ResearchGreece®

17 September 2013
Equity Research
www.researchgreece.com

Dimitris Giannoulis
Research Analyst
(+357) 99244003
dimitris.giannoulis@researchgreece.com

Polys Polycarpou
Research Analyst
(+357) 99244357
polys.polycarpou@researchgreece.com

Greek Equities

Europe/Greece

Initiation of coverage — Country

Initiation of Coverage

- **ResearchGreece has gone live**
- We initiate coverage on Greek equities with a structurally negative view
- Equities covered account for c70% of the Athens' exchange market cap
- All shares rated as DON'T OWN IT (DOI)
- Motor Oil and Frigoglass screen better on a relative basis
- Primary surplus is necessary but not good enough
- Investments related structural reforms need to happen fast…for us to change our view

Warm greetings from ResearchGreece!

ResearchGreece is an independent research and consulting company with the objective to research, analyze and present its findings in a transparent and coherent way to. With our first research report we initiate coverage on sixteen (16) Greek equities. We introduce a binary rating system. Our focus is on fundamentals, cash flow and sensitivity analyses.

Structurally negative on Greece

Greece is still struggling with recession and unemployment. So far in 2013 there have been positive signs, namely a YTD primary surplus and a moderation in the decline of GDP. Our concern is the sovereign lagging on structural reforms necessary to fuel the new -investment driven- economic model. Unless the authorities become as fixated with investments as with delivering a primary surplus, GDP growth and the sustainability of public debt will remain in question, in our view.

DOI rating on all companies covered

Until we can discount tangible progress on investment related reforms we assign a DOI rating on all companies covered. On a relative basis we short list two names which we believe have the biggest potential upside to earnings and cash flow, namely Motor Oil and Frigoglass. We also expect that further consolidation in bond yields, as a result of confidence restored, will benefit cash rich/underleveraged names which currently 'suffer' from higher WACC rates. These would be Hellenic Exchanges, Sarantis and Jumbo.

Next catalysts

The next IMF review starting on or after Sep 29; additional debt relief to be decided early 2014 (conditional on Greece achieving a 2013 primary surplus); closing a projected financing gap of E10.9bn for 2014-15; Q3 GDP data to be announced by the end of the year; banks' stress test and asset quality review by the end of the year.

For a complete list of companies covered, price targets and ratings see p. 6
For details over the valuation methodology and investment risks per company see the companies section starting on p. 19

Contents

Introduction of ResearchGreece page 2

Executive summary page 3

Rating system page 5

Equities coverage universe page 6

Investment views at a glance page 7

Macro & Sovereign outlook page 10

Companies section page 19

Disclosures page 52

ResearchGreece has gone live

Warm greetings from ResearchGreece!

ResearchGreece has gone live. We are very excited to release our first research report – an initiation of coverage on Greek equities.

ResearchGreece is an independent research and consulting company with the objective to research, analyze and present its findings in a transparent and coherent way. Being unaffiliated we have no conflict of interest. We are not brokers; we are not dealers; we do not try to convince clients on a rating. We simply write up our view based on fundamental research.

We believe there is a gap in the Greek and Cypriot markets for value added research. Our objective is to fill this gap swiftly. We know that our success will only be measured by our clients' loyalty.

ResearchGreece aims to do things differently by publishing proactive research yielding clear cut conclusions. We focus on fundamentals and substance.

The team comes with enough experience to filter and quantify market moving developments. We write up on the most relevant issues and have developed easy to use financial spreadsheets.

We use a binary rating system; OWN IT (OI) or DON'T OWN IT (DOI). We are analytical, not promotional. We want to be the best in writing research, not the first.

We stay on top of things so that we are right more often than not. Our objective is to be the best at what we do and continuously expand our coverage universe. We hope you like our research product and hopefully become our clients.

Your feedback is always appreciated.

Executive Summary

We are structurally negative on Greece. In this report we initiate coverage on sixteen (16) companies; we rate all shares DON'T OWN IT (DOI). On a relative basis we find two stocks screen better than most; Motor Oil and Frigoglass. They are ahead of the capex cycle and operate on low margins with good scope for operating leverage. Therefore we believe a positive EPS/FCF surprise is more in the cards vs. the rest of our coverage universe.

Macro in a snapshot – still a long way to go

Assuming Greece is broadly meeting fiscal targets, an EU/IMF enforced exit from the Euro is a non-event in our view, since Greece has borrowed a staggering E215bn so far (vs. an average nominal GDP of E202bn in 2010-1013E), based on our calculations. A domestically driven political crisis causing Greece to ''voluntarily'' leave the Euro would seem more likely. Our base case scenario is Greece staying in the Euro while at the same time struggling to shape up its finances and changing its economic model. Up to 2009 the economy was driven by private consumption which was in effect driven by credit. In the meantime the state proved inefficient, with deficits covered by debt that kept inflating beyond sustainability. Greece's economic model must change; consumption's weight on GDP should reduce for the model to be sustainable, in our view.

Primary surplus this year is not enough in our view

Two adjustment programs and one PSI later…Greece is still struggling with recession (GDP growth expected -4.2% this year; IMF), unemployment (2013E: 27%), a fiscal deficit (2013E: 4.1%) and public debt (2013E: 176% of GDP). On the bright side, so far in 2013 there have been positive signs with the government managing a primary surplus and GDP's decline moderating. Our concern is the sovereign is focusing more on delivering such surplus this year, in order to gain the debt relief 'promised' by EU partners, at the 'expense' of implementing structural reforms necessary to develop a sustainable economic model. We find the administration is somewhat 'fixated' with short term fiscal targets rather than long term structural changes. Some may argue there is no alternative. We do not disagree, but GDP growth post 2014 is based on current structural reforms. After all, in the IMF's latest review in July, and to name a few, it was argued that the economy is rebalancing through recession and not through productivity enhancing structural reforms, that there are noticeable shortfalls in public administration reform, the reform on public employees mandatory exits and privatizations is behind schedule, the liberalization of regulated professions is slower than the target and that the risk of political instability remains acute.

Investments as the strongest link to a New Greek model; it will take time though

Greece's economic model must change. Investments is the name of the game. They can create an upward spiral by creating new jobs, reduce unemployment and put a floor to consumption. But it will take time. The IMF growth forecasts for Greece imply a cumulative E13bn of investments in 2013-18 in real terms. Not so demanding when compared to the E19bn achieved in 2001-2007 but back then Greece did not suffer from a confidence deficit nor was it simultaneously tightening up its budget and restructuring its administration. Confidence on the sovereign must be restored; liquidity must return (deposits) and good business plans must arise. But business plans will remain just plans unless red tape is reduced, Greece adopts a business-friendly culture, corruption vanishes, monetary incentives are given and political stability is established.

This is why we believe the Greek turnaround has low visibility; at least for now.

What about the Greek listed companies?

We initiate coverage on sixteen (16) companies. We would own none of them. On a relative basis we find two stocks screen better than most; Motor Oil and Frigoglass (both DOI). They are ahead of the capex cycle, have foreign sales exposure and operate on low margins with good scope for operating leverage. Therefore we believe a positive EPS/FCF surprise is more in the cards vs. the rest of our coverage universe.

Two stocks screen better than the rest; Motor Oil & Frigoglass

We like Motor Oil's pure refining model, top flexibility and adoptability and operating leverage to refining margins. We estimate +$1/bbl of refining margin would push our target price E3/share higher. On the other hand the short term refining outlook is not positive which is why we have a DOI rating on the shares.

The other company would be Frigoglass, which should deliver decent results this year and next. If the ICM division fares better on EBITDA margins - we are at 10% and 11% for this year and next vs. 16% on average over 2005-09, the shares may move higher than our target price. On the other hand we lack the visibility to discount such a surprise.

…and on the others

Banks: the recap bought them a good amount of time. We model adjusted losses this year and next.

OTE: the costs line has been addressed; How about topline erosion?

OPAP: is all about new games - VLTs, lotteries and online - new management and execution risks.

Hellenic Petroleum: the refinery is ready for the right margins to come. So far they have not.

Hellenic Exchanges: we find that current levels discount too much, too soon.

Sarantis: there is scope for operating leverage but we think is in the price.

Folli Follie: is all about FCF generation, not profitability. We see FCF yield at 2-3% in 2014-15.

Jumbo: we focus on Greek LfL sales; current trading is strong but December may disappoint.

Coca Cola Hellenic: it will be difficult to deliver double digit margins next year.

Fourlis: they were in the red last year and it should be one of the same for this year and next.

Titan Cement: the US is in the price and Greece still in recession.

Metka: shares trade on 5.1x EBITDA for this year and next and we think they are fairly valued.

We also expect that further consolidation in bond yields, as a result of confidence restored, will benefit cash rich/underleveraged names which currently 'suffer' from higher WACC rates. These would be Hellenic Exchanges, Sarantis and Jumbo.

Rating System

Rating system & Valuation method at ResearchGreece:

At ResearchGreece we adopt a binary rating system; OWN IT (OI) or DON'T OWN IT (DOI). Prior to publishing on a company's shares, we spend more than six months on fundamental work.

We construct our financial spreadsheet to project -three years forward- profit and loss, cash flow and balance sheet statements. We then conclude on the company's FCF estimates over the three year period.

To decide on the rating, we take a 12-month view of the expected capital and dividend returns of the subject company. To calculate the expected capital return and for the majority of companies in our universe, we engage in DCF-based valuation methodology, on the back of our three year forecasts. We place extra emphasis when projecting the subject company's perpetual FCF estimate since this comprises a big portion of the value.

We conclude on a 12 month target price which we re-access whenever there is significant newsflow. Furthermore, we engage in sensitivity analysis by isolating and testing important variables and the associated impact on the target price.

Our 12 month target is pushed forward upon getting a better grasp to modeling next year's, FCF and financial position. For companies with fiscal year ending in December, the earliest this could take place is with the release of 2Q and/or 3Q results.

We refrain ourselves to assigning neutral recommendations. We strongly believe in a binary rating system.

Therefore, and without providing an exhaustive list, we end up weighing: the subject company's total expected return as per our modeling assumptions, management's track record, strengths and weaknesses in light of its business model, as well as external threats and opportunities, its corporate structure complexity and audit trail to conclude on the implied rating.

In certain circumstances including, but not limited to, pending regulatory changes, legal disputes and restructurings, we may not be in a position to assign a specific rating on a stock due to the lack of visibility and overall uncertainty surrounding the outlook of the subject company. In this case the rating assigned will be ''NOT RATED'' (NR).

Equities Coverage Universe

We initiate coverage on a total of 16 equities listed in the Athens Stock Exchange.

In the table below we present a full list of our coverage followed by our ratings and price targets.

Summary of companies covered

Company name	Rating	Share Price	Target price	P/E 2014E	EV/EBITDA 2014E	P/TE 2014E	Market cap (Em)
Alpha Bank	DOI	0.5	0.5	neg	n.a.	1.1x	6,247
Coca Cola	DOI	23.3	17.3	23.7x	10.1x	5.4x	8,464
Folli-Follie	DOI	18.0	12.1	11.3x	8.1x	1.1x	1,205
Fourlis	DOI	2.7	2.0	neg	12.7x	0.9x	140
Frigoglass	DOI	5.1	5.0	11.7X	5.4X	2.1x	260
Hellenic Exchanges	DOI	6.1	4.6	22.2x	11.7x	2.2x	400
Hellenic Petroleum	DOI	7.5	5.7	115.7x	12.2x	1.2x	2,039
Hellenic Telecom	DOI	7.6	7.1	15.7x	4.1x	1.3x	3,710
Jumbo	DOI	8.7	7.5	12.5x	7.4x	1.6x	1,131
Metka	DOI	11.7	9.0	11.1x	5.1x	1.4x	606
Motor Oil	DOI	7.7	8.3	12.8x	6.6x	1.5x	850
National Bank	DOI	3.2	2.7	69.5x	n.a.	1.5x	7,574
OPAP	DOI	8.0	6.5	20.6x	8.2x	2.1x	2,545
Piraeus Bank	DOI	1.3	1.2	neg	n.a.	0.9x	6,442
Sarantis	DOI	5.3	4.4	10.8x	6.2x	1.1x	183
Titan Cement	DOI	16.2	12.3	neg	9.8x	1.2x	1,300
Total							**E43.09 bn**

source: ResearchGreece; closing prices as of Sep 13; any differences with respective numbers in other parts of the report due to rounding

Investment views at a glance

Banks – The only thing we can predict with certainty is that the recap has bought core banks a good amount of time. For all else our visibility is low. Unemployment and NPLs have not peaked yet; GDP growth has yet to turn positive; credit growth is still negative and the bulk of deposits that 'flew' out remain out. Adjusted losses estimated for 2013-14E imply tangible equity will go down until the landscape normalizes and banks integrate recently acquired businesses. This is why we think shares should trade below their tangible book rather than par or at a premium. DON'T OWN IT.

Hellenic Telecom (OTE) – Management has done an excellent job in containing fixed line costs, defending profitability margins and deleveraging the balance sheet. However, revenue erosion in the fixed line business continues and the sale of high growth assets, like the mobile subsidiary in Bulgaria, handicap future growth. This is why shares trade on such low multiples. We do not wish to be buyers of cost cutting alone. DON'T OWN IT.

OPAP – New games (VLTs, lotteries, online) means there is an investment story in OPAP. VLTs have the power to mitigate the impact from gaming taxes. The flip side is execution risk; VLTs is a huge project and OPAP has just seen a majority owner change (to be followed by a management change?) while regulation has yet to be updated. We do not see monopoly as a threat more than we see delays in the business plan affecting the present value of estimated cash flows. This is definitely a stock worth monitoring but we do not believe it is time to own it yet. DON'T OWN IT.

Hellenic Petroleum – with Elefsina up and running the refinery is 'all dressed up' and waiting for the right margins to come. So far they haven't. Benchmark hydrocracking margins are at record lows. Until the latter climb up to around $6/bbl (avg at $3.4/bbl July-to-date) and crude slate costs (brent-ural) and conversion spreads recover, Hellenic will struggle with losses stemming from capex related interest cost. Fortunately, maintenance-only capex from now on means the margin rebound will generate strong FCF. We have no visibility on the timing. DON'T OWN IT.

Motor Oil – Motor Oil is a stock that investors should have in their radar screens. Its pure refining model, top flexibility and adoptability mean it is the best choice in the refining industry with great operating leverage to refining margins (+$1/bbl : + E3/sh PT). The short term refining outlook is not positive which is why we have a DON'T OWN IT rating on the shares. On the other hand Motor Oil will benefit the most from higher refining margins.

Hellenic Exchanges – shares have historically been a call on the market. We find that current levels discount too much, too soon. 2/3 of 2013 earnings were non-trading (rights issues fees). Stripping these out and the stock is trading 27 times our forecast earnings for 2013 (22x 2014E). It will take trading volumes of > E300m post 2016 to make Helex attractive valuation wise (8M avg at E66m). The sole reason to own the stock is to get the dividend/capital return out of 2013 earnings (the latter -if any- already in our target price). DON'T OWN IT.

Sarantis – 2012 was the trough for earnings. Cost cutting/streamlining implies there is scope for operating leverage. We find our assumptions over rising domestic sales and gradual improvement in margins priced in at 2014E P/E of 11x and EV/EBITDA of 6x. Greece is literally fighting to change its GDP model by reducing the weight of consumption in favor of investments and exports. For Sarantis this is a structurally negative that can be only offset by market share gains, either won or bought. The company has been doing both. Better to consider at less demanding multiples. DON'T OWN IT.

Folli Follie – We believe the stock price should be driven by FCF generation and not by profitability. Based on our estimates, over 2011-12, average working capital outflow of cE120m per annum was a crucial determinant in driving average FCF at cE16m. We model recurring FCF at cE26m this year and E17m in 2014, which seems low for a company with an estimated EBITDA of E159m and E164m respectively – we model FCF yield at 2-3%. In 2Q13 we were spooked by an inventory revaluation loss of E206m, equal to two years of profits; this was booked below the EBITDA line, hence a one-off. Hats off to management for disposing 51% of Hellenic Duty Free for E201m and a related debt transfer of E335m to the buyer. DON'T OWN IT.

Jumbo – The Greek recession hit Jumbo less when compared to other retailers; 75% of profits generated domestically. We estimate a cumulative 13% drop on Greek LfL sales over the last three years and we factor in -3% for 2014E and flat for 2015E. The company's EBITDA margins reached the peak of 31% in 2008, a level difficult to see over the next couple of years, mainly due to the structural shift of the Greek retail market. On the other hand Jumbo should still be able to return a clean EBITDA margin of c26% this year and next, and be able to manage FCF of E56m and E76m respectively. A strong performance which is already reflected in the share price, we believe. Potential EPS upgrades from better than expected Greek LfL sales; our sensitivity analysis implies a 3% EPS impact on 1% LfL beat. Two months' trading started strong with sales >4%; we fear December trading. DON'T OWN IT.

Coca Cola Hellenic – In April, and without providing a timeframe, management commented on EBIT margins returning to pre-European crisis levels; c10% EBIT in our view. This year, this level is almost impossible to be met, next year difficult, and perhaps more feasible in 2015E. However, the share price seems to discount the company will meet such margins next year. We are at 7.5%; upside risk to our estimates could come from better than expected raw material bill and currency translation. This year volume should be flat with emerging markets faring good albeit developing and developed experiencing headwinds again. Next year we expect volume +1.6%. The three year FCF guidance of E1.3bn is in the share price, in our view. DON'T OWN IT.

Frigoglass - should deliver decent results this year and next. Unless the ICM division fares better on EBITDA margins; we are at 10% in 2013E and 11% in 2014E the shares may not move much higher – investors should be looking out for margin surprises coming from the ICM rather than the Glass business; we lack the visibility to discount such a margin surprise. At 2Q13 results, management guided to providing a solution to all dilutive entities by end 2014; this is behind our group 100 bps margin uplift vs. 2013E. We model -3% on group sales this year and up by c5% over 2015-16E with a strong Glass business; EBITDA contribution at c42% in 2014E vs. 16% in 2007. DON'T OWN IT.

Fourlis – Was in the red last year and it should be one of the same for this year and next. The Greek recession hit IKEA hard. LfL is not disclosed but we model Greek related at -7% in 2013 to mark the fourth consecutive annual decline. We are at +1% in 2014. We model IKEA related EBITDA margin at 6.7% in 2013 (6.3% in 2012) and 7.1% in 2014. Based on our sensitivity analysis; +3% on sales implies + 1% EBITDA margin uplift and +14% beat on group's EBITDA in 2014. Net debt is hovering at cE145m for this year and next. DON'T OWN IT.

Titan Cement - has nowhere to run. Greece is still in recession, Egypt got worse, Europe doesn't seem to recover and South Eastern Europe is pretty much discounted at current valuations. We see positive developments if any, only from the US where related EBITDA is up by cE20m this year and next. However, the potential catalyst for the shares is Greece and Western Europe, with cement capacity at c7m tons per annum and EBITDA this year at cE20m; it was flirting with E200m back in 2007. We think it is premature to play Greek recovery at this stage. Even if the US, which accounts for 25% of EBITDA, beats expectations, group net profit could turn out at cE5-E10m in 2014, which compares to a loss of E6m on our current forecasts, other things being equal. DON'T OWN IT.

Metka - is currently executing EPC projects in Syria, Turkey, Iraq, Jordan, Algeria and some smaller ones in the domestic market. On current backlog of cE1.5bn, earnings should continue to please, provided the Deir Azzour project in Syria gets going. Operations have not yet commenced, the project accounts for c44% of current backlog, and is included in our group net income forecasts of cE55m for this year and next. The track record in entering new markets, successfully executing and replenishing the backlog, is impeccable. However, the shares trade on 5.1x EBITDA for this year and next and we think they are fully valued, considering the contract type business model and exposure in high risk geopolitical countries. EPC related EBITDA margins at 15.5% are lucrative, and perhaps with limited upside. DON'T OWN IT.

Macro & Sovereign Outlook

As Greece is primarily a macro-economic call we have dedicated a section of our initiation piece on the sovereign.

Quick recap

Up to 2009 Greece was operating a non-viable economic model. Credit-driven private consumption was the main contributor and driver of GDP (70% weight) with limited -if any- care for investments or exports. The correlation coefficient between real private consumption and GDP growth stood at 92% in 2001-2012. A fat state that kept spending led to deficits covered by debt, creating a downward spiral and inflating public debt beyond sustainability.

After obtaining financial support from Euro state members and the IMF, Greece has been implementing an Economic Adjustment Programme with the aim to restore fiscal sustainability and implement structural reforms in order to become competitive and achieve sustainable economic growth (see details in box 1).

Two adjustment programs and one PSI later…Greece is still struggling with recession, unemployment, deficit and debt. However, so far in 2013 there have been positive signs. The rate of GDP decline is moderating and YTD data show the state budget and the general government running a primary surplus while core banks have been successfully recapitalized.

