Q2 2016 REVIEW

AEGEAN AIRLINES

Just turbulence, not a blast

Loss of altitude in Q2… – Notwithstanding the fact that capacity deployment in 2016 has been less pronounced than in 2015, Q2 was quite weak for Aegean (yields -13%). The weakness in yields was driven by the imbalance between supply and demand, with the latter being softer than-initially envisaged. The situation was further exacerbated by the adverse impact from the VAT hike affecting domestic routes. The cEUR26m drop in H1 EBITDAR is unlikely to be recovered in H2, thus triggering significant downgrades (EBITDAR c-20%) although mgt did emphasize that run-rates in Q3 have improved markedly, both in terms of traffic and pricing.

… but long-term story remains intact on the demand side… – Despite the disappointment from the soft Q2 performance, the long-term story remains intact. Aegean is the purest Greek play on international inbound tourism with long-term traffic growth prospects remaining firm. Besides underlying traffic growth, there is also plenty of scope for share gains given that Aegean's share in the international market from Greece is still significantly lower than the typical >30% for the largest carrier in other European markets.

… while the capacity outlook is set to be more benign in FY17 – On the supply side, the outlook for 2017 is looking more benign as Ryanair shifts its focus to other markets (e.g. Germany) and Aegean rationalizes capacity discontinuing underperforming routes and re-allocating seats. Assuming no major disruption to demand (e.g. Brexit, terrorist events etc.), we believe there is scope for yields to recover in FY17e following c8% decline in FY16e. Our assumption is predicated on yields edging up c1% in FY17e. This ought to help margins recover in FY17e.

Compelling dividend story – Given the inherent cash generative characteristics of the business model (consumers paying ticket in advance) and limited capex, we forecast cumulative FCF cEUR170m over 2017-19e, namely c40% of the current market cap. Taking into account mgt's past guidance for a dividend payout ratio of 60-70%, provided that the cash position is at least EUR150-200mn, we anticipate DPS of another EUR1.2 cumulatively in the next 3 years (of which cEUR0.32 in FY16e). Although annual future dividend will be below the 2014-15 level (EUR0.7 per share) on our estimates, it still translates to a compelling c5-7% dividend yield. Aegean thus remains one of the highest-yielding stocks under our coverage.

Valuation – Following on from Q2, we have cut our FY16-17e EBITDAR by c20%, lowering our PT accordingly. On our new numbers, the valuation remains attractive, after the recent share price drop, as Aegean trades at c5.3x 2017 EV/EBITDAR, c30% discount to Turkish carriers. Taking into account the dividend yield, we believe the valuation offers compelling compensation still justifying a Buy.

Estimates					
EUR mn	2014a	2015a	2016e	2017e	2018e
Revenues	911.8	983.0	1,000.6	994.2	995.9
EBITDAR *	209.5	217.3	188.5	207.5	204.6
EBITDA adj.	118.8	111.2	70.2	85.6	82.7
Net profit - reported	80.2	68.4	34.9	46.7	45.6
EPS - reported	1.12	0.96	0.49	0.65	0.64
DPS	0.70	0.70	0.32	0.46	0.45

Valuation					
	2014a	2015a	2016e	2017e	2018e
P/E	7.3	8.0	12.5	9.4	9.6
EV/EBITDAR adj.*	4.7	5.0	5.8	5.3	5.3
Net Debt/EBITDAR adj.*	2.3	2.7	3.5	3.2	3.1
Dividend Yield	9.9%	10.0%	5.2%	7.5%	7.3%
ROE	31.9%	28.6%	16.3%	21.3%	19.2%

*Operating leases capitalized at 7x annual lease payment.

Recommendation	BUY
Target Price	€8.00
Prior Target Price	€10.10
Closing Price (29/09)	€6.13
Market Cap (mn)	€437.8
Expected Return	30.5%
Expected Dividend	5.2%
Expected Total Return	35.7%

AEGEAN Share Price

Stock Data

Reuters RIC	AGNr.AT
Bloomberg Code	AEGN GA
52 Week High (adj.)	€9.05
52 Week Low (adj.)	€6.10
Abs. performance (1m)	-10.6%
Abs. performance (YTD)	-10.2%
Number of shares	71.4mn
Avg Trading Volume (qrt)	42.6k
Est. 3yr EPS CAGR	-10.1%
Free Float	34%

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See Appendix for Analyst Certification and important disclosures

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Investment case

Lost altitude in Q2…

Notwithstanding the fact that capacity deployment in 2016 has so far been less pronounced than in 2015 (international capacity set to increase in the high-single digits vs. high-teen growth in 2015), Q2 was quite weak for Aegean as yields posted a disappointing 13% decline. The weakness in yields was driven by the imbalance between supply and demand, with the latter being softer than-initially envisaged. The situation was further exacerbated by the adverse impact from the VAT hike affecting domestic routes. The cEUR26m drop in EBITDAR in H1 is unlikely to be recovered in the remainder of the year, thus triggering significant downgrades for FY16e (EBITDAR revisions of c-20%) although mgt did emphasize that run-rates in Q3 have improved markedly, both in terms of traffic (market air tourist arrivals up in the low teens in both July and August) and pricing (yields down in the low single-digits).

… but investment case remains intact

Despite the disappointment from the soft Q2 performance, the long-term story remains intact in our view. Aegean is the purest Greek play on international inbound tourism with long-term traffic growth prospects remaining firm. Besides underlying traffic growth, there is also plenty of scope for share gains given that Aegean's share in the international market from Greece is still significantly lower than the typical >30% for the largest carrier in other European markets. On the supply side, the outlook for 2017 is looking more benign as Ryanair shifts its focus to other markets (e.g. Germany) and Aegean rationalizes capacity discontinuing underperforming routes and re-allocating seats. Assuming no major disruption to demand (e.g. Brexit, terrorist events etc.), we believe there is scope for yields to recover in FY17e following c8% decline in FY16e. Our assumption is predicated on yields edging up c1% in FY17e.

… as margins are set to recover in FY17e

Since the acquisition of Olympic, Aegean has managed to cut the unit costs of the combined entity (ex-fuel) by c12% capitalizing on merger-related synergies while also tackling the underlying cost base. With unit costs at €6c, Aegean's cost base is almost as efficient as that of LCCs, especially adjusting for the shorter stage length (see page 11). Looking ahead, we do see some room for a reduction in distribution costs (already evidenced in the last 2-3 quarters) as Aegean shifts away from the GDS platforms utilizing alternative systems and/or increasing direct selling. We thus incorporate further – albeit of small magnitude – cost efficiencies in FY17e (CASK ex-fuel -1%). As far as fuel is concerned, the Brent price appears to have recently stabilized at levels below <$50/bbl. Given Aegean's hedges, we estimate a c3% decline in fuel unit costs in 2017e following c20% drop in 2016e. Our estimates beyond 2017 are predicated on a $48-55/bbl Brent price, broadly in sync with the forward curve. Each $5/bbl movement in the Brent price translates to a c7% movement on EBITDA for FY17e.

Investment case further supported by high cash return potential

Despite the various challenges that air carriers face (e.g. high fixed cost base, seasonality, vulnerability to one-off events and oil price fluctuations), the business model is inherently cash generative given that customers pay for tickets in advance. Looking ahead in FY17-19e, given limited maintenance capex (EUR5m) we forecast cumulative FCF cEUR170m, namely c40% of the current market cap. Taking into account mgt's past guidance for a dividend payout ratio of 60-70%, provided that the cash position is at least EUR150-200mn, we anticipate DPS of another EUR1.2 cumulatively in the next 3 years (of which cEUR0.32 in FY16e). Although annual future dividend is likely to be below the 2014-15 level (EUR0.7 per share), it still translates to a compelling 5-7% dividend yield. This retains Aegean as one of the highest-yielding stocks under our coverage.

