EDISON

Mytilineos

Power & gas, the growth engine of Mytilineos

H1 preview and focus on power & gas

General industrials

We expect H119 results to show strong EBITDA growth for the group (up 23% y-o-y), with the power & gas business a key driver (EBITDA up almost three times y-o-y). We see several growth opportunities in the Greek power and gas market for Mytilineos and the election results may accelerate its growth plans. Furthermore, we believe the recently announced construction of a new power plant is likely to achieve high returns and drive further growth. Despite the recent re-rating, the stock remains attractively priced, offering 12–14% pa free cash flow yield in FY19–22e.

Year end	EBITDA* (€m)	Net income* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/17	299	143	1.02	0.32	11.0	2.8
12/18	290	137	1.01	0.36	11.7	3.2
12/19e	360	207	1.43	0.50	7.8	4.4
12/20e	346	198	1.38	0.48	8.1	4.3

Note: *EBITDA, net income and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Strong competitive positioning and structural growth

Power & gas represents a growing proportion of the group's earnings (26% of FY19e EBITDA) and we believe is well positioned to grow in the Greek market. The low-cost, low-carbon generation fleet, efficiency of the plants and the ability to source gas at attractive terms positions Mytilineos's gas-fired plants at the low end of the thermal plant cost curve. We expect the market to increasingly focus on Mytilineos's leading role in the Greek gas market (it imports >30% of the country's gas) and its ability to import LNG at attractive prices without being locked in expensive oil-indexed contracts. In addition, we believe the evolving energy policy following recent elections may provide Mytilineos with more room for growth in electricity supply and power generation (lignite closures would push volumes and margins up for Mytilineos). In the medium term, the announced construction of a new gas-fired plant would drive significant growth and attractive returns (19% IRR).

Strong power & gas key driver for the group's H1

Following weak FY18 results for Mytilineos's power generation business (due to mild weather and high hydro volumes), we expect power & gas EBITDA to grow 293% y-o-y to €48m in H119, driving 23% y-o-y growth for the group to €178m. Growth for the division is supported by increasing power demand in Greece (+3.9% January to May 2019), increasing market share for Mytilineos in both power generation and supply, and higher margins (spark spreads up, thanks to lower gas costs and higher carbon). Our full year forecasts are broadly unchanged.

Valuation: More room for a re-rating

Mytilineos's stock performed well in H119 (+39%), helped by a large country risk reduction (the Greek-German 10-year bond yield spread reduced by 45% in H1). However, valuation metrics appear undemanding with an FY19e P/E of 7.8x and EV/EBITDA of 5.6x, at a large discount to EU diversified industrial groups. The free cash flow yield of 12–14% pa in FY19–22e remains an attraction. Our unchanged SOTP value of €12.3/share does not include the value of the new CCGT project (we preliminary estimate NPV of €1.9/share or +16% to our valuation).

22 July 2019

Price	**€11.26**
Market cap	**€1,609m**

Net debt (€m) at 31 December 2018	390
Shares in issue	142.9m
Free float	73.4%
Code	MYTI
Primary exchange	ASE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	13.2	17.2	28.5
Rel (local)	10.1	5.1	13.6
52-week high/low		€11.3	€6.7

Business description

Mytilineos operates three main businesses: metallurgy (aluminium/alumina production), power & gas (power production/supply and gas trading) and large-scale infrastructure EPC. The company operates in 29 countries across Europe, the Middle East and Africa and has a workforce of 2,700 employees.

Next events

H1 results	12 September 2019
Nine-month trading update	30 October 2019

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Edison profile page

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Power & gas is key driver of 2019 EBITDA growth

We expect the power & gas business to recover strongly in 2019 and forecast that its expansion will be a key driver of growth. Mytilineos will report H1 results on 12 September 2019. We forecast EBITDA for the business to grow almost three times in H119, thanks to higher volumes and margins, and driving most of the 23% H1 group EBITDA y-o-y growth. In this note, we focus on the drivers of the strong competitive position of this business, which represents a growing proportion of the company's earnings, as well as the trends supporting its growth outlook, especially in light of the evolving energy policy in Greece following the recent elections. In particular we see Mytilineos's leading role in the Greek gas market as a key driver of the position of the company's gas plants at the bottom end of the thermal cost curve – we expect H1 results to confirm that gas sourcing at attractive terms is boosting power generation's profitability. Furthermore, we estimate the recently announced construction of a new 826MW combined cycle gas turbine (CCGT) (24% larger than previously expected) will generate a project IRR of 19% (base case) and will add €60m/year to our EBITDA forecasts and €29m to our net income forecasts for the group. We estimate the value created by the project (not included in our base case valuation of €12.3/share) at €1.9/share or 16% of the base-case valuation. We expect the project to receive the remaining formal authorisations in the next few months at which point we will include it in our forecasts. Our FY19 and FY20 forecasts are therefore broadly unchanged.

