EQUITY RESEARCH

Impresa

Buy

3rd October 2005

Portugal

The Benefits of Diversification

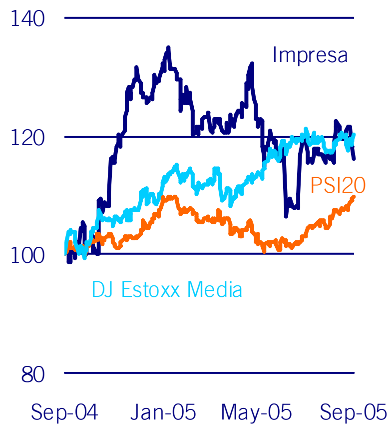
(Price target cut from € 7.45 to € 7.00; Recommendation unchanged)

- **We have revised our estimates for Impresa to account for a (1) lower than expected advertising market growth, (2) a weak TV audience share performance by SIC since April and (3) a fine-tuning following the announcement of Q2 results.** Despite a downwards revision of our 2005 estimates, **we still expect Impresa to post its best operating performance ever** as costs remain under control and the Magazines and Newspapers divisions are performing well. **We expect Impresa to reach consolidated revenues of € 272 mn, an EBITDA of € 61 mn and a Net Profit of € 29.4 mn.**

- **The major question mark going forward relates to the evolution of SIC audience shares.** The launch of the new grid aggravated SIC's weak performance as its two new reality shows took something of a pasting from the public. **From 2006 onwards, we assume that SIC should be able to maintain the same audience share level which we estimate for YE05, namely 27.7%. This implies a SIC recovery since Impresa's TV channel has been posting a 24.3% average audience share since the launch of the 2nd reality show on Sep. 16th.**

- **We value Impresa through a SoP DCF analysis and reach a YE06 Price Target of € 7.00 per share.** This translates into an expected 12M total return of 29%, **which leads us to maintain our BUY recommendation.** However, we also have to mention the higher than usual risk involved in SIC's audience share performance. **This risk is partially mitigated by the good prospects arising from Magazines and Newspapers divisions.** In fact, **in a scenario considering maintenance of current audience shares (24.3%) and a 4% fall in SIC's power ratio, our Impresa YE06 Fair Value would stand at € 4.90 per share, 6% below the current market price, which we consider a limited downside.**

Impresa vs. PSI20 and DJ Eurostoxx Media



Source: Datastream.

Historical Recommendation

Date	Recommendation
12-Sep-00	Accumulate
01-Jan-02	Hold
17-Jan-03	Reduce
18-Mar-03	Hold
28-Jul-03	Accumulate
28-Oct-03	Under revision
05-Nov-03	Hold
26-Jul-04	Under Revision
21-Oct-04	Accumulate
09-Jun-05	Buy

Source: BPI Equity Research.

Stock data

Risk	High	Sector	Media
Price	5.20	Price Target	7.00
PSI20	8089	No. of shares (mn)	84.0
Index Weight	0.4%	Market Cap (€ mn)	436.8
Reuters/Bloomberg	IPR.LS/IPR PL	EV (€ mn)	579.0
Avg. Daily Turnover (€ mn)	1.1	Free-Float	29%
Major Shareholders:Impreger (51.7%), Fidelity (10.0%), BPI (9.4%)			

Estimates (€)	2003	2004	2005F	2006F	2007F	2008F
EPS	0.00	0.21	0.35	0.43	0.47	0.50
PER	n.s.	25.2	14.8	12.1	11.0	10.4
CEPS	0.15	0.34	0.46	0.53	0.58	0.62
P/CE	35.0	15.3	11.4	9.7	8.9	8.4
EV/EBITDA	16.2	11.0	9.5	8.7	8.1	7.8
EV/Sales	2.5	2.3	2.1	2.1	2.0	1.9

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ESTIMATES REVISION: WHERE WILL TV AUDIENCE SHARE GO?

We are currently revising our estimates for Impresa based on (1) a lower than expected advertising market growth, (2) a weak TV audience share performance by SIC since April and (3) a fine-tuning following the announcement of Q2 results.

(1) ADVERTISING MARKET GROWTH

We were previously expecting the Portuguese advertising market to grow 6% on the back of a 7.5% growth in the TV segment and a solid 5% growth in the press and radio segments. After the 1H05 performance in which the advertising market has grown close to 3%, those estimates became quite unrealistic.

We still expect advertising investment in 2H05 to perform slightly better than in 1H05, mainly due to the expected reinforcement of the Telecoms effort as they prepare the full scale launch of their 3G services. Additionally, we believe that 2005 should witness a reversion to the normal seasonality of the advertising investment in Portugal, following last year's exception due to Euro 2004, which should favour Q4 investment growth due to the base comparison.

Nonetheless, these favourable factors should be partially hampered by the effect of the measures launched by the Portuguese Government to reduce the budget deficit. These measures, particularly the rise in VAT rate from 19% to 21%, should affect private consumption and possibly impede part of the advertising investment.

As such, we are now expecting a 3.7% growth for the advertising market. Again we expect the TV segment to outperform the market with a 4.5% growth as in "rough" times advertisers tend to choose the means that gives them more guarantees. TV CPT is still lower than other segments and ensures a much larger target.

As for 2006 and sucessive years we maintain our estimates. We expect a 3.4% growth in the Portuguese advertising market in 2006 in a scenario of a still meek economic growth. We maintain our conservativeness in the following years as we estimate a 2.8% 05^{E}-08^{E} CAGR.

