OPAP

Outlook note

Responsible gaming with high cash flow

Travel & leisure

OPAP is Europe's only listed gaming operator with 100% pre-paid exclusive retail licences, providing substantial barriers to entry. Margin expansion and high cash flow have been achieved through product enhancements and successful cost controls, while maintaining strong CSR credentials. COVID-19 presents a significant near-term disruption and our forecasts include a total loss of €400m of gross gaming revenues in FY20. Despite the weaker outlook for retail spending, the company has a robust balance sheet and net debt/EBITDA should fall below 1.0x in FY21. We expect OPAP to continue its dividend policy of paying out the bulk of free cash flow and we estimate an FY21 dividend yield of 9.9%.

Year end	GGR** (€m)	EBITDA (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/18	1,547.0	353.6	0.52	0.70	15.6	8.7
12/19	1,619.9	411.2	0.65	0.00	12.4	0.0
12/20e	1,367.1	302.2	0.31	1.51	25.9	18.7
12/21e	1,748.1	439.1	0.57	0.80	14.2	9.9

Note: *EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **Gross gaming revenue.

High barriers to entry with exclusive concessions

OPAP's exclusive retail licences include lottery, scratch tickets, horse racing and video lottery terminals (VLTs), with the earliest expiration in 2026. This provides meaningful barriers to entry and a secure recurring cash flow. Gross gaming revenues (GGR) are subject to an onerous 35% gaming tax, but the franchised business model is very capital efficient and management is implementing ongoing cost controls. We estimate that COVID-19 will reduce FY20 revenues by €400m, which is equivalent to three months of gaming revenues (as per our 6 April Update). Consolidating the Stoiximan acquisition from Q420, we forecast a GGR decline of 15.6% in FY20, rebounding to 27.9% growth in FY21.

Robust balance sheet, high cash flow

OPAP has recently secured additional funding of €325m (including overdrafts) and, at 1 April 2020, the company's cash balance was €623m, with total net debt of €609m (post IFRS, excluding €10m of investments). This includes the €1.00/share extraordinary dividend (€172m cash component) from Q120 and compares to net debt of €483.3m at FY19. Following the final €163.4m payment for Stoiximan, we estimate that pre IFRS 16 net debt/EBITDA will rise to 1.9x at FY20 but fall below 1.0x in FY21.

Valuation: €9.5/share DCF with €2.2 upside

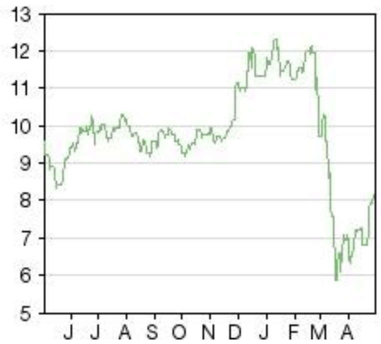
Similar to other retail gaming stocks, OPAP's shares have fallen sharply this year and, given COVID-19 related disruptions, we assume no further dividend for FY19 but forecast a final dividend for FY20 (payable in FY21) and a normal policy thereafter. The shares trade at 7.8x EV/EBITDA and 14.2x P/E for FY21e with a 9.9% dividend yield. Our DCF indicates a value of €9.5/share and the €1.8bn pre-paid tax asset could be worth an additional €2.2/share.

30 April 2020

Price	**€8.07**
Market cap	**€2,701m**

Net debt (€m) at April 2020, post IFRS 16 and excluding investments	609
Shares in issue	334.7m
Free float	58.3%
Code	OPAP
Primary exchange	ASE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	17.6	(27.4)	(12.8)
Rel (local)	0.9	5.3	4.9
52-week high/low		€12.329	€5.86

Business description

OPAP was founded in 1958 as the Greek national lottery and it is the exclusive licensed operator of all numerical lotteries (seven games), sports betting (four games) and horse racing. OPAP listed in 2001 and was fully privatized in 2013. Sazka Group has a 41.7% stake and significant board representation.

Next events

Q120 results	10 June 2020

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Investment summary

Exclusive licensed operator of the Greek national lottery

OPAP was founded in 1958 as the Greek national lottery and it is the exclusive licensed operator of all numerical lotteries (seven games), sports betting (four games), horse racing and VLTs. Through its 83.5% holding in Hellenic Lotteries, OPAP also has an exclusive licence to operate passive lotteries and instant (scratch) games. The company operates a network of franchised shops and halls (3,779 shops and 428 halls in Greece and 199 shops in Cyprus at FY19) and is expanding its online offering in sports betting and lottery games.

OPAP listed on the Athens Exchange in 2001 and, after a series of further secondary offerings and international tenders, it was fully privatised in 2013. Sazka Group, the largest pan-European lottery operator, holds a 41.7% shareholding and is well represented at the board and executive level. Since 2013, OPAP has undergone a number of significant changes, to both modernise and streamline the business and it has almost completed its 2020 Vision transformation programme.

Investment considerations and sensitivities

- **Very high barriers to entry:** OPAP is Europe's only listed pure gaming operator with 100% exclusive licences. The core games (lottery) exclusive licence expires in 2030, the scratch tickets and passives licence in 2026 and the horse racing licence in 2036. The exclusive licence to operate 25,000 VLTs in Greece expires in 2035. OPAP's business model is predicated on continuing cash flow from the monopoly businesses, supplemented by product enhancements and moving online. The key sensitivities are the risk that concessions will not be renewed or that taxes will be increased (both highly unlikely in our view).
- **FY20 affected by COVID-19:** OPAP's stores and gaming halls across Greece have been closed since 14 March and will not reopen until at least 11 May. OPAP stores are now expected to open on 11 May and will be required to follow specific conditions and precautionary measures (social distancing and no seated customers). An announcement regarding the gaming halls is expected in due course. The nationwide lockdown has restricted street vendors for the distribution of scratch and passive lotteries. It is difficult to forecast the duration of the COVID-19 outbreak, and the subsequent economic impact of restrictions, but management stated that the monthly financial impact from COVID-19 related restrictions will be c €130–140m on GGR and c €50–53m on EBITDA, before cost mitigations (c €4–6m). We note that OPAP has a relatively low fixed cost base, given its commission structure for agents, and 35% gaming tax based on revenues. Our forecasts assume the equivalent of three months of full disruption, which equates to €400m GGR and €145m EBITDA.
- **Proven track record since privatisation, despite economic backdrop**: over the past decade, OPAP has managed to defend retail revenues while also reducing costs. Under private management, OPAP has delivered a 4.8% CAGR in GGR and 10.8% CAGR in EBITDA growth from 2013–19. FY20 will be clearly affected by COVID-19 related shop closures, but we expect the company to return to meaningful growth in FY21. New products (including the completed VLT roll-out and online) are providing incremental growth and, once the COVID-19-related disruptions are resolved, we expect these new products to help offset the ongoing softness in retail spending (and hence lower core revenues), as well as compensate for the cannibalisation of the traditional retail business (from online, VLTs etc). After a much weaker FY20, we forecast FY21 GGR growth of 27.9%, which still factors in weaker consumer spending.
- **Additional €163.4m Stoiximan investment to boost online business:** Following the initial €50m investment in TCB (parent company of Stoiximan), OPAP has recently announced that it

is investing a further €163.4m for a controlling 84.5% stake in Stoiximan's Greek and Cypriot operations. Stoiximan is the leading online operator in Greece and Cyprus (FY19 GGR of €196.7m and EBITDA of €44m) and this deal provides OPAP will a significant foothold in a regulating market. Full online regulation is expected in H220. Clearly, the finalisation of the Stoiximan acquisition will further strengthen OPAP's online offering (which currently comprises an online sportsbook and Joker) and, including Stoiximan, online comprises 11% of pro-forma GGR.

