HSBC

Plaisio Computers

Stock rel to market
Add Initiating coverage

A unique business model delivering growth

Year to	Revenue (EURm)	EBITDA (EURm)	Reported PBT (EURm)	HSBC PBT (EURm)	HSBC Net profit (EURm)	HSBC EPS (EUR)	HSBC EPS gwth (%)	PE (HSBC) (x)	Yield (%)	EV/ Sales (x)	EV/ EBITDA (x)	EV/IC (x)	ROIC (%)	REP (x)
12/2003a	182.5	19.5	14.7	14.7	8.5	0.39	46.2	25.9	2.1	1.1	10.5	6.7	35.4	1.7
12/2004e	215.2	22.8	17.3	17.3	11.2	0.51	31.4	19.7	2.8	1.0	9.1	6.5	40.6	1.4
12/2005e	245.2	25.7	19.5	19.5	12.6	0.57	12.6	17.5	3.1	0.8	7.8	4.6	33.8	1.2
12/2006e	278.4	29.0	22.0	22.0	14.2	0.64	12.8	15.5	3.5	0.7	6.7	4.4	37.1	1.0

- **Market leader in retail sales of PCs & office supplies/stationery**
- **Net earnings rose by an impressive 46.2% in 2003 to EUR8.5m**
- **Rated Add on strong fundamentals and growth potential**

Company and industry fundamentals

Plaisio is Greece's most successful retailer of PCs and office supplies/stationery, and also provides mobile telephony services, operating a 17-store network across the country. The company's market shares in PCs and office supplies are estimated at 10% and 15%, respectively. Its distinctive business model is based on the 'multi-product, multi-channel, single-brand' concept. Its multi-channel distribution system includes large, centrally located stores, product catalogues, call centre, specialised B2B and technical support centres, which all give Plaisio a competitive edge. Both the PC and office supplies/stationery markets are highly fragmented, with Plaisio's competition facing serious financial problems.

Economic performance and growth

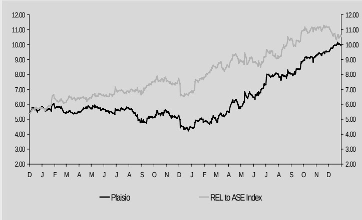
We estimate Plaisio's 2004 sales and net earnings will rise by 18% and 31%, respectively. We forecast revenues, EBITDA and net earnings to increase at a 2002-06e CAGR of 17.5%, 20.2% and 25.0%, respectively, on the back of continued market share gains. Margins are not expected to vary much from 2003 levels, as intense competition leaves little room for improvement.

Valuation, catalyst and recommendation

Our standard HSBC three-stage DCF model returns a fair value per share of EUR11.20, ie upside of 12%. Having outperformed the local market by 12.3% over the past six months, Plaisio trades at a 2.1% and 13.7% premium, respectively, on both 2004e PE and EV/EBITDA multiples, relative to a basket of global peers. However, we believe this is justified, given its superior growth outlook, better margins, significantly higher ROE and robust cash flow generation ability. We initiate coverage with an Add recommendation.

HSBC Pantelakis Securities SA

Relative price



Source: Thomson Financial Datastream

Company report

Country	Greece
Sector	Speciality Retailers
Bloomberg	PLAIS GA
Reuters	PLAr.AT
Mkt cap (EURm)	221.0
Mkt cap (USDm)	275.0
Free float (%)	28.8
Web site	www.plaisio.gr

Price

	1M	3M	12M
Absolute	9.54	8.96	4.42
Absolute (%)	4.8	11.6	126.2
Relative (%)	-7.4	-1.6	57.6

Relative to	ASE General Index
Index level	2,391.73

Current (EUR)	Target (EUR)
10.00	**11.20**

Disclaimer & disclosures

This report must be read with the disclaimer & disclosures on p14 that form part of it.

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Executive summary

Company profile and sector

Plaisio Computers, established in 1969, is a PCs and office supplies/stationery retailer and mobile telephony services provider. The company has successfully combined three distinct product segments, based on the 'multi-product, multi-channel, single brand' concept.

Plaisio operates a 17-store sales network across the country, consisting of five superstores (>1,000 sq m of selling space) and 12 medium-sized stores (<1,000 sq m). In addition, Plaisio targets consumers through multiple channels, including product catalogues, a call centre, specialised B2B operations and e-shops. Well-targeted marketing is the company's main competitive advantage. Plaisio's market shares of PCs and office supplies/stationery are estimated at 10% and 15%, respectively.

PCs accounted for c53% of 2003 turnover, with higher-margin office supplies/stationery generating c37% of sales and mobile telephony contributing the remainder c10%. Almost 75% of 2003 revenues originated from the company's store network (a 58/42 allocation between medium-sized stores and superstores), while the balance was generated through other distribution channels (e-shop and direct sales to corporate customers).

The European Information Technology Observatory (EITO) estimates the Greek PCs market (desktops and laptops) in 2003 at 400,000 units or cEUR560m. Our forecasts for the sector see above-GDP growth in the following years, as PC penetration lags the EU-15 average. Regarding office supplies/stationery, though lacking official market data, we expect the sector to expand in line with GDP. That said, growth for participants in these two markets will be mostly market share-driven, while a potential collapse of severely troubled networks will benefit healthy players in the sector.

