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OVERWEIGHT

Information Publishing/Media Content Industry

First Quarter Wrap-up and Full Year Outlook

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- Overall, 2001 has been a moderate year so far for the information publishing stocks, with three of the six stocks that we cover outperforming the S&P 500's year-to-date decline of 5.4% and the remaining three posting double-digit declines.
- On the whole, first quarter results across the group were slower, as expected, although most of our companies met or beat lowered Street estimates. Revenue growth is currently mixed, ranging from low single-digit to double-digit growth at FactSet Research Systems. Profit trends continue to be slow as well.
- Operating characteristics differ by company, and therefore, the stocks do not trade as a group. As a result, we continue to focus on investment upside potential on a case-by-case basis.
- We continue to recommend an overweight position in the information publishing/media content sector, albeit on a more selective basis than six months ago.

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First Quarter Wrap Up

Over the past six months, we have taken a more cautious stance on certain sectors of the information publishing/media content industry in the face of a slowing economy and weaker near-term advertising trends. Year to date, we have reduced our ratings on two names, Martha Stewart Living Omnimedia and Jupiter Media Metrix, to Hold from Buy based on weak near-term fundamental trends and, in the case of Jupiter, little visibility on even on a longer-term turn to profitability. We also reinstated coverage of Primedia with a Buy rating based on a moderately attractive valuation and the upside potential in the event of a broader recovery, but we take a longer-term view on the company given integration risk related to the About.com acquisition last year.

Our favorite names in the group continue to be CoStar Group, rated Buy, and Penton Media, also rated Buy. CoStar reported an upside surprise in first quarter, its third quarter of narrowing bottom-line losses after being in a major investment mode from late 1999 through mid-2000. In our view, management is executing well on its plan to reach cash flow profitability by the end of fiscal year 2001 via cost reduction, while also aggressively developing its product and service offering for long-term growth. Turning to Penton Media, we continue to believe that the company is well positioned for attractive long-term sustainable growth as the market and, in particular, the tech sector recover from the advertising downturn. In addition, Penton continues to be the only pure-play stock in the business media sector, which is very fragmented and ripe for consolidation.

We also rate FactSet Research Systems Buy. The company has a highly predictable revenue stream (over 95% client retention rate for the last nine years) and has met or beat the Street consensus in every quarter as a public company.

Table 1
Information Publishing Sector Coverage

Buy	Hold
Penton Media—PME (TP = \$24; 23% upside potential)	Martha Stewart Living Omnimedia—MSO (TP = \$25; 17% upside potential)
CoStar Group—CSGP (TP = \$30; 20% upside potential)	Jupiter Media Metrix—JMXI (TP = N/A)
FactSet Research Systems—FDS (TP = \$50; 22% upside potential)	
Primedia—PRM (TP = \$11; 25% upside potential)	

TP = target price.
Source: CSFB.

Overall, we continue to recommend an overweight position in the information publishing/media content sector, albeit on a more selective basis than six months ago. We define our CSFB information publishing sector in terms of two broad categories: (1) subscription-based information publishing companies that provide value-added information in niche business areas; and (2) content companies that operate via multiple media platforms such as print, online, trade shows, television, and other media. In the long term, we continue believe that the sector could have major growth potential, particularly companies within the sector that have solidified a leadership position in a niche market, such as digital real estate in the case of CoStar Group and technology content for Penton Media.

Finally, we believe that fundamental trends could potentially bottom later this year, with a major recovery dependent on macroeconomic conditions. We value the information publishing companies using various methods, including discounted cash flow and sum-of-the-parts valuations or on an EBITDA basis for

the more established companies; the stocks are currently trading at discounts of 17% to 25% to their 12- to 18-month target prices. We continue to focus on the upside potential provided by individual investment stories on a case-by-case basis.

Stock Performance

Overall, 2001 has been a moderate year so far for the information publishing stocks, with three of the six stocks that we cover outperforming the S&P 500's year-to-date decline of 5.4% and the remaining three posting double-digit declines. The strongest performer year to date is FactSet Research Systems. The stock is up just under 5% on continued strong fundamentals. Martha Stewart Living Omnimedia is up 3.3% year to date, as the company reported an upside surprise in first quarter despite weak fundamental advertising trends. Finally, CoStar Group is up 1.9% year to date.

On the other hand, Primedia, Penton Media and Jupiter Media Metrix are each down double-digits year to date. The worst of these is Jupiter Media Metrix, which is down 85% year to date. The company has lowered its financial guidance three times since last fall, primarily because of its significant dot-com exposure. Penton Media has also lowered guidance this year and is down 31.5% as a result. However, we continue to view Penton as a strong long-term performer. Finally, Primedia is down 30.8% year to date.

In general, the companies in this sector do not trade as a group, because operating characteristics differ by company, as do their respective stages in the growth cycle. This lack of industry cohesion creates highly fragmented markets, leaving room for one or two dominant players in a space.

First Quarter Results and Outlook

On the whole, first quarter results across the group were slower, as expected. For most of these companies, we continue to focus on revenue growth and on operating cash flow trends as the key forward-looking metrics. Overall, the latest quarter was characterized by slower revenue growth, with a handful of companies, including FactSet and CoStar, reporting relatively strong results given the economic backdrop.

Table 2
First Quarter Scorecard

First Quarter 2001 Scorecard								
Information Publishing Companies	Rating	Q1 '01 EPS	Q1'00 Comparison	Actual % Chg	Consensus	Upside from Consensus	CSFB Estimate	Upside from CSFB Estimates
CoStar Group (CSGP)	Buy	(0.29)	(0.51)	NM	(0.34)	NM	(0.35)	NM
Jupiter Media Metrix (JMXI)	Hold	(0.30)	(0.11)	NM	(0.30)	NM	(0.31)	NM
Martha Stewart Living (MSO)	Hold	0.13	0.11	18%	0.11	18%	0.11	18%
Penton Media (PME)	Buy	0.04	0.01	300%	0.03	33%	0.03	33%
Primedia (PRM)	Buy	(0.48)	(0.29)	NM	(0.38)	NM	(0.36)	NM

Source: CSFB, Company Reports

Table 3
Valuation Model

CSFB MEDIA CONTENT VALUATION MODEL

CSFB Media Content Company Valuation Summary
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STOCK PRICE DATA	RATING	TICKER	PRICE	MARKET				% OFF HI	% OFF LO	AVG DAILY VOLUME (000)	% CHG. YTD	REL PERF	EPS*		
			14-May	CAP	52 WK HI	52 WK LO	2000						2001E	2002E	
CoStar Group	Buy	CSGP	24.08	\$364	50	14	-52%	72%	74	2%	7.3%	(1.96)	(0.59)	0.50	
FactSet Research Systems	Buy	FDS	38.78	\$1,341	44	18	-12%	115%	82	5%	10.0%	0.75	0.95	1.17	
Jupiter Media Metrix	Buy	JM01	1.40	\$50	46	1	-97%	9%	262	-85%	-79.6%	(0.58)	(1.15)	(1.07)	
Martha Stewart Living Omnimedia	Hold	MSO	20.73	\$1,006	35	13	-41%	59%	119	3%	8.7%	0.43	0.51	0.72	
Penton Media	Buy	PME	18.42	\$587	36	14	-49%	36%	101	-31%	-26.1%	0.66	0.31	0.48	
Primedia	R	PRM	8.26	\$1,721	35	5	-76%	65%	204	-31%	-25.4%	(0.91)	(1.04)	(0.63)	
S&P 500		SPX	1248.9		1530.0	1081.2	-18%	16%		-5%		50.82	56.50	57.40	

FUNDAMENTAL DATA	REVENUES			REVENUE GROWTH			EBITDA PER SHARE			A.T. CASH FLOW PER SHARE			FREE CASH FLOW PER SHARE		
	2000	2001E	2002E	2000	2001E	2002E	2000	2001E	2002E	2000	2001E	2002E	2000	2001E	2002E
CoStar Group	59	77	96	93%	31%	25%	(2.01)	(0.45)	0.24	(1.68)	(0.29)	0.71	(2.73)	(0.59)	(0.00)
FactSet Research Systems	134	175	219	29%	31%	25%	1.47	1.91	2.28	1.09	1.39	1.61	0.76	0.52	1.04
Jupiter Media Metrix	78	102	129	279%	31%	27%	(1.09)	(1.40)	(1.32)	(0.58)	(1.15)	(1.07)	(1.36)	(1.99)	(1.91)
Martha Stewart Living Omnimedia	286	306	333	23%	7%	9%	0.82	1.06	1.47	0.61	0.79	1.01	1.10	1.08	1.30
Penton Media	405	472	500	27%	17%	6%	2.87	2.89	3.22	1.71	1.74	1.84	1.51	1.53	1.62
Primedia	1,677	1,889	2,001	-2%	13%	6%	1.60	1.39	1.59	0.05	0.44	0.72	(0.43)	0.16	0.45
S&P 500															

VALUATION DATA	P/E RATIO			PER			PRICE/REVENUES			PRICE/AFTER TAX CASH			PRICE/EBITDA		
	2000	2001E	2002E	2000	2001E	2002E	2000	2001E	2002E	2000	2001E	2002E	2000	2001E	2002E
CoStar Group	NM	NM	NM	NM	NM	NM	6.2	4.9	4.0	NM	NM	NM	NM	NM	NM
FactSet Research Systems	51.9	40.6	33.0	2.35	1.87	1.52	10.0	7.7	6.1	35.6	27.8	24.1	14.1	10.9	9.1
Jupiter Media Metrix	NM	NM	-4.1	NM	NM	NM	0.4	0.5	0.4	-0.3	-0.1	-0.1	NM	NM	-1.1
Martha Stewart Living Omnimedia	48.7	40.4	29.0	2.20	1.85	1.49	3.6	3.3	3.0	34.1	26.3	20.5	25.4	19.6	14.1
Penton Media	28.1	59.2	38.8	1.27	2.72	1.99	1.5	1.2	1.2	10.8	10.6	10.0	6.4	6.4	5.7
Primedia	NM	NM	NM	NM	NM	NM	0.8	0.9	0.9	175.5	18.8	11.4	5.2	5.9	5.2
S&P 500	24.6	22.1	21.8												

VALUATION DATA	TEV/Revenues			TEV/Gross Profit			TEV/EBITDA		
	2000	2001E	2002E	2000	2001E	2002E	2000	2001E	2002E
CoStar Group	5.4	4.5	3.5	11.2	7.8	7.6	NM	NM	88.6
FactSet Research Systems	9.7	7.4	5.8	13.0	9.9	7.7	25.5	19.6	16.0
Jupiter Media Metrix	-0.8	0.2	0.2	-1.4	0.4	0.4	NM	NM	-0.7
Martha Stewart Living Omnimedia	3.2	2.8	2.5	NM	NM	NM	22.3	16.7	11.6
Penton Media	2.2	1.8	1.6	NM	NM	NM	9.6	9.1	7.9
Primedia	2.1	2.0	1.9	NM	NM	NM	14.0	12.9	10.8

Source: CSFB, Company Reports

* EPS is adjusted for continuing operations and fully diluted; First Call Consensus estimates used for S&P.

After-Tax Cash Flow = Net Income + D&A

Free Cash Flow = After Tax Cash Flow - Capital Expenditures

NM=Not Meaningful

R = Restricted.

Table 4
Stock Performance Sheet

Media Stock Price Performance										
Company	Symbol	Analyst	Close	Since Last Week		Since Last Month		Year To Date		52 Week Range
			5/14/01 Price	5/7/01 Price	Absolute Change	4/14/01 Price	Absolute Change	12/29/00 Price	Absolute Change	
Advertising & Marketing Services										
Interpublic Group	IPG	D. McMurry	35.85	35.00	2.4%	35.48	1.0%	42.56	-15.8%	48-32
Omnicom Group	OMC	D. McMurry	89.80	88.88	1.0%	86.50	3.8%	82.88	8.4%	98-68
True North Communications	TNO	D. McMurry	40.53	39.40	2.9%	39.72	2.0%	42.50	-4.6%	53-33
WPP Group PLC	WPPGY	D. McMurry	57.60	59.52	-3.2%	50.15	14.9%	62.81	-8.3%	76-47
Publicis SA	PUB	D. McMurry	32.50	33.10	-1.8%	28.90	12.5%	33.63	-3.3%	37-26
Havas Advertising	HADV	D. McMurry	12.96	13.30	-2.6%	12.00	8.0%	14.13	-8.2%	17-11
Catalina Marketing Group	POS	A. Christian	33.92	33.40	1.6%	34.34	-1.2%	38.94	-12.9%	45-24
Acxiom Corp.	ACXM	A. Christian	14.57	15.51	-6.1%	13.57	7.4%	38.94	-62.6%	46-11
Harte-Hanks, Inc.	HHS	A. Christian	24.90	23.68	5.2%	22.12	12.6%	23.69	5.1%	28-21
Valassis Communications	VCI	A. Christian	34.31	34.92	-1.7%	31.96	7.4%	31.56	8.7%	39-21
ADVO, Inc.	AD	A. Christian	33.93	32.55	4.2%	36.78	-7.7%	44.38	-23.5%	48-29
Entertainment and Programmers										
AOL Time Warner	AOL	J. Kiggen/L. Martin	51.60	52.10	-1.0%	42.22	22.2%	34.80	48.3%	63-32
The Walt Disney Company	DIS	L. Martin	30.95	30.99	-0.1%	29.09	6.4%	28.94	7.0%	43-26
Liberty Media Group	LMG.A	D. Leibowitz	16.13	16.95	-4.8%	14.73	9.5%	13.56	18.9%	27-11
Metro-Goldwyn-Mayer Inc.	MGM	L. Martin	19.90	19.12	4.1%	17.71	12.4%	16.31	22.0%	29-15
News Corporation	NWS	J. Masojada	37.62	39.32	-4.3%	33.45	12.5%	32.25	16.7%	58-29
Fox Entertainment Group	FOX	N/C	23.85	24.40	-2.3%	21.05	13.3%	17.88	33.4%	35-15
Vivendi Universal	V	C. Campomagnani	65.90	67.95	-3.0%	64.04	2.9%	65.31	0.9%	114-54
USA Networks Inc.	USAI	L. Martin	26.30	25.60	2.7%	21.95	19.8%	19.44	35.3%	27-16
Viacom Inc.	VIAB	L. Martin	53.55	53.10	0.8%	46.75	14.5%	46.75	14.5%	76-38
Blockbuster Inc.	BBI	N/C	18.55	17.36	6.9%	16.20	14.5%	8.38	121.5%	19-7
World Wrestling Federation Entertainment	WWF	L. Martin	13.82	13.40	3.1%	13.33	3.7%	16.00	-13.6%	23-12
Information Publishers										
CoStar Group, Inc.	CSGP	W. Drewry	24.08	25.17	-4.3%	18.98	26.9%	23.63	1.9%	41-14
FactSet Research Systems	FDS	W. Drewry	38.78	36.95	5.0%	31.72	22.3%	37.07	4.6%	44-18
Houghton Mifflin Co.	HTN	N/C	51.17	51.45	-0.5%	44.47	15.1%	46.38	10.3%	53-30
Jupiter Media Matrix	JMXI	W. Drewry	1.40	1.41	-0.7%	1.52	-7.9%	9.31	-85.0%	35-1
Martha Stewart Living Omnimedia	MSO	W. Drewry	20.73	21.31	-2.7%	17.23	20.3%	20.06	3.3%	35-15
McGraw Hill Companies	MHP	N/C	67.78	65.50	3.5%	62.74	8.0%	58.63	15.6%	68-49
Primedia Inc.	PRM	W. Drewry	8.26	8.03	2.9%	5.76	43.4%	11.94	-30.8%	23-5
Penton Media, Inc.	PME	W. Drewry	18.42	20.85	-11.7%	16.62	10.8%	26.88	-31.5%	36-13
Scholastic Corporation	SCHL	N/C	40.79	43.73	-6.7%	41.30	-1.2%	44.31	-7.9%	49-22
Newspaper Publishers										
A.H. Belo Corp.	BLC	W. Drewry	18.51	18.44	0.4%	15.92	16.3%	16.00	15.7%	20-15
Dow Jones	DJ	W. Drewry	55.17	55.64	-0.8%	51.71	6.7%	56.63	-2.6%	77-48
Gannett Co, Inc.	GCI	W. Drewry	67.19	65.95	1.9%	63.35	6.1%	63.06	6.5%	69-48
Hollinger International	HLR	W. Drewry	15.80	15.90	-0.6%	15.30	3.3%	15.88	-0.5%	17-12
Journal Register Company	JRC	W. Drewry	16.70	16.00	4.4%	16.05	4.0%	16.06	4.0%	19-13
Knight-Ridder	KRI	W. Drewry	54.81	55.51	-1.3%	53.12	3.2%	56.88	-3.6%	61-44
Lee Enterprises	LEE	W. Drewry	32.49	32.55	-0.2%	30.31	7.2%	29.81	9.0%	33-21
McClatchy Company	MNI	W. Drewry	40.49	40.10	1.0%	39.90	1.5%	42.63	-5.0%	43-29
Media General, Inc.	MEG.A	W. Drewry	50.80	49.66	2.3%	46.65	8.9%	36.40	39.6%	54-34
New York Times Co.	NYT	W. Drewry	42.12	42.20	-0.2%	41.34	1.9%	40.06	5.1%	46-33
Pulitzer Inc.	PTZ	W. Drewry	53.32	53.40	-0.1%	51.71	3.1%	46.85	13.8%	57-38
E.W. Scripps Co.	SSP	W. Drewry	64.67	64.03	1.0%	59.20	9.2%	62.88	2.9%	67-46
Tribune	TRB	W. Drewry	44.08	43.20	2.0%	39.96	10.3%	42.25	4.3%	47-32
Washington Post Co.	WPO	W. Drewry	588.42	588.60	0.0%	591.35	-0.5%	616.88	-4.6%	652-467
Radio Broadcasters										
Beasley Broadcast Group	BBGI	P. Sweeney	13.46	14.00	-3.9%	14.10	-4.5%	8.31	61.9%	17-7
Citadel Communications Corp.	CITC	P. Sweeney	25.67	25.61	0.2%	24.50	4.8%	12.00	113.9%	45-8
Clear Channel Communications Inc.	CCU	P. Sweeney	56.14	55.05	2.0%	56.77	-1.1%	48.44	15.9%	86-44
Cox Radio, Inc.	CXR	P. Sweeney	25.77	24.80	3.9%	23.01	12.0%	22.56	14.2%	32-15
Cumulus Media, Inc.	CMLS	P. Sweeney	12.70	9.25	37.3%	5.92	114.5%	3.63	250.3%	14-3
Emmis Broadcasting	EMMS	P. Sweeney	26.25	27.52	-4.6%	25.35	3.6%	28.69	-8.5%	49-17
Entercom Communications Corp.	ETM	P. Sweeney	48.75	48.47	0.6%	43.48	12.1%	34.44	41.6%	51-25
Hispanic Broadcasting Corp.	HSP	P. Sweeney	20.48	20.47	0.0%	19.20	6.7%	25.50	-19.7%	45-15
Lamar Advertising	LAMR	P. Sweeney	39.00	39.14	-0.4%	37.21	4.8%	38.59	1.1%	51-32
Radio One Inc.	ROIA	P. Sweeney	22.00	20.66	6.5%	17.07	28.9%	10.69	105.8%	32-6
Radio Unica Communications Corp.	UNCA	N/C	3.00	3.45	-13.0%	4.08	-26.5%	3.75	-20.0%	8-2
Saga Communications	SGA	P. Sweeney	19.25	19.05	1.0%	16.40	17.4%	14.88	29.4%	25-13
Spanish Broadcasting System, Inc.	SBSA	N/C	5.34	6.00	-11.0%	5.99	-10.9%	5.00	6.8%	23-4
Television Broadcasters										
Granite Broadcasting Corp	GBTVK	P. Sweeney	2.80	2.01	39.3%	2.00	40.0%	1.00	180.0%	8-1
Hearst-Argyle Television, Inc.	HTV	P. Sweeney	19.99	21.45	-6.8%	19.31	3.5%	20.44	-2.2%	25-17
Paxson Communications Corp.	PAX	N/C	11.74	12.85	-8.6%	10.70	9.7%	11.94	-1.7%	15-7
Sinclair Broadcast Group, Inc.	SBGI	P. Sweeney	8.16	8.18	-0.2%	5.66	44.2%	10.03	-18.7%	14-5
Young Broadcasting, Inc.	YBTVA	P. Sweeney	37.52	39.90	-6.0%	36.71	2.2%	33.48	12.1%	42-18
Entravision Communications	EVC	P. Sweeney	12.45	10.70	16.4%	9.75	27.7%	18.38	-32.2%	21-7
Univision Communications Inc.	UVN	P. Sweeney	40.79	44.45	-8.2%	38.85	5.0%	40.94	-0.4%	63-24

Source: FactSet and CSFB Estimates

CoStar Group (CSGP—Buy)

First quarter Snapshot	CoStar reported first quarter EPS excluding amortization of \$(0.29) per share versus \$(0.51) last year. The company comfortably beat our \$(0.35) estimate for the quarter and the Street consensus of \$(0.34), with the difference primarily resulting from lower operating expenses. Revenues increased 53% year over year to \$17.4 million and were up 3.1% sequentially, including \$4.8 million of revenues from COMPS.com.
Second quarter and 2001 EPS estimates	Our second quarter estimate for EPS excluding amortization is \$(0.19) in light of strong first quarter results and management's guidance to narrow losses by another \$(0.10-0.12) for second quarter. In addition, we have raised our full year estimate to \$(0.59) from \$(0.67) based on the company's continuing cost reductions and development of multiple revenue streams via new product introductions. Management continues to target cash EPS profitability by the end of FY2001.
Investment perspective	CoStar reported its third sequential quarter of narrower cash EPS losses and also came in comfortably ahead of both our estimate and the Street consensus. Despite a slowing market environment, the company performed relatively well on both the top and bottom lines, with the major driver of outperformance being aggressive cost reductions. Management continued to excel this quarter on the cost management side, delivering on its previously stated goal to bring COMPS.com to operating cash flow profitability by first quarter this year. On the top line, reported revenues were up more than 50% year over year, and we estimate that excluding COMPS.com from both periods, revenues were still up over 30%. That said, we continue to be more cautious on the revenue outlook for the company near-term given the slower current market conditions. In addition, we have lowered our target price on CSGP to \$30 from \$52 based on a discounted cash flow analysis that has been adjusted to reflect the current market environment. However, we continue to rate the stock Buy, being bullish on CoStar's long-term growth outlook, and view the stock as one of our favorite small cap ideas.
Valuation and recommendation	We continue to rate CSGP shares Buy. CSGP is currently trading at 4.9 times 2001E revenues and 4.0 times 2002E revenues. Our 12- to 18-month target price is \$30, based on a discounted cash flow analysis.
First quarter highlights	<p>COMPS.COM COMPS.com, acquired 14 months ago, contributed \$4.8 million of revenues and was cash flow positive for the quarter, meeting management's previously stated expectations. In addition, management moved aggressively to integrate COMPS into its existing business and largely completed the integration of the operations side of the business. The technology and database integration should continue over the next 12-18 months, and we expect it to result in further cost reductions.</p> <p>Sales Force Update During first quarter, CoStar added 13 new sales professionals. Management commented that its sales force performed very strongly in first quarter, driving a 45.6% increase in sales to existing customers versus fourth quarter last year and an 18.9% increase in gross sales per quota-carrying salesperson. In addition, March showed the highest level of new contract value in the company's history.</p> <p>Latest 2001 Guidance Management reiterated its previous guidance for full year revenue growth in the 30% range with potential acceleration in the back half of the year to 7-10% sequential revenue growth. For second quarter, management guided to sequential revenue growth in the 4-6% range.</p> <p>Management is still targeting cash earnings profitability by the end of 2001, in-line with previous guidance.</p>

First Quarter Financial Results

Revenues

Revenues increased 52.6% year over year and 3.1% sequentially to \$17.4 million. Sequential growth fell just short of our 4.0% estimate for the quarter. During first quarter, we believe that CoStar benefited from upsells to existing customers and the continued integration of COMPS.com into its product offering. In addition, COMPS.com contributed \$4.8 million of revenues in first quarter.

Costs/expenses

Gross profit margin CoStar reported its first up quarter year over year on the gross profit margin line in eight quarters. Gross profit margin improved to 54.0% from 47.4% for the same period last year on aggressive cost reduction.

Selling and marketing expenses declined 17.8% year-over-year to \$6.9 million from \$8.4 million last year. This expense category significantly leveled off from a peak of \$11.2 million in second quarter last year and a 77% year-over-year increase in third quarter last year.

Software development costs increased 71.2% off a small base to \$1.2 million, or about 7% of total revenues, from \$0.7 million last year.

General & administrative expenses increased 32.6% for the period as the company cycled through its last partial quarter including the COMPS.com acquisition (acquired in February 2000). For first quarter, G&A expense comprised 54.7% of sales versus 62.9% during the same period a year ago.

