



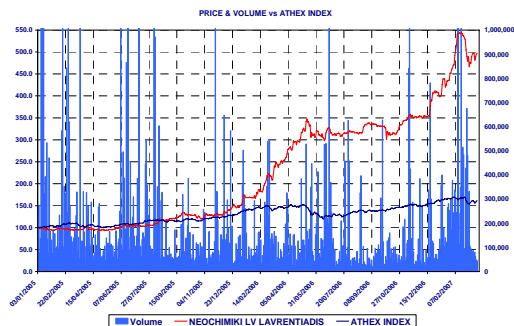
NEOCHIMIKI L.V.
LAVRENTIADIS S.A
 NEOCHI GA

Price: €19.20 Cap: €691.2M
 Target: €27.08 Cap: €974.9M
 Previous: € 16.70 Potential: +41.04%



Industry: CHEMICALS

March 19, 2007



Investment Opinion: BUY (5/5)

CASH FLOW STATEMENT	2005 A	2006 A	2007 E	2008 F	2009 F	2010 F	2011 F	Perpetuity
Turnover	142,498	301,840	500,000	700,000	875,000	1,094,000	1,367,000	1,394,340
EBIT	20,559	47,397	50,743	73,945	94,447	119,955	152,300	146,406
Less: Adjusted Tax	2,355	7,952	6,786	13,186	18,293	24,718	32,768	31,500
NOPAT	18,204	39,445	43,957	60,759	76,154	95,237	119,532	114,906
Plus: Depreciation	6,980	14,158	16,685	19,780	21,925	24,220	26,735	46,850
Less: Change in Working Capital	-5,292	42,961	443	26,270	22,872	28,533	35,596	13,943
Less: Capex	67,242	176,595	-48,097	21,500	22,500	25,500	27,500	46,989
Cash Flow to the Firm (FCFF)	-36,766	-165,953	108,296	32,769	52,707	65,424	83,171	100,823

COMPANY DESCRIPTION

NEOCHIMIKI Group produces, packages and trades raw chemicals for use by the chemical industry. The company produces industrial chemicals polymers, organic and inorganic chemicals. 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): 691,20
 200d Mov. Avg. Price (€): 14.20
 200d Mov. Avg. Volume (#): 210,538
 % Price Change since 30/12/2005: 20.91%
 52 wk high: € 21.50 (12/02/2007)
 52 wk low: € 9.06 (20/03/2006)
 Major Shareholders: 20%
 Institutionals: 22.72%
 Free Float: 57.28%

VALUATION (Working Hypotheses)

Risk Free Interest Rate (R_f): 5%
 WACC: 8.75%
 5-year CAGR of Turnover: 35.27%
 Perpetuity after 2010 : 2%
 5-year CAGR of EBT: 32.87%
 Effective Tax Rate₀₅: 15.69%

ESTIMATES - FORECASTS

€ M	2005A	2006A	2007E	2008F
Sales	143	302	500	700
EBITDA	27.5	61.5	67.4	93.7
EATAM	12.6	97.06	121.35	57.58

AT A GLANCE

⇒ NEOCHIMIKI L.V. LAVRENTIADIS S.A., is the largest distributor of high-value added chemicals and one of the main chemical industrial complexes. The company cooperates with major multinationals and world-known chemical manufacturers, producing and distributing chemical products for several industrial sectors.

⇒ In 2006 Neochimiki Group proceeded with the acquisition and operation of 5 new chemical production plants, 4 of which are located in Greece and 1 abroad, and the acquisition of 2 new logistic centers for chemicals products and one chemical terminal (INTERCHEM) in Avlida. After the completion of the recent investments, Neochimiki has reached a dominant position in the Greek market thus playing an active role in the on going process of consolidation in the sector.

⇒ The company for **2006 posted an increase in consolidated turnover of 112%** over 2005. Consolidated turnover in 2006 stood at € 301,8M over €142,5M in 2005. **Consolidated EBITDA stood at €61,6M over €27,5M** in 2005 marking an increase of 124%. **Profits after taxes and minority rights amounted to €97,1M over 12,6M**, marking an increase of 669%.

⇒ In 16/02/07 the company sold its remaining share (16,38%) in Lamda Detergent for €50M. Neochimiki has no participation in the share capital of Lamda Detergent.