The markets where Plaisio is active are highly fragmented and competition is intense. In the PC market, we have identified four retail chains as Plaisio's competitors, which, despite their larger sales network, were heavily loss-making in the past two years. On top of these, numerous other few-store or single-store networks struggle for market share. On the contrary, Plaisio opted for large, centrally located, critical mass achieving stores, which, coupled with its unrivalled multi-channel distribution system, give a competitive advantage in terms of pricing, service and customer approach. The same market conditions also persist in the office supplies/stationery sector. Up to now, no consolidation moves have taken place, while efforts to restructure and turn around ailing retail networks have borne little fruit. Thanks to its unique business model, Plaisio is well positioned to benefit from the weakening competition and expand its market share in the coming years.

Plaisio's strategy envisages the opening of one superstore and one medium-sized store pa on average. It is also seeking to gain a foothold in the Balkans and as such plans to launch in 2004 a pilot store in Sofia, Bulgaria. Should the experiment in Bulgaria succeed, expansion in other neighbour countries will be considered. Finally, the company is looking to extract more value from its enormous customer base, mainly through the personalisation of its B2B operations (through CRM).

We expect sales and EBITDA to increase over 2002-06e at a CAGR of 17.5% and 20.2% respectively. We assume current market conditions will persist, leaving little room for margin enhancement. That said, we expect gross and EBITDA margins to gradually ease to 22.3% and 10.4% by 2006, from 22.5% and 10.7% in 2003, respectively. EPS for the same period is forecast to increase at a CAGR of 25.0%. Overall, Plaisio's operating efficiency generates strong cash flow, which enables the internal financing of capex requirements, leaving the company with a positive net cash position.

Valuation and recommendation

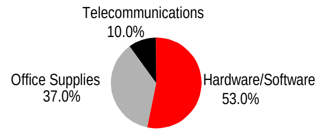
To appraise the value of the company, we have used the standard HSBC three-stage DCF model, which returned a fair value per share of EUR11.20, ie upside of 12%. Plaisio has gained 28.2% over the past six months in absolute terms, outperforming the local market by 12.3%. At current levels, the stock trades at a premium on both 2004e PE (19.7x vs 19.3x) and EV/EBITDA (9.1x vs 8.0x) multiples relative to a basket of global peers. However, we believe this is justified, given the company's superior growth outlook (2002-04e EBT CAGR of 38.5% vs 16.6%), better margins (2004e EBITDA margin of 10.6% vs 7.4%) and significantly higher ROE (2004e ROE of 32.5% vs 16.2%). Plaisio's robust cash flow generation ability is depicted in the 2004e P/CF multiple, which is at a discount of 27.5% to its peer group. We initiate coverage with an Add recommendation.

Company profile & strategy

Company profile

Plaisio Computers, established in 1969, is a PCs and office supplies/stationery retailer and mobile telephony services provider, operating a 17-store network. The company sells build-to-order desktops and notebooks (under the brand name Turbo-X), notebooks of independent manufacturers, as well as computer peripherals and accessories, consumables and software (mainly office applications and games). Plaisio's share in this market is estimated at 10%. In the office supplies/stationery segment, Plaisio has positioned itself as a one-stop shop, capturing a market-leading 15% share. In 1999, Plaisio tapped the mobile telephony market, acting as a service provider for CosmOTE. Aiming to strengthen its mobile telephony division, Plaisio recently (in October 2003) struck a similar deal with Vodafone. However, the company's share in the overall Greek mobile telephony market is small. Moreover, the 'telecommunications' business unit sells internet subscriptions, phone accessories and phone handsets.

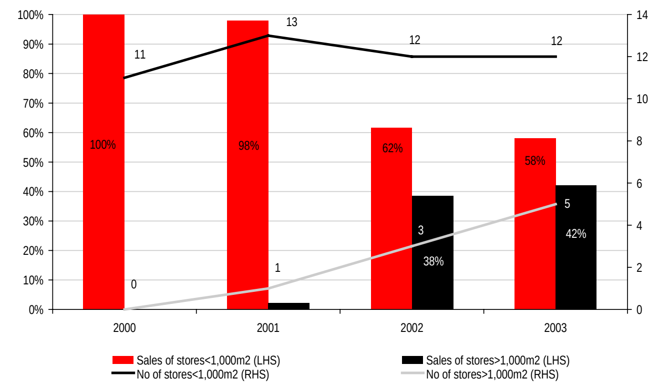
Sales breakdown 2003



Source: Plaisio

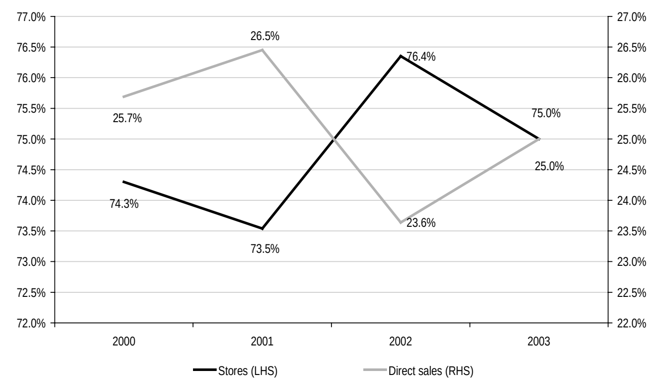
PCs accounted for c53% of 2003 sales, with higher-margin office supplies/stationery making up another c37% and mobile telephony contributing the remainder (c10%). Some 75% of revenue was generated through the store network, with the balance originating from other distribution channels (e-shop and direct sales to corporate customers).

