

May 31, 2010



# METKA

Q1'10 review

## OVERWEIGHT

Previous Rating: Overweight

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Share Price: €8.66 (close of May 28)

**12M Price Target: €13.20**

Previous Target: €13.50

Expected Total Return: 52.5%

### Estimates

	2009	2010e	2011e	2012e
Sales (€ m)	339.4	624.4	784.6	762.7
EBITDA(€ m)	60.6	132.9	137.9	131.4
Net profit - rep. (€m)	35.2	81.5	82.3	78.4
Net profit - adj. (€m)	35.2	54.9	82.3	78.4
EPS - rep. (€)	0.68	1.57	1.58	1.51
EPS - rep growth (%)	-14.9%	131.3%	1.0%	-4.7%
EPS - adj. (€)	0.68	1.06	1.58	1.51
EPS - adj. growth (%)	-14.9%	55.8%	50.0%	-4.7%

Source: METKA, Euroxx Research, (adj.: excl. sale of ETADE)

### Ratios

	2009	2010e	2011e	2012e
P/E (x) - rep.	12.8	5.5	5.5	5.7
P/E (x) - adj.	12.8	8.2	5.5	5.7
EV/EBITDA (x)	7.4	3.4	3.3	3.1
EV/EBIT (x)	8.0	3.5	3.4	3.2
EV/Sales (x)	1.3	0.7	0.6	0.5
Div Yield (%)	2.3%	3.5%	5.2%	8.0%
P/BV (x)	2.9	2.0	1.6	1.4

Source: METKA, Euroxx Research, (adj.: excl. sale of ETADE)

### Stock Performance

	3M	6M	12M	YTD
Absolute	-18.1%	-7.4%	12.2%	-11.3%
Difference (ATG)	-0.1%	23.1%	44.2%	17.2%

### Stock Data:

Market cap (€ m)	450
Outstanding shares (#)	51,950,600
Daily Volume (#)	32,829
Low / High 52 w (€)	7.41 - 11.77
Free float	43.8%
Bloomberg / Reuters	METTK GA / MTKr.AT

### Company Description:

Founded in 1962, **METKA** undertakes projects regarding construction of energy plants, defense mechanisms and infrastructure. The company employs 534 people and was acquired by Mytilineos Group on January 1999.

## Strong operating performance to offset adverse Greek taxation

METKA released a **strong** set of first quarter results on the back of robust contribution of projects' outside Greece. Although results missed our estimates on the revenue line, operating margins came in significantly higher, driven by foreign projects' successful execution.

Sales soared to €137.9m (175.2% y-o-y) or €105.5m (110.5% y-o-y) excluding the one-off sale of ETADE on January 8, 2010. EBITDA surged to €50.8m (5.0x up y-o-y) or €18.3m (116.5% y-o-y) excluding ETADE with the margin (adjusted) advancing to 17.4% vs 16.9% in Q1'09. **Net profit** reached €37.6m (6.6x up y-o-y) or **€10.9m** (121.3% y-o-y) on a comparable basis.

Greek net exposure (i.e. excluding sale of ETADE) fell to c54% of total sales vs c88% in the comparable prior year period, while **operating margins** despite the increase of Mytilineos management fee and our concerns on foreign competition, marked higher, pointing to greater projects' efficiency.

**Net financials** increased by 43.2% driven by an increase of charges of bank guarantees and a decrease of debit interest charges due to customer's down-payment. However, financial results turned from €1.2m negative to €1.3m positive driven by €2.1m increase in other financial results, related to the sale of ETADE. Notably, **operating CF** turned into €36.6m outflow from €23.0m inflow in Q1'09 as a result of significant increase in trade receivables which, according to management, is expected to smooth out in the following months.

Existing backlog is set at record highs (€2.0bn or 6.0x FY'09 sales) and for the next couple of years, **growth prospects remain solid**. We expect one more CCGT project in Syria to be announced in late 2010 and METKA to further internationalize its activities.

Following Q1'10 results we adjusted our expectations upwards on foreign projects' operating margins, which **more than offset** our estimates on higher effective tax rate going forward, resulting from Greek government's new tax bill on dividends and ECB/IMF MoU crisis levies for the period FY10/12.

Plugging in our new set of estimates our DCF model returns a TP of **€13.20** (from €13.50 previously) and we reiterate our **Overweight** rating.

Please refer to important disclosures in the Disclosure Appendix.

## Q1'10 recap

METKA released a **strong** set of Q1'10 results on the back of significant contribution of foreign projects in Turkey and Romania coupled with sustainable performance of Korinthos power in Greece. Although results missed our estimates on revenue, METKA delivered higher operating margins driven by robust foreign projects' execution and lower domestic market exposure.

