

# OPAP

# Buy

Maintained

Price: EUR 9.00  
Price target: EUR 11.60  
(From EUR 10.00)

## Greek non-financials top pick

We maintain our BUY rating on OPAP and increase our 12M price target (PT) by 20% to EUR 11.60/share (from EUR 10.00), due to: i) our forecasts increases; and ii) our WACC cut. First, we have increased our 2017-19E EBITDA forecasts by 1-7%, to factor in the new agents' commission scheme, the details of which were announced together with the 4Q16 results. Second, following the recent EUR 200m bonds issue in March at 3.5%, barely half the Greek sovereign bond yield, we now consider our old WACC assumption of 11% as excessive. On our updated 2018E forecasts, OPAP is trading at a EV/EBITDA of 7.1x, 29% below its peers' average. Moreover, we underline the company's generous cash distribution, with a dividend yield of 6.6%. Overall, despite the 50% rally since mid-2016, we still see OPAP's risk/reward profile as appealing. OPAP remains our top pick within our Greek non-financial universe.

**New agents' commissions should cut costs.** Together with its 4Q16 results, OPAP announced the details of its new commission scheme, which has already been accepted by 90% of agents. Under the new arrangement, OPAP has replaced the old system, based on c.8% of wagers, with the share of NGRs easing from 39% in 2017 (triggering virtually no change in costs to ensure a smooth transition), to 37% in 2018E and to 35% +1% in 2019-21E. We estimate that the new set-up should save c.EUR 33m in 2019E. We have increased our EBITDA forecasts by 1% to EUR 308m in 2017E, 5% to EUR 409m in 2018E and 7% to EUR 469m in 2019E. Accordingly, we have upped our earnings and DPS forecasts by 8% for 2018E and 11% for 2019E.

**EUR 200m bonds issue at half the Greek sovereign rate.** In mid-March, OPAP issued EUR 200m of five-year bonds at a yield of 3.5%, which is barely half the Greek state 10-year bond yield. Interestingly, according to the company, the issue was more than 2x oversubscribed (total demand of EUR 421m). As a result, OPAP has not only improved the efficiency of its capital structure, but has also proved that our previous assumptions of a cost of debt of 9% (7% sovereign + 2ppts debt premium) and an effective WACC of 11% were inappropriate. To address both these issues, we have trimmed our cost of debt assumption to 3.5% and our WACC to 8.1%.

**Our new PT of EUR 11.60/share offers 34% total return potential.** Our valuation methodology is 50/50 based on our DCF model and our 2018E multiples. Adjusting for our higher forecasts and the WACC cut, our new DCF model implies a 12-month PT of EUR 11.70, up 25%, from EUR 9.40 previously. With respect to the multiples, despite the 50% rally since mid-2016, OPAP is still only trading at a 2018E EV/EBITDA of 7.1x, 29% below its peers' average. Moreover, with a dividend yield of 6.6%, the stock is strongly ahead of its 4.4% peer average.

**Risks.** The major downside risks for our positive stance are: a deeper slowdown in the Greek economy; regulatory risks, especially in the case of VLTs; losing exclusivity to online gambling; and further GGR tax hikes.

### Expected events

1Q17 results May 2017

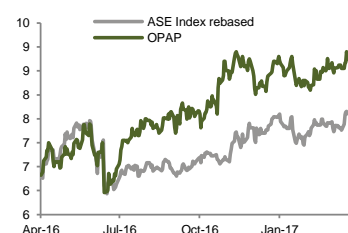
### Key data

Market cap	EUR 2.9bn
Free float	67%
Shares outstanding	319m
Average daily volume	EUR 3.3m
Major shareholders	Emma Delta 33.0%
Bloomberg code	OPAP GA
ASE Index	681

### Price performance

52-w range (EUR)	5.4 - 9.0
52-w EUR performance	+41.5%
Relative EUR perf. (vs. ASE)	+14.9%

OPAP 12M price performance



Year	Sales (EUR m)	EBITDA (EUR m)	Net (EUR m)	Adj. EPS (EUR)	EPS growth	P/E (x)	EV/ EBITDA	ROE (%)	DPS (EUR)	Divid. yield (%)
2014	4,259	347	195	0.61	35%	12.6	7.5	17%	0.45	5.6%
2015	4,257	377	211	0.67	-5%	12.1	6.7	18%	0.81	9.6%
2016	4,230	308	170	0.54	-19%	15.5	9.2	15%	0.72	6.6%
2017E	4,670	311	162	0.51	-6%	17.9	10.2	16%	0.51	5.6%
2018E	7,645	409	211	0.66	30%	13.8	7.1	21%	0.66	7.3%
2019E	9,631	469	242	0.76	15%	12.0	5.8	23%	0.76	8.3%

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## Closing Prices as of 07 April 2017

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# Company snapshot – BUY, PT EUR 11.60/share

