



*Μέλος του Χρηματιστηρίου Αξιών Αθηνών
Μέλος του Χρηματιστηρίου Παραγώγων Αθηνών
Μέλος του Δικτύου XNET*

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Share Price:		8,50	
Closing Price as 14/11/16			
Price High 52week		8,70	
Price Low 52week		5,40	
Market capitalisation		2.714.690.000	
Current num. of shares		319.000.000	
Long Term Debt		252.250.000	
Key Financials	12/16E	12/17E	12/18E
Sales	1.379.468.519	1.793.845.915	2.117.906.411
EBITDA	337.378.926	414.037.734	457.786.586
EBITDA margin	24%	23%	22%
Total Debt/Equity	0,30	0,30	0,30
P/E	15,00	15,00	15,00
EPS	0,56	0,51	0,54
Dividend/Share	0,57	0,57	0,57

Enterprise Value	3.397.325.899
Shareholders value	3.145.075.899

OPAP S.A

Sector: **Leisure- Gaming**

Activity: **Production, operation, management and marketing of Betting and Numerical games.**

Outlook:

We upgrade OPAP's base case scenario Fair Estimated Price to 9.85 Euros/Share from 8.00 Euros/Share previously, on the back of recent developments regarding the VLT slots gradual implementation in the Hellenic market from the Q2 of 2017.

The new regulation for VLT gaming machines which was published in the state gazette appears to unfreeze the long awaited project of the gradual implementation of 35.000 slots in the gaming market. In response to the forthcoming gradual implementation of the first slots in the Hellenic Gaming market, we attempt to measure the impact in OPAP's valuation and share price respectively. In our valuation model we now re-incorporate the Revenues expected to be generated by the first VLT slots in late Q2 of 2017, while projecting that OPAP will reap the revenues of the total 35.000 slots from 2019 and on. Also, we estimate the Revenue/VLT machine taking into account the fact that this is a totally new and niche gaming product for the Hellenic market as well as the propensity and demand for gaming in the domestic market. These additions in our valuation model lead to significant changes to the expected Revenues for the 2017-2020 period. Specifically, before the VLT project implementation our model called for c.5.523bn Euro in pre state tax contribution Revenues and c.1.522bn. Euros in EBITDA and 781mn. Euros in Net Profits respectively. After the addition of the VLT contribution we believe that the Group's pre-contribution Revenues could reach 9.03bn. Euros with an EBITDA of 1.88bn. Euros and Net Profits of 745mn. Euros for the 2017-2020 period.

In our FCF model we evidence a 9% increase in projected cumulative Free Cash Flow generation incorporating the VLT'S contribution. The FCF generation stands at 1.30bn. Euros for the 2017-2020 period vs. 945mn. Euros previously. That leads to a significant increase in the Group's Fair Estimated Price per Share for the three levels of Country risk as stated in the table below.

DATE

15/11/16

FAIR ESTIMATED PRICE	9,85
Δ% from Current Price	16%
Investment Thesis	UV1

HELLENIC ORGANIZATION OF FOOTBALL PROGNOSTICS- THE VLT BET HEADWIND.

General Overview

On the 1st of November 2016 the new regulation for VLT gaming slots in Greece has been formally published in the State Gazette. The Hellenic Gaming Commission altered the existing regulatory context for the VLT gaming (Video Lottery Terminals) with the introduction of supplementary rules. That decision appears to unfreeze the long awaited implementation of OPAP's promising VLT project in the Hellenic Gaming market. Needless to remind that in September 2015 the company opted to freeze the project as the unexpected changes in the regulation terms by the regulatory body (Hellenic Gaming Commission) had rendered it unsustainable. However, knowing that the VLT project is an important step for OPAP's operations, we believe that the expected gradual implementation starting late Q2 2017 will finally bear its fruits.

The OPAP VLT business project entails the gradual installation of a total of 35.000 slot machines across the Hellenic region either in customized gaming halls operated by gaming agents or through the existing OPAP sales network. OPAP will operate the 16.500 machines while the remainder 18.500 will be operated by concessionaires selected through the conduct of an international contest in 2018.

Project Overview

VLTs are automated lottery slots interconnected with a centralized computer system that allows the lottery jurisdiction (Hellenic Gaming Commission) to monitor game play and automatically collect its share of revenue. Additionally, each player is able to grant its potential profits instantly. Back in 2014 (see OPAP 050614 analysis) we had attempted to incorporate the project's impact in the Company's Income statement and Free Cash Flows respectively. That promising project had been estimated to add (in full deployment) c.1bn Euros per annum to the company's Gross Gaming Revenues (GGR) and the generation of c.300mn Euros of Free Cash Flows according to OPAP Management's presentation (Source: OPAP Management's presentation 2013-2022)

OPAP Income Statement projections (Source: OPAP Management's presentation 2013-2022/ OPAP 050614, N Chrysochoidis Research Department)