Sales adj. (excluding one-off sale of ETADE) reached €105.5m (110.5% y-o-y), EBITDA adj. increased to €18.3m (116.5% y-o-y) with the margin at 17.4% vs 16.9% in Q1'09 and net profit adj. surged to €10.9m (121.3% y-o-y) or €37.6m (6.6x up y-o-y) including profit from the one-off sale of ETADE in January 2010.

Geographical P&L (€m)	Q1'09	Q1'10	y-o-y
<b>Greece</b>			
Sales adj.	44.3	57.1	28.9%
<i>% as of total</i>	88.4%	54.2%	-34.3pp
Gross profit adj.	10.3	11.0	7.3%
<i>Gross margin</i>	23.2%	19.3%	-3.9pp
<i>% as of total</i>	89.9%	47.2%	-42.7pp
Net profit adj.	4.4	1.7	-60.8%
<i>Net margin</i>	10.0%	3.1%	-7.0pp
<i>% as of total</i>	90.0%	15.9%	-74.0pp
<b>Outside Greece</b>			
Sales	5.8	48.4	7.3x
<i>% as of total</i>	11.6%	45.8%	34.3pp
Gross profit	1.1	12.3	9.7x
<i>Gross margin</i>	19.8%	25.5%	5.6pp
<i>% as of total</i>	10.1%	52.8%	42.7pp
Net profit	0.5	9.2	17.6x
<i>Net margin</i>	8.6%	19.0%	10.5pp
<i>% as of total</i>	10.0%	84.1%	74.0pp

Source: METKA, Euroxx Research (adj. excl. sale of ETADE)

## METKA Q1'10 results

P&L (in €m)	Q1'09	Q1'10	y-o-y	vs Exx
<b>Sales</b>	<b>50.1</b>	<b>137.9</b>	<b>175.2%</b>	<b>-8.5%</b>
Sales (adj.)	50.1	105.5	110.5%	-10.8%
Gross profit	11.4	55.8	388.1%	
<i>Gross margin</i>	22.8%	40.5%	17.6pp	
<b>EBITDA</b>	<b>8.5</b>	<b>50.8</b>	<b>499.5%</b>	<b>-3.7%</b>
<i>EBITDA margin</i>	16.9%	36.8%	19.9pp	1.8pp
<b>EBITDA (adj.)</b>	<b>8.5</b>	<b>18.3</b>	<b>116.5%</b>	<b>-11.5%</b>
<i>EBITDA (adj.) margin</i>	16.9%	17.4%	0.5pp	-0.1pp
EBIT	7.3	49.7	580.1%	
<i>EBIT margin</i>	14.6%	36.0%	21.4pp	
Financials, net	-0.6	1.3	n.m	
Pre-tax profit	6.7	50.9	656.9%	
Tax	1.8	13.2	635.9%	
<i>effective tax rate</i>	26.6%	25.9%	-0.7pp	
Minorities	0.0	0.2	n.m	
<b>Net profit</b>	<b>4.9</b>	<b>37.6</b>	<b>659.4%</b>	<b>-1.8%</b>
<i>Net margin</i>	9.9%	27.2%	17.4pp	1.9pp
<b>Net profit (adj.)</b>	<b>4.9</b>	<b>10.9</b>	<b>121.3%</b>	<b>-23.1%</b>
<i>Net (adj.) margin</i>	9.9%	10.4%	0.5pp	-1.6pp

Source: Metka, Euroxx Research (Adjusted figures exclude sale of ETADE)

## Forecast changes

Following Greek government's new tax bill we incorporate 40% taxation on distributed profits (i.e. on a standalone basis Greek income tax rate increases to 29.6% for FY'10e and gradually falls to 27.0% in FY'14e as tax on non distributed profits falls from 24% in FY'10 to 20% in FY'14), while we include for the period FY'10/12e the recently announced (May 2) ECB/IMF MoU crisis levies of €20.8m in total (i.e. €4.7m for FY'10e, €8.0m for FY'11e and €8.1m for FY'12e). As a result of the Greek austerity measures, average group effective tax rate for the period FY10/14e rises to 31.5% from 30.2% previously.

What is more, we cut our DPS estimates for the period FY10/12e by 64%, 38% and 5% respectively, as to minimize the impact of new dividends' taxation on group's effective tax rate. As a reminder, although not being fully clear yet, the new Greek tax law imposes 40% tax on dividends at a company P&L level, compared to the previous tax law that required 10% on dividends at a shareholder level, after 25% (gradually reduced to 20% in FY'14) income tax applied at a company P&L level.

