned TV channel should have a limitation of 20% in advertising minutes (from 7.5m/hour to 6.0m). The fines for breaking the new rules also increased by 50%. We believe these new rules should be fulfilled since this has been one of the commitments of the new government. This opens some room for TV airtime prices to go up in the next years since the available space is currently 100% taken.

We are revising upwards (again) our estimates for Impresa mainly to SIC and also to the newspapers' division. Most of the arguments in our latest upgrade on Impresa are unchanged (*'Time to jump in!' dated from July 14*) but the improvements are even better. We are revising our revenues for Impresa in 2003 and 2004 by 1% and EBITDA by 16% and 13%, respectively. Looking at the valuation multiples Impresa is now trading at 10x EBITDA_{2004E} for the TV channel, in line with the sector. However the growth pace expected for this year and 2004 are considerably higher. For 2004 the ad market could eventually surpass estimates since the Euro₂₀₀₄ could have a better than expected effect in the overall economy and advertising spend. **We are raising our price target for Impresa by 17% to EUR 3.5 from EUR 3.0 per share and maintain our BUY recommendation.**

Impresa's SoP

EURm	Equity value	Stake	Impresa's Eq. Value	EV	% of Group Eq. Value	Method	Implied EV/EBITDA04
TV	361	51%	184	204	54%	DCF	12.6
Newspapers	100	100%	100	98	29%	DCF	10.0
Magazines	112	50%	56	65	16%	DCF	9.5
SoP	573		340	367	100%		
Holding debt*			88				
Equity Value			252				
Number of shares (m)			72.0				
Per share (EUR)			3.5				

Source: Espírito Santo Research. Figures in EUR m.

Media Sector European multiples

	EV/Revenues		EV/EBITDA	
	2003E	2004E	2003E	2004E
Free-to-Air				
Mediaset	3.3	3.2	11.4	10.6
ProSieben	1.0	0.9	10.9	8.1
RTL Group	1.8	1.7	11.0	9.6
TF1	2.1	1.9	11.8	10.5
AVG	2.0	1.9	11.3	9.7
Impresa TV @ market*	2.2	2.1	13.6	10.1
<i>Premium/ (Discount)</i>	<i>9.9%</i>	<i>10.9%</i>	<i>20.3%</i>	<i>4.1%</i>
* assuming 53% of holding for calculation of the EV				
Newspaper/Printing				
Indep. News & Media	1.7	1.6	8.2	7.6
Johnston Press	3.4	3.2	9.6	8.8
Trinity Mirror	2.1	2.0	9.0	8.0
Recoletos	2.0	1.7	8.3	7.0
AVG	2.3	2.1	8.8	7.8
Impresa Newspapers @ market	1.8	1.7	11.1	9.0
<i>Premium/ (Discount)</i>	<i>-21.3%</i>	<i>-18.6%</i>	<i>26.4%</i>	<i>14.7%</i>

* assuming 30% of holding for calculation of the EV

Magazines				
EMAP	2.2	2.0	10.1	9.1
Future Network	0.9	0.8	7.4	6.1
Lagardere	0.6	0.5	6.8	5.7
AVG	1.2	1.1	8.1	7.0
Impresa Magazines @ market	1.4	1.4	8.2	7.7
<i>Premium/Discount</i>	<i>18.3%</i>	<i>24.9%</i>	<i>2.0%</i>	<i>10.3%</i>

* assuming 17% of holding for calculation of the EV

Source: Espírito Santo Research, JCF (European Consensus) and IBES.

