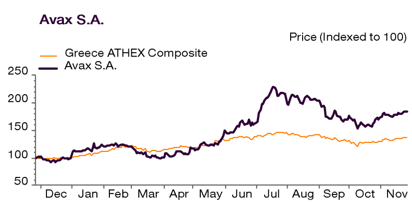
Initiation of coverage

Recommendation	
Rating	**BUY**
Target Price	**€2.79**
Share Price	€1.39
Price date	29/11/2023
Upside/Downside	101.0%
Bloomberg ticker	AVAX GA
Reuters ticker	AVAX.AT

Statistics	
Mkt Cap (EUR m)	202.1
Shares out (m)	144.3
Free float	42.4%
Daily avg shares (th) | 12mths	96.1
Price high | 12mths	€1.79
Price low | 12mths	€0.70
ABS. PERF. | YtD	+84.2%
ABS. PERF. | 12mths	+83.1%
ABS. PERF. | 3mths	-11.1%
ABS. PERF. | 1mth	+5.7%

Graph | indexed vs. ASE index | 12M



Source: FactSet

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Warming up the Engines

A leading construction player | AVAX is one of the largest three domestic construction companies, with a long and successful track record in various landmark infrastructure projects in Greece (Athens Metro, national road network, Attiki ring road, Rio-Antirrio bridge etc) and also abroad. Additionally, the group is also active in the concessions sector, mainly through participations, which improves the visibility of its future cash flows. Finally, the Group is present in the energy sector, with emphasis on energy industrial projects, (EPC of power generation, LNG plants and other projects), while recently sold its electricity supply and RES subsidiaries.

Investment case | After the prolonged Greek crisis and the devastating impact on the domestic construction sector (construction activity dropped by c. 75% in 2015 compared to the high recorded in 2008) and the resulted concentration of the sector to fewer surviving players, the sectoral prospects appear, in our view, positive, driven by a) the acceleration of the execution of major infrastructure projects in the following years, b) the stimulus from the National Recovery and Resilience Fund, with construction claiming up to EUR 27bn (EUR 13.3bn of which grants) according to IOBE, c) the improvement of the construction margins, driven by the increased backlog and the concentration of competition to fewer players and d) the pick-up of the residential demand, as the housing stock remains low.

Valuation | We initiate coverage on AVAX with a Buy rating and a TP24e of EUR 2.79/share, implying a hefty potential upside of 101%. We value AVAX using a sum of the parts model, based on a DCF model with explicit forecasts for 2023-30e for the construction segment, we use DDM and BV (when applicable) for the concessions portfolio, and also BV of the other assets (except for the VOLTERRA supply, for which we use the agreed consideration for the sale to Mytilineos).

Upside catalysts | Main upside catalysts for AVAX compared to our valuation could arise from a) winning new major construction, concessions and/or BOT projects, on a higher-than-expected rate, b) easing of raw material and other costs could offer wider gross profit margins in already awarded projects, c) increased Traffic in Existing Concessions could drive higher than expected dividends received

High growth rates | We project sales CAGR of 18% over 2022-2026e, EBITDA CAGR of 13% and recurring net profit CAGR of 40%. Construction is expected to be the main growth contributor for the Group, exhibiting in our numbers sales and EBITDA CAGRs of 19% and 32% respectively over the same period. The strong expected profitability is expected to support both the further deleverage efforts of the Company (we estimate Net Debt/EBITDA down to 4.0x by 2026e from 5.8x in 2022) and also the shareholders remuneration (we see DPS up to EUR 0.10 in 2026e from EUR 0.03 this year).

Downside risks | Key downside risks to our valuation include a) Execution Risks – delays in the commencement or slowdown of the execution pace on projects already awarded to the Company, b) delays in payments by the Greek State, c) limited geographic differentiation-as Greece accounted for c90.0% of AVAX' group sales in 1H23, d) failure to win new projects and e) lower-than-Expected Construction Margins.

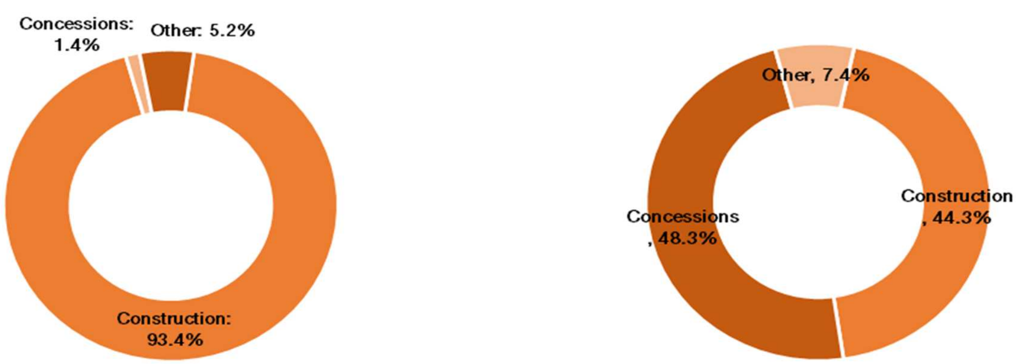
Forecasts	2021	2022	2023f	2024f	2025f	2026f
Revenues	592,215	402,709	467,606	626,786	730,026	780,327
EBITDA	35,249	51,691	48,450	62,928	76,709	84,176
Adj net profit*	(14,059)	38,110	14,957	27,818	40,702	47,960
Adj. EPS*	(0.10)	0.26	0.10	0.19	0.28	0.33
DPS	0.00	0.07	0.03	0.06	0.08	0.10
Valuation Ratios	**2021**	**2022**	**2023f**	**2024f**	**2025f**	**2026f**
P / E (x)	(7.9x)	4.1x	11.1x	6.6x	5.2x	5.1x
EV / EBITDA (x)	15.4x	7.9x	10.4x	8.7x	7.0x	6.4x
Net Debt/EBITDA	11.2x	5.8x	6.2x	5.5x	4.4x	4.0x
Payout ratio	0%	0%	30%	30%	30%	30%
Div. Yield (%)	0.0%	9.2%	2.2%	4.2%	6.1%	7.2%

Source: Optima bank, the Company

Company Description

Avax was established in 1986 and is one of the Top Tier construction groups in Greece. AVAX S.A. was listed on the Athens Stock Exchange's Main Market in 1994 and is based in Marousi, in the Attica prefecture. It boasts substantial expertise spanning the entire spectrum of construction activities (infrastructure projects, civil engineering, BOTs, precast works, real estate etc.) both in Greece and abroad. In 2002, AVAX S.A. merged with its subsidiaries J&P (Hellas) S.A. and ETEK S.A. and was renamed into J&P-AVAX S.A, whereas
another 100% subsidiary unit, namely ETETH S.A., merged with its own subsidiary AIXMI S.A. The new business entities which evolved out of these mergers made use of Law 2940/2001 on contractors' certification for public works. The Group's leading company AVAX S.A. was awarded a 7th-class public works certificate, which is the highest class available, whereas ETETH S.A. acquired a 6th-class certificate. In 2007 Avax SA acquired the subsidiary Athena SA, which during 2018 was merged by absorption by the Company following the submission of an optional public offer and the exercise of the squeeze-out right of the minority shareholders of ATHENA SA. At the beginning of 2019, the Company was renamed to AVAX SA again.
The group has presence in construction, energy, concessions/PPPS, real estate, vehicle technical inspection and facilities management. The company has also established a strong footprint in the Balkans and the Middle East. Greece accounted for 91% of group revenues and 100% of group EBITDA in 1H23. Foreign operations accounted for 9% of group revenues (which however is set to increase going forward, as the foreign projects currently account for c. 20% of group backlog in our estimates).
Construction is the main activity of the group and accounted for 93.4% of group revenues and 44.3% of EBITDA in 1H2023. Concessions accounted for 1.4% of group revenues and 48.3% of EBITDA. Other activities have a small contribution and accounted for 5.2% of revenues and 7.4% of EBITDA respectively. The company's construction backlog was shaped at EUR 2.7bn in 1H23 vs. EUR 1.86bn in 2022.

