



Company Update: Aegean Airlines Reason: Initiation

Investment Thesis

We initiate the coverage of Aegean Airlines with a target price of €20.00 and a 60% upside from current levels.

Although the industry is closely monitored in real-time (the EU aviation traffic is updated and published on daily basis by Eurocontrol), we had been reluctant to call the fair value as the airline used to produce each year's profits over only one quarter, while breaking even or generating losses in the rest of the year. However, in 2023 Aegean shifted gear returning a profit in all four quarters, enjoying increased capacity and higher load factor. On top, the 2020 pandemic government support, and the attached warrants that were looming over the equity holders have been settled. In fact, Aegean actually earned from the transaction (the €120M aid of 2020, was paid back in full with an €85M outflow in 2023).

Access to additional capacity is decisive. It takes years between ordering a new plane and the time to operate it, in a high-regulated industry that is only served by Boeing, AirBus and the Chinese COMAC. Aegean is growing strong, enjoying a sizable order book of 32 new aircrafts (with an option for additional 12) that was not trimmed during the pandemic.

The management has factored-in the recent headwinds from Pratt & Whitney engines and is expecting a 2~4% growth in 2024. Year to date Aegean flights are +5.29% more than the corresponding period of 2023, suggesting that the guidance could be easily surpassed.

The momentum is positive. The successful listing of Athens International Airport is putting Aegean Airlines at the radar of additional international investors that are seeking exposure to the Hellenic Tourism industry, which is lengthening, spanning additional months. Provided no exceptional global risk-off event occurs, the future both in tourist arrivals as well as top-line growth appears bright.

Still, we attempt to put the stock to the test: the average EV/EBITDA multiple for EU airline carriers checks at 3,4x, in line with Aegean's metric of 3,8x (see table below) providing us with a bottom valuation of €13,50 which corresponds to current levels without taking into account the interesting growth potential described previously.

Date	12/2/24
Fair Estimated Price	20.00 €
Investment Thesis	UV
Bloomberg Ticker	AEGN:GA
Reuters Ticker	AEGN.AT
Price (9/2/24)	12.7
Low / High Price 52w	6.81 /13.80
Market Cap (€mn)	1145
P/E	6.2
EPS (trailing)	2.04
EV/EBITDA (trailing)	3.8



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For important disclosure information, please refer to the disclaimer page of this report.

All N. Chryssochoidis Stock Brokerage I.S.S.A. research is available on the company website and FactSet.



Valuation

The €20.00 target value that we are penciling, is the blended result of our DCF model with applied WACC rate of 9.60% and perpetual growth of 0,5% and peers multiples comparison. In our model we are keeping the current level of costs as percentage of revenue, without envisioning any new round of increased jet fuel costs.

Financials				
(€mn)	2023F	2024F	2025F	2026F
Profit & Loss Items				
Revenues	1,692	1,734	1,875	1,955
EBITDA	414	424	459	478
Net Income	127	142	171	187
Cash Flow Items				
Free Cash Flow	198	212	235	255
CAPEX	180	180	180	180
Key Metrics				
Revenue Growth	26.6%	2.5%	8.1%	4.3%
EBITDA Margin %	24.5%	24.5%	24.5%	24.5%
Debt/(Debt/Equity)	62.3%			
WACC	9.60%			
EPS	1.41	1.58	1.89	2.07
DPS	0.00	0.49	0.00	0.00
Net Debt/EBITDA	1.00			
EV/EBITDA	3.82			
P/E	9.04	7.47	7.09	7.95

	Average Daily Flights *YTD	EV/EBITDA **latest	EV/EBITDA **expected
Average		3.43	3.40
Aegean Airlines	241	3.76	4.14
Air France Group	1539	1.85	1.83
Air France	790		
KLM	749		
Ryanair	2322	6.56	6.87
easyJet Group	955	2.82	2.94
International Consolidated Airlines Group	1743	3.20	3.14
British Airways	750		
Iberia	369		
Aer Lingus	145		
Vueling	479		
Lufthansa Group	1920	2.92	2.68
Lufthansa	939		
Swiss			
International	357		
Austrian Airlines	231		
Brussels Airlines	130		
Eurowings	263		
Norwegian Air Shuttle	268	3.38	2.78
Finnair Oyj	271	2.96	2.84

*eurocontrol.int

**marketscreener.com

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