

Alro

Hold

Downgraded from Buy

Price: RON 1.42
Price target: RON 1.62
(from RON 4.40)

Loss-making without State aid

We have revised our estimates to account for the reduction in electrolytic aluminium production and the new market conditions in terms of aluminium and power prices. Although aluminium prices are now significantly above the levels of previous years, the 3-4x increase in power prices has rendered Alro's production of electrolytic aluminium uneconomic. We estimate that the cost per ton to produce stands c.65% above LME aluminium prices currently. In this environment, the 60% reduction in production for electrolytic aluminium, coupled with a stronger reliance on internal and external scrap and ingots purchased from third parties, makes sense to us, given that the latter are accounted for/acquired at a discount to LME aluminium price. We see an easing in power prices from 2024E-onwards which, we expect, could allow Alro to restore production levels for electrolytic aluminium to closer to past years. Aided by compensation for indirect emissions for 2021-22E, we see the 2022E net profit reaching RON 305m, then falling to RON 193m in 2023E, assuming lower aluminium prices and compensation booked for just one year. We estimate lower net profit again yoy in 2024E, despite higher production of electrolytic aluminium, with profitability finally improving from 2025E, on the back of falling power prices. We continue to value Alro using a combination of our DCF analysis, and peer group multiples, which yields a 12M PT of RON 1.62 (vs. RON 4.40, previously), offering just 14% upside vs. the current price. We have downgraded the stock from Buy to HOLD.

Aluminium prices were strong in 1Q22, but could retreat from 2Q22E. The LME aluminium price stood at USD 3,280/t in 1Q22, but has since dropped to USD 2,800/t. We understand from the management that Chinese supply could be putting pressure on aluminium price and margins, and thus anticipate a less rosy outlook for the rest of the year. We assume an average aluminium price of USD 2,900/t for 2022E. We see further pressure in 2023E, with prices stabilising at USD 2,400/t from 2024E-onwards. Falling aluminium prices could be accompanied by falling power prices, in our view, which should ease Alro's margin pressure.

Compensation for indirect emissions to be approved this year. With soaring power prices, we see the cost of electrolytic aluminium exceeding USD 4,700/t, and even with the shift in production towards scrap/ingot processing, we expect gross margins to be negative. As such, we see the compensation for indirect emissions as key to the profitability of Alro, potentially covering 63-74% of the power costs to produce electrolytic aluminium over 2022-26E.

A discount to its peers, but negative FCF. Alro trades at 64%/35% discounts vs. its international peers on our 2022E/23E P/Es of 3.3x/5.2x, and 43%/13% discounts on our 2022E/23E EV/EBITDA of 3.5x/4.6x. We anticipate negative FCF in 2022E and a near-zero FCF in 2023E, which weighs on our DCF.

Key risks. Macro slowdown and competition from Chinese producers affecting aluminium prices and premiums; delays in the approval/payment of State aid; the risk of power prices remaining elevated; liquidity and overhang risks.

Expected events

2Q22 results	10 August
3Q22 results	14 November

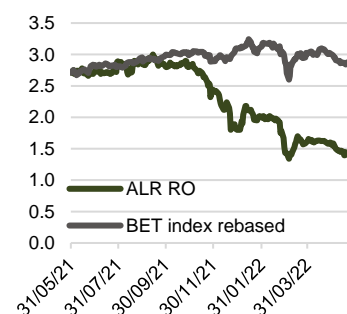
Key data

Market cap	EUR 205.1m
Free float	12.4%
Shares outstanding	713.8m
Major shareholder	Vimetco NV 54.2%
3M ADTV	EUR 19.8k
Bloomberg Code	ALR RO
BET Index	12,391.31

Price performance

52-w range	RON 1.34-3.00
52-w performance	-48%
Relative performance	-57%

Alro 12M share price performance



Year	Sales (RONm)	EBITDA (RONm)	Net Profit (RONm)	EPS (RON)	EPS growth	P/E (x)	EV/EBITDA (x)	ROE (%)	DPS (RON)	Dividend Yield
2019	2,778	247	-67	-0.09	-129%	-24.7	11.5	-7.0%	0.00	0.0%
2020	2,515	567	335	0.47	-593%	4.8	4.4	36.1%	0.00	0.0%
2021	3,500	381	26	0.04	-92%	38.3	4.9	2.4%	0.00	0.0%
2022E	3,671	647	305	0.43	1051%	3.3	3.5	24.1%	0.00	0.0%
2023E	3,232	506	193	0.27	-37%	5.2	4.6	12.8%	0.00	0.0%
2024E	3,827	489	173	0.24	-11%	5.9	5.2	10.2%	0.00	0.0%

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Closing Prices as of 27 May 2022


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Company snapshot - HOLD, RON 1.62

