

Apranga

Equity Research - Monday, July 20, 2009

Consumer Discretionary / Apparel Retail

Country: Lithuania

Date for prices: 17 July 2009
Date for input-data: 20 July 2009

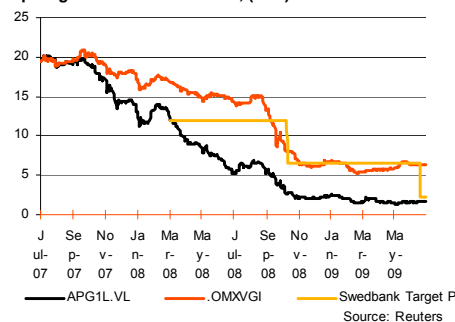
Recommendation: Hold
Target Price: €0.65/LTL 2.25
Risk Rating: High risk

Share Price: €0.46/LTL 1.59
Reuters Ticker: APG1L.VL
Bloomberg Ticker: APG1L LH

Previous report: 28 October 2008
Previous Recommendation: Buy
Previous Target Price: €1.89/LTL 6.55

Performance

Apranga Share Performance, (LTL)



Trading Statistics

	2.01	6.93
52w high	0.4	1.3
52w low	0.3	1.1
Market Cap (m)	16	56
Free Float		29%
Mkt. Cap of Free Float (m)	5	16
Shares Out. (m)		35.3

	-0.625	-37.15	-70.45	-26.39
Yield (%)	20	33	40	36
Avg. Daily Turnover, LTL th	33	54	116	62
Avg. Daily Turnover, LTL th	535	869	863	552

Key Ratios

	2007	2008	2009F	2010F
P/E	2.3	4.1	-3.7	-19.7
P/BV	0.6	0.6	1.0	1.0
EVEBITDA	3.3	3.9	15.3	8.6
Dividend Yield (%)	10.1	0.0	0.0	0.0

Research

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Expansion stopped, business consolidation ahead

- For more than five years Apranga has been a remarkable growth story and the share price behaved accordingly. Though now the growth story is over. The Baltic economies are in a free fall; internal demand has vanished and will hardly pick up this or the next year. Apranga is a pro-cyclical business and the company suffers recession's consequences: like – for – like sales have been contracting by more than 30% yoy, and the company generates losses.
- From the financial perspective this year is going to be "annus horribilis" due to plunging LFL sales (~ - 30% yoy), excessive inventory sell-offs (in Q1), stores closures and related write-offs. Nevertheless, there are positive moves that will benefit the company in the long run. Apranga has negotiated lower rent (-25 to -50% discount), reduced employee headcount (-15-18%) and lowered salaries (-20%), reduced inventories purchase (-20-25%).
- This year we forecast sales to go down 17% yoy and another 10% in 2010 as a result of the reduced trading space. In 2009 we expect EPS at LTL - 0.42 per share and LTL -0.14 in 2010 due to the stores closure related write-offs.
- P/E is not suitable to assess the company's pricing as 2009 EPS is expected to be negative. Nevertheless, Apranga trades at 2009: 1x P/Bv, 15.6x EV/EBITDA and 0.5x EV/Sales which, in our view, leaves little space for the short term upside.
- We would like to make a clear implication that from the short term perspective we see very limited upside for the share price. At the same time we emphasize a very positive outlook towards the long term Apranga's business perspective. Therefore we issue a Hold recommendation with a high risk assessment. We set the DCF valuation based target price at LTL 2.25 per share.

Last Quarter, LTL thousand

	1Q09	1Q08	Change	2Q09F	2Q08	Change
Sales	75,463	100,479	↘ -24.9%	76,260	92,378	↘ -17.4%
EBITDA	-3,744	5,342	↘ -170.1%	2,513	10,242	↘ -75.5%
Margin	-5.0%	5.3%		3.3%	11.1%	
Op. Profit	-9,283	434	↘ #####	-2,822	5,198	↘ #####
Margin	-12.3%	0.4%		-3.7%	5.6%	
Net Profit	-10,030	-821	↗ #####	-3,797	3,626	↘ #####
Margin	-13.3%	-0.8%		-5%	3.9%	

Source: Apranga; Swedbank

Attention: Please note important background and customer information at the end of this report

Q1 highlights

Apranga	APG1L LH / APG1L.VL			
	LTL, thousand	1Q09	1Q08	Change
Sales		75,463	100,479	▼ -24.9%
EBITDA		-3,744	10,242	
<i>Margin</i>		-5.0%	10.2%	▼ -15.2%
Op. Profit		-9,283	434	
<i>Margin</i>		-12.3%	0.4%	▼ -12.7%
EBT		-9,953	-528	
<i>Margin</i>		-13.2%	-0.5%	▼ -12.7%
Net Profit		-10,030	-821	
<i>Margin</i>		-13.3%	-0.8%	▼ -12.5%

Source: Apranga

Q1 sales were hammered by an accelerating recession in the Baltics. Q1 revenues went down 24.9% yoy but like-for-like sales showed even deeper 31.5% yoy contraction. The company opened 19 and closed 3 stores in Q1

Sales

LTL, thousand	1Q09	1Q08	Change
Lithuania	52,391	66,700	▼ -21.5%
Latvia	15,984	24,756	▼ -35.4%
Estonia	7,088	9,023	▼ -21.4%

Source: Apranga

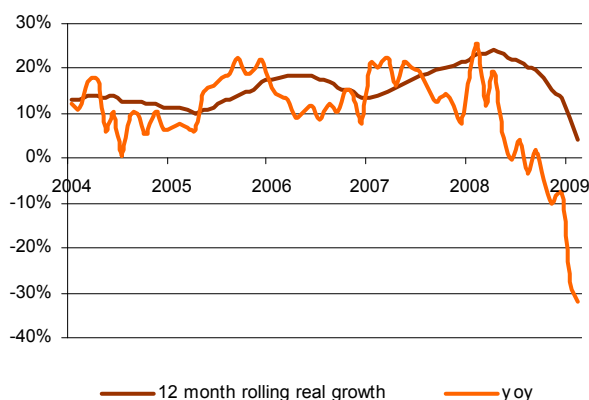
The biggest sales decrease was in Latvia though neither Lithuania nor Estonia could boast of good results: sales went down in all markets. In Q1 Apranga had to pursue an aggressive sell-out to deal with excessive inventories. With the diminishing sales it became deadly for earnings. Gross profit margin contracted from 40.6% a year ago to 35.3% in Q1 09. Apranga reported negative EBITDA of LTL -3.7m (EUR 1.1m) and the net loss of LTL -10m (EUR -2.9m).

Expansion suspended, consolidation ahead

On March 31 Apranga opened 10 new stores in a newly opened shopping mall Riga Plaza in Riga (Latvia) and this was the last opening planned in advance. Currently the company operates a chain of 118 stores with a trading area of 70'000 sq. m. across Lithuania, Latvia and Estonia. The company opened the last 10 stores in Riga when the recession had been already looming in Latvia. The decision to proceed was made because to terminate the contract with the mall would have cost more than to launch the stores and bear an operating loss.

One should understand that the retail sales in all three countries have turned from boom into bust and to expand in this environment is almost impossible. Consumers are not eager to spend as they used to and this hurts Apranga's sales a lot. This year the company's monthly like- for-like sales have been contracting by more than 30% yoy which is in line with the Lithuanian retail turnover.

Retail sales growth



Source: Statistics Lithuania

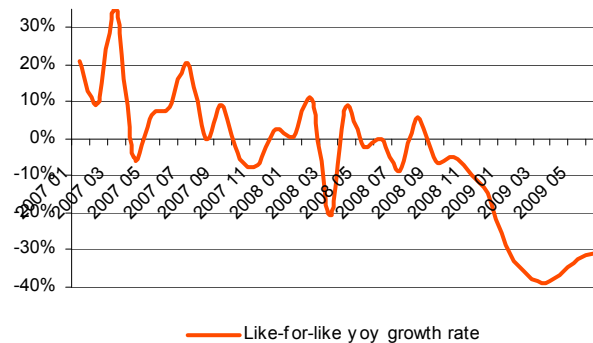
On a short notice Apranga will close up to 18 stores and the trading area is expected to shrink from 70'000 to 63'000 sq. m. by the end of the year. In general, we like the business consolidation idea. In our previous reports we wrote that the retail space per capita in the

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Baltics exceeded the EU average and this was a worrisome trend considering the residents' purchasing power and the declining like-for-like sales.

2009 like – for – like sales

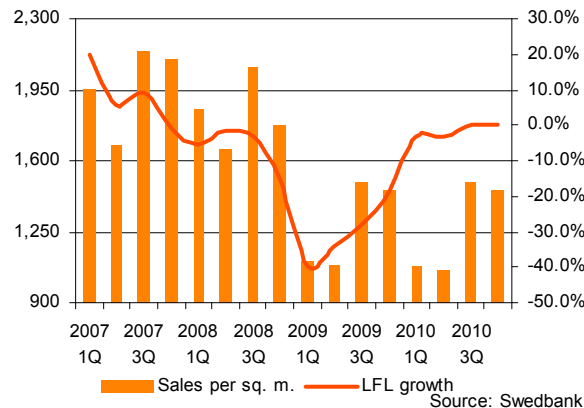
Monthly like-for-like sales yoy growth %



Source: Swedbank

During the last couple of years one of the key issues concerning Apranga has been a like-for-like sales development. It has been steadily going down, but the company successfully compensated for it by adding new trading space. This year the major contraction in like-for-like sales has become evident with no signs of improvement yet.

Quarterly sales (LTL) per sq. m. & L-F-L sales yoy growth %



Source: Swedbank

In 2009 the company's LFL sales have been decreasing at a pace of ~30% yoy and we expect a similar trend until the end of the year. We anticipate the bottoming out in the like-for-like sales in the first half of 2010 and stabilization in the second half of the year. The upturn in Apranga's sales we attribute to a general recovery in consumption in the region.

New share placing to buy back bonds

This year Apranga's issued 20 million shares at a price LTL 1 per share. The placing was fully subscribed by the existing shareholders and the funds received were used to buy back LTL 20m bonds on redemption day June 15. The new placing increased the total number of shares from 35'291'960 to 55'291'960. An interesting fact is that the market did not react to the issue as a dilution and the share price went up. This placing had a clear purpose to buy back bonds and the company is not considering new issues for the time being.

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Q2 preview

LTL, thousand	2Q09E	2Q08	Change
Sales	76,260	92,378	↘ -17.4%
EBITDA	2,513	10,242	↘ -75.5%
<i>Margin</i>	3.3%	11.1%	▼ -7.8%
Op. Profit	-2,822	5,198	
<i>Margin</i>	-3.7%	5.6%	▼ -9.3%
EBT	-3,797	4,242	
<i>Margin</i>	-5.0%	4.6%	▼ -9.6%
Net Profit	-3,797	3,626	
<i>Margin</i>	-5.0%	3.9%	▼ -8.9%

Source: Swedbank

We expect Q2 sales to go down 17.4% yoy while like – for – like sales we see at – 34% yoy. The stores opened in Q109 will soften the negative LFL sales impact. During Q2 we expect to see some impact from the cost cutting measures taken. In Q2 we expect positive EBITDA and the margin at 3.3%, but we expect net loss at LTL 3.8m (€1.1m). Not all cost cutting measures have been in place yet and we only expect to see the full impact next year.

