ALTA Invest

PETROL D.D.

www.petrol.si

24th August 2016

Oil and Gas Retailer

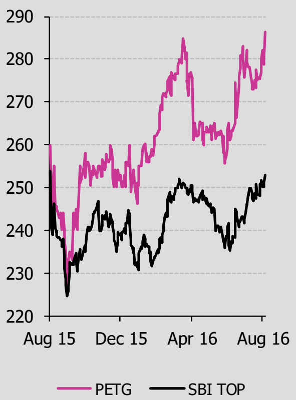
LJSE ticker: PETG
Bloomberg: PETG SV

Target price:
353 EUR

Previous target price:
342 EUR, BUY (20.5.2016)

Recommendation:
BUY

12 months stock performance in EUR



Dominant domestic oil retailer and 2nd place in Croatia.

Utilizing stations for merchandise sales.

High top-line growth in energy-related businesses.

Stabile mid-term net income growth guidance.

Long-term potential in liberalization of markets.

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Stock data as of 24.08.2016			
Market price (EUR)	280.0	Market Cap (EUR)	584.2
52 week range (EUR)	225.0-286.4	No. of Shares	2.1
Avg. daily trade vol., EUR(k)	112.46	Free float	71%
Average daily % of stock traded	0.021%	Dividend yield	4.0%

Price performance	3 months	12 months	Multiples:	TTM	2016F
			P/E	8.1	8.8
price change in %	6.8%	7.7%	EV/Sales	0.2	0.2
SBI TOP index change in %	2.8%	-1.2%	EV/EBITDA	5.6	5.3
relative to SBI TOP index in %	3.9%	9.0%	EV/EBIT	8.3	7.9

Key figures (According to International Accounting Standards) *Consolidated data in EURm*

Income statement:

million €	FY2014	FY2015	FY2016	FY2017
Sales	4,014.3	3,816.9	3,666.8	4,197.6
Growth yoy	1.7%	-4.9%	-3.9%	14.5%
EBITDA	139.6	136.8	146.9	150.2
Margin	3.5%	3.6%	4.0%	3.6%
EBIT	95.9	90.5	99.2	100.6
Margin	2.4%	2.4%	2.7%	2.4%
Net income	60.9	65.5	66.6	68.5
Growth	15.3%	7.7%	1.7%	2.8%
EPS	**29.2**	**31.4**	**31.9**	**32.8**

Balance sheet:

million €	FY2014	FY2015	TTM
Investments	173.1	188.7	192.9
Cash	58.6	34.4	30.1
Debt	567.1	485.4	420.9
Net debt	335.4	262.4	197.9
Equity	506.8	549.3	556.7
Assets	1,554.0	1,474.4	1,469.7
D/E	111.9%	88.4%	75.6%
ROE	12.0%	11.9%	13.0%
ND/EBITDA	2.4	1.9	1.4

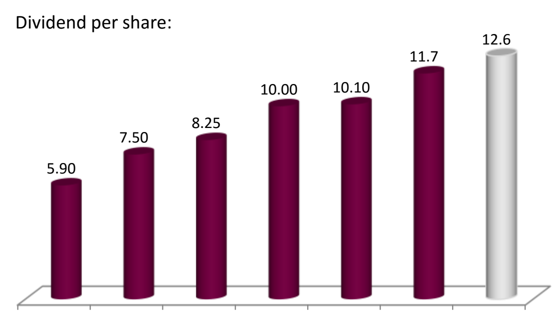
* Net debt to EBITDA ratio including only cash item stands at 2.8x

Investment Thesis:

- **Largest in Local Market:** On the domestic Slovenian market Petrol has 314 service stations, with a market share of approximately 58% and a good coverage of locations across Slovenia (highways, city and rural). In contrast Petrol's largest local competitor OMV has 106 stations while MOL should has roughly 47 stations after acquisition of Agip stations. There are several other players, but majority pose virtually no real threat. Mercator (Slovenian biggest food retailer) has incorporated automatic oil station network into its strategy a couple years ago (21 stations) but this model so far failed to grasp traction. However the Slovenian oil retail market is mature in terms of market share and oil consumption per capita, so there is limited ability to expand volume growth. On the other hand, Petrol has potential to grow by exploiting growth of transportation transit through Slovenia and by increasing sales of supplemental and other merchandise. Both effects depend upon economic and excise duty conditions.

  We must also note Petrol Group had substantial 12% market share (second largest) also in neighbouring Croatia in 2014 with 105 stations, that are concentrated in coastal region and with major competitors being INA, Crodux, Tifon (MOL) and Lukoil Croatia. It also had 9% market share in Montenegro while in Bosnia and Herzegovina Petrol has a 3% market share.

- **Dividend growth & Solid dividend yield:** In the last few years shareholders were demanding in terms of dividend payments. In 2012, 2013, 2014 and 2015 Petrol paid out dividend of EUR 8.25, 10.0, 10.1 and 11.7 per share. Dividend yield therefore varied between 3.6% to 5.0% with dividend payout ratio at 33% (usual management suggestion) to 40%. While this year management proposed a dividend of EUR 11.1 per share, shareholder assembly again up the ante to EUR 12.6. Given strong and stable cash flow from core business, limited CAPEX, management plans for profit growth and good enough balance sheet condition (debt should remain at current levels while EBITDA is expected to grow) we believe dividend yield should remain solid also in the following years. Business and dividend wise this investment/company could increasingly be viewed as utility.



- **Management guidance:** Petrol revised its 2015-2019 strategic plan and released 2016-2020 strategic plan. Comparison implies Petrol management increased its optimism which is encouraging.

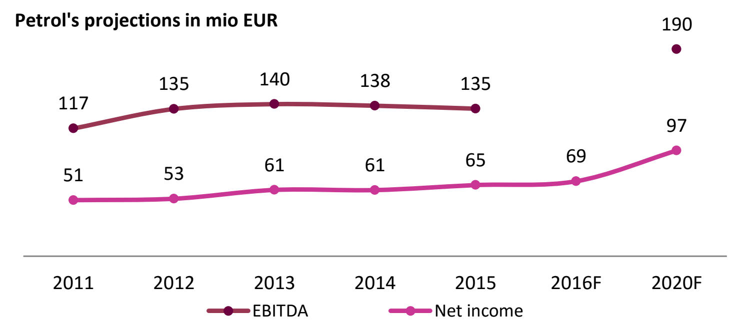
  Petrol Group strategic orientations are:

  1. Balance between stable operations and development aimed at addressing new challenges (the setting up of a flexible and agile organisation which provides suitable and risk-adjusted returns and takes into account sustainable development and social responsibility).
  2. Higher sales and transition to new business models (development of existing and acquisition of new markets and customers through innovative business models; focus on a comprehensive and personal treatment, and on excellent customer experience throughout the user journey).
  3. Process efficiency and risk management (dynamic management of organisational structure, efficiency of operations in line with the principle of good management, advance risk management systems).

  This should strengthen the long term financial stability and ensure a stable dividend policy while also allow long term growth and development of the Petrol Group.

