



Hellenic Telecom: 3Q24 Earnings Review

Hellenic Telecom (OTE) released a solid set of 3Q24 results, in line with our estimates on top line and EBITDA, while beating on the bottom line. Specifically, in 3Q24, group top line increased 1.8% y-o-y to EUR 897.2m (AXIA estimate EUR 895.1m), with adjusted EBITDA coming at EUR 369.7m (AXIA estimate 366.0m), 0.1% lower y-o-y and adj. EBITDA (AL) at EUR 350.1m, 0.7 lower y-o-y). Net profit settled at EUR 153.6m (AXIA estimate 146.7m) vs. EUR 150.0m in 3Q23 (+2.4% y-o-y), while adj. net profit came at EUR 162.2m vs. EUR 153.1m in 3Q23 (+5.9% y-o-y). In 9M24, group revenues settled at EUR 2,685.5m (+5.8% y-o-y), with reported EBITDA at EUR 1,009.2m (-2.1 y-o-y), Adj. EBITDA at EUR 1,062.2m (flat y-o-y), while net income settled at EUR 414.3m (+4.3% y-o-y). Management reiterated that for FY24, it expects Free Cash Flow (FCF) generation to reach c. EUR 470m (vs. EUR 501m in 2023), however as a result of the conclusion of the tax audit in Romania, a one-off expense of EUR 33.5m will be incurred, bringing the total expected adjusted FCF to c. EUR 435m. Group capex is expected in the range of EUR 600-610m, as the company is progressing with the deployment of its FTTH infrastructure. Shareholder remuneration is targeted to reach approximately 95% of Free Cash Flow generation of 2024, at c. EUR 450m (EUR 297m dividend already paid in mid-July and EUR 153m share buyback, of which 80% has been disbursed).

Revenue from Greek operations in 3Q settled at EUR 832.5m or 2.5% higher y-o-y.

Retail fixed services revenues (incl. data communications) remained flat y-o-y at EUR 251.9m, supported by the positive performance of broadband and pay-TV operations that was, however, offset by the group's legacy services that contracted. The agreement with Nova is expected to be reflected in the group's revenues from December onwards as the increased subscriber base will start paying for the service after the end of October and fully ramp in January 2025. FTTH subscribers increased by 4.4% y-o-y to 1.592 million as OTE is gradually progressing with the expansion of its fiber network, while the group's FTTH network has reached 1.49 million homes as of the end of 3Q24, with FTTH subscribers increasing to 355k (+64.6% y-o-y). The expected rollout of the Gigabit Voucher that will begin in November, as well as the approved planned volume discounts in the FTTH wholesale market should lead to an increase in the number of FTTH subscribers in the coming quarters. OTE's TV subscriber base increased by 6.9% y-o-y, reaching 710k customers.

Mobile service revenues increased by 2.9% y-o-y to EUR 284.2m, on the back of an increase in postpaid revenues, resulting from the group's more-for-more strategy in an effort to transition customers to higher-value services. Specifically, prepaid subscribers decreased from 4.68 million at the end of 3Q23 to 4.36 million at the end of 3Q24 (-6.8% y-o-y), while postpaid subscribers increased from 2.64 million at the end of 3Q23 to 2.82 million at the end of 3Q24 (+7.0% y-o-y), with net additions in the mobile subscriber base settling at -4,551. Prepaid subscribers still account for 61% of the total base, providing the framework for further upside potential from transitions to postpaid.

Wholesale revenues decreased by 5.1% y-o-y to EUR 134.8m, attributed to the weak performance of international transit traffic revenues, as well as the impact in the domestic market of the competition's new infrastructure.

Other revenues were up by 12.4% y-o-y to EUR 185.9m, reflecting the strong performance of ICT revenues that recorded growth of 34.1% y-o-y (assisted by a favourable comparison with 3Q23 where certain projects had been postponed for 4Q23).

In Romania, total mobile revenue came in 6.6% lower y-o-y for the quarter at EUR 66.4m. Mobile service revenues were pressured downwards by 15.5% to EUR 40.2m, primarily as a result of the impact of the implementation of the mobile termination rate (MTR) cuts that took place (50% MTR cut in 1Q24). The impact on this segment was partially offset by the increase in handset sales revenue to EUR 26.2m vs. EUR 23.5m in 3Q23 (+11.5% y-o-y). The postpaid base increased by 4.1% y-o-y to 1.959 million with net additions of 9k, while the prepaid base maintained its downward trend that is prevalent in the Romanian market, falling by 21.3% y-o-y to 1.587 million.

3Q24 group adj. EBITDA after lease (AL) decreased by 0.7% y-o-y to EUR 350.1m, impacted by the losses of EUR 3.0m in Romania compared to profits of EUR 4.6m in 3Q23, that were partially offset by the positive performance in Greece where adj. EBITDA (AL) increased by 1.5% to EUR 353.1m, yielding a margin of 39.0%, that deteriorated vs. 40.0% in 3Q23. Margin headwinds included an increasing contribution of the low-margin ICT revenue, as well as the impact from provisions in Romania on the back of the EUR 33.5m tax audit fine. Total group operating expenses (excl. D&A, impairment, VES costs, and the charges from the Romania audit) amounted to EUR 528.9m in 3Q24, posting an increase of 2.7% y-o-y, reflecting primarily higher energy costs. Note that of the EUR 33.5m tax audit payment for Romania, EUR 19.7m have been accounted for in total opex, while the remaining EUR 13.8m, are accounted for on the tax charges of the group.

