

UBS Investment Research

UBS Global I/O®: Brazilian Equities – EBX

Americas

Energy

Global I/O

Is there anything left for EBX investors?

**Input: Global companies interested in X assets? Liquidation value analysis**

Speculation has been rife about the financial situation of Brazilian business magnate Eike Batista and his umbrella EBX Group following this year’s steep drop in its market value. Given the magnitude of the up to 75% fall in the market cap of the group companies, we provide an in-depth analysis of EBX and its listed companies: OGX (oil), MPX (energy), MMX (mining), OSX and LLX (infrastructure). Specifically, we asked UBS analysts globally whether investors in EBX companies would divest or add, now that many of them are trading at liquidation value, due to balance sheet constraints and the lack of appropriate risk management structure.

**Output: Limited downside at OSX, LLX and MPX; hidden value upside**

We have reduced our LLX price target to R\$1.7 from R\$6.9, given that it now only consists of the less risky LLX Minas Rio asset. In our opinion, LLX and OSX, followed by MPX, offer the most interesting risk-reward profiles.

**Output: Global companies are interested in X assets, but at the right price**

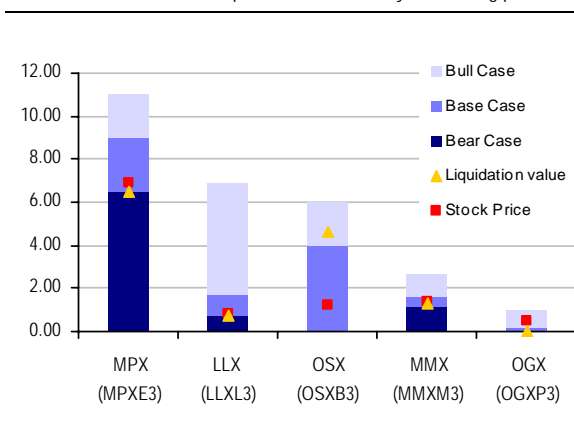
Keppel Corp and Sembcorp Marine could be interested in the OSX yard, and Glencore Xstrata in the LLX/MMX assets, but only at attractive valuations. We see low M&A activity on OGX, due to bond covenants and because most assets are pledged to Petronas, but E.ON might (directly or via MPX) look into OGX’s Parnaiba gas fields. Interest on MPX is likely limited to local Brazilian groups.

**Output: we like Keppel Corp and Glencore within Global players**

We favour QGEP Participações to OGX, as OGX’s potential value upside rests on a debt haircut, on which visibility is poor currently. Brazilian banks have limited exposure to EBX companies and, in our view, would look to clear the way for the transfer of control, although the process might prove time-consuming, given conflicts of interest. In this sense, we favour Keppel Corp relative to OSX in the Brazilian shipbuilding/lease businesses. We also favour Glencore and LLX over MMX.

**Chart 1: OSX and LLX are trading at or below liquidation value**

Fair value estimate vs. stock price, R\$/sh as of July 19<sup>th</sup> closing prices



Source: UBS estimates.

**Table 1: EBX Group – UBS recommendations**

As of July 19<sup>th</sup> closing prices

|     | Mkt cap (\$ m) | ADTV* (\$m) | Rating     | Stock Price (Lc /sh) | PT (Lc /sh) | Performance 1-year (% Lc) |
|-----|----------------|-------------|------------|----------------------|-------------|---------------------------|
| MPX | 1,804          | 7           | Buy        | R\$ 6.99             | R\$ 9.0     | (32.8)                    |
| LLX | 266            | 8           | Buy        | R\$ 0.86             | R\$ 1.7     | (64.5)                    |
| OSX | 157            | 6           | Buy        | R\$ 1.20             | R\$ 4.0     | (87.7)                    |
| MMX | 591            | 11          | Sell       | R\$ 1.36             | R\$ 1.6     | (76.9)                    |
| OGX | 722            | 114         | Sell (CBE) | R\$ 0.50             | R\$ 0.2     | (91.2)                    |
| CCX | 70             | 1           | Not rated  | R\$ 0.93             | n/a         | (76.8)                    |

Source: Bloomberg; UBS estimates. \* 6 months

This report has been prepared by UBS Brasil CCTVM S.A.

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 37.

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## Executive Summary

Speculation has been rife about the financial situation of Brazilian business magnate Eike Batista and his umbrella EBX Group following this year's steep decline in the group's market value. OGX, once EBX's most valuable asset – worth \$22bn market capitalization at the 2007 IPO, is now down to \$0.7bn. Working with UBS equities analysts globally, we consider a number of issues arising from the up to 90% drop in the market cap of the six-listed EBX Group companies (see Table 2 below):

EBX stocks represent today 6.6% of the local Ibovespa, having contributed for the index to be down c.12% in the past twelve months. OGX and OSX were down 91% and 88%, respectively, in the same period

Table 2: EBX Group –performance of listed companies (as of July 19<sup>th</sup>)

|     | Mkt cap | Rating     | Stock Price | Price target | Total return | Performance (%) |        |        |
|-----|---------|------------|-------------|--------------|--------------|-----------------|--------|--------|
|     | (US\$m) |            | (R\$)       | (R\$)        | %            | 3 month         | YTD    | 1-year |
| OGX | 720     | Sell (CBE) | 0.50        | 0.2          | -60          | (63.2)          | (88.6) | (91.2) |
| OSX | 157     | Buy        | 1.20        | 4.0          | 233          | (65.2)          | (88.7) | (87.7) |
| MPX | 1,800   | Buy        | 6.99        | 9.0          | 29           | (24.3)          | (37.3) | (32.8) |
| LLX | 266     | Buy        | 0.86        | 1.7          | 100          | (55.9)          | (64.2) | (64.5) |
| MMX | 589     | Sell       | 1.36        | 1.6          | 18           | (32.3)          | (69.4) | (76.9) |
| CCX | 70      | Not rated  | 0.42        | n/a          | n/a          | (88.1)          | (79.7) | (89.6) |

Source: UBS estimates.

Note that this report does not discuss Brazilian corporate governance standards or answer what went wrong with the EBX Group or what will be left for Eike Batista, once the wealthiest man in Brazil with a US\$30bn fortune in 2011, according to *Forbes* magazine.

Instead, we investigate the likelihood of a share price rebound for any of the “X”-listed stocks we cover, and the likely driving factors behind a re-rating. We also examine the potential implications for banks (as creditors) and global players (as partners of EBX companies). Finally, we asked our analysts globally whether there might be M&A-based growth opportunities, looking at EBX assets as targets.

What are the implications of a financial crisis for the EBX group? We analyse the impact on “X” stocks, creditors and global players

### Input: Facts versus speculation; EBX assets are likely to be for sale

- **The EBX financial situation is considered to be very weak and assets are on sale in our view:** While difficult to quantify leverage at the EBX parent level, the group seems to us to be in such financial difficulty that suggestions of a fire sale appear to make sense. OSX has already confirmed it has mandated a bank to sell its lease business assets, while EBX has indicated it continues to seek deals similar to the OGX-Petronas farm-down or the EBX-E.ON sale of MPX's co-control. In our opinion, the very fact that EBX is unable to deny the speculation about the leverage at the parent level is a key indicator of trouble in a delicate financial situation.

### Input: Stress test; liquidation value for OGX, OSX, MPX, LLX and MMX

- **New valuation approach: liquidation value analysis:** Despite high tangible value in a few subsidiaries, investors have avoided all EBX-listed companies, given the uncertain loan guarantees (including the shares of operational

assets), which could trigger further changes at the parent level to ongoing business plans and the growth strategy. Press reports and EBX press releases indicate that EBX will continue to look for M&A and partnership opportunities. Hence, we are adopting a more conservative valuation stance, to include in our liquidation value calculations, as well as checking for potential M&A upside.

- **LLX:** We have lowered our price target to R\$1.7/sh (was R\$6.9), given that LLX now consists of only the less-risky Minas Rio project. Our downside valuation scenario yields R\$0.8/sh, which is based on book value minus debt. This is our liquidation case.
- **OGX:** We see low likelihood of accretive farm-downs or asset sale, due to bond covenants and because most assets are pledged to Petronas. We refine our valuation calculation but maintain our R\$20c price target, as the recently-revised OGX-OSX contractual terms plus the nearly nil likelihood of a capital injection at the Eike Batista-promised R\$6.3/sh accretive price is fully offset by our inclusion of a 10% likelihood of OGX's fiscal loss carry-forwards being monetised via a potential (although unlikely) control transfer.
- **OSX:** We maintain our price target of R\$4/sh and reiterate our Buy rating, after refining our liquidation value calculation.

Output: Limited impact to Brazilian banks and global partners

- **Limited negative implications for Brazilian banks (as creditors), non-financials and BM&F Bovespa:** Other than the very negative sentiment affecting the Brazilian stock market, we conclude there is limited negative impact on stocks within our global coverage universe, given their relatively slight exposure to EBX companies.
- **We see the EBX financial crisis as having limited impact on global partners,** including E.ON (co-controlling shareholder of MPX with a 36% stake), Wuhan Steel (10.5% stake in MMX), Exxon or Total (partners with OGX in exploratory licenses), Anglo American (49% of LLX's Minas-Rio project) and HHI (10% owner of the OSX shipyard division). This is due to the partnerships being relatively small in proportion to the total assets or valuation of the global players. Please see page 23 for the EBX ownership structure.

Output: Global players interested in a few assets, but at the right price

- **M&A outlook:** We expect most EBX assets to be put up for sale, potentially providing opportunities for growth via acquisition at reasonable prices. The caveat is that the timing is unclear, and might include lengthy negotiations, which could involve banks and creditors, as well as Eike Batista himself.
- **EBX partners are unwilling to add or sell:** We assessed with global listed companies their interest in adding to or reducing their partnerships with EBX companies and conclude that E.ON, Wuhan Steel or HHI are unlikely to add to or divest their stakes in EBX companies. Details on Table 5, Table 6 and Table 7 of pages 11-13.

- **Global players are considering selected assets of EBX companies to gain access to or grow more rapidly in Brazil:** We think the most interesting assets for global players include the OSX and LLX infrastructure assets. The OSX shipyard appears a sensible business fit with Keppel Corp and Sembcorp Marine. However, valuation would need to be very attractive to engage Keppel and Sembcorp's interest. We also believe Glencore would not rule out to look into LLX and potentially MMX. In addition, we believe E.ON might look into OGX's Parnaíba assets so as to defend MPX's integrated business model in gas. Domestic groups or private equity groups are also buying candidates for EBX assets, in our view.

## Valuation and Stock Implications

Buy LLX, OSX and MPX within EBX companies; avoid OGX or MMX

- **LLX – we maintain our Buy on LLX, but with lower PT at R\$1.7/sh (was R\$6.9/sh,) based on LLX Minas-Rio valuation.** The revised PT implies c.100% total return, and is based on the NPV of LLX Minas Rio take-or-pay contract with Anglo American. Our Upside case is R\$6.9/sh, based on SOTP valuation which reflects equity value for Açú, TX2 and Minas-Rio projects, at relatively high execution risks of 60%, 55% and 10% respectively. By contrast, our Downside case assumes EBX group will undergo a tough financial situation and will discontinue LLX – this scenario translates into R\$0.77/sh fair value estimate, which is our Liquidation value calculation based on net fixed assets after paying current debt. EBX may set an agreement with a strategic partner wherein this investor would assume 100% of the project from now onwards, including existing contracts and any potential hidden liabilities. The stock is currently trading at our Liquidation value estimate, with investors assigning nil value for the Anglo American contract.
- **OSX – we maintain our Buy rating, with an unchanged R\$4/sh PT as this is already very close to our refined liquidation value estimate of R\$4.6/sh.** The latter assumes market value of its assets at a fraction of book value (from nil to 100% of historical construction costs) for production platforms and the Açú yard plus additional, hidden costs regarding contract renegotiations coming from construction slowdown at the shipyard. The stock is however at c.R\$1.2/sh, which in our view reflects an unlikely Bear case of not only an OGX default but also no sale of the OSX assets in the foreseeable future – this would mean continued high opex but nil revenues, which would erode OSX's balance sheet and value to below liquidation value. Note that last week OSX confirmed it is selling its lease business/production platforms.
- **MPX – with an unchanged R\$9/sh PT, MPX is our lower-Beta Buy within X companies.** The lower-risk characteristics of MPX versus its sister companies come from i) greater contribution from already-operational assets that benefit from long-term, inflation-adjusted revenues; ii) long-term, cheap funding under project finance, and iii) the current R\$800m private capital injection that is guaranteed by co-controlling shareholder E.ON and domestic

investment bank BTG (who is also the financial restructuring advisor for Eike Batista). Our Downside case-based fair value estimate of R\$6.50/sh assumes nil value for MPX's paper projects, higher risk aversion to EBX companies, and further delays to the start-up of MPX's Pecém II and Parnaíba thermo plants. Our Upside case of R\$11/sh includes higher value creation from paper projects. From an M&A standpoint, interest in MPX is limited to local Brazilian groups, given the E.ON co-ownership and our view that Eike Batista is unlikely to sell until the EBX debt situation is resolved.

- **OGX – we reinforce the Sell on OGX with revised, but yet unchanged, R\$20c PT; we prefer QGEP (QGEP3, Buy, R\$16.5 PT).** We came out reassured with our Buy rating at pure, Brazil-based E&P play QGEP on solid balance sheet, diversified risk strategy, conservative portfolio management, and free option to Brazil's pre-salt resource upside (it's all about Carcara in the Santos basin's BM-S-8 block). As for OGX, we continue to see low asset valuation versus company's R\$8bn in debt. We note that OGX's tax losses carry-forward could be worth up to R\$3bn (R\$0.9/sh), but its monetization is of low visibility and hidden liabilities could well exceed this benefit. Our R\$20c PT is unchanged, based on NAV-SOTP, refined as follows: i) R\$3bn EV or R\$0.9/sh asset value for Tubarão Martelo, ii) R\$1.2bn EV or R\$0.4/sh value for BS-4, iii) R\$1.5bn EV or R\$0.5/sh value for Parnaíba gas fields; iv) c.R\$0.3bn or R\$0.09/sh value for OGX's tax-loss carry-forward; v) nil value for the US\$1bn put option against Eike Batista (this could generate R\$0.6/sh valuation); vi) –R\$4.9bn or –R\$1.49/sh in net debt and other claims, 12-m forward looking. Our Upside case is R\$0.8/sh, assuming the Base Case plus the US\$1bn cash injection by Eike Batista at R\$6.3/sh. Our Downside case is nil value, based on i) poorer economics coming from Tubarão Martelo field (first oil guided for before YE) – this would make OGX lose another 40% of Martelo's economics and a 20% stake in BS-4 to Petronas; and, ii) failure to renegotiate its bond terms (due 2018-22); and/or iii) additional capex obligations specified by ANP regarding Waimea and/or continued high exploratory investments that turn out to be unsuccessful.
- **MMX – we reiterate our Sell on MMX with unchanged R\$1.6/sh PT.** Our bearish view, despite the massive correction year-to-date, is based on still high execution risks to commission MMX's main projects on time combined with weak iron ore price outlook and relatively high debt for limited operating cash flows in the near term. More specifically, in view of supply-driven iron ore weakness driven by Australia and Brazil, we remain concerned about management's overall ability to service its near-to-medium term debt obligations. To this end, we do see outside interest in MMX's assets, although that does not necessarily translate into control transfer upside to minority investors. Our liquidation value estimate is R\$1.3/share.

Reiterate Buy on Keppel Corp. and Glencore within Global players

- **Keppel Corp (KPLM.SI, PT S\$13.08, Buy, Cheryl Lee); Sembcorp Marine (SCMN.SI, PT S\$4.90, Neutral, Cheryl Lee).** Keppel Corp (Keppel) and Sembcorp Marine (SembMarine) are two global shipyard players who might be interested in OSX's assets if valuations fall to attractive levels. Keppel operates shipyards at Angra dos Reis and Santa Catarina, and SembMarine is constructing a yard at Aracruz where they will be building

for Sete Brasil, respectively 6 semisubmersible rigs and 7 drillships. Thus, the OSX assets appear to be a sensible business fit to both companies. In the case of Keppel, an acquisition of OSX's yard will provide increase scale. Its current yards have 185,000dwt dock capacity and are 607,000sqm land area, and the Brasfels yard can process 50,000 tons of steel per year. By contrast, OSX's yard has 2,600,000sqm land area and a planned processing capacity of 180,000 tons of steel per year. Keppel's Brasfels yard also has only 17 years left on its lease. The market's perception of Keppel's interest would be driven also by its management's comments that Keppel is usually more interested in opportunities from taking over bankrupt yards than building greenfield facilities. In the case of SembMarine, if it were to purchase the OSX assets, we believe the rationale would be the opportunity to access yard facilities closer to completion than its Aracruz Greenfield facility. However, at this point, while business fit appears sensible in theory, we think a valuation gap would prevent a deal from taking place. Both Keppel and SembMarine are not typically aggressive acquirers, valuations-wise. We think that even at close to zero equity, valuations might not be attractive enough, especially since net debt of almost US\$1bn is large in the context of Keppel's shareholder equity of US\$7.4bn and SembMarine's US\$2.2bn. Keppel Corp, on the topic of expansion, commented in July 2013 that it believed incremental capex at its existing yards were sufficient for its Brazil needs, and was more keen on opportunities in other countries. We also find it unlikely that SembMarine would be interested in running facilities at 2 locations: Rio de Janeiro and Espírito Santos; hence, a takeover of OSX would likely result in SembMarine severing ties at Aracruz – a move which we think the company would be reluctant to make, unless OSX assets were offered at extremely attractive value.

- **Glencore Xstrata (GLEN.L, Buy, PT 330p, Myles Allsop).** UBS's Allsop notes that Glencore continues to look to grow opportunistically, looking for assets which support the physical trading business. Iron ore is an attractive commodity for traders being a bulk commodity with blending/price arbitrage opportunities, but only opened up for traders in 2008 when BHP moved the market from annual contracts to a spot market. Glencore has rapidly grown its iron ore trading book, but so far has limited upstream integration. Glencore also likes to own port infrastructure as gives them access to/control over other tradable commodities. In his opinion, the timing of this M&A opportunity is not ideal as Glencore has only just completed the merger of Xstrata and Viterria, and is still to integrate these businesses. While the balance sheet is robust, there is not significant headroom for acquisitions in a falling commodity price environment and the share price is depressed (making any equity deal dilutive). In the past, Glencore has grown successfully by supporting distressed companies, often by providing loans and/ or equity stakes combined with a long-term marketing agreement. In Allsop's opinion, Glencore is more likely to adopt this approach than make a full acquisition of the company unless it delivers on material divestments (e.g. Las Bambas) or commodity prices recover in the near-term.

## Limited implications of EBX financial issues to banks as creditors

■ **The banks' exposure to EBX companies is limited with potential losses at worse being an earnings drag for a quarter or two.** We do not expect any impact of higher provisions in Q2 on the back of EBX group credit rating deterioration (this is more likely a Q3 event). We also do not expect any large banks to need to raise capital on the back of this. Within the banks in our coverage universe, Bradesco is the most exposed with the local press citing up to R\$5bn in loans; nevertheless we note that even if true, this amount is likely mostly backed by guarantees and might have already been renegotiated and, regardless, is c.1.7% of Bradesco's 1Q13 loan portfolio or 7% of equity, and could represent up to 40% of 2013e provisions or net income. UBS's Finch maintains a cautious stance on Brazilian banks given growth/inflation macro concerns, negative earnings momentum with 2Q results expected to be weak and unsupportive valuations (reflecting higher risk premiums and cost of equity). The least preferred bank is Banco do Brasil where UBS has an out of consensus Sell rating, (NPL/earnings risk) with Itau being the only Buy-rated Brazilian banks (excess provisions; good cost control). For details please see UBS LatAm Financials team's 07/04/13 report analyzing the potential impacts of each banks exposure to EBX group "*Brazilian Banks Exposure to X companies*".