	2020G
EV/Sales	0.2
EV/EBITDA	4.4
P/E	5.8

  - Petrol Group targets for 2020 are: 1) net sales revenue of EUR 4.3 bln, generated by the sale of 3.14m tons of petroleum products through 527 stations (+40 versus 2015), 113m m^3 of natural gas (trading at 300m m^3), 15 TWh of electricity sales and trading, 139t MWH of heat and EUR 719m of merchandise, 2) EBITDA of EUR 190m, 3) net profit of EUR 97m, 4) Net Debt/EBITDA 2.2. 5) Petrol intends to invest EUR 350m into fixed assets in the 2016-2020 period (EUR 69.5m invested in 2015). This CAPEX engulfs roughly 42% of implied EBITDA generation in the period.
  - Petrol Group guides sales revenues of EUR 3.7 bn for 2016 with gross profit planned at EUR 361m (+3.8% or EUR 13.1m). This is base on the assumption Petrol Group will sell 2.75m tonnes of petroleum products, 112m m^3 of natural gas, 12.4 TWh of electricity and merchandise in the amount of EUR 506.5m with 490 service stations. Cash flow from operating activities before working capital change is planned to amount to EUR 141m while net income at EUR 68.8m (+5.0%). Net debt to EBITDA ratio is seen at 3.3 at end 2016 (only cash items included) with gearing ratio at 43%. CAPEX is guided at EUR 60m.

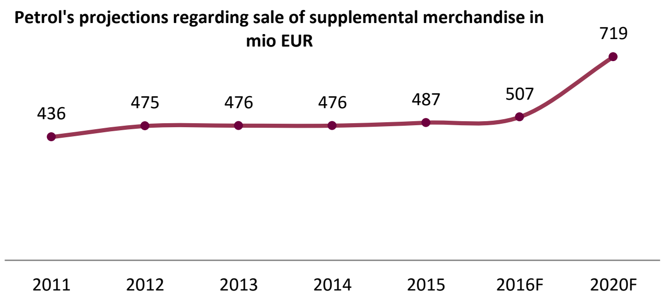


  - The management has generally met EBITDA targets in the last few years: EUR 124.6m in 2012 versus guided EUR 127m, EUR 135.2m in 2013 versus guided EUR 133m, EUR 139.6m in 2014 versus EUR 138 and EUR 136.8m in 2015 versus guided EUR 140m. On the other hand it was more deviant from the net income targets in 2012, 2013 and 2014 (EUR 53.3m versus EUR 57m, EUR 52.8m versus EUR 58m and EUR 60.4m versus EUR 65m). However in 2015 Petrol group achieved its net income guidance (EUR 65.5m versus guided EUR 64.3m).

  All in all this strategy correctly implies Petrol is not a high growth company, but its investment thesis lies in a stable cash generation and mild but predictable growth. Again we emphasise that EBITDA – CAPEX of EUR 483m for 2016-2020 gives Petrol ample room for dividend payments and shows strength in cash generation, especially in core business. Also we emphasise recent strategic plan adjustment was upward biased and therefore positive.

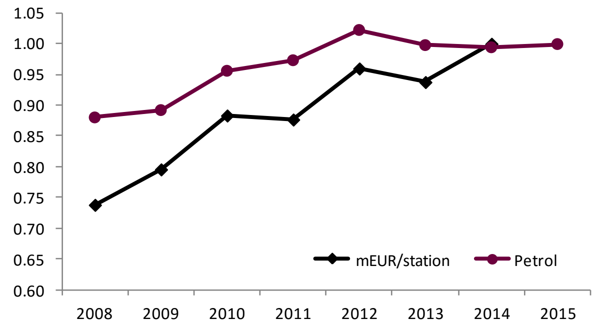
- **Growth prospects in supplemental and other merchandise:** In the last decade Petrol has managed to achieve good growth by turning its attention towards selling supplemental and other merchandise. We note supplemental and other merchandise consists of automotive products, foodstuffs, hot beverages, accessories, tobacco and lottery products, coupons, cards and loyalty programme merchandise, raw materials, parcel services, chemical products and wood biomass.

In the period 2006 to 2015 the average annual growth rate of merchandise revenues was 9.5% with 0.6%, 0.3% and 2.3% growth in 2013, 2014 and 2015 respectively. In 1H16 Group recorded a 2.8% increase in revenues, slightly below expectations.



This slowdown can be at least partially attributed to the recessionary environment, which plagued Petrol's markets in 2011 to 2014 period. It's true however things have picked up since, albeit at still quite low rates. This bodes well for the future growth rates. European commission sees private consumption growth for Slovenia at 2.3% and 2.5% for 2016 and 2017 respectively, while for Croatia at 1.7% and 2.0% for 2016 and 2017. This is most likely one of the reasons while Petrol envisioned an accelerated growth in the segment (with 4.1% YoY growth seen for 2016 and 8.1% CAGR in the strategic 5 year period).

In addition, while growth should remain subdued for domestic Slovenian market (most product and services already included in oil retail network; mature environment), Ex-Yu network has room for expanding merchandize sales per station and Petrol in the past showed its strength in marketing merchandise through network and its innovation in placing new products and services. This is seen by comparing Petrol merchandise revenue per station versus average of Casey's General Stores, Pantry, Alimentation Couche Tard, Susser and OMV Slovenia. Of all mentioned only Susser (now Sunoco) has higher merchandise turnover per station. Here we note a new product quickly normalizes after initial launch, so management must constantly find new products. Note that in this SEE region, Petrol Group recorded a nice 9% YoY growth in 1H16.



In 2014 Petrol launched Fresh range (fresh food), which was being introduced at several service stations, Q energy drink and ice coffee. In 2015 it continued building on Fresh range program and gained distribution rights for an additional brand of energy drink. It also expanded its sales through Petrol online eShop. Petrol noted that in 2015, the sales especially increased in tobacco segment, electronic prepaid card and food and hot beverage segment. We should note Petrol has more than 560,000 loyalty programme member. This is providing data that can be utilized for monitoring and adjusting to consumer habits.

- **Growth Prospects in SE Europe through filling station expansion:** Another growth option lies in other SE European markets that are still underdeveloped in terms of sales of petroleum products. Namely the ratio of vehicles per capita in these countries is lower than the European average. In Croatia, it is at 380, in Montenegro at 262 in Serbia at 238 and in Bosnia and Herzegovina at 214 (versus 567 in Slovenia). These markets can enable Petrol to achieve better oil sales volume growth in the next decade, especially if Petrol continues with acquisitions and construction of oil retail network in this region (most of 40 additional stations till 2020 will be allocated in SEE region). Additionally this can boost their merchandise sales since these markets are lagging behind Slovenia also in respect of merchandise sales per station. Here we note oil retail network was especially build in areas where Slovene often travel (tourism), which is an appropriate strategy to ensure good sale of petrol and merchandize (loyalty card and marketing actions will help). Also note that in 2015 SEE merchandise sales were up 11% YoY, considerably more than headline total number and due to mentioned effects (conversion and low base effect).

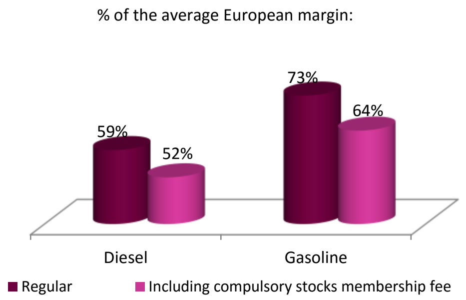
- **Prospects for growth in energy businesses:** Petrol cannot vertically expand in the oil & gas industry, since bigger oil companies have already divided the SE European markets among themselves, so an important stand-alone possibility is expansion into related energy businesses, for example electricity or gas distribution. Petrol also believes this provides a good diversification of sales, cross-sale opportunity (providing one-stop-shopping and integrated full service packages tailor-made to customer requirements) as well as catering the changing energy source demand from population. Namely this segment can compensate negative sales dynamic of heating oil sales, since this heat source is increasingly switched by alternatives (like biomass, gas). In addition liberalization of these markets in Ex-Yu region is also providing opportunities. With expansion of this segment, ever more economies of scale can also be captured, improving the overall profitability.

