Emporiki Bank

Neochimiki L.V. Lavrentiadis — Chemicals

Strong growth, attractive valuation

Price: € 4.08

Target Price: € 5.30 (+29.9%) — Outperform

Country: Greece

Trading Symbol
Bloomberg: NEOCHI GA
Reuters: NCHr.AT

Mkt cap: €146.9 million
No. of Shares: 36,000,000

52-w. price range
Max: € 4.14
Min: € 3.54

Avg Daily Vol (52wks)
237,472 shares

Stock Performance

1 month:	- 1.4%
3 month:	11.5%
12 months:	10.9%

Relative to Gen. Index

1 month:	- 9.4%
3 month:	- 1.7%
12 months:	-30.9%

Shareholders Structure

L. Lavrentiadis:	51.77%
Foreign Institutionals:	39.00%
Other Investors:	9.23%

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Following a meeting with Neochimiki management we initiate coverage expressing our positive stance for the company. The company has achieved strong record of growth over the last three years taking advantage of the multinationals strategy to exit the Greek market. We believe that the market still offers opportunities for development and the company has a favourable market position to fully exploit them. We assign an Outperform recommendation for the stock with a target price of €5.30, offering a 30% upside potential.

	Turnover (€ m)	EBITDA (€ m)	Net Income (€ m)	EPS (€)	P/E x	P/BV x	EV/ EBITDA x	Mkt Cap/ Sales x
2004a	82.9	16.7	7.6	0.23	17.4	2.5	13.9	1.6
2005f	119.4	21.7	10.0	0.28	14.7	2.3	10.7	1.2
2006f	161.7	26.9	13.0	0.36	11.3	1.9	8.7	0.9
2007f	203.3	32.8	16.9	0.47	8.7	1.6	7.1	0.7

Source: Company figures, Emporiki Bank Research estimates

- Market leader in production of detergents for multinationals and private labels and the largest distributor of chemical products in Greece. Cooperation with major multinationals, such as Shell, BP, Henkel, Basf etc both as producer and distributor.

- Significant growth prospects, driven by the partial substitution of imported detergents, the enlargement of the market of private label products, the strengthening of the market share in the distribution of chemical products and the geographical expansion in SE Europe countries.

- Robust growth during the past 3-yrs. Turnover and net profits grew by 41% and 53% CAGR respectively, with satisfactory EBITDA margin of 20% and excellent ROIC of 15%. Our estimates call for high growth rates of 35% and 31% CAGR on sales and net profits respectively, over the next 3 years.

- The stock trades at an attractive 11.3x FY06 estimated earnings, having underperformed General Index by 13.4% y-t-d. We consider unjustified this underperformance and we believe that the current capitalization does not reflect the full prospects of the group. Our DCF model yields a share price target of €5.30, implying some 30% upside potential from current price levels. We initiate coverage with an Outperform recommendation for the stock.

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Investment Summary

We initiate coverage for Neochimiki L.V. Lavrentiadis with an outperform recommendation based on the Company's leading position in the domestic market, the significant prospects to sustain the existing high growth rates achieved in the last three year period and the attractive valuation.

Dominant position

Neochimiki was founded in 1974 and became a member of ATHEX on May 2003. The Company started off as a small family business activated in the trade of chemical products; today it holds a monopolistic position as a local detergent producer for large multinational companies, while holding a leading position in the detergent production for private label companies. In addition, it is the largest distributor of chemical products in the Greek market.

Up to recently, multinationals controlled in overwhelming degree the Greek market, both in the area of detergents, as well as in that of chemical products, through distributing their own products, the ones produced at home and the ones imported. In the last years, multinationals one after the other decided to progressively seize their production activities in Greece, and move them elsewhere, with South Eastern Asia being their main destination. Therefore, they started seeking for new local partners to assume the distribution or the production (facon) of their products.

Management of Neochimiki foresaw successfully and was promptly placed against the strategic move of multinationals. The company became the basic collaborator of the multinationals in the Greek market both in production and in distribution. Management's successful strategic shift is clearly reflected on the Group's financial figures. In the last 3yr period, Neochimiki offered high growth rates of 41% and 53% CAGR on turnover and net profits respectively, four-folded its assets and net worth, while achieving qualifying profit margins (EBITDA margin: 20%) and a significant return on invested capital (ROIC) of 15%.