Table 3: EBX Group: total loans and financing per bank

R\$m as of 1Q13. Note: MMX does not disclose total loans per bank. Caixa also has R\$774m exposure in LLX debentures

|                         | MPX          | LLX          | OSX          | MMX          | OGX          | CCX        | Total Exposure | % of Total Loans | % of Total Equity |
|-------------------------|--------------|--------------|--------------|--------------|--------------|------------|----------------|------------------|-------------------|
| Itau BBA                | 289          |              | 516          |              | 203          |            | 1,008          | 0.3%             | 1.4%              |
| Bradesco                | 66           | 946          |              |              |              |            | 1,012          | 0.3%             | 1.5%              |
| Santander               |              |              |              |              | 203          | 51         | 253            | 0.1%             | 0.4%              |
| BNDES                   | 2,771        | 537          | 491          |              |              |            | 3,799          |                  |                   |
| Caixa                   |              |              | 1,058        |              |              |            | 1,058          |                  |                   |
| HSBC                    | 238          |              |              |              |              | 103        | 341            |                  |                   |
| Morgan Stanley          |              |              |              |              | 225          |            | 225            |                  |                   |
| Citibank                | 202          |              |              |              |              |            | 202            |                  |                   |
| BTG Pactual             | 452          |              |              |              |              |            | 452            |                  |                   |
| BNB                     | 450          |              |              |              |              |            | 450            |                  |                   |
| Banco de Bogotá         |              |              |              |              |              | 103        | 103            |                  |                   |
| ABC                     |              |              | 107          |              |              |            | 107            |                  |                   |
| BONDS or debentures     |              | 774          | 1,010        | 642          | 0            |            |                |                  |                   |
| Others                  | 1,114        |              | 2,216        | 2,506        |              |            |                |                  |                   |
| <b>Total Gross Debt</b> | <b>5,583</b> | <b>2,237</b> | <b>5,398</b> | <b>3,148</b> | <b>7,991</b> | <b>256</b> |                |                  |                   |
| <b>Cash Position</b>    | <b>365</b>   | <b>764</b>   | <b>1,304</b> | <b>1,106</b> | <b>2,311</b> | <b>110</b> |                |                  |                   |
| <b>Net Debt</b>         | <b>5,219</b> | <b>1,473</b> | <b>4,094</b> | <b>2,042</b> | <b>5,680</b> | <b>146</b> |                |                  |                   |

Source: Companies releases (1Q13) and UBS.



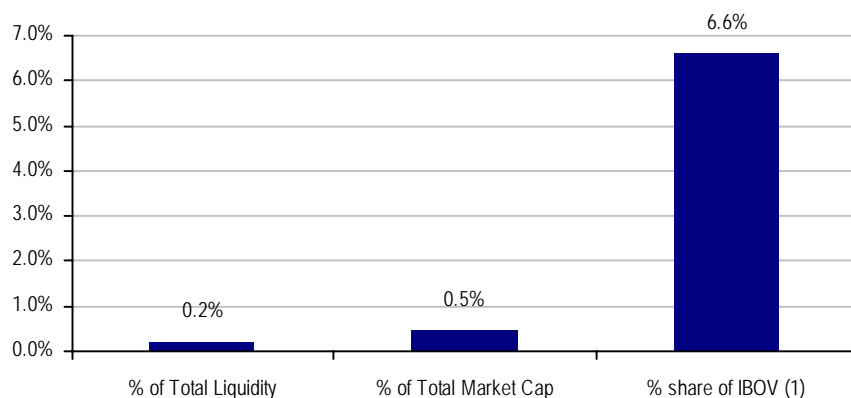
- **Exposure to non-bank financials is also small.** UBS's de Mariz note that Bovespa, Cielo, Cetip, Insurance – none have direct exposure to the EBX group. This fits into UBS's view that these companies have more resilient earnings than banks, as highlighted in UBS's recent Financials strategy report for the sector (see *LatAm Financials Strategy Preparing for more headwinds in 2H2013*, dated 07/03/13).
- **BVMF – we note that there is an indirect impact for BM&F Bovespa, although small.** On June 12th, 2012 (when CCX was listed as part of a spin-off from MPX), the listed companies of the EBX group – OGX, MPX, LLX, MMX, OSX and CCX – represented a combined market capitalization of R\$47.6bn, or 2.1% of the total market cap of the exchange. As of now (07/19/2013), this market cap has fallen to R\$8.1bn, or 0.4% of the total. Importantly, the daily liquidity of these listed companies amounted to cR\$417.0m on June 12, 2012 (5.0% of total, on average), and today the daily trading volume is down to cR\$187.0m (0.2% of total, on average). Bovespa's revenues depend on traded volumes, which are partly dependent on the market cap of companies. Maintaining the same velocity (churn of shares) as today, we estimate that any change of 10% in the combined market cap of the EBX group (from the current level) would impact the equities revenues of BVMF and represent 0.1% of total BVMF revenues.

#### The X companies are over-represented in the IBOV

The weight of the listed companies of EBX that are part of Brazil's most important index on the Brazilian exchange Bovespa represent together 6.6% of the Ibovespa (IBOV), which means that they are currently largely overrepresented in the index. The X stocks that are part of the IBOV are OGX, MMX and LLX; note that MPX, OSX and CCX are not.

The IBOV index is mostly based on traded volumes, and not on market cap like most indices on other exchanges. As the large loss in market cap of the X group has not been accompanied by a similar loss in stock liquidity, the X companies remain overrepresented in the IBOV index when focusing on their actual market cap (please see Chart 2).

Chart 2: "X" companies relevance within the Brazilian Exchange



Source: Companies and UBS / (1) The X stocks that are part of the IBOV are OGX, MMX and LLX

## Liquidation Value

- **New valuation approach.** With so much uncertainty surrounding the financial situation of EBX and arguably enough time for the group to find the right buyer at the right price, investors are already pricing-in the worst case scenario of liquidation value for the listed companies. As such, our Downside case valuations for these stocks now already reflect this scenario.
- **How is market value correlated to book value?** Simply put, liquidation value in our view would be the market value of tangible assets minus liabilities. Given the inherent difficulty in some cases of finding market value before a transaction is done, we use book value of net fixed assets in the case of LLX's infrastructure assets. For OSX, we best-guessed the market value of its not-yet-fully-built platforms at 75% of book value, although OSX management team have indicated to us that they see the market value of its 90-100% built OSX-1, OSX-2 and OSX-3 platforms at more than book value on tight Supply x Demand.

For MPX we think liquidation value is above book value of net PP&E given 15-20 year long-term power purchase agreements offering predictable cash flows with accretive returns locked-in in already fully or partially built assets. For LLX, we believe the market value of its infrastructure assets is the book value. By comparison, for OSX we best-guessed market value of the assets at 70% of the book value due to potential re-customization needed to make the production platforms work for different fields, and with nil value assigned for the OSX yard so as to offset any hidden liability from contract renegotiation with suppliers coming from the yard construction slowdown. Please see Table 4 for details.

**Table 4: Liquidation Value analysis – LLX and OSX offer the most interesting risk/reward profiles, followed by lower-Beta MPX.**

R\$/share

|                               | MPX   | LLX  | OSX   | MMX   | OGX  | CCX       |
|-------------------------------|---|--|---|---|--|-----------|
| Ticker                        | MPXE3   | LLXL3  | OSXB3   | MMXM3   | OGXP3  | CCXC3     |
| Rating                        | Buy   | Buy  | Buy   | Sell  | Sell (CBE)   | Not Rated |
| Stock Price, Lc\$             | 6.91  | 0.79   | 1.24  | 1.39  | 0.50   | 0.67      |
| Target Price, Base Case, Lc\$ | 9.00  | 1.70   | 4.00  | 1.60  | 0.20   | n.a.      |
| Total Return Estimate, 12m    | 30%   | 773%   | 223%  | 15%   | -60%   | n.a.      |
| Upside Case                   | 11.00   | 6.90   | 6.00  | 2.65  | 1.00   | n.a.      |
| Upside to Upside Case         | 59%   | 773%   | 384%  | 91%   | 100%   | n.a.      |
| Downside Case                 | 6.50  | 0.77   | nil   | 1.12  | nil  | n.a.      |
| Upside to Downside Case       | -6%   | -3%  | -100%   | -19%  | -100%  | n.a.      |
| Liquidation Value             | 6.50  | 0.77   | 4.60  | 1.30  | nil  | n.a.      |
| Liquidation Value assumptions | mkt value of assets w/ long-term PPAs plus OGX Maranhao (DCF w/ 10% Ke in real R\$), minus net debt | book value of net PP&E minus net debt. We are not including the NPV of the Anglo American contract | weighted avg. 75% of book value of net PP&E of shipyard and production platforms minus net debt and minus US\$1bn contingency for losses for renegotiation of contracts w suppliers | current book value of net PP&E minus 2013YE net debt. | mkt value of assets minus net debt; see our NAV estimate | not rated |
| Upside to Liquidation Value   | -6%   | -3%  | 271%  | -6%   | -100%  | n.a.      |

Source: Companies releases (1Q13) and UBS.

# M&A Outlook

## What is for sale and who are the potential buyers?

**It's a question of price...** We believe any asset is for consideration, and believe EBX can find buyers for many of its assets, given their strategic location and/or already-evolved development stage (LLX, OSX and MPX). As a caveat to our analysis, we note that a seller under financial stress is very rarely able to raise the fair value of its assets under fire-sale. Moreover, the creditors as well as the financial advisor of the EBX group seem to be conflicted players who might own the credit or the equity of one company or another. To reiterate, the key issue is price and what can be lengthy negotiations with BTG and other credit holders. Please see Tables 5, 6 and 7 for details.

Table 5: M&A outlook for MPX

| Company       | Target assets            | Potential buyers   | Comments  |
|---------------|--------------------------|--|---|
| MPX           | Eike Batista's 24% stake | E.ON   | Post the R\$800m capital increase at R\$6.45/sh floor price, Eike's 29% stake in MPX will drop to c.24%. We think Eike will ultimately divest from MPX, pulling off from the shareholders agreement signed with E.ON and potentially triggering tag along upside. We see a few players interested in co-controlling MPX with E.ON, but this would require negotiations not only with Eike but also with BTG bank who is the EBX group advisor and likely creditor of loans at EBX and its subs including MPX; we see a handful of players that would like to control MPX, but not in partnership with E.ON.   |
| Partners:     |                          | LatAm-exposed utilities with local management expertise, including CEMIG or CPFL Energia | <p><b>E.ON (EONGn.De, Neutral, €13 PT, Patrick Hummel) – is not adding or divesting but could be interested in the Parnaiba gas fields from OGX.</b> UBS's Hummel notes that E.ON's recent increase in MPX's capital to 36% from 12% (R\$1.4bn for shares acquired from Eike Batista for 24% of the capital, at R\$10/sh) was clearly a different situation compared to 2011 when E.ON decided to buy into MPX for the first time (R\$1bn for 68 million shares or 11.7% of capital – implied price was c.R\$15/sh). Yet, the overall financial commitment by E.ON is still below €1bn at this point and therefore has limited relevance for E.ON as a group, not preventing the company from buying more (MPX is undergoing a private capital increase of R\$800m at R\$6.45/sh at the time of this writing). Nevertheless, UBS does not think E.ON would be interested in acquiring full control of MPX in the near term as the latter would be consolidated in the German utility's balance sheet on a pro-rata basis (as opposed to equity income); that would raise E.ON's gearing to undesirable levels. Moreover, E.ON has indicated it would like to have significant presence in Brazil but via local partnerships.</p> <p>We also do not believe E.ON would divest, given the ongoing R\$800m capital increase and the quite recent investment of about €1.1bn in MPX, for a c.38% total stake in the company (post capital increase). MPX's market value has shrunk to €0.5bn, suggesting that there is €0.6bn write-down risk for E.ON, but this would be non-recurring and not relevant for dividends, triggering no changes in E.ON's growth strategy. As a means to defend MPX's growth plan into gas, we would not rule out E.ON potentially buying OGX's 47% economic stake in the Parnaiba gas blocks, so as to guarantee MPX's access to the Parnaiba gas; the economic consideration however is not small, at estimated \$720m.</p> <p><b>CEMIG (CMIG4.SA, Neutral, R\$20 PT, Yang) or IPP-GdF-Suez (GSZ.PA, Buy, €18 PT, Gandolfi) / TRACTEBEL ENERGIA (TBLE3.SA, Buy, R\$38 PT, Yang).</b> Within Brazilian utilities within our coverage universe, we see CEMIG and TRACTEBEL or its parent IPP GdF-Suez as interested in MPX assets, especially if at the relatively low private capital increase subscription price of R\$6.45/sh. In our view, CEMIG has been one of Brazil's strongest consolidators, and the partnership with E.ON would not be an issue at all, based on CEMIG's desire to not fully control its recent acquisitions. At the right price, we also see other Brazil-based players interested in MPX in view of its paper project portfolio of 10GW; nevertheless, many of these interested players would prefer to have full control as oppose to shared control with E.ON. , and many see as a roadblock the need to negotiate any control transfer and the shareholders agreement with not only E.ON but also with EBX/BTG.</p> |
| E.ON          |                          |  |   |
| OGX           |                          |  |   |
| Petra Energia |                          |  |   |

Source: UBS

Table 6: M&amp;A outlook for LLX, MMX, OGX

| Company  | Target assets  | Potential buyers                      | Comments   |
|--|--|---------------------------------------|--|
| LLX<br><br>Partners:<br>Anglo<br>American                              | 53% of LLX's total capital or its operational assets Minas-Rio or Açú                                | Porto Central, private equity funds   | <p><b>Porto Central</b> - We think Porto Central, a partnership between local construction companies and the Port of Rotterdam is the natural strategic investor in LLX. Porto Central is an R\$1.8bn greenfield project focused on the handling of solid and liquid bulk, steel products and general cargo and to become an oil offshore base. The port would take years to become operational. They are still waiting for the construction license and other regulatory authorizations to kick-off the construction phase. LLX would be an interesting shortcut for such presence in Brazil.</p> <p><b>Private equity funds</b> - funds with infrastructure focus would also be potential buyers of LLX (or some of its assets) given that the shares are trading at close to liquidation value and below the NPV of the Anglo American contract.</p> <p><b>Anglo American (AAL.L, Neutral, 1,350p, Myles Allsop)</b> – AA company press releases suggest AA is not increasing or reducing its 49% stake in LLX in the foreseeable future, as AA is currently divesting part of the mining + pipeline assets that would use LLX's port structure. The potential buyer of these AA assets (e.g. Glencore, Trafigura) could also be a candidate to buy all or part of LLX Açú, 100% owned by EBX.</p>  |
| MMX<br><br>Partners:<br>Wugang<br>Group                                | 59.3% of the capital belonging to EBX or the MMX assets  | Glencore, Trafigura                   | <p>MMX has affirmed that is in talks with Glencore and Trafigura regarding an asset sell-down. The potential acquisition closely matches Glencore's historical transactions of buying good quality assets at distressed prices. We think EBX/MMX management is more likely to consider a partial or full stake sale in its total asset base rather than selling off specific projects, such as the Sudeste Port or Serra Azul mine.</p> <p><b>Glencore Xstrata (GLEN.L, Buy, PT 330p, Myles Allsop)</b> – timing is not ideal, but interest is there. Glencore continues to look to grow opportunistically, looking for assets which support the physical trading business. Company has rapidly grown its iron ore trading book, but so far has limited upstream integration. While Glencore also likes to own port infrastructure (then potentially looking into LLX port assets too) as gives them access to control over other tradable commodities, and company has solid balance sheet that could absorb MMX or LLX, UBS Allsop notes that the timing of this opportunity is not ideal as Glencore has only just completed the merger of Xstrata and Viterra, and is still to integrate these businesses.</p> <p><b>Wuhan Steel (600005.ss, by Janet Sun)</b> - not selling but not adding. Would Wuhan happy sell its 10.5% stake in MMX? UBS's Sun thinks this does not seem likely in the near term, although she does not rule it out in the future. Wugang Group, a parent company of Wuhan Steel, is trying to incorporate its iron ore assets (including its stake in MMX) into Wuhan Steel (600005.ss) through a secondary offering - this offering is pending approval from the Chinese Government now. <b>Would Wuhan buy more of MMX instead?</b> UBS sees low likelihood at this point, in view of the following: 1) lowering iron ore price combined with weaker price outlook make iron ore asset not that attractive as past; 2) Wuhan already has some iron ore assets under construction or exploration which needs a lot of capital investment in future; 3) Wuhan Group has given up several opportunities to maintain its stake in MMX in the past few years, and its stake was diluted from 21.5% to 10.5% in 1Q13.</p>  |
| OGX<br><br>Partners:<br>Petronas,<br>QGEP,<br>MPX,<br>Petra<br>Energia | Tubarão Martelo (Waikiki), Parnaíba gas assets, BS-4, farm-downs in exploratory licenses, 61% in OGX | E&P players, MPX for the OGX Maranhão | <p>After last week's announcement of development suspension of Tubarão Gato, Areia, Tigre and the potential shut down of Tubarão Azul during 2014, there were not many assets left for sale. The sole assets now are a remaining 60% stake at Tubarão Martelo, and its 40% stake at BS-4 block. However, in the deal with Petronas, OGX gave as guarantee: i) another 40% of Tubarão Martelo, and ii) half of its stake in BS-4 block, i.e., 20% of BS-4.</p> <p><b>PETROBRAS (PETR3, PETR4, Buy, R\$21 PT, Lily Yang)</b> – top mgmt officials have for several instances that it is not a buyer of OGX or its assets given the focus on pre-salt acreage as opposed to post-salt.</p> <p><b>Petronas (not listed)</b> – in case economics of Tubarão Martelo (Waikiki field) disappoint, Petronas could increase its stake in Martelo to 80% from 40% and also get a hold of 20% of QGEP-operated BS-4 (contract details unknown).</p> <p><b>QGEP (QGEP3, Buy, R\$16.5 PT, Lily Yang)</b> – as the operator of BS-4, failure from OGX to contribute its capex portion of BS-4 could mean additional c.US\$100m investments from QGEP in the block (i.e., to cover for OGX's capex portion), which in our view could be easily absorbed by QGEP's solid balance sheet (R\$1.0bn net cash in 1Q13). Also, QGEP holds 25% of the CE-M-661 (Ceará basin) acquired together with OGX in the 11<sup>th</sup> bid round (this demands R\$12.1m signing bonus and R\$40.7m capex commitments for OGX in the exploratory phase)</p> <p><b>Exxon (XOM.N, Neutral, US\$91 PT, Bill Featherston), Total (TOTF.PA, Buy, €44 PT, Jon Rigby)</b> – these are partners of OGX in the 11<sup>th</sup> round bid. With OGX, Exxon has: i) 50% in CE-M-603 (Ceará basin); ii) 50% in POT-M-762 (Potiguar basin) which combined mean R\$64m signing bonus and R\$81m exploratory capex commitments for OGX. Total holds 45% of CE-M-661 (Ceará basin) with R\$12m signing bonus and R\$41m capex commitments for OGX. Very negligible to Exxon or Total, in our view. Should OGX fail to do its part, we believe Exxon or Total could easily take on OGX's stake in the blocks (alternatively, they can give up their bids)</p> <p><b>MPX (MPXE3, Buy, R\$9 PT, Lily Yang), Petra Energia (not listed)</b> – OGX has 67% stake in OGX Maranhão (MPX has the other 33%) which in turn owns 70% of eight Parnaíba blocks; the remaining 30% is owned by reputable Brazil-based gas player Petra Energia. We do not rule out MPX (as the user of the Parnaíba gas via long-term gas PPAs to its gas-fired thermoelectricity assets) or its co-parent E.ON (who co-controls MPX and owns E&amp;P assets across the globe) or Petra Energia (as a gas player in Brazil) being interested into the 67% stake OGX owns of Maranhão. Nevertheless, we note that our estimated US\$0.7bn valuation for Maranhão seems too high for Petra Energia, MPX or E.ON to be interested in the near-term.</p> <p><b>E&amp;P players</b> might be interested in OGX's tax losses carry-forward totalling up to an estimated R\$8.9bn (worth up to c.R\$3bn), assuming OGX writes off all to-date capex except the ones in Tubarão Martelo, BS-4 and Parnaíba.</p> |

