



PLAISIO
COMPUTERS SA
 PLAIS GA

Price: € 7.76 Cap: € 171.3

Target: € 9.17 Cap: € 202.6

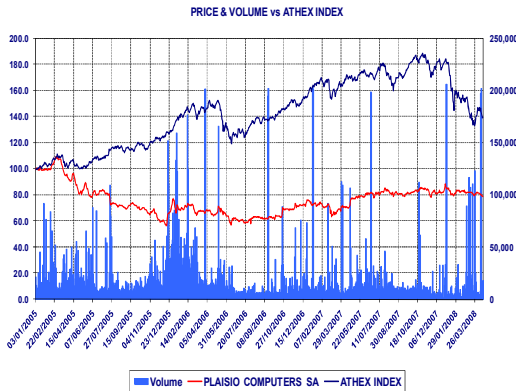
Previous: - Potential: 18%



Industry: Retail-Technology

April 16, 2008

Investment Opinion: ACCUMULATE (4/5)



CASH FLOW STATEMENT	2005 A	2006 A	2007 A	2008 E	2009 F	2010 F	2011 F	2012 F	Perpetuity
Turnover	257,736	311,075	385,023	454,327	522,476	585,173	643,691	695,186	702,138
EBIT	8,625	11,574	16,373	19,673	23,528	27,397	31,517	34,139	34,405
Less: Adjusted Tax	3,229	3,717	3,828	4,129	5,006	5,893	6,848	7,438	7,496
NOPAT	5,396	7,857	12,545	15,544	18,523	21,504	24,669	26,701	26,909
Plus: Depreciation	3,644	4,067	3,253	3,837	3,911	3,869	3,786	3,655	2,711
Less: Change in Working Capital	13,548	-4,536	-1,485	5,795	5,698	5,242	4,893	4,306	3,511
Less: Capex	3,643	6,360	10,412	8,237	3,306	2,978	2,635	2,684	2,711
Cash Flow to the Firm (FCFF)	-8,151	10,100	6,871	5,350	13,430	17,152	20,927	23,366	23,398

COMPANY DESCRIPTION

Plaisio Computers S.A. is a multi-product, multi-channel provider under one brand in the area of IT and office supplies. The Company imports, manufactures and retails computers, peripherals, IT network products, office supplies, and telecom products. Plaisio also offers customer service.

SHARE DATA

Shares: 22,080,000 (Common Registered)

Capitalization (€ M): 171.34

200d Mov.Avg.Price(€): 8.07

200d Mov.Avg. Volume (#): 17,651

% Price Change Since 31/12/2007: -10.60%

52 wk high: 8.68 (31/12/2007)

52 wk low: 6.78 (17/04/2007)

VWAP since 01/01/2008: 8.02

Major Shareholders: 67.73%

Institutional Investor: 0.00%

Free Float: 32.27%

VALUATION (Working Hypotheses)

Risk Free Interest Rate (Rf): 4.75%

WACC: 10.21%

5-year CAGR of Turnover: 12.54%

Perpetuity after 2012: 1.00%

5-year CAGR of EBT: 16.81%

Effective Tax Rate07: 27.97%

ESTIMATES - FORECASTS

€ M	2006A	2007A	2008E	2009E
SALES	311	385	454	522
EBITDA	15.6	19.6	23.5	27.4
EATAM	6.33	9.86	12.39	15.02

AT A GLANCE: Initiating Coverage

⇒PLAISIO S.A. operates a network of 21 stores in Greece and 1 in Bulgaria. In the domestic market, it is currently the leader along most its product lines and has developed strong brand recognition, whereby Plaisio is considered to be a synonym of technology and the primary provider of stationary and office supplies. The Company's advantage relative to competitors lies in its multichannel approach to selling its products.

⇒FY 07 results were positive as the Company grew by 23.8% top line, and managed to sustain its slow but steady improvement in margins below the Gross Profit line. More specifically, Sales came in at € 385 M, EBITDA was € 19.6 M posting an increase of 25.5% and EATAM stood at € 9.86 M increased by 55.6%. We also stress the second consecutive year of positive operating cash flows on the back of efficient working capital management and the increased contribution of Internet sales. Net debt to equity stood at just 9% which implies ample room for additional funding and a single digit EV/EBITDA of 9 for 2007. A € 0.30 dividend is to be distributed to shareholders implying a 3.9% yield.

⇒Convergence of technologies creates an environment suitable for the Company to grow further, as it provides Computers, Consumer Electronics, Telecommunication and office products. PLAISIO also strives to maintain the balance of its customer composition which consists of both businesses and consumers. Furthermore the channels through which sales are realized vary and can be grouped to store and direct sales.

