

03 Mar 2023 01:58:32 ET | 16 pages

# Mytilneos SA (MYTr.AT)

## Catalysts ahead for continued earnings growth; reiterate Buy with forecast upgrade

### CITI'S TAKE

MYTIL share price has nearly doubled in last six months, leading us to address the key question, "what next?". We list out three major catalysts for the stock in 2023, having the potential to support up to 50% growth in 'comparable earnings' vs last year. Aluminium business could deliver a solid c30% y/y growth in contrast to weakness in spot LME prices and premiums. Secondly, commissioning of new CCGT is a key source of structural volume growth, while our assumptions for spark spreads remain conservative in the model. Finally, the solar power business is likely to see accelerated execution of projects both in Greece and in its global portfolio, potentially delivering up to 50% y/y growth in EBITDA. Valuation at 4.7x EBITDA is compelling in the context of its attractive growth profile. We reiterate our Buy rating with 30 €/share price target.

**Catalyst #1** — High visibility on aluminium margins for 2023 is driven by stable power costs, while price realization is likely to significantly increase vs last year. Our estimates at 360 million € EBITDA imply c30% growth, while conservative assumptions for alumina business could be a source of potential upside.

**Catalyst #2** — commissioning of new CCGT in Q1'23 and subsequent ramp up is likely to add structural power volumes for the group. Our estimates consider a conservative ramp up schedule, with bulk of the power generation likely to come in 2024, thus keeping the earnings growth story intact. Higher prices for carbon emissions remain supportive for better spread for power business.

**Catalyst #3** — Solar project ramp up over last 12-18 months has led to margin accretion for RSD business in 2022. We believe that project execution in 2023 could be over 1GW, while potential disposal of project under operation could be another source of higher margins in the business. Solar project pipeline at 6GW is supportive for accelerated project execution.

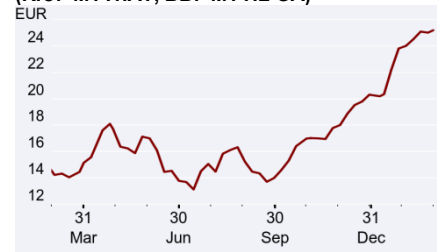
**Compelling valuation case** — The stock is trading at over 25% discount to its own long-term average of c6x EBITDA. Our forecasts are for positive FCF for 2023. However, we flag that while capex between 500-600 million for 2023 implies only a slight moderation vs last year, potential disposal of solar project in RSD business could be the catalyst for FCF tailwinds, in our view. Forecast changes inside.

### Buy

|                             |                               |
|-----------------------------|-------------------------------|
| Price (02 Mar 23 13:44)     | €24.72                        |
| Target price                | €30.00↑<br><i>from €26.00</i> |
| Expected share price return | 21.4%                         |
| Expected dividend yield     | 6.1%                          |
| Expected total return       | 27.4%                         |
| Market Cap                  | €3,532M<br>US\$3,768M         |

### Price Performance

(RIC: MYTr.AT, BB: MYTIL GA)



### Mytilneos SA (EUR)

| Year to 31 Dec        | 2021A   | 2022A   | 2023E   | 2024E   | 2025E   |
|-----------------------|---------|---------|---------|---------|---------|
| Sales (€M)            | 2,664.1 | 6,306.0 | 4,951.7 | 4,857.9 | 4,626.0 |
| Net Income (€M)       | 162.0   | 465.5   | 580.4   | 622.4   | 561.8   |
| Diluted EPS (€)       | 1.19    | 3.42    | 4.27    | 4.58    | 4.13    |
| Diluted EPS (Old) (€) | 1.19    | 3.38    | 3.61    | 3.85    | 3.40    |
| PE (x)                | 20.7    | 7.2     | 5.8     | 5.4     | 6.0     |
| EV/EBITDA (x)         | 11.5    | 5.1     | 4.7     | 4.4     | 4.7     |
| DPS (€)               | 0.42    | 1.20    | 1.50    | 1.61    | 1.45    |
| Net Div Yield (%)     | 1.7     | 4.9     | 6.1     | 6.5     | 5.9     |

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### See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

