19 November 2007

Daniel Stewart & Company

FY results

First Artist*

Media
FAN.L (AIM)

BUY

Upside
90%

What's Changed

2008E EPS	+8.9% (17.05p vs 15.66p)
2009E EPS	+11.0% (18.64p vs 16.80p)
Price Target	+10p / +18% (194p vs 176p)

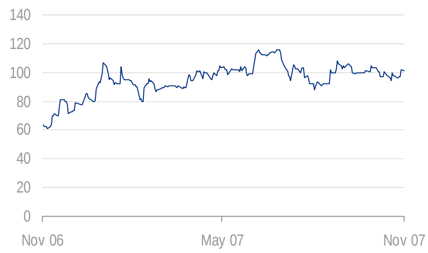
Shining star

First Artist has outperformed our FY07A forecasts and, with a positive outlook, we are upgrading our estimates and increasing our price target by 10%

Investment Case

- FY07A earnings were 19% ahead of our expectations, reflecting top-line and margin outperformance, as well as lower-than-expected debt and dilutive shares in issue
- Ongoing strong trading and positive outlook drive our increase in forecasts for FY08E and FY09E of 9% and 11% respectively
- We expect the group to benefit from resilient trading in Dewynters, compounded by a number of organic and acquisitive growth avenues across the group

Price	102p
Target Price	194p



Source: Proquote

Shares in issue	13.5m
Net Debt (Cash)	£9.7m
Market Cap	£13.8m
Enterp. Value	£23.5m
NAV/Share	53.4p
Next Event	Interims, May 2008

*Daniel Stewart acts as Broker to First Artist

Forecasts	08/07A	08/08E	08/09E	08/10E
Turnover (£m)	48.6	60.5	63.7	66.6
EBITDA (£m)	4.1	5.2	5.6	5.9
DSC PBT (£m)	2.8	3.6	4.0	4.5
Tax (%)	23.0	30.0	30.0	30.0
DSC EPS (p)	15.71	17.05	18.64	20.79
DPS (p)	0.0	0.0	0.0	0.0

Ratios	08/07A	08/08E	08/09E	08/10E
NAV (p)	53.4	62.8	77.1	95.1
P/E (x)	6.5	6.0	5.5	4.9
Yield (%)	0.0	0.0	0.0	0.0
Price/NAV	1.9	1.6	1.3	1.1

Company Description

First Artist is a media, events and entertainment management group

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FY07A earnings were 19% ahead of our expectations, reflecting top-line and margin outperformance, as well as lower-than-expected debt and dilutive shares in issue

First Artist FY07A EBITDA was up from £1.8m to £4.1m (+130% year-on-year, vs our forecast of £3.9m), with clean PBT of £2.8m (vs £1.4m in FY06A and 8% ahead of our £2.6m forecast). Lower-than-expected fully diluted shares in issue led to a 19% earnings outperformance against our forecast (15.71p reported vs 13.26p forecast), showing year-on-year earnings growth of 95%.

Ongoing strong trading and positive outlook drive our increase in forecasts for FY08E and FY09E of 9% and 11% respectively

Following the trading outperformance announced today, compounded by reduced net debt and dilutive shares in issue relative to our estimates, we are increasing our FY08E earnings estimate from 15.66p to 17.05p (+8.9%), with FY09E rising from 16.80p to 18.64p (+11.0%). This places the shares on a P/E to FY08E of 6.0x (FY09E 5.5x) and an EV/EBITDA of 4.3x in FY08E (FY09E 3.9x).

We expect the group to benefit from resilient trading in Dewynters, compounded by a number of organic and acquisitive growth avenues across the group

With a strong and diversified business model underpinned by expected earnings resilience and cash generation in its largest division, Dewynters (71% of forecast FY08E revenue), and multiple avenues of organic and acquisitive growth across the group's operations, we retain our Buy recommendation and increase our target price by 10% from 176p to 194p (90% upside).