- **Franchised, modernised network:** OPAP operates through a network of franchised shops, which leads to limited capital expenditure. The agents' commissions were realigned to match the company's business objectives and many shops have been modernised. OPAP opened or upgraded 550 new shops during FY19, leading to 40% of new or upgraded shops over the last three years. OPAP also has 428 modern gaming halls.
- **Strong balance sheet, high cash generation and generous dividend payout ratio:** OPAP has committed to returning the bulk of free cash flow and has often paid extraordinary dividends as well, as evidenced by the €1.00 dividend in Q120. Despite COVID-19, we forecast a total dividend of €1.51 (including the special) for FY20 and €0.80 in FY21. The balance sheet is robust and we forecast pre IFRS 16 net debt/EBITDA of less than 1.0x in FY21.
- **Sazka Group 41.7% shareholding:** While we believe that Sazka Group's strategic stake is an overwhelming positive (providing expertise in the European lottery business), the business is controlled by a major shareholder and there is a possibility that its interests may not always be aligned with other investors. However, interests have been aligned so far (cost containment, business growth, dividend). In terms of the management, OPAP also announced that CEO Damian Cope will stand down in May 2020, with a replacement yet to be announced.
- **Largest social contributor in Greece:** OPAP is the largest social contributor in Greece operating under the World Lottery Associations (WLA) and responsible gaming standards, while it transforms its business excellence into social contribution through an integrated corporate social responsibility (CSR) strategy. In contrast to other gaming companies globally, OPAP's lottery business and €2 slot limits on VLTs are not associated with problem gambling and the company is therefore unlikely to face meaningful fines or regulatory scrutiny (as recently seen in the UK).
- **Revenue linked to Greek GDP:** top-line growth has historically been linked to Greek GDP and COVID-19 has had a significant impact on the macro situation. The Greek finance minister has estimated that for every month of lockdown, Greek GDP will drop by 2.5%.

Valuation: €9.5 per share DCF with additional €2.2 upside

Similar to many retail gaming operators, OPAP's business has been severely disrupted by COVID-19, and the share price has fallen by c 25% year-to-date . Therefore, clarity regarding the duration of shop closures and the impact on retail confidence would be helpful for share price performance.

Beyond the macro drivers (duration of Covid-19 disruptions and Greek GDP), we believe key catalysts for the stock are evidence that the VLT roll-out is able to maintain momentum in terms of GGR/VLT/day, as well as a demonstrable increase in online revenues.

DCF: €9.5 per share with possible €2.2/share upside

We have performed a DCF with a terminal growth rate of 1.5% and a terminal EBITDA margin of 22%, vs 25.4% in FY19. Using a WACC of 8.0% produces a value per share of €9.5; flexing the WACC to 9% gives a value of €7.86. Our core DCF valuation equates to 8.9x EV/EBITDA and 16.7x P/E for FY21e, with an 8.5% dividend yield.

For our valuation, we have assumed that OPAP will not receive a cash payment for its €1.8bn tax asset in 2030. Instead, we believe there will be further negotiations with the Greek government, such that the exclusive concessions could be renewed free of charge (or at least, inexpensively) in exchange for the repayment. However, should the contract be honoured at face value, we estimate that the present value of the €1.8bn payment in 2030 is equivalent to c €734m or c €2.2/share. Clearly any clarity regarding this tax asset is unlikely to materialise in the near term, but at the very least, we believe it demonstrates OPAP's strong positioning, which can only be a positive.

Not directly comparable to the European gaming sector

The retail and sports-led gaming sector has fallen sharply this year due to COVID-19 disruptions and OPAP has been no exception. OPAP trades around the average of the broader group on both an EV/EBITDA and P/E basis, although its dividend yield is far more attractive, eg 9.9% for FY21. Overall, however, we believe the peer group valuation is of limited value, given that the business models of the other listed European gaming companies differ quite considerably from OPAP (eg they are not monopolies, mostly do not participate in lotteries and mostly are far more reliant on online revenues).

Financials: COVID-19 reduces outlook but balance sheet robust

It is clearly very difficult to forecast the duration of the COVID-19 outbreak, and the subsequent economic impact of the restrictions. We summarise the key dynamics here:

- **FY20 GGR reduced by c €400m due to COVID-19:** Our forecasts have assumed a total €400m COVID-19 related reduction in FY20 GGR, which is equivalent to three months' disruption. We forecast a total GGR decline of 15.7% in FY20. For FY21, we have assumed continued softness in consumer confidence, with revenues increasing 27.9% to €1,748.1m (compared to €1,619.9m in FY19). Note that our forecasts include the full consolidation of Stoiximan from Q420 (with annual revenues of c €200m).
- **High variable costs and proactively managing spend:** OPAP has a relatively low fixed cost base, given its commission structure for agents, and 35% gaming tax based on revenues. We forecast a total €145m reduction in EBITDA due to COVID-19. The company is also proactively managing capex by freezing uncommitted spend.
- **Strong balance sheet:** OPAP has recently secured additional funding of €325m (including overdrafts). At 1 April 2020, the company's cash balance was €623m, with total net debt of €609m (post IFRS, and excluding €10m of investments). This includes the €1.00/share extraordinary dividend (€172m cash component) from Q120 and compares to net debt of €483.3m at FY19. We estimate that net debt/EBITDA will fall below 1.0x in FY21.
- **Dividend policy still intact:** OPAP paid a €1.00 extraordinary dividend in Q120, which was distributed as €172m cash with 48.2% of shareholders electing to receive a scrip dividend. Given the current uncertainty surrounding coronavirus, management will delay its recommendation concerning a final dividend for FY19. We have assumed no further dividend to be paid corresponding to FY19, but we assume the company will return to its normal dividend policy from FY20, which is to pay out the bulk of free cash flow. Our forecasts assume a final FY20 dividend to be paid in FY21.

World class entertainment, responsible gaming

In 2016, the incoming CEO Damian Cope instigated a programme called 2020 Vision to create a world-class gaming entertainment company, a process that involved product enhancements, cost containment, investment into the network and technology, as well as focusing on corporate responsibility. The next stage – 'Beyond 2020' – is expected to focus on further growth.

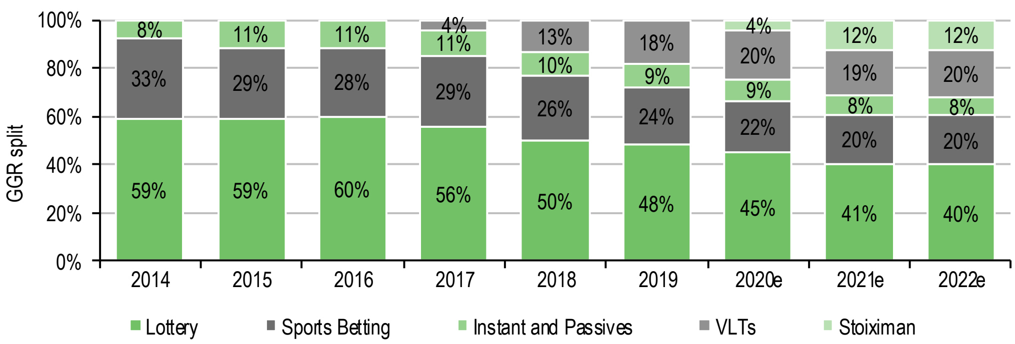
In this section, we discuss the following key elements of OPAP's strategy:

- **Continuous product enhancement and incremental income:** OPAP's monopoly is well placed to protect the top line (in the context of softness in retail spending), and the company is seeking growth from online and new products. At FY19 results, OPAP stated that online products have increased during the lockdown. In general, many of the new products (Virtuals, self-service betting terminals (SSBTs), VLTs and online) are targeted at a younger as well as a female demographic, such that the impact of cannibalisation of existing products should be minimalised.
- **Cost controls:** the business model is very cash generative, operating on a capital-light franchise model and the agents' commissions have been realigned to better suit the business objectives. Management is also concentrating on reducing operating costs, with personnel and marketing costs (excluding Stoiximan) expected to remain stable from this point.
- **Exclusive concessions include pre-paid tax asset:** OPAP holds many pre-paid exclusive licences, which represent key barriers to entry, and we believe there is an additional c €2.2/share upside from a pre-paid tax asset.
- **Focusing on the community and ESG:** OPAP is the largest social contributor in Greece and corporate responsibility remains at the core of the business.

Continuous product enhancement

OPAP's portfolio of games is split between fixed-odds betting games and mutual betting games (where the total amount is distributed to winners). In FY19, numerical lotteries comprised 48% of total GGR, with the contribution from other divisions (specifically VLTs) expected to steadily become more significant. Following the additional €163.4m investment into Stoiximan (online casino and sports betting), we have assumed this business will be fully consolidated from Q420 (see below for more details). We show the separate line item in our forecasts.

Exhibit 1: Gross gaming revenue split



Source: OPAP, Edison Investment Research

Numerical lottery games (48% of GGR): Moving online

Numerical lottery games comprise the largest portion of GGR and consist of six games. The fixed odds games are Kino, Super 3 and Extra 5 and the mutual games are Joker, Lotto and Proto. The two key games are Kino and Joker.