2009 and 2010 outlook

LTL, thousand	2008	2009E	Change	2010E	Change
Sales	418,622	347,186	↘ -17.1%	312,239	↘ -10.1%
EBITDA	41,822	10,510	↘ -74.9%	18,733	↗ 78.2%
<i>Margin</i>	10.0%	3.0%	▼ -3.0%	6.0%	▼ -3.0%
Op. Profit	21,310	-10,223		2,720	
<i>Margin</i>	5.1%	-2.9%		0.9%	
EBT	17,466	-23,480		-4,471	
<i>Margin</i>	4.2%	-6.8%		-1.4%	
Net Profit	13,784	-23,480		-4,471	
<i>Margin</i>	3.3%	-6.8%		-1.4%	

Source: Apranga, Swedbank

In 2009 and 2010 we forecast sales to go down 17.1% and 10.1% respectively. There would be two main reasons for the sales contraction. First, LFL sales are expected to contract on average ~30% yoy measured on a quarterly basis this year. Second, in 2009 - 2010 the planned stores closures (up to 18 stores) should press the top line in 2010. According to the company, the closure related write – offs might reach LTL 10 – 15m (€2.9-4.3m). In our model we included LTL 10m write-offs in 2009 (LTL 5m in 3Q and the same sum in 4Q) and another LTL 5m for the first half of 2010. We would like to point out that the write – offs' timing might differ from our forecasts. In 2010 we project a recovery in EBITDA due to the cost cutting measures taken though we only anticipate the bottom line recovery beyond 2010.

Balance sheet strong enough to bear loss

For 2009 and 2010 we project the net loss of LTL 28m (€8.1m) in total, this figure includes LTL 15m (€4.3m) write – offs related to the store closures. In our view, the company's balance sheet is strong enough to bear the loss. After Q109 Apranga had LTL 48m (€13.9m) in retained earnings and LTL 85.3m (€24.7m) in total shareholders equity and this is more than enough to absorb the projected loss.

Apranga has a credit line of LTL 80m (€23.2m) from DnB Nord bank. After Q1 the utilized sum was LTL 54.2m (€15.7m). Also the company covered LTL 20m bonds issuing the same amount of equity, it also strengthened the balance sheet. Therefore, we see minor risk for the company to fall into insolvency or liquidity problems.

Capital expenditures

For 2009 Apranga projects LTL 15m (€4.3m) in CapEx due to the openings in Q1. For 2010 we project LTL 0 in CapEx as the expansion plans have been stopped for the time being. Beyond we set CapEx at LTL 3m per year which, in our view, would represent normal replacement costs.

Dividends

Apranga has a policy to maintain a dividend payout ratio at ~25% from net profit. For 2008 the company did not pay any dividend, which, in our opinion, is a rational move considering

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the Q1 09 financial performance. We project that the company will suspend dividend payments for the next couple of years.

Comparative analysis

We project Apranga to generate loss in 2009 and 2010 therefore P/E ratio is not suitable to assess the share pricing. Nevertheless, based on our 2009 forecasts Apranga is traded at P/Sales – 0.26, EV/Sales – 0.47 or more than with 50% discount to peers' median and a premium compared with the regional players (Baltika and Silvano fashion group). We would justify some premium to Baltika and Silvano due to the fact that Apranga operates internationally well known brands and the business model covers all apparel segments (from youth to luxury). Based on 2009 EBITDA the company trades at EV/EBITDA of 15.4, which is a stretched valuation and 2009 P/BV of 1 leaves little room for the upside. The decrease in the share pricing multiples we foresee in 2010 when the cost cutting measures take place.

We see rather limited upside for the share price this year, nevertheless, looking beyond 2010 we are very positive towards the company's future. Apranga is a leader in the apparel retail market in the Baltics with well known brands. There are no signs that any other strong rival (H&M for example) would be entering the market for a simple reason that the market is too small and too saturated already.

Valuation

Our DCF valuation implies the target price of LTL 2.25 per share taking into account the dilution effect from the new emission issued in 1H09. Calculating the target price we used the cost of equity of 16.6% and the WACC of 14.05%. At the same time we used a free cash flow growth rate in perpetuity at 3%.

The target price of LTL 2.25 per share suggests almost 40% upside from the current market price. However, one should consider that we see very limited share pricing triggers for the upcoming year and the business environment won't get easier to boost the share pricing. For that reason we recommend holding the share with a high risk assessment.

Accounting note

In their material event releases and press comments Apranga regularly announces turnover numbers and forecasts in absolute numbers that include value added tax (VAT), not necessarily stating it clearly. In the clothing retail market most customers receive no VAT refunds after purchasing the items, therefore it may be appropriate to consider the market in terms of values that include VAT. However VAT must not be considered as a source of revenues for a company and therefore it is not regularly included under income/cost lines in the financial reports. We would stress the necessity for the investor to pay attention to whether values with or without VAT are announced. In the text we refer, and for the financial analysis use, sales values without VAT.

Company Info

Σ Investment Summary

Apranga is a leader in the apparel retail market in the Baltics with well known brands. There are no signs that any other strong rival (H&M for example) would be entering the market for a simple reason that the market is too small and too saturated already.

Our DCF valuation implies the target price of LTL 2.25 per share taking into account the dilution effect from the new emission issued in 1H09.

The target price of LTL 2.25 per share suggests almost 40% upside from the current market price. However, one should consider that we see very limited share pricing triggers for the upcoming year and the business environment won't get easier to boost the share pricing. For that reason we recommend holding the share with a high risk assessment.

