EDISON

Metlen Energy & Metals

A new name for its next phase

Company outlook

Industrials

Mytilineos recently announced a company name change to Metlen Energy & Metals. The decision to rebrand is in line with its strategy of establishing a strong international identity. It also confirmed its intention to examine an international listing, including on the London Stock Exchange. We profile Metlen and examine how it could look in the context of an LSE listing. It would rank c 90th in the LSE's largest index firms on market capitalisation and c 50th based on earnings, indicating potential re-rating upside. Metlen is a c€5bn market capitalisation firm listed in Athens with two core pillars: an integrated Energy business (power generation and distribution, a high-growth renewables business and gas supply and trading) and Metals (Europe's largest integrated bauxite, alumina and aluminium producer).

Year end	EBITDA (€m)	Net income (€m)	EPS (€)	DPS* (€)	P/E** (x)	Yield** (%)
12/22	823	466	3.42	1.20	4.6	7.6
12/23	1,013	605	4.46	1.58	8.3	4.3
12/24e	1107	666	4.81	1.69	7.7	4.6
12/25e	1171	709	5.12	1.80	7.2	4.9

Note: *Final distributed dividend per share. **FY22 and FY23 at the year-end price; FY24e and FY25e at last close price.

A highly synergistic, high-growth energy business

Metlen currently generates c 12% of Greece's domestic power generation, moving to 20% by the end of 2024 with ambitions to reach 30% in years to come. It owns three highly efficient CCGT power plants and one CHP plant, with combined annual production of 5.1TWh in FY23, plus 0.6TWh from renewable energy sources (RES), taking total generation to 5.7TWh in FY23. Its RES business accounts for 31% of FY24e earnings, with 0.8GW of installed capacity and a total global pipeline of c 12GW. We value Metlen's RES business at 9.7–9.8x EV/EBITDA (FY24) and note that recent transactions for European RES firms have been at far higher multiples (the €3.2bn purchase of Terna Energy by Masdar at 17.4x EV/EBITDA and the €6.1bn offer for Neoen by Brookfield Asset management at 17x EV/EBITDA). Metlen's RES business is diverse, well-funded and high growth, and these transactions highlight the potential for higher multiples being applied.

Vertically integrated, green metallurgy business

Metlen operates the largest vertically integrated aluminium business in Europe, providing low-cost, low-carbon alumina and aluminium. The company also recently announced its intention to produce gallium, which is in line with the European Commission's strategy for critical raw materials.

Valuation: Undervalued for a €1bn+ EBITDA business

Metlen exceeded €1bn in EBITDA in 2023, with our estimates (and consensus) now expecting this to be a milestone in its secular growth rather than a cyclical peak. We value Metlen at €49/share (up from €45/share in our last update). Our DCF valuation has risen to €47/share due to minor earnings revisions and we blend this with a peer multiple valuation of €51/share to reflect the potential of peer re-rating with an additional listing. Metlen trades on an FY25e P/E of 7.2x, relatively low in comparison to peers.

25 June 2024

Price	**€36.2**
Market cap	**€5.2bn**
Net debt (€m) at end Q124	1,592
Shares in issue (excluding share buyback)	138.4m
Free float	78.5%
Code	MYTIL
Primary exchange	ASE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(1.9)	0.1	10.0
Rel (local)	1.8	0.1	(2.0)
52-week high/low		€39.5	€31.0

Business description

Metlen Energy & Metals is a global industrial and energy company, operating in two main business segments: Energy and Metallurgy. Metlen is strategically positioned at the forefront of the energy transition as an integrated utility, while also having a successful, fully vertically integrated, green metallurgy business. Metlen's strengths are from its synergies across the entire business, aiding the company's objective of becoming a global leader.

Next events

H124 results	25 July 2024

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Edison profile page

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Investment summary

Company description: A global energy and metals firm

Metlen is a global industrial and energy company, operating in two main business segments: energy and metallurgy. It is at the forefront of the energy transition as an integrated utility (gas trading, power generation and distribution), while having a fully vertically integrated green metallurgy business. These businesses are highly synergistic and deal with energy in many forms (aluminium smelting is highly energy intensive and aluminium is sometimes referred to in the industry as ‘solid electricity’). Metlen’s competencies across the entire value chain mean that it can exploit synergies between its different business sectors.

Metlen’s assets are low cost and low carbon. Its aluminium operations are in the first quartile of the cost curve and are the largest fully integrated aluminium assets in Europe. It has continued to strengthen its backward integration recently by purchasing additional bauxite operations and continues to extend its production of recycled aluminium. Its gas-fired power plants in Greece are highly efficient and among the lowest cost in Greece due to its leading position in gas trading and regasification access in Greece. It has significantly accelerated its renewable energy sources (RES) business in recent years so that it now accounts for 31% of FY24e EBITDA, driven by a strong pipeline of solar projects in Europe and globally. Metlen continues to leverage synergistic links between these businesses and its activities include power infrastructure development, including in the UK market.

Valuation: Undervalued for a €1bn+ EBITDA business

Metlen currently trades at P/E multiples of 7.7x in FY24e and 7.2x in FY25e. It trades at EV/EBITDA ratios of 6.0x in FY24e and 5.6x in FY25e (our estimates are broadly in line with consensus), a significant discount to peers. As a comparison, its peer group trades at a range of multiples, from 5.2x for metals to 9.7x for RES, with an FY24 Metlen EBITDA-weighted average of 7.7x, a 38% premium to Metlen’s market multiple. In our view, Metlen’s multiple looks low for a business that has high-quality, low-cost assets in power generation and aluminium production, and very low for a company with a high-growth renewable energy business that accounts for almost one-third of its earnings. We value Metlen at €49/share (up from €45 in our last update). Our DCF valuation has risen to €47/share after incorporating recent results and some minor adjustments to earnings based on commodity, energy and electricity price assumptions, which are broadly in line with forward curves, and we now blend this with a peer multiple valuation of €51/share to reflect the potential of peer re-rating with an additional listing.

