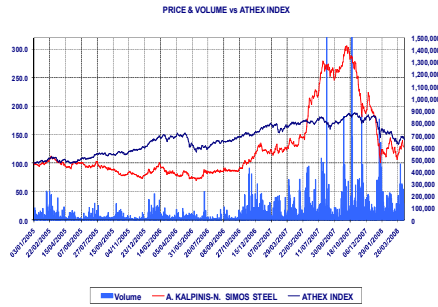


Industry: Raw Materials-Steel

April 14, 2008

Investment Opinion: BUY (5/5)



CASH FLOW STATEMENT	2006 A	2007 A	2008 F	2009 F	2010 F	2011 F	2012 F	Perpetuity
Turnover	135,181	168,026	181,500	202,350	226,900	237,100	247,770	252,725
EBIT	12,188	16,021	16,426	17,948	20,126	21,031	21,977	22,417
Less: Adjusted Tax	4,107	3,296	3,386	3,712	4,214	4,541	4,879	4,977
NOPAT	8,081	12,725	13,039	14,236	15,912	16,489	17,098	17,440
Plus: Depreciation	1,358	1,510	1,816	2,115	2,274	2,429	2,580	3,060
Less: Change in Working Capital	14,078	5,219	1,189	7,117	9,185	3,601	4,426	2,007
Less: Capex	5,722	1,398	7,000	4,000	3,000	1,700	1,700	3,060
Cash Flow to the Firm (FCFF)	-10,361	7,619	6,667	5,235	6,001	13,618	13,551	15,433

AT A GLANCE

⇒ A. KALPINIS - N. SIMOS SA STEEL PRODUCTS is a leading steel processor and reseller of steel products in Greece with over 50 years presence in the sector, managing the largest steel product range in the market. It is a full range independent steel service center, importing from more than 30 countries with no commitment.

⇒ The main products marketed cover the needs of technical and construction companies, industrial plants, refineries, farming industries, as well as the needs of the ship-building and ship-repairing industries. These products can be classified into three main categories i) Flat Steel products like symdeck 73 profiled steel sheet, metaldeck scaffolding plank, polyurethane panels and cold-form sections, ii) Long Steel products like H-Beams, I-Beams, channels, angles and iii) Structural Hollow sections and tubes like round, square and right steel pipes

⇒ The Company, through two ultra-modern units in Scaramagas and Aspropirgos, applies advanced concepts in the manufacture of steel products in GREECE, offering its customers ready to use products in the precise dimensions they need on demand, minimizing their costs incurred by undesirable wastage and large stock.

⇒ There are two associated companies i) CORUS-KALPINIS-SIMOS-SA COVERING MATERIALS, established in 1999 in Athens along with British Steel Holdings B.V. (50-50% joint venture), which deals with the manufacture and supply of composite insulated polyurethane panels, which takes an increasing share of the construction industry including roof and wall cladding solutions and ii) CORUS-KALPINIS-SIMOS Steel Service Center, established in 2007 in North Greece-Salonika along with Corus-Tata (50-50% joint venture), has as its main objective to set up a new distribution center in South East Europe. The new operation is expected to commence in the second half of 2008 and to handle a capacity of 150,000 tonnes per year (value approx. €100M with today's prices). The sales will cover both northern Greece and the Balkan region where A.KALPINIS-N.SIMOS at present has a limited presence (total exports represent only 9% of consolidated sales). The initial investment will reach €14.8M, which includes a 35% grant of total cost.

⇒ Moreover, the Company announced the establishment of new subsidiaries in Bulgaria and Romania in order to set up new Steel centers, implementing the strategy for further expansion abroad. In Romania, Hellenic Halyvourgia SA and Trigonis Bros SA will acquire a stake at the share capital with each shareholder owning 1/3 of the company. The overall investment plan is expected to reach a total capex of approximately €12 M.

⇒ There is also an affiliated company called STEEL CENTER S.A. owned by Kalpinis and Simos families, which is active in stainless steel products.

⇒ The new 5-year investment plan until 2011 for the mother company will reach €14.7M including among others the erection of buildings and special installations worth €4.94M, new mechanical equipment for the processing of steel products of €5.94M and technical equipment of €2.32M. The final subsidy is expected to reach €5.15M (35% of total investment expenditure).

⇒ The Company posted very strong FY07 results mainly due to the significant improvement of total sales by 24% reaching the level of €168 M. Gross profit margin slightly decreased, since in the second half there was an increase in raw material (steel) prices and simultaneously a decrease in final price due to domestic competition. Our projections estimate that gross profit margin will be at the level of 15%. Finally, STEEL CENTER S.A. is not consolidated in this report since there is only common management and no participation of the mother company in the share capital.

⇒ The Company's weak point is the extent of the average collection period, which is approximately 168 days (from 185 compared to FY06), and the gap between accounts payable, which is 137 days. This has led to increased needs for working capital reaching, in fiscal year 2007, almost 63% of consolidated turnover. The Company's strategy is to reduce the collection period by forty days gradually until 2011, in line with global market practices. Moreover, according to SEPA (Single Euro Payments Area), cheques (especially post-dated cheques) are going to be removed from commercial activities gradually beginning in 2008.

