

Initiation of Coverage

Recommendation

Rating BUY

Target Price € 4.50

Share Price € 3.00
 Price date 10/12/2021
 Upside/Downside 50%

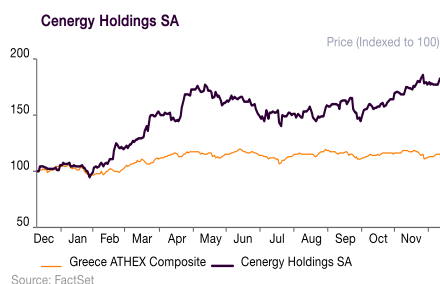
Bloomberg ticker CENER GA
 Reuters ticker CENERr.AT

Statistics

Mkt Cap (m) € 570.5
 Shares out (m) 190.16
 Free float 50.0%

Daily avg shares (m) | 12mths 155.6
 Price high | 12mths € 3.05
 Price low | 12mths € 1.55
 ABS. PERF. | YtD 73.4%
 ABS. PERF. | 12mths 83.4%
 ABS. PERF. | 3mths 17.2%
 ABS. PERF. | 1mth 4.5%

Graph | indexed vs. ASE index | 12M



A growth story driven by clean energy transition

We Initiate coverage with a **Buy rating** and a **EUR 4.50 price target**, implying a 50% upside to current market level. Cenergy is a holding company invested in manufacturing companies specialising in energy transportation. One of its two key segments, is a leading European cable producer with a focus on the production of high-end submarine power cables, a market that is expected to benefit from a major long-term capex cycle driven by offshore wind farms and submarine interconnectors. We believe that cable division's adjusted EBITDA will surpass EUR 120m by 2026 from EUR 81m in 2020, representing a 6-year CAGR of 7%. Moreover, after having completed a more than EUR 100m investment programme on the production of submarine cables, the incremental growth capex needed to achieve our forecasted EBITDA is modest (we also assume a conservative 15% ROIC), leading to a cumulative FCF of more than EUR 280m. Finally, our current estimates are likely to be revised upwards as the company is discussing a partnership with Ørsted for the establishment of a submarine cable factory in the US. Cenergy also owns one of the most sophisticated manufacturers of steel pipes for the oil & gas sector globally. Following a slowdown in sales due to reduced oil & gas capex in last years, the recent acceleration of orders combined with the imminent removal of US tariffs on EU steel exports, indicate a gradual restoration of profitability and cash flow for this division as well. Furthermore, company's high know-how, its long-term alliances with steel suppliers and customers and synergies with the cables division should allow it to capitalize on new opportunities arising from energy transition, ranging from hydrogen to Carbon Capture and Storage (CCS) and offshore wind platforms. In conclusion, as the world is increasingly seeking to match rising energy demand in urban areas with supply from cheap renewables sources (often from a large distance) by building extensive transmission networks (cables and/or pipelines), Cenergy is well positioned to exploit this opportunity leading in our view, to significant value creation for shareholders.

Valuation | We value Cenergy based on a sum-of-the parts exercise of its two separate divisions using 2-stage DCF models. The majority of the value is derived from the cables division for which we estimate an EV of EUR 1.0bn resulting in an equity value of EUR 0.75bn (or EUR 4.0/share). The implied FY22e EV/EBITDA of 10.5x represents a small premium to peers which is justified by a higher growth potential due to its smaller size. The steel pipes division is valued at an EV of EUR 215m resulting in an equity value of EUR 94m (or EUR 0.50/share) which implies a high discount to book value explained by the current low ROIC.

Catalysts | Although the stock has delivered over 70% YtD, the realization of the large growth potential of the submarine cable segment as this is reflected in growing order backlog and new deals (e.g. US plant investment) to capitalize on the global market expansion will be the main growth driver of the stock, in our view. We also expect the company to establish soon a dividend policy.

Research department

Analyst | Konstantinos Manolopoulos
 E: kmanolopoulos@optimabank.gr
 T: +30 210 81 73 388

Forecasts	2019	2020	2021e	2022e	2023e	2024e
Revenues	958.1	908.4	1,086.9	1,210.4	1,295.1	1,312.5
EBITDA	90.3	90.3	107.6	117.7	132.5	136.9
EBITDA adj.	90.1	101.8	110.6	119.7	134.5	138.9
Net profit	20.2	24.8	42.5	51.0	62.9	66.2
EPS	0.04	0.11	0.13	0.22	0.27	0.33
DPS	0.00	0.00	0.00	0.00	0.07	0.08
Valuation Ratios	2019	2020	2021e	2022e	2023e	2024e
P/E adj.	12.8x	13.3x	13.4x	11.2x	9.1x	8.6x
EV/EBITDA adj.	7.0x	6.3x	7.8x	6.9x	5.8x	5.4x
P/BV	1.1x	1.3x	1.9x	1.7x	1.4x	1.3x
DY	0.0%	0.0%	0.0%	0.0%	2.5%	2.6%
Net Debt/EBITDA	4.6	3.2	3.0	2.7	2.2	1.8

Source: the Company, Optima bank research

INVESTMENT CASE

The main driver of Cenergy's significant growth in recent years has been the power cables division and particularly the energy projects sub-division which comprises the production of submarine power cables for offshore wind farms and submarine interconnections at Fulgor's state-of-the-art plant next to a port near Attica. Having invested over EUR 100m (excluding maintenance capex) over the last 5 years to expand capacity and advance technology, the company has already secured a strong order backlog of at least EUR 0.5bn from major offshore wind developers and grid operators in Europe and the US, providing high medium-term visibility. Assuming an EBITDA margin of c.20% for the energy projects division and a mid to high single digit EBITDA margin for its more commoditized product portfolio (e.g. land power and telecommunication cables produced at group's two other plants in Greece and Romania), cable division's adjusted EBITDA is forecast to grow from EUR 81m in 2020 to EUR 109m in 2023 with only maintenance capex required (c.EUR 10m p.a.), translating to a very healthy FCF generation, which appears to be sustainable for several years ahead given the strong demand projections and the rising barriers of entry as customers increasingly look for the best cable quality due to larger and more demanding projects which can be offered only by a few producers which already run near full capacity.

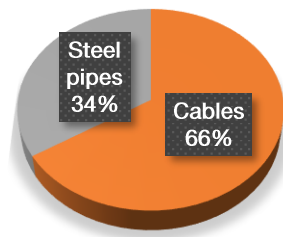
The high margin submarine cable market is expected to grow substantially in the coming years and we believe Hellenic Cables (Cenergy's cable division subsidiary) is well positioned to exploit the opportunity of the projected capex super-cycle. The two main drivers of this growth are the development of floating offshore wind farms (cables excluding installation account for c.20-30% of total capital cost currently) and new submarine interconnections between countries. According to Wind Europe Association, the annual installation of offshore wind farms in Europe is projected to increase from c.4 GW in 2021 to an average of 11 GW in 2026-2030. Similarly, offshore wind gains significant ground in the US. According to IEA, annual installations could be around 1.5-2 GW by 2030, but this estimate could prove very conservative following policies promoted by President Biden. Beyond off-shore, the interconnection market through land and submarine cables is also expected to grow by more than 10% p.a., while the cables segment has the added benefit of a large investment programme scheduled by Greek grid operator ADMIE for the interconnection of islands totalling more than EUR 2.5bn by 2030 (excluding the ongoing interconnections between Crete and mainland) as well as planned interconnections in the East Med region including a link between Greece and Egypt.

Although we are generally cautious on capacity expansion projects, we believe the industry fundamentals in this case are quite attractive implying a healthy IRR (>15%). We understand Cenergy's management is examining carefully the options available which include an expansion of Fulgor's plant facilities as it has acquired large land adjacent to the plant (and to the port) and a greenfield project in the US (specifically Cenergy disclosed recently that it examines the possibility of a partnership with Ørsted for the establishment of a submarine inter-array cable factory in the State of Maryland, with final decision expected by end of December). We believe the company could add at least EUR 20m p.a. to EBITDA from new capex (including the R&D required for new technology) which could easily be financed from cash flow generation. Our current earnings projections have an upside if the US plant which will also require a higher capex relative to our current estimates gets the green light.

CPW (Cenergy's steel pipe subsidiary) is an established steel pipe manufacturer supplying some of the most demanding projects in the oil & gas sector across the world. The reduced capex in the sector due to the decarbonisation trend and the Covid crisis combined with the imposition of US tariffs in 2018, has taken a toll on division's P&L (FCF benefited however from OWC release leading to substantial deleveraging). The company has mitigated the above effect through geographic diversification winning projects in Latin America and Africa (implemented by major companies limiting payment risk) and supplying pipes for hydrogen and Carbon Capture Storage (CCS) applications. Although demand from oil & gas appears to be on a recovery path, given the uncertainty of the sustainability of the capex, we conservatively assume that the adjusted EBITDA will surpass the 2018 peak of EUR 27.5m in 2025, implying a good upside to our estimates should demand from new end-use markets grow at a faster than expected pace. Finally, management examines new investment opportunities to capitalize on know-how and synergies with the cables division such as the construction of floating offshore wind platforms, which could prove a new growth driver.

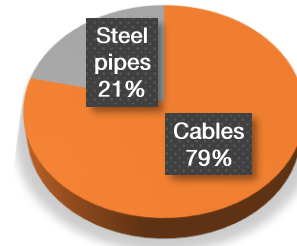
Cenergy key graphs

Graph 1 | 2020 revenue by division



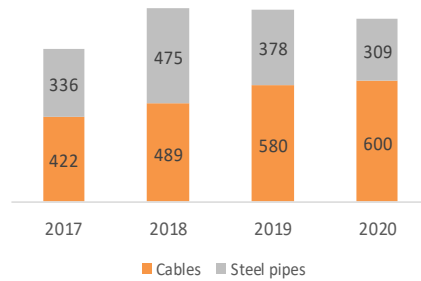
Source: Company data

Graph 2 | 2020 adj. EBITDA by division



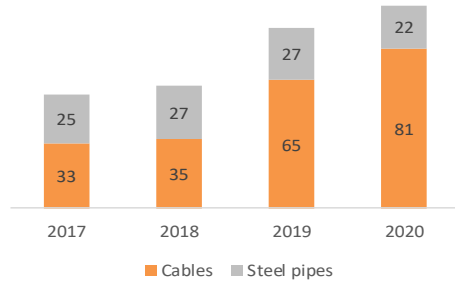
Source: Company data

Graph 3 | Sales evolution (EUR m)



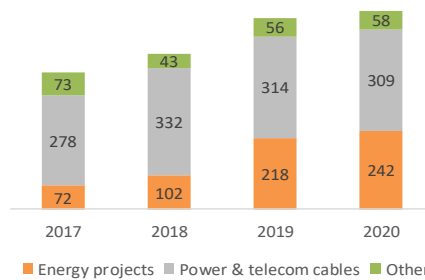
Source: Company data

Graph 4 | Adj. EBITDA evolution (EUR m)



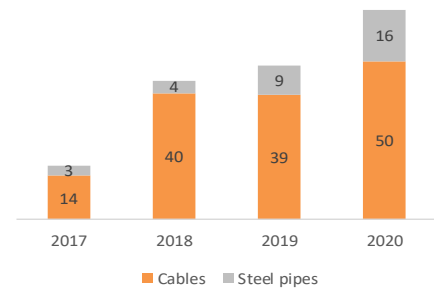
Source: Company data

Graph 5 | Cables sales breakdown (EUR m)



