



HELLENIC PETROLEUM SA

2Q-19 Financial Results

Despite the weak refining environment in 2Q19, HP reported a decent set of financial results. The average Med cracking margins were at the lowest levels in 5 years in 2Q-19, affected by the Druzba pipeline contamination incident that led to reduced supply of Urals in the Med crude market with significant impact on prices. Additionally heavy crude differentials continued narrowing in Q2 with lower availability mainly due to OPEC cuts, Iran sanctions and limitations on Venezuelan supply. However the strong US dollar against the Euro and the high white products yield of the group (at 84% for 2Q-19) sustained the refining margins at profitable levels. For the 2Q-19 the adjusted refining margin stood at 7.5 \$/bbl compared with 10.6 \$/bbl for the same period last year, while the adjusted refining EBITDA were reduced by 50% y-o-y at €67mn. Petrochemicals and Marketing divisions reported improved results y-o-y due to sales mix and the higher volumes in the international market. Elpedison had a loss making quarter as operations were impacted by the shut-down of Thisvi plant, as well as the absence of Flexibility Compensation Mechanism. Overall in the 2Q-19, total group revenues stood at €2,465mn declined by 1% y-o-y, adjusted EBITDA reached €130mn down 31% y-o-y and net debt stood at €1.4bn, €500mn lower y-o-y.

Privatization Process

After the failure of initial tender for the privatization of stake of HP last April, the officials of the new government have made clear that HP privatization is a top priority sale along with other state assets (including DEPA). According to the most likely scenario the upcoming tender will involve only the stake of the Greek State, which currently holds a 35.5% share of the petroleum company.

Date	23/9/2019
Fair Estimated Price (€)	10.00
Investment Thesis	UV1
Stock Ticker	HEPrAT / ELPE:GA
Price (23/9/2019)	8,54
Low / High Price 52w	6.65/9.60
Market Cap (€mn)	2610
EPS (2019E)	0.82
EV/EBITDA (2019E)	6,2

Hellenic Petroleum (HP) is Greece's largest listed energy company with annual revenues of about €9.5bn. The group operates 3 refineries with a total of 16mn annual crude oil processing capacity, a petrochemical unit vertically integrated with the refineries of the group and a network of over 2,000 petrol stations in Greece and in the Balkan region. In addition HP has exposure in E&P sector with a significant portfolio of exploration assets in Greece. Finally through its investments in DEPA and ELPEDISON, the group operates in the sectors of natural gas and power.

Equity Research Department

+30 210 3213913

www.chryssochoidis.gr

Outlook

Regarding the rest of the year we anticipate a better refining environment compared to the 1h-19. The upcoming IMO new bunkering fuel specifications, one of biggest mandated changes in the industry' history, is expected to boost the refining margins of the high complex refineries such as HP. The group is on track with its plans to deliver ULSFO (0.5%) by the beginning of 2020 covering the needs of Greek bunkering market. As result we remain cautiously optimistic that the refining business unit will have positive contribution (strengthen the cash flow generation and the financial position of the group) in the second half of 2019 as well as for 2020. On cost side the management has set as target to further improve the competitiveness of the group and has started to implement a series of actions (i.e. procurement optimization) that could lead to annual savings of €50-100mn by 2020. In the Natural Gas sector the group will participate in the upcoming tender for the privatization of DEPA, bidding for a majority stake as the strategy of the group is to have controlling stakes in its core business activities. In the power sector the HP has an ambitious plan to further strengthen its position investing in large scale RES projects in the Greek market. Finally taking into account the improved capital markets conditions, the group is considering a new bond issue until the end of 2019 with better financing terms. The aim is to optimize its capital structure and to reduce further its funding cost.

Valuation

Our DCF exercise returns a target price of €10.00 per share, which is 17% higher than the current share price. At current levels, HP trades at 6.2x EV/EBITDA FY2019E and 4.4x FY2020 respectively. We believe that the restructuring of investments portfolio (natural gas and power) could unlock significant value for the shareholders of the Group. Furthermore the maturity of E&P portfolio could offer significant upside potential for the stock in the next years. On the other hand FX prices volatility, higher environmental cost for the European refineries and refining margins fluctuations are the main risks in our valuation.

	FY2017A	FY2018A	FY2019E	FY2020E
Key Financials (€mn)				
Total Net Revenues	7.995	9.769	9.006	9.562
Adjusted EBITDA	834	730	638	843
Net Income	381	212	251	430
Total Assets	7.160	6.997	6.594	6.893
Cash at Hand	873	1.275	1.094	1.317
Total Equity	2.372	2.395	2.493	2.765
Operating Cash Flow	443	503	574	631
Free Cash Flow	234	330	414	471
EPS	1,25	0,69	0,82	1,41
Cash Distribution per Share	0,35	0,49	0,50	0,52
ROE	16,1%	8,9%	10,1%	15,5%
EV/Adjusted EBITDA (x)	4,9	5,1	6,2	4,4

Ρήτρα Περιορισμού Ευθύνης:

Απαγορεύεται η αναδημοσίευση του παρόντος χωρίς την άδεια της Ν. ΧΡΥΣΟΧΟΙΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗΣ Α.Ε.Π.Ε.Υ. Οι απόψεις που περιέχονται βασίζονται σε πηγές που θεωρούνται αξιόπιστες, ωστόσο η Ν. ΧΡΥΣΟΧΟΙΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗ Α.Ε.Π.Ε.Υ. δεν ευθύνεται για την εγκυρότητα, ορθότητα ή αξιοπιστία τους και διατηρεί το δικαίωμα αλλαγής τους χωρίς πρότερη ειδοποίηση. Τόσο η Ν. ΧΡΥΣΟΧΟΙΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗ Α.Ε.Π.Ε.Υ. όσο και οι διευθύνοντες και υπάλληλοι της δεν φέρουν ουδεμία ευθύνη για οποιαδήποτε συνέπεια των πληροφοριών αυτών. **Το παρόν δεν αποτελεί προσφορά, προτροπή ή επενδυτική πρόταση για αγορά ή πώληση μετοχών ή άλλων κινητών αξιών. Οι επενδύσεις που αναφέρονται ενδέχεται να μην είναι οι ενδεδειγμένες για ορισμένους επενδυτές.**

Disclaimer:

This report has been issued by N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A., a member of the Athens Stock Exchange, and may not be reproduced in any manner or provided to any other persons. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. The information contained herein has been obtained from sources believed to be reliable but has not been verified by N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A. The opinions expressed herein may not necessarily coincide with those of any member of N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility of liability whatsoever or howsoever arising is accepted in relation to the contents hereof by N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A. or any of its directors, officers or employees. **This report is not an offer to buy or sell or a solicitation of an offer to buy or sell securities mentioned herein.** N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A. may effect transactions in or perform or seek to perform brokerage services for companies covered. The investments discussed in this report may be unsuitable for investors, depending on their specific investment objectives and financial position.

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