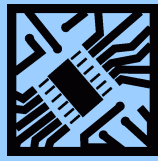


10 May 2010

Update


IT Distributors

Poland

Current price	PLN 4.65
Target price	PLN 4.69
Market cap	PLN 258m
Free float	PLN 88.3m
Avg. daily trading volume (3M)	PLN 0.25m

Shareholder Structure

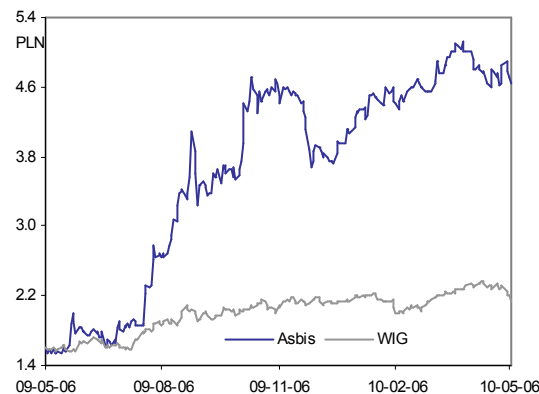
Siarhei Kostevitch	46.26%
Maizuri Enterprises	8.65%
Alpha Ventures	5.76%
Sangita Enterprises	5.05%
Others	34.28%

Sector Outlook

According to market research agencies, over 2.8 million computers were sold in Poland in 2009 (including 1.8 million laptops), representing a 23% drop versus 2008. This year, sales are expected to pick up slightly, with laptops still accounting for the bulk of total sales.

Company Profile

ASBIS is an IT distributor registered in Cyprus. Approximately 29% of its sales come from the Russian market, and approximately 5% from Poland. The Company operates in the countries of the former Soviet Union, Eastern and Western Europe as well as the Middle East and Africa. Processors and hard drives account for the biggest share of sales.

ASBIS vs. WIG

Piotr Grzybowski

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ASBIS

ASB.PW; ASBEN.WA

Hold

(Upgraded)

Weak Start Into 2010

After a weak first-quarter announcement, Asbis is trading at a premium to the sector on FY2010 multiples (1.3% for EV/EBITDA and 3.0% for P/E according to our updated calculations), and shows a discount to peers on FY2011 ratios (4.5% and 18.3% respectively). The discount to IT distributors in Western and Central-Europe is justified by the risks that Asbis is exposed to via its Eastern European operations. The price of Asbis's stock has moved down 9.5% since our previous update, eliminating any downside potential and prompting a rating upgrade from reduce to hold and a slight upward correction in the per-share price target from PLN 4.61 to PLN 4.69.

2010 First-Quarter Results

Asbis reported disappointing first-quarter results which can be largely attributed to unfavorable currency trends producing negative exchange differences of ca. \$1.5m, charged against pre-tax income. Consequently, in spite of a strong upward momentum which drove the first-quarter sales of Russian and Ukrainian operations by 39.1%, Asbis posted an operating profit of just \$1.8m (we forecasted \$3.0m) and a bottom-line profit of \$0.1m (vs. our \$1.4m estimate).

Are Forex Trends Affecting Q2 Profits, Too?

As the US dollar continues to strengthen vis-à-vis the euro and other European currencies, the possibility increases that Asbis will again disappoint investors with weak earnings figures in Q2 2010. If the EUR/USD exchange rate remains at the same level through 30 June, the company will again book negative exchange differences to the tune of \$0.7m.

FY2010 Forecast Update

Looking at the rebound in Asbis's key markets of Russia and Ukraine, we are raising our 2010 revenue forecast to \$1375.4m from \$1316.8m. At the same time, to account for the negative forex trends, we are lowering our EBIT estimate from \$15.4m to \$15.0m, and revising the net-profit estimate down to \$7.6m from \$7.9m.

(USD m)	2008	2009	2010F	2011F	2012F
Revenues	1 495.3	1 167.9	1 375.4	1 514.2	1 651.1
EBITDA	18.2	5.8	17.9	22.7	26.9
EBITDA margin	1.2%	0.5%	1.3%	1.5%	1.6%
EBIT	15.3	2.9	15.0	19.6	23.8
Net income	4.0	-3.2	7.6	11.3	14.7
DPS	0.2	0.0	0.0	0.0	0.0
P/E	22.9	-	12.2	8.2	6.3
P/CE	13.4	-	8.7	6.4	5.2
P/BV	1.0	1.0	0.9	0.8	0.7
EV/EBITDA	6.8	17.9	6.4	5.2	4.3



FX Volatility Keeps Uncertainty High

Financial Standing

First-Quarter Results – A Weak Start Into 2010

Asbis reported weaker-than-expected first-quarter results, weighed down by unfavorable currency movements and, hence, foreign exchange losses, resulting in a charge against pre-tax income which, at US \$1.5m, exceeded our \$1.0m estimate.