Past CAPEX allocation clearly shows this as roughly 36% of CAPEX in the last 5 years was allocated to Energy business while the segment provided only 11% of revenues (albeit in 2011 to 2015 average annual sales growth was 36.7%, dwarfing core segment growth). Also note that at least a major part of encouraging 2016-2020 growth optimism spirals out of the Energy segment.

So far during 2016 several major changes in the segment developed.

- Firstly the long standing stalemate in Gen-I JV (electricity trading and distributer) broke. Namely Petrol announced it signed an agreement to dispose its 50% stake in Gen-I d.o.o. to GEN-EL d.o.o. for EUR 45.1m. The transaction is to be carried out in two stages: first part by 2016 yearend after conditions are met and second part at end of June 2018. As Petrol Group has booked the value of Gen-I in its balance sheet on 31st December 2015 at EUR 46.9m a slight loss was booked (albeit Petrol supposedly bought the stake for roughly EUR 25m in 2011). Secondly, as this investment income was booked below operating profit, this transaction will not impact EBIT or EBITDA. However it will lower the profit levels while release cash to improve reported net debt to EBITDA ratio. All in all expected and positive news. Now Petrol will be able to focus on own electricity sale segment.
- As expected Petrol and the Republic of Slovenia signed a contract of asset swap. Namely Petrol d.d. became the majority owner of the company Geoplin d.o.o. (25% ownership stake retained by the state; till now Petrol group had a 39.1% stake) while Republic of Slovenia became the majority owner of the company Plinovodi d.o.o. (till now a daughter company of Geoplin; most profitable segment given last annual report). Effective Petrol gained control of trading and distribution while state energy infrastructure. Again we see this as positive as Petrol will have more control as it did over joined company.

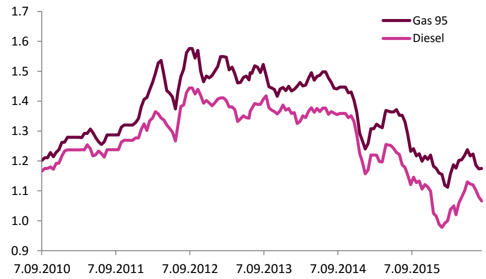
- **Liberalization of markets:** Marketing margins in the EU show considerable variability between countries and through time. Here we have to point out that most countries do not have such a strict regulation of oil retailing as Slovenia (where margins are fixed at an absolute amount), which means that European margins vary by location and intensity of competition. However its clear EU average margin is higher than in Slovenia where Petrol is generating half of volume. Liberalization of oil markets, which is believed to be inevitable in the long run (as all EU markets are liberated and Croatia also opened the market just after joining EU) could prove to be a potential upside to the profitability of Petrol since its fixed retail margins are still lagging behind peers. A study reported by Petrol estimated that fixed margins on diesel and gasoline amount only to 59% and 73% of the average European margin respectively (source: Petrol 1H16 semi-annual report). We note these margins have barely changed since October 2006, while in 2016 government at least liberalized heating oil market and for higher octane motor fuel market (98 or above). While the former could make some difference the latter is a specific segment and represents very low (even negligible) proportion of total volume.



The existing model (maximum EUR 0.08701 per litre margin for the 95-octance petrol and EUR 0.08158 per litre for diesel fuel) is prolonged till 8th September 2016, after which government will again discuss possible model changes. What is plausible and rumoured is that government could in the next phase liberalize the market for highway petrol stations. Till now government kept existing model as they believed its revenues would diminish as a consequence of liberalization since they believe retail margins would increase (and profit levels of retailers) and with it oil product prices, which in turn would lower volume sales.

If liberalization occurs, we believe margins would hike, directly affecting bottom line as no additional costs are associated with the increase. Therefore the entire after tax amount could be transferred to the net income, cash flow and the target price. Since we are dealing with roughly 1,500 litres of motor oil and diesel and 3 to 5 cents difference to average EU margins, we can clearly see the potential for profit surge. In addition more flexible pricing policy could improve volume sales close to neighbouring countries.

- **Low oil price:** Lower prices of gasoline and diesel are actually positive for Petrol, not only in terms of lower need for NWC financing but also due to credit card fees as Petrol has fixed per litre margins (recent EU pursuit for a cap for transaction fees could help). The lower the overall billing amount erodes Petrol's margins less. Therefore the environment of low oil prices is actually positive for bottom line and vice versa.



- **Wholesale business & EU markets business**: Petrol Group sells more than half of its petroleum products on the wholesale market (55% to be exact) with core competence being: quality of services, broad network and supporting logistic infrastructure. It is true however the segment brings additional risk tied to exposure to big clients which can in adverse scenarios lead to receivables write-down. While wholesale business is done on all mentioned markets, we would especially like to turn attention to EU business, where Petrol is not providing retail services and achieved high growth rate. Namely while this business was quite negligible a couple years ago it accounted 14% of total volume or 0.35m tons in 2012 while 21% of total volume and 0.63m tons in 2015 and 24% of total volume in 1H16. While possibly margins are slim and volume more volatile (depending on oil price differentials), it is profit accretive and proved Petrol is successfully seeking new growth opportunities.

- **Deleveraging**: While debt level is still quite high (read below under risks), Petrol Group is deleveraging quite fast in the last years. Namely a year ago debt was at EUR 542m, at beginning of 2016 EUR 485.4m while now at EUR 420.9m. Consequently net debt to EBITDA ratio is substantially lowering.

Risks:

- **Continuation of industry shift toward cheap automatic pumps:** Petrol does not have a refining or E&P segment and is therefore a pure oil retailer without a strategic partner in the form of an integrated oil company. This oil segment has slim albeit relatively stable margins.

  Convenience store model is currently greatly utilized by Petrol and providing benefits. However in recent years oil retailers in mature markets have been containing costs and lowering gasoline prices as consumers have become more price sensitive (hypermarket retailers and "pay-at-the pump" retailers). A similar trend has been present in Slovenia with Mercator, the largest Slovenian retailer, entering oil retailing a couple of years ago. If the trend of petroleum products commoditization prevails and higher consumers propensity to save on FMCG and petroleum products, then Petrol could face ever harsher competition by these automatic pumps. We note Petrol has been successfully defying this trend (while Mercator has not been able to get traction in the segment), but pressures will probably increase in the following years. Here we must note low negative dynamic regarding purchasing power due to economy or high oil prices have an negative effect and vice versa. Its true however that after several years when these two effects were negative, current environment became more favourable. In addition Petrol could adjust with own automatic pump stations (several stations have automatic pumps beside convenience store), but it would still take hit in additional merchandise revenues and overstretched locations.

- **Transit sales risk:** In the past, Petrol proved it can capitalize on volume and revenues because of transit through Slovenia (tourism, logistics etc.). The global downturn reduced the level of transit sales and low levels of transit can be particularly troubling for Petrol, as they affect fuel sales as well as sales of supplemental and other merchandise, two important drivers of revenue. Until the economy picks up, transit sales should be subdued, albeit as mentioned above, economies are picking up the pace.

