



**NEOCHIMIKI**  
NEOCHI GA

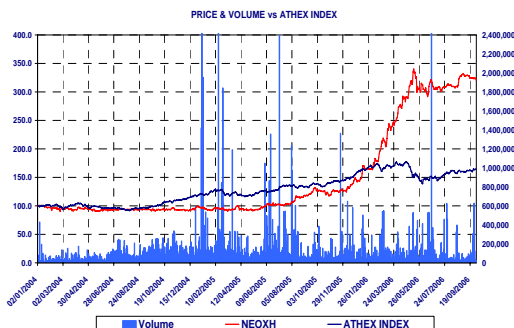
Price: €12.72 Cap: €457.9M  
Target: €14,70 Cap: €529.0M  
Previous: € 10.07 Potential: +15,5%



**Industry: CHEMICALS**

**October 2, 2006**

**Investment Opinion: ACCUMULATE (4/5)**



CASH FLOW STATEMENT	2005 A	2006 E	2007 F	2008 F	2009 F	2010 F	Perpetuity
Turnover	142.498	300.001	450.002	564.977	704.990	880.003	897.603
EBIT	20.559	40.506	59.752	67.588	83.306	101.657	103.224
Less: Adjusted Tax	2.355	5.770	7.567	9.889	13.745	18.285	18.567
Adjusted Operating Profit	18.204	34.736	52.185	57.699	69.561	83.372	84.658
Plus: Depreciation	6.980	11.025	14.728	17.764	22.356	26.261	22.799
<b>Operating Cash Flow</b>	<b>25.184</b>	<b>45.761</b>	<b>66.913</b>	<b>75.463</b>	<b>91.917</b>	<b>109.633</b>	<b>107.457</b>
Less: Change in Working Capital	-5.292	48.292	20.193	11.849	21.935	27.045	26.928
Less: Capex	42.348	76.987	18.003	20.981	21.986	21.966	22.889
<b>Cash Flow to the Firm (FCFF)</b>	<b>-11.872</b>	<b>-79.518</b>	<b>28.717</b>	<b>42.633</b>	<b>47.996</b>	<b>60.623</b>	<b>57.640</b>

### COMPANY DESCRIPTION

NEOCHIMIKI Group is the market leader in the production of detergents for multinationals & private labels and in the distribution of chemical raw materials in Greece. It is also active in the Eastern European region, presenting rapid expansion and high growth.

### SHARE DATA

# Shares: 36,000,000 (Common Registered)

Capitalization (€ M): 457,920

200d Mov. Avg. Price (€): 10.3

200d Mov. Avg. Volume (#): 174.442

% Price Change since 30/12/2005: 127%

52 wk high: € 13.64 (15/05/2006)

52 wk low: € 4.52 (31/10/2005)

Major Shareholders: 34%

Institutionals: 60%

Free Float: 6%

### VALUATION (Working Hypotheses)

Risk Free Interest Rate ( $R_f$ ): 4.50%

WACC: 8.36%

5-year CAGR of Turnover: 43.92%

Perpetuity after 2010 : 2%

5-year CAGR of EBT: 43.75%

Effective Tax Rate<sub>05</sub>: 15.69%

### ESTIMATES - FORECASTS

€ M	2004A	2005A	2006E	2007F
Sales	83	142	300	450
EBITDA	17,9	27,5	51,5	74,5
EATAM	7,5	12,7	71,0	36,1

### AT A GLANCE

⇒ The management released its new projections for FY 2006 where **Turnover** is expected to reach **€300M** from €142.5M last year, posting an **increase of 111%**. Sales for the first six months of 2006 came to €106.7M. Gross Profit is expected to rise by 93.8% to €90.3M from €46.6M in 2005. Implied Gross Profit margin is 30.1%. **EBITDA** expected **rise is 87.3%**, from €27.5M in 2005 to €51.5M. Projected EBITDA margin is 17%. **EATAM** is expected to reach €22.1M, posting an **increase of 75.4%** compared to €12.6M last year.

⇒ **Distribution** sales are expected to reach **€185M** a 125.9% increase compared to last year's €81.9M, while **Production** sales are to reach **€115M** posting an 89.8% increase from €60.6M in 2005.

⇒ **Exports vs Domestic sales** are expected to rise to 33.3% reaching €100 which is more than triple last year's €27.5M.