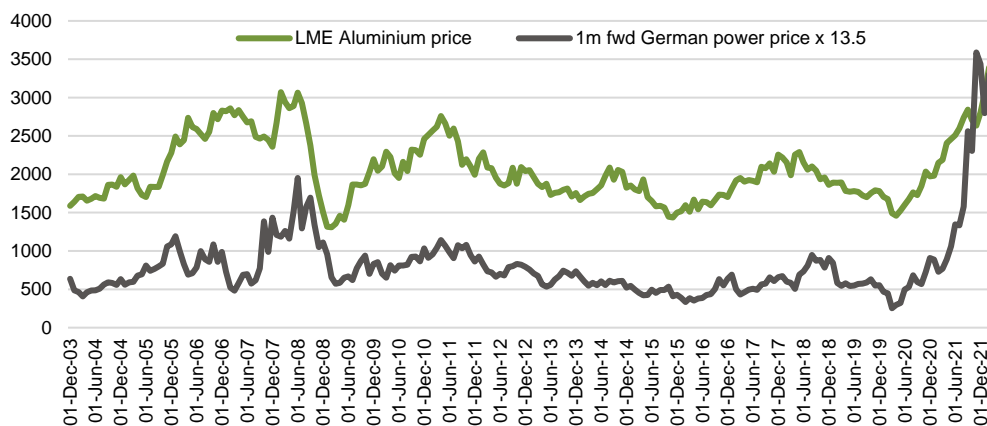
		SHARE PRICE PERFORMANCE				COMPANY DESCRIPTION									
Bloomberg ticker	ALR RO					Alro is an integrated aluminium producer, with its own bauxite mines in Sierra Leone and an alumina refinery with a capacity of 600ktpa in Tulcea, Romania. It can produce up to 265ktpa of electrolytic aluminium in Slatina, Romania and has recycling capacity of 35ktpa of aluminium scrap. The company can process up to 100ktpa of flat-rolled products and has capacity of 25ktpa for extruded products. Alro is targeting increasing its recycling capacity to 100ktpa, and its processed aluminium production capacity to 156ktpa. The company does not have its own power production but management expects to benefit from the scheme set up at the European level to compensate for indirect emissions costs. Following the surge in 2022E power prices, it announced that it is reducing production of electrolytic aluminium by 60%, focusing instead on processing scrap and ingots from third parties.									
Closing price (RON)	1.42														
Price target (RON)	1.62														
Upside to PT	14%														
Shares outstanding (m)	713.8														
MCAP (EUR bn)	205.1														
Free float	12%														
ADTV (EUR '000)	19.8														
52 Week Range (EUR)	1.34 - 3.00														
Ratios															
PER SHARE RATIOS		2019	2020	2021	2022E	2023E	2024E	VALUATION RATIOS		2019	2020	2021	2022E	2023E	2024E
EPS	-0.09	0.47	0.04	0.43	0.27	0.24		P/E	-24.7x	4.8x	38.3x	3.3x	5.2x	5.9x	
CFPS	-0.06	0.35	0.12	-0.49	-0.11	-0.31		P/CF	-38.1x	6.5x	11.8x	-2.9x	-12.7x	-4.6x	
BVPS	1.08	1.52	1.56	1.99	2.26	2.50		P/BV	2.2x	1.5x	0.9x	0.7x	0.6x	0.6x	
DPS	0.00	0.00	0.00	0.00	0.00	0.00									
FINANCIAL RATIOS		2019	2020	2021	2022E	2023E	2024E	EV/EBITDA		11.5x	4.4x	4.9x	3.5x	4.6x	5.2x
Gross Profit margin	8%	0%	14%	-7%	-14%	-19%		EV/Sales	1.0x	1.0x	0.5x	0.6x	0.7x	0.7x	
EBITDA margin	9%	23%	11%	18%	16%	13%		EV/EBIT	28.6x	6.2x	8.2x	4.6x	6.8x	7.9x	
EBIT margin	4%	16%	7%	13%	11%	8%									
Net margin	-2%	13%	1%	8%	6%	5%		Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
ROE	-7%	36%	2%	24%	13%	10%		Payout ratio	0%	0%	0%	0%	0%	0%	
ROIC	10%	19%	5%	15%	10%	8%		FCF yield	12%	-3%	15%	8%	-35%	-8%	
ROA	-2%	13%	1%	10%	5%	4%									
Net debt / EBITDA	1.4x	1.3x	1.9x	1.8x	1.3x	0.0x									
Bank debt to equity	1.6x	0.9x	1.1x	1.0x	0.9x	0.9x									
Financials															
INCOME STATEMENT, RONm		2019	2020	2021	2022E	2023E	2024E	BALANCE SHEET, RONm		2019	2020	2021	2022E	2023E	2024E
Revenues	2,778	2,515	3,500	3,671	3,232	3,827		Cash & cash equivalents	83	106	328	226	146	126	
o/w primary	1,192	1,110	1,470	1,091	880	1,392		Accounts receivable	76	51	75	79	69	82	
o/w processed	1,351	1,247	1,696	2,387	2,169	2,258		Inventories&other	829	678	1,006	1,055	929	1,100	
o/w alumina	141	97	157	119	108	101		Total current assets	1,134	1,341	1,550	2,164	2,339	2,780	
o/w bauxite	77	51	15	15	15	15		PP&E	1,169	1,089	1,098	1,090	1,080	1,076	
Gross profit	227	-7	493	-266	-439	-722		Other LT assets	159	200	224	224	224	224	
EBITDA	247	567	381	647	506	489		Total fixed assets	1,328	1,289	1,322	1,314	1,304	1,300	
EBITDA margin	9%	23%	11%	18%	16%	13%		Total assets	2,462	2,629	2,872	3,478	3,643	4,080	
EBIT	99	400	228	489	346	325		Other current liabilities	973	324	270	270	270	270	
Pre-tax profit	-33	366	58	363	230	205		Accounts payable	206	234	315	330	291	344	
Net profit	-67	335	26	305	193	173		Total current liabilities	1,179	558	585	601	561	615	
CASH FLOW, RONm		2019	2020	2021	2022E	2023E	2024E	Debt	380	852	1,045	1,320	1,330	1,540	
CF from Operations	98	323	241	-203	70	-60		Provisions and other	83	87	84	85	86	87	
Of which depreciation	153	167	153	158	161	164		Other LT liabilities	49	45	41	51	51	51	
Of which changes in w/c	-25	-164	9	-701	-294	-407		Total liabilities	1,692	1,542	1,755	2,057	2,028	2,293	
CF from Investments	-141	-77	-155	-150	-150	-160		Minority interest	2	3	2	2	2	2	
Of which capex	-159	-83	-148	-150	-150	-160		Total shareholders' equity	768	1,085	1,114	1,419	1,612	1,784	
FCF	-44	247	86	-353	-80	-220		Total liab. & equity	2,462	2,629	2,872	3,478	3,643	4,080	
Dividends	-325	0	0	0	0	0		Net Debt	1,171	870	854	1,232	1,322	1,552	
Net equity issues	0	0	0	0	0	0									
Change in Net debt	424	-301	-16	378	90	230									
Growth rates		2019	2020	2021	2022E	2023E	2024E	Main assumptions		2019	2020	2021	2022E	2023E	2024E
Sales growth	-7%	-9%	39%	5%	-12%	18%		RON/EUR	4.75	4.84	4.92	4.95	5.02	5.10	
EBITDA growth	-49%	129%	-33%	70%	-22%	-3%		RON/USD	4.24	4.24	4.16	4.55	4.62	4.69	
EBIT growth	-73%	303%	-43%	114%	-29%	-6%		USD/EUR	1.12	1.14	1.18	1.09	1.09	1.09	
Net income growth	-129%	-598%	-92%	1058%	-37%	-11%		Power price, RON/MWh	237	254	275	760	859	717	
Gross profit breakdown per segment		2019	2020	2021	2022E	2023E	2024E	CO2 price, EUR/ton	25	25	52	81	83	85	
Primary aluminium	55	-64	224	-100	-95	-231		LME Aluminium spot (USD /t)	1,791	1,704	2,480	2,900	2,600	2,400	
Processed aluminium	33	-34	110	-258	-419	-570		Primary aluminium premium (USD/t)	431	346	367	250	350	350	
Alumina	74	28	38	42	26	29		Processed aluminium premium (USD/t)	1,340	1,207	1,177	1,400	1,250	1,250	
Bauxite	54	43	44	40	40	40									
Volumes produced		2019	2020	2021	2022E	2023E	2024E	Volumes sold to third parties		2019	2020	2021	2022E	2023E	2024E
ktpa	280	271	293	255	257	314		kt	127	128	124	76	65	108	
Primary aluminium	105	98	114	122	132	142		Primary aluminium	102	101	111	122	122	132	
Processed aluminium	461	426	499	219	219	350		Processed aluminium	81	60	96	50	50	50	
Alumina	1,884	1,342	1,397	656	656	1,050		Alumina	339	350	0	65	65	70	
Bauxite								Bauxite							

