

KARATZIS S.A.

December 14, 2018

 [Bloomberg Ticker: KARTZ:GA] [Reuters Ticker: KRTr.AT]
 Listed on Athens Exchange, Greece

Greek Equities | Diversified Activities
 VRS Research Team | www.vrs.gr
Earnings Estimates Update
STOCK PRICE € 6.25 | MKT CAP € 91.75 MN

Business Overview

- Karatzis S.A. (the Company or the Group) is based in Greece and operates into 3 business segments:
 - **Manufacturing of Netting Materials;**
 - **Renewable Energy & Energy Supply;**
 - **Hospitality.**
- Karatzis S.A. is a **leading company in the netting materials sector** in Greece as well as **worldwide**.
- The new luxury hotel Nana Princess started its operations in **June 2018** and is expected to further boost the Group's revenues.
- In 2016, the subsidiary company KEN commenced operations in the electric energy sector. Within 2018, KEN succeeded especially **strong growth rates in terms of sales and retail outlets in the Greek market**.

Financial Highlights & Investment Considerations

- In FY2017, the company reported **29.5% and 6.6% sales and EBITDA growth respectively**. During the first half of 2018, KARATZIS reported a growth of 60.3% in sales and a slight contraction by -1.3% in EBITDA.
- During FY2018, we expect **strong growth in sales and a positive growth in EBITDA**.
- We have projected **15.5% sales CAGR for FY2017-FY2020** driven mostly **by the operation of the new hotel resort "Nana Princess", the expansion of electricity sales network and the stabilizing macroeconomic environment**.
- **EBITDA margin is estimated at 16%-17% in the period FY2017-FY2020** versus 21%-22% in the previous period as result of the inclusion and strong contribution of lower margin revenues, mainly from the energy segment, into the total turnover.
- Following the construction and successful operation of the new hotel resort, **the Group's CAPEX is expected to stabilize at significantly lower levels going forward**.
- Our estimates also indicate a relatively **stable capital structure (debt versus equity)** in the following 2 years, whereas both **current and quick ratios** are expected to remain healthy.

Important Note: The views presented in this report derive from judgments and estimates made by VRS Research Team. In compiling this report, VRS Research Team has not contacted and / or visited the Company's management.

KARATZIS S.A. – Summary of Consolidated Financials

December 14, 2018

(in € thous.)	TURNOVER	EBITDA	EBT	EATAM	EQUITY	BANK DEBT	DEBT / EQUITY (x)	P/E (x)	P/BV (x)	EV/EBITDA (x)	ROE %
2010	57,230	9,636	4,922	3,551	75,515	16,256	0.22	25.84	1.2	10.9	5%
2011	62,681	12,463	5,809	5,606	80,406	39,572	0.49	16.37	1.1	10.0	7%
2012	65,672	12,957	5,927	5,053	85,989	55,161	0.64	18.16	1.1	9.9	6%
2013	66,759	14,022	7,202	4,280	90,566	44,648	0.49	21.44	1.0	8.4	5%
2014	71,387	17,313	8,949	6,446	96,132	38,637	0.40	14.23	1.0	6.4	7%
2015	72,339	17,887	9,902	5,722	101,880	36,181	0.36	16.04	0.9	6.1	6%
2016	77,611	20,145	11,994	8,439	110,309	36,599	0.33	10.87	0.8	5.4	8%
2017	100,483	21,476	24,139	16,913	125,801	38,382	0.31	5.42	0.7	4.3	13%
2018	137,630	22,709	14,355	10,192	133,954	44,800	0.33	9.00	0.7	4.0	8%
2019	145,801	24,057	15,208	10,797	142,592	44,555	0.31	8.50	0.6	3.7	8%
2020	155,017	25,578	16,701	11,857	152,078	41,950	0.28	7.74	0.6	3.2	8%

Source: The Company, VRS Estimates

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

Important Note:

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Notes: Projections are based on IFRS consolidated accounts. Projected years concern the period 2018 – 2020.