⇒Expansion in the Balkan area, Internet sales which realized a 120% increase for 2007, and strengthening of the B2B activity are expected to be the main growth drivers for the Company.

⇒Investment risks consist mainly of the highly competitive nature of the industry, which has once already taken its toll on Company results in 2005, when the Company reduced its margins, in order for it to maintain its market share. We do consider this, however, a thing of the past as that was the year were large international retail chains made their appearance in the Greek market along with the outburst of e-commerce. Additionally we would like to see the network expanding in the Balkan area at a faster pace as any delay deprives Plaisio the benefits of an early entrant advantage.

⇒Overall we consider PLAISIO a good investment case as it combines elements rarely found together such as high growth along with significant pay out. These characteristics are, in our view, the main reason why the Company has outperformed the General Index losing -10.4% year to date relative to the market's losses of -22.7%. We initiate our coverage with an Accumulate rating as we believe the Company is well positioned, courtesy of its high growth profile, to take advantage of a potential turnaround of the markets in H2 but also provides for relevant security in a more negative investment climate through its high payout.

Y-o-Y changes		2005 A	2006 A	2007 A	2008 E	2009 F	2010 F	2011 F
Total Turnover	%	10.70%	20.70%	23.77%	18.00%	15.00%	12.00%	10.00%
EBITDA	%	-41.72%	27.48%	25.48%	19.79%	16.72%	13.94%	12.91%
EBT	%	-52.09%	19.06%	36.15%	20.69%	21.24%	17.73%	16.21%
EAT & Minorities	%	-51.85%	21.50%	55.60%	25.68%	21.24%	17.73%	16.21%



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The Market

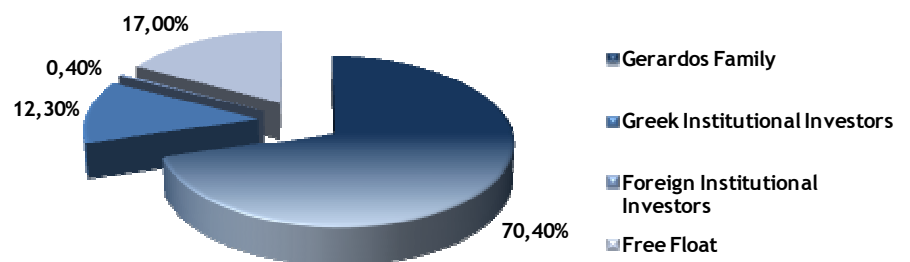
Although Plaisio faces intense competition along almost all its activities, it is yet difficult to find a single direct competitor that offers the full range of products and services. As mentioned earlier, the market changed significantly with the entry of large superstore chains and the booming of e-commerce. Currently Plaisio finds itself in a position where it competes with large chains with global presence, local retailers, e-businesses, domestic store networks that provide technology products, even furniture retailers along some product lines. Despite these conditions though, the Company has managed to sustain and even increase its market share from 2005 onwards. After implementing a strategy of suppressing margins in 2005 through a more aggressive pricing policy, Plaisio has managed to become the leader in 2 of its business units, Computers and Office products. We expect the Company to continue improving its position in the market, despite the highly competitive climate, on the back of its successful business model employing a multi-channel approach to end customers and providing full support services.

Company Timeline & Shareholder Structure

Starting from one small shop in the center of Athens, Plaisio has grown to one of the biggest retail companies in Greece. It has gradually expanded its product mix, customer base and sales channels, in order to develop to the successful Multi-Product/Channel/Customer business we know today. It has established itself as a leader across most of its product lines and has proved to be a Company that thrives in change.



Shareholder Structure





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Store
Network

Plaisio currently operates a network of 22 stores of which one is in Bulgaria. Although, the Balkan market provides for opportunities, the Company currently seems focused in fully exploiting the domestic market potential and taking slower steps in its expansion abroad. This year, one store is scheduled to open in the area of Athens and 2 more are to be renovated. As the Bulgarian store is expected to break even in 2008, after 3years of operation, we expect to see more mobility on that front from 2009 onwards. Note, however, that the Company's true strength lies in its multi-channel approach which means that future growth seems to rely more on the rapid growth of internet as well as the other direct sales channels than store openings as is the case for more traditional retailers.



