Cenergy Holdings SA

Industrials / Greece

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November 6, 2024

Cenergy Holdings: Wired for growth

Cenergy Holdings is at the heart of the energy transition theme offering a unique combination of Cable and Pipes products. An accelerating global activity in Transmission and Distribution Cables, as well as increased demand for Carbon Capture and Hydrogen transportation piping systems, offers solid tailwinds that are projected to last at least until the end of this decade. To address this demand, the Company is adding capacity to its European operations and is proceeding with the development of greenfield capacity in the US market where supply/demand imbalances are even more pronounced.

The additional capacity, the favorable global supply/demand dynamics, the substantial backlog (currently standing at 5 years for high-end cables) and the continuing shift of sales towards higher-end cable projects business provide visibility, growth and expectations for increasing cash flow generation especially after 2024 the peak of the investment cycle. At the same time, the leverage remains relatively low, especially following the completion of a share capital increase of EUR 200m in October 2024. This capital increase, apart from strengthening the balance sheet, offers an expansion of trading liquidity (increased free float from 20.2% to 28.5%) as well as strategic optionality. **We initiate Cenergy with a BUY rating and a target price of EUR 11.70 per share, offering 35% upside from current price levels.**

Cenergy Cables division operates amongst a selective group of companies in a sector that is experiencing strong and growing demand and limited supply. Demand from cables is driven by continuing electricity demand and for RES capacity generation additions, as well as investments for network upgrades and expansion. At the same time, the limited number of producers of high-end cables globally are expanding capacity but in a more measured way. As a result, the sector is already benefiting from multi-year backlogs, that continue to increase, while it enjoys robust margins. The positive fundamentals are already reflected in Cenergy's financials, and this trend is expected to continue.

In this environment of increased demand and lower supply, Cenergy has announced and is executing a meaningful capacity expansion program, that will almost double revenue in its cables division by 2028, the highest growth relative to its peers. In Europe, Corinth subsea cable and Thiva land cable capacities are set to double by mid-2025. The new US plant should be completed at the end of 2027.

Cenergy's piping project business, also experiences favorable dynamics, competing with a select few steel pipe manufacturers, enjoying technological barriers in the areas of new Energy. In terms of supply, there are only a few companies that are active in the more-complicated, large diameter, pipe business. In terms of demand, investments in energy solutions like carbon capture and hydrogen will continue to increase. All in, we expect the Pipes business top line to contract due to project rationalization by c. 3% CAGR 2023-2029 and margins to expand in the medium by 50 bps from 2023 levels.

Cenergy is expected to continue to experience growth based on solid capacity expansion. Cenergy's growth to be driven by capacity expansion primarily of the cables division, while, importantly most of this expansion relates to higher margin products. We forecast c. 20% EBITDA CAGR over 2023-2027 that also is the highest in the cables sector. EPS over the period 2023-2027 is forecasted to increase at c. 20% CAGR.

Free Cash Flow is expected to increase throughout the 2025-2029 period as Capex needs are expected to reduce post the 2024 peak. In any case the recent capital increase of EUR has strengthened the Company's balance sheet and is offering further strategic optionality. Net debt-to EBITDA from 1.8x in 2023 is forecasted at 0.9x in 2024, (0.3x) in 2028 (first year of operations of the US unit) and (0.7x) in 2029.

We initiate Cenergy with a BUY rating and a target price of EUR 11.70 per share, offering 35% upside from current price levels. Our target price is a mix of DCF and sum of the parts. In terms of peers, Cenergy is trading at a 36% and 24% discount to FY25E P/E and EV/EBITDA, respectively. Our Blue-Sky Scenario, Price is EUR 13.5 per share for a 55% upside from current levels. In our Grey-Sky Scenario, the Target Price drops to EUR 7.9 per share, giving 9% downside from current price levels.

EUR m	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	1,628	1,618	1,963	2,286	2,345	2,556	2,723
EBITDA	198	256	315	372	367	410	443
Net income	73	125	178	230	229	266	289
EV/EBITDA	8.8x	8.1x	6.6x	5.4x	5.1x	4.2x	3.4x
P/E	18.7x	14.8x	10.4x	8.1x	8.1x	7.0x	6.4x
Net debt/EBITDA (x)	1.8x	0.9x	0.7x	0.4x	0.1x	(0.3x)	(0.7x)

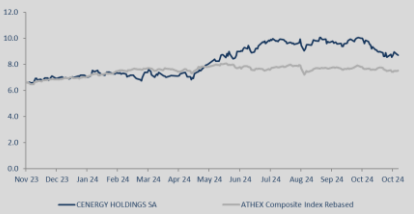
Source: The Company, AXIA Research

Rating	**Buy**
Target Price	**11.70**
Current share price* (EUR)	8.71
*05/11/24	

Stock data	
Market Cap (EUR m)	1,836.2
Free float	28.5%
EV (EUR m)	2,328.5
Number of shares (m)	212.3

Performance	**1m**	**3m**	**12m**
Absolute (%)	-11.7	-5.3	30.8
ASE (%)	-2.7	2.3	13.1

ADV-3m (k)	174.37
Price high-12 m (EUR)	10.18
Price low-12m (EUR)	6.46



Cenergy Holdings SA manufactures and sells aluminium, copper, cables, steel and steel pipes, and other related products. It operates through two segments: Cables and Steel Pipes. The company offers submarine and land power, power distribution, high-voltage direct current, wind farm, industrial, network, telecommunication, data transmission, signalling and railway signalling, gauging and control, umbilicals, and optical fiber cables, as well as low, medium, high, and extra high voltage power cables; and fiber to the home cables. The company was founded in 1949 and is based in Brussels, Belgium. Cenergy Holdings SA operates as a subsidiary of Viohalco S.A.

Shareholding structure: Viohalco SA (71.46%), Free Float (28.54%)

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Investment Case

Cenergy is well positioned to benefit from the energy transition theme. On one hand, the increasing penetration of renewable energy sources (RES) creates increased needs for new, longer connections as typically these sites are increasingly further from consumption points, especially on the offshore wind project side. At the same time, distribution networks need further investments to support increasing demand. In addition, the volatile nature of energy production increases interconnection needs, quite often between countries, to more effectively connect real time supply and demand needs.

On the other hand, new energy technologies, like the use of Hydrogen and Carbon Capture, create demand for specialized piping systems that require additional customer qualification, creating solid demand for Cenergy Piping Division solutions that already has available commercialized solutions. This over-arching energy transition theme creates attractive operating conditions for Cenergy.

- **Supply-Demand favourable imbalance will continue for the long term in Cables Division**
  Cable needs are driven by the rapid renewables expansion and the need to connect to the main grid, as well as the need to maintain and further boost the capacity of an ageing distribution network. These two factors create solid long-term demand leading to an increase in order books and giving visibility of secured revenues for many years. On the supply side, the cables market in developed geographies is a market with only a handful of credible suppliers that expand capacity in a measured way ensuring that the existing supply/demand imbalance will remain in place until at least the end of the decade. New competition faces significant barriers to entry due to technological restrictions and quite often due to protectionist measures.

- **Cenergy Cables projects growth top of the range due to significant capacity expansion**
  Cenergy Cables division revenue is split between projects (>20% margin) and products business (high single digit margin). Due to the long backlog that provides good revenue visibility, Cenergy has announced significant capacity expansion programs that will almost double the Cables Division capacity in the highly profitable project business. One third of this relates to the recently announced US expansion project that will be completed at end-2027. But the remaining two thirds of investments have already started and are well underway with new capacity becoming operational at the beginning and mid-2025. Cenergy capacity additions, due to the Company's smaller size, are meaningful relative to its existing capacity giving 26% CAGR in project revenue in 2023-2029. This will drive a total Cable revenue CAGR for the same period of 13% combined with a 240 bps EBITDA margin expansion as this new capacity expands the higher margin business. These factors are expected to support strong double digit EBITDA growth for the medium term.

Exhibit 1: Cenergy Cables Division KPIs

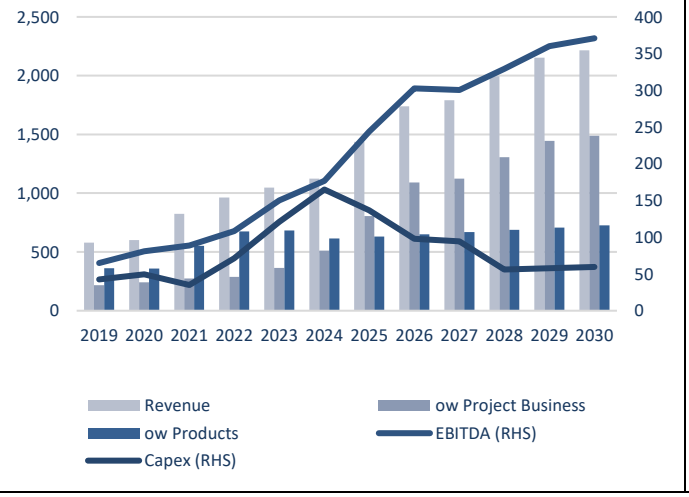
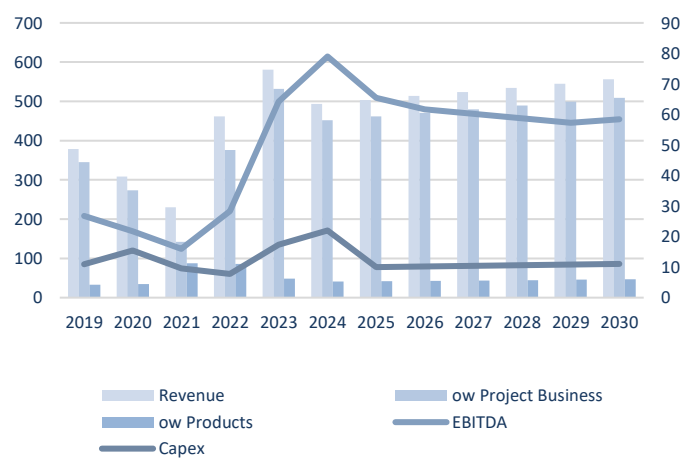


Exhibit 2: Cenergy Pipes Division KPIs



Source: The Company, AXIA Research

- **Tilt to more attractive business in Pipes Division**
  Cenergy pipes division operates mainly a project business, with only a small amount of revenue linked to supply-only of products. The business mix is increasingly moving to new energy related projects: Hydrogen and Carbon Capture. These projects are more complex, leading to subdued competitive pressure as a smaller number of companies have qualified for Hydrogen enabled and Carbon Capture projects. We expect EBITDA margins to stabilize at 11.5% in the medium term compared to 11% in 2023, after an abnormal peak in 2024. In addition, the tilt of Cenergy towards cleaner projects and away from the traditional Oil and Gas related business has increased the equity story appeal to ESG conscious investors.

- **Cenergy organic cash flow generation expected to increase meaningfully**
  Cenergy closed FY23 with a Net Debt of EUR 378m, and a leverage ratio of Net Debt to adj. EBITDA of 1.8x. We expect Capex to peak in 2025, while EBITDA keeps growing giving the Company significant FCF generation growth. This gives Cenergy optionality on either further organic or inorganic expansion, shareholder renumeration or debt reduction.

Exhibit 3: Cenergy group cash generation and debt

	2023	2024	2025	2026	2027	2028	2029
EBITDA	**214**	**256**	**315**	**372**	**367**	**410**	**443**
Capex	**(133)**	**(185)**	**(141)**	**(130)**	**(122)**	**(85)**	**(87)**
FCF	**69**	**(37)**	**39**	**108**	**148**	**209**	**237**
Dividend (1yr lag)	10	15	19	27	34	34	40
Gross Debt	561	561	461	361	261	261	261
Net Debt	378	234*	221	147	33	(136)	(330)
Net Debt/EBITDA	1.8x	0.9x	0.7x	0.4x	0.1x	-0.3x	-0.7x

Source: AXIA Research, * After EUR 200m capital increase

- **Capital increase improves Free Float and increases strategic optionality**
  In October 2024, Cenergy raised EUR 200m of new equity that increased free float to 28.2% while it improved Net Debt/EBITDA ratio from 2.0x at H1 2024 to an estimated level of 0.9x at FY 2024. This improves Cenergy's ability to execute on further organic or inorganic expansion.

Valuation

Cenergy is at a capacity expansion inflection point. In 2025, the recently added Corinth capacity will start contributing to revenues. In 2025 and 2026 Thiva new capacity and Thisvi de-bottlenecking will also contribute to increased revenues. Also, in 2028, US capacity will start ramping up reaching full capacity in 2029. In total we expect total capacity expansion of 70% compared to 2023 levels in the cable segment.

