


December 08, 2008

LA ANONIMA	 LA ANONIMA
Main activity:	Retail store
Exchange:	Bolsa de Comercio de Buenos Aires
Stocks:	PATA , PATA5
Corporate bond:	OPTA1
Equity market cap	\$ 800.000.000,00
Outstanding capital stock	50.000.000

Source: Bolsar

Investment rating: Market Outperform

Price: AR\$14 Merval: AR \$1.143 Merval AR: AR\$ 826 Merval 25: AR\$ 1.139

- Importadora y Exportadora de la Patagonia SA (IEPSA) announced a dividend payment in the amount of AR\$ 16,500,000, which represents 33.00% of share capital of the Company, effective on October 10, 2008. Reuters Key Development - Oct 1, 2008
- Our 12-month target price is **\$34,6**.

Market capitalization and stock data.

Market Capitalization		Stock Data	
Enterprise Value (MM)	AR\$ 1.113.004	52 Week Range	17,20 – 27,13
Shares Outstanding (MM)	50.000.000	12 Month Stock Performance	6,42 %
Estimate Float	25%	Dividend Yield	1,38 %
6Mo Avg Daily Volume	AR\$ 44.310	Book Value per Share	AR\$ 11,20
		Beta	0,5

Source: Economática

Company: Sociedad Anónima Importadora y Exportadora de la Patagonia (SAIEP) o LA ANONIMA

Location: Patagonia, Argentina

Industry: Retail business

Key products & services: The company produces and distributes meat, various cold cuts, frozen and canned foods, bakery, toiletries, groceries and cleaning products, among others.

www.laanonima.com.ar

Analysts:

Camille Audousset
Julian Cervera
Mariana Collia
Pablo Marcello

STOCK PRICE PERFORMANCE



Economática

INVESTMENT SUMMARY

We give Importadora y Exportadora de la Patagonia SA (IEPSA) a Market Outperform rating, based upon actual market condition, and sales projection. We expect that share price will be increased by 18 % at June 30, 2009.

The rating is based upon the discount cash flow valuation (DCF) based on sales projections, investment and dividend policies. Other key metrics considered were sales per m2 (sqm), sales per employee, sales per check, transactions per check, and sales per economic sector crossing information between the company sales and the INDEC publication of economic sectors performance.

The last four months the company had a poor performance, because of the global crisis, share price sunk from almost AR\$ 28 to the AR\$ 14 actual price. Current conditions turn very difficult to estimate what are the real values, ie to estimate the wasting average capital cost, so we think that the main focus has to relied on what will be the share price behavior, than looking at the share price.

With a 12-month target price of \$34,6 we recommend a Market Outperform rating for the following reasons.

INVESTMENT THESIS

La Anonima projects sales growth by 20%

Is important to consider here that La Anonima also project an inflation growth of 15%. The real growth of sales will be nearly 5% explained by the five new stores projections.

The fundamentals of capital structure The company needs only 20 days of sales to pay all of its debt, and has no intention to change radically its capital structure.

Dividend policy will be maintained The company will keep the dividend policies with its stakeholders.

SWOT ANALYSIS SWOT analysis provides an interesting way to examine strengths and weaknesses, and identify opportunities and threats in its market.

- Strengths
- The company has 100 years.
 - The company has created its private label by marketing its own and third party products.
 - The clients are situated in the two segments: high and low social class
 - A professional and experienced management.
 - Its important size allows the company to bargain power with its suppliers.
 - The sales structure is compounded principally by food, so in depression periods the decrease in sales is quiet affected.
 - Flexible logistics adapting operations to each client's needs in order to obtain the highest attainable cost-efficiency
 - This distribution net allows the company to reach big and small cities and inland towns as well, with business units varying in sizes between 300 to 5.000 square meters.
 - Long distances are not a hindrance to the company's growth
 - Technology for information, communication, security as well as service to client: The systems in operation render a centralized data base through a net transmitting in real time
 - The acquisition of a meat store allows the company to improve the margin of sales of meats.
 - Debt is not an important issue, only 20 days of sales are needed to pay it all.
 - The short term debt is quiet small and allows the company to administrate it day after day.