H1 2018 Results

In € thous. | Source: Company

Financial Results

	H1 2017	H1 2018
Sales	49,055	78,674
y-o-y Change %		60.38%
EBITDA	10,304	10,175
% of Sales	21.01%	20.74%
y-o-y Change %		-1.26%
EBIT	7,368	7,097
% of Sales	15.02%	14.47%
y-o-y Change %		-3.67%
EATAM	4,563	4,635
% of Sales	9.30%	9.45%
y-o-y Change %		1.59%

Financial Position

	Q4 2017	H1 2018
Total Non-Current Assets	108,111	119,784
% Total Assets	54.51%	51.78%
Total Current Assets	90,222	111,545
% Total Assets	45.49%	48.22%
TOTAL ASSETS	198,333	231,329
Total Equity	125,634	129,848
% Total Equity & Liabilities	63.35%	56.13%
Total L-Term Liabilities	31,113	36,894
Total Current Liabilities	41,586	64,587
Total Liabilities	72,699	101,481
% Total Equity & Liabilities	36.65%	43.87%
TOTAL EQUITY & LIABILITIES	198,333	231,329

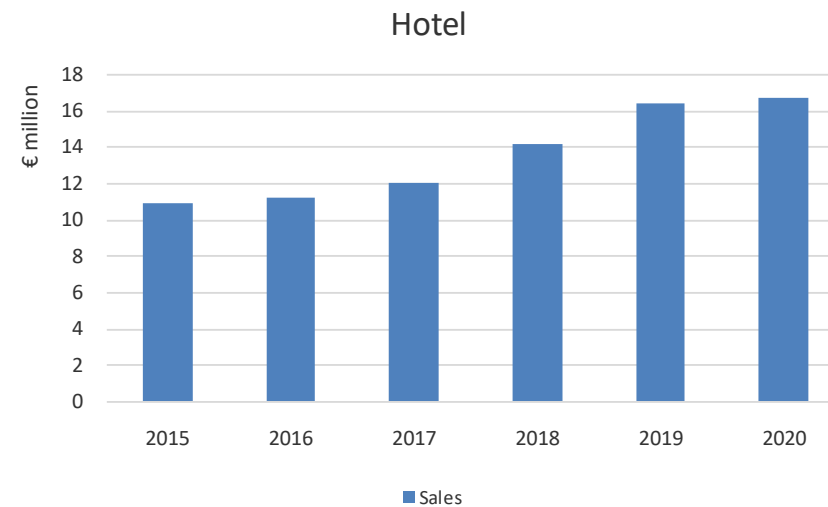
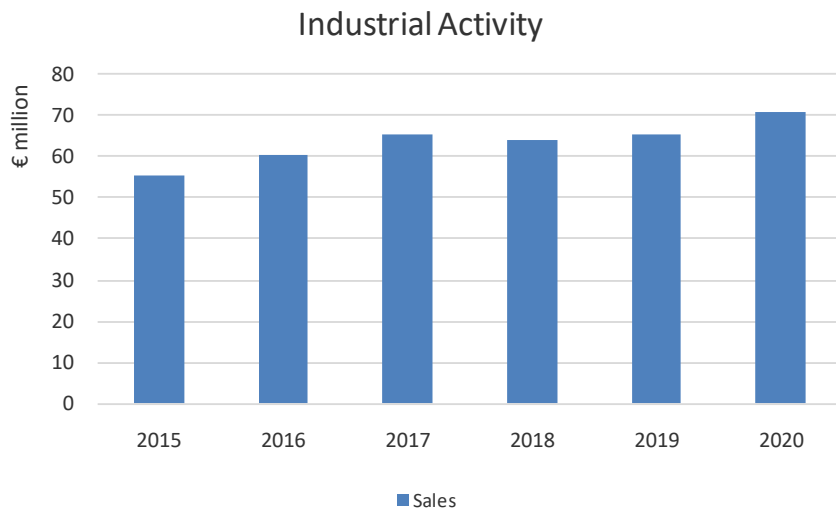
Income Statement

