

Impresa

1Q05 Earnings Comment

Good top line

SNAPSHOT

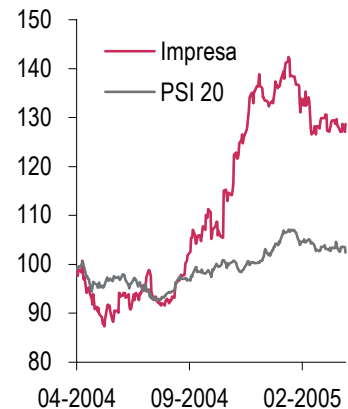
Buy (High Risk) Target_{YE05} (€): 6.60

	2003	2004	2005E	2006E
Financials				
Turnover (€ mn)	265.7	258.8	276.3	294.9
EBITDA (€ mn)	34.2	53.4	64.2	69.9
Net Income (€ mn)	-10.2	6.2	30.9	36.4
EPS (€)	0.00	0.17	0.37	0.43
CEPS (€)	0.15	0.29	0.56	0.63
Ratios				
RoIC (%)	-16.2	21.1	24.1	23.3
RoE (%)	-11.1	6.3	13.2	15.7
Net Debt / EBITDA	6.2	2.7	3.6	2.7
Net Debt / Equity	1.8	1.0	2.0	1.4
Valuation				
P / E	nm	34.3	14.9	12.6
EV / Revenues	2.6	3.3	2.6	2.3
EV / EBITDA	21.5	17.4	11.1	9.6
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Millennium bcp investimento

Price (€):	5.47
Upside:	21%
No. Shares (mn):	84.0
Market Cap (€ mn):	459.5
Avg Daily Vol 3m (k):	115.7
Reuters:	IPRN.IN
Bloomberg:	IPR PL

Prices as at 26-04-2005



- All in all, we consider these results as positive, given the confirmation of a good top line performance and cost control (namely in TV).
- The company's guidance of a strong operating performance this year was reiterated (revenues growth of 8-9%, EBITDA growth 25-30%, and between 70-80% for net income), which we believe to be especially encouraging to the market given the still fragile macro environment in Portugal and the cyclical nature of media.
- Therefore, we expect Impresa to react positively to this set of earnings.
- In terms of our estimates, we expect to revise upwards "other revenues" (SIC new businesses and ad-on products in press), which should be broadly offset by slightly lower estimates for advertising revenues. In terms of costs, we should revise downwards in TV and upwards in Press. Valuation wise, we do not foresee significant changes.

Summary

This earnings season was a good way for Impresa to start the year. The company saw its top line growing by 12% (boosted by advertising, new businesses in TV and alternative products in press), while costs grew by 9%. Regarding costs, we note that these suffered from two relevant impacts: which should not be felt in the coming quarters: (i) in magazines, Edimpresa (50% owned by Impresa) launched three magazines ("FHM", "Rotas do Mundo", "Brinca e Aprende") which had

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total launching costs of €1.8mn (of which c. 90% are FHM), while the first two magazines only started to be sold at the end of the quarter; (ii) holding costs in the quarter mostly reflect the stamp duty paid by Impresa as a result of the acquisition of SIC minorities. Excluding for the stamp duty impact, EBITDA would have been higher than our figure.

Last but not least, Impresa updated its guidance for the key indicators under IAS, reiterating its expectation of a strong growth in revenues, EBITDA and net income.

Consolidated Income Statement

€ million	1Q04	1Q05	YoY	1Q05E	Dev
Revenues	55.0	61.3	12%	59.8	3%
Television	34.6	39.0	13%	38.5	1%
Magazines	8.1	8.8	10%	8.5	5%
Newspapers	13.0	13.6	5%	13.6	0%
Other/Holding	-0.6	-0.1	nm	-0.8	82%
Operating Cash Costs	48.4	52.7	9%	50.6	4%
Television	30.4	31.3	3%	31.8	-2%
Magazines	7.7	8.5	10%	8.2	3%
Newspapers	10.2	11.1	9%	10.6	4%
Other/Holding	0.1	1.8	nm	0.0	nm
EBITDA	6.6	8.7	32%	9.2	-5%
Margin	12.0%	14.2%	2.2pp	15.3%	-1.2pp
Television	4.1	7.7	85%	6.7	14%
Magazines	0.3	0.4	7%	0.3	47%
Newspapers	2.8	2.5	-11%	3.0	-15%
Other/Holding	-0.7	-1.9	nm	-0.8	nm
Depreciation	3.1	2.3	-26%	3.3	-30%
EBIT	3.5	6.4	82%	5.9	9%
Margin	6.4%	10.4%	4.0pp	9.9%	0.6pp
Financial Results	-1.9	-1.4	nm	-2.5	44%
EBT	1.6	5.0	210%	3.4	47%
Margin	2.9%	8.1%	5.2pp	5.7%	2.5pp
Income Taxes	0.1	-1.4	nm	-0.9	-48%
Minorities	-0.3	-0.3	nm	0.0	nm
Net Profit	1.3	3.3	144%	2.5	34%
Margin	2.4%	5.4%	2.9pp	4.1%	1.2pp