FY07A results ahead of expectations

First Artist has reported top-line growth of 411% to £48.6m, relative to our estimate of £47.4m and reflecting a 10-month contribution of £32.9m from Dewynters (acquired November 2006).

Growth in the remaining divisions was also strong, with sport revenues up by 56%, wealth management growing by 40%, events up by 67% and entertainment rising by 125% from a relatively low base. Overall revenue growth, ex-Dewynters, was 56% (against a 10-month period in FY06A).

Growth ex-Dewynters was an impressive 56%, with considerable upside across all divisions

First Artist FY07A EBITDA was up from £1.8m to £4.1m (+130% year-on-year, vs our forecast of £3.9m).

Against our forecasts, the group outperformed at the gross margin level, with operating costs in line with our estimates. Group gross margin in FY07A was 40.5% against our estimate of 39.7%, with operating costs representing 5.6% of sales.

First Artist clean PBT of £2.8m (vs £1.4m in FY06A) was 8% ahead of our £2.6m forecast (pre-goodwill, share options, forex and exceptional costs).

Lower-than-expected fully diluted shares in issue led to a 19% earnings outperformance against our forecast (15.71p reported vs 13.26p forecast), showing year-on-year earnings growth of 95%.

Earnings in FY07A showed a 19% outperformance against our estimate

A net cash inflow during FY07A of £2.7m led to year-end group net debt of £9.7m (2.4x EBITDA) against our forecast of £10.3m. Net debt is forecast to fall to £9.2m in FY08E (1.8x EBITDA).

Table 1: First Artist FY07A results

	FY07 forecast	FY07A actual	% difference
Revenue	47.4	48.6	+2.5%
Gross profit	18.8	19.7	+4.8%
Gross profit margin (%)	39.7	40.5	+2.0%
EBITDA	3.9	4.1	+5.1%
PBT	2.6	2.8	+7.7%
EPS (c)	13.26	15.71	+18.5%

Source: Daniel Stewart

Forecast upgrades

We are raising our revenue forecasts for First Artist (+4.0% FY08E, +5.3% FY09E), broadly reflecting the expected growth from the Training & Development Agency (TDA) three-year contract (commenced August 2007) in the events business (+60% year-on-year divisional revenue growth).

We are increasing our top-line growth forecast by 4.0%, principally due to the new three-year public sector contract in the events division

With a marginally reduced gross margin on FY07A (39.3% vs 40.5%) principally due to a full 12-month contribution from Dewynters and a prudent view on TDA margin, we are raising our gross profit expectations by 2.6% in FY08E.

Higher operating costs associated with the consolidation of the group's operations into new London offices result in a flat EBITDA forecast .

However, following the trading outperformance announced today, compounded by reduced net debt (relevant to FY09E interest charge) and dilutive shares in issue relative to our estimates, we are increasing our FY08E earnings estimate from 15.66p to 17.05p (+8.9%), with FY09E rising from 16.80p to 18.64p (+11.0%).

Table 2: First Artist forecast changes

	FY08E old	FY08E new	% change	FY09E old	FY09E new	% change
Revenue	58.2	60.5	4.0	60.5	63.7	5.3
Gross profit	23.2	23.8	2.6	24.3	25.1	3.3
EBIT	3.9	4.0	2.6	4.4	4.6	4.5
EBITDA	5.2	5.2	0.0	5.8	5.6	(3.4)
PBT	3.6	3.6	0.0	4.0	4.0	0.0
EPS (c)	15.66	17.05	8.9	16.80	18.64	11.0

Source: Daniel Stewart

Valuation

Our new earnings estimates place the shares on a P/E to FY08E of 6.0x (FY09E 5.5x) and an EV/EBITDA of 4.3x in FY08E (FY09E 3.9x).

On our FY08E EPS estimate the shares stand at a >50% discount to the marketing services sub-sector (12.6x).