Financials: We forecast a 10% EPS CAGR

Metlen exceeded €1bn in EBITDA in 2023, with our estimates (and consensus) now viewing this as a milestone in its secular growth rather than a cyclical peak. In its recent AGM, management provided guidance for EBITDA of €1.0–1.2bn in FY24 and net profit over €600m (up to c €700m). Our updated forecasts are in line with this guidance (FY24 EBITDA €1.103bn, net income €662m).

Exhibit 1: Earnings estimate changes by key division (EBITDA)						
	Edison new		Edison old		Difference (%)	
€m	2024e	2025e	2024e	2025e	2024e	2025e
Metals	287	292	255	248	13%	18%
Energy	813	841	836	899	-3%	-6%
of which M Renewables	342	369	311	340	10%	8%
Construction, concessions, subcontracts and other	27	50	26	26	3%	93%
Group EBITDA	**1,107**	**1,171**	**1,117**	**1,173**	**-1%**	**0%**
Net income	**666**	**709**	**669**	**717**	**0%**	**-1%**
EPS (€)	4.81	5.12	4.83	5.18	0%	-1%

Source: Edison Investment Research

We forecast a 10% CAGR in EPS from FY23 to FY25. The balance sheet remains strong (1.1x net debt/EBITDA in FY24e, and 1.0x net debt/EBITDA in FY25e, both excluding non-recourse debt) and debt costs remain relatively low (for example Metlen raised a seven-year, €500m bond in July 2023, with 91.2% subscribed to by retail investors and a yield of 4%).

Sensitivities and risks

In our view, the key risks for Metlen are fluctuations in in commodity prices (alumina/aluminium and natural gas in particular) and exchange rates.

What would Metlen look like as a UK listed company?

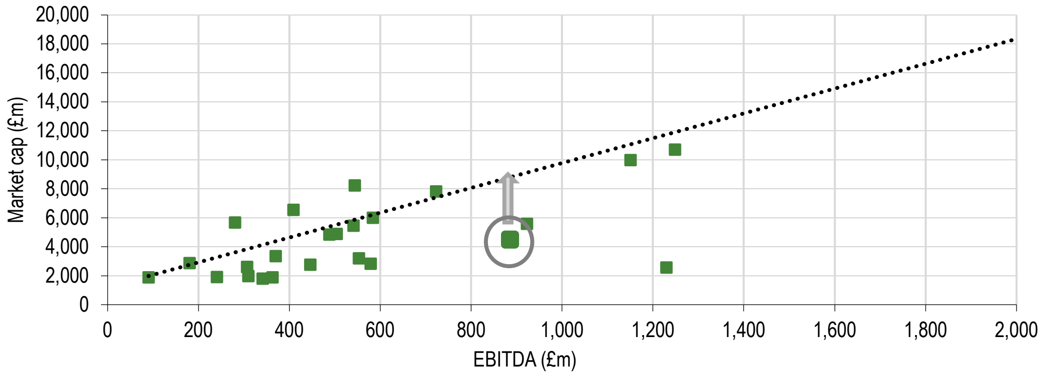
Metlen announced on 25 April that as part of its strategic review, it is considering a potential international listing on the LSE within the next 12–18 months. If it proceeds, it would demonstrate a strong vote of confidence in the UK market, as well as fitting with its international growth ambitions.

Inclusion in market indices is dependent on a number of factors, but a simple ranking by earnings and market capitalisation for Metlen indicates that it would be in the 100 largest listed firms. By our estimates (and based on available data from LSEG on 10 June), Metlen would rank around 90th in relation to market cap, c 55th by EBITDA and c 50th by net earnings (before exceptionals).

Metlen's earnings exposure would be relatively unique, with integrated aluminium operations, fully integrated power generation and distribution operations in Greece, and a growing global RES business. It would provide investors with an opportunity to invest in a combination of assets with high levels of synergies between multiple business activities. Importantly, its RES business (unlike many UK-listed investment trusts) is linked to a strongly cash-generative industrial base, so is not dependent on raising further capital, which has proved difficult for some trusts when trading at discounts to net asset value.

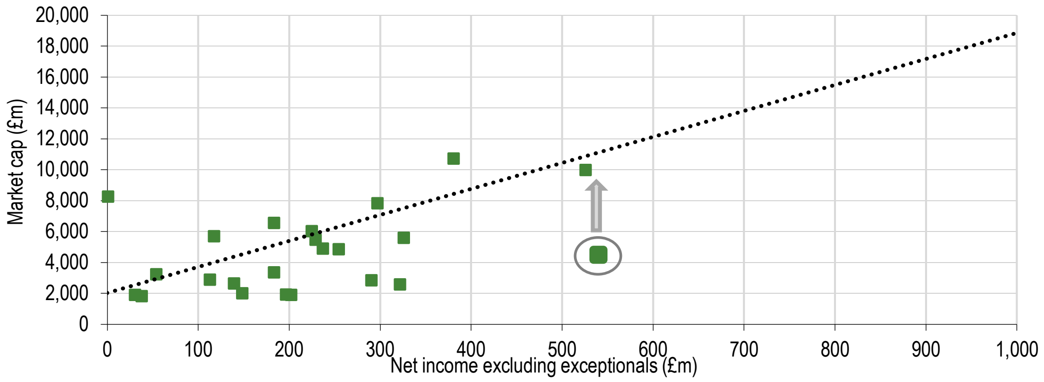
In our view, the overall relative position of its market cap versus its earnings reflects a re-rating potential and this also holds when comparing Metlen to a relevant peer group. If we assume Metlen were to be viewed as an industrial firm, we can compare it to a subsection of the market. As of 10 June (data from LSEG) in terms of market capitalisation, at £4.48bn (€5.32bn), Metlen would rank among the top 20 industrial listed companies, being most similar in size to IMI. However, when considering EBITDA as the key metric, Metlen's £886m (€1.01m) would place it 13th, just below DCC, which also has an energy business focused on energy solutions and the energy transition and is therefore Metlen's closest competitor in the UK with regard to its energy business (especially its M Renewables and construction of solar portfolios business).

