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Greece – Sector : Household / Cosmetics

## Sarantis Group S.A.

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### Company Description:

Sarantis Group of Companies is a multinational organization, specializing in manufacturing and distributing consumer goods in more than 20 countries. The company is one of the leading producers of mass market cosmetics and household products in Greece whereas through strategic alliances it holds a leading position in the Greek luxury cosmetics market. The Group has strong presence in Eastern European Countries such as Poland, Romania, Bulgaria, Serbia, Czech Rep., F.Y.R.O.M., Ukraine, Russia and Hungary (2006).

### Ownership Structure:

Sarantis Family	47.00%
Greek Institutional Inv.	14.00%
International Institutional Inv.	30.00%
Free Float	9.00%

<b>Date</b>	<b>27 July 2006</b>
Share Price (in €)	7.94
Shares Outstanding (mn)	38.15
Mark. Cap. (in €mn)	302.89

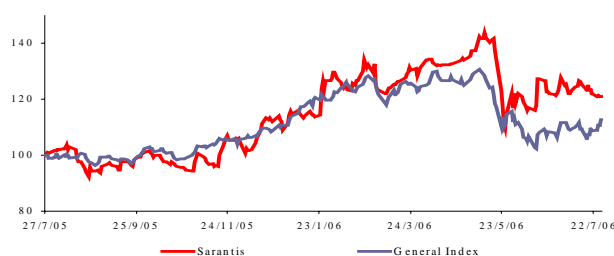
	2005	2006	2007
P / E	15.67	14.55	12.31
P / BV	4.97	3.98	3.23
EV / EBITDA	11.94	10.78	9.59
D / Y	1.64%	1.89%	2.27%
ROE	40.45%	30.41%	28.98%
ROIC	12.93%	12.09%	12.82%
Net debt / Equity	1.22	1.03	0.86
Pay out (%)	25.65%	27.48%	27.91%

Source: Company Data & VRS Projections

### Investment Highlights

- ⊙ Sarantis Group has captured **the leading position in Greek market of consumer products**. A 40% share in the luxury cosmetics market and 5-7% in mass-market cosmetics designate Sarantis' domestic market leadership.
- ⊙ Sarantis' investment case illustrates the ability of the Group **to utilize a diversified product portfolio in several developing and emerging markets**, aiming at leading market shares in countries with high population rates and therefore, significant potential in terms of consumption.
- ⊙ **The expansion of Sarantis abroad is adding significantly on total Group turnover**, with expected revenues representing approximately 67.34% by the end of 2010 (from 44.75% in 2005), rising on a 5-year CAGR of 22%. During 2005, the Group initiated operations in Turkey and Ukraine and recently in Russia and Hungary, making way for new development opportunities. These four markets represent a total market of approximately 300 mn inhabitants that will boost Group's existing target market.
- ⊙ Sarantis Group has been **in a long-lasting partnership with Estee Lauder**, activating in the very competitive luxury cosmetics market of Greece increasing at the same time its bargaining power with retailers.
- ⊙ The major growth drivers for Sarantis Group are the **mass-market cosmetics, household products, and health & care products**. All 3 revenue streams are generated from Sarantis own product portfolio, which attracts the Group's greater attention as opposed to the generation of revenues through partnerships with third parties.

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



Please see important disclosure and disclaimer statements at the end of this report

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## Investment Case

The Management's vision is "Go for Great" with "Great Products", implying the Group's evolution as a major player in the Southeastern European consumer market over the next 10-year period. "Great Products" for Sarantis illustrate that the Group utilizes its own product portfolio, consisting of the three categories of mass-market cosmetics, household products and health & care products, which historically generate the highest profit margins and strong bottom-line performance. Other business activities (luxury cosmetics, car accessories, etc.), which, until recently, the Group carried out, are now designated as "strategic alliances" and are of secondary importance.

We believe that Sarantis Group will post strong growth rate in the next 5-year period, attributed mainly to the Eastern Europe operations, given countries' economic prospects and Group's organized and effective distribution network. The Group's strategic plan include the gradual improvement of profit margins through changing the product mix in the Group's portfolio, despite current pressures due to high promotional and start-up costs in East Europe.

## Comparative Ratios

We compare Sarantis Group with a peer group of international household/personal care companies. The analysis demonstrates that its earnings multiples trade lower compared to its peers (based on projected fiscal 2006 multiples P/E). The company can be partially compared to its peers, as there are considerable differences in size and scope.

Company	Country	Mkt Cap (mn)	P/E '06	P/BV '06
Procter & Gamble Co	US	183.99	21.34	3.50
Colgate Palmolive	US	31.95	21.49	30.63
Kimberly Clark Corp	US	27.15	15.22	4.79
Estee Lauder	US	7.71	19.21	5.89
L' Oreal	France	49.57	25.80	3.31
Henkel	Germany	11.93	13.57	2.12

Data: Bloomberg estimates for fiscal 2006. Share prices as of July 27<sup>th</sup> 2006

P&L (in mil €)	2004	2005	2006 E	2007 E	BS (in mil €)	2004	2005	2006 E	2007 E
Revenues	187.63	208.66	231.76	262.94	Net Fixed Assets	64.16	70.01	77.66	85.61
Gross Profit	86.08	100.09	109.41	121.48	Total Cur. Assets	128.97	147.55	165.85	182.20
OPEX	69.22	80.42	84.49	90.40	Cash & Equivalent	23.81	26.42	29.03	26.39
Gross Profit	27.53	31.59	35.34	40.00	<b>Total Assets</b>	<b>193.13</b>	<b>217.56</b>	<b>243.51</b>	<b>267.80</b>
Finan. Results	-2.59	-2.87	-3.41	-3.49	Total Equity	34.65	60.93	76.03	93.76
Depreciations	2.98	3.44	3.83	4.36	L-Term Liabilities	103.77	98.32	105.51	105.51
EBT	21.95	25.28	28.11	32.15	S-term Liabilities	52.72	56.46	59.49	65.34
EAT & Minorities	16.97	19.33	20.82	24.60	<b>Liability &amp; Equity</b>	<b>193.13</b>	<b>217.56</b>	<b>243.51</b>	<b>267.80</b>

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2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: no change has been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
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