  However Slovenian excise tax policy is also crucial and can hurt or help Petrol. Namely tax and other regulatory contributions represent roughly 65% of total price. Due to this prices in Slovenia were and are generally higher than Austria, Croatia and Hungary, while lower than in Italy. The environment is therefore predominantly negative for transit sales and unfortunately we don't see a backwind from this aspect in the near or midterm.

	2014 report		2015 report		1H16 report	
in EUR / litre	95	Diesel	95	Diesel	95	Diesel
Italy	1.530	1.431	1.454	1.278	1.515	1.411
Slovenia	**1.308**	**1.220**	**1.112**	**1.000**	**1.175**	**1.066**
Austria	1.158	1.139	1.043	0.953	1.094	1.020
Montenegro	1.160	1.080	0.980	0.840	1.058	0.920
Croatia	1.248	1.189	1.110	1.000	1.190	1.100
Hungary	1.157	1.211	0.970	0.970	1.060	1.050
BiH	0.997	0.997	0.870	0.800	0.920	0.920

Source: AMZS

- **Expansion can be risky:** Petrol has avoided rushing into SE European markets a decade ago and missed the first mover's advantage. Namely large players have in that time progressed into SE Europe. Petrol's growth is therefore mostly limited to acquisitions which can be difficult or expensive to execute given the high level of governmental intervention and saturation of these markets. Firstly, acquisitions of service stations in these markets may be costly, so investors have to be careful that expanding retail network does not come at the expense of profitability which go hand in hand with impairments. Here we will have to watch acquisition cost for filling stations or construction costs, although so far Petrol proved to be slow and prudent in expansion in the last few years. Secondly, M&A activity already significantly increased goodwill (to EUR 106.5m; although related to other energy segment as well), which could be impaired if valuation assumptions deteriorate. Thirdly, complications are likely, as well as political/regulatory interference.

- **Energy segment has a dark side:** Negative facts regarding this segment are:
  - There could be more competition in the future, affecting margins. Foreign competition can gain foothold on the Slovenian market – RWE, HEP. Local player Gen-I (partially owned by Petrol) was price aggressive in the last years in order to expand market share. Margin for energy segment diminished from 6.1% in 2012 to 2.3% in 2013 and further on to 1.8% in 2014 and 1.0% in 2015. Therefore high revenue growth did not translate into bottom line and in 2011 to 2015 period average annual growth of net profit is actually negative.
  - In addition EBITDA – CAPEX in the mentioned period is also negative (all past 5 years; but also since margins diminished during the period). All in all we could say that while Petrol is investing in order to build up the scale and enable cross selling, this segment is for now still not cash flow accretive.
  - Also we must note that since Slovenian state often sees energy infrastructure as strategic (and not available for privatization) Petrol Group ownership of these assets lowers the possibility for Petrol privatization (and speculative price surges).
  - At least from P/E point of view Geoplin valuation is hefty.

- **Elevated debt level:** We do not see Petrol's debt as area for concern (EUR 420.9m with EUR 30.1m of cash, but with significant amount of investments in JV, associates, real estate etc. totalling EUR 192.9m) since core business is stable and provides a strong cash flow. Note S&P affirmed BBB- long term rating on the company in June 2016, with outlook at stable. Also debt level is mostly associated with previous managements' bad decisions while current management is inclined to lower the debt ratios through stabile growth of EBITDA and not by lowering the absolute amount of debt.

  However:
  - Some energy investments are for now in deadlock due to mixed ownership which prevent Petrol from controlling the asset. On one side these investments are providing a cash flow in form of dividends, however interest on debt has to be paid as well. Its true however that due to lower average Group interest rate, Petrol is generating now a mild yield no those investments. It's also true these investment have been untangling during the year.
  - In addition, roughly EUR 170m of debt is associated with Istrabenz story – again providing no cash flow as the stake was sold (for undisclosed and possible negligible amount).

  Therefore while we believe net debt of 2.8 (including only cash) and 1.4 (our used figure that includes all financial investments as well) is not problematic from the perspective of the absolute amount or ratios, yet the reasoning behind is. State influence is one of the key reasons behind this scepticism and ordeal, especially since it is our opinion that this state ownership is also one of the reasons Petrol is (despite several compelling strengths described under investment thesis) sidestepped by investors seeking opportunities.

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1H16 Results and Recent news

Petrol successfully on the road to achieve its guidance

million €	1H15	1H16	YoY	2Q15	1Q16	2Q16	QoQ	YoY
Sales	1,818.8	1,707.4	**-6.1%**	935.3	827.0	880.4	**6.5%**	**-5.9%**
EBITDA	63.0	66.4	**5.5%**	33.2	31.8	34.6	**8.8%**	**4.4%**
Margin	3.5%	3.9%		3.5%	3.8%	3.9%		
EBIT	40.8	44.2	**8.2%**	22.0	20.7	23.5	**13.4%**	**6.7%**
Margin	2.2%	2.6%		2.3%	2.5%	2.7%		
Net income	25.3	32.0	**26.5%**	12.0	13.9	18.1	**29.7%**	**51.3%**
Margin	1.4%	1.9%		1.3%	1.7%	2.1%		

Petroleum sales volume is up by hefty 13.8% driven by foreign operations...

...with merchandise sales also improving albeit at slower pace.

- Sales revenues amounted to EUR 1,707m, down 6% YoY. But volume not value sales matters for Petrol Group due to margin mechanism. Sales volume of petroleum products sold by Petrol Group is up by hefty 13.8% YoY to 1.5m tons. Note that on the domestic Slovenian market volume is up by 7.7% YoY in 1H16 with 7.1% increase seen in 2Q16. Volume on the domestic market amounted to 748.6 thousand tons and represents roughly half of total volume. On SEE markets volume is up by 3.0% YoY in 1H16 (396 thousand tons; 26% of total) while in EU sales volume is up by 52.3% YoY (363 thousand tons; 24% of total). The later means that overall margins should be slimmer (Petrol Group posts very low margins on EU markets), however this is still a very positive development regarding overall EBITDA number.
- 45% of petroleum product sales is generated in retail market, while the rest in the wholesale market.
- Please note that since 9th April 2016 the price of 98-octane and higher-octane petrol and of extra light heating oil have been liberalized. This has helped, albeit marginally.
- Merchandise sales is up by 2.8% YoY to EUR 245.4m with number of stations down by 3 (from 487 to 484; 314 located in Slovenia). On the domestic market revenue from the sale of merchandise is up by 2% YoY. On SEE markets, growth was higher, namely at 9% YoY. However this still represents only EUR 24.4m of sales with best results achieved in tobacco and food sales.
- Liquefied petroleum gas volume sold is up by 86% YoY, electricity sold increased by 18% YoY to 7.6 TWh and heat sold is up by 4% to 75.9 thousand MWh. Only volume of natural gas sold is down by 3% in 1H16.
- Petrol Group noted in its semiannual report that while Slovenian economic situation is improving, Croatia and other SE Europe countries still face extremely tough economic conditions, low purchasing power, high unemployment and lack of payment discipline. As for Slovenia a problem exist in the fact that the selling prices of petroleum products were higher than in most neighboring countries (only in Italy prices are higher). This is a consequence of excise tax policy.

Therefore gross profit up by 4.9% or by EUR 8.2m.