Exhibit 1: Power & gas represent 26% of FY19e group EBITDA

EBITDA adjusted (€m)	2017	2018	2019e	2020e	2021e	2022e
Metallurgy	124	166	182	157	164	165
Power & gas	75	64	95	101	111	122
EPC & Infrastructure	89	55	83	88	93	98
Others	11	5	0	0	0	0
Total	**299**	**290**	**360**	**346**	**369**	**385**
% y-o-y growth		*(3%)*	*24%*	*(4%)*	*7%*	*5%*

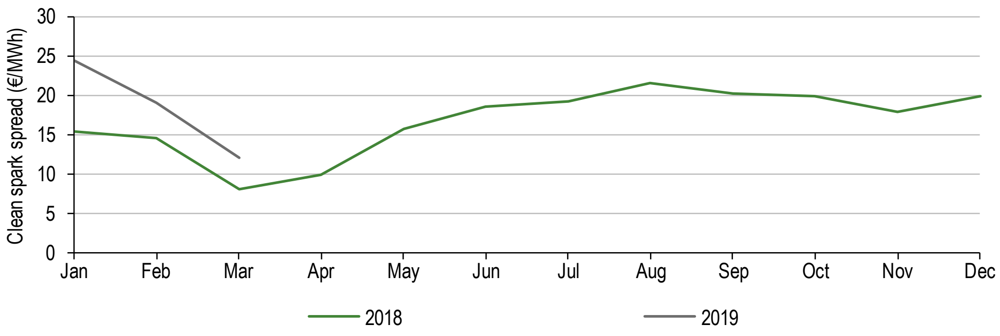
Source: Company data, Edison Investment Research

Power & gas to drive strong H1 growth for the group

Following a weak FY18 result for Mytilineos's power generation business (due to mild weather and high hydro volumes in Greece), we expect strong recovery to be the key driver for the group's EBITDA growth. We introduce H119 estimates and forecast EBITDA for power & gas to grow 293% y-o-y to €48m (vs €12m in H118), driving 23% y-o-y growth for the group to €178m. Our forecasts are based on the following points:

- **Greek power demand recovered strongly,** with consumption in the five months from January to May up 3.9% y-o-y, according to the system operator IPTO.
- **Higher spark spreads:** the decline of gas prices and the increase in carbon prices in H119 have reduced the production costs for gas-fired plants, but increased the costs for lignite plants in Greece. As a result, the profit margins for Greek gas plants have increased and the margins for lignite plants have decreased. Importantly, the ability of Mytilineos to source gas at increasing discounts to Greek wholesale levels has allowed the company to position its plants at the low end of the cost curve (Exhibit 5).

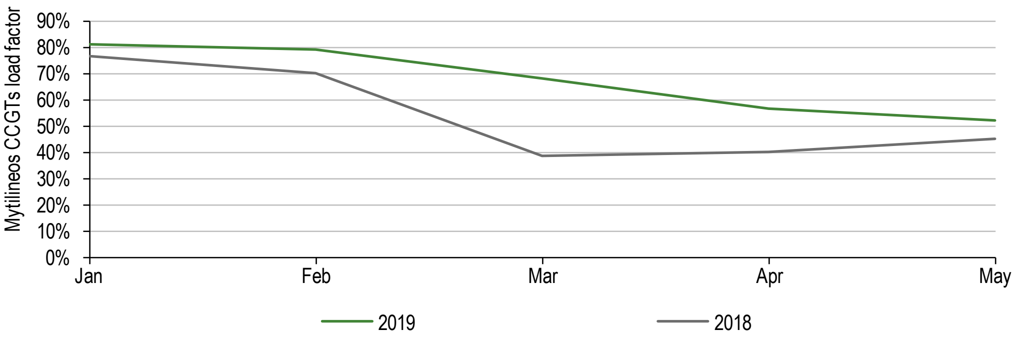
Exhibit 2: Mytilineos's profit margins for gas-fired power plants on the rise



Source: Edison Investment Research based on company data

- **Higher volumes:** based on data from grid company IPTO, we calculate that thermal power production for Mytilineos continued to grow strongly, up 24.7% y-o-y to 2.15TWh in the five months from January to May (+23.4% y-o-y in Q118).

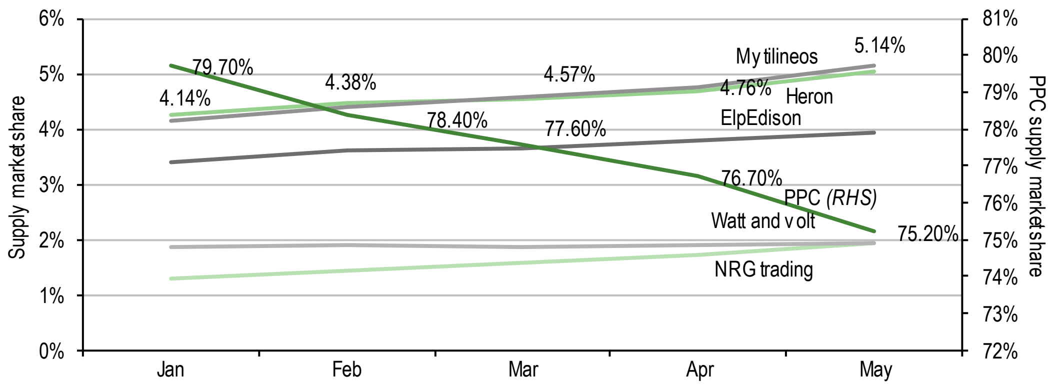
Exhibit 3: Load factors for Mytilineos's CCGT plants



Source: IPTO, Edison Investment Research. Note: CCGT = combined cycle gas turbine.

- **Higher electricity supply market share:** the market share of Mytilineos in the supply business continues to grow significantly as state-owned PPC loses ground (Exhibit 4).