The highlight of the first-quarter was the rapid pace of sales growth which brought sales over 39.1% the year-ago figure to US\$ 331.0m (exceeding our estimate by 7.7%). Like in the preceding quarter, the main sales driver in Q1 2010 were operations based in former Soviet countries (which reported y/y revenue growth by a whopping 89.8%), led this time by Russia, where sales soared by \$33.8m (from \$34.6m to \$68.4m). Ukraine was not far behind, reporting growth by \$21.3m to \$36.5m. Sales continued on a strong upward momentum in other markets, with CEE and Western European operations generating 22.0% growth. Sales in African and Middle-Eastern markets displayed a slower, 8.5% rate of growth.

On the downside, the stellar revenue growth was offset by a low gross margin which amounted to 4.7% (less than our expected 4.9%) after being depressed by exchange differences totaling \$1.4m. The adjusted gross margin was 5.1%.

First-quarter SG&A expenses exceeded our PLN \$12.1m forecast at \$13.6m, due largely to stronger-than-expected sales (which were responsible for about \$0.9m of the total \$1.5m difference between forecasted and reported SG&A). As a result, EBIT fell short of expectations (\$3m) at \$1.8m.

After financial expenses of \$1.6m (vs. our forecast of \$1.2m), which included \$0.1m in negative exchange differences, the first-quarter profit came in at \$0.1m, missing our \$1.4m estimate.

Turning to the balance sheet, Asbis reported having a net debt of \$32.2m in Q1 2010, compared to a \$13.0m net cash position recognized at year-end 2009. We have mentioned before that the cash was owed mainly to receivables factoring which has since been curtailed (factoring payables fell from \$24.4m to \$16.9m). This, combined with seasonally higher pressure on working capital, led to the slight expansion of net debt.

Reported vs. forecasted Q1 2010 results

(USD m)	1Q2010	1Q2009	change	1Q2010F	differ.	2010F	2009	change
Revenue	331.0	237.9	39.1%	307.4	7.7%	1375.4	1167.9	17.8%
EBITDA	2.6	-3.9	-164.8%	3.8	-32.1%	17.9	5.8	214.9%
margin	0.8%	-1.7%	-	1.2%	-	1.3%	0.5%	-
EBIT	1.8	-4.5	-	3.0	-	15.0	2.9	427.9%
Pre-tax income	0.3	-6.2	-	1.8	-	9.7	-2.8	-
Net income	0.1	-6.2	-	1.4	-	7.6	-3.2	-

Source: ASBISc, BRE Bank Securities

Future Outlook

2Q2010

The unfavorable foreign-exchange trends that negatively affected Asbis's first-quarter earnings have continued into the second quarter. The US dollar appreciated 5.66% relative to the euro during the first three months of the year, and gained a further 2.5% in April. This means that, in spite of market and sales recovery in Eastern Europe, Asbis will again disappoint investors with weak Q2 profit figures after the weak showings of Q4 2009 and Q1 2010. Assuming that the EUR/USD exchange remains at its current level until the end of the second quarter, the company will book negative exchange differences of approximately \$0.7m.

Forecast Revisions

Based on the strong first-quarter sales generated by Eastern European operations, we are raising our 2010 revenue estimate for Asbis from \$1316.8m to \$1375.4m. At the same time, we have revised the expected gross margin down to 5.0% to account for the foreign-exchange losses incurred to date. As a result, our EBIT forecast has decreased from \$15.4m to \$15.0m, and the bottom-line forecast has been reduced from \$7.9m to \$7.6m.

Valuation

Valuation Summary

	PLN m	Weight	9MTP
DCF Analysis	227.8	50%	
Relative Valuation incl.	239.1	50%	
based on P/E	251.7	50%	
based on EV/EBITDA	226.6	50%	
Average	233.4		260.1
Value per share			4.69

Source: BRE Bank Securities

DCF model assumptions

1. Our earnings forecast horizon extends from FY2010 to FY2019.
2. The risk-free rate in the forecast horizon and beyond is 10.2%, calculated based on T-bond yields observed in Asbis's core markets multiplied by a ratio of the sales generated in each country to total sales.
3. We assume that FCF will grow at a rate of 2.0% a year after FY2018.
4. We attached a 20% discount to the value yielded by multiples comparison, reflecting the risks inherent in operations based in markets characterized by lesser economic and political stability.