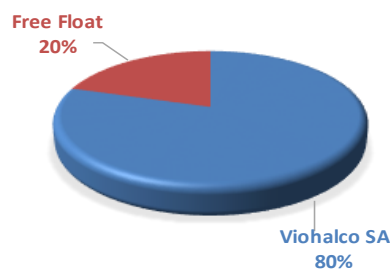
Source: Company data

Graph 6 | Capex evolution (EUR m)



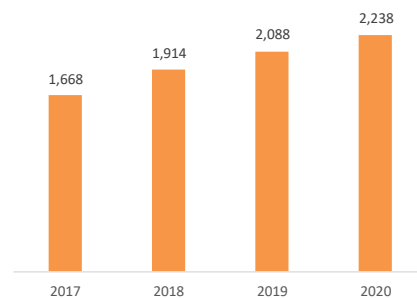
Source: Company data

Graph 7 | Shareholder structure



Source: Company data

Graph 8 | Personnel evolution



Source: Company data

Valuation

We value Cenergy using a sum-of-the parts exercise, based on its two separate divisions. We use two different, 2-stage DCF models to value each division. As shown from the below table, the majority of the value is derived from the cables segment, for which we estimate an EV of EUR 1.0bn resulting in an equity value of EUR 0.75bn (or EUR 4.0/share). The implied FY22e EV/EBITDA of 10.4x represents a small premium to peers, which is justified by a higher growth potential due to its smaller size, in our view. The steel pipes division is valued at an EV of EUR 215m resulting in an equity value of EUR 94m (or EUR 0.50/share) which implies a high discount to book value explained by the current low ROIC.

Table 1 | Sum-of-the part Valuation

	Equity value	Per share
Cables division	752.6	3.96
CPW	94.1	0.49
Total	846.7	4.5
Number of shares		190.16
Current price		3.00
Upside(downside)		50.0%

Source: Optima bank research

For more details on the valuation of each separate division and our explicit forecasts and assumptions, please refer to page 18 for the cables segment and page 24 for the pipes segment.

SWOT analysis

Table 2 | SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> • Production increasingly geared towards value added products with high barriers of entry. • High know-how from experienced personnel. • Modern production facilities with enough room for expansion and owned port facilities which facilitate exports. • Strong relationships with suppliers and customers. • Synergies within the Viohalco group. • Good medium-term visibility due to over EUR 0.8bn backlog. • Good balance sheet and long-term relationships with Greek banks. 	<ul style="list-style-type: none"> • Volatility in raw material prices (especially metal prices) results in material changes in working capital needs. • Significant decline in demand for steel pipes in recent years due to reduced demand from Oil & Gas sector. • Relatively high financial costs. • No dividend distribution until now. • Low free float of the stock.
Opportunities	Threats
<ul style="list-style-type: none"> • Large expansion projected in global offshore wind projects and submarine interconnections, boosting demand for submarine cables. • Significant capex planned by Greek IPTO over the next years for island interconnections as well as from local distribution company for underground land cables. • Major electricity interconnections planned in East Med, including a link between Greece and Egypt. • Hydrogen and carbon capture and storage (CCS) will increase demand for steel pipes. 	<ul style="list-style-type: none"> • Slower than expected growth in offshore wind (e.g. due to supply chain problems and protests citing environmental reasons) combined with new capacity added from key competitors in submarine cables could mitigate current favourable supply-demand conditions. • New technologies that the company may not be able to provide on time. • Import duties (despite recent lifting in the US) could make exports to key countries uncompetitive. • Inability to pass higher raw material costs to customers or mismatched hedging. • Claims due to delays in the implementation of projects or damage claims within the guarantee period (usually 5 years).

Source: Optima bank research

Company Profile

Cenergy Holdings (from now on referred as Cenergy) was established in 2016 through the cross-border merger of two ATHEX listed companies, Hellenic Cables Holdings S.A. and Corinth Pipeworks Holdings S.A. (CPW), and a Belgian limited liability company Cenergy Holdings S.A., a non-listed Belgian subsidiary of Viohalco which at that time, was the majority shareholder in both Hellenic Cables and CPW. Viohalco is one of the largest industrials groups in Greece with sales of almost EUR 4bn, listed on Euronext Brussels and ATHEX at a current market capitalization of c.EUR 1.2bn. Following this transaction, Cenergy became a Belgian holding company listed on both Euronext Brussels and ATHEX, while Hellenic Cables and CPW remain separate legal entities. Viohalco currently owns c.80% of Cenergy's total outstanding shares. The rationale of the merger was to create a global leader in energy transportation taking advantage of synergies and extensive customer and geographic base.

Hellenic Cables group operates three cable producing plants, two in Greece and one in Romania. The first plant operating in Greece is the Hellenic Cables plant which is located c.70km north of Athens (Thiva) producing a wide range of HV, MV and HV land cables mainly serving the power and the telecom markets, complementing its production with cables used in industrial and building applications. Key customers include the independent Greek grid transmission operator (ADMIE) and PPC's distribution division (a 49% stake was recently sold to Macquarie investment fund) as well as major European grid operators, including Energinet (Denmark's IPTO), RTE (France's TSO) and SPT (one of UK's grid operators). The second plant is Fulgor which is also located near Attica (Korinthos) and was acquired by Hellenic Cables in 2011, is dedicated to the production of submarine cables. Following its acquisition, Fulgor implemented a major investment programme, making it one of the most advanced technologically factories worldwide for high-end submarine cables. The plant has its own port facilities and has recently acquired adjacent land which can be exploited for future expansion. After winning major contracts for the offshore wind market (the client list includes some of the biggest players in the global offshore wind market such as Ørsted, Shell, Total and Equinor) cleverly positioning through the 66 kV inter-array cables market, the company is eyeing to capture a largest part of the value chain by investing a significant amount of its R&D on HV dynamic cables for floating offshore which should prove a milestone in company's history. Moreover, the company is examining new investment opportunities to capitalize on offshore wind growth such as the construction of a plant in the US in partnership with Ørsted. Fulgor has also been a key supplier for HV submarine cables installed in the region including the Crete-Peloponnesse interconnection, being the longest AC (alternating current) cable connection in the world (approximately 178 km) reaching 1,000 meters depth. Fulgor also prepares through its advanced R&D center to supply EHV cabling systems for new challenging products. Finally, we should note that quite often Hellenic Cables and Fulgor undertake "turnkey" projects for the supply and installation of submarine and HV underground cables. Outside Greece, the group operates a plant in Bucharest, Romania, producing cables for the power and the telecom market.

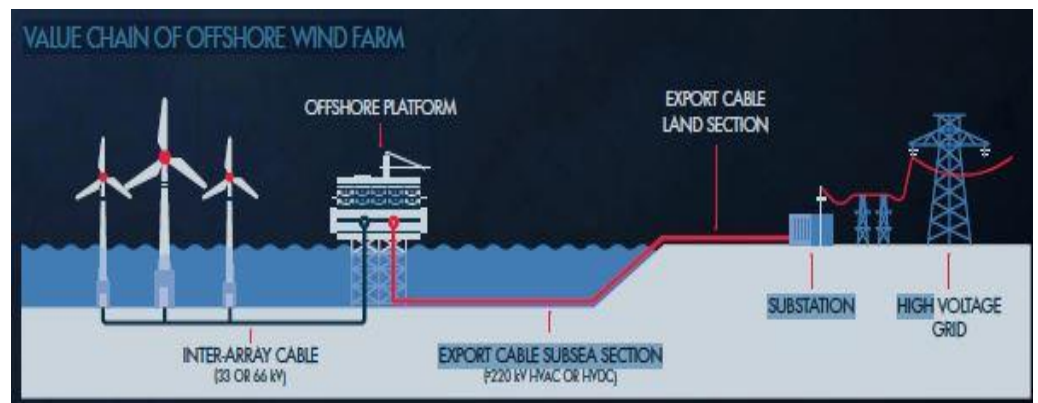
Corinth Pipeworks (CPW) is a leading manufacturer of steel pipes and hollow sections for the energy and construction sector. The products are manufactured in a vertically integrated plant near Attica with exclusive use of port facilities and in a plant in Russia which is a JV with TMK. CPW's plant in Greece operates four pipe mills for different diameters with a combined annual production capacity of 925,000 tons as well as two external mills and one internal coating mill. CPW is one of the few companies globally that can supply large diameter pipes for challenging offshore or deep offshore oil & gas pipeline projects. Given the complexity of the projects, over the years the company has formed close relationships with suppliers (particularly Arcelor Mittal) and clients. The company is at the forefront of new technology, being among the first to deliver high-pressure pipes certified to transport up to 100% hydrogen for a transmission gas pipeline implemented by Snam in Italy. In addition, the company sees high potential for pipes used in carbon capture storage (CCS) and in parallel is examining the potential for floating foundation on offshore wind capitalizing on steel manufacturing skills and synergies with the submarine cables segment.

Cables segment

Submarine cables market key growth driver

Hellenic Cables's decision in 2011 to acquire 100% of Fulgor's plant which specializes in submarine cables, subsequently investing over EUR 80m in order to create a state-of-the-art production facility, has positioned the company in one of the most dynamic sectors of the global cable market. The submarine cables market is expected to be driven by two major trends shaped by ambitious clean energy transition targets: a) offshore wind additions with separate cables used for inter-array cabling (internal wiring in wind farm, MV 33 or 66 kV) and the interconnection from the offshore station to land (AC or DC) (Figure 1); b) submarine interconnections (HVAC or HVDC) for the transportation of power from regions of abundant renewables supply to high demand centers, increasingly deployed in larger distances and depths. At the same time, the supply for this high-end market is dominated by a few global players as technological evolution in order to meet more challenging projects has increased barriers of entry, suggesting a high capacity utilization rate for the industry in the foreseeable future.