Source: Company data, WOOD Research

Changes to our forecasts

Power represents a hefty proportion of electrolytic aluminium production costs. Aluminium producers require a minimum of 13MWh of power to produce 1t of aluminium. Looking at past aluminium and European power prices, the cost to produce 1t of electrolytic aluminium, assuming 13.5MWh of power used, stood at less than 40% of the LME aluminium price. At present, this is up to 100% of current aluminium prices. Thus, without a cheap source of power, which is not linked to current European power prices, electrolytic aluminium production is uneconomic at present. We expect power prices to move lower from 2024E, but not much below EUR 100/MWh.

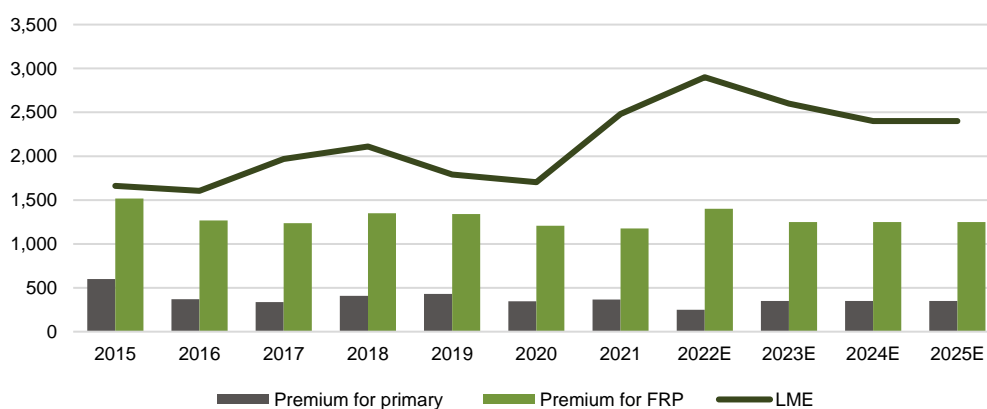
LME Aluminium price, 1m fwd German power price x 13.5