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| MYTr.AT: Fiscal year end 31-Dec |              |              |              |              |              | Price: €24.72; TP: €30.00; Market Cap: €3,532m; Recomm: Buy |             |             |              |              |              |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|---|-------------|-------------|--------------|--------------|--------------|
| Profit & Loss (€m)              | 2021         | 2022         | 2023E        | 2024E        | 2025E        | Valuation ratios  | 2021        | 2022        | 2023E        | 2024E        | 2025E        |
| Sales revenue                   | 2,664        | 6,306        | 4,952        | 4,858        | 4,626        | PE (x)  | 20.7        | 7.2         | 5.8          | 5.4          | 6.0          |
| Cost of sales                   | -2,386       | -5,573       | -4,158       | -4,017       | -3,866       | PB (x)  | 2.2         | 1.6         | 1.4          | 1.2          | 1.0          |
| Gross profit                    | 278          | 733          | 793          | 840          | 760          | EV/EBITDA (x)   | 11.5        | 5.1         | 4.7          | 4.4          | 4.7          |
| Gross Margin (%)                | 10.5         | 11.6         | 16.0         | 17.3         | 16.4         | FCF yield (%)   | -4.5        | 6.6         | 4.7          | 7.9          | 12.0         |
| <b>EBITDA (Adj)</b>             | <b>359</b>   | <b>823</b>   | <b>898</b>   | <b>955</b>   | <b>885</b>   | Dividend yield (%)  | 1.7         | 4.9         | 6.1          | 6.5          | 5.9          |
| EBITDA Margin (Adj) (%)         | 13.5         | 13.1         | 18.1         | 19.7         | 19.1         | Payout ratio (%)  | 35          | 35          | 35           | 35           | 35           |
| Depreciation                    | -80          | -90          | -105         | -115         | -125         | ROE (%)   | 10.6        | 26.0        | 25.8         | 23.3         | 18.4         |
| Amortisation                    | 0            | 0            | 0            | 0            | 0            | <b>Cashflow (€m)</b>  | <b>2021</b> | <b>2022</b> | <b>2023E</b> | <b>2024E</b> | <b>2025E</b> |
| <b>EBIT (Adj)</b>               | <b>278</b>   | <b>733</b>   | <b>793</b>   | <b>840</b>   | <b>760</b>   | EBITDA  | 359         | 823         | 898          | 955          | 885          |
| EBIT Margin (Adj) (%)           | 10.5         | 11.6         | 16.0         | 17.3         | 16.4         | Working capital   | -82         | 227         | -55          | -92          | 24           |
| Net interest                    | -59          | -93          | -37          | -35          | -33          | Other   | -61         | -113        | -134         | -147         | -156         |
| Associates                      | 1            | -4           | 0            | 0            | 0            | <b>Operating cashflow</b>                                   | <b>215</b>  | <b>938</b>  | <b>709</b>   | <b>717</b>   | <b>754</b>   |
| Non-Op/Except/Other Adj         | 0            | 0            | 0            | 0            | 0            | Capex   | -365        | -715        | -550         | -450         | -350         |
| <b>Pre-tax profit</b>           | <b>221</b>   | <b>636</b>   | <b>756</b>   | <b>805</b>   | <b>727</b>   | Net acq/disposals   | 8           | 0           | 0            | 0            | 0            |
| Tax                             | -41          | -133         | -151         | -161         | -145         | Other   | -28         | -112        | 0            | 0            | 0            |
| Extraord./Min.Int./Pref.div.    | -18          | -37          | -25          | -22          | -20          | <b>Investing cashflow</b>                                   | <b>-386</b> | <b>-827</b> | <b>-550</b>  | <b>-450</b>  | <b>-350</b>  |
| <b>Reported net profit</b>      | <b>162</b>   | <b>466</b>   | <b>580</b>   | <b>622</b>   | <b>562</b>   | Dividends paid  | -52         | -57         | -163         | -204         | -219         |
| Net Margin (%)                  | 6.1          | 7.4          | 11.7         | 12.8         | 12.1         | <b>Financing cashflow</b>                                   | <b>272</b>  | <b>37</b>   | <b>-409</b>  | <b>-267</b>  | <b>-404</b>  |
| Core NPAT                       | 162          | 466          | 580          | 622          | 562          | <b>Net change in cash</b>                                   | <b>105</b>  | <b>147</b>  | <b>-250</b>  | <b>0</b>     | <b>0</b>     |
| <b>Per share data</b>           | <b>2021</b>  | <b>2022</b>  | <b>2023E</b> | <b>2024E</b> | <b>2025E</b> | <b>FCF ex acquisitions &amp; explorn</b>                    | <b>-143</b> | <b>223</b>  | <b>159</b>   | <b>267</b>   | <b>404</b>   |
| Reported EPS (€)                | 1.19         | 3.42         | 4.27         | 4.58         | 4.13         |   |             |             |              |              |              |
| Core EPS (€)                    | 1.19         | 3.42         | 4.27         | 4.58         | 4.13         |   |             |             |              |              |              |
| DPS (€)                         | 0.42         | 1.20         | 1.50         | 1.61         | 1.45         |   |             |             |              |              |              |
| CFPS (€)                        | 1.58         | 6.90         | 5.22         | 5.27         | 5.54         |   |             |             |              |              |              |
| FCFPS (€)                       | -1.11        | 1.64         | 1.17         | 1.96         | 2.97         |   |             |             |              |              |              |
| BVPS (€)                        | 11.32        | 15.01        | 18.08        | 21.16        | 23.68        |   |             |             |              |              |              |
| Wtd avg ord shares (m)          | 136          | 136          | 136          | 136          | 136          |   |             |             |              |              |              |
| Wtd avg diluted shares (m)      | 136          | 136          | 136          | 136          | 136          |   |             |             |              |              |              |
| <b>Growth rates</b>             | <b>2021</b>  | <b>2022</b>  | <b>2023E</b> | <b>2024E</b> | <b>2025E</b> |   |             |             |              |              |              |
| Sales revenue (%)               | 40.3         | 136.7        | -21.5        | -1.9         | -4.8         |   |             |             |              |              |              |
| EBIT (Adj) (%)                  | 23.8         | 163.3        | 8.3          | 5.9          | -9.5         |   |             |             |              |              |              |
| Core NPAT (%)                   | 25.6         | 187.4        | 24.7         | 7.2          | -9.7         |   |             |             |              |              |              |
| Core EPS (%)                    | 30.4         | 187.4        | 24.7         | 7.2          | -9.7         |   |             |             |              |              |              |
| <b>Balance Sheet (€m)</b>       | <b>2021</b>  | <b>2022</b>  | <b>2023E</b> | <b>2024E</b> | <b>2025E</b> |   |             |             |              |              |              |
| Cash & cash equiv.              | 603          | 750          | 500          | 500          | 500          |   |             |             |              |              |              |
| Accounts receivables            | 1,353        | 2,400        | 1,719        | 1,687        | 1,606        |   |             |             |              |              |              |
| Inventory                       | 469          | 725          | 619          | 607          | 578          |   |             |             |              |              |              |
| Net fixed & other tangibles     | 1,549        | 2,166        | 2,611        | 2,946        | 3,171        |   |             |             |              |              |              |
| Goodwill & intangibles          | 446          | 438          | 438          | 438          | 438          |   |             |             |              |              |              |
| Financial & other assets        | 669          | 844          | 844          | 844          | 844          |   |             |             |              |              |              |
| <b>Total assets</b>             | <b>5,089</b> | <b>7,323</b> | <b>6,731</b> | <b>7,022</b> | <b>7,137</b> |   |             |             |              |              |              |
| Accounts payable                | 1,086        | 2,500        | 1,658        | 1,522        | 1,437        |   |             |             |              |              |              |
| Short-term debt                 | 82           | 85           | 94           | 103          | 112          |   |             |             |              |              |              |
| Long-term debt                  | 1,324        | 1,381        | 1,135        | 1,072        | 887          |   |             |             |              |              |              |
| Provisions & other liab         | 976          | 1,200        | 1,246        | 1,286        | 1,300        |   |             |             |              |              |              |
| <b>Total liabilities</b>        | <b>3,468</b> | <b>5,167</b> | <b>4,133</b> | <b>3,984</b> | <b>3,736</b> |   |             |             |              |              |              |
| Shareholders' equity            | 1,540        | 2,041        | 2,458        | 2,877        | 3,220        |   |             |             |              |              |              |
| Minority interests              | 81           | 115          | 140          | 161          | 181          |   |             |             |              |              |              |
| <b>Total equity</b>             | <b>1,621</b> | <b>2,156</b> | <b>2,598</b> | <b>3,038</b> | <b>3,401</b> |   |             |             |              |              |              |
| <b>Net debt (Adj)</b>           | <b>803</b>   | <b>716</b>   | <b>730</b>   | <b>676</b>   | <b>499</b>   |   |             |             |              |              |              |
| Net debt to equity (Adj) (%)    | 49.6         | 33.2         | 28.1         | 22.2         | 14.7         |   |             |             |              |              |              |

