STANDARD & POOR'S

Qin Jia Yuan Media Services

HKSE: 2366

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Equity Research / Asia

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Consumer Discretionary

INDUSTRY:
Media

SUB-INDUSTRY:
Movies & Entertainment

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FY06 RESULTS REVIEW

	HK$
ESTIMATED FAIR VALUE:	2.58
CURRENT PRICE:	2.06

FINANCIAL SUMMARY – ANNUAL (HK$ mln)

FY SEP.	2006	2007F	2008F	2009F
Revenue	125.1	164.7	213.5	249.2
EBITDA*	92.1	117.3	146.9	170.4
Net profit	83.6	106.1	133.8	156.4
EPS (HK$)	0.17	0.21	0.26	0.31
DPS (HK$)	0.04	0.05	0.06	0.07
PER (x)	12.0	9.9	7.9	6.7
Dividend yield (%)	1.7	2.2	2.8	3.3
Issued shares (mln)	509.9	509.9	509.9	509.9

*Earnings before net interest expense, tax, depreciation, amortization and any other adjustments deemed appropriate by the analyst

Highlights

- S&P Equity Research fairly values Qin Jia Yuan Media Services (QJY) at HK$2.58/share based on a combination of discounted cash flow (DCF) and relative valuation (EV/EBITDA). This offers a potential upside of 25.2% from the current price.
- QJY recorded a 26.1% YoY jump in net profit in FY06 (Sep.), on the back of a smaller 17.7% rise in revenue. The rise in revenue was achieved due to a large 71.4% YoY jump in the number of TV drama serial hours completed in FY06 and a more than doubling of marketing related income, while the stronger rise in net profit was due to an improvement in operating profit margin and a lower effective tax rate.
- QJY proposed a final dividend per share of HK1.8 cents (2005: HK1.7 cents), bringing the total dividend for the year to HK3.6 cents (2005: HK3.2 cents). This translates to a payout ratio of 21.9% (from 21.1% in FY05), and dividend yield of 1.7% for FY06.
- QJY's earnings are driven by a combination of advertising (through the syndication programs), content (through licensing fees), outsourcing of TV production-related services and other marketing-related activities. We expect QJY's net earnings CAGR over the next three years (FY06-FY09) to be 23.1%, driven by TV program-related and marketing-related services, given the sharp increase in the pipeline of projects for the next three years. QJY currently has a pipeline of 10 to 15 TV drama projects, consisting of 538 to 600 programming hours with assured investment agreements for an estimated HK$300 mln that are expected to be completed over the next few years. We also expect QJY's recently signed agreement - to acquire the broadcasting license rights for 10 TV drama series, and exclusive advertising agency and public relation services rights for Hubei TV - to contribute positively to earnings.
- In our view, the main risks are the long settlement cycle for receivables, earnings volatility given that it is project-based, reliance on key management and regulatory risk.

RESULTS REVIEW

QJY recorded a 26.1% YoY jump in net profit in FY06 (Sep.) on the back of a smaller 17.7% rise in revenue. The rise in revenue was achieved due to a large 71.4 % YoY jump in the number of TV drama serial hours completed in FY06 and a more than doubling of marketing related income.

The disproportionately higher YoY rise in net profit was due mainly to the:

(i) higher operating profit margin of 71.2% in FY06 (up from 67.4% in FY05); coming from the stringent cost controls and improvements in operational efficiencies implemented by management during the year; and

(ii) lower effective tax rate of 0.4% (versus 3.3% in FY05).

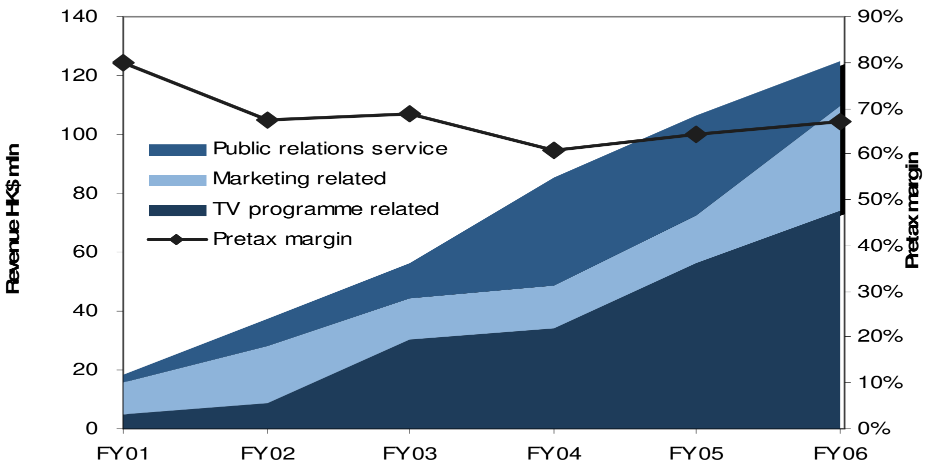
QJY completed 216 hours of TV drama serials in FY06, up from 126 hours in FY05, thereby raising its TV program related income by 32% YoY to HK$74.0 mln. We believe this was achieved on the back of an improving market share (to an estimated 4% from 2.5% in FY05) coming from its strengthening brand presence in China.

