



# Mondi (Świecie)

Price: PLN 76.0  
12M EFV: PLN 87.0 (↑)

## Accumulate (from Hold)

30 August 2006

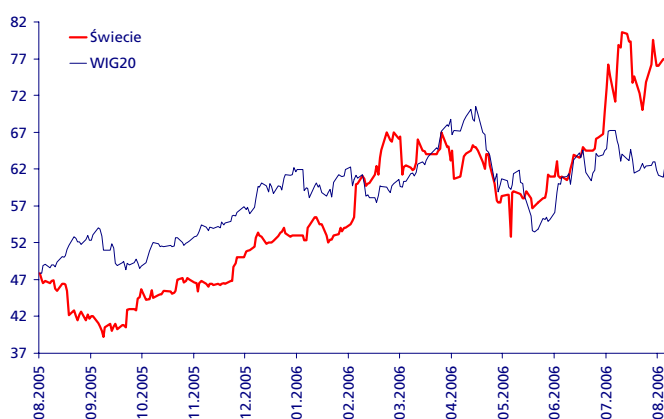
<b>Sector</b> Pulp & paper	<b>Market Cap</b> US\$ 1,267 m	<b>Free Float</b> 28.5%	<b>Av. Daily Turnover</b> US\$ 0.32 m	<b>Reuters</b> CELA.WA	<b>12-Mth Range</b> PLN 39.2-80.6
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### Key Data

IFRS, consolidated		2005	2006E	2007E	2008E
Sales	PLN m	1,282.5	1,409.8	1,488.4	1,565.4
EBITDA	PLN m	304.5	418.0	501.0	482.8
EBIT	PLN m	197.2	301.0	367.6	365.0
Net profit	PLN m	135.4	243.9	292.0	291.4
EPS	PLN	2.71	4.88	5.84	5.83
EPS yoy chng	%	-53	80	20	0
FCFF	PLN m	232.0	183.0	290.1	279.3
Net debt	PLN m	-33.1	28.9	-11.7	5.3
P/E	x	28.1	15.6	13.0	13.0
P/CE	x	15.7	10.5	8.9	9.3
EV/EBITDA	x	12.4	9.2	7.6	7.9
EV/EBIT	x	22.0	14.6	11.9	12.0
EV/Sales	x	2.9	2.7	2.5	2.4
Gross dividend yield	%	5.3	6.4	6.4	7.7
No. of shares (eop)	ths	50,000	50,000	50,000	50,000

Source: Company, CDM Pekao estimates

### Stock Performance



Source: Bloomberg

## From Drag to Pillar

We expect that Świecie's sound fundamentals, coupled with the favourable macro environment, will continue to positively impact Świecie's results and its price performance over the medium term. Despite the recent price appreciation we still find Świecie's valuation attractive. We change our Hold fundamental rating into ACCUMULATE, with 12M EFV at PLN 87.0 and recommend to overweight the stock relative to the market.

- The end of the packaging paper market's misery is a fact. The prices of CCM rose by 20-25% in PLN terms from their low in October last year, being the major contributor to the profits growth in 2Q06. We expect the prices to move further up, since the major CCM producers have already announced price increases to be implemented in September. Świecie is also doing well on the cost side. Timber prices stabilized, or even dropped slightly, and the availability of domestic timber eliminates the necessity to rely on expensive imports.
- We believe that the forecast capacity expansion – a factor with a positive bearing on the revenue growth – will be possible due to the recent reduction of bottlenecks in the production process. In a longer run, however, we expect Świecie to embark on a heavy investment programme aimed at boosting the capacity by some 25 to 30%, which might, in our view, change the Company's dividend policy for a while.
- We believe that the solid 2H06 results might serve as a trigger for the share price performance. We expect Świecie's EBITDA and net income to grow by 106% and 166%, respectively, in 2H06 yoy.