For definitions of the items in this table, please click [here](#).

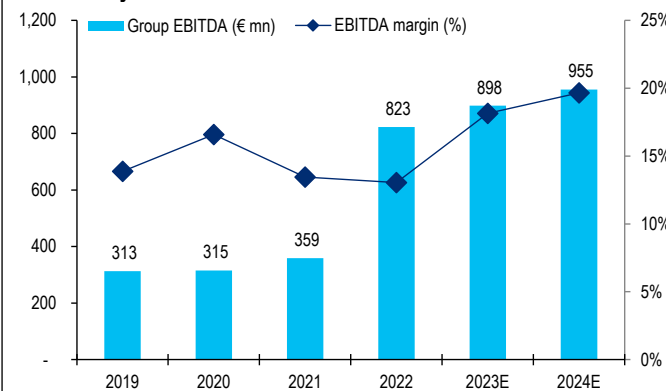
## Solid earnings likely to continue in 2023

We expect MYTIL will continue to deliver a solid set of earnings for 2023, which we see as a reflection of maturing of its integrated power-to-aluminium business model. While our expectations for headline EBITDA reflect moderation in y/y growth, the overall level of EBITDA at c900 million € remains solid.

We flag that earnings growth vs last year could be c50% if we were to compare the normalized earnings ie. taking out the impact of temporary market dislocation in gas & power prices and aluminum premiums. Therefore, we see the company making solid progress on sustainable earnings base of over 1 billion € in next 1-2 years, key catalysts coming through and full impact on earnings coming through next year.

We also highlight the improvement delivered by the company on free cash flow turning positive in 2022 supported by working capital release. However, our estimates have factored in small working capital build this year as the new CCGT comes on stream. Despite that, the company is likely to stay FCF positive, with potential upside from disposal of solar power plants in RSD businesses.

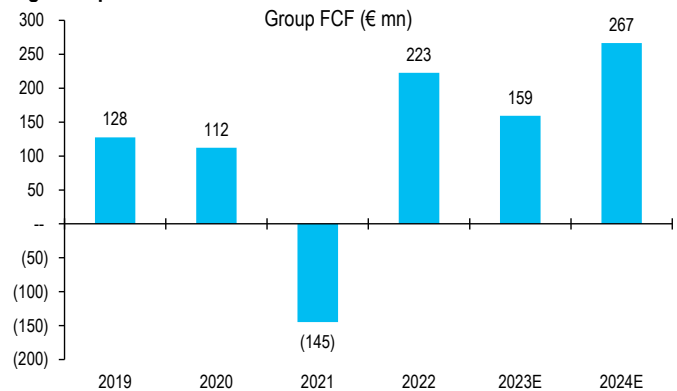
**Figure 1. MYTIL - our estimates are for earnings growth to stay strong in next two years**



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Source: Citi Research Estimates

**Figure 2. MYTIL – the company is likely to stay FCF positive despite higher capex**



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Source: Citi Research Estimates

## Solid aluminium earnings to despite weakness in spot prices

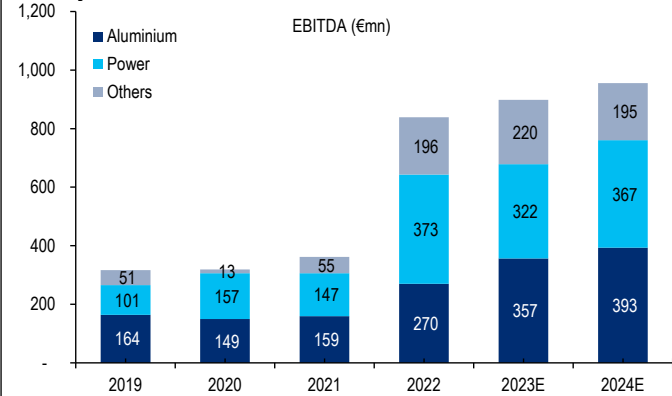
MYTIL's aluminium business is likely to operate with high margin visibility for 2023 as power costs remain stable, and at the same time, aluminium ASPs going up, offset somewhat by lower physical premiums. Our estimates at 357 million € EBITDA are higher than 270 million delivered by the company in 2022. We flag that our estimates remain conservative on its alumina business with spot prices currently higher than our 2023 estimates.

Following the supply disruption for Russian aluminium supplies in Europe, physical premiums for aluminium significantly increased in 2022 vs long run range. While issues around Russian supplies may take longer to resolve given international

sanctions in place, the peak of headwinds for aluminium supplies appears to be behind and are reflected in normalization of physical premiums from elevated levels.

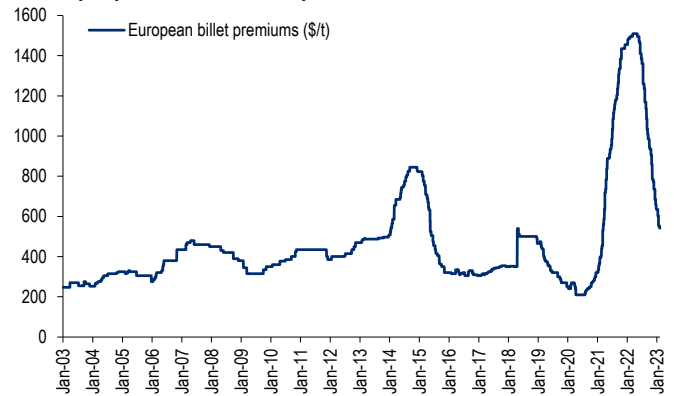
Similarly, following the normalization of spot power prices in Europe and resumption of Chinese production after the easing of lockdowns etc has led the aluminium prices to come down by 40% from the peak. Therefore, MYTIL's earnings going up in 2023 is significant in that context of weakness in LME aluminium prices.

