

# Sprider Stores

Retail

2007-10-25

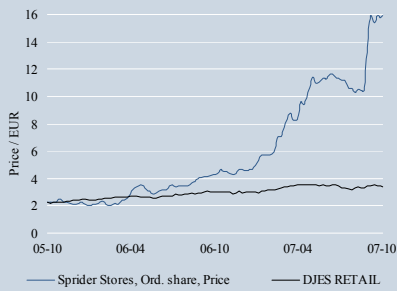
Applied disclosures can be found in the appendix

Buy

Fair Value EUR18.00

Price EUR15.96 (Closing price as of 2007-10-24)

## Price and rel. Performance



## EXCELLENT QUARTER CONFIRMS OUR ESTIMATES

### INVESTMENT CASE AND PERFORMANCE TRIGGER

Already in September, Sprider increased its guidance for the current year and gave an update of its store's opening plans in 2007 & 2008. Sprider now plans to open eighteen new stores in 2007 (twelve stores previously) and twenty new ones in 2008. On the back of its proven store format, which still has ample growth potential in its home market, and the push for growth in South Eastern Europe, we regard Sprider as a compelling growth story. Q3 numbers fully confirm the strong growth we expect. We therefore reiterate our **buy** recommendation and fair value of €18.

### Market Data

Reuters	SPDr.AT
Bloomberg	SPRDER GA
Market cap €bn	0.4
Free float %	31.0

### FACTS

- \_\_\_ Sprider reported strong Q3 numbers, confirming our positive stance.
- \_\_\_ There is nothing new on guidance, which was already raised in September.

### Key Data

Yr.end 12/31	2006	2007e	2008e
Revenues m	94.47	125.65	165.85
Net profit m	8.35	22.80	20.14
Adj. EPS	0.32	0.51	0.77
PER	10.3	31.2	20.8
EV/EBIT	8.0	19.2	14.6
EBIT mgn. %	16.2	16.9	16.9

EPS CAGR 06-09e: 47 %

### ASSESSMENT

\_\_\_ Q3 is seasonally a small quarter (August vacations), just contributing about 20% to full year sales. Therefore, the main focus in evaluating the operating performance should be sales and gross margin, which both topped our expectations. EBIT is marginally weaker than we expected, which might be caused by a somewhat higher pre-openings costs. Main surprise below the bottom line are taxes, here Sprider booked tax income of €0.6m and tax ratio for the first nine months of 26.% and thus moves closer to the statutory tax rate of 25%. All in all, Q3 figures confirm our estimates, which we raised end of September (please compare our note of September 25).

### Next Events

### VALUATION

\_\_\_ Sprider currently trades at PER 08 of 20.8 comparing to 22 for the international peers H&M and Inditex.

	Q3 2007a	Q3 2007e	Q3 2006a	+/- %	9M 2007a	+/- %
Sales	26.91	25.50	18.69	44%	80.13	39%
Gross profit	14.52	13.64	8.72	67%	45.00	60%
Gross-margin	54.0%	53.5%	46.6%		56.2%	
EBIT	1.07	1.20	0.93	15%	21.88	309%
EBIT-margin	4.0%	4.7%	5.0%		27.3%	
Net income	1.42	0.56	0.33	326%	15.06	484%
EPS	0.05	0.02	0.01	326%	0.57	483%

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**Sprider Stores - P&L (Cost of Sales)**

