

**REVOIL SA**  
 REV GA /REVR.AT

Current Price (28/1):0,89  
**Target Price: 1,50**  
 Upside potential:68%

**COMPANY DESCRIPTION**

Revoil SA operates petroleum and petrochemical business in Greece. The Company trades oil, fuels and lubricants and has recently expanded its activities to maritime sector.

**SHARE DATA**

# Shares: 22.280.000 (Common Registered)

Capitalization (€ M): 19,83

200d Mov. Avg Price: 0,77

200d Mov. Avg. Volume (#): 6.460

%Price Change since 31/12/2010: +17,1%

52 week High :1,11 (01/04/10)

52 Week Low :0,63(26/11/2010)

Major Shareholders: 72,22%

Institutional Investors and Free float :27,78%

**VALUATION (Working Hypotheses)**

Risk Free Interest Rate (Rf): 5,50%

WACC: 9,19%

5-year CAGR of Turnover: 12,95%

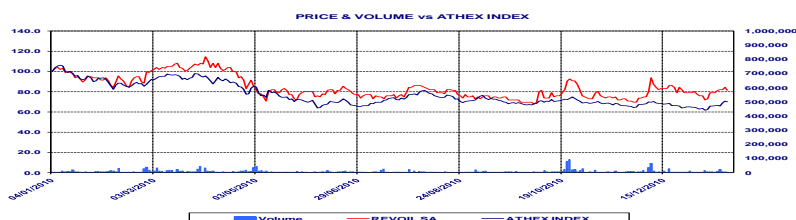
Perpetuity after 2015: 0,5%

5-year CAGR of EBT: 15,67%

Effective Tax Rate 09: 29,75%

**FINANCIAL DATA**

€ M	2009 A	2010 E	2011 F	2012 F
SALES	581,1	750,8	794,7	818,7
EBITDA	7,8	7,2	11,9	12,5
EATAM	3,04	2,13	3,70	4,08



We update the coverage of **REVOIL SA**, keeping a **BUY** recommendation while we increase the target price to **€1,50 per share**. Our two-stage DCF model yields a target market value of **€33M** and implies an upside potential of 68% from current price levels. Although the retail oil sector is currently under stress due to heavy taxation, Revoil seems able to increase its market share through new efficient gas stations and through the new activities of the group that may provide significant revenue in the near future.

**AT A GLANCE:**

- REVOIL is a Greek-owned company engaged in the retail sales of petroleum products.
- There are currently (January 2011) 470 filling stations with the Revoil brand from 423 at the end of 2009. The company's network expanded recently to new areas.
- Market share of the company in motor fuels (excluding mazut) is currently (10M:10) at 6.8% while this percentage is 7,2% as far as heating oil is concerned.
- Revoil also co-operates with 150 independent gas stations.
- The Greek retail market is fragmented. The margins are low due to competition, taxation and low local production and there is strong competition but market share of Revoil is gradually increasing.
- Investments of the previous years are depicted in the stable volume of sales under negative conditions for the oil sector.
- The company's expansion focuses on more efficient filling stations instead of inefficient stations with low earnings. Entry to Cretan market is considered a bet for the company (3 new stations recently).
- Revoil's Group recently expanded to the maritime sector with the establishment of the subsidiary "Ariston" which has already purchased of two dry bulk carriers.

**9M:10 RESULTS: INCREASE IN REVENUE, DECREASE IN VOLUME OF SALES- STABILITY IN EARNINGS.**

- Significant increase in revenue by 28,9% in comparison to 9M:10, mainly due to much higher prices of motor fuels.
- Average price per liter of unleaded petrol of 95 octanes is currently at 1,63 from 1,07 at the end of 2009. The increase can be attributed mainly to the increased tax in fuels by 73% and secondly to the increase in the price of oil by around 15%.
- Volume of sales in liters, which increased by 14% in FY:2009, decreased during 9M:10 by 4% due to the new conditions in the retail oil market.
- Volume of petrol remained unchanged for Revoil while transportation oil sales decreased by 3% and heating oil sales decreased by 9%.
- Decrease in gross margin to 3,13% from 4,42% in 9M:09 due to a) the fact that the new taxation captures a part of the margin of the retail company and of the gas station owner and b) the fact that this margin is affected by fluctuations in the price of crude oil up to an extent. Indeed, the fact that the average price of Brent increased from only 70\$ per barrel during 9M:09 to 81,9\$ per barrel in 9M:10, also affected the margin.
- Gross margin of motor fuels fell to a mere 2,7% under these adverse conditions while this of transportation oil decreased to 3,1%.
- Decrease in EBITDA by 7% mainly due to lower gross profit, since a relative cut in expenses took place in comparison to last year.
- Decrease in EATAM by 26,2% which stand at €1,33M. If we exclude the effect of the extra taxes the decrease becomes 7%.
- Domestic sales of €519,16M while sales in Bulgaria reached €2,92M.

Y-o-Y changes		2009 A	2010 E	2011 F	2012 F	2013 F
Total Turnover	%	1,59%	29,21%	5,85%	3,02%	-3,90%
EBITDA	%	33,63%	-7,18%	65,23%	4,90%	20,26%
EBT	%	104,08%	-24,93%	52,22%	12,99%	49,14%
EATAM	%	108,91%	-30,08%	66,92%	11,69%	54,85%

## SWOT ANALYSIS

### Strengths

- Margins not affected by the increase in crude oil's price.
- Competitive price policy.
- Filling stations network expands throughout all the provinces of Greece.
- Advantageous position, size and technology of the storage facilities in Chios and Kavala.

### Weaknesses

- Low marketability.
- Retail oil activities depend almost totally on the Greek market.

### Opportunities

- Increase in market share after the exit of big multinationals.
- Entry in the Cretan market and other new markets.
- Increase of the company's market share in lubricants where the margins are higher.
- Opportunities for development in the Bulgarian market and in other Balkan countries.
- Entry to maritime activities.

### Threats

- Strong competition with other retail oil companies .
- Heavy taxation leads to lower consumption of motor fuels and lower margins.
- Macroeconomic environment may deteriorate.

## INVESTMENT RISKS

**-LIQUIDITY RISK:** Liquidity risk refers to the probability that the group will not be able to pay for its liabilities and especially its suppliers and its debt. Revoil's net cash position is rather high.

**-INTEREST RATE RISK:** This risk is high due to the new debt that was received in 2010 for investing in the maritime activities.

