



TITAN CEMENT INTERNATIONAL SA

Investment Thesis

We maintain our long term positive view on Titan and retain our fair estimated price to €21.50 per share. Group operational performance was mixed throughout the first half of 2019. US and SEE demonstrated very strong results in terms of revenue and EBITDA, with good prospects for the rest of the year; while the EMED markets were disappointing with no signs of stabilization and recovery in the near future. Finally the performance of the Greek market indicated that it is under a slow recovery with an improving outlook after 2020 and onwards. Regarding our projection for 2019-2020, earnings growth in the medium term is expected to be driven primarily by the markets of US and SEE. Greek operations are likely to provide an upside risk to our forecast, based on the expected acceleration growth of the Greek construction sector. Finally there is limited visibility regarding the recovery of EMED markets. Relentless focus on cost improvements across the group operations should also provide earnings support. On the other hand CAPEX are projected at lower levels compared with the previous years. These projections are estimated in the region of €100-120mn per annum, as the group operates modern assets at relatively low utilization rate.

In our view the main risks are currency fluctuations, the energy cost and the shipment rates. Also smaller CO₂ emission rights in the future may lead into some production constraints or the use of alternative, less polluting energy sources that may push down the profitability margins.

On July 18, Titan Cement announced the successful outcome of the tender offer which was submitted by TCI to the shareholders of Titan. Currently Titan Cement is listed, through TITAN Cement International, on Euronext Brussels, the Athens Exchange and Euronext Paris.

Date	2/8/2019
Fair Estimated Price	21.50
Investment Thesis	FV
Stock Ticker	TITK:BRU / TITK:ATH
Price	19.42
Low / High Price 52w	16.70 / 22.15
Market Cap (€mn)	1644
P/E (ttm)	38,8
EPS (ttm)	0.50
EV/EBITDA (ttm)	9,7

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1H- 2019-Review /Outlook by region

US: Revenues increased by 13.9% in the first half of 2019 and stood at €472mn on the back of strong demand for building materials across all the markets. Moreover the strengthening of US dollar against the euro affected the revenues in a positive way. EBITDA increased by 4,9% compared to the same period last year. We assume that the strong market fundamentals indicate that the market will continue to grow at healthy levels for 2019 and 2020. Titan is well placed to take advantage of this trend and enhance further its revenue and profitability for this period. On a trailing 12-month basis, US operations contribute 59% of total group revenues and 71% of total group EBITDA.

Greece: The market showed some signs of recovery in the first half of the year, however the delays on the start of key infrastructure projects affected the demand for cement in a negative way. Revenues improved by 7.6% on a y-o-y basis, reaching €123.3mn, while EBITDA increased by 88.1% at €9.9mn. Cement consumption in Greece is hovering at 50-year lows and almost 80% below the demand levels that were recorded in 2006. Nevertheless, the gradual improvement of macroeconomic indicators of the country and the commencement of large-scale infrastructure projects will support the strong reactivation of the construction sector from 2020 and onwards, thus the future prospects are positive.

SEE: Turnover stood at € 120.7mn, increasing by 17.1 % on y-o-y basis, EBITDA reached €32.9mn, 37.2% higher compared to 1H-18. The strong performance was supported by the healthy activity in the construction sector and the higher pricing environment in most countries. The outlook for the region is positive and the management of the group expects that the growth will continue over the next quarters. SEE accounts for a quarter of the total EBITDA of the Group.

EMED: Total revenues stood at €70mn (-13.5% y-o-y) due to increased competition and weak pricing environment in the Egyptian market. Furthermore the Turkish cement market, dropped sharply by 35%. The high inflation and the weak Turkish lira impacted the profit margins of building materials in a negative way. Consequently EBITDA turned out negative at -€5.0mn from €12.8mn in 1H-2018. For 2019, the demand for cement in Egypt is expected to remain at the same levels as in 2018, while in Turkey the problems in banking sector and the deterioration of macroeconomic indicators is possible to lead to an even further reduction of demand for building materials in the near future. We assume that the group is well prepared to face the challenging environment in the region due to its strong balance sheet, the modern productive assets and the efficient cost structure.

Brazil JV: After a 4 year period of negative growth, during the first half of 2019 the market grew by 1.5% at Apodi, in the region that the group production unit is located. The sales volume of Cimento Apodi remained relatively stable in 1H 2019, despite extreme weather conditions, while revenues increased by 7%. The political stability and the positive economic growth of the country support the pace of recovery of the construction sector.

Valuation

Our DCF exercise returns a target price of €21.50 per share, which is 11% higher than the current share price. At current levels, Titan trades at 8.7x EV/EBITDA FY2019E and 7.9x FY2020 respectively.

Summary Financials				
(€mn)	FY2017a	FY2018a	FY2019f	FY2020f
Profit & Loss Items				
Total Net Revenues	1.506	1.490	1.613	1.713
EBITDA	273	260	278	301
Net Income	43	54	60	76
Balance Sheet Items				
Total Assets	2.596	2.870	3.207	3.243
Cash at Hand	154	171	294	317
Total Equity	1.370	1.471	1.549	1.564
Cash Flow Items				
Gross Cash Flow	276	252	262	281
Free Cash Flow	56	81	137	161
Key Financial Ratios				
Revenue Growth	-0,1%	-1,0%	8,2%	6,2%
EBITDA Margin %	18,1%	17,4%	17,2%	17,6%
EPS	0,50	0,64	0,78	1,08
ROE	3,1%	3,7%	3,9%	4,8%
P/E (x)	44	30	27	22
Cash Dividend Yield %	4,9%	2,8%	0,8%	3,7%

Ρήτρα Περιορισμού Ευθύνης:

Απαγορεύεται η αναδημοσίευση του παρόντος χωρίς την άδεια της Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗΣ Α.Ε.Π.Ε.Υ. Οι απόψεις που περιέχονται βασίζονται σε πηγές που θεωρούνται αξιόπιστες, ωστόσο η Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗ Α.Ε.Π.Ε.Υ. δεν ευθύνεται για την εγκυρότητα, ορθότητα ή αξιοπιστία τους και διατηρεί το δικαίωμα αλλαγής τους χωρίς πρότερη ειδοποίηση. Τόσο η Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗ Α.Ε.Π.Ε.Υ. όσο και οι διευθύνοντες και υπάλληλοι της δεν φέρουν ουδεμία ευθύνη για οποιαδήποτε συνέπεια των πληροφοριών αυτών. **Το παρόν δεν αποτελεί προσφορά, προτροπή ή επενδυτική πρόταση για αγορά ή πώληση μετοχών ή άλλων κινητών αξιών. Οι επενδύσεις που αναφέρονται ενδέχεται να μην είναι οι ενδεδειγμένες για ορισμένους επενδυτές.**

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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 Μερίσματος	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