On the positive side, we raise EBITDA margins by 1.0pp on average for the period FY10/14e, incorporating higher expectations on the execution of foreign projects as far as their operating profitability is concerned. To this extend, higher operating margins coming from METKA's foreign projects, more than offset the negative impact of Greek tax austerity measures.

Overall, we upgrade on average our bottom line estimates by 3.5%.

		Old	New	chnng
FY'10e	Sales	592.0	624.4	5.5%
	EBITDA	133.5	132.9	-0.4%
	<i>EBITDA margin</i>	<i>22.5%</i>	<i>21.3%</i>	<i>-1.3pp</i>
	EBITDA (adj.)	91.0	100.4	10.4%
	<i>EBITDA margin (adj.)</i>	<i>15.4%</i>	<i>17.0%</i>	<i>1.6pp</i>
	Net profit	87.7	81.5	-7.0%
	Net profit (adj.)	56.6	54.9	-3.0%
FY'11e	Sales	784.6	784.6	0.0%
	EBITDA	124.0	137.9	11.3%
	<i>EBITDA margin</i>	<i>15.8%</i>	<i>17.6%</i>	<i>1.8pp</i>
	Net profit	75.7	82.3	8.8%
FY'12e	Sales	762.7	762.7	0.0%
	EBITDA	123.1	131.4	6.7%
	<i>EBITDA margin</i>	<i>16.1%</i>	<i>17.2%</i>	<i>1.1pp</i>
	Net profit	75.5	78.4	3.8%
FY'13e	Sales	755.0	715.0	-5.3%
	EBITDA	117.4	116.7	-0.6%
	<i>EBITDA margin</i>	<i>15.5%</i>	<i>16.3%</i>	<i>0.8pp</i>
	Net profit	72.1	77.0	6.7%
FY'14e	Sales	680.0	665.0	-2.2%
	EBITDA	102.3	100.0	-2.3%
	<i>EBITDA margin</i>	<i>15.0%</i>	<i>15.0%</i>	<i>0.0pp</i>
	Net profit	62.5	65.8	5.4%
<b>Target price (€)</b>		<b>13.50</b>	<b>13.20</b>	<b>-2.2%</b>

Source: Euroxx Research (adj. : excl. sale of ETADE)

## Sales & EBITDA forecasts

We anticipate an impressive topline growth in the next couple of years, courtesy of robust contribution of foreign projects (i.e. Turkey, Romania, Syria), while €1.2bn of new EPC projects is expected to further enhance the company's topline in the period FY'12/14e.

Sales Breakdown	2008	2009	2010e	2011e	2012e	2013e	2014e	CAGR 09/14e
Signed Energy Projects	306.4	291.2	589.4	738.0	607.0	175.0	0.0	
% of total	80.3%	85.8%	94.4%	94.1%	79.6%	24.5%	0.0%	
Future Energy Projects	0.0	0.0	0.0	0.0	100.0	510.0	635.0	
% of total	0.0%	0.0%	0.0%	0.0%	13.1%	71.3%	95.5%	
<b>Energy Projects</b>	<b>306.4</b>	<b>291.2</b>	<b>589.4</b>	<b>738.0</b>	<b>707.0</b>	<b>685.0</b>	<b>635.0</b>	<b>16.9%</b>
% of total	80.3%	85.8%	94.4%	94.1%	92.7%	95.8%	95.5%	
Signed Defence Projects	28.4	4.0	0.0	14.6	23.7	0.0	0.0	
% of total	7.4%	1.2%	0.0%	1.9%	3.1%	0.0%	0.0%	
Future Defence Projects	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
% of total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b>Defence Projects</b>	<b>28.4</b>	<b>4.0</b>	<b>0.0</b>	<b>14.6</b>	<b>23.7</b>	<b>0.0</b>	<b>0.0</b>	<b>n.m</b>
% of total	7.4%	1.2%	0.0%	1.9%	3.1%	0.0%	0.0%	
Signed Construction Projects	2.0	7.0	5.0	2.0	2.0	0.0	0.0	
% of total	0.5%	2.1%	0.8%	0.3%	0.3%	0.0%	0.0%	
Future Construction Projects	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
% of total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b>Construction Projects</b>	<b>2.0</b>	<b>7.0</b>	<b>5.0</b>	<b>2.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>	<b>n.m</b>
% of total	0.5%	2.1%	0.8%	0.3%	0.3%	0.0%	0.0%	
<b>Subsidiaries</b>	<b>44.7</b>	<b>37.2</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>-4.2%</b>
% of total	11.7%	11.0%	4.8%	3.8%	3.9%	4.2%	4.5%	
<b>Total Sales</b>	<b>381.5</b>	<b>339.4</b>	<b>624.4</b>	<b>784.6</b>	<b>762.7</b>	<b>715.0</b>	<b>665.0</b>	<b>14.4%</b>
% chng	34.2%	-11.0%	84.0%	25.6%	-2.8%	-6.3%	-7.0%	