OPAP													
BUY			SHARE PRICE PERFORMANCE				COMPANY DESCRIPTION						
<b>Bloomberg ticker</b>	OPAP GA						<p>OPAP is a Greece-based lottery system operator, which is engaged primarily in the organisation, operation and conduct of lottery game, as well as the management and advertisement of these games. Other activities include the structure of economic, feasibility, technical and commercial studies for lottery, technical and knowledge games for domestic and international public or private parties, as well as the technological support of the games. The company operates six numerical lottery games, namely Joker, Lotto, Proto, Extra 5, Super 3 and Kino, as well as three sports betting games. It distributes games through an online network of 4,868 agents, of which 181 operate in Cyprus under the interstate agreement of OPAP SA with the subsidiary OPAP (Cyprus) Ltd. In 2017-18E, OPAP is to launch its new landmark project, deploying 35k Video Lottery Terminals (VLTs).</p>						
<b>Closing price (EUR)</b>	9.1												
<b>Price target (EUR)</b>	11.6												
<b>Upside to PT</b>	27.3%												
<b>Shares outstanding (m)</b>	319												
<b>Market cap (EURm)</b>	2,906												
<b>Free float</b>	67.0%												
<b>Average daily turnover (EURm)</b>	3.3												
<b>52 Week performance</b>	41.5%												
<b>52 Week relative performance</b>	14.9%												
<b>52 Week Range (EUR)</b>	6-9												
RATIOS													
PER SHARE RATIOS						VALUATION RATIOS							
EPS (EUR)	2014	2015	2016	2017E	2018E	2019E	EV/EBITDA	2014	2015	2016	2017E	2018E	2019E
EPS growth	0.61	0.66	0.53	0.51	0.66	0.76	7.5x	6.7x	9.2x	10.2x	7.1x	5.8x	
DPS (EUR)	38%	8%	-19%	-5%	30%	15%	12.6x	12.1x	15.5x	17.9x	13.8x	12.0x	
	0.45	0.81	0.72	0.51	0.66	0.76	2.4x	2.2x	2.6x	3.0x	2.9x	2.8x	
FINANCIAL RATIOS						FCF BREAKDOWN							
ROE	2014	2015	2016	2017E	2018E	2019E	EBIT	2014	2015	2016	2017E	2018E	2019E
Adjusted ROE	17.0%	18.1%	15.5%	16.2%	21.2%	23.4%	NOPAT	296	303	249	245	312	355
Asset Turnover	17.0%	18.1%	15.5%	16.2%	21.2%	23.4%	Depreciation	193	212	182	179	228	259
Equity Multiplier	2.5x	2.5x	2.4x	2.5x	3.7x	4.3x	Change in WC	48	60	56	59	91	109
Adjusted Net Margin	1.5x	1.5x	1.6x	1.8x	2.1x	2.2x	Capex	6	-41	-72	19	125	84
	4.6%	4.9%	4.0%	3.5%	2.8%	2.5%	FCF	-16	-41	-43	-80	-50	-22
								231	190	123	176	394	430
COMPANY FINANCIALS													
INCOME STATEMENT (EURm)						BALANCE SHEET (EURm)							
Revenues	2014	2015	2016	2017E	2018E	2019E	Net PPE	2014	2015	2016	2017E	2018E	2019E
Land based	4,259	4,257	4,230	4,670	7,645	9,631	Intangible assets	44	56	68	132	166	170
VLTs	3,967	3,812	3,680	3,523	3,577	3,644	Total non-current assets	1,267	1,223	1,217	1,173	1,099	1,008
Lottery tickets and scratch cards	0	0	0	633	3,544	5,452	Cash and cash equivalents	1,341	1,319	1,330	1,352	1,310	1,223
GGR	292	445	512	514	524	535	Receivables	291	301	274	411	633	843
Land based	1,378	1,400	1,398	1,436	1,882	2,183	Other current assets	92	55	81	89	146	184
VLTs	1,275	1,242	1,220	1,159	1,165	1,177	Total current assets	17	29	71	69	68	66
Lottery tickets and scratch cards	0	0	0	95	532	818	Total current liabilities	409	390	437	583	869	1,121
Agents' commission	102	158	181	182	185	189	Total shareholders equity	1,168	1,162	1,035	969	1,017	1,049
NGR	-360	-362	-358	-368	-533	-652	LT loans	0	115	263	463	463	463
Other operating income	613	625	573	565	690	767	Provisions	51	59	34	34	34	34
EBITDA	24	129	108	123	125	127	Total non-current liabilities	59	181	305	505	505	505
D&A	347	377	308	311	409	469	Trade payables	170	127	153	169	277	349
EBIT	-48	-74	-58	-66	-97	-114	Tax liabilities	178	130	51	57	93	117
PBT	296	303	249	245	312	355	Accrued and other current liabilities	108	36	67	74	121	152
Net income shareholders' part	306	300	237	230	296	339	ST loans	0	32	119	119	119	119
	195	211	170	162	211	242	Total current liabilities	457	325	390	418	609	737
							TOTAL LIABILITIES & EQUITY	1,751	1,709	1,768	1,934	2,179	2,344
CASH FLOW STATEMENT (EURm)													
CF from operations	2014	2015	2016	2017E	2018E	2019E							
depreciation	354	345	226	326	532	551							
pretax income	50	59	58	62	94	112							
CF from investments	306	300	237	230	296	339							
Capex	25	-39	-52	-80	-50	-22							
CF from fin. activities	-16	-41	-43	-80	-50	-22							
Dividends to shareholders	-262	-155	-70	-30	-162	-211							
	-80	-277	-293	-230	-162	-211							
OPERATIONS													
Land based						Lottery tickets and scratch cards							
Revenues (EURm)	2014	2015	2016	2017E	2018E	2019E	Revenues (EURm)	2014	2015	2016	2017E	2018E	2019E
Kino	2,010	1,931	1,854	1,705	1,654	1,654	Laiko (Popular Lottery)	62	102	100	95	95	95
Sthima	1,523	1,456	1,397	1,397	1,495	1,555	Ethniko (National Lottery)	28	30	50	48	48	48
Joker	267	275	281	275	280	286	Protochroniatiko	0	10	20	19	19	19
Monitor games	54	46	44	43	43	43	Total lottery	89	140	170	162	162	162
Lotto	49	49	49	48	49	51							
Proto	28	28	28	27	27	27	VLTs						
Super 3	19	19	19	18	18	18	Revenues (EURm)	2014	2015	2,016	2017E	2018E	2019E
Propo	8	8	8	8	8	8	VLTs 16,500	0	0	0	572	1,904	2,640
Other games	9	1	1	1	1	1	VLTs 18,500	0	0	0	61	1,640	2,812
Total	3,967	3,812	3,680	3,523	3,577	3,644							

## New commissions offer c.EUR 33m of savings in the medium term

**4Q16 figures ahead of expectations.** On the top line, amounts wagered came in at EUR 1,186m, down 0.8% yoy, but 3% ahead of our expectations. The company reported GGR of EUR 400m, down 0.5% yoy and 1% below our assumptions. The sales erosion was related purely to a decline in the core lotteries segment, which dropped 3% yoy to EUR 242m, with betting growing 3% yoy to EUR 108m and instant & passives gaining 5% yoy to EUR 49m. OPAP reported EBITDA of EUR 84m, down 19% yoy, but 1% above our assumptions, due mainly to the GGR tax hike. Adjusting for this, the EBITDA decline would have been limited to 4% yoy. On the bottom line, OPAP booked EUR 55m, up 7% yoy and 28% ahead of our assumptions, due to the lower effective tax rate of 15%.

