

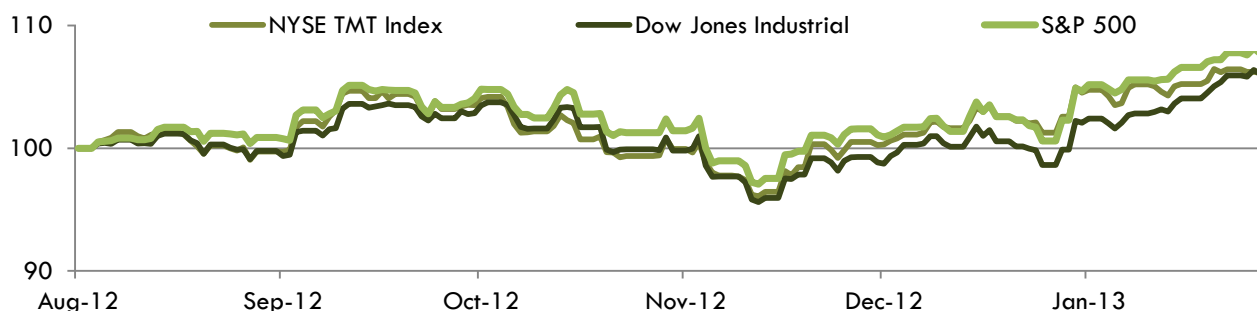
Technology Media Telecom

Sector Review - January

1. Sector Overview

- January was a particularly bullish month for the stock market, with earnings season underway. By the end of January, the **S&P 500** was **up 3.47%**, the **NASDAQ 2.15%** and the **Dow Jones 4.48%**. The TMT benchmark, **NYSE TMT Index**, closed January **up 2.15%**.
- To what concerns earnings on the S&P500, the technology sector has posted earnings of **USD 44.31 billion vs. estimates of USD 42.46 billion**, while sales have been pretty much in line with expectations: USD 197.12 billion vs 196.84 billion (estimates). On the NASDAQ, companies posted earnings of **USD 38.06 billion vs. USD 37.93 billion** (estimates).
- Now, on the telecom front, there is a whole different picture. S&P and NASDAQ listed companies, despite beating estimates on the sales front by almost 1% (USD 91.96 billion vs USD 91.10 billion estimates), posted earnings of **USD 1.65 billions vs. USD 2.85 billions** (estimates).
- January also saw Michael Dell, founder of Dell, seeking to take the third largest PC manufacturer private, 25 years after its IPO. Dell is said to be teaming up with private equity firm Silver Lake, in what would be the largest leveraged buyout since the financial crisis. In taking the company private expectations are that it is easier to handle the company's finances.
- The great loser for January was Apple, whose stock's price dived after the company missed sales estimates and reviewed its growth down. For January, **Apple was down 17.38%**.

TMT Sector vs. Overall market



- Due to the extensive correlation between the NYSE TMT Index and any other American equity indices, the differences in performance are only very minor. However according to the chosen index, the TMT sector slightly outperformed the NASDAQ in the chosen 6 month time period.

Technology Media Telecom Universe:

- Portugal Telecom
- Walt Disney
- LinkedIn
- Google
- Hewlett Packard

This month's detailed company review:

- Walt Disney



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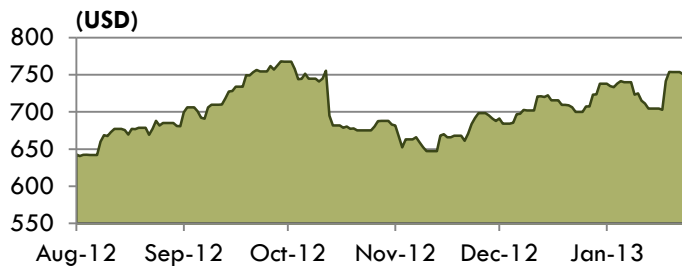
- Sector Overview
- Universe News
- Detailed review: Walt Disney

3. Followed Companies

Google

(Ticker: GOOG)

- In late January Google announced its results for 4Q 12, posting EPS of USD10.65 vs. USD10.50 estimates, while sales came a little short of estimates. On its EPS guidance for the future, Google looks confident, just like analysts, with many reviewing its target price up.