Exhibit 2: Top 30 LSE listed industrial companies – EBITDA versus market cap



Source: LSEG, Edison Investment Research (as at 10 June 2024). Note: Metlen is circled. Regression includes the top 30 UK listed industrial firms; those with over £2bn in EBITDA excluded from chart for clarity.

Exhibit 3: Top 30 LSE listed industrial companies – net income excluding exceptionals versus market cap



Source: LSEG, Edison Investment Research (as at 10 June 2024). Note: Metlen is circled. Regression includes the top 30 UK listed industrial firms, those with over £2bn in EBITDA excluded from chart for clarity.

The charts above plot EBITDA and net income versus market cap for firms classified as industrials within the UK's largest 100 firms. The relationship is somewhat loose (there are a wide variety of firms in this category, including airlines), but it does indicate that Metlen (highlighted by a circle) looks below the trend in terms of market cap to EBITDA and net earnings relationships.

If Metlen is successful, it would be the first newly listed firm to immediately join the LSE's top companies since Deliveroo's IPO in 2021, against the recent trend of large names, such as Flutter, CRH and DS Smith, away from LSE listings through either moving to the US or via buyouts from private equity firms.

Metlen's UK operations

Metlen's business has continued to expand its presence in the UK. In January, it celebrated its 10-year milestone of active and ongoing operation in the UK. Some of the UK companies with which Metlen is working closely include LightSource BP, GE Vernova, Gresham House, Vodafone, Centrica and Quinbrook, as well as government organisations such as National Grid and Scottish Power, as an integrated developer. As of January 2024, Metlen has a total of 82 projects in its portfolio, with a total contract value of €2.5bn in the UK alone.

Looking specifically at the renewable energy arm of its UK operations, Metlen has a portfolio of solar projects with a total capacity of 1.25GW. The Cleve Hill project, an engineering, procurement and construction (EPC) contract signed with Quinbrook Infrastructure Partners, is the largest licensed solar park in the UK, with total capacity of 373MW. The contracted value amounted to £114m and the project will produce 374GWh of renewable electricity per year. Metlen has an additional 650MW of owned assets, which are currently in various stages of development and implementation. At the end of Q124, 45% of Metlen's Power Projects business total pipeline was directly connected to the UK, amounting to c €800m, further enhancing its aspirations to increase its operations in the UK.

Metlen can also be considered a potential market leader in the UK regarding the EPC of battery energy storage systems (BESS) with 732MW/1.18GWh of projects, which account for 30% of the UK market. The majority of this is being built for its long-term business partner Gresham House. To put this in perspective, on 18 April 2024, Gresham House Energy Storage Fund (GRID, see our latest note), which is the UK's largest BESS operator with regard to assets under management, released a trading statement, which confirmed that its operational capacity had increased to 740MW/864MWh, and was expected to increase to 1.07GW/1.70GWh by the end of 2024.

Metlen's association with market leaders is therefore not only in the BESS market segment but also in solar photovoltaic (PV), and its involvement in the construction of the UK's first high-capacity east coast subsea link (see below) demonstrates Metlen's credibility among UK market leaders, as well as its ability as an EPC contractor.

UK's first high-capacity east coast subsea link

In December 2023, Metlen, in consortium with GE Vernova, was awarded a £1bn contract, by National Grid Electricity Transmission and SP Transmission, part of SP Energy Networks, to build the UK's first high-capacity east coast subsea link. The joint venture will oversee the construction of a 525kV, 2GW bipole Voltage-Sourced Converter and HVDC subsea transmission cables from Torness in East Lothian, Scotland to Hawthorn Pit in County Durham, England. The subsea cable will enable the transmission of renewable energy to power more than two million homes across the UK. The cable system is expected to be roughly 190km in length and the design phase began in January 2024, with construction to begin in 2025.

Ireland

On 29 May, Metlen announced that it had signed two 10-year power purchase agreements (PPA) to provide energy generated from two solar farms in Ireland to Keppel DC REIT's two Dublin facilities. The solar farms are in Gorey, Wexford, have a combined capacity of 14.28MW and, once completed, will produce c 13.6GWh of renewable electricity per year while displacing 6.250 tonnes of CO_2 each year.

Company overview under new structure

In 2023, Metlen completed its first full year of operation under the new organisational structure announced in December 2022. The aim of this transformation was to further develop and enhance the company's competitiveness across all its business activities on an international scale.

Metlen has two core business segments: the energy sector and the metallurgy sector. These segments are connected and complementary, allowing for the creation of valuable synergies.

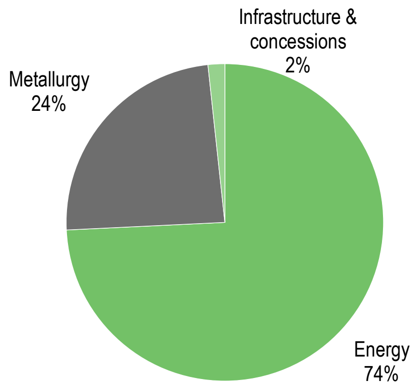
The key objectives of Metlen's organisational transformation include:

1. Implementing a modern and sustainable business model that promotes internal synergies, effective decision-making and efficient internal communication.
2. Increasing recognition of the company's true financial value and continuing to enhance it, with a focus on evaluating the company's credit rating.

3. Developing human resources by creating conditions for merit-based advancement and a clear value proposition for employees.
4. Pursuing and expanding into new value-creating opportunities, such as infrastructure and concessions in Greece, new technologies and entry into new international markets.