Source: Bloomberg, WOOD Research

We expect pressure on aluminium price and margins going forward. With competition from Chinese producers intensifying, Alro's management sees pressure on both margins and aluminium prices in 2H22E. Thus, for FY22E, we have assumed an average aluminium price of USD 2,900/t, vs. USD 3,280/t in 1Q22. After the current boom in commodities prices, and also given the risk of slowing GDP growth, we see aluminium prices moving towards USD 2,600/t in 2023E (from USD 2,800/t at present). As we assume an easing in gas and power prices from 2024E, we expect to see aluminium prices falling further to USD 2,400/t from 2024E-onwards, although still 20% above the average of the last 10 years. Looking at the premiums achieved in 1Q22, these were very weak in primary products, probably due to increased competition, but very generous in processed products. We assume that margins for primary products remain weak for the rest of the year, as well. We then expect margins to decline for processed products, but still remain elevated compared with past years. From 2023E-onwards, we forecast that margins remain close to the averages of past years, at USD 350/t for primary products and USD 1,250/t for processed products.

Aluminium price and premiums, USD/t



Source: Company data, WOOD Research

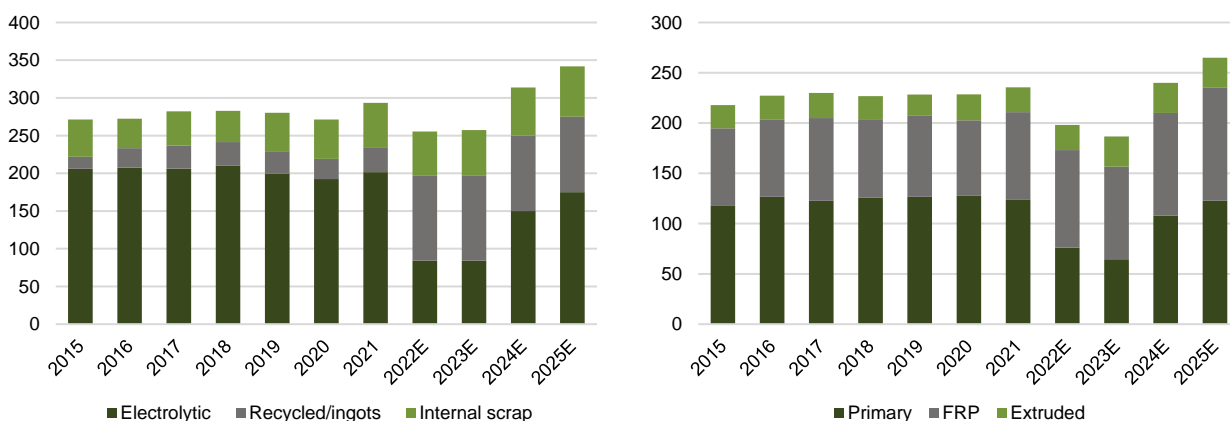
A focus on scrap processing to reduce average production costs per ton. Although Alro managed a positive gross profit margin of 9% in 1Q22, with lower aluminium prices and pressure on margins from 2Q22E-onwards, we expect this to turn negative, to -7.2% for FY22E (-9% in Alro's 2022E budget). The

main reason for the negative margin is the high cost of producing electrolytic aluminium, which we calculate at c.USD 4,700/t. We see the latter staying relatively flat in 2023E, then falling from 2024E on the back of lower power prices, to closer to USD 3,500/t in 2025E: still significantly above our estimated aluminium price. To compensate for the decline in electrolytic aluminium production, Alro has increased the volumes of scrap used, while also purchasing and processing ingots into semi-finished wire rod. According to management, processing scrap/ingots reduces power consumption by 95% compared with electrolytic aluminium. Scrap (both external and internal) and ingots are purchased and accounted for at a discount to the LME aluminium price, reducing the average cost vs. cast primary aluminium products.

We see a similar production schedule in 2023E, with the bulk of primary production coming from scrap and ingots. We then assume that production of electrolytic aluminium could rise to 150kt in 2024E and 175kt from 2025E-onwards. With the increase in electrolytic aluminium production, we see the need to process external scrap at c.100ktpa from 2024E-onwards. The company had previously stated a goal of processing up to 90ktpa of scrap, and this year's shift in production has accelerated moves in that direction. We also expect the focus on processed products to continue, with volumes rising towards the targets of 120ktpa of processed products and 35ktpa of extruded products.