Source: UBS

Table 7: M&amp;A outlook for OSX

| Company | Target assets  | Potential buyers   | Comments  |
|---------|--|--|---|
| OSX     | 75% of OSX that belongs to EBX, or 90% of the Açú shipyard or the FPSOs that will no longer be of use to OGX | <p><b>Shipyard:</b><br/>Global shipyard players including Keppel, Brazilian construction companies</p> <p><b>FPSOs and WHPs:</b><br/>charter/leasing companies</p> | <p>The most problematic asset is the US\$1.2bn shipyard, which groundworks are being reduced to current, existing structure from the US\$2.4bn initial total budget. With US\$965m associated debt and no new orders yet, OSX might have to find a buyer with better operational track record and Petrobras relationship. We also understand that all OSX's platforms might go put for sale, after recent announcement of development suspension of Tubarão Gato, Areia, Tigre and the potential shut down of Tubarão Azul during 2014. Only OSX-3 and WHP-2 should remain in the OSX portfolio, as it will produce in the Tubarão Martelo field. In this scenario, OSX is already in talks for the sale of OSX-1 and 2, while the hulls OSX-4/5 should also be put for sale for some low valuation close to scrap value.</p> <p><b>Hyundai Heavy (009540.KS, Restricted, Yong-Suk Son)</b> - World's largest shipbuilder Hyundai Heavy Industries (HHI) has a 10% stake in the shipyard, but in the past HHI has indicated no interest in selling nor buying additional stake. HHI provides technical advisory for OSX. The exposure to EBX is limited to this 10% stake in the yard, which cost the company c.US\$60m.</p> <p><b>Samsung Heavy (010140.KS, Buy, Won 44,000 PT, Yong-Suk Son)</b> – The world's third largest shipbuilder by capacity, Samsung Heavy (SHI) has shown interest in re-entering the Brazil after exiting the EAS Atlantico Sul yard in 2012. Although SHI has the balance sheet, we believe SHI would be hesitant to acquire OSX stake given HHI's 10% stake. HHI and Daewoo Shipbuilding are the biggest competitors of SHI.</p> <p><b>Keppel Corp. (KPLM.SI, PT S\$13.55, Buy, Cheryl Lee)</b> - Keppel Corp (KPLM.SI, PTS\$13.55, Buy, Cheryl Lee) - Keppel Corp is one of the most established vessel builders in Brazil: since 2000, the company has operated a 100%-owned shipyard at Angra dos Reis. In theory, OSX's yard is a good fit. Keppel has also in the past indicated a general interest in deals which involved distressed-sellers. However we believe that even at close to zero value assigned to the equity portion of OSX, OSX's debt of almost US\$1bn means Keppel is unlikely to be interested.</p> <p><b>Sembcorp Marine (SCMN.SI, Neutral, S\$4.90, Cheryl Lee)</b> - Brazil press reported in early 2013 that SembMarine subsidiary Jurong was interested in OSX shipyard. It appears negotiations have not evolved with EBX. We think that OSX's debt of close to US\$1bn would have been a stumbling block, particularly in the context of SembMarine's balance sheet of US\$2.2bn. Also, SembMarine is itself committed to a greenfield yard at Aracruz: construction awards have already been made. We think it is unlikely that SembMarine has enough management bandwidth to operate two large, new yards in Brazil simultaneously, and thus OSX assets would need to be offered at extremely attractive valuations for SembMarine to be engaged, in our view.</p> <p><b>SBM (SBMO.AS, Neutral, €14 PT, Amy Wong)</b>. SBM Offshore is the contractor on the FPSO OSX-2 (Floating Production Storage &amp; Offloading), which is currently under construction at Keppel in Singapore. At the time of writing, we understand that the unit is close to 90% complete and milestone payments have been made according to schedule. In our opinion, SBM Offshore is an unlikely buyer of this asset. Even though SBM's traditional business is a "construct &amp; lease" model, the FPSO's would typically be built according to SBM Offshore specifications. Because the OSX-2 was set up as an outright sale, the specifications would have likely been bespoke for the client.</p> <p><b>Techint (not listed)</b> – there is an US\$400-450m EPC contract on WHP-2 which goes to Tubarão Martelo (note that the Techint order on WHP-1 which is connected to OSX-2 was cancelled at unknown terms).</p> <p><b>Modec (6269.T, Neutral, ¥ 3,900.00 PT, Mariko Watanabe)</b> – Company is in charge of construction of the c.US\$900m OSX-3 FPSO, which sailed to Brazil from Singapore on July 15<sup>th</sup>. Of this US\$900m, a small part will be received upon successful delivery in Brazil, expected to happen in Sep 2013. We see low likelihood of OSX failing to pay for this FPSO, hence with limited impact to Modec.</p> <p><b>Petrobras (PETR3, PETR4, Buy, R\$21 PT Lily Yang)</b> – we rule out help from Petrobras, noting that top mgmt team and Brazil top govt officials have for several instances said Petrobras is not a buyer of OSX or its assets, but that it could instead make use of OSX yard provided it were a winning bidder in Petrobras' procurement auctions for services or new platforms. In 2012 there were local press speculations that OSX and Sete Brasil could establish a partnership or create a JV that would use OSX yard and lease platforms to Petrobras – this was later denied by Sete Brasil and Petrobras; we note that it would go against diversification of yard construction and rig/FPSO project execution risks.</p> |

Source: UBS

## EBX – Financial Overview

1. What is the problem with EBX? How is its organizational structure?  
What is the real financial situation/leverage of EBX Group?

EBX Group has not a tax identity, and refers to Eike Batista himself and his 94-100%-owned holding companies CAMF (Centennial Asset Mining Fund LLC) and CABEF (Centennial Asset Brazilian Equity Fund LLC) plus the operating companies that these holdcos own – please see Figure 1 for EBX companies.

**We know the debt at the listed companies as of March 2013 but do not know the leverage of Eike Batista himself or the EBX holding companies**, as they are not listed vehicles and have not disclosed financial statements. We also do not know the level of debt at the closed companies such as REX, AUX, SIX, IMX, NRX Newrest, Mr. Lam or Pink Fleet; however, these seem to be relatively small businesses when compared to the listed companies. Local *Folha de Sao Paulo* on June 30, 2013 indicated R\$23bn total debt for EBX group, which would in our calculations imply at least R\$4bn debt at the holdco/parent level. This R\$23bn number was the most sensible one we found (several other articles cited R\$10 to R\$13bn), but this figure could be higher as R\$23bn is in our view simply the sum of the gross debt levels of the listed EBX companies (R\$19bn consolidated, or R\$13bn when ownership-adjusted) and the capital injected at EBX holdcos by Mubadala and GE (US\$2.3bn). Please see Figure 1 for EBX group overview.

The EBX holding companies are likely very leveraged and likely pledged shares of the listed stocks as part of the loan guarantees. But with no publicly financial statements, we do not know the magnitude of the EBX financial problems

**The poor financial situation of the parent is underscored by the following:**

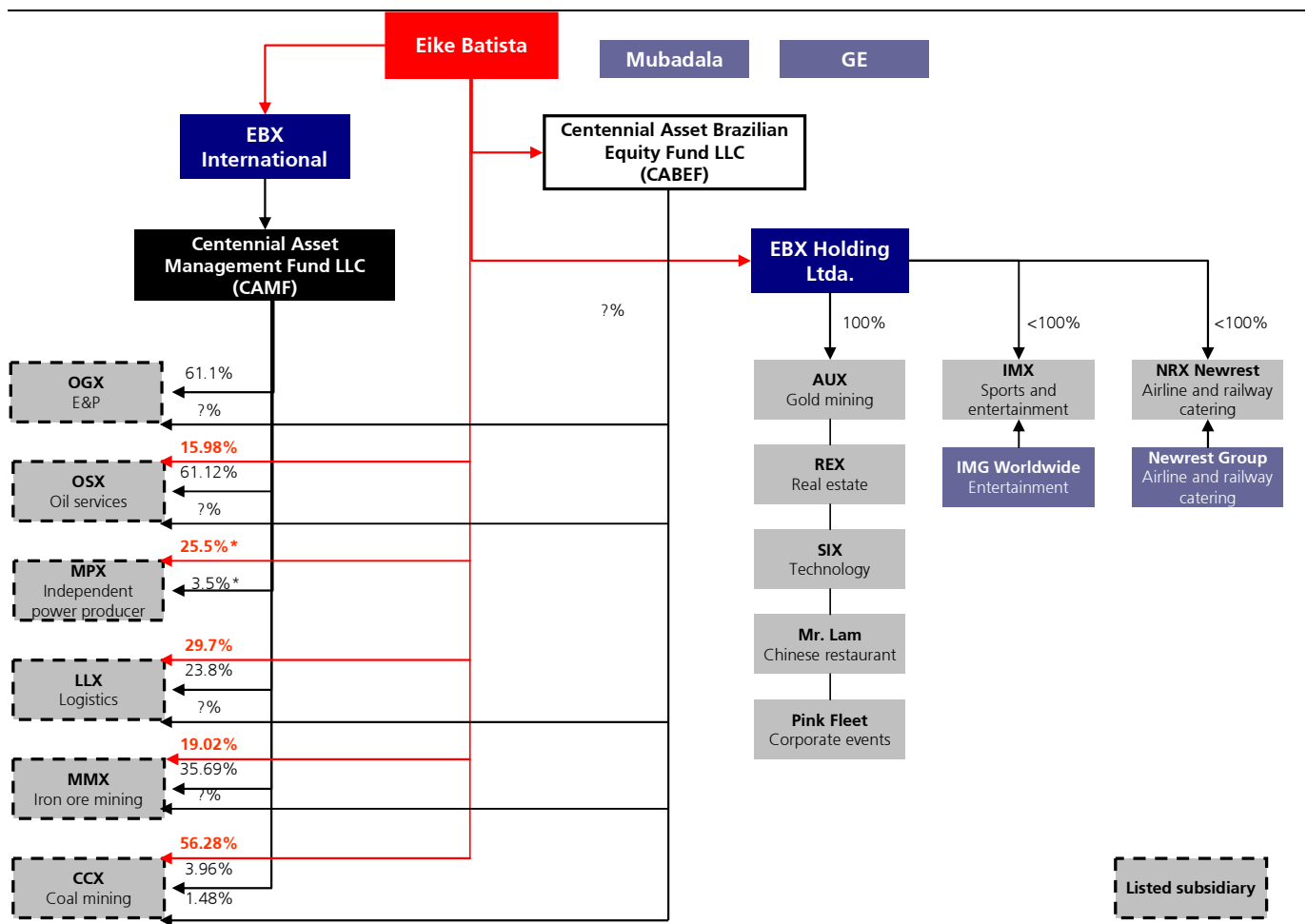
- i) **High leverage and high ST debt at opcos.** Many of EBX listed subsidiaries are highly leveraged, having financed with debt even the portion of the capex that would normally be funded with equity – this is true even in the case of MPX, despite company's access to project finance at the level of 70% of capex. Moreover, much of the debt is short term. In addition, as an aggravation, not all the X assets are operational today, and most are free cash flow negative following execution risks that turned out to be underestimated.
- ii) **BTG strategic partnership.** EBX announced in early March that a strategic partnership with BTG bank to help financially restructure the EBX group. Several local press reports indicated that BTG would lend US\$1bn to EBX, and more recently numerous reports indicated that BTG gave up such commitment. The motivation for the strategic partnership could have been BTG's loan exposure to EBX companies (7.4% of BTG's loan exposure as per local *Exame* magazine citing Moody's) plus potential gains in the investment side of the bank, suggested *Exame*.
- iii) **Failed commitments of cash injection and asset buy-out.** We also note that EBX was not willing or able to go ahead with the acquisition of the CCX shares at book value with payments in shares of sister CCX companies valued at market price (please see our weekly *LatAm Oil&Gas* report, dated 2013-07-11, for details). Moreover, EBX also failed to buy out LLX minority investors in Sep. 2012 at the R\$3.13/sh offer price, after BofA issued a report

suggesting that the fair value for LLX should be much higher at R\$6.94-7.63/sh. Finally, we note that to-date, EBX has not injected the US\$1bn at OGX at the R\$6.3/sh price and US\$380m of the US\$1bn at OSX at US\$40/sh, both at well higher-than-market prices (we however note that Eike Batista did inject US\$620m cash into OSX as early as in 3Q13, and when OSX stock prices were already at low R\$13/sh). We also note that BTG bank did not go ahead with its R\$833m firm guarantee to buy MPX shares at the R\$10/sh price after the MPX stock price fell to below R\$7/sh, as was agreed with E.ON upon the sale of R\$1.4bn in MPX shares from Eike Batista to E.ON at the same R\$10/sh.

- iv) **Bold changes to the Board of Directors** and top management teams of its companies (namely OGX and OSX).

Figure 1: EBX Group – assets overview

Notes: In March 2012 UAE-based Mubadala (sovereign fund) paid \$2bn for a 5.63% stake in CABEF plus an unknown interest in other offshore subs that we believe could be parent companies of CAMF. Prior to that, in May 2012, GE paid \$0.3bn for a 0.8% stake in CABEF plus an unknown interest in other offshore subs that we also believe could be parent companies of CAMF. CAMF is based in Nevada, USA, while the parent EBX International is based in Panama. EBX issued a press release on July 10th indicating that it has already restructured its liabilities with Mubadala.



Source: Companies and UBS. \* UBS assumption post sale to E.ON, pre R\$800m private capital increase

**We understand that loans at the opco level are non-recourse to the holdcos but that the parent loans were collateralized by the underlying operating assets (including stocks of OGX and MPX). This has been confirmed by**

dozens of press reports over the past few months. The leverage itself would not be an issue until recently, when the value of the opcos has declined steeply while the debt has only increased. The most important asset of EBX group used to be pure E&P play OGX, listed five years ago at US\$21.8bn market capitalization with a 10x over-subscribed IPO. The OGX market cap has shrunk to <\$1bn, as the company's prospective barrels turned out to be not economically-viable.

**Much of EBX debt at the parent level seems to have already matured or is maturing in the near-term, and most Brazilian banks are exposed.** It seems like EBX is bankrupt but this cannot be confirmed, and it is clearly not in the best interest of credit holders to publicly acknowledge that before attempting a corporate reorganization that might include asset divestments.

2. What do we know about the financial situation of the subs? How are these companies impacted by the arguably distressed financial situation of the parent?

**Listed EBX companies do have high leverage and high short term debt (Table 8).** The capital structures are sub-optimal and, more importantly, short-term debt is high and operating cash flows are not very robust at these early-stages of the businesses. Many of paper projects have not become reality yet, some projects never took off, and delivery of most already-operational projects (including OGX's Waimea or MPX's coal generation plants) came behind guidance from management and at poorer-than-anticipated economics. Please see Figure 2 on page 23 for EBX organizational structure.

The listed EBX companies have over-geared capital structures

**Table 8: Leverage at listed EBX companies**

R\$m as of 1Q13 for cash and debt position, R\$m as of 07/19/13 for market cap.

|                                | MPX            | LLX            | OSX          | MMX    | OGX     | CCX   |
|--------------------------------|----------------|----------------|--------------|--------|---------|-------|
|                                | IPP, utilities | Infrastructure | Oil services | Mining | E&P     | Coal  |
| EBX stake                      | 29%            | 53%            | 75%          | 55%    | 59%     | 62%   |
| Mkt Value of EBX stake, Lc\$m  | 1,258          | 313            | 233          | 813    | 991     | 67    |
| Ticker                         | MPXE3          | LLXL3          | OSXB3        | MMXM3  | OGXP3   | CCXC3 |
| Market Cap, Lc\$m              | 4,337          | 590            | 311          | 1,489  | 1,682   | 108   |
| EV, Lc\$m                      | 9,750          | 2,222          | 6,135        | 3,963  | (4,343) | 111   |
| ADTV, 6m, Lc\$                 | 14.87          | 15.97          | 11.12        | 19.23  | 251.99  | n.a.  |
| Revenues, 2013e                | 922            | 259            | 714          | 929    | 900     | n.a.  |
| EBITDA, 2013e                  | 333            | 84             | 14           | 83     | -3      | n.a.  |
| Net Income, 2013e              | -254           | -58            | -87          | -134   | -13     | n.a.  |
| Stockholders Equity, Mar 2013a | 3,502          | 741            | -256         | 3,358  | 6,999   | 693   |
| Current ratio                  | 0.6            | 0.3            | 0.3          | 0.8    | 3.0     | 0.9   |
| ST Debt, Mar 2013              | 2,367          | 1,440          | 1,922        | 1,204  | 137     | 256   |
| LT Debt, Mar 2013              | 3,216          | 797            | 2,466        | 1,302  | 494     | 0     |
| Debentures or Bonds            | 0              |                | 1,010        | 642    | 7,360   | 0     |
| Cash Position                  | 365            | 764            | 1,304        | 1,106  | 2,311   | 110   |
| Net Debt                       | 5,219          | 1,473          | 4,094        | 2,042  | 5,680   | 146   |
| Net Debt/EBITDA                | 14             | 22             | 675          | 37     | (2,255) | n.a.  |
| Net Debt/Total Capital         | 0.5            | 0.5            | 0.6          | 0.3    | 0.4     | 0.1   |
| Net Debt/Equity                | 1.5            | 2.0            | -16.0        | 0.6    | 0.8     | 0.2   |

Source: Companies releases (1Q13) and UBS. Note: LLX debentures are held by Caixa.



**Poor parent to weakly back-up opcos's business plans in case of adversity.**

As per our conversations with IR teams of a few companies we cover, there were indeed cross-default clauses involving EBX companies: when one company defaults on a loan, the sister companies have to pre-pay their loans to the same creditor. Nevertheless, we understand that these clauses seem to have been already renegotiated – needless to say, it is understandably not in the best interest of creditors to fully write-off these loans. With a financially distressed parent and low visibility of future cash flows from most of the assets (caused in great part by the OGX disappointments), the ability for OGX sister companies to roll over debt or get additional loans gets limited to creditors' willingness to keep and/or increase the exposure to the same economic group. At the end of March 2013 OSX failed to place US\$265m in bonds related to a c.\$1bn FPSO (OSX-3, set for Tubarão Martelo field) that is was already built in Singapore and is on its way to Brazil. Moreover, we note that if it were not for EBX's arguably poor financial situation, we believe MPX would be able to rollover R\$1.4bn debt at the parent level or issue infrastructure bonds without having to first go for the current R\$800m private capital increase at what we see is below-fair value estimate. The leverage at the holding company level still gets to be a concern today, twofold: i) ability for the opcos to carry on their business plans as planned or fund growth at reasonable costs; and, ii) potential impediments for control transfer that could be accretive to shareholders in several ways (more capitalized parent, tagalong upside in case of sale at a premium to market value).

Cross-default clauses, debt rollover challenges and changes in growth strategy

# OGX

Analyst: Lilyanna Yang, CFA

## Investment case

We rate the stock Sell as we do not believe there is much equity left for investors when considering the high leverage. After a series of disappointing events that led us to write-off much of the value of Campos basin assets, we see negative equity value for OGX unless the company is able to secure the \$1bn capital injection promised by the parent at the accretive R\$6.3/sh and/or renegotiate its 2018- and 2012-maturing debt at favourable terms and/or get to still be financed by banks. Recent negative news include the development suspension of Tubarão Azul, Gato, Areia, Tigre and the sale of Tubarão Martelo to Petronas at low valuation and giving other assets as pledge. Finally, we highlight we do not see exploratory upside given the tight balance sheet.

## The exposure to sister companies

OGX has contracts for platforms with OSX (OSX-1/2/3, and WHP-1), and must fully compensate OSX in case of contract termination. Currently, the platforms are valued at ~US\$3bn. OGX also owns with MPX and another company 7 gas blocks in the Parnaíba basin (OGX Maranhão). The Parnaíba gas production was entirely committed to MPX via a gas supply agreement (GSA) to feed MPX-owned, ownership-adjusted 1GW in gas-fired complex.

## Balance sheet and debt profile (R\$m)

|                      | 1Q13  | (times)                   | 1Q13 |
|----------------------|-------|---------------------------|------|
| Gross debt           | 7,991 | Net debt/total capital    | 64%  |
| Short-term           | 137   | Net debt/EBITDA           | n.m. |
| Long-term            | 7,854 |                           |      |
| Cash position        | 2,311 | Debt serv. coverage ratio | n.m. |
| Net debt             | 5,680 | Quick ratio               | 3.0  |
| Shareholders' equity | 6,909 | Acid-Test ratio           | 2.9  |

## Upside Scenario: R\$0.8/sh

While we don't see operational upside within the next 12 months, restoring financial credibility and confidence on the EBX and OGX balance sheet remains key. In our Upside case we assume OGX exercises the US\$1bn put at the R\$6.3/sh price this year and manages to divest part of OGX or its assets. Debt renegotiation with a haircut might also be a positive for OGX's valuation.

12 month rating

**Sell**

12m price target

**R\$0.20**

## Downside Scenario: nil

This is based on poorer economics from OSX-3 (Tubarão Martelo) that results in transfer of another 40% of Martelo plus half of OGX's 40% stake in BS-4 to Petronas, combined with difficulty in selling remaining OGX assets due to bond covenants. The cash drag would be such that OGX would have to go for a dilutive capital increase, or have to restructure its debt without much left for equity investors.

## Liquidation Value (R\$m or R\$/sh)

|  | 2013E |
|--|-------|
| Net Asset Value (T. Martelo/BS-4/Parnaíba) (a)             | 5,336 |
| Tubarao Azul, Gato, Areia, Tigre                           | nil   |
| Tubarao Martelo  | 2,782 |
| BS-4   | 1,101 |
| Parnaiba   | 1,454 |
| Cash position post-OSX renegotiation and Petronas deal (b) | 3,121 |
| Gross debt (c)   | 7,991 |
| Net debt (d)=(c)-(b)                                       | 4,870 |
| 10% value of tax loss credits (e)                          | 303   |
| Liquidation value (f)=(a)-(d)+(e)                          | 769   |
| # shares (g)   | 3,263 |
| Price per share (h)=f/g                                    | 0.2   |

## M&A outlook

After recent decision to suspend the development of Tubarão Gato, Areia, Tigre and the potential shut down of Tubarão Azul during 2014, there are not many assets left for sale. The assets that could be sold in our view are: a 20% stake in Tubarão Martelo, half of company's 40% stake in BS-4, and the Parnaíba blocks. Note that in the 40% Martelo farm-down to Petronas, OGX pledged another 40% of Martelo and 20% of the BS-4 block.

**Operating margins remain of low visibility.** First oil for Tubarão Martelo is set for YE, and Martelo's production outlook and economics remain a key valuation driver for OGX.