**Figure 3. MYTIL – aluminium EBITDA for the group is likely to increase vs last year**



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Source: Citi Research Estimates, Bloomberg

**Figure 4. MYTIL – EBITDA increase is significant in the context of lower spot premiums and LME price**

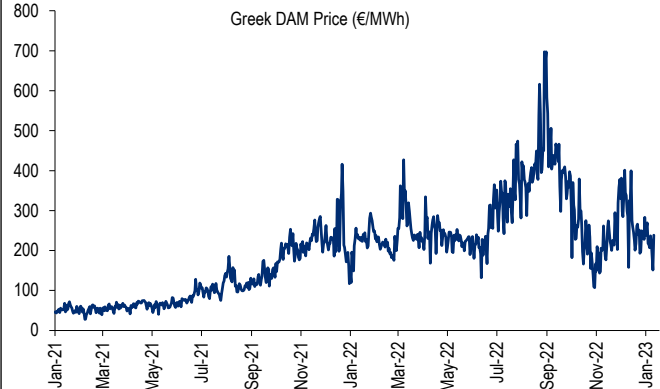


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Source: Citi Research Estimates, Bloomberg

## Spark spreads in Greece are staying elevated

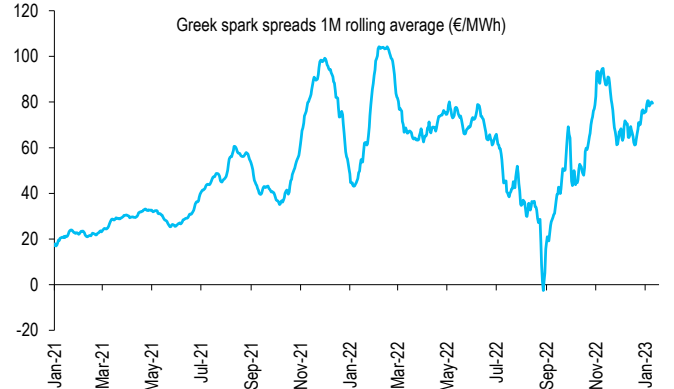
Power generation business for MYTIL is likely to see a significant boost from spot spark spreads staying elevated in 2023. MYTIL delivered strong earnings for its generation activity in 2022 driven by significantly higher spark spreads in Greece. However, our estimates have factored in a contraction in spreads from the elevated levels. This is offset by growth in power generation likely to come through from commissioning of new CCGT in Q1'23 and subsequent ramp up in 2023.

**Figure 5. MYTIL - Power prices in Greece have come off following the decline in gas prices**



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Source: Citi Research Estimates, Bloomberg

**Figure 6. MYTIL - however, spark spreads in Greece have recovered after a brief period of weakness**



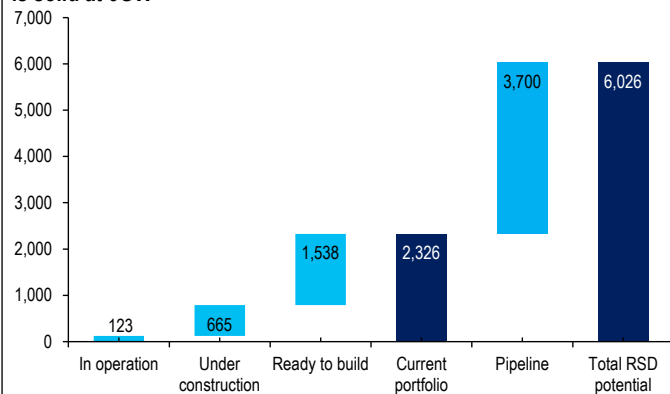
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Source: Citi Research Estimates, Bloomberg

## RSD business is on solid footing

MYTIL's exposure to aluminium and circular economy, volume growth in its Greek power business and rising share of renewable power therein are key underpinning factors for our thesis for significant earnings growth for the stock and consequently our Buy rating on the stock. However, its third-party renewable power business in RSD division has the potential of becoming the third major pillar of EBITDA and is currently not well appreciated by investors, in our view.

The company has 6GW pipeline for renewable capacities (mostly solar) in its RSD business, which is 4x the capacity, MYTIL has proposed to set up in its own power business in Greece. The current pipeline is big enough for the company to become a scalable player potentially delivering up to 1GW per annum renewable capacity in medium to long term. Pick up in execution of this pipeline is likely to be a key driver for revenue growth in RSD, while economies of scale should drive margins. We estimate that RSD business could get the company an EBITDA of up to 150 million € annually on a sustainable basis with current pipeline, implying 5x increase vs the average EBITDA of c20mn € over last three years.

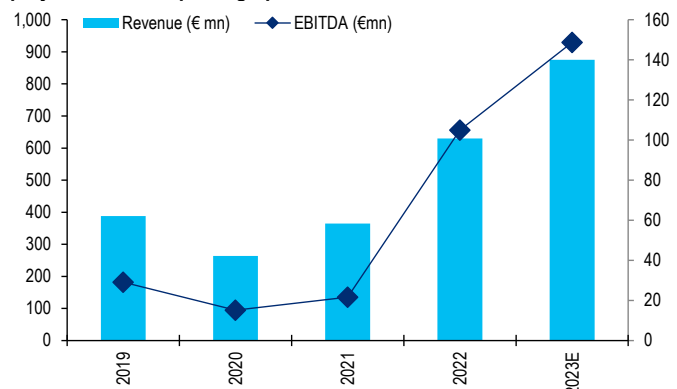
**Figure 7. MYTIL – project pipeline for solar power in its RSD business is solid at 6GW**



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Source: Citi Research Estimates