Primary aluminium production, ktpa

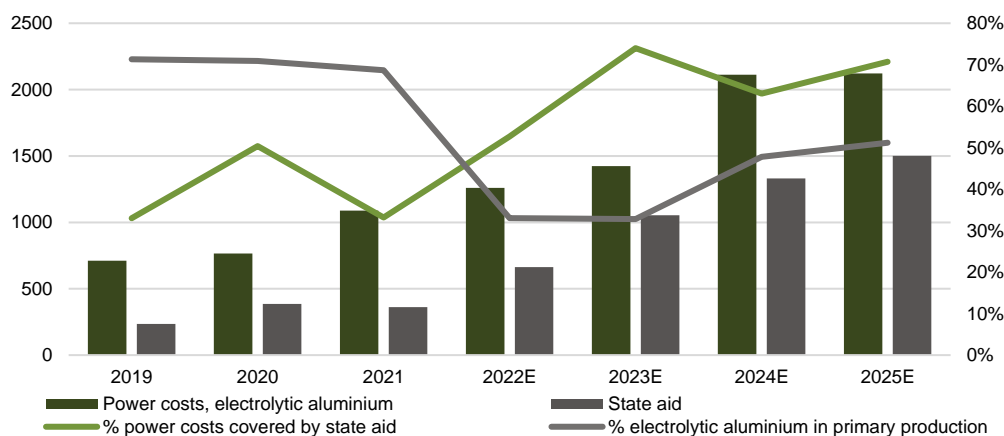
Volumes sold, ktpa



Source: Company data, WOOD Research

The scheme aimed at protecting energy-intensive industries from the impact of CO2 prices on energy prices, adopted at European level for the 2021-30, gives Alro the right to receive 10x the price of a CO2 certificate from the year prior to the reference year for each ton of primary aluminium produced. The compensation is set taking into account: the aid intensity (0.75), applicable CO2 emissions factor (0.96); an applicable product-specific electricity consumption efficiency benchmark (13.9MWh/t of product); the actual output; and CO2 prices from the year t-1. In other words, assuming Alro were to produce just electrolytic aluminium, for each MWh of power used for production, the company would receive 0.76x the price of the CO2 certificate from year t-1. In past years, 70-75% of primary aluminium production has been electrolytic aluminium. Based on the company's production schedule for this year, we expect the percentage to drop to 33% and assume that it stays close to 33% in 2023E.

Estimated power costs electrolytic aluminium, state-aid, RONm



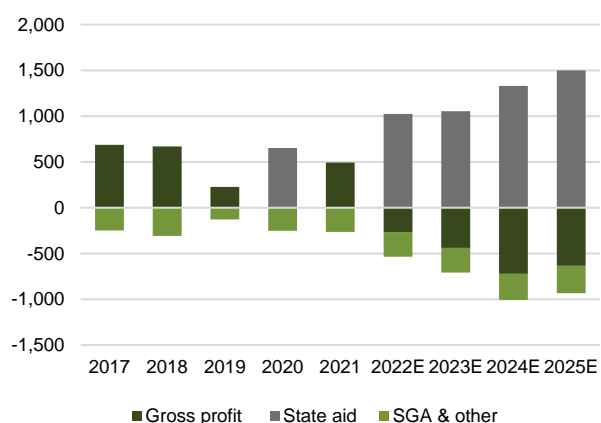
Source: Company data, WOOD Research

Given that the compensation is received for all the primary output (not just electrolytic aluminium), the low percentage of electrolytic aluminium produced allows Alro to cover c.73-74% of its power costs from the compensation over 2022-23E and enables it to become profitable. In the graph above, we have accounted for State aid in the year that for which it is due for: not when it is actually received or booked in accounting.

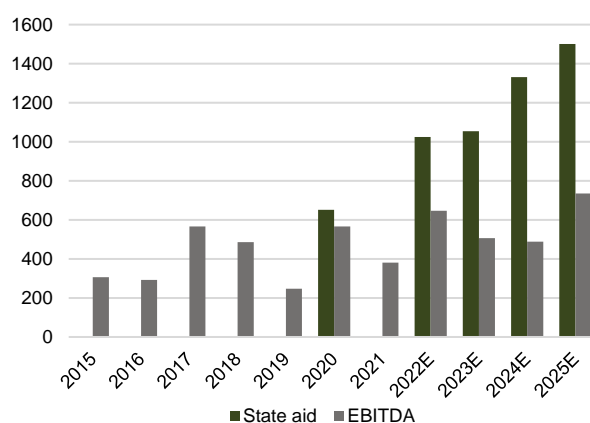
We assume rising production of electrolytic aluminium from 2024E. We see a risk from Alro producing a low percentage of electrolytic aluminium, as the State could reconsider the suitability of the formula and allow Alro to be compensated just for the production of electrolytic aluminium. This is one of the reasons why we expect it to restart production of electrolytic aluminium as soon as possible.

Compensation scheme to be adopted within months. The local government has taken steps to adopt the European legislation allowing energy-intensive players to be compensated for the rise in power prices from carbon allowances. We understand from Alro's management that the government has sent pre-notification regarding the State-aid scheme to the European Commission and the whole approval process should take several months. It expects to receive compensation sometime towards end-2Q22E/early-3Q22E. We anticipate that it should receive the compensation for 2021 (RON 361m) in 2022E; for 2022E (RON 663m) in 2023E; for 2023E (RON 1.0bn) in 2024E, etc. We expect it to book the combined compensation for 2021 and 2022E this year, however, amounting to c. RON 1.0bn; then compensation for 2023E (RON 1.1bn) in 2023E; and for 2024E (RON 1.3bn reflecting higher primary aluminium production) in 2024E, etc. The same thing happened in 2020, when the previous State aid scheme was approved by the government. In 2020, Alro booked the compensation for both 2019 and 2020, and cashed in the compensation for 2019, while the compensation for 2020 was received in October 2021.