### OPAP: 4Q16 review (EUR m)

	4Q16	4Q15	yoy	4Q16E	Diff	Implied BBG consensus	Diff
Wagers	1,185.9	1,195.7	-1%	1,147.9	3%	1,157.9	2%
GGR	399.6	401.7	-1%	403.2	-1%	n/a	n/a
EBITDA	83.7	103.6	-19%	83.1	1%	79.5	5%
EBIT	69.0	73.6	-6%	67.3	3%	64.1	8%
Net income	55.1	51.7	7%	43.1	28%	45.6	21%
<i>GGR margin</i>	33.7%	33.6%	0.1%	35.1%	-1.4%	n/a	n/a
<i>EBITDA margin</i>	7.1%	8.7%	-1.6%	7.2%	-0.2%	6.9%	-0.2%
<i>EBIT margin</i>	5.8%	6.2%	-0.3%	5.9%	0.0%	5.5%	-0.3%
<i>Net margin</i>	4.6%	4.3%	0.3%	3.8%	0.9%	3.9%	-0.7%

Source: Company data, WOOD Research

**New agents' commissions should cut costs.** Together with its 4Q16 results, OPAP announced the details of its new commission scheme, which has already been accepted by 90% of agents (the remaining 10% have 12 months to reconsider. Under the new arrangement, OPAP has replaced the old system, based on c.8% of wagers, with the share of NGRs easing from 39% in 2017 (triggering virtually no change in costs to ensure a smooth transition), to 37% in 2018E and to 35% +1% in 2019-21E. We estimate that, under the new set-up, OPAP will save EUR 2m in 2017E, EUR 22m in 2018E and EUR 33m in 2019E. Besides the lower costs, the new system should also be supportive for the efficient management of OPAP's wide product offer. We have increased our EBITDA forecasts by 1% to EUR 308m in 2017E, 5% to EUR 409m in 2018E and 7% to EUR 469m in 2019E. Accordingly, we have upped our earnings and DPS forecasts by 8% for 2018E and 11% for 2019E.

### OPAP: agents' commissions – comparison of old and new set-up

	Old set-up			New set-up			Difference		
	2017E	2018E	2019E	2017E	2018E	2019E	2017E	2018E	2019E
<b>Wagers (EUR m)</b>	<b>4,670</b>	<b>7,645</b>	<b>9,631</b>						
Sports betting	1,449	1,547	1,607						
Lotteries	2,074	2,030	2,037						
Instant & passives	514	524	535						
Other	633	3,544	5,452						
<b>NGRs (EUR m)</b>				<b>933</b>	<b>1,223</b>	<b>1,419</b>			
Sports betting				257	270	275			
Lotteries				496	488	490			
Instant & passives				118	120	123			
Other				62	346	532			
<b>Agents' commissions as % of wagers</b>	<b>7.9%</b>	<b>7.3%</b>	<b>7.1%</b>						
Sports betting	7.4%	7.4%	7.4%						
Lotteries	9.1%	9.1%	9.1%						
Instant & passives	9.1%	9.1%	9.1%						
Other	4.4%	5.9%	6.1%						
<b>Agents' commissions as % of GGRs</b>				<b>39.4%</b>	<b>43.6%</b>	<b>45.9%</b>			
Sports betting				39.0%	37.0%	36.0%			
Lotteries				39.0%	37.0%	36.0%			
Instant & passives				39.0%	37.0%	36.0%			
Other				45.0%	60.2%	62.5%			
<b>Agents' commissions (EUR m)</b>	<b>370</b>	<b>554</b>	<b>685</b>	<b>368</b>	<b>533</b>	<b>652</b>	<b>-2</b>	<b>-22</b>	<b>-33</b>
Sports betting	107	115	119	100	100	99	-7	-15	-20
Lotteries	188	184	184	194	180	176	6	-3	-8
Instant & passives	47	48	49	46	45	44	-1	-3	-5
Other	28	208	332	28	208	332	0	0	0

Source: WOOD Research

**EUR 200m bonds issue at half the Greek sovereign rate.** In mid-March, OPAP issued EUR 200m of five-year bonds. The interest will be paid on a semi-annual basis and the bonds were listed on the Athens Stock Exchange. According to the company, the issue was more than 2x oversubscribed and attracted total demand of EUR 421m. Importantly, the bonds offer a coupon of just 3.5%, which is barely half the Greek state 10-year bond yield. Factoring the costs of the new debt into our P&L forecasts, we see it neutralising our higher EBIT in 2017E, but we have increased our earnings forecasts by 8% to EUR 211m in 2018E and by another 11% to EUR 242m in 2019E.

