

Brazil's Submarino Widens Its Internet Reach Acquiring Ingresso.com

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Brazilian Internet retailer Submarino S.A. announced the acquisition of 100% of the stock capital of Ingresso.com.br ("Ingresso.com"), a leading online retailer of movie, theater and entertainment tickets.

With this acquisition, Submarino says it is entering a new and attractive market while also offering its customers a new differentiated service. The price paid for the acquisition, adjusted by Ingresso.com's cash position, was 8.3 million reais (US\$ 3.7 million), equivalent to 7 times the 2005 projected EBITDA.

Ingresso.com has two business units. Through its website, the company sells tickets for movies, theaters and entertainment events and is currently the only company selling movie tickets through the Internet in Brazil.

In 2004, the company sold approximately one million tickets to its active client base of 131,000 clients. It also deals with automation of movie theater and music hall box offices. Ingresso.com's box office software runs 881 theaters nationwide.

In 2004, Ingresso.com's revenue reached 4 million reais (US\$ 1.8 million), representing a 77% growth over 2003. In that year, the company's EBITDA was 969,000 reais (US\$ 431,000), a 28.3% margin over net revenues.

The Market

The movie theater market in Brazil was estimated at 770 million reais (US\$ 342 million) in 2004 with 115 million tickets sold. The market grew at an annual average rate of 22% from 2001 to 2004.

We estimate that the level of penetration in Brazil is 0.6 tickets/year, while it is 1.4 in Mexico and 1.1 in Argentina. Online sale penetration is 1% over the total number of tickets sold. In the USA, online and telephone sales account for 10% of total tickets sold.

The company believes that the market of other entertainment tickets (theaters and shows) is around 280 million reais (US\$ 124 million), equivalent to 7 million tickets sold in 2004. For comparison purposes, the entertainment ticket market in Mexico sells approximately 20 million tickets per year, in spite of having a population 43% lower than Brazil's.

Submarino says there is "tremendous potential" for Ingresso.com to operate together with Submarino. According to Submarino, Ingressos will provide a differentiated service to clients, besides offering the a wide selection of books, music and DVDs.

The sale of tickets will be provided by Submarino. During November, the clients of Ingresso.com will receive a coupon welcoming them to the Submarino community. In the near future, a selection of DVDs and movie sound tracks will be offered on Ingresso.com web pages.

Submarino offers in its online site more than 700,000 items across 24 product categories that are sourced from more than 1,100 suppliers, in addition to e-commerce services. Submarino delivers to the main cities in Brazil in up to two days and provides same-day delivery for certain items to the São Paulo metropolitan area.

Submarino S.A. - www.submarino.com.br