

Q1 2010 REVIEW

## METKA

### Solid growth but less upside

**Solid EPC-driven growth** - Metka continues to fit well in our stock selection process for Greek recession-immune companies with export focus and strong earnings visibility driven by large order books (EUR2bn of which c80% away from Greece). Execution for the contractor's EPC business in Greece (430MW), Turkey (RWE/775MW) and Romania (800MW) was strong in Q1, with implementation in Turkey a positive surprise for us. However, persistent smooth execution of these contracts throughout the year and incremental contribution from Syria-Turkey (OMV) look to us more challenging now. This is the reason for our mild negative revision of sales and EBITDA in the 2yr forecasting period. The positive long-term investment case for Metka remains unchanged, we believe.

**Earnings changes** - We revise net profits ex-exceptionals downwards by 14% in 2010, 18% in 2011 and 5% in 2012. Overall our earnings revision reflects the net negative impact of faster contract execution in Turkey/RWE plant and slower execution in Syria and Turkish OMV plants. No additional change for our assumptions on Greek tax levies. We forecast more linear sales and EBITDA growth until 2012, compared to previous estimates on which growth was frontloaded. The cumulative impact on 2010-12 sales and EBITDA is -8%/-9% respectively. We also reduce free cash flows by EUR70mn in 2010, EUR5mn in 2011 but increase 2012 estimates by EUR19mn. In Q4 2009 and Q1 2010 results we were negatively surprised to see the rate of deterioration for customer collections. Despite Metka's successful efforts to exercise power to suppliers and the management's reassuring message at the conference call, we now take a more cautious approach on 2010-11 working capital requirements.

**Stock valuation & rating** - We reduce our TP for Metka's shares by 8% to EUR11.0 as a result of lower earnings estimates for 2010-11. We value the shares 9x net earnings for year 2011 (we expect 2012 to be the peak year). We reduce our Buy rating on the shares to Hold in order to reflect these revisions and a more uncertain environment on dividend returns. We suspend the special dividend previously forecasted for 2012. The shares have already fared well, relative +34% to Greek equities since initiating coverage on 11 Dec 2009.

Estimates					
EUR mn	2008a	2009a	2010e	2011e	2012e
Revenues	381.5	339.4	607.3	651.3	671.3
EBITDA	66.8	60.6	102.7	110.2	114.6
Net Profit adj.*	41.5	35.0	55.9	61.2	68.7
EPS adj.*	0.80	0.67	1.08	1.18	1.32
DPS (gross)	0.40	0.20	0.30	0.30	0.35

Valuation					
	2008a	2009a	2010e	2011e	2012e
P/E adj.*	11.3	13.4	8.4	7.6	6.8
EV/EBITDA	7.6	7.4	5.2	4.7	3.8
Net Debt (Cash) /Equity	22.7%	-12.5%	23.0%	16.3%	-10.5%
Yield (gross)	4.4%	2.2%	3.4%	3.3%	3.9%
ROE	30.7%	23.6%	43.3%	24.8%	23.3%

\* Adjusted for exceptional items. Net Profit, EPS post - income and dividend levies.

<b>Recommendation</b>	<b>HOLD</b>
<b>Target Price</b>	<b>€11.00</b>
Closing Price (20/05)	€9.00
Market Cap (mn)	€467.6

Expected Return	22.2%
Expected Dividend	3.4%
Expected Total Return	25.6%

### METKA Share Price



### Stock Data

Reuters RIC	MTKr.AT
Bloomberg Code	METTK GA
52 Week High (adj.)	€11.28
52 Week Low (adj.)	€7.60
Abs. performance (1m)	-10.1%
Abs. performance (YTD)	-4.7%
Number of shares	52.0mn
Avg Trading Volume (qrt)	35.2k
Est. 3yr EPS CAGR	3.6%
Free Float	43%

### Analyst

**Nektarios Papagiannakopoulos**  
Research Analyst  
Tel: +30 210 37 20 258  
npapagiannakopoulos@eurobankequities.gr

### Head of Research

Tel: +30 210 37 20 118

### Sales

Tel: +30 210 37 20 119

### Trading

Tel: +30 210 37 20 140

See Appendix for Analyst Certification and important disclosures

## Quarterly review

Sales rose 110% YoY to EUR105.5mn, c1% ahead of our estimates, with EPC sales growth at 177% from a very low base last year. EBITDA jumped 116% YoY to EUR18.4mn, 1.6% short of our estimate due to infrastructure projects. Reported net profits rose from EUR5mn to EUR37.6mn, 16% ahead of our forecast due to higher than expected non-operating items.