**Figure 8. MYTIL – RSD business has delivered strongly in 2022 with project execution picking up**



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Source: Citi Research Estimates

## Valuations are compelling vs history

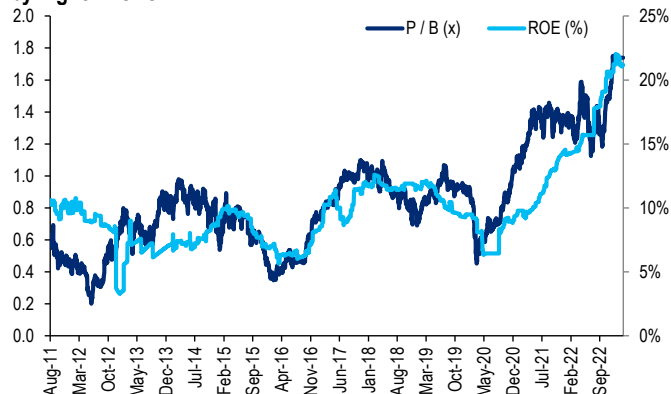
MYTIL is on track to deliver strong earnings for 2023 and beyond on our estimates, while balance sheet has improved significantly with net debt to EBITDA below 1x. In that context, valuations at 4.7x 2023E EBITDA are implying c25% discount vs its own trading average of 6.1x since 2020. We believe that consistent delivery on earnings is likely to be a catalyst for the stock to continue rerate. However, we flag that following the doubling of share prices from the trough in 2022, the stock could consolidate before the next leg higher. We remain buyers of the stock for sustained earnings performance and corresponding re-rating of the valuations.

**Figure 9. MYTIL – the stock is trading at a discount to its own historical average**



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Source: Citi Research, FactSet

**Figure 10. MYTIL – sharp re-rating on P/B multiple has been supported by higher ROEs**



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Source: Citi Research, FactSet

## Summary of changes to our estimates

We have updated our estimates with full year 2022 results and latest commodity price forecasts. Our EBITDA estimates for the stock are going up by 13-18% for 2023-2025, primarily driven by higher earnings in RSD business and power generations. We now expect the solar power plant execution to be over 1GW in 2023, which could help increase the EBITDA in the business to upto 150 million € for 2023 onwards (c50% higher vs earlier assumption). Moreover, power generation business has delivered better than expected spreads in Q4'22, which has led to revision of our assumptions for somewhat higher spreads vs earlier expectations for full year 2023. The impact from ramp up of power generation has driven upgrades for 2024 and 2025 as well. Positive earnings revision is the key driver for our DCF based price target to increase to 30 €/share from 26 €/share earlier. We reiterate our Buy rating on the stock.

**Figure 11. MYTIL – summary of changes to our estimates**

| Mytilineos        | Unit    | 2023 E |       |          | 2024 E |        |          | 2025 E |        |          |
|-------------------|---------|--------|-------|----------|--------|--------|----------|--------|--------|----------|
|                   |         | New    | Old   | % change | New    | Old    | % change | New    | Old    | % change |
| Alumina           | kt      | 524    | 524   | 0.0%     | 524    | 524    | 0.0%     | 524    | 524    | 0.0%     |
| Aluminium         | kt      | 250    | 255   | -2.0%    | 255    | 255    | 0.0%     | 260    | 255    | 2.0%     |
| Power generation  | GWh     | 6,872  | 9,904 | -30.6%   | 10,522 | 11,001 | -4.4%    | 11,439 | 11,853 | -3.5%    |
| Revenue           | € mn    | 4,952  | 5,008 | -1.1%    | 4,858  | 4,561  | 6.5%     | 4,626  | 4,137  | 11.8%    |
| EBITDA            | € mn    | 898    | 795   | 13.1%    | 955    | 842    | 13.5%    | 885    | 754    | 17.5%    |
| PBT               | € mn    | 756    | 637   | 18.7%    | 805    | 676    | 19.0%    | 727    | 595    | 22.2%    |
| EPS               | €/share | 4.27   | 3.61  | 18.1%    | 4.58   | 3.85   | 18.9%    | 4.13   | 3.38   | 22.1%    |
| Net debt / (cash) | € mn    | 730    | 971   | -24.9%   | 676    | 712    | -5.1%    | 499    | 328    | 52.4%    |

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Source: Citi Research Estimates