As a result of the higher number of episodes of TV drama serials completed during the year, QJY's marketing related income rose by a significant 117% YoY to HK$35.9 mln in FY06. Public relations income, however, continued to be volatile, declining 54.9% YoY to HK$15.2 mln.

QJY continues to be in a net cash position, with net cash of HK$75.3 mln as at end-FY06 (HK$96.1 mln as at end-FY05), despite the substantial funds required to finance its expansion during the year. This was partly due to the HK$82.8 mln in net proceeds received from issuing 37.6 mln new shares during the year. The proceeds were used as working capital to finance the production of the TV dramas. QJY's issued capital has now increased by 8% to 507.6 mln shares (from 470 mln shares previously).

QJY proposed a final dividend per share of HK1.8 cents (2005: HK1.7 cents), bringing the total dividend for the year to HK3.6 cents (2005: HK3.2 cents). This translates to a payout ratio of 21.9% (from 21.1% in FY05), and dividend yield of 1.7% for FY06.

EXHIBIT 1: REVENUE AND MARGIN TREND (FY01–FY06)



Source: Company data, S&P Equity Research

S&P Equity Research received compensation for conducting this valuation research. Such compensation, which ranges from US$30,000 to US$75,000 p.a., was based upon the time and effort required to determine the valuation and was paid by Qin Jia Yuan Cultural Assets (Hong Kong) Company Limited.

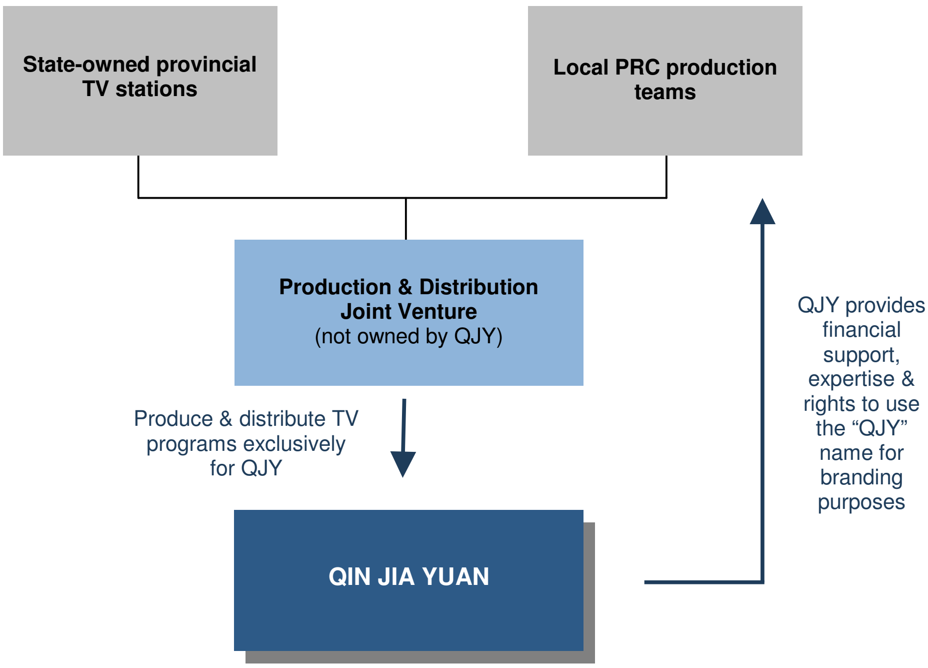
RECENT DEVELOPMENTS

PRODUCTION CO-OPERATION WITH TV STATIONS

In mid-Nov. 2006, the Chinese government finally came out with the official document implementing some new television policies under the Closer Economic Partnership Agreement (CEPA) that had been announced in 2005. Under the CEPA, TV dramas jointly produced by Chinese and Hong Kong companies are now considered as domestically produced dramas, and are eligible for direct broadcast rights, provided it is approved by the censorship board. Besides allowing such TV dramas to be broadcast anytime, including prime time, the CEPA also removes the limit of 40 jointly produced episodes. TV programs which are produced by 100%-foreign owned and foreign funded companies are still not allowed to be broadcast during prime time.

