

Sonaecom

Offer for minorities

A decent offer

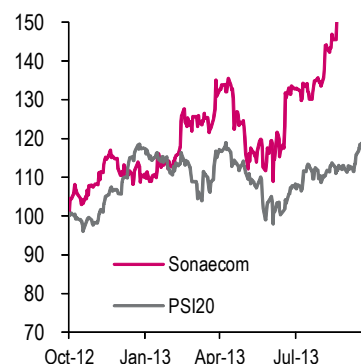
SNAPSHOT

Reduce (High Risk) Target_{YE13} (€): 2.20

	2011	2012	2013E	2014E
Financials				
Revenues (€ mn)	872	835	783	782
EBITDA (€ mn)	236	246	230	234
Net Income (€ mn)	63	75	52	55
EPS (€)	0.17	0.21	0.14	0.15
CEPS (€)	0.53	0.62	0.56	0.57
DPS (€)	0.07	0.12	0.09	0.10
Ratios				
RoIC (%)	4.2	4.5	3.5	3.8
RoE (%)	6.3	7.2	4.8	5.0
Net Debt/EBITDA (x)	1.5	1.5	1.5	1.4
Net Debt/EV (%)	41.0	40.1	29.2	27.7
Valuation				
P / E (x)	7.1	7.2	16.1	15.2
EV / Revenues (x)	0.9	1.1	1.5	1.5
EV / EBITDA (x)	3.2	3.7	5.1	5.0
Dividend Yield (%)	5.6	7.9	3.8	4.5

Source: Millennium investment banking

Price (€): 2.29
 Upside: -4%
 No. Shares (mn): 366
 Market Cap (€ mn): 837
 Avg Daily Vol 3m (k): 532.9
 Reuters: SNC.LS
 Bloomberg: SNC PL
 Prices as at 29-10-2013



- Sonaecom launched yesterday a tender offer for the acquisition of a maximum of 88.5 mn shares, representing 24.16% of its own share capital. In exchange, Sonaecom will deliver 0.48228346 Zon Optimus shares for each own share. We remind that Sonaecom holds a direct stake of 7.2% in Zon Optimus' capital, i.e., 37.5 mn shares, in addition to the 50% stake in holding ZOPT that controls 50.01% of Zon Optimus' capital.
- The exchange ratio values Sonaecom shares at €2.45, which stands for a 7% premium over yesterday's closing price and 10% over the average weighted closing price of the last 30 days. Zon Optimus' shares are valued at €5.08, the average weighted closing price of the last 5 days. If Zon Optimus shares held by Sonaecom are not enough to cover demand, the difference will be paid in cash (up to a maximum of 12% of price offered).
- Sonae holds 73.93% of Sonaecom's capital, Board members of companies of Sonae group hold 0.39% and Sonaecom holds 1.52% of its own capital. The offer targets the free float (24.16% of capital). Acquired shares will be cancelled. If offer is successful, Sonaecom could be delisted. Offer could be finalized before the end of this year.
- Sonaecom explains in the release that the purpose of the offer is to enable the direct exposure of the shareholders to the reference asset of the company (Zon Optimus).
- The offered price represents an 11% premium vs. our valuation (€2.20/ share), and therefore we think investors should accept the offer.
- Looking at market prices, if Zon Optimus is valued at €5.08, then Sonaecom's fair price is €2.55 (considering Sonaecom holds 32.2% of Zon Optimus, c. €160 mn in cash, plus SSI, Público and other businesses- that we value at €36 mn- and applying a 10% holding discount). The offered price actually entails a 13% discount vs. Zon Optimus.
- In conclusion, we believe this offer is not amazingly generous, but overall decent.

