Action | Citi Research

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Metlen Energy & Metals (MTLN.L)

Growth in metals with exposure to gallium, copper, nickel and cobalt

CITI'S TAKE

Metlen has embarked on its second leg of growth, repositioning the metal business via production of critical metals over 2025-2030. Production of nickel, copper and cobalt is a new venture, potentially driving investor interest, with a pilot plant delivering results in 2026. Production of gallium along its alumina production should position Metlen into the critical metal value chain and could be a catalyst for re-rating along the lines of peers. We forecast EBITDA growing to €1.5 billion by 2028 (c50% up vs 2024), with commercial scale production of base metals the catalyst to make €2 billion EBITDA possible, in our view. The expansion is likely to be capital light, while government subsidies should further increase project IRRs. We expect bolt-on M&A mostly to secure raw material feed. We have renewed our rating after a period of Rating Suspended with a Buy rating and €52 target price.

Gallium exposure to beef up the aluminium business — MTLN has approved a €295 million alumina refinery expansion, which is also a catalyst for 50 tonne Gallium (and potentially scandium) production by 2027-28. The company is hopeful of receiving government support for capex, making capital intensity favourable.

Nicke-copper-cobalt are the next leg of critical metal expansion — MTLN has guided for technological capabilities to recover nickel-copper-cobalt from tailings. The construction of a pilot plant of 50kt is currently underway, and we believe that successful commissioning and ramp up should be a key catalyst for market to price in the commercial scale expansion of 200kt and 250kt in stage-1 and 2.

Renewables to help energy business grow its EBITDA to €1 billion — Having delivered 5x growth in EBITDA (€150 million to €750 million) over the last five years, we think the energy business of MTLN could reach €1 billion EBITDA by 2028. Renewable growth in solar is the key driver, while BESS exposure is an optionality for additional growth.

Attractive risk reward with a bull case of €80/share — We set our TP at €52 with gallium expansion in our estimates, while earnings from nickel-copper-cobalt expansion could boost our valuation to €80 in a bull case scenario.

Metlen Energy & Metals (EUR)

Year to 31 Dec	2023A	2024A	2025E	2026E	2027E
Sales (€M)	5,492.0	5,683.0	7,943.4	7,830.2	7,778.8
Profit Before Tax (€M)	786.4	748.3	693.0	912.4	1,043.4
Diluted EPS (€)	4.50	4.45	4.10	5.33	6.11
Diluted EPS (Old) (€)	4.50	4.45	4.10	5.33	6.11
PE (x)	9.2	9.3	10.1	7.8	6.8
EV/EBITDA (x)	7.3	7.8	7.8	7.2	6.4
DPS (€)	1.50	1.50	1.46	1.90	2.18
Net Div Yield (%)	3.6	3.6	3.5	4.6	5.3

Buy	
Price (20 Oct 25 16:35)	€40.80
Target price	€52.00
Expected share price return	27.5%
Expected dividend yield	3.7%
Expected total return	31.1%
Market Cap	€5,835M
	US$6,799M

Price Performance
(RIC: MTLN.L, BB: MTLN LN)

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MTLN.L: Fiscal year end 31-Dec