In anticipation of this new policy, QJY is collaborating with eight state-owned TV stations in and around China (from one in FY05), in Fujian, Beijing, Jiangsu, Shanghai, Dalian, Harbin, Guangdong and Hubei. Each of the TV stations has formed joint-venture (JV) companies with local PRC production teams to produce and distribute TV programs. QJY does not hold stakes in these JV companies but they will sign separate contracts for each TV drama serial that they produce and distribute exclusively for QJY. QJY will then have the first right of refusal to purchase the TV drama, and will be able to own stakes in the TV dramas ranging from 51% to 99% of the TV drama serial, with the remaining stake to be held by either the JV or a third party. The cost of production will then be borne by the two joint owners of the TV drama. The state-owned partner will be responsible for helping to obtain broadcasting approvals from the government and for the nationwide distribution.

EXHIBIT 2: COOPERATION WITH TV STATIONS



Source: Company data, S&P Equity Research

By the end of CY2006, QJY intends to collaborate with another TV station in the western part of China. This would give QJY a good coverage in the east, south and middle part of mainland China, where per capita income is higher. We expect QJY's eight new collaboration ventures in and around China to start contributing to the number of TV dramas produced within the next few months. Once QJY signs a collaboration agreement with the final TV station, it would be considered to have national coverage in China.

If QJY sells the program outright to third parties, management expects to be able to earn a net profit margin of at least 28%. If QJY syndicates the program nationwide, it will be able to earn a higher profit margin (of at least 100%) than that from selling the program outright. At this point in time, QJY has already signed contracts for 487 hours of TV drama serials under these collaboration agreements with the eight TV stations, which we expect will be produced over the next two to three years. We believe this is a positive move for QJY, as it not only expands its earnings base but also generates long-term recurring income.

TV CHANNEL MANAGEMENT

In early January 2007, QJY entered into an agreement with Happy Ruby to acquire the three-year exclusive rights to the Film/TV drama channel of Hubei TV Station, and a batch of good quality TV dramas at a cost of CNY62.68 mln (HK$62.62 mln). The exclusive rights comprises: (a) the TV drama series broadcasting license rights (at cost of CNY50.68 mln or HK$50.64 mln); (b) the TV channel exclusive advertising agency rights (at cost of CNY9 mln or HK$8.99 mln); and (c) the TV channel public relations services (at a cost of CNY3 mln or HK$2.99 mln).

According to a third party independent valuation report, the TV drama series broadcasting license rights is valued at CNY63 mln (HK$62.95 mln), while the TV channel exclusive advertising agency rights is valued at CNY137 mln (HK$136.89 mln) and the TV channel public relations services is valued at CNY8 mln (HK$7.99 mln). This would imply that QJY acquired these rights at a discount to market valuation of close to 70%.

(a) TV drama series broadcasting license rights

These are the rights to receive the benefit from allowing third parties to engage in broadcasting of 10 TV drama series with an aggregate of 234 episodes either in the PRC or worldwide for a period from 32 years to 49 years. QJY will therefore be able to earn revenue from firm sales of the drama series or from syndication fees by bartering the 10 drama series for advertising time slots to other TV stations across China, and subsequently selling the time slots directly to advertisers.

(b) TV channel exclusive advertising agency rights

These are the rights to be the exclusive agency in respect of selling the advertising air-time of Hubei TV’s drama channel for a period of approximately three years, until December 31, 2009. At the expiration of the term of the exclusive advertising rights, QJY will have the priority to renew for another three years. According to management, based on the airing time of 18 hours a day, the annual advertising value calculated at the standard rate is up to CNY700 mln (HK$699.4 mln). Nevertheless, as airtime is usually sold at a discount of between 50% and 90%, depending on the time of day, QJY’s potential revenue is expected to be less. In return for the advertising revenue earned, QJY is required to fund the advertising operations, pay the advertising contracting fee and be in charge of program procurement. The TV station is responsible for program broadcasting and censorship, and achieving the viewing rate agreed between the both sides.