+ Positives

- Apranga has a leading position (>30%) among the apparel retailers in Lithuania.
- Apranga covers almost all apparel market segments: from youth to luxury.
- Well developed business strategy through the franchise stores (Inditex in the first place) allows the company to expand store chain rapidly.
- Local distribution rights for a number of brands: from family to luxury.
- Cost cutting measures taken should take a full effect in 2010.

- Negatives

- The recession hurts the company's sales and earnings a lot. Like-for-like sales have been going down by 30% yoy. The company has been deep in red this year.
- Expansion is over, store chain consolidation ahead. The company plans to close up to 18 stores and the trading area is expected to contract from 70'000 to 63'000 sq. m.
- The company's results are very dependent on the success of Inditex brands.
- The recovery in earnings is expected only beyond 2010 which leaves a great deal of uncertainty for the short term.

! Investment Risks

Low liquidity of the stock might cause high volatility on the market.

? Profile

APB Apranga is the largest clothing retailer in the Baltic countries, based in Lithuania and rapidly expanding to the neighbouring Latvia (entered in 2003) and Estonia (2004). Apranga is the partner of the world's leading apparel retailer INDITEX since 2004 and has developed a comprehensive sales strategy that includes 5 different types of stores: family fashion (Apranga), young fashion (Mango, Aprangos Galerija, Mexx, Bershka, Pull and Bear and other), business (City, Betty Barclay), luxury (Hugo Boss, MaxMara, Emporio Armani, GF Ferre, Ermenegildo Zegna and other), Zara stores and outlets. The branded stores are operated under franchise agreements (Zara, Mango, Emporio Armani and

other). Apranga also represents Hugo Boss, Max Mara, Jack&Jones, Betty Barclay and other.

☰ Company Structure

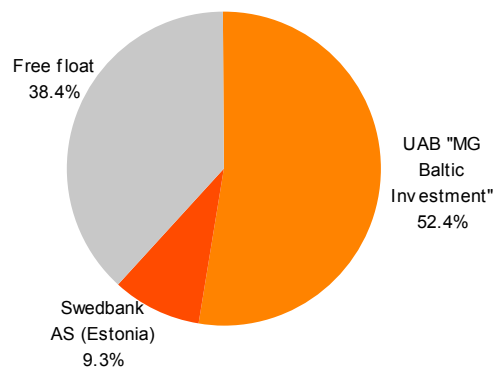
- UAB "Apranga LT"
- UAB "Apranga BPB LT"
- UAB "Apranga PLT"
- UAB "Apranga SLT"
- SIA "Apranga"
- SIA "Apranga LV"
- SIA "Apranga BPB LV"
- SIA "Apranga PLV"
- SIA "Apranga SLV"
- OU "Apranga"
- OU "Apranga Estonia"
- OU "Apranga BEE"
- OU "Apranga PB Trade"
- OU "Apranga ST Retail"

○ Management

Rimantas Perveneckas (2.26%), CEO since 1993

Vaidas Savukynas, the director of Finance and Economics

% Key Shareholders



Source: OMX

~ History

Apranga was founded in 1945 as a state wholesale depot and after privatization in 1992 was developed into a retail chain. For the past few years the company focused on the stores chain expansion. Apranga entered the first foreign market entered in 2003 – Latvia and the second in 2004 – Estonia. In 2004 the company became a partner of the world's leading apparel retailer INDITEX.

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Quarterly data

INCOME STATEMENT (quarterly), LTL thousand	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09
Sales	77,248	103,836	110,145	100,479	92,378	116,528	109,237	75,463
COGS	40,237	59,855	56,838	59,723	49,167	65,979	57,550	48,831
Gross Profit	37,011	43,981	53,307	40,756	43,211	50,549	51,687	26,632
Net Operating Expenses	31,424	33,927	42,451	40,322	38,013	40,658	45,900	35,915
EBITDA	9,451	14,253	15,048	5,342	10,242	15,097	11,141	-3,744
Depreciation	3,864	4,199	4,192	4,908	5,044	5,206	5,354	5,539
Operating Profit	5,587	10,054	10,856	434	5,198	9,891	5,787	-9,283
Net Financial Items	-604	-476	-1,076	-962	-956	-917	-1,009	-670
Taxes	1,290	1,129	1,468	293	616	1,473	1,300	77
Minority Interest	0	0	0	0	0	0	0	0
Net Profit	3,693	8,449	8,312	-821	3,626	7,501	3,478	-10,030
EPS, LTL	0.10	0.24	0.24	-0.02	0.10	0.21	0.10	-0.28
GROWTH, yoy								
Sales	47%	48%	35%	29%	20%	12%	-1%	-25%
Gross Profit	50%	45%	39%	21%	17%	15%	-3%	-35%
EBITDA	22%	37%	28%	-45%	8%	6%	-26%	-170%
Operating Profit	13%	35%	29%	-93%	-7%	-2%	-47%	-2239%
Net Profit	-22%	18%	105%	-118%	-2%	-11%	-58%	1122%
MARGINS, % of sales								
Gross Profit	47.9%	42.4%	48.4%	40.6%	46.8%	43.4%	47.3%	35.3%
EBITDA	12.2%	13.7%	13.7%	5.3%	11.1%	13.0%	10.2%	-5.0%
Operating Profit	7.2%	9.7%	9.9%	0.4%	5.6%	8.5%	5.3%	-12.3%
Net Profit	4.8%	8.1%	7.5%	-0.8%	3.9%	6.4%	3.2%	-13.3%