Source: Company and Millennium bcp investimento

TV

In terms of top line, advertising posted an excellent performance, increasing by 11.8%, in line with estimates, benefiting from (i) the impact of the reduction of agency commissions from 6.5% to 2-2.5%; (ii) the substantial increase in audience share and ratings versus 1Q04; (iii) growth of the advertising market. In terms of audiences, recall that, on a YoY basis, SIC improved marginally in all-day, but quite significantly in prime time (by 11.9% or 3.3pp to 30.8%). This improvement in SIC was made at the expense of RTP1 and, especially, TVI, which saw its audience share falling from 29.4% to 27.4% in all-day and from 34.2% to 29.9% in prime time. SIC should have also benefited from an early Easter break (which typically is favorable to TV).

Thematic channels revenues increased by 7.4% (again in line), continuing to benefit from the increase of the subscription base of PT Multimedia's TV Cabo; as well as from the increased

coverage abroad of SIC International and SIC Notícias, especially in Angola and Mozambique, where the number of subscribers has already surpassed 60k.

Other revenues (which include “SIC Serviços” - technical services, “SIC Multimedia”, and “SIC Portátil” – mobile) outpaced expectations and guidance, having increased by an amazing 32% to €4.4mn, 15% above our estimates.

Regarding margins, TV had its best first quarter ever, benefiting from the cost control in personnel (+0.5%) and programming (+0.7%), as well as from the improvement observed in the new businesses, which posted an EBITDA margin of 15%. Overall, TV cash costs have increased by 3%, staying 2% below our estimates. Therefore, EBITDA jumped by 85% YoY to €7.7mn, i.e. 14% above our figure for the quarter.

Revenue Screening

€ million	1Q04	1Q05	YoY	1Q05E	Dev
Television	34.6	39.0	12.8%	38.5	1%
Advertising	24.2	27.1	11.8%	27.0	0%
Thematic Channels	7.0	7.6	7.4%	7.7	-2%
Other	3.3	4.4	31.7%	3.8	15%
Magazines	8.1	8.8	9.9%	8.5	5%
Advertising	2.8	3.0	6.8%	2.9	1%
Circulation	4.7	4.9	5.0%	4.7	3%
Other	0.6	1.0	57.9%	0.8	29%
Newspapers	13.0	13.6	4.8%	13.6	0%
Advertising	7.5	7.7	3.2%	8.0	-3%
Circulation	3.9	3.8	-3.8%	4.0	-5%
Other	1.6	2.1	33.0%	1.7	27%
Consolidated	55.0	61.3	11.6%	59.8	3%
Advertising	34.5	37.7	9.6%	37.9	0%
Circulation & Thematic	15.6	16.2	3.9%	16.5	-1%
Other & Holding	4.9	7.4	50.1%	5.5	35%

Source: Company and Millennium bcp investimento

Newspapers

Overall revenues came out in line (+4.8% YoY), but the mix was somewhat different from our estimates, with advertising and circulation showing YoY variations of +3.2% and -3.8%, and staying 3% and 5% below our estimates respectively. YoY performance was negatively influenced by one less publication versus a year ago of the weekly newspaper “Expresso”. Adjusted for this issue, top line would have increased by 11%, with “Expresso” advertising revenues increasing by 8.0% (instead of the reported 1.4%). This performance in advertising had much to do with the 10.4% growth in classifieds. “Blitz” and “Autosport” advertising revenues also posted an interesting performance (+10% both), with “Jornal da Região” continuing to be the ugly duckling, as its advertising revenues stood slightly below the figures observed last year, reflecting the increasing competition in free newspapers.

Still on top line, we highlight the tremendous growth registered in ad-on products (+33%, and 27% above estimates), mainly as a result of the success of the music CDs distributed along with “Expresso” (which will continue will the end of May).

Cash costs grew by 9.2% YoY to €11.1 (i.e. 4% above estimates), as a result of (i) the increase of the number of pages; (ii) the higher effort in ad-on products; and (iii) the launching costs of “Courrier International”, whose first edition was on April 8.

Magazines

Top line came out broadly in line in what regards advertising and circulation, which have increased by 6.8% and 5.0% respectively. The main deviation came (like in newspapers) from the higher than expected ad-ons, which jumped by 58% vs 1Q04, reaching €1.0mn, representing already 11% of the total revenues. Edimpresa's main contributor in terms of revenues, "Visão", continued to suffer from the competition of Cofina's "Sábado", as its circulation fell by 0.4% despite the 2% increase of the cover price.

In terms of costs, these grew broadly in line with revenues (i.e. 10%) and our estimates, as a result of the launching costs of three new magazines ("FHM", "Rotas do Mundo" and "Brinca e Aprende"), which totaled €1.8mn (90% were "FHM"). We note that "FHM" had a low contribution to top line in 1Q05, as the first edition was published at the end of the quarter, while "Rotas do Mundo" had its first edition only in April.

EBITDA Screening

€ million	1Q04	1Q05	YoY	1Q05E	Dev
EBITDA	6.6	8.7	32%	9.2	-5%
Television	4.1	7.7	85%	6.7	14%
Magazines	0.3	0.4	7%	0.3	47%
Newspapers	2.8	2.5	-11%	3.0	-15%
Other/Holding	-0.7	-1.9	nm	-0.8	-146%
Margin	12.0%	14.2%	2.2pp	15.3%	-1.2pp
Television	12.0%	19.7%	7.7pp	17.4%	2.3pp
Magazines	4.3%	4.2%	-0.1pp	3.0%	1.2pp
Newspapers	21.9%	18.5%	-3.3pp	21.8%	-3.3pp
Other/Holding	nm	nm		nm	

Source: Company and Millennium bcp investimento

Below the EBITDA line, we highlight the lower than expected depreciations, mostly due to the cancellation of intangible assets under IAS. Financial results also improved versus a year ago, as a result of lower average net debt levels and improving contribution of associated (VASP and Lusa).

Guidance

On the back of these results, Impresa updated its guidance, now under IAS:

Guidance vs. Estimates

	Guidance (IAS)	MBCPI
Revenues	€277-280mn	€276mn
YoY	8-9%	7.7%
EBITDA	€66-69mn	€64mn
YoY	25-30%	21%
Margin	24-25%	23%
Net Income	€29-31mn	€31mn

Source: Company and Millennium bcp investimento

The new guidance is not directly comparable with the previous one, although most of the

operating differences regard EBITDA. Previously, it was actually an EBITDAP target, as it referred to EBITDA before provisions. Still, applying (i) the same ratio of IAS 2004 EBITDA over 2004 PT GAAP EBITDA (0.99) to the old target, and (ii) a "provisioning equivalent" (as there are no provisions under IAS) embedded in 2005 EBITDA similar to the one observed in 2004, then one would see that there was no significant changes in guidance.

Estimates and valuation update

We shall update our price target in the following days. We should revise advertising revenues slightly downwards, which should be offset by the other revenues (SIC new businesses and ad-on products in press), while in terms of costs these should be revised downwards in TV and upwards in Press. Valuation wise, we do not foresee significant changes.

Conclusion

All in all, we consider these results as positive, with good top line performance despite the adverse macro environment, coupled with cost control (namely in TV). On top of this, the company's guidance of a strong operating performance this year was reiterated. Therefore, we expect Impresa to react positively to this set of earnings.

Income Statement

€ million	2002	2003	2004	2005E	2006E
Operating Revenues	250.7	265.7	258.8	276.3	294.9
EBITDA	1.8	34.2	53.4	64.2	69.9
EBIT	-19.8	18.6	41.2	51.2	58.1
Net Financials	-11.1	-10.0	-9.1	-12.0	-10.2
Extraordinaries	0.3	0.7	2.3	0.0	0.0
Taxes	2.3	-5.5	-7.3	-8.3	-11.5
Minority Interests	10.1	-3.1	-10.6	0.0	0.0
Net Income	-28.0	-10.2	6.2	30.9	36.4
Margins (%)					
EBITDA	0.7	12.9	20.6	23.2	23.7
EBIT	-7.9	7.0	15.9	18.5	19.7
Effective Tax Rate	-5.8	339.2	-30.1	-36.5	-36.7
Net Income	-11.2	-3.8	2.4	11.2	12.3

Source: Company data and Millennium bcp investimento

Data as of 2005 is IAS

Financial BS

€ million	2002	2003	2004	2005E	2006E
Fixed Assets	270.7	243.2	194.9	327.8	309.0
Working Capital	0.5	37.0	33.9	23.3	22.5
Invested Capital	271.1	280.3	228.8	351.1	331.5
Net Debt	170.5	168.9	102.4	228.7	189.3
Minority Interests	12.8	15.7	24.6	6.2	6.2
Equity	87.8	95.7	101.9	116.2	136.0
Capital Employed	271.1	280.3	228.8	351.1	331.5

Source: Company data and Millennium bcp investimento

Data as of 2005 is IAS

Cash-Flow Statement

€ million	2002	2003	2004	2005E	2006E
Cash Flow from Operations	-6.9	6.5	44.2	54.6	49.0
Cash Flow from Investing	-23.7	-4.3	6.5	-162.5	-9.6
Cash Flow from Financing	34.1	17.2	-38.1	103.8	-38.1
Free Cash Flow to Equity	-20.9	-4.5	28.5	-103.8	38.1
EBITDA - Capex	-21.8	29.9	59.9	-98.3	60.3

Source: Millennium bcp investimento

Free Cash Flow to Equity excludes 49% of SIC's FCFE until 2004

Data as of 2005 is IAS