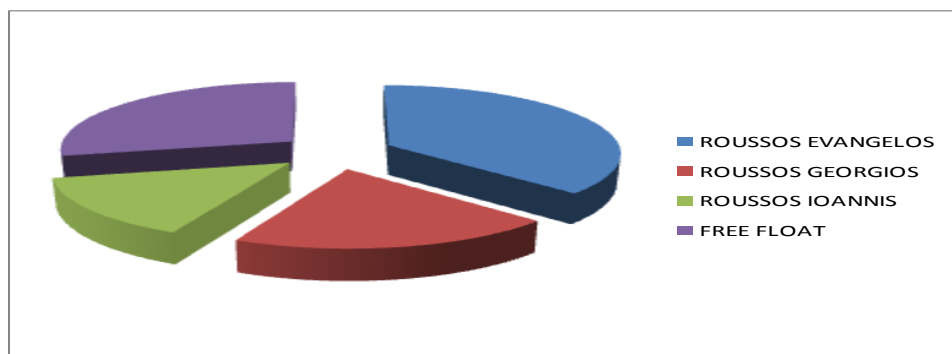
**-CREDIT RISK:** Low risk because of a high dispersion of its customers. The company makes provisions for doubtful accounts when it is necessary.

**-CURRENCY RISK:** This risk used to be insignificant. Nevertheless, the new activities of the company create a new risks associated with the currency rate EURUSD.

**-WEATHER RISK:** Weather affects sales of heating oil.

**-PRICE RISK:** The company is protected from a violent increase in the price of crude oil. The only risk is related to the value of inventory.

## SHAREHOLDER'S STRUCTURE



Source: Ase, The Company

**REVOIL was founded in 1982**, its main area of activity being the sale of petroleum products. The company's key asset as it entered this sector was its liquid fuel storage facility on the island of Chios. The year **1995** was a **milestone** in the company's development; it was in this year that it was purchased by its current shareholders. Up until 1995 most of the company's revenues came from the provision of services, especially the storage of liquid fuels, owned by other companies, at its plant on the island of Chios. But when it was taken over in May 1995 the new shareholders were determined to boost the company's profile in the sale of petroleum products by developing a network of gas stations, increasing market share, expanding and modernizing the liquid fuel storage and distribution facilities on Chios, reorganizing and modernizing the entire management structure of the company and, finally, improving its financial results. The 'aggressive' policy of wooing new service stations – in the fiercely competitive petroleum products sector – proved highly effective. Since May 1995 the company has built up a broad network of 470 service stations, spread right across Greece, all displaying the REVOIL colors and brand names.

In **1996** the company decided to expand and modernize its facilities on Chios and proceeded to purchase land covering about 3,500 sq. m. The project was completed by the end of 1997 at a cost of 2,934,700 Euro (1 billion drachmas). It involved the construction of six new liquid fuel storage tanks, a liquid fuel pipeline, contemporary buildings to house management services, a fuel pumping complex, firefighting facilities, a jetty and state-of-the-art electronic tanker-loading systems. Up until 2001 the company had twelve liquid fuel storage tanks at the above facilities, with a capacity of 6,080 cubic meters. As a sign of its environmental sensitivity, and in line with measures required by the European Union, it also installed a bottom-loading system to avoid any leaking of gases and vapors into the atmosphere

In **1997** the company's expanding business led to the purchase of about 40,000 sq. m. of land at Nea Karvali, Kavala, for the construction of new storage and distribution facilities. This is a location regarded as being of considerable strategic importance, with excellent prospects for growth. Work began on the new facilities in August **1999** and was completed in September 2000, at a cost of about 5,869,400 Euro (2 billion DRM). The project involved construction of ten storage tanks with a total capacity of 9,500 cubic meters, laying of supply lines both above ground and under the sea, construction of contemporary buildings to house management services, the installation of a fuel pumping system, firefighting services and state-of-the-art electronic loading systems. This facility, too, is fully automated, using bottom loading procedures, and fully compliant with EU environmental protection specifications.

In December **2000** the REVOIL head office relocated to new company-owned premises in Vari, Attica, which house all the administrative services. The new offices were built at a cost of 586,900 Euro (200M drachmas). The company also received ISO 14001 environmental management certification for these new premises. In recent years the company has been gradually reorganizing its management structure, laying special emphasis on the ongoing training of staff, the introduction of new technologies and the computerization of all operations. The result has been a new and flexible organizational structure, with better communication both vertically and horizontally, and a new emphasis on team work.

In May **2002** an expansion plan was initiated for the Nea Karvali facility, with the construction of 7 storage tanks with a capacity of 27,000 cubic meters.

In October **2003** the expansion work was completed, increasing total storage capacity to 35,900 cubic meters. The company management intends to seek ISO 14001 environmental management certification for this facility, too. The company's Chios facility, expanded and modernized, now has 12 storage tanks with a capacity of 7,048 cubic meters, a contemporary jetty and anchorage for unloading ships and an environmentally friendly system of tanker loading which ensures no petrol fumes are released into the atmosphere.

In **2004** the company entered the Greek Stock Exchange market.

In **2005** began the collaboration with National Technical University of Athens for quality controls.

In **2006** the company was awarded the certification ISO 14001 for the Kavala premises.

In **2007** the market share of Revoil exceeds 5% for the first time.

In **2008** are implemented for the first time in Greece quantity controls in cooperation with National Technical University of Athens.

In **2009** Revoil doubled its earnings and decreased its loans substantially and the number of its filling stations increased to 423.

In **2010** Revoil attracted a large number of petrol stations which at the end of the year became 470. A new subsidiary, Ariston, was established in order to be active in the maritime sector. Two Handymax dry bulk carriers were bought and were chartered by customers.

## PORTFOLIO OF PRODUCTS

- ✓ Motor fuels: Unleaded Petrol LRP, Unleaded Petrol of 95 and 100 Octanes and Lead Replacement petrol.
- ✓ Transportation oil: REVOIL has launched Dieselmex which combines efficiency, economy with environmental care.
- ✓ Heating oil: Revoil's suggestion for heating oil is Oikoplus (Smart Heating) which combines increase in efficiency, energy saving, decrease in transmission of filth.
- ✓ Lubricants: The company has recently launched "Revolution", a new series of lubricants which is designed to cover the specs of the big car manufacturers and of the international organizations. Thus they are able to provide efficient lubrication and protection of the machines and the mechanisms in which they are used.