# OSX

Analyst: Lilyanna Yang, CFA

## Investment case

We like OSX because we believe the value of the assets under liquidation scenario seems far greater than the stock price even when taking into account a best-guess estimate of US\$1bn in hidden liabilities from contract renegotiation with suppliers. We also continue to see OSX as a leverage play to OGX. With disappointing results from its main client sister OGX, OSX's backlog has been reduced and OSX had to i) slow down construction of its large, state-of-the-art shipyard; and, ii) put assets for sale. While difficult to assess the market value of OSX's assets, we believe OSX would still be able to liquidate its production platforms for an estimated, average 75% of construction costs net and still have resources to pay down its debt plus hidden claims, and leave >R\$4/sh value for minority investors. We assign nil value for the \$380m put against Eike Batista at R\$40 IPO price (R\$2 value creation).

## The exposure to sister companies

OSX has long-term lease contracts for production platforms with OGX (OSX-1, 2 &3, and WHP-1), worth ~US\$3bn based on book value. While OGX will no longer need OSX-1 and 2, OGX has indicated it will honour its contractual lease obligations until the assets are sold. OSX-3 platform will be used in Tubarao Martelo, one of the few Campos basin assets of OGX that might still be economically viable (first oil set for before YE). Other platforms (OSX-4, 5, WHP 2, 3) were partly built at OGX's request but contracts were recently terminated upon OGX agreeing to reimburse OSX for the past costs.

## Balance sheet and debt profile (R\$m)

|                      | 1Q13  | (times)                   | 1Q13 |
|----------------------|-------|---------------------------|------|
| Gross debt           | 5,398 | Net debt/total capital    | 116% |
| Short-term           | 1,922 | Net debt/EBITDA           | n.m. |
| Long-term            | 3,476 |                           |      |
| Cash position        | 1,285 | Debt serv. coverage ratio | n.m. |
| Net debt             | 4,113 | Quick ratio               | 0.6  |
| Shareholders' equity | 3,731 | Acid-Test ratio           | 0.6  |

## Upside Scenario: R\$6/sh

Our Upside case assumes higher market value for OSX's assets at c.85% of book value, and the same US\$1bn hidden liabilities of our Base case.

12 month rating

**Buy**

12m price target

**R\$4.00**

## Downside Scenario: Nil

With a credit event from main client OGX and a stressed scenario wherein OSX ends up not selling its assets or OSX is pushed for a fire-sale at below c.60% of book value, OSX valuation can deep towards nil.

## Liquidation Value (R\$m or R\$/sh)

|  | 2013E |
|--|-------|
| Net PP&E (OSX-1/2/3, WHP-1/2, Yard) (a)          | 8,560 |
| Asset write-off (b)                              | 2,200 |
| Cash position + \$120m Put + \$449m from OGX (c) | 2,435 |
| Gross debt (d)                                   | 5,398 |
| Net debt (e)=(d)-(c)                             | 2,963 |
| Suppliers and other claims (f)                   | 2,022 |
| Liquidation value (g)= (a) - (b)-(e)-(f)         | 1,375 |
| # shares + shares from \$120m Put (h)            | 300   |
| Price per share (i)=f/g                          | 4.6   |

## M&A outlook

We understand that all OSX's assets are for sale, after the recent OGX announcement of development suspension of Tubarão Gato, Areia, Tigre and the potential shut down of Tubarão Azul during 2014 - only OSX-3 should remain in the portfolio, to produce from Tubarão Martelo field in the Campos basin. OSX is already in talks for the sale of OSX-1 and 2 and the hulls acquired to build OSX-4 and 5. The most problematic asset is the shipyard, half-built with \$1.2bn spent out of the US\$2.4bn full capex plan. We believe OSX is seeking a new partner here.

**Operating margins are of low visibility today.** This is due to recent contract renegotiations with its main client OGX and the ongoing sale of existing assets.

# MPX

Analyst: Lilyanna Yang, CFA

## Investment case

We think the shares are attractive at current levels in view of i) tangible assets comprised of power plants with long-term PPAs and funded via project finance supporting current valuations; ii) free growth into greenfields including gas-fired and coal-fired thermo power projects especially now that the Bz Fed Govt has nearly faced power shortages with poor hydrology in 4Q12 and this year; iii) recent co-control sale to E.ON and announcement of MPX's dissociation from the EBX group following the planned R\$800m private capital increase that should make MPX's balance sheet comfortable to fund growth projects.

## The exposure to sister companies

MPX has a 23% stake in OGX Maranhão E&P, owner of 8 gas blocks in the Parnaíba basin, and is the taker of the E&P's gas production via a 15 to 20-yr supply agreement (GSA) to feed MPX's 1GW gas-fired Parnaíba complex (own-adj).

## Balance sheet and debt profile (R\$ m)

|                      | 1Q13  | (times)                   | 1Q13        |
|----------------------|-------|---------------------------|-------------|
| Gross debt           | 5,583 | Net debt/total capital    | 0.6x        |
| Short-term           | 2,367 | Net debt/EBITDA           | n.m<br>(<0) |
| Long-term            | 3,216 |                           |             |
| Cash position        | 365   | Debt serv. coverage ratio | <0          |
| Net debt             | 5,219 | Quick ratio               | 0.3x        |
| Shareholders' equity | 2,307 | Acid-Test ratio           | 0.2x        |

## Upside Scenario: R\$11/sh

We believe MPX will have increased chances to monetize its thermo-fired paper projects as the Bz Fed Govt. will include thermoelectricity generation projects in upcoming energy auctions, so as to reduce dependency on rainfall in the future. As a result, our Upside Case assumes higher likelihood of MPX's paper projects becoming reality. Note that MPX could arguably create R\$5/sh should it be able to place all its paper projects at an estimated 8-15% levered return, but we have included 50% likelihood in our Upside Case and hence R\$2.5/sh in paper projects (as opposed to R\$0.7/sh). The Bz Fed Govt. plans to carry on the following energy auctions this year for Greenfield projects: A-3 for delivery in 2016e, and A-5 for delivery in 2018e.

12 month rating

**Buy**

12m price target

**R\$9.00**

## Downside Scenario: R\$6.5/sh

We note that every month of delay with need to buy energy at R\$100/MWh to tap the deficit would mean R\$15m for Pecém II (own-adj to MPX's 70% stake in the project). The Downside Case assumes the Greenfield project is delayed further, by another three months, which would make company forego revenues and oblige it to purchase energy at the spot market price at conservatively high R\$400/MWh. This would lead to a c.R\$0.5/sh lower valuation relative to our Base Case. Additionally, under this Downside Case we would disregard company's pipeline of paper projects (valued at R\$1/sh in our PT) and assume higher holdco opex structure (R\$150m p.a. as opposed to R\$100m in our Base Case, a -R\$1/sh impact). Finally, increased concerns on the parent's financial situation would likely lead investors to require 100bps in higher discount rate (-R\$0.6/sh impact).

## Liquidation value (R\$m)

|                               | 2013Q1 |
|-------------------------------|--------|
| Market value of assets (a)    | 9,784* |
| Cash position (b)             | 365    |
| Total debt (c)                | 5,583  |
| Net debt (d)=(c)-(b)          | 5,219  |
| Liquidation value (e)=(a)-(d) | 4,565  |
| # shares (f)                  | 702**  |
| Price per share (g)=e/(f)     | 6.5    |

\* Market value of assets with long-term PPAs plus OGX Maranhão (DCF with 10% Ke in real R\$). By contrast, book value is R\$2,307m. \*\* Expected number of shares post capital increase and incorporation of the E.ON-MPX JV

## M&A outlook

Post the R\$800m capital increase at R\$6.45/sh floor price, Eike's 29% stake in MPX will drop to c.24%. We think Eike will ultimately divest from MPX, pulling off from the shareholders agreement signed with E.ON and potentially triggering tag along upside. We see a few players interested in co-controlling MPX with E.ON, but this would require negotiations not only with Eike but also with BTG bank who is the EBX group advisor and likely creditor of loans at EBX and its subs including MPX; we see even more players that would like to control MPX without E.ON.

# MMX

Analyst: Andreas Bokkenheuser

12 month rating

**Sell**

12m price target

**R\$1.6**

## Investment case

We remain bearish on MMX with a Sell, as we expect ongoing delays and uncertainty about management's ability to commission its main projects on time. As weaker iron ore prices increases financing risk and the ability to service outstanding debt, which, in turn, increases the likelihood of further delays, shares could trade down towards liquidation value.

In the medium term, we think three events are more supportive for value creation, which serves as the primary catalysts and risks for MMX. That is: 1) cost savings from commissioning the Sudeste Superport; 2) volume growth from obtaining the Serra Azul tailings dam license; and 3) management's ability to secure sufficient funding for the underlying projects.

## The exposure to sister companies

MMX has no material or noteworthy direct exposure to other companies within the X-group, other than a bilateral contract with MPX to provide energy for Serra Azul mine at a price of R\$102/MWh. This contract begins in January 2014 and ends in December 2018, but can be renewable until May 2029.

## Balance sheet and debt profile (R\$ million)

| (R\$ million)        | 1Q13  | (times)                   | 1Q13 |
|----------------------|-------|---------------------------|------|
| Gross debt           | 3,124 | Net debt/total capital    | 36%  |
| Short-term           | 1,204 | Net debt/EBITDA           | 42   |
| Long-term            | 1,920 |                           |      |
| Cash position        | 1,159 | Debt serv. coverage ratio | -    |
| Net debt             | 1,965 | Quick ratio               | 0.9  |
| Shareholders' equity | 3,436 | Acid-Test ratio           | 0.9  |

## Debt amortization schedule (R\$ million)

|              |              |
|--------------|--------------|
| 2014         | 269          |
| 2015         | 215          |
| 2016 onwards | 818          |
| <b>Total</b> | <b>1,302</b> |

## Liquidation value (R\$m)

|                               | 2013E |
|-------------------------------|-------|
| Net PP&E (a)                  | 4,297 |
| Cash position (b)             | 983   |
| Total debt (c)                | 4,059 |
| Net debt (d)=(c)-(b)          | 3,076 |
| Liquidation value (e)=(a)-(d) | 1,221 |
| # shares (f)                  | 973   |
| Price per share (g)=e/(f)     | 1.30  |

## M&A outlook

Market concerns pertaining to MMX include: 1) rising gearing levels and the ability to service debt; 2) the risk of further equity raisings; and 3) declining profitability from ongoing iron ore price weakness. In order to address these issues, MMX has affirmed that is in talks with Glencore and Trafigura regarding an asset sell-down. The potential acquisition closely matches Glencore's historical transactions of buying good quality assets at distressed prices. We think management is more likely to consider a partial or full stake sale in its total asset base rather than selling off specific projects, such as the Sudeste Port or Serra Azul mine.

## Operating margins may continue to improve

| (R\$, million) | 2012  | 2013e | 2014e | 2015e |
|----------------|-------|-------|-------|-------|
| Net revenues   | 806   | 929   | 1,561 | 2,131 |
| EBITDA         | 50    | 82    | 443   | 676   |
| Net earnings   | (792) | (134) | 38    | 127   |

**LLX**

Analyst: Victor Mizusaki

12 month rating

**Buy**

12m price target

**R\$1.7****Investment case**

We have a Buy rating on LLX Logística. The port is yet under construction but the EBX Group's fragile financial situation has raised concerns about its capacity to complete the construction stage. On the back of this rising risk perception, we are axing our price target to R\$1.7/share, which reflects the 51% stake in LLX Minas-Rio, the terminal dedicated to iron ore export Anglo American's production. With R\$764 million in the cash position, LLX can complete the breakwater construction even if they face a CapEx overrun of 25% in the total project.

**The exposure to sister companies**

MPX and OSX are paying land lease revenues of R\$9.2 million and R\$28 million per year. These 2 companies combined represented ~59% of 1Q13 revenues. The cancellation of these 2 contracts does not impact the intrinsic value in LLX Minas-Rio. However, if OSX renegotiates the contract with LLX, reducing the leased area and CapEx commitment with the TX2 construction, LLX may need to raise additional debt or equity. EBX Group holds 30% of LLX Açú and as part of the original business plan, EBX needs to inject R\$160 million of equity in the project to complete the TX2.

**Balance sheet and debt profile (R\$ million)**

| (R\$ million)        | 1Q13  | (times)                | 1Q13 |
|----------------------|-------|------------------------|------|
| Gross debt           | 2,237 | Net debt/total capital | 60%  |
| Short-term           | 1,440 | Net debt/EBITDA        | n/a  |
| Long-term            | 797   |                        |      |
| Cash position        | 816   | Debt serv. Cov ratio   | n/a  |
| Net debt             | 1,421 | Quick ratio            | 0.53 |
| Shareholders' equity | 927   | Acid-Test ratio        | 0.46 |

**Debt amortization schedule (R\$ million)**

| (R\$ million)     | 1Q13 | 9M13 | 2014 | 2015+ |
|-------------------|------|------|------|-------|
| Cash position     | 764  |      |      |       |
| Debt amortization |      | 1440 | -    | 750   |

**The worst case scenario - liquidation value**

| (R\$, million)                | 1Q13    |
|-------------------------------|---------|
| Net PP&E (a)                  | 2,009.9 |
| Cash position (b)             | 764.1   |
| Total debt (c)                | 2,237.1 |
| Net debt (d)=(c)-(b)          | 1,473.0 |
| Liquidation value (e)=(a)-(d) | 536.9   |
| # shares (f)                  | 694.0   |
| Price per share (g)=e/(f)     | 0.77    |

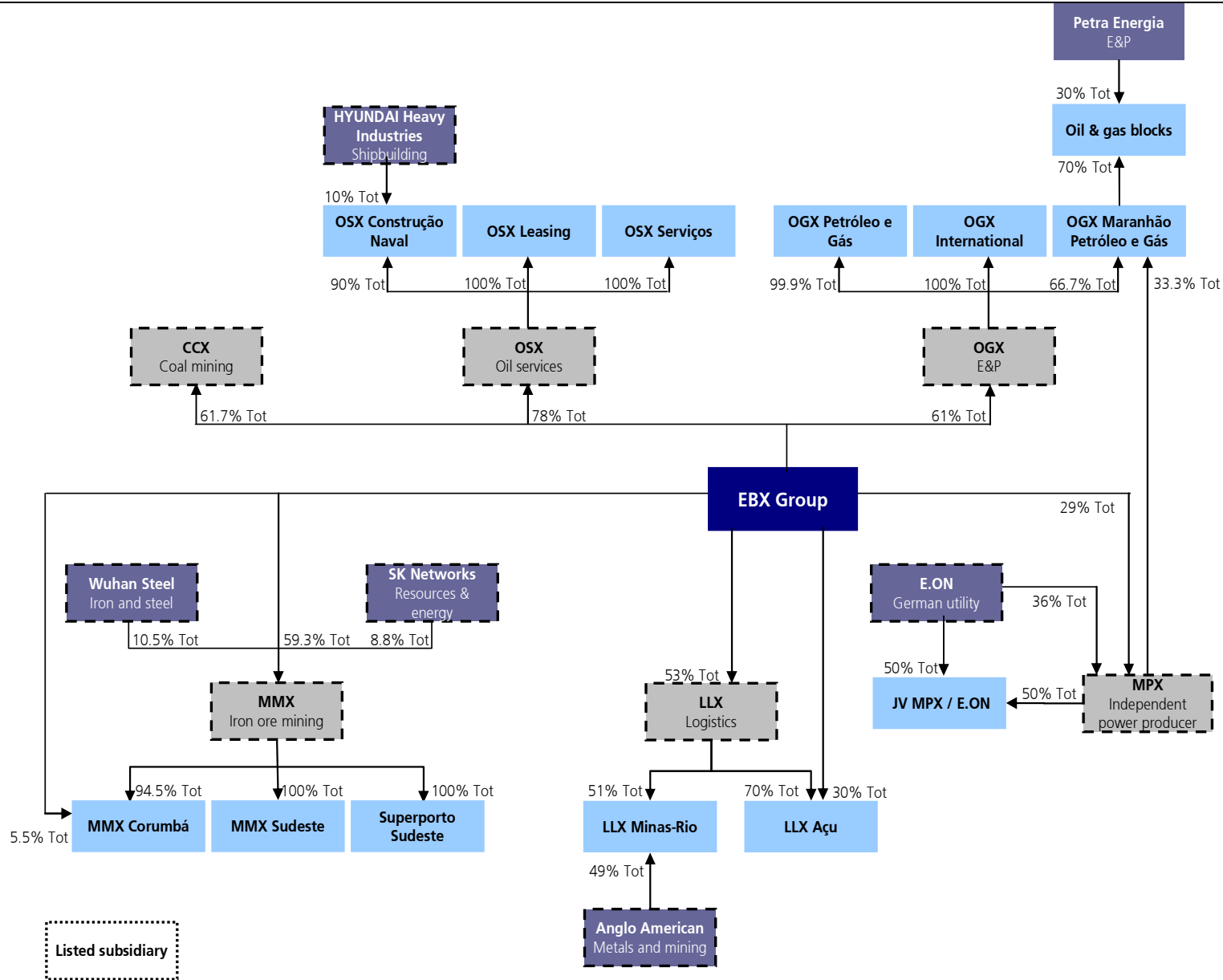
**M&A outlook**

We think Porto Central, a partnership between local construction companies and the Port of Rotterdam is the natural strategic investor in LLX. Porto Central is an R\$1.8 billion greenfield project focused on the handling of solid and liquid bulk, steel products and general cargo and to become an oil offshore base. The port would take years to become operational. They are still waiting for the construction license and other regulatory authorizations to kick-off the construction phase. LLX would be an interesting shortcut.

**Operating margins may continue to improve**

|              | 2012 | 2013e | 2014e | 2015e |
|--------------|------|-------|-------|-------|
| Net revenues | 75   | 259   | 456   | 729   |
| EBITDA       | -90  | 84    | 254   | 461   |
| Net earnings | -95  | -58   | 17    | 106   |

Figure 2: EBX Group – Ownership structure



Source: EBX, OGX, LLX, OGX, MPX, OSX, CCX and UBS  
 TS = Total Stake (direct + indirect economic stake)

## Company descriptions

**OGX (OGXP3, Sell, R\$0.20 PT, Lilyanna Yang).** OGX is a pure E&P founded in July 2007 by Eike Batista, with 4.8bn prospective resources at IPO time that became 7.7bn a few years later as per a D&M certification report. Its portfolio comprises different stakes in 26 exploration blocks in four basins (Campos, Santos, Espírito Santo, Para-Maranhão and Parnaíba) in offshore/onshore Brazil and five onshore blocks in Colombia. Producing today from Campos and Parnaíba, OGX is now undergoing operating/financial restructuring after a series of disappointing events (including the shut-down of Waimea production in Campos basin) and a potential cash shortage already in 2013/14.

**OSX (OSBX3, Buy, R\$4 PT, Lilyanna Yang).** Founded in Oct-2009 by Eike Batista, to provide equipment and services to the offshore Oil and Gas Industry (shipbuilding, chartering of exploration and production (E&P) units and operation and maintenance (O&M) services) but mainly to sister OGX. OSX is in early stage of development and, given order postponements/cancellations from OGX, it has been forced to undergo operating/financial restructuring including the slowdown in its US\$2.4bn yard development and sale of assets from the leasing unit.

**MPX (MPXE3, Buy, R\$9 PT, Lilyanna Yang).** An independent power producer, MPX has own-adj 1.2GWnom in operational thermo capacity plus 1GWnom capacity in thermal projects that are under construction (set to start up within the next 1-12 months), all with long-term PPAs (15-20 years) and with limited risks due to project finance structures. Additionally, MPX holds a portfolio of >8GWnom in capacity (ownership-adjusted) in paper projects that are mostly concentrated in gas and coal sources.

**MMX (MMXM3, Sell, R\$1.6 PT, Andreas Bokkenheuser).** One of EBX's first assets, MMX is a Brazilian iron ore mining company with integrated infrastructure including the Sudeste Superport.

**LLX (LLXL3, Buy, R\$1.7 PT, Victor Mizusaki).** The company is a spin-off of MMX, listed in 2008. LLX currently controls two ports under construction in the state of Rio de Janeiro: 1) Minas-Rio, in association with Anglo American, and 2) Açú port, which will handle general cargo and also host oil offshore industries. Different from other ports in Brazil, Açú will have a large industrial complex that will create its own captive market.

**CCX (CCXC3, not rated).** A spin-off of MPX at the time E.ON acquired its first 10% stake in MPX, CCX assets include coal mines in La Guajira, Colombia.

**Anglo American PLC (AAL, Neutral, 1,350p PT, Myles Allsop).** Anglo American is one of the world's largest mining and natural resources companies. Anglo's headquarters are in London, and it is one of the largest companies quoted on the FTSE 100 and the JSE. Anglo consists of seven core operating divisions: platinum, diamonds, copper, nickel, iron ore and manganese, metallurgical coal, and thermal coal, and is seeking to divest of its non-core 'other mining and industrial activities' assets.