Price: €41.35; TP: €52.00; Market Cap: €5,914m; Recomm: Buy

Profit & Loss (€m)	2023	2024	2025E	2026E	2027E
Sales revenue	5,492	5,683	7,943	7,830	7,779
Cost of sales	-4,591	-4,766	-6,959	-6,758	-6,576
Gross profit	901	917	985	1,072	1,203
Gross Margin (%)	16.4	16.1	12.4	13.7	15.5
EBITDA (Adj)	**1,014**	**1,080**	**1,153**	**1,267**	**1,433**
EBITDA Margin (Adj) (%)	18.5	19.0	14.5	16.2	18.4
Depreciation	-113	-163	-168	-195	-230
Amortisation	0	0	0	0	0
EBIT (Adj)	**901**	**917**	**985**	**1,072**	**1,203**
EBIT Margin (Adj) (%)	16.4	16.1	12.4	13.7	15.5
Net interest	-107	-170	-292	-160	-159
Associates	-8	1	0	0	0
Non-Op/Except/Other Adj	0	0	0	0	0
Pre-tax profit	**786**	**748**	**693**	**912**	**1,043**
Tax	-160	-118	-90	-137	-157
Extraord./Min.Int./Pref.div.	-4	-16	-20	-18	-18
Reported net profit	**622**	**615**	**583**	**757**	**869**
Net Margin (%)	11.3	10.8	7.3	9.7	11.2
Core NPAT	622	615	583	757	869
Per share data	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Reported EPS (€)	4.50	4.45	4.10	5.33	6.11
Core EPS (€)	4.50	4.45	4.10	5.33	6.11
DPS (€)	1.50	1.50	1.46	1.90	2.18
CFPS (€)	1.13	2.96	5.01	6.06	7.42
FCFPS (€)	-5.20	-1.70	-0.66	0.61	3.52
BVPS (€)	18.85	21.66	23.23	27.18	31.48
Wtd avg ord shares (m)	138	138	140	140	140
Wtd avg diluted shares (m)	138	138	142	142	142
Growth rates	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Sales revenue (%)	-12.9	3.5	39.8	-1.4	-0.7
EBIT (Adj) (%)	22.9	1.8	7.4	8.9	12.2
Core NPAT (%)	33.9	-1.2	-5.1	29.8	14.8
Core EPS (%)	32.3	-1.0	-7.8	29.8	14.8
Balance Sheet (€m)	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Cash & cash equiv.	920	1,382	1,000	750	750
Accounts receivables	1,969	1,930	2,409	2,393	2,269
Inventory	1,335	1,590	1,385	1,305	1,296
Net fixed & other tangibles	2,416	3,544	3,700	4,280	4,605
Goodwill & intangibles	763	780	646	646	646
Financial & other assets	791	1,443	2,122	2,122	2,122
Total assets	**8,194**	**10,668**	**11,261**	**11,496**	**11,688**
Accounts payable	1,573	2,354	3,196	2,917	2,644
Short-term debt	926	687	362	402	442
Long-term debt	2,186	3,575	3,740	3,608	3,373
Provisions & other liab	810	960	587	621	660
Total liabilities	**5,496**	**7,575**	**7,885**	**7,548**	**7,120**
Shareholders' equity	2,607	2,991	3,254	3,807	4,410
Minority interests	91	102	122	140	158
Total equity	**2,699**	**3,093**	**3,376**	**3,947**	**4,568**
Net debt (Adj)	**2,192**	**2,880**	**3,103**	**3,260**	**3,065**
Net debt to equity (Adj) (%)	81.2	93.1	91.9	82.6	67.1

Valuation ratios	2023	2024	2025E	2026E	2027E
PE (x)	9.2	9.3	10.1	7.8	6.8
PB (x)	2.2	1.9	1.8	1.5	1.3
EV/EBITDA (x)	7.3	7.8	7.8	7.2	6.4
FCF yield (%)	-12.6	-4.1	-1.6	1.5	8.5
Dividend yield (%)	3.6	3.6	3.5	4.6	5.3
Payout ratio (%)	33	34	36	36	36
ROE (%)	26.3	22.0	18.7	21.4	21.2
Cashflow (€m)	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA	1,014	1,080	1,153	1,267	1,433
Working capital	-631	-414	-71	-183	-140
Other	-227	-257	-370	-222	-237
Operating cashflow	**156**	**409**	**712**	**862**	**1,055**
Capex	-876	-644	-806	-775	-554
Net acq/disposals	18	-16	-33	0	0
Other	-188	-135	-52	0	0
Investing cashflow	**-1,046**	**-795**	**-892**	**-775**	**-554**
Dividends paid	-167	-210	-207	-205	-266
Financing cashflow	**749**	**792**	**-147**	**-337**	**-501**
Net change in cash	**-140**	**406**	**-326**	**-250**	**0**
Free cashflow to s/holders	**-720**	**-235**	**-94**	**87**	**501**

For definitions of the items in this table, please click here.

