



**IDEIASNET (IDNT3)**

**OUTPERFORM**

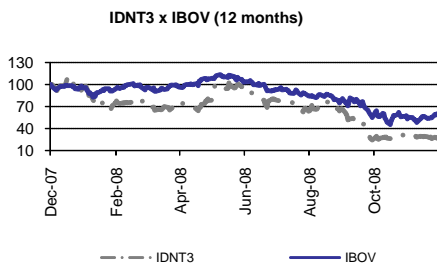
Price – R\$ 2.12  
Target Price – R\$ 8.02  
Upside – 278%

**New target price for Ideiasnet**

**December 12 2008**

Closing Price (R\$)	2.12
52 week High (R\$)	8.68
52 week Low (R\$)	1.40
Average Daily Volume - 21 d (R\$ thousands)	1,622
Number of shares (thousand)	103,540
Market Cap (R\$ mn)	220
Enterprise value (R\$ mn)	130
Payout Ratio	0%

R\$ million	2007	2008e	2009e
Net Revenues	772	895	992
EBITDA	21	28	43
EBITDA Margin	2.8%	3.1%	4.3%
Net income	10	6	24
EV / EBITDA (x)	-	4.7	3.0
Price / Earnings (x)	-	36.4	9.2
Net Debt / EBITDA (x)	3.9	(0.0)	(0.5)



**Beatriz Battelli, CNPI**  
55 21 3231-3146  
bbattelli@brascantv.com.br

**FACT:** We updated our model for Ideiasnet so as to incorporate: (i) new macroeconomic assumptions; (ii) 3Q08's results; (iii) guidance review of the company's EBITDA from a growth between 50% - 60% to 30% - 50% in 2008; (iv) more moderate growth in the coming years in the e-commerce and content segment as compared to the former projections, given the economic slowdown and the devaluation of real, which resulted in a review of estimates for the computer market; (v) reduction in the expected revenue for Padtec in the next years, as a consequence of scarce credit and possible impacts on the investments programmed by the telecom companies, in addition to the acquisition of Brasil Telecom by Oi, which has been reducing the demand on the part of these companies for Padtec's products this year; and (v) new assumptions for the discount rate.

Given the referred updates, our new target price for IDNT3 shares is R\$ 8.02 per share, with OUTPERFORM recommendation, versus our former target price of R\$ 13.21 per share. Our present target price contemplates the companies of the following segments: e-commerce and content, infrastructure and software, wireless, besides the companies Netmovies, Bolsa de Mulher and iMusica (present in the Ideiasventures segment). In the event we excluded the last three companies, still, at start-up stages, involving more risk, our target price would be R\$ 6.42 per share, with an upside of 203% over the closing price on Dec 11 2008.

Our main forecasts for the company are evidenced below:



**(i) MACROECONOMIC ASSUMPTIONS**

We updated our macroeconomic assumptions for the model on Ideiasnet, which we highlight as follow. The main difference in relation to the values previously used refers to the FX rate. While we had been working with a FX rate of R\$ 1.72 for 2009, now we assume a rate of R\$ 2.40.

Indicators	2008E	2009E	2010E	2011E	2012E
GDP growth	5.9%	2.6%	3.4%	3.7%	4.0%
Selic (average)	13.8%	12.4%	11.4%	11.0%	10.4%
IPCA	4.8%	4.9%	4.5%	4.5%	4.5%
IGP-M	6.5%	5.2%	4.7%	4.7%	4.7%
Dollar (average)	1.72	2.40	2.39	2.48	2.57

Source: MCM Consultores and Brascan Research

The U.S. dollar appreciation is likely to cause impact on the prices of PCs, discouraging sales. In regard to the portfolio of Ideiasnet, a reduction in the country's PC sales influences mainly the companies Officer and Softcorp.

**(ii) REVENUE AND MARGINS****- E-Commerce and Content**

The e-commerce and content stake achieved 91.9% of the consolidated revenue of Ideiasnet in the 9M08. This segment is composed by: (i) 100% of Officer; (ii) 97% of Softcorp; (iii) 35% of Ilogística and (iv) 31% of Pini.

Regarding this segment the main changes stemmed from the decline in the company's growth prospects for Officer and Softcorp's revenues, due to a possible slowdown in the PC market. For 2009, the expectation of IDC (Internacional Data Corporation), before the crisis, pointed towards a growth of 23.3% in the sales of PCs compared to the year 2008. The reviewed expectation already considers a relative stability compared to this year's sales.