This fails to recognise the inherent cash generation and earnings visibility within the Dewynters business (and, increasingly, the sports division), as well as the myriad of opportunities for the group to drive organic growth, product development and international expansion.

The current valuation fails to reflect the resilience of the group, as well as the myriad of growth opportunities

Catalysts for outperformance

First Artist stands on a P/E to FY08E of 6.0x. This is against eminently achievable forecasts (continuing top-line organic growth forecast of <10%, reduced gross margin, reduced EBIT margin, earnings growth of 8.5%) and we see a number of catalysts for market and forecast outperformance;

- TDA contract
  - We assume contracted revenues to the initial value of 500 events per annum, although the company believes that the actual figure could be significantly higher (with additional incremental revenue)

We assume 500 TDA events per annum, although this could be materially higher

- Cross-referral of business
  - Our forecasts assume minimal cross-referral of business between the group's divisions. Any headway made in this area would act as a key driver of margin improvement (zero introduction/customer acquisition costs) and we understand that the group is making progress, and should be assisted by the unified group headquarters.
- Sports transfers
  - Our forecasts predict a decline in sports revenues against a record FY07A, although industry conditions remain relatively buoyant
  - We are currently forecasting a decline in sport division revenues in FY08E (FY07E was a record year and the division is inherently hard to forecast), although the historic performance may be at least replicated given the ongoing premium funding levels within the industry (TV-rights and club ownership), as well as the group's market-leading reputation in an industry that is becoming increasingly regulated in order to weed out rogue operators.
- Product development
  - First Artist has a large stable of owned IP (principally in the form of entertainment and sporting celebrities), as well as a broad range of media and events businesses. The group is becoming increasingly focused on the monetisation of this owned IP.
  - It is looking to develop formats utilising its IP, delivering owned content across multimedia platforms (TV, internet etc) and driving improved value on its IP, as well as increased group revenue and profitability.

Product development and owned content monetisation could drive incremental revenue and margin improvement

- International expansion
  - We factor in only marginal penetration of international markets within our forecasts. However, notably within Dewynters and sports, the group has a considerable domestic/European market share that can assist in driving international growth via reputation and/or relationships with domestic clients.
- Acquisitions
  - Although unquantifiable, we understand that the group is keen to drive acquisitive growth. Assuming any deals are completed on attractive multiples, this could enhance the scale and profitability of the group.

Risks/negatives

One negative element within First Artist is a gearing level of >100% (FY07A 133%, FY08E 100%, FY09E 71%).

However, following the increased debt to fund the earnings enhancing Dewynters acquisition, we are comfortable with the current and forecast debt levels;

- First Artist is forecast to generate free cashflow of £3.1m in FY08 (£2.8m FY09E due to higher cash tax rate).
- It is forecast to utilise this cash to pay out the cash element of earn-outs (forecast annual earn-out payments at maximum of £2.6m/£1.8m/£1.8m in FY08E/09E/10E respectively, principally relating to Dewynters and Yell Communications).
- We forecast that it will also pay down debt (£1.57m annually), that will result in a negative net cashflow for FY08E and FY09E (-£1.0m and -£0.6m) and a net reduction in cash on the balance sheet (down to £2.9m in FY08E and £2.3m in FY09E).
- By implication, therefore, the group still has forecast net cash after paying down the cash element of acquisitions, as well as paying down a portion of debt annually.
- Furthermore, the group has a net debt/EBITDA ratio of just 2.4x (FY07A), dropping to 1.8xin FY08E and 1.5x in FY09E.
- Cash interest cover currently stands at 3.5x (FY07A), rising to 4.8x in FY08E and 5.4x in FY09E.
- Overall, we are comfortable with these indicators and the group represents a sensibly geared business that benefited from a transformational acquisition of Dewynters with limited dilution of existing shareholders.

We estimate that the group will utilise excess FCF to pay down debt (£1.57m annually)

Other negatives often associated with First Artist include its reliance on sports agency revenues, as well as its exposure to the West End theatre industry.

