

COMPANY UPDATE

METKA

New EPC order triggers positive revisions

Positive news flow – New business won in Turkey (EUR470mn for customer OMV) implies stronger earnings visibility over the forecasting period. We revise upwards our reported and cash earnings forecasts for Metka in 2010-12 and subsequently our TP for the shares to EUR13.0 from EUR12.0.

Positive earnings revision – Our revised forecasts up to 2012 reflect the execution of the existing EUR2.1bn order book. We revise sales upwards by 4% cumulatively, EPS excluding exceptionals by +3% and FCFs by +4%. In 2010 we inflate reported EPS by 30% to reflect the capital gain from the sale of a PPC contract to Greek contractor Terna that previously accounted for 20% of Metka's 2010-12 sales.

More positive catalysts – We previously argued that new business won by Metka was the near-term positive catalyst for the shares. As already highlighted at our initiation of coverage, from now on we believe that positive share price performance for Metka will be driven by earnings announcements instead of contract-related news flow.

Unchanged investment profile – We continue to like Metka's investment case because of rising energy demand and power investment and place a confidence call to the company's management for successful execution. In our view, the management offers a solid value creation track record.

Absolute valuation – We revise our TP for Metka's shares to EUR13.0 from EUR12.0. On our new TP for the stock, Metka trades 8.3x its forward-looking (2011e) P/E, 7.8x price to cash flow per share and 5.3x EV/EBITDA, at par with spot multiples as of our December research note.

Relative valuation & performance – In 2010 to-date, EPC contractors continue to outperform European equities by over 5% and the underlying positive business fundamentals remain unchanged. Metka still trades at 30% relative discount on 2010e-11e spot multiples vs. EPC peers. Relative to Greek equities, in December we stressed that the company's overseas expansion should allow for outperformance: Metka's shares have risen 13% since Dec 11, compared to -15% for ATHEX.

Estimates					
EUR mn	2007a	2008a	2009e	2010e	2011e
Revenues	284.2	381.5	355.0	647.3	731.3
EBITDA	57.2	66.8	60.2	110.8	125.2
Net Profit adj.	36.7	41.5	30.4	70.6	81.1
EPS adj.	0.71	0.80	0.58	1.36	1.56
DPS	0.50	0.40	0.40	0.55	0.70

Valuation					
	2007a	2008a	2009e	2010e	2011e
P/E adj.	18.3	12.0	16.4	7.1	6.2
EV/EBITDA	8.9	8.1	9.0	4.6	4.1
Net Debt (Cash) /Equity	6.1%	22.7%	21.4%	5.8%	4.2%
Yield	3.8%	4.2%	4.1%	5.7%	7.3%
ROE	30.9%	30.7%	20.7%	50.1%	34.1%

* Adjusted for exceptional items.

Recommendation	BUY
Target Price	€13.00
Closing Price (05/02)	€9.61
Market Cap (mn)	€499.2

Expected Return	35.3%
Expected Dividend	4.1%
Expected Total Return	39.4%

METKA Share Price



Stock Data

Reuters RIC	MTKr.AT
Bloomberg Code	METTK GA
52 Week High (adj.)	€11.02
52 Week Low (adj.)	€5.50
Abs. performance (1m)	-2.8%
Abs. performance (YTD)	-1.5%
Number of shares	52.0mn
Avg Trading Volume (qrt)	52k
Est. 3yr EPS CAGR	38.8%
Free Float	43%

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See Appendix for Analyst Certification and important disclosures

Estimates Revisions

Revision activity (EURmn)	New			% revision		
	2009e	2010e	2011e	2009e	2010e	2011e
Sales	355.0	647.3	731.3	0.0%	3.2%	4.3%
EBITDA	60.2	110.8	125.2	0.0%	-0.6%	1.5%
Net profit	30.4	92.2	81.1	0.0%	33.1%	4.5%
Net profit adj	30.4	70.6	81.1	0.0%	1.9%	4.5%
Working capital	150.6	189.8	236.1	0.0%	-15.6%	-14.4%
FCF	25.7	45.1	34.1	0.0%	457.4%	1.4%
DPS (EUR)	0.40	0.55	0.70	0.0%	0.6%	0.0%
TP (EUR)		13.00			8.3%	

Source: Eurobank EFG Securities Research

Group Financial Statements

Balance Sheet					
EUR mn	2007a	2008a	2009e	2010e	2011e
Non-current Assets					
Property, Plant & Equipment (net)	68.4	64.8	64.9	64.8	64.5
Set-up Expenses (net)	4.1	1.1	0.7	0.2	0.1
Goodwill (net)	7.9	7.9	7.9	7.9	7.9
Investments	1.2	2.5	2.5	2.5	2.5
Deferred Tax Asset	1.2	1.7	1.7	1.7	1.7
Total Non-current Assets	82.6	77.9	77.6	77.0	76.7
Inventories	21.8	15.3	17.8	32.2	36.2
Trade Receivables	208.5	213.1	284.0	313.7	314.1
Other receivables	9.5	9.2	8.5	15.5	17.4
Cash & Equivalents	31.1	19.4	17.7	36.5	38.5
Current assets	270.9	257.0	328.0	397.9	406.2
Total Assets	353.5	335.0	405.6	474.9	482.9
Share Capital & Premium	16.6	16.6	16.6	16.6	16.6
Reserves	110.4	125.9	135.6	199.3	243.9
Minority Interest	12.2	15.5	18.7	21.9	25.2
Total Equity	139.2	158.0	170.9	237.8	285.7
LT Loans	0.0	0.0	0.0	0.0	0.0
Provisions	1.9	2.0	2.0	2.0	2.0
Deferred Tax Liability	12.7	13.8	13.8	13.8	13.8
Other Non-current liabilities	21.0	49.8	49.8	49.8	49.8
Long Term Liabilities	35.6	65.6	65.6	65.6	65.6
ST Loans	18.3	11.4	9.3	0.0	0.0
Trade Payables	132.5	83.8	142.0	142.4	109.7
Other Payables	27.9	16.1	17.8	29.1	21.9
Current liabilities	178.6	111.3	169.1	171.5	131.6
Total Equity & Liabilities	353.5	335.0	405.6	474.9	482.9