Exhibit 4: Greek electricity suppliers' market share



Source: IPTO

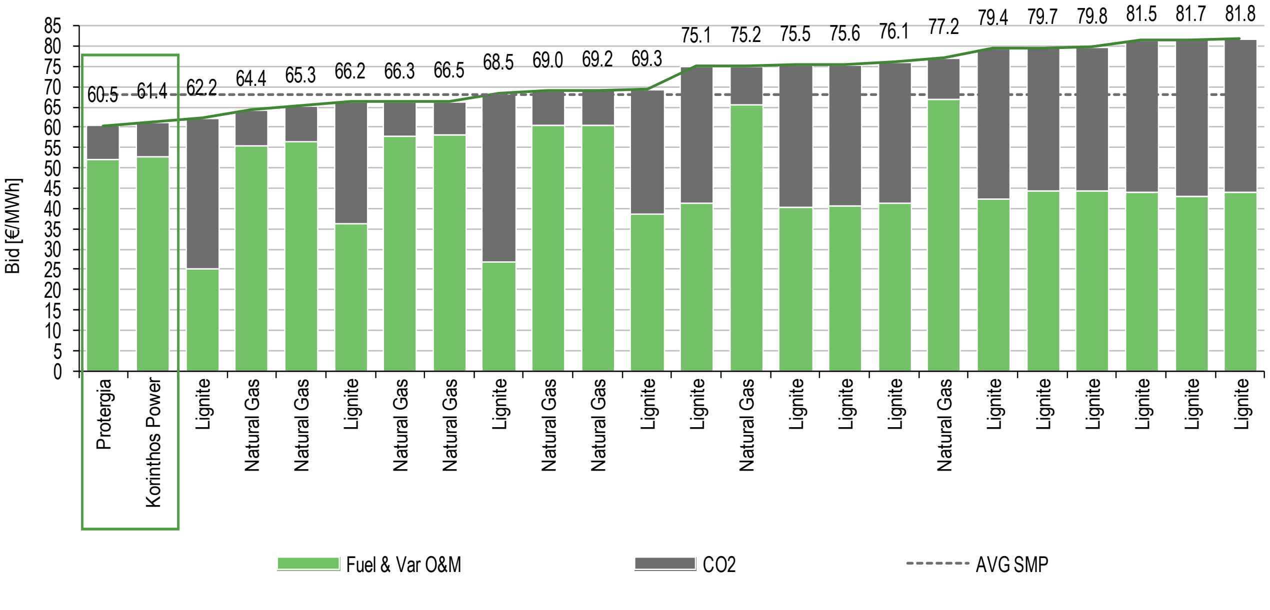
Strong competitive positioning in Greek energy market

We believe Mytilineos's power & gas business is well positioned to capture growth opportunities in the Greek market. We highlight what we believe are the key strengths of its competitive positioning:

- **Mytilineos has a track record of sourcing gas internationally at a discount to wholesale prices.** Mytilineos is one of the largest Greek gas players, importing over 30% of Greek gas (1.3bcm via pipeline and LNG in 2018) with both long-term contracts and spot purchases. In particular, we believe the active company presence on the LNG market should allow it to capture short-term trading opportunities in increasingly volatile European gas markets. The Greek gas market is still dominated by Russian oil-indexed gas and wholesale prices are generally at a premium to most other European countries. In the long term, plans for the transformation of Greece into a gas hub (which would help reduce Europe's dependency on Russia's gas supply) would provide additional business opportunities for Mytilineos, which already is a leading player in the market.
- **Mytilineos owns and operates relatively low-cost gas plants in a market dominated by old and expensive coal plants.** It is the second largest power producer in Greece, behind state-owned PPC. Mytilineos owns two CCGT plants (total consolidated capacity of 881MW, of which Mytilineos's share is 728MW), a 334MW CHP plant, which supplies steam to the metallurgy business, and a significant wind portfolio (210MW including 35MW coming on stream by the end of 2019). In addition, the company announced the intention to commission a new 826MW CCGT plant by the end of 2021.
- **Mytilineos's gas-fired power plants have high efficiency** (c 58% efficiency for the two existing CCGTs, which is the highest in the country at present according to Mytilineos). The new CCGT will have a thermal efficiency of 63%, the highest in Europe.

We believe the low cost of the gas utilised, efficiency of the plants and low emissions vs lignite plants are the key drivers of the position of Mytilineos's plants at the low end of the cost curve for Greek power generators.

Exhibit 5: Cost curve for Greek thermal power generators in Q119



Source: Company data. Note: Protergia is 100% owned by Mytilineos while Korinthos Power is 65%-owned. AVG SMP: Average system marginal price.

Evolving energy policy post elections

On 7 July, the centre-right New Democracy party won the Greek general elections and achieved an absolute majority in the parliament with 158 seats (out of a total of 300). We believe recent comments by new Prime Minister Kyriakos Mitsotakis suggest that one of the key priorities of the new government will be energy policy and the role of state-owned power incumbent PPC. We believe this may have significant positive implications for Mytilineos's power business as a result of the changes in the competitive landscape. Currently, the key challenges for PPC are the unfavourable economics of its lignite-fired power plants as a result of the large increase in the price of carbon emissions, as well as a large amount of overdue receivables (€2.4bn at the end of FY18). PPC posted a 45% y-o-y reduction in EBITDA in FY18 and a €542m net loss. In the 2018 annual report PPC's certified auditor Ernst & Young raised concerns about sustainability of the company's operations ('existence of a material uncertainty, which may cast significant doubt on the company's and the group's ability to continue its operations as a going concern'). The negative trend for PPC continued in the first quarter of 2019, with an EBITDA loss of €51m (vs +€157m in Q118) and a net loss of €205m (vs €13m net loss in Q118).