In summary terms, the main highlights/conclusions, to be analyzed in the following paragraphs, are:

- Despite the impressive 2009-13 progress, the adjustment process remains difficult and long-term in nature.
- This is more of a step-by-step process; the next step is generating a primary surplus in 2013 in order for euro area members to provide additional debt relief.
- Although a fraction of the previous two packages, the current programme calls for additional financing of E11bn in 2014-2015.
- Investments are the biggest growth catalyst for the sovereign to succeed in changing the economic model and sustain growth. The next in line is exports.
- IMF projections imply a cumulative E13bn of investments in 2013-2018 vs. E19bn recorded in 2001-2007. For exports the respective figures are E11bn vs. E10bn; for total GDP it is E24bn vs. E52bn in 2001-2007 (all in real terms). By 2018E real GDP will still be lower compared to 2010 and equal to 2003-2004.
- The figures above may not seem so demanding but they actually are for a country that is used to consume rather than produce.
- To achieve this growth, Greece must implement a series of challenging structural reforms; so far it is lagging behind.
- We are concerned the sovereign is desperately focused on delivering a surplus this year (in order to gain the debt relief) and stay afloat at the ‘expense’ of implementing structural reforms necessary to gain a sustainable economic model.
- The support of euro area members is a prerequisite for the Greek turnaround to take place.
- With little to no margin available, the programme and debt sustainability are accident prone; hence it is not easy to have a clear view on the possibility of success.

GDP - a matter of investments

The IMF estimates 2013 to be the 6th but also the last year of negative yoy real GDP growth. It forecasts >3% growth rates from 2015 onwards, driven by investments and exports. The weight of consumption drops to 60% from a historical 70%.

This is the right target. Greece cannot and should not continue to grow on consumption; the economic model must change. Investments have the power to create an upward spiral by creating new jobs, reduce unemployment and put a floor to consumption. But it will take time and more than wishful thinking to attract investments. Confidence must be restored, liquidity must return (deposits) and good business plans must arise. But none of these is good enough on its own to drive growth.

It takes a series of structural administrative reforms to facilitate investments. New business plans will remain plans unless red tape is reduced, Greece adopts a business-friendly culture, corruption vanishes, monetary incentives are given and political stability is established. The qualitative, political nature of these prerequisites means it is difficult to assess the outcome. This is why the Greek turnaround has low visibility.

Quarterly GDP data show a moderation in the decline rate with Q2 at -3.8% yoy vs. -5.6% in Q1, driven by consumption and exports; one negative: investments are down by 15% yoy vs. +8.5% in Q1. On a H1 basis GDP was down 4.7% yoy vs. a FY target for -4.2% but Q3 has most likely benefited from a reportedly strong tourism season that should support 2013 estimates.

Real GDP contributors and growth

% of total	**2008**	**2009**	**2010**	**2011**	**2012**	**Q1**	**Q2**	**2013E**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**
Households	72%	73%	72%	72%	70%	74%	69%	68%	66%	65%	64%	63%	62%
Government	18%	19%	19%	19%	19%	20%	19%	19%	18%	17%	16%	15%	15%
Investments	24%	19%	18%	16%	14%	14%	12%	14%	15%	16%	18%	18%	19%
Exports	24%	20%	22%	24%	25%	22%	26%	27%	28%	29%	29%	29%	30%
- Imports	(38%)	(32%)	(31%)	(31%)	(29%)	(30%)	(26%)	(28%)	(27%)	(27%)	(27%)	(26%)	(26%)
Real GDP	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
% growth													
Households	4.3%	-1.6%	-6.2%	-7.7%	-9.1%	-8.7%	-6.3%	-6.9%	-1.6%	1.4%	2.2%	1.8%	1.5%
Government	-2.6%	4.9%	-8.7%	-5.2%	-4.2%	-8.8%	-6.1%	-4.0%	-6.2%	-4.8%	-4.0%	3.0%	3.3%
Investments	-10.4%	-25.0%	-8.3%	-16.4%	-17.6%	8.5%	-15.3%	-7.6%	8.2%	11.0%	14.5%	7.9%	7.6%
Exports	1.7%	-19.4%	5.2%	0.3%	-2.4%	-2.5%	0.9%	3.0%	4.6%	5.5%	4.7%	4.5%	4.4%
Imports	0.9%	-20.2%	-6.2%	-7.3%	-13.8%	-7.7%	-11.8%	-6.4%	-1.9%	1.2%	2.7%	3.1%	3.2%
Real GDP	**-0.2%**	**-3.1%**	**-4.9%**	**-7.1%**	**-6.4%**	**-5.6%**	**-3.8%**	**-4.2%**	**0.6%**	**2.9%**	**3.7%**	**3.5%**	**3.3%**

source: ELSTAT and IMF

Fiscal deficit – focus on a primary surplus this year

If Greece succeeds in balancing its finances in 2013, through the generation of a primary surplus (i.e. before interest payments), its EU partners have committed to provide additional debt relief. The form of the relief was not clarified at the time the second adjustment programme (Eurogroup statements on November 27 and December 13, 2012) was decided but, as the IMF describes it, this may come from some combination of haircuts on outstanding GLF loans, close to zero interest rates on GLF loans and lower rates on EFSF loans, or long-term transfers. In other words, it will take either an outright haircut on debt or actions reducing its present value. The latter is politically easier to digest.

Fiscal deficit -General Government

EURbn	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E
Revenue	88.6	90.2	88.4	85.5	78.8	80.2	80.6	83.8	87.9
Primary expenditure	112.8	101.1	93.3	87.9	79.0	77.4	78.3	78.9	82.7
Unidentified measures		0.0	0.0	0.0	0.1	-0.1	3.4	4.1	4.3
Primary balance	**-24.2**	**-10.9**	**-4.9**	**-2.4**	**0.0**	**2.8**	**5.7**	**9.0**	**9.4**
% of GDP	-10.5%	-4.9%	-2.4%	-1.2%	0.0%	1.5%	3.0%	4.5%	4.5%
Interest	11.9	13.2	15.0	9.7	7.5	8.7	9.7	10.4	10.7
% of GDP	5.2%	5.9%	7.2%	5.0%	4.1%	4.7%	5.1%	5.2%	5.1%
General balance	**-36.1**	**-24.1**	**-19.9**	**-12.1**	**-7.5**	**-6.0**	**-4.0**	**-1.4**	**-1.3**
% of GDP	-15.6%	-10.8%	-9.6%	-6.2%	-4.1%	-3.3%	-2.1%	-0.7%	-0.6%
Gross debt	**299.7**	**329.5**	**355.2**	**303.9**	**322.5**	**320.1**	**319.7**	**318.0**	**313.1**
% of GDP	129.7%	148.3%	170.3%	156.9%	175.7%	174.0%	168.1%	159.4%	149.7%
Nominal GDP	**231.1**	**222.2**	**208.5**	**193.7**	**183.5**	**184.0**	**190.2**	**199.5**	**209.1**

source: ELSTAT and IMF

The goal of producing primary surpluses equal to 4.5% of GDP in 2016E and 4.0% during 2020-2030, described in the IMF's DSA, is ambitious. We believe it is more productive for investors to focus on Greece delivering a primary surplus this year. This is imperative for an additional debt relief and this has the power to stimulate confidence and generate an upward spiral.

YTD data show that Greece is very close to delivering a primary surplus in 2013. State budget data for the first seven months of the year show a primary surplus (adjusted for SMP & ANFA proceeds) of E0.5bn compared to a full year target for a deficit of E3.0bn. Adding local governments, SSFs and extra-budgetary funds, general government data also show a primary surplus of E0.56bn vs. a FY target for E0.04bn primary surplus.

So, it is no wonder that the combination of Q2 GDP and 7M budget data have spurred optimism that a) Greece will exit the recession that started in 2008, b) it will meet the condition for an additional debt relief (i.e. a primary surplus in 2013) and c) the overall deficit will meet the 4% target for 2013 compared to its peak of 15.6% in 2009.

Debt sustainability – little to no margin

Under the DSA of the IMF for Greece, debt to GDP peaks at 176% of GDP in 2013 (includes E50bn of banks recap money or 27% of GDP). The commitment of euro area members to provide further relief to Greece - conditional on reaching a primary surplus in 2013- is modeled in the DSA. Also, the scenario includes total privatization receipts of E22bn.

Public Debt Sustainability Framework

% of GDP	2012	2013E	2014E	2015E	2016E	2020E	2021E	2025E	2030E
Baseline public sector debt	156.9%	175.7%	174.0%	168.1%	159.4%	124.0%	118.2%	102.3%	86.5%
Primary deficit	1.3%	0.0%	-1.5%	-3.0%	-4.5%	-4.2%	-4.0%	-4.0%	-4.0%
Privatization receipts	0.1%	0.9%	1.9%	1.1%	1.1%	1.5%	1.3%	0.0%	0.0%
Real GDP growth rate	-6.4%	-4.2%	0.6%	2.9%	3.7%	2.6%	2.0%	1.9%	1.8%
Average nominal interest rate	2.7%	2.5%	2.7%	3.0%	3.2%	3.5%	3.6%	4.1%	4.8%
Average real interest rate	3.5%	3.6%	3.1%	2.6%	2.2%	1.8%	1.6%	2.1%	2.8%
Inflation rate (GDP deflator)	-0.7%	-1.1%	-0.4%	0.4%	1.1%	1.7%	1.9%	2.0%	2.0%

source: IMF

It is not hard to see how sensitive the debt ratio is against the assumptions above, especially with respect to primary spending and growth. As an illustration, the IMF highlights the following:

- Primary surplus of 0% post 2013 => debt to GDP at 148% in 2020, rising thereafter

- GDP growth 1ppt lower => debt to GDP will reach 134% in 2020 and decline modestly thereafter
- Privatization receipts half of the E22bn expected => debt to GDP reaches 128% in 2020 with strong downward trajectory maintained
- EFSF interest rates 1ppt higher => debt to GDP reaches 128% in 2020

IMF Review – major points

We feel that more than often than not a number of interesting points in IMF's periodic reviews on Greece are missed or are not given the proper attention. Below we highlight these points sourced from the latest review (July).

- The economy is re-balancing but it does so through recession, not productivity-enhancing structural reform.
- There continue to be noticeable shortfalls in public administration reform, revenue administration reform and privatization.
- Following the withdrawal of the smallest coalition party from the government (Democratic left), vested interests opposed to reforms have been increasingly emboldened.
- The onus remains on structural reforms to unlock growth and create jobs, which would lessen the pain of further adjustment.
- The process of recapitalizing banks is complete, but cleaning up balance sheets is yet to begin.
- 2013 fiscal: broadly on track with the main risks stemming from delays in the billing of property taxes (impact E450m) and overruns in health spending (E475m annualized).
- 2014 fiscal: the identified gaps have been closed with additional measures – to be reassessed.
- The clearing of arrears has fallen behind schedule.
- Public reforms: attrition of public employees is in line with targets; on mandatory exits the reform effort is well behind schedule.
- Structural reforms: privatizations are behind schedule (estimated at E1.5bn in 2013 vs. target for E2.5bn); liberalization of regulated professions slower than targeted.
- Gross wages and salaries projected to decline by >20% on a cumulative basis in 2010-2014.
- Productivity gains associated with structural reforms are projected to contribute about 10% in cumulative growth over the medium term.
- The risk of political instability remains acute.
- Debt to GDP is projected at 124% of GDP in 2020 including additional measures of about 4ppt from Greece's European partners to be determined in 2014-15.
- Reducing red tape: targeted recommendations to address barriers to entry are expected in September and will be discussed at the next review, based on which reforms will be adopted by end year.
- Attracting investments: progress on streamlining Greece's complex investment licensing system remains low. The authorities committed to overhaul the existing system over the next two years.
- Non-wage costs and rigidities: to facilitate labor reallocation and attract investments, the authorities plan to adopt by end 2013 an appropriate set of reforms.
- Privatizations: the tender of DEPA is to be re-launched as soon as possible; the stakes of the ports to be tendered will be increased; 250 real estate assets were transferred to the HRADF; water companies' pricing policy and clearance of arrears will facilitate their sale.
- The program continues to satisfy the criteria for exceptional access with little to no margin.

- A projected financing gap will open up in August 2014; Additional financing will need to be identified.
- If investors are not persuaded that the policy for dealing with the debt problem is credible, investment and growth will be unlikely to recover as programmed.
- The programmed path entails still very high debt well into the next decade, leaving Greece accident prone for an extended period.
- The DSA assumes Greece can maintain a primary surplus of 4% in the long run. Though some European countries (Belgium and Ireland) have sustained high primary surpluses in the past, this assumptions is ambitious.
- The fifth review under the program is scheduled to take place on or after September 29, 2013.

Box 1.
Economic Adjustment Programs for Greece*

First Economic Adjustment Programme

On 2 May 2010, the Eurogroup agreed to provide bilateral loans pooled by the European Commission (so-called "Greek Loan Facility" – GLF) for a total amount of E80 billion to be disbursed over the period May 2010 through June 2013. (This amount was eventually reduced by E2.7 billion, because Slovakia decided not to participate in the Greek Loan Facility Agreement while Ireland and Portugal stepped down from the facility as they requested financial assistance themselves).

The financial assistance agreed by euro-area Member States was part of a joint package, with the IMF committing additional E30 billion under a stand-by arrangement (SBA).

Under the Greek Loan Facility, the European Commission was not acting as a borrower but was entrusted by the euro-area Member States with the coordination and administration of the pooled bilateral loans, including their disbursement to Greece.

Overview of disbursements, EUR billion

Disbursements	Date	Euro area	IMF	Total
1	May 2010	14.5	5.5	20.0
2	Sept 2010	6.5	2.6	9.1
3	Dec 10 / Jan 11	6.5	2.5	9.0
4	March 2011	10.9	4.1	15.0
5	July 2011	8.7	3.2	11.9
6	December 2011	5.8	2.2	8.0
	Total	**52.9**	**20.1**	**73.0**

Second Economic Adjustment Programme

On 14 March 2012, euro area finance ministers approved financing of the Second Economic Adjustment Programme for Greece. The euro area Member States and the IMF committed the undisbursed amounts of the first programme (Greek Loan Facility) plus an additional E130 billion for the years 2012-14. Whereas the financing of the first programme was based on bilateral loans, it was agreed that - on the side of euro area Member States - the second programme would be financed by the European Financial Stability Facility (EFSF), which had been fully operational since August 2010.

In total, the second programme foresees financial assistance of E164.5 billion until the end of 2014. Of this amount, the euro area commitment amounts to E144.7 billion to be provided via the EFSF, while the IMF contributes E19.8 billion. (This is part of a four-year E28 billion arrangement under the Extended Fund Facility for Greece that the IMF approved in March 2012).

Additionally, when launching the second programme it was agreed that there should be private sector involvement (PSI) to improve the sustainability of Greece's debt. The high participation to Greece's debt exchange offer in Spring 2012 made a significant contribution to this end. Out of a total of E205.6 billion in bonds eligible for the exchange offer, approximately E197 billion, or 95.7% have been exchanged.

On 26-27 November 2012 the euro area Finance ministers and the IMF agreed to extend the fiscal adjustment path by two years, involving a reduction of the primary surplus target for 2014 from 4.5% of GDP to 1.5% of GDP and an even annual adjustment of 1.5% of GDP until a primary surplus of 4.5% of GDP is achieved in 2016. They also agreed on a package of measures aimed at reducing Greece's debt to 124% of GDP by 2020. The euro area Member States agreed to the following initiatives:

- A lowering by 100 bps of the interest rate charged to Greece on the loans provided in the context of the Greek Loan Facility.
- A lowering by 10 bps of the guarantee fee costs paid by Greece on the EFSF loans.

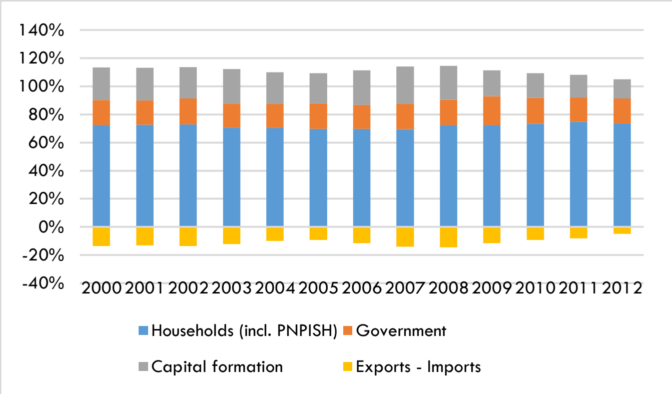
- An extension of the maturities of the bilateral and EFSF loans by 15 years and a deferral of interest payments of Greece on EFSF loans by 10 years.
- A commitment by Member States to pass on to Greece's segregated account, an amount equivalent to the income on the Securities Markets Programme (SMP) portfolio accruing to their national central bank as from budget year 2013.

Disbursements under the Second Programme have taken places as follows:

Disbursement	Date	EFSF	IMF	Total
1	March – June 2012 / 1	74	1.6	75.6
2.1	December 2012 / 2	34.3	-	34.3
2.2	January 2013 / 3	7.2	-	7.2
2.3	January 2013	2.0	3.24	5.24
2.4	February 2013	2.8	-	2.8
2.5	May 2013	2.8	-	2.8
3.1	May 2013 / 4	4.2	1.74	5.94
3.2	June 2013	3.3	-	3.3
4.1	July 2013 / 5	2.5	1.8	4.3

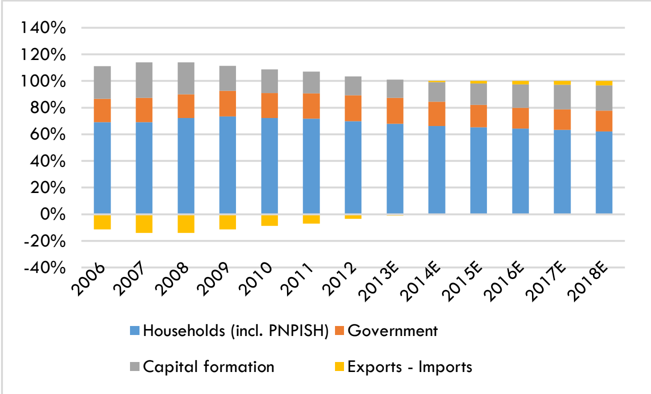
*The data included in this box have been sourced from the site of the European Commission (European Commission> Economic and Financial Affairs> Financial assistance in EU member states> Greece)
http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/

Nominal GDP Constituents



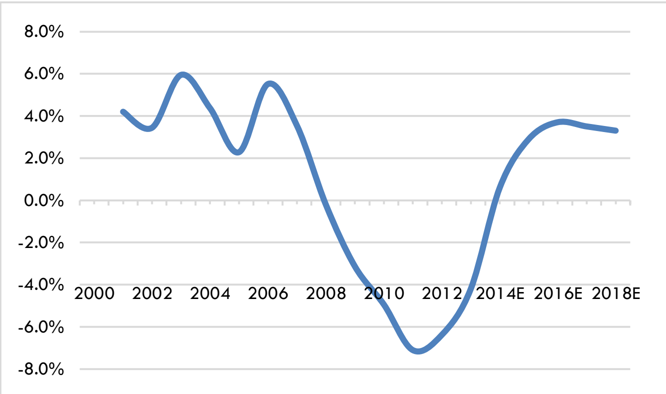
source: ELSTAT

Real GDP Constituents & Forecasts



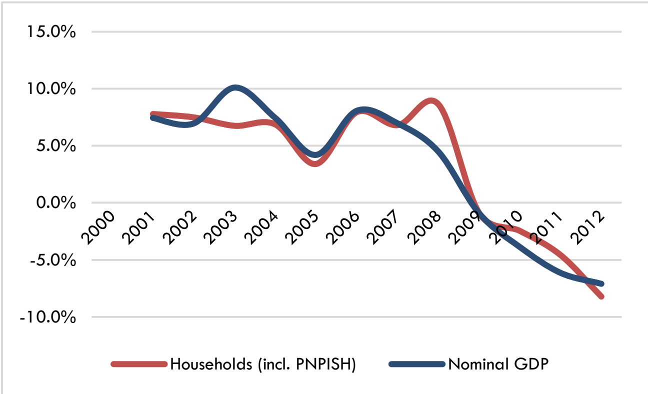
source: ELSTAT & IMF

Real GDP growth



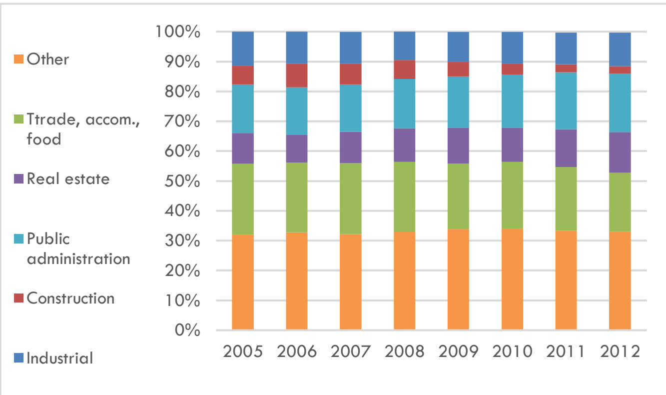
source: ELSTAT & IMF

Private Consumption & GDP (nominal)



