



# Public Power Corporation

Utilities / Greece

Reuters/Bloomberg: DEHR.AT / PPC GA

August 02, 2024

## 2Q24/1H24 Earnings Preview

PPC is scheduled to release its 2Q24/1H24 results on August 6 after market close. We expect the company to report another robust set of results assisted by continuing strong profits from the distribution segment and the resilient integrated model. Romanian operations to add to the group's profitability while in 2Q24 PPC to incorporate for the first time the electronics retailer Kotsovolos in the group's financial results. Our forecasts call for 1H24 adj. EBITDA of EUR 904.5m, 53.4% higher y-o-y with net profit after minorities at EUR 111.1m vs. EUR 175.6m in 1H23. The increased minorities are due to higher profitability from the Greek distribution, the Romania operations, as well as non-cash one offs related to JVs in which PPC has minorities and these JVs have signed PPAs (marked-to-market).

Accounting for the robust operating profitability but also the elevated capex (incl. the acquisition of Kotsovolos) and the seasonally increased WC, we expect net debt to increase to c. EUR 3.8bn vs. EUR 3.34bn at the end of 1Q24. The company will hold an analyst call on the same day at 16:00 UK time (dial ins: GR +30 213 009 6000, UK +44 (0) 203 059 5872, US +1 516 447 5632).

Focusing on the Greek operations, in 1H24, total sales of PPC in the Greek market are estimated at c. 11TWh, lower by c. 13% y-o-y, as a result of lower market demand and a declining market share. We assume sales of 5.2TWh in 2Q24 (-9.6% y-o-y).

We model PPC's market share in 2Q24 at c. 51% (similar levels with 1Q24) but nevertheless lower than the 55.8% market share in 2Q23 mainly due to the expiration of numerous high voltage contracts by the end of 2023. We note that High Voltage contracts have been the least profitable in PPC's sales mix.

In 1H24, we estimate PPC's total sales of EUR 3.9bn (+9% y-o-y). Greek and Romanian energy sales are estimated at c. EUR 2.9bn, decreasing 8.4% y-o-y. On top, we incorporate other sales in Greece and Romania as well as sales of the recently acquired technology retailer Kotsovolos. Regarding the latter, for 2Q24, we assume sales of EUR 105m that reflect the full consolidation of the company for 2 months.

Moving on to costs, in 1H24, we estimate fuel costs (liquid fuels and natural gas) at EUR 681.8m (+5% y-o-y), reflecting on the one hand decreased liquid fuel costs by -1.9% y-o-y but on the other, increased natural gas costs (+10.7% y-o-y). The latter is on the back of higher production from gas-fired plants despite the lower gas prices.

We anticipate CO2 expenses to settle 6.8% lower y-o-y at EUR 367.6m, due to substantially lower lignite production, part of which is generated from the new and more efficient Ptolemaida V plant. PPC's expenditure for energy purchases in Greece is estimated at EUR 660.4m or 39.3% lower y-o-y due to lower energy prices and market share.

We expect payroll cost to increase by 10% y-o-y in 1H24 incorporating the Romanian operations as well as Kotsovolos. Provisions to settle at EUR 140.1m (after reporting EUR 92.7m in 1Q24). Other costs, excluding provisions, are seen at EUR 759m, incorporating for the first-time the Romanian operations as well as Kotsovolos in 2Q24.

All in all, we estimate adj. EBITDA in 1H24 to settle at EUR 904.5m (+50.4% y-o-y) and reported EBITDA of EUR 872.6m (+50.9% y-o-y).

Below the EBITDA line, in 1H24, we account for an increase of depreciation charges to EUR 448.5m (+46.1% y-o-y) due to the consolidation of the Romanian operations and Kotsovolos as well as asset expansion. We also account for increased net financial expenses that should be 33.5% higher y-o-y to EUR 177.2m due to the increased debt as a result of the acquisition in Romania and the capex expansion.

The above lead to 1H24 reported pre-tax earnings of EUR 247.1m, 11.6% lower y-o-y. Recall that last year's H1 results incorporated the proceeds from the sale of a subsidiary/spin-off of post-lignite branch. We expect net profit after minorities to settle at EUR 111.1m vs. EUR 175.6m in 1H23 (-36.7% y-o-y). As noted before, the increased minorities are due to increased profitability from Greek distribution, the incorporation of the Romanian assets as well as non-cash one offs related to JVs in which PPC has minorities and these JVs have signed PPAs.

Given ongoing capital expenditure as part of PPC's strategic plan implemented in the following years (incl. the acquisition of Kotsovolos), the seasonally increased WC and strong operating profitability, we forecast an increase in net debt to c. EUR 3.8bn compared to EUR 3.34bn at the end of 1Q24.