Conference Call Highlights

Full year financial guidance

For the full year, management reiterated its previous guidance for revenue growth in the 30% range and bottom-line profitability on a cash EPS basis. Top-line growth is expected to be driven equally by recent new product introductions and increasing sales to existing customers. In addition, management expects growth across all 51 markets and all major products. By quarter, the company expects to see 4-6% sequential revenue growth in second quarter and accelerated sequential growth in the 7-10% range for the second half of the year.

On the cost side, the company's gross margin should continue to improve as revenues build on a relatively fixed cost base. In addition, cash operating expenses (excluding purchase amortization) are expected to be down an additional 4-5% by the end of fiscal year 2001, with most of the improvement coming in second quarter, when management forecasts operating expenses to be down 2-4% sequentially.

Total cash balances at the end of first quarter were \$43.7 million, and the low point in the cash balance is expected to be \$30 million. The company's capital expenditure estimate for the balance of fiscal year 2001 \$5.0 million.

New products

CoStar Exchange CoStar Exchange, which was launched last June, continues to be well received by customers and is now generating in excess of \$1 million of annual revenues, up from \$0.9 million as of fourth quarter and \$0.7 million at the end of third quarter. Total subscribing firms at the end of first quarter were 211, up 55% from 136 at the end of last year. Lower selling & marketing expenses in first quarter were largely due to the completion of marketing initiatives related to Exchange.

CoStar Connect CoStar Connect, which allows companies to license CoStar technology and content and post on their Intranet sites, has signed a new client Web site every other day since its launch in March. No other financial details were disclosed.

CoStar Tenant Finally, the beta version of the new CoStar Tenant, an online tenant tracking service, was recently released. No financial benchmarks have

Other

been disclosed for the product, but the cost base associated with this product should be relatively low given that it is distributed completely over the Internet.

Established versus Emerging Markets Revenues in CoStar's 18 established regions increased 3% during first quarter, with individual market revenue growth ranging from 1% to 10% based on the size and maturity of the market. Established regions account for approximately 70% of the company's total revenues and include Washington D.C., New York, Los Angeles, Chicago, Philadelphia, Boston, San Francisco, Houston, San Diego, Phoenix, Denver, and Florida. In addition, the established markets generated an average contribution margin of 39%, up from 24% in fourth quarter last year.

In total, 40 of the company's 51 markets were profitable for the quarter on a contribution margin basis, indicating that smaller growth markets are continuing to quickly move to profitability. Contribution margins are defined as EBITDA excluding software development costs and corporate D&A as a percentage of revenues. The company uses this ratio as its key metric for measuring profitability by region.

Sales Force Update As of quarter end, CoStar had 72 quota-carrying sales people, up from 60 at the end of last year. New sales people just coming out of the company's expanded training program generated average net new monthly sales of \$2,200 in their first month out. The company had previously targeted a total sales force headcount of 85 by the end of this year.

During the quarter, the company initiated new sales and management initiatives including a mentoring program, a Management by Objectives commission, and an expanded training program that drove increased upsells, cross-selling and total contract value.

Table 5
First Quarter Snapshot

CoStar Group, Inc.					
Q1 01 Income Statement Analysis					
(Dollars in millions)	Q1 00	Q1 01E	% Chg	Q1 01A	% Chg
Revenue	11.4	17.5	54.0%	17.4	52.6%
Cost of revenues	6.0	8.2	37.7%	8.0	33.7%
Gross Profit	5.4	9.3	72.1%	9.4	73.6%
Operating expenses:					
Selling and marketing	8.4	8.2	-2.0%	6.9	-17.8%
Software development	0.7	1.0	35.0%	1.2	71.2%
General & administrative	7.2	9.5	33.0%	9.5	32.6%
Total operating expense	16.3	18.7	15.0%	17.6	8.3%
Operating profit/loss	(10.9)	(9.4)		(8.3)	
Interest and other income	1.0	0.9		0.6	
Pretax income	(9.9)	(8.6)		(7.7)	
Taxes	0.0			(0.0)	
Net Income (loss)	(9.9)	(8.6)		(7.6)	
Cash EPS	(0.51)	(0.35)		(0.29)	
EPS	(0.69)	(0.55)		(0.49)	
Growth	NM	NM		NM	
Average shares outstanding	14.3	15.5		15.6	
EBITDA	(7.8)	(4.8)	NM	(3.7)	NM
Per share	(0.55)	(0.31)	NM	(0.24)	NM
After-tax cash flow	(6.8)	(4.0)	NM	(3.1)	NM
Per share	(0.48)	(0.26)	NM	(0.20)	NM
Margin Analysis				-11.6	
<i>Gross Profit Margin</i>	47.4%	53.0%		-74.4%	

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 6
CoStar Valuation Model

CoStar Group, Inc.		1999	2000	2001E	2002E
Financial Data Summary					
Stock Price	=	24.08			
Market cap	= \$	379			
Total Revenues	Rating: Buy	30.2	58.5	76.5	95.6
<i>Growth</i>	TP = \$30	117.5%	93.5%	30.8%	25.0%
Per share		2.58	3.87	4.87	6.04
<i>Growth</i>		33.7%	49.9%	25.9%	24.2%
Price/Revenues		9.3	6.2	4.9	4.0
Gross Profit		17.0	28.3	44.2	61.2
<i>Growth</i>		82.0%	66.6%	56.1%	38.6%
<i>Margin</i>		56.2%	48.4%	57.7%	64.0%
Operating income		(15.4)	(49.2)	(24.6)	(12.3)
<i>Growth</i>		NM	NM	NM	NM
<i>Margin</i>		NM	NM	NM	NM
EBITDA		(10.5)	(30.4)	(7.1)	3.8
<i>Growth</i>		NM	NM	NM	NM
<i>Margin</i>		NM	NM	NM	4.0%
Per share		\$ (0.90)	\$ (2.01)	\$ (0.45)	\$ 0.24
<i>Growth</i>		NM	NM	NM	NM
After tax cash flow (net inc. + D&A)		\$ (7.42)	\$ (25.42)	\$ (4.57)	\$ 11.30
<i>Growth</i>		NM	NM	NM	NM
Per share		\$ (0.63)	\$ (1.68)	\$ (0.29)	\$ 0.71
<i>Growth</i>		NM	NM	NM	NM
Free cash flow (ATCF - Cap ex)		\$ (11.44)	\$ (41.28)	\$ (9.30)	\$ (0.02)
<i>Growth</i>		NM	NM	NM	NM
Per share		\$ (0.98)	\$ (2.73)	\$ (0.59)	\$ (0.00)
<i>Growth</i>		NM	NM	NM	NM
Cash		94.1	47.1	35.3	43.6
Debt		0.0	0.0	0.0	0.0
Net Debt		(94.1)	(47.1)	(35.3)	(43.6)
EPS excluding amortization		(0.73)	(1.96)	(0.59)	0.50
<i>Growth</i>		NM	NM	NM	NM
Earnings per share		(1.05)	(2.92)	(1.41)	(0.31)
<i>Growth</i>		NM	NM	NM	NM
Shares outstanding (diluted)		11.7	15.1	15.7	15.8
Current Multiples					
Price/Earnings		NM	NM	NM	NM
Price/Free Cash Flow		NM	NM	NM	NM
Price/After Tax Cash Flow		NM	NM	NM	33.7
Price/revenues		9.3	6.2	4.9	4.0

Source: Company reports, CSFB.

Table 7
Income Statement

CoStar Group, Inc. Income Statement													
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01	Q2 01E	Q3 01E	Q4 01E		FY 99	FY 00	FY 01E	FY 02E
Revenue	11.4	14.6	15.7	16.8	17.4	18.2	19.5	21.4		30.2	58.5	76.5	95.6
Cost of revenues	6.0	7.7	8.4	8.1	8.0	8.0	8.2	8.1		13.2	30.2	32.3	34.4
Gross Profit	5.4	6.8	7.4	8.7	9.4	10.2	11.3	13.3		17.0	28.3	44.2	61.2
										1.45	1.87	2.81	3.87
Operating expenses:													
Selling and marketing	8.4	11.2	9.4	8.6	6.9	6.7	6.9	6.7		19.9	37.6	27.2	30.0
Software development	0.7	1.0	1.1	1.1	1.2	1.1	1.1	1.1		1.1	3.9	4.5	4.8
General & administrative	7.2	9.4	9.7	9.7	9.5	9.2	9.2	9.1		11.4	36.0	37.0	38.8
Total operating expense	16.3	21.6	20.3	19.4	17.6	17.0	17.2	17.0		32.4	77.5	68.8	73.6
Operating profit/loss	(10.9)	(14.7)	(12.9)	(10.7)	(8.3)	(6.8)	(5.9)	(3.7)		(15.4)	(49.2)	(24.6)	(12.3)
Interest and other income	1.0	0.9	0.8	0.8	0.6	0.6	0.6	0.6		3.1	3.5	2.5	4.3
Pretax income	(9.9)	(13.8)	(12.1)	(10.0)	(7.7)	(6.1)	(5.2)	(3.1)		(12.3)	(45.7)	(22.1)	(8.1)
Taxes	0.0	(0.8)	(0.5)	(0.1)	(0.0)					0.0	(1.5)	(0.0)	(3.2)
Net Income (loss)	(9.9)	(13.0)	(11.6)	(9.8)	(7.6)	(6.1)	(5.2)	(3.1)		(12.3)	(44.2)	(22.1)	(4.9)
EPS excluding amortization	(0.51)	(0.64)	(0.55)	(0.42)	(0.29)	(0.19)	(0.13)	0.01		(0.73)	(1.96)	(0.59)	0.50
EPS	(0.69)	(0.84)	(0.75)	(0.64)	(0.49)	(0.39)	(0.33)	(0.19)		(1.05)	(2.92)	(1.41)	(0.31)
Growth (%)	NM	NM	NM	NM	NM	NM	NM	NM		NM	NM	NM	NM
Average shares outstanding	14.3	15.4	15.4	15.5	15.6	15.6	15.7	15.7		11.7	15.1	15.7	15.8
EBITDA	(7.8)	(9.9)	(7.0)	(5.6)	(3.7)	(2.3)	(1.6)	0.5		(10.5)	(30.4)	(7.1)	3.8
Per share	(0.55)	(0.65)	(0.46)	(0.36)	(0.24)	(0.15)	(0.10)	0.03		(0.90)	(2.01)	(0.45)	0.24
Growth (%)													
After-tax cash flow	(6.8)	(8.2)	(5.7)	(4.7)	(3.1)	(1.7)	(0.9)	1.1		(7.4)	(25.4)	(4.6)	11.3
Per share	(0.48)	(0.53)	(0.37)	(0.31)	(0.20)	(0.11)	(0.06)	0.07		(0.63)	(1.68)	(0.29)	0.71
Growth (%)													
Free cash flow	(7.1)	(21.5)	(7.6)	(5.1)	(4.7)	(2.4)	(2.1)	(0.0)		(11.4)	(41.3)	(9.3)	(0.0)
Per share	(0.50)	(1.40)	(0.49)	(0.33)	(0.30)	(0.15)	(0.14)	(0.00)		(0.98)	(2.73)	(0.59)	(0.00)
Growth (%)													

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 8
Income Statement Growth Analysis

CoStar Group, Inc.												
Growth Analysis - Sequential	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Revenue	27.7%	28.1%	7.9%	7.1%	3.1%	5.0%	7.0%	10.0%				
Cost of revenues	50.7%	29.3%	8.1%	-2.6%	-1.8%	0.3%	2.1%	-0.5%				
Gross Profit	9.1%	26.8%	7.6%	18.2%	7.6%	9.0%	10.8%	17.6%				
Operating expenses:												
SG&A Expense	57.1%	32.5%	-6.1%	-4.2%	-9.2%	-3.8%	1.3%	-1.2%				
Operating profit (loss)	-100.8%	-35.3%	12.4%	17.0%	22.8%	18.2%	13.1%	37.3%				
Growth Analysis - Year over year												
Revenue	85.6%	103.0%	95.9%	89.0%	52.6%	25.0%	24.1%	27.4%	117.5%	93.5%	30.8%	25.0%
Cost of revenues	130.4%	152.0%	131.1%	105.3%	33.7%	3.7%	-2.0%	0.1%	190.3%	128.1%	7.1%	6.5%
Gross Profit	52.7%	66.5%	67.1%	76.0%	73.6%	49.1%	53.6%	52.8%	82.0%	66.6%	56.1%	38.6%
Operating expenses:												
Selling and marketing	140.1%	153.2%	77.0%	30.3%	-17.8%	-40.0%	-27.0%	-22.0%	174.4%	89.5%	-27.6%	10.0%
Software development	199.2%	224.9%	275.4%	292.9%	71.2%	5.0%	5.0%	5.0%	57.2%	249.1%	17.3%	5.0%
General & administrative	254.5%	257.1%	197.3%	180.0%	32.6%	-2.0%	-6.0%	-6.0%	131.6%	216.0%	2.7%	5.0%
SG&A Expense	182.7%	193.4%	127.7%	87.3%	8.3%	-21.3%	-15.2%	-12.5%	151.7%	139.5%	-11.3%	7.0%
Operating profit (loss)	-388.9%	-354.3%	-187.1%	-97.6%	24.1%	54.1%	54.5%	65.6%	-336.2%	-220.0%	50.1%	49.8%
Net Income (loss)	-355.5%	-393.2%	-255.0%	-132.9%	22.4%	52.6%	54.6%	68.9%	-285.5%	-260.2%	50.0%	78.0%
Margin Analysis												
Gross margin	47.4%	47.0%	46.8%	51.7%	54.0%	56.0%	58.0%	62.0%	56.2%	48.4%	57.7%	64.0%
Selling and marketing	73.9%	76.6%	60.1%	51.3%	39.8%	36.8%	35.3%	31.4%	65.7%	64.3%	35.6%	31.3%
Software development	6.3%	6.9%	6.9%	6.3%	7.1%	5.8%	5.8%	5.2%	3.7%	6.6%	5.9%	5.0%
General & administrative	62.9%	64.5%	61.9%	57.7%	54.7%	50.5%	46.9%	42.6%	37.7%	61.6%	48.3%	40.6%
SG&A as % of sales	143.1%	148.0%	128.9%	115.3%	101.6%	93.1%	88.1%	79.2%	107.1%	132.5%	89.9%	76.9%
Operating margin	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-12.9%
EBITDA Margin	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.0%

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 9
Balance Sheet

CoStar Group, Inc.												
Balance Sheet												
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Current assets												
Cash and equivalents	76.9	64.3	55.8	47.1	43.7	39.4	36.3	35.3	94.1	47.1	35.3	43.6
Accounts receivable	8.9	7.6	5.6	6.1	6.7	7.2	7.6	8.0	2.8	6.1	8.0	9.7
Prepaid exp/other current assets	5.0	1.7	1.2	0.9	0.6	0.8	0.8	0.9	2.5	0.9	0.9	1.3
Total current assets	90.7	73.5	62.6	54.1	51.0	47.4	44.7	44.2	99.4	54.1	44.2	54.5
Net PP&E	11.5	17.1	17.3	14.7	14.4	16.3	17.1	17.9	5.9	14.7	17.9	21.7
Product costs/goodwill	101.4	90.3	79.6	76.7	73.3	69.2	65.7	62.5	31.2	76.7	62.5	49.6
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits	0.8	0.6	0.6	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.3	0.3
Total assets	204.4	181.6	160.0	145.9	139.0	133.2	127.8	124.8	136.9	145.9	124.8	126.1
Current liabilities												
Account payable	9.3	7.4	5.9	1.4	4.1	3.7	3.6	3.4	1.8	1.4	3.4	7.4
Accrued wages and commissions	1.7	2.3	2.7	5.1	3.2	3.0	2.8	2.8	2.6	5.1	2.8	3.9
Accrued expenses	4.2	4.0	4.8	7.0	5.5	5.2	5.0	4.8	3.2	7.0	4.8	5.9
Deferred revenue	8.9	8.5	7.2	4.9	6.2	6.8	7.2	7.7	2.6	4.9	7.7	7.7
Line of credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated debt to stockholder	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	24.2	22.2	20.7	18.5	19.0	18.7	18.6	18.7	10.2	18.5	18.7	24.8
Deferred taxes	19.0	11.1	3.4	1.0	0.9	0.9	0.9	0.9	7.0	1.0	0.9	0.9
Long term liabilities	1.9	1.9	1.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0
Common stock				0.2	0.2	0.2	0.2	0.2		0.2	0.2	0.2
Additional paid-in-capital				202.8	202.8	202.8	202.8	202.8		202.8	202.8	202.8
Retained earnings/(deficit)				-76.5	-83.8	-90.0	-95.2	-98.3		-76.5	-98.3	-103.1
Shareholders' equity	159.3	146.3	135.0	126.4	119.1	112.9	107.7	104.6	119.7	126.4	104.6	99.8
Total liab and shrhlders' equity	204.4	181.6	160.0	145.9	139.0	132.6	127.2	124.2	136.9	145.9	124.2	125.5

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 10
Balance Sheet Ratios

CoStar Group, Inc.												
Balance Sheet Ratios												
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01E	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Book Value Per Share (\$)	\$ 11.18	\$ 9.51	\$ 8.76	\$ 8.16	\$ 7.65	\$ 7.23	\$ 6.87	\$ 6.65	\$ 10.21	\$ 8.35	\$ 6.65	\$ 6.30
Cash Per Share	\$ 5.39	\$ 4.18	\$ 3.62	\$ 3.04	\$ 2.81	\$ 2.52	\$ 2.32	\$ 2.24	\$ 8.02	\$ 3.11	\$ 2.24	\$ 2.75
Working Capital	66.5	51.3	41.9	35.6	32.1	28.7	26.1	25.5	89.2	35.6	25.5	29.7
Working Capital/Sales	1.9	1.2	0.8	0.6	0.5	0.4	0.4	0.3	2.9	0.6	0.3	0.3
Capital Analysis												
Capex/Sales	5.6%	14.9%	4.1%	7.1%	2.3%	2.4%	2.3%	2.2%	15.0%	25.0%	8.5%	7.5%
Cap of Prod Development/Sales	0.0%	6.9%	0.9%	-5.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
A/R and Inventory Analysis												
Sales to total assets	0.2	0.2	0.3	0.4	0.5	0.5	0.6	0.6	0.2	0.4	0.6	0.8
Receivable turnover(Sales/AR)	4.0	5.6	9.0	9.5	9.6	9.5	9.5	9.5	10.6	9.5	9.5	9.9
Days in receivables	91.4	64.8	40.5	38.4	38.4	38.4	38.4	38.4	34.3	38.4	38.4	36.9
Accounts payable/Op. expenses	21.7%	13.0%	8.6%	1.8%	5.2%	5.0%	5.0%	5.0%	5.7%	1.8%	5.0%	10.0%
Physical and Intangible Assets Analysis												
Beginning PPE, net	5.9	11.5	17.1	17.3	14.7	15.4	16.3	17.1	2.2	5.9	14.7	17.9
Depreciation rate	7.5%	4.8%	11.1%	7.8%	5.0%	5.0%	5.0%	5.0%	53.2%	72.4%	22.7%	15.0%
Capital expenditures	2.0	9.4	2.5	0.8	1.5	1.7	1.7	1.7	4.5	14.6	6.5	7.2
Ending PPE, net	11.5	17.1	17.3	14.7	15.4	16.3	17.1	17.9	5.9	14.7	17.9	21.7
Depreciation expense	0.4	0.6	1.9	1.4	0.8	0.8	0.9	0.9	1.1	4.3	3.3	3.3
Beginning Intangibles, net	31.2	101.4	90.3	79.6	76.7	72.8	69.2	65.7	4.0	31.2	76.7	62.5
Amortization rate	8.3%	4.2%	4.4%	4.7%	5.3%	5.3%	5.3%	5.3%	93.7%	46.6%	18.5%	26.0%
Ending Intangibles, net	101.4	90.3	79.6	76.7	72.8	69.2	65.7	62.5	31.2	76.7	62.5	49.6
Amortization expense	2.6	4.2	4.0	3.7	3.8	3.6	3.5	3.3	3.7	14.5	14.2	12.9
Total D&A expense	3.0	4.8	5.9	5.1	4.6	4.4	4.3	4.2	4.9	18.8	17.5	16.2
Miscel. Return Analysis												
Deferred REV/REV.	25.2%	19.8%	14.3%	8.5%	9.7%	10.0%	10.0%	10.0%	8.7%	8.5%	10.0%	8.0%
Accrued wage/SG&A	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	7.9%	6.6%	4.0%	5.3%
Accrued exp/EXPENSE	9.8%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	9.8%	9.1%	7.0%	8.0%
Prepaid EXP/Sales	14.0%	3.9%	2.3%	1.5%	1.0%	1.2%	1.1%	1.2%	8.1%	1.5%	1.2%	1.3%

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 11
Cash Flow Statement

CoStar Group, Inc. Cash Flow Statement													
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01E	Q2 01E	Q3 01E	Q4 01E		FY 99	FY 00	FY 01E	FY 02E
Operating Activities													
Net Income (Loss)	(9.9)	(18.4)	(11.6)	(9.8)	(7.6)	(6.1)	(5.2)	(3.1)		(12.3)	(49.7)	(22.1)	(4.9)
Adjustments:													
Depreciation	0.4	0.6	1.9	1.4	0.8	0.8	0.9	0.9		1.1	4.3	3.3	3.3
Amortization	2.6	4.2	4.0	3.7	3.8	3.6	3.5	3.3		3.7	14.5	14.2	12.9
Provision for losses on AR	0.2	0.5	0.6	1.0	0.0	0.0	0.0	0.0		0.4	2.3	0.0	0.0
Non cash charges/other	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0		0.0	0.4	0.0	0.0
Chg. in work. cap	(1.7)	6.9	(0.1)	(3.8)	0.1	(0.9)	(0.5)	(0.5)		(0.5)	1.2	(1.8)	4.2
Net Cash for operating activities	(8.3)	(6.2)	(5.2)	(7.1)	(2.9)	(2.6)	(1.4)	0.6		(7.5)	(26.8)	(6.4)	15.5
Investing Activities													
Purchase of PP&E	(2.0)	(6.4)	(2.1)	(4.2)	(1.5)	(1.7)	(1.7)	(1.7)		(4.5)	(14.6)	(6.5)	(7.2)
Capitalization of prd develop costs	0.0	(3.0)	(0.5)	3.4						0.0	0.0	0.0	0.0
Acquisitions	(5.2)	2.8	0.0	(0.7)	0.0	0.0	0.0	0.0		(11.9)	(3.1)	0.0	0.0
Net Cash for investing activities	(7.2)	(6.6)	(2.5)	(1.4)	(1.5)	(1.7)	(1.7)	(1.7)		(16.5)	(17.7)	(6.5)	(7.2)
Financing Activities													
Proceeds from line of credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Payment of line credit	(2.6)	0.0	(0.9)	(1.0)	0.0	0.0	0.0	0.0		0.0	(4.5)	0.0	0.0
Payment of sub debt to stockholder	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Proceeds from offerings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		97.4	0.0	0.0	0.0
Proceeds options/other	0.9	0.2	0.2	0.8	0.0	0.0	0.0	0.0		0.9	2.1	0.0	0.0
Net Cash for financing activities	(1.7)	0.2	(0.7)	(0.1)	0.0	0.0	0.0	0.0		98.3	(2.4)	0.0	0.0
Increase in Cash	(17.2)	(12.6)	(8.5)	(8.7)	(4.4)	(4.3)	(3.1)	(1.1)		74.4	(47.0)	(12.9)	8.3
Cash at Beginning of Period	94.1	76.9	64.3	55.8	47.1	42.7	38.4	35.3		19.7	94.1	47.1	34.2
Cash at End of Period	76.9	64.3	55.8	47.1	42.7	38.4	35.3	34.2		94.1	47.1	34.2	42.6

(E) CSFB estimates.

Source: Company reports and CSFB.

FactSet Research Systems (FDS—Buy)

Second quarter Snapshot

FactSet reported another strong quarter, with EPS of \$0.24 for the second quarter ended February 28, 2001, up 34.7% from \$0.18 last year. The company beat our estimate of \$0.23, which was also the Street consensus. Total revenues grew 32.1% to \$42.9 million on strong domestic and international growth; international revenues were up 60%. Total commitments as of quarter-end were \$177.9 million, up 34.5% from a year ago, indicating continued strength in the company's subscription-based revenue stream.

Third quarter and full year 2001 estimates

Our third quarter EPS estimate is \$0.24, up 18.9% from \$0.20 a year ago. FactSet's continued strong growth in commitments indicates a positive revenue growth outlook and that, coupled with steady margins, should make for another strong quarter. Our full year estimate is now \$0.95, up from \$0.94 on the second quarter upside surprise.

