Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗ
ΑΝΩΝΥΜΟΣ ΕΤΑΙΡΕΙΑ ΠΑΡΟΧΗΣ ΕΠΕΝΔΥΤΙΚΩΝ ΥΠΗΡΕΣΙΩΝ
Μέλος του Χρηματιστηρίου Αξιών Αθηνών
Μέλος του Χρηματιστηρίου Παραγώγων Αθηνών
Μέλος του Δικτύου XNet
Τμήμα Μελετών και Αναλύσεων

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AEGEAN AIRLINES

DATE 28/09/16

Share Price:		**6,16**
Closing Price as 27/09/16		
Price High 52week		9,05
Price Low 52week		6,10
Market capitalisation		439.929.336
Current num. of shares		71.417.100
Long Term Debt		-

Key Financials	12/15	12/16E	12/17E
Sales	982.963.610	981.550.000	963.500.000
EBITDA	111.214.190	90.018.500	95.145.000
EBITDA margin	11%	9%	10%
Total Debt/Equity	Total Equity	Total Equity	Total Equity
P/E	3,17	2,25	2,25
EPS	0,96	0,68	0,73
Dividend/Share	0,70	0,40	0,40

Enterprise Value	674.356.025
Shareholders value	674.356.025

Risk Free	FV
6,50%	9,44
8,50%	8,00
10,50%	6,60

FAIR ESTIMATED PRICE	**8,00**
Δ% from Current Price	**30%**
Investment Thesis	**UV**

Outlook:

We downgrade Aegean Airlines base case Fair estimated price to 8.00Euros/Share on the back of the weak HY 16 results, while still keeping the stock in our Top Picks list.

Aegean Group's HY16 results were both characterized by flat revenues on a like-for-like basis and the significant detereoration of operating earnings that resulted in bottom line losses of 23mn. Euros. In terms of passenger traffic,however, the company managed to reap the full advantage of the increased stream of foreign passengers towards Greek destinations and expand its abroad passenger traffic segment by 9% on a HY-HY basis. In the Domestic market as well, the company preserved its Market share and even increased passenger traffic by 1%.

In the first half of 2016, Aegean Group faced major challenges in its operating model: 1)The addition of a further 10% levy in the existing VAT for its services and 2) the lack of pricing power as evidenced by the reduction of the Average Fare per Passenger, as a result of intense competition and efforts to maintain its Market share.

The company decided to completely absorb the additional levy without adjusting its pricing policy thus ending up with ticket sales that led to flat revenues and weak operating results despite the substantial increase in the passenger traffic mentioned above and the decreased operating costs mainly due to the favorable jet fuel prices for the period.

According to the company's guidance, the Average Fare per Customer is suppresed because of the competitor's efforts to increase their Market share and the company's decision for "early coverage" of remote destinations in Greece in an attempt to maintain its dominant Market share position. Our analysis calls for a 4% reduction of the Average Fare per Passenger, a trend expected to persist in the following quarters, which raises our concerns for further pressure in the Group's results.

Following the above, we finetuned our projections for the Group's total Revenues while preserving our growth estimates for passenger traffic and decreased the Average Fare per passenger for the 2016-2019 period. These adjustments lead to significant changes in our valuation model as the new total estimated Revenues for the 2016-2019 period came down to 3.88bn. Euros from 4.30bn.Euros previously, total EBITDA c.379mn. Euros from 491mn. Euros and Net Income c.207mn. Euros from 291mn. Euros respectively. These changes also affected the expected Cash Flow generation for the same period as the total undiscounted cash flows amount to c.265mn Euros from c.340mn. Euros in our previous analysis.

As a result, we downgrade our Fair Value estimates for the three case scenarios while we still consider the company as a value investment case. As we pinpoint in our sensitivity analysis table, at curent levels of 8,50% Risk free rate, Fair Value ends up to 8,00 Euros/Share (from 8.80Euros/Share previously), whereas at the optimal level of Risk free rate of 6.50% (Best case scenario) Fair Value could reach up to 9.44Euros/Share (from 10.00Euros/Share previously).

Strengths: Aegean airlines is the dominant domestic airline company.

Weaknesses: Lack of pricing power due to intense competition

Opportunities:
Tourist arrivals still follow an upward trend which is estimated to continue for the next years

Threats:

The penetration of low budget flight companies is able to claim market shares from Aegean airlines for both domestic and international flights potentially supressing profit margins.

The company is very sensitive to the tourist arrivals trend. Further turmoil in Greece and entire Europe could heavilly affect the upward tourist trend.

AEGEAN Summary tables

Income Statement	2015	2016E	2017E	2018E	2019E
Total Sales	982.963.610,00	981.550.000,00	963.500.000,00	970.000.000,00	970.000.000,00
CGS	721.698.240,00	716.531.500,00	703.355.000,00	708.100.000,00	708.100.000,00
Gross Profit	261.265.370,00	265.018.500,00	260.145.000,00	261.900.000,00	261.900.000,00
Sales Expenses	28.952.530,00	45.000.000,00	40.000.000,00	40.000.000,00	40.000.000,00
Administrative Expenses	109.389.660,00	111.000.000,00	111.000.000,00	111.000.000,00	111.000.000,00
Rest Income	18.827.620,00	16.000.000,00	16.000.000,00	16.000.000,00	16.000.000,00
Rest Costs	30.536.610,00	35.000.000,00	30.000.000,00	30.000.000,00	30.000.000,00
EBITDA	111.214.190,00	90.018.500,00	95.145.000,00	96.900.000,00	96.900.000,00
D&A	14.010.000,00	13.000.000,00	13.000.000,00	13.000.000,00	13.000.000,00
EBIT	97.204.190,00	77.018.500,00	82.145.000,00	83.900.000,00	83.900.000,00
Interest Expenses	3.112.700,00	11.727.580,00	11.727.580,00	11.727.580,00	11.727.580,00
EBT	100.316.890,00	65.290.919,79	70.417.420,00	72.172.420,00	72.172.420,00
Taxation	31.922.510,00	16.975.639,14	18.308.529,20	18.764.829,20	18.764.829,20
Net Income/Loss	68.394.380,00	48.315.280,64	52.108.890,80	53.407.590,80	53.407.590,80

Cash Flow Estimations (E)	2016E	2017E	2018E
EBIT	77.018.500,00	82.145.000,00	83.900.000,00
Taxation	74%	74%	74%
NOPAT	56.993.690,00	60.787.300,00	62.086.000,00
Depreciation	13.000.000,00	13.000.000,00	13.000.000,00
Capital Exp.	16.381.000,00	5.000.000,00	5.000.000,00
IWC	23.660,00	6.719,90	6.719,90
NCF	53.589.030,00	68.780.580,11	70.079.280,11

Growth/Margins/Metrics(E)	12/15	12/16E	12/17E
Sales Growth	8%	0%	-2%
EBITDA growth Y-Y	-6%	-19%	6%
Net Profit/Loss growth	-15%	-29%	8%
RATIOS	**12/15**	**12/16E**	**12/17E**
Debt/Equity	Total Equity	Total Equity	Total Equity
Capex/EBITDA	7%	29%	27%
ROE	35%	22%	23%
WACC	15,00%	15,00%	15,00%
VALUATION	**12/15**	**12/16E**	**12/17E**
Book Value	3,11	3,11	3,11
P/BV	2,63	3,55	3,55
P/E	3,17	2,25	2,25

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