The increased effective tax rate of c40%, ex-capital gain, reflects the new tax regime in Greece that we anticipated to see later in the year (we already forecasted 32% in 2010). Metka reported Q1 net profits ex-capital gain from Megalopolis sale at EUR11mn, 2% above our estimates. The capital gain has inflated P&L items across most lines, but we continue to treat this as an exceptional item below the EBITDA line for comparison purposes.

METKA quarterly highlights					
EUR mn	Q1 09a	Q1 10a	YoY	Q1 10e	vs. EFG
Energy EPC	35	97	177.1%	99	-1.6%
Infrastructure	14	8	-	5	-
Defence	2	0	-	1	-
<b>Sales</b>	<b>50</b>	<b>105</b>	<b>110.5%</b>	<b>105</b>	<b>0.7%</b>
<b>Change</b>	<b>-43.0%</b>	<b>110.5%</b>		<b>109.2%</b>	
Energy EPC	7	18	57.1%	18	1.4%
Infrastructure	2	0	-	1	-
Defence	0	0	-	0	-
<b>EBITDA</b>	<b>8</b>	<b>18</b>	<b>115.8%</b>	<b>19</b>	<b>-1.6%</b>
<b>Change</b>	<b>-48.6%</b>	<b>115.8%</b>		<b>118.8%</b>	
<b>EBITDA margin</b>	<b>16.9%</b>	<b>17.4%</b>		<b>17.7%</b>	
EBT	7	19	174.9%	16	17.8%
Tax	(2)	(7)		(4)	
<i>Effective tax rate</i>	<i>26.6%</i>	<i>39.8%</i>		<i>28.0%</i>	
Minorities	(0)	(0)		(1)	
<b>Net profit adj.</b>	<b>5</b>	<b>11</b>	<b>121.4%</b>	<b>11</b>	<b>1.9%</b>
<b>Change</b>	<b>-50.6%</b>	<b>121.4%</b>		<b>119.4%</b>	
Exceptionals (pre-tax)	0	32	-	30	8.0%
Net profit reported	5	38	-	32	16.0%

Source: Eurobank EFG Equities Research

Megalopolis contract sale impact Q1 2010			
EUR mn	METKA adjusted	CCGT sale impact	METKA reported
<b>Sales</b>	<b>105</b>	<b>32</b>	<b>138</b>
<b>EBITDA</b>	<b>18</b>	<b>32</b>	<b>51</b>
<b>EBITDA margin</b>	<b>17.4%</b>	<b>-</b>	<b>36.8%</b>
EBT	19	32	51
Tax	(7)	(6)	(13)
<i>Effective tax rate</i>	<i>39.8%</i>	<i>17.9%</i>	<i>25.9%</i>
Minorities	(0)	0	(0)
<b>Net profit</b>	<b>11</b>	<b>27</b>	<b>38</b>

