Fast Search & Transfer

Reduce
(unchanged)
Price NOK 17.1
Target 10 (12)

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Worse than ever

We are increasingly concerned about Fast's distressed DSO levels and disastrous cash flow. We see a higher risk than ever in the accounts receivable of almost USD 100m. We lower our EBIT estimates 10-15% and our target from NOK 12 to NOK 10. We maintain our Reduce stance.

Fast also implemented new revenue recognition policies in 2006, moving away from SOP 97-2. The new policies allow the company to recognise revenue on a DCF basis in cases where payment terms are prolonged.

With the continued aggressive revenue recognition, we believe it will be difficult for Fast to reduce DSOs and start generating healthy cash flows. With the lagging cash flow in addition to a high degree of R&D capitalisation, we believe EBIT or other P&L figures are quite irrelevant at the moment. We have revised 2006 sales to USD 127m, 22% below reported sales.

Due to increased costs related to existing customers (services), catching up on amortisation and a lower gross margin, we do not believe Fast will be able to post typical software margins in the longer term.

After attending the search conference in San Diego, we believe search and navigation will remain important for enterprises in the coming years and believe that Fast, with one of the leading technologies, will take advantage of this.

Valuation of Fast depends mainly on long-term margin. Cash conversion is also important, and is an area in which Fast has underperformed severely. We have a DCF-derived target of NOK 10.

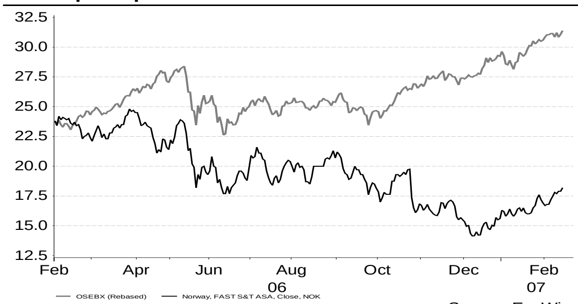
	Sales (USDm)	EBITDA (USDm)	PTP (adj.)	EV/ sales	EPS (adj.)	EV/ EBITDA	P/E (adj.)	FCF yield (%)	Yield (%)
2004	64	15	9	7.37	0.0	31.2	81.0	-0.8%	0.0
2005	100	16	7	9.70	0.0	61.5	148.0	-1.1%	0.0
2006	163	18	9	3.83	0.0	34.6	219.6	-5.7%	0.0
2007E	236	32	12	3.00	0.0	21.9	109.3	-2.0%	0.0
2008E	337	46	21	2.14	0.0	15.8	65.6	-1.3%	0.0

Share data

Market cap (NOKm)	5,745
Number of shares (m)	336.0
Bloomberg code	FAST NO Equity
Reuter code	FAST.OL
Average volume	6,630,102

Performance	1M	3M	12M
Abs. perf. (%)	7	1	-27
Rel. to OSEBX	5	-10	-53

Share price performance



Source: EcoWin

Source: Kaupthing estimates, company data. Share price as of 20 Feb 2007.

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Investment summary

We find the investment case for Fast quite simple:

- The company is clearly continuing its aggressive revenue recognition policy. This is indicated by:
  - Worst cash flow, and deviation to P&L ever in Q4
  - Continued increasing DSO (Days of Sales Outstanding), we doubt that the actual DSO decline in Q4 is correct, as the company expects weak cash flow in 1H, which mathematically should have been strong.
  - Changed revenue recognition standards, moving away from SOP 97-2 (which is more conservative), including several quite disturbing elements
  - Very strange trends in geographic performance, shifting from EMEA to APAC bring the accounting principals further into questions
- Deferred revenues remain at low level despite some growth in Q4. Days of deferred revenue was as low as 27 for the quarter and 32 for the year.
- Gross margin kept falling, and fell more than anticipated due to more services to existing customers by external consultants and internal technical personal.
- Continued growth in service share of revenues expected to continue.
- NOK 15m (67% yoy growth) capitalised R&D in 2006 makes reported margins artificially high. In 2006, EBITDA would have been revised down from USD 18m to USD 3m if all R&D had been booked as costs.
- In addition, Fast has spent USD 42m in 2006 on acquisitions. These acquisitions have been technology based and Fast claims all growth in 2006 is organic. One could argue that this amount should also be included in free cash flow (it is not included in Kaupthing estimates).
- We have lowered our EBIT estimates by 10-15% for the coming years.
- After recent share performance (up 22% since the lowest point), and sky-high multiples, (also in 2009 with an EV/EBIT of 27x), we do not consider these issues at all reflected in the share-price.
- We stick with our Reduce recommendation and lower our target from NOK 12 to NOK 10 on the back of our estimate changes.

Estimate changes and new estimates

We have lowered our estimates somewhat for the coming years. This is mostly due to higher amortisation as the company has capitalised R&D at a higher pace than previously anticipated, although it also has a slightly lower gross margin.

Estimate changes

USDm	Old	New	%
Sales			
2007E	238	236	-0.7 %
2008E	339	337	-0.6 %
2009E	443	440	-0.5 %
EBIT			
2007E	11	9	-15.5 %
2008E	20	18	-11.0 %
2009E	33	29	-14.5 %
EPS			
2007E	0.03	0.03	-13.0 %
2008E	0.05	0.04	-11.4 %
2009E	0.08	0.06	-16.0 %

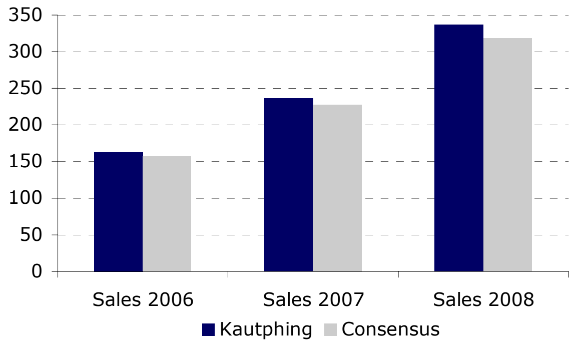
Source: Kaupthing estimates and company data

