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PLAISIO

"Built to last"

Sure-footed in a competitive market - Plaisio is one of Greece's largest retailers of PC, digital technology and office products. It operates 24 stores in Greece and another 1 in Bulgaria. Besides being a retailer, Plaisio is also a product assembler importing technology equipment parts from China and assembling those in its facilities under its own brand. Main pillars of differentiation vis-à-vis competitors in a highly commoditized industry are the logistics infrastructure, the route-to-market capabilities, the private-label offering, the in-house call center and the after-sales support. We believe these are distinguishing factors in the long-term, and, on that basis we see Plaisio as among the winners in the marketplace. We expect future market share gains to come at the expense of sub-scale competitors.

Covid-19: new normal, manageable impact – Quite remarkably, Plaisio suffered just a 20% sales drop during the 2-month lockdown thanks to the advanced e-commerce platform and logistics/distribution network. Furthermore, pent-up demand and category shifts underpinned strong run rates post the opening, as electronics appear to be main beneficiaries of shifting spending patterns, thereby leading to H1 sales growth of 8%. Against this background, the impact from COVID-19 looks manageable at the current juncture (we estimate 2020 EBIT flat yoy), although the extent of the headwind clearly hinges on whether there will be another lockdown in the light of the developing second wave of the viral outbreak. Longer-term, we expect Plaisio to be a beneficiary of virus-induced structural changes, namely the increasing focus on speed of delivery and the switching of spending from leisure towards other segments, such as electronics (work-at-home).

Earnings reset since 2015; Plaisio well positioned to capitalize on past investments - Since 2015, the earnings bar has been reset. The group recalibrated the product mix, tilting it back to 3rd party products, while also embarking on several investments aimed at bolstering its online capabilities and improving the in-store experience. All these weighed on margins, especially in a period of intense competition as the Greek economy emerged from a multi-year recession. Although the earnings momentum is poised to remain subdued in 2020 in the aftermath of COVID-19, we do not envision much downside risk from these levels, subject to normalization in 2021. As the cyclical drag fades, we expect that mid-single digit top line growth post 2021 is feasible and can translate into c24% EBIT CAGR, with EBIT margins trending back above the 3% mark by 2024 as the pendulum of operating leverage turns positive.

Valuation – From a valuation perspective, historically Plaisio has traded within a wide range, reflecting the fact that it belongs to a cyclical sector. With the stock now at c6x 2021e EV/EBITDA, namely >20% below the historic average on near trough earnings, the price seems to discount a rather negative setup. Our indicative DCF yields a valuation range between €83m and €95m, with our baseline indicative scenario pointing to a 12m intrinsic value of c€88m, translating to €4.0/ share.

Estimates					
€ mn	**2018**	**2019**	**2020e**	**2021e**	**2022e**
Revenues	308.9	317.1	319.2	335.2	350.3
EBITDA	9.5	13.6	12.5	14.6	16.1
Net Profit	3.9	1.9	2.0	3.5	4.5
EPS (EUR)	0.17	0.09	0.09	0.16	0.21
DPS (EUR)	0.07	0.02	0.02	0.05	0.07

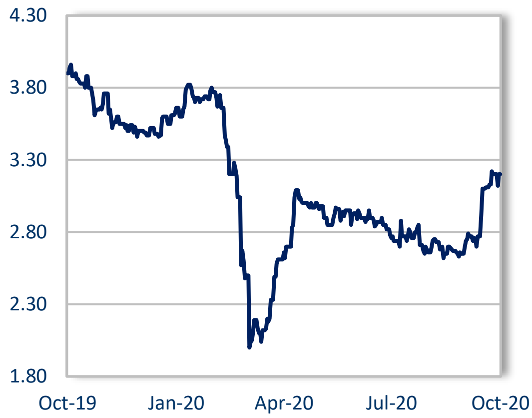
Valuation					
	2018	**2019**	**2020e**	**2021e**	**2022e**
P/E	21.6x	39.4x	35.5x	20.4x	15.6x
EV/EBITDA	9.5x	7.5x	7.3x	6.0x	5.3x
EBIT/Interest Expense	3.3x	2.1x	2.0x	3.2x	3.8x
Dividend Yield	1.9%	0.6%	0.6%	1.6%	2.1%
ROE	4.2%	2.1%	2.1%	3.6%	4.5%

Market Cap (€mn)	**70.6**
Closing Price (13/10)	**€3.20**

Stock Data

Reuters RIC	PLAr.AT
Bloomberg Code	PLAIS GA
52 Week High (adj.)	€4.00
52 Week Low (adj.)	€1.89
Abs. performance (1m)	19.0%
Abs. performance (YTD)	-7.8%
Number of shares	22.1mn
Avg Trading Volume (qrt)	€15k
Est. 3yr EPS CAGR	32.5%
Free Float	18%

Plaisio Share Price



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See Appendix for Analyst Certification and important disclosures.

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Investment Summary

Plaisio is one of Greece's largest retailers of PC, digital technology and office products. It operates 24 stores in Greece and another 1 in Bulgaria. The group was established in 1969 and got listed in the ASE in 1999. Besides being a retailer, Plaisio is also a product assembler importing technology equipment parts from China and assembling those in its facilities under its own brand. Overall, Plaisio offers discounter pricing with premium service and experience based on a multi-channel, multi-customer and multi-product approach. Main pillars of differentiation vis-à-vis competitors are the logistics infrastructure, the route-to-market capabilities, the private-label offering, the in-house call center and the after-sales support.

Largely commoditized sector; scale and sophisticated delivery capabilities will become distinguishing factors

The commoditized nature of the products means that the most important factor dictating consumers' purchase decision is price. This has added to the competitive intensity in an industry which is highly fragmented and has also had to contend with growth in e-Commerce. The result has been razor-thin margins and high attrition/store closure rates over the past 10 years. With retailers facing growing costs in shipping, logistics and fulfillment in order to meet consumers' increasing demand for speed and convenience, we expect that scale, sophisticated delivery capabilities and a lean cost structure will be distinguishing factors in the long-term.

Plaisio likely to be among the winners in the marketplace in the long-run

Given its solid business model and infrastructure, Plaisio ticks most of the aforementioned boxes and we see it as among the winners in the marketplace in the long-run. We believe that its continued focus on the post-purchase experience (e.g. in-store service), coupled with the sophisticated e-platform and route-to-market, position it well to stave off competition and to grow share at the expense of sub-scale competitors. As such, we envisage a margin turnaround as the macro backdrop improves, with EBIT margins eventually returning above 3% by 2024e. In addition, Plaisio's strong financial and liquidity position provide it with enough war chest to pursue a more aggressive growth strategy when conditions normalize, leaving room for even higher top line growth and profitability than incorporated in our estimates.

Covid-19: new normal, manageable impact

Following a long period of severe challenges over 2011-2018 (Greek prolonged depression, capital controls), Plaisio has had to contend with another unprecedented situation in 2020, namely the coronavirus outbreak and the resulting 2-month lockdown. Quite remarkably, the group suffered just a 20% revenue decline during the shutdown, despite the fact that its core distribution channel (brick-and-mortar network accounting for c70% of sales) remained suspended. Furthermore, pent-up demand and category shifts seem to have underpinned surprisingly robust run rates post the opening, as electronics appear to have been main beneficiaries of shifting spending patterns. Against this background, the impact from COVID-19 looks relatively manageable at the current juncture (H1 revenues +8%, 2020e revenues +0.7% yoy, EBIT flattish yoy), although this clearly hinges on whether there will be another lockdown in the coming months, induced by the second wave of the viral outbreak. Longer-term, we expect Plaisio to be a beneficiary of virus-induced structural changes, namely the migration to e-commerce and the switching of spending from eating out/leisure towards other segments such as electronics (e.g. work-at-home trend).

Earnings reset since 2015; Plaisio well positioned to capitalize on past investments, after completion of latest investment cycle

Since mid-2015, the earnings bar for Plaisio has been reset. The group recalibrated the product mix, tilting it back to 3rd party products, while also embarking on several investments aimed at bolstering its online capabilities and improving the in-store experience. All these weighed on margins, especially in a period of intense competition against the background of still fragile macro and subdued consumer confidence. Although the earnings momentum is poised to remain subdued in 2020 in the aftermath of the viral outbreak, we do not envision much downside risk from these levels, provided that the macroeconomic backdrop normalizes in 2021. This is even more so the case as a significant investment cycle seems to have been completed, and, as a result, the new leg of growth will most likely be associated with relatively low capex and limited margin "investment", thereby driving positive operating leverage.

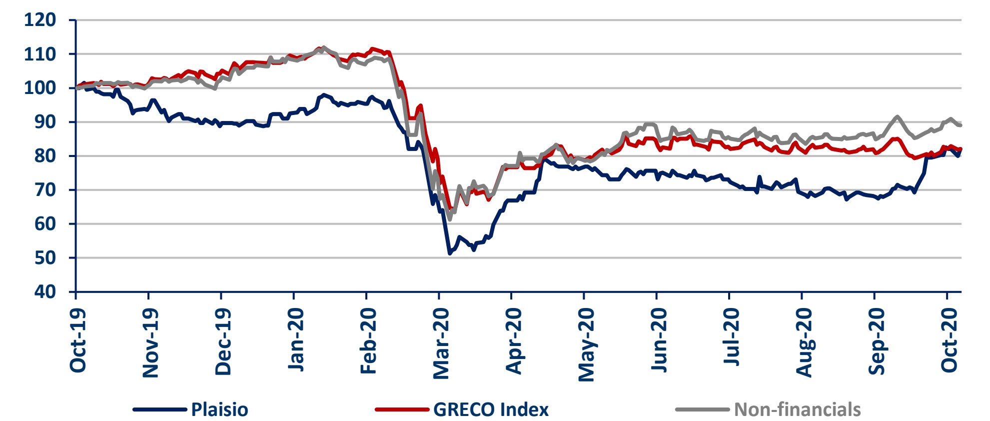
High operational gearing and cyclical acceleration to drive margin uptick and increasing returns

Assuming the cyclical momentum accelerates from 2021 onwards, we expect the pendulum of operating leverage to finally turn positive after years of cost deleveraging driven by adverse macro, intense competition and investments. Although competitive dynamics are likely to stay challenging, we expect share gains at the expense of smaller players will drive a positive LFL trajectory, further propelled by potentially new store openings (not included in our model). Although this hinges not only on management's actions but also on competitive moves, we believe the overriding factor for the performance of an industry which has shed >65% from the peak (2007) is the macroeconomic backdrop. On that basis, as the cyclical drag fades, we expect that mid single digit top line growth post 2021 (c4.5% CAGR over 2021-2024) can translate into >20% operating profit growth CAGR, with EBIT margins trending back above the 3% mark by 2024.

Share price performance and valuation

In the last 12 months, Plaisio's share price has underperformed the Greek non-financials (by -8%), but has caught up with the Eurobank Equities Greek Gaming, Retail & Consumer (G.RE.CO.) index. On an absolute basis, the stock has lost c18% in the same period. Besides the relatively tepid domestic macroeconomic momentum (even before COVID-19), the stock has been weighed down by challenging industry conditions (intense competition and margin erosion). The outbreak of coronavirus was followed by a 40-50% plunge in the share price in March, before a bounce-back in April. Lately, Plaisio seems to have levelled the performance gap vs other G.RE.CO companies, as, despite the limited visibility around virus developments in H2 (e.g. risk of lockdown on the second wave) and the competitive intensity in the sector, it managed to navigate the challenging environment in H1 (revenues +8%), something that was taken well by investors.

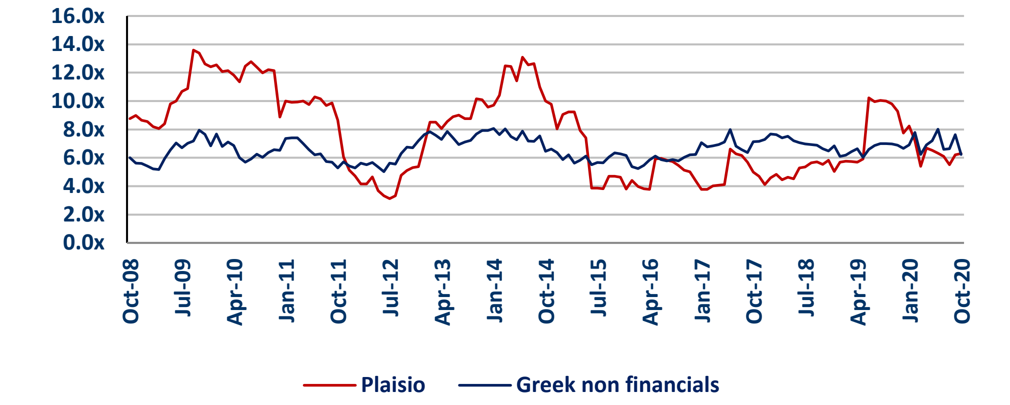
12m performance (rebased) – Plaisio vs GRECO index and Greek non-financials.



Source: Eurobank Equities Research, Bloomberg. GRECO index includes OPAP, OTE, CCH, Jumbo, Fourlis, Aegean, Plaisio, Sarantis.

From a valuation perspective, historically Plaisio has traded within a wide valuation range, reflecting the fact that it belongs to a highly cyclical sector. As such, the stock tends to trade at high forward-looking earnings multiples during recessionary periods (when short-term earnings are depressed) on the expectation that profits will recover fast from their trough. This was the case for Plaisio between 2008 and 2011. In 2012 and 2015, the stock de-rated to as low as 3-4x EV/EBITDA (respectively) reflecting primarily elevated Greek risk premia (and currency risk). Since then, valuations have been more reasonable, namely near 5-7x depending on the earnings outlook. The long-term valuation has been near 8x, namely a small premium to the average valuation of Greek non-financials.

