EUROCORP

Plaisio Computers

Reuters: **PLAr.AT** Bloomberg: **PLAIS GA** **General retailer**

ADD

Price (€): 8.02

Target (€): 9.20

Company Update

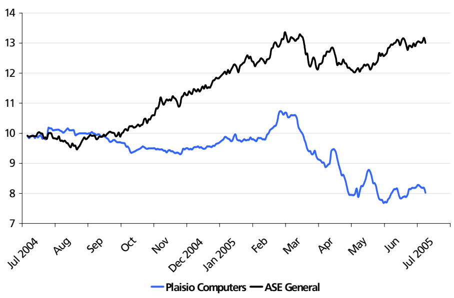
Market Cap (€m): **177.1**
Net Debt @ y/e (€m): **9.3**
BVPS @ y/e (€): **2.46**

12m Price Range (€): **7.68–10.74**
Avg. Daily Volume: **20,471**
Free float (%): **32.3**

Relative perf. to ASE General (%):
1–mth: **-0.3**
3–mths: **–11.4**
12–mths: **–37.9**

Absolute performance (%):
1–mth: **1.5**
3–mths: **–8.1**
12–mths: **–17.5**

Plaisio Computers vs ASE General



Source: FactSet

Forecasts revised down, Add maintained

- Plaisio's sales and profit growth will be driven by the expansion of the store network. We maintain our assumptions for the launch of 2 new stores on average per year in Greece, while we expect one more at the end of July in Bulgaria.
- Following Plaisio's muted from our expectations Q1:05 interims and FY04 summary accounts under IFRS, we revisited our model downwards adjusting our earnings estimates. Plaisio posted its lowest quarterly y–o–y sales growth, yet moving forward, we expect momentum to accelerate, with FY05 revenues reaching €272m. That implies a healthy 17% y–o–y rise, lower though by 1.4% from our previous estimate.
- Furthermore, we have taken a more cautious stance on margins in view of the fact that industry rivalry will intensify as foreign new rivals will enter the Greek market. As such, FY05 EBITDA is seen growing 13% y–o–y to €24m, with the respective margin landing at 8.8%, implying an 80bps y–o–y drop from our previous forecast. EBT are seen at €20.3m in 2005, up 14.6% y–o–y, while we expect earnings to grow 26.5% to €13.8m. Our new FY05 EPS estimate stands at €0.62, 1% below over previous estimate under Greek accounting standards.
- Our typical 3–stage DCF yields a price objective of €9.20 per share. This implies a robust upside of c15% from current trading levels, but is c25% lower than our previous target price estimate.
- Despite the fact that we have reduced our estimates, EPS are still forecast to post a good 11% CAGR between 2004-07f. At current levels, the stock trades a lowly 13x this year's earnings, while even at our PT the stock would trade at a wide discount to its peers. Add rating maintained.

Year to Dec	Sales (€m)	EBITDA (€m)	EBT (€m)	EPS * (€)	DPS (€)	P/E (x)	EV/ EBITDA (x)	Yield (%)
2004	232.8	21.3	17.7	0.49	0.27	16.8	8.0	3.3
2005e	272.1	24.0	20.3	0.62	0.34	13.2	7.2	4.2
2006f	303.1	25.9	21.9	0.70	0.39	11.8	6.7	4.7
2007f	327.0	26.9	22.4	0.76	0.42	10.9	6.4	5.1

** Before exceptionals*
Note: All figures under IFRS

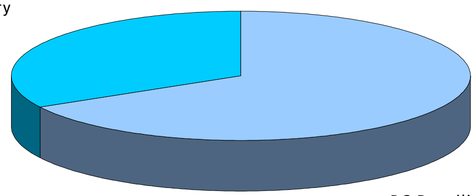
Fotis Tagaris
+30 210 72 63 674
fotis.tagaris@eurocorp.gr

