

April 12, 2024 05:46 AM GMT

Mytilineos SA | Europe

Raising estimates and PT following solid renewables deal

WHAT'S CHANGED

Mytilineos SA (MYTr.AT)	From	To
Price Target	€43.00	€46.00

Mytilineos' sizable and value accretive deal validates its growth strategy and elevates the M Renewables EBITDA contribution to nearly 40% of group by 2025e. We raise our estimates, lift our PT to €46 (from €43) and reiterate our Overweight rating.

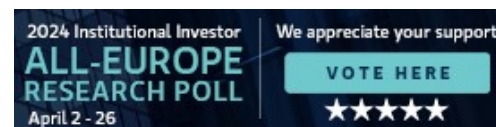
Major renewables deal with PPC: Mytilineos and PPC Group (not covered) announced a [Cooperation Framework Agreement](#) on a portfolio of solar projects up to 2 GW. The deal's value is estimated at up to €2bn (i.e. €1mn/MW), per the press release, and is expected to be implemented over the next three years. The portfolio includes 90 solar projects owned by MYTIL in Italy (503 MW), Romania (516 MW), Bulgaria (500 MW) and Croatia (445 MW) which are at various stages of development. Mytilineos will undertake the development and construction of these projects, which will then be acquired by PPC Group upon completion of their connection to the electricity grid to the respective countries. From a PPC perspective, the deal is consistent with its target to reach 8.9 GW of installed RES capacity by 2026.

Attractive economics and risk profile: The transaction is the largest deal for MYTIL's M Renewables and enables the company to lock in a sale price prior to commencing development. This derisks the investment in a major way and leaves MYTIL with manageable execution/capex risk, given its solid track record. If we were to assume solar capital intensity of €0.75mn/MW, and accounting for the sale price of €1mn/MW, which is above our modelled assumption of ~€0.95mn/MW, we estimate a meaningful premium over capital invested of 33% (NPV/Capex). In other words, we estimate a significant potential capital gain for MYTIL in the order of ~€500mn (€0.25mn x 2,000 MW) crystallised over 3-4 years.

Raising 5-yr EBITDA estimates: The 2 GW deal with PPC, coupled with the existing ~0.9 GW of RES in operation, 1.4 GW under construction and 1.4 GW pipeline in Canada, offers improved line of sight on nearly 6 GW of potential or agreed asset rotation deals over the balance of this decade. In addition, we assume that MYTIL's remaining pipeline of 10.5 GW enables the company to maintain a development rate of 1.4-1.5 GW per annum in coming years. As such, we now incorporate ~1 GW per annum of asset rotation deals and raise our 5-year EBITDA forecasts by 10% on average, with the largest uplift in [2025-2026](#). Our revised estimates are [1%/4% above consensus in 2024/2025](#) and with potential for further upside in coming years, depending on the pace of asset rotation deals. The M Renewables segment now contributes 31%/38% to group EBITDA in 2024/2025, constituting by far the largest segment in the group. Our revised PT based on the [SOTP valuation comes](#)

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Mytilineos SA (MYTr.AT, MYTIL GA)

Metals & Mining | Greece

Stock Rating	Overweight
Industry View	Attractive
Price target	€46.00
Shr price, close (Apr 11, 2024)	€35.62
52-Week Range	€39.56-25.24
Mkt cap, curr (mn)	€4,946
Net debt (12/24e) (mn)*	€1,932
EV, curr (mn)*	€6,933

* = GAAP or approximated based on GAAP

Fiscal Year Ending	12/23	12/24e	12/25e	12/26e
Sales / Revenue (€mn)**	5,492	6,206	5,771	5,714
EBITDA (€mn)**	1,014	1,129	1,235	1,281
EBIT (€mn)**	901	981	1,077	1,121
EPS (€)**	4.51	5.04	5.57	5.84
ModelWare EPS (€)	4.51	5.04	5.57	5.84
EPS (€)§	4.44	4.78	5.09	5.26
P/E**	8.1	7.1	6.4	6.1
EV/revenue*	1.3	1.1	1.1	1.1
EV/EBITDA**	7.0	6.1	5.3	4.8
EV/EBIT**	7.9	7.1	6.0	5.5
DPS (€)	1.56	1.76	1.95	2.04
Div yld (%)	4.3	5.0	5.5	5.7
FCF yld ratio (%)**	(18.4)	3.6	13.8	12.0
Net debt (€mn)*	1,893	1,932	1,497	1,174
Net debt/EBITDA**	1.9	1.7	1.2	0.9
RNOA (%)**	24.8	19.8	19.2	19.5
ROE (%)**	29.2	29.5	27.1	24.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

** = Based on consensus methodology

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out to €46, up from €43. Overweight.

