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Share Price (22/06/11) € 4.10

Number of Shares(,000)	50,992
Market Cap (in € mn)	208.56
A.D. Volume (p)	58,790
Beta (vs. ASE G.I. – 1y)	0.72

Statistical Data

Max 52 week	€ 8.31
Min 52 week	€ 3.92
1-M Rtn	-14.08%
6-M Rtn	-31.26%
12-M Rtn	-44.13%

Main Shareholders

Fourlis Dafni	13.2%
Free Float	75%

Source: www.ase.gr

Fourlis

Sector: Household Durables

Investment Case

- The group is active in three key divisions: retail home furnishings through the IKEA stores in Greece, Cyprus and Bulgaria, retail sporting goods through the franchise of INTERSPORT stores in Greece, Cyprus, Romania, Bulgaria and just recently in Turkey and finally wholesale of electric and electronic appliances through the representation of important brand names like General Electric, Liebherr and Korting.
- IKEA is the main "weapon" of the Fourlis Group accounting for more than 75% of EBITDA and is the principal asset value of the Group. The launch of IKEA in Ioannina in Greece is the latest addition to the network of IKEA while there will be the first opening of IKEA in Bulgaria until the end of the year and the first IKEA store in Crete by the end of 2012. The largest part of IKEA sales are exposed to the Greek fiscal consolidation program, where disposal income and consumer confidence are deteriorating. On the other hand, Larissa and Ioannina rolled out in the 4th quarter of 2009 and 2010 respectively, managed to minimize the total sales decline in 2010.
- The acquisition of the Turkish Intersport franchise network, currently operating 20 outlets, should be seen as a strategic positioning in a rather promising area. Fourlis earned the management control, though the establishment of the company Intersport Atletik A.S. with participation of 75%, while the current owner will hold the remaining 25%. In 2010, Intersport launched 6 new stores: equally distributed among Greece, Romania and Bulgaria. Presently, Intersport operates 55 outlets, bringing the total number of stores to 75 outlets. The Fourlis Group is targeting to 50 stores in Turkey within five years.
- Fourlis Group terminated an important agreement with Samsung, on a mutual basis. Although, the termination of the agreement will hurt the top line of the Group, at the same time it will release important sources of funds for reallocation. On the one hand, the Samsung agreement was producing little on the bottom line; while on the other hand it demanded huge capital needs in order to finance the business. Currently the Group continues to distribute the products of General Electric, Liebherr and Korting, while it also provides the service of the appliances. In 2011, the total sales of the wholesale division will be down by 65%-70%.
- Fourlis Group is currently operating in a tough environment where the adverse conditions in the Greek economy will hold for several quarters. Following the discontinuation of the Samsung wholesale division, the released funds should be addressed to new retail brands additions to the existing portfolio in order to minimize the dependence on IKEA and if possible on the domestic suffering economy.

Company Profile

- Fourlis is a leading group of companies in Greece, operating in three major business segments.
- In the furniture and household segment through its exclusive agreement with IKEA Sweden in order to develop and operate IKEA's network in Greece, Cyprus and Bulgaria. IKEA business is the core business of the group in terms of cash generation and value to its shareholders. It's a cyclical business with huge dependence on economic conditions. At the moment, the company operates 6 IKEA stores: in Greece with 2 stores in West and East Athens, 1 in Thessalonica, 1, in Larissa and 1 in Ioannina. In abroad, it operates 1 store in Lamaca of Cyprus and by the end of the year 1 in Sofia of Bulgaria.
- In the clothes and footwear segment, Fourlis holds the exclusive right to launch Intersport outlets in Greece, Romania, Bulgaria and Cyprus. Only a few weeks ago, the Group announced the expansion of its business in Turkey, adding another 20 outlets in the current mix, totaling 75 stores. Greece enjoys 33 stores and Romania 16 stores, though Cyprus and Bulgaria only 2 and 4 outlets respectively.
- In the wholesale of electric and electronic device, the discontinuation of the Samsung agreement leaves the Group with the trading of 3 other brands, General Electric, Liebherr and Korting.

Financial Data

- In 2010, the recession of the Greek economy and the drop in the consumer confidence hit hard the Group both in the top line but especially in the bottom line which suffered a 53% decrease. Like for like sales in relation to IKEA stores declined and new coming stores of Ioannina and the more matured of Larissa only partly managed to offset the drop in the top line (-4.5%). In 2010, the Group recorded huge erosion in all operating margins besides gross margin which climbed above 33%. The burden of the Greek macroeconomic conditions will continue to be heavy in 2011. We forecast a new like for like sales decline for IKEA stores of about 6%-8% and lower EBITDA margins. In sales we forecast a total decline of almost 30% for the current year, 10% decline in EBITDA figures and more or less flat net profit after tax at €14.4 mn.
- The stock is traded 14.90 times the estimated 2011 EPS and 8.2 times in terms of EV/EBITDA. We assume a zero dividend policy for 2011.
- 1Q 2011 results were weak but in line with the market estimates. The economic slowdown is the main reason for the weak performance. Sales stood at €95.8 mn, -41% y-o-y, excluding the effect of the Samsung agreement revenues dropped by 4.5% y-o-y. EBITDA reached €5.7mn and the net income reached €0.4 mn, posting a -92.4% decline y-o-y.

Revenues Breakdown (Group)

In mn €	2010	%	2009	%
IKEA	319.05	50.0	335.10	44.58
Intersport	81.04	12.7	80.30	10.68
Wholesale Activity	238.01	37.3	336.30	44.74
Total revenues	638.2		751.7	

Source: Company Data.

Share Price Performance (1 year, in €)



BASIC FINANCIAL INDICATORS

(in € mn)	Revenue	EBITDA	EBT	EATAM	P/E (x)	P/BV (x)	EV/EBITDA (x)	Debt / Equity	ROE %
2009	752	73	53	32	7.66	1.20	7.21	0.54	17.36
2010	638	47	28	15	13.90	1.05	6.82	0.74	7.05
2011E	445	42	24	14	14.90	0.92	8.22	0.78	5.52

Source: Official Published Accounts & VRS Estimates.

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FOURLIS S.A.	FRLr.AT	€ 4.10	22 / 06 / 2011	2, 3

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