Its capital structure is similar than the Damodaran market research in retail stores.

- Weaknesses
- The company does not have financial instruments, like credit cards as its competitors.
 - The competition of hard discounts which represent a frequent choice especially in case of crisis.
 - The share liquidity is lower than the market average.

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- | | |
|---------------|---|
| Opportunities | <ul style="list-style-type: none">• La Anónima plays a dominant role in the Patagonia region.• The difficulties to access to the Patagonian region, represents a barrier to its competitors.• La Anónima had issued a corporate bond last year which provide liquidity for the company in today market conditions.• In crisis periods, its own brands would be selected than the top brands. |
| Threats | <ul style="list-style-type: none">• Big ones competitors can apply price war• 22 % of the stocks are owned by the AFJP. The last government policy generates uncertainty. |

VALUATION

12-month target price is AR\$ 34,6

The 12-month target price was determined using the discounted cash flow method (DCF).

This method relies primarily on revenue growth and operating margin, which can be relatively reliably forecasted into the near future.

The industry represents 4% of the GDP and 33% of the average family expenditures (on foods & beverages).

INDUSTRY ANALYSIS

Value creator sources: low prices, quality, wide variety of products, closeness to the client, market power, m2 of sales, excellent logistic and distribution systems.

Since the company operates mostly in the Patagonia area of Argentina, the macroeconomic factors that impact the final results are: GDP, oil search, population and tourism.

Due to the Argentine situation, in terms of the inflation rate, the government has regulated prices on several basic goods preventing the company from choosing its own price level.

Key main indicators: sales/m2, margins/m2, sales/store, goods rotation, and working capital levels

Price factors: Production costs (raw materials, wages & salaries, fixed assets), logistic and distribution costs (own means of transport, oil prices, toll prices, insurance prices, drivers salaries, taxes), and storage (big space, specific goods treatments, quick drop and search, storage machines and worker's salary).

**COMPANY
DESCRIPTION**

Sociedad Anónima Importadora y Exportadora de la Patagonia (SAIEP), also known as La Anonima, is an Argentinean company engaged in the retail business. The Company produces and distributes meat, various cold cuts, frozen and canned foods, bakery, toiletries, groceries and cleaning products, among others. It operates four business units: La Anonima Supermercados, Quijote Supermercados, Best Minimercados and Super Quick fast food chain.

The Company's branches are distributed across Argentina. Today, La Anónima represents supermarket business in Patagonia and center of Buenos Aires Province, holding the fifth place as such, nationwide, and the second of Argentine capital and La Anónima Supermarkets is an absolute leader in the Patagonia.

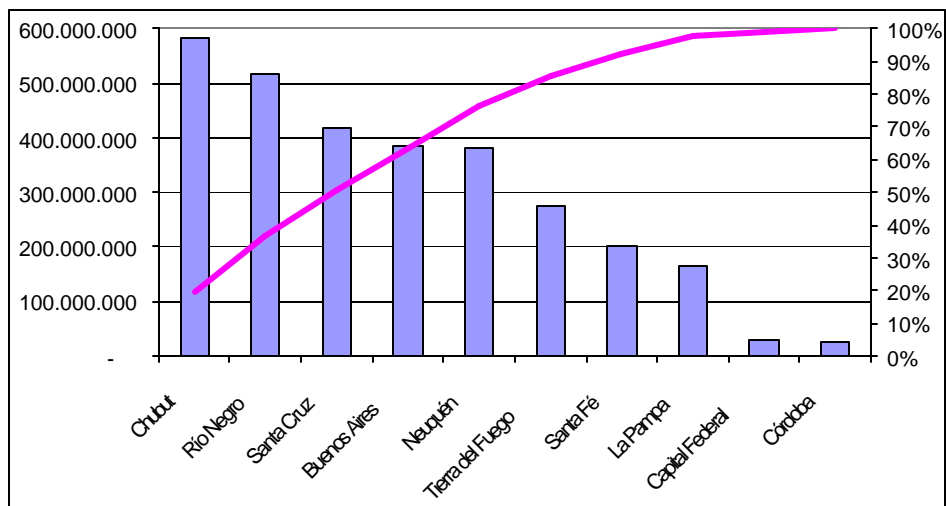
History SAIEP dated from the 1900's. In 1908 the companies of José Menéndez and Mauricio Braun joined efforts to become the company having general stores, farms and its own sailing fleet. Patagonian residents christened the new company as La Anónima. It quotes in the Buenos Aires Stock Exchange since its initial public offering in 1942. In the mid 60's, the society decides to sell the sailing fleet, farms, estate and to transform the general stores into supermarkets, which were already in operation and known as self-service stores. In 1979, shareholding concentrates back in the Braun family. Then, the current board takes control of the society. Today, La Anónima Supermarkets is an absolute leader in the retail business sales in the Patagonia, not only by the number of branches it has but for its sales level.