Advertising Market in Portugal

	2005^F	Δ	2006^F	Δ	2007^F	Δ	2008^F	Δ	2009^F	Δ	2010^F	Δ	CAGR 05^F-08^F
TV	320	5%	330	3%	339	3%	347	3%	358	3%	368	3%	3%
Cable	24	15%	26	10%	29	10%	31	8%	32	5%	34	5%	7%
Daily Press	49	3%	50	3%	52	3%	53	3%	54	3%	56	3%	3%
Non-Daily Press	106	3%	110	3%	113	3%	115	3%	119	3%	122	3%	3%
Radio	54	3%	56	3%	57	3%	59	3%	61	3%	62	3%	3%
Outdoors	89	0%	91	3%	94	3%	96	3%	99	3%	102	3%	3%
Cinema	5	-5%	5	3%	5	3%	5	3%	5	3%	6	3%	3%
Internet	3	30%	3	3%	3	3%	4	3%	4	3%	4	3%	3%
Total	**650**	**4%**	**672**	**3%**	**691**	**3%**	**710**	**3%**	**732**	**3%**	**754**	**3%**	**3%**

Source: BPI Equity Research.

(2) Weak TV Audience Share

After registering a very good Q1 on the back of its successful prime-time Brazilian soap opera, SIC has been posting weak audience share figures since April. **The end of that particular soap opera coupled with the launch of two new and thriving soaps at TVI exposed SIC's loss in the prime-time but also in the morning and access prime-time slots.** In fact, until this year SIC had managed to lead all-day audience shares despite losing prime-time. However, TVI was successful in launching yet another soap, targeting the youth segment in the access prime-time slot, which undermined SIC 's capability to battle it out for the coveted leadership prize.

In the last couple of weeks of August and in the beginning of September, SIC managed to improve its audience share due to the launch of another Brazilian soap in access prime time. This new soap not only improved audience share in access prime-time but also allowed a better leverage of the 8 o'clock news and following prime-time programming.

However, **in early September all TV channels in Portugal launched new programming grids. The changes in the grid were dramatic as both SIC and TVI rely heavily on soap operas, which are only replaced when they reach their conclusions**. As such, the major novelties relied on the launch of reality shows (2 at SIC and 1 at TVI) and in new seasons of previously successful products.

A few days have elapsed since the new programming was launched and **TVI has emerged as the clear winner in this short time span**. SIC's audience shares dipped again while the TVI reality show managed to settle nicely within the channel's strong prime-time audience shares.

This poor performance has already provoked serious consequences with the sacking of SIC's Programming Director, who had vowed to recoup the leadership in audience shares in a risky bet over the mentioned reality shows. In fact, the spectators clearly rejected the Portuguese version of "Queer Eye For The Straight Guy" and another "Big Brother" alike reality show where 12 men pose as women. Despite this failed move, Mr. Manuel da Fonseca will also be remembered by his tremendous success in cutting programming costs, which should enable SIC to reach record operating performances two years in succession.

Mr. Francisco Penim will be the new Programming Director. He had already been responsible for the programming grids of SIC's thematic channels and for heading SIC Multimedia, a division devoted to studying and finding new revenues sources in new technologies.

In our previous estimates we were considering that SIC would be able to maintain a similar audience share as in 2004, 29.4%. However, following the audience share performance from April to August we are now expecting SIC to register a 27.7% average audience share in 2005.

We always conceded that TVI had the upper hand in prime-time as unlike SIC its soap operas are produced by its TV production subsidiary NBP, which gives it greater flexibility to adapt the story to Portuguese tastes and change the story if necessary. **TVI managed to transfer that expertise to the access prime-time slot as well, which in our view could also give it an advantage in reaching the all-day audience share lead. As such, throughout our estimation period we do not forecast a SIC's return to audiences leadership and instead maintain the same audience share level, 27.7%.**

We cannot throw a blind eye to the fact that SIC is currently registering paltry and unprecedented audience shares. Since the launch of its new reality shows, the first on the 11th and the second on the 16th September, SIC has been registering a 24.3% average audience share. **Again we restate our belief that SIC could recover some ground. Nonetheless, audience shares should be more closely monitored than ever as they have significant impact in terms of valuation.**

(3) Fine-tuning following Q2 results

a) **TV Division**: (1) We expect SIC to register a similar level of **other revenues** as in 1H05 (€ 6.9mn in 1H05 and we expect € 6.8mn in 2H05). Please note that in 2004 Other Revenues were stronger in the 1H of the year. However, the difference was mainly justified by the capital gain resulting from the sale of the SIC building, which under IAS is considered as operating revenue. **(2)** We were expecting **programming costs** to rise 4% YoY in 2005 to € 74mn. However, after a 2.6% YoY fall in programming costs in 1H05, we are now expecting the costs to reach € 72.4mn, a 0.9% growth YoY. This reflects a 4.5% growth in 2H05 justified by the launch of two new reality shows in September; **(3)** After the dismissal of SIC's Programming Director, we are incorporating **additional personnel costs** amounting to € 0.5mn in 2005 to account for financial compensation not only to the mentioned Director but other members of his programming team; **(4) We expect SIC to reach revenues of € 171mn and a 26.0% EBITDA margin in 2005.**

b) **Magazines Division**: **(1)** We expect lower growth in advertising revenues (4.9% vs. previous 7.4%) due to lower advertising market growth and lower **advertising revenues** from new publications such as FHM. New publications need more time than we were estimating before advertisers decide to invest in them. **(2) Other Revenues** should rise 15% YoY due to a successful campaign launched by Edimpresa's people magazines, "Caras", which should last until November; **(3) We expect Edimpresa to reach revenues of € 44mn and a 14.5% EBITDA margin in 2005.**

c) **Newspapers Division: (1)** Again **lower than previously estimated advertising revenues** (4.0% vs. previous 4.7%) **but higher revenues associated with complementary products**. In this particular case we "only" expect a 21% YoY growth in 2H05, enough for the Newspapers division to boost its other revenues by 50% YoY in FY05. **(2)** We now expect **operating costs** to grow 5.3% YoY vs. a previous 6.4%. Major fine-tuning at the personnel costs line as we now expect the 2H payroll to be similar to that of the 1H; **(3) We expect the Newspapers Division to reach revenues of € 61mn and a 23.8% EBITDA margin in 2005.**