Valuation

Historically, Aegean has traded at levels in excess of 5.5x 1-year forward EV/EBITDAR. Currently it trades at somewhat more attractive levels (c5.3x 2017 EV/EBITDAR and c9.4x PE), notwithstanding the fact that is enjoys its strongest financial position ever (cEUR175m net cash in FY16e) and its major competitor appears to be shifting its focus away from Greece. Relative to the peer group, Aegean trades at significant adj. EV/EBITDAR discount vs. EMEA carriers. PE valuations are not too informative as the ratio is impacted by differences in taxation, restructuring charges and FX (the latter are factors which at times render airlines loss-making e.g. Turkish carriers in 2016).

We have repeatedly flagged that the primary differentiator between Aegean and other carriers is potential for cash returns: Aegean offers FCF yield in the low-teens thanks to annual FCF EUR50-70m over the next 3 years. Given it already operates at the upper end of the guided net cash position (EUR150-200mn), there is plenty of scope for the bulk of FCF to distributed to shareholders. This would translate to total returns in the vicinity of c27% of the market cap over 2016-18e (rising to c40% in 2017-19e). As a result, we think the current valuation offers compelling compensation despite the low visibility around yields.

Peer Group Valuation

Stock	Mcap (EURm)	PE 2016	PE 2017	EV/EBITDAR 16e	EV/EBITDAR 17e	FCF yield 16e	Dividend yield 16e
Air France-KLM	1,422	3.4x	2.9x	3.5x	3.6x	31%	0%
Deutsche Lufthansa AG	4,536	4.3x	4.4x	4.3x	4.3x	11%	5%
IAG	9,670	5.2x	5.3x	3.9x	4.1x	10%	5%
easyJet	4,688	9.5x	8.6x	5.3x	5.3x	2%	5%
Ryanair	15,346	11.7x	10.5x	7.2x	6.4x	7%	2%
Turkish Airlines	2,102		5.7x	9.4x	7.3x	-46%	0%
Pegasus	359		13.9x	9.2x	8.0x	-44%	0%
Air Arabia	1,542	11.0x	10.2x	8.5x	7.8x	6%	7%
Weighted Average		**8.0x**	**7.8x**	**5.9x**	**5.5x**	**5%**	**3%**
Aegean	**438**	**12.5x**	**9.4x**	**5.8x**	**5.3x**	**12%**	**5%**

Source: Eurobank Equities Research, Bloomberg

With regard to the valuation, it would be useful to point out the following:

- For valuation comparison purposes, we have used the standard industry practice of capitalizing leases at 7x annual lease payment. This, in effect, assumes airlines have bought the aircraft financing the purchase with debt. Thus, the particular method is broader in scope than the calculation of the present value of the stream of minimum (contingent) future lease payments, as it captures more than just the debt-equivalent of lease contracts currently in place.

- On the other hand, the lease capitalization multiple depends on the duration of the operating leases (Aegean uses mainly short-term leases with average term of 5-6 years), the useful life of the asset and the implied interest cost. The 7x factor implicitly assumes a 7% interest rate on an asset with useful life 15 years.

- The composition of the adjusted EV is materially different among the various peers. E.g. for LCCs RYA and EZJ the market cap accounts for 90-100% of the adj. EV with operating leases contributing another 5-20% offset by the net cash balance. For Turkish carriers, operating leases are much more significant (25-50%). In addition, both Pegasus and Turkish Airlines are also financially geared (net debt 25-50% of the adj. EV). On the other hand, legacy carriers have significant net debt positions as well as other debt-like claims (e.g. pensions). Air Arabia does not have any operating leases with 80% of the EV accounted for by the equity value. Aegean's adjusted capital structure is, in this sense, more comparable to that of LCCs and Turkish carriers.

Following the downgrades to our earnings estimates described in detail later in this report, we have lowered our PT on Aegean to EUR8.0 from EUR10.1 previously, with the downgrade to our valuation being in sync with the earnings revisions (c-20%). We retain the same blended methodology, namely a combination of DCF and multiples, but we now roll over our multiples-based valuation to 2017 (as 2016 will be loss-making for Turkish carriers rendering any reference to PE meaningless). At our 12-month price target Aegean would trade at c6x 2017e adj. EV/EBITDAR, namely still c20% discount to the current valuation of EMEA carriers (Turkish and Air Arabia).

Aegean valuation		
EURmn unless otherwise stated		**comment**
DCF		
DCF fair-value per share	**9.1 €**	WACC 10.5%, mid-term FCF at cEUR37mn vs. cEUR70mn over 2013-19e
EV/EBITDAR		
EBITDAR 2017e	208	
Multiple	6.0x	c20% discount vs. Turkish carriers' current valuation
Target adj. EV (2017e)	**1,245**	
Adj. net debt (cash) - 2017e	657	Operating leases capitalized at 7x
Equity value - 2017e	**588**	
No. of shares (mn)	71.4	
12-month equity fair value	**8.0 €**	
PE		
EPS 2017e (EUR)	0.65	
Multiple	11.0x	Small premium to Air Arabia but on numbers c40% below peak
2017e fair price	7.2 €	
12-month equity fair value (EUR)	**7.0 €**	
12-month Price Target	**8.0 €**	

Source: Eurobank Equities Research

Q2’16: muted demand backdrop, capacity weighing on yields

Aegean results summary								
EURmn	**Q2 15a**	**Q2 16a**	**% yoy**	**H1'15a**	**H1'16a**	**% yoy**	**Q2 16e**	**H1'16e**
Scheduled	222.9	211.4	-5%	337.2	338.2	0%	230.0	356.8
Charter	13.3	13.1	-1%	14.3	13.6	-5%	9.9	10.4
Other (cargo, service charge, etc.)	29.5	31.1	5%	52.2	51.7	-1%	27.6	48.2
Revenues	**265.5**	**255.6**	**-4%**	**403.6**	**403.5**	**0%**	**267.5**	**415.4**
All operating costs	-205.2	-220.2	7%	-336.6	-362.2	8%	-210.2	-352.2
- of which fuel	-61.5	-53.7	-13%	-92.3	-83.2	-10%	-53.6	-83.1
EBITDAR	**60.3**	**35.4**	**-41%**	**67.0**	**41.3**	**-38%**	**57.3**	**63.2**
Margin	22.7%	13.8%		16.6%	10.2%		21.4%	15.2%
- Leases	-26.4	-31.8	20%	-47.3	-61.4	30%	-31.0	-60.6
EBITDA	**33.9**	**3.6**	**-89%**	**19.7**	**-20.1**	**-202%**	**26.3**	**2.6**
- Depreciation	-3.6	-4.7		-6.9	-8.7		-3.9	-7.9
EBIT	**30.3**	**-1.1**		**12.8**	**-28.8**		**22.5**	**-5.2**
- Net financial income (expense)	0.9	-1.0		6.1	-2.9		-0.8	-2.7
PBT Reported	**31.2**	**-2.1**		**18.9**	**-31.7**		**21.7**	**-7.9**
- Tax	-8.2	-0.1		-4.2	8.0		-6.5	1.6
Net Profit Reported	**23.1**	**-2.2**		**14.7**	**-23.7**		**15.2**	**-6.3**
EPS reported (EUR)	**0.32**	**-0.03**		**0.21**	**-0.33**		**0.21**	**-0.09**

