



EQUITY RESEARCH/UPDATE/CEMENT /TITAN CEMENT

02/08/16

Titan's First Half results proved mostly in line with our expectations, characterized by solid revenue growth in the United States, sufficient improvement in the Group's operating profits (EBITDA) and points of concern regarding the Hellenic operations and the FX losses (-19.4mn) which hurt the Group's bottom line.

Hellenic Sector's sales continued the downward trend as they further decreased on a Q to Q basis due to the shrinkage of housing activity. The majority of revenues are derived from the public infrastructure projects, a pattern which the Group expects to continue for the remainder of FY16.

East Mediterranean sector results confirm the increased demand for the Group's products as they showed a satisfactory sales growth (+11% in local currency) and improved operating margin driven by the reduction of energy costs as a result of the Group's efforts for operating efficiency. Similar operating results were reported for the SEE segment.

The US sector still remains the key driver for further growth and profitability as its rapid sales growth and upward trend is expected to continue for the entire 2016.

Overall, Titan's First Half 16 results came in line with our expectations for the revenues growth in US sector as the group's performance proved very strong (+18.8% and 20.0% in revenues and EBITDA on Q-Q basis respectively). We still keep our estimates for the revenue growth in US and East Med. operations (+10% Y-Y and +5% respectively) and the decrease in revenues for the sectors of South Eastern Europe and Greece. We also retain our FCF projections for the FY 16 as the First Half results confirm our expectations for the Group's CAPEX and Debt reduction. In summary, we expect the Group to maintain its operating margin for FY16 while the negative FX impact will determine the level of the net profit margin in the bottom line.

We retain Titan's Fair Value to 18.60 Euros/Share in an attempt to account for the aggravation of the risk factor for Hellenic equities due to the current domestic crisis while maintaining stronger Cash Flow projections and further Debt reduction. We would like to point out that the continuing management efficiency of the Group offers conviction to our estimates and makes Titan one of the few value plays in the Domestic Market.

Symbol: TITK:GA

Market: Athens Stock Exchange

THESIS: FV

FAIR EST. VALUE: 18.60

Closing Price (01/08/16): 20.77

Market Cap. 1600mn.

P/E: N/A

Expected P/E: 40

Ρήτρα Περιορισμού Ευθύνης:

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