- Gross profit totaled EUR 174.1m, up by 4.9%, while EBITDA increased by 5.5% YoY to EUR 66.4m (reported EBITDA up by 5.6% and at EUR 65.8m).
- Opex is up by 4.1% YoY with cost of materials down 3.5% to EUR 14.5m. On the other hand cost of services are up by 7.4% YoY to EUR 59.8m, labor costs are up by 5.5% YoY to EUR 33.6m while D&A charges on par with 1H15 level of EUR 22.3m.

EBITDA in-line with our expectations…

- In segment oil and merchandise sales in Slovenia, Petrol Group generated EUR 35.2m of EBITDA or 54% of total EBITDA. This is on a par with same period last year. In EU segment (oil wholesale) Petrol Group generated EBITDA of EUR 2.8m. On SEE oil and merchandise sales segment, EBITDA of EUR 14.4m was generated and was up by 16% versus 1H15. In Energy segment, Petrol Group generated EUR 13.4m of EBITDA or 12% more YoY. This is 20% of total EBITDA.

... while profit is above our expectations.

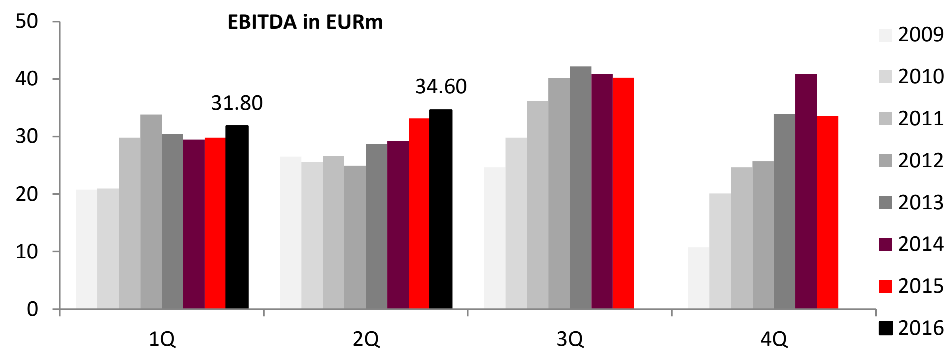
- Share of profit from equity accounted investments plummeted from EUR 5.2m in 1H15 to EUR 2.8m in 1H16. In addition other finance income also plummeted for EUR 7.1m to EUR 23.0m. However Petrol group neutralized this as other finance expenses decreased severely from EUR 45.6m in 1H15 to EUR 30.2m in 1H16. Effective tax rate increased from 17% to 20%, shaking off EUR 1.4m from the bottom line.
- Results are in-line (EBITDA) or above our expectations (net profit). Namely we expected EUR 66.1m of EBITDA and EUR 28.4m of net profit for 1H16. Reported results show EUR 0.3m more in terms of EBITDA and 3.6m in terms of net income
- CAPEX amounted to EUR 23.2m in 1H16 with 22% allocated into oil and merchandise sales in Slovenia, 16% in SEE, 51% in Energy operations and 11% to the upgrading of information and other infrastructure.

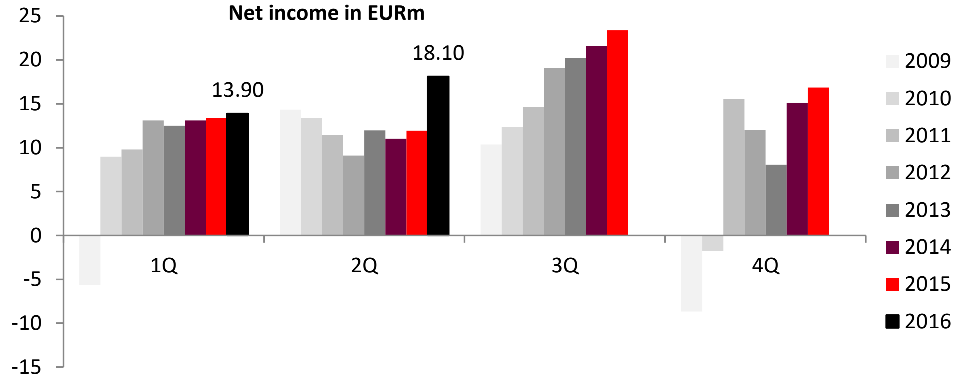
Debt severely lowered due to cash flow generation and NWC improvement.

- Cash flow from operating activities stood at EUR 78.5m for the period, up from EUR 34.6m in the same period last year. This is due to better NWC.
- Equity now stands at EUR 556.7m.
- Financial debt amounted to EUR 420.9m at period end, which is EUR 64.6m less given the begging of the year and EUR 121m less versus 1H15 period. Note that while Petrol Group has a EUR 30.1m of cash on its balance sheet which implies a net debt to EBITDA ratio of 2.8x; Petrol Group also has EUR 119.3m of investments into associates (like Geoplin stake) and EUR 50.3m in JV (like Gen-I) as well as some other items, like investment property etc. All in all EUR 192.9m of investment. This pushes the mentioned ratio down to very comfortable 1.4x. Note that since

group changes are underway (Geoplin split and Gen-I divestment), this view on net debt will clarify in the next few reports.

- Working capital amounted to EUR -39.2m and improved considerably versus past periods. This is positive regarding financing and is likely one of the contributors to fast Groups deleveraging. Inventories are at EUR 123.9m, operating receivables at 289.1m while ST operating liabilities at EUR 452.1m.





Result by segments:

Oil and merchandise sales (in EURm)	2011	2012	2013	2014	2015	1H15	1H16
Sales revenue	4,425.9	3,871.5	3,970.2	3,922.1	3,481.1	1,682.7	1,498.4
Revenue from subsidiaries	-1,359.4	-411.4	-425.3	-438.3	-364.5	-186.1	-135.6
Sales revenue	3,066.6	3,460.0	3,544.9	3,483.8	3,116.6	1,496.6	1,362.9
Net profit for the year	37.0	36.0	43.5	51.0	58.3	18.5	23.7
Interest income*	6.4	5.0	4.8	3.9	2.8	1.3	1.1
Interest expense*	-14.9	-21.8	-18.8	-19.0	-13.4	-7.4	-6.0
Depreciation of property, plant and	-28.9	-31.5	-32.3	-32.7	-33.1	-16.2	-15.4
Share of profit or loss of equity accounted	0.4	-0.3	-0.1	0.0	0.0	-0.2	-0.2
Total assets	1,226.8	1,240.6	1,254.8	1,167.3	1,045.7	1,106.4	1,034.6
Equity accounted investees	2.4	3.2	3.2	3.2	3.6	3.0	2.9
Property, plant and equipment, intangible	656.2	652.1	639.5	626.2	614.2	617.7	607.4
Other assets	568.2	585.3	612.1	537.8	428.0	485.8	424.3
Current and non-current operating and	980.2	1,013.4	997.0	880.6	716.1	809.3	697.7

*Interest income and expense are estimated based on a segment's share of investments and assets in total investments and assets.