§ = Consensus data is provided by Refinitiv Estimates
* = GAAP or approximated based on GAAP
e = Morgan Stanley Research estimates

Estimate changes & Valuation

Exhibit 1: MS estimate changes

EURmn	2024e			2025e			2026e		
	Revised	Previous	% Diff.	Revised	Previous	% Diff.	Revised	Previous	% Diff.
EBITDA	1,129	1,085	4%	1,235	1,085	14%	1,281	1,103	16%
EPS (EUR/sh)	5.04	4.77	6%	5.57	4.58	22%	5.84	4.64	26%
DPS (EUR/sh)	1.76	1.67	6%	1.95	1.60	22%	2.04	1.62	26%
Net Debt	2,002	2,042	-2%	1,560	2,167	-28%	1,174	2,107	-44%

Source: Morgan Stanley Research estimates (e)

Exhibit 2: MSe v Consensus

EURmn	2024e			2025e			2026e		
	MSe	Cons.	% Diff.	MSe	Cons.	% Diff.	MSe	Cons.	% Diff.
EBITDA	1,129	1,116	1%	1,235	1,185	4%	1,281	1,281	0%
EPS (EUR/sh)	5.04	4.81	5%	5.57	5.09	9%	5.84	5.48	6%
DPS (EUR/sh)	1.76	1.71	3%	1.95	3.00	-35%	2.04	1.92	7%
Net Debt	2,002	1,605	25%	1,560	1,531	2%	1,174	1,249	-6%

Source: Bloomberg Consensus. Morgan Stanley Research estimates (e)

Exhibit 3: MYTIL valuation summary

Sum of Parts Valuation (EURmn)	NPV			Valuation Methodology	Implied EV/EBITDA		EBITDA		Peer EV/EBITDA	
	EURmn	EUR/Sh	% Share		2024e	2025e	2024	2025	2024e	2025e
Metals	1,897	13.64	22%	DCF (WACC: 9.1%)	6.7x	7.9x	282	242	6.6x	5.7x
Energy	6,557	47.14	76%		7.9x	6.7x	830	974	7.4x	7.3x
- M Energy Generation & Management	863	6.20	10%	DCF (WACC: 9.2%)	5.7x	5.4x	150	159		
- M Energy Customer Solutions	852	6.12	10%	DCF (WACC: 9.1%)	7.6x	8.2x	111	104		
- M Integrated Supply & Trading	643	4.62	7%	DCF (WACC: 10.8%)	5.7x	4.9x	114	131		
- M Renewables	3,456	24.85	40%	DCF (WACC: 6.5%)	9.8x	7.3x	354	473	10.9x	10.7x
- M Power Projects	743	5.35	9%	DCF (WACC: 9.1%)	7.3x	7.0x	101	106		
Construction & Concession	155	1.11	2%	DCF (WACC: 9.1%)	6.5x	7.7x	24	20		
Working Capital	14	0.10	0%							
Enterprise Value	8,623	62.00	100%	Average	7.6x	7.0x	1,129	1,235		
Less: Ordinary Net financial debt (cash)	-1,893	-13.61								
Less: Pensions, Benefits, and Provisions	-33	-0.24								
Less: Derivative & Financial Liabilities (Assets)	-21	-0.15								
Less: Deferred tax liabilities (x 50%)	-134	-0.97								
Less: Market Value of Minorities	-77	-0.56								
Equity Value	6,465	46.48								
Price target		46.00								
	Share price	35.62								
	Upside	29%								

Source: Morgan Stanley Research estimates

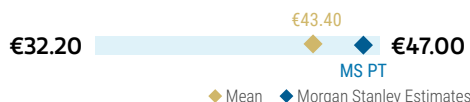
Risk Reward – Mytilineos SA (MYTr.AT)

