27 September 2011

Update

BRE Bank Securities

Retail & Wholesale

Poland

Current price	**PLN 22.9**
Target price	**PLN 26.6**
Market cap	PLN 3131m
Free float	PLN 1386m
Avg daily trading volume (3M)	PLN 7.62m

Shareholder Structure

Luis Amaral	51.30%
Fidelity Investments	5.02%
Others	43.68%

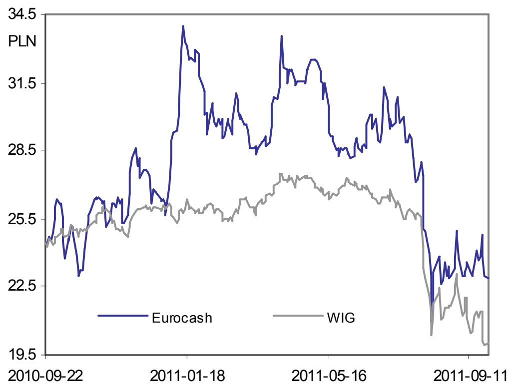
Sector Outlook

The FMCG wholesale market has been growing very fast over the past few years and this trend seems set to continue in the near future. The industry's condition is strongly affected by the positive trends observed in retail sales. The number of FMCG wholesalers in Poland has been declining systematically, which is a consequence of ongoing consolidation of the industry.

Company Profile

Eurocash is one of Poland's biggest distributors of foods, household chemicals, alcohol and tobacco in terms of the value of sales and the number of stores. Operating in several distribution segments, the Company focuses on wholesale distribution to traditional retailers, gas stations and restaurants.

Eurocash vs. WIG



Gabriela Borowska

(48 22) 697 47 36

gabriela.borowska@dibre.com.pl

www.dibre.com.pl

Eurocash

Buy

EUR PW; ERCS.WA

(Resumed)

#1 Player Even Without Tradis

The Tradis takeover deal between Eurocash and Emperia is on hold pending arbitration, and so is therefore the former's objective of achieving annual revenue of PLN 20 billion in 2015. Even so, Eurocash remains the leader of Polish FMCG wholesale, and as such its shares are valued at a premium to WSE-listed peers. The Polish FMCG sector is represented either by companies operating on a very small scale, or by companies that are heavily in debt and struggle financially. Both groups stand in sharp contrast to Eurocash with its strong cash flows and lack of debt. The company has managed to achieve double-digit earnings growth even in a slower economy, and we believe it is capable of continuing to grow profits without Tradis. We are resuming coverage of Eurocash with a price target of PLN 26.6 per share and a buy rating. According to our estimates, the acquisition of Tradis and the potential synergies could add about PLN 10 to our price target for Eurocash, while a potential award of damages to Emperia would subtract PLN 1.5 from the target.

Tradis excluded from valuation

Pending arbitration of Eurocash's dispute with Emperia over Tradis and the terms of its acquisition, we are excluding it from valuation. We determined that Emperia's distribution business and the synergies it can help create could add PLN 10 to our per-share target price for Eurocash.

Growth potential lies in the market...

Even without Tradis, Eurocash remains the number one player in FMCG distribution, catering to a market which is 45% comprised of traditional grocery stores. The so-called "modern retail" (which includes super- and hypermarkets and shopping malls), focused mainly on large cities, has not succeeded in consolidating small local shops in small and mid-sized towns and rural areas, and that is where Eurocash grows through the Delikatesy Centrum franchise.

… and within business lines

Eurocash has room to improve profitability in the segment of traditional wholesale and in the recently acquired and currently restructured Premium Distributors division. Moreover, its cash conversion cycle is set to decrease, driven by extremely fast conversion rates in traditional wholesale (where CCC is a negative 30 days).

Strong cash flows provide a well deserved premium

On P/E and EV/EBITDA multiples, Eurocash is trading on a par with international FMCG peers and 1.6x above Polish peers. In our view, the company is not comparable to other WSE-listed retailers given its scale and cash flows. Using the EV/CFO multiple, Eurocash is valued in line with the Polish sector median (11.1x for 2011 vs. 11.3x median).

(PLN m)	2009	2010	2011F	2012F	2013F
Revenue	6 698.3	7 791.8	9 618.8	10 127.6	10 801.1
EBIT	145.2	170.4	191.6	234.0	269.5
EBIT margin	*2.2%*	*2.2%*	*2.0%*	*2.3%*	*2.5%*
EBITDA	194.5	230.7	263.2	305.9	342.6
Net profit	102.5	128.4	135.9	171.5	203.6
DPS	0.29	0.37	0.37	0.44	0.62
P/E	30.0	24.4	23.0	18.3	15.4
P/CE	20.3	16.6	15.1	12.9	11.3
P/BV	8.4	6.8	6.3	5.1	4.3
EV/EBITDA	15.0	14.1	12.1	10.0	8.5
DYield	1.3%	1.6%	1.6%	1.9%	2.7%

Outlook

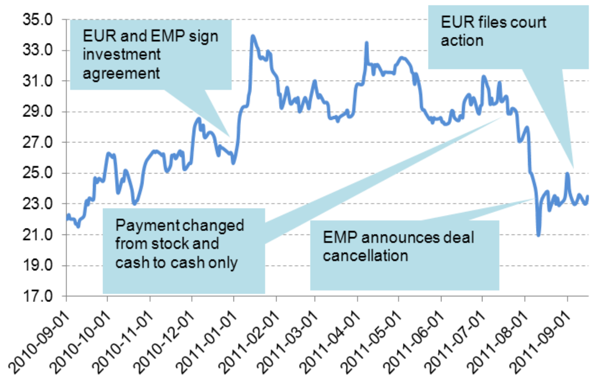
Tradis excluded from valuation

Eurocash signed the investment agreement concerning acquisition of the Tradis wholesale group from Emperia for a base price of PLN 926m (subject to adjustments to be determined by an independent auditor) in December 2010. The companies were hoping to finalize the deal by April 2011, but were unable to due to lack of decision from the anti-monopoly office UOKiK (as of the date of this report, UOKiK's decision is still unknown). Not having received the agreed price by the July 15th, 2011 deadline, Emperia announced that it was canceling the deal and demanding PLN 200m compensation from Eurocash. Eurocash says the cancellation is illegal since the missed payment deadline was because of UOKiK's delayed decision. The company has initiated arbitration proceedings to establish whether the investment agreement is still valid and binding on both parties, and to reaffirm the base price of PLN 926m. The proceedings are expected to drag on for as long as over a year. Moreover, Eurocash obtained an injunction freezing Tradis's assets which cannot be sold or pledged. Pending resolution of the dispute, whether informally between the companies or through arbitration, we decided to exclude the Tradis deal (which we had expected to add about 10 zlotys to our price target) from our valuation model for Eurocash.

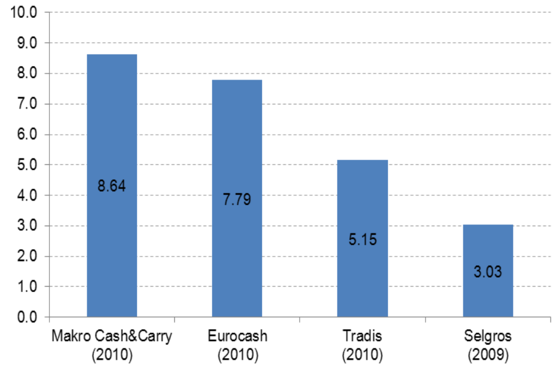
Postponed PLN 20bn revenue goal

Even before signing the investment agreement with Emperia, Eurocash announced that its objective was to achieve annual revenue of PLN 20 billion in 2015. This is a very ambitious goal and, looking at the aggressive Polish expansion of other retailers (Biedronka, Tesco, Carrefour), it probably cannot be achieved without acquisitions (such as Tradis). In terms of sales, the leader of the Polish FMCG wholesale market is Makro Cash&Carry (Metro Group) with annual revenues of PLN 8.6 billion (Eurocash estimates that FMCG accounts for 60% of this figure). Eurocash ranks second with PLN 7.8bn annual sales, followed by Emperia's distribution business Tradis with PLN 5.2bn, and Selgros with PLN 3.1bn (2009). Considering that the companies outside the top 4 generate annual sales below PLN 1 billion, it becomes clear that the Eurocash's PLN 20bn revenue target cannot be achieved without Tradis.

