EUROCORP CREDIT LYONNAIS GROUP

Plaisio Computers

Reuters: **PLAr.AT** Bloomberg: **PLAIS GA** **General retailers** Greece

ADD

Price (€): 10.12

Target (€): 11.00

H1:04 Review

Market Cap (€m): **223**
Net Cash @ y/e (€m): **14.7**
BVPS @ y/e (€): **1.71**

12m Price Range (€): **7.6 – 10.22**
Avg. Daily Volume: **17,040**
Free float (%): **32.27**

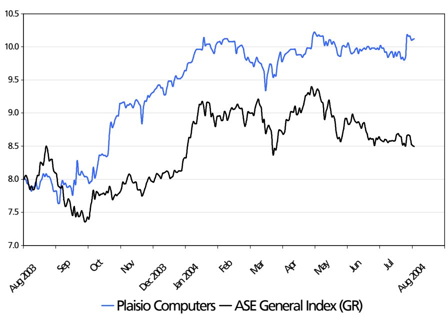
Relative perf. to ASE General (%):
1–mth: **2.5**
3–mths: **9.8**
12–mths: **19.2**

Absolute performance (%):
1–mth: **1.4**
3–mths: **–0.4**
12–mths: **26.5**

Premium warranted

- H1:04 results were to some extent better than expected at the top line, with consolidated turnover advancing to €110.2m, up 33% y–o–y, while EBITDA stood at €19.5m, 4.7% ahead of our estimate. EBITDA margins came in fairly lower, 50bps y–o–y, predominantly due to the increased competition in the market and the sales mix shift towards lower margin products.
- At the bottom line, EBT pre–minorities stood at €3.9m, bringing in an attractive 22.7% y–o–y increase, 9.3% ahead of our forecast of €3.5m. The company currently trades at 19.7x FY04e EPS and 9.2x FY04e EV/EBITDA.
- Going forward, sales and profit expansion will be driven by an increase in market share in both the PC retailing and office supplies market. Group sales for 2004 are seen advancing to the tune of 24% to €226.7m, 5.2% ahead of our previous projection, while EBITDA and EBT are roughly unchanged from previous estimates, at €22.9m and €17.5m respectively. The end result is a higher EPS projection by just c2% at €0.51.
- Our typical 3–stage DCF exercise returns a fair value of €11.0 per share, up from €10 per share previously, implying an upside of 9% from current trading levels. At our revised target price Plaisio would trade 17.8x FY05e EPS, or at an EV/EBITDA ratio of 8.4x.
- We reiterate our Add recommendation, on the back of Plaisio's strong cash flow generation capability, due to efficient working capital management and its successful track record amid demanding market conditions. Take note that the free cash flow yield stands at around 6%.

Plaisio Computers vs ASE General (1 year)



Source: JCF Quant

Year to Dec	Sales (€m)	EBITDA (€m)	EBT (€m)	EPS * (€)	DPS (€)	P/E (x)	EV/ EBITDA (x)	Yield (%)
2003	182.5	19.5	14.7	0.39	0.21	26.2	10.8	2.1
2004e	226.7	22.9	17.5	0.51	0.26	19.7	9.2	2.5
2005f	271.0	27.0	20.8	0.61	0.31	16.6	7.7	3.0
2006f	311.9	30.6	23.4	0.69	0.34	14.7	6.5	3.4

** Before exceptionals and goodwill*

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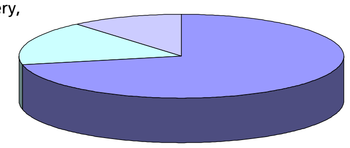
4th August 2004