⇒ In 22/02/07 Neochimiki successfully bid for 70% of the share capital of RAFINERIJA NAFTE BEOGRAD. The purchase price amounts to €16.38M and the total investment plan amounts to €15M. The new plant will contribute to the sales of Neochimiki €13-15M in 2007 and €35M in 2008 and it is estimated to reach €100M in the next 5 years.

⇒ Neochimiki intends to restructure its current debt by issuing a convertible bond of up to €100M. The exact terms of the proposed bond loan will be put to the shareholders' judgement at their General meeting on 28/03/2007.

⇒ For the purpose of comparison, the gains from the sale of LAMDA DETERGENT (amounting to approximately €74M and €80M for 2006 and 2007 respectively) have been excluded from the calculations relevant to the ratios and margins presented in this report. They are however included in terms of absolute numbers in the balance sheet and cash flow statements.

Y-o-Y changes		2005 A	2006 A	2007 E	2008 F	2009 F	2010 F	2011 F
Total Turnover	%	71,88%	111,82%	65,65%	40,00%	25,00%	25,03%	24,95%
EBITDA	%	53,89%	123,52%	9,54%	39,00%	24,16%	23,89%	24,18%
EBT	%	77,44%	140,78%	33,18%	47,00%	28,16%	28,76%	28,19%
EAT & Minorities	%	68,84%	73,87%	88,49%	39,23%	25,73%	27,15%	27,02%

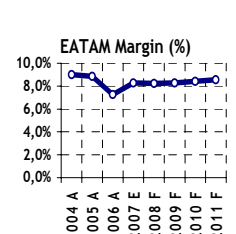
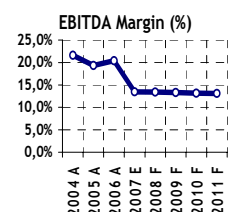
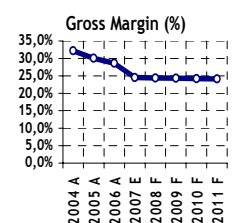
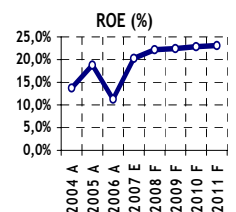
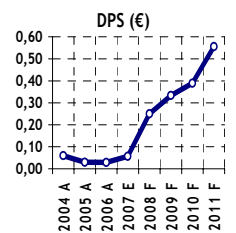
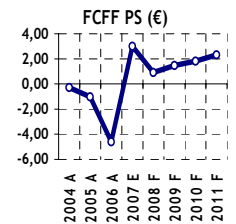
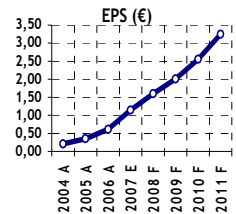