- **Kino** was launched in 2003 and is still OPAP's most successful game, with Kino side bets added to the portfolio in late 2018. Kino online is expected to launch in FY21.
- **Joker** was launched in 1997 and is the best-known brand in the portfolio. In 20 years of operation, Joker has distributed over €1bn to first tier winners. OPAP has also launched Joker online, with an acquisition campaign in Q419 that resulted in revenues of €1.3m in the quarter. See below for more details.

Sports betting (24% of GGR): New products and online to drive growth

Sports betting games include fixed odds games Pame Stoixima and the mutual betting games Propo, Propogoal, Horse Racing Stoixima and Pame Stoixima Virtual Sports. The main game in this category is Pame Stoixima.

- **Virtual** sports were launched in April 2017 to target a younger demographic and have clearly contributed a boost to the betting segment, contributing 17% to sports betting revenues in FY19.
- **SSBTs** were launched in August 2017, with Virtual games introduced to the terminals in November 2017. In Greece, OPAP now has over 6,800 SSBTs across its estate. Within the relevant agencies, SSBTs have already contributed over 20% to total betting turnover, and 34.6% of live-betting turnover, which demonstrates the appeal of the product and the potential for future revenue growth.
- **Pame Stoixima online sports** contributed €8.8m GGR during FY19, after OPAP relaunched its online sportsbook, offering competitive odds, live streaming, cash-out and a wide variety of betting events and markets. In addition to its own sports offering, OPAP is acquiring a controlling stake in Stoiximan (the leading online operator in Greece and Cyprus), and the latest deal is expected to complete in H220. See below for more details. In addition, as of 27 April, OPAP has launched its online casino games through the pamestoixima.gr platform.

Instants and Passives (9% of GGR): Low growth, but steady business

OPAP holds an 83.5% stake in Hellenic Lotteries, which has operated Passive and Instant lotteries since 2014. The three Passive brands are Laiko (weekly jackpot), Ethniko (using unique numbers) and State Lottery (the traditional draw game on New Year's Eve). Instant lotteries include Scratch. Passive and Instant Lotteries are available at OPAP agencies and street vendors and Scratch games can be found at kiosks and post offices, etc.

VLTs (18% of GGR): All 25,000 machines installed

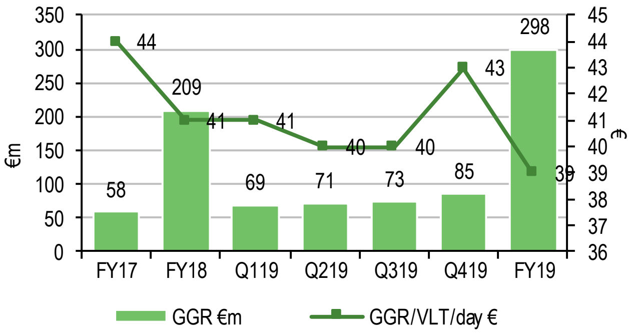
The VLT product was officially launched in January 2017 and OPAP has successfully rolled out all 25,000 VLTs (certified retail slot machines), into 'Play' gaming halls and selected agencies. This investment in VLTs and 428 new concept shops was one of the largest and fastest gaming store roll-outs in Europe. The majority of the new Play stores contain c 30–40 machines, although OPAP has also opened some larger flagship stores alongside smaller ones (with lower capex requirements), which are more suitable for less dense locations.

VLTs have a €2 limit, which is in line with the recently reduced fixed odds betting terminal (FOBT) stake limits in the UK. Importantly, unlike the traditional over-the-counter (OTC) games, players are required to register and there were 440,000 registered players at December 2019, with 130,000 monthly active users. In terms of demographics, 63% of VLT players are younger than 45 and 30%

are women. Average spend per visit is €29. Apart from the general reliance on the macro environment, a key driver for the VLT business will be to shift revenues away from the illegal machines towards OPAP venues. OPAP is hopeful that its VLT jackpots will provide a suitable incentive for players to shift allegiance. It is also possible that COVID-19 could be a catalyst for these illegal machines to shut down permanently.

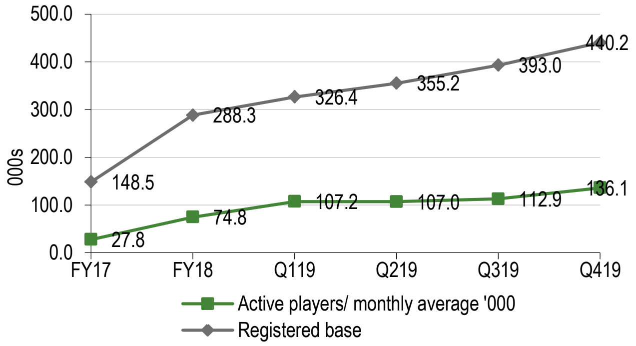
For FY19, VLTs generated €298m GGR, averaging €39 GGR/machine/day for the year. As the estate matures, we are forecasting a rate of c €35–40 per day.

Exhibit 2: VLT GGR performance



Source: OPAP

Exhibit 3: Active user base



Source: OPAP

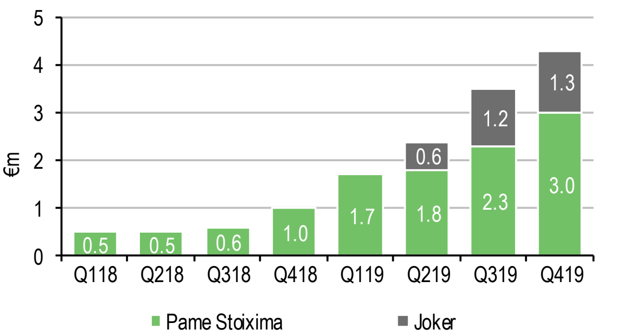
Online: Building momentum with a broader portfolio

Unlike its other listed peers, OPAP's online presence has been relatively small, but the group has now started to grow momentum in its online customer base. During Q419, OPAP achieved 77,000 average monthly actives, driven largely by the Joker acquisition campaign. In terms of sports, the migration to the multi-channel platform has been completed and the virtual games were launched in late March 2020. In addition, as of 27 April, OPAP has launched its online casino games through pamestoixima.gr platform.

Online regulation is now expected in mid-2020, which will allow for additional products, and OPAP is very well positioned to benefit from online growth given its ubiquitous brand name and strong presence across the country.

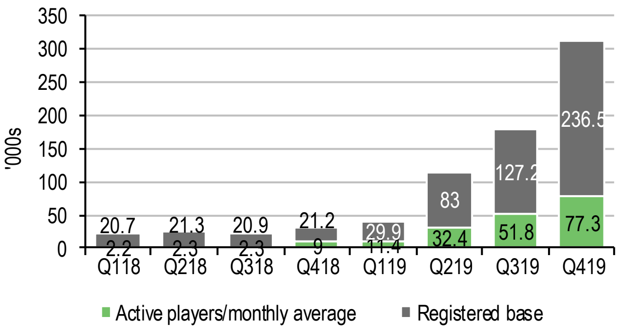
OPAP has also announced an additional €163.4m investment (after the initial €50m stake) for a controlling stake in the largest online sports player in Greece (as detailed below), which will be run independently from pamestoixima.gr and will clearly extend OPAP's online presence. On a pro-forma basis, OPAP estimates that total online would have comprised c 11% of GGR, including Stoiximan.

Exhibit 4: Online GGR €m



Source: OPAP

Exhibit 5: Online customer base



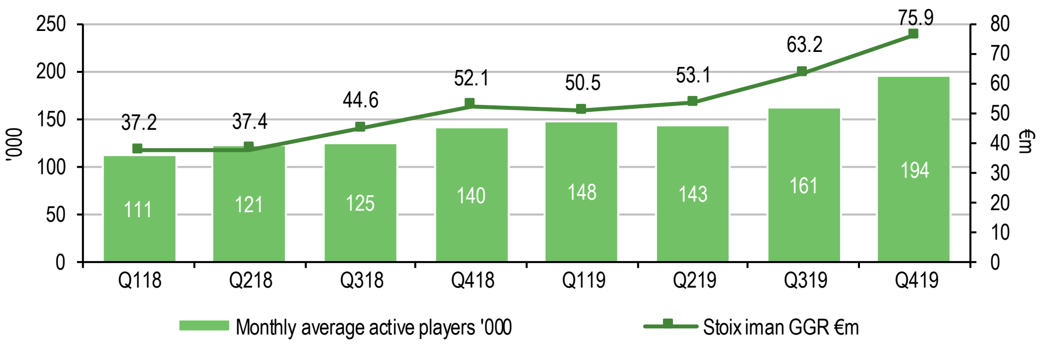
Source: OPAP

€213m investment in Stoiximan/TCB: Leading online sportsbook operator

In September 2018, OPAP announced the acquisition of a 36.75% stake in TCB Holdings for €50m. In April 2020, it announced a further €163.4m investment (due within the Q2/Q320 period) in Stoiximan (TCB's Greek and Cypriot business). As a result, OPAP will have an 84.5% controlling stake in TCB's Greek and Cypriot operations and a 36.75% stake in the other markets. The deal will enhance OPAP's presence in the Greek and Cypriot online sports betting markets, but will be run independently from the existing business.

