



Hellenic Equities: A New Start-July 2015

In view of the imminent Hellenic stock market re-opening sometime in the short term future we attempt to re-value our preferred picks and affirm our investment thesis. It is more than obvious that in such extraordinary circumstances with low visibility and high volatility in the market and financial /fiscal operations, any assumptions regarding valuations fall under certain culprits.

At the core of our problem lies the Risk free rate crucial for our model. We have utilized both the normalized scenario of 6.50% R.f. rate and the 10.50% stressed R.f. rate to better evaluate our picks.

We are obliged to pinpoint that at 11.00% current 10yr Hellenic Government Bond yield both our scenarios fall short.

Our fundamental research indicates as top picks in our Hellenic Equities Universe the following listed stocks: Coca Cola Hellenic (CCH), OTE Hellenic Telecommunications Organization (HTO), Aegean Airlines (ARAIG), Mytilineos Holdings (MYTIL), Metka S.A (METK), Hellenic Organization of Football Prognostics (OPAP), Titan Cement (TITK) and Hellenic Exchanges Group (EXAE). Additionally we have a positive view on Motor Oil, Thrace Plastics, Kri Kri S.A, Thessaloniki Sewage Company and Terna Energy S.A from smaller capitalizations.

- Coca Cola Hellenic Bottling operates largely in a broad geographical area covering the Balkan markets, Russia, certain parts of Europe and Greece. The Company is headquartered in Switzerland, a relocation offering an improved risk- return profile due to the significantly lower risk premium. We expect Coca Cola Hellenic to preserve its strong Cash Flow ability and regard it a safe and value play on Greek Equities.
- Hellenic Telecom have successfully re- organized its operating structure, deleveraged its Balance Sheet, enhanced its product offering with Cable TV and Broadband facilities and improved overall profitability. OTE is the market leader in Greece and a value play on suppressed Hellenic Equity valuations.

- Aegean Airlines has successfully completed the acquisition of Olympic Air. The combined company is the key flight carrier in the much-dependent on tourism Hellenic economy. Interesting fact is Aegean Airline's unleveraged Capital structure and successful management of increased demand for inbound and outbound flight transportations.
- Mytilineos Holdings and Metka S.A are strong Cash Flow generation industrial plays. The Group exploits the rising demand for Aluminium products and the subsidiary (Specialized Energy contract constructor) indicates strong project backlog.
- OPAP is the market leader in the Hellenic Sports Betting Market. The company has a strong Balance Sheet, a broad Gaming portfolio which addresses customers' demands, an expansion strategy to broaden its current gaming portfolio with VLT machines as a gaming alternative and, last but not least, positive Cash Flows and sustainable earnings growth.
- Titan has strong presence in Europe and Middle East and is growing its market share in the US region. The company successfully balanced the enormous decrease in cement consumption in Greece by expanding towards the increasing demand for cement products in US and Middle East.
- Hellenic Exchanges Group has always been our investment proxy for the domestic market. The cash and derivatives markets operator, a cash cow, is an unleveraged, monopoly type player that has historically captured the upside of the local economy in its valuation whereby offering investors a generous yield (Dividends and capital returns).

Additionally to our Top Picks we are covering the following listed equities as we feel they deserve a positive approach on a secondary (and more dispersive) approach.

- Motor Oil's Q1'15 results were strongly affected by the rebound in Oil prices as well as higher refining margins that lead to net profits, a trend we are expecting to continue for the rest of FY'15.
- Thrace Plastics, offering a wide range of specialized products such as technical fabrics and plastic packaging, is a healthy small cap. With its efficient capital structure and export oriented setup is an interesting Hellenic play on chemicals.
- Kri Kri, operating in the Dairy and Yogurt sector, poses a good value proposition towards the domestic agricultural products sector and offers solid management, operating efficiency and interesting profit margins. Paired with its excellent product range any export-oriented advancement could enhance Kri Kri's valuation.

- Terna Energy is a renewable energy sector player which, by large, has expanded its capacity to position itself as an alternative to traditional energy producers in the domestic market.
- Thessaloniki Water and Sewage is the most interesting (by fundamental aspects) equity in our Utilities Universe. Water management is a focal point in our investment strategy for the future combined with the restructuring of the domestic Utilities sector. We have been positioning ourselves to capture any opportunity in the Utilities theme and this play appears to be the most interesting from a “deep value” point of view.

Ending our note we would further reiterate our concerns regarding the Risk free factor (as discussed above) discrepancies, and liquidity and operational issues that arise from the extraordinary circumstances characterizing current conditions in the Hellenic Market. Our belief in the operational excellence, market position and capital structure of the above listed companies offers us a guiding light towards a better investing future.

Summary Table of Hellenic Stock Picks

Company	Ticker (Reuters)	Market Cap	Revenues FY'15e	EBITDA FY'15e	EPS FY'15e	P/E'15e (Last/EPs'15e)
Coca Cola Hellenic HBC	CCH.AT	7.360.443.322	6.249.167.000	809.933.360	0,77	26
Hellenic Telecommunications Organization S.A	OTER.AT	4.019.233.190	3.948.413.500	1.401.686.792	0,58	14
Aegean Airlines	AGNR.AT	441.357.678	1.113.758.307	181.624.603	0,89	7
Mytilineos Group Holdings	MYTr.AT	676.942.841	1.200.529.410	55.268.000	0,58	10
METKA S.A	MTKr.AT	404.695.174	593.121.000	107.497.230	1,30	6
Hellenic Organization of Football Prognostics (OPAP)	OPAr.AT	2.491.390.000	4.219.934.677	268.941.678	0,51	15
Titan Cement S.A	TITNR.AT	1.649.160.655	1.286.545.177	217.608.746	0,74	29
Hellenic Exchanges Group	EXCR.AT	303.310.132	40.800.000	21.800.000	0,24	19
Motor Oil Corinth Refineries S.A	MORr.AT	941.655.330	8.997.865.654	213.893.282	0,32	27
Thrace Plastics Co.	THRr.AT	63.583.414	286.887.100	23.758.291	0,16	9
Kri Kri Dairy S.A	KRIR.AT	59.517.245	47.907.033	5.784.973	0,22	8
Terna Energy S.A	TENR.AT	335.595.208	170.527.694	88.193.001	0,13	24
Thessaloniki Water and Sewage Co.	TWSR.AT	96.558.000	57.405.842	28.286.516	0,42	6

*NOTE: We strongly encourage you to seek our individual valuation reports on our Top Picks as well as our Hellenic Coverage universe factsheet, posted in our company website www.chyvssochoidis.gr

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