

**Impresa**  
Media**NEUTRAL**High Risk  
Target: €4.12  
Potential: 0%**Company Note**

## Valuation Update + FY03 Preview

**PORTUGAL****11-02-04**

	Net Profit	Cash Flow	EPS	Δ EPS	CFPS	P/E	P/CF	Δ EBITDA	EV/EBITDA	DY
<b>2002</b>	-34.7	-2.6	-0.41	31%	-0.03	N/A	-135.3	high	23.9	0.0%
<b>2003E</b>	-8.4	16.6	-0.10	76%	0.20	N/A	20.8	254.0%	10.3	0.0%
<b>2004E</b>	6.2	26.7	0.07	173%	0.32	56.1	13.0	30.8%	9.2	0.0%
<b>2005E</b>	9.6	27.5	0.11	55%	0.33	36.3	12.6	9.8%	8.2	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 December 2004;  
**Last Price: € 4.13.**

**Trading**

Reuters Code	IPRN.IN
Bloomberg Code	IPR PL
Shares Outstanding (k)	84,000
Market Cap (EURm)	347
Avg. Daily Vol (#shares)	180,004
Daily Volume (EURm)	0.59
PSI20 Index Weight	0.69%
52 W High/Low	4.3/1.6

**Performance**

	Δ	Δ vs PSI20
3m	17%	5%
6m	88%	63%
YTD	18%	12%

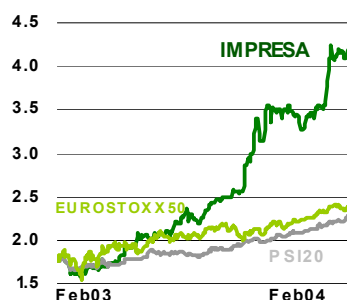
**Financials**

	2003E
EBITDA mg	16.4%
Interest Coverage	6.6
Gearing (D/E)	150%
ROCE	-3.0%
ROE	-8.2%

**Shareholders**

	stake
Impreger	52.2%
BPI	10.7%
B. Santander Neg. Portugal	2.5%
Free-float	34.6%

Source: Espírito Santo Research

**Impresa - Last 52 weeks**

Source: Bloomberg.

**AD MARKET GROWTH OUTLOOK IS KEY...****VALUATION UPGRADE TO €4.1/SHARE...**

Following the recent strong USD devaluation and Impresa's analyst presentation, we revised our estimates and price target by 14% from previous 3.6 to 4.1, mainly on the back of the following:

- **Higher EBITDA margin** in free-to-air broadcaster **SIC** due to better cost control than expected, and
- Also improved margins in the **newspaper business**, not only on the back of lower costs, following the back office integration with the magazines business and lower paper cost, but also higher than expected cover price.

**...BUT RATING DOWNGRADED TO NEUTRAL**

Although we now have an even better story to tell than before, the stock has climbed too strongly and is now trading in line with our valuation and at 16% premium to its peers on EV/EBITDA04E for the TV business, which weighs 53% on Impresa's equity value. We see limited upside with our current outlook for Impresa and the Portuguese ad market. The million dollar question is how much should the ad market rise in 2004.

**PORTUGUESE AD MARKET OUTLOOK**

Our estimates for the ad market in 2003 (+2.8%) are slightly more conservative than Impresa's (+3.5%), which could lead to a better start for 2004. For this year we are keeping our **5% ad market growth** estimate (in line with Impresa), but we could see a better performance specially in the usually weaker first half of the year, fuelled by the *Euro2004* and *Rock in Rio*, scheduled for May to June. We remind that, as a pure media company, **Impresa's performance is very sensitive to ad market growth**. A 1% change to our estimated ad growth in 2004 (plus 0.5% change in each of the following years) leads to a 9% increase of our price target.

**STOCK DRIVERS**

We do not expect any major surprises from the FY2003 results since TV audience shares are already known and the ad market should be within a range of 2.5% to 3.5%. In our estimates for FY2003 we are slightly more optimistic in terms of EBITDA margin (16.4% vs Impresa's 16.2% E), with revenues in line. We believe the stock's main driver would be a **better guidance for advertising market growth** than the current 5%.

## 1. VALUATION

We updated our valuation of Impresa based on improved assumptions mainly for the TV and newspaper businesses and made no change to our advertising market estimates. Main changes were at the EBITDA margins level (see table below), with total revenues being revised by no more than 2%. We also expect slightly lower financial charges than previously.

