



## OPAP S.A

### H1'18 results at a glance:

We reiterate OPAP's Fair estimated price to 14.00Euros/Share, on the back of the satisfactory performance of OPAP's Sport-Betting business unit, the persistent generation of strong FCF and the better visibility regarding VLT's business roll out. Albeit, we express our concerns regarding the VLT's roll-out and the expected yield/day.

OPAP's Betting and VLTs business units mainly contributed to the overall y-o-y growth both in terms of mounts wagered and GGR respectively. Specifically, Sports Betting unit marked a 7.00% increase in GGR (Gross Gaming Revenues) with positive contribution of Pame Stixima game, as the ongoing implementation of Virtual Games mostly contribute to the overall units growth.

VLTs added 89.00mn.Euros to the overall OPAP GGR with the installed machines reaching approximately 13.700 by the end of Q2'18, demonstrating a substantial lag in terms of implementation mostly due to the optimization of the existing gaming halls.

The Lottery sector showed another soft quarter in terms of revenues due to the unfavorable TZOKER jack pot roll over and weak performance of KINO.

Finally, the Instant and Passives sector demonstrated a mild decrease in terms of GGR compared to the previous semester.

OPAP's first half operating earnings (EBITDA) came up at 157.42mn. Euros, substantially higher than the comparable period leading to 66.30mn. Euros in Net Profits.

**Date: 18/09/18**

**FAIR ESTIMATED PRICE: 14.00Euros/Share**

Investment Thesis: **UV**

### Key Statistics:

VALUATION	18/9/2018
Share Price	9,01
Price High 52 week	11,09
Price Low 52 week	8,77
Current num. of shar	319.000.000
P/E	21
Market Cap.	2.874.190.000
EPS (E)	0,42
DPS (FY17)	0,40
<i>*Closing Price as 17/09/2018</i>	

# OPAP-HY'18 UPDATE

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OPAP's H1'18 results demonstrated a satisfactory performance of the Sports Betting unit, a lower than anticipated deceleration of Lottery and Passives unit and a steady but lower than our expectations growth in the implementation of the VLT's deployed. Moreover, we feel satisfied by the Group's overall operating performance and the bottom line profitability.

Specifically, GGR (Gross Gaming Revenues) from OPAP's "traditional" gaming sectors over the H1'18 were 648,00mn Euros and appear to be below our expectations that called for 695.00mn.Euros. The evidenced ongoing growth in the Betting sector (+7,00%) came inline with our expectations as we have incorporated the gradual implementation of Virtual Games, and the positive contribution of the World Cup major event that enhanced the performance of Pame Stixima game.

On the other hand, the Lottery and Instant and Passives business units are still facing ongoing revenue deceleration mostly due to the unfavorable JOKER game Jackpot rollovers and the impact of VLT's deployed in OPAP's retail stores which negatively affected the KINO performance while the Passives followed the mild revenue decrease of Scratch cards.

On the part of the VLT's business unit, H1'18 results provided more detailed data regarding the VLT's sector's performance which is an integral part of our valuation and in our opinion the fundamental headwind of the OPAP's growth. According to the published results for the VLTs business unit, 13.775 VLT machines have been installed by the end of the second quarter of 2018 demonstrating a substantial lag according to the Group's estimates for the implementation growth rate, mostly attributed to operating optimization of the Gaming Hall venues. Additionally, the GGR/VLT deployed per quarter although showed a steady growth compared to the previous quarter yield, seems to not confirm our bullish growth expectations regarding the average Revenue per machine and the estimated GGR/Machine Growth.

Specifically, our valuation initiatives including the estimated growth and roll out of VLT's business as an integral component of OPAP's Fair estimated price and the major growth headwind. Additionally we have already mentioned the expected revenue deceleration of the OPAP's "traditional" gaming sectors. Following the HY'18 results,

both the actual VLT's implementation rate and GGR/VLT did not confirm our expectations and resulted in lower than expected GGR revenues. On the other hand, the operating results of the VLTs sectors confirmed our expectations regarding the sector's operating performance and the overall contribution to the OPAP's consolidated results. Considering the above we are obliged to change our estimates regarding the revenues generated from the VLT's business for the 2018-2023 periods as a result of changes in: A) The VLT's softer implementation rate and the full deployed in a later stage of 2019 as we previously expected and B) the normalized and closer to the existing growth rate of the GGR/VLT yield.

In closing remarks, without downgrading our Fair Estimated price and the UV rating, we have surely downgraded our revenue expectations for the short run taking into consideration the better than expected performance of Betting business unit and softer performance of VLT business unit while we still believe that the VLT business could be able to demonstrate sufficient growth in the long term business horizon. Additionally, we expect the Betting sector's performance to be further favored by the World Cup '18 event and the Group to continue to exploit its operating efficiency in order to generate strong FCF generation and profitability for its shareholders. Finally we will rest concerned and closely monitor 9Month results for further softness in the VLT sector and the traditional business sales in order to calibrate our model.

## FINANCIAL SUMMARY AND VALUATION TABLES

Table I: Income Statement

INCOME STATEMENT	2018E	2019E	2020E	2021E
Amounts Wagered	4.303.104.047	4.277.573.068	4.255.358.618	4.231.670.585
GGR	1.390.706.411	1.385.757.874	1.368.326.560	1.362.400.228
(VLT Implementation)	219.030.000	376.650.000	477.000.000	495.000.000
GGR (Total)	1.609.736.411	1.762.407.874	1.845.326.560	1.857.400.228
State Tax.	531.213.016	581.594.598	608.957.765	612.942.075
GGR After State Tax.	1.078.523.396	1.180.813.276	1.236.368.795	1.244.458.153
Commissions	399.053.656	425.092.779	457.456.454	460.449.517
Net Gaming Revenues	679.469.739	755.720.496	778.912.341	784.008.636
Other Operating Income	80.000.000	80.000.000	80.000.000	80.000.000
Impairment				
Payroll Expenses	61.169.984	66.971.499	70.122.409	70.581.209
Marketing Expense	73.152.769	72.718.742	72.341.097	71.938.400
Other Operating Expense	289.752.554	317.233.417	332.158.781	334.332.041
EBITDA	335.394.433	378.796.838	384.290.054	387.156.987
D&A	118.300.000	123.300.000	123.300.000	123.300.000
EBIT	217.094.433	255.496.838	260.990.054	263.856.987
Interest Income	1.732.000	1.732.000	1.732.000	1.732.000
Interest Expense	30.702.105	30.702.105	30.702.105	30.702.105
Rest Income/Expenses	1.000.000	1.000.000	1.000.000	1.000.000
EBT	189.124.328	227.526.733	233.019.949	235.886.882
Taxation	54.846.055	65.982.752	67.575.785	68.407.196
Defferd Taxation				
EAT	134.278.273	161.543.980	165.444.164	167.479.686

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

Table II: Cash Flows

CASH FLOW ESTIMATIONS (E)	2018E	2019E	2020E
EBIT	217.094.432,75	255.496.837,67	260.990.054,33
Tax Rate	71%	71%	71%
NOPAT	154.137.047,25	181.402.754,74	185.302.938,58
CAPEX	50.000.000,00	20.000.000,00	55.000.000,00
IWC	15.000.000,00	15.000.000,00	15.000.000,00
FCCF	207.437.047,25	269.702.754,74	238.602.938,58
D&A	118.300.000,00	123.300.000,00	123.300.000,00

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

Table III: Valuation Metrics

GROWTH	12/18E	12/19E	12/20E
Sales growth	10,60%	9,48%	4,70%
EBITDA growth	9,44%	12,94%	1,45%
Net Profit/Loss growth	2,02%	20,31%	2,41%
RATIOS	12/18E	12/19E	12/20E
Debt/Equity	0,90	0,90	0,90
Capex/EBITDA	15%	5%	14%
ROE	18%	18%	18%
WACC	8,00%	8,00%	8,00%
VALUATION	12/18A	12/19E	12/20E
Book Value	2,38	2,38	2,38
P/BV	2,65	2,65	2,65
P/E	21	21	20

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

### Ρήτρα Περιορισμού Ευθύνης:

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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 Μερισματος	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