



Friday 31st October 2008

DAILY COMPANY NOTE — Independent News & Media See page 2 & 3 for full details

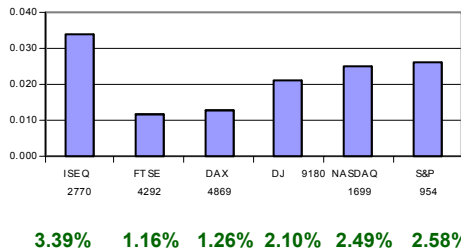
Daily Market Comment

Yesterday's Summary : The ISEQ posted another positive session yesterday, closing at 2,770 as it added another 91 points to its value. The biggest move of the day was in Elan shares which plummeted 40% at the open, after another life-threatening failure in one of its drugs emerged. Elan closed down 16% at €4.92. Elsewhere, the banks enjoyed a positive session with Anglo Irish Bank outperforming the sector closing up 17% at €1.99. CRH continued its uptrend on the back of strong volume adding another 8.6% to close at €16.70.

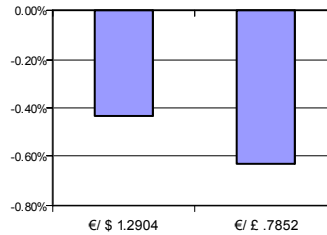
Overnight News : Despite a contraction in quarterly GDP, US indices posted a marginally strong day yesterday, buoyed by the energy and retail sector. Shares in Exxon Mobil closed up 0.5% at \$75.05 as it posted strong profits for Q3. Chevron closed up 4.5% at \$74.18 in anticipation of strong earnings which it reports today. Dow Jones: +2.1% at 9,181, S&P 500: +2.6% at 954, NASDAQ: +2.5% at 1,699.

Breaking News : **Barclays** is close to securing a £7.3bn cash injection from Middle Eastern governments, including Qatar and Abu Dhabi, in a move that will allow the UK bank to boost its balance sheet without turning to the British state for cash. **Bank of Japan** has cut its key benchmark interest rate to 0.3% from 0.5%, as it came under pressure from widespread concern that the global financial rout would deepen Japan's already ailing financial sector. **Erste Group** yesterday became the first to use a €100bn Austrian government recapitalization scheme, taking an injection of €2.7bn.

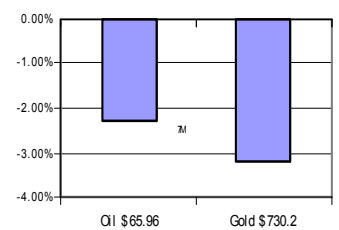
Equity Indices change on day



Currency daily % change



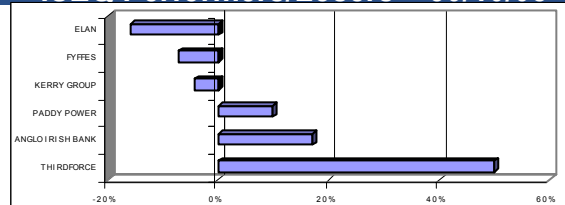
Oil/Gold daily % change



News

- "Elan shares fall on news of third Tysabri case"-(The Irish Times)
- "Bol predicts GDP will shrink by 1.6%"-(The Irish Times)
- "Plans for Tullow's Ugandan oil project not yet cleared"-(Irish Independent)
- "Confidence in Europe falls to eighties levels"-(Irish Independent)
- "Barclays nears cash boost from Mideast"-(Financial Times)

ISEQ Performers/Losers 30/10/08



Market Themes & Movers

European inflation continues to soften: Europe's inflation rate during October fell to 3.2% from 3.6% in September its lowest level since January a clear sign that lower global growth is bringing down inflation. The sharp decline in inflation gives the ECB room to lower interest rates when it meets next Thursday November 6th. The market expects the central bank to lower interest rates by a further 0.50% to 3.25%. The ECB unexpectedly cut interest rates by 0.5% on October 8th as part of a coordinated international central bank operation, while ECB President Jean-Claude Trichet said on October 27th the central bank may follow that emergency cut with another at its November 6th meeting.

US economy contracts in third quarter: US gross domestic product has contracted at a rate of 0.3% from July to September, representing the biggest quarterly decline since 2001. However this result was better than market expectations, as economist had been forecasting a more severe drop of 0.5%. Consumer spending dropped 3.1%, its first decline since 1991 and the biggest drop since 1981. This data release came just a day after the Federal Reserve lowered its benchmark interest rate by 50 basis points to 1%, matching its lowest level for half a century. With US unemployment at a five year high of 6.1% and consumer borrowing in August falling by the most on record as banks tighten their belts, economists are suggesting this won't be the only quarter that the US posts negative economic growth.



