Poligrafici Editoriale

EUROMOBILIARE S.I.M. SpA

Italy - Media

HOLD (unchanged)

TARGET € 1.6

September 12, 2003 *Price €:* **1.70** *BCI Index:* **1,198** *N° 314*

2Q03 RESULTS

2Q03 results are in line with expectations at top line level (Rev +1% to € 78.6 mn), while fall short of expectations at EBITDA (-1% at € 10 mn) because of a delay in France Soir recovery.

Revenues in line: +1% to € 78.6 mn
Looking at the mix, advertising has been slightly disappointing (-5%decrease in the quarter), while add-on sales have been € 1.5 mn higher than expected, thanks to good circulation of children books (average of 80,000 copies weekly) and the success of comic books. Circulatioon revenues have been flat YoY, thanks to a 5/6% increase in copies sold, but at lower average prices because of cut costs marketing policies.

EBITDA slightly lower than expected: (-1% at € 10 mn)
Personnel cost has decreased around 5%, in line with expectations thanks to the reorganization in France Soir. We believe that the disappointment in EBITDA comes form French activities. We estimate that 2Q03 EBIDTA loss for France Soir has been around 2 mn
The lower EBIDTA transfers directly without other major difference to pretax level.

NFP better than expected, down € 6 mn from march 2003 to € -74 mn at the end of June, we believe for a better trend in working capital.

On 2003 we revise 3% downward our EBITDA estimate to € 30 mn.
We revise by € 15 mn to € -64 mn our year end NFP to take into account the sale and lease back of Florence headquarters. This will also generate a € 16.5mn capital gain in 3Q03.

At 8.0x average 03-04 EV/EBITDA and after the recent rally the stock is trading at fair discount towards the market. HOLD.

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STOCK DATA	
Bloomberg Code	POL IM
52-week range	€ 0.76 – 1.83
Daily Volumes	93,000

CAPITALIZATION	
Market Cap.	€ 223 mn
Latest Net Financial Position	€ -83
Free Float	24.4%
Shares Outstanding	132

PRICE PERFORMANCE	1M	3M	12M
Absolute	15.15	23.59	16.35
Rel. to BCI Index	11.49	20.78	12.99

FORECASTS/VALUATION	12/2002	12/2003E
EPS	-13.1	9.4
ADJ EPS	0.8	0.4
ADJ PE	n.m.	18.0
EV/EBITDA	10.5	8.7

SECOND QUARTER AND FIRST HALF RESULTS

Group/€ mn	1Q02		1Q03		2Q02		2Q03 Expect		2Q03 Actual		1H02		1H03	
Sales	**70.7**	100	**73.5**	100	**77.6**	100	**79.0**	100	**78.6**	100	**148.3**	100	**152.1**	100
Incr. %	-10%		4%		-7%		2%		1%		-9%		3%	
EBITDA	**2.6**	3.7	**7.2**	9.8	**10.2**	13.1	**11.0**	13.9	**10.1**	12.8	**12.8**	8.6	**17.3**	11.4
Incr. %	-		-		-		8%		-1%		-699%		35%	
EBIT	**(3.4)**	-4.8	**1.6**	2.1	**5.0**	6.4	**5.2**	6.6	**4.4**	5.6	**1.6**	1.1	**6.0**	3.9
Incr. %	-33%		-146%		-168%		4%		-12%		-113%		270%	
Pre Tax.	**(.3)**	-0.4	**.6**	0.8	**(.6)**	-0.7	**4.2**	5.3	**2.8**	3.6	**(.8)**	-0.6	**3.4**	2.3
Incr. %	0%		0%		0%		0%		0%		0%		n.m.	
NF Position	**(66)**		**(80)**		**(82)**		**(80)**		**(74)**		**(82)**		**(74)**	

FULL YEAR RESULTS

Group/€ mn	2H02		2H03		2001		2002	%	2003E Prev	%	2003E Curr.	%	2004E	%
Sales	**144.2**	100	**148.9**	100	**322**	100	**303**	100	**315**	100	**311**	100	**320**	100
Incr. %	-10%		3%		9%		-6%		4%		3%		3%	
EBITDA	**3.3**	2.3	**12.4**	8.3	**7**	2.2	**26**	8.7	**31**	10.0	**30**	9.5	**33**	10.3
Incr. %	-50%		273%		-65%		270%		19%		13%		11%	
EBIT	**(11.4)**	-7.9	**.3**	0.2	**(15)**	-4.8		0.1	**8**	2.5	**6**	2.0	**10**	3.3
Incr. %	287%		-103%		n.m.		n.m.		n.m.		n.m.		67%	
Net Income	**-**	**-**	**-**	**-**	**(18)**	-5.6	**(17)**	-5.7	**(3)**	-1.0	**12**	4.0	**()**	-0.1
Incr. %	**-**		**-**		-322%		-4%		-83%		-172%		-104%	
NF Position	**(83)**		**(64)**		**(81)**		**(83)**		**(79)**		**(64)**		**(58)**	