€M	2004a	2005a	%yoy	2006e old	%yoy	2006e new	%yoy	%upgrade
Sales	83	142	71%	230	62%	300,0	111%	30%
Net Income	7,5	12,6	68%	17,3	37%	22,1	75%	28%

⇒ NEOCHIMIKI acquired BALLIS chemicals, an ATHEX listed company active in the field of chemicals and detergents for professional use. **The merger with Ballis and 100% subsidiary Lamda Detergents provides for certain extraordinary gains that are reflected in the expected EATAM for 2006.**

⇒ The main driver for the aforementioned estimates is the growth potential in the Central and SE European market of 200M people where Neochimiki holds only 1%

⇒ The company will preserve the **dividend policy** it adopted last year, offering a €0.06/share dividend, in order to finance its expansion in the European market.

⇒ The management of the company is considered to be more than trustworthy, constantly reaching and outperforming their initial estimates. However, we believe the majority of future growth and estimates to be already implemented in the current share price.

Y-o-Y changes		2005 A	2006 E	2007 F	2008 F	2009 F	2010 F
Total Turnover	%	71,88%	110,53%	50,00%	25,55%	24,78%	24,83%
EBITDA	%	53,89%	87,12%	44,53%	14,60%	23,80%	21,06%
EBT	%	77,44%	444,90%	-37,33%	14,18%	26,37%	24,57%
EAT & Minorities	%	69,36%	461,19%	-49,14%	12,16%	23,92%	22,96%

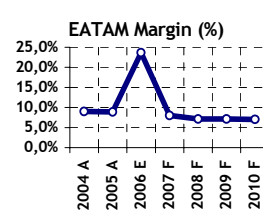
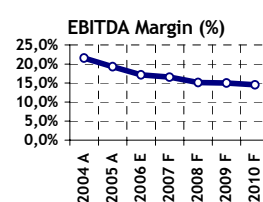
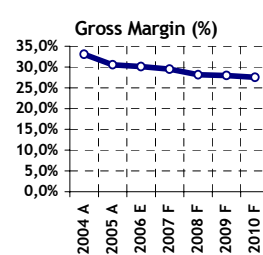
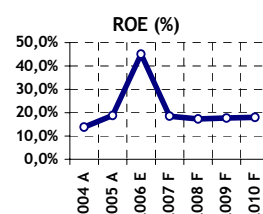
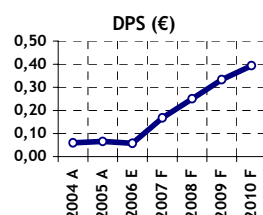
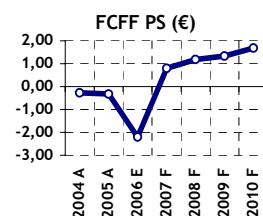
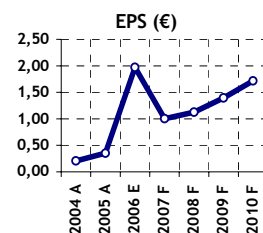