Source: Company, Eurobank Equities Research

KPIs	**Q2 15a**	**Q2 16a**	**% yoy**	**H1'15a**	**H1'16a**	**% yoy**	**Q2 16e**	**H1'16e**
Passengers '000s								
International	1556	1704	10%	2407	2660	11%	1743	2699
Domestic	1560	1514	-3%	2555	2569	1%	1638	2693
Total	**3117**	**3218**	**3%**	**4963**	**5229**	**5%**	**3381**	**5392**
Load factor	**75.3%**	**72.4%**	**-2.9 pp**	**73.5%**	**71.2%**	**-2.2 pp**	**74.7%**	**72.6%**
ASK	3.963	4.491	13%	6.196	7.074	14%	4.320	6.903
Traffic (RPK)	2.986	3.252	9%	4.552	5.040	11%	3.225	5.013
Yield	9.2 c	8.0 c	-13%	9.1 c	8.2 c	-10%	8.5 c	8.5 c
CASK	5.4 c	5.0 c	-8%	5.6 c	5.2 c	-7%	5.1 c	5.0 c
CASK ex-fuel	3.8 c	3.8 c	-2%	4.1 c	4.1 c	-2%	3.8 c	4.1 c

Source: Company, Eurobank Equities Research

Weak Q2 with surprisingly high yield compression

Aegean had a tough second quarter reporting a 3.7% drop in revenues and a c41% decline in EBITDAR. The c€12m revenue miss vs our estimates was driven by the higher than-anticipated decline in yields (-13% vs our assumption of -7%) and somewhat lower load factors (-2.9pps vs our assumption of -0.7pps), with mgt citing diversion of capacity by other EU carriers (due to safety reasons) as the main reason for weakness in routes to regional airports.

In more detail, Q2 revenues came in at €256m, -3.7% yoy, with passenger growth disappointing in the quarter (+3.3% from +9% in Q1). The imbalance between demand and supply (ASK +13% in Q2), especially in international routes, exacerbated the underlying weakness in domestic routes (also impacted by the inability to pass on the VAT hike), resulting in a more pronounced yield dilution relative to Q1 (-13% from -5% in Q1). The continuing cost containment efforts despite the increased maintenance provisions (CASK ex fuel -1.7%) only partly offset the yield compression leading to EBITDAR of €35.4m in Q2 (-41% yoy). As a result, Aegean switched to a net loss of €2.2m in Q2'16 from net profits of €23.1m in the same period last year.

With respect to the main feedback from the conference call, we would highlight the following:

- **Trading:** Management echoed a more positive message regarding Q3 trends referring to higher yields in domestic routes (now cycling the VAT increase), moderating yield compression in international routes and much better market traffic trends (11-12% growth in international, 2-3% growth in domestic).
- **FY16 outlook:** That said, mgt admitted that the Q3 improved performance will only partly mitigate the soft H1 performance (EBITDAR c€26m lower yoy).
- **Reviews of capacity planning for FY17:** Mgt guided for rationalization of the capacity deployed in 2017, with 2-3 aircraft potentially taken out so as to reduce the seasonality effect and better align demand with supply.
- **Hedging:** Aegean has now hedged c75% of its FY16 fuel needs at c$56/bbl and c70% of its FY17 needs near $50/bbl. It has also locked a quite good price for the EUR/USD in FY16 (c54% hedged at 1.25). For FY17, hedging has taken place near current FX spot rate.

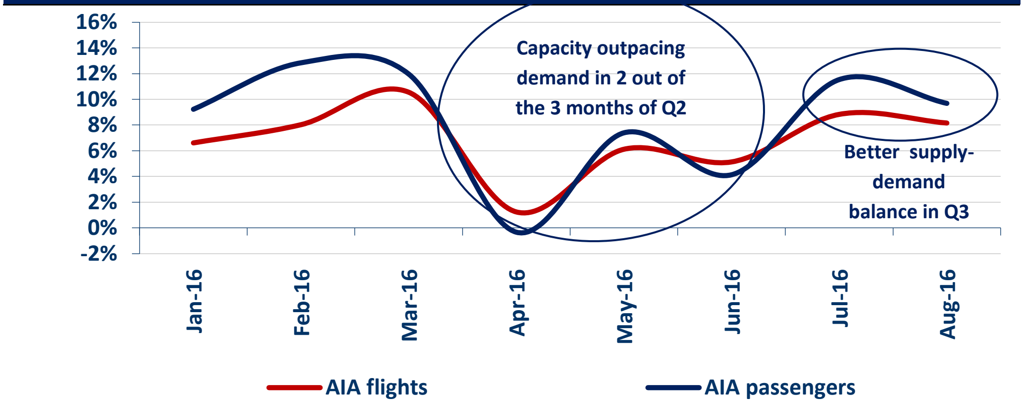
FY16: navigating near term price compression

Following a 12-month period during which quarterly yields had been posting reasonable yoy decline (mid to high single-digit), Q2 experienced a severe deterioration as revenue per RPK dropped 13%. As mentioned, the extent of the decline was significantly higher than we envisaged and, on our understanding, was the result of two predominant factors:

- **The re-allocation of competitors' capacity from foreign airports to Greece:** The resulting extra deployment of capacity created an imbalance, as demand was somewhat lukewarm in the aftermath of recent terrorist attacks and Brexit concerns. A quick comparison of the monthly flight growth vs. passenger growth is indicative of the deterioration of the demand momentum, especially at the AIA. As the chart depicts, capacity growth (using flight growth as proxy) outpaced passenger growth in most of Q2 (2 out of the 3 months) as international incoming growth slowed down markedly (to single digits vs. double-digits in Q1). Having said that, data for July and August points to a better balance between supply and demand.

Capacity outpacing demand in Q2

AIA number of flights and passengers, yoy change



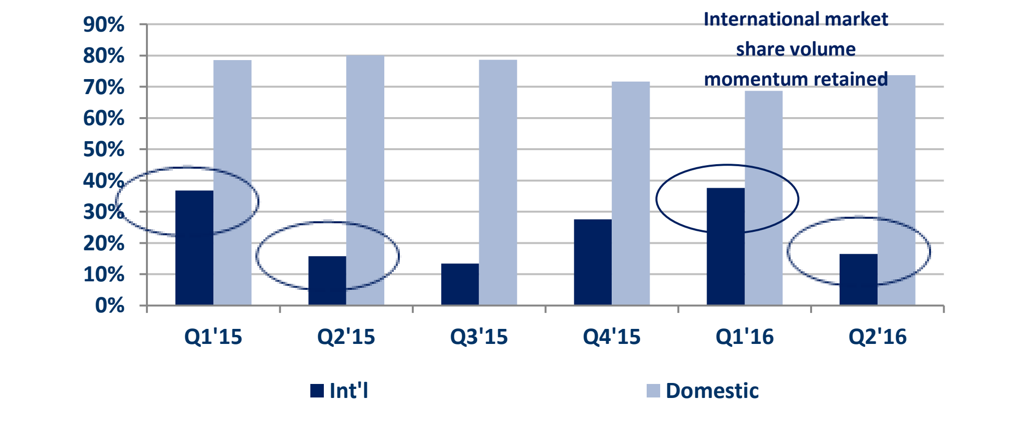
Source: HCAA, Eurobank Equities Research, AIA.

- **The impact from the VAT hike on domestic flights,** which was more difficult to pass on to consumers given the protracted macro weakness in Greece and fierce competition. The growth in total market traffic was induced by lower prices, with Aegean's passenger volume share naturally coming under pressure.

On a more positive note, Aegean's volume share in international traffic seems to be holding up

That being said, it is interesting that Aegean managed to increase its international passenger market share in one of the most challenging quarters in the last 4 years.

