

Druckfarben Hellas SA

Reuters : DRUr.AT Bloomberg : DROU GA

Sector: Specialty Chemicals

Ownership Structure:

G. Karavassilis	63.15%
MHM Holding	10.08%
Free Float	26.77%

Stock Data

Price (01/09/06)	€2.91
Mkt Cap (in ,000)	€45,083.12
Shares (in ,000)	15,492.5

Stock Ratios

	2004	2005	2006 E	2007 E
P / E	19.65	15.35	13.72	10.49
P / BV	2.37	2.10	1.89	1.66
EV / EBITDA	11.20	3.53	3.46	2.94
D / Y	1.01%	1.72%	1.82%	2.38%
ROE	12.08%	14.53%	14.49%	16.85%
ROIC	5.01%	6.11%	6.21%	7.54%
Net debt / Equity	1.35	1.25	1.24	1.11

Summary Financials

P&L (in mil €)	2004	2005	2006 E	2007 E
Revenues	53.02	59.77	67.91	76.19
Gross Profit	16.79	18.36	20.99	24.03
OPEX	11.22	11.03	12.63	14.17
EBITDA	6.32	7.62	8.57	10.26
Financial Results	-1.27	-1.30	-1.58	-1.58
Depreciations	1.86	2.10	2.37	2.72
EBT	3.20	4.21	4.63	5.97
EAT & Minorities	2.29	2.94	3.29	4.30

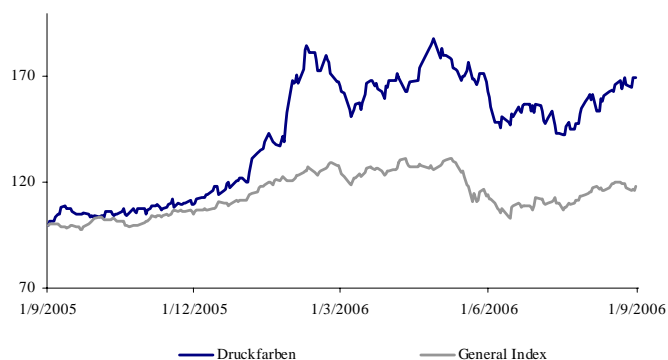
BS (in mil €)	2004	2005	2006 E	2007 E
Net Fixed Assets	21.6	21.6	24.3	25.6
Total Cur. Assets	39.1	44.8	50.4	55.0
Cash & Equivalent	1.0	2.1	1.8	1.3
Total Assets	60.7	66.4	74.7	80.6
Total Equity	19.0	21.4	23.9	27.1
L-Term Liabilities	12.9	15.3	29.8	30.2
S-Term Liabilities	28.8	29.7	21.0	23.3
Liability & Equity	60.7	66.4	74.7	80.6

Source: Company Data & VRS Projections

KEY INVESTMENT POINTS

- Druckfarben is the leader in the Greek market of ink for flexible packaging holding about 57% share. The domestic market is estimated at 5,500 tons (or €24 mn). The sector is expected to grow by approximately 3% annually in the next 5-year period.
- Druckfarben is the leader in the Greek offset ink and graphic art market with a 49% share. The domestic offset ink market is estimated at 5,740 tons (offset inks and printing auxiliaries' market accounts for €30 mn). The Group produces black web offset ink for newspapers and distributes Michael Huber Group's offset (sheet- fed & web) inks and auxiliary products for the graphic arts. **Druckfarben is the exclusive distributor of the Huber Gruppe products in the Balkans and Cyprus since fiscal 1999.**
- The Group is seeking to capture opportunities from the expected growth in the Balkan market, currently valued at €16 million for flexible packaging inks and €25 million for graphic arts ink.
- The Group currently holds about 7% of the Greek architectural paint market, which is estimated to be 160,000 tons (about €280 mn), while the brand Kraft ranks currently 4th. In nominal terms, the sector is expected to grow by more than 4 - 4.5% annually in the next 5-year period. The Group is also expanding operations in the Balkans, where opportunities appear especially attractive due to the strong construction activity, and the low consumption of architectural paint. Druckfarben currently holds about 0.7% market share in the Balkans (mostly from its activities in Rumania) a market that is estimated at 250,000 tons (about €300 mn).

Relative Performance vs ASE G.I. (52 weeks)



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INVESTMENT CASE

- ❖ In the next 5-year period, **domestic activities regarding architectural paint are expected to rise at a CAGR₂₀₀₅₋₂₀₁₀ of 8.63%**, representing at end-2010 29.8 % of total Group turnover, from approximately 32.87% at the end of 2005. The growth will derive from
 1. Utilization of innovative marketing techniques.
 2. Stronger support of its selling points, increasing at the same time their quality and number, currently accounting for 2,500 points nationwide.
 3. Launching new specialized paints and techniques that have come to the knowledge of the Company due to its participation in Nova Paint Club.
 4. Stronger expansion of the 2 paint membership clubs, which consist of professional and paint shop owners,
 5. Promotion of “Kraft” brand in all Balkan markets, attaining synergies and benefits from having pan Balkan brand.

- ❖ **The Group is seeking to capture opportunities from the expected growth in the Balkan market, currently valued at €16 million for flexible packaging inks and €25 million for graphic arts ink.** The sector growth is expected to derive from:
 1. Increasing ink consumption that currently accounts for approximately 80 gr. flexible packaging ink compared to 500 gr. ink per capita in Greece and 100 gr. offset ink compared to 520 gr. ink per capita in Greece
 2. Increasing per capita consumption in the Balkans that will boost both packaging material demand (mostly in the food and other related sectors) and advertising material demand, which consequently increase the demand for ink. The Company will also render the technical support for both the flexible and graphic ink markets,
 3. Stronger need for quality improvements and higher number of printing applications (newspapers, magazines, books, posters etc.).

CORPORATE PROFILE

- ❖ Druckfarben Hellas S.A. was founded in 1970 as a manufacturer of solvent based inks, and today it is Greece’s largest ink company. During 1998, Druckfarben’s Hellas S.A. was successfully listed on the Athens Stock Exchange. During fiscal 1999, the Company entered the architectural paints market via the acquisition of 51% of the International Ilios Cotachem and 93% of the Polymet S.A. In the same year, the Group agreed for the strategic partnership with Michael Huber München GmbH, one of the leading global ink producers. Druckfarben Group includes 4 subsidiaries. Through its holding company DF Cyprus it has three wholly owned subsidiaries in the Balkans, in Romania, Bulgaria and Serbia respectively.