



SARANTIS GROUP (SAR)

Outlook:

We upgrade SARANTIS's fair estimated price to 10.50Euros/Share from 5.50Euros/Share previously, on the back of better than expected HY'17 results, the group's ongoing and increasing revenue growth paired with proven operating efficiency and the potential improvement in the Hellenic Republic's investment risk as reflected in the 10Y GGB yield.

SARANTIS's HY'17 results at a glance:

The Group's Sales reached 168.07mn. Euros marked by the satisfactory growth for both the Domestic and Foreign markets.

The Domestic market's revenues increased by 4.60% surpassing the Hellenic Wholesale index, in combination with the foreign markets' performance marked by +5.72%.

SARANTIS's EBITDA came up at 15.95mn.Euros significantly above the HY16 EBITDA of 14.89mn.Euros surpassing our projections that called for 11mn.Euros.

Net Profit Attributed to shareholders stood at 13.37mn.Euros, 57.43% up on a half-year basis and above our expectations for 9.00mn.Euros.

Date: 02/08/17

FAIR ESTIMATED PRICE: **10.50Euros/Share**

Investment Thesis: **OV1**

Key Statistics:

Valuation	2/8/2017
Share Price	12,24
Price High 52 week	12,70
Price Low 52 week	9,03
Current num. of shares	34.770.982
Trailing P/E	15
Market Cap.	425.596.820
EPS (Trailing)	0,77
DPS(Proposed)	N/A
<i>*Closing Price as 01/08/2017</i>	

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SARANTIS GROUP

SARANTIS's HY17 results were characterized by the substantial increase in the consolidated revenues on a half-year basis, surpassing our estimates for mild single digit growth for the respective period. Specifically, the Hellenic geographical sector showed a 4.60% growth beating our estimates for 2.00% growth while the Foreign geographical sector's revenues were boosted by 5.72% above our estimates that called for 2.00%.

In terms of Operating performance, the Group managed to further improve its operating (EBITDA) margin which came up at 9.50%. Additionally, the improved operating results lead to the outstanding increase in bottom line earnings which ended up at 15.95mn.Euros, 53.00% up from the previous period.

SARANTIS' stellar performance clearly surpassed our projections and estimates regarding the company's business cycle and the potential growth rates for the forthcoming periods. We should note that in the fiscal year 2016 the revenue growth rate reached +18.00% on a y-o-y basis mainly attributed to the organic growth of the Geographical sectors and to the contribution of AVA brand and Polipack to the consolidated revenues. The current fiscal year is already showing a 5, 00% growth on a half year basis and complies with the management guidance for a 7.00% increase y-o-y.

The above mentioned and evidenced growth rates in combination with the Group's solid operating performance significantly outperformed our base hypothesis for SARANTIS's valuation which included a moderate revenue growth for the 2016-2020 period as we believed that the company was close to reaching maturity stage with fewer opportunities for abnormal growth. Apparently, the Group beat our estimates as it managed to achieve double digit growth in revenues for FY16 and maintain the upward trend for the current fiscal year. As a result, we are compelled to significantly upgrade our estimates for mid-term growth prospects due to the evidenced signs of the successful gradual implementation of the new brands (Polipack, Noxzema, Ava, etc.) under SARANTIS main portfolio and the ongoing strong performance for both Geographical sectors (Domestic, Foreign) the Group operates.

Specifically, according to our previous analysis (*see SARANTIS 1703016*), our projections regarding the *cumulative estimated Revenues* for the 2016-2019 period were c.1.20bn.Euros leading to *cumulative EBITDA* of 144mn.Euros and Net Profit of 85,00mn.Euros. After fine-tuning our valuation model to capture a more accurate approach of SARANTIS's current maturity stage as well as appropriately depict the potential growth opportunities from the latest brand acquisitions to the overall brand portfolio, we derive higher growth rates for the 2017-2019 period and incorporate smoother ones for 2020 and on. Given the above, our projections for the *cumulative Revenues*, EBITDA and Net Income come up at 1.40bn, 150.00mn and 105.00mn.Euros respectively.

Finally, we add another Risk Free yield scenario to our base case scenarios in order to assess SARANTIS's fair value estimate with the evidenced stabilization of the 10Y GGB yield at the current level (5.50%). Utilizing the 5.50% Risk Free rate, according to our valuation model, SARANTIS'S Fair estimated price comes up to 10.50Euros/Share marking a strong upside from our previous estimates. Our fair estimated price is still below the current market valuation making the stock a potential buy candidate in any evidenced correction.

FINANCIAL SUMMARY AND VALUATION TABLES

Table I: Income

Statement

Income Statement	2016A	2017E	2018E	2019E	2020E
Sales	329.017.646	352.051.400	376.694.998	384.228.898	391.913.476
COGS	176.384.097	183.066.728	193.997.924	197.877.882	201.835.440
Gross Profit	152.633.548	168.984.672	182.697.074	186.351.016	190.078.036
Other Income	11.611.802	4.761.799	4.761.799	4.761.799	4.761.800
Admin Costs	14.986.187	15.117.568	15.419.920	15.728.318	16.042.884
Sales Costs	120.137.890	122.540.648	128.667.680	135.101.064	137.803.085
EBIT	29.121.274	36.088.255	43.371.273	40.283.432	40.993.866
Impairments					
Interest Income/Expense	5.513.046	1.900.000	1.900.000	1.900.000	1.900.000
EBT	23.608.228	34.188.255	41.471.273	38.383.432	39.093.866
Taxation	- 4.350.174	9.914.594	12.026.669	11.131.195	11.337.221
Net Income/Loss	27.958.402	24.273.661	29.444.604	27.252.237	27.756.645
EBITDA	33.515.381	39.938.255	47.271.273	44.283.432	44.993.866
D&A	4.394.107	3.850.000	3.900.000	4.000.000	4.000.000

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

Table II: Cash Flows

Cash Flow estimations (E)	2016A	2017E	2018E
EBIT	29.121.274	36.088.255	43.371.273
Taxation (1-Tax Rate)	82%	71%	71%
NOPAT	23.984.281	25.622.661	30.793.604
Depreciation	4.394.107	3.850.000	3.900.000
Capital Exp.	8.352.293	3.500.000	3.500.000
IWC	9.540.000	12.144.620	7.146.643
NCF	10.486.095	13.828.041	24.046.960

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

Table III: Valuation Metrics

Growth	12/16A	12/17E	12/18E
Sales growth	18%	7%	7%
EBITDA growth	18%	19%	18%
Net Profit/Loss growth	49%	-13%	21%
RATIOS	12/16A	12/17E	12/18E
Debt/Equity	0,18	0,19	0,19
Capex/EBITDA	25%	9%	7%
ROE	15%	15%	15%
WACC	9,00%	9,00%	9,00%
VALUATION	12/16A	12/17E	12/18E
Book Value	5,20	5,20	5,20
P/BV	2,35	2,02	2,02
P/E	16	14	14

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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