Sales in stores by type of store



Source: Plaisio

Company sales by distribution channel



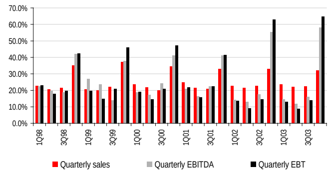
Source: Plaisio

Plaisio's business model is built on a unique 'multi-product, multi-channel, single-brand' concept. Plaisio has successfully combined three distinct product segments, namely PCs, office supplies/stationery and mobile telephony services, under the same brand.

Plaisio runs a 17-store network across the country (13 in Athens, 2 in Northern Greece, 1 in Western Greece and 1 on the island of Crete), with total selling space of 12,600 sq m. Five are superstores (>1,000sq m) and the rest are medium-sized stores (< 1,000, sq m), with an average selling space of 436sq m. Plaisio opted to operate large, centrally-located stores to target large populations and thus achieve maximum efficiency.

Company profile & strategy

Breakdown per quarter



Source: Plaisio, HSBC Pantelakis Securities

On top of its stores network, Plaisio targets its customers through multiple channels including product catalogues, a call centre, specialised B2B operations and a B2C website. Plaisio issues six different promotional product catalogues (60 issues pa) in 7m copies in total, which are available in stores, distributed through Sunday press and mailed directly to corporate customers. The company also operates two internet sites, B2C and B2B, offering customised service to corporate accounts (c100,000 accounts). Furthermore, its call centre handles customers' requests (8,000 calls per day on average) and enables targeted marketing strategies. Plaisio also operates a PC assembly centre (it delivered c32,000 units in 2003, an increase of 23% y-o-y) and two service centres, while technical support is provided in every store, on-site and through the call centre.

Plaisio's efficient working capital management allows it to maintain almost zero debt levels. The company is also part of Interaction, a co-operation with nine other European companies that aims to reduce the procurement cost of office supplies. The group purchases directly from original manufacturers (thus obtaining competitive prices) and has launched the Q-Connect brand at a pan-European level.

All in all, Plaisio's business model is based on smartly-located, critical mass achieving stores, a highly specialised and well-trained sales force, competitive prices, rich product mix, fast delivery and targeted marketing. These are key elements for market share gains in a highly fragmented market, dominated by single store networks.

Strategy

To maintain its competitive edge, Plaisio's strategy focuses on the rollout of large stores, which have the critical mass needed to maximise profitability. The company's business plan calls for the operation of two new stores pa on average.

Plaisio is also planning to migrate its successful business model abroad in a bid to exploit the promising Balkan economies. It is beginning this year by opening a pilot store in Sofia, Bulgaria. Management considers Bulgaria to be the most economically and politically mature country in the Balkans, while its proximity to Northern Greece's facilities will be beneficial in terms of logistics. Should the Bulgarian experiment succeed, expansion in other Balkan or Eastern European countries may follow.

Using its advanced IT systems and methods (SAP/data warehousing/CRM), Plaisio seeks not only to reduce management costs, but also to extract more value from its enormous customer base, mainly through the personalisation of its B2B operations.

Finally, Plaisio's ability to penetrate the high end of existing markets should protect it against long-term price disinflation (mainly in the PCs segment).

Sector overview

The PCs and office supplies/stationery markets in Greece are highly fragmented, with numerous players struggling for market share. The size of the Greek PC market (desktops and laptops) was estimated at EUR580m in 2002 (source: EITO), falling to EUR560m in 2003, with laptop sales on the rise. Regarding office supplies/stationery, there is a lack of official data on the market structure. According to management, Plaisio commands market shares of 10% and 15% in PCs and office supplies/stationery, respectively.

Given that both usage of PCs (8 PCs per 100 inhabitants in 2001 vs an EU-15 average of 31, 36% of active population used a computer for professional purposes in 2002 vs a EU-15 average of 53%) and internet penetration (12% of households had access to internet in 2002) in Greece are low compared to European averages, there is significant growth potential. Although we expect the IT market to expand faster than GDP, growth for the companies in the sector will be mainly market-share driven. Furthermore, we forecast the office supplies/stationery sector to grow in line with GDP.

Plaisio is not directly comparable to its rivals, due to the uniqueness of its business model eg the competition doesn't combine three distinct product segments under the same brand and distribution network. However, we have identified several companies: Big City, Microland Computers, OneWay and Multirama, that compete with Plaisio in PCs retailing and mobile telephony. The rest of the market is split between many few-store or single-store companies. Regarding office supplies/stationery, fewer retail chains are active and the market is even more fragmented.

Plaisio's rivalry (EURm)

	2001			2002			
	Sales	EBT	Net debt/(cash)	Sales	EBT	Net debt/(cash)	Selling points (2002)
Big City (H/W & S/W)	9.2	-1.1	n/a	6.4	-1.0	n/a	7
Microland Computers (H/W & S/W, telephony)	45.4	-1.9	13.2	29.4	-5.6	13.1	29
OneWay (H/W & S/W, telephony)	63.1	-11.0	35.2	50.0	-22.5	6.1	57
Multirama (H/W & S/W, telephony)	59.8	-5.1	26.0	49.6	-10.3	22.6	52
Pallis (Office supplies)	3.2	-0.6	n/a	3.8	-0.4	n/a	5
Plaisio(H/W-S/W, office supplies, telephony)	107.5	5.2	2.9	146.9	9.0	-8.6	15

Source: Companies

Although considerably larger in store count, rival networks generate only a fraction of Plaisio's sales and have been heavily loss-making in the past few years. Unlike Plaisio, their sales networks consist of numerous small convenient stores (operating cost inflated), which fail to achieve the critical mass. In addition, Plaisio's rivals haven't incorporated any other distribution channels into their business models and haven't taken into account the importance of technical support to customers.