New estimates (adjusted for a USD 9.7m non-recurring item in Q3-06) and pricing

USDm	**1Q06**	**2Q06**	**3Q06**	**4Q06**	**1Q07E**	**2Q07E**	**3Q07E**	**4Q07E**	**2005**	**2006**	**2007E**	**2008E**	**2009E**
Sales	32.8	38.5	42.5	48.8	50.9	54.6	61.3	69.3	100.2	162.6	236.2	336.6	440.3
Cost of goods sold	4.8	6.1	6.9	9.7	10.4	12.0	13.2	14.6	13.9	27.5	50.2	67.3	88.1
R&D	3.9	4.7	7.9	6.7	6.7	6.8	8.7	9.0	17.1	23.2	31.2	41.9	52.3
Sales and Marketing	12.6	14.0	18.0	18.7	20.1	21.7	24.2	29.0	35.9	63.2	95.1	149.7	202.1
General and administrative	3.0	3.2	9.4	4.9	4.4	4.7	4.7	4.9	11.9	20.5	18.7	22.0	24.8
Share-based compansation	2.7	3.1	2.7	1.6	2.0	2.1	2.2	2.3	5.6	10.1	8.6	10.2	11.8
EBITDA	**5.8**	**7.4**	**-2.4**	**7.3**	**7.2**	**7.3**	**8.3**	**9.5**	**15.8**	**18.0**	**32.4**	**45.6**	**61.2**
Depreciation	2.3	3.7	4.3	5.0	5.3	5.6	5.9	6.2	8.8	15.3	23.0	27.8	32.6
EBITA	3.5	3.7	-6.7	2.3	1.9	1.7	2.4	3.3	7.0	2.7	9.4	17.8	28.6
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**3.5**	**3.7**	**3.0**	**2.3**	**1.9**	**1.7**	**2.4**	**3.3**	**7.0**	**12.4**	**9.4**	**17.8**	**28.6**
Pre-tax	4.8	5.0	4.5	4.3	2.7	2.5	3.1	4.0	7.5	18.5	12.3	20.7	31.5
Tax	-2.2	-2.2	0.8	-1.2	-0.8	-0.7	-0.9	-1.2	0.0	-4.9	-3.7	-6.2	-9.5
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**2.5**	**2.7**	**5.2**	**3.1**	**1.9**	**1.7**	**2.2**	**2.8**	**7.4**	**13.6**	**8.6**	**14.5**	**22.1**
EPS	**0.01**	**0.01**	**0.02**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**	**0.04**	**0.04**	**0.03**	**0.04**	**0.06**
Sales growth (yoy)	54%	60%	60%	57%	55%	42%	44%	42%	58%	62%	45%	43%	31%
Organic sales growth	54%	60%	60%	57%	55%	42%	44%	42%	50%	62%	45%	43%	31%
Seq. Sales growth	5.5%	17.5%	10.3%	15.0%	4.3%	7.2%	12.3%	13.1%					
Gross margin	85%	84%	84%	80%	80%	78%	79%	79%	86%	83%	79%	80%	80%
EBITDA margin	17.6%	19.1%	-5.7%	14.9%	14.2%	13.4%	13.5%	13.7%	15.8%	11.1%	13.7%	13.5%	13.9%
EBIT margin	10.7%	9.5%	7.0%	4.7%	3.8%	3.2%	3.9%	4.8%	7.0%	7.6%	4.0%	5.3%	6.5%
Pretax margin	14.5%	12.9%	10.5%	8.8%	5.2%	4.5%	5.1%	5.8%	7.4%	11.4%	5.2%	6.2%	7.2%
P/E									114.5	63.2	112.4	67.5	44.5
EV/EBIT									103.1	50.5	80.9	43.9	28.3
EV/S									7.2	3.9	3.2	2.3	1.8

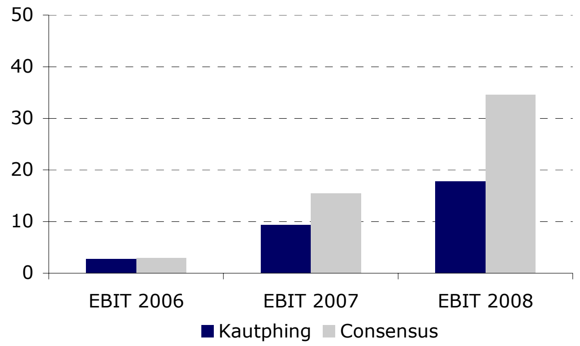
Source: Kaupthing estimates and company data

Kaupthing vs. consensus – Revenues (USDm)



Source: Kaupthing estimates and company data

Kaupthing vs. consensus – EBIT (USDm)



Source: Kaupthing estimates and company data

Kaupthing estimates remain well below consensus on EBIT level. This is based on an expected increase in service share and growth in costs related to already existing customers. A rapidly increasing amortisation also limits margin expansion.

DCF valuation

Cash Flow	2003	2004	2005	2006	2007E	2008E	2009E	Base year:2010
Sales	42	64	100	163	236	337	440	440
EBIT ex GW margin	18%	12%	7%	2%	4%	5%	6%	14%
EBIT Ex GW	8	7	7	3	9	18	29	62
Tax	-2	-2	-2	-1	-3	-5	-8	17
NOPLAT	5	5	5	2	7	13	21	44
NOPLAT growth	0%	-2%	-6%	-61%	245%	90%	61%	13%
GCF	11	13	14	17	30	41	53	
Change in working capital	-13	8	-9	-37	-12	-8	-24	
Capex	44	-10	-60	-72	-44	-46	-54	
Free cash flow	42	10	-56	-92	-26	-14	-25	
Net present value free cash flow					**-24**	**-11**	**-19**	

Assumptions	Phase II	Phase III
Growth	13.0%	n.m.
EBITA margin	14.0%	10.6%
ROIC	14.4%	WACC
Sales	440	
NOPLAT	44	
No. of years phase II	10	
Standard tax rate	28%	

WACC Calculation	
Risk free rate	4.5%
Loan premium	1.0%
Cost of debt a. tax	4.0%
Beta	1.6
Market risk	4.0%
Req. return on equity	10.9%
Debt, % of total fin.	0.1%
WACC	**10.9%**

Valuation	Total	Per Share
Currency		
Interest b. debt	0	0.0
Cash & cash equiv.	233	4.1
NPV cash flow	343	6.1
2007-09E	-54	-1.0
2010-2020	31	0.5
2021-	366	6.5
Total value	**575**	**10.2**

Source: Kaupthing estimates and company data

We lower our target from NOK 12 to NOK 10 on the back of lower estimates in addition to a slightly lower long-term margin.

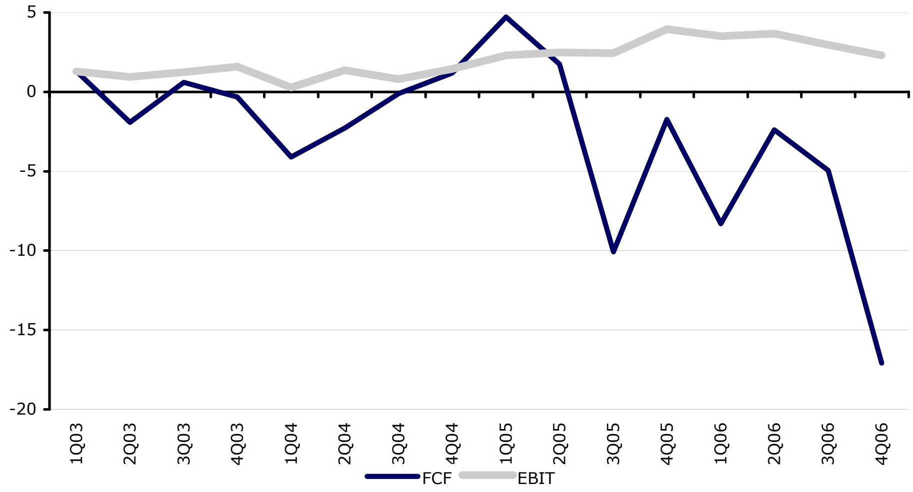
Continued aggressive revenue recognition and accounting

Fast continued its aggressive revenue recognition in Q4. Again we saw that deals announced in Q1 were accounted for in Q4. Among announced contracts, this only applies to NBC Universal as announced contract inflow in January was weaker than it has been early in quarters historically.