**CEMIG (CMIG4, Neutral, R\$20 PT, Lilyanna Yang).** Controlled by the Minas Gerais State Govt, CEMIG is Brazil's second largest electric utility, with 7.4GW of generation capacity (7% market share), 9,413km of transmission lines (13%) and 8.8m regulated customers (12%). CEMIG has aggressively pursued growth via M&A and Greenfield projects in the recent past, e.g. the TERNA acquisition, co-control of RJ-based Light, and minority stakes in big hydro projects. It also owns telecom, natural gas, and oil & gas E&P non-core assets. Although state-owned, CEMIG has distinguished itself as a very well managed company with above-average corporate governance.

**E.ON (EOAN, Neutral, €12.50 PT, Patrick Hummel).** E.ON is one of the largest utilities in Europe. E.ON generates and supplies power to Germany and other European countries, including the UK, Sweden and Russia. It is also a key player in gas transport and supply activities through Ruhrgas. E.ON is a leading generator of renewable electricity, mainly from onshore and offshore wind farms. The company plans to expand its operations in emerging markets such as Brazil, Turkey and India.

**ExxonMobil (XOM, Neutral, US\$91 PT, William Featherston).** ExxonMobil, created through the 1999 merger of Exxon and Mobil Corp., is the largest listed energy stock by market capitalization. The company is involved in all phases of the petroleum integration chain, from the exploration and production of crude oil and natural gas to the manufacturing and sales of refined products/chemicals/petrochemicals and other derivative products, in addition to its ownership of interests in electrical power generation facilities.

**GDF Suez (GSZ, Buy, €18 PT, Alberto Gandolfi).** GDF-Suez is a global utility that has activities primarily in electricity and natural gas from upstream to downstream, with 68GW of installed capacity worldwide. We estimate that France and the rest of Western Europe represent almost three-fourth of EBITDA with the rest fairly evenly distributed among Eastern Europe, North America, Latin America, and the MEA-region. It is a well run company with no significant 'issues' and a broad set of low-risk growth options. However, its gearing to commodities, and in particular LNG-spreads, has been underestimated by the market.

**Glencore Xstrata (GLEN, Buy, 330p PT, Myles Allsop).** Glencore is a leading commodities producer and marketer. It produces, sources, processes, refines, transports, stores, finances and supplies commodities that industries around the world need. Glencore combines the strength of its unique marketing capability with the knowledge and supply provided through its own diversified portfolio of production and logistics assets.

**HHI (009540, Restricted).** Hyundai Heavy Industries (HHI) is the largest shipbuilder in the world. It has nine dockyards in Ulsan city on the southeast coast of South Korea, with total capacity of 3.8m CGT. HHI's core businesses are shipbuilding and offshore engineering (around 59% of 2009 revenue), and engine & machinery (13%). HHI is strengthening its other divisions including the electro-electric system (13%), industrial plant (9%) and construction equipment (6%). Disaffiliated from Hyundai Group in February 2002, HHI formed Hyundai Heavy Group, which includes Samho Heavy Industries and Hyundai Mipo Dockyard.

**Keppel Corporation (KEP, Buy, S\$13.55 PT, Cheryl Lee).** Keppel Corp (KEP) has three main business areas: offshore & marine; property; and infrastructure. Offshore & marine is the largest earnings contributor. KEP has yards and offices in Brazil, and the Asia Pacific, Middle East, Gulf of Mexico, Caspian Sea, and North Sea regions. Keppel Land (a 55%-owned subsidiary) is a major landlord in the central business district in Singapore. KEP also has a 29% direct stake in K-REIT Asia. The infrastructure business comprises utility assets, including an 800MW cogeneration plant in Singapore, a 49% stake in K-Green Trust, and an 80% stake in Keppel T&T.

**Modec (6269, Neutral, ¥3,900 PT, Mariko Watanabe).** The company was founded in 1968 with capital from Mitsui Engineering & Shipbuilding and Mitsui & Co. It started out building offshore development ships, building offshore structures, and providing project engineering and consulting services. At the time, it also sold rigs, supplied undersea platforms, and provided geological surveys, but the company's predecessor was dissolved in 1988. Modec took over the FPSO business. FPSO operations began in 1998. As of June 2011, the company had 13 FPSOs, FSO charters (lease and operation), and 13 operations service contracts.

**Petrobras (PETR4, Buy, R\$21 PT, Lilyanna Yang).** Controlled by the Brazilian government, Petrobras is Brazil's national oil company with revenue of US\$137bn in 2012, 13bn boe in proven reserves (SEC, 2012) and 21bn boe in resources in the already licensed pre-salt blocks of Brazil (UBS estimate). It has a dominant presence in upstream (2.6MMboepd, 90% in Brazil), refining (2.2MMboepd, 95% share), fuel supply and distribution (50% share). It also owns most of the country's gas pipelines and several thermoelectric power plants (50% share), and has relevant stakes in petrochemicals/ethanol/gas distribution businesses.

**QGEP (QGEP3, Buy, R\$16.5 PT, Lilyanna Yang).** QGEP is an E&P listed in Feb 2011, following a spin-off from industrial conglomerate Queiroz Galvão Group in July 2010. QGEP holds 45% of Brazil's largest natural gas field, Manati and varying interests in 6 offshore blocks in the Santos, Jequitinhonha and Camamu basins. According to the Co. and independent GCA report, QGEP has 55mboe in proven reserves (from Manati field), 26mboe in contingent resources (2C) and 315mboe in prospective resources. QGEP also seeks growth via new oil bidding rounds and farm-ins, having recently successfully acquired minority stakes in BS- 4 and in BM-S-8 which contains the promising Carcara pre-salt reservoir. Petrobras is the operator in all blocks except BM-J-2 and BS-4.

**Samsung Heavy Industries (010140, Buy, Won 44,000 PT, Yong-Suk Son).** Samsung Heavy Industry (SHI) is the world's third-largest shipbuilder with three dry-docks and two floating docks with 2.5m CGT total capacity. SHI has four core businesses: 1) shipbuilding (52% of standalone 2011 revenue), focusing on high-end shipbuilding such as LNG carriers, derivatives (LNG-regasification vessels [RV], LNG-floating storage regasification units [FSRU]) and large container ships; 2) offshore (40%), SHI is the global leader in drillship and LNG FPSO building; 3) construction (8%); and 4) nascent wind power turbine manufacturing.

**SBM Offshore (SBMO, Neutral, €14 PT, Amy Wong).** SBM is a marine technology company focused on the oil and gas industry. It is the world's largest leased FPSO owner and operator, with a fleet of 19 vessels worldwide. Its key FPSO competitors are Modec, BW Offshore and Prosafe. The company also has a broad portfolio of offshore products, including vessel design, turrets, single-buoy moorings, components for drilling units, and fixed and floating production platforms. The company offers its products both on a lease basis and on a turnkey basis. It has very few fixed assets and relies primarily on third-party shipyards for the fabrication of its equipment designs.

**Sembcorp Marine (SMM, Neutral, S\$4.90 PT, Cheryl Lee).** SembCorp Marine (SMM) was incorporated in 1963 as a joint venture between the Singapore government and Ishikawajima-Harima Heavy Industries Company of Japan. SMM is a global leader in ship repair, shipbuilding, ship conversion, rig building, offshore engineering and construction. It has yards in Singapore, China, India, Brazil, the US and the Middle East. The company is building a new yard in Tuas, Singapore to tap growing demand for ship repair and ship conversion services.

**Total (FP, Buy, €14 PT, Jon Rigby).** Total began operations in 1924 in the Middle East. The government initially owned 35%. However, by 1996, its share was below 1%. In November 1998, Total announced the acquisition of PetroFina of Belgium, and followed that up in July 1999 with a proposal to merge with its domestic rival, Elf, which launched a counter-bid. The combined group is an integrated oil major with global upstream operations that are particularly strong in Africa and the Middle East. The group has leading downstream positions in Europe and Africa.

**Tractebel (TBLE3, Buy, R\$38 PT, Lilyanna Yang).** TRACTEBEL is Brazil's largest private sector-run IPP, with 6.5GW generation capacity (80% hydro). Controlled by GDF Suez since the September 1998 privatization, it has been the highest growth IPP in Brazil, with volume addition from mostly Greenfield projects and above-average tariff increases since the 2002 price deregulation (due to a reputable commercialization team). The parent currently has a 50% stake in the 3.45GW Jirau hydro project, scheduled to start up by 2013, that will be transferred to TRACTEBEL in the future.

**Wuhan Steel (600005, Neutral, Rmb2.70 PT, Janet Sun).** Wuhan Steel is a leading company in China's steel sector. It produced 21.7mt of crude steel in 2011, including HRC, CRC, silicon steel and high-speed wire. Wuhan is one of the few domestic companies with the ability to produce oriented silicon steel, and it has a dominant position in China's silicon steel market.

Table 9: Recent UBS notes on EBX companies

|   | Author                | Date      |
|---|-----------------------|-----------|
| OGX & OSX: "Insider selling, Board changes: negative"   | Lily/Varella          | 11-Jul-13 |
| Latam Oil & Gas: "PBR: Libra PSA contract terms, accounting changes/ OGX, OSX: the Board left/ More"        | Lily/Varella          | 11-Jul-13 |
| MMX: "Shutting down Corumbá mine - yellow flag raised"  | Bokkenheuser/Cintra   | 5-Jul-13  |
| LatAm Financials: Exposure to X companies   | Finch/De Mariz/Taddeo | 4-Jul-13  |
| MPX: "Capital issuance: less, and at lower R\$6.45 price; Eike to step down as Chairman"                    | Lily/Peretti          | 4-Jul-13  |
| Latam Oil & Gas: "Global Oils: \$92 Brent/ Petrobras: PT cut/ OSX, OGX: Waimea shut-down/ More"             | Lily                  | 3-Jul-13  |
| OSX: "Trading at below liquidation value; R\$4 PT"  | Lily                  | 2-Jul-13  |
| OGX: "Waimea: not viable economically, reiterate Sell with new R\$0.20/sh PT"                               | Lily                  | 1-Jul-13  |
| MPX: "Buy with R\$9 PT on limited downside risks"   | Lily/Peretti          | 1-Jul-13  |
| Latam Oil & Gas: "Waimea: not viable economically, reiterate Sell with new R\$0.20/sh PT"                   | Lily                  | 1-Jul-13  |
| MMX: "A takeover target; what's the possible outcome?"  | Bokkenheuser/Cintra   | 26-Jun-13 |
| LLX: "The quest for a strategic investor"   | Mizusaki/Fernandes    | 26-Jun-13 |
| LLX: "The quest for a strategic investor"   | Mizusaki/Fernandes    | 26-Jun-13 |
| Latam Oil & Gas: "OGX: CXC tender offer cancelled, changes to Board/ PBR: downstream JV?/ More"             | Lily                  | 26-Jun-13 |
| Latam Oil & Gas: "OGX: meeting notes/ PBR: \$1.8bn asset sale incl. Africa/QGEP: M&A read-thru/ More"       | Lily                  | 18-Jun-13 |
| Latam Oil & Gas: "PBR: refining capex, P-63 delay/ HRT: mgmt change/ OGX: weak production/ More"            | Lily                  | 11-Jun-13 |
| Latam Mining & Basic Materials: "The world is not enough"   | Bokkenheuser/Cintra   | 31-May-13 |
| Latam Oil & Gas: "PBR: PSA auction w/ limited interest from Majors/ Tenaris: least preferred/ More"         | Lily                  | 31-May-13 |
| Latam Oil & Gas: "HRT: dry wells/ OSX, OGX: Eike put, revised shipyard plan/ Brazil: 11th round bid/ 1Q13"  | Lily/Pinho            | 22-May-13 |
| Latam Oil & Gas: "Brazil's 11th bid round: small positive for PBR, QGEP, HRT; small negative for OGX"       | Lily/Pinho            | 22-May-13 |
| OGX: "OSX: updated backlog w/o OSX-4, 5/ \$120m injection from parent/ new mgmt team"                       | Lily/Pinho            | 20-May-13 |
| LatAm Transportation: "Ports - The New Regulatory Framework"  | Mizusaki/Fernandes    | 16-May-13 |
| OSX: "1Q13: slowing down shipyard construction"   | Pinho/Lily            | 15-May-13 |
| LLX: "1Q13 Results: CapEx plan is unchanged"  | Mizusaki/Fernandes    | 14-May-13 |
| Latam Oil & Gas: "QGEP: Barra-CNPC deal?/ HRT: new CEO/ OGX: Petronas deal/ OSX/ 1Q13 #s/ More"             | Lily/Pinho            | 13-May-13 |
| OGX: "1Q13: EPS hurt by R\$1.2bn write-off"   | Lily/Pinho            | 10-May-13 |
| MPX: "1Q13: another small miss; remain Neutral"   | Lily/Peretti          | 9-May-13  |
| OGX: "Petronas deal confirmed; reiterate Sell"  | Lily/Pinho            | 8-May-13  |
| Latam Oil & Gas: "HRT: buys Polvo/ OGX: Petronas deal, weak April production/ OSX/ QGEP/GTE/ PRE/More"      | Lily/Pinho            | 7-May-13  |
| Latam Oil & Gas: "PBR: 1Q13 beat, GoM deal, new Board/ OGX: ongoing deal speculations/ HRT/ More"           | Lily/Pinho            | 1-May-13  |
| OGX: "Sell reiterated despite M&A newsflow"   | Lily/Pinho            | 24-Apr-13 |
| Latam Oil & Gas: "PBR: 1Q13e, asset sale SM/ OGX: lower PT, weak production, M&A/ HRT: SM/ More"            | Lily/Pinho            | 23-Apr-13 |
| OGX: "March (as well as April-May) production impacted by equipment problems in well #2"                    | Lily/Pinho            | 17-Apr-13 |
| Latam Oil & Gas: "PBR: potential partnership in infra w EBX & Board election/ Bz: 11th bidding round/ More" | Lily/Pinho            | 15-Apr-13 |
| Latam Oil & Gas: "PBR: helping EBX? Weak Feb. production/ OGX: credit d/g/ HRT: Board changes/ More"        | Lily/Pinho            | 9-Apr-13  |
| MPX: "R\$10/sh floor price for R\$1.2bn primary offering in line with our MPX valuation"                    | Lily/Peretti          | 28-Mar-13 |
| Latam Oil & Gas: "OSX funding issues/ OGX poorer outlook/ HRT: 1st Namibia well/ PBR asset sale/More"       | Lily/Pinho            | 28-Mar-13 |
| LLX: "4Q13 Results: No cash concerns"   | Mizusaki              | 27-Mar-13 |
| OGX: "4Q12: higher gross profit but also higher exploratory expenses and cash burn (Sell)"                  | Lily/Pinho            | 26-Mar-13 |
| Latam Oil & Gas: "PETROBRAS: 2013-17e plan/ OGX & PRE: downgrades/ OSX: PT cut/ QGEP review"                | Lily/Pinho            | 20-Mar-13 |
| LLX: "The 3rd contract in a period of 3 months"   | Mizusaki              | 15-Mar-13 |
| OGX "Portfolio Update: keeping most assets and declaring 3 commercial; Sell" P(Sell)                        | Lily/Pinho            | 14-Mar-13 |
| OSX "Reflecting a more conservative stance towards its main client"   | Pinho/Lily            | 12-Mar-13 |
| OGX "Another disappointing well: d/g to Sell" (Sell)  | Lily/Pinho            | 11-Mar-13 |
| Latam Oil & Gas: "Petrobras: price hike, production/ EBX & BTG deal/ PMG: PT cut, downgrade/ More"          | Lily/Pinho            | 7-Mar-13  |
| LLX: "EBX and BP together in Brazil"  | Mizusaki              | 6-Mar-13  |
| OSX "FPSOs and shipyard on track; 4Q a miss" (Buy)  | Pinho/Lily            | 28-Feb-13 |
| Latam Oil & Gas: "Ultrapar 4Q12, 2013 guidance/ PBR: strike off, pension fund hit/ OGX sale to Petronas?"   | Lily/Pinho            | 26-Feb-13 |
| MPX: "4Q12 a miss on high opex, execution risks - still Neutral on growth outlook"                          | Lily/Peretti          | 20-Feb-13 |

Source: UBS.

Table 10: Recent UBS notes on EBX companies (continued)

|  | Author       | Date      |
|--|--------------|-----------|
| LLX:"LLX and ASCO together in Brazil"  | Mizusaki     | 18-Feb-13 |
| Latam Oil & Gas:"PBR: weak 4Q12, low payout, Jupiter/ OSX: insider trading/ QGOG: IPO delayed/ More"   | Lily/Pinho   | 13-Feb-13 |
| LLX:"Subsea 7 resigned the land lease contract"  | Mizusaki     | 11-Feb-13 |
| MPX:Up to Neutral on performance, still R\$11 PT"  | Lily/Peretti | 4-Feb-13  |
| Latam Oil & Gas:"PBR: price hike, 4Q12e/OGX: dry well/ OSX: 5th FPSO, \$250m injection, lawsuit"       | Lily/Pinho   | 4-Feb-13  |
| Latam Oil & Gas:"Upped PT for QGEP and PBR on Santos Model/ OGX: more gas; CCX offer/ More"            | Lily/Pinho   | 28-Jan-13 |
| Latam Oil & Gas:"BZ Oils: new Rio tax vetoed by the state/ HRT: Namibia rig/ OGX: restructuring/ More" | Lily/Pinho   | 21-Jan-13 |
| Latam Oil & Gas:"Global Oils: upped Brent, new EPS/ PBR: reserves & pre-salt, more/ OGX,QGEP: BS-4"    | Lily/Pinho   | 15-Jan-13 |
| Latam Oil & Gas:"Revised Estimates on New Oil Price Deck"  | Lily/Pinho   | 10-Jan-13 |
| Latam Oil & Gas:"QGEP/GALP/PBR: pre-salt Carcará update/ OGX production/ BS-4/ PBR findings/ More"     | Lily/Pinho   | 7-Jan-13  |
| Latam Oil & Gas:"Bz Oils Recap: Bear and Bull cases/ 2012FY performance/Buy PETROBRAS, QGEP, OSX"      | Lily/Pinho   | 31-Dec-12 |
| Latam Oil & Gas:"Brazil: new Tax on RJ production?/ OGX hits oil/ OSX: \$250m in/ UGPA: higher capex"  | Lily/Pinho   | 26-Dec-12 |
| LLX:"2 new binding contracts in 30 days"   | Mizusaki     | 19-Dec-12 |
| Latam Oil & Gas:"Petrobras: PT cut, governance, asset sale, tax liability/ UGPA: capex pressure/ More" | Lily/Pinho   | 19-Dec-12 |
| Latam Oil & Gas:"QGEP's Carcara details by 1Q13/ OGX-OSX: more mgmt. changes/ HRT finds more gas"      | Lily/Pinho   | 10-Dec-12 |
| Latam Oil & Gas:"PBR, Ultrapar meeting notes/ OGX BS-4 farm-in/ HRT & GALP deal/ Bz Oil bill/ More"    | Lily/Pinho   | 3-Dec-12  |
| OGX: "Unexciting pipeline for now; Buy backlog" (Buy)  | Pinho/Lily   | 30-Nov-12 |
| OGX: "Acquiring a 40% stake in BS-4" (Neutral)   | Lily/Pinho   | 26-Nov-12 |
| Latam Oil & Gas:"M&A not a big catalyst yet/ HRT D&M on Namibia/ PBR no price hike so far/ More"       | Lily/Pinho   | 26-Nov-12 |
| Latam Oil & Gas:"HRT insider trading, 3Q12 & farm-down/ PBR FPSO schedule & divestments/ 3Q12"         | Lily/Pinho   | 19-Nov-12 |
| MPX:"3Q12 a miss but maintain PT and Sell"   | Lily/Peretti | 12-Nov-12 |
| Latam Oil & Gas:"QGEP farm-in & Carcará / GTE upped PT/ Brazil royalties / HRT & wing fleet/ 3Q12 #s"  | Lily/Pinho   | 12-Nov-12 |
| OGX: "3Q12 excl. high exploratory exp. a bit off" (Neutral)  | Lily/Pinho   | 9-Nov-12  |
| LLX:"3Q12 Results: Projects Are Fully Funded"  | Mizusaki     | 7-Nov-12  |
| Latam Oil & Gas:"BG & Santos pre-salt/ PBR natgas finding in Peru/ OGX flow rate & wells OGX-85 & 94"  | Lily/Pinho   | 6-Nov-12  |
| OSX: "3Q12: follow yard construction & backlog" (Buy)  | Pinho/Lily   | 30-Oct-12 |
| Latam Oil & Gas:"PBR poor 3Q12/ OGX put option/ UGPA mg outlook/ HRT 10th well/ Alpha preferences"     | Lily/Pinho   | 30-Oct-12 |
| OGX: "Batista may inject US\$1bn at R\$6.3/sh or 36% above mkt price – good for b/s"                   | Lily/Pinho   | 25-Oct-12 |
| OGX: "Batista may inject US\$1bn at R\$6.3/sh or s6% above mkt price - good for b/s"                   | Lily/Pinho   | 25-Oct-12 |
| Latam Oil & Gas:"OSX's US\$500m cash injection/ PBR opex reduction program/ OGX's rig fleet/ More"     | Lily/Pinho   | 22-Oct-12 |
| OSX: "Company got the green light to proceed with accretive capital increase" (Buy)                    | Pinho/Lily   | 17-Oct-12 |
| Latam Oil & Gas:"PBR update, new estimates/ Brazil pre-salt Jupiter upside/ OSX funding/ UGPA/ More"   | Lily/Pinho   | 16-Oct-12 |
| Latam Oil & Gas:"Field trip notes / PBR GoM farm-out & wage increase/ OGX PT cut / QGEP update/ More"  | Lily/Pinho   | 9-Oct-12  |
| OGX:" Meeting the parent, PT adjusted to R\$6.7"   | Lily/Pinho   | 3-Oct-12  |
| Latam Oil & Gas:"PBR global top pick: production, bonds, strike/ RIG/ OSX lost tender to Modec/ More"  | Lily/Pinho   | 1-Oct-12  |
| Latam Oil & Gas:"OSX initiation/ Bz new oil rounds in 2013/ OGX returns BM-S-29/ PRE-KAR Santos deal"  | Lily/Pinho   | 24-Sep-12 |
| OSX: "Tugboated by Brazil's local content rules"   | Pinho/Lily   | 20-Sep-12 |
| Latam Oil & Gas:"Bz Price Hike/ PBR 1st oil at Chinook & Baleia Azul/ HRT-9 hit gas/ RIG-CVX's ban"    | Lily/Pinho   | 17-Sep-12 |
| LLX:"No longer a Key Call; Buy maintained"   | Mizusaki     | 13-Sep-12 |
| Key Call: LLX:"Tender-offer: value confirmed"  | Mizusaki     | 12-Sep-12 |
| Latam Oil & Gas:"HRT: Chariots dry well in Namibia/ OGX: Santos's well 89D/ PBR: GoM farm-out"         | Lily/Pinho   | 10-Sep-12 |
| Latam Oil & Gas:"PBR production/ OGX mgmt team changes/ HRT takeover news flows/ More"                 | Lily/Pinho   | 4-Sep-12  |
| Latam Oil & Gas:"QGEP new PT, OGX new EPS/ HRT, PBR, OGX drilling results/ M&A: BP selling Polvo"      | Lily/Pinho   | 28-Aug-12 |
| OGX:"Expect slower production ramp up: Neutral"  | Lily/Pinho   | 26-Aug-12 |
| Latam Oil & Gas:"OGX & QGEP 2Q12a/ HRT formation test/ More color on Carcara (BMS-8) finding"          | Lily/Pinho   | 20-Aug-12 |
| OGX:"2Q12 impacted by R\$146m in write-offs"   | Lily/Pinho   | 15-Aug-12 |
| Latam Oil & Gas:"PBR, GALP, QGEP: big BM-S-8 finding /HRT & UGPA downgrades/ GTE & PRE new PTs"        | Lily/Pinho   | 14-Aug-12 |
| Key Call: LLX:"Tender-offer overshadows the 2Q12 results"  | Mizusaki     | 13-Aug-12 |
| Latam Oil & Gas:"PBR 2Q12 call highlights & 3rd well in ToR area/ OGX July production/ 2Q12 reviews"   | Lily/Pinho   | 4-Aug-12  |