Investment perspective

FactSet reported its seventh consecutive upside surprise on March 14, with second quarter results showing strong growth across all key metrics. Revenues grew by more than 30% year over year to beat our forecast, and total dollar commitments as of quarter-end were up by a similar percentage. The strength in total commitments, which historically has been a very reliable indicator of last 12 months' revenue growth two quarters ahead, tells us that FactSet's revenue stream appears to be somewhat protected from the potential negative impact of financial market volatility, at least in the near term. While admitting that the effect of a prolonged downturn on FactSet's business is unclear, management continued to be upbeat on the outlook for the rest of this fiscal year, driven by two secular trends: international revenue growth above 50% year to date and a strong new application pipeline. Portfolio Analytics, its newest buy-side application, now services 200 firms, and we believe that it is contributing meaningfully to the top line. The stock is currently trading at 19.6 times fiscal year 2001E TEV/EBITDA and 16.0 times fiscal year 2002E TEV/EBITDA, and we continue to rate FDS Buy based on the attractiveness of its predictable, subscription-based business model and continued strong performance.

Valuation and recommendation

We rate FactSet Buy, and our 12-18 month target price is approximately \$50 based on a detailed discounted cash flow analysis. We view this as an appropriate method for valuing companies like FactSet, which has a positive growth outlook as it leverages an established and profitable business model. FDS is trading at 19.6 times fiscal year 2001E TEV/EBITDA, and looking out to 2002, the stock is trading at 16.0 times TEV/EBITDA. Separately, the stock is trading at 1.5 times fiscal year 2001E P/E to growth and 1.4 times fiscal year 2002E P/E to growth.

Second quarter highlights

Updated Financial Guidance Despite continued financial market volatility, management expects third quarter revenues to be in the \$43.5-44.5 million range, which translates into growth of better than 27% driven by strong trends both domestically and internationally. Operating margins for the second half should be in the range of the first half margin of 29%. On the bottom line, this translates into EPS growth well in the double-digit range for the second half.

Key Metrics

Total client commitments as of February 28, 2001, were \$177.9 million, up 34.5% from last year; Insyte accounted for 2.7% of the growth. International commitments totaled \$34 million, or about 19% of total commitments. The average commitment per client was \$226,000, up 4% from first quarter and up 18% from a year ago.

Client Count Total client count increased 13.9% year over year and 2.9% sequentially, to 786 as of quarter-end.

The client retention rate continued to exceed 95% for the 62nd consecutive quarter.

International International revenues accounted for \$8.2 million, or 19.1% of total second quarter revenues, up from 15.8% of revenues year ago. Management indicated that favorable reception of the Portfolio Analytics product overseas, as well as the benefit of aggressive staffing efforts overseas, contributed to the strong growth. FactSet continues to be very focused on growing this segment of its business and indicated that in the long term, it believes that international could account for as much as 50% of the total.

Portfolio Analytics The company experienced strong growth and penetration on the asset management side during the quarter due to increasing demand for this product. At the end of second quarter, the product had 200 clients and over 1,600 users, up from 190 clients and 1,500 users a quarter ago.

Capital Expenditures Capex totaled \$11.6 million in second quarter, up significantly from previous quarters owing to the company's investment in four new Compaq "Wildfire" mainframes during the quarter. The company plans to purchase four more Wildfires during the second half of the year, resulting in total estimated capex for the year of \$30 million.

Revenues

Total revenues increased 32.1% in second quarter, driven by 16.7% growth in commission-based revenues and 41.2% growth in cash fees. The company continued to experience strong demand for its Portfolio Analytics product on the asset management side.

International revenues were \$8.2 million and account for 19% of total revenues. By region, European revenues increased 67% to \$6.0 million, and revenues from Asia Pacific grew 45% to \$2.2 million.

Margin/Expenses

Second quarter operating margin improved to 29.2% from 28.5% last year, even with higher depreciation and amortization expense from the Insyte acquisition and new capital investments. EBITDA for the quarter was \$16.4 million.

Reported cost of sales declined 1.7% as a percent of sales to 33.9% due to lower clearing fees and depreciation of computer equipment, partially offset by higher employee compensation and data costs. SG&A expenses increased to 36.9% of total revenues, up 1.0% from last year, as lower promotional fees were more than offset by higher employee compensation.

Key Growth Metrics

Client Commitments forward billing rate for all services being delivered to clients at any point in time. According to the company, total commitments at any given point have historically been a reliable indicator of latest twelve-month revenues six months from that point. More specifically, total commitments as of February (mid-fiscal year) are a fairly good indicator of full-year revenues. (FactSet's fiscal year ends in August.)

Passwords The number of passwords is an effective indicator of the level of services that FactSet currently delivers and rising demand for the company's services.

Client Retention Rate FactSet's retention rate has consistently been over 95% since the company began using the metric more than nine years ago and is reflective of the company's strong and established client relationships.

Table 12
Second Quarter Snapshot**FactSet Research Systems Inc.**
Q2 01 Income Statement Analysis

(Dollars in millions)	Q2 00	Q2 01	% Chg	Q2 01A	% Chg
Subscription Revenues					
Commissions	12.0	14.4	20.0%	14.0	16.7%
Cash Fees	20.5	27.7	35.0%	28.9	41.2%
Total Revenues	32.5	42.1	29.5%	42.9	32.1%
<i>Domestic</i>	27.3	34.6		34.1	
<i>International</i>	5.1	7.5		8.8	
Cost of services	8.4	10.2	22.0%	10.7	28.3%
	24.1	31.8		32.2	
Selling, general and administrative	10.6	14.6	37.0%	15.8	48.9%
Depreciation and amortization	3.2	3.8	19.8%	3.8	20.1%
Total Operating Expenses	14.9	19.6	31.8%	19.6	32.2%
Operating Income (Loss)	9.2	12.3	32.6%	12.5	35.6%
<i>Margin</i>	28.5%	29.1%		29.2%	
Other income (expense)	0.7	0.6	-10.6%	0.9	34.6%
Income (Loss) before income taxes	9.9	12.9	29.5%	13.5	35.5%
Provision for income taxes	3.8	5.0	33.9%	5.1	36.1%
<i>Tax rate</i>	38%	39.0%		38%	
Income (Loss) bef. extraord.items	6.2	7.9	26.9%	8.4	35.1%
Extraordinary items					
Net Income (Loss)	6.2	7.9	26.9%	8.4	35.1%
EPS (adjusted- fully diluted)	0.18	0.23	0.26	0.24	
Growth	33.1%	26.3%		34.7%	
Shares out (diluted)	34.7	34.8	0.4%	34.8	0.3%
EBITDA	12.4	16.1		16.4	
EBITDA per share	0.36	0.5		0.47	
Growth	29.7%	28.7%		31.1%	
After Tax Cash Flow	9.4	11.7		12.2	
AT Cash Flow per share	0.27	0.3		0.35	
Growth	32.7%	23.9%		29.6%	
Margin analysis					
Operating income	28.5%	29.1%		29.2%	
EBITDA	38.3%	38.2%		38.1%	

(A) = Actual (E) = CSFB Estimates

Source: Company reports and CSFB

Table 13
FactSet Valuation Model

FactSet Research Systems Inc.			FY 98	FY 99	FY 00	FY 01E	FY 02E
Valuation Data and Summary							
Stock price	=	38.78					
Market cap	= \$	1,341					
Commissions	TP =	\$50	33.6		47.8	55.6	63.9
Cash fees			45.3	63.8	86.4	119.7	155.6
Total revenues			78.9	63.8	134.2	175.3	219.5
Per share			\$2.39	\$1.90	\$3.88	\$5.04	\$6.31
Operating income			20.9	28.6	39.2	51.0	64.0
Growth			40.5%	37.1%	36.8%	30.2%	25.4%
Margin			26.5%	27.6%	29.2%	29.1%	29.1%
EBITDA			27.4	38.4	51.0	66.3	79.2
Growth			40.0%	40.0%	32.7%	30.1%	19.4%
Margin			34.8%	37.0%	38.0%	37.8%	36.1%
Per share			\$0.83	\$1.14	\$1.47	\$1.91	\$2.28
Growth			3.5%	37.5%	28.7%	29.3%	19.4%
After-tax cash flow (NI + D&A)			19.4	28.4	37.6	48.5	56.1
Growth			42.0%	46.1%	32.8%	28.8%	15.6%
Per share			\$0.59	\$0.85	\$1.09	\$1.39	\$1.61
Growth			4.9%	43.5%	28.8%	28.0%	15.6%
Free cash flow (NI + D&A - capex)			7.4	11.9	26.3	18.0	36.1
Growth			-5.9%	60.4%	122.1%	-31.7%	100.4%
Per share			\$0.22	\$0.35	\$0.76	\$0.52	\$1.04
Growth			-30.5%	57.6%	115.5%	-32.1%	100.4%
Cash			37.6	31.8	39.6	50.4	85.1
Debt			0.0	0.0	0.0	0.0	0.0
Net Debt			-37.6	-31.8	-39.6	-50.4	-85.1
Earnings per share			\$0.39	\$0.55	\$0.75	\$0.95	\$1.17
Growth			6.3%	41.9%	35.1%	27.6%	23.1%
Shares outstanding (diluted)			33.0	33.6	34.6	34.8	34.8
Current Multiples							
Price/revenues			16.2	20.4	10.0	7.7	6.1
Price/earnings			99.4	70.1	51.9	40.6	33.0
Price/free cash flow			172.9	109.7	50.9	75.0	37.4
Price/after-tax cash flow			65.8	45.9	35.6	27.8	24.1
Total enterprise value/EBITDA			45.2	33.0	25.5	19.6	16.0

(E) CSFB estimates.

Source: Company reports, CSFB.

Table 14
Income Statement

FactSet Research Systems Inc.								
Income Statement Analysis								
(Dollars in millions)	Q1 01	Q2 01	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
FYE 8/31	Nov	Feb	May	Aug				
Subscription Revenues								
Commissions	13.0	14.0	14.2	14.5	40.0	47.8	55.6	63.9
Cash Fees	28.0	28.9	29.6	33.1	63.8	86.4	119.7	155.6
Total Revenues	40.9	42.9	43.8	47.6	103.8	134.2	175.3	219.5
<i>Domestic</i>	33.4	34.7	35.7	38.5	89.0	111.9	142.2	173.3
<i>International</i>	7.5	8.2	8.2	9.1	14.9	22.3	33.0	46.2
Cost of services	10.3	10.7	11.0	11.5	27.5	33.7	43.6	55.3
Gross Profit	30.6	32.2	32.9	36.1	76.3	100.5	131.7	164.2
Selling, general and administrative	15.0	15.8	16.2	18.3	34.0	46.3	65.4	85.0
Depreciation and amortization	3.8	3.8	3.8	3.8	9.8	11.8	15.3	15.2
Total Operating Expenses	18.8	19.6	20.1	22.2	47.7	61.3	80.7	100.2
Operating Income (Loss)	11.8	12.5	12.8	13.9	28.6	39.2	51.0	64.0
<i>Margin</i>	28.8%	29.2%	29.2%	29.2%	27.6%	29.2%	29.1%	29.1%
Other income (expense)	0.9	0.9	0.7	0.6	2.0	3.2	3.2	3.0
Income (Loss) before income taxes	12.7	13.5	13.4	14.5	30.6	42.3	54.2	67.0
Provision for income taxes	5.0	5.1	5.2	5.7	12.1	16.5	21.0	26.1
<i>Tax rate</i>	39%	38%	39%	39%	39%	39%	39%	39%
Income (Loss) bef. extraord.items	7.8	8.4	8.2	8.9	18.6	25.8	33.2	40.9
Extraordinary items								
Net Income (Loss)	7.8	8.4	8.2	8.9	18.6	25.8	33.2	40.9
EPS (adjusted- fully diluted)								
Growth	39.4%	34.7%	18.9%	21.0%	41.9%	35.1%	27.6%	23.1%
Shares out (diluted)	34.8	34.8	34.8	34.8	33.6	34.6	34.8	34.8
EBITDA								
EBITDA per share	0.45	0.47	0.48	0.51	1.14	1.47	1.91	2.28
<i>Growth</i>	33.9%	31.1%	28.6%	24.7%	37.5%	28.7%	29.3%	19.4%
After Tax Cash Flow								
AT Cash Flow per share	0.33	0.35	0.35	0.37	0.85	1.09	1.39	1.61
<i>Growth</i>	36.6%	29.6%	26.0%	21.6%	43.5%	28.8%	28.0%	15.6%

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 15
Income Statement Growth and Margin Analysis

FactSet Research Systems Inc.								
Growth Analysis	Q1 01	Q2 01	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
FYE 8/31	Nov	Feb	May	Aug				
Subscription revenues								
Commissions	18.9%	16.7%	15.0%	15.0%	19.1%	19.5%	16.3%	15.0%
Cash Fees	44.2%	41.2%	35.0%	35.0%	40.9%	35.3%	38.5%	30.0%
Total revenues	35.1%	32.1%	27.8%	28.2%	31.6%	29.2%	30.6%	25.2%
Domestic	31.1%	27.0%	25.3%	25.7%	29.0%	25.8%	27.1%	21.8%
International	56.3%	59.5%	40.0%	40.0%	49.1%	50.0%	48.0%	40.0%
Operating Expenses								
Cost of services	34.4%	28.3%	25.0%	30.0%	14.5%	22.3%	29.3%	27.0%
Gross profit	35.3%	33.5%	20.0%	20.0%	39.1%	31.7%	31.1%	20.0%
Selling, general and administrative	50.2%	48.9%	40.0%	30.0%	39.7%	36.1%	35.0%	30.0%
Depreciation and amortization	32.1%	20.1%	45.5%	23.7%	49.3%	20.5%	29.6%	-0.6%
Total operating expenses	35.1%	32.2%	30.9%	28.9%	40.3%	28.7%	31.6%	24.2%
Operating income (loss)	35.7%	35.6%	25.5%	25.8%	37.1%	36.8%	30.2%	25.4%
Margin Analysis								
Gross margin	74.8%	75.0%	75.0%	75.8%	73.5%	74.9%	75.1%	74.8%
Operating margin	28.8%	29.2%	29.2%	29.2%	27.6%	29.2%	29.1%	29.1%
EBITDA margin	38.1%	38.1%	37.9%	37.3%	37.0%	38.0%	37.8%	36.1%
Net income margin	18.9%	19.5%	18.7%	18.6%	17.9%	19.3%	18.9%	18.6%
Revenues as % of total revenue								
	Q1 01	Q2 01	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
	Nov	Feb	May	Aug				
Commissions	31.7%	32.6%	32.4%	30.4%	38.5%	35.6%	31.7%	29.1%
Cash fees	68.3%	67.4%	67.6%	69.6%	61.5%	64.4%	68.3%	70.9%
Domestic	81.7%	80.9%	81.3%	80.8%	85.7%	83.4%	81.2%	78.9%
International	18.3%	19.1%	18.7%	19.2%	14.3%	16.6%	18.8%	21.1%
Cost Analysis as % of total revenue								
Cost of services	25.2%	25.0%	25.0%	24.2%	26.5%	25.1%	24.9%	25.2%
Selling, general and administrative	36.7%	36.9%	37.1%	38.5%	32.8%	34.5%	37.3%	38.7%
Other expenses	0.0%	0.0%	0.0%	0.0%	3.7%	2.4%	0.0%	0.0%
Depreciation and amortization	9.3%	8.9%	8.7%	8.0%	9.4%	8.8%	8.7%	6.9%
as % of total costs								
Cost of services	54.9%	54.7%	54.7%	52.0%	57.8%	54.9%	54.0%	55.2%
Selling, general and administrative	79.7%	80.5%	80.9%	82.7%	71.4%	75.5%	81.0%	84.8%
Depreciation and amortization	20.3%	19.5%	19.1%	17.3%	20.5%	19.2%	19.0%	15.2%

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 16
Balance Sheet

FactSet Research Systems Inc.								
Balance Sheet Analysis								
(Dollars in millions)	Q1 01	Q2 01	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
FYE 8/31	Nov	Feb	May	Aug				
Current Assets								
Cash and cash equivalents	45.5	47.4	45.6	50.4	31.8	39.6	50.4	85.1
Investments	24.0	30.8	30.8	30.8	22.9	22.7	30.8	30.8
Receivables from clients and clearing b	27.0	30.4	30.0	31.9	14.4	28.4	31.9	36.6
Receivables from employees	0.4	0.5	1.0	1.1	0.6	0.8	1.1	1.4
Prepaid taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	6.5	4.9	4.9	4.9	6.4	7.4	4.9	4.9
Other current assets	1.3	1.7	1.7	1.7	0.4	0.9	1.7	1.7
Total Current Assets	104.8	115.7	114.0	120.7	76.6	99.9	120.7	160.4
Prop, equip and leasehold improv. - net	22.2	30.2	33.5	36.8	21.4	20.9	36.8	42.1
Goodwill	10.5	10.3	10.1	10.0		10.7	10.0	9.5
Deferred taxes	2.9	2.8	2.8	2.8	1.8	2.2	2.8	2.8
Other assets	1.9	1.9	1.9	1.9	1.7	1.8	1.9	1.9
Total Assets	142.3	160.8	162.3	172.1	101.5	135.6	172.1	216.6
Current Liabilities								
Accounts payable and accrued expense	8.2	15.3	9.1	9.7	6.7	9.9	9.7	12.0
Accrued compensation	4.8	8.5	9.1	9.7	7.6	9.6	9.7	12.0
Deferred cash fees and commissions	10.2	10.1	9.8	10.5	7.0	9.7	10.5	13.0
Current taxes payable	5.9	5.0	5.0	5.0	1.5	1.9	5.0	5.0
Deferred rent and other	1.0	1.0	1.1	1.1	0.8	1.0	1.1	1.4
Total Current Liabilities	30.0	39.9	34.1	36.0	23.5	31.9	36.0	43.5
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred rent	0.6	0.6	0.6	0.6	0.4	0.6	0.6	0.6
Total Liabilities	30.6	40.5	34.7	36.6	23.9	32.6	36.6	44.1
Common stock	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3
Additional Paid-in-capital	21.0	22.3	22.3	22.3	14.2	19.0	22.3	22.3
Retained earnings	92.8	100.2	107.4	115.4	64.6	86.0	115.4	152.4
Unrealized gain on investments, net of tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Treasury stock	-2.4	-2.5	-2.5	-2.5	-1.3	-2.4	-2.5	-2.5
Total Stockholder's Equity	111.7	120.3	127.6	135.5	77.6	103.0	135.5	172.5
Total Liabilities and Equity	142.3	160.8	162.3	172.1	101.5	135.6	172.1	216.6

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 17
Balance Sheet Ratios

FactSet Research Systems Inc.	Q1 01	Q2 01	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Balance Sheet Ratio Analysis	Nov	Feb	May	Aug				
Book value per share (\$)	3.21	3.46	3.67	3.90	2.31	2.98	3.90	4.96
Cash per share	1.31	1.36	1.31	1.45	0.95	1.15	1.45	2.45
Working capital	74.8	75.8	79.9	84.7	53.1	67.9	84.7	116.9
Working capital/sales	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
A/R and A/P Analysis								
Sales to total assets	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Receivables from clients and clearing brok	5.4	5.1	5.5	5.5	7.2	4.7	5.0	6.0
Receivables from employees	338.3	298.5	160.0	160.0	169.1	170.1	160.0	160.0
Other receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total receivables turnover (Sales to A/R	5.3	5.0	5.3	5.3	6.9	4.6	5.3	5.8
Days receivables	69.2	72.7	68.6	68.6	52.8	79.5	68.6	63.1
A/P and accrued expense to operating exp	12.3%	21.6%	12.0%	12.0%	14.0%	16.1%	12.0%	12.0%
Prop, Equip and Leasehold Improv. Analysis								
Beginning balance, net	20.9	22.2	30.2	33.5	14.7	21.4	20.9	36.8
Depreciation rate	17.2%	16.4%	11.0%	10.0%	66.7%	55.2%	69.8%	35.0%
Capital expenditures	4.9	11.6	7.0	7.0	16.5	11.3	30.5	20.0
Ending balance, net	22.2	30.2	33.5	36.8	21.4	20.9	36.8	42.1
Depreciation expense	3.6	3.6	3.7	3.7	9.8	11.8	14.6	14.7
Beginning goodwill, net	10.7	10.5	10.3	10.1			10.7	10.0
Amortization rate	2.0%	2.4%	1.5%	1.5%			7.2%	5.0%
Ending intangibles, net	10.5	10.3	10.1	10.0			10.0	9.5
Amortization expense	0.2	0.3	0.2	0.1			0.8	0.5
Total D&A expense	3.8	3.9	3.8	3.8			15.4	15.2
Misc. Return Analysis								
Return on sales	19.4%	19.5%	19.2%	18.9%	17.9%	19.3%	18.9%	18.6%
Return on assets	19.7%	18.8%	19.5%	19.3%	18.3%	19.1%	19.3%	18.9%
Return on equity	25.1%	25.2%	24.8%	24.5%	23.9%	25.1%	24.5%	23.7%
DuPont Model- ROE								
Tax burden (net/pretax)	61.5%	61.5%	61.4%	61.3%	60.6%	61.1%	61.3%	61.0%
Interest burden (pretax/EBIT)	108.0%	108.0%	106.9%	106.2%	106.9%	108.1%	106.2%	104.7%
EBIT margin (EBIT/sales)	29.2%	29.3%	29.2%	29.1%	27.6%	29.2%	29.1%	29.1%
Asset turnover (sales/assets)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Financial leverage (assets/equity)	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Return on equity	25.1%	25.2%	24.8%	24.5%	23.9%	25.1%	24.5%	23.7%

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 18
Cash Flow Statement

FactSet Research Systems Inc.								
Cash Flow Statement Analysis								
(Dollars in millions)	Q1 01	Q2 01	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
FYE 8/31	Nov	Feb	May	Aug				
Cash flow from operating activities:								
Net income	7.8	8.4	8.2	8.9	18.6	25.8	33.2	40.9
Adjustments:								
Depreciation and amortization	3.8	3.8	3.8	3.8	9.8	11.9	15.3	15.2
Tax benefit from ESOP	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0
Deferred tax benefit	0.2	1.8	0.0	0.0	-2.9	-2.1	1.9	0.0
Accrued ESOP contribution	0.4	0.4	0.0	0.0	1.0	1.3	0.9	0.0
Gain on sale of investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain on disposal of equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income adjusted for non-cash items	12.2	14.4	12.0	12.7	26.4	37.9	51.3	56.1
Changes in working capital								
Receivables from clients and clearing bi	1.4	-3.4	0.4	-1.9	-3.3	-12.5	-3.4	-4.7
Other receivables	0.4	-0.1	0.0	0.0	-0.1	-0.2	0.3	0.0
Prepaid taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A/P and accrued expenses	-1.7	7.2	-6.2	0.6	1.8	3.1	-0.2	2.3
Accrued compensation	-3.9	3.3	0.6	0.6	1.2	1.7	0.6	2.3
Deferred cash fees and commissions	0.5	-0.1	-0.2	0.6	2.4	0.2	0.8	2.5
Current taxes payable	4.0	-0.9	0.0	0.0	-2.0	0.2	3.2	0.0
Other working capital accounts, net	-0.2	-0.1	-0.4	0.0	-0.9	0.2	-0.8	0.0
Net change in working capital	0.5	5.9	-5.9	-0.1	-0.9	-7.3	0.5	2.5
Net cash from (used in) operations	12.7	20.3	6.1	12.6	25.6	30.6	51.7	58.6
Cash flow from investing activities:								
Sales (purchases) of investments	-1.3	-6.8	0.0	0.0	-22.9	-9.6	-8.1	0.0
Purchases of prop, equip, and leasehold in net of retirements	-4.9	-11.6	-7.0	-7.0	-16.5	-11.3	-30.5	-20.0
Net cash from (used in) investing	-6.2	-18.4	-7.0	-7.0	-39.4	-20.9	-38.5	-20.0
Cash flow from financing activities								
Dividends paid	-0.9	-0.9	-0.9	-0.9	-1.4	-3.3	-3.7	-3.9
Repurchase of common stock from employ	-0.1	-0.1	0.0	0.0	-0.9	-1.0	-0.2	0.0
Proceeds from exercise of stock options	0.4	1.0	0.0	0.0	2.9	2.4	1.4	0.0
Income tax benefits from option exercises	0.0	0.0	0.0	0.0	7.5			
Net cash from (used in) financing	-0.6	0.0	-0.9	-0.9	8.1	-1.9	-2.5	-3.9
Net increase (decrease) in cash	5.9	1.9	-1.8	4.7	-5.8	7.8	10.7	34.7
Cash balance at beginning of period	39.6	45.5	47.4	45.6	37.6	31.8	39.6	50.4
Cash at end of period	45.5	47.4	45.6	50.4	31.8	39.6	50.4	85.1

(E) CSFB estimates.

Source: Company reports and CSFB.