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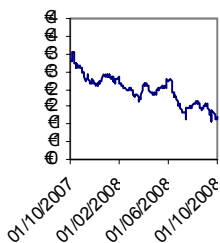
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Independent News & Media

Stephen Taylor Buy
Target: €0.96
Current: €0.50
Previous: (20/03/08) €2.20
ISEQ
Media
Company Profile

The Group's principal activities are printing and publishing national and provincial newspapers in Ireland and New Zealand, national and metropolitan newspapers in the United Kingdom, regional newspapers in Australia and India and metropolitan newspapers in South Africa. It also has radio operations in Australia and New Zealand.

Statistics
Price Performance


- Shares in Independent News & Media (INM) have fallen by over 60% since the group's interim results back in August. The fall has been attributed to a number of factors including : slowdown in advertising revenue due to a weakening economic outlook, concerns around the group's debt refinancing as credit markets remain tight and sharp decline in South African rand and Australian dollar.
- In relation to current economic climate conditions have clearly worsened since INM updated the market in August. INM pointed out at its interim results that if current advertising trends continued in the second half of the year, the group would be in line to produce profits in line with market expectations of c. €0.17-€0.18 consensus. We would point out that economic conditions in the last 3-months have clearly seen a steeper decline than in than in the first half of the year and see EPS for this year undershooting consensus estimates by 1c. at €0.16. We also expect the economic environment in 2009 to be equally challenging as seen in the last number of months a point echoed by INM peer, WPP, yesterday. On the positive side, INM is among the most geographically diverse media companies in the world and in particular its expansion into emerging markets should help insulate it in some form from the current downturn.
- With credit markets continuing to be stressed balance sheets are one of the main focuses for the market at the moment. Net debt for INM currently stands at €1.4bn (APN incorporated). Forecasted net debt/EBITDA currently stands at 3.7x which is below the typical 4x-5x covenant for a media company. At the group's interim results in August, INM announced that it had signed a new four-year facility for €105m in order to fund the redemption of its €125m, 8.0% coupon bond, of which €112.6m is outstanding. The main concern for the market will be how the company meets or refinances its €200m, 5.75% coupon, fixed rate bonds due May 2009. While the group did have cash of €76m at the end of June-08 and will remain a strongly cash generative business, we believe INM will look to refinance the debt which will push its funding costs higher. APN has no material debt maturing before 2010.
- Adverse currency movements in the South African rand and Australian dollar are also a concern for the company. For 2008, the group has 75% of its Rand exposure hedged at a price just above ZAR10 (currently 12.96), while it has 100% of its Australian dollar hedged at AU\$1.63 (currently 1.92). It will therefore be a lot more expensive for the company to hedge its 2009 exposure to these currencies and will have an impact on profits.

Valuation

- With Denis O'Brien recently increasing his stake in the company there is the possibility for corporate activity following the recent sell off in the group's share price however in the short-term we believe that this is unlikely. Our new 12m price target for the stock of €0.96 is based on the company trading in line with European media sector at 8x 2009 forecasted EPS of €0.12. We also expect that the company will cut its dividend by at least 50% next year to help in part with funding its debt. While conditions for the company will continue to be difficult, on a valuation basis we view the stock as a long-term buy.

Chart view: INM

Primary Resistance: 0.80
Secondary Resistance: 1.10

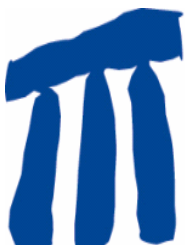
Stock continues its downward price channel, however strong divergence from its trendline suggests an upward correction is needed. Confirmation of a correction comes by way of oversold daily momentum. Watch support at 0.27.

Profits by Region


Revenue by Division
 Ireland 26%
 UK 15%
 Australasia 46%

Major Shareholders	%	Peer Group Multiples			
Anthony O'Reilly	29.76%	Company name	P/E 08	P/E 09	EPS Growth 08-09
Dennis O'Brien	26.16%	INM	3.3	4.3	-25.00%
Clear Channel	4.94%	Pearson	11.4	11.0	-3.51%
Tweedy Browne	3.23%	Daily Mail	2.0	2.5	-20.00%
		Johnston Press	5.7	7.9	-27.85%
		Trinity Mirror	1.6	2.3	-30.43%
Shares Outstanding	790m				

Share Data		Financial Data	2007a	2008e	2009e
Current Price (€)	0.52	Revenue (€m)	1,673	1,601	1,440
Mkt Cap (€m)	409	Pretax Profit (€m)	286	250	210
Reuters	INME.L	EPS (€)	0.19	0.16	0.12
Bloomberg	INM ID	P/E(x)	2.74	3.25	4.33
Sector	Media	DPS (€)	0.14	0.08	0.07
CEO	Anthony O'Reilly	Dividend Yield	26.92%	15.38%	13.46%
Chairman	Brian Hillery				
Website	www.inmplc.com				





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