12m forward EV/EBITDA valuation



Source: Eurobank Equities Research, Bloomberg.

In the table below, we cross-check Plaisio's current valuation against a selected group of peers. This includes Fnac Darty, Dixons, Kingfisher, B&M, Ceconomy and the US-listed Best Buy. Most of the aforementioned companies are general merchandise retailers (primarily discounters) selling a wide range of products including electronic goods, hardware, housewares, health and beauty and general merchandise items. Some of these have also developed private label products (e.g. B&M).

As shown in the table that follows, Plaisio's valuation sits in the middle of the valuation range from an EV/EBITDA perspective. That said, we caveat that Plaisio enjoys one of the strongest balance sheets in this space, while short term earnings are depressed not only due to the COVID-19 outbreak (as is the case for other retailers) but also due to the stage of the Greek economy (emerging from a multi-year recession) and recent investments (infrastructure, new store concept, foray into white appliances). On the other hand, one may argue that a valuation discount might be warranted due to Plaisio's smaller size, lower market cap and rather limited free float.

Peer group valuation

		PE		EV/EBITDA		Dividend yield		Net debt/EBITDA
Stock	**Mkt Cap**	**2020e**	**2021e**	**2020e**	**2021e**	**2020e**	**2021e**	**2020e**
PLAISIO COMPUTERS SA	71	35.5x	20.4x	7.3x	6.0x	0.6%	1.6%	0.1x
DIXONS CARPHONE PLC	1,300	10.9x	7.7x	6.0x	5.6x	2.6%	4.4%	2.1x
CECONOMY AG	1,534	NA	10.1x	4.2x	3.3x	0.0%	1.0%	1.7x
FNAC DARTY SA	1,047	16.1x	7.6x	6.0x	5.2x	0.0%	3.5%	2.7x
MOBILEZONE HOLDING AG-REG	380	12.2x	9.0x	10.9x	7.5x	6.4%	7.1%	2.5x
KID ASA	353	12.9x	13.5x	6.7x	6.7x	5.4%	5.1%	1.3x
AO WORLD PLC	1,192	37.1x	31.9x	20.4x	18.3x			0.0x
CARD FACTORY PLC	131	21.9x	4.2x	8.4x	5.2x	0.0%	10.0%	3.8x
B&M EUROPEAN VALUE RETAIL SA	5,534	15.5x	16.9x	11.5x	12.0x	3.4%	3.4%	1.0x
KINGFISHER PLC	7,138	12.5x	13.8x	5.7x	6.0x	1.1%	3.3%	0.9x
BEST BUY CO INC	26,051	17.0x	16.6x	8.2x	8.2x	1.7%	1.8%	0.2x
Median		**15.5x**	**11.8x**	**7.5x**	**6.4x**	**1.7%**	**3.5%**	**1.5x**

Source: Eurobank Equities Research, Bloomberg.

DCF-based valuation yields a €83-95m intrinsic value range

Given the depressed level of earnings, partly due to COVID-19 and partly owing to the stage of the Greek cycle, a DCF-based methodology is probably more informative, as it captures the expected normalization in earnings post the coronavirus crisis and the medium-term earnings potential of the business.

Our base case DCF yields an €88m 12-month fair market cap, translating to a price in the €4.0 area, and is predicated on the following assumptions:

- Sales CAGR of c4.5% over 2021-2024e, namely post COVID, driven by LFL growth, fading to 3.3% in the medium term.
- Reported EBIT CAGR of c24% over 2021-2024e as profitability bounces back aided by cyclical acceleration and the receding of the viral outbreak, implying c170bps margin expansion over 2020-2024e on positive operating leverage. That said, we assume that medium-term EBIT margins remain below 4% (c10% at peak), in line with the average current EBIT margin of Plaisio's international peers (currently near 3.2%).
- We use a LT growth rate of 1%, implying reinvestment rate near 60% and incremental ROIC of <2%, justifiable in our view by the competitive intensity in the industry.
- The implied FCF conversion (FCF/EBITDA) in the medium term stands at c40-55%, a level we consider feasible and which is, in fact, not out of sync with historic levels (cash conversion has at times exceeded 100%).
- WACC of 10% which we believe captures the relative risk profile of the business vis-à-vis the rest of our coverage universe.

A summary of our baseline DCF can be seen below:

Plaisio DCF	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Cash NOPAT (post op. leases)	5.2	5.9	7.0	8.4	10.8	10.3	10.2	10.0	9.6	8.3
Depreciation (pre IFRS 16)	2.7	2.7	2.7	2.6	2.6	2.4	2.3	2.3	2.4	2.6
Working Capital/other	0.3	(3.0)	(3.0)	(3.2)	(3.3)	(2.8)	(2.9)	(3.0)	(3.1)	(3.1)
Capex	(0.6)	(0.8)	(0.8)	(0.6)	(0.6)	(1.1)	(1.6)	(2.2)	(2.8)	(4.5)
Unlevered Free Cash Flow	**7.7**	**4.9**	**5.8**	**7.2**	**9.4**	**8.9**	**8.0**	**7.1**	**6.1**	**3.2**
PV	7.7	4.4	4.8	5.4	6.4	5.5	4.5	3.6	2.8	1.4
PV of terminal value	15.3									
Enterprise Value	**62.0**									
Net cash (adj. for assumed operating cash)	20.1									
Equity value (year end)	**82.1**									
no. of shares	22.1									
Per share	3.7 €									
12-month indicative value per share	**4.0 €**									

Source: Eurobank Equities Research

A basic sensitivity on a combination of WACC and terminal growth rates is presented at the table below. As can be seen, flexing our WACC and perpetuity growth inputs by 1% and 0.5% respectively yields a fair value range between €83m and €95m.

DCF – sensitivity of 12-month intrinsic value of Equity to perpetuity growth and WACC assumptions

		Perpetuity growth				
		11.0%	**10.5%**	**10.0%**	**9.5%**	**9.0%**
WACC	**2.0%**	85.4	87.8	90.4	93.4	96.6
	1.5%	84.5	86.8	89.2	92.0	95.0
	1.0%	83.7	85.9	**88.2**	90.7	93.5
	0.5%	83.0	85.0	87.2	89.6	92.3
	0.0%	82.4	84.3	86.4	88.7	91.1

Source: Eurobank Equities Research

Strategy and Business model

Product and channel overview

Plaisio is one of Greece's largest retailers of technology and office products. It operates 24 stores in Greece and another 1 in Bulgaria. The group was established in 1969 and got listed in the ASE in 1999. Besides being a retailer, Plaisio is also a product assembler importing technology equipment parts from China and assembling those in its facilities.

The group's product offering includes 4 main categories:

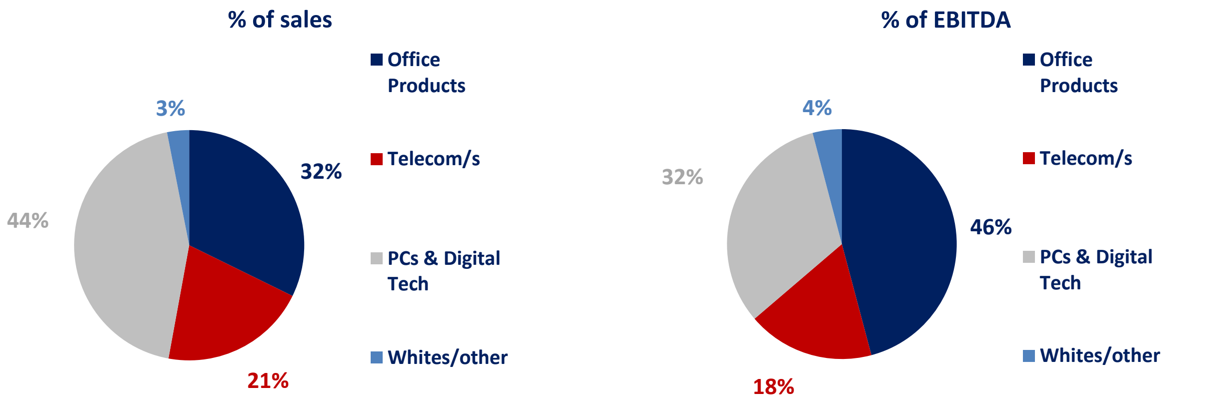
1) **PC and digital technology products:** This category comprises desktops, notebooks, tablets, TVs, hardware, peripherals etc. Plaisio sells both products of third-party manufacturers or build-to-order PCs under its own brand name (Turbo-X). PC and digital technology products are the highest revenue contributor for Plaisio accounting for c44% of the sales mix. On the other hand, they naturally carry the lowest margin (EBITDA margin near 3%). Given their discretionary characteristic and competitive dynamics, sales from these products have not posted any growth since 2015 oscillating near €140-145m per annum, still down c15% compared with 2014 levels.

2) **Office products:** Stationery and office products are the second largest segment for Plaisio accounting for c32% of sales. Due to their superior margins (EBITDA at c6%), their importance in the EBITDA mix is quite high (near 46%). They have proved more resilient than PC/digital technology now standing c8% higher than the respective level in 2014 (CAGR 1.6%).

3) **Telecommunication products:** Plaisio entered the Greek mobile telephony market about 20 years ago as service provider to telecom operators, while also selling phone handsets and accessories. Telecom sales have posted significant growth rates in recent years, underpinned by their secular growth in the Greek market. As a result, Plaisio's sales have posted a c12% CAGR over the last years, with the particular category now representing 21% of the mix from 12% in 2014. The EBITDA margin stands in the middle of the two aforementioned categories (c3.7% in 2019).

4) **White appliances:** Plaisio made a foray into this category in mid-2019. Management considers the particular segment quite attractive, given the size of the market (worth near €500-600m) and the high-tech element of modern appliances.

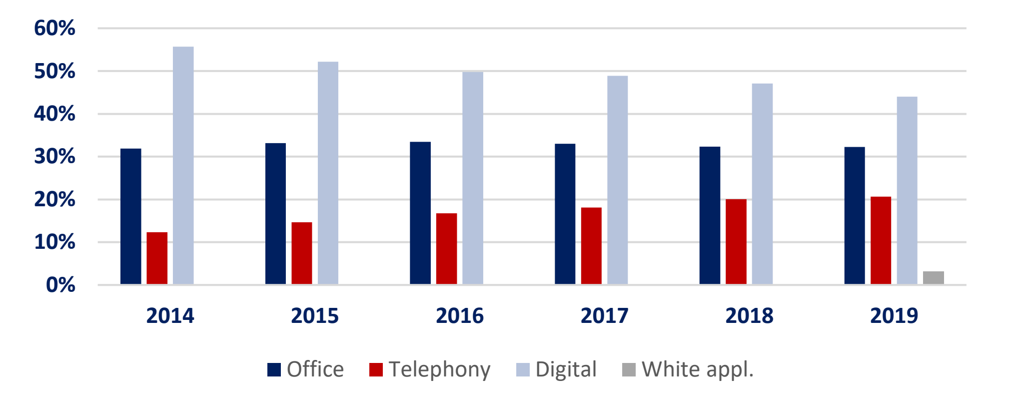
Product mix % of sales and EBITDA, 2019



Source: Company, Eurobank Equities Research

As far as the evolution of the product mix is concerned, telephony has been rising in terms of importance at the expense of PC/other digital technology while office items have been stable within the mix.

Product mix evolution (% of sales)



Source: Company, Eurobank Equities Research

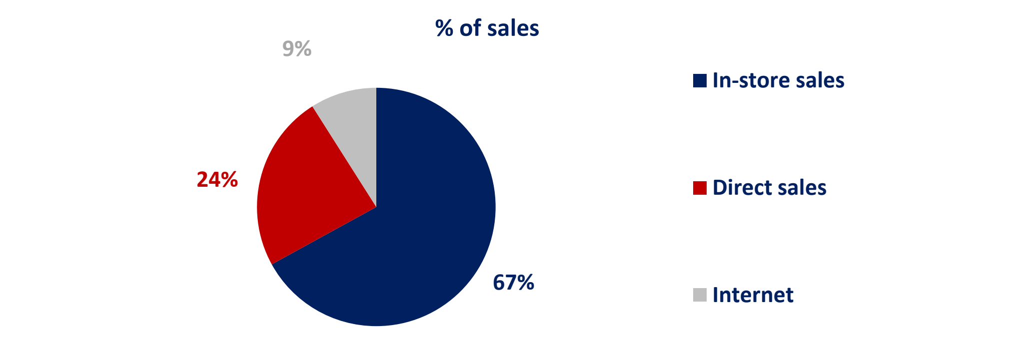
Regarding distribution, this takes place through 3 different channels:

1) **Retail stores:** This remains Plaisio's main distribution channel accounting for c65-70% of sales. Plaisio opened its first store in 1969 but did not embark on its expansion strategy until 1992. Until late 90's most of its stores were relatively small (<1000 sqm). In the last 15 years most of the stores rolled-out are larger in size (up to 2,500 sqm). More recently, the stores added to the network are more "futuristic" and aimed at improving the customer experience.

2) **Direct Sales:** These are performed through catalogue, sales force visits, and the call-center. Direct sales target primarily business customers, with the total B2B client base comprising c300K accounts. Direct sales account for c23-25% of the mix.

3) **Internet:** e-commerce accounts for c7-9% of (normal) sales but has seen a major boost, especially in the aftermath of the coronavirus epidemic and the lockdown imposed. Plaisio has been very keen to invest in e-commerce many years now and has recently rolled-out a new digital platform, which proved instrumental in helping the group take advantage of the channel shift during the coronavirus-induced shutdown of its retail network. On our understanding, online is considered part of Plaisio's omni-channel ecosystem, namely complementary to the retail network, facilitating not only the transaction per se but also the personalization of the offering (i.e. customers may not necessarily transact online but may use the website to find a product that best meets their preferences).