However, sports revenues now account for <10% of group turnover and, furthermore, the business has revenue visibility of an estimated >25% due to the changing nature of contracts whereby agents receive income over the life of a contract.

Sports agency revenues now account for less than 10% of group turnover (FY08E forecast)

With regards theatre industry exposure, historically, dips in consumer expenditure have resulted in increased marketing budgets for theatre producers/owners, with the operational gearing effect of lower yielding theatres (empty seats) seen as a greater financial concern than marginally increased marketing budgets driving full theatres.

To this extent, Dewynters has thrived in times of buoyant demand, as well as times of theatre churn (higher level of new-show marketing), as well as during periods of weaker consumer demand.

Profit and Loss

Table 3: First Artist income statement FY06A-FY10E

Y/E August	2006A	H1 2007A	H2 2007A	2007A	2008E	2009E	2010E
Sales							
Marketing	0.0	12.6	21.1	33.6	42.7	44.6	46.4
Sport	4.2	1.5	5.0	6.5	5.8	5.9	6.1
Wealth	1.9	1.2	1.4	2.6	2.9	3.2	3.4
Events	3.1	2.9	2.3	5.2	8.3	8.9	9.5
Entertainment	0.3	0.4	0.4	0.7	0.8	1.0	1.1
Total sales	**9.5**	**18.5**	**30.1**	**48.6**	**60.5**	**63.7**	**66.6**
Cost of sales	(3.2)	(11.4)	(17.6)	(28.9)	(36.7)	(38.5)	(40.3)
Total gross profit	**6.3**	**7.1**	**12.6**	**19.7**	**23.8**	**25.1**	**26.3**
Gross profit margin (%)	*66.7*	*38.6*	*41.7*	*40.5*	*39.3*	*39.5*	*39.5*
EBIT							
Marketing	0.0	0.8	1.6	2.4	3.3	3.5	3.7
Sport	1.1	(0.4)	1.4	1.0	1.2	1.3	1.3
Wealth	0.8	0.3	0.5	0.8	0.9	1.1	1.2
Events	0.2	0.3	0.2	0.5	0.9	1.0	1.1
Entertainment	0.1	0.1	0.0	0.1	0.2	0.2	0.2
Central costs	(0.6)	(0.4)	(1.7)	(2.1)	(2.5)	(2.5)	(2.4)
Total EBIT	**1.6**	**0.7**	**2.1**	**2.7**	**4.0**	**4.6**	**5.0**
EBITA (pre-g'will/options)	**1.7**	**0.7**	**3.0**	**3.7**	**4.6**	**5.0**	**5.4**
Goodwill amortisation	0.0	0.0	(0.8)	(0.8)	(0.6)	(0.50	(0.3)
Share option charges	(0.1)	0.0	(0.1)	(0.1)	0.0	0.0	0.0
Total operating profit	**1.6**	**0.7**	**2.1**	**2.7**	**4.0**	**4.6**	**5.0**
Depreciation	(0.1)	(0.2)	(0.3)	(0.4)	(0.6)	(0.6)	(0.6)
EBITDA (pre-options)	1.8	0.9	3.2	4.1	5.2	5.6	5.9
Financials							
Interest receiveable	0.0	0.1	0.0	0.1	0.1	0.1	0.1
Interest payable	(0.3)	(0.5)	(0.5)	(1.0)	(1.2)	(1.1)	(1.0)
Net interest	**(0.3)**	**(0.4)**	**(0.5)**	**(0.9)**	**(1.1)**	**(1.0)**	**(0.9)**
Total exceptionals	**(0.2)**	**(0.3)**	**0.0**	**(0.3)**	**0.0**	**0.0**	**0.0**
Profit before tax (pre-goodwill)	**1.3**	**0.3**	**2.5**	**2.8**	**3.6**	**4.0**	**4.5**
Tax	**(0.5)**	**0.1**	**(0.8)**	**(0.6)**	**(1.1)**	**(1.2)**	**(1.3)**
Rate (%)	*37.5*	*(46.4)*	*30.3*	*23.0*	*30.0*	*30.0*	*30.0*
Profit after tax	**0.7**	**0.1**	**0.8**	**0.8**	**1.9**	**2.3**	**2.8**
Y/E shares		13.1	13.1	13.1	13.6	13.7	13.9
Average shares	9.3	11.9	13.1	12.5	13.4	13.7	13.8
Fully diluted shares	11.6	14.5	15.7	13.6	14.7	15.0	15.1
EPS	7.18	0.64	6.15	6.79	14.15	17.07	20.27
EPS (pre-goodwill & exceptionals)	9.01	3.26	13.84	17.10	18.71	20.41	22.75
Fully diluted EPS	**7.21**	**2.67**	**13.04**	**15.71**	**17.05**	**18.64**	**20.79**
% growth	*(41.4)*			*118.0*	*8.5*	*9.3*	*11.5*
DPS	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Source: Company data, Daniel Stewart