EBITDA growth to stay the course

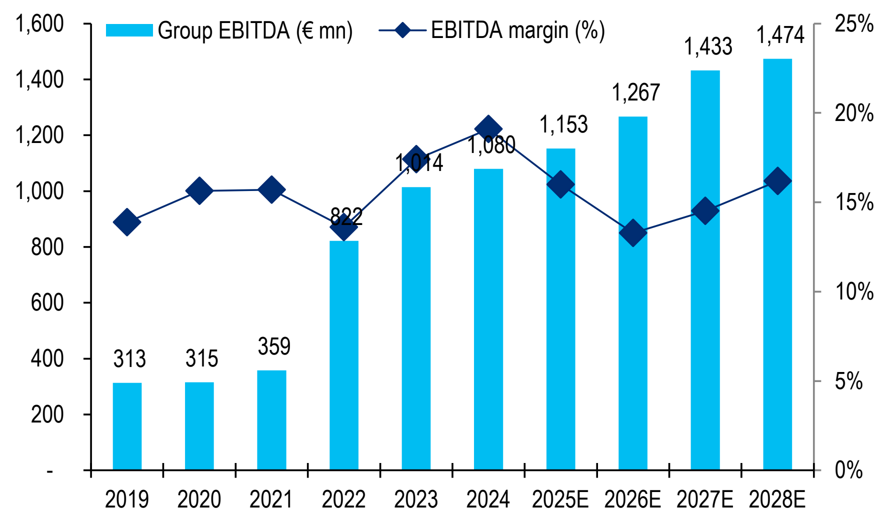
Metlen has delivered solid EBITDA growth over the last three years with a 3x increase for group EBITA mostly coming from its expansion into renewable power and doubling of capacity at thermal power business, albeit with help from supportive energy markets where power generation spreads have structurally re-rated.

We believe that while the renewable growth is likely to continue, helping the energy segment to deliver steady growth, the next leg of rapid growth could be led by its metal business. We see the group EBITDA increasing to €1.5 billion by 2028, as the company delivers on its alumina expansion, which is also the catalyst for gallium production.

Moreover, the stock should maintain solid optionality to deliver €2 billion EBITDA with its proposed expansion into nickel-copper-cobalt.

We have renewed our rating on Metlen after a period of Rating Suspended (on the now delisted Greek listing, MYTr.AT) with a Buy rating and €52 target price.

Figure 1. MTLN – EBITDA growth is likely to maintain its growth trajectory



Source: Company Reports, Citi Research Estimates

Divisional mix will likely tilt in favor of metals

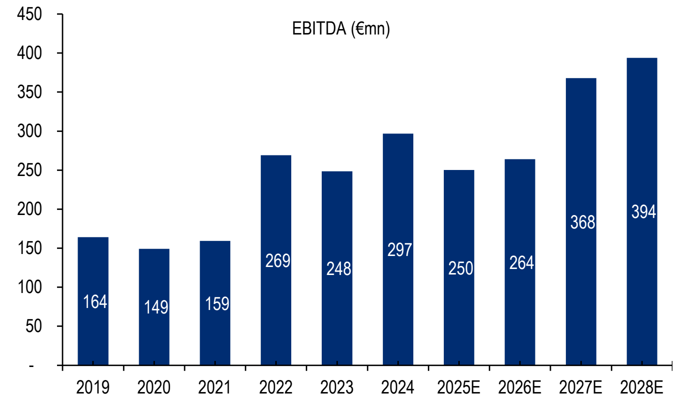
The energy segment accounted for over 70% of the group EBITDA in 2024, which we see improving in favor of the metal business over the next five years. The company has already approved the €295 million expansion of its alumina refinery capacity, which is also the catalyst for gallium production (up to 50 tonnes). This will be MTLN's first foray into critical materials, while the EU has also included bauxite and alumina on its list of critical raw materials (CRMs).

We flag that MTLN has guided for expansion into nickel-copper-cobalt production, using the technological capabilities of recovering the metal from tailings. The company is in the process of setting up the pilot plant with feed processing of up to

50kt. The commercial scale expansion of 200kt and 250kt are likely to come in stage-1 and 2 expansions.