Free cash flow

Adjusted free cash flow was reported at a USD 17m loss, vs. a positive EBIT of 2m. This deviation is the largest ever.

Adjusted free cash flow vs. EBIT



Source: Kaupthing estimates and company data

This picture is worrying for several reasons.

- Firstly, the company never seems to get cash for the software and services it has sold, in current or previous quarters. This again triggers questions regarding the quality of accounts receivable.

- Secondly, it indicates that Fast is increasing its R&D capitalisation heavily, having a lagging effect on amortisation in the P&L statement.

- Fast also needs to invest in more hardware to keep up with its high reported revenues making operations more capital intensive.

- We believe that the highly generous credit facilities could bring product quality into question. Why would Fast need to give such conditions if its product is a market leader and a "must have"? Most of Fast's customers are large enterprises with no payment problems.

- We also believe giving high DSO's is a way of inflating sales and sales growth. Consequently, we consider Fast's reported growth of 50-60% worth less than growth in similar companies with decent DSO levels. Fast states on page 39 of its 2006 annual report that *…to a certain degree the payment terms are also extended beyond 12 months…*

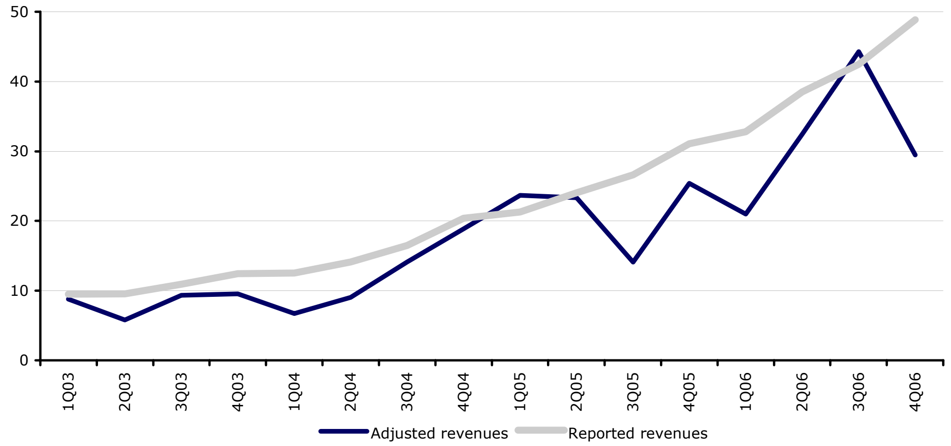
- We are uncertain if some accounts receivable should be booked as "Accrued unbilled revenues". It sounds strange to us that an invoice should have payment terms of 200 days.

- At the Q4 mid-quarter presentation, the company stated that system integrators and OEMs had payment terms of up to 360 days. We also find this strange, and another sign of aggressive revenue recognition.

In summary, these issues indicate a questionable income statement, as well as a low and decreasing quality of earnings.

We have made an adjusted income statement for Fast, where EBIT equals free cash flow in each quarter. We assume that OPEX is booked in the quarter in which it is incurred, and therefore keep this unchanged.

Adjusted revenues vs. reported revenues

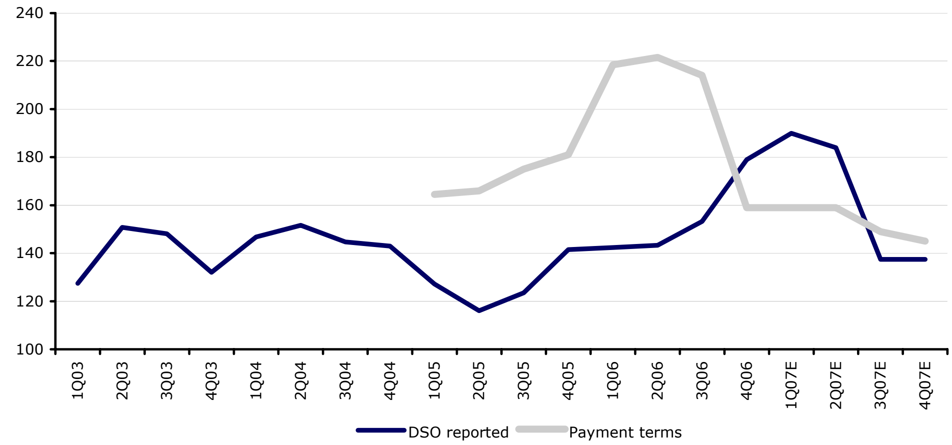


Source: Kaupthing estimates and company data

Adjusted sales for 2006 would have been USD 127.2m, 22% below reported sales of USD 162.6m. Adjusted yoy growth would then be 45%, considerably lower than the reported 62%. In this light, USD 235m in revenues for 2007 seems high.

At its quarterly presentation, the company presented a graph, showing the actual payment terms on deals entered in each quarter in addition to reported DSO. According to Fast, this was above 200 days in the first three quarters in 2006, while conveniently falling by 55 days to 159 days in Q4. Note that the forecasts represent Fast's own predictions. According to the dark blue graph, DSO will increase in 1H-07, and cash flow will consequently be weak.

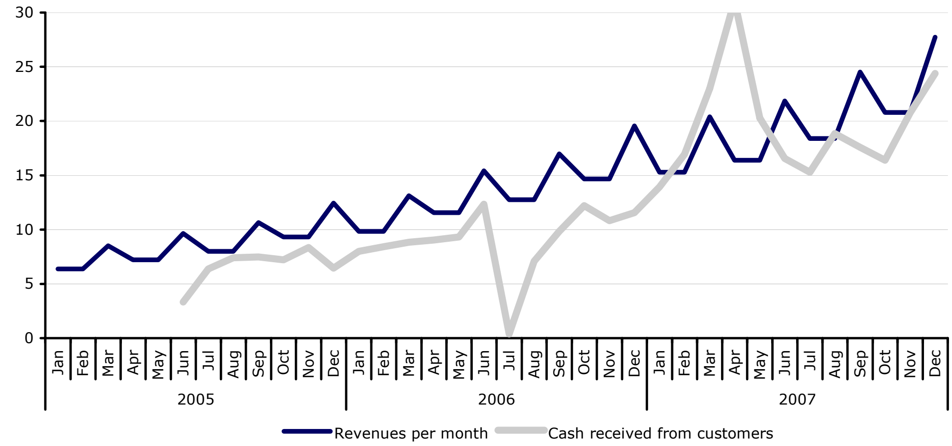
Reported DSO vs. actual DSO



Source: Kaupthing estimates and company data

If we take a closer look at this graph, we can observe a couple of interesting things. First, let us calculate when the cash really should be received from customers given the actual payment terms (light blue graph).

