



CENERGY HOLDINGS

Outlook:

We initiate the coverage of CENERGY HOLDINGS following the restructuring of Viohalco S.A affiliated companies CPW (Corinth Pipeworks S.A) and CABLEL (Hellenic Cables Group) and their absorption by the Group's Belgian, now listed, subsidiary CENERGY HOLDINGS.

The new entity (CENERGY HOLDINGS) will combine the activities of both subsidiaries and operate in the respective sectors of a) steel pipes manufacturing for energy transmission (Oil, Gas, etc) from conventional and renewable sources and b) the construction of submarine power cables with high and extra high voltage features and submarine fiber-optic cables for the transfer of electricity and data. The total capacity of CENERGY will reach 1.325KMT/Year in steel pipes and 192.5KT/Year in cables.

Date: 25/01/17

FAIR ESTIMATED PRICE: **0.80Euros/Share**

Investment Thesis: **FV**

Key Statistics:

Valuation	Date 25/01/17
Share Price	0,836
Price High	0,898
Price Low	0,597
Current num. of shares	190.162.681
P/E (E)	14
Market Cap.	158.976.001
EPS (E)	1,67
DPS	N/A
<i>*Closing Price as 24/01/2017</i>	

Analyst: Dimitrios Villiotis
 Tel: +30 210 3213913
 mail: dvilliotis@chrysochoidis.gr
 web: www.chrysochoidis.gr

CENERGY HOLDINGS

Our methodology evaluates CENERGY HOLDINGS by utilizing the DCF/FCF valuation approach. The critical factors in our valuation model entail: a) The projected revenue stream of the new entity, b) the company's ability to generate operating earnings c) the Weighted Average Cost of Capital, d) any further needs for capital expenses due to capacity expansion or maintenance of the existing infrastructure and finally and most importantly, e) the generation of FCF to the company.

The revenues of the two companies have shown substantial volatility throughout the past decade because of the highly cyclical nature of their business. Both companies' revenues are mainly project-based and are derived from energy, data and electricity transfer projects they undertake. In order to capture this volatility, we are utilizing a normalized revenue growth rate for the period 2017-2027 taking into account individual sales figures for the past decade. Our base year's projected sales (2017) are reaching the c.717mn.Euros level, a somewhat lower performance than the one we expect for FY16. This is the result of y-o-y revenue growth for CPW attributed to revenues coming from the ongoing TAP project and deceleration in CABLEL's expected revenues due to the lack of visibility for any upcoming projects. Our estimates for the combined entity revenues are c.717mn. Euros for FY17 and attain the level of c.776mn.Euros for FY18.

In terms of operating profitability, we are expecting CENERGY's EBITDA margin to reach 9% per annum, a level that appears to us feasible and equally plausible considering the two absorbed companies' historical total and operating cost profiles. This estimated EBITDA margin reflects an average of both CPW's and CABLEL's operating performance both in periods characterized by favorable business conditions (new projects, low raw material prices, economies of scale) and periods with stressed or normalized business conditions (normalized revenues, zero impact of raw material prices).

For the Weighted Average Cost of Capital (WACC), we followed the same methodology as in the CCH (Coca Cola Hellenic) case, using a risk free rate that corresponds to the new entity's company seat (Belgium) instead of the Hellenic risk. However, we still use an blended risk premium which better reflects the risk exposure to its operating environment while accounting for slightly lower financing costs as a result

of higher visibility provided by the company's relocation (easier access to capital markets) and greater balance sheet.

Capacity expansion needs are not urgent in the short term period as both components have already ameliorated their capacity. Namely, CPW in the 2013-2014 periods has already upgraded its product offering to include large diameter steel pipes capable for sub-sea energy transfer. CABLEL, after the acquisition of FULGOR S.A, a sub-sea cable manufacturer, has also enriched its market spectrum to include sub-sea projects. As a result our FCF model calls for a minimum maintenance CAPEX of 15mn. Euros per annum and anticipates the likelihood of further increase in company's capacity in the mid-term period.

We believe that CENERGY could generate on average 20mn.Euros in FCF per annum for the 2017-2027 period, based on the assumptions of a) the revenue stream of the new entity will follow the normalized estimated growth rate, b) the estimated stabilization of the operating profit margin at a sustainable and feasible level and c) the reduced needs for further capacity expansion discussed above. Following these, we derive an EV of c.335mn.Euros. However, the substantial financial leverage of the new entity (Estimated D/E 1.78, L.Term Debt 187.40mn. Euros) is reducing the value to the shareholders resulting in our FV estimate of 0.80Euros/Share.

In closing remarks, we believe that the new entity could reap the profits equally from the combined operations of two important European players in the industry and the opportunities that arise from the easier access to more sound and liquid capital markets for lower financing cost which could therefore lead to higher profitability and valuation for the company in the forthcoming periods.