Figure 1 | Offshore wind cabling system



Source: 2021 NEXANS CMD presentation

Starting with the offshore wind market, most projections (IEA, Eurowind, etc.) point to a major long-term capex cycle as offshore wind is considered one of the crucial low carbon technologies to meet global CO₂ reduction targets. The combination of:

- 1) sharp drop in offshore wind's Levelized Cost of Energy - LCOE, (although estimates vary due to different assumptions an average 50% drop by 2030 is anticipated by all studies),
- 2) large wind potential at high capacity factors (40-50% for recent and under development projects, but larger turbine sizes of 15-20 GW by 2030 promise well over 50%),
- 3) favourable government policies in order to support increased targets in renewables,
- 4) the expected exploitation of floating wind as technology improves,
- 5) potential combination with hydrogen production at large scale, and
- 6) growing demand for PPAs and investments from major utilities, investment funds and oil multinationals such as Shell, BP and Total which wish to diversify their energy mix, reduce footprint and capitalize on know-how on offshore platforms, **are all factors that should boost the development of new offshore capacity. According to IEA (Offshore Wind Outlook 2019), offshore wind capacity is projected to increase from c.22 GW in 2018 to 165 GW in 2030 and 342 GW in 2040 under the conservative stated policy scenario and to 225 GW in 2030 and 562 GW in 2040 under the sustainable development scenario (table 3). These additions translate to a cumulative investment of USD 842bn (in 2018 numbers) in the period 2019-2040 (or c. USD 38bn p.a.) under the state policy scenario and USD 1,279bn (or c.USD 52bn p.a. in 2019-2030 and USD 66bn p.a. in 2031-2040) under the sustainable development scenario. It is noted however that the development of appropriate supply chains and infrastructure to accommodate this level of growth will be crucial for meeting the above targets.**

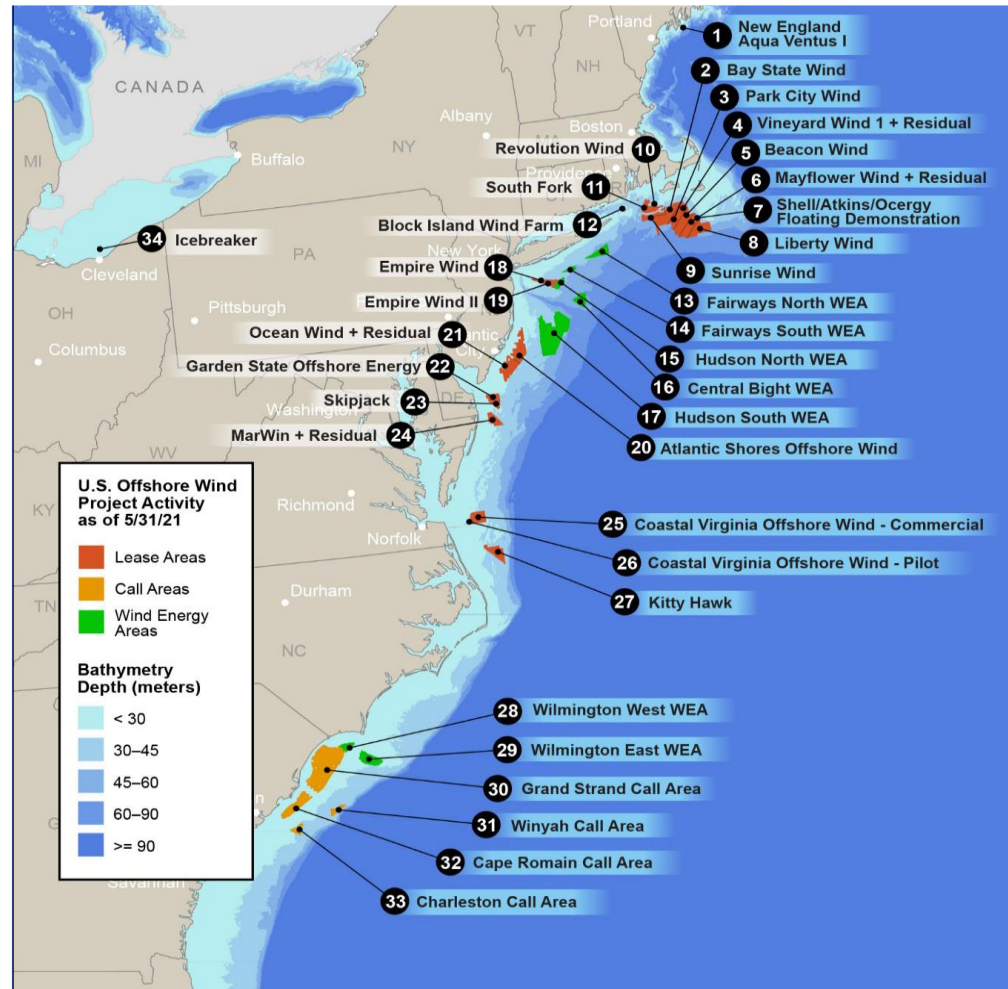
Table 3 | Cumulative offshore wind installed capacity (GW)

Stated policies scenario	2018	2025	2030	2040
US	0	4	17	38
Europe	19	46	77	127
China	4	19	42	107
World	23	77	165	342
Sustainable development scenario	2018	2025	2030	2040
US	0	5	21	68
Europe	19	56	92	175
China	4	25	65	173
World	23	101	225	562

Source: IEA Offshore Wind Outlook 2019

Although Europe will continue to drive growth driven by the UK (Greece has also set a target for 2 GW by 2030), the US is predicted to become an important market for offshore wind market, with licensing procedures accelerated by the Biden administration as it has set a national goal of 30 GW by 2030 (this target is well above the numbers included in IEA’s scenarios discussed above). The U.S. offshore wind energy pipeline is currently estimated at 35 GW of which only 42 MW are operating, 800 MW have received all licenses, 10.8 GW are at the permitting phase, 11.6 GW have acquired the rights to a lease area and are preparing for the licensing phase and 12 GW are in planning phase ahead of new auctions. The large majority of the projects are located on the Atlantic Coast (Figure 2) due to proximity to high demand areas and favourable wind conditions.

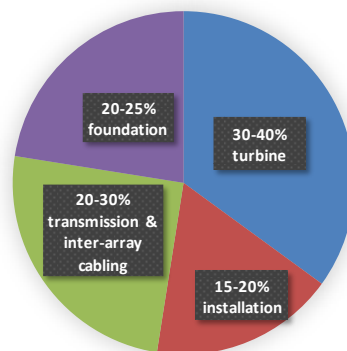
Figure 2 | U.S. Atlantic Coast offshore wind pipeline and call areas as of May 31, 2021



Source: US Department of Energy, NREL

Currently, transmission (including the offshore substation and export cables) and inter-array cabling accounts for 20-30% of total upfront capital costs (Graph 9). The total capex for 1 GW of offshore wind in 2018 was over USD 4bn but this is set to decline by 40% over this decade, driven by a cost decline in turbines, foundations and installations (note that cable producers usually undertake the installation of the cables alone or jointly with specialized companies which adds to project revenues), suggesting that the share of transmission and cables will represent over 40% of total cost as savings in cabling from better designed projects and pressure by developers for better prices will probably be offset by higher cable length (several new projects in the pipeline are located more than 100 km from shore) and more demanding technical specifications due to greater depth and more adverse weather conditions (HV dynamic cables for floating offshore wind farm is going to be a key technology). Overall, the normalized cable input is estimated in the range of EUR 250-400m per GW (including installation) depending on the project. Given the recent hike in commodity prices, we note that cable producers pass the cost automatically to customers (especially metal costs as polymers can also be managed through long-term agreements) and lock-in the margin through hedging upon order placement.

Graph 9 | Offshore wind capital cost breakdown



Source: IEA Offshore Wind Outlook 2019

The market for HVDC submarine interconnections is also a growing segment of the cable market driven by the need to connect high demand areas with renewables generation often through large distances, which combined with lower import prices and diversification of energy resources can justify the huge capex. Some of the new connections are expected to require new technology not available until recently due to high depths as well as advanced project management skills and large financing capacity. The UK recently completed the world's longest existing interconnector, between Norway and Northumberland in north-east England, which cost about EUR 2bn and stretches 720km across the North Sea, while other similar projects in North Sea are under consideration. Some mega-projects that have been proposed (two of them will link Greece with Middle East) are the following: a) a start-up (Xlinks) is proposing to build a Morocco-UK link by the end of this decade stretching 3,800km at a budget of GBP 16bn; b) Australia – Singapore 3,700 km link (also depth of 1,700m below sea level) by 2027 in a 16bn USD project backed by Macquarie Bank and energy groups Vestas, CWP Energy and InterContinental Energy; c) The EuroAsia Interconnector which is a European Project of Common Interest (PCI) connecting Israel, Cyprus and Greece through a 1,208 km subsea HVDC cable; d) Greece and Egypt signed an MoU to establish the electrical interconnection of the two countries. The implementation of only a few of these projects would demand the build out of new capacity. Aside from the international projects, Greece's grid operator (ADMIE) is also implementing a large investment programme which will connect the Aegean islands to mainland by 2030 (Figure 3) with important savings for the system as, in the non-interconnected islands, electricity is currently generated from very expensive oil-fired power plants. The total capex is approximately EUR 4bn in the period 2021-2030 (c.EUR 3bn remaining to be tendered of which EUR 2.5bn relate to Dodecanese and North Aegean islands) with secured financing through EU subsidies (EUR 1bn), new debt and ADMIE's cash flow generation. Cenergy, which has an obvious cost advantage over competitors, was selected for the Crete - Peloponnese interconnection (4 in Figure 3) which was successfully completed recently laying a 178 km HVAC cable at depth of 1,000 km, is one of the -two suppliers for the land cable segment of the Attica – Crete

interconnection which will be completed in 2023 (5 in Figure 3) and has been awarded the Santorini – Naxos interconnection which is part of the ongoing 4th phase of the electrical interconnection of the Cyclades which is due for completion in 2024.

Figure 3 | ADMIE network development plan (2020-2030)



Source: ADMIE

Although the global cable market is fragmented with a large number of suppliers producing telecom cables and low voltage power land cables, the supply of submarine high voltage power cables is a niche market dominated by only a few players in Europe and Asia, an industry structure that has been reinforced in recent years by a consolidation trend led by the three largest European players, Prysmian, Nexans, and NKT. Prysmian, based in Italy, is the global leader in the cables market with EUR 10bn sales and adjusted EBITDA of EUR 840m in 2020. Energy projects (submarine and land interconnectors) contributed sales of EUR 1.4bn and adjusted EBITDA of EUR 186m, implying a 13% margin. The company operates 3 modern plants exclusively for submarine cables in Italy, Norway and Finland and owns four cable laying cable vessels. In 2018, Prysmian acquired the leading US cable manufacturer General Cables for USD 3bn. Nexans, headquartered in Paris, is the world's second largest manufacturer of cables with sales and EBITDA of EUR 6bn and EUR 347m in 2020 respectively. The energy project division generated EUR 0.7bn sales and EUR 105m in adjusted EBITDA, implying a 15% margin. Nexans inaugurated recently the sole submarine cable plant in the US as well as its flagship subsea cable laying vessel Aurora. Unlike Prysmian which has said it will continue to invest in all end-use markets, Nexans has unveiled a strategy to focus only on differentiated products in order to capitalize on the electrification mega trend, while within this process it will pursue an acquisition strategy. In line with this strategy, Nexans agreed recently to acquire a South American company for an EV of USD 225m (implied EV/EBITDA multiple 10x). We note that about one year ago Nexans made also an offer for Cenergy's cable business with no success. Finally, NKT, headquartered in Copenhagen, is the third largest player in Europe reporting in 2020 adjusted sales of EUR 1.5bn and EBITDA of EUR 59m (1H21 performance was significantly improved with

adjusted EBITDA margin passing the 12% threshold as the company implements a large backlog). In 2017 NKT strengthened its position in the market by acquiring ABB's HV business. The combined orderbook of the 3 top companies in submarine cables and interconnectors is currently at a record level that exceeds EUR 10bn.

Against the above industry background, Hellenic Cables has managed to grow its market share in the submarine cables market by winning an impressive number of contracts in a short period for the supply of inter-array 66kV cables on behalf of some of the biggest offshore wind developers in Europe and the US despite being a new producer in this sub-segment. Note that the inter-array market is considered a more competitive market compared to export cables with several small and medium-sized suppliers, however as projects are becoming more challenging and with little room for error, project owners increasingly look for the most reliable suppliers. Cenergy's cable division has also successfully managed to enter key European interconnector markets signing frame agreement with major TSOs.

