

AVAX

Significant year-on-year growth expected

In this note, we show revisions to our forecasts and our updated valuation of AVAX ahead of the company's FY24 results (expected April 2025). AVAX's H124 revenues and EBITDA were up 50.4% and 97.5% y-o-y, on the back of a raft of contract wins over the previous few years. The company has also guided that its €3.2bn project backlog is at a superior margin to its current revenues, implying that margins have improved and should continue to do so. We had reflected this in our prior estimates, but the mix between older and newer (higher-margin) projects has been slower than we had expected. We have trimmed FY24e revenues by 11.7% to €648m and raised our adjusted EBITDA estimate by 19.8% to €103m to reflect the updated sales mix. We expect further strong improvement in the margin, driven by recent high-margin wins.

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/22	402.7	25.1	0.13	0.07	17.3	3.0
12/23	453.5	21.8	0.10	0.03	22.1	1.3
12/24e	648.1	62.5	0.31	0.08	7.5	3.5
12/25e	774.6	72.4	0.35	0.08	6.6	3.5

PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

FY24 results preview

Revenue in FY24 looks set to grow strongly. H124 revenue was up 50.4%, and we see continued strength in H2 to take full-year revenue to €648m, up 43% y-o-y. We have trimmed our FY24e revenue growth slightly (down 11.7% to €648m from €734m) to reflect the potential timing of construction activity, although this remains uncertain. AVAX is seeing significant growth as delays to its project pipeline related to budgetary negotiations in a period of high inflation are overcome. The company continues to have a strong work-in-hand position (€2.99bn at end-H124, increasing to €3.23bn when Q3 contracts and tenders where AVAX was declared the lowest or preferred bidder are included).

Concessions set for further growth

Concessions accounted for c 50% of adjusted EBITDA in H1 and we view further development in this area as the key to earnings growth (we have increased our adjusted EBITDA by 19.8% to €103.1m for FY24e and by 8.7% to €113.6m for FY25e). AVAX does not consolidate the majority of its concessions interests (and these are therefore not reflected in consolidated revenue), and only proportionally consolidates its pre-tax results. The concession contract for the Athens Ring Road ran out in October 2024, but the Olympia and Aegean motorways are now both in operation and distributing dividends.

Valuation: Increased to €4.0/share

Based on the combination of a DCF enterprise value of €446m (previously €299m) for subsidiaries (construction) and a value for associates (concessions) of €421m (unchanged), we value AVAX at €4.0/share (€3.0/share previously). The main reason for the uplift is an increase in our long-run EBITDA margin assumptions. We note that there is still room for further upside as higher-margin projects develop and the fair value of the concessions business potentially increases.

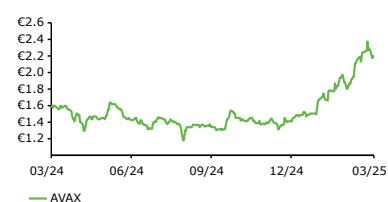
FY24 results preview

Construction and materials

10 March 2025

Price	€2.30
Market cap	€337m
Shares in issue	148.3m
Code	AVAX
Primary exchange	ATHENS
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	16.5	56.9	38.0
52-week high/low	€2.4	€1.2	

Business description

Based in Greece, AVAX operates through three main segments: construction, concessions and real estate and marinas, with a large international footprint. The largest segment, construction, is involved in large-scale private and public works, with unique experience among its peers, in energy infrastructure and subway construction.

Next events

FY24 results	April 2025
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Changes to FY24 and FY25 estimates

Exhibit 1: Changes to forecasts

€m	FY23		FY24e		FY25e		
	Reported	Old	New	Change	Old	New	Change
Revenue	453.5	733.7	648.1	-11.7%	834.9	774.6	-7.2%
Y-o-y % change	-	61.8%	42.9%	-	13.8%	19.5%	-
Adjusted EBITDA	55.7	86.1	103.1	19.8%	104.5	113.6	8.7%
Y-o-y % change	-	54.6%	85.1%	-	21.4%	10.1%	-
Normalised operating profit	42.6	64.8	81.7	26.2%	81.2	90.3	11.2%
Y-o-y % change	-	52.1%	91.9%	-	25.3%	10.5%	-
Normalised PBT	21.8	45.5	62.5	37.3%	63.3	72.4	14.3%
Y-o-y % change	-	109.2%	187.3%	-	39.1%	15.8%	-
EPS (€) Continuing basis	0.10	0.23	0.31	33.7%	0.31	0.35	13.0%
Y-o-y % change	-	130.0%	207.4%	-	34.8%	13.9%	-
DPS (€)	0.03	0.08	0.08	0.0%	0.08	0.08	0.0%
Y-o-y % change	-	166.7%	166.7%	-	0.0%	0.0%	-
Net debt (pre IFRS 16)	182.5	170.4	162.8	-4.5%	154.9	137.7	-11.1%
Y-o-y % change	-	-6.6%	-10.8%	-	-9.1%	-15.4%	-

Source: Edison Investment Research

We have trimmed our FY24 and FY25 revenue forecasts by 11.7% and 7.2%, respectively, to €648m and €775m, to reflect potential delays in construction activity, however timing remains uncertain. We have raised our forecasts for FY24 adjusted group EBITDA by 19.8% to €103.1m (previously €86.1m), and by 8.7% to €113.6m (previously €104.5m) for FY25. This is on the back of the significant improvement in the performance of the company's construction segment at H124 (with group EBITDA margins increasing to 18.7% at H124, taking our FY24e EBITDA margin to 15.9%, up from 12.3% in 2023) and its concession segment, which despite the completion of the Athens Ring Road in Q424, will continue to have substantial contributions from existing concessions and new contracts pursued by the group. Our new FY24 EPS forecast is €0.31 (up from €0.23 previously). This is a c 33.7% increase compared to our previous EPS estimate, and represents a year-on-year increase of c 207% on an FY23 basis.

Valuation and assumptions

The company trades at FY24e P/E of 7.5x, which implies a material 42% discount to peers. Our revised DCF valuation of €4.0/share (from €3.0/share) represents c 73% upside to the current share price. The main reason for the uplift in our valuation is an increase in our long-run EBITDA margin assumptions. AVAX's current portfolio of landmark projects makes up almost 90% of its total project backlog (€3.2bn). While the majority of these projects are at very early stages, they will underpin a large share of the company's longer-term revenues. This backlog provides greater flexibility for AVAX moving forward regarding the profitability of future projects. AVAX also works with in-house resources at higher percentages than its relative peer group, enabling the company to have greater control over its effective costs moving forward.

Our DCF valuation assumptions remain unchanged. We have used a weighted average cost of capital (WACC) of 9.4%, with our risk-free rate, equity risk premium and beta remaining unchanged at 3.7%, 10.5% and 1.0, respectively. Our three-stage tapered valuation revenue growth assumptions remain unchanged at 2% in the first two years after our forecast period, 1% in the final five years and a conservative 0% terminal growth. We value the majority of AVAX's associates based on FY23 fair value (and will update this using FY24 numbers once published). The fair value of associates therefore remains unchanged at €421.3m (€2.84/share).

