



**EQUITY RESEARCH/UPDATE/BETTING-GAMING/HELLENIC ORGANIZATION OF FOOTBALL PROGNOSTICS**

05/09/16

We downgrade our projections regarding OPAP's Total Revenues, EBITDA and Net Income for FY16 and on the back of the Group's soft sales figures reported in the HY16 results and the impact of the retroactive increase in the Gross Gaming contribution (GGR) while maintaining our Investment Thesis.

OPAP's performance in HY 16 was highlighted by the 2.60% decrease in terms of Gross Gaming revenues (Top line revenues), the retroactive addition of 5% levy in the total Gross Gaming contribution and the management's efforts towards the reduction of operating expenses.

We evidenced the solid performance of the Lottery sector for another quarter, driven mostly by the KINO game revenues, the deceleration in Sports Betting revenues as the Euro Cup event only managed to partially offset the decline in Pame Stoixima sales and the weak performance of Monitor Games. The Instant and Passives sector which contains the Scratch cards and Lotteries, showed a significant decrease in Revenues compared to HY15, a fact that makes us cautious for the sector's growth in the forthcoming periods.

HY 16 Gaming revenues after the 35% contribution tax were 678.80mn. Euros lower than our expectations for 699.50mn.Euros. Corresponding EBITDA for HY16 was 161.50mn. Euros vs. 177mn. Euros expected, leading to a Net Income of 86.7mn. Euros for the period vs our estimates for 97.50mn. Euros.

We decided to apply to our DCF model new, lower revenue growth estimates for the 2016-2020 period as we evidence a revenue deceleration in the major games of OPAP's gaming portfolio alongside with the weak performance of Scratch cards for the HY16. Moreover, we adjusted our model to account for the additional 5% levy in the overall GGR contribution, a major change that is expected to have a significant impact in overall profitability despite the management's actions towards the reduction of Operating expenses.

In summary, our new operating figures correspond to Total Revenues of 1.379mn.Euros (down from 1.399mn. Euros previously), EBITDA of 337mn.Euros (down from 354mn.Euros) and Net Income of 179mn.Euros (vs 196mn. Euros previously.) At the current level of the 10Y GGB yield of 8,20% OPAP is fairly priced, however the lower operating results projected for FY 16 as well as the sensitivity of our valuation to different yield levels dictate that we are more cautious for the final outcome.

**Symbol: OPAP**

**Market: ATHENS STOCK EXCHANGE**

**THESIS: OV**

**FAIR EST. VALUE: 5.95 Euros/Share**

**Closing Price (02/09/16): 7.52 Euros/Share**

**Market Cap.: (2.399mn.)**

**P/E: 16.00**

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