

Investment Research

5 November 2014

Buy

Recommendation unchanged

Share price: EUR 5.60

closing price as of 04/11/2014

Target price: EUR 7.60

Target Price unchanged

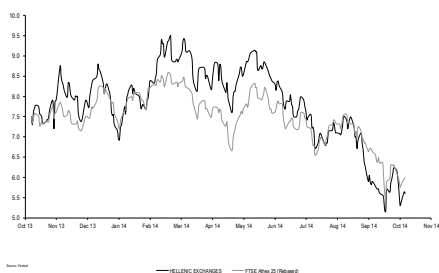
Reuters/Bloomberg

EXCR:AT/EXAE GA

Daily avg. no. trad. sh. 12 mth	142,982
Daily avg. trad. vol. 12 mth (m)	816.64
Price high 12 mth (EUR)	9.50
Price low 12 mth (EUR)	5.15
Abs. perf. 1 mth	-5.1%
Abs. perf. 3 mth	-25.8%
Abs. perf. 12 mth	-25.3%

Market capitalisation (EURm)	366
Current N° of shares (m)	65
Free float	100%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	81	50	51
EBITDA (m)	61	31	32
EBITDA margin	74.3%	61.5%	62.0%
EBIT (m)	59	29	30
EBIT margin	72.5%	57.8%	58.4%
Net Profit (adj.)(m)	29	25	26
ROCE	126.3%	65.7%	69.9%
Net debt/(cash) (m)	(163)	(157)	(160)
Net Debt/Equity	-0.9	-0.8	-0.8
Net Debt/EBITDA	-2.7	-5.1	-5.0
Int. cover(EBITDA/Fin.int)	(15.0)	(7.4)	(7.1)
EV/Sales	4.3	4.2	4.0
EV/EBITDA	5.8	6.8	6.4
EV/EBITDA (adj.)	5.8	6.4	6.2
EV/EBIT	6.0	7.2	6.8
P/E (adj.)	17.9	14.9	14.3
P/BV	2.9	1.9	1.9
OpFCF yield	9.9%	3.2%	7.3%
Dividend yield	0.0%	2.0%	2.1%
EPS (adj.)	0.45	0.37	0.39
BVPS	2.77	2.94	2.97
DPS	0.00	0.11	0.12



For company description please see summary table footnote

3Q14 results preview: Good performance on improved trading activity

The facts: Hellenic Exchanges is set to release its third-quarter 2014 results on November 17th, post market close. The company will also hold a conference call on the next day (November 18th) at 17:30 Athens time (15:30 UK time).

Our analysis: We expect robust revenue and EBITDA growth in 3Q14 thanks to the significant improvement of the trading activity in the cash market compared to the respective period of 2013. In particular, the average daily transaction value in ATHEX shaped at EUR 100m in 3Q14 compared to EUR 50m a year ago, driving revenues from the trading and clearing of shares up by 99% y-o-y to EUR 4.2m. The average daily volume in the derivatives market has also improved in 3Q14 (41.3k contracts, +52% y-o-y), but this will not be reflected in the respective revenues (flat y-o-y) on the back of lower average fee per contract. Revenues from other sources are seen shaping at EUR 5.0m (-3% y-o-y) on the back of the absence of any major rights issue. However, we should highlight the listing of ELTECH Anemos on ATHEX, the first IPO since the start of the Greek debt crisis. On the whole, we look for quarterly revenue of EUR 10.2m, up by 23% y-o-y.

On the profitability side, we forecast quarterly EBITDA of EUR 5.5m (+72% y-o-y) in 3Q14, pointing to a profitability margin of 53% (+1,520bps y-o-y). We have assumed a 15% y-o-y reduction in operating expenses to EUR 3.7m driven by a 6% y-o-y drop in personnel expenses, while the HCMC fee is estimated at EUR 0.46m compared to EUR 0.27m in 3Q13. Other expenses are seen shaping at EUR 0.60m compared to EUR 0.68m in 3Q13. Below the EBITDA line we have assumed: a) depreciation expenses of EUR 0.47m (vs. EUR 0.39m a year ago), b) net finance income of EUR 1.0m (vs. EUR 1.2m a year ago) and c) income taxes of EUR 1.6m assuming an effective tax rate of 27%, compared to a negative tax (tax income) of EUR 0.7m in 3Q13. That said, we forecast net earnings of EUR 4.4m (-6% y-o-y) in 3Q14 and EUR 17.8m for 9M14 (-56% y-o-y). We remind that group's 9M13 financials include a EUR 40m extraordinary revenue relating to the recapitalization of systemic banks and the public offer of Coca Cola HBC, meaning that Helex's 9M14 financials are not directly comparable to last year's figures.