However, we believe that Officer and Softcorp might be able to report growth above that of the market, in light of market-share gains over small-sized companies, which face more difficulties to survive amidst a more adverse scenario.

Our projections indicate a net revenue of R\$ 897mn for this segment in

2009, representing an expansion of 10.0% over the revenue expected for 2008. Our CAGR 2007-2012 for the net revenue is 16.3%, versus 20.4% of the former projections.

Concerning profitability, we maintain our prospect of increase in EBITDA margin for Officer and Softcorp in the next years.

For Officer, we estimate an EBITDA margin of 4.0% at the end of 2012, as result of the narrowing grey market, combined with a better structuring of the sector, with possible consolidation movements.

For Softcorp, we project an EBITDA margin of 7.0% at the end of 2012. We believe that the management shock implemented in July 2008, which aimed at leveraging the company's profitability, could contribute to a better result in the upcoming years.

**- Infrastructure and Software:**

The segment of infrastructure and software represented in the 9M08 5.1% of the consolidated revenue of Ideiasnet, composed by Padtec, 34% and Automatos, 35%.

Within this segment, the main updates referred to:

- Reduction in the expectation of Padtec's revenue growth for the next years, as a result of: (i) economic slowdown and credit scarcity, which could lead to a reduction in the level of investment on the part of the telecom companies, despite the latest statements saying that the investments programmed for the year 2009 will be maintained; and (ii) weak demand on the part of Oi and Brasil Telecom during the past few quarters, due to the process of merger of the two companies. As soon as the consolidation is concluded, the new company, "Oi+BRT", is expected to resume its demand for Padtec's products.

These negative effects on the revenue growth are likely to be partially offset by the inclusion of Padtec on Telefônica's short list of suppliers, recently announced.

- Lower margins for Padtec. In the first nine months of 2008, Padtec's margin has been impacted by new clients. We believe

that, at least initially, the company's margins should continue under pressure after including Telefônica as a client, given that the company may reduce prices to expand its market share with this client. In the long term, however, we expect the referred margin to return to a level near 30%.

We are looking ahead to a net revenue of R\$ 70mn for this segment in 2009, representing a 39.9% growth on the expected revenue for 2008. Our CAGR 2007-2012 for the net revenue is 28.8%, versus 35.9% of the former projection. Besides, demand for converging services on the part of telecom companies is likely to contribute to the strong growth. Within this new context, the incumbents' network will have to be apt to support not only the traditional services, but also the new services to be launched in the sector. We believe that the greater speed in data transmission will be fundamental to gear the competitiveness of the players.

#### **- Wireless:**

The wireless segment represented in the first nine months of 2008 1.6% of the consolidated revenue of Ideiasnet, composed by Spring Wireless, which Ideiasnet's stake achieves 10.8%.

The referred company recently announced the acquisition of Okto, company of the mobile marketing which provides technology for 75% of the corporate SMS services in Brazil. Okto reported in 2007 net revenue of R\$ 30mn. For 2008, according to information published by the press, the company expects revenue of R\$ 50mn.

For 2009 we estimate a 40% growth in the company's revenue, totaling R\$ 25.6mn for the stake held by Ideiasnet.

The table below shows projections for the three segments above mentioned compared to our former projections:

	2007	2008E	2009E	2010E	2011E	2012E
<b>Net Revenue - Current</b>	772	895	992	1,181	1,369	1,532
<b>Net Revenue - Prior</b>	772	938	1,158	1,388	1,647	1,886
Change %	0.0%	-4.5%	-14.3%	-14.9%	-16.9%	-18.8%
<b>EBITDA - Current</b>	21	28	43	63	87	106
<b>EBITDA - Prior</b>	21	34	57	83	112	134
Change %	0.0%	-19.5%	-24.2%	-23.5%	-22.1%	-21.3%
<b>EBITDA Margin - Current</b>	2.8%	3.1%	4.3%	5.4%	6.4%	6.9%
<b>EBITDA Margin - Prior</b>	2.8%	3.6%	4.9%	6.0%	6.8%	7.1%
Change in p.p.	0.0	-0.6	-0.6	-0.6	-0.4	-0.2

Source: Brascan Research and Ideiasnet

**(iv) IDEIASVENTURES**

Ideiasventures represented in the 9M08 1.4% of the consolidated revenue of Ideiasnet. This segment is composed by the companies: Braspag (25%<sup>1</sup>), TV ao Vivo (23%), Media Factory (79%), Zura (60%), TrinnPhone (60%), Visionnaire (40%), Bolsa de Mulher (91%), Netmovies (48%), Addcom (54%), iMusica (91%) and Hands (51%). For the purpose of estimating the stock's target price, we have considered the following companies: Bolsa de Mulher, iMusica and Netmovies. We did not evaluate the other companies, due to the lack of more detailed figures and the still very small size of the businesses.

We updated our "target price" for Bolsa de Mulher. Our valuation is based on the multiple EV/Unique Visitor of a comparable company in the international market, AuFeminin. We estimate a total of 5.8 million of unique visitors in 2008 for Bolsa de Mulher. AuFeminin currently records a multiple EV/Unique Visitor of 6.3x. Based on these assumptions, we calculated a "target price" for Bolsa de Mulher of US\$36.0mn, of which approximately US\$ 33.3mn referring to the stake held by Ideiasnet (91%). We would like to emphasize the simplicity of this calculation to achieve a "target price" for Bolsa de Mulher.

In terms of Netmovies we made the following changes compared to the previous estimates:

- Reduced prospects for the number of subscribers of this company, due to the expectation of economic slowdown, with the new projections of a lower GDP growth in comparison to the previous for 2009. Our new estimates indicate a total of 27,000 clients at the end of 2009, well below our former projections (58,800).
- We raised the discount rate for Netmovies from 14.3% to 14.6% based on the increase in the country's sovereign risk from 175 bps to 200 bps.

Based on these changes, we estimate a "target price" for Netmovies of R\$ 73.7mn (R\$ 35.4mn refers to the stake held by IDNT), versus the former estimate of R\$ 149.0mn.

---

<sup>1</sup> Percentage refers to the stake held by Ideiasnet.

NETMOVIES (R\$ k)	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Revenue	2,555	9,064	21,667	44,133	78,561	116,087	163,812	220,861	279,033
EBITDA	256	2,266	5,417	11,033	19,640	29,022	40,953	55,215	69,758
EBITDA Margin	10%	25%	25%	25%	25%	25%	25%	25%	25%
Depreciation and Amortization	(81)	(136)	(325)	(618)	(1,021)	(1,393)	(1,802)	(2,429)	(3,069)
EBIT	225	2,130	5,092	10,415	18,619	27,629	39,151	52,786	66,689
(-) Taxes	(76)	(724)	(1,731)	(3,541)	(6,330)	(9,394)	(13,311)	(17,947)	(22,674)
(+) Depreciation and Amortization	81	136	325	618	1,021	1,393	1,802	2,429	3,069
(=) Operating Cash Flow Generation	229	1,542	3,686	7,492	13,310	19,628	27,642	37,268	47,084
Working Capital	(51)	(181)	(433)	(883)	(1,571)	(2,322)	(3,276)	(4,417)	(5,581)
CAPEX	(383)	(1,360)	(3,250)	(6,179)	(10,213)	(13,930)	(18,019)	(24,295)	(30,694)
Operating Cash Flow	(130)	1	2	431	1,526	3,376	6,346	8,556	10,810

Source: Brascan Research

Finally, for iMusica, the main changes undertaken were:

- We started using an assumption slightly more conservative for the number of downloads per subscriber per month. For 2009 we are working with an estimate of 0.2 songs per user per month for the base of potential buyers of América Móvil, while our former projection indicated a total of 0.3 songs per user per month.
- The increase in the discount rate resulted of higher sovereign risk from 175 bps to 200 bps. The new value used is 15.7%, versus former estimate of 15.5%.

Our “target price” for iMusica is R\$ 82.4mn (R\$ 74.9mn referring to the stake held by IDNT in the company), versus our former target price of R\$ 87.5mn (R\$ 88.9mn).

iMUSICA (R\$ k)	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Revenue	-	23,334	48,768	76,443	106,511	139,130	174,469	227,900	269,910
EBITDA	-	593	3,219	6,094	9,335	12,859	16,685	22,522	27,090
EBITDA Margin	-	3%	7%	8%	9%	9%	10%	10%	10%
Depreciation and Amortization	-	-	-	-	-	-	-	-	-
EBIT	-	593	3,219	6,094	9,335	12,859	16,685	22,522	27,090
(-) Taxes	-	(201)	(1,094)	(2,072)	(3,174)	(4,372)	(5,673)	(7,658)	(9,211)
(+) Depreciation and Amortization	-	-	-	-	-	-	-	-	-
(=) Operating Cash Flow Generation	-	391	2,124	4,022	6,161	8,487	11,012	14,865	17,879
Working Capital	-	(233)	(488)	(764)	(1,065)	(1,391)	(1,745)	(2,279)	(2,699)
CAPEX	-	-	-	-	-	-	-	-	-
Operating Cash Flow	-	158	1,637	3,257	5,096	7,096	9,268	12,586	15,180

Source: Brascan Research

**OUR OPINION:** Based on the alterations described above we found a new target price for Ideiasnet’s shares. The present value of R\$ 8.02 per share is 39.3% lower than the R\$ 13.21 per share of our former projections. We have OUTPERFORM recommendation for the company, with an upside of 278% over the closing price on Dec 11 2008.

