

# OnVista

## Q3: solid performance of media and technology segment

Year to	Revenue (EUR'000)	EBITDA (EUR'000)	Reported PBT (EUR'000)	HSBC PBT (EUR'000)	HSBC Net profit (EUR'000)	HSBC EPS (EUR)	HSBC EPS growth (%)	PE (HSBC) (x)	PE rel (x)	Yield (%)	EV/EBITDA (x)	EV/IC (x)	ROIC (%)	REP (x)
12/2003a	10841.1	-861.7	7559.9	-4045.7	-5817.7	-0.87	-350.8	-	-	0.0	-	-20.4	-60.7	-
12/2004e	6893.0	581.9	1224.7	1224.7	734.8	0.11	-	53.3	163.3	0.9	-75.5	-32.2	7.2	-
12/2005e	7926.9	1071.6	1859.4	1859.4	1116.0	0.17	51.9	35.1	126.0	0.9	-40.8	-20.5	20.4	-
12/2006e	9116.0	1553.5	2471.1	2471.1	1482.7	0.22	32.9	26.4	109.9	0.9	-28.3	-15.3	23.4	-

At the time of publication of this report, HSBC is a market maker in securities issued by this company.

- ▶ **Q3 media revenues surprise on the upside**
- ▶ **Technology segment benefiting from cost control and provision release**
- ▶ **We reiterate our Add and raise our target price to EUR6.8**

### Q3: lower EBIT on higher revenues

OnVista consolidated Q3 revenues surprised on the upside in what is a seasonally weak quarter for online advertising. However, this surprise did not feed through to profits as EBITDA was cEUR100k lower than expected. We think the following three points are the main reasons for this:

- ▶ Q2 EBIT benefited from very strong other operating income due to capital gains on a bond sale
- ▶ OnVista continues to invest in growth, leading to a higher cost base in Q3
- ▶ Media revenues obviously benefited from direct marketing, which delivers much lower gross margins

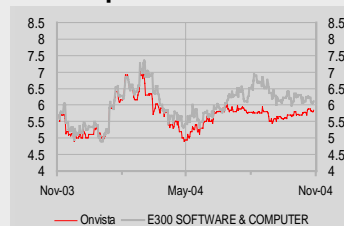
Q3 PBT and net income, however, came in roughly in line, due to IS.Teledata (IST) performing better and depreciation being slightly lower than expected.

IST Q3 performance was very encouraging, delivering net income of EUR1.2m. Of this, only EUR55.3k contributed to OnVista profits, as EUR340k of depreciation on hidden reserves were booked for the whole nine months in 2004 against OnVista's profit share. This has led to an overstated H1 2004 result, whereas IST's solid Q3 performance is not reflected in OnVista Q3 figures. OnVista mentioned IST's result was driven by progress in cost reduction as well as one-off provision releases, so the Q3 results are not fully sustainable. IST's revenues and net income are volatile due to erratic set-up fees, when new customers are won (IST mentioned Finnish OKO bank and Lufthansa as examples in Q3). As revenues increased by only 5% q-o-q, set-up fees do not seem to have had tremendous impact in Q3.

Stock rel to sector **Add** Changed from No change

Sector rel to market **Overweight** Stock rel to market **Buy**

### Relative price



Source: HSBC

### Company note

Country	Germany
Sector	Software & Computer Services
Bloomberg	ONV NF
Reuters	ONVG.DE
Mkt cap (EURm)	39.2
Mkt cap (USDm)	50.6
Free float (%)	29

### Price

	1M	3M	12M
Absolute	5.80	5.77	5.90
Absolute (%)	0.9	1.4	-0.8
Relative (%)	-3.9	-6.2	4.7

