



Company Flash Note

March 24, 2016

Hellenic Exchanges



Equalweight

Previous Rating: Equalweight

Share Price: €5.05 (close of March 23)

12M Price Target: €5.00

Previous Target: €5.20

Expected Total Return: 5.3%

Estimates

	2015	2016e	2017e	2018e
Turnover (€ m)	35.0	35.2	41.1	47.4
EBITDA (€ m)	15.0	15.6	21.2	27.0
Pre-tax profit (€m)	13.5	15.9	21.9	28.1
Net profit rep. (€ m)	9.0	11.3	15.5	20.0
EPS rep. (€)	0.14	0.17	0.24	0.31
EPS rep. change (%)	-57.0%	24.6%	38.0%	28.5%
EPS underlying (€)	0.15	0.17	0.24	0.31
EPS rep. Old (€)	-	0.22	0.27	0.32
EPS New vs Old (%)	-	-20.2%	-10.5%	-5.1%
DPS (€)	0.10	0.12	0.16	0.21
Cap. Return/Share (€)	0.22	0.24	0.26	0.26

Source: Hellenic Exchanges, Euroxx Research

Ratios

	2015	2016e	2017e	2018e
P/E (x)	36.5	29.3	21.2	16.5
P/E underlying (x)	34.2	29.3	21.2	16.5
EV/EBITDA (x)	12.7	12.6	9.7	8.0
EV/EBIT (x)	14.7	14.2	10.6	8.6
EV/Turnover (x)	5.4	5.6	5.0	4.5
ROE (%)	4.9%	6.5%	9.5%	12.7%
Dividend Yield (%)	6.3%	7.1%	8.3%	9.3%
P/BV (x)	1.9	2.0	2.1	2.2

Source: Hellenic Exchanges, Euroxx Research

Stock Performance

	3M	6M	12M	YTD
Absolute	-4.7%	-5.4%	6.4%	-4.7%
Difference (ATG)	6.4%	12.1%	34.5%	8.0%

Stock Data:

Market Cap (€ m)	330
Outstanding shares (#)	65,368,563
Daily volume (#)	200,720
Low / High 52 w (€)	3.17 – 5.85
Free float	94%
Bloomberg / Reuters	EXAE GA / EXCr.AT

Company Description:

Hellenic Exchanges is a vertically integrated group, controlling trading, clearing, settlement and registry systems of the Greek Cash, Derivatives & Bonds markets. The company was fully privatized in September 2003.

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Uncertainty Weighs on Trading Activity; Earnings Distribution Remains High

Strong Q4'15 Performance – with sales at €12m, 8% higher y-o-y, supported by the fees related to the recapitalisation of the Greek banks in December. EBITDA rose by 58% to €7m, also aided by the 24% OpEx drop, however net profit declined by 7% y-o-y to €3.5m, negatively impacted by €0.4m from the revaluation of real estate assets and €0.2m from the de-recognition of bonds. Excluding the one-off losses, Q4'15 adjusted net income increased by 9% y-o-y to €4.1m.

2016-17e EPS Cut by 10-20% on Lower ADT & MCap Assumptions: The delays in the completion of the Greek 1st programme review has added further uncertainty to the domestic market, as reflected by the YTD drop in ADT by 16% to €72m. As a result, we downgrade our 2016-17e ADT (to €75-95m from €85-98m previously) and MCap (to €46bn in 2016e from €59bn, rising to €58bn in 2017e) assumptions, which leads to 10-20% cuts in our EPS forecasts over the same period. We expect the gradual restoration of investor appetite on Greek assets to support the ADT and shares' prices from H2'16e onwards, subject to the full lifting of the capital controls and the successful 1st programme review.

Underleveraged BS with 2015 Net Cash of €141m – leaves room for lucrative distributions. Following the total 2015 cash distribution of €0.32/share (total yield at 6.3%), we expect 2016e total distribution of €0.36/share (DPS of €0.12 and capital return of €0.24), that yields 7.1% on current price. We now estimate the total 2016-17e cash distribution to reach €0.78/share (64% through capital return) from €0.75/share previously. Additionally, we forecast net cash of €1.9-2.0/share in 2016-17e and FCF of €0.17-0.19/share (3-4% yield), which provide good scope for positive surprises in the future.

Remains Equalweight / TP Cut to €5.00 (from €5.20) – due to our earnings downgrades (WACC unchanged at 10.7%). Our TP, together with the 2015 total DPS of €0.32, implies a total expected return of 5.3% from current price level. Hence, we reiterate our Equalweight rating. Note that for every €10m delta in our 2016e ADT assumption of €75m there is c€0.3/share sensitivity (c6% on average) in our TP. In our view, despite the demanding valuation (2016e cash adjusted P/E of 20x, at 25% premium vs the 2011-15 historic average), Helix's underleveraged BS (net cash at 43% of the market cap) leaves good scope for generous distributions over 2016-17e (yields at 7-8%).