Jupiter Media Metrix (JMXI—Hold)

First quarter snapshot	Jupiter Media Metrix reported first quarter EPS of \$(0.30), ahead of our \$(0.31) estimate and in line with the Street consensus of \$(0.30). Pro forma revenues, which include a full quarter of Jupiter and Media Metrix revenues in both periods, increased 8%, to \$29.6 million for the quarter on 39.9% growth in measurement revenues, 19.4% growth in research services revenues, and an 80.9% decline in conference and other revenues. Reported gross margin was 53.5% versus 59.5% last year.
Second quarter and 2001 EPS estimates	Our second quarter estimate for EPS excluding amortization is \$(0.35), the low end of management's latest guidance to a range of \$(0.30-0.35). In addition, we have lowered our full year estimate to \$(1.15) from \$0.00.
Investment perspective	It appears to us that the fundamental situation at Jupiter Media Metrix has deteriorated at a rapid pace. While the company currently has \$2 per share in cash on hand (\$74 million in total at the end of first quarter), which is ahead of where the stock is trading, the cash burn will be severe over the next several quarters and should run \$12 million per quarter to year-end. The revenue growth rate on the core measurement and research segments could turn negative for the balance of the year as the company cycles through the fall off in "dot-com" related clients. Meanwhile, while management is rapidly cutting costs and reducing staff, there is no visibility on a turnaround on the top line, and unless management significantly retools and repositions the company, there is a risk that the company will run out of cash sometime in early to mid FY2002. Therefore, despite the stock being down severely (39% year to date and 94% last 12 months) we have reduced our rating to Hold, as we see no sign either fundamentally or strategically of a near to intermediate term turnaround. Management could attempt to sell the company but given the current financial position and the lack of visibility on the revenue line, it is unclear to us how much they could realize in a sale or merger at this point.
Valuation and recommendation	We now rate Jupiter Media Metrix shares Hold. JMXI is currently trading at 0.5 times 2001E revenues and 0.4 times 2002E revenues.
	Conference Call Highlights
Revised 2001 outlook	Citing slow market conditions, a steep decline in demand for the company's conferences business, and the ongoing negative impact of dot-com related exposure in its client base, management revised its 2001 guidance again across the top and bottom lines. Management is now forecasting full year revenues in the range of \$100-110 million versus a range of \$155-160 million previously as the growth expectations were lowered across all business lines. On the bottom line, management is now guiding to a range of \$(1.00-1.15) for full year EPS excluding amortization versus a previous range of breakeven to \$0.05. This is based on the reduced revenue guidance and continued investment overseas, offset by various cost-cutting measures that should result in \$30 million of annual expense savings. These measures include an 18% staff reduction, reengineering products, and other initiatives.
Second quarter guidance	For second quarter, management guided to total revenues in the range of \$24.5-28.5 million consisting of \$11-12.5 million of measurement revenues, \$11-12.5 million of research revenues, and \$2.5-3.5 million of conferences and other revenues. Gross profit margin is expected to be in the 45-55% range. Looking at operating expenses by category, research & development expenses should run between 25% and 30% of total revenues, selling & marketing expenses should be 35-40%

	<p>of revenues, and general & administrative expenses should be 35-40% of revenues.</p> <p>Finally, second quarter EPS are expected to range between \$(0.25) and \$(0.35).</p>
Key metrics	<p>Contract Value totaled \$105 million as of March 31, up 18% year over year.</p> <p>Client Count As of quarter-end, the company had just under 2,220 total clients. In addition, 180 new subscribers were added during the quarter, nearly 80% of which were with traditional companies. New clients included companies such as NEC, Intelsat, Ziff Davis Media, BBC News, and others.</p> <p>Renewal rates were steady with fourth quarter last year, running at about 65%. Over 65% of cancellations during the quarter were related to companies that are no longer in business (i.e., dot-coms), and this pattern is expected to continue in the near term. With respect to the company's dot-com exposure, management said that it is difficult to track the company's current exposure to "at-risk" dot-coms but previously had estimated the number at about 15% of total revenues.</p> <p>First Quarter Detail</p> <p>First Quarter EPS Jupiter Media Metrix reported first quarter EPS of \$(0.30), just beating our \$(0.31) estimate but falling short on the revenue line, as growth slowed significantly across all business lines, particularly the conferences business.</p> <p>One-time Items During first quarter, the company incurred a \$13.8 million restructuring charge, over \$10 million of which was related to the write-off of leasehold improvements in three locations. In addition, an estimated \$1-2 million charge related to event cancellations, and the balance was related to severance pay for employees laid off in January 2001.</p> <p>In addition, Jupiter Media Metrix incurred a \$0.7 million loss on the sale of its majority position in AMR Interactive, its Australian subsidiary, and subsequently established a licensing relationship with AMR Interactive to maintain its presence in that market.</p>
Revenues	<p>Reported revenues increased 189.7% for the quarter. Pro forma first quarter revenues increased 8%, to \$29.6 million, on 39.9% growth in measurement revenues to \$14.3 million, 19.4% growth in research revenues to \$14.3 million, but an 80.9% decline in events and other revenues to \$1.0 million. Subscription-based services generated 95% of revenues.</p>
Expenses/Margins	<p>Gross Margin Reported gross margin was 53.5%, coming in short of our 54.9% estimate and 59.5% pro forma last year. The company attributed the shortfall to lower revenues, particularly in the conferences business, and continued long-term investment overseas.</p> <p>Pro forma operating expenses increased 21.7%, to 197.7% of total revenues versus 175.5% of total revenues a year ago. The increase was primarily attributable to a 108.4% increase in research & development expenses, a 25.3% increase in sales & marketing expenses, and a 30.8% increase in general & administrative expenses.</p>

Table 19
First Quarter Snapshot

Jupiter Media Metrix								
Q1 01 Income Statement Analysis								
	Q1 00	Q1 01E	% YoY Chg	Q1 01A	% YoY Chg	Q1 00PF	Q1 01PF	% YoY Chg
Measurement	10.2	15.3	50.0%	14.3	39.9%	10.2	14.3	39.9%
Research Services	11.2	16.3	45.0%	14.3	27.3%	12.0	14.3	19.4%
Conferences/Other	5.9	1.2	-80.0%	1.0	-83.3%	5.2	1.0	-80.9%
Revenues	10.2	32.8	221.2%	29.6	189.7%	27.4	29.6	8.0%
Cost of revenues	4.4	14.8	235.0%	13.8	211.9%	11.1	13.8	
Gross Profit	5.8	18.0	210.7%	15.8	172.8%	16.3	15.8	-3.0%
<i>Margin (%)</i>	<i>56.8%</i>	<i>54.9%</i>		<i>53.5%</i>		<i>59.5%</i>	<i>53.5%</i>	
Research and development	2.9	7.4	155.0%	7.2	146.9%	3.5	7.2	108.4%
Sales and marketing	4.1	12.4	200.0%	11.7	183.4%	9.3	11.7	25.3%
General and administrative	3.1	11.6	275.0%	10.6	244.2%	8.1	10.6	30.8%
Amortization	5.8	24.9	325.7%	28.9	394.4%	27.1	28.9	6.6%
Total Operating Expenses	16.0	56.3	252.3%	58.4	265.7%	48.0	58.4	21.7%
<i>% of revenues</i>	<i>156.6%</i>	<i>171.8%</i>		<i>197.7%</i>		<i>175.5%</i>	<i>197.7%</i>	
Operating Income/(Loss)	(10.2)	(38.3)	275.9%	(42.6)	318.5%	(31.7)	(42.6)	34.3%
<i>Margin (%)</i>	<i>-99.8%</i>	<i>-116.8%</i>		<i>-144.2%</i>		<i>-116.0%</i>	<i>-144.2%</i>	
Minority interests	0.5	1.5	213.8%	1.9	290.6%	0.5	1.9	290.6%
Interest and other income	1.6	1.0	-37.5%	1.1	-31.5%	2.5	1.1	-56.3%
Pretax income	(8.1)	(35.8)		(39.7)		(28.8)	(39.7)	
Taxes	-	-		-		-	-	
Net loss	(8.1)	(35.8)		(39.7)		(28.8)	(39.7)	
Preferred stock dividends	-							
Net loss to common shareholders	(8.1)	(35.8)	341.5%	(39.7)	389.3%	(28.8)	(39.7)	38.0%
Net loss excluding amortization	(2.3)	(10.9)		(10.8)		(1.6)	(10.8)	
EPS Excluding Amortization	(0.11)	(0.31)		(0.30)		(0.05)	(0.30)	
Shares outstanding - fully diluted	19.7	35.1		35.3		34.6	35.3	
EBITDA	(4.3)	(13.4)		(13.7)		(4.6)	(13.7)	
Per share	(0.22)	(0.39)		(0.40)		(0.13)	(0.39)	
Growth (%)	NM	NM		NM			NM	

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 20
Jupiter Media Metrix Valuation Model

		FY 98	FY 99	FY 00	FY 01E	FY 02E
Stock price	=	1.40				
Market cap	=	\$50				
Measurement	Rating: Hold	6.3	20.5	51.9	46.0	59.8
Research Services		-	-	18.5	44.3	55.3
Conferences/Other		-	-	7.4	11.7	14.1
Total Revenues		6.3	20.5	77.8	102.0	129.2
<i>Growth</i>		99%	224%	279%	31%	27%
Per share		0.93	1.30	3.21	2.87	3.64
<i>Growth</i>		91%	40%	147%	-11%	27%
Gross Profit		2.2	10.2	45.7	50.2	69.7
<i>Growth</i>		NM	362%	347%	10%	39%
<i>Margin</i>		35%	50%	59%	49%	54%
Operating Income		(5.6)	(19.1)	(75.5)	(153.3)	(149.5)
<i>Growth</i>		NM	NM	NM	NM	NM
<i>Margin</i>		NM	NM	NM	NM	NM
EBITDA		(4.8)	(10.7)	(26.4)	(49.7)	(46.8)
<i>Growth</i>		NM	NM	NM	NM	-6%
<i>Margin</i>		NM	NM	NM	-49%	-36%
Per Share		(0.70)	(0.68)	(1.09)	(1.40)	(1.32)
<i>Growth</i>		NM	NM	NM	NM	-6%
After tax cash flow (net inc. + D&A)		(5.0)	(6.8)	(14.1)	(40.7)	(37.9)
<i>Growth</i>		NM	NM	NM	NM	-7%
Per Share		(0.74)	(0.43)	(0.58)	(1.15)	(1.07)
<i>Growth</i>		NM	NM	NM	NM	-7%
Free cash flow (ATCF - Cap ex)		(5.1)	(11.6)	(32.9)	(70.7)	(67.9)
<i>Growth</i>		NM	NM	NM	NM	NM
Per Share		(0.76)	(0.74)	(1.36)	(1.99)	(1.91)
<i>Growth</i>		NM	NM	NM	NM	NM
Cash		8.0	97.4	97.9	33.8	20.2
Debt		5.0	0.4	1.9	1.7	1.7
Net Debt		(3.0)	(97.0)	(96.0)	(32.0)	(18.5)
EPS Excluding Amortization		(0.74)	(0.43)	(0.58)	(1.15)	(1.07)
<i>Growth</i>				NM	NM	-7%
Shares outstanding		6.8	15.7	24.2	35.5	35.5
Current Multiples						
Price/Earnings			NM	NM	NM	-1.3
Price/Free Cash Flow			NM	NM	NM	0.0
Price/After Tax Cash Flow			-0.2	-0.1	0.0	0.0
Price/revenues			1.1	0.4	0.5	0.4

Source: Company reports and CSFB.

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Table 21
Income Statement

Jupiter Media Metrix												
Income Statement Analysis												
(Dollars in millions).	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Measurement	10.2	12.6	14.0	15.0	14.3	11.4	9.8	10.5	20.5	51.9	46.0	59.8
Research Services			2.5	16.0	14.3	10.9	9.5	9.6		18.5	44.3	55.3
Conferences/Other				7.4	1.0	2.4	3.5	4.8		7.4	11.7	14.1
Revenues	10.2	12.6	16.5	38.5	29.6	24.6	22.8	25.0	20.5	77.8	102.0	129.2
Cost of revenues	4.4	4.7	4.8	18.2	13.8	13.2	12.1	12.7	10.3	32.1	51.7	59.5
Gross Profit	5.8	7.9	11.7	20.3	15.8	11.4	10.7	12.3	10.2	45.7	50.2	69.7
<i>Margin (%)</i>	<i>56.8%</i>	<i>62.6%</i>	<i>70.7%</i>	<i>52.8%</i>	<i>53.5%</i>	<i>46.4%</i>	<i>47.1%</i>	<i>49.1%</i>	<i>49.8%</i>	<i>58.7%</i>	<i>49.3%</i>	<i>54.0%</i>
Research and development	2.9	3.6	5.2	6.2	7.2	7.1	6.2	6.8	5.0	17.8	27.3	31.4
Sales and marketing	4.1	5.4	6.3	13.6	11.7	10.0	8.9	9.5	9.1	29.4	40.1	46.1
General and administrative	3.1	3.7	3.9	14.1	10.6	8.7	6.9	6.3	6.8	24.8	32.5	39.0
Amortization	5.8	5.6	8.5	29.2	28.9	25.0	25.0	24.8	8.4	49.2	103.6	102.7
Total Operating Expenses	16.0	18.3	23.9	63.1	58.4	50.7	46.9	47.4	29.3	121.2	203.5	219.2
<i>% of revenues</i>	<i>156.6%</i>	<i>144.7%</i>	<i>145.2%</i>	<i>163.9%</i>	<i>197.7%</i>	<i>205.8%</i>	<i>205.8%</i>	<i>190.0%</i>	<i>142.9%</i>	<i>155.8%</i>	<i>199.6%</i>	<i>169.7%</i>
Operating Income/(Loss)	(10.2)	(10.4)	(12.3)	(42.7)	(42.6)	(39.3)	(36.2)	(35.2)	(19.1)	(75.5)	(153.3)	(149.5)
<i>Margin (%)</i>	<i>-99.8%</i>	<i>-82.0%</i>	<i>-74.4%</i>	<i>-111.1%</i>	<i>-144.2%</i>	<i>-159.4%</i>	<i>-158.7%</i>	<i>-141.0%</i>	<i>-93.1%</i>	<i>-97.1%</i>	<i>-150.3%</i>	<i>-115.7%</i>
Minority interests	0.5	1.2	0.7	3.7	1.9	1.5	1.5	1.5	1.7	6.0	6.4	6.4
Interest and other income	1.6	1.5	1.5	1.6	1.1	0.5	0.5	0.5	2.3	6.2	2.6	2.6
Pretax income	(8.1)	(7.7)	(10.1)	(37.4)	(39.7)	(37.3)	(34.2)	(33.2)	(15.1)	(63.3)	(144.3)	(140.5)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Net loss	(8.1)	(7.7)	(10.1)	(37.4)	(39.7)	(37.3)	(34.2)	(33.2)	(15.1)	(63.3)	(144.3)	(140.5)
Preferred stock dividends	-	-	-	-	-	-	-	-	(0.1)	-	-	-
Net loss to common shareholders	(8.1)	(7.7)	(10.1)	(37.4)	(39.7)	(37.3)	(34.2)	(33.2)	(15.2)	(63.3)	(144.3)	(140.5)
Net loss excluding amortization	(2.3)	(2.1)	(1.7)	(8.2)	(10.8)	(12.3)	(9.2)	(8.4)	(6.8)	(14.1)	(40.7)	(37.9)
EPS Excluding Amortization	(0.11)	(0.10)	(0.08)	(0.23)	(0.30)	(0.35)	(0.26)	(0.24)	(0.43)	(0.58)	(1.15)	(1.07)
Shares outstanding - fully diluted	19.7	19.8	21.5	35.0	35.3	35.4	35.5	35.6	15.7	24.2	35.5	35.5
EBITDA	(4.3)	(4.7)	(3.8)	(13.5)	(13.7)	(14.3)	(11.2)	(10.4)	(10.7)	(26.4)	(49.7)	(46.8)
Per share	(0.22)	(0.24)	(0.18)	(0.39)	(0.40)	(0.41)	(0.32)	(0.30)	(0.68)	(1.10)	(1.43)	(1.35)
Growth (%)	170.1%	143.0%	37.8%	206.4%	216.3%	202.0%	196.6%	-23.0%	124%	146%	88%	-6%

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 22
Income Statement Growth and Margin Analysis

Jupiter Media Metrix													
Growth Analysis	Q1 00	Q2 00	Q3 00	Q4 00	Q4 00	Q2 01E	Q3 01E	Q4 01E		FY 99	FY 00	FY 01E	FY 02E
Measurement	221.1%	196.4%	154.7%	98.7%	39.9%	-10.0%	-30.0%	-30.0%		223.8%	153.0%	-11.4%	30.0%
Research Services					27.3%	-20.0%		-40.0%				139.1%	25.0%
Conferences/Other					-83.3%	-80.0%		-35.0%				58.6%	20.0%
Revenues	221.1%	196.4%	199.8%	408.4%	189.7%	95.3%	38.4%	-35.1%		223.8%	279.4%	31.1%	26.7%
Cost of revenues	156.5%	122.7%	62.8%	420.0%	211.9%	180.0%	150.0%	-30.0%		149.7%	212.0%	61.1%	15.0%
Gross Profit	297.3%	269.4%	359.9%	398.4%	172.8%	44.8%	-7.8%	-39.7%		361.9%	347.4%	10.0%	38.7%
Research and development	328.2%	258.7%	281.4%	207.5%	146.9%	100.0%	20.0%	10.0%		264.9%	253.7%	53.2%	15.0%
Sales and marketing	209.3%	198.0%	184.5%	262.4%	183.4%	85.0%	40.0%	-30.0%		216.3%	222.8%	36.1%	15.0%
General and administrative	194.5%	186.5%	132.0%	416.0%	244.2%	135.0%	75.0%	-55.0%		148.7%	266.6%	31.2%	20.0%
Amortization	582.3%	493.2%	551.5%	455.1%	394.4%	345.2%	194.4%	-15.2%		887.9%	487.4%	110.7%	-0.9%
Total Operating Expenses	307.5%	262.4%	263.6%	358.6%	265.7%	177.9%	96.2%	-24.8%		274.2%	313.9%	67.9%	7.7%
Operating Income/(Loss)	313.5%	257.2%	203.2%	341.8%	318.5%	279.6%	195.0%	-17.7%		15.6%	9.1%	28.1%	-15.0%
EBITDA	170.1%	143.0%	37.8%	206.4%	216.3%	202.0%	196.6%	-23.0%		124.5%	146.2%	88.4%	-5.7%
Sequential Growth Analysis													
Measurement	34.8%	23.7%	11.0%	7.4%	-5.1%	-20.5%	-13.7%	7.4%		223.8%	153.0%	-11.4%	30.0%
Research Services						-24.1%	-12.5%	1.3%				139.1%	25.0%
Conferences/Other						147.1%	43.4%	37.5%				58.6%	20.0%
Revenues	34.8%	23.7%	30.6%	133.6%	-23.2%	-16.6%	-7.5%	9.5%		223.8%	279.4%	31.1%	26.7%
Margin Analysis													
Measurement	100.0%	100.0%	85.0%	39.1%	48.3%	46.1%	43.0%	42.2%		100.0%	66.7%	45.1%	46.3%
Research Services	110.1%	107.5%	15.0%	41.7%	48.4%	44.0%	41.7%	38.5%		0.0%	23.8%	43.4%	42.8%
Conferences/Other	58.0%	96.7%	0.0%	19.2%	3.3%	9.9%	15.4%	19.3%		0.0%	9.5%	11.5%	10.9%
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		100.0%	100.0%	100.0%	100.0%
Cost of revenues	43.2%	37.4%	29.3%	47.2%	46.5%	53.6%	52.9%	50.9%		50.2%	41.3%	50.7%	46.0%
Gross Profit	56.8%	62.6%	70.7%	52.8%	53.5%	46.4%	47.1%	49.1%		49.8%	58.7%	49.3%	54.0%
Research and development	28.6%	28.2%	31.3%	16.1%	24.4%	28.9%	27.2%	27.3%		24.6%	22.9%	26.8%	24.3%
Sales and marketing	40.5%	42.8%	38.5%	35.2%	39.6%	40.5%	38.9%	38.0%		44.5%	37.8%	39.3%	35.7%
General and administrative	30.3%	29.2%	23.9%	36.5%	36.0%	35.2%	30.2%	25.3%		33.0%	31.8%	31.9%	30.2%
Amortization	57.3%	44.4%	51.5%	76.0%	97.8%	101.3%	109.5%	99.3%		40.8%	63.2%	101.6%	79.5%
Total Operating Expenses	156.6%	144.7%	145.2%	163.9%	197.7%	205.8%	205.8%	190.0%		142.9%	155.8%	199.6%	169.7%
Operating Income/(Loss)	-99.8%	-82.0%	-74.4%	-111.1%	-144.2%	-159.4%	-158.7%	-141.0%		-93.1%	-97.1%	-150.3%	-115.7%
EBITDA	-42.5%	-37.6%	-22.9%	-35.1%	-46.4%	-58.1%	-49.1%	-41.6%		-52.2%	-33.9%	-48.7%	-36.2%

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 23
Balance Sheet

Jupiter Media Metrix												
Balance Sheet Analysis												
(Dollars in millions).	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
						(14.2)	(14.4)	(11.9)				
Total Current Assets	111.3	109.1	162.5	139.8	114.9	111.2	103.2	94.6	118.7	139.8	94.6	56.5
Net PP&E	8.5	13.4	31.4	35.4	38.6	43.1	47.5	51.9	5.3	35.4	51.9	63.0
Intangibles, net	54.6	49.0	485.8	461.6	434.1	409.2	384.2	359.4	52.9	461.6	359.4	256.7
Due from minority interests in consol	1.0	-	0.3	2.5	2.5	2.5	2.5	2.5	1.6	2.5	2.5	2.5
Other assets	0.5	1.1	7.0	7.7	8.5	10.6	11.9	12.6	0.3	7.7	12.6	3.9
Total Assets	175.8	172.6	687.0	647.0	598.5	576.5	549.2	520.9	178.8	647.0	520.9	382.5
Accounts payable and accruals	11.3	12.6	39.3	34.7	41.8	56.5	58.8	61.4	10.6	34.7	61.4	68.0
Due to the NPD Group, Inc.	0.3	-	-	-	-	-	-	-	-	-	-	-
Advance billing to clients	7.0	10.3	43.0	39.9	35.7	36.3	40.8	43.2	5.1	39.9	43.2	38.8
Current portion of long-term debt	0.2	0.1	0.7	1.9	1.7	1.7	1.7	1.7	0.2	1.9	1.7	1.7
Total Current Liabilities	18.8	23.0	83.0	76.5	79.3	94.6	101.4	106.3	15.9	76.5	106.3	108.4
Deferred Rent	-	-	1.1	1.7	2.0	2.0	2.0	2.0	-	1.7	2.0	2.0
Minority interests	-	0.0	-	-	-	-	-	-	-	-	-	-
Long-term debt	0.1	0.2	0.0	-	-	-	-	-	0.2	-	-	-
Total Liabilities	18.9	23.2	84.2	78.2	81.3	96.6	103.5	108.3	16.1	78.2	108.3	110.5
Common stock	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3
Additional paid-in capital	204.2	204.2	684.8	684.8	684.8	684.8	684.8	684.8	202.0	684.8	684.8	684.8
Accum other comprehensive loss	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)
Accum deficit	(46.2)	(53.9)	(64.0)	(98.1)	(149.6)	(186.9)	(221.1)	(254.3)	(38.1)	(98.1)	(254.3)	(394.8)
Deferred compensation	(1.1)	(1.0)	(18.1)	(18.1)	(18.1)	(18.1)	(18.1)	(18.1)	(1.2)	(18.1)	(18.1)	(18.1)
Total Stockholders' Equity	156.9	149.4	602.8	568.8	517.2	479.9	445.8	412.6	162.8	568.8	412.6	272.0
Total Liabilities & Stockholders' Eq	175.8	172.6	687.0	647.0	598.5	576.5	549.2	520.9	178.8	647.0	520.9	382.5

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 24
Balance Sheet Ratios

Jupiter Media Metrix												
Balance Sheet Ratio Analysis												
	Q1 00	Q2 00	Q3 00	Q4 00E	Q1 01E	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Working Capital Analysis												
Working capital	92.5	86.1	79.5	63.3	35.6	16.7	1.8	-11.7	102.8	63.3	-11.7	-51.9
Sales/total assets	0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.2				
Receivables turnover (Sales/AR)	2.3	2.4	1.2	1.4	2.3	2.3	2.3	2.3	3.4	2.2	#DIV/0!	4.0
Days in receivables	159.7	152.8	300.9	272.7	0.0	0.0	0.0	0.0	106.7	164.3	0.0	0.0
Receivables - yr. over yr. % chg				484.3%	-100.0%	-100.0%	-100.0%	-100.0%	388.7%	492.7%	51.8%	-34.4%
Accounts payable/total op exp	0.4	0.3	0.7	0.5	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3
Phys and Intang Assets Analysis												
Beginning PP&E	5.3	8.5	13.4	31.4	35.4	38.6	43.1	47.5	0.6	5.3	35.4	51.9
Depreciation rate	12.6%	10.7%	12.2%	9.0%	8.0%	7.0%	6.5%	6.0%	60.8%	117.2%	35.0%	30.0%
Capital expenditures	3.5	5.9	4.4	5.0	7.5	7.5	7.5	7.5	4.7	18.8	30.0	30.0
Ending PP&E	8.1	13.4	16.2	33.4	39.7	43.1	47.5	51.9	5.0	17.8	53.0	63.0
Depreciation expense	0.7	0.9	1.6	3.0	3.2	3.0	3.1	3.1	0.4	6.2	12.4	18.9
Beginning Intangibles, net	52.9	54.6	49.0	485.8	461.6	434.1	409.2	384.2	5.7	52.9	461.6	359.4
Amortization rate	11.0%	10.3%	17.3%	5.4%	5.7%	6.1%	6.5%	6.9%	114.1%	84.7%	20.0%	40.0%
Ending Intangibles, net	54.6	49.0	485.8	460.9	436.7	409.2	384.2	359.4	52.9	461.6	359.4	256.7
Amortization expense	5.8	5.6	8.5	24.9	24.9	25.0	25.0	24.8	6.5	44.8	99.6	102.7
Total D&A expense	6.5	6.5	10.1	27.9	28.1	28.0	28.1	27.9	6.9	51.0	112.0	121.6
Return analysis (excluding amortization)												
Return on sales	-33.4%	-27.2%	-22.1%	-17.6%	-18.2%	-23.3%	-30.1%	-35.0%	-33.4%	-18.2%	-39.9%	-29.3%
Return on assets	-3.9%	-4.3%	-1.2%	-1.3%	-2.4%	-3.9%	-6.0%	-7.8%	-3.8%	-2.2%	-7.8%	-9.9%
Return on equity	-4.4%	-5.0%	-1.3%	-1.4%	-2.7%	-4.7%	-7.4%	-9.8%	-4.2%	-2.5%	-9.9%	-13.9%

(E) CSFB estimates.

