



## Company Update: TITAN Cement Group Reason: Update

### Investment Thesis

Titan Cement is a very compelling investment case offering a +30% upside potential. The recorded 2021 **EBITDA** exceeded our expectations suggesting a 7% upward revision of our projections. However, we have increased the Weighted Average Cost of Capital by +50bps to account for the raised uncertainty, resulting to an intrinsic value of €17,30 (from €19,20 on May 2021).

**Revenues** are growing fast surpassing the €1,7bn annual threshold in 2021, 2.5 years sooner than expected. The momentum in construction is positive and the defining factor would be the preservation of EBITDA margins: Titan will need to keep its energy, transportation and labor cost suppressed in the current inflationary environment, and at the same time impose higher prices without losing market share. The 3Q21 and 4Q21 results are pointing towards that direction. Rounds of price increases have already been effected and a part of the rising energy cost has been hedged. A good thing to note is that the money-losing operations in Egypt turned positive (East Med operations recorded €11,8M EBITDA in 2021, from -€3,3M in 2020, and -€1,0M in 2019).

**Capital returns** are expected at €0.50€ per share, up from €0.40 in 2021.

The net debt to EBITDA ratio stays within a healthy range and Standard & Poor's continues giving a BB rating with stable outlook on Titan's debt. In the current rising interest rates environment, Titan Cement enjoys the privilege of having an extended **debt maturity profile** with a €350M bond repayment in Dec24 and another €250M bond repayment on Dec27. During 2021 the financing costs decreased adding €20M to its earnings.

Considering the ESG performance that secures the longevity of the business, the management has started publishing measurable **ESG metrics** and appears to be on track to meet their 2030 target for decreased emissions (achieved -4% reduction of scope I and II CO2 emissions in 2021) and 2050 net zero target. The **free carbon emissions** that Titan Cement possesses, are covering its production for the foreseeable future, so Titan is not exposed to their rising costs.

### Valuation

Titan is valued at 17,30€ per share through a FCF exercise with an applied WACC rate of 8.61% (+50bps from our latest analysis, even though, the actual recorded cost of debt in 2021 could justify the use of a smaller WACC we have increased the discount rate to be on the safe side).

Date	24/3/22
Fair Estimated Price	17,30 €
Investment Thesis	UV
Bloomberg Ticker	TITK:GA
Reuters Ticker	TTNr.AT
Price (23/3/22)	13,18
Low / High Price 52w	11.12 / 18.04
Market Cap (€mn)	987
P/E (2022)	6,6
EPS (2022)	2,58
EV/EBITDA (2022)	7,3



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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	2020A	2021	2022E	2023E	2024E
<b>Profit &amp; Loss Items</b>						
Total Net Revenues	1.610	1.607	1.714	1.784	1.853	1.922
EBITDA	267	289	275	285	299	323
Net Income	53	48	90	202	216	242
<b>Cash Flow Items</b>						
Free Cash Flow	83	201	-93	105	133	157
CAPEX	191	84	125	150	110	110
<b>Key Metrics</b>						
Revenue Growth	8,0%	-0,2%	6,7%	4,1%	3,9%	3,7%
EBITDA Margin %	16,6%	17,8%	8,0%	16,0%	16,1%	16,8%
Debt/(Debt/Equity)	41,3%	38,3%	41,3%	41,3%	41,3%	41,3%
WACC			9,2%	9,2%	9,2%	9,2%
EPS	0,64	0,58	1,15	2,58	2,76	3,09
DPS	0,14	0,20	0,40	0,50		
Net Debt/EBITDA(x)	3,46	3,11	2,87	2,83	2,70	2,50
EV/EBITDA(x)	3,13	2,37	2,59	2,58	2,46	2,28
P/E (x) at year end	29	24	12	7	6	6



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