



## Company Update: TITAN Cement Group Reason: Update

### Investment Thesis

Titan Cement International appears to have shifted gears faster than we were anticipating. According to the group's latest press release, Titan is set to cross the €500M annual EBITDA in 2023, biting our July estimates by €50M. On top, the group has just managed to roll over €150M out of the €400M debt due in 12 months time, at a favorable 4.25% fixed rate.

Plugging in those numbers, together with the reasonable hypothesis that cement prices will not return to pre-2021 levels [see the chart], a €24.00 target price (€2.00 upward revision) is cautious and justifiable. Titan has stepped up.

The demand for new constructions among all regions is there, particularly in the most crucial USA and Greece region where more than 60% of revenues are generated. The price increases of 2021 and 2022 coupled with the decreasing energy and transportation costs are securing the EBITDA line. The new €150M bond and the already expressed stance that group's capex could be fully funded without the need to roll over the full amount of the maturing debt, are securing the level of interest expenses and the bottom line.

Note that the cost of rolling over the group's maturing debt in the current elevated interest rates environment, was a crucial concern of our older analysis. It appears that for a BB+ rated corporate, it is more important to roll over your debt while you record the lowest Net Debt to EBITDA ratio of your recent history, as Titan does, than the actual level of key ECB and FED rates. On July we were estimating that the debt could potentially be served at a 4.25% rate. As the first tranche is already secured at that level, and rates are expected to decrease, our confidence increases.

All in all, we have entered in a quadrennium when the group appears able and willing to reward the shareholders with double the payouts compared to previous period.

Last but not least, Titan is ticking ESG considerations, measuring and reporting emissions targets and rolling out their CEM AI infrastructure across the rest of the group's plants. Their ability to remotely monitor all critical values of their plants (from the temperature of a kiln, to the volume inert materials) increases operational efficiency.

### Valuation

Titan is valued at 24,00€ per share through a FCF exercise with an applied WACC rate of 9.44% and zero perpetual growth rate.

Date	15/12/23
Fair Estimated Price	24,00 €
Investment Thesis	UV
Bloomberg Ticker	TITK:GA
Reuters Ticker	TTNr.AT
Price (14/12/23)	21,75
Low / High Price 52w	11.96 / 21.95
Market Cap (€mn)	1704
P/E (current)	7,1
EPS (2023)	3,07
EV/EBITDA (2023)	5,7


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

Member of the Athens Exchange

Member of the Athens Derivatives Exchange

**Labis Michalopoulos, CFA, Dipl Eng**

Head of Research

+30 210 3213913

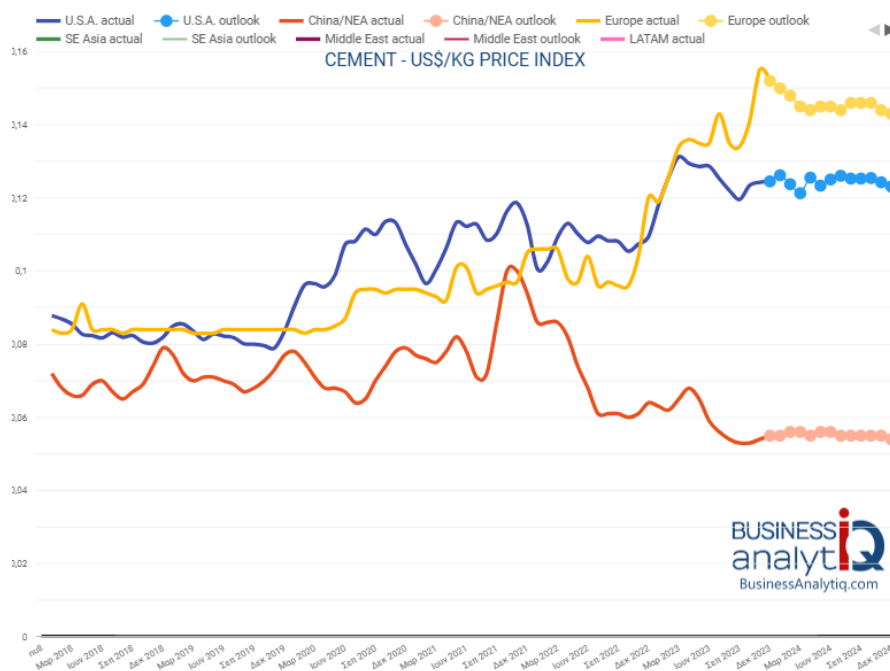
**[www.chryssochoidis.gr](http://www.chryssochoidis.gr)**

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Summary Financials				
(€mn)	2023F	2024F	2025F	2026F
<b>Profit &amp; Loss Items</b>				
Total Net Revenues	2.584	2.721	2.866	3.017
EBITDA	501	460	485	509
Net Income	240	245	258	230
<b>Cash Flow Items</b>				
Free Cash Flow	-87	63	77	181
CAPEX	200	250	250	250
<b>Key Metrics</b>				
Revenue Growth	13,2%	5,3%	5,3%	5,3%
EBITDA Margin %	19,4%	16,9%	16,9%	16,9%
Debt/(Debt/Equity)	37,9%			
WACC	9,44%	9,44%	9,44%	109,44%
EPS	3,07	3,13	3,30	2,94
DPS	0,60	0,60	0,60	0,60
Net Debt/EBITDA(x)	1,53	2,10	2,67	2,67
EV/EBITDA(x)	5,72	5,64	5,35	5,09
P/E (x) at year end	7,61	7,47	7,09	7,95



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