Source: Euroxx Research

Projects	Description	MW	Remaining Budget (€m)	Q1'10	2010e	2011e	2012e	2013e	2014e
<b>EPC future</b>									
PEEGT	CC/Syria	700MW	700	0	0	0	50	250	400
PPC	Lignite/Greece	600MW	180	0	0	0	50	60	70
E. Hellas/Volos	CC/Greece	437MW	265	0	0	0	0	200	65
<b>Backlog (Future)</b>			<b>1,145</b>						
<b>EPC existing</b>									
OMV(Borasco)	CC/Turkey	870MW	442	30	180	200	92	0	0
RWE/Turcas	CC/Turkey	775MW	470	0	60	170	240	0	0
E. Hellas/Korinth. P.	CC/Greece	400MW	150	27	100	77	0	0	0
E. Hellas/St. Nicholas	CC/Greece	430MW	19	8	27	0	0	0	0
PPC/Mavropigi	LCB/Greece	-	0	0	0	0	0	0	0
PPC/Illarion	Hydro/Greece	-	16	4	9	11	0	0	0
PPC/Aliveri	CC/Greece	430MW	58	9	59	8	0	0	0
KESC Bin Qasim	CC/Pakistan	220MW	0	0	0	0	0	0	0
OMV(Petrom)	CC/Romania	800MW	169	5	87	87	0	0	0
PEEGT	CC/Syria	700MW	650	0	25	175	275	175	0
Scrapping	Greece	-	20	0	10	10	0	0	0
<b>Defence existing</b>			<b>38</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>24</b>	<b>0</b>	<b>0</b>
<b>Infrastructure existing</b>			<b>9</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>Backlog (Existing)</b>			<b>2,040</b>						

Source: Metka, Euroxx Research

On our estimates, EBITDA adjusted (excl. the sale of ETADE) margin is falling from 17.9% in FY'09 to 17.0% in FY'10e, incorporating the higher management fee, the uncertainty of the current market environment and the competition in the global EPC sector. In the mid-term, contribution from the defence sector and robust foreign projects is expected to enhance operating margins, while in the long term we model a conservative EBITDA margin of 15.0%.

EBITDA Breakdown	2008	2009	2010e	2011e	2012e	2013e	2014e	CAGR 09/14e
Energy Projects	297.5	257.2	557.0	738.0	707.0	685.0	635.0	
<b>EBITDA (adj.) of Energy Projects</b>	<b>52.0</b>	<b>51.3</b>	<b>113.8</b>	<b>151.4</b>	<b>141.0</b>	<b>133.3</b>	<b>115.2</b>	<b>17.6%</b>
gross EBITDA mgn	17.5%	19.9%	20.4%	20.5%	19.9%	19.5%	18.1%	
Energy Projects	297.5	257.2	589.4	738.0	707.0	685.0	635.0	
<b>EBITDA of Energy Projects</b>	<b>52.0</b>	<b>51.3</b>	<b>146.2</b>	<b>151.4</b>	<b>141.0</b>	<b>133.3</b>	<b>115.2</b>	
gross EBITDA mgn	17.5%	19.9%	24.8%	20.5%	19.9%	19.5%	18.1%	
Defence Projects	23.3	4.2	0.0	14.6	23.7	0.0	0.0	
<b>EBITDA of Defence Projects</b>	<b>9.5</b>	<b>-1.2</b>	<b>0.0</b>	<b>5.1</b>	<b>8.3</b>	<b>0.0</b>	<b>0.0</b>	<b>n.m</b>
EBITDA mgn	40.8%	n.m	n.m	35.0%	35.0%	n.m	n.m	
Construction Projects	9.6	6.8	5.0	2.0	2.0	0.0	0.0	
<b>EBITDA of Construction Projects</b>	<b>1.2</b>	<b>-1.8</b>	<b>0.6</b>	<b>0.2</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>n.m</b>
EBITDA mgn	12.5%	n.m	12.2%	8.0%	8.0%	n.m	n.m	
Subsidiaries (incl. EPC projects)	51.1	71.2	30.0	30.0	30.0	30.0	30.0	
<b>EBITDA of Subsidiaries</b>	<b>10.2</b>	<b>19.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>-24.7%</b>
EBITDA mgn	20.0%	27.8%	16.0%	16.0%	16.0%	16.0%	16.0%	
Total EBITDA (adj.) before mgnt fee	72.9	68.1	119.2	161.5	154.3	138.1	120.0	12.0%
% EBITDA before mgt fee mgn	19.1%	20.1%	20.1%	20.6%	20.2%	19.3%	18.0%	
Total EBITDA before mgnt fee	72.9	68.1	151.6	161.5	154.3	138.1	120.0	
% EBITDA before mgt fee mgn	19.1%	20.1%	24.3%	20.6%	20.2%	19.3%	18.0%	
<b>Total EBITDA (adj.) after mgnt fee</b>	<b>66.9</b>	<b>60.6</b>	<b>100.4</b>	<b>137.9</b>	<b>131.4</b>	<b>116.7</b>	<b>100.0</b>	<b>10.5%</b>
EBITDA mgn after mgnt fees	17.5%	17.9%	17.0%	17.6%	17.2%	16.3%	15.0%	
<b>Total EBITDA after mgnt fee</b>	<b>66.9</b>	<b>60.6</b>	<b>132.9</b>	<b>137.9</b>	<b>131.4</b>	<b>116.7</b>	<b>100.0</b>	
EBITDA mgn after mgnt fees	17.5%	17.9%	21.3%	17.6%	17.2%	16.3%	15.0%	