| Income statement (R\$m)               | 12/08 | 12/09  | 12/10   | 12/11   | 12/12   | 12/13E  | % ch   | 12/14E | % ch  | 12/15E | % ch   |
|---------------------------------------|-------|--------|---------|---------|---------|---------|--------|--------|-------|--------|--------|
| Revenues                              | 8     | 64     | 98      | 168     | 491     | 922     | 87.9   | 1,112  | 20.6  | 1,257  | 13.0   |
| Operating expenses (ex depn)          | (63)  | (281)  | (357)   | (468)   | (865)   | (589)   | -31.9  | (474)  | -19.5 | (537)  | 13.4   |
| EBITDA (UBS)                          | (55)  | (217)  | (258)   | (299)   | (374)   | 333     | -      | 638    | 91.4  | 719    | 12.8   |
| Depreciation                          | (2)   | (14)   | (8)     | (10)    | (13)    | (150)   | 1061.9 | (227)  | 51.3  | (227)  | 0.0    |
| Operating income (EBIT, UBS)          | (56)  | (231)  | (266)   | (309)   | (387)   | 183     | -      | 411    | 124.2 | 492    | 19.8   |
| Other income & associates             | (13)  | 0      | (2)     | (28)    | (34)    | (57)    | 65.4   | 99     | -     | 120    | 20.9   |
| Net interest                          | 312   | (36)   | (46)    | (202)   | (128)   | (437)   | 242.5  | (401)  | -8.2  | (370)  | -7.7   |
| Abnormal items (pre-tax)              | 0     | 0      | 0       | 0       | 0       | 0       | -      | 0      | -     | 0      | -      |
| Profit before tax                     | 243   | (268)  | (314)   | (539)   | (549)   | (310)   | -43.5  | 109    | -     | 242    | 122.2  |
| Tax                                   | (38)  | 48     | 58      | 138     | 115     | 61      | -46.9  | (2)    | -     | (29)   | 1148.4 |
| Profit after tax                      | 204   | (220)  | (256)   | (401)   | (434)   | (249)   | -42.6  | 107    | -     | 213    | 99.6   |
| Abnormal items (post-tax)             | 0     | 0      | 0       | 0       | 0       | 0       | -      | 0      | -     | 0      | -      |
| Minorities / pref dividends           | 0     | 10     | (1)     | (7)     | (1)     | (4)     | 489.9  | (3)    | -34.4 | (3)    | 9.2    |
| Net income (local GAAP)               | 204   | (210)  | (256)   | (408)   | (435)   | (254)   | -41.7  | 104    | -     | 209    | 102.1  |
| Net Income (UBS)                      | 204   | (210)  | (256)   | (408)   | (435)   | (254)   | -41.7  | 104    | -     | 209    | 102.1  |
| Tax rate (%)                          | 16    | 0      | 0       | 0       | 0       | 0       | -      | 2      | -     | 12     | 461.8  |
| Pre-abnormal tax rate (%)             | 16    | 0      | 0       | 0       | 0       | 0       | -      | 24     | -     | 24     | 0.0    |
| Per share (R\$)                       | 12/08 | 12/09  | 12/10   | 12/11   | 12/12   | 12/13E  | % ch   | 12/14E | % ch  | 12/15E | % ch   |
| EPS (local GAAP)                      | 0.50  | (0.51) | (0.62)  | (1.00)  | (0.75)  | (0.44)  | -41.7  | 0.18   | -     | 0.36   | 102.1  |
| EPS (UBS)                             | 0.50  | (0.51) | (0.62)  | (1.00)  | (0.75)  | (0.44)  | -41.7  | 0.18   | -     | 0.36   | 102.1  |
| Net DPS                               | 0.12  | 0.00   | 0.00    | 0.00    | 0.00    | 0.00    | -      | 0.04   | -     | 0.09   | 102.1  |
| Cash EPS                              | 0.50  | (0.48) | (0.61)  | (0.97)  | (0.73)  | (0.18)  | -75.5  | 0.57   | -     | 0.76   | 32.0   |
| BVPS                                  | 5.11  | 4.49   | 4.04    | 3.08    | 4.41    | 6.06    | 37.4   | 6.19   | 2.2   | 6.46   | 4.4    |
| Balance sheet (R\$m)                  | 12/08 | 12/09  | 12/10   | 12/11   | 12/12   | 12/13E  | % ch   | 12/14E | % ch  | 12/15E | % ch   |
| Cash and equivalents                  | 1,944 | 1,551  | 1,200   | 1,501   | 597     | 968     | 62.2   | 1,045  | 7.9   | 1,103  | 5.6    |
| Other current assets                  | 85    | 199    | 452     | 237     | 504     | 376     | -25.3  | 376    | 0.0   | 376    | 0.0    |
| Total current assets                  | 2,029 | 1,750  | 1,652   | 1,738   | 1,101   | 1,344   | 22.1   | 1,421  | 5.7   | 1,479  | 4.1    |
| Net tangible fixed assets             | 1,162 | 1,977  | 3,561   | 5,661   | 7,612   | 6,816   | -10.5  | 6,605  | -3.1  | 6,401  | -3.1   |
| Net intangible fixed assets           | 0     | 0      | 0       | 0       | 0       | 0       | 0.0    | 0      | 0.0   | 0      | 0.0    |
| Investments / other assets            | 266   | 1,091  | 1,066   | 1,382   | 738     | 1,563   | 111.8  | 1,563  | 0.0   | 1,563  | 0.0    |
| Total assets                          | 3,457 | 4,818  | 6,280   | 8,782   | 9,451   | 9,724   | 2.9    | 9,589  | -1.4  | 9,443  | -1.5   |
| Trade payables & other ST liabilities | 206   | 298    | 334     | 597     | 469     | 411     | -12.4  | 413    | 0.6   | 416    | 0.7    |
| Short term debt                       | 950   | 654    | 1,062   | 1,065   | 1,938   | 1,967   | 1.5    | 2,233  | 13.5  | 2,352  | 5.3    |
| Total current liabilities             | 1,156 | 952    | 1,396   | 1,662   | 2,407   | 2,378   | -1.2   | 2,647  | 11.3  | 2,768  | 4.6    |
| Long term debt                        | 150   | 1,912  | 3,088   | 5,576   | 4,324   | 3,666   | -15.2  | 3,185  | -13.1 | 2,761  | -13.3  |
| Other long term liabilities           | 8     | 74     | 94      | 173     | 15      | 32      | 107.4  | 32     | 0.0   | 32     | 0.0    |
| Total liabilities                     | 1,314 | 2,939  | 4,578   | 7,411   | 6,747   | 6,076   | -9.9   | 5,864  | -3.5  | 5,560  | -5.2   |
| Equity & minority interests           | 2,143 | 1,879  | 1,702   | 1,370   | 2,705   | 3,647   | 34.9   | 3,725  | 2.1   | 3,882  | 4.2    |
| Total liabilities & equity            | 3,457 | 4,818  | 6,280   | 8,782   | 9,451   | 9,724   | 2.9    | 9,589  | -1.4  | 9,443  | -1.5   |
| Cash flow (R\$m)                      | 12/08 | 12/09  | 12/10   | 12/11   | 12/12   | 12/13E  | % ch   | 12/14E | % ch  | 12/15E | % ch   |
| Net income                            | 204   | (210)  | (256)   | (408)   | (435)   | (254)   | -41.7  | 104    | -     | 209    | 102.1  |
| Depreciation                          | 2     | 14     | 8       | 10      | 13      | 150     | 1061.9 | 227    | 51.3  | 227    | 0.0    |
| Net change in working capital         | 4     | (185)  | 5       | (102)   | (144)   | 180     | -      | 2      | -98.7 | 3      | 18.6   |
| Other (operating)                     | (299) | 26     | 48      | 237     | 163     | 498     | 206.3  | 305    | -38.8 | 253    | -16.8  |
| Net cash from operations              | (89)  | (354)  | (196)   | (264)   | (404)   | 574     | -      | 638    | 11.1  | 693    | 8.6    |
| Capital expenditure                   | (947) | (820)  | (1,487) | (1,775) | (1,816) | (1,105) | -39.2  | (16)   | -98.6 | (23)   | 42.0   |
| Net (acquisitions) / disposals        | 0     | 0      | 0       | 0       | 0       | 0       | -      | 0      | -     | 0      | -      |
| Other changes in investments          | 0     | 0      | 0       | 0       | 0       | 0       | -      | 0      | -     | 0      | -      |
| Cash from investing activities        | (947) | (820)  | (1,487) | (1,775) | (1,816) | (1,105) | -39.2  | (16)   | -98.6 | (23)   | 42.0   |
| Increase/(decrease) in debt           | 887   | 1,515  | 1,584   | 2,491   | (379)   | (629)   | -      | (240)  | -     | (333)  | -      |
| Share issues / (repurchases)          | 115   | 0      | 0       | 0       | 1,737   | 1,200   | -      | 0      | -     | 0      | -      |
| Dividends paid                        | (48)  | 0      | 0       | 0       | 0       | 0       | -      | (26)   | -     | (52)   | 102.12 |
| Other cash from financing             | 0     | 0      | 0       | 0       | 0       | 0       | -      | 0      | -     | 0      | -      |
| Cash from financing activities        | 953   | 1,515  | 1,584   | 2,491   | 1,358   | 571     | -57.9  | (266)  | -     | (385)  | 44.6   |
| Cash flow chge in cash & equivalents  | (83)  | 341    | (98)    | 452     | (862)   | 40      | -      | 356    | -     | 285    | -      |
| FX / non cash items                   | 161   | (735)  | (253)   | (151)   | (42)    | 331     | -      | (279)  | -     | (227)  | -16.8  |
| Bal sheet chge in cash & equivalents  | 79    | (394)  | (351)   | 301     | (904)   | 371     | -      | 77     | -     | 58     | -      |
| Core EBITDA                           | (55)  | (217)  | (258)   | (299)   | (374)   | 333     | -      | 638    | 91.4  | 719    | 12.8   |
| Maintenance capital expenditure       | (2)   | (14)   | (8)     | (10)    | (13)    | (150)   | 1061.9 | (227)  | 51.3  | (227)  | 0.0    |
| Maintenance net working capital       | 0     | 0      | 0       | 0       | 0       | 0       | 0.0    | 0      | 0.0   | 0      | 0.0    |
| Operating free cash flow, pre-tax     | (56)  | (231)  | (266)   | (309)   | (387)   | 183     | -      | 411    | 124.3 | 492    | 19.8   |

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

**Buy**

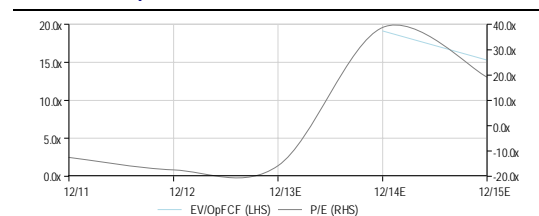
12m price target

**R\$9.00**

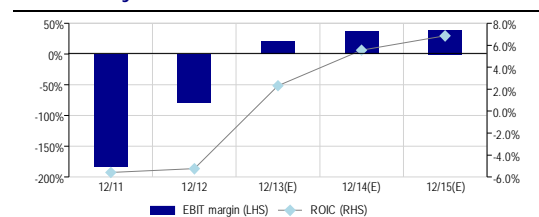
## Company profile

Controlled by entrepreneurial EBX group (29%) and Germany-based E.ON (36%), MPX has ownership-adjusted 2.1GW of nom capacity in thermal projects (1.2GW operational) - all with long-term PPAs (15-20 years) and structured with limited risks as project finance. Additionally, MPX seeks diversification into natural gas and renewables, including solar and wind power. MPX holds a portfolio of >8GW of nom capacity (ownership-adjusted) in paper projects that are mostly concentrated in gas and coal sources; these can be highly accretive, contingent on successful signature of new PPAs and MPX's execution.

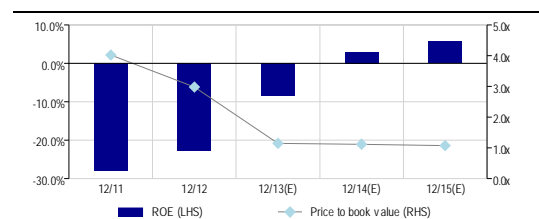
## Value (EV/OpFCF & P/E)



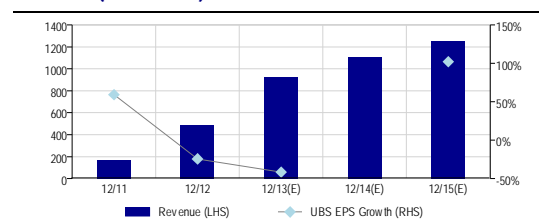
## Profitability



## ROE v Price to book value



## Growth (UBS EPS)



| Valuation (x)           | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|-------------------------|---------|-------|-------|--------|--------|--------|
| P/E (local GAAP)        | NM      | NM    | NM    | NM     | 41.9   | 20.7   |
| P/E (UBS)               | NM      | NM    | NM    | NM     | 41.9   | 20.7   |
| P/CEPS                  | NM      | NM    | NM    | NM     | 13.1   | 9.9    |
| Net dividend yield (%)  | 0.2     | 0.0   | 0.0   | 0.0    | 0.6    | 1.2    |
| P/BV                    | 2.4     | 4.0   | 3.0   | 1.2    | 1.2    | 1.2    |
| EV/revenue (core)       | NM      | NM    | NM    | 9.6    | 7.4    | 6.2    |
| EV/EBITDA (core)        | -26.3   | -30.7 | -31.6 | 26.5   | 12.8   | 10.9   |
| EV/EBIT (core)          | NM      | NM    | NM    | NM     | 19.9   | 16.0   |
| EV/OpFCF (core)         | NM      | NM    | NM    | NM     | 19.9   | 16.0   |
| EV/op. invested capital | 1.6     | 1.7   | 1.6   | 1.1    | 1.1    | 1.1    |

| Enterprise value (R\$m)         | 12/11 | 12/12  | 12/13E | 12/14E | 12/15E |
|---------------------------------|-------|--------|--------|--------|--------|
| Average market cap              | 5,084 | 6,346  | 4,337  | 4,337  | 4,337  |
| + minority interests            | 107   | 155    | 145    | 145    | 145    |
| + average net debt (cash)       | 4,045 | 5,403  | 5,165  | 4,520  | 4,192  |
| + pension obligations and other | 0     | 0      | 0      | 0      | 0      |
| - non-core asset value          | (56)  | (63)   | (819)  | (819)  | (819)  |
| Core enterprise value           | 9,181 | 11,841 | 8,828  | 8,182  | 7,855  |

| Growth (%)   | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|--------------|---------|-------|-------|--------|--------|--------|
| Revenue      | 179.0   | 70.9  | 191.7 | 87.9   | 20.6   | 13.0   |
| EBITDA (UBS) | -       | 15.9  | 25.1  | -      | 91.4   | 12.8   |
| EBIT (UBS)   | -       | 16.0  | 25.4  | -      | 124.2  | 19.8   |
| EPS (UBS)    | -       | 59.2  | -24.4 | -41.7  | -      | 102.1  |
| Cash EPS     | -       | 60.5  | -24.8 | -75.5  | -      | 32.0   |
| Net DPS      | -       | -     | -     | -      | -      | 102.1  |
| BVPS         | -3.6    | -23.9 | 43.2  | 37.4   | 2.2    | 4.4    |

| Margins (%)                | 5Yr Avg | 12/11  | 12/12 | 12/13E | 12/14E | 12/15E |
|----------------------------|---------|--------|-------|--------|--------|--------|
| EBITDA / revenue           | NM      | NM     | NM    | 36.1   | 57.4   | 57.2   |
| EBIT / revenue             | -318.0  | -183.6 | -78.9 | 19.9   | 36.9   | 39.2   |
| Net profit (UBS) / revenue | NM      | NM     | NM    | NM     | 9.3    | 16.7   |

| Return on capital (%) | 5Yr Avg | 12/11  | 12/12  | 12/13E | 12/14E | 12/15E |
|-----------------------|---------|--------|--------|--------|--------|--------|
| EBIT ROIC (UBS)       | NM      | NM     | NM     | 2.3    | 5.6    | 6.9    |
| ROIC post tax         | -       | NM     | NM     | 2.3    | 4.2    | 5.2    |
| Net ROE               | -13.1   | (27.9) | (22.8) | (8.4)  | 2.9    | 5.7    |

| Coverage ratios (x)             | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|---------------------------------|---------|-------|-------|--------|--------|--------|
| EBIT / net interest             | -       | -     | -     | 0.3    | 1.3    | 1.7    |
| Dividend cover (UBS EPS)        | -       | -     | -     | -      | 4.0    | 4.0    |
| Div. payout ratio (% , UBS EPS) | -       | -     | -     | -      | 25.0   | 25.0   |
| Net debt / EBITDA               | NM      | NM    | NM    | NM     | 6.9    | 5.6    |

| Efficiency ratios (x)          | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|--------------------------------|---------|-------|-------|--------|--------|--------|
| Revenue / op. invested capital | 0.0     | 0.0   | 0.1   | 0.1    | 0.2    | 0.2    |
| Revenue / fixed assets         | 0.1     | 0.0   | 0.1   | 0.1    | 0.2    | 0.2    |
| Revenue / net working capital  | NM      | NM    | NM    | NM     | NM     | NM     |

| Investment ratios (x) | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|-----------------------|---------|-------|-------|--------|--------|--------|
| OpFCF / EBIT          | 1.0     | 1.0   | 1.0   | 1.0    | 1.0    | 1.0    |
| Capex / revenue (%)   | NM      | NM    | NM    | NM     | 1.4    | 1.8    |
| Capex / depreciation  | NM      | NM    | NM    | 7.4    | 0.1    | 0.1    |

| Capital structure (%)          | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|--------------------------------|---------|-------|-------|--------|--------|--------|
| Net debt / total equity        | NM      | NM    | NM    | NM     | NM     | NM     |
| Net debt / (net debt + equity) | 59.7    | 80.3  | 69.0  | 57.1   | 55.0   | 51.8   |
| Net debt (core) / EV           | 32.38   | 44.1  | 45.6  | 58.5   | 55.2   | 53.4   |

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Valuations: based on an average share price that year, (E): based on a share price of R\$7.50 on 08 Jul 2013 19:39 SGT Market cap(E) may include forecast share issues/buybacks.