Below we show key projects comprising Cenergy's cables pipeline:

Table 4 | Cenergy's key projects in the cables pipeline

Project	Customer	Description	Execution period
Vesterhav Nord / Syd wind farm, Denmark	Vattenfall	Supply of c.70 km of 66 kV XLPE insulated inter-array cables for 350 MW offshore wind farm	2022-2023
Santorini-Naxos electrical interconnection	IPTO (Greece's TSO)	Supply and installation of c.82.5 km of 150 kV submarine and land cables	2022-2024
Kafireas II wind farm, Greece	Terna Energy	Supply and installation of 70 km of 150 kV of submarine cables as well as 11 km of 150 kV underground onshore cables (the project is executed in a JV with Asso.subsea Ltd which specializes in installation).	2021-2022
Submarine cable, Denmark	Energinet (Denmark's TSO)	Supply and installation of 11 km of 145 kV XLPE insulated submarine cables	2021
Frame contract, France	RTE (France's TSO)	Supply and installation of HV underground cables (3-year contract + 2 year extension option)	2021-2025
Attica - Crete electrical interconnection	IPTO (Greece's TSO)	Supply and installation of HV and MV land cables	2021-2023
Douglas North, UK	SPT (one of UK's grid operators)	Supply and installation of HV land cables	2020-2021
Dogger Bank A&B wind farm, UK	JV between SSE Renewables (40%), Equinor (40%) and ENI (20%)	Supply of c.650 km of 66 kV inter-array cables. Dogger Bank wind farm is developed in three 1.2 GW phases	2020-2024
Seagreen Offshore Wind , UK	JV between TotalEnergies (51%) and SSE Renewables (49%)	Supply of 320 km of 66 kV inter-array cables for a 1,075 MW wind farm project	2020-2022
Frame contract, Denmark	Energinet (Denmark's TSO)	Supply and installation of HV underground cables (3-year contract)	2020-2028

Source: Company

Financials

Revenue model

Cable division's revenues (table 6) come from three activities: energy projects, comprising submarine and land interconnector cables (often bundled with project management services) which is the premium segment and main growth driver; power & telecom cables and, finally, the sale of wires and other products. In our modelling of energy projects we have taken into consideration the announced projects (Table 5) which will be implemented over the next 2-3 years as well as capacity constraints following managements' comments that capacity at Fulgor's plant is booked until end-2022. In this context, we assume that new orders will contribute mainly after 2023 (keep in mind that revenues recognition depends on the time of production due to existing contracts). Nevertheless, as the plant is optimizing production on a daily basis and management has pointed that more orders actually provide higher flexibility on production plan, there is probably room for additional capacity utilization. The product mix in 2021-2023 is geared towards inter-arrays but we expect in the future a higher participation of export cables for offshore wind farms as well as HVDC cables for interconnectors which command a higher price. In addition, we assume that the company will increase its capacity over the next years (either by expanding production at Fulgor's plant or by building a new US plant – note that the latter may require a higher capex probably financed through the partnership agreement) in line with the growth capex included in our model (implied IRR > 15%). Given that, for most of Cenergy's projects, no financial details are disclosed, all projects are custom made with different technical requirements, and some projects are implemented as EPC projects, we have calculated prices from various domestic and international projects to reach an average price for our model. Finally, in energy projects we have not factored in the recent metal price increases as these have been hedged by the company. Overall, we expect energy revenues to grow by 22% in 2021 to EUR 294m showing a CAGR of 13% in the period 2022-2026 (Table 5):

Table 5 | Energy projects revenues model

	2021e	2022e	2023e	2024e	2025e	2026e
Revenues (EUR m)	294.2	316.1	386.4	434.8	489.5	544.3
<i>Change</i>	<i>21.5%</i>	<i>7.4%</i>	<i>22.2%</i>	<i>12.5%</i>	<i>12.6%</i>	<i>11.2%</i>
Production (km)						
Fulgor plant						
<i>Inter-array</i>	<i>454</i>	<i>564</i>	<i>468</i>	<i>400</i>	<i>450</i>	<i>500</i>
<i>Submarine interconnectors</i>	<i>86</i>	<i>70</i>	<i>183</i>	<i>300</i>	<i>350</i>	<i>400</i>
Thiva plant						
<i>Land interconnectors</i>	<i>84</i>	<i>87</i>	<i>95</i>	<i>110</i>	<i>110</i>	<i>110</i>
Total production	624	721	746	810	910	1,010
Average price (EUR/km)	471	439	518	537	538	539

Source: Optima bank research

With respect to land power and telecom cables produced in Thiva and Bucharest, management has noted that the plants also operate near full capacity as regional demand is quite strong with a healthy outlook, prompting us to assume a similar utilization rate in the future (we also assume no additional capacity). Given that orders for this segment are based on prevailing raw material prices due to short lead times, in our model we have factored in the recent increases, assuming a gradual normalization (at the same time we adjust the EBITDA margin to conservatively show a slow decline in EBITDA). We follow a similar approach for the third product segment.

Table 6 | Cables revenues breakdown

EUR m	2017	2018	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e
Energy projects	72	102	218	242	294	316	386	435	490	544
<i>Change</i>		42.4%	113.9%	11.2%	21.5%	7.4%	22.2%	12.5%	12.6%	11.2%
Power & telecom cables	278	332	314	309	371	406	392	385	377	369
<i>Change</i>		19.6%	-5.5%	-1.6%	20.0%	9.6%	-3.4%	-1.8%	-2.0%	-2.2%
Sales of wires, etc	73	55	48	49	58	64	62	61	60	58
<i>Change</i>		-25.3%	-12.3%	1.9%	20.0%	9.6%	-3.4%	-1.8%	-2.0%	-2.2%
Total revenues	422	489	580	600	723	786	840	881	926	972
<i>Change</i>		15.7%	18.6%	3.5%	20.6%	8.7%	6.9%	4.8%	5.2%	4.9%

Source: Company, Optima bank research

Cash costs and margin analysis

The majority of opex is mainly variable with raw material costs forming the biggest component representing on average 75.5% of total cash costs in the 2017-2020 period (Table 7). The largest part of raw materials costs relates to the use of metals (mainly copper and aluminium) which are hedged when relevant long-term contracts are signed (the hedging is done centrally from parent company Viohalco which has a high experience on commodity hedging minimizing the basis risk) or passed to customers for short-term orders, while other materials (e.g. polymers) are managed through long-term supply agreements. As a result of capacity expansion and effort to attract highly skilled employees, personnel cost increased in the last four years by approximately 50%, still accounting for less than 8% of total cost. The cost element that has shown the largest increase is third party fees which rose from EUR 17m in 2017 to EUR 92m in 2020. This increase is explained by the higher contribution of energy projects which often bundle the supply of the cables with installation and logistics services. Note that Cenergy does not own a subsea cable laying vessel as its three key competitors, however management claims that this increases its flexibility in selecting a partner for the project (in 2020 there were at least 6 vessel providers for inter-array and export cables, source: WindEurope). Finally, in light of the current energy crisis we point that energy cost is a small part of total cost and can probably be offset by operational savings. Overall, we believe that costs can be managed effectively absorbing temporary cost spikes, implying that the most important margin driver is the product mix.

Table 7 | Total costs ex D&A*

EUR m	2017	2018	2019	2020
Personnel	24.4	27.4	32.6	37.2
Raw materials	287.9	330.0	312.0	326.5
Energy	4.8	5.7	6.2	5.5
Third party fees	17.3	31.7	70.6	92.1
Transportation	7.2	7.4	7.5	7.1
Insurance	1.5	1.9	8.5	6.1
Other recurring	6.1	4.0	2.9	3.1
Total costs	349.2	408.1	440.3	477.6

Source: Company

*excluding also derivative and FX

Relative to peers Cenergy demonstrates a double-digit EBITDA margin which we believe is a combination of operational efficiency, strict cost control, and improving product mix driven by the increasing contribution of energy projects for which we have calculated an average margin of around 20% (Table 8).

Table 8 | Cable sector's adjusted EBITDA margin

	Cenergy's cables division	Prysmian	Nexans	NKT's cables division
Group				
2019	11.7%	8.7%	6.4%	1.6%
2020	13.3%	8.4%	6.1%	5.20%
1H21	11.1%	7.8%	7.1%	11.3%
Energy projects				
2019	-	12.4%	13.8%	-
2020	-	13.0%	15.10%	-
1H21	-	11.1%	14.9%	-

Source: Company presentations

In our model assumptions for Cenergy, we have set energy projects' EBITDA margin at 20.5% in 2021-2022 at standard metal prices, converging gradually to a long-term 17% margin despite assuming a better sales mix from entry to dynamic and ultra HVDC cables on the assumption that high returns of capital should inevitably lead to new capacity (mostly from existing companies as explained above) while project owners will push for better prices (guaranteeing also higher orders) in order to achieve their own targeted IRRs. Regarding the remaining business (mainly power and telecom cables), given the volatility in metal prices which is passed to customers on a cost plus pricing strategy we assume EBITDA will decline modestly in absolute numbers (recall that we already assume full capacity utilization and zero capacity growth) contributing around EUR 29m p.a., implying a lower margin at prevailing metal prices. Overall, 2021 adjusted EBITDA (excluding hedging effect) is seen rising by 13% in 2021 to EUR 93m, moving to EUR 122.5m in 2026, implying a 6% CAGR.

Below the EBITDA line, increasing depreciation expenses are estimated to be offset by declining interest expenses on deleveraging and lower interest rate for which we believe there is room for improvement. **Overall, net income is estimated to grow from EUR 26m in 2020 to EUR 63m in 2026, representing a high CAGR of 16%. In this context and combined with our projections for healthy FCF we believe the company can start distributing dividend from FY22 (paid in 2023) assuming a pay-out ratio of 35%.** Keep in mind that we assume no dividend distribution from CPW, hence this dividend stream is equal to Cenergy's dividend distribution.

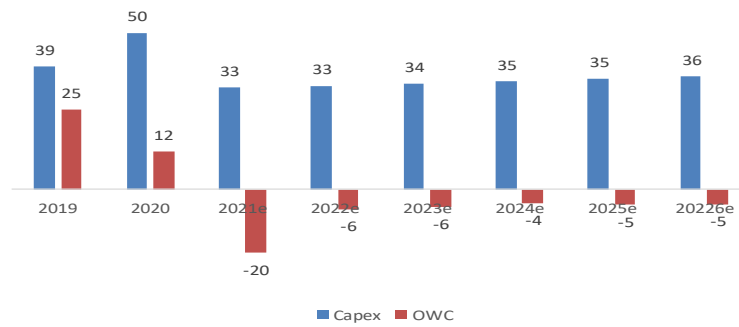
Balance sheet and cash flow analysis

Despite a cumulative capex of EUR 130m in 2018-2020 as the company expanded production capacity and invested in new technologies, strong operating cash flow allowed balance sheet deleveraging with the net debt/adj. EBITDA ratio declining below 3x in 2020 from almost 9x in 2018. Furthermore, despite doubling sales in the same period, efficient working capital management resulted in a 50% reduction of the OWC/sales ratio to 8% in 2020 contributing to a cumulative operating cash flow of approximately EUR 190m. Gross debt at the end of 2020 stood at EUR 270m (about half of it short-term financing for working capital) at an average interest rate of c.4%. Almost all debt is composed by Greek bank loans (leasing is just EUR 1.5m). As the priority during the previous years was on new investments, the company did not distribute dividends.