To attract more advertisers, QJY could also potentially help to improve Hubei TV’s existing program line-up by sourcing good quality drama series to be aired, either from those produced by QJY’s collaborations with the eight TV stations, or from external acquisitions. Hubei TV has been granted the privilege to buy QJY’s dramas at a discount.

(c) The TV channel public relations services

These are the exclusive rights to provide public relation services to Hubei TV station for a period of approximately three years, until December 31, 2009. At the expiration of the three-year term, QJY will have the priority to renew for another three years. QJY would have the responsibility to design and arrange product placement advertisements, plan and execute public relations and marketing activities, as well as design and maintain the brand equity of the sponsors. It is estimated that sponsorship fees per drama series are between HK$2 mln and HK$3 mln, although this can rise to as high as HK$8 mln for specific drama series produced for special events like the 10th Anniversary of the return of Hong Kong to China and the 2008 Olympics.

We believe this deal is positive for QJY as it now has direct access to advertising airtime through the acquisition of the TV channel's advertising agency rights. In addition, it will be able to leverage on its existing collaborations with the eight TV stations as well as its extensive film library. Given that the acquisition is pending completion, we have not included it into our earnings projections for now. The acquisition is targeted for completion by end-February 2007.

Going forward, QJY intends to continue to acquire exclusive advertising rights for a variety of TV channels including satellite channels that have a nationwide coverage, which will give its advertising clients a wider scope in which to invest their advertising dollars.

NOVEL ADAPTATION RIGHTS

A good script is the cornerstone of a good TV program. In FY06, QJY acquired the exclusive global adaptation rights into TV drama serials, movies and other media forms of the science fiction novel series under the name "Wisely" written by Mr. Ni Kuang, a well-known author. Production of "Wisely" science fiction novels into TV drama serials is expected to start in 2007. QJY estimates that it will be able to recover the cost of acquiring the adaptation rights from the revenue of one or two "Wisely" TV drama serials. In addition, QJY also secured exclusive adaptation rights to the novel series about finance and romance by Dr. Anita Leung (the major shareholder of QJY), and to the real-life stories of women reported by the China Women's News newspaper, that would be converted into TV dramas and material for other TV programs which are expected to air in 2007. QJY expects to produce between 30 and 60 TV drama episodes per year from "Wisely" and Dr. Leung's novels.

ADVERTISING AGENCY RIGHTS

QJY started to develop its non-TV related advertising and market promotion business in 2005 to complement its TV advertising related business. As of Nov. 2006, QJY has accumulated 15 exclusive advertising agency rights: 11 national children and teenager magazine titles, 3 national newspapers and 1 radio program.

EARNINGS OUTLOOK

We expect QJY's net earnings CAGR over the next three years (FY06-FY09) to be 23.2%. Earnings will continue to be driven by TV program-related and marketing-related services, given the sharp increase in the pipeline of projects for the next three years. QJY currently has a pipeline of 10 to 15 TV drama projects, consisting of 538 to 600 programming hours with estimated assured investment agreements for about HK$300 mln that are expected to be completed over the next few years.

We expect revenue growth from TV programming to remain strong over the next three years given the strong pipeline of TV drama projects, the expansion of its network and resources from the new production collaboration agreements with the TV stations, and the acquisition of adaptation rights to the "Wisely" science fiction series and Dr. Leung's finance and romance novel series.

Our earnings model assumes that QJY's programming hours will increase to about 250 hours in FY07 and to 300 hours in FY08 (from 216 hours in FY06), while assured investment agreements will increase to about HK$175 mln in FY07 and HK$210 mln in FY08 (from HK$153 mln in FY06), driven by higher volume as well as higher average revenue due to better quality and larger-scale dramas. It is estimated that the demand for prime-time Chinese TV drama serials in China is up to 5,000 hours per annum, and QJY's market share as at FY06 was only 4.3%. With the establishment of collaborations with the 9 TV stations, QJY targets to produce 1,000 hours of TV drama serials by FY10, which will give it a market share of 20%. Our programming hour assumptions are more conservative than QJY's targets given the lack of details on funding and stakes in the TV programs. To reach its target of 1,000 hours, QJY would require additional funding and/or hold lower stakes in the TV programs.