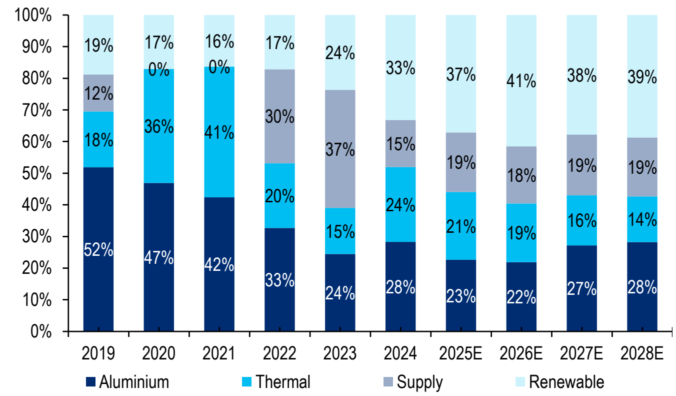
Our base case estimates for the metal business do not include these nickel-copper-cobalt expansions. However, we flag that our bull case valuation of €80/share assumes EBITDA contribution from nickel-copper-cobalt, which would imply a near doubling of the share price.

Figure 2. MTLN – metal business should see rapid growth with alumina/gallium production expansion



Source: Company Reports, Citi Research Estimates

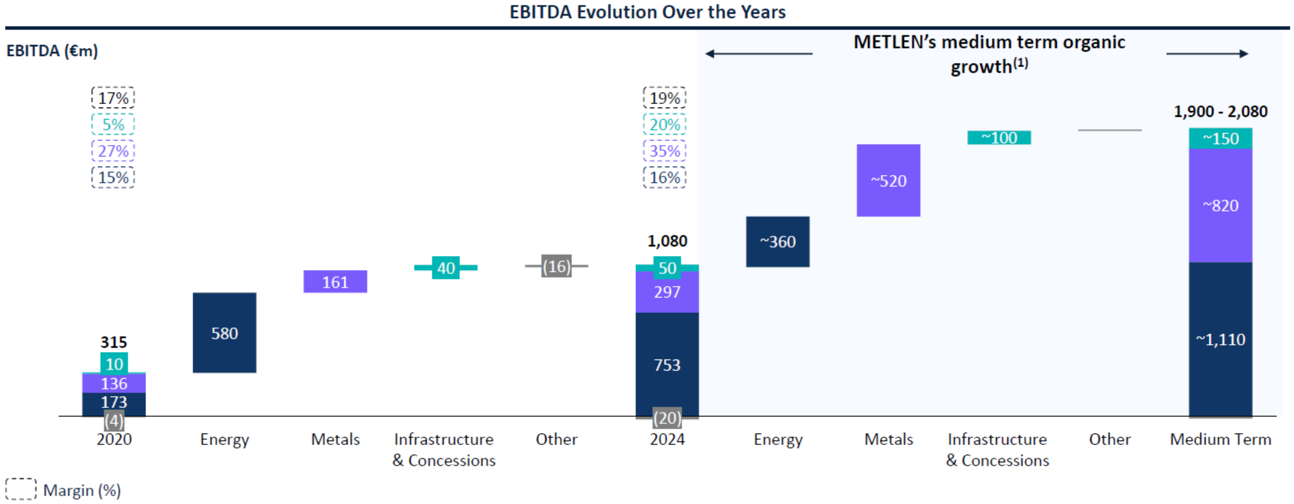
Figure 3. MTLN – metal business set to increase share of group EBITDA



Source: Company Reports, Citi Research Estimates

The projected growth in EBITDA is likely to rely heavily on the metal business. The first stage of such metal growth is likely to come from alumina/gallium expansion, while the second phase will come from nickel-copper-cobalt expansion. We flag that Citi's house view on aluminium is bullish, forecasting $3,500/t in 2027-28, which could bring additional growth compared to the outlooked presented by the company. Moreover, a stronger outlook for copper prices could be an additional positive, should copper become a significant share in its base metal expansion.

Figure 4. MTLN – EBITDA growth is likely to be strong from metal business



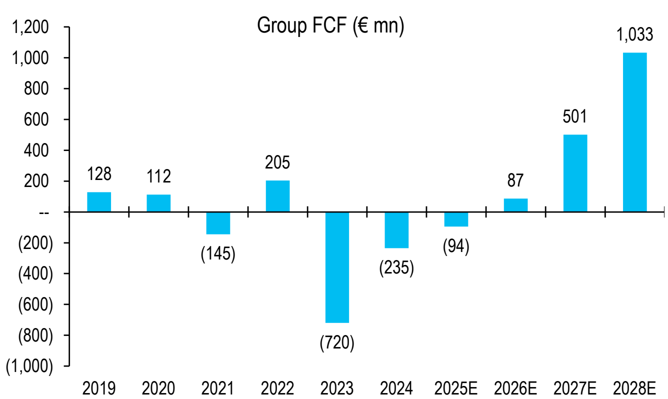
Source: Company Reports

Improvement in cash flow position ahead

MTLN's renewable growth has taken a significant part of its capex and has kept its cash flow negative over the last three years. Net debt has increased significantly, keeping net debt to EBITDA above 2x for most part of the growth phase.