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# LLX Logística

| Income statement (R\$m)               | 12/07 | 12/08  | 12/09  | 12/10   | 12/11  | 12/12E | % ch   | 12/13E | % ch  | 12/14E | % ch   |
|---------------------------------------|-------|--------|--------|---------|--------|--------|--------|--------|-------|--------|--------|
| Revenues                              | 1     | 16     | 14     | 11      | 16     | 75     | 377.7  | 259    | 245.9 | 456    | 76.5   |
| Operating expenses (ex deprecn)       | (15)  | (96)   | (78)   | (81)    | (139)  | (165)  | 18.8   | (174)  | 5.9   | (202)  | 16.2   |
| EBITDA (UBS)                          | 157   | (79)   | (64)   | (67)    | (112)  | (90)   | -20.1  | 84     | -     | 254    | 200.8  |
| Depreciation                          | 0     | (2)    | (9)    | (15)    | (11)   | (14)   | 26.9   | (20)   | 39.9  | (23)   | 16.9   |
| Operating income (EBIT, UBS)          | 157   | (81)   | (73)   | (82)    | (124)  | (104)  | -15.8  | 64     | -     | 230    | 258.3  |
| Other income & associates             | 0     | 0      | 0      | 0       | 0      | 0      | -      | 0      | -     | 0      | -      |
| Net interest                          | (2)   | 12     | (12)   | 75      | 54     | (46)   | -      | (161)  | 249.8 | (193)  | 20.3   |
| Abnormal items (pre-tax)              | 0     | 0      | 0      | 0       | 0      | 0      | -      | 0      | -     | 0      | -      |
| Profit before tax                     | 155   | (69)   | (85)   | (7)     | (70)   | (150)  | 115.1  | (96)   | -35.8 | 37     | -      |
| Tax                                   | 0     | (1)    | 28     | 0       | 17     | 50     | 194.7  | 33     | -34.1 | (13)   | -      |
| Profit after tax                      | 154   | (70)   | (57)   | (6)     | (53)   | (100)  | 89.7   | (64)   | -36.6 | 25     | -      |
| Abnormal items (post-tax)             | 0     | 0      | 0      | 0       | 0      | 0      | -      | 0      | -     | 0      | -      |
| Minorities / pref dividends           | 1     | 17     | 8      | 13      | 13     | 5      | -62.0  | 5      | 4.1   | (7)    | -      |
| Net income (local GAAP)               | 156   | (53)   | (49)   | 6       | (39)   | (95)   | 141.7  | (58)   | -38.8 | 17     | -      |
| Net Income (UBS)                      | 156   | (53)   | (49)   | 6       | (39)   | (95)   | 141.7  | (58)   | -38.8 | 17     | -      |
| Tax rate (%)                          | 0     | 0      | 0      | 0       | 0      | 0      | -      | 0      | -     | 34     | -      |
| Pre-abnormal tax rate (%)             | 0     | 0      | 0      | 0       | 0      | 0      | -      | 0      | -     | 34     | -      |
| Per share (R\$)                       | 12/07 | 12/08  | 12/09  | 12/10   | 12/11  | 12/12E | % ch   | 12/13E | % ch  | 12/14E | % ch   |
| EPS (local GAAP)                      | 30.41 | (0.15) | (0.07) | 0.01    | (0.06) | (0.14) | 141.7  | (0.08) | -38.8 | 0.02   | -      |
| EPS (UBS)                             | 30.41 | (0.15) | (0.07) | 0.01    | (0.06) | (0.14) | 141.7  | (0.08) | -38.8 | 0.02   | -      |
| Net DPS                               | 0.00  | 0.00   | 0.00   | 0.00    | 0.00   | 0.00   | -      | 0.00   | -     | 0.00   | -      |
| Cash EPS                              | 30.42 | (0.14) | (0.06) | 0.03    | (0.04) | (0.12) | 188.0  | (0.05) | -52.8 | 0.06   | -      |
| BVPS                                  | 0.46  | 1.23   | 1.44   | 1.31    | 1.28   | 1.15   | -10.3  | 1.07   | -7.3  | 1.09   | 2.3    |
| Balance sheet (R\$m)                  | 12/07 | 12/08  | 12/09  | 12/10   | 12/11  | 12/12E | % ch   | 12/13E | % ch  | 12/14E | % ch   |
| Cash and equivalents                  | 156   | 310    | 493    | 410     | 446    | 259    | -41.8  | 218    | -15.9 | 115    | -47.2  |
| Other current assets                  | 3     | 16     | 37     | 36      | 157    | 175    | 11.4   | 184    | 5.1   | 173    | -6.2   |
| Total current assets                  | 160   | 326    | 530    | 446     | 603    | 434    | -27.9  | 402    | -7.4  | 288    | -28.4  |
| Net tangible fixed assets             | 84    | 301    | 607    | 792     | 1,255  | 1,950  | 55.4   | 2,351  | 20.6  | 2,651  | 12.8   |
| Net intangible fixed assets           | 90    | 361    | 204    | 31      | 36     | 36     | 0.5    | 36     | 0.0   | 36     | 0.0    |
| Investments / other assets            | 1     | 34     | 176    | 331     | 388    | 523    | 34.8   | 568    | 8.7   | 592    | 4.2    |
| Total assets                          | 334   | 1,021  | 1,517  | 1,600   | 2,281  | 2,943  | 29.0   | 3,358  | 14.1  | 3,567  | 6.2    |
| Trade payables & other ST liabilities | 109   | 128    | 205    | 80      | 219    | 285    | 30.5   | 295    | 3.4   | 326    | 10.5   |
| Short term debt                       | 1     | 131    | 225    | 0       | 413    | 717    | 73.6   | 920    | 28.4  | 989    | 7.5    |
| Total current liabilities             | 110   | 259    | 430    | 80      | 632    | 1,002  | 58.6   | 1,215  | 21.3  | 1,315  | 8.2    |
| Long term debt                        | 1     | 234    | 0      | 360     | 506    | 880    | 73.8   | 1,130  | 28.4  | 1,214  | 7.5    |
| Other long term liabilities           | 57    | 2      | 16     | 221     | 237    | 252    | 6.1    | 268    | 6.2   | 268    | 0.2    |
| Total liabilities                     | 167   | 495    | 446    | 660     | 1,375  | 2,134  | 55.2   | 2,612  | 22.4  | 2,797  | 7.1    |
| Equity & minority interests           | 167   | 526    | 1,071  | 940     | 906    | 809    | -10.7  | 745    | -7.9  | 770    | 3.3    |
| Total liabilities & equity            | 334   | 1,021  | 1,517  | 1,600   | 2,281  | 2,943  | 29.0   | 3,358  | 14.1  | 3,567  | 6.2    |
| Cash flow (R\$m)                      | 12/07 | 12/08  | 12/09  | 12/10   | 12/11  | 12/12E | % ch   | 12/13E | % ch  | 12/14E | % ch   |
| Net income                            | 156   | (53)   | (49)   | 6       | (39)   | (95)   | 141.7  | (58)   | -38.8 | 17     | -      |
| Depreciation                          | 0     | 2      | 9      | 15      | 11     | 14     | 26.9   | 20     | 39.9  | 23     | 16.9   |
| Net change in working capital         | 106   | 6      | 55     | (124)   | 17     | 49     | 179.0  | 1      | -98.5 | 42     | 5779.8 |
| Other (operating)                     | 56    | (88)   | (128)  | 50      | (40)   | (121)  | 200.1  | (30)   | -75.3 | (23)   | -22.0  |
| Net cash from operations              | 318   | (133)  | (112)  | (52)    | (51)   | (153)  | 200.6  | (67)   | -56.0 | 60     | -      |
| Capital expenditure                   | (174) | (490)  | (309)  | (382)   | (697)  | (846)  | 21.5   | (422)  | -50.1 | (323)  | -23.4  |
| Net (acquisitions) / disposals        | 7     | 359    | 151    | (618)   | 931    | 0      | -100.0 | 0      | -     | 0      | -      |
| Other changes in investments          | (1)   | (17)   | (8)    | (13)    | (13)   | (5)    | -      | (5)    | -     | 7      | -      |
| Cash from investing activities        | (168) | (147)  | (165)  | (1,012) | 221    | (851)  | -      | (427)  | -49.8 | (316)  | -26.0  |
| Increase(decrease) in debt            | 2     | 364    | (140)  | 1,052   | (128)  | 616    | -      | 453    | -     | 153    | -      |
| Share issues / (repurchases)          | 5     | 70     | 601    | (52)    | 0      | 0      | -      | 0      | -     | 0      | -      |
| Dividends paid                        | 0     | 0      | 0      | 0       | 0      | 0      | -      | 0      | -     | 0      | -      |
| Other cash from financing             | 0     | 0      | 0      | 0       | 0      | 0      | -      | 0      | -     | 0      | -      |
| Cash from financing activities        | 7     | 434    | 461    | 1,000   | (128)  | 616    | -      | 453    | -26.4 | 153    | -66.2  |
| Cash flow chge in cash & equivalents  | 156   | 154    | 183    | (64)    | 42     | (388)  | -      | (41)   | -     | (103)  | -      |
| FX / non cash items                   | -     | 0      | 0      | (19)    | (6)    | 202    | -      | 0      | -     | 0      | -      |
| Bal sheet chge in cash & equivalents  | -     | 154    | 183    | (83)    | 35     | (186)  | -      | (41)   | -     | (103)  | -      |
| Core EBITDA                           | 157   | (79)   | (64)   | (67)    | (112)  | (90)   | -20.1  | 84     | -     | 254    | 200.8  |
| Maintenance capital expenditure       | (9)   | (24)   | (15)   | (19)    | (35)   | (42)   | 21.5   | (21)   | -50.1 | (16)   | -23.4  |
| Maintenance net working capital       | 11    | 1      | 6      | (12)    | 2      | 5      | 179.0  | 0      | -98.5 | 4      | 5779.8 |
| Operating free cash flow, pre-tax     | 159   | (103)  | (74)   | (98)    | (145)  | (127)  | -12.5  | 63     | -     | 242    | 281.9  |

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Note: For some companies, the data represents an extract of the full company accounts.



12-month rating

**Buy**

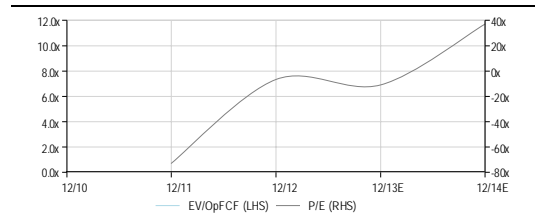
12m price target

**R\$6.90**

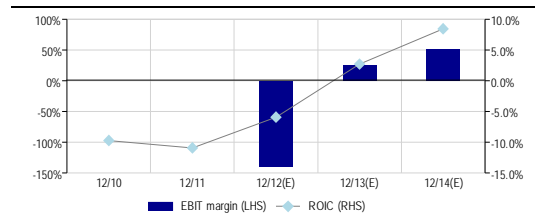
## Company profile

LLX Logística (LLX) is a port terminal controlled by EBX Group. The company is a spin-off of MMX. LLX currently controls two ports under construction in the state of Rio de Janeiro: 1) Minas-Rio, in association with Anglo American; and 2) Açú port, which will handle general cargo and also host oil offshore industries. Different from other ports in Brazil, Açú will have a large industrial complex that will create its own captive market.

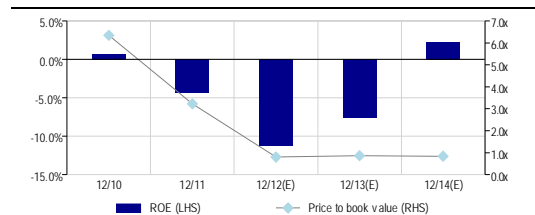
## Value (EV/OpFCF & P/E)



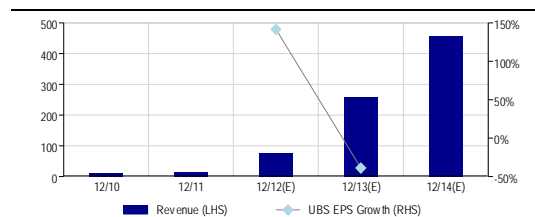
## Profitability



## ROE v Price to book value



## Growth (UBS EPS)



| Valuation (x)           | 5Yr Avg | 12/10 | 12/11 | 12/12E | 12/13E | 12/14E |
|-------------------------|---------|-------|-------|--------|--------|--------|
| P/E (local GAAP)        | -       | NM    | NM    | NM     | NM     | 34.4   |
| P/E (UBS)               | -       | NM    | NM    | NM     | NM     | 34.4   |
| P/CEPS                  | -       | NM    | NM    | NM     | NM     | 14.5   |
| Net dividend yield (%)  | -       | 0.0   | 0.0   | 0.0    | 0.0    | 0.0    |
| P/BV                    | -       | 6.3   | 3.2   | 0.7    | 0.8    | 0.8    |
| EV/revenue (core)       | -       | NM    | NM    | NM     | 9.4    | 5.9    |
| EV/EBITDA (core)        | -       | -86.2 | -29.9 | -21.6  | 28.8   | 10.6   |
| EV/EBIT (core)          | -       | NM    | NM    | NM     | NM     | 11.7   |
| EV/OpFCF (core)         | -       | NM    | NM    | NM     | NM     | 11.1   |
| EV/op. invested capital | -       | 6.8   | 3.0   | 1.1    | 1.0    | 1.0    |

| Enterprise value (R\$m)         | 12/10 | 12/11 | 12/12E | 12/13E | 12/14E |
|---------------------------------|-------|-------|--------|--------|--------|
| Average market cap              | 5,777 | 2,870 | 590    | 590    | 590    |
| + minority interests            | 28    | 15    | 10     | 4      | 12     |
| + average net debt (cash)       | (51)  | 474   | 1,337  | 1,832  | 2,088  |
| + pension obligations and other | 0     | 0     | 0      | 0      | 0      |
| - non-core asset value          | 0     | 0     | 0      | 0      | 0      |
| Core enterprise value           | 5,755 | 3,358 | 1,937  | 2,426  | 2,689  |

| Growth (%)   | 5Yr Avg | 12/10 | 12/11 | 12/12E | 12/13E | 12/14E |
|--------------|---------|-------|-------|--------|--------|--------|
| Revenue      | 85.0    | -19.5 | 40.9  | NM     | NM     | 76.5   |
| EBITDA (UBS) | -       | 4.4   | 68.2  | -20.1  | -      | NM     |
| EBIT (UBS)   | -       | 12.4  | 50.6  | -15.8  | -      | NM     |
| EPS (UBS)    | -       | -     | -     | 141.7  | -38.8  | -      |
| Cash EPS     | -       | -     | -     | 188.0  | -52.8  | -      |
| Net DPS      | -       | -     | -     | -      | -      | -      |
| BVPS         | 29.0    | -8.5  | -2.3  | -10.3  | -7.3   | 2.3    |

| Margins (%)                | 5Yr Avg | 12/10 | 12/11 | 12/12E | 12/13E | 12/14E |
|----------------------------|---------|-------|-------|--------|--------|--------|
| EBITDA / revenue           | NM      | NM    | NM    | NM     | 32.6   | 55.6   |
| EBIT / revenue             | >500    | <-500 | <-500 | -139.3 | 24.9   | 50.5   |
| Net profit (UBS) / revenue | NM      | 56.7  | NM    | NM     | NM     | 3.8    |

| Return on capital (%) | 5Yr Avg | 12/10 | 12/11 | 12/12E | 12/13E | 12/14E |
|-----------------------|---------|-------|-------|--------|--------|--------|
| EBIT ROIC (UBS)       | -       | NM    | NM    | NM     | 2.7    | 8.5    |
| ROIC post tax         | -       | NM    | NM    | NM     | 2.7    | 5.6    |
| Net ROE               | -       | 0.7   | (4.4) | (11.3) | (7.6)  | 2.3    |

| Coverage ratios (x)             | 5Yr Avg | 12/10 | 12/11 | 12/12E | 12/13E | 12/14E |
|---------------------------------|---------|-------|-------|--------|--------|--------|
| EBIT / net interest             | -       | -     | -     | -      | 0.4    | 1.2    |
| Dividend cover (UBS EPS)        | -       | -     | -     | -      | -      | -      |
| Div. payout ratio (% , UBS EPS) | -       | -     | -     | -      | -      | -      |
| Net debt / EBITDA               | NM      | 0.8   | NM    | NM     | NM     | 8.2    |

| Efficiency ratios (x)          | 5Yr Avg | 12/10 | 12/11 | 12/12E | 12/13E | 12/14E |
|--------------------------------|---------|-------|-------|--------|--------|--------|
| Revenue / op. invested capital | -       | 0.0   | 0.0   | 0.0    | 0.1    | 0.2    |
| Revenue / fixed assets         | -       | 0.0   | 0.0   | 0.0    | 0.1    | 0.2    |
| Revenue / net working capital  | -       | NM    | NM    | NM     | NM     | NM     |

| Investment ratios (x) | 5Yr Avg | 12/10 | 12/11 | 12/12E | 12/13E | 12/14E |
|-----------------------|---------|-------|-------|--------|--------|--------|
| OpFCF / EBIT          | 1.3     | 1.2   | 1.2   | 1.2    | 1.0    | 1.1    |
| Capex / revenue (%)   | NM      | NM    | NM    | NM     | NM     | NM     |
| Capex / depreciation  | NM      | NM    | NM    | NM     | NM     | NM     |

| Capital structure (%)          | 5Yr Avg | 12/10 | 12/11 | 12/12E | 12/13E | 12/14E |
|--------------------------------|---------|-------|-------|--------|--------|--------|
| Net debt / total equity        | (11.8)  | (5.7) | 54.1  | NM     | NM     | NM     |
| Net debt / (net debt + equity) | 1.6     | (5.9) | 34.7  | 62.6   | 71.2   | 73.4   |
| Net debt (core) / EV           | -       | (0.9) | 14.1  | 69.1   | 75.5   | 77.6   |

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.  
Valuations: based on an average share price that year, (E): based on a share price of R\$0.85 on 08 Jul 2013 19:39 SGT Market cap(E) may include forecast share issues/buybacks.

