



## **Motor Oil Hellas Corinth Refineries SA**

Motor Oil (MOH) reported a decent set of results in the 2Q-19, as the company maintained its profitability at acceptable levels in a very challenging environment. During the period, the financial performance of the company was affected by the weak cracking margins and narrowing heavy crude differentials.

The adjusted blended margin reduced by \$2.8/bbl y-o-y and settled at \$5.4/bbl vs \$8.2/bbl a year ago. As a result MOH's refining adjusted EBITDA declined by 45% y-o-y to €72.1mn in 2Q-19, while sales volume decreased by 2.7%. In respect of refinery yield, middle distillate yield stood at 46%. Finally non-refining EBITDA increased by 15% y-o-y and stood at €33.1mn.

During the 2Q-19, the company has approved an investment project for the construction of a new naphtha treatment complex as its Corinth refinery. The new complex, which will contribute to increased production of gasoline, kerosene and hydrogen, is scheduled for completion in 2021 (total investment cost of the project is approximately €310mn).

In second half of the year, we expect a significant improvement in refining margins. Despite that the crude differentials continued to remain tight during the third quarter, product spreads (jet fuel and diesel) performed quite strong q-o-q. In addition IMO / MARPOL bunkering regulations that will come into effect from 1 January of 2020, will increase the demand for diesel, boosting the middle distillates crack margins. Amid this environment, MOH is well positioned to benefit from IMO new regulations due to its high product quality mix, complexity refining model and crude mix flexibility.

We are reinitiating coverage on MOH with a new TP. Our updated DCF exercise (we have incorporated our new assumptions for the period 2019-2021) returns a TP of €23.0 per share, which is 14% higher than the current share price. At current levels, MOH trades at 4.5x EV/EBITDA FY2019E and 4.0x FY2020E respectively. Key downside risks to our valuation are the weaker refining margins, lower than expected domestic demand and a continuous slowdown in the global economic activity.

Date	2/10/2019
Fair Estimated Price (€)	23.00
Investment Thesis	UV1
Stock Ticker	MOH:GA / MORr.AT
Price	20.24
Low / High Price 52w	17.50/24.40
Market Cap (€mn)	2.242

Motor Oil (MOH) operates a high-complex coastal refinery in Greece with a nameplate capacity of 190,000bbl. The company distributes the 30% of its refining production in the Greek market, while the rest 70% is exported in the international markets. The company is engaged in the marketing of oil products through its subsidiaries Avin Oil and Coral S.A. (Shell licensee). Recently, MOH entered the Greek retail electricity market through the acquisition of NRG and broadens its overall presence in the country's energy sector.

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	FY2017A	FY2018A	FY2019E	FY2020E
<b>Key Financials (€mn)</b>				
Total Net Revenues	7.844	9.492	9.360	9.257
Adjusted EBITDA	621	495	539	535
Net Income	314	255	284	278
Total Assets	2.895	2.847	2.979	3.079
Cash at Hand	714	679	766	801
Total Equity	1.019	1.112	1.298	1.447
Operating Cash Flow	301	326	297	358
Free Cash Flow	204	188	192	168
EPS	2,83	2,30	2,57	2,51
Cash Distribution per Share	1,00	1,35	0,95	1,20
ROE	31%	23%	22%	19%
EV/Adjusted EBITDA (x)	3,8	4,3	4,5	4,0

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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

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