TCB Holdings comprises two online gaming brands: Stoiximan in Greece and Cyprus and the Betano brand in Romania, Germany and Portugal. TCB has been growing strongly across its major markets (Greece, Cyprus and Romania) with a successful cross-sell strategy (27% of total GGR is derived from casino). TCB's online market share is 49% in Greece, 47% in Cyprus, 18% in Romania and 8% in Portugal.

Exhibit 6: TCB GGR and customer base



Source: OPAP

During FY19, the profit contribution from TCB was €8.5m, with €3.8m during Q419. We are assuming the full consolidation of Stoiximan (Greece and Cyprus) at Q420 and an equity contribution until that point. We further assume that the 37% stake in the international division (Betano) will not be fully consolidated at any point.

Stoiximan (Greece and Cyprus) reported FY19 GGR of €196.7m and EBITDA of €44m. For the final quarter of FY20, we forecast a consolidated GGR of €60m and an EBITDA of €9m. Our FY21 forecasts are €210m GGR and €42m EBITDA. We have also assumed a €10m equity contribution during the first nine months of FY20. The international business is expected to break even during FY20 and we forecast an equity contribution of €4m for FY21.

OPAP has negotiated an earn-out provision based on EBITDA (8–10x EBITDA) and we estimate that the total additional acquisition costs will be c €60m (split evenly between FY21 and FY22).

Cost structure: High GGR tax, but stable fixed costs

Within OPAP's cost structure, the two major variable components are the GGR tax and agents' commission. As discussed in more detail below, the GGR tax was raised from 30% to 35% in 2016. In terms of agents' commission, OPAP has realigned the commission to reflect net gaming revenues (NGR) rather than wagers. The company has also succeeded in maintaining stable operating costs, in the context of rising revenues, which has helped contribute to a steady increase in underlying EBITDA margins.

Continuing operating cost controls, leading to higher EBITDA margins

As a direct result of OPAP's ongoing cost controls, other operating costs have remained relatively stable since 2013 despite the commencement of several material projects (Hellenic Lotteries, Horse

Racing, VLTs and Virtual Games). This has been the key reason for underlying EBITDA margin growth (ie excluding the additional 5% GGR tax) and we forecast relatively stable operating costs going forward (see the financials section for further details).

35% GGR tax: At the top end of European taxes

Coinciding with the full privatisation of the company in 2013, a 30% GGR tax was introduced by the Greek regulator. In essence, this tax replaced the dividend payments to the government. Three years later, the GGR tax was further increased to 35% (January 2016) and this is now at the very top end of gaming taxes across Europe. As a reference, other European gaming markets are levelling out at c 20% tax (eg 21% in the UK, 18% in Sweden, 20% in Spain, 20% in Denmark and 25% in Italy).

Franchise network, variable agents commission

OPAP operates via a franchise network of shops throughout Greece and Cyprus, paying commissions to agents and committing only limited resources to the kit-out of the shops. The company has recently renegotiated its agents' commission structure and the dynamics of the estate have also altered.

- **Rejuvenating the estate:** in terms of the shops, OPAP has been gradually churning and rejuvenating its estate since renegotiating the agents' commissions. 40% of the stores have been renovated since 2016 and GGR per store has increased by 21% in the same period (between 2016 and 2019). At December 2019, OPAP had 3,779 stores, compared to 3,910 in 2018. As discussed above, OPAP has also developed a new network of gaming Play stores for its VLTs and, at December 2019, there were 428 Play shops across Greece.
- **Agents' commissions are now fully aligned with the business.** For traditional games, agents previously received a variable fee based on wagers. However, the new commission structure has moved to a percentage of net gaming revenues, going from 39% in 2017 to 37% in 2018 and 36% from 2019. Assuming the same level of NGR, this equates to a €20–25m cost saving in 2019 versus 2017. For VLTs, the agents' commissions are 36% in gaming halls and 25% of NGR within agencies.

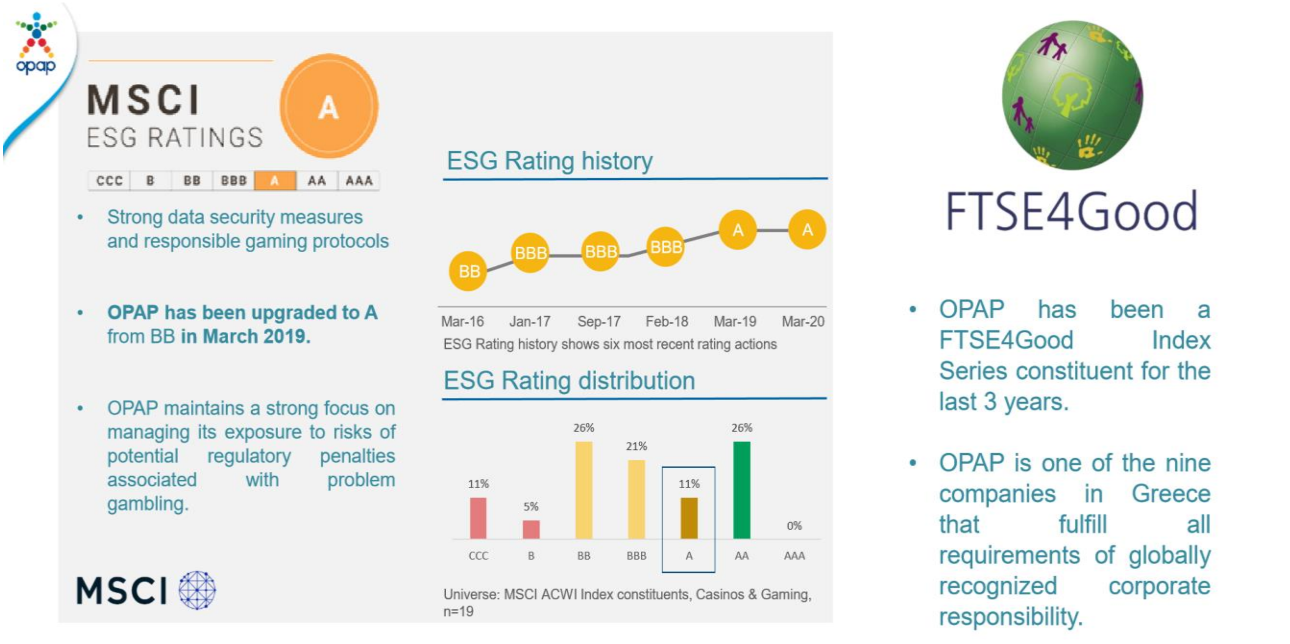
Concessions: Barrier to entry with possible tax upside

Key to OPAP's strategy is that it holds exclusive concessions in all land-based gaming in Greece, apart from casinos. The core games exclusive licence has been extended until 2030, the scratch tickets and passives licence expires in 2026 and the horse racing licence expires in 2036. Additionally, the exclusive licence to operate 25,000 VLTs in Greece expires in 2035. To date, OPAP has paid €1.43bn for these concessions. For a full discussion of the concessions, please refer to our initiation report.

Largest social contributor in Greece

OPAP is the largest social contributor in Greece operating under the World Lottery Associations (WLA) and responsible gaming standards, while it transforms its business excellence into a social contribution through an integrated corporate social responsibility (CSR) strategy. A summary of OPAP's credentials are shown in the chart below.

Exhibit 7: ESG ratings



Source: OPAP

Management

OPAP's board comprises 10 non-executive directors (including four independent directors) and three executive directors (chairman, CEO and CFO). Damian Cope was appointed CEO in July 2016, having formerly been group strategy director at Ladbrokes, and has been responsible for launching the 2020 Vision for the company. At the FY19 results in April 2020, Mr Cope announced his decision to step down in May and OPAP is currently looking for a replacement. CFO Pavel Mucha (previously the CFO of Czech company Sazka, the national lottery operation of Czech Republic, which is a member of Sazka Group) joined in 2019, following the resignation of Michal Houst. Details of other management team members can be found in our 2019 initiation report.