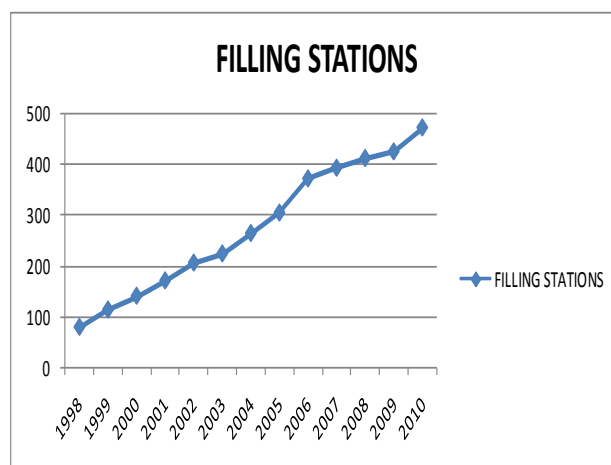
## FILLING STATION NETWORK DISTRIBUTION

The company recently expended its network to new areas which used to have small presence traditionally. Corfu, Lesbos and Crete are some of the new areas. Revoil's brand currently endorses 470 stations that cover almost total the Greek territory.

AREA	REVOIL STATIONS	PERCENTAGE	INDEPENDENT STATIONS	PERCENTAGE
ATTICA	71	15,11%	9	6,00%
MACEDONIA	112	23,83%	71	47,33%
PELOPONNESE	87	18,51%	19	12,67%
THESSALIA	52	11,06%	9	6,00%
STEREA ELLADA	76	16,17%	6	4,00%
AEGEAN ISLANDS	13	2,77%	0	0,00%
EPIRUS	16	3,40%	16	10,67%
THRACE	29	6,17%	16	10,67%
IONIAN ISLANDS	11	2,34%	1	0,67%
CRETA	3	0,64%	3	2,00%

Source: The Company

YEAR	FILLING STATIONS
1998	79
1999	113
2000	140
2001	170
2002	205
2003	223
2004	263
2005	303
2006	370
2007	391
2008	410
2009	423
2010	470



Source: The Company

## SECTOR ANALYSIS

### **Domestic Production of Crude.**

Production of crude oil in Greece is extremely limited. The Prinos and the Epsilon reserves at Kavala cover less than 1% of domestic demand and consequently nearly all of the country's needs in crude oil is covered by imports. However, there are plans for exploration in fields that are believed to be rich in oil, mainly in the Aegean Sea. A potential discovery will be rather positive for the Greek refineries, as well as for the Greek retail oil companies.

### **Structure of the Domestic Market.**

Once processed in domestic refining units, crude oil products are exported or sold in the domestic market. With the exception of a small number of Big End Customers and the Armed Forces for which product delivery is done directly from the premises of the domestic refineries, the distribution of oil products in the domestic market is carried out exclusively through the fuel trading companies which deliver the products to the gas outlets, the industry, the households etc. The domestic market consists of four refineries (3 owned by ELPE and 1 by Motor Oil) and around 20 retail oil companies. The competition is great since there is 1 filling station for 1400 residents while the average of the EU is 1 filling station for 3800 residents.

### **Recent Developments in the sector and Revoil's position.**

Great changes have recently taken place in the Greek retail oil market. The Greek retail oil market is no longer considered attractive by big multinationals which have gradually abandoned the Greek market in the recent past (Mobil in 1998, Total in 1999, Texaco in 2000, BP and Shell in 2009). Lower prices and lower operational costs have led to an increase in the market share of the Greek companies .

Each of the two big Greek oil companies (ELPE and Motor Oil) own 2 brands and have the lion's share in the Greek market. However, the medium and small size Greek companies benefited from the gradual exit of the big multinationals because some filling station owners were required to change brand by the competition committee due to overlapping. Around 300-400 filling stations from the total of 8200 of Greece are likely to move finally to another brand. The difficult economic background of the sector which is worsened by the new taxation led two small companies to abandon the market while a few (300-350) filling stations closed down recently due to trimmed margins and lower volume of sales. The fact that the domestic price of unleaded petrol (95 octanes) is currently (€1,63) the highest in the European Union (average €1,43) is rather intriguing. Despite the high price the margin of the retail oil companies and of the filling stations are rather low (combined at less than 10%) since the margin of the refinery company is at around 30% and the other +60% is covered by taxes and tariffs. Revoil's current market share is 6,8% and is 8<sup>th</sup> among the companies of the sector in Greece. This is a significant improvement in comparison to the 4,2% of 2005. The company's gross margin is a bit lower than the sector's (4,3% versus 5,6% for 2009) but it is able to offer competitive prices which is a factor that enhances the volume of sales. Nevertheless, Revoil's net margin is higher than the sector's and the company hold the 2<sup>nd</sup> place in 2009 among the relevant companies, as far as EBT are concerned.

The current market size exceeds 10,5M metric tons and €14B (2009 estimations). 2008 and 2009 were no positive years for the profitability of the sector, affected by the current crisis. In 2009 a decrease in revenue took place because of the drop in the price of fuels despite the flat sales while in 2010 the new taxation and the increased price of oil in the global markets already lead to an increase revenue and an almost double-digit decrease in volumes. EBT of the sector for 2009 were €32,87M versus €17,05M for 2008 and over €100M in 2007. The so far results for 2010 indicate a double-digit decrease in the volume of sales, a double digit increase in revenue accompanied by trimmed gross margins which depict the new taxation. The same trend is expected to have affected the whole FY:10 results. Margins may have decreased further in Q4:10 due to the increased prices of heating oil. A potential increase in taxation of heating oil can trim margins further and will lead to a decrease the quantities sold. However, plans for this increase have been abandoned for the moment.

