

# Acquisition Note

**FLASH NOTE**  
November 26, 2013

**Valuation & Research Specialists (VRS)**  
Equity Research Team  
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Share Price (26/11/2013) € 5.98

# of Shares (,000)	71,417
Market Cap (in € mn )	427.07
A.D. Volume (p)	22,946
Beta Co-efficient	0.40

#### Statistical Data

Max 52 week	6.77 €
Min 52 week	1.54 €
1-M Rtn	6.22%
6-M Rtn	102.03%
12-M Rtn	276.10%

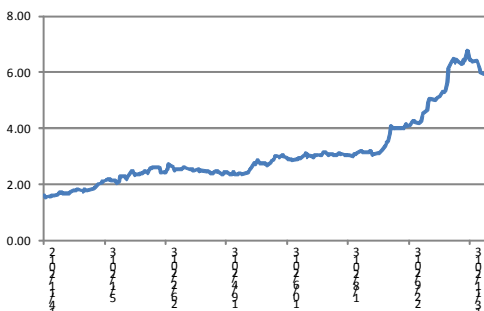
#### Shareholders' Structure

As of October 18, 2013.

Theodoros Vasilakis	38.69%
Siana Enterprises Company Ltd	9.48%
Alinesco Enterprises Com. Ltd	9.48%
Achileas Konstantakopoulos	6.39%
Other Investros & Free Float	35.96%

Source: VRS Calculations, Athens Exchange.

Stock Price Performance (1 year, in €)



## AEGEAN AIRLINES' Acquisition of OLYMPIC AIR S.A.

[Bloomberg Ticker: AEGN:GA, Reuters Ticker: AGNr.AT]

### Business Sector: Airlines

#### Highlights from Aegean Airlines' Prospectus Related to the Acquisition of Olympic Air Presented by E. Vassilakis, Vice-Chairman of BoD, and D. Gerogiannis, Man. Director

- **History and Information of Transaction Deal** On October 9, 2013, the European Commission announced its decision to approve the merger between Aegean Airlines and Olympic Air, Greece's local airlines. The concept of the decision related to the need of both airlines to generate synergies and ensure sustainable growth in the domestic market. Each airline was to utilize its own company name and brand as well as to operate its own flight schedule via its own fleet. On October 23, 2013, Aegean Airlines announced the acquisition of 100% of Olympic Air's share capital from its previous owner Marfin Investment Group (MIG – listed on Athens Exchange, ticker symbols: MIG:GA, MRFr.AT). The total consideration of the transaction amounted to EUR 72 million (or EUR 44.65 per share) of which EUR 20 million had been paid in advance on October 22, 2012. The remaining amount was agreed to be paid in 5 installments (the first one was paid in October 2013).
- **Value of Deal** The synergies expected to be generated between Aegean Airlines and Olympic Air were the most determinant factor in the valuation of the deal.
- **Financing of Deal** According to Aegean's management there was no need for external financing for the full repayment of the deal. Out of the total consideration of EUR 72 million, an advance of EUR 20 million had been paid in 2012, whereas there will be 5 installments of EUR 10.2 million for years 2013 – 2017 which the management expected to cover via its cash position and operating cash flows.
- **Synergies Factor** According to Aegean's management, synergies were seen at the (1) administrative, commercial and technical level, (2) increased buying power, (3) operating cost savings, (3) flight network level, and (4) international network expansion among others. The above were anticipated despite Olympic Air's distressed financial position (tables 9 and 10). Following Olympic Air's acquisition, the management has highlighted as strategic objectives: (i) the increased domestic to international connectivity aiming at better fleet management and higher load factors and (ii) the optimization of the flight network and capacity offered via more effective use of the two aircraft fleets.
- **Impact on the "new" Aegean Airlines Group's Financials** The management disclosed a series of anticipated impacts on the new group's financials following the purchase of Olympic Air. These were summarized as follows:

**Consolidation:** Full consolidation method will be applied, effective from October 23, 2013; Contribution of approximately 10-15% to the consolidated turnover is expected on annual basis.