Graph 1: Revenues and EBITDA breakdown 1H23



Source: Optima bank, the Company

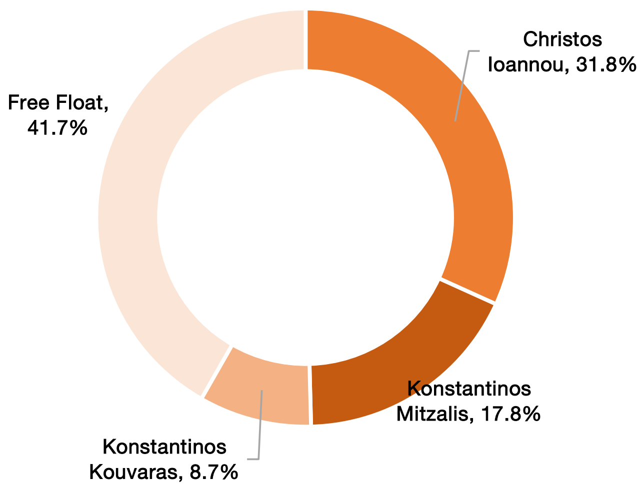
Shareholder's structure

The company has been listed on the main market of the Athens Stock Exchange since 1994 and the free float is 41.7%. The main shareholders of the company are

- Christos Ioannou (31.8%)
- Konstantinos Mitzalis (17.8%)
- Konstantinos Kouvaras (8.7%)

*Mr Stelios Christodoulou also holds a >5% stake in the Company (8.5%), however doesn't hold a BoD chair.

Graph 2: Shareholding structure



Source: Optima bank, the Company

Backlog/ New projects in 2023

The company's construction backlog was shaped at EUR 2.7bn in 1H23 vs. EUR 1.86bn in 2022. The company has been awarded new projects of EUR 954m in 1H2023 in Greece and Romania and in specific:

- ✓ EPC contract for a 1,750MW combined cycle power plant in Romania for Mass Group Holding, worth EUR 673.5m
- ✓ Construction of the Bralos-Amfissa road section in central Greece, worth EUR 207.2m
- ✓ Additional flood prevention works for the Aegean Motorway, worth EUR 36.8m
- ✓ Construction of natural gas pipeline network for DEPA Infrastructure in the city of Patras, worth EUR 17.8m
- ✓ Provision of Early Contractor Involvement (ECI) services towards the Vouliagmenis Mall Complex at The Ellinikon development project, in a joint venture with Rizzani de Eccher (AVAX participation 40%)

On top of that, the group has signed in 3Q23 a new contract with Stavros Niarchos Foundation for the construction of three hospitals in Thessaloniki (Pediatric Hospital), Komotini and Sparta (General Hospitals) worth EUR 443.0m as well as new two new projects of EUR 15.0m.

Taking into account the aforementioned contracts, the backlog increases to EUR 3.2bn in 3Q23.

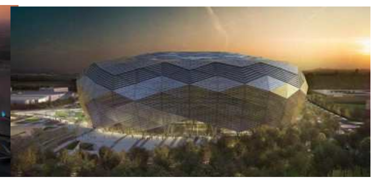
Group activities

1. Construction

AVAX is active in private projects and large public works due to its top-class (7th) certificate for public works. Medium and small-sized construction projects are tackled by its 100% subsidiary ETETH SA, holding 6th class certificates for public works. ETETH SA is based in Thessaloniki, the country's largest city in the Northern Province, offering the Group a strategic advantage for greater penetration in the area as well as in neighboring Balkan countries.

a) **Building projects**

The company specializes in various civil engineering projects such as airports, sports facilities, education facilities, banks, hospitals, hotels, garages, buildings and Olympic sports facilities.


b) **Infrastructure projects**

The company also specializes in major infrastructure projects such as bridges, railroad, roads and harbours.



2. Energy projects

The group specializes in the construction of energy projects such as

- Power plants
- Natural Gas & Petrochemicals
- Environmental plants (waste treatment)



Having completed a series of major projects in 2022, such as the design & construction of the 1,650MW power plant in Iraq and the IGB natural gas pipeline for the interconnection of the gas networks of Greece and Bulgaria, the Group in the first half of 2023 continued the design & construction project of the flue gas desulfurisation system in PPC's lignite unit V of the Agios Dimitrios power plant in Kozani, and the construction of the natural gas pipeline in Western Macedonia. At the same time, the Group's energy & industrial projects sector was preparing for the contracting of a new large energy project in Romania. The sector also bid for further large projects, both in Greece and abroad, as the demand for the 8 engineering, procurement and construction by specialised contractors of energy and industrial projects remains very high, given the imperative need of Western economies to become energy independent from Russian hydrocarbon imports.

3. Concessions/ Public Private Partnership

The group has invested in concessions since 1996 and holds various stakes in a number of motorway concessions in Greece until 2038, whilst the Attiki Odos concession will expire in 2024.

Graph 3: concession portfolio

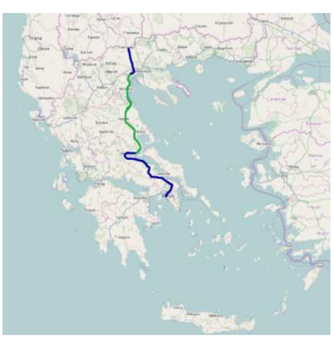
Concessions portfolio		% participation	Cost (EUR m)	Investment (EUR m)	Period	
Motorway / Road Infrastructure					**Start**	**End**
Athens Ring Road - Attiki Odos	Toll road - 70 km	34%	1,600	2,000	1996	2024
Aegean Motorway	Toll road - 230 km	24%	1,258	1,758	2008	2038
Olympia Odos	Toll road - 202 km	19%	1,800	2,613	2008	2038
Moreas Motorway	Toll road - 205 km	15%	845	1,060	2008	2038
Car Parks						
OLP Car Park	721 parking spaces	54%	9	11	2002	2033
Athens Car Parks	2,164 parking spaces	25%	34	36	2001	2032
Salonica Car Parks	528 parking spaces	25%	6	7	2005	2035
Smyrni Car Park	668 parking spaces	20%	10	12	2005	2039
Marinas						
Athens Marina	130 berths	100%	6	6	2009	2043
Limassol Marina - Limassol, Cyprus	650 berths	34%	267	367	2008	2061
PPP - Waste Management						
Ilia Solid Waste Treatment Plant PPP	80kt municipal SWTP	50%	29	40	2019	2046

Source: Optima bank, the Company

a) AEGEAN MOTORWAY

Aegean Motorway SA was established in 2007 and manages the section of PATHE Motorway from Raches, Fthiotida Prefecture to Kleidi, Imathia Prefecture, of a total of 229.40 km and the section of the Old National Road from Evangelismos I/C to Leptokarya I/C, of a total of 34.30 km. The company generated revenues of EUR 87.3m (+7% y-o-y), EBITDA of EUR 54.5m (+3% y-o-y), a net loss of EUR 605.695 and FCF of EUR 32.1m (-30% y-o-y). Avax holds a 23.61% stake in the company.