Products The Company markets its own and third party products under La Anonima trademark. La Anónima product line-up comprises over 200 items manufactured in Argentina with the best raw materials in different categories: diary, cold cuts, frozen foods, bakery, canned foods, toiletries, groceries, cleaning, and more. The company proposes also home made products manufactured by employees: Bread, pasta, pizza, a great selection of carefully prepared delicacies made with the best of ingredients.

Geographic presence and Logistic La Anonima is located in 60 cities of the country, it operates four business units as main activity, and has 112 branches in all. Its 9 Regional Distribution Centers provide daily supplies to more than 90 points of sale, its own and third party, distributed in the South and

Central area of the country and to two Cargo Transfer Centers located in Buenos Aires and Mendoza, linking Suppliers and Distribution network. For Tierra del Fuego have developed a Regional Center adapted to ship and truck container handling and unloading. The RDC are equipped with a level of technology and infrastructure able to reduce costs and anticipate operational needs in the event of a sales volume increase. This logistic plan is complemented by a transfer center in Ituzaingó, some 30 km. from the Federal District.

The next chart represents how sales are distributed by states, and denotes the important participation in the Patagonia Region.



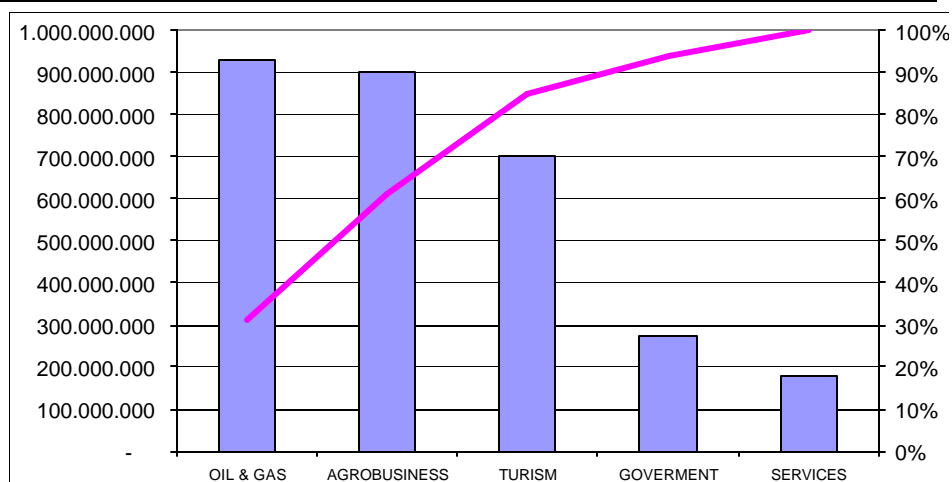
Source: La Anonima.

Strategy Anticipating customer’s needs and always offering a better product quality and variety and the best service at the best possible market prices.

La Anonima is well positioned in the country indeed where the hypermarkets have several difficulties to access.

This strategy allows them to have differentiated markets all over the country, and a diversified demand.

Analyzing sales by economy sector can suggest that the company performance is determined by the evolution of commodities and exchange rate.



Source: INDEC

Competitors The main competitors are El grupo Jumbo Retail , La Cooperativa Obrera and Carrefour

Latest developments During this year, La Anonima has expanded by new openings and improvements in order to be still next to its clients. Inauguration of the fifth outlet in Ushuaia and now La Anonima covers practically all the city.