Tradis deal timeline



FMCG wholesale market leaders by revenue (PLN bn)



Source: Eurocash SA, BRE Bank Securities, company reports, PAP

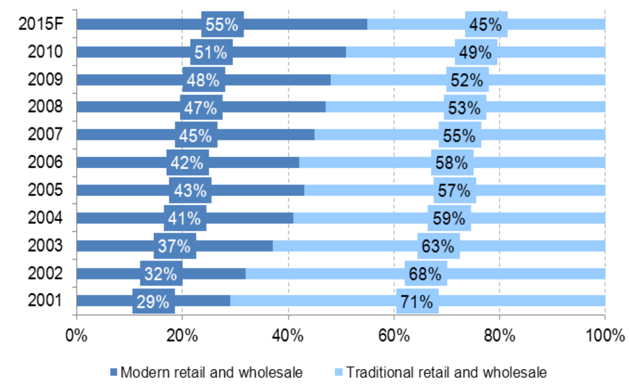
Growth potential lies within the market...

Eurocash's market is essentially equally split between "modern retail" (retail chains, hypermarkets, supermarkets) and "traditional retail" represented small grocery shops that compete with the majors by forming various purchasing organizations and franchises. Traditional retail the sector with the most growth potential, and it is where active FMCG distributors are targeting their efforts to increase volumes and market share. In case of Eurocash, the strategy is to grow through the "Delikatesy Centrum," "abc," and "Iga" franchises. After a fifteen-year presence in Poland, modern retail (big box stores with floor areas over 2500 sqm) have basically saturated its core markets of major urban areas. Meanwhile, Poles tend to shop 4-5 times a week on average, preferably at neighborhood grocery stores close to home. Moreover, about 40% of the Polish population live in rural areas, and 24% live in small and medium-sized cities.

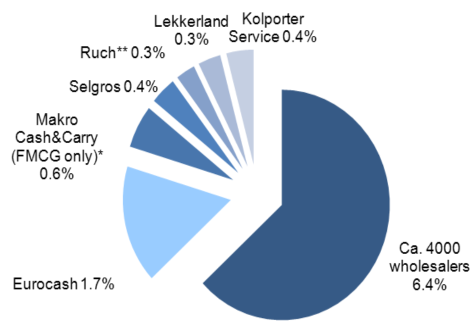
… and within the Eurocash organization

Eurocash is planning to open ten new Cash&Carry outlets annually (except this year when it will open only 5-6 stores because of the Tradis situation) and over 100 Delikatesy Centrum stores per year. Our projections with respect to store expansion are more conservative, moreover, we decided not to include in our financial forecasts Eurocash's estimates that it can generate additional sales of ca. PLN 800m at Delikatesy Centrum alone by increasing the range of products offered at the stores (product range diversification is on hold while the company resolves the Tradis dispute). The recently acquired spirits wholesaler Premium Distributors is undergoing restructuring aimed at improving profitability and working capital management, moreover, it is set to grow revenues after adding beer and beverages to its product range. In traditional wholesale, there is room to improve profitability (Eurocash's direct competition achieves twice its EBITDA margins) and cash conversion cycles. In the new segments, profits and working capital management are set to improve following restructuring at Premium Distributors.

FMCG market division



FMCG wholesale market players

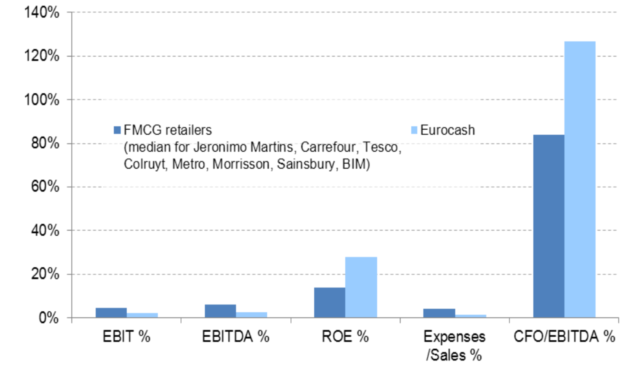


*Source: Eurocash, * FMCG accounts for an estimated 60% of total sales, ** FMCG ex newspapers and magazines*

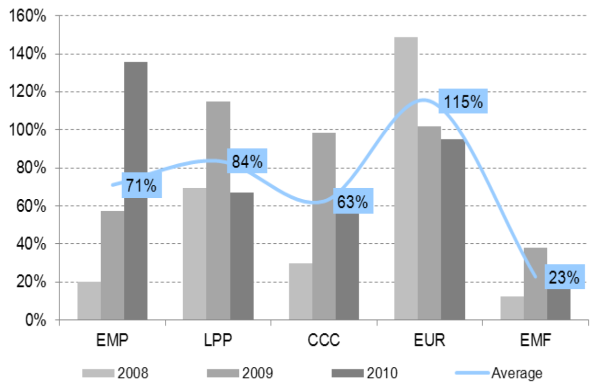
Cash-based business model

Eurocash generates the strongest cash flows of all Polish FMCG retailers and wholesalers listed on the WSE, at 1.15 times EBITDA (2008-2010 average) compared to 0.6x EBITDA achieved by those companies that generate positive cash flows and EBITDA. Eurocash's focus is on working capital management aimed at negative cash conversion cycles. Its CCC has slowed down lately due to acquisitions (the addition of Tradis would also entail working-capital restructuring), but it is set to improve going forward thanks to the fastest-growing segments of Cash&Carry and Delikatesy Centrum (and the restructured Premium Distributors) whose CCC is a negative 30 days.

Eurocash vs. FMCG retailers (2008-2010 averages)



CFO/EBITDA comparison



Source: Eurocash SA, BRE Bank Securities, company reports

Valuation premium

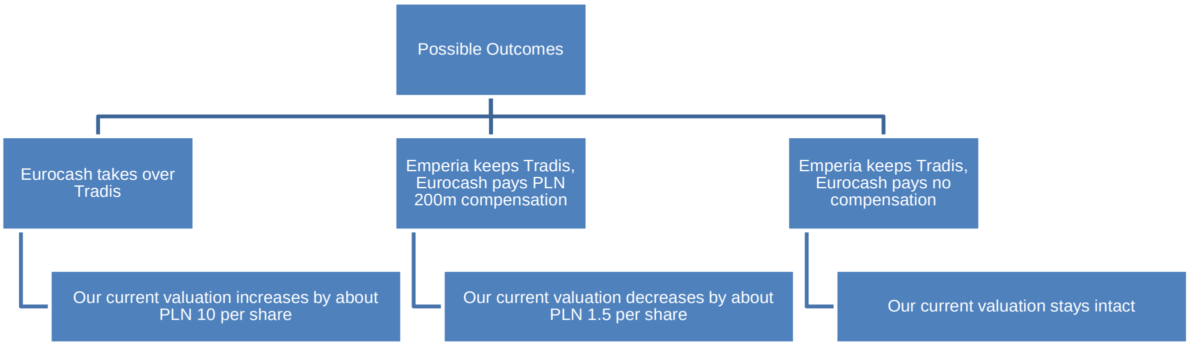
Eurocash shares have historically always traded at a premium to WSE-listed companies, mainly because these companies cannot really be considered its true peers that could serve as reliable reference for comparison. The Polish FMCG sector is represented by companies struggling with financial problems (Bomi, Alma Market) and small fry like Eko and Delko.

Meanwhile, Eurocash ranks as the number one FMCG distributor in Poland before Makro Cash&Carry (not taking into account the latter's non-FMCG business). The reason behind the permanent valuation premium in case of Eurocash are its strong cash flows. The company is currently trading at levels close to Portugal's Jeronimo Martins and Turkey's BIM, and we think this is fair given the size of its cash flows, its above-average like-for-like sales growth, its scale, and its low debt. Looking at operating cash flows, Eurocash is valued on a par with the WSE retail sector on respective 2011 and 2012 EV/CFO ratios of 11.1x (1% discount to sector median) and 9.6x (7% discount to sector median).