⇒ The threats come from price volatility and cyclicity although the mergers in the sector internationally are expected to reduce the sharp fluctuations in the prices of raw materials.

⇒ The sector's competition in Greece comes mainly from three companies which are also listed on the Athens Stock Exchange and together with Kalpinis-Simos hold 50% of total market. According to consolidated turnover in 2007 Kalpinis-Simos and Sidma have 30% each, Bitros 27% and Kordellos Bros 13%, with a total worth of €610M.

COMPANY DESCRIPTION

A. Kalpinis - N. Simos Steel Service Center imports, trades and processes steel products. Products include steel sheets, iron and aluminum.

SHARE DATA

Shares: 37.296.000 (Common Registered)

Capitalization (€ M): 57,44

200d Mov.Avg.Price(€): 2,56

200d Mov.Avg. Volume (#): 192.945

Price Change Since 31/12/07: -33%

52 wk high: 3.92 (04/10/2007)

52 wk low: 1.2 (23/01/2008)

Major Shareholders: 60,00%

Institutional Investor: 7,00%

Free Float: 33,00%

VALUATION (Working Hypotheses)

Risk Free Interest Rate (Rf): 4,75%

WACC: 9,30%

5-year CAGR of Turnover: 8,08%

Perpetuity after 2012: 2,00%

5-year CAGR of EBT: 7,86%

Effective Tax Rate₀₇: 25,64%

VWAP since 01/01/08: 1.58

ESTIMATES - FORECASTS

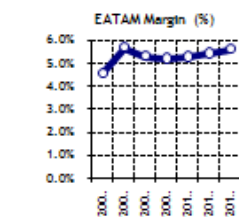
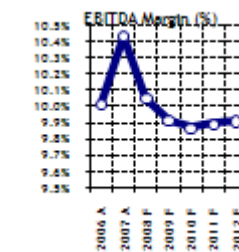
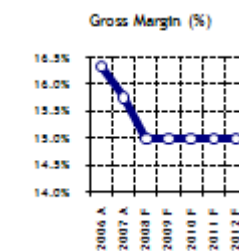
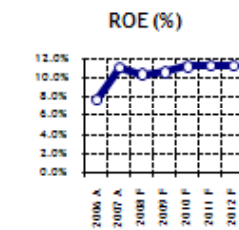
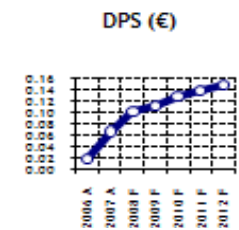
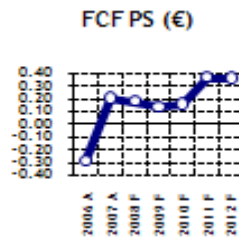
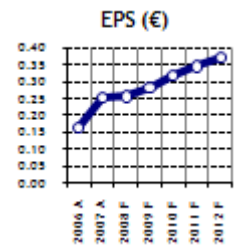
€ M	2006A	2007A	2008E	2009F
SALES	135	168	181	202
EBITDA	13,5	17,5	18,2	20,1
EATAM	6,21	9,56	9,64	10,56

SALES BREAKDOWN			
in € (000)	2008 (f)	2009 (f)	2010 (f)
KALPINIS-SIMOS	152.750	162.500	175.500
KALPINIS-CORUS 50%	15.750	17.100	18.900
KALPINIS-SALONIKA 50%	13.000	22.750	32.500
TOTAL WORTH	181.500	202.350	226.900

Y-o-Y changes		2007 A	2008 F	2009 F	2010 F	2011 F	2012 F
Total Turnover	%	24.30%	8.02%	11.49%	12.13%	4.50%	4.50%
EBITDA	%	29.42%	4.05%	9.98%	11.64%	4.73%	4.68%
EBT	%	24.57%	1.33%	9.62%	13.54%	7.76%	7.44%
EAT & Minorities	%	53.88%	0.85%	9.62%	13.54%	7.76%	7.44%