### Changes to EBITDA Margins

EBITDA margin	TV		Newspapers		Magazines	
	2004E	2005E	2004E	2005E	2004E	2005E
<b>Previous</b>	21.0%	22.3%	19.2%	20.2%	17.8%	18.1%
<b>New</b>	22.1%	23.5%	21.2%	21.3%	16.9%	17.1%
<b>Change</b>	+1.1pp	+1.2pp	+1.0pp	+1.1pp	-1.0pp	-1.0pp

Source: Espírito Santo Research.

Our new price target for Impresa is EUR4.12 per share, up by 14%, and the breakdown of the company's value by business is almost unchanged.

### Impresa's SoP

EURm	Equity value	Stake	Impresa's Eq. Value	EV	% of Group Eq. Value	Method	Implied EV/EBITDA04
TV	452	51%	230	489	53%	DCF	13.2
Newspapers	135	100%	135	132	31%	DCF	12.3
Magazines	137	50%	69	158	16%	DCF	11.1
<b>SoP</b>	<b>723</b>		<b>433</b>	<b>778</b>	<b>100%</b>		
Holding debt*			87				
<b>Equity Value</b>			<b>346</b>				
Number of shares (m)			84.0				
<b>Per share (EUR)</b>			<b>4.12</b>				

Source: Espírito Santo Research.

## 2. SENSITIVITY TO ADVERTISING MARKET

Being a pure media player, exposed both to TV and press, Impresa is very sensitive to advertising market growth. Our base-case scenario for the Portuguese advertising market is of 5% growth in 2004, slowing down in the next couple of years.

### ESR Base-case Scenario for Advertising Market Growth in Portugal

	2004E	2005E	2006E	2007E	2008E
Advertising Market Growth	5%	4%	3%	3%	3%

Source: Espírito Santo Research

We made a sensitivity analysis of Impresa's price target to changes in advertising market growth vs our base-case. We assume several scenarios for 2004, but for the following years always assume just a 0.5% change vs our base-case. As can be seen in the following table, **a change of just 1% to our estimated ad growth in 2004 (plus 0.5% change in each of the following years) leads to a 9% increase of our price target.** Each additional 1% in 2004 leads to a further increase of our target by the same percentage.

#### Sensitivity to Advertising Market Growth

Ad Market Growth in 2004E*	4.0%	5.0%	6.0%	7.0%	8.0%
Price Target	3.80	4.12	4.50	4.83	5.20
Change in Price Target	-8%	-	9%	17%	26%

\* In the years after 2004 we assume a change of around 0.5% per year vs. our base-case scenario

Source: Espírito Santo Research

**As we think any surprises regarding the ad market should be on the positive side, especially due to the Euro2004 and Rock in Rio, there could be room for future upward revisions of our estimates and target price.**

### 3. FY2003 RESULTS PREVIEW

Impresa should publish its FY2003 results on March 11<sup>th</sup>, after market close (to be confirmed). We expect Impresa to continue its improving trend seen in the previous quarters, with **Q4 already showing a positive EUR4m at the bottom line.** Nevertheless Impresa's results should still stay slightly in the red for the full year, with a EUR6m expected loss, vs EUR -28m in 2002 and Impresa's guideline of EUR -5m.

While we estimate revenues of EUR264m, 4.9% up on 2002 figures, EBITDA should increase almost four-fold vs 2002, reaching EUR44m. The 4Q should make up almost half of it (EUR21m), being the TV business the main driver for recovery. **EBITDA margin in FY2003 is therefore expected to reach 16.7%**, somewhat better than Impresa's guideline of 16.1%, as we are more optimistic regarding the TV and newspapers businesses.

#### Highlights of Impresa's FY03 P&L

EURk	2002	2003E ESR	YoY
<b>Revenues</b>	<b>250,691</b>	<b>263,078</b>	<b>4.9%</b>
Television	130,352	141,991	8.9%
Newspapers	50,545	50,411	-0.3%
Magazines	72,759	73,805	1.4%
Inter-segments	-2,965	-3,129	5.5%
<b>Cash Costs</b>	<b>238,306</b>	<b>219,951</b>	<b>-7.7%</b>
<b>EBITDA</b>	<b>12,385</b>	<b>43,127</b>	<b>248.2%</b>
Television	-3,393	23,586	n.m
Newspapers	4,168	8,489	103.7%
Magazines	13,164	12,066	-8.3%
Inter-segments	-1,554	-1,014	34.7%
<b>EBITDA mg</b>	<b>4.9%</b>	<b>16.4%</b>	
<b>EBIT</b>	<b>-19,760</b>	<b>18,036</b>	<b>191.3%</b>
<b>EBT</b>	<b>-40,424</b>	<b>-947</b>	<b>97.7%</b>
<b>Net Income</b>	<b>-27,965</b>	<b>-7,174</b>	<b>74.3%</b>

Source: Espírito Santo Research.