Having completed the majority of its investment programme and already running at full capacity, the company is examining new investments in the submarines division, including a potential US greenfield investment. In our forecasts we have assumed that on top of maintenance capex of EUR 10.5m p.a., the company will spend on average EUR 21m in growth capex, earning a rather conservative 15% ROIC. We also assume that working capital will remain flat as a percentage of sales which means that in the short-term working capital needs will be elevated as a result of higher raw material prices, although management always aims to optimize cash flow management. Finally, despite rising deferred tax liabilities we assume average cash taxes of EUR 12m from almost zero in previous years.

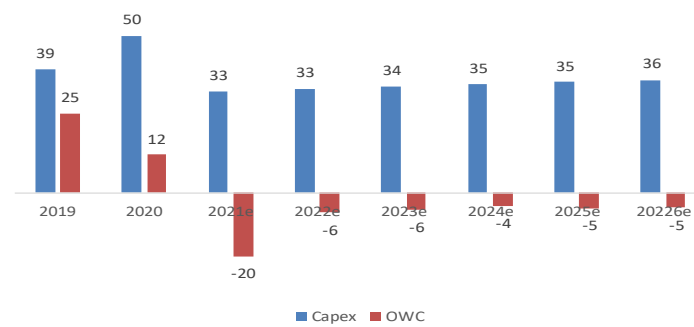
Overall, for the period 2021-2026 we project cumulative FCF to equity of EUR 185m (after deducting interest expenses), leaving significant room for shareholders returns (assuming 35% payout on our earnings estimates the total dividend payment adds to EUR 105m), deleveraging (net debt falls slightly below EUR 100m in 2026, implying net debt/adj. EBITDA ratio of 0.8x) and new investments (the greenfield investment in the US will possibly exceed our 6-year cumulative capex of EUR 205m, but as shown from the analysis the company has more than adequate financing capacity to upgrade its investment programme).

Graph 10 | Capex & OWC forecasts



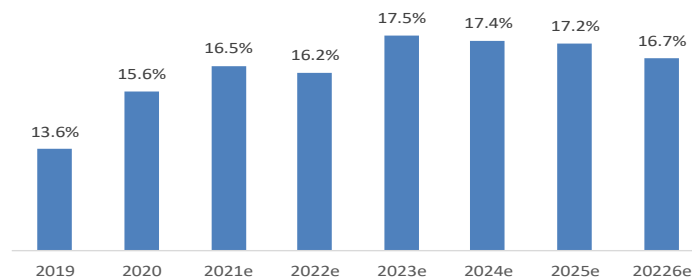
Source: Optima bank research

Graph 11 | OCF & FCFE forecasts*



Source: Optima bank research *FCFE = FCF minus interest expenses

Graph 12 | ROIC forecasts



Source: Optima bank research

Below we show our projected financial statements for Hellenic Cables group:

Table 9 | Hellenic Cables P & L forecasts

EUR m	2017	2018	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e
Revenues	383.0	443.4	500.9	557.2	723.3	786.4	840.5	880.6	926.5	971.7
<i>Change</i>		15.8%	13.0%	11.2%	29.8%	8.7%	6.9%	4.8%	5.2%	4.9%
Gross profit	38.8	42.6	74.4	86.4	104.9	109.8	122.7	128.4	134.4	139.2
<i>margin</i>	10.1%	9.6%	14.9%	15.5%	14.5%	14.0%	14.6%	14.6%	14.5%	14.3%
S,G & A	14.0	15.7	16.9	19.7	21.0	22.1	23.1	23.9	24.9	25.8
EBITDA	25.1	24.6	56.7	65.1	83.9	87.7	99.7	104.5	109.5	113.4
Adj. EBITDA	29.3	28.7	58.7	74.0	85.9	89.7	101.7	106.5	111.5	115.4
<i>margin</i>	7.6%	6.5%	11.7%	13.3%	11.9%	11.4%	12.1%	12.1%	12.0%	11.9%
D & A	11.7	12.3	13.8	12.1	14.2	15.4	16.7	18.0	19.4	20.8
EBIT	13.7	12.6	42.9	53.8	69.7	72.3	82.9	86.5	90.1	92.6
Net financials	19.1	19.9	19.4	19.0	17.4	16.6	15.7	14.7	13.6	11.7
EBT	-5.3	-7.4	23.4	34.8	52.4	55.7	67.3	71.8	76.5	80.9
Tax	-0.7	-5.4	7.3	8.8	12.0	12.8	15.3	16.3	17.3	18.3
Net income	-4.6	-1.9	16.1	26.0	40.4	43.0	52.0	55.5	59.2	62.6
<i>margin</i>	-1.2%	-0.4%	3.2%	4.7%	5.6%	5.5%	6.2%	6.3%	6.4%	6.4%
Dividend	0.0	0.0	0.0	0.0	0.0	14.1	15.0	20.0	25.0	30.0
<i>Payout</i>	0.0%	0.0%	0.0%	0.0%	0.0%	35.0%	35.0%	35.0%	35.0%	35.0%

Source: Company, Optima bank research

* Icme Ecab excluded

Table 10 | Hellenic Cables balance sheet forecasts

EUR m	2017	2018	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e
Assets										
Net Tangible Assets	182.7	204.7	219.8	248.5	265.9	282.8	299.3	315.3	330.8	345.8
Net Intangible Assets	73.2	77.8	79.3	83.3	83.4	83.4	83.2	83.0	82.6	82.1
Other	1.9	3.1	3.8	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Total Fixed Assets	257.8	285.6	303.0	336.4	353.9	370.8	387.1	402.9	418.0	432.5
Inventories	70.3	76.8	87.8	107.6	133.2	144.8	154.8	162.2	170.7	179.0
Trade & oth. recei/ble	85.0	114.8	87.6	92.2	123.1	133.8	143.0	149.8	157.6	165.3
Other current assets	28.6	44.8	55.5	55.6	76.3	82.9	88.5	92.7	97.5	102.3
Cash & Equivalents	9.1	28.3	67.4	57.7	60.4	63.8	63.5	67.6	70.5	48.0
Total Current Assets	193.0	264.8	298.3	313.1	393.0	425.3	449.8	472.4	496.3	494.6
Total Assets	450.8	550.4	601.3	649.5	746.9	796.1	837.0	875.2	914.3	927.0
Long Term Debt	48.8	116.0	124.6	127.5	103.5	83.5	63.5	43.5	23.5	0.0
Deferred tax liabilities	5.9	1.1	6.7	13.6	16.5	20.3	24.1	27.9	31.7	34.4
Other LT Liabilities	23.9	21.3	27.9	31.1	30.2	29.3	28.5	27.6	26.8	25.9
Total LT Liabilities	78.5	138.4	159.2	172.2	150.2	133.1	116.1	99.0	81.9	60.3
Short Term Debt	184.3	168.7	163.7	142.5	164.1	164.1	164.1	164.1	164.1	144.1
Trade & ot.payables	105.9	106.5	140.5	187.7	223.3	242.7	259.5	271.8	286.0	300.0
Other current liabilities	1.6	59.4	43.6	27.3	49.4	53.3	56.6	59.1	61.9	64.7
Total Current Liabilities	291.8	334.7	347.8	357.5	436.8	460.1	480.2	495.0	512.0	508.8
Total Liabilities	370.3	473.1	506.9	529.7	587.0	593.3	596.2	594.0	594.0	569.0
Shareholders Equity	80.5	77.2	94.5	119.5	159.9	202.9	240.7	281.2	320.4	358.0
Total LT & Equity	450.8	550.3	601.4	649.2	746.9	796.1	837.0	875.2	914.3	927.0

Source: Company, Optima bank research

* Icme Ecab excluded

Table 11 | Hellenic Cables cash flow forecasts*

EUR m	2017	2018	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e
OCF bef. OWC & taxes	25.2	25.6	56.7	66.0	83.9	87.7	99.7	104.5	109.5	113.4
Change in OWC	-11.4	1.9	25.5	12.1	-20.4	-6.5	-5.7	-4.4	-4.9	-4.9
Taxes paid	0.0	-0.1	0.0	-0.4	-9.1	-9.0	-11.5	-12.5	-13.5	-15.6
Net OCF	13.8	27.4	82.2	77.6	54.4	72.3	82.5	87.6	91.0	92.9
Capex, net	-13.9	-40.0	-39.4	-50.2	-32.5	-33.2	-33.9	-34.6	-35.4	-36.1
Other	0.0	0.0	7.7	1.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from Investments	-13.9	-40.0	-31.7	-49.2	-32.5	-33.2	-33.9	-34.6	-35.4	-36.1
FCF to Firm	-0.1	-12.6	50.5	28.4	21.9	39.1	48.6	53.0	55.7	56.8
Net Interest Payments	-19.1	-19.9	-19.4	-19.0	-17.4	-16.6	-15.7	-14.7	-13.6	-11.7
FCF to Equity	-19.1	-32.5	31.0	9.5	4.6	22.5	32.9	38.3	42.1	45.1
Dividends Paid	0.0	0.0	0.0	0.0	0.0	0.0	-14.1	-15.0	-20.0	-25.0
Net change in loans	20.5	51.7	3.6	-18.3	-2.4	-20.0	-20.0	-20.0	-20.0	-43.5
CF from Financing	2.7	31.8	-11.4	-38.2	-19.8	-36.6	-49.8	-49.7	-53.6	-80.2
Net change in cash	2.7	19.2	39.1	-9.7	2.1	2.5	-1.2	3.3	2.1	-23.4

Source: Company, Optima bank research

* Icmecab excluded

Valuation

We value Cenergy's cables division using a 2-stage DCF model, based on our explicit forecasts for the next 5 years (up to FY26) which we expect to be a high growth period for the company, yielding an equity value of EUR 753m or EUR 4.0/share in Cenergy's SOTP valuation. Our valuation implies a c.14% premium over European peers in terms of forward EV/EBITDA (table 13) which we believe is justified by a higher growth rate relative the two larger companies in the sector, Prysmian and Nexans.

Our DCF exercise is based on a long-term WACC of 7.4% derived from 10.1% cost of equity, 3.1% after tax cost of debt and 40% debt to capital ratio. The terminal value is determined by an adjusted NOPLAT of EUR 73m and a long-term growth rate of 1.5% as the company can exploit significant opportunities in the sector noted above at a healthy ROIC. if we changed the WACC by 50 bps the target price would change by c.12%, while if we changed the long-term growth rate by 50 bps the target price would change by c.10%.

