



MYTILINEOS S.A (MYTIL.AT)

Outlook:

We reiterate Mytilineos S.A Fair Estimated price to 14,00Euros/Share, taking into account the Company's satisfactory interim financial results and the management's guidance regarding the expected mid-term performance of its main business Units.

METAL-ALUMINUM

Metal operating sector remains the basic pillar for the company's long term performance. According to the management's earnings guidance Aluminum sector's conditions are still favorable for the Metal business Unit and the Unit could further contribute solid operating performance to the company.

EPC-INFRASTRUCTURE

EPC's revenues despite the considerable deceleration compared to 9M'17 are expected to replicate the FY'17 performance, while the management is optimistic regarding METKA's future performance due to the successful implementation of RES construction facilities to its overall project portfolio.

ENERGY& TRADING

Power revenues were slightly down compared to 9M17, with considerably lower operating earnings due to the reduced power demand attributed to weather conditions. The company expects to further gain a larger amount of market share on a short term period.

Date: 05/12/18

FAIR ESTIMATED PRICE: **14.00Euros/Share**

Investment Thesis: **UV**

Key Statistics:

VALUATION	5/12/2018
Share Price	7,95
Price High 52 week	10,54
Price Low 52 week	6,70
Current num. of shares	142.891.161
P/E	7
Market Cap.	1.135.984.730
EPS (E)	1,15
DPS (E)	0,36
<i>*Closing Price as 04/12/2018</i>	

MYTILINEOS S.A

We retain Mytilineos S.A Fair Estimated price to **14.00 Euros/Share** taking into account its satisfactory interim financial results and the management's guidance regarding the Company's midterm performance. According to the management's expectations for revenue growth and operating performance in combination with the already stated plans for organic expansion for the Metal and Power Units we believe that the generation of stronger cash flows is more feasible on a midterm basis. That possible upward boost of free cash flows confirms our previous estimates and could assist the company to implement its organic expansion plan without harming its capital structure and generate additional value to shareholders due to the decreasing debt exposure and the elimination of minorities.

The M&M business unit still has a remarkable fiscal year in terms of revenue growth and profitability, positively affected by the favorable Alumina prices/Tn paired with the lower Brent price. The M&M Business Unit could be characterized as the dominant growth indicator for the Group and the management is expecting that the favorable Industry conditions could persist in a midterm business cycle. As a result, the M&M business unit could effectively contribute to the expected growth both in Revenues and operating earnings respectively.

EPC-Infrastructure segment (METKA) demonstrated a material revenue deceleration on a 9M basis. Despite that, the guidance is optimistic for the Unit's performance, due to the unfreezing of delayed construction projects (Libya) and the new RES construction projects that may pose a strong potential for revenue growth.

Considering the above, we incorporate to our valuation model management's indications regarding the FY'18 and the expected performance for the 2019-2021 periods. Specifically, we retain the M&M Unit's growth potential considering the upward revenue trend and the operating efficiency, in combination with our projections for the Energy and EPC units utilizing a more rapid growth in the expected revenue stream, and the gradual gain in market share for the company's Energy segment.

Finally, we believe that the faster than expected revenue growth paired with the Company's evidenced operating efficiency could bring significant changes in our FCFE projections despite the increased expansion CAPEX (construction of a power plant energy facility that is expected to be completed by the end of FY'21 and will contribute additional 665MW to the Energy Unit's capacity). In our previous analysis, the growth assumptions of the company's performance lead us to cumulative 418.00mn.Euros in FCFE. However, according to the alterations to our valuation model due to the management's guidance we are imposed to revise upward our expectations for the FCFE leading to 482mn.Euros for the same period.

In closing remarks, we feel confident regarding our valuation model assumptions and we retain our estimates regarding the EV of the company to 2.60bn.Euros and 14,00Euros/Share as a Fair Estimated price and a UV rating. We consider MYTILINEOS S.A. as a considerable investment case with clear growth path, ability for organic growth in favor of its shareholders and reiterate its share as a Top Pick in our Hellenic Universe.

