



## Company : Cenergy Holdings Reason: Initiation

### Investment Thesis

We initiate our coverage of Cenergy Holdings with a buy recommendation and a target price of €5.00

Prior to the renewables era, the electricity grid was connecting a few plants with the end consumers. The only physical way to allow an increasing number of decentralized plants (like Photovoltaic parks, on shore and off-shore Wind farms) entering the grid without damaging the stability of the system, is: to upgrade the existing grid with additional lines, adding new lines towards the location of the renewable plants, connecting the neighbouring countries' grids or increasing the capacity of these connections and connecting independent island grids to the mainland. Storage and connectivity is fundamental for the energy transition.

Cenergy is in the connectivity business, producing cables and pipes for over 70 years. One would expect that this is a low margin, mature business as cables and steel pipes should be a commodity. Nevertheless, all undersea projects have rigorous specifications and the firm enjoys the benefit of being one of few worldwide manufacturers that have already successfully delivered in such projects, built a demanding reference list and is now in the position to bid for new higher margin projects.

The €3.94 price mark, the stock recently reached, was pricing a one-digit top line growth over the next years. If we consider that the order backlog has quadrupled since June 2021, and that the firm is planning to double the capacity of cables production, a €5.30 target price could well be justified.

The fact that the Net Debt to EBITDA ratio decreased, coupled with the convincing answers the firm is providing on inventory management are subsiding our concerns over the 60% increase of Net Debt during 2022. After all, the large backlog and increased number of projects require a larger working capital.

### Valuation

Cenergy is valued at €5.00 per share through a FCF exercise with a WACC of 9.04% and Risk free rate  $R_f=4,5\%$ .

<b>Date</b>	<b>27/3/23</b>
<b>Fair Estimated Price (€)</b>	<b>5,00</b>
Investment Thesis	UV
Bloomberg Ticker	CENER:GA
Reuters Ticker	CENER.AT
Closing Price (24/03/23)	3,74
Low/High price 52w	2.33 / 4.18
Market Cap (€mn)	710
EPS (2022)	0,35
DPS (2023)	0,05
Dividend Yield %	1,3%


**N.CHRYSSOCHOIDIS**  
 STOCK BROKERAGE I.S.S.A

Member of the Athens Exchange  
 Member of the Athens Derivatives Exchange  
 Member of the XNet Network

**Labis Michalopoulos, CFA, Dipl Eng**  
**Equity Research Department**  
**+30 210 3213913**

**[www.chryssochoidis.gr](http://www.chryssochoidis.gr)**

*For important disclosure information, please refer to the disclaimer page of this report.*

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



Summary Financials					
(€ mn)	2021	2022	2023F	2024F	2025F
<b>Profit &amp; Loss Items</b>					
Revenue	1.054	1.426	1.696	2.016	2.397
Order Backlog	1.000	2.020			
EBITDA	84	134	151	180	215
Net Income	22	67	71	93	119
<b>Balance Sheet Items</b>					
Cash at Hand	128	177			
Total Equity	278	342			
Net Debt	266	429			
<b>Cash Flow Items</b>					
Operating Cash Flow	49	97	105	128	156
Free Cash Flow	110	23	57	85	123
<b>Key Financial Ratios</b>					
Revenue Growth	16,05%	35,27%	18,90%	18,90%	18,90%
EBITDA margin %	8,0%	9,4%	8,9%	8,9%	9,0%
Earnings per Share	0,12	0,35	0,37	0,49	0,63
Dividend per Share	-	-	0,05		
P/E (x)	21,7	9,6	10,4		

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#### Σημειώσεις/Notes

P: Τρέχουσα Τιμή  
MCAP: Κεφαλαιοποίηση  
EPS: Καθαρά Κέρδη Ανά Μετοχή

Market Price  
Capitalization  
Earnings per Share

#### 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

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 Μερισματοζ Dividend Yield  
ROE: Απόδοση Ιδίων Κεφαλαίων Return on Equity  
FV: Τιμή Σωστής Αποτίμησης Fair Value Price