



## OPAP S.A

### Outlook:

- Gross Gaming Revenues came up to 359mn. Euros +5.30% on a q-q basis.
- Group's EBITDA came up to 79mn. Euros slightly decreased from the respective Q1 16 (78mn. Euros) due to additional operating expenses incurred for new projects implementation.
- Net Profit decreased by 8.70% due to higher interest expenses stemming from the additional balance sheet leverage.

### Q1'17 results at a glance:

We upgrade OPAP's Fair estimated price to 13.30Euros/Share from 9.85Euros/Share previously, taking into consideration the resilient performance of the Group's existing operating sectors in accordance to the Greek economy's de-risking assumption and its respective impact in the Group's DCF valuation.

OPAP's revenues (amounts wagered) during the first quarter of 2017 increased by 1.00%, improving Gross Gaming Revenues (GGR) due to the slightly decreased payout ratios offered to the winners.

The Lottery sector's revenues were marked by a 10.30% increase. That solid performance is mainly attributed to TZOKER and KINO games. Moreover, the Passives and Instants sector showed a 3.70% revenue growth compared to the first quarter of 2016 in contrast to the Sports Betting sector's 6.30% decrease due to the soft Pame Stoixima results.

Finally, VLT's GGR reached 2mn. Euros after 1,355 machines were installed in the Greek Gaming market over the first quarter of 2017.

As a result, operating earnings (EBITDA) were slightly down to 37mn from 38mn in the respective Q1'16. That marginally flat deceleration is attributed to the increased expenses incurred for the expansion of the gaming network as well as the implementation of new betting games in the current gaming portfolio.

Finally, OPAP's Net Income decreased to 39mn. from 43mn. on a q-q basis following increased interest and effective tax expenses.

Date: 22/06/17

FAIR ESTIMATED PRICE: **13.30Euros/Share**

Investment Thesis: **UWI**

### Key Statistics:

Valuation	22/6/2017
Share Price	9,98
Price High 52 week	10,07
Price Low 52 week	5,96
Current num. of shares	319.000.000
Trailing P/E	19
Market Cap.	3.183.620.000
EPS (Trailing)	0,81
DPS(Proposed)	N/A
<i>*Closing Price as 21/06/2017</i>	

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# HELLENIC ORGANIZATION OF FOOTBALL PROGNOSTICS (OPAP)

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OPAP's Q1'17 results confirmed our expectations regarding the main operating sectors' performance in terms of GGR and operating expenses. However, what needs to be underlined is the significantly low visibility of the VLT's gaming sector implementation rate in the Hellenic Market.

Specifically, total GGR from the OPAP's gaming sectors over the Q1'17 were 359mn Euros and appear to be slightly above our expectations that called for 345mn.Euros. The evidenced growth in the Lotteries and the Instant and Passives overcame our expectations for 2.00% and 1.00% growth respectively. However, the Sports Betting sector's revenue decrease came below our expectations for -5.00%.

The VLT's sector expected performance is a significant part of our valuation: Our model, (*see Hellenic Organization of Football Prognostics (OPAP) 151116*) is extremely sensitive to the revenue projections of the VLTs as well as the timing that these revenues flow to the Group.

According to management's feedback regarding VLTs operations, 1.355 VLT machines have been installed during the first quarter of 2017. Also, by mid-June the number of deployed VLTs is coming up to 2.500. Therefore, these VLT's figures will likely not verify our initial projections regarding the amount of GGR that VLTs will contribute to the groups FY 2017 and FY 2018 results respectively. In our valuation model, we assumed that the number of VLTs would reach 11,500 and would generate a total GGR of 415mn.Euros in the current year. Similarly for 2018, our expectations came up to 1.26bn.Euros in revenues corresponding to a theoretical full capacity of 16.500 VLTs owned by OPAP and a portion of 18,500 VLTs owned by concessionaires. By taking into consideration the rate of installation of the machines and the early stage of the project implementation, we decided to change our basic assumptions regarding the total number of VLT machines employed. Specifically, we anticipate the total number of machines which will fully operate till the end of 2017 to be 8,500 instead of 11,550 and also, the GGR coming from them to be 135mn instead of 415mn. For 2018, we reconsider the total GGR to be 669mn Euros instead of 1,26bn due to the partial installation of the VLTs in the first six months of the year.

Despite the evidenced alteration in our expectations regarding the VLTs to the top line earnings, OPAP's EV does not change to such a great extent. This is accredited to the lower operating expenses which are related to the lower Revenue stream. Additionally, we retain our basic assumption that VLTs would be in full capacity after year 2019 and on.

Considering OPAP's evidenced growth in combination with the overall improvement in the Country's risk (as reflected by the improvement of the 10Y GGR Bond rate to 5,50% from 6,50% previously), we upgrade OPAP's fair estimated price to 13.30Euros/Share from 9,85Euros/Share previously. To be more precise regarding the computation of OPAP's intrinsic value we utilize four different discount factors (WACC) for OPAP's FCFE as are shaped for the different level of country risk. In the following table, we demonstrate the impact of the different levels of country risk as denoted by the Rf rate to OPAP's Fair Estimated price.

Rf Rate	FV
5,50%	14,00
<b>6,50%</b>	<b>13,30</b>
8,50%	10,30
<b>10,50%</b>	<b>7,00</b>

In concluding remarks, OPAP's satisfactory Q1 performance, the preservation of operating and profitability margins and the gradual country's de-risking impose an upgrade to our estimates regarding OPAP's Fair Estimated Price.

### Ρήτρα Περιορισμού Ευθύνης:

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### Σημειώσεις/Notes

P:	Τρέχουσα Τιμή	Market Price
MCAP:	Κεφαλαιοποίηση	Capitalization
EPS:	Καθαρά Κέρδη Ανά Μετοχή	Earnings per Share
P/E:	Λόγος Τιμής προς Κέρδη	Price/Earnings Ratio
P/S:	Λόγος Τιμής προς Πωλήσεις	Price/Sales Ratio
D/A:	Συνολικός Δανεισμός προς Παθητικό	Total Debt/Assets Ratio
DY:	Απόδοση Μερισμάτων	Dividend Yield
ROE:	Απόδοση Ιδίων Κεφαλαίων	Return on Equity
FV:	Τιμή Σωστής Αποτίμησης	Fair Value Price

### Οδηγός Συστάσεων/Ratings

UV	Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος	Underpriced/ Small Risk
UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Underpriced/ Risk
FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Fairly Priced/ Small Risk
OV1	Σωστή Αποτίμηση/ Κίνδυνος	Fairly Priced/ Risk
OV	Υπερτιμημένη Μετοχή	Stock Price >10% of Fair Overvalued
N/R	Μη Αποτιμημένη Μετοχή	Stock Price >20% of Fair Not Rated