MANAGEMENT PERFORMANCE AND BACKGROUND

The company has celebrated 100 years since it was born. The actual CEO, Federico Braun, belongs to the family who created **La Anonima**. The management had demonstrated to have the capacity and ability of getting stronger during the different crisis the country went trough.. This creates a value to the stock holder.

Management Federico Braun: Chairman of the Board, Managing Director (Age: 59)
 Arturo Esteban Santillan: Vice Chairman of the Board
 Santiago Braun: Director
 Alfonso Mario Lago: Director
 Patricio Carlos Perkins: Director
 Juan Jose Badano: Director

SHAREHOLDER ANALYSIS

La Anonima has 25% of it capital in free float.

The pension funds (AFJP) control 88% of free float, representing 22% of the firm capital. The rest is owned minority holders.

The stocks liquidity is behind the market average.

- INVESTMENT RISKS** La Anónima deals with Several key risk factors efficiently.
- Operational risk The Customer is king. To compete more effectively, La Anonima has to improve customer satisfaction. (refurbishments, increased product offering). The company has to promote loyalty and differentiation (proprietary credit cards and frequent-shopper awards)
- Financial risk Instable financial system and Risk of change
In terms of financial flexibility, La Anonima doesn't have any financially strong international partner which can provide some financial support.
- Devaluation risk Only 25% of it debt is in dollars, but total amount of debt doesn't represents an important issue.
- Economic risk Deceleration of the economy (crisis between the government and the agricultural sector in April 2008 + international subprime crisis)
Big pressure in the tax and in the regulation
- Regulatory Risks Government policies intended to prevent inflation.

FINANCIAL PERFORMANCE AND PROJECTIONS

- Operative
suppositions Annual projected sales by 20% for 2009.
- Macro
suppositions Inflation rate for 2009 exercise 15%.
Annual exercise goes from July 2008 to Jun 2009
- Financial
suppositions The will keep the average debt level of last three years.
- Investment
suppositions 5 new stores in 2009

**SOURCES OF
INFORMATION**

La Anonima web page

Interview with the CFO Karina Collazo

Economátca

Bolsar.com

Indec

Bloomberg

CCR

Damodaran

Balance sheet historical & Project

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assets	687.846	741.579	901.479	1.099.404	1.431.184	1.407.036	1.496.566	1.614.337	1.719.874
Current Assets	213.061	260.043	358.696	478.245	805.214	721.157	818.490	900.339	945.356
Cash	26.424	23.126	22.838	44.247	73.844	74.472	74.802	82.283	86.397
Accounts receivable	56.947	75.311	129.986	155.851	153.973	184.767	212.482	233.730	245.417
Inventories	129.690	161.606	205.872	278.147	577.397	461.918	531.205	584.326	613.542
Other current assets	-	-	-	-	-	-	-	-	-
Long-term assets	474.785	481.536	542.783	621.159	625.970	685.879	678.076	713.998	774.518
Long-term accounts receivable	-	-	-	-	-	38.000	14.000	30.000	70.000
Long-term inventories	-	-	-	-	-	-	-	-	-
Other long-term accounts receivable	5.782	6.058	5.788	5.571	-	-	-	-	-
Long-term asset	469.003	475.478	536.995	615.588	625.970	647.879	664.076	683.998	704.518
Total Liabilities	243.860	272.423	398.934	539.394	768.928	793.634	815.369	829.030	790.193
Current Liabilities	180.077	230.932	393.937	454.759	683.057	733.381	758.471	768.596	721.703
Accounts payable	110.834	127.158	208.195	245.621	269.452	369.534	424.964	467.461	490.834
Banks, loans and short-term liabilities	31.684	59.038	122.776	109.125	343.484	281.407	239.451	193.720	128.991
Tax & social short-term debts	32.718	41.753	60.885	97.783	67.339	77.440	89.056	102.414	117.776
Other current liabilities	4.841	2.983	2.081	2.230	2.782	5.000	5.000	5.000	-15.898
Non-current liabilities	63.783	41.491	4.997	84.635	85.871	60.253	56.899	60.434	68.491
Long-term trade payables	-	-	-	-	-	-	-	-	-
Banks loans and long-term liabilities	58.448	37.486	-	75.625	85.871	70.352	59.863	48.430	128.991
Tax & social long-term debts	-	-	-	-	-	-	-	-	-
Minority Interest	8	1	1	2	-	-	-	-	-
Other non-current liabilities	5.327	4.004	4.996	9.008	-	-10.099	-2.964	12.004	-60.500
Total stockholders equity	443.987	469.157	502.545	560.010	662.256	613.402	681.197	785.308	929.681
Capital stock	23.000	23.000	50.000	50.000	50.000	50.000	50.000	50.000	50.000
Capital revaluation reserves	27.563	27.563	563	563	-	-	-	-	-
Overcharge stocks price	65.691	65.691	65.691	65.691	65.691	65.691	65.691	65.691	65.691
Legal reserve	10.113	10.113	10.113	10.113	10.113	10.113	10.113	10.113	10.113
Other reservers	2	2	2	2	2	2	2	2	2
Earnings retained	317.618	342.788	376.176	433.641	536.450	487.596	555.391	659.502	803.875