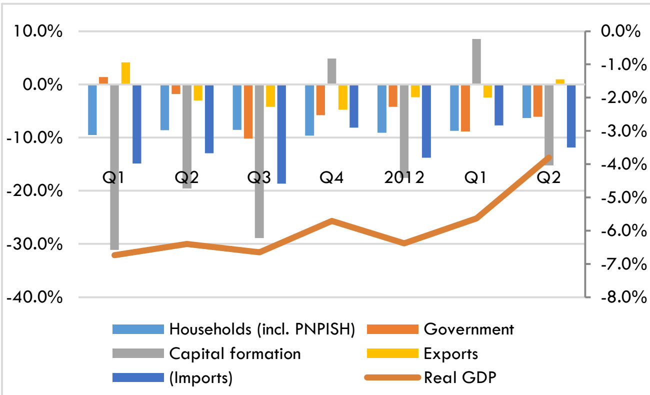
source: ELSTAT

Real GDP sector b/d



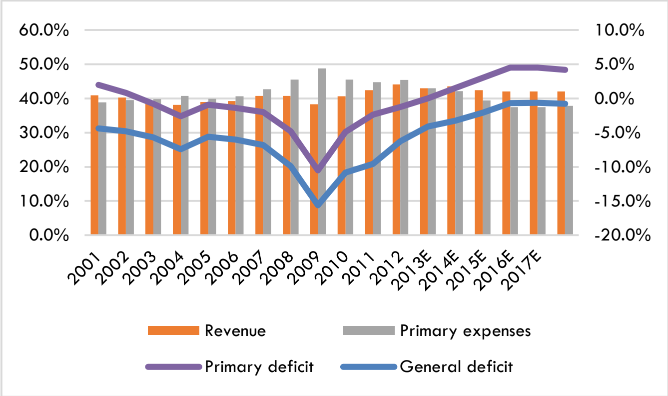
source: ELSTAT

Real GDP growth quarterly b/d



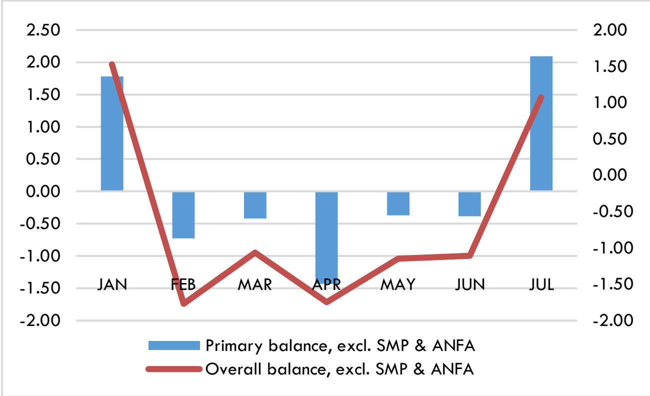
source: ELSTAT

Fiscal deficit, % of GDP



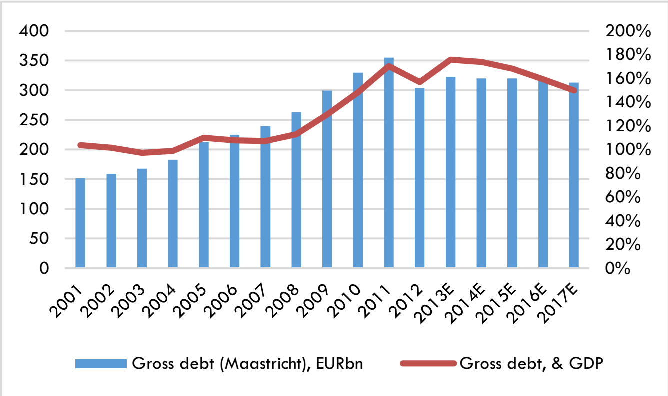
source: ELSTAT & IMF

General Government Balance, EURbn



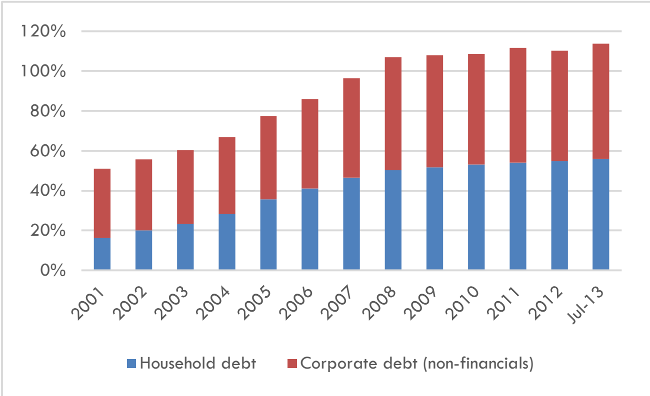
source: Ministry of Finance

Debt, % of GDP



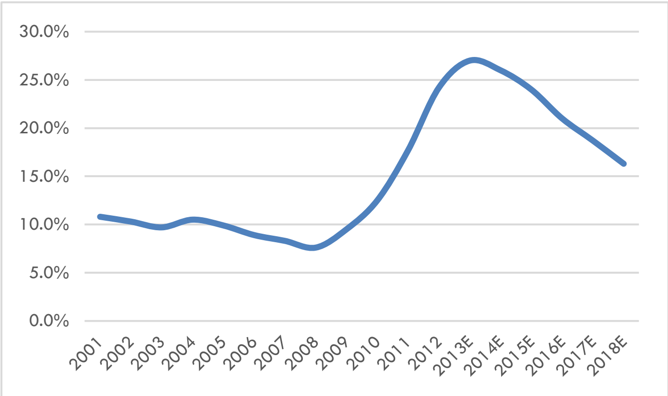
source: ELSTAT & IMF

Household & Corporate debt



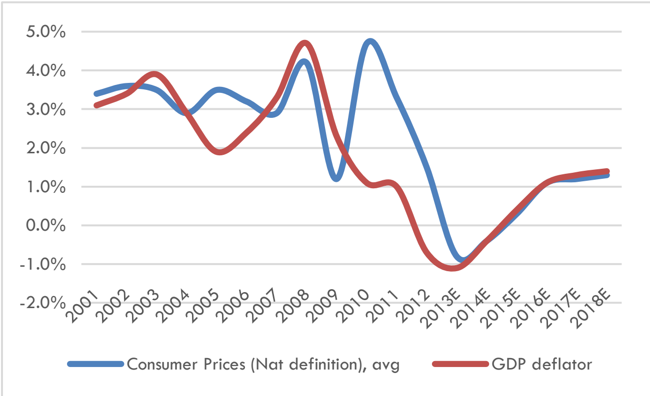
source: Bank of Greece

Unemployment rate



source: ELSTAT & IMF

Consumer Prices



source: ELSTAT & IMF

Company section (in alphabetical order)

Alpha Bank - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Net Interest Income	1,784	1,397	1,742	1,754
Net fees & comms	294	273	324	324
Other	206	3	137	137
Total revenues	2,283	1,673	2,202	2,215
Pre-Provision Profit	1,187	535	642	792
Impairments	1,130	1,669	1,974	1,825
One-offs (+ neg)*	4,789	211	-3,330	0
Pre-tax income	-4,732	-1,345	1,998	-1,033
Net income	-3,885	-1,086	2,331	-774
Pre-tax adjusted RG	57	-1,134	-1,332	-1,033
Net income adjusted RG	21	-916	-999	-774
BS (EURm)				
Loans, net	44,876	40,495	52,292	48,467
Interbank lending	1,807	3,383	3,383	3,383
Investments	5,826	7,574	7,574	7,574
Goodwill & Intang.	182	143	143	143
Other assets	6,458	6,762	7,445	7,482
Deposits	29,399	28,451	41,971	42,691
Interbank funding	22,521	25,217	17,275	13,541
Debt & hybrids	2,726	926	926	926
Other liabilities	3,073	3,137	3,137	3,137
Equity	477	-327	6,575	5,801
Pillar 2 prefs	940	940	940	940
Minorities	12	12	12	12
Total assets/liabilities	**59,148**	**58,357**	**70,837**	**67,049**
Loans b/d (%)				
Mortgages, group	14,185	13,998		
Consumer, group	5,559	5,432		
Business, group	29,527	25,379		
Loans Greece	38,756	34,810	53,100	49,600
Loans foreign	10,043	9,569	9,569	9,569
Operating stats				
Branches	969	915		
o/w Greece	417	407		
o/w foreign	534	488		
Employees	14,337	13,650		
o/w Greece	7,721	7,397		
o/w foreign	6,616	6,253		
Growth rates				
NII	n.a.	-21.7%	24.6%	0.7%
PPP	n.a.	47.6%	18.3%	-7.6%
Pre-tax adjusted RG	n.a.	n.a.	17.5%	-22.5%
EPS adjusted RG	n.a.	n.a.	-91.2%	-53.2%

source: company data & ResearchGreece estimates (incl. RG)

Asset quality	2011	2012	2013E	2014E
NPLs (Em)	6,433	10,302	22,550	19,732
Provisions (Em)	2,863	4,607	11,100	11,425
NPL ratio	12.9%	22.8%	35.6%	32.9%
NPL ratio -Greece	13.0%	23.8%	38.0%	35.0%
Cost of Risk (bps)	223	352	364	296
NPL coverage	44.5%	44.7%	49.2%	57.9%
Per share				
NoS weighted (m)	534	534	6594	10923
EPS	-7.27	-2.03	0.35	-0.07
EPS adjusted RG	0.04	-1.71	-0.15	-0.07
DPS	0.00	0.00	0.00	0.00
Regulatory capital & CAD ratios				
RWA (Em)	45,135	41,579	57,500	54,325
EBA CT1 capital	3,274	3,555	7,385	6,610
TIER I capital	3,791	3,701	7,532	6,758
CAD	4,288	3,950	7,782	7,007
EBA CT1 ratio	7.3%	8.6%	12.8%	12.2%
TIER I ratio	8.4%	8.9%	13.1%	12.4%
CAD ratio	9.7%	9.5%	13.5%	12.9%
Ratios & Margins				
L/D	152.6%	142.3%	124.6%	113.5%
NIM (/TA)	3.0%	2.7%	2.5%	2.6%
C/I	48.0%	70.4%	70.8%	64.2%
PPP	2.3%	1.0%	1.2%	1.3%
RoTE	7.0%	195.1%	-15.5%	-13.7%
Multiples				
Mkt cap (EM)	289	769	6,226	6,226
Tang. Equity (Em)	296	-469	6,433	5,658
P/E	14.0x	-0.8x	-6.2x	-8.0x
P/TE	1.0x	-1.6x	1.0x	1.1x
Dividend yield	0.0%	0.0%	0.0%	0.0%

Stock Price Graph

All prices as of Sep 13

Valuation sensitivity

Price Target (EUR)		Normalized CoE 8.0%	10.0%	12.0%	16.0%
Norm. RoTE	**8.0%**	0.39	0.31	0.26	0.19
	10.0%	0.48	0.39	0.32	0.24
	12.0%	0.58	**0.47**	0.39	0.29
	14.0%	0.68	0.54	0.45	0.34
	16.0%	0.78	0.62	0.52	0.39

source: ResearchGreece estimates

Operational sensitivity

2015E GR Pre-tax (Em)		Cost of Risk (bps) 100	150	200	250
Staff cost growth	**-15.0%**	416	170	-76	-321
	-10.0%	386	**141**	-105	-351
	-5.0%	357	111	-135	-381
	0.0%	327	81	-165	-410
	5.0%	297	51	-194	-440

source: ResearchGreece estimates

ResearchGreeceModel® is a proprietary analytical tool created by ResearchGreece to help readers navigate through companies' financial accounts. The model focuses on adjusted figures, excluding most distorting one-off and non-recurring items. Valuation sensitivity is performed on different wacc and terminal growth rates (or RoTE/CoE inputs). Operational sensitivity is performed on variables assessed to be the most crucial for the business model of the company analyzed.

Executive summary

The recapitalization of Alpha Bank resulted to HFSF owning an 84% in the bank. EBA CT1 ratio in Q2 stood at 13.9% vs. regulatory minimum of 9%. This offers, on our estimates, a provision pillow of E4.1bn to be added to Alpha-Emporiki total provisions of E10.4bn (as of Q2) and cover for a maximum NPL ratio of 49% (vs. 31.8% in Q2).

Managing asset quality shocks, bringing back deposits, preserving capital and integrating Emporiki (to extract E265m of pre-tax synergies by 2015) are the main challenges for the bank, most of which require the sovereign to deliver first. We see asset quality as the main risk for capital.

With a high degree of uncertainty we estimate E1.7bn of cumulative clean losses in 2013-14E before breaking even in 2015E. PPP is supported by the funding shift to the ECB (cheaper than ELA), Emporiki's contribution and more cost cutting (part of it reflected in synergies). However, in the short term we expect impairments on loans to eat away more than what the bank can deliver PPP-wise.

Regulatory capital (CT1) remains at levels >10% despite the net losses described above. This is our base case scenario. However, with asset quality trends being unpredictable we lack any real conviction with regards to Alpha Bank and the sector.

Valuation methodology

The lack of visibility surrounding Greek banking makes it extremely difficult and arbitrary to value the banks. We use 3-YR forward normalized RoTE/Tang. Equity and all other conventional variables to estimate a terminal P/TE multiple. This way we can also infer what the market is currently discounting with respect to the bank's future performance.

We assume normalized RoTE in 2016E of 12% on tangible equity of E6.6bn, implying net income of E790m. Using a 10% normalized CoE and 0% terminal growth we calculate a terminal P/TE of 1.2x and terminal value of E7.9n. We discount the latter with a weighted cost of equity of 16% to account for the current risk aversion against Greece (risk free rate) and reach a PV of E5.1bn. We set our target price at E0.47 per share vs. current price at E0.54. We assign a 'DON'T OWN IT' (DOI) rating.

The key buffer in our valuation relates to normalized earnings. We assume break even in 2015E and normalization in 2016E but where this to happen earlier (later) the valuation result would be higher (lower) than our estimate.

Investment risks

The main downside risk relates to the sovereign. If the economic situation in Greece turns out worse than expected this will affect revenues and asset quality. This could result to more capital needs, hence squeezing shareholders.

The main upside risk is clearly the sovereign performing better than expected with confidence recovering, liquidity improving as deposits return and asset quality is being managed more efficiently.

Another downside (upside) risk relates to the unsuccessful (successful) integration of Emporiki bank.

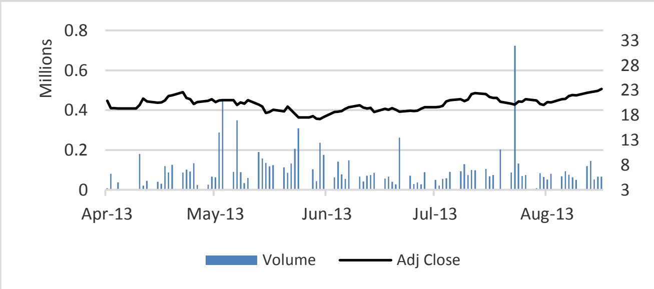
Coca Cola Hellenic - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Revenues	6,854	7,045	7,024	7,210
EBITDA	867	749	781	922
EBIT	468	338	370	508
Pre-tax income	376	258	283	436
Net income	269	190	215	331
EBITDA adjusted RG	919	822	828	970
EBIT adjusted RG	540	444	438	543
Pre-tax adjusted RG	447	365	351	471
Net income adjusted RG	329	279	266	357
Dividends	183	123	125	132
BS (EURm)				
Net working capital	883	824	731	682
PP&E	3,052	3,041	3,065	3,102
Intangibles	249	245	245	245
Goodwill	1,698	1,700	1,700	1,700
Investments	43	169	169	169
Other assets	410	397	397	397
Net debt/(cash)	1,780	1,721	1,525	1,276
Other liabilities	1,643	1,648	1,684	1,721
Equity	2,895	2,989	3,079	3,277
Minorities	18	18	18	19
Total assets/liabilities	7,235	7,250	8,011	8,279
Cash flow (EURm)				
Gross/Cash EBITDA	**877**	**755**	**783**	**925**
Change in wcap	56	84	92	50
Taxes paid	-90	-95	-33	-68
Operating CF	843	744	842	906
Capex & Investments	-463	-426	-433	-449
Free cash flow	**380**	**319**	**409**	**458**
Change in debt	59	-120	628	0
Dividends paid	-188	-124	-129	-132
Financials	-99	-93	-92	-77
Change in equity	0	0	0	0
Other	-2	-19	7	0
Change in cash	**150**	**-37**	**824**	**249**
Growth rates				
Revenues	0.9%	2.8%	-0.3%	2.7%
EBITDA adjusted RG	-16.6%	-10.6%	0.8%	17.1%
Net income adjusted RG	-37.0%	-15.3%	-4.6%	34.2%
EPS adjusted RG	-37.5%	-14.7%	-4.4%	34.2%

source: company data & ResearchGreece estimates (incl. RG)

Margins (%)	2011	2012	2013E	2014E
Gross	37.9%	35.8%	34.7%	34.6%
EBITDA	12.7%	10.6%	11.1%	12.8%
Net	3.9%	2.7%	3.1%	4.6%
EBITDA adjusted RG	13.4%	11.7%	11.8%	13.4%
Net adjusted RG	4.8%	4.0%	3.8%	4.9%
Per share				
NoS weighted (m)	367	364	363	363
EPS	0.73	0.52	0.59	0.91
EPS adjusted RG	0.90	0.77	0.73	0.98
DPS	0.50	0.34	0.34	0.36
Ratios				
Mkt cap (EURm)	4,875	6,440	8,451	8,451
EV (EURm)	6,673	8,179	9,994	9,746
FCF yield (mkt cap)	7.8%	5.0%	4.8%	5.4%
FCF yield (EV)	5.7%	3.9%	4.1%	4.7%
Dividend yield	3.8%	1.9%	1.5%	1.6%
NWC/sales	12.9%	11.7%	10.4%	9.5%
Net debt/EBITDA	2.1x	2.3x	2.0x	1.4x
Net debt/equity	0.6x	0.6x	0.5x	0.4x
EBIT/Interest cost	5	4	4	7
RoE	11.4%	9.3%	8.6%	10.9%
RoCE	11.5%	9.4%	9.5%	11.9%
Multiples				
P/E	14.8x	23.1x	31.8x	23.7x
P/BV	1.7x	2.2x	2.7x	2.6x
P/TE	4.1x	5.0x	6.1x	5.4x
EV/EBITDA	7.3x	10.0x	12.1x	10.1x
EV/EBIT	12.4x	18.4x	22.8x	17.9x

Stock Price Graph



All prices as of Sep 13

Valuation sensitivity

	Price Target (EUR)	Terminal growth rate 1.0%	2.0%	3.0%	4.0%
WACC	8.0%	19.0	22.2	26.7	33.5
	9.0%	15.9	18.2	21.3	25.7
	9.3%	15.1	**17.3**	20.1	23.9
	10.0%	13.5	15.3	17.5	20.5
	11.0%	11.6	13.0	14.6	16.8

source: ResearchGreece estimates

Valuation sensitivity

	Price Target (EUR)	Perpetual FCF (Em) 500	620	670	770
WACC	8.0%	16.5	20.6	22.3	25.6
	9.0%	13.5	16.9	18.3	21.1
	9.3%	12.8	16.0	**17.3**	19.9
	10.0%	11.3	14.1	15.3	17.6
	11.0%	9.6	12.0	13.0	15.0

source: ResearchGreece estimates

ResearchGreeceModel® is a proprietary analytical tool created by ResearchGreece to help readers navigate through companies' financial accounts. The model focuses on adjusted figures, excluding most distorting one-off and non-recurring items. Valuation sensitivity is performed on different wacc and terminal growth rates. Operational sensitivity is performed on variables assessed to be the most crucial for the business model of the company analyzed.

Executive summary

In April, and without providing a timeframe, management commented on EBIT margins returning to pre-European crisis levels; c10% EBIT in our view. This year, this level is almost impossible to be met, next year difficult, and perhaps more feasible in 2015E. However, the current share price seems to discount such margins next year. We are at 7.5% and upside risk to our estimates could come from better than expected raw material bill and currency translation.

We model raw material costs at c€3.5bn this year which is up by an incremental of E60-E70m in 2014; we fail to model currency exposure and hence could be surprised either way. This year volume should be flat with emerging markets faring good albeit developing and developed experiencing headwinds again. Next year we expect volume +1.6%, with developed flat, and mainly emerging behind the increase.