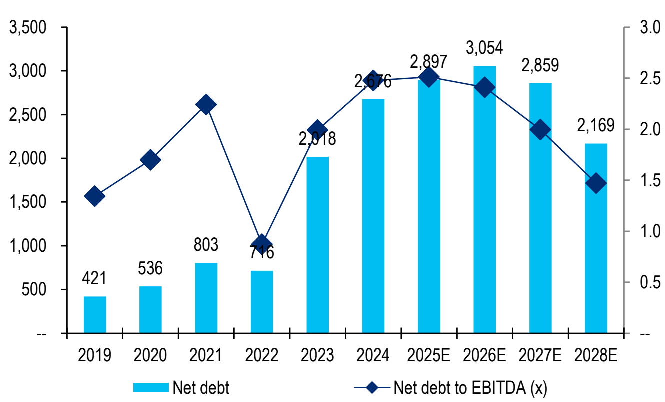
However, we flag that capex is likely peaking in 2026 in our base case estimates and we see a path to sustained improvement in free cash flow. Our estimates are for up to €500 million FCF in 2027. We note that baking front loaded capex on nickel-copper-cobalt expansion (currently in our bull case scenario) into our base case estimates could temper some of these FCF expectations, while cash flow from such expansions will likely be back ended.

Figure 5. MTLN – the peak of renewable capex driving FCF improvement



Source: Company Reports, Citi Research Estimates

Figure 6. MTLN – net debt should peak in 2026, declining thereafter



Source: Company Reports, Citi Research Estimates

Valuation methodology

Our 12-month target price of €52/share for MTLN is based on an average of DCF based NPV valuation and EV/EBITDA valuation. Our DCF valuation is €59/share, while EV/EBITDA valuation is €45/share, to arrive at our PT.

Our DCF analysis uses a Weighted Average Cost of Capital (WACC) of 9.0% for its metal and energy operations, and a terminal growth rate of 2%. Our NPV is calculated based on long-term equilibrium commodity prices. We believe this is appropriate given the geographical location of the industrial assets, volatility of the cash flows through the cycle and project capex, which at times can be front loaded.

For EV/EBITDA, we use a multiple of 7.5x on average EBITDA of 2025 and 2026. The multiple of 7.5x is set to be in-line with global mining and energy sector average multiples (between 6-9x) but at a discount to pure-play renewable power stocks that are more directly exposed to the global thematic of de-carbonisation (10-12x).

Sensitivity of our DCF valuation

Figure 7. Sensitivity of our DCF valuation

		WACC				
Long term growth rate	£59.0	7.0%	8.0%	9.0%	10.0%	11.0%
	1.0%	78.1	62.6	50.9	41.8	34.6
	1.3%	81.7	65.0	52.7	43.2	35.8
	1.5%	85.8	67.7	54.6	44.8	36.9
	1.8%	90.1	70.8	56.8	46.3	38.0
	2.0%	94.9	73.9	59.0	47.9	39.3
	2.3%	100.1	77.4	61.4	49.6	40.7
	2.5%	105.9	81.1	64.1	51.4	42.0
	2.8%	112.4	85.2	66.8	53.5	43.5
	3.0%	119.8	89.8	69.9	55.6	45.0

Source: Citi Research Estimates

Valuation scenario analysis

Our valuation analysis for the stock flexes to €80/share in our bull case, implying a near doubling of shares from their current level, while our bear case of €30/share suggests more limited downside. These scenarios are based on multiple assumptions and are exposed to risks both on the upside and downside. In this section, we have listed the major assumptions used in formulating our estimates and have also discussed risks with relevant implications for our valuations.

Key assumptions driving our base case valuation include:

1. Thermal power capacity at 1.7GW (including the latest 0.8GW CCGT), and execution of 1.5GW Greek solar capacity.
2. Aluminium production at 180kt, recycling aluminium at 70kt and alumina capacity at 1.26mt, including the latest expansion approved by the company.
3. Citi house views on commodity prices, specifically for aluminium, alumina and European TTF gas prices.