Revenue contribution from QJY's traditional marketing related activities is expected to continue to be strong, given our projected upward trend of TV programming hours. These activities include: (i) identifying and introducing TV program proposals to investors; (ii) designing and planning of the TV program pitch to corporate clients (i.e. the advertisers) for the placement of TV advertisements; (iii) securing advertisers for product placement or soft advertising; as well as (iv) event management, market research and audience analysis.

Another new source of income for this division is non-TV advertising income. QJY signed exclusive advertising agreements with three national newspapers, 11 national magazines and 1 radio program during FY06. These operations are aimed at complementing the existing TV advertising business and to provide QJY's clients with more opportunities for advertising placement. Although QJY expects to commence work on this in 1HFY07, we do not expect this to be a significant contributor to profits in the next few years, given that the majority (about 75%) of advertising in China is still channeled through TV media.

QJY will try to expand this division's earnings base by applying for an advertising agency licence (via its Tianjin-QJY JV), which will enable it to save on the fees (of about 15%) it would normally have to pay to its usual advertising agencies. QJY hopes to kick off these operations in 1HFY07. We have not imputed this development into our forecasts. Assuming the licence is obtained and operations commence by end-FY07, the impact on QJY's FY08 earnings is expected to be neutral, given the initial gestation period.

FY06 was a weak year for public relations contracts, with the division recording a 54.9% drop in revenue YoY. These fluctuations are to be expected, however, as demand for public relations services is not usually stable. We expect QJY to undertake fewer public relations works in FY07 and project income from public relations services to account for between 5% and 10% of total revenue over the next three years, down from 12% in FY06.

Nevertheless, the decline in public relations income should be more than compensated by the sharp increases in TV program-related income (+16.7% in FY07 and +41.1% in FY08) and marketing-related income (+84.6% in FY07 and +20.0% in FY08). We project FY07 revenue to rise by 31.7% YoY and FY08 revenue to rise by 29.6% YoY.

We expect administrative expenses to rise by 32% in FY07 and 30% in FY08, as QJY recruits more staff and pays for more outsourcing fees to support its growing business. Given the higher expenses, pre-tax margin is projected to decline to 65.7% in FY07 and 64.6% in FY08 from 67.1% in FY06.

Effective tax rates are expected to remain low at below the 10% mark (0.4% in FY06). We have projected effective tax rates at 2% and 3% for FY07 and FY08, respectively.

QJY is in the midst of constructing a service and production center in Dongguan and has already spent approximately HK$13 mln as at end-FY06. This center is intended to enhance one-stop service through the provision of a comprehensive range of settings, props and costumes, and support its ability to provide outsourcing services to production houses. The total cost of this facility is estimated at HK$33 mln, with the remaining HK$20 mln to be invested over FY07 and FY08.

We expect QJY's net profit to rise 26.9% YoY in FY07 and 26.1% YoY in FY08.

Based on our estimates, QJY's Hubei TV agreement could generate an additional 15%-20% in net profits per annum, which would bring earnings growth to about 40% for FY07 and 45% for FY08.

FINANCIAL POSITION

QJY had net cash of HK$75.3 mln (including pledged deposits for banking facilities) at the end of Sep. 2006, largely due to HK$82.8 mln in net proceeds received from issuing 37.6 mln new shares during the year. Based on the pipeline of projects and the estimated rise in reimbursement receivables going forward, as well as the capex required for QJY's expansion plans, we project QJY's net cash position to reduce to HK$43.3 mln in FY07, but to recover slightly to HK$56.0 mln in FY08.

VALUATION

S&P Equity Research values QJY at HK$2.58 based on a combination of DCF and relative valuation.

EXHIBIT 3: FAIR VALUE (HK$/SHARE)

Intrinsic Value	2.26
Relative Value	2.81
Average Value	**2.53**
Add: DPS	0.05
S&P Equity Research Estimated Fair Value	**2.58**

Source: S&P Equity Research

DISCOUNTED CASH FLOW (DCF)

In our view, DCF is most suitable for companies where cash flow can be predicted with a high degree of certainty. As QJY's business is project-based, earnings can be volatile and forecasting longer-term cash flows is difficult. Nonetheless, we believe that DCF is an appropriate valuation tool for QJY as it takes into account the long settlement cycle of receivables and long time lag for reimbursement of advances, which would not be captured in income statements. We note that the predictability of QJY's earnings is constrained by the difficulty in forecasting future projects and the timing of such projects. The low earnings visibility is reflected in our conservative assumptions for longer-term growth.