The new medium-term dividend policy with a payout on comparable net profit at 35-45% is good news, albeit reflected in the share price, we believe. The three year FCF guidance of E1.3bn, which should sustain a dividend yield of c2% on current levels and deleverage the balance sheet, is also in the share price. We model three year FCF at E1.34bn with net debt at E1bn in 2015E. In the first week of November CCHBC will release 3Q13 results; we model EBIT margin at 10.5%, or 20bps lower yoy, net income at E140m and FCF at E318m.

Valuation methodology

We assign a 'DON'T OWN IT' (DOI) rating on CCHBC shares. Our 2013 end price target is at E17.3 vs. a current price of E23.3. We use a three-year DCF model to value the shares based on a WACC of 9.3%. The latter is the result of a cost of equity equal to 11.5%; risk free rate of 5.5%, beta of 1x, equity risk premium of 6% and pre-tax cost of debt equal to 5.5%. We use a terminal growth rate of 2% p.a. Our perpetual FCF estimate is set at E670m which compares with an average of E444m over 2013-15. The shares trade on pricey multiples; 31x PE this year and 24x in 2014E or on 12x EBITDA this year before falling to 10x in 2014E.

Investment risks

Risks could be demand slowdown from global economic uncertainties, geopolitical instability especially in emerging markets, raw material price volatility, weather conditions, concentrate costs, relationship with the Coca Cola Company, reputational risk, capital expenditure errors, and foreign exchange risk exposure. Upside risks would be the reverse of the downside risks outlined above.

Folli-Follie - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Revenues	1,021	1,110	845	877
EBITDA	199	213	159	164
EBIT	174	186	139	143
Pre-tax income	111	118	297	147
Net income	78	81	266	107
EBITDA adjusted RG	199	213	159	164
EBIT adjusted RG	174	186	139	143
Pre-tax adjusted RG	111	118	114	147
Net income adjusted RG	78	81	101	107
Dividends	0	0	0	0
BS (EURm)				
Net working capital**	585	671	-	-
PP&E	233	240	184	215
Intangibles	104	100	13	0
Goodwill	253	253	92	92
Investments	0	0	0	0
Other assets	124	127	157	157
Net debt/(cash)	596	615	110	114
Other liabilities	98	97	365	374
Equity	721	823	1,088	1,195
Minorities	18	2	2	2
Total assets/liabilities	**1,724**	**1,816**	**1,818**	**1,940**
Cash flow (EURm)				
Gross/Cash EBITDA	**199**	**213**	**159**	**164**
Change in wcap	-118	-127	-102**	-102**
Taxes paid	-34	-24	-15	-30
Operating CF	47	62	41	32
Capex & Investments	-39	-37	473	-15
Free cash flow	**8**	**25**	**515***	**17**
Change in debt	-49	7	-495	0
Dividends paid	0	0	0	0
Financials	-39	-36	-22	-22
Change in equity	90	0	0	0
Other	-9	-5	12	0
Change in cash	**2**	**-9**	**10**	**-5**
Growth rates				
Revenues	3.2%	8.7%	-23.9%	3.8%
EBITDA adjusted RG	2.8%	7.0%	-25.5%	3.5%
Net income adjusted RG	-6.0%	3.7%	24.5%	5.8%
EPS adjusted RG	-6.0%	2.2%	24.5%	5.8%

source: company data & ResearchGreece estimates (incl. RG). Go to footnote.

Margins (%)	2011	2012	2013E	2014E
Gross	53.0%	52.6%	51.7%	51.7%
EBITDA	19.5%	19.2%	18.8%	18.7%
Net	7.7%	7.3%	31.5%	12.2%
EBITDA adjusted RG	19.5%	19.2%	18.8%	18.7%
Net adjusted RG	7.7%	7.3%	12.0%	12.2%
Per share				
NoS weighted (m)	66	67	67	67
EPS	1.18	1.21	3.97	1.59
EPS adjusted RG	1.18	1.21	1.51	1.59
DPS	0.00	0.00	0.00	0.00
Ratios				
Mkt cap (EURm)	510	872	1,205	1,205
EV (EURm)	1,124	1,489	1,317	1,322
FCF yield (mkt cap)	1.5%	2.8%	42.7%	1.4%
FCF yield (EV)	0.7%	1.7%	39.1%	1.3%
Dividend yield	0.0%	0.0%	0.0%	0.0%
NWC/sales	57.2%	60.4%	91.5%	99.7%
Net debt/EBITDA	3.0x	2.9x	0.7x	0.7x
Net debt/equity	0.8x	0.7x	0.1x	0.1x
EBIT/Interest cost	4.4x	5.1x	6.3x	6.5x
RoE	10.8%	9.9%	24.4%	8.9%
RoCE	13.0%	12.9%	11.5%	10.9%
Multiples				
P/E	6.5x	10.7x	11.9x	11.3x
P/BV	0.7x	1.1x	1.1x	1.0x
P/TE	1.1x	1.5x	1.2x	1.1x
EV/EBITDA	5.7x	7.0x	8.3x	8.1x
EV/EBIT	6.5x	8.0x	9.5x	9.2x

Stock Price Graph

All prices as of Sep 13

Valuation sensitivity

Price Target (EUR)		Terminal growth rate 1.0%	2.0%	3.0%	4.0%
WACC	10.0%	13.1	14.5	16.3	18.7
	11.0%	11.7	12.8	14.1	15.9
	12.2%	10.3	11.2	**12.1**	13.4
	13.0%	9.6	10.3	11.1	12.2
	14.0%	8.8	9.4	10.1	10.9

source: ResearchGreece estimates

Valuation sensitivity

Price Target (EUR)		Working capital inflow/outflow (Em) 10	0	-50	-100
Hellenic Duty Free 49% NPV	180	18.8	17.6	11.9	6.2
	193	19.0	17.8	**12.1**	6.4
	220	19.4	18.2	12.5	6.8
	240	19.7	18.5	12.8	7.1
	250	19.8	18.7	13.0	7.2

source: ResearchGreece estimates

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* We estimate recurring FCF at E26m **2012 pro-forma accounts with Hellenic Duty Free (HDF) equity consolidated not available-hence we don't present this item for 2013/14 in absolute terms. In cash flow the WC outflow of E102m this year and next, is our estimate for the group with HDF equity consolidated.

Executive summary

Hats off to the management for the price achieved on the cash disposal of 51% of Hellenic Duty Free (HDF) for E201m and a related debt transfer (E335m) to the buyer. The deal was completed as at April 22nd and we calculate a positive adjustment of E423m (excluding any related costs) in Folli Follie's P&L - we model group PBT at cE300m for 2013. We project net income of E107m in 2014 which puts the shares on a rather attractive 11.3x earnings.

However we believe share price should be driven by FCF generation and not by the profitability. Based on our estimates, over 2011-12, average working capital outflows at cE120m per annum was a crucial determinant in driving average FCF at cE16m. We model recurring FCF at cE26m this year and E17m in 2014 which seems quite low for a company with an estimated EBITDA of E159m and E164m respectively; we forecast FCF yield at 2-3%.

During 2Q13 conference call, management commented they will provide more colour on working capital needs at the next earnings release; we are not bold enough to factor a positive surprise.

Furthermore in 2Q13 we were spooked by an inventory revaluation loss of E206m, equal to two years of profits, and compares to closing stock of E287m in the first half. This was booked below the EBITDA line, hence treated as a one-off. We also did not like net debt reducing by less than cash received plus the debt relief from HDF - realized delta of E491m vs. implied of E535m.

Valuation methodology

We assign a 'DON'T OWN IT' (DOI) rating on Folli Follie shares. Our 2013 end price target is at E12.1 vs. a current price of E18. We use a three-year DCF model to value Folli based on a WACC of 12.2%. The latter is the result of a cost of equity equal to 17.2%; risk free rate of 10%, beta of 1.2x, equity risk premium of 6% and pre-tax cost of debt equal to 6.5%. We use a terminal growth rate of 3% due to the group's exposure in fast growing China. Our perpetual FCF estimate is set at E90m which compares with a recurring average of E25m over 2013-15E. We value HDF at the recent transaction price; this accounts for c24% of our target price. If the latter valuation parameters are correct, our sensitivity analysis implies perpetual recurring FCF of cE140m to equate the current share price, all else being equal.

Investment risks

On the downside the number one risk relates to FCF generation coming short of expectations. Also the Greek sovereign and specifically the macroeconomic situation, depressed domestic demand and the tight liquidity conditions prevailing in the economy. Other major risks would be demand slowdown from global economic uncertainties, geopolitical instability especially in emerging markets, potential delays in the store rollout program, stocking errors and FX currency risk. The main upside risk would be less working capital needs with FCF beating expectations.

Fourlis - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Revenues	438	420	414	417
EBITDA	28	20	21	22
EBIT	15	3	3	5
Pre-tax income	4	-12	-11	-9
Net income	2	-11	-11	-9
EBITDA adjusted RG	28	20	21	22
EBIT adjusted RG	15	3	3	5
Pre-tax adjusted RG	4	-12	8	-9
Net income adjusted RG	2	-11	-11	-9
Dividends	0	0	0	0
BS (EURm)				
Net working capital	16	-1	-5	-7
PP&E	263	265	260	251
Intangibles	16	15	15	15
Goodwill	3	3	3	3
Investments	0	0	0	0
Other assets	39	33	33	33
Net debt/(cash)	143	138	145	143
Other liabilities	13	8	6	6
Equity	188	177	164	155
Minorities	0	0	0	0
Total assets/liabilities	**491**	**458**	**433**	**418**
Cash flow (EURm)				
Gross/Cash EBITDA	**28**	**20**	**21**	**22**
Change in wcap	43	18	4	2
Taxes paid	-9	-1	-2	0
Operating CF	62	37	22	24
Capex & Investments	-78	-18	-15	-8
Free cash flow	**-16**	**19**	**7**	**16**
Change in debt	67	-20	-10	-8
Dividends paid	0	0	0	0
Financials	-10	-14	-14	-14
Change in equity	0	0	0	0
Other	-27	0	0	0
Change in cash	**13**	**-14**	**-17**	**-6**
Growth rates				
Revenues	-31.3%	-4.1%	-1.6%	0.9%
EBITDA adjusted RG	-40.2%	-28.2%	2.8%	6.9%
Net income adjusted RG	n.m	n.m	n.m	n.m
EPS adjusted RG	n.m	n.m	n.m	n.m

source: company data & ResearchGreece estimates (incl. RG)

Margins (%)	2011	2012	2013E	2014E
Gross	42.3%	42.1%	42.1%	42.1%
EBITDA	6.4%	4.8%	5.0%	5.3%
Net	0.5%	-2.7%	-2.6%	-2.2%
EBITDA adjusted RG	6.4%	4.8%	5.0%	5.3%
Net adjusted RG	0.5%	-2.7%	-2.6%	-2.2%
Per share				
NoS weighted (m)	51	51	51	51
EPS	0.05	-0.22	-0.21	-0.18
EPS adjusted RG	0.05	-0.22	-0.21	-0.18
DPS	0.00	0.00	0.00	0.00
Ratios				
Mkt cap (EURm)	72	100	139	139
EV (EURm)	216	238	283	281
FCF yield (mkt cap)	-22.0%	18.9%	5.3%	11.8%
FCF yield (EV)	-7.4%	8.0%	2.6%	5.8%
Dividend yield	0.0%	0.0%	0.0%	0.0%
NWC/sales	3.6%	-0.2%	-1.1%	-1.6%
Net debt/EBITDA	5.1x	6.9x	7.0x	6.5x
Net debt/equity	0.8x	0.8x	0.9x	0.9x
EBIT/Interest cost	1.4x	0.2x	0.2x	0.3x
RoE	1.2%	-6.4%	-6.5%	-6.0%
RoCE	4.5%	0.9%	1.1%	1.7%
Multiples				
P/E	31.6x	-8.9x	-13.0x	-15.0x
P/BV	0.4x	0.6x	0.8x	0.9x
P/TE	0.4x	0.6x	0.9x	0.9x
EV/EBITDA	7.7x	11.9x	13.7x	12.7x
EV/EBIT	14.4x	85.4x	86.7x	56.9x

Stock Price Graph

All prices as of Sep 13

Valuation sensitivity

	Price Target (EUR)	Terminal growth rate 1.0%	2.0%	3.0%	4.0%
WACC	10.0%	2.2	2.7	3.4	4.4
	10.5%	1.9	2.4	3.0	3.8
	11.0%	1.6	2.0	2.6	3.3
	13.0%	0.8	1.1	1.4	1.8
	14.0%	0.5	0.7	1.0	1.3

source: ResearchGreece estimates

Operational sensitivity

	2014E EBITDA (Em)	IKEA Gross profit margin 35.0%	36.1%	37.0%	38.0%
IKEA Selling & General Costs	-85.0	19.7	22.7	25.2	27.9
	-88.4	16.3	19.3	21.8	24.5
	-90.0	14.7	17.7	20.2	22.9
	-91.0	13.7	16.7	19.2	21.9
	-92.0	12.7	15.7	18.2	20.9

source: ResearchGreece estimates

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Executive summary

The company was in the red last year and it should be one of the same for this year and next.

The Greek recession has hit IKEA hard. Management does not disclose LfL but we model Greek related -7% in 2013 to mark the fourth consecutive annual decline. We are at +1% in 2014. In 2013 we estimate related sales at E270m on seven stores (two outside Greece) which compares to E253m in 2007 when the two Athens stores were fully operational and the Cyprus store contributed four months on the topline.

We welcome management's efforts to take out costs from the business; on our calculations OPEX is now reduced by cE10m since 2011. However this is not enough to drive the EBITDA margin to double digits. All in all we model IKEA related EBITDA margin at 6.7% in 2013 (6.3% in 2012) and 7.1% in 2014. Based on our sensitivity analysis; +3% on sales implies + 1% IKEA EBITDA margin uplift and +14% beat on group's EBITDA in 2014.

Intersport should return an EBITDA margin of 6.2% this year but it is nothing to cheer about as it could imply bottom line losses; New Look venture is still at the early stages and loss making. The Electronics business is of low significance in our view.

We are worried on net debt hovering cE145m for this year and next which equates the EBITDA ratio >6x in 2014; we model EBIT for the group at E3m in 2013 and E5m in 2014 and we highlight financial charges of cE14m. Upside to our estimates from the Bulgarian IKEA while Cyprus is dealing with its own problems.

Valuation methodology

We assign a 'DON'T OWN IT' (DOI) rating on Fourlis shares. Our 2013 end price target is at E2 vs. a current price of E2.7. We use a three-year DCF model to value Fourlis based on a WACC of 11%. The latter is the result of a cost of equity equal to 17.2%; risk free rate of 10%, beta of 1.2x, equity risk premium of 6% and pre-tax cost of debt equal to 6.5%. We use a terminal growth rate of 2%. Our perpetual FCF estimate is set at E27m which compares to E14m over 2013-15E.

Investment risks

On the downside the number one risk relates to the Greek sovereign and specifically the macroeconomic situation, depressed domestic demand and the tight liquidity conditions prevailing in the economy. Other major risks would be potential delays in the store rollout program, stocking errors and FX currency risk. The main upside risk is the sovereign performing better than expected with confidence recovering, which could boost IKEA related sales and group profits/cashflow.

Frigoglass - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Revenues	555	581	565	594
EBITDA	82	68	77	88
EBIT	53	34	44	55
Pre-tax income	35	-6	22	33
Net income	20	-15	14	22
EBITDA adjusted RG	82	68	77	88
EBIT adjusted RG	53	34	44	55
Pre-tax adjusted RG	35	-6	22	33
Net income adjusted RG	20	-15	14	22
Dividends	7	0	4	6
BS (EURm)				
Net working capital	177	137	144	152
PP&E	219	224	213	201
Intangibles	21	22	22	22
Goodwill	21	21	21	21
Investments	0	0	0	0
Other assets	14	14	14	14
Net debt/(cash)	244	223	205	180
Other liabilities	82	85	88	91
Equity	137	119	129	145
Minorities	35	33	34	35
Total assets/liabilities	**689**	**654**	**659**	**686**
Cash flow (EURm)				
Gross/Cash EBITDA	**82**	**68**	**77**	**88**
Change in wcap	-62	48	-7	-7
Taxes paid	-14	-10	-6	-4
Operating CF	6	105	65	76
Capex & Investments	-46	-41	-25	-25
Free cash flow	**-40**	**65**	**40**	**51**
Change in debt	55	-31	0	0
Dividends paid	0	-2	0	-4
Financials	-16	-24	-21	-21
Change in equity	8	0	0	0
Other	1	-18	0	0
Change in cash	**8**	**-11**	**18**	**25**
Growth rates				
Revenues	21.4%	4.7%	-2.9%	5.1%
EBITDA adjusted RG	9.9%	-16.9%	13.9%	13.5%
Net income adjusted RG	-2.2%	nm	nm	49.9%
EPS adjusted RG	-2.2%	nm	nm	49.9%

source: company data & ResearchGreece estimates (incl. RG)

Margins (%)	2011	2012	2013E	2014E
Gross	25.6%	23.0%	26.5%	27.4%
EBITDA	14.7%	11.7%	13.7%	14.8%
Net	3.6%	-2.6%	2.5%	3.7%
EBITDA adjusted RG	14.7%	11.7%	13.7%	14.8%
Net adjusted RG	3.6%	-2.6%	2.5%	3.7%
Per share				
NoS weighted (m)	50	51	51	51
EPS	0.40	-0.30	0.28	0.44
EPS adjusted RG	0.40	-0.30	0.28	0.44
DPS	0.13	0.00	0.09	0.11
Ratios				
Mkt cap (EURm)	182	266	260	260
EV (EURm)	461	522	499	474
FCF yield (mkt cap)	-22.0%	24.2%	15.3%	19.6%
FCF yield (EV)	-8.7%	12.4%	7.9%	10.7%
Dividend yield	3.6%	0.0%	1.7%	2.2%
NWC/sales	31.9%	23.6%	25.6%	25.6%
Net debt/EBITDA	3.0x	3.3x	2.7x	2.1x
Net debt/equity	1.8x	1.9x	1.6x	1.2x
EBIT/Interest cost	3	1	2	3
RoE	14.7%	-12.6%	11.1%	15.2%
RoCE	12.8%	9.1%	11.9%	15.2%
Multiples				
P/E	9.1x	-17.8x	18.1x	11.7x
P/BV	1.3x	2.2x	2.0x	1.8x
P/TE	1.6x	2.7x	2.4x	2.1x
EV/EBITDA	5.6x	7.7x	6.5x	5.4x
EV/EBIT	8.7x	15.3x	11.4x	8.7x

Stock Price Graph

All prices as of Sep 13

Valuation sensitivity

Price Target (EUR)		Terminal growth rate 1.0%	2.0%	3.0%	4.0%
WACC	**10.0%**	6.5	7.6	9.1	11.0
	11.0%	5.4	6.3	7.4	8.7
	12.2%	4.3	**5.0**	5.8	6.8
	13.0%	3.7	4.3	5.0	5.8
	14.0%	3.1	3.6	4.1	4.8

source: ResearchGreece estimates

Valuation sensitivity

Price Target (EUR)		Perpetual Recurring FCF 40	45	54	60
WACC	**10.0%**	5.1	6.1	7.6	8.8
	11.0%	4.1	4.9	6.3	7.3
	12.2%	3.1	3.8	**5.0**	5.9
	13.0%	2.6	3.2	4.3	5.1
	14.0%	2.1	2.6	3.6	4.3

source: ResearchGreece estimates

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Executive summary

We expect Frigoglass to deliver decent results this year and next. Net income modeled at E14m and E22m respectively; in 2012 it was in the red. However, unless the ICM division fares better on EBITDA margins; we are at 10-11% the shares will not move much higher – in our view. We lack the visibility to discount such higher margins; therefore we conclude the shares are fairly priced for now.

Diversified geographical exposure should help expand group EBITDA margins by 200bps this year and by another 100bps in 2014 to stabilise at c15%. At 2Q13 results, management guided to providing a solution to all dilutive entities by end 2014; this is behind our 100 bps margin uplift vs. 2013E. If our estimates are correct it will be broadly in line with the margin level achieved over the last couple of years and would compare to 20% over 2005-07. We model -3% on group sales this year and up by c5% over 2015-16E with a strong Glass business; EBITDA contribution at c42% in 2014E vs. 16% in 2007.

Frigoglass may be the global leader in Ice Cold Merchandisers (ICM's); however unless demand in Western Europe picks up and/or the product mix improves, we think ICM margins will not surprise to the upside. For 2014E we model group incremental sales of cE30m with c80% of the delta being derived from the ICM business. We expect related EBITDA margins of c10% since Western Europe, where Frigoglass achieves better pricing and perhaps profitability, should contribute 11% of related sales vs. c22% on average over 2008-12. Therefore, we model ICM EBITDA margin of c10-11% over the next couple of years; in line with 2010-12 but significantly lower than 16% achieved over 2004-09. The recent five years E250m debt refinancing at 8.25% coupon is good news in our view.

