



Mytilineos Holdings SA

We reiterate Mytilineos Holdings SA fair estimated price to €14,00 per share, on the back of satisfactory FY2018a results, the confirmation by the management that 2019 will be a record year in terms of revenues and profitability, as well as the group's growth prospects for the next 3 years.

FY18a Performance at a Glance:

- Total Group revenues stood at €1,526mn, unchanged compared to 2017.
- Adjusted EBITDA of €290mn, against €298,9mn in 2017.
- Net Income of €144,2mn from €145,8mn a year ago.
- Net Debt dropped significantly by €177,7mn, to €390,4mn from €568,1mn at year end 2017.
- The management declares a dividend of €0,36 per share.

Investment Thesis

Mytilineos is expected to deliver strong growth in the coming years driven by the high selling prices of Aluminum/Alumina products, the efficient and low cost operation of its aluminum industrial complex, the execution of its international EPC backlog and the commercial launch of the new electricity power plant. Additionally the group is participating in the international tender for the concession of four lignite-fired electricity plants belonging to Public Power Corporation (PPC). Apart from the final outcome of the tender, in our view Mytilineos remains in a favorable position to capture the opportunities that will arise from the ongoing liberalization of energy market in Greece. Finally the group's growth initiatives are supported by its healthy balance sheet and the strong cash flow generation.

Date **11/4/2018**
FAIR ESTIMATED PRICE: €14,00 / Share

Investment Thesis : **UV**

Stock Data

Bloomberg Ticker	MYTIL: GA
Reuters Ticker	MYTr.AT
Price	9,62
Low / High price 52w	7,53 / 10,03
Market Cap (€mn)	1.375
Enterprise Value (€mn)	1.938
Trailing P/E (x)	9,6
Trailing EPS	1,01
DPS (Proposed)	0,36
Dividend Yield %	3,7%

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Financial Results / Operating Performance FY2018

Although 2018 was an extensive maintenance year for Ag. Nicolaos the largest power unit of the group, Mytilineos managed to keep its electricity production at similar levels with 2017 at 5,1mn TWh, while the electricity exports reached TWh 1,058, which is an increase of 210% compared with a year ago. In the retail electric power market, Protergia's market share increased from 3,3% in 2017 to 4% in 2018, adding to its portfolio 40,000 new accounts through the year. In 2018 the group continued to strengthen its presence in retail energy market of Power & Gas through the following initiatives: opening new stores in Athens and Thessaloniki, launched to its network combined packages of natural gas and electricity and also extended its successful partnership with OTE. At profitability level, the total adjusted EBITDA of Power & Gas segment amounted to €63,8mn declining by 14,6% on y-o-y basis.

The business segment of Metallurgy had another good year, total EBITDA increased by 30,9% and stood €162,5mn due to high prices of alumina (increased 33% compared with the last year) and the high productivity of metallurgical industrial complex.

The EPC & Infrastructure activity reported revenues 367,3mn (-26,7% y-o-y) and EBITDA 54,9mn (-38,2% y-o-y). According to the management, the poor performance was mainly due to delays in the launching of new projects in Africa.

Business Plan

The company has secured an electricity generation license for a gas fired independent electric power plant with installed capacity of 665MW with a higher conversion ratio compared with other units in Greece. Currently the project is at the final permitting stages and its construction is expected to begin this autumn. The total cost for the construction of the plant is €300mn and its commercial operation set for the fourth quarter of 2021. In the RES segment the firm has under construction 3 wind farms with total power of 35MW. Moreover in the electricity generation division, the group is participating in the international tender for the concession of 3+1 lignite-fired electricity plants belonging to Public Power Corporation (PPC). The aforementioned privatization of PPC is included in memorandum agreements and must be implemented by Greece in the post-bailout period.

In the retail electricity segment, we assume that Protergia as the second player in the market (after PPC), is well placed to increase further its market share from 4% at the end of 2018 to 10% by the end of 2020. It is notable that the company managed to increase its market share from 4,05% December 2018 to 4,46% in February 2019.

Regarding the EPC operations, the current backlog of METKA at the end 2018 was close to 1bn and is expected to be executed up to the end of 2021. We believe that 2019 will be a better year for METKA in terms of revenues and EBITDA.

In the metallurgical activity, the group has hedged its Aluminum capacity at price levels above \$2,000/ton for 2019 while the recent acquisition of EPALME SA, will add 35,000 tons to the group aluminum production capacity. Despite the recent correction of Alumina price at levels in the range of \$400-450/ton, we assume that metallurgical division will continue to deliver healthy operating profitability in 2019. Regarding the investment of new Alumina refinery with production capacity 2mn tons, the technical study is proceeding according to the company's plans and we expect the final decision for the implementation of project by the end of 2019.

Valuation

We reiterate our view that Mytilineos is poised for strong cash flow generation and high profitability the next years, mainly to attractive fundamentals in Alumina/ Aluminum markets, the reduction of PPC's dominant position in Greek energy market and the higher revenues from EPC division. We value Mytilineos using a DCF model with a WACC of 10% and a terminal growth rate of 1,0%. Our valuation work yields a target price of €14,00 per share, pointing to an upside of 46% from current levels.



Summary Financials					
(€mn)	FY2017a	FY2018a	FY2019e	FY2020f	FY2021f
Profit & Loss Items					
Total Net Revenues	1.526,7	1.526,5	2.186,8	2.282,4	2.471,2
EBITDA	306,0	283,6	399,4	400,7	402,4
EBIT	232,1	204,3	306,0	307,1	304,8
Net Income	158,0	143,7	204,0	204,9	203,1
Balance Sheet Items					
Total Assets	3.217,2	3.340,8	3.521,6	3.645,6	3.836,6
Cash at Hand	160,9	208,1	332,7	406,2	452,2
Total Debt	695,0	563,0	563,0	563,0	563,0
Total Equity	1.430,8	1.560,7	1.713,7	1.858,6	1.991,7
Cash Flow Items					
Operating Cash Flow	248,8	198,0	321,6	329,4	312,0
Free Cash Flow	146,5	157,3	226,6	184,4	167,0
Key Financial Ratios					
Revenue Growth	22,5%	0,0%	43,3%	4,4%	8,3%
EBITDA Margin	20,0%	18,6%	18,3%	17,6%	16,3%
EPS	1,11	1,01	1,43	1,43	1,42
DPS	0,04	0,32	0,36	0,42	0,49
Dividend Yield	0,4%	3,3%	3,7%	4,4%	5,1%
ROE	11,0%	9,2%	11,9%	11,0%	10,2%
Total Debt / EBITDA (x)	2,3	2,0	1,4	1,4	1,4
P/E (x)	8,3	7,2	6,7	6,7	6,8
EV/EBITDA (x)	6,5	5,7	4,9	4,8	4,8



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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 Μερίσματος	Dividend Yield
ROE:	Απόδοση Ιδίων 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