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Income Statement

€ million	2011	2012	2013E	2014E
Operating Revenues	872.4	834.7	783.1	781.6
EBITDA	235.5	246.0	230.2	233.5
D&A	153.0	153.4	154.6	152.7
Net Financials	-8.8	-14.0	-17.5	-15.8
Taxes	-11.0	-3.1	-6.1	-10.1
Minority Interests	0.0	0.0	0.0	0.0
Net Income	62.5	75.4	52.0	55.0
Margins (%)				
EBITDA	24.4	29.5	29.4	29.9
EBIT	9.5	11.1	9.7	10.3
EBT	8.4	9.4	7.4	8.3
Effective Tax Rate	-15.0	-4.0	-10.6	-15.5
Net Income	7.2	9.0	6.6	7.0

Source: Company and Millennium investment banking

Financial BS

€ million	2011	2012	2013E	2014E
Fixed Assets	1,580.3	1,584.4	1,553.9	1,538.3
Working Capital	-249.3	-137.4	-127.5	-116.3
Invested Capital	1,331.0	1,446.9	1,426.4	1,422.0
Net Debt	309.6	363.7	344.7	320.6
Minority Interests	0.5	0.4	0.4	0.4
Equity	1,020.9	1,082.9	1,081.3	1,101.0
Capital Employed	1,331.0	1,446.9	1,426.4	1,422.0

Source: Company and Millennium investment banking

Cash-Flow Statement

€ million	2011	2012	2013E	2014E
Cash Flow from Operations	255.1	80.1	152.0	164.7
Cash Flow from Investing	-95.6	-129.0	-122.2	-137.5
Cash Flow from Financing	-38.8	-78.0	-32.8	-27.8
EBITDA - Capex	107.6	112.8	108.0	96.1

Source: Company and Millennium investment banking

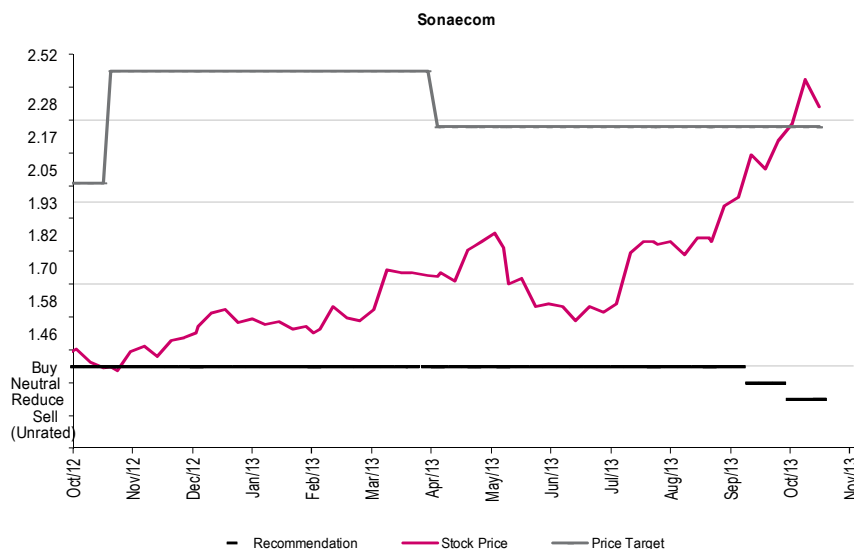
Leverage Indicators

€ million	2011	2012	2013E	2014E
EBITDA	235.5	246.0	230.2	233.5
Capex	127.9	133.2	122.2	137.5
EBITDA - Capex	107.6	112.8	108.0	96.1
EBITDA - Capex - Dividends	82.6	69.9	75.8	58.5
Financial costs, Net	8.4	10.7	14.2	12.5
Net Debt	309.6	363.7	344.7	320.6
Net Debt / EBITDA	1.5 x	1.5 x	1.5 x	1.4 x
Net Debt / Equity	0.3 x	0.3 x	0.3 x	0.3 x
Net Debt / Capital Employed	0.2 x	0.3 x	0.2 x	0.2 x
EBITDA / Financial costs	28.0 x	22.9 x	16.2 x	18.6 x

Source: Millennium investment banking

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