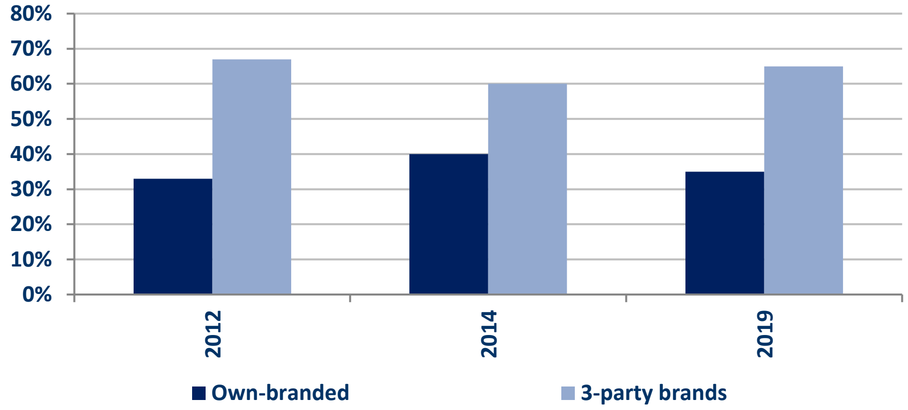
Distribution channels, % of sales (2019)



Source: Company, Eurobank Equities Research

As mentioned above, Plaisio retails not only products of international brands (e.g. Samsung, LG) but also own-branded products. This is the case for various items of the assortment including desktops (with built-to-order PCs assembled by Plaisio under its brand Turbo-X), tablets, laptops, TVs and, more recently, white appliances. Own-branded products, which obviously carry higher margins, account for c30-35% of sales, having risen to as high as >40% in 2014. Our understanding is that mgt considers the current mix as providing a good balance between third party brands and Plaisio own-branded products, and therefore it does not intend to make substantial changes.

Branded vs. own-branded, % of sales



Source: Company, Eurobank Equities Research

Plaisio operates a leased stores strategy, being an owner of just 3 of its stores and leasing the rest. The net book value of land and buildings as of end June 2020 was €33m. We understand that the group will most likely control the capital intensity of the business by continuing with the use of leases as a means of expansion.

Competitive advantages

The group's strategy is clearly defined: offering discounter pricing with premium service and experience based on a multi-channel, multi-customer and multi-product approach. That being said, with the electronics sector being largely commoditized and with the "Amazon effect" in full swing (namely, the situation whereby the consumer is becoming increasingly channel agnostic), there are several factors that we consider as main pillars of Plaisio's competitive moat vis-à-vis peers. In particular:

1. Logistics

Plaisio enjoys an advanced logistics infrastructure having moved into a unique logistics center of 22K sqm in Athens (in 2009). The real-time/online connection of the store network with the warehouse is a key part of the business model, facilitating the automatic stock replenishment and the efficient inventory management depending on demand. Recently, a second facility was added for the warehousing and assembly of large white appliances.

2. Distribution and route-to-market

Plaisio has built up the infrastructure and capabilities relating not only to the management of the stock level but also to the route-to-market. Indicatively, the group has its own fleet of trucks, which proved instrumental in helping the group retain the vast majority of its normal sales during the lockdown via direct ship-to-home, without having to rely on third parties (e.g. couriers).

3. Tech support services

Technical and after-sales support stands at the core of Plaisio's strategy, with its retail stores acting as service points with fast response rates. Technical support is available not only in-store but also through the call centers and on-site. In our view, after-sales support is key in building brand awareness and driving volume growth since this differentiates Plaisio from other competitors offering solely branded products, for which service might require several weeks.

Strategy

Retailer and assembler sourcing many of its products

Plaisio differentiates itself from several competitors in the Greek consumer electronics sector in that it is not only a retailer of third-party items but also an assembler of its own-branded products. The latter product category uses parts sourced mainly from China, with the assembly taking place in Greece, in Plaisio's logistics center.

Balance between third-party items and own-branded products

Plaisio has been investing in building its infrastructure and capabilities in order to strengthen the awareness of its own brand, maintaining a balance between third-party items and own-branded products. Between 2012 and 2015 there was a shift of the mix towards own-branded products, with Plaisio seeking to raise brand awareness in additional categories – besides the traditional desktop-laptop-tablet segments – such as TVs and mobile phones. Since then though, there has been a gradual partial unwinding of this strategy as mgt was not too keen to associate Plaisio with just the Turbo-X brand. On the contrary, mgt aims to render Plaisio the main destination for electronics products and other items of the addressable market, offering a full range of products covering the entire price spectrum.

Competitive pricing to offer value-for-money

Most of the 3rd party products that Plaisio sells are offered at prices similar to (or at times lower than) competition. However, its own brands are normally sold at >30% discount vs. international brands' comparable products enabling Plaisio to take advantage of trading-down dynamics. Although the group seeks to be the cheapest in the market place, it also strives to provide the best value-for-money proposition. Overall, as mentioned above, Plaisio offers items catering to different consumer needs: low-priced own-branded products, mid-priced own-branded items considered "value-for-money", mid-priced third-party products, high-priced third-party items.

Widening product assortment

Plaisio's product offering has become increasingly diverse, with the group gradually diversifying away from consumer electronics to other product categories such as gifts, decoration, educational (STEM) and others (comprising even cleaning items and coffee). This shift has been the result of the structural evolution of consumer preferences and shopping patterns: customers have been seeking variety in assortment and have been keen to spend more on home/office/gift/sports categories and outdoor/indoor activities (e.g. exercise) via more frequent shop visits. The depth in the assortment means that stores are relatively large in size (i.e. >1K sqm, and more recently c2K), thereby requiring high footfall throughout the day and high densities in order to produce meaningful margins.

Omni-channel

Omni-channel has been a key organizational priority for Plaisio in the last few years. The new e-commerce platform, which was launched in September 2019 and was a 2-year project translating into a €1.8m investment, has enabled Plaisio to offer a sophisticated solution for enterprises with personalized capabilities. The omni-channel approach has allowed the group to have better knowledge of each shopper based on their ordering pattern and to potentially increase their engagement in the whole Plaisio "ecosystem". It also facilitates the exploitation of data analytics, such as browsing history, proximity to store, order history, preferences, etc.

Top line overview

In what follows, we have attempted to attribute the historic sales growth of Plaisio to: 1) capacity growth, namely sales from the addition of new selling space either through new stores or expansion of existing ones; and 2) Like-for-like growth, namely increased volume or price/mix within the existing stores (same-stores sales growth). It is worth highlighting that as management does not actually provide like-for-like growth data, we have used sales per average square meter as LFL proxy, acknowledging that this measure may not accurately reflect like-for-like sales growth as it does not account for cannibalisation from new stores or exact timing of store openings.

From a capacity perspective, we show that management has been prudent not to expand too fast in the recession years, with capacity expansion at c2% CAGR over the 2007-2017 period. Post 2017, Plaisio's corporate identity changes and management's decision to expand into the white goods market have led to the addition of larger-sized stores (>1000sqm), with the last one in Petrou Rally avenue (3000 sqm).

Plaisio selling space (year-end)

Source: Company, Eurobank Equities Research

From a LFL perspective, during 2009-15, a period during which the sector was battered due to the tough macroeconomic backdrop, Plaisio suffered LFL declines in the mid single-digits to low-teens. In the same period, the electrical and home furnishing market was registering c-15% run rates. In recent years sales densities have fluctuated, depending on promotional activity and the state of the economy.

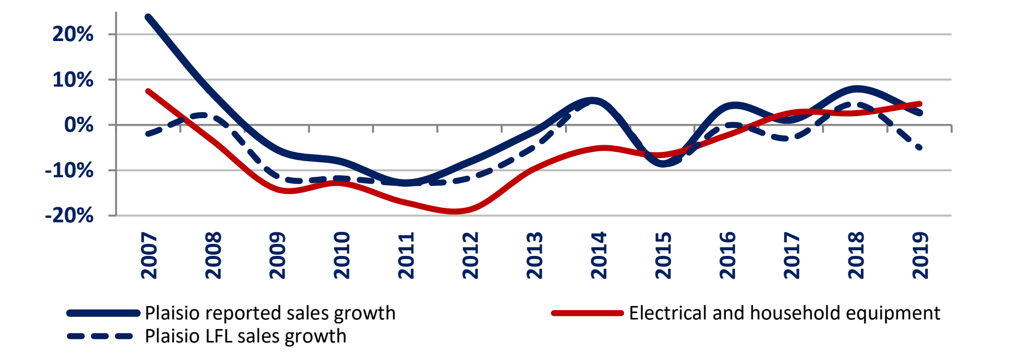
Plaisio sales growth

Yoy change	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Plaisio reported sales growth	**7%**	**-5%**	**-8%**	**-13%**	**-8%**	**-1%**	**5%**	**-9%**	**4%**	**1%**	**8%**	**3%**
Plaisio capacity growth	5%	6%	4%	0%	4%	3%	0%	0%	4%	4%	3%	8%
Plaisio LFL sales growth	2%	-11%	-12%	-13%	-12%	-5%	5%	-9%	0%	-3%	5%	-5%

Source: Company, Eurobank Equities Research

In the chart below, we compare Plaisio's performance with the overall electrical and household equipment market. As can be seen, Plaisio has outperformed the broad sector during most years.

Plaisio sales growth vs market growth



Source: Company, ELSTAT, Eurobank Equities Research

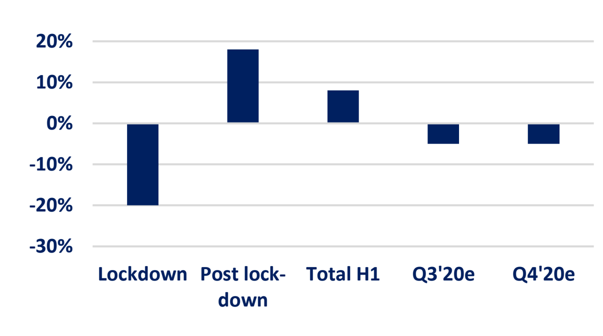
COVID-19: 20% decline during the lockdown followed by impressive bounce-back post the opening…

As far as 2020 is concerned, this obviously ought to be seen in the context of the viral outbreak and analyzed by segregating estimates in the pre-covid19 period, the lockdown period and the post-opening period. It is worth reminding that Plaisio retail stores were closed during the period from March 18th to May 3rd, 2020, i.e. for 47 days. Still, despite the long period of suspension, Plaisio managed to deliver 8% growth in H1 (Q1 +4%, Q2 +12%), quite a commendable performance in our view.

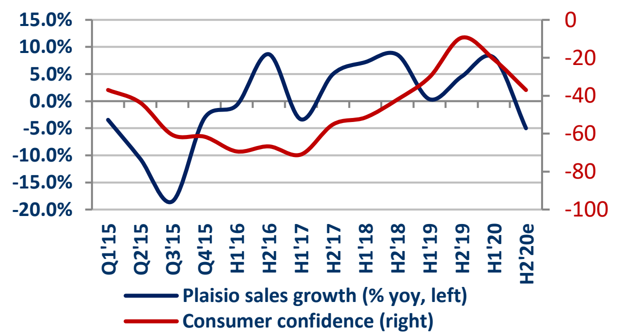
We anticipate decelerating top line momentum and potentially negative trends in H2 on voluntary social distancing

Looking at the various sub-periods in more detail, we estimate that top line growth in the first 2 months was in the mid to high single digits, followed by a 20% sales drop during the lockdown as revealed by mgt. In the post lockdown period, top line growth was very strong and ought to have shaped in the high teens, we estimate, thereby leading group sales +12% higher in Q2. We believe that the robust trading during the summer was the result of footfall returning to pre-covid-19 levels, with both direct and internet sales remaining strong, potentially reflecting category shifts (spending into tech and away from travel-leisure). Looking further out though, we believe it is reasonable to model declining top line trends in Q3 and Q4, effectively assuming that pent-up demand boosted sales in H1 but will result in sequential deterioration in H2, especially in the light of the 2nd COVID-19 wave. On that basis, we assume H2 revenues will drop c5% yoy, thereby leading FY20e revenues just 0.7% higher than 2019 levels.

Plaisio 2020 sales growth – split by period



Plaisio sales growth vs. consumer confidence

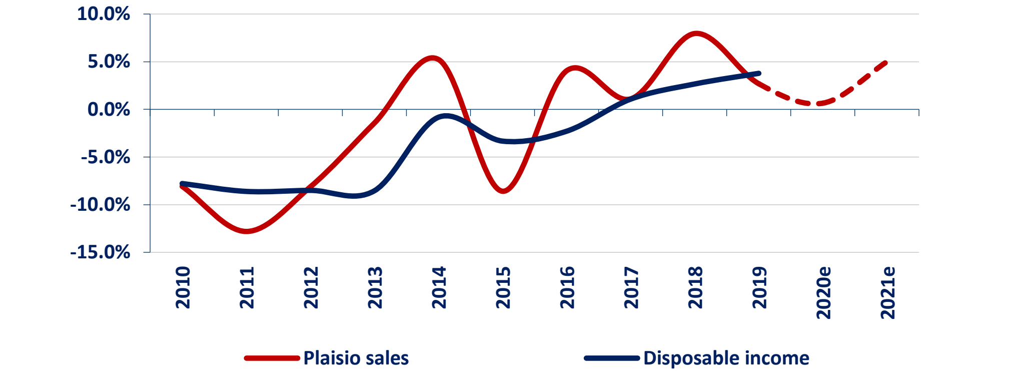


Source: Company, IOBE, Eurobank Equities Research. For H2e consumer confidence we have taken the average of Q3 to-date.

c5% top line growth feasible post 2021, we reckon

Looking ahead to 2021-22e, we have assumed that same stores sales growth ranges between 4.5% and 5%, to an extent driven by sales in the 'new' white goods segment and a bounce-back of sales densities underpinned by the easy comparative (more selling days in 2021). We also anticipate direct sales to pinch up, with Plaisio anticipated to benefit from its broad customer base, its revamped e-commerce platform and rising customer satisfaction during the lockdown, all set to drive further organic growth. We have not assumed any store openings in the coming years. Despite the c8% contraction in GDP in 2020 (as per EC forecasts) and the resulting drop in disposable income, the expected bounce-back in economic activity in 2021 (c6% yoy envisaged by the EC) along with the aforementioned idiosyncratic factors are likely to underpin our assumption for 5% top line growth next year, we believe.

