NBG Securities

Equity Research | Greece

Mytilineos

Outperform

Greece | Industrials

Target Price EUR8.40

Model adjustments post 4Q14 results

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Remain buyers on the stock post 4Q14 results

We have adjusted our model post the 4Q14 results. We have become even more bullish in terms of 2015-16 expectations on the AL business following the strengthening of the US dollar. We have adjusted downwards our estimates for the EPC and the electricity business. The net result is an upgrade on our EPS estimates for 2015-17 by 18% on average. On our valuation model we consider the AL business profitability exceptional for 2015-17 and thus we assume lower long term cash flows on this business. The net result on our valuation model (SoTP) returns a NAV for Mytilineos at EUR9.3/share. Our TP on the stock stands at EUR8.4/share or 10% discount to the NAV. We have revised upwards our TP by 5%. At our TP the stock trades 10.4x our 2016E earnings.

Aluminium business the driver of 2015 profits

This business benefits from the strong dollar and the faster decline of input costs (energy and oil) vs. AL prices. Moreover product premiums are at very high levels. This environment offers to Mytilineos an opportunity to fix a price with PPC for the long term. In addition we should expect from 2H15 some hedging initiatives regarding EUR/USD rates.

EPC business slowdown ahead

Yesterday, in a note, we explained our concerns on Metka. We have adjusted downwards our estimates for 2015-16 as new projects for power plants are scarce in the emerging markets this period. The switch of Metka to the local market will help top line at the expense of margins that we see them declining by c. 400bps on average in 2015-16.

Electricity business: The good and the bad news

The company takes advantage of natural gas shipments at lower prices. But the company should soon suffer from lower CACs. The new Government seems to be more supportive to the incumbent without though being specific on how this will be implemented. This creates a risk for the energy division of Mytilineos that could see lower returns on these assets.

The strategic options of the Group

Mytilineos Group needs to fix its corporate structure. This will release cash for investments in new ventures. The company has a track record of buying businesses. In the current environment of depressed asset values in Greece this is the right strategy and we expect the management to pursue it from 2H15. We are in favour of investing on the "demand" side of the business i.e. we would like to see the Metals and Mining sector growing at the expense of the "supply" side i.e. the energy business that we would prefer either to be contained at its current size or get even smaller.

Stock Data & Performance

Rating	Outperform
Previous	[unchanged]
Target price (12-month)	EUR8.40
Previous	EUR8.20
Last Price (19-Mar-15)	EUR5.26
Upside to target price	60%
52-week range	EUR4.18-7.18
Market cap.	EUR615m
Reuters / Bloomberg	MYTr.AT/MYTIL GA
3m avg. trading volume	EUR1.5m
Free float	63%
Abs performance ytd	13%
Rel. performance ytd (to ASE)	26%

Source: FactSet, NBG Securities Research

EPS Estimate Changes (NBG Securities)

	From	To	% Chg.
2015e	0.60	0.70	+17%
2016e	0.66	0.81	+23%
2017e	0.72	0.82	+14%

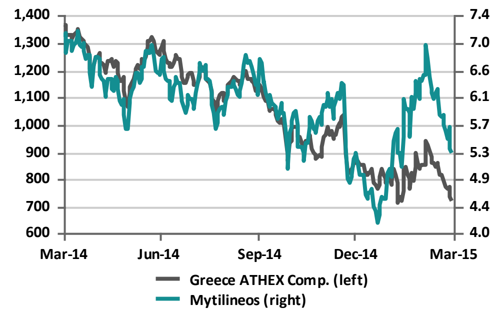
Source: NBG Securities Research

Key Financials & Valuation

(in EUR m)	2013	2014	2015e	2016e
Sales	1403	1233	1102	1091
EBITDA adj	232	254	278	277
NI adj	23	65	82	94
EPS (EUR)	0.19	0.55	0.70	0.81
BVPS	7.39	7.77	8.30	8.86
P/E	27.1	9.5	7.5	6.5
P/BV	0.7	0.7	0.6	0.6
EV/EBITDA	4.8	3.9	3.4	3.2