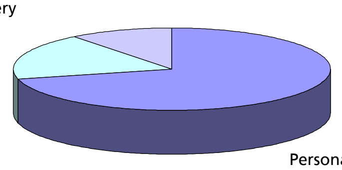
Profit and loss account 2003–2006f

Year to Dec (€m)	2003	2004e	2005f	2006f
Revenues	**182.5**	**226.7**	**271.0**	**311.9**
% change	24.9%	24.3%	19.5%	15.1%
EBITDA	**19.5**	**22.9**	**27.0**	**30.6**
EBITDA margin (%)	10.7%	10.1%	10.0%	9.8%
Depreciation	–3.22	–3.91	–4.79	–5.59
Goodwill amortisation	0.00	0.00	0.00	0.00
Associate income	0.00	0.00	0.00	0.00
Joint venture income	0.00	0.00	0.00	0.00
Other items	–0.63	0.00	0.00	0.00
EBIT	**15.6**	**19.0**	**22.2**	**25.0**
Net interest result	–0.91	–1.49	–1.39	–1.58
Exceptional items	0.00	0.00	0.00	0.00
Profit before tax	**14.7**	**17.5**	**20.8**	**23.4**
Taxation	–6.18	–6.12	–7.28	–8.19
Minorities	–0.01	–0.02	–0.02	–0.02
Reported net profit	8.5	11.4	13.5	15.2
Net profit adj pre gwill/excptl	14.7	17.5	20.8	23.4
Tax rate (%)	0.4	0.4	0.4	0.4
Number of shares (m)	22.1	22.1	22.1	22.1
EPS reported (€)	**0.39**	**0.51**	**0.61**	**0.69**
EPS adj pre gwill & excptl. (€)	**0.39**	**0.51**	**0.61**	**0.69**
CFPS (€)	0.76	0.63	0.86	0.96
Book value per share (€)	1.45	1.71	2.01	2.36
Net dividend (€)	0.21	0.26	0.31	0.34

Sales by activity H1:04



Sales by activity FY04e



Company data

Shareholders	32.3%	Free–float
	67.7%	G. Gerardos

Cash flow statement 2003–2006f

Year to Dec (€m)	2003	2004e	2005f	2006f
EBITDA	**19.5**	**22.9**	**27.0**	**30.6**
Exceptional items	0.0	0.0	0.0	0.0
Change in working capital	1.2	–2.3	–2.1	–1.6
Provisions & other items	–0.5	1.0	1.1	0.8
Operating cash flow	**20.1**	**21.7**	**26.0**	**29.8**
Net interest	–0.9	–1.5	–1.4	–1.6
Tax paid	–2.5	–6.3	–5.7	–6.9
Capital expenditure	–3.7	–9.5	–7.9	–7.3
Free cash flow	**13.0**	**4.4**	**11.0**	**14.0**
Dividends	–4.6	–5.7	–6.7	–7.6
Acquisitions/disposals	–0.1	0.0	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0
Others (currency...)	–1.0	0.0	0.0	0.0
Change in net cash	**7.3**	**–1.3**	**4.3**	**6.4**

Balance sheet summary 2003–2006f

Year to Dec (€m)	2003	2004e	2005f	2006f
Fixed assets – net	**15.8**	**21.3**	**24.5**	**26.2**
L/T investments/participations	0.5	0.5	0.5	0.5
Goodwill & intangibles	0.0	0.0	0.0	0.0
Trade debtors (receivables)	14.3	17.2	19.8	21.9
Inventories	24.5	30.6	36.5	42.0
Trade creditors (payables)	26.8	33.4	39.9	45.9
Net cash/(debt)	15.9	14.7	18.9	25.3
Provisions & other	9.3	10.2	12.9	15.0
Shareholders' funds	**34.4**	**40.1**	**46.9**	**54.5**
Minorities	2.4	2.4	2.5	2.5
Ordinary shareholders' equity	**32.0**	**37.7**	**44.4**	**52.0**

Investment ratios 2003–2006f

Year to Dec	2003	2004e	2005f	2006f
P/E pre goodwill & excptl. (x)	**26.2**	**19.7**	**16.6**	**14.7**
Reported P/E (x)	26.2	19.7	16.6	14.7
P/CF (x)	13.3	16.1	11.8	10.5
P/BV (x)	7.0	5.9	5.0	4.3
Net yield (%)	0.0	0.0	0.0	0.0
EV/Sales (x)	1.1	0.9	0.8	0.6
EV/EBITDA (x)	**10.8**	**9.2**	**7.7**	**6.5**
EV/EBIT (x)	13.3	11.0	9.2	7.9
ROE (%)	28%	33%	33%	31%
ROCE (%)	46%	49%	49%	48%
Gearing (%)	–46%	–37%	–40%	–46%
Pay out (%)	54%	50%	50%	50%

Source for all tables on this page: Company data/Eurocorp

Our system of recommendations reflects expected absolute returns in local currencies on a 6–month time horizon:

BUY	=	expected return above 15%
ADD	=	expected return between 0% and 15%
REDUCE	=	expected return between 0% and –15%
SELL	=	expected return worse than –15%

A solid set of H1:04 results

H1:04 Review

H1:04 results a touch above our expectations, especially at the bottom–line

H1:04 results were a touch above our expectations, especially at the bottom line. Consolidated turnover surged 33% to €110.2m, ahead of our forecast which called for sales of €101.3m.