Revenues per month vs. cash received from customers per month (USDm)

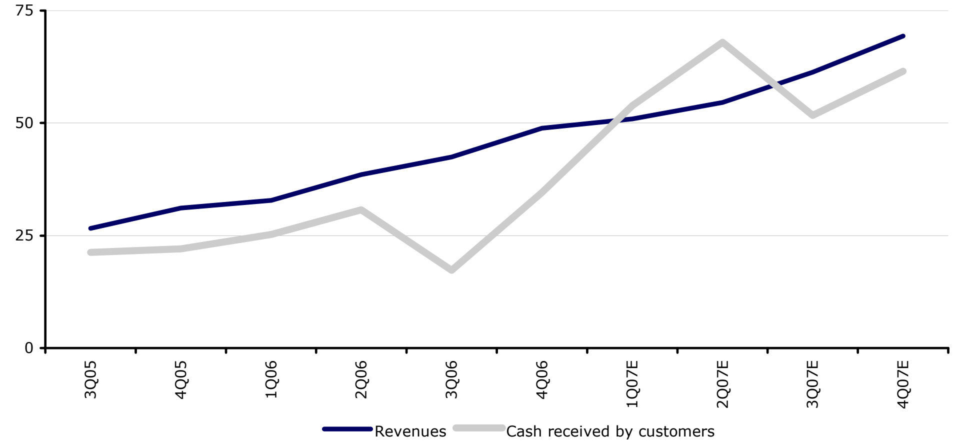


Source: Kaupthing estimates and company data

An important assumption in this graph is that 30% of revenues are distributed in the first month, 30% in the second month and 40% in the third month. In other words, the trend is slightly loaded towards the back-end loaded quarters. 2007 revenues are Kaupthing estimates. Cash received from customers is calculated on the basis of actual payment terms. For example, revenues in January 2006 were USD 9.8m with a DSO of 218 days, or 7.28 months. Consequently, 72% of cash is received in seven months (August) and 28% in eight months (September). This is not 100% accurate as DSOs can vary within a quarter and revenue distribution not is constant, although it should not deviate much from the actual trend.

Below, this is illustrated on a quarterly basis.

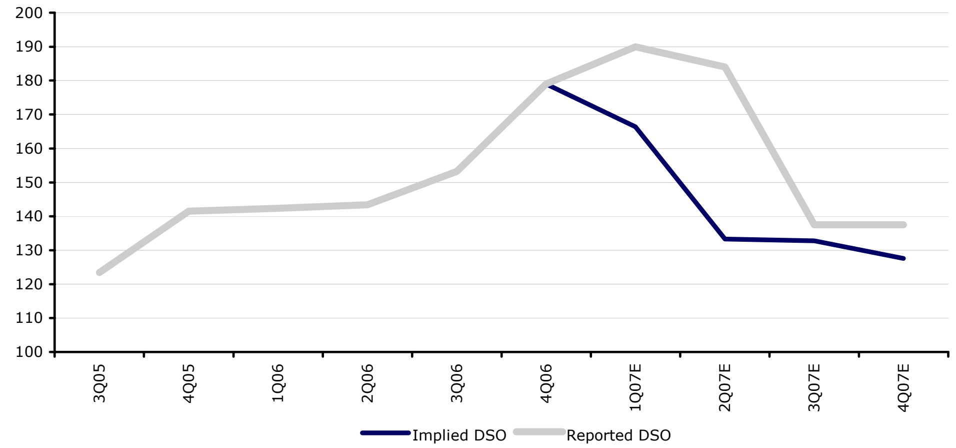
Revenues per month vs. cash received from customers per month (USDm)



Source: Kaupthing estimates and company data

Cash received from customers exceeding revenues means a reduction in accounts receivable, or a positive element in cash flow, and vice versa. As we can see from the graph, cash flow is expected to be great already in Q1-07, but particularly in Q2-07, following a decline in DSO.

Implied vs. reported DSO

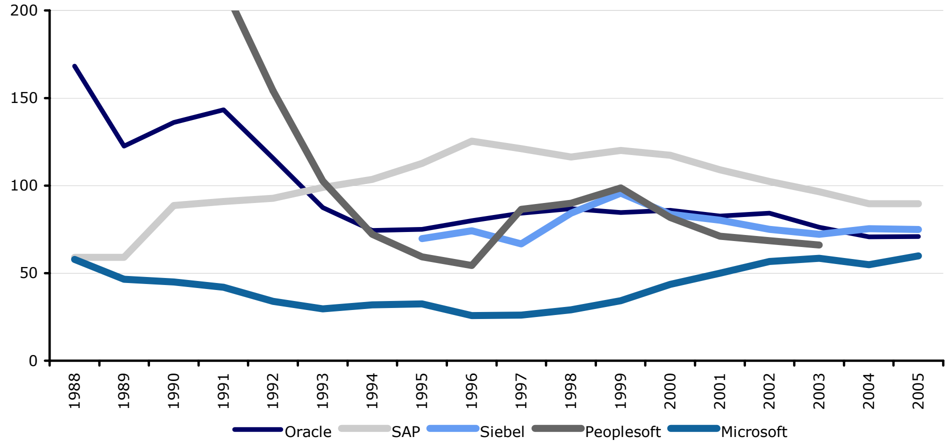


Source: Kaupthing estimates and company data

As we can see from this graph, this is not consistent with the company's DSO forecasts (light blue graph). We therefore find it difficult to follow these guidelines. If Fast's DSO guidance for 2007 is correct, payment terms for the first quarters in 2006 were much more extensive than the reported 200-220 days. In addition, since quarters are back-end loaded, reported accounts receivable tend to be at a higher level than actual payment terms.

The world's leading software players, have never needed payment terms such as these to support their high growth over the past two decades.

