

FG EUROPE S.A.

August 3, 2018

[Bloomberg Ticker: FGE:GA] [Reuters Ticker: ESKr.AT] **Greek Equities | Consumer Goods & Energy**
 Listed on Athens Stock Exchange, Greece **VRS Research Team | www.vrs.gr**

Earnings Estimates Update
STOCK PRICE € 0.460 | MKT CAP € 24.29 MN

Company Profile & Investment Considerations

- FG Europe Group is a wholesale distributor of air-conditioning systems and home appliances offering logistics and after-sale services. The Group is also active in the renewable energy sources (RES) sector as owner and operator of wind parks and hydroelectric units. The Group is based in Athens, Greece.
- The Company is the exclusive distributor of **FUJITSU GENERAL Ltd**, in 10 countries of South-Eastern Europe (Greece, Bulgaria, Albania, FYROM, Serbia, Montenegro, Bosnia Herzegovina, Romania, Turkey and Italy for the General products). FG Europe holds also a full range of home appliances products, under its own Greek brand **ESKIMO**.
- In Greece the Company is leading the air conditioning market. In 2012 the company was appointed as the exclusive distributor of **MIDEA** air conditioning products for the Greek market and in 2015 expanded the distribution of the products into Balkans and since 2017 into UK as well.
- The company's subsidiaries, **FG EUROPE ITALIA SpA**, **FG EUROPE KLIMA TEKNOLOJİLERİ AŞ**, **FG.EUROPE UK** in which FG EUROPE holds equity stakes of 100%, 55% and 100%, operate in Italy, Turkey and UK accordingly. Furthermore through its subsidiary **R.F. ENERGY S.A.**, the Company also operates in the field of Energy Production from renewable energy sources since 2006.
- In particular R.F. ENERGY S.A. constitutes a subsidiary of F.G. EUROPE Group by 50% stake. R.F. ENERGY is a holding company, and its business scope is the development, management and ownership of energy production projects, focused on Renewable Energy Sources. Through its subsidiaries, it currently controls and operates wind farms with total installed capacity of **60.4 MW**. In addition, R.F. ENERGY S.A., holds 4 production licenses for biomass with total capacity of ~9 MW, and two small-scale Hydro Power plants with a total capacity of ~3 MW.
- Furthermore, R.F. ENERGY OMALIES S.A., subsidiary of R.F. ENERGY S.A. has been developing eleven (11) wind farms in Karystos, South Evia, with total capacity of **225 MW**.

FY 2017 Financial Highlights

- In FY2017, the Group's sales of Durable Consumer Goods were slightly increased by 2.1%, amounting to €86.80mn. Domestic sales amounted to €32.70mn in 2017, increased by 18%. Foreign sales amounted to €54.11mn in 2017, decreased by 5.6%, mainly due to the decrease in sales of the Group's subsidiary in Italy. The ratio of domestic versus foreign sales stood in 2017 at 38%-62% compared to 37%-63% in 2016. The Group's revenues from the energy sector amounted to €10.25mn, posting an increase of 5% compared to 2016.
- Despite the higher sales and the relatively stable amounts of expenses in 2017, compared to 2016, the appreciation of the Euro against the US Dollar in 2017 resulted to foreign exchange losses which covered the increased operating profit of the year.

FG EUROPE S.A. – Summary of Consolidated Financials

August 3, 2018

(in € thous.)	TURNOVER	EBITDA	EBT	EATAM	EQUITY	BANK DEBT	DEBT/ EQUITY (x)	P/E (x)	P/BV (x)	EV/EBITDA (x)	ROE %
2014	72,717	4,104	-8,202	-3,602	17,109	78,742	4.60	n/c	1.4	23.8	-21%
2015	95,151	11,908	1,142	-37	17,015	88,278	5.19	n/c	1.4	7.7	0%
2016	94,786	10,600	3,254	1,776	18,636	76,323	4.10	13.68	1.3	8.6	10%
2017	97,055	11,216	250	-988	17,380	70,040	4.03	n/c	1.4	7.9	-6%
2018	97,152	11,084	2,067	515	17,895	74,000	4.14	47.20	1.4	7.7	3%
2019	98,124	11,192	2,171	541	18,435	67,000	3.63	44.92	1.3	7.2	3%

Source: The Company, VRS Estimates

Please see important disclosure and disclaimer statements at the end of this report.

