

September 28, 2005

## Proximedia

Price on 27/09/2005

**Accumulate**

EUR 8.49

(Not rated)

Reuters: PROX.BR, Bloomberg: PROX BB

Telecommunications

(EUR)	12/05e	12/06e	12/07e
Sales (m)	13	14	15
EBITDA (m)	3	4	5
EBITDA margin	25.5%	27.3%	30.7%
Net Profit rep.(m)	1	1	1
EPS (adj.)	0.26	0.32	0.40
Debt/Equity	103.0%	50.3%	10.9%
EV/EBITDA	5.4	4.7	3.8
P/E (adj.)	32.7	26.8	21.1
P/BV	9.6	7.1	5.3
Dividend yield	0.0%	0.0%	0.0%
Market cap (EURm)	17	Free float	9.5%

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**The facts: End of restricted period after IPO – Release of 1H05 results above budget – Initiation of coverage with an “Accumulate” rating.**

**Our analysis:** We today initiate active coverage of the internet services company Proximedia, listed on Euronext Brussels' Free market, after the silent period following the IPO in July. Proximedia offers investors an attractive mixture of domestic growth as well as exposure to growth in neighbouring countries and above average earnings growth potential. On top of that, Proximedia already generates stable earnings and cash flows.

Proximedia released pleasing 1H05 results. The company published a turnover of EUR 7.2m, which is line with its own estimates. The operating result of EUR 0.69m accounts for 63% of the budgeted operating result for FY05. Its 1H05 net result of EUR 0.36m accounts for 69% of the budgeted net result for FY05. On every level (top line, operating level and bottom line), the company has beaten our expectations.

Key lines P&L (EUR m)	FY03	FY04	1H05e	1H05a	Growth vs. exp.
Turnover	13.04	13.07	6.88	7.80	13.4%
Operating result	0.59	0.99	0.56	0.69	23.1%
Operating margin	4.5%	7.6%	8.1%	8.8%	
Net result	0.07	0.46	0.29	0.36	23.5%
Net margin	0.6%	3.5%	4.2%	4.6%	

Please note that we have no 1H04 comparables available. A company report is forthcoming.

**Our conclusion.** With an EV/EBITDA for 2006 of 4.7 Proximedia is among the cheapest IT stocks and moreover, we assume the company to deliver above average earnings growth. We estimate the fair value of Proximedia at EUR 18.3m or EUR 9.2 per share and initiate coverage with an “Accumulate” rating.

**Fair value: EUR 9.2**