Source: Company data, NBG Securities Research

Price performance



Source: FactSet, NBG Securities Research

Exhibit 1: Mytilineos Financial Accounts - key items

(in EURm)	2013	2014	2015E	2016E	2017E
Profit and Loss Account (selected items)					
Turnover	1403	1233	1102	1091	1127
COGS	-1138	-936	-825	-815	-844
Gross Profit	265	297	277	276	283
Other operating income	25	22	36	36	36
General & Administrative Expenses	-58	-65	-35	-35	-37
EBITDA	232	254	278	277	282
Adjusted EBITDA	232	254	278	277	282
Depreciation and amortization	-65	-56	-62	-63	-64
Operating profit	167	198	216	215	218
Net financials	-71	-61	-65	-50	-48
Pre-tax profit	80	136	151	164	170
Income tax	-13	-23	-40	-35	-41
Net Profit adj	23	65	82	94	96
Earnings per share (EUR)	**0.19**	**0.55**	**0.70**	**0.81**	**0.82**
Dividend per share (EUR)	**0.00**	**0.10**	**0.17**	**0.25**	**0.28**
Balance Sheet (selected items)					
Cash and cash equivalents	182	313	263	335	427
Trade receivables	575	407	453	463	479
Total Current Assets	991	988	965	1046	1158
Net PP&E	1082	1063	1039	1014	987
Investments	12	11	11	11	11
Net intangible assets	245	241	241	241	241
Total Assets	2664	2681	2634	2689	2775
Accounts payable	469	485	428	423	438
Current Liabilities	775	717	633	623	646
Shareholders' Equity	864	910	971	1036	1099
Total Liabilities & Equity	2664	2681	2634	2689	2775
Net Debt (Net cash)	510	373	337	265	173
Cash flow statement (selected items)					
Cash from Operations (CFO)	229	266	94	138	163
Capital Expenditures	-55	-49	-38	-38	-38
Free Cash flow	174	217	57	101	126

Source:Mytilineos Group, NBG Securities Research

Exhibit 2: Mytilineos SoTP

	Total Value	Methodology
Energy Business	462	Valuation of the 2 thermal plants and the RES portfolio, implied value of the 2 thermal plants at a 5% discount to their construction value
EPC Business	139	Valuation of the 50% stake in Metka (EV value) and valuation of the management fee to perpetuity
Aluminium Business	878	Valuation includes the CHP power plant that offers cost benefits to the alumihium/alumina complex
Other Assets	10	Real estate portfolio
Head office costs	-25	
Enterprise value	1464	
Net debt	-373	Net debt balance at the end of 2014
NAV	9.3	
Holding company discount	-0.9	10% discount to the NAV
Target Price	**8.4**	
Current Price	**5.3**	
Upside	**59%**	

Source: NBG Securities estimates

Appendix

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Company Name	Reuters/Bloomberg	Rating	Price	Price date/time	Disclosure
Mytilineos	MYTr.AT/MYTIL GA	Outperform	EUR5.26	19 Mar 2015 / Official Close	3

Source: NBG Securities

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Date	Rating	Price	12m Target price	Date	Rating	Price	12m Target price
26 February 2014	Outperform	EUR6.49	EUR7.9	7 August 2014	Outperform	EUR6.02	EUR8.0
12 March 2014	Outperform	EUR7.24	EUR8.4	6 October 2014	Outperform	EUR5.95	EUR8.5
27 March 2014	Outperform	EUR7.01	EUR8.0	26 November 2014	Outperform	EUR5.99	EUR8.5
20 May 2014	Outperform	EUR6.05	EUR8.0	12 January 2015	Outperform	EUR4.30	EUR8.2

Source: NBG Securities

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Ratings Distribution (as of today)	Outperform	Neutral	Underperform	Restricted	Not Rated	Coverage in Transition
Greek Equity Research Coverage (28)	43%	14%	0%	4%	25%	14%
% of companies in each category that are IB clients	33%	0%	0%	0%	57%	0%

Source: NBG Securities

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