

## Onvista

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## OnVista

### Solid performance and outlook

Year to	Revenue (EURm)	EBITDA (EURm)	Reported PBT (EURm)	HSBC PBT (EURm)	HSBC Net profit (EURm)	HSBC EPS (EUR)	HSBC EPS growth (%)	PE (HSBC) (x)	PE rel (x)	Yield (%)	EV/EBITDA (x)	EV/IC (x)	ROIC (%)	REF (x)
12/2003a	10.8	-1.3	7.6	-4.0	-5.8	-0.87	-339.0			0.0		0.8	-23.3	
12/2004a	7.0	0.5	0.9	0.9	0.4	0.06		96.7	334.7	0.0	33.0	0.8	0.0	190.1
12/2005e	7.5	0.6	1.4	1.4	0.8	0.12	96.9	49.1	184.5	0.0	30.6	0.8	0.1	64.0
12/2006e	9.0	0.6	1.6	1.6	1.0	0.14	15.3	42.6	182.8	0.0	25.3	0.7	0.4	17.5

- ▶ Media revenues slightly better than expected
- ▶ Technology segment benefiting from cost control and merger-related synergy effects
- ▶ Outlook 2005 roughly in line with expectations

Media revenues slightly surprise on the top line

OnVista reported FY 2004 sales of EUR6.95m (-36% y-o-y), fully in line with HSBCe of EUR6.89m. Adjusted for the deconsolidation of OnVista Technologies the company achieved an increase of 53% y-o-y from EUR4.56m in FY 2003 – mainly due to increased advertising income and the first-time consolidation of the special interest portal Medicine-Worldwide from March 2004. OnVista thus clearly beat its guidance including full-year sales of EUR6.7m, which was raised after the release of nine months results 2004.

Technology segment benefiting from cost control and merger-related synergy effects

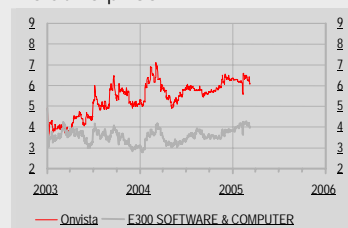
IS.Teledata's FY 2004 performance was again very encouraging, delivering sales of EUR35.7m (up by 1.2% y-o-y) and net income of EUR0.93m, driven by further progress in cost reduction and merger related synergy effects.

Outlook 2005 satisfying

OnVista is forecasting revenue growth of approximately 15% y-o-y to cEUR8m in FY 2005. In addition, the company expects further significant improvements on the bottom line and projects an increase of pre-tax profit by roughly 50% y-o-y (EUR0.92m in FY 2004).

Although we feel quite comfortable with the overall satisfying 2005 outlook, the share price hinges on the development of the online advertising business and especially on a sustainable evidence of a reviving top and bottom line at IS.Teledata. Our DCF model gives a fair value range of EUR6.8-7.8.

Relative price



Source: HSBC

#### Company note

Country	Germany
Sector	Software & Computer Services
Bloomberg	ONV.NF
Reuters	ONVG.DE
Mkt cap (EURm)	40.7
Mkt cap (USDm)	54.6
Free float (%)	42.5

#### Price

	1M	3M	12M
Absolute	6.58	6.40	6.65
Absolute (%)	-7.6	-5.0	-8.6
Relative (%)	-5.9	4.0	-3.5

Relative to E300 Software & Computer Index level	390.58
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Current (EUR)

6.08

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Research team\*

#### Analyst

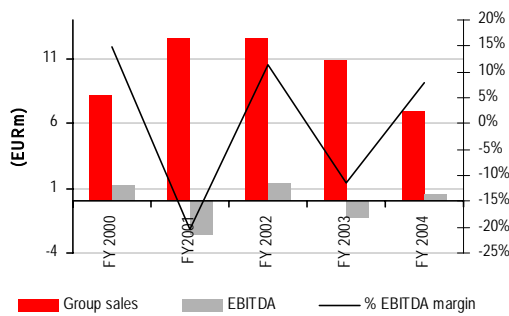
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Full year results slightly beat forecast

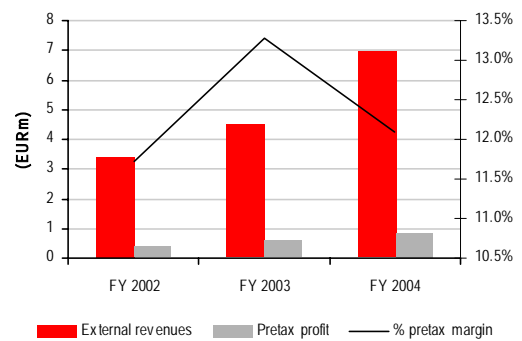
OnVista reported FY 2004 sales of EUR6.95m (-36% y-o-y), fully in line with HSBCe of EUR6.89m. Adjusted for the deconsolidation of OnVista Technologies the company achieved an increase of 53% y-o-y from EUR4.56m in full year 2003. Thus OnVista clearly beat its guidance including full year sales of EUR6.7m, which was raised after the release of nine months results 2004.