Source: Economática

Cash Flow Projected

	2008	2009	2010	2011	2012	2013
EBIT	\$119.736	\$174.622	\$195.746	\$205.836	\$289.036	\$366.073
Depreciation	\$45.076	\$53.655	\$56.337	\$58.309	\$59.767	\$61.560
Tax EBIT	(\$46.743)	(\$69.849)	(\$78.298)	(\$82.334)	(\$115.614)	(\$146.429)
Var Net Working Capital	(\$70.905)	(\$168.115)	\$213.252	(\$12.241)	(\$16.467)	(\$9.057)
Var Fixed Assets	(\$74.819)	(\$29.808)	(\$21.909)	(\$16.197)	(\$19.922)	(\$20.520)
Free Cash Flow	(\$27.655)	(\$39.495)	\$365.128	\$153.373	\$196.799	\$251.627
Tax Shield	2580	(3849)	(3849)	(3849)	(3849)	(3849)
Capital Cash Flow	-	(\$43.345)	\$361.278	\$149.524	\$192.949	\$247.777
Interest	(\$15.822)	(\$23.096)	(\$23.096)	(\$13.280)	(\$14.608)	(\$15.339)
Var Fianancial Liability		\$244.605	(\$77.596)	(\$52.446)	(\$57.163)	\$15.831
FF Accionistas	-	\$178.164	\$260.587	\$83.798	\$121.179	\$248.269
Dividend	-	(\$7.738)	(\$14.787)	(\$19.391)	(\$30.463)	(\$33.813)
Var Social Capital	-	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	-	\$170.426	\$245.800	\$64.406	\$90.715	\$214.457