In the conference call, we expect to hear about the impact from the fluctuating energy prices in Greece and the progress of investments in Greece and in Romania.

## Rating

Buy

## Target Price

22.60

Current share price\* (EUR)

11.50

\*01/08/24

## Stock data

Market Cap (EUR m) 4,121.4

Free float 42.6%

EV (EUR m) 8,275.6

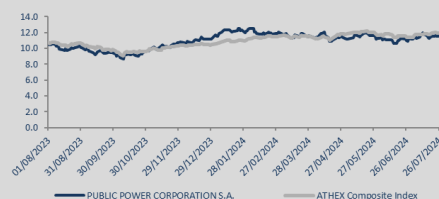
Number of shares (m) 382.0

Performance	1m	3m	12m
Absolute (%)	2.7	2.3	7.0
ASE (%)	3.8	1.8	11.3

ADV-12m (k) 447.78

Price high-12 m (EUR) 12.67

Price low-12m (EUR) 8.50



Shareholders: Hellenic Corporation of Assets and Participations (34.12%), CVC (10.0%), Helikon Investments (6.97%), Public Power Corporation (6.27%)

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EUR m	2Q23	2Q24E	y-o-y	1H23	1H24E	y-o-y
<b>Total Revenues</b>	<b>1,589.2</b>	<b>1,967.4</b>	<b>23.8%</b>	<b>3,582.0</b>	<b>3,903.7</b>	<b>9.0%</b>
Labour	201.8	213.9	6.0%	382.3	420.4	10.0%
Liquid fuels	152.4	170.7	12.0%	294.7	289.0	-1.9%
Natural gas	140.4	168.5	20.0%	354.7	392.8	10.7%
CO2	164.0	174.8	6.6%	394.5	367.6	-6.8%
Energy purchases	367.7	310.0	-15.7%	1,088.3	660.4	-39.3%
Provisions for expected credit losses	47.4	47.4	0.0%	81.5	140.1	71.9%
Other*	217.7	435.0	99.8%	407.7	758.9	86.1%
Total opex-recurring	1,280.1	1,522.3	18.9%	2,992.3	3,029.2	1.2%
<b>adj. EBITDA</b>	<b>309.1</b>	<b>445.2</b>	<b>44.0%</b>	<b>589.7</b>	<b>904.5</b>	<b>53.4%</b>
adj. EBT	217.7	123.9	-43.1%	145.2	278.6	91.9%
<b>Reported EBITDA</b>	<b>297.7</b>	<b>445.2</b>	<b>49.5%</b>	<b>578.3</b>	<b>872.6</b>	<b>50.9%</b>
Reported EBT	206.3	123.9	-39.9%	279.6	247.1	-10.6%
Minorities	9.8	22.0	124.5%	5.9	67.7	NM
<b>Net Income after minorities</b>	<b>120.6</b>	<b>70.9</b>	<b>-41.2%</b>	<b>175.6</b>	<b>111.1</b>	<b>-36.7%</b>

\*incl. revaluation from PPAs and Kotsovolos. Source: The Company, AXIA Research

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\*\*Total return: % price appreciation equals percentage change in share price from current price to projected target price plus projected dividend yield

#### Rating history for PUBLIC POWER CORPORATION S.A.

Date	Rating	Share Price (EUR)	Target Price (EUR)
31/10/2013	Buy	10.67	12.60
26/04/2014	Buy	11.21	13.30
26/02/2015	Buy	7.50	8.90
25/05/2015	Under Review	5.06	U/R
03/06/2015	Neutral	4.68	5.50
08/03/2015	Under Review	4.14	U/R
18/12/2015	Sell	4.17	3.70
18/04/2016	Neutral	2.96	2.90
02/11/2016	Neutral	2.93	3.20
29/03/2017	Neutral	2.75	3.20
22/06/2017	Under Review	2.31	U/R
18/07/2017	Neutral	2.30	2.20
11/09/2018	Neutral	1.60	1.80
03/07/2019	Neutral	2.34	1.90
29/11/2019	Buy	3.15	7.30
30/30/2020	Buy	2.20	7.30
16/06/2020	Buy	3.34	7.30
28/01/2021	Buy	6.68	15.10

18/03/2021	Buy	9.08	15.10
07/09/2021	Under Review	5.49	U/R
05/12/2022	Buy	6.48	13.20
14/02/2023	Buy	7.98	13.20
24/01/2024	Under Review	12.48	UR
12/02/2024	Buy	11.90*	22.60

\*close price as of 12/02/2024

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Coverage Universe	Count	Percent	Of which Investment Banking Relationships	Count	Percent
Buy	16	52%	5	5	20%
Neutral					
Sell					
Restricted					
Not Rated	3	10%			
Under Review	12	39%	1	1	3%

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