Source: Euroxx Research (adjusted figures exclude operating profits from the sale of ETADE)

## P&L financial forecasts

All in all, we estimate...

P&L (in €m)	2008	2009	2010e	2011e	2012e	2013e
<b>Sales</b>	<b>381.5</b>	<b>339.4</b>	<b>624.4</b>	<b>784.6</b>	<b>762.7</b>	<b>715.0</b>
chng	34.2%	-11.0%	84.0%	25.6%	-2.8%	-6.3%
Gross profit	82.0	78.1	115.0	169.6	161.4	143.9
Gross margin	21.5%	23.0%	18.4%	21.6%	21.2%	20.1%
<b>EBITDA</b>	<b>66.9</b>	<b>60.6</b>	<b>132.9</b>	<b>137.9</b>	<b>131.4</b>	<b>116.7</b>
chng	17.1%	-9.4%	119.4%	3.8%	-4.8%	-11.2%
EBITDA margin	17.5%	17.8%	21.3%	17.6%	17.2%	16.3%
<b>EBITDA (adj.)</b>	<b>66.9</b>	<b>60.6</b>	<b>100.4</b>	<b>137.9</b>	<b>131.4</b>	<b>116.7</b>
chng	17.1%	-9.4%	65.9%	37.3%	-4.8%	-11.2%
EBITDA margin (adj.)	17.5%	17.8%	17.0%	17.6%	17.2%	16.3%
Financials	-3.6	-1.2	-0.2	-0.2	-0.3	-0.3
Pre tax profit	58.0	54.6	127.9	132.8	125.9	111.0
Pre tax margin	15.2%	16.1%	20.5%	16.9%	16.5%	15.5%
Tax	13.2	17.6	42.6	46.4	43.7	30.7
<b>Net profit</b>	<b>41.4</b>	<b>35.2</b>	<b>81.5</b>	<b>82.3</b>	<b>78.4</b>	<b>77.0</b>
chng	12.6%	-14.9%	131.3%	1.0%	-4.7%	-1.9%
Net margin	10.9%	10.4%	13.1%	10.5%	10.3%	10.8%
<b>Net profit (adj.)</b>	<b>41.4</b>	<b>35.2</b>	<b>54.9</b>	<b>82.3</b>	<b>78.4</b>	<b>77.0</b>
chng	12.6%	-14.9%	55.8%	50.0%	-4.7%	-1.9%
Net margin (adj.)	10.9%	10.4%	9.3%	10.5%	10.3%	10.8%

Source: Metka, Euroxx Research (adjusted figures exclude sale of ETADE)

## Valuation

We apply a 2-stage DCF model, to derive our **TP** of **€13.20** for METKA (from €13.50 previously), implying a c53% upside from current price levels and we reiterate our **Overweight** rating. We use explicit forecasts up to FY'14e and arrive at the terminal value with perpetuity growth rate of 1.0%.

Our DCF valuation is based on the following key assumptions:

- A 3 yrs adjusted beta of 0.79 (same as previously)
- A risk free rate of 5.0% (same as previously)
- A risk premium of 6.5% (from 6.1% previously)
- A WACC of 10.0% (from 9.7% previously)
- A perpetuity growth rate of 1.0% (same as previously)