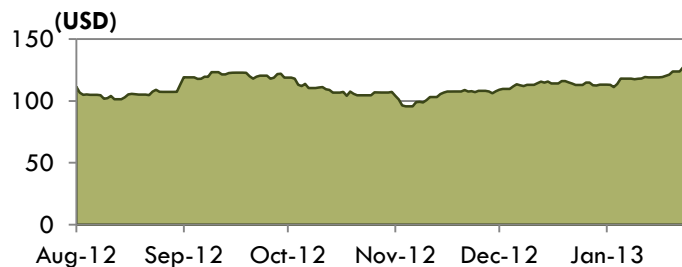


Price (USD):	↑	753.83
Target Price (USD):		830.00
Up/downside:		10.1%
Performance 3M:		11.7%
P/E Ratio:		22.7x
ROC/WACC:		1.1x

LinkedIn

(Ticker: LNKD)

- LinkedIn shares jumped 3.85% the day it announced that its user base had reached the 200million users. The company is announcing earnings in February. LinkedIn has, in the past, consistently beaten estimates on its EPS, and analysts are expecting that this trend will hold.



Price (USD):	↑	123.46
Target Price (USD):		135.00
Up/downside:		9.3%
Performance 3M:		18.1%
P/E Ratio:		834.5x
ROC/WACC:		0.3x

Hewlett-Packard

(Ticker: HPQ)

- With its turnaround process underway, HP is said to be seeking to sell of its non-performing assets. Rumors are that HP has already been approached to sell Autonomy and EDS. Another significant development in the PC-market is Dell's LBO, one of HP's main competitors.

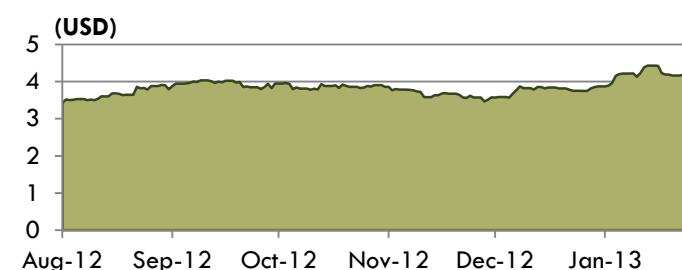


Price (USD):	↓	16.40
Target Price (USD):		13.00
Up/downside:		-20.7%
Performance 3M:		16.4%
P/E Ratio:		57.7x
ROC/WACC:		1.5x

Portugal Telecom

(Ticker: PTC)

- In January, PT announced it would be divesting on its Macau business, causing a mild drop on its intrinsic valuation. PT was also fined USD105 million, along with Telefónica, by European Union regulators for agreeing not to compete in the other's home country.



Price (EUR):	→	4.30
Target Price (EUR):		4.40
Up/downside:		2.3%
Performance 3M:		12.0%
P/E Ratio:		17.1x
ROC/WACC:		0.8x

3. Stock Analysis: Disney

Corporate News

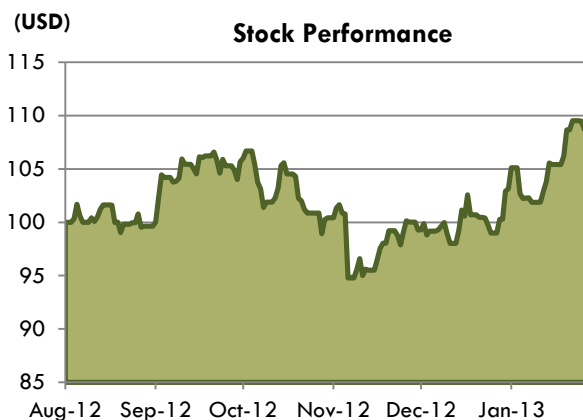
- Disney achieved good results for their first quarter, ending in December 2012. Despite increased Sales (5% to USD 11.3bn), USD 130mn above analysts expectations. Net income decreased about 6% to USD 1.4bn mainly influenced by non-recurring cost of a lawsuit and some less successful movies.
- Along with the first quarter results, Disney announced to raise shareholders dividend to USD 0.75 per share, representing a 25% increase.

Market Performance

- In January, Disney's share price gained 5.4%, strongly outperforming the NYSE TMT Index and S&P500, which gained modest 1.1% and 2.4% respectively in the same time span.
- Analysts see a bright future due to rising income through higher expected TV and cable fees, upcoming blockbusters like a sequel of 2001's "Monsters Inc" and a promising sequel along with of the "Star Wars" saga in 2015 merchandise.

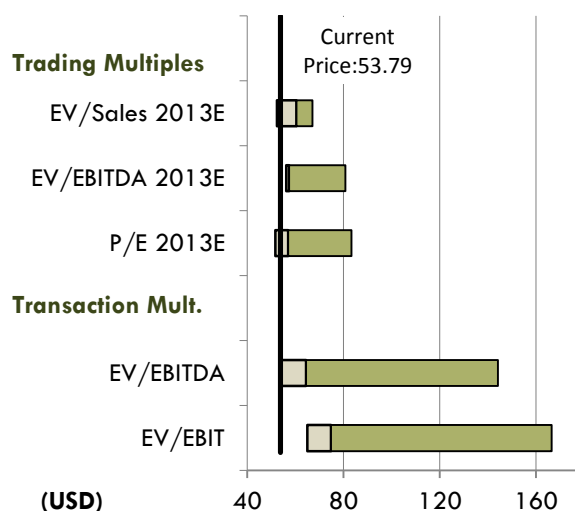
Valuation Summary

- The forward looking trading multiples all suggest a slight undervaluation of the stock, supporting the median target price of USD 60.81 which represents a 13.1% upside to the current price.
- Transaction multiples are suggesting traditionally a higher value due to the implied control premium. Ignoring this fact EV/EBITDA would be in line with the trading multiples while EV/EBIT points towards a slightly higher valuation.