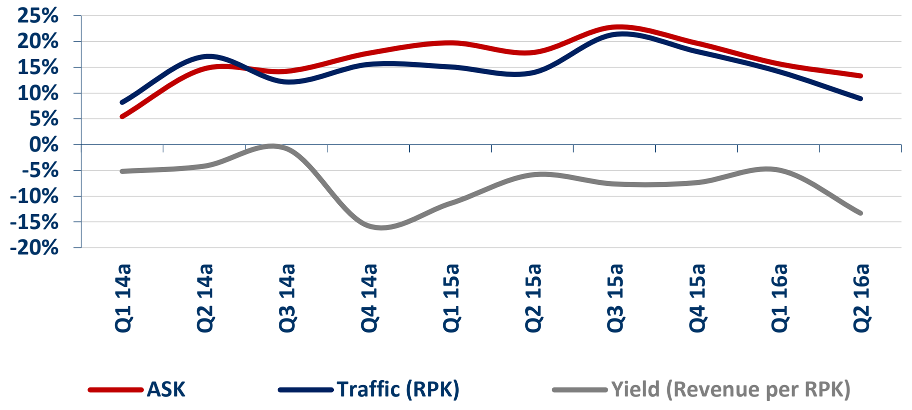
Aegean passenger volume market share



Source: HCAA, Eurobank Equities Research, AIA.

The abovementioned factors caused a negative balance between supply and demand and interrupted the close correlation between RPK (Revenue Passenger Kilometers, namely distance-weighted traffic) and ASK (Available Seat Kilometers, namely supply). As shown in the chart below, in most recent quarters Aegean has been quite successful in flexing prices to fill seats. In Q2, the price stimulation required to encourage demand was significantly higher.

Aegean's RPK vs. ASK growth by quarter (yoy % change)



Source: HCAA, Eurobank Equities Research, AIA.

On the demand side, as mentioned above early indications from Q3 are suggesting that demand is better-aligned with supply, fact that points to an improvement in yield run-rates. Our FY16 estimates are predicated on the yield drop moderating to -7% in H2'16 from -13% in Q2'16.

Aegean results summary

EURmn	H1'15a	H2'15a	H1'16a	H2'16e	H1 % yoy	H2 % yoy
Revenues	**403.6**	**579.4**	**403.5**	**597.0**	**0%**	**3%**
All operating costs	-336.6	-429.1	-362.2	-450.0	8%	5%
- of which fuel	-92.3	-124.0	-83.2	-109.9	-10%	-11%
EBITDAR	**67.0**	**150.3**	**41.3**	**147.0**	**-38%**	**-2%**
Margin	16.6%	25.9%	10.2%	24.6%		
PBT Reported	**18.9**	**81.4**	**-31.7**	**80.7**		**-1%**
- Tax	-4.2	-27.7	8.0	-22.3		
Net Profit Reported	**14.7**	**53.7**	**-23.7**	**58.4**		**9%**
EPS reported (EUR)	**0.21**	**0.75**	**-0.33**	**0.82**		

Source: Company, Eurobank Equities Research

KPIs	H1'15a	H2'15a	H1'16a	H2'16e	% change	% change
Passengers '000s						
International	2407	3618	2660	3881	11%	7%
Domestic	2555	3069	2569	3263	1%	6%
Total	**4963**	**6686**	**5229**	**7144**	**5%**	**7%**
Load factor	**73.5%**	**79.5%**	**71.2%**	**79.4%**	**-2.2 pp**	**0.0 pp**
ASK	6.196	8.472	7.074	9.373	14%	11%
Traffic (RPK)	4.552	6.733	5.040	7.444	11%	11%
Yield	9.1 c	8.7 c	8.2 c	8.1 c	-10%	-7%
CASK	5.6 c	5.2 c	5.2 c	4.9 c	-7%	-5%
CASK ex-fuel	4.1 c	3.7 c	4.1 c	3.7 c	-2%	1%

Source: Company, Eurobank Equities Research

FY17: adjusting capacity to align supply with demand

Expecting better capacity discipline in FY17

Looking ahead into 2017, the supply outlook is looking more benign. After 2 years of aggressive expansion, Aegean's biggest competitor Ryanair is not planning any significant capacity uptick in Greece as it sets its sights on the German market. In fact, according to comments by its Chief Commercial Manager, Ryanair intends to reduce by 2% the available seats for the summer 2017 program. Similarly, Ryanair's capacity deployed at the AIA (which accounts for c70% of Aegean's international activity) will see just a limited increase (c1%).

On its part, Aegean intends to rationalize capacity taking advantage of the fact that several of its operating leases will expire next year. Although the company is yet to make decisions regarding the 2017 summer program, our understanding is that the capacity deployed will be lower. In addition, Aegean will most likely proceed to international routes reallocation (e.g. seasonal destinations from Crete/Rhodes). We believe this points to the contraction of Aegean's overall capacity by a low-to-mid single-digit figure (we assume ASKs -2%).

Demand remains volatile and susceptible to one-off shocks and fragile macro…

As far as demand is concerned, this is primarily dependent on international inbound tourism, since the latter accounts for >80% of total traffic. That being said, the most pertinent drivers for inbound tourism are macroeconomic conditions at the major source markets (Germany, UK, France, Italy, Russia) and Greece's political stability. In general, air travel demand has displayed a strong link to GDP but, in Greece's case, we consider the political environment of utmost importance, especially in the context of increased concerns regarding the political situation in neighbouring countries competing with Greece (e.g. Turkey).

… but political stabilization in Greece may propel tourism inflows next year

In any case, fragile macro across the EU point to a volatile demand backdrop persisting in FY17 but, on the other hand, a potential agreement between Greece and its creditors on the second program review is likely to reinforce the sense of political stability, thus underpinning inbound tourism traffic growth.

Taking the above into account, although it is still quite early to gauge the extent of price stimulation required in FY17 to sustain load factors, we believe that the combination of disciplined market capacity growth and supply reduction by Aegean are likely to underpin yields, potentially leading to a recovery of pricing in FY17e. Our new estimates are now based on yields rising 1% next year following a c20% cumulative drop over 2013-16e.

Top line KPIs – Aegean

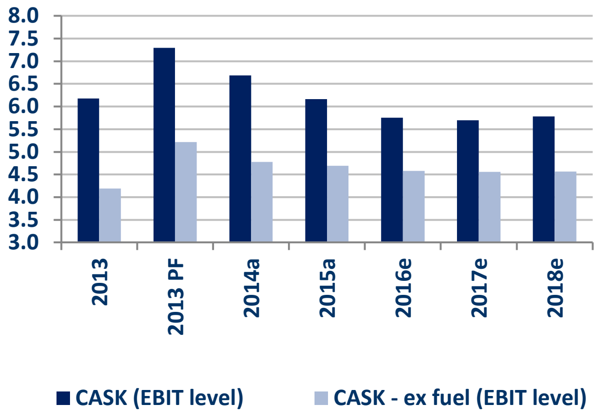
	2013 PF	2014	2015	2016e	2017e	2018e
Total RASK (revenue per ASK, in euro cents)	8.0c	7.6c	6.8c	6.2c	6.2c	6.3c
% change		-6%	-10%	-10%	1%	1%
Yield (revenue per RPK, in euro cents)	10.2c	9.6c	8.9c	8.1c	8.2c	8.4c
% change		-6%	-8%	-8%	1%	2%
Revenue per passenger	95.8 €	90.2 €	84.4 €	80.9 €	81.2 €	82.1 €
% change		-6%	-6%	-4%	0%	1%

Source: Company, Eurobank Equities Research

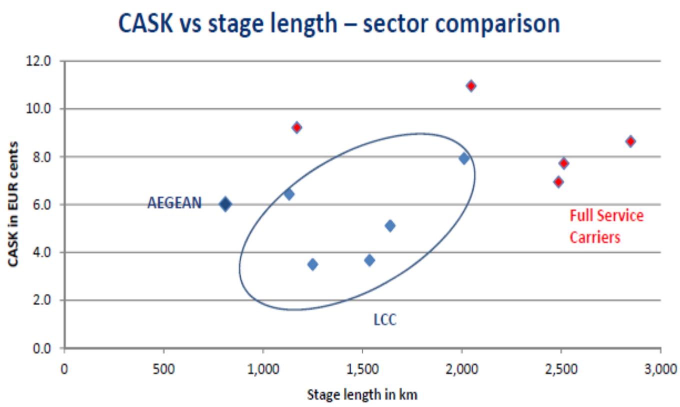
Costs – tight monitoring set to continue

Since the acquisition of Olympic, Aegean has managed to cut the unit costs of the combined entity (ex-fuel) by c12% capitalizing on merger-related synergies while also tackling the underlying cost base. With unit costs at €6c, Aegean's cost base is almost as efficient as that of LCCs, especially adjusting for the shorter stage length. Recently, there has been some upward cost pressure stemming from increased maintenance provisioning and global distribution costs (GDS) but this has been more than offset by payroll (unionized workforce) and handling savings (on a per unit basis).