Ahead of the elections, New Democracy submitted a proposal to the EU Commission about how it would deal with PPC's financial situation if it won. New Democracy proposed a three-stage rescue plan for PPC focused on cost cutting (including job cuts), receivables recovery, sale of hydro/lignite assets to third parties, reducing PPC's market share to below 50% and, eventually, the entry of a strategic partner (see Energypress.eu, 24 June 2019). While it is too early to take a view on the new government's ability to implement drastic changes (previous governments have resisted plant closures in order to safeguard employment), we believe the new political landscape increases the likelihood that market-based solutions are adopted. If this is the case, there are two areas where we believe Mytilineos could significantly benefit:

1. A reduction of PPC supply market share to below 50% (as previously agreed by the Greek government with the EU) would provide significant room for growth for Mytilineos's supply business.
2. If loss-making lignite plants were closed, we see potential for both a power price effect (a tighter market would push power prices/spreads up) and a volume benefit for Mytilineos (higher load factors for gas plants). In the longer term a smaller lignite fleet would require new investments in modern thermal plants as well as renewables, which Mytilineos is well positioned to implement, from both a financial and technical point of view.

We believe the new Greek government will need to tackle energy policy issues early on its mandate, so the coming quarters may provide significant catalysts for Mytilineos.

Structural growth for Mytilineos's gas plants

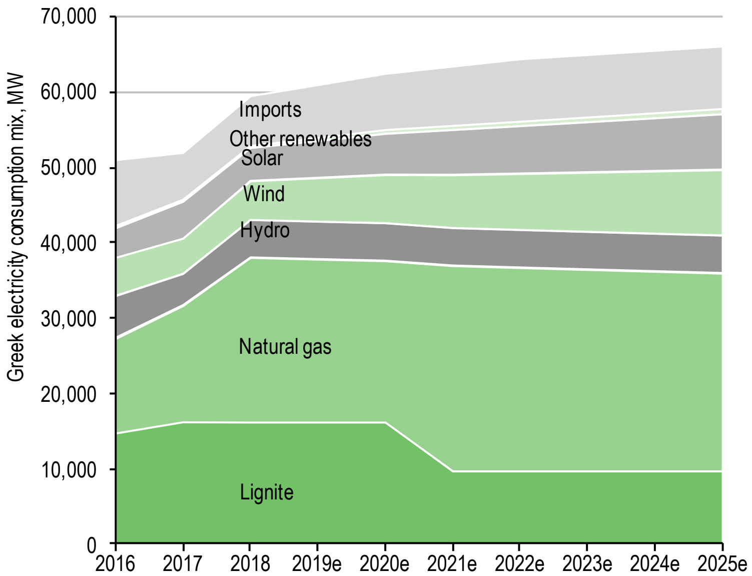
Lignite plants face significant regulatory and economic challenges

Lignite plants in Greece have a capacity of 3.9GW, producing 16TWh and representing c 30% of Greek power generation (FY18). These are old plants (mostly built in the 1970–80s) with high carbon emissions (responsible for >30% of total Greek carbon emissions, according to WWF) and face significant regulatory and economic challenges:

- EU directives (the Large Combustion Plant and Industrial Emissions directives) place significant restrictions on the operation of lignite plants although the Greek government (a majority shareholder in PPC) has so far resisted plant closures in order to safeguard employment.

- Plants face unfavourable economics as the cost of carbon emissions rises (Exhibit 9) and as Greek lignite is very low-quality (hence much more expensive) compared to the rest of Europe. Lignite plants are already generally more expensive than gas plants, as shown in Exhibits 5, 10 and 11.

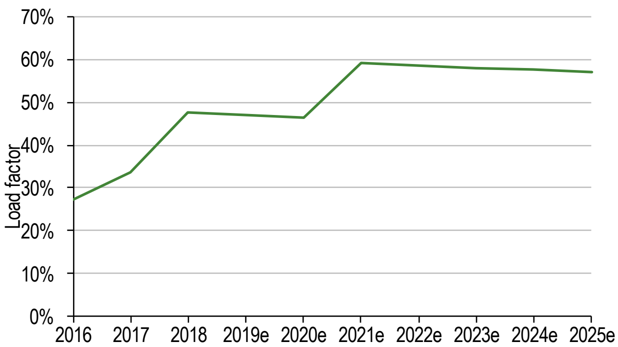
Exhibit 6: Share of Greek lignite in country's electricity mix likely to fall



Source: IPTO, Edison Investment Research

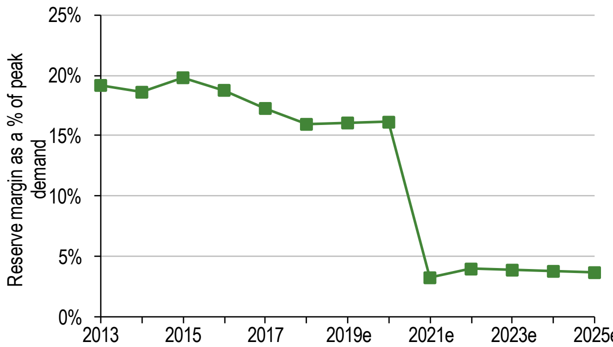
PPC has announced the closure of 1,212MW of lignite capacity by 2021 amid challenging market and regulatory conditions, and environmental concerns. In addition, the Amyntaio power plant (330MW) is likely to close due to environmental restrictions (it is already operating in breach of EU regulations as of 2019). Were these plants to close, assuming no new thermal capacity comes on line and even assuming a large pick-up in renewable investments, our Greek power market model indicates a significant reduction in power reserve margins (ie the difference between the available capacity of the plants and the peak demand of the system), indicating a situation of undersupply and the need for a large increase in gas plant utilisation (see Exhibits 7 and 8).