Table 12 | DCF model

EUR million	2022e	2023e	2024e	2025e	2026e
NOPLAT	58.8	67.1	69.9	72.7	73.6
Depreciation	15.0	16.3	17.6	18.9	20.3
Gross cash flow	73.8	83.4	87.5	91.6	93.9
Change in OWC	-6.5	-5.7	-4.4	-4.9	-4.9
Capex	33.2	33.9	34.6	35.4	36.1
FCFF	34.2	43.8	48.4	51.3	52.9
Discounted FCFF	31.8	38.0	39.1	38.6	37.0
Sum of PV (2022e-2026e)	184.6				
Terminal value	806.2				
Other non-operating assets	5.8				
Enterprise Value	997				
Net debt	237.4				
Minorities and other net liabilities	6.6				
Equity value	752.6				

Source: Optima bank research

Table 13 | Peer Group multiples

	Country	Mkt Cap (EUR m)	Median EV/EBITDA 21f	Median EV/EBITDA 22f
Companies				
Prysmian	Italy	8,795	11.1x	10.0x
Nexans	France	3,564	8.0x	6.9x
NKT	Sweden	1,757	14.0x	11.5x
Weighted average			10.7x	9.3x
Hellenic Cables*			11.1x	10.6x
vs. peers			3.6%	13.9%

Source: Optima bank research, Factset (price date 10/12/2021),

* based on our valuation

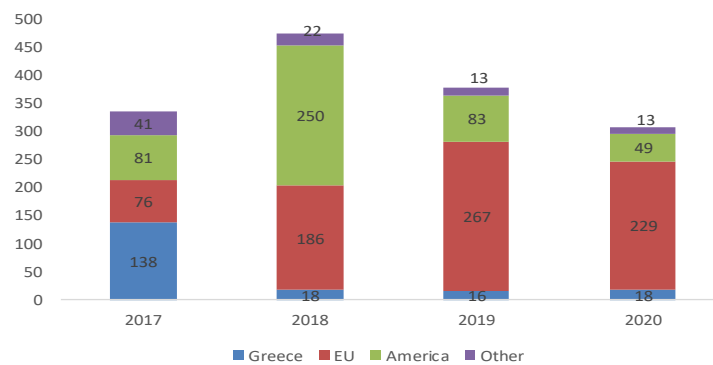
Steel pipes division

CPW's vertically integrated steel pipes plant in central Greece is considered one of the few worldwide to offer a wide range of pipes for oil and gas projects, specializing on pipes for offshore projects which have extreme demands and high spec needs. The plant is distinguished from most competitors on the following unique capabilities: a) ability to produce longer pipes (up to 24m length for reel lay purposes compared to the common 12m) providing an important competitive cost advantage (longer pipes means less welding and therefore lower cost); b) offering of LSAW pipes from 16" (406.4mm) external diameter and above in high strength and wall thickness for deep offshore, making it a leader in a niche market. Since many of the projects requested by multinational energy companies are custom made, CPW's highly experienced personnel is in close cooperation with suppliers and customers before starting the production (it is common that suppliers' and customers' staff are present at CPW's plant during the production period). CPW's main steel supplier is ArcelorMittal, while the alternative choice in Europe is the German company Salzgitter AG which owns Europipe, a major steel pipe producer and one of CPW's main competitors, implying that CPW's bargaining power is somewhat reduced in this case.

Revenue model

CPW is an exporter on a global scale helped by its elevated knowhow in difficult projects, low cost production and owned port facilities. Nevertheless, the decarbonisation trend and the collapse of oil and natural gas prices during the pandemic resulted in a significant decline of relevant pipeline projects in recent years, reducing demand for steel pipes. In addition, CPW took a hit in 2018 from US administration's decision to impose 25% tariffs on EU steel imports, aggravated in 2019 by a c.10% antidumping duty for large diameter welded pipes imported from Greece, making it very difficult for CPW to compete in the market (Graph 13).

Graph 13 | Steel pipes sales breakdown by geography



Source: Company

Against this background, steel pipes sales recorded a c.40% cumulative decline in 2019-2020 (partly due to metal prices), with a further 22% YoY decline in 1H21. CPW has mitigated the effect by expanding its geographic reach winning orders for deep offshore projects in Latin America (Chile) and Africa (Angola). A key ongoing project is Snam's order for 440km of high-pressure pipes certified to transport up to 100% hydrogen for a transmission gas pipeline in Italy, indicating the potential of the hydrogen market for the steel pipe sector. Other current projects include pipes for an offshore project in Norway on behalf of KEG and an offshore project in Trinidad and Tobago on behalf of Shell. Besides the core activity, the recovery of building construction in Greece enhanced demand for the company's secondary activity which entails the construction of hollow structural sections (c.8% of total sales in 2020), also mitigating the impact of the slowing oil & gas sector.

After a prolonged weak period, the medium-term outlook appears to finally improve. Firstly, the U.S. and the EU have reached an agreement which will partially remove the 25% tariffs to EU steel. Although details are pending, EU steel exports up to 3.3m tons will probably be tariff-free

(this volume is in line with exports before tariffs). In addition, it is very likely that the antidumping duty will also be abolished. These tax changes coincide with a revival of interest for new natural gas pipelines in the US driven by the strong rebound of natural gas prices and need for new connections to LNG terminals. Concerns for oil and natural gas supply could also increase demand from new offshore projects, while the expansion of natural gas pipe networks by European grid operators should be another growth factor. Management disclosed recently that the company has been pre-qualified for various international projects, including projects in the US market. A few weeks ago, CPW was awarded a contract for high pressure natural gas pipes contract from Poland's Gas Transmission Operator worth approximately EUR 47m which will be implemented between April 2022 and August 2022. In its 9M21 trading update the company said that the sector has rebounded in 3Q21, paving the ground for a satisfactory year compared to initial projections and a solid recovery in 2022. As hydrogen gains track as one of the key solutions for energy transition (including the transfer of hydrogen produced by offshore wind farms which could potentially be offered by Cenergy as an integrated solution with the project's cabling, demand for additional pipelines (apart existing pipelines that are compatible) is also expected to grow significantly in the next few years, with one such ambitious project included in Greek government's planning and backed by incumbent utility PPC and other leading domestic energy groups. Another promising area, particularly in the US, is pipes used for CO2 transfer in CCS projects. Overall, we model sales to grow by a CAGR of 5% by 2026 at effectively flat metal prices (we factor in high double-digit steel price increases in 2022 to account for the increasing working capital assuming a gradual reversal in the next years) with the risk lying on the upside driven by faster growth of new "green" technologies such as hydrogen and CCS.

Cash costs and margin analysis

The majority of opex is mainly variable given that raw material costs represent on average 75% of total cash costs in the 2017-2020 period, with steel being close to 55% of total production cost. As opposed to the copper and aluminium used in the cables division, steel specifications used in pipelines cannot be hedged. Personnel cost has grown modestly by c.15% in the last four years, accounting for c.8% of total cost in 2020. The cost element that has shown the largest increase is third party fees which rose from EUR 16m in 2017 to EUR 36m in 2020 possibly including higher costs for project management and other services to customers. Finally, although more energy intensive compared to cables production, the contribution of energy to the total cost is low enough. In its continuous effort to keep costs as low as possible the company has secured competitive electricity tariffs until the end of 2022 (this means that it will weather recent soaring electricity prices without a serious impact) having time to examine options post 2023 that will also be in line with the reduction of the carbon footprint.

Table 14 | Total costs ex D&A*

EUR m	2017	2018	2019	2020
Personnel	19.7	24.0	24.0	22.7
Raw materials	250.0	353.2	259.5	192.4
Energy	3.3	3.7	3.7	2.9
Third party fees	16.0	32.4	32.3	36.1
Transportation	16.0	23.4	16.7	22.0
Insurance	4.5	4.9	4.8	4.8
Other recurring	6.13	4.03	2.9	7.23
Total costs	315.6	445.6	343.9	288.1

Source: Company

*excluding also derivative and FX

Despite the metal price volatility and the declining production, CPW's adjusted EBITDA margin in 2017 – 2020 moved in a tight range (7.2% in 2017, 5.8% in 2018, 6.6% in 2019 and 6.7% in 2020). Taking into consideration the adverse impact of higher steel prices on margins and the positive effect of the projected increase of capacity utilization on unit costs, we see the EBITDA margin improving slowly towards 7.7% in 2026, translating to adjusted EBITDA of EUR 32m in

2026 from EUR 19m forecasted in 2021. At the same time, with almost flat depreciation expenses and declining financial costs, net income is estimated to grow from a small loss in 2021 to EUR 12.5m in 2026.

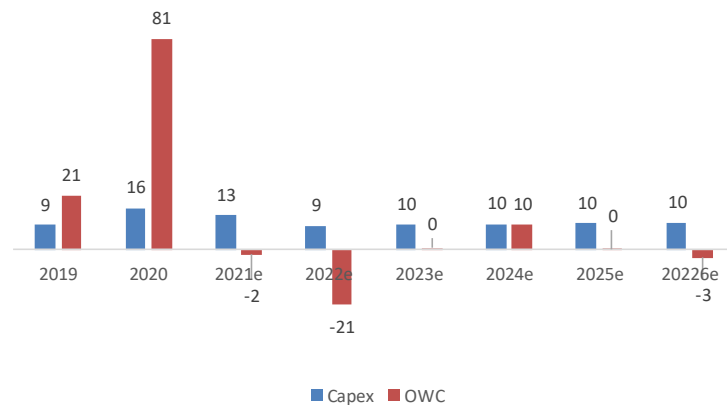
Balance sheet and cash flow analysis

As noted above, Cenergy’s steel pipe division witnessed a material slowdown in the last few years. The reduction of working capital needs combined with strict working capital management led to the reduction of the OWC/sales ratio from 35% in 2018 to 16% in 2020, resulting in a capital release of EUR 150m which was used mainly for deleveraging, bringing net debt down by almost EUR 100m to EUR 90m, implying a net debt/adj. EBITDA ratio of 4.2x. Gross debt at the end of 2020 stood at EUR 108m (about 40% is short-term financing for working capital) at an average interest rate of c.3.3%. All debt is composed by Greek bank loans (leasing is just EUR 1.5m). As the priority during the previous years was to strengthen the balance sheet, the subsidiary did not distribute dividends.

In our forecasts we have assumed that the company will continue to spend only for maintenance capex which we set at EUR 8.5m p.a. (in line with depreciation). Despite factoring in increased working capital needs in 2021- 2022 to the tune of EUR 20m driven by high steel prices and recovery of utilization rate (down payments for new orders should mitigate the impact), net debt is estimated to rise modestly at EUR 95m in 2021 and EUR 112m in 2022, containing the net/adj. EBITDA ratio to approximately 5.0x.

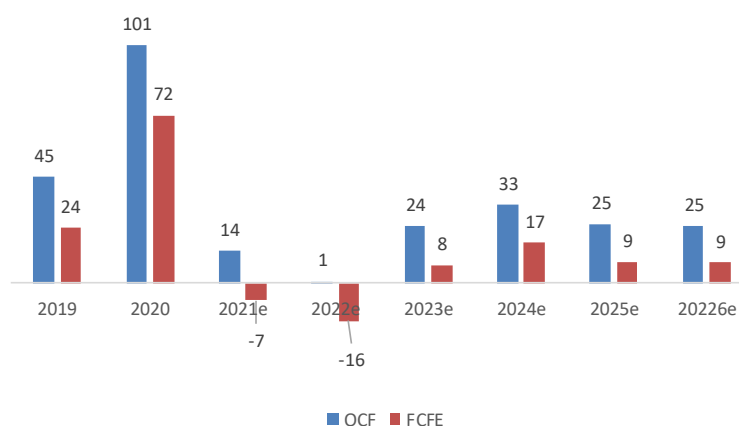
Overall, despite negative FCF in 2022 on high working capital needs, we project cumulative FCF to equity of EUR 20m in 2021-2026 directed to debt reduction, leading to net debt/adj. EBITDA ratio of c.2.0x by 2026. Our base case scenario leaves limited room for dividend distribution or grown capex. In this case, company’s planned expansion in new activities such as the construction of foundations for floating offshore wind farms will probably be implemented through joint ventures.