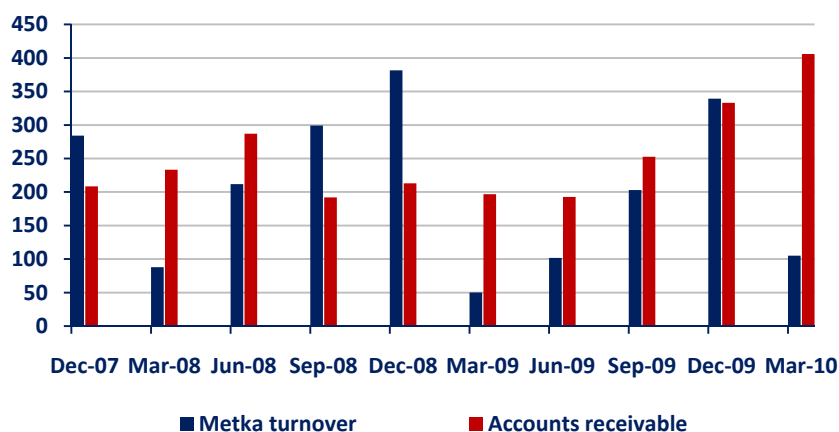
Source: Eurobank EFG Equities Research

**Reasons for uncertainty – Testing our previous assumptions**

EUR mn	Q1 10a	Q1 09a	Q1 10a as of FY	Q1 09a as of FY	Comment	9M 10e	9M 09a
Greece/437MW & other	57	44	20%	15%	Strong, unchanged	230	253
Romania/800MW	17	5	17%	14%	In line, unchanged	83	29
Turkey/775MW	32	0	40%	0%	Revised upwards	48	3
Syria/700MW	0	0	0%	0%	Revised downwards	100	3
Turkey/800MW	0	0	0%	0%	Revised downwards	80	0
Pakistan/220MW	0	1	0%	47%		0	1
<b>Previous total sales</b>	<b>105</b>	<b>50</b>	<b>16%</b>	<b>15%</b>		<b>542</b>	<b>289</b>
<b>New revised sales</b>			<b>17%</b>	<b>15%</b>		<b>502</b>	<b>289</b>

Source: Eurobank EFG Equities Research

**Cash collection becomes more serious problem (EUR mn)**



Source: Eurobank EFG Equities Research

## New estimates revision

METKA revision activity	New			% revision		
	2010e	2011e	2012e	2010e	2011e	2012e
Sales	607.3	651.3	671.3	-6%	-11%	-6%
EBITDA	102.7	110.2	114.6	-8%	-12%	-6%
Net profit	82.5	61.2	68.7	-5%	-18%	-5%
Net profit adj.	55.9	61.2	68.7	-14%	-18%	-5%
Working capital	249.8	288.2	263.8	32%	22%	14%
FCF	(82.0)	21.7	96.7	-	-19%	25%
DPS (EUR)	0.30	0.30	0.35	-7%	-27%	-85%
<b>TP (EUR)</b>		<b>11.00</b>			<b>-8%</b>	

Source: Eurobank EFG Equities Research

## New target price revision

Combined METKA valuation			
EUR mn	Equity value	per share	Previous TP
DCF valuation	583.7	11.2	11.3
Spot multiples	548.8	10.6	12.3
<b>Average</b>	<b>566.2</b>	<b>10.9</b>	<b>11.8</b>
<b>Eurobank EFG Equities TP</b>	<b>571.5</b>	<b>11.0</b>	<b>12.0</b>
Current	467.6	9.0	
<b>Upside / downside</b>		<b>22.2%</b>	

Source: Eurobank EFG Equities Research

## Group Financial Statements

<b>Balance Sheet</b>					
<b>EUR mn</b>	<b>2008a</b>	<b>2009a</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
<b>Non-current Assets</b>					
Property, Plant & Equipment (net)	64.8	62.4	56.9	51.2	45.1
Set-up Expenses (net)	1.1	0.1	0.1	0.1	0.1
Goodwill (net)	7.9	8.0	8.0	8.1	8.2
Investments	2.5	3.7	3.7	3.7	3.7
Deferred Tax Asset	1.7	4.5	4.5	4.5	4.5
<b>Total Non-current Assets</b>	<b>77.9</b>	<b>78.6</b>	<b>73.2</b>	<b>67.6</b>	<b>61.6</b>
Inventories	15.3	12.8	30.2	32.2	33.1
Trade Receivables	213.1	333.1	334.0	325.7	302.1
Other receivables	9.2	26.3	46.5	47.5	15.9
Cash & Equivalents	19.4	32.1	31.3	31.3	34.4
<b>Current assets</b>	<b>257.0</b>	<b>404.1</b>	<b>442.1</b>	<b>436.7</b>	<b>385.5</b>
<b>Total Assets</b>	<b>335.0</b>	<b>482.8</b>	<b>515.3</b>	<b>504.3</b>	<b>447.1</b>
<b>Equity</b>					
Share Capital & Premium	16.6	16.6	16.6	16.6	16.6
Reserves	125.9	140.4	207.2	252.7	303.2
Minority Interest	15.5	16.3	18.1	19.9	21.7
<b>Total Equity</b>	<b>158.0</b>	<b>173.3</b>	<b>241.9</b>	<b>289.2</b>	<b>341.5</b>
<b>Liabilities</b>					
LT Loans	0.0	0.0	0.0	0.0	0.0
Provisions	2.0	1.9	1.9	1.9	1.9
Deferred Tax Liability	13.8	12.3	12.3	12.3	12.3
Other Non-current liabilities	49.8	4.1	4.1	4.1	4.1
<b>Long Term Liabilities</b>	<b>65.6</b>	<b>18.4</b>	<b>18.4</b>	<b>18.4</b>	<b>18.4</b>
ST Loans	11.4	10.4	94.1	79.5	0.0
Trade Payables	83.8	247.9	133.6	97.7	67.1
Other Payables	16.1	32.8	27.3	19.5	20.1
<b>Current liabilities</b>	<b>111.3</b>	<b>291.1</b>	<b>255.1</b>	<b>196.7</b>	<b>87.3</b>
<b>Total Equity &amp; Liabilities</b>	<b>335.0</b>	<b>482.8</b>	<b>515.3</b>	<b>504.3</b>	<b>447.1</b>

