

Luka Koper (LKPG SV)

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12M Target price: 43 EUR

Recommendation: BUY

Previous target price: 38 EUR, BUY (30.8.2017)

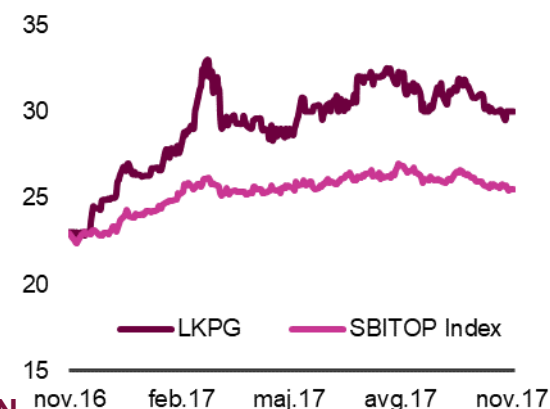
KEY MARKET DATA:

| Stock data as of 27.11.2017 : | | Price performance: | | 3M | 12M |
|---------------------------------|-------------|-------------------------------|--|-------|---------|
| Market price (EUR) | 30.0 | Price change in % | | -6.3% | 30.4% |
| 52 week range (EUR) | 22.8 - 33.0 | SBI 20 index change in % | | -5.3% | 10.9% |
| Market Cap (EUR) | 420.0 | Relative to SBI 20 index in % | | -1.0% | 17.6% |
| | | Valuation multiples: | | TTM | Forward |
| Avg. daily trade vol., EUR(k) | 76 | EV/Sales | | 2.3 | 2.2 |
| Average daily % of stock traded | 0.019% | EV/EBITDA | | 5.7 | 5.5 |
| No. of Shares in millions | 14.0 | EV/EBIT | | 8.6 | 8.1 |
| | | P/E | | 8.2 | 8.0 |
| Dividend yield | 4.7% | P/B | | 1.2 | 1.2 |

KEY COMPANY DATA & ESTIMATES:

| million € | FY2015 | FY2016 | TTM | 2017F | 2018F |
|----------------|--------|--------|-------|-------|-------|
| Sales | 184.3 | 199.5 | 208.6 | 216.2 | 230.1 |
| EBITDA | 69.9 | 75.8 | 82.5 | 86.6 | 90.4 |
| Margin | 38.0% | 38.0% | 39.6% | 40.0% | 39.3% |
| EBIT | 42.4 | 49.3 | 55.1 | 58.2 | 59.4 |
| Net income | 32.4 | 44.4 | 51.0 | 52.6 | 52.7 |
| EPS | 2.3 | 3.2 | 3.6 | 3.8 | 3.8 |
| DPS | 1.13 | 1.40 | | 1.40 | 1.40 |
| Financial debt | 111.9 | 110.3 | 121.4 | 109.1 | 104.3 |
| Cash | 12.6 | 5.8 | 21.1 | 6.3 | 6.7 |
| Net debt | 50.5 | 60.5 | 54.2 | 59.0 | 55.3 |
| Equity | 306.1 | 331.8 | 354.5 | 364.8 | 398.0 |
| Assets | 464.5 | 490.0 | 525.9 | 527.3 | 561.3 |
| ND/EBITDA | 0.7 | 0.8 | 0.7 | 0.7 | 0.6 |
| P/E | 9.9 | 7.9 | 8.2 | 8.0 | 8.0 |
| EV/EBITDA | 5.3 | 5.4 | 5.7 | 5.5 | 5.2 |

SHARE PRICE DYNAMIC:



KEY CURRENT DEVELOPMENTS

- Daimler signed another deal with Luka Koper (the later being its third export port in Europe from 2015 onwards). Namely while they cooperated regarding export activities toward China, Hong Kong and Singapore, they will now cooperate also in terms of export to Japan. This will further extend vehicles throughput, as Mercedes Benz already exported roughly 100,000 vehicles per year through Luka Koper. No wonder that in the future years Luka Koper will additionally invest EUR 43.6m into its vehicles segment.
- The referendum against second railway tier legislature was unsuccessful. Therefore the base scenario is still that this railway infrastructure overhaul will go through, enabling higher growth profile to continue beyond 2020. However consequently CAPEX will also remain elevated after 2020 – but on which Luka Koper will embark only gradually after 2020 when and if hinterland infrastructure projects are surpassing key milestones.
- Battle for control again heated up; **on 28th December 2017 a special shareholder assembly will convene – with a vote of no confidence in the management board** being on agenda. This is a constant risk for Luka.
- **Strong result dynamic continues while we see no reason to change our recommendation and investment thesis.** QoQ however Luka Koper is consistently over delivering, so we **raised estimates and target price.**

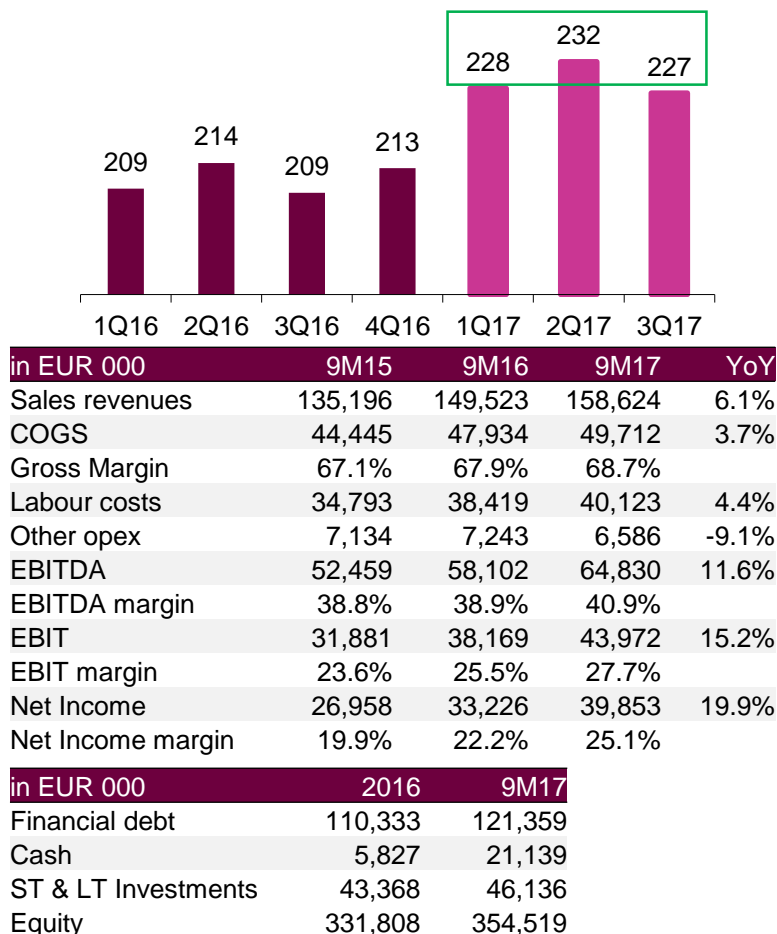
9M17 Results

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- Overall costs grew slower than revenues, which in return lifted profit margins. D&A charge was the only cost in 3Q17 that deviated from previous quarters increasing by 15.4% YoY to EUR 7.6m, which was also a 7-year high. However from 9M17 perspective D&A is up by 4.6% YoY.
- 3Q17 EBITDA margin stood at 39.0% vs 34.5% for 3Q16.
- Interest expense also declined significantly in 9M17 (-48% to EUR 977k), which helped net margin to improve by 2.9 p.p. to 25.1%.
- Bottom line is ahead of our expectations by EUR 4m.
- Financial debt increased by EUR 11.0m to EUR 121.4m.
- Short term receivables to foreign buyers increased by 82% over 2016 to EUR 19.7m while short term receivables to domestic buyers decreased by 19.5% over 2016 to EUR 14.2m.

Throughput of containers (in thousand TEUs)



- Reported ROE is now at high 15.5%, up 1.4 p.p. vs same period last year. At the same time reported financial debt to EBITDA stands at 1.4x (adjusted 0.7).
- In addition Group has EUR 13.0m in shares and interests in associates, EUR 18.7 in investment property and EUR 33.0m in other non-current investments (mostly pharmaceutical company Krka).

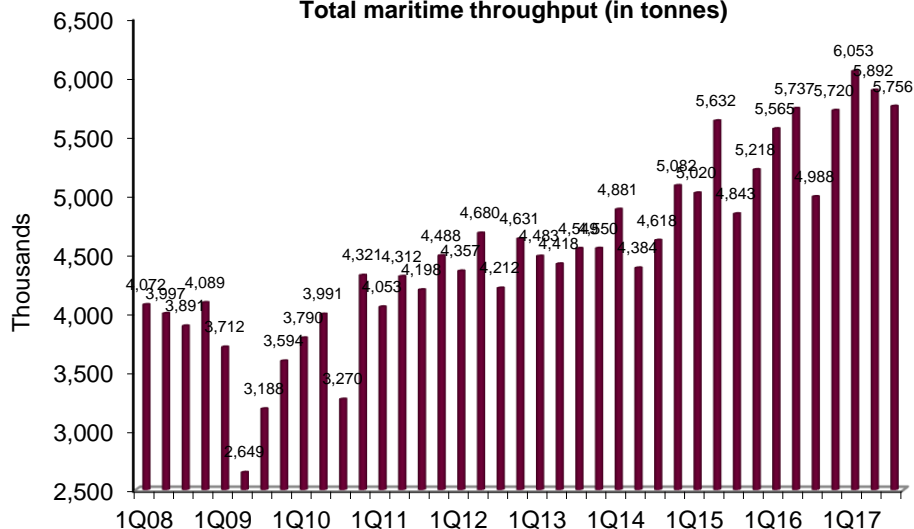
- Environment continues to be beneficial (world trade flows into Adriatic etc.).
- Cargo handling in 9M17 increased by 8.7% YoY with 15.4% YoY growth in 3Q17 (5.8m tones) following a 2.7% YoY growth in 2Q17. However 3Q16 was burdened at start.
- TEU's increased by 8.7% and 8.7% YoY for 9M and 3Q respectively (to 226.7k TEUs).
- On the other hand vehicles growth rates were down 2.8% and 5.4% YoY for 9M and 3Q (to 171.4k units). However management believes this is a consequence of very high growth rates in the past – while also pointing out new Daimler deals will come on board in the future.
- Strong 3Q17 growth rates were delivered by liquid cargo segment (19.1%) and bulk and break bulk (+25.9%) while general cargoes were up 3.5% and are still down 7.2% from 9M17 perspective.
- This translated into revenue growth of 6.1% in 9M17 and 4.6% YoY for 3Q17.
- Top line is in-line with our estimates.
- In 9M17 the Group invested EUR 32.5m, down 21% YoY vs 9M16.
- For now, CAPEX program is lagging behind plan as administration is slowly approving the projects Luka Koper is embarking. Consequently the lag will eventually be filled with higher level of CAPEX in the following years (moving target).
- Luka Koper generated EUR 53.7m of net cash from operating activities in 9M17, up EUR 3.8m vs same period last year.

Throughput dynamic

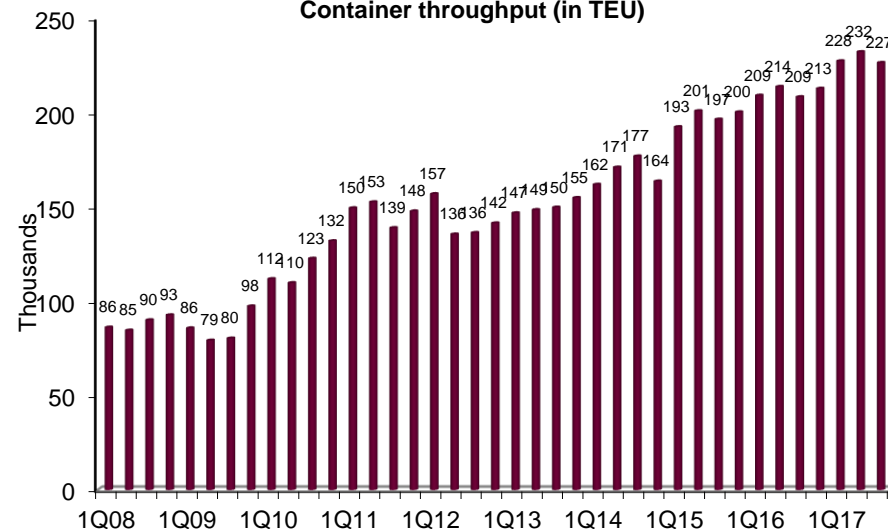
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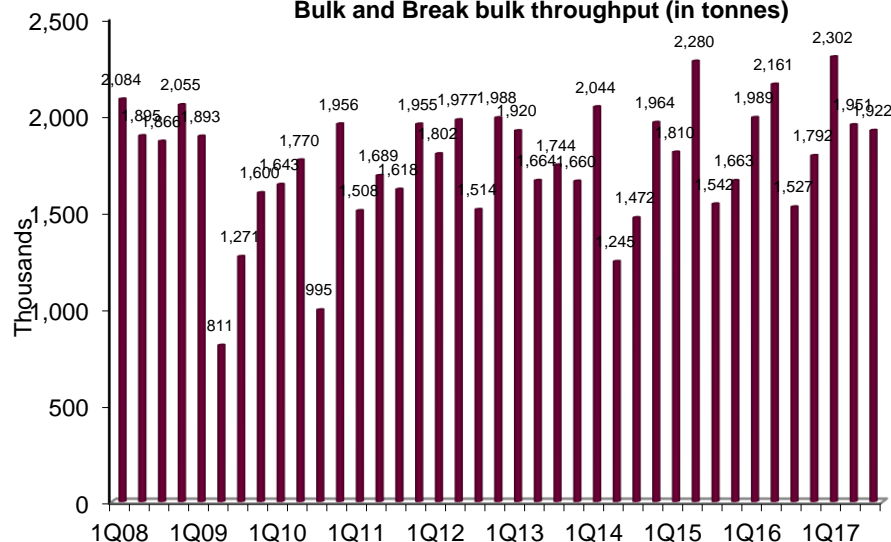
Total maritime throughput (in tonnes)



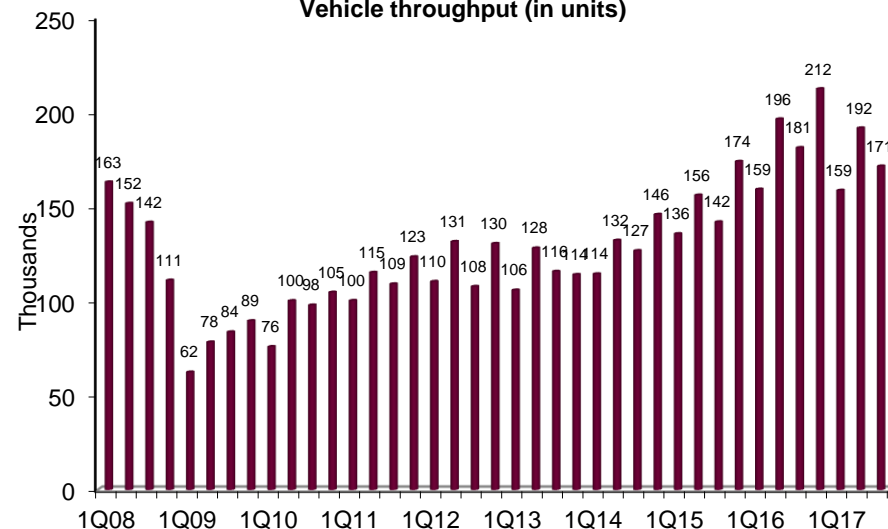
Container throughput (in TEU)



Bulk and Break bulk throughput (in tonnes)



Vehicle throughput (in units)



Investment Thesis

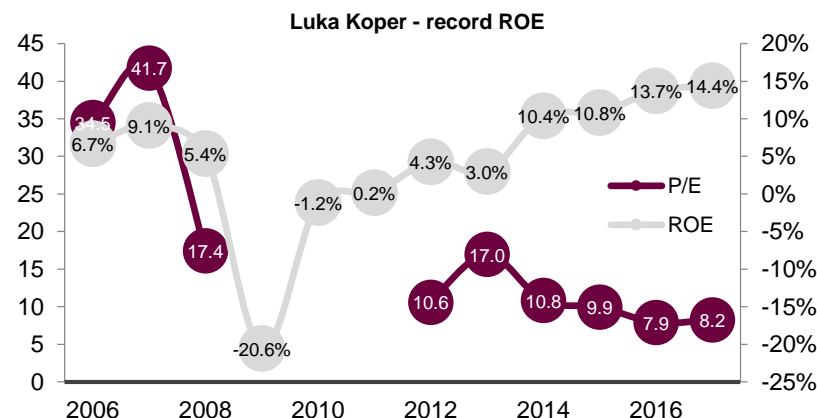
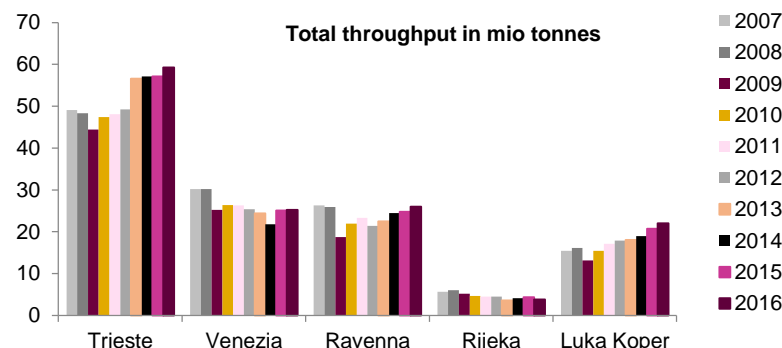
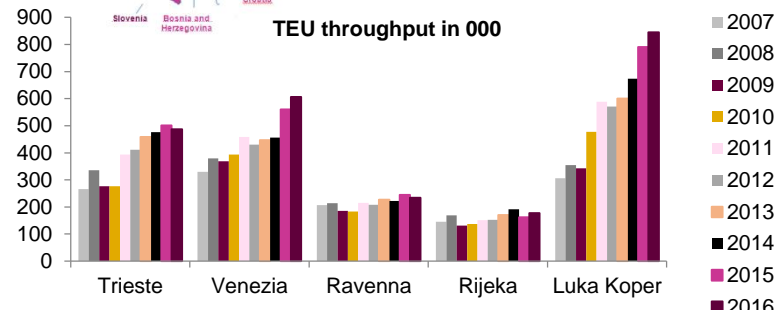
POSITIVE:

- **Luka Koper has superb strategic position in North Adriatic**, which can cater surrounding area. Its a key port in Adriatic see, where ports are increasingly competitive against Northern European ports. Consequently Luke Koper is **at the same time gaining market share in local region as well as gaining together with local competitors as Adriatic as a whole is gaining traffic**.
- The port area consists of 270 hectares of land with 28 berths located on 3,282 meters of the shoreline
- It is top container terminal in Adriatic, among top 3 terminals in Mediterranean regarding vehicles and first port for Austria, Hungary and Slovakia (for the latter two in regards to terminals).
- Luka Koper noted that London-based organization Drewry, specialized in the global maritime sector and transport, published a best-route market study for containerized imports from China to South Germany in which they indicated that Luka Koper had the fastest overall transit time.
- Increased depth of navigation channel (enabled ships carrying 20k TEUs to enter the port) is already showing results. All in all their **CAPEX cycle should continue opening possibilities for future strong growth dynamic**, capitalizing on superb strategic position.
- In addition Luke Koper is **logically cyclical play on regional economy**. **Improving conditions** are therefore favorable and for now there is no stall on the horizon. Even more, current throughput dynamic remains encouraging.
- **In line with this, strategic figures are attractive**. Throughput expected CAGR **2016-2020** at 2.5% to 24.3m tones, with TEU CAGR of 4.3% and vehicles CAGR at 3.2%. Target ROE at 10%.
- **Last few year Luka Koper constantly beat estimates on top and bottom line**. Guidance for 2017 was again encouraging with sales EUR 215.4m, EBITDA 80.4m (+3%) and profit EUR 47.5m (+7%), nevertheless it seems Luka Koper will again achieve or surpass these estimates.



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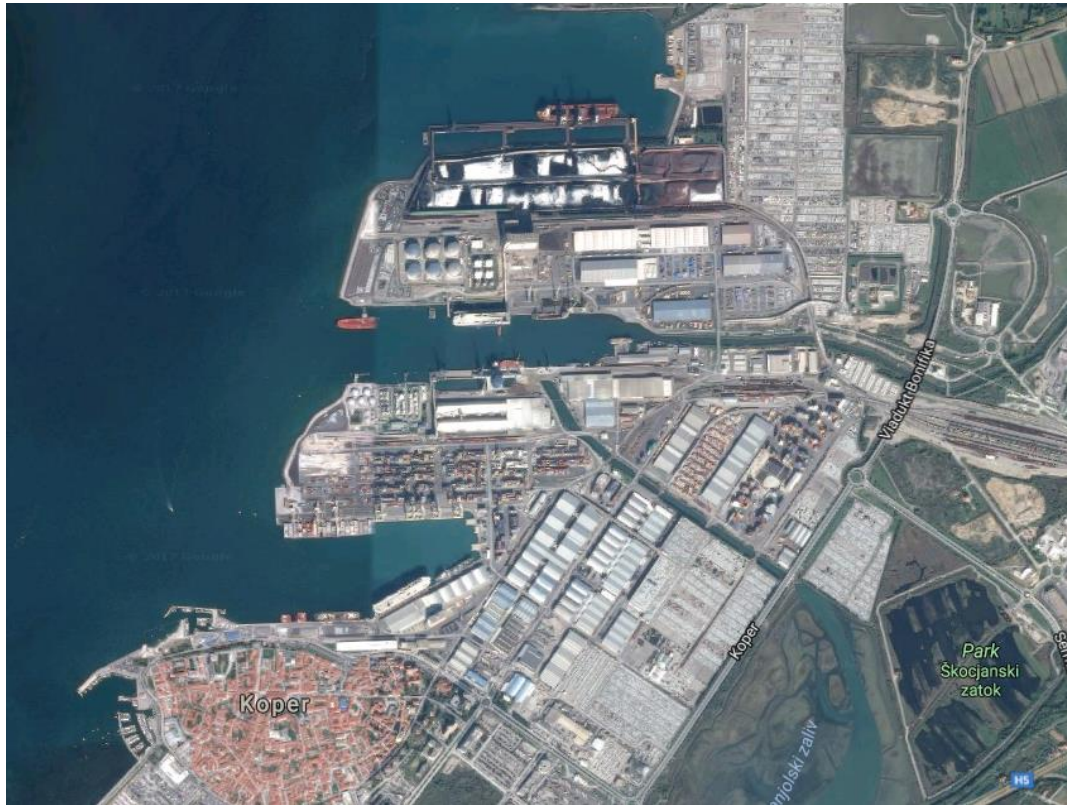
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Port facilities

The port area consists of:

- 270 hectares of land,
- 48.4 hectares of covered storage,
- 109.6 hectares of open-air storage space,
- 28 berths located on 3,282 metres of the shoreline along 179 hectares of the sea.



Dry Bulk Terminal
Reefer Terminal
Timber Terminal
Silo Terminal
Alumina Terminal

Iron ore and Coal Terminal
Livestock terminal
Cruise Terminal
▪ 69 cruise vessels with
▪ 78.923 passengers in 2016.

Container Terminal:

- Quayside 596 m
- Max. allowed draft 14.5 m
- 4 Berths
- Total terminal area: 270,000 m²
- Stacking area: 180,000 m²
- 4 STS panamax cranes
- 4 STS post-panamax cranes

Car and Ro Ro Terminal:

- Operative shore 800 m
- 7 Berths
- 4 Ro-Ro ramps
- 6 Railway ramps
- Open storage areas: 750,000 m²
- Covered storage areas: 125,000 m²
- Open air storage capacity: 44,000 units
- Covered storage capacity: 6,000 units

General Cargo Terminal:

- Operative shore 840 m
- 6 Berths
- Multipurpose closed warehouses 134,000 m²
- Roofed warehouses 3,600 m²
- Open storage areas 40,000 m²

Liquid Cargo Terminal:

- 51 shoretanks with capacity from 300 to 20,000 m³
- In total capacity of 203,000 m³
- Mild steel shoretanks 33
- Stainless steel tanks 9
- Reinforced polyester tanks 6

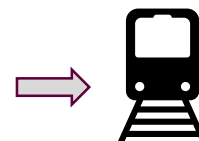
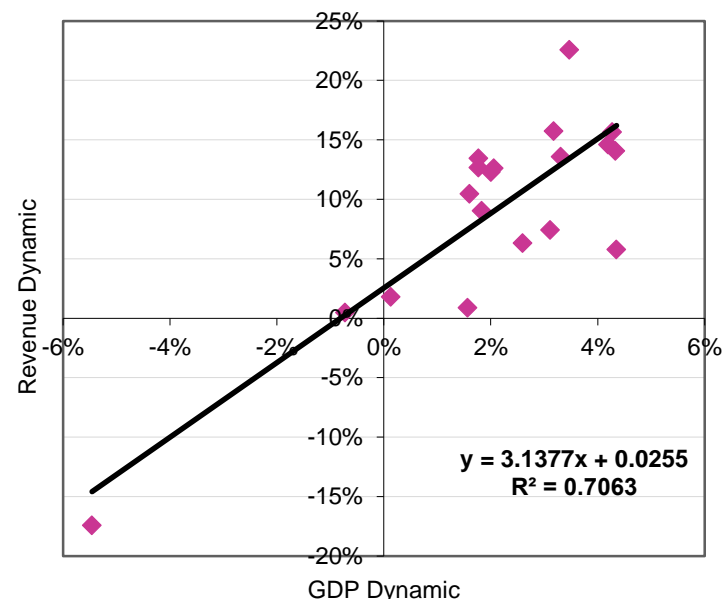
Investment Thesis

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NEGATIVE:

- Luka Koper **prospects depend on global and regional economic situation and consequent maritime throughput dynamic**. Therefore any cooling of surrounding region or global trade would negatively impact performance of Luka Koper.
- As Luka Koper has begun with another investment cycle to increase capacity, CAPEX is seen at **EUR 300m from 2015-2020. While CAPEX looks justified and is needed to support current growth dynamic, it bears risks:**
 - Firstly, overbudgeting is always possible – albeit last few years vice versa applied – especially as state remains the main shareholder. Any overbudgeting or missed investment would hamper the overall economics of CAPEX.
 - Secondly, risk is that internal CAPEX will not be followed by in-land (government) infrastructure. Some growth expansions would in this case end up as dead investments. On the other hand any delay is also limiting business expansion.
- The later is tied to the fact that **railway** is remaining Luka Koper's main **logistic bottleneck** and long term risk of falling behind the curve. This could **considerably hamper growth in 2020-2030 period**, thereby capping growth profile of Luka Koper. This would impact valuation, despite being balanced by lower CAPEX need. **Its true however that in the last year several milestones were achieved ...**
- **New 2nd tier project could bring additional taxation** (as planned in the latest government legislature proposal) or alternatively (if legislature falters) other means of co-finance railway infrastructure by Luka Koper could apply.
- **State ownership has been for several times a key headwind to Luka Koper share price**. This political risk came in several forms:
 - Top management is relatively often being replaced or rumored to be replaced. This could in times preoccupy management or even lead to labor strikes or end up Luka Koper paying for improper termination of individual agreement.
 - In certain past periods (however not in the last few years) there was a poor translation of strong top-line performance into good bottom-line performance.
 - Several times government contemplated ideas out about Slovene Logistic Holding, which would not be beneficial to Luka Koper shareholders, according to our belief.
 - There are clearly disappearances about the outlook, benchmarking and even second tier project between Luka Koper and state as the major shareholder.



- 27.1 km route with 8 tunnels, 2 viaducts, 2 bridges and 1 gallery.
- Capacity is supposed to go from 15.2m net tones per year toward 43.4m tones (25.7m through new track and 2.5m through modernization of existing track).
- A new taxation of port throughput:
 - EUR 1.00 per tone – general cargos;
 - EUR 0.40 per tone – bulk and break bulk cargos;
 - EUR 0.50 per tone – liquid cargos;
 - EUR 1.50 per unit – container freight;
 - EUR 1.00 per unit – vehicles.

Relative comparison

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| Name | EV/S | | | EV/EBITDA | | | EV/EBIT | | | P/E | | | P/B | | |
|-------------------|------|-------|-------|-----------|-------|-------|---------|-------|-------|------|-------|-------|-----|-------|-------|
| | TTM | 2017F | 2018F | TTM | 2017F | 2018F | TTM | 2017F | 2018F | TTM | 2017F | 2018F | TTM | 2017F | 2018F |
| Piraeus Port | 3.8 | 3.6 | 3.0 | 13.0 | 7.9 | 7.1 | 23.6 | n.a. | n.a. | 40.7 | 14.9 | 13.5 | 2.2 | n.a. | n.a. |
| Luka Ploce | 0.9 | n.a. | n.a. | neg. | n.a. | n.a. | neg. | n.a. | n.a. | 48.3 | n.a. | n.a. | 0.5 | n.a. | n.a. |
| Luka Rijeka | 4.5 | n.a. | n.a. | 82.1 | n.a. | n.a. | neg. | n.a. | n.a. | 30.3 | n.a. | n.a. | 0.9 | n.a. | n.a. |
| Thessaloniki Port | 3.5 | n.a. | n.a. | 6.8 | n.a. | n.a. | 7.8 | n.a. | n.a. | 12.6 | n.a. | n.a. | 1.6 | n.a. | n.a. |
| Hamburger H&L | 1.6 | 1.6 | 1.5 | 6.2 | 6.6 | 6.5 | 10.1 | 11.4 | 10.9 | 19.6 | 20.8 | 19.6 | 3.1 | 3.0 | 2.8 |
| Port of Tauranga | 14.2 | 12.7 | 12.1 | 26.3 | 22.7 | 22.2 | 31.9 | 26.6 | 25.8 | 38.6 | 35.6 | 34.3 | 3.5 | 3.7 | 3.7 |
| South Port NZ | 4.6 | n.a. | n.a. | 10.8 | n.a. | n.a. | 13.7 | n.a. | n.a. | 18.9 | n.a. | n.a. | 4.3 | n.a. | n.a. |
| EUROKAI KGAA | 1.8 | 1.7 | 1.6 | 8.5 | 8.0 | 7.8 | 14.1 | 13.0 | 12.7 | 15.6 | 14.7 | 14.2 | 1.7 | n.a. | n.a. |

| | | | | | | | | | | | | | | | |
|------------|-----|-----|-----|------|-----|-----|------|------|------|------|------|------|-----|-----|-----|
| Luka Koper | 2.3 | 2.2 | 2.1 | 5.7 | 5.5 | 5.2 | 8.6 | 8.1 | 8.0 | 8.2 | 8.0 | 8.0 | 1.2 | 1.2 | 1.1 |
| Median | 3.7 | 2.6 | 2.3 | 10.8 | 7.9 | 7.4 | 13.9 | 13.0 | 12.7 | 24.9 | 17.8 | 16.9 | 1.9 | 3.3 | 3.2 |

| Company name | EBITDA margin TTM | EBIT margin (%) | Profit margin (%) | ROE TTM | ROA TTM | Assets turnover | Div. yield (%) | Assets/ Equity | Net debt to EBITDA |
|-------------------|-------------------|-----------------|-------------------|---------|---------|-----------------|----------------|----------------|--------------------|
| Piraeus Port | 29.4% | 16.1% | 8.7% | 5.3% | 2.6% | 0.30 | 1.22 | 2.02 | 0.91 |
| Luka Ploce | -5.7% | -9.6% | 2.1% | 1.1% | 1.0% | 0.46 | 0.00 | 1.15 | 1.58 |
| Luka Rijeka | 5.4% | -2.0% | 14.0% | 3.1% | 2.7% | 0.19 | 0.00 | 1.16 | 3.99 |
| Thessaloniki Port | 52.3% | 45.3% | 33.4% | 12.6% | 11.3% | 0.34 | 2.27 | 1.12 | -1.31 |
| Hamburger H&L | 25.1% | 15.4% | 7.3% | 15.8% | 5.0% | 0.69 | 2.40 | 3.15 | 0.49 |
| Port of Tauranga | 54.2% | 44.6% | 32.6% | 9.1% | 5.9% | 0.18 | 1.08 | 1.53 | 2.71 |
| South Port NZ | 42.2% | 33.3% | 22.9% | 22.7% | 16.1% | 0.70 | 4.26 | 1.41 | 0.51 |
| EUROKAI KGAA | 20.9% | 12.6% | 12.6% | 11.0% | 6.2% | 0.49 | 3.39 | 1.95 | 0.05 |
| Luka Koper | 39.6% | 26.4% | 24.4% | 14.4% | 9.7% | 0.40 | 4.67 | 1.48 | 0.66 |
| Median | 27.3% | 15.8% | 13.3% | 10.0% | 5.4% | 0.40 | 1.75 | 1.47 | 0.71 |

Historic Financial Data

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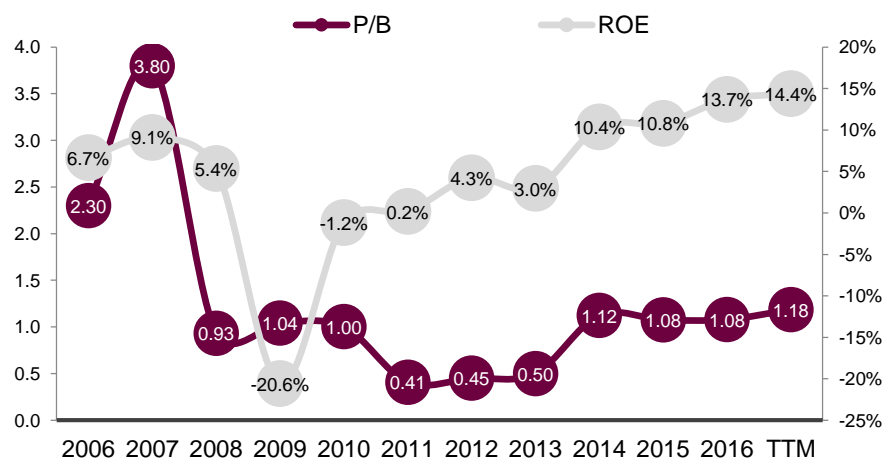
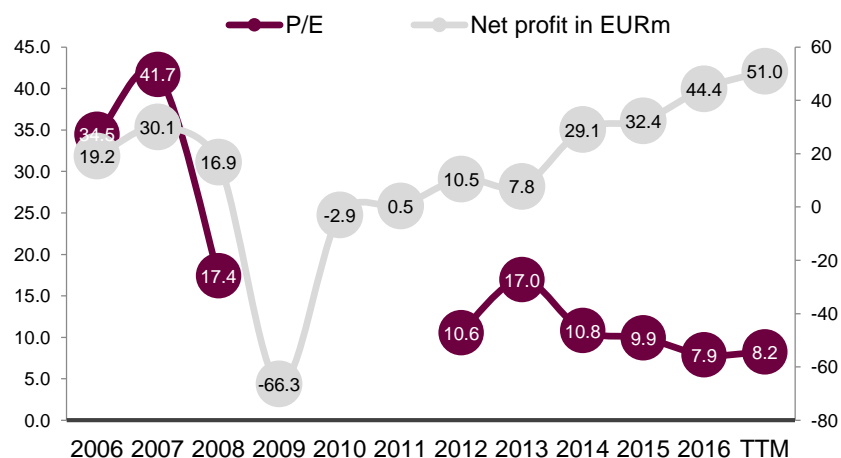
| in EURm | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Assets | 366.4 | 461.2 | 556.6 | 531.7 | 502.3 | 478.3 | 463.4 | 443.6 | 452.6 | 464.5 | 490.0 |
| Non-current assets | 326.9 | 421.4 | 509.2 | 505.0 | 459.1 | 445.9 | 428.2 | 403.1 | 414.4 | 418.9 | 450.7 |
| Current assets | 39.4 | 39.5 | 44.7 | 25.7 | 42.7 | 31.8 | 33.6 | 38.8 | 38.2 | 45.7 | 39.3 |
| Short term investment | 16.3 | 8.6 | 10.7 | 3.2 | 0.8 | 0.7 | 3.3 | 0.7 | 4.2 | 0.3 | 0.1 |
| Cash | 0.6 | 2.0 | 7.9 | 0.6 | 0.7 | 1.0 | 1.6 | 3.2 | 5.9 | 12.6 | 5.8 |
| Equity | 294.9 | 340.7 | 311.1 | 247.4 | 244.1 | 240.8 | 249.3 | 259.2 | 286.3 | 306.3 | 332.0 |
| Equity of non-controlling interests | 1.9 | 2.9 | 3.5 | 0.4 | 0.0 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| Provisions | 4.6 | 11.7 | 4.4 | 6.6 | 5.9 | 6.2 | 3.0 | 4.3 | 4.4 | 3.7 | 4.8 |
| Non-current liabilities | 45.3 | 17.9 | 105.3 | 48.0 | 161.2 | 158.7 | 138.4 | 138.2 | 114.1 | 101.3 | 99.1 |
| Non-current financial liabilities | 33.3 | 6.6 | 103.8 | 45.0 | 158.4 | 156.9 | 136.9 | 138.1 | 111.8 | 101.0 | 98.3 |
| Current liabilities | 15.2 | 90.5 | 127.8 | 220.9 | 83.4 | 65.1 | 61.8 | 28.9 | 34.6 | 36.6 | 37.5 |
| Current financial liabilities | 2.3 | 52.0 | 97.5 | 189.5 | 67.9 | 48.9 | 46.9 | 15.7 | 16.4 | 10.9 | 12.0 |

| in EURm | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales revenues | 101.9 | 119.0 | 133.3 | 113.8 | 125.2 | 141.0 | 141.7 | 144.2 | 163.6 | 184.3 | 199.5 |
| Total Revenues | 105.7 | 122.2 | 137.2 | 116.1 | 127.7 | 144.1 | 145.4 | 148.1 | 168.1 | 189.2 | 204.1 |
| Cost of goods, materials and services | 35.8 | 41.8 | 48.2 | 40.7 | 43.2 | 49.5 | 52.8 | 51.5 | 55.4 | 60.9 | 65.8 |
| Labour costs | 26.8 | 30.9 | 38.0 | 37.0 | 36.1 | 37.9 | 37.5 | 39.9 | 43.8 | 48.1 | 51.9 |
| D&A plus impairments | 14.7 | 16.8 | 19.6 | 35.5 | 28.3 | 27.7 | 30.1 | 37.5 | 28.5 | 29.5 | 28.5 |
| Other operating expenses | 9.0 | 9.4 | 7.7 | 11.1 | 6.0 | 6.6 | 5.7 | 7.0 | 7.1 | 8.3 | 8.6 |
| EBITDA (w/o impairments) | 34.1 | 40.2 | 43.2 | 27.3 | 42.5 | 50.1 | 49.3 | 49.7 | 61.8 | 72.0 | 77.8 |
| Operating income | 19.4 | 23.4 | 23.6 | -8.2 | 14.2 | 22.4 | 19.2 | 12.2 | 33.4 | 42.4 | 49.3 |
| Financial income | 6.1 | 14.1 | 9.7 | 4.4 | 2.3 | 1.7 | 2.1 | 1.6 | 1.9 | 1.4 | 1.5 |
| Financial expenses | 2.1 | 3.8 | 16.9 | 68.4 | 19.8 | 22.2 | 8.2 | 7.1 | 4.0 | 7.4 | 2.0 |
| Interest cost | 1.3 | 2.3 | 7.0 | 8.2 | 8.6 | 8.0 | 6.0 | 4.4 | 3.9 | 3.2 | 1.9 |
| EBT | 23.4 | 33.7 | 16.4 | -72.2 | -3.3 | 1.9 | 13.1 | 6.6 | 32.0 | 37.8 | 50.8 |
| Total taxes | 2.7 | 2.8 | -0.9 | -5.6 | -0.4 | 1.5 | 2.6 | -1.1 | 2.9 | 5.4 | 6.4 |
| Net profit / loss | 19.9 | 30.9 | 17.2 | -66.6 | -2.9 | 0.4 | 10.5 | 7.7 | 29.1 | 32.4 | 44.4 |
| Attributable to equity holders of the parent | 19.2 | 30.1 | 16.9 | -66.3 | -2.9 | 0.5 | 10.5 | 7.8 | 29.1 | 32.4 | 44.4 |

| | | | | | | | | | | | |
|-------|-------|-------|--------|--------|-------|-------|-------|-------|-------|-------|-------|
| CAPEX | -27.3 | -85.6 | -141.9 | -106.1 | -19.3 | -19.8 | -18.6 | -14.8 | -30.0 | -37.4 | -61.8 |
|-------|-------|-------|--------|--------|-------|-------|-------|-------|-------|-------|-------|

| in EURm | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|-------|
| Gross margin | 64.9% | 64.9% | 63.8% | 64.2% | 65.5% | 64.9% | 62.7% | 64.3% | 66.1% | 67.0% | 67.0% |
| EBITDA margin | 33.5% | 33.7% | 32.4% | 24.0% | 33.9% | 35.5% | 34.8% | 34.5% | 37.8% | 39.0% | 39.0% |
| EBIT margin | 19.0% | 19.7% | 17.7% | -7.2% | 11.3% | 15.9% | 13.5% | 8.5% | 20.4% | 23.0% | 24.7% |
| Net margin | 18.8% | 25.3% | 12.7% | -58.3% | -2.3% | 0.3% | 7.4% | 5.4% | 17.8% | 17.6% | 22.2% |
| Assets Turnover | 0.28 | 0.26 | 0.24 | 0.21 | 0.25 | 0.29 | 0.31 | 0.33 | 0.36 | 0.40 | 0.41 |
| ROA | 5.2% | 6.5% | 3.0% | -12.5% | -0.6% | 0.1% | 2.3% | 1.7% | 6.4% | 7.0% | 9.1% |
| Assets to Equity | 1.24 | 1.35 | 1.79 | 2.15 | 2.06 | 1.99 | 1.86 | 1.71 | 1.58 | 1.52 | 1.48 |
| ROE | 6.5% | 8.8% | 5.4% | -26.8% | -1.2% | 0.2% | 4.2% | 3.0% | 10.2% | 10.6% | 13.4% |
| Net debt / EBITDA | 1.0 | 1.4 | 4.5 | 8.6 | 5.3 | 4.1 | 3.7 | 3.0 | 2.0 | 1.4 | 1.3 |
| Debt to Assets | 9.7% | 12.7% | 36.2% | 44.1% | 45.0% | 43.0% | 39.7% | 34.7% | 28.3% | 24.1% | 22.5% |
| Debt to Equity | 0.12 | 0.17 | 0.65 | 0.95 | 0.93 | 0.85 | 0.74 | 0.59 | 0.45 | 0.37 | 0.33 |
| TIE ratio | 15.5 | 10.1 | 3.4 | -1.0 | 1.6 | 2.8 | 3.2 | 2.8 | 8.6 | 13.4 | 26.0 |
| NWC / Assets | 2.5% | -2.1% | -0.8% | -2.1% | 1.5% | 1.5% | 1.7% | 2.7% | 1.8% | 1.5% | 1.6% |
| Days inventory outstanding | 0.0 | 0.1 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 3.1 | 4.9 | 4.5 |
| Days receivable outstanding | 80.0 | 88.3 | 71.1 | 65.7 | 67.0 | 59.8 | 58.5 | 64.0 | 57.6 | 63.2 | 59.5 |
| Days payable outstanding | 132.6 | 336.3 | 229.4 | 281.5 | 131.2 | 119.0 | 103.0 | 92.9 | 119.9 | 154.2 | 141.2 |
| EBITDA - CAPEX | 6.8 | -45.4 | -98.7 | -78.8 | 23.2 | 30.3 | 30.7 | 34.9 | 31.9 | 34.6 | 16.0 |

- Luke Koper has been reporting better than expecting results for entire 2017, from quarter to quarter. Namely while revenues were in line with our estimates, Luka Koper constantly beat on margins. Nevertheless we have, till now, left our 2017 estimates, set at the beginning of the year, unchanged.
- Now 3Q17 results have encouraged us to lift EBITDA margin for 2017 from 37.7% to 40.0% and for 2018 from 37.0% to 39.3%. According to our estimates Luka Koper should achieve EBITDA of EUR 100m in 2020. We expect net income to reach EUR 52.6m in 2017 up from EUR 46.9m.
 - Note however that possibly our model will need to somewhat adjust after we see exact dynamic of new tax from second railway tier legislature (this is a downside risk) – full model overhaul is expected after strategic update and 4Q17 results.
- Due to improved results Luka Koper shares look cheaper with 2017 P/E at 8.0x and ROE of 14.4%. TTM P/B is at 1.18x. Therefore, we are lifting our target price (50% DCF and 50% peer valuation) from EUR 38 to EUR 43 while keeping our BUY recommendation.
- At current stock price of EUR 30, investors also receives a very attractive dividend yield of 4.7%.
 - At our target price dividend yield would still amount to 3.3%, P/E 11.8x, EV/EBITDA at 8.0x and P/B at 1.70x.

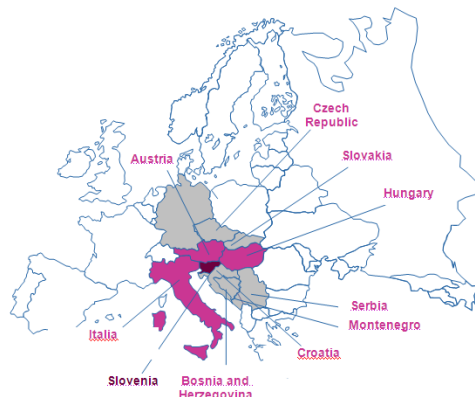


Company & ALTA Description

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COMPANY DESCRIPTION:

- Slovenia's sole port which provides port and logistics services to the economically developed town of Koper and nearby region.
- Providing warehousing and cargo handling services for all types of goods, Luka Koper also serves Central and Eastern Europe.



OWNERSHIP STRUCTURE:

| | |
|------------------------------|-------|
| Republika Slovenia | 51.0% |
| SDH d.d. | 11.1% |
| KAD d.d. | 5.0% |
| Municipality Koper | 3.1% |
| Citibank (Fiduciary account) | 1.5% |

Source: KDD

RESEARCH REPORT:

Prepared by:

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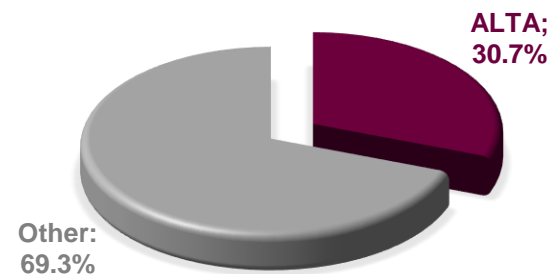
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- ✓ Our trading advantage is our execution of large trading blocks with low impact on the market.
- ✓ 38,300 brokerage clients with EUR 3.3 bn of assets.
- ✓ European Banking award: Best Broker & Best Asset Manager in 2015 and 2016.

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|------|--------|-------|---|
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| Hold | 20 | 48% | 14% |
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Sašo Stanovnik, Head of research. On the day of the public release, the author of the recommendation did not held securities of the relevant issuer.

First release of the recommendation was performed on 13.4.2010.

Quarterly updates are planned for data, valuation, target price and recommendation.

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