Sector overview

Consolidation in the sector is inevitable, while the first efforts to turn it around have already been made. OneWay, owned by listed company, Kotsovolos, an electrical appliances retailer, already operates as a shop-in-shop (SIS) in Kotsovolos' outlets. Big City, owned by listed Notos Com Holdings, a general retailer, is set to close down its independent stores network and operate as SIS in Pallis stores (Pallis also belongs to the Notos Com group). Despite the recent attempts at turning the sector around, we expect the rival networks to remain ineffectual. In our view, with the competition weakening financially, Plaisio is set to increase its market share, on the back of its competitive pricing, integrated customer approach and strong financial position.

Valuation

Discounted cash flow

In our three-stage discounted cash flow (DCF) model, we use explicit forecasts for 2004-06. After 2006, cash flows are modelled on a semi-explicit basis for 10 years (2007-16), followed by a 15-year fade period until 2031. We use a risk-free rate of 4.5%, with the equity risk premium set at 4.0%, in line with HSBC's pan-European equity risk premium. Plaisio's cost of ungeared capital (Keu) is set at 8.8%.

The model suggests a central case target price of EUR11.20 per share, pointing to upside of 12% from current levels. We initiate coverage with an Add recommendation. A detailed description of our DCF valuation and sensitivity analysis is shown on page 19.

Relative valuation

The stock has gained 28.2% over the six previous months in absolute terms, outperforming the local market by 12.3%. At current levels, it trades at a premium on both 2004e PE (19.7x vs 19.3x) and EV/EBITDA (9.1x vs 8.0x) multiples relative to a basket of global peers. However, this is justified, given the company's superior growth outlook (2002-04e EBT CAGR of 38.5% vs 16.6%), better margins (2004e EBITDA margin of 10.6% vs 7.4%) and significantly higher ROE (2004e ROE of 32.5% vs 16.2%). Plaisio's robust cash flow generation ability is derived from the 2004e P/CF multiple, which points to a discount of 27.5%.

Relative valuation (market cap in EURm)

		PE (x)			EV/EBITDA			P/CF (x)			ROE (%)			CAGR (%) 2002-04e		
Company	Mkt cap	2003e	2004e	2005e	2003e	2004e	2005e	2003e	2004e	2005e	2003e	2004e	2005e	Sales	EBITDA	EBT
Staples Inc	9,990	23.0	19.6		12.2	9.1		28.0	24.7		16.6	17.2		2.3	4.0	14.6
Dixons Group	4,323	13.2	12.1	11.1	5.4	5.4	5.1	8.9	8.2	7.9	13.3	13.3	13.7	58.0	52.2	32.1
Insight Enterprises	693	24.1	17.7	14.0							8.9	11.3		-47.8	-65.8	-61.6
Cdw Corp	4,454	30.8	25.4	21.8					22.0		17.8	17.8	17.5	28.6	73.7	n/a
Pc Connection Inc	200	35.5	30.6	18.2							4.5	5.1	8.1	-2.5	8.6	50.1
Weighted average		22.8	19.3	16.4	10.1	8.0		22.2	20.3		15.8	16.2	15.4	18.7	27.9	16.6
Plaisio Computers (PC)	221	25.9	19.7	17.5	10.5	9.1	7.8	18.8	14.7	13.1	28.4	32.5	31.7	21.4	28.2	38.5
PC's prem./(discount)		*13.5%*	*2.1%*	*6.8%*	*4.0%*	*13.7%*		*-15.5%*	*-27.5%*							

Source: HSBC Pantelakis Securities, JCF

Financials

FY 2003 results

Plaisio reported a strong set of full-year results, which came in ahead of our expectations at the EBT level. Group turnover rose by 24.9% y-o-y to EUR182.5m (vs our forecast of EUR182.3m), on the back of market share gains. Despite the stiff competition in the sector, gross margin strengthened 170bp to 22.5%, as the company shifts towards a more profitable product mix (eg promoting the Q-Connect brand in office supplies/stationery) and the appreciation of euro benefited USD-denominated purchases (mainly PCs). This, coupled with SG&A expenses flat as a percentage of sales (SG&A expenses were up 25.3% y-o-y), fed through to the EBITDA line, which rose by an impressive 40.2% y-o-y to EUR19.5m (EBITDA margin reached 10.7% vs 9.5% in 2002). Depreciation charges increased 18.4% to EUR3.2m, as the company adds new stores to its sales network, while net financial expenses were significantly reduced (-34.2% y-o-y). Earnings before tax and minorities jumped 63.0% y-o-y to EUR14.7m, overshooting our forecast of EUR12.7m. Net earnings, though hit by a EUR0.7m charge related to tax differences, surged 46.2% y-o-y to EUR8.5m, in line with our estimate of EUR8.2m.

The company maintained its tight working capital management (trade debtors days fell to 33 from 39 a year ago, trade creditors days rose to 61 from 57 in 2002) and remained at almost zero debt levels.

