

# MLS Multimedia S.A. (MLSr.AT/MLS GA)

EUR 1.32, 'BUY'

Target price assumes a 24-month investment horizon. Cyclos Securities is regulated by HCMC: Granted licence : 1/58/9.10.1990

## Valuation Ratios

	2007A	2008E	2009F	2010F
P/E	12,07 x	9,32 x	7,74 x	6,80 x
P/BV	0,89 x	0,86 x	0,81 x	0,76 x
EV/Sales	1,37 x	1,03 x	0,99 x	1,01 x
EV/EBITDA	2,92 x	2,83 x	2,63 x	2,64 x
Dividend Payout		30,6%	35,0%	35,0%
D/Y	1,43%	3,28%	4,52%	5,15%

## Financial Ratios

	2007A	2008E	2009F	2010F
ROE	7,4%	9,2%	10,5%	11,2%
ROIC	11,4%	11,5%	12,6%	13,1%
EBITDA margin	47,1%	36,5%	37,7%	38,2%
EBIT margin	19,7%	18,8%	20,5%	21,6%
Net debt/equity	-0,10 x	-0,10 x	-0,02 x	0,08 x

## Fundamentals

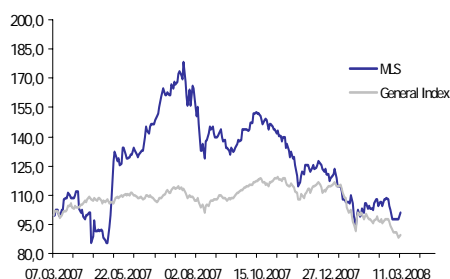
	2007A	2008E	2009F	2010F
Sales	7,07	9,17	10,29	11,32
EBITDA	3,33	3,35	3,88	4,32
EBIT	1,39	1,72	2,11	2,45
EBT	1,26	1,62	1,98	2,29
EATBM	0,90	1,21	1,48	1,71
Net Profit	0,90	1,21	1,48	1,71
EPS	0,08	0,10	0,12	0,13
DPS (EUR)	0,013	0,030	0,041	0,047
Shareholders funds	12,21	13,17	14,14	15,25
Total equity	12,21	13,17	14,14	15,25
Net Debt/(Cash)	-1,19	-1,32	-0,27	1,24

In EUR million, unless otherwise stated

## Trading data

	1m	3m	6m	12m
Abs. Performance	3,37%	-6,12%	-24,59%	3,37%
Relative Performance	6,45%	4,65%	-12,54%	11,36%
52 wk H/L (in EUR)	0,78	1,62		
Market cap. (EUR m)	11,30			
Shares outstanding (m)	12,42			
Free Float	35,0%			

## MLS vs. ATHENS GENERAL (52 weeks)



## The Greek car navigation turnaround story

- **We believe that MLS Multimedia is a 'classic company turnaround story' . The company is eventually favoured by investing in a niche market with brilliant prospects.** The company invested heavily in the past in the development of multimedia applications, mainly for car navigation and speech technology. Today it is expected to favour from its dominant position in the 'sky rocketing growth' Greek car navigation sector
- MLS is active in the development, publishing and distribution of navigation systems and the development, issue and promotion of speech technology applications, educational and general multimedia applications.
- 87% of company Sales come from Navigation Systems and Applications, 9% from Multimedia Applications and the remaining 4% from Public Sector Projects. Concerning navigation applications, MLS provides a version of Destinator in Greek, a product of strategic cooperation with Destinator and another Greek company. MLS destinator is the first car navigation software developed in Greece.
- Today MLS Destinator is the leading car navigation software having 40% market share. MLS also develops and distributes PDAs & PNAs made by Siemens, HP and, Asus with MLS car navigation applications. The company is 2<sup>nd</sup> largest company in navigation systems in Greece.
- Car navigation is a high growth sector. Annual growth rates exceed 20% due to lower prices and better content that increasingly covers market needs. Sales in navigators in Greece should triple to reach these of comparable countries, while normal per annum growth rates in terms of units sold should vary between 20% and 50%.
- MLS is also dominant, having 70% market share in Language Technology Applications, a small, albeit interesting, niche market, whilst recently focused in highly demanding multimedia applications for the Public sector. The company has dominant position in educational software as well.
- Concerning the 'dark side of the moon', company may be affected negatively by delays on state related projects revenues. These delays may decrease considerably profits. As Greek car navigation market becomes attractive, we also feel that new entrants may also affect pricing and may erode company position in car navigation
- Company shares trade at an attractive 0.86X P/BV and at 9.32X P/E(2008)
- DCF valuation implies to 1.23 target price, whilst peer group relative valuation implies 1.52 target price. Combined these two methods lead to 1.32 target price, indicating **45% share price growth potential. We initiate the coverage of MLS multimedia having the recommendation 'BUY'.**

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## Company Description

**MLS is active in development of car navigation systems, speech technology applications, and educational and general multimedia applications ...**

### Company Overview

MLS is active in the development and promotion of navigation systems and the development, issue and promotion speech technology applications, educational and general multimedia applications. The company develops state-of-the-art Greek technology s/w applications, in some cases innovative products, covering areas such as education, entertainment, office and driving. Company products include SYSTRAN Automatic translation, the Greek continuous speech recognition application MLS Talk & Write, the electronic encyclopaedia 'TOMH' and navigation system 'MLS Destinator', all ranked top amongst Greek tech consumers. Also, the company, by utilising the know-how achieved during its long-term expertise in development of voice recognition products and through the participation in tens of research projects, provides specialized services to organizations for the development and support of s/w applications in education, voice recognition, telematics and multimedia.

### Main Products & Services

87% of company Sales comes from Navigation Systems and Applications, 9% from Multimedia Applications and the remaining 4% from Public Sector Projects

**42% of company sales come from Car Navigation Systems**

#### Car navigation systems

Almost 65% of Company sales in 2007 came out from car navigation systems. These are proceeds from selling PDAs developed by Siemens, HP and, more recently, Asus with MLS car navigation applications. The company is 2<sup>nd</sup> largest company in navigation systems.