**Equity:** The impact on equity will depend on goodwill valuation. Olympic Air's equity as of December 31, 2012 had settled at EUR 23.8 million (total consideration of the acquisition amounted to EUR 72 million). Aegean Airlines' equity as of June 30, 2013 had settled at EUR 170.6 million.

**Borrowing:** No impact is expected (apart from obligations deriving from the lease of aircrafts).

**Results:** The impact on results of 2013 was deemed as no material.

**Parent Company's Borrowing and Net Equity Position:** No impact is expected.

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Finally the Management expected no negative impact in the longer term horizon from the acquisition of Olympic Air despite the company's distressed financial position. Total revenue and cost synergies following the implementation of the business plan were estimated at 3-5% of total consolidated turnover under normal economic conditions.

Abbreviations: Athens International Airport as AIA, Hellenic Civil Aviation Authority as HCAA, Civil Aviation Authority as CAA.

**Table 1 OLYMPIC AIR: Evolution of Passenger Traffic** Period 2009 - 2012

<i>Passengers in thous.</i>	2009 (Oct-Dec)	2010	2011	2012
Domestic	662	2,952	2,578	2,279
International	347	1,432	786	627
<b>Total</b>	<b>1,009</b>	<b>4,384</b>	<b>3,364</b>	<b>2,906</b>

Source 1: Company.

Source 2: AEGEAN AIRLINES SA Prospectus Related to the Acquisition of OLYMPIC AIR SA.

**Table 2 OLYMPIC AIR: Fleet Evolution** Period 2009 - 2012

<i>Fleet (end of year)</i>	2009	2010	2011	2012
Airbus 319/320	17	14	8	5
Q400 BOMBARDIER	9	10	10	10
DASH 100 BOMBARDIER	5	5	5	4
ATR	1		1	
<b>Total</b>	<b>32</b>	<b>29</b>	<b>24</b>	<b>19</b>

Source 1: Company.

Source 2: AEGEAN AIRLINES SA Prospectus Related to the Acquisition of OLYMPIC AIR SA.

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**Table 3 Comparison of Turnover - Fleet in European Airline Sector**

	Revenue (in € million)*	Fleet *	Revenue / Aircraft (in € million)
Lufthansa	30,135	627	48.06
Air France - KLM	25,633	573	44.73
IAG (BA, bmi, iberia)	18,117	377	48.06
Turkish	6,446	199	32.39
Aeroflot	6,333	233	27.18
Ryanair	4,884	305	16.01
easyJet	4,684	203	23.07
Air Berlin	4,312	155	27.82
TAP Portugal	2,618	71	36.87
Pegasus	1,920	44	43.64
Norwegian	1,717	68	25.25
<b>AEGEAN**</b>	<b>563</b>	<b>30</b>	<b>18.77</b>
<b>OLYMPIC AIR**</b>	<b>216</b>	<b>15</b>	<b>14.40</b>

Source 1: Bloomberg, Company.

Notes:

\* Most recently published annual results of operations.

\*\* AEGEAN - OLYMPIC AIR annual revenue for 2012 (excluding passenger airport charges) and fleet as of 23/10/2013.

Source 2: AEGEAN AIRLINES SA Prospectus Related to the Acquisition of OLYMPIC AIR SA.

Notes regarding the consolidation in the sector:

- (1) Lufthansa acquired Swiss Air, Austrian and Brussels.
- (2) Air France, after the merger with KLM, acquired 25% of Alitalia, whereas the latter has merged with its local competitor, Air One.
- (3) British Airways (BA) merged with Iberia and created the IAG group (International Airlines Group), which later on acquired bmi.
- (4) Low-cost carrier, Vueling merged with Clickair, which is also Spanish, and constitutes a part of the IAG group.
- (5) ETIHAD acquired a minority shareholding in Air Berlin, Aer Lingus, as well as the Serbian Jat.

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**Table 4** Fleet Growth of Main Carriers in the Region Period 2006 - 2012

Fleet	2006	2013
Ryanair	133	305
Aeroflot	128	233
easyJet	122	203
Turkish	103	199
Vueling	16	53
<b>Aegean &amp; Olympic combined</b>	<b>67</b>	<b>45</b>
Cyprus	10	9

Source 1: Bloomberg, Company.