Strong Growth Prospects

However, we consider that we have not yet seen it all, as further growth prospects remain equally strong. The existing trend of multinationals assigning part of their business in the Greek market to local partners is expected to be sustained, and given Neochimiki's leading position in the Greek market as well as its successful cooperation with the multinationals, the Company is set to be favored by it.

Future growth is expected to be driven by the partial substitution of imported detergents by own produced ones, the increase of the private label products market, the strengthening of the market share in the distribution of chemical products and the geographical expansion through acquiring a market share in SE Europe countries. Our forecasts for the next 3yrs read growth rates of 35% and 31% CAGR on sales and net profits, respectively.

Risks

Given that Neochimiki has based, as mentioned before, a large part of its development on the strategic decisions of large multinationals in the Greek market, there is inevitably a risk regarding the “what is going to be” should multinationals suddenly decided to change their strategy.

Besides that, a company always carries a risk in maintaining management of activities effective and efficient, while getting larger and geographically expanding.

Valuation

Given a certain set of assumptions (central scenario: WACC 8.6%, long term growth rate 1.5%) our DCF model yields a share price target of €5.30, implying some 30% upside potential from current price levels. Neochimiki has underperformed Gen. Index by 13.4% y-t-d while it trades 11.3x its FY06e EPS. We consider unjustified this underperformance and we believe that the current capitalization does not reflect the full prospects of the group. Thus, we set an outperform recommendation for the stock.

Company profile

Operations

Neochimiki operates in the field of production of detergents and the distribution of chemical products. Based on FY04 figures, production accounted for 40% on total turnover and distribution for the remaining 60%. The company holds a monopolistic position as a detergent producer for large multinational companies, while holding a leading position in the detergent production area for private label companies. In addition, it is the largest distributor of chemical products in the Greek market.

It operates 2 production plants, in Atalanti and Avlida, with an annual production capacity of 100,000tn in powder, 100,000tn in liquid detergents and 25,000tn in raw materials. The storage facilities based in Atalanti, Avlida and Thessaloniki, of total 23,000m3 storage space and 12,000 m3 tanks, are adequate to cover the distribution needs for both the domestic market and the neighboring countries.

Production and distribution activities are made through a group of 14 subsidiaries, owned by 80% to 100%. Throughout the last years the Group has expanded its activities to the distribution of chemical products in Cyprus, Serbia, Bulgaria and Romania. Management considers entering the Ukrainian market thought the establishment of a new subsidiary, as well as the Central European market through a German based subsidiary.

History

Neochimiki was established in 1974, as a small family company in the commerce of chemical products. The Company operates under its current legal form since 1999, yet the change of era is traced back in 1996 when the current Chairman and Managing Director Mr. L Lavrendiadis assumes management.

In 1998, the Company acquires part of Hoechst Hellas facilities and expands its activities into the production of liquid chemicals; the next year it sets its presence in the detergent production market through the establishment of its subsidiary Lamda Detergent. It is via Lamda Detergent that it acquires in year 2000 the factory of Henkel Hellas along with the total of its equipment and licenses; that was a strategic move that signaled the establishment of the Company as a leader in the domestic detergent production market and a the basic partner of large multinationals.

In the 2000-2004 period, Neochimiki establishes a number of subsidiaries aiming at further penetrating and expanding its activities both at home as well as in the broader Balkan area and in Cyprus. In 2003 the Company gets listed on the ATHEX, while in the same year via its subsidiary Lamda Lamda it acquires the factory of Clariant Hellas in order to get activated in the production of resin.

