

Table 1: Key Figures

Key figures	
Bloomberg Ticker	REVOIL:GA
Stock Exchange	ATHEX
Industry	Oil and gas
Sector	Energy
Market Capitalization	€23.994M
Share Price (1/07/2022)	€ 1.10
52w High	€ 1.55
52w Low	€ 1.03
1-Year change abs. (%)	-22%
1-Year change rel. (%)	69%
Beta	0.77
Free Float (%)	22.9%

Source: Bloomberg | Finance Club Research

BUSINESS DESCRIPTION

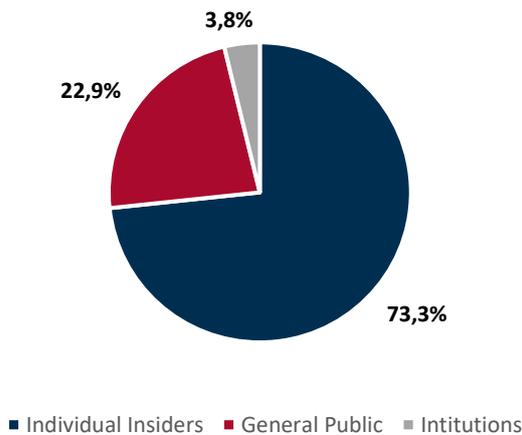
Revoil is a Greek petroleum product company founded in 1982 in Chios, active in the fuel sector with a market share of more than 10.4%. The company started as a liquid fuel storage provider, but in 1995 was acquired by its current shareholders, who proceeded with further developing the company to what it is known today and making it public in January 2004. In December of 2000 its headquarters were transferred from Chios to Vari, Attica, where they are still located today, while also operating subsidiary privately owned storage facilities of liquid fuels on the island of Chios and in Aspropyrgos, Attica. These two main facilities and 5 more branches supply fuel and lubricants to a network of 526 petrol stations, with the brand of Revoil, and 123 independent service stations that it cooperates with. Since the beginning of 2005, its service stations and facilities have also been inspected by the Laboratory of Fuel and Lubricant Technology of the National Technical University of Athens in order to certify the quality of the fuel provided.

The company provides petroleum products and lubricants. From its establishment in 1982 and up to 1995, the Revoil's revenues came from services of liquid fuel storage, for a third-party company. Since 1995 and until today, the company sells all types of petrol, oil, and lubricants. Its petrol products are classified according to the types of octane content, while for oil, the product portfolio includes diesel oil, heating oil, and marine gas oil. Lubricants sold by Revoil are directed for petrol engines, diesel engines, and hydraulic systems. Sales in 2020 reached €558.5M for petroleum and oil products and €2M for lubricants. At the same time, the company launched the "Revoil Fuel Card" program, which provided professional drivers with enriched fuel that resulted in an increase of the customer base by 16% and contributed to the increase of the share in diesel fuel by half a point (8.7% vs 8.2%).

All activities are carried out within the Greek territory. There are no product exports, as well as zero imports since its main suppliers are the Greek refineries of Hellenic Petroleum and Motor Oil. The company, in 2021, joined the field of renewable energy by proceeding with the construction of a solar and a wind farm. At the same time, it started a program to install charging outlets for electric vehicles to their stations. The number of people employed by Revoil is 98, while there is also cooperation with 130 Independent Contractors-tanker drivers for the transport of liquid fuels.

The COVID-19 pandemic led to restrictive measures that affected most sectors of business activity. The result of lockdown measures globally, as well as in Greece, was a massive drop in the volume of transportation and traveling which reduced the demand for motor fuels. On the contrary, the demand for heating oil increased, thus compensating for the loss in motor fuel sales. According to the board, it is estimated that the risk from the pandemic in the financial structure and profitability of the group, is limited.

Figure 1: Ownership share, 2020.



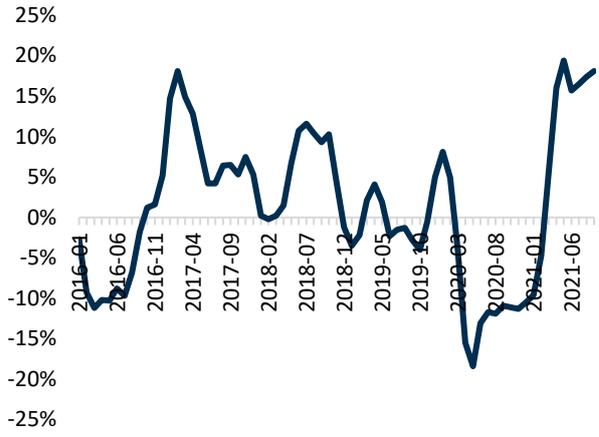
Source: Company Reports

Figure 2: Company revenues by product, 2020 (in thousands).



Source: Company Reports

Figure 3: Volatility of lubricants and transport fuels (% Change In Price)



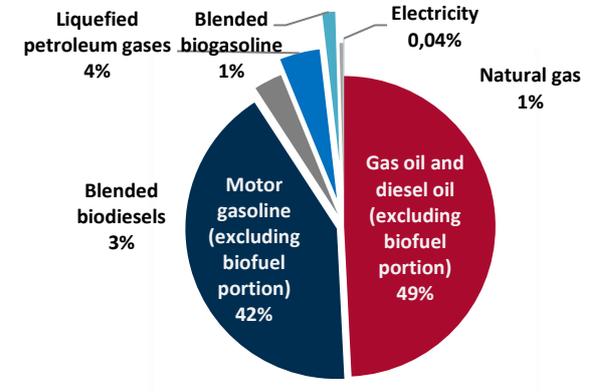
Source: Eurostat

Figure 4 : Price per barrel of oil in USD, 2013-2021



Source: macrotrends

Figure 5 : Energy consumption for road transfer in Greece by types of fuel, 2020.



Source: Eurostat

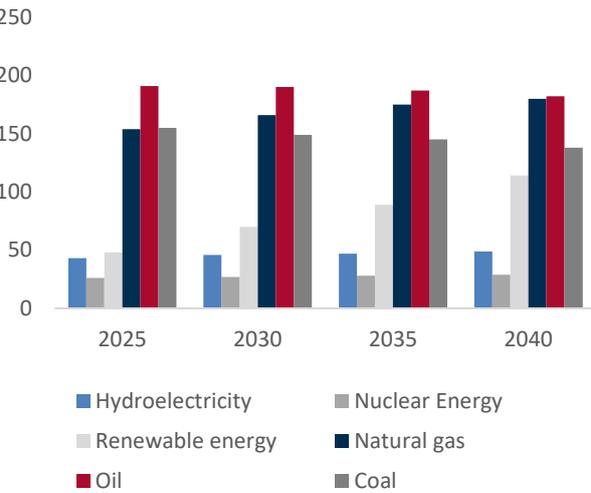
MARKET OVERVIEW

The global oil and gas market consists of sales of oil and gas by entities (organizations, sole traders, or partnerships) that undertake the exploration for, extraction, drilling, and refining, of oil and gas and some of its derivatives. It was valued at \$4677.45 billion in 2020 and it's expected to reach \$7425.02 billion in 2025 at a CAGR of 6%. The largest producers are the USA, OPEC, and Russia, while the countries with the higher consumption of oil are the USA and China. The industry is characterized by high volatility as prices are mainly controlled by the supply and demand of oil. More specifically, the supply can be severely affected by the OPEC -who regulates the amount of oil that its members can supply-, the weather conditions, and geopolitical issues. At the same time, the demand can be affected by the world's economic and population growth trends and seasonal changes in the markets.

Thus, in an already volatile industry, the global pandemic had a major impact on the demand and supply for oil and gas. More specifically, in April 2020 the restrictions and lockdowns that governments worldwide imposed, caused the demand for oil to plummet down to 80.3m barrels per day, and due to the much higher supply, prices plunged, dropping down to \$18 a barrel from a monthly average of \$64 per barrel in January. The following year, as economic activities recovered, the demand for oil grew by 5.5%. However, the supply of oil didn't rise at the same proportions, meaning that oil consumption was greater than production. This led to the use of global oil reserves which caused prices to rise significantly. Despite the rise in supply in the 4th quarter of 2021, the uncertainty of the prices remains, as new COVID variants might lead to restrictions in the economic activity and thus disrupt the demand for oil.

Scaling it down to the Greek market, the oil consumption for December 2019 was 303.580 Barrels/Day, with the oil imports reported at 460.978 Barrels/Day. These numbers remained significantly low in the past years due to the financial crisis that greatly affected fuel consumption. As a result, consumer purchase power decreased while taxes for these particular goods increased, in order to achieve the memorandum goals, restricting that way any market profits. Since the outbreak of COVID-19, a great decline in fuel consumption in Greece has been well observed. Precisely, in 2020 there is a noted «drop» of 8.1% in the fuel market, a significant amount of which, is attributed to the decrease of gas consumption by 18% and diesel fuel by 8% in comparison with the previous year 2019. However, there's been a great increase in the consumption of heating oil by 17% which covered losses to a degree, because of the mandatory lockdown that obliged citizens to stay at home. Moreover, the fuel market is anticipated to recover, as it appears that the Greek economy is rapidly advancing and will continue to do so, for the next couple of years, with projections of a 5.5% increase in GDP for 2022 and a further 3.6% increase in 2023.

Figure 6 : Forecast of energy consumption, 2025-2040 (in exajoules).

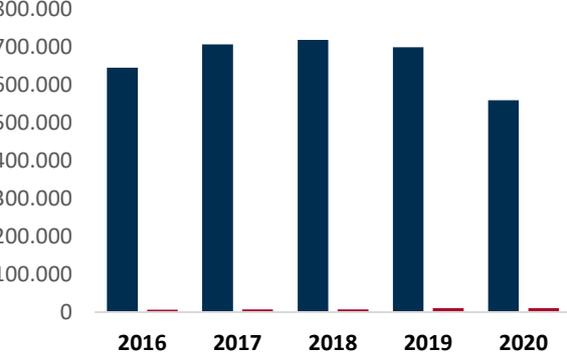


Source: Statista

Decarbonization is the process of reducing the CO2 emissions to Earth’s atmosphere, thus increasing the quality of life for people and protecting the environment from carbon dioxide pollution. Thus, in the latest years, the EU is regulating towards renewable energy production and fuels emitting less carbon than fossils, while there is also a big trend in investing in green bonds and eco-friendly companies. This means that the oil and gas industry will have to deal with the major challenge of becoming more eco-friendly, as of now it accounts for 45% of the total anthropogenic emissions. The decarbonization of the industry will require excessive investing in renewable energy sources, such as solar and wind energy, and in new technologies that will optimize the cost and pollution of refining and extraction of oil. Another minor risk that these companies face is the loss in sales of transport fuels due to the rise of the electric vehicle industry, which is being heavily supported by the governments. All in all, the future of the oil and gas industry depends on its ability to manage its carbon footprint.

FINANCIAL ANALYSIS

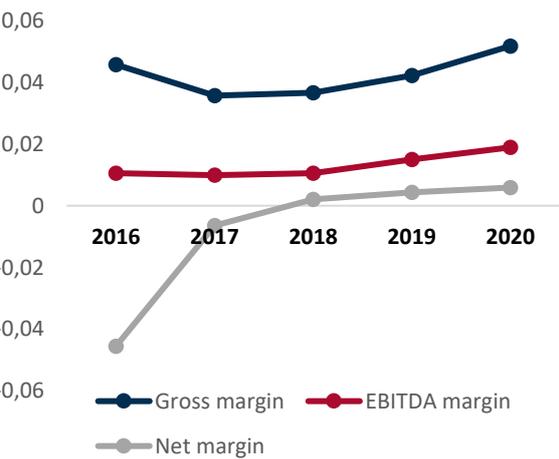
Figure 7: Revenues & EBITDA (in €thousands).



Source: Company Reports

Revoil’s sales in 2020, coming from fuels and lubricants amounted to €560.5M, marking a 19.9% decrease from last year’s €700.3M. This downward trend follows the overall decline in transport fuel sales caused by the restrictive measures imposed due to the COVID-19 pandemic. Revenues remained on the same levels through the years of 2015 to 2019, ranging from around €650M to €700M, with 2020 being the lowest in a decade. The EBITDA has been continuously rising since 2016 starting at €6.8M and reaching €10.49M in 2019. Despite the significant drop in sales in 2020, the company managed to achieve an EBITDA of €10.61M, which was slightly higher than the one in 2019, by cutting down operating expenses. The return on equity of the company has seen a rise of 45% since 2018, showcasing that the company is generating profits more efficiently. At the same time, REVOIL’s ROE of 17.4% in 2020 was higher than the industry average of 13.6%. The gross profit margin shows barely any fluctuations, indicating good company management practices and no operational changes to its business model. Although negative in the past, due to tax burdens and readjustments to the group, the net income of the company showed major improvement reaching €3.3M in 2020.

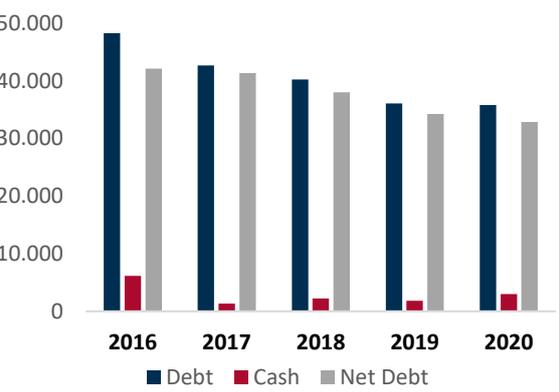
Figure 8: Gross, EBITDA & Net Margin



Source: Company Reports

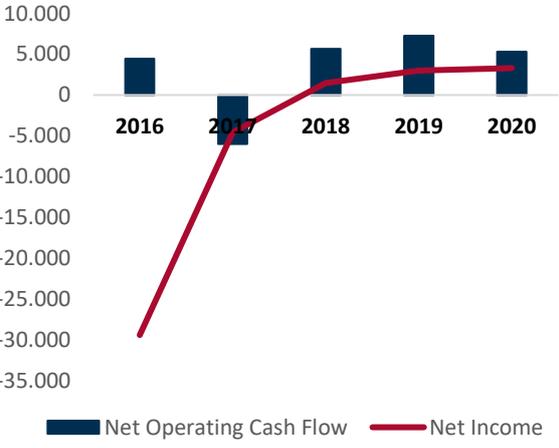
To prevent losses due to the high volatility of the global oil prices and the change in the dollar value, the company follows the strategy of keeping its inventory of fuel as low as possible. An accurate depiction of this strategy is the DIO of the company, which remains at “2 days” for the last 3 years. The Cash Conversion Cycle was negative in 2016 and reached zero in the following years, with an increase in 2020 reaching 8 days, mainly due to the company paying its liabilities faster.

Figure 9: Debt, Cash & Net Debt (in €thousands).



Source: Company Reports

Figure 10: Operating Cash Flows & Net Income (in €thousands).

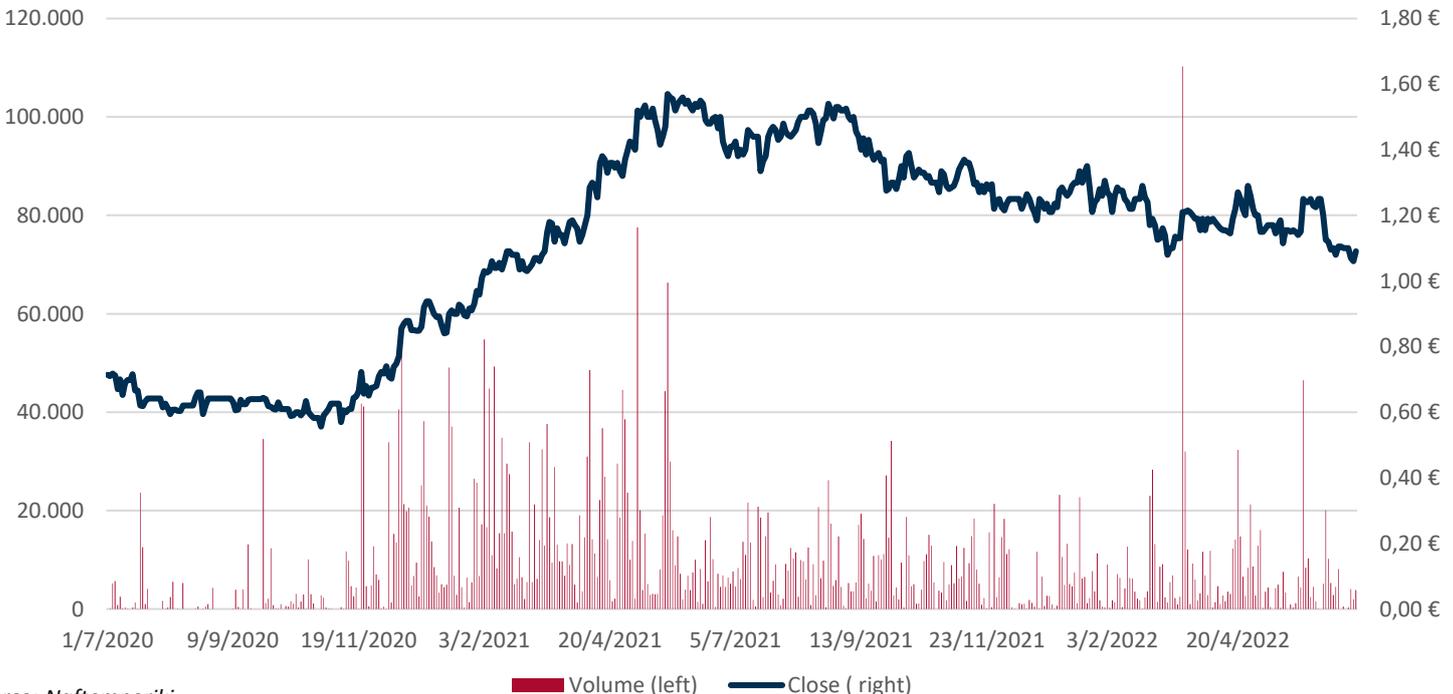


Source: Company Reports

The company shows high leverage, with Net Debt to Equity ratio reaching 3.98 in 2017, but slightly dropping in the last years to 1.73 in 2020 as the debt is slowly, but gradually, being paid off – about €15M in debt has been paid off in the last 5 years- and the company has shown an increase in its equity. Until 2014 the company was financed mainly by short-term loans which are characterized by higher interest rates, thus being less cost-efficient. In 2014, Revoil proceeded to refinance its short-term loans with long-term ones, by issuing a bonded loan with Alpha Bank, with a total value of €18.45M. Since then, the company shows signs of struggle in paying off said debt and has been taking additional loans to make the original payments. More specifically, in 2018 the company took a loan of €8M from Piraeus Bank, and in 2019 it reached a settlement with Alpha Bank to extend the remaining maturity of the bonded loan to four years.

Revoil has decided to expand and diversify its activities, in the past, through subsidiary companies related to shipping since 2010 and biofuels since 2007. However, these companies were damaging the profitability of the group. In 2016, a shipping subsidiary of Revoil, named Ariston, sold one out of three ships owned marking a loss of €9.6M, and revaluated its two remaining ships, with the loss of devaluation reaching €14.8M. This resulted in a 23% EBITDA drop from the previous year’s €8.9M to €6.8M. It meant excessive losses for the group, as EBT was negatively impacted and reached a -€29.4M for the same year, from 2015’s -€2.6M. The following year, to minimize the losses due to the unprofitable subsidiaries, the group decided to sell Ariston to VARI NAVIGATION LTD for €170k and to liquidate REVOIL-BIOFUELS.

Figure 11: Historical Share Price & Volume – 2 years



Source: Naftemporiki

Table 2: Key Financials

Key Financials											
	2016	2017	2018	2019	2020		2016	2017	2018	2019	2020
Margins						Debt					
Gross margin	4,6%	3,6%	3,7%	4,2%	5,2%	Net debt / Equity	488%	398%	312%	219%	173%
EBITDA margin	1,1%	1,0%	1,1%	1,5%	1,9%	Net debt / EBITDA	619%	590%	500%	327%	310%
EBIT margin	0,1%	0,6%	0,7%	1,0%	1,2%	Efficiency					
Net margin	-4,6%	-0,6%	0,2%	0,4%	0,6%	FCF yield	88,7%	-30,7%	88,4%	46,3%	38,0%
Growth rates						Cash realization	-15%	131%	386%	242%	161%
Sales growth	-1,6%	8,8%	1,6%	-2,8%	-24,9%	Dividends					
Assets growth	7,2%	-16,3%	-1,5%	5,0%	-13,0%	Divident per share	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Equity growth	-62,4%	16,8%	14,7%	22,3%	17,3%	Divident yield	0,0%	0,0%	0,0%	0,0%	0,0%
Performance						Liquidity					
ROE	-340,5%	-44,0%	12,0%	19,2%	17,4%	DSO	22	20	19	20	21
ROA	-24,0%	-4,4%	1,4%	2,8%	3,4%	DIO	3	3	2	2	2
ROCE	1,3%	13,7%	16,6%	15,3%	13,4%	DPO	31	23	22	20	15
"Multipliers"						Cash conv. cycle	-6	0	-1	2	8
P/E	-0,3	-2,8	6,1	6,6	6,2	Current ratio	0,6	0,8	0,8	0,8	0,9
EV/EBITDA	7,3	7,7	6,2	5,2	5,0	Quick ratio	0,1	0,1	0,1	0,1	0,1
P/BV	0,9	1,2	0,7	1,3	1,1	Cash ratio	0,1	0,0	0,0	0,0	0,1

Source: Company Reports | Finance Club Research

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