Source 2: AEGEAN AIRLINES SA Prospectus Related to the Acquisition of OLYMPIC AIR SA.

**Table 5** Aircraft Orders

	Aircrafts Ordered
<b>Ryanair</b>	175
<b>easyJet</b>	135 + 100 options
<b>Turkish</b>	285
<b>Pegasus</b>	106
<b>Vueling</b>	62 + 58 options

Source 1: Companies' Websites.

Source 2: AEGEAN AIRLINES SA Prospectus Related to the Acquisition of OLYMPIC AIR SA.

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**Business Sector: Airlines**

**Table 6 Total Domestic Passenger Traffic to/from Athens, Greece** (total market, data from the Athens International Airport)

Millions	2009	2012	2009 / 2012	2013 (1st Half)	2009 / 2013
<b>Domestic Passengers</b>	6.1	4.5	-26%	-7%	-32%

Source 1: AIA.

Source 2: AEGEAN AIRLINES SA Prospectus Related to the Acquisition of OLYMPIC AIR SA.

**Table 7 Total International Passenger Traffic, Greece**

Millions	2009	2010	2011	2012	2012/ 2009	2013/2012 (Jan-Aug)
<b>All Airports</b>	26.0	25.8	27.6	26.4	2%	7%
<b>Regional Airports</b>	16.0	16.1	18.2	18.0	13%	13%
<b>To/from AIA</b>	10.0	9.8	9.5	8.4	-16%	-5%

Source 1: CAA.

Source 2: AEGEAN AIRLINES SA Prospectus Related to the Acquisition of OLYMPIC AIR SA.

**Table 8 Total Market - Domestic & International Passenger Traffic from All Greek Airports**

Millions	Domestic Passengers	International Passengers	Total
2013 (estimate)	4.95	28.25	33.2
% in total	15%	85%	100%

International traffic accounts for 85% of the total traffic, whereas in terms of value it exceeds 90%.

Source 1: Company, based on data by the HCAA for 2012 & y-o-y % change for Jan-Aug 2013 period.

Source 2: AEGEAN AIRLINES SA Prospectus Related to the Acquisition of OLYMPIC AIR SA.

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**Business Sector: Airlines**

**Table 9 OLYMPIC AIR: Key Financial Highlights** Period 2010 - 2012

<i>(amounts in € million)</i>	2012	2011	2010
<b>Balance Sheet</b>			
Tangible assets	121.6	135.9	143.8
Intangible assets	30.5	31,410	43.0
Other non current assets	4.7	8.2	8.5
Current assets	72.1	122.2	114.2
Total assets	228.9	297.7	309.5
Share capital	161.3	160.0	100.0
Other (share premium, reserves, retained earnings)	-137.4	-136.6	-159.5
<b>Total equity</b>	<b>23.8</b>	<b>23.4</b>	<b>-59.5</b>
Long-term borrowings	112.1	80.7	85.8
Short-term borrowings	13.1	27.5	120.0
Other liabilities	79.9	166.1	163.2
<b>Total liabilities</b>	<b>205.1</b>	<b>274.3</b>	<b>369.0</b>

Source 1: Company.

Source 2: AEGEAN AIRLINES SA Prospectus Related to the Acquisition of OLYMPIC AIR SA.

**Table 10 OLYMPIC AIR: Evolution of Sales & Profit** Period 2009 - 2012

<i>In thousand €</i>	2009 (Oct-Dec)	2010	2011	2012
<b>Sales</b>	63,294	333,987	240,483	216,315
<b>Other revenues</b>	4,684	32,047	44,829	55,598
<b>EBT</b>	-81,245	-79,648	-38,596	-6,824
<b>EAT</b>	-81,577	-80,935	-37,599	-8,607

Source 1: Company.

Source 2: AEGEAN AIRLINES SA Prospectus Related to the Acquisition of OLYMPIC AIR SA.

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AEGEAN AIRLINES S.A.	AEGN:GA	AGNr.AT	€ 5.98	November 26, 2013	--

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2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
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