



COCA COLA HBC.

Outlook:

We reiterate Coca Cola HBC's Fair Estimated Price to 29.00Euros/Share, based on the satisfactory full year 2018 results. FY'18 results were characterized by the solid demonstrated growth for all geographical units and the substantial operating improvement.

All the geographical operating segments demonstrated growth in terms of volumes sold and top-line revenues.

The group's operating profitability marked a satisfactory mid-single digit growth rate compared to the previous year mainly attributed to the cost-cutting efforts that were implemented, the price increases and the favorable product mix.

Bottom line profitability came up at 447.00mn.Euros, 5.00% up from the previous period and above our estimates that called for 400.00mn. Euros.

The BoD proposed a full-year dividend of 0.57Euros/Share.

Date: 21/02/19

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

Investment Thesis: **FW**

Key Statistics:

VALUATION	21/2/2019
Share Price	29,99
Price High 52 week	31,90
Price Low 52 week	25,30
Current num. of shares	371.827.229
P/E	25
Market Cap.	11.151.098.598
EPS (Trailing)	1,21
DPS (E)	0,57
<i>*Closing Price as 20/02/2019</i>	

COCA COLA HBC

Coca Cola's HBC's consolidated 2018 results were characterized by the satisfactory top-line revenues and volume growth, the further improvement of operating profitability and the enhanced bottom line profitability.

Specifically, the Established sector's net revenues were up by 1.00% coming in line with our estimates both in terms of volumes and revenue/case. The sector's performance was mainly driven by the Sparkling and Water products and the satisfactory performance of the markets of Ireland and Greece.

Further, the Developing markets unit showed the most impressive set of results with a 8,80% volume growth on a y-o-y basis. Sector's net revenues stood at 1.30bn.Euros slightly below our estimates that called for 1.31bn.Euros. All the product categories contributed to the sector's substantial growth. Finally, the Emerging unit demonstrated a satisfactory increase in cases sold as the volumes were up by 4,30%. The Unit's key growth drivers were the Russian and Romanian markets, with Russia reaping the fruits of the Fifa World cup event and Romania marking a stellar growth across all products. On the other hand, we should note that although the volumes-sold slightly surpassed our estimates for 1,1bn cases, the Unit's net revenues did not confirm our expectations that called for 2.98bn.Euros and ended up at 2.88bn.Euros. That discrepancy stems from the lower than expected revenue per unit case.

We are totally satisfied by HBC's performance as we notice the gradual reversal in the downward trend for the majority of its product ranges, the successful implementation of new products to the offered product mix paired with the ongoing improvement in operating and profitability margins. On the other hand, taking into account a possible slowdown for some key countries (especially in the Established sector) which the group operates and the historical performance of the three main operating segments we decide to fine tune our projections regarding each segment's performance.

Precisely, we believe that the Developing sector would be the main growth catalyst for the Group and could contribute above average growth in volumes sold and top line revenues. On the other hand we believe that the Established sector will follow a milder growth path with rates that closely match with the sector's average rates.

Additionally, we factored a more conservative growth rate for the Emerging sector taking into account the sector's potentials in combination with the FX fluctuations that dictate its total performance. In terms of operating profitability we believe that the management's efforts towards cost management could potentially enhance the Group's operating earnings and sustain the FCFF generation above the 300mn.Euros for the forthcoming period.

As a result, we decide to slightly modify our key assumptions in our valuation model regarding A) The evidenced growth in volumes sold for the three geographical segments B) The possible slowdown for some key regions which the Group operates, C) The successful reduction of operating expenses as a result of cost-cutting efforts D) Management's indications regarding the expected increase in financial expenses due to the upcoming refinancing of the 800mn. loan and finally E) The modified guidance regarding the Group's forthcoming capital expenditures from 6.50% to 7,50% of the expected annual net revenues.

As a result, we change our projections regarding the average net revenue growth rate, utilizing an average 0.38% rate (from 0.53% for the Established sector), a 2.50% growth rate (from 3.34% for the Developing sector) and finally for the Emerging sector 1.67% growth from 2.50% as stated in our previous update (*see COCACOLAHBC HY'18 UPDATE*). That modification leads to 7.110bn.Euros in annual average revenues vs 7.168bn. In terms of FCFF, we have implemented the reduction in COGS and operating expenses in combination with the management's indication for the CAPEX plan that will come up close to 7,50% from 6,50% previously. As a result, the cumulative FCFF for the 2019-2024 period ends up at 2.47bn. from 2.80bn.Euros previously.

Last but not least, we should note that we have adjusted in our WACC estimates the management's indications regarding the Debt refinance and the expected larger contribution of debt to the Group's capital (slightly increasing the WACC) in order to closely reflect the changes in the estimated Enterprise Value.

In closing remarks, we reiterate Coca Cola HBC's Fair Estimated Price to 29.00Euros/Share and the FV rating. We are satisfied from the company's overall performance and we believe that the evidenced growth could be effectively offset possible distresses regarding the Macroeconomic Environment which the Group operates. .

FINANCIAL SUMMARY AND VALUATION TABLES

Table I: Income Statement

INCOME STATEMENT	2018A	2019E	2020E	2021E	2022E
Total Sales	6.657.100.000	6.898.115.400	6.995.913.528	7.053.124.836	7.182.747.302
Cost of goods	- 3.823.100.000	- 4.345.812.702	- 4.337.466.387	- 4.372.937.399	- 4.453.303.327
Gross Profit	2.834.000.000	2.552.302.698	2.658.447.141	2.680.187.438	2.729.443.975
Operating Expenses	- 1.875.000.000	- 1.941.129.674	- 1.968.650.067	- 1.984.749.329	- 2.021.225.091
Impairment of intangible assets		-	-	-	-
Restructuring costs		- 25.000.000	- 25.000.000	- 25.000.000	- 40.000.000
Non-recurring items	1.057				
EBITDA	959.000.000	962.810.125	1.046.773.952	1.055.538.725	1.060.396.887
Depreciation	- 318.700.000	- 376.637.101	- 381.976.879	- 385.100.616	- 392.178.003
EBIT	640.300.000	586.173.024	664.797.074	670.438.109	668.218.884
Interest	- 41.300.000	- 85.939.200	- 93.139.200	- 93.139.200	- 93.139.200
Αναλογία αποτελεσμάτων συμμ.	12.800.000	18.000.000	18.000.000	18.000.000	18.000.000
EBT	611.800.000,00	518.233.824,44	589.657.873,86	595.298.908,87	593.079.683,99
Taxation	162.800.000	- 129.558.456	- 147.414.468	- 148.824.727	- 148.269.921
Net Income	449.000.000,00	388.675.368,33	442.243.405,40	446.474.181,65	444.809.762,99

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

Table II: Cash Flows

CASH FLOW ESTIMATIONS (E)	2019E	2020E	2021E
EBIT	586.173.024,44	664.797.073,86	670.438.108,87
Tax Rate	75%	75%	75%
Nopat	439.629.768,33	498.597.805,40	502.828.581,65
D&A	376.637.100,84	381.976.878,63	385.100.616,07
CAPEX	448.377.501,00	454.734.379,32	458.453.114,36
IWC	- 13.692.883,97	17.536.630,36	- 2.228.687,58
DCF	381.582.252,14	408.303.674,34	431.704.770,93

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

Table III: Valuation Metrics

GROWTH	12/19E	12/20E	12/21E
Sales growth	4,47%	5,17%	3,54%
EBITDA growth	8,50%	5,29%	3,63%
Net Profit/Loss growth	-0,98%	4,77%	4,12%
RATIOS	12/19E	12/20E	12/21E
Debt/Equity	0,25	0,25	0,25
Capex/EBITDA	43%	43%	43%
ROE	5%	5%	5%
WACC	5,65%	5,65%	5,65%
VALUATION	12/18A	12/19E	12/20E
Book Value	8,90	8,96	9,01
P/BV	0,29	0,30	0,30
P/E	25	25	25

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 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	Overvalued
N/R	Μη Αποτιμημένη Μετοχή	Not Rated