

HDFS

Reuters : HDFr.AT Bloomberg : HDF GA

Sector: Retail Non-Food

Ownership Structure:

Folli Follie	52.28%
ATE Bank	20.11%
Free Float	27.61%

Stock Data

Price (23/10/06)	€12.96
Mkt Cap (in mn)	€682.67
Shares (in mn)	52.675

Stock Ratios

	2004	2005	2006 E	2007 E
P / E	16.26	18.02	15.51	14.19
P / BV	5.43	5.62	5.31	4.88
EV / EBITDA	10.48	10.66	10.41	9.85
D / Y	5.40%	6.17%	5.40%	5.40%
ROE	33.37%	30.62%	35.17%	35.82%
ROIC	33.37%	30.62%	34.48%	33.34%
Net debt / Equity	-0.55	-0.53	0.01	0.07

Summary Financials

P&L (in mil €)	2004	2005	2006 E	2007 E
Revenues	234.81	261.45	290.31	341.32
Gross Profit	117.45	123.41	135.00	158.20
OPEX	70.05	77.71	86.50	104.13
EBITDA	58.56	58.04	65.69	70.26
Financial Results	4.07	3.17	2.30	1.90
Depreciations	4.32	4.80	6.02	8.02
EBT	58.30	56.41	61.97	64.14
EAT & Minorities	41.98	37.87	44.00	48.11

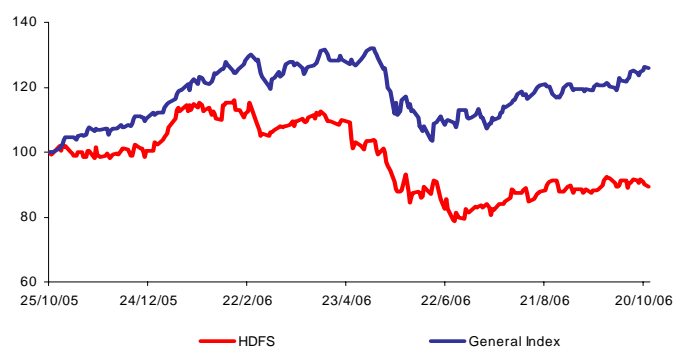
BS (in mil €)	2004	2005	2006 E	2007 E
Net Fixed Assets	78.9	83.0	139.7	139.3
Total Cur. Assets	117.2	125.2	81.0	106.2
Cash & Equivalent	69.1	64.2	4.2	5.5
Total Assets	196.1	208.3	220.6	245.5
Total Equity	125.8	121.5	128.7	139.9
L-Term Liabilities	3.8	4.4	4.5	4.6
S-Term Liabilities	66.5	82.4	87.5	101.0
Liability & Equity	196.1	208.3	220.6	245.5

Source: Company Data & VRS Projections

KEY INVESTMENT POINTS

- The Company is active in the travel retail sector, which is estimated at about \$ 25 bn globally, according to data for the fiscal 2004. The Group's growth for the period 2006-2007 will derive **from the operation of 17 new stores in airports, ports and border crossings, the expansion of existing stores in 8 airports** and the improved customer service accompanied with a wider range of products. In addition, the acquisition of the British Links of London in July 2006 will boost total Group turnover (for the fiscal 2006 HDFS will consolidate LoL for the period August to December).
- The underlying drivers of retail sales growth for the Group, are **penetration rate** (the percentage of passengers that become customers) and average **expenditure per customer**. We expect an average of about 29% penetration rate during 2006-2007 (29.9% in 2005) on 3.86% average passenger growth and light increase of customer expenditure.
- HDFS is diversifying operations in new business lines seeking to expand its product portfolio by **entering into collaboration agreements and acquisitions of Greek or international Brands**, in order to sustain its future growth. In July 2005 the Group agreed with "Philip Morris" to distribute and promote in Greece cigarettes to ship chandlers, military forces and diplomatic shops and all types of vessels. The Group is also utilizing its agreement with the U.S. jewelry and accessories brand 'Bijoux Terner', launching 8 new stores (in July 2006 the Group launched the first store in Athens International Airport) in its most important positions.
- **The acquisition of Germanos' stake in HDFS by Folli-Follie** opens new expansion opportunities for the Group as the new management has the know-how and experience to expand HDFS operations internationally.

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



INVESTMENT CASE

- ❖ In July 2006, HDFS signed a binding agreement to acquire the British jewellery, watches and luxury goods retailer Links of London (one of the most recognized British brand) for GBP 41mn (about €60 mn) through its 100% subsidiary Hellenic Distributions. With respect to EV/sales and EV/EBITDA multiples, HDFS acquired the British company at 1.65x and 16.7x FY06 respectively. LoL operates 41 stand-alone boutiques and branded concessions at department stores in Europe, North America and Hong Kong. According to the management, the international target of LoL, is to further expand the existing network via the development of new shops in Japan and China within the next 6-months, as well as Korea and Taiwan until the end of fiscal 2007. LoL products are expected to launch via HDFS stores, while procedures have commenced for the development of the brand in selected areas in Athens and Thessalonica. For the period 1.8.04-31.7.05, turnover reached €33.3 mn while, for the period, 1.8.05-31.12.06 it is expected to reach €58.4 mn.
- ❖ Group's turnover for the fiscal 2006 is expected to reach about €290 mn (+11%) mostly attributed to the AIA revenues (+9.1% representing about 27.6% of total Group turnover) the subsidiary's Hellenic Distribution growth on the back of the Philip Morris wholesale agreement and the 4-month revenues from the Links of London. HDFS receives income from suppliers for marketing activities, customizations, royalties, and HR services provided by HDFS.

CORPORATE PROFILE

- ❖ Hellenic Duty Free Shops (HDFS) was established on February 1st 1979. The Company's objective deals with the operation of duty and tax free shops of any kind, including both the existing shops as well as those that may be created in border stations, airports, ports as well as abroad. Also, with the trade of tax paid goods both in customs-controlled areas and in the free areas of border stations, international airports and ports. The Company's commercial activity mainly includes the retail sale of perfumes, cosmetics, liquors, tobacco products, apparel, luxury products, pre-packed food and other products to passengers departing from Greek airports, border stations and ports.

COMPARATIVE RATIOS

Company	Country	Mkt Cap (mn)	P/E '06	P/BV '06
Dufry Froup	Switzerland	1,406.3	23.46x	3.64x
Misir Duty Free Shops	Egypt	157.5	7.19x	1.63x
Bahrain Duty Free	Bahrain	46.5	11.85x	2.39x
HDFS	Greece	682.67	15.51	5.31

Data: Bloomberg estimates for fiscal 2006. Share prices as of Oct 23rd 2006

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