Our target price derives from a mix of DCF and Sum of the Parts analysis. Applying equal weights for the two approaches we reach a target price of EUR 11.70 per share or a 35% upside from current price levels.

DCF

In our DCF valuation, we reach a target price of EUR 12.5 per share leading to a 44% upside from current price levels. We assume:

- EBITDA CAGR 2023-2029 of c. 14% driven by capacity expansion and margin mix improvement on the cable side assisted by low paced growth in Pipes EBITDA
- Total Capex peaking in 2025 and returning to normalized/maintenance levels post US expansion completion in 2027
- A cost of equity of 10% leading to a WACC of 8.9%. We feel that a terminal growth rate of 1% balances the upside risks of a continued market undersupply beyond 2029 and the downside risks of the market overcorrecting undersupply.

Exhibit 4: DCF Valuation (Base Case)

	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Adj. EBITDA	213.8	256	315	372	367	410	443
Capex	(133.0)	(189)	(145)	(134)	(126)	(89)	(91)
Change in WC	84.9	(13)	(39)	(36)	(7)	(24)	(19)
Tax paid	(14.3)	(35)	(50)	(65)	(65)	(75)	(82)
Unlevered FCF	151.4	18	80	136	170	223	252

Sum of NPVs	806
Terminal Value	2,088
Enterprise Value	**2,894**
Net Debt (end-2024)	234
Equity Value	**2,661**
Num of shares	212
Target Price	**12.5**
Current Price	8.71
Upside (%)	**44%**

Cost of Equity	10.0%
Cost of Debt (after tax)	5.0%
Debt/Equity	22%
WACC	**8.9%**
g	1%

Source: AXIA Research

Comps trading multiples

In our Comp Valuation exercise we consider the two divisions seperately. The comparable universe is limited as we will describe in the Market Dynamics/Competition segment. We utilise the outcome of this exercise in the Sum of the Parts valuation exercise that folows in the next segment.

For the cables segment we consider the European peers that are directly comparable. In exhibit 32 we summarise some key operating metrics among competitors. On one hand, Cenergy's smaller size, lower liquidity/free float and less exposure to higher end products (for instance 500kV cables) could justify a lower valuation versus competition. On the other hand, Cenergy has superior growth expectations even after the 2026 period that we consider for our comparison. Thus, we argue that a valuation multiple inline with peers is justifiable.

In Pipes division, Tenaris is directly comparable. Welspun has a meaningful large pipes division but it also produces extruded pipes and plastic pipes and has large exposure to India.

We use a blended average of Cables and Pipes peers based on Cenergy's 70%-30% EBITDA split. This is clearly not perfect as EBIT split and P/E estimates are only an approximation but we believe this is better than using Cables only multiples. On the P/E metric Cenergy appears at a discount due to its higher leverage.

Exhibit 5: Comps Valuation

	P/E			EV/EBITDA			EV/EBIT			EV/ (EBITDA – Capex)		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Cable Companies												
Nexans S.A.	16.1x	15.8x	14.1x	8.7x	7.9x	7.3x	12.1x	10.9x	9.8x	9.5x	9.0x	8.5x
NKT A/S	15.9x	22.4x	20.6x	10.1x	9.0x	8.1x	14.4x	12.8x	11.5x	7.9x	8.2x	7.5x
Prysmian S.p.A.	19.1x	15.8x	14.3x	12.4x	10.1x	9.5x	16.1x	12.8x	11.8x	11.6x	9.0x	9.6x
Average	**17.0x**	**18.0x**	**16.3x**	**10.4x**	**9.0x**	**8.3x**	**14.2x**	**12.2x**	**11.0x**	**9.7x**	**8.8x**	**8.5x**
Pipe Companies												
Tenaris S.A.	9.7x	9.5x	9.4x	5.4x	5.7x	5.6x	7.0x	7.4x	7.0x	10.3x	7.4x	6.6x
Welspun Corp Limited	20.2x	15.5x	17.6x	11.8x	10.2x	9.5x	15.4x	12.2x	12.3x	14.5x	12.5x	11.3x
Average	**14.9x**	**12.5x**	**13.5x**	**8.6x**	**8.0x**	**7.5x**	**11.2x**	**9.8x**	**9.7x**	**12.4x**	**10.0x**	**9.0x**
Blended Average (Cables 70%-Pipes 30%)	**16.4x**	**16.3x**	**15.5x**	**9.8x**	**8.7x**	**8.1x**	**13.3x**	**11.5x**	**10.6x**	**10.5x**	**9.1x**	**8.7x**
Cenergy Holdings-AXIA	**14.8x**	**10.4x**	**8.1x**	**8.1x**	**6.6x**	**5.4x**	**9.5x**	**7.6x**	**6.1x**	**10.2x**	**7.9x**	**6.3x**
Premium/(Discount)	-9%	-36%	-48%	-17%	-24%	-33%	-28%	-34%	-42%	-3%	-14%	-28%

Source: AXIA Research

Sum of the Parts

We prefer comparable multiples based on EV in order to accommodate for different leverage levels among competitors. We favour cash EBIT (EBITDA-Capex) multiple using maintenance capex instead of full capex to normalise for temporary spikes due to expansion programmes. In order to capture some of Cenergy's strong growth over the medium term to some extend, we use 2026 valuation multiples. We note that our 2026 expectations for EBITDA, EBIT and earnings do not incorporate the US operations that will start ramping up in 2028. We assume no discount or premium to the relevant sectors.

Exhibit 6: Sum of the parts (Base Case)

FY26 Figures	EBITDA	Capex	Cash EBIT	Multiple	EV
Cables Division	310	65	245	8.5x	2,091
Pipes Division	62	10	51	9.0x	460
Enterprise Value					**2,551**
Net Debt					234
Equity Value					**2,317**
Num of shares					212.4
Target Price					**10.9**
Upside					25%

Source: AXIA Research

In our Sum of The Parts valuation, we reach a target price of EUR 10.9 per share leading to a 25% upside from current price levels.

Blue and Grey Sky scenarios

For our Blue Sky scenario, we assume that very solid demand for the cables business leads to stronger price/mix effect for the segment at 5% versus our base case at 3% CAGR 2023-2027 and stronger margins maintained until 2028. Cenergy delivers an EBITDA CAGR of 17% for 2023-2029. **This leads to an average target price between our DCF and SoP of EUR 13.5 per share.**

In our Grey Sky scenario, we assume that supply and demand imbalance shifts earlier than in our Base case. This leads to increased pricing pressure (at -3% CAGR 2023-2027) and margin weakening gradually for the project business to 16% from 25% in 2023. We still get solid EBITDA growth even in this case as new capacity expansion supports solid growth. For our sum of the parts calculation, we apply a 10% discount to cables peers given Cenergy's exposure to more commoditized product verticals and lower liquidity. **This leads to an average target price between our DCF and SoP of EUR 7.9 per share.**

Exhibit 7: Blue and Grey Sky scenario summary

	Base	Blue	Grey
Target Price			
DCF	12.5	14.8	8.4
SoP	10.9	12.2	7.5
Average	**11.7**	**13.5**	**7.9**
Upside			
DCF	44%	69%	-4%
SoP	25%	40%	-14%
Average	**35%**	**55%**	**-9%**

Source: AXIA Research

Market Dynamics for Cable and Pipe Industries

Cables Market – Strong demand is here to stay

The cables market is currently experiencing solid fundamentals that are expected to remain in place for the medium to longer-term. Three drivers are set to continue supporting the cables market. Data points so far this year indicate that these trends continued unabated with Prysmian reporting 12.3% organic growth and 200bps margin expansion for its Transmission business for 9m 2024 and Nexans reporting 54% organic growth for the same period. These results come after a 15.7% organic growth for Prysmian and 17% for Nexans in 2023 in the transmission business.

Global Electricity Market growth

Electricity demand is projected to grow at a solid 2.5% CAGR between 2020 and 2050 by market insiders. This is a combination of, on one hand, the total energy demand (both consumed through electricity networks and non-grid related consumption like for instance burning diesel to power a locomotive) remaining flat over the period 2020-2050; it slightly grows until 2030 and slightly drops thereafter. On the other hand, the continuous mix shift of energy demand from carbon fuels (other than powering the grid) to electricity creates a solid underlying base of growth. In anticipation of this, electricity transfer and distribution companies have already started investing in their networks to boost capacity, on top of the normal maintenance of ageing networks.

Exhibit 8: Global Electricity demand growth

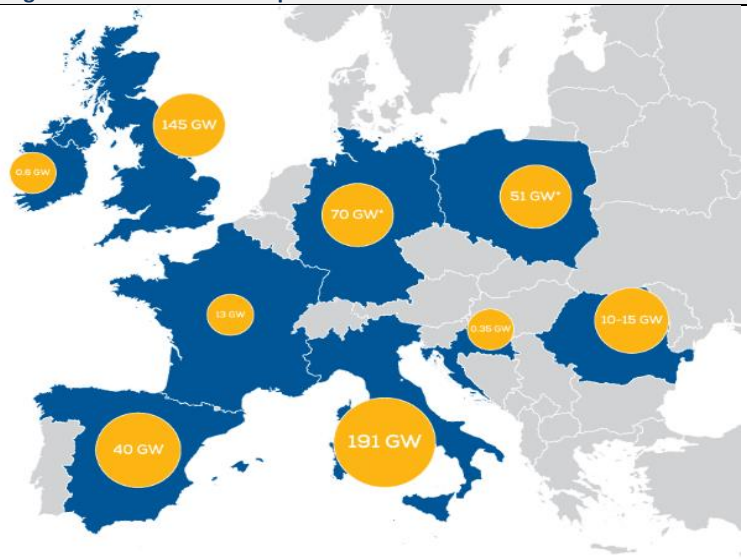
Year	2020	2030	2050
Energy Mix			
Electricity	20%	24%	40%
Other	80%	76%	60%
Total Energy Global Market TWhr	115,137	124,452	119,810
Electricity Global Market TWhr	23,027	29,868	47,924
2020-2030 CAGR Electricity Market		**2.6%**	
2030-2050 CAGR Electricity Market			**2.4%**

Source: Prysmian, AXIA Research

New power production sites need to be connected

Incremental electricity demand will need to be satisfied by new generation capacity. This creates incremental demand for connections for the new production sites. More importantly, as this new capacity is primarily renewable sources, that are typically located further away from the point of consumption than traditional electricity generation plants, connection lengths are much longer for the majority of solar, wind generation and offshore wind generation plants. This has already created a large backlog of renewable projects that need to be connected to the main grid. In the US, power generation projects awaiting a connection to the electric grid are currently around 2,600GW. In Europe, more than 500GW of wind generation assets are waiting for an assessment for their application for a grid connection.

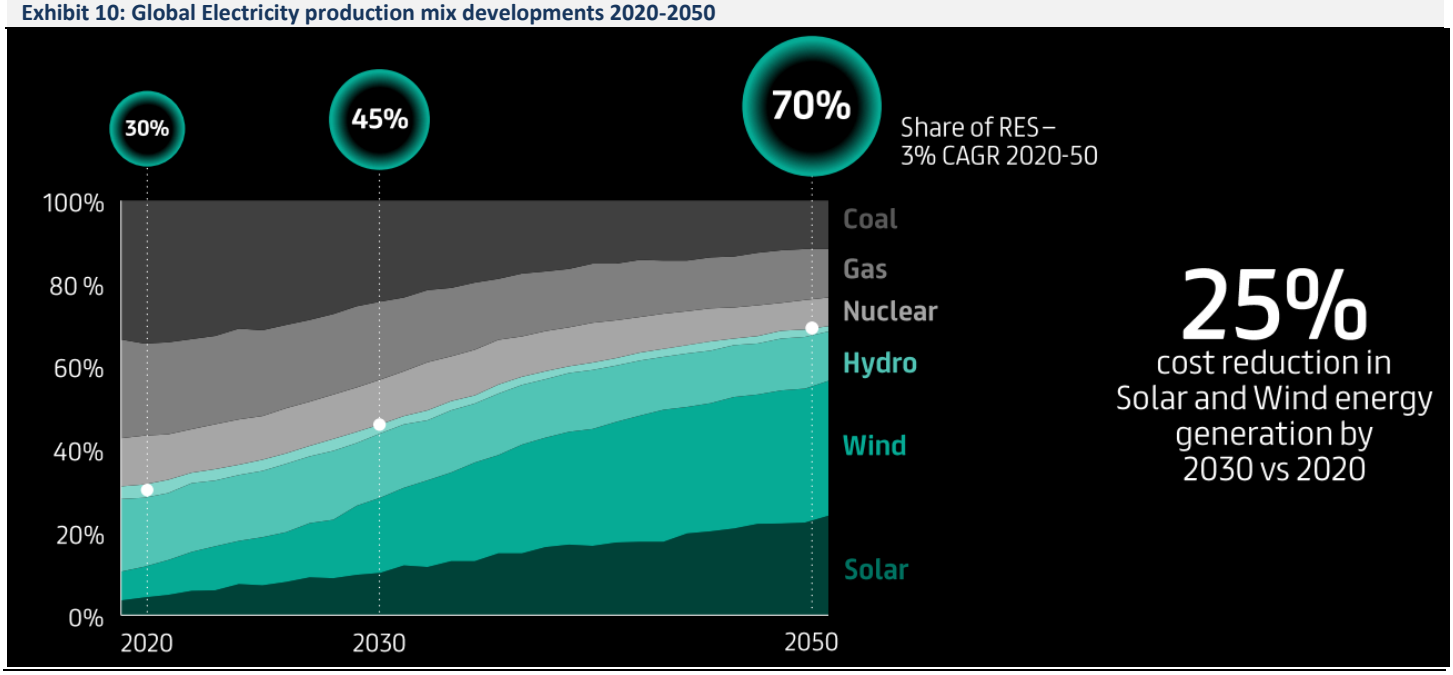
Exhibit 9: Wind Energy Projects waiting to be connected in Europe



Source: Windeurope

The connection needs are set to continue in the long term on the back of continuous RES development. The largest growth between 2020 and 2050 is recorded for solar and wind power generation assets. Their share in total energy production is forecasted to move from 10% in 2020 to 50% in 2050. These new assets will not only need longer connection lengths; they will also need supporting assets like balancing services and energy storage sites that in turn will also need connections.

