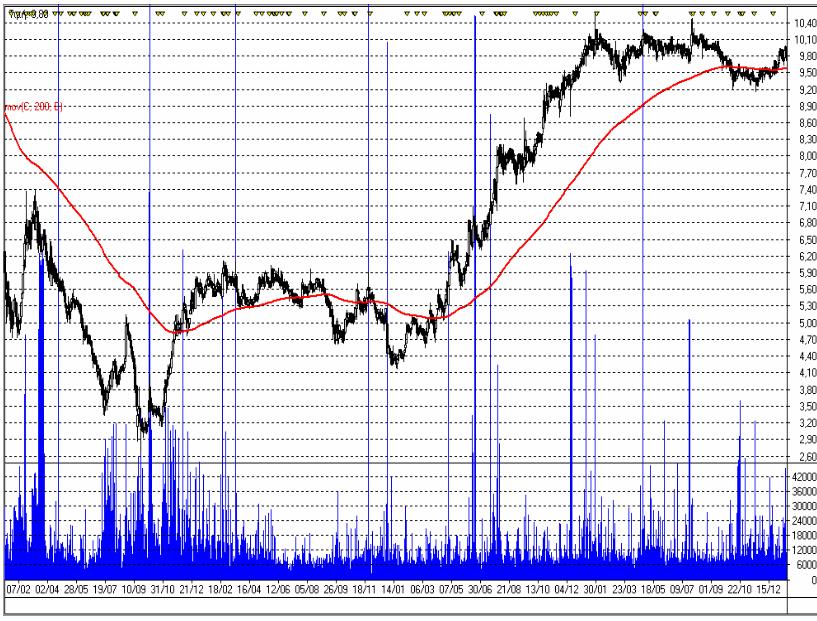
FORTIUS FINANCE

Stock Report

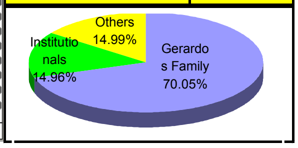
ONE STOP SHOP January 17, 2005

ASE: PLAIS REUTERS: PLAr.AT BLOOMBERG: PLAIS GA	**PLAISIO**	CONSUMER DISCRETIONARY SPECIALTY RETAIL IT & ELECTRONICS
RECOMMENDATION	**ADD** | **€11.90**	**12M TARGET PRICE**

PRICE PERFORMANCE



Share Price 17/01	9.80
FTSE/ASE 40 Wght	0.99%
Eurobank EPS 50 Wght	1.57%
Market Capitalisation	216,384,000
Shares Outstanding	22,080,000
Free Float	29.9%
52W Avr Dly Vol. net	20,520
26W Avr Dly Vol. net	17,504
13W Avr Dly Vol. net	20,069
52W Price Low	9.14
52W Price High	10.60
52W Price Avrg	9.82
52W Abs. Perform.	-3.4%
26W Abs. Perform.	-1.2%
13W Abs. Perform.	3.4%
52W Rel. Perform.	-16.7%
26W Rel. Perform.	-19.3%
13W Rel. Perform.	-13.9%



Highlights

- We see consolidated revenues growing 28.7% in 2004 y-o-y to about €234.8m, on the back of a 32.1% rise in IT products' revenues (56.4% from 55.1%, as a percentage of total group sales), a 43.2% increase in telecom products' sales (11.4% from 10.3% on total group sales) and a 23.2% boost in office supplies/stationery products' income (33.0% from 34.6% on total group sales).
- We project EBITDA margins to contract gradually to 8.7% in 2008 from 10.7% in 2003, due to increased competition among specialty retailers and a shift towards lower margin products (IT and Telecommunication Equipment), that will weigh on profitability despite the containment of operational costs due to the economies of scale the new logistics centre will bring.
- After-non-operating items, we expect 2004 net income to increase 34.5% to €11.5m. We expect EPS to increase by 34.5% to €0.52 versus 2003's €0.39. We project a 14.7% advance in 2005 EPS, to €0.60.