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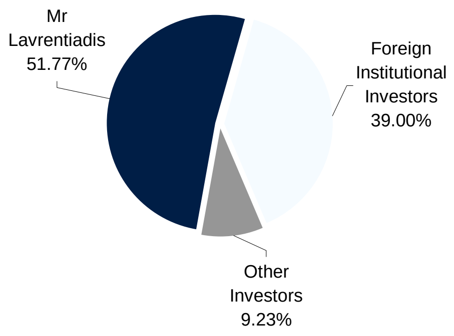
Shareholders Structure

The major shareholder, Mr Lavrentiadis, controls a 52% stake in the group, while foreign institutional investors holds 28% and other investors 20%.

Graph 1: Shareholders Structure



Source: Company, as of 27/07/2005

Operations Analysis

The Company's activities can be classified into two major categories, detergent production and distribution of chemical products. Based on FY04 figures, production accounted for 40% on total turnover and distribution for the remaining 60%.

Production Activities

Production activities of the group are divided into four business units:

- Production of detergents for multinationals
- Production of detergents for private labels
- Production of raw materials for the detergent industry
- Production of resins for Paints & Lacquers industry

The subsidiaries Lamda Detergents and Lamda Lamda are basically the ones delivering most of the production activity, with the parent company participating to a lesser extent. The Group's production plants are based in Atalanti and Avlida, with an annual production capacity of 100,000tn in powder, 100,000tn in liquid detergents and 25,000tn in raw materials; they are currently operating at 40% of their total capacity, which is a supporting factor to the Group's growth prospects.

In the production of detergents for multinationals, Neochimiki is enjoying a monopoly, as is the only domestic producer. Among its clients we can find some well known names of large multinationals such as Henkel, Unilever, Ecolab, Johnson Diversey and Sara Lee.

Regarding production of detergents for private labels, Neochimiki holds a market leading position, as it produces detergents for 8 out of 10 largest S/M chains in Greece. Its clients include Carrefour, AB Vasilopoulos, Makro, Dia, Veropoulos etc.

In the last years, Neochimiki has entered the production of raw materials for the detergent industry, as well as the production of resins for paints & lacquers industry. That was part of the strategic move of the Company in order to combine industrial and commercial activities, gaining flexibility and achieving economies of scale. Moreover, by expanding its product and services range, Neochimiki places itself in the position to easier substitute for its own benefit part of the multinationals' business in the Greek market. And in that area, the Company is cooperating with the largest multinational groups activated in Greece.

Distribution Activities

Distribution activities of the group are divided into eight business units, covering a variety of industries. The group distributes:

- Polymers for plastic industries
- Resins for paint and lacquer industries
- Industrial base oil
- Fertilizers
- Raw materials for water processing
- Raw materials for cosmetics and detergent industries
- Raw materials for food and beverages industries
- Raw materials for metal industry
- Raw materials for textiles

A group of subsidiaries is in charge for the distribution activities, in which the parent company holds stakes of 80% to 100%, and each one of them is operating in a specific business unit. The Group owns storage facilities in Atalanti, Avlida and Thessaloniki, of 23,000m3 total coverage area of storage space and 12,000 m3 tanks, which are adequate to cover distribution needs both at home and the neighbouring countries.

Neochimiki is the largest distributor of chemical products in the Greek market; it cooperates with large multinationals such as Shell, BP, Basf, FMC Foret, Sasol, Rhodia, ADM, Solvay etc distributing their products to a wide sales network of about 2.500 clients and that constitutes one of the most important hidden assets of the Company.

In the following table we present the contribution of each business unit in Groups consolidated turnover for the FY:04 along with the market share and their gross profit margin.

Table 1: Sales Breakdown, Market Shares & Gross Profit Margin

SBU	Sales 2004 in € mil.	% of Sales	Market Share	Gross Profit Margin
Detergents for Multinationals	16.9	20%	100%	49%
Detergents for Private Labels	6.0	7%	26%	47%
Raw Materials for Detergent - Cosmetics	8.0	10%	80%	46%
Plastics	10.6	13%	21%	24%
Paint & Lacquer	9.7	12%	7%	24%
Cosmetics - Detergents	5.0	6%	13%	23%
Textiles	3.0	4%	7%	23%
Food Industry	4.5	5%	21%	23%
Water Processing	4.6	6%	6%	38%
Metallurgy	3.4	4%	11%	23%
Fertilizers	4.0	5%	2%	23%
Industrial Base Oil	7.2	9%	5%	23%
Total	**82.9**	**100%**		**34%**

Source: Company figures

Competition

In the area of detergent production for multinationals, Neochimiki enjoys a monopoly as it is the sole domestic producer. Competition is stemming from abroad from companies like McBride, Da Silva, Persan and Chenotechnica.