Depreciation charges in 3Q24 came to EUR 145.5m (9.9% lower y-o-y), net financial costs amounted to EUR 9.3m (vs. EUR 6.7m last year) signifying an improvement of 38.8% y-o-y, FX gains amounted to EUR 0.2m vs. EUR 0.7m in 3Q23, while gains from other financial assets were amounted to EUR 29.1m compared to losses of EUR 0.2m in 3Q23. The group recorded an income tax charge of EUR 66.2m in 3Q24 vs. EUR 48.6m in 3Q23.

Net profit in 3Q24 settled at EUR 153.6m vs. EUR 150.0m in 3Q23 (+2.4% y-o-y), while adjusted net profit was up 5.9% at EUR 162.2m. In 9M24, net profit came at EUR 414.3m (+4.3% y-o-y), while adjusted net profit settled at EUR 445.2m (+5.5% y-o-y).

Adj. capex in 3Q24 amounted to EUR 159.4m, down 13.0% compared to 3Q23, primarily due to the lower spending on UEFA's broadcasting auction, in which OTE succeeded, but still heavily focused towards the increased FTTH deployments efforts the group is pursuing. Group reported FCF (AL) reached EUR 95.2m, vs. EUR 27.0m in 3Q23 due to improved operating performance and decreased capex levels.

The **group's net debt stood** at EUR 684.3m at end of 3Q24, increased by 1.8% y-o-y, while net debt to 12M adj. EBITDA (AL) settled at 0.5x.

Rating

UR

Target Price (EUR)

UR

Current Share Price* (EUR)

15.23

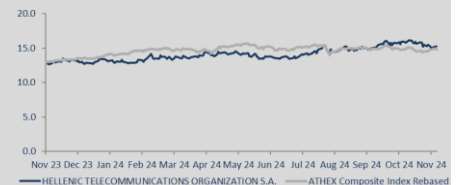
*13/11/2024

Stock Data

Market Cap (EUR m)	6,210.6
Free Float	37.6%
EV (EUR m)	6,654.4
Num. of Shares (m)	412.7

Performance	1m	3m	12m
Absolute (%)	-6.4	1.5	15.3
ASE (%)	0.6	-0.2	14.9

ADV - 12m (k)	399.92
Price high-12 m (EUR)	16.12
Price low-12m (EUR)	12.64



OTE is Greece's incumbent fixed line telecoms operator, while its mobile arm is the country's leading wireless operator. OTE has exposure in the Romanian market controlling Romania Mobile.

Shareholding structure: Deutsche Telekom AG: 53.5%, Greek State: 7.7%,

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Going forward, we expect to see an improvement in OTE's performance that will be assisted by i) the implementation of the Gigabit Voucher that was approved last week by the government and that will be targeting an unpenetrated market (FTTH utilization at 26%), ii) the cross-selling of sports content agreement with Nova that will begin to show revenue for the group after the completion of the free-trial period (ended on Oct'24); full effect to be seen from Jan'25, as well as the agreement with Netflix, iii) the removal of the 5% tax on customers for connections above 100mbps, and iv) the potential measures the government will take to combat TV piracy. Additionally, regarding the divestment of the Romania business, OTE reiterated that an MoU has been signed with two parties and the group is expecting to proceed with the split and sale of the assets separately.

OTE is trading at a FY25E EV/EBITDA of 4.7x, at meaningful discount to global and European peers. The company maintains very low leverage, while the bulk of the FCF generated to continue to be returned to shareholders (dividend and buyback). We are currently reviewing the stock and plan to release a report on the company soon.

EUR m	3Q23	3Q24	y-o-y	9M23	9M24	y-o-y
Group Revenues	881.0	897.2	1.8%	2,538.7	2,685.5	5.8%
o/w Greece	811.8	832.5	2.5%	2,334.6	2,490.9	6.7%
o/w Romania	71.1	66.4	(6.6%)	209.4	199.3	(4.8%)
Reported EBITDA	366.3	345.3	(5.7%)	1,030.5	1,009.2	(2.1%)
o/w Greece	358.1	363.7	1.6%	1,001.1	1,012.8	1.2%
o/w Romania	8.2	-18.4	NM	29.4	-3.6	NM
Adj. EBITDA	370.2	369.7	(0.1%)	1,061.8	1,062.2	0.0%
Adj. EBITDA margin	42.02%	41.21%		41.82%	39.55%	
Net Income	150.0	153.6	2.4%	397.2	414.3	4.3%

Source: The Company, AXIA Research

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**Total return: % price appreciation equals percentage change in share price from current price to projected target price plus projected dividend yield

Rating history for Hellenic Telecom (OTE)

Date	Rating	Share Price (EUR)	Target Price (EUR)
10/03/2021	Buy	13.1	15.9
02/08/2022	Under Review	16.7	N/A

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Sell					
Restricted					
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