



Aegean Airlines SA

We reiterate Aegean Airlines SA fair estimated price to €11,00 per share

FY18a Performance at a Glance:

- Total revenues stood at €1,187mn, increased by 5,3% compared to 2017.
- EBIT of €92,6mn, against €100,4mn in 2017.
- Net Income of €67,9mn from €60,4mn a year ago.
- Total traffic reached 14mn passengers, 6% higher than 2017.
- The Board of Directors decided to propose at the forthcoming AGM the distribution of €0,60 per share as dividend for fiscal year 2018.

Investment Thesis

Following the announcement of a good set of FY2018a results, we reiterate Aegean Airlines fair estimated price to €11,00 per share, while we rate the share as UV (Undervalued). Despite the unfavorable market conditions in 2018, Aegean managed to improve its bottom line profitability as well as its operating performance. This was due its effective yield management and cost control. The company is currently in the process of renewing its fleet with the addition of new A320neo aircrafts. In our view, the recent order to Airbus for 30 brand new A320neo aircrafts is a game – changing catalyst not only due to long term benefits (higher capacity per a/c, lower maintenance cost, fuel consumption etc.), but also because it will enable the company to expand its network to new destinations. The new aircrafts have higher flight radius and can operate from Greece to countries such as India, Nigeria, Pakistan, Russia and Kazakhstan. We note that apart from the purchase of 30 a/c from Airbus, Aegean will lease an additional 20 a/c with the form of direct leases. Hence within 5 years (2020-2024) the A320neo fleet of Aegean will consists of 50 a/c.

Date	13/5/2019
Fair Estimated Price (€)	11,00
Investment Thesis	UV
Stock Data	
Bloomberg Ticker	AEGN: GA
Reuters Ticker	AGNr.AT
Price	8,13
Low / High price 52w	6,52 / 9,59
Market Cap (€mn)	583
Adjusted Enterprise Value (€)	1348
Trailing P/E	8,6
Trailing EPS	0,95
DPS (Proposed)	0,60

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Financial Results / Operating Performance Review FY2018

During 2018, total passenger traffic increased by 10% in all Greek airports. The domestic market grew by 5%, while international traffic increased by 12% supported by strong incoming tourism flow. The total seat capacity in the international routes was approximately 16% higher compared with 2017, as many new and existing airlines added capacity to the Greek market. Despite the competitive pressures, on the revenue side Aegean's passenger yield was stable y-o-y due to effective revenue management, network maturity and synergy flows among its bases. On the cost side, the firm reduced its distribution expenses and stabilized employee cost per unit. Athens Airport which is the main hub of Aegean, continues to record positive traffic results as the city gradually gains in preference as a tourism destination. In addition, hub flows to the islands have also increased, it is notable that Aegean's connecting passengers at Athens Airports exceeded 3,5mn on annual basis.

Market Outlook 2019

In 2019 the market outlook seems more favorable for Aegean. According to the management, the total growth in seats for 2019 in the Greek international market is flat/slightly negative compared with last year. The total seat capacity in the domestic market is expected to decrease, as Ryanair decided to cease its flights operations in the most domestic routes and to shift its focus to international flights to and from Greece, maintaining just one domestic service the Athens-Santorini link. Aegean for the third consecutive year, in 2019e will grow at single digit growth rates (in terms of ASK), as the management of the company has set as its main priority to improve indicators; such as load factor per sector, utilization rate of a/c as well as maintaining its healthy profitability margins. The company plans to increase its total seat availability by 4-5%, mainly spreading it across the start and the end of the tourism season (second and fourth quarter).

The firm will operate through the year with a fleet of 61 aircrafts and will add the following new destinations from the Athens Airport: Ibiza, Casablanca, Marrakech, Sarajevo, Tunis and Valencia.

On March 2019, Aegean issued Senior Notes with face value of €200mn. The capital raised will be used by the company as follows:

- 75% of the issue will be used for the financing of the scheduled aircraft pre-delivery payments
- 14% of the issue will be used to finance part of the investment in new training facilities and offices at Athens International Airport.
- 11% of the issue will be used to finance working capital needs of the firm.



Valuation

Our DCF approach returns a target price of €11,00 per share, which is 35% higher than current prices. Aegean's recent decision to increase its seat availability by 5% indicates its confidence for the future and provides that passenger traffic growth should continue to be healthy in 2019. In our view, short-medium future potential catalysts for the stock are the following:

- The continuous development of Athens as a city break destination will reduce the passenger traffic seasonality at Athens airport, increasing the utilization rate for the fleet of Aegean which will lead to a lower operational cost.
- Lower airport charges at Athens airport, after the extension of the concession by 20 years until 2046. A substantial reduction of airport charges is expected in the near future.
- VAT in domestic flights is currently 24%, but a possible reduction is expected within the next months.

Aegean Airlines is exposed to industry and company-specific factors such as oil / FX prices volatility, political and economic conditions in the local economy, tourist traffic, airport charges and high competition from LCCs. These risks could cause the share price to deviate significantly from our target price.

Summary Financials					
(€mn)	FY2017a	FY2018a	FY2019f	FY2020f	FY2021f
Profit & Loss Items					
Total Net Revenues	1.128	1.187	1.290	1.400	1.466
EBIT	100	93	122	128	133
Net Income	60	68	73	88	94
Balance Sheet Items					
Total Assets	681	725	995	1.079	1.173
Cash at Hand	301	272	420	384	368
Total Equity	248	278	308	353	404
Cash Flow Items					
Operating Cash Flow	102	68	125	129	131
Free Cash Flow	79	19	11	16	32
Key Financial Ratios					
Revenue Growth	11%	5%	9%	8%	5%
EBIT margin %	9%	8%	9%	9%	9%
EPS	0,84	0,95	1,02	1,23	1,30
DPS	0,40	0,55	0,60	0,60	0,60
Dividend Yield	4,8%	7,6%	7,4%	7,4%	7,4%
ROE	24,4%	24,4%	23,8%	25,0%	23,2%
P/E (x)	9,8	7,6	8,0	6,6	6,2

**Πήτρα Περιορισμού Ευθύνης:**

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Σημειώσεις/Notes

P:	Τρέχουσα Τιμή	Market Price
MCAP:	Κεφαλαιοποίηση	Capitalization
EPS:	Καθαρά Κέρδη Ανά Μετοχή	Earnings per Share
P/E:	Λόγος Τιμής προς Κέρδη	Price/Earnings Ratio
P/S:	Λόγος Τιμής προς Πωλήσεις	Price/Sales Ratio
D/A:	Συνολικός Δανεισμός προς Παθητικό	Total Debt/Assets Ratio
DY:	Απόδοση Μερίσματος	Dividend Yield
ROE:	Απόδοση Ιδίων Κεφαλαίων	Return on Equity
FV:	Τιμή Σωστής Αποτίμησης	Fair Value Price

Οδηγός Συστάσεων/Ratings

UV	Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος	Underpriced/ Small Risk Stock Price < 20% of Fair
UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Underpriced/ Risk Stock Price < 10% of Fair
FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Fairly Priced/ Small Risk 10% < Stock Price < 10%
OV1	Σωστή Αποτίμηση/ Κίνδυνος	Fairly Priced/ Risk Stock Price > 10% of Fair
OV	Υπερτιμημένη Μετοχή	Overvalued Stock Price > 20% of Fair
N/R	Μη Αποτιμημένη Μετοχή	Not Rated