FINANCIAL SUMMARY AND VALUATION TABLES

Table I: Income Statement

INCOME STATEMENT	€000's	2017A	2018E	2019E	2020E	2021E
Revenue		1.526.721	1.567.649	2.200.000	3.000.000	3.500.000
COGS		1.209.113	1.254.119	1.738.000	2.430.000	2.940.000
Gross Profit		317.608	313.530	462.000	570.000	560.000
Other Income		58.650	36.038	36.038	36.038	36.038
Sales Expenses	-	9.171	9.406	5.721	7.801	9.101
Administrative Expenses	-	76.710	78.382	95.921	130.802	152.602
R&D Expenses	-	139	157	245	335	390
Other Expenses	-	58.111	35.000	24.283	24.283	24.283
EBITDA		305.031	305.005	467.523	573.257	561.841
D&A		72.904	78.382	95.655	130.439	152.179
EBIT		232.127	226.623	371.868	442.818	409.661
Interest Income		16.095	10.000	3.005	3.005	3.005
Interest Expense		59.347,00	43.999,90	50.999,90	61.499,90	61.499,90
Other Financial Income/Expense		7.442,00	4.061	4.061	4.061	4.061
Profit/Loss from Investment in Associates		176,00	197,00	197,00	197,00	197,00
EBT		181.609	188.758,75	320.008,68	380.458,70	347.302,47
Taxes	-	23.602	24.531,19	83.478,35	99.247,51	90.598,28
Net Income		158.007,00	164.227,56	236.530,33	281.211,19	256.704,19

Source: Company's statements, N.Chrysochoidis Research Department estimates.

Table II: Cash Flows

CASH FLOW ESTIMATIONS (E)	2018E	2019E	2020E
EBIT	226.622,65	371.867,58	442.817,60
Tax Rate	87%	74%	74%
Nopat	197.170,65	274.861,17	327.302,98
D&A	78.382,44	95.655,49	130.439,31
CAPEX	150.000,00	150.000,00	150.000,00
IWC	- 15.885,26	65.768,28	121.641,53
DCF	141.438,35	154.748,38	186.100,76

Source: Company's statements, N.Chrysochoidis Research Department estimates

GROWTH	12/18E	12/19E	12/20E
Sales growth	2,68%	40,34%	36,36%
EBITDA growth	-0,01%	53,28%	22,62%
Net Profit/Loss growth	3,94%	44,03%	18,89%
RATIOS	12/18E	12/19E	12/20E
Debt/Equity	0,54	0,54	0,54
Capex/EBITDA	49%	32%	26%
ROE	12,88%	18,56%	22,06%
WACC	8,00%	8,00%	8,00%
VALUATION	12/17A	12/18E	12/19E
Book Value	8,92	8,92	8,92
P/BV	0,92	0,94	0,94
P/E	7	7	7

Source: Company's statements, N.Chrysochoidis Research Department estimates

Ρήτρα Περιορισμού Ευθύνης:

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Σημειώσεις/Notes

P:	Τρέχουσα Τιμή	Market Price
MCAP:	Κεφαλαιοποίηση	Capitalization
EPS:	Καθαρά Κέρδη Ανά Μετοχή	Earnings per Share
P/E:	Λόγος Τιμής προς Κέρδη	Price/Earnings Ratio
P/S:	Λόγος Τιμής προς Πωλήσεις	Price/Sales Ratio
D/A:	Συνολικός Δανεισμός προς Παθητικό	Total Debt/Assets Ratio
DY:	Απόδοση Μερισμάτων	Dividend Yield
ROE:	Απόδοση Ιδίων Κεφαλαίων	Return on Equity
FV:	Τιμή Σωστής Αποτίμησης	Fair Value Price

Οδηγός Συστάσεων/Ratings

UV	Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος	Underpriced/ Small Risk Stock Price < 20% of Fair
UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Underpriced/ Risk Stock Price < 10% of Fair
FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Fairly Priced/ Small Risk 10% < Stock Price < 10%
OV1	Σωστή Αποτίμηση/ Κίνδυνος	Fairly Priced/ Risk Stock Price > 10% of Fair
OV	Υπερτιμημένη Μετοχή	Overvalued Stock Price > 20% of Fair
N/R	Μη Αποτιμημένη Μετοχή	Not Rated