## SECTOR ANALYSIS

## SALES AND EARNINGS OF 9M: 2010 in €

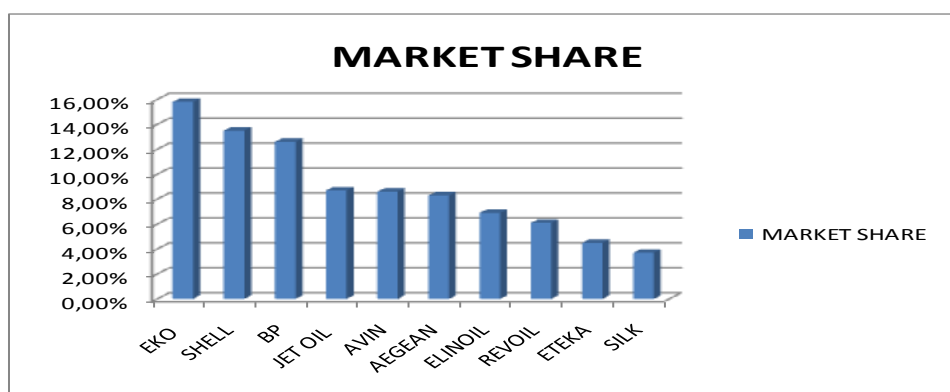
	SALES 9M:10	SALES 9M:09	EATAM 9M:10	EATAM 9M:09
ELINOIL	586,71	470,49	1,77	3,20
REVOIL	522,09	404,99	1,33	1,80
CYCLON	335,67	258,73	1,09	0,71

## SALES, EBT AND GROSS MARGIN OF 2009 vs 2008

COMPANY	SALES 2009	SALES 2008	EBT 2009	EBT 2008	G.MARGIN 2009	G.MARGIN 2008
EKO	1609,86	2285,95	-1,55	2,32	8,60%	5,22%
SHELL	1539,24	1856,72	-5,35	-14,12	7,00%	5,02%
BP	1370,55	1975,36	27,74	19,59	9,63%	7,79%
JETOIL	1081,67	1314,29	1,45	5,53	5,19%	4,03%
AEGEAN	1011,34	1127,31	2,19	1,02	3,23%	3,37%
AVIN	876,79	1019,05	2,81	2,53	5,76%	4,98%
ELINOIL	659,49	746,63	6,27	1,69	7,73%	6,57%
REVOIL	581,08	571,99	4,33	2,12	4,33%	3,64%
ETEKA	513,6	533,34	0,84	0,72	2,81%	2,53%
CYCLON	372,65	403,62	1,87	3,59	6,01%	6,34%
SILK OIL	339,96	348,76	0,83	0,91	5,03%	4,62%
DRACOIL	235,61	204,43	-1,47	-1,98	2,79%	2,50%
KAOIL	184,54	206,96	0,05	0,09	3,59%	2,97%
GALLON OIL	134,82	94,69	0,52	0,62	2,16%	2,29%
KMOIL	70,24	88,03	0,1	0,02	3,69%	3,27%
ARGO	65,59	74,12	0,86	0,44	8,41%	6,84%
SHELL GAS	50,42	61,46	0,9	3,33	27,69%	23,83%
CHRYSOIL	37,63	N/A	-0,02	N/A	8,14%	N/A
SUNOIL	N/A	123,88	-3,18	0,07	N/A	3,46%
EL PETROL	N/A	219,82	N/A	-9,66	N/A	2,28%

Source: Merit Research, Icap.

## MARKET SHARE IN 2009



Source: Merit Research.

## SALES IN METRIC TONS

The evolution of market shares in the past three years reveals that there is a trend towards a bigger market share by mid-size and smaller companies while the market share of the three bigger companies is decreasing. The same trend is expected to continue for 2010 since the market environment is favorable for companies that offer competitive prices relative to the others. Market share of Revoil for 10M:10 is at 6,8% from 6,2% in the end of 2009.

BRAND	2007		2008		2009	
	QUANTITY IN M.T.	MARKET SHARE	QUANTITY IN M.T.	MARKET SHARE	QUANTITY IN M.T.	MARKET SHARE
1 EKO	1762120	17,00%	1840499	16,51%	1672692	15,81%
2 BP	1620300	15,65%	1460829	14,13%	1332521	12,59%
3 SHELL	1469270	14,20%	1390378	13,33%	1423674	13,45%
4 JET OIL	777530	7,45%	851105	7,94%	924039	8,73%
5 AVIN	850390	8,21%	903907	8,17%	907874	8,58%
6 AEGEAN	825810	7,97%	842035	8,23%	872950	8,25%
7 ELINOIL	617390	5,96%	711950	6,31%	727780	6,88%
8 REVOIL	527160	5,09%	570151	5,55%	649849	6,14%
9 ETEKA	396630	3,83%	434353	4,24%	474386	4,48%
10 SILK OIL	329590	3,20%	358785	3,32%	387106	3,66%
11 CYCLON	278990	2,48%	279633	2,73%	354064	3,35%
12 DRACOIL	217320	2,28%	220640	2,13%	278461	2,63%
13 KAOIL	214520	1,99%	214525	2,10%	215823	2,04%
14 GALLON OIL	N/A	N/A	76666	0,75%	129128	1,22%
15 KMOIL	N/A	N/A	83580	0,81%	77546	0,73%

Source: The company, Seepe

## PEER GROUP ANALYSIS

Direct peers of Revoil are the Greek companies Elinoil and Cyclon and the Cypriot Petrolina. We also include some big multinational companies whose businesses cover the integrated oil chain (refineries, crude oil production, transportation, marketing, retail etc). Revoil's estimated P/E ratio (2010 Earnings) is 9,32 which is lower (by 15,2%) than the weighted average P/E of the peer companies which currently stands at 11. Median of the peer group is at 10,4.

COMPANY	COUNTRY	CUR. MARKET CAP IN M€	EST P/E 10
1 EXXON MOBIL	USA	293420	13,26
2 SHELL	UK	158020	11,19
3 CHEVRON	USA	139040	10,23
4 BP	UK	109010	7,04
5 TOTAL	FRANCE	100410	9,17
6 ENI	ITALY	70530	9,30
7 STATOIL	NORWAY	57260	10,56
8 LUKOIL	RUSSIA	39930	5,88
9 REPSOL	SPAIN	27100	12,72
10 GALP	PORTUGAL	11860	32,76
11 ORLEN	POLAND	5100	12,90
12 PETROM OMV	ROMANIA	4870	9,2
13 NESTE	FINLAND	3350	29,28
14 ELPE	GREECE	1950	11,09
15 LOTOS	POLAND	1300	13,90
16 MOH	GREECE	859	10,28
17 PETROL GROUP	SLOVENIA	551	20,17
18 PETROLINA	CYPRUS	56	6,5
19 ELINOIL	GREECE	41	6,37
20 CYCLON	GREECE	13	7,93

\*For the companies Petrolina, Elinoil and Cyclon trailing P/E s were used due to lack of estimations for FY 2010.

\*Market cap. and P/E ratios are based on prices of 24/1/2011.

