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Madonna Concert Flop Makes Promoter T4F a Buy: Corporate Brazil

By Denyse Godoy and Katerina Petroff - Dec 26, 2012

[T4F Entretenimento SA \(SHOW3\)](#)'s plunge from the world's most expensive concert promoter to one of the cheapest has analysts predicting a rebound.

All six analysts who [rate](#) the company known as Time 4 Fun reiterated or raised their ratings to the equivalent of a "buy" since mid-November, data compiled by Bloomberg show. Sao Paulo-based Time 4 Fun traded at 10.8 times estimated 2013 earnings as of Dec. 21, the cheapest among global peers after [Germany's DEAG Deutsche Entertainment \(ERMK\)](#) AG and [South Korea's SM Entertainment Co. \(041510\)](#). Based on 2012 profit, the stock had the industry's highest ratio at 43.

Time 4 Fun plunged 58 percent since the beginning of September after billionaire [Eike Batista's](#) entertainment venture lured away one of its headline shows and weak demand for concerts from Madonna to Lady Gaga forced the promoter to sell tickets at a discount. Demand for live events will rise as growth picks up in [Brazil](#), the world's second-largest emerging economy, according to Bruno Piacentini, a partner at Fama Investimentos.

"It's definitely worth more," Piacentini, who helps manage 1.3 billion reais (\$625 million) at the Sao Paulo-based fund, said in a telephone interview. "The market move was due to one-time events rather than the company losing value."

Time for Fun rose 2.7 percent today to 7.50 reais in Sao Paulo trading.

Cirque du Soleil

The stock selloff was triggered by the Sept. 25 announcement that IMX, a partnership between Batista's EBX Group Co. and IMG Worldwide Inc., will promote Cirque du Soleil events in [South America](#). The deal was a blow to Time 4 Fun, the previous promoter of the Canadian acrobatic show, which was its biggest draw among regularly scheduled offerings.

The company's troubles were compounded by the back-to-back disappointing sales for Lady Gaga's show in November and Madonna a month later, each of which were expected to lure as many as 90,000 concert-goers. While tickets were originally priced for as much as \$410 apiece,

T4F teamed up with retailer Lojas Riachuelo in the final week before Lady Gaga's performance to hold a two-for-one promotion.

"Weaker demand from the public caused ticket sales to miss expectations and that, combined with rising costs due to inflation and mostly the weaker real, led to financial losses for recent concerts," Joao Costa Marques, a partner at the Rio de Janeiro-based investment fund PrismaInvest, which has \$10 million in assets under management. "It wasn't obvious to include that in the [forecast](#) when contracts were signed many months before the events took place. That's part of the business risk."

Price Target

Time 4 Fun said in a Dec. 10 regulatory filing that lower-than-expected ticket sales and depreciation in the local currency against the dollar will lead to "weaker" fourth-quarter earnings and possibly 2013 results.

The announcement prompted analysts to cut the average 12-month price target to 10.48 reais a share, down from 17.67 reais a few days earlier, data compiled by Bloomberg show.

Time 4 Fun's press office declined to comment for this story. An e-mail sent to a Lady Gaga representative wasn't immediately returned. Madonna's MDNA tour was "one of the top 10 tours in history," Arthur Fogel, the chairman of [Live Nation Entertainment Inc. \(LYV\)](#)'s global music division, the tour's international promoter, said in an e-mailed response to questions.

'Painful Reshaping'

"T4F faces a tough period as competitors seek to build live music and performance arts share of ticket sales and muscle into the company's sponsorship, ticketing and venue management activities," John Nelson Ferreira, investment analyst at Nau Securities Ltd. in [London](#) who rates the stock a buy, said in a Dec. 11 note to clients. Still, T4F is in "a strong position to see out a painful reshaping of the industry landscape."

Time for Fun had the potential to return 44 percent as of the last trading session, compared with an average 27 percent among Brazilian stocks currently trading below their 12-month price targets, data compiled by Bloomberg show.

Rebounding growth next year will be the main driver for Time 4 Fun, Fama Investimentos' Piacentini said. Growth in Brazil is expected to drop to 1 percent in 2012, according to this week's central bank survey of economists, from 2.7 percent in 2011. The economists forecast the expansion to accelerate to 3.3 percent in 2013.

"Brazilians are more indebted and the ticket prices are getting closer to their available disposable income -- spending on entertainment isn't the priority," he said. "Next year, the

economy is already going to have a better growth rate, and since ticket sales depend on growth, that's going to mean higher demand for shows.”

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