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Current Price								
19,20	2004 A	2005 A	2006 A	2007 E	2008 F	2009 F	2010 F	2011 F
Wtd. Avg. Shares (,000)	36.000	36.000	36.000	36.000	36.000	36.000	36.000	36.000
P/E (x)	92,48	54,77	31,50	16,71	12,00	9,55	7,51	5,91
P/Sales (x)	8,34	4,85	2,29	1,38	0,99	0,79	0,63	0,51
P/BV (x)	12,72	10,29	3,55	3,39	2,66	2,14	1,72	1,37
EPS (€)	0,21	0,35	0,61	1,15	1,60	2,01	2,56	3,25
EPS growth (%)		68,8%	73,9%	88,5%	39,2%	25,7%	27,2%	27,0%
PEG (x)		0,80	0,43	0,19	0,31	0,37	0,28	0,22
Operating CFPS (€)	0,36	0,74	-1,66	-0,58	1,74	2,25	2,76	3,41
FCFF / Share (€)	-0,28	-1,02	-4,61	3,01	0,91	1,46	1,82	2,31
Dividend / Share (€)	0,06	0,03	0,03	0,06	0,25	0,33	0,39	0,56
Dividend Yield (%)	0,3%	0,2%	0,1%	0,3%	1,3%	1,7%	2,0%	2,9%
ROE (%)	13,8%	18,8%	11,3%	20,3%	22,2%	22,4%	22,8%	23,1%
EV/Sales (x)	9,37	5,75	3,05	1,74	1,19	0,89	0,66	0,47
EV/EBITDA (x)	43,39	29,76	14,95	12,91	8,87	6,72	4,99	3,57
Net Debt / Equity (x)	1,54	1,85	1,14	0,87	0,53	0,27	0,07	-0,11
Current Ratio (x)	1,11	1,29	1,01	0,85	1,21	1,46	1,65	1,82
INCOME STATEMENT (€ ,000)								
	2004 A	2005 A	2006 A	2007 E	2008 F	2009 F	2010 F	2011 F
Total Turnover	82.905	142.498	301.840	500.000	700.000	875.000	1.094.000	1.367.000
COGS	56.233	99.623	215.439	377.500	529.200	662.300	829.400	1.037.500
Gross Profit	26.672	42.875	86.401	122.500	170.800	212.700	264.600	329.500
Other Operating Income	777	711	664					
SG&A Expenses	15.007	23.027	39.668	55.072	77.075	96.328	120.425	150.465
EBIT	12.442	20.559	47.397	50.743	73.945	94.447	119.955	152.300
Depreciation	5.453	6.980	14.158	16.685	19.780	21.925	24.220	26.735
EBITDA	17.895	27.539	61.555	67.428	93.725	116.372	144.175	179.035
Financial Expense	(3.981)	(5.546)	(11.248)	(2.600)	(3.176)	(3.753)	(3.176)	(2.600)
EBT	8.461	15.013	36.149	48.143	70.769	90.694	116.779	149.700
Taxes	987	2.355	7.952	6.786	13.186	18.293	24.718	32.768
Minorities		39	6.256					
EAT & Minorities	7.474	12.619	21.941	41.357	57.583	72.401	92.061	116.932
CASH FLOW (€ ,000)								
	2004 A	2005 A	2006 A	2007 E	2008 F	2009 F	2010 F	2011 F
Cash flow from Operations	13.111	26.556	-59.603	59.074	62.737	80.863	99.500	122.840
Cash Flow from Investment	-33.751	-63.942	-36.087	104.216	-21.500	-22.500	-25.500	-27.500
Net Cash Flow from Financing	21.283	39.097	112.918	-161.112	-6.000	-9.000	-12.000	-14.000
BALANCE SHEET (€ ,000)								
	2004 A	2005 A	2006 A	2007 E	2008 F	2009 F	2010 F	2011 F
Total Non-Current Assets	114.123	176.427	364.175	323.222	325.042	325.617	326.897	327.662
Inventory	19.135	36.672	50.385	68.493	95.890	119.863	149.829	187.286
Receivables	21.449	24.298	73.498	95.890	134.247	167.808	209.760	262.200
Total Cash	1.849	4.813	22.041	24.219	59.456	108.818	170.818	252.158
Total Current Assets	42.433	65.857	145.924	188.602	289.593	396.490	530.407	701.645
Total Assets	156.556	242.284	510.099	511.824	614.635	722.107	857.304	1.029.307
Long Term Bank Loans	62.202	120.083	164.500	105.256	105.256	105.256	105.256	105.256
Non Current Liabilities	64.048	123.867	171.470	107.187	107.197	107.207	107.217	107.227
Short Term Banks	23.114	9.184	79.672	10.000	10.000	10.000	10.000	10.000
Current Liabilities	38.155	51.232	143.846	120.694	171.912	215.972	271.099	340.160
Equity	54.352	67.185	194.783	283.944	335.527	398.928	478.989	581.921
Total Equity & Liabilities	156.555	242.284	510.099	511.824	614.635	722.107	857.304	1.029.307
MARGIN ANALYSIS %								
	2004 A	2005 A	2006 A	2007 E	2008 F	2009 F	2010 F	2011 F
Gross Profit	32,2%	30,1%	28,6%	24,5%	24,4%	24,3%	24,2%	24,1%
SG&A Expenses	18,1%	16,2%	13,1%	11,0%	11,0%	11,0%	11,0%	11,0%
EBITDA	21,6%	19,3%	20,4%	13,5%	13,4%	13,3%	13,2%	13,1%
EBT	10,2%	10,5%	12,0%	9,6%	10,1%	10,4%	10,7%	11,0%
EAT&Minorities	9,0%	8,9%	7,3%	8,3%	8,2%	8,3%	8,4%	8,6%
Tax rate	11,7%	15,7%	22,0%	14,1%	18,6%	20,2%	21,2%	21,9%



Source: MERIT SECURITIES, Company Financial Data

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