DCF Valuation	2010e	2011e	2012e	2013e	2014e	T
<b>EBIT</b>	<b>128.1</b>	<b>133.0</b>	<b>126.2</b>	<b>111.3</b>	<b>94.4</b>	<b>95.4</b>
<i>chng</i>	129.6%	3.8%	-5.1%	-11.8%	-15.1%	1.0%
<i>EBIT margin</i>	20.5%	17.0%	16.5%	15.6%	14.2%	14.2%
(-) Tax	42.6	46.4	43.7	30.7	25.4	23.8
After tax EBIT	85.5	86.5	82.5	80.6	69.0	71.5
(-) ΔWC	74.2	61.7	-6.7	-16.1	-17.8	2.7
(+) Depreciation	4.8	5.0	5.2	5.4	5.6	n.m
(-) CAPEX	3.6	4.5	5.0	4.8	4.5	n.m
<b>Free Cash Flow (FCF)</b>	<b>12.4</b>	<b>25.4</b>	<b>89.3</b>	<b>97.3</b>	<b>87.8</b>	<b>68.8</b>
Discounted FCF	12.4	23.1	73.8	73.1	60.0	42.7
WACC	10.0%					
<b>ΣPV of FCF's</b>	<b>230.0</b>					
Perpetuity growth rate	1.0%					
<b>Terminal value</b>	<b>479.0</b>					
<b>Firm value</b>	<b>709.0</b>					
(-) Net debt / (cash) '10e	-17.0					
(-) Minority rights	40.6					
(+) Associates	0.6					
<b>Equity value</b>	<b>686.0</b>					
<b>Value per share (€)</b>	<b>13.20</b>					

Source: Euroxx Research

We also perform a sensitivity analysis with various scenarios of discount and perpetuity growth rates.

Sensitivity analysis										
Terminal growth	0.5%				1.0%	1.5%				
WACC discount rate	9.0%	10.0%	11.0%	9.0%	10.0%	11.0%	9.0%	10.0%	11.0%	
ΣPV of FCF (€m)	235.8	230.0	224.3	235.8	230.0	224.3	235.8	230.0	224.3	
Terminal Value (€m)	528.2	451.6	390.5	564.0	479.0	412.1	604.6	509.7	435.9	
Equity Value (€m)	741.0	658.5	591.8	776.8	686.0	613.4	817.4	716.6	637.2	
<b>Value per share</b>	<b>€ 14.26</b>	<b>€ 12.68</b>	<b>€ 11.39</b>	<b>€ 14.95</b>	<b>€ 13.20</b>	<b>€ 11.81</b>	<b>€ 15.73</b>	<b>€ 13.79</b>	<b>€ 12.27</b>	

Source: Euroxx Research

### Peer group comparison

On our estimates METKA trades at a considerable discount both in terms of P/E '10/'11e and EV/EBITDA '10/'11e which supports our buying recommendation.

Metka vs. Peer Group	Mcap (€m)	P/E 10e	P/E 11e
Andritz Ag	2,340	16.9 x	14.6 x
Ansaldo STS S.p.A.	1,234	13.2 x	11.9 x
Alstom S.A.	11,422	10.5 x	10.5 x
Finmeccanica S.p.A.	4,911	7.4 x	6.5 x
Foster Wheeler AG	2,483	10.5 x	9.3 x
Siemens AG	67,148	13.8 x	12.5 x
Technip S.A.	5,827	15.2 x	13.3 x
Tecnicas Reunidas S.A.	2,219	13.6 x	11.9 x
<b>Median ex-Metka</b>		<b>13.4 x</b>	<b>11.9 x</b>
Metka group	450	5.5 x	5.5 x
<b>premium(+)/discount(-)</b>		<b>-58.8%</b>	<b>-54.1%</b>

Source: Factset, Euroxx Research

Metka vs. Peer Group	EV/EBITDA 10e	EV/EBITDA 11e
Andritz Ag	6.3 x	5.6 x
Ansaldo STS S.p.A.	6.2 x	5.4 x
Alstom S.A.	5.6 x	5.2 x
Finmeccanica S.p.A.	3.8 x	3.7 x
Foster Wheeler AG	5.3 x	4.1 x
Siemens AG	7.8 x	7.0 x
Technip S.A.	5.5 x	4.7 x
Tecnicas Reunidas S.A.	7.3 x	5.7 x
<b>Median ex-Metka</b>	<b>5.9 x</b>	<b>5.3 x</b>
Metka group	3.4 x	3.3 x
<b>premium(+)/discount(-)</b>	<b>-42.4%</b>	<b>-37.9%</b>

Source: Factset, Euroxx Research

## Summary of financials

### METKA

(in €m unless otherwise stated)