Exhibit 7: Load factor for Greek gas plants



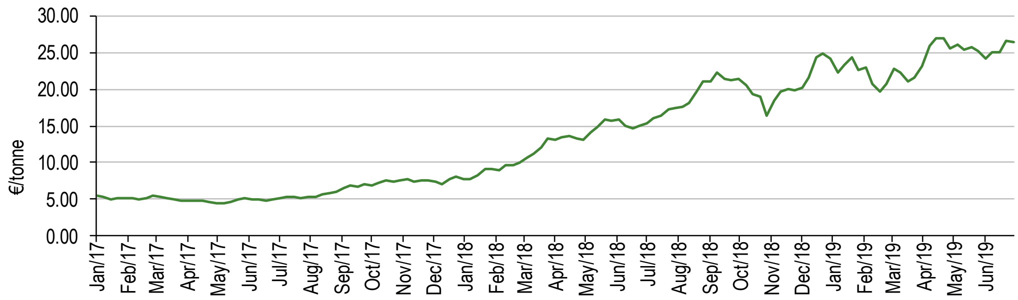
Source: IPTO, Edison Investment Research. Note: Based on existing installed capacity.

Exhibit 8: Greek electricity reserve margins



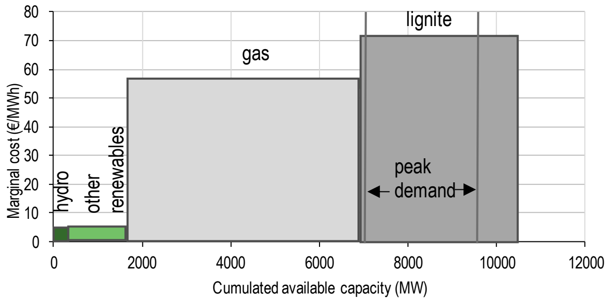
Source: IPTO, Edison Investment Research

Exhibit 9: EU ETS carbon price growth puts pressure on lignite plants' profitability



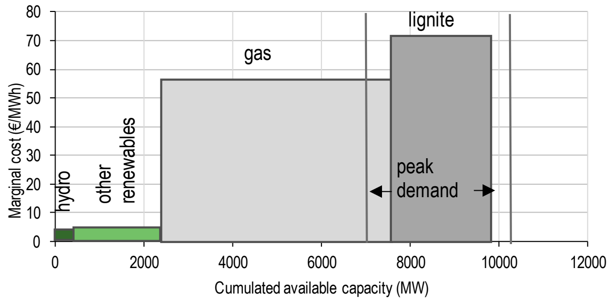
Source: Refinitiv

Exhibit 10: Greek power generation merit order, 2019e



Source: Edison Investment Research

Exhibit 11: Greek power generation merit order, 2025e



Source: Edison Investment Research

New CCGT investment makes strategic and economic sense

On 17 July 2019, Mytilineos announced that it will start the construction of a new 826MW CCGT plant (24% larger than initially planned) in Aghios Nikolaos, in the Voiotia region of Central Greece. The plant will be equipped with a GE H-class gas turbine with a thermal efficiency of 63%, the highest in Europe, and the total investment is expected to be €300m. The construction is expected to start in Q4 of 2019, provided a construction licence is granted, and should be commissioned by Q4 of 2021.

Because of the favourable environment for gas plants in Greece, we view the announcement positively, as this plant would likely achieve high load factors (the company expects to run it at a baseload level, ie throughout the year without many interruptions) and increasing spreads as the market tightens.

In our base case (70% load factor, €14/MWh achieved clean spark spread) we estimate a 19% project IRR for Mytilineos's CCGT plant project and annual contributions of €60m to group EBITDA and €29m to net income (16/12% of 2022e group EBITDA/net income). Based on the same assumptions we preliminarily estimate an NPV for the project of €274m or €1.9/share (16% of our valuation of €12.3/share). We provide a project IRR sensitivity to higher and lower load factors and achieved spreads in Exhibit 12.

Exhibit 12: Project IRR sensitivity for new 826MW CCGT

		Load factor				
		55%	**65%**	**70%**	**75%**	**80%**
Achieved clean spark spread	10	8%	11%	**12%**	13%	15%
	12	11%	14%	**16%**	17%	19%
	14	**14%**	**17%**	**19%**	**21%**	**23%**
	16	17%	21%	**23%**	26%	28%
	18	20%	25%	**27%**	30%	33%

Source: Edison Investment Research. Note: Assuming a €300 investment and a €15m/year flexibility payment.

Greek renewable investment plan offers growth opportunities

In 2018, the previous Greek government launched a large renewable investment plan, which targets wind and solar additions for a total capacity of 2.6GW (equivalent to c 15% of the country's current total installed capacity and c 50% of current renewable capacity) requiring investment of €2.5–3.0bn. The projects are assigned through tender auctions in the period 2018–20 (300MW/year for both wind and solar and two 400MW technology-neutral auctions where wind and solar compete against each other). The first auction was carried out in July 2018 (average price €70/MWh) and the second one in December 2018 (€59/MWh). It is unclear at this stage how the new government will deal with this renewables plan, but we believe renewable investments are a key part of the solution to Greece's energy challenges. We see significant renewable investment opportunities for Mytilineos, although we recognise that historically renewable projects were subject to significant delays as a result of a complex authorisation process. As an indication of profit potential, an extra 100MW in the period 2018–20 would generate an additional c €10m/year EBITDA and a project IRR of 9%, on our estimates.

