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CTC Media, Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions). We'll pause for just a moment to compile the Q&A roster. Our first call comes from Sohail Ahmer of Lusight Research. Please go ahead.

Sohail Ahmer - Lusight Research

Good afternoon. My question is in regard to the DTV acquisition. I have three questions. First, just to clarify if CTC's buying 100% of DTV? Secondly, I was wondering if you could provide some idea as to what was done net income is for DTV?

And finally, it seems that CTC has made 10 times revenues for DTV whereas CTC itself trades at about six times revenue so I'm wondering isn't this a little bit expensive of an acquisition? And isn't this in some way destroying shareholder value?

Alexander Rodnyansky

Well, thank you for the question. I will try to tackle it. Yes, we do acquire 100% ownership in the DTV group of companies so it's 100% owned and operated by CTC Media effective April 16 from the time we closed this transaction.

In terms of, actually your third question and I'll answer that, the purchase price was [inaudible]. The company's policy is only value acquisitions to the shareholders so although on their one year multiples, as in your question, this may seem excessive, that is not the way we look at this acquisition because obviously we have operated that based on the adjusted multiples so it's not just one year number that is number one.

Number two, if you look at their recent transactions on the Russian market in terms of acquiring various channels by other media companies or groups, financial groups, this transaction actually has the lowest multiples when compared to the percent of all the shares acquired. So in this sense we think that this was a very good transaction for the company particularly taking into account variable robust growth of the Russian advertising market. And we do view this as a value acquisition to the shareholders.

Answering your second question, we have actually made some extensive disclosures on DTV financial performance at the time we have completed a [inaudible] transaction at first and the CTC or DTV for three to five years.

Sorry, the DTV we have been OIBDA over the three to five years. We target to be at the level of 30% and was said on the call earlier we are now in the middle of our budgeting process for this operation so we will be very happy to provide you more color on this in our Q2 conference call.

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