Plaisio Computers FY 2003 results – better than expected

EURm	FY 2003	FY 2002	% change
Turnover	**182.5**	**146.1**	**24.9%**
Gross profit	**41.1**	**30.4**	**35.1%**
Gross profit margin	22.5%	20.8%	
EBITDA	**19.5**	**13.9**	**40.2%**
EBITDA margin	10.7%	9.5%	
EBIT	**16.3**	**11.2**	**45.6%**
EBIT margin	8.9%	7.6%	
EBT	**14.7**	**9.0**	**63.0%**
EBT margin	8.1%	6.2%	
Net earnings	**8.5**	**5.8**	**46.2%**
Net earnings margin	4.7%	4.0%	

Source: Company, HSBC Pantelakis Securities

Forecasts

We have modelled our sales forecasts on the basis of three distinct product categories, namely hardware/software/services, office supplies/stationery and telephony. We forecast rises of 18.0% and 13.9% in total sales for 2004 and 2005, respectively, before slowing to 13.6% in 2006, when PC penetration is expected to be higher than at present. We assume the company's store network will have grown to 23 selling points by end 2006 from 17 at the end of 2003. We also estimate total selling space will increase to c16,800 sq m in 2006 from c12,600 sq m in 2003, a CAGR of 10.1%.

Financials

Sales breakdown

EURm	2000a	2001a	2002a	2003a	2004e	2005e	2006e
End-year no of stores	11	14	15	17	19	21	23
End-year selling space (sq m)	4,744	7,668	10,352	12,577	13,977	15,377	16,777
H/W-S/W services	**36.9**	**53.3**	**76.9**	**96.7**	**116.1**	**131.1**	**148.2**
% change		44.3%	44.3%	25.7%	20.0%	13.0%	13.0%
% of total	46.5%	49.6%	52.6%	53.0%	53.9%	53.5%	53.2%
Office Supplies/stationery	**32.0**	**41.7**	**52.9**	**67.5**	**77.6**	**89.3**	**101.8**
% change		30.3%	26.9%	27.7%	15.0%	15.0%	14.0%
% of total	40.3%	38.8%	36.2%	37.0%	36.1%	36.4%	36.6%
Telephony	**10.2**	**12.0**	**15.7**	**18.2**	**21.5**	**24.8**	**28.5**
% change		17.8%	31.0%	15.9%	18.0%	15.0%	15.0%
% of total	12.9%	11.2%	10.8%	10.0%	10.0%	10.1%	10.2%
Total sales	**79.4**	**107.5**	**146.1**	**182.5**	**215.2**	**245.2**	**278.4**
% change		35.4%	35.9%	24.9%	18.0%	13.9%	13.6%

Source: Plaisio, HSBC Pantelakis Securities

We do not expect much change to the gross margin, as intense competition leaves little room for improvement. Gross margin could inch up slightly this year, if, as anticipated, the euro appreciates, thus benefiting USD-denominated purchases. In the medium to long term, we expect margins to drift lower, assuming that competition in the sector persists. Note, however, that Plaisio's margins have been extremely resilient in the past few years, despite unfavourable industry economics. This expected slight gross margin erosion will also feed through to the EBITDA line, with the EBITDA margin at 10.4% in 2006 from 10.7% in 2003.

Financial expenses mostly refer to fees that banks charge on sales through credit cards. Credit card sales accounted for c23% of total turnover in 2003. A small part of financial expenses corresponds to the cost of factoring (not all receivables are cashed-in through factoring). Note also that Plaisio is insured against non-payment risk for a large part of its receivables.

Earnings before taxes and minorities are forecast to reach EUR17.3m in 2004, an increase of 17.6% y-o-y. For the 2003-06e period, we forecast pre-tax income to rise at a 14.3% CAGR. Net earnings are seen at EUR11.2m in 2004 vs EUR8.5m in 2003, expanding at a CAGR of 18.6% in the 2003-06e period. Plaisio's store rollout programme calls for two new selling points pa on average. The average investment involved is EUR750,000 for a medium-sized store and EUR1.4m for a superstore. In addition, Plaisio has earmarked EUR6.5m for the construction of a new logistics centre in the outskirts of Athens, which is likely to come on stream by end-2004. As a result, depreciation charges are expected to continue to expand rapidly in the following years.

Furthermore, operating efficiency and tight working capital management (trade debtors days were 33 vs trade creditors days of 61 in 2003) allow a strong operating cash flow, which, in turn, ensures the internal funding of capex requirements.

Financials

Profit & loss account

EURm	12/2002a	12/2003a	12/2004e	12/2005e	12/2006e
Turnover	**146.1**	**182.5**	**215.2**	**245.2**	**278.4**
% change	35.9%	24.9%	18.0%	13.9%	13.6%
Gross profit	**30.4**	**41.1**	**48.6**	**54.9**	**62.1**
% change	35.9%	35.1%	18.4%	12.9%	13.1%
Gross margin	*20.8%*	*22.5%*	*22.6%*	*22.4%*	*22.3%*
Other operating income	1.0	0.4	0.6	0.7	0.8
% of sales	*0.7%*	*0.2%*	*0.3%*	*0.3%*	*0.3%*
Total SG&A expenses	(17.6)	(22.0)	(26.5)	(29.9)	(34.0)
% change	18.7%	25.3%	20.4%	13.0%	13.6%
% of sales	*12.0%*	*12.0%*	*12.3%*	*12.2%*	*12.2%*
EBITDA	**13.9**	**19.5**	**22.8**	**25.7**	**29.0**
% change	77.5%	40.2%	17.2%	12.8%	12.5%
EBITDA margin	*9.5%*	*10.7%*	*10.6%*	*10.5%*	*10.4%*
EBIT	**11.2**	**16.3**	**19.0**	**21.5**	**24.1**
EBIT margin	*7.6%*	*8.9%*	*8.8%*	*8.7%*	*8.7%*
% change	93.9%	45.6%	17.0%	12.8%	12.4%
Capital gains	0.0	0.0	0.0	0.0	0.0
Financial income	0.0	0.1	0.3	0.3	0.5
Financial expenses	(1.4)	(1.0)	(2.0)	(2.3)	(2.6)
Net financials	(1.4)	(0.9)	(1.7)	(1.9)	(2.1)
Extraordinary income/(Costs)	(0.8)	(0.6)	0.0	0.0	0.0
EBT	**9.0**	**14.7**	**17.3**	**19.5**	**22.0**
% change	74.4%	63.0%	17.6%	12.6%	12.8%
EBT margin	*6.2%*	*8.1%*	*8.0%*	*8.0%*	*7.9%*
Net income/(loss)	**5.8**	**8.5**	**11.2**	**12.6**	**14.2**
% change	78.4%	46.2%	31.4%	12.6%	12.8%
Net margin	*4.0%*	*4.7%*	*5.2%*	*5.1%*	*5.1%*
Dividends	3.1	4.6	6.2	6.9	7.8
Dividend payout ratio	*53.0%*	*54.4%*	*55.0%*	*55.0%*	*55.0%*