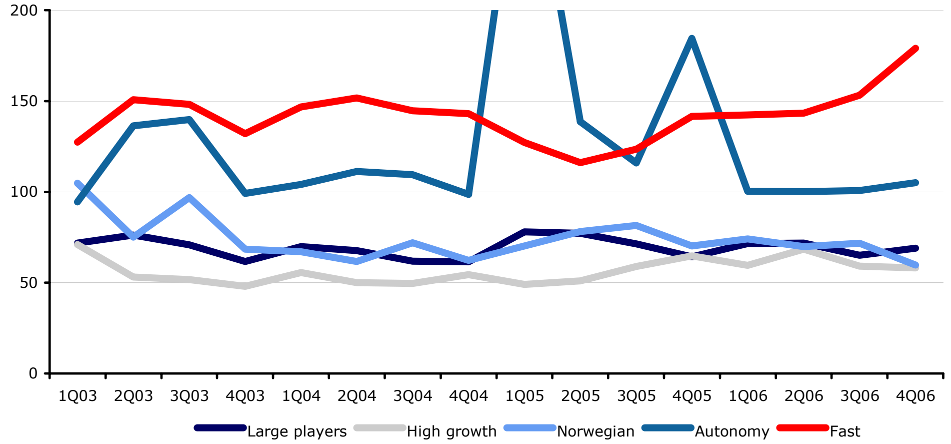
DSO for the world's leading software players



Source: Kaupthing estimates and company data

In the periods measured, Oracle had a CAGR of 25%, SAP of 31%, Siebel of 27%, Peoplesoft of 40% and Microsoft of 28%.

DSO



Source: Kaupthing estimates and company data

This graph leads us to the same conclusion. We have compared large players (Microsoft, Oracle, SAP), high-growth players (Opsware, Salesforce.com, Red Hat, Adobe), Norwegian players (Mamut, Norman, Super Office) and competitor Autonomy to Fast. Autonomy displays an incongruous deviation due to its acquisition of market leader Verity in Q4-05.

Revenue recognition standards

We also noticed that Fast has changed its revenue recognition principles in its already released 2006 annual report (page 16). Fast no longer follows SOP 97-2 (as it did previously according to page 32 of the 2005 annual report). The SOP 97-2 (Statement of Position) provides guidance on applying generally accepted accounting principles in recognising revenue on software transactions. On page 16 in the 2006 annual report, it says:

"*Revenues are measured at the fair value of the consideration received or receivable, net of discounts and sales related taxes. Revenues from sale of products are recognised at the time the customers have received the* ***significant risk and rewards*** *of ownership, it is* ***probable*** *that the economic benefits associated with the transaction will flow to the Group and the amount of* ***revenue can be measured reliably***."

We find this statement rather loose. In other words, Fast does not even need to have signed the contract to book it (significant risk and reward). It also appears as though

Fast does not require full acceptance from customer or a fixed value (*measured reliably* – what about hosting and royalties?) to book the contract upfront. On page 17, this is confirmed as it says:

"*Revenue is recognised at the time of delivery (...)* ***Normally****, the software will not be delivered before the customer has signed the contract.*"

So, the contract does not have to be signed before Fast books the revenue.

More disturbing is a statement on page 16:

"*In case of prolonged payment terms, the revenue is recognised based on the effective interest rate method.*"

We find this quite spectacular. Fast might then book revenues upfront with payment terms years into the future. An example: If Fast enters into an agreement worth USD 1m with payment in two years, it can book USD 920k today (given a 4% interest rate). This is definitely a DSO driver and another sign of aggressive revenue recognition.

Furthermore, Fast does not consider services a part of a complete business arrangement according to page 16:

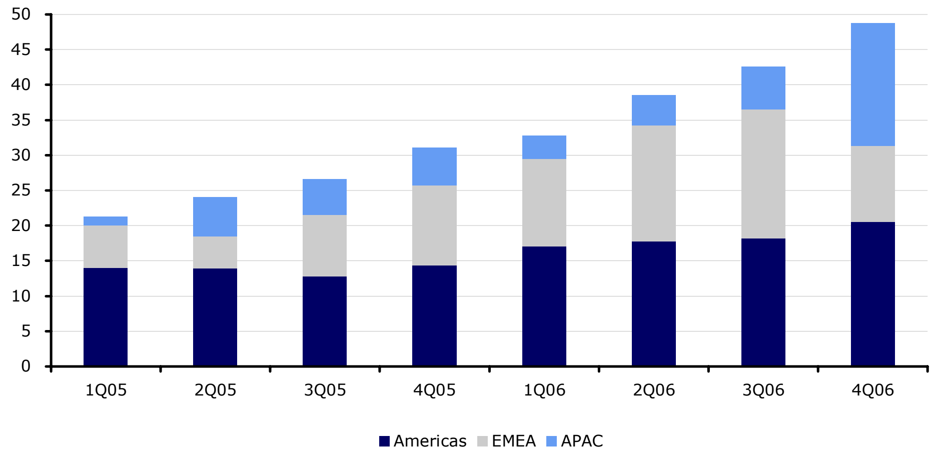
"*Fast generates revenues from licensing and hosting its software and from related maintenance and post-contract support ("PCS") services. Revenue from the sale of licenses is considered to consist of several elements, license and maintenance and is split based on fair values.*"

We find this rather strange. If the software is complex and services are needed to get it installed and up and running, the revenue from these (services) is booked as the services are performed (page 17), while licenses are booked up-front (before payment and customer acceptance).

Odd geographic trend in Q4

The geographic trend during the quarter was odd. APAC increased from USD 6m in Q3 to USD 17m. At the same time, EMEA sales fell 40% qoq from USD 18m in Q3 to USD 11m in Q4. We find it highly odd that these to movements offset one another so smoothly.

Geographic sales (USDm)



Source: Kaupthing estimates and company data

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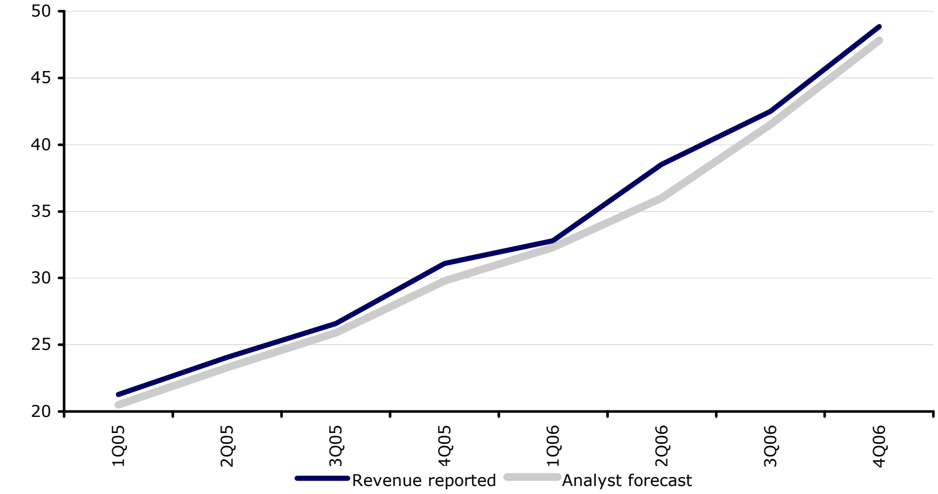
We mainly believe the Accoona deal was the reason behind the strong APAC trend, although Accoona was not willing to comment on contract details. What would have happened if this deal was signed in Q1 instead?