Graph 4: Aegean Motorway key KPIs



KPIs (EUR m)	2022	2021	%
Revenues	87.3	81.4	**7%**
EBITDA	54.5	52.7	**3%**
mgn (%)	*62%*	*65%*	-
Net profit	-0.6	-2.3	**-74%**
mgn (%)	-	-	-
FCF	32.1	46.2	**-30%**

Source: Optima bank, the Company

b) OLYMPIA ODOS A8 MOTORWAY

OLYMPIA ODOS S.A. was established in 2008 and manages the Athens-Patras Motorway in Southern Greece. The motorway starts from Eleusis in the Athens metropolitan area, follows the Gulf of Corinth to the Rio–Antirrio bridge and the city of Patras, and along the Ionian Sea coastline, in future down to Tsakona in southwestern Peloponnese where it intersects with the Moreas Motorway. Avax controls a 19.1% stake in the company. Olympia Odos generated revenues of EUR 162.7m (+41% y-o-y), EBITDA of EUR 81.0m (+9% y-o-y), net profit of EUR 25.6m (+67% y-o-y) and FCF of EUR 75.9m (+98% y-o-y) in 2022.

Graph 5: Olympia Odos key KPIs

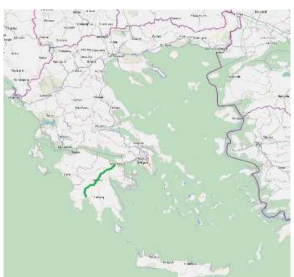
KPIs (EUR m)	2022	2021	%
Revenues	162.7	115.3	41%
EBITDA	81.0	74.3	9%
mgn (%)	*50%*	*64%*	-
Net profit	25.6	15.3	67%
mgn (%)	*16%*	*13%*	-
FCF	75.9	38.3	98%

Source: Optima bank, the Company

c) MOREAS MOTORWAY

Moreas SA was established in 2006 and manages the 205 km Korinthos-Tripoli-Kalamata & Lefktro-Sparti Motorway for 30 years up to 2038. Avax holds a 15.0% stake in the company. Moreas SA posted a turnover of EUR

Graph 6: Moreas Motorway key KPIs



KPIs (EUR m)	2022	2021	%
Revenues	35.4	29.4	20%
EBITDA	9.3	9.6	-4%
mgn (%)	*26%*	*33%*	-
Net profit/(loss)	-17.9	-19.5	-8%
mgn (%)	-	-	-
FCF	48.9	1.1	<100%

Source: Optima bank, the Company

4. Other activities

Other activities of the group encompass real estate, vehicle technical inspection and facilities management. AVAX DEVELOPMENT S.A. was founded in 1990 and is a Real Estate development and investment company, operating in Greece and South-Central Europe. The company is focusing primarily on residential development-urban and country/holiday homes-while also invest in selected commercial real estate assets. AVAX Development is currently engaged in the development of a 2,200 sqm plot of land owned by AVAX, to build a residential complex in the southern suburbs of Athens, and the planning and development of holiday home complexes in Chania, Crete. The company participates with a 15% stake, in collaboration with Dimand SA, in the development project of a plot of 18,730 square meters in Neo Faliro for the construction of building complexes of 57,450 square meters for mixed residential and commercial use, overlooking the Saronic Gulf and very good transportation accessibility. The company also monitors the developments for the participation in the development projects of Ellinikon, in combination with parent AVAX and international partners.

Additionally, The Group is active in facility management with success through its subsidiary Task J&P-AVAX SA, which boasts a good clientele base in the private and the public sector.

Finally, the group is active on the vehicle technical inspection services through its subsidiary Auteco which operates the three largest and most technically-advanced vehicle inspection stations in Greece, of which 2 in Athens and 1 in Thessaloniki.

5. Discontinued operations

In 1H22, the AVAX sold its 55% stake in the Volterra RES assets with a total capacity of 112 MW to PPC Group. The portfolio consists of 69.7MW wind capacity, 2.7MW solar and an additional wind capacity of 39.5MW ready to build.

In August 2023, the Group also reached an agreement with Mytilineos for the sale of its electricity supply arm, Volterra, (which commands a c. 2% market share in Greece), for a total consideration of EUR 24m.

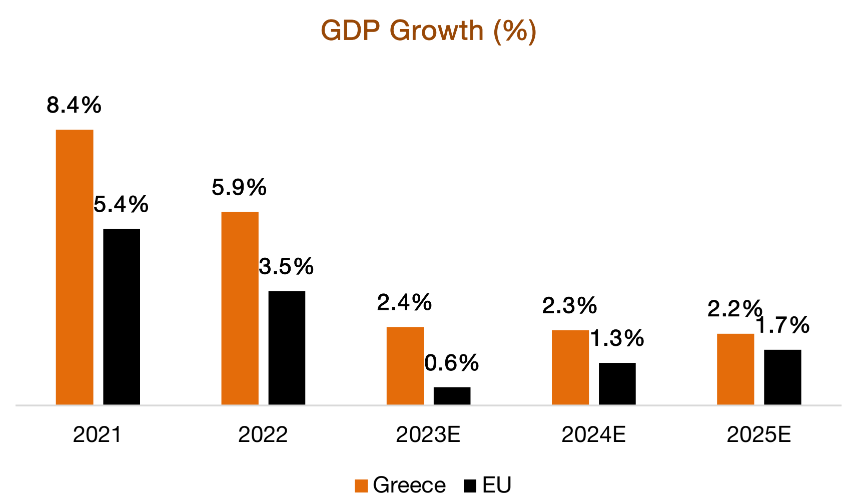
The rationale behind the Group's divestment is a) the low visibility of the energy markets, especially in the supply business, b) the increased WC commitments of the electricity supply business, especially in periods with buoyed energy prices and c) the attractive offer received by the acquirer of the RES assets, driven by increased demand for renewables.

Investment case

Macro environment

After the prolonged Greek financial crisis, which was also extended by the covid-19 outburst, the domestic macroeconomic backdrop is benign in the medium term, driven by increased investments (FDI's in 2022 rose by 48% y-o-y to a multi-year high), the accelerated execution of the RRF projects, the increasing contribution from tourism and the continuous decrease of unemployment rates which are expected to drop to single digit levels in 2024e. In this context we expect the Greek economy in 2024e to outpace the European for a fourth consecutive year (avg. GDP growth 21A-23E of 5.2% vs. 3.0% in EU), as also implied by the IMF and EU forecasts for 2024-25e.