Business
Model

The Business Model's true strength is the diverse sales methods employed. A broad segmentation between store and direct sales is presented in the table below. The after sales service comes to complete the cycle of customer transactions. Current trend shows increased contribution of direct to total sales (37% increase for direct in 2007 vs 19% from stores), and we expect this trend to continue in the future, fuelled mainly from rapid growth of internet sales which for 2007, posted an increase of 120%. Although, the effects of this trend should be expected to prove beneficial in terms of profitability we forecast an offset from the change in the product mix towards consumer electronics. Furthermore, in the event that the cumulative effect of these two factors was to strengthen margins significantly we would still expect the Company to exploit such a development through a more aggressive pricing policy rather than enjoy better margins to a full extent.

CHANNEL	CUSTOMES PER DAY	TRANSACTIONS/ORDERS PER DAY	REVENUE	AFTER SALES SERVICE
STORES	40.000	14.000	250 million	250 VISITS FOR TECHNICAL SUPPORT PER DAY
TELEPHONE CALLS	12.000	2.500	135 million	1.500 CALLS PER DAY FOR TECHNICAL SUPPORT
INTERNET	52.000			
CATALOGS	20.000			
TOTAL	124.000	16.500	385 million	2.555 CONTACTS

Source: Company



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FY '07

Results

For FY '07 the Company posted another set of solid results. Sales grew by 23.8%, reflecting mainly organic growth. Gross margin reduced by 20bps mainly on the back of increased internet activity, implying lower selling prices, and contribution of Computers and CE to sales. Operating expenses were reduced by 57 bps again partly contributed to internet activity, as well as more efficient operations leading to an EBITDA increase of 25.5% with the margin standing at 5.1%. Finally, EATAM settled at € 9.86 M increased by as much as 55.6% courtesy of a much lower effective tax rate of 28% relative to the 37% for 2006. In our forecasts, we slightly reduce gross margin moving forward and marginally improve profitability across all other lines on the back of better positioning in the market, growth of own branded products for computers and office supplies, and internet sales growth.

PLAISIO COMPUTERS S.A. FY 2007 RESULTS

€ ,000	FY 2006	FY 2007	y-o-y%
TURNOVER	311.075	385.023	23,77%
GP	58.451	71.581	22,46%
margin	18,8%	18,6%	
EBITDA	15.641	19.627	25,48%
margin	5,0%	5,1%	
EBT	10.051	13.684	36,15%
margin	3,2%	3,6%	
EATAM	6.334	9.856	55,60%
margin	2,0%	2,6%	



Valuation

By using a two-stage DCF model for PLAISIO we arrive at a fair value of € 9.17 under the following assumptions:

- A fundamental beta of 1.2, representative of both the Company's size and its very low debt exposure.
- A long term growth rate of 1%, which we see as conservative given the Company's potential through both physical expansion in a region with much higher growth rates as well as the promising internet activity.
- Long term debt to market value of 21%
- A country adjusted risk premium of 5.8% in the long run increased by 10 bps to account for the Company's exposure to the riskier SEE markets.

Using these inputs we arrive at a WACC of 10.2% and a residual value contribution to FCFF total value of 73.5%. We also perform a sensitivity analysis of two of our most basic inputs, long term growth rate and WACC.

CASH FLOW STATEMENT	2007 A	2008 E	2009 F	2010 F	2011 F	2012 F	Perpetuity
Turnover	385,023	454,327	522,476	585,173	643,691	695,186	702,138
EBIT	16,373	19,673	23,528	27,397	31,517	34,139	34,405
Less: Adjusted Tax	3,828	4,129	5,006	5,893	6,848	7,438	7,496
NOPAT	12,545	15,544	18,523	21,504	24,669	26,701	26,909
Plus: Depreciation	3,253	3,837	3,911	3,869	3,786	3,655	2,711
Less: Change in Working Capital	-1,485	5,795	5,698	5,242	4,893	4,306	3,511
Less: Capex	10,412	8,237	3,306	2,978	2,635	2,684	2,711
Cash Flow to the Firm (FCFF)	6,871	5,350	13,430	17,152	20,927	23,366	23,398
WACC	9.78%	10.30%	10.83%	10.83%	10.83%	10.83%	10.21%
Discount Factor		0.907	0.814	0.735	0.663	0.598	0.615
Present Value of Cash Flows		4,850	10,934	12,600	13,871	13,975	
Accumulated Present Value		4,850	15,784	28,385	42,256	56,231	
Residual Value							254,006
Present Value of Residual Value							156,209
Value of Firm							212,440
% Residual Value of Total							73.5%

VALUATION

Present Value of Future Cash Flows	56,231
Present Value of Residual Value	156,209
Value of firm	212,440
Less: Net Debt	9,858
Minorities	0
Value of firm	202,582
Outstanding number of shares (,000)	22,080.00
Current Price	7.76
Value of share	9.17
% upside potential	18.23%

