

OnVista

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Stocks with positive surprise potential for Q4 2005 (alpha order)
(extract on Onvista)

- ▶ **OnVista:** Q4 sales and PBT could surprise on the upside following Ligatus' (performance marketing) better than expected performance in Q4 and increased reach of OnVista, the most-visited finance portal in Germany.

OnVista

2006 looking exciting

Over the past year, OnVista has substantially strengthened its position as the No.1 provider (page impressions up 70% y-o-y) of financial content on internet (followed by Finanztreff.de and yahoo). We believe that the exit from IS.Teledata in November 2005 has already enabled the company to focus more on its internet activities (finance and health portals and performance marketing) and view this development positively. The share price could significantly benefit from the likely announcement of a special dividend (cash position over EUR38m) towards the middle of the year, as well as from an acquisition, or fortified expansive investments into the existing portal businesses. Further good performances from the finance portal and Performance Marketing (Ligatus), the booming online advertisement market as well as positive news from the health portal (onmeda), could be potential positive catalysts for the stock in 2006.

Analyst: Öрге Cabi

Q4 results due 16 March

Financial preview 2005 and outlook 2006

OnVista had lifted up its FY sales guidance from EUR8m to "significantly higher than EUR9m" following the better-than-expected performance in the Media division. In November, we increased our FY 2005 sales estimate from EUR8.9m to EUR9.8m. Management also revised its PBT guidance from EUR1.38m to EUR1.5m for FY 2005, in line with our estimate of EUR1.49m, which we left unchanged. We think that company will exceed its 2005 sales guidance; for 2006 we expect sales to substantially increase (to EUR12.9m) as onmeda and Ligatus yield more fruit and a possible acquisition or expansion of the portal business could have a significant positive impact on sales. For Q4, we think that the company will beat its guidance and we expect the share price to positively react to this.

Key financials: 2005 and 2006

EURm	Q4/04	Q3/05	Q4/05e	Q4/05c	y-o-y	q-o-q	2004	2005e	2005c	y-o-y	2006e	2006c
Sales	1.87	2.64	2.94	n.a	57.2%	11.4%	6.95	9.80	n.a	41.0%	12.94	n.a
EBIT	-0.01	0.29	0.30	n.a	n.m	3.4%	0.02	0.61	n.a	nm	1.16	n.a
Net Income	-0.03	0.48	0.08	n.a	n.m	-83.3%	0.42	-0.50	n.a	-219.0%	1.41	n.a
EPS, reported (EUR)	-0.01	0.07	0.01	n.a	n.m	-85.7%	0.06	-0.07	n.a	-216.7%	0.21	n.a
EPS, HSBC	-0.01	0.07	0.01	n.a	n.m	-85.7%	0.06	-0.07	n.a	-216.7%	0.21	n.a

e = HSBC estimates, c = consensus

Source: HSBC, company data

Upgrade to Overweight (from Neutral) – new notional target price EUR9.81 (EUR8.05 previously)

We value OnVista using a SOTP valuation. The company's main value comes from its cash position (which increased to EUR38.8m following the sale of its IS.Teledata stake and its internet activities in November 2005). We upgrade our rating to Overweight from Neutral on the back of the expected growth in portal business and performance marketing in 2006 both benefiting from booming online marketing market and set a new fair value range of EUR8.73-10.88, with a notional mid-point of EUR9.81 (after a liquidity discount of 15%) (see next page for calculations). The valuation of the media activities is based on a peer group of listed German internet companies. Risks to our rating could come from a continuing high level of costs in Ligatus and a possible lack of acceptance of onmeda.

