

**Valuation & Research Specialists (VRS)**  
Equity Research Team  
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<b>Share Price (05/11/2018)</b>	<b>€ 8.37</b>
<b># of Shares (mn)</b>	319.00
<b>Market Cap (in € mn)</b>	2,670.03
<b>Daily Volume (p)</b>	300-500k
<b>Beta Co-efficient</b>	0.77
Source: VRS Calculations, Reuters. Period as day/month/year.	

## Stock Price Performance & Transaction Volume

(1 year, in € and in number of shares)



Note: Share price performance based on share price closes on Stock Exchange.  
Period as day/month/year if applicable.

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## OPAP S.A.

Listed on Athens Exchange - Greece

[Bloomberg Ticker: OPAP:GA] [Reuters Ticker: OPAr.AT]

**Business Sector | Industry: Consumer Discretionary | Gaming & Lottery**

### Our View on OPAP following the Company's Analyst Day (\*)

OPAP S.A. is the undisputable leader in the Greek gaming market controlling an impressive ~70% market share. Below we highlight some of our views combined with selective facts and trends presented by the company's management during the recent Analyst Day.

- **Growth trajectory is on track:** The VLT segment is the most significant growth driver that can further add on the long-term prospects of the company, however its contribution to total revenues is at its first stage. The network infrastructure and other related investments for this segment accounted for € 900 mn resulting into the operation of 300+ new concept shops (PLAY). PLAY Stores are expected to add further strength to OPAP's existing network of c. 1,600 stores (agents) in Greece. OPAP targets 19,000 VLTs in 2018 versus 10,000 at end-2017 and about 25,000 at end-2019. The VLT segment contributed revenues of € 46 mn and € 43 mn in Q1 and Q2 2018 respectively, with the trend showing some stabilization.

#### What we like

- Capex in years 2017–2019 is expected to reach € 130 mn implying the company's commitment to achieve its strategic growth targets. This is on top of a gradual and partially indirect expenditure of approximately € 1.8 bn (years 2020-2030) for the granting of gaming concessions from the Greek government.
- Targeting to further increase the number of customer visits into its network, OPAP has planned the establishment of a new network of shops called TORA that will activate in the area of electronic payments and related transactions. We view this as a positive initiative.

#### What we anticipate

- OPAP has a strong base in terms of income generation from the existing games and has been moving to further enrich its portfolio. 2016-2018 has been called as the investment period by the management whereas 2019 – 2020 as the growth period where we expect to see the first concrete results in terms of bottom line performance. For the growth period, the management aims at higher generation of income from the VLTs, the online market, the reinforcement of the network (either the existing or via the Tora points of presence) and perhaps from some progress realized on new ventures.
- The physical network of OPAP stores will remain the most critical factor in income generation at least for the following 2-3 years.

#### What we will monitor

- Debt is at € 655 mn and any significant increase of that level will make us assume a weakness on behalf of the company to achieve its growth targets via internal funding and operating cash flows. Debt remains high compared to the minimum levels the Group used to have in the period prior to privatization.
- The Greek gaming market is not considerably growing, so after a couple of years OPAP might need to pursue more investment initiatives in order to achieve stronger growth rates. So we will be monitoring the front of the so called new ventures along with all the new revenue streams of the group.
- The illegal gaming market in Greece if tackled effectively by the pertinent authorities could be an area where OPAP would be able to capture additional market shares. We are not confident though that such a favorable scenario can materialize in the following 2 years (2019-2020).
- The recent acquisition of Stoiximan may be signaling a strategy towards a stronger M&A activity by OPAP which was not so evident in the previous years.

#### Our concern

- As noted, the retail and online gaming market in Greece as % of GDP has shown some fatigue and this is a major concern. Furthermore the macroeconomic environment remains tough and volatile despite the ongoing expectations over a stronger recovery of the economy which however has not occurred. Also, the company's "mandate" to operate mainly, if not exclusively, in the Greek market remains an issue.

#### OPAP Stock

- OPAP stock trades at P/E multiples of 16x and 13x based on our 2018 and 2019 EATAM estimates respectively therefore its valuation remains comparatively attractive. Furthermore, the management is committed to maintain its quite strong dividend policy as in the previous years.

(\*) Held on Thursday, November 1<sup>st</sup>, 2018, at the Company's premises, Athens, Greece.

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
OPAP S.A.	OPAP:GA	OPAr.AT	€ 8.37	November 5, 2018	----

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### Investment Research & Analysis Journal

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