**OPAP: financial forecasts update (EUR m)**

	2016			2017E			2018E			2019E		
	Actual	Wood	Diff.	New	Old	Change	New	Old	Change	New	Old	Change
Sales (m)	4,230	4,192	1%	4,670	4,670	0%	7,645	7,645	0%	9,631	9,631	0%
GGR	1,398	1,401	0%	1,436	1,436	0%	1,882	1,882	0%	2,183	2,183	0%
EBITDA (m)	308	307	0%	311	308	1%	409	388	5%	469	438	7%
EBIT (m)	249	248	1%	245	241	2%	312	290	8%	355	322	10%
Net profit (m)	170	166	2%	162	162	0%	211	196	8%	242	218	11%
<i>EBITDA margin*</i>	22.0%	21.9%	0.1%	21.7%	21.5%	0.2%	21.7%	20.6%	1.1%	21.5%	20.0%	1.4%
<i>EBIT margin*</i>	17.8%	17.7%	0.2%	17.1%	16.8%	0.3%	16.6%	15.4%	1.2%	16.3%	14.8%	1.5%
<i>Net margin*</i>	12.2%	11.9%	0.3%	11.3%	11.3%	0.0%	11.2%	10.4%	0.8%	11.1%	10.0%	1.1%

Source: Company data, WOOD Research; \*margin estimates based on GGRs

## Valuation update – BUY maintained, PT raised to EUR 11.6/share

We have increased our 12-month price target (PT) by 16% to EUR 11.60/share (from EUR 10.00), offering a further 34% total return. The change in our PT is related to: i) our forecasts increases; and ii) our WACC cut. We base our valuation methodology 50/50 on our DCF model and 2018E multiples (to capture the contribution of the VLTs and the new commission scheme, neither of which have become visible in 2017 yet). Adjusting for our higher forecasts and WACC cut, our new DCF model implies a 12-month PT of EUR 11.70, up 25%, from EUR 9.40 previously. Our peer multiples valuation rises to EUR 11.60/share from EUR 10.60, reflecting our forecasts revisions and the peers' multiples expansion.

### OPAP: valuation summary

Valuation method	Weight	Equity value EURm	Per share EUR	Upside/ Downside
DCF (12M basis)	50%	3,738	11.7	29%
Peer group valuation	50%	3,687	11.6	27%
P/E multiple	50%	3,181	10.0	9%
EV/EBITDA	50%	4,193	13.1	44%
<b>Weighted average PT</b>		<b>3,713</b>	<b>11.6</b>	
Current price (EUR)			9.11	
<b>Upside/downside</b>			<b>27%</b>	
DPS (EUR)			0.60	
Dividend yield			6.7%	
<b>Total return potential</b>			<b>34%</b>	

Source: WOOD Research

### DCF

Our DCF yields a 12-month PT of EUR 11.70/share, based on our explicit operating forecasts for 2016-31E and a 8.1% WACC. Our main assumptions are as follows:

- ✓ We use a WACC of 8.1% (vs. 11.0% previously) throughout our forecast period, as well as to estimate the terminal value. The major cut in our WACC assumption was triggered by the recent EUR 200m bond issue with a coupon of 3.5% and the current market yield of 3.23% (after a few days of trading, the yield on OPAP's bonds has eased to 3.23% as they trade at 101.2 of par).
- ✓ A risk free rate (RFR) of 7.0%.
- ✓ An equity risk premium of 4.0%.
- ✓ A beta of 1.2.

### OPAP: WACC calculation

<b>[A] Debt/capital ratio (%)</b>	<b>38%</b>
[C] Equity/capital ratio (%)	62%
<b>Cost of debt:</b>	
Marginal cost of debt (%)	3.5%
x Marginal tax rate (%)	27%
<b>[B] Cost of debt (post tax) (%)</b>	<b>2.6%</b>
<b>Cost of equity:</b>	
Beta	1.20
x Equity risk premium (%)	6.00
+ Risk free rate (%)	7.00
<b>[D] Cost of equity (%)</b>	<b>13.00</b>
<b>[A x B] + [C x D] = WACC:</b>	<b>8.1%</b>

Source: WOOD Research

Our full DCF model is shown on the next page.

## OPAP: DCF valuation

DCF (EUR m)	2015	2016	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Sales	4,257	4,230	4,670	7,645	9,631	10,110	10,278	10,386	10,495	10,606	10,718	10,526	4,320	4,399	4,480	4,562	4,646
EBIT	303	249	245	312	355	369	378	383	388	394	347	410	259	261	262	264	281
<i>EBIT margin</i>	7.1%	5.9%	5.3%	4.1%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.2%	3.9%	6.0%	5.9%	5.9%	5.8%	6.0%
- Tax	-91	-67	-66	-84	-96	-100	-102	-104	-105	-106	-94	-111	-70	-70	-71	-71	-76
<i>Tax rate (%)</i>	29.9%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
<b>NOPAT</b>	<b>212</b>	<b>182</b>	<b>179</b>	<b>228</b>	<b>259</b>	<b>269</b>	<b>276</b>	<b>280</b>	<b>283</b>	<b>287</b>	<b>253</b>	<b>299</b>	<b>189</b>	<b>190</b>	<b>191</b>	<b>193</b>	<b>205</b>
+ Depreciation & provisions	60	56	59	91	109	103	133	132	131	130	181	90	54	53	52	20	19
- Capex	-41	-43	-80	-50	-22	-21	-21	-21	-21	-23	-23	-23	-23	-23	-23	-23	-22
- Investments and acquisitions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
+ Income on disposals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
- WC change	-41	-72	19	125	84	20	7	5	5	5	5	-8	-262	3	3	3	4
= FCF to the firm	190	123	176	394	430	372	395	395	398	399	416	358	-42	224	224	193	205
Compounding period	-1.0	0.0	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0
Discount factor	1.08	1.00	0.92	0.86	0.79	0.73	0.68	0.63	0.58	0.54	0.49	0.46	0.42	0.39	0.36	0.33	0.31
<b>Discounted FCF</b>	<b>206</b>	<b>123</b>	<b>163</b>	<b>337</b>	<b>340</b>	<b>272</b>	<b>267</b>	<b>247</b>	<b>230</b>	<b>213</b>	<b>206</b>	<b>164</b>	<b>-18</b>	<b>88</b>	<b>81</b>	<b>65</b>	<b>64</b>
<b>EV (EUR m)</b>			<b>3,500</b>														
o/w PV of disc. FCF 2017-31E			2,719														
o/w PV of terminal value			781														
<b>Total EV</b>			<b>3,500</b>														
- Net debt (end 2016)			-108														
+ Associates			12														
- Minorities (at market value)			-37														
<b>Fair value of equity (EUR m)</b>			<b>3,368</b>														
Number of shares (millions)			319.0														
Fair value per share (EUR)			10.6														
<b>12M target (EUR)</b>			<b>11.7</b>														