#### Car navigation software applications

Car navigation software applications, made approximately 23% of Company sales in 2006. The company provides a version of Destinator in Greek, a product of strategic cooperation of Destinator, the Greek company NGI and MLS, that has some improvements from the version of Destinator that is developed by NGI. The company has recently



**One third of Company Sales comes from navigation applications**

developed the talk and drive Destinator system that combines MLS voice recognition platform to the destinator. Whilst the growing market size for car navigation systems (40% p.a.) has attracted more competitors over time, Destinator maps as promoted by MLS are regarded the best car navigation maps in Greece, something that is due to both smaller amount of bugs and more details, since they include different types of stores, pharmacies etc. MLS is market leader in car navigation applications.

### **Multimedia Applications**

Multimedia Applications consist of Lingual technology Applications, Educational Titles and Other Titles.

### **Dictation Applications**

Dictation Applications, where company holds 70% market share, constituted nearly 5% of Company Sales in 2007. The Company has developed mainly SYSTRAN automatic translation applications and Talk and Write Applications.



'Systran' automatic translation is accurate, user friendly application that translates extremely fast, at the pace of 600 pages per hour. Translation includes Word texts, e-mails as well as internet site texts, from French and English to Greek and vice versa. It is full and concise (including more than 140.000 terms, expressions and phrasal verbs or idioms) while also recognizing slang/colloquial terms.

**Dictation Applications, constitute 10% of Company Sales**

'MLS Talk & Write' is a speech recognition application that gives the ability to write in text form automatically spoken words. Based on Philips Technology MLS developed speech recognition application in Greek, already developed by Philips in 22 other languages, Greece being the only country where these products are promoted through retailers.

New lingual applications expand into professional services and they include Talk and Translate, and 'Law terms talk and write'

### **Educational Applications**

3% of Total sales in 2007 came from Educational Applications. These Applications include applications for small children, as 500 english words, acropolis, Physicus (Physics introductory learning application), global geographic encyclopaedia, Historical Atlas Centenna, Greek revolution of



1821 and applications that have a wider perspective consumers such as 'Encyclopaedia Tomi', 'pregnancy' and 'first aid'.

### Other Applications

Other Applications, constitute 1% of total sales and they include mainly games such as Sudoku, photoquiz and world basketball manager

## MLS Destinator in detail

MLS destinator is the first car navigation software developed in Greece. Today it has 40% market share being the leading car navigation software in Greece. It has a full set of accurate navigation data, both accuracy and completeness being prerequisite for correct car navigation. MLS destinator (MLS Talk & Drive) is also the only car navigation software that has voice recognition. It is user-friendly, operational (less bugs) and safe. Geographical data are also continuously updated and users have a constant technical support.

### Extended Geographic Coverage

MLS Destinator map coverage is superior to other, competing, car navigating applications, in areas having full navigation data especially in latest 2007.Q4 version, where Cyprus maps are included.

The MLS Destinator –NGI includes the most accurate and updated geographic data for car navigation . In particular in the last map edition that includes both Greece and Cyprus (**Q4.2007**) includes :

- 546 city maps in Greece, 182 **out of them having full navigation coverage of high quality**
- 15 Cyprian cities
- Coverage of 170.000 kms of Greek roads and 9.400 Kms of Cyprian roads (mostly verified on place)
- **65.000 Points of Interests (Greek and Cyprian), useful and correctly recorded.**
- 95% road coverage in Greece and 80% road coverage in Cyprus.
- 95% residential coverage in Greece, 70% of them at a high level navigation data content and 37% high level residential coverage in Cyprus
- 715.000 parts of Greek roads and 56.700 Cyprian

**MLS Destinator covers 170,000 kms of Greek roads and 9,400 kms of Cyprian roads whilst having useful and correctly recorded points of interest**

## **Focused navigation data content**

### **Road Navigation Maps**

MLS Destinator maps are the only maps in Greece designed to car navigation and not for other mapping projects (ship management, GIS utilities, etc).

### **Detailed Description**

MLS Destinator maps are the only Greek maps that are based on detailed and systematic depiction of urban areas.

### **Effective routing**

MLS Destinator map provides smart and realistic depiction of routes. Many elements that have been collected from data collectors include useful width due to parked cars, traffic lights, priority, angles, lines and many others that are fine tuned over time. Effective routing includes deletion from the map of parts of roads not verified or roads of limited value such as dirt roads and roads that do not lead to settlements or to places of a general interest and may lead to confusion when optimum routes are suggested. In other words, MLS Destinator software gives emphasis to the inclusion of reliable streets and paths instead of including less useful dirt roads that may be useful in climbing or other activities.

### **Qualitative Upgrade & Constant Updating**

Data collection started in 2002 and is based on area investigation. The quality and know-how supremacy is based on data collection in urban areas instead of simple enlisting of village names and road names. Nevertheless there is a constant increase of village coverage, the last version of MLS Destinator included 160 villages. Upgrading takes place through the employment of 20 people that are employed exclusively in that task. Updating is enriched through info provided also by more than 60.000 active users of MLS Destinator.

### **Technical Support**

MLS Destinator users have high quality technical support and upgrading services through 15 dedicated in this service, professionals.

### **Suitability of Selected Devices**

All devices that use MLS Destinator have been selected carefully and tested to verify their functionality for the navigation use.

**...effective routing  
and qualitative  
upgrading are  
amongst attractive  
MLS Destinator  
characteristics**



## MLS Talk & Drive

### Technology Innovation

The only navigation system in Greece having the innovation MLS TALK&DRIVE that includes speech recognition . User includes the necessary navigation data (city, street & number) by just speaking. System does not require trial-and-error training and recognizes voices.

