



## HELLENIC TELECOMMUNICATIONS ORGANIZATION.

### Outlook:

We retain OTE's fair estimated price to 12.50Euros/Share based on the evidenced improvement in the business conditions of the Hellenic Market, the strong performance of the Mobile business unit and the substantial operating profitability coming from the reduction of operating expenses.

### 9M'18 results at a glance:

OTE's consolidated revenues reached 2.872mn.Euros driven by the solid positive contribution of the Mobile sector.

Mobile sector's revenues demonstrated strong performance (+4.1% on 9m basis) to the three Geographical Units which the Group operates.

The Group's EBITDA stood at 953.7mn.Euros higher than the previous period's EBITDA of 924.70mn.Euros.

Finally, OTE Group's Net Profit attributed to Shareholders came up at 196.8mn.Euros boosted by the substantial lower interest and tax expenses compared to the respective 9M'17 period.

Date: 21/10/18

FAIR ESTIMATED PRICE: **12.50Euros/Share**

Investment Thesis: **UV**

### Key Statistics:

VALUATION	21/11/2018
Share Price	9,81
Price High 52 week	12,72
Price Low 52 week	9,52
Current num. of shares	490.150.389
P/E	24
Market Cap.	4.808.375.316
EPS (Trailing)	0,40
DPS	0,35
<i>*Closing Price as 20/11/2018</i>	

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# HELLENIC TELECOMMUNICATIONS ORGANIZATION (OTE)

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OTE's 9M 18 results were characterized by the flattish acceleration of the consolidated revenues on a nine-month basis, the solid improvement of the Domestic business units, the reduction of operating expenses that successfully contributed to the satisfactory EBITDA gains and finally, the harsh operating environment of the Romanian market that still poses concerns regarding the Unit's full year performance.

Specifically, the Fixed Line sector marked a 2.00% revenue deceleration, below of our estimates that called for a mild flattish growth. On the other hand, the Mobile sector's revenues reconfirmed the positive revenue growth trend with a 4.00% increase, in-line with our estimates for annual acceleration.

The Domestic business units showed promising signs of gradual recovery, marking growth both in terms of revenues generated and EBITDA gains, a fact that drastically contributed to the improvement of consolidated operating gains and bottom line profitability. However, we should pinpoint the weak performance of the Romanian business that reconfirms the harsh and challenging operating environment and lead to revenues deceleration and softer operating results. In terms of operating performance, the Group's reported EBITDA came up at 953.70mn. Euros, a solid performance above our expectations that called for 944.31mn.Euros in EBITDA gains due to the reduction of operating expenses incurred and the larger contribution of the Hellenic market operating earnings. Additionally, operating profit (EBIT) surpassed our expectations that called for 319.50mn.Euros due to the operating efficiency paired with lower depreciation expenses incurred for the period (7.00% lower depreciation expenses below our estimates). Last but not least, OTE's effective tax rate for the period and the substantial lower interest expense boosted the Group's Net earnings to 196.40mn.Euros. from 96.80mn.Euros and clearly above our expectations that called for 153.30mn.Euros for the period.

We reconfirm our satisfaction regarding the Mobile sector's performance as the Group's actions towards digitalization and continuous support of the mobile data business brought a satisfactory growth rate paired with operating earnings that gradually comply

with our expectations. Additionally, the ongoing improvement in the domestic business both in Fixed and Mobile units paired with the ongoing positive and satisfactory contribution of OTE TV and the larger domestic unit's contribution in the consolidated operating gains are clearly indicating a promising sign that seems to be an important driver. However, the harsh business environment in the Romanian market still poses concerns regarding the Unit's performance on a FY basis.

In summary, we decide to retain our estimates for the Fixed Line sector growth despite the deceleration in the foreign business unit due to the positive signs coming from the larger contribution in operating earnings coming from the Hellenic Business Unit, the ongoing successful gradual penetration of OTE TV both in the Hellenic and Romanian Markets, the satisfactory growth of the customer base and the strong performance of VDSL in the Hellenic Market. In the same manner, we retain our estimates for the Mobile sector's growth, as we evidenced the better than expected contribution of Mobile data services to the sector's total revenues and the demonstrated growth for the three geographical units.

Considering the above, we retain OTE's Fair Estimated Price at 12.50Euros/Share as we believe that the evidenced stability of the Hellenic macro environment, the positive contribution of Mobile Business, and the generation of strong FCFE in-line with our estimates could support the potential upside.

## FINANCIAL SUMMARY AND VALUATION TABLES

Table I: Income Statement

Income Statement	2017A	2018E	2019E	2020E	2021E
Revenues	3.857.100.001,00	3.874.606.881	3.900.907.556	3.949.659.237	3.973.994.101
Other Operating Income	51.400.000,00	60.056.407	60.464.067	61.219.718	61.596.909
OPEX	-2.666.000.000,00	-2.675.571.035	-2.689.771.332	-2.707.343.294	-2.703.845.976
EBITDA	1.242.500.001,00	1.259.092.252	1.271.600.291	1.303.535.661	1.331.745.033
D&A	-937.000.000	-833.040.479	-858.199.662	-868.925.032	-874.278.702
EBIT	305.500.001	426.051.773	413.400.629	434.610.628	457.466.331
Interest Expenses	-139.400.000	-138.199.800	-138.199.800	-138.199.800	-138.199.800
Interest Income	1.600.000,00	2.200.000,00	2.200.000,00	2.200.000,00	2.200.000,00
Foreign Exchanges (Net Profit/Loss)	-12.200.000,00	-2.166.000,00	-2.166.000,00	-2.166.000,00	-2.166.000,00
Investment in Ass.	19.000.000,00				
EBT	174.500.001	287.885.973	275.234.829	296.444.828	319.300.531
Taxation	-151.700.000	-83.486.932	-79.818.100	-85.969.000	-92.597.154
Net Income/Loss	22.800.001	204.399.041	195.416.729	210.475.828	226.703.377

Source: Company's statements, N.Chrysochoidis Research Department estimates.

Table II: Cash Flows

Cash Flow estimations (E)	2017A	2018E	2019E
EBIT	305.500.001	426.051.773	413.400.629
Taxation (1-Tax Rate)	13%	71%	71%
NOPAT	39.916.334	302.496.759	293.514.447
Depreciation	937.000.000	833.040.479	858.199.662
Capital Exp.	919.900.000	800.000.000	700.000.000
IWC	186.300.000	19.707.873	7.756.968
NCF	-129.283.666	315.829.366	443.957.140

Source: Company's statements, N.Chrysochoidis Research Department estimates

Table III: Valuation Metrics

Growth	12/17A	12/18E	12/19E
Sales growth	-1,30%	0,45%	0,68%
EBITDA growth	-1,94%	1,34%	0,99%
Net Profit/Loss growth	-72,89%	796%	-4%
RATIOS	12/18E	12/19E	12/20E
Debt/Equity	0,66	0,66	0,66
Capex/EBITDA	60%	39%	38%
ROE	8%	8%	8%
WACC	8,00%	8,00%	8,00%
VALUATION	12/17A	12/18E	12/19E
Book Value	5,18	5,18	5,18
P/BV	2,15	2,15	2,15
P/E	25	25	25

Source: Company's statements, N.Chrysochoidis Research Department estimates

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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