An attractive Energy & Metals Play

PRICE TARGET €46.00

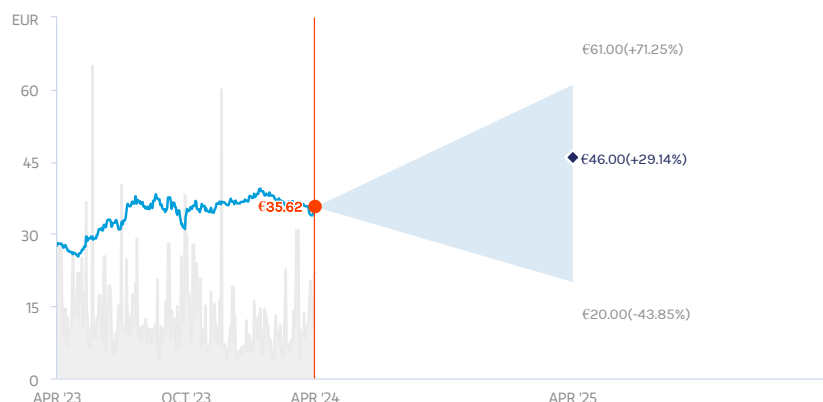
Our PT is derived from a SOTP, with each business valued via DCF. We use a 9.6% WACC for Metals, M Energy Customer Solutions, and M Power Projects (EPC business); 6.8% WACC for Renewables, 11.2% WACC for Integrated (gas) Supply & Trading, and 9.7% WACC for Thermal gas plants. We assume zero terminal growth for each business.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



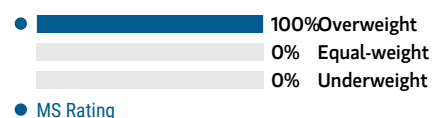
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

MYTIL offers a unique trifecta - multi-faceted Energy growth, unique aluminium business, and highly synergistic business model. These attributes coupled with an undemanding valuation point to a compelling risk-reward.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Electric Vehicles: *Positive*
Renewable Energy: *Positive*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE	€61.00	BASE CASE	€46.00	BEAR CASE	€20.00
Higher top line across Energy and Metallurgy - Long-term power price assumption of €70/MWh - Long-term aluminium price assumption of \$2,900/t (real terms) and higher product premiums by \$100/t - Higher clean spark spread by €5/MWh - Full CO2 compensation in Metals		Renewables growth & solid profitability in Thermal - Long-term power price assumption of €60/MWh - Long-term aluminium price assumption of \$2,500/t (real terms) - Long-term clean spark spread assumption of €15/MWh (real terms) - 8 GW of renewable capacity in operation by 2030, of which 2 GW monetised via farm-downs (MSe)		Lower top line and higher yields - Long-term power price assumption of €40/MWh - Asset rotation at a lower realised price - Long-term aluminium price assumption of \$2,270/t (real terms) and lower product premiums by \$100/t - Lower clean spark spread by €15/MWh - Increase in bond yields by 170bps, impacting the discount rate	

Risk Reward – Mytilneos SA (MYTr.AT)

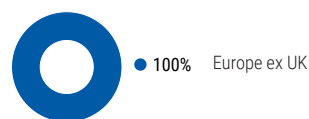
KEY EARNINGS INPUTS

Drivers	2023	2024e	2025e	2026e
Alumina Production (kt)	869	875	875	875
Aluminium Production (kt)	239	238	242	242
Aluminium EBITDA/t (US\$/t)	1,205	1,011	913	975
Clean Spark Spread (€/MWh)	38	25	25	25
Power Production (TWh)	6.0	9.8	11.8	13.0

INVESTMENT DRIVERS

- Multi-faceted growth in Energy segment
- Low-cost, cash generative Aluminium business
- Highly synergistic business model
- Jurisdictional derisking

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

3/5 MOST 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Further acceleration in global renewables build-out
- Strong demand for renewable assets and thus better returns in asset rotation
- Increasing political support for decarbonisation goals
- Higher aluminium and alumina prices
- Higher power prices

RISKS TO DOWNSIDE

- Increasing pressures putting renewable growth/returns at risk
- Higher bond yields
- Lower power prices
- Stronger EUR
- Resurgent political risk
- Aluminium overcapacity

OWNERSHIP POSITIONING

Inst. Owners, % Active	64.6%	<div style="width: 64.6%;"></div>
HF Sector Long/Short Ratio	2.8x	<div style="width: 2.8x;"></div>
HF Sector Net Exposure	24.2%	<div style="width: 24.2%;"></div>