Hellenic Exchanges: 3Q & 9M14 P&L estimates

EUR m	9M13	9M14e	YoY	3Q13	3Q14e	YoY
Revenues	68.2	35.3	-48.2%	8.3	10.2	23.2%
EBITDA	52.3	22.4	-57.1%	3.2	5.5	72.2%
Margin (%)	76.8%	63.5%	-130bps	38.2%	53.4%	1520bps
Net profits	40.5	17.8	-56.0%	4.6	4.4	-5.9%

Source: IBG Research, The company

Conclusion & Action: On the whole, we expect solid 3Q14 results on the back of improved traded value in the cash market compared to last year's respective quarter and additional cost savings. We have recently issued a detailed note incorporating in our target price the elevated political risks in Greece, re-confirming our bullish stance on attractive price levels and fundamentals.

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For important disclosure information, please refer to the disclaimer page of this report

Hellenic Exchanges: Summary tables

PROFIT & LOSS (EURm)	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
Sales	42.8	33.0	81.5	50.1	51.4	60.5
Cost of Sales & Operating Costs	-24.0	-21.8	-20.4	-17.6	-18.0	-19.1
Non Recurrent Expenses/Income	5.1	0.5	-0.6	-1.7	-1.5	-1.6
EBITDA	23.9	11.7	60.5	30.8	31.9	39.8
EBITDA (adj.)*	18.8	11.3	61.1	32.5	33.4	41.4
Depreciation	-1.8	-1.8	-1.4	-1.8	-1.8	-1.8
EBITA	22.1	9.9	59.1	29.0	30.1	38.0
EBITA (adj)*	17.0	9.5	59.7	30.7	31.6	39.6
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	22.1	9.9	59.1	29.0	30.1	38.0
EBIT (adj.)*	17.0	9.5	59.7	30.7	31.6	39.6
Net Financial Interest	5.9	5.6	4.0	4.2	4.5	4.8
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	-0.4	0.0	0.0	0.0	0.0
Other Non Recurrent Items	-2.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	26.0	15.1	63.1	33.1	34.5	42.8
Tax	-4.5	-3.2	-30.8	-8.6	-9.0	-11.1
<i>Tax rate</i>	<i>17.1%</i>	<i>21.3%</i>	<i>48.8%</i>	<i>26.0%</i>	<i>26.0%</i>	<i>26.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	21.5	11.9	32.3	24.5	25.6	31.7
Net Profit (adj.)	19.7	12.0	29.1	24.5	25.6	31.7
CASH FLOW (EURm)	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
Cash Flow from Operations before change in NWC	9.4	6.5	50.2	13.3	27.4	33.5
Change in Net Working Capital	-0.8	-2.6	1.9	-0.1	0.5	-0.2
Cash Flow from Operations	8.6	3.9	52.1	13.2	27.9	33.2
Capex	-0.7	-0.6	-0.5	-1.3	-1.3	-1.3
Net Financial Investments	0.0	5.8	0.0	0.0	0.0	0.0
Free Cash Flow	7.9	9.1	51.7	11.9	26.6	31.9
Dividends	-9.8	-7.2	-5.9	0.0	-7.4	-7.7
Other (incl. Capital Increase & share buy backs)	-0.6	0.4	2.6	-17.3	-16.2	-15.4
Change in Net Debt	-2.5	2.3	48.4	-5.4	3.0	8.8
NOPLAT	13.6	7.6	44.2	22.7	23.4	29.3
BALANCE SHEET & OTHER ITEMS (EURm)	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
Net Tangible Assets	31.3	24.7	24.3	23.8	23.3	22.8
Net Intangible Assets (incl. Goodwill)	0.0	0.5	2.2	2.2	2.2	2.2
Net Financial Assets & Other	3.7	7.5	6.6	6.6	6.6	6.6
Total Fixed Assets	35.0	32.7	33.1	32.5	32.0	31.5
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	12.1	15.3	19.3	20.4	21.3	24.5
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Cash (-)	-112	-114	-163	-157	-160	-169
Total Current Assets	124	130	182	178	182	194
Total Assets	159	162	215	210	214	225
Shareholders Equity	153	153	181	192	194	202
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	153	153	181	192	194	202
Long term interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	2.3	2.2	2.3	2.2	2.2	2.1
Other long term liabilities	-2.8	1.7	21.4	4.1	4.3	5.3
Total Long Term Liabilities	-0.5	3.9	23.6	6.3	6.5	7.4
Short term interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0
Trade payables	6.6	5.6	10.4	11.5	12.9	15.9
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	6.6	5.6	10.4	11.5	12.9	15.9
Total Liabilities and Shareholders' Equity	159	162	215	210	213	225
Net Capital Employed	40.5	42.3	42.0	41.5	40.4	40.2
Net Working Capital	5.0	9.3	8.5	8.6	8.0	8.3
GROWTH & MARGINS	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
<i>Sales growth</i>	<i>-30.6%</i>	<i>-22.8%</i>	<i>146.6%</i>	<i>-38.5%</i>	<i>2.7%</i>	<i>17.6%</i>
EBITDA (adj.)* growth	-48.8%	-40.1%	442.5%	-46.8%	2.8%	23.8%
<i>EBITA (adj.)* growth</i>	<i>-50.5%</i>	<i>-44.3%</i>	<i>530.8%</i>	<i>-48.6%</i>	<i>3.1%</i>	<i>25.3%</i>
<i>EBIT (adj.)* growth</i>	<i>-50.5%</i>	<i>-44.3%</i>	<i>530.8%</i>	<i>-48.6%</i>	<i>3.1%</i>	<i>25.3%</i>

