

Apace Media ^{3,4,5,F}

Media & Entertainment

Balkan alliance highlights value

- Apace Media has today announced the creation of a joint venture for its Balkan television interests with MTG Broadcasting, the Swedish-based broadcasting and entertainment group. Under the transaction, Apace will receive an initial cash consideration of EUR8.6m (£5.9m) for a 50% shareholding in a newly formed JV company, Balkan Media Group Ltd (BMGL).
- The joint venture will allow Apace to participate in the continued strong growth expected in the Balkan television activities on a more measured risk basis. Furthermore, it will bring in MTG's broadcasting experience in Eastern Europe, including Russia, as well as advantages in securing content for BMGL's channels.
- We have made no changes to forecasts for the transaction, which is due to complete in the second quarter of 2007, but have updated our numbers for the placing around the end of 2006. With the issue of 20m shares (a 29% increase in number), the short term impact, ahead of investment of the proceeds, dilutes 2007 EPS by 18% to 1.15p.
- The agreement with MTG effectively values Apace's Eastern European television assets at over EUR17m/£12m, which is well ahead of our valuation of £10m in May 2006.
- Furthermore, this compares with the group's current market capitalisation of £16m. With around £2m net cash on Apace's balance sheet, this values the Content Creation division at £2m, which is too low for a business that we expect to have generated over £7m revenues in 2006 and to grow significantly in 2007. Our recommendation remains **Buy**.

| Year end March | Sales (£m) | Norm. PBT (£m) | EPS (p) | PER (x) | Dividend (p) | Div yield (%) |
|-------------------|---------------|-------------------|------------|------------|-----------------|------------------|
| 2005 | 2.0 | -0.50 | -3.37 | -5.3 | 0.0 | 0.0 |
| 2006e | 11.5 | 0.13 | -0.21 | -86.3 | 0.0 | 0.0 |
| 2007e | 17.7 | 2.03 | 1.15 | 15.5 | 0.0 | 0.0 |
| 2008e | 20.4 | 2.71 | 1.49 | 11.9 | 0.0 | 0.0 |

Source: Seymour Pierce Limited full year forecasts

^{3,4,5} Please see regulatory disclosure notes at the end of this document

^F Forecast change

BUY

17.75p

AIM APA.L

| | | | |
|------------------------------|------------|-----------|------------|
| No of shares (m) | 89 | | |
| Market cap (£m) | 15.8 | | |
| Net cash (£m) | 2.0 | | |
| Enterprise value (£m) | 13.8 | | |
| (%) | 1m | 3m | 12m |
| FTA relative | +12.5 | +2.4 | -22.8 |
| 12 month high/low (p) | 22.5/15.25 | | |

Next news

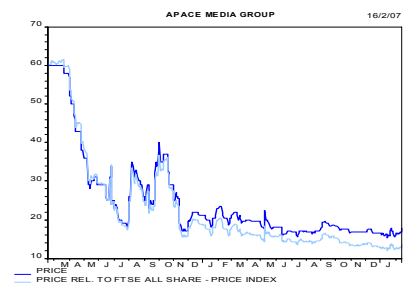
FY results – May 2007

Business

TV content creation, compilation music production and broadcasting in Eastern Europe

www.apacemedia.com

Price and price relative (-2y)



Source: Datastream

Contact

Charles Peacock
Research Analyst
020 7107 8001
charlespeacock@seymourpierce.com

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|--------------|--|
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|--------------|-------------------------------|---|
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