Aegean unit costs - € cents



Unit cost comparison vs. peer group

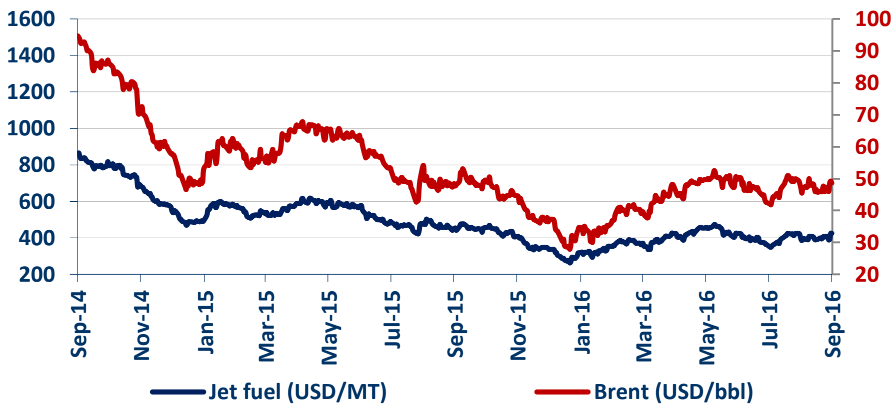


Source: Bloomberg, Eurobank Equities Research.

Looking ahead, it is hard to envisage further significant cost cuts, although mgt has emphasized it remains focused on tightly monitoring costs. We do see some room for a reduction in distribution costs (already evidenced in the last 2-3 quarters) as Aegean shifts away from the GDS platforms utilizing alternative systems and/or increasing direct selling. As far as airport charges are concerned, mgt has reassured investors that the recent agreement for the privatisation of the regional airports will not translate to higher charges until the concessionaire has completed the investments stipulated in the agreement (investment program amounting to cEUR330m in the first four years).

As far as fuel is concerned, the Brent price appears to have recently stabilized at levels below <$50/bbl. This is significantly higher than the price in Q1'16, which, however, did not feed through into 2016 results as Aegean was already c60% hedged for FY16 at the start of the year at levels close to $55-60/bbl, namely significantly higher than the spot price.

Jet fuel and Brent price



Source: Bloomberg, Eurobank Equities Research.

Still, 2016 benefited from lower fuel unit costs, especially thanks to Aegean's FX hedges (EUR/USD >1.20). As the impact from the latter phases out and the Brent price stabilizes, we estimate a modest c3% decline in fuel unit costs in 2017e following c20% drop in 2016e.

Cost assumptions - Aegean

	2013 PF	2014	2015	2016e	2017e	2018e
Fuel unit costs	2.1c	1.9c	1.5c	1.2c	1.1c	1.2c
% change		-8%	-23%	-20%	-3%	6%
CASK ex fuel (EBITDAR level, in euro cents)	4.2c	3.9c	3.9c	3.9c	3.8c	3.8c
% change		-7%	-1%	0%	-1%	0%

Source: Company, Eurobank Equities Research

Estimates update

Following on from the soft second quarter, we have proceeded to quite significant downgrades to our FY16-18e numbers. The magnitude of the downward revision is due to the operational gearing of the business model which we have repeatedly flagged in past reports, i.e. due to the high fixed cost base even a small change in pricing (i.e. yields) has a pronounced impact on profitability. A detailed overview of the underlying assumptions underpinning our model is provided on the next page but, in short, we point out the following:

- We now assume Aegean operates with 3 fewer aircraft from 2017 onwards. We have thus adjusted our capacity projection now assuming a c3% decline in total available seats in FY17e. We anticipate the reallocation of seat capacity to support load factors as Aegean further benefits from its connectivity competitive advantage. We thus expect only marginal decline in passengers as a result of the capacity rationalisation.
- We assume yields will drop by 8% in 2016 (implying -7% in H2 from -13% in Q2) but will recover in 2017 (+1%) owing to capacity discipline.
- We anticipate CASK ex-fuel to edge 1% lower in FY17e, but we do see some room for further containment. Each 1% extra saving in unit costs would translate to a c€6m increase to our estimates.
- As for fuel, we assume Brent price of $48-$55/barrel beyond 2017, in sync with the forward curve.

Eurobank Equities estimates

EUR mn		2016e	2017e	2018e
New	Sales	1,001	994	996
	EBITDAR	189	208	205
	Net profit	35	47	46
Previous	Sales	1,028	1,066	1,106
	EBITDAR	237	259	244
	Net profit	71	80	66
% diff	Sales	-3%	-7%	-10%
	EBITDAR	-20%	-20%	-16%
	Net profit	-51%	-42%	-31%

Source: Eurobank Equities Research

Sensitivities

Below we present a summary of the sensitivity exercise we have undertaken for Aegean depending on various levels of key assumptions.

- **Fuel:** Overall, we find that a 5 USD/bbl increase in fuel prices would lower FY17 EBITDA by c7%. This takes into account the change in the unhedged portion of Aegean's fuel needs (c40%).
- **FX:** Aegean has covered c40% for 2017e (at c1.1). On our new estimates, each c1% movement on the EUR/USD is worth c3% on FY17e EBITDA.
- **Yield:** The greatest sensitivity comes from the variation in yields. Were we to flex our 2017e yield assumption by c1%, this would change our EBITDA estimate by c11%.

Aegean EBITDA sensitivity

	Assumption	% change in 2017e EBITDA
Fuel	5 USD/bbl	7%
FX	1% change	3%
Yield	1% change	11%

Source: Eurobank Equities Research

Assumptions

Our main operating assumptions are summarized in the following tables:

Traffic and load factor	2014	2015	2016e	2017e	2018e
Traffic - RPKs (in bn)	9.6	11.3	12.5	12.3	12.1
% change	*14%*	*18%*	*11%*	*-2%*	*-2%*
Scheduled Load factor (RPK/ASK)	78.3%	79.1%	78.5%	79.9%	81.3%
change	0.0 pps	0.8 pps	-0.6 pps	1.4 pps	1.4 pps
Source: Company, Eurobank Equities Research					

Capacity	2014	2015	2016e	2017e	2018e
ASK (bn)	12.2	14.7	16.4	16.2	16.0
% change	*14%*	*20%*	*12%*	*-2%*	*-1%*
Total available seats (mn)	13.1	15.2	16.2	15.8	15.4
% change	*10%*	*16%*	*7%*	*-3%*	*-3%*
Average stage length (km)	767	809	845	858	871
% change	*5%*	*5%*	*4%*	*1%*	*1%*
Source: Company, Eurobank Equities Research					

Passenger data mn	2014	2015	2016e	2017e	2018e
By network					
Domestic Passengers (mn)	5.2	5.6	5.8	5.6	5.4
% change	*15%*	*7%*	*4%*	*-4%*	*-4%*
International Passengers (mn)	4.9	6.0	6.5	6.7	6.8
% change	*13%*	*24%*	*9%*	*2%*	*2%*
Total number of passengers (mn)	**10.1**	**11.6**	**12.4**	**12.2**	**12.1**
% change	*14%*	*15%*	*6%*	*-1%*	*-1%*
Source: Company, Eurobank Equities Research					

Other Metrics	2014	2015	2016e	2017e	2018e
Total RASK (total revenues/income per ASK, € cents)	7.6c	6.8c	6.2c	6.2c	6.3c
% change	-6%	-10%	-10%	1%	1%
Yield (total revenues/income per RPK, € cents)	9.6c	8.9c	8.1c	8.2c	8.4c
% change	-6%	-8%	-8%	1%	2%
Revenue per passenger (€)	90.2 €	84.4 €	80.9 €	81.2 €	82.1 €
% change	-6%	-6%	-4%	0%	1%
Costs					
Pre-rental operating cost/ASK (CASK, € cents)	5.8c	5.3c	5.0c	5.0c	5.0c
% change	-8%	-8%	-6%	-1%	2%
CASK ex fuel (EBITDAR level, € cents)	3.9c	3.9c	3.9c	3.8c	3.8c
% change	-7%	-1%	0%	-1%	0%
Source: Company, Eurobank Equities Research					

Fleet overview	2014	2015	2016e	2017e	2018e
Airbus A319	2	2	1	1	1
Airbus A320	25	28	38	37	37
Airbus A321	4	6	8	8	8
Bombardier	14	14	14	12	12
Total	**45**	**50**	**61**	**58**	**58**
Source: Company, Eurobank Equities Research					

Quarterly results summary

Aegean results summary										
EURmn	Q3 14a	Q4 14a	FY 14a	Q1 15a	Q2 15a	Q3 15a	Q4 15a	FY 15a	Q1 16a	Q2 16a
Scheduled	282.0	147.7	748.6	114.3	222.9	326.4	163.8	827.4	126.8	211.4
Charter	33.6	6.1	61.4	1.0	13.3	27.7	3.7	45.7	0.5	13.1
Other	31.8	22.1	101.9	22.7	29.5	34.5	23.2	109.9	20.6	31.1
Sales	**347.4**	**175.9**	**911.9**	**138.1**	**265.5**	**388.6**	**190.8**	**983.0**	**147.9**	**255.6**
yoy change	*11.4%*	*-2.3%*	*7.3%*	*3.1%*	*4.2%*	*11.9%*	*8.5%*	*7.8%*	*7.1%*	*-3.7%*
Other Income	1.5	3.5	9.7	2.1	8.8	2.5	5.4	18.8	4.3	3.4
Payroll	-27.9	-26.2	-100.5	-24.3	-26.7	-30.7	-27.7	-109.4	-25.9	-29.9
Fuel costs	*-84.0*	*-47.8*	*-232.8*	*-30.8*	*-61.5*	*-78.1*	*-45.9*	*-216.3*	*-29.5*	*-53.7*
Other operating costs	-124.5	-81.1	-378.8	-78.4	-125.8	-150.0	-104.6	-458.8	-90.9	-140.0
EBITDAR	**112.5**	**24.3**	**209.5**	**6.7**	**60.3**	**132.3**	**18.0**	**217.3**	**5.9**	**35.4**
margin	*32.4%*	*13.8%*	*23.0%*	*4.9%*	*22.7%*	*34.0%*	*9.4%*	*22.1%*	*4.0%*	*13.8%*
- Leases	-23.0	-24.3	-90.7	-20.9	-26.4	-31.7	-27.1	-106.1	-29.6	-31.8
EBITDA	**89.5**	**0.0**	**118.8**	**-14.2**	**33.9**	**100.6**	**-9.1**	**111.2**	**-23.7**	**3.6**
margin	*25.8%*	*0.0%*	*13.0%*	*-10.3%*	*12.8%*	*25.9%*	*-4.8%*	*11.3%*	*-16.0%*	*1.4%*
- Depreciation	-3.4	-3.3	-12.8	-3.3	-3.6	-4.5	-2.6	-14.0	-4.0	-4.7
EBIT	**86.1**	**-3.3**	**106.0**	**-17.5**	**30.3**	**96.1**	**-11.7**	**97.2**	**-27.7**	**-1.1**
- Net financial expense/other	-2.7	-7.4	-11.3	5.2	0.9	-0.2	-2.8	3.1	-1.9	-1.0
PBT Reported	**83.4**	**-10.7**	**94.7**	**-12.3**	**31.2**	**95.8**	**-14.4**	**100.3**	**-29.6**	**-2.1**
- Net financial expense/other	-20.7	12.3	-14.4	4.0	-8.2	-28.6	0.9	-31.9	8.1	-0.1
Net Profit Reported	**62.7**	**1.6**	**80.2**	**-8.3**	**23.1**	**67.1**	**-13.5**	**68.4**	**-21.5**	**-2.2**
EPS reported	**0.88 €**	**0.02 €**	**1.12 €**	**-0.12 €**	**0.32 €**	**0.94 €**	**-0.19 €**	**0.96 €**	**-0.30 €**	**-0.03 €**
KPIs - € cents	Q3 14a	Q4 14a	FY 14a	Q1 15e	Q2 15a	Q3 15a	Q4 15a	FY 15a	Q1 16a	Q2 16a
Revenue per passenger (€)	**97.3 €**	**79.6 €**	**90.2 €**	**74.8 €**	**85.2 €**	**91.1 €**	**78.9 €**	**84.4 €**	**73.5 €**	**79.4 €**
yoy change	-0.4%	-15.4%	-6.2%	-9.0%	-9.5%	-6.4%	-0.9%	-6.4%	-1.7%	-6.7%
Total RASK	**8.1 c**	**6.8 c**	**7.6 c**	**6.3 c**	**6.9 c**	**7.3 c**	**6.2 c**	**6.8 c**	**5.9 c**	**5.8 c**
yoy change	-2.5%	-17.3%	-5.7%	-14.9%	-9.0%	-8.7%	-8.6%	-9.6%	-6.2%	-16.7%
Yield (Revenue per RPK)	**9.7 c**	**9.0 c**	**9.6 c**	**9.0 c**	**9.2 c**	**8.9 c**	**8.3 c**	**8.9 c**	**8.5 c**	**8.0 c**
% change	-0.8%	-15.7%	-5.6%	-11.4%	-5.9%	-7.6%	-7.4%	-7.7%	-4.9%	-13.3%
CASK ex fuel (EBITDAR level)	**3.5 c**	**4.1 c**	**3.9 c**	**4.6 c**	**3.8 c**	**3.4 c**	**4.2 c**	**3.9 c**	**4.5 c**	**3.8 c**
% change	-3.5%	-17.1%	-7.2%	-0.7%	-2.9%	-3.4%	3.0%	-1.4%	-1.7%	-1.7%
CASK (EBITDAR level)	**5.5 c**	**5.9 c**	**5.8 c**	**6.0 c**	**5.4 c**	**4.9 c**	**5.7 c**	**5.3 c**	**5.7 c**	**5.0 c**
% change	-4.3%	-17.4%	-7.6%	-9.7%	-7.9%	-10.8%	-4.0%	-8.4%	-5.3%	-7.8%
Fuel unit cost	**1.9 c**	**1.8 c**	**1.9 c**	**1.4 c**	**1.6 c**	**1.5 c**	**1.5 c**	**1.5 c**	**1.1 c**	**1.2 c**
% change	-5.9%	-18.1%	-8.3%	-30.7%	-18.3%	-24.3%	-19.8%	-22.8%	-17.2%	-22.9%

Source: Company, Eurobank Equities Research

Risks and sensitivities

- **Macroeconomic risks:** As an airline, Aegean is exposed to both global and regional macroeconomic developments. Its business may be negatively affected by the reduction in passenger traffic due to economic downturns, falling disposable income, higher unemployment etc. In general, GDP growth across source markets determines to a large extent growth in demand for air transport.