Overall, we expect Impresa to close 2005 with consolidated revenues amounting to € 272 mn, which represents a 3% downard revision relative to our previous estimates. We estimate Impresa to reach a € 61 mn EBITDA and Net Profit of € 29.4mn, which compare with our previous estimates of € 63mn and € 30.7mn, respectively.

(4) Change in estimates for 2006 and 2007

a) **TV Division: (1)** Again, **we restate our maintenance of the 27.7% average audience share estimate for 2005 throughout our estimation period.** This is a significant reduction from the 29.4% we were previously estimating. **(2) We still expect a 3% growth in programming costs. However, we have to note that € 6-7mn of the € 72mn programming costs expected for 2005 were cost related to some clean-up of programming** still on the balance sheet, which was broadcast in off-peak periods. **It is likely that the new Programming Director will be given this cushion to work with and invest in new programming. However, our estimates point to a € 8-9mn investment in programming for 2006. At this point, we prefer to be conservative but we could have good news on that front. (3)** We expect a **1% growth in Personnel Costs in 2006** as 2005 should be influenced by the severance packages paid out to the former programming team, which we estimate at € 0.5mn.

b) **Magazines Division: (1)** We expect a fall in **other revenues** (-10% vs. previous 10% growth) as the steep 65% increase expected for 2005 should be, in our view, induced by a very successful promotion by Edimpresa's people magazine, "Caras", which we see as difficult to repeat. **(2)** We did not change our **advertising revenues estimates** but we do have to acknowledge that Edimpresa's **major magazines have been improving their audience levels**. Audience is the most widely practiced tool used by advertisers to decide on their investments. **(3)** Despite an expected increase in paper prices, **we estimate operating costs to remain flat.** This arises as we are not estimating Edimpresa to launch any magazine, while the company registered a € 1mn launching costs associated with its new magazines, particularly the Portuguese version of FHM. Additionally, the lower level of sales from promotions should also help operating costs.

c) **Newspapers Division: (1) "Expresso" should undergo a major restructuring effort in September 2006**, with positive effects on advertising revenues and costs. As such, **"Expresso" will become a full colour newspaper,** thus more attractive and expensive for advertisers. Additionally, **"Expresso" should abandon its broadsheet format for a smaller size paper** (Berliner type). On top of that, the **new printing machine should allow all "Expresso"'s folders to be distributed in a single day**, as opposed to the current 3 days, which mean that different folders have different deadlines so that the newspaper is ready for sale on Saturdays. Please note that the agreement signed in April between Impresa's Newspapers Division and Mirandela for the sale of Impresa's printing assets, called for Mirandela's obligation to invest in new full colour printing equipment until July 2006. The conditions, schedules and prices for Impresa to print its publications were all set out under that agreement. **(2)** As such, we are now estimating a **4% growth in advertising revenues in 2007** from a previous 2.5%. We acknowledge that the positive effect could be higher but we prefer to be conservative one year ahead of the mentioned changes. **(3)** An important note relative to advertising at Expresso could be the **end of the conflict between BES and Impresa's newspaper.** In that sense it is likely that some of the financial group's advertising investment will return to Expresso. **However, we have not incorporated any possible impact from this situation in our estimates. (4)** After a buoyant 2005 in terms of **Other Revenues, we now expect this line to remain flat in 2006**, which compares to a previous 10% growth estimate. **(5)** We adjusted 2006 operating costs for the costs of launching "Courier Internacional" in 2005, which amounted to € 0.5mn. Operating Costs should grow 2% in 2006. **(6) We estimate a 1.4% growth in operating costs in 2007** on the back of the positive impact from "Expresso"'s changes in paper and distribution costs. **(7) Overall, we expect the Newspapers Division's EBITDA margin to jump from an estimated 23.8% in 2004 to 26.0% in 2007.**

d) **Other Issues: (1) Dividends. We estimate Impresa to start paying dividends in 2007** (referring to 2006 results). **In addition we expect a 30% dividend pay-out and maintain that policy throughout our estimation period.** However, if no major investment opportunities arise, we recognise that as Impresa pays down debt it will have room to improve its dividend policy. **(2)** We maintain a **capex range for the group between € 11-13mn from 2006 to 2010**. However, we would not be surprised if Impresa's capex comes out below these levels. Again, we prefer to maintain our conservativeness in this respect.

VALUATION AND RECOMMENDATION

We have valued Impresa through a SoP DCF analysis and reach a YE06 Price Target of € 7.00 per share. This translates into an expected 12 month total return of 29%, which leads us to maintain our BUY recommendation. However, we also have to alert for the higher than usual risk involved in SIC's audience share performance.

We must stress that our current Impresa estimates assume that SIC should be able to maintain the same audience share level we estimated for 2005 (27.7%). This implies a considerable improvement over the audience shares registered in the 12 days after the launch of the new grid on the 16th September, a 24.3% average. As such, **even though at this point we believe SIC should be able to recover some ground over the current levels, the uncertainty over audience shares turns Impresa into a risky investment.**

However, **we should note that Impresa should benefit from the advantages of diversification.** In fact, although its TV business is currently experiencing a rough ride this is partially compensated by the good prospects of its Newspapers and Magazines divisions.

We also have to acknowledge our conservativeness relative to the Portuguese advertising market growth (3% CAGR05^{F}-10^{F}), particularly if and when the Portuguese economy recovers and considering that TV advertising prices in Portugal still stand well below the European average and those practiced in Spain.

As such, **we believe that if good news arises on any of these two fronts, Impresa could become an even more interesting opportunity.** Given the company's commitment to cost control and the high operating leverage of the media industry, and the TV segment in particular, there would be scope to markedly improve operating performance.

Impresa Sum-of-Parts Valuation (€ mn)

Business Area	EV	Net Debt	Impresa's Stake	Equity Value	Implied Multiples
TV	522	-32	100.0%	555	EV/EBITDA 06 = 10.7x; EV/Sales = 2.9x
Magazines	162	6	50.0%	78	EV/EBITDA 06 = 11.7x; EV/Sales = 1.8x
Newspapers	182	-5	100.0%	187	EV/EBITDA 06 = 12.0x; EV/Sales = 2.9x
Holding Costs	-53		100.0%	-53	
Total	**861**	**-32**		**765**	
(+) Distribution			33.3%	18	6x 2006 EV/EBITDA Multiple
(+) Other Non-Core Assets				12	
(-) Holding Net Debt				207	
Equity Value				**588**	
# Shares				84.0	
YE06 Price Target (€)				**7.00**	

Source: BPI Equity Research.

In our DCF valuations we are maintaining the basic valuation assumptions for each division:

- WACCs stand at 9.6% for SIC (TV), 9.0% for Edimpresa (Magazines) and 9.0% for Newspapers;
- Nominal growth rate in perpetuity remains at 3.5% for each division.

TV Division Valuation

SIC DCF Valuation

(€ mn)	2007F	2008F	2009F	2010F	2011F	2012F	2013F	2014F	TV
EBIT	45	48	52	51	53	56	58	60	
Tax Rate	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	
(+) EBIT x (1-Tax Rate)	33	35	37	37	38	40	41	43	43
(+) Depreciation	7	6	6	10	11	11	11	12	12
(-) Chg. Working Capital	-1	-2	-2	-2	-2	-2	-2	-2	-2
(-) Capex	-9	-10	-10	-10	-11	-11	-11	-12	-12
(=) Free Cash Flow	**29**	**30**	**32**	**35**	**37**	**38**	**40**	**41**	**41**
Discounted FCF	**26**	**25**	**24**	**24**	**23**	**22**	**21**	**20**	**337**
Enterprise Value	**522**								

Source: BPI Equity Research.

Magazines Division Valuation

Edimpresa DCF

(€ mn)	2007F	2008F	2009F	2010F	2011F	2012F	2013F	2014F	TV
EBIT	14	14	14	15	16	16	16	17	
Tax Rate	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	
(+) EBIT x (1-Tax Rate)	10	10	10	11	11	12	12	12	12
(+) Depreciation	1	1	1	1	1	1	1	1	1
(-) Chg. Working Capital	0	0	0	0	0	0	0	-0.5	-1
(-) Capex	-1	-1	-1	-1	-1	-1	-1	-1	-1
(=) Free Cash Flow	**9**	**9**	**10**	**10**	**11**	**11**	**11**	**12**	**11**
Discounted FCF	**8**	**8**	**8**	**7**	**7**	**7**	**6**	**6**	**105**
Enterprise Value	**162**								

Source: BPI Equity Research.

Newspapers Division Valuation

Newspapers DCF

(€ mn)	2007F	2008F	2009F	2010F	2011F	2012F	2013F	2014F	TV
EBIT	16	17	18	17	17	17	18	18	
Tax Rate	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	
(+) EBIT x (1-Tax Rate)	12	12	13	12	12	13	13	13	13
(+) Depreciation	1	0	0	1	1	1	1	1	1
(-) Chg. Working Capital	-1	-1	-1	-1	-1	-1	-1	-1	-1
(-) Capex	-1	-1	-1	-1	-1	-1	-1	-1	-1
(=) Free Cash Flow	**11**	**11**	**11**	**12**	**12**	**12**	**12**	**12**	**13**
Discounted FCF	**10**	**9**	**8**	**8**	**8**	**7**	**7**	**6**	**118**
Enterprise Value	**182**								

Source: BPI Equity Research.

Sensitivity Analysis

We performed a sensitivity analysis to some key operating variables of our model as well as to valuation assumptions:

- Advertising from 2005 onwards;
- Advertising in 2005 only;
- TV advertising market share;
- Market risk premium;
- Nominal perpetuity growth rate;
- Risk-free rate.

We should highlight the fact that Impresa is extremely sensitive to changes in the assumptions relative to the evolution of the advertising market as well as audience and advertising market shares.

Still, we would note that our DCF valuation only registers values below current market price only in the extreme scenarios of advertising market growth coming out 1 or 2 p.p. below our estimates every year from 2005 onwards.

