



Rambler Media

Flash Note

BUY

Upside: 73.5%
Target Price: 42.87\$

Analyst: Mikhail Alefirenko
alefirenko@sovlink.ru

Stock data

Ticker	RMG LN	M.Cap, \$ mn	377.2
Shares Ords	15,397,649	Free float	45 %
Shares Prefs	-	Free float, \$ mn	170
Bid Ords, \$	23.64	Offer Ords, \$	24.7

Market performance

		1 month	6 months
Absolute	Ords	-7.2%	-35.6%
Relative to RTSI	Ords	-12.3%	-34.3%
Price range, \$			
High	Ords	26.25	40.59
Low	Ords	24.37	24.37

Financials, 2007E

Revenue, \$ mn	69.1	P/S	5.45
EBITDA, \$ mn	7.6	EV/EBITDA	45.5
Net income, \$ mn	5.7	P/E	66.2

Financials, 2008F

Revenue, \$ mn	120.25	P/S	3.13
EBITDA, \$ mn	24.9	EV/EBITDA	13.88
Net income, \$ mn	11.41	P/E	33

2007 results

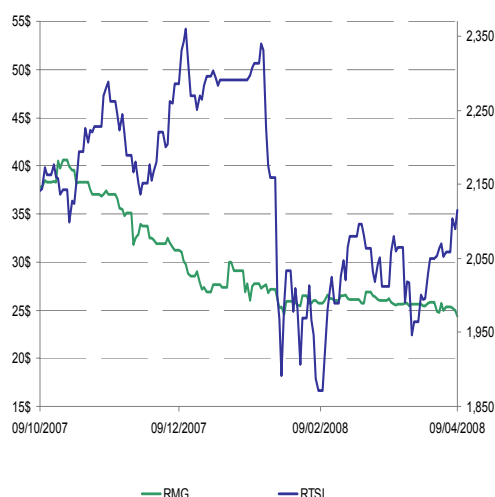
- Yesterday, Rambler announced its preliminary 2007 financial results. Revenues grew 125% y-o-y (including Begun's revenues as of August 2007) to \$69.1 mn (from \$30.6 mn in 2006). In like-for-like sales, Rambler's sales grew 77% y-o-y to \$54.2 mn (compared to \$30.6 mn in 2006). Rambler's net profit after interest and tax amounted to \$5.7 mn. However, net income from continuing operations was \$1 mn negative. The company's cash position improved to \$31.5 mn by the end of 2007. In the table below, we have summarized Rambler's key financials.

\$ mn	Revenue, 2007	Growth, %	EBITDA	EBITDA, %
Rambler data	69.1	125%	7.6	11.10%
Sovlink estimates	62.9	105%	6.99	11.10%

Source: Company data, Sovlink estimates

- Begun added \$14.92 mn to the company's revenues versus our estimate of \$16.31 mn. Rambler pointed out that if Begun's acquisition had been completed on 1 January 2007, the group's revenues would have been more than \$84 mn. Begun's contribution to the company's revenues increased to 36% in 2007 from 25% in 2006.
- Rambler managed to reduce its labor costs to 32% of revenues in 2007 versus 40% in 2006. Management expects labor costs to fall to 25%–28% of revenues in 2008. At the same time, Rambler increased its capex from \$3.61 mn in 2006 to \$5 mn in 2007.
- Mark Opzoomer, RMG's CEO, mentioned that there are further opportunities to optimize Begun's integration both in terms of technology and monetization. The company gave guidance on its expected key financial figures for 2008: revenues are expected to be in the \$100–\$110 mn range while EBITDA is expected to vary around \$20–\$27 mn, maintaining a 20%-25% margin.
- Rambler has made a breakthrough in terms of its profitability and strategic orientation. Its acquisition of Begun was well-timed and the company has effectively restructured its (Rambler's) cash flows. Rambler has introduced a new brand, has repositioned itself in the market and found new partners. Given the company's strong revenue growth, supported by its PPC market share growth and Video International agreements for display advertising, and the work carried out by the new management, we see Rambler as a fairly attractive investment in the rapidly growing Russian online sector. Consequently, we reiterate our **BUY** recommendation on the company, with an estimated target price of \$42.87 per share, giving potential upside of 73.5%.

Rambler Media – Relative performance



Source: Bloomberg, Sovlink

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

SOVLINK LLC

Tel.: +7 495 967 1300

Fax: +7 495 967 1311

Kremlin Embankment 1, building 2,
Moscow 119019, Russia

www.sovlink.ru
research@sovlink.ru

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