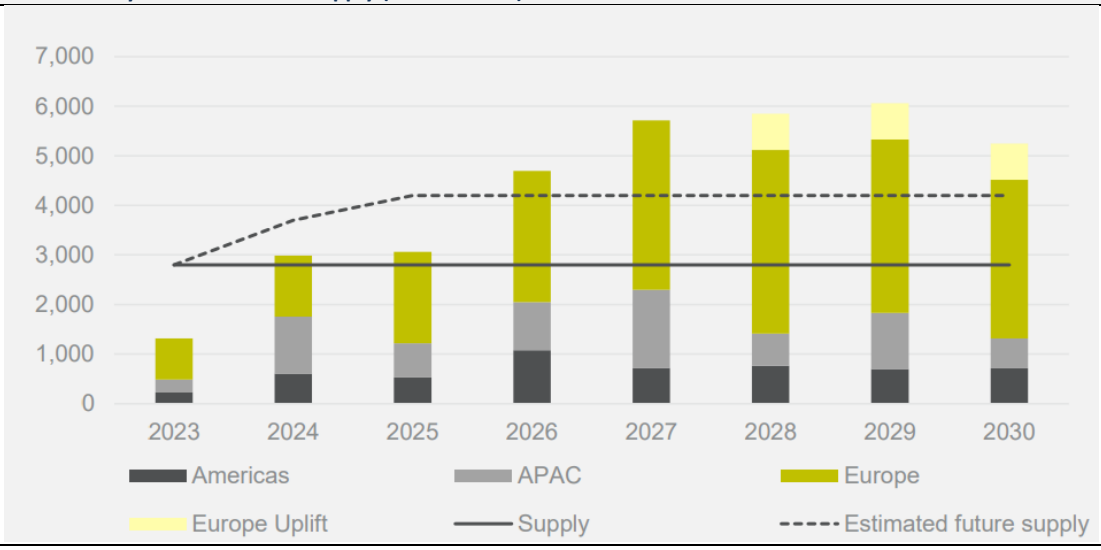
Exhibit 10: Global Electricity production mix developments 2020-2050



Source: Prysmian

More specifically the inter-array market, subsea cables connecting individual wind turbines in offshore wind projects where Cenergy has significant exposure, is forecasted to remain undersupplied until the end of the decade. This is driven by offshore wind capacity additions that have better efficiency than land wind generation assets due to higher wind speed and greater consistency. Especially Europe is expected to experience very strong demand growth until the end of the decade. Some capacity additions are coming in 2024 and 2025 but are not enough to cover the expected demand increase after 2026 according to TGS and 4cOffshore. The unbalanced supply and demand dynamics should create a favourable environment for pricing and backlog visibility. In addition, inter-array cables and export subsea cables typically command higher prices and margin compared to land cables.

Exhibit 11: Global inter-array cable demand & supply (km ex. China)



Source: TKH, TGS, 4cOffshore

Volatility in Power production

The characteristics of RES generation are creating the need for more interconnecting capacity. Electricity generation from renewable sources has an erratic nature in its production profile. Sunny day solar has understandably the smoothest daily profile, nevertheless this does not perfectly match the demand profile. More importantly, solar generation under cloudy conditions and wind generation is completely unpredictable. This, increasingly more important in terms of mix, generated power has to be absorbed by an unpredictable demand. The goal of any electricity network is to match real time supply and demand. Otherwise, power outages occur when demand exceeds supply or network damage occurs if supply is higher than demand.

There are several solutions to this problem. From utilising energy storage solutions, to incentivising demand shifts to periods of increased power generation, or, more importantly for cables manufacturers, connecting a higher amount of potential demand to supply. Aggregating more demand and supply leads to lower volatility/unpredictability in generation and consumption. This can be done with the use of additional interconnections between cities or countries to transfer an ever-increasing amount of power to longer distance.

Exhibit 12: Solar Power Production Profile

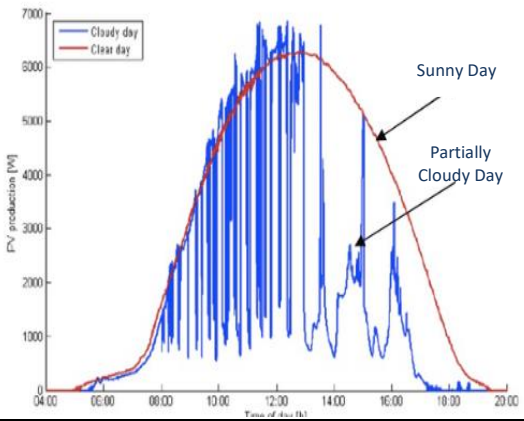


Exhibit 13: Power Demand Profile

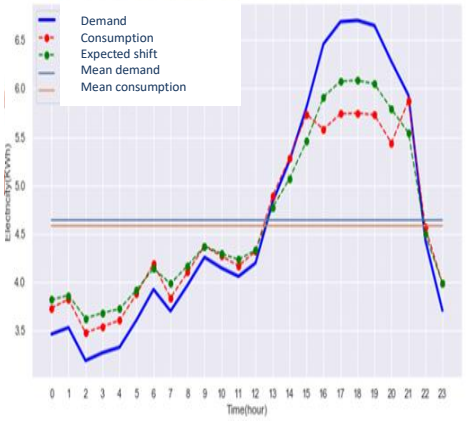
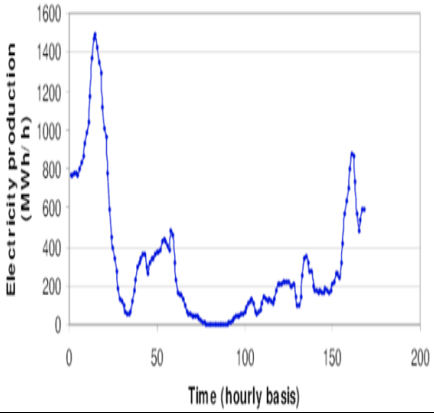


Exhibit 14: Wind Power Production Profile



Source: Researchgate.net, AXIA Research

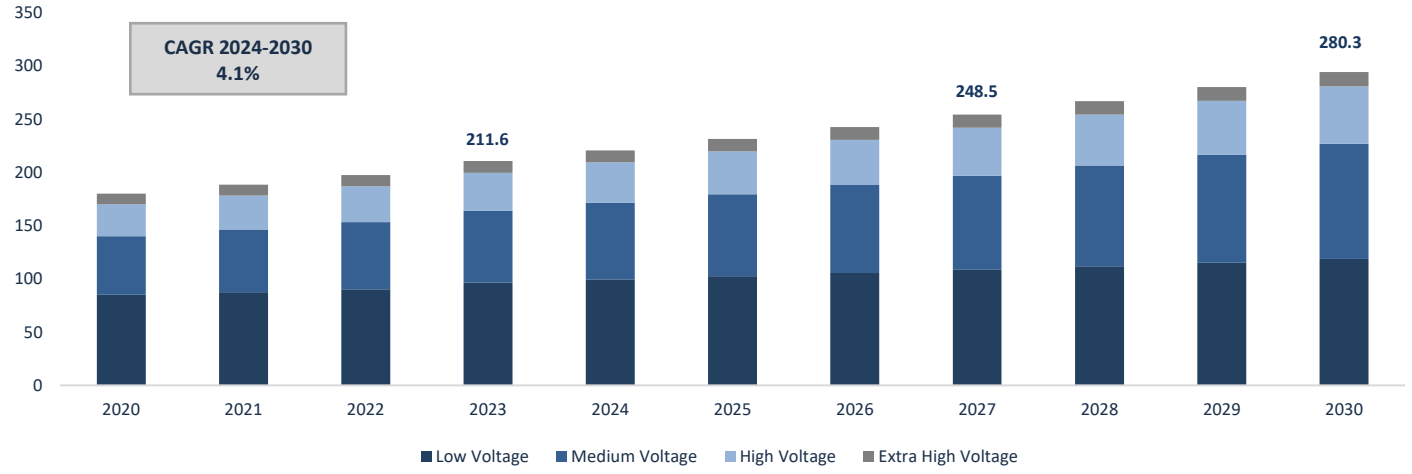
To this end many large interconnection projects are in various phases, from planning to delivery. The list below is only indicative and by no means exhaustive:

- UK-Germany Interconnection, a EUR 2.8bn project for a 1.4 GW interconnection link that is planned to start operations in 2028 has got the necessary regulatory approvals. It spans 725 km linking the Isle of Grain in Kent to the Wilhelmshaven region in Germany and it is a direct current (DC) 525kV interconnection allowing power flow to both directions.
- Celtic Interconnection. A 581 km, 320-500kV HVDC subsea interconnection linking La Martyre in France with Knokraha in Ireland. The project is in permitting phase with expected commissioning date at end of 2026
- SACOI3 project replacing existing link SACOI2. Interconnection between Condroglanos (Italy), Lucciana(Corsica, France), Suvereto (Italy) for a total length of 400km plus converter station. 200kV rated for 400MW capacity with an expected date of commissioning at end 2026.
- Biscay Gulf Interconnection linking Aquitaine (France) and Basque country (Spain) with 400kV HVDC subsea cables of 370km total length and capacity 2x1GW. Expected commissioning is end of 2027.
- Great Sea Interconnector linking Israel to Cyprus to Crete (Greece) for a total length of 1,208 km. It is a 2GW 500kV HVDC subsea interconnector. The first phase which is the Cyprus-Crete arm is expected to cost EUR 1.95bn for 898km of subsea connection cables plus converters. Cables cost is expected at EUR 1.4 bn.

Global Market Dynamics

According to grandviewresearch.com, the global wires and cables market size was estimated at USD 211.62 billion in 2023 and is projected to grow at a CAGR of 4.1% from 2024 to 2030. Rising urbanization and growing infrastructure worldwide are some of the major factors driving the market. The said factors have impacted the power and energy demand in the commercial, industrial, and residential sectors. Increased investments in smart upgrading of the power transmission and distribution systems and development of smart grids are anticipated to drive the market's growth. Implementation of smart grid technology has met the increasing need for grid interconnections, thus resulting in rising investments in the new underground and submarine cables.

Exhibit 15: Wires & Cables Global Market Size (EUR bn)



Source: grandviewresearch.com

European Market Dynamics

The Europe power and control cable market was valued at USD 27,446.09 million in 2022 and is expected to reach USD 44,123.38 million by 2030; it is estimated to grow at a CAGR of 6.1% from 2022 to 2030[1]. The European market is experiencing demand across cable usage aspects, from renewable connection to large interconnection projects and distribution. The inter-array market is expected to grow by 57% CAGR 2024-2032 to EUR 11.1bn, while HVDC cable CAGR for the same period is expected at 19%, reaching USD 8.4bn in 2032[2].