Possible Tradis scenarios

The Tradis dispute is going to influence Eurocash's market performance in the coming months. So long as there is no decision from the anti-monopoly office UOKiK, our valuation remains unchanged. If UOKiK OKs the takeover or gives a conditional permission for the sale of, say, only some of the Tradis locations (we assume the ban would affect a small portion of the business), the acquisition and the related synergy benefits will add an estimated 10 zlotys to our valuation of Eurocash. In a scenario (which is the baseline scenario for our valuation) where Eurocash is banned from taking over Tradis and forced to pay PLN 200m damages to Emperia, the company will suffer a cash outflow of PLN 1.5 a share.

Tradis scenarios



Source: BRE Bank Securities

2011 H1 Results

Eurocash's earnings for Q2 2011 were close to market consensus and our expectations. Sales increased by 45.4% y/y (beating our expectations by 2.2%), thanks mostly to the consolidation of Premium Distributors. The gross margin amounted to 9.7% (vs. 9.8% forecasted by us), compared to 10% in Q2 2010. SG&A expenses rose by 49% y/y (2.1% ahead of our forecasts). Other net operating gains contributed PLN 2.0m, while we expected losses of PLN 3.0m. At PLN 46.3m, EBIT increased by 19.4% y/y. The bottom line was 5.4% higher than last year and 8.0% higher than we expected. As far as cash flows are concerned, Eurocash showed very strong results (PLN 153.4m in net cash flows from operations in Q2 2011 alone, +81% y/y), and net cash flows increased nearly fivefold vs. the preceding year. In H1'11, Cash&Carry saw its earnings rise 8.34% on LFL basis, and Delikatesy Centrum by 8.38% (by 8.14% for the retail segment). The consolidated EBITDA margin shrank to 2.09%. Net profit figured to PLN 44.03m in H1'11, representing a 6.15% y/y decline, due mostly to the acquisition of Premium Distributors, which pushed up debt servicing costs. The cash conversion cycle was reduced from 14.8 days to 9.0 days in H1'11, also due to the acquisition of Premium Distributors. In H1'11 as a whole, Eurocash generated net operating cash flows of PLN 80.6m compared to PLN 114.4m recorded in H1 2010. Thanks to the cash generated (PLN 206m), net debt declined from PLN 325.2m at the end of Q1'11 to PLN 176.8m at the end of H1'11 (Eurocash had not paid dividend yet at the time it released the H1 2011 report; the PLN 50m payout was made on 14 July 2011 without affecting the solid cash position).

The highlights of Eurocash's H1 2011 performance included: (i) strong sales growth due to the consolidation of Premium Distributors and seasonal factors, with further support from the late timing of Easter; (ii) a y/y decline in margins which is also partly attributable to the consolidation of Premium Distributors which generates lower margins; (iii) a lower EBIT margin in Traditional Wholesale which had nothing to do with the consolidation of Premium Distributors; and (iv) very strong operating and net cash flow which allowed the company to cut net debt by nearly PLN 150m q/q.

2011 2Q Results

(PLN m)	2Q2011	Y/Y change 2Q2010	change	Actuals vs. Our Forecast 2Q2011F	change	Consensus 2Q2011C	change
Revenue	2 564.6	1 764.4	45.4%	2 509.10	2.2%	2 421.00	5.9%
EBITDA	64.3	52.4	22.8%	62.1	3.5%	63	2.1%
margin	*2.5%*	*3.0%*	-	*2.5%*	-	*2.6%*	-
EBIT	46.3	38.8	19.4%	44.1	5.0%	44.4	4.3%
Pre-tax profit	39.6	38.4	3.3%	37.2	6.5%	-	-
Net profit	35.3	33.5	5.4%	32.6	8.0%	34.3	2.8%

Source: Eurocash, BRE Bank Securities, PAP

Sales revenues increased 45.36% y/y in Q2 2011, thanks primarily to the consolidation of Premium Distributors (PLN 529m). Without it, y/y sales growth amounted to 17% y/y (13% y/y in H1'11). Outside of Premium Distributors, Eurocash saw double-digit LFL sales growth at Cash&Carry and Delikatesy Centrum (8.34% and 8.38%, respectively). In terms of the individual operating segments, sales increased the most in Active Distribution (Premium Distributors), while sales in Traditional Wholesale (Cash&Carry, Delikatesy Centrum) rose by 13.3% y/y.

Margins: In Q2'11, the gross margin amounted to 9.7% vs. 10,0% in Q2'10, and the margin on sales figured to 1.0% vs. 2.3% one year ago. The decline in the margin was also partly a consequence of the consolidation of Premium Distributors, whose EBITDA margin is lower, but operating profitability also declined in Traditional Wholesale (Cash&Carry and Delikatesy Centrum), from 2.4% in Q2 2010 to 1.7% (excluding eliminations). The entire Group's consolidated EBITDA margin was 2.50% vs. 3.0% in Q2 2010.

Profits: Operating profit amounted to PLN 46.3m vs. PLN 38.8m in Q2 2010. It was boosted by other operating income of PLN 2.0m (vs. other operating expenses of PLN 1.8m in Q2 2010). Financing expenses amounted to PLN 6.0m vs. PLN 0.2m one year earlier. Eurocash is already bearing financing expenses on account of the loan taken out to acquire Premium Distributors. The effective tax rate declined from 13% in Q2'10 to 11% due to a change in the tax structure. All told, Eurocash's bottom line was fairly flat y/y at PLN 35.3m (+5.41% y/y).

Cash flow: In addition to in-line earnings, Eurocash generated very strong cash flows in Q2 2011. At PLN 153.4m, the net operating cash flow was 81.3% higher than in Q2 2010 (the OCF for H1 2011 amounted to PLN 80.6m, 30% less than in H1 2010 due to very weak flows in Q1 2011). With small negative cash flows from investing and financing activities (PLN -1.9m and PLN -23.4m respectively), net cash flows amounted to PLN 128.1m. Eurocash paid out dividends in July 2011, so its H1 2011 cash base was not depleted, but even after dividends this cash base would have shown a major increase. Net debt at the end of the second quarter figured to PLN 176.8m vs. PLN 325.4m at the end of Q1'11.

2011 Q2 and H1 results

(PLN m)	2Q2011	Y/Y change 2Q2010	change	1H2011	Y/Y change 1H2010	change
Revenue	2 564.63	1 764.36	45.36%	4 644.0	3 305.0	40.51%
EBITDA	64.30	52.36	22.79%	97.0	81.9	18.43%
margin	2.51%	3.0%	-	2.1%	2.5%	-
EBIT	46.3	38.8	19.40%	60.9	55.1	10.54%
Net profit	35.3	33.5	5.41%	44.0	46.9	-6.15%
Inventories	601.3	364.4	65.03%			
Receivables	657.8	361.3	82.04%			
Payables	1 346.4	898.4	49.87%			
Cash flow from operating activities	153.4	84.6	81.28%	80.6	114.4	-29.53%
Cash flow from investing activities	-1.9	-12.7	-	-40.8	-36.1	13.00%
Cash flows from financing activities	-23.4	-44.9	-	-44.7	-48.4	-
Net cash flow	128.1	27.0	373.88%	-4.9	29.9	-
Cash at period-end	206.6	187.3	10.26%	206.6	187.3	10.26%
Net debt	176.8	-133.5	-	176.8	-133.5	-