Investment Rationale/Risks

- We view the shares as undervalued and we recommend an ADD rating. Although the stock trades at a premium towards the median of the FTSE/ASE Mid 40 participants, Plaisio's P/E multiple will drop to 11.9x in 2008.
- The expansion scheme is based on the application of the multi-channel, multi-product, single-brand model through retail chain expansion that ensures market share growth utilizing a new logistics centre, set to fully operate in 2006.
- Risks to our recommendation and target price include a long price war from the subsequent foreign large retailers set to enter the market, as soon as 2005, and a delay in Internet penetration growth domestically.
- We look for Plaisio to outperform ASE Index and the FTSE/ASE-20 in the following 12-m period. Based on our 3 stage DCF model, we arrive at a 12M Target Price of €11.90, or a 21.4% upside from current levels.

	INCOME STATEMENT (€ εκ.)				MARGINS			PER SHARE DATA(€)		VALUATION DATA					FINANCIAL DATA	
Yr	SALES	EBITDA	EBT	EATM	GROSS	EBITDA	NET	EPS	DPS	P/E	P/BV	DY	EV/EBITDA	EV/SALES	NET DEBT/EQUITY	ROE
2002	146.09	13.88	9.03	5.83	22.7%	9.5%	4.0%	0.26	0.14	37.1	7.7	1.4%	15.0	1.4	-30.6%	21.8%
2003	182.47	19.47	14.72	8.53	24.3%	10.7%	4.7%	0.39	0.21	25.4	6.8	2.1%	10.3	1.1	-49.8%	28.4%
2004e	234.84	23.13	19.71	11.47	23.6%	9.9%	4.9%	0.52	0.28	18.9	5.8	2.9%	8.8	0.9	-37.2%	33.1%
2005f	274.76	26.10	21.92	13.15	23.3%	9.5%	4.8%	0.60	0.32	16.5	5.0	3.3%	7.8	0.7	-27.5%	32.7%
2006f	315.97	28.91	24.00	15.12	22.9%	9.2%	4.8%	0.68	0.37	14.3	4.3	3.8%	7.1	0.7	-20.7%	32.4%
2007f	350.73	31.22	26.00	16.90	22.7%	8.9%	4.8%	0.77	0.42	12.8	3.7	4.2%	6.5	0.6	-25.6%	31.3%
2008f	385.80	33.56	27.98	18.19	22.5%	8.7%	4.7%	0.82	0.45	11.9	3.3	4.6%	5.9	0.5	-26.5%	29.3%

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Business Summary

Plaisio is the largest specialty retailer in IT equipment and stationery supplies in Greece with a line of over 22,000 products, operating via 18 homonymous stores in four major cities (Athens-14, Thessaloniki-2, Crete-1 and Patra-1) and also the manufacturer of the high selling PC, TURBO-X. Furthermore, it has successfully entered the mobile phone sector, as a new connection broker for Cosmote (1999) and Vodafone (2004), further diversifying its revenue mix. Capitalizing on a strong brand name, a unique sales model (multi-channel, multi-product, single-brand) and a 96% same-day-delivery rate, Plaisio has managed to escalate at the top of a fragmented PC retail market (direct sales) and office supplies market (holds c.10% and c.20% respectively, according to company estimates). Plaisio has been rewarded for its financial performance by being listed for the fifth consecutive time in GrowthPlus Europe's Top 500, as the 5-yr sales CAGR till 2003 stands at 43.5%. Its major participations in real estate (Plaisio Akinita) and consulting-educational services (Elnous) facilitate store expansion and IT services respectively, rather than posing as alternative income sources to the revenue equation. An established brand-name and a diversified revenue mix (office/stationery supplies, IT equipment and mobile products) prove to be the essential elements of a successful retail expansion scheme that has provided solid results at both ends of the line. Expansion abroad (Bulgaria initially), a logistics center in Attica and new stores addition will further solidify financial results and enhance the company's image as a One Stop Shop, against foreign competition, likely to enter the market even as soon as 2005.