Profit & Loss	2009	2010e	2011e	2012e	2013e	Balance Sheet	2009	2010e	2011e	2012e	2013e
<b>Sales</b>	<b>339.4</b>	<b>624.4</b>	<b>784.6</b>	<b>762.7</b>	<b>715.0</b>	Net fixed assets	62.4	61.0	60.3	59.8	59.0
% chng	-11.0%	84.0%	25.6%	-2.8%	-6.3%	Intangible assets	0.1	0.3	0.6	0.8	1.1
<b>Gross Profit</b>	<b>78.1</b>	<b>115.0</b>	<b>169.6</b>	<b>161.4</b>	<b>143.9</b>	Other L/T receivables	16.1	16.6	17.1	17.6	18.2
% chng	-4.8%	47.3%	47.4%	-4.8%	-10.8%	Current Assets	404.1	612.1	759.3	791.6	792.3
<b>EBITDA</b>	<b>60.6</b>	<b>132.9</b>	<b>137.9</b>	<b>131.4</b>	<b>116.7</b>	Accounts receivable	333.1	521.8	644.8	626.8	587.7
% chng	-9.4%	119.4%	3.8%	-4.8%	-11.2%	Other S/T receivables	26.3	34.2	43.0	41.8	39.2
<b>EBITDA - adj</b>	<b>60.6</b>	<b>100.4</b>	<b>137.9</b>	<b>131.4</b>	<b>116.7</b>	Inventories	12.8	27.9	42.1	41.2	39.1
% chng	-9.4%	65.9%	37.3%	-4.8%	-11.2%	Financials assets	0.8	0.8	0.8	0.8	0.8
D&A	4.8	4.8	5.0	5.2	5.4	Cash & cash equivalent	31.3	27.4	28.6	81.0	125.6
<b>Operating profit (EBIT)</b>	<b>55.8</b>	<b>128.1</b>	<b>133.0</b>	<b>126.2</b>	<b>111.3</b>	<b>TOTAL ASSETS</b>	<b>482.8</b>	<b>690.1</b>	<b>837.3</b>	<b>869.9</b>	<b>870.6</b>
% chng	-9.3%	129.6%	3.8%	-5.1%	-11.8%	Net debt/(cash)	-20.9	-17.0	-18.2	-70.6	-115.2
Financials, net	1.2	0.2	0.2	0.3	0.3	Shareholders' equity	157.0	222.8	281.7	324.0	349.1
<b>Pre-tax profit</b>	<b>54.6</b>	<b>127.9</b>	<b>132.8</b>	<b>125.9</b>	<b>111.0</b>	Minority interest	16.3	20.1	24.1	27.9	31.2
% chng	-5.9%	134.4%	3.8%	-5.1%	-11.9%	Long-term liabilities	18.4	66.8	77.7	76.3	73.2
Income tax	17.6	42.6	46.4	43.7	30.7	Long-term debt	0.0	0.0	0.0	0.0	0.0
Minority stake in profits	1.8	3.8	4.0	3.8	3.3	Provisions/other LT liabs	18.4	66.8	77.7	76.3	73.2
<b>Net profit</b>	<b>35.2</b>	<b>81.5</b>	<b>82.3</b>	<b>78.4</b>	<b>77.0</b>	Short-term liabilities	291.1	380.3	453.8	441.7	417.1
% chng	-14.9%	131.3%	1.0%	-4.7%	-1.9%	Accounts payable	247.9	328.0	396.0	387.1	367.7
EPS (in €)	0.68	1.57	1.58	1.51	1.48	Taxes payable	29.1	30.7	30.5	27.7	23.3
% chng	-14.9%	131.3%	1.0%	-4.7%	-1.9%	Short-term debt	10.4	10.4	10.4	10.4	10.4
<b>Net profit - adj.</b>	<b>35.2</b>	<b>54.9</b>	<b>82.3</b>	<b>78.4</b>	<b>77.0</b>	Other S/T liabilities	3.7	11.2	16.8	16.5	15.6
% chng	-14.9%	55.8%	50.0%	-4.7%	-1.9%	<b>TOTA EQUITY &amp; LIABTIES</b>	<b>482.8</b>	<b>690.1</b>	<b>837.3</b>	<b>869.9</b>	<b>870.6</b>
EPS - adj. (in €)	0.68	1.06	1.58	1.51	1.48						
% chng	-14.9%	55.8%	50.0%	-4.7%	-1.9%						
<b>DPS (in €)</b>	<b>0.20</b>	<b>0.30</b>	<b>0.45</b>	<b>0.70</b>	<b>1.00</b>						
% chng	-50.0%	50.8%	50.0%	53.7%	43.4%						
Cash Flow	2009	2010e	2011e	2012e	2013e	Ratio Analysis	2009	2010e	2011e	2012e	2013e
<b>Net profit/(loss)</b>	<b>35.2</b>	<b>81.5</b>	<b>82.3</b>	<b>78.4</b>	<b>77.0</b>	Current ratio	1.4x	1.6x	1.7x	1.8x	1.9x
(+) Minorities	1.8	3.8	4.0	3.8	3.3	Acid Test Ratio	1.3x	1.5x	1.6x	1.7x	1.8x
(+) D&A	4.8	4.8	5.0	5.2	5.4	Avg receivables days	294	305	300	300	300
(+) Chng in non cash items	-0.1	0.0	0.0	0.0	0.0	Avg creditors days	232	235	235	235	235
<b>Gross CF</b>	<b>41.6</b>	<b>90.1</b>	<b>91.3</b>	<b>87.4</b>	<b>85.6</b>	Avg inventories days	15	20	25	25	25
(+) Chng in acc. payable	93.9	80.1	68.0	-8.8	-19.4	Cash conversion cycle	77	90	90	90	90
(+) Chng in other liabilities	-29.8	57.6	16.4	-4.6	-8.3	Liabilities to equity	2.0x	2.0x	1.9x	1.6x	1.4x
(-) Chng in inventories	-2.5	15.2	14.2	-0.9	-2.1	Bank debt to equity	0.07x	0.0x	0.0x	0.0x	0.0x
(-) Chng in acc. receivable	114.3	188.7	123.0	-18.0	-39.2	Return on total assets	8.6%	13.9%	10.8%	9.2%	8.8%
(-) Chng in other receivabl	-1.9	8.0	8.8	-1.2	-2.6	ROE	23.5%	42.9%	32.6%	25.9%	22.9%
Working capital chng	45.8	74.2	61.7	-6.7	-16.1	ROIC	22.6%	36.6%	29.6%	24.6%	22.4%
<b>Operating CF</b>	<b>-4.1</b>	<b>15.9</b>	<b>29.6</b>	<b>94.0</b>	<b>101.7</b>	FCF yield	-1.3%	2.7%	15.0%	19.8%	21.6%
(+) Sale of subsidiaries	0.1	0.0	42.5	0.0	0.0	WC as % of sales	27.8%	33.7%	34.9%	34.7%	34.0%
(-) CAPEX	2.6	3.6	4.5	5.0	4.8	Gross margin	23.0%	18.4%	21.6%	21.2%	20.1%
(-) Investments	-0.9	0.0	0.0	0.0	0.0	EBITDA margin	17.8%	21.3%	17.6%	17.2%	16.3%
<b>Investing CF</b>	<b>-1.5</b>	<b>-3.6</b>	<b>38.1</b>	<b>-5.0</b>	<b>-4.8</b>	EBITDA margin (adj.)	17.8%	17.0%	17.6%	17.2%	16.3%
(-) Dividends	22.9	15.7	23.5	36.1	51.8	EBIT margin	16.4%	20.5%	17.0%	16.5%	15.6%
(+) Debt chng	-1.0	0.0	0.0	0.0	0.0	Pre-tax profit margin	16.1%	20.5%	16.9%	16.5%	15.5%
(+) Other	43.2	-0.5	-43.0	-0.5	-0.6	Net profit margin	10.4%	13.1%	10.5%	10.3%	10.8%
<b>Financing CF</b>	<b>19.3</b>	<b>-16.1</b>	<b>-66.5</b>	<b>-36.7</b>	<b>-52.4</b>	Net profit margin (adj.)	10.4%	9.3%	10.5%	10.3%	10.8%
Chng in Cash Position	13.7	-3.9	1.2	52.4	44.6	Dividend Payout Ratio	29.5%	28.5%	28.5%	46.0%	67.3%