Gross profit, SGA, state aid, RONm



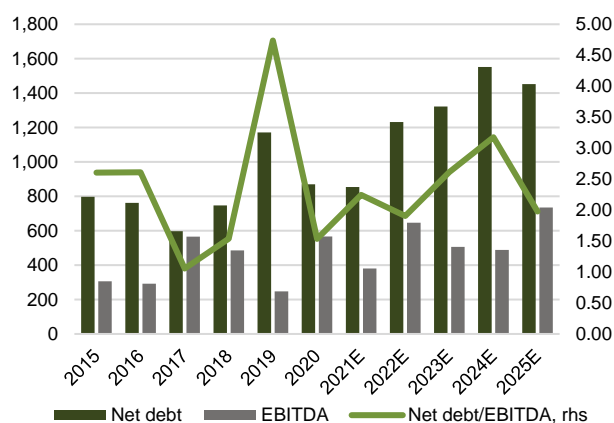
EBITDA, state aid, RONm



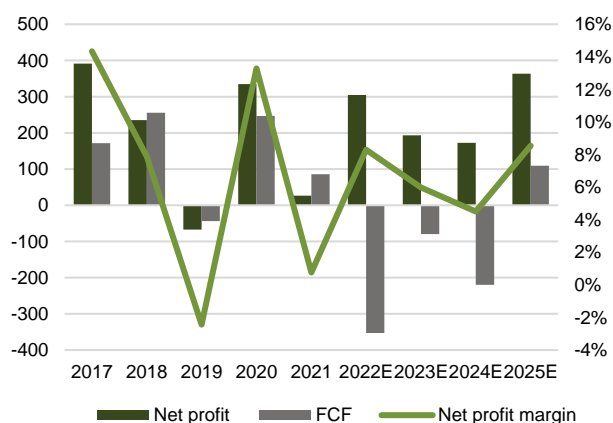
Source: Company data, WOOD Research

We anticipate negative free cash flows in 2022E, as we assume that only the compensation for 2021 is cashed in this year, although we expect to see the impact from the compensation for both 2021 and 2022E in the 2022E net profit. On our estimates, negative FCF would be accompanied by a rise in net debt from RON 854m as of end-2021 to RON 1.2bn as of end-2022E. Alro does not have a dividend policy and, given the cash-flow constraints, we assume that it does not pay dividends during our forecasting period.

Net debt, EBITDA (RONm), net debt/EBITDA



Net profit, FCF (RONm), net profit margin



Source: Company data, WOOD Research

Valuation - HOLD, PT at RON 1.62/share

Upside potential of 14%. Our price target (PT) of RON 1.62/share is based on two major valuation tools: i) our DCF model, implying RON 1.38; and ii) a comparable valuation, based on the average of the 2022-24E EV/EBITDA multiples of its peer group, implying RON 1.85. In both methods we have applied a 20% discount for the lack of liquidity.

Valuation summary

RON	12m PT
DCF	1.38
Peers	1.85
Average	1.62
Share price	1.42
Upside	14%

Source: WOOD Research

Discounted cash flow valuation: PT of RON 1.38/share

Our DCF valuation yields a PT of RON 1.38. This is based on the following assumptions:

- ✓ A WACC of 11.5%, based on: a risk free rate of 6.5% and an equity risk premium of 5%; a debt risk premium of 4% and a tax rate of 16%; an unlevered Beta of 0.85 and a levered Beta of 1.55, based on the firm's current capital structure; and a capital structure of debt to total capital of 50%.
- ✓ A 1% terminal growth rate.
- ✓ A liquidity discount of 20%.

Discounted cash-flows

RONm	2022E	2023E	2024E	2025E	2026E
Sales	3,671	3,232	3,827	4,253	4,492
EBITDA	647	506	489	735	742
EBITDA margin	17.6%	15.7%	12.8%	17.3%	16.5%
EBIT	489	346	325	567	571
Tax rate	-16%	-16%	-16%	-16%	-16%
NOPLAT	411	290	273	476	479
D&A	158	161	164	168	172
Capex	-150	-150	-160	-170	-180
Change in working capital	-700	-293	-406	-262	-97
FCFF	-281	7	-129	212	374
Discount factor	0.94	0.84	0.75	0.68	0.61
Discounted FCFF	-264	6	-98	143	227
Growth rate	1.0%				
WACC	11.5%				
TV	3,581				
Discounted TV	2,172				
Discount FCF	-212				
EV	1,959				
Net debt	854				
Equity value	1,105				
Equity value per share	1.55				
Liquidity discount	20%				
12m PT	1.38				

Source: WOOD Research

WACC, 2022-26E

Risk free rate	6.5%
Equity risk premium	5.0%
Beta	1.55
Cost of equity	14.3%
Debt/total capital	50%
Bond spread	4.0%
Tax	16%
After tax cost of debt	8.8%
WACC	11.5%

Source: WOOD Research

Peer valuation: PT of RON 1.85/share

Discount to its peers ranging from 35-64% on P/E and 13-43% on EV/EBITDA multiples on our 2022-23E estimates. Compared to its international peers, Alro trades at a 64% discount on our 2022E P/E of 3.3x and a 43% discount on our 2022E EV/EBITDA of 3.5x. We note, however, the discrepancy between the net profit and EBITDA figures, and the cashflows of 2022-23E.

