Sal. Oppenheim

# OPPENHEIM COMPANY NEWS

21.12.2006

## NEOCHIMIKI[2,5,7]

NCHr.AT

Price: €13.72

Strong Buy

**Favorable acquisition drives valuation**

Fair value: €18.00

| Yr. end | 2005 | 2006e | 2007e | 2008e |
|---|---|---|---|---|
| Sales | 142.5 | 300.0 | 500.0 | 640.0 |
| Net Profit | 5.0 | 71.0 | 39.7 | 49.7 |
| adj. EPS | 0.14 | 0.61 | 1.10 | 1.38 |
| PER | 30.6 | 22.3 | 12.4 | 9.9 |
| EV/EBITDA | 13.7 | 14.7 | 9.7 | 8.0 |
| EBIT margin % | 9.5 | 13.5 | 14.4 | 14.3 |
| Yield % | 2.0 | 1.2 | 1.8 | 2.4 |

Market Cap.: €0.49bn Free Float: 66.0% EPS CAGR 04-2008: 133.1%

Investment case:

As a result of the already intended acquisition of INTERKEM S.A., we increase our fair value from €15.94 to €18.00. The acquisition will be earnings accretive from FY07e onwards and furthermore we expect very promising opportunities with respect to an expansion of the business including the chemical terminal. Already in the last week of February, when Neochimiki will publish annual results, we could imagine further details might be presented. With a PER07e of 12.4, the share still appears significantly undervalued, given its huge growth potential. **Strong buy.**

Facts:

_____ Neochimiki acquired the Greek company Interkem for a price of €14m plus €22m debt. Furthermore Neochmiki will invest €14m on transfer and modernization of the plant. Interkem is a manufacturer of chemical raw materials for the paint & lacquer industry. Due to the acquisition Neochimiki becomes a one-stop-shop for the paint and lacquer industry.

_____ This leads to an improvement in sales in FY07e of €40m to €500m. Additional net profit contributions will be around €2.5m and €6.4m in coming two years.

_____ As the harbour is nearly 40 years old, Neochimiki will modernize it in the next few years. In addition, the capacity of the harbour / chemical terminal will be increased from currently 16,000 t to 30,000 – 40,000 t p.a. A positive side effect will be that bigger ships can use the terminal. This expansion of the harbour is not yet included in our figures, but should improve top and bottom line figures further.

_____ We expect next news flow on these topics in the last week of February, when Neochimiki publishes its annual results.

Assessment:

_____ With this acquisition, Neochimiki has shown it is able to create value for its shareholders. Using the proceeds from the placement of the Lamda shares the company now has access to new profitable growth opportunities.

Valuation:

_____ Neochimiki is now valued with a PER07e of 12.4, which is in our view very attractive as the sector average PER07e of 14.3 is already above that number. This is a very attractive valuation for a growth company in our view. The PEG 03-07 of the specialty chemicals sector is currently more than 2 compared with Neochimiki 0.19.

Conclusion and performance trigger:

We expect further positive news flow in coming months regarding this acquisition, as well as business performance of Neochimiki overall. We clearly maintain our **strong buy** rating.


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