Relative Valuation

We compared Asbis with its Polish and foreign peers based on their P/E and EV/EBITDA ratios forecasted for 2010 through 2012. Each ratio is assigned a 50% weight, and the weights of the forecast years are 25% for 2010, 45% for 2011, and 30% for 2012.

P/E and EV/EBITDA estimates for comparable IT companies

	Price	EV/EBITDA			P/E		
		2010F	2011F	2012F	2010F	2011F	2012F
Avnet		6.8	5.6	5.4	12.0	10.5	9.9
Esprinet		4.4	4.0	3.9	12.0	10.5	9.9
Ingram Micro		4.5	4.0	3.7	10.7	9.3	8.5
Synnex Corporation		6.0	5.3	4.6	10.1	9.3	8.8
Tech Data		4.9	4.2	3.8	13.6	12.1	11.1
Electrocomponents PLC		10.6	9.2	8.2	18.9	16.4	14.0
Arrow Electronics PLC		5.5	5.1	4.9	11.2	9.7	8.5
AB		10.5	7.9	6.8	12.4	10.5	8.7
Action		8.5	7.3	6.8	11.9	9.6	8.6
Komputronik		7.5	6.1	5.2	11.2	8.4	7.0
Maximum		10.6	9.2	8.2	18.9	16.4	14.0
Minimum		4.4	4.0	3.7	10.1	8.4	7.0
Median		6.4	5.5	5.1	11.9	10.1	8.7
Asbis	4.65	6.4	5.2	4.3	12.2	8.2	6.3
premium / discount		0.4%	-5.3%	-15.0%	1.9%	-19.2%	-28.1%



DCF Valuation Model

(USD m)	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2019+																																				
Sales	1 375.4	1 514.2	1 651.1	1 800.9	1 950.9	2 056.6	2 145.0	2 209.8	2 276.6	2 345.5																																					
change	17.8%	10.1%	9.0%	9.1%	8.3%	5.4%	4.3%	3.0%	3.0%	3.0%																																					
EBITDA	17.9	22.7	26.9	30.4	33.0	35.0	36.8	38.2	39.6	41.1																																					
EBITDA margin	1.3%	1.5%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.8%																																					
D&A expenses	3.0	3.0	3.1	3.2	3.3	3.3	3.4	3.5	3.5	3.5																																					
EBIT	15.0	19.6	23.8	27.2	29.7	31.7	33.4	34.7	36.1	37.6																																					
EBIT margin	1.1%	1.3%	1.4%	1.5%	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%																																					
Tax rate on EBIT	2.8	3.7	4.5	5.2	5.7	6.0	6.3	6.6	6.9	7.1																																					
NOPLAT	12.1	15.9	19.3	22.0	24.1	25.7	27.0	28.1	29.3	30.4																																					
CAPEX	-4.8	-4.9	-4.9	-4.9	-4.8	-4.7	-4.5	-4.3	-4.0	-3.5																																					
Working capital	-18.0	-11.7	-11.5	-12.6	-12.8	-9.4	-8.1	-6.3	-6.6	-6.8																																					
Other	0.0	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0																																					
FCF	-7.7	2.3	6.1	7.7	9.7	14.9	17.8	21.0	22.2	23.6	24.1																																				
WACC	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	15.2%																																				
discount factor	91.4%	79.8%	69.6%	60.8%	53.1%	46.4%	40.5%	35.3%	30.9%	27.0%	23.4%																																				
PV FCF	-7.0	1.9	4.2	4.7	5.2	6.9	7.2	7.4	6.8	6.4																																					
WACC	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	15.2%																																				
Cost of debt	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%																																				
Risk-free rate	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%																																				
Risk premium	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%																																				
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%																																				
Net debt / EV	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	0.0%																																				
Cost of Equity	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%																																				
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%																																				
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0																																				
FCF growth after the forecast horizon	2.0%	Sensitivity Analysis																																													
Terminal value	182.4	FCF growth in perpetuity																																													
Present value of the terminal value (PV TV)	49.2	<table border="1"> <thead> <tr> <th></th> <th>0.0%</th> <th>1.0%</th> <th>2.0%</th> <th>3.0%</th> <th>4.0%</th> </tr> </thead> <tbody> <tr> <td>WACC +1.0ppt</td> <td>3.73</td> <td>3.87</td> <td>4.02</td> <td>4.20</td> <td>4.41</td> </tr> <tr> <td>WACC +0.5ppt</td> <td>3.96</td> <td>4.11</td> <td>4.29</td> <td>4.49</td> <td>4.72</td> </tr> <tr> <td>WACC</td> <td>4.21</td> <td>4.38</td> <td>4.57</td> <td>4.80</td> <td>5.06</td> </tr> <tr> <td>WACC -0.5ppt</td> <td>4.48</td> <td>4.67</td> <td>4.88</td> <td>5.14</td> <td>5.44</td> </tr> <tr> <td>WACC -1.0ppt</td> <td>4.77</td> <td>4.98</td> <td>5.22</td> <td>5.51</td> <td>5.86</td> </tr> </tbody> </table>											0.0%	1.0%	2.0%	3.0%	4.0%	WACC +1.0ppt	3.73	3.87	4.02	4.20	4.41	WACC +0.5ppt	3.96	4.11	4.29	4.49	4.72	WACC	4.21	4.38	4.57	4.80	5.06	WACC -0.5ppt	4.48	4.67	4.88	5.14	5.44	WACC -1.0ppt	4.77	4.98	5.22	5.51	5.86
	0.0%	1.0%	2.0%	3.0%	4.0%																																										
WACC +1.0ppt	3.73	3.87	4.02	4.20	4.41																																										
WACC +0.5ppt	3.96	4.11	4.29	4.49	4.72																																										
WACC	4.21	4.38	4.57	4.80	5.06																																										
WACC -0.5ppt	4.48	4.67	4.88	5.14	5.44																																										
WACC -1.0ppt	4.77	4.98	5.22	5.51	5.86																																										
Present value of FCF in the forecast horizon	43.7																																														
Enterprise value (EV)	92.9																																														
Net debt	11.5																																														
Other non-operating assets	0.0																																														
Minority interests	0.0																																														
USD/PLN	2.80																																														
Equity value	227.8																																														
Number of shares (millions)	55.5																																														
Equity value per share (PLN)	4.10																																														
Cost of equity (9M)	11.4%																																														
Target Price	4.57																																														
EV/EBITDA(*10) for the target price	5.8																																														
P/E(*10) for the target price	12.0																																														
TV to EV	53%																																														