Sales & EBITDA development



Source: OnVista; HSBC Trinkaus & Burkhardt

Media segment performance



Source: OnVista; HSBC Trinkaus & Burkhardt

EBITDA of EUR0.54m (up from -EUR1.25m) was also roughly in line with HSBC expectations of EUR0.58m), resulting in an EBITDA margin of 7.8% (FY 2003 -11.5%). After a slightly weaker Q3 2004, which was negative at -EUR0.056m (EBITDA margin -3.1%), OnVista in the traditionally strong fourth quarter achieved a clearly positive result of EUR0.20m (EBITDA margin 10.7%).

Due to higher than expected tax expenses (tax rate of 54% versus HSBCe of 40%) net profit at EUR0.42m came in lower than expected, while significantly up from previous year (EUR5.79m including extraordinary income of EUR12.1m in FY 2003).

OnVista achieved an operating cash flow of EUR2.05m in full year 2004 (up from EUR1.22m in 2003). Due to further investments into IS.Teledata shares and the acquisition of the healthcare portal Medicine-Worldwide the group cash flow was negative at -EUR2.08m. The company's year end cash position of EUR22.61m (EUR3.38 per share as of December 2004) thus was slightly below previous year's number of EUR24.99m.

Strong performance in media segment

The media segment showed a significant improvement over FY 2003 both in terms of sales and segment results. Due to increased advertising income and the first time consolidation of the special interest portal Medicine-Worldwide from March 2004 (contribution of a mid sixfigure revenue) media sales were up 55% y-o-y to EUR6.95m in full year 2004. Q4 2004 with sales of EUR1.87m (+23% y-o-y) represented another record quarter in the company's history. The reported segment pretax result – despite a relatively weak Q4 with EUR0.04m and a margin of 2.1%, which to a large part was due to continuous investment into the

already profitable direct marketing business – achieved an increase of 41% y-o-y to EUR0.84m (12.1% margin versus 13.3% in FY 2003).

IS.Teledata's full year 2004 performance again was very encouraging, delivering sales of EUR35.7m (up by 1.2% y-o-y) and net income of EUR0.93m. Of this, -EUR4k slightly burdened OnVista profits, as extraordinary high tax expenses and EUR330k of depreciation were booked for the whole twelve months in 2004 against OnVista's profit share (36% stake). OnVista mentioned IST's result was driven by further progress in cost reduction and merger related synergy effects. IST's revenues and net income are volatile due to erratic set-up fees, when new customers are won. However, thanks to the current acceleration of the merged company's business model, continuously decreasing depreciation charges as well as normalised tax rates, we expect a considerably positive contribution to OnVista profits from FY 2005e.

#### Satisfying outlook

The company is forecasting revenue growth of approximately 15% y-o-y to cEUR8m in FY 2005. In addition, the company expects further significant improvements on the bottom line and projects an increase of pretax profit by roughly 50% y-o-y (EUR0.92m in FY 2004). While on a sales level this is roughly in line with original HSBC estimates (EUR7.93m) pretax guidance remains below our former projections of EUR1.86m.

The performance of the media segment (online advertising and the new direct marketing business) will remain the main driver for both group sales and earnings. The management is set to further expand the already profitable direct marketing business, while expecting first noticeable positive contributions from the healthcare portal Medicine-Worldwide (website relaunch during H1 2005) from 2006e on.

#### Conclusion

FY 2004 saw another solid set of figures in a rather difficult market environment for OnVista and IST. Although we feel quite comfortable with the overall satisfying 2005 outlook, the share price hinges on the development of the online advertising business and especially on a sustainable evidence of a reviving top and bottom line at IS.Teledata. Our DCF model gives a fair value range of EUR6.8-7.8.