Income Statement (EUR m)	2000	2001	2002	2003E	2004E	2005E
Revenues	346	301	251	262	276	287
TV	179	144	130	142	151	157
Newspapers	60	58	51	49	51	53
Magazines	91	75	73	74	77	80
Distribution	45	44	0	0	0	0
Other	-28	-21	-3	-3	-3	-3
Personnel costs	63	76	71	63	63	65
COGS (incl. Program.)	117	130	85	78	78	80
SGA	105	107	81	76	78	81
Other operating costs	1.1	16.5	8.0	1.7	1.8	1.8
EBITDA	60.1	-28.9	6.0	43.3	54.3	59.5
EBITDA Mg	17.4%	-9.6%	2.4%	16.5%	19.7%	20.7%
TV	38.8	-11.9	0.5	23.5	31.6	35.1
Newspapers	11.4	6.7	6.1	8.0	9.8	10.7
Magazines	10.0	9.0	13.8	12.8	13.7	14.5
Distribution	0.6	0.4	0.0	0.0	0.0	0.0
Other	-0.8	-3.6	-1.6	-1.0	-0.9	-0.9
EBIT	43	-59	-26	17	29	35
Goodwill	11	10	10	11	11	11
Net Financial Results	-7	-12	-11	-12	-14	-13
Extraordinary Results	-66	-17	0	0	0	0
EBT	-41	-97	-47	-6	5	11
Income Taxes	15	-13	-2	-2	1	4
Minority Interests	12	-17	-10	6	10	12
Net Profit	-67	-67	-34	-10	-7	-5
Cash Flow	-50	-37	-2	16	19	20
Net Profit (adj.)	-1	-50	-35	-10	-7	-5

Source: Espírito Santo Research.

Balance Sheet (EUR m)	2000	2001	2002	2003E	2004E	2005E
Cash	31	6	10	10	20	20
Current Assets	123	158	147	142	145	150
Fixed assets	62	78	83	74	67	61
Intangible Assets	184	172	180	167	152	137
Other Assets	5	14	7	7	7	7
Total Assets	404	428	428	401	392	375
Shareholders Equity	168	102	81	72	65	60
Minority Interests	34	22	13	19	29	41
Financial Debt	101	123	158	169	155	129
Current liabilities	98	140	135	129	130	131
Other liabilities	5	27	34	13	13	13
Total Liabilities	203	289	327	310	297	274
Total E + L + MI	404	413	421	401	392	375
Net debt (Cash)	70	117	148	159	134	109
Gearing (Net debt/Equity)	42%	115%	182%	222%	207%	181%

Source: Espírito Santo Research.

Per Share Data (EUR)	2000	2001	2002	2003E	2004E	2005E
EPS (adj)	-0.01	-0.69	-0.48	-0.14	-0.09	-0.07
CFPS	0.22	-0.28	-0.04	0.23	0.26	0.27
BVPS	2.33	1.41	1.13	0.99	0.90	0.84
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Payout	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Performance Ratios	2000	2001	2002	2003E	2004E	2005E
Sales growth		-13.0%	-16.7%	4.5%	5.3%	4.1%
EBITDA growth		-123.6%	-187.5%	249.3%	25.6%	9.5%
EBIT growth		n.m	n.m	n.m	69.8%	19.6%
EBT growth		n.m	n.m	n.m	n.m	n.m
Net Profit growth		n.m	n.m	n.m	n.m	n.m
Net Profit Adj. growth		n.m	30.6%	71.6%	33.7%	26.1%
Cash Flow growth		-26.3%	-94.0%	-827.0%	14.8%	6.1%
Profitability Ratios	2000	2001	2002	2003E	2004E	2005E
EBITDA margin	17.4%	-9.6%	2.4%	16.5%	19.7%	20.7%
EBIT margin	12.5%	-19.6%	-10.4%	6.6%	10.6%	12.1%
Effective Income Tax Rate	n.m	n.m	n.m	n.m	n.m	n.m
ROCE	-25.0%	-29.8%	-14.3%	-4.1%	-3.0%	-2.6%
ROE	-39.9%	-65.8%	-42.2%	-13.8%	-10.1%	-8.0%
Leverage Indicators	2000	2001	2002	2003E	2004E	2005E
Net Debt / Capital Employed	26.1%	52.1%	61.7%	65.9%	61.1%	57.4%
Net Debt / EV	11.2%	38.0%	48.3%	37.9%	31.1%	23.8%
Gearing	41.8%	115.1%	181.6%	221.6%	206.6%	180.7%
Net Debt / Market Cap	34.1%	56.9%	71.8%	77.0%	65.2%	52.8%
Interest Coverage	5.5x	-4.4x	1.0x	6.5x	7.2x	8.2x
Valuation	2000	2001	2002	2003E	2004E	2005E
P/E	n.m	n.m	n.m	n.m	n.m	n.m
P/CF	28.9x	-7.9x	-53.3x	12.7x	11.0x	10.4x
P/BV	2.8x	1.5x	1.7x	2.9x	3.2x	3.4x
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Sales	1.8x	1.0x	1.2x	1.6x	1.6x	1.6x
EV/EBITDA	10.4x	-21.8x	24.7x	9.7x	8.0x	7.7x
EV/Capital Employed	61.6x	78.5x	53.5x	49.2x	51.5x	57.1x

