

IDEIASNET (IDNT3: R\$ 2.70) – 4Q06's Result

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Recom: OUTPERFORM

Target Price: R\$ 4.39

MKT.CAP: R\$ 215.5 million

EV: R\$ 212.6 million

The **net income** of the combined portfolio (*) in the 4Q06 was R\$ 773 thousand, against R\$179 thousand in the 4Q05. In 2006 the retained earnings were R\$2,557 thousand, in comparison to cumulative losses of R\$665 thousand in 2005. However, **the holding Ideiasnet had cumulative losses** of R\$4,127 thousand in 2006, due to the recognition of non-recurring losses from the nationalization process of Softcorp, one of its investments, totaling R\$5,196 thousand. Excluding this non-recurring item, the holding would have had retained earnings of R\$1.0 million in the year, against cumulative losses of R\$ 2.2 million in 2005.

The **net sales** of the combined portfolio(*) of the 4Q06 totaling R\$ 107.1 million were **16.9% and 31.9% above our expectations and of the 3Q06**, respectively, due to the continuation of the strong growth in the gross sales of Officer (+48.6% against 4Q05) and Padtec, which became the largest Brazilian company in the segment of equipment and solutions for optical networks for communications.

However, **the operating result was pressured** by greater commercial and marketing efforts from Officer, consistent with the period's seasonality. Therefore, the EBITDA margin of the 4Q06 of 2.8%, although 160 bps above that of the 4Q05, was 120 bps and 200 bps below our expectations and the 3Q06, respectively.

Combined portfolio (*) (R\$ million)	4Q06	4Q06E	3Q06	4Q05	4Q06/ 4Q06E	4Q06/ 3Q06	4Q06/ 4Q05
Net Revenue	107.1	91.6	81.2	65.6	16.9%	31.9%	63.3%
EBITDA	3.0	3.7	3.9	0.8	-18.9%	-23.1%	-
EBITDA margin	2.8%	4.0%	4.8%	1.2%	-120 bps	-200 bps	160 bps
Net income	0.8	NA	0.8	0.2	-	-	-

(*) Consolidation of the shares equal to the participation of IdeiasNet in each company.

The holding's **net cash** fell to R\$ 2.9 million on 12/31/06 from R\$ 3.9 million on 09/30/06, due to investments of R\$ 0.9 million made in the invested companies in the 4Q06. The **combined portfolio's net debt** increased to R\$ 6.9 million on 12/31/06 from R\$ 5.5 million on 09/30/06.

Softcorp's Nationalization

In order to help Softcorp finance the consolidation of the market of IT products for corporate resale in Brazil, its shareholders decided to nationalize the Company. In order to perform this operation, the shareholders decided the Company would be purchased by Ideiasnet, being then resold to the current partners, in order to maintain their original interests. Thus, once this operation has been completed, Softcorp's ownership will be unchanged.

The operation was started in Dec/06, and the quotas for this Company, which belonged entirely to Latin eVentures Bermuda, were bought by Ideiasnet for the total of R\$ 114 thousand, with a loss for the selling company of R\$ 5,196 thousand and a purchase with discount registered by Ideiasnet worth R\$ 4,701 thousand.

The process of corporate reorganization regarding Softcorp's nationalization will be completed by the end of the 1Q07. Ideiasnet has already showed interest in **increasing its participation in the company** after the end of this operation.

Fator Corretora Recommendations - Criteria and Distribution

Recommendation	Criteria	Distribution	
		Quantity	% of Total
Buy	The total return of the share is expected to be significantly above Ibovespa's variation.	29	31.9
Outperform	The total return of the share is expected to be above Ibovespa's variation.	22	24.2
Hold	The total return of the share is expected to be in line with Ibovespa's variation.	29	31.9
Underperform	The total return of the share is expected to be below Ibovespa's variation.	11	12.1
Sell	The total return of the share is expected to be significantly below Ibovespa's variation.	0	0.0
Total		91	100.0

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