Please refer to important disclosures in the Disclosure Appendix.

Summary Financial Statements

In € m. unless otherwise stated

PROFIT & LOSS (€m)	2014	2015	2016e	2017e	2018e
Turnover (incl. new activities)	47.3	35.0	35.2	41.1	47.4
% change	43.1%	-25.9%	0.5%	16.8%	15.1%
Non-recurring income	0.0	0.0	0.0	0.0	0.0
Total revenue (excl. CMC fee)	47.3	35.0	35.2	41.1	47.4
% change	41.2%	-25.9%	0.5%	16.8%	15.1%
Costs	21.3	20.1	19.6	19.9	20.3
EBITDA	26.0	15.0	15.6	21.2	27.0
% change	-57.0%	-57.0%	-42.5%	4.5%	35.8%
Depreciation & amortization	1.8	2.1	1.8	1.8	1.9
Operating profit (EBIT)	24.2	12.9	13.9	19.4	25.1
% change	-59.0%	-59.0%	-46.8%	7.5%	39.9%
Net financing income/cost	3.7	1.6	2.0	2.5	3.0
Other	-0.3	-1.0	0.0	0.0	0.0
Pre-tax profit	27.7	13.5	15.9	21.9	28.1
% change	-56.2%	-51.4%	17.9%	38.0%	28.5%
Income tax	6.6	4.4	4.6	6.3	8.2
% effective tax rate	24.0%	32.8%	29.0%	29.0%	29.0%
Minority stake in profits	0.0	0.0	0.0	0.0	0.0
Profit after tax (rep.)	21.0	9.0	11.3	15.5	20.0
% change	-34.9%	-57.0%	24.6%	38.0%	28.5%
EPS after tax - rep. (in €)	0.32	0.14	0.17	0.24	0.31
% change	-34.9%	-57.0%	24.6%	38.0%	28.5%
Profit after tax (adj.)⁽¹⁾	21.0	9.6	11.3	15.5	20.0
% change	24.5%	-54.1%	16.7%	38.0%	28.5%
Dividends	13.7	6.5	7.7	10.6	13.6
DPS (in €)	0.21	0.10	0.12	0.16	0.21
% change	n.m.	-52.4%	17.1%	38.0%	28.5%

CASH FLOW (€m)	2014	2015	2016e	2017e	2018e
Profit before tax	27.7	13.5	15.9	21.9	28.1
Tax paid	-26.0	-9.0	-4.6	-6.3	-8.2
Depreciation	1.8	2.0	1.8	1.8	1.9
Interest income	-3.7	-1.6	-2.0	-2.5	-3.0
Other	0.8	0.1	0.0	0.0	0.0
Gross cash flow	0.6	5.7	11.0	14.9	18.9
Working capital change	-0.3	1.3	2.1	-0.5	-2.3
Operating Cash Flow	0.3	7.0	13.1	14.4	16.6
Capital expenditure	2.2	2.5	2.0	2.0	2.0
Other investments	3.7	1.6	0.0	0.0	0.0
Free Cash Flow	1.8	6.1	11.1	12.4	14.6
Dividends paid	0.0	-13.3	-6.5	-7.7	-10.6
Capital return	-13.1	-7.2	-14.4	-15.7	-17.0
Interest received	0.0	0.0	2.0	2.5	3.0
Financing Cash Flow	-13.1	-20.5	-18.9	-20.8	-24.6
Chng in Cash Position	-11.3	-14.3	-7.8	-8.4	-9.9

(1) In 2015, we exclude the € 0.6m one-off losses related to revaluation of real estate assets and de-recognition of bonds