4. Dividend payment based on latest dividend policy of minimum 35% of net income.

In this scenario, we arrive at our base case valuation of €52/share, implying 25% upside and the stock trading at 8.4x on 2026E EBITDA.

Bull case

Assumptions here include:

1. Higher long-term aluminium and alumina prices by 20% vs our base case assumptions.

2. Renewable capacity execution ahead of the base case estimates supported by continued project award keeping the pipeline strong; and

3. Critical metal production ramp up to commercial scale by 2028 following the successful ramp up of pilot plan in 2026.

In this scenario, we arrive at our **bull case valuation of €80/share, implying c100% upside** and the stock trading at 10.6x on 2026E EBITDA.

Bear case

Assumptions here include:

1. We lower our assumption for power generation taking into account demand decline in Greek market and disruptions in the renewable capacity execution; and

2. Lower long-term aluminium and alumina prices by 15% vs our base case assumptions.

In this scenario, we arrive at our **bear case valuation of €30/share, with c25% downside** and the stock trading at 6.5x on 2026E EBITDA.

Key risks to the investment case

1. Lower LME aluminium prices, a stronger euro (versus USD) and a higher oil price are all negative for AoG profits.

2. Greek regulatory uncertainties, with the risk of higher taxes and increased regulation, especially in energy.

3. Higher geopolitical risks and softer economies in MTLN's end-markets could impact sales and new orders.

4. Renewable expansion plans are exposed to risks of project delays, resulting in higher capex and lower returns.

5. With improving balance sheet by 2026-27 and the company moving to investment mode there is also the risk that comes with deploying capital in new projects.

Figure 8. MTLN – snapshot of our estimates

Metlen Energy & Metals – Snapshot (Year-end 31 Dec)					
Share price (€/share)	41.50	Target price		52.00	
Market cap (US$mn)	6,785	% to TP		25%	

EUR : USD	1.15	17-Oct-25

Income statement (€ mn)	Dec-23	Dec-24	Dec-25E	Dec-26E	Dec-27E
Revenue	**5,492**	**5,683**	**7,943**	**7,830**	**7,779**
Costs	(4,478)	(4,603)	(6,791)	(6,563)	(6,346)
Group EBITDA	**1,014**	**1,080**	**1,153**	**1,267**	**1,433**
D & A	(113)	(163)	(168)	(195)	(230)
Group EBIT	**901**	**917**	**985**	**1,072**	**1,203**
Others	(13)	(4)	(130)	--	--
Operating profit	**887**	**913**	**855**	**1,072**	**1,203**
Net finance cost	(101)	(164)	(162)	(160)	(159)
Profit before tax	**786**	**748**	**693**	**912**	**1,043**
Taxation	(160)	(118)	(90)	(137)	(157)
Minority interest	(4)	(16)	(20)	(18)	(18)
Net income	**622**	**615**	**583**	**757**	**869**
Basic EPS (€)	**4.50**	**4.45**	**4.16**	**5.41**	**6.20**
Diluted EPS (€)	4.50	4.45	4.10	5.33	6.11

Balance sheet (€ mn)	Dec-23	Dec-24	Dec-25E	Dec-26E	Dec-27E
Cash	920	1,382	1,000	750	750
Inventory & receivable	3,305	3,520	3,793	3,698	3,565
Other current assets	397	469	107	107	107
Property, plant & equipment	2,777	3,297	3,423	4,003	4,328
Construction contract	506	1,381	2,421	2,421	2,421
Other non-current assets	290	620	517	517	517
Total assets	**8,194**	**10,668**	**11,261**	**11,496**	**11,688**
Trade payables	1,573	2,354	3,196	2,917	2,644
Borrowings	2,929	4,047	3,883	3,790	3,595
Other liabilities	993	1,174	807	841	880
Shareholders' equity	2,699	3,093	3,376	3,947	4,568
Total liabilities & equity	**8,194**	**10,668**	**11,261**	**11,496**	**11,688**
Net debt / (cash)	**2,192**	**2,880**	**3,103**	**3,260**	**3,065**