Exhibit 2: Financial summary

€m	2021	2022	2023	2024e	2025e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue	592.2	402.7	453.5	648.1	774.6
Cost of Sales	(560.6)	(381.8)	(416.8)	(583.3)	(697.1)
Gross Profit	31.6	20.9	36.8	64.8	77.5
EBITDA	51.0	58.2	61.1	103.1	113.6
Operating EBITA (reported)	22.7	39.6	37.9	77.0	85.6
Normalised operating profit (incl JVs and sub debt)	38.0	45.8	42.6	81.7	90.3
Exceptionals	(15.7)	(6.5)	(5.1)	(5.1)	(5.1)
Reported operating profit (incl JVs and sub debt)	22.2	39.3	37.5	76.7	85.3
Net Interest	(22.3)	(20.7)	(20.8)	(19.3)	(17.9)
Joint ventures & associates (post tax)	31.2	47.4	32.4	47.5	50.0
Exceptionals and sub debt/other	5.3	6.6	6.6	8.2	10.2
Profit Before Tax (normalised, continuing)	15.7	25.1	21.8	62.5	72.4
Profit Before Tax (reported, continuing)	(0.0)	18.5	16.7	57.4	67.3
Reported tax	2.0	(5.6)	(6.7)	(17.2)	(20.2)
Profit After Tax (norm)	17.7	19.5	15.1	45.3	52.2
Profit After Tax (reported)	2.0	12.9	10.0	40.2	47.1
Minority interests	(0.1)	(0.2)	(0.1)	(0.3)	(0.3)
Net income (normalised, continuing)	17.6	19.2	15.0	45.0	51.9
Net income (reported, continuing)	1.9	12.7	10.0	39.9	46.9
Discontinued	(14.4)	27.0	0.4	0.0	0.0
Discontinued NCI	(1.5)	(1.6)	(0.0)	0.0	0.0
Reported Group Net Income (continuing and discontinued)	(14.1)	38.1	10.3	39.9	46.9
Basic average number of shares outstanding (m)	144.3	144.3	144.5	146.4	148.3
EPS - basic normalised (€)	0.12	0.13	0.10	0.31	0.35
EPS - diluted normalised (€)	0.12	0.13	0.10	0.31	0.35
EPS - basic reported (€)	0.01	0.09	0.07	0.27	0.32
DPS (c)	0.0	7.0	3.0	8.0	8.0
Revenue growth (%)	-	(32.0)	12.6	42.9	19.5
Gross Margin (%)	5.3	5.2	8.1	10.0	10.0
EBITDA Margin (%)	8.6	14.5	13.5	15.9	14.7
BALANCE SHEET					
Fixed Assets	487.1	464.3	502.0	491.6	478.3
Intangible Assets	0.6	0.5	0.9	1.1	1.3
Tangible Assets	61.3	53.2	49.1	39.3	27.6
Investments & other	425.2	410.6	451.9	451.2	449.4
Current Assets	709.3	612.2	700.8	690.7	807.4
Stocks	25.8	21.3	31.9	32.4	38.7
Debtors	253.2	270.5	311.9	369.4	464.8
Cash & cash equivalents	114.1	86.6	76.9	74.2	89.3
Other	316.3	233.7	280.1	214.6	214.6
Current Liabilities	647.2	444.8	543.4	527.7	606.6
Creditors	376.2	273.1	398.3	434.3	519.0
Tax and social security	6.9	12.0	14.3	14.3	14.3
Short-term borrowings	107.5	78.1	62.4	60.0	60.0
Other	156.6	81.5	68.4	19.2	13.4
Long-Term Liabilities	438.9	476.8	499.6	460.1	448.8
Long-term borrowings	334.9	228.9	197.0	177.0	167.0
Other long-term liabilities	104.0	247.9	302.6	283.1	281.8
Net Assets	110.4	154.9	159.7	194.4	230.3
Minority interests	(14.2)	(0.9)	(1.1)	(1.4)	(1.6)
Shareholders' equity	96.2	154.0	158.6	193.1	228.7
CASH FLOW					
Op Cash Flow before WC and tax	51.5	58.6	61.1	103.1	113.6
Working capital	48.9	(7.3)	45.2	(22.1)	(16.9)
Exceptional & other	(15.7)	(6.5)	(5.1)	(5.1)	(5.1)
Tax	(6.6)	(2.6)	1.2	1.2	1.2
Other	(24.5)	(29.1)	(41.1)	(66.2)	(71.7)
Net operating cash flow	53.5	13.1	61.3	10.9	21.1
Capex	(6.1)	(4.3)	(13.3)	(10.5)	(10.5)
Acquisitions/disposals	28.3	110.1	(2.1)	0.0	0.0
Net interest	(24.2)	(22.0)	(20.4)	(19.3)	(17.9)
Dividends	0.0	0.0	(10.1)	(4.3)	(11.5)
Other	39.1	18.8	21.1	40.4	44.0
Net Cash Flow	90.7	115.7	36.6	17.2	25.1
Opening net debt/(cash)	453.8	328.3	220.4	182.5	162.8
Other non-cash movements	34.9	(7.9)	1.3	2.5	(0.1)
Closing net debt/(cash)	328.3	220.4	182.5	162.8	137.7

Source: AVAX, Edison Investment Research

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