Growth Equities & Company Research

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Media Corporation plc*
Transformational acquisition increases forecasts and strengthens Board;
Reiterate 'Buy' with increased target price of 6.2p

Media Corp has announced the acquisition of internet gambling company Purple Lounge for £1 and a maximum of £465,812 earn out payable out of free cash flow during the next 5 years. The deal offers the potential for almost immediate significant advancements in earnings and with an increased target price of 6.2p, at the current 1.05p, we reiterate our stance of **buy**.

Key Data

EPIC	MDC
Share Price	1.05p
Spread	1.00p – 1.10p
NMS	75,000
Total Number of issued shares	291.927298 million
Market Cap	£3.07 million
12 Month Range	0.625p – 2.625p
Market	AIM
Website	www.mediacorpplc.com
Sector	Media
Contact	Justin Drummond Chief Executive Officer 020 7618 9000

Purple Lounge operates www.purplelounge.com, which enables consumers to bet on card games, casino games and make sports bets. In the year to 31st May 2008, Purple Lounge made a pre-tax loss of £476,670 on total revenues of £16,472,620. As at 31st May 2008, the net asset deficit was £685,000. Since then Purple Lounge has continued to perform strongly and was understood to be approaching breakeven. This performance is expected to further materially improve once the business has been relocated to Media Corp's offices and directly benefits from its marketing strength, especially access to the portal Gambling.com.

Media Corp will also benefit from the appointment of Purple Lounge's Chairman, Chris Gorman OBE, joining the board as a non-executive director with immediate effect. Mr Gorman (42) has been an entrepreneurial leader in both retail and technology businesses over the past 10 years; he sold DX Communications, a mobile phone retailer, to BT Cellnet for £42 million in 1998; and Reality Group, an internet services company in 2000, after just 14 months of trading, to GUS for £35million.

Media Corp looks to have ended its financial year to 30th September 2009 in line with expectations and with underlying trading understood to be remaining robust, we are revising our forecasts for the financial years ending 30th September 2010 and 2011 substantially upwards in light of both this and the Purple Lounge acquisition. These increases see our 2010 earnings per share forecast increased from 0.1p to 0.2p and 2011 from 0.3p to 0.7p.

We continue to value Media Corp on a sum of the parts model based on net cash plus an appropriate multiple of forward earnings. Considering its sector profile, Media Corp ought to trade on a high teens multiple, but its recent track record of losses mitigates against this. However, even a conservative 8 times forecast September 2011 earnings per share (0.7p) together with net cash of 0.6p per share (£1.7 million) indicates a target price of 6.2p. As Media Corp demonstrates the recovery underway in its core businesses as well as the additional growth that Purple Lounge could provide, we would expect the earnings multiple to increase - providing further material upside potential. Therefore, with the shares trading at 1.05p we re-iterate our stance of **buy**.

Forecast Table

Year to 30 September	Sales (£000)	Pre-Tax Profit (£000)	Earnings Per Share (p)	Price Earning Ratio (x)	Dividend (p)	Yield (%)
2007A	8,309	3,019	1.0	1.1	0.0	0.0
2008A	3,912	(11,222)	(3.9)	n/a	0.0	0.0
2009E	4,400	(1,809)	(0.6)	n/a	0.0	0.0
2010E	30,000	506	0.2	6.1	0.0	0.0
2011E	50,000	2,008	0.7	1.5	0.0	0.0

**Media Corp is a corporate client of Bishopsgate Communications, which is owned by Rivington Street Holdings, the ultimate owner of GE&CR. Rivington Street Holdings owns shares in Media Corp.*