

CME

8 March 2010

Finally tuned

Media		Current price	US\$ 30.04 *				Buy	
Czech Republic		Fair value	US\$ 37.00				Rating maintained	
Performance over	1M	3M	12M	FY/e 31.12., (US\$ m)	2009A	2010F	2011F	2012F
Absolute %	+15%	+9%	+518%	Sales	714.0	824.5	1,046.3	1,151.9
Rel. MSCI %	+7%	+8%	+162%	EBITDA	74.9	176.6	326.6	411.4
12m Hi/Lo			38.08/4.86	EBIT	-83.2	96.0	226.6	310.5
Reuters			CETV.O	Net profit	-97.2	-6.5	105.2	174.2
Bloomberg			CETV US	EPS (US\$)	-1.79	-0.10	1.63	2.71
Market cap € m			1,393m	P/E (x)	n.m.	n.m.	18.4	11.1
Next corporate event				DPS (US\$)	0.0	0.0	0.0	0.0
1Q10 results in May				Yield (%)	0.0%	0.0%	0.0%	0.0%
CZK / US\$			18.9	EV/EBITDA (x)	32.1	16.5	8.9	6.8

Source: CME, KBC Securities estimates

We have raised our estimates for CME to reflect the acquisition of bTV, which we see as a very positive development. At the same time, we remain cautious about a recovery on ad markets in 2010. We have lifted our EBITDA forecasts by 8.1% to US\$ 176.6m (+136% y/y) for 2010, 20.7% to US\$ 326.6m (+85.0% y/y) for 2011 and 18.6% to US\$ 411.4m (+25.9% y/y) for 2012. Our fair value estimate has risen 12% to US\$ 37.00 per share, which implies 23% upside. We maintain our Buy rating on the stock.

*Priced at COB 05/03/10

Buy rating maintained

- **Bulgarian purchase value accretive:** We believe the price paid for bTV is attractive as it implies an historical (12 months to June 2009) EV/EBITDA of 8.9x for an undisputed leader on a high-growth market. While Bulgaria is likely to be one of the last CEE ad markets to recover in 2010, we believe double-digit growth is on the cards at least for the next few years. According to our forecasts, the transaction implies a 2012 EV/EBITDA of 6.0x, representing a discount to CME's other markets as well as regional and western peers.
- **Positive EBITDA from 2011:** Assuming the consolidation of bTV for six months of 2010, we forecast Bulgarian EBITDA to remain in the red at US\$ -20m in 2010. However, we expect Bulgaria to provide 12% of CME's overall EBITDA and be the third largest market by 2012. While bTV's margin probably has some upside potential, it is unclear to what extent the firm's profitability benefited from being part of News Corp.
- **Markets to recover in 2011:** Advertisers remain cautious and opportunistic. We forecast 1-3% growth on CME's markets in 2010 with any positive figures only arriving in 2H10. With the rebound in GDP and consumption, CEE ad markets should return to double-digit growth and a convergence path in 2011.
- **Pro forma EBITDA to grow 17% in 2010:** Weak markets and the defence of audience share do not leave room for any major margin growth on most of CME's markets in 2010. However, pro forma EBITDA is expected to grow 17% in 2010 due to stronger local currencies and better margins in Slovakia and Croatia.
- **Consensus to catch up:** Consensus estimates do not yet reflect recent changes in CME's asset portfolio. Our EBITDA forecasts are in line with the Bloomberg consensus for 2010 but more than 30% above for 2011-2012. We estimate pro forma EBITDA at a 2009-2012 CAGR of 31%, with the largest growth of 55% in 2011.
- **Leverage not an issue:** CME's leverage ratios are likely to drop substantially as a result of a significant improvement in earnings. Assuming broadly flat net debt we forecast net debt/EBITDA to fall to 5.6x in 2010 and to a pre-crisis level of 3.0x in 2011. The average cost of debt should be at 7-8% in 2010-2012.
- **Top media sector pick:** In the past month CME's stock price has underperformed TVN by 13% and CTC Media by 11%, despite the value accretive acquisition of bTV. On a 2011F EV/EBITDA of 8.9x, CME trades at a 2% discount to regional peers. Although we believe the entire sector is currently undervalued, we see the largest upside in CME.

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Belgian Banking and Finance Commission is exercising the Supervision over KBC Securities NV Branch in Poland.

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The definitions of terms applied in the publication:

EBITDA = EBIT + amortization and depreciation
EPS = Net profit / No. of shares outstanding

DPS = Dividend per Share

NBV per share = Net Book Value / No. of shares outstanding

EBITDA margin = EBITDA / Revenue

EBIT margin = EBIT / Revenue

CFPS = Cash flow / No. of shares outstanding

Net Financial Debt = Financial debt – Cash equivalents

ROE = Net profit / Average Equity

EV = Market Capitalization + Net Financial Debt

P/E = Stock Price / EPS

P/CF = Stock Price / (Net Profit + amortization and depreciation)

P/BV = Stock Price / NBV per share

P/S = Market Capitalization / Revenue

Gross Dividend Yield = Dividend per share / Stock

List of recommendations concerning Agora shares issued by KBC Securities NV Branch in Poland in the last 12 months

Date of issue	Valuation	Market price	Recommendation
8 March	USD 37.00	USD 30.04	Buy
28 January	USD 33.00	USD 29.56	Buy
21 October 2009	USD 28.40	USD 28.00	Hold
15 September 2009	USD 30.80	USD 33.09	Hold
25 March 2009	USD 11.24	USD 14.19	Sell
17 February 2009	USD 14.50	USD 8.77	Buy

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During the last quarter KBC Securities NV Branch in Warsaw issued recommendations on 44 companies:

23 BUY	52%
13 HOLD	30%
8 SELL	18%

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