Source: Company reports and CSFB.

Table 25
Cash Flow Statement

Jupiter Media Metrix												
Cash Flow Statement												
(Dollars in millions)												
	Q1 00	Q2 00	Q3 00	Q4 00E	Q1 01E	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Cash Flows from Operating Activities												
Net loss	(8.1)	(7.7)	(10.1)	(37.4)	(39.7)	(37.3)	(34.2)	(33.2)	(15.1)	(63.3)	(144.3)	(140.5)
Adjustments:												
Charge for acq in-process R&D									6.8	-	-	-
Loss on disposal of equipment	-	-	-	-	-	-	-	-	0.0	-	-	-
Provision for bad debts	0.1	0.1	(0.0)	-	-	-	-	-	0.4	0.1	-	-
Depreciation and amortization	0.7	0.9	1.6	27.9	28.1	28.0	28.1	27.9	0.5	31.1	112.0	121.6
Amortization of deferred comp/othr	0.1	0.1	0.4	-	-	-	-	-	0.5	0.7	-	-
Acceleration of vesting on options	0.2	(0.1)	(0.1)	-	-	-	-	-	0.5	-	-	-
Amortization of intangibles	5.6	5.6	8.2	-	-	-	-	-	7.3	19.3	-	-
Minority interests	0.5	(2.1)	(0.7)	-	-	-	-	-	-	(2.3)	-	-
Changes in working capital:												
Receivables	(2.6)	(2.6)	(4.8)	(5.4)	(0.7)	(8.3)	(5.1)	(2.7)	(5.0)	(15.5)	(16.8)	17.0
Prepaid expenses and other	1.3	(0.3)	(1.3)	(0.0)	(0.6)	(2.3)	(1.2)	(0.6)	(4.3)	(0.3)	(4.7)	7.5
Other assets	(0.2)	(0.5)	0.7	(0.7)	36.8	(2.1)	(1.3)	(0.7)	0.0	(0.6)	32.7	8.7
Accounts payable and accruals	(0.9)	0.9	(5.2)	(4.6)	7.2	14.7	2.4	2.5	7.0	(9.9)	26.7	6.6
Advance billing to clients	1.9	3.3	1.5	(3.1)	(4.2)	0.6	4.5	2.4	3.7	3.5	3.3	(4.4)
Net change in working capital	(0.5)	0.7	(9.2)	(13.9)	38.4	2.6	(0.8)	0.9	1.4	(22.8)	41.1	35.4
Net Cash From/(Used In) Operation	(1.5)	(2.5)	(9.9)	(23.4)	26.8	(6.7)	(6.9)	(4.4)	2.5	(37.2)	8.8	16.4
Cash Flows from Investing Activities												
Cash paid for acquisition	(5.7)	-	44.2	-	-	-	-	-	0.5	38.5	-	-
Purchase of mktble securities	(0.3)	(12.7)	5.9	-	-	-	-	-	(14.9)	(7.1)	-	-
Purchases of property & equipment	(3.5)	(5.9)	(4.4)	(5.0)	(7.5)	(7.5)	(7.5)	(7.5)	(4.7)	(18.8)	(30.0)	(30.0)
Security deposits	(0.0)	0.0	(0.8)	-	-	-	-	-	(0.2)	(0.8)	-	-
Net Cash From/(Used In) Investing	(9.6)	(18.5)	44.9	(5.0)	(7.5)	(7.5)	(7.5)	(7.5)	(19.4)	11.8	(30.0)	(30.0)
Cash Flows from Financing Activities												
Repayments on long-term debt	(0.0)	(0.0)	(0.0)	-	-	-	-	-	(2.3)	(0.1)	-	-
Proceeds from exercise of warrants a	0.2	0.1	0.1	-	-	-	-	-	1.3	0.4	-	-
Contributions from minority interests	0.2	3.1	0.3	-	-	-	-	-	0.1	3.6	-	-
Redemption of redeemable preferred	-	-	-	-	-	-	-	-	(4.8)	-	-	-
Net proceeds from initial public offerir	-	-	-	-	-	-	-	-	120.5	-	-	-
Net Cash From/(Used In) Financing	0.3	3.2	0.4	-	-	-	-	-	114.8	3.9	-	-
Effect of exchange rate changes on cash												
Net increase (decrease) in cash	(10.7)	(17.8)	35.4	(28.4)	19.3	(14.2)	(14.4)	(11.9)	97.9	(21.5)	(21.2)	(13.6)
Cash balance at beg of period	97.3	86.7	68.7	104.1	97.9	74.3	60.1	45.7	(0.5)	97.3	97.9	33.8
Cash balance at end of period	86.5	68.9	104.1	75.7	117.2	60.1	45.7	33.8	97.4	75.7	76.7	20.2
(E) CSFB estimates.												
Source: Company reports and CSFB.												

Martha Stewart Living Omnimedia (MSO—Hold)

First quarter snapshot	Martha Stewart Living Omnimedia reported earnings per share of \$0.13 versus \$0.11 a year ago, up 16%. We were carrying an \$0.11 estimate, which was in-line with the Street consensus. Total revenues and EBITDA were ahead of our estimates, although the mix was slightly different. Total revenues grew 3.0%, to \$71.2 million, driven by strong merchandising and publishing revenue growth. The publishing segment, which constitutes 67% of the company, reported a revenue gain of 5.6%. Driving publishing results was a special issue for Kmart customers called <i>Martha Stewart Everyday Garden</i> , which was offset by overall soft advertising demand. Results from the Internet/Direct Commerce segment were disappointing, with revenues down 10.7% in the quarter. Total EBITDA, which includes Internet losses, increased 5.8% in the quarter. Core EBITDA, which excludes Internet losses, advanced 2.1%.
Second quarter and full year estimates	Our new full year 2001 EPS estimate is \$0.51, up one penny from a previous estimate of \$0.50. Our second quarter EPS estimate is now \$0.10, versus a prior \$0.12. On the call, management guided the Street towards EPS in the range of \$0.10-0.11 in second quarter, and we are taking the low road there. Our new full year EBITDA estimate is down slightly to \$51 million, which represents 26% growth.
Investment perspective	MSO came in above the Street and our EPS expectation for the quarter but lowered its second quarter guidance, so we see the two as somewhat of a wash. Management laid out a fairly realistic (in our opinion) outlook for advertising potential in the second half with a -5% page growth scenario for the flagship magazine. Revenue growth will be bolstered in the second half from new editions of the flagship <i>Martha Stewart Living</i> , and new product (SKU's) in the retail channel will help growth there as well. That said, we are still cautious on the stock at current prices, as much of the second half growth is still coming from reducing Internet division losses. Revenues are down in a division that management had looked to for major growth, and the jury is definitely still out on that. Management is executing well at the moment in a tough ad environment, but the current valuation on the stock is not cheap. A lack of a catalyst and a valuation that is not compelling enough to make us consider any change in rating at this point keeps us at a Hold.
Valuation and recommendation	We continue to rate MSO Hold and maintain our 12-month target price of \$24 based on a detailed sum-of-the-parts valuation on our full year 2001 estimates.
	First Quarter Financial Details
Breakdown	<p>Results Total consolidated revenues increased 3.0% in the first quarter. Total EBITDA grew 5.8%, which includes Internet losses of about \$5.6 million. Excluding Internet losses, core EBITDA advanced 2.1%. Consolidated EBITDA margins increased to 17.0% from 16.6% a year ago.</p> <p>Acquisitions During first quarter, MSO acquired The Wedding List, a New York-based wedding registry and retailer, for \$4 million in cash and a short-term note. The acquired assets included retail showrooms in New York, Boston and London, as well as the company's Web site (www.theweddinglist.com). The acquisition's impact on first quarter was minimal. MSO expects the acquisition to contribute about \$5.1 million of revenues this year and a \$2.0 million EBITDA loss, and it will be accounted for in the Internet/Direct Commerce segment.</p> <p>Second quarter Projections For second quarter, management guided to low single-digit revenue growth and EPS in the range of \$0.10-0.11. Ad pages for <i>Martha Stewart Living</i> magazine are expected to be down 12-13% against tough comparisons, and TV and Internet/Direct Commerce should continue to be weak,</p>

with Merchandising showing continued growth. Staying optimistic on the second half of the year, management guided to revenue growth in the high single-digits for 2001 and 20-25% EPS growth.

Publishing

Results Publishing revenues increased 5.6% while EBITDA declined modestly by 0.3%. EBITDA margins declined 220 basis points to 36.6%. The publishing segment represents about two-thirds of MSO's total revenues.

Advertising Ad pages were down 8% to 452 pages for the flagship *Martha Stewart Living* magazine, due to the absence of dot-com revenues. We believe that dot-com dollars represented approximately 40 ad pages in last year's quarter. Strong categories included food, and household equipment, while household furnishing and dot-com categories were weak.

Kmart Publication In first quarter, MSO published *Martha Stewart Everyday Garden*, its first custom published magazine, which was distributed to 4 million Kmart customers and featured proprietary content as well as new product lines.

First Quarter Publications In addition to *Martha Stewart Everyday Garden*, MSO published three issues of *Martha Stewart Living* and one issue of *Martha Stewart Baby*.

Forward Look Management expects *MSL* ad pages to be down around 12-13% in the second quarter, owing in part to the anticipated shift of advertisers from the July issue to the new August issue. For the second half, publishing ad pages for *Martha Stewart Living* are expected to be down mid-single digits. Offsetting some of this decline will be three additional issues from the Martha Stewart Baby/Kids vertical, a new August issue of *Martha Stewart Living*, and several planned holiday issues.

**Internet/Direct
Commerce**

Results First quarter Internet/Direct Commerce revenues declined 10.7%, to \$9.5 million, its first down quarter since going public. Online advertising revenues for the quarter were \$1.1 million, down 39% from \$1.8 million a year ago. Reduced catalog circulation and lower than expected response to product offerings drove the decline. EBITDA losses narrowed, totaling \$5.6 million versus \$6.0 million a year ago. We were looking for losses in the range of \$4.8 million. Capex related to site development totaled \$2.5 million in first quarter.

Traffic Site traffic was strong, with registered users growing 43% year over year, to 1.7 million, and average monthly unique visitors increasing 42% to 1.1 million. The migration of sales through Martha By Mail to the Internet is going smoothly now with more than 50% of product sales occurring online, but sales obviously suffered some setback with revenues down year over year.

Online Data Points Average online order size in the first quarter was \$79 versus \$68 in fourth quarter and \$70 for the catalog in first quarter.

Forward Look Management pulled in its outlook for the segment, by projecting higher EBITDA losses and softer revenues. Management expects EBITDA losses to range from \$18 to \$20 million in 2001, versus a prior estimate of \$16-18 million. Revenue growth should total 11-21%, or \$55-60 million. Overall, second quarter is expected to be weak, but management expects the second half to be stronger, with better catalog prices, layout, and product offering planned for the Fall/Winter catalog. The guidance includes \$2 million of dilution from the Wedding List acquisition.

Television

Results First quarter TV revenues declined 12.3% and EBITDA dropped 56.7%. Weak top-line growth was primarily attributable to a slower advertising environment and lower ratings. Quarterly ratings for the Martha Stewart Living program were 1.57, which is down 5% year over year. Distribution was 88% of households.

	<p>Forward Look Management indicated it is seeing continued softness through 2001, giving few details, but had previously guided to flat growth for the year. Ratings will continue to be an issue for MSO, and we would look for improved ratings next year to guide greater profitability. Management indicated its commitment to recapturing its previous 2.2 rating and recently returned to the more favorable 9 A.M. time slot in the New York market from its previous 3 P.M. slot.</p>
Merchandising	<p>Results MSO's merchandising segment reported strong results relative to a year ago and comfortably beat our \$6.8 million revenue estimate for first quarter. Segment revenues advanced 26.5% with EBITDA increasing 25.9%. The growth was driven by strength across all Martha Stewart Everyday programs.</p> <p>Growth Initiatives The category should continue to grow in the double-digit range (up 15-20%) in 2001 due to the success of Martha Stewart Everyday Kitchen launch and product line expansions into new categories such as Keeping and Decorating. Other growth initiatives include an expansion into specialty channel merchandising. In addition, SKUs will grow throughout the year, with more than 920 new SKUs scheduled to be added in the second and third quarters at Kmart.</p> <p>Forward Look Merchandising revenues and EBITDA are projected to be up 15-20% in 2001.</p>
Other	<p>Financial Items MSO currently has a cash balance of \$114 million and no debt.</p>

Table 26
Quarterly Comparison

Martha Stewart Living Omnimedia

Q1 01 Income Statement Analysis

	Q1-00A	Q1-01E	% Change	Q1-01A	% Change
Revenues					
Publishing	45.0	40.5	-10.0%	47.5	5.6%
Television	7.3	6.6	-10.0%	6.4	-12.3%
Retail Merchandising	6.2	6.8	10.0%	7.8	26.5%
Internet & Direct Commerce	10.6	12.8	20.0%	9.5	-10.7%
Total Revenues	69.1	66.7	-3.6%	71.2	3.0%
Segment Oper. Costs (excl. D&A)					
Total Publishing	27.5	24.3	-11.9%	30.1	9.3%
Television	5.6	5.0	-10.0%	5.7	1.9%
Retail Merchandising	0.1	0.0	-34.4%	0.1	78.7%
Internet & Direct Commerce	16.6	17.5	5.6%	15.1	-9.1%
Total segment operating costs	49.8	46.9	-5.9%	51.0	2.4%
EBITDA					
Publishing	17.4	16.2	-7.0%	17.4	-0.3%
Television	1.8	1.6	-10.0%	0.8	-56.7%
Retail Merchandising	6.1	6.8	10.4%	7.7	25.9%
Internet & Direct Commerce	(6.0)	(4.8)	-20.0%	(5.6)	-6.2%
EBITDA before Corporate Charges	19.4	19.8	2.2%	20.3	4.6%
Corporate Charges	7.9	8.3	4.7%	8.2	3.0%
Total EBITDA	11.5	11.5	0.5%	12.1	5.8%
Core EBITDA w/o Internet	25.3	24.6	-3.0%	25.9	2.1%
D&A	2.1	3.4	58.8%	2.7	28.6%
Interest Expense	1.4	1.2	-13.4%	1.3	-6.5%
Pretax Income	10.7	9.4	-12.7%	10.7	-0.3%
Tax Rate	48.0%	42.5%		42.0%	
Tax (Benefit)	5.2	4.0	-22.7%	4.5	-12.7%
Net Income	5.6	5.4	-3.5%	6.2	11.2%
Earnings per Share	\$0.11	\$0.11	-0.2%	\$0.13	17.3%
Shares Outstanding	51.2	49.5	-3.3%	48.5	-5.2%
EBITDA	11.5	11.5	0.5%	12.1	5.8%
EBITDA (excl. Internet)	25.3	24.6	-3.0%	25.9	2.1%
EBITDA per Share (incl. Internet)	\$0.22	\$0.23	4.0%	\$0.25	11.6%
After-Tax Cash Flow	7.7	8.6	12.3%	8.9	16.0%
After-Tax Cash Flow per Share	\$0.15	\$0.17	16.2%	\$0.18	22.3%
EBITDA MARGINS					
Publishing	38.8%	40.1%		36.6%	
Television	24.1%	24.1%		11.9%	
Retail Merchandising	99.0%	99.4%		98.6%	
Internet & Direct Commerce	NM	NM		NM	
Core EBITDA w/o Internet	43.3%	45.6%		41.9%	
EBITDA	16.6%	17.3%		17.0%	

Source: CSFB, Company Reports

Table 27
Valuation Data

Martha Stewart Living Omnimedia

Valuation Data (in millions except per share amounts)

	2002	1998	1999	2000	2001E	2002E
Current Stock Price =	20.02					
Market Capitalization =	\$971					
Revenues						
Publishing	Rating: Hold	127	146	179	187	198
Television		23	31	32	32	33
Merchandising		15	20	24	28	31
Internet/Direct Commerce		15	36	50	59	71
Total Revenues		180	232	286	306	333
<i>Growth</i>		<i>na</i>	29%	23%	7%	9%
EBITDA						
Publishing		43	49	66	68	73
Television		5	6	8	7	7
Merchandising		15	20	24	28	30
Internet/Direct Commerce		-5	-15	-25	-18	-4
Total EBITDA		33	29	41	51	72
<i>Growth</i>		<i>na</i>	-12%	41%	26%	40%
<i>Margin</i>		18%	12%	14%	17%	22%
EBITDA per Share						
		0.68	0.58	0.82	1.06	1.47
<i>Growth</i>		<i>na</i>	-14%	40%	30%	38%
After-Tax Cash Flow						
		29.1	18.3	30.4	38.2	49.5
<i>Growth</i>		<i>na</i>	-37%	66%	26%	30%
After-Tax Cash Flow per Share						
		0.60	0.37	0.61	0.79	1.01
<i>Growth</i>		<i>na</i>	-38%	64%	30%	29%
Free Cash Flow						
		31.3	24.6	55.1	52.2	63.5
<i>Growth</i>		<i>na</i>	-21%	124%	-5%	22%
Free Cash Flow per Share						
		0.64	0.50	1.10	1.08	1.30
<i>Growth</i>		<i>na</i>	-23%	122%	-2%	21%
Cash		25	155	127	157	191
Debt		28	0	0	10	10
Net Debt		3	(155)	(127)	(147)	(181)
Earnings per Share						
		\$0.48	\$0.24	\$0.43	\$0.51	\$0.72
<i>Growth</i>		<i>na</i>	-51%	79%	21%	39%
Shares Outstanding		48.6	49.6	50.0	48.5	48.9
Current Multiples						
Price/Earnings		41.3	84.4	47.1	39.0	28.0
Price/After-Tax Cash Flow		33.5	54.2	33.0	25.4	19.8
Price/Free Cash Flow		31.0	40.3	18.2	18.6	15.4
Total Enterprise Value/EBITDA		29.7	29.0	21.4	16.0	11.1

Source: Company Reports, CSFB

Table 28
Income Statement

Martha Stewart Living Omnimedia												
Income Statement												
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Revenues												
Publishing	45.0	43.1	38.5	52.6	47.5	41.8	41.6	56.3	145.5	179.2	187.2	198.4
Television	7.3	7.0	7.1	11.0	6.4	6.6	7.5	11.6	30.6	32.5	32.1	33.4
Retail Merchandising	6.2	6.0	6.8	5.4	7.8	6.6	7.4	6.0	20.2	24.3	27.8	30.6
Internet & Direct Commerce	10.6	13.1	9.5	16.5	9.5	16.4	11.8	21.5	36.0	49.7	59.2	71.0
Total Revenues	69.1	69.2	61.9	85.5	71.2	71.4	68.4	95.3	232.3	285.8	306.3	333.4
Segment Oper. Costs (excl. D&A)												
Total Publishing	27.5	26.8	25.4	33.2	30.1	26.5	27.2	35.1	97.0	113.0	118.9	125.4
Television	5.6	5.2	6.0	8.1	5.7	4.9	6.3	8.4	24.3	24.8	25.3	26.3
Retail Merchandising	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.2	0.2	0.2	0.5
Internet & Direct Commerce	16.6	18.5	15.1	25.0	15.1	21.0	15.8	25.7	50.8	75.2	77.6	74.7
Total segment operating costs	49.8	50.5	46.6	66.4	51.0	52.4	49.3	69.4	172.3	213.2	222.0	226.8
EBITDA												
Publishing	17.4	16.3	13.1	19.4	17.4	15.4	14.4	21.1	48.5	66.3	68.3	73.1
Television	1.8	1.8	1.1	2.9	0.8	1.7	1.2	3.1	6.3	7.6	6.8	7.1
Retail Merchandising	6.1	5.9	6.7	5.4	7.7	6.5	7.4	5.9	20.0	24.2	27.6	30.1
Internet & Direct Commerce	(6.0)	(5.4)	(5.6)	(8.5)	(5.6)	(4.6)	(3.9)	(4.3)	(14.8)	(25.5)	(18.4)	(3.7)
EBITDA before Corporate Charges	19.4	18.7	15.3	19.2	20.3	19.0	19.1	25.9	60.0	72.6	84.3	106.6
Corporate Charges	7.9	7.8	7.8	8.2	8.2	8.2	8.3	8.3	31.1	31.8	32.9	34.9
Total EBITDA	11.5	10.9	7.5	10.9	12.1	10.8	10.9	17.6	28.9	40.8	51.4	71.8
Core EBITDA w/o Internet	25.3	24.1	21.0	27.7	25.9	23.6	23.0	30.2	74.8	98.0	102.7	110.3
D&A	2.1	2.3	2.3	2.3	2.7	3.4	3.4	3.5	7.1	9.1	13.1	15.5
Interest Income (Expense)	1.4	1.3	1.4	1.5	1.3	1.2	1.2	1.2	2.1	5.6	4.9	4.6
Pretax Income	10.7	9.9	6.6	10.1	10.7	8.6	8.6	15.3	22.3	37.3	43.3	60.8
Tax Rate	48%	40%	42%	41%	42%	43%	43%	43%	47%	43%	42%	42%
Tax (Benefit)	5.2	3.9	2.8	4.2	4.5	3.7	3.7	6.5	10.6	16.0	18.3	25.8
Net Income	5.6	6.0	3.8	5.9	6.2	5.0	4.9	8.8	11.8	21.3	24.9	35.0
Earnings per Share												
\$0.11	\$0.12	\$0.08	\$0.12	\$0.13	\$0.10	\$0.10	\$0.18	\$0.24	\$0.43	\$0.51	\$0.72	
% growth	47%	53%	107%	147%	17%	-16%	36%	52%	-51%	79%	21%	39%
Shares Outstanding (diluted)	51.2	48.7	50.7	49.5	48.5	48.5	48.5	48.5	49.6	50.0	48.5	48.9
EBITDA	11.5	10.9	7.5	10.9	12.1	10.8	10.9	17.6	28.9	40.8	51.4	71.8
EBITDA (excl. Internet)	25.3	24.1	21.0	27.7	25.9	23.6	23.0	30.2	74.8	98.0	102.7	110.3
EBITDA per Share (incl. Internet)	0.22	0.22	0.15	0.22	0.25	0.22	0.22	0.36	0.58	0.82	1.06	1.47
<i>per share Growth %</i>	<i>24%</i>	<i>15%</i>	<i>35%</i>	<i>119%</i>	<i>12%</i>	<i>0%</i>	<i>51%</i>	<i>64%</i>	<i>-14%</i>	<i>40%</i>	<i>30%</i>	<i>38%</i>
After-Tax Cash Flow	7.7	8.3	6.1	8.3	8.9	8.3	8.3	12.2	18.3	30.4	38.2	49.5
After-Tax Cash Flow per Share	0.15	0.17	0.12	0.17	0.18	0.17	0.17	0.25	0.37	0.61	0.79	1.01
<i>per share Growth %</i>	<i>48%</i>	<i>57%</i>	<i>72%</i>	<i>85%</i>	<i>22%</i>	<i>0%</i>	<i>41%</i>	<i>51%</i>	<i>-38%</i>	<i>64%</i>	<i>30%</i>	<i>29%</i>