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Notes: Projections are based on IFRS consolidated accounts. Projected years concern the period 2018 – 2019.

Income Statement

Amounts in € thous. | Source: Company, VRS Estimates.

		2014	2015	2016	2017	2018	2019
Turnover		72,717	95,151	94,786	97,055	97,152	98,124
	y-o-y Change %	N/A	30.9%	-0.4%	2.4%	0.1%	1.0%
Cost of Sales		57,459	69,676	71,230	72,579	72,670	73,396
	% of Turnover	79.0%	73.2%	75.1%	74.8%	74.8%	74.8%
	y-o-y Change %	N/A	21.3%	2.2%	1.9%	0.1%	1.0%
Total Gross Operating Results		15,258	25,475	23,556	24,476	24,482	24,727
Gross Operating Margin		21.0%	26.8%	24.9%	25.2%	25.2%	25.2%
	y-o-y Change %	N/A	67.0%	-7.5%	3.9%	0.0%	1.0%
Operating Expenses		11,613	13,938	13,691	13,883	13,898	14,035
	% of Turnover	16.0%	14.6%	14.4%	14.3%	14.3%	14.3%
	y-o-y Change %	N/A	20.0%	-1.8%	1.4%	0.1%	1.0%
EBITDA		4,104	11,908	10,600	11,216	11,084	11,192
EBITDA Margin		5.6%	12.5%	11.2%	11.6%	11.4%	11.4%
	y-o-y Change %	N/A	190.2%	-11.0%	5.8%	-1.2%	1.0%
Depreciation		5,359	5,414	5,515	5,467	5,517	5,521
	% of Turnover	7.4%	5.7%	5.8%	5.6%	5.7%	5.6%
EBIT		-1,255	6,494	5,085	5,749	5,567	5,671
	% of Turnover	-1.7%	6.8%	5.4%	5.9%	5.7%	5.8%
	y-o-y Change %	N/A	-617.5%	-21.7%	13.1%	-3.2%	1.9%
Net Financial Results		-6,947	-5,352	-1,831	-5,499	-3,500	-3,500
Net Results Before Taxes		-8,202	1,142	3,254	250	2,067	2,171
EBT Margin		-11.3%	1.2%	3.4%	0.3%	2.1%	2.2%
	y-o-y Change %	N/A	N/A	184.9%	-92.3%	726.9%	5.0%
Income Tax		-3,402	941	766	350	620	651
	Effective Tax Rate	41.5%	82.4%	23.5%	140.0%	30.0%	30.0%
Net Results After Taxes		-4,800	201	2,488	-100	1,447	1,520
EAT Margin		-6.6%	0.2%	2.6%	-0.1%	1.5%	1.5%
	y-o-y Change %	N/A	N/A	1137.8%	N/A	N/A	5.0%
Net Results (a.t.&m.i.)		-3,602	-37	1,776	-988	515	541
Net Margin		-5.0%	0.0%	1.9%	-1.0%	0.5%	0.6%
	y-o-y Change %	N/A	N/A	N/A	N/A	N/A	5.1%

Sales Analysis per Operating Segment

Amounts in € thous. | Source: Company, VRS Estimates.

	2014			2015		2016		2017		2018		2019	
	Durable Goods	Energy	Other	Durable Goods	Energy	Durable Goods	Energy	Durable Goods	Energy	Durable Goods	Energy	Durable Goods	Energy
	64,296	7,003	1,418	84,431	10,720	85,030	9,756	86,801	10,254	86,590	10,562	87,245	10,878
<i>yoy % change</i>	<i>n/a</i>	<i>n/a</i>		31.3%	53.1%	0.7%	-9.0%	2.1%	5.1%	-0.24%	3.0%	0.8%	3.0%
Total Sales			72,717		95,151		94,786		97,055		97,152		98,124
<i>yoy % change</i>		<i>n/a</i>		30.9%		-0.4%		2.4%		0.1%		1.0%	

Balance Sheet – Asset Side

Amounts in € thous. | Source: Company, VRS Estimates.