Even contemplating a possible reduction in the growth pace of the number of PCs in the country and a possible decline in the level of investments by telecom carriers, due to limited credit, our target price still evidences substantial upside as compared to yesterday's closing price. On top of that, it is also worth mentioning that, even if we excluded Ideiasventures from our target price, we would reach a price of R\$ 6.42 per share, still implying a high upside relative to yesterday's closing price (Dec 11 2008).

As major risks for the company's shares we point out (i) low liquidity of the company's shares, having reported in the past 21 days average daily volume of R\$ 1.6mn; (ii) possible more significant slowdown in the PC market relative to our projections; and (iii) possible fiercer competition in Padtec's segment, leading to further reduction in the company's EBITDA margin compared to the current expectations.

## PROJECTIONS – IDEIASNET

Summarized Income Statement

Income Statement (R\$ mn)	2007	2008E	2009E	2010E	2011E	2012E	2013E
Net Revenues	771,604	895,396	991,964	1,180,892	1,369,069	1,532,077	1,699,517
Operating Expenses	(750,152)	(867,888)	(948,857)	(1,117,414)	(1,281,677)	(1,426,457)	(1,580,169)
EBITDA	21,452	27,507	43,107	63,479	87,393	105,620	119,348
EBITDA Margin	2.8%	3.1%	4.3%	5.4%	6.4%	6.9%	7.0%
EBIT	19,181	24,312	38,432	57,238	79,352	98,139	110,775
EBIT Margin							
Net Income	9,699	6,029	23,804	36,574	51,531	64,989	74,509
Net Margin	1.3%	0.7%	2.4%	3.1%	3.8%	4.2%	4.4%

Summarized Balance Sheet

Balance Sheet (R\$ k)	2007	2008E	2009E	2010E	2011E	2012E	2013E
<b>Current Asset</b>	<b>181,497</b>	<b>317,647</b>	<b>328,758</b>	<b>371,088</b>	<b>423,985</b>	<b>482,699</b>	<b>549,322</b>
Cash	1,799	86,406	106,174	106,111	116,784	138,920	167,973
Receivables	108,662	131,638	126,711	150,844	174,881	195,703	217,091
Others	71,036	99,602	95,873	114,133	132,321	148,075	164,259
<b>Long-term Assets</b>	<b>23,095</b>	<b>39,734</b>	<b>38,247</b>	<b>45,531</b>	<b>52,787</b>	<b>59,072</b>	<b>65,528</b>
<b>Fixed Assets</b>	<b>92,798</b>	<b>83,769</b>	<b>88,517</b>	<b>93,495</b>	<b>98,461</b>	<b>105,534</b>	<b>113,107</b>
Investments	82,636	68,806	68,806	68,806	68,806	68,806	68,806
Property, plant and equipment	6,121	11,302	17,068	23,064	29,048	36,728	44,301
Deferred assets	4,041	3,661	2,643	1,625	607	0	0
<b>Total Assets</b>	<b>297,390</b>	<b>441,150</b>	<b>455,522</b>	<b>510,114</b>	<b>575,233</b>	<b>647,305</b>	<b>727,957</b>
<b>Current Liabilities</b>	<b>181,841</b>	<b>223,776</b>	<b>214,639</b>	<b>240,460</b>	<b>265,624</b>	<b>287,802</b>	<b>311,349</b>
Suppliers	97,629	135,526	130,411	153,577	176,154	196,052	217,179
Loans	69,285	69,285	69,285	69,285	69,285	69,285	69,285
Others	14,927	18,965	14,943	17,598	20,185	22,465	24,886
<b>Long-term Liabilities</b>	<b>31,148</b>	<b>24,216</b>	<b>23,919</b>	<b>25,261</b>	<b>26,567</b>	<b>27,719</b>	<b>28,942</b>
Loans	16,370	16,370	16,370	16,370	16,370	16,370	16,370
Others	14,778	7,846	7,549	8,891	10,197	11,349	12,572
Minority Interest	0	(53)	(53)	(53)	(53)	(53)	(53)
<b>Shareholders' Equity</b>	<b>84,401</b>	<b>193,212</b>	<b>217,016</b>	<b>244,446</b>	<b>283,095</b>	<b>331,836</b>	<b>387,718</b>
<b>Total Liabilities</b>	<b>297,390</b>	<b>441,150</b>	<b>455,522</b>	<b>510,114</b>	<b>575,233</b>	<b>647,305</b>	<b>727,957</b>

