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IKTINOS

Alluring Greek Marble

Vertically integrated marble mining & quarrying company – Iktinos is a marble mining and quarrying company, active in the extraction, cutting, processing and marketing of marble, granites and related materials. The company operates 10 quarries and 3 cutting and processing facilities in Greece and maintains a global sales network, exporting to over 90 countries across the world (c. 85% of revenue generated outside Greece). Iktinos generates revenue in the range of c. €70mn p.a. and EBITDA of c. €30mn (Sales CAGR +11% in 2010-2018, EBITDA CAGR +20%).

Solid organic growth prospects - Marble is seeing a resurgence in popularity and according to industry data, the global marble market is expected to grow at 3% CAGR over the next 5 yrs. Operating vast high-quality marble reserves (>3mn m^3), Iktinos is well positioned to compete across international marble markets. As certain highly popular marble varieties, such as Italian Calacatta and Statuario, are gradually becoming scarcer, their demand/supply dynamics become unbalanced driving prices higher and creating opportunities for similar style marble producers, such as Iktinos.

Moves up the value chain – During 2016-2018, Iktinos mostly catered to the Chinese market, which trades in unprocessed marble blocks. With a positive construction outlook in the US, the company now shifts its focus overseas, aiming at increased exports of value-accretive processed marble (US trades mostly in slabs/tiles). This is facilitated by recent investments in a new processing unit in Dramas, which has increased its processed marble production capacity (est. incremental revenue of c. €10mn p.a.) as well as a strategic decision to introduce underground mining in Volakas, which ensures higher product quality and longer excavation periods.

Trades at deep discount to global peers - To put Iktinos' valuation in context with that of other marble quarrying and mining companies, we compare EV/EBITDA valuations to the respective companies' historical average. Global peers have traded near the 10x mark on avg over the last three years. Iktinos' valuation multiples, despite a re-rating in the last year, are well below its peers. Given a positive outlook ahead (avg sales & EBITDA growth of 18-35% in 2020-2021), we believe the market should eventually pay attention to Iktinos healthy profit growth prospects, which warrant even higher multiples than the company's historical average, thus further convergence towards industry average is likely. These dynamics are further supported by a fair value assessment on the back of a peer multiple and DCF valuation, resulting in a €190-203mn fair value (€1.70-1.80 per share, excluding treasury shares). Meanwhile, potential sale of its 2,800-acre coastal land plot in Crete could enhance value further by as much as €30mn (€0.30 per share).

Estimates					
€ mn	2017	2018	2019e	2020e	2021e
Revenues	51.7	60.5	50.3	61.0	70.5
EBITDA	21.0	24.2	15.2	22.0	27.6
Net Profit	9.0	16.6	7.0	12.3	16.7
EPS	0.08	0.15	0.06	0.11	0.15
DPS (gross)	0.02	0.04	0.05	0.04	0.05

Valuation	2017	2018	2019e	2020e	2021e
P/E	12.4	6.7	15.9	9.0	6.7
EV/EBITDA	5.8	5.9	9.3	6.2	4.7
EBIT/Interest expense	6.6	12.2	6.1	12.5	22.1
Dividend Yield (gross)	1.8%	3.9%	5.1%	3.9%	5.2%
ROE	25.0%	35.6%	14.6%	22.0%	24.9%

Market Cap (mn)	**€111.3**
Closing Price (12/09)	**€0.97**

Stock Data

Reuters RIC	IKTr.AT
Bloomberg Code	IKTIN GA
52 Week High (adj.)	€1.63
52 Week Low (adj.)	€0.97
Abs. performance (1m)	-8.1%
Abs. performance (YTD)	-14.9%
Number of shares (fully diluted)	11.8mn
Avg Trading Volume (qrt)	€172k
Est. 3yr EPS CAGR	6.4%
Free Float	33%

Iktinos Share Price

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See Appendix for Analyst Certification and important disclosures.

