



CTC Media

**Flash
Note**

Hold

Upside: 2.4%
Target Price: 32.5\$

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Stock data

Ticker	CTCM US	M.Cap, \$ mn	4,805
Shares Ords	151,804,000	Free Float, %	25%
Shares Prefs	-	Free Float, \$ mn	1,201
Bid Ords, \$	31.65	Offer Ords, \$	31.74

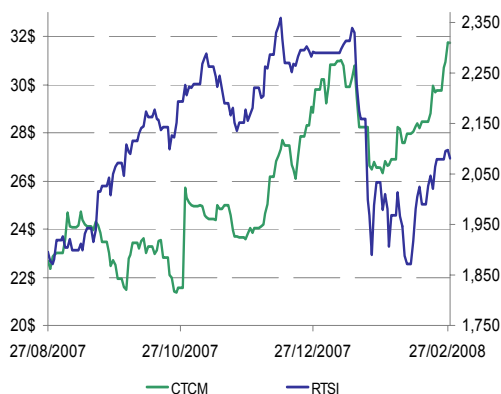
Market performance

		1 month	6 months
Absolute	Ords	19.5%	40.18%
Relative to RTSI	Ords	16.38%	29.59%
Price range, \$			
High	Ords	31.75	31.75
Low	Ords	26.31	21.37

Financials, 2008E

Revenue, \$ mn	671	P/S	7.16
OIBDA, \$ mn	318	EV/EBITDA	15.1
Net Income, \$ mn	196	P/E	24.5

CTC Media – Relative performance



Source: RTS, Sovlink

Apprehensions concerning lower profitability

- Today CTC Media announced its fourth quarter and full year results. The fourth quarter has historically been a profitable period in the broadcasting sector. CTC Media's total operating revenues in 4Q07 increased by 37% to \$161.7 mn from \$117.9 mn in 4Q06, and its total operating revenues increased by 27.3% to \$472.1 mn in 2007 from \$370.8 mn in 2006.

\$ '000	2006	2007	Change
Total operating revenues	370,834	472,056	27%
Total operating expenses	(216,521)	(278,995)	29%
OIBDA	173,96	220,42	27%
Net income	106,325	135,913	28%

- The company's total consolidated operating expenses for 2007 increased by 28.8% to \$279 mn compared to \$216.5 mn in 2006. At the same time, its revenues increased by only 27%. We see it as a negative signal, increasing the possibility of a fall in the company's OIBDA margin in 2008.
- We also note that the company's recent purchase of two Russian production companies – COSTAFILM and SOHO MEDIA – will lower CTC Media's aggregate OIBDA margin in 2008, as the production business is not as profitable as broadcasting. Furthermore, according to yesterday's article in Vedomosti, CTC Media is preparing to buy DTV (which generated revenues of \$40 mn and operating income of \$4 mn in 2007). Thus, whilst the potential purchase of this low margin channel could boost the company's revenues, it could lower CTC Media's margins.
- Taking into consideration CTC Media's current market price (which has climbed rapidly this year from \$26 and has almost reached our target price of \$32.5 per share), the 2007 results published by the company and our apprehensions concerning the company's lower profit margins in 2008, we lower our recommendation from BUY to **HOLD**. (We maintain our target price at \$32.5 per share.)



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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