Cash flow statement (€ mn)	Dec-23	Dec-24	Dec-25E	Dec-26E	Dec-27E
Profit after tax	**626**	**631**	**603**	**776**	**887**
Depreciation	116	166	171	195	230
Tax & interest	49	25	15	74	79
Working capital change	(631)	(414)	(71)	(183)	(140)
Other operating cash flow	(4)	2	(6)	--	--
Operating cash flows	**156**	**409**	**712**	**862**	**1,055**
Capital expenditure	(1,051)	(801)	(856)	(775)	(554)
Others investing cash flow	(170)	(151)	(85)	--	--
Investing cash flows	**(1,221)**	**(953)**	**(941)**	**(775)**	**(554)**
Equity dividend	(167)	(210)	(207)	(205)	(266)
Minority dividend	--	--	--	--	--
Net borrowing proceeds	921	1,044	74	(132)	(235)
Others financing cash flow	(5)	(42)	(13)	--	--
Financing cash flows	**749**	**792**	**(147)**	**(337)**	**(501)**
Increase in cash flow	**(315)**	**248**	**(375)**	**(250)**	**--**
Free cash flow	**(720)**	**(235)**	**(94)**	**87**	**501**

Commodity prices	Dec-23	Dec-24	Dec-25E	Dec-26E	Dec-27E
Alumina (US$/t)	343	502	389	360	375
Aluminium (US$/t)	2,255	2,421	2,586	2,763	3,000
European TTF gas (€/MWh)	38	32	43	40	38

Production	Dec-23	Dec-24	Dec-25E	Dec-26E	Dec-27E
Alumina (kt)	869	865	865	865	900
Aluminium (kt)	239	238	243	249	255
Thermal power (TWh)	4.0	7.6	7.3	7.5	7.8
Renewable power (TWh)	1.1	1.6	1.8	2.8	3.9

Divisional EBITDA (€ mn)	Dec-23	Dec-24	Dec-25E	Dec-26E	Dec-27E
Metallurgy	248	327	298	325	448
Energy	388	597	646	724	725
Supply & Services	379	156	208	218	260
Group EBITDA	**1,014**	**1,080**	**1,153**	**1,267**	**1,433**
Aluminium	24%	30%	26%	26%	31%
Renewable	24%	32%	36%	39%	36%

Valuation metrics	Dec-23	Dec-24	Dec-25E	Dec-26E	Dec-27E
Shares (avg. basic mn)	138	138	140	140	140
Shares (avg. diluted mn)	138	138	142	142	142
P / E (x)	7.4	8.6	11.6	9.0	7.8
P / B (x)	1.8	1.8	2.1	1.8	1.5
EV / EBITDA (x)	5.0	6.6	7.7	7.2	6.5
Net debt to EBITDA (x)	2.0	2.5	2.5	2.4	2.0
Gearing (ND/ND+E) (%)	44%	47%	47%	45%	39%
FCF yield (%)	-16.9%	-4.8%	-1.6%	1.5%	8.5%
Dividend (€/share)	1.5	1.5	1.5	1.9	2.2
Payout on EPS (%)	33%	34%	35%	35%	35%
Dividend yield (%)	4.5%	3.9%	3.1%	4.0%	4.6%
EBITDA margin (%)	18%	19%	15%	16%	18%
OP margin (%)	16%	16%	12%	14%	15%
ROE (%)	24%	21%	18%	20%	20%
ROIC (%)	15%	14%	14%	13%	14%

Valuations	€ mn	€/share
Metallurgy	3,228	23.6
Energy	7,716	56.5
Enterprise Value	**10,944**	**80.1**
Net debt etc	(2,880)	(21.1)
DCF equity value	**8,064**	**59.0**
7.5x EBITDA multiple	**6,147**	**45.0**
Price target, average	**7,106**	**52.0**

Source: Company Reports, Citi Research Estimates

Bull/Bear: Metlen Energy & Metals (MTLN.L)

€ 80.00	€ 52.00	€ 30.00
▲93% Upside	▲26% Upside	▼27% Downside

Spread 121pp
Current Price and expected returns (upside/downside) as of 20 Oct 2025

BULL Assumptions

- Renewable capacity execution ahead of expectations in M Renewables
- Critical metal production moving from pilot plant to commercial scale
- Higher commodity price vs our base case assumptions

