



Oil & Gas – Refining

Equity – Greece

Overweight

Target price (EUR)	12.50
Share price (EUR)	11.10
Potential return (%)	13

Reuters	MORr.AT
Bloomberg	MOH GA
Market cap (EURm)	1,230
Free float (%)	50

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Disclaimer & Disclosures

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

Motor Oil

Earnings beat for a third quarter in a row

- ▶ **Refining EBITDA beats on higher-than-expected realised margins, thanks to improved crude and product slates**
- ▶ **Marketing also strong, on market share gains and expanding network of petrol stations**
- ▶ **Staggering FCF of EUR194m in 3Q; Net debt drops EUR138m q-o-q to 0.78x EBITDA and 57% of Equity at end-3Q**

In sum, group EBITDA adjusted for inventory effects (which were zero in 3Q16, compared to EUR61m losses a year ago) fell 14% y-o-y to EUR149m, comfortably ahead our and the consensus (IBES) expectations. The beat was even wider at the bottom-line, as the lower net financial expenses and depreciations charges drove net earnings in 3Q16 down a mere 1% y-o-y to EUR76m.

What is more, MOH generated a staggering free cash flow of EUR194m during the quarter, courtesy of the increased operating profitability and the cut in working capital needs by almost EUR99m q-o-q, as inventories fell by EUR26, receivables declined by EUR37m and, conversely, payables increased by EUR36m over end-June levels. As a result, Net Debt at end-September amounted to EUR424m, from EUR562m at end-2Q and EUR681m at end-2015, thus representing 0.78x of 12-month trailing adjusted EBITDA and 57% of Equity. While such a stellar performance is unlikely to be repeated in the remainder of the year, the fact remains that we need to raise our full-year FCF projections. Note here that management decided to distribute an interim dividend of just EUR0.20, which implies a 1.8% on yesterday's close. We expect the full-year dividend to be announced at the release of FY16 results in late-February to make-up for the admittedly paltry payout.

Management will host a conference call to discuss results and the outlook this afternoon, at 5:30pm Athens time (CET +1). Dial-in details: GR 0080044131378, UK 08009530329, US 18668197111, Other +44(0)1452542301. A live webcast can be found at:

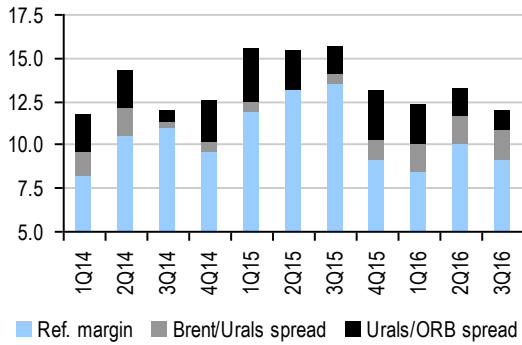
<http://motoroil.irwebpage.com/webcast/>.

3Q at a glance

Key P&L items (EURm)	3Q:15	3Q:16	y-o-y % ch.	q-o-q % ch.	Actual vs		3Q:16e	
					Pant. Sec.	Consensus	Pant. Sec.	Consensus
Refining	155	120	-22%	6%	13%	n/m	106	-
Marketing	18	29	59%	97%	11%	n/m	26	-
Group EBITDA - Adj.	173	149	-14%	17%	13%	11%	132	133
Net profits - Adjusted	77	76	-1%	33%	25%	26%	61	61
"One-offs" - Total	(61)	-	>100%	>100%	n/m	n/m	4	-
EBITDA - Reported	112	149	33%	29%	9%	n/m	136	136
Net profits - Reported	34	76	>100%	56%	20%	n/m	64	64

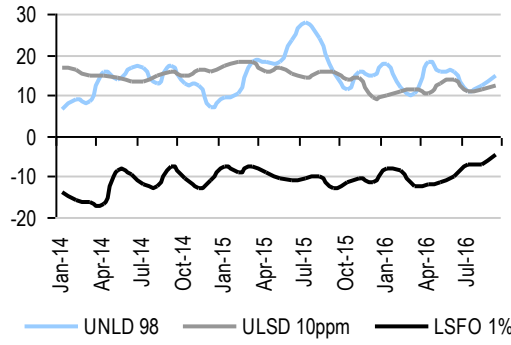
Source: Company data/Pantelakis Securities/IBES

