

OPAP

Winning strategy

OPAP enjoys a leading and growing position in the Greek and Cypriot gaming markets. The majority of its revenue, from land-based activities, is supported by exclusive prepaid licences. To complement these activities, OPAP has developed a strong presence in the regulated online markets, where, by definition, there is greater competition. Management's strategy is to grow its customer interactions in both the online and offline worlds, through a combination of rejuvenating its older games and developing new games that appeal to broader demographics, while maintaining its leading corporate and social responsibility credentials.

Year end	GGR* (€m)	EBITDA** (€m)	EPS** (€)	DPS (€)	P/E (x)	Yield (%)
12/22	1,939	733	1.27	1.45	12.4	9.2
12/23	2,088	745	1.25	1.85	12.6	11.8
12/24e	2,226	776	1.31	1.31	12.0	8.4
12/25e	2,297	799	1.36	1.36	11.6	8.6

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

High barriers to entry, strong cash generation

OPAP's licences provide high barriers to entry, strong profitability and cash generation, which have enabled attractive returns to shareholders while strengthening the balance sheet. Over the long term (ie from FY14–23), OPAP has delivered a revenue CAGR of c 5% and an EBITDA CAGR of c 8%. These have been achieved despite the varying macroeconomic performance, the COVID-19 pandemic, headwinds in some games and investment to stimulate growth. Management's strategy has delivered incremental revenue in the majority of its land-based revenues while growing online.

Strong Q324 leads to more positive outlook for FY24

OPAP has enjoyed improving momentum in revenue growth through 2024 to date, helped by incremental revenues from new product launches and growth across its retail and online activities. With the publication of the Q324 results, management tightened its guidance for FY24, indicating revenue and EBITDA would be at the top end of its prior expectations: gross gaming revenue (GGR) of €2,150–2,200m and EBITDA of €750–770m, year-on-year growth rates of 3–5% and 1–3%, respectively. The guidance looks conservative, as it implies both a year-on-year and a quarter-on-quarter absolute decline despite Q4 typically representing one of the most significant quarters financially. We have upgraded our GGR and EBITDA estimates for FY24–26 by 2%.

Valuation: Attractively valued versus peers and DCF

We have increased our DCF-based valuation to €22.4 per share (€20 per share previously). Relative to consensus estimates for its peers, we forecast lower revenue growth for OPAP for FY24 and FY25, with an expected FY24 EBIT margin of 28.8% versus the peer median of 12.0%. OPAP's higher profitability, conservative balance sheet and attractive dividend policy mean its prospective dividend yield for FY24 of 8.4%, well ahead of the peer median of 1.6%, is well supported.

Q324 results and outlook

Travel and leisure

20 December 2024

Price €15.73
Market cap €5,641m

Net debt (€m) at 30 September 2024 (including IFRS 16 liabilities and excluding investments) 153.0

Shares in issue 358.6m

Free float 49.8%

Code OPAP

Primary exchange ASE

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 5.9 (0.6) 3.2

Rel (local) (0.6) (2.5) (8.0)

52-week high/low €17.31 €14.47

Business description

OPAP is the exclusive licensed operator of all numerical lotteries, sports betting, instant and passives, VLTs and horse racing in Greece. It is investing organically and has undertaken M&A to grow its online presence. Allwyn Entertainment has a 50.2% stake and significant board representation.

Next events

FY24 results March 2025

Q125 results May 2025

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Investment summary

Greek gaming market leader

OPAP is a listed gaming operator with exclusive licences in the majority of its activities; the earliest land-based licence is due to expire in 2026 and the latest in 2036. The business model is predicated on the continuing cash flow from exclusively operated businesses, supplemented by product enhancements and the move online. It has a leading presence online thanks mainly to the acquisition of Stoiximan at the end of FY20, which also operates in Greece and Cyprus, but also following ongoing internal investment aimed at increasing interactions with both existing and new customers. The Greek and Cypriot populations have among the highest propensities to game in Europe.

The business model is very cash generative, given its franchises require limited fixed and working capital and all licence payments have been made. With a high level of variable costs (taxes and commissions are based on revenue) and a strong track record of managing other operating costs, management consistently delivered year-on-year growth in margins before COVID-19, despite the challenging macroeconomic backdrop, while continuing to invest in new products.

The aim of the Fast Forward strategy, launched in 2021, has been to create a world-class gaming entertainment company with a focus on building its brands and customer interactions both online and offline, while maintaining OPAP's leading position in corporate and social responsibility. The company continues to make good progress in revitalising core products in both the online and offline worlds, while introducing new games, leading to greater customer engagement and incremental revenues.

Financials: Upgrades to FY24–26 estimates

OPAP's business model is highly cash generative due to a diversified revenue base that has generated long-term growth with a highly variable cost base and low capital requirements due to its franchise-based model. It has enjoyed accelerating revenue growth through the first nine months of 2024 (9M24), helped by incremental revenue from new products, and improving profitability as costs have normalised following investment to support new product growth earlier in the year. We have increased our FY24–26 estimates by 2%, with our FY24 estimate marginally above management's guidance.

Valuation: High profitability provides attractive dividend yield

Relative to an imperfect quoted peer group, OPAP trades at a discount using P/E multiples for FY24 and FY25. OPAP's higher profitability and attractive dividend policy of paying out the bulk of net income with a commitment to pay a minimum dividend of €1 per share means our estimated prospective dividend yield for FY24 of 8.4% compares favourably to those of its peers, with a median dividend yield of 1.6%.

Sensitivities

- The business model is predicated on continuing cash flow from monopoly businesses, supplemented by product enhancements and moving online; key risks include a more significant decline in its mature gaming products and a failure to exploit online sufficiently.
- The gaming industry is subject to changes in regulations and taxes, but OPAP's licences and concessions are mainly long dated, and it has a high tax burden relative to other countries. The Greek online gaming market became fully regulated in 2021.
- The business is economically sensitive, so is vulnerable to political and macroeconomic changes, and the online segment is very competitive.

Company description: World-class gaming entertainment offline and online

OPAP was founded in 1958 as the Greek national lottery and is the exclusive operator of all numerical lotteries, sports betting, horse racing and video lottery terminals (VLTs). Through its 83.5% holding in Hellenic Lotteries, OPAP also has an exclusive licence to operate passive lotteries and instant (scratch) games. Its core lottery business and VLTs (with €2 slot limits) are not associated with problem gambling, and the company is therefore less likely to face meaningful fines or regulatory scrutiny than gaming peers in other countries.

OPAP listed on the Athens Stock Exchange in 2001, and after a series of further secondary offerings and international tenders, it was fully privatised in 2013. Allwyn Entertainment (formerly known as Sazka Group), the largest pan-European lottery operator, holds a 50.2% shareholding and is well-represented at the board and executive level.

The exclusive licences ensure OPAP is well-placed to protect the top line (in the context of sensitivity to the macroeconomic environment and retail spending) and is generating growth from online, and new products are reinvigorating revenue growth in its retail or land-based products. In general, many of its new products are targeted at younger and female demographics, such that management hopes to minimise the cannibalisation of existing products. Since 2013, OPAP has undergone significant changes to both modernise and streamline the business.

The company operates a network of franchised shops (c 3,000 in Greece, and c 200 in Cyprus at end-Q324), PLAY stores or gaming halls for its VLTs (362 at end-Q324) and other indirect points of sale and street vendors (c 6,400 at end-Q324). It pays commissions to agents and has limited capital expenditure related to the fit out of these shops.

In H124, 93% of GGR was generated in Greece and 7% in Cyprus. OPAP is also growing its online offering in lottery, sports betting and casino games quickly, as evidenced by it representing c 31% of GGR in Q324 versus c 27% in Q323.

OPAP is the largest social contributor in Greece in terms of tax payments and charitable contributions, operating under the World Lotteries Association (WLA) and responsible gaming standards (holder of Level 4, the highest certificate by WLA on responsible gaming).

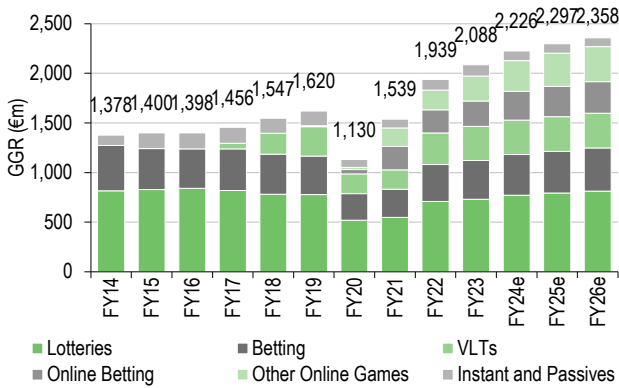
Business overview

OPAP's games portfolio is split between fixed-odds betting games and mutual betting games (where the total amount is distributed to winners). The traditional land-based 'legacy' games, Lotteries, Betting and Instant and Passives, are mature businesses, and prior to the Fast Forward strategy (see below), growth was expected to be driven primarily by its online activities and VLTs. Management believes the Fast Forward strategy should arrest the slow annual declines of these businesses, and there are plenty of examples highlighted in this report that show new initiatives are leading to improved revenue growth.

