

Investment Research

02 May 2008

Buy

Recommendation unchanged

Share price*: EUR 4.48

Target price: EUR 6.90

Target Price unchanged

Reuters/Bloomberg SONI.LS/SONI.PL

Accounting Standard/Since IFRS/2005

Market capitalisation (EURm) 627.0

No. of shares (m) 140.0

Free float 41.9%

Daily avg. no. trad. sh. 12 mth 730,800

Daily avg. trad. vol. 12 mth (m) 5.00

Price high 12 mth (EUR) 10.95

Price low 12 mth (EUR) 4.16

Abs. perf. 1 mth -0.9%

Abs. perf. 3 mth -5.7%

Abs. perf. 12 mth -52.1%

(EUR) 12/07 12/08e 12/09e

Sales (m) 2,066 1,976 2,077

EBITDA (m) 355 268 277

EBITDA margin 17.2% 13.6% 13.3%

EBIT (m) 205 160 164

EBIT margin 9.9% 8.1% 7.9%

Net Profit (adj.)(m) 79 67 71

ROCE 3.2% 6.8% 6.9%

Net debt/(cash) (m) 798 767 775

Debt Equity 126.9% 117.6% 112.1%

Debt/EBITDA 2.2 2.9 2.8

Int. cover(EBITDA/Fin.int) 4.4 4.8 5.2

EV/Sales 1.0 0.7 0.6

EV/EBITDA 5.6 5.0 4.8

EV/EBITDA (adj.) 8.9 5.0 4.8

EV/EBIT 9.7 8.3 8.2

P/E (adj.) 16.0 9.3 8.9

P/BV 2.1 1.0 1.0

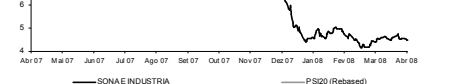
FCF yield -3.3% 12.9% 10.9%

Dividend yield 6.3% 5.4% 5.7%

EPS (adj.) 0.56 0.48 0.51

BVPS 4.25 4.42 4.70

DPS 0.28 0.24 0.26



Source: Datastream

Shareholders: Efanor 51%; Sonae Capital 7%;

*closing price as of 01/05/2008

Higher operating costs impact EBITDA margin in 1Q08

The facts: Sonae Industria will release its 1Q08 results on May 7, after the market close.

Our analysis: Our estimates for the first three months of 2008 are depicted in the table below, where we expect a deterioration of operating margin against the same period of 2007 due to the increase of costs namely wood and methanol.

Main figures

EURm	1Q08	1Q07	% change
Revenues ⁽¹⁾	520.7	539.0	-3.4%
EBITDA ⁽¹⁾	53.2	69.0	-22.9%
EBITDA margin ⁽¹⁾	10.2%	12.8%	-2.58 p.p.
EBIT	25.0	40.0	-37.4%
Net Profit	7.0	13.0	-46.0%

(1) Excluding non-recurrent items

In the case of methanol, there was a 25% YoY increase of prices in the 1Q08, a very significant increment if we consider that chemicals have a c. 30% weight in variable costs.

Conclusion & Action. Typically the company is affected in the operating cost line by the performance of chemicals (oil based) and wood prices. We expect that pressure in terms of costs may be less demanding in the second quarter, when we already can see a dramatic decrease in methanol prices. Our price target FY08 is EUR 6.90 per share with a Buy recommendation.