Source: Company, Eurobank EFG Securities Research

P&L					
EUR mn	2007a	2008a	2009e	2010e	2011e
Turnover	284.2	381.5	355.0	647.3	731.3
<i>change</i>	-3.4%	34.2%	-6.9%	82.3%	13.0%
Gross Profit (excl. depreciation)	72.9	87.3	84.5	146.4	164.0
<i>Gross margin</i>	25.7%	22.9%	23.8%	22.6%	22.4%
Selling, Administrative & Other Expenses	-13.3	-15.2	-16.3	-16.8	-17.3
Fees	-2.5	-5.2	-8.1	-18.8	-21.5
EBITDA	57.2	66.8	60.2	110.8	125.2
<i>change</i>	-1.0%	16.8%	-9.9%	84.2%	13.0%
<i>EBITDA margin</i>	20.1%	17.5%	16.9%	17.1%	17.1%
Depreciation	-5.0	-5.3	-5.4	-5.6	-5.4
EBIT	52.2	61.5	54.8	105.2	119.8
<i>change</i>	-0.9%	17.9%	-11.0%	92.1%	13.9%
<i>EBIT margin</i>	18.4%	16.1%	15.4%	16.3%	16.4%
Net Financial Expense / Income	-1.9	-3.5	-3.4	-2.6	-2.6
Adjustments	0.2	0.0	0.0	30.0	0.0
Earnings Before Tax	50.5	58.0	51.4	132.6	117.2
<i>change</i>	-8.6%	14.9%	-11.3%	158.0%	-11.6%
<i>EBT margin</i>	17.8%	15.2%	14.5%	20.5%	16.0%
Tax	-13.2	-13.2	-17.9	-37.1	-32.8
Effective Tax Rate	26.1%	22.8%	34.7%	28.0%	28.0%
Earnings After Tax	37.3	44.8	33.6	95.5	84.4
Minorities	-0.5	-3.4	-3.2	-3.2	-3.3
Net Profit	36.8	41.4	30.4	92.2	81.1
<i>change</i>	-9.4%	12.6%	-26.7%	203.8%	-12.1%
<i>Net Profit margin</i>	12.9%	10.9%	8.6%	14.3%	11.1%
Net Profit adj.	36.7	41.5	30.4	70.6	81.1
EPS	0.71	0.80	0.58	1.78	1.56
EPS adj.	0.71	0.80	0.58	1.36	1.56
DPS (regular & special)	0.50	0.40	0.40	0.55	0.70

Source: Company, Eurobank EFG Securities Research

Cash Flow Statement					
EUR mn	2007a	2008a	2009e	2010e	2011e
Net Profit	36.8	41.4	30.4	92.2	81.1
Depreciation of Fixed Assets	5.0	5.3	5.4	5.6	5.4
Cash adjustments	4.6	-9.2	24.4	13.0	38.7
Changes in Working Capital	4.4	13.3	-12.9	-39.3	-46.3
Less: Interest	-1.2	-2.9	-3.5	-3.0	-3.0
Less: Tax	-6.9	-25.6	-13.2	-17.9	-37.1
Net Inflows (Outflows) from Operating Activities	42.8	22.4	30.6	50.7	38.8
Capex	-2.5	-1.8	-5.0	-5.0	-5.0
Other	0.3	0.5	0.2	-0.5	0.4
Net Inflows (Outflows) from Investing Activities	-2.3	-1.3	-4.9	-5.6	-4.7
Free Cash Flow	40.5	21.1	25.7	45.1	34.1

Source: Company, Eurobank EFG Securities Research

Ratios					
	2007a	2008a	2009e	2010e	2011e
P/E adj.	18.3	12.0	16.4	7.1	6.2
P/BV	3.9	3.5	3.3	2.3	1.9
P/Sales	1.8	1.3	1.4	0.8	0.7
EV/EBITDA	8.9	8.1	9.0	4.6	4.1
EV/Sales	1.8	1.4	1.5	0.8	0.7
Net Debt/Equity	6.9%	24.8%	22.6%	8.0%	5.0%
Total Debt/Capital	23.6%	30.1%	28.0%	18.8%	16.1%
Dividend Yield	3.8%	4.2%	4.1%	5.7%	7.3%
ROE	30.9%	30.7%	20.7%	50.1%	34.1%
Cash Flow Yield	8.1%	4.2%	5.1%	9.0%	6.8%
Payout Ratio	70.6%	50.2%	68.0%	31.0%	45.0%

Source: Company, Eurobank EFG Securities Research

Eurobank EFG Securities Investment Firm S.A.
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12-month Rating History of Metka

Date	Rating	Stock price	Target price
11/12/2009	Buy	€8.52	€12.00
08/02/2009	Buy	€9.61	€13.00

EUROBANK EFG Securities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	8	33%	1	13%
Hold	4	17%	0	0%
Sell	2	8%	0	0%
Restricted	2	8%	1	50%
Under Review	8	33%	0	0%
Total	24	100%		

Analyst Stock Ratings:

- Buy: Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
- Hold: We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
- Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
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