SENSITIVITY ANALYSIS					
LT WACC	PERPETUITY SALES GROWTH				
	0.00%	0.50%	1.00%	1.50%	2.00%
9.21%	9.43	9.89	10.41	10.99	11.65
9.71%	8.90	9.30	9.75	10.26	10.83
10.21%	8.42	8.78	9.17	9.62	10.12
10.71%	7.99	8.31	8.66	9.05	9.49
11.21%	7.60	7.89	8.20	8.55	8.93



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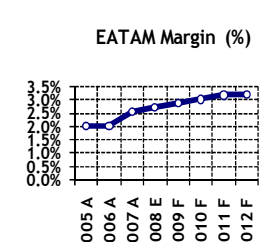
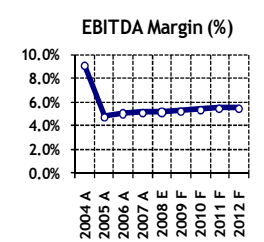
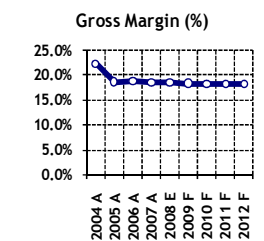
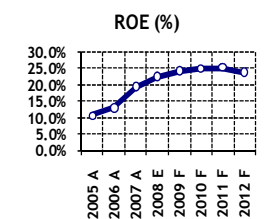
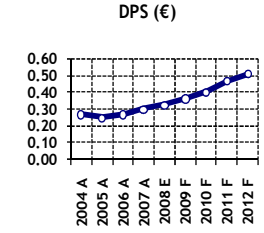
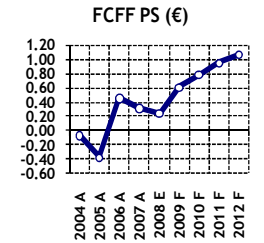
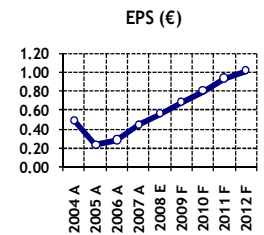
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Current Price	2004 A	2005 A	2006 A	2007 A	2008 E	2009 F	2010 F	2011 F	2012 F
7.76									
Adjusted # of Shares (,000)	22,080	22,080	22,080	22,080	22,080	22,080	22,080	22,080	22,080
P/E (x)	15.83	32.87	27.05	17.38	13.83	11.41	9.69	8.34	7.68
P/Sales (x)	0.74	0.66	0.55	0.45	0.38	0.33	0.29	0.27	0.25
P/BV (x)	3.57	3.63	3.56	3.30	2.97	2.61	2.28	1.97	1.73
EPS (€)	0.49	0.24	0.29	0.45	0.56	0.68	0.80	0.93	1.01
EPS growth (%)		-51.8%	21.5%	55.6%	25.7%	21.2%	17.7%	16.2%	8.6%
PEG (x)		-0.63	1.26	0.31	0.54	0.54	0.55	0.51	0.89
Operating CFPS (€)	0.11	-0.44	0.80	0.59	0.48	0.64	0.79	0.93	1.01
FCFF / Share (€)	-0.06	-0.37	0.46	0.31	0.24	0.61	0.78	0.95	1.06
Dividend / Share (€)	0.27	0.25	0.27	0.30	0.33	0.36	0.40	0.47	0.51
Dividend Yield (%)	3.5%	3.2%	3.5%	3.9%	4.2%	4.6%	5.2%	6.0%	6.5%
ROE (%)		10.9%	13.3%	19.7%	22.6%	24.4%	25.1%	25.3%	24.0%
EV/Sales (x)	0.69	0.70	0.56	0.46	0.40	0.34	0.29	0.25	0.22
EV/EBITDA (x)	7.68	14.73	11.11	9.01	7.71	6.47	5.48	4.60	4.05
Net Debt / Equity (x)	-0.24	0.16	0.03	0.09	0.15	0.08	-0.02	-0.12	-0.20
Current Ratio (x)	1.73	1.62	1.46	1.43	1.38	1.40	1.44	1.49	1.54
INCOME STATEMENT (€ ,000)	2004 A	2005 A	2006 A	2007 A	2008 E	2009 F	2010 F	2011 F	2012 F
Total Turnover	232,820	257,736	311,075	385,023	454,327	522,476	585,173	643,691	695,186
COGS	181,256	209,738	252,624	313,442	370,504	426,602	478,087	525,895	567,967
Gross Profit	51,564	47,998	58,451	71,581	83,823	95,874	107,087	117,795	127,219
Other Operating Income	578	397	135	794					
SG&A Expenses	34,877	39,770	47,012	56,002	64,150	72,346	79,689	86,279	93,080
EBIT	17,265	8,625	11,574	16,373	19,673	23,528	27,397	31,517	34,139
Depreciation	3,788	3,644	4,067	3,253	3,837	3,911	3,869	3,786	3,655
EBITDA	21,053	12,269	15,641	19,626	23,510	27,440	31,266	35,303	37,794
Interest Expense	395	(268)	(1,602)	(2,781)	(3,158)	(3,505)	(3,825)	(4,124)	(4,386)
EBT	17,619	8,442	10,051	13,684	16,515	20,023	23,572	27,393	29,753
Taxes	6,793	3,229	3,717	3,828	4,129	5,006	5,893	6,848	7,438
Minorities									