Source: Euromobiliare SIM estimates

POLIGRAFICI EDITORIALE (€ mn)

	1Q02	%	1Q03	%	2Q02 Exp..	%	2Q03 Actual	%	2Q03	%	2003E Prev.	%	2003E Curr.	%	2004E	%
Circulation	**26.4**	36.6	**26.6**	34.7	**26.0**	32.1	**26.4**	32.6	**26.0**	32.0	**104.3**	33.3	**105.4**	33.9	**106.4**	33.3
growth %	-10%		1%		-5%		1%		0%		-1%		0%		1%	
Advertising Collection	**34.5**	47.7	**33.0**	43.1	**39.5**	48.7	**40.0**	49.4	**37.3**	46.0	**137.4**	43.8	**139.5**	44.9	**146.5**	45.8
growth %	-13%		-4%		-8%		1%		-5%		-2%		-1%		5%	
Printing	**8.7**	12.0	**7.3**	9.6	**10.8**	13.3	**6.0**	7.4	**7.3**	9.0	**40.7**	13.0	**31.6**	10.2	**32.5**	10.2
growth %	2%		-16%		17%		-45%		-32%		3%		-20%		3%	
Other Publishing Rev	**1.1**	1.6	**6.6**	8.6	**1.2**	1.5	**6.6**	8.1	**8.0**	9.8	**22.1**	7.0	**24.6**	7.9	**24.6**	7.7
growth %	-7%		484%		-69%		432%		543%		195%		228%		0%	
Revenues	**70.7**	97.9	**73.5**	96.0	**77.6**	95.6	**79.0**	97.5	**78.6**	96.8	**304.5**	97.1	**301.0**	96.9	**310.0**	97.0
Change%	-10%		4%		-7%		2%		1%		4%		3%		3%	
Other Revenues	**1.5**		**3.1**		**3.6**		**2.0**		**2.6**		**9.1**		**9.7**		**9.7**	
Value Of Production	**72.3**	100.0	**76.6**	100.0	**81.1**	100.0	**81.0**	100.0	**81.2**	100.0	**313.6**	100.0	**310.7**	100.0	**319.7**	100.0
Change%	-8%		6%		3%		0%		0%		4%		3%		3%	

Source: Euromobiliare SIM estimates

PUBLISHING SECTOR MULTIPLES

			EV/EBITDA			P/E			3months
	Curr	Price	2003	2004	2005	2003	2004	2005	Abs perf.
Mondadori	€	6.5	7.4	6.9	6.4	18.6	16.9	15.1	7%
RCS	€	2.4	8.8	7.9	7.4	47.3	37.1	31.9	18%
L'Espresso	€	3.7	9.4	9.2	7.7	22.9	23.7	21.8	21%
Class	€	1.4	12.4	8.1	6.2	-	30.4	19.4	2%
DAILY MAIL TST A	GBp	5.8	9.2	8.5	7.9	33.8	25.7	20.5	-2%
PEARSON PLC	GBp	6.3	10.7	9.8	8.9	-	-	-	22%
JOHNSTON PRESS	GBp	4.3	9.9	9.6	9.1	14.5	13.5	12.6	11%
TRINITY MIRROR	GBp	5.2	8.4	7.8	7.6	13.9	12.2	11.0	22%
UNITED BUSINESS	GBp	4.5	13.1	11.0	9.4	-	-	-	47%
REUTERS GRP PLC	GBp	1.9	8.3	8.1	6.3	-	-	21.4	61%
Average			**9.8**	**8.7**	**7.7**	**25.2**	**22.8**	**19.2**	**21%**
Poligrafici Editoriale	**€**	**1.7**	**8.8**	**7.7**	**7.1**	**n.m.**	**75.8**	**42.8**	**38%**
Discount			-10%	-11%	-8%				