- **Overcapacity and fixed cost structure:** Increasing capacity tends to intensify competition and often leads to lower fares and/or lower load factors. Overcapacity may result in excessive yield compression which airlines might not be able to offset by higher load factors and/or cost cutting. At the same time fixed costs represent a large part of an airline's cost structure (usually more than half of total cost base). Given that most of the revenues are variable, a significant drop in load factors would have a severe impact on profitability.

- **Fuel costs:** Fuel costs are a major item of expense for all airlines. For Aegean fuel makes up c24% of costs and, as a result, fluctuations in fuel prices can have a considerable effect on Aegean's profitability. In order to eliminate this risk, the company hedges part of its fuel needs when it considers it necessary.

- **Low sector margins:** The average EBITDAR margin in the airline industry across the cycle is in the low teens (for network carriers) and translates to a single digit margin at EBIT level. In addition, the airline business is characterized by high cyclicality and high revenue volatility especially during adverse one-off events. Although airlines insure/hedge a large part of the risks associated to unpredictable factors, the thin profit margins are still vulnerable to small revenue fluctuations.

- **Geopolitical and regulatory risks:** Geopolitical events such as wars, terrorist attacks or environmental catastrophes affect leisure and business travel in the short-term and can have serious impact on an airline's profitability. Political decisions can also have wide-reaching effects especially if these affect competition (e.g. subsidies for certain market participants, air traffic taxes, restrictions on night flights etc.).

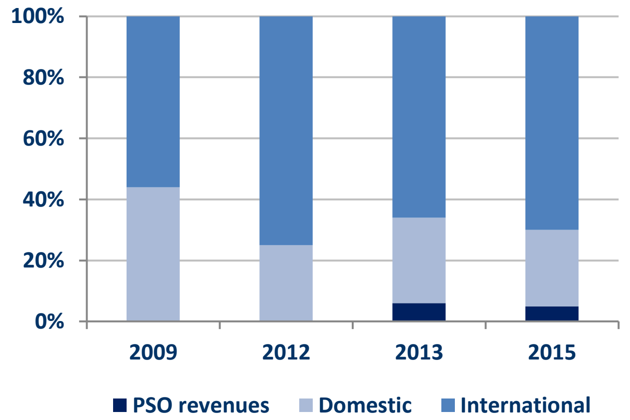
- **Tighter border controls and changes to the Schengen regime:** The ongoing refugee crisis and the EU's determination to combat terrorism have led several member states to reintroduce border controls, a move that may be seen as putting at risk passport-free travel across Europe. Tighter border controls may hamper traffic flows, thus negatively affecting airlines' revenues. A potential change to the Schengen travel regime would have even greater repercussions for Greece as a tourism destination.

Brief company description

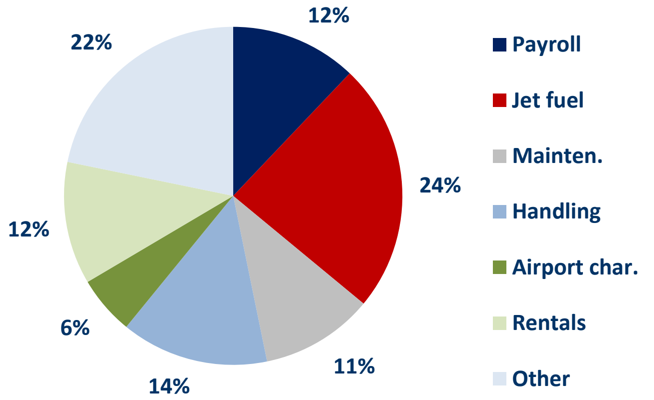
Aegean is the leading carrier in Greece servicing c12mn passengers through a fleet of 61 aircraft. Having acquired Olympic in end 2012, Aegean is now primarily focused on expanding its international network from AIA and regional bases. Thanks to its focus on cost control and its premium pricing relative to LCCs (as it is a full-service carrier), Aegean's EBITDAR margins are still at the high-end within the global airline industry.

Aegean in 4 charts and a table

Revenue mix

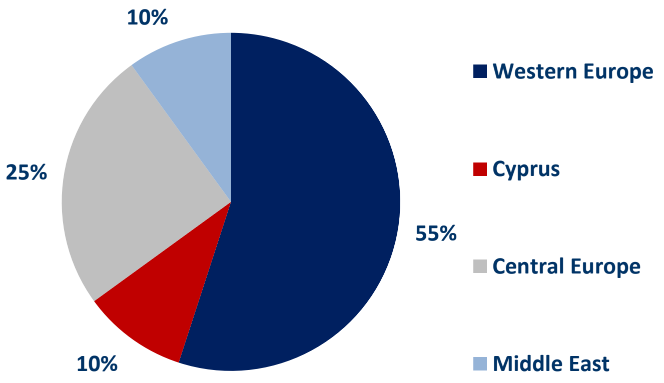


Cost breakdown (as % of total costs, EBIT level)

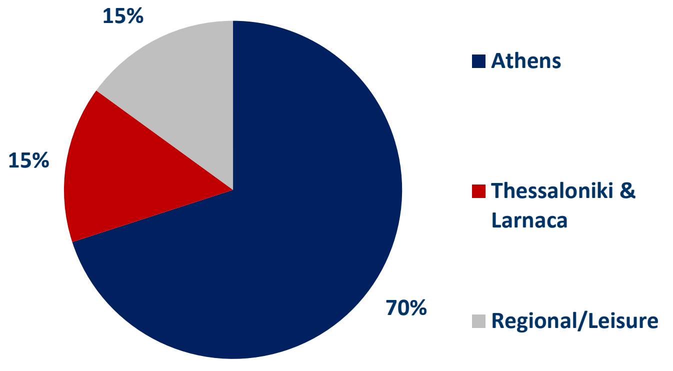


Source: Eurobank Equities Research, Company data

International activity by source market



International activity by base



Source: Eurobank Equities Research, Company data

Fleet overview

	2014	2015	2016e	2017e	2018e
Airbus A319	2	2	1	1	1
Airbus A320	25	28	38	37	37
Airbus A321	4	6	8	8	8
Bombardier	14	14	14	12	12
Total	**45**	**50**	**61**	**58**	**58**