Source: Eurocash, BRE Bank Securities

Operating segments

	Y/Y change			Y/Y change			Y/Y change		
(PLN m)	2Q2011	2Q2010	change	2Q2011	2Q2010	change	1Q2011	1Q2010	change
Sales	2 564.6	1 764.4	45.4%	4 644.0	3 305.0	40.5%	2 079.4	1 540.6	35.0%
Traditional Wholesale	1 178.7	1 040.0	13.3%	2 229.7	1 931.8	15.4%	1 050.9	891.8	17.8%
Active Distribution	1 373.1	713.7	92.4%	2 388.2	1 352.9	76.5%	1 015.0	639.2	58.8%
Other	12.8	10.7	19.7%	26.1	20.3	28.9%	13.4	9.6	39.0%
EBIT	46.3	38.8	19.4%	60.9	55.1	10.5%	14.6	16.3	-10.6%
Traditional Wholesale	20.5	25.3	-18.7%	21.99	36.18	-39.2%	1.45	10.92	-86.7%
Active Distribution	13.6	5.4	152.6%	15.06	5.07	196.8%	1.42	-0.32	-538.9%
Other	12.1	11.0	10.5%	23.83	17.22	38.3%	11.68	6.24	87.3%
Eliminations	0.0	-2.9	-100.0%	0.00	-3.42	-99.9%	-0.01	-0.56	-98.9%
Sales	2 564.6	1 764.4	45.4%	4 644.0	3 305.0	40.5%	2 079.4	1 540.6	35.0%
Cash&Carry	979.3	962.9	1.71%	1 739.2	1 764.1	-1.41%	759.9	801.3	-5.16%
KDWT	705.4	614.7	14.76%	1 277.1	1 131.5	12.87%	571.7	516.8	10.62%
Delikatesy Centrum	261.8	235.3	11.30%	591.5	463.4	27.63%	329.6	228.2	44.48%
Eurocash Dystrybucja	166.4	142.2	17.02%	208.0	301.3	-30.97%	41.6	159.1	-73.87%
Premium Distributors	529.1	0.0	-	981.2	0.0	-	452.1	0.0	-
Other	74.2	19.5	281.29%	112.2	36.0	211.43%	38.0	16.6	129.43%
Eliminations	-151.6	-210.1	-27.8%	-265.3	-391.4	-32.2%	-113.6	-181.3	-37.3%

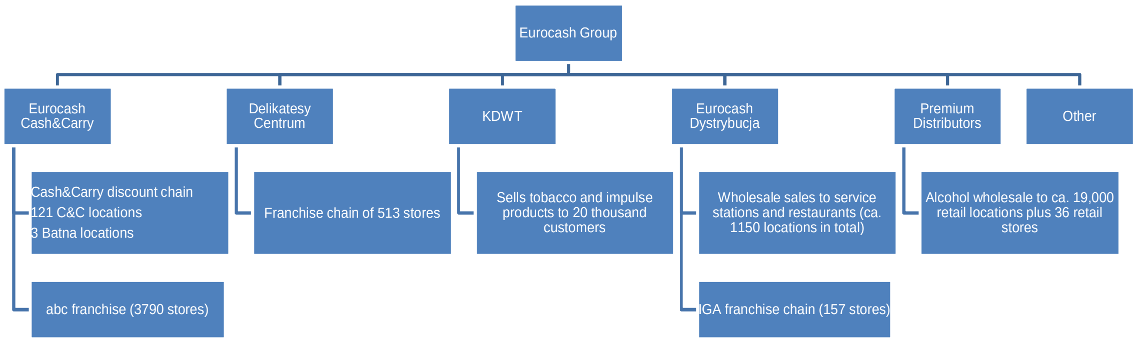
Source: Eurocash, BRE Bank Securities

About Eurocash

Eurocash is one of Poland's leading FMCG distributors in terms of sales and locations. Its primary focus is wholesale to traditional retail stores, service stations, and restaurants.

Eurocash sells FMCG through five channels: (i) the discount wholesale chain Eurocash Cash&Carry (which offers loyalty incentives to owners of abc franchise stores), (ii) the retail franchise Delikatesy Cetrum, (iii) the distributor of tobacco and impulse products KDWT, (iv) Eurocash Dystrybucja, which caters to restaurants, hotels, and service stations, and (v) Premium Distributors – a network of alcoholic beverage retailers and wholesales (acquired from CEDC).

Organizational Structure

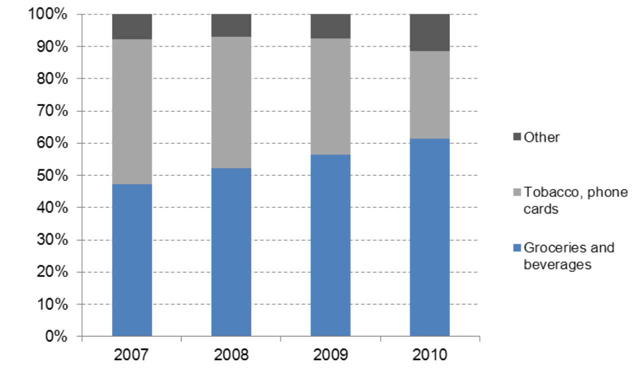


Source: Eurocash

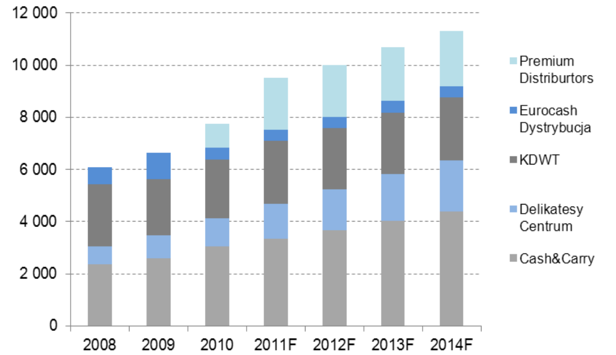
Sales Structure

Eurocash's sales operations are organized into five segments: (i) Cash&Carry, which accounted for about 35% of total H1 2011 sales, (ii) Delikatesy Centrum (ca. 13% of H1 2011 sales), (iii) KDWT (26%), (iv) Eurocash Dystrybucja (4%), and (v) Premium Distributors (20%).

Sales by product group



Sales by segment (PLN bn)



Source: Eurocash SA, BRE Bank Securities

Cash & Carry

Eurocash operates one of the largest self-service wholesale discount chains in Poland called Eurocash Cash&Carry. The chain consists of wholesale outlets conveniently located near customers, mostly in medium-sized cities with populations around 50 thousand. The average outlet has a floor area of 1500-2000 square meters. The target clientele are small to medium-sized stores with a floor areas of 100 sqm. An average cash&carry outlet carries 3500 products of which 85 percent are food and beverage items. It is a self-service, no delivery service.

Eurocash Cash&Carry has 80,000 registered customers including abc stores, regular customers who shop at least once a month, and others. The abc chain, which benefits from a loyalty program tying its stores to Eurocash wholesalers, accounted for 47.9% of total cash&carry sales in H1 2011.

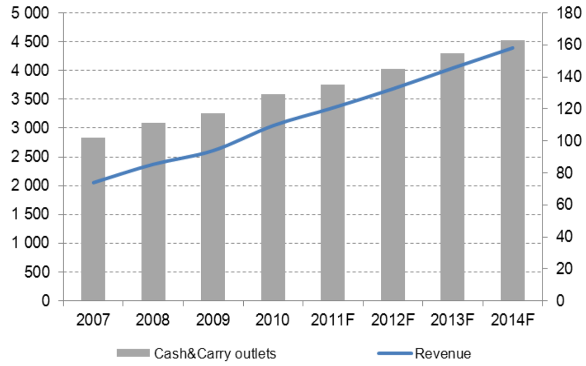
Eurocash wants to expand cash&carry sales through same-store growth and new stores. Like-for-like sales growth is to be achieved by broadening the product range (e.g. by introducing local specialties), loyalty programs, promotions, etc. Further, Eurocash is expanding the abc franchise which is a major customer of the cash&carry outlets. Moreover, the company will be opening new outlets in cities with over 25,000 populations. At 30 June 2011, Eurocash had 130 cash&carry outlets (including three Batna locations). We estimate there is room for about 210 such outlets in Poland. Going forward, we expect the Eurocash cash&carry floor area will grow at a CAGR of 5.1%, and sales will expand at a CAGR of 2.8%, making for a combined segmental CAGR of 7.9%.

Delikatesy Centrum

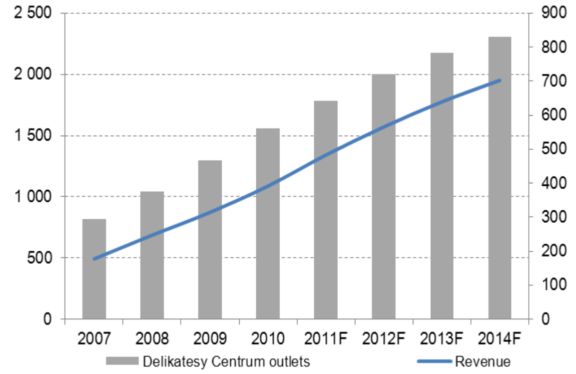
At 30 June 2011, the Delikatesy Centrum franchise consisted of 595 supermarkets with an average floor area of 250 square meters, located in small and medium-sized cities in south-eastern Poland. Eurocash supplies about 55% of the merchandise (except, for example, perishable foods), and delivers to stores which are mostly located close to the distribution centers.