The peer multiples imply a PT of RON 1.85/share. We have based our peers' valuation for Alro on our 2022-24E EV/EBITDA median multiples, to which we have applied a 20% discount.

12m PT based on comparative valuation

	2022E	2023E	2024E
Peers EV/EBITDA	6.1	5.3	5.2
Discount to peers	20%	20%	20%
Discounted multiples	4.9	4.3	4.1
EBITDA (RONm)	647	506	489
Implied enterprise value (RONm)	3,137	2,152	2,018
Implied equity value (RONm)	2,094	875	581
Implied weighted equity value per share (RON)	2.9	1.2	0.8
Weight	33%	33%	33%
Implied weighted equity value per share (RON)		1.66	
12m price target (RON)		1.85	

Source: Bloomberg, WOOD Research

Peer multiples

Company	Country	Mcap USDbn	P/E			EV/EBITDA			Dividend yield		
			2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Alro	Romania	218	3.3	5.2	5.9	3.5	4.6	5.2	0.0%	0.0%	0.0%
Peers											
Norsk Hydro	Norway	15,717	6.3	7.2	8.1	3.6	3.9	4.0	10.1%	9.3%	8.4%
Kaiser Aluminum	US	1,558	29.4	15.4	9.5	10.7	8.6	6.6	3.2%	3.5%	3.8%
Constellium Se	France	2,297	7.0	8.0	6.3	6.1	5.3	4.4	n.a	0.7%	n.a
Bhp Group Ltd	Australia	152,842	7.1	8.2	11.5	3.8	4.1	5.2	11.6%	9.2%	6.3%
Inwido Ab	Sweden	743	10.0	9.7	9.4	6.4	5.9	5.5	5.1%	5.3%	5.5%
Zehnder Group	Switzerland	855	13.8	12.4	11.1	7.4	6.5	5.7	2.7%	3.0%	3.3%
Granges Ab	Sweden	868	9.3	7.3	6.4	6.7	5.3	4.6	4.0%	4.9%	5.2%
Alcoa Corp	US	11,240	5.0	5.7	6.2	2.7	2.5	2.7	0.7%	0.9%	0.5%
Hindalco Industries Ltd	India	11,813	6.5	6.1	6.2	4.6	5.4	5.6	1.3%	1.5%	1.6%
Rio Tinto	GB	117,875	5.9	7.8	9.1	3.6	4.4	5.0	12.3%	9.2%	7.2%
Aluminum Corp Of China	China	11,481	6.5	6.1	5.5	6.0	5.3	5.1	1.3%	1.5%	1.6%
Arconic Corp	US	2,963	10.7	7.2	6.1	5.0	3.9	2.8	0.0%	0.3%	1.6%
AMAG Austria Metall	Austria	1,385	14.4	18.1	16.6	7.8	8.7	7.8	4.0%	4.0%	4.1%
Alumetal	Poland	152	21.1	14.0	13.3	7.5	7.5	7.2	0.0%	4.9%	5.9%
Grupa Kety	Poland	1,347	9.4	9.8	9.0	7.8	7.5	7.1	8.8%	9.1%	9.8%
Median			9.3	8.0	9.0	6.1	5.3	5.2	3.6%	4.0%	4.6%
Alro: premium/discount			-64%	-35%	-34%	-43%	-13%	2%	-3.6ppt	-4.0ppt	-4.6ppt

Source: Bloomberg, WOOD Research

Financials

Profit and loss account

RONm	2019	2020	2021	2022E	2023E	2024E	2025E
Revenues	2,778	2,515	3,500	3,671	3,232	3,827	4,253
Primary aluminium	1,192	1,110	1,470	1,091	880	1,392	1,609
Processed aluminium	1,351	1,247	1,696	2,387	2,169	2,258	2,466
Alumina	141	97	157	119	108	101	103
Bauxite	77	51	15	15	15	15	15
Other revenues	17	10	162	60	60	60	60
COGS	-2,551	-2,522	-3,007	-3,937	-3,671	-4,549	-4,888
Gross profit	227	-7	493	-266	-439	-722	-635
Selling, general & administrative expenses	-280	-323	-316	-285	-285	-299	-314
Other operating income	168	736	69	1,050	1,079	1,356	1,526
Other operating costs	-15	-6	-17	-10	-10	-10	-10
EBITDA	247	567	381	647	506	489	735
EBIT	99	400	228	489	346	325	567
Financial expenses	-77	-59	-42	-71	-87	-88	-101
Other financial costs	-55	26	-129	-55	-28	-31	-34
Pre-tax profit	-33	366	58	363	230	205	433
Profit tax	-34	-31	-31	-58	-37	-33	-69
Net profit	-67	335	26	305	193	173	364
Net profit (after minorities)	-68	334	26	305	193	173	364
Dividends	0	0	0	0	0	0	0
% payout	0%	0%	0%	0%	0%	0%	0%
Margins							
Gross margin	8.2%	-0.3%	14.1%	-7.2%	-13.6%	-18.9%	-14.9%
EBITDA margin	8.9%	22.5%	10.9%	17.6%	15.7%	12.8%	17.3%
EBIT margin	3.6%	15.9%	6.5%	13.3%	10.7%	8.5%	13.3%
Net profit margin	-2.4%	13.3%	0.8%	8.3%	6.0%	4.5%	8.5%