BPI

Impresa's Valuation Sensitivity

	Advertising Growth (throughout the whole estimation period)				
	-2%	**-1%**	**Base Case**	**+1%**	**+2%**
DCF Fair Value	**3.23**	**5.04**	**7.00**	**9.13**	**11.43**
Chg. To Base Case	-53.9%	-28.0%		30.3%	63.2%
	2005 Advertising Growth				
	-2%	**-1%**	**Base Case**	**+1%**	**+2%**
DCF Fair Value	**6.48**	**6.74**	**7.00**	**7.27**	**7.53**
Chg. To Base Case	-7.5%	-3.8%		3.8%	7.5%
	TV Advertising Market Share				
	37.3%	**38.3%**	**39.3%**	**40.3%**	**41.3%**
DCF Fair Value	**6.10**	**6.54**	**7.00**	**7.48**	**7.91**
Chg. To Base Case	-13.0%	-6.7%		6.7%	13.0%
	TV Audience Share				
	25.7%	**26.7%**	**27.7%**	**28.7%**	**29.7%**
DCF Fair Value	**6.12**	**6.57**	**7.00**	**7.43**	**7.84**
Chg. To Base Case	-12.6%	-6.2%		6.1%	12.0%
	TV Power Ratio				
	1.06	**1.10**	**1.14**	**1.18**	**1.22**
DCF Fair Value	**5.73**	**6.37**	**7.00**	**7.64**	**8.28**
Chg. To Base Case	-18.2%	-9.1%		9.1%	18.2%
	Perpetuity Growth Rate (g)				
	2.5%	**3.0%**	**3.5%**	**4.0%**	**4.5%**
DCF Fair Value	**6.14**	**6.54**	**7.00**	**7.56**	**8.23**
Chg. To Base Case	-12.4%	-6.7%		7.9%	17.5%
	Market Risk Premium				
	5.0%	**5.5%**	**6.0%**	**6.5%**	**7.0%**
DCF Fair Value	**8.62**	**7.75**	**7.00**	**6.37**	**5.83**
Chg. To Base Case	23.1%	10.6%		-9.0%	-16.9%
	Rf				
	3.50%	**3.75%**	**4.00%**	**4.25%**	**4.50%**
DCF Fair Value	**7.73**	**7.36**	**7.00**	**6.68**	**6.37**
Chg. To Base Case	10.6%	5.1%		-4.7%	-9.1%

Source: BPI Equity Research Estimates.

Still, at this point in time when SIC audience shares have been performing rather meekly and with no signs of recovery, we believe it is imperative to give investors a better sense of the risks they could face.

As such, **we provide a sensitivity analysis in our DCF valuation to two key variables in the TV segment: audience shares and power ratio.**

SIC WACC Assumptions

Re	**12.0%**
Risk Free Rate	4.00%
Beta Equity	1.3
Market Premium	6.0%
Debt to Equity	40.0%
Tax Rate	27.5%
Rd	**5.0%**
WACC	**9.6%**
g	**3.5%**

Source: BPI Equity Research.

Edimpresa Division WACC Assumptions

Re	11.1%
Risk Free Rate	4.00%
Beta Equity	1.2
Market Premium	6.0%
Debt to Equity	40.0%
Tax Rate	27.5%
Rd	**5.0%**
WACC	**9.0%**
g	**3.5%**

Source: BPI Equity Research.

Newspapers Division WACC Assumptions

Re	11.1%
Risk Free Rate	4.00%
Beta Equity	1.2
Market Premium	6.0%
Debt to Equity	40.0%
Tax Rate	27.5%
Rd	**5.0%**
WACC	**9.0%**
g	**3.5%**

Source: BPI Equity Research.

Impresa Valuation Sensitivity to TV Audience Shares and Power Ratio

		Audience Share					
		31.6%	32.5%	33.5%	**34.5%**	35.5%	36.5%
Power Ratio	1.06	4.31	4.78	5.28	5.73	6.24	6.73
	1.10	4.89	5.38	5.90	6.36	6.89	7.41
	1.14	5.47	5.98	6.92	**7.00**	7.55	8.08
	1.18	6.06	6.58	7.14	7.64	8.20	8.76
	1.22	6.64	7.18	7.76	8.27	8.86	9.43

Note: In our model we use the power ratio relating to the audience share of just the 3 commercial FTA channels. As such, these audience shares are not comparable with those including the performances of 2: and multi-channel platforms. Below we provide a table relating these audience share values to those usually provided and including 2: and multi-channel platforms.

SIC Audience Share

SIC,TVI,RTP	31.6%	32.5%	33.5%	34.5%	35.5%	36.5%
SIC,TVI,RTP,2:,Others	24.3%	25.4%	26.6%	27.7%	29.0%	30.3%

Source: BPI Equity Research.

Again, we restate out belief that SIC should be capable of recovering its audience share levels in 2006. Nonetheless, we do not forget that SIC has been posting a 24.4% average audience share since the 16th September and that the new Programming Director has a mountain to climb and many problems to solve.

We also have to reiterate that if SIC does not manage to improve on its current audience share levels, it is likely that the power ratio could also suffer, thus leading to a fall in advertising market share. For instance, in a scenario considering the maintenance of current audience shares and a power ratio of 1.10, our Impresa YE06 Fair Value would stand at € 4.90 per share. As such, even though we believe SIC should be able to turn its current audience share situation around, a downside risk still exists.

Again, we must stress that Impresa's downside risk is limited due to the good prospects for the Magazines and Newspapers divisions. **Conversely, if SIC managed to recover the audience share leadership, the upside would be considerable.**

Multiples Cross-Check

Impresa is currently trading at an attractive multiple (8.9x vs. 10.3x EV/EBITDA 2006) when compared to its Iberian peers. Please note however, that this Iberian multiples average is strongly influence by the pay-TV operators PT Multimédia and Sogecable, which trade at higher multiples than other companies in the media industry. Still, even if stripping out those two companies from the average, Impresa would still compare well, at 8.9x vs. 9.5x EV/EBITDA 2006.