H1:04 Results vs our estimates

(in € m) Summary P&L	H1:03 Actual	H1:04 Actual	*y-o-y ch.*	H1:04 *Our*	*y-o-y ch.*	*Actual vs Our*	Q2:03 Actual	Q1:04 Actual	Q2:04 Actual	*y-o-y ch.*	*q-o-q ch.*	Q2:04e *Our*	*y-o-y ch.*	*Actual vs Our*
Sales	82.9	110.2	*33.0%*	101.3	*22.2%*	*8.8%*	40.0	57.6	52.6	*31.5%*	*-8.6%*	43.7	*9.1%*	*20.5%*
EBITDA	5.1	6.2	*21.8%*	6.0	*17.8%*	*3.5%*	2.3	3.3	2.8	*25.5%*	*-14.7%*	2.6	*16.3%*	*7.9%*
EBITDA margin	*6.1%*	*5.6%*		*5.9%*					*5.4%*			*6.0%*		
EBT (pre-minorities)	3.1	3.9	*22.7%*	3.5	*12.2%*	*9.3%*	1.3	2.2	1.6	*28.9%*	*-26.3%*	1.3	*3.0%*	*25.1%*
EBT margin	*3.8%*	*3.5%*		*3.5%*					*3.1%*			*3.0%*		

Source: Plaisio/Eurocorp

Below the top line, an impressive EBITDA improvement, up 22% y–o–y, came in at €6.2m, 3.5% ahead of our estimate of €6.0, with the respective margin landing at 5.6%, thus implying a notable 50bps y–o–y decline stemming from the increased competition in the market and the move of the company's sales mix towards lower margin products. Results at the EBITDA level were also enhanced by the euro's appreciation against the USD, as COGS are to some extent (estimated at 10%) USD denominated.

The group's solid performance fed through to the EBT level as well, which was also boosted by curbed financial expenses. EBT pre–minorities stood at €3.9m, indicating a noteworthy 23% y–o–y increase, 9% ahead of our forecast of €3.5m.

Sales by Activity *(in €m)*

Sales by Activity	Q1:03	Q2:03	*q-o-q ch.*	Q1:04	*y-o-y ch.*	Q2:04	*q-o-q ch.*	*y-o-y ch.*	H1:03	H1:04	*y-o-y ch.*
Personal Computers	30.6	27.2	-11.3%	41.3	34.8%	37.0	-10.5%	36.1%	57.8	78.3	35.4%
% of total	71.4%	67.9%		71.7%		70.2%			69.7%	71.0%	
Office Supply / Stationery	7.7	7.9	2.4%	9.7	25.1%	9.2	-5.2%	15.9%	15.6	18.8	20.5%
% of total	18.0%	19.8%		16.8%		17.4%			18.9%	17.1%	
Telecoms	4.3	4.6	5.9%	6.2	43.6%	6.1	-1.5%	33.4%	8.8	12.2	38.4%
% of total	10.0%	11.4%		10.7%		11.5%			10.7%	11.1%	
Total Turnover	**42.9**	**40.0**	-6.7%	**57.6**	34.3%	**52.6**	-8.6%	31.5%	**82.9**	**110.2**	33.0%
EBITDA	**2.8**	**2.3**	-19.2%	**3.3**	18.9%	**2.8**	-14.7%	25.5%	**5.1**	**6.2**	21.8%
EBITDA Margin	*6.5%*	*5.7%*		*5.8%*		*5.4%*			*6.1%*	*5.6%*	

Source: Plaisio/Eurocorp

■ PC retailing

The PC retailing activity remains the company's main growth pillar…

The vast majority of company's turnover traditionally emanates from the PC retailing business, which accounted for 71% of group H1:04 sales. Plasio saw PC sales mounting to the tune of 35% y–o–y to €78.3m largely on the back of buoyant demand for PCs and increased market share. Note that PC usage rates in Greece lag compared to the EU average, thus leaving large scope for future expansion. We should bear in mind that Plaisio is not directly comparable to its rivals, since it has created a unique business model that combines three distinctive product segments.

