



CTC Media

Flash Note**BUY****Upside: 50.4%**
Target Price: 32.5\$**Analyst: Mikhail Alefirenko**

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Stock data

Ticker	CTCM US	M.Cap, \$ mn	3,276
Shares Ords	151,804,000	Free Float, %	25%
Shares Prefs	-	Free Float, \$ mn	819
Bid Ords, \$	21.59	Offer Ords, \$	21.61

Market performance

		1 month	6 months
Absolute	Ords	-4.93%	-21.50%
Relative to RTSI	Ords	-11.99%	-33.42%
Price range, \$			
High	Ords	23.62	28.77
Low	Ords	21.37	20.63

Financials, 2007E

Revenue, \$ mn	437	P/S	7.5
EBITDA, \$ mn	204	EV/EBITDA	16.2
Net Income, \$ mn	124	P/E	26.4

3Q07 results – Better than expected

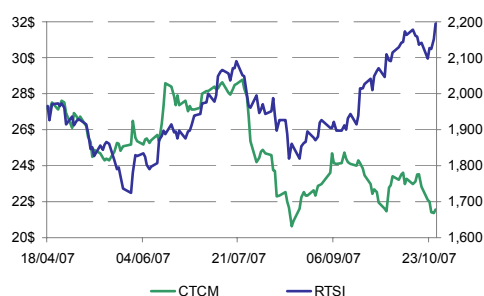
- Today CTC Media announced its third quarter results. The third quarter is historically a low period in the broadcasting industry as a result of seasonal viewing trends. Due to these industry-wide trends, CTC Media's revenues and profit margins are usually lowest in the third quarter. Nevertheless, the company's 3Q07 results are considerably stronger than its 3Q06 results.

- CTC Media's total operating revenues for the three months ended September 30, 2007, increased by 33% to \$94.1 million from \$70.9 million for the three months ended September 30, 2006. Its OIBDA increased by 68% to \$32.0 million and 16% to \$127.7 million in the three- and nine-month periods ended September 30, 2007. Its OIBDA margin increased from 26.8% in 3Q06 to 33.9% in 3Q07. Net income increased by 106% to \$17.4 million in the third quarter and by 17% to \$76.2 million in the first nine months of 2007. The company's total operating expenses growth rate (23%) still lags its total operating revenue growth rate of 33%.

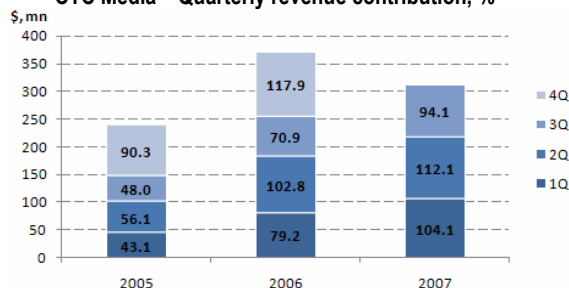
- At the same time, the CTC Network's audience share declined to 8.7% in 3Q07 from 10.1% in 3Q06. In contrast, the Domashniy Network's audience share grew to 1.9% in 3Q07 from 1.5% in 3Q06. Declining audience share has become the main risk faced by CTC Media. However, as long as the company is able to maintain its revenue growth rates as a result of rising TV ad prices (and despite falling audience share), we feel comfortable with our income forecasts.

- CTC Media also reported the acquisition of a regional station in Stavropol for the Domashniy Television Station Group for \$3.3 mn. This demonstrates that the company is continuing to expand regionally. The company also announced the departure of its CFO, Nilesh Lakhani. We do not see this as having any significant impact on the company. The company published a list of the strong programmes that it will broadcast towards the end of 2007 and in the first half of 2008. In December, a new series (with the central role being played by the main character from "Born not pretty") will be aired. Management is coping well with the need to change its programming at short notice, after the failure of its "CTC launches superstar" show based on the "American Idol" show, which started in September.

- The company has narrowed its guidance for its consolidated total operating revenue for the full year ending December 31, 2007, to a range between \$460 and \$480 million, with forecast consolidated OIBDA margin in the 45-47% range. In our model we expected 2007 revenue around \$440 million. Taking into consideration, the company's 3Q07 results, we confirm our 2007 revenue forecast of \$440 million, with the possibility that actual results may exceed our estimate. Therefore, we maintain our **BUY** recommendation on CTC Media, with a target price of \$32.5, which gives potential upside of 50.4% from the current price.

CTC Media – Relative performance

Source: RTS, Bloomberg

CTC Media – Quarterly revenue contribution, %

Source: Company data

STOCK RATING POLICY

STRONG BUY:	Upside over 25%; confidence level – high / upside over 100%; confidence level - low
BUY:	Upside between 15 and 25%; confidence level – high / upside between 25% and 100%; confidence level – low
HOLD:	Upside of less than 15%; confidence level – high / upside of less than 25%; confidence level – low
SELL:	Target price at or below current price levels

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