FINANCIAL SUMMARY AND VALUATION TABLES

Table I: Income Statement

Income Statement	2017E	2018E	2019E	2020E	2021E
Total Sales	716.892.504	776.819.880	794.616.447	692.852.981	672.043.759
CGS	606.983.658	652.528.700	671.450.898	585.460.769	567.876.976
Gross Profit	109.908.846	124.291.181	123.165.549	107.392.212	104.166.783
Rest Income	5.719.310	5.000.000	5.000.000	5.000.000	5.000.000
Sales. Costs	30.656.602	32.626.435	31.784.658	27.021.266	26.209.707
Admin. Costs	20.085.054	23.304.596	23.838.493	20.785.589	20.161.313
Rest Costs	2.663.808	2.500.000	2.500.000	2.500.000	2.500.000
EBITDA	62.222.692	70.860.149	70.042.398	62.085.356	60.295.763
D&A	20.078.802	21.082.742	22.136.879	23.243.723	24.405.909
EBIT	42.143.890	49.777.407	47.905.519	38.841.633	35.889.854
Interest Expense	33.345.988	29.679.878	27.559.887	27.559.887	27.559.887
Interest Income	6.418.764	6.000.000	6.000.000	6.000.000	6.000.000
FX Gains/Losses	- 71.572	100.000	100.000	100.000	100.000
EBT	15.145.094	26.197.529	26.445.632	17.381.746	14.429.967
Taxation	6.054.362	7.597.284	7.669.233	5.040.706	4.184.690
Net Income/Loss	9.090.732	18.600.246	18.776.399	12.341.040	10.245.277

Source: Company's statements, N.Chrysochoidis Research Department estimates.

Table II: Cash Flows

Cash Flow estimations (E)	2017E	2018E	2019E
EBIT	42.143.890	49.777.407	47.905.519
Taxation (1-Tax Rate)	71%	71%	71%
NOPAT	29.922.162	35.341.959	34.012.918
Depreciation	20.078.802	21.082.742	22.136.879
Capital Exp.	13.000.000	13.000.000	13.000.000
IWC	14.337.850	15.536.398	15.892.329
NCF	22.663.114	27.888.304	27.257.469

Source: Company's statements, N.Chrysochoidis Research Department estimates

Table III: Valuation Metrics

Growth	12/18E	12/19E	12/20E
Sales growth	8%	2%	-13%
EBITDA growth Y-Y	14%	-1%	-11%
Net Profit/Loss growth	105%	1%	-34%

RATIOS	12/17E	12/18E	12/19E
Debt/Equity	0,55	0,55	0,55
Capex/EBITDA	64%	27%	25%
ROE	4%	8%	8%
WACC	8,00%	8,00%	8,00%

VALUATION	12/17E	12/18E	12/19E
Book Value	1,25	1,35	1,45
P/BV	0,64	0,64	0,64
P/E	17	8	8

Ρήτρα Περιορισμού Ευθύνης:

Απαγορεύεται η αναδημοσίευση του παρόντος χωρίς την άδεια της Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗΣ Α.Ε.Π.Ε.Υ. Οι απόψεις που περιέχονται βασίζονται σε πηγές που θεωρούνται αξιόπιστες, ωστόσο η Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗ Α.Ε.Π.Ε.Υ. δεν ευθύνεται για την εγκυρότητα, ορθότητα ή αξιοπιστία τους και διατηρεί το δικαίωμα αλλαγής τους χωρίς πρότερη ειδοποίηση. Τόσο η Ν. ΧΡΥΣΟΧΟΪΔΗΣ ΧΡΗΜΑΤΙΣΤΗΡΙΑΚΗ Α.Ε.Π.Ε.Υ. όσο και οι διευθύνοντες και υπάλληλοι της δεν φέρουν ουδεμία ευθύνη για οποιαδήποτε συνέπεια των πληροφοριών αυτών. **Το παρόν δεν αποτελεί προσφορά, προτροπή ή επενδυτική πρόταση για αγορά ή πώληση μετοχών ή άλλων κινητών αξιών. Οι επενδύσεις που αναφέρονται ενδέχεται να μην είναι οι ενδεικνυόμενες για ορισμένους επενδυτές.**

Disclaimer:

This report has been issued by N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A., a member of the Athens Stock Exchange, and may not be reproduced in any manner or provided to any other persons. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. The information contained herein has been obtained from sources believed to be reliable but has not been verified by N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A. The opinions expressed herein may not necessarily coincide with those of any member of N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility of liability whatsoever or howsoever arising is accepted in relation to the contents hereof by N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A. or any of its directors, officers or employees. **This report is not an offer to buy or sell or a solicitation of an offer to buy or sell securities mentioned herein.** N. CHRYSOCHOIDIS STOCK BROKERAGE I.S.S.A. may effect transactions in or perform or seek to perform brokerage services for companies covered. The investments discussed in this report may be unsuitable for investors, depending on their specific investment objectives and financial position.

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 Μερισίματος	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
UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Stock Price < 20% of Fair Underpriced/ Risk
FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Stock Price < 10% of Fair Fairly Priced/ Small Risk
OV1	Σωστή Αποτίμηση/ Κίνδυνος	10% < Stock Price < 10% Fairly Priced/ Risk
OV	Υπερτιμημένη Μετοχή	Stock Price > 10% of Fair Overvalued
N/R	Μη Αποτιμημένη Μετοχή	Stock Price > 20% of Fair Not Rated

