



COCA COLA HBC.

Outlook:

We upgrade Coca Cola HBC's Fair Estimated Price to 29.00Euros/Share from 23.00Euros/Share on the back of exceptional FY17 results.

HBC's FY17 results demonstrate a solid operating performance coupled with substantial profitability. All the geographical units showed substantial increase in terms of unit cases sold and net revenues respectively.

The group's operating profitability marked a double digit growth from the previous period mainly due to the demonstrated revenue increase and the gradual increase in pricing power and to the favorable mix.

Bottom line profitability came up at 426,00mn.Euros, 23% up from the previous period.

As a result the BoD proposed an increased pay out of 0,54Euros dividend per share for the FY17.

Date: 21/02/18

FAIR ESTIMATED PRICE: **29.00Euros/Share**

Investment Thesis: **FW**

Key Statistics:

Valuation	21/2/2018
Share Price	28,02
Price High 52 week	29,80
Price Low 52 week	22,45
Current num. of shares	370.763.039
Trailing P/E	24
Market Cap.	10.388.780.353
EPS (Trailing)	1,16
DPS(Proposed)	0,54
<i>*Closing Price as 20/02/2018</i>	

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Coca Cola's HBC FY17 results were characterized by substantial revenue and cases volume sold growth for all the geographical operating segments. Group's Net Revenues reached 6.522bn.Euros, 4.90% up from the previous period and above our expectations that called for a marginal revenue growth. Additionally, in terms of operating profitability, the improvement in the pricing mix and the increased volume of cases sold enhanced operating profitability and operating margin respectively. Finally, Net Profitability stood at 426.00mn.Euros, a 24% increase from FY2016!

Specifically, the Established markets net revenues increased by 1.20% surpassing our estimates that called for 1.00% decrease. This discrepancy from our projections is attributed to the better than expected unit cases sold and the higher revenue per unit case. The key drivers for the Segment's y-o-y improvement is the increase in volume cases sold in the Hellenic market paired with the mild volume increase and favorable price and product mix in the other markets.

In the same manner, Developing markets demonstrate a 7.20% net sales increase with a 2.80% growth in volume in cases sold, above our expectations that called for a 2.00% growth in net sales and cases sold respectively. The segment's results were positively impacted by the acceleration of volume cases sold during the second semester of 2017 and the favorable impact of FX translation.

Finally, the Emerging markets also showed a satisfactory increase in both net revenues and volume cases sold respectively; volume cases were up 2.70% above our estimates that called for 0.70% increase due to the stellar performance of the Ukrainian and Romanian markets that partially offset the volume decline in the Nigerian and Russian markets. The segment's net revenues were 7.20% up above our expectations for a marginal revenue acceleration.

Understandably, we are satisfied by HBC's performance as we notice the strong reversal in the downward revenue trend for the majority of its markets, the improvement in the macroeconomic environment of some important markets (Nigeria, Russia) and the ongoing improvement in operating margins and interest expenses that enhance profitability.

We decide to modify our key assumptions in our valuation model, taking into consideration A) The evidenced growth in volume cases sold for the three geographic segments, B) The positive outlook of the macroeconomic environment for the major markets which the group operates, C) The gradual reduction of Operating expenses as a result of management's cost cutting efforts. Precisely, we decide to modify our estimates regarding the average revenue growth for the 2018-2024 period using a 0.53% average growth rate for the Established segment, a 3.34% for the Developing segment and a 2.50% for the Emerging segment that leads to 7.168bn. Euros in annual revenues vs 6,519bn.Euros previously.

Additionally, in terms of FCFF, we have incorporated the reduction in COGS and Operating Expenses in conjunction with the management's guidance that calls for a CAPEX expense close to 5,00% of the consolidated Net Revenues. These changes lead as to 2.63bn.Euros in cumulative FCFF generation for the 2018-2024 period. Finally, in response to the evidenced reduction in interest expense we decided to slightly altered the Group's WACC.

In closing remarks, the Fair Estimated price of Coca Cola HBC stands at 29.00Euros/Share from 23.00Euros/Share previously, rating as FV and Top Pick. We expect the favorable conditions regarding the Group's pricing and product mix to persist in addition to the evidenced gradual improvement in the Macroeconomic environment of the Group's important markets that faced several economical distresses.

FINANCIAL SUMMARY AND VALUATION TABLES

Table I: Income Statement

Income Statement	2017A	2018E	2019E	2020E	2021E
Sales	6.522.000.000,00	6.749.852.020	6.876.535.513	7.032.971.869	7.282.105.078
COGS	-4.083.000.000,00	-4.252.406.773	-4.332.217.373	-4.489.145.944	-4.648.167.671
Gross Profit	2.439.000.000,00	2.497.445.247	2.544.318.140	2.543.825.925	2.633.937.407
OPEX	-1.849.200.000	-1.923.707.826	-1.959.812.621	-2.004.396.983	-2.119.820.788
Impairments	-	-	-	-	-
Restructuring Expenses	-	-25.000.000	-25.000.000	-25.000.000	-25.000.000
Non-Recurring	-	-	-	-	-
EBITDA	906.600.000	886.230.023	903.332.294	866.077.536	886.719.556
D&A	-316.800.000	-337.492.601	-343.826.776	-351.648.593	-397.602.937
EBIT	589.800.000,00	548.737.422	559.505.519	514.428.942	489.116.618
Interest Expenses	-36.700.000	-37.660.700	-37.660.700	-37.660.700	-37.660.700
P/L from Assoc.	11.800.000	18.000.000	18.000.000	18.000.000	18.000.000
EBT	564.900.000	529.076.722	539.844.819	494.768.242	469.455.918
Taxes	-138.400.000,00	-129.623.796,82	-132.261.980,56	-121.218.219,37	-117.363.979,62
Net Income/Loss	426.500.000	399.452.925	407.582.838	373.550.023	352.091.939

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

Table II: Cash Flows

Cash Flow estimations (E)	2017A	2018E	2019E
EBIT	589.800.000,00	548.737.421,70	559.505.518,62
Taxation (1-Tax Rate)	76%	76%	76%
NOPAT	445.299.522,04	414.296.753,38	422.426.666,56
Depreciation	316.800.000,00	337.492.601,00	343.826.775,66
Capital Exp.	377.000.000,00	371.241.861,10	378.209.453,23
IWC	13.200.000,00	38.269.442,08	-5.327.027,38
NCF	371.899.522,04	342.278.051,21	393.371.016,38

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

Table III: Valuation Metrics

Growth	12/17A	12/18E	12/19E
Sales growth	4,87%	3,49%	1,88%
EBITDA growth	8,10%	-2,25%	1,93%
Net Profit/Loss growth	4,87%	-6,34%	2,04%
RATIOS	12/17A	12/18E	12/19E
Debt/Equity	0,16	0,16	0,16
Capex/EBITDA	42%	42%	42%
ROE	14%	14%	14%
WACC	5,27%	5,27%	5,27%
VALUATION	12/17A	12/18E	12/19E
Book Value	8,11	8,11	8,11
P/BV	3,42	3,42	3,42
P/E	24	24	24

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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