Graph 7: GDP Growth Greece vs. the EU (source: EC Autumn Economic Forecasts)



Source: Optima bank, EC Autumn Economic Forecasts

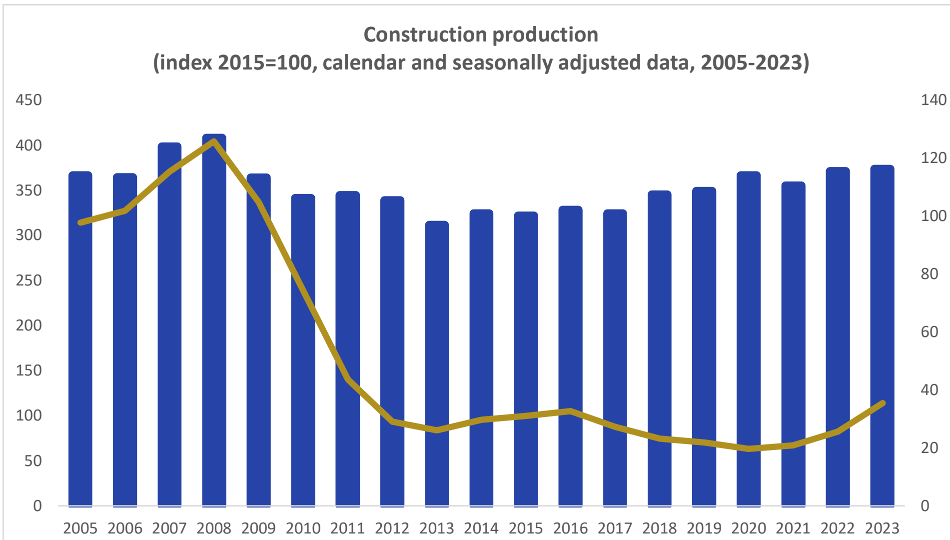
Sector Insights

Construction production in Greece was severely hit during the financial crisis, dropping by c. 75% in 2015 compared to the high recorded in 2008 (graph 8), with bottoming residential demand and also infrastructure (public and PPP) projects. The bottoming demand took its toll on the sectoral profitability, triggering the concentration of the construction sector to few major players who survived the prolonged crisis.

After this 12-14 year period marked by underinvestment and shrinkage, the prospects for construction are positive, driven by a) the acceleration of the execution of major infrastructure projects in the following years, b) the stimulus from the National Recovery and Resilience Fund, with construction claiming up to EUR 27bn (EUR 13.3bn of which grants) according to IOBE, c) the improvement of the construction margins, driven by the increased backlog and the concentration of competition to fewer players and d) the pick-up of the residential demand, as the housing stock remains low.

Following the above, and according to a study conducted by IOBE (The Foundation for Economic & Industrial Research), investments towards construction is expected to significantly improve in the following years, jumping to 8.1% as a percentage to GDP by 2025e, from 4.0% in 2020.

Graph 8: Construction Production in Greece and the EU (source: Eurostat, ELSTAT)



Source: Optima bank, ELSTAT, Eurostat

AVAX set to benefit from the pick-up of the sector

In this backdrop, AVAX is well placed to bid autonomously or in partnerships for a large pool of construction projects, against a limited number of competitors compared to the past, which in our view guarantees healthier gross margins ahead. Note that according to management, the company typically wins some 20–25% of projects bid for, with more success on the larger projects. That said, AVAX is not eager to bid for a construction contract at any price, but at a reasonable margin (we assume a rather conservative c7% EBITDA margin for 2023-27e). According to the management, the average discounts offered in construction projects have normalized from 20–30% previously to single digits, which will play a major role in future profitability of the company. To this end, several tenders have recently gone barren or have attracted limited bidders, as the initially budget doesn't correspond to the elevated raw material and other opex costs.

Upside Catalysts

- Win new major construction, concessions and/or BOT projects, on a higher-than-expected rate
- Easing of raw material and other costs could offer wider gross profit margins in already awarded projects
- Increased Traffic Patterns in Existing Concessions could drive higher than expected dividends received

- Lower financing costs: de-escalation of the benchmark interest rates by the ECB at a faster pace than anticipated (consensus expects first interest rate cut in 2H24e)

- Related to the above, Financing Costs could be further compressed, owing to the recent regain of the investment grade status by Greece and the further expected drop in GGB yields

Downside investment risks include the following:

- Execution Risks – delays in the commencement or slowdown of the execution pace on projects already awarded to the Company

- Delays in payments by the Greek State, which could result in additional WC requirements and limit liquidity

- Limited Geographic differentiation-large Exposure to Political and Macro Conditions in Greece - as Greece accounted for c90.0% of AVAX' group sales in 1H23. However, given the strong growth prospects, assisted also by EU funds, this could also turn into an opportunity

- Lower-than-Expected Traffic - in AVAX's already operational motorway BOT projects as a result of lower disposable income, changing driving habits due to high petrol prices and/or new section competition: this would obviously impact the dividends received and the fair value of related assets

- Failure to Win New Projects

- Lower-than-Expected Construction Margins – that would adversely impact group performance at both top and bottom line

Financials

1H23 results Review: improved profitability, increased backlog, positive outlook

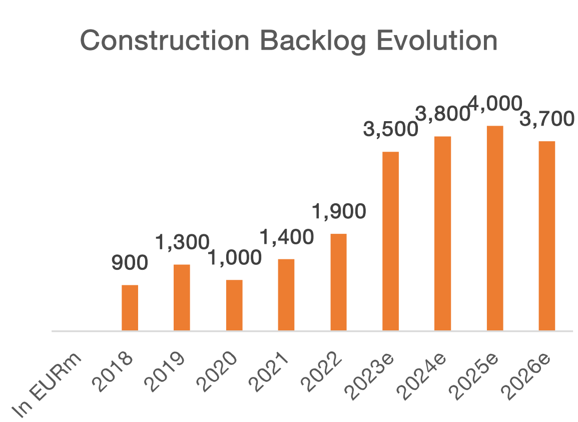
AVAX released a solid set of 1H23 results, with total revenues (including discontinued operations) lower by 1.1% y-o-y To EUR 192.2m, EBITDA at EUR 27.4m from only EUR 0.8m in 1H22 and net profits from continued operations (mainly excluding the EUR 39.1m profit from the sale of Volterra in 1H22) at EUR 3.4m vs. losses of EUR 20.2m in 1H22. Turning to segmental performance, construction was the main contributor of Group revenues, accounting for 93.5% of group revenue, and was also the key driver for the significant uplift of the Group profitability, with the segmental EBITDA turning to profits of EUR 12.2m compared to losses of EUR 16.8m a year ago. Income from associates (mainly concessions in which AVAX holds a minority stake) shaped at EUR 18.1m, up by 10.8% y-o-y. Turning to leverage, net debt dropped by EUR 12.2m y-t-d to EUR 208.2m. aided by the positive operating cash flows of EUR 32.2m in 1H23 (which in turn was largely supported by the favorable WC movement of EUR 25.4m in the same period) which more than offset the EUR 7.7m capex. Regarding outlook, the Group expects to benefit from the acceleration of the construction activity in 2H23e and beyond (note that signed backlog increased by EUR 840m y-t-d to EUR 2.7m as of 30/6/2023, and further up by EUR 478m so far in 2H23) on value adding projects which are expected to further improve profitability margins.

2023-26e Group Financials: Strong Earnings Momentum Driven by Construction

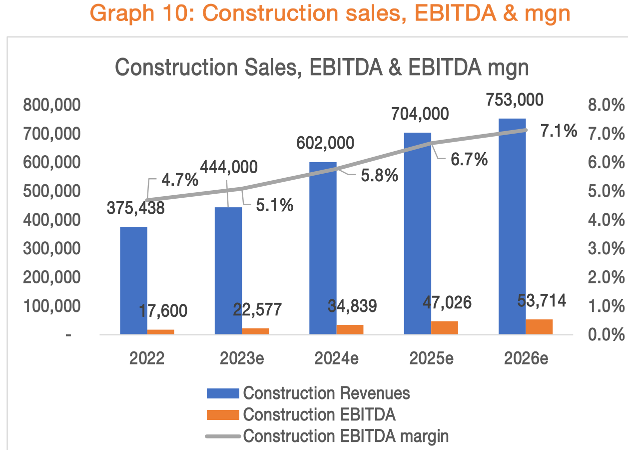
Construction

Following the recent low of EUR 900m, AVAX doubled its backlog by 2022 and continued expanding it a fast pace in 1H23 to EUR 2.9bn and further up to EUR 3.25bn in 9M23. We expect this trend to continue in 2023-26, (we see the construction Backlog peaking in 2025e to EUR 4bn), albeit at a more moderate pace, driven by the major infrastructure projects to be tendered in the following years. To this end, we use a rather conservative stance, assuming that the Company will be able to secure c. 15% of the pool of EUR c. 20bn (major private projects, public and PPP infrastructure and RRF financed and mobilised projects), with an average estimated execution horizon of 5 years. That said, we estimate construction revenues to gradually increase from EUR 375m in 2022e to EUR 444m this year, and further up to EUR 700-750m in 2025-26e. Most importantly, supported by the concentration of the sector to fewer players, and consequently lighter discounts offered by the bidders, we have factored in healthier EBITDA margins compared to the recent past (which in some cases were negative) from low single digit in 2021-22 to >7% by 2027e. That said, we expect divisional EBITDA to jump by 28% in 2023e to EUR 22.6m and by 54% in 2024e to EUR 34.8m, before it peaks to EUR 53.7m in 2026e, exhibiting a 4-year CAGR of 32% and accounting for 2/3 of Group EBITDA by that year (from just 1/3 in 2022).

Graph 9: Construction Backlog Evolution



Graph 10: Construction sales, EBITDA & mgn



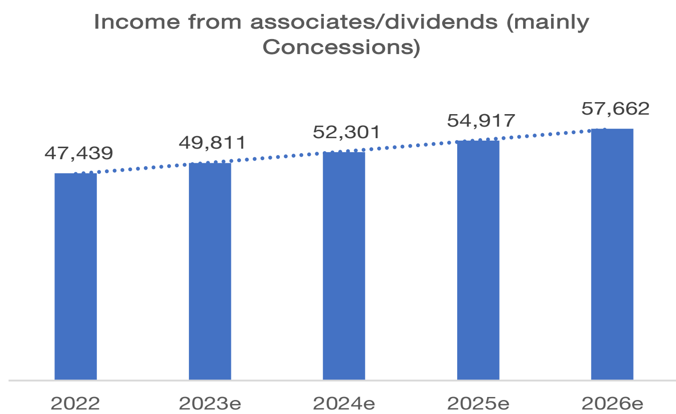
Source: Optima bank, the Company

Source: Optima bank, the Company

Concessions

It is noted that The Group's financial statements include small amounts of revenue from the concessions and PPPs in which it participates, as it does not fully consolidate them, except for the Athens Marina. The Group's 2022 results include the share of profits from related companies for its participation in concessions and PPPs, such as the Athens Ring Road, the Aegean Highway, the Olympia Highway, the Morea Highway, which are reported by the equity method, while the participations below 20% (Moreas Highway and Olympia Odos) are reported at fair value). We expect AVAX to continue an intense presence in concession project tenders, aiming to maintain a substantial backlog of projects and secure long-term of predictable revenue streams.

Graph 11: Income from associates (mainly concessions)

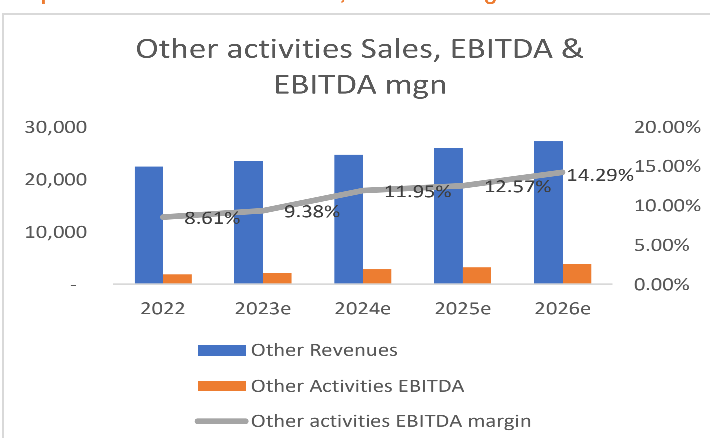


Source: Optima bank, the Company

Other Activities

Under other activities, we include AVAX's sales and profitability from its Real Estate existing assets and projects under development, and also other activities, namely vehicle technical inspection services and facility management. In 2022, the segment contributed EBITDA of just under EUR 2m, mainly driven by the real estate assets. Looking forward, we have factored in a moderate low single digit growth, expecting segmental contribution to gradually grow to EUR 3m by 2026e, driven by the development of a 2,200 sqm plot of land owned by AVAX, to build a residential complex in the southern suburbs of Athens, the joint investment with Dimand in Faliro and also the further rental income increase from its commercial real estate assets.

Graph 12: Other Activities sales, EBITDA & mgn



Source: Optima bank, the Company

Group Forecasts

Pulling it all together, we expect the positive domestic macro backdrop and the relaunch of public and private construction activity to support both the construction and Concessions/PPP sectors, both in revenues and also in profitability terms. To this end, we expect 2023e group comparable sales to grow by 18% to EUR 467.6m, fuelled mostly by construction.

Regarding operating profitability, we expect group EBITDA this year down by 6% y-o-y to EUR 48.5m on tough comparables, as 2022 was supported by one offs. Further down P&L, accounting for financial expenses of EUR 20.7m, Depreciation charges of EUR 6.3m and applying a 22% tax rate, we estimate profit to shape at EUR 19.5m, up by 51% y-o-y

Looking further ahead, we expect AVAX to exhibit a robust sales CAGR of 18% over 2022-26e, driven by construction, which is on track to expand at a faster pace of +19% over the same period. In a similar pattern, we forecast EBITDA and reported Net Profits to grow on average by 13% and 40% respectively, over the same period, as we assume margins to improve, primarily in construction. Overall, due to the group's exposure to the Greek market (90% of revenues in 2022) and our expectations for an increasing contribution of domestic operations in the profitability and cash flow mix going forward, we believe AVAX is one of the most attractive proxies in the expected investment-driven infrastructure boom in Greece.

