



## Company Update: TITAN Cement Group Reason: Upgrade

### Investment Thesis

Digesting the financial results of 1H23, the prospects of the construction industry, and the geographic positioning of Titan, we are upgrading our target price to €22.00 (from €18.00 presented on 17/2/23).

Back in February, we expressed our confidence in our model even though the markets' prevailing scenario was accepting the Hellenic recovery story (15% of Titan business) but was pricing a recession in the USA (60% of Titan's inflows) and were reluctant to pay attention to the full order book that the management was communicating.

Moving 6 months forward, demand is strong. The fears of a US recession are fading, US housing market experienced the shortest price correction in history, and the group's recent investments to increase the distribution capacity in the USA (larger dome in Florida already operating, and a 2nd warehouse in Norflok sheduled to operate in December) are paying off.

Greece is performing even better that expected fuelled by strong demand for infrastrure and tourism projects. South East Europe performance is the pleasant suprise that significantly impacts our model upwards, partly due to operational efficiency (use of alternative fuels) and stronger demand.

Albeit the possitive trend described above, there are still threats in Turkey and Egypt. On the one hand, the Febuuary earchquake in Turkey has made imperative demand for construction and maintenace projects, with high margins recorded in the local currency. Conversely, Egypt is entering a recessionary low-demand environment. The FX translation for both continues to be unfavorable.

Cement, together with steel, plastics and amonia, comprise the 4-material list that define our civilization ([Vaclav Smil](#)). This is putting longevity risk to the minimum, but at the same time would make an investor think that the business is mandane, with no more innovation to demonstrate. Titan is offering the good part of the boring side (i.e. steady dividents with limited downward supprises) and simultaneously is proving for over a century the art of managing hard assets, investing is different/selected geographies, investing in innovation with real/substantial results (extensive use of sensors to map production that is rolling over more plants, real time data driven micro management of the plants, measurable decrease of clinker to cement ratio).

### Valuation

Titan is valued at 22,00€ per share through a FCF exercise with an applied WACC rate of 9.44% (+25 bps higher than Feb 23) and zero perpetual growth rate. A case could well be made that some additional basis points could have been added for the raised key ECB rate, that is set to move even higher. However, an opposite case should also be made, for the accelerated decrease of the Hellenic country risk, the new BB+ rating for Titan's debt by Fitch, and the meaningful decrease of both the Net Debt and the Net Debt/Ebitda ratio. All in all, we have maintained the return on equity (Re) unchanged and raised the return on debt (Rd) by 75bps to account for the imminent refinancing of €350M debt that is currently served with a 2.375% rate and could potentially be served at a 4.25% rate.

Date	31/7/23
Fair Estimated Price	22,00 €
Investment Thesis	UV
Bloomberg Ticker	TITK:GA
Reuters Ticker	TTNr.AT
Price (28/7/23)	19
Low / High Price 52w	10.64 / 19.44
Market Cap (€mn)	1488
P/E (2023)	9,1
EPS (2023)	2,40
EV/EBITDA (2023)	5,7


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



Summary Financials				
(€mn)	2022	2023F	2024F	2025F
Profit & Loss Items				
Total Net Revenues	2.282	2.490	2.628	2.766
EBITDA	125	420	444	467
Net Income	110	188	249	262
Cash Flow Items				
Free Cash Flow	-93	21	81	186
CAPEX	242	200	200	110
Key Metrics				
Revenue Growth	33,2%	9,1%	5,5%	5,3%
EBITDA Margin %	5,5%	16,9%	16,9%	16,9%
Debt/(Debt/Equity)	38,8%	37,9%		
WACC	9,20%	9,44%	9,44%	9,44%
EPS	1,41	2,40	3,18	3,35
DPS	0,50	0,60	0,50	0,50
Net Debt/EBITDA(x)	2,41	1,97		
EV/EBITDA(x)	5,82	5,72	5,63	5,35
P/E (x) at year end	10,21	9,06	6,84	6,49

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