We also find it odd how Fast seems to continuously overshoot analyst estimates very smoothly by USD 0.5-1.0m each quarter.

Reported revenues vs. analyst forecast (USDm)

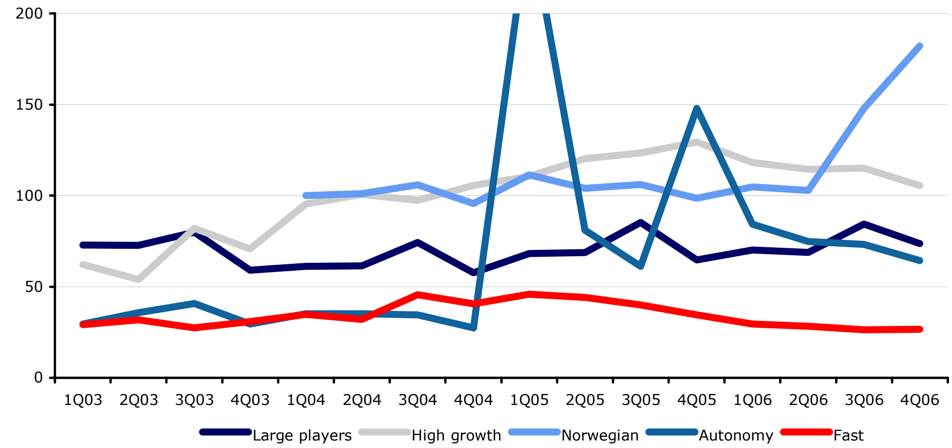


Source: Company data and TDN Finans consensus

Deferred revenues

Deferred revenues increased in Q4, but not in days of sales, which remain at a very low level. Deferred revenue days describe how many days of current revenue level the company has deferred (unbooked). In Q4 it was 27 days.

Deferred revenue days



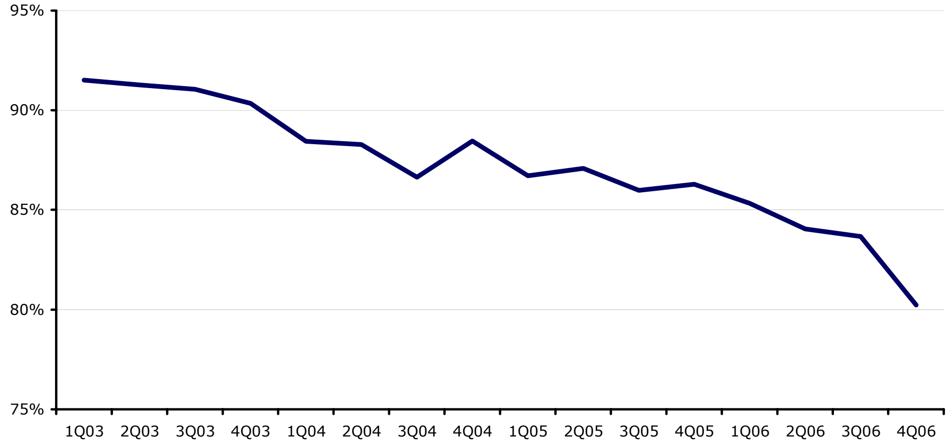
Source: Kaupthing estimates and company data

As illustrated, Fast lags our other groups of companies, again indicating overly aggressive revenue recognition. This should also raise issues regarding its low renewal rate and excessive upfront bookings.

Gross margin

Gross margin has been falling over the past few quarters, a trend that is expected to continue in 1H07. This is due to expanded usage of external consultants and internal technical personal. Such margin development is not typical for software companies.

Gross margin

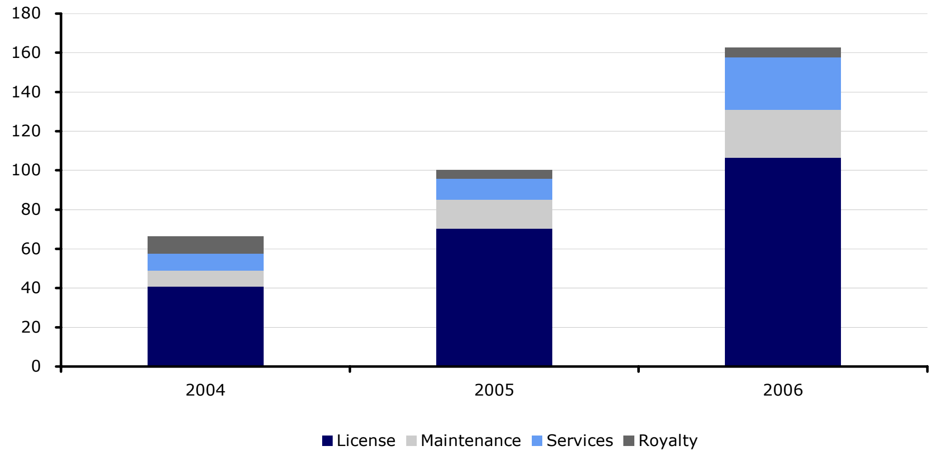


Source: Kaupthing estimates and company data

Revenue sources

Fast reported a service share of 16.4% in 2006, up from 10.7% in 2005. We expect this trend to continue as Fast needs to use more internal and external resources to complete contracts and projects. The company has also announced that it will use more resources towards partners.

Revenue sources



Source: Kaupthing estimates and company data

High degree of R&D capitalisation

Fast capitalises an increasing part of its R&D investments, which increased 67% yoy to USD 15m in 2006. This again inflates margins compared to other companies, which expense most R&D investments. For example, Norwegian software company FIRM books all of its R&D investments through its P&L sheet. By adjusting for this, EBITDA falls from USD 15m to USD 3m. If all R&D was expensed, amortisation would have been lower. Consequently, the effect is smaller on EBIT than on EBITDA.