In € thous. | Source: Company, VRS Estimates.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Turnover	62,681	65,672	66,759	71,387	72,339	77,611	100,483	137,630	145,801	155,017
y-o-y Change %	9.5%	4.8%	1.7%	6.9%	1.3%	7.3%	29.5%	37.0%	5.9%	6.3%
Cost of Sales	42,764	44,107	44,514	46,734	47,534	50,207	67,711	101,846	107,893	114,713
% of Turnover	68.2%	67.2%	66.7%	65.5%	65.7%	64.7%	67.4%	74.0%	74.0%	74.0%
y-o-y Change %	4.5%	3.1%	0.9%	5.0%	1.7%	5.6%	34.9%	50.4%	5.9%	6.3%
Total Gross Operating Results	19,916	21,565	22,245	24,652	24,805	27,404	32,772	35,784	37,908	40,304
Gross Operating Margin	31.8%	32.8%	33.3%	34.5%	34.3%	35.3%	32.6%	26.0%	26.0%	26.0%
y-o-y Change %	22.0%	8.3%	3.2%	10.8%	0.6%	10.5%	19.6%	9.2%	5.9%	6.3%
Operating Expenses	7,453	8,608	8,224	7,339	6,918	7,259	11,296	13,075	13,851	14,727
% of Turnover	11.9%	13.1%	12.3%	10.3%	9.6%	9.4%	11.2%	9.5%	9.5%	9.5%
y-o-y Change %	0.0%	15.5%	-4.5%	-10.8%	-5.7%	4.9%	55.6%	15.8%	5.9%	6.3%
EBITDA	12,463	12,957	14,022	17,313	17,887	20,145	21,476	22,709	24,057	25,578
EBITDA Margin	19.9%	19.7%	21.0%	24.3%	24.7%	26.0%	21.4%	16.5%	16.5%	16.5%
y-o-y Change %	0.0%	4.0%	8.2%	23.5%	3.3%	12.6%	6.6%	5.7%	5.9%	6.3%
Depreciation	5,053	5,400	5,972	6,024	6,124	6,316	6,620	6,783	7,309	7,488
% of Turnover	8.1%	8.2%	8.9%	8.4%	8.5%	8.1%	6.6%	4.9%	5.0%	4.8%
EBIT	7,411	7,558	8,049	11,289	11,763	13,829	14,857	15,926	16,749	18,090
% of Turnover	11.8%	11.5%	12.1%	15.8%	16.3%	17.8%	14.8%	11.6%	11.5%	11.7%
y-o-y Change %	42.5%	2.0%	6.5%	40.3%	4.2%	17.6%	7.4%	7.2%	5.2%	8.0%
Net Financial Results	-1,601	-1,631	-847	-2,341	-1,861	-1,835	9,283	-1,571	-1,541	-1,389
Net Results Before Taxes	5,809	5,927	7,202	8,949	9,902	11,994	24,139	14,355	15,208	16,701
EBT Margin	9.3%	9.0%	10.8%	12.5%	13.7%	15.5%	24.0%	10.4%	10.4%	10.8%
y-o-y Change %	18.0%	2.0%	21.5%	24.3%	10.6%	21.1%	101.3%	-40.5%	5.9%	9.8%
Income Tax	205	866	2,743	2,497	4,174	3,555	7,495	4,163	4,410	4,843
Effective Tax Rate	3.5%	14.6%	38.1%	27.9%	42.2%	29.6%	31.0%	29.0%	29.0%	29.0%
Net Results After Taxes	5,605	5,061	4,279	6,452	5,728	8,439	16,644	10,192	10,797	11,857
EAT Margin	8.9%	7.7%	6.4%	9.0%	7.9%	10.9%	16.6%	7.4%	7.4%	7.6%
y-o-y Change %	57.8%	-9.7%	-15.5%	50.8%	-11.2%	47.3%	97.2%	-38.8%	5.9%	9.8%
Net Results (a.t.&m.i.)	5,606	5,053	4,280	6,446	5,722	8,439	16,913	10,192	10,797	11,857
Net Margin	8.9%	7.7%	6.4%	9.0%	7.9%	10.9%	16.8%	7.4%	7.4%	7.6%
y-o-y Change %	57.9%	-9.9%	-15.3%	50.6%	-11.2%	47.5%	100.4%	-39.7%	5.9%	9.8%

Segment Analysis (1)

Source: Company, VRS Estimates



Key Drivers:

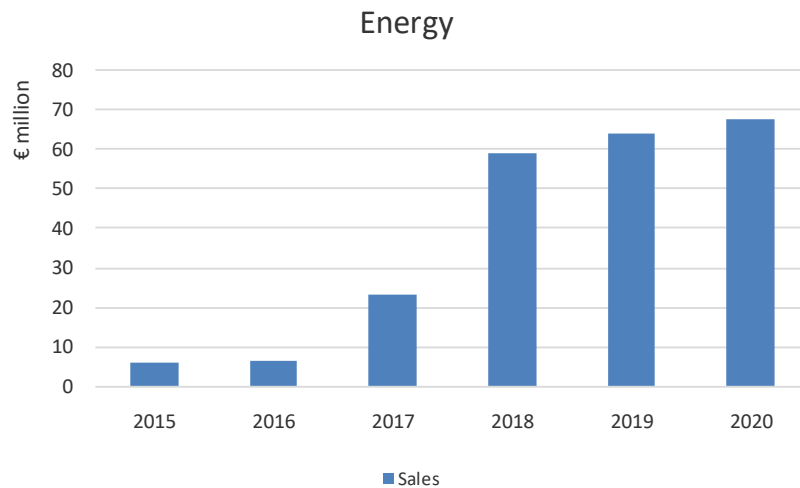
- Highly modernized production facilities, production capacity of over 40,000 tons annually, and commercial network based on subsidiaries in Spain, Italy, UK and Russia;
- Strong export orientation with exports representing over 95% of industrial production, channeled into 64 countries worldwide;
- Plans to expand production and warehouse facilities over the next 3 years.

Key Drivers:

- 5-Star, all inclusive hotel resort “Nana Beach”, 505 rooms. Plan for renovation amounting to € 1.5 million;
- Venture of a second 5-Star hotel, “Nana Princess”, 108 rooms; Investment of € 25 million;
- Strong inbound tourism performance in the broader Greek market. Steadily high demand for high-premium hotel resorts.

Segment Analysis (2)

Source: Company, VRS Estimates



Key Drivers:

- Solar parks in Greece with a total installed capacity of 15 MW;
- Trading of electric energy domestically and internationally; Generation of revenues in the Greek market via KEN subsidiary, a licensed supplier of electricity in the domestic market. The company targets 50,000 connections as of end 2018.

Balance Sheet – Asset Side

In € thous. | Source: Company, VRS Estimates.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assets										
Intangible Assets	2,827	2,849	2,680	2,715	2,735	2,881	2,986	3,136	3,286	3,436
Accumulated Depreciation	410	565	775	960	1,154	1,276	1,413	1,689	1,978	2,280
Net Intangible Assets	2,417	2,284	1,905	1,755	1,581	1,605	1,572	1,447	1,308	1,156
Tangible Assets	136,482	148,484	154,920	161,900	164,932	171,338	179,779	195,579	200,413	205,168
Accumulated Depreciation	42,059	44,311	50,053	55,692	61,618	67,737	74,149	80,656	87,676	94,862
Net Tangible Assets	94,423	104,172	104,867	106,209	103,315	103,601	105,630	114,922	112,737	110,306
Other L-term assets - Deferred Tax	157	164	277	408	672	844	909	864	897	1,015
Total Non-Current Assets	96,997	106,620	107,050	108,372	105,567	106,050	108,111	117,233	114,942	112,477
% Total Assets	70.91%	67.56%	68.97%	71.22%	67.14%	63.15%	54.51%	52.44%	49.31%	46.87%
Inventories	19,120	16,158	16,136	13,191	20,218	25,585	25,632	30,693	37,541	40,857
Trade Receivables	9,929	10,614	9,413	8,481	8,454	11,592	15,188	18,853	20,372	22,085
Other Items	3,766	5,425	3,319	2,985	3,657	4,671	12,588	12,000	12,000	12,000
Cash in Bank and at Hand	6,969	18,995	19,289	19,134	19,347	20,038	36,814	44,773	48,233	52,575
Total Current Assets	39,784	51,192	48,157	43,792	51,676	61,886	90,222	106,320	118,146	127,516
% Total Assets	29.09%	32.44%	31.03%	28.78%	32.86%	36.85%	45.49%	47.56%	50.69%	53.13%
TOTAL ASSETS	136,781	157,812	155,207	152,164	157,243	167,937	198,333	223,554	233,088	239,993