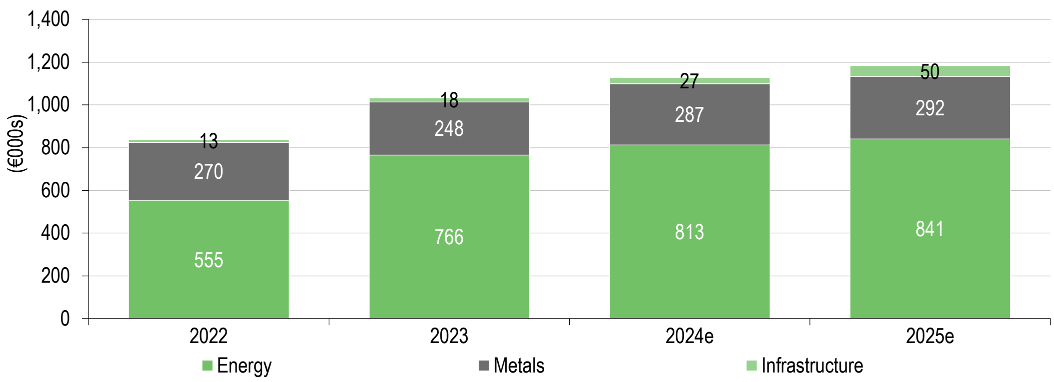
By aligning its organisational structure and strategic focus, Metlen aims to further strengthen its competitiveness and create value for its stakeholders across its complementary energy and metallurgy sectors.

Exhibit 4: EBITDA breakdown for FY23



Source: Metlen, Edison investment Research

Exhibit 5: Divisional breakdown of EBITDA forecasts



Source: Metlen accounts, Edison Investment Research

Energy sector

Metlen's new organisational structure of its energy segment is broken down into five business activities:

- M Renewables.
- M Energy Generation and Management.
- M Energy Customer Solutions.
- M Integrated Supply and Trading.
- M Power Projects.

Metlen is the largest Greek private company operating across the entire energy spectrum, serving as an integrated energy utility. Its business activities span the full energy value chain. The company engages in the development, construction and operation of thermal power units, renewable energy projects and electric power infrastructure projects. Additionally, Metlen is involved in the retail supply of electricity and natural gas. Beyond its core energy operations, it also offers a range of other competitive energy-related products and services. These include energy efficiency solutions, smart city services and hydrogen infrastructure development. The company's diversified energy portfolio and complementary service offerings position it as a comprehensive provider of energy solutions. Its broad expertise and capabilities allow it to serve the evolving needs of its customers across the energy sector.

Metlen owns an extensive operating thermal and natural gas energy portfolio, with total capacity exceeding 2GW. The company held a significant market share in FY23, accounting for more than 13.5% of Greece's active and licensed installed thermal power generation capacity (in Q124 this increased to 17.4%).

Metlen's renewable energy division is a global manufacturer and contractor of solar and BESS projects. Its renewable portfolio at end Q124 totalled 0.8GW of installed capacity, with projects spanning Greece and international markets, and is growing strongly organically with a pipeline of 12.0GW (excluding potential projects from the PPC deal) in solar capacity. The development of its RES projects is based on an asset rotation model.

In addition to its own energy assets, Metlen is a leading international EPC contractor. It specialises in executing large-scale, value-added energy projects across a diverse range of sectors, including:

- conventional electricity generation;
- energy transition initiatives;
- energy efficiency solutions;
- digital transformation;
- smart city infrastructure; and
- Internet of Things platforms.

Metlen's extensive expertise and capabilities as both an energy producer and EPC contractor position it as a comprehensive provider of cutting-edge energy solutions. Its diversified energy portfolio and project delivery services enable it to address the evolving needs of clients and markets on a global scale.

Metals sector

Metlen operates the only fully vertically integrated, bauxite-to-aluminium production facility in Europe. This complex includes:

- bauxite mining and alumina refining operations;
- primary aluminium smelting;
- a dedicated port facility for logistics and shipping; and
- an onsite electricity co-generation unit.

Metlen's Aluminium of Greece plant has been in continuous operation for over 50 years, with more than 15 years of ongoing developmental progress. This site is now one of the most advanced and efficient aluminium production facilities in the EU. The plant has an annual production capacity exceeding 185,000 tonnes of primary aluminium and 860,000 tonnes of alumina.

On 5 February, Metlen announced that it had secured a prospecting licence from the Ghana Integrated Aluminium Development Corporation (GIADEC) in north-west Africa for the exportation and subsequent extraction of bauxite deposits. The area is estimated to have a geological reserve of 300Mt of bauxite. As the mine is gradually developed, management expects it to reach annual production capacity of 10Mt, which, at the current market price, equates to an annual turnover of $500m. The company's vertical integration is a strategic competitive advantage, allowing it to optimise operations, logistics and production costs across the full value chain.

Subsidiaries

As part of its organisational transformation, Metlen has established two new strategic subsidiaries to expand its presence in the infrastructure sector, both domestically and internationally. The first subsidiary is METKA ATE, which specialises in construction activities. The second subsidiary is M Concessions, which will serve as Metlen's investment arm for concession projects and public-private partnerships (PPPs), both within Greece and in international markets. By leveraging its construction expertise through METKA ATE and its concessions investment capabilities through M Concessions, Metlen can capitalise on infrastructure projects and PPP opportunities in Greece and across global markets.

Divisional earnings breakdown

Energy

Electricity and NG supply

Metlen is the largest vertically integrated private company in the electricity and natural gas (utility) sector in Greece. Through its subsidiary, Protergia, Metlen supplies retail electricity and natural gas. Metlen's energy generation portfolio capacity is greater than 2GW and has a significant share (more than 17.4% in Q124 and 19% at the end of May 2024) of Greece's electricity supply. By the end of 2024, Metlen is aiming to exceed 30% of Greece's annual energy consumption in the years to come.

Metlen also imports and trades natural gas, which has strengthened and created further synergies in its power and gas business. Natural gas supply in Greece is through pipeline imports (principally from Turkey) and the regasification of LNG on Revithoussa Island (Metlen is active in LNG imports into Revithoussa and gas supply). The Revithoussa LNG terminal has a nominal regasification capacity of up to 7bcm per year, which is enough to cover Greece's entire natural gas supply. In addition, Greece has recently commissioned a new LNG terminal (FSRU) in Alexandroupolis, with a nominal regasification capacity of 5.5bcm per year. Metlen has dramatically increased the number of slots it has booked in the Revithoussa terminal, securing 40–50% of Revithoussa's auctioned capacity over the next four years.

