



Company: Mytilineos S.A Reason: Upgrade

Investment Thesis

We are upgrading our target price for Mytilineos group. Our baseline scenario for all three business segments of the group materialised, and the embedded uncertainty of April 2020 needs to be priced out. On top, we need to price in the 826MW CCGT project that is scheduled to be commissioned in 4Q21 and realise revenues starting from 2022.

The metalourgy segment (80% of group revenue in FY06 – 24% now) maintained its high margins, being in the lowest cost quartile of global cost curve. The group's EPC segment (25% of group revenue in FY20) has recently been reorganized into two sub-segments, the Sustainable Projects, and the Renewables & Storage projects, indicating the group's determination to take advantage of the fiscal spending across Europe that will eventually ramp up construction activity. The Energy Electricity and Gas segment (50% of group revenue in FY20) is the second largest player of the Greek electricity exchange and continues recording higher margins than its European peers.

For our analysis to stand, two key assumptions need to be fulfilled: Firstly, the high EBITDA margin of the Metalourgy segment needs to be sustained. Secondly, the EBITDA margin of the Energy Electricity and Gas sector needs to stay above the 13% threshold.

Both of these assumptions appear reasonable. The significant fiscal boost is expected to bring increasing inflation readings. Although the inflationary pressures are expected to be transitional in nature, we believe that they will continue pushing commodity prices higher, thus ensuring the high margin levels for Mytilineos. As for the Electricity and Gas EBITDA margin, last year's number stood at 16,9% and the 5y average stands at 13.6%, which are both higher than our assumption for the future. On the one hand, one may argue that market inefficiencies do not perpetuate and trading does not only result in gains. On the other hand it should take some time before these Hellenic market inefficiencies disappear, thus making us comfortable with expecting past trading results repeating themselves.

Valuation

The company is valued at €15.00 per share through a FCF exercise with an applied Re of 15.05% and WACC of 10.84% (+12,44% upside potential).

| | |
|---------------------------------|------------------|
| Date | 22/3/2021 |
| Fair Estimated Price (€) | 15,00 € |
| Investment Thesis | UV |
| Bloomberg Ticker | MYTIL: GA |
| Reuters Ticker | MYTr.AT |
| Closing Price (19/3/20) | 13,33 |
| Low/High price 52w | 5.66/13.34 |
| Market Cap (€mn) | 1.905 |
| EPS (2020A) | 1,00 |
| DPS (expected in 2021) | 0,36 |



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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) | FY2019A | FY2020A | FY2021F | FY2022F | FY2023F |
| Total Net Revenues | 2.256 | 1.899 | 2.095 | 2.301 | 2.531 |
| EBITDA | 364 | 330 | 343 | 434 | 470 |
| Net Income | 148 | 142 | 148 | 214 | 239 |
| Cash Flow Items | | | | | |
| Free Cash Flow (FCFF) | 165 | 225 | -164 | 172 | 195 |
| CAPEX | 113 | 149 | 417 | 149 | 149 |
| Key Metrics | | | | | |
| Revenue Growth | 8,14% | -15,98% | 6,95% | 4,60% | 4,69% |
| EBITDA Margin | 16,15% | 17,40% | 16,38% | 18,87% | 18,58% |
| Debt/(Debt+Equity) | 41,15% | 37,73% | 37,73% | 37,73% | 37,73% |
| WACC | 10,84% | 10,84% | 10,84% | 10,84% | 10,84% |
| EPS | 1,03 | 1,00 | 1,04 | 1,50 | 1,67 |
| DPS | 0,36 | 0,36 | 0,36 | N/A | N/A |
| Total Debt/EBITDA (x) | 3,11 | 3,11 | 3,00 | 2,37 | 2,19 |
| EV/EBITDA (x) | 5,0 | 7,2 | 7,8 | 6,1 | 5,7 |

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 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 |