Plaisio sales growth vs disposable income



Source: Company, AMECO, Eurobank Equities Research

Looking forward we identify the following sales growth drivers:

- **Wider product assortment:** Following the inclusion of white goods in Plaisio's portfolio, the group enjoys a full product range offering in the consumer electronics space. As a result, it can now focus on raising awareness of its new-offered products while exploiting the emerging consumer preference for "smart" appliances.

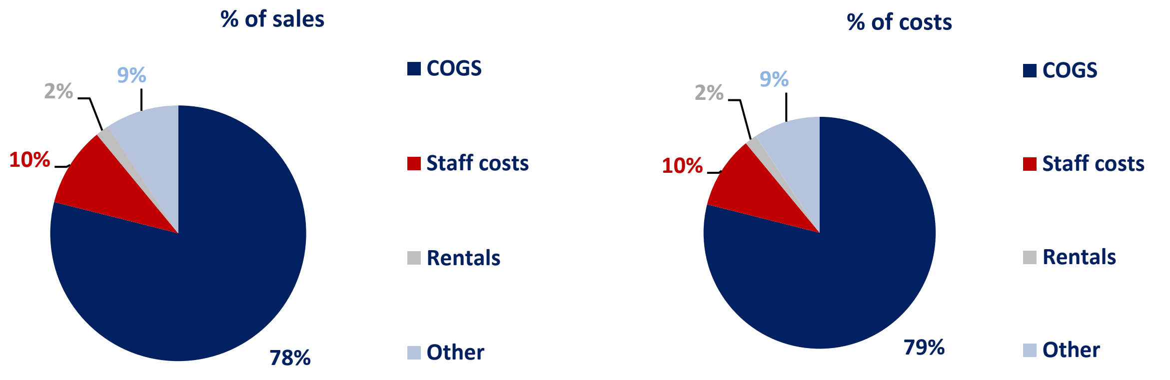
- **Value proposition with superior after sales service and route-to-market:** Although we do not profess to foresee the full extent of competitive dynamics in the coming years, we believe that the combination of competitive pricing, after sales service, strong distribution, robust digital capabilities and superior route-to-market position the business well in the post COVID-19 era. Direct/B2B sales is an additional avenue of further growth, especially given the group's solid execution during the lockdown.

- **Improving in-store experience and white's growth:** In the brave new world of e-commerce, one of the key pillars of growth is in-store experience, as, besides pricing, customers place increasing importance on the way the assortment is presented and on the "look and feel" of the store. In Plaisio's case, the second round of store modernization is likely to follow as soon as the coronavirus outbreak recedes, with the aim of improving customer experience. Store renovation will also cater for the recently-added concept, namely white appliances, which is a >€500m market, thereby constituting a substantial pool of new revenues for Plaisio.

Cost structure and margins

Of the cost base, some 79% relates to raw materials/COGS and another c10% to personnel. The remaining cost base of c€34mn is a mixture of rents (c2% of costs) and other expenses. Note that distribution expenses account for the bulk of opex (c85%) and seem to have ticked higher in the last few years due to industry competitive dynamics and the group's effort to raise brand awareness and make a foray into the white appliances' segment.

Plaisio cost base, 2019



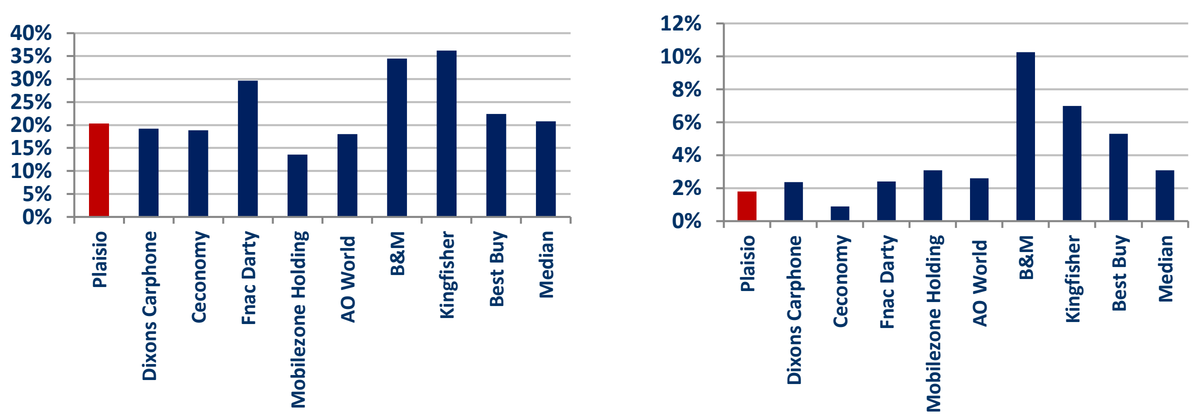
Source: Company, Eurobank Equities Research

Given that Plaisio sources most of its products from China, profitability is affected by changes in the EUR/USD rate, with the strengthening of the USD acting as a headwind. That being said, we estimate that a significant part of COGS – c75-80% – is denominated in EUR, thereby mitigating the effect from swings in the FX rate and the resulting currency risk.

Gross margin similar to the international peer group median; operating costs at the low end (as % of sales)

In the charts below, we compare Plaisio's cost structure with that of international retailers. As we show, Plaisio's gross margin is not materially different from that of its nearest peers Best Buy and Dixons Carphone but lower than that of most other retailers, presumably due to product mix differences (category exposure, private label contribution etc.). On the other hand, Plaisio's operating cost ratios are at the low end of the broad peer group, potentially reflecting lower labour costs, lower rental expenses (for most of the peers rentals are c4-5% of sales vs 2% for Plaisio) and – to an extent – vertical integration, we believe.

Margins for Plaisio and international retailers – Gross margin (left), EBIT margin (right)

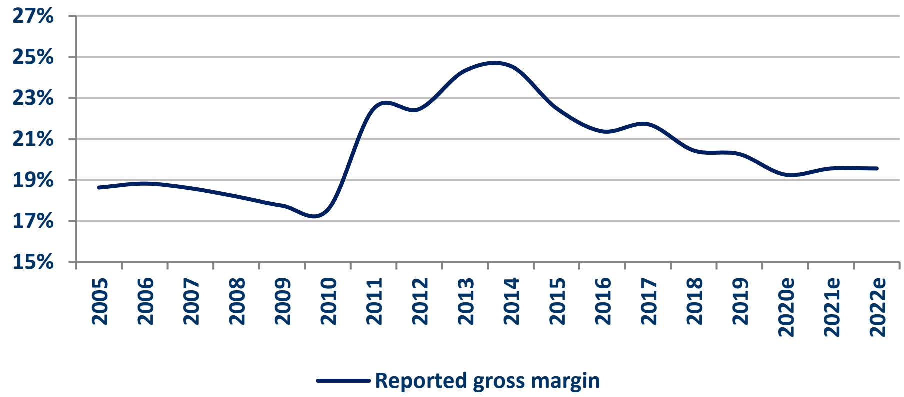


Source: Company data, Bloomberg, Eurobank Equities Research

Expect gross margin stabilization post 2021 as mix headwinds recede

From a historical viewpoint, gross margins peaked at c24-25% in 2013-14, underpinned by positive product mix (higher portion of own-branded products) and the strong EUR at the time. Gross margins had troughed in 2009-2010, due to the intense competition and as the Greek economy was entering the first phase of the 10-year recession. In the last 4-5 years though we have seen gross margins gradually retreat to levels near 20-21%, partly due to the weakening of the EUR vs the USD, partly owing to the negative product mix (shift to 3rd party brands) and to some extent due to pricing. Looking ahead, we have penciled in a stabilization of gross margins, after a 1ppt erosion in 2020, conservatively assuming that the positive effect from the strengthening of the EUR will be offset by competitive dynamics.

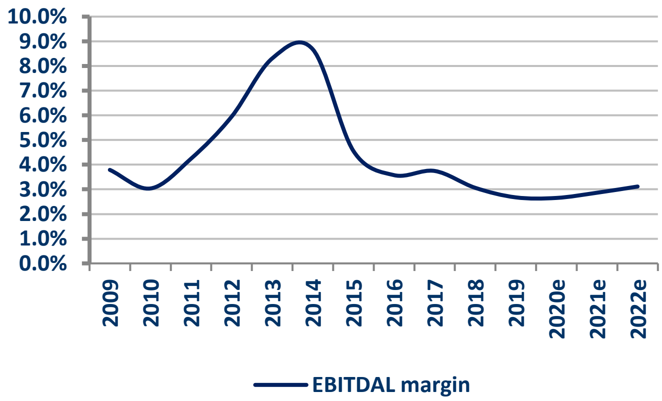
Plaisio gross margin evolution



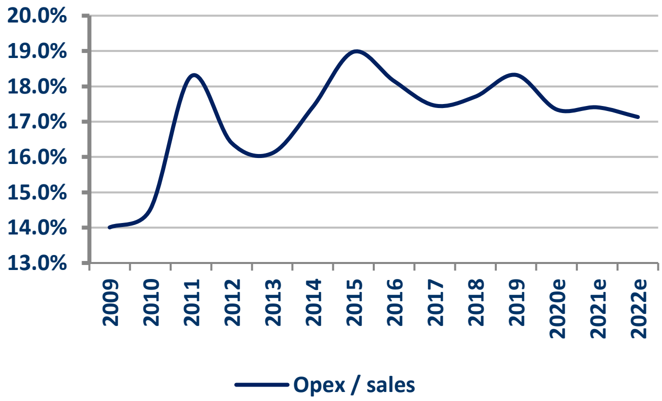
Source: Company, Eurobank Equities Research

With regard to EBITDA margins (after leases), as expected these have been rather volatile ranging from c3% to c9%. As we show in the chart below, EBITDA(L) margins have been on a downward trajectory in recent years due to cost deleveraging. The erosion is attributed to higher costs, both on an absolute basis and as % of sales, as a result of Plaisio's investments in infrastructure (new warehouse, new e-commerce platform), store network (new stores and reconfiguration of some older stores) and expansion into the white appliances segment. Looking ahead, we have assumed that lower occupancy costs in 2020 drive a reduction in opex vs 2019 levels but we assume costs bounce back in 2021 (+5% yoy) in order to underpin the 5% top line growth envisaged in our model for 2021. Further out, we expect positive operating leverage to drive a c80bps reduction in the opex to sales ratio between 2021 and 2024.

Plaisio EBITDAL margin (after leases)



Opex (incl. rentals) as % of sales – EBITDAL level



Source: Company, Eurobank Equities Research

Working capital

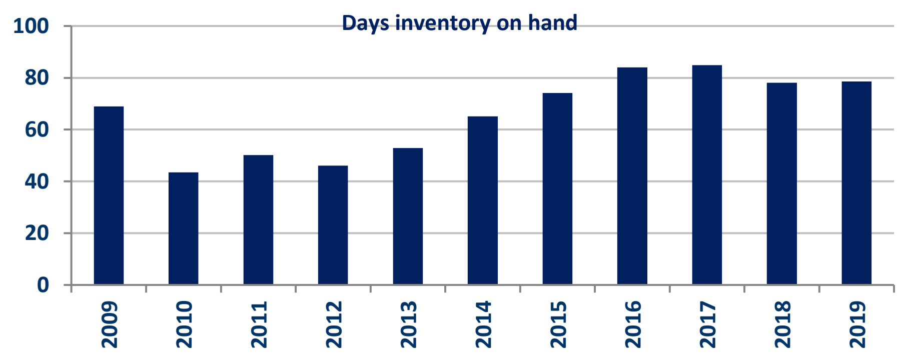
Advanced working capital management capabilities

Working capital management has been a key for Plaisio's success. Since 2009, the group has been operating its 22K sqm logistics center, where goods are assembled and dispatched from. Note that until 2009 goods were dispatched from 6 different warehouse facilities, something that was certainly not as efficient. The stock replenishment system is automated and "live", enabling Plaisio to maintain the store inventory at desired levels depending on demand.

… with efficient inventory management

As seen below, the days of "inventory on hand" increased over 2012-2016, mainly due to the group's investment in TVs and mobile phones (late 2013), but have retreated somewhat since then. In fact, the absolute level of inventory has showcased minimal variation in the last 4 years. This has been the case despite Plaisio's entry in the white appliances' segment in mid-2019.

