Fraport AG (FRA)

SELL: EUR € 35.25

Equity Research Division, 4th December 2020

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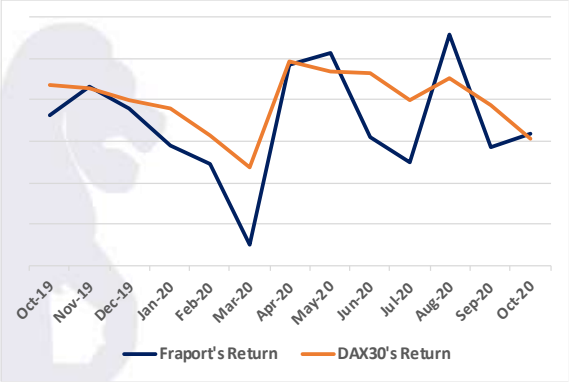
Basic Information

Last Closed Price	EUR€47.18
12M Target Price	EUR€35.25
Bloomberg Ticker	FRA.DE
GICS Sector	Airport Operations
GICS Sub-Industry	Transportation Services

12 Month Price Performance (Yahoo Finance)



Key Financials

Market Cap	4.12B
Basic Shares O/S	92.4M
52-Wk High	EUR79.26
52-Wk Low	EUR27.59
Fiscal Year End	31-Dec-2020

(€EUR M)	FY18A	FY19A	FY20E	FY21E
Gross Profit	2389.2	2508.4	1047	1492.3
Margin (%)	68.68	67.69	61.9	69.65
EBITDA	1129	1180.3	118.63	684.7
Net Income	473.9	420.7	(420.9)	66
EBIT	730.5	705	(370.8)	221.4
EV/EBITDA	8.83	9.59	66.91	13.66

Key Executives

Stefan Schulte	Chief Executive Officer
Karlheinz Weimar	Chairman

Q3 Earnings Highlights

- Fraport reported a net loss of 305.8 million euros amid Covid-19 pandemic
- The German airport operator recorded a positive EBITDA of 29.2 million euros reflecting the cost-reduction measures and the interim recovery of passenger volumes.
- The company doesn't expect a recovery until at least the summer season of 2021.

Summary

Fraport had been experiencing steady and continuous growth up to 2019 due to the ever-expanding need for travel and a connected world, and reduction in costs of flying. However, the travel industry has been one of the hardest hit sectors by COVID-19 epidemic. Since the beginning of March air travel in Europe and globally has virtually come to a halt and the Frankfurt airport, Fraport's biggest source of revenue, experienced a decline in passengers of over 70% in the first 9 months of 2020.

Thanks to the slight increase in travelling activity in the company's Xi'an airport in China during summer, a portion of the losses has been mitigated. However, overall revenues still dropped by 53% from 2019. To further attenuate the impact of the pandemic the company had to seriously reduce its expenses, and this was done by reducing both cost of materials (40% cut) as well as personnel expenses (23% cut).

Nonetheless the stock has not performed significantly worse than the European Stoxx600, and due to the recent news of potential vaccines being released the price jumped by more than 50% since the beginning of November.
We do however expect a slow recovery in the sector. It will take a significant amount of time before consumer confidence is back to 2019 levels and people are comfortable flying once more; and there is a possibility we will never be at that level again - for some business travelers videoconferencing might be a permanent replacement for flying. In the long run however, the sector is still expected to grow as economies start to recover and people around the world will have more disposable income.

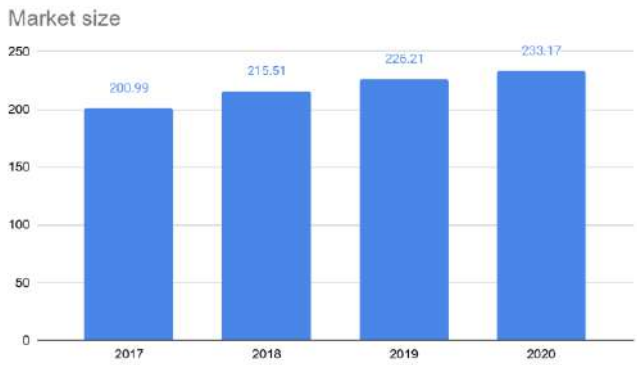
Figure 1. Fraport Worldwide

Source: Fraport.com

Figure 2. Distribution of Sales by Division

Source: Fraport visual fact book 2019

Figure 3. Market Size (Billions $)



Source: Statista

Company Overview

Fraport AG is one of the leading players in the global airport business and offers a wide range of operational and management solutions. Founded in 1924 under the name Südwestdeutsche Luftverkehrs AG the company initially operated Frankfurt Airport but soon expanded all over the world and now it is present in four continents with 31 airports, 35 subsidiaries and more than 22.000 employees. Fraport went public in 2001, thus completing its path of global recognition and entering the big stage of the airport sector.

Fraport Group comprises four main business divisions. The first one, its core business, is aviation operations which consists in airside and terminal management, corporate safety and everything related to terminal facilities.

Fraport operates also in the retail and real estate sector that includes parking and marketing of real estate properties and this represents the smallest business of the company in terms of revenues but has a great impact on its EBIT.

International activities such as global investment management and IT, facility and corporate infrastructure management is the division with highest revenues as we can see in Figure 2.

Last but not least, Fraport ground handling division comprises passenger, baggage and cargo services.

Fraport is well prepared for the future: they are one of the best airport operators in Europe and set standards worldwide. The company is proactive on ESG themes such as climate protection and has set itself the mission of reducing its CO2 emissions to zero by 2050 thanks to a big usage of renewable energies.

The recent crisis brought by the global pandemic has afflicted the company so hard that we believe it will struggle to maintain its leading position on the market and in the short term it will not be able to return to pre-pandemic levels.

Industry Outlook

Fraport revenue has been increasing constantly over the past years. In the last fiscal year, ended in December 2019, they reported:

- Global revenue of €3.7 bn, an increase of 6.5% year-over-year.
- Annual passengers reached 70.6 million for the first time in their history with an increase of 1.5% compared to the previous year.
- EBITDA of €1.18 bn with an increase of 4.5% year-over-year.
- EBIT of €0.71 bn with a decrease of 3.5% year-over-year.
- Global passengers' satisfaction, one of the most important non-financial indicators, increased to 88/100 (previous 86/100)
- CO2 emissions of 227.552 (m. t.), a decrease of almost 7% year-over-year.
- Net financial debt of €4.147 bn, an increase of 17% compared to the previous year.

Figure 4. Fraport Share Performance

Source: Fraport

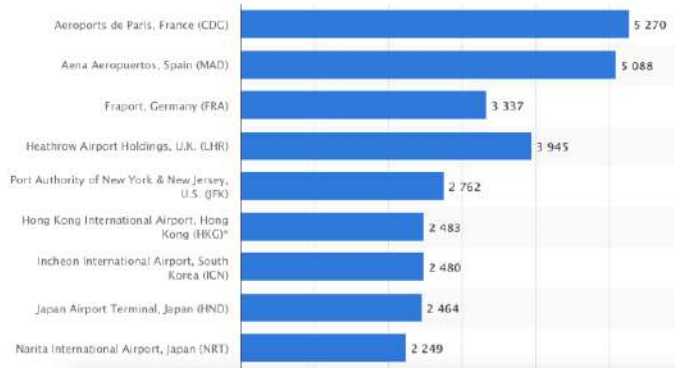
Figure 5. Airports Controlled by Fraport

Fraport Group airports

Continent	Site	Airport	Company	Share in %	Term	
Europe	Germany	Frankfurt	Fraport AG Frankfurt Airport Services Worldwide	100	1924	no time limits
	Slovenia	Ljubljana	Fraport Slovenija, d.o.o.	100	2014	no time limits
	Greece	14 Airports	Fraport Regional Airports of Greece A.S.A.	73,4	2017	2057
			Fraport Regional Airports of Greece A.S.A. (below collectively referred to as Fraport Greece)	73,4	2017	2057
	Bulgaria	Varna	Fraport Twin Star Airport Management AD	60	2006	2041
		Burgas		60	2006	2041
	Russia	St. Petersburg	Northern Capital Gateway LLC/Twelve Trading Ltd.	25	2010	2040
South America	Brazil	Fortaleza	Fraport Brasil S.A. Aeroporto de Fortaleza	100	2017	2047
		Porto Alegre	Fraport Brasil S.A. Aeroporto de Porto Alegre	100	2017	2042
	Peru	Lima	Lima Airport Partners S.R.L.	80,01	2001	2061[1]
Asia	Turkey	Antalya	Fraport TAV Antalya Terminal İşletmeciliği A.Ş. (hereinafter: Group company Antalya)	50,9 %[1]	1999	2026
	China	Xi'an	Xi'an Xianyang International Airport Co., Ltd.	24,5	2008	no time limits
	India	Delhi	Delhi International Airport Private Ltd.	10	2006	2036[1]

Source: Fraport

Figure 6. Largest Airport Groups by Revenue, 2018



Source: Statista

Industry Analysis

Threat of new entrants

Low – The airport management industry is characterized with significant barriers to entry, including high capital expenditures and market saturation. Almost all existing airports already have companies managing their activities and building a new airport is very expensive. Moreover, in Europe there is already an abundance of international and regional airports, making it very difficult to create a new competitive airport.

Bargaining power of supplier

Low – Its biggest suppliers are FraSec, FraGround, FraCareS, GCS and Goldbeck Südwest GmbH; the first four of which are owned by Fraport. These provide security, cleaning and ground services, while the latter of the companies was a contractor hired for construction.

Bargaining power of clients

Low – In this case buyers consist of mainly airlines, but passengers as well. Airlines have limited choice in terms of deciding what airport to use when wanting to reach a certain destination. Passengers have the choice whether to purchase a good or not in airport retail spaces, but most times they cannot leave the airport for a cheaper alternative, so their range of choices is limited to within the airport.

Threat of substitute products or services

Medium/Low – Threat of substitutes could either come from rivaling airports, other airport management companies or alternative modes of travelling. The latter is relevant in Europe where a high-speed rail network is constantly expanding.

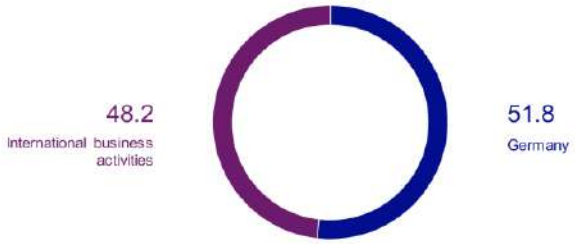
Rivalry among existing competitors

Medium/High – The Frankfurt airport accounts for just over half of the group's revenues and is mainly used as a hub and international transfer airport for Lufthansa. However, other big international airports in Europe (London Heathrow, Paris Charles de Gaulle, Istanbul Atatürk and Amsterdam Schiphol), and more recently the Dubai International Airport, are all very close competitors as they serve similar regions and clients. The rest of the group's airports face less competition as they mainly consist of vacation destinations (Greece, Turkey, Peru) and are usually the only airports in the area.

Figure 7. Fraport Share Performance vs Competitors

Source: Fraport

Figure 8. Sources of revenue



Source: Fraport

SWOT Analysis

Strengths:

Big player: Fraport is one of the largest airport operators in the world. It has several advantages such as economies of scale, brand recognition, and well-positioning in the market.

International presence: On top of their strong presence in Germany and Europe they are also present in China, Peru and Brazil which diversifies their sources of income.

Steady revenue stream: Even if aircrafts fly empty, they will still have to pay airport fees and charges which provide the company with a steady and predictable stream of revenue, independently of passenger flow.

Weaknesses:

Concentration of revenue: Frankfurt airport accounts for 51% of the company's revenue. Therefore, any negative impact on the German airline industry or the Frankfurt airport would weigh heavily on the company's revenue.

High operating costs: They have a large number of personnel and infrastructure to maintain which cannot be adjusted or reduced quickly, as was needed in 2020.

Opportunities:

Further international expansion: Since 2000 Fraport has been acquiring stakes in multiple airports around the world and it could keep doing so in the future to diversify out of Germany and become a bigger player globally.

Long term growth: The airline industry is set to keep growing in the long term and Fraport will surely be able to capitalize and profit from this.

Threats:

External events: The entire sector is very susceptible to external events like pandemics, weather events and economic/socio-political issues. These are all out of Fraport's control and, as seen in 2020, can have devastating impacts on firms in this business.

European competitors: There are many other major international hubs in close proximity which offer similar services and experience as the ones provided by Frankfurt airport.

Harmful to the environment: As environmental concerns grow, there is an increased danger of environmental sanctions for the industry, such as the aviation tax in Germany.

Fear factor: In the short and medium run, consumer confidence in travelling will be severely impacted and it will take a while before flights go back to pre-COVID-19 levels.

Figure 9. Overview

Value creation and profitability analysis	2019	2018	2017
Sales growth	6,5%	18,5%	13,5%
EBITDA margin	30,3%	30,6%	32,6%
EBIT margin	20,3%	23,8%	23,0%
Net income margin	11,4%	13,6%	11,3%
Investment analysis - CAPEX			
Total CAPEX	1.769,4	737,2	2.202,6
D&A	453,4	382,2	334,6
Expanding or downsizing?	Expanding	Expanding	Expanding
Is the company divesting?	No	No	No
D&A as a % of CAPEX	25,6%	51,8%	15,2%
D&A as a % average fixed asset	4,14%	3,96%	3,60%

Source: Minerva Investment Society Est.

Figure 10. Investments

Investment analysis - WC			
DSO	19,7	18,4	17,5
DPO	89,3	94,9	92,9
Clients are paying	Later	Later	Sooner
Fraport is paying suppliers	Sooner	Later	Later
Financing analysis			
Leverage D/E	1,0x	0,9x	1,0x
Leverage D/(D+E)	50,5%	48,3%	50,5%
Debt coverage	4,2x	3,8x	4,3x
Interest coverage	3,8x	4,1x	3,6x
DSCR	(1,4x)	1,8x	(3,0x)

Source: Minerva Investment Society Est.

Figure 11. Profitability

Profitability analysis			
ROCE	6,59%	7,86%	6,48%
ROCE decomposition			
Effective operating tax rate	18,07%	19,86%	21,72%
EBIT margin	20,27%	23,84%	22,96%
Asset turnover	39,66%	41,14%	36,04%
ROCE	6,59%	7,86%	6,48%
ROE	9,47%	11,33%	8,53%

Source: Minerva Investment Society Est.

Financial Analysis

Revenues:
From Figure 9, we can see a significant positive growth in Fraport revenues, which slowed just in 2019 due to a weaker global economy and the consolidation of the European aviation market. The EBIT margin and the net income margin are constant over the years at about 20.3% and 11.4% respectively.

Investments:
Referring to Figure 9, we notice that the total capex of the company over the years has been always greater than total D&A witnessing the expansionary nature of the investments which is in line with the revenues growth experienced.

Working Capital:
The negative working capital of Fraport AG is no surprise given the nature of the business the company operates in. Figure 10 shows that DSO is remarkably lower than DPO which explains in practice why the WC is negative. Given the relatively small incidence of inventory with respect to the value of fixed assets, DIO isn't very relevant.

Debt:
Gross debt shifts from 3.6 bn in 2016 to 5.3 bn in 2019 in order to cover the investment carried out over the period. Indeed, fixed assets and group equity has been growing at a proportionate rate, which results in a constant leverage ratio (Figure 10). Overall, we can say that Fraport has a conservative capital structure with debt and equity equally weighted. The debt and interest coverage ratio are both on a safe level. Given the intensity of investments in 2017 and 2019 FCFO turns negative and so does DSCR. However, the company holds €600mln of cash and cash equivalent so the outlook remains positive. We note that 90% of the debt of the company has a maturity beyond 12 months, this providing stability to the financial structure of the company.

Profitability:
The return on net capital employed (net of tax) and on equity are 7% and 10%. Based on Figure 11, we remark that profitability is not volatile in the years considered. Even the slower growth of revenues in 2019 has a limited impact on profitability. The asset turnover which is close to 38% indicates the capital-intensive nature of the business. However, the EBIT margin is quite high at around 23%. The effective operating tax rate on EBIT is 21% on average.

Cash position:
The cash situation as of 2019 financial year shows a negative free cash flow form operation due to a great level of CAPEX which is, though, partially compensated by a positive free cash flow to equity and a negative change in cash flow also due to a payment of dividends in line with previous years. However, the cash position results to be positive (€ 788.9 M).

Figure 12. Computed Results

Summary Scenario	
Cumulative PV DPS	1.4
PV TV	37.7
Equity value per share (€)	**39.1**
Current Stock price	44.9
Equity Value	**3,610.0**
Net debt	5496.63
(Surplus assets)	(291.0)
Minorities	180.0
Enterprise Value	**5,385.6**

Source: Minerva Investment Society Est.

Valuation

Valuation Price Target: EUR **€35.25**

Our analysis followed two main methods:

- An intrinsic valuation using the Dividend Discount Model (DDM)
- A peers valuation method using market multiples

Dividend Discount Model Approach

In normal circumstances, we would have used the DCF asset side model which is widely adopted when evaluating companies of the airline industry. This is because of the high capital expenditures in this sector, and consequently mixed capital structure. However, in the case of Fraport, the forecast of financial statements resulted in negative Free Cash Flow (FCF), which is mainly due to negative pressure of Covid-19 pandemic and linked uncertainties. Therefore, we decided to use the DDM model, where we forecast the dividend payments and conduct a two-stage computation using the cost of equity and an expected growth rate for the long-run. We believe that this method helps us better capture the intrinsic value of Fraport.