Balance Sheet – Liability Side

In € thous. | Source: Company, VRS Estimates.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Equity & Liabilities										
Share Capital	21,139	21,139	24,662	24,662	24,662	24,662	24,662	24,662	24,662	24,662
Share Premium Account	21,219	20,456	19,993	19,993	19,993	19,993	19,993	19,993	19,993	19,993
Reserves & Profit Carried Forward	38,048	44,394	45,911	51,477	57,225	65,654	81,146	89,299	97,937	107,423
Minority Rights	46	55	54	60	37	85	-166	-15	-32	-71
Total Equity	80,452	86,043	90,620	96,192	101,917	110,394	125,634	133,939	142,560	152,007
% Total Equity & Liabilities	58.82%	54.52%	58.39%	63.22%	64.81%	65.74%	63.35%	59.91%	61.16%	63.34%
L-Term Bank Loans	11,431	23,372	19,870	16,054	12,824	8,851	22,414	28,000	27,500	25,000
Provisions	1,049	921	589	755	804	842	914	915	1,098	976
Deferred Tax Liabilities	4,077	3,978	4,795	4,668	5,588	5,314	5,020	4,705	4,768	4,855
Total L-Term Liabilities	19,842	31,612	28,259	23,957	21,678	17,439	31,113	36,630	36,329	33,751
Suppliers	6,118	4,946	6,550	4,851	4,977	6,347	10,971	16,184	17,145	17,285
Banks	25,963	29,360	22,628	21,142	22,322	26,865	13,747	15,000	15,000	15,000
Taxes-Duties	754	1,736	2,595	2,921	3,785	4,478	8,357	10,000	10,000	10,000
Other Payables & Prepayments	1,475	1,685	2,405	1,658	1,530	1,530	6,290	10,000	10,000	10,000
Total Current Liabilities	36,488	40,157	36,329	32,014	33,649	40,104	41,586	52,984	54,200	54,235
Total Liabilities	56,329	71,769	64,587	55,971	55,327	57,543	72,699	89,614	90,528	87,986
% Total Equity & Liabilities	41.18%	45.48%	41.61%	36.78%	35.19%	34.26%	36.65%	40.09%	38.84%	36.66%
TOTAL EQUITY & LIABILITIES	136,781	157,812	155,207	152,164	157,243	167,937	198,333	223,554	233,088	239,993

Cash Flow Statement

In € thous. | Source: Company, VRS Estimates.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Profit after Tax	5,605	5,061	4,279	6,452	5,728	8,439	16,644	10,192	10,797	11,857
Plus: Change of Depreciation	5,053	5,400	5,972	6,024	6,124	6,316	6,620	6,783	7,309	7,488
Plus: Depreciation Differences from sales/acquisitions	-1,960	-2,991	-21	-200	-4	-76	-70	0	0	0
Gross Cash Flow	8,697	7,469	10,230	12,275	11,848	14,679	23,194	16,975	18,106	19,345
<u>Change in:</u>										
(-) Trade Debtors	960	685	-1,201	-932	-28	3,138	3,596	3,666	1,519	1,712
(-) Other Receivables	906	1,659	-2,107	-333	672	1,014	7,917	-588	0	0
(+) Trade Creditors	535	-1,172	1,604	-1,699	126	1,370	4,623	5,213	961	141
(+) Liabilities for Taxes	-1,082	982	859	326	864	693	3,879	1,643	0	0
(+) Other Short - Term Liabilities	-87	211	720	-747	-129	0	4,761	3,710	0	0
Change in Working Capital	-5,891	638	6,513	2,089	-6,809	-7,456	1,703	2,427	-7,405	-4,887
Operating Cash Flow	2,806	8,108	16,743	14,365	5,039	7,223	24,898	19,401	10,701	14,458
<u>Change in:</u>										
(-) Intangible Assets	12	23	-169	34	20	146	105	150	150	150
(-) Tangible Assets	21,514	12,002	6,436	6,980	3,032	6,406	8,441	15,800	4,835	4,755
(-) Other Long - Term Receivables	-175	7	114	131	264	172	65	-45	33	118
(+) Other Long - Term Liabilities	-64	-170	149	-485	950	-265	110	-68	198	-78
(+) Cons. Diff. / Minority Interests	46	9	-1	7	-24	49	-251	151	-17	-39
Cash Flow from Investment	-21,369	-12,193	-6,233	-7,624	-2,390	-6,940	-8,752	-15,822	-4,836	-5,140
Net Cash Flow before Financing Activities	-18,563	-4,085	10,510	6,741	2,649	283	16,146	3,580	5,864	9,318
Net Change in Reserves	239	1,293	-2,763	-879	26	-10	-393	0	0	0
Change in Long - Term Debt	9,748	11,941	-3,502	-3,816	-3,229	-3,973	13,563	5,586	-500	-2,500
Change in Short - Term Debt	13,568	3,649	-7,011	-2,195	773	4,391	-11,780	832	255	-105
Other Items and Dividends	954	0	0	0	0	0	1,028	2,038	2,159	2,371
Minority Interests on Profit	-1	9	-1	7	6	0	-268	0	0	0
Net Cash Flow from Financing	22,602	16,111	-10,215	-6,896	-2,436	408	631	4,379	-2,404	-4,976
Cash at Beginning	2,930	6,969	18,995	19,289	19,134	19,347	20,038	36,814	44,773	48,233
Change in Cash and Marketable Securities	4,039	12,026	295	-155	213	691	16,777	7,959	3,460	4,342
Cash at End	6,969	18,995	19,289	19,134	19,347	20,038	36,814	44,773	48,233	52,575