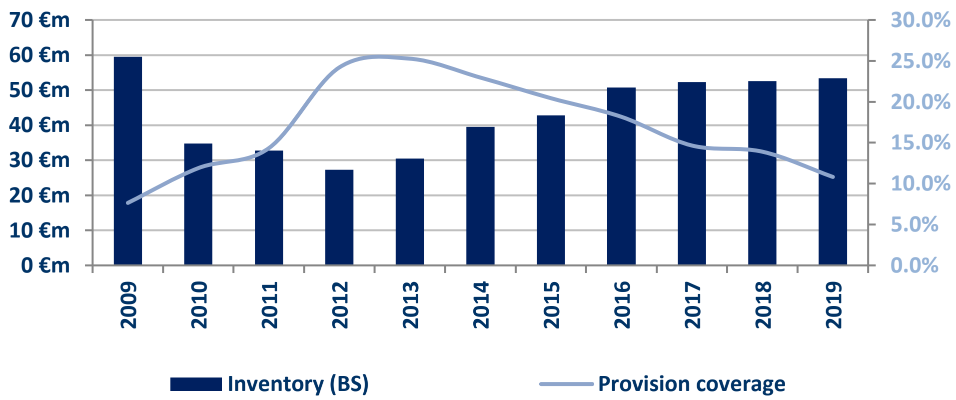
Days inventory on hand - Plaisio



Source: Company, Eurobank Equities Research

As far as coverage is concerned, this has fallen somewhat from the record-high levels of c25% in 2012-13. We attribute this to the relative normalization of macroeconomic conditions in 2017-19 – compared with the situation at the peak of the Greek crisis – and to Plaisio's entrance into the white appliances' sector, where the inventory is newer and, as a result, bears a lower risk of write-off. Currently accumulated provisions for inventory devaluation are c11% of gross inventory, having returned to their 2010 levels.

Inventory on balance sheet and provision coverage ratio - Plaisio

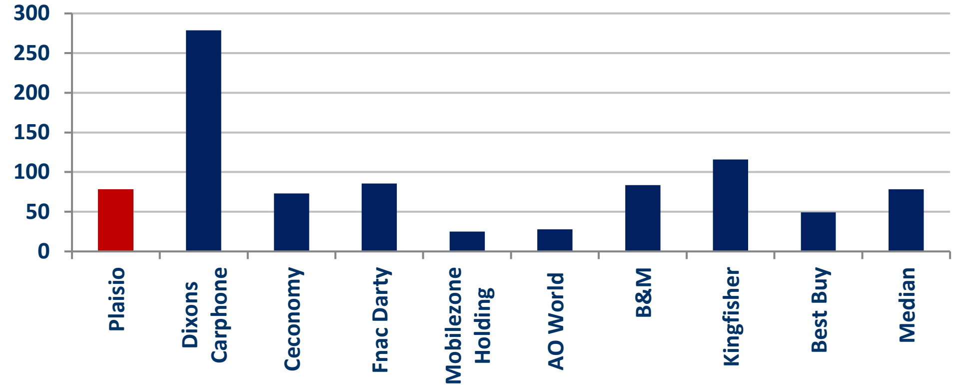


Source: Company, Eurobank Equities Research

Inventory turnover similar to international standards

Comparing Plaisio's inventory turnover with that of international peers, we do not notice any marked difference. In fact, Plaisio stands in the middle of the broad peer group.

Inventory turnover (days) Plaisio vs retailers

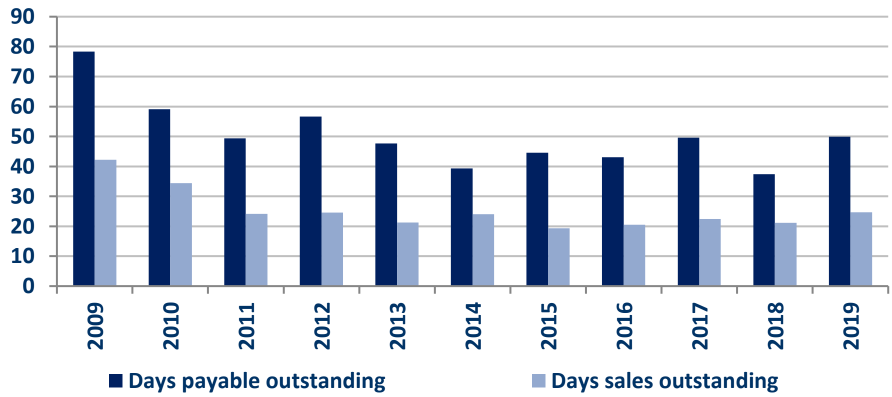


Source: Company, Eurobank Equities Research

On the receivables side, there is dispersion of credit risk over a large number of customers. In general, the policy for trade receivables has probably been too conservative in the past, with provisions for bad debt peaking at 23% in 2016. Coverage has come off in recent years, to c8.2% in 2019, partly due to improved aging of outstanding receivables. Net receivables amounted to c€20m in 2019, translating to c25 days in terms of the period that receivable collection is outstanding. This is not materially different from previous years and has come off markedly from levels 9-10 years ago. Of note is that the largest amount of receivables is insured, thereby limited to a great extent credit risk. Net receivables were slightly reduced in H1'20 vs their end 2019 level (at €19m).

On the payables front, the average number of days that Plaisio pays its suppliers has been gradually falling, though it increased again in 2019. The latter is mainly due to the addition of new suppliers related to the home appliances and the low base effect (2018 levels lower than normal).

Plaisio Days sales and payable outstanding

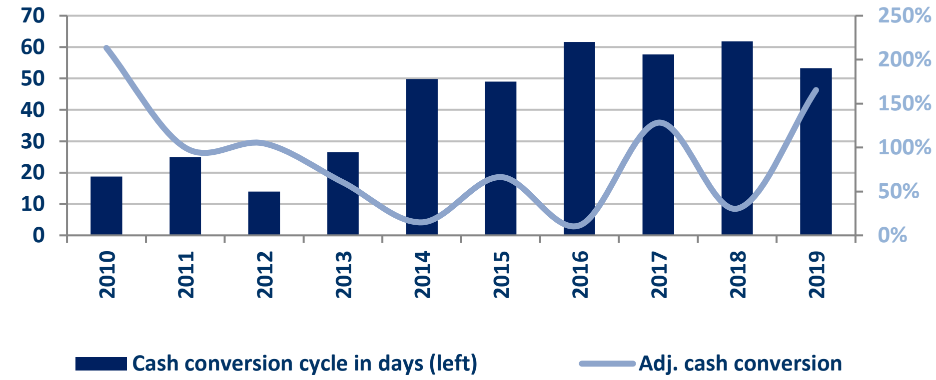


Source: Company, Eurobank Equities Research

Solid cash conversion track record

Overall, the cash conversion cycle has increased somewhat compared to the period before 2014, and seems to be oscillating between 50 and 60 days in recent years. This has translated into cash conversion (operating cash flow post leases as % of EBITDAL) varying between 30% and >100%. In 2019, following a year of poor cash conversion as a result of working capital burn due to the investment in home appliances, working capital was actually accretive to cash generation driving a 165% operating cash flow-through (as % of EBITDAL). Our estimates post 2021 incorporate c60% cash conversion, translating to a cash conversion cycle not deviating significantly from 55-60 days.

Plaisio cash conversion (cycle in days and % of EBITDA)



Source: Company, Eurobank Equities Research

Balance sheet

Robust financial position

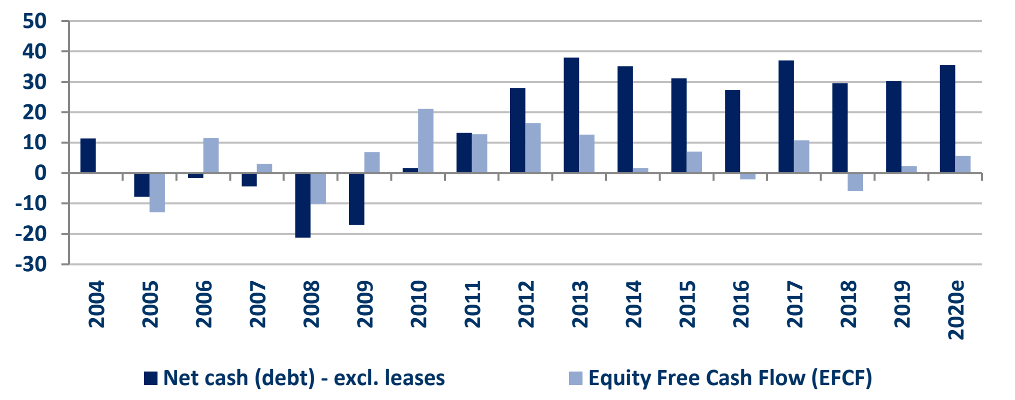
Plaisio enjoys a strong financial and liquidity position. After a major round of investments during the previous decade, the group switched to a net cash position in 2010 and topped it up to c€38m at the peak in 2013. Since then, the net cash position was diluted modestly in 2018 in the light of the latest round of investments (new e-commerce platform, new logistics center) and stayed little-changed in 2019.

… and track record of positive cash flow even during challenging years

During the same period, equity free cash flow has varied markedly depending on operating margins and working capital, but it is worth emphasizing that since 2009 Equity FCF (EFCF) has been negative solely in 2 years: in 2016 and 2018, periods during which Plaisio was either investing heavily (2018-19) or was stocking up component parts in anticipation of future price increases (2016). Of note is that Plaisio managed to generate positive FCF in 2019 despite the abnormally high level of capex (€10m vs usual €1-2m per annum).

Looking ahead, assuming capex normalizes, especially as the store renovation/expansion plan seems to have been put on hold now as the coronavirus epidemic remains a developing story, we are looking for EFCF of c€5-8m per annum in the next 5 years.

Plaisio net debt and Free Cash Flow (EUR mn)

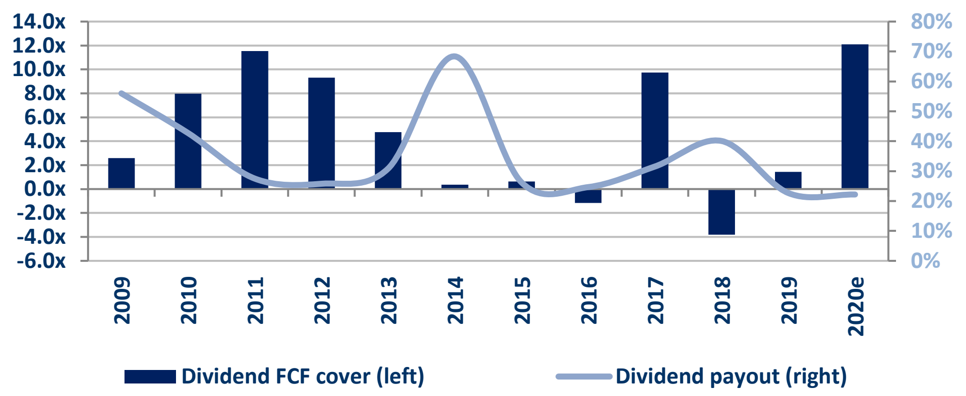


Source: Company, Eurobank Equities Research

Disciplined capital allocation

In the last decade, Plaisio returned on average c34% of net profits as dividends. In most cases this was comfortably covered by Equity Free Cash Flow, with Plaisio opting for a conservative shareholder return policy, building war chest to weather the Greek crisis (2010-2017) and to proceed with its new round of investments over 2018-19 (capex €18m in those two years). As a result, following a €0.5 per share capital return in 2014, DPS per annum has debased to <€0.10 per share. Clearly in the last few years Plaisio seems to have prioritized investments and liquidity over shareholder returns, and this strategy has worked well as the company was better-prepared for the unprecedented challenges faced during the lockdown. Going forward, we see scope for superior cash returns, but this largely hinges on developments around the virus (and the level of restrictions in the light of the resurgence in virus cases) and the extent of macroeconomic recovery. That being said, our model is predicated on a payout ratio near 32%, which, as suggested above, is in sync with the long-term average.

Dividend payout and FCF dividend cover



Source: Company, Eurobank Equities Research

H1’20 results overview

Strong set of H1 results, driven by robust sales growth, despite the lockdown

Plaisio reported quite solid H1 results with sales +8%, despite the almost 2-month lockdown, and EBITDA +1.5% yoy at €5.3m. Net profits were also up at €0.33m from €0.178m in H1'19.

Looking at H1’20 in more detail, given that during lockdown (March 18th to May 4th) sales were down some 20% (as per mgt), we calculate a high-teens yoy revenue growth in the remainder of H1’20, which led to revenues of €148.6m. Profitability benefited further by cost containment, with opex down 4% yoy (almost €1m). Pre-tax profit settled 4% higher yoy, further underpinned by lower financial costs.

From a cash flow perspective, cash burn was minimal thanks to working capital management and limited capex, given that Plaisio has completed the bulk of its investment plans. As a result, the group’s net cash position settled at €29m, little changed vs the Dec’19 position.

Plaisio results overview

EUR mn	H1'19	H1'20	yoy
Sales	**137.5**	**148.6**	**8%**
Gross Profit	29.3	28.4	-3%
Gross margin	*21.3%*	*19.1%*	-2.1pps
Operating expenses	-24.0	-23.1	-4%
EBITDA post IFRS 16	**5.26**	**5.34**	**2%**
EBITDA margin	*3.8%*	*3.6%*	-6%
D&A	-3.4	-3.8	
EBIT	**1.9**	**1.6**	**-19%**
Net financial expenses/other	-1.4	-1.0	
Pre-tax Profit	**0.48**	**0.50**	**4%**
Tax	-0.3	-0.2	
Effective Tax Rate	63%	34%	
Net Profit	**0.2**	**0.3**	**86%**
Operating Cash Flow	-5.0	1.3	
- capex	-7.4	-0.4	
Capital repayment of leases	-2.5	-1.9	
Free Cash Flow	**-14.9**	**-1.1**	
Net cash / (debt)	**13.1**	**29.2**	

Source: Company, Eurobank Equities Research

Across the product categories, technology products and white goods (the latter was included in the product mix as of June 2019) were the drivers of the top line growth. EBITDA margins contracted across all product segments but on an absolute basis, this was more than offset by the contribution of the whites' category. Still, the EBITDA margin erosion was limited to just 20bps, as the group offset the gross margin pressure with tight cost monitoring.

