

Impresa

Estimates revision and 1Q04 Preview

Strong top line performance...

SNAPSHOT

- We are changing our estimates, following Impresa's disclosure of strong 1Q04 revenues. Nevertheless, we believe that 2H04 will show weaker comparisons with 2003.
- Advertising proved to be strong during the 1Q04. We have increased our growth estimates for 2004. In spite of this, we are leaving broadly unchanged the level of the advertising market.
- We believe that top-line growth should translate into a stronger cash-flow generation than what was initially expected, namely when considering SIC and the newspapers. In fact, the latter area is taking advantage of a move towards colour ads that have better gross margins.
- Our current estimates are ahead of Impresa's current guidance, which we believe will be upwards revised after this earnings season.
- We have upgraded our price target from €3.90 per share to €4.60 per share (18% upwards revision). Offering only 9% upside, we maintain our Neutral (High Risk) rating on Impresa.

Estimates Revision

We have revised our estimates for Impresa following the unexpectedly strong top-line figures disclosed by the company for 1Q04. Our current estimates for Impresa are above the current company guidance (disclosed with the FY03 earnings announcement), which we believe will be revised, following this earnings season. We also believe that the top-line growth ahead of our estimates will be translated into the EBITDAP line in a more steeped way than what was initially anticipated.

Estimates and Guidance - 2004

€ million	Guidance	Estimates	
		Actual	Previous
Growth of Advertising Market	>5%	8.0%	6.6%
Revenue growth	7%	10.7%	9.2%
Revenues	€284mn	€294.1mn	€291.2mn
Cash costs	€224-227mn	€228.6mn	€234mn
EBITDA	€57-60mn	€65.4mn	€57.2mn
EBITDA Margin	20-21%	22.3%	19.6%
EBITDA Growth	30-35%	60.2%	29.6%
Pre goodwill and taxes earnings	na	€4.6mn	
Net Profit	>0	€3.9mn	
Net debt reduction	>€40mn	€40mn	

Source: Impresa, Millennium bcp investimento

Nuno Vieira
+351 21 003 7827
nuno.vieira@bcp.pt

In what regards the advertising market, which performed in line with our estimates in 2003, it was slightly upwards revised versus our previous estimate. We continue to believe that the 2H04 will show a lower growth when compared with the 1H04 due to the one-off events in 1H03 and also due to a more favourable comparison base.

Estimates Revision: Market

€ million	2003	2004E	2005E	2006E	2007E	2008E
New estimates	585.4	632.0	666.5	700.3	733.8	767.9
Television	308.7	333.1	350.8	368.3	386.8	406.1
Press	141.0	153.0	160.6	167.9	174.6	181.6
Growth	3.9%	8.0%	5.4%	5.1%	4.8%	4.6%
Television	7.0%	7.9%	5.3%	5.0%	5.0%	5.0%
Press	-4.1%	8.5%	4.9%	4.5%	4.0%	4.0%
Revision	0.0%	1.2%	1.0%	1.0%	1.0%	1.0%
Television	-0.5%	0.8%	0.7%	0.7%	0.7%	0.7%
Press	-2.7%	-0.8%	-0.9%	-0.8%	-0.8%	-0.8%

Source: Millennium bcp investimento

We have also revised upwards our DCF based sum-of-the-parts of Impresa. In addition, we highlight that a sum of the parts at market multiples points to €4.50 per share, something that we believe provides some comfort to our valuation.

Impresa: Sum of the Parts

€ million	EV	Equity	Stake	Value to Impresa	Method	Weight	Implied Multiple	Revision
Television	575.3	504.8	51.0%	257.5	DCF	61%	EV/EBITDA 04 15.2x	20%
Magazines	156.5	123.9	50.0%	61.9	DCF	15%	EV/EBITDA 04 12.1x	6%
Newspapers	115.0	102.5	100.0%	102.5	DCF	24%	EV/EBITDA 04 9.7x	20%
Other Investments		3.2		3.2	BV	1%	P/BV 1.0x	-48%
Sum-of-the-Parts				425.1		100%		16%
Non Consolidated Net Debt				56.2				3%
Consolidated Net Debt				168.9				4%
Television				67.9				13%
Magazines				32.3				-1%
Newspapers				12.5				-22%
Market value of assets not affected to operator				16.5				nm
Equity Value				385.4				18%
Number of shares				84.00				0%
Price Target - YE 2004				4.60				18%

Note: Debt figures include financial leases

Source: Millennium bcp investimento

Earnings Preview

Impresa is to disclose its 1Q04 earnings on 26 April, after the market close. A conference call will be held on 26 April, at 17:00, Lisbon time. The company has already disclosed its top-line growth for the quarter: consolidated top-line grew by 15% whereas advertising-related revenues grew by 17%. We believe that this top-line growth, especially the very good growth levels in the advertising related revenue sources should have translated into cash-flow generation due to the high leverage of SIC. In addition, we also highlight that the newspapers area, namely Expresso, is moving its ad mix towards colour and that this ads tend to have

much higher gross margins. We believe that the environment surrounding the magazines area is not as favourable due to the relatively high competition in this segment. As such, we expect less positive surprises in this area.