Many of the board members are associated with OPAP's major shareholder Sazka Group (Europe's largest lottery business). Sazka Group recently increased its stake to 41.7%, following a tender offer in 2019 as well as through the recent scrip dividend.

The Greek gaming sector

The Greek gaming market is regulated by the Hellenic Gaming Commission (HGC) and a three-member supervisory committee is responsible for the supervision and exercise of preventive control over OPAP to protect the public interest. In 2014, the Greek State Council ruled that OPAP's monopoly in Greek gaming was irrevocable and no appeal can be raised before a national or EU Court.

The HGC estimates that the total legal Greek gaming market amounted to €2.2bn GGR in 2019, of which OPAP games comprised €1.36bn GGR. Land-based casinos comprised an estimated €247m and total legal online gaming amounted to €437m. Online gaming is dominated by betting (73.4% of the total), with casino comprising 23.8% and poker comprising 2.6% of GGR.

OPAP estimates that GGR per adult in Greece is €230, broadly in line with the European average. Given the longstanding cultural tendency to gamble in Greece, we note that GGR as a percentage of GDP was 1.16% in Greece, compared to the European average of 0.67%.

Online lottery: Launched in FY19

The Greek online lottery business is still nascent, although, as discussed above, OPAP is transitioning some of its key games online, largely to attract a younger demographic (Joker in particular). Over time, this online revenue should supplement the established land-based business. It is possible that COVID-19 could be a catalyst for online revenues to grow more quickly.

European peer group suggests online could be very meaningful

There is precedence in many other European markets that suggests significant upside potential from online lottery growth. Across Europe, online lottery comprises 10.5% of total lottery revenues and importantly, retail lottery has remained either stable or has continued to grow at low single-digit rates.

While recognising that growth in Greece may not be comparable to other countries (given lower GDP growth etc), we believe the dynamics between online and retail should be reasonably similar and therefore approximately 10% of the lottery business should be derived from online in the medium term. In essence, even if softness in retail spending has an impact on the core business, this should be offset by the introduction of online (which also should appeal to a younger demographic).

We also note that in this area, OPAP should be able to benefit from expertise from its main shareholder, Sazka Group.

Online gaming market: Regulation expected in 2020

HGC estimates that the Greek online gaming market grew 10.9% in 2019 to €437m GGR, although this is still far lower than other European countries. Greek GGR taxes are 35%, which is much higher than many other European countries and is one reason for the relatively high level of illegal online gambling. Within the legal sports betting market, the main competitors are Stoiximan (which is in the process of being acquired by OPAP), bet365 and GVC.

The full regulation of the online market is expected in mid-2020. Under the current proposals, seven-year licences will cost €3m for sports betting and €2m for live casino and poker and there is no limit to the number of potential licences. The blacklisting of unlicensed operators will continue, and licensees will be required to have a registered office in Greece or another EU country. In all cases, there will have to be a physical server in Greece.

Sensitivities

OPAP's business model is predicated on continuing cash flow from the monopoly businesses, supplemented by product enhancements and revenue growth from online. In addition to the specific COVID-19 disruptions discussed above, the main sensitivities to the business model are:

- **Concession risk**: in 2011, OPAP extended its exclusive concession for retail games to 2030. While there is always some degree of risk that the concessions will not be renewed (or will be exorbitantly expensive), the 2014 State Council's final decision on OPAP's monopoly provides some comfort. In addition, OPAP has a tax asset of c €1.8bn, which the government is contractually bound to pay in 2030. We believe that this €1.8bn tax prepayment could be exchanged with an extension of the concession agreement post 2030.

- **Regulatory risk**: across all jurisdictions, the gaming industry is subject to changes in regulations (as recently seen in the UK) and the Greek government has already raised the GGR tax from 30% to 35% since full privatisation. Although it is possible there will be further tax rises, the 35% GGR tax is already well above other regulated European countries so we see this as reasonably unlikely. Other regulatory issues such as source of funds, anti-money laundering, know your customer, etc, could also become more onerous (as again seen in the UK), although we note that OPAP's businesses are not generally associated with problem gambling and will be unlikely to face the same regulatory scrutiny.
- **Illegal market:** Although the government has stated it will pursue illegal activity, until there is more concrete action, we believe illegal premises (for VLTs) will continue to be OPAP's number one competitor, which could hamper the company's growth prospects.
- **Economic and political risk:** the Greek economy has suffered well-documented challenges since 2008 and softness in retail spending is an ongoing risk, particularly exacerbated by COVID-19. We note that gaming spend per adult (as a percentage of GDP) in Greece is already well above the European average. This clearly presents a risk, particularly if GDP growth slows down. To counterbalance, it is possible that online spend will increase as betting at home becomes more prevalent during the lock-down period.
- **Cannibalisation risk:** as players begin to play online and on VLTs, there is the strong possibility this will cannibalise the existing OTC business more than our forecasts assume**.**
- **Major shareholder:** while we believe that Sazka Group's strategic 41.7% stake is an overwhelming positive (providing expertise in the European lottery business), the business is controlled by a major shareholder and there is a possibility that its interests may not always be aligned with other investors. However, interests have been aligned so far (cost containment, business growth, dividend).

Valuation: €9.5/share DCF, with €2.2 upside potential

Similar to many retail gaming operators, OPAP's business has been severely disrupted by COVID-19, and the share price has fallen by c 25% year-to-date. Therefore, clarity regarding the duration of shop closures and impact on retail confidence would be helpful for share price performance.

Beyond the macro drivers (Greek GDP, duration of COVID-19 disruptions), we believe key catalysts for the stock are evidence that the VLT roll-out is able to maintain momentum in terms of GGR/VLT/day, as well as a demonstrable increase in online revenues.

DCF: €9.5/share fair value with €2.2 potential upside

We have performed a DCF valuation, with a terminal growth rate of 1.5% and a terminal EBITDA margin of 22%, vs 25.4% in FY19. Using a WACC of 8.0% produces a value per share of €9.5; flexing the WACC to 9% produces a value of €7.86. Our core DCF valuation equates to 8.9x EV/EBITDA and 16.7x P/E for FY21e, with an 8.5% dividend yield.

For our valuation, we have assumed that OPAP will not receive a cash payment for its €1.8bn tax asset in 2030. Instead, we believe there will be further negotiations with the Greek government, such that the exclusive concessions could be renewed free of charge (or at least inexpensively) in exchange for the repayment. However, should the contract be honoured at face value, we estimate that the present value of the €1.8bn payment in 2030 is equivalent to c €734m or c €2.2/share. Clearly any clarity regarding this tax asset is unlikely to materialise in the near term, but at the very least, we believe it demonstrates OPAP's strong positioning, which can only be a positive.

Peer group analysis

Although OPAP is a listed gaming business, we note that its business model is very different from the other listed European gaming companies (eg they are not monopolies, mostly do not participate in lotteries and mostly are far more reliant on online revenues).

We generally consider that the peer group valuation is of limited value (given the differences in models and geographies), but we nonetheless provide a peer group valuation table below, as some of the peers do operate in the retail space (GVC, William Hill, Rank, Francaise des Jeux). Additionally, as OPAP begins to grow its online presence, the comparison could become more relevant.

The retail and sports gaming sector has fallen sharply due to COVID-19 related disruptions and OPAP has been no exception (down c 25% year-to-date). OPAP trades around the average of the broader European gaming sector on a P/E and EBITDA basis, but its dividend yield continues to be more attractive than average, as demonstrated in the exhibit below.

Exhibit 8: Peer group valuations

Name	Quoted currency	Market cap (m)	EV/EBITDA FY20 (x)	EV/EBITDA FY21 (x)	P/E FY20 (x)	P/E FY21 (x)	Div yield FY20 (%)	Div yield FY21 (%)
Flutter	GBp	7,283	30.7	16.7	62.4	27.9	2.1	2.1
Francaise des Jeux	EUR	4,977	15.9	11.7	34.0	23.2	2.7	3.6
GVC Holdings	GBp	4,329	11.1	7.6	19.2	9.2	3.1	5.3
OPAP	**EUR**	**2,701**	**11.0**	**7.8**	**25.9**	**14.2**	**18.7**	**9.9**
Playtech	GBp	660	3.9	3.2	13.4	6.4	5.8	5.5
Rank Group	GBp	664	5.9	6.5	10.0	11.0	3.8	3.2
William Hill	GBp	958	10.7	5.7	N/A	9.9	5.4	5.8
Average			**12.7**	**8.5**	**27.5**	**14.5**	**5.9**	**5.1**

Source: Refinitiv, Edison Investment Research, priced at 29 April 2020

Financials: FY19 results in line but FY20 hit hard by COVID-19

Impact of COVID-19: Retail closed until mid-May

OPAP's stores and gaming halls across Greece have been closed since 14 March and will not reopen until at least mid-May. OPAP stores are now expected to open on 11 May and will be required to follow specific conditions and precautionary measures (social distancing and no seated customers). An announcement regarding gaming halls is expected in due course. Similar measures have affected the Cypriot business (c 5% of total revenues) and the nationwide lockdown has restricted street vendors for the distribution of Scratch & Passive lotteries.