Valuation methodology

We assign a 'DON'T OWN IT' (DOI) rating on Frigoglass shares. Our 2013 end price target is at E5.0 vs. a current price of E5.1. We use a three-year DCF model to value Frigoglass based on a WACC of 12.2%. The latter is the result of a cost of equity equal to 17.2%; risk free rate of 10%, beta of 1.2x, equity risk premium of 6% and pre-tax cost of debt equal to 6.5%. We use a terminal growth rate of 2%. Our perpetual FCF estimate is set at E54m which compares with an average of E48m over 2013-15.

Investment risks

Risks could be demand slowdown from global economic uncertainties, geopolitical instability especially in emerging markets, raw material price volatility, foreign exchange risk exposure and significant customer dependence with Coca Cola Hellenic, despite being reduced as Frigoglass broadened its client base. Upside risks would be the reverse of the downside risks outlined above.

Hellenic Exchanges - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Revenues	46	32	76	40
EBITDA	24	12	57	21
EBIT	22	10	56	20
Pre-tax income	26	15	60	24
Net income	22	12	45	18
EBITDA adjusted RG	24	12	16	21
EBIT adjusted RG	22	10	15	20
Pre-tax adjusted RG	26	15	20	24
Net income adjusted RG	22	12	15	18
Dividends	12	8	22	9
BS (EURm)				
Net working capital	-1	1	1	1
PP&E	26	25	25	24
Intangibles	0	0	0	0
Goodwill	0	0	0	0
Investments	1	1	1	1
Other assets	14	16	16	15
Net debt/(cash)	-119	-116	-154	-151
Other liabilities	6	6	6	6
Equity	153	153	189	185
Minorities	0	0	0	0
Total assets/liabilities	**166**	**164**	**201**	**197**
Cash flow (EURm)				
Gross/Cash EBITDA	**24**	**13**	**57**	**21**
Change in wcap	1	3	0	0
Taxes paid	14	5	16	6
Operating CF	**9**	**6**	**41**	**15**
Capex & Investments	1	-5	1	1
Free cash flow	**8**	**11**	**41**	**14**
Change in debt	0	0	0	0
Dividends paid	10	7	6	22
Financials	-6	-6	-5	-4
Change in equity	-7	-5	-2	0
Other	0	-2	0	0
Change in cash	**-3**	**2**	**38**	**-3**
Growth rates				
Revenues	-22.1%	-30.0%	133.6%	-47.6%
EBITDA adjusted RG	-35.6%	-51.7%	40.6%	31.1%
Net income adjusted RG	1.2%	-45.2%	23.5%	23.7%
EPS adjusted RG	1.2%	-45.2%	23.5%	23.7%

source: company data & ResearchGreece estimates (incl. RG)

Margins (%)	2011	2012	2013E	2014E
Gross	n.a.	n.a.	n.a.	n.a.
EBITDA	51.6%	35.6%	75.3%	53.7%
Net	46.5%	36.4%	59.1%	45.4%
EBITDA adjusted RG	51.6%	35.6%	46.5%	53.7%
Net adjusted RG	46.5%	36.4%	41.7%	45.4%
Per share				
NoS weighted (m)	65	65	65	65
EPS	0.33	0.18	0.68	0.28
EPS adjusted RG	0.33	0.18	0.22	0.28
DPS	0.11	0.09	0.34	0.14
Ratios				
Mkt cap (EURm)	185	284	400	400
EV (EURm)	66	168	246	249
FCF yield (mkt cap)	4.3%	3.8%	10.2%	3.6%
FCF yield (EV)	12.0%	6.4%	16.6%	5.8%
Dividend yield	6.7%	2.8%	5.6%	2.3%
NWC/sales	-3.1%	2.1%	0.9%	1.7%
Net debt/EBITDA	-5.0x	-10.1x	-2.7x	-7.1x
Net debt/equity	-0.8x	-0.8x	-0.8x	-0.8x
EBIT/Interest cost	-5.7x	-1.9x	-11.5x	-4.4x
RoE	14.1%	7.7%	7.7%	9.7%
RoCE	64.9%	26.9%	41.9%	57.6%
Multiples				
P/E	8.6x	24.1x	27.5x	22.2x
P/BV	1.2x	1.9x	2.1x	2.2x
P/TE	1.2x	1.9x	2.1x	2.2x
EV/EBITDA	2.8x	14.6x	15.2x	11.7x
EV/EBIT	3.0x	17.2x	16.6x	12.6x

Stock Price Graph

All prices as of Sep 13

Valuation sensitivity

	Price Target (EUR)	Terminal growth rate 0.0%	1.0%	2.0%	3.0%
WACC	10.0%	5.9	6.2	6.6	7.2
	12.0%	5.2	5.4	5.7	6.0
	14.0%	4.8	4.9	5.1	5.3
	16.0%	4.4	4.5	4.6	4.8
	18.0%	4.1	4.2	4.3	4.4

source: ResearchGreece estimates

Operational sensitivity

	2014E EPS (EUR)	Trading volume per day (Em) 70	100	120	150
Cost growth	-5.0%	0.22	0.28	0.33	0.39
	-2.0%	0.21	0.28	0.32	0.38
	0.0%	0.21	0.27	0.31	0.38
	2.0%	0.20	0.27	0.31	0.38
	5.0%	0.20	0.26	0.30	0.37

source: ResearchGreece estimates

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Executive summary

Hellenic Exchanges is a pure trading volume play. Therefore it serves as a good way for investors to 'play' the market. Its largely fixed cost base (c50% personnel) means there is great scope for operating leverage. The stock has re-rated on the back of optimism on Greece staying in the Eurozone, further support by EU partners, an improving budget performance and an impressive rights issue related gain of E40m stemming from the recap of the banks and the public offer of Coca Cola Hellenic.

We believe the share price is discounting too much, too soon. 8M average trading volume is at E66m. We model FY2013 at E70m, FY2014E at E100m and at E200m in FY2016E (mkt cap/GDP at 34%, velocity at 65%). On our valuation, current levels imply volumes of > E300m in 2016 while for the stock to offer upside >15% we need 2007 peak levels to return.

Helex has been consistently streamlining its operations by rebalancing its fees, reducing personnel and bringing down the cost base (-30% vs. 2008 and -45% vs. 2007). So, the business model going forward is really all about trading volumes which in turn makes it all about the Greek sovereign.

Valuation methodology

We assign a 'DON'T OWN IT' (DOI) rating on Hellenic Exchanges. Our 2013 end price target is E4.6 per share vs. a current price of E6.1/sh. Such levels are not justified by the trading volume outlook; nor would it be rational for investors to assume Q2 2013 extraordinary gains of E40m (rights issue/public offering fees from banks/Coca Cola HBC) as recurring. Even assuming parts of these gains be returned as a dividend in 2013 investors are looking at a not-much-to-cheer-about yield of c6%.

We use a three-year DCF model to value Helex based on a discount rate on 16% (WACC). The latter reflects the cost of equity of the company (risk free rate of 10%, beta of 1.0x and equity risk premium of 6%). We assume a terminal growth rate of 2% p.a. (beyond 2016E) which is in line with the IMF's envisioned long term Greek real GDP growth rate forecast (2016-2030).

We estimate annual free cash flows of E25m post 2015E. Helex has always been an operating leverage play and an excellent proxy of the general market direction given its value based business model plus it has been consistently returning money to shareholders. We estimate 2012 was the volume trough but unless volume in Greek equities is to rise more than E300m post 2015E and/or listing/corporate activities to surge we fail to understand 2014E P/E of E22x and EV/EBITDA of 12x on our estimates.

Investment risks

On the downside the clear risk relates to volumes sticking at 2012 trough levels of E50m presumably on sovereign/macro risks and investors' aversion of Greek equities. On the opposite side volumes in excess of E200m would make us to increase our earnings estimates. The same goes for any signs of recurring listing/corporate activity fees.

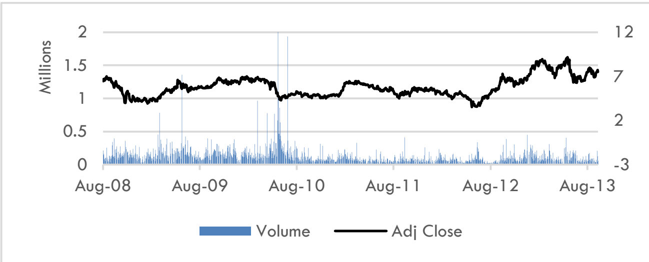
Hellenic Petroleum - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
EBITDA	335	296	31	358
EBIT	175	120	-210	113
Pre-tax income	163	114	-315	26
Net income	114	84	-259	20
EBITDA adjusted RG	363	444	129	358
EBIT adjusted RG	203	265	-112	113
Pre-tax adjusted RG	191	260	-217	26
Net income adjusted RG	134	187	-179	20
Dividends	138	46	0	10
BS (EURm)				
Net working capital	400	92	-76	-57
PP&E	3,204	3,550	3,481	3,406
Intangibles	76	62	44	29
Goodwill	87	90	95	99
Investments	616	646	646	646
Other assets	118	137	137	137
Net debt/(cash)	1,689	1,857	1,968	1,938
Other liabilities	298	231	231	231
Equity	2,398	2,374	2,004	1,958
Minorities	132	121	121	121
Total assets/liabilities	**7,189**	**7,404**	**6,900**	**6,855**
Cash flow (EURm)				
Gross/Cash EBITDA	**368**	**301**	**40**	**358**
Change in wcap	-475	-257	-168	19
Taxes paid	43	34	-56	7
Operating CF	**800**	**524**	**264**	**332**
Capex & Investments	667	513	150	150
Free cash flow	**134**	**11**	**114**	**182**
Change in debt	230	92	-235	0
Dividends paid	82	131	46	0
Financials	66	54	178	152
Change in equity	0	0	0	0
Other	168	-3	0	0
Change in cash	**385**	**-84**	**-345**	**30**
Growth rates				
EBITDA adjusted RG	-23.4%	22.3%	-70.9%	177.3%
Net income adjusted RG	-17.6%	39.4%	-195.3%	-111.1%
EPS adjusted RG	-17.6%	39.4%	-195.3%	-111.1%

source: company data & ResearchGreece estimates (incl. RG)

Margins (%)	2011	2012	2013E	2014E
Refining clean	n.a.	n.a.	n.a.	n.a.
Blended reported	n.a.	8.3	5.2	7.6
MED benchmark	2.0	3.3	2.5	3.6
Inv gains (Em)	-8.0	-135.0	-98.0	0.0
Per share				
NoS weighted (m)	306	306	306	306
EPS	0.37	0.28	-0.85	0.06
EPS adjusted RG	0.44	0.61	-0.58	0.06
DPS	0.45	0.15	0.00	0.03
Ratios				
Mkt cap (EURm)	1,947	2,262	2,292	2,292
EV (EURm)	3,768	4,240	4,381	4,352
FCF yield (mkt cap)	6.9%	0.5%	5.0%	7.9%
FCF yield (EV)	3.5%	0.3%	2.6%	4.2%
Dividend yield	7.1%	2.0%	0.0%	0.4%
NWC/sales	4.3%	0.9%	-0.8%	-0.5%
Net debt/EBITDA	5.0x	6.3x	63.2x	5.4x
Net debt/equity	0.7x	0.8x	1.0x	1.0x
EBIT/Interest cost	1.9x	1.8x	-1.1x	0.7x
RoE	5.6%	7.9%	-8.9%	1.0%
RoCE	3.2%	4.3%	-4.4%	0.5%
Multiples				
P/E	14.5x	12.1x	-12.8x	115.7x
P/BV	0.8x	1.0x	1.1x	1.2x
P/TE	0.8x	1.0x	1.2x	1.2x
EV/EBITDA	10.4x	9.6x	33.9x	12.2x
EV/DACF	4.8x	8.3x	18.9x	14.8x

Stock Price Graph



All prices as of Sep 13

Valuation sensitivity

	Price Target (EUR)	Terminal growth rate -1.0%	0.0%	2.0%	3.0%
WACC	**8.0%**	6.8	8.1	12.0	15.1
	9.6%	4.8	**5.7**	8.1	9.9
	11.0%	3.5	4.1	5.9	7.1
	13.0%	2.1	2.5	3.7	4.4
	15.0%	1.1	1.4	2.2	2.7

source: ResearchGreece estimates

Operational sensitivity

	2014E EBITDA refin.	Refining margin ($/bbl) 6.0	7.6	9.0	11.5
EUR/USD	**1.20**	162	302	428	605
	1.25	141	275	396	566
	1.30	122	**250**	367	530
	1.35	103	227	340	497
	1.40	86	206	314	466

source: ResearchGreece estimates

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Executive summary

Hellenic Petroleum has transformed into a sophisticated, complex cracking refinery following the completion of the Elefisina upgrade but so have the refining economics in the MED region, in a negative way.

Weak hydrocracking margins, battered domestic demand and narrowing brent/ural and conversion spreads have dominated 2013 so far and the outlook does not appear to be much different. Russia's strategic shift/re-routing of oil exports towards Asian markets (combined with a boost in domestic refineries), the US shale oil boom, the sanctions in Iran and the pipeline outage affecting Iraqi exports are all factors affecting crude slate costs – hence Hellenic's margins.

We model in blended refining margins of c$9/bbl on volumes of 14.5-15.0 m tn p.a. (50% middle distillates), which in turn assume hydrocracking benchmark margins of $5.0-5.5/bbl and a recovery in domestic demand post H1 2014. Our visibility is low. Combined with increased interest costs (post Elefsina completion) we estimate earnings of E150m to E200m in the next three years, yielding rather demanding multiples. We do not expect a dividend for 2013.

Additional transformation gains (costs/capex) of E150m in the next 24 months, the privatization of DEPA/DESFA and maintenance only capex requirements should free cash and deleverage the balance sheet further; we account for these in our estimates. Upside is linked to the reversal of the factors currently suppressing margins.

Valuation methodology

We assign a 'DO NOT OWN IT' (DOI) rating on Hellenic Petroleum. Our 2013 end price target is E5.7 per share vs. a current price of E7.5/sh. Our price target rises by E2 per share for every $1/bbl margin increase.

The current outlook for complex refiners is negative and visibility over a potential upside is quite low. The most crucial, margin uplifting factors would be domestic demand for oil products, brent/ural spread, European demand for diesel and the fuel oil/diesel spread.

We use a sum-of-the-parts model to value the company. We value the refining & marketing business with a DCF model using a WACC rate of 10% (rf 10%, ERP 6% and beta of 1x) and a terminal growth rate of 0%. We assign book values to Hellenic's participations in thermal energy and gas. The refining & marketing business accounts for 84% of the group enterprise value.

Investment risks

The main downside (upside) risks for Hellenic Petroleum are refining margins coming in lower (higher) than our estimates on a combination of factors such as lower (higher) brent/ural spreads, lower (higher) conversion margins and lower (higher) middle distillate cracks. The drivers of these risks would include European and Greek macroeconomic conditions, the turmoil in the Middle East and Asia and structural/political initiatives affecting crude oil economics.

Hellenic Telecom (OTE) - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Revenues	5,038	4,680	3,956	3,852
EBITDA	1,663	1,534	1,382	1,297
EBIT	353	615	564	458
Pre-tax income	115	609	601	320
Net income	120	476	463	241
EBITDA adjusted RG	1,732	1,657	1,386	1,297
EBIT adjusted RG	675	738	567	458
Pre-tax adjusted RG	438	507	383	320
Net income adjusted RG	350	406	284	237
Dividends	0	0	0	0
BS (EURm)				
Net working capital	304	150	171	171
PP&E	4,328	3,914	3,408	3,160
Intangibles	936	953	873	782
Goodwill	569	567	506	506
Investments	1	1	0	0
Other assets	953	549	574	574
Net debt/(cash)	4,217	2,888	1,854	1,273
Other liabilities	1,682	1,542	1,511	1,511
Equity	1,384	1,599	2,062	2,303
Minorities	374	390	390	390
Total assets/liabilities	**9,091**	**8,366**	**7,733**	**7,567**
Cash flow (EURm)				
Gross/Cash EBITDA	**1,752**	**1,540**	**1,355**	**1,282**
Change in wcap	70	10	22	0
Taxes paid	189	117	120	64
Operating CF	**1,493**	**1,414**	**1,213**	**1,218**
Capex & Investments	1,059	-112	-119	500
Free cash flow	**434**	**1,526**	**1,332**	**718**
Change in debt	-399	-833	-971	-408
Dividends paid	86	-21	0	0
Financials	267	230	184	138
Change in equity	0	0	0	0
Other	-3	-6	-114	0
Change in cash	**-321**	**478**	**63**	**173**
Growth rates				
Revenues	-8.1%	-7.1%	-15.5%	-2.6%
EBITDA adjusted RG	-9.8%	-4.3%	-16.4%	-6.4%
Net income adjusted RG	-15.9%	15.8%	-30.1%	-16.4%
EPS adjusted RG	-15.9%	15.8%	-30.1%	-16.4%

source: company data & ResearchGreece estimates (incl. RG)

Margins (%)	2011	2012	2013E	2014E
Gross	n.a.	n.a.	n.a.	n.a.
EBITDA	33.0%	32.8%	34.9%	33.7%
Net	2.4%	10.2%	11.7%	6.3%
EBITDA adjusted RG	34.4%	35.4%	35.0%	33.7%
Net adjusted RG	7.0%	8.7%	7.2%	6.2%
Per share				
NoS weighted (m)	491	491	491	491
EPS	0.24	0.97	0.94	0.49
EPS adjusted RG	0.71	0.83	0.58	0.48
DPS	0.00	0.00	0.00	0.00
Ratios				
Mkt cap (EURm)	1,413	2,993	3,710	3,710
EV (EURm)	6,004	6,271	5,953	5,373
FCF yield (mkt cap)	54.9%	28.7%	15.8%	19.4%
FCF yield (EV)	12.9%	13.7%	9.8%	13.4%
Dividend yield	0.0%	0.0%	0.0%	0.0%
NWC/sales	6.0%	3.2%	4.3%	4.4%
Net debt/EBITDA	2.5x	1.9x	1.3x	1.0x
Net debt/equity	3.0x	1.8x	0.9x	0.6x
EBIT/Interest cost	2.8x	3.2x	3.1x	3.3x
RoE	25.3%	25.4%	13.8%	10.3%
RoCE	11.3%	15.1%	13.2%	11.5%
Multiples				
P/E	4.0x	7.4x	13.1x	15.7x
P/BV	1.0x	1.5x	1.4x	1.3x
P/TE	1.7x	1.5x	1.4x	1.3x
EV/EBITDA	3.5x	3.8x	4.3x	4.1x
EV/EBIT	8.9x	8.5x	10.5x	11.7x

Stock Price Graph

All prices as of Sep 13

Valuation sensitivity

Price Target (EUR)		Fixed line terminal growth rate -2.0%	-1.0%	0.0%	2.0%
Fixed line WACC	8.0%	9.0	9.6	10.3	12.4
	10.0%	7.9	8.3	8.7	9.9
	13.0%	6.9	7.1	7.4	8.0
	14.0%	6.6	6.8	7.0	7.5
	16.0%	6.1	6.3	6.4	6.8

source: ResearchGreece estimates

Operational sensitivity

2015E fixed EBITDA mgn		Rental line growth -5.0%	-2.0%	0.0%	2.0%
NoE avg	6,000	41.2%	41.4%	41.5%	41.7%
	7,500	36.0%	36.3%	36.4%	36.6%
	8,528	32.5%	32.7%	32.9%	33.0%
	9,000	30.9%	31.1%	31.3%	31.4%
	10,000	27.4%	27.7%	27.8%	28.0%

source: ResearchGreece estimates

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Executive summary

Following the sale of Globul to Telenor, OTE's top-line growth outlook weakens further, in our view, with the only real upside risk in the short-term linked to the faster-than-expected recovery of Greek consumer spending. We factor in anemic revenue growth out to 2016 (-2.5% in 2014E) with the fixed line business faring the worst (-4% in 2014E) reflecting the structural changes in consumer spending and the telecom industry ever since the birth of mobile (F2M).

Despite the top-line weakness, OTE's efforts on the cost side, and especially payroll (VRS) and other expenses, should sustain EBITDA margins at levels of c35% and create sufficient free cash flows. Following the asset disposals in 2013 (Hellasat, Globul) OTE has de-leveraged its balance sheet enough to breathe and focus on the real parts of its business going forward (broadband, OTE TV).