Current Price

1.54	2006 A	2007 A	2008 F	2009 F	2010 F	2011 F	2012 F
SHARES OUTSTANDING (000)	37,296	37,296	37,296	37,296	37,296	37,296	37,296
P/E (x)	9.25	6.01	5.96	5.44	4.79	4.44	4.14
P/Sales (x)	0.42	0.34	0.32	0.28	0.25	0.24	0.23
P/BV (x)	0.70	0.64	0.60	0.56	0.52	0.48	0.45
EPS (€)	0.17	0.26	0.26	0.28	0.32	0.35	0.37
EPS growth (%)	246.0%	53.9%	0.8%	9.6%	13.5%	7.8%	7.4%
PEG (x)	0.04	0.11	7.01	0.57	0.35	0.57	0.56
Operating CFPS (€)	-0.08	0.13	0.28	0.16	0.15	0.33	0.33
FCFF / Share (€)	-0.28	0.20	0.18	0.14	0.16	0.37	0.36
Dividend / Share (€)	0.02	0.07	0.10	0.11	0.13	0.14	0.15
Dividend Yield (%)	1.2%	4.3%	6.7%	7.4%	8.4%	9.0%	9.7%
ROE (%)	7.8%	11.1%	10.4%	10.6%	11.2%	11.2%	11.3%
EV/Sales (x)	0.86	0.70	0.65	0.60	0.55	0.51	0.47
EV/EBITDA (x)	8.55	6.74	6.44	6.09	5.54	5.12	4.73
Net Debt / Equity (x)	0.69	0.64	0.58	0.56	0.54	0.45	0.38
Current Ratio (x)	2.60	2.57	2.61	2.58	2.61	2.93	3.34
INCOME STATEMENT (€ ,000)	2006 A	2007 A	2008 F	2009 F	2010 F	2011 F	2012 F
Total Turnover	135,181	168,026	181,500	202,350	226,900	237,100	247,770
COGS	113,122	141,552	154,275	171,997	192,865	201,535	210,604
Gross Profit	22,059	26,474	27,225	30,352	34,035	35,565	37,165
Other Operating Income	2,451	2,276	2,541	2,833	3,177	3,319	3,469
SG&A Expenses	12,322	12,729	13,340	15,237	17,086	17,854	18,657
EBIT	12,188	16,021	16,426	17,948	20,126	21,031	21,977
Depreciation	1,358	1,510	1,816	2,115	2,274	2,429	2,580
EBITDA	13,546	17,531	18,242	20,064	22,400	23,460	24,557
Interest Expense	(1,870)	(3,168)	(3,401)	(3,672)	(3,917)	(3,564)	(3,210)
EBT	10,318	12,853	13,024	14,277	16,209	17,467	18,767
Taxes	4,107	3,296	3,386	3,712	4,214	4,541	4,879
Minorities							
EAT & Minorities	6,210	9,557	9,638	10,565	11,995	12,926	13,887
CASH FLOW (€ ,000)	2006 A	2007 A	2008 F	2009 F	2010 F	2011 F	2012 F
Cash flow from Operations	-2,824	4,879	10,406	5,961	5,676	12,162	12,465
Cash Flow from Investment	-5,711	-2,655	-7,004	-6,506	-3,007	-3,003	-3,003
Net Cash Flow from Financing	8,664	-2,476	-3,487	697	-2,726	-8,998	-9,370
BALANCE SHEET (€ ,000)	2006 A	2007 A	2008 F	2009 F	2010 F	2011 F	2012 F
Total Non-Current Assets	43,931	46,320	51,507	55,898	56,631	57,206	57,629
Inventory	38,993	36,930	38,115	41,482	45,380	47,420	49,554
Receivables	73,091	81,990	83,127	88,629	95,979	98,397	101,586
Total Cash	1,723	1,472	1,388	1,540	1,482	1,643	1,734
Total Current Assets	113,807	120,845	123,118	132,195	143,452	148,098	153,541
Total Assets	157,739	167,165	174,625	188,093	200,084	205,304	211,170
Long Term Bank Loans	30,000	27,000	27,000	27,000	27,000	27,000	27,000
Non Current Liabilities	31,880	30,831	30,982	33,796	34,226	35,803	37,393
Short Term Banks	28,183	31,448	30,448	32,500	34,000	28,500	23,000
Current Liabilities	43,716	47,054	47,212	51,156	54,947	50,462	46,022
Equity	82,143	89,280	96,432	103,141	110,910	119,038	127,755
Total Equity & Liabilities	157,739	167,165	174,625	188,093	200,084	205,304	211,170
MARGIN ANALYSIS %	2006 A	2007 A	2008 F	2009 F	2010 F	2011 F	2012 F
Gross Profit	16.3%	15.8%	15.0%	15.0%	15.0%	15.0%	15.0%
SG&A Expenses	9.1%	7.6%	7.4%	7.5%	7.5%	7.5%	7.5%
EBITDA	10.0%	10.4%	10.1%	9.9%	9.9%	9.9%	9.9%
EBT	7.6%	7.6%	7.2%	7.1%	7.1%	7.4%	7.6%
EAT&Minorities	4.6%	5.7%	5.3%	5.2%	5.3%	5.5%	5.6%
Tax rate	39.8%	25.6%	26.0%	26.0%	26.0%	26.0%	26.0%



Source: MERIT SECURITIES, Company Financial Data



Investment Ratings

BUY (5/5): The difference between the stock's current price and its estimated target price is $\geq +30\%$

ACCUMULATE (4/5): The difference between the stock's current price and its estimated target price ranges between [+10% and +30%]

HOLD (3/5): The difference between the stock's current price and its estimated target price ranges between (-10% and +10%)

AVOID (2/5): The difference between the stock's current price and its estimated target price ranges between [-10% and -30%]

REDUCE (1/5): The difference between the stock's current price and its estimated target price is $\leq -30\%$

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