## Management

MLS Multimedia S.A. share capital is € 3,725,100 divided by 12,417,000 common shares at €0.3 par value.

According to the decision of the 29 June 2006 General Shareholders' Meeting the company will be able to give up to 1,000,000 stock options at €0.50 for 4 financial years performance starting from 2006 and ending at 2009. 440,500 shares (3.5%) were already given (at €0.5) to the personell on 25<sup>th</sup> January 2007 (191,500) and on 24<sup>th</sup> January 2008 (249,000) as part of the stock option plan. The company is managed by an experienced BOD, having duration up to June29, 2012 and consisting of the following

...Stock option plan already resulted in 3.5% sh.capital given to personell

Name	Position, Board of Directors	
Ioannis Kamatakis	Chairman, Executive director	Executive Member
Paraskevi Zachariadou	Vice-Chairman	Non Executive
Pantelis Ataroglou	Member	Executive Member
Panagiotis Christodoulidis	Member	Executive Member
Dimitrios Konstantoulas	Member	Executive Member
Christos Antoniadis	Member	Non Executive
Elizabeth Sykou	Member	Non Executive

## Sector Overview

### Global Car Navigation Market

**Global car navigation market is expected to increase from USD 27 billion sales in 2006 to USD 54 billion sales in 2011**

In 2007, the global market for satellite navigation hardware had \$33 billion sales, a \$6 billion increase from 2006. The market is highly profitable for the major hardware manufacturers, and the analysts predict sales will exceed \$50 billion early next decade. In particular, the satellite navigation market is expected to grow to \$54 billion worldwide by 2011.

In unit terms, growth is also impressive. By 2011, it is expected that the PND's global sales will exceed 100 million units, sales of satellite navigation-equipped phones will exceed 62 million units, manufacturer-installed car systems will exceed 14 million units, and finally the after-market car systems will exceed 4 million units.

The characteristics of the market are a. growth to falling prices for all types of hardware and b. dramatic volume increases in the sales of Portable Navigation Devices (PND) and satellite navigation-equipped mobile phones in Europe and North America.

#### Portable Navigation Devices

PNDs, are simple car navigation systems equipped with 5-inch or smaller liquid crystal display (LCD) panel and Flash memory holding map data. As of 2004, the total worldwide sales of PNDs reached only several hundred thousand units annually. This jumped to over five million in 2005, and again to over 10 million the following year, surpassing the installed car navigation market in which the Japanese car navigation system manufacturers had been doing so well. The PND market is presently driven by TomTom NV of the Netherlands, Garmin International Inc of the US and MiTac International Corp of Taiwan. Of these, the first two firms command 60% or more of the market, and together with MiTac International hold about 80%. The US-based Garmin International anticipates 2007 revenue of more than \$2.9 billion and reported a profit of \$547.7 million through the first three quarters, up 39 percent from the same period in 2006. TomTom anticipates 2007 revenue of 1.7 billion euros to 1.8 billion euros (\$2.6 billion to \$2.7 billion as of Oct. 24) and



reported a profit of 211 million euros through the first three quarters, up 32.7 percent from the same period in 2006. The global market for PNDs is estimated that jumped from 12 million units in 2006 to 24 million units in 2007. Garmin International and TomTom NV, also shipped a record number of units during the third quarter 2007.

One of the reasons for the spectacular success of the PND in Europe has been the price, which has fallen to 500 euros or less. There are two reasons for the price drop, the first of which is that the PND has the same specifications as the personal digital assistant (PDA), the other reason is that PNDs only store the absolute minimum map data, car navigation application, etc. and detailed street maps are omitted, an approach that makes it a lot less expensive to create the map data. As the price of Flash memories has been dropping, storage capacity has risen and information provision service for a fee, implemented through mobile phones and other devices includes weather reports, real-time traffic information and map data updates.

### **Trends**

Last year, according to industry experts, saw consumers moving away from factory-installed satellite navigation systems in cars and toward PNDs and satellite navigation-equipped mobile phones. The PND's sales doubled in 2007 while the mobile phones equipped with satellite navigation more than doubled in 2007 to 5.1 million units.

Some industry experts believe that a rapid decline is likely to happen up to the \$50 per unit sales value, and this decline will make navigation systems reach practically all consumers as in the case of mobile phones. Nevertheless, the more conservative industry experts expect the high-end PNDs with features like digital music players, speech recognition capability and traffic receivers remain within the \$400 to \$500 range, and these hold their value better.

Also, today, the U.S. GPS satellite navigation system is the only fully functional globally. As emerging systems such as Russian, western European and Chinese become fully operational, it is arguably believed that even more people will become satellite navigation users.

Whereas to some experts, the satellite navigation-equipped phones eventually will erode the market for PNDs, much as smart phones did for personal digital assistants, other experts believe that market will be polarised as market will split to low-priced PNDs, and high-function HDD-

... last year, saw consumers moving away from factory-installed satellite navigation systems in cars and toward PNDs and satellite navigation-equipped mobile phones

based systems and eventually **people will have more than one navigation device.**

They will have one in their cars, and at the same time, they will have handsets for pedestrian use. Most of the experts agree that the global satellite navigation hardware market is far from saturated and will continue its strong growth. However, the **PNDs will continue to be the most popular device since they are optimized for in-car navigation with big screens, speech recognition, touch screens and built-in FM transmitters.**

From the other side, the ratio of new cars that come with factory-installed HDD systems is rising every year, creating a sizeable market centered on high-grade cars. In this particular sector, the interrelationship between car navigation systems and automobile control systems is deepening.