European Union, recognizing the need to develop interconnections further established in 2014 the Connecting Europe Facility (CEF) and In February 2022, EU countries agreed on a Commission proposal to invest US$ 1.18 billion in five cross-border infrastructure projects with CEF providing financial support. On the supply side, only 4 companies can satisfy the demand, Prysmian, Nexans, NKT and Cenergy with current backlogs ranging from 5 to 10 years.

US Market Dynamics

The US market has a massive latent demand for connection and distribution. According to DOE, the queue of power generation projects awaiting a connection to the electric grid is currently around 2,600GW, twice the amount of generation of the current U.S. power plant fleet, as the grid struggles to integrate new wind, solar and battery power. According to Grandviewresearch, the cables market is set to experience a 3.6% CAGR 2023-2030 while the high voltage segment is estimated to grow at 5.2% for the same period. The current scarcity of supply allows cable producers in the US to enjoy EBITDA margins at the 20-25% level for products that in Europe are considered more commoditized and return single digit EBITDA margins. This is the driver behind Cenergy's greenfield US expansion. The majority of offshore wind projects in the US are developed on the east coast and Cenergy will be ideally positioned from the new plant in Maryland to supply the area. The plant is positioned next to the sea and has a port enabling easy inbound and outbound transfer of goods.

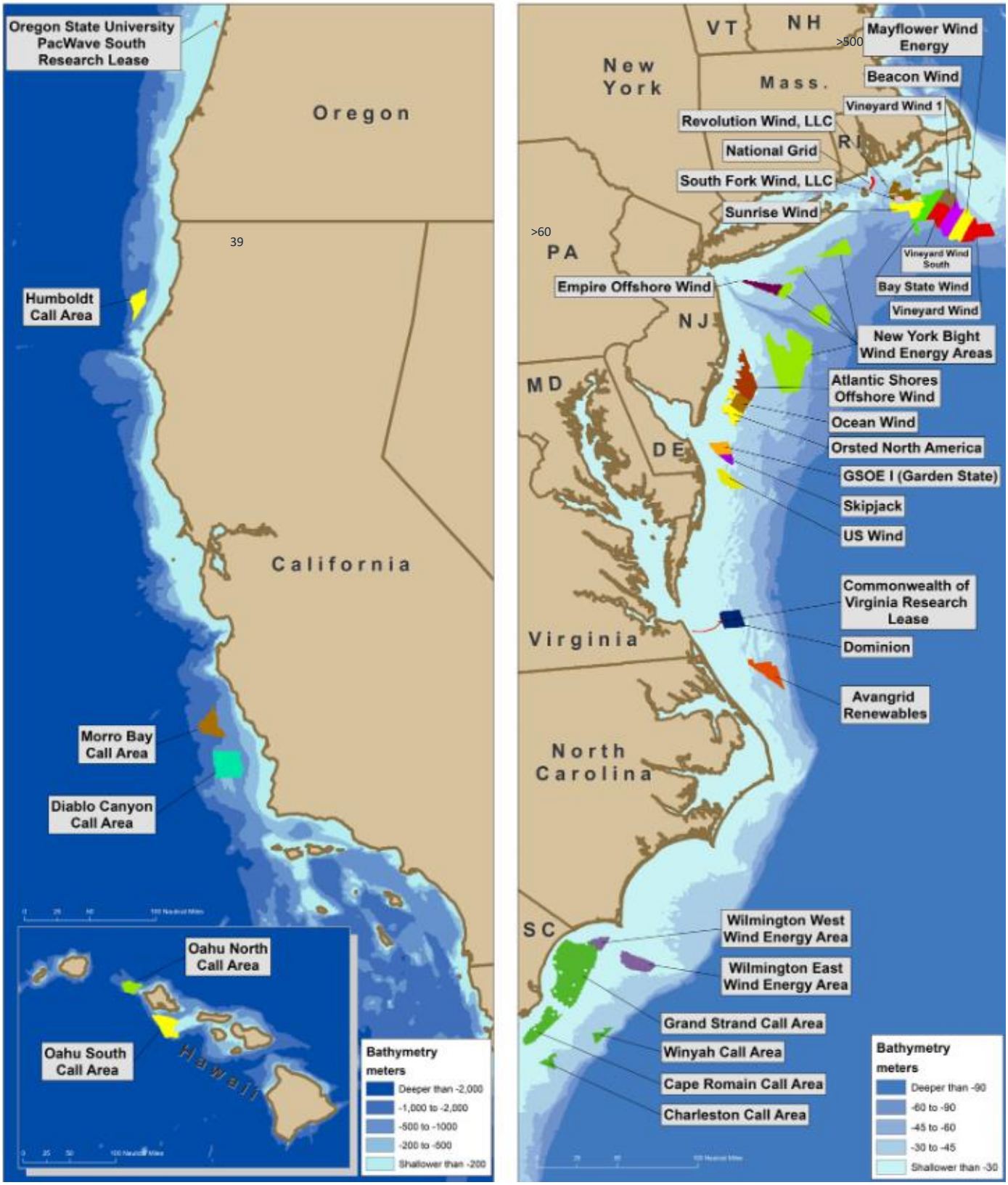
Supply coming to the market from all competitors

The main competition in the cable segment are listed companies in Europe. All four listed cable competitors have announced capacity expansions to meet the increasing demand. Cenergy has the most aggressive expansion plans of all, relative to its size with a growth capex plan of EUR 330m over the 2024-2027 period. This leads to a total capacity increase of 75% by 2028. Prysmian is expected to spend EUR 1.6bn in the 2023-2027 period guiding for a 23% cumulative growth in revenue over those years. Nexans has guided for growth capex of EUR 200m in 2024 and will update the market on its medium-term plans in its 2024 Capital Markets Day in November 2024. NKT is planning to spend EUR 1bn with expectations to increase revenue from EUR 2.6bn in 2023 to 4bn in 2027.

[1] Businessmarketinsights.com

[2] Gminsights.com

Exhibit 16: Global Carbon Capture Capacity Installations in MtCO2



Source: offshorewindmaryland.org

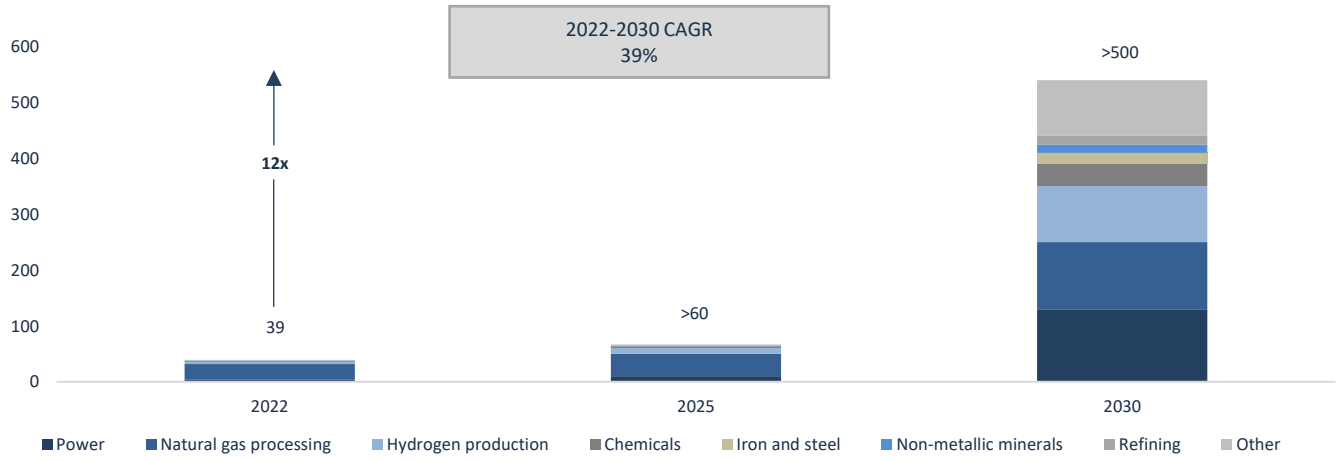
Pipes Market – Tilt to new technologies

Cenergy operates in large diameter pipe the sub-segment of the market. Due to their large size, these steel pipes are not the result of an extrusion or piercing and rolling process, processes that are preferred in smaller diameter pipe manufacturing. Large pipe manufacturing involves sheet metal fabrication that is rolled and then welded either longitudinally or helicoidally. They are mainly used in pipelines and mechanical structural components in industries such as crude oil, gas, chemical plants, medical treatment, food, light industry, and mechanical instrumentation. Main listed companies that Cenergy's pipes division competes with is Tenaris in US and Welspun in India. The large diameter pipes market will see strong support from Carbon Capture and Hydrogen projects, an area that Cenergy Pipes division has bid, won and is already executing on projects. Already approximately 25% of the Pipes business backlog is related to Carbon Capture and Hydrogen transport systems.

Carbon Capture

Carbon Capture is the process of capturing CO2 at emission point, concentrating it and purifying it and finally compressing it for transport. Typically transport of captured CO2 happens through pipes to the areas where it will be stored or used. Sources available for carbon capture vary from cement, blue hydrogen, iron and steel, and power that together are projected to account for around 85% of total uptake by 2050. Power generation is an additional source but replacing carbon fuel related power generation by renewable sources is a preferred solution. Carbon Capture project announcements indicate a 12-fold increase in capacity from 2022 to 2030 and could reach USD 175bn by 2035 according to McKinsey.

Exhibit 17: Global Carbon Capture Capacity Installations in MtCO2



Source: McKinsey & Co

Hydrogen

Hydrogen is used to store and transport energy from the power generation sites to the consumption sites. Clean hydrogen, that is generated using renewable sources is expected to experience exponential growth by 2050. Projections in our period of interest until 2030 are more benign though. But this has prompted installation of gas transport piping systems that are hydrogen-enabled already from today.

Company Description

Cenergy Holdings was founded in 2016, it is listed in Athens and Belgium, and it is a subsidiary of Viohalco Group that now holds 71.5% of voting rights post the recent capital increase. Free Float currently stands at 28.5%.

Exhibit 18: Pre-SCI shareholder structure

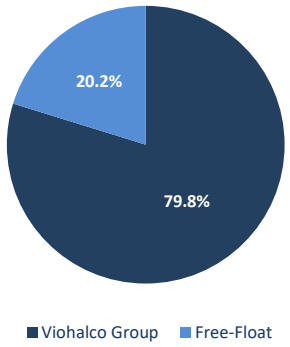
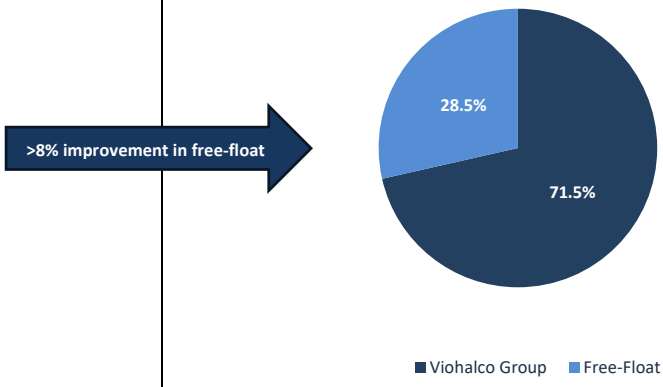


Exhibit 19: Post-SCI shareholder structure



Source: The Company, AXIA Research

Cenergy operates under two distinct divisions, the cables segment and the pipes segment. Being positioned at the heart of the energy transition theme across both divisions, the company has experienced significant growth in recent years and has established itself amongst a selective group of international players with presence mainly in Europe and the US. Revenue split for FY23 was 64% Cables and 36% Pipes, with EBITDA margins expected to remain sustainably at low double digits for Pipes division and expand to 16-17% in the Cables division. Within each division Cenergy further splits its business to Product segment (commoditized end, supply only) and Projects that are customized, turnkey solutions of higher added value.