Source: CSFB, Company Reports

Table 29
Income Statement Growth Rates

MSO Income Statement												
Growth Rates												
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
REVENUES												
Total Publishing	26%	15%	22%	30%	6%	-3%	8%	7%	15%	23%	4%	6%
Television	11%	13%	11%	-3%	-12%	-5%	5%	5%	31%	6%	-1%	4%
Retail	9%	2%	41%	39%	26%	10%	10%	10%	35%	21%	14%	10%
Total Internet & Direct Commerce	92%	57%	36%	9%	-11%	25%	25%	30%	145%	38%	19%	20%
Total Revenues	29%	19%	24%	21%	3%	3%	10%	11%	29%	23%	7%	9%
EBITDA												
Total Publishing	52%	30%	26%	38%	0%	-6%	10%	9%	14%	37%	3%	7%
Television	125%	10%	72%	-9%	-57%	-5%	7%	7%	23%	21%	-11%	5%
Retail	9%	2%	43%	39%	26%	10%	10%	10%	31%	21%	14%	9%
Total Internet & Direct Commerce	266%	126%	55%	19%	-6%	-15%	-30%	-50%	195%	72%	-28%	-80%
Total EBITDA	31%	15%	33%	118%	6%	0%	44%	61%	-12%	41%	26%	40%
Core EBITDA w/o Internet	41%	20%	33%	31%	2%	-2%	10%	9%	98%	31%	5%	7%
EBITDA Margin Analysis												
Total Publishing	38.8%	37.9%	34.1%	36.8%	36.6%	36.7%	34.7%	37.5%	33.3%	37.0%	36.5%	36.8%
Television	24.1%	25.9%	15.7%	26.5%	11.9%	25.9%	16.0%	27.0%	20.5%	23.5%	21.2%	21.4%
Retail Merchandising	99.0%	99.2%	99.2%	99.6%	98.6%	99.4%	99.5%	99.3%	99.1%	99.2%	99.2%	98.4%
Internet & Direct Commerce	-56.0%	-41.1%	-59.3%	-51.5%	-58.9%	-27.9%	-33.2%	-19.8%	-41.0%	-51.2%	-31.0%	-5.2%
Total EBITDA	16.6%	15.7%	12.2%	12.8%	17.0%	15.2%	15.9%	18.5%	12.4%	14.3%	16.8%	21.5%
Core EBITDA w/o Internet	43.3%	42.9%	40.0%	40.1%	41.9%	42.9%	40.8%	40.9%	38.1%	41.5%	41.5%	42.0%

Source: CSFB, Company Reports

Table 30
Balance Sheet

Martha Stewart Living Omnimedia												
Balance Sheet												
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
ASSETS												
Current assets												
Cash & cash equivalents	105	116	119	127	114	140	147	157	155	127	157	191
Accounts receivable	45	38	42	49	51	46	48	50	42	49	50	57
Inventory	9	8	13	9	10	12	14	14	6	9	14	14
Deferred TV production costs	3	3	4	4	4	4	4	4	3	4	4	4
Other current assets	5	5	5	6	7	6	6	6	5	6	6	7
Total current assets	168	170	182	196	187	207	219	232	210	196	232	274
PP&E	20	22	28	37	40	39	40	41	19	37	41	43
Other non-current assets	16	17	17	17	19	19	19	19	3	17	19	19
Intangible assets	49	49	48	47	50	46	45	44	50	47	44	42
Total assets	253	258	275	297	295	311	322	336	282	297	336	377
LIABILITIES & MEMBERS' EQUITY												
Current liabilities												
Accounts payable & accrued liabilities	36	37	50	48	35	47	50	51	36	48	51	51
Accrued payroll & related costs				7	4	4	4	4	5	7	4	4
Accrued interest payable				3	5	5	5	5	0	3	5	5
Current maturities of long term debt									0	0	0	0
Deferred subscription income	29	28	30	29	33	36	40	44	27	29	44	50
Total current liabilities	66	65	80	87	76	92	99	104	68	87	104	110
Deferred royalty income									1	0	0	0
Deferred subscription income	8	8	7	9	0	0	0	0	8	9	0	0
Note payable	0	0	0	0	10	10	10	10	0	0	10	10
Other non-current liabilities	7	7	6	6	5	5	5	5	6	6	5	5
Class A Common Stock				0	0	0	0	0		0	0	0
Class B Common Stock				0	0	0	0	0		0	0	0
Capital in Excess of Par Value				169	170	170	170	170		169	170	170
Retained Earnings				27	33	38	43	52		27	52	87
Member's equity	172	178	183	196	204	209	213	222	14	196	222	257
Total liabilities and member's equity	253	258	275	297	295	316	327	341	282	297	341	382

Source: CSFB, Company Reports

Table 31
Balance Sheet Ratio

MSO Balance Sheet Ratios												
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01E	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Book Value Per Share (\$)	3.37	3.66	3.61	3.96	4.20	4.30	4.40	4.58	0.28	3.92	4.58	5.26
Cash Per Share	2.05	2.38	2.34	2.58	2.35	2.88	3.02	3.24	3.12	2.55	3.24	3.90
Working Capital	102.3	105.3	102.8	108.9	110.3	115.1	119.9	128.6	142.0	108.9	128.6	164.1
Working Capital/Sales	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.6	0.4	0.4	0.5
Debt Analysis												
Total debt to capital	0.0%	0.0%	0.0%	0.0%	4.6%	4.5%	4.4%	4.2%	0.0%	0.0%	4.2%	3.7%
Total debt to equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Coverage	10.5	7.9	6.5	7.3	7.6	7.7	8.6	10.5	13.8	7.3	10.5	15.8
Debt to trailing op. cash flow	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.0	0.0	0.2	0.1
A/R and Inventory Analysis												
Total assets/sales	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.2	1.0	1.1	1.1
Receivable turnover(Sales/AR)	5.4	6.8	6.5	5.8	6.1	6.3	6.2	6.1	5.6	5.8	6.1	5.8
Days in receivables	67.0	53.9	56.0	62.6	59.4	57.8	58.8	59.6	65.5	62.6	59.6	62.5
Accounts payable/Op. expenses	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Inventory (Sequential % change)	51%	-16%	69%	-28%	19%	11%	18%	5%				
Inventory (Year % change)												
Physical and Intangible Assets Analysis												
Beginning PPE, net	18.71	19.68	21.96	27.77	37.35	38.32	39.23	40.09	11.5	18.7	37.3	40.9
Depreciation rate	7%	7%	7%	6%	7%	7%	7%	7%	32%	32%	28%	28%
Capital expenditures	2.4	3.8	7.4	11.2	3.5	3.5	3.5	3.5	6.3	24.8	14.0	14.0
Ending PPE, net	19.7	22.0	27.8	37.3	38.3	39.2	40.1	40.9	18.7	37.3	40.9	42.9
Depreciation expense	1.4	1.5	1.6	1.6	2.5	2.6	2.6	2.7	3.7	6.0	10.5	12.0
Beginning Intangibles, net	50.2	49.4	48.7	47.9	47.2	46.5	45.8	45.1	53.1	50.2	47.2	44.4
Amortization rate	1%	1%	2%	2%	2%	2%	2%	2%	6%	6%	6%	6%
Ending Intangibles, net	49.4	48.7	47.9	47.2	46.5	45.8	45.1	44.4	50.2	47.2	44.4	41.9
Amortization expense	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	3.3	3.0	2.8	2.5
Total D&A expense	2.1	2.2	2.3	2.3	3.3	3.3	3.3	3.4	7.0	8.9	13.3	14.5
Miscel. Return Analysis												
Return On Sales	6%	6%	7%	7%	8%	7%	7%	8%	5%	7%	8%	11%
Return On Assets	5%	6%	6%	7%	7%	7%	7%	7%	4%	7%	7%	9%
Return On Equity	13%	14%	16%	17%	17%	16%	17%	18%	135%	17%	18%	23%
Dupont Model - ROE												
Tax Burden (Net/Pretax)	52%	55%	57%	57%	59%	58%	58%	58%	53%	57%	58%	58%
Interest Burden (Pretax/EBIT)	110%	115%	121%	118%	117%	118%	116%	113%	102%	118%	113%	108%
EBIT Margin (EBIT/Sales)	16%	15%	16%	18%	17%	17%	18%	20%	15%	18%	20%	28%
Asset Turnover (Sales/Assets)	98%	100%	98%	96%	98%	93%	92%	91%	82%	96%	91%	88%
Financial Leverage (Assets/Equity)	1.5	1.4	1.5	1.5	1.4	1.5	1.5	1.5	20.3	1.5	1.5	1.5
Return on Equity	13%	14%	16%	17%	17%	16%	17%	18%	135%	17%	18%	23%

(E) CSFB estimates.

Source: company reports and CSFB.

Table 32
Cash Flow Statement

MSO Cash Flow Statement												
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01E	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Operating activities												
Net income	6	6	4	6	6	5	5	9	26	21	25	35
D&A	2	2	2	2	3	3	3	3	7	9	13	15
Other				3					-2	3	0	0
<i>Changes in operating assets and liabilities</i>												
Accounts receivables					-2	5	-2	-2	1	0	-1	-7
Inventory					-1	-1	-2	-1	-1	0	-5	0
Other current assets					-1	1	0	0	-1	0	0	-1
Deferred production costs					0	0	0	0	0	0	0	0
Other non current assets					-2	0	0	0	0	0	-2	0
Accounts payable & accrued expenses					-13	13	3	0	-1	0	2	1
Deferred royalty income					0	0	0	0	-1	0	0	0
Deferred subscription income					-5	4	4	4	0	0	7	5
Other non current liabilities					0	0	0	0	0	0	0	0
<i>Total Changes</i>	-9	6	4	5								
Net cash provided by operating activities:	-1	15	10	17	-15	29	11	14	28	40	39	48
Investing activities												
Purchase of business												
Working capital, other than cash	-	-	-	-	-	-	-	-	-	-	-	-
PP&E	-	-	-	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from note payable	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of equity interest	-	-	-	-	-	-	-	-	-	-	-	-
Other non current liabilities	-13	0	0	0	0	0	0	0	-	-13	0	0
Capital expenditures	-2	-4	-7	-11	-4	-4	-4	-4	-6	-25	-14	-14
Net cash used in investing activities	-16	-4	-7	-11	-4	-4	-4	-4	-6	-38	-14	-14
Financing activities												
Principle repayment of note payable	-	-	-	-	0	0	0	0	-28	0	0	0
Long term debt	-	-	-	-	0	0	0	0	0	0	0	0
Equity offering	0	0	0	4	-	-	-	-	157	4	0	0
Treasury Stock	-32	0	0	0	0	0	0	0	0	0	0	0
Distributions to members	0	0	1	-1	0	0	0	0	-21	0	0	0
Net cash used in financing activities	-32	0	1	3	0	0	0	0	108	-29	0	0
Net increase in cash	-50	11	3	9	-18	26	7	10	130	-27	25	34
Cash, beginning of period	155	105	116	119	127	114	140	147	25	155	127	157
Cash, end of period	105	116	119	127	109	140	147	157	155	127	152	191

(E) CSFB estimates.

Source: company reports and CSFB.

Penton Media (PME—Buy)

First quarter snapshot

Penton Media reported first quarter EPS and EBITDA near the high end of its recently lowered guidance and also provided guidance on the upcoming quarter and full year results. First quarter earnings per share totaled \$0.04 versus a reported \$0.01 last year. We were looking for \$0.03, which was in-line with the Street. First quarter results were positively affected by a timing shift involving two major trade shows. Penton's Internet World Spring and eCRM shows were recorded in the first quarter this year versus the second quarter last year. Adjusting for this, but not excluding acquisitions, revenues would have advanced 11.8% with EBITDA down 34.6% to \$19.9 million. Adjusting for both timing issues and acquisitions, pro forma revenues would have been flat, with EBITDA down around 30% due to weakness at *Internet World* magazine and trade shows. By segment, publishing revenues were down modestly and trade show and conference revenues increased in the low single digits. Adjusted after-tax cash flow per share was \$0.40 versus \$0.25 a year ago.

Second quarter and full year estimates

Management stuck by its full year guidance (albeit at the low end of the range), which they had recently laid out in a conference call in late March. As it stands now, we are not deviating significantly from those estimates, even with the company guiding the Street consensus down in the second quarter. For the full year, we continue to forecast \$92 million in EBITDA and have revised our EPS estimate downward by two pennies, to \$0.31. Management continues to stick by full year revenues totaling \$470-500 million, with EBITDA coming in around \$90-105 million and EPS totaling \$0.25-0.50. Management also indicated that the second quarter should bring revenues in the range of \$105-115 million, with EBITDA in the \$15-20 million range and earnings in the range of \$0.02–\$(0.05). As a result, we are now projecting an EPS loss of \$(0.02) in second quarter versus our previous \$0.06 estimate.

Investment perspective

Penton's fundamentals continue to be mixed, with its tech-related properties seeing the brunt of the slowdown. Its other non-tech verticals are performing better for the most part. Management stated that it now believes Penton could come in at the lower end of the full year guidance range that it gave several weeks ago. Our EBITDA estimate already reflects that low-end view. The stock is up significantly from recent lows, in which it was trading at an overly cheap EBITDA valuation (for a higher-quality, small-cap media name). We continue to believe that PME is well positioned for attractive long-term sustainable growth as the market comes out of the advertising downturn (particularly in the always-volatile tech sector). Management stated that it is seeing cheaper prices for acquisitions, and that the blended multiple for the handful of small deals done year to date is in the low single-digit range. That is encouraging, given that we continue to view the business media sector as very fragmented and ripe for consolidation, with Penton being the only pure play stock in the space. We think it will be tough sledding over the next couple quarters, at least on the advertising front. But looking out beyond that, the investment thesis on Penton is very much intact, in our view. We continue to rate Penton Media Buy.

Valuation and recommendation

We rate PME shares Buy. Our 12-month price target is \$25, based on a target multiple of 10 times estimated 2001 TEV/EBITDA. The stock is currently selling at 9.2 times estimated 2001 TEV/EBITDA and 7.9 times 2002 TEV/EBITDA.

First Quarter Detail

Top line

Internet/Broadband The outlook for Penton's Internet/Broadband (I/B) vertical, which contributes 40% of the company's revenues, remains cloudy and difficult to predict. On top of a slowing economy and tight ad budgets, the I/B group is going against extremely tough comparisons from exponential growth last year. We believe that the trade show and conference component of the I/B vertical makes

	<p>up for about 85% of the total vertical, with the remaining 15% coming from publishing. We expect to see continuing weakness in the second quarter from I/B titles and shows.</p>
	<p>New Products Penton launched 13 new products this quarter, which included trade shows, conferences, magazine and online products. The incremental affect of the new products was \$8.2 million in revenue and \$1.8 million in profit.</p>
Costs	<p>Tight Controls General and administrative expenses increased 37% owing to acquisitions. On an organic basis, we believe G&A expenses were held flat with a year ago.</p>
	<p>Segment Detail</p>
Trade shows and conferences	<p>Operating Results Adjusting for the timing switch of Internet World Spring and eCRM, revenues increased 10.2% and EBITDA declined 10.6%. Revenues grew on new launches, organic growth, and acquired businesses.</p> <p>Organic Growth Excluding acquisitions and adjusting for the timing issues, we believe that revenues increased in the low single-digit range.</p> <p>Margins The trade show and conference margin increased year over year to 48.5% from 39.8%.</p> <p>Internet World Spring After experiencing 70% growth in 2000, Internet World Spring reported a revenue decline of 20%, with cash flow down almost 30%. Versus 1999, Internet World Spring 2001 still reported revenue and profit gains near 28%.</p> <p>Launches Penton engineered successful launches of Internet World Wireless East and ASPCON Spring in New York, and mCommerce World in London in the first quarter, which contributed \$7 million in revenue and a "healthy profit margin."</p> <p>Second Quarter Events Penton has a significant number of major events lined up for the second quarter including ISPCON West, Internet World Berlin and UK, and ECM.</p>
Publishing	<p>Operating Results Including acquisitions, reported revenues grew 8.0%, and EBITDA declined almost 40%.</p> <p>Organic Growth Excluding Duke titles and the timing of a major directory, we believe that revenues dropped 5.4%, and EBITDA decreased in the low double-digit range. The majority of the decrease came from <i>Internet World</i> and new product launches.</p> <p>Margins The first quarter EBITDA margin fell dramatically to 11.8% from 20.3%.</p> <p>Ad Outlook Management indicated that advertising slowed through the quarter, specifically in March. Visibility is limited, as is the case in any media right now, and there is no expected near-term recovery. Semiconductor manufacturing advertising declined late in the quarter, and that would affect such Electronic titles as <i>Electronic Design</i>.</p> <p>Internet World <i>Internet World</i> magazine experienced a dramatic decline in advertising revenues and pages in the first quarter. We estimate that much of the organic decline in PME's publishing group stemmed from this title. In fact, according to Computer Publishing & Advertising Report (CPAR), <i>Internet World</i> ad pages were down 71% in February and down 62% year to date.</p> <p>Magazine Results Penton's outperforming verticals were Supply Chain, Aviation, Government, and Food/Retail.</p>

Internet	Operating Results First quarter Internet revenues totaled \$3.3 million versus \$0.4 million a year ago, reflecting the addition of various acquired businesses (Duke Communications). EBITDA losses totaled \$1.0 million, up slightly from \$0.8 million a year ago.
Other	Acquisitions Penton made six different acquisitions in the first quarter, totaling \$9.3 million. The deals involve both magazines and trade show assets in a wide range of markets including domestic plumbing contracting, construction installation, computer programming, nutrition, Internet/Broadband, and information technology. Balance Sheet Items Cash at the end of first quarter totaled \$15.2 million. Total debt was \$340 million. Internet.com Shares (INTM) The value of PME's INTM shares now total over \$12.2 million. Penton currently holds around three million shares. One-Time Charges PME recorded a \$5.6 million restructuring charge in the first quarter as a result of outsourcing its central Web development operations and headcount reduction.

Table 33
Quarterly Analysis

Penton Media, Inc.					
Q1 01 Income Statement Analysis (\$ in mm)					
	Q1 00A	Q1 01E	% Change	Q1 01A	% Change
Revenues					
Publishing & Other	52.9	61.5	16%	57.2	8%
Trade shows & Conf.	22.5	42.8	91%	52.3	133%
Internet	0.4	3.0	607%	3.3	656%
Total revenue	75.8	107.3	42%	112.7	49%
Expense (excluding D&A)					
Publishing & Other	42.2	51.1	21%	50.4	20%
Trade shows & Conf.	13.5	21.8	61%	26.9	99%
Internet	0.9	4.5	389%	4.2	361%
Total expense	56.6	77.4	37%	81.6	44%
EBITDA					
Publishing & Other	10.8	10.4	-4%	6.8	-37%
Trade shows & Conf.	8.9	21.0	135%	25.4	183%
Internet	(0.5)	(1.5)	198%	(1.0)	101%
Corporate	(8.2)	(10.0)	22%	(11.2)	37%
Total EBITDA	11.0	19.9	81%	19.9	80%
Deprec. & Amort	7.7	11.5	50%	11.6	51%
Operating income	3.4	8.4	149%	8.3	146%
Other income (expense):					
Interest expense	(2.7)	(5.6)	105%	(6.0)	119%
Miscellaneous, net	0.0	-0.4	1900%	(0.1)	155%
Total other income	(2.8)	(6.0)	118%	(6.1)	120%
Pre tax income	0.6	2.4	287%	2.3	262%
Income tax	0.4	1.4	240%	1.1	173%
Tax rate	65%	57%	-12%	49%	-25%
Net income (cont. ops)	0.2	1.0	376%	1.2	427%
Net income	0.2	1.0	376%	1.2	427%
EPS (cont. operations)	0.01	0.03	375%	0.04	426%
Shares outstanding	31.8	31.8	0%	31.9	0%
Diluted shares outstanding	-	31.8		31.9	
EBITDA	11.0	19.9	81%	19.9	80%
EBITDA per share	0.35	0.63	80%	0.62	80%
After tax cash flow	7.9	12.5	59%	12.7	62%
After tax cash flow per share	0.25	0.39	59%	0.40	61%

MARGIN ANALYSIS

Publishing	20.3%	16.9%	11.8%
Tradeshows	39.8%	49.1%	48.5%
Total Media Services	26.1%	30.1%	29.4%
Total EBITDA	14.6%	18.6%	17.7%

Source: CSFB and company reports.

Table 34
Valuation

Penton Media, Inc (PME)		1998	1999	2000	2001E	2002E
Valuation Data						
Current Stock Price =	18.50					
Market Cap =	\$ 590					
Revenues						
Publishing & Other		180	203	230	254	264
Trade Shows & Conf.		28	97	168	204	218
Internet		-	0	6	14	18
Total Revenues		233	318	405	472	500
Operating income						
		27	41	58	47	59
<i>Growth</i>		6%	53%	42%	-19%	26%
<i>Margin</i>		11%	13%	14%	10%	12%
EBITDA						
Publishing & Other		44	46	51	49	52
Trade Shows & Conf.		5	43	79	85	93
Internet		-	0	-6	-4	-2
Total EBITDA		37	71	91	92	103
<i>Growth</i>		18%	89%	29%	1%	11%
<i>Margin</i>		16%	22%	23%	20%	21%
EBITDA per Share	\$	1.71	\$ 2.52	\$ 2.87	\$ 2.89	\$ 3.22
<i>Growth</i>		14%	47%	14%	1%	11%
After Tax Cash Flow (Net Inc.+D&A)						
		22	37	54	55	59
<i>Growth</i>		7%	64%	49%	2%	6%
ATCF per Share	\$	1.01	\$ 1.30	\$ 1.71	\$ 1.74	\$ 1.84
<i>Growth</i>		4%	28%	31%	2%	6%
Free Cash Flow (ATCF - Cap Ex)						
		16	30	48	49	52
<i>Growth</i>		7%	85%	58%	2%	6%
FCF per Share	\$	0.75	\$ 1.09	\$ 1.51	\$ 1.53	\$ 1.62
<i>Growth</i>		4%	44%	39%	1%	6%
Cash		4	30	12	47	81
Debt		307	215	302	302	302
Net Debt		303	185	291	255	222
Earnings per Share						
		0.53	0.20	0.66	0.31	0.48
<i>Growth</i>		-22%	-62%	233%	-53%	53%
Cash Earnings per Share		-	-	1.41	1.36	1.48
<i>Growth</i>		-	-	-	-4%	9%
Shares Outstanding		22	28	32	32	32
Current Multiples						
Price/Earnings		35.2	93.8	28.2	59.5	38.9
Price/Free Cash Flow		24.6	17.0	12.3	12.1	11.4
TEV/EBITDA		18.9	11.0	9.6	9.2	7.9
Price/ATCF		18.2	14.2	10.8	10.6	10.1

TEV/EBITDA Multiples	Target Stock Price				
	10	16	20	21	25
11	19	22	24	28	
12	21	25	27	32	
13	23	28	30	35	

Source: Company reports, CSFB estimates.