BALANCE SHEET (quarterly), LTL thousand	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09
Cash & Equivalents	4,455	5,762	7,287	3,612	2,750	2,245	4,882	1,876
Accounts Receivable	4,205	7,384	4,145	5,813	6,906	7,967	3,578	10,314
Inventories	51,121	92,734	74,939	91,731	69,499	119,967	86,643	110,476
Other Current Assets	0	0	3,883	0	0	0	5,451	0
Current Assets	59,781	105,880	90,254	101,156	79,155	130,179	100,554	122,666
Tangible Assets	92,641	97,446	110,439	107,322	108,513	108,375	110,363	111,064
Long-Term Financial Assets	634	1,958	857	1,032	1,102	1,085	937	1,001
Intangible Assets	771	820	981	1,245	1,330	1,650	1,592	1,554
Long-Term Assets	94,046	100,224	112,277	109,599	110,945	111,110	112,892	113,619
Total Assets	153,827	206,104	202,531	210,755	190,100	241,289	213,446	236,285
S-T Debt	4,111	10,439	54,247	41,204	25,932	30,987	77,561	75,126
Supplier Payables	25,145	70,168	36,007	57,659	26,863	83,100	34,562	69,907
Other S-T liabilities	1,846	2,794	1,112	1,589	1,921	2,159	432	499
Current Liabilities	31,102	83,401	91,366	100,452	54,716	116,246	112,555	145,532
L-T Debt	48,417	40,879	20,016	20,000	47,000	29,089	0	0
Other L-T liabilities	3,483	2,783	3,531	3,590	3,839	4,075	5,513	5,489
Non-current Liabilities	51,900	43,662	23,547	23,590	50,839	33,164	5,513	5,489
Shareholders' Equity	70,825	79,041	87,618	86,713	84,545	91,879	95,378	85,264
Total Liabilities and Equity	153,827	206,104	202,531	210,755	190,100	241,289	213,446	236,285
BVPS, LTL	2.01	2.24	2.48	2.46	2.40	2.60	2.70	2.42

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Income Statement & Balance Sheet

INCOME STATEMENT, LTL thousand	2006	2007	2008	2009F	2010F	2011F	2012F	2013F	CAGR	08-13F
Net Sales	253,489	368,907	418,622	347,186	312,239	321,606	337,687	361,325		-2.9%
<i>Sales Growth</i>	<i>49.1%</i>	<i>45.5%</i>	<i>13.5%</i>	<i>-17.1%</i>	<i>-10.1%</i>	<i>3.0%</i>	<i>5.0%</i>	<i>7.0%</i>		
Cost of Goods Sold	139,311	200,959	232,419	213,517	179,555	183,316	185,728	195,115		
Gross Profit	114,178	167,948	186,203	133,669	132,684	138,291	151,959	166,209		-2.2%
<i>Gross Margin</i>	<i>45.0%</i>	<i>45.5%</i>	<i>44.5%</i>	<i>38.5%</i>	<i>42.5%</i>	<i>43.0%</i>	<i>45.0%</i>	<i>46.0%</i>		
Net Operating Expenses	91,706	135,225	164,893	143,891	129,964	131,698	134,062	139,833		
EBITDA	34,224	48,486	41,822	10,510	18,733	18,786	29,282	35,725		-3.1%
<i>EBITDA Margin</i>	<i>13.5%</i>	<i>13.1%</i>	<i>10.0%</i>	<i>3.0%</i>	<i>6.0%</i>	<i>5.8%</i>	<i>8.7%</i>	<i>9.9%</i>		
Depreciation & Amortization	11,752	15,763	20,512	20,732	16,013	12,194	11,385	9,348		
Operating Profit	22,472	32,723	21,310	-10,223	2,720	6,593	17,897	26,377		4.4%
<i>Operating Margin</i>	<i>8.9%</i>	<i>8.9%</i>	<i>5.1%</i>	<i>-2.9%</i>	<i>0.9%</i>	<i>2.1%</i>	<i>5.3%</i>	<i>7.3%</i>		
Net Financial Items	-1,422	-2,681	-3,844	-13,180	-7,191	-2,122	-1,978	-2,097		
Taxes	-3,614	-5,119	-3,682	-77	0	-894	-3,184	-4,856		
Minority Interest	0	0	0	0	0	0	0	0		
Net Profit	17,436	24,923	13,784	-23,480	-4,471	3,577	12,736	19,424		7.1%
<i>Net Margin</i>	<i>6.9%</i>	<i>6.8%</i>	<i>3.3%</i>	<i>-6.8%</i>	<i>-1.4%</i>	<i>1.1%</i>	<i>3.8%</i>	<i>5.4%</i>		
<i>EPS, LTL</i>	<i>0.49</i>	<i>0.71</i>	<i>0.39</i>	<i>-0.42</i>	<i>-0.08</i>	<i>0.06</i>	<i>0.23</i>	<i>0.35</i>		
<i>EPS growth</i>	<i>95.9%</i>	<i>42.9%</i>	<i>-44.7%</i>	<i>-208.7%</i>	<i>-81.0%</i>	<i>-180.0%</i>	<i>256.1%</i>	<i>52.5%</i>		
<i>Fully Diluted EPS, LTL</i>	<i>0.49</i>	<i>0.71</i>	<i>0.39</i>	<i>-0.42</i>	<i>-0.08</i>	<i>0.06</i>	<i>0.23</i>	<i>0.35</i>		
<i>Dividends per Share, LTL</i>	<i>0.11</i>	<i>0.16</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.02</i>	<i>0.06</i>	<i>0.09</i>		
<i>Dividend Payout</i>	<i>22%</i>	<i>23%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>		
<hr/>										
BALANCE SHEET, LTL thousand	2006	2007	2008	2009F	2010F	2011F	2012F	2013F	CAGR	08-13F
Cash & Equivalents	4,770	7,287	4,882	914	857	10,727	32,208	55,604		
Accounts Receivable	2,436	4,145	3,578	3,004	5,637	5,360	5,628	6,022		
Inventories	49,744	74,939	86,643	79,754	74,831	62,779	63,605	66,820		
Other Current Assets	0	3,883	5,451	0	0	0	0	0		
Current Assets	56,950	90,254	100,554	83,671	81,325	78,866	101,441	128,446		5.0%
Tangible Assets	84,598	110,439	110,363	104,157	88,143	78,950	70,565	64,217		
Long-Term Financial Assets	894	857	937	946	956	965	975	985		
Intangible Assets	721	981	1,592	1,592	1,592	1,592	1,592	1,592		
Long Term Assets	86,213	112,277	112,892	106,695	90,691	81,507	73,132	66,794		-10.0%
Total Assets	143,163	202,531	213,446	190,366	172,016	160,373	174,573	195,240		-1.8%
S-T Debt	28,298	54,247	77,561	45,684	38,578	32,161	33,769	36,132		
Supplier Payables	27,927	36,007	34,562	35,446	30,487	30,134	30,531	32,074		
Other S-T liabilities	1,668	1,112	432	640	600	643	675	723		
Current Liabilities	57,893	91,366	112,555	81,770	69,665	62,938	64,975	68,929		-9.3%
L-T Debt	16,691	20,016	0	10,303	8,924	0	0	0		
Other L-T liabilities	2,091	3,531	5,513	6,396	6,001	6,432	6,754	7,226		
Non-current Liabilities	18,782	23,547	5,513	16,698	14,925	6,432	6,754	7,226		5.6%
Shareholders' Equity	66,488	87,618	95,378	91,898	87,427	91,003	102,845	119,084		4.5%
Total Liabilities and Equity	143,163	202,531	213,446	190,366	172,016	160,373	174,573	195,240		-1.8%
<i>BVPS, LTL</i>	<i>1.88</i>	<i>2.48</i>	<i>2.70</i>	<i>1.66</i>	<i>1.58</i>	<i>1.65</i>	<i>1.86</i>	<i>2.15</i>		
<i>Net Working Capital</i>	<i>-943</i>	<i>-1,112</i>	<i>-12,001</i>	<i>1,901</i>	<i>11,660</i>	<i>6,166</i>	<i>5,272</i>	<i>4,997</i>		