Future growth in the revenues generated by Delikatesy Centrum is to be achieved through increased distribution to Delikatesy Centrum stores, and expansion of the franchise network throughout the country. We assume that store expansion in the next three years will progress at a rate of about 100 locations per year. Delikatesy Centrum's estimated sales CAGR in the forecast period is 8.6%, of which 5.3% will be achieved through retail space expansion.

Eurocash Cash&Carry



Delikatesy Centrum



Source: Eurocash, BRE Bank Securities

KDWT

KDWT supplies tobacco and impulse products (sweets, beverages, batteries) to nearly 20,000 stores and kiosks through two distribution centers (Komorniki, Czeladź) and 90 branches across Poland. KDWT's future growth will be achieved by extending reach within Eurocash's existing customer base and through expansion into new regions supported by the cash&carry outlets. Moreover, increased sales of impulse products are expected to boost margins and improve working capital (through inventory optimization and reduced trade credit offered to buyers).

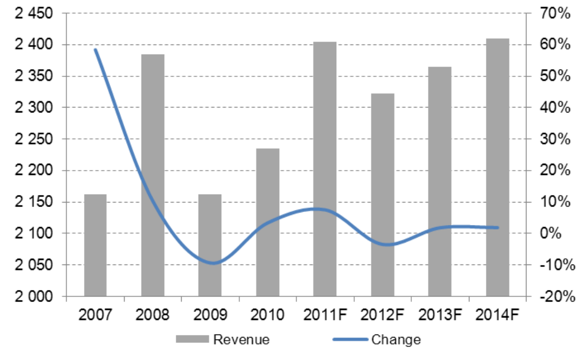
Our sales CAGR estimate for KDWT is 1.3% throughout the forecast period, with EBITDA margins expected to remain flat.

Eurocash Dystrybucja

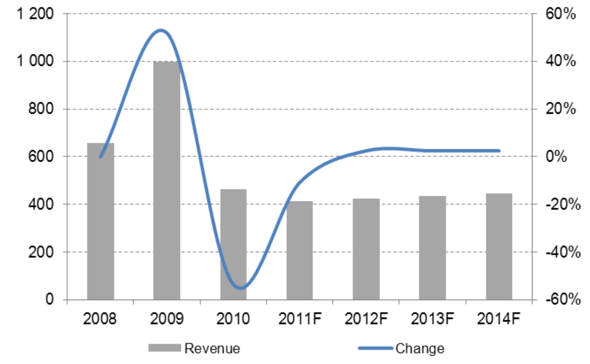
Eurocash Dystrybucja supplies consumer packaged goods to fuel stations, hotels, and restaurants (making up a total of 2400 locations) through distribution centers. Its strategy focuses on expansion in active distribution and maintenance of the leading position in the market for impulse product supplies to fuel stations, restaurants, and chain hotels.

We expect Eurocash Dystrybucja to grow sales at a CAGR of 2.5% in the forecast horizon.

KDWT



Eurocash Dystrybucja



Source: Eurocash, BRE Bank Securities

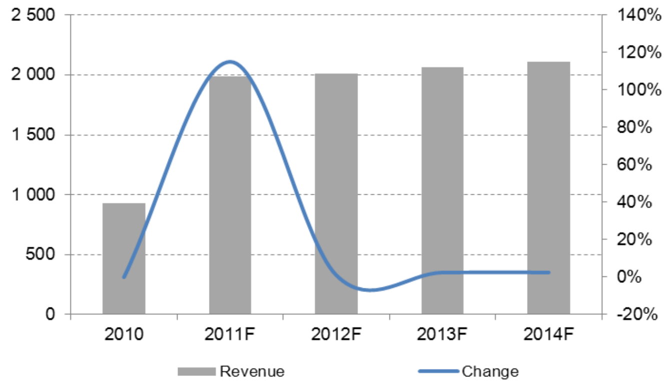
Premium Distributors

The takeover of Premium Distributors from CEDC was aimed at increasing wholesale sales of alcoholic beverages, mostly strong spirits over-18% alcohol content, including sales to Eurocash's other distributors. Premium Distributors offers about 700 alcohol brands to retailers, supermarkets, hypermarkets, service stations, and food service outlets (a total of 19,000 locations) via 91 regional branches across Poland. As one of the largest Polish alcohol wholesalers, the organization manages a network of over 80 warehouses and distribution centers.

Premium Distributors was acquired using bank credit and internal cash resources for a price of PLN 385.9m. The estimated values of the acquired assets and liabilities are PLN 503.5m and PLN 389.9m respectively. The goodwill is PLN 272.3m.

We expect Premium Distributors to increase sales at a CAGR of 2.3%, and expand the EBITDA margin from 2.0% in 2010 to 2.5%, in the forecast period.

Premium Distributors



Source: Eurocash, BRE Bank Securities

Tradis

Under the investment agreement, the acquisition of the Tradis wholesalers from Emperia was to be carried out either through a stock-for-stock transaction in exchange for Eurocash shares issued at PLN 22.21 apiece (the shares issued as merger compensation would represent 14% of Eurocash's equity), or through a sale of interests. The base price was set at PLN 925.975m subject to adjustments.

As per the investment agreement, failing antitrust approval by the appointed deadline of July 11th, as of July 15th, the form of payment changed from 13.8 million Eurocash shares plus cash to just cash. On August 9th, Emperia announced that it was pulling out of the deal and demanding PLN 200m compensation from Eurocash. Eurocash responded by filing a lawsuit to establish whether the investment agreement was still binding and the agreed base price was still valid. Moreover, Eurocash obtained an injunction freezing Tradis's assets which cannot be sold or pledged.

Tradis was expected to add about PLN 110m per year to Eurocash's consolidated EBITDA, and to generate cost synergies through lower purchase prices (ca. PLN 70m a year) and logistics costs (ca. PLN 60m). Restructuring of working capital, mainly accounts payable, was to generate additional cash flows of an estimated PLN 130m. Finally, Tradis came with real estate (including two distribution centers) which Eurocash was hoping to sell for PLN 100m. In our previous research update on Eurocash, we took all these synergies into account in the valuation model, except we factored in only 50% of the expected savings on logistics costs. We concluded that the acquisition and the related synergies would add PLN 10 to Eurocash's per-share value. Now that the Tradis deal is on hold, it is completely excluded from valuation.

The dispute between Eurocash and Emperia will be resolved based on the investment agreement, the terms of which have not been revealed to the general public. We think that if the antitrust office UOKiK issues its approval soon, the companies can still settle out of court, agree on a new base price (probably PLN 200m higher, in line with Emperia's compensation demand), and finalize the deal. A court case, which could drag on for more than a year, would be counterproductive for both parties, especially Emperia who would be unable to put into effect its growth plans for the distribution business.

Seasonality

The sales generated by the Cash&Carry segment and the volumes sold to Delikatesy Centrum are shaped by consumer demand. The high sales seasons are the summer months of July and August and the final months of each year, followed by a slower period in January and February. In case of Premium Distributors, about 30% of sales and 40% of EBITDA are generated in the fourth quarter.