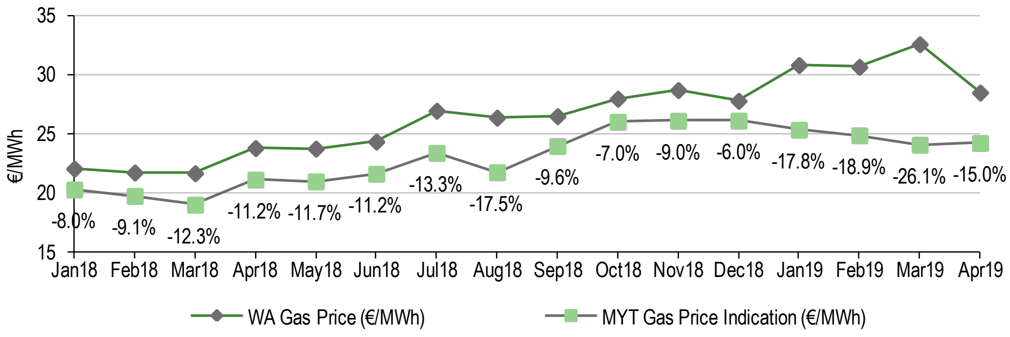
Gas procurement as a key competitive advantage

As shown in Exhibit 13, Mytilineos has built a track record of sourcing gas internationally at prices at a discount to Greek wholesale levels. We identify the following drivers:

- Mytilineos is one of the largest Greek gas players, importing >30% of Greek gas (1.3bcm via pipeline and LNG in 2018), with both long-term contracts and spot purchases. Its strong presence on the market allows it to capture short-term trading opportunities. The ability to consume large quantities of gas relatively quickly (thanks to CCGTs often running baseload, together with a high and stable consumption profile for the CHP plant used for the alumina refinery) allows the company to import significant gas quantities (the Revithoussa LNG terminal has strict storage time constraints for gas imported at the terminal).
- Mytilineos has not locked itself into (currently expensive) long-term oil-indexed gas import contracts, but maintains large exposure to (currently lower) spot gas prices. We believe this is a good position for the company as, in our view, the current situation of global LNG oversupply could persist for years if Asian countries do not increase demand quickly enough to absorb all the new supply from Australia and the US. The Greek gas market is still dominated by expensive Russian oil-indexed gas and wholesale prices are generally at a premium to most other European countries. The ability to import cheaper spot gas has material implications for gas-fired power plant profitability, in our view.
- Long-term plans for the transformation of Greece into a gas hub as part of the efforts to reduce the EU's reliance on Russian gas would provide additional business opportunities for Mytilineos. The ongoing construction of the TAP pipeline will significantly increase gas imports into Greece, bringing an additional 1bcm to the country (start of TAP operations is scheduled for 2020). Longer term (likely not before 2025), the announced plan for the construction of the

$7bn Israel-Cyprus-Greece-Italy pipeline, which has a planned capacity of 20bcm/year, would confirm the role of Greece as a key access point for gas for the EU.

Exhibit 13: Mytilineos's gas price vs Greek gas price



Source: Company data

Forecasts overview: 18% EBITDA CAGR for power

In Exhibit 14 we provide an overview of the forecasts for the power & gas business. Our forecasts are broadly unchanged (higher assumed volumes and spreads for the existing plants are offset by lower assumed flexibility payments; group FY19–22 EBITDA changes by less than 1%). We assume a moderate expansion in margins (all-in clean spark spread, including plant restart payments, of around €10/MWh in 2019, growing to €12/MWh in 2022) and a gradual increase in gas plant load factors (as the market tightens), additional remuneration to compensate plants for providing flexibility to the market (a permanent mechanism is under evaluation by the EU, we assume €15m/year) and 30MW/year wind additions.

Overall, we expect an 18% EBITDA CAGR in 2018–22e, excluding the contribution from the new CCGT plant. We view our forecasts for the power & gas business as conservative because, although we have included a gradual increase in margins and load factors, we have not included the full impact of the lignite closures (large increase in spreads and gas-fired production), due to current uncertainty on the timing of the shutdowns. As a sensitivity, we estimate that a ±€5/MWh change in spreads would increase or decrease EBITDA by 6%.

Exhibit 14: Overview of key forecasts for Mytilineos's power generation business

		2018	2019e	2020e	2021e	2022e	2023e
Gas installed capacity	MW	881	881	881	881	881	881
Wind installed capacity	MW	176	211	241	271	301	331
Total installed capacity	MW	1,057	1,092	1,122	1,152	1,182	1,212
Gas production	TWh	3.7	4.4	4.5	4.6	5.0	5.0
Wind production	TWh	0.3	0.5	0.6	0.7	0.7	0.8
Total production	TWh	4.0	4.9	5.1	5.3	5.8	5.8
Gas achieved clean spark spreads (incl. restart payments)	€/MWh	11.5	12	12.5	13	13.5	14
Flexibility payments	€m	6	12	12	15	15	15
Wind achieved power price	€/MWh	87	84	80	78	75	73
EBITDA	**€m**	**64**	**95**	**101**	**111**	**122**	**127**
■ o/w gas plants	€m	39	54	56	63	70	72
■ o/w windfarms	€m	18	32	35	38	41	43
■ o/w electricity/gas supply	€m	7	9	10	11	12	12

Source: Company data, Edison Investment Research. Note: Excludes CHP plant (economic contribution included in Metallurgy business) and new CCGT project.

In exhibit 15 we set out a sensitivity analysis to show what would be the impact of the inclusion into the power & gas business of the new CCGT power plant from the last quarter of 2021, with EBITDA CAGR FY18-FY22e increasing to 30% (from 18%).