P&L reported and adjusted for R&D capitalization

	Reported 2006	Adjusted 2006	Reported 2005	Adjusted 2005
Total Net Revenues	**162.6**	**162.6**	**100.2**	**100.2**
Cost of revenues-search services	27.5	27.5	13.9	13.9
Cost of revenues-content services	-	-		
R&D	23.2	38.2	17.1	26.1
Sales and Marketing	63.2	63.2	35.9	35.9
General and administrative	20.5	20.5	12.0	11.9
Share-based compansation				
Share-based compansation IFRS	10.1	10.1	5.6	5.6
Non-recurring charges	-	-		
EBITDA	**18.0**	**3.0**	**15.8**	**6.8**

Source: Kaupthing estimates and company data

Forecast P&L, cash flow - Fast Search & Transfer (USDm)

Profit and loss	2001	2002	2003	2004	2005	2006	2007E	2008E
Total sales	0	1	42	64	100	163	236	337
Total expenses	-46	-26	-29	-49	-84	-145	-204	-291
EBITDA	**-46**	**-25**	**13**	**15**	**16**	**18**	**32**	**46**
Depreciation	-10	-4	-6	-8	-9	-15	-23	-28
Amortisation	0	0	0	0	0	0	0	0
Impairment charges, gw.	0	0	0	0	0	0	0	0
Other items / EBIT adj.	0	0	0	0	0	0	0	0
EBIT	**-56**	**-30**	**8**	**7**	**7**	**3**	**9**	**18**
Net financial items	-8	1	0	1	0	6	3	3
Share of res. of ass. companies	0	0	0	0	0	0	0	0
PTP	**-64**	**-28**	**7**	**9**	**7**	**9**	**12**	**21**
Tax	0	0	8	-1	0	-5	-4	-6
Profit after taxes	-64	-28	15	8	7	4	9	15
EO items not in EBIT	0	0	0	0	0	0	0	0
Net income before min. int.	-64	-28	15	8	7	4	9	15
Net profit, reported	**-64**	**-32**	**71**	**7**	**7**	**4**	**9**	**15**
Adjusted profit and loss								
Analyst adjustments	0	0	0	0	0	0	0	0
EBIT (adj.)	-56	-30	8	7	7	3	9	18
PTP (adj.)	-64	-28	7	9	7	9	12	21
Net profit (adj.)	-64	-32	71	7	7	4	9	15
Impairment charges, gw.	0	0	0	0	0	0	0	0

Balance sheet - Fast Search & Transfer (USDm)

Assets	2001	2002	2003	2004	2005	2006	2007E	2008E
Goodwill	0	0	0	0	0	0	0	0
Other intangibles	7	8	8	31	35	76	76	76
Tangible assets	13	7	2	3	7	15	36	54
Fixed assets, other	1	1	12	11	49	32	32	32
Shares, associated companies	0	0	0	0	0	0	0	0
Total fixed assets	**20**	**16**	**22**	**45**	**91**	**124**	**144**	**163**
Inventory	0	0	0	0	0	0	0	0
Accounts receivable	9	16	18	32	49	97	123	152
Other current ass. and tax	4	5	18	6	8	14	18	22
Cash and equivalents	9	25	77	77	126	233	208	196
Total current assets	**22**	**46**	**113**	**115**	**183**	**344**	**350**	**370**
Total assets	**42**	**62**	**135**	**161**	**274**	**468**	**494**	**533**
Equity and debt								
Shareholders equity	15	52	122	134	241	417	426	440
Minority interest	0	0	0	0	0	0	0	0
Total equity	**15**	**52**	**122**	**134**	**241**	**417**	**426**	**440**
Deferred tax debt	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	4	1	0	0	0
Other provisions and l-t liab.	6	0	1	0	1	2	2	2
Convertible debt	0	0	0	0	0	0	0	0
Long-term int.-bearing debt	0	0	0	0	0	0	0	0
Total long-term liab.	**6**	**0**	**1**	**5**	**2**	**2**	**2**	**2**
Accounts payable	1	2	1	2	5	9	60	84
Other current liab. and tax	20	8	10	20	26	39	7	7
Short-term int.-bearing debt	0	0	0	0	0	0	0	0
Total current liab.	**21**	**9**	**12**	**22**	**31**	**49**	**66**	**91**
Total liab. and equity	**42**	**62**	**135**	**161**	**274**	**468**	**494**	**533**
Interest-bearing debt	0	0	0	4	1	0	0	0
Net debt (- =assets)	-9	-25	-77	-73	-125	-232	-208	-196
Operating capital	6	27	46	61	116	185	218	244

Source: Kaupthing estimates, company data

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Cash flow - Fast Search & Transfer (USDm)

Cash flow statement	2001	2002	2003	2004	2005	2006	2007E	2008E
Operating profit	-56	-30	8	7	7	3	9	18
Provisions	0	0	0	0	0	0	0	0
Total depr. and writedowns	10	4	6	8	9	15	23	28
Chg. working capital	8	-20	-13	8	-9	-37	-12	-8
Other non-cash items	2	-4	4	-14	-2	0	0	0
Net financial items	-8	1	0	1	0	6	3	3
Income taxes paid	0	0	8	-1	0	-5	-4	-6
Operating cash flow	-43	-48	12	9	5	-18	19	34
Capex	-5	-6	-6	-13	-17	-31	-38	-46
FCF from operations	-49	-54	6	-4	-12	-49	-19	-12
Fin. inv. and acquisitions	-1	0	50	3	-43	-41	-6	0
Share issue/repurchase	18.4	27.6	1.1	0.0	100.1	0.0	0.0	0.0
Dividend paid	0	0	0	0	0	0	0	0
Other items	40.0	42.5	-5.5	-2.6	7.9	196.8	0.0	0.0
Change in net debt	9	16	52	-4	52	107	-24	-12