	2014	2015	2016	2017	2018	2019
Assets						
Intangible Assets	8,439	8,410	8,410	8,410	8,410	8,410
Accumulated Depreciation	1,149	1,403	1,686	1,969	2,390	2,810
Net Intangible Assets	7,290	7,007	6,724	6,441	6,021	5,600
Tangible Assets	86,925	87,081	86,986	87,065	87,115	87,165
Accumulated Depreciation	25,179	29,507	34,695	39,851	44,942	50,037
Net Tangible Assets	61,746	57,574	52,291	47,214	42,173	37,128
Other L-term assets - Deferred Tax	6,645	6,097	14,185	14,794	14,794	14,794
Total Non-Current Assets	75,937	70,924	73,441	68,685	63,218	57,748
% Total Assets	46.96%	41.03%	47.22%	45.23%	40.59%	38.85%
Inventories	45,217	34,955	37,648	39,864	39,819	40,217
Trade Receivables	35,089	46,354	34,532	37,952	39,926	40,325
Other Items	0	0	0	0	0	0
Cash in Bank and at Hand	5,475	20,615	9,923	5,351	12,780	10,365
Total Current Assets	85,781	101,924	82,103	83,167	92,525	90,907
% Total Assets	53.04%	58.97%	52.78%	54.77%	59.41%	61.15%
TOTAL ASSETS	161,718	172,848	155,544	151,852	155,743	148,655

Balance Sheet – Liability Side

Amounts in € thous. | Source: Company, VRS Estimates.

	2014	2015	2016	2017	2018	2019
Equity & Liabilities						
Share Capital	15,840	15,840	15,840	15,840	15,840	15,840
Share Premium Account	6,731	6,731	6,731	6,731	6,731	6,731
Reserves & Profit Carried Forward	-5,462	-5,556	-3,935	-5,191	-4,676	-4,136
Minority Rights	18,480	19,540	20,918	21,560	22,638	23,770
Total Equity	35,589	36,555	39,554	38,940	40,533	42,205
% Total Equity & Liabilities	22.01%	21.15%	25.43%	25.64%	26.03%	28.39%
L-Term Bank Loans	16,939	51,195	62,311	49,581	55,000	50,000
Provisions	618	702	766	786	800	820
Deferred Tax Liabilities	1,291	2,589	3,326	4,252	4,500	4,500
Total L-Term Liabilities	40,954	74,150	84,526	71,165	74,300	67,320
Suppliers	23,207	24,933	17,425	21,280	21,900	22,119
Banks	4,379	24,527	2,012	7,248	7,000	5,000
Taxes-Duties	165	127	27	8	10	10
Total Current Liabilities	85,175	62,143	31,464	41,747	40,910	39,129
Total Liabilities	126,129	136,293	115,990	112,912	115,210	106,449
% Total Equity & Liabilities	77.99%	78.85%	74.57%	74.36%	73.97%	71.61%
TOTAL EQUITY & LIABILITIES	161,718	172,848	155,544	151,852	155,743	148,655

Cash Flow Statement

Amounts in € thous. | Source: Company, VRS Estimates.