Onvista – summary financials

Current price (EUR)	8.96	Target price(EUR)	9.81	Market cap (EURm)	60.0	Bloomberg code	ONV.NF		
Rating	Overweight	Enterprise value (EURm)	38.8	Reuter RIC	ONVG.DE				
Year to	12/2004a	12/2005e	12/2006e	12/2007e	Year to	12/2004a	12/2005e	12/2006e	12/2007e
Per share data (EUR)					Ratios (%)				
Reported EPS	0.06	-0.07	0.21	0.27	Revenue/IC (x)	0.3	0.4	0.6	0.7
HSBC EPS	0.06	-0.07	0.21	0.27	NOPLAT margin	0.1	-2.1	5.4	6.6
CEPS	0.14	0.01	0.32	0.41	ROIC	0.0	-0.9	3.0	4.7
DPS	0.00	0.00	0.00	0.00	ROE	0.9	-1.1	3.1	3.9
NAV	6.89	6.96	6.88	7.09	ROA	0.9	-1.0	2.8	3.5
P&L summary (EURm)					ROCE	0.9	-1.1	3.0	3.7
Revenue	6.9	9.8	12.9	16.8	ROIC/Cost of capital	0.0	-0.1	0.3	0.5
EBITDA	0.5	1.2	1.9	2.8	Cost of capital	8.7	8.7	8.7	8.7
EBIT	0.0	0.6	1.2	1.8	EBITDA margin	7.8	11.7	14.5	16.5
Net interest	0.9	0.8	1.2	1.2	EBIT margin	0.2	6.2	9.0	11.0
PBT	0.9	1.5	2.4	3.0	PAT margin	6.1	-5.1	10.9	10.8
HSBC PBT	0.9	1.5	2.4	3.0	Interest Cover	0.0	-0.7	-1.0	-1.6
Taxation	-0.5	-2.0	-0.9	-1.2	Net debt/equity	-49.4	-45.9	-45.3	-47.3
Reported net profit	0.4	-0.5	1.4	1.8	Net debt/EBITDA	-41.9	-18.4	-11.1	-8.0
HSBC Net profit	0.4	-0.5	1.4	1.8	Growth (%)				
NOPLAT	0.0	-0.2	0.7	1.1	Revenue	-35.9	41.1	32.0	30.0
Cash flow summary (EURm)					EBITDA		113.1	63.0	47.9
Op free cash flow	1.7	-2.0	0.9	1.5	EBIT		3499.4	90.3	58.9
HSBC cash flow	2.3	-1.8	1.9	2.5	PBT	-87.9	62.9	57.4	29.2
Capital expenditure	-0.2	-0.5	-0.3	-0.3	HSBC Net profit		-217.6		29.2
Cash earnings	0.9	0.0	2.1	2.7	HSBC NOPLAT		-2698.3		58.9
Change in net debt	2.4	1.4	0.5	-1.6	HSBC EPS		-217.6		29.2
Balance sheet summary (EURm)					Valuation (x)				
Intangible fixed assets	3.3	3.3	3.3	3.2	PE	141.0		42.2	32.7
Tangible fixed assets	18.9	19.0	18.8	18.5	PNAV	1.3	1.3	1.3	1.3
Cash	22.6	22.1	23.3	24.9	PCE	63.0	1393.5	28.0	21.7
Current assets	23.3	24.3	25.8	27.8	Yield (%)	0.0	0.0	0.0	0.0
Operating liabilities	0.7	1.0	1.2	1.2	EV/Revenue	5.4	4.0	3.0	2.2
Gross debt	0.0	0.9	2.6	2.6	EV/EBITDA	69.3	33.7	21.0	13.6
Net debt	-22.6	-21.2	-20.7	-22.3	EV/IC	1.7	1.7	1.7	1.6
Shareholders funds	45.8	46.2	45.7	47.1	ROIC/Cost of capital	0.0	-0.1	0.3	0.5
Invested capital	22.1	23.5	23.5	23.5	HSBC REP	401.8		4.9	3.0

Business description

The OnVista Group is an internet company that relies on two main pillars: On one hand, it markets and operates special interest portals on the internet (the portal business, which consists of the finance portal www.onvista.de and the healthcare portal www.onmeda.de). On the other hand, the company is an online marketer via its subsidiary Ligatus (performance marketing business).

2005e Media sales breakdown

(EUR'000)	Sales 2007e	Multiple range		Asset value range		Per share		Asset value in %
Net cash	38.8		1.00	38.8		5.8		51%
Media	16.8	1.75	2.75	29.43	46.25	4.43	6.96	49%
Fair value				68.23	85.05	10.27	12.80	100%
Liquidity discount (15%)				10.23	12.76	1.54	1.92	-20%
Fair value incl. discount				57.99	72.29	8.73	10.88	80%

Source: HSBC Trinkaus & Burkhardt

Disclosure appendix

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This report addresses only the long-term investment opportunities of the companies referred to in the report. As and when HSBC publishes a short-term trading idea the stocks to which these relate are identified on the website. Details of these short-term investment opportunities can be found under the Reports section of this website.

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Stock (vs local universe)

- ▶ Overweight (Buy)
- ▶ Neutral (Hold)
- ▶ Underweight (Sell)

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For companies covered on a sector basis, we apply a ratings structure which ranks the stocks according to their notional target price vs current market price and then categorises (approximately) the top 40% as Overweight, the next 40% as Neutral and the last 20% as Underweight. The performance horizon is 2 years. The notional target price is defined as the mid-point of the analysts' valuation for a stock.

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Overweight/Buy	40%	(35% of these provided with Investment Banking Services)
Neutral/Hold	42%	(37% of these provided with Investment Banking Services)
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Onvista	ONVG.DE	9.0	2, 3, 4, 6

Source: HSBC

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