Exhibit 6: Energy and natural gas supply

	Q124	2023	2022	FY23 vs FY22 % change
Total amount of power and gas meters	550k	525k	345k	53%
Market share	17.4%	13.50%*	7.60%*	-

Source: Metlen, Edison Investment Research. Note: *At end December.

Throughout 2023, natural gas prices in Europe experienced a significant decrease. This has been attributed to both high natural gas inventories in the EU, which were at 80% in mid-January 2023, and milder weather conditions seen throughout the year. Natural gas prices have not yet reverted to pre-Ukraine levels.

Electricity demand stayed at lower levels, recording a decrease of c 2.5% year-on-year. Among other macro pressures, this decline is a result of higher electricity prices since the invasion of Ukraine, which have yet to revert to pre-crisis levels and there is no suggestion that these prices will revert soon. Although Greek electricity prices decreased fairly rapidly at the start of 2023 from the significant highs seen in 2022, by May they had levelled out and remained fairly constant, at roughly double pre-Ukraine levels, for the rest of the year and into January 2024.

Metlen's power business earns a margin based on three relative competitive advantages: its efficiency in generation assets, its leading position in sourcing gas and its low CO_2 output. For more detail, please see our update note published on 21 March 2023.

Thermal power production

Metlen's total Greek power production for FY23, from both thermal and renewable units, totalled 5.7TWh, which corresponds to 11.6% of Greece's total demand. Looking specifically at the company's thermal plants, three combined-cycle gas turbine (CCGT) plants and one high-efficiency combined heat and power (CHP) plant produced a cumulative c 5.1TWh, which represented just over 10% of Greece's interconnected system and 33.2% of production from natural gas plants (up from 25.9% in FY22).

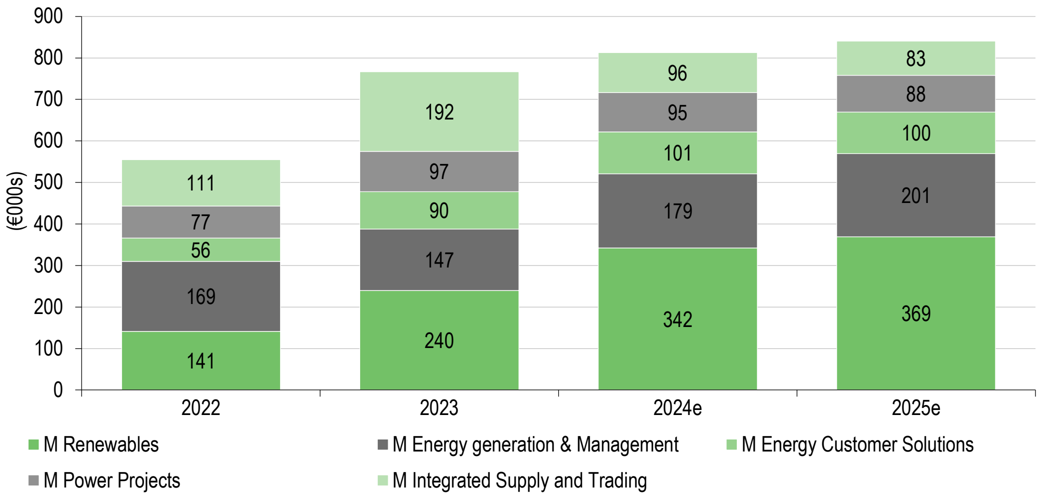
The Nikolaos CCGT plant contributed towards Metlen's thermal production for the first time in FY23, contributing c 27% of total thermal production for the year. The plant is one of the largest and most efficient in Greece, as well as one of the largest power stations in Europe. It has a total capacity of 826MW and will operate at a thermal efficiency of more than 63%. We expect the plant to play a significant role in growing Metlen's profitability in future years, due to its high degree of efficiency and flexibility in supplying electricity at competitive prices.

Renewables

Metlen's M RES business is a key driver of its growth in the coming years. In Q124, Metlen achieved a record net profit of €158m, an increase of 10% on Q123. This was primarily driven by the performance of its RES business and supported by both electricity generation (which was enhanced by the operation of the new 826MW CCGT) and the consistently robust performance of its metallurgy business.

As can be seen in Exhibit 7, we expect Metlen's M RES business to be driving factor in the company's growth in the coming years. For FY24 and FY25, we forecast EBITDA of €342 and €369m respectively. We also forecast that the energy business will make up c 75% of Metlen's total EBITDA in FY24 and 77% in FY25, at similar levels to FY23 but up from 67% in FY22.

Exhibit 7: Energy breakdown of EBITDA forecasts



Source: Metlen accounts, Edison Investment Research

Exhibit 8: RES portfolio at end-Q124 (GW)	
RES in operation	0.8
Under construction	1.6
RTB* and late-stage development**	3.0
Early-stage development**	6.6
Total	**12.0*** **

Source: Metlen, Edison Investment Research. Note: *RTB (ready to build) within the next six months. **Includes Edison estimates from Canadian investment. ***Excludes potential projects from PPC deal.

On 11 April, Metlen announced a strategic cooperation agreement with PPC Group for the development of a solar portfolio of up to 2,000MW across four countries: Italy (503MW), Romania (516MW), Croatia (445MW) and Bulgaria (500MW). The value of the deal is estimated to be up to €2bn spread across the next three years. The portfolio consists of a large number of solar projects at various stages of development. Metlen will undertake the development and construction of the projects. Once the projects are completed and connected to the grid, PPC will acquire the projects.

The agreement with PPC Group is an example of Metlen's Asset Rotation Plan, which allows the company to continue to grow its M Renewables portfolio, despite the current and unfavourable interest rate environment. As a result of the rotation plan, Metlen is able to have a self-funded RES development model, enhanced by its cash-generative operating portfolio, while maintaining low leverage levels and a strong credit profile.

Italian sustainable energy growth

Metlen considers Italy a strategic market for the future growth of its RES business. The country's central location in the Mediterranean, acting as a gateway to other European markets, makes it an ideal hub. Additionally, Italy's geographic and climatic conditions are favourable for both solar and wind power generation projects.