Cashflow

Table 4: First Artist cashflow statement FY06A-FY10E

Y/E December	2006A	H1 2007A	H2 2007A	2007A	2008E	2009E	2010E
EBIT	1.5	0.4	2.3	2.7	4.0	4.6	5.0
Depreciation & amortisation	0.1	0.2	0.8	0.9	1.2	1.0	0.9
EBITDA	1.5	0.5	3.1	3.6	5.2	5.6	5.9
Change in stocks	0.0	-0.2	0.3	0.1	0.0	-0.1	-0.1
Change in debtors	-1.4	2.4	-2.5	-0.1	-1.2	-0.7	-0.6
Change in creditors	-0.2	-2.6	2.3	-0.2	1.3	0.5	0.5
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Operating cash flow	**0.1**	**0.2**	**3.2**	**3.4**	**5.3**	**5.4**	**5.8**
Investment returns & finance							
Additional pension payment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest received	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Interest paid	(0.1)	(0.2)	(1.0)	(1.2)	(1.2)	(1.1)	(1.0)
Net interest	(0.1)	(0.2)	(1.0)	(1.20	(1.1)	(1.0)	(0.9)
Dividends received	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outflow	**(0.1)**	**(0.2)**	**(1.0)**	**(1.2)**	**(1.1)**	**(1.0)**	**(0.9)**
Tax	(0.5)	(0.2)	(0.3)	(0.5)	(0.6)	(1.1)	(1.2)
Rate (%)	33.7	93.2	11.5	19.3	17.9	26.9	26.7
Investing activities							
Purchase of TFA	(0.2)	(0.4)	(0.4)	(0.8)	(0.5)	(0.5)	(0.5)
Acquisitions	(2.7)	(8.3)	0.7	(7.6)	0.0	0.0	0.0
Deferred acquisition payments	0.0	0.0	0.0	0.0	(2.6)	(1.8)	(1.8)
Purchase of intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of TFA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of business operation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital distributed from investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of subsidiary	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash acquired with subsidiary	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net flow from investing activities	**(3.0)**	**(8.7)**	**0.3**	**(8.4)**	**(3.1)**	**(2.3)**	**(2.3)**
Financing							
Share issue	1.0	1.0	0.0	1.0	0.0	0.0	0.0
Cost of financing	(0.1)	(0.3)	0.1	(0.2)	0.0	0.0	0.0
Bank loans	2.5	13.5	(0.5)	13.0	0.0	0.0	0.0
Management of liquid resources	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of loans	(0.3)	(3.6)	(0.8)	(4.4)	(1.6)	(1.6)	(1.6)
Capital element of finance lease	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other loans	(0.1)	(0.1)	0.1	0.0	0.0	0.0	0.0
Share repurchase	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net flow from financing	**3.1**	**10.6**	**(1.2)**	**9.3**	**(1.6)**	**(1.6)**	**(1.6)**
Change in cash	**(0.4)**	**1.6**	**1.1**	**2.7**	**(1.0)**	**(0.6)**	**(0.2)**
Net debt	**(3.6)**	**(11.1)**	**(9.7)**	**(9.7)**	**(9.2)**	**(8.2)**	**(6.9)**
Net debt/EBITDA				**2.35**	**1.76**	**1.47**	**1.15**