Source: Bloomberg consensus estimations

Revoil offers a complete series of motor fuels and heating oil:

✓ **Petrol:** Revoil distributes Unleaded Petrol LRP (Lead Replacement Petrol) and Unleaded Petrol of 95 and 100 Octanes. Sales of petrol increased moderately by 4,84% during 2009 and constituted the 45% of total sales versus 43% for 2008. In 9M:10 they reached €273,5M whereas the gross margin under the adverse extra taxation conditions shrank to 2,53%. The adverse market conditions lead to a serious decrease in the sales of petrol of the market as a total (-9% in 10M:10). However, by adding a number of efficient petrol stations within the Revoil brand the company managed to keep its sales stable during 10M:10. Thus, market share of Revoil for 9M:10 in this subcategory is at 6,8% with an increasing trend.

✓ **Transportation oil.** Revoil has launched Dieselmax which combines efficiency and economy with environmental care. More specifically, provides a combination of ingredients such as anti-corrosion, anti-oxidant and anti-foam .

-Increase in combustion efficiency, improvement of inflammation quality and better cold start.

-Decrease in petrol consumption up to 7%, increase in engine life, significant decrease in maintenance cost and better check during the filling procedure.

-Drastic decrease in atmospheric pollution, incombustible particles, smokes and in engine noise by 2db.

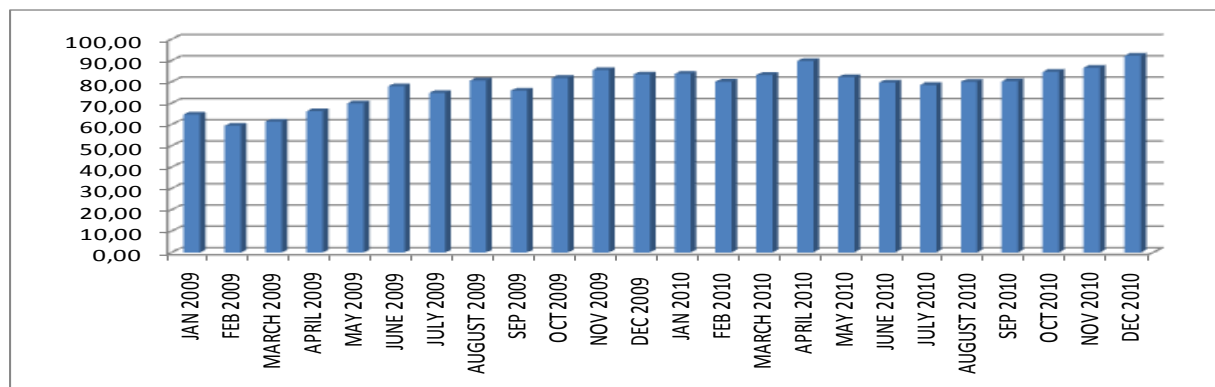
Dieselmax also participates in the program of checks of National Technical University of Athens in order to guarantee the quality. Sales of transportation oil decreased by 18% in 2009 and constituted only the 24,5% of total sales while taxation lead the gross margin to decrease lately to 3,21%. Market share of Revoil for FY:09 in this subcategory stood at 5.7% while it is currently (10M:10) estimated at 6,2%. 9M:10 sales stood at €131M while volume of sales decreased by 9%. The decrease was much higher in the market (-14%), affected by the substantial increase in prices.

✓ **Heating oil.** Revoil's suggestion for heating oil is Oikoplus (Smart Heating) which combines increase in efficiency, energy saving, decrease in air pollution and better check during the tank filling. It is therefore the most modern offer for a perfect combustion. The new product of Revoil in the heating oil category was the main reason for the significant increase in sales of this category for 2009 (19%). Heating oil sales constituted 30% of total Revoil's sales in FY:09 while the market share of Revoil in this subcategory was at 6,9%, much increased than the previous year. In 10M:10 market share increased further to 7,2%. Sales of heating oil stand currently (9M:10) at €115,15M (-15%), depicting the moderate winter of 2010 while there was a significant decrease of the gross margin to 3,14%. Furthermore, volume of sales decreased by 9% whereas the decrease in the market reached 14%. The decrease in volume of sales is expected to continue in winter 2011 since the current winter is mild and prices have increased since last year (current price at €0,81 per lt) due to the significant increase in oil prices.

The gross margins of all these products are affected up to an extent by the volatility in the price of crude oil, which has been recently very intense, although the margin is relatively stable. The company is able to adjust the price upwards when there is an increase in the price of crude oil and vice versa. The fact that global oil prices were higher in 2010 (yearly average of Brent at \$83,5) than 2009 (yearly average of Brent at \$73,6) affected negatively the price of fuels. They are also negatively affected by the new taxation that has been introduced during the first five months of 2010 by Greek government. The new taxation lead to an increase in the average price of unleaded petrol from €1,08 in the beginning of 2010 to €1,63 currently while the average price of diesel increased from €1,06 to €1,42 per lt and average price of heating oil increased from €0,7 to €0,81 currently. Greece is the most expensive country of European Union, as for petrol prices while average petrol (unleaded 95) price in EU is currently at €1,44. Under these conditions, the combined margin of the retail oil company and the petrol station owner is at around 6% while taxes cover around 62-63% of final motor fuel prices.

The above lead to a decrease in gross margin for the company to 3,13% from 4,42% one year ago. Moreover, revenue is positively affected by the above while a decrease in consumer's purchase power and therefore a decrease in sales, expressed in volumes is also apparent.

**AVERAGE MONTHLY PRICE OF CRUDE OIL IN USD SINCE 1/09**



Source :Bloomberg



## LUBRICANTS

The company has recently launched "**Revolution**", a new series of lubricants which is designed to cover the specs of the big car manufacturers and of the international organizations. Thus they are able to provide efficient lubrication and protection of the machines and the mechanisms in which they are used. The lubricants can be categorized as follows:

- Gas Engine Lubricants: Revolution Synthesis, Revolution Formula Syn etc.
- Scooter and Motorbikes Lubricants: Revolution Moto 4 Syn, Moto 4 Plus ,Outboard etc.
- Diesel Engines Lubricants: Diesel Ultra Syn, Extra SAE, Diesel Mac etc.
- Tractors Lubricants: Agro Trans 9, Agro S.T.O.U.
- Differential Gear Lubricants-Valvolines: Synthetic Gear, Super Gear etc.
- Automatic gearbox Lubricants: ATF 2 and 3, Transmission oil .
- Greases: Extralab Grease, Lithium Grease, Cotton Picker Grease.
- Industry Lubricants: Circulation System Oil, Hydraulic Oil, turbine oil etc:
- Other Products: Antifreeze Fluid, Radiator Fluid, Brake Fluid, Windscreen cleaner ,Battery Fluid etc.