However, Mc Bride and Persan are placing competition also in the field of production for private labels, just like Hayat and Interstar. In this area though, the Company is also facing domestic competition from Rolco Vianyl with products like Rol, Ava, Essex, Forte etc.

In the field of production of raw materials for the detergent industry, domestic competition is coming from Kapachem, while “imported” competition stems from Cognis, Basf and Sasol. Finally, in the production of resins for Paints & Lacquers industry, large multinationals as Shell, BP, Interchem, Chima, Petrobras, are maintaining their production activity in Greece, while among the “imported” competitors Brenntag and Univar are the most distinguished ones.

In the distribution area, there is no overall competitor, yet various competitors in individual sectors. The listed companies Veterin, Elton, Ballis, Moscholios and the non-listed Rigas, Skeberis, Astron, Avlis, Kaplanoglou, Tsopanelis etc, each one of them rivalling Neochimiki in a different distribution sector, are definitely of a smaller capacity, with the only exception that of Motor Oil which is a producer and a market leader in industrial base oil distribution. In the international front, the Company is competing Brenntag and Univar, in most sectors, as well as Haifa and Bayer in Fertilizers.

Strategy / Growth prospects

Management of Neochimiki foresaw successfully and based the Company’s growth on the strategic shift of multinationals in the Greek market.

Up to recently, multinationals controlled in overwhelming degree the Greek market, both in the area of detergents, as well as in that of chemical products, through distributing their own products, the ones produced at home and the ones imported. In the last years, multinationals one after the other decided to progressively interrupt their production activities in Greece, and move them elsewhere, with South Eastern Asia being their main destination. Therefore, they started seeking for new local partners to assume the distribution or the production (facon) of their products.

Neochimiki was promptly placed against this strategic move of the multinationals and became their basic partner. The Company is currently the largest distributor of chemical products and, following the acquisition of the Henkel factory, the sole detergent producer for multinationals in the Greek market. In addition, the combination of industrial and commercial activity, offers the Company a substantial flexibility and creates economies of scale, safeguarding profit margins to a great extent.

Further growth rates are based on:

- **The partial substitution of imported detergents by own produced ones.** The Greek detergent market is estimated at €800m. approx., out of which a mere €150m. are locally produced and €650m. are imported. The current trend calls for the substitution of imports by local production, given the high transportation costs. We believe that this trend will be sustained in the following years and Neochimiki will be favored on the back of its monopolistic position as well as its successful cooperation with multinationals. We estimate that the Company can add an aggregate €96m on turnover by FY2009, gaining a market share of 1 percentage point a year.

- **The enlargement of the private label products market.** This market currently holds a small market share of 10%, while the European equivalent is estimated at 20%-25%. We ought to remember that products of this market are sold at discount and are generally preferred by lower income consumers and that is something that fits our country's profile, especially with the continuous increase of economic immigrants.

- **The increase in market share in distribution of chemical products.**
The Greek chemical products market is estimated at €5bn and the Company's market share is standing at 2%. The latest trend calls for multinationals to seek more and more local partners for the distribution of their products, and the maintenance of it is expected to bring new agreements and a larger market share for the Company.

- **The geographical expansion by acquiring a market share in the South Eastern European countries.**
The scenery in these markets regarding the strategy of multinationals and Neochimiki, is similar to the one described for the Greek market. It is estimated that the chemical products market in the countries that the Company has been expanded comes up to €15bn and its market share is almost null (0.13%), since in most of them it has barely completed a full year of presence. The Company actually intends to export its successful cooperation with multinationals in the Southeastern European countries, while having the advantage that following the withdrawal of the multinationals, these countries have shifted from exporters of chemical products to importers, with the harbour of Thessalonica being the closest point of supply.