Source: Company data, Daniel Stewart

Balance Sheet

Table 5: First Artist balance sheet FY06A-FY10E

Y/E December	2006A	H1 2007A	H2 2007A	2007A	2008E	2009E	2010E
Fixed assets							
Intangibles	9.5	22.1	21.8	21.8	21.2	20.8	20.4
Tangibles	0.8	2.0	2.2	2.2	2.1	2.1	2.0
Investments & other	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total	**10.5**	**24.3**	**24.1**	**24.1**	**23.5**	**23.0**	**22.6**
Current assets							
Stocks	0.0	1.1	1.1	1.1	1.1	1.1	1.2
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debtors	6.9	9.7	11.8	11.8	13.0	13.7	14.3
Cash	1.1	2.5	3.9	3.9	2.9	2.3	2.1
Total	**8.0**	**13.3**	**16.8**	**16.8**	**17.0**	**17.1**	**17.6**
Creditors < 1year							
Bank loans & overdrafts	(2.5)	(1.6)	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)
Trade creditors	(3.2)	(9.10	(8.8)	(8.8)	(10.2)	(10.7)	(11.2)
Corporation tax	(1.0)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Other creditors	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0
Finance lease obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accruals & deferred income	(0.7)	0.0	0.0	0.0	0.0	0.0	0.0
Provisions (deferred consideration)	(1.9)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(1.5)
Total creditors < 1 year	**(9.6)**	**(14.3)**	**(14.6)**	**(14.6)**	**(15.9)**	**(16.5)**	**(15.4)**
Net current liabilities	**(1.6)**	**(1.1)**	**2.2**	**2.2**	**1.0**	**0.6**	**2.1**
Total assets - current liabilities	8.9	23.2	26.3	26.3	24.5	23.6	24.7
Creditors > 1 year							
Bank loans	(2.3)	(12.0)	(11.5)	(11.5)	(9.9)	(8.4)	(6.8)
Provisions (deferred consideration)	(1.5)	(4.8)	(7.6)	(7.6)	(5.0)	(3.20	(1.4)
Pension liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other creditors	0.0	0.0	0.0	0.0	(0.4)	(0.5)	(2.1)
Total creditors > 1 year	**(3.8)**	**(16.8)**	**(19.1)**	**(19.1)**	**(15.3)**	**(12.0)**	**(10.3)**
Net assets	**5.1**	**6.4**	**7.3**	**7.3**	**9.2**	**11.6**	**14.4**
Capital & reserves							
Called up share capital	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Shares to be issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own shares held	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share premium account	8.8	9.9	10.0	10.0	10.1	10.1	10.1
Reserves	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P&L	(4.2)	(4.1)	(3.3)	(3.3)	(1.4)	0.9	3.7
Shareholders funds	**5.1**	**6.4**	**7.3**	**7.3**	**9.2**	**11.6**	**14.4**

