

## A good run

### ■ Strong share price performance

Impresa shares are up 39% over the last three months, led in our view by adspend recovery (up c.4% YTD vs initial expectations for flat growth) coupled with a strong improvement in group margins (12.2% EBITDA margin in 9M03 vs 0.8% in 9M02).

### ■ Downgrading to Neutral 2

Given the strong performance, and the resulting limited return potential indicated by our target price, we are downgrading our rating on Impresa to Neutral 2 from Buy 2. Going forward, we believe that Impresa's performance is likely to be dictated by the degree of adspend recovery in 2004, further margin improvements and maintenance of the regained leadership in the free-to-air TV market.

### ■ Advertising outlook for 2004

We currently estimate the total Portuguese advertising market to grow 5% in 2004. We note though that the recent changes in the free-to-air TV regulation are allowing broadcasters to start pushing through price increases. This, coupled with the positive impacts stemming from the Euro 2004 football event, could lead the admarket to outperform our current expectations

### ■ Valuation: Fairly reflected in current share prices

Factoring in a 5% growth for the Portuguese advertising market in 2004, we would currently estimate a levered FCF generation potential for Impresa of c.€28 million. On these assumptions, our DCF model currently yields a total equity value for Impresa of €294 million or €3.5ps (up from €3.3ps).

Highlights (€m)	12/01	12/02	12/03E	12/04E	12/05E
Revenues	301	251	261	282	298
EBITDA	(24)	2	33	42	50
EBIT	(54)	(30)	5	15	24
Net income (UBS)	(25)	(18)	4	11	14
EPS (UBS, €)	(0.33)	(0.23)	0.05	0.14	0.18

Profitability & Valuation	5-yr hist. av.	12/02	12/03E	12/04E	12/05E
EBIT margin %	-	-11.8	1.9	5.4	8.0
ROIC (EBIT) %	-	-11.7	2.0	6.7	11.3
EV/revenues x	-	1.5	2.1	1.9	1.3
EV/EBITDA x	-	18.3	13.5	10.8	9.1
PE (UBS) x	-	-	67.9	24.6	19.4

Source: Company accounts, Thomson Financial, UBS estimates. UBS EPS is stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of €3.49 on 13 Nov 2003

### Frederico Ataide

frederico.ataide@ubs.com

+34-91-436 9054

Portugal

Broadcasting

**Rating Neutral 2**

**Price target €3.50/US\$4.11**

**Price €3.49/US\$4.09**

RIC: IPRN.IN BBG: IPR PL

14 November 2003

#### Forecast returns

Forecast price appreciation	+0.3%
Forecast dividend yield	0.0%
Forecast stock return	+0.3%
Market return assumption	8.1%
Forecast excess return	-7.8%
Net DPS (03E)	€0.00/US\$0.00
Trend EPS growth rate	+7%

#### Trading data (local/US\$)

52-wk. range	€3.55-1.41/US\$4.11-1.42
Market cap.	€0.29bn/US\$0.34bn
Shares o/s	84m (ORD)
Free float	49%
Average volume ('000)	203
Convertible	No
Volatility	High

#### Balance sheet data 12/03E

Shareholders' equity	€0.07bn
P/BV (UBS)	3.3x
Net cash (debt)	(€0.15bn)

#### EPS (UBS, €)

	12/02	12/03E	Prior	Cons.
Q1	-	-	-	-
Q2	-	-	-	-
Q3	-	-	-	-
Q4	-	-	-	-
FY	(0.23)	0.05	-	0.05

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## ■ Impresa

Following the departure of Lusomundo, Impresa stands as the only pure media play in the Iberian Peninsula. It has interests in free- to-air TV (SIC), pay-TV (thematic channels), print media publishing (newspapers and magazines) and distribution (VASP), and portals (SIC online). Impresa is the premier diversified media group in Portugal with strong market shares in the most important divisions of the Portuguese advertising market, namely television (52% of the Portuguese advertising

## ■ Statement of Risk

As a media company, Impresa is exposed to the evolution of the advertising market. Given the high operational leverage that broadcasting companies have to advertising revenues, changes in the advertising market tend to have a strong impact in companies' earnings.