Sales of lubricants increased in 2009 by 18% enhanced by the launching of "**Revolution**" series while the gross margin of lubricants sales remained high at 40.5%. Sales of lubricants decreased in 2010 despite the agreement with Exxon Mobil for the distribution of the lubricant series Mobil 1. So far (9M:10), sales have reached €1,05M decreased by 9,45% while gross margin decreased to 29,5%. It seems that recession has affected seriously the consumption of lubricants.

## FUELS AND LUBRICANTS TURNOVER AND EATAM

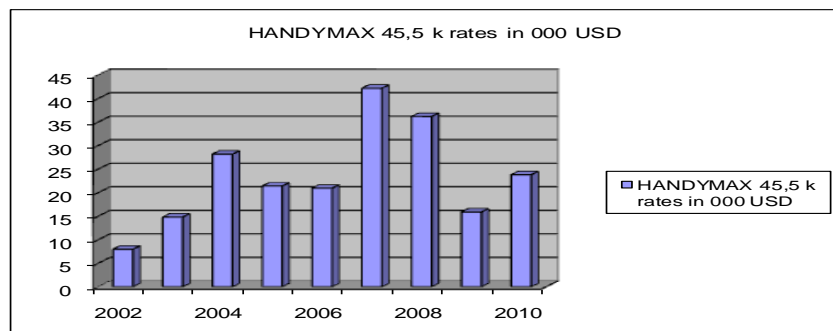
FUELS AND LUBRICANTS						
(in M€)	2010 E	2011 F	2012 F	2013 F	2014 F	2015 F
<b>Turnover</b>	<b>749.593</b>	<b>787.073</b>	<b>810.685</b>	<b>778.257</b>	<b>754.910</b>	<b>758.684</b>
y-o-y Change. %	29,00%	5,00%	3,00%	-4,00%	-3,00%	0,50%
% of Total Sales	99,84%	99,04%	99,02%	98,92%	98,81%	98,74%
<b>EATAM</b>	1.888	1.795	1.919	3.852	3.251	3.088
% of Turnover	0,25%	0,23%	0,24%	0,49%	0,43%	0,41%
y-o-y Change. %	6,00%	10,00%	12,00%	12,00%	11,50%	11,50%

## MARITIME ACTIVITIES

In **2010** group's activities expanded to maritime sector. The subsidiary Ariston EEPN was established in June while the subsidiary of Ariston Lyrics Navigation LTD bought a dry bulk Handymax carrier (Blue Angel) of total capacity 44950 dwt for \$21,4 M. The ship was constructed in 1994 in Japan, carries a Maltese flag and was received in 30/8/2010. Furthermore, a second dry bulk Handymax carrier (Blue Eternity) of total capacity 45741 dwt was received in January 2011. The cost of the carrier was \$19,9M. Handymax carriers can cover a great range of bulk, from seeds to minor bulks (sugar, cement etc).

Both carriers are already in use and have also brought revenue to the company. The company expects to receive \$10,1M for the current year from the contracts with the charterer companies Sino East Shipping Ltd from Hong Kong and EDF Man. Blue Angel has been chartered for 16000 USD per day while operating costs from the use of it are about 6000 USD per day. Blue Eternity has been chartered for 14500 USD per day. Ariston plans to charter the ships for either a medium or a long term period in order to have predictable cash flows. According to the company, yearly EBITDA are expected at \$5,8M and net profit at \$2,95M while ROE of the project is estimated at 8%. Average daily charters for a typical Handymax carrier for 9M:2010 are estimated at \$23800 from \$15899 in 2009.

The current economic crisis brought a significant recession in the maritime sector which experienced a great growth up to 2007 with constantly increasing freights. Recession in the maritime sector reached a peak in the end of 2008. Freights reached a low in Q3:08 and have increased up to an extent since then although they have decreased in H2:10. The management of the company believes that, despite the uncertainty and the volatility in charter rates in the global markets, this period was the right time for entering this particular market. The following table presents the evolution of a typical Handymax (45,5k) carrier's charters for the past nine years. Charters are expected to increase further in the following year provided that there will be no double dip recession globally. This can have a positive impact on the future revenue of Ariston.



Source: The company

MARITIME ACTIVITIES						
(in M€)	2010 E	2011 F	2012 F	2013 F	2014 F	2015 F
<b>Turnover</b>	1.200	7.620	8.000	8.480	9.074	9.709
y-o-y Change. %	n/a	635,00%	5,00%	6,00%	7,00%	7,00%
% of Total Sales	0,16%	0,96%	0,98%	1,08%	1,19%	1,26%
<b>EATAM</b>	240	1.905	2.160	2.374	2.541	2.718
% of Turnover	20,00%	25,00%	27,00%	28,00%	28,00%	28,00%
y-o-y Change. %	n/a	693,75%	13,39%	9,93%	7,00%	7,00%

Source: Merit Estimations

Note : Calculations were done keeping the EURUSD currency rate stable at its current levels.

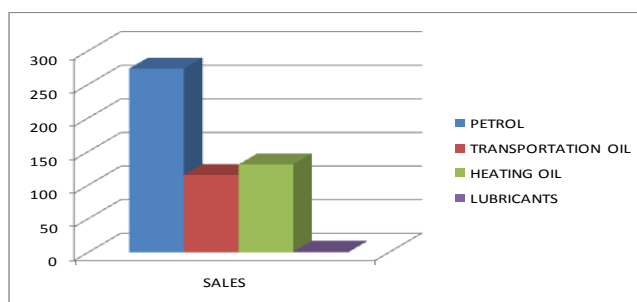
## GEOGRAPHICAL SEGMENTATION

Revoil is also active in the Bulgarian market. Revoil does not own any filling stations in Bulgaria for the moment but collaborates with local companies that import fuels from abroad and distribute them in the filling station network.