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Sonae Industria: Summary tables

PROFIT & LOSS (EURm)	2004	2005	2006	2007	2008e	2009e	CAGR 09/04
Sales	1,580.1	1,465.0	1,699.3	2,066.3	1,975.7	2,077.3	5.6%
Cost of Sales & Operating Costs (excl. Pers. Expenses)		-112.0	-1330.8	-1550.6	-1438.4	-1516.4	
Personnel Expenses		-206.0	-244.5	-290.5	-269.4	-284.1	
Non Recurrent Expenses/Income		64.0	139.0	129.6	0.0	0.0	
EBITDA	227.1	211.0	263.1	354.8	267.8	276.8	4.0%
EBITDA (adj.)*		147.0	124.1	225.2	267.8	276.8	
Depreciation, Amortisation & Write Downs	-133.3	-102.6	-143.1	-149.8	-107.3	-113.2	
EBIT	93.8	108.4	120.1	205.0	160.5	163.5	11.7%
EBIT (adj.)*		44.3	-19.0	75.4	160.5	163.5	
Net Financial Interest	-47.5	-44.1	-67.8	-80.5	-55.9	-53.6	
Other Financials	-20.9	0.0	0.0	0.0	0.0	0.0	
Associates	0.0	0.1	0.0	0.1	0.0	0.0	
Other Non Recurrent Items	34.0	-0.1	0.1	0.1	0.0	0.0	
Earnings Before Tax (EBT)	59.5	64.3	52.3	124.7	104.6	109.9	13.1%
Tax	-18.6	-27.8	-18.7	-35.3	-27.9	-29.3	
Tax rate	31.2%	43.3%	35.7%	28.3%	26.6%	26.6%	
Discontinued Operations	34.0	0.0	0.0	0.0	0.0	0.0	
Minorities	-11.7	0.0	-1.3	-10.8	-9.4	-9.8	
Net Profit (reported)	29.2	36.5	32.3	78.7	67.4	70.8	
Net Profit (adj.)	7.2	36.5	32.3	78.7	67.4	70.8	
CASH FLOW (EURm)							
Cash Flow from Operations before change in NWC	167.0	138.4	141.6	206.4	184.1	193.9	3.0%
Change in Net Working Capital	-47.0	0.0	-24.9	-46.3	46.8	-12.0	
Cash Flow from Operations	120.0	138.4	116.7	160.1	230.8	181.9	
Capex	-35.0	-41.0	-312.0	-201.8	-150.0	-113.2	
Free Cash Flow	85.0	97.4	-195.3	-41.7	80.8	68.7	-4.2%
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0	
Dividends	0.0	0.0	0.0	-39.2	-34.0	-35.7	
Other (incl. Capital Increase & share buy backs)		0.0	0.0	0.0	34.0	35.7	
Change in Net Debt		97.4	-195.3	-80.9	80.8	68.7	
NOPLAT		56.5	-24.2	55.4	118.0	120.2	
BALANCE SHEET & OTHER ITEMS (EURm)							
Net Tangible Assets	1,150.0	1,128.0	1,234.6	1,342.8	1,385.5	1,385.5	
Net Intangible Assets (incl. Goodwill)	19.7	45.4	51.6	110.9	110.9	110.9	
Net Financial Assets & Other	14.2	68.3	74.1	63.5	63.5	63.5	
Total Fixed Assets	1,183.8	1,241.6	1,360.3	1,517.3	1,559.9	1,559.9	5.7%
Net Working Capital	118.1	220.4	245.4	291.6	244.9	256.8	
Total capital invested/employed	1,287.7	1,393.8	1,531.5	1,745.4	1,741.3	1,753.3	
Shareholders Equity	405.6	483.9	520.0	595.1	618.4	657.6	10.1%
Minorities Equity	41.2	45.0	28.1	33.7	33.7	33.7	
Net Debt	583.3	635.8	753.3	797.7	767.2	774.6	5.8%
Provisions	46.8	22.5	42.4	45.8	45.8	45.8	
Other Liabilities	225.0	315.4	364.0	403.3	403.3	403.3	
Total Market Cap	524.6	747.8	984.2	1,260.5	627.2	627.2	
Enterprise Value (EV adj.)	1,135.0	1,135.4	1,663.4	1,994.6	1,330.9	1,338.3	
MARGINS AND RATIOS							
Sales growth	9.7%	-7.3%	16.0%	21.6%	-4.4%	5.1%	
EBITDA growth	51.8%	-7.1%	24.7%	34.8%	-24.5%	3.3%	
EBIT growth	3042.3%	15.5%	10.8%	70.8%	-21.7%	1.9%	
EBITDA margin	14.4%	14.4%	15.5%	17.2%	13.6%	13.3%	
EBIT margin	5.9%	7.4%	7.1%	9.9%	8.1%	7.9%	
Debt/Equity (gearing)	130.6%	120.2%	137.4%	126.9%	117.6%	112.1%	
Debt/EBITDA	2.6	3.0	2.9	2.2	2.9	2.8	
Interest cover (EBITDA/Fin.interest)	4.8	4.8	3.9	4.4	4.8	5.2	
ROCE (adj.)		4.1%	-1.6%	3.2%	6.8%	6.9%	
WACC	10.9%						
ROCE (adj.)/WACC							
EV/CE	0.87	0.94	1.09	1.14	0.76	0.76	
OpFCF/EV	7.5%	7.4%	-11.7%	-2.1%	6.1%	5.1%	
EV/Sales	0.72	0.90	0.98	0.97	0.67	0.64	
EV/EBITDA	5.0	6.2	6.3	5.6	5.0	4.8	
EV/EBITDA (adj.)*		8.9	13.4	8.9	5.0	4.8	
EV/EBIT	12.1	12.1	13.9	9.7	8.3	8.2	
EV/EBIT (adj.)*		29.7	nm	26.5	8.3	8.2	
P/E (adj.)	nm	20.5	30.5	16.0	9.3	8.9	
P/BV	13	15	19	2.1	10	10	
FCF yield	16.2%	13.0%	-19.8%	-3.3%	12.9%	10.9%	
Payout ratio	0.0%	0.0%	0.0%	49.8%	50.4%	50.4%	
Dividend yield (gross)	0.0%	0.0%	0.0%	6.3%	5.4%	5.7%	
PER SHARE DATA (EUR)							
EPS (reported)	0.21	0.26	0.23	0.56	0.48	0.51	19.4%
EPS (adj.)	0.05	0.26	0.23	0.56	0.48	0.51	58.1%
BVPS	2.90	3.46	3.71	4.25	4.42	4.70	10.1%
DPS	0.00	0.00	0.00	0.28	0.24	0.26	R+

Source: Company, Caixa Banco de Investimento estimates. * Where EBITDA (adj.) or EBIT (adj.) = EBITDA (or EBIT) +/- Non Recurrent Expenses/Income

2005 restated as IFRS proforma

Recommendation system

From the 18th October 2004, the Members of ESN use a **New Recommendation System**.

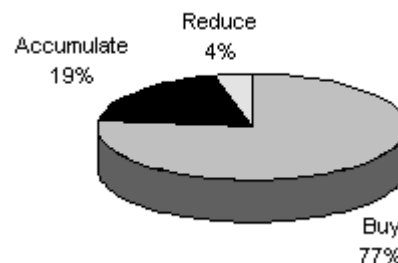
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Meaning of each rating or recommendation:

- **Buy:** the stock is expected to generate a total return of **over 15%** during the next 6 months time horizon.
- **Accumulate:** the stock is expected to generate a total return of **5% to 15%** during the next 6 months time horizon.
- **Hold:** the stock is expected to generate a total return of **0% to 5%** during the next 6 months time horizon
- **Reduce:** the stock is expected to generate a total return of **0 to -15%** during the next 6 months time horizon
- **Sell:** the stock is expected to generate a total return **below -15%** during the next 6 months time horizon
- **Rating Suspended:** the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer or a related party of the issuer is or could be involved or to a change of analyst covering the stock
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Caixa Banco De Investimento Ratings Breakdown



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Sonae Indústria		
Date	Recommendation	Fair Value
01-04-2006	Hold	6.90
11-05-2006	Accumulate	8.50
24-07-2006	Buy	8.50
15-01-2007	Buy	9.00
09-04-2008	Buy	6.90

Source: CaixaBI

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