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Investment Summary | Moves up the value chain

Greek marble mining & quarrying company

Iktinos is a vertically integrated marble mining and quarrying company, active in the extraction, cutting, processing and marketing of marble, granites and related materials. The company operates 10 quarries and 3 cutting and processing facilities in Greece and maintains a global sales network, exporting to over 90 countries across the world. Iktinos generates annual revenue in the range of c. €70mn and EBITDA of c. €30mn (Sales CAGR +11% during 2010-2018, EBITDA CAGR +20%) and we expect further growth going forward, to the tune of 18-35% on average in 2020-2021 in terms of sales and EBITDA and c. 2.6% EBITDA CAGR in the long run (2019 expected to be an inflection year on implications relating to the kick-starting of underground extraction). The company generates the majority of its revenue (c. 85%) outside Greece. Its product portfolio is highly skewed towards marble, but also includes granites, decorative rocks, inert materials and related by-products.

Marble market expected to grow at 3% CAGR over the next 5 years

Never really waning in popularity but having faced muted periods in terms of being the material of choice for tiling, flooring, and countertops, marble is seeing a resurgence in popularity and is being widely used in both classic and as well as modern design. Its huge range of colours and wide variety of patterns offer unlimited aesthetic possibilities, making it a great fit for all kinds of design, from contemporary styling to classic architecture and from monochrome, minimalist designs to busier ornamental looks. According to industry data, the global marble market is expected to grow at a CAGR of c. 3.0% over the next 5 years, reaching $62bn by 2024.

Tight supply from Italy ensures healthy prices

The industry is highly fragmented both in terms of production (marble mining/quarrying) as well as supply (processing/finished goods supply), with the top ten producers accounting for just 4% of the total market. There are ample reserves globally and based on current consumption trends, there is enough marble to cater the construction sector for the foreseeable future. Having said that, we note that certain highly popular varieties, such as Italian Calacatta and Statuario, are gradually becoming scarcer and with their demand/supply dynamics becoming unbalanced there are pricing implications as well as opportunities for similar style marbles.

Greece among top producers, with room for improvement in processed marble

Worldwide, the EU appears to be the dominant producer and exporter of marble, with main exporters being Italy and Greece, which ranks 3rd in international exports of unprocessed marble, with a total share of c. 11%. With regard to international exports of finished products, Greece ranks 6th at a 3.8% market share, implying that there's room for significant margin improvement across Greek producers that are willing to shift away from commoditised marble and towards value accretive finished goods.

Iktinos well-positioned; enjoys industry recognition

Operating vast high-quality marble reserves (total exploitable reserves of over 3mn m^3), Iktinos is well positioned to compete across international marble markets. Quality and consistency of product is a critical factor in the marble industry and consequently, established players that possess strong brand equity and solid track record in terms of shipment quality have a competitive advantage over newer players and therefore enjoy premium prices. Through continuous efforts to modernise its processing lines and maintain high product quality, Iktinos ensures less dependence on the local construction market and enjoys long-term international customer relationships and industry recognition through references.

New processing unit in Dramas facilitates increased production of processed marble

The company recently invested in a new processing unit in Dramas (near the Volakas quarries), which facilitates increased production of finished goods and will enable Iktinos to focus on processed goods rather than the marble blocks market. This implies better margins as well as a wider geographic reach, since the company will now be in a position to service markets that tend to trade in finished products, such as the US, rather than commodities, such as China. As a result, we expect EBITDA margin will remain flattish, close to the 40% mark on average in 2019e-2021e, despite an expected increase in production costs stemming from the introduction of underground excavation in Dramas.

Underground mining offers positive operating leverage

On top of its established open cast marble extraction business, Iktinos is introducing tunnel excavation in its Volakas quarries, ensuring higher overall product quality and longer excavation periods (c. 50% of Dramas production by 2021). Targeted underground mining combined with the fact that extracted blocks are protected from weather conditions (rainfall, humidity) yield better product quality, hence improved operating margins. Meanwhile, underground mining offers all-year-round operations, given that activities are less affected by adverse weather conditions such as snowfall during the winter, which often results in the shutting down of open-pit work.