Profitability and Working Capital

Profit Margins

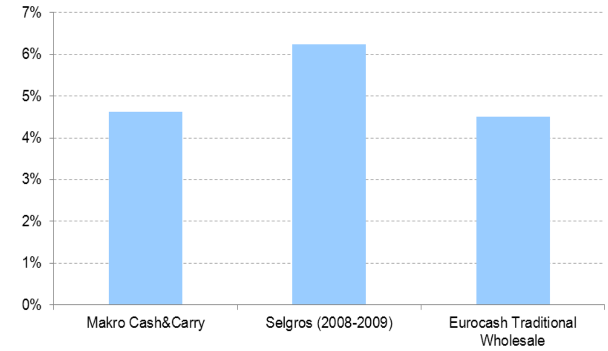
A comparison with other FMCG wholesalers shows that Eurocash still has potential to expand its profitability. The average 2007-2009 profit margins of the Polish FMCG sector were two times higher than Eurocash's, but they were pulled up by retailers, meanwhile, Eurocash is strictly a wholesaler. In the period from 2008 through 2010, Poland's leading distributor Makro achieved average annual EBITDA margins of 4.6%, with rival Selgros generating EBITDA margins of 6.2% on average in 2008 and 2009, and Jeronimo Martins's distribution business posting 2009 and 2010 margins of 6.1%. By comparison, Eurocash's 2008-2010 annual EBITDA margin was much lower at 2.7%, with the traditional wholesale segment achieving profitability of 4.5%, indicating plenty of room for improvement (we do not account for this potential in our valuation). Premium Distributors is set for EBITDA margin expansion in the years ahead following restructuring.

Our forecasts for Eurocash assume flat EBITDA margins in the traditional wholesale segment (Cash&Carry, Delikatesy Centrum), and improving margins in the active distribution segment, fueled partly by the addition of Premium Distributors to the Eurocash family, and partly by increasing sales of impulse products.

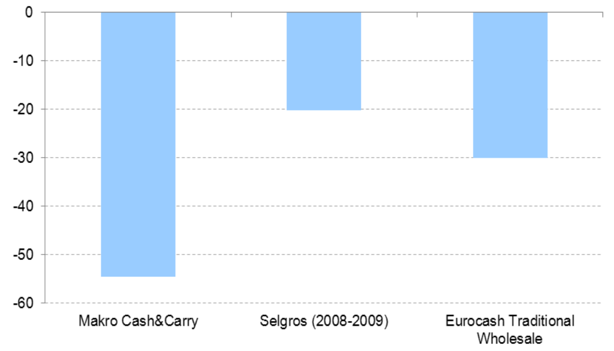
Working Capital

The distribution models applied by Eurocash typically generate negative working capital (Cash&Carry, Delikatesy Centrum). Eurocash enjoys the best cash conversion ratios of all retailers and wholesalers listed on the Warsaw Stock Exchange, but still has room for improvement when compared to international leaders. The fast-paced growth of the traditional wholesale segment (Cash&Carry and Delikatesy Centrum), which achieves negative 30-day cash conversion cycles, combined with working capital restructuring at Premium Distributors, will help maximize Eurocash's working capital in future years. We predict that the company's cash conversion cycle will shorten by 3 days in the forecast period.

EBITDA margins: Eurocash vs. key competitors



Working capital cycle (days)



Source: Eurocash SA, BRE Bank Securities, company reports

Capital Expenditure

Eurocash spends little on organic expansion through new store openings and existing store remodeling (whether owned or franchise locations) because most of the locations, primarily cash&carry outlets, are leased. The standard lease period is 10 years. Our average annual CAPEX estimate (excluding acquisitions) for the forecast period is PLN 95.3m.

Valuation

Using DCF analysis, we estimated Eurocash's per-share value at PLN 24.6, and we set the nine-month price target on its stock at PLN 26.6 a share.

Valuation Summary	Weight	PLN
DCF Valuation	100%	24.6
Relative Valuation	0%	15.5
Price		24.6
9M Target Price		26.6

DCF Model Assumptions

- Growth rate after the forecast period is 3.0%.
- Risk-free rate is 6.1% (10Y T-bond yield).
- Beta is 0.9. Eurocash is trading at a 2010 P/BV ratio of 6.8x and a 2011 ratio of 6.3x, resulting from regular dividend payments in the past. The company's policy is growth without debt, and its only bank dues at the moment are the loans taken out in 2010 toward the acquisition of distribution companies, payable until 2014. Given the minimum debt policy, we do not think WACC should remain at 11.1% in the long term just because of zero net debt, hence the lowered beta.
- As explained above, we assume Eurocash's working capital cycle will shorten by 3 days in the forecast period.

There are no companies listed on the WSE in our view that are comparable with Eurocash. The reasons include Eurocash's unmatched cash flows, its large scale, and the fact that the other FMCG players mostly struggle with high debt, lack of sales growth, and shrinking profit margins. Using the ratio of enterprise value to operating cash flows (EV/CFO) as the basis for comparison, we found that Eurocash is valued on a par with the medians of publicly-traded retail companies that generate positive cash flows.

We exclude Tesco, Metro, and Colruyt from Eurocash's comparison relative to international peers because these companies are expected to see earnings growth two times slower than Eurocash (on EBITDA and net earnings) in the three years of fiscal 2011 through 2013.

Relative valuation of Eurocash

Foreign peers	P/E			EV/EBITDA		
	2011F	2012F	2013F	2011F	2012F	2013F
JERONIMO MARTINS	19.7	16.4	13.9	10.6	9.3	8,1
CARREFOUR SA	10.5	8.8	7.4	5.4	5.0	4,6
SAINSBURY (J) PLC	10.8	10.0	9.2	5.7	5.3	4,9
BIM BIRLESIK MAGAZALAR AS	28.7	24.1	20.1	19.1	15.9	13,5
Maximum	28.7	24.1	20.1	19.1	15.9	13,5
Minimum	10.5	8.8	7.4	5.4	5.0	4,6
Median	**15.3**	**13.2**	**11.6**	**8.2**	**7.3**	**6,5**
Eurocash	23.0	18.3	15.4	12.1	10.0	8,5
(premium / discount)	51.05%	38.08%	33.04%	48.28%	37.14%	31,46%
Implied value						
Median	15.3	13.2	11.6	8.2	7.3	6,5
Multiple weight		50.00%			50.00%	
Year weight	33.33%	33.33%	33.33%	33.33%	33.33%	33,33%
Value per share (PLN)		**15.3**				

Using operating cash flows as a measuring tool, Eurocash is not valued at a premium to its foreign peers, but it is trading close to the medians of WSE-listed retailers who generate positive cash flows and EBITDA.

Cash flow comparison

	EV/CFO 2011	EV/CFO 2012	FCF/EV 2011	FCF/EV 2012
LPP	10.6	9.6	3%	3%
NG2	12.0	10.7	5%	5%
NFI EMF	23.7	18.8	-14%	-18%
Emperia	10.5	10.0	-10%	-10%
Median	**11.3**	**10.3**	**-4%**	**-4%**
Eurocash	11.1	9.6	10%	12%
Premium/discount	**-1%**	**-7%**	**-**	**-**

Source: BRE Bank Securities, company reports; CFO and FCF (CFO-capex)are calculated as average of 2008-2010 CFO/EBITDA and FCF/EBITDA, with EBITDA based on analysts' consensus

DCF Model

(PLN m)	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2020+
Revenue	**9 619**	**10 128**	**10 801**	**11 436**	**12 039**	**12 646**	**13 266**	**13 910**	**14 579**	**15 274**	**15 732**
change	*23.45%*	*5.29%*	*6.65%*	*5.88%*	*5.28%*	*5.04%*	*4.90%*	*4.86%*	*4.81%*	*4.76%*	*3.00%*
EBITDA	**263.2**	**305.9**	**342.6**	**367.4**	**390.9**	**414.4**	**438.6**	**463.6**	**489.7**	**516.8**	**532.3**
EBITDA margin	*2.74%*	*3.02%*	*3.17%*	*3.21%*	*3.25%*	*3.28%*	*3.31%*	*3.33%*	*3.36%*	*3.38%*	*3.38%*
D&A expenses	71.6	71.9	73.1	74.2	75.5	76.8	78.4	80.4	82.6	85.2	102.5
EBIT	**191.6**	**234.0**	**269.5**	**293.1**	**315.4**	**337.6**	**360.1**	**383.3**	**407.1**	**431.6**	**429.9**
EBIT margin	*1.99%*	*2.31%*	*2.50%*	*2.56%*	*2.62%*	*2.67%*	*2.71%*	*2.76%*	*2.79%*	*2.83%*	*2.83%*
EBIT tax	36.4	44.5	51.2	55.7	59.9	64.1	68.4	72.8	77.3	82.0	81.7
NOPLAT	**155.2**	**189.5**	**218.3**	**237.4**	**255.5**	**273.4**	**291.7**	**310.5**	**329.7**	**349.6**	**348.2**
CAPEX	-71.4	-77.9	-79.2	-80.4	-82.4	-84.3	-87.9	-91.6	-95.5	-99.5	-102.5
Working capital	30.1	26.7	20.1	20.5	20.1	21.1	22.2	23.6	25.1	26.7	27.5
Capital investment	-11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF	**173.6**	**210.2**	**232.3**	**251.8**	**268.7**	**287.1**	**304.4**	**322.8**	**342.0**	**362.0**	**375.6**
WACC	*10.24%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*
discount factor	*97.36%*	*88.03%*	*79.59%*	*71.96%*	*65.06%*	*58.83%*	*53.19%*	*48.09%*	*43.48%*	*39.32%*	*39.32%*
PV FCF	169.0	185.1	184.9	181.2	174.8	168.9	161.9	155.3	148.7	142.3	