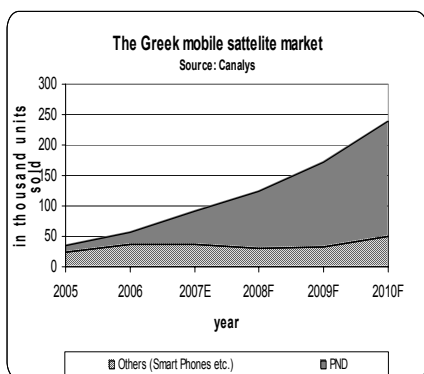
Car navigation systems will almost certainly meld with wireless-based safety systems (the ITS, or Intelligent Transport System, concept), such as shift control linked to the car navigation system or checks for obstacles behind the vehicle.

## EMEA Car Navigation Market

Market research company Canalys has concluded that in the first quarter of 2007 more than three million PND's were sold in the EMEA region more than double the amount sold in 2006. 36% of the sold PNDs were from the Dutch company TomTom, 13% from the American company Garmin, 9% from Australian Navman and 8% from Mio, a daughter company of Navman for the past few months. Medion, holds 6% market share.

## Greek Car Navigation Market

The high price of satellite devices compared to the low disposable income, and the lack of reliable road mapping resulted in incremental sales in Greece in the past. Greek sales of GPS devices per capita in 2006 were just 5.1 per thousand while in Ireland and Portugal per capita sales were 14.9 and 15.7 per thousand respectively and in most developed countries ranged between 16 (Finland) and 50 (Denmark). However, the recent drop of prices in both satellite devices (40% drop) and software, accompanied by new players and the gradual increase of road mapping of Greece, resulted in a rapid growth of the Greek market.



**The Greek mobile Satellite market is expected to increase from 90 thousand units in 2007 to 250 thousand units in 2010**

Sales in the Greek mobile satellite market (source, Canalys, MLS estimation, Cyclos securities estimation) are expected to reach 90,000 units in FY 2007, an increase of almost 65% compared to 2006 Sales. Sales are expected to increase, following trends in other European markets. Sales by 2010 may reach 250 thousand units, 80% of them being PNDs. Sales of Smart phones, currently being only 6% of the total satellite market, are expected to account for 12%-15% of the total satellite market sales, in unit terms.

**MLS is the market leader in car navigation software**

### MLS Position in the Sector

According to our estimation, MLS holds 18% market share in devices and is the second largest player in the Greek satellite device market, competing mainly with Mitac (Mio), which is the market leader in Greece (40% market share) and Garmin (12% market share). Nevertheless, MLS is the market leader in car navigation programs holding 38% market share. Major competitors in car navigation programs are Mitac (Mitac-'Mio'-maps) Geodata (maps for Garmin devices) and Compucon S.A. (Navimate).

					
Name	Fujitsu-Gigaset N100	Alcatel	Garmin Zumo 550	Mitac Mio	Navitel
Retail Price (EUR)	39	49	59	39	39
Program	MES-Deintra	Deintra G1	Garminmap	MioMap	Navitel-Compucon

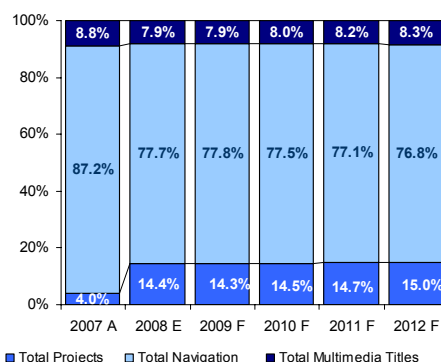
## Earnings Forecasts

### Sales Projections

We expect unit price in Navigation Software to decrease by 6%-8% p.a. for the next 4 years, due to increasing competition and widespread adoption of GPS systems in the Greek market, that should be associated with more conservative pricing policy. On the contrary, we expect an abrupt (14%) decrease of unit price of Navigation Systems and a moderate decrease by FY2008 and FY2010.

We assume a mere 11%-13% annual increase in Navigation Software Volume sales for the FY2008-FY2012 period, whilst we expect sales of Navigation Systems to increase

Turnover Breakdown (in thousand EUROS)						
	2007 A	2008 E	2009 F	2010 F	2011 F	2012 F
<b>Total Projects</b>	<b>283</b>	<b>1,320</b>	<b>1,473</b>	<b>1,644</b>	<b>1,837</b>	<b>2,052</b>
<i>Ministry of Development Projects</i>	86	50	55	61	67	73
<i>Ministries of National Education Projects</i>	165	800	880	968	1,065	1,171
<i>Other Public Sector Projects</i>	15	420	483	555	639	735
<i>Private Projects</i>	18	50	55	61	67	73
<b>Total Navigation</b>	<b>6,166</b>	<b>7,124</b>	<b>8,006</b>	<b>8,769</b>	<b>9,610</b>	<b>10,537</b>
<i>Navigation Software</i>	1,596	1,869	1,962	2,061	2,164	2,272
<i>Navigation Systems</i>	4,570	5,255	6,043	6,708	7,446	8,265
<b>Total Multimedia Titles</b>	<b>619</b>	<b>724</b>	<b>810</b>	<b>908</b>	<b>1,016</b>	<b>1,138</b>
<i>Speech Technology</i>	321	385	431	483	541	606
<i>Education Titles</i>	238	266	298	334	374	419
<i>Other Titles</i>	60	72	81	90	101	113
<b>Net Consolidated Turnover</b>	<b>7,068</b>	<b>9,168</b>	<b>10,289</b>	<b>11,321</b>	<b>12,463</b>	<b>13,728</b>
<b>Sales Mix %</b>						
Total Projects	4.0%	14.4%	14.3%	14.5%	14.7%	15.0%
Total Navigation	87.2%	77.7%	77.8%	77.5%	77.1%	76.8%
Total Multimedia Titles	8.8%	7.9%	7.9%	8.0%	8.2%	8.3%
<b>Turnover Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>YoY (%) Change</b>						
Total Projects		365.7%	11.6%	11.6%	11.7%	11.7%
Total Navigation		15.5%	12.4%	9.5%	9.6%	9.6%
Total Multimedia Titles		16.9%	12.0%	12.0%	12.0%	12.0%
<b>Turnover Total</b>		<b>29.7%</b>	<b>12.2%</b>	<b>10.0%</b>	<b>10.1%</b>	<b>10.1%</b>



## Valuation

**DCF based TP of  
EUR1.23 and  
a TER at 38%**

### DCF-based Valuation

Based on our DCF model, we discount the consolidated free cash flows to the firm for an explicit 5-year period (2008-2012), using a WACC (weighted average cost of capital) 11.7% and a long-term growth rate 1% respectively. In our base case scenario we adopt an average a.t. cost of debt for the company of 5.6%, with a cost of equity at 12.6% based on a risk-free rate of 5.5%, a market risk premium  $R_m$  of 6%, and a beta of 1.22.