Energy operations (in EURm)	2011	2012	2013	2014	2015	1H15	1H16
Sales revenue	229.8	325.5	466.1	622.3	801.2	377.2	395.9
Revenue from subsidiaries	-26.0	-31.6	-63.7	-91.8	-100.9	-55.0	-51.4
Sales revenue	203.8	294.0	402.4	530.5	700.2	322.2	344.5
Net profit for the year	15.4	17.9	9.3	9.7	7.0	6.7	8.4
Interest income*	2.6	2.2	2.4	2.0	1.6	0.8	0.6
Interest expense*	-6.1	-9.8	-9.2	-9.9	-7.7	-7.4	-4.1
Depreciation of property, plant and	-7.3	-8.1	-9.0	-11.0	-13.2	-6.0	-6.9
Share of profit or loss of equity accounted	10.2	9.3	10.0	8.0	9.3	5.4	3.0
Total assets	310.1	330.9	362.6	386.8	428.6	419.4	435.1
Equity accounted investees	134.9	137.6	145.3	150.5	164.4	166.6	166.7
Property, plant and equipment, intangible	135.7	155.2	167.7	176.9	191.0	183.1	199.5
Other assets	39.5	38.1	49.6	59.4	73.3	69.6	68.9
Current and non-current operating and	65.1	86.1	113.2	134.2	164.7	174.3	176.4

*Interest income and expense are estimated based on a segment's share of investments and assets in total investments and assets.

Relative valuation:

Peer analysis is problematic due to lack of comparable companies.

Company name	EV/S TTM	EV/S 2016F	EV/S 2017F	EV/EBITDA TTM	EV/EBITDA 2016F	EV/EBITDA 2017F	EV/EBIT TTM	EV/EBIT 2016F	EV/EBIT 2017F
Hellenic Petroleum	0.6	0.5	0.4	8.6	5.9	6.3	16.4	8.6	9.3
Sunoco	0.4	0.4	0.4	10.9	9.2	8.5	19.1	14.7	14.0
Alimentation Couche-Tard	0.9	0.7	0.7	14.1	10.5	10.9	19.3	15.4	15.5
Casey's General Stores	0.8	0.7	0.6	10.7	9.1	8.3	15.4	13.4	13.2
OMV Petrom	0.9	0.9	0.8	3.4	2.7	2.5	neg.	7.0	5.8
OMV AG	0.6	0.6	0.5	5.7	3.6	3.2	neg.	9.6	7.0
Unipetrol	0.2	0.1	0.2	2.5	1.6	n.a.	3.3	1.9	n.a.
PKN Orlen	0.4	0.4	0.3	5.4	4.7	4.8	8.1	6.6	7.0
DCC PLC	0.6	0.5	0.5	18.0	14.7	14.4	25.5	19.2	19.0
Petrol	0.2	0.2	0.2	5.6	5.3	5.2	8.3	7.9	7.8
Average	0.6	0.5	0.5	8.8	6.9	7.4	15.3	10.7	11.4

Trades at discount on P/E and EV/EBITDA.

Company name	P/S TTM	P/S 2016F	P/S 2017F	P/E TTM	P/E 2016F	P/E 2017F	P/B TTM	P/B 2016F	P/B 2017F
Hellenic Petroleum	0.2	0.2	0.1	18.2	5.1	5.6	0.7	0.5	0.5
Sunoco	0.2	0.2	0.2	16.3	15.5	13.4	1.2	1.1	1.1
Alimentation Couche-Tard	0.9	0.6	0.7	25.0	19.0	18.9	5.9	3.9	3.3
Casey's General Stores	0.7	0.6	0.5	23.1	20.2	18.4	4.8	3.3	2.7
OMV Petrom	0.9	0.8	0.8	neg.	7.0	3.8	0.6	0.5	0.5
OMV AG	0.4	0.4	0.3	neg.	11.4	9.5	0.9	0.7	0.6
Unipetrol	0.3	0.2	0.2	n.a.	3.8	7.4	n.a.	0.7	n.a.
PKN Orlen	0.4	0.3	0.3	10.5	7.5	8.2	1.2	1.0	0.9
DCC PLC	0.6	0.5	0.5	34.6	23.6	22.8	4.7	3.8	3.4
Petrol	0.2	0.2	0.1	8.1	8.8	8.5	1.0	1.0	0.9
Average	0.5	0.4	0.4	21.3	12.6	12.0	2.5	1.7	1.6

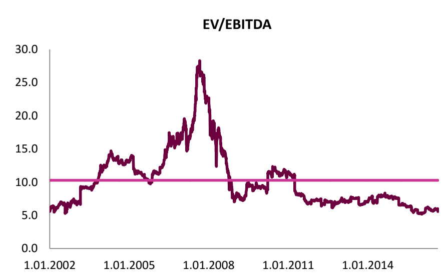
Company name	EBITDA margin TTM	EBIT margin (%)	Profit margin (%)	ROE TTM	ROA TTM	Assets turnover	Div. yield (%)	Assets/ Equity	Net debt to EBITDA
Hellenic Petroleum	6.4%	3.4%	0.9%	3.8%	0.9%	1.00	0.00	3.91	5.88
Sunoco	3.6%	2.1%	1.1%	7.2%	2.4%	2.15	7.70	3.06	6.00
Alimentation Couche-Tard	6.7%	4.9%	3.5%	23.7%	9.7%	2.78	0.34	2.44	0.99
Casey's General Stores	7.9%	5.5%	3.2%	20.9%	8.3%	2.61	0.49	2.52	1.36
OMV Petrom	27.7%	-12.6%	-7.9%	-5.0%	-3.2%	0.41	0.00	1.55	0.17
OMV AG	11.0%	-13.9%	-8.0%	-17.7%	-5.1%	0.64	4.04	3.50	1.93
Unipetrol	8.1%	6.3%	4.9%	n.a.	8.8%	1.80	0.00	1.64	-1.40
PKN Orlen	7.7%	5.2%	3.4%	11.4%	5.1%	1.53	3.07	2.22	0.85
DCC PLC	3.4%	2.4%	1.7%	13.5%	3.7%	2.21	1.27	3.64	0.75
Petrol	3.8%	2.5%	1.9%	13.0%	4.9%	2.52	4.34	2.64	1.41
Average	9.2%	0.3%	0.3%	7.2%	3.4%	1.68	1.88	2.72	1.84

ROE decomposition (company/peer average):

ROE at peer levels.

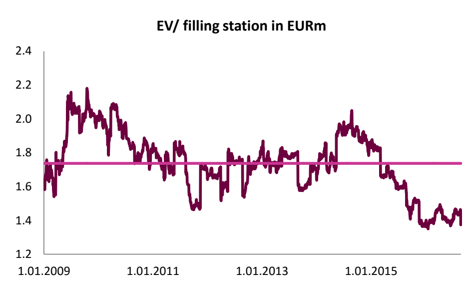
	Company	Peer average
EBITDA margin	3.8%	9.2%
EBIT/EBITDA	66.9%	3.8%
NI/EBIT	77.0%	87.8%
Profit margin	1.9%	0.3%
Sales to assets	2.52	1.68
Assets to Equity	2.64	2.72
ROA	4.9%	3.4%
ROE	**13.0%**	**7.2%**

Among the companies used as peers there is limited comparability to Casey's General, ACT (now includes previous peer Pantry) and Sunoco (previously Susser) because these are North American peers exposed to different pricing mechanisms and regulatory environment. On the other hand these companies are pure oil retailers. Other European oil companies are more comparable in terms of operating environment but are mostly integrated players with distribution networks in liberalized markets. DCC is involved in other operations as well as is again of limited use as peer company. Due to this it's hard to pinpoint a good relative valuation target, albeit a multiple comparison shows undervaluation conclusion is likely. The same deduction can be made given the historic multiple dynamic. In addition dividend yield is attractive.



Peer valuation points to a target price of EUR 340 based on reported net debt excluding LT investments.

Considering the share of revenues that is contributed by Petrol's filling stations through the sale of oil-based products and supplemental and other merchandise (82%), we can make an approximation of the average value of Petrol's filling station. EV per filling station (484 gas stations) amounts to EUR 1.32m.