Table 1: AVAX P&L Forecasts 2022-26e

In EUR 000'	2022	2023e	y-o-y	2024e	y-o-y	2025e	y-o-y	2026e	y-o-y	2022-
Construction	375,438	444,000	18%	602,000	36%	704,000	17%	753,000	7%	19%
Other Revenues	22,484	23,606	5%	24,786	5%	26,026	5%	27,327	5%	5%
Group Sales	402,709	467,606	16%	626,786	34%	730,026	16%	780,327	7%	18%
Construction EBITDA	17,600	22,577	28%	34,839	54%	47,026	35%	53,714	14%	32%
Concessions EBITDA	38,717	24,905	-36%	25,105	1%	26,360	5%	26,525	1%	-9%
Other Activities	1,935	968	-50%	2,984	208%	3,323	11%	3,936	18%	19%
Group EBITDA	51,691	48,450	-6%	62,928	30%	76,709	22%	84,176	10%	13%
Group Net Profit	12,916	16,731	30%	29,593	77%	42,478	44%	49,737	17%	40%
EPS	0.26	0.10	-61%	0.19	86%	0.28	46%	0.33	18%	nm
Dividend	0.1	0.03	nm	0.06	86%	0.08	46%	0.10	18%	nm

Source: Optima bank, the Company

Cash Flow & Key Balance sheet Items

Regarding FCF, in 2022 AVAX generated positive FCFE of EUR 89m, courtesy of the proceeds from the sale of assets, which more than offset the negative OpCF, which in turn supported the deleverage of the Group Net Debt by EUR 85m to EUR 298m as of 2022-end.

Turning to 2023, we project group net debt (including leases) to settle at EUR 301m in 2023e, implying a net debt/EBITDA ratio of 6.2x, (vs. 5.8x last year on tough comparables, as Investing cash flow in 2022 was buoyed by the sale proceeds from Volterra RES and Gefyra participation). Looking ahead, the launch of several construction projects are expected to have their toll on WC requirement, driving net debt temporarily higher to EUR 345m, (lower however in relative Net Debt/EBITDA terms of EUR 5.5x). Looking further ahead, ahead, we expect 2025/26e group FCF to turn well positive again, owing to the increased profitability from the accelerated execution of the construction backlog. That said, supported by FCF 33-37m in 2025-26e, we expect AVAX's Debt/EBITDA ratio to further ease to 4.4x-4.0x.

Finally, with respect to dividends, and after the generous EUR 0.07/share distributed for FY22 (which in our view was largely supported by the cash proceeds from the Volterra and Rion-Antirion Gefyra disposals), we expect for 2023e (assuming a payout-ratio of 30%) a EUR 0.03 DPS (DY: 2.2%), and gradually up to EUR 0.10/share (7.2% DY) by 2026e.

Table 2: AVAX Key Cash Flow & Balance sheet Items

In EUR 000'	2022	2023e	2024e	2025e	2026e
Pre-Tax profit	46,334	21,450	37,940	54,459	63,765
Non cash Items	(48,012)	21,599	19,616	16,883	15,036
WC delta	(12,770)	(2,589)	(51,669)	(13,066)	(23,407)
Operating Cash Flow	(14,447)	40,461	5,887	58,277	55,395
Capex, net	104,368	(14,512)	(18,462)	(21,012)	(22,237)
FCFE	89,920	25,948	(12,576)	37,264	33,158
Interest paid	(19,257)	(20,744)	(18,670)	(15,869)	(13,965)
FCFF	70,663	5,204	(31,245)	21,395	19,193
Net Debt	(298,069)	(301,352)	(344,942)	(339,758)	(338,954)
Net Debt/EBITDA	5.8x	6.2x	5.5x	4.4x	4.0x

Source: Optima bank, the Company

Valuation

We value AVAX using a sum of the parts model, based on a DCF model with explicit forecasts for 2023-30e for the construction segment, we use DDM and BV (when applicable) for the concessions portfolio, and also BV of the other assets (except for VOLTERRA supply, for which we use the agreed consideration for the sale to Mytilineos). After summing up the group's Enterprise Value, we deduct the 1H23a Group Net debt, yielding an equity value of EUR 397m or EUR 2.67/share (note that we assume that the company's outstanding shares will be diluted by the issuance of an additional 4 mio shares in 2024e, that is when the existing management and employees compensation programme expires).

Construction

We value AVAX's construction division using a one stage DCF model in which we form an explicit set of forecasts for the period up to 2030e, after which, in a rather conservative approach, we assign a zero terminal value. Our WACC has been set at 11.0%, which in our view is also conservative, considering the expected drop of the interest rates from 2024e, and also the GGB yield compression, following the regain of the investment grade status by the Greek Republic. Overall, our DCF model yields an appraised EV of EUR 195m, implying a 5.6x 2024e EV/EBITDA.

Table 3 | Construction DCF Model

EUR m	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Estimated Revenue, in € million	444	602	704	753	714	654	612	603
Estimated EBIT Margin	4.0%	5.0%	6.0%	6.5%	6.5%	7.0%	7.0%	7.0%
Estimated EBIT	17.8	30.1	42.2	48.945	46.4	45.8	42.8	42.2
Less: adjusted tax	1.8	3.0	4.2	4.8945	4.6	4.6	4.3	4.2
NOPAT	16.0	27.1	38.0	44.0505	41.8	41.2	38.6	38.0
Plus: depreciation	6.3	6.3	6.4	6.4	6.5	6.6	6.6	6.6
Working Capital Delta	4.4	6.0	7.0	7.5	7.1	6.5	6.1	6.0
CapEx	-7.9	-11.9	-14.4	-15.6	-14.7	-13.2	-12.1	-12.1
FCF	18.8	27.6	37.0	42.4	40.7	41.1	39.2	38.5
discount rate	11%	11%	11%	11%	11%	11%	11%	11%
discount factor	1.0	0.9	0.8	0.7	0.7	0.6	0.5	0.5
PV	18.8	24.8	30.0	31.0	26.8	24.4	21.0	18.6
Sum of PV's	**195.5**							
Enterprise Value per share	**1.32**							

Source: Optima bank research

Concessions

We value AVAX's operational participations in the motorway concessions, mainly based on their Book Value, except for Attiki Ring road, up on which we apply a Dividend Discount Model (DDM), for the remaining concession period (expiring in October 2024) and estimating additional capital returns from the winding up of the entity in 2027.

Table 4 | Concessions, PPPs & other projects valuation

EUR m	Valuation method	Concession value	AVAX's share	AVAX value
Athens Ring Road, concession and operator	DDM	306	34.22%	104.6
Aegean Motorway, concession and operator	Book Value (31/12/2022)	425.7	23.61%	118.6
Olympia Motorway, concession and operator	Book Value (31/12/2022)	601.4	19.10%	115.8
Salonica Flyover PPP	Book Value (31/12/2022)	47.9	50%	23.9
Other Projects*	Book Value (31/12/2022)	19.1	41.0	19.122
Sum		382.1		104.6
Minus: Dividends received in 1H23		18.1		
Sum of PV's		379		

Enterprise Value per share	2.56

Source: Optima bank research

Real Estate & Marinas

We Value AVAX's Real Estate & Marinas Assets based on their Book Value. In our numbers, Real Estate assets value EUR 21.3m, while the combined value of the Limassol Marina in Cyprus (in which AVAX participates with 33.5%) and the fully-owned Athens Marina stands at EUR 71.2m.

Table 5 | Real Estate & Marinas Assets valuation

Real Estate Assets	AVAX share
Vouliagmenis Av. (Athens) residential development	100.00%
4 Residential Projects in Crete	100.00%
3V Mixed Use Development, Athens	15.62%
Romania, 3 land plots	100.00%
Poland, 1 land plot	100.00%
Real Estate EV (EUR m)	**21.3**

Source: Optima bank research

Marinas Assets	AVAX share
Limasol Marina, Cyprus	33.50%
Athens Marina, Greece	99.84%
Marinas EV (EUR m)	**71.2**

Source: Optima bank research

Subsidiaries

We value Volterra (electricity supply arm) based the recently announced sale agreement to Mytilineos at EUR 24m, Auteco and other subsidiaries at their Book Values. We yield an EV of EUR 32.8m or EUR 0.22/share.

Table 6 | Subsidiaries Valuation

Participation in Subsidiaries	EUR m
Volterra	24.0
Other subsidiaries	7.8
Sum	**32.8**
Value per share	**0.22**

Source: Optima bank research

Sum of the Parts Valuation

To sum up, after applying a sum of the parts valuation for Construction, Concessions & PPPs, Real Estate activities, Marina Assets and other subsidiaries, we yield a Group EV of EUR 700m. After deducting the Group Net Debt (as of 30/06/2023) of EUR 286m, we get an appraised equity value of EUR 413.9m, or EUR 2.79/share (including also the c. 4mio shares which could result from the exercise of management & personnel compensation scheme in 2024e). Consequently, we initiate coverage of AVAX Group with a Buy recommendation and a TP of EUR 2.79/share, which offers a 99% upside from current stock price levels.

Table 7 | AVAX Group Sum of the Parts Valuation

AVAX group SOTP	Valuation Method	Valuation	Appraised
Construction	DCF	11% WACC, zero	195.5
Concessions & PPPs	DDM/BV		379
Real Estate & Marinas	Book Value		92.5
Other subsidiaries	Book Value	5.1	32.8
Group EV			699.8
Group Net Debt	1H23 actual		**286**
Equity Value			413.9
No of shares	Post stock option exercise		**148.3**
Value per share			**2.79**
Current Price			**1.40**

Upside	101%

Source: Optima bank research

Optima bank

SUMMARY TABLES

AVAX

Profit & Loss	2022	2023f	2024f	2025f	2026f
Revenues	**402,709.2**	**467,606.1**	**626,786.4**	**730,025.8**	**780,327.1**
of which construction	375,438.0	444,000.0	602,000.0	704,000.0	753,000.0
YoY	*-32.0%*	*16.1%*	*34.0%*	*16.5%*	*6.9%*
COGS	381,837.7	438,614.6	584,165.0	674,543.8	718,681.2
Gross profit	**20,871.5**	**28,991.6**	**42,621.5**	**55,482.0**	**61,645.8**
Administrative expenses	(27,974.4)	(29,373.1)	(30,548.1)	(31,770.0)	(32,723.1)
Selling and marketing expenses	(12,986.2)	(13,635.5)	(14,317.3)	(15,033.2)	(15,784.8)
Income/dividends from associates (mainly concessions)	47,438.9	49,810.9	52,301.4	54,916.5	57,662.3
Other income/ expenses	59,376.5	56,211.5	58,853.3	61,649.3	64,592.5
EBITDA	**51,691.3**	**48,450.0**	**62,927.6**	**76,709.4**	**84,175.6**
YoY	*46.6%*	*-6.3%*	*29.9%*	*21.9%*	*9.7%*
EBITDA Margin (adj.)	*12.8%*	*10.4%*	*10.0%*	*10.5%*	*10.8%*
D&A	12,404.0	6,255.7	6,318.2	6,381.4	6,445.2
Asset impairement	0.0	0.0	0.0	0.0	0.0
EBIT	**39,287.3**	**42,194.4**	**56,609.4**	**70,328.1**	**77,730.4**
YoY	*76.7%*	*7.4%*	*34.2%*	*24.2%*	*10.5%*
Net Financial Inc / (Exp.)	(20,744.2)	(20,744.2)	(18,669.7)	(15,869.3)	(13,965.0)
EBT	**18,543.2**	**21,450.2**	**37,939.7**	**54,458.8**	**63,765.4**
Tax	(5,626.9)	(4,719.0)	(8,346.7)	(11,980.9)	(14,028.4)
effective tax rate (%)	*-30%*	*-22%*	*-22%*	*-22%*	*-22%*
Net Profit After Tax	**39,882.5**	**16,731.2**	**29,592.9**	**42,477.8**	**49,737.0**
Discontinued Operations	26,966.2	0.0	0.0	0.0	0.0
Minorities	1,772.8	1,773.8	1,774.8	1,775.8	1,776.8
EAT	**38,109.7**	**14,957.4**	**27,818.1**	**40,702.1**	**47,960.2**
YoY	*-371.1%*	*-60.8%*	*86.0%*	*46.3%*	*17.8%*
EAT (Adj.)	**38,109.7**	**14,957.4**	**27,818.1**	**40,702.1**	**47,960.2**
Dividends	**0.0**	**4,487.2**	**8,345.4**	**12,210.6**	**14,388.1**
Per Share Data	**2022**	**2023f**	**2024f**	**2025f**	**2026f**
EPS	**0.26**	**0.10**	**0.19**	**0.28**	**0.33**
YoY	*237.6%*	*-15.7%*	*-26.2%*	*-10.4%*	*89.6%*
EPS (Adj.)	**0.26**	**0.10**	**0.19**	**0.28**	**0.33**
YoY	*736.8%*	*-35.6%*	*-30.0%*	*-13.1%*	*86.9%*
DPS	0.07	0.03	0.06	0.08	0.10
BVPS	1.07	1.15	1.28	1.48	1.71
Price & Mkt Cap	**2022**	**2023f**	**2024f**	**2025f**	**2025f**
Total Market Cap	109.7	200.6	200.6	200.6	200.6
Share price **	**0.76**	**1.39**	**1.39**	**1.39**	**1.39**
Adj. Shares out (m)	144.3	144.3	144.3	144.3	144.3
Valuation	**2022**	**2023f**	**2024f**	**2025f**	**2025f**
P / E (x)	4.1x	11.1x	6.6x	5.2x	5.1x
P / BV (x)	0.7x	1.2x	1.1x	0.9x	0.8x
EV / Sales (x)	1.0x	1.1x	0.9x	0.7x	0.7x
EV / EBITDA (x)	7.9x	10.4x	8.7x	7.0x	6.4x
FCF yield (FCFE/mkt cap)	64%	3%	-16%	11%	10%
Payout ratio	0.0%	30.0%	30.0%	30.0%	30.0%
Div. Yield (%) (gross)	9.2%	2.2%	4.2%	6.1%	7.2%
Ratios	**2022**	**2023f**	**2024f**	**2025f**	**2026f**
ROE (avg)	24.6%	9.0%	15.0%	19.1%	19.4%
ROIC (avg)	6.3%	6.8%	8.4%	9.9%	10.5%
Net Debt / Equity	192.4%	182.2%	186.6%	159.3%	137.3%
Net Debt / EBITDA adj.	5.8x	6.2x	5.5x	4.4x	4.0x
Interest Cover. (EBITDA/Fin.inter.	2.5x	2.3x	3.4x	4.8x	6.0x