#### OnVista: FY 2004 results

EURm	Q4 2003	FY 2003	Q3 2004	Q4 2004	% growth y-o-y	% growth q-o-q	FY 2004	% growth y-o-y
Technologies	1.08	6.29	0	0	-100%	nm	0	-100%
Media	1.53	4.5	1.83	1.87	23%	2%	6.95	55%
Corporate Services	0	0.06	0	0	-100%	nm	0	-100%
Sales	2.61	10.84	1.83	1.87	-28%	2%	6.95	-36%
EBIT	-2.12	-5.01	-0.16	-0.01	nm	nm	0.02	nm
EBITDA	-0.46	-1.25	-0.06	0.2	nm	nm	0.54	nm
Pretax profit	9.82	7.56	0.12	0.14	-99%	13%	0.92	-88%
Net income	7.11	5.79	0.06	-0.04	-101%	-165%	0.42	-93%
EPS basic (EUR)	1.06	0.86	0.01	-0.01	-101%	-165%	0.06	-93%

Source: OnVista, HSBC Trinkaus & Burkhardt

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	0.87	0.06	0.12	0.14	Revenue/IC (x)	0.7	0.3	0.3	0.4
HSBC EPS	-0.87	0.06	0.12	0.14	NOPLAT margin	-32.2	0.1	0.3	0.9
CEPS	-0.31	0.14	0.20	0.22	ROIC	-23.3	0.0	0.1	0.4
DPS	0.00	0.00	0.00	0.00	ROE	-13.5	0.9	1.8	2.0
NAV	6.85	6.92	7.05	7.20	ROA	12.8	0.9	1.7	1.9
<b>P&amp;L summary (EURm)</b>					<b>ROCE</b>				
Revenue	10.8	7.0	7.9	9.0	ROIC/Cost of capital	-2.6	0.0	0.0	0.0
EBITDA	-1.3	0.5	0.6	0.6	Cost of capital	8.9	8.9	8.9	8.9
EBIT	-5.0	0.0	0.0	0.1	EBITDA margin	-11.5	7.8	7.1	7.2
Net interest	0.9	0.9	0.8	0.8	EBIT margin	-46.2	0.2	0.5	1.5
PBT	7.6	0.9	1.4	1.6	PAT margin	53.4	6.0	10.4	10.6
HSBC PBT	-4.0	0.9	1.4	1.6	HSBC net profit margin	-53.7	6.0	10.4	10.6
Taxation	-1.8	-0.5	-0.6	-0.6	Net debt/equity	-54.5	-49.6	-49.9	-50.7
Reported net profit	5.8	0.4	0.8	1.0	Net debt/EBITDA	20.0	-42.5	-41.8	-37.8
HSBC Net profit	-5.8	0.4	0.8	1.0	<b>Growth (%)</b>				
NOPLAT	-3.5	0.0	0.0	0.1	Revenue	-13.8	-35.9	14.1	13.5
<b>Cash flow summary (EURm)</b>					EBITDA	-187.0		4.2	14.6
Op free cash flow	4.7	0.6	0.0	0.2	EBIT			132.1	240.6
HSBC cash flow	1.8	1.3	1.3	1.4	PBT	8387.0	-87.8	49.8	15.3
Capital expenditure	1.0	-0.2	-0.5	-0.3	HSBC Net profit	-337.6		96.9	15.3
Cash earnings	-2.1	0.9	1.4	1.5	HSBC NOPLAT			205.1	240.6
Change in net debt	2.5	2.1	-0.6	-0.9	HSBC EPS	-339.0		96.9	15.3
<b>Balance sheet summary (EURm)</b>					<b>Valuation (x)</b>				
Intangible fixed assets	0.6	3.3	3.3	3.3	PE		96.7	49.1	42.6
Tangible fixed assets	17.9	18.2	18.4	18.4	PNAV	0.9	0.9	0.9	0.8
Cash	25.0	22.9	23.5	24.4	PCE		43.1	30.1	27.8
Current assets	26.8	24.8	25.5	26.5	Yield (%)	0.0	0.0	0.0	0.0
Operating liabilities	0.5	0.7	0.7	0.8	EV/Revenue	1.5	2.6	2.2	1.8
Gross debt	0.0	0.0	0.0	0.0	EV/EBITDA		33.0	30.6	25.3
Net debt	-25.0	-22.9	-23.5	-24.4	EV/IC	0.8	0.8	0.8	0.7
Shareholders funds	45.9	46.3	47.1	48.1	ROIC/Cost of capital	-2.6	0.0	0.0	0.0
Invested capital	19.8	22.7	22.9	23.0	HSBC REP		190.1	64.0	17.9

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OnVista	ONVG.DE	6.08	2, 3, 5

Source: HSBC

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