

DMAIL

BUY

SECTOR: Media

Price (Eu):

10.12

Fabrizio Barini

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Target Price (Eu):

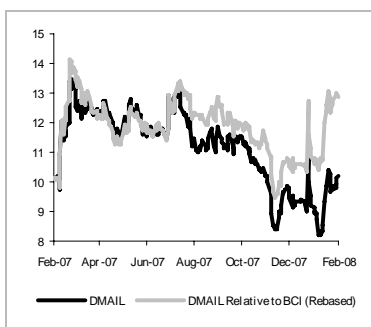
14.40

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Profitability explodes

- 4Q07 results.** The Dmail Group, in the last part of 2007, showed for the first time a more than proportional performance in terms of profitability compared to the already satisfactory sales trend. Indeed, turnover was positioned at Eu32.8mn, +20% YoY, while EBITDA was equal to Eu2.9mn, +66% YoY. EBIT was Eu1.8mn compared to Eu0.7mn in 2006, and then the net result before taxes was Eu1.3mn, well above the Eu0.2mn posted 12 months ago. At divisional level, the Media division Commerce increased revenues by 16% to Eu25mn, with an operating margin of Eu2.5mn, +51% on annual basis. Local Media was up 34%, with revenues at Eu7.9mn and EBITDA at Eu0.9mn, +21% YoY.
- Results in line at operating level.** The trend highlighted in 4Q 2007 fully reflects our expectations of a strong improvement in margins in the last part of the year when the seasonality is stronger and the operating leverage can be fully exploited. Note however that the results are not directly comparable with our estimates since the company started to make a number of adjustments required by auditors to the accounts of Commerce division. The impact is Eu2mn at top line and Eu0.5mn at EBITDA level. Net of that component our estimates are in line with the results of the group. Below the operating line, on the other hand, a greater impact from depreciations and financial charges led to disappointing results. The latter, however, are destined to fall in 2008 thanks to an improvement of the net financial position, which already began in the last quarter.
- Estimates fine-tuned.** The 4Q07 results finally showed the ability of the group to generate strong operating leverage. We have therefore left unchanged our estimates in terms of EBITDA, while we have a lower level of EBIT to account for higher depreciations and provisions, in line with the trend shown in the last quarter of 2007. The net effect is a reduction in estimates of 7.5% for the current year and 4% for the next.
- BUY confirmed, target Eu14.40.** The last quarter of 2007 showed the full potential of Dmail Group. Thanks to the size of turnover reached, the company now has strong operating leverage, particularly in the Consumer division, where profitability rose by three percentage points. Progress in terms of economies of scale will start to be felt, even in terms of indebtedness, which at the end of 2007 fell far beyond expectations. This makes the company less exposed to the problems of working capital typical of the retail sector in phases where there is a slowdown in consumption, as is taking place at this moment in Italy.

DMAIL - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2007A	2008E
	-7,5%	-4.0%

STOCK DATA

Reuters code: DMA.MI
Bloomberg code: DMA IM

Performance	1m	3m	12m
Absolute	9.8%	-0.9%	-0.5%
Relative	17.8%	11.8%	21.1%
12 months H/L:	13.48/8.17		

SHAREHOLDER DATA

No. of Ord. shares (mn):	8
Total No. of shares (mn):	8
Mkt Cap Ord (Eu mn):	77
Total Mkt Cap (Eu mn):	77
Mkt Float - ord (Eu mn):	32
Mkt Float (in %):	41.7%
Main shareholder:	
Gianluigi Viganò	11.5%

BALANCE SHEET DATA

	2008
Book value (Eu mn):	35
BVPS (Eu):	4.54
P/BV:	2.2
Net Financial Position (Eu mn):	-23
Enterprise value (Eu mn):	100

Key Figures	2005A	2006A	2007A	2008E	2009E
Sales (Eu mn)	49	76	107	122	141
Ebitda (Eu mn)	5	6	7	12	15
Net profit (Eu mn)	1	1	1	5	7
EPS - New (Eu)	0.17	0.07	0.14	0.62	0.88
EPS - Old (Eu)	0.17	0.07	0.14	0.67	0.92
DPS (Eu)	0.10	0.10	0.10	0.19	0.26
Ratios & Multiples	2005A	2006A	2007A	2008E	2009E
P/E	59.6	nm	70.7	16.3	11.5
Div. Yield	1.0%	1.0%	1.0%	1.8%	2.6%
EV/Ebitda	17.0	17.3	14.4	8.1	6.3
ROCE	8.9%	5.7%	6.1%	15.3%	20.0%

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Dmail Group – 4Q 2007 results

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In the table below we compare our estimates with the FY2007 results.