Graph 14 | Capex & OWC forecasts



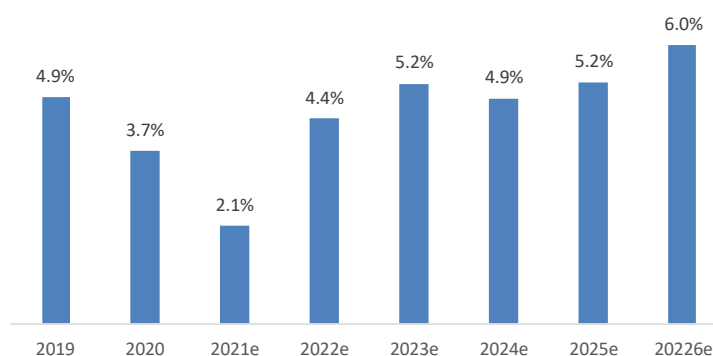
Source: Optima bank research

Graph 15 | OCF & FCFE forecasts*



Source: Optima bank research *FCFE = FCF minus interest expenses

Graph 16 | ROIC forecasts



Source: Optima bank research

Below we show our projected financial statements for CPW:

Table 15 | CPW P & L forecasts

EUR m	2017	2018	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e
Revenues	338.6	475.3	378.7	309.8	322.2	382.6	413.2	390.5	389.5	409.0
<i>Change</i>		40.4%	-20.3%	-18.2%	4.0%	18.8%	8.0%	-5.5%	-0.3%	5.0%
Gross profit	35.8	40.3	42.0	31.9	31.2	38.8	42.4	41.8	43.9	49.0
<i>margin</i>	10.6%	8.5%	11.1%	10.3%	9.7%	10.1%	10.3%	10.7%	11.3%	12.0%
S,G & A	12.4	16.1	17.1	13.7	13.9	15.3	16.1	15.9	16.2	16.8
EBITDA	24.6	25.9	25.1	19.9	16.7	23.0	25.8	25.4	27.3	31.7
Adj. EBITDA	24.4	27.4	25.1	20.8	17.7	23.0	25.8	25.4	27.3	31.7
<i>margin</i>	7.2%	5.8%	6.6%	6.7%	5.5%	6.0%	6.3%	6.5%	7.0%	7.7%
D & A	9.2	9.3	10.5	8.8	8.6	8.6	8.5	8.8	9.2	9.5
EBIT	6.5	16.6	14.7	12.0	8.2	14.4	17.3	16.6	18.1	22.1
Net financials	10.9	10.0	12.4	10.5	8.0	7.8	7.0	6.3	5.8	5.6
EBT	-4.4	6.6	2.3	0.6	0.1	6.6	10.4	10.2	12.3	16.5
Tax	-4.9	-0.5	0.7	1.7	0.5	2.0	2.8	2.8	3.2	4.1
Net income	0.5	7.1	1.6	-1.2	-0.4	4.7	7.6	7.5	9.1	12.4
<i>margin</i>	0.1%	1.5%	0.4%	-0.4%	-0.1%	1.2%	1.8%	1.9%	2.3%	3.0%

Source: Company, Optima bank research

Table 16 | CPW balance sheet forecasts

EUR m	2017	2018	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e
Assets										
Net Tangible Assets	179.4	175.8	177.5	184.2	188.4	188.9	189.6	190.4	191.2	192.0
Net Intangible Assets	0.1	0.6	1.4	2.3	2.6	2.9	3.1	3.3	3.4	3.4
Other	2.5	2.2	11.4	14.6	14.6	14.6	14.6	14.6	14.6	14.6
Total Fixed Assets	182.0	178.6	190.3	201.1	205.7	206.4	207.4	208.4	209.2	210.0
Inventories	87.6	113.5	115	77.92	81.0	111.0	111.6	97.6	97.4	102.2
Trade & oth. recei/ble	56.7	86.4	24.4	25.8	26.8	31.8	34.4	32.5	32.4	34.0
Other current assets	39.6	70.2	63.6	10.7	11.1	13.0	14.0	13.3	13.3	13.9
Cash & Equivalents	58.2	34.66	19.8	20.7	23.0	-9.0	-11.2	-4.1	-1.4	5.5
Total Current Assets	242.0	304.7	222.8	135.1	141.9	146.8	148.8	139.3	141.6	155.7
Total Assets	424.0	483.3	413.1	336.2	347.6	353.2	356.2	347.7	350.9	365.7
Long Term Debt	36.3	50.6	48.2	44.0	28.2	18.2	8.2	1.7	0	0
Deferred tax liabilities	14.0	11.8	12.6	14.3	13.8	14.6	15.4	16.2	17.0	17.1
Other LT Liabilities	1.8	1.9	3.5	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Total LT Liabilities	52.1	64.3	64.3	62.1	45.8	36.6	27.4	21.7	20.8	20.9
Short Term Debt	147.1	167.1	129.9	64.4	90.1	84.3	84.3	80.8	76.0	74.3
Trade & oth. payables	87.1	105.0	72.7	64.9	67.5	83.4	88.0	81.2	81.0	85.0
Other current liabilities	1.1	4.4	0.59	0.47	0.5	0.5	0.5	0.5	0.5	0.5
Total Current Liabilities	235.3	276.5	203.2	129.8	158.0	168.1	172.7	162.4	157.4	159.8
Total Liabilities	287.4	340.8	267.5	191.9	203.8	204.7	200.1	184.1	178.2	180.7
Shareholders' Equity	136.6	142.9	146	144.1	143.8	148.5	156.1	163.5	172.7	185.1
Total LT & Equity	424.0	483.7	413.5	336.0	347.6	353.2	356.2	347.7	350.9	365.7

Source: the Company, Optima bank research

Table 17 | CPW cash flow forecasts*

EUR m	2017	2018	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e
OCF bef. OWC & taxes	24.6	25.9	25.2	20.8	16.7	23.0	25.8	25.4	27.3	31.7
Change in OWC	3.1	-66.9	20.8	80.6	-1.9	-21.0	0.5	9.8	0.2	-3.1
Taxes paid	-0.5	-1.2	-0.6	0.0	-1.0	-1.2	-2.0	-2.0	-2.4	-4.0
Net OCF	27.2	-42.2	45.4	101.4	13.7	0.8	24.3	33.2	25.0	24.6
Capex, net	-3.2	-4.0	-9.4	-16.0	-13.0	-9.3	-9.5	-9.8	-10.1	-10.3
Other	0.0	0.0	0.0	-3.2	0.0	0.0	0.0	0.0	0.0	0.0
CF from Investments	-3.2	-4.0	-9.4	-19.2	-13.0	-9.3	-9.5	-9.8	-10.1	-10.3
FCF to Firm	24.0	-46.2	36.0	82.2	0.7	-8.5	14.8	23.4	14.9	14.2
Net Interest Payments	-10.9	-10.0	-12.4	-10.5	-8.0	-7.8	-7.0	-6.3	-5.8	-5.6
FCF to Equity	13.1	-56.1	23.6	71.7	-7.3	-16.2	7.8	17.1	9.2	8.6
Dividends Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net change in loans	-17.8	34.3	-39.6	-69.7	9.8	-15.8	-10.0	-10.0	-6.5	-1.7
CF from Financing	-26.2	22.0	-51.4	-80.7	1.8	-23.6	-17.0	-16.3	-12.3	-7.3
Net change in cash	-3.0	-23.5	-14.9	0.9	2.5	-32.0	-2.2	7.1	2.7	6.9

Source: the Company, Optima bank research

Valuation

We value Cenergy's steel pipes division using a 2-stage DCF model, based on our explicit forecasts up to FY26, yielding an equity value of EUR 94m which accounts for of EUR 0.50 per share in Cenergy's SOTP valuation. Our valuation implies a c.30% discount to company's book value which is explained by the consistently low ROIC of the business. Having said that, our valuation should be deemed as conservative given modern plant facilities (including port), high know-how and strong customer relationships than cannot be easily replicated. Furthermore, growth opportunities arising from energy transition are only partially factored in our estimates.

DCF valuation

Our DCF exercise is based on a long-term WACC of 7.8% derived from 12.4% cost of equity, 3.1% after tax cost of debt and 50% debt to capital ratio. The terminal value is determined by an adjusted NOPLAT of EUR 17m and zero growth rate. if we changed the WACC by 50 bps the target price would change by c.15%, while if we changed the long-term growth rate by 50 bps the target price would change by c.12%.

Table 18 | DCF model

EUR million	2022e	2023e	2024e	2025e	2026e
NOPLAT	11.5	13.8	13.2	14.4	16.9
Depreciation	8.6	8.5	8.8	9.2	9.5
Gross cash flow	20.1	22.3	22.0	23.6	26.4
Change in OWC	-21.0	0.5	9.8	0.2	-3.1
Capex	9.3	9.5	9.8	10.1	10.3
FCFF	-10.2	13.2	22.0	13.7	13.0
Discounted FCFF	-9.4	11.4	17.6	10.1	8.9
Sum of PV (2022e-2026e)	38.7				
Terminal value	152.9				
Other non-operating assets	12.2				
Enterprise Value	204				
Net debt	106.8				
Minorities and other liabilities	3.0				
Equity value	94.1				

