



Company Update: TITAN Cement Group Reason: Upgrade

Investment Thesis

We are getting more confident with our investment thesis presented last March (24/03/22, TP €17.30) and we are upgrading the target price back to €18.00.

Since the summer of 2021, market participants punished Titan for the rising input costs (coal, natural gas, oil, electricity, transportation) sending the share price below the €11.00 threshold. Management defended both the **group's profitability**, with several rounds of price increases, and the group's stock price with a **buyback program** that has run through 2022 and is extended throughout 2023. As input costs lowered over the last two quarters, and the price increases took their full effect, profitability has risen. The effect has been so strong that EBITDA generation in the 4th quarter of 2022, a quarter that is historically weaker, stood at €98M.

The **outlook** for the upcoming quarters is bright for both the top line, helped by the US Bipartisan Infrastructure Deal and EU Recovery and Resilience Facility, and the profitability, as input costs stabilize. The management expects 7% annual growth in USA (as the order book is full, and the expected slowdown is not yet visible) and 8% annual growth in Greece. Greece would need to double the current annual consumption of cement (3.1mMT) to reach the average levels of the 90s and triple the current consumption to reach the 2006~2008 peak. The outlook for South East Europe, Turkey and Egypt (25% contribution to the group's performance) is weak, that is why Titan invested in an export terminal in Turkey to transport capacity to the USA.

Titan is enjoying a **healthy balance sheet**, with another 20% of un-utilized credit and is communicating that the refinancing of its debt (a €350M bond repayment is due in Dec24) has been locked. As for the **capital returns** the assumption of €0.50 per share annual compensation is valid and we could be surprised to the upside.

Considering the ESG performance that secures the longevity of the business, the management has started publishing measurable **ESG metrics** and is one of the three cement producers worldwide to have an A rating from the Carbon Disclosure Project. In the case of cement production, with the blending of clinker with alternative materials like pozzolans, the production of the same amount of the end product, with significantly less amount of energy, is feasible. The achieved reduction of used energy and CO2 emissions reduction, is bringing direct benefits to the bottom line. Titan is digitizing the monitoring of the plants to fine tune production and reduce operating costs, maintains modern assets and has recently invested in a pozzolan quarry in Greece.

Valuation

Titan is valued at 18,00€ per share through a FCF exercise with an applied WACC rate of 9.19% (another 58bps from our March 2022 analysis) and offers a compelling investment case.

Date	17/2/23
Fair Estimated Price	18,00 €
Investment Thesis	UV
Bloomberg Ticker	TITK:GA
Reuters Ticker	TTNr.AT
Price	15,58
Low / High Price 52w	10.70 /15.58
Market Cap (€mn)	1220
P _{now} /E ₂₀₂₃	8,3
EPS (2023)	1,87
EV _{now} /EBITDA ₂₀₂₃	5,2



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



Summary Financials				
(€mn)	2021	2022E	2023E	2024E
Profit & Loss Items				
Total Net Revenues	1.714	2.250	2.315	2.380
EBITDA	275	333	373	398
Net Income	90	115	147	157
Cash Flow Items				
Free Cash Flow	-93	-75	-43	74
CAPEX	125	220	200	110
Key Metrics				
Revenue Growth	6,7%	31,3%	10,2%	2,8%
EBITDA Margin %	16,1%	14,8%	9,3%	9,3%
Debt/(Debt/Equity)	37,2%	39,3%	39,3%	39,3%
WACC			9,2%	9,2%
EPS	1,15	1,47	1,87	2,01
DPS	0,40	0,50	0,50	0,50
Net Debt/EBITDA(x)	2,59	2,41	1,97	1,85
EV/EBITDA(x)	6,40	5,88	5,92	5,56



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