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2024e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - [Options_Probabilities_Exhibit_Link.pdf](#)
2. View descriptions of Risk Rewards Themes - [RR_Themes_Exhibit_Link.pdf](#)
3. View explanation of regional hierarchies - [GEG_Exhibit_Link.pdf](#)
4. View explanation of Theme/Exposure methodology - [ESG_Sustainable_Solutions_External_Link.pdf](#)
5. View explanation of HERS methodology - [ESG_HERS_External_Link.pdf](#)

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(as of March 31, 2024)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1458	38%	319	44%	22%	639	40%
Equal-weight/Hold	1730	45%	328	46%	19%	722	45%
Not-Rated/Hold	2	0%	0	0%	0%	1	0%
Underweight/Sell	625	16%	70	10%	11%	232	15%
Total	3,815		717			1594	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Analyst Industry Views

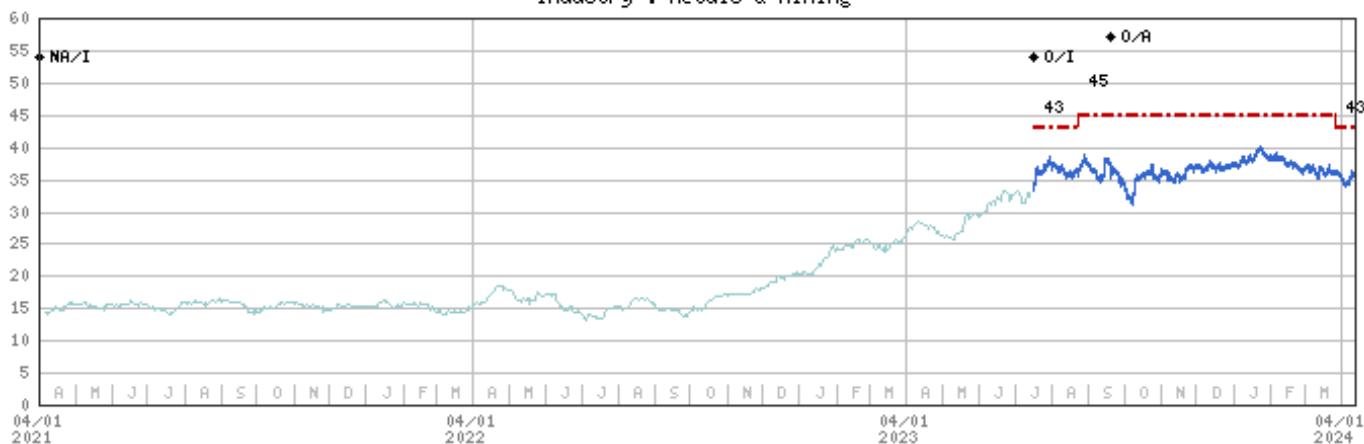
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Stock Price, Price Target and Rating History (See Rating Definitions)

Mytilineos SA (MYTr.AT) - As of 4/11/24 in EUR
Industry : Metals & Mining



Stock Rating History: 4/1/19 : NA/A; 6/24/19 : NA/I; 7/17/23 : O/I; 9/20/23 : O/A

Price Target History: 7/17/23 : 43; 8/24/23 : 45; 3/27/24 : 43

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)

Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —

Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View

Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Metals & Mining

COMPANY (TICKER)	RATING (AS OF)	PRICE* (04/11/2024)
Alain Gabriel, CFA		
Anglo American Plc (AAL.L)	O (03/06/2024)	2,124p
Glencore PLC (GLEN.L)	E (11/20/2023)	462p
Glencore PLC (GLNJ.J)	E (11/20/2023)	ZAc 10,837
Rio Tinto Plc (RIO.L)	O (05/26/2023)	5,230p
Ioannis Masvoulas, CFA		
Antofagasta (ANTO.L)	E (10/17/2022)	2,218p

Aurubis AG (NAFG.DE)	E (02/13/2023)	€73.00
Boliden (BOL.ST)	U (12/06/2023)	SKr 337.40
KGHM Polska Miedz SA (KGH.WA)	U (02/03/2023)	PLN 141.15
Lundin Mining Corp. (LUMIN.ST)	O (02/03/2023)	SKr 121.70
Lundin Mining Corp. (LUN.TO)	O (02/03/2023)	C\$15.55
Mytilineos SA (MYTr.AT)	O (07/17/2023)	€35.62
Norsk Hydro ASA (NHY.OL)	O (12/09/2020)	NKr 68.00
Sandeep Peety		
Befesa SA (BFSA.DE)	E (02/13/2023)	€36.58

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* Historical prices are not split adjusted.

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