

# Impresa

Media

**Buy**

High-Risk

25th November 2013

**Portugal**

## Leading the road to advertising recovery

(Price Target raised from € 0.75 to € 1.70; +100% LfL; Recommendation upgraded from Neutral to Buy)

- Big winner from the recovery of Portuguese advertising market:** A consensus on the improvement of the advertising market for this year has started to take shape. During 3Q, the main players in the Portuguese Media sector have shown an improvement in advertising revenues, with IPR's numbers well above expectations. This year IPR has been able to gain revenue share and to outperform the market, achieving in 3Q an impressive 12.8% growth yoy in TV ad revenues and 0.4% growth in Press (vs market's +0.6% and -10% respectively). In addition, after several years lagging behind TVI, IPR's SIC has achieved the leadership in primetime audience share during working days (28.4% accumulated over the last 10 months vs TVI's 26.5%), which has boosted its revenue market share and enhanced TV turnover. On the press division, IPR has managed to increase its market share yoy, with total estimated advertising revenues for FY13 representing 42.1% of the market, vs 40.9% a year earlier.
- Increasing profitability:** During the first 9 months of the year, IPR has reached an 11.3% EBITDA margin, up from 7.3% in 9M12, with operational costs reducing 3.2% yoy so far. This improvement in efficiency has been achieved during the weakest year for advertising and has bolstered both TV division (15.6% margin vs 9.9% a year earlier) and Press division (6.2% vs 2.9%). We forecast a 16.8% margin for FY14, which is a good starting point to benefit from future growth prospects. **We have revised Revenue and EBITDA estimates, on average, for FY13-FY16 by +8% and +37.9%, respectively.**
- Recommendation upgraded to Buy:** Media companies' recent results make our previous -1% estimated fall in TV ad revenues for 2014 highly unlikely, which has made us revise our valuation model. We expect IPR to continue to outperform the market during 2014, reaching an estimated growth of 5.5% yoy in TV vs 4.5% for the market. We have also fine-tuned our forecasted revenue market share, given the significant improvement achieved by IPR during the past quarters and **raised our YE14 Price Target to € 1.70, +100% LfL. BUY.**

### Impresa vs. PSI20 vs. MSCI Small Cap Index



Source: Bloomberg.

### Sum of Parts (€ mn)

Business Area	€mn	%
TV (DCF)	423	89%
Publishing (DCF)	40	8%
Others & Holding Costs	13	3%
<b>Total</b>	<b>477</b>	

Distribution &	
Other Non-Core Assets	11
Net Debt	168
<b>Equity Value</b>	<b>320</b>
# Shares (mn)	168.0
<b>YE14 Fair Value (€)</b>	<b>1.90</b>
Small Caps Discount	10%
<b>YE14 Price Target (€)</b>	<b>1.70</b>

Source: BPI Equity Research estimates.

### Historical Recommendation

Date	Recommendation
14-Sep-10	Sell
22-Jan-13	Buy
11-Jun-13	Neutral

Source: BPI Equity Research.

### Stock data

Price (15 <sup>th</sup> Nov):	0.94	Price Target:	1.70
N° of shares (mn):	168.0	Market Cap [€ mn]:	157.9
Reuters/Bloomberg:	IPR.LS/IPR.PL	Free-Float:	16%
Net Debt/EBITDA '13:	5.4x	ROE '13:	6.6%
EPS Growth (3 Years):	n.s.	Avg. Daily Vol. [€ '000]:	22
Major Shareholders:	Impreger (50.3%), Ongoing (23.8%), Madre SGPS (5.0%), BPI (3.7%), Newshold (2.0%)		

Estimates	2011	2012	2013 <sup>f</sup>	2014 <sup>f</sup>	2015 <sup>f</sup>	2016 <sup>f</sup>
EPS (€)	-0.06	-0.02	0.05	0.08	0.11	0.16
P/E	-14.2	-53.4	18.9	10.9	8.2	5.8
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield	2.6%	5.6%	7.7%	8.8%	9.3%	10.4%
EV/EBITDA	14.9	17.1	9.4	8.2	7.6	6.5

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Available on our website:

[www.bpiequity.bpi.pt](http://www.bpiequity.bpi.pt), BPI Online,

 and Bloomberg at **NH BPD**

**Income Statement**

(€ mn)	2011	2012	2013 <sup>F</sup>	2014 <sup>F</sup>	2015 <sup>F</sup>	2016 <sup>F</sup>	CAGR 12-16 <sup>F</sup>
<b>Turnover</b>	<b>250</b>	<b>229</b>	<b>235</b>	<b>240</b>	<b>247</b>	<b>256</b>	<b>3%</b>
<b>EBITDA</b>	<b>22</b>	<b>20</b>	<b>35</b>	<b>40</b>	<b>44</b>	<b>51</b>	<b>27%</b>
EBITDA Margin	8.9%	8.5%	15.0%	16.8%	17.8%	19.8%	24%
Depreciation	8	7	6	6	6	5	-6%
<b>EBIT</b>	<b>14</b>	<b>12</b>	<b>29</b>	<b>34</b>	<b>38</b>	<b>45</b>	<b>38%</b>
EBIT Margin	5.6%	5.4%	12.4%	14.3%	15.5%	17.7%	35%
Net Financials	-13	-13	-12	-11	-9	-8	-13%
<b>Extraordinaries</b>	<b>-33</b>	<b>-3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>n.s.</b>
Income Tax	2	1	9	9	10	11	75%
Minority Interest	0	0	0	0	0	0	2%
<b>Net Profit</b>	<b>-35</b>	<b>-5</b>	<b>8</b>	<b>14</b>	<b>19</b>	<b>27</b>	<b>n.s.</b>