Source: Company data, WOOD Research

Balance sheet

RONm	2019	2020	2021	2022E	2023E	2024E	2025E
Property, plant and equipment (PP&E)	1,169	1,089	1,098	1,090	1,080	1,076	1,078
Other non-current assets	159	200	224	224	224	224	224
Non-current assets	1,328	1,289	1,322	1,314	1,304	1,300	1,302
Inventories	829	678	1,006	1,055	929	1,100	1,222
Trade and other receivables	76	51	75	79	69	82	91
Cash and bank balances	83	106	328	226	146	126	235
Restricted cash	46	0	0	0	0	0	0
Other current assets	99	505	141	804	1,195	1,472	1,642
Current assets	1,134	1,341	1,550	2,164	2,339	2,780	3,191
Total assets	2,462	2,629	2,872	3,478	3,643	4,080	4,493
Shareholders' equity	768	1,085	1,114	1,419	1,612	1,784	2,148
Minority interest	2	3	2	2	2	2	2
Total equity	770	1,088	1,116	1,421	1,614	1,787	2,150
Borrowings	380	852	1,045	1,320	1,330	1,540	1,550
Other non-current liabilities	132	132	125	136	137	138	140
Non-current liabilities	513	984	1,170	1,456	1,467	1,678	1,689
Trade and other payables	206	234	315	330	291	344	383
Borrowings	874	124	138	138	138	138	138
Other current liabilities	99	201	132	132	132	132	132
Current liabilities	1,179	558	585	601	561	615	653
Total equity and liabilities	2,462	2,629	2,872	3,478	3,643	4,080	4,493
Net debt	1,171	870	855	1,232	1,322	1,552	1,453
Net debt to EBITDA	4.7	1.5	2.2	1.9	2.6	3.2	2.0
Debt to total capital	0.6	0.5	0.5	0.5	0.5	0.5	0.4

Source: Company data, WOOD Research

Cash flow

RONm	2019	2020	2021	2022E	2023E	2024E	2025E
Net profit	-67	335	26	305	193	173	364
+ Depreciation	153	167	153	158	161	164	168
+/- Others	38	-15	54	36	11	11	11
+/- Working capital change	-25	-164	9	-701	-294	-407	-263
Operating cash flow	98	323	241	-203	70	-60	279
- Capex	-141	-77	-155	-150	-150	-160	-170
Free cash flow	-44	247	86	-353	-80	-220	109
- Dividends paid	-325	0	0	0	0	0	0
+/- Increase in debt	248	-224	137	250	0	200	0
Financing cash flow	-77	-224	137	250	0	200	0
Beginning cash	204	83	105	328	226	146	126
Change in cash balance	-120	22	223	-103	-80	-20	109
Ending cash	83	106	328	226	146	126	235

Source: Company data, WOOD Research

Ratios

	2019	2020	2021	2022E	2023E	2024E	2025E
Number of shares, m	713.78	713.78	713.78	713.78	713.78	713.78	713.78
EPS (RON)	-0.09	0.47	0.04	0.43	0.27	0.24	0.51
- EPS growth	-129%	-593%	-92%	1051%	-37%	-11%	111%
Dividend, RONm	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DPS (RON)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Payout ratio	0%	0%	0%	0%	0%	0%	0%
Dividend yield	0%	0%	0%	0%	0%	0%	0%
FCF yield	-3%	15%	8%	-35%	-8%	-22%	11%
BVPS (RON)	1.08	1.52	1.56	1.99	2.26	2.50	3.01
ROE	-7%	36%	2%	24%	13%	10%	18%
PER (x)	-24.65	4.78	38.28	3.33	5.25	5.88	2.79
EV/EBITDA (x)	11.49	4.36	4.91	3.47	4.61	5.25	3.36
P/BV (x)	2.18	1.47	0.91	0.71	0.63	0.57	0.47

Source: Company data, WOOD Research

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26/05/22	EME Macro/Strategy	Overview charts for peripheral countries	Alessio Chiesa, Raffaella Tenconi
26/05/22	Bitnet Systems	1Q22 results confirm full-year outlook	Piotr Raciborski, Iuliana Ciopraga
25/05/22	ImmoFinanz	CPI offer is attractive	Jakub Caithaml, Ondrej Slama
25/05/22	Komercijalna Banka	Performing well, but remains expensive	David Lojkasek, Alex Boulougouris
25/05/22	Photon Energy	Discover a great solar growth proxy	Ondrej Slama, Bram Buring
24/05/22	Turkish Automotive	Ready for the ride	Can Yurtcan, Atinc Ozkan
23/05/22	Logo Yazilim	Strong tailwinds, solid execution	Atinc Ozkan, Can Yurtcan
18/05/22	Kcell	Attractively-valued frontier exposure	Piotr Raciborski, Atinc Ozkan
13/05/22	EME Macro/Strategy	Housing affordability considerations	Alessio Chiesa, Raffaella Tenconi
11/05/22	Terna Energy	Strategically positioned	Fani Tzioukalia, Alex Boulougouris

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