**Income Statement**

(USD m)	2008	2009	2010F	2011F	2012F	2013F
Sales	1 495.3	1 167.9	1 375.4	1 514.2	1 651.1	1 800.9
<i>change</i>	7.0%	-21.9%	17.8%	10.1%	9.0%	9.1%
COGS	1 418.1	1 114.9	1 306.3	1 435.6	1 565.4	1 707.4
Gross profit	77.2	53.0	69.1	78.6	85.7	93.5
<i>gross margin</i>	5.2%	4.5%	5.0%	5.2%	5.2%	5.2%
Selling expenses	34.7	27.1	29.0	32.7	34.6	37.8
General & administrative expenses	27.2	23.0	25.1	26.3	27.2	28.5
Other net operating income	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	15.3	2.9	15.0	19.6	23.8	27.2
<i>change</i>	-40.4%	-81.2%	418.3%	31.0%	21.4%	14.1%
<i>EBIT margin</i>	1.0%	0.2%	1.1%	1.3%	1.4%	1.5%
Profit/loss on financial activity	-8.5	-6.4	-5.3	-5.3	-5.3	-5.2
Extraordinary gains/losses	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.3	0.7	0.0	0.0	0.0	0.0
Pre-tax income	7.1	-2.8	9.7	14.3	18.5	22.0
Tax	3.0	0.2	1.8	2.7	3.5	4.2
Minority interests	0.1	0.2	0.2	0.3	0.3	0.3
Net income	4.0	-3.2	7.6	11.3	14.7	17.5
<i>change</i>	-78.5%	-179.8%	-335.9%	49.4%	29.9%	18.8%
<i>margin</i>	0.3%	-0.3%	0.6%	0.7%	0.9%	1.0%
D&A expenses	2.8	2.9	3.0	3.0	3.1	3.2
EBITDA	18.2	5.8	17.9	22.7	26.9	30.4
<i>change</i>	-34.2%	-68.1%	210.2%	26.3%	18.9%	12.7%
<i>EBITDA margin</i>	1.2%	0.5%	1.3%	1.5%	1.6%	1.7%
Shares at year-end (millions)	55.5	55.5	55.5	55.5	55.5	55.5
EPS (USD)	0.1	-0.1	0.1	0.2	0.3	0.3
CEPS (USD)	0.1	0.0	0.2	0.3	0.3	0.4