Source: Plaisio, HSBC Pantelakis Securities

Financials

Balance sheet

EURm	12/2002a	12/2003a	12/2004e	12/2005e	12/2006e
Fixed assets at cost	22.4	26.1	34.8	36.9	39.1
Acc. Depreciation	(8.0)	(10.8)	(14.6)	(18.9)	(23.8)
Net fixed assets	**14.4**	**15.3**	**20.1**	**18.0**	**15.3**
Participations/other					
long-term receivables	0.4	0.5	0.5	0.5	0.5
Current assets:					
-Inventories	21.3	24.5	30.1	34.3	39.0
% of sales	14.6%	13.4%	14.0%	14.0%	14.0%
-Trade debtors	14.8	18.4	22.6	25.7	29.2
% of sales	10.1%	10.1%	10.5%	10.5%	10.5%
-Cash & securities	8.6	16.7	12.6	19.5	27.5
-Other	2.0	3.5	4.2	5.1	6.1
Total current assets	**46.7**	**63.2**	**69.6**	**84.6**	**101.8**
TOTAL ASSETS	**61.5**	**79.0**	**90.2**	**103.1**	**117.6**
Share capital	6.8	6.8	6.8	6.8	6.8
Share premium account	12.1	12.1	12.1	12.1	12.1
Reserves & retained earnings	9.5	13.4	18.4	24.1	30.5
Grants & revaluation reserves	0.0	0.0	0.0	0.0	0.0
Consolidation differences	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Shareholders' funds	**28.1**	**32.0**	**37.0**	**42.7**	**49.1**
Minorities	2.4	2.4	2.5	2.5	2.6
Provisions	0.7	0.9	1.1	1.3	1.6
% of total assets	1.2%	1.2%	1.2%	1.3%	1.4%
Long-term liabilities:					
-Bank loans	0.0	0.8	0.0	0.0	0.0
Long-term liabilities	**0.0**	**0.8**	**0.0**	**0.0**	**0.0**
Current liabilities:					
-Bank loans	0.0	0.0	0.0	0.0	0.0
-Trade creditors	20.5	26.8	30.0	34.2	38.9
% of CoGS	17.7%	18.9%	18.0%	18.0%	18.0%
-Taxes & social sec. Contrb'ns	5.5	9.3	11.2	12.9	14.8
-Dividends	3.1	4.6	6.2	6.9	7.8
-Other	1.2	2.1	2.3	2.5	2.8
Total current liabilities	**30.3**	**42.8**	**49.6**	**56.6**	**64.3**
TOTAL EQUITY & LIABILITIES	**61.5**	**79.0**	**90.2**	**103.1**	**117.6**

Source: Plaisio, HSBC Pantelakis Securities

The research analyst(s) who prepared this report certifies(y) that the views expressed herein accurately reflect the research analyst's(s') personal views about the subject security(ies) and issuer(s) and that no part of his/her/their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report.

Recommendation structure

		Stock vs sector				
		Buy (outperform >15%)	Add (outperform <15%)	Hold (neutral)	Reduce (underperform <15%)	Sell (underperform >15%)
Sector vs market	Overweight	Key Buy	Buy	Add	Hold	Reduce
Sector vs market	Neutral	Buy	Add	Hold	Reduce	Sell
Sector vs market	Underweight	Add	Hold	Reduce	Sell	Key Sell

For companies covered on a sector basis, we apply a two-stage recommendation structure: a combination of the analysts' view on the stock relative to its sector and the sector call relative to the market, together giving a view on the stock relative to the market. The sector call is the responsibility of the strategy team set in co-operation with the analysts. For other companies, we show a recommendation relative to the market. The performance horizon is 6-12 months. The target price is the level the stock should currently trade at if the market accepted the analysts' view of the stock and, therefore, abstracts from the need to take a view on the market or sector.

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Notes

Notes

Competitive position

Industry

Average score 3.4

Scoring range 1-5 (high score is good)

Power of suppliers 3

Medium and stable

Plaisio is more vulnerable to the pricing power of suppliers of hardware/software, than of stationery. Plaisio, as part of the pan-European group, Interaction (10 companies in total), obtains competitive prices on purchases of office supplies/stationery by ordering directly from original manufacturers.

New entrants 4

Low and stable

Plaisio is already well established in both the PC and office supplies/stationery markets. As current market conditions point more to consolidation rather than expansion, we see no major threat from new entrants.

Rivalry 2

High and increasing

Competition is high and increasing, particularly in the PC market. However, loss-making rivals are in the process of reviewing their operations, with Plaisio being well positioned for market share gains.

