

Savola Group (2050.SE)

Rating	NEUTRAL
Price (16 Jan 09, SRIs)	24.00
Target Price (SRIs)	23.22 ¹
Market cap. (SRIs m)	12,000.00
Enterprise value (SRIs m)	10,239.9

^{*}Stock ratings are relative to the relevant country index.
¹Target price is for 12 months.

RESULTS CHECKSHEET

Comments on 4Q, 2008 preliminary results

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- **Event:** Savola group announced its preliminary results for 4Q, 2008. Revenues for the 4Q stood at 3.57 bn SAR, against our expected 3.3 bn SAR. The company announced a total of SAR 676m of provisions for marked to market losses in the inventory and listed equity investments. The company reported a 4Q 08 operating loss of SAR 46m against our expectations of a SAR 132m operating profit. The company announced a full year 2008 net profit of SAR 202 m against our expectation of 618 m net profit ex asset sale gains. We await the full financials to comment on the provisions of 676 m SAR. The company announced a 4Q 2008 dividend of SAR 0.25 SAR per share. The stock was down 10% post announcement.
- **View:** 1./ Savola is involved in manufacturing of sugar, edible oil and plastics. Besides these Savola has retail operations and investments. 2./ We had already incorporated the deterioration in equity investments as detailed in our note dated 21 Oct. 2008. 3./ Savola has been leveraging its strength in local markets to identify and invest in non core opportunities and registering a gain in asset sales since 2005. Of our 2008E net income expectation of SAR 1418 bn, we expected a operating business contribution of SAR 618 m and SAR 800m from asset sale gains. 4./ Company has given a guidance of 800m SAR net profit for 2009, while our 2009E Net Income forecast without asset sale gains stands at SAR 703 m. 5./ We value non operating assets via NAV rather than future cash flows (via sales and subsequent gains).
- **Valuation:** We value Savola at SAR 23.22 per share on a discounted free cash flow basis for 2008-17 and a terminal value based on the present value of a perpetuity of cash flows with growth rate of 3% beyond 2017. Of our target price of 23.22 SAR per share, the core business and illiquid assets are valued at SAR 17.75 per share and the value attributed to equity investments is SAR 5.47 per share. In light of the depressed asset prices we may revisit our model structure. While this by itself would have no impact on valuation (due to asset valuations being NAV based and distinct from free cash flow based operating business valuation) it might impact our net debt and balance sheet strength assumptions.

	Result	CS est	% chg res/est	Last Yr	% chg yoy
Revenues (SAR bn)	3.57	3.3	8.1%	2.63	35.7%
Operating Profit (SAR mn)	-46	132.1	-134.8%	196	-123.4%
Net Income (SAR mn)	-464	1418	-132.7%	177	-362%

Source: Company data, Credit Suisse estimates.

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Companies Mentioned (Price as of 16 Jan 09)
 Savola Group (2050.SE, SRIs24.00, NEUTRAL [V], TP SRIs23.22)

Disclosure Appendix

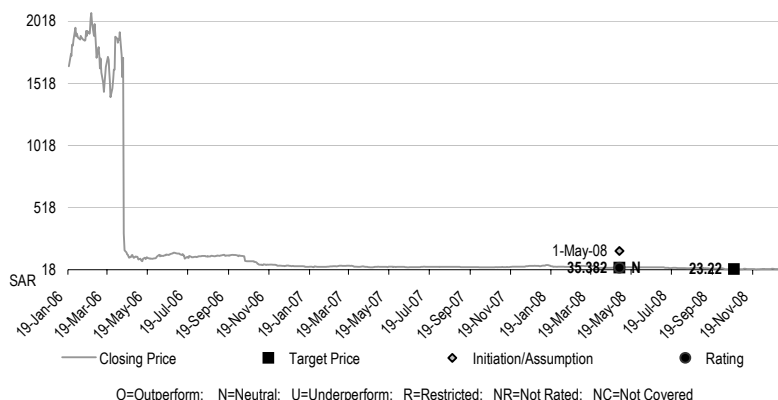
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3-Year Price, Target Price and Rating Change History Chart for 2050.SE

2050.SE	Closing Price (SAR)	Target Price (SAR)	Initiation/Assumption	Rating
01-May-08	34	35.382	N	X
21-Oct-08	26.2	23.22		



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Price Target: (12 months) for (2050.SE)

Method: The valuation is based on present value of cash flows until 2017 and a present value of terminal value based on 3% growing perpetuity of free cash flows beyond 2017. The WACC is 9.4%.

Risks: Geopolitical Risk, Inflationary environment, regulatory freeze on price increases.

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