

July 16, 2007

EQUITY RESEARCH

IDEIASNET (IDNT3: R\$ 6.15) – Acquisition of Officer in full; Earnings Update

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New Recom.: BUY

New Target Price: R\$ 8.30

MKT.CAP: R\$ 498.7 million

EV: R\$ 541.9 million

Ideiasnet has released a Material Fact in which it reports the **acquisition of a 50.5% interest in Officer's total capital** for R\$ 42.5 million, of which R\$ 10.0 million will be paid in cash and the rest will be paid within 30 days from the date the contract is signed. Due to the operation, Ideiasnet will hold **the whole amount of Officer's shares**.

The estimated EV/EBITDA multiple for 2008 for the acquisition is 3.5x.

Due to the acquisition, we've reviewed our estimate for Ideiasnet. Through the discounted cash flow methodology at a nominal rate of 11.4% p.y. and a 7% p.y. nominal growth in perpetuity, **we've increased the target price to R\$ 8.30 from R\$ 5.54**, which corresponds to a 35% upside potential against the market price on 7/13/07. **We've changed our recommendation from OUTPERFORM to BUY.**

Table 1. Selected Data (combined portfolio) - history and projections

(R\$ thousand)	2005	2006	2007E	2008E	2009E
Gross revenues	293.3	405.9	705.2	1,089.8	1,303.2
- e-commerce	269.9	372.8	651.0	1,012.5	1,203.9
- Wireless	4.6	4.8	6.5	8.9	11.7
- Infrastructure	10.9	22.4	41.4	61.4	79.6
- Others	7.9	5.9	6.3	7.0	7.9
(-) Taxes	55.3	75.0	118.6	183.4	219.3
Net Revenue	238.0	330.9	586.6	906.4	1,083.9
Growth	-	39%	77%	55%	20%
COGS	193.6	268.2	492.9	743.3	888.8
Gross profit	44.3	62.7	93.6	163.2	195.1
Gross margin	19%	19%	16%	18%	18%
Operating Expenses	37.8	52.0	72.3	126.9	140.9
EBITDA	6.5	10.6	21.3	36.3	54.2
EBITDA margin	3%	3%	4%	4%	5%
(-) Depreciation	1.1	1.3	1.5	1.9	4.4
EBIT	5.4	9.3	19.8	34.4	49.8

Source: Company and Fator Corretora's estimates.

Important disclosures are contained on page 3 of this research report.

Fator Corretora - Key to Investment codes

Recommendation	Criteria	Companies Covered	
		Number	% of Total
Buy	The total return of the share is expected to be significantly above the Ibovespa	25	29.4
Outperform	The total return of the share is expected to be above the Ibovespa	21	24.7
Hold	The total return of the share is expected to be in line with the Ibovespa	28	32.9
Underperform	The total return of the share is expected to be below the Ibovespa	11	12.9
Sell	The total return of the share is expected to be significantly below the Ibovespa	0	0.0
Total		85	100.0

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