Financials

Recent Results: Plaisio's 3Q04 revenues' growth decelerated to +27.0% to €52.13m vs +31.5% to €52.65m in 2Q04 following FY03's trend, as wholesale revenues of IT equipment increased 20.8% y-o-y (reduced by €2m in absolute numbers vs 2Q04), retail sales' revenues of IT & office equipment grew 44.8% (€1.21m improvement vs 2Q04) and mobile telecom products revenues grew 60.5% (€1.11m improvement over 2Q04), despite a 3% y-o-y reduction in wholesale revenues of household products in 3Q04 (€0.823m less in absolute numbers vs 2Q04) and a 4.7% drop in retail sales' revenues of books & paper supplies (€0.192m more vs 2Q04). Likewise, gross margin deteriorated in 3Q04 to 23.3% from 23.8% in 2Q04, as lower margin products (IT & Telecom) grew as a percentage of sales. Although, administrative costs decelerated to +9.0% in 3Q04 vs +13.5% in 2Q04, selling expenses accelerated to +37.4% vs a 25.9% increase in 2Q04 (SG&A remained at 17% as a percentage of sales in 3Q04) carrying the gross margin decrease at an EBIT level. On the bottom line, the essential absence of debt (only €1.35m in long-term liabilities) and that of extraordinary results' differences lead to an EBTAM margin of 4.5% in 3Q04 vs a 4.9% in 2Q04, in spite of the slowdown in the rate of increase from 27.3% to 15.1% in absolute numbers.
Forecasts: Our central case scenario revolves around a gradual revenue shift towards lower margin IT & Telecommunications products (in 2003 stood at 65.4%) to 69.7% in 2008, with the EBITDA diminishing respectively by c.200bps to 8.7%. We estimate IT's contribution to group revenues in FY04 to increase to 56.4% or €132.4m (+32.1% in absolute numbers y-o-y) from 55.1% in FY03 and 53.2% in FY02, while telecommunications revenues will gain 110bps to 11.4% (+43.2% on y-o-y basis). Furthermore, we expect office supplies/stationery' sales to bring in roughly €60m (+23.2% y-o-y) as their contribution to group revenues will drop to 33% relevant to customer needs. All-in-all, we see Plaisio consolidated sales growing to €234.8m (+28.7% y-o-y), and we forecast a 16.2% 5-yr CAGR, on the assumptions of a 17.8% 5-yr CAGR in IT revenues, a 17.4% in telecom revenues and a 13.2% in office supplies/stationery products revenues, with the PoS reaching 25 in 2008.

Strategy & Expansion Abroad

Plaisio's domestic growth strategy is the opening of two PoS per annum (one superstore with selling space of greater than 1,000 sq. m. and a smaller one with a total estimated cost c.€2.5m) in strategic locations and applying the multi-channel (stores sales, direct sales, internet and catalogues), multi-product, one-brand model to increase its market share. As it has already covered most of the Attica Prefecture, Plaisio will build a new logistics centre in the outskirts of Attica to serve its expansion plans to the periphery. The new centre will be fully operational in 2006, with a capacity in excess of 22,500 sq. m. and having built right next to it a brand new superstore. The estimated capex required for the development of the new logistics centre stands at c.€6m. Furthermore, Plaisio will test for the first time its multi-channel, multi-brand model, one brand model in Bulgaria, where is set to expand in 1H05. Bulgaria was selected due to its EU accession course (Bulgarian Lev pegged to Euro), the low penetration rates of IT technology and Internet, along with the growth possibilities that the Balkan area presents pertinent to its proximity to Greece. In case this expansion venture is successful, more stores will open in Bulgaria in the following years, and Plaisio will seek other neighboring countries to expand. The major keys to future growth, other than Plasio's successful business model and a strong brand name, are found to be the low domestic penetration Internet rate compared to the western European countries (15-20% compared to 50%), the continuous introduction of cutting edge products and services by the company, the introduction of new telecom and IT products (new digital devices, 3G mobile telephony), the fragmented IT products market and the growth possibilities that the Balkan region presents.

Valuation

Currently, the stock is trading at €9.80 (17/01), underperforming the ASE General Index by 13.9% in the last 13W. We arrive at our TP of €11.90 for Plaisio based on our 3-stage DCF analysis, assuming a WACC of 8.6%, a risk free-rate of 4.5%, a risk premium of 4.8% and a 1.5% perpetuity growth. Although, the stock trades at 21.4% discount from its TP, we start our coverage with an ADD rating mainly due to the upcoming market penetration by foreign rivals and less due to the gradual shift toward lower margin products.