Metlen has an extensive pipeline of projects in Italy with a combined capacity of c 3.6GW, which it plans to complete over the next four years. This pipeline comprises:

- 2.4GW of PV solar plants with an average plant capacity of 30MW.
- 873MW of energy storage, including an 8MW plant in Cheremule (Sardinia) that is already operational.
- 84MW of ready-to-build brownfield development wind assets in Sardinia, Basilicata and Molise.
- A 35MW green hydrogen plant in Taranto that has already obtained a positive environmental impact assessment.

Capitalising on Italy's ambitious renewable energy targets and favourable regulatory environment, Metlen aims to become a key player in the Italian PPA market by developing and acquiring wind and solar projects.

Furthermore, Metlen recently celebrated the opening of its new office in Milan, which will serve as the company's headquarters for central Europe. The office employs 120 people, but this number is expected to double by the end of 2024 and reach 400 by 2026.

Aluminium business

Exhibit 9: Total production volumes (k tonnes)

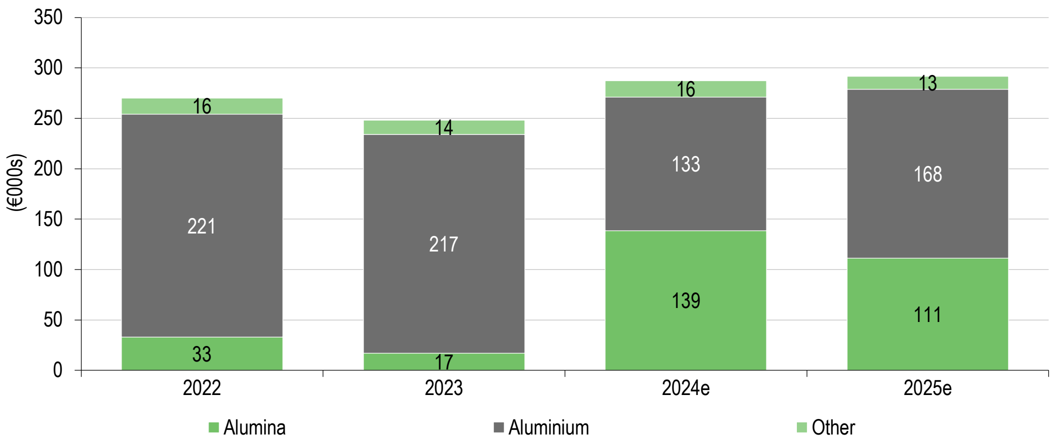
	2022	2023	2024e
Alumina	**861**	**869**	**880**
Primary aluminium	187	183	190
Recycled aluminium	50	56	60
Total aluminium production	**237**	**239**	**250**
Aluminium & alumina prices ($/t)			
3 Month London Metals Exchange	2,716	2,287	2,450
Alumina Price Index (API)	362	344	368

Source: Metlen, Edison Investment Research

The average price for aluminium (3M LME) in 2023 decreased by 16% from the previous year to $2,287/t (2022: $2,716/t). In the last two months of 2023, the increase in the aluminium price to $2,382/t was largely driven by a weaker US dollar. The aluminium billet premia declined further in 2023, with the average price standing at $460/t from $600/t at the beginning of 2023. However, the billet premia price has been following an upward trend in 2024, currently at around $600/t, and is expected to further improve throughout the year. Metlen has also hedged its 2024 and 2025 production at higher levels than the current LME price. Metlen's aluminium business is also benefiting from lower power prices and increased use of renewable energy.

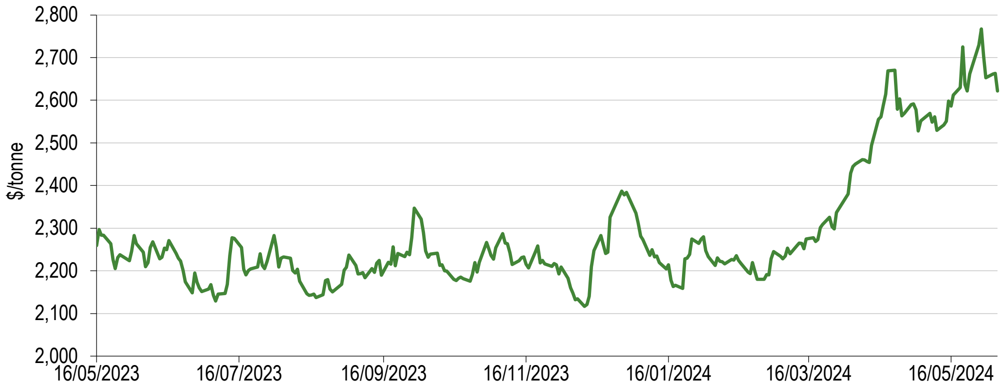
Metlen's announcement of the prospecting licence from GIADEC and the 100% acquisition of Imerys Bauxites means it has secured a long-term supply for its Aluminium of Greece plant, the largest vertically integrated bauxite, alumina and primary aluminium production unit in the EU. The investment in Imerys also provides Metlen with the possibility of exploring opportunities in the supply of critical raw materials (ie gallium) and rare earths (scandium) to Europe.

Exhibit 10: Metallurgy EBITDA forecast breakdown



Source: Metlen accounts, Edison Investment Research

Exhibit 11: LME primary aluminium three-month rolling forward



Source: LSEG, Edison Investment Research

AGM summary

After 115 years, Mytilineos announced its decision to rebrand to Metlen Energy & Metals. This move aligns with the company's strategy of establishing a strong international brand identity as its portfolio and operations continue to expand globally. The proposed name change was well received by shareholders, indicating their support for the company's vision and growth plans. The rebranding exercise marks a new era for Metlen, positioning it to capitalise on promising opportunities in the energy and metals sectors globally. Management's outlook included EBITDA in the range of €1–1.2bn for FY24 and net profit over €600m (up to c €700m). The company reiterated its intentions to pursue a listing on the LSE. However, it acknowledged that the process is complex and that it will proceed methodically.