Source: METKA, Euroxx Research (adjusted figures exclude sale of ETADE)

## IMPORTANT DISCLOSURES

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<b>Underweight</b>	Expected total return < -10%	2	6%	0%
<b>Under Review</b>	Recommendation and Target Price are subject to revision	10	29%	0%

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### Valuation Method

Our valuation for METKA is based on a 2-stage DCF model. We use a WACC rate of 10.0% and a terminal growth rate of 1.0%.

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**Rating History**

Date	Rating	Share Price	Target Price
16/04/07	Overweight	14.16	17.00
25/05/07	Overweight	15.28	17.00
03/08/07	Overweight	15.94	18.00
15/11/07	Overweight	15.94	17.50
17/04/08	Overweight	12.38	16.00
23/05/08	Overweight	13.64	16.00
06/08/08	Overweight	12.66	15.80
08/09/08	Overweight	13.14	17.00
07/11/08	Overweight	8.50	12.80
30/03/09	Overweight	6.02	8.90
01/06/09	Overweight	8.30	10.40
12/08/09	Overweight	8.20	10.00
30/10/09	Overweight	10.30	12.40
17/11/09	Overweight	10.75	13.00
11/01/10	Overweight	9.96	13.25
19/04/10	Overweight	10.35	13.50
31/05/10	Overweight	8.66	13.20

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