With Chinese economic growth slowing down, Iktinos shifts its focus to the US

Over the 2016 to 2018 period, Iktinos gradually shifted away from finished goods and towards the blocks market (70% of total marble turnover in 2018 vs. 50% in 2015), driven by strong demand in China, which trades mostly in marble blocks. With Chinese economic growth slowing down, impacting the country's construction sector, and in an effort to improve operating margins, it is our understanding that Iktinos shifts its focus overseas, aiming at increased exports of processed marble to the US, which will bring superior margins. Construction in the US had a good year in 2018 and further growth is expected to be incurred going forward, most prominently in metropolitan areas. The Architecture Billings Index, which typically leads construction activity by 9-12 months, paints an upbeat picture, with the lodging and office sectors (these tend to use marble products the most) being among the largest contributors to growth.

Iktinos moves up the value chain

Against this backdrop, the aforementioned new processing facility in Dramas facilitates an increase in the production of processed marble products and along with adjacent port facilities, leaves ample room to serve increasing demand from the US market, which typically trades in value-accretive processed goods such as slabs and tiles. Iktinos expects the new plant will lead to incremental revenue of c. €10mn per annum and up to €20mn in the long run.

Resilience to global economic slowdown

Trade tensions, political uncertainty (e.g. the Brexit saga), geopolitics in the Middle East and the waning effects of fiscal stimulus measures in the US continue to affect global growth prospects. Global economic activity appears to be weaker than anticipated, with subdued investment and demand for consumer durables across advanced and emerging market economies and sluggish global trade. The pace of global construction output is likely to slow down, affecting marble demand/supply dynamics and ultimately prices.

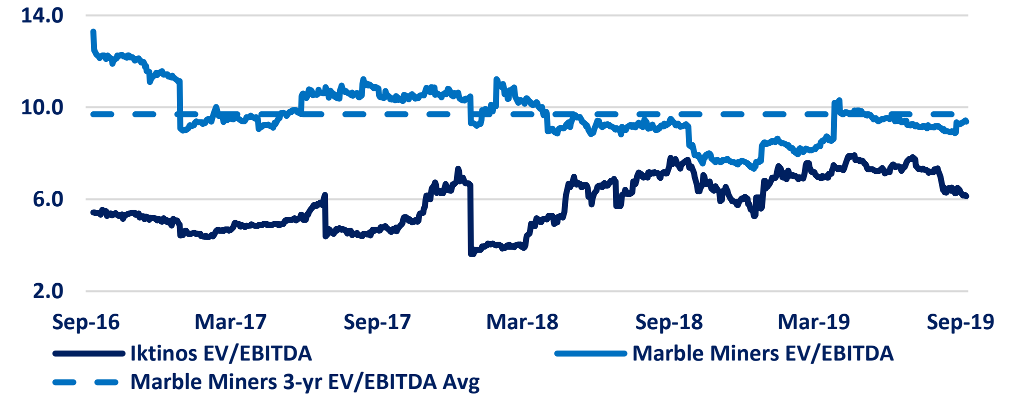
Such a development would create headwinds for Iktinos' profitability margins, had it not been for its strategic decisions to shift part of its production to underground facilities, which tend to produce higher value products overall, and focus on margin-accretive processed goods rather than unprocessed marble exports. For this reason, we see limited downside risk for Iktinos' profitability margins going forward, given that any impact from a decline in volumes on the back of a global slowdown in construction activity will be more than offset by sales of higher value products.

Peers enjoy high valuation x; convergence towards industry average is likely

To put Iktinos' valuation in context with that of other marble quarrying and mining companies, we compare EV/EBITDA valuations to the respective companies' historical average. Global peers have historically traded at quite hefty multiples ranging between 8.0x and 13x EV/EBITDA, reflective of high earnings growth and strong balance sheets as well as structural factors underpinning these characteristics, such as high barriers to entry. Peer valuation has been hovering near the 10x mark over the last 3 years.

Iktinos' valuation multiples, despite a re-rating in the last year, are well below its peers. