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HELLENIC EQUITIES UNIVERSE TOP PICKS. OCTOBER 2016

The majority of the issuers that comprise our Top Picks list continued to prove resilient to the adverse domestic macro economic conditions, in line with our estimates, yet some of them face operating and business challenges that make us cautious regarding their performance in the following quarters.

However, we opt for the time being to stay put on our list as it still covers our selection criteria vis- a- vis their fundamentals, their exposure to foreign markets, the sustainable corporate growth and certainly the significant level of Cash Flows attributed to Shareholders that ensure sufficient yield and value.

Accordingly, we retain our Top picks for 2016 as: Hellenic Telecoms Organization (HTO), Mytilineos Group (Mytilineos, METKA), TITAN Cement, Coca Cola HBC, Aegean Airlines (ARAIG), Hellenic Organization of Football Prognostics (OPAP) and Hellenic Exchanges Group (EXAE). We still keep our positive view on KRI KRI S.A, Thrace Plastics S.A, Terna Energy and Motor Oil Group.

OTE’s (OTER.AT, 9.06Euros/Share, UV) first half of 2016 results were characterized by a slight decrease in Total Revenues (-0.06%) attributed to the marginally flat performance of the Fixed Line sector and the lower revenues (-1.68%) at the Mobile sector.

Both OTE Group’s sector performance did not fulfill our expectations for a positive growth rate as the Fixed Line sector’s revenues were adversely impacted by the weak macro economic conditions in the Hellenic Market. Still, we decide to keep an open window for positive contribution by the Cable TV services (OTE TV) and the VDSL Internet services. In addition, the Mobile sector continued its downward revenue trend as it faced intense competition in the foreign markets (Albania, Romania) which operates and weak domestic macroeconomic conditions.

Considering the reasons mentioned above we decided to adjust our expected growth rates for the full year and for the 2017-2019 period to a slower pace for the Fixed Line sector while we believe that the TV and Broadband business could still enhance the sector positively. Additionally, in the Mobile sector we have applied a revenue deceleration for the 2016-2019 period as the intense competition hurts the level of sales and operating and profitability margins.

These adjustments are slightly changing our base scenario for OTE Group’s performance which incorporates stable sales of c. 3.9bn Euros for the period 2016 to 2019 and decreases the expected annual Cash Flow generation. Accordingly, the EV calculation and the respective FV for the Group’s Share price end up in lower levels in all the three Risk free yield scenarios (10.71 Euros/Share for RF 6.50% , 9.06 Euros/Share for RF 8.50%-which is our base case scenario- and 6.95 Euros/Share for RF 10.50%) vs. the previously stated calculations (see. HELLENIC TELECOMMUNICATIONS ORGANIZATION (HTO) 250216). Overall, we retain our Investment thesis for OTE’s share as we believe it presents a valuable investment case.

Mytilineos’s (MYTr.AT, 3.58Euros/Share, FV) construction subsidiary, METKA S.A (MTKr.AT, 8.77Euros/Share, UV), is going to face a challenging year, with regards to the expected continuation of the energy projects in the Middle East region and the strategic decision of the company to add Renewables Energy projects to its overall construction portfolio. METKA’s HY16 results were impacted by the delay in revenue generation of the Middle East projects and the lower operating results of the Renewables energy projects. However, we retain our estimates for METKA’s full year results at 599mn. Euros in Revenues, 108mn. Euros in EBITDA and 70.61mn Euros in Net Profit.

Ther parent company’s half year 2016 results came in line with our projections (see MYTILINEOS HOLDINGS 290416 analysis). Mytilineos’s results returned to a more normalised level of revenues in Metal and Construction sector while the Energy sector's results showed an extraordinary performance. In terms of Group's fundamentals we expect 1.09bn Euros in Total Revenues, 247mn, Euros in EBITDA and 59.60 in Net Profit attributed to Shareholders. We still envisage an additional value potential in the electricity generating sector that could enhance overall revenues and profitability.

Aegean Air's (AGNR.AT, 8.00Euros/Share, UV) first half of 2016 could easily be characterized as a problematic one as the company has faced several challenges in its operating model which had clearly affected its revenues and operating performance respectively. Specifically, the most important challenges were: 1)The addition of a further 10% levy in the existing VAT for ticket services and 2) the lack of pricing power as evidenced by the reduction of the Average Fare per Passenger.

These facts led to flat revenues on a like- for- like basis and the significant deterioration in operating and net earnings respectively. The company decided to completely absorb the additional levy without adjusting its pricing policy thus ending up with ticket sales that led to flat revenues and weak operating results despite the substantial increase in the passenger traffic. The suppression of the Average Fare per customer is attributed to the competitor's intense efforts to increase their Market share and to the company's decision for "early coverage" of remote destinations in Greece in an attempt to maintain its dominant Market share position.

Following the above, we fine-tuned our projections for the Group's total Revenues while preserving our growth estimates for passenger traffic (as the reported growth rate can still be characterized as satisfying) and decreased the Average Fare per passenger for the 2016-2019 period. These adjustments lead to significant changes in our valuation model as the new total estimated Revenues for the 2016-2019 period came down to 3.88bn. Euros from 4.30bn.Euros previously, total EBITDA c.379mn. Euros from 491mn. Euros and Net Income c.207mn. Euros from 291mn. Euros respectively. These changes resulted in a lower Fair Value estimate for our three case scenarios (see AEGEAN AIRLINES 270916). We still consider Aegean Air as a Top pick mainly because of the healthy capital structure, the dominant position in the Hellenic market and the operational efficiency ensuring sustainable value for the investors.

Titan’s (TITNR.AT, 18.60 Euros/Share, FV) first half results proved mostly in line with our expectations, showing solid revenue growth in the United States, sufficient improvement in the Group’s operating profits (EBITDA) which successfully counterbalanced the softness in the Hellenic operations and the FX losses (-19.4mn) which hurt the Group’s bottom line. We still keep our estimates for the revenue growth in US and East Med. operations (+10% Y-Y and +5% respectively) and the decrease in revenues for the sectors of South Eastern Europe and Greece.

We retain Titan's Fair Value to 18.60 Euros/Share in an attempt to account for the aggravation of the risk factor for the Hellenic equities due to the current domestic crisis while maintaining stronger Cash Flow projections and further Debt reduction. We would like to point out that the continuing management efficiency of the Group offers conviction to our estimates.

Coca Cola Hellenic HBC(CCH.AT, 21.70Euros/Share, FV) results were in line with our expectations for improved net sales per unit (cases) without the FX impact and larger growth volumes in the Emerging and Developing geographical sectors. We believe that FY16 will fair in the same direction as FY15 in terms of Total Revenues and Net Profit (6.30bn Euros, 242mn.Euros respectively). We still consider Coca Cola HBC as our most important Pick.

OPAP’s (OPAr.AT, 5.95Euros/Share, OV) 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.

In response to OPAP’s HY16 reported performance we have slightly altered our assumptions for the Total revenues and operating income respectively. Thus, 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 remain cautious for the final outcome.

Kri Kri (KRIR.AT, 1.80Euros/Share,UV) has had another satisfactory semester compatible with our basic hypothesis in terms of revenue evolution. Specifically, the Dairy sector continued its growth trend (+18%) on a like for like basis managing to capture the ongoing demand for dairy products domestically. On the other hand, the Ice Cream sector's performance did not fulfill our expectations as the revenues deviated from our projected levels (-7% vs. +1%). We are still expecting improved performance in the third quarter of 2016 (which is the most important for the Ice Cream sector) besides the softness evidenced. In addition, the Group's healthy capital structure ensures the sustainable growth and generates strong free cash flows for the shareholders. The stock's main weakness still remains the limited free float and trading activity.

Thrace Plastics S.A (THRr.AT, 2.00Euros/Share,UV) has successfully completed the major capacity expansion program which is expected to add c.30mn to its revenues annually. We anticipate a substantially improved level of operating performance as the Group continues to gain from the declining Oil prices, the favorable USD FX parity and the more efficient utilization of the increased production capacity.

According to its HY'16 results announcement, Terna Energy (TENR.AT, 4.10Euros/Share, UV) managed to utilize 738 MW in the Renewables portfolio and is expecting to reach the level of 790MW until the end of 2016. Weather conditions during the second quarter of 2016 led to a reduced load factor (27.4% from 28.1% for the HY16) and decreased the Company's Gross, operating and profit margins respectively hurting bottom line profitability alongside with the c.1.7mn FX losses, making us cautious for the company's full year performance.

We retain Terna's Fair Estimated Value to 4.10 Euros/Share due to the evidenced increase of MW capacity, stability in revenues generated from Electricity trading and Construction sectors while we note the sharp reduction in the Group's gross profit margin attributed to unexpectedly favorable weather conditions for the second quarter of 2016. We still keep our projections for the company's valuation and we will closely monitoring the company's performance in the last quarters of 2016 in order to better calibrate our valuation model and thesis.

Motor Oil's(MOR.AT, 6.85Euros/Share, OV) results are an ongoing upside surprise following the further improvement of operating and profitability margins despite the decline in total revenues. The operating and profitability improvement came from the favorable refining margin for the company, a trend which holds since 2015 and the prices of raw materials alongside with favorable EUR/USD parity.

Motor Oil's gross profit margin exceeded our expectations for a 9% overall FY16 level as the reported margin came up to 13% boosting overall operating and net profitability despite the decline in total revenues. We retain our estimates for the company's FY16 gross profit margin considering the Euro denominated Brent prices.

In summary, our basic thesis still calls for a 9% Gross profit margin for the full year period (see MOTOR OIL 060516 analysis) based on the Euro adjusted average Oil Brent price and no significant changes evidenced in the company's financial structure. Our model indicates a FV of 5,00Euros/Share in the stressed case scenario, 6.85Euros/Share in the normal case scenario and 8.00 Euros/Share in the best case scenario.

Finally, we retain our investment thesis for the Hellenic Exchanges Group shares (EXCR.AT,4,40Euros/Share, FV) as we successfully captured the softness in the main operating aspects of the Group's business. Since the first quarter of the current year we have lower our estimates on the back of the subdued trading activity that results in lower top line and bottom line readings. At an average daily transaction volume of 63mn. (FY 16 expected), Hellenic Exchanges stands to earn Revenues of 28.668 mn. Euros vs 34.005mn. Euros in FY15, EBITDA of 9.668mn. Euros vs 15.284mn. Euros and Net Income (incl. additional taxation expense of 1.50mn. Euros) at 4.742mn. Euros vs 9.225mn.Euros respectively.

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

Ρήτρα Περιορισμού Ευθύνης:

Disclaimer: