



Company: Hellenic Telecommunications Organisation (HTO) Reason: Upgrade

Investment Thesis

Telecommunications industry is the infrastructure of the 4th industrial revolution and HTO is leading the field in Greece. With a sizable market cap, adequate ESG score, convincing/resilient 2020 results, and a proven track record of dividends distribution, investing in HTO is reasonable. We are upgrading our February 2019 analysis from 12.70EUR to 13.80EUR.

One could start counting the annual increase of fiber subscribers as he would have counted the ADSL subscribers that were switching from dialup. Such double digit recorded and estimated growth, is not a proof of growth. It is a comprehensive proof that HTO, founded in 1949, stays relevant, continues providing fast-reliable telecommunications infrastructure (first provider to launch 5G, already covering the 40% of Greek population and a plan to cover 50% of the population within 2021) and maintains high standard customer services. HTO is a mature company and earnings growth comes from flatish revenue growth and decreasing operating expenses.

Note that back on 19 February 2020, in the pro-Covid era, the management was targeting €610m adjusted free cash flow for 2020, and managed to record €580m adjusted free cash flow. In other words, they were just 5% off their target in the most unpredictable year of the decade, with an ongoing pandemic, a successful bid for the 5G spectrum and an agreement to sell their 54% stake in Telecom Romania Communications SA (fixed lines).

In order to apply a premium to the DCF model, market participants would certainly want to observe revenue growth in certain lines of business. ICT projects, that reported +14% growth yoy, following the +6% growth yoy of 2019, or TV subscriptions could present such areas for growth. Although the one-in-a-lifetime sudden increase of aggregate time spent at home has not been a record year for TV subscriptions growth, HTO in investing in premium content closing the Champions League and Euroleague games.

In summary the bird's-eye view remains that HTO records repeatable, predictable annual revenues and robust EBITDA margins of around 35%.

The management's vision is pointing to further ICT projects development, Cosmote Insurance-Box and the launching of e-Payment services and online betting. The proceeds from the sale of the Romanian fixed business, agreed in November 2020, will be distributed to the shareholders in 2H21, thus enhancing their payout.

Valuation

The company is valued at €13.80 per share through a FCF exercise with an applied WACC of 9.11% (+9,18% upside potential).

Date	09/03/2021
Fair Estimated Price (€)	13,80 €
Investment Thesis	UV
Bloomberg Ticker	HTO:GA
Reuters Ticker	HTOr.AT
Closing Price (8/03/21)	12,64
Low/High price 52w	9.01/14.60
Market Cap (€mn)	5.943
EPS (2020)	0,50
DPS (2020)	0,55



Member of the Athens Exchange
 Member of the Athens Derivatives Exchange
 Member of the XNet Network

Equity Research Department
+30 210 3213913

www.chrysochoidis.gr

For important disclosure information, please refer to the disclaimer page of this report.

All N. Chrysochoidis Stock Brokerage I.S.S.A. research is available on the company website and FactSet.



Summary Financials				
(€mn)	2019A	2020A	2021F	2022F
Profit & Loss Items				
Total Net Revenues	3.907,6	3.258,9	3.310,0	3.335,5
EBITDA	1.387,7	1.164,6	1.211,0	1.213,1
EBIT	180,1	331,4	397,3	404,7
Net Income	42,9	237,2	272,1	292,6
Balance Sheet Items				
Non Current Assets	4.378,9	4.105,0	4.210,0	4.242,5
Receivables+Inventories	681,6	488,7	521,0	525,0
Payables	592,5	433,1	430,3	433,6
Long Term Debt	1.330,9	1.265,4	1.265,4	1.265,4
Short Term Debt	779,3	290,2	290,2	290,2
Cash Flow Items				
Free Cash Flow (FCFF)	578,5	545,4	563,2	589,1
CAPEX	661,8	550,0	550,0	563,1
Key Metrics				
Revenue Growth	2,9%	-16,6%	1,6%	0,8%
EBITDA Margin	35,5%	35,7%	36,6%	36,4%
EPS	0,09	0,50	0,58	0,62
DPS	0,46	0,06	0,55	0,55
Opex/Revenue	65,7%	64,6%	64,3%	64,5%
Capex/EBITDA	47,7%	47,2%	45,4%	46,4%
WACC	9,11%	9,11%	9,11%	9,11%
Debt/Equity	51,7%	59,1%	59,1%	59,1%
Total Debt / EBITDA (x)	1,52	1,34	1,28	1,28

Πήτρα Περιορισμού Ευθύνης:

Απαγορεύεται η αναδημοσίευση του παρόντος χωρίς την άδεια της Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗΣ Α.Ε.Π.Ε.Υ. Οι απόψεις που περιέχονται βασίζονται σε πηγές που θεωρούνται αξιόπιστες, ωστόσο η Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗ Α.Ε.Π.Ε.Υ. δεν ευθύνεται για την εγκυρότητα, ορθότητα ή αξιοπιστία τους και διατηρεί το δικαίωμα αλλαγής τους χωρίς πρότερη ειδοποίηση. Τόσο η Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗ Α.Ε.Π.Ε.Υ. όσο και οι διευθύνοντες και υπάλληλοι της δεν φέρουν ουδεμία ευθύνη για οποιαδήποτε συνέπεια των πληροφοριών αυτών. **Το παρόν δεν αποτελεί προσφορά, προτροπή ή επενδυτική πρόταση για αγορά ή πώληση μετοχών ή άλλων κινητών αξιών. Οι επενδύσεις που αναφέρονται ενδέχεται να μην είναι οι ενδεδειγμένες για ορισμένους επενδυτές.**

Disclaimer:

This report has been issued by N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A., a member of the Athens Stock Exchange, and may not be reproduced in any manner or provided to any other persons. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. The information contained herein has been obtained from sources believed to be reliable but has not been verified by N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A. The opinions expressed herein may not necessarily coincide with those of any member of N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility of liability whatsoever or howsoever arising is accepted in relation to the contents hereof by N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A. or any of its directors, officers or employees. **This report is not an offer to buy or sell or a solicitation of an offer to buy or sell securities mentioned herein.** N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A. may effect transactions in or perform or seek to perform brokerage services for companies covered. The investments discussed in this report may be unsuitable for investors, depending on their specific investment objectives and financial position.

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 Μερισίματος	Dividend Yield
ROE:	Απόδοση Ίδιων 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	Stock Price >20% of Fair Not Rated