8 July 2005

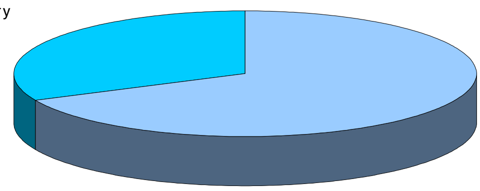
Profit and loss account

Year to Dec (€m)	2004	2005e	2006f	2007f
Revenues	**232.8**	**272.1**	**303.1**	**327.0**
% change	28.0	16.9	11.4	7.9
EBITDA	**21.3**	**24.0**	**25.9**	**26.9**
EBITDA margin (%)	9.1	8.8	8.5	8.2
Depreciation	–2.85	–3.16	–3.43	–4.04
Goodwill/impairment charge	0.00	0.00	0.00	0.00
Associate income	0.00	0.00	0.00	0.00
Joint venture income	0.04	0.00	0.00	0.00
Other items	0.00	0.00	0.00	0.00
EBIT	**18.5**	**20.9**	**22.4**	**22.9**
Net interest result	–0.75	–0.58	–0.58	–0.48
Exceptional items	0.00	0.00	0.00	0.00
Profit before tax	**17.7**	**20.3**	**21.9**	**22.4**
Taxation	–6.79	–6.49	–6.34	–5.60
Minorities	0.00	0.00	0.00	0.00
Reported net profit	10.9	13.8	15.5	16.8
Net profit adj pre excptl.	17.7	20.3	21.9	22.4
Tax rate (%)	38.4	32.0	29.0	25.0
Number of shares (m)	22.1	22.1	22.1	22.1
EPS reported (€)	**0.49**	**0.62**	**0.70**	**0.76**
EPS adj pre excptl. (€)	**0.49**	**0.62**	**0.70**	**0.76**
CFPS (€)	0.10	0.60	0.68	0.78
Book value per share (€)	2.17	2.46	2.77	3.11
Net dividend (€)	0.27	0.34	0.39	0.42

Sales by activity 2004



Sales by activity 2005e



Company data

Shareholders	32.3%	Free–float
	67.7%	G. Gerardos

Cash flow statement

Year to Dec (€m)	2004	2005e	2006f	2007f
EBITDA	**21.3**	**24.0**	**25.9**	**26.9**
Exceptional items	0.0	0.0	0.0	0.0
Change in working capital	–13.0	–4.9	–3.8	–3.0
Provisions & other items	1.6	0.0	0.0	0.0
Operating cash flow	**9.9**	**19.2**	**22.0**	**23.9**
Net interest	–0.7	–0.6	–0.6	–0.5
Tax paid	–7.0	–5.4	–6.5	–6.3
Capital expenditure	–3.7	–7.7	–7.3	–7.6
Free cash flow	**–1.5**	**5.5**	**7.6**	**9.5**
Dividends	–6.0	–7.6	–8.5	–9.2
Acquisitions/disposals	–0.6	0.0	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0
Others (currency...)	2.9	0.0	0.0	0.0
Change in net cash	**–5.1**	**–2.1**	**–0.9**	**0.3**

Balance sheet summary

Year to Dec (€m)	2004	2005e	2006f	2007f
Fixed assets – net	**18.7**	**23.3**	**27.2**	**30.8**
L/T investments/participations	1.5	1.5	1.5	1.5
Goodwill & intangibles	2.3	2.3	2.3	2.3
Trade debtors (receivables)	26.3	30.8	34.3	37.0
Inventories	34.8	40.5	45.0	48.5
Trade creditors (payables)	32.2	37.5	41.7	44.9
Net cash/(debt)	11.4	9.3	8.3	8.6
Provisions & other	11.0	12.2	12.0	11.3
Shareholders' funds	**48.0**	**54.2**	**61.2**	**68.7**
Minorities	0.0	0.0	0.0	0.0
Ordinary shareholders' equity	**48.0**	**54.2**	**61.2**	**68.7**

Investment ratios

Year to Dec	2004	2005e	2006f	2007f
P/E pre excptl. (x)	**16.8**	**13.2**	**11.8**	**10.9**
Reported P/E (x)	16.8	13.2	11.8	10.9
P/CF (x)	82.1	13.9	12.2	10.7
P/BV (x)	3.8	3.4	3.0	2.7
Net yield (%)	3.3	4.2	4.7	5.1
EV/Sales (x)	0.7	0.6	0.6	0.5
EV/EBITDA (x)	**8.0**	**7.2**	**6.7**	**6.4**
EV/EBIT (x)	9.3	8.3	7.8	7.6
ROE (%)	24	27	27	26
ROCE (%)	41	37	33	27
Gearing (%)	–24	–17	–14	–13
Pay out (%)	55	55	55	55

Note: All figures under IFRS
Source for all tables on this page: Company data / Eurocorp

Our system of recommendations reflects expected absolute returns in local currencies on a 12–month time horizon:

BUY	=	expected return above 15%
ADD	=	expected return between 5% and 15%
HOLD	=	expected return between –5% and 5%
REDUCE	=	expected return between –5% and –15%
SELL	=	expected return worse than –15%

Forecasts — Financials

Increased market shares in the PC and office supplies market segments is the catalyst for future sales expansion

Plaisio's sales and profit growth will be driven by the expansion of the store network and as well as the increased use of internet sales, product catalogue and business to business. We still do assume the launch of 2 new stores on average per year, while we expect one more at the end of July in Bulgaria. Plaisio's market share in the PC business is currently estimated, according to management, at 10%, while in the Office Supply/Stationery products Plaisio enjoys a market share of 20%. Even if Plaisio is the market leader in both products categories we assume that in the next years will face fiercer competition, as new foreign entrants, namely France's FNAC, Germany's Media Markt and Dixons of the UK will likely employ an aggressive pricing policy in order to gain market share. At the table below we present our new sales forecasts, accounting for the entrance of foreign rivals in the Greek market. Hence, from 2005 onwards we expect lower y–o–y sales growth in both categories.

Sales Forecast Breakdown *(in €m)*

Sales per Product	2002	2003	2004	2005e	2006f	2007f	2008f	2009f
Personal Computers	93.1	118.2	157.0	185.3	207.5	225.2	236.4	242.3
y-o-y change		*27%*	*33%*	*18%*	*12%*	*9%*	*5%*	*3%*
% of total	*64%*	*65%*	*67%*	*68%*	*68%*	*69%*	*69%*	*69%*
Office Supply / Stationery	52.4	63.7	75.8	86.8	95.6	101.9	106.0	109.2
y-o-y change		*21%*	*19%*	*15%*	*10%*	*7%*	*4%*	*3%*
% of total	*36%*	*35%*	*33%*	*32%*	*32%*	*31%*	*31%*	*31%*
Total Turnover	**145.5**	**181.9**	**232.8**	**272.1**	**303.1**	**327.0**	**342.4**	**351.5**
y-o-y change		25%	28%	17%	11%	8%	5%	3%

Source: Company data / Eurocorp

We now see FY05 sales up 17% to €272m, versus €276m previously

Following Plaisio's muted from our expectations Q1:05 interims and FY04 summary accounts under IFRS, we revisited our model downwards adjusting our earnings estimates. Plaisio posted its lowest quarterly y–o–y sales growth with sales advancing for the first time by only 9.3%. Going forward, we expect Plaisio's sales to accelerate, reaching an end–of–year amount of €272.1m, ie a healthy 17% y–o–y rise, yet lower by 1.4% from our previous estimate. PC related sales are expected to climb by an 18% y–o–y to €185.3m, down 3% from previous forecast, snatching a 68% share of total, while office supplies and stationary sales are expected to climb by 15% y–o–y to €86.8m. We believe that the new store in Bulgaria will not have a significant impact on sales, given its late opening. We also stick to management guidance and we expect 2 new stores by the end of 2005, which impact will be felt next year.

Moving to 2006, we expect sales expansion to calm down y–o–y, even if it will remain robust, with group sales at €303m, up 11.4% y–o–y. Taking a more cautious stance, in light of an expected increase in industry rivalry, we have reduced sales growth rate by 90 bps in 2006 onwards versus our previous projection.

From 2005 onwards, EBITDA margins likely to come under pressure, albeit fairly small

For the same reason, we now see EBITDA margins dropping by 30bps pa, rather than the 20bps fall we had pencilled in our previous estimates. As such, FY05 EBITDA is seen rising 13% y–o–y to €24m, with the respective margin landing at 8.8%. Notice that this figure is sharply lower than our previous estimate of 9.6% under Greek GAAP, the main reason being that, while FY04 sales under IFRS were almost unchanged versus Greek GAAP, EBITDA were considerable lower (10.3%) under international standards due to a c6.2% increase of SG&A expenses.

Q1 interims

P&L ACCOUNT	GR GAAP		IFRS		IFRS	
(in €m)	3-m 03	*y-o-y ch.*	3-m 04	*y-o-y ch.*	3-m 05	*y-o-y ch.*
Turnover (Sales)	**42.9**	*29.0%*	**57.5**	*34.0%*	**62.8**	*9.3%*
Cost of goods sold	(34.3)	*29.7%*	(47.3)	*37.8%*	(50.8)	*7.5%*
Gross operating profit	**8.6**	*26.4%*	**10.2**	*18.9%*	**12.0**	*17.4%*
Gross Margin	*20.0%*		*17.7%*		*19.0%*	
Other operating income	0.2	*29.0%*	0.1	*-43.3%*	0.2	*123.6%*
Total S&A expenses	(5.9)	*20.5%*	(7.0)	*18.0%*	(8.7)	*25.0%*
EBITDA	**2.8**	*41.2%*	**3.3**	*17.2%*	**3.4**	*4.0%*
EBITDA Margin	*6.5%*		*5.7%*		*5.4%*	

Source: Company data / Eurocorp

Changed FY06 EBITDA estimates due to intense competition

Going forward to FY06, we changed our estimates about operating profitability in view of the fact that industry rivalry will intensify as foreign new rivals will enter in the Greek market. Thus, FY06 EBITDA is seen standing at €25.9m, growing 7.6% y–o–y, with the respective margin shaping at 8.5%.

Despite trimming estimates, EPS are seen growing 26.5% in 2005

On the other had, taking our cue from recently released IFRS accounts, we have trimmed substantially our forecast depreciation charges and net financial expenses. Hence, our EPS estimates are lowered by just 0.9% for 2005, but as we cut our EBITDA forecasts for 2006 onwards more sharply our FY06 EPS estimate has been shaved by 2.4%. Notwithstanding, EPS are seen growing 26.5% in 2005, posting a good 11% CAGR in the 2004-07f period.

Summary Forecast Changes

	IFRS	IFRS	GR GAAP			IFRS	GR GAAP		
(in € m)		2005e		*New vs*	*y-o-y*	2006f		*New vs*	*y-o-y*
Summary group P&L	**2004a**	*New*	*Old*	*Old*	*ch.*	*New*	*Old*	*Old*	*ch.*
Sales	232.8	272.1	276.0	*-1.4%*	*16.9%*	303.1	311.6	*-2.7%*	*11.4%*
EBITDA	21.3	24.0	26.5	*-9.3%*	*13.0%*	25.9	29.3	*-11.7%*	*7.6%*
EBITDA margin	*9.1%*	*8.8%*	*9.6%*			*8.5%*	*9.4%*		
EBT (pre-minorities)	17.7	20.3	20.5	*-1.0%*	*14.6%*	21.9	22.4	*-2.6%*	*7.7%*
EBT margin	*7.6%*	*7.5%*	*7.4%*			*7.2%*	*7.2%*		
EAT — reported	10.9	13.8	13.9	*-0.9%*	*26.5%*	15.5	15.9	*-2.4%*	*12.4%*
Net margin	*4.7%*	*5.1%*	*5.0%*			*5.1%*	*5.1%*		
EPS — reported *(in €)*	0.49	0.62	0.63	*-0.9%*	*26.5%*	0.70	0.72	*-2.4%*	*12.4%*

Source: Company data / Eurocorp

Capex seen flat in 2005–07 period

Finally, according to company guidance we left unchanged our capex estimates in 2005–2007 period. Thus, we expect capex levels to reach €7.7m in 2005 (versus €3.7m in 2004), while in 2006 and 2007 it will stand to €7.3m and €7.6m respectively. These levels are attributed to the construction of the logistics centre effective 2005 and onwards and the opening of 2 new stores (one superstore and one medium sized store) per annum, with their respective total capex per annum amounting to €1.9m.

Valuation & Recommendation

Target price cut to €9.20 per share, from €11.50

Plugging in our set of estimates, our typical 3–stage discounted cash flow analysis yields a lower target price of €9.20 per share, down from €11.5. Note that we continue to use a 9% WACC to discount cash flows, which are still assumed to grow 1.5% to perpetuity. After the stock's heavy underperformance in the past nine months or so, largely on fears of a pick up in industry rivalry, our share price objective implies a handsome c15% from current levels.

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

WACC	***9.0%***		Sum of NPVs of FCFs (10-yr)	84.5
Risk free rate	5.0%	*Plus:*	NPV of Terminal Value	107.3
Equity Risk Premium	4.0%		Market value of Associates	1.5
Company beta (geared)	1.1	*Less:*	Net Debt/(Cash) at end-2005	-9.3
Cost of geared equity	8.7%		Market value of Minorities	0.0
Perpetuity rate	1.5%		**Implied Value of Equity**	**202.6**
			Total Implied Value per Share	**€9.2**
			Premium/(Discount)	*12.5%*

Source: Eurocorp

As a sanity check, we also ran a peer group comparison, in Plaisio trades attractively even at our TP compared to the domestic market (Germanos) and a group of foreign peers active in the PC products, internet and telecom services market segments, although we would not read much in these comparisons due to differences in size, scope and brand names.