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Current Price	2004 A	2005 A	2006 E	2007 F	2008 F	2009 F	2010 F
12,72							
<i>Wtd. Avg. Shares (,000)</i>	36.000	36.000	36.000	36.000	36.000	36.000	36.000
P/E (x)	61,27	36,18	6,45	12,68	11,30	9,12	7,42
P/Sales (x)	5,52	3,21	1,53	1,02	0,81	0,65	0,52
P/BV (x)	8,43	6,82	2,91	2,35	1,95	1,62	1,34
EPS (€)	0,21	0,35	1,97	1,00	1,13	1,39	1,72
EPS growth (%)		69,4%	461,2%	-49,1%	12,2%	23,9%	23,0%
PEG (x)		0,52	0,01	-0,26	0,93	0,38	0,32
Operating CFPS (€)	0,36	0,74	-0,28	1,06	1,52	1,68	2,03
FCFF / Share (€)	-0,28	-0,33	-2,21	0,80	1,18	1,33	1,68
Dividend / Share (€)	0,06	0,07	0,06	0,17	0,25	0,33	0,39
Dividend Yield (%)	0,5%	0,5%	0,4%	1,3%	2,0%	2,6%	3,1%
ROE (%)	13,8%	18,8%	45,1%	18,5%	17,3%	17,7%	18,0%
EV/Sales (x)	6,55	4,11	2,03	1,32	1,01	0,77	0,58
EV/EBITDA (x)	30,36	21,28	11,84	8,00	6,70	5,16	3,97
Net Debt / Equity (x)	1,60	1,98	1,02	0,85	0,70	0,58	0,45
Current Ratio (x)	1,11	1,29	1,68	1,69	1,66	1,67	1,64
<b>INCOME STATEMENT (€ ,000)</b>	<b>2004 A</b>	<b>2005 A</b>	<b>2006 E</b>	<b>2007 F</b>	<b>2008 F</b>	<b>2009 F</b>	<b>2010 F</b>
Total Turnover	82.905	142.498	300.001	450.002	564.977	704.990	880.003
COGS	56.233	99.623	209.700	317.400	406.100	507.600	637.600
Gross Profit	27.449	43.586	90.301	132.602	158.877	197.390	242.403
SG&A Expenses	15.007	23.027	38.770	58.122	73.525	91.728	114.485
EBITDA	17.895	27.539	51.531	74.480	85.352	105.662	127.918
Depreciation	5.453	6.980	11.025	14.728	17.764	22.356	26.261
EBIT	12.442	20.559	51.531	59.752	67.588	83.306	101.657
Interest Expense	(3.981)	(5.546)	41.300	(8.486)	(9.053)	(9.337)	(9.511)
EBT	8.461	15.013	81.806	51.266	58.535	73.969	92.146
Taxes	987	2.355	5.770	7.567	9.889	13.745	18.285
Minorities			5.000	7.572	8.125	10.010	12.121
EAT & Minorities	7.474	12.658	71.036	36.127	40.521	50.214	61.740
<b>CASH FLOW (€ ,000)</b>	<b>2004 A</b>	<b>2005 A</b>	<b>2006 E</b>	<b>2007 F</b>	<b>2008 F</b>	<b>2009 F</b>	<b>2010 F</b>
Cash flow from Operations	13.111	26.555	-10.131	38.234	54.561	60.645	73.078
Cash Flow from Investment	-33.751	-63.942	-9.587	-18.003	-20.981	-21.986	-21.966
Net Cash Flow from Financing	21.283	39.097	25.105	367	-10.836	-12.801	-24.569
<b>BALANCE SHEET (€ ,000)</b>	<b>2004 A</b>	<b>2005 A</b>	<b>2006 E</b>	<b>2007 F</b>	<b>2008 F</b>	<b>2009 F</b>	<b>2010 F</b>
Total Non-Current Assets	114.123	176.427	242.489	245.864	249.181	248.811	244.516
Inventory	19.135	36.672	70.685	98.630	116.096	144.863	180.822
Receivables	21.449	24.298	62.466	88.767	111.452	139.068	173.589
Total Cash	1.849	4.813	8.118	28.624	51.278	77.146	103.698
Total Current Assets	42.433	65.857	141.268	216.022	278.826	361.078	458.109
Total Assets	156.556	242.284	383.757	461.886	528.007	609.889	702.625
Long Term Bank Loans	62.202	120.083	142.000	138.400	124.600	110.800	80.400
Non Current Liabilities	64.048	123.867	142.226	138.636	124.846	111.056	80.666
Short Term Banks	23.114	9.184	18.000	28.000	40.000	53.000	73.000
Current Liabilities	38.155	51.232	83.936	127.990	168.292	215.741	279.175
Equity	54.352	67.185	157.595	195.259	234.869	283.092	342.784
Total Equity & Liabilities	156.555	242.284	383.757	461.886	528.007	609.889	702.626
<b>MARGIN ANALYSIS %</b>	<b>2004 A</b>	<b>2005 A</b>	<b>2006 E</b>	<b>2007 F</b>	<b>2008 F</b>	<b>2009 F</b>	<b>2010 F</b>
Gross Profit	33,1%	30,6%	30,1%	29,5%	28,1%	28,0%	27,5%
SG&A Expenses	18,1%	16,2%	12,9%	12,9%	13,0%	13,0%	13,0%
EBITDA	21,6%	19,3%	17,2%	16,6%	15,1%	15,0%	14,5%
EBT	10,2%	10,5%	27,3%	11,4%	10,4%	10,5%	10,5%
EAT&Minorities	9,0%	8,9%	23,7%	8,0%	7,2%	7,1%	7,0%
Tax rate	11,7%	15,7%	7,1%	14,8%	16,9%	18,6%	19,8%



Source: MERIT SECURITIES, Company Financial Data

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