Relative to E300 Software & Computer Index level 433.56

Current (EUR) **5.85** Target (EUR) **6.80**

### Disclaimer & disclosures

**This report must be read with the disclaimer, disclosures and analyst certifications on p34 that form part of it.**

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**Q3 figures**

EUR '000	Q3 2003a	Q2 2004a	Q3 2004e	Q3 2004a	a/e	q-o-q	y-o-y
Total Revenues	2,638.0	1,684.0	1,506.0	1,832.0	21.6%	8.8%	-30.6%
<b>EBITDA</b>	<b>-780.0</b>	<b>240.0</b>	<b>50.0</b>	<b>-55.8</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>
EBITDA margin	-29.6%	14.3%	3.3%	-3.0%	-6.4%	-17.3%	26.5%
<b>EBIT</b>	<b>-1,490.0</b>	<b>127.7</b>	<b>-87.7</b>	<b>-159.0</b>	<b>81.3%</b>	<b>nm</b>	<b>-89.3%</b>
EBIT margin	-56.5%	7.6%	-5.8%	-8.7%	-2.9%	-16.3%	47.8%
<b>PBT</b>	<b>-1,313.0</b>	<b>329.0</b>	<b>147.3</b>	<b>122.6</b>	<b>-16.8%</b>	<b>-62.7%</b>	<b>nm</b>
PBT margin	-49.8%	19.5%	9.8%	6.7%	-3.1%	-12.8%	56.5%
<b>Net Income</b>	<b>-936.0</b>	<b>198.7</b>	<b>101.3</b>	<b>60.2</b>	<b>-40.6%</b>	<b>-69.7%</b>	<b>nm</b>
Net Income margin	-35.5%	11.8%	6.7%	3.3%	-3.4%	-8.5%	38.8%
# of shares	6,700.0	6,700.0	6,700.0	6,681.0	-0.3%	-0.3%	-0.3%
EPS	-0.14	0.03	0.02	0.01	-40.4%	-69.6%	nm

Source: Company data, HSBC Trinkaus & Burkhardt

**Raised company guidance**

OnVista has raised its FY 2004 company guidance again (revenues close to EUR6.7m, pre tax of EUR1m). Revenue-wise this relates to EUR1.6m for Q4 (down 11% on Q3). Although, the strong Q3 was benefiting from a high share of direct marketing revenues, we think the revenue target is conservative given the seasonal uplift in the online advertising market in Q4. Therefore, we raise our FY 2004 revenue target to EUR6.9m, implying a flat Q4.

Our FY 2004 PBT currently stands at EUR1.2bn, which seems to contain slight downside compared to the company guidance of EUR1bn. Nevertheless, we think the number is achievable, given upside to media revenues and (hopefully) another strong quarter of IS.Teledata.

**Remains Add, target price raised**

Q3 saw another solid set of figures in a difficult market environment for OnVista and IST. We have rolled forward our SOTP valuation to 2005 and applied slightly higher revenue multiples to both OnVista media and IST due to their favourable development in Q3. This leads to a new fair value of EUR6.8. Unless we see more evidence of a reviving top line at IS.Teledata, we stick to our Add rating for the stock.

**OnVista sotp valuation**

(EUR '000)	Sales 2005e	Multiple	Asset value	Per share	Asset value in %
Net Cash	22,500	1.00	22,500	3.39	40%
Media	7,927	2.00	15,854	2.39	28%
IS.Teledata (IST)	35,875	1.50	53,813	8.10	95%
IST OnVista share (33.5%)	12,018	1.50	18,027	2.71	32%
<b>Fair value</b>			<b>56,381</b>	<b>8.49</b>	<b>100%</b>
Liquidity discount (20%)			-11,276	-1.70	-20%
<b>Fair Value incl discount</b>			<b>45,105</b>	<b>6.79</b>	<b>80%</b>

Source: HSBC Trinkaus & Burkhardt

HSBC has managed or co-managed a public offering of securities for Lufthansa within the past 12 months.