Source: Optima bank research

SUMMARY TABLES

Cenergy Holdings							Balance Sheet						
Profit & Loss	2020	2021f	2022f	2023f	2024f	2025f	2020	2021f	2022f	2023f	2024f	2025f	
Revenues	908.4	1,086.9	1,210.4	1,295.1	1,312.5	1,357.4	Net Tangible Assets	458.0	479.6	496.9	514.2	531.0	547.3
YoY	-5.2%	19.7%	11.4%	7.0%	1.3%	3.4%	Net Intangible Assets (incl. Goodwill)	29.3	29.7	30.0	30.1	30.0	29.7
COGS	(779.9)	(938.5)	(1,049.5)	(1,117.7)	(1,129.9)	(1,166.7)	Right of Use Assets	5.6	5.6	5.6	5.6	5.6	5.6
Gross Profit	128.5	148.4	160.8	177.5	182.6	190.7	Net Financial Assets & Other	45.9	46.6	47.1	47.6	48.1	48.6
Gross Profit Margin	14.1%	13.7%	13.3%	13.7%	13.9%	14.1%	Total Fixed Assets	538.9	561.5	579.6	597.5	614.7	631.2
SGA	(38.6)	(41.3)	(43.7)	(45.5)	(46.2)	(47.5)	Inventories	213.2	241.9	283.5	294.1	287.5	295.7
Other Inc / (Exp)	0.4	0.5	0.5	0.5	0.5	0.5	Trade & other receivables	112.9	144.8	160.6	172.3	177.3	185.0
EBITDA	90.3	107.6	117.7	132.5	136.9	143.8	Contract assets	64.9	86.0	94.5	101.2	104.6	109.4
YoY	0.0%	19.2%	9.3%	12.6%	3.3%	5.0%	Other current assets	1.08	1.08	1.08	1.08	1.08	1.08
EBITDA (Adj.)	101.8	110.6	119.7	134.5	138.9	145.8	Cash & Equivalents	81.0	87.4	60.6	59.9	73.9	82.2
YoY	13.0%	8.7%	8.2%	12.4%	3.3%	5.0%	Total Current Assets	473.1	561.2	600.2	628.5	644.4	673.4
EBITDA Margin (adj.)	11.2%	10.2%	9.9%	10.4%	10.6%	10.7%	Total Assets	1,011.9	1,122.7	1,179.8	1,226.0	1,259.0	1,304.5
D&A (excl. impairments)	(25.0)	(26.8)	(28.0)	(29.3)	(30.9)	(32.6)	Long Term Debt	174.6	133.7	102.7	71.7	45.2	23.5
EBIT	66.2	81.7	90.5	104.1	106.8	112.0	LT Lease liabilities	3.7	3.7	3.7	3.7	3.7	3.7
YoY	7.6%	23.5%	10.7%	15.0%	2.6%	4.9%	Deferred tax liabilities	31.7	34.1	38.7	43.3	47.9	52.5
Net Financial Inc / (Exp.)	(31.6)	(26.7)	(24.5)	(22.8)	(21.3)	(19.8)	Grants	16.5	15.6	14.8	13.9	13.1	12.2
Financial income	0.0	0.2	0.2	0.3	0.3	0.4	Pension provisions	6.4	6.4	6.4	6.4	6.4	6.4
Financial expenses	(31.3)	(26.9)	(24.7)	(23.1)	(21.7)	(20.2)	Other LT Liabilities	10.1	10.1	10.1	10.1	10.1	10.1
o/w other & FX gains / (losses)	(0.3)	0.0	0.0	0.0	0.0	0.0	Total Long Term Liabilities	243.0	203.6	176.4	149.1	126.4	108.4
Equity method Inv. Inc / (Exp)	0.9	1.0	1.0	1.0	1.0	1.0	Short Term Debt	231.6	278.8	273.0	273.0	269.5	264.7
EBT	35.4	56.0	66.9	82.2	86.5	93.2	ST Lease liabilities	1.8	1.8	1.8	1.8	1.8	1.8
Tax	(10.6)	(13.5)	(15.9)	(19.3)	(20.2)	(21.7)	Trade & other payables	249.1	287.0	320.8	341.4	347.6	361.5
effective tax rate (%)	30%	24%	24%	23%	23%	23%	Contract liabilities	30.2	52.6	58.0	62.1	64.0	66.8
Net Profit After Tax	24.8	42.5	51.0	62.9	66.2	71.5	Other Current Liabilities	4.7	4.7	4.7	4.7	4.7	4.7
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	Total Current Liabilities	517.3	624.8	658.3	682.9	687.5	699.4
EAT	24.8	42.5	51.0	62.9	66.2	71.5	Total Liabilities	760.3	828.4	834.6	832.0	813.8	807.8
YoY	22.7%	71.2%	20.1%	23.4%	5.3%	7.9%	Shareholders Equity	251.5	293.9	344.9	393.7	444.9	496.4
Total comprehensive net income	19.9	42.5	51.0	62.9	66.2	71.5	Minorities	0.3	0.3	0.3	0.3	0.3	0.3
							Total Equity	251.8	294.2	345.2	394.0	445.2	496.7
Dividends/capital return	0.0	0.0	0.0	14.1	15.0	20.0	Total Liabilities & Equity	1,012.1	1,122.7	1,179.8	1,226.0	1,259.0	1,304.5
Per Share Data							Cash Flow Statement (€ m)						
2020	2021f	2022f	2023f	2024f	2025f	2020	2021	2022f	2023f	2024f	2025f		
EPS (basic)	0.130	0.223	0.268	0.331	0.348	0.376	EBIT (reported)	66.2	81.7	90.5	104.1	106.8	112.0
YoY	22.7%	71.2%	20.1%	23.4%	5.3%	7.9%	Depreciation	25.0	26.8	28.0	29.3	30.9	32.6
EPS (basic and diluted)	0.130	0.223	0.268	0.331	0.348	0.376	Provisions / Other	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
YoY	22.7%	71.2%	20.1%	23.4%	5.3%	7.9%	Taxes Paid	(0.5)	(11.1)	(11.3)	(14.7)	(15.6)	(17.1)
DPS	0.00	0.00	0.00	0.07	0.08	0.11	(Inc) / Dec in Net Working Capital	99.1	(22.3)	(27.5)	(5.2)	5.4	(4.8)
BVPS	1.32	1.55	1.81	2.07	2.34	2.61	Cash Flow from Operations	188.0	73.2	77.9	111.6	125.6	120.9
							Capex, net	(70.0)	(45.5)	(42.5)	(43.4)	(44.4)	(45.4)
							Net Financial Investments	(1.9)	0.5	0.5	0.5	0.5	0.5
Price & Mkt Cap							Cash Flow from Investments	(71.9)	(45.0)	(42.0)	(42.9)	(43.9)	(44.9)
2020	2021	2022f	2023f	2024f	2025f		Free Cash Flow to Firm	116.1	28.2	35.9	68.6	81.7	75.9
Total Market Cap	329.0	570.5	570.5	570.5	570.5	570.5	Net Interest Payments	(31.6)	(26.7)	(24.5)	(22.8)	(21.3)	(19.8)
Share price **	1.73	3.00	3.00	3.00	3.00	3.00	Free Cash Flow to Equity	84.4	1.5	11.4	45.8	60.4	56.2
Total Shares out (m)	190.2	190.2	190.2	190.2	190.2	190.2	Dividends Paid/Capital return	0.0	0.0	0.0	(14.1)	(15.0)	(20.0)
Adj. Shares out (m)	190.2	190.2	190.2	190.2	190.2	190.2	Net change in loans	(92.4)	6.3	(36.8)	(31.0)	(30.0)	(26.5)
							Share buy backs	0.0	0.0	0.0	0.0	0.0	0.0
							Other	(0.8)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
Valuation							Cash Flow from Financing	(93.2)	4.9	(38.2)	(46.5)	(46.4)	(47.9)
2020	2021	2022f	2023f	2024f	2025f		Net Cash Flow	(8.8)	6.4	(26.8)	(0.7)	14.0	8.3
P / E (x)	13.3x	13.4x	11.2x	9.1x	8.6x	8.0x	FX	(0.6)	0.0	0.0	0.0	0.0	0.0
P / BV (x)	1.3x	1.9x	1.7x	1.4x	1.3x	1.1x	Net increase/decrease in cash	(9.4)	6.4	(26.8)	(0.7)	14.0	8.3
EV / Sales (x)	0.7x	0.8x	0.7x	0.6x	0.6x	0.5x							
EV / EBITDA (x)	7.1x	8.1x	7.0x	5.9x	5.5x	5.0x							
EV / EBITDA adj. (x)	6.3x	7.8x	6.9x	5.8x	5.4x	4.9x							
FCF yield (FCFE/mkt cap)	25.7%	0.3%	2.0%	8.0%	10.6%	9.8%							
FCF/EV (FCFF/EV)	13.2%	0.2%	1.4%	5.8%	8.0%	7.8%							
Payout ratio	0.0%	0.0%	0.0%	22.5%	22.7%	28.0%							
Div. Yield (%) (gross)	0.0%	0.0%	0.0%	2.5%	2.6%	3.5%							
Ratios							Other Items						
2020	2021f	2022f	2023f	2024f	2025f	2020	2021f	2022f	2023f	2024f	2025f		
ROE (avg)	10.3%	15.6%	16.0%	17.0%	15.8%	15.2%	Capital Employed	616.8	665.6	713.6	737.8	748.8	770.1
ROIC (avg)	10.7%	10.4%	10.5%	11.5%	11.5%	11.8%	NOPLAT	69.1	66.4	72.7	83.5	85.6	89.7
Net Debt / Equity	131.3%	112.3%	92.9%	73.7%	55.3%	42.6%	Net Debt / (Cash)	346.8	332.0	286.6	249.0	215.5	184.3
Net Debt / EBITDA adj.	3.2x	3.0x	2.7x	2.2x	1.8x	1.5x	o/w gross debt (ex leases)	406.2	412.5	375.7	344.7	314.7	288.2
Interest Cover. (EBITDA adj./Fin.int)	3.2x	4.1x	4.8x	5.8x	6.4x	7.2x	o/w lease liabilities	5.4	5.4	5.4	5.4	5.4	5.4
Capex / Sales	7.7%	4.2%	3.5%	3.4%	3.4%	3.3%	o/w cash	64.9	86.0	94.5	101.2	104.6	109.4
OWC/Sales	14.9%	14.9%	15.9%	15.4%	14.8%	14.7%	Enterprise Value (EV adj.)	641	868	822	784	750	718

Source: the Company, Optima bank research

* Price (ATHEX): Fiscal year end at historical years & Current price for current and forecast years

Company Description: Founded in 2016, Cenergy Holdings is a leading industrial group active in the production of cables and steel pipes, with a focus on value added products for the energy market. Cenergy's customer base includes some of the largest energy groups in the world. In recent years the group invested heavily in the production of submarine power cables becoming one of the main global players in this high growth sector. In the steel pipe segment, the company is looking to exploit opportunities in the promising activities of hydrogen transportation and carbon capture storage (CCS).

DISCLOSURE APPENDIX

Optima bank Research Department | 32 Aigialeias Str. & Paradiissou, 151 25 Maroussi, Greece • Tel: +30-210-81.73.000 • E: research@optimabank.gr

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Optima bank Research Department Rating Distribution | Data current as of 10/12/2021

Recommendation System is **Absolute**: Each stock is rated on the basis of a total return, measured by the upside over a **12 month time horizon**

	Buy > 10%	Neutral -5% to +10%	Sell < -5%	Under Review Suspended	Restricted
Total Coverage	52%	15%	0%	33%	0%
% of companies that are IB clients	0%	0%	0%	0%	0%
Industrials Electrical Components	100%	0%	0%	0%	0%
% of companies that are IB clients	0%	0%	0%	0%	0%

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- As of the date mentioned on the first page of this report, Optima bank (or any of its affiliated companies) owns 5% or more of a class of common equity securities in the following companies mentioned in this report: None

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9. Following the sale and transferring of shares from IREON INVESTMENTS LTD to numerous third parties in multiple dates since the initial acquisition, and Optima bank's subsequent EUR 80m share capital increase, in which IREON INVESTMENTS did not participate, the participation of IREON INVESTMENTS LTD in OPTIMA BANK S.A. as of January 19, 2021 was reduced to a percentage lower than 15%.

Recommendation History (12month time horizon) | Cenergy

Date	Recommendation	TP	CP (at report date)
13-Dec-21	Buy	EUR 4.50	EUR 3.00

Risks to our forecasts and valuation

Slower than expected growth in offshore wind (e.g. due to supply chain problems and protests citing environmental reasons) combined with new capacity added from key competitors in submarine cables could mitigate current favourable supply-demand conditions.

New technologies that the company may not be able to provide on time.

Import duties (despite recent lifting in the US) could make exports to key countries uncompetitive.

Inability to pass higher raw material costs to customers or mismatched hedging.

Claims due to delays in the implementation of projects or damage claims within the guarantee period (usually 5 years).

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