



MYTILINEOS S.A (MYTIL.AT)

Outlook:

We reiterate Mytilineos S.A Fair Estimated price to 14,00Euros/Share, taking into account the solid performance of the Metal business, the generation of strong cash flows and the further reduction of net financing expenses for the company.

METAL-ALUMINUM

We still consider the Metal operating sector as the key growth catalyst for the company's performance. Specifically, the Metal unit's significant operating results seem to be capable to exploit additional profitability that could arise from the favorable business conditions in the Aluminum industry.

EPC-INFRASTRUCTURE

Sector's revenues showed a considerable deceleration compared to H1'2017. However, we expect a FY'18 similar with the FY'17 in terms of revenues and profitability.

ENERGY & TRADING

Power revenues were slightly down compared to HY17, with considerable lower operating earnings due to the reduced power demand attributed to weather conditions.

Consolidated EBITDA for the company ended up at 145.20mn. Euros mostly driven by the solid performance of the Metal sector.

Net Income reached 83.90mn. Euros vs. 84.12mn expected.

We should note that FV is contingent to the Risk Free rate (10Y GGB) and any aggravation could lead to a downward revision of at least 10%.

Date: 03/10/18

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

Investment Thesis: **UV**

Key Statistics:

VALUATION	3/10/2018
Share Price	8,42
Price High 52 week	10,54
Price Low 52 week	7,68
Current num. of shares	142.891.161
P/E	7
Market Cap.	1.203.143.576
EPS (E)	1,15
DPS (FY17)	0,32
<i>*Closing Price as 02/10/2018</i>	

MYTILINEOS S.A

We retain Mytilineos S.A Fair Estimated price to **14.00 Euros/Share** on the back of the solid performance of the Metal Business Unit that mostly contributed to the company's operating profitability-despite the harsh first semester for both EPC and Energy Units- and the evidenced strong cash flow generation which resulted in the company's net debt reduction.

Mytilineos's HY 2018 results were characterized by the substantial performance of M&M in terms of revenue growth and profitability, the deceleration for the EPC and Electricity Units performance and the satisfactory net profitability growth. The M&M Business Unit could be clearly characterized as the dominant growth indicator for the Group still demonstrating revenue growth thanks to the favorable Alumina prices/Tn and the increased demand for Copper products. In terms of operating performance, the Unit's operating profitability mostly contributed to the overall consolidated operating profitability as the other two main Sectors faced a harsh second quarter.

The results for the Energy and EPC Infrastructure segments demonstrated a material revenue deceleration. Energy sector's softer revenues are mostly attributed to the unfavorable weather conditions which negatively affected the Energy demand. However, the Energy Unit still poses strong potential for revenue growth, due to the decision for the deregulation of the Hellenic electricity market. In the same manner, EPC sector's performance was soft due to the delay of major projects and their gradual roll out during the second semester. EPC segment is considered a stable and important project contractor for Energy projects mainly for the EMEA region and in the Renewable industry (Solar Power Projects).

Considering the above, we decide to slightly fine-tune our projections and proceed to a streamlined model taking into considerations both the HY18 results and the management's indications regarding the second semester of FY'18. Specifically, we keep the M&M Unit's growth potential considering the upward revenue trend and the operating efficiency, leading us to an average of c.650mn. Euros in revenues for the 2018-2024 period. Additionally, we also set our projections for the Energy and EPC units incorporating into our valuation model a stable revenue stream coming from the EPC projects, and the gradual gain in market share for the company's Energy segment.

Finally, we do not expect significant changes in our FCFE projections despite the increased CAPEX for the construction of power plant energy facility, a project that is expected to complete at the end of FY'21 and will contribute additional 665MW to the Energy Unit's capacity.

In closing remarks, 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. This is obviously contingent to a stable Risk Free rate of 4,50% for the 10Yr GGB. We consider MYTILINEOS S.A. as a considerable investment case 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	1.668.683	1.709.796	1.836.593
COGS		1.209.113	1.254.119	1.318.260	1.384.935	1.542.738
Gross Profit		317.608	313.530	350.423	324.861	293.855
Other Income		58.650	36.038	36.038	36.038	36.038
Sales Expenses	-	9.171	9.406	4.339	4.446	4.776
Administrative Expenses	-	76.710	78.382	72.755	74.548	80.076
R&D Expenses	-	139	157	186	191	205
Other Expenses	-	58.111	35.000	24.283	24.283	24.283
EBITDA		305.031	305.005	357.452	331.773	300.407
D&A		72.904	78.382	72.554	74.342	79.855
EBIT		232.127	226.623	284.898	257.431	220.553
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 Assoc		176,00	197,00	197,00	197,00	197,00
EBT		181.609	188.758,75	233.038,76	195.072,44	158.193,81
Taxes	-	23.602	24.531,19	60.791,14	50.887,14	41.266,88
Net Income		158.007,00	164.227,56	172.247,62	144.185,30	116.926,93

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

Table II: Cash Flows

CASH FLOW ESTIMATIONS (E)	2018E	2019E	2020E
EBIT	226.622,65	284.897,66	257.431,34
Tax Rate	87%	74%	74%
Nopat	197.170,65	210.578,47	190.277,08
D&A	78.382,44	72.553,97	74.341,53
CAPEX	150.000,00	150.000,00	150.000,00
IWC	- 15.885,26	- 25.835,06	- 2.193,24
DCF	141.438,35	158.967,50	116.811,85

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

Table III: Valuation Metrics

GROWTH	12/18E	12/19E	12/20E
Sales growth	2,68%	6,44%	2,46%
EBITDA growth	-0,01%	17,20%	-7,18%
Net Profit/Loss growth	3,94%	4,88%	-16,29%
RATIOS	12/18E	12/19E	12/20E
Debt/Equity	0,54	0,54	0,54
Capex/EBITDA	49%	42%	45%
ROE	12,88%	13,51%	11,31%
WACC	8,00%	8,00%	8,00%
VALUATION	12/17A	12/18E	12/19E
Book Value	8,92	8,92	8,92
P/BV	0,94	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
UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Underpriced/ Risk
FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Fairly Priced/ Small Risk
OV1	Σωστή Αποτίμηση/ Κίνδυνος	Fairly Priced/ Risk
OV	Υπερτιμημένη Μετοχή	Overvalued
N/R	Μη Αποτιμημένη Μετοχή	Not Rated