Iberian Media Multiples

	Price	Currency	P/E 2005	P/E 2006	P/E 2007	EV/Sales 2005	EV/Sales 2006	EV/Sales 2007	EV/EBITDA 2005	EV/EBITDA 2006	EV/EBITDA 2007
Antena 3	15.08	Eur	16.8	15.1	14.1	3.5	3.4	3.3	10.4	9.7	9.2
Cofina	3.12	Eur	14.1	11.1	10.5	1.1	1.0	1.0	8.9	7.0	6.7
Media Capital	6.88	Eur	26.6	20.7	17.5	2.9	2.7	2.7	12.6	11.2	10.5
Prisa	16.05	GBp	27.6	21.3	18.0	1.9	1.8	1.7	9.0	8.3	7.8
PT Multimedia	8.80	Eur	28.8	26.1	22.8	4.2	4.0	3.8	13.4	12.4	11.4
Sogecable	31.48	Eur	n.g.	42.3	22.6	3.7	3.4	3.2	16.5	12.4	11.4
Telecinco	17.40	Eur	15.5	14.7	14.1	4.4	4.2	4.1	9.7	9.3	8.9
TPI	7.18	Eur	20.0	18.8	17.7	4.2	4.0	3.8	11.8	11.2	10.6
Average			**21.3**	**21.3**	**17.2**	**2.9**	**2.7**	**2.6**	**11.8**	**10.3**	**9.4**
Impresa	5.20	Eur	14.8	12.1	11.0	2.1	2.1	2.0	9.5	8.7	8.1
Impresa @ Price Target	7.00	Eur	20.0	16.3	14.8	2.7	2.6	2.5	11.9	11.0	10.2

Source: BPI Equity Research.

The implied EV/EBITDA multiple in our DCF valuation for the TV division is slightly above the multiples Antena 3, Telecinco and the European TV sector average. The implied multiples in our DCF valuations for the Newspapers and Magazines divisions also come above the respective sector average.

SIC Multiples Comparison

	Price	Currency	EV/Sales 2005	EV/Sales 2006	EV/Sales 2007	EV/EBITDA 2005	EV/EBITDA 2006	EV/EBITDA 2007	P/E 2005	P/E 2006	P/E 2007
TF1	22.1	Eur	1.8	1.7	1.6	10.6	11.2	8.1	21.2	22.5	14.5
Mediaset	9.8	Eur	3.7	3.5	3.3	7.5	6.9	6.8	17.9	16.1	14.3
Prosieben	14.4	Eur	1.8	1.7	1.6	9.2	8.3	7.7	17.3	15.1	13.6
M6 - Metropole Television	21.0	Eur	2.0	1.9	1.8	8.4	7.9	6.7	18.1	16.7	13.8
ITV	113.0	GBp	2.3	2.2	2.2	9.7	9.6	8.6	15.0	14.5	13.1
RTL	64.3	Eur	2.0	1.9		10.9	10.0		20.3	17.8	
Antena 3	15.1	Eur	3.6	3.4	3.3	10.6	9.9	9.3	16.8	15.1	14.1
Telecinco	17.4	Eur	4.5	4.4	4.2	10.1	9.6	9.3	15.5	14.7	14.1
Media Capital	6.9	Eur	3.1	2.9	2.8	13.4	11.9	11.1	26.6	20.7	17.5
Average			**2.7**	**2.6**	**2.6**	**10.0**	**9.5**	**8.4**	**18.7**	**17.0**	**14.4**
SIC Implied Multiples			3.1	2.9	2.8	11.8	10.7	10.1	21.0	18.0	16.2

Source: IBES, BPI Equity Research (A3TV, TL5, MCP, SIC).

Newspapers Multiples

	Price	Currency	EV/Sales 2005	EV/Sales 2006	EV/Sales 2007	EV/EBITDA 2005	EV/EBITDA 2006	EV/EBITDA 2007	P/E 2005	P/E 2006	P/E 2007
Daily Mail	660.0	GBP	1.6	1.6	1.6	9.3	9.3	8.5	15.2	13.1	11.8
L'Espresso	4.7	Eur	2.0	1.9	1.9	8.9	8.5	8.1	19.6	18.8	16.8
Independent News & Media	2.4	Eur	2.0	1.9	1.9	9.2	8.5	8.2	15.2	12.8	12.2
Telegraaf	20.3	Eur	1.4	1.3	1.4	12.0	10.4	9.9	26.3	21.1	19.5
Trinity Mirror	600.5	GBP	1.9	1.9	1.9	7.6	7.6	7.3	11.7	10.8	10.0
Average			**1.8**	**1.8**	**1.7**	**9.4**	**8.9**	**8.4**	**17.6**	**15.3**	**14.0**
Newspapers Implied Multiples			3.2	3.0	2.9	14.6	12.5	12.0	20.3	18.5	15.8

Source: IBES, Bloomberg, BPI Equity Research.

Consumer Magazines Multiples

	Price	Currency	EV/Sales 2005	EV/Sales 2006	EV/Sales 2007	EV/EBITDA 2005	EV/EBITDA 2006	EV/EBITDA 2007	P/E 2005	P/E 2006	P/E 2007
Emap	823.0	GBp	2.1	2.0	1.9	9.6	8.9	8.3	13.2	12.2	11.1
Edipresse	620.0	CHF	1.0	1.0	0.9	9.0	8.1	7.6	15.9	13.0	12.0
Mondadori	8.3	Eur	1.2	1.2	1.1	8.6	8.2	7.6	18.9	18.1	16.3
Average			**1.5**	**1.4**	**1.3**	**9.0**	**8.4**	**7.8**	**16.0**	**14.5**	**13.1**
Edimpresa Implied Multiples			1.9	1.8	1.8	12.9	11.7	11.3	10.9	9.5	8.9

Source: IBES, BPI Equity Research Estimates.