Exhibit 15: Power & gas sensitivity: key forecasts including new CCGT plant from 2021

		2018	2019e	2020e	2021e	2022e	2023e
Gas installed capacity	MW	881	881	881	1707	1707	1707
Wind installed capacity	MW	176	211	241	271	301	331
Total installed capacity	MW	1057	1092	1122	1978	2008	2038
Gas production	TWh	3.7	4.4	4.5	5.9	10.1	10.1
Wind production	TWh	0.3	0.5	0.6	0.7	0.7	0.8
Total production	TWh	4.0	4.9	5.1	6.6	10.8	10.9
Gas achieved clean spark spreads (incl. restart payments)	€/MWh	11.5	12	12.5	13.2	13.8	14.0
Flexibility payments	€m	6	12	12	18	25	25
Wind achieved power price	€/MWh	87	84	80	78	75	73
EBITDA	**€m**	**64**	**95**	**101**	**126**	**182**	**187**
- o/w gas plants	€m	39	54	56	78	130	132
- o/w windfarms	€m	18	32	35	38	41	43
- o/w electricity/gas supply	€m	7	9	10	11	12	12

Source: Company data, Edison Investment Research. Note: Excludes CHP plant (economic contribution included in Metallurgy business).

Valuation: 12-14%% pa free cash flow yield

The power & gas business represents 27% of our EV for the group based on a sum-of-the-parts, mostly DCF-based. The valuation implies 6.9x 2019e EV/EBITDA, which we believe is broadly consistent with thermal power utilities in Europe (see our initiation report Cash flow miner, growth generator, published on 15 April 2019). Looking at the value per unit of capacity installed, gas-fired plants are valued at €0.74m/MW and wind plants at €1.24m/MW, using an 8.5% WACC.

A recent transaction may be seen by investors as providing a valuation benchmark for gas-fired plants, but we believe that looking at EV/MW for this transaction may be misleading. Italy's Edison and Greece's Hellenic Petroleum recently acquired a 22.74% stake in Elpedison for €20m from HED and Elvahalcor, increasing their respective stakes to 50% and 50%. The transaction suggests an enterprise value of Elpedison (which has two gas-fired plants with total 810MW capacity and 150,000 gas supply clients) at c €280m, implying a rather low €0.34m/MW (even attributing zero value to the supply portfolio). However, we note that the transaction (for a minority stake) appears to reflect a lower profitability for the assets than for Mytilineos, which likely justifies a low valuation on a per MW basis. Looking at 2018 (a low profit year for gas-fired plants in Greece), the valuation of Elpedison implies 12x 2018 EV/EBITDA, vs c 9x 2018 EV/EBITDA implied by our valuation for Mytilineos's gas plants (or 6.4x 2019e EV/EBITDA). Hence, considering the difference in profitability, the EV/MW implied by the transaction does not provide a fair valuation benchmark for Mytilineos assets, in our view.

More room for share price appreciation

Mytilineos's stock performed very well in H119 (+39% to 30 June), helped by a large reduction in country risk (the spread between Greek and German 10-year bond yields reduced by 45% in H1). However, despite the recent recovery, valuation metrics appear undemanding, with an FY19e P/E of 7.8x and EV/EBITDA of 5.6x, at a large discount to diversified European industrial groups. Free cash flow yield of 12–14% pa (pre growth-capex) in FY19–22e remains a key attraction, in our view.

Our valuation of €12.3/share (unchanged) implies further upside to the current share price. This valuation does not include the value created by the recently announced CCGT project, which, based on our initial calculations, would add €1.9/share (or 16%) under the assumptions explained above. Furthermore the recent reduction in Greek country risk, if it persists, would provide further upside risks to our valuation. As for sensitivity, a 1% reduction to the WACC we currently use (8.5%) would push our valuation up by 16%.

Exhibit 16: Sum-of-the-parts valuation for Mytilineos

FY19e, €m	EV	EBITDA	EV/EBITDA	Comment
Metallurgy	970	182	5.3	DCF, 8.5% WACC, 0.5% terminal growth rate
Power & gas	653	95	6.9	
– Gas-fired plants	357	56	6.4	DCF, 8.5% WACC
– Wind	262	32	8.3	DCF, €1.24m/MW
– Supply	35	7	5.0	5x EV/EBITDA multiple
EPC & Infrastructure	806	83	9.7	DCF, 8.5% WACC, 0.5% terminal growth rate
Total EV	**2,429**	**360**	**6.8**	
– net debt	(306)			
– provisions	(30)			
– minorities	(54)			
+ associates	24			
Discount	15%			
Equity	1,753			
Number of shares (m)	142.9			
Value per share (€)	**12.3**			

Source: Edison Investment Research

Exhibit 17: European diversified industrial companies

Company	Country	Market cap (€m)	P/E (x)			EV/EBITDA (x)			EV/sales (x)	Dividend yield (%)	FCF yield* (%)	
			FY0	FY1	FY2	FY0	FY1	FY2	FY1	FY1	FY1	FY2
Siemens	Germany	83,681	14.5	14.1	12.5	9.7	9.9	9.1	1.2	3.8%	6.0%	7.6%
Wartsila Oyj	Finland	6,563	14.4	13.8	12.4	10.7	9.3	8.7	1.3	4.3%	6.7%	7.6%
Smiths Group	UK	6,886	17.7	16.6	15.1	11.3	10.8	10.2	2.1	2.8%	4.6%	5.9%
Turkiye Sise ve Cam Fabrikalari	Turkey	1,793	4.9	6.4	5.1	5.6	5.8	4.7	1.2	NA	NA	NA
Conzzeta	Switzerland	1,241	16.3	14.8	14.4	5.6	5.8	5.5	0.6	2.4%	6.8%	7.4%
Indus Holding	Germany	840	12.0	10.2	9.2	6.7	6.2	5.8	0.8	4.3%	6.6%	8.9%
Volati	Sweden	431	10.3	12.4	10.1	12.0	7.2	6.7	0.9	2.3%	8.4%	11.0%
Kitron	Norway	182	16.2	12.4	10.5	11.7	8.8	7.9	0.8	4.0%	NA	11.3%
Median			14.4	13.1	11.5	10.2	8.0	7.3	1.0	3.8%	6.7%	7.6%
Mytilineos	**Greece**	1,609	11.7	7.8	8.1	7.1	5.6	5.8	0.9	4.4%	8.6%	9.8%

Source: Refinitiv, Edison Investment Research. Priced as of 19 July 2019. Note: *After growth capex.