Figure 12. MYTIL - snapshot of our estimates

| Mytilineos Group – Snapshot (Year-end 31 Dec) |              |              |              |              |              | EUR : USD                     |              |            |            |            | 02-Mar-23  |             |
|---|--------------|--------------|--------------|--------------|--------------|-------------------------------|--------------|------------|------------|------------|------------|-------------|
| Share price (€/share)                         | 24.70        |              |              | Target price | 30.00        | 1.10                          |              |            |            |            |            |             |
| Market cap (US\$mn)                           | 3,694        |              |              | % to TP      | 21%          |                               |              |            |            |            |            |             |
| Income statement (€ mn)                       |              |              |              |              |              | Commodity prices              |              |            |            |            |            |             |
|   | Dec-21       | Dec-22       | Dec-23E      | Dec-24E      | Dec-25E      | Dec-21                        | Dec-22       | Dec-23E    | Dec-24E    | Dec-25E    |            |             |
| <b>Revenue</b>                                | <b>2,664</b> | <b>6,306</b> | <b>4,952</b> | <b>4,858</b> | <b>4,626</b> | Alumina (US\$/t)              | 330          | 362        | 338        | 350        | 350        |             |
| Costs   | (2,306)      | (5,483)      | (4,053)      | (3,902)      | (3,741)      | Aluminium (US\$/t)            | 2,474        | 2,707      | 2,638      | 3,000      | 2,750      |             |
| <b>Group EBITDA</b>                           | <b>359</b>   | <b>823</b>   | <b>898</b>   | <b>955</b>   | <b>885</b>   | European TTF gas (€/MWh)      | 40           | 117        | 60         | 54         | 45         |             |
| D & A   | (80)         | (90)         | (105)        | (115)        | (125)        | Production                    |              |            |            |            |            |             |
| <b>Group EBIT</b>                             | <b>278</b>   | <b>733</b>   | <b>793</b>   | <b>840</b>   | <b>760</b>   | Dec-21                        | Dec-22       | Dec-23E    | Dec-24E    | Dec-25E    |            |             |
| Others  | (5)          | (47)         | --           | --           | --           | Alumina (kt)                  | 871          | 861        | 875        | 875        | 875        |             |
| <b>Operating profit</b>                       | <b>273</b>   | <b>686</b>   | <b>793</b>   | <b>840</b>   | <b>760</b>   | Aluminium (kt)                | 235          | 237        | 250        | 255        | 260        |             |
| Net finance cost                              | (52)         | (50)         | (37)         | (35)         | (33)         | Thermal power (TWh)           | 3.82         | 3.54       | 5.86       | 8.78       | 9.02       |             |
| <b>Profit before tax</b>                      | <b>221</b>   | <b>636</b>   | <b>756</b>   | <b>805</b>   | <b>727</b>   | Renewable power (TWh)         | 0.54         | 0.54       | 0.70       | 0.80       | 0.83       |             |
| Taxation                                      | (41)         | (133)        | (151)        | (161)        | (145)        | Divisional EBITDA (€ mn)      |              |            |            |            |            |             |
| Minority interest                             | (18)         | (37)         | (25)         | (22)         | (20)         | Dec-21                        | Dec-22       | Dec-23E    | Dec-24E    | Dec-25E    |            |             |
| <b>Net income</b>                             | <b>162</b>   | <b>466</b>   | <b>580</b>   | <b>622</b>   | <b>562</b>   | Metallurgy                    | 159          | 270        | 357        | 393        | 332        |             |
| <b>Basic EPS (€)</b>                          | <b>1.19</b>  | <b>3.42</b>  | <b>4.27</b>  | <b>4.58</b>  | <b>4.13</b>  | Power & Gas                   | 147          | 373        | 322        | 367        | 369        |             |
| Diluted EPS (€)                               | 1.19         | 3.42         | 4.27         | 4.58         | 4.13         | Renewable & Storage           | 22           | 105        | 149        | 128        | 124        |             |
|   |              |              |              |              |              | Sustainable Engineering       | 33           | 91         | 71         | 68         | 60         |             |
|   |              |              |              |              |              | <b>Group EBITDA</b>           | <b>359</b>   | <b>823</b> | <b>898</b> | <b>955</b> | <b>885</b> |             |
|   |              |              |              |              |              | Aluminium (% of group)        | 44%          | 33%        | 40%        | 41%        | 37%        |             |
| Balance sheet (€ mn)                          |              |              |              |              |              | Valuation metrics             |              |            |            |            |            |             |
|   | Dec-21       | Dec-22       | Dec-23E      | Dec-24E      | Dec-25E      | Dec-21                        | Dec-22       | Dec-23E    | Dec-24E    | Dec-25E    |            |             |
| Cash  | 603          | 750          | 500          | 500          | 500          | Shares (avg. basic mn)        | 136          | 136        | 136        | 136        | 136        |             |
| Inventory & receivable                        | 1,822        | 3,125        | 2,338        | 2,294        | 2,185        | Shares (avg. diluted mn)      | 136          | 136        | 136        | 136        | 136        |             |
| Other current assets                          | 476          | 678          | 678          | 678          | 678          | P / E (x)                     | 14.4         | 4.9        | 6.4        | 5.9        | 6.6        |             |
| Property, plant & equipment                   | 1,429        | 1,999        | 2,444        | 2,779        | 3,004        | P / B (x)                     | 1.5          | 1.1        | 1.5        | 1.3        | 1.1        |             |
| Affiliates and joint ventures                 | 21           | 21           | 21           | 21           | 21           | EV / EBITDA (x)               | 7.2          | 3.7        | 4.7        | 4.4        | 4.7        |             |
| Other non-current assets                      | 739          | 749          | 749          | 749          | 749          | Net debt to EBITDA (x)        | 2.2          | 0.9        | 0.8        | 0.7        | 0.6        |             |
| <b>Total assets</b>                           | <b>5,089</b> | <b>7,323</b> | <b>6,731</b> | <b>7,022</b> | <b>7,137</b> | Gearing (ND/ND+E) (%)         | 34%          | 26%        | 23%        | 19%        | 13%        |             |
| Trade payables                                | 1,086        | 2,500        | 1,658        | 1,522        | 1,437        | FCF yield (%)                 | -7.3%        | 10.4%      | 4.7%       | 7.9%       | 12.0%      |             |
| Borrowings                                    | 1,355        | 1,411        | 1,174        | 1,120        | 944          | Dividend (€/share)            | 42.0         | 120.0      | 150.0      | 161.0      | 145.0      |             |
| Other liabilities                             | 1,027        | 1,256        | 1,301        | 1,341        | 1,356        | Dividend yield (%)            | 35%          | 35%        | 35%        | 35%        | 35%        |             |
| Shareholders' equity                          | 1,621        | 2,156        | 2,598        | 3,038        | 3,401        | EBITDA margin (%)             | 13%          | 13%        | 18%        | 20%        | 19%        |             |
| <b>Total liabilities &amp; equity</b>         | <b>5,089</b> | <b>7,323</b> | <b>6,731</b> | <b>7,022</b> | <b>7,137</b> | OP margin (%)                 | 10%          | 12%        | 16%        | 17%        | 16%        |             |
| <b>Net debt / (cash)</b>                      | <b>803</b>   | <b>716</b>   | <b>730</b>   | <b>676</b>   | <b>499</b>   | ROE (%)                       | 11%          | 23%        | 24%        | 22%        | 17%        |             |
|   |              |              |              |              |              | ROIC (%)                      | 10%          | 22%        | 20%        | 19%        | 17%        |             |
| Cash flow statement (€ mn)                    |              |              |              |              |              | Valuations                    |              |            |            |            |            |             |
|   | Dec-21       | Dec-22       | Dec-23E      | Dec-24E      | Dec-25E      | € mn                          |              |            |            |            | €/share    |             |
| <b>Profit after tax</b>                       | <b>181</b>   | <b>503</b>   | <b>605</b>   | <b>644</b>   | <b>582</b>   | Metallurgy                    | 2,149        |            |            |            |            | 15.8        |
| Depreciation                                  | 85           | 87           | 105          | 115          | 125          | Power & Gas                   | 1,917        |            |            |            |            | 14.1        |
| Income tax paid                               | (23)         | (76)         | (106)        | (121)        | (131)        | Renewable & Storage           | 496          |            |            |            |            | 3.6         |
| Working capital change                        | (82)         | 227          | (55)         | (92)         | 24           | Sustainable Engineering       | 362          |            |            |            |            | 2.7         |
| Other operating cash flow                     | 61           | 197          | 161          | 170          | 154          | <b>Group Enterprise Value</b> | <b>4,924</b> |            |            |            |            | <b>36.2</b> |
| <b>Operating cash flows</b>                   | <b>220</b>   | <b>938</b>   | <b>709</b>   | <b>717</b>   | <b>754</b>   | Pension & minority            | (127)        |            |            |            |            | (0.9)       |
| Capital expenditure                           | (380)        | (720)        | (550)        | (450)        | (350)        | Net debt                      | (716)        |            |            |            |            | (5.3)       |
| Others investing cash flow                    | (21)         | (112)        | --           | --           | --           | <b>Equity value, net</b>      | <b>4,081</b> |            |            |            |            | <b>30.0</b> |
| <b>Investing cash flows</b>                   | <b>(401)</b> | <b>(832)</b> | <b>(550)</b> | <b>(450)</b> | <b>(350)</b> |                               |              |            |            |            |            |             |
| Equity dividend                               | (52)         | (57)         | (163)        | (204)        | (219)        |                               |              |            |            |            |            |             |
| Minority dividend                             | --           | --           | --           | --           | --           |                               |              |            |            |            |            |             |
| Net borrowing proceeds                        | 356          | 42           | (246)        | (63)         | (185)        |                               |              |            |            |            |            |             |
| Others financing cash flow                    | (32)         | 51           | --           | --           | --           |                               |              |            |            |            |            |             |
| <b>Financing cash flows</b>                   | <b>272</b>   | <b>36</b>    | <b>(409)</b> | <b>(267)</b> | <b>(404)</b> |                               |              |            |            |            |            |             |
| <b>Increase in cash flow</b>                  | <b>92</b>    | <b>142</b>   | <b>(250)</b> | <b>--</b>    | <b>--</b>    |                               |              |            |            |            |            |             |
| <b>Free cash flow</b>                         | <b>(145)</b> | <b>223</b>   | <b>159</b>   | <b>267</b>   | <b>404</b>   |                               |              |            |            |            |            |             |