Consolidated P&L

(€ mn)	2004F	Δ	2005F	Δ	2006F	Δ	2007F	Δ	2008F	Δ	2009F	Δ	2010F	Δ
Total Operating Income	**256**	**-4%**	**272**	**6%**	**282**	**3%**	**292**	**4%**	**301**	**3%**	**312**	**3%**	**322**	**3%**
Television	164	13%	171	4%	178	4%	185	4%	191	3%	198	4%	206	4%
Magazines	39	-47%	43	11%	44	2%	45	3%	47	3%	48	3%	49	3%
Newspapers	57	11%	61	8%	62	2%	65	4%	67	3%	69	3%	71	3%
Intragroup	-4	-18%	-3	-15%	-3	3%	-3	4%	-3	3%	-3	3%	-4	3%
COGS	89	14%	92	4%	95	3%	98	3%	101	3%	104	3%	107	3%
External Supplies & Services	55	-30%	58	7%	59	1%	60	2%	61	3%	63	3%	65	3%
Personnel Costs	60	-13%	60	0%	61	2%	63	3%	65	3%	67	3%	68	3%
EBITDA	**53**	**29%**	**61**	**16%**	**66**	**9%**	**71**	**7%**	**74**	**4%**	**78**	**5%**	**83**	**6%**
EBITDA Margin	20.6%		22.5%		23.6%		24.4%		24.7%		25.1%		25.7%	
Depreciation & Provision	11	-50%	9	-21%	9	-1%	9	6%	10	6%	9	-9%	9	2%
EBIT	**42**	**123%**	**52**	**26%**	**58**	**10%**	**62**	**7%**	**64**	**4%**	**69**	**7%**	**74**	**6%**
EBIT Margin	16.2%		19.3%		20.5%		21.3%		21.4%		22.2%		22.8%	
Net Financial Expenses	-6	-73%	-11	89%	-7	-36%	-6	-14%	-5	-11%	-5	-12%	-4	-14%
EBT	36	-2324%	42	16%	51	22%	56	10%	59	5%	65	9%	70	8%
Income Tax	8	37%	11	52%	14	22%	15	10%	16	5%	18	9%	19	8%
Minority Interest	11	254%	1	-93%	1	10%	1	10%	1	10%	1	10%	1	10%
Net Profit	**17**	**-270%**	**29**	**70%**	**36**	**23%**	**40**	**10%**	**42**	**5%**	**46**	**9%**	**49**	**8%**

Consolidated Balance Sheet

(€ mn)	2004F	2005F	2006F	2007F	2008F	2009F	2010F
Net Intangibles	178	308	307	307	307	307	306
Net Fixed Assets	37	37	40	43	45	49	53
Investments	14	14	14	14	14	14	14
MLT Debtors	0	0	0	0	0	0	0
Total LT Assets	**229**	**359**	**361**	**364**	**366**	**370**	**374**
Inventories	35	32	33	35	37	38	40
ST Receivables	40	39	41	43	45	47	50
Accruals & Deferrals	19	20	21	22	23	23	24
Other ST Assets	9	9	10	10	10	11	11
Cash & Equivalents	21	29	40	54	77	101	128
Net Assets	**354**	**488**	**506**	**528**	**558**	**591**	**627**
Equity	112	141	177	206	236	269	305
Minorities	24	0	1	2	3	4	5
Provisions	4	4	4	4	4	4	5
MLT Liabilities	104	232	221	210	206	203	199
o.w. debt	96	224	212	201	197	193	189
ST Liabilities	61	58	49	49	50	50	51
o.w. debt	17	10	0	0	0	0	0
Accruals & Deferrals	50	53	55	57	58	60	63
Liabilities	214	343	324	316	315	313	312
Equity + Minorities + Liabilities	**354**	**488**	**506**	**528**	**558**	**591**	**627**

Cash-flow Statement

(€ mn)	2004F	2005F	2006F	2007F	2008F	2009F	2010F
+ EBIT	42	52	58	62	64	69	74
+ Dep. & Amort.	11	9	9	9	10	9	9
- Changes Working Capital	30	10	-2	-2	-3	-3	-3
= Operating Cash Flow	**83**	**72**	**64**	**69**	**72**	**76**	**80**
- Capex	14	-138	-11	-12	-12	-13	-13
- Net financial investments	-11	0	0	0	0	0	0
= Cash Flow after Investments	**86**	**-67**	**53**	**57**	**59**	**63**	**67**
- Net financial expenses	-6	-11	-7	-6	-5	-5	-4
- Taxes paid	-8	-11	-14	-15	-16	-18	-19
- Dividends Paid	0	0	0	-11	-12	-13	-14
- Other	-7	-24	0	0	0	0	0
+ Equity increase	-1	0	0	0	0	0	0
= Changes in Net Debt	**-65**	**113**	**-32**	**-25**	**-26**	**-28**	**-30**