Risks

The subsequent entrance into the IT products market of foreign large retailers like, German Media Markdt and French Fnac, following their willingness statements to capture market share in the Greek market, is the most significant near-term issue that has puzzled the most, domestic and foreign investors. Furthermore, a potential price war upon foreign competitors entrance, might pose as a threat to gross margin, but alternative revenue sources with higher margins are expected to mitigate to a certain extent this risk. Another concern might be expansion abroad, as the new Bulgarian store scheduled to commence operations within 1H05 may not run according to plans delaying the opening of other stores. Foreign operations' contribution at this point is non-existent and has minimal effect in forward results. Lastly, the domestic internet penetration rate might continue to stay at low levels relative to the European median, further delaying sector and company growth.

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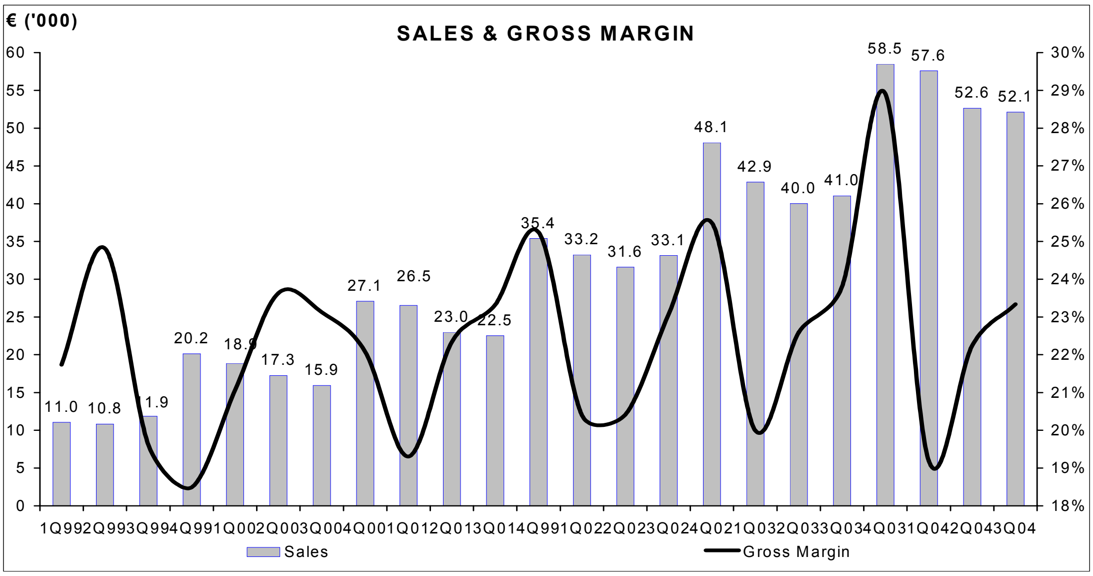