	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F
WACC	***10.24%***	***10.60%***	***10.60%***	***10.60%***	***10.60%***	***10.60%***	***10.60%***	***10.60%***	***10.60%***	***10.60%***
Cost of debt	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
Risk-free rate	*6.10%*	*6.10%*	*6.10%*	*6.10%*	*6.10%*	*6.10%*	*6.10%*	*6.10%*	*6.10%*	*6.10%*
Risk premium	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Effective tax rate	*19.00%*	*19.00%*	*19.00%*	*19.00%*	*19.00%*	*19.00%*	*19.00%*	*19.00%*	*19.00%*	*19.00%*
Net debt / EV	*3.75%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Cost of equity	*10.60%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*	*10.60%*
Risk premium	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Beta	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90

FCF growth after the forecast horizon	*3.00%*
Terminal value	4 942.7
Present value of terminal value (PV TV)	1 943.3
Present value of FCF in the forecast horizon	1 672.1
Enterprise value	3 615.4
Net debt (incl. SPO)	242.4
Properties held for sale	0.0
Equity value	3 373.0
Number of shares (millions) post dilution	137.0
Value per share (PLN)	**24.6**
9M cost of equity	*7.95%*
Target Price	**26.6**
EV/EBITDA ('12) for the target price	12.7
P/E ('12) for the target price	21.2
TV to EV	54%

Sensitivity Analysis

	FCF growth in perpetuity				
	0.00%	**1.00%**	**2.50%**	**3.00%**	**4.00%**
Beta=0.8	21.5	22.8	25.4	26.5	29.3
Beta=0.95	20.3	21.5	23.7	24.6	26.9
Beta=1	19.2	20.2	22.2	23.0	24.9
Beta=1.1	18.3	19.1	20.8	21.5	23.1
Beta=1.2	17.4	18.1	19.6	20.2	21.6

Income Statement

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
Revenue	**4 726.1**	**6 129.7**	**6 698.3**	**7 791.8**	**9 618.8**	**10 127.6**	**10 801.1**
change	*46.00%*	*29.70%*	*9.28%*	*16.32%*	*23.45%*	*5.29%*	*6.65%*
COGS	4 324.5	5 588.5	6 074.1	6 990.5	8 667.9	9 032.0	9 624.8
Gross profit	401.6	541.2	624.2	801.3	950.9	1 095.6	1 176.3
gross margin	*8.50%*	*8.83%*	*9.32%*	*10.28%*	*9.89%*	*10.82%*	*10.89%*
SG&A expenses	309.2	415.1	471.5	616.0	764.6	861.6	906.7
Other net operating income/expenses	-5.8	-10.6	-7.6	-14.8	5.3	0.0	0.0
EBIT	**86.6**	**115.5**	**145.2**	**170.4**	**191.6**	**234.0**	**269.5**
change	*56.83%*	*33.38%*	*25.71%*	*17.39%*	*12.41%*	*22.14%*	*15.18%*
EBIT margin	*1.83%*	*1.88%*	*2.17%*	*2.19%*	*1.99%*	*2.31%*	*2.50%*
Financial activity	-11.7	-19.1	-15.3	-24.6	-35.3	-34.7	-30.6
Extraordinary gains/losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.5	0.0	0.0	0.0
Pre-tax income	**74.9**	**96.4**	**129.9**	**145.3**	**155.3**	**199.4**	**239.0**
Tax	16.3	16.3	26.3	16.9	19.4	27.9	35.4
Minority interests	0.0	-1.8	-1.2	0.0	0.0	0.0	0.0
Net income	**58.6**	**78.4**	**102.5**	**128.4**	**135.9**	**171.5**	**203.6**
change	*40.96%*	*33.73%*	*30.82%*	*25.29%*	*5.81%*	*26.17%*	*18.71%*
margin	*1.24%*	*1.28%*	*1.53%*	*1.65%*	*1.41%*	*1.69%*	*1.88%*
D&A expenses	35.7	43.0	49.3	60.3	71.6	71.9	73.1
EBITDA	**122.3**	**158.5**	**194.5**	**230.7**	**263.2**	**305.9**	**342.6**
change	*40.11%*	*29.59%*	*22.75%*	*18.61%*	*14.10%*	*16.20%*	*12.02%*
EBITDA margin	*2.59%*	*2.59%*	*2.90%*	*2.96%*	*2.74%*	*3.02%*	*3.17%*
Shares at year-end (millions)	127.7	130.8	134.6	137.0	137.0	137.0	137.0
EPS	0.5	0.6	0.8	0.9	1.0	1.3	1.5
CEPS	0.7	0.9	1.1	1.4	1.5	1.8	2.0
ROA	*6.59%*	*6.30%*	*7.37%*	*5.35%*	*5.57%*	*6.75%*	*7.63%*
ROE	*25.11%*	*27.70%*	*27.95%*	*28.10%*	*27.27%*	*28.13%*	*27.94%*

Balance Sheet

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
ASSETS	**889.9**	**1 244.0**	**1 390.4**	**2 403.0**	**2 439.7**	**2 539.4**	**2 668.5**
Fixed assets	**278.3**	**403.0**	**456.9**	**811.3**	**820.1**	**826.1**	**832.2**
Property, plant and equipment	121.0	171.7	187.6	233.9	232.7	238.7	244.9
Intangible assets	121.5	125.9	129.6	144.2	141.0	141.0	141.0
Goodwill	33.8	91.9	130.4	394.8	408.4	408.4	408.4
Long-term receivables	1.9	5.9	2.1	1.8	2.0	2.0	2.0
Other fixed assets	0.0	7.5	7.2	36.6	35.9	35.9	35.9
Current assets	**611.6**	**841.0**	**933.4**	**1 591.7**	**1 619.6**	**1 713.3**	**1 836.3**
Inventories	224.9	312.3	365.8	634.9	633.4	655.8	696.5
Short-term receivables	253.4	378.9	405.3	730.4	734.9	762.7	810.5
Accruals	1.9	5.7	4.9	11.9	29.4	29.4	29.4
Cash and cash equivalents	131.5	144.1	157.5	214.5	221.9	265.4	299.9

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
EQUITY AND LIABILITIES	**889.9**	**1 244.0**	**1 390.4**	**2 403.0**	**2 439.7**	**2 539.4**	**2 668.5**
Equity	**233.4**	**282.9**	**366.8**	**457.1**	**498.3**	**609.7**	**728.5**
Share capital	127.7	130.8	134.7	136.4	137.0	137.0	137.0
Other equity	105.7	152.1	232.1	320.7	361.4	472.7	591.5
Reserves	**5.7**	**24.8**	**24.8**	**26.7**	**60.6**	**60.6**	**60.6**
Long-term liabilities	**11.2**	**23.4**	**22.9**	**280.2**	**266.5**	**217.4**	**119.2**
Loans	0.0	0.0	0.0	256.6	245.6	196.5	98.2
Other	11.2	23.4	22.9	23.6	20.9	20.9	20.9
Short-term liabilities	**631.5**	**895.1**	**956.8**	**1 598.3**	**1 614.3**	**1 651.8**	**1 760.3**
Loans	73.1	68.5	0.0	86.9	39.5	0.0	0.0
Trade creditors	535.7	793.8	919.5	1 471.9	1 536.9	1 613.8	1 722.4
Accruals	8.1	17.3	19.1	40.7	0.0	0.0	0.0
Other	22.7	32.8	37.3	39.5	37.9	37.9	37.9
Debt	73.1	68.5	0.0	343.5	285.0	196.5	98.2
Net debt	-58.3	-75.7	-157.5	129.0	63.1	-68.9	-201.7
(Net debt / Equity)	*-24.98%*	*-26.75%*	*-42.93%*	*28.22%*	*12.67%*	*-11.31%*	*-27.69%*
(Net debt / EBITDA)	-0.5	-0.5	-0.8	0.6	0.2	-0.2	-0.6
BVPS	1.8	2.2	2.7	3.3	3.6	4.5	5.3