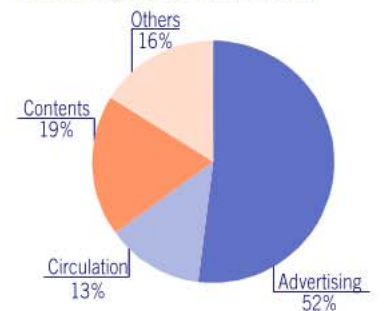
**Balance Sheet**

(€ mn)	2011	2012	2013 <sup>F</sup>	2014 <sup>F</sup>	2015 <sup>F</sup>	2016 <sup>F</sup>	CAGR 12-16 <sup>F</sup>
Net Intangibles	304	301	301	301	300	300	0%
Net Fixed Assets	38	31	26	23	20	18	-13%
Financial Assets	11	13	13	13	13	13	0%
Inventories	28	20	25	23	23	24	4%
ST Receivables	29	29	28	30	30	32	2%
Other Assets	28	24	25	25	26	27	3%
Cash & Equivalents	4	2	1	1	1	1	-15%
<b>Net Assets</b>	<b>442</b>	<b>420</b>	<b>419</b>	<b>415</b>	<b>414</b>	<b>414</b>	<b>0%</b>
Equity & Minorities	124	119	127	141	160	187	12%
MLT Liabilities	164	157	138	124	112	103	-10%
o.w. debt	149	146	127	112	100	91	-11%
ST Liabilities	150	138	148	144	136	118	-4%
o.w. debt	68	60	63	57	44	23	-21%
o.w. payables	43	38	44	45	48	50	7%
<b>Equity+Min.+Liab.</b>	<b>442</b>	<b>420</b>	<b>419</b>	<b>415</b>	<b>414</b>	<b>414</b>	<b>0%</b>

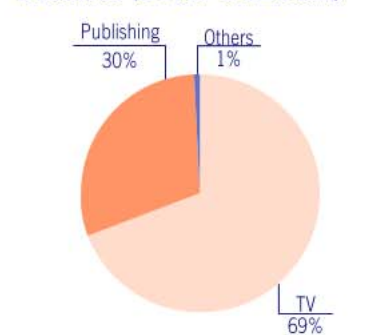
**Cash Flow Statement**

(€ mn)	2011	2012	2013 <sup>F</sup>	2014 <sup>F</sup>	2015 <sup>F</sup>	2016 <sup>F</sup>
+ EBITDA	22	19	35	40	44	51
- Chg in Net Working Capital	-2	4	3	3	2	1
- Taxes paid	-2	-1	-9	-9	-10	-11
<b>= Operating Cash Flow</b>	<b>18</b>	<b>22</b>	<b>29</b>	<b>34</b>	<b>36</b>	<b>41</b>
- Expansion Capex	0	0	0	0	0	0
- Capex	7	-3	2	2	2	3
<b>= C.F. after Investments</b>	<b>11</b>	<b>25</b>	<b>27</b>	<b>32</b>	<b>34</b>	<b>39</b>
- Net financial investments	1	-2	0	0	0	0
- Net Fin. expenses	-13	-13	-12	-11	-9	-8
- Dividends Paid	0	0	0	0	0	0
+ Equity increase	0	0	0	0	0	0
- Other	35	2	0	0	0	0
<b>= Changes in Net Debt</b>	<b>0</b>	<b>-9</b>	<b>-15</b>	<b>-21</b>	<b>-24</b>	<b>-31</b>
<b>Net Debt (+) / Net Cash (-)</b>	<b>213</b>	<b>204</b>	<b>189</b>	<b>168</b>	<b>144</b>	<b>113</b>

Source: Company Data, BPI Equity Research (F).

**Breakdown of Turnover by Source (2012: € 229mn)**

Source: Company Data.

**Breakdown of Turnover by Business (2012: € 229 mn)**

Source: BPI Equity Research.

**DCF Assumptions**

	SIC & New Media	Publishing
Re	11.9%	12.7%
Rf <sup>(1)</sup>	5.6%	5.6%
Beta Equity	1.1	1.2
Market Premium	6.0%	6.0%
Rd	7.4%	7.4%
Tax Rate	29%	29%
D/EV	29%	29%
<b>WACC</b>	<b>10.0%</b>	<b>10.6%</b>
g	2.0%	1.5%

(1) Includes Country Risk Premium.

Source: BPI Equity Research.

**Sensitivity Analysis (€/sh)**

	Tv Advertising Growth 2014		
	1.5%	4.5%	7.5%
YE14 Fair Value	1.72	1.90	2.09
Chg. to Base Case	-9.5%		10.0%

Note: Sensitivity to each variable holding everything else constant.

Source: BPI Equity Research Estimates.

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	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 31<sup>st</sup> October BPI Equity Research's investment ratings were distributed as follows:

Buy	22%
CoRe Buy	9%
Neutral	42%
Reduce	15%
Sell/Accept Bid	8%
Under Revision/Restricted	3%
<b>Total</b>	<b>100%</b>

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