EQUITY RESEARCH (FUNDAMENTALS)

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TITAN CEMENT

Date: 18/01/17

FAIR ESTIMATED PRICE: **23,50Euros/Share**

Investment Thesis: **FV**

Key Statistics:

Valuation	Date 18/01/17
Share Price	21,50
Price High 52week	22,45
Price Low 52week	15,00
Current num. of shares	77.063.568
P/E (E)	14
Market Cap.	1.656.866.712
EPS (E)	1,67
DPS	0,30
**Closing Price as 17/01/2017*	

Outlook:

We upgrade Titan's Fair Estimated Price to 23.50Euros/Share from 18.60Euros/Share previously on the back of the strong 9M16 results in terms of Operating and Net profitability, the ongoing substantial growth of the US sector's activities and the extra boost in the DCF valuation thanks to the c.82mn.Euros tax credit for the current fiscal period.

Titan's 9M 16 results are clearly reflecting the ongoing strong revenue and profitability stream of the US sector, the increased demand for the company's products in the East Mediterranean market (Egypt) and the benefits of the ongoing operating cost reduction albeit the deceleration of revenues in the Eastern European and Hellenic markets.

The US sector is considered the key growth driver for the group. For the 9M period, sector's revenues have increased by 18% from the respective 2015 period with a substantial improvement in operating profitability, marked with 37% increase in EBITDA gains. The efforts towards the gradual penetration in the US regional markets (increased expenditures for capacity expansion in North America's plants) seems to be successful for the Group as it manages to reap the profits of the rapid growth in housing and infrastructure activity.

In the East Mediterranean region the company's revenues rise by 4% while the operating profits (EBITDA) doubled as a result of the reduction of energy costs giving the opportunity to the firm to operate more efficiently.

The European operating sectors are facing a slight deceleration in terms of revenues due to the freeze of public infrastructure projects in Greece and flat overall housing activity.

Considering these facts, we decide to adjust our valuation model in order to reflect the higher growth rate in the US market's operations, the reduction of operating costs that overcomes the needs for increased maintenance CAPEX and the improvement of the WACC of the company due to the gradual de-risking of the Hellenic economy as depicted in the 10YGGB.

For FY16, our estimates for the consolidated revenues are 1.50bn Euros from 1.470bn. EBITDA gains of 272mn. Euros up from 226mn. Euros and Net profitability of 132mn. Euros as a result of the one off tax credit for the current year.

Similar to FY16, our P&L projections for 2017 incorporate further revenue growth supported by the US operations, reaching 1.66bn. Euros in Group revenues, EBITDA of 292mn. Euros and normalized Net Income of 75mn. Euros

These modifications to our valuation model impose us to upgrade TITAN's fair estimated price to 23.50Euros/Share and retain the share in our Top Picks Investment Universe.

FINANCIAL SUMMARY AND VALUATION TABLES

Table I: Income Statement

Income Statement	2016E	2017E	2018E	2019E	2020E
Total Sales	1.532.149.910	1.663.245.624	1.792.003.096	1.924.023.562	2.021.246.309
CGS	1.118.469.434	1.230.801.761	1.326.082.291	1.423.777.436	1.495.722.269
Gross Profit	413.680.476	432.443.862	465.920.805	500.246.126	525.524.040
Rest Income	10.000.000	10.000.000	12.000.000	12.000.000	12.000.000
Sales. Costs	22.000.000	19.300.000	19.300.000	19.300.000	19.300.000
Admin. Costs	115.000.000	120.000.000	122.000.000	128.000.000	132.000.000
Rest Costs	14.000.000	11.000.000	11.000.000	11.000.000	11.000.000
EBITDA	272.680.476	292.143.862	325.620.805	353.946.126	375.224.040
D&A	115.500.000	118.800.000	122.000.000	124.200.000	127.500.000
EBIT	157.180.476	173.343.862	203.620.805	229.746.126	247.724.040
Interest Expense	69.500.000	72.500.000	72.500.000	72.500.000	72.500.000
Interest Income	3.000.000	3.000.000	3.000.000	3.000.000	3.000.000
FX Gains/Losses	45.000.000				
EBT	47.180.476	105.343.862	135.620.805	161.746.126	179.724.040
Taxation	82.000.000	30.549.720	39.330.033	46.906.377	52.119.972
Net Income/Loss	129.180.476	74.794.142	96.290.772	114.839.750	127.604.069

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

Table II: Cash Flows

Cash Flow estimations (E)	2016E	2017E	2018E
EBIT	157.180.476	173.343.862	203.620.805
Taxation (1-Tax Rate)	82.000.000,00	71%	71%
NOPAT	239.180.476	123.074.142	144.570.772
Depreciation	115.500.000	118.800.000	110.000.000
Capital Exp.	175.000.000	80.000.000	80.000.000
IWC	26.843.096	15.742.362	23.643.894
NCF	152.837.380	146.131.780	150.926.877

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

Table III: Valuation Metrics

Growth	12/16E	12/17E	12/18E
Sales growth	10%	9%	8%
EBITDA growth Y-Y	26%	7%	11%
Net Profit/Loss growth	266%	-42%	29%

RATIOS	12/16E	12/17E	12/18E
Debt/Equity	0,55	0,55	0,55
Capex/EBITDA	64%	27%	25%
ROE	4%	8%	8%
WACC	11,00%	11,00%	11,00%

VALUATION	12/16E	12/17E	12/18E
Book Value	20,87	20,87	20,87
P/BV	1,12	1,12	1,12
P/E	13,90	24,01	18,65

Ρήτρα Περιορισμού Ευθύνης:

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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