

# Impresa

Media

**Buy**

High-Risk

27th July 2015

**Spain**

## Weak momentum still...

(Price Target cut from € 1.65 to € 1.40 (-15%); Buy Rec. maintained)

- Weak operational delivery:** 2Q results came below our expectations, following the 1Q disappointment. Multimedia revenues were the main drag for top line of IPR in 1H, but going forward we believe in a stabilization on this side. Advertising revenues remained flat on TV, but the first price increases in a long time provide good prospects for the sector. Subscription revenues posted a nice +12% yoy growth thanks to the expansion of the subscriber's base. In publishing, a positive effect in merchandising sales with increases of +22%, supported the performance in the quarter. Going forward, IPR highlighted that 2H should improve and present a more stable trend vs. 2H14 and the focus will be in net debt reduction. We expect TV advertising revenues of IPR to increase 2.4% in 2015, while the FTA market is expected to increase by 4% yoy.
- Subscription revenues are the new recurrent source of growth?** The evolution of subscription revenues has been good in both Q1 and Q2 (12.4% and 12.2% yoy). IPR has 8 channels in Portugal and abroad, being the international subscribers the main driver for growth. On the other hand, the ongoing negotiations with Altice to renew the contract is likely to lower materially the domestic contribution. Although it will not impact 2015 numbers it will likely generate some noise in the 2H bound to impact IPR performance. We expect subscription revenues to rise by 12% in 2015 and to fall 12% in 2016.
- Negative momentum and cut in estimates:** Earnings weak momentum and weaker than expected CF generation led us to revise down estimates. On average we have reduced top line -3% for 2015-2018<sup>F</sup>, and EBITDA for the same period a -11.5%. We have cut our **YE16 Price Target** from € 1.65/sh to € 1.40/sh (-15%). The stock has been disappointing but we still believe in Portugal advertising market upside and IPR's ability to benefit from it. **BUY.**

### Stock data

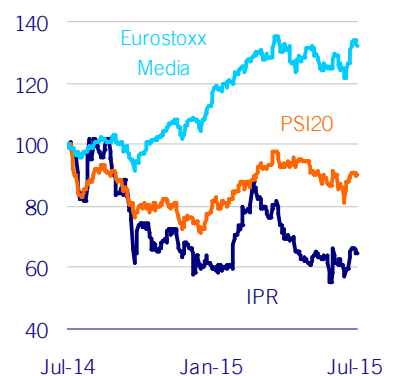
Price (23 <sup>rd</sup> July):	0.88	Price Target (YE16):	1.40
# shares (mn):	168.0	M. Cap (€ mn) / F. Float:	148 / 45%
Reuters/Bloomberg:	IPR.LS / IPR.PL	Avg. Daily Vol. [€ '000]:	111
Major Shareholders:	Impreger (50.3%); Invesco (5.1%); FIL Ltd. (4.9%); Newshold (3.2%)		

Estimates	2012	2013	2014	2015 <sup>F</sup>	2016 <sup>F</sup>	2017 <sup>F</sup>	2018 <sup>F</sup>
PE Adj.	-51.2	22.5	13.5	17.7	13.4	8.7	7.1
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCFE Yield	6.0%	13.1%	9.9%	1.0%	6.5%	11.1%	14.0%
FCFF Yield	5.6%	7.4%	9.2%	4.7%	6.4%	8.2%	9.1%
PBV	1.22	1.21	1.12	1.05	0.98	0.90	0.80
EV/EBITDA <sup>(1)</sup>	16.5	10.6	10.1	10.7	10.7	8.7	7.8
EV/Sales <sup>(1)</sup>	1.5	1.4	1.4	1.4	1.3	1.3	1.3

(1) EV is fixed with current market cap and MV of remaining items.

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### Impresa vs. PSI20 vs. EStoxx Media



Source: Bloomberg.

### SoP Valuation (€ mn)

Business Area	€ mn	%
SIC	386	92%
Publishing	85	20%
Others & Holding	-50	-12%
<b>Total</b>	<b>421</b>	
Dist. & Other Non-Core Assets	11	
Net Debt YE16	174	
<b>Equity Value</b>	<b>259</b>	
# Shares (mn)	168.0	
<b>YE16 Fair Value (€)</b>	<b>1.56</b>	
Small Caps Discount	10%	
<b>YE16 Price Target (€)</b>	<b>1.40</b>	

Source: BPI Equity Research.

### Historical Recommendation

Date	Recommendation
31-Mar-14	CoRe Buy
09-Sep-14	Buy

Source: BPI Equity Research.