Financial Analysis

1Q05 Results Review

Q105 results, the first ones to be resealed under IAS, show only small effects from the transition between accounting standards, and are revealing the Group's high growth prospects.

Sales grew by 48% y-o-y to €24.5 m. Gross profit margin widened by 1 percentage point, on the back of the proportionate increase of production activities which hold a significantly higher profit margin. On the other hand, EBITDA margin slightly decreased to 24% from 25% a year ago, due to increased operating costs stemming by the Company's entry in new markets.

Coming to **bottom line**, net income reached €2.7m (+52% y-o-y) burdened from €1.1m interest expenses (+37% y-o-y). Tax rate stood at 15% from 13% a year ago.

Table 2: 3m 2005 results

(in €m – consol. under IFRS)	Q1:04	Q1:05	chg
Turnover	16.5	24.5	48%
Gross Profit	5.4	8.2	52%
Gross Margin	*32%*	*33%*	*0.9pp*
EBITDA	4.1	5.9	44%
EBITDA Margin	*25%*	*24%*	*-0.7pp*
EBIT	2.9	4.3	46%
EBIT Margin	*18%*	*18%*	*-0.2pp*
Profit Before Tax & Minorities	2.1	3.1	50%
Pre Tax & Minorities Margin	*13%*	*13%*	*0.2pp*
Net Income	1.8	2.7	52%
Net Margin	*11%*	*11%*	*0.3pp*

Source: Company figures, Emporiki Bank Research

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Forecasts

In the mid term horizon we foresee robust growth in both sales and profitability. We expect for the next 3-years sales and EPS to increase by 35% and 26% CAGR respectively, mostly driven by:

- Import Substitution of Detergents
- Enlargement of market of detergents for private labels
- South Eastern Expansion
- Gaining market share in distribution activities
- Less CAPEX requirements

Sales

Neochimiki's FY:05 turnover is expected to reach €119.4m posting an increase of 44% y-o-y. The existing trend of substituting imports by domestic production is expected to be sustained, increasing the activity of detergent production for multinationals, on the back of the Company's monopolistic position in the market and its successful cooperation with multinationals.

Moreover, we believe that market penetration of private label products is going to increase the following years, strengthening production for private labels. Neochimiki is to be favoured by this trend as it is cooperating with 8 out of the 10 larger super market chains in Greece.

The successful cooperation with multinationals is expected to be expanded internationally, following the Company's entry and presence in developing countries. We estimate, that the distribution of chemical raw materials for multinationals in Southeastern countries with further enhance the Company's turnover.

Finally, we expect the Company to achieve higher returns and to gain a market share in business units that where either newly entered or its presence wasn't as substantial in the past years, such as the distribution of industrial base oils, fertilizers, polymers and paints & lacquers, both at home and abroad.

We expect a similar trend for FY:06, with our forecasts reading a 35% increase in turnover to €161.7m. Our forecasts in detail per business unit are shown in the following table:

Table 3: Sales Breakdown

SBU - (in €m)	2004	2005	2006	2007	2008	2009
Multinationals	16.9	23.7	30.8	36.9	42.4	46.7
chg		*40%*	*30%*	*20%*	*15%*	*10%*
Private Label	6.0	9.0	12.0	15.8	20.6	26.7
chg		*50%*	*33%*	*32%*	*31%*	*30%*
Raw Materials	8.0	9.7	11.8	14.3	17.4	21.2
chg		*22%*	*21%*	*21%*	*21%*	*21%*
Plastics	10.6	15.4	21.8	26.2	31.4	37.7
chg		*46%*	*41%*	*20%*	*20%*	*20%*
Paint & Lacquer	9.7	19.1	30.9	39.5	50.3	63.8
chg		*97%*	*62%*	*28%*	*27%*	*27%*
Industrial Base Oil	7.2	9.5	11.5	15.0	19.5	25.5
chg		*31%*	*22%*	*30%*	*30%*	*31%*
Fertilizers	4.0	9.0	15.3	23.1	32.6	44.2
chg		*126%*	*70%*	*51%*	*41%*	*36%*
Water Processing	4.6	5.5	6.0	7.0	8.2	9.5
chg		*20%*	*9%*	*17%*	*16%*	*16%*
Cosmetics-Detergents	5.0	5.9	6.9	8.0	9.4	11.0
chg		*17%*	*17%*	*17%*	*17%*	*17%*
Food Industry	4.5	6.0	8.0	10.6	13.8	17.9
chg		*34%*	*33%*	*32%*	*31%*	*30%*
Metallurgy	3.4	3.5	3.6	3.7	3.8	3.9
chg		*3%*	*3%*	*3%*	*3%*	*3%*
Textiles	3.0	3.1	3.1	3.2	3.2	3.3
chg		*2%*	*2%*	*2%*	*2%*	*2%*
Total Sales	**82.9**	**119.4**	**161.7**	**203.3**	**252.7**	**311.4**
chg		***44%***	***35%***	***26%***	***24%***	***23%***
Producion	33.2	46.8	61.7	76.2	92.2	109.4
chg		*41%*	*32%*	*23%*	*21%*	*19%*
on total	*40%*	*39%*	*38%*	*37%*	*36%*	*35%*
Distribution	49.7	72.6	100.0	127.1	160.5	202.0
chg		*46%*	*38%*	*27%*	*26%*	*26%*
on total	*60%*	*61%*	*62%*	*63%*	*64%*	*65%*

Source: Company figures, Emporiki Bank Research estimates

Margins

We expect a gradual decline of profit margins as a result of distribution picking up on total turnover. All in all, we are looking for a FY:05 EBITDA of €22.0m, +32% y-o-y, with the respective margin decreased to 18.5% from 20.1% a year earlier, while for the FY:06 we expect EBITDA to reach €26.8m, posting an increase of 22%, with EBITDA margin further decelerate to 16.6%.

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Bottom line

We expect FY:05 EBT to grow by 39% y-o-y to €12.1m, hit by €4.0m (+22% y-o-y) of interest expenses. Net income is seen increasing at a lower pace compared to EBT (+31% y-o-y), reaching €10.0m. due to lower tax rate adopted in the previous fiscal year (8% in FY:04 vs 17% in FY:05e). The lower - compared to actual - effective tax rate of 17% that we have use in our forecasts, came after company's guidance for continuous accession into development laws and for the increasing contribution of SE Europe countries (where tax rates are significantly lower) in groups earnings. For FY:06 we expect net income to grow by 30% to €13.0m.

Capex

The Company carried out an extensive investment program of €44m approx. in the last 2yrs, aiming at reinforcing its production activity and its distribution network and at expanding its business. For the next 3 years, we have used company's guidance for Capex of €12m, €13m and €14m respectively.

Working Capital

We do not see any significant change in the group's working capital needs going forward. Working capital is set to increase following the sales pattern. In FY:04 working investment stood at 30% of sales and we set this ratio at the levels of 28% for the following years.

Net Debt

The net debt position in FY:04 stood at €83.5m. and we do not expect major changes to the figure for the next couple of years. However, net debt over equity is expected to fall below 1.0x in FY:07 from the current 1.6x.

Table 4: FY:05 & FY:06 estimates

(IFRS - €m)	FY:04	FY:05e	y-o-y	FY:06e	y-o-y
Sales	**82.9**	**119.4**	**44%**	**161.7**	**35%**
CoGS	(55.0)	(82.8)	51%	(114.6)	38%
Gross Profit	**27.9**	**36.6**	**31%**	**47.1**	**29%**
Gross margin	***33.6%***	***30.7%***	***-3.0pp***	***29.2%***	***-1.5pp***
Administrative Expenses	(3.2)	(3.6)	13%	(4.9)	35%
Selling and R&D Expenses	(8.2)	(11.3)	38%	(15.4)	35%
EBITDA	**16.5**	**21.7**	**31%**	**26.9**	**24%**
EBITDA margin	***19.9%***	***18.2%***	***-1.8pp***	***16.7%***	***-1.5pp***
Depreciation	(4.4)	(5.5)	26%	(6.8)	23%
EBIT	**12.1**	**16.2**	**33%**	**20.2**	**25%**
EBIT margin	***14.7%***	***13.5%***	***-1.1pp***	***12.5%***	***-1.1pp***
Net Financial Income / (Expense)	(3.3)	(4.0)	22%	(4.4)	8%
Profit Before Tax & Minorities	8.7	12.1	39%	15.8	30%
EBT margin	*10.5%*	*10.1%*	*-0.4pp*	*9.8%*	*-0.4pp*
Net Income	**7.6**	**10.0**	**31%**	**13.0**	**30%**
Net margin	***9.2%***	***8.4%***	***-0.8pp***	***8.1%***	***-0.3pp***