Hellenic Exchanges: Summary tables

GROWTH & MARGINS	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
Net Profit growth	-36.1%	-39.1%	142.3%	-15.9%	4.2%	23.9%
EPS adj. growth	-36.1%	-39.1%	142.3%	-15.9%	4.2%	23.9%
DPS adj. growth	-26.7%	-18.2%	n.m.	n.m.	4.2%	23.9%
EBITDA (adj)* margin	43.9%	34.1%	75.0%	64.9%	65.0%	68.4%
EBITA (adj)* margin	39.7%	28.6%	73.3%	61.2%	61.4%	65.4%
EBIT (adj)* margin	39.7%	28.6%	73.3%	61.2%	61.4%	65.4%
RATIOS	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
Net Debt/Equity	-0.7	-0.8	-0.9	-0.8	-0.8	-0.8
Net Debt/EBITDA	-4.7	-9.8	-2.7	-5.1	-5.0	-4.3
Interest cover (EBITDA/Fin.interest)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Capex/D&A	36.7%	34.0%	33.7%	70.5%	71.3%	72.3%
Capex/Sales	1.5%	1.9%	0.6%	2.6%	2.5%	2.1%
NWC/Sales	11.7%	28.0%	10.4%	17.1%	15.6%	13.7%
ROE (average)	13.1%	7.9%	17.5%	13.1%	13.2%	16.0%
ROCE (adj.)	37.4%	22.0%	126.3%	65.7%	69.9%	88.2%
WACC	12.5%	12.5%	12.5%	9.5%	9.5%	9.5%
ROCE (adj.)/WACC	3.0	1.8	10.1	6.9	7.4	9.3
PER SHARE DATA (EUR)***	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
Average diluted number of shares	65.4	65.4	65.4	65.4	65.4	65.4
EPS (reported)	0.33	0.18	0.49	0.37	0.39	0.48
EPS (adj.)	0.30	0.18	0.45	0.37	0.39	0.48
BVPS	2.34	2.33	2.77	2.94	2.97	3.09
DPS	0.11	0.09	0.00	0.11	0.12	0.15
VALUATION	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
EV/Sales	1.5	4.9	4.3	4.2	4.0	3.3
EV/EBITDA	2.7	13.9	5.8	6.8	6.4	4.9
EV/EBITDA (adj.)*	3.5	14.5	5.8	6.4	6.2	4.8
EV/EBITA	3.0	16.5	6.0	7.2	6.8	5.2
EV/EBITA (adj.)*	3.8	17.2	5.9	6.8	6.5	5.0
EV/EBIT	3.0	16.5	6.0	7.2	6.8	5.2
EV/EBIT (adj.)*	3.8	17.2	5.9	6.8	6.5	5.0
P/E (adj.)	9.6	23.6	17.9	14.9	14.3	11.6
P/BV	1.2	1.9	2.9	1.9	1.9	1.8
Total Yield Ratio	3.8%	2.1%	0.0%	2.0%	2.1%	2.6%
EV/CE	1.8	4.7	10.1	6.0	6.1	5.9
OpFCF yield	4.2%	1.2%	9.9%	3.2%	7.3%	8.7%
OpFCF/EV	12.2%	2.0%	14.6%	5.7%	12.9%	16.2%
Payout ratio	33.4%	49.4%	0.0%	30.0%	30.0%	30.0%
Dividend yield (gross)	3.8%	2.1%	0.0%	2.0%	2.1%	2.6%
EV AND MKT CAP (EURm)	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
Price** (EUR)	2.89	4.35	8.00	5.60	5.60	5.60
Outstanding number of shares for main stock	65.4	65.4	65.4	65.4	65.4	65.4
Total Market Cap	189	284	523	366	366	366
Net Debt	-112	-114	-163	-157	-160	-169
<i>o/w Cash & Marketable Securities (-)</i>	<i>-112</i>	<i>-114</i>	<i>-163</i>	<i>-157</i>	<i>-160</i>	<i>-169</i>
<i>o/w Gross Debt (+)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Other EV components	-11	-7	-7	0	0	0
Enterprise Value (EV adj.)	65	163	353	209	206	197

Source: Company, Investment Bank of Greece estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Financial Services/Financial Services

Company Description: Hellenic Exchanges (HELEX) is the operator of the Greek cash, derivatives and bond markets. It is also the organisation responsible for the clearing and settlement of the ATHEX transactions and administration of the Dematerialized Securities System. Since 2003, HELEX is a fully privatised group. The company has a very high operating leverage that results in a rather volatile earnings stream.

ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

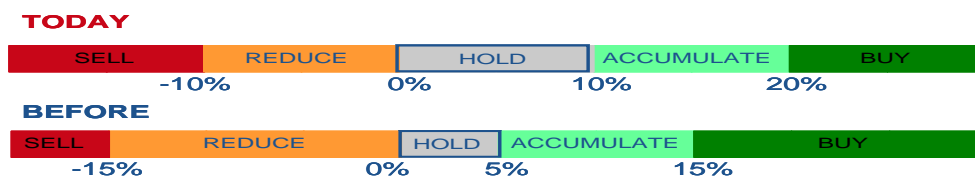
- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
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- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:



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The analysts mentioned above who prepared this report have the below mentioned financial interests in the companies covered in this report.....none.....

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IBG Research Rating Distribution

Data current as of 31/10/2014

	Buy	Accumulate	Hold	Reduce	Sell
IBG Research Total Coverage	57%	11%	32%	0%	0%
% of companies in each rating category that are investment banking clients	0%	0%	0%	0%	0%
<i>Note that we have suspended our rating on 1 company</i>					
Financial Services Sector	100%	0%	0%	0%	0%
% of companies in each rating category that are investment banking clients	0%	0%	0%	0%	0%

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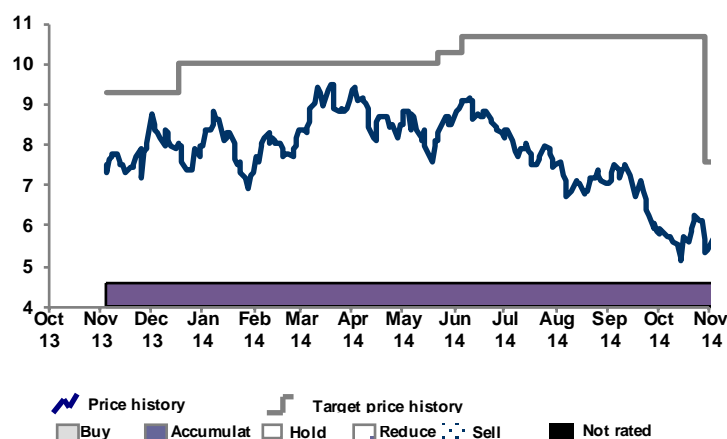
2. Investment Bank of Greece acts as a market maker for the following securities of the subject companies mentioned in this report: **Alpha Bank, EFG Eurobank, Ellaktor, GEK TERNA, Hellenic Exchanges, Intralot, Mytilineos, National Bank of Greece, OPAP, OTE, Piraeus Bank, PPC**

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Recommendation history for HELLENIC EXCHANGES

Date	Recommendation	Target price	Price at change date
30-Oct-14	Buy	7.60	5.31
06-Jun-14	Buy	10.70	9.07
23-May-14	Buy	10.30	8.30
17-Dec-13	Buy	10.00	8.01
29-Oct-13	Buy	9.30	7.50
24-Jul-13	Accumulate	6.70	6.00
15-Jan-13	Buy	6.30	4.69
26-Jun-12	Buy	4.00	2.53



Source: Factset & ESN, price data adjusted for stock splits. This chart shows Investment Bank of Greece continuing coverage of this stock.

Risks to our forecasts and valuation

- Group's earnings performance is very sensitive to variations in the trading activity in the cash market. A higher than expected traded value in ATHEX poses an upside risk to our estimates and vice versa.
- New listings and share capital increases will positively impact Helex's profitability.
- The sequential improvement of economic conditions in Greece as well as political stability are expected to raise investors' appetite for Greek equities in the medium-term, thus creating an upside risk to our forecasts.
- Hellenic Exchanges has a more expensive fee structure compared to major European bourses. The potential reduction in Helex's fees will pose a downside risk to our estimates.
- The new regulatory framework of MiFid may lead to increased competition and possible decrease in total revenues.
- The potential delisting of a large-cap stock would negatively affect the trading activity and the overall attractiveness of ATHEX.

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2. All prices and valuation multiples are based on the closing of ATHEX's last session prior to the issue of this report, unless otherwise indicated.

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