Television P&L

(€ mn)	2004F		2005F		2006F		2007F		2008F		2009F		2010F	
Total Operating Income	**164**	**13%**	**171**	**4%**	**178**	**4%**	**185**	**4%**	**191**	**3%**	**198**	**4%**	**206**	**4%**
Advertising	124	13%	126	2%	130	3%	133	3%	136	3%	140	3%	145	3%
Thematic Channels	29	6%	31	7%	33	7%	35	6%	38	6%	40	6%	42	6%
Others	11	45%	14	25%	15	10%	17	10%	17	5%	18	5%	19	5%
Total Operating Costs	**124**	**4%**	**126**	**2%**	**129**	**2%**	**133**	**3%**	**137**	**3%**	**141**	**3%**	**144**	**3%**
Programming Costs	71	3%	72	2%	75	3%	77	3%	79	3%	81	3%	83	2%
External Supplies & Services	24	7%	25	7%	26	3%	27	3%	27	3%	28	3%	29	3%
Personnel Costs	29	5%	29	-1%	29	1%	30	3%	30	3%	31	3%	32	2%
EBITDA	**40**	**55%**	**44**	**11%**	**49**	**10%**	**52**	**6%**	**54**	**5%**	**58**	**6%**	**62**	**7%**
EBITDA Margin	24.5%		26.0%		27.4%		28.0%		28.5%		29.0%		29.9%	

Magazines P&L

(€ mn)	2004F		2005F		2006F		2007F		2008F		2009F		2010F	
Total Operating Income	**39.3**	**5%**	**43.5**	**11%**	**44.2**	**2%**	**45.3**	**3%**	**46.6**	**3%**	**47.9**	**3%**	**49.3**	**3%**
Advertising	16.0	-2%	16.8	5%	17.4	3%	17.8	3%	18.2	3%	18.8	3%	19.4	3%
Circulation	19.9	6%	21.2	6%	21.9	3%	22.3	2%	22.9	2%	23.4	2%	23.9	2%
Others	3.3	53%	5.5	65%	5.0	-10%	5.2	5%	5.5	5%	5.7	5%	6.0	5%
Total Operating Costs	**34.9**	**9%**	**37.2**	**6%**	**37.3**	**0%**	**38.2**	**2%**	**39.2**	**3%**	**40.1**	**2%**	**41.2**	**3%**
Costs of Goods Sold	4.3	-25%	4.9	13%	5.1	5%	5.2	2%	5.5	5%	5.6	2%	5.9	5%
External Supplies & Services	21.4	28%	22.6	6%	22.2	-2%	22.7	2%	23.3	2%	23.7	2%	24.3	2%
Personnel Costs	9.3	-4%	9.7	5%	9.9	2%	10.2	3%	10.5	2%	10.7	2%	11.0	2%
EBITDA	**4.4**	**-16%**	**6.3**	**44%**	**6.9**	**10%**	**7.2**	**4%**	**7.4**	**3%**	**7.8**	**5%**	**8.1**	**5%**
EBITDA Margin	11.1%		14.5%		15.6%		15.8%		15.9%		16.2%		16.5%	

Newspapers P&L

(€ mn)	2004F		2005F		2006F		2007F		2008F		2009F		2010F	
Total Operating Income	**56.5**	**11%**	**61.0**	**8%**	**62.4**	**2%**	**64.9**	**4%**	**66.6**	**3%**	**68.8**	**3%**	**70.7**	**3%**
Advertising	36.2	11%	37.6	4%	38.8	3%	40.3	4%	41.4	3%	42.6	3%	43.8	3%
Circulation	15.5	3%	16.1	4%	16.3	2%	16.8	3%	17.1	2%	17.7	3%	18.0	2%
Others	4.9	50%	7.3	50%	7.3	0%	7.7	5%	8.1	5%	8.5	5%	8.9	5%
Total Operating Costs	**44.1**	**4%**	**46.5**	**5%**	**47.4**	**2%**	**48.0**	**1%**	**49.5**	**3%**	**51.0**	**3%**	**52.5**	**3%**
Costs of Goods Sold	7.3	7%	8.6	17%	8.9	3%	8.9	1%	9.3	4%	9.6	4%	10.0	4%
External Supplies & Services	19.5	9%	21.0	8%	21.1	0%	21.1	0%	21.8	3%	22.4	3%	23.0	3%
Personnel Costs	17.3	-1%	16.8	-3%	17.3	3%	17.9	3%	18.4	3%	19.0	3%	19.5	3%
EBITDA	**12.4**	**47%**	**14.5**	**17%**	**15.1**	**4%**	**16.9**	**12%**	**17.1**	**1%**	**17.8**	**4%**	**18.2**	**2%**
EBITDA Margin	21.9%		23.8%		24.2%		26.0%		25.7%		25.8%		25.7%	

Source: Impresa and BPI Equity Research.

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"Within the last 2 years, BPI acted as co-lead or co-manager in secondary offerings by Gescartão. BPI was also in this period lead manager of rights issues by BPI, Sonaecom, Impresa and Jerónimo Martins."

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Investment ratings and risk classification (Total return in 12-18 months):

	Low Risk	Medium Risk	High Risk
Buy	> 15%	>20%	>25%
Accumulate	>10% and < 15%	>10% and < 20%	>15% and < 25%
Hold	>0% and < 10%	>0% and < 10%	>0% and < 15%
Reduce	>-15% and < 0%	>-20% and < 0%	>-25% and < 0%
Sell	< -15%	< -20%	< -25%

These investment ratings are not strict and should be taken as a general rule.

Investment ratings statistics

As of 31st August BPI Equity Research's investment ratings were distributed as follows:

	%
Buy / Speculative Buy	13%
Accumulate	19%
Hold	34%
Reduce	16%
Sell	5%
Under Revision	12%
Accept Bid	1%
Total	100%

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