**Balance Sheet**

(USD m)	2008	2009	2010F	2011F	2012F	2013F
ASSETS	362.9	385.8	426.7	461.6	499.8	543.0
Fixed assets	26.8	27.9	29.7	31.6	33.4	35.0
Property, plant and equipment	24.5	24.5	26.0	27.5	28.9	30.2
Intangible assets	2.2	2.7	3.1	3.5	3.8	4.2
Long-term investments	0.2	0.6	0.6	0.6	0.6	0.6
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	336.1	357.9	396.9	430.0	466.5	507.9
Inventories	81.0	83.5	100.2	110.1	120.1	131.0
Short-term receivables	202.9	214.4	248.7	273.8	298.6	325.6
Cash	41.2	52.9	40.9	38.9	40.7	44.2
Other current assets	11.0	7.1	7.1	7.1	7.1	7.1

(USD m)	2008	2009	2010F	2011F	2012F	2013F
LIABILITIES	362.9	385.8	426.7	461.6	499.8	543.0
Equity	95.0	91.4	99.2	110.8	125.7	143.5
Share capital	11.1	11.1	11.1	11.1	11.1	11.1
Other equity	83.9	80.3	88.1	99.7	114.6	132.4
Long-term liabilities	4.3	4.3	4.3	4.3	4.3	4.3
Debt	4.2	4.2	4.2	4.2	4.2	4.2
Other	0.0	0.0	0.0	0.0	0.0	0.0
Short-term liabilities	262.9	290.2	323.3	346.6	369.8	395.2
Debt	54.3	35.9	35.9	35.9	35.9	35.9
Factoring	12.8	24.4	24.4	24.4	24.4	24.4
Trade creditors	175.9	210.3	243.4	266.7	289.9	315.3
Other	19.9	19.6	19.6	19.6	19.6	19.6
Debt	71.8	64.4	64.4	64.4	64.4	64.4
Net debt	30.6	11.5	23.5	25.4	23.7	20.2
(Net debt / Equity)	32.2%	12.6%	23.7%	23.0%	18.8%	14.1%
(Net debt / EBITDA)	168.5%	198.9%	130.8%	112.3%	87.9%	66.5%
Shares at year-end (millions)	55.5	55.5	55.5	55.5	55.5	55.5
BVPS	1.7	1.6	1.8	2.0	2.3	2.6

**Cash Flows**

(USD m)	2008	2009	2010F	2011F	2012F	2013F
Cash flows from Operating Activities	-2.7	23.8	-7.2	2.9	6.7	8.4
Net income	4.0	-3.2	7.6	11.3	14.7	17.5
D&A expenses	2.8	2.9	3.0	3.0	3.1	3.2
Working capital	8.2	20.6	-18.0	-11.7	-11.5	-12.6
Other	-17.7	3.5	0.2	0.3	0.3	0.3
Cash flows from investing activities	-14.0	-4.1	-4.8	-4.9	-4.9	-4.9
CAPEX	-14.0	-4.1	-4.8	-4.9	-4.9	-4.9
Equity investments	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Cash flows from financing activities	12.8	-8.1	0.0	0.0	0.0	0.0
Stock offering	0.0	0.0	0.0	0.0	0.0	0.0
Debt	16.1	-7.5	0.0	0.0	0.0	0.0
Dividends (buyback)	-3.3	0.0	0.0	0.0	0.0	0.0
Other	0.0	-0.6	0.0	0.0	0.0	0.0
Change in cash	-3.9	11.6	-12.0	-2.0	1.8	3.5
Cash at end of period	41.2	52.9	40.9	38.9	40.7	44.2

Market multiples

	2008	2009	2010F	2011F	2012F	2013F
P/E	22.9	-28.7	12.2	8.2	6.3	5.3
P/CE	13.4	-295.3	8.7	6.4	5.2	4.5
P/BV	1.0	1.0	0.9	0.8	0.7	0.6
MC/S	0.1	0.1	0.1	0.1	0.1	0.1
EV/EBITDA	6.8	17.9	6.4	5.2	4.3	3.7
EV/EBIT	8.0	35.9	7.7	6.0	4.9	4.1
EV/S	0.1	0.1	0.1	0.1	0.1	0.1
Price (PLN)	4.7	4.7	4.7	4.7	4.7	4.7
Shares at year-end	55.5	55.5	55.5	55.5	55.5	55.5
MC (PLN m)	258.1	258.1	258.1	258.1	258.1	258.1
Net debt	30.6	11.5	23.2	25.2	23.4	19.8
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
EV (PLN m)	343.8	290.3	323.1	328.5	323.5	313.6



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**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

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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%
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Rating	Buy	Hold	Hold	Accumulate	Hold	Reduce
Date issued	2009-08-14	2009-10-16	2009-11-09	2009-12-02	2010-02-03	2010-03-29
Price on rating day	2.90	4.70	4.40	3.68	4.56	5.08
WIG on rating day	34676.38	38626.43	38524.56	39905.57	39904.02	42395.54