Source: Company, Eurobank Equities Research

Group Financial Statements

Balance Sheet					
(EUR mn)	2014a	2015a	2016e	2017e	2018e
Non-current Assets					
Property, Plant & Equipment (net)	80.5	103.9	97.2	90.2	83.0
Intangible Assets	87.4	87.4	82.8	78.4	74.1
Other Long-term Assets	105.5	82.9	50.4	50.4	50.4
Total Non-current Assets	**273.4**	**274.2**	**230.4**	**219.0**	**207.5**
Inventories	13.2	13.2	14.4	14.2	14.2
Trade Receivables	87.6	104.5	68.0	67.6	67.7
Other Receivables	34.7	48.1	37.7	37.3	37.2
Cash & Equivalents	207.5	189.3	217.7	206.4	196.7
Securities	10.9	39.6	0.0	20.9	45.8
Current assets	**354.0**	**394.7**	**337.8**	**346.4**	**361.7**
Total Assets	**627.4**	**668.8**	**568.3**	**565.4**	**569.1**
Share Capital & Premium	119.2	119.2	119.2	119.2	119.2
Reserves	97.3	102.8	87.7	111.7	124.6
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**216.5**	**222.0**	**206.9**	**230.9**	**243.8**
LT Loans/Finance leases	49.6	45.2	37.7	30.2	22.7
Provisions/ Other Long term liabilities	75.5	68.7	48.3	37.9	37.9
Long Term Liabilities	**125.2**	**113.9**	**86.0**	**68.1**	**60.6**
ST Loans	8.8	11.0	5.2	0.0	0.0
Trade Payables	63.4	77.1	60.0	59.7	59.8
Other Payables	213.5	244.9	210.1	206.7	205.0
Current liabilities	**285.8**	**333.0**	**275.4**	**266.4**	**264.7**
Total Equity & Liabilities	**627.4**	**668.8**	**568.3**	**565.4**	**569.1**

Source: Company, Eurobank Equities Research

P&L					
(EUR mn)	2014a	2015a	2016e	2017e	2018e
Turnover	**911.8**	**983.0**	**1,000.6**	**994.2**	**995.9**
change	*7.3%*	*7.8%*	*1.8%*	*-0.6%*	*0.2%*
Other Operating Income	9.7	18.8	15.9	16.2	16.5
Payroll Expenses	-100.5	-109.4	-121.0	-123.0	-124.0
Jet Fuel	-232.8	-216.3	-193.1	-185.0	-194.5
Maintenance Expenses	-77.6	-97.6	-116.5	-111.5	-110.6
Airport Charges	-37.4	-50.7	-55.0	-52.2	-50.7
Other Costs (handling, catering, navigation)	-126.5	-151.9	-166.0	-157.7	-153.2
Gross Profit	**346.7**	**375.9**	**364.8**	**381.0**	**379.4**
Gross Margin	*38.0%*	*38.2%*	*36.5%*	*38.3%*	*38.1%*
Selling, Administrative & Other Expenses	-137.2	-158.6	-176.3	-173.5	-174.7
EBITDAR	**209.5**	**217.3**	**188.5**	**207.5**	**204.6**
change	*15.2%*	*3.7%*	*-13.2%*	*10.1%*	*-1.4%*
EBITDAR margin	*23.0%*	*22.1%*	*18.8%*	*20.9%*	*20.5%*
Aircraft Leases	-90.7	-106.1	-118.4	-122.0	-122.0
EBITDA - adjusted	**118.8**	**111.2**	**70.2**	**85.6**	**82.7**
change	*30.7%*	*-6.4%*	*-36.9%*	*21.9%*	*-3.4%*
EBITDA margin	*13.0%*	*11.3%*	*7.0%*	*8.6%*	*8.3%*
Depreciation and Amortisation	-12.8	-14.0	-16.3	-16.4	-16.5
EBIT - adjusted	106.0	97.2	53.9	69.1	66.1
EBIT margin	*11.6%*	*9.9%*	*5.4%*	*7.0%*	*6.6%*
Net Financial Income / (expense)	-2.9	-5.0	-4.7	-3.3	-1.9
Earnings Before Tax - adjusted	**103.1**	**92.2**	**49.2**	**65.8**	**64.2**
change	*35.1%*	*-10.5%*	*-46.7%*	*33.7%*	*-2.4%*
EBT margin	*11.3%*	*9.4%*	*4.9%*	*6.6%*	*6.4%*
Exceptionals/Derivative and FX gains or losses	-8.5	8.1	0.0	0.0	0.0
Earnings Before Tax - reported	**94.6**	**100.3**	**49.2**	**65.8**	**64.2**
Tax	-14.4	-31.9	-14.3	-19.1	-18.6
Minorities	0.0	0.0	0.0	0.0	0.0
Earnings After Tax - reported	**80.2**	**68.4**	**34.9**	**46.7**	**45.6**
Net Profit - adjusted	**68.5**	**62.6**	**34.9**	**46.7**	**45.6**
change	*21.3%*	*-8.6%*	*-44.2%*	*33.7%*	*-2.4%*
EPS - adjusted (EUR)	**0.96**	**0.88**	**0.49**	**0.65**	**0.64**
DPS (EUR)	**0.70**	**0.70**	**0.32**	**0.46**	**0.45**

Source: Company, Eurobank Equities Research

Cash Flow Statement					
(EUR mn)	**2014a**	**2015a**	**2016e**	**2017e**	**2018e**
EBIT	106.0	97.2	53.9	69.1	66.1
Depreciation and Amortization	12.8	14.0	16.3	16.4	16.5
Changes in Working Capital	9.8	-1.4	-6.3	-2.8	-1.6
Net Interest	-1.0	-2.1	-4.7	-3.3	-1.9
Tax	-14.4	-31.9	-14.3	-19.1	-18.6
Other	3.3	-18.6	-10.0	0.0	0.0
Net Inflows (Outflows) from Operating Activities	**113.8**	**70.7**	**34.9**	**60.4**	**60.6**
Capex	-13.7	-20.2	-5.0	-5.0	-5.0
Other investing inflow (outflow)	-39.6	-9.0	22.0	-10.4	0.0
Net Inflows (Outflows) from Investing Activities	**-53.3**	**-29.2**	**17.0**	**-15.4**	**-5.0**
Free Cash Flow	**60.5**	**41.5**	**52.0**	**45.0**	**55.6**
Net Dividends Paid	-71.2	-49.9	-50.0	-22.7	-32.7
Net debt / (cash)	**-159.9**	**-172.8**	**-174.8**	**-197.0**	**-219.9**

Source: Company, Eurobank Equities Research

Ratios					
	2014a	**2015a**	**2016e**	**2017e**	**2018e**
P/E	7.3	8.0	12.5	9.4	9.6
P/BV	2.3	2.2	2.1	1.9	1.8
P/Sales	0.6	0.5	0.4	0.4	0.4
EV/EBITDA	2.9	2.9	3.7	2.8	2.6
EV/EBITDAR	4.7	5.0	5.8	5.3	5.3
EV/Sales	1.1	1.1	1.1	1.1	1.1
Adj. Fixed Charge Cover (EBITDAR/Leases and net fin. expenses)	2.2	2.0	1.5	1.7	1.7
Gearing (lease-adjusted)	69.1%	72.3%	76.2%	74.3%	72.5%
Adj. Net Debt/EBITDAR	2.3	2.7	3.5	3.2	3.1
Dividend Yield	9.9%	10.0%	5.2%	7.5%	7.3%
ROE	31.9%	28.6%	16.3%	21.3%	19.2%
Cash Flow Yield	12.0%	8.3%	11.9%	10.3%	12.7%
Payout Ratio	72.9%	73.1%	65.0%	70.0%	70.0%

Source: Company, Eurobank Equities Research

**Operating leases capitalized at 7x annual lease payment.*

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12-month Rating History of Aegean Airlines

Date	Rating	Stock price	Target price
30/09/2016	Buy	€ 6.13	€ 8.00
22/09/2016	Buy	€ 6.45	€ 10.10
26/08/2016	Buy	€ 6.92	€ 10.10
25/05/2016	Buy	€ 8.13	€ 10.10
01/04/2016	Buy	€8.50	€ 9.90
28/01/2016	Buy	€7.24	€ 9.80
27/11/2015	Buy	€6.79	€ 9.20
19/11/2015	Buy	€6.80	€ 9.00

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Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	14	52%	2	14%
Hold	7	26%	1	14%
Sell	1	4%	0	0%
Restricted	2	7%	2	100%
Under Review	3	11%	0	0%
Total	27	100%		

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Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
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