Our DCF valuation is based on explicit forecasts of free cash flow to equity for three years from FY07 to FY09, followed by stable growth of 15% p.a. from FY10 to FY15, 5% growth p.a. for FY16 to FY20 and terminal growth of 3% thereafter. We project free cash flow to equity to reverse to a positive, albeit small inflow in FY07. Our stable growth assumption for FY10 to FY15 of 15% p.a. implicitly assumes strong contributions from QJY’s new income stream from TV channel management.

We have discounted QJY's free cash flow to equity using cost of equity of between 10.5% and 12%. This is based on S&P Equity Research's risk-free rate assumptions of between 4% and 5.5%, and an equity risk premium of 7.2%, which is in line with S&P Equity Research's risk premium assumption for equities in emerging markets. Our beta assumption is based on the average beta of its peers of 0.9.

Based on the above assumptions, we arrive at a discounted cash flow to equity value of HK$964.8 mln. Adding cash (including pledged deposits) of HK$190.0 mln as at end-FY06, our intrinsic value for QJY is HK$2.26 per share.

RELATIVE VALUATION

QJY is a TV media service company with a unique business model and it is difficult to find listed companies that are directly comparable. QJY's revenue is driven by a combination of advertising (through the syndicated programs), content (through distribution license fees), outsourcing of TV production-related services and other public relations/marketing related activities. Nonetheless, given that TV advertising and licensing are significant revenue drivers, we have used a basket of TV media stocks listed in Hong Kong (consisting of Phoenix Satellite TV (8002 HK, HK$1.44, 3-STARS), Television Broadcasts Ltd (TVB) (511 HK, HK$53.65, 3- STARS), and i-Cable Communications (1097 HK, HK$1.76, Not Ranked) for our relative valuation analysis.

Of the three companies, we believe that Phoenix Satellite TV is the most comparable given that it has large exposure to the TV advertising market in mainland China and uses advertising agencies to capture TV advertisers. The main difference is that Phoenix uses its channels (notably entertainment and news, which are cheaper to produce) as its tool to attract advertisers whereas QJY uses dramas. Although TVB is driven by TV advertising in Hong Kong, and not mainland China, the free-to-air broadcaster produces drama serials and relies on licensing revenue in Asia (including mainland China). Pay-TV operator i-Cable is the least comparable as its sales are subscription-based and a portion of its revenue is derived from the Internet and multimedia.

Given that the companies have different gearing levels and capex requirements, we have used EV/EBITDA for our relative valuation analysis. QJY's TV media peers are trading at an average FY07 EV/EBITDA of 14.5x. To account for QJY's smaller size and higher risk, we have attached a 20% discount to its peers to arrive at a relative valuation for QJY. Based on a target FY07 EV/EBITDA of 11.6x, we derive a fair relative valuation of HK$2.81 per share.

POTENTIAL RISKS

COLLECTION RISK

QJY provides lengthy credit terms to its customers, ranging between six months and a year in general and sometimes longer than a year for major customers. In addition, advances to kick-start production are not reimbursed until at least 18 months after the commencement of the project. The high level of receivables is, in our opinion, a drain on working capital, and raises bad debt risk. Furthermore, in the event that a production stalls, it may be difficult for QJY to recover advances made on the project.

REGULATORY RISK

Media content is tightly controlled and media laws in China are still developing. Changes to media regulations are not uncommon. Regulatory changes could have an adverse impact on QJY's advertising revenue and profitability. It may also impact its project pipeline.

In addition, given that QJY's effective tax rate is currently low due to the tax exemption in Macau, any changes to tax regulations could potentially result in an increase in QJY's effective tax rate, which would have an adverse impact on its bottomline.