Source: Company data, Daniel Stewart

Disclosure Checklist

Company	Code	Disclosure
First Artist	FAN.L	2, 3, 6

Source: Daniel Stewart

1. Within the past twelve months Daniel Stewart & Co plc and/or its affiliates has managed or co-managed a public offering for this Company, for which it received fees or the promise of fees
2. Daniel Stewart & Co plc and/or its affiliates act as corporate broker or nominated advisor to this Company
3. Daniel Stewart & Co plc and/or its affiliates regularly hold/may hold in future trading positions (which may include options) in this Company
4. Daniel Stewart & Co plc and/or its affiliates holds more than 5% of the securities of this Company
5. The Company holds more than 5% of the securities of Daniel Stewart & Co plc and/or its affiliates
6. Daniel Stewart & Co plc and/or its affiliates may currently be providing, expects to provide within the next three months or may have provided within the previous twelve months, investment banking services to this Company, which have given rise to payment or the promise of payment
7. The author and/or an individual responsible for production of this report has direct ownership of stock in this Company
8. The author and/or an individual responsible for production of this report received or purchased shares in the issuer prior to a public offering of shares
9. Daniel Stewart and Company is party to an agreement with this company for the publication of research on it
10. This research note has been disclosed to the Company, with resulting amendments, prior to its dissemination

The Daniel Stewart recommendation structure is based on relative upside/downside to target price. The target price is set on a rolling 12 month view. Upside or downside of 10% or more is categorised as Buy or Sell respectively, and less than 10% a Hold.

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Authorised and Regulated by the Financial Services Authority. Nov 07b.

Daniel Stewart
& Company

19 November 2007

Media
FY results

Key Assumptions

- 11.0% sales CAGR FY07E-FY09E
- Gross margin unchanged at 39.5% FY08E-FY09E

Income	08/07A	08/08E	08/09E	08/10E
Sales (£m)	48.6	60.5	63.7	66.6
Gross Profit (£m)	19.7	23.8	25.1	26.3
EBITDA (DSC)	4.1	5.2	5.6	5.9
EBIT (DSC)	2.7	4.0	4.6	5.0
PBT (DSC)	2.8	3.6	4.0	4.5
EPS (FRS-3)	6.79	14.15	17.07	20.27
EPS (DSC)	15.71	17.05	18.64	20.79
DPS(p)	0.0	0.0	0.0	0.0

Valuation	08/07A	08/08E	08/09E	08/10E
P/E (x)	6.5	6.0	5.5	4.9
Div. Yield (%)	0.0	0.0	0.0	0.0
EV/Gross profit (x)	1.2	0.9	0.9	0.8
EV/EBITDA (x)	5.6	4.3	3.9	3.4
EV/EBIT (x)	8.4	5.6	4.7	4.0
P/FCF (x)	15.5	4.8	5.6	4.9
FCF Yield (%)	6.5	21.0	18.0	20.5
P/NAV (x)	1.9	1.6	1.3	1.1
NAV (p)	53.4	62.8	77.1	95.1

Cash Flows (£m)	08/07A	08/08E	08/09E	08/10E
Op. CF (£m)	3.4	5.3	5.4	5.8
Gross CF (£m)	1.7	3.6	3.3	3.7
FCF (£m)	0.9	3.1	2.7	3.2
FCFPS (p)	6.6	21.4	18.4	20.9

Balance Sheet (£m)	08/07A	08/08E	08/09E	08/10E
Fixed Assets	24.1	23.5	23.0	22.6
Current Assets	16.8	17.0	17.1	17.6
Current Liabilities	(14.6)	(15.9)	(16.5)	(15.4)
Capital Employed	26.3	24.5	23.6	24.7
Long-term Liabilities	(19.1)	(15.3)	(12.0)	(10.3)
Net Assets	7.3	9.2	11.6	14.4
Net Debt (Cash)	9.7	9.2	8.2	6.9

Recent News / Events

April 2007 – Acquisition of Yell Communications
November 2006 – Acquisition of Dewynters

Management Team

Non-Executive Chairman – Jarvis Astaire
CEO – Jon Smith
Group Managing Director – Richard Hughes
Group Finance Director – Simon Bent

Major Shareholders

J Smith	8.8%
P Smith	5.9%
Singer & Friedlander	4.4%
Barclays Global	3.7%
Herald Investment	2.9%

Undervalued relative to sector
First Artist's shares stand at a >50% discount to its peer group and we see scope for market outperformance

Reducing net debt position
First Artist has a comfortable debt position and the net debt level is forecast to decline over the coming years given the group's strong FCF generation