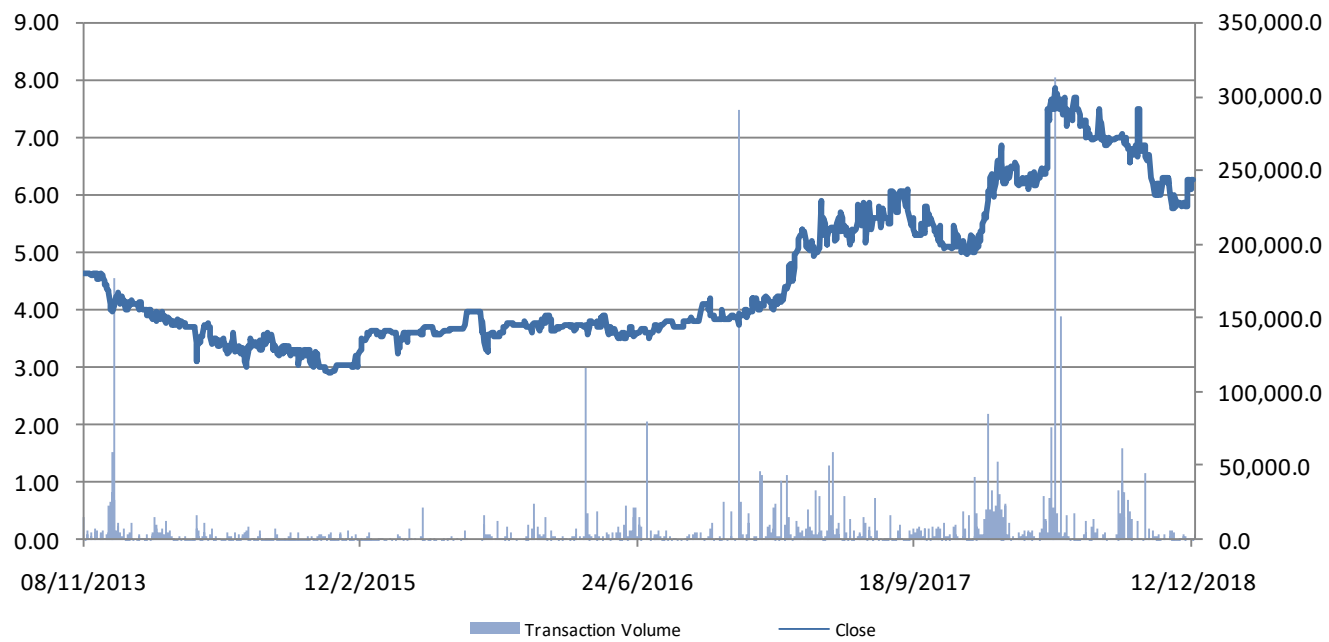
Financial Ratios

In € thous. | Source: Company, VRS Estimates.