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Valuation & Sensitivity

FCFF, LTL thousand	2009	2010	2011	2012	2013	2014-18	2019+
EBIT	-10,223	2,720	6,593	17,897	26,377		
Depreciation	20,732	16,013	12,194	11,385	9,348		
Working Capital Investments	14,006	-2,709	12,019	-665	-2,018		
Fixed Capital Investments	-14,535	-9	-3,010	-3,010	-3,010		
Taxes on EBIT	2,045	-544	-1,319	-3,579	-5,275		
Free Cash Flow to Firm	12,025	15,471	26,477	22,028	25,421	147,587	295,056
PV of Free Cash Flow	10,543	11,893	17,847	13,018	13,172	51,929	79,222
Cumulative PV of FCFF	10,543	22,436	40,283	53,301	66,473	118,402	197,624
Enterprise Value							197,624
Less: Net Debt							73,250
Shareholders' Value							124,374
Equity Value Per Share, LTL							2.25
Current Market Price							1.59
Premium/(Discount) to market							41.5%
Cost of Capital Calculation							
Risk Free Rate	4.5%		Debt/Total Capitalisation			21.6%	
Equity Risk Premium	12.1%		Effective Tax Rate			20.0%	
Fundamental Beta	1.10		After-Tax Cost of Debt			4.8%	
Cost of Equity	16.6%		WACC			14.1%	
Cost of Debt	6.0%		Terminal Growth			3.0%	

COST of EQUITY CALCULATION		Comment
Cost of Equity	16.60%	Risk Free Rate + Equity Risk Premium
Risk Free Rate	4.50%	
Equity Risk Premium	12.10%	Fundamental Beta * (Market Risk Premium+Company Specific Risks+Financial Risk+Company Specific Liquidity Risk)
Market Risk Premium	5.00%	Universal Liquidity and Risk Premium assigned for Baltic countries by HBM
Industry Risk		
Fundamental Beta	1.10	0
Company Specific Risks	4.00%	
Management	0.00%	n/a
Corporate Governance/shareholders	0.00%	n/a
Markets/Business	4.00%	Cyclical business nature
Financial Risk	0.00%	
Short-Term Debt	0.00%	0
Long-Term Debt	0.00%	0
Company Specific Liquidity Risk	2.00%	Low liquidity

SENSITIVITY ANALYSIS, LTL						
Sales Growth		-5%	-3%	0%	3%	5%
Target price		1.65	1.76	2.25	3.00	3.59
Operating Margin		-3%	-1%	0%	1%	3%
Target price		2.10	2.17	2.25	2.34	2.58
Cost of Equity		-2%	-1%	0%	1%	2%
Target price		2.89	2.55	2.25	1.99	1.77
Terminal Growth		-2%	-1%	0%	1%	2%
Target price		2.01	2.12	2.25	2.41	2.60
CAPEX		-10%	-5%	0%	5%	10%
Target price		2.26	2.26	2.25	2.24	2.23

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Key Ratios

RATIOS	2006	2007	2008	2009F	2010F	2011F	2012F	2013F
Market Ratios								
P/E	3.2	2.3	4.1	-3.7	-19.7	24.6	6.9	4.5
P/CEPS	1.9	1.4	1.6	-32.0	7.6	5.6	3.6	3.1
P/BV	0.8	0.6	0.6	1.0	1.0	1.0	0.9	0.7
Dividend Yield	6.9%	10.1%	0.0%	0.0%	0.0%	1.0%	3.6%	5.5%
EV/EBITDA	4.7	3.3	3.9	15.3	8.6	8.6	5.5	4.5
Liquidity Ratios								
Current Ratio	0.98	0.99	0.89	1.02	1.17	1.25	1.56	1.86
Quick Ratio	0.12	0.17	0.12	0.05	0.09	0.26	0.58	0.89
Activity Ratios								
Sales Growth Rate	49.1%	45.5%	13.5%	-17.1%	-10.1%	3.0%	5.0%	7.0%
Days in Receivables	3.5	4.1	3.1	3.2	6.6	6.0	6.0	6.0
Days in Payables	73.2	65.4	54.3	60.6	62.0	60.0	60.0	60.0
Days Inventory Held	130.3	136.1	136.1	136.3	152.1	125.0	125.0	125.0
Required Financing Period	60.7	74.8	84.9	78.9	96.7	71.0	71.0	71.0
Fixed Asset Turnover	3.4	3.7	3.7	3.2	3.2	3.7	4.4	5.2
Total Asset Turnover	1.9	2.1	2.0	1.7	1.7	1.9	2.0	2.0
Profitability Ratios								
Gross Profit margin	45.0%	45.5%	44.5%	38.5%	42.5%	43.0%	45.0%	46.0%
EBITDA margin	13.5%	13.1%	10.0%	3.0%	6.0%	5.8%	8.7%	9.9%
Operating Profit margin	8.9%	8.9%	5.1%	-2.9%	0.9%	2.1%	5.3%	7.3%
EBT margin	8.3%	8.1%	4.2%	-6.7%	-1.4%	1.4%	4.7%	6.7%
Net Profit margin	6.9%	6.8%	3.3%	-6.8%	-1.4%	1.1%	3.8%	5.4%
ROA	13.4%	14.4%	6.6%	-11.6%	-2.5%	2.2%	7.6%	10.5%
ROE	29.4%	32.3%	15.1%	-25.1%	-5.0%	4.0%	13.1%	17.5%
Leverage Ratios								
Debt/Equity	67.7%	84.8%	81.3%	60.9%	54.3%	35.3%	32.8%	30.3%
Debt/Capital Ratio	40.4%	45.9%	44.8%	37.9%	35.2%	26.1%	24.7%	23.3%
Equity Ratio	46.4%	43.3%	44.7%	48.3%	50.8%	56.7%	58.9%	61.0%
Times Interest Earned	13.3	12.2	5.5	-6.4	-1.0	3.1	9.0	12.6
Investment Input Ratios								
CAPEX/Sales	12.9%	13.9%	5.7%	4.2%	0.0%	0.9%	0.9%	0.8%
CAPEX/EBITDA	95.3%	105.5%	56.6%	138.2%	0.0%	16.0%	10.2%	8.4%
CAPEX/Depreciation	277.6%	324.5%	115.4%	70.1%	0.0%	24.6%	26.4%	32.1%

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Relative Valuation

COMPARATIVE ANALYSIS

Name	Ticker	Country	Currency	Price	YTD (%) change	Mcap (EURm)
MONNARI TRADE SA	MON PW Equity	POLAND	PLN	2.79	-62.9%	8.62
HENNES & MAURITZ AB-B SHS	HMB SS Equity	SWEDEN	SEK	396.5	29.8%	29,616.34
INDITEX	ITX SM Equity	SPAIN	EUR	34.62	10.5%	21,579.70
HUGO BOSS AG -ORD	BOS GR Equity	GERMANY	EUR	16.7	-3.5%	1,263.07
LPP SA	LPP PW Equity	POLAND	PLN	1330	16.7%	536.26
MARIMEKKO OYJ	MMO1V FH Equity	FINLAND	EUR	10	19.8%	80.40
AS BALTIKA	BLT1T ET Equity	ESTONIA	EUR	0.56	-51.3%	10.44
SILVANO FASHION GROUP AS	SFGAT ET Equity	ESTONIA	EUR	0.39	-23.5%	15.60
NEXT PLC	NXT LN Equity	BRITAIN	GBp	1660	53.6%	3,784.41
BENETTON GROUP SPA	BEN IM Equity	ITALY	EUR	5.725	-6.1%	1,045.84
APRANGA	APG1L LH Equity	Lithuania	LTL	1.59	-14.7%	25.46

	P/E	P/E 2009	P/E 2010	P/Sales	EV/Sales	Sales growth %
APRANGA	neg	neg	neg	0.25	0.46	-17.1%
Apranga TO PEER GROUP AVERAGE	n/m	n/m	n/m	-76%	-62%	-221%
Apranga TO PEER GROUP MEDIAN	n/m	n/m	n/m	-70%	-55%	-330%
PEER GROUP AVERAGE	13.8	15.9	13.3	1.0	1.2	14.1%
PEER GROUP MEDIAN	13.4	16.9	12.7	0.8	1.0	7.4%
MONNARI TRADE SA	n/a	n/a	11.6	0.2	0.5	68.1%
HENNES & MAURITZ AB-B SHS	21.6	20.7	18.3	3.4	3.2	13.0%
INDITEX	17.7	18.6	17.0	2.1	2.0	10.3%
HUGO BOSS AG -ORD	10.4	10.6	9.8	0.7	1.1	3.3%
LPP SA	15.9	16.9	13.8	1.3	1.7	0.3
MARIMEKKO OYJ	13.4	22.2	15.4	1.0	1.0	5.0%
AS BALTIKA	n/a	n/a	n/a	0.1	0.4	3.7%
SILVANO FASHION GROUP AS	n/a	n/a	n/a	0.2	0.3	9.9%
NEXT PLC	10.6	12.2	11.6	1.0	1.2	-1.7%
BENETTON GROUP SPA	7.1	10.1	9.0	0.5	0.9	2.1%