<b>EURm (Yr. end: 12/31)</b>	<b>2005</b>	<b>2006</b>	<b>2007e</b>	<b>2008e</b>	<b>2009e</b>
<b>Sales</b>	<b>73.0</b>	<b>94.5</b>	<b>125.6</b>	<b>165.9</b>	<b>207.7</b>
Cost of goods sold	-35.1	-44.6	-54.7	-71.3	-89.3
<b>Gross profit</b>	<b>37.9</b>	<b>49.9</b>	<b>71.0</b>	<b>94.5</b>	<b>118.4</b>
Selling costs	-25.3	-32.9	-44.2	-58.0	-72.3
Administrative costs	-4.1	-4.7	-6.2	-8.0	-9.8
R&D costs	-0.2	-0.4	-0.5	-0.7	-0.8
Other operating income/expenses (net)	2.7	3.4	1.2	0.1	-0.0
<b>EBITDA</b>	<b>14.2</b>	<b>19.9</b>	<b>27.2</b>	<b>35.9</b>	<b>43.8</b>
<b>EBIT</b>	<b>11.0</b>	<b>15.4</b>	<b>21.2</b>	<b>27.9</b>	<b>35.5</b>
Interest result	-2.0	-2.4	-1.5	-0.4	-0.2
<b>Financial result</b>	<b>-2.0</b>	<b>-2.4</b>	<b>-1.5</b>	<b>-0.4</b>	<b>-0.2</b>
<b>Profit or loss on ordinary activities</b>	<b>8.9</b>	<b>13.0</b>	<b>19.7</b>	<b>27.6</b>	<b>35.3</b>
Extraordinary profit or loss	0.0	0.0	9.4	0.0	0.0
<b>EBT</b>	<b>8.9</b>	<b>13.0</b>	<b>29.1</b>	<b>27.6</b>	<b>35.3</b>
Taxes	-3.2	-4.6	-6.3	-7.5	-8.8
<b>Profit / loss for the year (cont. operations)</b>	<b>5.8</b>	<b>8.4</b>	<b>22.8</b>	<b>20.1</b>	<b>26.5</b>
Minority	0.0	-0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>5.8</b>	<b>8.4</b>	<b>22.8</b>	<b>20.1</b>	<b>26.5</b>
+/- Net profit adjustments	0.0	0.0	-9.4	0.0	0.0
<b>Adjusted net profit</b>	<b>5.8</b>	<b>8.4</b>	<b>13.4</b>	<b>20.1</b>	<b>26.5</b>

**Key ratios and figures**

<b>EURm (Yr. end: 12/31)</b>	<b>2005</b>	<b>2006</b>	<b>2007e</b>	<b>2008e</b>	<b>2009e</b>
<b>Valuation</b>					
PER	8.9	10.3	31.2	20.8	15.8
P/BV	1.6	2.2	8.4	6.5	5.1
Dividend yield %	4.6	3.0	0.8	1.3	1.9
EV/Sales	1.1	1.3	3.2	2.5	2.0
EV/EBITDA	5.7	6.2	15.0	11.3	9.3
Sustainable FCF yield %	23.7	9.9	6.0	6.2	7.1
<b>Data per share</b>					
EPS (reported)	0.22	0.32	0.87	0.77	1.01
adj. EPS	0.22	0.32	0.51	0.77	1.01
Dividend	0.10	0.12	0.20	0.31	0.40
Book value per share	1.27	1.51	1.89	2.45	3.15
<b>Growth rates %</b>					
Sales	12.6	29.4	33.0	32.0	25.3
EBITDA	46.0	39.7	36.8	32.0	21.8
EBIT	62.3	39.9	38.3	31.7	27.0
Net profit	100.0	44.8	172.9	-11.6	31.4
adj. EPS	97.7	45.1	59.7	50.2	31.4
<b>Margins %</b>					
Gross	51.9	52.8	56.5	57.0	57.0
EBITDA	19.5	21.1	21.7	21.7	21.1
EBIT	15.0	16.2	16.9	16.9	17.1
<b>Net profit</b>	<b>7.9</b>	<b>8.8</b>	<b>18.1</b>	<b>12.1</b>	<b>12.7</b>
<b>Expense ratios %</b>					
Personnel cost to sales	16.2	15.6	14.9	13.8	13.1
R&D to sales	0.2	0.4	0.4	0.4	0.4
Depreciation to sales (Cost of sales)	4.5	4.8	4.8	4.8	4.0
Tax rate	35.4	35.5	21.7	27.0	25.0
<b>Other ratios</b>					
EVA @ SOP	5.7	8.9	17.0	22.5	28.6
Interest cover	-7.0	-8.3	-18.2	-101.5	-205.9

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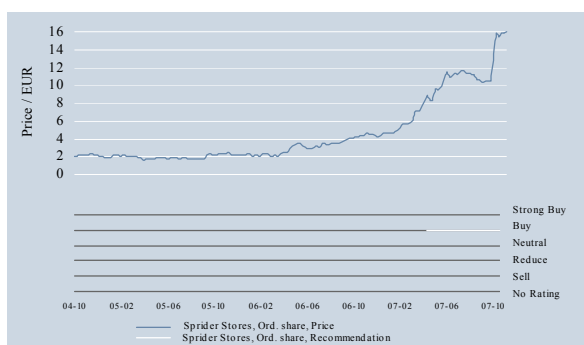
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