## ■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

## Required Disclosures

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### Global ratings: Definitions and allocations

UBS rating	Definition	UBS rating	Definition	Rating category	Coverage <sup>1</sup>	IB services <sup>2</sup>
<b>Buy 1</b>	FSR is > 10% above the MRA, higher degree of predictability	<b>Buy 2</b>	FSR is > 10% above the MRA, lower degree of predictability	<b>Buy</b>	35%	44%
<b>Neutral 1</b>	FSR is between -10% and 10% of the MRA, higher degree of predictability	<b>Neutral 2</b>	FSR is between -10% and 10% of the MRA, lower degree of predictability	<b>Hold/Neutral</b>	56%	40%
<b>Reduce 1</b>	FSR is > 10% below the MRA, higher degree of predictability	<b>Reduce 2</b>	FSR is > 10% below the MRA, lower degree of predictability	<b>Sell</b>	9%	37%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS; as of 30 September 2003.

### KEY DEFINITIONS

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (an approximation of the equity risk premium).

**Predictability Level** The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

**Rating/Return Divergence (RRD)** This qualifier is automatically appended to the rating when stock price movement has caused the prevailing rating to differ from that which would be assigned according to the rating system and will be removed when there is no longer a divergence, either through market movement or analyst intervention.

### EXCEPTIONS AND SPECIAL CASES

**US Closed-End Fund ratings and definitions are:** Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

**UK and European Investment Fund ratings and definitions are:** Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

**Core Banding Exceptions (CBE):** Exceptions to the standard +/-10% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned table in the relevant research piece.

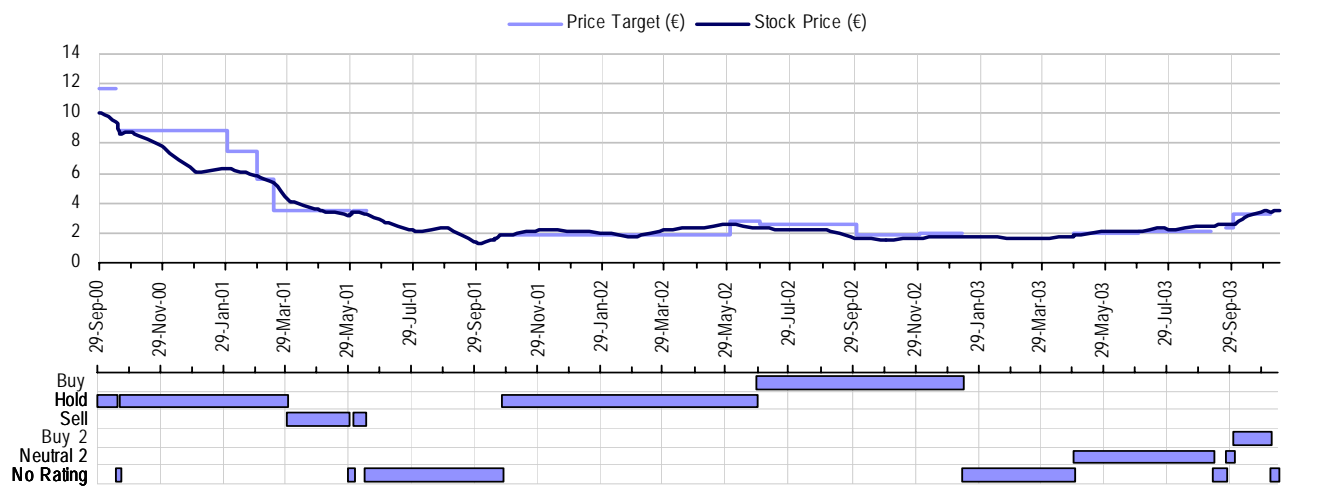
Companies mentioned

Company Name	Reuters	Rating	Price
Impresa	IPRN.IN	Neutral 2	€3.49

Price(s) as of 13 November 2003. Source: UBS.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Impresa (€)



Source: UBS; as of 13 November 2003.