Substitute products 5

Low and stable

Given Plaisio's wide product range in office supplies/stationery and continuous enrichment/updating of product mix in the PC segment, we find no substitution risk for the company's products.

Power of customers 3

Medium and stable

In a highly competitive environment, customers can drag prices lower. However, in our view, Plaisio's superior service to customers alleviates this pressure, despite the high price elasticity of demand of PCs.

Company

Average score 3.5

Scoring range 1-5 (high score is good)

Strengths

- Unrivalled business model enjoying high brand awareness
- Presence in key locations securing critical mass
- Sound financial position – debt-free, strong FCF generation and high ROE
- Knowledgeable and experienced management

Weaknesses

- Exposed to pricing pressure from competitors
- Exposed to pricing power from manufacturers of hardware/software

3.5

Future opportunities for investment

- Further geographic expansion in the Greek market
- Migration of its business model to the Balkans
- Penetration in the high-end of existing product markets

Risks to performance

- Competition successfully turns around and threatens market shares
- Exposure to general economic conditions may negatively affect growth

3.5

The upper score represents an assessment of the balance of strengths and weaknesses. Similarly the bottom number scores the balance of opportunities and risks.

Assumptions & value drivers

Major assumptions

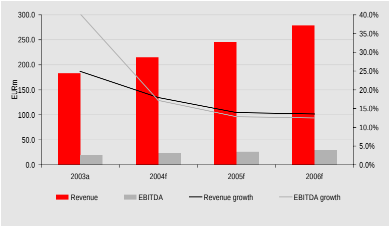
- We assume sales, EBITDA and EPS CAGR of 17.5%, 20.2% and 25% respectively, for 2002-06
- Plaisio opens two stores pa on average, reaching 23 selling points by end-2006 from 17 currently
- PCs, office supplies/stationery and telephony sales rise by a 2002-06e CAGR of 17.8%, 17.8% and 16.0%, respectively

Source: HSBC Pantelakis Securities SA

Growth

- Plaisio's growth will be mainly market share driven
- Revenues and EBITDA are expected to increase at a CAGR of 15.1% and 14.1%, respectively from 2003-06 period

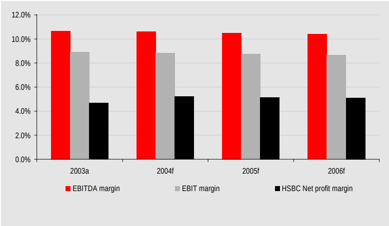
Growth



Margins

- Gross margin is expected to slip to 22.3% in 2006 from 22.5% in 2003, as intense competition leaves little room for improvement
- This gross margin erosion is also expected to feed through to the EBITDA line, with EBITDA margin at 10.4% in 2006 vs 10.7% last year

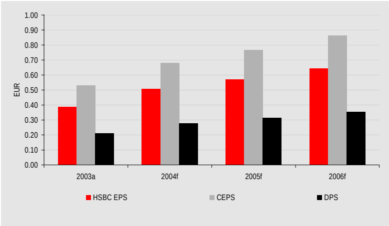
Margins



EPS, CEPS, DPS

- Strong EPS enhancement, at a CAGR of 18.6% in 2003-06e
- Strong cash flow generation that finances capex requirements and leaves Plaisio at net cash position
- Continued DPS growth, expected to reach EUR0.35 in 2006 from EUR0.21 in 2003, in line with earnings increase
- Strong cash flow could enable a higher payout ratio

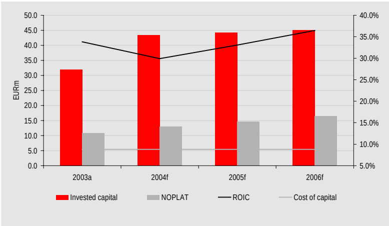
EPS, CEPS, DPS



Economic profit

- Limited capex requirements leave invested capital at low levels
- Plaisio's ROIC consistently exceeds its cost of capital

Economic profit



Valuation

Discounted economic profit		Discounted cash flow	
PV of economic profit	179.9	PV of operating free cash flows	211.9
PV of tax shield	21.9	PV of tax shield	21.9
Opening invested capital	31.9		
Appraised value of the enterprise	233.8	Appraised value of the enterprise	233.8
Value of non-core assets	0.0	Value of non-core assets	0.0
Value of debt	15.9	Value of debt	15.9
Value of minorities	(2.4)	Value of minorities	(2.4)
Appraised value of the equity	247.3	Appraised value of the equity	247.3
Number of shares	22.1	Number of shares	22.1
Appraised share price	11.20	Appraised share price	11.20
Current share price	10.00	Current share price	10.00
Upside	*12.0%*	Upside	*12.0%*

DCF assumptions

Model drivers

	2004	2005	2006	fading to	2031
Asset turn	6.74	5.65	6.28	fading to	7.04
Pre-tax margin	8.8%	8.7%	8.7%	fading to	5.0%
Tax effect	35.0%	35.0%	35.0%	fading to	35.0%
ROIC %	38.7%	32.1%	35.4%	fading to	22.9%
Cost of capital %	8.78%	8.78%	8.78%	fading to	8.78%
Turnover growth	0.9%	13.9%	13.6%	fading to	2.8%
IC growth	35.8%	2.2%	1.7%	fading to	3.0%
ROIC – cost of capital	29.9%	23.4%	26.6%	fading to	14.1%

Sensitivity table – cost of capital vs fade period

	10	15	20
8.00%	11.87	12.43	12.91
8.40%	11.27	11.77	12.20
8.78%	10.75	**11.20**	11.59
9.20%	10.23	10.64	10.99
10.00%	9.37	9.71	10.00