Key figures - Fast Search & Transfer

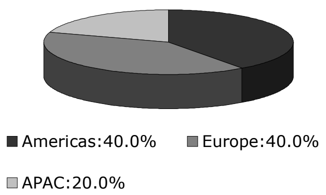
Valuation	2001	2002	2003	2004	2005	2006	2007E	2008E
Market cap	393	140	596	541	1,097	855	941	952
Enterprise value	384	115	520	468	972	623	708	720
P/E	n.m.	n.m.	8.3	81.0	148.0	219.6	109.3	65.6
P/E (adj.)	n.m.	n.m.	8.3	81.0	148.0	219.6	109.3	65.6
P/E (adj. excl. gw.)	n.m.	n.m.	8.3	81.0	148.0	219.6	109.3	65.6
P/CE	n.m.	n.m.	23.9	456.4	78.8	44.6	29.8	22.5
P/S	1,638.8	199.0	14.1	8.5	10.9	5.3	4.0	2.8
P/BV	26.4	2.7	4.9	4.0	4.5	2.1	2.2	2.2
Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (adj.)	n.m.	n.m.	39.3	31.2	61.5	34.6	21.9	15.8
EV/EBIT (adj.)	n.m.	n.m.	68.2	62.8	138.7	229.2	75.6	40.4
EV/S	1,601.84	163.83	12.25	7.37	9.70	3.83	3.00	2.14
Data per share								
Adjusted EPS (also gw.)	-0.3	-0.1	0.3	0.0	0.0	0.0	0.0	0.0
EPS (adj. excl. gw.)	-0.3	-0.1	0.3	0.0	0.0	0.0	0.0	0.0
CEPS	-0.2	-0.1	0.1	0.0	0.1	0.1	0.1	0.1
Dividend per share	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BV per share	0.1	0.2	0.5	0.5	0.9	1.2	1.3	1.3
Net debt per share	0.0	-0.1	-0.3	-0.3	-0.5	-0.7	-0.6	-0.6
FCF per share	-0.2	-0.2	0.0	0.0	0.0	-0.1	-0.1	0.0
Growth (%)								
Sales growth	n.m.	193.3	5,925.0	49.9	57.7	62.3	45.2	42.5
Net profit growth	n.m.	n.m.	n.m.	-90.6	10.9	-47.4	120.9	68.5
Equity growth	n.m.	249.9	135.2	9.3	80.3	72.8	2.1	3.4
Dividend growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Margins and profitability (%)								
Gross margin	-6,154.6	-949.7	78.9	87.9	86.1	83.1	78.7	80.0
EBIT margin (adj.)	-23,320.8	-4,199.1	18.0	11.7	7.0	1.7	4.0	5.3
Net profit margin (adj.)	-26,480.0	-4,608.9	168.4	10.5	7.4	2.4	3.6	4.3
Return on equity, RoE	-854.3	-96.9	81.8	5.2	3.9	1.2	2.0	3.3
ROCE	-855.6	-85.0	8.6	6.7	3.9	2.7	2.9	4.8
Capital structure								
Debt/equity ratio	0.0	0.0	0.0	3.3	0.3	0.1	0.1	0.1
Capital employed	15	52	122	138	242	418	426	441
Net debt/equity	-0.60	-0.48	-0.62	-0.54	-0.52	-0.56	-0.49	-0.44
Net debt (- =assets)	-9	-25	-77	-73	-125	-232	-208	-196
Asset turnover	0.0	0.0	0.3	0.4	0.4	0.3	0.5	0.6
Equity ratio (%)	35.0	84.4	90.7	83.3	88.1	89.2	86.2	82.6
Cash flow								
Capex/sales (%)	2,260.4	871.2	15.0	20.6	16.9	19.1	16.1	13.7
Capex/depr. (%)	53.2	140.2	113.2	173.2	192.5	202.9	165.2	165.5
Working capital	-8	12	24	17	26	63	75	83

Source: Kaupthing estimates, company data

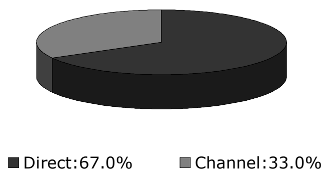
Company data - Fast Search & Transfer

Owners	% of capital
Orkla	10.4
Euroclear Bank	8.6
Opticom	7.4
Bank Julius Baer and Co. AG	3.3
Gudesen Hans Gude	3.0
Charles Street	3.0
JPMorgan Chase Bank	2.5
Goldman Sachs and Co.	1.9

Geogr. areas	% of sales
Americas	40.0
Europe	40.0
APAC	20.0

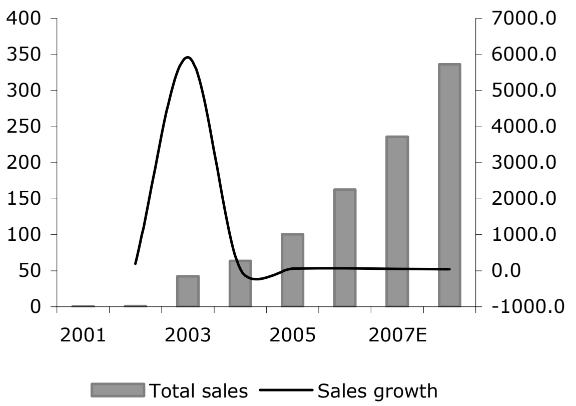


Business areas	% of sales
Direct	67.0
Channel	33.0

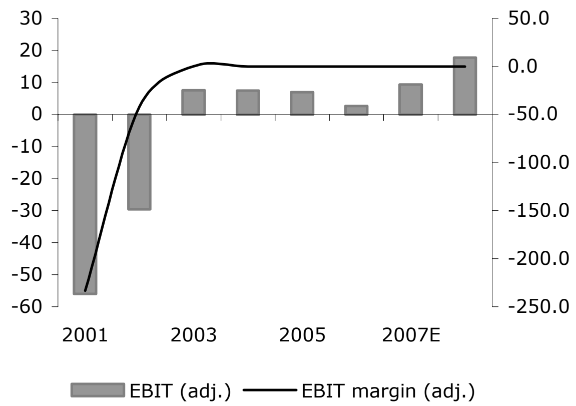


Management	
Chairman	Thomas J. Fussell
CEO	John M. Lervik
CFO	Joseph Lacson
IR	Joseph Lacson

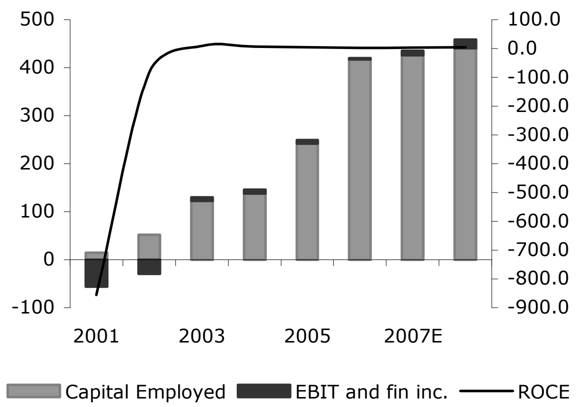
Sales and growth



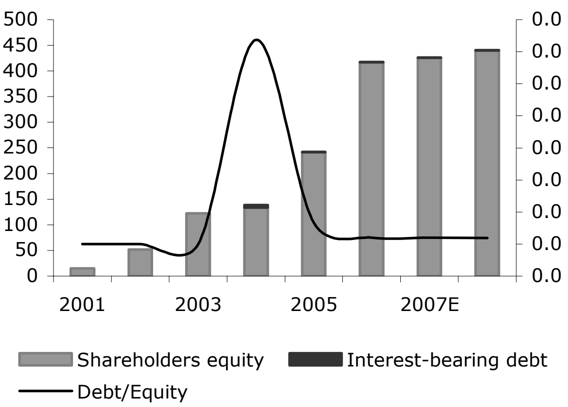
Operating profit and margin



Return on capital employed



Gearing



Source: Kaupthing estimates, company data

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Planned frequency for updates of report about this Company: 3-4 times per year
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Kaupthing	Percent	SRO Equivalent	Percent
Buy	37%	Buy	37%
Neutral	41%	Hold	41%
Reduce	22%	Sell	22%
Total	100%	Total	100%

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