(Amounts in EUR m)	2007	2008 E	2009 F	2010 F	2011 F	2012 F	Terminal Value
<b>Sales</b>	7,1	9,2	10,3	11,3	12,5	13,7	
Growth rate%		29,7%	12,2%	10,0%	10,1%	10,1%	1,00%
<b>EBIT</b>	1,4	1,7	2,1	2,4	2,9	4,0	
EBIT Margin	19,7%	18,8%	20,5%	21,6%	23,0%	28,9%	
<b>Depreciation</b>	1,9	1,6	1,8	1,9	2,1	1,8	
<b>Plus ΔW/C Change</b>	-0,2	0,8	-0,6	-1,4	-0,9	-1,8	
<b>Taxes Paid</b>	-0,4	-0,4	-0,5	-0,6	-0,7	-0,9	
<b>Tax rate</b>		25,0%	25,0%	25,0%	25,0%	25,0%	25,0%
<b>Capex</b>	-3,0	-1,5	-2,3	-2,3	-2,3	-1,3	
<b>FCF</b>	-0,3	2,3	0,4	0,1	1,1	1,7	15,4
<b>WACC Calculation</b>							
Risk free interest rate (%)		5,5%	6,0%	6,2%	6,4%	6,4%	6,4%
Market Premium (%)		6,0%	5,5%	5,3%	5,1%	5,1%	5,1%
Beta		1,22	1,22	1,22	1,22	1,22	1,22
<b>Cost of Equity</b>		12,82%	12,71%	12,67%	12,62%	12,62%	12,62%
<b>Cost of Debt</b>		6,50%	7,00%	7,50%	7,50%	7,50%	7,50%
Tax rate		25,0%	25,0%	25,0%	25,0%	25,0%	25,0%
<b>After Tax cost of Debt</b>		4,88%	5,25%	5,63%	5,63%	5,63%	5,63%
Debt/Debt+Equity		10,2%	12,4%	14,3%	16,2%	13,0%	13,0%
<b>WACC (%)</b>		12,01%	11,79%	11,66%	11,49%	11,71%	11,71%
Discounted Cash Flows		2,04	0,35	0,05	0,69	0,95	
Sum of PV of Free Cash Flows ('08-'12)	4,09						
PV of Terminal Value	8,86						
<b>Enterprise Value</b>	<b>12,94</b>						
- Minorities 07e	0,00						
- Net Debt/(Cash)	-1,82						
+ Financial assets 07	0,00						
<b>Equity Value</b>	<b>14,77</b>						
Market Cap	10,90						
Current Share Price	0,91€						
# of Shares (mn)	11,98						
<b>Target Share Price</b>	<b>1,23€</b>						
Expected Return	+35,5%						
Expected Dividend Yield (on TP)	2,4%						
<b>Total Expected Return (TER)</b>	<b>37,9%</b>						

Source: Company's Data and Cyclos Securities estimates

To derive to the group's TP we deduct from the enterprise value (EV), the estimated net debt position and the market value of minorities and add back the market value of any non-core assets (i.e. securities available for sale). The implied fair value according to our DCF model stands at EUR1.23/share which yields a Total Expected Return (TER) of c.38%.

Sensitivity analysis, depending on different WACC and FCF growth assumptions leads to the following results.

		Perpetuity FCF Growth rate				
		-1,0%	0,0%	1,0%	2,0%	3,0%
WACC	9,7%	1,32	1,40	1,50	1,63	1,80
	10,7%	1,21	1,27	1,35	1,45	1,58
	11,7%	1,12	1,17	1,23	1,31	1,40
	12,7%	1,04	1,08	1,13	1,19	1,27
	13,7%	0,97	1,01	1,05	1,10	1,16

## Comparable Valuation

In our alternative scenario, we evaluate MLS using also a comparable analysis model. Since, there is no Greek company that compares to MLS directly, our peer group includes a number of international companies specializing in the car navigation industry. We should point, however, due to different markets, we think there is less scope for this approach. According to our estimates for 2007, MLS trades at a discount, having an upside potential of c.67% based on weighted consensus estimates on P/E for 08 and 09 and P/Sales, P/BV multiples for 2008E. In effect, our comparables model supports our DCF valuation, providing a fair value for the stock at EUR 1.52/share.

**Implied TP at  
EUR 1.52 according  
to its peers**

Peer Group Valuation	Market Cap. (EUR m)	P/E '08E	P/E '09F	P/Sales '07E	P/BV
Garmin Ltd	5.870	9,8	8,9	2,9	4,0
TomTom NV	2.572	11,1	9,7	1,5	1,9
Mtac Intl	835	9,1	9,7	0,4	1,5
Weighting factor		30%	30%	25%	15%
<b>Peer Group Average</b>		<b>10,0</b>	<b>9,4</b>	<b>1,6</b>	<b>2,4</b>
<b>Market Cap. Weighted Average</b>		<b>10,1</b>	<b>9,2</b>	<b>2,3</b>	<b>3,2</b>
Implied Target Price according to International Peers		1,0	0,9	1,7	3,6
Implied Target Price		<b>1,52</b>			
Upside/(downside)		<b>67,2%</b>			
<b>MLS</b>	<b>11,30</b>	<b>9,3</b>	<b>7,7</b>	<b>1,23</b>	<b>0,8</b>

Source: Reuters Knowledge and Cyclos Securities estimates, data as of 16/4/08

## Combined Valuation Analysis

We use both DCF valuation and Comparable Valuation, so as to take account of both the future prospects of the company, as well as current valuation trends for companies in the car navigation. We assign a 70% weight attached on our DCF model, and the remaining 30% is attributed to our peer group valuation.