Results breakdown by category			
Sales	**H1'19**	**H1'20**	**yoy**
Office Products	47.7	46.0	-3.5%
Telecommunications	27.4	27.0	-1.5%
PCs & Digital Technologies	61.7	67.2	8.9%
White Appliances/other	0.7	8.3	1055%
Group	**137.5**	**148.6**	**8.0%**
Sales % of total	**H1'19**	**H1'20**	**yoy**
Office Products	34.7%	31.0%	-3.7pp
Telecommunications	20.0%	18.2%	-1.8pp
PCs & Digital Technologies	44.8%	45.2%	+0.4pp
White Appliances/other	0.5%	5.6%	+5.1pp
EBITDA	**H1'19**	**H1'20**	**Yoy**
Office Products	2.4	2.2	-7.2%
Telecommunications	1.0	0.8	-17.8%
PCs & Digital Technologies	1.8	1.9	-5.6%
White Appliances/other	0.1	0.4	365%
Group	**5.26**	**5.34**	**1.6%**
EBITDA margins	**H1'19**	**H1'20**	**Yoy**
Office Products	5.0%	4.8%	-0.2pp
Telecommunications	3.5%	3.0%	-0.6pp
PCs & Digital Technologies	2.9%	2.8%	-0.1pp
White Appliances/other	12.3%	5.0%	-7.3pp
Group	**3.8%**	**3.6%**	**-0.2pp**

Source: Company, Eurobank Equities Research

What does the viral outbreak mean for the business?

Initial concerns on Plaisio were focused on the supply chain effects, due to the fact that a significant part of its technology equipment parts is imported from China and assembled in its facilities. As such, a sustained cut to production in China would have limited the supply of inputs. Production shutdowns did not persist for too long though, with the situation gradually normalizing.

Quite resilient performance during the lockdown, thanks to impressive e-commerce execution, further underpinned by Plaisio's distribution capabilities

Since March, concerns switched from an initial supply disruption to a demand shock given the lockdown imposed domestically on retail shops. Despite the suspension of its brick-and-mortar channel, Plaisio managed to limit the rate of decline during the shutdown period to just 20%, quite a remarkable performance in the context of the c44% decline registered by the total non-food retail segment during April. Underpinning this solid execution through secondary distribution channels (online and B2B) were: 1) Plaisio's state-of-the-art e-commerce platform (7.8m visitors on the web site) and 2) superior infrastructure enabling fast delivery (through 90 own trucks) and customer service (1m call center calls).

Short-term challenges by a potential second wave; long-term potential benefits owing to channel and category shifts…

Looking ahead, to an extent Plaisio is likely to continue benefiting from pent-up demand and channel/category shifts, namely the migration to e-commerce and the switching of spending from eating out/leisure towards other segments such as electronics (e.g. work-at-home trend). On the other hand though, in the short-term – namely until H1 2021 – there is clearly a risk of another demand shock precipitated by the second coronavirus wave or by pressure on disposable income as a result of the weaker-than-initially-hoped tourism season. Longer-term, we expect Plaisio to be a beneficiary of the virus-induced changes mentioned above by virtue of its sophisticated delivery capabilities.

… and the potential increasing focus on speed of delivery

Besides driving a faster migration towards e-commerce, COVID-19 has also catalysed another change in the behaviour of shoppers, namely pricing. Indicatively, during the lockdown, consumers started to place increasingly more importance on product availability and speed of delivery vis-à-vis pricing. Although this trend ought to have waned as restrictions got lifted, we believe that as consumers become channel agnostic in the future, they will require faster shipping speeds and might be keen to prioritise this over pricing, especially after disposable income bounces back. Market participants such as Plaisio with strong infrastructure for fast last-mile delivery look well-placed to defend their margins and to gain market share.

Network expansion and further store renovation seem to be on hold

Besides the c20% drop in revenues during the lockdown, the other negative effect from COVID-19 has to do with the network expansion, which on our understanding is a project currently on hold. Meanwhile, the further push into the white appliances segment is proceeding, although this also hinges on how the situation regarding the pandemic will evolve. In any case, capacity-led growth is mainly a theme beyond 2021, we reckon.

Overall, the COVID-19 outbreak has certainly encumbered Plaisio's margins, primarily as a result of lower sales during the lockdown and partly due to virus-related incremental costs (e.g. sanitisation, extra shifts in warehouses etc.). On the other hand though, other cost categories have either been curtailed (e.g. payroll expenses for furloughed staff) or have the potential of being trimmed (e.g. rental expenses). In that regard, although we expect cost deleverage to erode profitability in 2020, we believe the effect will more than reverse in 2021e as sales bounce back and as Plaisio tightly monitors costs while capitalising on previously completed investments (store renovation, e-commerce platform etc.).

Market overview and competition

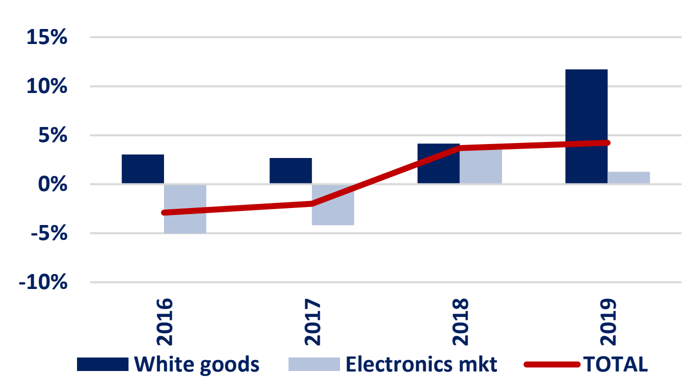
Addressable market snapshot

c€2bn addressable market, rather fragmented in certain categories

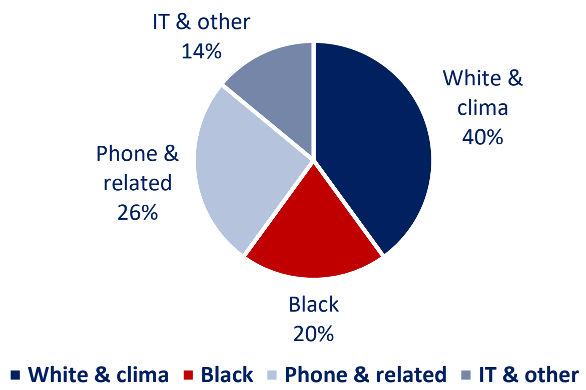
Plaisio's addressable market comprises segments such as PCs, digital components, telecommunications' equipment, stationary & office supplies, and white goods appliances and adds up to some €2bn (in retail prices) on our estimates.

According to an ICAP study (2018 data), white appliances and clima account for 40% of the sales mix, followed by black appliances which comprise c20% of total. Telephone and small black goods (wearables & others) make up another 26% while IT/other products account for 14% of the mix. According to the same study, following several years of declining trends, the market had entered on an upward trajectory before the viral outbreak, having registered positive growth rates in the past two years.

Total market growth



Electronics market split



Source: Eurobank Equities Research, ICAP

Due to scarcity of data for other subsegments, we focus on home appliances…

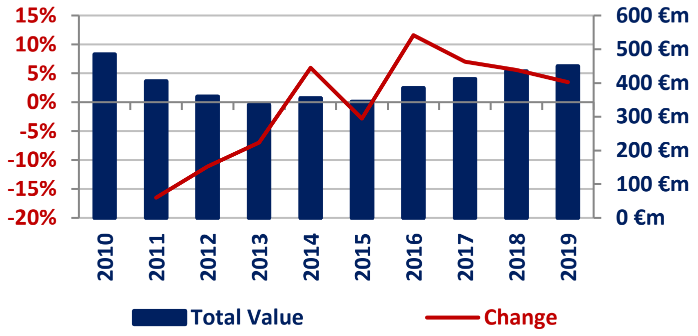
In the absence of available and reliable historic data for stationary & office supplies and other market subsegments, we have focused our analysis on Home Appliances, both black and white. Demand for the latter is determined by a wide range of factors including the construction of new buildings, renovations, credit availability, technology evolution and even climate change (as consumers demand energy and resource-efficient products). On our understanding, the two most pertinent factors for demand seem to be disposable income and the average life cycle of Home Appliances (with a lower replacement rate for major appliances).

… which is a >€500m market

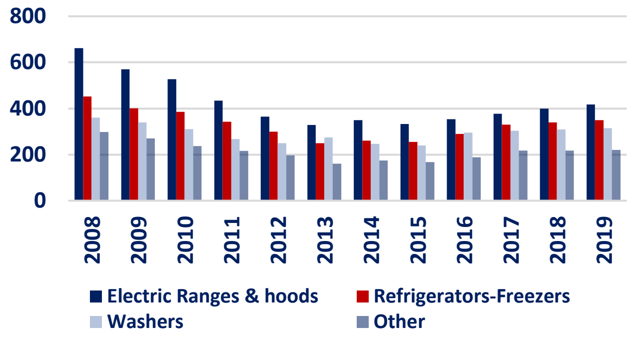
Looking at trends over the last 5 years, the Home Appliances market appears to have staged a comeback, which we believe can be largely attributed to the proliferation of short-term rental housing (Airbnb etc.). In the meantime, the progress of new technology and digitalization has also driven the development of advanced products, i.e. 'Smart Home' appliances. Against this background, this segment has posted a 7% average annual increase over 2016-2019, mainly driven by growth in refrigerators-freezers. In terms of size, this market is worth >€500m according to ICAP, leaving plenty of scope for Plaisio for incremental sales in the future.

Plaisio made a foray into the particular segment in 2019 as a technology-driven player in the light of the gradual "digitalisation" that started to permeate the household appliances market. As a result, Plaisio now offers home appliances of 2 private labels having established two new own brands (Nuvelle and Kendrix). Meanwhile, it was the first Greek company providing customers with some of the most innovative tech products in the market, i.e. Amazon Alexa and Google Home.

Home appliances market (€m and % change yoy)



Home appliances market (in thousand pieces)



Source: Eurobank Equities Research, ICAP

E-commerce in Greece

E-commerce penetration rising, but still <10% in Southern Europe…

In recent years, the pace of digital innovation internationally has accelerated and has been the catalyst for industry rationalisation for brick-and-mortar retailers. The proliferation of e-commerce retailers and the expansion of the omni-channel capabilities of traditional retailers has proved a major disruptive force in several markets – and particularly so in the US – precipitating store closures on the high-street.

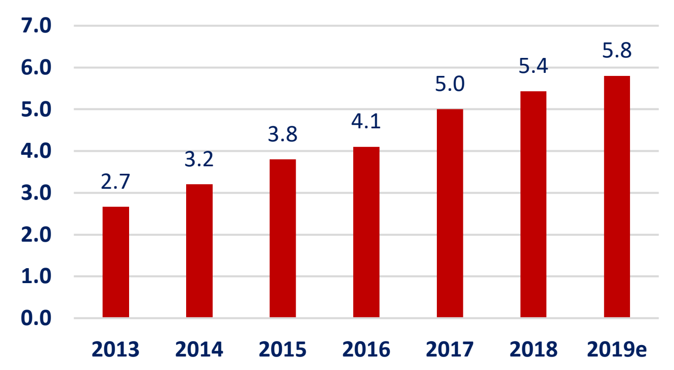
… with penetration varying across categories

Indicatively, in the non-food retail space e-commerce penetration varies from less than 10% in Southern Europe (including Greece, Spain, Italy) to 20-25% in Central Europe (e,g, Germany, Netherlands) and c30% in the UK. Similarly, penetration within the various retail subcategories can be substantially different, with categories such as electronics/electricals and books enjoying the highest penetration rates (up to 50%) followed by apparel/footwear (20-30% in countries such as the UK).

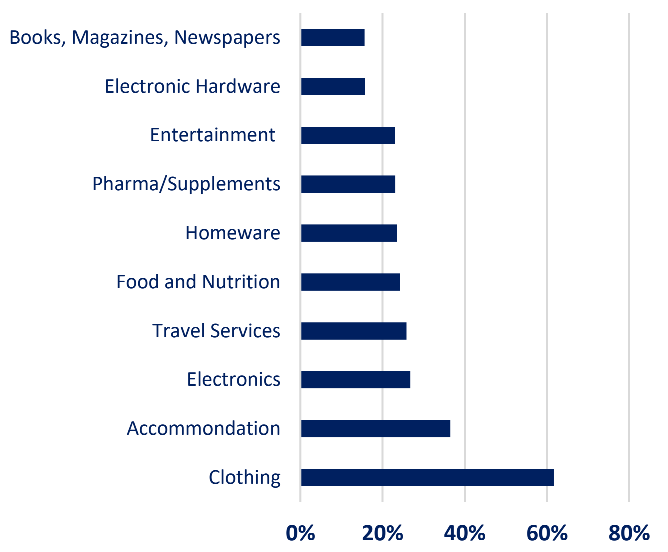
Penetration even lower in Greece

In Greece, online penetration remains low. As we show below, e-commerce in Greece reached almost €6bn in 2019, corresponding to a penetration rate near 3%. Since 2013, e-commerce has more than doubled in size, but remains well below the levels of developed Europe, partly due to cultural reasons affecting shopping habits (e.g. propensity to use plastic money). The percentage of the population making at least one purchase online was 35% in 2019, but ought to have increased markedly in the post COVID-19 era. Across the retail subsegments, it seems that the most penetrated categories are clothing, accommodation/travel and electronics, broadly in sync with the experience internationally.

Annual B2C Turnover (in EURbn.)



Percentage of online shopping



Source: Eurobank Equities Research, ECOMMERCE EUROPE, ELSTAT

As far as the effect of the coronavirus outbreak on e-commerce dynamics is concerned, according to "Ecommerce Europe" the number of e-shoppers increased by more than 100% in April, with the average weekly spending in digital stores +170% yoy and monthly turnover +600%. At the same time the number of small enterprises that established an online shop increased by 100%, reaffirming the thesis of the accelerating channel shift towards e-commerce.