Disney (USD)	
Current Price (30/01/2013)	53.79
52-week high % change	-3.1%
Median Target Price	60.81
Market Capitalisation (mn)	97,281
Return on Common Equity	14.3%
Dividend Yield	1.4%
Beta (vs. S&P500)	1.2x
Total Debt/Equity	34.1%

Valuation Summary (Price per Share)



BUY

- Increasing dividend payments as well as bright outlook in many of Disney's sectors paint a bright picture for the company's future. Overall this leads to a clear buy recommendation of Walt Disney Inc.

Comparable Analysis

Company Name	Currency	MCap (mn)	Enterprise Value (mn)	EV/Sales			EV/EBITDA			P/E		
				LTM	2013E	2014E	LTM	2013E	2014E	LTM	2013E	2014E
Walt Disney	USD	97,281	113,876	2.5x	2.5x	2.4x	10.4x	9.2x	8.5x	17.9x	16.0x	14.2x
CBS	USD	26,871	31,851	1.9x	2.2x	2.1x	9.3x	9.0x	8.4x	20.3x	16.5x	14.4x
Viacom	USD	29,501	37,385	2.6x	2.7x	2.6x	9.6x	8.8x	8.3x	14.1x	12.6x	11.0x
Time Warner	USD	49,485	66,516	2.1x	2.2x	2.1x	9.4x	8.9x	8.3x	15.6x	14.3x	12.3x
Discovery Communication	USD	24,768	28,450	4.8x	6.3x	5.5x	14.7x	13.6x	11.9x	24.9x	26.1x	20.4x
Madison Square Garden	USD	4,085	3,880	2.2x	2.9x	2.6x	13.7x	14.2x	11.2x	33.1x	44.1x	30.7x
75th Percentile				2.5x	2.9x	2.6x	12.9x	12.5x	10.5x	23.7x	23.7x	18.9x
Median				2.3x	2.6x	2.5x	10.0x	9.1x	8.4x	19.1x	16.2x	14.3x
25th Percentile				2.2x	2.3x	2.2x	9.4x	9.0x	8.3x	16.2x	14.7x	12.8x

- Looking at LTM multiples, Disney seems slightly undervalued, especially looking at the P/E multiple which surpasses Disney's by 1.1x.
- Considering 2013E forward looking multiples the undervaluation softens but as illustrated in the valuation summary above, verify the upside of about 13.1%.

Precedent Transactions

Announced Date	Target		Buyer		EV		
	Company	Country	Company	Country	(EUR mn)	EV/EBITDA	EV/EBIT
18-Dec-12	Arbitron Inc	US	Nielson Holdings NV	US	936	10.2x	13.6x
30-Oct-12	Lucasfilms Ltd	US	Walt Disney	US	3,124	n/a	n/a
16-Jun-11	Mediamind Technologies	US	Digital Generation Inc	US	340	31.4x	37.6x
23-May-11	CTC Media Inc	RU	Multiple Acquirers	n/a	763	8.9x	20.6x
10-May-11	CORE Media Group Inc	US	Apollo Global Management	US	349	8.3x	12.1x
31-Aug-09	Marvel Entertainment	US	Walt Disney	US	2,673	11.9x	11.9x
28-May-09	Historic AOL LLC	US	Time Warner Inc	US	203	2.8x	3.5x
15-May-08	CNET Networks Inc	US	CBS Corp	US	1,123	35.0x	179.1x
75th Percentile						21.6x	29.1x
Median						10.2x	13.6x
25th Percentile						8.6x	12.0x

- The recent deal of Disney acquiring Lucasfilms Ltd, the owner of the valuable rights for the Star Wars franchise, marks a high-point in transaction value for a long time. The payment was done with USD 2.2bn in cash and the remaining with 37mn stocks.
- Looking at the extremely high priced CNET Networks transaction, CBS Corp paid a very high 45% premium due to high price demands of the seller; CBS was willing to take the price in order to diversify its business into internet companies and expected a 13% IRR.
- The also high priced acquisition of Mediamind Technologies was due to the overpricing of the online advertising industry in this time.