

Hellenic Petroleum

Q218 results

Q2 beat driven by refining over-performance

Oil & gas

Hellenic Petroleum reported Q2 adjusted EBITDA of €187m, 14% ahead of market consensus and an 18% decrease y-o-y. Realised margins at \$10.6/bbl represent \$5.8/bbl over-performance relative to the benchmark, partly offsetting a reduction in utilisation due to planned maintenance at Elefsina and Thessaloniki, increased CO₂ costs and a stronger euro. Management sees significant improvement in benchmark margins in Q318 providing visibility of continued momentum in refining profitability through 2018. In addition, a high middle distillate yield provides Hellenic with a competitive position ahead of new bunkering fuel specifications. Edison's blended P/E, EV/EBITDA and DCF valuation stands at €9.0/share, FY18e adjusted EBITDA at €789m and we expect a projected 4.9% dividend yield (excluding incremental returns from DESFA proceeds expected in Q418) to provide share price support.

Year end	Total revenues (€m)	Adjusted EBITDA* (€m)	Adjusted EBIT* (€m)	Net debt (€m)	Dividend yield (%)
12/16	6,680	731	522	1,761	0.0
12/17	7,995	833	644	1,802	4.7
12/18e	7,947	789	607	1,301	4.8**
12/19e	7,944	748	566	1,043	5.4

Note: *Adjusted numbers account for inventory movements and other specials. **Dividend forecasts exclude potential shareholder returns from DESFA sale.

Shifting crude mix: Hellenic shifted away from Iranian crude in June 2018, replaced by increased Iraq and Ural volumes. Despite this switch, management has been able to capitalise on an increase in benchmark margins through July and August, which combined with improved utilisation (in the absence of major scheduled shutdowns) should deliver a robust Q3 EBITDA outturn. Petrochemicals delivered a strong performance in Q2 with a 27% y-o-y increase in sales volume and 15% increase in adjusted EBITDA to €27m.

Valuation and forecasts: Edison currently forecasts adjusted EBITDA of €789m for FY18e which will be revised over the course of the year as we get better visibility on the benchmark margin and forex. Currently our forecasts and blended €9.0/share valuation remain unchanged.

31 August 2018

Price €7.35

Market cap €2,246m

€0.9/US\$

Net debt (€m) as at March 2017 1,973

Shares in issue 305.6m

Free float 20%

Code ELPE

Primary exchange Athens

Secondary exchange LSE

Share price performance



Business description

Hellenic Petroleum operates three refineries in Greece with a total capacity of 341kbd, and has sizeable marketing (domestic and international) and petrochemicals divisions.

Analysts

Sanjeev Bahl +44 (0)20 3077 5742

Ian McLelland +44 (0)20 3077 5756

oilandgas@edisongroup.com
[Edison profile page](#)

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