Valuation: Should reflect further EBITDA growth

Our primary valuation method has been a 10-year DCF analysis. We are revising this to a 50:50 blended approach of DCF and peer group-based EV/EBITDA to reflect the potential re-rating due to an international listing, as well as to reflect its growing diversity of earnings, with RES accounting for a more significant share. Our DCF valuation is €47.3/share and our peer-group multiple valuation is €50.7/share, with a blended valuation of €49/share.

Our key DCF assumptions include a weighted average cost of capital (WACC) of 7.5% and a 1% terminal growth rate for Metallurgy, Power & Gas (P&G) and Sustainable Engineering Solutions (SES), and 2% for Renewables & Storage Development (RSD). We assume terminal capex (included in terminal cash flow) for the P&G and Metallurgy divisions at 1.5x depreciation. These assumptions are unchanged from our last review. Our revised DCF valuation reflects the recent results and some minor adjustments to earnings based on commodity, energy and electricity price assumptions, which are broadly in line with forward curves. Our DCF valuation has increased from €45/share to €47/share as a result. We cross-check this overall firm DCF against divisional-based DCFs (sum-of-the-parts based, see Exhibit 13).

Exhibit 12: DCF valuation

Components	Edison new EV (€m)	Per share (€)	EBITDA 2024e (€m)	Implied EV/EBITDA (x)	Edison old EV (€m)	Per share (old) (€)	Difference old vs new (%)	Per share difference (€)
Metlen Energy & Metals	**8,228**	**59.5**	**1,107**	**7.4x**	**8,089**	**58.4**	**2%**	**2%**
Net cash/(debt) at end FY23	(1,453)	(10.5)			(1,631)	(11.8)	-11%	1.3
Other adjustments*	(229)	(1.7)			(229)	(1.7)	0%	0.0
Total equity value	**6,547**	**47.3**			**6,228**	**45.0**	**5%**	**2.3**
Number of shares (m)	138.4				138.4		0%	
Value per share (€) (rounded)	**47.0**				**45.0**		5%	

Source: Edison Investment Research. Note: *Includes associates, minority interests and employment benefits.

Exhibit 13: Divisional DCF valuation (cross-check)

Components	Edison new EV (€m)	Per share (€)	EBITDA 2024e (€m)	Implied EV/EBITDA (x)	Edison old EV (€m)	Per share (old) (€)	Difference old vs new (%)	Per share difference (€)
Energy	5,933	42.9	813	7.3x	5,852	42.3	1%	1%
of which M Renewables	3,355	24.2	342	9.8x	2,970	21.5	13%	13%
Metals	2,059	14.9	287	7.2x	1,875	13.6	10%	9%
Construction/conc. subs./other**	151	1.1	27	5.6x	153	1.1	-1%	-1%
Enterprise value	**8,143**	58.8	**1,107**	7.4x	**7,880**	56.9	3%	3%
Net cash/(debt) at end FY23	(1,453)	(10.5)			(1,631)	(11.8)	-11%	1.3
Other adjustments*	(229)	(1.7)			(229)	(1.7)	0%	0.0
Total equity value	**6,462**	46.7			**6,020**	43.5	7%	3.2
Number of shares (m)	138.4				138.4		0%	
Value per share (€) (rounded)	**47.0**				**43.0**		9%	

Source: Edison Investment Research. Note: *Includes associates, minority interests, employment benefits. **Construction, concessions, subcontracts and other.

Exhibit 14: Peer group multiple analysis

	EV (€m)	Per share (€)	Market multiple 2024	EBITDA 2024e (€m)
Energy	7,035	50.8	8.7x	813
of which Generation/Supply/Distribution	3,718	26.9	7.9x	471
of which M Renewables	3,317	24.0	9.7x	342
Metals	1,493	10.8	5.2x	287
Construction, concessions, subcontracts and other	172	1.2	6.4x	27
Enterprise value	**8,699**	62.9	7.7x	1,126
Net cash/(debt) at end FY23e	(1,453)			
Other adjustments*	(229)			
Total equity value	**7,017**			
Number of shares (m)	138.4			
Value per share (€) (rounded)	**50.7**			

Source: Edison Investment Research, Refinitiv. Note: *Includes associates, minority interests and employment benefits. Prices as at 10 June 2024.

Exhibit 15: Sensitivities of DCF valuation (€/share) to WACC and terminal growth rate assumptions

Share valuation (€/share)		WACC						
		6.00%	**6.50%**	**7.00%**	**7.50%**	**8.00%**	**8.50%**	**9.00%**
	0.0%	60.8	53.2	46.7	41.2	36.3	32.0	28.3
	0.5%	66.1	57.5	50.2	44.0	38.7	34.0	30.0
	1.0%	72.3	62.4	54.2	**47.3**	41.4	36.3	31.9
Terminal growth rate	**1.5%**	80.0	68.4	59.0	51.1	44.6	38.9	34.1
	2.0%	89.6	75.7	64.7	55.7	48.2	41.9	36.6
	2.5%	101.9	84.9	71.7	61.1	52.6	45.4	39.4
	3.0%	118.3	96.6	80.4	67.8	57.8	49.6	42.8

Source: Edison Investment Research

Financials: Q124 update

Please see our most recently published flash note, which covers Metlen's Q124 results.

As anticipated by management, turnover decreased by 16% year-on-year due to the significant decline in natural gas, electricity and metal prices. Net profit and EPS both increased by 10% year-on-year, reaching €158m (€143m in Q123) and €1.141, respectively. EBITDA also rose by 12% year-on-year to €252m (€225m in Q123), benefiting from the steady profitability growth witnessed in its energy business, particularly in M Renewables. These results led to a substantial strengthening of Metlen's EBITDA margin, which increased by 5.5% to 22%, further confirming the robustness of Metlen's business model, which aims consistently to generate high levels of profitability regardless of energy price fluctuations.