Note: On October 13, 2003, UBS adopted new definition criteria for its rating system. (See 'Global ratings: Definitions and allocations' table for details.) Between January 11 and October 12, 2003, the UBS ratings and their definitions were: Buy 1: Excess return potential > 15%, smaller range around price target; Buy 2: Excess return potential > 15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Prior to January 11, 2003, the UBS ratings and definitions were: Strong Buy: Greater than 20% excess return potential, high degree of confidence; Buy: Positive excess return potential; Hold: Low excess return potential, low degree of confidence; Reduce: Negative excess return potential; Sell: Greater than 20% negative excess return potential, high degree of confidence. Under both ratings systems, excess return is defined as the difference between the FSR and the one-year local market interest rate.

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**Head office:** UBS Limited, 1 Finsbury Avenue, London, EC2M 2PP, UK Phone: +44-20-7567 8000

**Local office:** UBS Securities (Espana) SV SA, Calle Fortuny, n. 18, MADRID 28010 Phone: +34-91-436 9050

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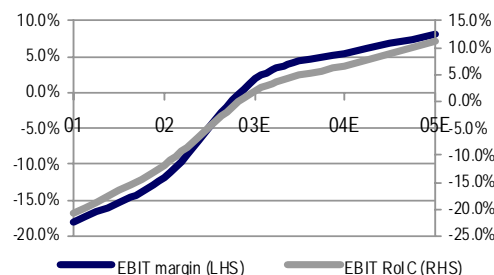


Impresa (euro)