Cash Flows

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
Operating cash flows	**185.3**	**240.5**	**198.0**	**219.5**	**246.2**	**304.7**	**327.4**
Net income	58.6	78.4	102.5	128.4	135.9	171.5	203.6
D&A expenses	35.7	43.0	49.3	60.3	71.6	71.9	73.1
Working capital	73.8	106.5	16.1	45.1	30.1	26.7	20.1
Other	17.2	12.6	30.1	-14.3	8.6	34.7	30.6
Cash flows from investing activities	**-61.8**	**-169.9**	**-86.5**	**-413.6**	**-78.7**	**-77.9**	**-79.2**
CAPEX	-64.2	-72.2	-101.0	-74.5	-71.4	-77.9	-79.2
Capital investment	-10.0	-104.8	-31.7	-351.8	-11.9	0.0	0.0
Other	12.4	7.1	46.2	12.6	4.6	0.0	0.0
Cash flows from financing activities	**-33.3**	**-57.9**	**-98.3**	**248.2**	**-160.3**	**-183.3**	**-213.6**
Stock issue	0.0	8.2	18.1	12.4	5.1	0.0	0.0
Debt	-1.3	-21.0	-71.6	301.8	-110.5	-123.2	-128.8
Dividend (buy-back)	-29.4	-39.1	-41.2	-50.4	-50.7	-60.1	-84.8
Other	-2.5	-6.1	-3.5	-15.6	-4.3	0.0	0.0
Change in cash	**90.2**	**12.7**	**13.3**	**54.0**	**7.2**	**43.5**	**34.5**
Cash at period-end	131.5	144.1	157.5	211.5	218.7	262.2	296.7
DPS (PLN)	0.2	0.3	0.3	0.4	0.4	0.4	0.6
FCF	92.8	140.8	47.5	134.9	140.4	159.6	178.9
(CAPEX / Sales)	*1.36%*	*1.18%*	*1.51%*	*0.96%*	*0.74%*	*0.77%*	*0.73%*

Multiples

	2007	2008	2009	2010	2011F	2012F	2013F
P/E	49.8	38.1	30.0	24.4	23.0	18.3	15.4
P/CE	31.0	24.6	20.3	16.6	15.1	12.9	11.3
P/BV	12.5	10.6	8.4	6.8	6.3	5.1	4.3
P/S	0.6	0.5	0.5	0.4	0.3	0.3	0.3
FCF/EV	*3.24%*	*4.83%*	*1.63%*	*4.14%*	*4.40%*	*5.21%*	*6.11%*
EV/EBITDA	23.4	18.4	15.0	14.1	12.1	10.0	8.5
EV/EBIT	33.0	25.2	20.1	19.1	16.7	13.1	10.9
EV/S	0.6	0.5	0.4	0.4	0.3	0.3	0.3
DYield	*1.01%*	*1.31%*	*1.30%*	*1.61%*	*1.62%*	*1.92%*	*2.71%*
Price (PLN)	**22.9**						
Shares at year-end (millions)	127.7	130.8	134.6	137.0	137.0	137.0	137.0
MC (PLN m)	2 920.2	2 989.6	3 077.6	3 130.9	3 130.9	3 130.9	3 130.9
Equity attributable to minority shareholders (PLN m)	0.0	0.6	0.0	0.0	0.0	0.0	0.0
EV (PLN m)	2 861.9	2 913.9	2 920.1	3 259.9	3 194.0	3 062.0	2 929.2

Michał Marczak tel. (+48 22) 697 47 38
Managing Director
Head of Research
michal.marczak@dibre.com.pl
Strategy, Telco, Mining, Metals

Research Department:

Kamil Kliszcz tel. (+48 22) 697 47 06
kamil.kliszcz@dibre.com.pl
Fuels, Chemicals, Energy

Piotr Grzybowski tel. (+48 22) 697 47 17
piotr.grzybowski@dibre.com.pl
IT, Media

Maciej Stokłosa tel. (+48 22) 697 47 41
maciej.stoklosa@dibre.com.pl
Construction, Real-Estate Developers

Jakub Szkopek tel. (+48 22) 697 47 40
jakub.szkopek@dibre.com.pl
Manufacturers

Iza Rokicka tel. (+48 22) 697 47 37
iza.rokicka@dibre.com.pl
Banks

Gabriela Borowska tel. (+48 22) 697 47 36
gabriela.borowska@dibre.com.pl
Retail

Piotr Zybała tel. (+48 22) 697 47 01
piotr.zybala@dibre.com.pl
Real-Estate Developers

Sales and Trading:

Piotr Dudziński tel. (+48 22) 697 48 22
Director
piotr.dudzinski@dibre.com.pl

Marzena Łempicka-Wilim tel. (+48 22) 697 48 95
Deputy Director
marzena.lempicka@dibre.com.pl

Traders:

Emil Onyszczuk tel. (+48 22) 697 49 63
emil.onyszczuk@dibre.com.pl

Michał Jakubowski tel. (+48 22) 697 47 44
michal.jakubowski@dibre.com.pl

Tomasz Jakubiec tel. (+48 22) 697 47 31
tomasz.jakubiec@dibre.com.pl

Grzegorz Strublewski tel. (+48 22) 697 48 76
grzegorz.strublewski@dibre.com.pl

Michał Stępkowski tel. (+48 22) 697 48 25
michal.stepkowski@dibre.com.pl

Paweł Majewski tel. (+48 22) 697 49 68
pawel.majewski@dibre.com.pl

Foreign Markets Unit:

Adam Prokop tel. (+48 22) 697 48 46
Foreign Markets Manager
adam.prokop@dibre.com.pl

Michał Rożmiej tel. (+48 22) 697 48 64
michal.rozmiej@dibre.com.pl

Jakub Słotkowicz tel. (+48 22) 697 48 64
jakub.slotkowicz@dibre.com.pl

Jacek Wrześniewski tel. (+48 22) 697 49 85
jacek.wrzesniewski@dibre.com.pl

"Private Broker"

Jarosław Banasiak tel. (+48 22) 697 48 70
Director, Active Sales
jaroslaw.banasiak@dibre.com.pl

Dom Inwestycyjny
BRE Banku S.A.
ul. Wspólna 47/49
00-950 Warszawa
www.dibre.com.pl

List of abbreviations and ratios contained in the report:
***EV** – net debt + market value*
***EBIT** – Earnings Before Interest and Taxes*
***EBITDA** – EBIT + Depreciation and Amortisation*
***P/CE** – price to earnings with amortisation*
***MC/S** – market capitalisation to sales*
***EBIT/EV** – operating profit to economic value*
***P/E** – (Price/Earnings) – price divided by annual net profit per share*
***ROE** – (Return on Equity) – annual net profit divided by average equity*
***P/BV** – (Price/Book Value) – price divided by book value per share*
***Net debt** – credits + debt papers + interest bearing loans – cash and cash equivalents*
***EBITDA margin** – EBITDA/Sales*

Recommendations of BRE Bank Securities
A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:
BUY – we expect that the rate of return from an investment will be at least 15%
ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from –5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
Recommendations are updated at least once every nine months.

Strong and weak points of valuation methods used in recommendations:
DCF – acknowledged as the most methodologically correct method of valuation; it is based in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.
Comparative – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

Previous ratings issued for Eurocash

Rating	Accumulate	Buy	Suspended
Date issued	2011-01-17	2011-02-04	2011-08-09
Price on rating day	33.70	30.50	23.99
WIG on rating day	47457.37	47559.15	40535.21