Benchmark refining margins' y-o-y fall in 3Q partly offset by heavier crudes' widening discount to Brent (USD/bbl)



Source: Pantelakis Securities/IEA/OPEC/Thompson Reuters

Product cracks: Gasoline hit by inventories, yet middle and, especially, bottom of the barrel well supported (USD/bbl)

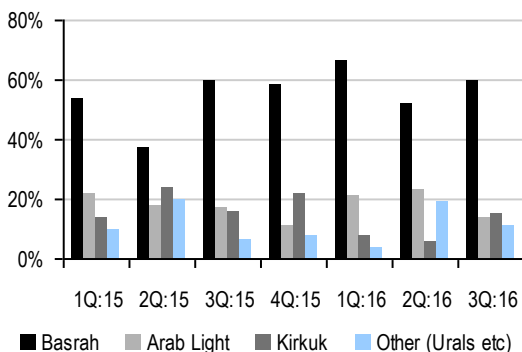


Source: Pantelakis Securities/IEA/OPEC/Thompson Reuters

In more detail, in similar fashion to 1H16, benchmark refining margins in 3Q declined vis-à-vis the multi year highs a year earlier, plunging by almost a third on our calculations. In fact, they declined by almost 10% q-o-q, due to the sharp drop in gasoline crack spreads stemming from increased stock overhang. But the y-o-y blow to realised margins was once again cushioned by the growing shift in the product slate in favour of higher margin end-products and the increasingly skewed towards heavier grades (in particular to Iraqi Basrah, which trades at a large discount due to its more sulphurous content and competitive pricing) crude diet. Note that with the difference in the price of Brent over Opec's reference basket grew by some USD1 y-o-y to USD3/bbl in 3Q16. And at the same time, as the better performing middle distillates accounted for (an all-time high, we think) 52% of total output, **Refining** adjusted EBITDA EUR120m in 3Q came-in 13% ahead of our projections, declining by 22% y-o-y.

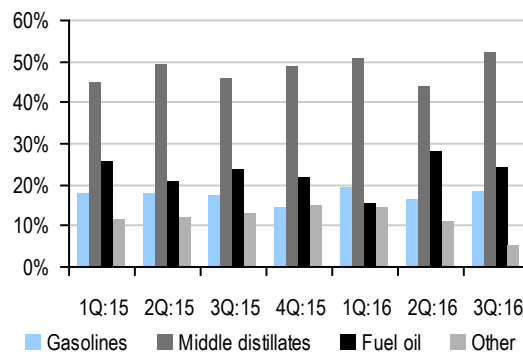
Marketing, on the other hand, continued to improve markedly y-o-y, owing to MOH's expanding network of petrol stations and increased throughputs (ie market share gains), not to mention the easy comps. Recall that consumption of autofuels in 3Q15 was hammered by the first time imposition of bank capital controls, dropping at the time by 6% y-o-y. So in 3Q16 they climbed a good 7% y-o-y, with diesel leading the charge by growing 10% and gasoline higher by 3%. Accordingly, **Marketing** EBITDA increased by 59% y-o-y to EUR29m, also bettering by a wide margin our forecasts.

3Q16 realised refining margin aided by the increasing diet of heavier grades of crude oil, particularly Iraqi Basrah



Source: Company data/Pantelakis Securities

...and the growing shift in the product slate in favour of higher margin end-products



Source: Company data/Pantelakis Securities

Disclosure appendix

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Overweight (Buy)	50%	(0% of these provided with Investment Banking Services)
Neutral (Hold)	13%	(0% of these provided with Investment Banking Services)
Underweight (Sell)	6%	(0% of these provided with Investment Banking Services)
Under review	31%	(0% of these provided with Investment Banking Services)

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19/11/2015	Rating: Overweight	Price: EUR11.40	Target Price: EUR12.50
15/03/2016	Rating: Overweight	Price: EUR9.56	Target Price: EUR12.50
26/05/2016	Rating: Overweight	Price: EUR10.64	Target Price: EUR12.50
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