Source: Euromobiliare SIM estimates and IBES estimates

MAIN FIGURES (€ mn)	2001	%	2002	%	2003E	%	2004E	%	2005E	%
Sales	**322**	100	**303**	100	**311**	100	**320**	100	**328**	100
Change	9%		-6%		3%		3%		2%	
EBITDA	**7**	2.2	**26**	8.7	**30**	9.5	**33**	10.3	**35**	10.6
Change	-65%		270%		13%		11%		6%	
EBITA	**-15**	-4.8	**0**	0.1	**6**	2.0	**10**	3.3	**13**	4.1
Change	n.m.		n.m.		n.m.		67%		29%	
EBIT	**-15**	-4.8	**0**	0.1	**6**	2.0	**10**	3.3	**13**	4.1
Change	n.m.		n.m.		n.m.		67%		29%	
Pre Tax Inc.	**-14**	-4.2	**-5**	-1.6	**17**	5.5	**7**	2.1	**10**	3.0
Change	-172%		-65%		-459%		-61%		-162%	
Net Income	**-18**	-5.6	**-17**	-5.7	**12**	4.0	**0**	-0.1	**2**	0.7
Change	-322%		-4%		-172%		-104%		0%	
Free cash flow	**-30**	-9.3	**-11**	-3.7	**8**	2.6	**17**	5.3	**14**	4.2
Change	-318%		-63%		-174%		107%		-18%	

FINANCIAL FIGURES	2001	2002	2003E	2004E	2005E
Cap. Exp.	1	-10	-7	10	10
NWC	18	26	28	29	30
Net Fin. Pos.	-81	-83	-64	-58	-51
D/E	0.66	0.37	0.28	0.26	0.23
Cap. employed	242	247	246	238	231
ROCE	-6.3%	0.2%	2.6%	4.4%	5.8%

PER SHARE DATA (€ cent)	2001	2002	2003E	2004E	2005E
Eps	-13.6	-13.1	9.4	-0.4	1.7
Change	-322%	-4%	-172%	-104%	-574%
Adj Eps	-12.2	0.8	0.4	2.2	4.0
Change	-1716%	-107%	-54%	478%	77%
Dividend ord.	3.7	3.3	3.0	2.7	2.4

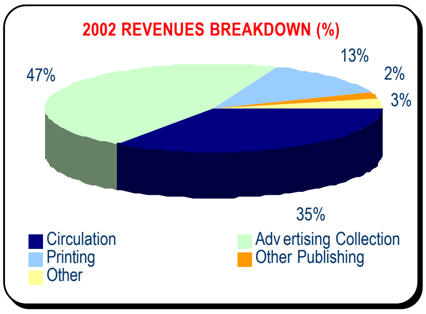
MARKET RATIOS	2001	2002	2003E	2004E	2005E
PE	n.m.	n.m.	18.1	n.m.	102.2
Adj PE	n.m.	203.5	437.7	75.8	42.8
PBV	1.5	3.5	3.1	3.2	3.3
Yield ord.	4.0%	2.0%	1.8%	1.6%	1.4%
FCF yield	-24.3%	-4.9%	3.6%	7.5%	6.2%

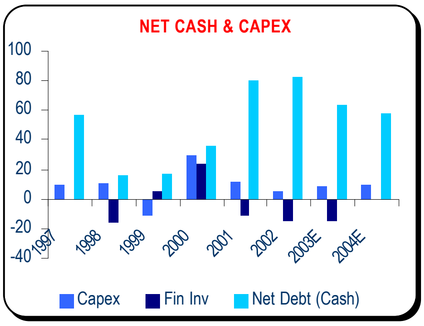
EV FIGURES	2001	2002	2003E	2004E	2005E
EV/Sales	0.46	0.92	0.84	0.80	0.76
EV/EBITDA	32.4	10.6	8.8	7.7	7.1
EV/EBIT	n.m.	624.4	41.4	24.3	18.3
EV/CE	0.6	1.1	1.1	1.1	1.1

Source: Euromobiliare SIM estimates

COMPANY VALUATION

POLIGRAFICI	**2003E**	**2004E**
Publishing Market Multiples	9.8	8.7
EBITDA	29.7	32.9
Discount On Mkt. Multiples	**20%**	**20%**
EV Val	232.8	229.5
Other fin Assets @ 30% Discount	31.5	
NFP	-63.9	
Company Valuation	**198.8**	
Valuation per share (€)	**1.5**	





Newspaper	**Mkt Share**	**Daily Copies**
Corriere della Sera + Gazzetta	19%	1,121
Repubblica	11%	623
Espresso Local Daylies	8%	493
Il Sole 24 Ore	7%	408
Stampa	7%	387
Messaggero	5%	269
Giornale	4%	219
Resto del Carlino	**3%**	**176**
La Nazione	**2%**	**144**
Gazzettino	2%	122
Secolo XIX	2%	120
Other	31%	1,808
Total Market	**100%**	**5,888**

Source: ADS FIEG 2002

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