Management strategy entails a solid 7.0% CAGR for EBITDA and 8.2% CAGR for net income.

We also believe a Petrol will benefit from better economic environment...

… with our forecast only slightly (prudently) lower than management guidance.

Outlook:

- Petrol Group guides sales revenues of EUR 3.7 bn for 2016 with gross profit planned at EUR 361m. Net income is guided at EUR 68.8m while CAPEX at EUR 60m. As for the long haul, strategy entails assumption that sales revenues will increase to EUR 4.3 bn by 2020, EBITDA to EUR 190m (CAGR 7.0%), while net profit to EUR 97m (CAGR 8.2%). Note the strategic assumptions lifted in recent June 2016 strategic document as Petrol management picked up the optimism regarding energy business as well as merchandise sales growth. They have however lowered revenue expectations, but this is possibly tied to lower oil price assumption. All in all an encouraging news.
- Our sales revenue assumption most likely differs due to EURUSD and oil price assumption. But this has negligible effect on free cash flow generation and consequently valuation. For merchandise sales our estimate is more conservative, albeit we also see acceleration versus past few years as economies pick up. As for other energy segment we continue to see above average organic growth rates, albeit at decreasing pace.
- We see gross profit CAGR of 2.5% in 2015-2020 period. Most margin assumption are close to management estimates and assumptions, which is justified given the past guidance delivery. We are nevertheless slightly more conservative, but agree that stabile positive single digit growth is possible. We see EBITDA of EUR 183m in 2020 and net profit of EUR 86.1m.
- As 1H16 results were mostly in-line with expectation we made little changes versus 2015 valuation report. WACC adjusted to market data, as well as we have updated consensus EURUSD and oil price expectation till 2020. We have included slightly higher EBITDA and profit level assumption as well – in line with Petrol's strategic plan upgrade.
- Model assumes EUR 350m CAPEX in 2016-2020 period, in-line with management expectations.
- Our model for now does not include changes to regulation, therefore margins for core domestic oil product sales is mostly unchanged.
- We have for now not incorporated changes due to divestments etc. as further clarity of the data is needed.

all data in EURm

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales	2,802.8	3,270.4	3,947.3	4,014.3	3,816.9	3,666.8	4,197.6	4,376.1	4,562.9	4,736.8
Sales growth		16.7%	5.1%	1.7%	-4.9%	-3.9%	14.5%	4.3%	4.3%	3.8%
EBITDA	96.1	117.3	135.2	139.6	136.8	146.9	150.2	161.4	174.1	185.1
EBITDA margin	3.4%	3.6%	3.4%	3.5%	3.6%	4.0%	3.6%	3.7%	3.8%	3.9%
EBIT	61.7	81.0	93.8	95.9	90.5	99.2	100.6	109.7	120.2	129.0
EBIT margin	2.2%	2.5%	2.4%	2.4%	2.4%	2.7%	2.4%	2.5%	2.6%	2.7%
EBT	43.6	54.7	63.4	70.5	75.1	80.0	82.2	91.3	98.9	103.9
EBT margin	1.6%	1.7%	1.6%	1.8%	2.0%	2.2%	2.0%	2.1%	2.2%	2.2%
Net income	31.6	51.5	52.8	60.9	65.5	66.6	68.5	76.1	82.3	86.5
Net income growth		62.9%	-1.0%	15.3%	7.7%	1.7%	2.8%	11.1%	8.3%	5.0%

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fixed assets	804.3	983.2	992.5	987.2	996.8	1,012.4	1,035.7	1,058.5	1,081.2	1,104.1
PPE	516.7	601.7	618.6	609.9	604.1	616.8	636.7	656.2	675.6	695.1
Intangible assets	80.0	176.6	176.3	180.7	184.4	185.4	186.9	188.3	189.7	191.1
LT-investments	161.6	158.5	162.5	167.9	186.4	188.3	190.1	192.0	194.0	195.9
Other fixed assets	46.0	46.4	35.1	28.8	22.0	22.0	22.0	22.0	22.0	22.0
Current assets	461.2	553.8	627.8	566.8	477.5	478.1	564.5	609.3	656.9	704.6
Inventories	108.4	100.6	152.4	109.4	91.5	95.2	117.4	131.1	145.9	160.9
Trade receivables	313.1	368.6	377.9	361.8	325.1	323.3	382.7	412.1	443.4	474.5
Cash	17.5	60.7	69.7	58.6	34.4	33.0	37.8	39.4	41.1	42.6
ST-investments	3.8	17.1	1.6	5.3	2.3	2.3	2.3	2.3	2.3	2.3
Other current assets	18.3	6.8	26.2	31.9	24.3	24.3	24.3	24.3	24.3	24.3
Total Assets	1,265.5	1,537.0	1,620.3	1,554.0	1,474.4	1,490.6	1,600.2	1,667.7	1,738.2	1,808.7
Debt	492.1	611.6	600.3	567.1	485.4	440.4	449.4	448.4	447.4	443.4
ST-debt	173.2	238.3	243.2	87.0	69.9	63.4	64.7	64.6	64.4	63.8
LT-debt	318.8	373.3	357.2	480.1	415.6	377.0	384.7	383.9	383.0	379.6
Provisions	6.6	7.0	8.4	9.2	9.4	9.4	9.4	9.4	9.4	9.4
Trade payables	329.8	433.7	509.8	447.8	403.9	424.7	486.2	506.9	528.5	548.6
Other liabilities	32.4	42.9	34.2	26.7	28.3	28.7	29.4	30.0	30.7	31.3
Minority intrest	34.5	30.8	-1.9	-3.6	-1.9	-2.0	-2.2	-2.3	-2.5	-2.7
Equity	370.1	410.8	469.6	506.8	549.3	589.7	631.5	680.2	732.1	785.7

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net profit margin	1.1%	1.6%	1.3%	1.5%	1.7%	1.8%	1.6%	1.7%	1.8%	1.8%
Asset turnover	2.21	2.13	2.44	2.58	2.59	2.46	2.62	2.62	2.63	2.62
ROA	2.5%	3.3%	3.3%	3.9%	4.4%	4.5%	4.3%	4.6%	4.7%	4.8%
Equity multiplier	3.42	3.74	3.45	3.07	2.68	2.53	2.53	2.45	2.37	2.30
ROE	8.5%	12.5%	11.2%	12.0%	11.9%	11.3%	10.8%	11.2%	11.2%	11.0%
CAPEX/Depreciation	191.3%	226.6%	208.2%	133.9%	150.2%	126.7%	140.2%	137.5%	136.1%	134.8%
Financial debt/Equity	1.33	1.49	1.28	1.12	0.88	0.75	0.71	0.66	0.61	0.56
Financial debt/Assets	0.39	0.40	0.37	0.36	0.33	0.30	0.28	0.27	0.26	0.24
Net debt/EBITDA	3.22	3.20	2.71	2.40	1.92	1.48	1.46	1.33	1.21	1.09
Working capital/ Sales	3.9%	2.9%	2.3%	2.0%	1.2%	0.7%	1.2%	1.7%	2.2%	2.7%
ROIC	6.9%	7.4%	7.3%	7.7%	7.6%	8.0%	7.7%	8.1%	8.5%	8.7%

ALTA Invest

Discounted Cash Flow Valuation:

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	TV
NOPLAT	82.3	83.5	91.0	99.8	107.1	94.7	94.5	94.5	94.5	94.7	87.1
NOPLAT growth	4.6%	1.5%	9.0%	9.6%	7.4%	-11.6%	-0.2%	-0.1%	0.1%	0.2%	-8.1%
Depreciation	47.7	49.6	51.7	53.9	56.1	57.3	58.4	59.3	60.1	60.7	61.0
Depretiation/Sales	1.3%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.3%
CAPEX	60.5	69.5	71.2	73.3	75.6	74.1	72.6	71.2	69.7	68.3	61.5
CAPEX/Sales	1.6%	1.7%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.4%	1.4%	1.3%
Change in net working capital	-20.2	24.9	24.1	26.0	27.6	0.6	0.7	0.7	0.7	0.7	0.7
NWC/Sales	0.7%	1.2%	1.7%	2.2%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
FCF to firm	**89.7**	**38.7**	**47.5**	**54.3**	**60.0**	**77.2**	**79.6**	**81.9**	**84.2**	**86.4**	**85.9**

FCF valuation	
Value in forecasting period	456
Continuing value	512
Total enterprise value	**968**
Net debt	216
Equity value	**752**
No. of shares (in mio)	2
Equity value per share	**365**

WACC	2016	TV
Tax rate	17.0%	17.0%
Cost of debt	3.0%	3.0%
Beta	1.5	1.3
Cost of equity	12.2%	10.9%
Debt/Equity	78.8%	47.5%
WACC	**7.9%**	**8.2%**
Perpetuity growth rate		**0.5%**

DCF valuation target set at EUR 365.

DCF valuation indicates a target price of EUR 365 similar to our previous report. Terminal growth rate is set at 0.5%, WACC at 8.2%. Implied EV/EBITDA is at 6.7.

Sensitivity analysis:

EBITDA margin 2021-2025 \ Sales growth 2021-2025	-1.0%	-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%
3.0%	300.7	311.4	322.3	333.4	344.8	356.3	368.0
3.2%	310.8	321.6	332.7	343.9	355.4	367.1	379.0
3.4%	320.8	331.8	343.0	354.4	366.0	377.9	389.9
3.6%	330.8	342.0	353.3	364.9	376.7	388.7	400.9
3.8%	340.9	352.2	363.7	375.4	387.3	399.4	411.8
4.0%	350.9	362.4	374.0	385.9	397.9	410.2	422.7
4.2%	361.0	372.6	384.3	396.3	408.6	421.0	433.7

Perpetuity EBITDA margin \ Perpetuity Growth	-0.4%	-0.1%	0.2%	0.5%	0.8%	1.1%	1.4%
2.8%	276.0	281.7	287.9	294.6	301.9	309.7	318.3
3.0%	296.9	303.5	310.5	318.1	326.2	335.1	344.8
3.2%	317.9	325.2	333.0	341.5	350.6	360.5	371.3
3.4%	338.9	346.9	355.6	364.9	375.0	385.9	397.8
3.6%	359.8	368.6	378.1	388.3	399.4	411.3	424.4
3.8%	380.8	390.3	400.6	411.7	423.7	436.7	450.9
4.0%	401.7	412.1	423.2	435.1	448.1	462.1	477.4

WACC \ Perpetuity Growth	-0.4%	-0.1%	0.2%	0.5%	0.8%	1.1%	1.4%
6.7%	385.8	397.8	410.8	425.2	440.9	458.4	477.9
7.2%	368.1	378.5	389.8	402.1	415.5	430.3	446.7
7.7%	352.5	361.6	371.5	382.2	393.8	406.5	420.4
8.2%	338.8	346.8	355.5	364.9	375.0	386.0	398.0
8.7%	326.5	333.7	341.4	349.7	358.6	368.3	378.7
9.2%	315.6	322.0	328.9	336.3	344.2	352.7	361.8
9.7%	305.7	311.5	317.7	324.3	331.4	338.9	347.0

Final target price calculation:

Target price set at EUR 353.

Our final target price is set to EUR 353 per share and based on peer and DCF valuation. Our target price implies a value of EUR 1.25m per filling station of Petrol or EV of EUR 1.58m per station (12% of Mcap and EV included; other tied to other energy segment). Our target price also implies EV/EBITDA of 6.7 and P/E 10.2 based on TTM results, both seemed as reasonable since ROE is above 10% while planned (guided) growth rate at high single digit level.

Our DCF translates that Group should generate EUR 467.7m of EBITDA – CAPEX in the 2016-2020 period or EUR 388 if also taxes are deducted. Management guidance points to an even higher EUR 483m and 401m respectively. This leaves ample room for debt reduction and / or dividend payment.

While buy recommendation is still well warranted.

Test valuation method: OMV sold its retain operation in Croatia for EUR 100m or EUR 1.59m per filling station. As for Alimentation Couche-Tard acquisition of Statoil Fuel & Retail transaction multiples were: EV/EBITDA 6.9 and P/E 14.7 with EUR 0.94m per station (68% of 2,305 stations company owned). Pantry acquisition by Alimentation Couche-Tard implies EV/EBITDA 7.7 and EV of 1.06m per station while its recent acquisition of CST Brands give EV/station 1.47, EV/EBITDA 8.6 and P/E 23.5. Topaz deal gives a value of the station of 1.01. All in all value per station looks fairly (market) valued, but on the other hand there is room on EBITDA and net income multiple expansion. Even more so if we account for possible fixed retail margin expansion as they trail European average.

Top5 shareholders:

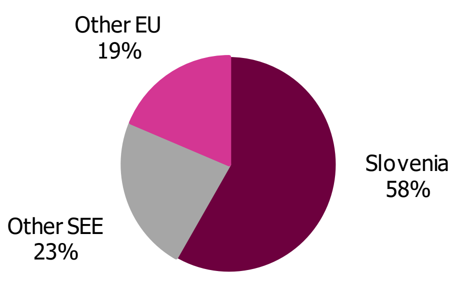
SDH	19.8%
Češkoslo.Obchodni Ba	12.8%
Kapitalska družba d.d.	8.3%
SG - Splitska Banka	3.6%
Vizija Holding	3.4%

Brief Company profile

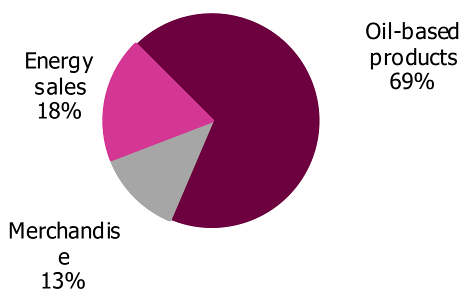
Petrol, the leading Slovenian energy company, is the principal supplier of oil and other energy products for the Slovenian market. Through an extensive network of filling stations, Petrol supplies road users with a broad range of automotive goods and services with a wide selection of household and food products, cigarettes, lottery tickets and other merchandise. The Group is also entering energy related businesses, particularly the sale of gas, heat, electricity and renewable energy sources.

Petrol Group has 484 service stations (315 located in Slovenia) with complementing 132 car washes, 151 bars, more than 20 charging points for electric vehicles and 7 Tip Stop quick service facilities.

Group sales by region (2015)



Group sales by segment (2015)



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Sell	4	10%	5%

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Sašo Stanovnik, Head of research. On the day of the public release, the author of the recommendation held securities of the relevant issuer.

First release of the recommendation was performed on 13.04.2010.
Quarterly updates are planned for data, valuation, target price and recommendation.

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