Source: Company figures, Emporiki Bank Research estimates

Valuation

Given a certain set of assumptions (central scenario: WACC 8.6%, long term growth rate 1.5%) our DCF model yields a share price target of €5.30, implying some 30% upside potential from current price levels. Neochimiki has underperformed Gen. Index by 13.4% y-t-d while it trades 11.3x its FY06e EPS. We consider unjustified this underperformance and we believe that the current capitalization does not reflect the full prospects of the group. Thus, we set an outperform recommendation for the stock.

Table 5: Neochimiki DCF Valuation

	0	1	2	3	4	5
(in Dr m)	**2005f**	**2006f**	**2007f**	**2008f**	**2009f**	**2010f**
FCF to FIRM	6	3	6	7	10	26
TERMINAL VALUE						**350**
Cost of Capital	8.62%	8.60%	8.57%	8.58%	8.59%	8.66%
Cumulative WACC	100.0%	108.6%	117.9%	128.0%	139.1%	151.4%
Present Value	6	3	5	5	7	17
PV of TERMINAL VALUE						**231**
Firm Value	275					
(Plus) / Less: Net (cash) / debt	84					
Less: Minorities						
Equity Value	**191**					
Per share	**5.30**					

Current price	**4.08**
Upside to target	**29.9%**

Source: Emporiki Bank Research estimates

NEOCHIMIKI L.V. LAVRENTIADIS

Chemicals

€ 4.08

P&L Items (in € m)	2004	2005f	2006f	2007f
Turnover	**82.9**	**119.4**	**161.7**	**203.3**
Gross Profit	23.5	31.1	40.4	50.3
EBITDA	**16.7**	**21.7**	**26.9**	**32.8**
EBIT	**12.3**	**16.2**	**20.2**	**24.9**
Profit Before Tax	8.7	12.1	15.8	20.5
Net Income	**7.6**	**10.0**	**13.0**	**16.9**

BS Items (in Dr m)	2004	2005f	2006f	2007f
Net Plant	107.0	113.4	119.6	125.9
Inventories	19.1	23.6	30.8	39.7
Trade Debtors	17.8	27.8	37.7	47.3
Cash & Equivalents	1.8	1.8	1.8	1.8
Total Current Assets	**42.4**	**58.6**	**77.5**	**98.0**
Total Assets	**155.5**	**177.8**	**202.7**	**229.2**
Short Term Debt	23.1	23.3	23.8	23.6
Trade Creditors	12.0	18.1	25.0	31.7
Total Current Liabilities	**38.2**	**49.2**	**59.1**	**68.6**
Long Term Debt	62.2	63.0	64.3	63.9
Total Net Worth	**53.8**	**63.8**	**76.8**	**93.7**

PER SHARE DATA	2004	2005f	2006f	2007f
EPS	0.23	0.28	0.36	0.47
CEPS	0.37	0.43	0.55	0.69
BVPS	1.49	1.77	2.13	2.60
DPS	0.06	0.10	0.13	0.16

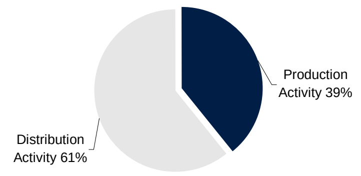
GROWTH RATES	2004	2005f	2006f	2007f
Sales	48.5%	44.0%	35.4%	25.7%
EBITDA	48.6%	30.2%	24.2%	21.9%
EBIT	43.6%	31.7%	24.7%	23.5%
Pretax Profit	31.3%	39.0%	30.3%	29.7%
Net Income	41.3%	31.3%	30.4%	29.8%
EPS	24.4%	18.4%	30.4%	29.8%
DPS	8.9%	59.2%	30.4%	29.8%

