



FOURLIS S.A.

We reiterate Fourlis fair estimated price to €6,00 per share on the back of the Group's FY 2018 results.

Fourlis FY18 Performance at a Glance:

- Fourlis finished the year with sales of €448,3mn, 3,3% higher vs the last year.
- Group's consolidated Gross Profit margin remained at 43%, almost stable compared to last year.
- Overall Net Profitability stood at €14,3mn from €10,0mn a year ago.
- The management will propose a capital return of €0,10 per share to the AGM of shareholders on June 14, 2019.

Date 26/3/2019
Fair Estimated Price: 6,00 Euros / Share

Investment Thesis: **UV1**

Stock Data

| | |
|-----------------------|--------|
| Closing Price (26/03) | 5,11 |
| 52 Week High | 6,25 |
| 52 Week Low | 3,78 |
| Market Cap (€mn) | 264,73 |
| Trailing P/E (x) | 18,5 |
| Trailing EPS | 0,28 |
| DPS (Proposed) | 0,10 |
| Dividend Yield % | 1,9% |

Estimates

| (€mn) | FY2017a | FY2018a | FY2019e | FY2020f | FY2021f |
|------------|---------|---------|---------|---------|---------|
| Revenues | 434,1 | 448,5 | 474,6 | 508,5 | 527,7 |
| EBITDA | 41,8 | 44,3 | 50,2 | 53,5 | 55,6 |
| EBIT | 27,9 | 30,2 | 35,9 | 38,8 | 40,4 |
| Net Profit | 10,0 | 14,3 | 19,0 | 21,3 | 23,0 |
| EPS | 0,19 | 0,28 | 0,37 | 0,41 | 0,44 |
| DPS | 0,10 | 0,10 | 0,10 | 0,15 | 0,15 |

Valuation

| | FY2017a | FY2018a | FY2019e | FY2020f | FY2021f |
|----------------------------|---------|---------|---------|---------|---------|
| P/E (x) | 26,4 | 18,5 | 14,0 | 12,4 | 11,5 |
| EV/EBITDA (x) | 8,9 | 8,1 | 7,2 | 6,5 | 6,0 |
| EBIT /Interest Expense (x) | 4,1 | 4,5 | 5,4 | 6,1 | 6,6 |
| Dividend Yield | 1,9% | 2,0% | 2,0% | 3,0% | 3,0% |
| ROE | 6,0% | 8,2% | 10,1% | 10,6% | 10,6% |

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Investment Thesis

Following the announcement of a set of satisfactory FY18 results that stood slightly above our estimates in terms of EBITDA and bottom line, we adjust our estimates to incorporate in our model the Group's new store openings in Greece and abroad, the expected gradual improvement of consumer spending in Greece, as well as the stabilization of gross profit margin at healthy levels.

Currently the stock trades at 7,2x 2019e EV/EBITDA, an attractive level given the operating leverage of the group. However, we prefer to keep a "wait and see" stance over the pace of recovery of consumer demand in Greece, the higher working capital needs compared to 2018, the competitive pressures in all markets that the Group is active and how all these developments will affect the profitability of the company. Also we are a bit concerned with debt levels, as the FY18 total debt / EBITDA ratio stood at 3,0x, which is stretched given the current circumstances. As a result of the above we maintain our target price at €6,00 per share, which offers an implied upside potential of 17.4% from current levels.

FY2018 Results

Despite the challenging environment, in 2018 Fourlis managed to increase its total EBITDA for 6th consecutive year since 2012. More specifically group total revenue stood at €448,5mn, recording an increase of 3,3% compared to 2017, EBITDA increased by 5,8% stood at €44,3mn. Group's net profit reached at €14,3mn, posting a 43% increase compared to 2017.

IKEA activity realized sales of €296,7mn in FY2018, increased by 1,8% y-o-y basis. In Greece the sales of home furniture unit increased by 0,6% y-o-y, while in other countries increased by 4,1 % y-o-y. EBITDA was €32,1mn in FY18 vs €31,0mn in FY2017. INTERSPORT & TAF (THE ATHLETE'S FOOT) realized sales of €151,8mn in FY18, 6,3% higher vs FY17. In Greece sales increased by 9,5% y-o-y and in other countries sales increased by 2,7%. EBITDA was €13,5mn increased by 14,1% vs FY17. It is remarkable that in FY18, the group's e-commerce sales continue to realized high growth rates.

