



Company Update: TITAN Cement Company Reason: Update

Investment Thesis

The group's 9M results confirm our May's thesis that the stock is at least 25% undervalued, pointing to a slight increase of the target price. As we have already noticed, cement industry has a slow reaction to disruptions, and will be one of the first sectors of the main street to enjoy the benefits of the expansionary fiscal policies.

Construction is a going concern and Titan Cement continues checking the boxes of SGE investing with a pilot installation at Kamari plant that would capture CO2 emissions and convert them to useful chemicals (Project Recode2) and the Pennsuco cement plant in the USA that earned the highest level of certification for zero waste.

Recorded revenues across all regions were within our estimates and at the same time EBITDA margin beat our estimates and increased significantly. The higher margins are attributed to the prevailing lower energy prices combined with the management's pricing policy that did not pass these decreases onto customers. We assume a modest decrease of EBITDA margins over the next years.

Payables decreased and receivables increased, resulting in a higher required working capital, despite the fact that the management succeeded in maintaining a flat inventory to revenues ratio during the pandemic. On the other hand, CAPEX estimates were decreased.

Eastern Mediterranean region is a source of concern, with Turkish revenues penalized by the EURTRY exchange rate and falling demand in Egypt. We do not expect profits from this region in the foreseeable future, as the 2018 Egyptian Army's investment in cement production has oversupplied the market. The expected rise of cement demand is not expected to change this reality.

Valuation

We are valuing Titan at 16.30€ per share (insignificant upward revision) through a FCF exercise with an applied rate of 8.1%, equal to the rate used in our estimate on May.

| | |
|----------------------|--------------|
| Date | 18/11/2020 |
| Fair Estimated Price | 16,30 € |
| Investment Thesis | UV |
| Bloomberg Ticker | TITK:GA |
| Reuters Ticker | TTNr.AT |
| Price | 12,96 |
| Low / High Price 52w | 8.90 / 19.50 |
| Market Cap (€mn) | 1069 |
| P/E | 19,2 |
| EPS | 0,67 |
| EV/EBITDA | 8,7 |



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For important disclosure information, please refer to the disclaimer page of this report.

All N. Chrysochoidis Stock Brokerage I.S.S.A. research is available on the company website and FactSet.



| Summary Financials | | | | |
|--------------------------------|-------|-------|-------|-------|
| (€mn) | 2019A | 2020E | 2021E | 2022E |
| Profit & Loss Items | | | | |
| Total Net Revenues | 1.610 | 1.565 | 1.681 | 1.808 |
| EBITDA | 267 | 297 | 298 | 328 |
| Net Income | 53 | 82 | 82 | 102 |
| Balance Sheet Items | | | | |
| Total Assets | 2.863 | 2.836 | 2.573 | 2.588 |
| Cash at Hand | 90 | 218 | -46 | -50 |
| Total Equity | 1.471 | 1.410 | 1.353 | 1.409 |
| Cash Flow Items | | | | |
| Net Operating Profit After Tax | 58 | 69 | 82 | 102 |
| Free Cash Flow | 2 | 150 | 124 | 98 |
| Key Financial Ratios | | | | |
| Revenue Growth | 8,0% | -2,8% | 7,4% | 7,5% |
| EBITDA Margin % | 16,6% | 19,0% | 17,7% | 18,2% |
| EPS | 0,67 | 1,04 | 1,04 | 1,29 |
| ROE | 3,8% | 6,0% | 5,8% | 6,9% |
| P/E (x) | 28 | 12 | 12 | 10 |
| Cash Dividend Yield % | 1,5% | 3,2% | 2,7% | 2,9% |

Πήτρα 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 Μερισματος | Dividend Yield |
| ROE: | Απόδοση Ίδιων 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 |