Competition

Highly competitive sector

Given the category exposure, it is obvious that Plaisio operates in a highly competitive cyclical market, especially as far as the electronics subsegment is concerned. Competition is principally based on price, store location, quality of products – and more recently speed of delivery – and tends to intensify during sales periods (e.g. Christmas, Easter, summer). As is the case internationally, the market is highly fragmented driven by a number of factors affecting demand, such as technology, product life-cycle patterns, establishment of new households, shift to energy and resource-efficient products etc.

… with many players having exited the market due to poor performance

Structural overcapacity and pricing pressures have led to ongoing industry rationalisation/consolidation, trends which started in the early days of the Greek crisis and continue unfettered. Among the competitors that have withdrawn from the Greek market are French retail chain Fnac (in 2010) and German electrical goods retailer Saturn (in 2011). The German multinational retail chain Media Markt went through a period of poor results and cash burn, before partnering up with "Public", a local chain belonging to Olympia group which has evolved into one of Plaisio's main competitors.

Overall, besides Plaisio, the main players in the electronics and home appliances market nowadays are big-box retailers Kotsovolos (subsidiary of Dixon's S.E. Europe) and Public, with Plaisio also competing to an extent with Germanos's retail network (in telephony and some other product categories). With regards to stationary & office products, Plaisio still competes with hypermarkets, small mom & pop shops and Jumbo (the Greek hypermarket chain). As far as the main competitors are concerned, in more detail:

- **Dixons S.E. Europe:**
  - Kotsovolos started with one store in the centre of Athens in 1950. It entered into a strategic partnership with British Dixons Group in May 2000, becoming one of the leaders in the Greek electric & electronic appliances market. Since 2005 it has been consolidated under Dixons SE Europe group (with a foothold in 28 countries). It now counts 95 physical points of sale in Greece, of which 69 owned and 26 franchise stores. It is one of the leading electric & electronic appliances chains in Greece, dominating the whites' segment.

- **Public/Media Markt:**
  - Public initiated operations in 2005 and now has 57 stores in Greece and Cyprus, offering tech and entertainment products. It recently created the first online market place, in collaboration with various retailers in fashion, sports & fitness, baby apparel, personal care and home & smart living. In 2019, Public sealed a deal with Media Markt for the creation of a new joint company housing both brands.
  - Media Markt has a network of 13 stores in Greece, with its business model based on the concept of superstores with a minimal number of employees. It promotes cash & carry shopping, through low prices and a vast range of products.
  - The combined entity has a store network of 70 brick-and-mortar venues as well as 4 online stores. It is the largest omnichannel retailer of consumer electronics and entertainment products in Greece and Cyprus. The proforma turnover of the combined group was near €460m in 2019.

Main competitors' top line performance has varied depending, among others, on category exposure; in general the big have become bigger

From a performance perspective, all market participants benefited from industry rationalisation at the peak of the Greek crisis (2011-14). The protracted period of falling disposable income, the unprecedented challenges in the aftermath of the imposition of the capital controls in the summer of 2015 and the upswing in competitor activity led to a period of relative stagnation of the top line for most market participants over 2015-2017. The players that grew their top line meaningfully during the aforementioned period were Public (partly due to the network expansion) and Dixons (partly due to the heavy investments underpinned by the parent company and the greater resilience of the white appliances segment).

Operating margins are relatively low across the industry, as is the case internationally

On the profitability side, as depicted in the table below, most participants were struggling to be profitable until 2015-16. Plaisio enjoyed a healthier financial position having superior margins and much higher sales densities than most competitors. In the last few years, we have seen a notable upswing in the performance of both Public and Kotsovolos. The former seems to have capitalised on past investments and the expanding footprint while the latter has taken advantage of its dominance in the growing white appliances category. As a result, Public has swung back to the black enjoying the benefits of operating leverage, while Kotsovolos has more than tripled its profitability since 2016. As far as Plaisio is concerned, following the "debasement" of earnings in 2015, EBITDA has declined modestly on a like-for-like basis (i.e. excl. IFRS 16) in the last few years, mainly as a result of gross margin erosion (driven by price/mix) and higher SG&A (following Plaisio's recent investments in new stores and infrastructure). Overall, operating margins tend to be rather slim, namely in the low to mid single-digits, with Plaisio and Public having similar margins in the 3-4% range (at EBITDA level) and Dixons S.E. Europe standing a bit higher now (c5%).

Peer group performance

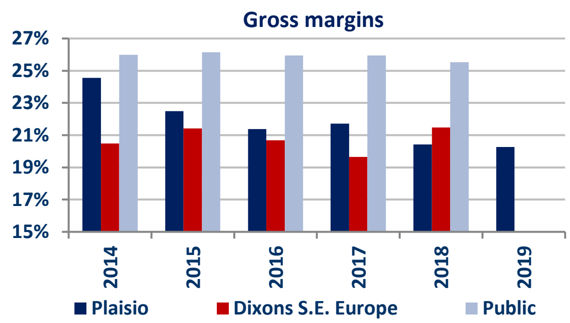
In EURmn unless otherwise stated

Public (FY to end Dec)	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**
Sales	150.9	181.6	222.5	234.3	241.0	256.4	
EBITDA	-11.2	-10.4	0.1	3.0	3.4	9.1	
Number of stores	39	49	49	51	53	55	57
Media Saturn (FY to end Sep)	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**
Sales	188.9	196.3	185.4	188.6	187.3	186.6	
EBITDA	-4.0	-2.8	-2.5	-3.1	6.0	-14.4	
Number of stores	10	10	10	11		12	13
Dixons S.E. Europe (FY to end Apr)	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
Sales	338.2	381.7	365.9	407.9	456.9	531.5	538.0
EBITDA	1.1	1.8	6.5	14.5	20.1	25.2	26.2
Number of stores						95	95
Plaisio (FY to end Dec)	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**
Sales	282.7	297.5	272.0	283.0	286.1	308.9	317.1
EBITDA	23.5	25.8	12.4	10.1	10.7	9.5	13.6*
Number of stores	22	22	22	23	23	24	25

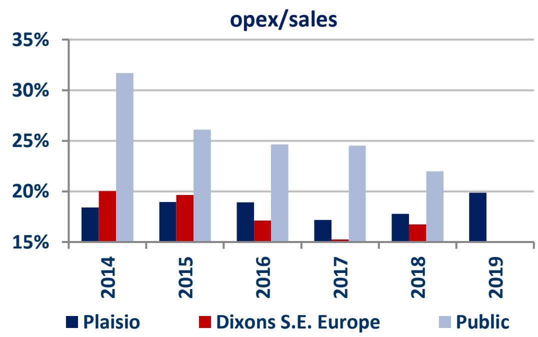
Source: Eurobank Equities Research, Company data.
**post IFRS 16, i.e. ex lease costs*

In the charts below we depict gross margins and operating costs/sales. We witness that Plaisio's gross margin has declined from c. 25% in 2014 closer to Dixons's c. 20% gross margin, while the operating costs of the two companies (as % of sales) are fairly close, albeit having increased slightly since 2016. When compared to Public, Plaisio enjoys leaner operations (opex/sales c7pp lower on average), though on c5pp lower gross margin.

Gross margin



Opex/sales



Source: Eurobank Equities Research

Ongoing shift to e-commerce has been another factor driving more intense competitive dynamics

Besides the brick-and-mortar retailers, there are several online companies being present in Greece, although e-commerce remains a secondary distribution channel. Online retailers are rapidly gaining ground however, with the coronavirus outbreak acting as the catalyst for the acceleration of a pre-existing structural trend (i.e. the shift to digital purchases). In the online channel, the industry is still in the early innings of a multi-year investment phase, with competition being based predominantly on price and delivery days. The latter has started to become a key point of differentiation internationally as companies get increasingly more efficient in delivering within a few days. The trend towards short delivery timeframes also means that sub-scale retailers with limited capabilities will face severe headwinds in the years to come.

Plaisio's e-commerce capabilities following prior investments mean it is well positioned to stave off competition and deliver profitable market share gains in the future

On its part, Plaisio has developed a vigorous omnichannel, having integrated web store, physical stores and phone orders, running on an updated platform since September 2019. Having invested significantly in the last few years in infrastructure and fulfilment capabilities, Plaisio is best positioned to reap the benefits of the rising e-commerce penetration, in our view, and to take share from smaller retailers. This is even more so the case as we expect the rising demand for next day delivery to require significant investment, and, in that regard, smaller competitors lacking the financial firepower to invest are clearly facing a competitive disadvantage. Overall, although the industry is likely to stay quite competitive in the near term and margins may see limited respite from current levels, we think that Plaisio can capitalise on its past investments, driving small margin expansion and greater market share gains.

Price comparison

As mentioned previously, Plaisio's strategy is predicated on offering discounter pricing with premium service and experience, further underpinned by technical and after sales support. The product mix comprises a combination of own-branded and 3rd-party products spanning the entire price spectrum.

In order to pinpoint where the company stands vis-à-vis competitors in terms of pricing, we have used indicative price data across various products, comparing the pricing of own-branded products with similar 3rd party brands. In general, we have found that 3rd party brands retail at similar price points at Plaisio and other major consumer electronics retailers (e.g. Dixons). As far as Plaisio's own-branded products are concerned, these normally retail at prices >30% lower than international brands' comparable products, as part of mgt's effort to offer a compelling value proposition.

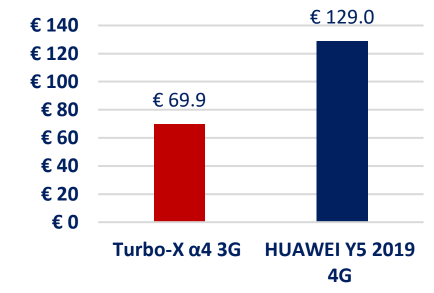
In more detail:

- **Smartphones/tablets:** Plaisio's own brand Turbo-X competes in the low-end category. Mid and high-end categories are dominated by international 3rd party brands, where there are limited differences among major retailers in terms of pricing. The same is the case for tablets, with Plaisio's own brand Turbo-X focusing on cheap and entry-level devices. Again, high-end products are not pursued, presumably owing to prohibitive production costs and significant R&D required.

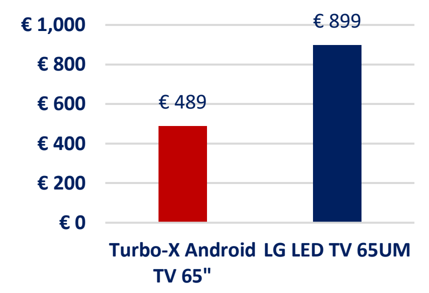
- **TVs:** Similar to the situation in the Smartphone/Tablets segment, Plaisio provides a vast array of TVs. Of note is that Plaisio seems to have entered almost every TV sub-segment (in terms of specs), providing the most attractively-priced own-branded product in each category at a price that is on average up to c50% lower than 3rd party brands offered by competition.

- **Laptops/desktops:** Turbo-X Laptops and Desktops are key to Plaisio's electronics portfolio, with custom-made products being at the core of the company's strategy. As such, Plaisio provides easily modified and assembled value products serving almost every customer (Home PCs, Business PCs or even Workstations).

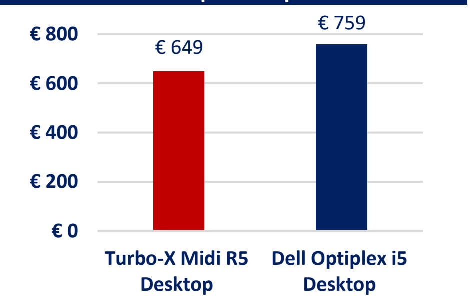
Electronic Devices | Smartphones



Electronic Devices | TVs



Electronic Devices | Desktops



	Turbo-X α4 3G	*HUAWEI Y5 2019 4G*
Price:	€ 69.90	€ 129.00
Processor:	Quad-Core	Quad-Core
RAM/ROM	1 GB/8 GB	2 GB/16 GB
Resolution:	2340 x 1080 pixels	2160 x 1080 pixels
Camera (Rear/Front):	13 MP/2 MP	13 MP/5 MP

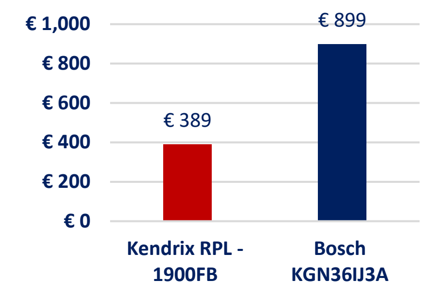
	Turbo-X Android TV TXV-A6575	*LG LED TV 65UM7610*
Price:	€ 489.00	€ 899.00
Screen Size:	65"	65"
Resolution:	4K Ultra HD	4K Ultra HD

	Turbo-X Teamwork Midi R5 2400G	*Dell Optiplex 3070 MFF*
Price:	€ 649.00	€ 759.00
Processor:	AMD Ryzen 5 2400G	Intel Core i5
Memory:	8 GB DDR4 2400 MHz	8 GB DDR4 2666
Hard Drive:	240 GB SSD	256 GB SSD
GPU:	AMD Radeon Vega 11	Intel HD 630

Source: Eurobank Equities Research, Plaisio. Data compiled in H1 2020.

