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Impresa

Media

Under Revision
High Risk
Price Target: n.a.
Potential: n.a.

FLASH NOTE

PORTUGAL
26-04-04

1Q2004 Results Comment

Highlights of Impresa's P&L

€ 000'	1Q03	1Q04A	YoY	1Q04E ESR	Dev	Cons € m
Revenues	**54,786**	**63,175**	**15.3%**	**63,008**	**0%**	**63.0**
Television	29,657	34,833	17.5%	34,187	2%	
Newspapers	10,762	13,094	21.7%	12,765	3%	
Magazines	15,451	16,511	6.9%	17,196	-4%	
Inter-segments	-1,084	-1,263	16.5%	-1,141	11%	
Cash Costs	***53,615***	***55,183***	***2.9%***	***55,534***	***-1%***	
EBITDA	**1,171**	**7,992**	**582.4%**	**7,473**	**7%**	**6.4**
Television	-687	4,478	n.m	3,409	31%	
Newspapers	1,100	3,023	174.9%	2,652	14%	
Magazines	1,101	1,285	16.7%	1,946	-34%	
Inter-segments	-343	-794	-131.6%	-533	49%	
EBITDA mg	***2.1%***	***12.7%***		***11.9%***		
Adj. EBITDA*	**-484**	***7,174***		***6,059***	***18%***	
EBIT	**-5,290**	**3,681**	**169.6%**	**2,679**	**-37%**	
EBT	**-9,515**	**-1,324**	**86.1%**	**-2,213**	**-40%**	
Net Income	**-7,403**	**-1,306**	**82.4%**	**-2,513**	**-48%**	**-3.5**

Source: Impresa, Espírito Santo Research
* Adj. EBITDA includes provisions in cash costs.

EXCELLENT RESULTS…SURPRISING EBITDA…AND (AGAIN) RAISING GUIDANCE

Q1 RESULTS

Impresa reached a net loss of € 1.3m, down from losses of € 7.4m last year.. Since **Impresa already stated last week its revenues for Q1, it was in line with forecasts, up 15% (with advertising growing almost 18%). Nonetheless, EBITDA was 7% higher than our forecasts and 25% better than consensus. This was mainly due to a remarkable performance of the Newspaper area and also Television.**

TELEVISION

The TV business posted better than expected performance, **with advertising revenues up 20%** and other revenues growing also at a double-digit growth (*see page #3*). This reflects not only a strong advertising TV market but also a good return from other areas like the sale of thematic channels to the pay-TV platform and satellite, SIC Indoor (TV in shopping malls) and SMSs. According to Impresa, SIC strengthen its positioning in the TV businesses being able to gain market share due to a improvement of the audience share YoY and a better targeting of the audience. Revenues rose 17.5% with **EBITDA mg climbing to 12.9% vs last year's –2.3% and our estimate of 10%. Costs with an excellent evolution flat YoY** with programming costs up 0.5%, despite the launch of a new thematic channel (-3% of the FTA channel). We recall that Q1 is normally the weakest for the advertising sector and even in the 1Q2000 SIC reached an EBITDA mg of 7.7%. We agree that there should be some anticipation of advertising to the 1H from the 2H, which improves the YoY comparisons, but it seems clear that the ad market is growing strongly (probably between 10% and 15%).

NEWSPAPER

The newspaper business was probably the most surprising, with revenues growing more than 20% (advertising +22%) and EBITDA mg reaching 23%, which is near all time high mg for this business. Being Q2 and Q4 the strongest (as in all media segments) we believe the newspaper division still has some room to improve its margin. The restructuring of the weekly newspaper '*Expresso'* made at the beginning of the year was a success revenue wise. Again a strong performance was posted at the cost level +4.2% YoY, despite the increase in the number of coloured pages and pages overall.

MAGAZINES

Altough not so brilliant as the other two areas of the Impresa group, the magazines division reported a 7% growth in revenues and 17% at the EBITDA level. Impresa has been launching news magazines and some increase in competition during the past year that somewhat limits a significant improvement of the EBITDA mg during 2004. However, do not forget that this area was the less affected during the downturn of the cycle in 2001 and 2002.

2004 GUIDANCE RAISED (AGAIN)

Impresa has again raised its FY2004 guidance for EBITDA. The last time was a month ago when the FY2003 results were announced. Impresa maintains its revenue target of € 288m (+8.4%) and is now raising its **EBITDA guidance by 5-6% to € 62m (EBITDA mg of 20-21% to 21-22%), meaning a YoY growth rate of 67%. Taking in consideration Impresa's guidance is now trading at an EV/EBIDA of around 11.5x.**

OUR VIEW…

We have placed Impresa under revision ahead of Q1 figures due to the strong revenue guidance. We have stated in our preview note that we are going to move our estimates and valuation upwards in light of the stronger revenue growth and wanted to see Q1 figures to see the performance of the different business areas. We reach several conclusions after seeing the results:

1) **Advertising market growth for 2004 could be revised upwards to 7-10% (from 5%).** Our perception is that the ad market is growing between 10-15% in Q1;

2) **The press segment is growing strongly** outperforming the market and should give room to an upward revision of the newspaper division of Impresa.

3) **Impresa's TV business is also growing strongly** with room for upward revisions;

4) The **cost performance of the Impresa group was remarkable in the TV and newspaper divisions** which enhances even more our upward revision

We should do a more detailed note in the next few weeks with our revisions of the several business areas and the Portuguese advertising market. Nonetheless, **our perception at this point is that the upward revision of our previous price target for Impresa of € 4.1 should be at least 20% (at least to € 4.9).**

Impresa's 1Q04 Results per Business area

TV	1Q03	1Q04A	YoY	1Q04E	Dev.
Advertising	20,443	24,516	19.9%	23,778	3.1%
Other	9,214	10,317	12.0%	10,410	-0.9%
Total revenues	***29,657***	***34,833***	**17.5%**	***34,187***	1.9%
EBITDA	**-687**	**4,478**	**n.m**	**3,409**	**-31.4%**
mg	*-2.3%*	*12.9%*		*10.0%*	

Newspapers	1Q03	1Q04A	YoY	1Q04E	Dev.
Advertising	6,220	7,579	21.9%	7,542	0.5%
Other	4,542	5,515	21.4%	5,223	5.6%
Total revenues	***10,762***	***13,094***	**21.7%**	***12,765***	2.6%
EBITDA	**1,100**	**3,023**	**174.9%**	**2,652**	**14.0%**
mg	*10.2%*	*23.1%*		*20.8%*	

Magazines	1Q03	1Q04A	YoY	1Q04E	Dev.
Advertising	5,438	5,663	4.1%	6,110	-7.3%
Other	10,013	10,848	8.3%	11,086	-2.1%
Total revenues	***15,451***	***16,511***	**6.9%**	***17,196***	-4.0%
EBITDA	**1,101**	**1,285**	**16.7%**	**1,946**	**-34.0%**
mg	*7.1%*	*7.8%*		*11.3%*	

Source: Impresa, Espírito Santo Research

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INVESTMENT RATINGS indicate expected return within the 12 months period to December 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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