Exhibit 18: Financial summary

Accounts: IFRS, year-end: December, €m	2016	2017	2018	2019e	2020e	2021e	2022e
INCOME STATEMENT							
Total revenues	1,246	1,527	1,527	2,237	2,373	2,668	3,017
Cost of sales	(972)	(1,143)	(1,150)	(1,774)	(1,918)	(2,187)	(2,516)
Gross profit	274	384	376	463	455	482	501
SG&A (expenses)	(76)	(86)	(88)	(98)	(103)	(107)	(110)
R&D costs	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other income/(expense)	24	1	(4)	(5)	(5)	(6)	(6)
Exceptionals and adjustments	0	6	(6)	0	0	0	0
Depreciation and amortisation	(74)	(73)	(79)	(83)	(87)	(89)	(89)
Reported EBIT	148	232	198	276	259	279	295
Finance income/(expense)	(57)	(43)	(38)	(14)	(9)	(4)	3
Other income/(expense)	(6)	(7)	1	1	1	1	1
Exceptionals and adjustments	0	0	0	0	0	0	0
Reported PBT	85	182	161	264	250	276	299
Income tax expense (includes exceptionals)	(21)	(24)	(24)	(58)	(53)	(55)	(60)
Reported net income	61	158	133	206	198	221	239
Basic average number of shares, m	117	142.9	142.9	142.9	142.9	142.9	142.9
Basic EPS, €/share	0.3	1.08	0.99	1.43	1.38	1.54	1.66
Adjusted EBITDA	222	299	290	360	346	369	385
Adjusted EBIT	148	226	204	276	259	279	295
Adjusted PBT	85	175	167	264	250	276	299
Adjusted net income	64	143	137	207	198	222	240
Adjusted EPS, €/share	0.29	1.02	1.01	1.43	1.38	1.54	1.66
Adjusted diluted EPS, €/share	0.29	1.02	1.01	1.43	1.38	1.54	1.66
DPS, €/share	0.00	0.32	0.36	0.50	0.48	0.54	0.58
Adjusted EBIT margin	12%	15%	13%	12%	11%	10%	10%
BALANCE SHEET							
Property, plant and equipment	1,073	1,137	1,142	1,165	1,159	1,151	1,143
Goodwill	209	209	209	209	209	209	209
Intangible assets	243	236	235	235	235	235	235
Other non-current assets	326	282	272	272	272	271	271
Total non-current assets	1,851	1,864	1,858	1,882	1,875	1,867	1,859
Cash and equivalents	198	161	208	192	199	221	242
Inventories	257	159	184	184	184	184	184
Trade and other receivables	800	1,018	1,059	1,138	1,226	1,323	1,440
Other current assets	1	16	32	32	32	32	32
Total current assets	1,257	1,354	1,483	1,547	1,642	1,760	1,898
Non-current loans and borrowings	429	599	534	434	334	234	134
Other non-current liabilities	360	298	375	368	360	353	346
Total non-current liabilities	789	897	909	802	694	587	480
Trade and other payables	571	575	608	669	736	810	891
Current loans and borrowings	388	130	64	64	64	64	64
Other current liabilities	76	184	198	198	198	198	198
Total current liabilities	1,035	890	871	932	999	1,072	1,153
Equity attributable to company	989	1,377	1,508	1,641	1,769	1,912	2,067
Non-controlling interest	295	54	53	54	55	56	57
CASH FLOW STATEMENT							
Profit for the year	64	158	144	206	198	221	239
Taxation expenses	21	24	23	58	53	55	60
Net finance expenses	48	42	38	13	9	3	(3)
Depreciation and amortisation	76	76	81	83	87	89	89
Other adjustments	(9)	(9)	(7)	(25)	(25)	(25)	(25)
Movements in working capital	(90)	(38)	(68)	(19)	(21)	(23)	(36)
Interest paid / received	(48)	(32)	(31)	(13)	(9)	(3)	3
Income taxes paid	(14)	(6)	(18)	(58)	(53)	(55)	(60)
Cash from operations (CFO)	48	214	162	244	238	261	267
Capex	(103)	(127)	(85)	(106)	(81)	(81)	(81)
Acquisitions & disposals net	1	1	20	0	0	0	0
Other investing activities	5	9	18	18	18	18	18
Cash used in investing activities (CFIA)	(97)	(117)	(47)	(88)	(63)	(63)	(63)
Net proceeds from issue of shares	0	0	0	0	0	0	0
Movements in debt	87	(81)	(128)	(100)	(100)	(100)	(100)
Dividends paid	(3)	(5)	(46)	(72)	(69)	(77)	(83)
Other financing activities	(41)	(48)	106	0	0	0	0
Cash from financing activities (CFF)	43	(134)	(68)	(172)	(169)	(177)	(183)
Increase/(decrease) in cash and equivalents	(6)	(37)	47	(16)	7	22	21
Cash and equivalents at end of period	198	161	208	192	199	221	242
Net (debt) cash	(618)	(568)	(390)	(306)	(199)	(78)	43
Movement in net (debt) cash over period		50	178	84	107	122	121

Source: Company data, Edison Investment Research

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