RATIOS	2004	2005f	2006f	2007f
Profitability				
EBITDA Margin	20.1%	18.2%	16.7%	16.2%
EBIT Margin	14.8%	13.5%	12.5%	12.2%
Net Margin	9.2%	8.4%	8.1%	8.3%
Tax Rate	8.3%	17.0%	17.0%	17.0%
Payout Ratio	28.9%	35.0%	35.0%	35.0%
ROE (avg)	18.8%	17.0%	18.5%	19.8%
Liquidity & Leverage				
Current Ratio	1.1	1.2	1.3	1.4
Net Debt (Cash) / Equity	1.6	1.3	1.1	0.9
TL Debt / TL Assets	54.9%	48.5%	43.5%	38.2%
TL Assets / Equity	2.9	2.8	2.6	2.4
Efficiency				
Sales / TL Assets	0.5	0.7	0.8	0.9
Working Investment / Sales	29.5%	27.4%	26.3%	26.8%

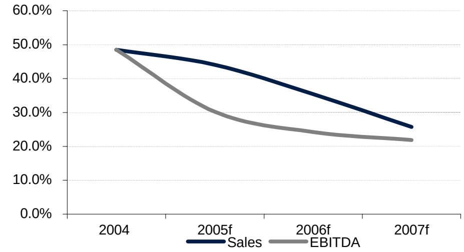
Performance	Share	Relative to Gen.Index
1 month	-1.4%	-9.4%
3 months	11.5%	-1.7%
12 months	10.9%	-30.9%

Valuation*	2004	2005f	2006f	2007f
Mkt Cap (in € m)	133.6	146.9	146.9	146.9
EV (in € m)	230.6	203.4	233.5	232.9
P/E (x)	15.8	14.7	11.3	8.7
PCE	10.0	9.5	7.4	5.9
PBV	2.5	2.3	1.9	1.6
Mkt Cap/Sales	1.6	1.2	0.9	0.7
EV/EBITDA	13.9	10.7	8.7	7.1
EV/EBIT	18.8	14.3	11.6	9.4
EV/Sales	2.8	1.9	1.4	1.1
DY	1.6%	2.4%	3.1%	4.0%

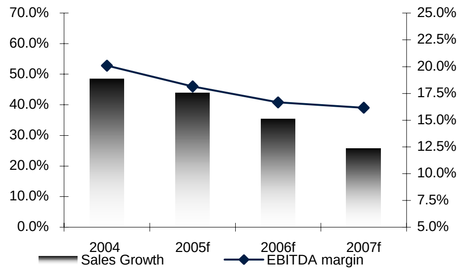
Sales Breakdown (group - FY 2005f)



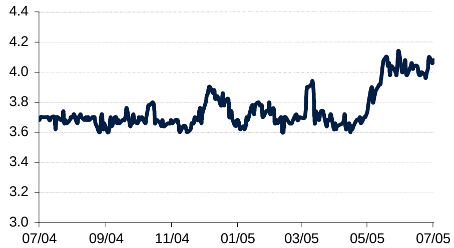
Growth rates: Sales & EBITDA



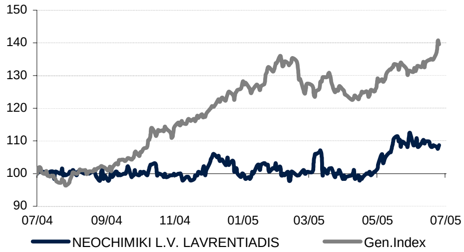
Sales growth & EBITDA margin



Share Price (52-wk)



Stock & General Index Performance (52-wk)



* Historic valuations are calculated with the average share price of each year. Current & future valuations are calculated with the current price

Source: Company, Emporiki Bank Research estimates

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