	2015	2016	2017	2018	2019
Profit after Tax	201	2,488	-100	1,447	1,520
Plus: Change of Depreciation	5,414	5,515	5,467	5,517	5,521
Gross Cash Flow	5,615	8,003	5,367	6,964	7,040
<u>Change in:</u>					
(-) Trade Debtors	11,265	-11,822	3,420	1,974	399
(-) Other Receivables	0	0	0	0	0
(+) Trade Creditors	1,726	-7,508	3,855	620	219
(+) Liabilities for Taxes	-38	-100	-19	2	0
(+) Other Short - Term Liabilities	-822	-39	-23	0	0
Change in Working Capital	-137	1,482	-1,823	-1,306	-578
Operating Cash Flow	5,478	9,485	3,544	5,658	6,462
<u>Change in:</u>					
(-) Intangible Assets	-29	0	0	0	0
(-) Tangible Assets	156	-95	79	50	50
(-) Other Long - Term Receivables	-548	8,088	609	0	0
(+) Other Long - Term Liabilities	-1,060	-740	-631	-2,284	-1,980
(+) Cons. Diff. / Minority Interests	1,060	1,378	642	1,078	1,132
Cash Flow from Investment	421	-7,355	-677	-1,256	-898
Net Cash Flow before Financing Activities	5,899	2,130	2,867	4,402	5,564
Net Change in Reserves	-57	-155	-268	0	0
Change in Long - Term Debt	34,256	11,116	-12,730	5,419	-5,000
Change in Short - Term Debt	-24,720	-23,071	6,447	-1,459	-2,000
Other Items and Dividends	0	0	0	0	0
Minority Interests on Profit	238	712	888	932	979
Net Cash Flow from Financing	9,241	-12,822	-7,439	3,028	-7,979
Cash at Beginning	5,475	20,615	9,923	5,351	12,780
Change in Cash and Marketable Securities	15,140	-10,692	-4,572	7,429	-2,415
Cash at End	20,615	9,923	5,351	12,780	10,365

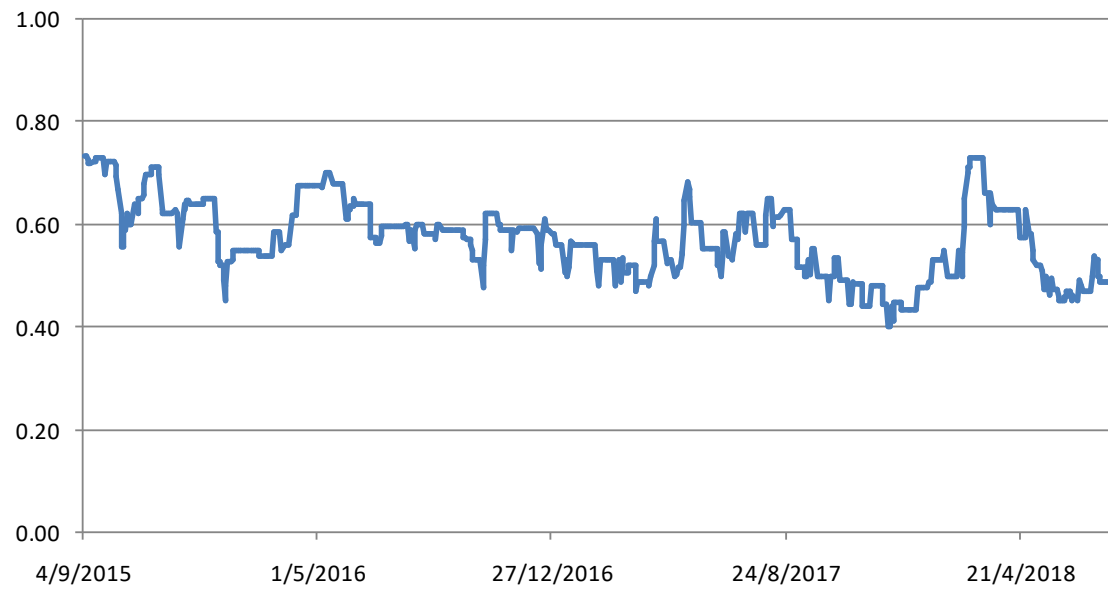
Financial Ratios

Source: Company, VRS Estimates.

PROFIT MARGINS	2014	2015	2016	2017	2018	2019
Gross Margin	20.98%	26.77%	24.85%	25.22%	25.20%	25.20%
EBITDA Margin	5.64%	12.51%	11.18%	11.56%	11.41%	11.41%
EBIT Margin	-1.73%	6.82%	5.36%	5.92%	5.73%	5.78%
Pre-Tax Profit Margin	-11.28%	1.20%	3.43%	0.26%	2.13%	2.21%
Net Profit Margin	-4.95%	-0.04%	1.87%	-1.02%	0.53%	0.55%
BALANCE SHEET RATIOS	2014	2015	2016	2017	2018	2019
Stock Days	287	183	193	166	200	200
Debtors Days	176	178	133	143	150	150
Creditors Days	147	131	89	107	110	110
Total Liab. / Total Equity	7.37	8.01	6.22	6.50	6.44	5.77
Bank Loans / Total Equity (D/E Ratio)	4.60	5.19	4.10	4.03	4.14	3.63
Current Ratio	1.01	1.64	2.61	1.99	2.26	2.32
Quick Ratio - Acid Ratio	0.48	1.08	1.41	1.04	1.29	1.30

Stock Price

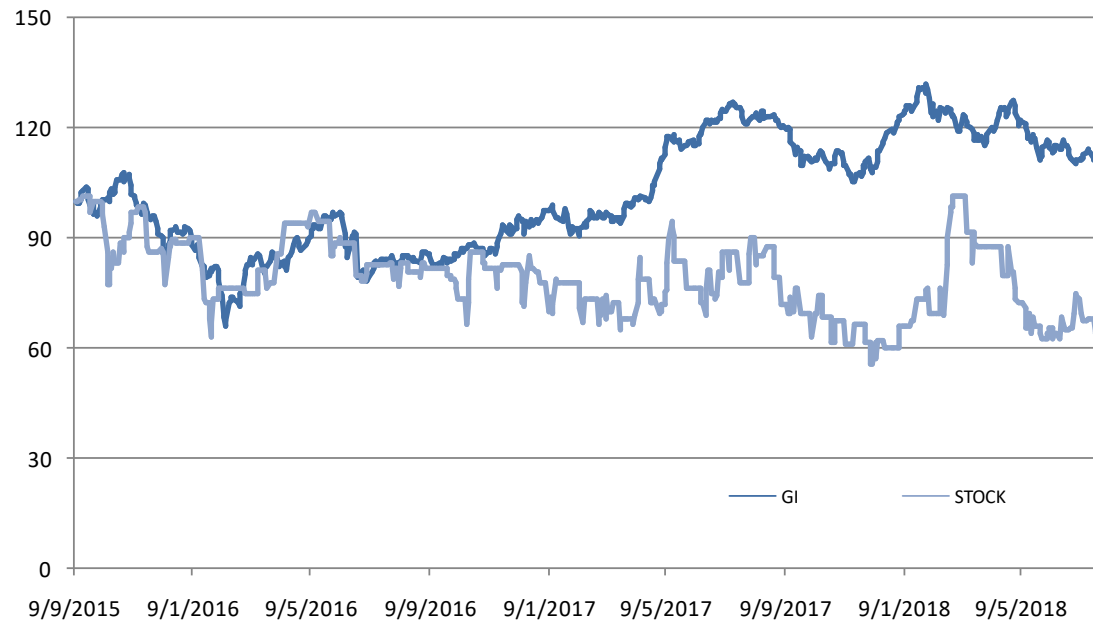
Period September 2015 – August 2018 | € (Euro) | Period as day/month/year



Source: Athens Exchange, Greece. | Note: If applicable, transaction value is depicted in € million (on the right axis).

Stock versus Athens Exchange General Index

Period September 2015 – August 2018 | Basis = 100 | Period as day/month/year



Source: Athens Exchange, Greece.

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
FG EUROPE S.A.	FGE:GA	ESKr.AT	€ 0.460	August 3, 2018	2, 3, 6

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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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VRS EQUITY RESEARCH TEAM

Dr. Nicholas Georgiadis, ngeorgiadis@valueinvest.gr
 Dr. Georgios A. Savvakis, gsavvakis@valueinvest.gr
 Zoe Vassiliou, zvassiliou@valueinvest.gr
 Maria Papadopoulou, mpapadopoulou@valueinvest.gr

INVESTMENT RESEARCH & ANALYSIS JOURNAL

Dr. Efstratios Livanis
 Assistant Editor