Target price: USD 18 **Long-term Recommendation: Sell**

Market price: USD 27 **Short-term Outlook: Neutral**

CME

4Q09 Earnings Estimate

Bloomberg Code: CETV CP **Reuters Code:** CETV.O

US GAAP, cons. (USD thousand)	4Q09e	4Q08	y/y	2009e	2008	y/y
Net revenues	239,800	291,501	*-18%*	701,688	1,019,934	*-31%*
Total operating costs and exp.	207,210	212,617	*-3%*	638,321	723,930	*-12%*
EBITDA	32,590	78,884	*-59%*	63,367	296,004	*-79%*
EBITDA margin	*13.6%*	*27.1%*	*-13.5pps*	*9.0%*	*29.0%*	*-20.0pps*
EBIT	14,290	-279,818	*n.a.*	-91,939	-127,797	*-28%*
EBIT margin	*6.0%*	*-96.0%*	*n.a.*	*-13.1%*	*-12.5%*	*n.a.*
Financial result	-57,890	-17,445	*232%*	-17,141	-87,366	*-80%*
Pre-tax income	-43,600	-297,263	*-85%*	-109,080	-215,163	*-49%*
Net loss after minorities	-28,765	-314,125	*-91%*	-70,672	-255,544	*-72%*
EPS (USD)*	-0.5	-7.4	*-94%*	-1.2	-6.0	*-81%*

*Source: CME, ATLANTIK FT; * based on different numbers of shares*

4Q09 Earnings Estimate

CME will release its **4Q 2009 earnings results on 24 February**. The results will be still burdened by ad market declines (by 10-20% y/y) resulting from the current economic recession. Compared to previous quarters, the company benefited from the appreciation of local currencies against the dollar (approx. 10% y/y), which partly offset the effect of lower ad spending.

A decline in **revenues** was to some extent mitigated by cost saving in countries where the company did not expand its activities. Higher costs concerned especially Slovakia (launch of TV Doma) and Bulgaria (investments in programming).

We project **revenues** in 4Q09 to have dropped by 18% y/y to USD 240m and we expect their stabilisation. In 2010 CME expects the ad market to grow by 2-6% in individual countries, in particularly in the second half of the year.

Ukraine should record the sharpest decline in revenues (-45% y/y), due to a steep market fall as a result of strong economic recession and fierce competition (high discounts). However, the situation improved in 4Q, also in connection with a campaign for presidential elections held in January 2010. CME´s largest market is the Czech Republic, where revenues are expected to drop by 13% y/y (39% of total revenues). In Croatia and Slovenia, revenues stagnated because of FX effects.

Exhibit 1: Revenues by countries

mn USD	4Q09e	4Q08	y/y	Stake
Czech Republic	92.5	105.8	*-13%*	39%
Romania	57.5	77.5	*-26%*	24%
Slovakia	36.6	44.6	*-18%*	15%
Ukraine	13.1	24.0	*-45%*	5%
Slovenia	22.0	22.3	*-1%*	9%
Croatia	16.5	16.5	*0%*	7%
Bulgaria	1.6	0.8	*100%*	1%
Total	**239.8**	**291.5**	***-18%***	**100%**

Source: CME, ATLANTIK FT

We expect **EBITDA** to reach USD 33m, which represents 59% y/y decline. Total operating costs and expenses fell by 3% y/y and therefore did not offset the revenues deterioration (-18% y/y). Operating costs rose especially in Slovakia (launch of TV Doma and investments in the programming with a view to compete more with TV JOJ). We project corporate expenses at USD 12m (-20% y/y; effect of cost-saving measures). **EBITDA margin** should fall to 13.6% (-13.5pps from 27.1% in 4Q08).

Exhibit 2: EBITDA by countries

mn USD	4Q09e	4Q08	y/y	Margin 4Q09e	Margin 4Q08
Czech Republic	45.6	62.2	*-27%*	49%	59%
Romania	13.9	30.0	*-54%*	24%	39%
Slovakia	4.1	21.3	*-81%*	11%	48%
Ukraine	-7.4	-21.9	*-66%*	-56%	-91%
Slovenia	8.2	8.1	*2%*	37%	36%
Croatia	0.4	1.0	*-61%*	2%	6%
Bulgaria	-20.6	-7.1	*191%*	-1288%	-884%
Corporate costs	-11.6	-14.7	*-21%*	-100%	-100%
Total	**32.6**	**78.9**	***-59%***	**13.6%**	**27.1%**

Source: CME, ATLANTIK FT

Amortisation and depreciation should reach USD 18m (-18% y/y). On the operating level (**EBIT**) we predict a profit of USD 14m compared to a loss of USD 280m in 4Q08, which was influenced by impairment of of goodwill and intangible assets in Ukraine and Bulgaria (USD 337m). After adjusting for this item, the operating profit in 4Q08 would stand at USD 57m.

On the **financial level** we forecast an increase in interest expenses to USD 43m from USD 18m, which is related to a higher volume of debt in 2009 (from USD 1bn to USD 1.4bn), of which USD 10m should be expenses connected to redemption of notes due 2012.

We expect FX losses to amount to USD 23m (USD -32m in 4Q08), mainly given by a loss from the revaluation of intercompany loans (USD -40m), which should be partially compensated by an FX gain from the revaluation of debt (USD 19m). A profit from revaluation of derivatives should amount to USD 7m (USD 20m in 4Q08).

We expect CME to post a **net loss** of USD 29m, in comparison to a net loss of USD 314m in 4Q08 affected by impairment charges (USD 337m).

In view of the above mentioned, **we assume that the company´s outlook for 2009 will be met**. Our estimate for 2009 revenues (USD 702m) is at the lower end of the outlook range (USD 702-710m) and EBITDA (USD 63m) falls also within the given range (USD 60-70m).

If the company´s outlook for the operating performance in 2009 (4Q09) is met, we believe that the 4Q09 results should be perceived neutrally by investors.

Exhibit 3: Guidance

mn USD	eAFT	CME 2009e	y/y	2008
Revenues	702	702-710	*-30% to -31%*	1,020
EBITDA	63	60-70	*-76% to -80%*	297
mn USD	**eAFT**	**CME 4Q09e**	***y/y***	**4Q08**
Revenues	240	240-248	*-15% to -18%*	292
EBITDA	33	29-39	*-50% to -63%*	79

Source: CME, ATLANTIK FT

Besides the earnings results, the stock price could be influenced in the nearest term mainly by news of closing the sale of the **Ukrainian assets** (approx. 2Q10) or a potential **purchase** of the biggest TV in Bulgaria (**bTV**).

If the sale of the Ukrainian assets is not completed, we will consider it negative, as those assets bring a loss to the overall financials. The sale of bTV (owned by US company NewsCorp) has been a subject of speculations for some time. The purchase price last mentioned was **EUR 500m** (USD 700m; according to our estimate around 20x EV/EBITDA 2009e) for 100% stake, which we would regard as **relatively high** with respect to the impact on CME´s valuation, although the Bulgarian market offers an interesting growth potential and bTV is a dominant player on the market (similarly as e.g. TV Nova in the Czech Republic).

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