Balance Sheet in vertical analysis

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assets	100	100	100	100	100	100	100	100	100
Current Assets	31,0	35,1	39,8	43,5	56,3	51,3	54,7	55,8	55,0
Cash	3,8	3,1	2,5	4,0	5,2	5,3	5,0	5,1	5,0
Accounts receivable	8,3	10,2	14,4	14,2	10,8	13,1	14,2	14,5	14,3
Inventories	18,9	21,8	22,8	25,3	40,3	32,8	35,5	36,2	35,7
Other current assets	-	-	-	-	-	-	-	-	-
Long-term assets	69,0	64,9	60,2	56,5	43,7	48,7	45,3	44,2	45,0
Long-term accounts receivab	-	-	-	-	-	2,7	0,9	1,9	4,1
Long-term inventories	-	-	-	-	-	-	-	-	-
Other long-term accounts rec	0,8	0,8	0,6	0,5	-	-	-	-	-
Long-term asset	68,2	64,1	59,6	56,0	43,7	46,0	44,4	42,4	41,0
Activo en Moneda Extran	-	-	-	-	-	-	-	-	-
Total Liabilities	35,5	36,7	44,3	49,1	53,7	56,4	54,5	51,4	45,9
Current Liabilities	26,2	31,1	43,7	41,4	47,7	52,1	50,7	47,6	42,0
Accounts payable	16,1	17,1	23,1	22,3	18,8	26,3	28,4	29,0	28,5
Banks, loans adn short-term l	4,6	8,0	13,6	9,9	24,0	20,0	16,0	12,0	7,5
Tax & social short-term debts	4,8	5,6	6,8	8,9	4,7	5,5	6,0	6,3	6,8
Other current liabilities	0,7	0,4	0,2	0,2	0,2	0,4	0,3	0,3	-0,9
Non-current liabilities	9,3	5,6	0,6	7,7	6,0	4,3	3,8	3,7	4,0
Long-term trade payables	-	-	-	-	-	-	-	-	-
Banks loans and long-term b	8,5	5,1	-	6,9	6,0	5,0	4,0	3,0	7,5
Tax & social long-term debts	-	-	-	-	-	-	-	-	-
Minority Interest	0,0	0,0	0,0	0,0	-	-	-	-	-
Otre non-current liabilities	0,8	0,5	0,6	0,8	-	-0,7	-0,2	0,7	-3,5
Total stockholders equity}	64,5	63,3	55,7	50,9	46,3	43,6	45,5	48,6	54,1
Capital stock	3,3	3,1	5,5	4,5	3,5	3,6	3,3	3,1	2,9
Capital revaluation reserves	4,0	3,7	0,1	0,1	-	-	-	-	-
Overcharge stocks price	9,6	8,9	7,3	6,0	4,6	4,7	4,4	4,1	3,8
Legal reserve	1,5	1,4	1,1	0,9	0,7	0,7	0,7	0,6	0,6
Other reservers	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Earnings retained	46,2	46,2	41,7	39,4	37,5	34,7	37,1	40,9	46,7

Balance Sheet in horizontal analysis

	2006	2007	2008	2009	2010	2011	2012	2013
Assets	8%	22%	22%	30%	-2%	6%	8%	7%
Current Assets:	22%	38%	33%	68%	-10%	13%	10%	5%
Cash	-12%	-1%	94%	67%	1%	0%	10%	5%
Accounts receivable	32%	73%	20%	-1%	20%	15%	10%	5%
Inventories	25%	27%	35%	108%	-20%	15%	10%	5%
Other current assets	-	-	-					
Long-term assets	1%	13%	14%	1%	10%	-1%	5%	8%
Long-term accounts receivable						-63%	114%	133%
Long-term inventories								
Other long-term assets	5%	-4%	-4%	-100%				
Long-term assets	1%	13%	15%	2%	3%	2%	3%	3%
Total Liabilities	12%	46%	35%	43%	3%	3%	2%	-5%
Current Liabilities	28%	71%	15%	50%	7%	3%	1%	-6%
Accounts payable	15%	64%	18%	10%	37%	15%	10%	5%
Banks, loans and other	86%	108%	-11%	215%	-18%	-15%	-19%	-33%
Tax & social security	28%	46%	61%	-31%	15%	15%	15%	15%
Other current liabilities	-38%	-30%	7%	25%	80%	0%	0%	-418%
Non-current liabilities	-35%	-88%	1594%	1%	-30%	-6%	6%	13%
Long-term trade payables								
Banks loans and other	-36%	-100%		14%	-18%	-15%	-19%	166%
Tax & social long-term debts								
Minority Interest	-88%	0%	100%	-100%				
Other non-current liabilities	-25%	25%	80%	-100%		-71%	-505%	-604%
Total stockholders' equity	6%	7%	11%	18%	-7%	11%	15%	18%
Capital stock	0%	117%	0%	0%	0%	0%	0%	0%
Capital revaluation	0%	-98%	0%					
Overcharge stock	0%	0%	0%	0%	0%	0%	0%	0%
Legal reserve	0%	0%	0%	0%	0%	0%	0%	0%
Other reserves	0%	0%	0%	0%	0%	0%	0%	0%
Earnings retained	8%	10%	15%	24%	-9%	14%	19%	22%