Source: Hellenic Exchanges, Euroxx Research

BALANCE SHEET (€m)	2014	2015	2016e	2017e	2018e
Non Current Assets	34.6	32.9	33.1	33.3	33.4
Net fixed assets	27.8	26.3	26.5	26.7	26.8
Participations	0.1	0.1	0.1	0.1	0.1
Intangible assets	3.8	5.2	5.2	5.2	5.2
Other L/T receivables	2.9	1.3	1.3	1.3	1.3
Current Assets	568.9	611.9	599.4	591.0	582.2
Accounts receivable	17.2	19.5	14.8	14.8	16.0
Cash & cash equivalents	151.6	137.2	129.4	121.0	111.0
Financial assets AFS	3.4	3.7	3.7	3.7	3.7
Third party deposits at ATHEX Clear	395.1	447.8	447.8	447.8	447.8
TOTAL ASSETS	603.5	644.8	632.6	624.3	615.6
Net debt/(cash)	-154.8	-140.9	-133.0	-124.6	-114.7
Shareholders' equity	189.2	177.9	168.2	160.4	152.8
Minority interest on share capital	0.0	0.0	0.0	0.0	0.0
Long-term liabilities	6.7	5.1	5.1	5.1	5.1
Long-term debt	0.1	0.1	0.1	0.1	0.1
Provisions	3.0	3.2	3.2	3.2	3.2
Other LT liabilities	3.6	1.9	1.9	1.9	1.9
Short-term liabilities	407.5	461.8	459.2	458.7	457.7
Accounts payable	9.2	13.2	10.6	10.1	9.1
Liabilities for taxes	2.5	0.0	0.0	0.0	0.0
Other short-term liabilities	0.7	0.8	0.8	0.8	0.8
Third party deposits at ATHEX Clear	395.1	447.8	447.8	447.8	447.8
TOTAL EQUITY & LIABILITIES	603.5	644.8	632.6	624.3	615.6

RATIO ANALYSIS	2014	2015	2016e	2017e	2018e
P/E (x)	15.7	36.5	29.3	21.2	16.5
P/E (x) underlying	15.7	34.2	29.3	21.2	16.5
P/BV (x)	1.7	1.9	2.0	2.1	2.2
EV/Turnover (x)	3.7	5.4	5.6	5.0	4.5
EV/EBITDA (x)	6.7	12.7	12.6	9.7	8.0
Current ratio (x)	1.4	1.3	1.3	1.3	1.3
Liabilities to equity (x)	2.19	2.62	2.76	2.89	3.03
ROA (%)	5.1%	1.4%	1.8%	2.5%	3.2%
ROE (%)	11.4%	4.9%	6.5%	9.5%	12.7%
ROIC (%)	9.7%	4.9%	5.8%	8.6%	11.7%
Free Cash Flow yield	0.5%	1.9%	3.4%	3.8%	4.4%
Market fee/sales	4.6%	3.9%	4.0%	4.3%	0.5%
Dividend payout ratio (%)	65.3%	72.3%	68.0%	68.0%	68.0%
Dividend yield (%)	4.2%	2.0%	2.3%	3.2%	4.1%
Total payout ratio (incl. cap. Return, %)	99.5%	231.4%	207.4%	177.4%	153.1%
Total yield (incl. cap. Return, %)	6.3%	6.3%	7.1%	8.3%	9.3%

Table 1. Key Assumptions (2016-2018e)

in € m	2015a	y-o-y	2016e				2017e				2018e			
			old	new	chng %	y-o-y	old	new	chng %	y-o-y	old	new	chng %	y-o-y
ADT (€m)	85.7	-32.5%	84.8	75.4	-11.1%	-12.0%	97.6	95.0	-2.6%	26.0%	112.2	112.1	-0.1%	18.0%
Average Market Cap (€bn)	43.8	-36.9%	58.6	46.0	-21.6%	5.0%	67.4	57.9	-14.1%	26.0%	77.5	72.4	-6.6%	25.0%
Velocity (%)	43.7%		36.2%	41.0%			36.2%	41.0%			36.2%	38.7%		
Average number of contracts (k)	68.5	40.7%	94.9	68.5	-27.8%	0.0%	98.7	71.2	-27.8%	4.0%	102.7	74.1	-27.8%	4.0%

Source: Euroxx Research

Table 2. Forecast Revisions (2016-2018e)