Combined Valuation	DCF	Peer Group
Implied Target Prices	1,23€	1,52€
Weighted factor	70%	30%
<b>Target Price</b>	<b>1,32€</b>	
Expected Return	<b>45,0%</b>	
Expected Dividend Yield	<b>2,59%</b>	
<b>Total Expected Return (TER)</b>	<b>47,6%</b>	

Source: Reuters Knowledge and Cyclos Securities estimates, data as of 16/4/08

In all, our combined valuation approach yields a target price of EUR1.32, which implies a 12-month total expected return – including a 2008E dividend of EUR0.034/share – of c.47%. We, thus, initiate coverage for the stock with an ‘Buy’ recommendation and a TP at EUR1.32/share.

## S.W.O.T. Analysis

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### Strengths

- Highly differentiated products. Top quality products and services to customers
- Domestic leader in car navigation industry
- Dominant in the Greek multimedia education products and voice recognition
- Long-term expertise in voice recognition technology
- The company develops navigation products through strategic partnerships, something that provides feedback for the entry in new markets/ production of new products in the long run
- Continuous enhancement of product content, esp. in car navigation, through hiring specialists team
- Strong technical know-how backed by R&D department
- Strong shareholder base (65% free float)
- Productivity linked with stock performance for most staff (stock option plan covers 60% of personell)
- Experienced and capable Management
- Product interrelationships (btw state projects and educational projects)

### Weaknesses

- Stream of revenues highly dependent on car navigation. Low level of revenue diversification
- Strong dependece on domestic market
- Expansion in other areas requires important expenditure in R&D
- Strong working capital requirements and high profit volatility due to the longevity of the production cycle
- Stock option plan affects price development negatively.

### Opportunities

- Strong market dynamics (double digit growth rates)



- Smaller product life, due to technology, safeguards growing revenue stream
- International expansion at the distribution level in Cyprus and Balkan Countries
- Expansion of product range (introduction of near-by markets in car navigation products, range of products depending on quality, updates etc.)
- Investment programme in new technology hatchery units that produces heavier fry and reduces the breeding cycle by c.4 months with material impact on both top line growth and profitability
- Advances in capacity utilisation via technology improvements
- Gradual expansion to higher margin typified products (i.e having advanced multimedia capabilities)

## Threats

- Delays on state related projects revenues, increase profit volatility, potential increasing write-offs that may erode profitability
- New entrants may affect pricing and may erode company position in car navigation
- Slump in technology market sales can diminish profit and sales growth for a couple of years
- Technology development may affect products negatively

## Financial Statements

Group Consolidated P&L Statement							
(in EUR m unless otherwise stated)	2006A	2007A	2008E	2009 F	2010 F	2011 F	2012 F
<b>Sales</b>	<b>3,6</b>	<b>7,1</b>	<b>9,2</b>	<b>10,3</b>	<b>11,3</b>	<b>12,5</b>	<b>13,7</b>
% chng	n.a.	94,0%	29,7%	12,2%	10,0%	10,1%	10,1%
COGS	3,1	4,1	3,9	4,4	4,8	5,3	5,8
<b>Gross Profit</b>	<b>0,6</b>	<b>3,0</b>	<b>5,3</b>	<b>5,9</b>	<b>6,5</b>	<b>7,2</b>	<b>8,0</b>
% chng		443,2%	74,8%	12,0%	10,0%	10,7%	11,1%
Gross Margin (%)	15,2%	42,5%	57,3%	57,2%	57,2%	57,5%	58,0%
Net operating expenses	1,1	1,6	3,5	3,8	4,0	4,3	4,0
<b>EBITDA</b>	<b>1,5</b>	<b>3,3</b>	<b>3,3</b>	<b>3,9</b>	<b>4,3</b>	<b>4,9</b>	<b>5,7</b>
EBITDA Margin (%)	40,4%	47,1%	36,5%	37,7%	38,2%	39,5%	41,8%
Depreciation	1,98	1,93	1,63	1,77	1,87	2,06	1,77
<b>EBIT</b>	<b>-0,5</b>	<b>1,4</b>	<b>1,7</b>	<b>2,1</b>	<b>2,4</b>	<b>2,9</b>	<b>4,0</b>
EBIT Margin	-14,0%	19,7%	18,8%	20,5%	21,6%	23,0%	28,9%
Interest Expenses	0,1	0,1	0,1	0,1	0,2	0,2	0,2
Income from participations	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>EBT</b>	<b>-0,6</b>	<b>1,3</b>	<b>1,6</b>	<b>2,0</b>	<b>2,3</b>	<b>2,7</b>	<b>3,8</b>
EBT Margin (%)	-15,8%	17,8%	17,6%	19,2%	20,2%	21,6%	27,6%
Tax	0,0	0,4	0,4	0,5	0,6	0,7	0,9
Effective Tax rate	1,4%	28,0%	25,0%	25,0%	25,0%	25,0%	25,0%
<b>EATBM</b>	<b>-0,6</b>	<b>0,9</b>	<b>1,2</b>	<b>1,5</b>	<b>1,7</b>	<b>2,0</b>	<b>2,8</b>
Net Profit Margin (%)	-15,5%	12,8%	13,2%	14,4%	15,1%	16,2%	20,7%
Minority Rights	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>EATAM</b>	<b>-0,5</b>	<b>0,9</b>	<b>1,2</b>	<b>1,5</b>	<b>1,7</b>	<b>2,0</b>	<b>2,8</b>
<b>EATAM excl. one off items</b>	<b>-0,5</b>	<b>0,9</b>	<b>1,2</b>	<b>1,5</b>	<b>1,7</b>	<b>2,0</b>	<b>2,8</b>
Net Profit Margin adj. (%)	-14,9%	12,8%	13,2%	14,4%	15,1%	16,2%	20,7%
<b>EPS</b>	<b>-0,05</b>	<b>0,08</b>	<b>0,10</b>	<b>0,12</b>	<b>0,13</b>	<b>0,16</b>	<b>0,22</b>
EPS adj.	-0,05	0,08	0,10	0,12	0,13	0,16	0,22
<b>DPS</b>		<b>0,01</b>	<b>0,03</b>	<b>0,04</b>	<b>0,05</b>	<b>0,06</b>	<b>0,08</b>
Divident payout ratio		17%	30%	35%	35%	35%	35%
<b>Number of shares</b>	<b>11,98</b>	<b>11,98</b>	<b>12,20</b>	<b>12,52</b>	<b>12,72</b>	<b>12,82</b>	<b>12,82</b>