Following the additional investment in Stoiximan in FY20, its main Greek and Cypriot online activities have been fully consolidated from December 2020, with equity accounting prior to that date.

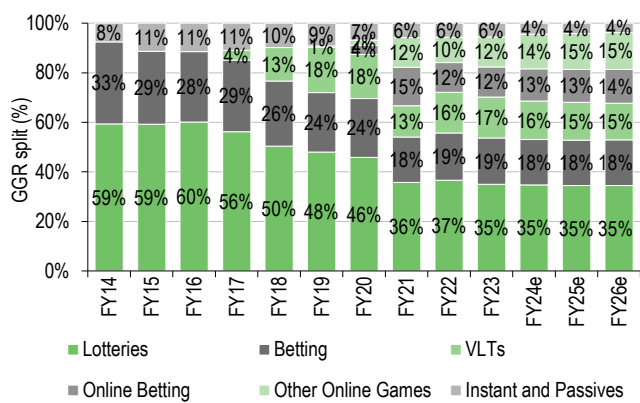
Below we show how GGR, that is revenues for the individual businesses and the group, has developed. We highlight also how we anticipate GGR to progress through FY24–26 as growth is boosted by management's Fast Forward strategy. OPAP's GGR growth has historically been linked with changes in Greek GDP and consumer spending; the effects of COVID-19-related location closures and operating restrictions are evident from FY20.

Exhibit 1: Gross gaming revenue



Source: OPAP company accounts, Edison Investment Research

Exhibit 2: Gross gaming revenue mix



Source: OPAP company accounts, Edison Investment Research

Key to OPAP’s strategy is that it holds exclusive concessions in all land-based games in Greece apart from casinos, where OPAP has no presence. The core exclusive (Lotteries and Betting) licence was originally granted for 2000–20 and extended for 10 years in 2011, effective from October 2020–October 2030. The scratch tickets and passive licence (Instant and Passives) expires in April 2026; management has initiated conversations with the Ministry of Finance regarding the renewal. The horse racing licence expires in 2035. The exclusive licence to operate 25,000 VLTs in Greece expires in 2035. The new online gaming licences awarded in FY21 are for seven years (until August 2027) at a cost of €2m or €3m per annum. In June 2024, OPAP renewed its concession to operate retail lottery games in Cyprus for 15 years, with the fee payable in 15 annual instalments of €4.2m per year.

Lotteries (35% of FY23 GGR)

Numerical lottery games comprise the largest portion of GGR and consist of games that are currently active, and lottery games (Bingo and Super 4) that management has no plans to launch. The fixed odds games are Kino, Super 3 and Extra 5, and Tzoker (Joker), Lotto and Proto are mutual games. The two most significant games in terms of revenue contribution are Kino (launched in 2003) and Tzoker (launched in 1997). The company’s other mutual game, PowerSpin, is included in the Betting category.

The most significant development in 2024 has been the March launch of Eurojackpot, which is exclusive to OPAP in Greece. The draw, which first began in other countries in 2012, occurs twice a week, every Tuesday and Friday, with a winning pool of money that accumulates from 18 other countries as well as Greece. The size of the draws starts at €10m and accumulates until won, with a maximum win of €120m. The participating countries donate a portion of the ticket sales to the prize fund, which pays out winnings based on a fixed percentage of the fund. The remaining revenue is shared between the ticket retailers, lottery or states taxes, operating costs and good causes, and provides some profit to the operators.

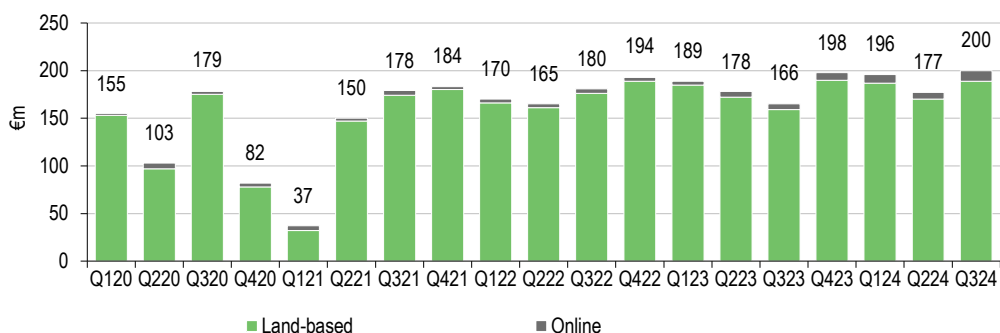
The exclusive licence to operate the domestic games, along with sports betting (see below), was originally acquired for 20 years in October 2000, and extended for a further 10 years in 2011 up until October 2030.

Broadly, we believe the key variations on Lotteries GGR between financial periods are changes in consumer disposable income and the cycle of jackpots, that is large jackpots due to rollovers, that can attract customers who do not normally play the games.

From a traditional land-based (ie retail) focus, OPAP’s online presence began in March 2019 with the launch of Tzoker online. Online revenue has grown steadily, representing 5% of Lotteries GGR in 9M24 versus just over 3% in FY23. The Tzoker website was relaunched during 2022, which

made it easier to play the game. This was followed by the launch of OPAP’s iLottery offering, opaponline.gr, in Q223, an umbrella brand that hosts all of its lottery products, including those that have not previously been available online. In addition to offering OPAP’s own games with better personalisation features such as promotions, third-party free-to-play games are available on the platform. Management’s ambition was for the platform to increase player engagement and dwell times. Exhibit 3 shows that since the introduction of its online activities, both retail and online revenues have grown, albeit this period includes the recovery following the COVID-19 pandemic. This suggests the move online is accretive to revenue, through increased activity/frequency of play, and is not cannibalising OPAP’s land-based revenue.

Exhibit 3: Lotteries GGR



Source: OPAP accounts

Over the longer term, Exhibit 2 shows the downward trend in Lotteries GGR from a peak of c €841m in FY16 to c €779m pre-COVID (ie FY19), and our estimated Lotteries GGR for FY25 is above this level, demonstrating that management has turned around the growth profile of Lotteries.

As highlighted above, OPAP launched Eurojackpot in March 2024. In Q224, Eurojackpot’s GGR contribution was quantified by management in the low teens of millions of euros. Management believes that Eurojackpot has provided incremental GGR from existing players and new players and boosted the performance of the rest of the draw-based games.

In October 2023, ahead of the launch of Eurojackpot, Lotto was transformed into an annuity game, offering winners a stable monthly income of €10,000 for 10 years, and Tzoker was repositioned with guaranteed prizes of differing sizes for the different tiers. Both have seen strong increases in the number of players and columns acquired in the draws, which naturally feed through to increases in GGR. The latter was quantified at 10% for Lotto and Tzoker in OPAP’s H124 results.

Other recent initiatives in the Lotteries portfolio include:

- Q124: launch of an iLottery MyRewards programme, which rewards players automatically, with the aim of increasing engagement and loyalty.
- Q224: across both its land-based and online activities, OPAP launched Kino Para 1, which enables players to win significant amounts of money even if the big prize is missed by just one number. OPAP also launched Kino 24/7, which has a draw every five minutes. Both produced positive early signs with good customer adoption and incremental GGR. The iLottery Free2Play games were also upgraded in the period, which resulted in increased customer engagement.
- Q324: launch of Tzoker Group Play, which enables customers to play the game together and share the costs of playing, and Tzoker Extra, which are special draws aimed at enhancing winnability and delivered a double-digit revenue uplift.

Online betting and casino (24% of FY23 GGR)

OPAP's online betting and casino revenue has grown quickly following the introduction and subsequent growth of many of its own games as well as the gradual acquisition of a majority (c 85%) stake in Stoiximan (the Greek and Cypriot operations).

OPAP reports separately the financials for Online Betting (ie sports betting) and Other Online Games (casino games). OPAP also generates online revenues in its other reported revenues streams. The two divisions include the results of OPAP's own online activities as well as the consolidated (ie Greek and Cypriot) operations of Stoiximan. From the perspectives of brand and consumer proposition, Stoiximan operates independently of OPAP's own online activities. On a combined basis, Online Betting (12% of FY23 GGR) and Other Online Games (12%) represented OPAP's second most important sources of revenue in FY23.

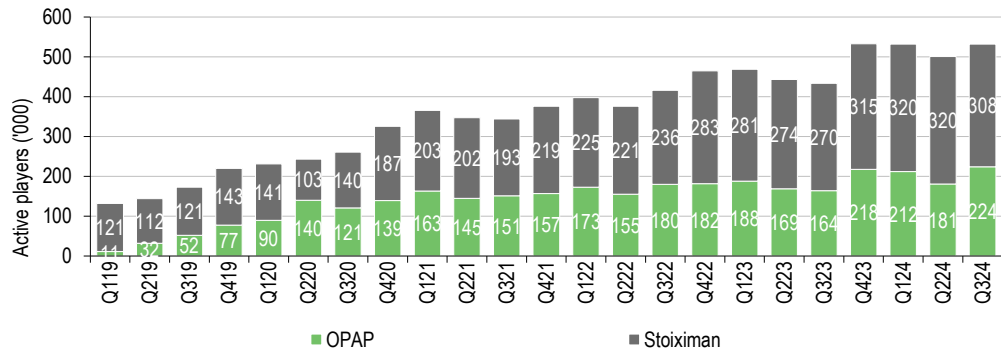
Both OPAP and Stoiximan were awarded online gaming licences in FY21 as the Greek online gaming market became fully regulated. Both OPAP and Stoiximan were awarded Type 1 (Online Betting including virtual games) and Type 2 (Other Online Games, ie casino-type games, poker and its variations) licences in May 2021, which became active in August 2021 with a fixed licence length of seven years. OPAP and Stoiximan were two of the original 15 companies to be awarded online licences, including three new entrants, that has subsequently increased to 18 current licences. Relative to the other revenue streams, online benefits from being liable to pay agents' commissions, but, conversely, competition is higher, leading to greater required advertising investment.