(amounts in € m)	2015a	y-o-y	2016e				2017e				2018e			
			old	new	chng %	y-o-y	old	new	chng %	y-o-y	old	new	chng %	y-o-y
Total revenue (excl. CMC fee)	35.0	-25.9%	39.5	35.2	-10.8%	0.5%	43.9	41.1	-6.4%	16.8%	49.5	47.4	-4.3%	15.1%
OpEx (incl. CMC fee)	20.1	-5.7%	20.7	19.6	-5.4%	-2.4%	21.0	19.9	-5.2%	1.6%	21.5	20.3	-5.4%	2.1%
(%) of sales	57%		52%	56%			48%	48%			43%	43%		
EBITDA	15.0	-42.5%	18.8	15.6	-16.8%	4.5%	22.9	21.2	-7.4%	35.8%	28.0	27.0	-3.4%	27.4%
EBITDA Margin	42.7%		47.6%	44.4%			52.2%	51.6%			56.6%	57.1%		
EBIT	12.9	-46.8%	17.0	13.9	-18.3%	7.5%	21.0	19.4	-7.9%	39.9%	26.0	25.1	-3.5%	29.6%
EBIT Margin	36.8%		43.0%	39.3%			47.9%	47.1%			52.6%	53.1%		
Net Financials	0.6	-58.0%	2.9	2.0	-31.0%	28.7%	3.4	2.5	-26.5%	25.0%	3.6	3.0	-16.7%	20.0%
Pre-tax	13.5	-51.4%	19.9	15.9	-20.2%	17.9%	24.4	21.9	-10.5%	38.0%	29.6	28.1	-5.1%	28.5%
Pre-tax Margin	38.4%		50.3%	45.0%			55.6%	53.2%			59.9%	59.4%		
Tax	4.4	-51.4%	5.8	4.6	-20.2%	17.9%	7.1	6.3	-10.5%	38.0%	8.6	8.2	-5.1%	28.5%
Effective tax rate	32.8%		29.0%	29.0%			29.0%	29.0%			29.0%	29.0%		
Net profit	9.0	-57.0%	14.1	11.3	-20.2%	24.6%	17.4	15.5	-10.5%	38.0%	21.0	20.0	-5.1%	28.5%
Net Profit Margin	25.8%		35.7%	32.0%			39.5%	37.8%			42.5%	42.2%		
Net profit adjusted	9.6	-54.1%	14.1	11.3	-20.2%	16.7%	17.4	15.5	-10.5%	38.0%	21.0	20.0	-5.1%	28.5%
Net Profit Margin	27.5%		35.7%	32.0%			39.5%	37.8%			42.5%	42.2%		
EPS (€)	0.14	-57.0%	0.22	0.17	-20.2%	24.6%	0.27	0.24	-10.5%	38.0%	0.32	0.31	-5.1%	28.5%
EPS adjusted (€)	0.15	-54.1%	0.22	0.17	-20.2%	16.7%	0.27	0.24	-10.5%	38.0%	0.32	0.31	-5.1%	28.5%

Source: Euroxx Research

Table 3. Hellenic Exchanges DCF Valuation

Market Return	10.8%	PV of cash flows (€ m)	57
Beta (x)	1.0	Residual Value (€ m)	126
Cost of equity	10.8%	Enterprise Value (€ m)	183
WACC	10.7%	Less: Net Debt (2015a, € m)	-141
Sustainable EBIT growth	1.5%	Less: Minority rights (€ m)	0
ROE	11.4%	Equity Value (€ m)	324
Perpetuity Growth	1.0%	12M Target Price (€ / share)	5.00

Source: Euroxx Research

Table 4. Target Price (€/Share) Sensitivity to WACC and Long Term Growth Rate

WACC	Long Term Growth Rate				
	0.0%	0.5%	1.0%	1.5%	2.0%
8.7%	5.20	5.30	5.50	5.70	5.90
9.7%	4.90	5.10	5.20	5.30	5.50
10.7%	4.80	4.90	5.00	5.10	5.20
11.7%	4.60	4.70	4.80	4.90	5.00
12.7%	4.50	4.60	4.60	4.70	4.80

Source: Euroxx Research

Table 5. Target Price (€/Share) Sensitivity to 2016e ADT and Mkt Cap

2016e MCap (€bn)	2016e Average Trading Volumes (€m)				
	55	65	75	85	95
26	4.00	4.30	4.60	4.90	5.20
36	4.20	4.50	4.80	5.10	5.40
46	4.40	4.70	5.00	5.30	5.60
56	4.50	4.80	5.10	5.50	5.80
66	4.70	5.00	5.30	5.60	5.90

Source: Euroxx Research

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Overweight	Expected total return >10%	17	74%	0%
Equalweight	Expected total return between -10% and +10%	1	4%	0%
Underweight	Expected total return < -10%	0	0%	0%
Under Review	Recommendation and Target Price are subject to revision	5	22%	0%

*The target price and rating have a time horizon of one year

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Valuation Method

We value Hellenic Exchanges with a 2-stage DCF Model. We form an explicit set of forecasts for the period up to 2018, after which we assign a terminal value. The resulting cash flows are discounted back to the present with a variable WACC rate and netted out with outstanding debt in order to produce a "fair" value for the stock.

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Rating History

Date	Rating	Share Price	Target Price
29/5/2014	Equalweight	8.71	9.70
29/7/2014	Overweight	7.91	9.70
21/11/2014	Overweight	5.80	7.00
13/3/2015	Overweight	5.50	6.50
18/3/2015	Overweight	4.96	6.50
29/9/2015	Equalweight	5.02	5.20
24/3/2016	Equalweight	5.05	5.00



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