BASE Assumptions

- Estimates are based on Citi house forecasts for aluminium and alumina
- Aluminium production at 180kt, recycling aluminium at 60kt and alumina at 1.26mt
- Ramp up of 0.8GW new CCGT in 2025, execution of 1.5GW Greek solar capacity

BEAR Assumptions

- Lower rate of power generation in Greece due to demand decline
- Renewable capacity execution below expectations
- Lower commodity prices vs our base case assumptions

Metlen Energy & Metals

Company description

Metlen is a diversified Industrial group with primary listing in London and is a FTSE-100 stock. The company has its primary business in Greece with following business verticals: 1) largest fully integrated producer of aluminium in Europe through 100%-owned Aluminium of Greece SA; 2) power portfolio in Greece with 2.4GW installed capacity, mostly thermal and a robust growth pipeline in renewables.

Investment strategy

We rate Metlen Buy. 1) The company is well positioned on the aluminium cost curve, and will benefit from higher aluminium and alumina prices; 2) 100% subsidiary Protergia appears well positioned for an improving Greek energy market, where demand looks set to increase, and lower natural gas prices make thermal a more attractive option for electricity generation. The company is also benefiting from liberalisation of the retail energy market where its strong position as the largest independent and strong balance sheet make it well positioned for new opportunities. 3) Attractive growth proposition with 2.0GW solar power capacity target in Greece and big expansion pipeline for renewable capacities outside of Greece. 4) The company has an attractive pipeline of growth in critical metals with gallium, copper, nickel and cobalt production.

Valuation

Our target price of €52 is based on the average of our DCF-based SoTP NPV valuation (€45) and our EV/EBITDA valuation (€59). The NPV approach provides a longer-term view of its growth potential and normalised returns. We calculate the DCF-based enterprise value using a WACC of 9.0% and terminal growth rate of 2%. Thereafter, we reduce EV by net debt and minorities to arrive at our NPV. We apply a blended multiple of 7.5x to our forecast EBITDA (average of 2025-26E), slightly ahead of the stock's long-term average multiple. This is consistent with our view for stronger earnings growth in its critical metals and renewable business, valued at higher multiples than global/European peers.

Risks

The key risks that could prevent the shares from reaching our target price are: 1) Lower LME aluminium prices, a stronger euro (versus USD) and a higher oil price are all negative for AoG profits; 2) Greek politics are uncertain, with the risk of higher taxes and increased regulation, especially in energy. 3) Higher geopolitical risks and softer economies in MTLN's end-markets could impact sales and new orders; 4) Renewable expansion plans are exposed to risks of project delays, resulting in higher capex and lower returns. 5) With improving balance sheet and the company moving to investment mode there is also the risk that comes with deploying capital in new projects.

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Appendix A-1

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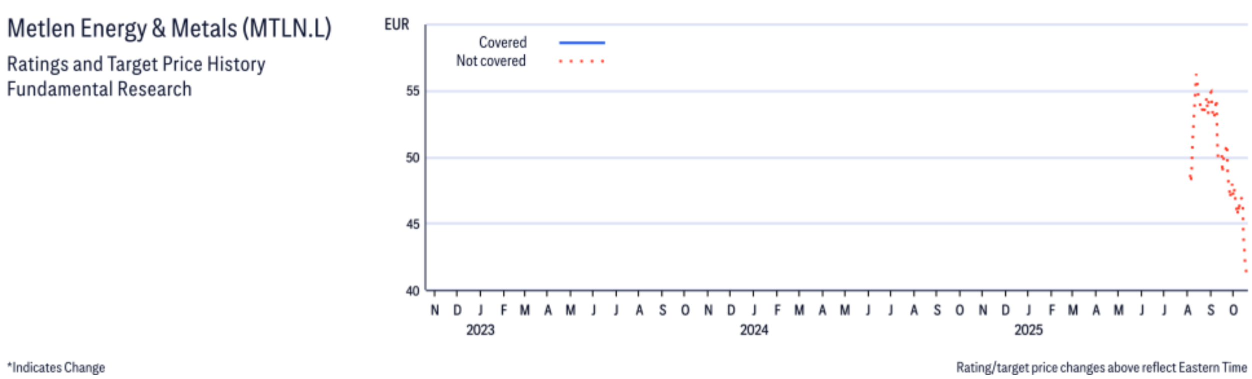

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