The online lottery business has seen an increase in activity and, although this remains only a small portion of the total, OPAP has stated that it is focusing on expanding its online games portfolio. In terms of online sports, this has also been significantly affected by the lack of sporting fixtures.

Financial impact per month: €130–140m on GGR and €50–53m on EBITDA

It is currently very difficult to forecast the duration of the COVID-19 outbreak, and the subsequent economic impact of the restrictions. Current restrictions are leading to a 99% reduction in gaming revenues. However, about 60% of GGR are linked to revenue-based payments and therefore OPAP has a relatively low fixed cost base, for example the commission structure for agents, and 35% gaming tax based on revenues and revenue sharing agreements with multiple vendors. The company has specifically not reduced headcount or salaries at present.

Management has stated that the monthly financial impact from COVID-19 related restrictions will be c €130–140m on GGR and c €50–53m on EBITDA, before cost mitigations of c €4–6m. The expected cash burn per month is c €20m, due to fixed costs. We assume a total disruption duration equivalent to three months (which allows for a slow return to normality), and we recently lowered our underlying (excluding Stoiximan) FY20 GGR forecasts by €400m and EBITDA by €145m.

Divisional revenues

Including a €400m COVID-19 related reduction in GGR, we forecast a total GGR decline of 15.6% in FY20 to €1,367.1m. For FY21, we have assumed continued softness in consumer confidence, with revenues of €1,748.1m (compared to €1,619.9m in FY19). Note that our forecasts include the full consolidation of Stoiximan from Q420.

- **Lottery** GGR was flat during FY19 at €778.6m, with weakness in the final quarter due to Kino side bets' natural attrition, as well as less favourable Joker jackpot rollovers. For FY20, we are including three months of disruption and forecast total lottery revenues of €616.4m, rising to €708.8m in FY21. Apart from economic and COVID-19 related issues, the lottery business is naturally affected by some VLT substitution, although we expect online products (Joker and Kino in due course) should help to mitigate the retail decline.
- **Sports betting** revenues decreased 2.5% in FY19 to €396.2m, not helped by the lack of major competitions in FY19, pressure from competition from online competitors (with better odds) and the cannibalisation from virtuals. Given the lack of sports fixtures (due to COVID-19) we forecast a 25% decline in GGR in FY20 (€297.2m), growing 20% to €356.6m in FY21. We expect the online sports offering to become increasingly significant.
- **Instant and Passives:** FY19 GGR in this division declined 3.0% to €147.5m, with an encouraging stabilisation in the last quarter. We forecast revenues of €116.8m in FY20 and €137.8m in FY21, as we believe revenues are in a slow structural decline (in addition to the more severe near-term impact from COVID-19).
- **VLTs:** this product was launched in FY17 and all 25,000 machines have now been installed. VLTs generated GGR of €297.7m in FY19, with GGR per VLT per day at €39 for the full year. We forecast GGR of €276.8m in FY20 and €335.0m in FY21, which equates to a GGR/VLT/day of €36.5.
- **Stoiximan:** the additional €163.4m investment into TCB (Stoiximan) is still pending approval for the final 84.5% controlling stake and we have assumed this business will be fully consolidated from Q420. We are forecasting €60m GGR for Q420 (as well as a €10m equity contribution during the first nine months of the year), with GGR of €210m in FY21. Given the high growth rates achieved by Stoiximan to date (see above), we believe our assumptions are conservative, especially for FY21. The 37% stake in the international business is expected to break even in FY20 and we forecast a €4m equity contribution for FY21. OPAP has negotiated an additional earn-out payment based on EBITDA targets (8–10x) and we estimate an additional €60m payment (split evenly between FY21 and FY22).
- **Other operating income:** through the Tora subsidiary, OPAP is leveraging its network to offer basic services such as pre-paid cards and the payment of utility bills. These services will all be offered inside existing OPAP shops. We understand that this initiative is primarily aimed at driving traffic through stores and we have only added modest growth to this income line.

Exhibit 9: Divisional summary

	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Lotteries	817.3	829.9	841.3	818.0	779.9	778.6	616.4	708.8	715.9
Sports Betting	456.3	411.9	397.2	421.1	406.2	396.2	297.2	356.6	367.3
Instant and Passives	104.1	157.9	159.1	158.9	152.2	147.5	116.8	137.8	137.7
VLTS	0.0	0.0	0.0	57.6	208.7	297.7	276.8	335.0	351.7
Stoiximan	0.0	0.0	0.0	0.0	0.0	0.0	60.0	210.0	220.5
Gross Gaming Revenues	**1,377.7**	**1,399.7**	**1,397.6**	**1,455.5**	**1,547.0**	**1,619.9**	**1,367.1**	**1,748.1**	**1,793.1**
GGR Contribution and other levies	(404.5)	(412.0)	(466.7)	(482.6)	(507.1)	(533.7)	(444.1)	(570.5)	(585.1)
% GGR	-29%	-29%	-33%	-33%	-33%	-33%	-32%	-33%	-33%
NGR	973.1	987.7	930.8	972.9	1,039.9	1,086.2	923.0	1,177.7	1,208.0
Agents Commission	(359.7)	(362.4)	(358.4)	(369.9)	(381.1)	(387.3)	(312.1)	(366.9)	(375.0)
% of NGR	-37%	-37%	-39%	-38%	-37%	-36%	-34%	-31%	-31%
Other NGR related commission	0.0	0.0	(26.3)	(38.3)	(53.0)	(76.7)	(59.5)	(71.7)	(74.4)
% of NGR	0%	0%	-3%	-4%	-5%	-7%	-6%	-6%	-6%
Lottery	375.3	380.7	345.7	337.7	330.3	336.8	268.0	308.7	311.8
Sports Betting	193.3	176.5	147.1	155.2	159.2	149.8	120.2	144.7	149.1
Instant and Passives	46.7	69.5	54.7	54.8	51.5	44.9	40.0	47.3	47.2
VLTs	0.0	0.0	0.0	18.4	66.2	92.0	85.3	103.2	108.3
Other	(1.8)	(1.4)	(1.4)	(1.4)	(1.4)	(1.2)	(1.2)	(1.2)	(1.2)
Stoiximan	0.0	0.0	0.0	0.0	0.0	0.0	39.0	136.5	143.3
Gross profit from gaming operations	**613.5**	**625.3**	**546.2**	**564.7**	**605.9**	**622.1**	**551.3**	**739.1**	**758.5**
Total gross profit	613.5	625.3	570.1	592.6	642.7	673.0	577.5	772.7	793.7
Payroll	(58.6)	(46.1)	(56.2)	(63.8)	(76.1)	(82.3)	(85.9)	(98.8)	(99.8)
% NGR	-6%	-5%	-6%	-7%	-7%	-8%	-9%	-8%	-8%
Marketing	(78.9)	(69.5)	(65.9)	(67.4)	(65.8)	(60.9)	(66.1)	(99.2)	(100.2)
% of NGR	-8%	-7%	-7%	-7%	-6%	-6%	-7%	-8%	-8%
Other operating expenses	(129.5)	(132.7)	(140.4)	(155.0)	(147.2)	(118.5)	(123.3)	(135.6)	(137.0)
% NGR	-13%	-13%	-15%	-16%	-14%	-11%	-13%	-12%	-11%
adjusted EBITDA	**346.5**	**377.1**	**307.5**	**306.5**	**353.6**	**411.2**	**302.2**	**439.1**	**456.8**
EBITDA margin	25%	27%	22%	21%	23%	25%	22%	25%	25%

Source: OPAP, Edison estimates

Costs

- **Gaming taxes:** total gaming taxes of €533.7m represented 32.9% of GGR in 2019. The GGR tax varies across the product portfolio: 35% on all legacy games (notably lottery); 30% for VLTs; and 30% for Instant and Passives and Horse Racing. As all VLTs are now fully installed, we forecast the group tax rate to fall to 32.6% in FY20, remaining flat thereafter.
- **Agents' commissions** were 35.7% of NGR at FY19, which is lower than previous years due to the recent introduction of the new commission scheme (detailed above). Agents' commissions for VLTs are 36% in gaming halls and 25% in agencies. We note that Stoiximan is a pure online business and therefore we assume there is no agents' commission associated with this business (instead Stoiximan will have much higher operating costs, such as marketing).
- **Other NGR-related commission**: this was 7.1% of NGR in FY19, which is higher than previous years due to the larger VLT revenue and increased contribution from Virtuals and SSBTs.
- **Other operating expenses:** the reduction of operating costs (personnel, marketing and IT) has been a major initiative for the 2020 plan and we expect continuing cost controls. Total operating costs of €261.8m compares to €289.1m in the previous year. OPAP has specifically chosen not to reduce headcount or salaries despite COVID-19 and we forecast total operating costs of €275.3m in FY20. This includes three months of consolidation of Stoiximan with forecast operating costs of c €30m, as online businesses typically are heavily reliant on marketing to attract new customers. We are forecasting a c 15% EBITDA margin for Stoiximan in FY20 and a 20% EBITDA margin thereafter.
- **Net interest:** net interest charges were €27.1m in FY19 and, with the additional debt, we forecast a net interest charge of €39.1m in FY20.