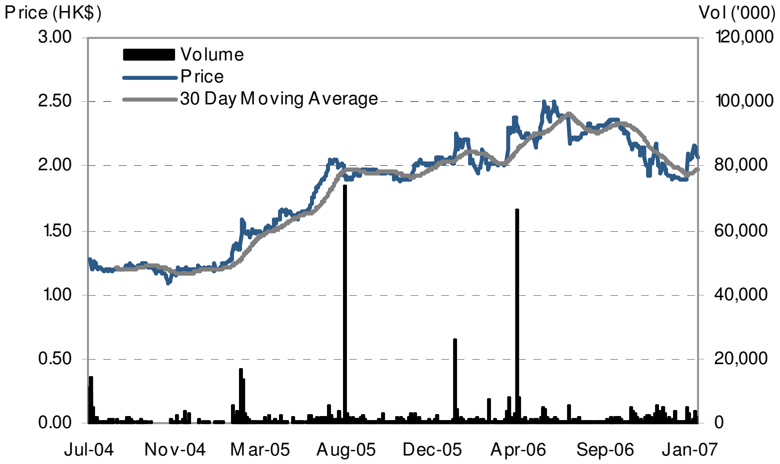
PROJECT RISK

QJY's revenue is dependent on the successful completion of projects and it does not receive progress payments. In the case of TV drama production, the gestation period can be long (more than a year) before there is any earnings certainty. Changes to regulations or investors' appetite while production is in progress could negatively impact QJY. We note though that the risk is not as high as that for movie production.

TV CHANNEL MANAGEMENT RISK

Channel management is a new area of business for QJY. While it has many of the requisite skills and resources, it remains to be seen how successful it will be in managing the advertising space for an entire channel. In addition, its ability to attract advertisers and to command good advertising rates is dependent on the quality of the drama serials to be shown, which may not be entirely within its control given the tightly controlled media regulations.

EXHIBIT 4: SHARE PRICE PERFORMANCE



Source: Bloomberg, S&P Equity Research

EXHIBIT 5: INCOME STATEMENT

FY Sep./HK$ mln	2005	2006	2007F	2008F	2009F
Revenue	106.3	125.1	164.7	213.5	249.2
EBITDA	75.5	92.1	117.3	146.9	170.4
EBITDA margin	71.1%	73.7%	71.2%	68.8%	68.4%
Depreciation & Amortization	(5.1)	(7.1)	(6.8)	(5.8)	(5.1)
EBIT	70.5	85.1	110.5	141.1	165.3
Net interest expense	(2.0)	(1.1)	(2.3)	(3.2)	(3.2)
Pre-tax income	68.5	84.0	108.3	137.9	162.1
Tax	(2.2)	(0.4)	(2.2)	(4.1)	(5.7)
Tax Rate	3.3%	0.4%	2.0%	3.0%	3.5%
Minority interest	0.0	0.0	0.0	0.0	0.0
Net profit	66.2	83.6	106.1	133.8	156.4
Net profit pre-gw and EI	66.3	83.6	106.1	133.8	156.4
Net margin	62.3%	66.9%	64.4%	62.7%	62.8%

Source: Company data, S&P Equity Research

EXHIBIT 6: BALANCE SHEET

FY Sep./HK$ mln	2005	2006	2007F	2008F	2009F
Cash	117.1	144.7	139.4	162.05	176.6
Pledged deposits	40.3	45.3	40.0	40.00	50.0
Current assets	353.5	511.2	483.9	567.84	670.6
Fixed assets	22.6	30.0	38.3	42.49	42.4
Intangible assets	19.0	70.4	77.5	85.20	89.5
Other Assets	70.5	87.4	215.8	248.60	283.1
Total assets	465.6	699.1	815.5	944.13	1,085.5
Interest bearing debt	61.3	114.7	136.1	146.10	151.1
Other liabilities	24.6	51.4	58.6	66.76	76.2
Total liabilities	85.9	166.1	194.7	212.86	227.3
Common equity	36.7	39.8	39.8	39.77	39.8
Total shareholders' equity	379.7	533.0	620.9	731.28	858.2

Source: Company data, S&P Equity Research

EXHIBIT 7: CASH FLOW STATEMENT

FY Sep./HK$ mln	2005	2006	2007F	2008F	2009F
Cash flow from operations	(71.9)	(56.4)	10.6	57.0	61.4
Cash flow from investing	(13.1)	(31.0)	(17.4)	(12.5)	(2.8)
Cash flow from financing	116.8	115.0	1.5	(21.8)	(44.1)
Net Cash flow	31.8	27.6	(5.3)	22.7	14.5
Cash	117.1	144.7	139.4	162.1	176.6
Capex (fixed assets & licence rights)	(13.5)	(35.0)	(22.0)	(17.7)	(9.3)
Free cash flow to firm	(85.3)	(91.4)	(11.5)	39.2	52.2

Source: Company data, S&P Equity Research

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