Apart from perhaps some corporate actions among competitors we do not expect anything exciting to take place in 2014. OTE will keep struggling with the regulator, streamlining its cost side and safeguarding its cash flow. Our view is that the latter have been discounted by the market already under current price levels. Re-rating depends on top line growth, in our view.

Valuation methodology

We assign a 'DON'T OWN IT' (DOI) rating on OTE. Our 2013 end price target is E7.1 per share vs. a current price of E7.6. Shares look fairly good on multiples and FCF yield but this has more to do with cost cutting than top-line growth. We do not expect OTE's story to change during 2014. As a result we cannot recommend investors to buy solely on the back of cost driven earnings growth which is nevertheless reflected in the 150% stock appreciation since early 2012.

We use a sum-of-the-parts model to value OTE. We estimate enterprise values using a DCF for the fixed line business in Greece and Romania (Greece: WACC at 13%, tg at -1%; Romania: WACC at 12.0%, tg at 0%) and EV/EBITDA multiples for the mobile business (5.5x for all countries echoing the recent sale of Globul at 5.3x EBITDA 2012). The implied EV/EBITDA 2013E multiples for the fixed line and Romtelecom stand at 4.3x and 4.8x respectively.

The restructuring that has taken place in the Greek incumbent during the last 9 years (5 with DT as a partner) is impressive. The company needs top line growth to become attractive, in our view.

Investment risks

On the downside the clear risk relates to the Greek sovereign and the entire macroeconomic outlook of GDP growth, unemployment and consumer spending. The latter have a direct impact on telecom services as shown by the progress of OTE revenues during the last years into the crisis. Lack of further fixed costs control (payroll, other) is the second most important downside risk. Higher top line growth than expected combined with sustained belt tightening would lead us to upgrade our earnings and valuation for the company.

Jumbo - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Revenues	490	494	502	514
EBITDA	135	134	104	134
EBIT	120	117	85	115
Pre-tax income	121	119	87	116
Net income	95	97	64	91
EBITDA adjusted RG	135	134	131	134
EBIT adjusted RG	120	117	112	115
Pre-tax adjusted RG	121	119	114	116
Net income adjusted RG	95	97	88	91
Dividends	27	27	0	27
BS (EURm)				
Net working capital	152	148	139	135
PP&E	370	421	437	458
Intangibles	0	0	0	0
Goodwill	0	0	0	0
Investments	0	0	0	0
Other assets	27	21	20	21
Net debt/(cash)	-4	-33	-64	-141
Other liabilities	118	112	88	122
Equity	523	593	657	721
Minorities	0	0	0	0
Total assets/liabilities	**795**	**857**	**898**	**994**
Cash flow (EURm)				
Gross/Cash EBITDA	**135**	**134**	**104**	**134**
Change in wcap	2	-2	9	5
Taxes paid	-39	-29	-22	-23
Operating CF	97	103	91	116
Capex & Investments	-57	-48	-34	-39
Free cash flow	**41**	**55**	**56**	**76**
Change in debt	-1	-2	0	0
Dividends paid	-25	-27	-27	0
Financials	2	2	2	1
Change in equity	0	0	0	0
Other	1	-2	0	0
Change in cash	**17**	**27**	**31**	**77**
Growth rates				
Revenues	0.5%	0.9%	1.6%	2.3%
EBITDA adjusted RG	-6.6%	-0.5%	-2.6%	2.0%
Net income adjusted RG	5.6%	2.9%	-9.1%	2.6%
EPS adjusted RG	5.6%	2.8%	-9.1%	2.6%

source: company data & ResearchGreece estimates (inc. RG)

Margins (%)	2011	2012	2013E	2014E
Gross	53.2%	53.2%	51.9%	51.2%
EBITDA	27.6%	27.2%	20.7%	26.0%
Net	19.3%	19.7%	12.8%	17.7%
EBITDA adjusted RG	27.6%	27.2%	26.1%	26.0%
Net adjusted RG	19.3%	19.7%	17.6%	17.7%
Per share				
NoS weighted (m)	130	130	130	130
EPS	0.73	0.75	0.50	0.70
EPS adjusted RG	0.73	0.75	0.68	0.70
DPS	0.21	0.21	0.00	0.21
Ratios				
Mkt cap (EURm)	628	676	1,131	1,131
EV (EURm)	623	643	1,067	990
FCF yield (mkt cap)	6.5%	8.2%	5.0%	6.8%
FCF yield (EV)	6.6%	8.6%	5.3%	7.7%
Dividend yield	4.3%	4.0%	0.0%	2.4%
NWC/sales	31.1%	29.9%	27.7%	26.3%
Net debt/EBITDA	0.0x	-0.2x	-0.6x	-1.1x
Net debt/equity	0.0x	-0.1x	-0.1x	-0.2x
EBIT/Interest cost	-78	-55	-43	-115
RoE	18.1%	16.4%	13.5%	12.6%
RoCE	23.1%	20.9%	18.9%	19.8%
Multiples				
P/E	6.6x	6.9x	12.8x	12.5x
P/BV	1.2x	1.1x	1.7x	1.6x
P/TE	1.2x	1.1x	1.7x	1.6x
EV/EBITDA	4.6x	4.8x	8.1x	7.4x
EV/EBIT	5.2x	5.5x	9.5x	8.6x

Stock Price Graph

All prices as of Sep 13

Valuation sensitivity

Price Target (EUR)		Terminal growth rate 1.0%	2.0%	3.0%	4.0%
WACC	10.0%	8.2	9.1	10.2	11.6
	11.0%	7.4	8.1	8.9	9.9
	11.7%	6.9	7.5	8.1	9.0
	12.5%	6.4	6.9	7.4	8.1
	13.0%	6.1	6.6	7.1	7.7

source: ResearchGreece estimates

Operational sensitivity

2014 Net profit		Greek LfL 2014 1.0%	-2.0%	-3.0%	-4.0%
Greek EBITDA Margin	22.0%	84.3	82.3	81.6	81.0
	24.0%	90.6	88.4	87.7	87.0
	25.0%	93.8	91.5	90.7	90.0
	26.0%	97.0	94.6	93.8	93.0
	28.0%	103.3	100.7	99.8	99.0

source: ResearchGreece estimates

ResearchGreeceModel® is a proprietary analytical tool created by ResearchGreece to help readers navigate through companies' financial accounts. The model focuses on adjusted figures, excluding most distorting one-off and non-recurring items. Valuation sensitivity is performed on different wacc and terminal growth rates. Operational sensitivity is performed on variables assessed to be the most crucial for the business model of the company analyzed.

Executive summary

The Greek recession has impacted Jumbo less when compared to other retailers; 75% of profits generated domestically. We estimate a cumulative 13% drop on Greek LfL sales over the last three years and we factor in -3% for 2014E and flat for 2015E. Jumbo does not disclose LfL. The recession in Cyprus (10% of profits) ads to the headwind.

The first expansionary stage in Bulgaria on eight stores is done, while Romania is in the makings with two stores becoming operational this year on our estimates. The franchisee agreements in FYROM, Albania and Kosovo proceed as planned albeit of low significance on profits at this stage. The company's EBITDA margins reached the peak of 31% in 2008, a level we believe we will not see over the next couple of years, mainly due to the structural shift of the Greek retail market. On the other hand Jumbo should still be able to return a clean EBITDA margin of c26% this year and next and be able to manage FCF of E56m and E76m respectively. An impeccable performance in our view, which, nevertheless is already reflected in the share price, we believe.

Potential EPS upgrades from better than expected Greek LfL sales; our sensitivity analysis implies a 3% EPS impact on 1% LfL beat. Investors shouldn't be caught off guard if Jumbo decides to return zero money to shareholders this year in light of the deposit haircut in Cyprus which has cost them E24m. Last year Jumbo paid out a capital return of E27m, same as in 2011.

Management guidance calls for 2-4% sales growth in 2014; we are at +2.3%. Trading in July and August was above the upper range while September which accounts for 10% of annual sales may also turn out strong in light of the strong start to the year. However, we are concerned on December trading (28% of annual sales) and thus set our Greek related LfL estimate at -3% which admittedly seems conservative, for now.

Valuation methodology

We assign a 'DON'T OWN IT' (DOI) rating on Jumbo shares. Our 2013 end price target is at E7.5 vs. a current price of E8.7. We use a three-year DCF model to value Jumbo based on a WACC of 11.7%. The latter is the result of a cost of equity equal to 17.2%; risk free rate of 10%, beta of 1.2x, equity risk premium of 6% and pre-tax cost of debt equal to 4.5%. We use a terminal growth rate of 2%. Our perpetual FCF estimate is set at E104m which compares with an average of E72m over 2013-15E.

Investment risks

On the downside the number one risk relates to the Greek sovereign and specifically the macroeconomic situation, depressed domestic demand and the tight liquidity conditions prevailing in the economy. Other major risks would be overreliance to the Chairman of the BoD, Mr Vakakis, potential delays in the store rollout program, stocking errors and FX currency risk. The main upside risk is Greek related LfL beating expectations to hover at positive territory this year.

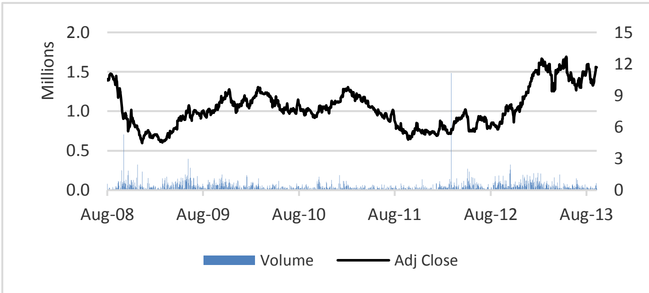
Metka - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Revenues	1,004	548	642	642
EBITDA	161	93	97	94
EBIT	156	88	92	89
Pre-tax income	149	84	84	80
Net income	115	70	56	55
EBITDA adjusted RG	161	93	97	94
EBIT adjusted RG	156	88	92	89
Pre-tax adjusted RG	149	84	84	80
Net income adjusted RG	115	70	56	55
Dividends	39	13	13	13
BS (EURm)				
Net working capital	463	505	517	536
PP&E	59	58	57	56
Intangibles	0	0	0	0
Goodwill	2	2	2	2
Investments	0	0	0	0
Other assets	12	20	20	20
Net debt/(cash)	-153	-51	-106	-128
Other liabilities	350	265	287	286
Equity	322	353	396	438
Minorities	17	0	0	0
Total assets/liabilities	**787**	**763**	**843**	**882**
Cash flow (EURm)				
Gross/Cash EBITDA	**161**	**93**	**97**	**94**
Change in wcap	-1	-105	-12	-19
Taxes paid	-31	-2	-5	-26
Operating CF	129	-15	80	48
Capex & Investments	-6	-46	-4	-4
Free cash flow	**123**	**-60**	**76**	**44**
Change in debt	13	36	0	0
Dividends paid	-26	-39	-13	-13
Financials	0	2	-8	-9
Change in equity	0	0	0	0
Other	-10	-7	0	0
Change in cash	**100**	**-68**	**55**	**23**
Growth rates				
Revenues	63.6%	-45.4%	17.2%	0.0%
EBITDA adjusted RG	20.7%	-42.5%	4.4%	-3.1%
Net income adjusted RG	32.2%	-39.1%	-20.5%	-2.3%
EPS adjusted RG	32.2%	-39.1%	-20.5%	-2.3%

source: company data & ResearchGreece estimates (incl. RG)

Margins (%)	2011	2012	2013E	2014E
Gross	19.0%	21.5%	19.8%	19.3%
EBITDA	16.1%	16.9%	15.1%	14.6%
Net	11.5%	12.8%	8.7%	8.5%
EBITDA adjusted RG	16.1%	16.9%	15.1%	14.6%
Net adjusted RG	11.5%	12.8%	8.7%	8.5%
Per share				
NoS weighted (m)	52	52	52	52
EPS	2.21	1.35	1.07	1.05
EPS adjusted RG	2.21	1.35	1.07	1.05
DPS	0.75	0.25	0.24	0.24
Ratios				
Mkt cap (EURm)	286	512	606	606
EV (EURm)	150	461	501	478
FCF yield (mkt cap)	43.1%	-11.8%	12.5%	7.3%
FCF yield (EV)	81.9%	-13.1%	15.1%	9.2%
Dividend yield	13.6%	2.5%	2.1%	2.1%
NWC/sales	46.1%	92.1%	80.5%	83.6%
Net debt/EBITDA	-0.9x	-0.5x	-1.1x	-1.4x
Net debt/equity	-0.5x	-0.1x	-0.3x	-0.3x
EBIT/Interest cost	3128.1x	-48.5x	11.5x	9.9x
RoE	35.7%	19.9%	14.1%	12.4%
RoCE	84.1%	29.2%	31.7%	28.7%
Multiples				
P/E	2.5x	7.3x	10.9x	11.1x
P/BV	0.9x	1.5x	1.5x	1.4x
P/TE	0.9x	1.5x	1.5x	1.4x
EV/EBITDA	0.9x	5.0x	5.2x	5.1x
EV/EBIT	1.0x	5.2x	5.4x	5.4x

Stock Price Graph



All prices as of Sep 13

Valuation sensitivity

	Price Target (EUR)	Terminal growth rate 1.0%	2.0%	3.0%	4.0%
WACC	14.0%	10.2	10.7	11.3	12.1
	15.0%	9.5	10.0	10.5	11.1
	16.6%	8.7	**9.0**	9.4	9.9
	17.0%	8.5	8.8	9.2	9.6
	18.0%	8.1	8.4	8.7	9.0

source: ResearchGreece estimates

Operational sensitivity

	2014E Net Income (Em)	EPC EBITDA Margin 13.0%	14.0%	15.0%	16.0%
EPC sales (Em)	400	24.1	27.3	30.5	33.7
	450	29.3	32.9	36.5	40.1
	500	34.5	38.5	42.5	46.5
	600	44.9	49.7	**54.5**	59.3
	650	50.1	55.3	60.5	65.7

source: ResearchGreece estimates

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Executive summary

The company is currently executing EPC projects in Syria, Turkey, Iraq, Jordan, Algeria and some smaller ones in the domestic market. On current backlog of cE1.5bn, earnings should continue to please, provided the Deir Azzour project in Syria gets going. Operations have not yet commenced, this project accounts for c44% of the order book, and is included in our net income forecasts for the group of cE55m for this year and next.

The track record in entering new markets, successfully executing and replenishing the backlog at cE1.7bn on average over 2009-13, is impeccable, in our view. Furthermore, we also welcome the cumulative dividend of cE100m over the same period on the back of good cash flow generation.

However, the shares trade on 5.1x EBITDA for this year and next and we think they are fully valued, considering the contract type business model and exposure in high risk geopolitical countries. EPC related EBITDA margins at 15.5% are already lucrative, and perhaps with limited upside.

Valuation methodology

We assign a 'DON'T OWN IT' (DOI) rating on Metka shares. Our 2013 end price target is at E9 vs. a current price of E11.7. We use a three-year DCF model to value Metka based on a WACC of 16.6%. The latter is the result of a cost of equity equal to 19.6%; risk free rate of 10%, beta of 1.2x, equity risk premium of 8% (reflecting country risk) and pre-tax cost of debt equal to 6.5%. We use a terminal growth rate of 2%. Our perpetual FCF estimate is set at E64m (average of E58m over 2013-15E).

Investment risks

Risks if they don't meet the technical specifications as well as timely completion, perhaps from unforeseen construction mistakes, delays due to bad weather and cost overruns. Others could be geopolitical instability especially in emerging markets, raw material price volatility, foreign exchange risk exposure and significant customer dependence with five contracts/projects accounting for c84% of 1H13 sales. The main upside risk is EPC related sales and EBITDA margins beating expectations.

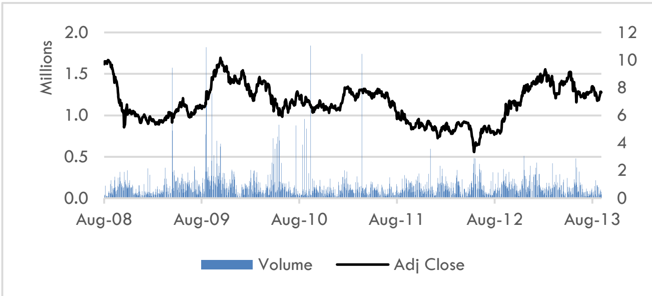
Motor Oil - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Gross profit	406	388	318	347
EBITDA	331	270	205	265
EBIT	248	179	111	170
Pre-tax income	174	102	30	90
Net income	134	77	22	66
EBITDA adjusted RG	310	303	235	265
EBIT adjusted RG	218	211	141	170
Pre-tax adjusted RG	153	135	60	90
Net income adjusted RG	115	108	44	66
Dividends	44	33	9	28
BS (EURm)				
Net working capital	568	409	392	440
PP&E	1,140	1,105	1,064	1,021
Intangibles	35	34	32	29
Goodwill	19	19	19	19
Investments	39	56	56	56
Other assets	50	48	48	48
Net debt/(cash)	1,181	987	949	896
Other liabilities	122	112	112	112
Equity	547	570	547	604
Minorities	1	1	1	1
Total assets/liabilities	**2,566**	**2,570**	**2,564**	**2,621**
Cash flow (EURm)				
Gross/Cash EBITDA	**334**	**268**	**205**	**265**
Change in wcap	463	-170	-17	48
Taxes paid	46	37	8	23
Operating CF	**-174**	**400**	**213**	**194**
Capex & Investments	70	68	50	50
Free cash flow	**-244**	**332**	**163**	**144**
Change in debt	407	-121	0	0
Dividends paid	28	44	33	9
Financials	64	86	81	81
Change in equity	0	-11	-11	0
Other	0	0	0	0
Change in cash	**71**	**70**	**38**	**54**
Growth rates				
Gross profit	36.0%	-4.5%	-18.0%	9.2%
EBITDA adjusted RG	42.0%	-2.5%	-22.5%	13.2%
Net income adjusted RG	-20.1%	-5.7%	-59.0%	49.9%
EPS adjusted RG	-20.1%	-5.7%	-59.0%	49.9%

source: company data & ResearchGreece estimates (incl. RG)

Margins	2011	2012	2013E	2014E
Blended clean $/b	7.1	6.1	5.0	5.5
Refining clean	7.9	6.8	5.5	6.0
Blended reported	7.5	5.6	n.a.	n.a.
Refining reported	8.3	6.2	n.a.	n.a.
Inv gains (Em)	21.0	-33.0	n.a.	n.a.
Per share				
NoS weighted (m)	111	111	111	111
EPS	1.21	0.70	0.20	0.60
EPS adjusted RG	1.03	0.98	0.40	0.60
DPS	0.40	0.30	0.09	0.26
Ratios				
Mkt cap (EURm)	656	919	850	850
EV (EURm)	1,838	1,908	1,800	1,747
FCF yield (mkt cap)	-37.2%	36.1%	19.2%	17.0%
FCF yield (EV)	-13.3%	17.4%	9.1%	8.2%
Dividend yield	6.8%	3.6%	1.1%	3.3%
NWC/sales	6.5%	4.2%	n.a.	n.a.
Net debt/EBITDA	3.6x	3.7x	4.6x	3.4x
Net debt/equity	2.2x	1.7x	1.7x	1.5x
EBIT/Interest cost	3.3x	2.8x	1.7x	2.1x
RoE	20.9%	19.0%	8.1%	11.0%
RoCE	6.6%	6.9%	3.0%	4.4%
Multiples				
P/E	5.7x	8.5x	19.2x	12.8x
P/BV	1.2x	1.6x	1.6x	1.4x
P/TE	1.2x	1.7x	1.6x	1.5x
EV/EBITDA	5.9x	6.3x	7.7x	6.6x
EV/DACF	-9.8x	5.0x	9.4x	10.1x

Stock Price Graph



All prices as of Sep 13

Valuation sensitivity

	Price Target (EUR)	-1.0%	0.0%	1.5%	3.0%
		Terminal growth rate			
WACC	**8.0%**	8.8	10.6	14.4	20.4
	9.0%	6.9	**8.3**	11.0	15.2
	10.0%	5.5	6.6	8.8	11.9
	13.0%	2.3	2.9	4.1	5.6
	16.0%	0.3	0.7	1.4	2.2

source: ResearchGreece estimates

Operational sensitivity

	2014E EBITDA (Em)	4.0	5.5	6.0	7.5
		Refining margin ($/bbl)			
EUR/USD	**1.20**	190	295	333	440
	1.25	179	280	316	418
	1.30	168	**265**	300	398
	1.35	159	252	285	380
	1.40	133	217	247	333

source: ResearchGreece estimates

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Executive summary

The outlook of complex refining economics is not exciting but Motor Oil is not like any other complex refiners. Amid weak hydrocracking margins, slowing domestic demand, narrowing brent-ural/ conversion spreads and a maintenance shutdown (that kept the FCC and hydrocracker out for 1.5 months in H1), they managed to deliver a margin of $5/bbl.