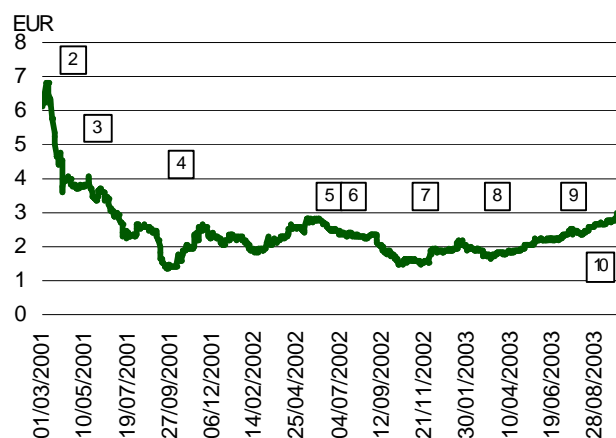
APPENDIX

Highlights of Impresa's 1H2003 P&L

EURk	1H02	1H03A	YoY	1H03E ESR	Dev	Consensus EUR m
Revenues	119,379	122,093	2.3%	126,725	-4%	121.6-127.3
Television	63,553	68,283	7.4%	70,779	-4%	
Newspapers	25,751	23,942	-7.0%	24,173	-1%	
Magazines	31,234	32,752	4.9%	34,310	-5%	
Inter-segments	-1,159	-2,884	n.a	-2,536	14%	
Cash Costs	118,553	106,042	-10.6%	115,501	-8%	
EBITDA	825	16,051	n.a	11,224	43%	10.6-15.8
Television	-5,115	9,647	n.m	5,023	92%	
Newspapers	2,208	3,572	62%	2,374	50%	
Magazines	4,688	3,517	-25%	4,684	-25%	
Inter-segments	-955	-685	28%	-857	-20%	
EBITDA mg	0.7%	13.1%		8.9%		
EBIT	-12,096	3,339	128%	-1,249	367%	
Financials	-4,120	-3,862	6%	-3,806	1%	
Goodwill	-4,879	-5,513	13%	-5,513	0%	
Extraordinaries	1,256	890	29%	483		
EBT	-19,838	-5,146	74%	-10,084	-49%	
Net Income	-13,010	-6,730	48%	-7,913	-15%	-10.1 -4.6

Source: Espírito Santo Research.

PT Impresa's Rating History



Source: Bloomberg, Espírito Santo Research.

#	Date	Rating	Price Target	Closing Price
1	1-Mar-01	Buy	8.00	6.11
2	21-Mar-01	Hold	5.60	5.00
3	14-May-01	Hold	3.90	3.90
4	23-Oct-01	Neutral	2.12	2.04
5	12-Jun-02	Under Revision	N/A	2.61
6	1-Jul-02	Restricted	N/A	2.50
7	27-Nov-02	Buy	1.80	1.53
8	25-Mar-03	Neutral-High Risk	2.10	1.80
9	11-Jul-03	Buy-High Risk	3.00	2.37
10	3-Oct-03	Buy-High Risk	3.50	2.86

Source: Espírito Santo Research

Source: Espírito Santo Research

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INVESTMENT RATINGS indicate expected return within the 12 months period to June 2004: 1 - Buy (minimum 15%); 2 - Neutral (5-15%); 3 - Sell (less than 5%); the required returns for High Risk securities can be higher.

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