Exhibit 20: Cenergy Revenue Split by sub-Division (2023)

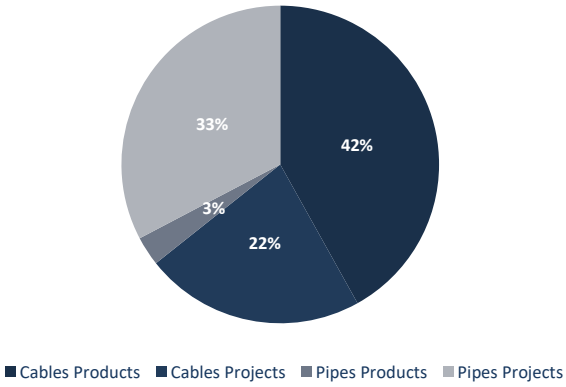
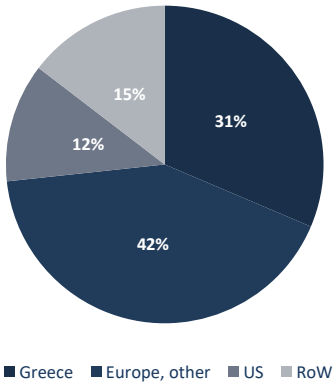
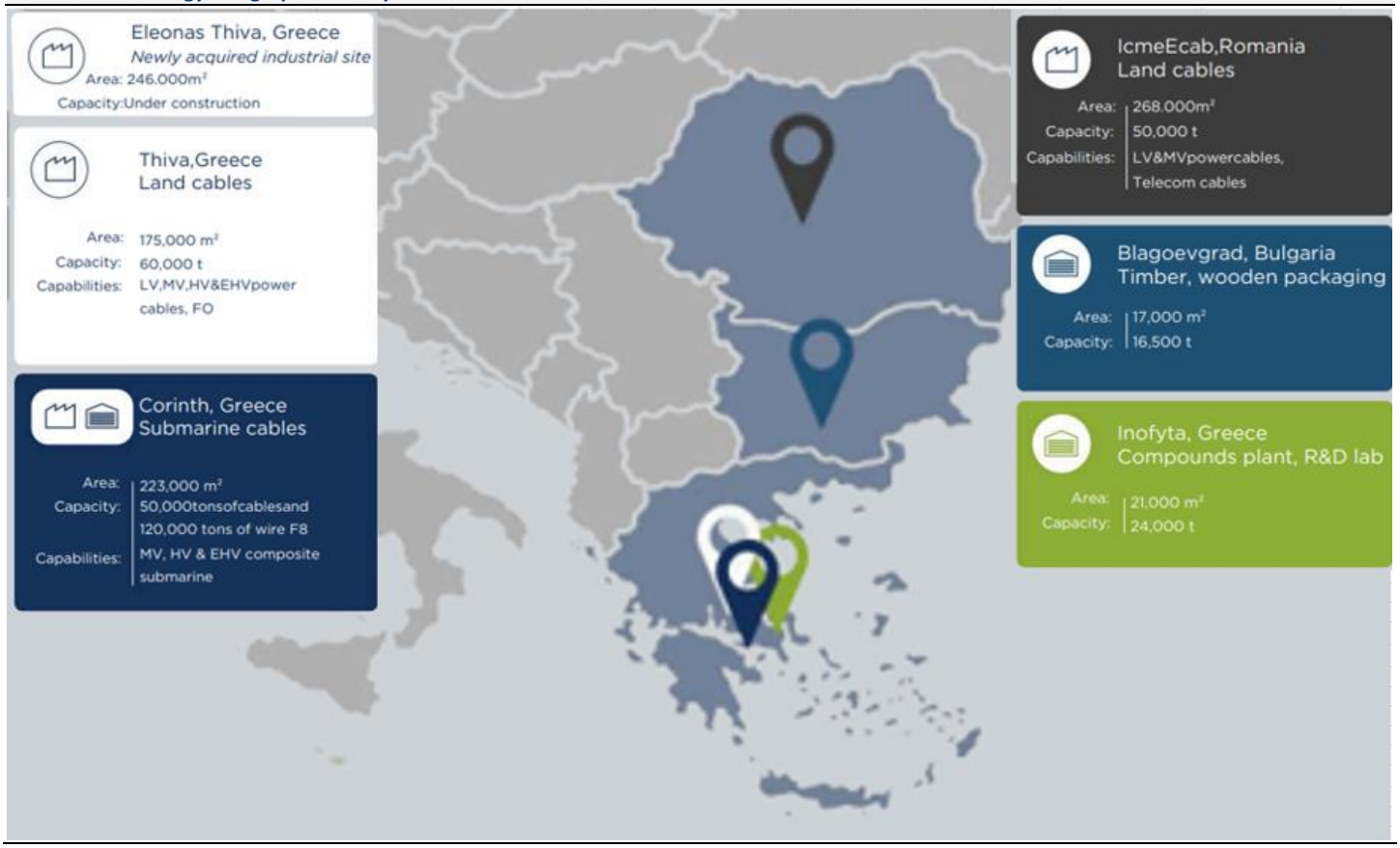


Exhibit 21: Cenergy Revenue by region (2023)



Source: The Company, AXIA Research

Exhibit 22: Cenergy Geographical footprint



Source: The Company

Cables Segment

Cenergy is the fourth largest cable manufacturer in Europe after Prysmian, Nexans and NKT. The Company produces a range of cables and wires and has easy access to sea transport through its port facility at the Corinth plant. This includes submarine and land cables, low (LV), medium (MV), high (HV) and extra high voltage (EHV) power cables, umbilicals, fiber optic, data, signalling, and telecommunication cables as well as flexible subsea pipes. The segment operates through 5 divisions: Hellenic Cables, Fulgor, Icme Ecab, Lesco, Hellenic Cables Trading.

The segment operates 6 main plants:

- **Corinth, Greece** Plant covering an area of 233,000 sqm produces Medium, High and Extremely High Voltage Submarine Cables. It has a capacity of 50,000 tonnes of cables annually plus 120,000 tonnes of F8 wire per annum.
- **Thiva, Greece** Plant covering an area of 246,000 sqm produces Low, Medium, High and Extremely High Voltage Land Cables. It has a capacity of 60,000 tonnes of cables annually.
- **IcmeEcab, Romania** Plant covering an area of 268,000 sqm produces Low and Medium Voltage Land Cables and Telecom Cables. It has a capacity of 50,000 tonnes of cables annually.
- **Eleonas, Greece** facility covering an area of 246,000 sqm is destined to be primarily an R&D center for Low Voltage Cables with limited production capacity.
- **Blagoevgrad, Bulgaria** covering an area of 17,000 sqm and capacity of 16,500 tonnes annually produces timber packaging for cables.
- **Inofyta, Greece** covering an area of 21,000 sqm is an R&D center and it also produces cable compounds with an annual capacity of 24,000 tonnes annually.
- The planned **Maryland, US** Plant will be covering an area of 153,800 sqm, with a completion date of end-2027, and will be producing Low to Medium Voltage Land Cables initially. The total cost will be USD 200m for the first stage, out of which Cenergy has already spent approximately EUR 29.4m as of 1H24. According to management's commentary, the capacity will be similar to that of Thiva. At a later stage additional submarine capacity could be added assuming the smooth production ramp and having secured customer demand. The cost for this second stage expansion will be an additional USD 100m.

Cenergy provides cables for various types of projects:

- **Inter-array cables** to offshore wind farms that connect individual wind turbines. Cenergy has won projects with Orsted, Vattenfall, RWE, Shell, and Hai Long among others for the supply of 66kV submarine inter-array cables. Recently Cenergy won a 65km 132kV inter-array contract for the Leading Light Wind Project in the US.
- **Export cables** for offshore wind farms. Once inter-array cables have brought power from individual turbines to the export point, a higher voltage submarine cable brings the power to the shore. Examples of Cenergy projects are with Orsted, and 50Hertz, for submarine export cables up to 275kV.
- **Interconnection cables** to transport power over longer distances. They can be either land or submarine cables. Cenergy has won contracts with ADMIE, Elia, RTE, Energinet, Amprion, and Koncar for land and subsea transmission cables of up to 400kV. Cenergy is currently developing the technology for 525kV cables.

In the Cable Products side, Cenergy supplies fibre cables to telecoms and low voltage cables.

Expect Cables division to continue growing strongly

The business generated EUR 1.05bn in revenue in 2023 having experienced a 20% CAGR between 2020-2023. Revenue is split in two. The Products business with sales at the more commoditized end of the spectrum with average EBITDA margins on the mid to high single digit region.

The Projects business offering turnkey solutions and higher value add solutions has EBITDA margins at the mid-20s. In 2023, 1/3 of the cable business was Products business but already in 1H24 the business split was at 50%-50%. We expect this trend to continue as the planned capacity additions will serve the projects business. In our assumptions, we incorporate Corinth and Thiva announced expansions and US greenfield phase 1 new capacity. US phase 2 addition relating to subsea cable capacity is conditional on successful phase 1 ramp up and secured demand for subsea cables in US. Therefore, we deem it is too early to assume implementation of phase 2.

The current backlog in cables projects currently stands at EUR 2.82bn that corresponds to a bit more than 5 years of expected project revenue for 2024, or 2.5 years of total cables division revenue. The backlog has meaningfully increased compared to EUR 1.35bn at end of 2022.

On the back of strong market demand and long backlog we expect that Cenergy's cables division will experience 14% CAGR 2023-2027 revenue growth driven by a 32% CAGR of projects business for the same period:

- Corinth subsea cable capacity will double, post the planned expansion that will be completed at end-2024. We assume that the added capacity will contribute EUR 330m in revenue when fully ramped up in 2026. In 2025, during production ramp up, we expect a EUR 200m contribution. This capacity will serve the projects business at 25% EBITDA margins.
- Thiva plant capacity will also double, post the planned expansion that is expected to be completed in 1H25. We expect a total revenue contribution of EUR 240m when this new capacity will be fully ramped up in 2026. This added capacity will also serve the projects business at higher than 20% EBITDA margins.
- The US plant construction is expected to be completed at end-2027 and will start ramping up production in 2028. For 2029, we expect EUR 250m of revenue at full capacity. Currently, EBITDA margins in the US for medium voltage cables are in the range of 20-25%. We assume that the new US capacity will deliver 21% EBITDA margins.
- In total, we expect that the change in mix will combine with low single digit pricing/mix growth and be responsible for a meaningful margin expansion of more than 200bps for the division from 14.4% in 2023.

EBITDA expected to experience 19% CAGR 2023-2027 EBITDA growth driven by revenue growth and mix effects

- We expect Project business mix to change from 35% in 2023 to 63% in 2027 and increase further to 67% in 2030. This is due to the additional capacity additions described above that will target to satisfy the projects business demand. The backlog of the cables division of EUR 2.82bn is related to the projects business offering more than 5 years of visibility for the sub-division.

For 2024 we expect a continuation of the trends in 1H24 with strength in project business and weakness in products, leading to +7% in cables revenue growth y-o-y and a margin expansion of 110 bps versus 2023 to 15.7%.

Total development Capex needs at EUR 350m to cover Corinth and Thiva capacity expansions and US greenfield project

Capex needs for Corinth expansion are set at EUR 110m, equally split between 2023 and 2024. We estimate Thiva expansion related capex of EUR 50m spent in 2024 and 2025, weighted to 2024. The company indicated that it spent EUR 29.4m relating to the US expansion in 2024 already at 1H24 for the land purchase and other initial costs. Total US capex is set at EUR 185m (USD 200m), leaving an average of c. EUR 50m per year for 2025-2027 until the completion of the plant.

Exhibit 23: Cables Division Key Metrics

	2023	2024	2025	2026	2027	2028	2029
Revenue	**1,047**	**1,125**	**1,460**	**1,772**	**1,821**	**2,022**	**2,178**
% change		*7%*	*30%*	*21%*	*3%*	*11%*	*8%*
ow/ Project Business	365	511	827	1,122	1,153	1,335	1,473
% change		*40%*	*62%*	*36%*	*3%*	*16%*	*10%*
ow/ Products	682	614	633	651	668	686	705
% change		*(10%)*	*3%*	*3%*	*3%*	*3%*	*3%*
EBITDA	**150**	**177**	**249**	**310**	**307**	**349**	**380**
EBITDA margin (%)	*14.4%*	*15.7%*	*17.1%*	*17.5%*	*16.9%*	*17.2%*	*17.5%*
Capex	**121**	**163**	**131**	**120**	**112**	**74**	**76**

Source: Cenergy, AXIA Research

Pipes Segment

Cenergy Pipes Division, also known as Corinth Pipeworks, competes with only few large pipe manufacturers like Tenaris in US, Welspun in India, and Europipe that is owned by Salzgitter Mannesmann GmbH and AG der Dillinger Hüttenwerke that each hold 50%. Corinth Pipeworks produces large diameter pipes in a state-of-the-art facility at Thisvi plant and has exclusive access to the port located next to the production facilities.

Almost all pipes segment business is projects business. The pipes division delivers steel pipes for securely transporting gas and liquid fuels, hydrogen, CO2, and slurry. Furthermore, the company offers high-quality OCTG pipes for drilling operations and hollow sections for structural applications. Its key products are medium and large-diameter welded steel pipes with longitudinal (LSAW) and helical seams (HSAW), as well as high-frequency induction welded pipes (HFW). Traditionally, the company was serving Oil and Gas projects with large diameter and OCTG pipes, but increasingly, the business moves to new energy projects. Cenergy is certified to deliver pipes that can transport hydrogen. Existing installations primarily transport natural gas but offer the option to carry up to 100% hydrogen. In addition, the Company has certified carbon capture products and has already been awarded both onshore and offshore projects.

Cenergy has won several contracts for:

- High Frequency Welded Pipes (HFW) with Woodside Energy, Technip FMC, Aker BP, Subsea 7, and Shell to name a few
- Longitudinal-seam submerged arc welding (LSAW) with DESFA, and Anglo American among others
- Hydrogen gas transport projects with ONE-Dyas B.V., Jemena Asset Management, and GAZ-system
- Carbon Capture with the Northern Endurance Partnership (BP-Equinor-TotalEnergies)

Cenergy Holdings Steel Pipes segment operates 3 sub-divisions:

- **Corinth Pipeworks**, one of the leaders in steel pipes and hollow sections globally.
- **CPW America**, with a sales and customer service center in Houston USA.
- **Warsaw Tubulars Trading**

The division operates a plant in Thisvi, Greece with a capacity of 925,000 tonnes per annum, through 4 mills, pipe coating and downstream operations. Pipe mills produce High Frequency Welded (HFW), Longitudinal Submerged Arc Welded (LSAW) and Helical Submerged Arc Welded (HSAW) pipes. The plant also has downstream facilities for coating (externally and internally), Concrete Weighting (CWC), Double Jointing, Weld on Connectors. The facility is located close to a port and also has a laboratory for hydrogen certification and sour service condition testing.

The division has benefited from strong revenue growth in the Oil and Gas Sectors post Covid as they were catching up with latent demand. In addition, new energy projects i.e. carbon capture and hydrogen capture projects offer a good tailwind. At the moment, new energy projects correspond to 25% of the current backlog.

Expect lower but healthy growth on the back of new technologies

Current pipes division backlog stands at EUR 560m, or 1 year of pipes divisional revenue. It has slightly dropped from the end-2022 levels, when the divisions experienced a strong post covid market.

Revenue CAGR 2024-2029 of 2% expected

Following a 15% revenue contraction in 2024 due to the company's active transition to higher profitability projects, we assume low single digit growth in the pipes division for the medium term as oil and gas industry demand is being replaced by new energy projects and can be satisfied by a few large pipe manufacturers.

EBITDA margin contraction to low double digits in the medium term

EBITDA margins in 2023 recovered to 11% from 6.1% in 2022, and in 1H24 reached a high of 16.1%. Management has indicated that based on the current backlog visibility, FY24 will end up with similar EBITDA margin for the pipes division, but medium-term expectations are that sustainable margins are at low teens. In our base case we assume that divisional margin drops to 13% in 2025, and they stabilize at 11.5% in the medium term.

Capex needs are at EUR 10m per year for maintenance. In 2024, the Thisvi plant efficiency program will cost an additional EUR 10m on our estimates.

Exhibit 24: Pipes Division Key Metrics

	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E
Revenue	**581**	**494**	**504**	**514**	**524**	**534**	**545**
% change		*(15%)*	*2%*	*2%*	*2%*	*2%*	*2%*
ow/ Project Business	532	452	461	471	480	490	499
% change		*(15%)*	*2%*	*2%*	*2%*	*2%*	*2%*
ow/ Products	49	41	42	43	44	45	46
% change		*(15%)*	*2%*	*2%*	*2%*	*2%*	*2%*
EBITDA	**64**	**79**	**65**	**62**	**60**	**61**	**63**
EBITDA margin (%)	11.0%	16.0%	13.0%	12.0%	11.5%	11.5%	11.5%
Capex	**17**	**22**	**10**	**10**	**10**	**11**	**11**

Source: Cenergy, AXIA Research

Cash Flow Generation and Debt

Capex

Cenergy is currently under a heavy investment phase. Maintenance Capex is at EUR 50-60m annually, while the Company has also announced substantial investment plans. In total, including maintenance and total expansion capex, we expect investments of EUR 185m in 2024, dropping to EUR 141m in 2025. The last investment year is 2027 when US plant will be completed with a total spend of EUR 122m. After 2028 capex drops to maintenance only levels at EUR 85-90m.

- In the Cables Division, Corinth plant's capacity is currently being expanded. Total project cost is EUR 110m, with half spent in 2023, while the remaining are expected in 2024. Project completion at end-2024 will lead to roughly a doubling of the plant's subsea cable capacity.
- Thiva is also currently under expansion. The total expected cost is EUR 50m, leading also to a doubling of the capacity of the Medium/High and Extra High Voltage production capacity. Project is expected to be completed at mid-2025.
- Thisvi Plant improvements are currently under way for a total cost of EUR 10m and completion date at end-2025.
- The new US plant announcement details so far include a total Capex of USD 200m for a plant that should be similar in size to Thiva and a completion date at end-2027. The plant will initially be producing Medium and High voltage land cables. Cenergy has already spent EUR 30m of capex in 1H24 and will also benefits from a USD 58m IRA tax credit, secured from the US Department of Energy.

Free Cash Flow

EBITDA is expected at EUR 256m in 2024 and is expected to accelerate significantly 2026 onwards as the new production capacity becomes operational. Finance costs are expected to be reduced as gross debt is being paid down, also assisted by reducing interest rates. So, despite of the working capital outflows increasing in 2025/2026 and 2028 to support the capacity expansion, Free Cash Flow is expected to increase throughout the 2025-2030 period as Capex needs reduce post the 2024 peak of EUR 187m. As a result, 2024 FCF is EUR forecasted at -39m before the EUR 200m Cash injection from the equity raise. Organically generated cash flow is deemed enough to cover all announced capex needs. All in, organically generated Free Cash Flow will be positive from 2025 onwards and will be available for the company to pursue its investments program, dividend distributions and debt repayments. 2024 cash position is also assisted by the EUR 200m share capital increase that was completed in October 2024.

Exhibit 25: Cenergy Group cash generation and debt

EUR m	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E
Revenue	**1,628**	**1,618**	**1,963**	**2,286**	**2,345**	**2,556**	**2,723**
EBITDA	**214**	**256**	**315**	**372**	**367**	**410**	**443**
ΔWC	85	(13)	(39)	(36)	(7)	(24)	(19)
Net Finance Costs	(74)	(60)	(45)	(32)	(25)	(18)	(18)
Tax	(22)	(35)	(50)	(65)	(65)	(75)	(82)
Capex	(133)	(185)	(141)	(130)	(122)	(85)	(87)
FCF	**69**	**(37)**	**39**	**108**	**148**	**209**	**237**
Dividend (1yr lag)	10	15	19	27	34	34	40
Gross Debt	561	561	461	361	261	261	261
Net Debt	378	234*	221	147	33	(136)	(330)
Net Debt/EBITDA (x)	1.8x	0.9x	0.7x	0.4x	0.1x	(0.3x)	(0.7x)

*Source: AXIA Research. * After EUR 200m capital increase*

Debt

Cenergy ended 2023 with gross debt of EUR 561m and net debt of EUR 378m with a blended cost of debt at 6.5%. The recently completed share capital increase of EUR 200m combined with increasing EBITDA will reduce leverage from 1.8x at end-FY23 to 1.0x at end-FY24E despite the small FCF outflow in 2024 due to peaking capex.

Dividend

The Company paid a EUR 0.08 dividend for 2023 (21% payout and on July 23, 2024, the Board of Director decided on the approval of a EUR 1.3m buyback. Cenergy maintains flexibility towards dividend distribution with no commitment to payouts. Due to the very strong cashflow generation and barring any further organic or inorganic growth opportunities, we expect the Company to deliver good shareholder renumeration. We conservatively incorporate a 15% dividend payout, that combined with funding the announced capacity expansion, almost results in debt elimination by 2027.

Financial assumptions

Revenue

- We expect flat revenue y-o-y in **FY24E**.
  - Pipes division revenue was down 17% y-o-y in 1H24 as the business pivots to more profitable projects. We expect a similar trend for 2H24 leading to FY24E growth of -15% y-o-y.
  - In cables total growth is expected at +7% y-o-y for FY24E driven by a strong mix change from products (-10%) to projects (+40%)
- We assume a **13% top line CAGR in the 2024-2027** period with >10% coming from capacity additions and 3% coming from pricing/mix growth. We expect strong growth to continue in 2028 and 2029 post US capacity expansion leading to an 8% CAGR in 2027-2029.
  - In the **Cables** Product Segment for the **2024-2027 period**, CAGR is limited to low single digits, while projects grow at 31% CAGR followed by a 13% average growth in 2027-2029 due to the announced capacity increases.
  - Pipes segment growth expectations are at low single digit after a double-digit negative growth in FY24E as the management rationalized business portfolio to more profitable projects.

EBITDA

- We expect a 19.6% y-o-y EBITDA growth in 2024 driven by a 270bps margin expansion to 15.8%.
- We assume a **13% CAGR in the 2024-2027** period with margin remaining at 15.5%–16%, after 13.1% in 2023 driven by two offsetting impacts:
  - In the Cables Segment we expect the mix change towards project business to have a positive effect on profitability. At 1H24, the split between project and products business was 50%-50%. New capacity in Corinthos and Thiva will serve project business that commands a higher than 20% EBITDA margin versus the single digit margin for the products business. This mix shift to 63% raises margin from 14.4% in 2023 to 17.4% in 2026.
  - On the other hand, we expect the current EBITDA margin in the Pipes Segment to drop from the current 15%–16% levels to a more sustainable level of 10.5% in 2029.

Depreciation, Interest, Tax

- We expect depreciation and amortization charges to increase in line with the increased Capex programs, from EUR 29m in 2023 to EUR 55m in 2030. Finance costs are seen on a downward trend by the combined effect of the Group's borrowings and interest rates decreasing. Taxes increase strongly together with profitability.

Exhibit 26: Main P&L figures

EUR m	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E
Revenue	**1,628**	**1,618**	**1,963**	**2,286**	**2,345**	**2,556**	**2,723**
EBITDA	**198**	**256**	**315**	**372**	**367**	**410**	**443**
EBITDA margin (%)	*12.2%*	*15.8%*	*16.0%*	*16.3%*	*15.7%*	*16.0%*	*16.3%*
D&A	*30*	*36*	*41*	*45*	*48*	*51*	*54*
EBIT	169	219	274	327	319	359	389
Net Finance Costs	(74)	(60)	(45)	(32)	(25)	(18)	(18)
Earnings Before Tax	95	160	229	295	294	340	371
Tax	(22)	(35)	(50)	(65)	(65)	(75)	(82)
Earnings After Tax	**73**	**125**	**178**	**230**	**229**	**266**	**289**

Source: AXIA Research

Risks

- **Regulatory/political risks:** Typically, interconnection projects are run by government related entities with changing agendas. Projects of this kind can take a long time to be approved or executed even post approval. Also, the renewable agenda varies between political parties increasing the risk of renewable projects being cancelled with the change of government.

- **Geopolitical risks:** Specifically, the inter-country interconnection projects could face geopolitical risks, especially those passing through disputed waters.

- **Interest rate risks:** Long term capital projects inherently suffer from changing interest rates.

In addition, **competitive intensity could increase:**

- **Competition from Asian manufacturers could increase** either because import duties decreased or oversupply in Asian markets forced Asian producers to increase exports to Europe or US.

- **Capacity requirements might be over-estimated by competitors in the developed markets.** Decisions on capacity additions made today will impact capacity in 2/3 years making producers less able to react to market changes. This could create oversupply issues in the future.

The risks described above are not specific to Cenergy; they would affect all competitors if they materialized.

Competitors

Cables

Competition in cable manufacturing is not very strong especially in the European and more importantly the US market as it requires significant R&D and construction manufacturing facilities that take long to license and construct. In Europe, cable manufacturers are advanced, already producing 525 kV DC (direct current) cables for land and subsea use, while some have already qualified for dynamic inter array cables, Cenergy included. This creates a technological barrier for new competition. In addition, protectionist measures on both sides of the Atlantic make Asian competitors' entry more difficult. This leaves a handful of cable manufacturers able to compete effectively in Europe and US markets.

Prysmian

With EUR 15.3bn and EUR 1.6bn of revenue and EBITDA in 2023 and a market cap of EUR 18bn, Prysmian is the largest cable producer globally.