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# MMX Mineração e Metalicos

| Income statement (R\$m)               | 12/08  | 12/09  | 12/10 | 12/11   | 12/12   | 12/13E  | % ch  | 12/14E  | % ch     | 12/15E  | % ch   |
|---------------------------------------|--------|--------|-------|---------|---------|---------|-------|---------|----------|---------|--------|
| Revenues                              | 357    | 314    | 725   | 1,036   | 806     | 929     | 15.3  | 1,561   | 67.9     | 2,131   | 36.5   |
| Operating expenses (ex deprec)        | (282)  | (591)  | (590) | (838)   | (981)   | (846)   | -13.7 | (1,117) | 32.0     | (1,454) | 30.2   |
| EBITDA (UBS)                          | 76     | (277)  | 135   | 198     | (174)   | 83      | -     | 443     | 433.5    | 676     | 52.6   |
| Depreciation                          | (33)   | (18)   | (25)  | (34)    | (31)    | (44)    | 44.1  | (47)    | 6.8      | (49)    | 2.5    |
| Operating income (EBIT, UBS)          | 42     | (296)  | 110   | 164     | (205)   | 39      | -     | 396     | 922.6    | 628     | 58.6   |
| Other income & associates             | (150)  | 0      | 0     | 0       | 0       | 0       | -     | 0       | -        | 0       | -      |
| Net interest                          | (398)  | 168    | 4     | (256)   | (550)   | (201)   | -63.4 | (331)   | 64.2     | (431)   | 30.4   |
| Abnormal items (pre-tax)              | 132    | 0      | 0     | 0       | 0       | 0       | -     | 0       | -        | 0       | -      |
| Profit before tax                     | (374)  | (128)  | 113   | (93)    | (755)   | (163)   | -78.5 | 65      | -        | 197     | 201.5  |
| Tax                                   | (2)    | (36)   | (49)  | 116     | (40)    | 30      | -     | (22)    | -        | (67)    | 201.5  |
| Profit after tax                      | (376)  | (164)  | 65    | 23      | (796)   | (133)   | -83.3 | 43      | -        | 130     | 201.5  |
| Abnormal items (post-tax)             | 0      | (66)   | (25)  | (25)    | 0       | 0       | -     | 0       | -        | 0       | -      |
| Minorities / pref dividends           | 29     | 44     | 7     | (17)    | 3       | (2)     | -     | (5)     | 171.4    | (2)     | -51.0  |
| Net income (local GAAP)               | (347)  | (185)  | 47    | (19)    | (792)   | (134)   | -83.0 | 38      | -        | 127     | 233.7  |
| Net Income (UBS)                      | (479)  | (120)  | 72    | 6       | (792)   | (134)   | -83.0 | 38      | -        | 127     | 233.7  |
| Tax rate (%)                          | 0      | 0      | 43    | 0       | 0       | 0       | -     | 34      | -        | 34      | 0.0    |
| Pre-abnormal tax rate (%)             | 0      | 0      | 43    | 0       | 0       | 0       | -     | 34      | -        | 34      | 0.0    |
| Per share (R\$)                       | 12/08  | 12/09  | 12/10 | 12/11   | 12/12   | 12/13E  | % ch  | 12/14E  | % ch     | 12/15E  | % ch   |
| EPS (local GAAP)                      | (0.56) | (0.30) | 0.08  | (0.03)  | (1.27)  | (0.14)  | -89.1 | 0.04    | -        | 0.13    | 233.7  |
| EPS (UBS)                             | (0.77) | (0.19) | 0.12  | 0.01    | (1.27)  | (0.14)  | -89.1 | 0.04    | -        | 0.13    | 233.7  |
| Net DPS                               | 0.00   | 0.00   | 0.00  | 0.00    | 0.00    | 0.00    | -     | 0.01    | 2814.7   | 0.03    | 173.2  |
| Cash EPS                              | (0.72) | (0.16) | 0.16  | 0.06    | (1.22)  | (0.09)  | -92.4 | 0.09    | -        | 0.18    | 105.6  |
| BVPS                                  | (0.07) | (0.76) | 4.31  | 4.79    | 2.49    | 3.45    | 38.4  | 3.48    | 0.8      | 3.58    | 2.9    |
| Balance sheet (R\$m)                  | 12/08  | 12/09  | 12/10 | 12/11   | 12/12   | 12/13E  | % ch  | 12/14E  | % ch     | 12/15E  | % ch   |
| Cash and equivalents                  | 125    | 27     | 1,940 | 750     | 498     | 983     | 97.3  | 3,128   | 218.4    | 1,932   | -38.2  |
| Other current assets                  | 182    | 309    | 428   | 351     | 317     | 323     | 2.1   | 441     | 36.5     | 539     | 22.0   |
| Total current assets                  | 307    | 336    | 2,368 | 1,101   | 815     | 1,306   | 60.3  | 3,570   | 173.3    | 2,471   | -30.8  |
| Net tangible fixed assets             | 212    | 215    | 337   | 1,854   | 3,930   | 5,321   | 35.4  | 5,999   | 12.8     | 6,779   | 13.0   |
| Net intangible fixed assets           | 408    | 944    | 1,083 | 2,961   | 2,768   | 2,763   | -0.2  | 2,763   | 0.0      | 2,763   | 0.0    |
| Investments / other assets            | 73     | 205    | 261   | 280     | 227     | 210     | -7.6  | 210     | 0.0      | 210     | 0.0    |
| Total assets                          | 999    | 1,700  | 4,049 | 6,197   | 7,739   | 9,599   | 24.0  | 12,542  | 30.7     | 12,222  | -2.5   |
| Trade payables & other ST liabilities | 239    | 130    | 532   | 218     | 433     | 365     | -15.7 | 531     | 45.5     | 692     | 30.3   |
| Short term debt                       | 316    | 777    | 324   | 479     | 1,299   | 1,204   | -7.3  | 1,204   | 0.0      | 1,204   | 0.0    |
| Total current liabilities             | 555    | 907    | 856   | 696     | 1,732   | 1,569   | -9.4  | 1,735   | 10.6     | 1,896   | 9.3    |
| Long term debt                        | 488    | 814    | 468   | 1,155   | 1,811   | 2,855   | 57.6  | 5,608   | 96.5     | 5,030   | -10.3  |
| Other long term liabilities           | 0      | 351    | 293   | 1,438   | 1,756   | 1,805   | 2.8   | 1,805   | 0.0      | 1,805   | 0.0    |
| Total liabilities                     | 1,043  | 2,071  | 1,617 | 3,290   | 5,299   | 6,229   | 17.5  | 9,148   | 46.9     | 8,732   | -4.6   |
| Equity & minority interests           | (43)   | (371)  | 2,431 | 2,907   | 2,440   | 3,370   | 38.1  | 3,394   | 0.7      | 3,491   | 2.9    |
| Total liabilities & equity            | 999    | 1,700  | 4,049 | 6,197   | 7,739   | 9,599   | 24.0  | 12,542  | 30.7     | 12,222  | -2.5   |
| Cash flow (R\$m)                      | 12/08  | 12/09  | 12/10 | 12/11   | 12/12   | 12/13E  | % ch  | 12/14E  | % ch     | 12/15E  | % ch   |
| Net income                            | (347)  | (185)  | 47    | (19)    | (792)   | (134)   | -83.0 | 38      | -        | 127     | 233.7  |
| Depreciation                          | 33     | 18     | 25    | 34      | 31      | 44      | 44.1  | 47      | 6.8      | 49      | 2.5    |
| Net change in working capital         | (41)   | 149    | (80)  | 20      | 251     | (52)    | -     | 48      | -        | 64      | 32.1   |
| Other (operating)                     | 0      | (374)  | 206   | (209)   | 834     | (69)    | -     | (5)     | -92.9    | (2)     | -51.0  |
| Net cash from operations              | (355)  | (391)  | 198   | (174)   | 323     | (211)   | -     | 129     | -        | 237     | 84.1   |
| Capital expenditure                   | (45)   | (77)   | (171) | (898)   | (1,785) | (1,294) | -27.5 | (726)   | -43.9    | (828)   | 14.0   |
| Net (acquisitions) / disposals        | 0      | 0      | 0     | 0       | 0       | 0       | -     | 0       | -        | 0       | -      |
| Other changes in investments          | 0      | 0      | (148) | 38      | 312     | (343)   | -     | 0       | -        | 0       | -      |
| Cash from investing activities        | (45)   | (77)   | (320) | (860)   | (1,472) | (1,637) | 11.2  | (726)   | -55.6    | (828)   | 14.0   |
| Increase(decrease) in debt            | (211)  | 501    | (342) | 74      | 670     | 941     | -     | 2,753   | -        | (577)   | -      |
| Share issues / (repurchases)          | 0      | 0      | 2,368 | (240)   | 242     | 1,347   | -     | 0       | -        | 0       | -      |
| Dividends paid                        | 0      | 0      | 0     | 0       | 0       | 0       | -     | (10)    | 2,814.71 | (28)    | 173.15 |
| Other cash from financing             | 0      | 0      | 9     | 10      | (26)    | 1       | -     | 0       | -        | 0       | -      |
| Cash from financing activities        | (211)  | 501    | 2,035 | (156)   | 886     | 2,288   | 158.3 | 2,743   | 19.9     | (605)   | -      |
| Cash flow chge in cash & equivalents  | (610)  | 33     | 1,913 | (1,190) | (263)   | 441     | -     | 2,146   | -        | (1,196) | -      |
| FX / non cash items                   | (64)   | (131)  | 0     | 0       | 11      | 44      | -     | 0       | -        | 0       | -      |
| Bal sheet chge in cash & equivalents  | (675)  | (98)   | 1,913 | (1,190) | (252)   | 484     | -     | 2,146   | -        | (1,196) | -      |
| Core EBITDA                           | 76     | (277)  | 135   | 198     | (174)   | 83      | -     | 443     | 433.5    | 676     | 52.6   |
| Maintenance capital expenditure       | 0      | (15)   | (19)  | (8)     | (8)     | (8)     | -1.6  | (8)     | 6.8      | (9)     | 2.5    |
| Maintenance net working capital       | 0      | 149    | (80)  | 16      | 201     | (41)    | -     | 39      | -        | 51      | 32.1   |
| Operating free cash flow, pre-tax     | 76     | (143)  | 35    | 206     | 18      | 34      | 86.2  | 473     | 1295.4   | 719     | 51.8   |

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Note: For some companies, the data represents an extract of the full company accounts.

### Company profile

MMX is a Brazilian iron ore mining company with integrated infrastructure including the Sudeste Superport.

| Valuation (x)           | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|-------------------------|---------|-------|-------|--------|--------|--------|
| P/E (local GAAP)        | NM      | NM    | NM    | NM     | 39.0   | 11.7   |
| P/E (UBS)               | NM      | NM    | NM    | NM     | 39.0   | 11.7   |
| P/CEPS                  | 31.2    | NM    | NM    | NM     | 17.4   | 8.5    |
| Net dividend yield (%)  | 0.0     | 0.0   | 0.0   | 0.0    | 0.7    | 1.9    |
| P/BV                    | NM      | 1.8   | 2.6   | 0.4    | 0.4    | 0.4    |
| EV/revenue (core)       | 9.8     | 5.1   | 7.4   | 4.7    | 3.2    | 2.6    |
| EV/EBITDA (core)        | <-100   | 26.6  | -34.3 | 53.0   | 11.1   | 8.2    |
| EV/EBIT (core)          | NM      | NM    | NM    | NM     | 12.5   | 8.8    |
| EV/OpFCF (core)         | NM      | 25.5  | NM    | NM     | 10.4   | 7.7    |
| EV/op. invested capital | 3.0     | 1.9   | 1.3   | 0.8    | 0.7    | 0.7    |

| Enterprise value (R\$m)         | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|---------------------------------|-------|-------|--------|--------|--------|
| Average market cap              | 5,146 | 4,134 | 1,489  | 1,489  | 1,489  |
| + minority interests            | 75    | 22    | 14     | 10     | 7      |
| + average net debt (cash)       | (132) | 1,748 | 2,844  | 3,380  | 3,993  |
| + pension obligations and other | 165   | 84    | 59     | 56     | 56     |
| - non-core asset value          | 0     | 0     | 0      | 0      | 0      |
| Core enterprise value           | 5,253 | 5,988 | 4,406  | 4,935  | 5,545  |

| Growth (%)   | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|--------------|---------|-------|-------|--------|--------|--------|
| Revenue      | 22.5    | 42.9  | -22.2 | 15.3   | 67.9   | 36.5   |
| EBITDA (UBS) | -       | 46.8  | -     | -      | NM     | 52.6   |
| EBIT (UBS)   | -       | 49.3  | -     | -      | NM     | 58.6   |
| EPS (UBS)    | -       | -91.8 | -     | -89.1  | -      | NM     |
| Cash EPS     | -       | -58.8 | -     | -92.4  | -      | 105.6  |
| Net DPS      | -       | -     | -     | -      | NM     | 173.2  |
| BVPS         | -       | 11.2  | -47.9 | 38.4   | 0.8    | 2.9    |

| Margins (%)                | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|----------------------------|---------|-------|-------|--------|--------|--------|
| EBITDA / revenue           | NM      | 19.1  | NM    | 8.9    | 28.4   | 31.7   |
| EBIT / revenue             | -15.4   | 15.8  | -25.5 | 4.2    | 25.4   | 29.5   |
| Net profit (UBS) / revenue | NM      | 0.6   | NM    | NM     | 2.4    | 6.0    |

| Return on capital (%) | 5Yr Avg | 12/11 | 12/12  | 12/13E | 12/14E | 12/15E |
|-----------------------|---------|-------|--------|--------|--------|--------|
| EBIT ROIC (UBS)       | NM      | 6.1   | NM     | 0.7    | 5.8    | 8.4    |
| ROIC post tax         | -       | 6.1   | NM     | 0.7    | 3.8    | 5.5    |
| Net ROE               | -8.7    | 0.2   | (29.4) | (4.6)  | 1.1    | 3.7    |

| Coverage ratios (x)             | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|---------------------------------|---------|-------|-------|--------|--------|--------|
| EBIT / net interest             | -       | 0.6   | -     | 0.2    | 1.2    | 1.5    |
| Dividend cover (UBS EPS)        | -       | -     | -     | -      | 3.7    | 4.6    |
| Div. payout ratio (% , UBS EPS) | -       | -     | -     | -      | 26.7   | 21.8   |
| Net debt / EBITDA               | NM      | 4.5   | NM    | NM     | 8.3    | 6.4    |

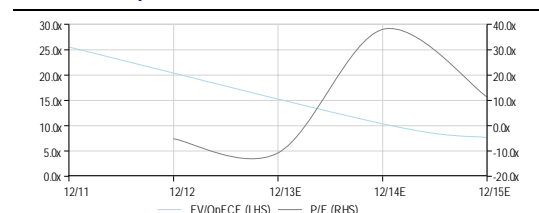
| Efficiency ratios (x)          | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|--------------------------------|---------|-------|-------|--------|--------|--------|
| Revenue / op. invested capital | 0.3     | 0.4   | 0.2   | 0.2    | 0.2    | 0.3    |
| Revenue / fixed assets         | 0.3     | 0.3   | 0.1   | 0.1    | 0.2    | 0.2    |
| Revenue / net working capital  | 39.7    | 70.5  | 95.6  | NM     | NM     | NM     |

| Investment ratios (x) | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|-----------------------|---------|-------|-------|--------|--------|--------|
| OpFCF / EBIT          | NM      | 1.3   | NM    | 0.9    | 1.2    | 1.1    |
| Capex / revenue (%)   | NM      | NM    | NM    | NM     | NM     | NM     |
| Capex / depreciation  | NM      | NM    | NM    | NM     | NM     | NM     |

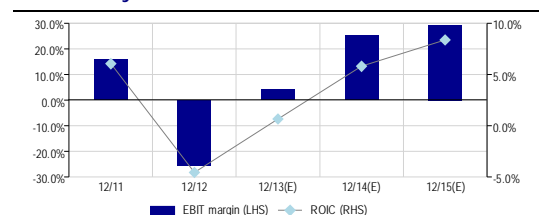
| Capital structure (%)          | 5Yr Avg | 12/11 | 12/12 | 12/13E | 12/14E | 12/15E |
|--------------------------------|---------|-------|-------|--------|--------|--------|
| Net debt / total equity        | NM      | 30.4  | NM    | 91.3   | NM     | NM     |
| Net debt / (net debt + equity) | 37.7    | 23.0  | 51.9  | 47.8   | 52.1   | 55.2   |
| Net debt (core) / EV           | 12.15   | (2.5) | 29.2  | 64.6   | 68.5   | 72.0   |

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.  
Valuations: based on an average share price that year, (E): based on a share price of R\$1.53 on 08 Jul 2013 19:39 SGT Market cap(E) may include forecast share issues/buybacks.

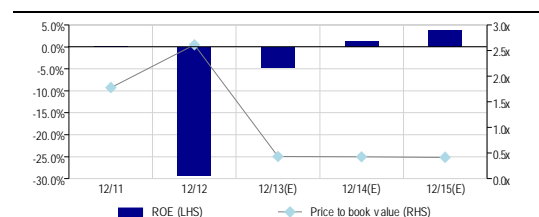
### Value (EV/OpFCF & P/E)



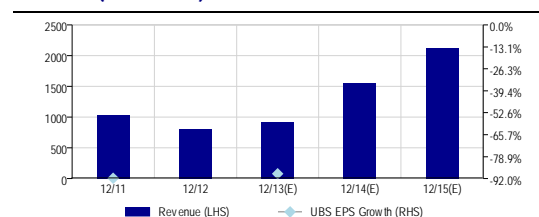
### Profitability



### ROE v Price to book value



### Growth (UBS EPS)



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■ **LLX Logística Investment Case**

We have a Buy rating on LLX Logística based on valuation. Our price target of R\$1.7/share reflects the NPV for LLX Minas-Rio adjusted by a 10% execution risk discount. LLX Minas-Rio is a joint venture with Anglo American and revenues are secured through a take-or-pay contract. Therefore, LLX will not be affected by new delays in the iron ore production (expected for late 2014) or problems in the pipeline construction. For the downside and upside scenarios, we estimated respective price targets of R\$0.8/share and R\$6.9/share.

## ■ Statement of Risk

OGX valuation & risk: Our PT is based on SOTP/NAV. We believe the following are key risks to OGX share price: 1) Oil prices; 2) Worse than expected drilling results; 3) No farm-outs or farming out at lower than expected prices; 4) Early departure of key executives and production curve outlook; 5) OGX-OSX relationship; 6) Steep increase in market risk aversion, 7) Changes in Brazil's energy regulatory and tax framework.

OSX valuation & risk: Our PT is based on SOTP/finite DCF. We believe the following are key risks to OSX share price: 1) Less stringent local content rules; 2) Rupture of the partnership with Hyundai (HHI) and/or OGX; 3) Skilled labour shortage and/or early departure of key executives; 4) Capex overruns in both the UCN Shipyard and produced units; 5) Worsening in funding conditions; 6) Steep increase in market risk aversion, 7) Changes in Brazil's energy regulatory and tax framework.

MPX valuation & risk: 1) successful placement of new projects into pool auctions or to free customers; 2) sale or acquisition of projects at accretive valuation.

LLX valuation & risk: LLX is constructing 2 ports in the state of Rio de Janeiro. Our analysis is based on the economic feasibility study prepared by Verax. An increase in the Capex plan, higher operational expenses, lower tariffs and delays to the start of operations may negatively impact the stock. Moreover, changes in the regulatory framework and lawsuits against LLX may work against the company.

The LatAm mining sector, including MMX, is subject to relatively high volatility and several risk factors. These include but are not limited to commodity price volatility; regulatory changes; production disruptions; labour issues; equipment delays; unfavourable weather and more.

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| UBS 12-Month Rating   | Rating Category | Coverage <sup>1</sup> | IB Services <sup>2</sup> |
|-----------------------|-----------------|-----------------------|--------------------------|
| Buy                   | Buy             | 46%                   | 35%                      |
| Neutral               | Hold/Neutral    | 44%                   | 37%                      |
| Sell                  | Sell            | 10%                   | 21%                      |
| UBS Short-Term Rating | Rating Category | Coverage <sup>3</sup> | IB Services <sup>4</sup> |
| Buy                   | Buy             | less than 1%          | 33%                      |
| Sell                  | Sell            | less than 1%          | 20%                      |

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 June 2013.

### UBS Investment Research: Global Equity Rating Definitions

| UBS 12-Month Rating   | Definition  |
|-----------------------|---|
| Buy                   | FSR is > 6% above the MRA.  |
| Neutral               | FSR is between -6% and 6% of the MRA.   |
| Sell                  | FSR is > 6% below the MRA.  |
| UBS Short-Term Rating | Definition  |
| Buy                   | Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.  |
| Sell                  | Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event. |

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**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

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**UBS Brasil CCTVM S.A.:** Lilyanna Yang, CFA; Victor Mizusaki. **UBS Limited:** Philip Finch. **UBS Securities Pte. Ltd.:** Andreas Bokkenheuser.

**Company Disclosures**

| Company Name  | Reuters  | 12-mo rating | Short-term rating | Price    | Price date  |
|---|----------|--------------|-------------------|----------|-------------|
| Banco do Brasil <sup>2, 4, 5, 22</sup>                  | BBAS3.SA | Sell         | N/A               | R\$22.76 | 22 Jul 2013 |
| Glencore Xstrata <sup>4, 5</sup>                        | GLEN.L   | Buy          | N/A               | 269p     | 22 Jul 2013 |
| Itau Unibanco Banco Multiplo <sup>16</sup>              | ITUB4.SA | Buy          | N/A               | R\$28.92 | 22 Jul 2013 |
| Keppel Corporation <sup>5, 16</sup>                     | KPLM.SI  | Buy          | N/A               | S\$10.80 | 22 Jul 2013 |
| LLX Logística <sup>16</sup>                             | LLXL3.SA | Buy          | N/A               | R\$0.92  | 22 Jul 2013 |
| MMX Mineração e Metalicos <sup>16</sup>                 | MMXM3.SA | Sell         | N/A               | R\$1.49  | 22 Jul 2013 |
| MPX <sup>16</sup>                                       | MPXE3.SA | Buy          | N/A               | R\$6.95  | 22 Jul 2013 |
| OGX Petróleo e Gás Participações S.A. <sup>16, 20</sup> | OGXP3.SA | Sell (CBE)   | N/A               | R\$0.53  | 22 Jul 2013 |
| OSX Brasil SA   | OSXB3.SA | Buy          | N/A               | R\$1.21  | 22 Jul 2013 |
| QGEP Participacoes                                      | QGEP3.SA | Buy          | N/A               | R\$11.99 | 22 Jul 2013 |

Source: UBS. All prices as of local market close.

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Additional Prices: Anglo American, 1,405p (22 Jul 2013); CEMIG, R\$21.30 (22 Jul 2013); E.ON, €12.50 (22 Jul 2013); ExxonMobil Corp., US\$94.83 (22 Jul 2013); GDF Suez, €15.74 (22 Jul 2013); MODEC, ¥3,270 (22 Jul 2013); Petrobras (ON), R\$15.80 (22 Jul 2013); Petrobras (PN), R\$16.30 (22 Jul 2013); SBM Offshore, €14.38 (22 Jul 2013); TOTAL, €40.18 (22 Jul 2013); Tractebel Energia, R\$35.90 (22 Jul 2013); Wuhan Steel, Rmb2.30 (22 Jul 2013); Source: UBS. All prices as of local market close.



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