Available on our website:  
**www.bpiequity.bpi.pt, BPI Online,**  
 and Bloomberg at **NH BPD**

**P&L**

(€ mn)	2012	2013	2014	2015 <sup>F</sup>	2016 <sup>F</sup>	2017 <sup>F</sup>	2018 <sup>F</sup>	CAGR 14-18 <sup>F</sup>
<b>Revenues</b>	<b>229</b>	<b>237</b>	<b>238</b>	<b>236</b>	<b>239</b>	<b>249</b>	<b>256</b>	<b>2%</b>
<b>EBITDA</b>	<b>19</b>	<b>30</b>	<b>32</b>	<b>30</b>	<b>30</b>	<b>37</b>	<b>41</b>	<b>7%</b>
<b>EBITDA adj.</b>	<b>19</b>	<b>30</b>	<b>32</b>	<b>30</b>	<b>30</b>	<b>37</b>	<b>41</b>	<b>7%</b>
EBITDA adj. mg.	8.5%	12.8%	13.4%	12.8%	12.6%	14.9%	16.1%	5%
Depreciation & others	7	5	4	4	4	3	3	-5%
<b>EBIT</b>	<b>12</b>	<b>25</b>	<b>28</b>	<b>26</b>	<b>27</b>	<b>34</b>	<b>38</b>	<b>8%</b>
<b>EBIT adj.</b>	<b>12</b>	<b>25</b>	<b>28</b>	<b>26</b>	<b>27</b>	<b>34</b>	<b>38</b>	<b>8%</b>
Net financial results	-12	-12	-12	-14	-11	-10	-9	-6%
Income Tax	-1	-7	-6	-4	-5	-7	-9	12%
Others	0	0	0	0	0	1	1	n.s
Minority Interests	0	0	0	0	0	0	0	-60%
<b>Net Profit reported</b>	<b>-5</b>	<b>7</b>	<b>11</b>	<b>8</b>	<b>11</b>	<b>17</b>	<b>21</b>	<b>17%</b>
<b>Net Profit adj.</b>	<b>-5</b>	<b>7</b>	<b>11</b>	<b>8</b>	<b>11</b>	<b>17</b>	<b>21</b>	<b>17%</b>

**Balance Sheet**

(€ bn)	2012	2013	2014	2015 <sup>F</sup>	2016 <sup>F</sup>	2017 <sup>F</sup>	2018 <sup>F</sup>	CAGR 14-18 <sup>F</sup>
Net Intangibles	301	301	301	302	302	302	302	0%
Net Fixed Assets	31	29	28	27	26	27	27	-1%
Net Financials	13	13	13	13	13	13	13	0%
Inventories	20	19	15	17	17	18	18	4%
ST Receivables	29	37	25	31	31	33	33	8%
Other Assets	5	4	4	4	4	4	4	0%
Cash & Equivalents	2	1	5	1	1	1	1	-26%
<b>Total Assets</b>	<b>420</b>	<b>422</b>	<b>407</b>	<b>410</b>	<b>411</b>	<b>413</b>	<b>414</b>	<b>0%</b>
<b>Equity &amp; Minorities</b>	<b>119</b>	<b>127</b>	<b>138</b>	<b>146</b>	<b>157</b>	<b>174</b>	<b>195</b>	<b>9%</b>
<b>MLT Liabilities</b>	<b>157</b>	<b>135</b>	<b>141</b>	<b>114</b>	<b>93</b>	<b>75</b>	<b>61</b>	<b>-19%</b>
o.w. Debt	146	127	135	108	87	69	55	-20%
<b>ST Liabilities</b>	<b>138</b>	<b>154</b>	<b>122</b>	<b>144</b>	<b>156</b>	<b>158</b>	<b>152</b>	<b>6%</b>
o.w. Debt	60	63	46	68	88	89	82	16%
o.w. Payables	38	55	45	44	44	45	46	1%
<b>Equity+Min.+ Liabilities</b>	<b>420</b>	<b>422</b>	<b>407</b>	<b>410</b>	<b>411</b>	<b>413</b>	<b>414</b>	<b>0%</b>