We assume that the adverse refining conditions will persist in H2 2013 and 2014 and estimate margins of $5.5-$6.0/bbl over the next three years. This may seem too conservative but there are forces in place, some of which structural, affecting crude slate costs and margins such as the Russia's strategic shift/re-routing of oil exports towards Asian markets (combined with a boost in domestic refineries making Ural more expensive), the US shale oil boom (affecting the price of sweet-like Brent grades) and the turmoil in the Middle East.

We incorporate volumes of 11.5m tn p.a. (c.50% middle distillates) and storage gains of E50m p.a. We account for maintenance capex of E50m p.a. and model earnings of E66m in 2014 and E93m in 2015. We need to a better refining environment to upgrade our earnings estimates.

Valuation methodology

We assign a 'DON'T OWN IT' (DOI) rating on Motor Oil. Our 2013 end price target is E8.3 per share vs. a current price of E7.7 per share. Our valuation is based on blended margins equal to $5.5-$6.0/bbl in 2014-2016E. We estimate a E3.0 per share sensitivity to our price target for every $1/bbl increase in the refining margin.

The current outlook for complex refiners is rather negative and visibility over a potential upside is quite low. This is why we have chosen a conservative stance in forming our margin estimates. 2014 should be better than 2013 but we consider the risk/reward profile is not that attractive for us to adopt a positive stance on the stock. The most crucial, margin uplifting factors would be domestic demand for oil products, brent/ural spread, European demand for diesel and the fuel oil/diesel spread.

We use a DCF model to value the company based on a WACC rate of 9% (rf 10%, ERP 6% and beta of 1.2x) and a terminal growth rate of 0%. We apply a 10% discount to our valuation to account for the leverage in the balance sheet (2x equity). As Motor Oil is a pure refinery the refining & marketing valuation accounts for 100% of the enterprise value of the group.

Investment risks

The main downside (upside) risks for Motor Oil are refining margins coming in lower (higher) on a combination of factors such as lower (higher) brent/ural spreads, lower (higher) conversion margins and lower (higher) middle distillate cracks. The drivers of these risks would include European and Greek macroeconomic conditions, the turmoil in the Middle East and Asia and structural/political initiatives affecting crude oil economics.

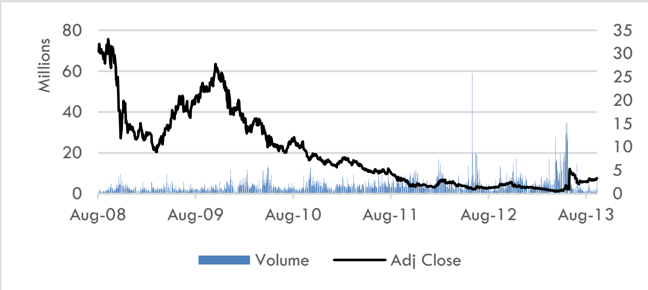
National Bank of Greece - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Net Interest Income	3,843	3,365	3,376	3,122
Net fees & comms	494	495	485	516
Other	36	-490	97	152
Total revenues	4,373	3,370	3,958	3,790
Pre-Provision Profit	1,832	1,035	1,709	1,548
Impairments	2,664	2,545	1,724	1,442
One-offs* (+ neg)	12,581	358	-103	0
Pre-tax income	-13,420	-1,872	88	106
Net income	-12,344	-2,139	-41	109
Pre-tax adjusted RG	-839	-1,514	-15	106
Net income adjusted RG	-795	-1,675	-144	109
BS (EURm)				
Loans, net	71,496	69,135	67,712	67,650
Interbank lending	4,636	4,318	4,318	4,318
Investments	10,688	8,315	8,315	8,315
Goodwill & Intang.	2,137	2,138	2,138	2,138
Other assets	17,913	20,892	21,069	21,196
Deposits	59,544	58,722	61,028	62,687
Interbank funding	34,108	33,972	20,705	18,002
Debt & hybrids	3,440	3,772	3,772	3,772
Other liabilities	10,031	10,221	10,221	10,221
Equity	-2,073	-3,479	6,235	7,345
Pillar 2 prefs	1,736	1,522	1,522	1,522
Minorities	84	70	70	70
Total assets/liabilities	**106,870**	**104,799**	**103,552**	**103,617**
Loans b/d (%)				
Mortgages, group	24,079	23,471		
Consumer, group	14,024	15,709		
Business, group	40,514	37,725		
Loans Greece	53,512	51,694	48,624	46,119
Loans foreign	23,108	24,546	27,416	30,302
Operating stats				
Branches	0	1,691		
o/w Greece	539	511		
o/w foreign	0	1,180		
Employees	34,698	35,128		
o/w Greece	1	13,493		
o/w foreign	0	21,635		
Growth rates				
NII	n.a.	-12.4%	0.3%	-7.5%
PPP	n.a.	-4.5%	-32.3%	-16.3%
Pre-tax adjusted RG	n.a.	80.5%	-99.0%	-820.5%
EPS adjusted RG	n.a.	110.6%	-95.1%	-152.9%

source: company data & ResearchGreece estimates (incl. RG)

Asset quality	2011	2012	2013E	2014E
NPLs (Em)	8,834	13,157	15,496	14,755
Provisions (Em)	5,124	7,105	8,328	8,771
NPL ratio	11.5%	19.0%	22.4%	21.3%
NPL ratio -Greece	13.0%	23.1%	30.0%	30.0%
Cost of Risk (bps)	338	333	226	189
NPL coverage	58.0%	54.0%	53.7%	59.4%
Per share				
NoS weighted (m)	955	956	1676	2397
EPS	-12.92	-2.24	-0.02	0.05
EPS adjusted RG	-0.83	-1.75	-0.09	0.05
DPS	0.00	0.00	0.00	0.00
Regulatory capital & CAD ratios				
RWA (Em)	64,248	64,521	58,900	55,595
EBA CT1 capital	4,282	5,033	5,423	6,532
TIER I capital	5,093	5,464	5,595	6,704
CAD	5,760	5,807	5,938	7,047
EBA CT1 ratio	6.7%	7.8%	9.2%	11.7%
TIER I ratio	7.9%	8.5%	9.5%	12.1%
CAD ratio	9.7%	9.0%	10.1%	12.7%
Ratios & Margins				
L/D	120.1%	117.7%	111.0%	107.9%
NIM (/TA)	3.6%	3.2%	3.3%	3.0%
C/I	58.1%	69.3%	56.8%	59.2%
PPP	2.3%	1.4%	2.2%	2.0%
RoTE	293.2%	36.2%	-1.0%	2.1%
Multiples				
Mkt cap (EM)	1,530	1,233	7,574	7,574
Tang. Equity (Em)	-4,210	-5,617	4,098	5,207
P/E	-1.9x	-0.7x	-52.6x	69.5x
P/TE	-0.4x	-0.2x	1.8x	1.5x
Dividend yield	0.0%	0.0%	0.0%	0.0%

Stock Price Graph



All prices ad of Sep 13

Valuation sensitivity

Price Target (EUR)	Normalized CoE 10.0%	12.0%	14.0%	16.0%
Norm. RoTE 12.0%	2.30	1.92	1.64	1.44
14.0%	2.68	2.24	1.92	1.68
17.0%	3.26	**2.72**	2.33	2.04
20.0%	3.83	3.19	2.74	2.40
25.0%	4.79	3.99	3.42	2.99

source: ResearchGreece estimates

Operational sensitivity

2015 GR Pre-tax (Em)	Cost of Risk (bps) 100	170	200	250
Cost growth -15.0%	256	53	-34	-178
-10.0%	217	**14**	-72	-217
-5.0%	178	-25	-111	-256
0.0%	139	-63	-150	-295
5.0%	100	-102	-189	-334

source: ResearchGreece estimates

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Executive summary

In terms of corporate activity National Bank is pretty much the same bank as before having acquired the good parts of two small banks, FBB and Probank. Post recap the bank is still short of app 70bps of EBA CT1 capital against a regulatory minimum 9% of RWAs (HFSF support stood at E9.7bn in exchange for an 85% stake), which the IMF attributes to the ''deterioration of asset quality to levels beyond the projections made in 2011''. In other words, reality came in worse than what the recap exercise had incorporated. The bank has committed to the regulator to find ways to fill the gap, including RWA reduction (Finansbank, IRB), LME and the sale of non-core assets (Astir Hotel). We assume E1bn of additional capital by 2014E from the sale of assets.

With a Q2 2013 EBA CT1 ratio of 8.3%, and after accounting for pre-provision profits to be generated cumulatively up to 2015, and app E1bn of additional equity from asset sales (RG estimates), National has a provision leeway of E4bn enough to cover for a maximum NPL ratio of 33% (vs. 20.8% in Q2), on our estimates. As for all core banks, the main challenges ahead include managing asset quality, bringing back deposits and preserving capital.

We estimate marginal clean net losses in 2013-14E with National close to the break even line a year earlier than rival banks (2014E) thanks to the strong performance of Finansbank (cE500m net income p.a.) and the funding shift to the ECB (cheaper than ELA). We assume the bank meets minimum regulatory capital (CT1) of 9% against RWA. This is our base case scenario. However, with low visibility on NBG's actions for more capital and asset quality trends being hard to predict we lack any real conviction.

Valuation methodology

The lack of visibility surrounding Greek banking makes it extremely difficult and arbitrary to value the banks. We use 3-YR forward normalized RoTE/Tang. Equity and all other conventional variables to estimate a terminal P/TE multiple.

We assume normalized RoTE in 2016E of 17% on tangible equity of E7bn, implying net income of E1.2bn. Using a 12% normalized CoE and 0% terminal growth we calculate a terminal P/TE of 1.4x and terminal value of E10bn, which we discount with a weighted average cost of equity of 15% (lower than the 16% used for the other banks in our universe due to Turkey's weight), to account for current (pre-normalized) elevated levels of the Greek risk-free rate, and estimate a PV or E6.5bn. We set out target price at E2.72 per share vs. current price at E3.16. Higher normalized RoTE/CoE estimates than peers reflect mainly the bank's exposure to higher growth/higher risk countries (Finansbank in Turkey). We assign a 'DON'T OWN IT' (DOI) rating.

The key buffer in our valuation relates to normalized earnings. We assume break even in 2014E and normalization in 2016E but where this to happen earlier (later) the valuation result would be higher (lower) than our estimate.

Investment risks

The main downside risk relates to the sovereign and capital. If the economic situation in Greece turns out worse than expected and/or if National does not succeed in filling the CT1 capital gap we believe revenues, asset quality and liquidity/confidence will be affected. This could result to more capital needs, hence squeezing shareholders. Another downside (upside) risk relates to currency risk in its Turkish exposure (TRL/EUR). The main upside risk is clearly the sovereign performing better than expected with confidence recovering, liquidity improving as deposits return and asset quality pressures moderating.

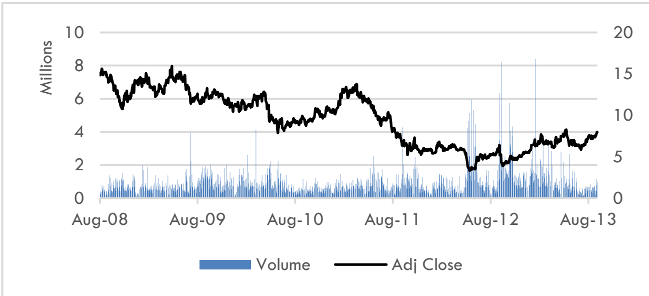
OPAP - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Revenues	4,358	3,972	3,472	6,659
EBITDA	734	674	258	309
EBIT	690	630	204	179
Pre-tax income	700	638	186	167
Net income	537	505	138	124
EBITDA adjusted RG	734	674	258	309
EBIT adjusted RG	690	630	204	179
Pre-tax adjusted RG	700	638	186	167
Net income adjusted RG	537	505	138	124
Dividends	230	182	48	62
BS (EURm)				
Net working capital	-35	-30	-30	-30
PP&E	90	81	108	167
Intangibles	1,102	1,106	1,315	1,253
Goodwill	8	8	8	8
Investments	4	3	3	3
Other assets	51	39	39	39
Net debt/(cash)	88	-213	67	-11
Other liabilities	244	256	256	256
Equity	890	1,165	1,121	1,197
Minorities	0	0	0	0
Total assets/liabilities	**1,504**	**1,731**	**1,690**	**1,679**
Cash flow (EURm)				
Gross/Cash EBITDA	**751**	**684**	**258**	**309**
Change in wcap	-6	28	0	0
Taxes paid	298	92	48	43
Operating CF	**458**	**565**	**210**	**265**
Capex & Investments	861	130	290	127
Free cash flow	**-403**	**435**	**-80**	**138**
Change in debt	266	-46	3	-87
Dividends paid	345	230	182	48
Financials	-20	-13	17	12
Change in equity	0	0	0	0
Other	0	0	0	0
Change in cash	**-462**	**172**	**-276**	**-9**
Growth rates	-15.2%	-8.9%	-12.6%	91.8%
Revenues	-19.0%	-8.2%	-61.7%	19.7%
EBITDA adjusted RG	-6.7%	-5.9%	-72.7%	-10.3%
Net income adjusted RG	-6.7%	-5.9%	-72.7%	-10.3%
EPS adjusted RG	-15.2%	-8.9%	-12.6%	91.8%

source: company data & ResearchGreece estimates (incl. RG)

Margins (%)	2011	2012	2013E	2014E
Gross	19.5%	19.5%	10.1%	4.4%
EBITDA	16.8%	17.0%	7.4%	4.6%
Net	12.3%	12.7%	4.0%	1.9%
EBITDA adjusted RG	16.8%	17.0%	7.4%	4.6%
Net adjusted RG	12.3%	12.7%	4.0%	1.9%
Per share				
NoS weighted (m)	319	319	319	319
EPS	1.68	1.58	0.43	0.39
EPS adjusted RG	1.68	1.58	0.43	0.39
DPS	0.72	0.57	0.15	0.19
Ratios				
Mkt cap (EURm)	2,179	1,723	2,546	2,546
EV (EURm)	2,267	1,510	2,612	2,535
FCF yield (mkt cap)	-18.5%	25.3%	-3.2%	5.4%
FCF yield (EV)	-17.8%	28.8%	-3.1%	5.5%
Dividend yield	10.5%	10.6%	1.9%	2.4%
NWC/sales	-0.8%	-0.8%	-0.9%	-0.5%
Net debt/EBITDA	0.1x	-0.3x	0.3x	0.0x
Net debt/equity	0.1x	-0.2x	0.1x	0.0x
EBIT/Interest cost	-45.6x	-61.9x	11.8x	14.6x
RoE	60.4%	43.4%	12.3%	10.3%
RoCE	55.0%	53.1%	11.6%	10.4%
Multiples				
P/E	4.1x	3.4x	18.4x	20.6x
P/BV	2.4x	1.5x	2.3x	2.1x
P/TE	2.5x	1.5x	2.3x	2.1x
EV/EBITDA	3.1x	2.2x	10.1x	8.2x
EV/EBIT	3.3x	2.4x	12.8x	14.1x

Stock Price Graph



All prices as of Sep 13

Valuation sensitivity

Price Target (EUR)		WACC - Core concession 12.0%	14.0%	16.0%	18.0%
WACC - VLTs	**10.0%**	7.6	7.4	7.2	6.7
	12.0%	7.3	7.1	6.9	6.4
	14.0%	7.1	6.9	6.7	6.2
	16.0%	6.9	6.7	**6.5**	6.0
	18.0%	6.7	6.5	6.3	5.8

source: ResearchGreece estimates

Operational sensitivity

2015E FCF (Em)		VLTs daily wager (EUR) 400	600	800	1000
Stihima& KINO 3Y sales drop	**-50.0%**	271	328	385	442
	-40.0%	287	344	401	458
	-28.0%	310	**367**	424	481
	-15.0%	334	391	448	505
	0.0%	361	418	475	533

source: ResearchGreece estimates

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Executive summary

Exploiting new VLTs/lotteries/on-line licenses, stimulating Stihima and defending Kino are the new challenges for OPAP over the next couple of years. Execution and disposable income are bigger risks than losing the monopoly rights anytime soon (and following recent legal decisions). History suggests there is big gaming market in Greece. This implies that VLTs, due to their nature and scale, carry the biggest potential going forward. So, 2014 is the inflexion year as OPAP works on its new lottery/VLT licenses.

For 2013-2014, the higher gaming tax environment and lower consumer spending mean that the good old business days of OPAP paying >E600m in dividends are over; but we believe that paying half of this in 2-3 years from now is feasible as new games net off part of the tax effect. We expect 2013 net income at 138m (-73% yoy; OPAP guides for E116m) and 2014E at E124m. We assume -20% yoy for Stihima sales in 2013 and +5% in 2014 (World cup effect) while for Kino we model -10% in 2013 and -25% in 2014 as cannibalization from VLTs kicks in.

In 2015 we assume full rollout of VLTs, with gross wins/day at E600 (vs E2,000 for Lottomatica), helps OPAP to double its earnings yoy to E250m. Were gross wins to stand at E1,000/day net income would exceed E400m. This is why investors should focus on VLTs.

Valuation methodology

We assign a 'DON'T OWN IT' (DOI) rating on OPAP. Our 2013 end price target is E6.5/sh (and closer to the E6.2/sh implied price from the 33% stake acquisition by Emma Delta) vs. a current price of E8.0/sh. 2014E multiples look demanding although less so if we consider the earnings potential from VLTs and lotteries.

We have low visibility with respect to the execution of these new licenses. Their successful and timely rollout is OPAP's valuation buffer. Our sensitivity analysis shows our price target would increase to E7.10-E10.00 for VLT gross wins ranging anything between E700-1,500/day (still below Lotomatiica's).

We use a DCF based sum-of-the-parts model to value the company. We value the core concession of land-based games, VLTs, Lotteries and on-line with separate DCF models using WACC rates of 16% (rf 10%, ERP 6% and beta of 1x). We assume zero terminal values post license expiration –this being a potential upside for the stock in case OPAP is to keep part or all of these businesses post expiration.

Investment risks

Notwithstanding the sovereign/macroeconomic conditions prevailing in Greece, we see three main downside risks: a) more gaming taxes and/or other state/regulatory interventions affecting the business model of the company, b) monopoly loss and c) VLT/lottery/on-line execution risks yielding lower revenues compared to our estimates.

We see the biggest potential upside arising from VLTs upon full rollout and in case gross wins come in higher vs. our estimates. Also, faster than expected recovery of consumer spending would be supportive of earnings upgrades. Lastly, a reduction in the discount rate, as a result of good news on the sovereign, would be a strong catalyst for valuation upgrades.