Source: WOOD Research

## OPAP: DCF sensitivity tables

		-1.50%	-1.00%	-0.50%	LT g			
					0.00%	0.50%	1.00%	1.50%
WACC	5.1%	15.8	16.2	16.7	17.3	18.0	18.8	19.9
	6.1%	13.9	14.2	14.5	14.8	15.3	15.7	16.3
	7.1%	12.4	12.6	12.8	13.0	13.3	13.6	14.0
	<b>8.1%</b>	<b>11.3</b>	<b>11.4</b>	<b>11.5</b>	<b>11.7</b>	<b>11.8</b>	<b>12.0</b>	<b>12.3</b>
	8.6%	10.7	10.8	11.0	11.1	11.2	11.4	11.6
	9.1%	10.3	10.4	10.5	10.6	10.7	10.8	11.0
	9.6%	9.8	9.9	10.0	10.1	10.2	10.3	10.4
Upside/Downside to PT					LT g			
		-1.50%	-1.00%	-0.50%	0.00%	0.50%	1.00%	1.50%
WACC	5.1%	35%	39%	43%	48%	54%	61%	71%
	6.1%	19%	22%	24%	27%	31%	35%	40%
	7.1%	7%	8%	10%	12%	14%	17%	20%
	<b>8.1%</b>	<b>-4%</b>	<b>-3%</b>	<b>-1%</b>	<b>0%</b>	<b>2%</b>	<b>3%</b>	<b>5%</b>
	8.6%	-8%	-7%	-6%	-5%	-4%	-2%	-1%
	9.1%	-12%	-11%	-10%	-9%	-8%	-7%	-6%
	9.6%	-16%	-15%	-14%	-14%	-13%	-12%	-11%

Source: WOOD Research

		4.00%	5.00%	6.00%	RFR			
					7.00%	7.50%	8.00%	8.50%
Beta	1.05	11.6	11.6	11.6	11.6	11.6	11.6	11.6
	1.10	11.7	11.7	11.7	11.7	11.7	11.7	11.7
	1.15	11.7	11.7	11.7	11.7	11.7	11.7	11.7
	<b>1.20</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>
	1.30	11.8	11.8	11.8	11.8	11.8	11.8	11.8
	1.40	11.8	11.8	11.8	11.8	11.8	11.8	11.8
	1.50	11.9	11.9	11.9	11.9	11.9	11.9	11.9
Upside/Downside to PT					RFR			
		4.00%	5.00%	6.00%	7.00%	7.50%	8.00%	8.50%
Beta	1.05	-1%	-1%	-1%	-1%	-1%	-1%	-1%
	1.10	0%	0%	0%	0%	0%	0%	0%
	1.15	0%	0%	0%	0%	0%	0%	0%
	<b>1.20</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
	1.30	0%	0%	0%	0%	0%	0%	0%
	1.40	1%	1%	1%	1%	1%	1%	1%
	1.50	1%	1%	1%	1%	1%	1%	1%

Source: WOOD Research

## Peer valuation

For our peer group valuation, we have applied the average sector multiples to our 2018E estimates to value OPAP.

### OPAP: P/E valuation (annualised figures)

	2018E
Adjusted EBIT (EUR m)	311.9
Interests	-15.8
Tax	-80.1
Tax rate	27.0%
Minorities	-5.4
Net income (EUR m)	210.7
Growth %	29.7%
Average no. of shares (fully-diluted)	319.0
<b>Normalised EPS</b>	<b>0.66</b>
Peer group multiple	15.1
Retained multiple	15.1x
Implied premium/discount	0%
Target equity (EUR m)	3,181
<b>Value per share (EUR)</b>	<b>10.0</b>

Source: WOOD Research

### EV/EBITDA valuation (annualised figures)

	2018E
<b>EBITDA (EUR m)</b>	<b>409</b>
EBITDA growth %	31.6%
Peer group multiple	10.1
Retained multiple	10.1x
Implied premium/(discount)	0%
Implied EV	4,129
Net (debt)/cash	51
Associates	12
Minority interests	0
Target equity (EUR m)	4,193
Number of shares (m)	319.0
<b>Value per share (EUR)</b>	<b>13.1</b>

Source: WOOD Research



## OPAP: gaming peer group valuation

Name	Curr.	Last price (LCU)	Mkt cap (LCU m)	Mkt cap (USD m)	EV/EBITDA			P/E			Dividend yield		
					16	17E	18E	16	17E	18E	16	17E	18E
<b>OPAP</b>	EUR	9.11	2,909	3,078	7.9	9.3	7.2	13.4	18.4	15.0	7.9%	6.0%	7.1%
<b>OPAP (WOOD)</b>					<b>9.2</b>	<b>10.2</b>	<b>7.1</b>	<b>15.5</b>	<b>17.9</b>	<b>13.8</b>	<b>6.6%</b>	<b>5.6%</b>	<b>7.3%</b>
William Hill	GBP	295	2,530	3,138	10.8	8.8	8.0	17.3	12.7	11.7	4.2%	4.4%	4.6%
Ladbrokes Coral	GBP	130	2,493	3,091	n.a.	8.1	7.0	n.a.	12.9	10.4	2.3%	3.5%	4.5%
Fortuna	CZK	105.5	5,486	219	7.2	6.9	n.a.	15.2	12.3	12.8	7.0%	8.0%	n.a.
TATTS Group *	AUD	4.4	6,491	4,861	13.4	16.0	15.3	24.6	26.9	25.5	4.0%	3.8%	3.9%
<b>Average</b>					<b>10.5</b>	<b>9.9</b>	<b>10.1</b>	<b>19.0</b>	<b>16.2</b>	<b>15.1</b>	<b>4.4%</b>	<b>4.9%</b>	<b>4.3%</b>
Median					10.8	8.4	8.0	17.3	12.8	12.3	4.1%	4.1%	4.5%