#### Highlights of the Main Businesses

TV	2002	2003E ESR	YoY
Advertising	101,400	106,182	4.7%
Other	28,952	35,809	23.7%
<b>Total revenues</b>	<b>130,352</b>	<b>141,991</b>	<b>8.9%</b>
<b>EBITDA</b>	<b>-3,393</b>	<b>23,586</b>	<b>795.1%</b>
<b>mg</b>	<b>-2.6%</b>	<b>16.6%</b>	
Newspapers	2002	2003E ESR	YoY
Advertising	35,800	33,978	-5.1%
Other	14,745	16,432	11.4%
<b>Total revenues</b>	<b>50,545</b>	<b>50,411</b>	<b>-0.3%</b>
<b>EBITDA</b>	<b>4,168</b>	<b>8,489</b>	<b>103.7%</b>
<b>mg</b>	<b>8.2%</b>	<b>16.8%</b>	
Magazines	2002	2003E ESR	YoY
Advertising	33,600	32,998	-1.8%
Other	39,159	40,808	4.2%
<b>Total revenues</b>	<b>72,759</b>	<b>73,805</b>	<b>1.4%</b>
<b>EBITDA</b>	<b>13,164</b>	<b>12,066</b>	<b>-8.3%</b>
<b>mg</b>	<b>18.1%</b>	<b>16.3%</b>	

Source: Espírito Santo Research.

## APPENDIX I

## European Media Comparables

	EV/Revenues		EV/EBITDA	
	2004E	2005E	2004E	2005E
<b>Free-to-Air</b>				
Mediaset	3.6	3.3	10.9	8.9
ProSieben	1.2	1.1	8.8	7.1
RTL Group	1.8	1.7	10.8	9.6
TF1	2.3	2.2	13.1	11.4
Antena 3	3.2	2.9	13.5	11.9
<b>AVG</b>	<b>2.4</b>	<b>2.2</b>	<b>11.4</b>	<b>9.8</b>
Impresa TV @ market*	2.9	2.8	13.2	11.8
Premium/ (Discount)	20%	25%	16%	20%
* assuming 53% of holding for calculation of the EV				
<b>Newspaper/Printing</b>				
Indep.News & Media	1.7	1.6	8.3	7.7
Johnston Press	3.4	3.2	9.4	8.6
Trinity Mirror	2.1	2.0	8.6	7.8
Recoletos	2.4	2.1	10.2	8.8
<b>AVG</b>	<b>2.4</b>	<b>2.2</b>	<b>9.1</b>	<b>8.2</b>
Impresa Newspapers @ market	2.5	2.4	12.3	11.3
Premium/ (Discount)	3%	7%	35%	37%
* assuming 31% of holding for calculation of the EV				
<b>Magazines</b>				
EMAP	2.3	2.1	10.3	9.4
Future Network	1.0	0.9	7.9	6.8
Lagardere	0.6	0.6	6.7	6.2
<b>AVG</b>	<b>1.3</b>	<b>1.2</b>	<b>8.3</b>	<b>7.5</b>
Impresa Magazines @ market	1.9	1.8	11.1	10.5
Premium/Discount	43%	50%	33%	40%

\* assuming 16% of holding for calculation of the EV

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

## APPENDIX II

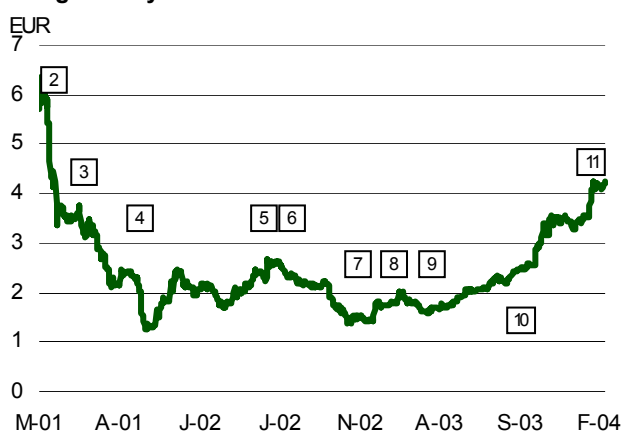
Balance Sheet (EUR m)	2000	2001	2002	2003E	2004E	2005E
Cash	31	6	10	10	20	20
Current Assets	123	158	147	146	155	160
Fixed assets	62	78	83	74	67	61
Intangible Assets	184	172	180	167	152	137
Other Assets	5	14	7	7	7	7
<b>Total Assets</b>	<b>404</b>	<b>428</b>	<b>428</b>	<b>405</b>	<b>401</b>	<b>386</b>
Shareholders Equity	168	102	81	94	100	109
Minority Interests	34	22	13	17	25	36
Financial Debt	101	123	158	152	131	93
Current liabilities	98	140	135	129	132	135
Other liabilities	5	27	34	13	13	13
Total Liabilities	203	289	327	294	276	241
<b>Total E + L + MI</b>	<b>404</b>	<b>413</b>	<b>421</b>	<b>405</b>	<b>401</b>	<b>386</b>
Net debt (Cash)	70	117	148	142	110	72
Gearing (Net debt/Equity)	42%	115%	182%	150%	111%	66%