In April 2019, OPAP launched its online casino games through the pamestoixima.gr platform. The casino offer was enhanced in FY22 with the introduction of live casino tables and new games that appeal more to female and younger customers. In 2024, it has been further enhanced with the addition of 1,200 new slots games and exclusive OPAP-branded roulette games.

The online sports offering was rejuvenated in March 2023 (see Betting below). More recent enhancements in FY24 have included the launches of: PS Rewards, a new loyalty scheme, the first rewards scheme in the online world; PS Blog, a new mobile-first website to help players interact with each other; and new e-sports products specifically aimed at younger players that allow them to bet on matches 24/7.

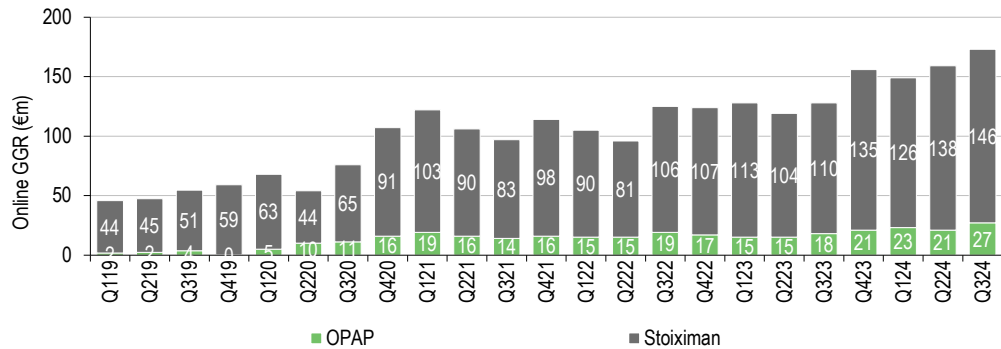
OPAP's online GGR and active users have demonstrated strong growth with some short-term variability in recent years due to COVID-related closures and restrictions and subsequent re-openings of land-based alternatives; OPAP's online growth was boosted by the closure of physical betting locations and vice versa. From FY18–23, OPAP's online betting and casino revenue grew at a CAGR of c 190%, including the gradual consolidation of Stoiximan. Over the same time frame, OPAP's own online betting and casino revenue, from a low base, increased at a CAGR of c 87%, and Stoiximan's by c 22%. The data in Exhibits 4 and 5 refer to OPAP's revenue and active monthly players across all of its online activities, including lotteries.

Exhibit 4: Online monthly active users



Source: OPAP

Exhibit 5: Online GGR



Source: OPAP

Betting (19% of FY23 GGR)

The exclusive licence to operate the sports and other betting games is part of OPAP’s Lotteries licence above, extending until 2030. The betting games include fixed-odds games Pame Stoixima (the most important game that was released in 2020) and Pame Stoixima Virtual Sports, and the mutual betting games Propo, Propogoals, PowerSpin and Horse Racing Stoixima. Since FY20, OPAP’s online sports betting activities have been reported in Online Betting (see above).

OPAP has developed its offer over a number of years. Pame Stoixima Virtual Sports was launched in April 2017 to target a younger demographic and has clearly boosted the betting segment. The platform features simulated virtual football matches, the outcome of which players try to predict. Self-service betting terminals (SSBTs) were launched in August 2017 and virtual games were introduced to the terminals in November 2017. The Pame Stoixima sportsbook was enhanced in 2019. In September 2022, management made its sports retail activities more competitive by introducing its best-ever odds, which resulted in an improved performance. More recent enhancements (ie in FY24 to date) have included virtual games based on the US’s National Basketball Association, which include real footage, and the virtual racing portfolio has been enhanced with new propositions.

PowerSpin was launched in June 2020 with subsequent enhancements including new launches in May 2022 (Powerspin Combo) and other changes in 2023.

Calculating the long-term revenue CAGR for land-based sports betting GGR is complicated by the changes in divisional disclosure (ie pre FY19, the divisional GGR included OPAP’s online activities). Land-based revenue was negatively affected by the COVID-19 pandemic and has since seen a strong recovery. As with Lotteries above, management’s Fast Forward strategy has produced

growth in the online world but also turned around the negative trends in its retail activities. As a result, our FY24 GGR estimate for Betting is c 6% above FY19's level.

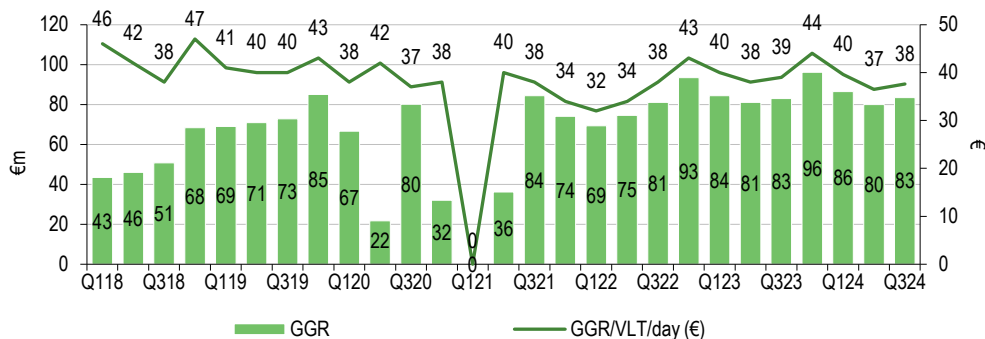
VLTs (16% of FY23 GGR)

A VLT is a standalone gaming machine that is used to conduct games of chance with a random number generator. The machines are certified by the Hellenic Gaming Commission and OPAP's licence to operate the VLTs runs for 18 years, expiring in 2035. VLTs were officially launched in January 2017 and OPAP successfully completed the roll-out of the permitted 25,000 VLTs into 'Play' gaming halls and selected agencies by the end of 2019. The investment in VLTs and 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 opened some larger flagship stores alongside smaller ones (with lower capex requirements), which are more suitable for less densely populated locations. Following the initial cabinet roll-out, management has begun a programme of upgrading the cabinet, and the games offer has been optimised. At the end of FY23, 179 games were available in c 2,560 venues (366 Play stores and 2,196 OPAP stores), and by the end of Q324 this had increased to 218 games.

VLTs have a €2 per spin limit, which is in line with the £2 fixed odds betting terminal stake limits in the UK. Importantly, unlike the traditional over-the-counter (OTC) games, players are required to register and be aged over 21. Apart from the expansion of the number of games available per machine (games are enhanced every year), and a general reliance on the macroeconomic environment, a key driver for VLT growth is OPAP's ability to shift consumers away from using competing illegal machines towards its own venues. OPAP hopes its VLT jackpots and further gaming innovation will provide suitable incentives for players to shift allegiance. It is difficult to quantify the size of the illegal market, but management believes it has significantly decreased post the launch of OPAP's VLTs in 2017.

From the launch in FY17, GGR reached c €298m in FY19, 18% of group GGR, before reducing to €201m in FY20 due to COVID-19 and recovering to 17% of group GGR in FY23. Exhibit 6 shows the quarterly progression of GGR (€m) and GGR/VLT/day (€) and how they have been affected by COVID-related closures and operating restrictions, the subsequent recovery and the upgrades to the gaming offer. Since launch, GGR/VLT/day has modestly declined as, naturally, the highest spending markets were targeted initially and the density of machines was lower. Having seen good growth in Q124, management highlighted that the persistent inflationary pressures and cautious consumer behaviour weighed on performance in Q224 and Q324.

Exhibit 6: VLTs financial performance



Source: OPAP

Instant and Passives (5% of FY23 GGR)

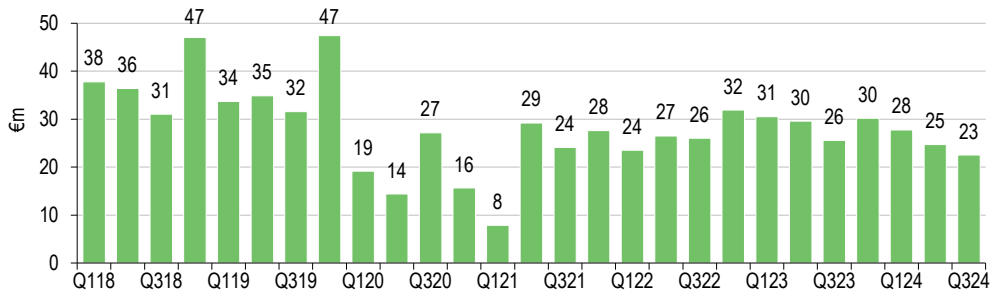
OPAP holds an 83.5% stake in Hellenic Lotteries, which has operated the instant and passive lotteries since 2014; the licence expires in 2026. Management has initiated conversations about the licence with the Ministry of Finance.

The licence includes three passive games: Laiko (weekly jackpot with many prizes), Ethniko (a subscription game in which each player participates with their own unique number) and State Lottery (the traditional New Year’s Eve draw). The licence also includes instant lotteries (ie scratch cards), which involve players scratching off the playing area of their ticket to instantly find out if they have won and collect their prizes. All games are available from OPAP’s agencies and street vendors, and the scratch games can be found in convenience stores, etc.

This is a mature business with expected limited potential to grow, before Fast Forward (see later), given the increasing number and sophistication of competing products versus what is a retail and paper-based product. There has been a great deal of innovation in this business. In FY22, Laiko was revamped, including customers being able to partially customise their tickets and new pricing structures, for example changed odds, stakes and frequency of win that give players more chances to win, which has increased both the customer base and revenue. The scratch proposition has also changed with different pricing structures and betting options. In FY23, OPAP introduced gifting of scratch cards and the state lottery was revamped. In FY24, OPAP has launched a new Laiko game, in which the players can win a brand-new apartment worth €400k; and a new annuity scratch card with a top prize of €24k for 24 months.

The revenue stream was naturally negatively affected by the COVID-related closures and operating restrictions. There has been a modest recovery in GGR following the pandemic, but at c €116m in FY23, it was c 21% below pre-COVID (ie FY19) levels. Revenue trends through 9M24 have been less than encouraging with a cumulative year-on-year decline in GGR of c 12%. This, and the prior decline, are likely to be important as the company negotiates the new licence with the Ministry of Finance. At 5% of group GGR and 2% of EBITDA in FY23, Instant and Passives is not material to the overall group and is dilutive to the overall growth profile.

Exhibit 7: Instant and passives GGR



Source: OPAP

The current licence stipulates that GGR tax in any year is a minimum of €50m or 30% of GGR. In FY19, FY20, FY21 and FY22, GGR was lower than €150m (due to COVID in FY20 and FY21), therefore the minimum €50m was expensed instead of the variable 30%. Hellenic Lotteries filed for arbitration that the minimum levy for FY20 and FY21 should not be payable due to the government’s COVID-19-related operating restrictions, and the liability should be the variable 30% of GGR. OPAP’s application was rejected in arbitration in October 2023 and the company paid the required balance, c €71m, in October 2023. The ongoing weak performance of the games (our FY24 GGR estimate of c €98m compares with peak GGR of c €159m in FY16) would suggest a

lower licence fee than when initially acquired in 2014 when a consortium including OPAP paid €192m, and a more favourable required GGR contribution.

Fast Forward strategy

Following his appointment as CEO effective from 1 January 2021, Jan Karas introduced his Fast Forward strategy in April 2021.

The strategy outlined six key areas or pillars, highlighted below, to be used as a general framework for continuing OPAP's journey to provide world-class gaming entertainment to its customers in retail and online.

Exhibit 8: Fast Forward strategy



Source: OPAP

Broadly, the aspiration has been to develop more social interactions with existing and new customers. This would be achieved by gaining a better understanding of the customers and their activity, and then building better experiences in retail and online by further developing new and existing gaming content and other entertainment. OPAP leverages its insight on customer activity with better customer relationship management (CRM). Enveloping the whole strategy is the company's strong focus on corporate responsibility and responsible gaming, ensuring that OPAP remains the corporate and social responsibility leader in Greece.

At the outset of the Fast Forward strategy, management stated, in aggregate, OPAP had an older customer base (70% of customers are aged 35+) and greater representation among males (70% of customers are male) than its desired (ie more balanced) customer mix. In addition, there was relatively low brand loyalty and few of its retail games were available online. OPAP has ongoing initiatives in technology (including replacement and introduction of new platforms) and people, and below we focus on progress made in three of the pillars of the strategy (customer, online and retail), which should also positively influence the fourth pillar, brand.

A key product initiative under Fast Forward has been the introduction of the Store App in FY22, which was aimed at digitalising the retail customer journey and aspired to make it more entertaining. Following the introduction of the app, a new loyalty offering was introduced. Through the app, the customers can play games in real time, retrieve game information, view their account and rewards and take part in special events. The benefits to OPAP naturally include better information about its customers and their activities, which can be used to develop further engagement.

We have already detailed many of the recent innovations to the individual games in the relevant sections. Here, we pull together all those innovations across the business in FY23 and through 9M24 to give an overall impression of OPAP's rate of innovation.

Exhibit 9: FY23 changes to proposition

Retail **opaponline.gr** **Stoixima** **Online**

TZOKER & LOTTO REVAMP
New era for our legacy Tzoker & Lotto games with promising early results and increased GGR performance

PAME STOIXIMA UPGRADE
Enhanced features (new Cash out, Better Odds) improve players experience, leading the customer base to record levels of 1.3M

OPAP Store App
Digitalization of retail experience leading to increased engagement and playability with almost 1M registered customers

VLT ESTATE UPGRADE
Upgraded gaming experience with 9,000 new cabinets boosting visitation and spending

OPAPONLINE.GR LAUNCH
Our lottery games portfolio expansion enhances experience & continues to drive customer acquisition and engagement

NEW SPORTS BETTING PLATFORM
Launch of new SB platform, serving players' demand for a faster and more reliable experiences

CASINO RNG GAMES
Rapid growth of our RNG portfolio exceeding 3K games from 38 vendors highly welcomed by the players

GAMIFICATION
40% of our Casino active base enjoyed our Free Games upgrading their experience and playability

Source: OPAP FY23 results presentation

Exhibit 10: Q124 changes to proposition

Retail **opaponline.gr** **Stoixima** **Online**

SCRATCH 75 FAMILY & €1M TICKET Launch
Renewal of the Scratch 75 family with new design and special printing effects, offering the opportunity for winnings up to €1 million!

Pame Stoixima Virtual Racing
Enrichment of Virtuals portfolio with 2 new propositions for simulated racing, Marbles & Greyhounds

PLAY STORES Promo Event
New activation in Play Stores on the occasion of March festive days including thematic events and rewards aiming to strengthen ties with communities

New apartment LAIKO TICKET
A special draw of Laiko awards a brand-new apartment worth 400k euro!

Pame Stoixima Loyalty scheme
Launch of PS Rewards, the first loyalty program in the online environment, rewarding players' loyalty to PS.gr

Pame Stoixima BLOG
A new mobile-first website with performance-friendly features aiming to complement PS-gr and increase customers' engagement

Lottery new Loyalty program
Launch of a new dedicated iLottery Rewards Scheme, automatically rewarding users

Source: OPAP Q124 results presentation

Exhibit 11: Q224 changes to proposition

Retail **opaponline.gr** **Stoixima** **Online**

Euro 2024 success on all fronts with Record-High
number of Regular players & strong GGR, boosted also by upgraded Bet Builder and Cash Out features

KINO Para 1 & KINO 24/7
with positive early signs on customer adoption played by >25% of customer base and contributing already significantly on total turnover

Virtual Games NBA
New dedicated channel with REAL NBA footage bringing 8% GGR increase in Virtual Basketball

Local PLAY Jackpots
to enhance players' winnability has delivered >20,000 winners vs. before (x6 more winners)

LOTTERY EXPERIENCE AT ITS BEST
GURU
NEW WINNERS PER MATCH
NEW ODDS
NEW BETTING STRATEGIES

ONLINE GAMING
KINO
KINO 24/7
KINO Para 1

iLottery Free2Play Games upgrade
Enhancing the entertainment notion with Free2Play games area, boosting engagement with 23% of Actives already having played

Casino evolution
Considerably enriched Casino offering with 1,2k new slot games and exclusive OPAP branded roulette from Playtech & Evolution, leading to +16% y-o-y GGR

Source: OPAP H124 results presentation

Exhibit 12: Q324 changes to proposition

Retail **opaponline.gr** **Stoixima** **Online**

EURO JACKPOT EXTRA
Tzoker EXTRA
Launch of **EURO JACKPOT EXTRA**, special draw promo, aiming to enhance winnability, delivering encouraging double digit revenues uplift vs. BAU.

Oktoberfest in Play Stores
Enhanced in-store experience with eye-catching graphics, events, prize draws, and extra loyalty points, leading to +10% visits on event days and +10% GGR for high value players.

New Annuity SCRATCH Ticket
Launch of a new annuity ticket with top prize of €24,000 for 24 months to trigger the interest of occasional players, contributing 18.3% of total Scratch revenues in October.

TZOKER GROUP PLAY
Meeting our customers' need for playing together! So far, 14% of players participated, generating >1M€ Turnover.

Bet Boss
Brand new free to play game – Bet Boss has already a positive impact on PS.GR activity levels, increasing engagement and bringing a 26% uplift in Sportbetting weekly actives.

E-sports
New offering with 24/7 matches, aiming at GenZ, with encouraging early results boosting Sportsbook turnover by 3%.

Source: OPAP 9M24 results presentation

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.

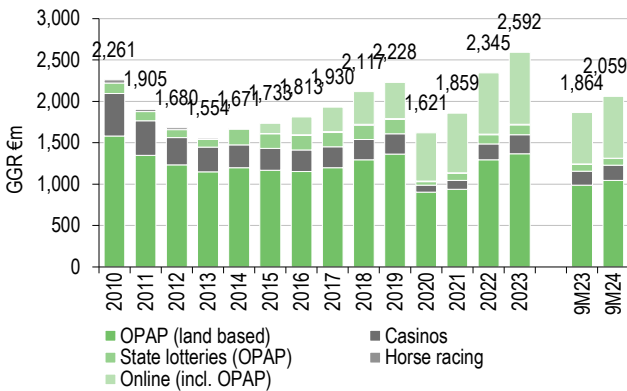
Exhibits 13 and 14 show how GGR has progressed for the main participants in the market, four land-based activities (OPAP, casinos, state lotteries and horse racing) and online; state lotteries refers to the Instant and Passives games, in which OPAP has a majority stake.

The HGC estimates the total Greek gaming market's GGR increased to €2.59bn in 2023, well above the pre-COVID 2019 peak of €2.23bn. Since the outbreak of the pandemic, the sector has enjoyed year-on-year growth of 15% in 2021, 26% in 2022 and 11% in 2023, with further strong growth of 10% in 9M24, driven by OPAP's land-based revenue, casinos and online. Based on this data, OPAP held a 78% market share in 2023, a slight increase from 77% in the prior year, which management attributes to progress on the Fast Forward strategy and increased activity across all channels.

The Greek and Cypriot populations have a very high propensity to spend on gaming, as evidenced by the ratio of GGR to GDP of 1.33% and 1.55% in 2023, respectively (source: OPAP Integrated Annual Report 2023), the highest of the 27 countries in the EU in 2023, and versus the average for those countries of 0.73%. Indeed, they are the top two countries in the EU. When looking at GGR per adult, they ranked as eighth and third across the EU, respectively.

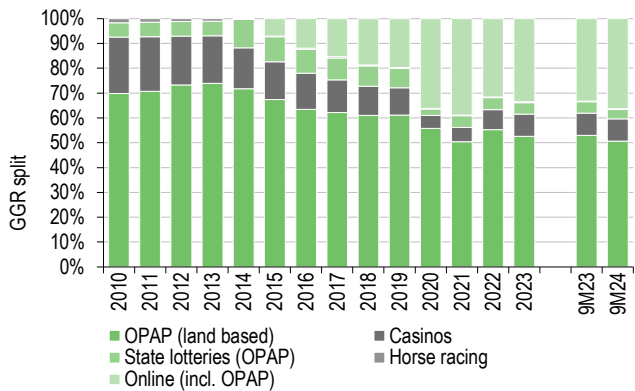
Online’s share, including OPAP’s online activities, has grown rapidly, such that it represented c 33% of the total market in 2023. The declines in 2021 and 2022 were due to the re-opening and removal of operating restrictions on land-based activities as the effects of the pandemic eased. OPAP’s online revenue, c 31% of its overall revenue in Q324, is lower than the overall market, reflecting its legacy games, which management is aiming to move online gradually.

Exhibit 13: Greek gaming market (€m)



Source: Hellenic Gaming Commission

Exhibit 14: Share of Greek gaming market



Source: Hellenic Gaming Commission

Online gaming regulation: Finalised in FY21

As already highlighted, the Greek online gaming market became fully regulated in 2021. All 15 licensees now operate under the same rules from a legal and regulatory perspective, which was not the case before full regulation. The seven-year licences cost €3m for sports betting and €2m for live casino and poker. The holders must pay a GGR tax of 35%, and there is no limit to the number of potential licences. The blacklisting of unlicensed operators continues and licensees will be required to have a registered office in Greece or another EU country.

Within the legal sports betting market, management estimates Stoiximan is the market leader with c 50% market share, followed by domestic and international gaming companies such as Bet365, Novibet, Bwin (owned by Entain), Betsson and Interwetten.

The casino licences were initially awarded with limits on maximum spend per bet (ie click) of €2 and a time restriction between each bet of three seconds. In March 2022, the HGC voted in favour of increasing the maximum bet size to €20 and to reduce the time between bets to two seconds, and it became effective in May 2022.

Management

OPAP's board comprises eight non-executive directors (including four independent directors) and three executive directors (chairman, CEO and CFO). Four of the board members are associated with OPAP's major shareholder, Allwyn Entertainment, Europe's largest lottery business.

Exhibit 15: OPAP's board

Name	Role	Background
Kamil Ziegler	Executive chairman	Former CEO and current board member of Allwyn, the Czech lottery operator. Previous experience includes chairman and CEO of Czech state-owned Consolidation Bank, board member of PPF Group and deputy CEO and board member of Czech Savings Bank.
Jan Karas	CEO	Joined OPAP in 2014 and became CEO in January 2021. Previous experience includes senior executive positions in marketing, sales and product development in the telecommunications sector.
Pavel Saroch	Vice-chairman, non-executive member	Currently board member of Allwyn and CIO and board member of investment group KKGC. Prior positions include board member of IFB (consultancy and private investments).
Pavel Mucha	CFO, executive member	Became CFO in October 2019 having joined from Sazka (Allwyn) where he was CFO. Prior roles include tax consultant at Price Waterhouse, and various finance positions in pharmaceutical and fast-moving consumer goods companies.
Katarina Kohlmayer	Non-executive member	Has been a senior investment banker with experience in corporate finance, reporting and accounting, international M&A, and equity and debt capital markets at firms including Morgan Stanley and VTB Capital.
Robert Chvátal	Non-executive member	CEO of Allwyn and vice president of European Lotteries (the industry association). Prior roles include CEO and board member of Slovak Telecom and CEO for T-Mobile Austria, chief marketing officer and member of board of directors of T-Mobile Czech Republic.
Nicole Conrad-Forker	Independent non-executive member	An attorney at law with experience in audit and corporate governance-related issues. Previous experience includes board member/partner at ATAG Attorneys, foreign trade adviser in chambers of commerce, and a Swiss energy supply company.
Cherrie Mae Chiomento-Ferrera	Independent non-executive member	A certified public accountant, her experience includes being a partner at Ernst & Young and corporate finance leader at Roche and SITA.
Theodore Panagos	Independent non-executive member	Attorney at law and managing partner at Panagos-Spiliopoulou.
Georgios Mantakas	Independent non-executive member	Has held positions at the antitrust division of the US Department of Justice, a number of Greek banks and worked as an adviser to many other industries.
Igor Rusek	Independent non-executive member	Appointed partner and member of executive committee at ATAG PCS, a leading Swiss-based European advisory company. He is the current chairman of ATAG Group as well as of ATAG Partners, where his key area of work comprises organisation and execution of complex legal and tax planning as well as strategic management of operations.

Source: OPAP

Sensitivities

OPAP's business model is predicated on continuing cash flow from the monopoly businesses, supplemented by product enhancements and growth from online. The main sensitivities to the business are:

- **Concession risk:** in 2011, OPAP extended its exclusive concessions 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 the near term, the instant and passive lotteries licence expires in 2026. Management has initiated conversations about this licence with the Ministry of Finance.
- **Regulatory risk:** across all jurisdictions, the gaming industry is subject to changes in regulations and the Greek government raised the GGR tax from 30% to 35% in FY16, subsequently reduced to 30%. Although it is possible that there will be further tax rises, the tax is already well above other regulated European countries, so we see this as reasonably unlikely. Other regulatory issues (eg sources of funds, anti-money laundering, know your customer, etc) could also become more onerous, although we note that OPAP's land-based businesses are low ticket and 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) and unlicensed online operators will continue to 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. 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. As a counterbalance, it is likely that online betting will continue to increase.
- **Cannibalisation risk:** as players begin to play online and on VLTs, there is the strong possibility this will cannibalise the existing retail OTC business more than our forecasts assume.
- **Major shareholder:** while we believe that Allwyn's strategic 50.2% 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 etc).

Valuation

In this section we look at OPAP's valuation from two perspectives: a discounted cash flow (DCF)-based valuation and multiples and relative prospects and profitability relative to gaming peers.

DCF-based valuation of €22.4 per share

Our primary valuation method for OPAP is a DCF-based valuation of €22.4 per share (€20 per share previously). Beyond our explicit forecast period we assume a gradual fade down in annual revenue growth to c 2% in our terminal year, FY33. In addition, we assume an EBITDA margin of 25% from FY30 to reflect the end of the concession in October 2030, which boosts the EBITDA margin to c 35% during its term. We assume OPAP pays €80m in FY25 to renew the Instant and Passives licence beyond FY26 and €1bn in 2029 to renew the Lotteries and Betting licence beyond 2030. We use a weighted average cost of capital (WACC) of 8.0% (risk free rate 3.0%, equity risk premium of 5.7%, and company specific beta of 0.9 (source: LSEG Data & Analytics)). The sensitivity of the valuation to changes in WACC and terminal growth rate assumptions is shown below.

Exhibit 16: DCF sensitivity, € per share

		Terminal growth rate				
		0.0%	1.0%	2.0%	3.0%	4.0%
WACC	10.0%	15.7	16.5	17.4	18.5	20.1
	9.5%	16.5	17.3	18.4	19.8	21.7
	9.0%	17.3	18.2	19.5	21.2	23.5
	8.5%	18.2	19.3	20.8	22.9	25.8
	8.0%	19.2	20.5	22.4	24.9	28.7
	7.5%	20.3	22.0	24.2	27.4	32.4
	7.0%	21.7	23.6	26.4	30.5	37.4
	6.5%	23.2	25.6	29.1	34.5	44.3
	6.0%	25.0	28.0	32.4	39.8	54.7
	5.5%	27.1	30.9	36.8	47.3	72.0

Source: Edison Investment Research

Peer group analysis

During the last 12 months OPAP's share price has increased by c 9%, slightly ahead of the average return of 5% for peers, albeit the performances by the peers were quite varied. Although OPAP is a

listed gaming business, its business model is different from the other listed European gaming companies (they do not have exclusive licences, mostly do not participate in lotteries and usually have a higher percentage of online revenue).

We consider La Francaise des Jeux to be OPAP's closest peer given its exposure to lotteries and scratch cards. Valuations for some companies reflect hopes for higher growth in the US market as well as concerns about potential regulation changes. As OPAP begins to grow its online presence, the comparison with other peers will likely become more relevant.

Exhibit 17: Peer valuation table

Company	Year-end	Share price (local ccy)	Currency	Market cap (€m)	Share price change 1 year %	Sales growth CY24 (%)	Sales growth CY25 (%)	EBIT margin CY24 (%)	EBIT margin CY25 (%)	EV/EBIT CY24 (x)	EV/EBIT CY25 (x)	PE CY24 (x)	PE CY25 (x)	Div. yield CY24 (%)	Div. yield CY25 (%)
Evoke	Dec	62.2	GBP	339	(31)	1	6	11	13	9.9	7.7	24.1	4.5	0.0	0.0
bet at home com	Dec	2.5	EUR	18	(17)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Betsson	Dec	140.7	SEK	3,003	40	15	9	24	24	5.4	4.8	9.3	7.9	5.4	6.2
Entain	Dec	714	GBP	5,535	(29)	7	4	12	13	13.6	12.1	26.4	16.9	2.5	2.7
Flutter Entertainment	Dec	20,860	GBP	44,904	48	21	17	12	14	30.4	21.6	45.1	28.9	0.0	0.8
La Francaise des Jeux	Dec	37.1	EUR	6,846	13	12	13	20	20	11.4	9.8	16.2	14.5	5.2	5.6
Rank Group	Jun	84.4	GBP	480	11	7	7	7	8	10.3	8.8	12.6	10.4	0.8	1.8
Average/Median					5	9	8.1	12.0	13.7	10.9	9.3	20.2	12.5	1.6	2.3
OPAP	Dec	15.73	EUR	5,641	9	7	3	28.8	28.9	9.0	8.7	12.0	11.6	8.4	8.6
OPAP premium/(discount) to median						(29%)	(61%)	140%	110%	(17%)	(6%)	(41%)	(7%)	411%	279%

Source: LSEG Data & Analytics, Edison Investment Research. Note: Prices at 19 December 2024.

OPAP trades at a discount to the peer group average P/E multiple in FY24e and FY25e.

Consensus is expecting higher median revenue growth for the peers than we forecast for OPAP, however OPAP is more profitable (we forecast an EBIT margin of 28.8% in FY24 versus the peer median of 12.0%). OPAP's dividend policy with a high payout ratio means it offers a more attractive dividend yield of 8.4% in FY24 than the peer median of 1.6%.

Financials

Despite the macroeconomic fluctuations, from FY14–23 OPAP has delivered a revenue CAGR of 4.7% and an EBITDA CAGR of 8.4%. Due to changes in the group structure over that time (eg the roll-out of VLTs and the growth of online including M&A, among others) it is difficult to quantify how all of the revenue streams have evolved over the same time frame. However, we have given long-term growth rates in the relevant sections above and show in Exhibit 2 how OPAP's GGR mix has evolved.

OPAP's EBITDA margin has improved over the long term, increasing from 25.7% in FY14 to 35.0% in FY23. The COVID-19 pandemic and recovery thereafter affected the cost ratios, relative to GGR. A high proportion of OPAP's costs, for example GGR contributions and other levies, and other sales-related expenses, that represented c 60% of GGR in FY23, vary with GGR. OPAP's GGR contributions and other levies have trended up modestly over the longer term on a relative basis. The more recent (ie since FY20) reduction relative to GGR reflects a combination of lower levy rates (reduced from 35% to 30% in FY20, having increased to 35% from 30% in 2016) on land-based revenues, which has been partially offset by the growing importance of online revenues, which are liable to higher levies of 35%. By definition, as online grows in importance, the variable proportion of costs should also increase, albeit it also represents a drag on profit margin. The recent movements in other commission-type expenses broadly reflect changes in revenue mix; different revenue streams have different commission rates. Below these directly variable costs, management has kept a tight rein on payroll expenses and other operating expenses. These have helped to fund the modest uptick in marketing, relative to GGR, as a result of the growth of online activities, which are more competitive markets than the land-based activities. The most significant contributor to the increase in EBITDA margin was the recognition of the new line item from 2020

'income related to the extension of the concession of the exclusive right 2020–2030', as detailed in our December 2020 [note](#), shown as Other income in Exhibit 18 below. We highlight that OPAP's definition of EBITDA differs slightly to our own as it includes associate income and one-off items.

Exhibit 18: Summary income statement

As a % of GGR	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24e	FY25e	FY26e
GGR contributions and other levies	(29.4%)	(29.4%)	(33.4%)	(33.2%)	(32.8%)	(32.9%)	(34.7%)	(32.2%)	(31.2%)	(31.2%)	(31.5%)	(31.6%)	(31.7%)
Net gaming revenue (NGR)	70.6%	70.6%	66.6%	66.8%	67.2%	67.1%	65.3%	67.8%	68.8%	68.8%	68.5%	68.4%	68.3%
Agents' commission	(26.1%)	(25.9%)	(25.6%)	(25.4%)	(24.6%)	(23.9%)	(22.6%)	(18.1%)	(19.8%)	(19.5%)	(18.8%)	(18.6%)	(18.4%)
Other NGR-related commission	N/A	N/A	(1.9%)	(2.6%)	(3.9%)	(4.7%)	(6.2%)	(10.4%)	(7.8%)	(8.4%)	(8.8%)	(8.9%)	(9.0%)
Payroll	(4.3%)	(3.3%)	(4.0%)	(4.4%)	(4.9%)	(5.1%)	(6.9%)	(5.0%)	(4.4%)	(4.4%)	(4.4%)	(4.3%)	(4.3%)
Marketing	(5.7%)	(5.4%)	(4.7%)	(4.6%)	(4.1%)	(3.8%)	(4.9%)	(5.9%)	(5.8%)	(5.9%)	(6.3%)	(6.3%)	(6.3%)
Other operating expenses	(11.1%)	(18.2%)	(10.0%)	(10.6%)	(8.9%)	(7.2%)	(9.1%)	(10.0%)	(8.1%)	(8.1%)	(8.0%)	(7.9%)	(7.9%)
Other income	N/A	N/A	N/A	N/A	N/A	N/A	3.8%	14.1%	11.9%	11.1%	10.9%	10.6%	10.4%
Associates and one-off items	0.6%	0.1%	0.1%	(0.0%)	(0.2%)	0.0%	(0.3%)	0.7%	0.2%	(0.7%)	0.0%	0.0%	0.0%
EBITDA (OPAP definition)	25.7%	27.0%	22.1%	21.0%	22.9%	25.5%	23.1%	35.8%	38.0%	35.0%	34.9%	34.8%	34.7%

Source: OPAP accounts, Edison Investment Research

Q324 results – getting stronger

OPAP has demonstrated improving momentum in GGR growth so far in FY24, increasing from c 4% growth in [Q124](#) to c 7% in [Q224](#) and c 18% in Q324, albeit the latter was helped by a relatively easier comparative in [Q323](#), which was held back by a number of one-off items and industry-wide influences.

The key drivers to Q324's performance were: 1) the second-largest Tzoker Mega jackpot ever, which added c €15m of incremental GGR and took Lotteries growth to c 21% y-o-y; 2) strong growth in sports betting (+15% y-o-y growth in Betting and +18% growth in Online Betting) due to a full sporting calendar including the quadrennial UEFA Euro 2024; and 3) over 48% growth in online casino games. The most notable area of weakness was Instant and Passives, which has registered three consecutive quarters of double-digit declines in GGR, and five consecutive quarters of declines.

Having stepped up marketing in H124 to support the launches of new products, such as Eurojackpot, the absolute level of investment reduced in Q324, as previously indicated by management. The lower marketing spend, along with relatively stable payroll and other operating expenses, led to a notable increase in the EBITDA margin to 37.7% in Q324 from 30.2% in Q323. As indicated above, Q323 was particularly weak.

Exhibit 19: Summary income statement

€m	Q123	Q223	H123	Q323	9M23	Q124	Q224	H124	Q324	9M24
Gross gaming revenue (GGR)	527.4	498.1	1,025.6	481.0	1,506.5	549.7	532.8	1,082.5	565.8	1,648.3
Growth y-o-y	15.4%	12.7%	14.0%	(3.6%)	7.8%	4.2%	7.0%	5.6%	17.6%	9.4%
- Lotteries	188.7	177.7	366.4	166.0	532.4	196.0	177.1	373.1	200.0	573.2
Growth y-o-y	11.0%	7.7%	9.3%	(8.0%)	3.3%	3.9%	(0.3%)	1.8%	20.5%	7.7%
- Betting	100.0	96.5	196.5	84.5	281.0	101.0	99.5	200.5	97.5	298.0
Growth y-o-y	7.5%	14.3%	10.8%	(7.7%)	4.5%	1.0%	3.1%	2.1%	15.3%	6.0%
- Instant and Passives	30.5	29.6	60.1	25.6	85.7	27.8	24.7	52.5	22.5	75.0
Growth y-o-y	29.8%	11.7%	20.2%	(1.7%)	12.7%	(9.0%)	(16.6%)	(12.8%)	(11.9%)	(12.5%)
- VLTs	84.4	81.0	165.4	82.9	248.3	86.5	80.0	166.5	83.5	249.9
Growth y-o-y	21.7%	8.6%	14.9%	2.3%	10.4%	2.5%	(1.2%)	0.6%	0.7%	0.7%
- Online Betting	68.9	55.3	124.2	58.8	183.0	67.0	82.6	149.6	69.4	219.0
Growth y-o-y	15.1%	12.0%	13.7%	(9.3%)	5.2%	(2.7%)	49.4%	20.5%	17.9%	19.7%
- Other Online Games	54.9	58.1	113.0	62.5	175.5	70.9	69.4	140.3	92.7	233.1
Growth y-o-y	32.4%	37.5%	35.0%	13.4%	26.4%	29.1%	19.6%	24.2%	48.3%	32.8%
Gross gaming revenue (GGR):										
- Retail	400	379	779	353	1,132	402	374	776	393	1,169
Growth y-o-y	14%	9%	11%	(6)%	5%	0%	(1)%	(0)%	11%	3%
- Online	128	119	247	128	375	148	159	306	173	479
Growth y-o-y	21%	25%	23%	3%	15%	16%	34%	24%	35%	28%
GGR contribution and levies	(164.0)	(153.3)	(317.2)	(152.7)	(470.0)	(173.2)	(169.2)	(342.4)	(179.0)	(521.4)
As % of GGR	31.1%	30.8%	30.9%	31.8%	31.2%	31.5%	31.8%	31.6%	31.6%	31.6%
Net gaming revenue (NGR)	363.5	344.8	708.3	328.3	1,036.6	376.5	363.6	740.1	386.8	1,127.0
Agents' commissions and other direct costs	(145.4)	(140.3)	(285.7)	(134.8)	(420.5)	(149.9)	(139.7)	(289.6)	(144.9)	(434.5)
As % of NGR	40.0%	40.7%	40.3%	41.1%	40.6%	39.8%	38.4%	39.1%	37.5%	38.6%
Gross profit from gaming	218.1	204.6	422.6	193.5	616.1	226.6	223.9	450.6	241.9	692.5
Gross margin	41.3%	41.1%	41.2%	40.2%	40.9%	41.2%	42.0%	41.6%	42.8%	42.0%
Payroll	(22.1)	(23.0)	(45.1)	(23.0)	(68.0)	(25.6)	(24.4)	(50.0)	(25.6)	(75.7)
As % of GGR	4.2%	4.6%	4.4%	4.8%	4.5%	4.7%	4.6%	4.6%	4.5%	4.6%
Marketing	(27.6)	(28.3)	(55.9)	(28.7)	(84.6)	(35.0)	(40.1)	(75.1)	(31.3)	(106.4)
As % of GGR	5.2%	5.7%	5.4%	6.0%	5.6%	6.4%	7.5%	6.9%	5.5%	6.5%
Other operating expenses	(39.0)	(44.1)	(83.1)	(37.7)	(120.9)	(44.8)	(44.0)	(88.8)	(43.6)	(132.4)
As % of GGR	7.4%	8.9%	8.1%	7.8%	8.0%	8.2%	8.3%	8.2%	7.7%	8.0%
Other income	57.9	57.5	115.4	57.2	172.6	58.8	57.4	116.2	58.7	174.9
EBITDA (OPAP definition)	196.5	178.0	374.4	145.4	519.9	190.3	183.4	373.7	213.3	587.0
Margin	37.2%	35.7%	36.5%	30.2%	34.5%	34.6%	34.4%	34.5%	37.7%	35.6%
Growth y-o-y	16%	7%	12%	(26)%	(3)%	(3)%	3%	(0)%	47%	13%

Source: OPAP accounts, Edison Investment Research

New forecasts – increased by c 2%

The strength of Q324's results enabled management to increase its guidance for the year to the top-end of the prior range, which has been in place since the start of the year when [FY23](#) results were published. The prior guided range was for GGR of €2,150–2,200m and EBITDA of €750–770m, year-on-year growth rates of 3–5% and 1–3%, respectively. Growth at the top end of the range would suggest year-on-year declines in revenue of c 5% and EBITDA of 13%, respectively, for Q424. We note that Q423 provides a reasonably tough comparative for the period from a revenue perspective, as revenue increased by c 7% and the EBITDA margin was 36.2%.

We have updated our forecasts for FY24–26 to reflect the strong performance by Lotteries, Online Betting and Other Online Games and the weakness of Instant and Passives. Our new FY24 forecasts for GGR of c €2,226m and EBITDA of c €776m, are slightly ahead of the top end of management's guidance of €2,200m and €770m, respectively. We broadly assume low single-digit GGR growth for retail activities and mid-single-digit growth for online in FY25 and FY26. FY25 will see the benefits from the launch of Eurojackpot begin to annualise and it will likely be a lower growth year for sports betting following the UEFA Euro 2024 competition.

Exhibit 20: Forecast changes

	FY23	FY24e new	FY25e new	FY26e new	FY24e old	FY25e old	FY26e old	FY24e change	FY25e change	FY26e change
GGR (€m)	2,087.7	2,225.8	2,296.7	2,357.6	2,184.5	2,248.3	2,310.5	1.9%	2.1%	2.0%
Growth y-o-y	7.7%	6.6%	3.2%	2.7%	4.6%	2.9%	2.8%			
EBITDA (OPAP definition) (€m)	730.0	776.4	798.9	817.1	762.6	782.2	802.0	1.8%	2.1%	1.9%
Margin	35.0%	34.9%	34.8%	34.7%	34.9%	34.8%	34.7%			
Growth y-o-y	(0.8%)	6.3%	2.9%	2.3%	4.5%	2.6%	2.5%			

Source: OPAP accounts, Edison Investment Research

Cash flow and balance sheet

OPAP generates strong free cash flow, helped by its low capital requirements as a result of the franchise-based business model. The bulk of the free cash flow is paid out as dividends, which has been complemented in recent years by share repurchases and capital returns. The balance sheet has gradually de-gearred over time as the cash position has built and debt has been paid down.

Exhibit 21: Summary cash flow

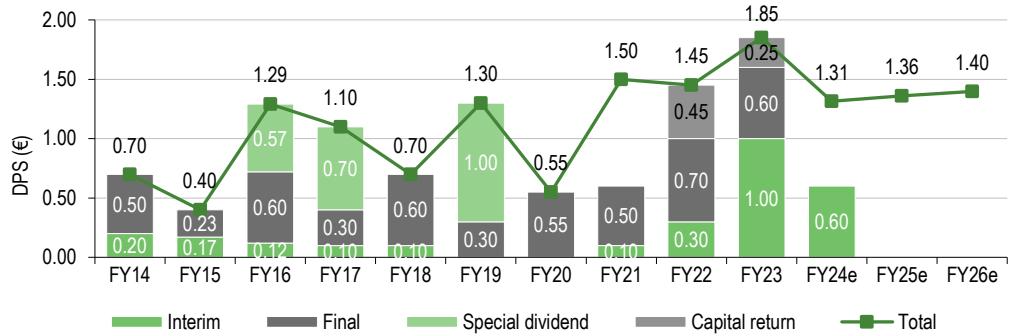
Relative to GGR	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Operating activities	21%	14%	7%	17%	16%	17%	16%	32%	34%	25%
PBT	22%	21%	17%	13%	14%	17%	19%	23%	37%	27%
Working capital	2%	(2%)	(3%)	(3%)	(3%)	(1%)	(3%)	1%	2%	(1%)
Interest paid	(0%)	(0%)	(1%)	(2%)	(2%)	(1%)	(3%)	(2%)	(1%)	(1%)
Tax paid	(5%)	(10%)	(8%)	(2%)	(3%)	(5%)	(1%)	(3%)	(4%)	(7%)
Investing activities	2%	(3%)	(4%)	(9%)	(7%)	(3%)	(7%)	(3%)	(3%)	4%
Purchase of PPE	(1%)	(2%)	(2%)	(4%)	(1%)	(1%)	(1%)	(0%)	(0%)	(0%)
Purchase of intangibles	(1%)	(1%)	(1%)	(3%)	(2%)	(2%)	(1%)	(1%)	(1%)	(1%)
Free cash flow	19%	11%	4%	10%	13%	15%	15%	30%	33%	24%
Acquisition of subsidiaries	(1%)	(0%)	(0%)	(2%)	(3%)	(1%)	(8%)	(1%)	(5%)	(1%)
Sale of subsidiary	0%	0%	0%	0%	0%	0%	0%	0%	4%	6%
Financing activities	(19%)	(11%)	(5%)	(10%)	(13%)	14%	(21%)	(7%)	(38%)	(41%)
Dividends paid to shareholders	(6%)	(20%)	(21%)	(31%)	(8%)	(10%)	(19%)	(6%)	(7%)	(25%)
Purchase of treasury shares	0%	(0%)	(0%)	(0%)	(0%)	(0%)	(0%)	(0%)	0%	(1%)
Share capital return	0%	0%	0%	0%	0%	0%	0%	0%	(16%)	(8%)
€m										
Cash at period end	297	302	274	246	182	634	507	860	724	487
Gross debt at period end excl. leases	0	147	382	682	650	1,056	1,041	1,047	788	661
Leases at period end	N/A	N/A	N/A	N/A	N/A	65	58	51	47	26

Source: OPAP accounts, Edison Investment Research

At the time of the H121 results announcement, management updated its dividend policy, committing to dividend distributions that exceed net profit with a minimum dividend of €1 per share. The payout in excess of net profit, to reach the minimum €1 dividend per share or to pay special dividends, could be funded from the company's (not group) share premium account, which had consistently increased due to OPAP's 'attractive' scrip dividend, and retained earnings.

With the H123 results, management announced a change in the way returns will be made to shareholders. The five-year (2019–23) scrip dividend programme ended. The company remains committed to a minimum dividend distribution of €1 per share but now the bulk of net profits will be distributed as a cash dividend, with a slight change in the annual phasing of dividends to a more balanced split between the interim and final dividend so that shareholders receive cash distributions earlier in the year than historically.

Exhibit 22: Shareholder returns



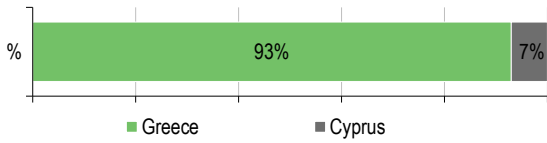
Source: OPAP accounts, Edison Investment Research

In addition, recognising the company's strong financial position and cash generation, management obtained authorisation in FY23 to return an initial €150m of cash to shareholders via a share buyback before the end of 2024, with the amounts and timing dependent on market conditions. We believe the shares will be treated initially as treasury shares but will ultimately be cancelled.

Exhibit 23: Financial summary

	€m	2022	2023	2024e	2025e	2026e
Year end 31 December		ISA	ISA	ISA	ISA	ISA
INCOME STATEMENT						
GGR		1,939	2,088	2,226	2,297	2,358
NGR		1,333	1,436	1,524	1,571	1,611
Cost of Sales		(1,083)	(1,190)	(1,276)	(1,317)	(1,351)
Gross Profit		856	898	950	980	1,006
Other Income		230	233	242	244	245
EBITDA		733	745	776	799	817
Operating profit (before amort. and excepts.)		606	614	641	663	681
Impairments		(20)	(6)	0	0	0
Exceptionals		170	(15)	0	0	0
Share-based payments		(2)	(2)	(2)	(2)	(2)
Reported operating profit		753	590	639	661	680
Net Interest		(40)	(20)	7	(1)	(1)
Joint ventures & associates (post tax)		15	0	0	0	0
Profit Before Tax (norm)		581	593	648	662	681
Profit Before Tax (reported)		728	570	646	660	679
Reported tax		(127)	(156)	(159)	(162)	(167)
Profit After Tax (norm)		453	463	489	500	514
Profit After Tax (reported)		601	414	487	498	512
Minority interests		(4)	(6)	(12)	(12)	(13)
Net income (normalised)		449	457	477	488	501
Net income (reported)		597	408	475	486	499
Average Number of Shares Outstanding (m)		354	365	363	359	359
EPS - normalised (c)		126.70	125.33	131.40	136.00	139.64
EPS - normalised fully diluted (c)		126.70	125.33	131.40	136.00	139.64
EPS - basic reported (€)		1.68	1.12	1.31	1.35	1.39
Dividend (€)		1.45	1.85	1.31	1.36	1.40
Revenue growth (%)		26.0	7.7	6.6	3.2	2.7
Gross Margin (%)		44.2	43.0	42.7	42.7	42.7
EBITDA Margin (%)		37.8	35.7	34.9	34.8	34.7
Normalised Operating Margin (%)		31.2	29.4	28.8	28.9	28.9
BALANCE SHEET						
Fixed Assets		1,553	1,420	1,380	1,271	1,163
Intangible Assets		1,364	1,273	1,253	1,165	1,077
Tangible Assets		89	70	50	30	9
Investments & other		100	77	77	77	77
Current Assets		1,018	680	481	338	189
Stocks		6	5	5	6	6
Debtors		102	104	111	115	118
Cash & cash equivalents		724	487	281	134	(18)
Other		186	83	83	83	83
Current Liabilities		(809)	(578)	(625)	(633)	(640)
Creditors		(182)	(202)	(245)	(253)	(259)
Tax and social security		(117)	(119)	(119)	(119)	(119)
Short term borrowings		(289)	(80)	(80)	(80)	(80)
Other		(220)	(177)	(181)	(181)	(181)
Long Term Liabilities		(676)	(735)	(830)	(630)	(436)
Long term borrowings		(546)	(606)	(596)	(336)	(76)
Other long term liabilities		(130)	(129)	(234)	(294)	(360)
Net Assets		1,086	787	405	346	275
Minority interests		(33)	(34)	(35)	(35)	(36)
Shareholders' equity		1,054	753	371	310	240
CASH FLOW						
Operating Cash Flow		740	747	778	801	819
Working capital		41	(17)	36	4	4
Exceptional & other		(13)	(27)	(14)	(2)	(2)
Tax		(80)	(151)	(159)	(162)	(167)
Net Operating Cash Flow		687	552	642	641	654
Net interest		(27)	(14)	7	(1)	(1)
Capex		(23)	(28)	(29)	(29)	(29)
Acquisitions/disposals		(32)	109	0	0	0
Equity financing		(2)	(29)	(120)	0	0
Dividends		(141)	(515)	(685)	(486)	(503)
Net new borrowings		(262)	(130)	0	(250)	(250)
Other		(335)	(183)	(21)	(22)	(23)
Net Cash Flow		(136)	(237)	(206)	(147)	(152)
Opening cash		860	724	487	282	134
Closing net debt/(cash)		724	487	282	134	(18)
Closing net debt/(cash) incl IFRS 16, excl investments		111	199	395	282	174

Source: OPAP, Edison Investment Research

<p>Contact details</p> <p>OPAP Athinon Av 112 Athens PC 104 42 Greece +30 210 5798930 www.opap.gr</p>	<p>Revenue by geography</p>  <table border="1"> <thead> <tr> <th>Geography</th> <th>Revenue (%)</th> </tr> </thead> <tbody> <tr> <td>Greece</td> <td>93%</td> </tr> <tr> <td>Cyprus</td> <td>7%</td> </tr> </tbody> </table>	Geography	Revenue (%)	Greece	93%	Cyprus	7%						
Geography	Revenue (%)												
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Cyprus	7%												
<p>Management team</p> <p>Executive chairman: Kamil Ziegler Kamil is the former CEO and current board member of Sazka, the Czech lottery operator. His previous experience includes chairman and CEO of Czech state-owned Consolidation Bank, board member of PPF Group and deputy CEO and board member of Czech Savings Bank.</p> <p>CEO: Jan Karas Jan joined OPAP in 2014 and became CEO in January 2021. His previous experience includes senior executive positions in marketing, sales and product development in the telecommunications sector.</p>													
<p>CFO: Pavel Mucha</p> <p>Pavel became CFO in October 2019, having joined from Sazka where he was CFO. His previous roles include tax consultant at Price Waterhouse, and various finance positions in pharmaceutical and FMCG companies.</p>													
<p>Principal shareholders</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>(%)</th> </tr> </thead> <tbody> <tr> <td>Allwyn Entertainment</td> <td>50.2</td> </tr> <tr> <td>Fidelity Management & Research</td> <td>2.0</td> </tr> <tr> <td>The Vanguard Group</td> <td>1.4</td> </tr> <tr> <td>BlackRock Institutional Trust Company</td> <td>1.4</td> </tr> <tr> <td>Liontrust Investment Partners</td> <td>0.8</td> </tr> </tbody> </table>		Shareholder	(%)	Allwyn Entertainment	50.2	Fidelity Management & Research	2.0	The Vanguard Group	1.4	BlackRock Institutional Trust Company	1.4	Liontrust Investment Partners	0.8
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