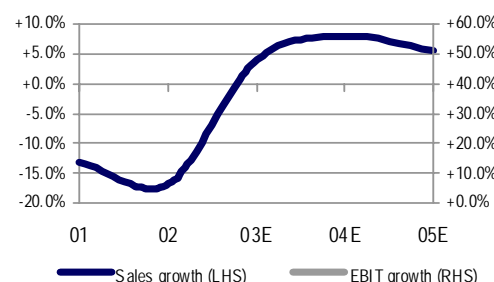
Per share (€)	12/01	12/02	12/03E	12/04E	12/05E
EPS	(0.33)	(0.23)	0.05	0.14	0.18
CEPS	(0.25)	0.09	0.28	0.37	0.41
Net DPS	0.00	0.00	0.00	0.00	0.00
BVPS	1.51	1.14	1.06	1.08	1.13
<b>Profit &amp; loss (€ m)</b>					
Sales	301	251	261	282	298
EBITDA	(24)	2	33	42	50
EBIT	(54)	(30)	5	15	24
Pre-tax profit	(66)	(40)	(3)	8	17
Net income (UBS adj.)	(25)	(18)	4	11	14
<b>Cash flow (€ m)</b>					
EBIT	(54)	(30)	5	15	24
Depreciation & amortisation	30	31	28	27	27
Change in NWC	27	2	2	3	3
Other (operating)	20	21	2	7	4
Operational cash flow	23	25	44	52	58
Tax paid	13	2	0	(1)	(4)
Capital expenditure	(51)	(61)	(10)	(11)	(11)
Net interest	(12)	(11)	(9)	(9)	(9)
Dividends paid	0	0	(2)	(3)	(6)
Net (acquisitions) / disposals	(13)	(3)	0	0	0
Other items	(10)	5	(6)	(6)	(7)
Change in net debt	(50)	(42)	16	22	21
<b>Operating free cash flow (OpFCF) (€ m)</b>					
Core EBITDA	(4)	16	30	36	41
Less: Maintenance capex	(9)	(11)	(11)	(11)	(10)
Less: Maintenance NWC	(1)	(2)	(2)	(2)	(2)
OpFCF	(14)	3	17	24	29
<b>Balance sheet (€ m)</b>					
Net tangible fixed assets	172	180	173	166	161
Net intangible fixed assets	78	83	73	63	53
Net working capital	(2)	(5)	(7)	(10)	(13)
Total invested capital (IC)	247	258	238	220	202
Financial & other fixed assets	14	7	7	7	7
Net cash / (debt)	(123)	(165)	(149)	(127)	(106)
Provisions	0	0	0	0	0
Minority interests	(22)	(13)	(16)	(21)	(30)
Shareholders' funds	95	75	66	62	57
<b>Profitability</b>					
EBITDA margin	(8.1%)	0.7%	12.7%	15.0%	17.0%
EBIT margin	(17.9%)	(11.8%)	1.9%	5.4%	8.0%
EBIT RoIC	NM	NM	2.0%	6.7%	11.3%
Net RoE	NM	NM	5.6%	17.0%	23.3%
Interest cover (EBIT)	NM	NM	0.5x	1.7x	2.7x
Dividend cover (net)	NA	NA	NA	NA	NA
<b>Productivity</b>					
Labour % sales	25.3%	26.3%	24.0%	23.5%	23.2%
Depreciation % sales	9.8%	12.5%	10.7%	9.6%	8.9%
Capex % sales	16.9%	24.3%	3.9%	3.9%	3.9%
Invested capital turnover	1.2x	1.0x	1.0x	1.2x	1.4x
Tax rate	NM	NM	NM	10.0%	25.0%
Net debt / total equity	105.8%	188.2%	181.7%	152.7%	121.4%
<b>Momentum</b>					
Sales growth	-13.0%	-16.7%	+4.0%	+8.0%	+5.7%
EBIT growth	NM	NM	NM	>+200%	+56.0%
Net earnings growth	NM	NM	NM	+175.6%	+26.7%
Dividend growth	NM	NM	NM	NM	NM
<b>Value*</b>					
Market capitalisation (€ m)	258	154	293	293	293
Plus: Core net debt / (cash)	100	152	130	117	101
Plus: Pension provisions	-	-	-	-	-
Plus: Buy out of minorities	-	-	-	-	-
Less: Non-core assets	(20)	(20)	(20)	(20)	(20)
Enterprise value (EV, avg)	338	286	403	390	374
EV/Sales (core)	2.04x	1.51x	2.09x	1.89x	1.26x
EV/EBITDA (core)	NM	18.3x	13.5x	10.8x	9.1x
EV/EBIT (core)	NM	NM	>100x	43.6x	27.4x
EV/OpFCF	NM	92.1x	23.4x	16.2x	12.8x
EV/Invested capital	1.3x	1.1x	1.6x	1.7x	1.8x
P/CE	NM	22.5x	12.7x	9.5x	8.5x
P/E	NM	NM	67.9x	24.6x	19.4x
Dividend yield (net)	0.00%	0.00%	0.00%	0.00%	0.00%
P/BV (average)	2.2x	1.8x	3.3x	3.2x	3.1x

Impresa stands as the only pure media play in the Iberian peninsula following the departure of Lusomundo from the market. It has interests in free-to-air TV (SIC), pay-TV (thematic channels), print media (newspapers and magazines, distribution (VASP) and internet portals (SIC online). Impresa is the premier diversified media group in Portugal, with strong market shares in the most important divisions of the Portuguese advertising market, namely television (52% of the Portuguese advertising share), and magazines and newspapers (a further 27% share).

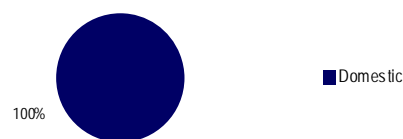
Profitability (EBIT margins & RoIC)



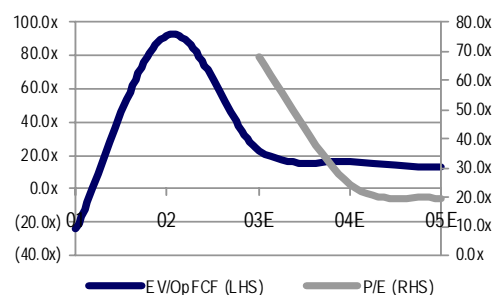
Momentum (Sales & EBIT growth)



Geographic exposure (Sales)



Value (EV/OpFCF & P/E)



Source: UBS estimates, \* Historical valuations are based on an average for the year share price. Current & future valuations are based on a share price of €3.49 on 13/11/2003