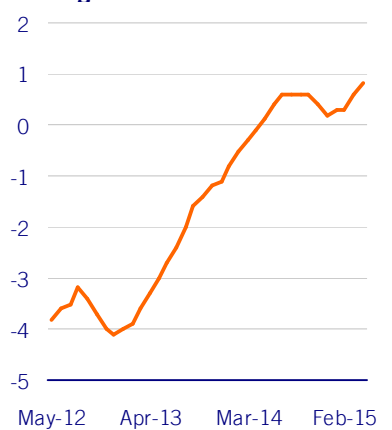
**Cash Flow (€ mn)**

	2012	2013	2014	2015 <sup>F</sup>	2016 <sup>F</sup>	2017 <sup>F</sup>	2018 <sup>F</sup>
+ EBITDA	19	30	32	30	30	37	41
- Chg in Net W.C.	-4	-5	-6	8	1	0	0
- Income Taxes	1	7	6	4	5	7	9
<b>= Operating Cash Flow</b>	<b>22</b>	<b>29</b>	<b>32</b>	<b>18</b>	<b>24</b>	<b>30</b>	<b>33</b>
- Growth Capex	0	0	0	0	0	0	0
- Replacement Capex	1	4	3	3	3	4	3
- Net Fin. Inv.	2	0	0	0	0	0	0
<b>= Cash Flow after Inv.</b>	<b>19</b>	<b>25</b>	<b>30</b>	<b>15</b>	<b>21</b>	<b>26</b>	<b>29</b>
- Net Fin. Exp.	13	12	11	14	11	10	9
- Dividends Paid	0	0	0	0	0	0	0
+/- Equity	0	0	0	0	0	0	0
Other	-6	-6	4	0	0	0	0
<b>=Change in Net Debt</b>	<b>-9</b>	<b>-19</b>	<b>-15</b>	<b>-1</b>	<b>-10</b>	<b>-17</b>	<b>-21</b>
<b>Net Debt (+)/Net Cash (-)</b>	<b>219</b>	<b>199</b>	<b>185</b>	<b>183</b>	<b>174</b>	<b>157</b>	<b>136</b>

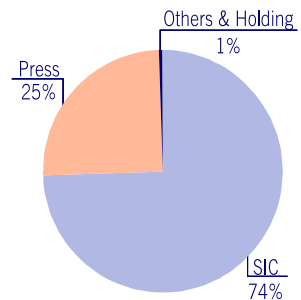
**Growth. per share data and ratios**

	2012	2013	2014	2015 <sup>F</sup>	2016 <sup>F</sup>	2017 <sup>F</sup>	2018 <sup>F</sup>
Sales growth	-8%	4%	0%	-1%	1%	4%	3%
EBITDA Adj. growth	-12%	56%	5%	-6%	0%	23%	11%
EPS Adj. growth	n.s.	n.s.	67%	-24%	32%	54%	23%
Avg. # sh (mn)	168	168	168	168	168	168	168
Basic EPS	-0.03	0.04	0.07	0.05	0.07	0.10	0.12
EPS Adj. Fully diluted	-0.03	0.04	0.07	0.05	0.07	0.10	0.12
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payout	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROCE (after tax)	2.3%	5.7%	6.4%	5.9%	5.8%	7.1%	7.6%
ROE	-4.0%	5.4%	8.3%	5.9%	7.3%	10.3%	11.4%
Gearing (ND/EV)	64.1%	59.2%	57.3%	56.9%	53.9%	48.8%	42.3%
Net Debt/EBITDA	11.2	6.6	5.8	6.1	5.8	4.2	3.3

Source: Company data and BPI Equity Research (F).

**Portugal Business Climate**

Source: Bloomberg.

**Breakdown of Turnover by Source (2015<sup>F</sup>: € 236mn)**

Source: BPI Equity Research.

**Fair Value Sensitivity Analysis (€/share)**

	TV Advertising Growth 2015		
	2.0%	4.0%	6.0%
YE16 Fair Value	1.39	<b>1.56</b>	1.69
Chg. to B. Case	-10%		10%

Note: Sensitivity to each variable holding everything else constant.

Source: BPI Equity Research.

**DCF Assumptions**

	SIC & New Media	Publishing
Re	10%	10%
Rf + CRP	4.40%	4.40%
Beta Equity	1.00	0.94
Mkt Premium	6%	6%
Rd	5%	5%
Tax Rate	29%	29%
D/EV	20%	20%
<b>WACC</b>	<b>9.0%</b>	<b>8.7%</b>

Source: BPI Equity Research.

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#### INVESTMENT RATINGS AND RISK CLASSIFICATION (TOTAL RETURN IN 12-18 MONTHS):

	Low Risk	Medium Risk	High Risk
Buy/CoRe Buy	>15%	>20%	>30%
Neutral	>5% and < 15%	>10% and <20%	>15% and < 30%
Reduce	>-10% and < 5%	>-10% and < 10%	>-10% and < 15%
Sell	< -10%	< -10%	< -10%

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

#### INVESTMENT RATINGS STATISTICS

As of 30<sup>th</sup> June BPI Equity Research's investment ratings were distributed as follows:

CoRe Buy	11%
Buy	18%
Neutral	34%
Reduce	26%
Sell/Accept Bid	3%
Under Revision/Restricted	8%
<b>Total</b>	<b>100%</b>

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