Proceeding step by step, the first element we computed was the cost of equity, which is based on the following assumptions:

- RISK FREE RATE (0.12%): It was computed as the average daily return of the 10yr German government bond in the last two years.
- EQUITY RISK PREMIUM (5.23%): it represents the premium an investor will require to invest in the stock instead of investing in the German risk-free security.
- BETA LEVERED (1,129): it represents the risk specifically attached to the company, comparing the performance of the market with the performance of the company.

For beta computation, we used the W.Sharpe approach which calculates the ratio between the covariance of market index returns and stock returns, and the variance of the market index in a chosen estimation window. We put in comparison the security's return with those of DAX30 and Stoxx600 separately, which were considered the Market Index. In doing so, we applied, as required by the model, an OLS regression between the streams of returns of the stock and market index. We considered the monthly return of the last 5 years.

Figure 13.

Comparables multiples	Country	EV / Sales	EV / EBITDA	P/E
Aeroports de Paris SA	France	5.0x	23.2x	19.9x
Aena SME SA	Spain	8.1x	17.4x	35.5x
Flughafen Zuerich AG	Switzerland	6.0x	14.1x	58.0x
Deutsche Lufthansa AG	Germany	0.5x	7.6x	5.2x
Vinci SA	France	1.5x	9.6x	16.6x
Atlantia SpA	Italy	5.9x	10.1x	18.3x
Average		**4.5x**	**13.7x**	**25.6x**
Median		**5.4x**	**12.1x**	**19.1x**

Source: Minerva Investment Society Estimates

To assess the most reliable and significant regression we considered the regression line with higher Adjusted R2. This factor measures how much of the security returns (dependent variable Y) is explained by movements of the independent variable X (the market index), in terms of variance.

In other words, higher values of Adjusted R2, the more the variance of stock returns is captured by the market variability of stocks' returns. As a result, we chose the model with highest Adjusted R2, which in our case is represented by the 5-years monthly DAX30.

Peer analysis

We have considered in our analysis European competitors that operate in the same sector of Fraport and have similar market outlook.

Aeroports de Paris SA operates and develops the three main Paris airports under the Paris Aéroport banner: Paris-Charles de Gaulle, Paris-Orly and Paris-Le Bourget, as well as ten civil aviation aerodromes in the Paris region. At the same time, all subsidiaries, activities and businesses combined, Groupe ADP is active in 125 airports in 50 countries around the world. In 2019, ADP annual revenue was $14.11B, a 6.3% increase from 2018.

Aena SME SA is a state-owned company that manages general interest airports and heliports in Spain. Through its subsidiary company Aena Internacional it also participates in the management of 23 airports abroad. It generated an EBITDA of €2,766.2 M in 2019 (+4.1% vs. 2018)

Flughafen Zuerich AG operates Switzerland's most important transport and meeting hub – Zurich Airport. In 2019 its revenue was CHF1,210 M (+5% yoy) of which 661,451 from aviation. The EBITDA was CHF641.8 M (+12.4% yoy).

Deutsche Lufthansa AG with 135,353 employees generated revenue of €36,424M in the financial year 2019. This is the biggest competitor in terms of revenue among those analyzed. We believe it can be used as a benchmark to achieve.

Vinci SA is one of the world's largest construction companies employing over 185,000 people. The majority of its business is in France, but it operates in over 100 countries and is expanding its global power, mainly by buying up local subsidiaries.

Atlantia Spa is active in the infrastructure sector. The company through its operating platforms manages a toll motorway in Europe, the Americas and Asia and airports in Italy and France. Atlantia also manages electronic toll payment systems in Europe and is the provider of integrated transport-related payment systems.

Figure 14.

Method	EV / Sales
Multiple choice	**Average**
Fraport's corresponding metric	Sales 2020
Fraport's corresponding metric	1,838.2
Multiple	4.5x
Enterprise value	**8,283.5**
(Net debt)	(5,496.6)
Surplus assets (inc. associates & pensions)	291.0
(Minorities)	(180.0)
Equity value	**2,897.8**
Shares outstanding	**92.4**
share price	**31.4**

Source: Minerva Investment Society Estimates

Market Multiples Approach

We used the market multiples method to confirm the target share price obtained through the DDM. We first computed the peers average of EV/Sales, EV/EBITDA, and P/E multiples. However, given the peculiar circumstances that Fraport is witnessing, the EBITDA and Net income are in the negative range, and therefore, can't be used to compute the EV and Equity Value of the company. That said, we only used the EV/Sales average multiple and applied it to the Sales2020 which yielded an Enterprise Value of € 8283.5Mn.

Finally, the market multiples method yielded a target share price of €31.4, which approximately confirms our DDM results.

In figure 14 we report the results of our computations.

Finally, we chose as our target price the average of both results: € 35.25/share.

Investment Risk

Covid-19 Pandemic – Lot of uncertainty wraps the air travel industry at the moment and the matter is not only when people will be allowed to travel again without restrictions but also if the amount of business and leisure travel will bounce back to pre-pandemic level. These factors are extremely relevant to assess the outlook of Fraport in the next few years. Fraport AG stock jumped more than 43% just on 9 and 10 November 2020 reacting to the news of a Pfizer vaccine. However, the stock is still 36% down YOY. The distribution of a vaccine could resume both leisure and business travel, but analysts estimates show that a full recovery won't happen till 2022 or even 2023. In the long run there is no doubt that air travel will increase, simply because of the growing population but in the next few years business travel slowdown poses the biggest threat to the sector. Companies that are to fail because of the strain caused by the pandemic won't be able to support business travel. Also, the virus has led to a ballooning of remote videoconferencing, which could prompt a reassessment of the need to fly at all, according to UBS Group. Others argue that business travel won't decrease because of stronger connection and trust that are conveyed during in person meetings that in the end boost revenues and profitability. In conclusion, Fraport AG is still coping with the very low air traffic caused by the pandemic and, in the next few years, it is to face a weaker demand.

Appendix

IS (Millions of Euros)	2019	2018	2017	2016
Revenue	3.705,8	3.478,3	2.934,8	2.586,2
Release of Operating Provisions	(4,7)	(37,5)	(10,4)	(21,7)
Advertising Expenses	20,7	21,8	22,2	21,1
Bad Debt Written-off/Provision	13,1	4,8	0,8	(6,3)
Rental Expense	9,9	13,2	12,4	12,4
Other Taxes	9,5	8,8	9,8	6,7
Materials Purchased	527,9	440,5	132,3	96,2
Services Purchased	669,5	648,6	588,1	525,7
Work In Progress	(0,4)	(0,3)	(0,4)	(0,4)
Other internal work capitalized	(37,9)	(35,9)	(36,3)	(34,9)
Personnel Expenses	1.222,8	1.182,3	1.092,9	1.066,7
Total Amort of Intangibles-excl Good	21,9	16,3	17,0	17,5
Impairment of Intangibles Excl. Good	0,0	0,0	8,6	7,4
Impairment - Goodwill	0,0	0,0	0,0	22,4
Amortization of operating projects	82,0	78,9	56,2	25,9
Dep of Fin Lease Right-of-Use Assets	46,8	0,0	0,0	0,0
Depreciation	323,5	0,0	0,0	0,0
Depreciation	0,0	302,2	277,2	286,0
Depreciation of Investment Property	1,1	1,1	1,2	1,2
Other Operating Expense	130,2	150,0	141,0	165,0
Operating Income	**669,9**	**683,5**	**622,2**	**395,3**
Other Income	34,6	45,3	27,7	303,4
Sale of Assets	1,3	5,3	0,8	0,6
Loss on Sale of Assets	(0,8)	(3,6)	(7,7)	(5,6)
Result from associated companies	46,1	98,8	30,9	(4,6)
EBIT	**751,1**	**829,3**	**673,9**	**689,1**
Other financial result	(2,3)	5,1	(18,2)	2,8
Interest Income	32,0	33,3	29,0	32,0
Int exp on Financial Lease Liabilities	(12,3)	0,0	0,0	0,0
Interest expenses	(184,7)	(201,7)	(186,5)	(138,9)
Foreign Exchange Gain/Loss	1,9	1,1	2,2	(2,9)
FV/UIs Adjust on Derivatives for Hedg	4,3	3,3	5,7	(0,7)
EBT	**590,0**	**670,4**	**506,1**	**581,4**
Income Taxes	(135,7)	(164,7)	(146,4)	(181,1)
Net Income After Taxes	454,3	505,7	359,7	400,3
Minority Interest from Continuing Op	(33,6)	(31,8)	(29,5)	(24,9)
Net Income	**420,7**	**473,9**	**330,2**	**375,4**
Dividends	184,9	184,9	138,7	138,7

BS (Millions of Euros)	2019	2018	2017	2016
Assets				
Raw Materials	19,0	18,0	18,0	17,0
Trade Receivables	203,0	178,0	143,0	129,0
Other ST Receivables	112,0	124,0	115,0	99,0
Income Tax Receivables	25,0	13,0	5,0	12,0
Prepaid Expenses	39,0	97,0	59,0	25,0
Deferred tax assets	79,0	57,0	41,0	37,0
Other Receivables	124,0	143,0	109,0	92,0
Trade Payables	(297,0)	(287,0)	(186,0)	(147,0)
Other ST Liabilities	(242,0)	(191,0)	(156,0)	(124,0)
Customer Advances	(2,0)	(3,0)	(4,0)	(2,0)
Other Accruals	(21,0)	(19,0)	(12,0)	(6,0)
Taxes Payable	(60,0)	(44,0)	(33,0)	(43,0)
Other ST Provisions	(195,0)	(201,0)	(216,0)	(217,0)
Accrued Expenses - Long-Term	(81,0)	(82,0)	(90,0)	(34,0)
Other Liabs.	(1.183,0)	(912,0)	(956,0)	(301,0)
LT Trade Liabilities	(41,0)	(46,0)	(42,0)	(42,0)
Deferred tax liabilities	(213,0)	(228,0)	(204,0)	(174,0)
Provisions for Pensions and Similar Obli	(40,0)	(32,0)	(34,0)	(33,0)
Provisions for income taxes	(70,0)	(74,0)	(70,0)	(72,0)
Other LT Provisions	(159,0)	(160,0)	(147,0)	(147,0)
LT Liability HFS/Disc Operation	0,0	(9,0)	0,0	0,0
Working Capital	**(2.003,0)**	**(1.658,0)**	**(1.660,0)**	**(931,0)**
Work In Progress	1,0	1,0	1,0	1,0
Financial assets	0,0	0,0	9,0	0,0
Investment Property	94,0	89,0	97,0	80,0
Short Term Investments	140,0	109,0	113,0	264,0
LT Investment (HFS / Held to Maturity)	415,0	330,0	368,0	440,0
Investments in Airport	3.284,0	2.844,0	2.621,0	516,0
Other Intangibles	131,0	134,0	132,0	147,0
Goodwill	19,0	19,0	19,0	19,0
Land & Buildings	3.234,0	3.293,0	3.401,0	3.515,0
Technical Equipment	1.526,0	1.546,0	1.550,0	1.568,0
R/O Use Tangible Cap/Fin lease	308,0	0,0	0,0	0,0
Other Equipment	195,0	180,0	163,0	171,0
Construction in Progress	1.575,0	1.063,0	808,0	699,0
Other LT Assets, Total/No Breakdown	42,0	23,0	11,0	5,0
LT Assets of Discontinued Operations	0,0	17,0	--	--
Fixed Assets	**10.964,0**	**9.648,0**	**9.293,0**	**7.425,0**
Invested Capital	**8.961,0**	**7.990,0**	**7.633,0**	**6.494,0**
Land and Buildings for Sale	4,0	10,0	11,0	20,0
Financial Assets Available for Sale	80,0	113,0	98,0	153,0
Investments in associated companies	242,0	260,0	268,0	210,0
Non-current Loans	88,0	96,0	112,0	122,0
Receivables from Associates	0,0	0,0	45,0	60,0
Liabs to joint ventures	(28,0)	(10,0)	(11,0)	(5,0)
Liabilities/Associates	(3,0)	(4,0)	(12,0)	(4,0)
Surplus Assets	**383,0**	**465,0**	**511,0**	**556,0**
Net Invested Capital	**9.344,0**	**8.455,0**	**8.144,0**	**7.050,0**
Equity and Liabilities				
ST Debt	557,0	608,0	575,0	367,0
LT Debt	4.747,0	4.100,0	3.956,0	3.237,0
Derivative Liabilities	51,0	50,0	54,0	5,0
Derivatives	16,0	22,0	44,0	73,0
Gross Debt	**5.371,0**	**4.780,0**	**4.629,0**	**3.682,0**
Cash and Cash Equivalents	(649,0)	(693,0)	(517,0)	(472,0)
Net Debt	**4.722,0**	**4.087,0**	**4.112,0**	**3.210,0**
Issued capital	924,0	924,0	924,0	924,0
Capital reserve	599,0	599,0	599,0	596,0
Revenue reserves	2.846,0	2.623,0	2.286,0	2.136,0
Translation Adjustment	(13,0)	(12,0)	11,0	59,0
Financial Instruments	87,0	47,0	49,0	25,0
Total Equity	4.443,0	4.181,0	3.869,0	3.740,0
Non-controlling interests	180,0	188,0	161,0	101,0
Total Liabilities & Shareholders' Equity	**9.345,0**	**8.456,0**	**8.142,0**	**7.051,0**

Millions of Euros	2019	2018	2017
EBIT	751,1	829,3	673,9
Income Taxes	(135,7)	(164,7)	(146,4)
Depreciaition	371,4	303,3	278,4
Amortization	82,0	78,9	56,2
Gross Cash Flow	**1.068,8**	**1.046,8**	**862,1**
Change in WC	345,0	(2,0)	729,0
Operating Capex	(1.769,4)	(737,2)	(2.202,6)
Change in Surplus Asset	82,0	46,0	45,0
FCFO	**(273,6)**	**353,6**	**(566,5)**
Other financial result	(2,3)	5,1	(18,2)
Interest Income	32,0	33,3	29,0
Int exp on Financial Lease Liabi	(12,3)	0,0	0,0
Interest expenses	(184,7)	(201,7)	(186,5)
Foreign Exchange Gain/Loss	1,9	1,1	2,2
FV/Uls Adjust on Derivatives f	4,3	3,3	5,7
Change in Gross Debt	591,0	151,0	947,0
FCFE	**156,3**	**345,7**	**212,7**
Change in NCI equity	(41,6)	(4,8)	30,5
Dividends	(184,9)	(184,9)	(138,7)
Other change in equity	26,2	23,0	(62,5)
Cash Flow	**(44,0)**	**179,0**	**42,0**

Value creation and profitability analysis	2019	2018	2017
Sales growth	6,5%	18,5%	13,5%
EBITDA margin	30,3%	30,6%	32,6%
EBIT margin	20,3%	23,8%	23,0%
Net income margin	11,4%	13,6%	11,3%
Investment analysis - CAPEX			
Total CAPEX	1.769,4	737,2	2.202,6
D&A	453,4	382,2	334,6
Expanding or downsizing?	Expanding	Expanding	Expanding
Is the company divesting?	No	No	No
D&A as a % of CAPEX	25,6%	51,8%	15,2%
D&A as a % average fixed asset	4,14%	3,96%	3,60%
Investment analysis - WC			
DSO	19,7	18,4	17,5
DPO	89,3	94,9	92,9
Clients are paying	Later	Later	Sooner
Fraport is paying suppliers	Sooner	Later	Later
Financing analysis			
Leverage D/E	1,0x	0,9x	1,0x
Leverage D/(D+E)	50,5%	48,3%	50,5%
Debt coverage	4,2x	3,8x	4,3x
Interest coverage	3,8x	4,1x	3,6x
DSCR	(1,4x)	1,8x	(3,0x)
Profitability analysis			
ROCE	6,59%	7,86%	6,48%
ROCE decomposition			
Effective operating tax rate	18,07%	19,86%	21,72%
EBIT margin	20,27%	23,84%	22,96%
Asset turnover	39,66%	41,14%	36,04%
ROCE	6,59%	7,86%	6,48%
ROE	9,47%	11,33%	8,53%

			HISTORICAL (ACTUALS)		FORECAST			
Data in € millions		FY Dec-18	FY Dec-19		FY Dec-20	FY Dec-21	FY Dec-22	TV
EBITDA	1003.20	1129.00	1180.30		223.94	745.23	969.39	
PRE-TAX PROFIT	506.10	670.40	590.00		-598.38	43.82	352.20	
NET INCOME	330.20	473.90	420.70		-396.51	65.96	268.59	
SHAREHOLDERS EQUITY	3868.10	4180.30	4443.10		4091.21	4130.44	4297.83	
RETURN ON EQUITY	0.09	0.11	0.09		-0.10	0.02	0.06	
NUMBER OF SHARES OUTSTANDING	92.67	92.47	92.74		92.31	92.33	92.33	
EARNINGS PER SHARE	3.56	5.13	4.54		-4.30	0.71	2.91	
DIVIDEND PER SHARE	1.50	2.00	2.00		0.00	0.62	1.06	
PAYOUT RATIO	0.42	0.39	0.44		0.00	0.87	0.36	
DISCOUNT FACTOR					0.94	0.89	0.84	
DIVIDEND PER SHARE PV					0.00	0.55	0.89	
DIVIDEND TV								**44.90**

Summary Scenario	
Cumulative PV DPS	1.4
PV TV	37.7
Equity value per share (€)	**39.1**
Current Stock price	44.9
Equity Value	**3,610.0**
Net debt	5496.63
(Surplus assets)	(291.0)
Minorities	180.0
Enterprise Value	**5,385.6**

Growth rate long run	3.97%
Cost of Equity	6.03%

Disclaimer