	2009	2008
DOMESTIC SALES	570,45	569,6
SALES ABROAD	10,63	2,39

	9M:09	9M:10
DOMESTIC SALES	396,42	519,17
SALES ABROAD	8,58	2,92

## PRODUCT SEGMENTATION 9M:10



Sales in M €



Gross Margin in M €

Source: The Company

TABLE OF SALES PER PRODUCT CATEGORY

in M€	2008			2009			9M:10		
	SALES	GROSS PROFIT	GROSS MARGIN	SALES	GROSS PROFIT	GROSS MARGIN	SALES	GROSS PROFIT	GROSS MARGIN
PETROL	247,87	8,36	3,37%	259,87	10,06	3,87%	273,55	6,92	2,53%
TRANSPORTATION OIL	173,39	5,9	4,49%	142,18	6,3	4,49%	115,15	3,62	3,14%
HEATING OIL	147,65	4,41	3,58%	175,62	6,28	3,58%	130,97	4,06	3,10%
LUBRICANTS	1,52	0,59	38,82%	1,8	0,73	40,56%	1,05	0,31	29,52%

## VALUATION

We make explicit estimates about the revenues that Revoil is expected to generate over the next 5 years (2011-2015). We update the coverage of Revoil with a **BUY** recommendation since our Discounted Cash Flows Model derives a target price of **€1,50** per share, revealing an upside of **68%** from the current price levels. The long term growth rate is estimated at 0,5%. We estimate beta at 1,25 assume a long-term risk free rate of 5,5% and expect the debt portion to decline finally to only 40% of total capital structure in order to derive a long term WACC of 9,2%. CapEx are expected at low levels in the following years provided that there will be no other purchase of a carrier.

The enterprise value of the group according to our estimates is €78,2M. The net value of the group after the subtraction of the net debt and the minorities rights becomes €33,31M.

The following tables present the calculation of the FCF we discount in our model for the next five years, the calculation of the target price per share and a sensitivity analysis illustrating how the target price changes according to different assumptions regarding the long term growth rate and the long term WACC for the group.

### VALUATION in 000€

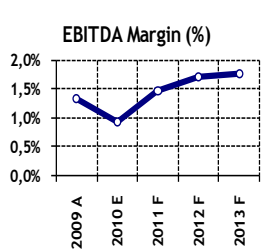
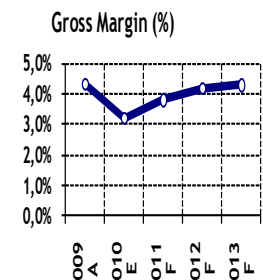
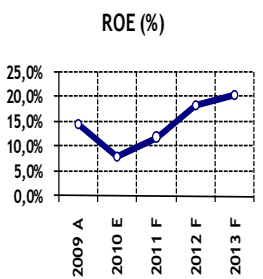
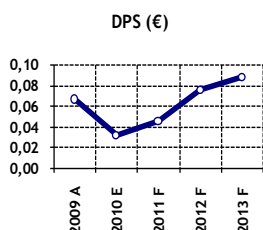
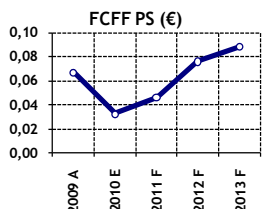
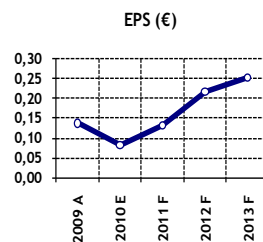
Present Value of Future Cash Flows	25.685
Present Value of Residual Value	52.510
Enterprise Value	78.195
<u>Less: Net Debt (End of 2010)</u>	44.876
<b>Value of Equity</b>	<b>33.310</b>
<b>Value of share</b>	<b>1,50</b>
<b>% upside potential</b>	<b>67,98%</b>

CASH FLOW STATEMENT	2011 F	2012 F	2013 F	2014 F	2015 F
Turnover	794.693	818.685	786.737	763.983	768.393
EBIT	7.015	7.795	10.520	10.168	10.221
Less: Adjusted Tax	1.250	1.515	2.116	2.282	2.259
<b>NOPAT</b>	<b>5.765</b>	<b>6.280</b>	<b>8.404</b>	<b>7.886</b>	<b>7.962</b>
Plus: Depreciation	4.923	4.728	4.541	4.362	4.168
Less: Change in Working Capital	2.997	2.514	1.329	1.495	2.618
Less: Capex	2.872	2.759	2.651	2.320	2.435
<b>Cash Flow to the Firm (FCFF)</b>	<b>4.819</b>	<b>5.735</b>	<b>8.965</b>	<b>8.431</b>	<b>7.077</b>

### SENSITIVITY ANALYSIS

LT WACC	PERPETUITY SALES GROWTH				
	0,00%	0,25%	0,50%	0,75%	1,00%
8,00%	1,85	1,94	2,03	2,13	2,24
8,50%	1,63	1,71	1,79	1,87	1,96
9,18%	1,37	1,43	1,50	1,57	1,64
9,50%	1,26	1,32	1,38	1,44	1,51
10,00%	1,10	1,15	1,21	1,26	1,32