Source: Company, Eurobank EFG Equities Research

<b>P&amp;L</b>					
<b>EUR mn</b>	<b>2008a</b>	<b>2009a</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
<b>Turnover</b>	<b>381.5</b>	<b>339.4</b>	<b>607.3</b>	<b>651.3</b>	<b>671.3</b>
<i>change</i>	34.2%	-11.0%	78.9%	7.2%	3.1%
<b>Gross Profit (excl. depreciation)</b>	<b>87.3</b>	<b>82.9</b>	<b>135.9</b>	<b>145.1</b>	<b>150.5</b>
<i>Gross margin</i>	22.9%	24.4%	22.4%	22.3%	22.4%
Selling, Administrative & Other Expenses	-15.2	-14.4	-15.6	-15.9	-16.2
Fees	-5.2	-7.9	-17.6	-19.1	-19.7
<b>EBITDA</b>	<b>66.8</b>	<b>60.6</b>	<b>102.7</b>	<b>110.2</b>	<b>114.6</b>
<i>change</i>	16.8%	-9.2%	69.4%	7.3%	4.0%
<i>EBITDA margin</i>	17.5%	17.9%	16.9%	16.9%	17.1%
Depreciation	-5.3	-4.8	-9.5	-9.8	-10.1
<b>EBIT</b>	<b>61.5</b>	<b>55.8</b>	<b>93.2</b>	<b>100.4</b>	<b>104.5</b>
<i>change</i>	17.9%	-9.3%	67.0%	7.7%	4.2%
<i>EBIT margin</i>	16.1%	16.4%	15.3%	15.4%	15.6%
Net Financial Expense / Income	-3.5	-1.6	-5.6	-4.7	0.1
Adjustments	0.0	0.4	32.4	0.0	0.0
<b>Earnings Before Tax</b>	<b>58.0</b>	<b>54.6</b>	<b>120.0</b>	<b>95.7</b>	<b>104.6</b>
<i>change</i>	14.9%	-5.9%	119.9%	-20.3%	9.4%
<i>EBT margin</i>	15.2%	16.1%	19.8%	14.7%	15.6%
Income Tax	-13.2	-13.5	-30.3	-26.8	-28.3
Greek levies	0.0	-4.1	-5.4	-5.9	-5.9
Effective Tax Rate	22.8%	32.2%	29.8%	34.2%	32.7%
<b>Earnings After Tax</b>	<b>44.8</b>	<b>37.0</b>	<b>84.3</b>	<b>63.0</b>	<b>70.5</b>
Minorities	-3.4	-1.8	-1.8	-1.8	-1.8
<b>Net Profit</b>	<b>41.4</b>	<b>35.2</b>	<b>82.5</b>	<b>61.2</b>	<b>68.7</b>
<i>change</i>	12.6%	-15.0%	134.1%	-25.9%	12.3%
<i>Net Profit margin</i>	10.9%	10.4%	13.6%	9.4%	10.2%
<b>Net Profit adj.*</b>	<b>41.5</b>	<b>35.0</b>	<b>55.9</b>	<b>61.2</b>	<b>68.7</b>
<b>EPS</b>	<b>0.80</b>	<b>0.68</b>	<b>1.59</b>	<b>1.18</b>	<b>1.32</b>
<b>EPS adj. *</b>	<b>0.80</b>	<b>0.67</b>	<b>1.08</b>	<b>1.18</b>	<b>1.32</b>
<b>DPS (regular &amp; special)</b>	<b>0.40</b>	<b>0.20</b>	<b>0.30</b>	<b>0.30</b>	<b>0.35</b>

Source: Company, Eurobank EFG Equities Research

\* Adjusted for exceptional items. Net Profit, EPS post - income and dividend levies.