DMail 4Q'07

<i>Eu mn</i>	<i>Q4'06A</i>	<i>Q3'07A</i>	<i>Q4'07E</i>	<i>Q4'07A*</i>	<i>% change YoY</i>	<i>% A/E</i>	<i>YoY %</i>	<i>FY '07E</i>	<i>FY '07A</i>
Sales	27.3	23.0	32.9	35.8	31.1%	8.8%	20.5%	105.2	109.8
Ebitda	1.8	1.1	3.3	3.4	94.0%	3.7%	87.1%	7.6	7.5
<i>margin %</i>	<i>6.5%</i>	<i>4.9%</i>	<i>10.0%</i>	<i>9.6%</i>				<i>7.2%</i>	<i>6.9%</i>
Ebit	0.7	0.3	2.5	2.3	n.m	-9.7%	251.6%	4.3	3.7
<i>margin %</i>	<i>2.6%</i>	<i>1.1%</i>	<i>7.6%</i>	<i>6.3%</i>				<i>4.1%</i>	<i>3.4%</i>
Net Financial Gain (Losses)	(0.5)	(0.3)	(0.3)	(0.5)	n.m	n.m		(1.1)	(1.1)
Pre-tax	0.2	0.0	2.2	1.8	n.m	-18.3%	<i>nm</i>	3.2	2.6
Net Profit								<i>1.1</i>	<i>na</i>

Source: Intermonte Sim

(*) Adj. for IAS compliance

In line results at operating level

The trend highlighted in 4Q 2007 fully reflects our expectations of a strong improvement in margins in the last part of the year when the seasonality is stronger and the operating leverage can be fully exploited. Note however that the results are not directly comparable with our estimates since the company started to make a number of adjustments required by auditors to the accounts of Commerce division.

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DMAIL - KEY FIGURES

		2005A	2006A	2007A	2008E	2009E
	Fiscal year end	31/12/2005	31/12/2006	31/12/2007	31/12/2008	31/12/2009
PROFIT & LOSS (Eu mn)	Sales	49	76	107	122	141
	EBITDA	5	6	7	12	15
	EBIT	3	3	3	9	11
	Financial income (charges)	(1)	(1)	(1)	(1)	(1)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	3	1	2	8	10
	Taxes	(1)	(1)	(1)	(3)	(4)
	Tax rate (%)	52.5%	60.7%	48.6%	37.3%	35.8%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	1	1	1	5	7
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	5	6	7	12	15
Ebit excl. extraordinary items	3	3	3	9	11	
Net profit restated	1	1	1	5	7	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	8	8	8	8	8
	EPS stated fd	0.17	0.07	0.14	0.62	0.88
	EPS restated fd	0.17	0.07	0.14	0.62	0.88
	BVPS fd	4.27	4.06	4.10	4.54	4.92
	Dividend per share (ord)	0.10	0.10	0.10	0.19	0.26
	Dividend per share (sav)	0.00	0.00	0.00	0.00	0.00
	Dividend pay out ratio (%)	48.4%	271.2%	63.8%	6.3%	4.5%
CASH FLOW (Eu mn)	Gross cash flow	4	4	5	9	12
	Change in NWC	2	(6)	(4)	(5)	(3)
	Capital expenditure	0	(3)	(0)	0	0
	Other cash items	1	(7)	0	0	0
	Free cash flow (FCF)	6	(11)	1	3	8
	Acquisitions, divestments & others	(2)	(3)	(4)	(2)	(2)
	Dividend	(1)	(1)	(1)	(1)	(1)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	3	(14)	(4)	1	5	
BALANCE SHEET (Eu mn)	Total fixed assets	33	44	44	46	46
	Net working capital	9	11	15	20	23
	Long term liabilities	(4)	(5)	(4)	(8)	(12)
	Net capital employed	38	51	55	58	56
	Net financial position	(5)	(20)	(23)	(23)	(19)
	Group equity	32	30	30	34	37
	Minorities	1	1	1	1	1
Net equity	33	31	31	35	38	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	77	77	77	77	77
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(5)	(20)	(23)	(23)	(19)
	Enterprise value	82	97	101	100	96
RATIOS(%)	EBITDA margin*	9.8%	7.4%	6.6%	10.1%	10.8%
	EBIT margin*	6.5%	3.3%	3.0%	7.0%	8.1%
	Gearing - Debt/equity	15.9%	65.1%	77.2%	67.8%	51.3%
	Interest cover on EBIT	5.3	2.2	3.0	8.6	12.7
GROWTH RATES (%)	Debt/Ebitda	1.04	3.50	3.34	1.85	1.24
	Sales	9.5%	53.2%	40.9%	14.4%	15.1%
	ROCE*	8.9%	5.7%	6.1%	15.3%	20.0%
	EBITDA*	18.3%	15.1%	25.5%	76.3%	22.6%
	ROE*	4.2%	1.7%	3.5%	14.4%	18.9%
	EV/CE	29.6%	-21.1%	27.5%	167.0%	32.6%
	EV/CE	2.3	2.2	1.9	1.8	1.7
	Net profit	-70.8%	-57.0%	106.2%	334.5%	41.5%
	EV/Sales	1.7	1.3	0.9	0.8	0.7
	EPS restated	-70.3%	-59.1%	106.2%	334.5%	41.5%
EV/Ebit	25.8	38.4	31.4	11.7	8.5	
* Excluding extraordinary items	Free Cash Flow Yield	8.2%	-14.0%	1.0%	4.3%	11.0%

Source: Intermonte SIM estimates

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25.16%	24.52%	34.84%	14.19%	1.29%

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63.16%	10.53%	26.31%	0.0%	0.0%

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DETAILS ON STOCK RECOMMENDATION

Stock NAME	DMAIL		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	14.40	Previous Target (Eu):	14.40
Current Price (Eu):	10.12	Previous Price (Eu):	9.32
Date of report:	15/02/2008	Date of last report:	01/02/08

Further information is available