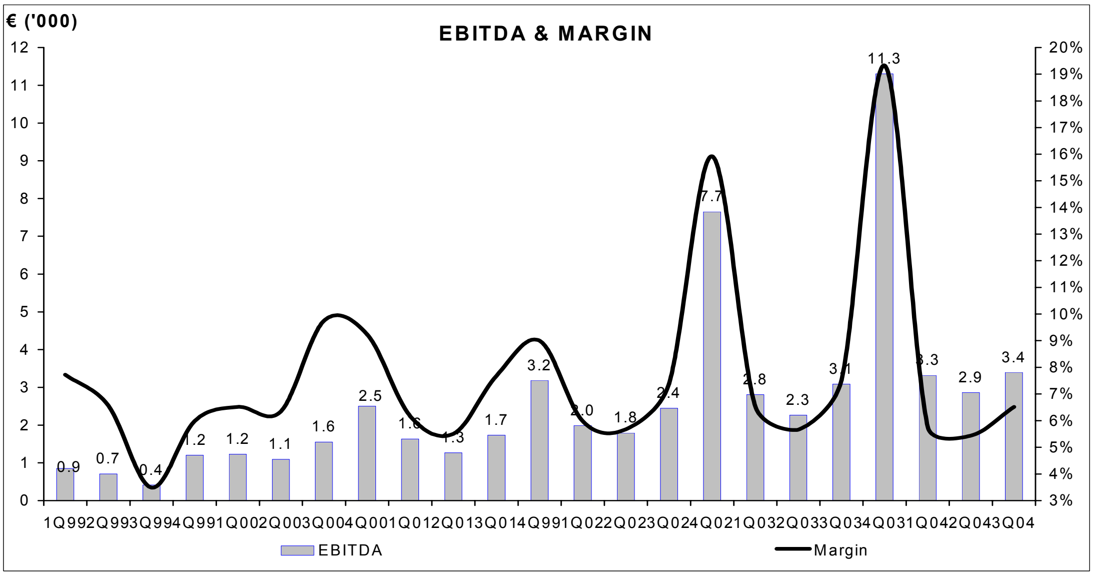

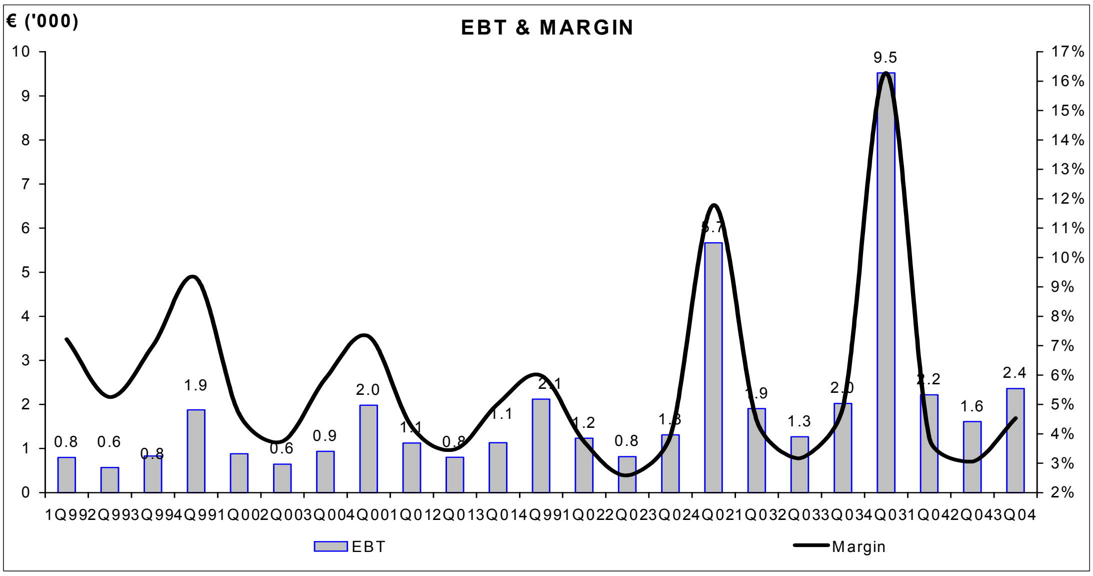

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PROFIT & LOSS *(€ m)*	2002	2003	2004e	2005f	2006f	2007f	2008f
Sales	**146.1**	**182.5**	**234.8**	**274.8**	**316.0**	**350.7**	**385.8**
COGS	(113.0)	(138.2)	(179.4)	(210.9)	(243.6)	(271.3)	(299.2)
Gross Profit	33.1	44.3	55.4	63.9	72.4	79.4	86.6
Gross Margin	*22.7%*	*24.3%*	*23.6%*	*23.3%*	*22.9%*	*22.7%*	*22.5%*
SG&A	20.3	25.2	32.6	38.2	43.9	48.8	53.6
Other Income	1.0	0.4	0.4	0.4	0.5	0.5	0.6
EBITDA	**13.9**	**19.5**	**23.1**	**26.1**	**28.9**	**31.2**	**33.6**
EBITDA Margin	*9.5%*	*10.7%*	*9.9%*	*9.5%*	*9.2%*	*8.9%*	*8.7%*
Depreciation	2.7	3.2	3.0	3.6	4.2	4.4	4.7
EBIT	**11.2**	**16.3**	**20.1**	**22.5**	**24.7**	**26.8**	**28.8**
EBIT Margin	*7.6%*	*8.9%*	*8.6%*	*8.2%*	*7.8%*	*7.7%*	*7.5%*
Investment Income (Expense)	(1.4)	(0.9)	0.3	0.3	0.2	0.2	0.3
Exceptionals	(0.8)	(0.6)	(0.7)	(0.8)	(0.9)	(1.1)	(1.2)
EBT	**9.0**	**14.7**	**19.7**	**21.9**	**24.0**	**26.0**	**28.0**
EBT Margin	*6.2%*	*8.1%*	*8.4%*	*8.0%*	*7.6%*	*7.4%*	*7.3%*
Taxes	(3.2)	(6.2)	(8.3)	(8.8)	(8.9)	(9.1)	(9.8)
EAT	5.8	8.5	11.4	13.2	15.1	16.9	18.2
Minorities	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0
Net Profit	**5.8**	**8.5**	**11.5**	**13.2**	**15.1**	**16.9**	**18.2**
Net Profit Margin	*4.0%*	*4.7%*	*4.9%*	*4.8%*	*4.8%*	*4.8%*	*4.7%*
Dividends	3.1	4.6	6.2	7.2	8.2	9.2	9.9