Consolidated Income Statement

€ million	1Q03	2Q03	3Q03	4Q03	1Q04 E	YoY	QoQ
Revenues	54.8	67.3	62.3	81.3	63.2	15%	-22%
Television	29.7	38.6	32.4	44.1	34.8	17%	-21%
Magazines	15.5	17.3	19.4	22.4	17.3	12%	-23%
Newspapers	10.8	13.2	11.0	15.8	12.3	14%	-22%
Other/Holding	-1.1	-1.8	-0.5	-0.9	-1.1	nm	nm
Operating Cash Costs	53.6	52.4	55.8	63.0	56.8	6%	-10%
Television	30.3	28.3	29.5	30.8	30.8	2%	0%
Magazines	14.4	14.9	16.7	18.2	15.7	10%	-13%
Newspapers	9.7	10.7	9.6	12.4	10.3	7%	-17%
Other/Holding	-0.7	-1.5	0.0	1.7	-0.1	nm	nm
EBITDAP	1.2	14.9	6.5	18.3	6.5	453%	-65%
Margin	2.1%	22.1%	10.4%	22.6%	10.2%	8.1pp	-12.3pp
Television	-0.7	10.3	2.8	13.3	3.9	nm	-70%
Magazines	1.1	2.4	2.6	4.2	1.6	41%	-63%
Newspapers	1.1	2.5	1.4	3.4	2.0	80%	-42%
Other/Holding	-0.3	-0.3	-0.4	-2.6	-1.0	nm	nm
Provisions	1.7	1.6	1.0	2.4	1.4	-17%	-42%
EBITDA	-0.5	13.3	5.4	16.0	5.1	nm	-68%
Margin	-0.9%	19.8%	8.7%	19.6%	8.1%	9.0pp	-11.6pp
Depreciation	4.8	4.7	4.5	1.6	4.0	-18%	154%
EBIT	-5.3	8.6	0.9	14.4	1.1	nm	-92%
Margin	-9.7%	12.8%	1.4%	17.7%	1.8%	11.5pp	-15.9pp
Financial Results	-2.0	-1.9	-3.0	-3.1	-1.9	nm	nm
Goodwill	-2.8	-2.8	-2.6	-2.8	-2.7	nm	nm
Extraordinary Results	0.5	0.4	1.0	-1.2	0.0	-100%	nm
EBT	-9.5	4.4	-3.7	7.3	-3.4	nm	nm
Margin	-17.4%	6.5%	-6.0%	8.9%	-5.4%	11.9pp	-14.3pp
Income Taxes	-0.6	-1.1	-0.3	-3.5	0.2	nm	nm
Minorities	2.7	-2.6	0.4	-3.6	-2.8	nm	nm
Net Profit	-7.4	0.7	-3.6	0.1	-6.0	nm	nm
Margin	-13.5%	1.0%	-5.8%	0.2%	-9.5%	4.0pp	-9.7pp

Source: Company and Millennium bcp investimento

EBITDAP Screening

€ million	1Q03	2Q03	3Q03	4Q03	1Q04 E	YoY	QoQ
EBITDAP	1.2	14.9	6.5	18.3	6.5	453%	-65%
Television	-0.7	10.3	2.8	13.3	3.9	nm	-70%
Magazines	1.1	2.4	2.6	4.2	1.6	41%	-63%
Newspapers	1.1	2.5	1.4	3.4	2.0	80%	-42%
Other/Holding	-0.3	-0.3	-0.4	-2.6	-1.0	nm	nm
Margin	2.1%	22.1%	10.4%	22.6%	10.2%	8.1pp	-12.3pp
Television	-2.3%	26.8%	8.7%	30.2%	11.3%	13.6pp	-18.9pp
Magazines	7.1%	14.0%	13.6%	18.8%	9.0%	1.9pp	-9.8pp
Newspapers	10.2%	18.8%	13.1%	21.5%	16.1%	5.9pp	-5.4pp
Other/Holding	nm	nm	nm	nm	nm		

Source: Company and Millennium bcp investimento

Revenue Screening

€ million	1Q03	2Q03	3Q03	4Q03	1Q04 E	YoY	QoQ
Television	29.7	38.6	32.4	44.1	34.8	17%	-21%
Advertising	20.5	30.4	23.2	35.4	24.3	19%	-31%
Thematic Channels	6.0	6.9	6.5	6.8	6.8	13%	-1%
Other	3.2	1.3	2.7	1.8	3.7	17%	104%
Magazines	15.5	17.3	19.4	22.4	17.3	12%	-23%
Advertising	5.4	9.2	7.5	10.5	6.2	14%	-42%
Circulation	8.9	8.8	11.0	8.8	10.0	12%	13%
Other	1.2	-0.7	0.9	3.0	1.2	2%	-61%
Newspapers	10.8	13.2	11.0	15.8	12.3	14%	-22%
Advertising	6.2	9.3	6.8	10.2	7.2	16%	-29%
Circulation	3.8	3.6	4.2	3.4	4.3	14%	26%
Other	0.8	0.4	0.0	2.2	0.8	4%	-63%
Consolidated	54.8	67.3	62.3	81.3	63.2	15%	-22%
Advertising	32.1	48.8	37.6	56.2	37.6	17%	-33%
Circulation & Thematic	18.7	19.3	21.7	19.1	21.1	13%	10%
Other & Holding	4.0	-0.8	3.0	6.1	4.5	14%	-26%

Source: Company and Millennium bcp investimento