Source: Company's Data and Cyclos Securities estimates

<b>Group Balance Sheet (IFRS)</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Fixed assets, net	4.54	5.59	5.46	6.00	6.42	6.66	6.19
Inventories	3.98	4.99	5.90	6.76	7.57	8.42	9.32
Trade Debtors	1.80	2.16	4.27	5.36	6.20	7.17	8.27
Other receivables	0.83	0.83	0.83	0.83	0.83	0.83	0.83
Other current assets	0.82	0.64	0.64	0.64	0.64	0.64	0.64
Securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash & Cash Equivalents	1.39	1.19	3.11	2.89	2.21	2.41	2.89
<b>Total Assets</b>	<b>13.35</b>	<b>15.40</b>	<b>20.21</b>	<b>22.47</b>	<b>23.87</b>	<b>26.13</b>	<b>28.14</b>
Long term Liabilities	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Short term debt	0.00	0.00	1.78	2.62	3.45	4.26	4.24
Trade creditors	0.97	2.36	2.68	3.02	3.85	4.35	4.90
Other short term liabilities	1.25	0.81	2.55	2.68	1.29	0.92	0.57
Provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>	<b>2.30</b>	<b>3.25</b>	<b>7.09</b>	<b>8.39</b>	<b>8.67</b>	<b>9.61</b>	<b>9.78</b>
Share Capital	3.65	3.73	3.73	3.73	3.73	3.73	3.73
Other equity accounts	7.52	8.48	9.39	10.36	11.47	12.79	14.64
Total shareholders funds	11.17	12.21	13.12	14.08	15.20	16.51	18.36
Minority rights	0.01	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Equity</b>	<b>11.17</b>	<b>12.21</b>	<b>13.12</b>	<b>14.08</b>	<b>15.20</b>	<b>16.51</b>	<b>18.36</b>
<b>Total Liabilities &amp; Equity</b>	<b>13.47</b>	<b>15.46</b>	<b>20.21</b>	<b>22.47</b>	<b>23.87</b>	<b>26.13</b>	<b>28.14</b>
<b>Balance Sheet Ratios</b>							
Inventory days turnover (in days)	470	449	550	560	570	580	590
Debtors days turnover (in days)	181	111	170	190	200	210	220
Creditors days turnover (in days)	115	212	250	250	290	300	310
Current ratio (CA/CL)	3.97	3.10	2.10	1.98	2.03	2.04	2.26
Quick ratio (CA-Inv. / CL)	1.82	1.32	1.17	1.09	1.08	1.09	1.24
RoE (%)	-4.87%	7.40%	9.25%	10.53%	11.28%	12.25%	15.49%
ROIC ( NOPLAT / Total Funds invested )	26.61%	24.36%	20.44%	21.55%	21.85%	22.62%	23.83%
Net Debt / Equity	-0.12 x	-0.10 x	-0.14 x	-0.09 x	-0.02 x	-0.01 x	-0.06 x

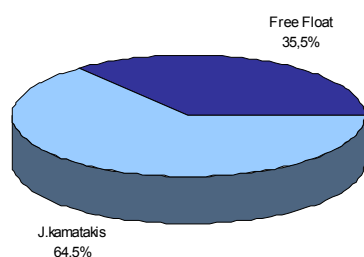
## Stock Information

### Ownership Structure

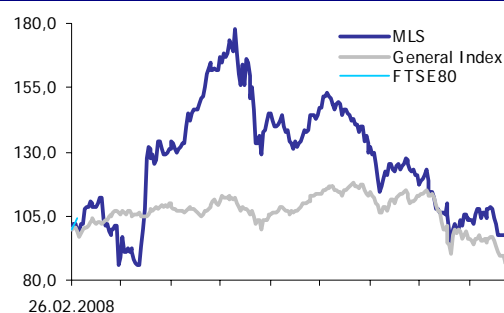
**35% free float**

In terms of the Company's shareholder structure, J.Kamatakis, Chairman currently hold 64.5% stake in the Group, while the remaining percentage 35.5% stake is free float.

Ownership Structure



Relative Performance



**Outperformed the General Index by 11% during the last 12 months**

### Share Price Performance

MLS was incrementally up (3.4%) during the last 12m, while it has outperformed the General Index (ATHEX GI) by 11%. Over the last one month the stock outperformed by 6.4% the market, since it was up 3.4%, relative to a fall 3.1% of the market over the same period.

