



Company: Mytilneos S.A Reason: Upgrade

Investment Thesis

Mytilneos 9M results and the subsequent communique shows that the group has changed gear. Thus, we are increasing our target price to 18.00€ (from 15€) with an investment thesis fair value.

Metallurgy unit has been benefiting from the post pandemic commodity cycle. The Power & Gas unit records exceptional 9M results. Additionally, the former EPC (Engineering, Procurement, Construction) units, i.e. the Renewables & Storage Development Business Unit and Sustainable Engineering Solutions Business Unit, move fast in terms of revenue and EBITDA. However, our visibility stays low in all lines of business.

The group's Metallurgy unit is in the lowest cost quartile of the global cost curve maintaining its competitiveness as it has moved to the 250K tn capacity era. Nevertheless, the unit's performance is strongly correlated with Aluminum price that is difficult to predict. We assume 2500\$/tn Aluminum prices over the next years (way smaller than the Goldman Sachs Feb22 outlook) and we keep our assumption for EBITDA margins above 24%.

The exceptional earnings of the Power & Gas Unit (energy production and trading) are correlated with the Russian invasion and will be taxed. Based on the RAE (the regulatory body), the comments of the Greek Finance Minister, and the criticism of the opposition parties we assume €44M to be the actual outflow for this tax, way smaller than the announced 90% tax on extra earnings would suggest. We keep our assumptions for EBITDA margins above 13% and we have confidently increased the group's capacity for 2023 by 1026MW (ie 200MW added capacity from renewables and 826MW from the CCGT plant that is under commissioning).

The former EPC units are convincingly and steadily growing, representing 21% of the group's EBITDA (from 16% in FY19). Projects are maturing, and the pipeline is increasing. Yet again, we do not feel confident to expect more than €130M aggregate annual EBITDA from these units, as the margins are not stable. (17.27% EBITDA margin in 9M22 from single digit margin over the last 3 years).

Date	2/11/22
Fair Estimated Price (€)	18,00 €
Investment Thesis	FV
Bloomberg Ticker	MYTIL: GA
Reuters Ticker	MYTr.AT
Closing Price (1/11/22)	16,61
Low/High price 52w	12.68/18.20
Market Cap (€mn)	2.373
EPS (2021)	1,11
DPS (2022)	0,42



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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.



Valuation

Retrospectively, the €15.00 target price that we presented on March '21 was way off the 18€ highs and the €13,70 lows that have been recorded, but it proved to be the mean value around which Mytilineos shares have been hovering. Now, our model supports a €18.00 valuation (+9% upside) and the 200 daily moving average (15.24€) would offer an attractive entry point if it was retested.

The company is valued at €18.00 per share through a FCF exercise with an applied WACC of 11.84% (+6% upside potential).

Summary Financials				
(€mn)	2021	2022F	2023F	2024F
Profit & Loss Items				
Total Net Revenues	2.664,0	7.125,0	5.590,9	4.672,3
EBITDA	355,0	768,7	849,0	705,6
Net Income	158,0	436,6	541,9	425,5
Balance Sheet Items				
Cash at Hand	603,0	684,0		
Total Debt	1.406,0	1.594,3		
Total Equity	1.545,0	1.894,0		
Debt/(Equity+Debt)	47,6%	45,7%		
Cash Flow Items				
Free Cash Flow (FCFF)	-465,4	-1.278,3	1.036,7	729,3
CAPEX	380,0	380,0	150,0	150,0
Key Financial Ratios				
Revenue Growth	40,3%	167,5%	-21,5%	-16,4%
EBITDA Margin	13,3%	10,8%	15,2%	15,1%
EPS	1,106	3,055	3,792	2,977
DPS	0,420	0,420	0,420	0,420
Total Debt / EBITDA (x)	4,0	2,1		

Ρήτρα Περιορισμού Ευθύνης:

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Σημειώσεις/Notes

P: Τρέχουσα Τιμή
MCAP: Κεφαλαιοποίηση
EPS: Καθαρά Κέρδη Ανά Μετοχή

Market Price
Capitalization
Earnings per Share

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

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 Ιδίων Κεφαλαίων Return on Equity
FV: Τιμή Σωστής Αποτίμησης Fair Value Price