Income Statement	2011	2012	2013	2014E	2015E
Gross Revenues	1.413.414.000,00	1.302.110.000,00	1.219.923.000,00	2.062.114.530,00	2.818.525.983,00
30% Taxation to Gross Revenues			345.401.000,00	618.634.359,00	845.557.794,90
		0,00	874.522.000,00	1.443.480.171,00	1.972.968.188,10
Cost of Services	-562.862.000,00	0,00	484.061.000,00	1.024.870.921,41	1.400.807.413,55
Gross Profit	850.552.000,00	816.950.000,00	390.461.000,00	418.609.249,59	572.160.774,55
VLT'S Royalties		0,00	0,00	92.000.000,00	92.000.000,00
Rest Income	6.849.000,00	6.679.000,00	2.581.000,00	6.679.000,00	6.679.000,00
Sales Cost	-116.277.000,00	-107.968.000,00	101.382.000,00	81.105.600,00	64.884.480,00
Administrative Cost	-36.795.000,00	-32.174.000,00	33.949.000,00	24.000.000,00	20.000.000,00
Rest Cost	-13.863.000,00	-9.682.000,00	16.262.000,00	5.000.000,00	16.262.000,00
Impairment Loss			19.737.000,00	0,00	0,00
EBITDA		673.805.000,00	221.712.000,00	407.182.649,59	569.693.294,55
R&A	43.578.000,00	43.936.000,00	44.111.000,00	44.111.000,00	44.111.000,00
EBIT	690.466.000,00	629.869.000,00	177.601.000,00	363.071.649,59	525.582.294,55
Income/Loss from Asset Sales	41.000,00	-56.000,00	410.000,00	0,00	0,00
Income/Loss from relative Companies	-395.000,00	-190.000,00	235.000,00	0,00	0,00
Loss from Asset Impairment	-5.326.000,00		0,00	0,00	0,00
Interest Income	24.087.000,00	14.061.000,00	14.207.000,00	5.000.000,00	14.061.000,00
Interest Expense	-8.950.000,00	-3.882.000,00	3.407.000,00	1.500.000,00	2.000.000,00
Dividend from Subsidiaries	0,00		0,00	0,00	0,00
EBT	699.723.000,00	638.232.000,00	187.756.000,00	369.571.649,59	541.643.294,55
Taxation	-151.073.000,00	-127.352.000,00	49.718.000,00	96.088.628,89	140.827.256,58
Deferred Tax		-3.393.000,00	3.077.000,00	0,00	0,00
Net Income	548.650.000,00	505.487.000,00	141.115.000,00	273.483.020,70	400.816.037,97

OPAP FCF projections (Source: OPAP Management's presentation 2013-2022/ OPAP 050614, N Chrysochoidis Research Department)

Cash flow estimations (E)	2013	2014E	2015E
EBIT	177.601.000,00	363.071.649,59	525.582.294,55
Taxation	26%	26%	26%
NOPAT	131.424.740,00	268.673.020,70	388.930.897,97
Depreciation	177.601.000,00	44.111.000,00	44.111.000,00
Capital Exp.	298.000.000,00	25.000.000,00	8.000.000,00
IWC	1.856.751,72	-19.026.616,98	-17.088.691,21
NCF	9.168.988,28	306.810.637,68	442.130.589,18

Following the project's freeze in 2015, we had re-estimated OPAP's fair value, incorporating to our DCF-based valuation model the impacts of the VLT's freeze alongside the stressed circumstances in the Hellenic Economy. That fine-tuning in our model led us to three different Fair Estimated Prices addressing the different risk scenarios for the Hellenic Economy as depicted in the 10 YR GGB sovereign bond. (See ORGANIZATION OF FOOTBALL PROGNOSTICS (OPAP 200715, www.chrysochoidis.gr)

Summary Assumptions

In closing remarks, we believe that the successful launching of VLT gaming machines is an important catalyst for the Group's future performance and overall valuation, as it will be able to exploit the opportunities arising from the brand new business, reap the additional Gaming Revenues and enhance the free cash flow generation in favor of the shareholders.

Appendix:

Income statement without VLT contribution. (Source N.Chrysochoidis Research Department)

Income Statement	2015	2016E	2017E	2018E	2019E
Total Sales	1.399.671.000,00	1.399.677.587,62	1.383.152.225,00	1.407.282.195,03	1.396.267.982,15
CGS	769.262.802,16	753.817.962,62	788.078.029,22	781.910.070,00	784.105.911,30
Gross Profit	625.338.000,00	630.414.785,46	629.334.262,37	619.204.165,81	614.357.912,15
Sales Expenses	69.468.000,00	107.972.443,94	63.901.510,31	108.882.579,59	64.630.598,23
Administrative Expenses	46.098.000,00	41.990.327,63	40.111.414,52	43.625.748,05	44.680.575,43
Rest Income	128.662.000,00	126.000.000,00	126.000.000,00	126.000.000,00	126.000.000,00
Rest Costs	261.332.000,00	251.941.965,77	251.733.704,95	257.532.641,69	237.365.556,97
EBITDA	377.102.000,00	354.510.048,13	399.587.632,59	335.163.196,49	393.681.181,53
D&A	74.332.000,00	75.000.000,00	76.000.000,00	76.000.000,00	76.000.000,00
EBIT	302.770.000,00	279.510.048,13	323.587.632,59	259.163.196,49	317.681.181,53
Interest Expenses	3.178.000,00	3.468.000,00	3.368.000,00	3.768.000,00	3.768.000,00
EBT	299.592.000,00	276.042.048,13	320.219.632,59	255.395.196,49	313.913.181,53
Taxation	111.978.000,00	80.052.193,96	92.863.693,45	74.064.606,98	91.034.822,64
Net Income/Loss	209.900.000,00	195.989.854,17	227.355.939,14	181.330.589,51	222.878.358,88

FCF statement without VLT contribution. (Source Source N.Chrysochoidis Research Department)

Cash flow estimations (E)	2016E	2017E	2018E
EBIT	279.510.048,13	323.587.632,59	259.163.196,49
Taxation	71%	71%	71%
NOPAT	198.452.134,17	229.747.219,14	184.005.869,51
Depreciation	75.000.000,00	76.000.000,00	76.000.000,00
Capital Exp.	25.000.000,00	25.000.000,00	25.000.000,00
IWC	15.000.000,00	15.000.000,00	15.000.000,00
NCF	233.452.134,17	265.747.219,14	220.005.869,51

Income statement with VLT contribution. (Source N.Chrysochoidis Research Department)

Income Statement	2016E	2017E	2018E	2019E
Total Sales	1.379.468.519,07	1.793.845.915,19	2.117.906.411,33	2.582.757.873,90
CGS	806.989.083,66	1.089.020.171,66	1.344.337.854,46	1.762.393.188,12
Gross Profit	572.479.435,41	704.825.743,53	773.568.556,87	820.364.685,78
Sales Expenses	52.419.803,72	52.365.744,78	52.846.843,63	52.658.799,21
Administrative Expenses	60.376.372,51	63.721.908,16	64.546.560,71	64.163.596,02
Rest Income	126.000.000,00	126.000.000,00	126.000.000,00	126.000.000,00
Rest Costs	248.304.333,43	300.700.356,56	324.388.566,86	319.923.933,05
EBITDA	337.378.925,75	414.037.734,03	457.786.585,67	509.618.357,50
D&A	75.000.000,00	177.000.000,00	207.000.000,00	207.000.000,00
EBIT	262.378.925,75	237.037.734,03	250.786.585,67	302.618.357,50
Interest Expenses	3.468.000,00	3.368.000,00	3.768.000,00	3.768.000,00
EBT	253.110.925,75	227.769.734,03	241.518.585,67	293.350.357,50
Taxation	73.402.168,47	66.053.222,87	70.040.389,84	85.071.603,68
Net Income/Loss	179.708.757,28	161.716.511,16	171.478.195,83	208.278.753,83

FCF statement with VLT contribution. (Source Source N.Chrysochoidis Research Department)

Cash flow estimations (E)	2016E	2017E	2018E
EBIT	262.378.925,75	237.037.734,03	250.786.585,67
Taxation	71%	71%	71%
NOPAT	186.289.037,28	168.296.791,16	178.058.475,83
Depreciation	75.000.000,00	177.000.000,00	207.000.000,00
Capital Exp.	45.000.000,00	55.000.000,00	55.000.000,00
IWC	15.000.000,00	15.000.000,00	15.000.000,00
NCF	201.289.037,28	275.296.791,16	315.058.475,83

Estimated Fair Values (Source: N.Chrysochoidis Research Department)

Risk Free Rate	FV	FV plus VLTs
6,50%	10,72	15,00
8,50%	7,20	9,86
10,50%	5,95	6,93

Σημειώσεις/Notes		Οδηγός Συστάσεων/Ratings			
P:	Τρέχουσα Τιμή	Market Price			
MCAP:	Κεφαλαιοποίηση	Capitalization	UV	Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος	Underpriced/ Small Risk
EPS:	Καθαρά Κέρδη Ανά Μετοχή	Earnings per Share	UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Stock Price < 20% of Fair Underpriced/ Risk
P/E:	Λόγος Τιμής προς Κέρδη	Price/Earnings Ratio	FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Stock Price < 10% of Fair Fairly Priced/ Small Risk
P/S:	Λόγος Τιμής προς Πωλήσεις	Price/Sales Ratio	OV1	Σωστή Αποτίμηση/ Κίνδυνος	10% < Stock Price < 10% Fairly Priced/ Risk
D/A:	Συνολικός Δανεισμός προς Παθητικό	Total Debt/Assets Ratio	OV	Υπερτιμημένη Μετοχή	Stock Price > 10% of Fair Overvalued
DY:	Απόδοση Μέρισματος	Dividend Yield	N/R	Μη Αποτιμημένη Μετοχή	Stock Price > 20% of Fair Not Rated
ROE:	Απόδοση Ιδίων Κεφαλαίων	Return on Equity			
FV:	Τιμή Σωστής Αποτίμησης	Fair Value Price			

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