Semapa: Following the recovery trend on Cement
(E14.95 Price Target and Buy Recommendation maintained)

- Secil performed as expected
PTI is the main contributor for Semapa’s (SEM) results and the company had already disclosed its 3Q14 figures on the 22nd of October. Therefore, the focus lies on SEM’s cement performance. Secil’s 3Q14 sales fell by 4% yoy, standing 7% below our forecasts while EBITDA reached Eur22.5mn, in line with our estimates. Top line performance was hampered by a lower activity level in Lebanon and lower than expected expansion of the export activity in Portugal. Still, EBITDA reached our expectations due to an enhanced profitability driven by a strong delivery in Tunisia (reflecting the cement price liberalisation from Jan’14 and higher exports) and continued good margin evolution in Portugal with the company’s last year cost cutting efforts kicking-in.

- Holding and Environment
Consolidated EBITDA came 2% below our estimates with the solid performance of the cement business being offset by the worse than expected evolution of ETSA (Eur0.6 mn vs. Eur1.5mnF) and Holding costs (Eur2.1mn vs. Eur1.5mnF). Net Profit came significantly ahead of our estimates (Eur36.6mn vs. Eur19.6mnF) due to tax provision reversions.

- Net Debt stood at E1168mn
Net debt (adjusted by SEM’s and PTI’s treasury shares) reached Eur1168mn vs. Eur1285mn at the YE13, declining by Eur120mn YTD. We note that we are expecting Semapa’s net debt to decline by Eur61mn in FY14, which we will positively revise following PTI’s strong YTD CF evolution.

- Positive stance maintained
Semapa has been an outperformer accumulating a 22% YTD gain vs. 10% for PTI. Still, it remains quite attractive with its NAV showing a 30% upside to current prices (23% holding discount vs. 6% historical average). Overall, SEM combines premium assets, dependent of export activities and with a strong link to a strengthening USD (PTI), recovering operating performance linked to its cement business and an attractive valuation (9.3x PE15).

Highlights & Recommendation

<table>
<thead>
<tr>
<th>Price(1)</th>
<th>9.65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Cap (€ mn)</td>
<td>1 142</td>
</tr>
<tr>
<td>YE15 Price Target(2)</td>
<td>14.95</td>
</tr>
<tr>
<td>PE15</td>
<td>9.3</td>
</tr>
<tr>
<td>EV/EBITDA15</td>
<td>6.7</td>
</tr>
<tr>
<td>DY</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Recommendation
Buy

(1) October 31st closing price
(2) For further details and valuation please see our research note "Value – the name of the game" from Sept. 9th.
Source: BPI Equity Research.

Market Performance (%)

<table>
<thead>
<tr>
<th></th>
<th>1m</th>
<th>3m</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEM</td>
<td>-0.6</td>
<td>-12.0</td>
<td>22.0</td>
</tr>
<tr>
<td>PTI</td>
<td>-6.0</td>
<td>13.5</td>
<td>10.0</td>
</tr>
<tr>
<td>PSI20</td>
<td>-9.0</td>
<td>-12.7</td>
<td>-20.4</td>
</tr>
</tbody>
</table>

Source: Bloomberg.

Historical Recommendation

<table>
<thead>
<tr>
<th>Date</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-Jun-13</td>
<td>Buy</td>
</tr>
<tr>
<td>10-Jun-14</td>
<td>CoRe Buy</td>
</tr>
<tr>
<td>22-Oct-14</td>
<td>Buy</td>
</tr>
</tbody>
</table>

Source: BPI Equity Research.

Available on our website: www.bpiequity.bpi.pt, BPI Online, and Bloomberg at NH BPD.
This research report is for private circulation and only partial reproduction is allowed, subject to mentioning the source. This research report is based on information obtained from sources which we believe to be credible and reliable, but is not guaranteed as to accuracy or completeness. This research report does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive it. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this research report and should understand that the statements regarding future prospects may not be realized. Unless otherwise stated, all views (including estimates, forecasts, assumptions or perspectives) herein contained are solely expression of BPI’s Equity Research department and are subject to change without notice. Recommendations and opinions expressed are our current opinions as of the date referred on this research report and they may change in the period of time between the dates on which the said opinion or recommendation were formulated and made public. Current recommendations or opinions are subject to change as they depend on the evolution of the company and subsequent alterations to our estimates, forecasts, assumptions, perspectives or valuation method used. The valuation models are systematically reviewed and validated, particularly with regard to the method of valuation and assumptions used. Investors should also note that income from such securities, if any, may fluctuate and that each security’s price or value may rise or fall. Accordingly, investors may receive back less than initially invested. There are no pre-established policies regarding frequency, update or change in recommendations issued by BPI Equity Research. The same applies to our coverage policy. Past performance is not a guarantee for future performance. BPI Group accepts no liability of any type for any indirect or direct loss arising from the use of this research report. For further information concerning BPI Research recommendations and valuations, please visit www.bpi.pt/equity.