Table 35
Income Statement

Penton Media Income Statement												
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Revenues:												
Publishing & Other	52.9	56.0	54.5	66.7	57.2	62.8	65.2	68.7	203.4	230.1	253.9	264.0
Trade shows & Conf.	22.5	52.3	21.3	72.3	52.3	41.6	23.1	86.7	97.4	168.4	203.7	218.0
Internet	0.4	0.7	0.9	4.0	3.3	2.7	3.1	5.2	0.4	6.0	14.2	17.8
Total revenue	75.8	109.1	76.7	143.0	112.7	107.1	91.4	160.6	317.9	404.6	471.8	499.8
Expense (excluding D&A)												
Publishing & Other	42.2	42.0	42.3	52.7	50.4	50.1	50.8	53.8	157.5	179.1	205.1	212.2
Trade shows & Conf.	13.5	24.6	16.6	34.9	26.9	28.4	22.8	40.1	54.4	89.6	118.2	125.3
Internet	0.9	2.1	2.7	6.8	4.2	3.6	4.1	6.1	0.7	12.5	18.1	19.9
Total expense	56.6	68.7	61.5	94.5	81.6	82.1	77.7	100.1	225.6	281.2	341.4	357.5
EBITDA												
Publishing & Other	10.8	14.0	12.2	14.0	6.8	12.7	14.4	14.9	45.9	51.0	48.8	51.8
Trade shows & Conf.	8.9	27.7	4.8	37.4	25.4	13.3	0.3	46.6	43.0	78.8	85.5	92.7
Internet	(0.5)	(1.4)	(1.8)	(2.8)	(1.0)	(1.0)	(1.0)	(1.0)	(0.2)	(6.5)	(3.9)	(2.1)
Corporate	(8.2)	(7.4)	(8.1)	(8.4)	(11.2)	(9.0)	(9.0)	(8.9)	(21.6)	(32.0)	(38.1)	(39.7)
Total EBITDA	11.0	33.0	7.1	40.1	19.9	16.0	4.7	51.7	70.7	91.3	92.3	102.6
Deprec. & Amort	7.7	7.4	7.9	10.6	11.6	11.5	11.3	11.1	29.8	33.4	45.5	43.5
Operating income	3.4	25.6	(0.7)	29.6	8.3	4.5	(6.6)	40.5	40.8	57.9	46.8	59.2
Other income (expense):												
Interest expense, net	(2.7)	(2.4)	(3.1)	(5.8)	(6.0)	(5.5)	(5.7)	(5.7)	(21.6)	(14.1)	(22.9)	(21.3)
Miscellaneous, net	0.0	(0.4)	0.1	0.3	(0.1)	(0.4)	(0.4)	(0.4)	0.3	(0.1)	(1.3)	0.0
Total other income	(2.8)	(2.9)	(3.0)	(5.5)	(6.1)	(5.9)	(6.1)	(6.1)	(21.3)	(14.2)	(24.2)	(21.3)
Pre tax income	0.6	22.8	(3.8)	24.0	2.3	(1.4)	(12.7)	34.5	19.5	43.7	22.6	37.9
Income tax	0.4	13.7	(2,513)	11.2	1.1	(0.8)	(7.2)	19.6	12.8	22.7	12.7	22.8
Tax rate	65%	60%	67%	47%	49%	57%	57%	57%	66%	52%	56%	60%
Net income (cont. ops)	0.2	9.1	(1.2)	12.9	1.2	(0.6)	(5.5)	14.8	6.7	20.9	9.9	15.1
Net income	0.2	9.1	(1.2)	12.9	1.2	(0.6)	(5.5)	14.8	6.7	20.9	9.9	15.1
EPS (cont. operations)	\$ 0.01	\$ 0.28	\$ (0.04)	\$ 0.40	\$ 0.04	\$ (0.02)	\$ (0.17)	\$ 0.46	\$ 0.20	\$ 0.66	\$ 0.31	\$ 0.48
Growth (%)	-106%	143%	-35%	52%	426%	-107%	338%	15%	-62%	233%	-53%	53%
Shares outstanding	31.8	32.0	31.8	31.8	31.9	31.9	31.9	31.9	28.1	31.9	31.9	31.9
Diluted shares outstanding	-	32.1	31.8	31.8	31.9	31.9	31.9	31.9	-	31.9	31.9	31.9
EBITDA	11.0	33.0	7.1	40.1	19.9	16.0	4.7	51.7	70.7	91.3	92.3	102.6
EBITDA per share	\$ 0.35	\$ 1.03	\$ 0.22	\$ 1.26	\$ 0.62	\$ 0.50	\$ 0.15	\$ 1.62	\$ 2.52	\$ 2.87	\$ 2.89	\$ 3.22
Growth (%)	124%	46%	-2%	12%	80%	-51%	-34%	29%	89%	29%	1%	11%
After tax cash flow	7.9	16.5	6.6	23.4	12.7	10.9	5.8	25.9	36.5	54.4	55.4	58.6
After tax cash flow per share	\$ 0.25	\$ 0.52	\$ 0.21	\$ 0.74	\$ 0.40	\$ 0.34	\$ 0.18	\$ 0.81	\$ 1.30	\$ 1.71	\$ 1.74	\$ 1.84
Growth (%)	79.1%	59.1%	9.8%	48.6%	61.8%	-33.9%	-11.5%	10.8%	64.4%	48.9%	1.9%	5.8%

(E) CSFB estimates

Source: Company reports and CSFB

Table 36
Income Statement Growth Analysis

Penton Income Statement Growth Analysis (%)													
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01	Q2 01E	Q3 01E	Q4 01E		FY 99	FY 00	FY 01E	FY 02E
Revenues:													
Publishing & Other	16.9%	8.3%	4.3%	23.1%	8.0%	-5.0%	2.0%	3.0%		13.2%	13.1%	10.3%	4.0%
Trade shows & Conf.	210.1%	93.2%	75.0%	42.0%	132.6%	-40.0%	-40.0%	20.0%		248.6%	72.9%	20.9%	7.0%
Media Services	43.6%	37.5%	17.7%	32.3%	45.1%	-3.6%	16.4%	11.8%		44.8%	32.5%	14.8%	5.3%
Internet	543.3%	968.7%	616.1%	2187.4%	656.4%	20.0%	50.0%	30.0%		-	1292.4%	136.5%	25.0%
Total revenue	30.1%	29.1%	9.5%	36.1%	48.6%	-1.8%	19.1%	12.3%		36.4%	27.3%	16.6%	5.9%
Expense:													
Publishing & Other	16.0%	2.7%	2.4%	35.3%	19.5%	1.0%	2.0%	2.0%		16.4%	13.7%	14.5%	3.5%
Trade shows & Conf.	75.8%	92.8%	44.3%	55.1%	98.9%	-10.0%	0.0%	15.0%		136.0%	64.6%	31.9%	6.0%
Media Services	26.4%	24.1%	11.5%	42.6%	38.8%	17.8%	25.1%	7.2%		33.9%	26.8%	20.3%	4.4%
Internet	840.8%	1248.7%	980.0%	4131.1%	360.6%	20.0%	10.0%	-10.0%		-	1787.0%	44.7%	10.0%
Total expense	15.9%	18.6%	7.2%	53.7%	44.1%	19.5%	26.3%	5.9%		25.1%	24.6%	21.4%	4.7%
EBITDA													
Publishing & Other EBITDA	20.7%	29.8%	11.6%	-8.2%	-37.1%	-9.3%	17.7%	6.8%		3.2%	11.1%	-4.3%	6.1%
Trade shows & Conf. EBITDA	-2105.8%	93.4%	566.9%	31.6%	183.5%	-52.2%	-94.6%	24.7%		780.0%	83.3%	8.4%	8.4%
Total Media Services EBITDA	132.6%	66.0%	45.7%	17.7%	63.0%	-37.7%	-13.9%	19.8%		80.1%	46.0%	3.4%	7.6%
Internet	1483.9%	1464.4%	1338.1%	-21884.6%	101.0%	-28.9%	-46.4%	-66.2%		-	2712.1%	40.2%	45.0%
EBITDA	124.1%	45.6%	-2.3%	12.2%	80.4%	-51.5%	-34.2%	28.8%		88.7%	29.2%	1.1%	11.2%
Operating income	-246.6%	65.7%	17.4%	4.6%	146.1%	-82.4%	825.5%	37.2%		52.8%	41.7%	-19.1%	26%
EBITDA Margin Analysis													
Publishing and Other	20.3%	25.1%	22.5%	20.9%	11.8%	20.3%	22.1%	21.7%		22.6%	22.2%	19.2%	19.6%
Trade Shows and Conferences	39.8%	52.9%	22.4%	51.7%	48.5%	31.8%	1.1%	53.7%		44.1%	46.8%	42.0%	42.5%
Media Services	26.1%	38.5%	22.4%	36.9%	29.4%	24.9%	16.6%	39.6%		29.6%	32.6%	29.3%	30.0%
Printing	-	-	-	-	-	-	-	-		-	-	-	-
Direct Mail - Marketing	-	-	-	-	-	-	-	-		-	-	-	-
Consolidated EBITDA margin	14.6%	30.3%	9.3%	28.1%	17.7%	15.0%	5.1%	32.2%		22.2%	22.6%	19.6%	20.5%

(E) CSFB estimates

Source: Company reports and CSFB

Table 37
Balance Sheet

Penton Media, Inc.												
Balance Sheet Statement Analysis												
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01E	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00E	FY 01E	FY 02E
Cash and equivalents	147	112	11	12	12	22	26	47	30	12	47	81
Account receivables	42	49	55	70	49	49	50	52	40	70	52	68
Inventories	1	1	2	1	1	1	1	1	1	1	1	1
Deferred tax assets	4	4	4	6	6	6	6	6	0	6	6	6
Prepayment, deposits and other	9	9	18	12	0	0	0	0	11	12	0	0
Total current assets	204	176	90	100	68	77	83	106	83	100	106	155
Property, plant and equipment:												
Buildings and improvements	0	0	0	8	-	-	-	-	0	8	8	8
Equipment	48	49	58	64	-	-	-	-	45	64	64	64
PP&E Gross	48	49	58	72	-	-	-	-	45	72	72	72
Accumulated depreciation	32	32	33	37	-	-	-	-	30	37	37	37
Net PP & E	16	17	25	35	34	33	32	31	15	35	31	28
Land	0	0	0	0	0	0	0	0	0			
Goodwill, net	406	401	583	575	-	-	-	-	411			
Other intangibles-net	39	38	40	54	-	-	-	-	40			
Total intangibles	445	439	622	629	620	612	604	595	451	629	595	563
Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0	0
Due from parent company	0	0	0	0	0	0	0	0	0	0	0	0
Other assets	131	68	102	18	18	18	18	18	260	18	18	18
Total assets	797	701	839	782	740	740	737	751	809	782	751	764
Current liabilities:												
Notes payable	6	6	10	11	11	11	11	11	4	11	11	11
Accounts payable	12	8	13	12	14	14	15	15	7	12	15	15
Accrued compensation and benefits	11	12	14	33	33	33	33	33	16	33	33	33
Other accrued liabilities	55	19	20	18	31	32	34	34	60	18	34	36
Unearned income, (show and conf. dep)	46	46	67	56	0	0	0	0	30	56	0	0
Total current liabilities:	129	91	124	131	89	90	93	94	118	131	94	96
Long term liabilities & deferred credits												
Long term debt	209	209	284	291	291	291	291	291	211	291	291	291
Net deferred pension credits	16	16	16	15	15	15	15	15	16	15	15	15
Other	53	26	40	8	8	8	8	8	62	8	8	8
Stockholders equity												
Preferred stock												
Common stock:	0	0	0	0	0	0	0	0	0	0	0	0
Additional paid-in capital	226	226	226	216	216	216	216	216	215	216	216	216
Retained earnings	102	110	108	113	113	111	105	119	37	113	119	130
Treasury stock	62	22	42	7	7	7	7	7	151	7	7	7
Total stockholders equity	390	358	376	337	337	335	329	343	403	337	343	354
Total liabilities and equity	797	701	839	782	740	740	737	751	809	782	751	764
(E) CSFB estimates												
Source: Company reports and CSFB												

Table 38
Balance Sheet Ratios

Penton Media, Inc. Balance Sheet Ratios													
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01E	Q2 01E	Q3 01E	Q4 01E		FY 99	FY 00	FY 01E	FY 02E
Book Value Per Share (\$)	\$ 12.26	\$ 11.20	\$ 11.82	\$ 10.58	\$ 10.57	\$ 10.52	\$ 10.32	\$ 10.75		\$ 14.34	\$ 10.57	\$ 10.75	\$ 11.10
Cash Per Share	\$ 4.63	\$ 3.51	\$ 0.34	\$ 0.36	\$ 0.38	\$ 0.68	\$ 0.82	\$ 1.49		\$ 1.08	\$ 0.36	\$ 1.49	\$ 2.53
Working Capital	75.3	85.4	-33.8	-30.8	-21.0	-13.1	-10.2	12.8		-34.9	-30.8	12.8	59.1
Working Capital/Sales	22%	24%	-9%	-8%	-5%	-3%	-2%	3%		-11%	-8%	3%	12%
Debt Analysis													
Total debt to capital	36%	37%	44%	47%	47%	47%	48%	47%		35%	47%	47%	46%
Total debt to equity	55%	60%	78%	90%	90%	90%	92%	88%		53%	90%	88%	85%
Interest Coverage	4.3	6.2	6.9	6.5	5.8	4.1	3.5	4.0		3.3	6.5	4.0	4.8
Debt to trailing EBITDA	2.8	2.5	3.4	3.3	3.0	3.6	3.7	3.3		3.0	3.3	3.3	2.9
A/R and Inventory Analysis													
Sales to total assets	0.4	0.5	0.4	0.5	0.6	0.6	0.6	0.6		0.4	0.5	0.6	0.7
Receivable turnover(Sales/AR)	8.0	7.3	6.6	5.8	9.0	9.0	9.0	9.0		7.9	5.8	9.0	7.4
Days in receivables	45.8	50.1	55.0	63.2	40.6	40.6	40.6	40.6		46.2	63.2	40.6	49.4
Inventory - yr. to yr. % change	-64.1%	-67.2%	-37.0%	-2.4%	-20.1%	17.1%	-47.2%	21.6%		-65.4%	-2.4%	21.6%	2.0%
Inventory - sequential % change	28.2%	-28.4%	133.2%	-54.4%	5.0%	5.0%	5.0%	5.0%		-65.4%	-2.4%	21.6%	
Accounts payable/Op. expenses	4.9%	3.3%	5.1%	4.3%	4.4%	4.3%	4.5%	4.4%		3.3%	4.3%	4.4%	4.3%
Physical and Intangible Assets Analysis													
Beginning PPE, net	15.1	16.5	17.0	24.9	35.5	34.4	33.3	32.3		28.5	15.1	35.5	31.4
Depreciation rate			-8.5%	17.4%	9.1%	9.2%	9.2%	9.2%		67.7%	125.7%	34.0%	40.0%
Capital expenditures	3.0	2.8	6.5	14.9	2.0	2.0	2.0	2.0		5.9	27.3	8.0	8.4
Ending PPE, net	16.5	17.0	24.9	35.5	34.4	33.3	32.3	31.4		15.1	35.5	31.4	28.5
Depreciation expense					3.1	3.1	3.0	2.9				12.1	11.4
Beginning Intangibles, net	451.2	445.5	439.5	622.1	628.7	620.4	611.9	603.6		387.6	451.2	628.7	595.4
Amortization rate					1.4%	1.4%	1.4%	1.4%		-45.8%	-39.3%	5.3%	5.7%
Ending Intangibles, net	445.5	439.5	622.1	628.7	620.4	611.9	603.6	595.4		451.2	628.7	595.4	563.3
Amortization expense					8.4	8.4	8.3	8.2				33.4	32.1
Total D&A expense	7.7	7.4	7.9	10.6	11.5	11.5	11.3	11.1				45.4	43.5
Misc. Return Analysis													
Return On Sales	2.9%	4.4%	4.5%	5.2%	5.0%	2.8%	1.7%	2.1%		2.1%	5.2%	2.1%	3.0%
Return On Assets	1.2%	2.2%	1.9%	2.7%	3.0%	1.6%	1.1%	1.3%		0.8%	2.7%	1.3%	2.0%
Return On Equity	2.5%	4.4%	4.3%	6.2%	6.5%	3.6%	2.4%	2.9%		1.7%	6.2%	2.9%	4.3%
Dupont Model - ROE													
Tax Burden (Net/Pretax)	33.8%	37.5%	37.5%	48.0%	48.3%	57.6%	65.2%	43.8%		34.3%	48.0%	43.8%	39.9%
Interest Burden (Pretax/EBIT)	61.9%	73.9%	77.1%	75.5%	72.1%	50.7%	34.1%	48.4%		47.8%	75.5%	48.4%	64.1%
EBIT Margin (EBIT/Sales)	13.9%	15.7%	15.4%	14.3%	14.2%	9.5%	7.9%	9.9%		12.8%	14.3%	9.9%	11.8%
Asset Turnover (Sales/Assets)	0.4	0.5	0.4	0.5	0.6	0.6	0.6	0.6		0.4	0.5	0.6	0.7
Financial Leverage (Assets/Equity)	2.0	2.0	2.2	2.3	2.2	2.2	2.2	2.2		2.0	2.3	2.2	2.2
Return on Equity	2.5%	4.4%	4.3%	6.2%	6.5%	3.6%	2.4%	2.9%		1.7%	6.2%	2.9%	4.3%

(E) CSFB estimates

Source: Company reports and CSFB

Table 39
Cash Flow Statement**Penton Media, Inc.****Cash Flow Statement Analysis***(Millions of dollars)*

	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01E	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Operating Activities												
Income from cont. operations	0	9	-1	13	1	-1	-5	15	7	21	10	15
Adjustments to income:												
Depreciation and amortization	8	7	8	11	12	12	11	11	28	33	45	43
Deferred income taxes					0	0	0	0	0	0	0	0
Retirement and deferred comp					0	0	0	0	0	0	0	0
Loss provision on receivables					0	0	0	0	0	0	0	0
Miscellaneous gains					0	0	0	0	0	0	0	0
Changes in working capital:												
Decrease in accounts receivables					21	0	-2	-2	0	0	18	-15
Decrease in inventories					0	0	0	0	0	0	0	0
Decrease in prepay and deposits					12	0	0	0	0	0	12	0
Increase in acct.payable and accrued exp.					14	2	3	0	0	0	19	2
Increase in unearned income					-56	0	0	0	0	0	-56	0
Total work cap change					-9	2	1	-2	0	0	-8	-13
Other changes, net					0	0	0	0	0	0	0	0
Net cash from operations	13	-24	14	6	3	13	7	24	34	9	48	46
Cash flow from investing												
Capital expenditures	-3	-3	-7	-15	-2	-2	-2	-2	-6	-27	-8	-8
Net assets of businesses acquired	-10	-7	-186	2	0	0	0	0	-54	-201	0	0
Proceeds from publication sale	117	0	0	0	0	0	0	0	32	117	0	0
Net cash from investing	104	-10	-193	-12	-2	-2	-2	-2	-28	-111	-8	-8
Cash flow from financing												
Increase in notes payable	0	0	0	91	0	0	0	0	260	91	0	0
Repayment of debt	0	0	-2	-2	0	0	0	0	-355	-4	0	0
Cash dividends	-1	-1	-1	-1	-1	-1	-1	-1	-3	-4	-4	-4
Advance to parent/other	0	1	80	-80	0	0	0	0	119	0	0	0
Net cash for financing	-1	0	77	8	-1	-1	-1	-1	20	83	-4	-4
Exchange rate	0	0	0	0	0	0	0	0	0	0	0	0
Increase in cash	117	-35	-102	1	1	10	4	21	26	-19	36	33
Cash at beginning of period	30	147	112	11	12	12	22	26	4	30	12	47
Cash at end of period	147	112	11	12	12	22	26	47	30	12	47	81

(E) CSFB estimates

Source: Company reports and CSFB

Primedia (PRM—Buy)

Reinstating coverage	<p>We are reinstating coverage of Primedia with a Buy rating after CSFB represented About.com in its recent deal with Primedia. The company reported first quarter EBITDA of \$40.1 million from continuing businesses, which is down 22.9% from the year before. Earnings per share came in at a loss of \$(0.48) versus a reported loss of \$(0.29) a year ago, which was below both the Street and our estimate. Consolidated organic growth rates were hard to pull from the reported numbers, but apart from the dramatic decrease in EBITDA, traditional organic sales increased 6.4%. Reported consolidated revenues increased 8%, driven by acquisitions. New media losses amounted to \$26.7 million in the quarter, up significantly from \$14 million a year ago. Advertising at Primedia's top consumer brands like <i>Seventeen</i>, <i>New York</i>, and <i>Modern Bride</i> performed relatively well versus our expectations. Intertec, PRM's B2B magazine group, saw trends deteriorate through the quarter. Meanwhile, softness from weak single copy sales has apparently bottomed and sales are trending back up in the first quarter.</p>
2001 estimates	<p>We are projecting \$290 million in EBITDA for 2001, down from a previous estimate of \$325 million. On the company's conference call, management reiterated its intention to reach \$325 million in EBITDA in 2001. We are a little skeptical of that target, but would view it as a major positive if the company reached or came close to its goal.</p>
Investment perspective	<p>Primedia's stock price has traded down by over 30% since the company announced the About.com acquisition on October 30, 2000. The fundamental outlook has deteriorated across the board in the media sector since then, and it is much worse in the dot-com sector. The punishment is evident in PRM's stock price, which 13 months ago was almost at \$35. The question now is where to go from here? The fundamentals on the consumer magazine side are actually performing very well considering the trend in the ad market. Advertising revenues were up at the magazines in first quarter and should be in second quarter as well. By comparison, Washington Post reported that its flagship magazine <i>Newsweek</i> was down around 12% in first quarter. The B2B media division is performing poorly, and ad trends there seem to be headed down further. Also, the company is not breaking out the About.com results separately, and that makes us wonder how poor the revenue trends are. Management did note that the merger integration was ahead of schedule, but we would suspect that is almost all cost related to date. The company has stood by its \$325 million EBITDA target for the year, and we are obviously dubious of that considering our new estimate is \$290 million. If the company hits \$325 million or anywhere close to that, then it will be a big home run. That is a big "if" at this point, and visibility on this will not become evident until early third quarter. In the meantime, we are rating the stock Buy based on our current numbers and because we believe the stock can trade back up to the double digits with moderate ad recovery and execution by the company over the next three quarters or so.</p>
Recommendation and valuation	<p>We rate Primedia shares Buy. Our 12- to 18-month target price is \$11, based on an 11 multiple of 2001E TEV/EBITDA. PRM is currently trading at 12.4 times 2001E total enterprise value to EBITDA, and the stock is trading at 10.4 times 2002E TEV/EBITDA.</p>
Company highlights	<p>Revenues Consolidated revenues from continuing businesses increased 8.0%. Excluding Primedia's new media operations, traditional revenues increased 4.5% and grew 6.4% organically. New media revenues totaled \$22.3 million. Ads for equity (AFE) sales totaled \$28.5 million, with 40% flowing through to EBITDA. Management noted that AFE will be down significantly for the second quarter and full year.</p>

Costs We estimate that paper prices were up low to mid-single digits in the first quarter, with postage up near double digits. The cost reduction program related to integration and severance is expected to yield \$17-20 million in annualized savings, of which \$6.5 million was realized in the first quarter. At Intertec, the group is going through a significant restructuring program, which involved cutting 150 jobs.

EBITDA Consolidated EBITDA declined 22.9%, to \$40.1 million, or a \$12 million shortfall from the prior year. Management outlined the nature of the \$12 million EBITDA loss on the call. The company lost \$7 million in the quarter owing to an issue shift at *Seventeen* from first quarter 2001 to fourth quarter 2001. New media losses also increased \$10 million in the quarter, and weak single copy sales cost \$6 million. This combined \$23 million shortfall was offset by an \$11 million contribution, which was primarily driven by revenue growth, according to management. New media EBITDA losses totaled \$26.7 million.

Circulation and Distribution Thirty-five percent of PRM's revenues are non-advertising based, of which most of that is circulation revenue. Single-copy sales appeared to have rebounded somewhat in the first quarter after hitting the bottom at year end, particularly in the Soap Opera titles. Meanwhile, management stated that it has increased prices and cut print run to reduce waste. Online signups are going well, with 130,000 new orders in the new year. We believe that many of these are mainly promotional giveaways that could lead towards actual subscriptions. It is yet to be determined if Primedia can capitalize on these new leads to drive greater subscription revenue.

Consumer segment

Results Total consumer revenues increased 12.9% in the first quarter. Circulation revenues dropped modestly year over year owing to weak single copy sales of PRM's Soap Opera titles and its Youth Entertainment Group (YEG). Total consumer EBITDA dropped 30.4% owing to various timing issues involving *Seventeen* and some Soap Opera titles, lower single-copy sales of Soap Opera and YEG titles, and new media investments. Excluding new media losses, which totaled approximately \$22.7 million in the first quarter, traditional EBITDA declined modestly.

Traditional Traditional consumer revenues, which make up 94% of total segment revenues, increased 7.5% on a reported basis. Organically, revenues were up 8.1%. Traditional consumer endemic advertising increased almost 10%.

PRISM Primedia hopes to further leverage its cross-company sales group called PRISM (Primedia Integrated Sales and Marketing Group) in order to drive more ad sales and revenue. On the conference call, management announced a new multiyear, multimillion account with Wal-Mart and *Seventeen*, which will involve in-store, in-magazine, and online advertising and promotion.

New Media Primedia's new media revenues increased almost 360%, to \$19.2 million.

Margins Traditional EBITDA margins declined 170 basis points to 18.4%. We attribute this margin compression primarily to weak single-copy newsstand sales from PRM's Soap Opera and YEG titles, issue movement from *Seventeen* and Soap titles, and increased new media spending.

Title Performance Advertising revenues increased at the following titles in the first quarter: *American Baby* (12%), *Chicago* (18%), *Modern Bride* (6%), *New York* (6%), *Power and Motor Yacht* (16%), *Horse and Rider* (18%), and *Low Rider* (35%). The increases are attributed to the growth in ad volume and price increases. *Seventeen*, because of an issue shift to fourth quarter, affected revenues negatively by \$7 million. Automotive aftermarket advertising was particularly strong for the car enthusiast magazines.

Channel One Trends are improving directionally, with ad revenues up on a year-over-year basis in spite of a difficult TV advertising market. Also, Channel One secured a major promotional deal with NBA, which could lead to increased sales opportunities.

Consumer Guides Meanwhile, Primedia's Consumer Guide reported strong sales growth. Apartmentguide.com benefited from strong revenue gains in the quarter as well.