### OPAP premium/(discount) to:

Average (on consensus estimates)	-25%	-6%	-29%	-30%	14%	0%	80%	22%	64%
<b>Average (on WOOD estimates)</b>	<b>-12%</b>	<b>2%</b>	<b>-29%</b>	<b>-19%</b>	<b>10%</b>	<b>-9%</b>	<b>50%</b>	<b>13%</b>	<b>67%</b>

Name	EV/EBIT			FCF Yield			P/BV			ROE (%)		
	16	17E	18E	16	17E	18E	16	17E	18E	16	17E	18E
<b>OPAP</b>	9.7	12.5	10.2	2.5%	7.2%	10.6%	2.20	2.81	2.71	15%	16%	19%
<b>OPAP (WOOD)</b>	<b>11.3</b>	<b>12.9</b>	<b>9.4</b>	<b>1.9%</b>	<b>5.7%</b>	<b>13.2%</b>	<b>2.59</b>	<b>3.00</b>	<b>2.86</b>	<b>15%</b>	<b>16%</b>	<b>21%</b>
William Hill	14.9	11.5	10.5	9.5%	7.7%	8.5%	2.32	1.96	1.80	13%	17%	17%
Ladbrokes Coral	n.a.	12.5	9.9	6.5%	6.7%	9.0%	1.71	1.63	1.56	-22%	14%	17%
Fortuna	9.2	8.8	n.a.	n.a.	n.a.	n.a.	2.84	3.26	n.a.	32%	30%	30%
TATTS Group *	16.0	19.2	18.4	3.5%	3.4%	4.5%	1.94	2.19	2.26	8%	8%	9%
<b>Average</b>	<b>13.4</b>	<b>13.0</b>	<b>12.9</b>	<b>6.5%</b>	<b>5.9%</b>	<b>7.3%</b>	<b>2.20</b>	<b>2.26</b>	<b>1.87</b>	<b>8%</b>	<b>17%</b>	<b>18%</b>
Median	14.9	12.0	10.5	6.5%	6.7%	8.5%	2.13	2.07	1.80	11%	15%	17%

### OPAP premium/(discount) to:

Average (on consensus estimates)	-27%	-4%	-21%	-61%	21%	44%	0%	24%	45%	98%	-9%	7%
<b>Average (on WOOD estimates)</b>	<b>-15%</b>	<b>-1%</b>	<b>-28%</b>	<b>-70%</b>	<b>-3%</b>	<b>80%</b>	<b>18%</b>	<b>33%</b>	<b>53%</b>	<b>98%</b>	<b>-5%</b>	<b>17%</b>

Name	3YR CAGR		EBITDA margin			EBIT margin			Net margin		
	EBITDA	EPS	16	17E	18E	16	17E	18E	16	17E	18E
<b>OPAP (Wood)</b>	<b>15.1%</b>	<b>11.8%</b>	<b>7.3%</b>	<b>7.7%</b>	<b>10.0%</b>	<b>5.9%</b>	<b>6.1%</b>	<b>7.6%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>5.1%</b>
William Hill	1.1%	6.6%	19.4%	20.9%	21.0%	14.0%	16.0%	16.1%	10.3%	11.2%	12.1%
Ladbrokes Coral	100.5%	201.5%	-6.7%	18.4%	19.1%	-13.8%	11.9%	13.5%	-13.5%	7.3%	8.3%
Fortuna	n.a.	-6.0%	23.7%	27.0%	n.a.	18.6%	21.2%	n.a.	10.5%	14.7%	13.5%
TATTS Group *	0.3%	-0.4%	17.1%	16.7%	17.0%	14.3%	13.9%	14.1%	8.0%	8.8%	8.5%

Source: Bloomberg, WOOD Research; \*FY ends in June

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## Risks

- ✓ **Dependence on economic factors.** Our base-case scenario is predicated on a certain normalisation of the macro-political context in Greece, which should be supportive for an improving GDP trend going forward.
- ✓ **Regulatory issues.** Our operating assumptions for OPAP are based largely on the premise that the monopoly on its existing gaming portfolio will be maintained until the current (already granted) concessions expire. Hence, any changes in gambling legislation and the regulatory framework in Greece, in general, could have a significant impact on the valuation of the shares. Further challenges to OPAP's monopoly by other gambling operators (or associations such as the RGA or EGBA) could result in periods of increased share price volatility. Similarly, further hikes in gambling taxation, and/or changes to online gaming regulations, would have a negative effect on our earnings expectations.