PROFIT MARGINS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross Margin	31.77%	32.84%	33.32%	34.53%	34.29%	35.31%	32.61%	26.00%	26.00%	26.00%
EBITDA Margin	19.88%	19.73%	21.00%	24.25%	24.73%	25.96%	21.37%	16.50%	16.50%	16.50%
EBIT Margin	11.82%	11.51%	12.06%	15.81%	16.26%	17.82%	14.79%	11.57%	11.49%	11.67%
Pre-Tax Profit Margin	9.27%	9.03%	10.79%	12.54%	13.69%	15.45%	24.02%	10.43%	10.43%	10.77%
Net Profit Margin	8.94%	7.69%	6.41%	9.03%	7.91%	10.87%	16.83%	7.41%	7.41%	7.65%
BALANCE SHEET RATIOS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Stock Days	163	134	132	103	155	186	138	110	127	130
Debtors Days	58	59	51	43	43	55	55	50	51	52
Creditors Days	52	41	54	38	38	46	59	58	58	55
Total Liab. / Total Equity	0.70	0.83	0.71	0.58	0.54	0.52	0.58	0.67	0.63	0.58
Bank Loans / Total Equity (D/E Ratio)	0.49	0.64	0.49	0.40	0.36	0.33	0.31	0.33	0.31	0.28
Current Ratio	1.09	1.27	1.33	1.37	1.54	1.54	2.17	2.01	2.18	2.35
Quick Ratio - Acid Ratio	0.57	0.87	0.88	0.96	0.93	0.91	1.55	1.43	1.49	1.60

Stock Price

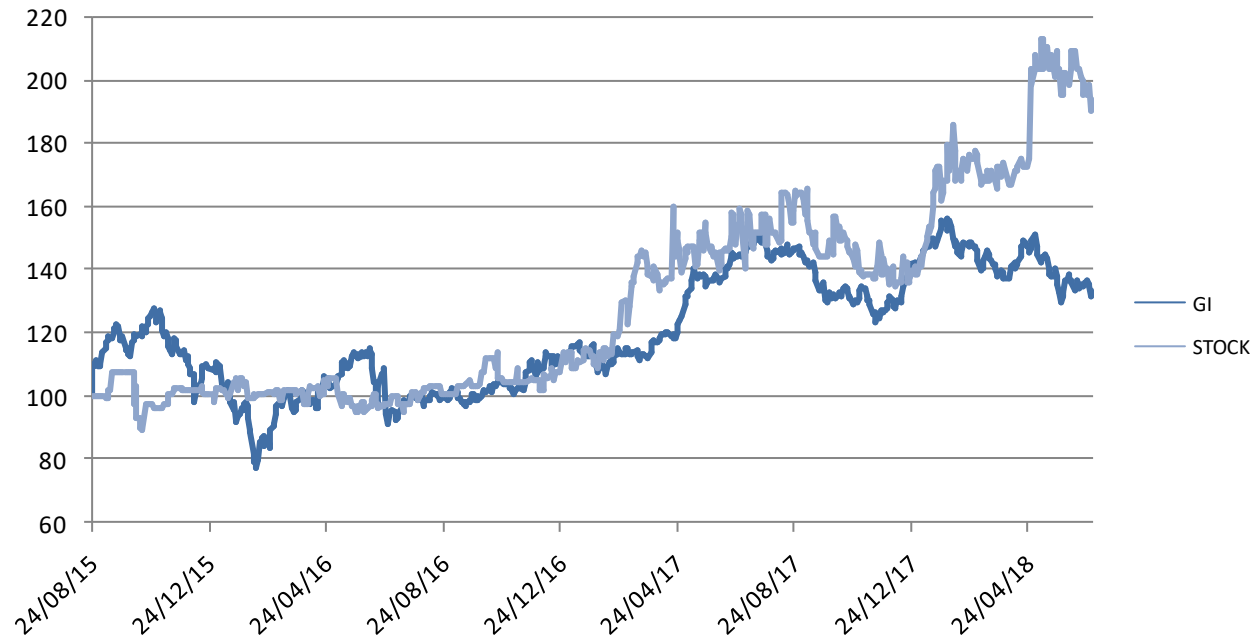
Period November 2013 – December 2018 | € (Euro) | Period as day/month/year



Source: Athens Exchange. | Note: Transaction volume is depicted in number of shares (on the right axis).

Stock versus Athens Exchange General Index

Period November 2013 – December 2018 | Basis = 100 | Period as day/month/year



Source: Athens Exchange.

NOTES

NOTES

DISCLOSURE STATEMENT (1)

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KARATZIS S.A.	KARTZ:GA	KRTr.AT	€ 6.25	December 14, 2018	6

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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

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104 Aioulou Str., 105 64, Athens, Greece | Tel:+30 210 3219557, Mob:+30 6945 851420

29, Rue Alphonse Munchen, L-2172 Luxembourg, Grand Duchy of Luxembourg | Tel:+352 661 337 023

Email: info@vrs.gr | info@valueinvest.gr

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