

First look at preliminary Q2/08 results – Betwixt and between

Company: TELES ³⁾⁵⁾⁶⁾
Rating: Buy
Fair Value: 2.10 EUR

Hard Facts:

- Teles reported preliminary Q2/2008 results yesterday characterised by strong top line growth. Audited figures will be published on August 31, 2008.
- Sales increased by 68% YoY to EUR 6.6m (DZ BANK estimate: EUR 5.6m). This number represents the highest quarterly revenues in the operating business since 2003. EBIT came in at EUR -2.4m (DZ BANK estimate: EUR -2.6m) vs. EUR -2.7m a year earlier.
- However, earnings were affected by a value adjustment amounting to EUR 13m in connection with the 3.6m freenet shares (approximately 2.8% stake) owned by TELES. Hence, EBT amounted to EUR -15.6m vs. EUR -2.4m in the previous year.

Our Opinion:

- TCS showed better than expected results. We forecast that the positive sales performance in the segment will continue in the current fiscal year. In the mid-term it should be possible for TELES to win more “Tier-2” carriers as customers. EBIT in the TCS segment will probably rise substantially because negative non-recurring items will cease. However, ceteris paribus, we do not anticipate break-even (on a quarterly basis) for that business division before the second half of 2009 at the earliest.
- According to the AGM agenda published some weeks ago TELES will make the proposal to pay a dividend of EUR 1. The total amount of the dividend payment is EUR 21.13m and is due on October 31, 2008. TELES treasury shares are not entitled to dividend. Given the present cash position of EUR 1.3m the dividend proposal implies that TELES’ freenet stake may be either sold or lend on.
- The write-down on the freenet stake was more or less overdue. Hence, we think that the negative share price reaction was overdone.

- Given the strong results in the TCS segment and the fact that the real value of the share is in addition still predominantly determined by various components not belonging to operating business (treasury shares, GRAVIS stake...) we stick to our Buy recommendation and our fair value of EUR 2.10 per TELES share.

Best regards
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Rating History:

Buy on 4 Jan 2008 at 2.75 EUR
 Sell on 6 Sep 2007 at 2.95 EUR
 Buy on 10 Nov 2006 at 3.54 EUR
 Suspended on 16 Aug 2006 at 3.40 EUR

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Percentage of companies within each category for which DZ BANK, DZ Financial Markets LCC and/or respective affiliates have provided investment banking services within the previous 12 months

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