- **Tax:** The income tax rate in Greece was set at 24% in 2019. For modelling purposes, we have applied an effective tax rate of 26%.

Cash flow and balance sheet

OPAP's business model is very cash generative, given the franchise model, the limited working capital risk and the fact that all licence payments have been made. Despite the disruption caused by COVID-19, the balance sheet remains robust. Our forecasts assume a total of three months' equivalent of negligible monthly revenues and, on this basis, we believe that OPAP continues to have a sufficient cash position and sufficient liquidity to meet future payment obligations.

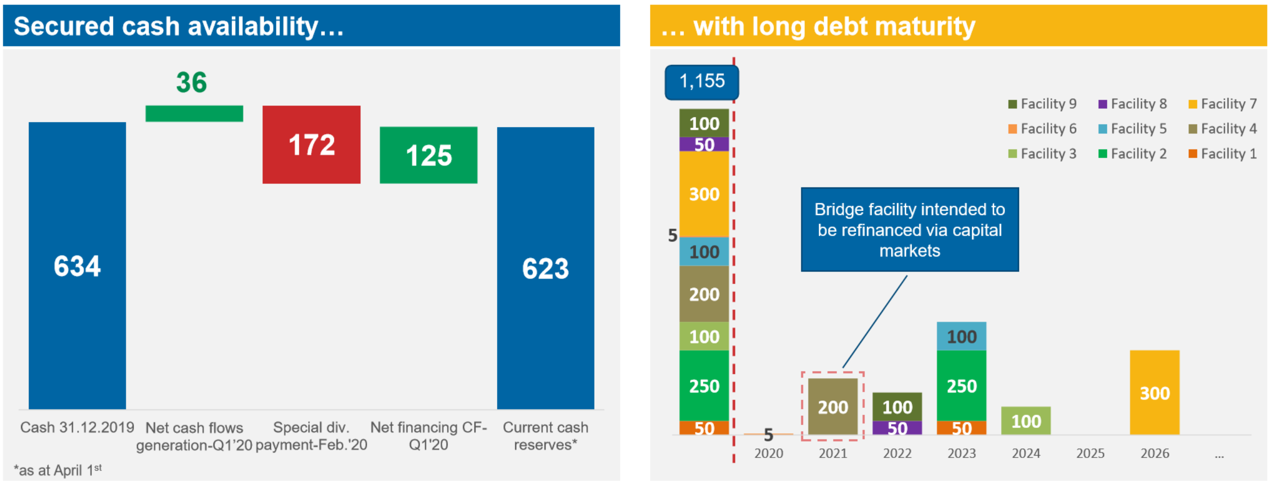
Net debt/EBITDA to fall below 1.0x in FY21

At FY19, OPAP had debt of €1,052.5m, €64.8m lease obligations (IFRS 16) and cash of €633.8m, equating to net debt of €483.3m (post IFRS and excluding €10m of investments). Since year end, OPAP has redeemed €200m retail bonds, paid a €1.00/share extraordinary dividend (€172m cash component) and raised a further €325m debt. At 1 April 2020, OPAP's cash balance was €623m, with total net debt of €609m (post IFRS, excluding €10m of investments).

During FY20, we forecast cash outflows of €163m for the Stoiximan acquisition and €15m for capex, as management is proactively managing capex by freezing uncommitted spend. Excluding debt movements and after dividend payments, we forecast a net cash outflow of €148.8m in FY20 returning to a positive net cash inflow of €154.1m in FY21. The €200m bridge facility is payable in FY21, which OPAP expects to refinance via capital markets. We are forecasting a €30m cash payment for both FY21 and FY22 for the remaining Stoiximan earn-out payment.

Net debt/EBITDA (calculated pre-IFRS 16) was 1.0x at FY19, which we forecast to rise to 1.9x in FY20 (due to the COVID-19 impact on EBITDA, as well as the Stoiximan acquisiton), before falling below 1.0x during FY21. OPAP's long-term net debt/EBITDA target is 1.35x and therefore we believe that OPAP's balance sheet remains robust.

Exhibit 10: OPAP cash and debt profile (€m)



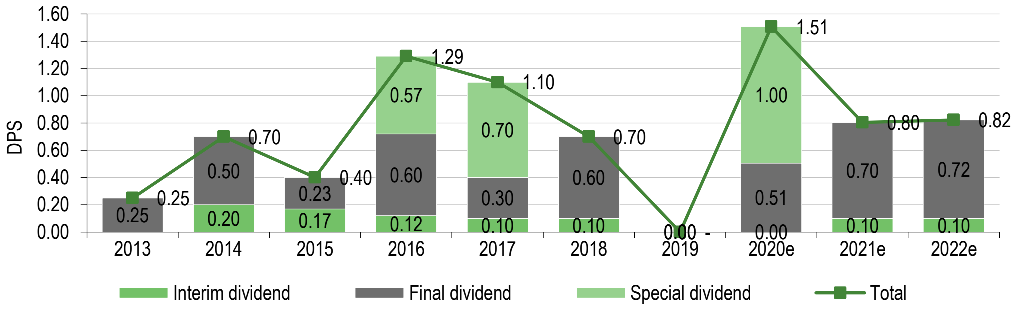
Source: OPAP

Extraordinary dividend paid in Q120, with final dividend under discussion

OPAP paid a €1.00 extraordinary dividend in Q120, which was distributed as €172m cash with 48.2% of shareholders electing to receive a scrip dividend. Given the current uncertainty surrounding coronavirus, management will delay its recommendation concerning a final dividend for FY19.

As shown in the exhibit below, we have assumed no further dividend to be paid corresponding to FY19, but we assume the company will return to its normal dividend policy from FY20, which is to pay out the bulk of free cash flow. Our forecasts assume a final FY20 dividend to be paid in FY21.