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Source: Citi Research Estimates



# Bull/Bear: Mytilineos SA (MYTr.AT)

## Bull/Bear: Mytilineos SA (MYTr.AT)

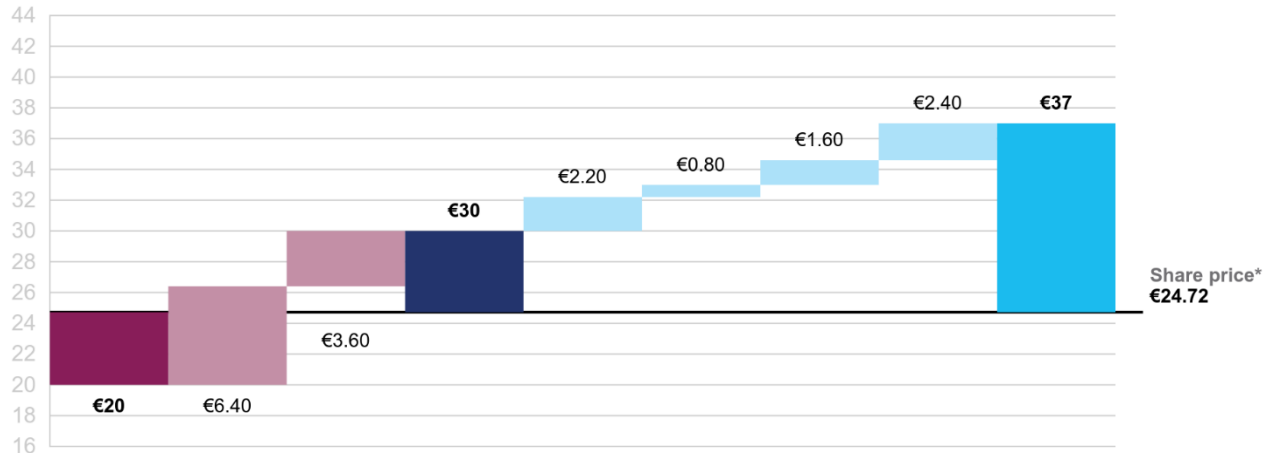


€30 target price

Buy rating

21% expected share price return

69pp Bull/Bear Spread



-15% metal prices

Lower power volumes

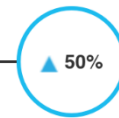


Renewable portfolio in RSD

Alumina de - bottleneck

EPC margin upside

+10% metal prices



Share price\*  
€24.72

Source: Citi Research

\*Share price as of 2 Mar 2023 13:44



€37

- Renewable capacity execution in the RSD business
- Alumina capacity increase to 1.1mt through de-bottlenecking
- Higher margins in EPC business and higher commodity prices



€30

- Estimates are based on Citi house forecasts for aluminium and alumina.
- Aluminium production at 180kt, recycling aluminium at 60kt, alumina at 850kt
- Commissioning of 0.8GW power plant in 2022 and ramp up in 2023



€20

- Delay in ramp up of the plant and decline in power production in Greece
- Lower commodity prices



# Mytilineos SA

## Company description

Mytilineos is a diversified Industrial Group listed in Athens: 1) Largest fully integrated producer of aluminium in Europe through 100%-owned Aluminium of Greece SA; 2) Power in Greece, with 2.4GW installed capacity, mostly thermal capacity, but also renewables; and 3) Engineering, procurement and construction (EPC), mainly of power plants in MENA, through 100%-held METKA.

## Investment strategy

We rate Mytilineos 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 1.5GW solar power capacity target.