	2006	2007	2008	2009	2010	2011	2012
<b>Per Share Data</b>							
EPS	-0,05	0,08	0,10	0,12	0,13	0,16	0,22
DPS		0,01	0,03	0,04	0,05	0,06	0,08
BVPS	0,93	1,02	1,06	1,12	1,19	1,29	1,43
No of shares	11,98	11,98	12,42	12,62	12,82	12,82	12,82
Ad. Number of shares	11,98	11,98	12,20	12,52	12,72	12,82	12,82
<b>Growth Rates</b>							
Sales		94,0%	29,7%	12,2%	10,0%	10,1%	10,1%
EBITDA			0,7%	15,8%	11,4%	13,9%	16,6%
EBIT			23,7%	22,5%	15,8%	17,0%	38,5%
EBT			28,8%	22,3%	15,6%	18,0%	40,5%
EAT			34,3%	22,3%	15,6%	18,0%	40,5%
<b>Margins</b>							
Gross	15,2%	42,5%	57,3%	57,2%	57,2%	57,5%	58,0%
EBITDA	40,4%	47,1%	36,5%	37,7%	38,2%	39,5%	41,8%
EBIT	-14,0%	19,7%	18,8%	20,5%	21,6%	23,0%	28,9%
EBT	-15,8%	17,8%	17,6%	19,2%	20,2%	21,6%	27,6%
EAT (adj.)	-14,9%	12,8%	13,2%	14,4%	15,1%	16,2%	20,7%
<b>Valuation Data</b>							
P/E (x)		12,07 x	9,32 x	7,74 x	6,80 x	5,76 x	4,10 x
P/BV (x)		0,89 x	0,86 x	0,82 x	0,77 x	0,71 x	0,64 x
EV/Sales (x)		1,37 x	1,03 x	0,99 x	1,01 x	0,92 x	0,77 x
Dividend Yield (%)		1,43%	3,76%	4,52%	5,15%	6,07%	8,53%
EV/EBITDA		2,92 x	2,83 x	2,63 x	2,64 x	2,34 x	1,83 x

Source: Company Data, Cyclos Securities estimates

## Disclosures

### Cyclos Securities S.A.

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We separate facts from (a) based on facts estimations and (b) unconfirmed publications-estimations. Based on facts estimations are followed by an asterisk (\*) while unconfirmed publications-estimations are followed by two asterisks (\*\*).

The current analysis in this form (full and final one) has not been notified to anybody before it became published. In any case, target price has not been revealed to customers, members of the BOD, managers or employees of Cyclos Securities or to managers of the analysed company.

### Soundness of estimations

The analyst Konstantinos Vergos keeps, in an electronic form, files that prove the mathematical soundness of estimations about company's fair price (target price), for future use/confirmation from supervisory authorities.

### Recommendation

Recommendations relate to the degree of relation between share-price to fair price, as defined by the used method of valuation.

Recommendation rating by Cyclos Securities	Expected Target-Price in a 24-month investment horizon, assuming stable Athens Stock Exchange General Index
BUY	At least 20% higher than current price level
ACCUMULATE	10% up to 20% higher than current price level
HOLD	10% lower up to 10% higher than current price level
REDUCE	10% up to 20% lower than current price level
SELL	At least 20% lower than current price level

## Recommendation Statistics

Recommendation rating by Cyclos Securities	% of analyses during the 2008Q2	% of analyses during the 2008Q1	% of analyses during the 2007Q4	% of analyses during the 2007Q3	% of analyses during the last 12 months (including current analysis)
BUY	100	D/R	D/R	D/R	D/R
ACCUMULATE	0	D/R	D/R	D/R	D/R
HOLD	0	D/R	D/R	D/R	D/R
REDUCE	0	D/R	D/R	D/R	D/R
SELL	0	D/R	D/R	D/R	D/R

## Statistics of Funds under management:

-

## Recommendation Update policy

It is unknown when will a report update of the analyzed company take place. Our policy is to make update just before the end of the investment horizon (24 months) or whenever an event changes substantially company fundamentals and prospects, whatever comes first. In case we do not intend to make an update within 24 months, or we decide to discontinue analysis coverage before this investment horizon for any reason, we will issue a report that states our intention to do so.

## Risks

Investments in shares of the examined company entail risks that relate a. With buying and trading shares, including low share marketability, systematic risks (equity BETA>1) non systematic risks,  $\beta$ . Other risks including company/sector/management risks (high degree of dependence to large customers & orders, dependence to domestic sales, dependence from commercial contracts), exchange risks etc. that affect company size and consequently they affect company share price.

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## Analysis Dept.

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## Conflicts of interests

### Statements

- Do the analysts Konstantinos Vergos and/or Michalis Filippakos and/or their relatives posses shares of the analysed company or position at derivatives where the share is a constituent? NO  
If yes, who, how many, at what price purchased, and what is their current value?-
- Do other already mentioned individuals (analysts, investment advisors) posses shares of the analysed company or position at derivatives where the share is a constituent? NO  
If yes, who, how many, at what price purchased, and what is their current value?-
- Does Cyclos Securities hold a number of shares of the analysed company that can be regarded, according to the current regulatory framework, as significant? NO  
If yes, how many, at what price purchased, and what is their current value?-
- Have the analysts been employed on behalf of Cyclos Securities S.A., during the last 12 months and/or during the last 3 years, to provide **consulting** services to the analysed company? NO.  
If yes, was their salary or other compensation related with these services? -
- Have the analysts been employed on behalf of Cyclos Securities S.A., during the last 12 months and/or during the last 3 years, to provide **corporate** services to the analysed company. NO  
If yes, was their salary or other compensation related with these services? -
- Did Cyclos Securities provide during the last 12 months and/or during the last 3 years, paid **consulting** services to the analysed company? YES
- Did Cyclos Securities provide during the last 12 months and/or during the last 3 years, paid **corporate** services to the analysed company? NO
- Was Cyclos Securities **market maker** of the analysed company shares during the last 12 months and/or during the last 3 years? NO

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