Exhibit 27: Prysmian Revenue split by sub-Division (%)

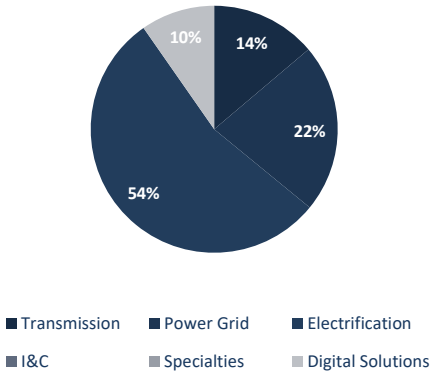
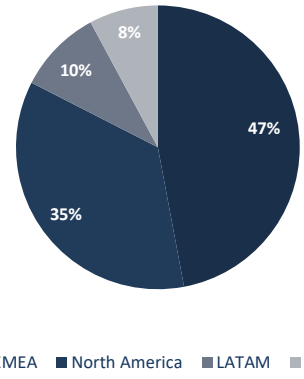


Exhibit 28: Prysmian Revenue split by region (%)



Source: The Company, AXIA Research

The company operates 108 plants in total, 24 in North America, 13 in Latin America, 56 in EMEA, 15 in APAC. It also has 26 R&D centers.
It continues to invest, expecting a 5-7% EBITDA CAGR 2022-2027 resulting in an expected EBITDA of c. EUR 2bn in 2027.
Prysmian has a comprehensive fleet of installation vessels covering installation needs from shallow close to shore waters to deep sea:

- Giulio Verne
- Cable Enterprise
- DP2 vessel – Installation of wind farm export cables
- Ulise – Barge for shallow water installations
- Barbarossa (2011) – Length 67.1m. Breadth 32m. Load capacity 3.3t. Small barge for very shallow and intertidal zone installations
- Leonardo da Vinci – Length 171m, simultaneous laying and burial, DP3 capability, 2 carousels 7k and 10k tonnes. Bundled cable laying. Laying power cables up to 3km water depth.
- Mona Lisa – Long HVDC interconnections for very deep-water environment
- New (1) CLV mona Lisa Class evolution – 185m length, 34m breadth, 3 carousels giving 19k tonnes capacity. Bollard pulls of more than 180 tonnes. DP2 positioning. Operational in 2027. Cost EUR 230m
- New (2) evolution of Ulisse Class – length 167m breadth 40m, two carousels, total cable laying capacity 10k tonnes. Operational in 2025. Cost EUR 120m

Prysmian's fleet allows for cable installations to 3km depths and connections of more than 200km long.

Prysmian is planning to invest EUR 1.8bn until 2027 to expand capacity of renewable transmission assets. 60% will be investments in renewable transmission assets, while 40% will be invested in installation assets. Capex is going to double from EUR 310m to EUR 540m over the next 5 years. The total 5-year capex plan stands at EUR 2.7bn, while Capex guidance for 2024 is EUR 650m at similar levels with 2023.

- Expansion in Pikkala site. The expansion will more than double the production capacity of 525 kV extruded submarine cables and 400 kV AC cables by 2027. The vertical tower (VCV) for extruding cables will be the tallest building on Finland, with a capex EUR 120m, and will enable transmission capacity of 2GW. Further, in June 2024 it was announced that EUR 35m of additional capex will be spent for the extension of the storage facility in the plant.
- The company will invest EUR 590m in new ships as part of the general Capex plan.

Nexans

With revenues of EUR 7.8bn, EBITDA of EUR 665m and a backlog of EUR 6.7bn, Nexans is the second largest cable producer in Europe behind Prysmian.

Exhibit 29: Nexans Revenue split by sub-Division (%)

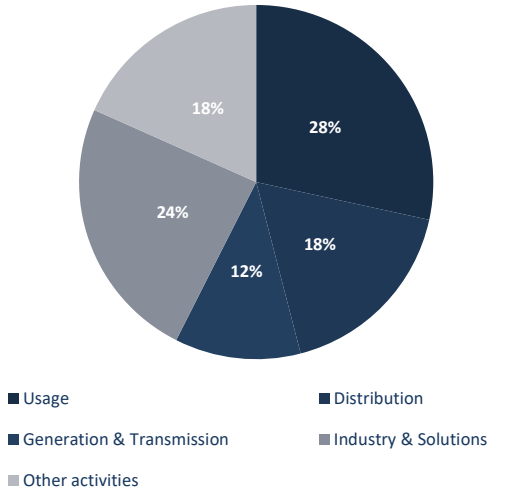
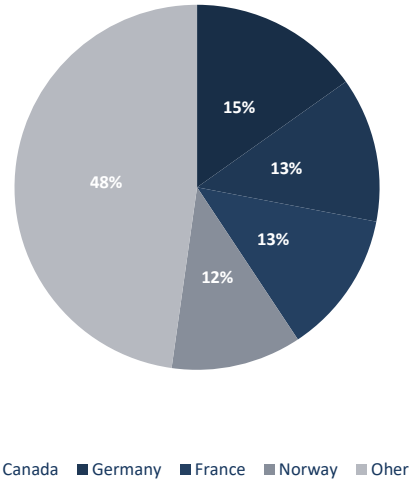


Exhibit 30: Nexans Revenue split by region (%)



Countries that do not account for more than 10%, Source: The Company, AXIA Research

Similarly to Prysmian, although at a smaller scale, Nexans owns two (2) cable-laying vessels of 150m length each with capacities of 10,000 and 13,500 tonnes, equipped to carry out the installation of HV cable systems, hosting a range of subsea tooling options, including jetting and burial tools, while a third cable laying vessel is expected to become part of the fleet through the group's expansion plan by 2026.

Nexans' expansion plan focusses on the full voltage spectrum. Specifically, the group will invest to increase its production capacity of subsea HVDC cables through the installation of two (2) new extrusion lines in its Halden plant in Norway, its MV production capacity with the construction of a new plant in Morocco (bringing the number of plants to three), while a total investment of EUR 40m is currently underway in the group's Autun plant in France that will target the further development of LV cables, with fire-safety technology.

Order backlog significantly increased to EUR 6.7bn at the end of 1H24, vs. EUR 5.2bn at the end of 1H23, following the award of the turnkey contract for the section of the Great Sea Interconnector that connects Greece and Cyprus and is valued for Nexans' share at EUR 1.2bn. Specifically, Nexans will be responsible for the supply of 900km of 525kV HVDC cables and their installation across the Mediterranean at depths of 3,000 meters by its two cable laying vessels, Nexans Aurora and Nexans Skagerrak. The size of the order backlog provides strong visibility into the future, amounting to 5-6 years of generation & transmission-related sales.

In terms of outlook, the electrification activities of the group are expected to grow organically from EUR 3bn to EUR 3.5bn in 2024, while the Industry & Solution, and Telecom & Data businesses to be replaced by c. EUR 2-3bn of new electrification business, which will be the key focus of the group in the years to come. Specifically, for 2024, the group forecasts a significant improvement in profitability and margins, with EBITDA close to the upper end of the EUR 750-800m range, and the margin increasing by 300bps.

NKT

NKT is the leading provider of the German green energy transition, with a significant footprint all across Europe, while possessing the largest high-voltage (HV) offshore cable production site in the world.

Exhibit 31: NKT Revenue split by sub-division (%)

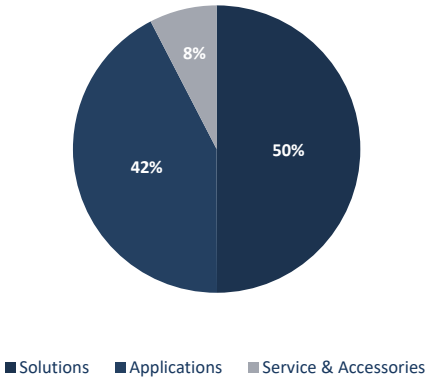
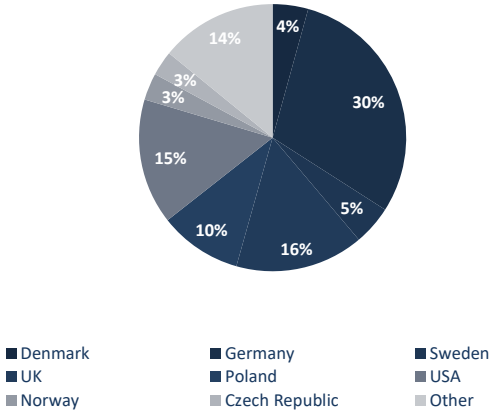


Exhibit 32: NKT Revenue split by region (%)



Source: The Company, AXIA Research

NKT's operational structure focuses on delivering products and solutions ranging from 1kV (LV) up to 525kV (HV), across three different divisions and through 10 plants all over Europe. Specifically, the group operates:

Solutions

Two (2) high-voltage factories in:

- **Karlskrona, Sweden (offshore)** – HV, submarine, fibre optic products, superconducting, HV accessories, MV
- **Cologne, Germany (onshore)** – Production, installation and service of HV cables in both AC and DC for submarine and underground applications

Applications

Six (6) factories across:

- **Asnaes, Denmark** – 1kV and MV cables of up to 72kV
- **Falun, Sweden** – Building wires, 1kV, MV and HV cables of up to 170kV with accessories
- **Kladno, Czech Republic** – LV cables of up to 1kV, low fire-hazard cables
- **Runcorn, United Kingdom**
- **Velké Meziříčí, Czech Republic** – MV cables of up to 50kV
- **Warszowice, Poland** – LV cables

Accessories

Two (2) factories across:

- **Alingsås, Sweden** – AC cables accessories 1kV – 420kV and accessories for extruded HVDC cables
- **Nordenham, Germany** – Premium MV power cable accessories

NKT is currently implementing an investment plan of EUR 1bn, with a heavy skew towards the expansion of the HV production capacity of the Karlskrona plant in Sweden, with extra capacity for the production of HVDC power cable solutions and accessories (increased capacity to be contributing to revenues from 2027 onwards). As part of the investment plan, NKT will be adding a market-leading cable laying vessel for offshore installation to its fleet, next to the NKT Victoria that is in operation currently, with a carrying capability of up to 11,000 tonnes of HV cables and 500 tonnes of fibre optic tank below deck.

NKT has a backlog of EUR 10.8bn in high voltage (HV) projects, more than 75% of which is contracted with large European Transmission System Operators (TSOs). The backlog split reveals a strong concentration between interconnectors (50%) and offshore wind projects (45), as well as a mere 5% in power-from-shore projects. The group has guided for a EUR 2.8-3.1bn backlog execution between 2024-2025.

Exhibit 33: Key figures of Cable peers

	Prysmian			Nexans			NKT			Cenergy (Cables segment)		
	FY23	FY24E	FY27E	FY23	FY24	FY28E	FY23	FY24E	FY28E	FY23	FY24E	FY28E
Revenues	15,354			7,790			2,567	2,300	4,000	1,047	1,124	2,117
EBITDA	1,628	1,925	2,000	665	750-800		254	285-335	>550	150	177	349
Growth Capex		1,800			200			1,000			285	
Maintenance capex yearly		130			170			100			50	
Backlog		18,000			6,700			11,300			2,820	
Years of backlog		9[1]			5[2]			4.5[3]			5[4]	
Cable Laying Vessels		8			2 (+1)*			1 (+1)*			0	
Voltage		525			525			525			400	
EV/EBITDA Ratio	8.8x	10.7x		5.5x	8.5x		10.5x	9.7x		8.1x	8.8x	
Net Debt / EBITDA Ratio	0.8x	2.2x		0.3x	0.0x		-2.6x	-2.9x		1.8x	1.7x	

*Highlighted cells denote projections of the companies, *1 new vessel on order, (1) Concerns Transmission, (2) concerns Generation & Transmission, (3) excludes EUR 2.5bn capacity reservations, (4) concerns cables projects, Source: The Company, AXIA Research*

TKH

TKH Smart Connectivity Division offers land and subsea medium and high voltage power cable solutions as well as fibre cables with total divisional sales of c. EUR 800m annually. More than 90% of sales are in Europe half of which in Netherlands. TKH has recently expanded cable capacity in the Netherlands for medium and high voltage cables in Lochem and inter-array subsea cables in Eemshaven. Total capital expenditure for the expansion amounted to EUR 150m and is expected to bring EUR 250-300m in revenue. Currently, the subsea capacity that amounts to 1,200km of cables per year is expected to be 50% utilised in 2025. TKH presents a negative outlier in an otherwise solid market where all other players have solid multi-year order books, while TKH only targets 50% capacity utilisation for the second year of operation.

Southwire

Revenue of USD 9bn in 2023, is one of the largest US cable manufacturers. They offer LV and MV products.

Tratos

Cables up to 245 kV (both subsea and land).

Pipes

Tenaris

Tenaris operates 5 electric steel shops, 12 seamless pipe mills, 25 welded pipe mills and 59 heat treatment lines.

Exhibit 33: Tenaris Sales Volume Split by product (%)

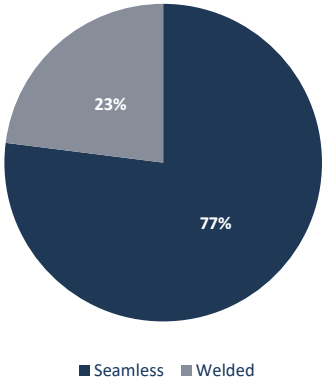
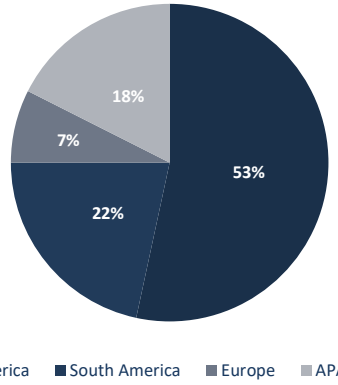


Exhibit 34: Tenaris Revenue by region (%)



Source: The Company, AXIA Research

Welspun

Welspun is headquartered in India with a market cap of EUR 2.1bn and a FY24E EBITDA of c. EUR 180m at 10.3% margin. Line Pipes division manufactures large diameter pipes from 5 manufacturing sites competing directly with Tenaris and Corinth Pipeworks. It serves Oil and Gas and Pharma, New Energy and Water industries in India, US and Saudi Arabia and it grew volumes by 49% in 2023.

Exhibit 35: Welspun Sales Volume Split by product (%)

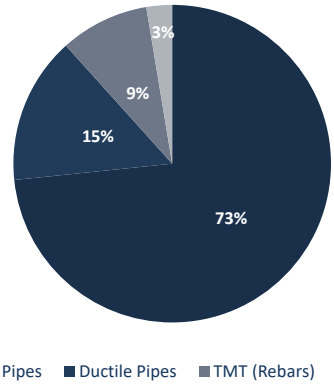
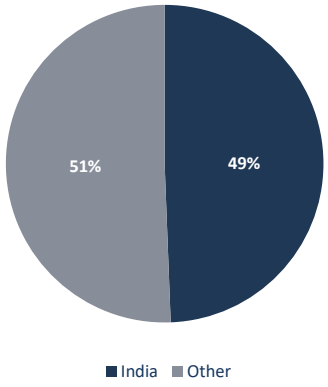


Exhibit 36: Welspun Revenue by region (%)



**Countries that do not account for more than 10%, Source: The Company, AXIA Research*

Detailed Financials

P&L	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E
Revenues	**1,054.2**	**1,426.0**	**1,627.7**	**1,618.2**	**1,963.1**	**2,286.2**	**2,345.4**	**2,556.2**	**2,722.8**
y-o-y growth		*35.3%*	*14.1%*	*-0.6%*	*21.3%*	*16.5%*	*2.6%*	*9.0%*	*6.5%*
…o/w Steel pipes	*229.9*	*461.6*	*580.9*	*493.7*	*503.6*	*513.7*	*523.9*	*534.4*	*545.1*
y-o-y growth	*0.0%*	*100.8%*	*25.8%*	*-15.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
…o/w Cables	*824.3*	*964.4*	*1,046.9*	*1,124.5*	*1,459.5*	*1,772.5*	*1,821.4*	*2,021.8*	*2,177.7*
y-o-y growth	*0.0%*	*17.0%*	*8.6%*	*7.4%*	*29.8%*	*21.4%*	*2.8%*	*11.0%*	*7.7%*
Other Income	7.1	6.8	5.8	8.1	9.8	11.4	11.7	12.8	13.6
EBIT	**57.6**	**100.4**	**168.5**	**219.5**	**273.6**	**326.9**	**319.0**	**358.7**	**389.2**
EBIT margin	*5.5%*	*7.0%*	*10.4%*	*13.6%*	*13.9%*	*14.3%*	*13.6%*	*14.0%*	*14.3%*
D&A	*25.7*	*27.2*	*29.9*	*36.3*	*40.9*	*44.8*	*48.4*	*51.4*	*53.9*
EBITDA	**83.3**	**127.6**	**198.4**	**255.7**	**314.5**	**371.7**	**367.4**	**410.2**	**443.1**
EBITDA margin	*7.9%*	*8.9%*	*12.2%*	*15.8%*	*16.0%*	*16.3%*	*15.7%*	*16.0%*	*16.3%*
Net finance cost	**(29.0)**	**(36.5)**	**(74.0)**	**(59.7)**	**(44.9)**	**(32.3)**	**(25.3)**	**(18.3)**	**(18.3)**
Share of profit from associates	*1.9*	*6.1*	*0.8*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
EBT	**30.5**	**70.0**	**95.4**	**159.7**	**228.7**	**294.6**	**293.7**	**340.5**	**371.0**
Taxes	(8.4)	(9.5)	(22.4)	(35.1)	(50.3)	(64.8)	(64.6)	(74.9)	(81.6)
Effective tax rate	*27.6%*	*13.6%*	*23.5%*	*22.0%*	*22.0%*	*22.0%*	*22.0%*	*22.0%*	*22.0%*
EAT	**22.1**	**60.4**	**73.0**	**124.6**	**178.4**	**229.8**	**229.1**	**265.6**	**289.4**
Minorities	0	0	0	0	0	0	0	0	0
Net Income	**22.1**	**60.4**	**73.0**	**124.6**	**178.4**	**229.8**	**229.1**	**265.6**	**289.4**

Balance Sheet	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E
PP&E	479.9	529.9	636.1	788.8	893.3	982.8	1,060.8	1,098.1	1,135.4
Other non-current assets	79.8	90.7	85.1	81.1	77.1	73.1	69.1	65.1	61.1
Total non-current assets	**559.8**	**620.6**	**721.2**	**869.9**	**970.4**	**1,055.9**	**1,130.0**	**1,163.3**	**1,196.5**
Inventories	284.0	507.5	444.4	443.4	537.8	626.3	642.6	700.3	746.0
Trade and other receivables	132.0	192.8	243.6	242.2	293.8	342.1	351.0	382.5	407.4
Cash and cash equivalents	129.6	167.2	183.4	327.4	240.0	213.6	227.7	396.5	590.5
Other current assets	100.5	210.7	246.6	246.6	246.6	246.6	246.6	246.6	246.6
Total current assets	**646.2**	**1,078.2**	**1,118.0**	**1,259.6**	**1,318.2**	**1,428.7**	**1,467.8**	**1,725.9**	**1,990.5**
Share capital	117.9	117.9	117.9	317.9	317.9	317.9	317.9	317.9	317.9
Share premium	58.6	58.6	58.6	58.6	58.6	58.6	58.6	58.6	58.6
Reserves	33.1	37.8	42.7	42.7	42.7	42.7	42.7	42.7	42.7
Retained earnings	68.0	127.3	185.8	291.7	443.3	638.6	833.4	1,059.1	1,305.0
Total Equity	**277.5**	**341.6**	**405.0**	**710.9**	**862.6**	**1,057.9**	**1,252.6**	**1,478.3**	**1,724.3**
Loans and borrowings	174.9	127.2	208.4	208.4	208.4	208.4	208.4	208.4	208.4
Other non-current liabilities	69.1	66.0	79.9	79.9	79.9	79.9	79.9	79.9	79.9
Total non-current liabilities	**244.0**	**193.1**	**288.3**	**288.3**	**288.3**	**288.3**	**288.3**	**288.3**	**288.3**
Loans and borrowings	215.7	474.7	344.0	344.0	244.0	144.0	44.0	44.0	44.0
Trade and other payables	422.6	549.3	519.9	504.4	611.8	712.5	731.0	796.7	848.6
Other current liabilities	46.1	139.9	281.9	281.9	281.9	281.9	281.9	281.9	281.9
Total current liabilities	**684.4**	**1,164.0**	**1,145.8**	**1,130.2**	**1,137.7**	**1,138.4**	**1,056.9**	**1,122.6**	**1,174.5**

Cash Flow Statement	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E
Profit/(Loss) after tax	**22.1**	**60.4**	**73.0**	**124.6**	**178.4**	**229.8**	**229.1**	**265.6**	**289.4**
Income Tax	8.4	9.5	22.4	35.1	50.3	64.8	64.6	74.9	81.6
Depreciation	22.6	24.3	25.8	36.3	40.9	44.8	48.4	51.4	53.9
Net finance costs	29.0	36.5	74.0	59.7	44.9	32.3	25.3	18.3	18.3
Share of profit/loss of equity	(1.9)	(6.1)	(0.8)	0.0	0.0	0.0	0.0	0.0	0.0
Changes in:									
Inventories	(70.7)	(223.4)	64.8	1.0	(94.5)	(88.5)	(16.2)	(57.8)	(45.6)
Trade receivables	(19.3)	(63.8)	(55.6)	1.4	(51.6)	(48.3)	(8.9)	(31.5)	(24.9)
Trade payables	173.4	121.3	(39.3)	(15.6)	107.5	100.7	18.5	65.7	51.9
Other	(20.2)	(11.0)	127.1	4.0	4.0	4.0	4.0	4.0	4.0
Cash from operations	**143.4**	**(52.2)**	**291.2**	**246.6**	**279.9**	**339.5**	**364.8**	**390.6**	**428.4**
Interest charges related expenses paid	(27.1)	(35.6)	(68.3)	(59.7)	(44.9)	(32.3)	(25.3)	(18.3)	(18.3)
Income taxes paid	(3.8)	(9.4)	(14.3)	(35.1)	(50.3)	(64.8)	(64.6)	(74.9)	(81.6)
Operating Cash Flow	**112.5**	**(97.3)**	**208.6**	**151.7**	**184.7**	**242.5**	**274.9**	**297.4**	**328.6**
Acquisition of PPE	(41.1)	(70.6)	(128.2)	(187.0)	(146.5)	(108.2)	(105.0)	(66.9)	(68.8)
Dividends received	0.7	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Other	(3.3)	(0.7)	1.3	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Investing Cash Flow	**(43.7)**	**(70.9)**	**(126.6)**	**(191.0)**	**(150.5)**	**(112.2)**	**(109.0)**	**(70.9)**	**(72.8)**
Proceeds from new borrowings	89.3	245.6	121.3	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of borrowings	(108.1)	(38.5)	(174.8)	0.0	(100.0)	(100.0)	(100.0)	0.0	0.0
Dividends paid	0.0	0.0	(9.5)	(18.7)	(26.8)	(34.5)	(34.4)	(39.8)	(43.4)
Share capital increase proceeds	0.0	0.0	0.0	200.0	0.0	0.0	0.0	0.0	0.0
Other	(1.7)	(1.3)	(2.0)	0.0	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	**(20.5)**	**205.8**	**(65.0)**	**181.3**	**(126.8)**	**(134.5)**	**(134.4)**	**(39.8)**	**(43.4)**
Cash and equivalents BoP	**81.0**	**129.6**	**167.2**	**183.4**	**327.4**	**240.0**	**213.6**	**227.7**	**396.5**
Change	48.6	37.6	16.2	144.0	(87.5)	(26.3)	14.0	168.8	194.0
Cash and equivalents EoP	**129.6**	**167.2**	**183.4**	**327.4**	**240.0**	**213.6**	**227.7**	**396.5**	**590.5**

Per share data	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E
EPS	0.12	0.32	0.38	0.59	0.84	1.08	1.08	1.25	1.36
BVPS	1.30	1.63	1.94	3.20	3.93	4.87	5.80	6.88	8.06
DPS	0.00	0.05	0.08	0.09	0.13	0.16	0.16	0.19	0.20

Valuation ratios	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E
P/E	40.7	9.5	18.7	14.8	10.4	8.1	8.1	7.0	6.4
EV/Adjusted EBITDA	11.2	7.4	8.1	8.1	6.6	5.4	5.1	4.2	3.4
EV/Adjusted EBIT	14.8	9.2	9.5	9.5	7.6	6.1	5.9	4.8	3.9
EV/Sales	1.1	0.7	1.1	1.3	1.1	0.9	0.8	0.7	0.6
P/BV	3.7	1.9	3.7	2.7	2.2	1.8	1.5	1.3	1.1
RoCE	8.9%	11.2%	17.5%	17.3%	20.7%	23.0%	21.1%	20.6%	19.6%

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 CENERGY HOLDINGS

Date	Rating	Share Price (EUR)	Target Price (EUR)
18/03/2021	Buy	2.1	3.30
06/11/2024	Buy	8.71*	11.70

*Share price as of 05/11/2024

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