EAT & Minorities	10,826	5,213	6,334	9,856	12,387	15,017	17,679	20,545	22,314
CASH FLOW (€ ,000)	2004 A	2005 A	2006 A	2007 A	2008 E	2009 F	2010 F	2011 F	2012 F
Cash Flow from Operations	2,516	-9,677	17,677	13,044	10,676	14,228	17,333	20,567	22,341
Cash Flow from Investment	-2,730	-3,187	-6,050	-9,930	-8,317	-3,385	-3,051	-2,703	-2,744
Net Cash Flow from Financing	-4,935	5,836	-8,373	-2,244	-6,624	-7,184	-7,959	-8,840	-10,272
BALANCE SHEET (€ ,000)	2004 A	2005 A	2006 A	2007 A	2008 E	2009 F	2010 F	2011 F	2012 F
Total Non-Current Assets	19,172	19,568	22,111	30,222	34,874	34,517	33,855	32,916	32,133
Inventory	36,973	39,887	42,803	63,524	74,958	86,202	96,546	106,201	114,697
Receivables	23,914	32,789	34,290	45,700	53,926	62,015	69,457	76,402	82,515
Total Cash	11,399	4,371	7,625	8,495	4,229	7,888	14,211	23,235	32,559
Total Current Assets	72,286	77,047	84,726	117,725	133,121	156,113	180,223	205,849	229,782
Total Assets	91,458	96,615	106,837	147,947	167,995	190,630	214,078	238,765	261,915
Long Term Bank Loans				12,426	12,426	12,426	12,426	12,426	12,426
Non Current Liabilities	1,699	1,672	850	13,540	13,578	13,619	13,662	13,708	13,756
Short Term Banks		12,070	9,217	509	509	509	509	509	509
Current Liabilities	41,760	47,693	57,923	82,449	96,696	111,457	125,142	138,078	149,138
Equity	47,999	47,250	48,064	51,958	57,721	65,554	75,274	86,979	99,021
Total Equity & Liabilities	91,458	96,615	106,837	147,947	167,995	190,630	214,078	238,765	261,915
MARGIN ANALYSIS %	2004 A	2005 A	2006 A	2007 A	2008 E	2009 F	2010 F	2011 F	2012 F
Gross Profit	22.1%	18.6%	18.8%	18.6%	18.5%	18.4%	18.3%	18.3%	18.3%
SG&A Expenses	15.0%	15.4%	15.1%	14.5%	14.1%	13.8%	13.6%	13.4%	13.4%
EBITDA	9.0%	4.8%	5.0%	5.1%	5.2%	5.3%	5.3%	5.5%	5.4%
EBT	7.6%	3.3%	3.2%	3.6%	3.6%	3.8%	4.0%	4.3%	4.3%
EAT&Minorities	4.6%	2.0%	2.0%	2.6%	2.7%	2.9%	3.0%	3.2%	3.2%
Tax rate	38.6%	38.2%	37.0%	28.0%	25.0%	25.0%	25.0%	25.0%	25.0%



Source: MERIT SECURITIES, Company Financial Data

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BUY (5/5): The difference between the stock's current price and its estimated target price is $\geq +30\%$

ACCUMULATE (4/5): The difference between the stock's current price and its estimated target price ranges between [+10% and +30%]

HOLD (3/5): The difference between the stock's current price and its estimated target price ranges between (-10% and +10%)

AVOID (2/5): The difference between the stock's current price and its estimated target price ranges between [-10% and -30%]

REDUCE (1/5): The difference between the stock's current price and its estimated target price is $\leq -30\%$

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