Exhibit 11: Dividend distribution



Source: OPAP, Edison Investment Research

Exhibit 12: Financial summary

€m	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Year end 31 December	ISA	ISA	ISA	ISA	ISA	ISA	ISA	ISA	ISA
INCOME STATEMENT									
GGR	1,377.7	1,399.7	1,397.6	1,455.5	1,547.0	1,619.9	1,367.1	1,748.1	1,793.1
NGR	973.1	987.7	930.8	972.9	1,039.9	1,086.2	923.0	1,177.7	1,208.0
Cost of Sales	(764.2)	(774.3)	(827.5)	(862.9)	(904.3)	(946.9)	(789.6)	(975.4)	(999.4)
Gross Profit	613.5	625.3	570.1	592.6	642.7	673.0	577.5	772.7	793.7
EBITDA	346.5	377.1	307.5	306.5	353.6	411.2	302.2	439.1	456.8
Normalised operating profit	289.6	318.1	252.4	218.8	258.4	296.6	170.7	305.8	321.6
Impairments	7.5	(14.1)	0.0	(2.7)	(17.5)	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0	(7.1)	0.0	0.0	0.0
Share-based payments	(0.9)	(1.2)	(3.1)	(1.5)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Reported operating profit	296.2	302.8	249.3	214.6	239.3	287.8	169.0	304.1	319.9
Net Interest	1.6	(4.7)	(13.3)	(21.1)	(23.5)	(27.1)	(39.1)	(39.4)	(34.9)
Joint ventures & associates (post tax)	0.0	0.0	0.0	0.0	0.0	8.5	10.0	4.0	4.4
Other	7.8	1.5	1.0	(0.3)	0.0	0.0	0.0	0.0	1.0
Profit Before Tax (norm)	299.0	314.9	240.0	197.5	234.9	278.0	141.6	270.4	292.1
Profit Before Tax (reported)	305.6	299.6	236.9	193.2	215.9	269.2	139.9	268.7	290.5
Reported tax	(106.4)	(89.7)	(64.1)	(61.6)	(70.6)	(67.1)	(36.8)	(70.3)	(75.9)
Profit After Tax (norm)	212.3	223.6	170.4	140.2	166.8	208.7	104.8	200.1	216.2
Profit After Tax (reported)	199.2	209.9	172.9	131.6	145.3	202.1	103.1	198.4	214.5
Minority interests	(4.2)	0.8	(2.6)	(5.4)	(2.0)	0.3	(1.4)	(6.3)	(6.6)
Net income (normalised)	208.1	224.4	167.8	134.8	164.8	209.0	103.4	193.8	209.5
Net income (reported)	195.0	210.7	170.2	126.2	143.3	202.4	101.8	192.1	207.9
Basic average number of shares outstanding (m)	319	319	319	318	318	322	332	342	352
EPS - basic normalised (€)	0.65	0.70	0.53	0.42	0.52	0.65	0.31	0.57	0.60
EPS - diluted normalised (€)	0.65	0.70	0.53	0.42	0.52	0.65	0.31	0.57	0.60
EPS - basic reported (€)	0.61	0.66	0.53	0.40	0.45	0.63	0.31	0.56	0.59
Dividend (€)	0.70	0.40	1.29	1.10	0.70	0.00	1.51	0.80	0.82
Revenue growth (%)		1.6	(-0.2)	4.1	6.3	4.7	(-15.6)	27.9	2.6
Gross Margin (%)	44.5	44.7	40.8	40.7	41.5	41.5	42.2	44.2	44.3
EBITDA Margin (%)	25.2	26.9	22.0	21.1	22.9	25.4	22.1	25.1	25.5
Normalised Operating Margin	21.0	22.7	18.1	15.0	16.7	18.3	12.5	17.5	17.9
BALANCE SHEET									
Fixed Assets	1,343.4	1,318.9	1,330.3	1,356.5	1,384.2	1,370.1	1,415.3	1,330.3	1,243.5
Intangible Assets	1,284.2	1,237.2	1,231.0	1,218.5	1,157.2	1,096.0	1,094.2	1,026.4	956.7
Tangible Assets	44.2	56.2	67.6	109.3	111.5	162.3	209.4	192.3	175.1
Investments & other	15.0	25.5	31.7	28.7	115.5	111.7	111.7	111.7	111.7
Current Assets	409.4	389.9	437.4	440.4	385.5	869.6	860.8	914.9	941.3
Stocks	3.0	4.2	12.5	7.9	10.7	6.7	11.7	16.7	21.7
Debtors	92.3	55.2	80.6	127.8	138.3	161.2	171.2	166.2	161.2
Cash & cash equivalents	297.4	301.7	273.5	246.1	182.6	633.8	610.0	664.1	690.5
Other	16.7	28.8	70.8	58.5	54.0	67.9	67.9	67.9	67.9
Current Liabilities	(457.9)	(325.0)	(390.2)	(482.0)	(299.3)	(326.4)	(311.4)	(296.4)	(281.4)
Creditors	(170.4)	(127.1)	(149.3)	(173.9)	(176.7)	(184.1)	(169.1)	(154.1)	(139.1)
Tax and social security	(178.2)	(129.9)	(55.5)	(89.8)	(8.6)	(5.3)	(5.3)	(5.3)	(5.3)
Short term borrowings	(0.0)	(32.1)	(118.7)	(169.2)	(0.2)	(13.9)	(13.9)	(13.9)	(13.9)
Other	(109.3)	(35.9)	(66.7)	(49.2)	(113.8)	(123.1)	(123.1)	(123.1)	(123.1)
Long Term Liabilities	(59.8)	(181.0)	(305.3)	(556.7)	(710.8)	(1,141.5)	(1,266.5)	(1,166.5)	(1,066.5)
Long term borrowings	0.0	(115.0)	(263.0)	(513.1)	(650.3)	(1,103.2)	(1,228.2)	(1,128.2)	(1,028.2)
Other long term liabilities	(59.8)	(66.0)	(42.3)	(43.6)	(60.6)	(38.3)	(38.3)	(38.3)	(38.3)
Net Assets	1,235.1	1,202.8	1,072.2	758.2	759.5	771.7	698.1	782.3	836.9
Minority interests	(67.4)	(41.0)	(37.0)	(43.4)	(36.8)	(18.1)	(20.0)	(20.0)	(20.0)
Shareholders' equity	1,167.7	1,161.8	1,035.3	714.8	722.8	753.6	678.1	762.3	816.9
CASH FLOW									
Op Cash Flow before WC and tax	347.4	378.3	310.7	308.0	355.2	412.9	303.8	440.8	458.4
Working capital	7.0	(41.0)	(71.9)	(9.2)	(25.0)	(16.5)	(25.0)	(10.0)	(10.0)
Exceptional & other	1.0	9.1	(12.4)	(0.4)	1.1	(13.9)	0.0	0.0	0.0
Tax	(68.8)	(142.5)	(116.9)	(31.4)	(51.7)	(78.9)	(36.8)	(60.3)	(65.9)
Net operating cash flow	286.6	203.9	109.4	266.9	279.6	303.6	242.0	370.5	382.5
Capex	(18.6)	(39.6)	(42.9)	(96.3)	(51.9)	(34.8)	(15.0)	(20.0)	(20.0)
Acquisitions/disposals	(18.6)	(0.8)	(0.0)	(31.5)	(47.9)	(21.9)	(163.4)	(30.0)	(30.0)
Net interest	1.6	(4.2)	(11.9)	(19.6)	(24.6)	(22.3)	(39.1)	(39.4)	(34.9)
Equity financing	(8.3)	(24.2)	(11.9)	(1.8)	(5.5)	(0.1)	0.0	0.0	0.0
Dividends	(79.8)	(277.3)	(292.8)	(446.1)	(154.0)	(164.0)	(172.0)	(120.7)	(164.6)
Other	48.1	(0.7)	(12.7)	0.3	(18.6)	(11.1)	(1.4)	(6.3)	(6.6)
Net Cash Flow	211.0	(142.9)	(262.8)	(328.0)	(22.8)	49.3	(148.8)	154.1	126.4
Opening net debt/(cash)	(86.4)	(297.4)	(154.5)	108.3	436.2	467.9	483.3	632.1	478.1
FX	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash movements	0.0	0.0	0.0	0.0	(8.9)	(64.8)	0.0	0.0	0.0
Closing net debt/(cash)	(297.4)	(154.5)	108.3	436.2	467.9	483.3	632.1	478.1	351.7

Source: OPAP accounts, Edison Investment Research

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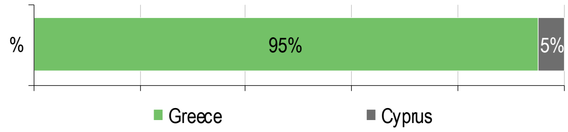
OPAP Athinon Av 112 Athens PC 104 42 Greece +30 210 5798930 www.opap.gr	

Management team

CEO: Damian Cope	Executive chairman: Kamil Ziegler
Damian has 20 years' experience in the gaming industry and was most recently MD and international and group strategy director of Ladbrokes. Other roles include board director of Sportium Apuestas Deportivas (Spain), CIO of Gala Coral Group, as well as senior roles at Rank Group and Blue Square. Damian has announced that he is stepping down in May 2020.	Kamil is the former CEO and a current board member of Sazka, the Czech lottery operator. Previous experience includes roles as chairman and CEO of Czech state-owned Consolidation Bank, board member of PPF Group and deputy CEO and board member of Czech Savings Bank.
CFO: Pavel Mucha	
Pavel joined as CFO in October 2019, having previously been CFO of Sazka, the national lottery operation of Czech Republic, which is a member of SAZKA Group. In total, he has 26 years of professional experience, holding finance roles, in consultancy, pharmaceutical and FMCG companies. Additionally, he has four years of professional experience in the gaming market.	

Principal shareholders (source Bloomberg)	(%)
Sazka Group	40.0
Alliance Bernstein	2.5
Vanguard Group	2.1
Blackrock	1.7
Norges Bank	0.9
Capital Group	0.9

Companies named in this report

GVC Holdings (GVC); William Hill (WMH); Rank (RNK)

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