Source: Espírito Santo Research

Income Statement (EUR m)	2000	2001	2002	2003E	2004E	2005E
<b>Revenues</b>	<b>346</b>	<b>301</b>	<b>251</b>	<b>263</b>	<b>279</b>	<b>291</b>
<b>TV</b>	<b>179</b>	<b>144</b>	<b>130</b>	<b>142</b>	<b>153</b>	<b>160</b>
<b>Newspapers</b>	<b>60</b>	<b>58</b>	<b>51</b>	<b>50</b>	<b>53</b>	<b>55</b>
<b>Magazines</b>	<b>91</b>	<b>75</b>	<b>73</b>	<b>74</b>	<b>77</b>	<b>80</b>
<b>Distribution</b>	<b>45</b>	<b>44</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other</b>	<b>-28</b>	<b>-21</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>
Personnel costs	63	76	71	63	64	66
COGS (incl. Program.)	117	130	85	78	78	80
SGA	105	107	81	77	79	81
Other operating costs	1	16	8	2	2	2
<b>EBITDA</b>	<b>60</b>	<b>-29</b>	<b>6</b>	<b>43</b>	<b>57</b>	<b>62</b>
<b>EBITDA Mg</b>	<b>17.4%</b>	<b>-9.6%</b>	<b>2.4%</b>	<b>16.4%</b>	<b>20.2%</b>	<b>21.3%</b>
<b>TV</b>	<b>39</b>	<b>-12</b>	<b>0</b>	<b>24</b>	<b>34</b>	<b>38</b>
<b>Newspapers</b>	<b>11</b>	<b>7</b>	<b>6</b>	<b>8</b>	<b>11</b>	<b>12</b>
<b>Magazines</b>	<b>10</b>	<b>9</b>	<b>14</b>	<b>12</b>	<b>13</b>	<b>14</b>
<b>Distribution</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other</b>	<b>-1</b>	<b>-4</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>EBIT</b>	<b>43</b>	<b>-59</b>	<b>-26</b>	<b>18</b>	<b>36</b>	<b>44</b>
Goodwill	11	10	10	11	11	11
Net Financial Results	-7	-12	-11	-10	-7	-6
Extraordinary Results	-66	-17	0	2	0	0
<b>EBT</b>	<b>-41</b>	<b>-97</b>	<b>-47</b>	<b>-1</b>	<b>18</b>	<b>27</b>
Income Taxes	15	-13	-2	3	4	7
Minority Interests	12	-17	-10	4	9	11
<b>Net Profit</b>	<b>-67</b>	<b>-67</b>	<b>-34</b>	<b>-7</b>	<b>5</b>	<b>9</b>
Cash Flow	-50	-37	-2	18	26	27
<b>Net Profit (adj. )</b>	<b>-1</b>	<b>-50</b>	<b>-35</b>	<b>-9</b>	<b>5</b>	<b>9</b>

Source: Espírito Santo Research

## Rating History



Source: Bloomberg, Espírito Santo Research; Data as of 25 Sep 2002

#	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
11	11-Feb-04	Neutral-High Risk	4.12	4.13

# Espírito Santo Research

GLOBAL RESEARCH COORDINATOR	Miguel Frasquilho	mfrasquilho@bes.pt	+351 213106457
EQUITY RESEARCH IBERIA & BRAZIL	Rodrigo Pinheiro	rpinheiro@bym.es	+34 914005275
EQUITY RESEARCH IBERIA	Cristina Vieira da Fonseca	cfonseca@besinv.pt	+351 213199700
FINANCIALS Banks, Insurance & Holdings	Cristina Vieira da Fonseca	cfonseca@besinv.pt	+351 213199700
TMT's Telecommunications, Media & Technology	Rui Cesário Pereira	rcesario@besinv.pt	+351 213199700
	Francisco Garau	fgarau@bym.es	+34 914005275
ENERGY Electricity, Oil & Gas	Fernando García	fgarciag@bym.es	+34 914005275
	Miguel Viana	mviana@besinv.pt	+351 213199700
	Maria Martinez	mmartinez@bym.es	+34 914005275
RETAIL & INDUSTRIALS Cyclicals, Technology & Engineering	Miguel Viana	mviana@besinv.pt	+351 213199700
	Paula Albarran	palbarran@bym.es	+34 914005275
	Catarina Castro	ccastro@besinv.pt	+351 213199700
MOTORWAYS & CONSTRUCTION	Margarida Mira	mmira@besinv.pt	+351 213199700
TOBACCO	Fernando García	fgarciag@bym.es	+34 914005275
BIOTECH & REAL ESTATE	Maria Martinez	mmartinez@bym.es	+34 914005275
LEISURE Hotels, Airlines & Travel	Joaquín García-Romanillos	jgarcia@bym.es	+34 914005275
BUILDING MATERIALS	Miguel Viana	mviana@besinv.pt	+351 213199700
	Catarina Castro	ccastro@besinv.pt	+351 213199700
SMALL CAPS	Roberto Barrio	rbarrio@bym.es	+34 914005275
MACROECONOMIC RESEARCH	Carlos Almeida Andrade	caandrade@bes.pt	+351 213508615
IBERIAN SALES	Pedro Costa	pcosta@besinv.pt	+351 213199707
	José Martins Soares	jsoares@besinv.pt	+351 213199786
	Rita Gonzalez	rgonzalez@besinv.pt	+351 213199740
	Rodrigo Carvalho	rcarvalho@besinv.pt	+351 213199730
	Ernesto Hernandez	ehernandez@bym.es	+34 914000902
	Barbara Romeu	bromeu@bym.es	+34 914000902
	Carla Gonzalez	carlag@bym.es	+34 914000902
IBERIAN TRADING	Susana Ferreira	ssilva@besinv.pt	+351 213199756
	Jorge Virgili	jvirgili@bym.es	+34 914000903
	Nigel Williams	nwilliams@bym.es	+34 914000903
	Francisco Mora	jfmora@bym.es	+34 914000903
PRIVATE CLIENTS	Fernando Castro Solla	fsolla@besinv.pt	+351 213199700
<b>BANCO ESPÍRITO SANTO</b> Av. da Liberdade, 195 1250 - 142 Lisbon - PORTUGAL	<b>ESPIRITO SANTO DEALER</b> Rua Alexandre Herculano, 38 1269 - 161 Lisbon - PORTUGAL	<b>ESPIRITO SANTO B&amp;M</b> Calle Serrano, 88 28006 Madrid - SPAIN	<b>BES SECURITIES DO BRASIL</b> Av. Rio Branco, 110 - 33º 20040 - 001 Rio de Janeiro - BRAZIL

**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.**

*Espírito Santo Research has issued this report for information purposes only. All the information contained in this report is based upon information available to the public and has been obtained from sources believed to be reliable, but Espírito Santo Research does not guarantee its accuracy or completeness. The opinions expressed herein are our present opinions only, and are subject to change without prior notice. Espírito Santo Research is not under any obligation to update or keep current the information and the opinions expressed herein. This report is not, and should not be construed as, an offer or a solicitation to buy or sell any securities or related financial instruments. The investment discussed or recommended in this report may be unsuitable for investors depending on their specific investment objectives and financial position. Where an investment is denominated in a currency other than the investor's currency, changes in rates of exchange may have an adverse effect on the value, price of, or income derived from the investment. Past performance is not necessarily a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors. The securities mentioned in this publication may not be eligible for sale in some states or countries. Espírito Santo Research does not accept any kind of liability for losses or damages which may arise from the use of this report. This report cannot be reproduced, in whole or in part, in any form or by any means, without Espírito Santo Research's specific written authorization. Espírito Santo Research is a research team which aggregates analysts from Banco Espírito Santo, S.A. and its affiliates Espírito Santo Dealer - Sociedade Financeira de Corretagem S.A., BES Securities do Brasil, S.A - Corretora de Câmbio e Valores Mobiliários, Benito y Monjardín, S.A. - Sociedad de Valores, Espírito Santo Securities, Inc., and Banco Espírito Santo S.A. Banco Espírito Santo (and/or its affiliates) has or may have business relationships, including, without limitation, investment-banking relationships, with the companies mentioned in this report. United Kingdom: Banco Espírito Santo is regulated by the Securities and Futures Authority for the conduct of investment business in the United Kingdom. This report is for distribution in the U.K. to persons who are not U.K. private customers.*

**This report contains privileged and confidential information and is intended solely for the designated addressee. Therefore any disclosure, copying, distribution or any action taken in reliance on it, is prohibited and unlawful.**