

## Company Report

### Hellenic Equity Research

#### Telecommunications



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STOCK BROKERAGE I.S.S.A

## Company: Hellenic Telecommunications Organization (HTO) Reason: Update

### Investment Thesis

A year ago, we were noting that HTO is offering repeatable and predictable earnings, projected EBITDA margins well above 35%, and a clear payout policy. HTO is delivering. We renew our confidence in the business model and our target price (we suggest €16,14 from €16,08) and note that the latest three month's decline of HTO's share price is offering a compelling buy opportunity.

HTO has successfully concluded its divestment from Romania fixed lines, has accelerated the fiber-to-the-home deployment (that was the reason for the elevated CAPEX of 2022), has reached 80% of population coverage in 5G and is investing heavily on TV content to increase the subscribers base (643K subscribers on 3Q22, from 600K a year earlier).

During 2023 the deployment of Ultra-Fast Broadband network is planned to start, and growth opportunities are expected from the ICT projects, the increase of TV subscriptions and the recent launch of payment solutions (Payzy application).

The Group responds adequately to sustainability & ESG considerations and maintains a straight forward remuneration policy of 100% distributions of free cash flows to the shareholders. During 2022, apart from the 0,542€ dividend per share distributed, the group bought back and canceled €146M worth of shares.

### Valuation

The company is valued at €16,14 per share through a FCF exercise with an applied WACC of 9.11% which incorporates a Risk-Free rate of 4.50%.

Our current valuation reflects on the one hand the increased free cash flow estimates and on the other hand the increased Risk-Free rate.

|                                 |                    |
|---------------------------------|--------------------|
| <b>Date</b>                     | <b>11/01/2023</b>  |
| <b>Fair Estimated Price (€)</b> | <b>16,14 €</b>     |
| <b>Investment Thesis</b>        | <b>UV</b>          |
| <b>Bloomberg Ticker</b>         | <b>HTO:GA</b>      |
| <b>Reuters Ticker</b>           | <b>HTOr.AT</b>     |
| <b>Closing Price (10/01/23)</b> | <b>14,6</b>        |
| <b>Low/High price 52w</b>       | <b>18.50/14.05</b> |
| <b>Market Cap (€mn)</b>         | <b>6.332</b>       |
| <b>EPS (2022 projected)</b>     | <b>1,08</b>        |
| <b>DPS (2022)</b>               | <b>0,542</b>       |



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*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)                          | 2021A   | 2022F   | 2023F   | 2024F   |
| <b>Profit &amp; Loss Items</b> |         |         |         |         |
| Total Net Revenues             | 3.368,3 | 3.801,9 | 3.832,3 | 3.857,1 |
| EBITDA                         | 1.479,9 | 1.317,9 | 1.309,8 | 1.319,0 |
| EBIT                           | 812,3   | 636,6   | 628,5   | 637,7   |
| Net Income                     | 498,0   | 466,4   | 455,2   | 457,5   |
| <b>Balance Sheet Items</b>     |         |         |         |         |
| Non Current Assets             | 2.080,0 | 4.835,8 |         |         |
| Receivables+Inventories        | 577,0   | 598,4   |         |         |
| Payables                       | 504,4   | 494,2   |         |         |
| Long Term Debt                 | 942,9   | 1.054,9 |         |         |
| Short Term Debt                | 469,0   | 242,9   |         |         |
| <b>Cash Flow Items</b>         |         |         |         |         |
| Free Cash Flow (FCFF)          | 687,3   | 607,2   | 571,3   | 569,6   |
| CAPEX                          | 559,0   | 640,0   | 643,2   | 653,2   |
| <b>Key Metrics</b>             |         |         |         |         |
| Revenue Growth                 | 3,4%    | 13,6%   | 0,8%    | 0,6%    |
| EBITDA Margin                  | 43,9%   | 34,7%   | 34,2%   | 34,2%   |
| EPS                            | 1,09    | 1,08    | 1,05    | 1,06    |
| DPS                            | 0,89    | 0,56    | 0,56    | 0,56    |
| Opex/Revenue                   | 56,3%   | 65,6%   | 66,1%   | 66,1%   |
| Capex/EBITDA                   | 37,8%   | 48,6%   | 49,1%   | 49,5%   |
| WACC                           | 8,11%   | 9,11%   | 9,11%   | 9,11%   |
| Debt/Equity                    | 47,8%   | 54,8%   |         |         |
| Total Debt / EBITDA (x)        | 0,95    | 0,98    |         |         |

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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<br>Stock Price < 20% of Fair |
| UV1 | Χαμηλή Αποτίμηση/ Κίνδυνος         | Underpriced/ Risk<br>Stock Price < 10% of Fair       |
| FV  | Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος  | Fairly Priced/ Small Risk<br>10% < Stock Price < 10% |
| OV1 | Σωστή Αποτίμηση/ Κίνδυνος          | Fairly Priced/ Risk<br>Stock Price > 10% of Fair     |
| OV  | Υπερτιμημένη Μετοχή                | Overvalued<br>Stock Price > 20% of Fair              |
| N/R | Μη Αποτιμημένη Μετοχή              | Not Rated  |