



GEK TERNA S.A.

Construction / Greece

Reuters/Bloomberg: HRMR.AT/GEKTERNA:GA

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One of the youngest and most lucrative concession portfolios

2024 was the most productive year for GEK TERNA as the company on the one hand proceeded with the sale of its RES subsidiary TERNA Energy, while on the other it completed the onboarding of Attiki Odos, one of the most lucrative motorway concessions in Europe. **Moving into 2025, we expect developments relating to the large concessions of Egnatia Odos (finalization of the transfer to GEK TERNA) and of the Northern Crete Motorway (VOAK).** At the same time, as the environment remains supportive in Greece, **we should expect the company to participate in new tenders for contraction/PPP projects.** The company is currently trading close to record levels (+40.7% since Jan. 2024), but we view that this performance is primarily the result of the monetization of the stake in the RES subsidiary and that it has yet to incorporate the secured profitability growth, and the high visibility and quality of the concessions portfolio that account for 75% of our valuation. We maintain our Target Price at EUR 27.40 per share with a Buy recommendation.

We fine tune our estimates accounting mostly for timing of major concession contracts inclusion (Attiki Odos commercial operation launched on Oct'24, Egnatia is anticipated in 1H25), while we maintain our positive outlook for the profitability of construction and conventional energy segments.

Assuming that Egnatia Odos is onboarded by mid-2025, EBITDA from concessions from EUR 165m in 2023 to increase to EUR 386m, in 2025 and eventually to EUR 500m by 2027, representing 70% of the group EBITDA that year.

- Attiki Odos EBITDA in 2025 is estimated at EUR 175m, to increase to EUR 241m by 2030 and to EUR 421m by 2040. Average EBITDA is estimated at EUR 357m over the concession period with the EBITDA CAGR calculated at 5.4%
- Egnatia Odos EBITDA from c. EUR 115m in 2027 to eventually reach EUR 220m by 2030 and the average EBITDA of the concession period is estimated at EUR 260m

Pro-forma (excl. TERNA Energy) adj. EBITDA for FY24 is estimated at EUR 434.4m increasing to EUR 612.6m in 2025 on the back of the operation of Attiki Odos and as we incorporate the concession of Egnatia Odos to start July 1, 2025. 2024-28 group adj. EBITDA CAGR is forecasted at 13.6%, while EPS CAGR is estimated at 19.2% (EPS adj. for the capital gains of c. EUR 615m to be recorded in 2024 from the sale of TERNA Energy). Net income is estimated to reach EUR 218m by 2028.

We focus primarily on the parent company (recourse debt) and we note that the proceeds from the sale of TERNA Energy are seen maintaining a very low leverage (net debt at end-2024 anticipated at c. EUR 100m vs. EUR 300m in 1H24) and a hefty cash position (cash of c. EUR 900m). That said, we anticipate GEK TERNA's recourse net debt to come around EUR 400m for 2025 (c. 0.6x group adj.EBITDA 2025E) and gradually decline in the coming periods considering the cash distributions from the assets, absent of any major new investments.

In respect of leverage, on a consolidated level, net debt is anticipated to peak at EUR 4.5bn in 2025 as a result of the acquisition tickets of Attiki Odos (additional debt EUR 2.6bn booked in 2024) and Egnatia Odos (additional debt of c. EUR 1.0bn). Both facilities will come at a non-recourse project finance basis and will be served directly at the project level with tenors matching the projects lifetime.

Concessions are now becoming the centerpiece for GEK TERNA's value proposal, with the group possessing one of the youngest and most lucrative concession portfolios in the industry. **Having proceeded with an asset-by-asset valuation approach, we estimate the total equity value for GEK TERNA at EUR 2.8bn, of which the concessions portfolio accounts for c. 75% of the total, with construction and conventional electricity contributing the rest of the value. Our TP of EUR 27.40/sh is pointing to c. 48% upside from current levels. We maintain the Buy recommendation for GEK TERNA.**

EUR m	2024F*	2025F	2026F	2027F	2028F
Adj. EBITDA	434.4	612.6	643.3	708.5	723.3
Net income	721.7	166.9	136.2	194.6	217.7
DPS	0.40	0.45	0.50	0.55	0.60
P/E	2.6 x	11.4 x	14.0 x	9.8 x	8.8 x
EV/adj. EBITDA	11.8 x	10.6 x	9.9 x	8.8 x	8.3 x
Net Debt/adj. EBITDA	7.4 x	7.5 x	7.0 x	6.1 x	5.7 x

*pro-forma, Source: The Company, AXIA Research

Rating Buy
Previous Rating

Target Price 27.40
Previous Target Price Unchanged
Current share price* 18.52

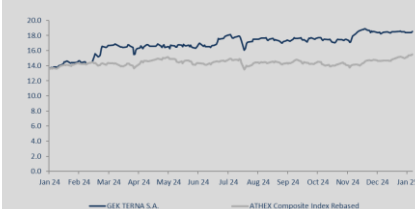
*21/01/25

Stock data

Market Cap (EUR m)	1,828.3
Free float	68.7%
EV (EUR m)	3,039.8
Number of shares (m)	103.4

Performance	1m	3m	12m
Absolute (%)	1.8	4.5	37.0
ASE (%)	6.0	7.0	14.9

ADV-12m (k)	134.34
Price high-12 m	19.14
Price low-12m	13.56



Shareholding Structure: Peristeris Georgios (31.33%)

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What is next

Concessions – The focus turns on Egnatia Odos and on the Northern Crete Motorway

Attiki Odos: As of October 6, 2024, GEK TERNA started the operation of the Attiki Odos concession. Attiki Odos is one of the largest and most lucrative motorway concessions in Europe. This is a 70km closed motorway extending through Athens allowing motorists to by-pass the center of Athens and get connected to the major road axis of the country. It is the busiest tollway in Greece with an average daily traffic of more than 270k vehicles (estimated for 2024).

The group paid EUR 3.27bn for the 25-year concession of which EUR 671m was the equity ticket and the remaining EUR 2.6bn was debt financing by Greek banks.

Note that the new Attiki Odos concession introduces the **option to impose differentiated toll fees** to address congestion issues (on top of the CPI-adjusted tariffs since year 1). This option is triggered after the 5th year of motorway operation and the concessionaire can charge up to 30% higher tariff during congestion periods with a similar discount applied during off-peak hours.

Furthermore, **the expansion of Attiki Odos**, through a separate concession agreement, should have a significant positive impact on traffic volumes. There are discussions between the Greek State and a consortium of construction companies (that includes GEK TERNA) for the expansion of Attiki Odos, but no final decisions have been taken yet. The talks are for the expansion in 3 different directions, while one of these will link Attiki Odos with the southern suburbs of Attica (Athens' coastline).

The estimated EBITDA from Attiki Odos in 2025 is EUR 175m and is expected to increase to EUR 241m by 2030 and EUR 421m by 2040. Average EBITDA is estimated at EUR 357m over the concession period with the EBITDA CAGR calculated at 5.4%.

Worth noting that a few days after the start of the operation of the asset, GEK TERNA announced an agreement to sell a 10% stake of Attiki Odos to Latsco (a Greek family office that also owns a <5% stake in GEK TERNA since 2021) for a premium of 15%, which is notable for such a co-investment type of transaction. GEK TERNA is due to receive c. EUR 80m for the 10% stake (to be booked in early 1Q25).

Egnatia Odos. The group has already signed a 35-year concession for Egnatia Odos (April 2024) and is waiting for the State to meet its obligations and deliver the highway. Recall that the GEK TERNA-led JV (GEK TERNA 75% - Egis 25%) had successfully bid EUR 1.496bn in the tender. Although the signing has marked the completion of the competitive process, the JV has yet to get control of the motorway. While significant progress has been made (concession agreement ratified by parliament, funding agreement finalized) there are some pending actions by the State before the delivery of the motorway (as provided in the concession agreement) that have caused delays.

Expectations are now that the process will be completed in 1H25 and in our model, we account for the operation of this motorway by GEK TERNA as of July 2025.

Northern Crete Motorway (VOAK). In January 2024, GEK TERNA was declared provisional concessionaire for the construction and operation of the Chania-Heraklion segment of North Crete Motorway (VOAK). The signing of the concession is expected to take place in 2025.

The concession period is for 35 years, out of which, up to 5 years refer to the design-construction phase. The total length of the Chania-Heraklion segment stands at 187km, while the total length of the North Crete Motorway is 300km and is considered the largest motorway under construction in Europe currently.

The total construction cost of the project is estimated at about EUR 2.0bn. Note that the State will contribute for the construction of the project c. EUR 0.8bn utilizing funds from the RRF and other subsidies, while the remaining financing coming from the concessionaire. It remains to be seen how fast the State will proceed with completing the tender but, in any case, we understand that the construction should take some time to begin since there are still issues to be resolved that relate to the design of the highway (including court appeals).

We are not incorporating yet this project in our estimates.

Kasteli Airport. GEK TERNA has a 32.5% stake (Greek State 45.9% stake, GMR 21.6% stake) in what will be Greece's second largest airport, Kasteli, in Crete. The concession will run until 2055. Construction works by GEK TERNA are ongoing and expected to start operating in 2027 (construction currently at c. 50%) and the total investment is estimated at c. EUR 600m. GEK TERNA of the total equity contribution for its part of the project (c. EUR 160m).

In terms of the operational model of the airport, about 60% of the revenues are expected to be derived by quasi-regulated aeronautical activities that have a regulated equity return of 13.9%.

IRC in Ellinikon. The Integrated Resort Casino (IRC) in Ellinikon has entered the developing phase with construction pace ramping up (foundations have been completed). The development should be completed over the next 3-4 years. Recall that the JV Hard Rock International (51%) and GEK TERNA (49%) will own and operate the IRC. This is a 30-year concession with the total investment of the project (including the casino license) expected to settle at c. EUR 1.5bn (construction cost estimated below EUR 1.0bn). The equity contribution of GEK TERNA should reach c. EUR 150-200m, while c. EUR 100m has already been contributed.

Construction: Stronger than expected performance that should continue

The high profitability of the construction division to be maintained at comparable levels for the foreseeable future.

The positive outlook is on the back of a sizable backlog (it reached EUR 5.0bn at end-Sep. 2024) and the fact that c. 60% of this backlog consists of projects in which the group is participating as investor and thus is under its control while offering significant synergies and risk mitigation.

The backlog is expected to remain at similar levels over the coming years as the group is after a number of projects in Greece and abroad, most of which have construction angle.

At the same time, supportive to the construction backlog over the medium-to-longer term will be:

- The concession of VOAK. Construction works, which are expected to begin by 2026/27, are estimated at about EUR 2.0bn. This will substantially enhance the visibility of the construction division, securing the momentum for the medium to longer term
- The “shadow” backlog. What the group’s announced backlog of EUR 5.0bn is not capturing is the heavy maintenance and operation of the group’s concession projects that is estimated at several billions during the lifetime of the projects (c. 25 years remaining lifetime of the assets)

At the same time, the elevated margin should be maintained (c. 10% EBITDA margin reported in FY23) over the medium term given i) GEK TERNA’s strategy to participate in concessions that involve construction activity, allowing it to have better control over project execution and ii) its focused contracting activity with selective projects and geographies. Supportive to the margins (of the sector as well) is the number of projects that will be auctioned in the coming years that limits the appetite for large discounts (as was the case in the past).

Anticipating revenues and EBITDA margins similar to FY23 over the next 4-5 years, cumulative EBITDA generation from this segment is expected at c. EUR 700m between 2024 and 2028.

Thermal energy generation and supply: Normalization of the profitability

We note that the electricity supply market share of HERON has reached 11-12% driven by market share gains in the medium and high voltage segments (albeit with lower margins vs. low voltage) and despite the declining market demand.

Gradually increasing local energy demand, along with expectations that margins in the energy retail segment will be maintained on the back of an established landscape, lead us to estimate that the profitability of the division will settle at c. EUR 100m over the medium term.

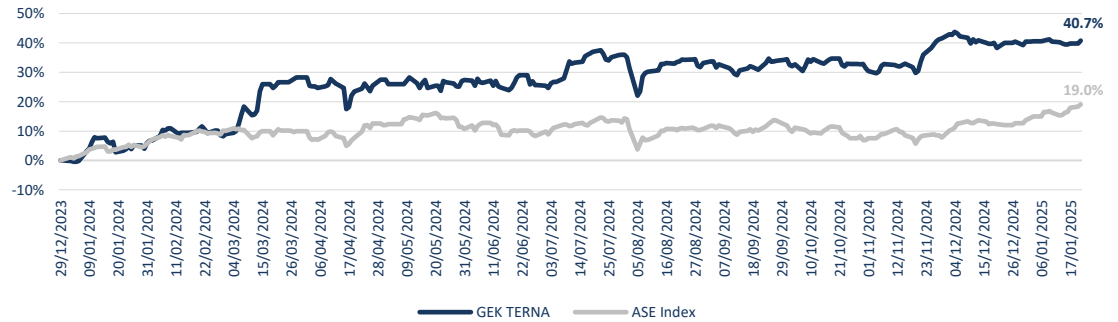
Importantly, the group’s own thermal generation capacity (582MW) to be complemented by the new 877MW CCGT in Komotini (a 50%-50% JV with Motor Oil) that should be commercially available over the coming period (currently in trial operation) and will become the largest and most efficient CCGT in the Greek system (64% efficiency). We now expect an annual average income (GEK’s share) from the Komotini CCGT of c. EUR 15-20m (we model it as income from associates, below the EBITDA line).



Valuation

GEK TERNA’s share price has been up by 9.5% since our last report (July 8, 2024) a price move that we attribute mainly to the finalization and the closing of the agreement with MASDAR to acquire the company’s stake in TERNA Energy for c. EUR 880m. The earlier than expected transfer of Attiki Odos (the most lucrative concession on the country) further added to the positive sentiment.

Exhibit 1: GEK TERNA vs. ASE performance as of January 21, 2025



Source: Bloomberg, AXIA Research

Still with a market cap currently at EUR 1.8bn, we see significant value upside for the stock as we view that the market has yet to incorporate the prospects from concessions but also the strong profitability from the group’s other divisions. We stress that GEK TERNA is i) the leading concession operator in Greece with a total of more than EUR 10bn of secured dividend flows over the coming 35 years, ii) the leading contractor in Greece with EUR 5.0bn of backlog with a solid track record of delivering healthy margins due to the product mix and iii) the second largest private electricity supplier that should continue to generate significant cash flows assisted by the operation of the new CCGT power plant (50%-50% with Motor Oil).

Importantly, there are considerations, not included in our numbers, that make the investment story even more appealing like i) the Northern Crete Motorway concession (GEK TERNA is the preferred bidder of this concession that also has c. EUR 2.0bn construction component ii) the heavy-maintenance capex related to the concessions the group is already operating. Finally, we do not account for any additional value creation from the deployment of the additional c. EUR 2.0bn investment firepower that GEK TERNA has accumulated, for new projects.

Our Sum Of The Parts exercise returns a TP of EUR 27.40 pe share.

Exhibit 2: GEK TERNA SOTP valuation

Division	Valuation method	NAV (for 100% of assets)	GEK TERNA stake	Value for GEK TERNA (EUR m)	Value per Share (EUR/sh)	Comment
Concessions				2,141.2	20.8	
Ionian & Central Greece (inc. O&M)	DDM (10% CoE)	464.6	100%	464.6	4.5	operating
Ionian & Central motorways net debt				-180.0	-1.7	
Olympia Motorway	implied M&A valuation			135.0	1.3	operating
Egnatia Motorway	DDM (10.0% CoE)	621.0	75%	465.7	4.5	1H25
Attiki Odos	DDM (9.0% CoE)	993.0	90%	893.7	8.7	operating
Kasteli airport	DDM (9.5% CoE)	812.2	33%	264.0	2.6	2027
GEK TERNA Kasteli net debt				-136.0	-1.3	
Ellinikon IRC	DDM (10.5% CoE)	478.0	49%	234.2	2.3	2028
Construction (EV)	DCF	697.2	100%	697.2	6.8	697.2
Waste Management / E-ticket	BV	100.0		100.0		100.0
Thermal Energy				447.1	4.3	
Heron Generation	5.0x EBITDA	86.6	100%	86.6	0.8	86.6
Supply & trading	3.5x EBITDA	260.6	100%	260.6	2.5	260.6
Komotini CCGT	DDM (11% CoE)	199.9	50%	99.9	1.0	199.9
Real Estate	0.5*Book Value			33.9	0.3	
HQ cost	5.0x EV/EBITDA EUR -20.0m			-100.0	-1.0	
Parent net debt / Equity Commitments				-493.0	-4.8	
o/w Parent net debt (end-2024E)				-93.0	-0.9	
Egnatia equity commitment				-300.0	-2.9	
Ellinikon IRC remaining equity commitment				-100.0	-1.0	
Appraised value				2,826.4	27.4	
Num of Shares*				103.0		
Target Price				27.40		
Current price				18.52		
Upside (%)				47.9%		

*fully diluted no. of shares; Source: AXIA Research

In more detail our valuation assumptions include:

- Concessions (75% of total equity value):** The total estimated asset value of concessions (without considering the equity that will be deployed apart from the net debt related to Kasteli) comes to EUR 2.14bn or EUR 20.8 per share. Specifically, we value the specific concessions:
 - Kentriki Odos, Nea Odos:** Traffic volume growth continued in 9M24 at 7.9% y-o-y (following a 9.1% y-o-y increase in 2023) on the back of the favorable macroeconomic backdrop and tariff adjustments (inflation driven). We account for 2024-37 traffic volumes CAGR of 1.4% taking into consideration the underlying economic growth but also the uplift in traffic expected in 2025 following the completion of North and South extensions of the motorway E-65. We also assume about 0.9% CAGR on average toll fees for the period, leading to both revenues and EBITDA CAGR of 2.8% for the period 2024-37. Asset value is calculated now at EUR 464.5m at a 9.0% discount rate
 - Attiki Odos:** We estimate the asset value of Attiki Odos of EUR 993m with the equity ticket at EUR 654m. This translates to an NPV of EUR 340m or 12.6% IRR for the concession part of the business. Following the acquisition of a 10% stake by Latsco, the asset value of the 90% controlled by GEK TERNA amounts to EUR 893.7m
 - Egnatia Odos:** The company is the preferred bidder for the 35-year concession tender to control a 75% stake in Greece’s longest highway. We expect the deal to close in 1H25 and we assume an equity contribution of EUR 300m by GEK TERNA. This translates to an NPV (GEK TERNA part) of EUR 466m (10% discount rate) or a 13.4% IRR for the concession part of the business
 - Kasteli airport:** The commercial operation of the airport is expected in 2027. Our model returns an NPV for GEK’s stake (9.5% discount rate) of EUR 264m with the related net debt at EUR136m
 - Ellinikon Casino:** The consortium Inspire Athens (51% Hard Rock – 49% GEK TERNA) will build and operate the International Resort Casino (IRC) in Ellinikon. GEK TERNA has already paid part of its

equity contribution (about EUR 100m) as the construction activity begins. We expect the IRC to be operational by early 2028 and to generate EBITDA of EUR 200-250m following the ramp-up phase (after 2030). We calculate an NPV of the project (GEK's stake) of EUR 234.2m

- **Construction:** The construction segment will be benefiting by i) the strong backlog at hand, ii) the mix of the projects (c. 60% of the projects relates to concessions in which the group has exposure to, ensuring robust margins), while iii) GEK TERNA is expected to win its fair share in the projects to be auctioned over the coming years. We adjusted higher our expectations for revenues and profitability over the medium term given the expectations of higher overall construction activity in the country and this is expected to continue to reflect also on the elevated construction margins
Over the period 2024-28, we account for total revenues of EUR 7.33bn and EBITDA of EUR 700m. Going forward, we model mid-cycle revenues of EUR 1.0bn with EUR 75m EBITDA (mid-cycle EBITDA margin of 7.5%). We value the activity using a DCF model (10% WACC) considering the cash flows over the next 4 years and then applying a 3.5x exit multiple on mid-cycle EBITDA. Accounting for EUR 149m in net cash at end-2023, we derive a value for the construction division of EUR 697.2m
- **Waste-management and E-Ticket:** Part of the GEK TERNA-Masdar agreement related to TERNA Energy is related to the acquisition by GEK TERNA of TERNA Energy's non-core assets. This concerns the waste management and the e-ticket businesses. The consideration of this transaction will be determined by an independent auditor and will be completed pre-closing. The combined EBITDA of these assets is estimated at EUR 11-13m. Applying an 8x EV/EBITDA multiple, the EV of this deal could settle at c. EUR 100m
- **Thermal energy generation and energy retail**
 - We value GEK TERNA's **thermal energy generation** CCGT plant Heron II assuming a 5.0x EV/EBITDA multiple on mid-cycle EBITDA. Still, we adjust lower our expectations for mid-cycle EBITDA (on the back of lower utilization line). We derive a value of EUR 86.6m
 - The value we apply in the **electricity retail business** reflects i) increasing demand for electricity in Greece and ii) the view that following the consolidation wave in the electricity retail market, there will be no significant price wars for market share. We now expect the division to be able to generate average EBITDA of EUR 65m per year between 2024 and 2029. We apply a 4x multiple to the average EBITDA for the period and we add profitability from the trading activity. We derive a value of EUR 260.6m
 - **Komotini CCGT:** The 877MW CCGT plant (50%-50% JV with Motor Oil) will be operational by 2025. We assume electricity production of c. 4.5TWh annually in the early years with an average spark spread (EBITDA/MWh) of c. EUR 18.0. The NPV (9.0% discount rate) derives a value for the entire asset at EUR 200m or EUR 100m for GEK TERNA's stake
- **Real Estate:** In our valuation, we take into account a portion (50%) of the book value of real estate of EUR 67.7m that represents mainly land plots, some yielding assets and the value of the headquarters building. Therefore, we value the real estate assets of the group at EUR 33.9m
- **Parent Debt and Equity commitments:** We account for net debt at a parent level of EUR 93m. This reflects EUR 297m parent net debt reported in 1H24 adjusted for i) EUR 864m cash inflow from the sale of the stake in TERNA Energy; ii) the EUR 670m equity payment for 100% of Attiki Odos; iii) the c. EUR 80m cash inflow from Latsco for the 10% stake in Attiki Odos; and iv) EUR 60m outflow related to the acquisition of TERNA Energy's waste management and e-ticket business
On top of this, we account for EUR 300m equity contribution for Egnatia Odos (due to be paid) and c. EUR 100m remaining committed equity contribution for the IRC in Ellinikon.

Downside risks

- **Delays in the tendering and signing** of construction and concession projects
- **Cost inflation could affect construction margins for contracts not secured by inflation-protected agreements**
- **Availability of workforce could impact timetables and margins.** This is a sector-wide issue that is handled by the administration with the issue of limited-time visas to qualified workers from third countries
- **Interest rate risk and increased financial costs** could slow down tendering process as they make the new projects less attractive
- **Profitability from conventional electricity could be hindered since the division is exposed to competition, natural gas prices and energy generation mix (i.e. RES penetration)**



Estimates update

We fine tune our numbers to take into consideration mainly timing-related adjustments in the concessions portfolio (earlier than anticipated commencement of operations in Attiki Odos, delay in Egnatia Odos) as well as sustained margins in the construction division and a bit softer contribution from conventional electricity. On a pro-forma basis (excluding TERNA Energy), GEK TERNA group adj. EBITDA is estimated at EUR 434.4m for 2024.

The 2024 adj. EBITDA expectations incorporate:

- flattish y-o-y (albeit at high levels) EBITDA of EUR 137.7 from construction
- a decline in the EBITDA of thermal energy and energy retail business to EUR 102.9m (-22% y-o-y), mainly reflecting the lower natural gas prices that impact thermal generation
- an increase in the profitability of concessions to EUR 208m (+26.3% y-o-y) as a result of i) higher profitability from the existing motorway concessions (Central and Nea Odos) on the back of traffic volume growth and tariff increases as well as ii) the operation of Attiki Odos for about 3 months, that is estimated to add EUR 41m of EBITDA to the division

We model 2025 group financial statements to reflect i) the full year operation of Attiki Odos and ii) the operation of Egnatia Odos for half of the year. As a result, concessions EBITDA in 2025 is estimated at EUR 386m or 86% higher y-o-y.

Group EBITDA for 2025 is forecasted at EUR 612.6m or 41% higher y-o-y.

Exhibit 3: Group key PnL estimates

EUR m	2023	2024F*	2025F	2026F	2027F	2028F
Group Revenues	3,499.2	2,979.2	3,266.5	3,451.2	3,456.3	3,462.6
o/w Construction	1,413.3	1,450.0	1,470.0	1,480.0	1,500.0	1,430.0
o/w Electricity sale from RES	249.9	-	-	-	-	-
o/w Thermal Energy sales and Trading	1,711.0	1,297.4	1,300.5	1,350.0	1,304.3	1,328.7
o/w Concessions	227.5	316.7	580.9	706.2	737.0	788.8
o/w Other	(102.5)	(85.0)	(85.0)	(85.0)	(85.0)	(85.0)
Group adj.EBITDA	585.5	434.4	612.6	643.3	708.5	723.3
o/w Construction	136.6	137.7	143.4	142.6	140.5	135.3
o/w Electricity sale from RES	171.4	-	-	-	-	-
o/w Thermal Energy sales and Trading	131.8	102.9	97.2	80.0	81.9	82.5
o/w Concessions	164.8	208.1	386.2	435.0	500.5	519.8
o/w Other	(19.1)	(14.3)	(14.3)	(14.3)	(14.3)	(14.3)
Reported EBITDA	534.5	384.4	562.6	593.3	658.5	673.3
Net Financials	(126.7)	(90.2)	(122.2)	(129.5)	(127.6)	(125.7)
Other	24.8	615.0**	-	-	-	-
Income from Associates & JV	(8.5)	-	11.2	20.1	26.0	37.2
EBT	268.5	760.7	222.0	182.9	258.0	287.8
Minorities***	39.5	7.0	6.3	6.4	6.6	6.8
Net Income after minorities	147.8	721.7	166.9	136.2	194.6	217.7
EPS	1.44	7.01	1.62	1.32	1.89	2.11
DPS	0.25	0.40	0.45	0.50	0.55	0.60

*pro-forma, ** includes capital gain from the sale of TERNA Energy ***reflecting the minority stake in Attiki & Egnatia Odos after FY24; Source: The Company, AXIA Research

Over the period 2024-28, we forecast group EBITDA CAGR at 14.6%, driven by concessions (25.7% CAGR), while we account for normalization of the profitability growth from the other divisions.

Looking below the EBITDA line, we expect an increase in the D&A charges in 2024 and a further sharp increase in 2025 and in 2026 on the back of the gradual consolidation of the Attiki Odos and Egnatia Odos concessions. As a result, from an estimated D&A of EUR 148m in 2024 (excluding TERNA Energy), these charges are expected to reach EUR 301m in 2026.

In respect to financial expenses, following a drop in 2024 as a result of the deconsolidation of TERNA Energy, they are expected to rise in 2025 and 2026 reflecting the higher debt levels related to the 2 new motorway concessions. Net financial charges to settle at c. EUR 150m over the coming years.

Starting in 2025, we include under “results from associates and JVs” the profits (equity consolidation) from the operation of the 877MW CCGT plant in Komotini (50%-50% JV with Motor Oil). Profits from Kasteli airport and the IRC in Ellinikon (also to be consolidated under the equity method) are not expected to start contributing before 2027 and 2028, respectively.

For 2024, we incorporate the capital gain related to the TERNA Energy sale, estimated at c. EUR 615m.

In respect of the bottom line, we expect net income to settle at EUR 721.7m in 2024 boosted by the gains associated with the TERNA Energy sale. In 2025, net income (after minorities) is forecasted at EUR 167m impacted by higher D&A charges and higher net financial expenses.

We estimate a 2024-28 adjusted (for the TERNA Energy sale) EPS CAGR of 20%, reflecting the group’s increasing operating profitability despite the increased D&A charges and financial expenses.

Note that we account for minorities related to the 10% stake of Latsco to Attiki Odos and the 25% stake of Egis in Egnatia Odos.

The increased liquidity from the sale of TERNA Energy as indicated by management is not expected to significantly alter the company’s dividend policy (no extraordinary dividend anticipated), but we do anticipate an increase in DPS mainly reflecting strong cash flows from the operating assets and therefore for 2024 we account for a dividend distribution of EUR 41m or DPS of EUR 0.40 (+59% y-o-y). For 2025, we account for a DPS of EUR 0.45 and in 2026 for a DPS of EUR 0.50. Based on current price levels, dividend yield for 2024 and 2025 is calculated at 2.2% and 2.4%, respectively.

In respect of balance sheet and focusing on the parent company (recourse debt), we note that the proceeds from the sale of TERNA Energy are seen maintaining a very low leverage (net debt at end-2024 anticipated at c. EUR 100m vs. EUR 300m in 1H24) and a hefty cash position (cash of c. EUR 900m). This is more than adequate to cover the upcoming equity contribution of EUR 300m for Egnatia Odos in 2025. Other equity commitments (IRC, North Crete, new projects) are significant smaller in ticket size and also paid over several years thus not having a material impact for the size of the company’s balance sheet (considering also the distributions received from operating assets).

That said, we anticipate GEK TERNA’s recourse net debt to come around EUR 400m for 2025 (c. 0.6x group adj.EBITDA 2025E) and gradually decline in the coming periods considering the cash distributions from the assets, absent of any major new investments.

On a consolidated level, debt is anticipated to increase driven by the acquisition tickets for Attiki Odos (additional debt EUR 2.6bn booked in 2024) and Egnatia Odos (additional debt of c. EUR 1.0bn). Both facilities will come at a non-recourse project finance basis and will be served directly at the project level with tenors matching the projects lifetime. In terms of other non-recourse project finance facilities, the company also has on balance sheet c. 600m related to the Nea and Kentriki Odos concessions and EUR 140m related to its participation in Kasteli airport that are on a similar manner serviced by the projects. On the two more cyclical business lines (construction and conventional electricity), the combined net debt position is marginal and mainly reflective of business cycle with substantial cash buffers (>EUR 250m cash combined at construction and conventional energy).



Financials

Income Statement (EUR m)	2023	2024F*	2025F	2026F	2027F	2028F
Total Revenues	3,499.2	2,979.2	3,266.5	3,451.2	3,456.3	3,462.6
Construction	1,413.3	1,450.0	1,470.0	1,480.0	1,500.0	1,430.0
RES	249.9	-	-	-	-	-
Thermal	1,711.0	1,297.4	1,300.5	1,350.0	1,304.3	1,328.7
Concessions	227.5	316.7	580.9	706.2	737.0	788.8
Other	(102.5)	(85.0)	(85.0)	(85.0)	(85.0)	(85.0)
adj. EBITDA	585.5	434.4	612.6	643.3	708.5	723.3
Construction	136.6	137.7	143.4	142.6	140.5	135.3
RES	171.4	-	-	-	-	-
Thermal Energy	131.8	102.9	97.2	80.0	81.9	82.5
Concessions	164.8	208.1	386.2	435.0	500.5	519.8
Other	(19.1)	(14.3)	(14.3)	(14.3)	(14.3)	(14.3)
Reported EBITDA	534.5	384.4	562.6	593.3	658.5	673.3
D&A	141.3	148.5	229.6	301.0	299.0	297.0
Net Financials	(126.7)	(90.2)	(122.2)	(129.5)	(127.6)	(125.7)
Other Income	1.9	615.0	11.2	20.1	26.0	37.2
EBT	268.5	760.7	222.0	182.9	258.0	287.8
Taxes	(81.1)	(32.1)	(48.8)	(40.2)	(56.8)	(63.3)
Earnings After Tax	187.3	728.7	173.2	142.6	201.2	224.5
Minorities	39.5	7.0	6.3	6.4	6.6	6.8
Net Income	147.8	721.7	166.9	136.2	194.6	217.7
EPS	1.44	7.01	1.62	1.32	1.89	2.11

Balance Sheet Highlights (EUR m)	2023	2024F*	2025F	2026F	2027F	2028F
Total Non-Current Assets	2,984.6	4,784.0	6,093.4	6,069.7	6,047.5	6,027.6
Current assets	1,759.0	1,629.0	1,819.0	1,819.0	1,819.0	1,819.0
Cash	1,310.6	2,429.6	1,967.5	2,091.4	2,267.1	2,457.6
Total Assets	6,054.3	8,842.7	9,879.9	9,980.2	10,133.7	10,304.3
Equity	942.1	1,622.6	1,743.6	1,828.1	1,966.3	2,121.9
Minorities	334.5	266.5	272.8	279.2	285.8	292.6
Total Equity	1,276.6	1,889.2	2,016.4	2,107.3	2,252.1	2,414.6
Total Debt	3,094.6	5,694.6	6,594.6	6,594.6	6,594.6	6,594.6
Current Liabilities	1,073.6	983.6	983.6	983.6	983.6	983.6
Non-current Liabilities	609.5	275.3	285.3	294.6	303.4	311.5
Total Liabilities	4,777.7	6,953.6	7,863.5	7,872.8	7,881.6	7,889.7
Net Bank Debt	1,751.7	3,232.7	4,594.9	4,471.0	4,295.2	4,104.7
Tax Equity Liabilities						
Total Net Debt	1,751.7	3,232.7	4,594.9	4,471.0	4,295.2	4,104.7
Total Net Debt/adj. EBITDA	3.0 x	7.4 x	7.5 x	7.0 x	6.1 x	5.7 x

Cash Flow Statement	2023	2024F*	2025F	2026F	2027F	2028F
Gross Operating Cash Flow	582.2	999.4	585.0	633.5	710.6	747.8
WC changes	(214.9)	(123.0)	(210.0)	-	-	-
Taxes	(125.9)	(32.1)	(48.8)	(40.2)	(56.8)	(63.3)
Net Operating Cash Flow	241.4	844.3	326.2	593.2	653.9	684.5
Capex	(164.7)	(2,034.0)	(1,519.0)	(278.0)	(278.0)	(279.0)
Other Financing (grants received etc)	(27.5)	(122.3)	28.8	11.7	6.6	(3.7)
Investing Cash Flow	(192.2)	(2,156.3)	(1,490.2)	(266.3)	(271.4)	(282.7)
Interest and related expenses paid	(154.9)	(127.9)	(152.2)	(151.2)	(150.2)	(149.2)
Debt movements	27.2	2,600.0	900.0	-	-	-
Other Financing	(74.2)	(41.1)	(45.9)	(51.8)	(56.4)	(62.0)
Financing cash flow	(202.0)	2,430.9	701.9	(203.0)	(206.7)	(211.3)

Per share data	2023	2024F*	2025F	2026F	2027F	2028F
EPS	1.44	7.01	1.62	1.32	1.89	2.11
BVPS	12.4	18.3	19.6	20.5	21.9	23.4
DPS	0.25	0.40	0.45	0.50	0.55	0.60
Valuation ratios	2023	2024F*	2025F	2026F	2027F	2028F
P/E	11.4 x	2.6 x	11.4 x	14.0 x	9.8 x	8.8 x
EV/adj.EBITDA	5.9 x	11.8 x	10.6 x	9.9 x	8.8 x	8.3 x
EV/EBIT	8.8 x	21.8 x	19.5 x	21.8 x	17.2 x	16.0 x
EV/Sales	1.0 x	1.7 x	2.0 x	1.8 x	1.8 x	1.7 x
P/BV	1.3 x	1.0 x	0.9 x	0.9 x	0.8 x	0.8 x
Div. yield	1.5%	2.2%	2.4%	2.7%	3.0%	3.3%
ROA	2.5%	9.7%	1.8%	1.4%	1.9%	2.1%
ROE	12.0%	45.6%	8.5%	6.6%	8.9%	9.3%
ROIC	3.0%	11.2%	2.0%	1.5%	2.1%	2.4%
Growth rates	2023	2024F*	2025F	2026F	2027F	2028F
Revenues	-11.1%	-14.9%	9.6%	5.7%	0.1%	0.2%
EBITDA	-11.5%	-25.8%	41.0%	5.0%	10.1%	2.1%
EBIT	-5.4%	-40.0%	41.1%	-12.2%	23.0%	4.6%
EBT	10.3%	183.4%	-70.8%	-17.6%	41.1%	11.6%
Net Income	8.3%	388.2%	-76.9%	-18.4%	42.9%	11.9%
Profitability ratios	2023	2024F*	2025F	2026F	2027F	2028F
EBITDA margin	16.7%	14.6%	18.8%	18.6%	20.5%	20.9%
EBIT margin	11.2%	7.9%	10.2%	8.5%	10.4%	10.9%
Net Income margin	4.2%	24.2%	5.1%	3.9%	5.6%	6.3%
Leverage Ratios	2023	2024F*	2025F	2026F	2027F	2028F
Total Debt / Total Capitalization	1.8 x	3.0 x	3.4 x	3.4 x	3.4 x	3.4 x
Net Debt/EBITDA (inc. tax equity)	3.0 x	7.4 x	7.5 x	7.0 x	6.1 x	5.7 x
Gearing (Total debt / (Debt+Equity))	70.6%	75.0%	76.5%	75.7%	74.4%	73.1%
Net Debt / Equity	1.4 x	1.7 x	2.3 x	2.1 x	1.9 x	1.7 x
Coverage Ratios	2023	2024F*	2025F	2026F	2027F	2028F
Gross operating FCF/Interest	3.5 x	7.8 x	3.8 x	4.2 x	4.7 x	5.0 x
Total Debt/Equity	2.4 x	3.0 x	3.3 x	3.1 x	2.9 x	2.7 x

*pro-forma, Source: The Company, AXIA Research



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**Total return: % price appreciation equals percentage change in share price from current price to projected target price plus projected dividend yield

Rating history for GEK TERNA S.A.

Date	Rating	Share Price (EUR)	Target Price (EUR)
11/03/2014	Buy	3.84	7.00
18/06/2015	Buy	1.46	3.80
19/04/2016	Buy	1.71	3.40
12/05/2017	Buy	3.35	4.70
26/10/2017	Buy	3.94	5.50
02/07/2018	Buy	5.14	6.10
25/02/2019	Buy	4.97	6.70
16/10/2019	Buy	6.6	8.80
16/02/2021	Buy	8.22	10.90
18/03/2021	Buy	9.29	10.90
03/07/2023	Buy	14.20	21.20
04/03/2024	Buy	14.34	24.80
05/07/2024	Buy	16.68	27.40
22/01/2025	Buy	18.52*	27.40

*Share price close as of 22/01/25.

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