BALANCE SHEET *(€ m)*	2002	2003	2004e	2005f	2006f	2007f	2008f
Net Fixed Assets	14.4	15.3	16.5	21.3	25.7	26.3	29.5
Investments	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Other LT Assets & Accruals	0.4	0.4	0.5	0.5	0.6	0.7	0.8
Total Fixed Assets	**14.8**	**15.8**	**17.0**	**22.0**	**26.3**	**27.0**	**30.4**
Inventories	21.3	24.5	35.9	42.8	50.1	55.7	61.5
Debtors	12.1	14.3	19.3	22.6	26.0	28.8	31.7
Cash & Equivalents	8.6	16.7	14.1	16.5	19.0	21.0	23.1
Marketable Securities	0.0	0.0	0.6	0.6	0.6	0.6	0.6
Other Current Assets	4.7	7.7	9.6	10.3	10.9	11.1	11.5
Total Current Assets	**46.7**	**63.2**	**79.5**	**92.7**	**106.5**	**117.3**	**128.4**
Total Assets	**61.5**	**79.0**	**96.5**	**114.7**	**132.8**	**144.3**	**158.7**
Creditors	20.5	26.8	34.4	40.4	46.7	52.0	57.4
Short Term Debt	0.0	0.0	0.0	6.4	8.8	6.5	5.9
CP of Long Term Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	9.8	16.0	20.7	22.5	23.5	24.3	25.7
Total Current Liabilities	**30.3**	**42.8**	**55.1**	**69.3**	**79.1**	**82.9**	**89.0**
Long Term Debt	0.0	0.8	0.8	(1.2)	0.3	0.3	0.3
Minorities	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Other LT Liabilities & Provisions	0.7	0.9	0.9	0.9	0.9	0.9	0.9
Total Liabilities	**33.4**	**47.0**	**59.3**	**71.4**	**82.7**	**86.5**	**92.6**
Total Equity	**28.1**	**32.0**	**37.2**	**43.2**	**50.1**	**57.8**	**66.1**
Total Liabilities & Equity	**61.5**	**79.0**	**96.5**	**114.7**	**132.8**	**144.3**	**158.7**

Cash Flows *(€ m)*	2002	2003	2004e	2005f	2006f	2007f	2008f
EBITDA	**13.9**	**19.5**	**23.1**	**26.1**	**28.9**	**31.2**	**33.6**
Taxes Paid	0.8	2.5	5.4	8.1	8.7	8.8	8.8
Cash Tax Rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Trade Working Capital Needs	(0.7)	(0.9)	8.7	4.1	4.4	3.2	3.3
Capex & Participations	2.3	4.1	4.2	8.5	8.5	5.0	8.0
Other Non-Operating Items	(1.3)	(10.8)	0.8	(3.4)	(3.5)	(2.9)	(3.1)
Free Cash Flow Before Financing	**10.2**	**3.0**	**5.5**	**2.0**	**3.8**	**11.3**	**10.3**
Dividends Paid	1.8	3.1	5.3	6.7	8.0	9.2	10.0
Net Interest Payments	1.4	0.9	(0.3)	(0.3)	(0.2)	(0.2)	(0.3)
Change in Debt	(7.6)	0.8	0.0	4.4	3.9	(2.3)	(0.6)
Capital Gains	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Equity	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Change in Marketable Securities	**0.0**	**0.0**	**0.6**	**0.0**	**0.0**	**0.0**	**0.0**

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