Peer group comparisons

07/07/2005		**Mkt Cap**	**P/E (x)**		**EV/EBITDA (x)**		**P/BV (x)**		**Dividend Yield**		**EPS CAGR**	**EBITDA**	**ROE**
Company	**Country**	***(in € m)***	**2005e**	**2006f**	**2005e**	**2006f**	**2005e**	**2006f**	**2005e**	**2006f**	**'04 - '06**	**margin 05e**	**'05f**
WH Smith	UK	966.7	12.4	11.0	5.8	5.2	9.0	6.3	3.8%	4.1%	37.0%	4.8%	72.9%
Signet Group	UK	2,798.9	13.8	12.9	7.6	7.1	2.2	2.1	2.9%	3.2%	4.6%	15.4%	16.2%
Dixons Group	UK	4,451.3	13.3	12.5	5.6	5.3	2.0	1.9	5.3%	5.5%	1.8%	6.0%	15.2%
Cdw Corp	US	3,942.2	18.3	16.5			3.9	2.8	0.7%	0.5%	18.5%	6.9%	21.3%
Insight Enterprises	US	818.1	15.3	13.0			1.8		0.0%		24.9%	n/a	11.6%
Pc Connection Inc	US	125.6	18.2	13.3			0.9				5.5%	1.7%	5.0%
Staples Inc	US	13,161.2	19.3	16.6	9.7	8.5	3.8	3.2	0.6%	1.1%	24.9%	9.9%	19.8%
Germanos	GR	1,113.4	18.1	16.4	10.2	9.2	4.2	3.7	1.8%	2.1%	4.2%	10.5%	24.6%
Weighted average			***17.2***	***15.2***	***7.0***	***6.3***	***3.5***	***2.8***	***1.8%***	***2.1%***	***17.7%***	***8.9%***	***20.7%***
Plaisio (at current price)	**Greece**	**177.1**	**12.8**	**11.4**	**6.9**	**6.5**	**3.3**	**2.9**	**4.3%**	**4.8%**	**19.3%**	**8.8%**	**27.0%**
Premium/(Discount)			*-25%*	*-25%*	*-1%*	*3%*	*-7%*	*2%*	*2.5pp*	*2.8pp*	*1.6pp*	*-0.1pp*	*6.3pp*
Plaisio (at target price)	**Greece**	**203.1**	**14.7**	**13.1**	**8.0**	**7.4**	**3.7**	**3.3**	**3.7%**	**4.2%**			
Premium/(Discount)			*-15%*	*-14%*	*14%*	*19%*	*7%*	*16%*	*2.0pp*	*2.2pp*			

Source: Eurocorp / FactSet

Remains an Add

All in all, despite the downward revision in our earnings estimates owed to Q1:05 results and to IFRS adoption in FY04, we still rate the stock an Add.

EUROCORP

Eurocorp SA,
14 Filikis Eterias Sq.,
Athens 106 73, Greece,
Tel: +30 210 7263 600
Fax: +30 210 7263 666
E–mail: eurocorp.research@eurocorp.gr

Member of the Calyon Group, Corporate & Investment Bank

Research & Analysis

George Grigoriou	+30 210 7263 670 george.grigoriou@eurocorp.gr
Makis Economou	+30 210 7263 672 makis.economou@eurocorp.gr
Fotis Tagaris	+30 210 7263 674 fotis.tagaris@eurocorp.gr

Institutional Sales & Trading — Derivatives

Dimitris Laliotis	+30 210 7263 581 dimitris.laliotis@eurocorp.gr
Sophia Margariti	+30 210 7263 570 sophia.margariti@eurocorp.gr
Spyros Valatas	+30 210 7263 553 spyros.valatas@eurocorp.gr
Spyros Gryllis	+30 210 7263 572 derivatives@eurocorp.gr
Rodia Kyriakoglou	+30 210 7263 559 rodia.kyriakoglou@eurocorp.gr
Iris Kalfopoulou	+30 210 72 63 560 iris.kalfopoulou@eurocorp.gr
Nikos Sapounas	+30 210 72 63 566 nikos.sapounas@eurocorp.gr
Mary Veneti	+30 210 72 63 530 mary.veneti@eurocorp.gr