Office Supplies/Stationery Products

...while office supplies products rank second in turnover contribution

Apart from PCs, Plaisio is also a market leader in the office supplies/stationery market, where it enjoys a market share of 20%, according to management. Office supplies and stationery related sales snatched a 17% share of group turnover in H1:04, reaching €18.8m, jumping 20% y–o–y.

Telecoms

Telecom related sales surged due to an expanding customer base

Plaisio's involvement in the telecoms sector began in 1999 with the procurement of mobile telephony services via its cooperation with CosmOTE. In October 2003, the company arranged a similar deal with Vodafone, consequently expanding its customer base. Plaisio's presence in the field also encompasses the provision of internet as well as fixed telephony services. Sales for telecom related products and services reached €12.2m, surging 38% y–o–y and accounting for 11% of total turnover, with the bulk stemming from mobile telephony services. Compared to Q1:04, telecoms sales in Q2:04 were a touch below, mainly on the back of Easter holidays being this year in Q1. The main reason behind the significant increase y–o–y in telecoms sales emanates from the aforementioned deal with Vodafone that created a larger customer pool for Plaisio.

Forecasts — Financials

Increased market shares in the PC and office supplies business will be the catalyst for future sales expansion

Going forward, sales and profit expansion will be driven by the roll–out of new stores and increased use of direct distribution channels (internet sales, product catalogue, business to business). Plaisio's strategy involves the launch on average 2 new stores pa, while by the end of 2004 the company will transfer its successful business plan in Bulgaria, by opening a large store in the country's capital, aiming at a large customer base in a stable economy in the Balkan region. This new venture will require €2.5m–€3.5m in start up capital.

Plaisio's market share in the PC business is currently estimated, according to management, at 10% and is seen increasing in the following years. We anticipate a gradual shift in the company's sales mix towards PCs, although these are lower margin products, since Greece's low PC usage rates, compared to the EU average, in conjunction with the increasing penetration of internet services into Greek households are the key components that will keep the PC business attractive in the years to come.

Sales Forecasts Breakdown *(in €m)*

Sales Forecasts	2002	2003	2004e	2005f	2006f	2007f	2008f
Personal Computers	101.9	127.2	161.5	197.0	230.5	258.2	276.3
y-o-y change		24.8%	27%	*22%*	*17%*	*12%*	*7%*
% of total	69.8%	69.7%	71.2%	72.7%	73.9%	74.7%	75.0%
Office Supply / Stationery	27.6	35.8	41.2	46.3	50.9	54.7	57.5
y-o-y change		29.5%	15%	13%	10%	8%	5%
% of total	18.9%	19.6%	18.2%	17.1%	16.3%	15.8%	15.6%
Telecoms	15.8	18.5	24.1	27.7	30.4	32.9	34.5
y-o-y change		17.3%	30%	15%	10%	8%	5%
% of total	10.8%	10.1%	10.6%	10.2%	9.8%	9.5%	9.4%
Total Turnover	**146.1**	**182.5**	**226.7**	**271.0**	**311.9**	**345.8**	**368.3**
y-o-y change		25%	24%	20%	15%	11%	6%

Source: Eurocorp/Plaisio

FY04 group sales are seen 24% higher, with the bulk stemming once again from PC retail activity…

After notable H1:04 results regarding group turnover, we upped our forecasts for group sales, which are now seen advancing to the tune of 24% to €226.7m. PC related sales are expected to post a 27% y–o–y rise to €161.5m, up 34% from our previous estimate, snatching a 71% share of total, while office supplies and stationery sales are expected to exhibit an 18% y–o–y hike to €41.2m, down 10% due to a lower applicable growth rate, with the division's contribution to total turnover declining at 18%. Finally, sales for telecom related products and services are seen at €24.1m, up 22% from previous projection, growing by an impressive 30% y–o–y.

From 2005 onwards, we expect sales expansion to cool off, though it will remain robust. We have increased the sales growth rate from 2005 onwards from our previous projection taking into consideration the improved growth rate assigned to telecoms sales and PC products, due to the expanding customer base and to buoyant demand for PC's respectively. Group sales are seen rising at €271m and €311m in 2005 and 2006, up 19.5% and 15% y–o–y respectively.

Summary Forecast Changes *(in €m)*

(in € m)		2004e		New vs	y-o-y	2005f		New vs	y-o-y
Summary group P&L	**2003a**	***New***	***Old***	*Old*	*ch.*	***New***	***Old***	*Old*	*ch.*
Sales	182.5	226.7	215.5	*5.2%*	*24.3%*	271.0	246.8	*9.8%*	*19.5%*
EBITDA	19.5	22.9	23.0	*-0.3%*	*17.6%*	27.0	26.1	*3.4%*	*17.8%*
EBITDA margin	*10.7%*	*10.1%*	*10.7%*			*10.0%*	*10.6%*		
EBT (pre-minorities)	14.7	17.5	17.2	*1.8%*	*18.9%*	20.8	19.4	*7.2%*	*18.8%*
EBT margin	*8.1%*	*7.7%*	*8.0%*			*7.7%*	*7.9%*		
EAT — reported	8.5	11.36	11.15	*1.8%*	*33.2%*	13.5	12.6	*7.2%*	*18.8%*
Net margin	*4.7%*	*5.0%*	*5.2%*			*5.0%*	*5.1%*		
EPS — reported *(in €)*	0.39	0.51	0.51	*1.8%*	*33.2%*	0.61	0.57	*7.2%*	*18.8%*

Source: Eurocorp/Plaisio

…while EBITDA margins for 2004 are seen a touch below, with the tendency to decline gradually in the mid to long term

Furthermore, EBITDA growth will move a clip below top line expansion, growing 18% y–o–y in 2004, with the respective margin landing at 10.1%, slightly below our previous estimate of 10.7%. From 2005 onwards, we assume a further but only marginal decrease in margins i.e. 10bps, on the back of increased competition, greater pricing pressure from IT manufacturers and the sales mix shift towards lower margin products.

Capex needs are on the rise, largely on the back of the construction of a new logistics centre and the launch of new stores in the future

Note that capital expenditure for the construction of the new logistics centre in Athens is estimated at €12m, burdening the company's cash flows over the next 3 years. Management has also announced the opening of 2 new stores per annum from 2004 onwards. Average capex for the launch of a medium–size store is c€0.75m, while another €0.35m is needed for the opening of a superstore. In our projections, we have penciled in higher depreciation charges to account for the opening of new stores, while financial expenses are also on the increase. Bearing in mind that the company is a powerful free cash flow generator, future capex requirements and financial expenses will not only be met but also the company will end up with a mounting net cash position.

Moving further down the P&L, EBT pre–minorities are seen at €17.5m in 2004, only marginally up from our previous guesstimate of €17.2, exhibiting an increase 19% y–o–y, with the respective margin landing at 7.7%, a touch below y–o–y.

Finally, we left the effective tax rate at the same level to our previous estimates, hence EAT in FY04 will grow at an impressive 33% y–o–y to €11.4, up c2% from our previous estimate. Following the aforementioned upgrades in our estimates, EPS is enhanced 33% y–o–y, c2% ahead of our previous forecast of €0.51.

Valuation & Recommendation

Current price levels are justified…

Despite the fact that the stock has significantly outperformed the market in the last 12 months, we strongly believe that current price levels are justified, given Plaisio's solid performance in H1:04 and its robust cash flow generation. Note also that the company has managed to improve working capital by reducing its inventory and trade receivables' days, thus fostering free cash flow generation. Yet, we believe there is little room for further improvement in working capital management, since competition is fierce and pressure from both customers and suppliers will increase in the years to come.

…even relative to foreign peers

Below we compare Plaisio with several foreign retailers, where it is obvious that the company trades at a premium both on a P/E as well as on an EV/EBITDA basis, proving that the company's healthy operating performance, successful track record and superior cash flow generation capability are fully reflected at current trading levels. Just consider the stock's free cash flow yield of 6%.