REVOIL						
Current Price						
0,89	2009 A	2010 E	2011 F	2012 F	2013 F	2014 F
Current No of Shares	22.280	22.280	22.280	22.280	22.280	22.280
P/E (x)	6,52	9,32	5,36	4,86	3,18	3,42
P/Sales (x)	0,03	0,03	0,02	0,02	0,03	0,03
P/BV (x)	0,77	0,75	0,68	0,62	0,54	0,49
EPS (€)	0,14	0,10	0,17	0,18	0,28	0,26
EPS growth (%)	108,9%	-30,1%	73,9%	10,2%	52,6%	-7,0%
PEG (x)	0,06	-0,31	0,07	0,48	0,06	-0,49
Operating CFPS (€)	0,69	-0,57	0,14	0,18	0,32	0,29
FCFF / Share (€)	0,56	-2,13	0,22	0,26	0,40	0,38
Dividend / Share (€)	0,07	0,04	0,06	0,06	0,10	0,09
Dividend Yield (%)	7,5%	4,3%	6,5%	7,2%	11,0%	10,2%
ROE (%)	14,6%	9,4%	15,1%	15,6%	22,3%	18,9%
EV/Sales (x)	0,11	0,09	0,08	0,07	0,07	0,05
EV/EBITDA (x)	7,91	9,01	5,18	4,89	3,78	2,40
Net Debt / Equity (x)	1,70	1,80	1,51	1,48	1,19	0,40
Current Ratio (x)	0,85	0,87	1,01	1,08	1,19	1,12
INCOME STATEMENT						
	2009 A	2010 E	2011 F	2012 F	2013 F	2014 F
Total Turnover	581.080	750.793	794.693	818.685	786.737	763.983
COGS	555.925	726.768	764.494	785.937	752.121	730.368
Gross Profit	25.155	24.025	30.198	32.747	34.616	33.615
Other Operating Incc	998	3.500	1.155	1.100	1.100	1.100
SG&A Expenses	21.554	23.773	24.338	26.052	25.197	24.547
EBIT	4.599	3.752	7.015	7.795	10.520	10.168
Depreciation	3.185	3.473	4.923	4.728	4.541	4.362
EBITDA	7.784	7.225	11.938	12.523	15.061	14.529
Interest Expense	(266)	(500)	(2.065)	(2.201)	(2.177)	(2.094)
EBT	4.332	3.252	4.951	5.594	8.342	8.074
Taxes	1.289	1.125	1.250	1.515	2.116	2.282
Minorities						
EATAM	3.043	2.128	3.700	4.079	6.226	5.792
BALANCE SHEET (€ ,l)						
	2009 A	2010 E	2011 F	2012 F	2013 F	2014 F
Total Non-Current A:	22.776	55.577	53.180	51.276	48.497	46.404
Inventory	5.996	4.900	5.563	6.140	6.294	6.112
Receivables	29.012	35.586	37.748	38.888	37.763	37.435
Total Cash	10.153	3.859	4.490	2.408	4.660	6.007
Total Current Assets	45.359	44.455	47.960	47.596	48.877	49.714
Total Assets	68.135	100.032	101.141	98.872	97.374	96.118
Long Term Bank Loan	3.905	25.735	17.643	17.500	17.500	17.500
Non Current Liabiliti	5.398	30.630	21.888	21.095	20.445	19.795
Short Term Banks	3.190	23.000	30.000	28.000	26.000	24.000
Current Liabilities	40.722	46.275	53.443	51.333	47.635	44.246
Equity	22.015	23.128	25.809	26.444	29.293	32.077
Total Equity & Liabil	68.135	100.032	101.141	98.872	97.374	96.118
MARGIN ANALYSIS %						
	2009 A	2010 E	2011 F	2012 F	2013 F	2014 F
Gross Profit	4,3%	3,2%	3,8%	4,0%	4,4%	4,4%
SG&A Expenses	3,7%	3,2%	3,1%	3,2%	3,2%	3,2%
EBITDA	1,3%	1,0%	1,5%	1,5%	1,9%	1,9%
EBT	0,7%	0,4%	0,6%	0,7%	1,1%	1,1%
EAT&Minorites	0,5%	0,3%	0,5%	0,5%	0,8%	0,8%
Tax rate	29,8%	34,6%	25,3%	27,1%	25,4%	28,3%

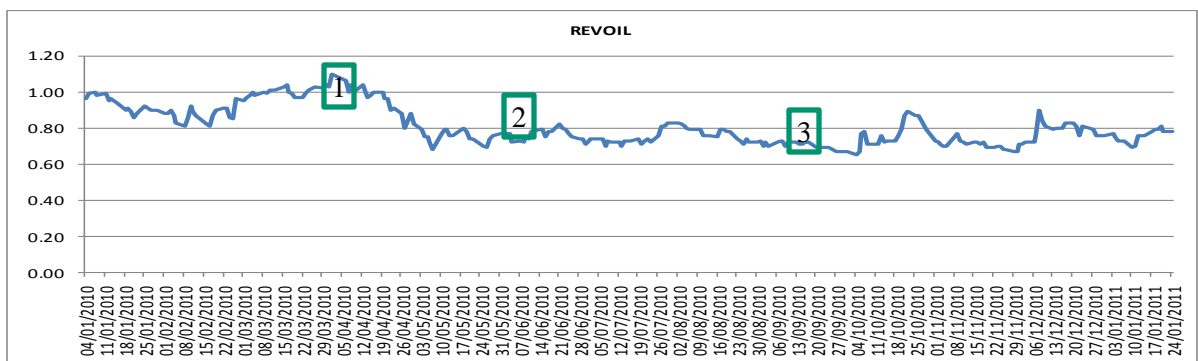


## Glossary

### Abbreviations

<b>AGM:</b>	Annual General Meeting
<b>CAGR:</b>	Compound Annual Growth Rate
<b>CFPS:</b>	Cash Flow per Share
<b>COGS:</b>	Costs of Goods Sold
<b>DPS:</b>	Dividends per Share
<b>EAT:</b>	Earnings after Taxes
<b>EATAM:</b>	Earnings after Taxes and Minorities rights
<b>EBIT:</b>	Earnings before Interest and Taxes
<b>EBITDA:</b>	Earnings before Interest and Taxes, Depreciation, and Amortization
<b>EBT:</b>	Earnings before Taxes
<b>EPS:</b>	Earnings per Share
<b>EV:</b>	Enterprise Value
<b>FCFF:</b>	Free Cash Flows to the Firm
<b>fx:</b>	Foreign Exchange
<b>LT-WACC:</b>	Long-term Weighted Average Cost of Capital
<b>NOPAT:</b>	Net Operating Profits After Taxes
<b>P/BV:</b>	Price to Book Value
<b>P/E, PE:</b>	Price to Earnings ratio
<b>PEG:</b>	Price/Earnings to Growth ratio
<b>ROE:</b>	Return on Equity
<b>SG&amp;A:</b>	Selling, General and Administrative
<b>ttm:</b>	Trailing Twelve Months
<b>WACC:</b>	Weighted Average Cost of Capital
<b>ΔNWC:</b>	Change in Net Working Capital

### HISTORY OF PRICES RATING



	DATE	TARGET PRICE	RATING	CLOSING PRICE
1	26/3/2010	1,80 €	BUY	1,03 €
2	14/6/2010	1,50 €	BUY	0,78 €
3	29/9/2010	1,30 €	BUY	0,67 €



## Investment Ratings

**BUY (5/5):** The difference between the stock's estimated target price and its current price is  $\geq +30\%$

**ACCUMULATE (4/5):** The difference between the stock's estimated target price and its current price is between  $(+10\%$  and  $+30\%)$

**HOLD (3/5):** The difference between the stock's estimated target price and its current price is between  $(-10\%$  and  $+10\%)$

**AVOID (2/5):** The difference between the stock's estimated target price and its current price is between  $(-10\%$  and  $-30\%)$

**REDUCE (1/5):** The difference between the stock's estimated target price and its current price is  $\leq -30\%$

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