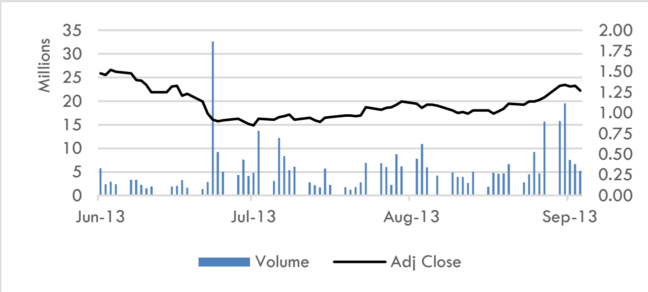
Piraeus Bank - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Net Interest Income	1,173	1,028	1,697	2,100
Net fees & comms	198	218	334	334
Other	-148	227	239	239
Total revenues	1,222	1,472	2,270	2,673
Pre-Provision Profit	399	563	820	1,291
Impairments	1,555	2,043	2,637	2,166
One-offs* (+ neg)	6,329	-284	-4,361	0
Pre-tax income	-7,516	-1,185	2,559	-855
Net income	-6,617	-513	2,958	-692
Pre-tax adjusted RG	-1,188	-1,470	-1,803	-855
Net income adjusted RG	-1,987	-1,312	-1,343	-632
BS (EURm)				
Loans, net	34,006	44,613	62,821	59,295
Interbank lending	316	380	380	380
Investments	5,623	12,926	12,926	12,926
Goodwill & Intang.	325	410	410	410
Other assets	9,082	12,077	13,650	13,650
Deposits	21,796	36,971	54,558	54,558
Interbank funding	25,414	32,561	23,369	20,535
Debt & hybrids	1,428	594	594	594
Other liabilities	2,655	2,596	2,596	2,596
Equity	-2,825	-3,194	8,193	7,501
Pillar 2 prefs	750	750	750	750
Minorities	135	128	128	128
Total assets/liabilities	**49,352**	**70,406**	**90,188**	**86,662**
Loans b/d (%)				
Mortgages, group	6,809	12,713		
Consumer, group	3,924	5,281		
Business, group	26,326	32,579		
Loans Greece	29,729	43,235	68,000	64,140
Loans foreign	7,330	7,338	7,339	7,339
Operating stats				
Branches	832	1,338		
o/w Greece	346	889		
o/w foreign	486	449		
Employees	11,246	18,597		
o/w Greece	6,171	12,365		
o/w foreign	6,476	6,232		
Growth rates				
NII	n.a.	-0.12	65.2%	23.7%
PPP	n.a.	0.31	29.0%	-17.9%
Pre-tax adjusted RG	n.a.	0.24	22.6%	-52.6%
EPS adjusted RG	n.a.	-0.37	-62.4%	-71.2%

source: company data & ResearchGreece estimates (incl. RG)

Asset quality	2011	2012	2013E	2014E
NPLs (Em)	4,994	11,760	28,042	24,504
Provisions (Em)	3,052	5,961	12,518	12,184
NPL ratio	13.5%	23.3%	37.2%	34.3%
NPL ratio -Greece	13.2%	23.0%	38.0%	35.0%
Cost of Risk (bps)	518	501	419	295
NPL coverage	61.1%	50.7%	44.6%	49.7%
Per share				
NoS weighted (m)	1082	1143	3108	5073
EPS	-6.12	-0.45	0.95	-0.14
EPS adjusted RG	-1.84	-1.15	-0.43	-0.12
DPS	0.00	0.00	0.00	0.00
Regulatory capital & CAD ratios				
RWA (Em)	34,723	43,175	64,318	61,023
EBA CT1 capital	2,490	3,957	8,526	7,834
TIER I capital	2,662	5,099	8,586	7,894
CAD	2,992	5,267	8,755	8,062
EBA CT1 ratio	7.2%	9.2%	13.3%	12.8%
TIER I ratio	7.7%	11.8%	13.3%	12.9%
CAD ratio	9.7%	9.7%	9.7%	9.7%
Ratios & Margins				
L/D	156.0%	120.7%	115.1%	108.7%
NIM (/TA)	2.4%	1.5%	1.9%	2.4%
C/I	67.3%	61.7%	63.9%	51.7%
PPP	1.0%	1.3%	1.3%	1.8%
RoTE	210.1%	14.2%	38.0%	-9.8%
Multiples				
Mkt cap (EM)	289	386	6,442	6,442
Tang. Equity (Em)	-3,150	-3,604	7,784	7,091
P/E	-0.1x	-0.3x	-4.8x	-10.2x
P/TE	-0.1x	-0.1x	0.8x	0.9x
Dividend yield	0.0%	0.0%	0.0%	0.0%

Stock Price Graph



All prices as of Sep 13

Valuation sensitivity

	Price Target (EUR)	Normalized CoE 8.0%	10.0%	12.0%	16.0%
Norm. RoTE	**8.0%**	0.98	0.78	0.65	0.49
	10.0%	1.22	0.98	0.81	0.61
	12.0%	1.46	**1.17**	0.98	0.73
	14.0%	1.71	1.37	1.14	0.85
	16.0%	1.95	1.56	1.30	0.98

source: ResearchGreece estimates

Operational sensitivity

	2015 GR Pre-tax (Em)	Cost of Risk (bps) 150	200	250	3540
Staff cost growth	**-10.0%**	359	33	-293	-945
	-8.0%	347	**21**	-305	-957
	-5.0%	329	3	**-323**	-975
	0.0%	298	-28	-354	-1006
	5.0%	268	-59	-385	-1037

source: ResearchGreece estimates

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Executive summary

Piraeus Bank emerged out of recent corporate activity as a relative winner in terms of size, market share and capital. Having spent E621m for ATE bank (good part), Geniki, Millennium and CY branches it is now the biggest bank in Greece with a c30% share in loans and deposits. It is also the bank with the biggest private ownership (in large due to smart M&A deals yielding total negative goodwill of E4.16bn) with the HFSF owning a 77% stake post recap. It will be a hard task to integrate all these acquired businesses but it comes with a big reward, namely E547m of fully phased pre-tax synergies by 2015E.

With a Q2 EBA CT1 ratio of 13.8% against a regulatory minimum of 9%, and after accounting for our pre-provision estimates up to 2015 (cumulative basis), we estimate Piraeus has a provision pillow of E5.1bn to be added to Q2 provisions of E12.4bn. These should cover for a maximum NPL ratio of 48% (vs. 33.2% in Q2), assuming an NPL coverage of 50%. Managing asset quality shocks, bringing back deposits, preserving capital and integrating CY bank branches and Millennium are the main challenges for the bank. We see asset quality as the main risk.

Arbitrarily enough we estimate cE2.0bn of cumulative clean losses in 2013-14E before reaching break-even levels in 2015E. PPP is supported by the funding shift to the ECB (cheaper than ELA), contribution from acquired businesses and cost cutting (including synergies).

Regulatory capital (CT1) remains at levels >10% despite the net losses described above. This is our base case scenario. However, with asset quality trends being hard to predict we lack any real conviction with regards to Piraeus Bank and the sector.

Valuation methodology

We use 3-YR forward normalized RoTE/Tang. Equity and all other conventional variables to estimate a terminal P/TE multiple. This way we can also infer what the market is currently discounting with respect to the bank's future performance.

We assume normalized RoTE in 2016E of 12% on tangible equity of E7.8bn, implying net income of E930m. Using a 10% normalized CoE and 0% terminal growth we calculate a terminal P/TE of 1.2x and terminal value of E9.3n. We discount the latter with a weighted cost of equity of 16% to account for current (pre-normalized) elevated levels of the Greek risk-free rate and estimate a PV of E5.9bn. We set our target price at E1.17 per share vs. current price at E1.27 per share. We assign a 'DON'T OWN IT' (DOI) rating.

The key buffer in our valuation relates to normalized earnings. We assume break even in 2015E and normalization in 2016E but where this to happen earlier (later) the valuation result would be higher (lower) than our estimate.

Investment risks

The main downside risk relates to the sovereign. If the economic situation in Greece turns out worse than expected this will affect revenues and asset quality. This could result to more capital needs, hence squeezing shareholders. Another downside (upside) risk relates to the unsuccessful (successful) integration of acquired businesses. The main upside risk is clearly the sovereign performing better than expected with confidence recovering, liquidity improving as deposits return and asset quality pressure moderating.

Sarantis - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Revenues	221	236	243	250
EBITDA	20	21	23	26
EBIT	16	17	19	22
Pre-tax income	13	15	13	22
Net income	10	12	8	17
EBITDA adjusted RG	20	21	23	26
EBIT adjusted RG	16	17	19	22
Pre-tax adjusted RG	13	15	20	22
Net income adjusted RG	10	12	16	17
Dividends	0	0	0	0
BS (EURm)				
Net working capital	70	72	75	77
PP&E	38	37	34	32
Intangibles	17	17	18	19
Goodwill	6	6	6	6
Investments	17	17	15	15
Other assets	2	2	2	2
Net debt/(cash)	15	-1	-10	-26
Other liabilities	9	9	9	9
Equity	127	143	152	169
Minorities	0	0	0	0
Total assets/liabilities	**241**	**247**	**243**	**261**
Cash flow (EURm)				
Gross/Cash EBITDA	**15**	**16**	**17**	**22**
Change in wcap	5	2	3	2
Taxes paid	2	2	5	5
Operating CF	**9**	**13**	**9**	**15**
Capex & Investments	12	3	3	2
Free cash flow	**-4**	**10**	**6**	**13**
Change in debt	-6	-8	-12	0
Dividends paid	-3	-4	-4	-3
Financials	2	2	1	0
Change in equity	-1	-2	0	0
Other	0	0	0	0
Change in cash	**-9**	**2**	**-4**	**16**
Growth rates				
Revenues	-0.9%	6.6%	2.8%	3.0%
EBITDA adjusted RG	-7.9%	7.8%	7.8%	11.8%
Net income adjusted RG	-20.5%	24.8%	28.2%	9.1%
EPS adjusted	-20.5%	26.8%	38.2%	9.1%

source: company data & ResearchGreece estimates (incl. RG)

Margins (%)	2011	2012	2013E	2014E
Gross	47.7%	47.5%	48.8%	49.0%
EBITDA	8.9%	9.0%	9.4%	10.2%
Net	4.4%	5.1%	3.5%	6.8%
EBITDA adjusted RG	8.9%	9.0%	9.4%	10.2%
Net adjusted RG	4.4%	5.1%	6.4%	6.8%
Per share				
NoS weighted (m)	38	38	35	35
EPS	0.25	0.32	0.24	0.49
EPS adjusted RG	0.25	0.32	0.45	0.49
DPS	0.00	0.00	0.00	0.00
Ratios				
Mkt cap (EURm)	72	151	184	184
EV (EURm)	87	150	174	158
FCF yield (mkt cap)	-4.9%	6.4%	3.4%	7.3%
FCF yield (EV)	-4.0%	6.4%	3.6%	8.5%
Dividend yield	0.0%	0.0%	0.0%	0.0%
NWC/sales	31.6%	30.4%	30.8%	30.9%
Net debt/EBITDA	0.8x	0.0x	-0.4x	-1.0x
Net debt/equity	0.1x	0.0x	-0.1x	-0.2x
EBIT/Interest cost	8.0x	9.0x	16.5x	30.3x
RoE	7.7%	8.5%	10.3%	10.1%
RoCE	11.1%	12.3%	13.5%	15.3%
Multiples				
P/E	7.4x	12.4x	11.8x	10.8x
P/BV	0.6x	1.1x	1.2x	1.1x
P/TE	0.6x	1.1x	1.3x	1.1x
EV/EBITDA	4.4x	7.1x	7.6x	6.2x
EV/EBIT	5.5x	8.6x	9.1x	7.3x

Stock Price Graph

All prices as of Sep 13

Valuation sensitivity

	Price Target (EUR)	Terminal growth rate 0.0%	1.0%	2.0%	3.0%
WACC	**8.0%**	7.2	8.0	9.2	10.8
	9.0%	6.4	7.0	7.8	8.9
	10.0%	5.7	6.2	6.8	7.6
	14.2%	4.0	4.2	**4.4**	4.7
	16.0%	3.5	3.7	3.9	4.1

source: ResearchGreece estimates

Operational sensitivity

	2014E EPS (EUR)	Gross margin - group 45.0%	47.0%	49.0%	52.0%
Estee Lauder EBIT (Em)	**2.0**	0.46	0.45	0.45	0.45
	3.1	0.49	0.49	**0.49**	0.48
	4.0	0.51	0.51	0.51	0.51
	6.0	0.57	0.57	0.57	0.57
	8.0	0.63	0.63	0.63	0.62

source: ResearchGreece estimates

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Executive summary

Sarantis is one of the few consumer stocks in Greece that have managed to turn the Greek crisis in their favor utilizing on their strong distribution network and balance sheet. We regard 2012 numbers to be the trough in earnings terms.

Market share wins, gradual GDP recovery and operating leverage will boost the earnings and the cash flow of the company even under moderate sales growth assumptions. We have modeled in sales growth of 2-3% in 2014-2016E, a 2ppt gross margin expansion (already evident in H1 2013) and trough contribution from Estee Lauder resulting to a 3ppt EBIT margin expansion vs. 2012 and a 4YR EPS CAGR of +15%.

Although we do not see Greek sales reaching pre-crisis levels we do expect foreign performance to gradually fill the gap. We assume Sarantis strategy is all about exploiting market share expansion opportunities, focus on foreign operations and ways to invest its cash. Acquisitions should be a first choice, in our view. The company is guiding for E13.9m of net income in 2013E. We stand higher than this on the back of better margins offsetting our conservative sales estimates.

Valuation methodology

We assign a 'DON'T OWN IT' (DOI) rating on Sarantis shares as our 2013 end price target is E4.4 per share vs. a current price of E5.2 per share. We see the shares as fairly valued. We use a three-year DCF model to value Sarantis based on a discount rate on 14% (WACC). The latter is the result of a cost of equity equal to 17% (risk free rate of 10%, beta of 1.2x and equity risk premium of 6%) and pre-tax cost of debt equal to 4% (company's current debt rate runs on a +3.5ppt spread on Euribor). We assume the company has a strong enough balance sheet to proceed with more than E20m worth of acquisitions without raising any more debt (net cash position in H1 2013). We assume a terminal growth rate of 2% p.a. (beyond 2016E) which is in line with the IMF's envisioned long term Greek real GDP growth rate forecast (2016-2030).

We estimate free cash flow of E20m p.a. post 2014E without accounting for any acquisitions. The latter is one of the options, in our view, the company has in order to deploy its accumulated cash, the other being returning money to shareholders.

Investment risks

On the downside the biggest risk relates to the Greek sovereign and specifically the macroeconomic situation, depressed domestic demand and the tight liquidity conditions prevailing in the economy. If the domestic economy improves faster than expected and if economic growth (especially driven by domestic demand) is stronger than currently envisaged then this would be an upside risk together with any earnings accretive acquisitions for which we have not accounted for in our model.

Titan Cement - ResearchGreeceModel®

P&L (EURm)	2011	2012	2013E	2014E
Revenues	1,091	1,131	1,179	1,266
EBITDA	243	196	177	201
EBIT	104	65	54	83
Pre-tax income	38	-1	-18	11
Net income	11	-25	-29	-6
EBITDA adjusted RG	218	167	177	201
EBIT adjusted RG	79	36	54	83
Pre-tax adjusted RG	13	-30	-18	11
Net income adjusted RG	-8	-46	-29	-6
Dividends	15	0	0	0
BS (EURm)				
Net working capital	248	226	233	250
PP&E	1,887	1,759	1,690	1,679
Intangibles	137	115	115	115
Goodwill	409	413	413	413
Investments	10	5	5	5
Other assets	23	24	24	24
Net debt/(cash)	708	596	592	595
Other liabilities	307	285	283	288
Equity	1,557	1,534	1,477	1,472
Minorities	143	125	126	128
Total assets/liabilities	**3,278**	**3,032**	**2,993**	**3,013**
Cash flow (EURm)				
Gross/Cash EBITDA	**243**	**196**	**177**	**201**
Change in wcap	18	-5	-7	-17
Taxes paid	-37	-21	-12	-10
Operating CF	224	169	158	174
Capex & Investments	-43	-41	-73	-96
Free cash flow	**182**	**128**	**85**	**77**
Change in debt	181	-148	9	0
Dividends paid	-25	0	0	0
Financials	-51	-69	-71	-71
Change in equity	0	59	0	0
Other	-21	-19	-10	-10
Change in cash	**267**	**-50**	**13**	**-4**
Growth rates				
Revenues	-19.2%	3.6%	4.3%	7.3%
EBITDA adjusted RG	-22.9%	-23.5%	6.0%	13.6%
Net income adjusted RG	n.m	n.m	n.m	n.m
EPS adjusted RG	n.m	n.m	n.m	n.m

source: company data & ResearchGreece estimates (incl. RG)

Margins (%)	2011	2012	2013E	2014E
Gross	31.4%	26.5%	24.2%	25.1%
EBITDA	22.3%	17.3%	15.0%	15.9%
Net	1.0%	-2.2%	-2.4%	-0.5%
EBITDA adjusted RG	20.0%	14.8%	15.0%	15.9%
Net adjusted RG	-0.7%	-4.1%	-2.4%	-0.5%
Per share	11.6	14	16.2	16.2
NoS weighted (m)	81	81	81	81
EPS	0.14	-0.30	-0.35	-0.07
EPS adjusted RG	-0.09	-0.57	-0.35	-0.07
DPS	0.18	0.00	0.00	0.00
Ratios				
Mkt cap (EURm)	896	1,081	1,249	1,249
EV (EURm)	1,747	1,802	1,967	1,973
FCF yield (mkt cap)	20.3%	11.8%	6.8%	6.2%
FCF yield (EV)	10.4%	7.1%	4.3%	3.9%
Dividend yield	1.7%	0.0%	0.0%	0.0%
NWC/sales	22.7%	20.0%	19.7%	19.7%
Net debt/EBITDA	2.9x	3.0x	3.3x	3.0x
Net debt/equity	0.5x	0.4x	0.4x	0.4x
EBIT/Interest cost	2.1x	0.9x	0.8x	1.2x
RoE	0.7%	-1.6%	-1.9%	-0.4%
RoCE	4.3%	2.9%	2.4%	3.8%
Multiples				
P/E	-117.8x	-23.4x	-43.8x	-218.7x
P/BV	0.6x	0.7x	0.8x	0.8x
P/TE	0.8x	1.0x	1.2x	1.2x
EV/EBITDA	8.0x	10.8x	11.1x	9.8x
EV/EBIT	22.1x	49.9x	36.6x	23.9x

Stock Price Graph

All prices as of Sep 13

Valuation sensitivity

	Price Target (EUR)	1.0%	2.0%	3.0%	4.0%
		Terminal growth rate			
WACC	**9.0%**	16.3	19.4	23.6	29.3
	10.0%	13.4	15.7	18.8	22.8
	11.2%	10.6	**12.3**	14.4	17.2
	12.0%	9.2	10.6	12.4	14.6
	13.0%	7.6	8.8	10.2	11.9

source: ResearchGreece estimates

Valuation sensitivity

	Price Target (EUR)	100	150	180	220
		Perpetual Recurring FCF (Em)			
Perpetual growth	**1.0%**	3.5	7.9	10.5	14.1
	1.5%	3.9	8.6	11.3	15.1
	2.0%	4.4	9.3	**12.3**	16.2
	3.0%	5.6	11.1	14.4	18.8
	3.5%	6.3	12.2	15.7	20.3

source: ResearchGreece estimates

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Executive summary

Titan has nowhere to run. Greece is still in recession, Egypt got worse, Europe doesn't seem to recover and South Eastern Europe is pretty much discounted at current valuations. We see positive developments if any, only from the US; we model related EBITDA up by cE20m this year and next.

We believe the potential catalyst for the shares to be Greece and Western Europe, with cement capacity at c7m tons per annum and EBITDA this year at cE20m; it was flirting with E200m back in 2007. Domestic demand is c80% below its recent peak and it is tempting to consider it is nearing the bottom. On the other hand, as at August 20th, Lafarge changed its outlook on Greece and now expects volume decline of -15% to -10% vs. -5% to -10% set as at February 2013. We think it is premature to play the Greek recovery theme at this stage.

Furthermore, even if the US, which accounts for 25% of EBITDA, performs better than expected, group net profit could turn out at cE5-E10m in 2014, which compares to a loss of E6m on our current forecasts, other things being equal.

Hence, we are cautious and still model 'recession like' EBITDA margins for 2014 and 2015.

All in all, Titan should grow sales by an average of 6% over 2013-15E and manage an EBITDA of E200m next year. For the shares to go higher domestic demand should recover; US must beat expectations and Egyptian operations, which contribute heftily to bottom line profits, to remain/revert to normality in light of the local unrest.

Valuation methodology

We assign a 'DON'T OWN IT' (DOI) rating on Titan shares. Our 2013 end price target is at E12.3 vs. a current price of E16.2. We use a three-year DCF model based on a WACC of 11.2%. The latter is the result of a cost of equity equal to 14%; risk free rate of 8%, beta of 1x, equity risk premium of 6% and pre-tax cost of debt equal to 6.5%. We use a terminal growth rate of 2%. Our perpetual FCF estimate is set at E180m which compares with an average of E104m over 2011-15.

Investment risks

On the downside the number one risk relates to the Greek sovereign and specifically the macroeconomic situation, depressed domestic demand and the tight liquidity conditions prevailing in the economy. Other risks could be demand slowdown from global economic uncertainties, geopolitical instability especially in emerging markets, raw material price volatility, weather conditions, reputational risk, capital expenditure errors and foreign exchange risk exposure. The main upside risk is a recovery of the Greek market.

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Recommendation and price target history

Date	Company name	Last price	Target price	Rating	Disclosure
17 September 2013	Alpha Bank	0.5	0.5	DOI	None
17 September 2013	Coca Cola	23.3	17.3	DOI	None
17 September 2013	Folli-Follie	18.0	12.1	DOI	None
17 September 2013	Fourlis	2.7	2.0	DOI	None
17 September 2013	Frigoglass	5.1	5.0	DOI	None
17 September 2013	Hellenic Exchanges	6.1	4.6	DOI	None
17 September 2013	Hellenic Petroleum	7.5	5.7	DOI	None
17 September 2013	Hellenic Telecom	7.6	7.1	DOI	None
17 September 2013	Jumbo	8.7	7.5	DOI	None
17 September 2013	Metka	11.7	9.0	DOI	None
17 September 2013	Motor Oil	7.7	8.3	DOI	None
17 September 2013	National Bank	3.2	2.7	DOI	None
17 September 2013	OPAP	8.0	6.5	DOI	None
17 September 2013	Piraeus Bank	1.3	1.2	DOI	None
17 September 2013	Sarantis	5.3	4.4	DOI	None
17 September 2013	Titan Cement	16.2	12.3	DOI	None

Last price and Target price history in EUR per share; Last price as of Sep 13

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