

IMPRESA

MEDIA

BUY High Risk
Price Target: €6.8
Potential: 18%

'CREATING VALUE'

We are revising up our valuation for Impresa to €6.8 from €6.3 given the lower than expected amount paid for the 49% stake in FTA TV channel SIC. This stake was bought from BPI (41.4%) and other minorities (7.6%) being concluded in December. The implied value of 100% of SIC was €311m, an implicit EV/EBITDA05E of 6.4x. In our model we already assume an implied value of 7.8x, a 25% discount to the European FTA broadcaster's multiple at the time Impresa stated it was under negotiations to acquire the SIC's minorities. In our opinion this was an excellent deal for Impresa shareholders since the implied price paid was almost 50% below our valuation for the TV channel thus 'creating' for its shareholders €1.7 per share.

RE-GAINING TV AUDIENCE SHARE

SIC recovered the leadership in all day audience share lost in Q4 after TVI's successful 'Celebrities Farm' ended. SIC has been stating audience shares of 34.5% during January (32.5% in Q4), above its main competitor TVI with 33% (36% in Q4). SIC's Brazilian soaps have recovered some share at prime time as well as the new sitcoms. In our estimates we maintain SIC as all day leader with 34.5% followed by TVI with 32.8%.

AD MARKET SEEMS TO BE THE MAIN QUESTION MARK

It was a strong year for advertising with a 12% growth, according to our estimates. In our figures we expect an 8.5% growth for the TV segment. In 2005 we forecast a 7% growth for the ad market with 8% for TV. However, the political situation is currently more uncertain with anticipated elections scheduled for Feb. 20. According to the latest surveys it should be difficult for any party to reach majority. Furthermore, given the push given last year by the Euro2004 there is always the question if the overall behaviour of the economy could sustain a reasonable growth level. Our estimate is currently the mid-range of the guidance given by Impresa in December.

VALUATION WISE...

Impresa made an excellent deal with the acquisition of the remaining minorities of SIC. Moreover, Impresa continues to enjoy from a strong cost control track record and shareholder friendly policy. Impresa is currently trading at 10.3x EV/EBITDA05E, 7% above the sector's 9.6x. However, if we look at P/E without goodwill Impresa is one of the cheapest, trading at 14.7x for 2005E

	Net Profit	EPS	Δ EPS	P/E	P/EBG	Δ EBITDA	EV/EBITDA	DY
2003	-10.7	-0.13	n.m	neg	n.m.	n.m	16.3	0.0%
2004E	6.2	0.07	158%	78.3	29.6	91.2%	12.3	0.0%
2005E	22.8	0.27	266%	21.3	14.7	16.8%	10.3	0.0%
2006E	26.2	0.31	15%	18.5	13.3	6.1%	9.2	1.6%

Note: Extraordinary items excluded from net profit and EPS; net profit in €m; EPS in €. EBG is EPS before goodwill amortisation and extraordinary items. Price target for Dec 2005. **Last Price: €5.78.**

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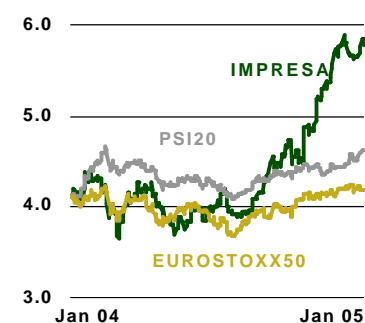
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Valuation Update

Trading		
Reuters Code	IPRN.IN	
Bloomberg Code	IPR PL	
Shares Outstanding (m)	84	
Market Cap (€m)	485	
Avg. Daily Vol (shares k)	131,985	
Daily Volume (€m)	518.32	
PSI20 Index Weight	0.74%	
52 W High/Low	5.9/3.65	
Performance	D	D vs PSI20
3m	29%	22%
6m	42%	32%
YTD	0%	-4%
Financials		2004E
EBITDA mg	22.4%	
Gearing (D/E)	89.6%	
ROCE	22.6%	
ROE	6.8%	
Shareholders		stake
Impreger	52.2%	
BPI	8.9%	
Santander	2.5%	
Free-float	36.4%	

Source: Espírito Santo Research

Impresa – Last 52 Weeks



Source: Bloomberg.

Impresa's SoP

€m	Equity value	Stake	Impresa's Eq.Value	EV	% of Group Eq.Value	Method	Implied EV/EBITDA 05E
TV	607	100%	607	625	78%	DCF	12.2
Newspapers	143	100%	143	151	18%	DCF	10.6
Magazines	86	50%	43	105	6%	DCF	10.4
Distribution	39	33%	12	39		Multiple	7.0x 04E
Holding/ Other			-27			DCF	
SoP	836		778	881	102%		
Holding debt			209				
Equity Value			569				
Per share (EUR)			6.8				

Source: Espírito Santo Research.