Summarized Operating Cash Flow

Cash Flow (R\$ k)	3M08	2009E	2010E	2011E	2012E	2013E
<b>(+) Operating Cash Flow Generation</b>	<b>7,659</b>	<b>30,040</b>	<b>44,018</b>	<b>60,413</b>	<b>72,252</b>	<b>81,685</b>
(+) EBIT	10,174	38,432	57,238	79,352	98,139	110,775
(-) Taxes	(3,459)	(13,067)	(19,461)	(26,980)	(33,367)	(37,664)
(+) Depreciation and Amortization	945	4,675	6,240	8,041	7,481	8,573
<b>(+) Working Capital</b>	<b>(5,493)</b>	<b>2,956</b>	<b>(16,572)</b>	<b>(17,061)</b>	<b>(14,398)</b>	<b>(14,025)</b>
<b>(+) CAPEX</b>	<b>(2,448)</b>	<b>(9,424)</b>	<b>(11,218)</b>	<b>(13,006)</b>	<b>(14,555)</b>	<b>(16,145)</b>
<b>(=) Operating Cash Flow</b>	<b>(281)</b>	<b>23,573</b>	<b>16,227</b>	<b>30,346</b>	<b>43,300</b>	<b>51,515</b>



---

### **Rio de Janeiro**

Av. Almirante Barroso, 52 – 30<sup>th</sup> floor.  
Rio de Janeiro, RJ – Brazil 20031-000  
(55 21) 3231-3192

### **Sao Paulo**

Joaquim Floriano St., 466 – Room #1002.  
São Paulo, SP – Brazil 04534-002  
(55 11) 3707-6722

---

## **Equity Research Team**

### **Analysts**

#### **Steel, Mining & Logistics**

Rodrigo Ferraz, Head of Research, CNPI

55 21 3231.3171

rferraz@brascantv.com.br

#### **Retail**

Rodrigo Ferraz, Head of Research, CNPI

55 21 3231.3171

rferraz@brascantv.com.br

#### **Food, Beverage and Agribusiness**

Denise Messer, CNPI

55 21 3231.3135

dmesser@brascantv.com.br

#### **Small Caps**

Beatriz Battelli, CNPI

55 21 3231.3146

bbattelli@brascantv.com.br

#### **Telecom**

Beatriz Battelli, CNPI

55 21 3231.3146

bbattelli@brascantv.com.br

### **Assistants**

Elcio Guedes Junior

55 21 3231.3128

eguedes@brascantv.com.br

Júlia Duarte

55 21 3231.3147

jduarte@brascantv.com.br

Pedro Montenegro

55 21 3231.3136

pmontenegro@brascantv.com.br





## Disclaimer

Rating	Definition
Outperform	Stock's Return expected to outperform in 5% Ibovespa's projected return.
Marketperform	Stock's Expected Return is between -5% and +5% of Ibovespa's projected return
Underperform	Stock's Return expected to underperform in more than 5% Ibovespa's projected return

*Brascan Corretora Equity Research's rating is based on total expected return, contemplating both the expected stock's price appreciation and its dividend yield.*

The professionals responsible for this analysis and/or recommendation declare under the terms of Art. 5 of CVM Instruction n.º 388/03 that: (i) all of the views expressed in this research accurately reflect his or her personal views about any and all of the subject securities or issuers; (ii) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research; (iii) the institution which the analyst works or other companies related, as well as funds and investment clubs that have its stocks managed by Brascan group, do not have shares equal or greater than 1% of the social capital of any companies which its securities were target of his analysis, or are involved in acquisition, alienation or trading of these securities; (iv) the analyst does not have, directly or not, 5% or more of his equities in securities of the company which he is analyzing or that he is involved in acquisition, alienation or trading of these securities; (v) the analyst, the institution which employs him and companies related do not receive any remuneration by services done or present any commercial relation with any companies which are being analyzed, or any transfer agent or funds that represents the same interests of this company and (vi) personal remuneration is not linked with valuation of any securities of analyzed companies or with revenues originated by trades and financial operations achieved by the institution which employs him.