Source: HSBC Pantelakis Securities SA

Peer comparison

		Enterprise measures						Equity measures		
		EV/ Sales	EV/ EBITDA	EV/ EBIT	EV/ IC	HSBC REP	PE	ROE	Price to Book	PCE
Dixons Group	12/2003a	0.49	6.87	n/a	1.06	0.78	13.11	14.37	1.83	8.66
DXNS.L	12/2004e	0.43	6.22	n/a	0.96	0.74	12.82	13.93	1.73	8.29
	12/2005e	0.39	5.72	n/a	0.90	0.71	12.25	13.78	1.65	7.84
	12/2006e	0.36	5.39	n/a	0.83	0.67	11.54	13.95	1.57	7.54

Summary financials

Current price (EUR)	10.00	Target price (EUR)	11.20	Market cap (EURm)	221.0	Bloomberg code	PLAIS GA
Recommendation	Add			Enterprise value (EURm)	205.0	Reuter RIC	PLAr.AT

Year to Dec 31	2003a	2004f	2005f	2006f
Per share data (EUR)				
Reported EPS	0.39	0.51	0.57	0.64
HSBC EPS	0.39	0.51	0.57	0.64
CEPS	0.53	0.68	0.77	0.86
DPS	0.21	0.28	0.31	0.35
NAV	1.45	1.68	1.93	2.22
P&L summary (EURm)				
Revenue	182.5	215.2	245.2	278.4
EBITDA	19.5	22.8	25.7	29.0
EBIT	16.3	19.0	21.5	24.1
Net interest	(0.9)	(1.7)	(1.9)	(2.1)
PBT	14.7	17.3	19.5	22.0
HSBC PBT	14.7	17.3	19.5	22.0
Taxation	(5.4)	(6.0)	(6.8)	(7.7)
Reported net profit	8.5	11.2	12.6	14.2
HSBC Net profit	8.5	11.2	12.6	14.2
NOPLAT	10.8	13.0	14.7	16.4
Cash flow summary (EURm)				
Op free cash flow	12.0	2.9	13.8	15.9
HSBC cash flow	12.0	2.9	13.8	15.9
Capital expenditure	(3.8)	(8.7)	(2.2)	(2.2)
Cash earnings	11.4	15.0	16.9	19.1
Change in net debt	(7.3)	3.3	(6.9)	(8.0)
Balance sheet summary (EURm)				
Intangible fixed assets				
Tangible fixed assets	15.3	20.1	18.0	15.3
Cash	16.7	12.6	19.5	27.5
Current assets	63.2	69.6	84.6	101.8
Operating liabilities	42.8	49.6	56.6	64.3
Gross debt	0.8	0.0	0.0	0.0
Net debt	(15.9)	(12.6)	(19.5)	(27.5)
Shareholders funds	32.0	37.0	42.7	49.1
Invested capital	30.5	31.9	43.4	44.3

Year to 31 Dec	2003a	2004f	2005f	2006f
Ratios (%)				
Revenue/IC (x)	6.0	6.7	5.7	6.3
NOPLAT margin	5.9	6.0	6.0	5.9
ROIC	35.4	40.6	33.8	37.1
ROE	28.4	32.5	31.7	31.0
ROA	12.2	13.3	13.1	13.0
ROCE	25.3	29.2	29.0	28.5
ROIC/Cost of capital	4.0	4.6	3.8	4.2
Cost of capital	8.8	8.8	8.8	8.8
EBITDA margin	10.7	10.6	10.5	10.4
EBIT margin	8.9	8.8	8.7	8.7
PAT margin	4.7	5.2	5.1	5.1
HSBC net profit margin	4.7	5.2	5.1	5.1
Net debt/equity	(46.2)	(32.0)	(43.1)	(53.3)
Net debt/EBITDA	(81.8)	(55.4)	(75.7)	(95.1)
Growth (%)				
Revenue	24.9	18.0	13.9	13.6
EBITDA	40.2	17.2	12.8	12.5
EBIT	45.6	17.0	12.8	12.4
PBT	63.0	17.6	12.6	12.8
HSBC Net profit	46.2	31.4	12.6	12.8
HSBC NOPLAT	35.4	20.1	12.9	12.2
HSBC EPS	46.2	31.4	12.6	12.8
Valuation (x)				
PE	25.9	19.7	17.5	15.5
PNAV	6.9	6.0	5.2	4.5
PCE	18.8	14.7	13.1	11.6
Yield (%)	2.1	2.8	3.1	3.5
EV/Revenue	1.1	1.0	0.8	0.7
EV/EBITDA	10.5	9.1	7.8	6.7
EV/IC	6.7	6.5	4.6	4.4
ROIC/Cost of capital	4.0	4.6	3.8	4.2
HSBC REP	1.7	1.4	1.2	1.0

Business description

Plaisio is a PC and office supplies/stationery retailer and mobile telephony services provider, commanding 10% and 15%, respectively, in the first two markets. Plaisio targets customers through many channels including a 17-store network across the country (5 superstores and 12 medium-sized stores), product catalogues, integrated technical support, call centre, B2B and B2C, an approach unique among its peers. Plaisio has successfully combined PCs with office supplies/stationery retailing and the provision of mobile telephony services under the 'multi-product, multi-channel, single brand' concept. Its financial position is the healthiest in the sector.

Shareholding structure:

Gerardos family: 71.2%

Free float: 28.8% (of which c9% held by institutions)

Sales breakdown 2003