

Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗ

ΑΝΩΝΥΜΟΣ ΕΤΑΙΡΕΙΑ ΠΑΡΟΧΗΣ ΕΠΕΝΔΥΤΙΚΩΝ ΥΠΗΡΕΣΙΩΝ

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Forthnet's Supernova Challenge.

OTE'S (HTO) bid for Forthnet's (FORTH) NOVA Pay TV platform has triggered investor speculation that the deal will bring radical changes in the Hellenic Telecommunications Sector and will significantly alter Forthnet's business, Balance Sheet and prospects.

We attempt to estimate the consequences of the deal between OTE and Forthnet using our base DCF model and fine-tuning it by taking into account the aspects of the deal and their consequences on the operational business structure of Forthnet. Primarily, we adjust the factors that are going to change after the completion of the deal: Forthnet's business comprises of the Cable TV Segment which contributes 45% of Total Group Sales (163.5 million Euros in FY2013 out of 376 million Euros Total Group Sales) and the Telecommunications Segment which contributes the rest. Additionally, the Cable TV segment's exposure to Total Bank Debt is in the area of 230 million euros which is 70% of total Group Bank Lending. Secondly, we estimate that a potential bid will assist Forthnet to deleverage itself from the majority of its outstanding bank lending and would significantly lower its Interest Expense outflows in the forthcoming years. Nevertheless, we incorporate the respective reduction in Group Sales due to the divestment of Nova Pay TV from FY2015 and on.

As a result, we structure a basic DCF Model to calculate the resulting Enterprise Value of Forthnet by incorporating the factors mentioned previously (Δ Sales, Δ Debt, Δ Interest Expense) to derive new Free Cash Flow estimates for FY2015 and on, adding a final estimation twist by introducing two possible scenarios (as indicated by reports of OTE's bid): Scenario A for a total inflow of 300 million euros for Forthnet having a probability of 25% and Scenario B for a total inflow 250 million Euros for Forthnet, with a probability of 75%. We use a WACC of 14% and derive an EV of 76 million Euros minus remainder outstanding Long Term Debt of 25 million euros and resulting Shareholder Value of 51 million Euros under scenario A. For Scenario B we also use a WACC of 14% and an EV of 56 million Euros. Long Term Debt will end up at 55 million Euros for the Group, resulting in Shareholder Value of 1 million Euros.

In conclusion, having assessed the factors mentioned previously, we estimate Forthnet's blended Shareholder Value at 13.5 million Euros or 1.10 Euros per share. Last but not least, we stress that under a 50-50% probability Scenario the blended Shareholders Value can reach 26 million Euros or 2.12 Euros per share!

Place your Bets!

Οδηγός Συστάσεων/Ratings

Σημειώσεις/Notes

P:	Τρέχουσα Τιμή	Market Price			
MCAP:	Κεφαλαιοποίηση	Capitalization	UV	Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος	Underpriced/ Small Risk
EPS:	Καθαρά Κέρδη Ανά Μετοχή	Earnings per Share			Stock Price < 20% of Fair
			UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Underpriced/ Risk
					Stock Price < 10% of Fair
P/E:	Λόγος Τιμής προς Κέρδη	Price/Earnings Ratio	FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Fairly Priced/ Small Risk
					10%<Stock Price<10%
P/S:	Λόγος Τιμής προς Πωλήσεις	Price/Sales Ratio	OV1	Σωστή Αποτίμηση/ Κίνδυνος	Fairly Priced/ Risk
					Stock Price >10% of Fair
D/A:	Συνολικός Δανεισμός προς Παθητικό	Total Debt/Assets Ratio	OV	Υπερτιμημένη Μετοχή	Overvalued
					Stock Price >20% of Fair
DY:	Απόδοση Μερίσματος	Dividend Yield			
ROE:	Απόδοση Ιδίων Κεφαλαίων	Return on Equity			
FV:	Τιμή Σωστής Αποτίμησης	Fair Value Price			

Ρήτρα Περιορισμού Ευθύνης:

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