<b>Cash Flow Statement</b>					
<b>EUR mn</b>	<b>2008a</b>	<b>2009a</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Net Profit	41.4	35.2	82.5	61.2	68.7
Depreciation of Fixed Assets	5.3	4.8	9.5	9.8	10.1
Cash adjustments	-9.16	-13.15	5.29	33.28	29.97
Changes in Working Capital	13.3	16.0	158.5	38.3	-24.4
Less: Interest	-2.9	-1.4	-2.5	-4.7	0.1
Less: Tax	-25.6	-4.9	-17.6	-35.7	-32.7
<b>Net Inflows (Outflows) from Operating Activities</b>	<b>22.4</b>	<b>36.6</b>	<b>-81.3</b>	<b>25.5</b>	<b>100.5</b>
Capex	-1.8	-2.6	-4.1	-4.1	-4.1
Other	0.5	1.1	3.4	0.3	0.3
<b>Net Inflows (Outflows) from Investing Activities</b>	<b>-1.3</b>	<b>-1.5</b>	<b>-0.7</b>	<b>-3.8</b>	<b>-3.8</b>
<b>Free Cash Flow</b>	<b>21.1</b>	<b>35.1</b>	<b>-82.0</b>	<b>21.7</b>	<b>96.7</b>

Source: Company, Eurobank EFG Equities Research

<b>Ratios</b>					
	<b>2008a</b>	<b>2009a</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
P/E adj.	11.3	13.4	8.4	7.6	6.8
P/BV	3.3	3.0	2.1	1.7	1.5
P/Sales	1.2	1.4	0.8	0.7	0.7
EV/EBITDA	7.6	7.4	5.2	4.7	3.8
EV/Sales	1.3	1.3	0.9	0.8	0.7
Net Debt/Equity	22.7%	-12.5%	23.0%	16.3%	-10.5%
Total Debt/Capital	30.1%	8.5%	30.5%	23.7%	1.3%
Dividend Yield (gross)	4.4%	2.2%	3.4%	3.3%	3.9%
ROE	30.7%	23.6%	43.3%	24.8%	23.3%
Cash Flow Yield	4.5%	7.5%	-17.5%	4.6%	20.7%
Payout Ratio	50.2%	29.5%	19.0%	25.5%	26.5%

Source: Company, Eurobank EFG Equities Research

**Eurobank EFG Equities Investment Firm S.A.**  
Member of The Athens Exchange,  
The Cyprus Stock Exchange and Eurobank EFG.

110 Filellinon Street  
105 57 Athens, Greece

Regulated by the Hellenic Capital Markets Commission  
Authorisation No: 6/149/12.1.1999  
VAT No: 094543092, Reg. No. 42221/06/B/99/10

Telephone: +30 210-3720 000  
Facsimile: +30 210-3720 001  
Internet: [www.eurobankequities.gr](http://www.eurobankequities.gr)  
E-mail: [research@eurobankequities.gr](mailto:research@eurobankequities.gr)

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This report has been written by Nektarios Papagiannakopoulos, CFA (Equity Analyst).

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#### Planned Frequency of Updates:

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#### 12-month Rating History of Metka

Date	Rating	Stock price	Target price
21/05/2010	Hold	€9.00	€11.00
18/05/2010	Buy	€9.30	€12.00
06/04/2010	Buy	€10.60	€13.00
08/02/2009	Buy	€9.61	€13.00
11/12/2009	Buy	€8.52	€12.00

#### EUROBANK EFG Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	6	25%	0	0%
Hold	4	17%	1	25%
Sell	1	4%	0	0%
Restricted	2	8%	1	50%
Under Review	11	46%	0	0%
<b>Total</b>	<b>24</b>	<b>100%</b>		

#### 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.
- Restricted: Under EFG Group policy and / or regulations which do not allow ratings
- Under Review: Our estimates, target price and recommendation are currently under review