About Consolidated revenues include approximately one month of About.com. The site has seen a 30% increase in unique visitors since December, and About has padded its lead for the #1 news and information site by growing 17% in unique users in March, according to Media Metrix. About advertising is shifting to more traditional advertisers versus dot-com advertisers, with their exposure increasing from 54% in fourth quarter 2000 to 69% in first quarter 2001. New advertisers include Fidelity, Coke, Delta, Hallmark, Philips, Wells Fargo, and Nabisco. Meanwhile, e-mail newsletter subscriptions have increased over the quarter from 21.3 million to 26.5 million. Lastly, About is now the fifth most visited Internet company, according to Media Metrix, which is an accomplishment because its competition in that arena includes general interest portals.

Forward Look The company expects to see continued revenue growth in the second quarter, with improving trends in terms of single-copy sales. Look for the consumer segment to lead the way in terms of full year results.

B2B segment

Results Excluding noncore businesses, total B2B revenues increased 6.9% in the first quarter. Total EBITDA increased 10%.

Traditional Traditional revenues increased 5.7%. Traditional sales make up 96% of total B2B revenues. Excluding new media losses, traditional EBITDA increased 8%. Traditional EBITDA margins improved year over year to 17.6% versus 17.2% a year ago.

New Media New media revenues increased over 42.5% to \$5.7 million. Losses totaled \$4.0 million, flat with a year ago.

B2B Trends The group was led by increased new media sales and increased sales at Primedia Workplace Learning. The magazine group, Intertec, showed increased revenue in the communications and entertainment technology divisions. Intertec's agriculture, electrical, and public service titles were flat, while the group reported declines in the marketing and transportation divisions.

Forward Look Ad sales are expected to remain weak, still down year over year in the second quarter. Workplace Learning should see revenue growth in the second quarter, but weak Intertec advertising should offset much of that growth.

Table 40
Valuation

Primedia Inc. Valuation Data		1999A	2000	2001E	2002E
Current Stock Price =	7.56				
Market Cap (millions) =	\$1,576				
Segment Revenue	Rating: Buy				
Consumer		1048	1133	1314	1401
B2B		530	544	571	600
Total Revenue **		1707	1677	1889	2001
Growth		11%	-2%	13%	6%
<i>Traditional Revenues</i>		1563	1671	1734	1804
<i>Internet Revenues</i>		24	56	166	198
Segment EBITDA					
Consumer		217	179	220	261
B2B		121	112	108	120
Total EBITDA **		341	258	290	346
Growth		5%	-24%	13%	19%
Margin		20%	15%	15%	17%
<i>Traditional EBITDA</i>		369	381	388	404
<i>Internet EBITDA</i>		(31)	(89)	(60)	(23)
EBITDA per Share		\$2.34	\$1.60	\$1.39	\$1.59
Growth		3%	-32%	-13%	14%
After Tax Cash Flow (Net Inc. + D.A.)		113	8	92	158
Growth		8%	-93%	1107%	72%
Per Share		\$0.78	\$0.05	\$0.44	\$0.72
Growth					
Free Cash Flow (ATCF - Cap Ex.)		44	(70)	32	99
Growth		-11%	-260%	-146%	204%
Per Share		\$0.30	(\$0.43)	\$0.16	\$0.45
Growth					
Cash		29	24	48	111
Debt (includes preferred stock)		2487	2293	2065	2065
Net Debt		2458	2269	2016	1954
Earnings Per Share		(\$1.19)	(\$0.91)	(\$1.04)	(\$0.63)
Growth		n/a	n/a	n/a	n/a
Total Shares Outstanding		145	161	208	218
Current Multiples (all numbers include Internet losses)					
Price/Earnings		(6.4)	(8.3)	(7.3)	(12.0)
Price/After Tax Cash Flow		9.7	160.6	17.2	10.5
Price/Free Cash Flow		25.2	(17.4)	48.6	16.7
Total Enterprise Value/EBITDA		10.4	13.6	12.4	10.4

** Includes Internet operations and discontinued operations

Source: CSFB, Company Reports

Table 41
Income Statement

Primedia Inc. Income Statement												
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Revenue												
Consumer	270	282	274	307	298	314	324	378	1048	1133	1314	1401
B2B	130	143	121	149	125	144	135	167	530	544	571	600
Discontinued Operations	-	-	-	-	5	-	-	-	129	-	5	-
Total Revenue	400	426	395	456	427	459	459	544	1707	1677	1889	2001
Cash Expenses (ex. D&A)												
Consumer	226	233	241	253	267	270	263	294	831	953	1094	1140
B2B	110	112	103	107	107	121	114	121	409	432	463	481
Corporate	8	8	8	9	8	9	9	9	35	34	34	34
Total Cash Expenses	344	353	352	369	382	399	386	424	1275	1419	1591	1655
EBITDA												
Consumer	44	49	32	54	31	45	60	84	217	179	220	261
B2B	20	32	19	42	18	23	22	45	121	112	108	120
Corporate	(8)	(8)	(8)	(9)	(8)	(9)	(9)	(9)	(35)	(34)	(34)	(34)
Discontinued Operations	-	-	-	-	(4)	-	-	-	38	-	(4)	-
Total EBITDA	56	72	43	87	37	60	73	121	341	258	290	346
Total EBITDA (excl. discnt'd opers)	-	-	-	-	40	-	-	-	303	-	40	40
Total Traditional EBITDA	70	92	72	113	67	86	78	124	333	347	354	369
D&A	(46)	(48)	(45)	(43)	(57)	(83)	(81)	(79)	(224)	(181)	(301)	(295)
Other	(21)	(20)	(5)	(23)	(12)	(83)	(81)	(79)	(7)	(69)	(12)	(20)
Operating Profit	10	25	(2)	43	(21)	(24)	(8)	42	117	76	(11)	51
Other Income												
Interest Expense	(38)	(37)	(34)	(35)	(33)	(30)	(30)	(30)	(165)	(144)	(122)	(112)
Amortization of Deferred Financing Costs	-	-	-	-	-	-	-	-	(2)	-	-	-
Other	(1)	8	(2)	(12)	(20)	-	-	-	(7)	(7)	(20)	(20)
Pre-Tax Income	(50)	(25)	(43)	(3)	(74)	(54)	(38)	12	(58)	(121)	(154)	(82)
Income Tax Benefit	-	-	-	-	-	-	-	-	-	-	-	-
Preferred Stock Dividends												
Cash	(13)	(13)	(13)	(13)	(14)	(14)	(14)	(14)	(53)	(53)	(56)	(56)
Other	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	(64)	(38)	(56)	(16)	(88)	(68)	(51)	(2)	(111)	(174)	(209)	(137)
EPS	\$ (0.43)	\$ (0.23)	\$ (0.34)	\$ (0.10)	\$ (0.48)	\$ (0.31)	\$ (0.24)	\$ (0.01)	\$ (0.76)	\$ (1.09)	\$ (1.04)	\$ (0.63)
Other	\$ 0.07	\$ 0.11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.43)	\$ 0.18	\$ -	\$ -
Core EPS	\$ (0.35)	\$ (0.13)	\$ (0.34)	\$ (0.10)	\$ (0.48)	\$ (0.31)	\$ (0.24)	\$ (0.01)	\$ (1.19)	\$ (0.91)	\$ (1.04)	\$ (0.63)
Average Shares Outstanding	149	161	167	169	186	216	216	216	145	161	208	218
EBITDA	56.1	72.2	42.6	86.6	36.6	59.6	73.4	120.7	340.6	257.5	290.2	346.5
EBITDA per share	0.38	0.45	0.26	0.51	0.20	0.28	0.34	0.56	2.34	1.60	1.39	1.59
growth (%)	-26%	-20%	-46%	-10%	-35%	-18%	72%	39%	5%	-24%	13%	19%
After-tax cash flow	-18.0	9.8	-11.3	27.1	-30.9	15.9	29.7	77.0	113.1	7.6	91.7	158.0
After-tax cash flow per share	-0.12	0.06	-0.07	0.16	-0.17	0.07	0.14	0.36	0.78	0.05	0.44	0.72
growth (%)	-192%	-73%	-152%	-24%	72%	62%	-363%	184%	8%	-93%	1107%	72%
Cash earnings	-29.3	-5.8	-24.2	14.0	-46.0	-1.2	12.8	60.2	65.4	-45.3	25.8	101.4
Cash earnings per share	-0.20	-0.04	-0.15	0.08	-0.25	-0.01	0.06	0.28	0.45	-0.28	0.12	0.46
growth (%)	-510%	-124%	-360%	-43%	57%	-80%	-153%	330%	5%	-169%	-157%	292%

Source: Company Reports and CSFB.
(E) CSFB estimates.

Table 42
Segment Analysis

Primedia Segment Analysis												
Traditional & Internet												
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Revenues												
Traditional	396	427	397	451	413	426	417	478	1563	1671	1734	1804
Total New Media	9	10	12	24	25	33	43	66	24	56	166	198
Total	405	438	409	476	438	459	459	544	1,587	1,727	1,901	2,001
EBITDA												
Traditional	79	100	80	122	75	94	87	132	369	381	388	404
Total New Media	(14)	(20)	(29)	(26)	(27)	(26)	(4)	(3)	(31)	(89)	(60)	(23)
Corporate	(8)	(8)	(8)	(9)	(8)	(9)	(9)	(9)	(35)	(34)	(34)	(34)
Total	56	72	43	87	40	60	73	121	303	258	294	346
PRM Segment Growth (%)												
Traditional Revenues	6%	9%	5%	7%	4%	0%	5%	6%	-	7%	4%	4%
Total New Media Revenue	87%	75%	85%	275%	183%	219%	250%	170%	-	135%	199%	19%
Total	7%	10%	7%	11%	8%	5%	12%	14%	-	9%	10%	5%
Growth (%)												
Traditional EBITDA	2%	5%	2%	4%	-4%	-6%	8%	9%	-	3%	2%	4%
Total New Media EBITDA	255%	367%	344%	65%	88%	33%	-85%	-88%	-	NM	NM	NM
Corporate	17%	18%	0%	-27%	0%	6%	6%	-7%	-	-3%	1%	0%
Total	-15%	-14%	-33%	-3%	-29%	-18%	72%	39%	-	-15%	14%	18%
Margins												
Traditional EBITDA	20%	23%	20%	27%	18%	22%	21%	28%	24%	23%	22%	22%
Total New Media EBITDA	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-36%	-12%
Total	14%	17%	10%	18%	9%	13%	16%	22%	19%	15%	15%	17%

Source: Company Reports and CSFB.
(E) CSFB estimates.

Table 43
Balance Sheet

Primedia Inc. Balance Sheet	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01E	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Current Assets												
Cash and Cash Equivalents	32	31	30	24	-13	-9	-4	48	29	24	48	111
Accounts Receivable	239	245	261	266	244	251	263	278	236	266	278	295
Inventories	34	33	30	29	30	30	31	30	33	29	30	30
Net Assets Held for Sale	134	51	49	0	0	0	0	0	0	0	0	0
Prepaid Expenses and Other	52	62	54	49	48	49	51	56	36	49	56	75
Total Current Assets	490	423	423	367	309	321	341	413	333	367	413	510
Property & Equipment	152	156	161	176	230	228	226	224	152	176	224	227
Other Intangible Assets	567	532	521	506	-	-	-	-	-	-	-	-
Goodwill	1099	1103	1099	1141	-	-	-	-	-	-	-	-
Total intangibles	1666	1634	1620	1648	2079	2013	1948	1886	1835	1648	1886	1647
Deferred Income Tax Assets	176	176	176	135	135	135	135	135	176	135	135	135
Other Non-current Assets	168	271	281	352	352	352	352	352	217	352	352	352
Total Assets	2652	2661	2662	2677	3105	3048	3002	3010	2715	2677	3010	2871
Current Liabilities												
Accounts Payable	83	85	72	121	99	102	105	106	103	121	106	133
Accrued Interest Payable	24	18	18	19	19	19	19	19	19	19	19	19
Accrued Expenses and Other	205	223	227	223	203	211	213	222	218	223	222	194
Deferred Revenues	178	204	264	236	236	236	236	236	171	236	236	236
Current Maturities of Long-term Debt	23	22	22	115	115	115	115	115	23	115	115	115
Total Current Liabilities	513	551	603	713	672	683	689	698	534	713	698	697
Long-term Debt	1821	1557	1605	1503	1503	1503	1503	1503	1733	1503	1503	1503
Deferred Revenues				112	112	112	112	112			112	112
Other Non-current Liabilities	30	24	23	23	23	23	23	23	32	23	23	23
Exchangeable Preferred Stock	560	561	561	561	561	561	561	561	560	561	561	561
Common Stock Subject to Redemption	1	0	0	0	0	0	0	0	1	0	0	0
Shareholders Equity												
Common Stock	2	2	2	2	2	2	2	2	1	2	2	2
Additional Paid-in Capital	974	1340	1343	1367	1924	1924	1924	1924	987	1367	1924	1924
Accumulated Deficit	(1,256)	(1,276)	(1,333)	(1,603)	(1,691)	(1,759)	(1,810)	(1,812)	(1,203)	(1,603)	(1,812)	(1,950)
Accumulated other Comprehensive Loss	23	(85)	(133)	(2)	(2)	(2)	(2)	(2)	87	(2)	(2)	(2)
Unearned Stock Grant Compensation	(13)	(11)	(8)	0	0	0	0	0	(15)	0	0	0
Common Stock in Treasury	(1)	(1)	(2)	0	0	0	0	0	(1)	0	0	0
Total Shareholder's Equity	(272)	(32)	(131)	(236)	233	165	114	112	(144)	(236)	112	(26)
Total Liabilities and Shareholders Equity	2652	2661	2662	2677	3105	3048	3002	3010	2715	2677	3010	2871

Source: Company reports and CSFB.

(E) CSFB estimates.

Table 44
Balance Sheet Ratios

Primedia Inc.												
Balance Sheet Ratios												
	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01E	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Book Value Per Share (\$)	\$ (1.82)	\$ (0.20)	\$ (0.78)	\$ (1.40)	\$ 1.25	\$ 0.76	\$ 0.53	\$ 0.52	\$ (0.99)	\$ (1.46)	\$ 0.54	\$ (0.12)
Cash Per Share	\$ 0.21	\$ 0.19	\$ 0.18	\$ 0.14	\$ (0.07)	\$ (0.04)	\$ (0.02)	\$ 0.22	\$ 0.20	\$ 0.15	\$ 0.23	\$ 0.51
Working Capital	-22.4	-128.7	-180.4	-346.4	-363.2	-362.3	-347.5	-285.5	-200.5	-346.4	-285.5	-186.8
Working Capital/Sales												
Debt Analysis												
Total debt to capital	1.1	1.0	1.1	1.1	0.9	0.9	1.0	1.0	1.1	1.1	1.0	1.0
Total debt to equity	-8.8	-66.2	-16.7	-9.2	9.4	13.2	19.2	19.5	-16.1	-9.2	19.5	-84.5
Interest Coverage	2.0	1.9	1.8	1.8	1.7	1.7	2.0	2.4	2.1	1.8	2.4	3.1
Debt to trailing op. cash flow	7.5	7.1	8.2	8.5	9.2	9.7	8.5	7.5	6.8	8.5	7.5	6.3
A/R and Inventory Analysis												
Total assets/sales	1.6	1.6	1.6	1.6	1.8	1.8	1.7	1.6	1.6	1.6	1.6	1.4
Receivable turnover(Sales/AR)	7.1	6.9	6.4	6.3	7.0	6.9	6.8	6.8	7.2	6.3	6.8	6.8
Days in receivables	51.3	52.5	56.8	57.9	52.4	52.8	53.3	53.8	50.4	57.9	53.8	53.8
Accounts payable/Op. expenses	6%	6%	5%	9%	7%	7%	7%	7%	8%	9%	7%	8%
Inventory turnover(COGS/Inv.)	11.4	11.9	13.0	14.0	12.6	12.9	13.1	13.2	12.0	14.0	14.1	14.1
Inventory - yr. to yr. % change	-18%	6%	-9%	-12%	-13%	-11%	4%	4%	-21%	-12%	4%	0%
Inventory - sequential % change	5%	-3%	-9%	-5%	3%	0%	6%	-4%				
Unearned revenue/sales												
Physical and Intangible Assets Analysis												
Beginning PPE, net	152.3	152.0	156.2	161.0	232.6	229.6	227.6	225.6	147.7	152.3	175.6	223.9
Depreciation rate	7%	10%	8%	8%	8%	8%	8%	8%	32%	35%	37%	20%
Capital expenditures	16.6	18.9	18.2	24.0	14.3	15.0	15.0	15.0	69.5	77.6	59.3	59.3
Ending PPE, net	152.0	156.2	161.0	175.6	229.6	227.6	225.6	223.9	152.3	175.6	223.9	226.5
Depreciation expense	11.3	15.6	12.9	13.1	14.8	17.1	16.9	16.8	47.7	52.9	65.6	56.6
Beginning Intangibles, net	1835.4	1666.2	1634.5	1620.1	2147.6	2079.0	2012.6	1948.3	2256.7	1835.4	1647.6	1886.0
Amortization rate	2%	2%	2%	2%	3%	3%	3%	3%	8%	7%	14%	15%
Ending Intangibles, net	1666.2	1634.5	1620.1	1647.6	2079.0	2012.6	1948.3	1886.0	1835.4	1647.6	1886.0	1647.2
Amortization expense	34.4	32.0	31.9	30.1	42.2	66.4	64.3	62.2	176.4	128.4	235.1	238.8
Total D&A expense	45.7	47.6	44.8	43.2	57.0	83.5	81.2	79.0	224.0	181.3	300.7	295.5
Miscel. Return Analysis												
Return On Sales	-33%	-37%	-43%	-40%	-46%	-52%	-50%	-45%	-27%	-40%	-45%	-29%
Return On Assets	-5%	-6%	-6%	-6%	-7%	-8%	-8%	-7%	-5%	-7%	-8%	-5%
Return On Equity	0.7	1.7	1.1	0.9	10.1	-3.4	26.3	3.4	4.3	2.2	8.3	2.5
News Revenue per News employee	-	-	-	-	-	-	-	-	-	-	-	-
Broadcast Revenue per Broadcast employee	-	-	-	-	-	-	-	-	-	-	-	-
Net Income per employee	-	-	-	-	-	-	-	-	-	-	-	-
Assets per employee	-	-	-	-	-	-	-	-	-	-	-	-
Dupont Model - ROE												
Tax Burden (Net/Pretax)	163%	151%	141%	144%	137%	131%	133%	136%	192%	144%	136%	168%
Interest Burden (Pretax/EBIT)	-78%	-107%	-190%	-158%	-320%	5080%	1861%	1421%	-50%	-158%	1421%	-161%
EBIT Margin (EBIT/Sales)	6%	6%	4%	5%	3%	0%	-1%	-1%	7%	5%	-1%	3%
Asset Turnover (Sales/Assets)	0.59	0.60	0.59	0.62	0.59	0.61	0.64	0.66	0.74	0.64	0.69	0.68
Financial Leverage (Assets/Equity)	-13.8	-30.2	-17.6	-14.2	-146.0	43.0	-333.0	-45.7	-88.9	-33.9	-108.7	-54.0
Return on Equity	0.7	1.7	1.1	0.9	10.1	-3.4	26.3	3.4	4.3	2.2	8.3	2.5

Source: Company reports and CSFB.
(E) CSFB estimates.

Table 45
Cash Flow Statement

Primedia Inc. Cash Flow Statement	Q1 00	Q2 00	Q3 00	Q4 00	Q1 01E	Q2 01E	Q3 01E	Q4 01E	FY 99	FY 00	FY 01E	FY 02E
Operating Activities												
Net Income	-39	-7	-43	-257	-74	-54	-38	12	-120	-347	-154	-82
Adjustments												
Depreciation & Amortization	47	49	46	44	57	83	81	79	227	185	301	295
Non-cash Loss on the Sales of Businesses	-11	-17	28	-14	-	-	-	-	-236	-14	0	-
Accretion of Discount on Acquisition Obligation	0	2	1	1	-	-	-	-	5	4	0	-
Extraordinary Charge	0	25	-25	0	-	-	-	-	0	0	0	-
Other	16	-15	1	227	-	-	-	-	286	228	0	-
Changes in Operating Assets and Liabilities												
Accounts Receivable	-10	-6	-17	-1	21	-7	-12	-15	-25	-34	-12	-16
Inventories	-2	1	3	2	-1	0	-2	1	-5	3	-1	0
Pre-Paid Expenses	-15	0	0	2	1	-1	-2	-5	-10	-13	-8	-18
Accounts Payable	-20	2	-11	46	-22	3	3	1	0	17	-14	27
Accrued Interest Payable	4	-6	0	1	0	0	0	0	-1	-1	0	0
Accrued Expenses & Other	-21	14	8	20	-19	8	2	9	-4	20	-1	-28
Deferred Revenue	6	-17	10	1	0	0	0	0	-11	0	0	0
Other Non-current Liabilities	0	0	0	5	0	0	0	0	0	5	0	0
Net Cash Provided by Operating Activities	-46	24	0	75	-37	33	33	81	107	53	111	178
Investing Activities												
Additions to PPE	-17	-19	-18	-24	-14	-15	-15	-15	-69	-78	-59	-59
Proceeds from Sales of Businesses	14	115	13	32	-	-	-	-	413	174	0	-
Payments for Businesses Acquired	-4	-3	-85	22	-	-	-	-	-146	-70	0	-
Investment in Joint Ventures	-12	-40	51	-81	-	-	-	-	-12	-81	0	-
Net Cash used in Investing Activities	-18	53	-39	-51	-14	-15	-15	-15	186	-55	-59	-59
Financing Activities												
Borrowings under Credit Agreements	206	107	123	205	-	-	-	-	863	641	0	-
Repayments of Borrowings	-113	-362	-75	-212	-	-	-	-	-1071	-762	0	-
Payments of Acquisition Obligation	0	-10	0	-9	-	-	-	-	-21	-19	0	-
Proceeds from Common Stock	5	202	4	-15	-	-	-	-	9	195	0	-
Redemptions and Purchases	-	-	-	-	-	-	-	-	0	0	-	-
Redemption of Series B Preferred Stock	-	-	-	-	-	-	-	-	0	0	-	-
Proceeds from Issuance of Series E Pref. Stock	-	-	-	-	-	-	-	-	0	0	-	-
Proceeds from Issuance of Senior Notes	-	-	-	-	-	-	-	-	0	0	-	-
Proceeds from Issuance of Series G Pref. Stock	-	-	-	-	-	-	-	-	0	0	-	-
Purchases of Common Stock for the Treasury	0	0	0	0	-	-	-	-	-11	-1	0	-
Dividends Paid to Preferred Stock Shareholders	-13	-13	-13	-13	-14	-14	-14	-14	-53	-53	-56	-56
Deferred Financing Costs Paid	0	0	0	0	-	-	-	-	-6	0	0	-
Other	-18	-1	-1	16	29	-	-	-	0	-4	29	-
Net Cash Provided by Financing Activities	67	-77	37	-29	15	-14	-14	-14	-289	-3	-27	-56
Increase (decrease) in Cash and Cash Equiv.	3	0	-2	-6	-37	4	4	53	4	-5	24	63
Cash and Cash Equiv at Beginning of Period	29	32	31	30	24	-13	-9	-4	25	29	24	48
Cash and Cash Equiv at End of Period	32	31	30	24	-13	-9	-4	48	29	24	48	111
Cash Interest Paid	33	43	32	55	34	45	34	58	165	162	170	178

Source: Company reports and CSFB.
(E) CSFB estimates.

AMSTERDAM31 20 5754 890
 ATLANTA 1 404 656 9500
 AUCKLAND 64 9 302 5500
 BALTIMORE 1 410 223 3000
 BANGKOK 62 614 6000
 BEIJING 86 10 6410 6611
 BOSTON 1 617 556 5500
 BUDAPEST 36 1 202 2188
 BUENOS AIRES54 11 4394 3100
 CHICAGO 1 312 750 3000
 FRANKFURT 49 69 75 38 0
 HOUSTON 1 713 220 6700
 HONG KONG 852 2101 6000
 JOHANNESBURG ...27 11 343 2200

KUALA LUMPUR 603 2143 0366
 LONDON 44 20 7888 8888
 MADRID 34 91 423 16 00
 MELBOURNE 61 3 9280 1888
 MEXICO CITY 52 5 283 89 00
 MILAN 39 02 7702 1
 MOSCOW 7 501 967 8200
 MUMBAI 91 22 230 6333
 NEW YORK 1 212 325 2000
 PALO ALTO 1 650 614 5000
 PARIS 33 1 53 75 85 00
 PASADENA 1 626 395 5100
 PHILADELPHIA 1 215 851 1000
 PRAGUE 420 2 210 83111

SAN FRANCISCO....1 415 836 7600
 SÃO PAULO55 11 3841 6000
 SEOUL 82 2 3707 3700
 SHANGHAI 86 21 6881 8418
 SINGAPORE 65 212 2000
 SYDNEY 61 2 8205 4433
 TAIPEI 886 2 2715 6388
 TOKYO 81 3 5404 9000
 TORONTO 1 416 352 4500
 WARSAW 48 22 695 0050
 WASHINGTON 1 202 354 2600
 WELLINGTON 64 4 474 4400
 ZURICH 41 1 333 55 55

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