Business Plan

In 2019 Fourlis plans to invest €12mn in order to open 6 new stores of Intersport and 2 new pick up points of IKEA, to activate the Intersport e-commerce platform in all the countries that the Group has activity and to expand the TAF brand in Bulgaria, Romania and Cyprus. Furthermore, the Group evaluates locations in Greece and Bulgaria, for the opening of the first small-scale IKEA store with a selling surface area of 5,000-10,000 sqm.

Finally at the start of 2019, the Group entered in the real estate investment sector, through the formation of a Real Estate Investment Company (Trade Estates REIC). The portfolio of the new company will include all the assets of the Group with an estimated value of €176mn.

Valuation

We value Fourlis using a DCF model with a WACC of 8,5% and a terminal growth rate of 1,5%. Our valuation work yields a target price of 6,00 per share, pointing to an upside of 17,4% from current levels. At our target price the shares would trade on a P/E 2019e of 16,4x.



| Summary Financials | | | | | |
|--------------------------------|---------|---------|---------|---------|---------|
| (€mn) | FY2017a | FY2018a | FY2019e | FY2020f | FY2021f |
| Profit & Loss Items | | | | | |
| Total Net Revenues | 434,1 | 448,5 | 474,6 | 508,5 | 527,7 |
| Gross Profit | 187,7 | 192,8 | 204,5 | 219,4 | 228,1 |
| EBITDA | 41,8 | 44,3 | 50,2 | 53,5 | 55,6 |
| EBIT | 27,9 | 30,2 | 35,9 | 38,8 | 40,4 |
| Net Income | 10,0 | 14,3 | 19,0 | 21,3 | 23,0 |
| Balance Sheet Items | | | | | |
| Total Assets | 421,4 | 424,1 | 421,6 | 436,5 | 447,2 |
| Current Liabilities | 125,6 | 127,0 | 120,5 | 126,1 | 125,9 |
| Total Debt | 144,4 | 134,9 | 129,9 | 124,9 | 119,9 |
| Total Equity | 167,9 | 173,7 | 187,5 | 200,9 | 215,8 |
| Cash Flow Items | | | | | |
| Operating Cash Flow | 22,0 | 33,9 | 14,2 | 34,7 | 34,3 |
| Free Cash Flow | 10,3 | 16,5 | 2,4 | 22,9 | 19,5 |
| Net Cash Inflow | 3,1 | 3,3 | -7,8 | 9,9 | 6,5 |
| Cash at Hand | 36,6 | 39,9 | 32,1 | 41,9 | 48,4 |
| CAPEX | 12,2 | 17,3 | 12,0 | 12,0 | 15,0 |
| Key Financial Ratios | | | | | |
| Revenue Growth | 1,5% | 3,3% | 5,8% | 7,1% | 3,8% |
| Gross Margin | 43,2% | 43,0% | 43,1% | 43,1% | 43,2% |
| EBITDA Margin | 9,6% | 9,9% | 10,6% | 10,5% | 10,5% |
| Total Debt / EBITDA (x) | 3,5 | 3,0 | 2,6 | 2,3 | 2,2 |



Πήτρα Περιορισμού Ευθύνης:

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Σημειώσεις/Notes

| | | |
|-------|-----------------------------------|-------------------------|
| P: | Τρέχουσα Τιμή | Market Price |
| MCAP: | Κεφαλαιοποίηση | Capitalization |
| EPS: | Καθαρά Κέρδη Ανά Μετοχή | Earnings per Share |
| P/E: | Λόγος Τιμής προς Κέρδη | Price/Earnings Ratio |
| P/S: | Λόγος Τιμής προς Πωλήσεις | Price/Sales Ratio |
| D/A: | Συνολικός Δανεισμός προς Παθητικό | Total Debt/Assets Ratio |
| DY: | Απόδοση Μερισμάτων | Dividend Yield |
| ROE: | Απόδοση Ιδίων Κεφαλαίων | Return on Equity |
| FV: | Τιμή Σωστής Αποτίμησης | Fair Value Price |

Οδηγός Συστάσεων/Ratings

| | | |
|------------|------------------------------------|---|
| UV | Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος | Underpriced/ Small Risk Stock Price <20% of Fair |
| UVI | Χαμηλή Αποτίμηση/ Κίνδυνος | Underpriced/ Risk Stock Price <10% of Fair |
| FV | Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος | Fairly Priced/ Small Risk 10%<Stock Price<10% |
| OVI | Σωστή Αποτίμηση/ Κίνδυνος | Fairly Priced/ Risk Stock Price >10% of Fair |
| OV | Υπερτιμημένη Μετοχή | Overvalued Stock Price >20% of Fair |
| N/R | Μη Αποτιμημένη Μετοχή | Not Rated |