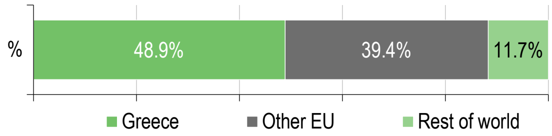
Q124 was a record-breaking quarter for Metlen in terms of profitability levels, primarily driven by M RES, supported by both enhanced energy generation from the operation of the new 826MW CCGT and the continued consistent and robust performance of the metallurgy sector. Metlen's Q124 results demonstrate that it has laid the foundations to consolidate its profitability at levels above €1bn, as it did in its FY23 results, while entering a new phase of strong growth.

Despite the significant decrease in the average 3M LME aluminium price, which was down 9% year-on-year in Q124, Metlen's Metallurgy business was able to record profitability at similar levels to the record-high levels obtained in Q123, with revenues of €205m (Q123: €225m) and EBITDA of €70m (Q123: €75m). This performance was mainly attributed to Metlen's management via securing favourable LME prices, the $/€ FX rate and strict cost control. The acquisition of Imerys Bauxite is expected to further enhance the company's vertically integrated production model.

Exhibit 16: Financial summary

€m	2021	2022	2023	2024e	2025e
Year end 31 December					
PROFIT & LOSS					
Revenue	2,664	6,306	5,492	6,354	7,180
Cost of Sales	(2,299)	(5,341)	(4,511)	(5,281)	(6,046)
Gross Profit	365	965	981	1,072	1,134
EBITDA	359	823	1,013	1,107	1,171
Operating profit (before amort. and excepts.)	279	279	734	900	915
Exceptionals					
Operating Profit	279	734	900	915	947
Other	1	(9)	(18)	(8)	(8)
Net Interest	(41)	(90)	(112)	(70)	(50)
Profit Before Tax (norm)	239	635	770	837	889
Profit Before Tax (reported)	239	635	770	837	889
Tax	(41)	(133)	(160)	(168)	(178)
Profit After Tax (norm)	198	507	620	669	711
Profit After Tax (FRS 3)	198	502	610	669	711
Minority interests	(18)	(34)	(3)	(3)	(2)
Discontinued activities	(1)	(2)	(2)	0	0
Average Number of Shares Outstanding (m)	136.0	138.4	138.4	138.4	138.4
Net income (normalised)	180	473	618	666	709
Net income (FRS3)	180	466	605	666	709
EPS - normalised (€)	1.33	3.42	4.46	4.81	5.12
EPS - normalised fully diluted (c)	1.33	3.42	4.46	4.81	5.12
EPS - reported (€)	1.19	3.37	4.37	4.81	5.12
Final distributed dividend per share (€)	0.42	1.20	1.58	1.69	1.80
Gross Margin (%)	13.7	15.3	17.9	16.9	15.8
EBITDA Margin (%)	13.5	13.1	18.4	17.4	16.3
Operating Margin (before GW and except.) (%)	10.5	10.5	11.6	14.4	13.2
BALANCE SHEET					
Fixed Assets	2,188	2,480	3,253	4,206	4,713
Intangible Assets	446	461	662	530	542
Tangible Assets	1,429	1,686	1,984	3,068	3,564
Right of use assets	48	59	175	175	175
Investments/Other	266	274	432	432	432
Current Assets	2,901	4,422	4,956	5,406	5,608
Stocks	469	840	1,335	1,398	1,436
Debtors	1,818	2,427	2,631	3,018	3,159
Cash	603	1,060	920	920	942
Other	12	95	71	71	71
Current Liabilities	(1,786)	(2,726)	(2,897)	(3,494)	(3,721)
Creditors	(1,704)	(2,552)	(2,270)	(2,514)	(2,741)
Short-term borrowings	(82)	(174)	(627)	(980)	(980)
Long-Term Liabilities	(1,682)	(1,955)	(2,645)	(2,645)	(2,645)
Long-term borrowings	(1,324)	(1,602)	(2,186)	(2,186)	(2,186)
Other long-term liabilities	(358)	(353)	(459)	(459)	(459)
Net Assets (ex-minority)	1,621	2,222	2,667	3,473	3,954
CASH FLOW					
Operating Cash Flow	277	966	380	898	1,216
Net Interest	(23)	(31)	(78)	(70)	(50)
Tax	(33)	(43)	(139)	(160)	(168)
Capex	(380)	(716)	(1,054)	(803)	(743)
Acquisitions/disposals	8	(9)	14	0	0
Financing	(32)	2	6	0	0
Dividends	(52)	(70)	(167)	(219)	(234)
Other	20	50	44	0	0
Net Cash Flow	(214)	150	(994)	(353)	22
Opening net debt/(cash)	538	803	716	1,893	2,246
HP finance leases initiated	(51)	(63)	(183)	0	0
Other	0	(0)	1	0	0
Closing net debt/(cash)	803	716	1,893	2,246	2,224
Non-recourse debt			440	750	900
Adjusted net debt/(cash)	803	716	1,453	1,496	1,324

Source: Company accounts, Edison Investment Research.

Contact details	Revenue by geography (for FY23)
8 Artemidos Str. Maroussi, 15125 Athens Greece +30 210-6877300/+30 210-6877476 www.metlengroup.com	

Management team

CEO and chairman: Evangelos G Mytilineos	CFO: Eleftheria Kontogianni
After graduating with a BSc in economics from the University of Athens and an MSc in economics from the London School of Economics, Evangelos G Mytilineos took over the family business in 1978 and in 1990 founded Mytilineos Holdings Group (now Metlen Energy & Metals). By acquiring the majority shareholding of METKA (1998) and Aluminium of Greece (2005) and making sizeable investments in the energy sector (it is now the largest independent power producer in Greece), he turned the company into one of Greece's leading industrial groups.	Eleftheria Kontogianni joined Metlen in April 2018 and became CFO in January 2023. Her previous experience before joining Mytilineos includes being financial planning & analysis manager for the Hellinikon Project as well as MIS manager at Titan Cement. Eleftheria studied financial & banking management at the University of Piraeus and achieved an ACCA qualification in 2011.

Principal shareholders	(%)
Mytilineos family	21.5
Fairfax	4.7
Vanguard	2.9
BlackRock	2.3
FMR LLC	2.2

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