## Valuation

We arrive at a DCF-based valuation for Aluminium, Energy and EPC business using a WACC of 10%, terminal growth of 1%. To this, we add the value of its stake in associates and JVs at a discount to book value. From the resulting valuation, we deduct pension liabilities, net debt and minorities to arrive at our target price of 30 €/share.

## 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 METKA's end-markets could impact METKA sales and new orders; 4) METKA revenues are also lumpy, with profits exposed to project delays. 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

### ANALYST CERTIFICATION

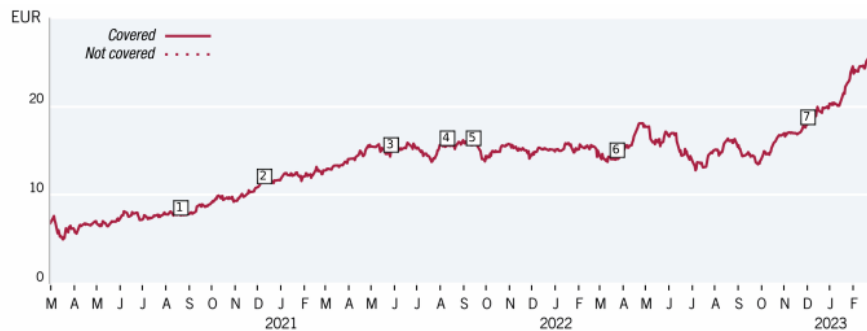
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### IMPORTANT DISCLOSURES

#### Mytilineos SA (MYTr.AT)

Ratings and Target Price History  
Fundamental Research

Analyst: Krishan M Agarwal



| Date                 | Rating | Target Price | Closing Price |
|----------------------|--------|--------------|---------------|
| 1 19-Aug-20 00:30:00 | 1      | *10.00       | 7.74          |
| 2 09-Dec-20 00:00:00 | 1      | *13.50       | 11.40         |
| 3 26-May-21 00:00:00 | 1      | *20.00       | 14.90         |
| 4 09-Aug-21 13:00:00 | 1      | *21.00       | 15.58         |
| 5 13-Sep-21 00:00:09 | 1      | *21.50       | 15.66         |
| 6 23-Mar-22 01:00:00 | 1      | *22.00       | 14.24         |
| 7 02-Dec-22 08:40:30 | 1      | *26.00       | 18.00         |

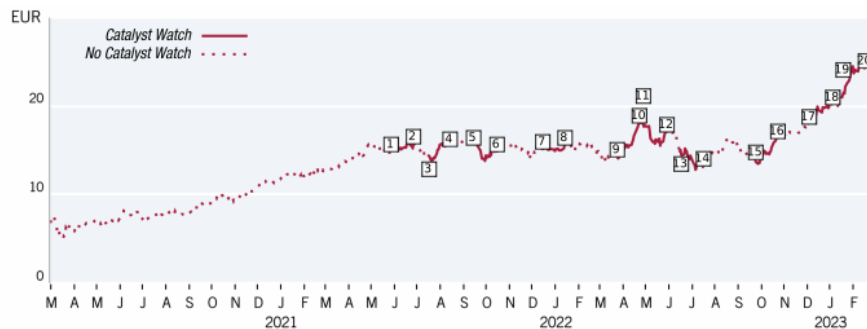
\*Indicates Change

Rating/target price changes above reflect Eastern Time

#### Mytilineos SA (MYTr.AT)

Catalyst Watch Research

Analyst: Krishan M Agarwal



| Date                  | Expected Direction | Duration | Action | Closing Price |
|-----------------------|--------------------|----------|--------|---------------|
| 1 26-May-21 00:00:00  | Upside             | 30 Days  | Open   | 14.90         |
| 2 25-Jun-21 10:24:00  | Upside             | 30 Days  | Close  | 15.80         |
| 3 15-Jul-21 00:00:00  | Upside             | 30 Days  | Open   | 14.40         |
| 4 14-Aug-21 10:25:14  | Upside             | 30 Days  | Close  | 15.55         |
| 5 13-Sep-21 00:00:09  | Upside             | 30 Days  | Open   | 15.66         |
| 6 13-Oct-21 10:23:29  | Upside             | 30 Days  | Close  | 14.94         |
| 7 13-Dec-21 00:00:30  | Upside             | 30 Days  | Open   | 15.15         |
| 8 12-Jan-22 10:30:53  | Upside             | 30 Days  | Close  | 15.65         |
| 9 23-Mar-22 01:00:00  | Upside             | 30 Days  | Open   | 14.24         |
| 10 22-Apr-22 10:24:22 | Upside             | 30 Days  | Close  | 18.08         |
| 11 26-Apr-22 14:13:54 | Upside             | 30 Days  | Open   | 18.09         |
| 12 26-May-22 10:28:10 | Upside             | 30 Days  | Close  | 17.14         |
| 13 14-Jun-22 00:00:00 | Upside             | 30 Days  | Open   | 14.89         |
| 14 14-Jul-22 10:33:36 | Upside             | 30 Days  | Close  | 13.30         |
| 15 22-Sep-22 00:00:00 | Upside             | 30 Days  | Open   | 14.08         |
| 16 22-Oct-22 10:33:02 | Upside             | 30 Days  | Close  | 16.40         |
| 17 02-Dec-22 08:40:30 | Upside             | 30 Days  | Open   | 18.00         |
| 18 02-Jan-23 15:37:55 | Upside             | 30 Days  | Close  | 20.18         |
| 19 16-Jan-23 14:21:21 | Upside             | 30 Days  | Open   | 21.08         |
| 20 15-Feb-23 10:27:08 | Upside             | 30 Days  | Close  | 24.30         |

Rating/target price changes above reflect Eastern Time

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|--|-----------------|------|------|----------------|------|------|
|  | Buy             | Hold | Sell | Buy            | Hold | Sell |
| Citi Research Global Fundamental Coverage (Neutral=Hold)                   | 57%             | 33%  | 9%   | 29%            | 59%  | 12%  |
| % of companies in each rating category that are investment banking clients | 60%             | 65%  | 52%  | 68%            | 57%  | 65%  |

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Amit Lahoti; Shashi Shekhar, CFA

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