Balance Sheet	2022	2023f	2024f	2025f	2026f
Net Tangible Assets	41,704.3	41,548.7	45,280.5	51,499.1	58,878.9
Net Intangible Assets (incl. Goodwill)	455.3	455.3	455.3	455.3	455.3
Right of use assets	85,556.6	85,556.6	85,556.6	85,556.6	85,556.6
Net Financial Assets & Other	302,125.3	321,889.8	337,996.8	350,464.1	360,889.4
Total non Current Assets	**464,303.7**	**483,912.4**	**503,751.3**	**522,437.2**	**540,242.3**
Inventories	21,319.8	24,033.7	32,009.0	36,961.3	39,379.8
Trade & other receivables	270,520.6	180,252.6	241,668.2	280,905.9	301,255.4
Other Current Assets	148,637.6	148,637.6	148,637.6	148,637.6	148,637.6
Cash & Equivalents	86,625.9	87,343.0	47,752.3	36,936.6	21,741.1
Total non Current Assets	**527,103.8**	**440,266.8**	**470,067.1**	**503,441.4**	**511,013.9**
Total Assets	**1,076,468.7**	**1,009,241.5**	**1,058,881.6**	**1,110,942.8**	**1,136,321.4**
Long Term Debt	228,928.1	228,928.1	228,928.1	208,928.1	188,928.1
Lease liabilities	63,694.3	63,694.3	63,694.3	63,694.3	63,694.3
Deferred tax liabilities	18,047.0	18,047.0	18,047.0	18,047.0	18,047.0
Pension provisions	3176.3	3176.3	3176.3	3176.3	3176.3
Other LT Liabililities	31060.8	31060.8	31060.8	31060.8	31060.8
Total Long Term Liabilities	**344,906.5**	**344,906.5**	**344,906.5**	**324,906.5**	**304,906.5**
Short Term Debt	78,120.8	79,120.8	80,120.8	81,120.8	82,120.8
Short-term lease liabilities	12087.691	15087.691	18087.691	21087.691	24087.691
Trade & other payables	404,976.5	320,278.2	343,444.6	380,013.4	384,818.8
Other Current Liabilities	81,466.9	84,467.9	87,468.9	90,469.9	93,470.9
Total Current Liabilities	**576,651.9**	**498,954.6**	**529,122.0**	**572,691.8**	**584,498.2**
Total Liabilities	**921,558.4**	**843,861.0**	**874,028.5**	**897,598.3**	**889,404.7**
Shareholders Equity	154,006.2	164,476.3	183,949.0	212,440.5	246,012.6
Minorities	904.1	904.1	904.1	904.1	904.1
Total Equity	**154,910.3**	**165,380.4**	**184,853.1**	**213,344.6**	**246,916.7**
Total Liabilities & Equity	**1,076,468.7**	**1,009,241.5**	**1,058,881.6**	**1,110,942.8**	**1,136,321.4**

Cash Flow Statement (€ m)	2022	2023f	2024f	2025f	2026f
EBT (reported)	**46,333.8**	**21,450.2**	**37,939.7**	**54,458.8**	**63,765.4**
Depreciation	12,560.6	6,255.7	6,318.2	6,381.4	6,445.2
Provisions / Other	(60,572.2)	15,343.6	13,297.9	10,501.9	8,591.1
Gross cash flow	(1,677.8)	43,049.4	57,555.7	71,342.1	78,801.8
(Inc) / Dec in Net Working Capital	(12,769.6)	(2,588.6)	(51,669.0)	(13,065.5)	(23,407.0)
Cash Flow from Operations	**(14,447.3)**	**40,460.8**	**5,886.8**	**58,276.6**	**55,394.8**
Capex, net	97,919.1	(21,100.0)	(25,050.0)	(27,600.0)	(28,825.0)
Net Financial Investments	6,448.5	6,587.7	6,587.7	6,587.7	6,587.7
Cash Flow from Investments	**104,367.5**	**(14,512.3)**	**(18,462.3)**	**(21,012.3)**	**(22,237.3)**
Free Cash Flow to Firm	**89,920.2**	**25,948.5**	**(12,575.6)**	**37,264.2**	**33,157.5**
Net Interest Payments	(19,257.0)	(20,744.2)	(18,669.7)	(15,869.3)	(13,965.0)
Free Cash Flow to Equity	**70,663.2**	**5,204.3**	**(31,245.3)**	**21,395.0**	**19,192.6**
Dividends Paid/Capital return	(2,961.6)	(4,487.2)	(8,345.4)	(12,210.6)	(14,388.1)
Net change in loans	(141,174.6)	0.0	0.0	(20,000.0)	(20,000.0)
Share buy backs	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	**(163,393.3)**	**(25,231.4)**	**(27,015.2)**	**(48,079.9)**	**(48,353.0)**
Net increase/decrease in cash	**(19,903.4)**	**717.1**	**(39,590.7)**	**(10,815.6)**	**(15,195.5)**

Other Items	2022	2023f	2024f	2025f	2026f
Capital Employed	**499,816.7**	**510,286.9**	**529,759.6**	**538,251.0**	**551,823.2**
Net Debt / (Cash)	**(298,068.8)**	**(301,351.7)**	**(344,942.4)**	**(339,758.1)**	**(338,953.6)**
o/w gross debt (ex leases)	(307,048.9)	(308,048.9)	(309,048.9)	(290,048.9)	(271,048.9)
o/w lease liabilities	(75,782.0)	(78,782.0)	(81,782.0)	(84,782.0)	(87,782.0)
o/w cash	433.3	411.9	466.5	466.5	466.5
Enterprise Value (EV adj.)	**407,753**	**501,959**	**545,549**	**540,365**	**539,561**

Source: the Company, Optima bank research

**Stock Price: Fiscal year end at historical years & Current price for current and forecast years*

Company Description: AVAX is one of the largest three domestic construction companies, with a long and successful track record in various landmark infrastructure projects in Greece (Athens Metro, national road network, Attiki ring road, Rio-Antirrio bridge etc) and also abroad. Additionally, the group is also active in the concessions sector, mainly through participations, which improves the visibility of its future cash flows. Finally, the Group is present in the energy sector, with emphasis on energy industrial projects, (EPC of power generation, LNG plants and other projects), while recently sold its electricity supply and RES subsidiaries.

DISCLOSURE APPENDIX

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Optima bank Research Department Rating Distribution | Data current as of 24/11/2023

Recommendation System is **Absolute**: Each stock is rated on the basis of a total return, measured by the upside over a **12 month time horizon**

	Buy > 10%	Neutral -5% to +10%	Sell < -5%	Under Review Suspended	Restricted
Total Coverage	88%	0%	0%	13%	0%
% of companies that are IB clients	0%	0%	0%	0%	0%

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9. On July 31, 2019, Motor Oil's Cyprus based wholly owned subsidiary under the legal name IREON INVESTMENTS LTD completed the acquisition of 97.08% stake in the share capital of Optima bank S.A. (former Investment Bank of Greece S.A.), 94.52% stake in the share capital of CPB Asset Management A.E.D.A.K. and 100% stake in the share capital of Laiki Factors and Forfaiters S.A.
10. Following the sale and transferring of shares from IREON INVESTMENTS LTD to numerous third parties in multiple dates since the initial acquisition, and Optima bank's subsequent EUR 80m share capital increase, in which IREON INVESTMENTS did not participate, the participation of IREON INVESTMENTS LTD in OPTIMA BANK S.A. as of January 19, 2021 was reduced to a percentage lower than 15%.

Recommendation History | AVAX

Date	Recommendation	TP	CP (at report date)
29-Nov-23	Buy	EUR 2.79	EUR 1.39

Risks to our forecasts and valuation

1) A new global banking crisis, a new global recession and delays in RRF projects could affect the company's financial performance, posing a downside risk to our P&L forecasts and target price.

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