ITE Group
Analyst trip to Moda UK

An analyst trip to Moda, ITE's only UK exhibition, highlighted the attractions of running trade publications alongside exhibitions and this model may well be replicated selectively elsewhere. Separately, a trading update confirmed the group is on track - post the important Spring exhibition season, we expect consensus forecasts to trend upwards.

- Moda is the leading UK specialist fashion exhibition for independent retailers. It is held twice yearly at the NEC (Feb and August), each event selling about 17,500sqm of space. The current event has attracted over 600 exhibitors.

- Alongside the exhibition, ITE has a publishing operation which produces five trade magazines, each focusing on a specific sector of this market (Womenswear, Menswear, Footwear, Childrenswear, Lingerie).

- The synergy between this publishing business and the event was very evident yesterday, with the former providing a powerful promotional platform for the latter whilst also proving a great source of market intelligence.

- Moda has grown steadily in recent years following its relocation from Harrogate to the NEC and was certainly busy yesterday. Further space expansion is possible albeit will require some additional capacity from the venue.

- Key opportunities lie in extending the event into Kidswear and Lingerie. ITE acquired the Footwear section last year and similar bolt-on deals in these other sub-sectors are a possibility.

EMAP is the key competitor in this space, mainly through its Pure exhibition, although this has shrunk in recent years, now selling just 9000sqm of space. It is based in London and leverages off EMAP's ownership of Drapers magazine. Whether this event could be reinvigorated and challenge Moda's growing hold on the independent retail market is unclear but we think this will prove difficult, particularly given its London base.

Moda is ITE's only UK business and we do not expect to see any major expansion beyond this in the near-term. The focus should firmly stay on Russia and other emerging markets. Trading here remains healthy and while there were no upgrades following yesterday's update, we think there is good scope for consensus numbers to tick up once the important Spring exhibition season is completed.

We continue to be attracted to the ITE investment story with valuation the only challenge at present - we will look to buy on weakness.

PT based on DCF/comps

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ITE Group forecasts

<table>
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<tr>
<th>Year</th>
<th>Sales GBP m</th>
<th>Pre-tax profit excl except, gw GBP m</th>
<th>Dil EPS excl except, gw GBPp</th>
<th>DPS GBP</th>
<th>Yield %</th>
<th>FCF Yield %</th>
<th>P/E x</th>
<th>EV/ sales x</th>
<th>EV/ EBITA x</th>
<th>EV/ EBITDA x</th>
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<tbody>
<tr>
<td>Sep-2005A</td>
<td>78.5</td>
<td>26.0</td>
<td>6.60</td>
<td>2.75</td>
<td>2.2</td>
<td>6.5</td>
<td>19.1</td>
<td>4.2</td>
<td>13.6</td>
<td>13.4</td>
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<td>Sep-2006E</td>
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<td>23.3</td>
<td>6.35</td>
<td>3.09</td>
<td>2.5</td>
<td>3.6</td>
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<td>7.66</td>
<td>3.40</td>
<td>2.7</td>
<td>6.8</td>
<td>16.5</td>
<td>3.3</td>
<td>10.5</td>
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<td>Sep-2008E</td>
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<td>3.0</td>
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<td>16.2</td>
<td>3.1</td>
<td>10.1</td>
<td>9.9</td>
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Source: Company data, DrKW Equity research estimates
Disclosure appendix

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EMA.L (GBP 933.0)

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- Add: 5-10% increase in share price
- Reduce: 5-10% decrease in share price
- Hold: +5%/-5% variation in share price

Distribution of DrKW equity recommendations as of 31 Dec 2005

<table>
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<tr>
<th>Recommendation</th>
<th>All covered companies</th>
<th>Companies where a DrKW company has provided investment banking services (in the last 12 months)</th>
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<tr>
<td>Buy/Add</td>
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<td>Hold</td>
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<td>Sell/Reduce</td>
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<td>10</td>
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<td>Total</td>
<td>564</td>
<td>74</td>
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</table>

Source: DrKW

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