	EV/EBITDA	EV/EBITDA 2009	EV/EBITDA 2010	P/BV	P/CF	ROE
APRANGA	4.95	15.3	8.6	1.0	neg	neg
Apranga TO PEER GROUP AVERAGE	-65%	22%	-49%	-81%	n/m	
Apranga TO PEER GROUP MEDIAN	-56%	45%	-2%	-71%	n/m	
PEER GROUP AVERAGE	14.1	12.5	17.0	5.0	11.1	12.4%
PEER GROUP MEDIAN	11.3	10.6	8.8	3.4	8.0	24.2%
MONNARI TRADE SA	45.1	16.2	6.9	0.8	n/a	-37.2%
HENNES & MAURITZ AB-B SHS	13.5	13.0	11.4	10.4	18.8	44.3%
INDITEX	9.6	9.6	8.5	4.7	n/a	28.1%
HUGO BOSS AG -ORD	13.0	7.2	7.0	4.5	5.3	30.0%
LPP SA	10.5	10.6	9.3	4.2	25.8	34.5%
MARIMEKKO OYJ	7.9	12.2	9.0	2.6	8.4	24.2%
AS BALTIKA	12.1	30.3	14.7	0.6	3.7	-6.1%
SILVANO FASHION GROUP AS	17.3	n/a	90.0	0.5	n/a	-17.3%
NEXT PLC	6.3	7.4	7.3	20.9	8.0	n/a
BENETTON GROUP SPA	5.6	6.1	5.7	0.7	7.8	11.3%

	ROA	EBITDA margin	EBIT margin	Net margin	Equity ratio	Debt to Equity
APRANGA	neg	3.0%	neg	neg	48.3%	60.9%
PEER GROUP AVERAGE	8.7%	14.5%	11.0%	5.2%	44.6%	116.8%
PEER GROUP MEDIAN	13.0%	15.7%	12.1%	8.2%	43.0%	77.7%
MONNARI TRADE SA	-16.9%	7.3%	4.7%	-11.3%	31.7%	133.2%
HENNES & MAURITZ AB-B SHS	32.9%	25.2%	22.8%	17.3%	72.1%	0.0%
INDITEX	16.8%	21.0%	15.5%	12.0%	60.7%	5.2%
HUGO BOSS AG -ORD	10.2%	14.9%	11.3%	6.7%	17.2%	315.1%
LPP SA	15.8%	18.2%	14.1%	10.3%	39.6%	97.9%
MARIMEKKO OYJ	18.2%	13.9%	12.3%	9.1%	78.5%	0.0%
AS BALTIKA	-2.6%	3.0%	-0.9%	-1.6%	37.8%	92.3%
SILVANO FASHION GROUP AS	-10.4%	5.4%	2.7%	-7.0%	53.1%	21.0%
NEXT PLC	17.8%	19.1%	15.5%	9.2%	8.8%	440.7%
BENETTON GROUP SPA	5.5%	16.6%	11.9%	7.3%	46.4%	63.1%

Source: Bloomberg, Swedbank

Attention: Please note important background and customer information at the end of this report

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Background Information:

Recommendation structure

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The recommendations for the securities mentioned in this report are based on risk and return considerations. The higher the risk category of the investment, the higher the required return. For equity investments, returns are defined as capital appreciation and dividends received over the investment horizon of 12 months forward. The expected capital appreciation is the ratio of a stock's target price over the current price. A company risk rating depends on its stock price volatility, liquidity and business outlook. The target price depends on a company's fundamentals as well as the market valuation of peer stocks, and can be changed at any time if the relevant changes occur within a company/market perception of the peer group. "Buy", "accumulate", "hold", "reduce", "sell" and "avoid" recommendations may be used in this report. The table below presents the relationship between recommendations and target prices compared to risk level of the stock. These are indicative ranges and actual recommendations may deviate from the indications if other relevant issues are considered. For more detailed information about the recommendation system please visit <http://www.swedbank.ee/disclaimers/recommendation2007.pdf>

Recommendation structure

Buy	> +20% to target price
Accumulate	+10% < target price < +20%
Hold	0% < target price < +10%
Reduce	-10% < target price < 0%
Sell	< -10% to target price
Avoid	used when security does not match the standards presented in HBMS's investment guidelines

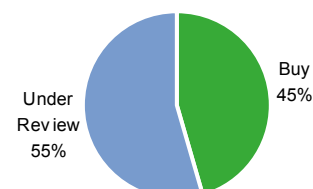
The recommendation by Swedbank Markets Equity Research department is based on a variety of standard valuation models. However, the base for the calculation of the target price is our DCF model (DCF = discounted cash flow) with the exception of financial and investment companies. The DCF model discounts future cash flow at present value.

In preparation of this report different valuation methods have been used, including, but not limited to, discounted free cash-flow and comparative analysis. The selection of methods depends on the industry, the company, the nature of the stock and other circumstances.

The target price (previous fair value) takes into account the DCF value, the relative valuation of the share versus others peers (national or international) and news that can have a positive or negative effect on the share price. Relative and absolute multiples that we consider are: EV/EBITDA, EV/EBIT, PE, PEG and Net Asset models for companies with liquid markets for their assets and other industry specific ratios when available. Break-up valuation models are also sometimes considered.

Recommendations by the 20 Jul 2009

	No of shares	Part of Total
Buy	10	45%
Under Review	12	55%



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