This research report did not have any specific recipient. The company subject of the recommendation was unaware of the recommendation or did not validate the assumptions used, before its public disclosure.

Each Research Analyst responsible for the content of this research report certifies that, with respect to each security or issuer covered in this report: (1) all of the views expressed accurately reflect his/her personal views about those securities/issuers; and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. There are no conflicts of interests between BPI or its Analysts and the issuer covered, except when mentioned in the Report. The Research Analysts do not hold any shares representing the capital of the companies of which they are responsible for compiling the Research Report, except when mentioned in the Report. BPI Analysts do not participate in meetings to prepare BPI's involvement in placing or assisting in public offers of securities issued by the company that is the subject of the recommendation, except when disclosed in the research report.

BPI has compiled policies and procedures applicable to the investment recommendations activity. Such document is available for consultation on request.

In November 2007, Banco BPI has celebrated an "Equity Swap" contract with Sonae Investments with strictly financial settlements (Cash Settled Share Swap Transaction), to cover the inherent risk in the acquisition of 6.64% of Sonae's share capital, at a price of €2.06 per share. In this contract, the periodic repercussion over Sonae Investments of the amounts corresponding to Sonae share price changes relative to the above-mentioned price was agreed as well as the amounts equivalent to the proceeds to be received by Banco BPI under the exercise of rights inherent to such contract had a maximum maturity of 3 years. In October 2010, the maximum maturity of this "Equity Swap" (covering at such date the inherent risk in respect of 6.52% of Sonae's share capital) was extended up to 3 years. In November 2013, the maximum maturity of this "Equity Swap" (covering at such date the inherent risk in respect of 6.13% of Sonae's share capital) was extended up to 12 Months, until November 2014. In February 2008 BPI entered into a liquidity provider agreement with Euronext Lisbon for the Banco Popular Español shares. Such agreement ended last October 2013.

Banco BPI and/or Banco Português de Investimento participate or have participated, as a syndicate member and/or assisting the issuer, in the share offerings of CTT, Espirito Santo Saúde, and Sonaecom, and in the bonds offerings of Brisa, EDP, Portugal Telecom, Sonae Investimentos, REN, Semapa and ZON Optimus.

BPI Group may provide corporate finance and other investment banking services to the companies referred to in this report.

Amongst the companies covered by BPI Equity Research, BPI Group has qualified stakes in Ibersol, Impresa, ZON Optimus, Semapa and Sonae SGPS.

BPI Group, members of the board, or BPI Group employees, may hold a position or any other financial interest in issuer's covered by BPI Equity Research, subject to change, which shall be disclosed when relevant for assessing the objectivity of the recommendation.

BPI’s activity is supervised by both Banco de Portugal (the Portuguese Central Bank) and by the CMVM (Stock Exchange Regulator).

**INVESTMENT RATINGS AND RISK CLASSIFICATION (TOTAL RETURN IN 12-18 MONTHS):**

**INVESTMENT RATINGS STATISTICS**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Low Risk</th>
<th>Medium Risk</th>
<th>High Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy/CeRe Buy</td>
<td>&gt;15%</td>
<td>&gt;20%</td>
<td>&gt;30%</td>
</tr>
<tr>
<td>Neutral</td>
<td>&gt;5% and &lt;15%</td>
<td>&gt;10% and &lt;20%</td>
<td>&gt;15% and &lt;30%</td>
</tr>
<tr>
<td>Reduce</td>
<td>&gt;-10% and &lt; 5%</td>
<td>&gt;-10% and &lt; 10%</td>
<td>&gt;-10% and &lt;15%</td>
</tr>
<tr>
<td>Sell</td>
<td>&lt;-10%</td>
<td>&lt;-10%</td>
<td>&lt;-10%</td>
</tr>
</tbody>
</table>

These investment ratings are not strict and should be taken as a general rule.

**BANCO PORTUGUÊS DE INVESTIMENTO, S.A.**

**Opporto Office**
Rua Tenente Valadim, 284
4100-476 Porto
Phone: (351) 22 607 3100
Telefax: (351) 22 600 2052

**Madrid Office**
Pº de la Castellana, 40-bis-3ª
28046 Madrid
Phone: (34) 91 328 9800
Telefax: (34) 91 328 9870

**Paris Office**
31, Avenue de L’Opéra
75001 Paris
Phone: (33) 1 4450 3325

**Cape Town Office**
20th Floor, Metropolitan Life Centre,
7 Walter Sisulu Avenue, Foreshore,
Cape Town, 8001 - South Africa
Phone: (27) 21 410 9000