# Financials

## Income statement

EURm	2014	2015	2016	2017E	2018E	2019E
<b>Revenues</b>	<b>4,259</b>	<b>4,257</b>	<b>4,230</b>	<b>4,670</b>	<b>7,645</b>	<b>9,631</b>
Sports betting	1,595	1,511	1,295	1,449	1,547	1,607
Lotteries	2,372	2,301	2,493	2,074	2,030	2,037
VLTs	0	0	0	633	3,544	5,452
Instant & Passives	292	445	441	514	524	535
<b>GGR</b>	<b>1,378</b>	<b>1,400</b>	<b>1,398</b>	<b>1,436</b>	<b>1,882</b>	<b>2,183</b>
Sports betting	456	412	397	396	415	423
VLTs	0	0	0	95	532	818
Lotteries	820	830	841	763	750	754
Instant & Passives	102	158	159	182	185	189
GGR tax	-405	-412	-467	-502	-659	-764
Agents' commission	-360	-362	-358	-368	-533	-652
<b>NGR</b>	<b>613</b>	<b>625</b>	<b>573</b>	<b>565</b>	<b>690</b>	<b>767</b>
Other operating income	24	129	108	123	125	127
Opex	-291	-377	-374	-377	-406	-425
<b>EBITDA</b>	<b>347</b>	<b>377</b>	<b>308</b>	<b>311</b>	<b>409</b>	<b>469</b>
Sports betting	118	101	69	58	64	66
VLTs	0	0	0	17	98	148
Lotteries	242	232	187	170	177	183
Instant & Passives	25	34	36	32	35	37
<b>D&amp;A</b>	<b>-48</b>	<b>-74</b>	<b>-58</b>	<b>-66</b>	<b>-97</b>	<b>-114</b>
<b>EBIT</b>	<b>296</b>	<b>303</b>	<b>249</b>	<b>245</b>	<b>312</b>	<b>355</b>
Sports betting	104	87	55	43	49	51
VLTs	0	-16	0	10	59	92
Lotteries	217	206	163	145	153	159
Instant & Passives	16	3	20	16	19	21
Net financial result	9	-3	-12	-16	-16	-16
<b>PBT</b>	<b>306</b>	<b>300</b>	<b>237</b>	<b>230</b>	<b>296</b>	<b>339</b>
Taxes	-106	-90	-64	-62	-80	-92
Tax rate	35%	30%	27%	27%	27%	27%
Net income (100%)	199	210	173	168	216	248
Minority interests	-4	1	-3	-5	-5	-6
<b>Net income shareholders' part</b>	<b>195</b>	<b>211</b>	<b>170</b>	<b>162</b>	<b>211</b>	<b>242</b>

Source: Company data, WOOD Research

## Growth, margins, returns and other data

	2014	2015	2016	2017E	2018E	2019E
Sales growth	15%	0%	-1%	10%	64%	26%
<b>GGR growth</b>	<b>13%</b>	<b>2%</b>	<b>0%</b>	<b>3%</b>	<b>31%</b>	<b>16%</b>
<b>EBITDA growth</b>	<b>57%</b>	<b>9%</b>	<b>-18%</b>	<b>1%</b>	<b>32%</b>	<b>15%</b>
EBIT growth	67%	2%	-18%	-2%	27%	14%
Net income growth	38%	8%	-19%	-5%	30%	15%
<b>Adjusted EPS growth</b>	<b>35%</b>	<b>-5%</b>	<b>-19%</b>	<b>-6%</b>	<b>30%</b>	<b>15%</b>
GGR margin	32.3%	32.9%	33.0%	30.7%	24.6%	22.7%
EBITDA margin	8.1%	8.9%	7.3%	6.7%	5.4%	4.9%
EBIT margin	7.0%	7.1%	5.9%	5.3%	4.1%	3.7%
Net margin	4.6%	4.9%	4.0%	3.5%	2.8%	2.5%
ROCE	16.4%	17.4%	15.3%	15.3%	20.4%	23.9%
ROE	17.0%	18.1%	15.5%	16.2%	21.2%	23.4%
<b>Adjusted EPS (EUR)</b>	<b>0.70</b>	<b>0.67</b>	<b>0.54</b>	<b>0.51</b>	<b>0.66</b>	<b>0.76</b>
DPS (EUR)	0.45	0.81	0.72	0.51	0.66	0.76
Pay-out	74%	123%	135%	100%	100%	100%
BVPS (EUR)	3.66	3.64	3.25	3.04	3.19	3.29

Source: Company data, WOOD Research

## Balance sheet

EURm	2014	2015	2016	2017E	2018E	2019E
Cash and cash equivalents	291	301	274	411	633	843
Restricted cash	6	1	0	0	0	0
Inventories	3	4	12	14	23	28
Receivables	92	55	81	89	146	184
Other current assets	17	29	71	69	68	66
<b>Total current assets</b>	<b>409</b>	<b>390</b>	<b>437</b>	<b>583</b>	<b>869</b>	<b>1,121</b>
Net PPE	44	56	68	132	166	170
Intangible assets	1,267	1,223	1,217	1,173	1,099	1,008
Goodwill	15	14	14	14	14	14
Investments	2	1	1	1	1	1
Investments in associates	10	11	12	12	12	12
Other non-current assets	4	13	19	19	19	19
<b>Total non-current assets</b>	<b>1,341</b>	<b>1,319</b>	<b>1,330</b>	<b>1,352</b>	<b>1,310</b>	<b>1,223</b>
<b>Total assets</b>	<b>1,751</b>	<b>1,709</b>	<b>1,768</b>	<b>1,934</b>	<b>2,179</b>	<b>2,344</b>
Trade payables	170	127	153	169	277	349
Tax liabilities	178	130	51	57	93	117
Accrued and other current liabilities	108	36	67	74	121	152
ST loans	0	32	119	119	119	119
Financial leases	0	0	0	0	0	0
<b>Total current liabilities</b>	<b>457</b>	<b>325</b>	<b>390</b>	<b>418</b>	<b>609</b>	<b>737</b>
LT loans	0	115	263	463	463	463
Provisions	51	59	34	34	34	34
Employee benefit plans	1	1	2	2	2	2
Other non-current liabilities	7	6	7	7	7	7
<b>Total non-current liabilities</b>	<b>59</b>	<b>181</b>	<b>305</b>	<b>505</b>	<b>505</b>	<b>505</b>
Minority Interest	67	41	37	42	47	53
<b>Shareholders' equity</b>	<b>1,168</b>	<b>1,162</b>	<b>1,035</b>	<b>969</b>	<b>1,017</b>	<b>1,049</b>
<b>Total liabilities &amp; equity</b>	<b>1,751</b>	<b>1,709</b>	<b>1,768</b>	<b>1,934</b>	<b>2,179</b>	<b>2,344</b>

