



Share Price:		7,49
Closing Price as 25/02/16		
Price High 52week		9,47
Price Low 52week		6,45
Market capitalisation		3.671.226.414
Current num. of shares		490.150.389
Long Term Debt		2.147.000.000

Key Financials	12/14	12/15	12/16E
Sales	3.984.800.000	4.096.400.000	3.984.800.000
EBITDA	1.385.500.000	1.177.900.000	1.385.500.000
EBITDA margin	35%	29%	35%
Total Debt/Equity	1,02	1,40	1,01
P/E	16,40	23,87	16,43
EPS	0,55	0,04	0,31
Dividend/Share	0,08	0,10	N/A

Enterprise Value	7.674.381.242
Shareholders value	5.527.381.242

Risk Free	FV
6,50%	11,28
7,50%	11,01
8,50%	9,58
9,50%	8,68
10,50%	7,40

HELLENIC TELECOMMUNICATIONS ORGANIZATION- OTE S.A

SECTOR: Telecommunications

Activity: Diversified telecommunications services

Outlook:

We upgrade OTE's fair estimated price at a range of 7.40 to 11.28 Euros/Share in order to reflect the current stressed circumstances for the the Hellenic Economy (see sensitivity table below) and incorporate all the latest factors that influence the group's valuation following the FY15 results announcement .

OTE presented it's FY15 results on 26/2/16. The slight decrease in Fixed and Mobile y-o-y annual revenues came in-line with our projections. Furthermore, the satisfactory growth of TV services (OTE TV) increases our confidence in the ability of the group to deliver a sustainable level of annual sales.

However, specific categories of operating costs associated with the development of TV services and the further expansion of the Fixed line network in Romania, negatively affected the group's operating income.

We believe that these costs are going to affect the group's operating results in the period we examine (2016-2020) for our valuation model.

Accordingly, we have incorporated lower cash flows for the above mentioned period which result in a lower estimated fair enterprise value. Last but not least the ongoing efforts towards the deleveraging of OTE's balance sheet offsets the lower EV and leads to a slight increase in the value attributed to shareholders.

Strengths:

Ongoing liquidity ratio improvement (Total Debt/Equity) to 1,40 from 1,65 for FY15. We expect the trend to continue after group's efforts towards lower debt loan exposure.

Weaknesses:

We expect lower sales in the Mobile Line sector, due to the intense competition in the markets of Albania and Bulgaria.

Valuation sensitive to the fluctuation of the 10 year GGB yield (Risk Free rate). We have included a sensitivity analysis table with different Fair Value outcomes for various Risk Free rate assumptions and still maintain a 6,50% Base case Risk Free rate.

Opportunities:

Satisfactory income generated from Internet Services (ADSL, VDSL, ethernet) and TV services set to offset the losses in the two primary sectors of the company.

Threats:

The ongoing pricing war in the domestic market hurts profit margins in certain segments and requires increased operational flexibility.

DATE

26/2/2016

FAIR ESTIMATED PRICE	7,40
Δ% from Current Price	-1%
Investment Thesis	FV

OTE S.A Summary tables

Income Statement	2015	2016E	2017E	2018E	2019E
Fixed lines Greece/International	2.171.700.000,00	2.134.200.000,00	2.176.884.000,00	2.209.537.260,00	2.209.537.260,00
Total mobile sales	1.651.000.000,00	1.589.500.000,00	1.573.605.000,00	1.573.605.000,00	1.589.341.050,00
Other Income	95.700.000,00	179.200.000,00	179.200.000,00	182.784.000,00	184.611.840,00
Rest Income	66.400.000,00	60.700.000,00	60.700.000,00	60.700.000,00	60.700.000,00
Total Sales	3.963.600.000,00	3.990.389.000,00	4.026.626.260,00	4.044.190.150,00	4.061.929.678,90
Total costs	2.743.100.000,00	2.673.560.630,00	2.697.839.594,20	2.709.607.400,50	2.721.492.884,86
EBITDA	1.220.500.000,00	1.316.828.370,00	1.328.786.665,80	1.334.582.749,50	1.340.436.794,04
Depreciation	796.400.000,00	829.400.000,00	845.988.000,00	862.907.760,00	880.165.915,20
EBIT	391.100.000,00	470.840.370,00	465.878.905,80	454.116.834,30	442.667.560,33
Interest	144.600.000,00	160.000.000,00	160.000.000,00	160.000.000,00	160.000.000,00
EBT	246.500.000,00	310.840.370,00	305.878.905,80	294.116.834,30	282.667.560,33
Taxation	395.400.000,00	90.143.707,30	88.704.882,68	85.380.881,95	81.973.592,55
Net Income	151.900.000,00	220.696.662,70	217.174.023,12	209.035.952,35	200.693.967,98

Σημειώσεις/Notes

		Οδηγός Συστάσεων/Ratings		
P:	Τρέχουσα Τιμή	Market Price		
MCAP:	Κεφαλαιοποίηση	Capitalization	UV	Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος
EPS:	Καθαρά Κέρδη Ανά Μετοχή	Earnings per Share	UV1	Χαμηλή Αποτίμηση/ Κίνδυνος
P/E:	Λόγος Τιμής προς Κέρδη	Price/Earnings Ratio	FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος
P/S:	Λόγος Τιμής προς Πωλήσεις	Price/Sales Ratio	OV1	Σωστή Αποτίμηση/ Κίνδυνος
D/A:	Συνολικός Δανεισμός προς Παθητικό	Total Debt/Assets Ratio	OV	Υπερτιμημένη Μετοχή
DY:	Απόδοση Μρισματος	Dividend Yield		
ROE:	Απόδοση Ιδίων Κεφαλαίων	Return on Equity		
FV:	Τιμή Σωστής Αποτίμησης	Fair Value Price		

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Cash flow estimations (€)	2016E	2017E	2018E
EBIT	470.840.370,00	465.878.905,80	454.116.834,30
Taxation	29%	29%	29%
NOPAT	334.296.662,70	330.774.023,12	322.635.952,35
Depreciation	845.988.000,00	862.907.760,00	880.165.915,20
Capital Exp.	500.000.000,00	500.000.000,00	500.000.000,00
IWC	1.108.123,50	1.498.949,54	726.528,02
NCF	679.176.539,20	692.182.833,58	702.075.339,53

Growth/Margins/Metrics(€)	12/15	12/16E	12/17E
Sales Growth	-3%	-1%	1%
EBITDA growth Y-Y	18%	1%	-1%
Net Profit/Loss growth	-8%	9%	2%
RATIOS	12/14	12/15	12/16E
Debt/Equity	1,02	1,02	1,02
Capex/EBITDA	43%	36%	38%
ROE	13%	24%	10%
WACC	10,22%	10,22%	10,22%
VALUATION	12/14	12/15	12/16E
Book Value	4,32	5,10	4,35
P/BV	2,10	1,45	1,70
P/E	16,40	23,87	16,43