Year to	12/2003a	12/2004e	12/2005e	12/2006e	Year to	12/2003a	12/2004e	12/2005e	12/2006e
<b>Per share data (EUR)</b>					<b>Ratios (%)</b>				
Reported EPS	0.86	0.11	0.17	0.22	Revenue/IC (x)	1.9	4.0	4.5	3.6
HSBC EPS	-0.87	0.11	0.17	0.22	NOPLAT margin	-32.2	1.8	4.5	6.4
CEPS	-0.25	0.17	0.24	0.31	ROIC	-60.7	7.2	20.4	23.4
DPS	0.00	0.06	0.06	0.06	ROE	-13.5	1.6	2.4	3.1
NAV	6.85	6.96	7.07	7.23	ROA	12.8	1.5	2.3	3.0
<b>P&amp;L summary (EUR'000)</b>					<b>ROCE</b>				
Revenue	10841.1	6893.0	7926.9	9116.0	ROIC/Cost of capital	-7.2	0.8	2.4	2.8
EBITDA	-861.7	581.9	1071.6	1553.5	Cost of capital	8.4	8.4	8.4	8.4
EBIT	-5012.3	206.8	594.5	975.4	EBITDA margin	-7.9	8.4	13.5	17.0
Net interest	902.1	1017.9	1263.9	1494.7	EBIT margin	-46.2	3.0	7.5	10.7
PBT	7559.9	1224.7	1859.4	2471.1	PAT margin	53.4	10.7	14.1	16.3
HSBC PBT	-4045.7	1224.7	1859.4	2471.1	HSBC net profit margin	-53.7	10.7	14.1	16.3
Taxation	-1772.0	-489.9	-743.4	-988.5	Net debt/equity	-54.5	-56.4	-55.1	-54.2
Reported net profit	5787.9	734.8	1116.0	1482.7	Net debt/EBITDA	29.0	-45.2	-24.3	-16.9
HSBC Net profit	-5817.7	734.8	1116.0	1482.7	<b>Growth (%)</b>				
NOPLAT	-3489.5	124.1	356.8	585.2	Revenue	-13.8	-36.4	15.0	15.0
<b>Cash flow summary (EUR'000)</b>					<b>EBITDA</b>				
Op free cash flow	6728.0	1141.1	361.1	616.5	EBITDA	-159.4		84.2	45.0
HSBC cash flow	2092.5	2001.8	1395.3	1816.4	EBIT			187.5	64.1
Capital expenditure	2697.1	-250.0	-275.0	-302.5	PBT	8386.9	-83.8	51.8	32.9
Cash earnings	-1667.0	1109.9	1593.1	2060.8	HSBC Net profit	-350.8		51.9	32.9
Change in net debt	2462.9	-1297.5	201.5	-164.6	HSBC NOPLAT			187.6	64.0
<b>Balance sheet summary (EUR'000)</b>					<b>HSBC EPS</b>				
Intangible fixed assets	596.3	913.6	1647.3	2316.9	HSBC EPS	-350.8		51.9	32.9
Tangible fixed assets	225.8	237.9	256.5	293.2	<b>Valuation (x)</b>				
Cash	24994.1	23147.7	23147.7	23147.7	PE		53.3	35.1	26.4
Current assets	26788.8	24181.7	24297.1	24446.7	PNAV	0.9	0.8	0.8	0.8
Operating liabilities	526.5	819.2	922.6	1041.5	PCE		35.3	24.6	19.0
Gross debt	0.0	-3143.9	-2942.4	-3107.0	Yield (%)	0.0	0.9	0.9	0.9
Net debt	-24994.1	-26291.6	-26090.1	-26254.7	EV/Revenue	-3.9	-6.4	-5.5	-4.8
Shareholders funds	45865.8	46600.6	47349.3	48464.6	EV/EBITDA		-75.5	-40.8	-28.3
Invested capital	2090.4	1366.2	2130.6	2867.7	EV/IC	-20.4	-32.2	-20.5	-15.3
					ROIC/Cost of capital	-7.2	0.8	2.4	2.8
					HSBC REP				

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