Source: Company data, WOOD Research

## Cash flow statement

EURm	2014	2015	2016	2017E	2018E	2019E
Pre-tax income	306	300	237	230	296	339
Depreciation & amortisation	50	59	58	62	94	112
Net financial income/expense	-2	5	13	17	17	17
Associate adjustments	0	-1	-1	0	0	0
Other non-cash items in P&L	-7	14	-10	-1	-1	-1
WCR change	6	-41	-72	19	125	84
Other	1	9	0	0	0	0
<b>Cash flow from operations</b>	<b>354</b>	<b>345</b>	<b>226</b>	<b>326</b>	<b>532</b>	<b>551</b>
Interest paid	-2	-6	-15	-20	-20	-20
Interest received	3	1	0	4	4	4
Tax paid	-69	-142	-117	-62	-80	-92
<b>Net operating cash flow</b>	<b>287</b>	<b>198</b>	<b>94</b>	<b>247</b>	<b>435</b>	<b>442</b>
Capex	-16	-41	-43	-80	-50	-22
Disposals of operating assets	0	0	1	0	0	0
Acquisitions of operating assets	-7	0	0	0	0	0
Disposals of other assets	0	0	0	0	0	0
Proceeds/(acquisitions) of financial assets	48	1	-10	0	0	0
<b>Cash flow from investing activities</b>	<b>25</b>	<b>-39</b>	<b>-52</b>	<b>-80</b>	<b>-50</b>	<b>-22</b>
Capital related movements	0	0	0	0	0	0
Debt related movements	-182	147	235	200	0	0
Dividends to shareholders	-80	-277	-293	-230	-162	-211
Other dividends	0	0	0	0	0	0
Other	0	-25	-12	0	0	0
<b>Cash flow from financing activities</b>	<b>-262</b>	<b>-155</b>	<b>-70</b>	<b>-30</b>	<b>-162</b>	<b>-211</b>
Impact of exchange/perimeter	0	0	0	0	0	0
<b>Change in cash</b>	<b>49</b>	<b>4</b>	<b>-28</b>	<b>137</b>	<b>222</b>	<b>209</b>
Net debt (cash) beginning	-77	-291	-154	108	171	-51
Net debt (cash) end	-308	-149	109	171	-51	-261

Source: Company data, WOOD Research

# Important disclosures

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## Wood's ratings and price targets history for OPAP

Rating		Price target	
23/09/2015	BUY	23/09/2015	EUR 10.0
		30/05/2016	EUR 8.50
		25/01/2017	EUR 10.0
		12/04/2017	EUR 11.6

## Explanation of Ratings

**BUY:** The stock is expected to generate total returns of over 15% during the next 12 months as measured by the target price.

**HOLD:** The stock is expected to generate total returns of 0-15% during the next 12 months as measured by the target price.

**SELL:** The stock is expected to generate a negative total return during the next 12 months as measured by the target price.

**RESTRICTED:** Financial forecasts, and/or a rating and/or a target price is restricted from disclosure owing to Compliance or other regulatory/legal considerations such as a blackout period or a conflict of interest.

**NOT RATED:** Suspension of rating after 30 consecutive weekdays where the current price vis-à-vis the target price has been out of the range dictated by the current BUY/HOLD/SELL rating.

**COVERAGE IN TRANSITION:** Due to changes in the Research team, the disclosure of a stock's rating and/or target price and/or financial information are temporarily suspended.

## Equity Research Ratings (as of 12 April 2017)

	Buy	Hold	Sell	Restricted	Not rated	Coverage in transition
Equity Research Coverage	46%	46%	7%	N.A.	N.A. %	1%
IB Clients	1%	1%	N.A.	N.A.	N.A.	N.A.

## Securities Prices

Prices are taken as of the previous day's close on the home market unless otherwise stated.

## Valuation & Risks

Analysis of specific risks to set stock target prices highlighted in our investment case(s) are outlined throughout the report. For details of methodologies used to determine our price targets and risks related to the achievement of the targets referred to in the main body of the report or at <http://www.wood.com> in the Section Corporate Governance or via the link <http://www.wood.com/research.html>. Users should assume that the investment risks and valuation methodology in Daily news or flash notes not changing our estimates or ratings is as set out in the most recent substantive research note on that subject company and can be found on our website at [www.wood.com](http://www.wood.com)

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AmRest	5
Astarta	5
AT&S	5
Bogdanka	5
BRD	5
Bucharest Stock Exchange	5
BZ WBK	5
CA Immo	5
CCC	5
CD Projekt	5
CETV	5
CEZ	5
Ciech	5
Conpet	1
Cyfrowy Polsat	5
DO&CO	1, 5
Electrica	5
Enea	5
Energia	5
Erste Group Bank	5
Eurocash	5
Fortuna	5
S.C. Fondul Proprietatea S.A.	1, 4, 5
Getin Noble Bank	5
GTC	5
Handlowy	5
ING BSK	5
ITG	1, 3
Immofinanz	5
IPF	5
JSW	5
Kernel	5
KGHM	5
Komercni	5
Kruk	5
Lotos	5
LPP	5
mBank	5
MedLife	1, 2, 3
Millennium	5
MOL	5
MONETA Money Bank	1, 2, 3, 5
Netia	5
OMV	5
Orange PL	5
Pekao	5
PGE	5
PGNIG	5
Philip Morris	5
PKO BP	1, 2, 3, 5
PKN Orlen	5
PKP Cargo	5
PZU	5
RBI	5
RC2	4
Romgaz	5
SIF2	10
SNP – OMV Petrom	3, 5
Stock Spirits	5
O2 CR	1, 4, 5
Banca Transilvania	5
Transelectrica	5
Transgaz	1, 5
Unipetrol	5
WSE	1
Warimpex	1, 5
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