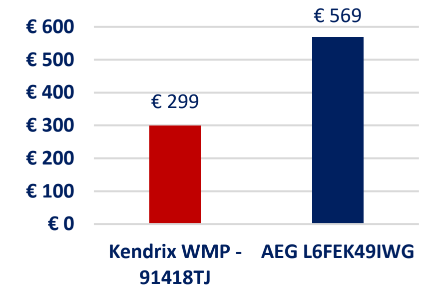
- **White appliances:** Plaisio entered the white goods market in 2019 as part of a push towards becoming a "one-stop shop" destination in the broad electronics segment, especially against the background of rising popularity of "smart home" appliances with great affinity to technology. Plaisio offers a variety of international brand names and also two private labels, namely Kendrix and Nuvelle. Indicatively, Kendrix refrigerators'/freezers' prices are, on average, c25% lower than similar 3rd party brands. Within A/Cs, the company covers every subcategory under the name 'Nuvelle'. The average price difference between Plaisio and international brands of similar specs is 24-40%, depending on thermal energy.

Home Appliances | Refrigerators-Freezers



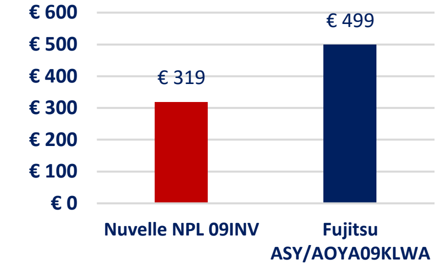
	Kendrix RPL - 1900FB	*Bosch KGN36IJ3A*
Price:	€ 389.00	€ 899.00
Capacity:	358 Lt	357 Lt
Size:	185 cm x 60 cm x	186 cm x 60 cm x
Energy Class:	A++	A++
Freezing Type:	No Frost	No Frost

Home Appliances | Washers



	Kendrix WMP-91418TJ	*AEG L6FEK49IWG*
Price:	€ 299.00	€ 569.00
Capacity:	9kg	9kg
RPM:	1400	1400
Energy Class:	A+++ -20%	A+++ -20%

Home Appliances | A/C



	Nuvelle NPL 09INV	*Fujitsu ASY/AOYA09KLWA*
Price:	€ 319.00	€ 499.00
Output:	9.000 BTU/h	9.000 BTU/h
Oper. Type:	Inverter	Inverter
Energy Class	A++	A++
Energy Class (Heating):	A+++	A++

Source: Eurobank Equities Research, Plaisio

History and shareholder structure

Plaisio was founded in 1969 through the establishment of a store in the center of Athens retailing stationery and office products. In 1986, the group diversified to PCs by assembling the first build-to-order computer under its own brand name (Turbo-X).

During the 1990s, the management embarked on a network expansion program which saw Plaisio add another 9 stores by 2000. In the meantime (1995), it introduced a secondary distribution channel through catalogues and rolled-out its direct sales business through its call center (1996). In 1999, Plaisio was listed on the Athens stock exchange and on the same year it launched its internet web site.

Further network expansion over 2000-09 saw Plaisio quadruple its annual turnover. During this period, the group started rolling out larger-than-previously stores (>1,000 sqm) to achieve operational efficiencies and maximize turnover. One of the milestones for the group was the assembly of its first own-branded laptop in 2003. In 2005, the group made a move abroad rolling out its first international store in Bulgaria, while in 2009 a 22K sqm logistics center in Athens (Magoula) initiated operations.

By the end of 2013, the group introduced its private label products in two key categories, TVs and mobile phones managing to achieve a top 4 market share in the TV category from the first year. In 2017-18 the group developed a new site for professionals, addressing the needs of its strong business client base. It also reinvented to an extent its corporate identity by modernizing part of its store network, making the stores more “futuristic”.

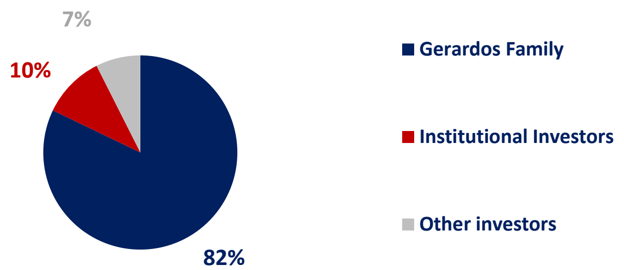
The last significant milestone was the entry into the white goods market in 2019, with Plaisio also establishing two new private label products in this category (Nuvelle & Kendrix). The group also constructed a new logistics center in Mandra (Attica) to back the white goods appliances and inaugurated a new 3K sqm concept store in Petrou Ralli street. The company now has 24 stores, with almost half being larger than 1,000 sqm in size.

The Chairman of the BoD and CEO Mr. G. Gerardos is Plaisio’s founder having led the business through its transformation into one of the leading retail groups in Greece. Mr. Gerardos was born in 1946 and holds a degree from the National Technological University of Athens (NTUA). He holds c66.7% of the share capital.

Mr. K. Gerardos, son of the founder, is Vice-Chairman and co-CEO. He was born in 1977 and holds a BA in International Business from Eckerd College, USA. He has been with the company since 1995. He holds c15.5% of the share capital.

As far as the rest of the shareholder structure is concerned, besides the 82% controlled by the Gerardos family, another 10.4% of shares are held by institutional investors, with the remaining 7% being held by other investors. It is worth stressing that the Gerardos family has increased its stake in the company (relative to 2008).

Shareholder structure



Source: Eurobank Equities Research, Plaisio

Group Financial Statements

EURmn					
Group P&L	**2018**	**2019**	**2020e**	**2021e**	**2022e**
Sales	**308.9**	**317.1**	**319.2**	**335.2**	**350.3**
Gross Profit	63.1	64.2	61.5	65.6	68.5
EBITDA	**9.5**	**13.6**	**12.5**	**14.6**	**16.1**
change	*-11.8%*	*43.4%*	*-7.5%*	*16.8%*	*9.6%*
EBITDA margin	*3.1%*	*4.3%*	*3.9%*	*4.4%*	*4.6%*
EBIT	**7.3**	**5.7**	**5.7**	**6.9**	**8.3**
Financial income (expense)	-1.2	-2.7	-2.9	-2.2	-2.2
Exceptionals/other income	0.0	0.0	0.0	0.0	0.0
PBT - reported	**6.1**	**3.0**	**2.8**	**4.7**	**6.1**
Income tax	-2.2	-1.1	-0.9	-1.3	-1.6
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Net profit - reported	**3.9**	**1.9**	**2.0**	**3.5**	**4.5**
EPS - adjusted (EUR)	**0.17**	**0.09**	**0.09**	**0.16**	**0.21**
DPS (EUR)	**0.07**	**0.02**	**0.02**	**0.05**	**0.07**
Group Cash Flow Statement	**2018**	**2019**	**2020e**	**2021e**	**2022e**
EBITDA	9.5	13.6	12.5	14.6	16.1
Change in Working Capital	-4.6	6.4	0.3	-3.0	-3.0
Net interest	-1.2	-1.5	-2.0	-1.3	-1.3
Tax	-1.6	-0.8	-0.9	-1.3	-1.6
Other	-0.4	-0.1	0.0	0.0	0.0
Operating Cash Flow	**1.7**	**17.6**	**10.0**	**9.1**	**10.2**
Capex	-7.6	-10.3	-0.6	-0.8	-0.8
Other investing	0.0	0.0	0.0	0.0	0.0
Net Investing Cash Flow	**-7.5**	**-10.3**	**-0.6**	**-0.8**	**-0.8**
Dividends	-1.5	-1.5	-0.4	-0.4	-1.1
Other	0.0	-5.1	-4.1	-5.0	-5.2
Net Debt (cash)	**-29.6**	**-30.3**	**-35.1**	**-38.0**	**-41.1**
Free Cash Flow (adj.)	**-5.9**	**2.2**	**5.3**	**3.2**	**4.2**
Group Balance Sheet	**2018**	**2019**	**2020e**	**2021e**	**2022e**
Tangible Assets	29.7	36.5	35.1	34.0	32.8
Intangible Assets	1.5	2.0	1.2	0.5	-0.3
Other non-current Assets	4.8	39.0	39.0	39.0	39.0
Non-current Assets	**36.0**	**77.4**	**75.3**	**73.4**	**71.6**
Inventories	52.5	53.4	53.5	56.2	58.7
Trade Receivables	17.9	21.4	22.5	24.8	27.0
Other receivables	6.4	7.9	6.3	6.5	6.9
Cash & Equivalents	40.8	39.2	42.0	44.9	48.0
Current Assets	**117.6**	**121.9**	**124.3**	**132.4**	**140.5**
Total Assets	**153.6**	**199.4**	**199.6**	**205.8**	**212.1**
Shareholder funds	93.1	93.4	95.4	99.1	103.0
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**93.1**	**93.4**	**95.4**	**99.1**	**103.0**
Long-term debt	8.9	6.9	6.9	6.9	6.9
Other long-term liabilities	5.4	38.9	38.9	38.9	38.9
Long Term Liabilities	**14.3**	**45.8**	**45.8**	**45.8**	**45.8**
Short-term debt	2.3	2.0	0.0	0.0	0.0
Trade Payables	25.2	33.9	34.0	35.5	36.9
Other current liabilities	18.7	24.3	24.4	25.4	26.4
Current Liabilities	**46.2**	**60.2**	**58.4**	**60.9**	**63.3**
Equity & Liabilities	**153.6**	**199.4**	**199.6**	**205.8**	**212.1**
Key Financial Ratios	**2018**	**2019**	**2020e**	**2021e**	**2022e**
P/E	21.6x	39.4x	35.5x	20.4x	15.6x
P/BV	0.9x	0.8x	0.7x	0.7x	0.7x
EV/EBITDA	9.5x	7.5x	7.3x	6.0x	5.3x
EBIT/Interest expense	3.3x	2.1x	2.0x	3.2x	3.8x
Net Debt (cash)/EBITDA	-3.9x	0.4x	0.1x	-0.1x	-0.3x
Dividend Yield	1.9%	0.6%	0.6%	1.6%	2.1%
ROE	4.2%	2.1%	2.1%	3.6%	4.5%
Free Cash Flow yield	-7.0%	2.9%	7.6%	4.6%	6.0%
Payout Ratio	40.1%	22.7%	22.2%	32.0%	32.0%

Source: Eurobank Equities Research

Company description

Plaisio is one of Greece's largest retailers of digital technology and office products operating 24 stores (plus 1 store in Bulgaria). Besides being a retailer, it is also a product assembler importing technology equipment parts from China and assembling those in its facilities under its own brand Turbo-X. Plaisio offers discounter pricing with premium service and experience based on a multi-channel, multi-customer and multi-product approach

Risks and sensitivities

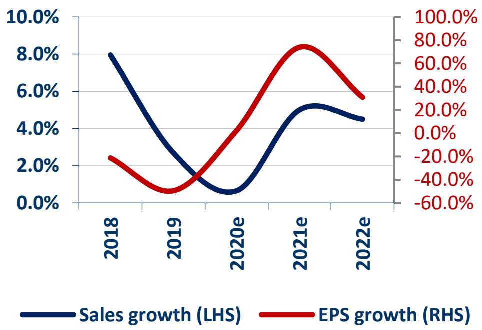
•**Macro:** Given its exposure in Greece (c97% of sales), Plaisio is dependent on the domestic macro environment. Any significant decline in economic activity would thus weigh on Plaisio's performance – especially given the discretionary characteristics of the product offering.

•**Working capital risk:** Plaisio generates c30% of its annual turnover in the last quarter of the year. Any inadequacy to deal with increased demand during these periods would negatively affect the group's results, while overstocking could result in products sitting on the shelf for longer than expected, eventually leading to inventory markdowns.

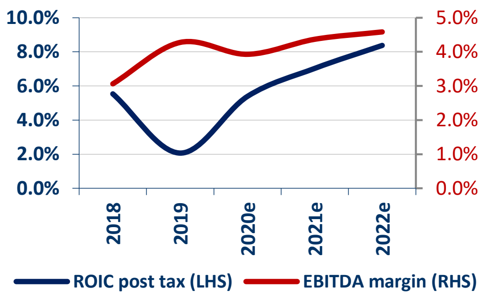
•**Price competition:** The fashion element of the industry along with the presence of entrenched players in the Greek market are factors that might lead to intense competition and higher margin erosion than envisaged by our numbers.

•**Sensitivity:** A significant part of goods are imported from China, resulting to c20-25% of COGS being USD-based. We estimate that a 5% appreciation of the USD against the EUR would reduce group EBITDA by c€2-3m ceteris paribus.

Sales and EPS growth



Profitability and returns



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Analyst Certification:
This report has been written by Stamatios Draziotis, CFA (Equity Analyst) and Natalia Svyriadi (Equity Analyst).

Analyst Compensation:
The remuneration of Stamatios Draziotis and Natalia Svyriadi are not tied to the investment banking services performed by Eurobank Equities Investment Firm S.A. or any of its related legal persons.
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Stamatios Draziotis and Natalia Svyriadi do not have a significant financial interest in one or more of the financial instruments which are the subject of this report or a significant conflict of interest with respect to the subject companies mentioned in this report a) that are accessible or reasonably expected to be accessible to the persons involved in the preparation of this report or b) known to persons who, although not involved in the preparation of this report, had or could reasonably be expected to have access to this report prior to its dissemination to customers or the public.

Planned Frequency of Updates:

Eurobank Equities Investment Firm S.A. provides updates on Plaisio based on the terms of the agreement between the two parties and at least but not limited to bi-annually after the publication of financial statements of Plaisio.

12-month Rating History of Plaisio

Date	Rating	Stock price	Target price
14/10/2020	Not Rated	€ 3.20	-
05/06/2020	U/R	€ 2.95	U/R

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	13	54%	3	23%
Hold	4	17%	0	0%
Sell	0	0%	0	0%
Restricted	1	4%	0	0%
Under Review	3	13%	1	33%
Not Rated	3	13%	0	0%
Total	24	100%		

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
Restricted:	Under Eurobank Group policy and / or regulations which do not allow ratings
Under Review:	Our estimates, target price and recommendation are currently under review
Not Rated:	Refers to Sponsored Research reports