

First Impression

July 30, 2010

Consumer, non-cyclical/Croatia

Adris Grupa

Last recommend.: Hold

Last price target	303.00
Close (29.04.10)	260.50
Market Cap. (EUR mn)	579
Free float	55.6%
Reuters	ADGR_p.ZA
Bloomberg	ADRSPA CZ

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Results worse yoy but better than we expected

- Tobacco segment reported 1.5% growth yoy and tourism counts 3% more overnight stays yoy
- Better than expected results emerge due to expansion on new markets
- We keep our "hold" recommendation and price target

The drop in sales was expected due to several reasons: a drop in tobacco consumption and general poor market conditions as well as low season combined with closed capacities in Vrsar during the Easter Holiday and poor weather conditions. The tourism unit continued generating losses but other segments seemed to improve operations qoq. However, profitability is far from 2Q 09 levels; lower by roughly 1,000 bp yoy. The divergence from our estimates comes from a recovery in tobacco sales in both, sales and profitability.

Tobacco and other: The 1.5% higher tobacco segment sales were actually very positive if compared to -1.9% sales in 1Q 10. This growth came from expansion to new European and Asian markets. Better than expected profitability is probably due to sales of tobacco at higher margins in EU countries. Reported results are better qoq but are still far from 2Q 09. The improvement could be attributable to one offs in the retail segment in 1Q 10 after tobacco promotional material and stands had to be removed.

Tourism: Despite 3% more overnight stays and close to 10% higher revenues generated mostly due to the introduction of new hotel capacities, 2Q 10 loss of HRK 11.8 mn were mainly caused by a halved financial income from HRK 18 mn to HRK 9.4 mn. Gross and EBITDA margins were flat yoy whereas EBIT margin slightly deteriorated due to higher depreciation charge for a new hotel. Together with 1Q 10 net income, the 1H 10 bottom line loss amounts to HRK 66.9 mn (6.8 mn higher yoy). Regardless of the high season success, it will be challenging to erase this result and come out with a positive net income in FY 10e.

Financial revenues: The net financial result of HRK 20.5 mn has boosted the bottom line. On 1H 10 level this adds some HRK 46 mn in profits. Cash flow creation remains stable.

Outlook and recommendation: Since the growth in tobacco segment should continue throughout the year we will slightly revise our FY 10 estimates. However, the tourism unit gathered HRK -66.9 mn in 1H 10, which will not be easy to reverse during the high season. We keep our "hold" recommendation and price target.

Adris 2Q 2010 result

in HRK mn	1H 10	2Q 09	2Q 10	+/- %	RCB est.	+/- %	1Q 10
Sales	1,169.2	696.9	660.6	-5.2	641.5	3.0	508.6
EBITDA	277.9	254.3	169.1	-33.5	142.8	18.4	108.7
EBIT	158.2	197.2	109.3	-44.6	82.8	32.0	48.9
EBT	204.3	198.3	129.8	-34.5	102.8	26.3	74.5
Net profit a.m.	130.1	153.5	88.6	-42.3	72.0	23.1	41.4
EPS	8.03	9.48	5.47	-42.3	4.44	23.1	2.56
EBITDA margin	23.8%	36.5%	25.6%	-29.8	22.3%	15.0	21.4%
EBIT margin	13.5%	28.3%	16.5%	-41.5	12.9%	28.2	9.6%
EBT margin	17.5%	28.5%	19.7%	-30.9	16.0%	22.6	14.6%
Net margin	11.1%	22.0%	13.4%	-39.1	11.2%	19.6	8.1%

Source: Adris, Raiffeisen Centrobank

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