Peer group comparisons

3/8/2004		Mkt Cap	P/E (x)		EV/EBITDA (x)		P/BV (x)		Dividend Yield		EPS CAGR	EBITDA	ROE
Company	**Country**	***(in € m)***	**2004e**	**2005f**	**2004e**	**2005f**	**2004e**	**2005f**	**2004e**	**2005f**	**'03 - '05**	**margin 04e**	**'04f**
Carphone Wareh.	UK	1,768.5	17.0	14.9	8.2	6.5	2.3	1.9	1.0%	1.2%	23.4%	7.1%	13.4%
Dixons Group	UK	4,618.7	12.6	11.6	5.6	5.2	1.6	1.5	4.9%	5.3%	10.2%	6.8%	13.0%
WH Smith	UK	1,088.6	15.2	12.3	5.3	4.7	1.7	1.5	3.4%	3.8%	-7.4%	4.4%	11.1%
Rexel	FR	2,378.1	16.8	13.9	8.2	7.3	1.6	1.5	2.6%	2.7%	18.1%	5.1%	9.6%
Insight Enterprises	US	623.4	13.5	11.4	n/a	n/a	1.6	1.3	0.0%	n/a	20.7%	3.0%	11.8%
Cdw Corp	US	4,268.7	22.4	19.4	n/a	n/a	4.7	3.6	0.5%	0.2%	14.8%	6.0%	20.9%
Pc Connection Inc	US	139.0	16.9	11.6	n/a	n/a	1.0	1.0	0.0%	n/a	28.5%	1.5%	6.1%
Staples Inc	US	11,752.3	20.8	17.8	10.5	8.8	3.4	3.0	0.7%	0.8%	14.2%	9.7%	16.4%
Germanos	GR	884.3	16.4	14.5	9.1	7.8	3.8	3.3	2.1%	2.4%	11.7%	10.9%	24.1%
Weighted average			***18.5***	***16.0***	***7.2***	***6.1***	***3.0***	***2.6***	***1.7%***	***1.8%***	***13.8%***	***7.7%***	***15.7%***
Plaisio (at current price)	**Greece**	**223.4**	**19.7**	**16.6**	**9.2**	**7.7**	**5.9**	**5.0**	**2.5%**	**3.0%**	**25.8%**	**10.1%**	**32.6%**
Premium/(Discount)			*6%*	*4%*	*28%*	*26%*	*99%*	*96%*	*0.9pp*	*1.2pp*	*12.0pp*	*2.4pp*	*16.9pp*
Plaisio (at target price)	**Greece**		**21.1**	**17.8**	**9.9**	**8.4**	**6.4**	**5.4**	**2.4%**	**2.8%**			
Premium/(Discount)			*14%*	*11%*	*38%*	*38%*	*114%*	*111%*	*0.7pp*	*1.0pp*			

Source: Eurocorp/JCF Quant

A DCF–derived target price of €11 per share signals for a prominent upside

Our typical 3–stage DCF exercise returns a fair value of €11 per share, up from €10 per share previously, implying an upside of 8.7% from current trading levels, while –take note– future cash flows are discounted using a WACC of 9.1%.

DCF–derived target price calculation *(in € m)*

WACC	***9.1%***		Sum of NPVs of FCFs (10-yr)	102.5
Risk free rate	5.0%	*Plus:*	NPV of Terminal Value	124.8
Equity Risk Premium	4.0%		Market value of Associates	0.5
Company beta (geared)	1.1	*Less:*	Net Debt/(Cash) at end-2004	-14.7
Cost of geared equity	8.7%		Market value of Minorities	2.4
Perpetuity rate	1.5%		**Implied Value of Equity**	**240.1**
			Total Implied Value per Share	**€11.0**
			Premium/(Discount)	*8.7%*

Source: Eurocorp

Remains an Add

All in, following the upward revision of our turnover estimates, although the sales upgrade had a cosmetic effect in overall valuation, we reiterate our Add rating. Overall, Plaisio's strategy to expand measurably to the Balkan region and to further increase its presence in the domestic market should fuel sustainable top and bottom line growth, while at the same time maintain free cash flow generation.

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