Comparables: Media FTA Broadcasters Comparables

	Ticker	Last Price	Market Cap	EV/EBITDA		P/E		P/E w/o Goodw		EBITDA growth 03-05E	EBITDA mg 2004E
				2005E	2006E	2005E	2006E	2005E	2006E		
Mediaset	MS IM	10.6	12,497	10.7	9.9	21.6	19.2			5.0%	36.8%
RTL	RTL LX	56.5	8,746	9.0	7.7	19.8	18.3			9.3%	18.6%
TF1	TF1 FP	24.2	5,215	9.6	9.7	19.6	20.3			2.1%	18.9%
ITV	ITV LN	116.3	4,834	11.1	10.3	19.5	18.5			21.1%	22.0%
M6	MMT FP	21.4	2,816	7.0	7.0	30.7	27.9			3.8%	27.2%
Pro-Sieben	PSM GR	12.9	2,670	8.3	7.1	14.5	13.0			8.7%	18.5%
Antena 3	A3TV SM	56.3	3,128	10.5	9.5	16.8	15.5	16.1	14.9	12.9%	35.0%
Tele5	TL5 SM	15.8	3,881	10.1	9.7	15.7	15.1	15.7	15.1	7.3%	41.8%
Impresa	IPR PL	5.8	485	10.3	9.2	21.3	18.5	14.7	13.3	11.3%	24.5%
Media Capital	MCP PL	5.3	441	9.8	8.9	37.2	29.4	19.6	17.2	12.4%	23.3%
AVG				9.6	8.9	21.7	19.6	16.5	15.1	9.4%	26.7%

Source: Espírito Santo Research for Impresa, MC, A3TV and Tele5. JCF (European consensus) and IBES for remaining broadcasters.

Income Statement

€m	2003	2004E	2005E	2006E	CAGR 03-06E
TV	145	165	178	184	8.3%
Newspapers	51	56	59	61	6.1%
Magazines	37	40	41	43	4.7%
Other	-4	-3	-3	-3	-4.2%
Revenues	229	257	275	284	7.5%
Personnel costs	55	55	57	59	2.4%
COGS (incl. Program.)	82	84	88	91	3.6%
SGA	54	57	59	61	3.7%
Other operating costs	3	0	0	0	-100.0%
EBITDA	30	58	67	71	33.3%
EBITDA mg	13.2%	22.4%	24.5%	25.1%	
TV	22	43	51	54	34.6%
Newspapers	7	13	14	14	24.4%
Magazines	4	5	5	6	11.0%
Other	-4	-3	-3	-3	-6.5%
EBIT	15	44	55	60	57.5%
Goodwill	-10	-10	-10	-10	-0.7%
Net Financial Results	-9	-8	-11	-11	9.3%
Extraordinary Results	0	1	0	0	-100.0%
EBT	-3	27	33	38	n.m
Income Taxes	5	8	10	11	35.2%
Minority Interests	2	12	1	1	-37.7%
Net Profit	-10	7	23	26	n.m
Net Profit (adj.)	-11	6	23	26	n.m

Source: Espírito Santo Research

Balance Sheet

€m	2003	2004E	2005E	2006E
Cash	21	21	21	21
Current Assets	137	130	136	139
Fixed assets	73	50	49	49
Intangible Assets	167	147	255	244
Other Assets	3	3	3	3
Total Assets	401	352	464	457
Shareholders Equity	96	103	125	152
Minority Interests	16	27	0	0
Financial Debt	170	113	227	191
Current liabilities	114	104	107	110
Other liabilities	6	5	5	5
Total Liabilities	290	222	339	305
Total E + L + MI	401	352	464	457
Net debt (Cash)	149	92	206	170
Gearing (Net debt/Equity)	156%	90%	164%	112%

Source: Espírito Santo Research

Ratios & Indicators

Per Share Data (EUR)	2003	2004E	2005E	2006E
EPS (adj)	-0.13	0.07	0.27	0.31
BVPS	1.14	1.22	1.49	1.80
DPS	0.00	0.00	0.00	0.09
Payout	0.0%	0.0%	0.0%	30.0%

Performance Ratios	2003	2004E	2005E	2006E
Sales growth		12.2%	6.9%	3.5%
EBITDA growth	n.m	91.2%	16.8%	6.1%
EBIT growth	n.m	188.3%	24.2%	9.2%
EBT growth	n.m	n.m	25.3%	14.7%
Net Profit growth	n.m	n.m	227.9%	14.8%
Net Profit Adj. growth	n.m	n.m	266.1%	14.8%

Profitability Ratios	2003	2004E	2005E	2006E
EBITDA margin	13.2%	22.4%	24.5%	25.1%
EBIT margin	6.7%	17.1%	19.9%	21.0%
Effective Income Tax Rate	n.m	n.m	n.m	n.m
ROCE	6.2%	22.6%	16.5%	18.5%
ROE	-10.7%	6.8%	18.2%	17.3%

Leverage Indicators	2003	2004E	2005E	2006E
Net Debt / Capital Employed	56.1%	42.6%	58.4%	49.6%
Net Debt / EV	30.3%	13.0%	29.8%	25.9%
Gearing	155.8%	89.6%	164.0%	112.2%
Net Debt / Market Cap	30.7%	18.9%	42.4%	35.0%
Interest Coverage	1.8x	5.3x	4.9x	5.3x

Source: Espírito Santo Research

Espírito Santo Research

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INVESTMENT RATINGS indicate expected return within the 12 months period to June 2005: 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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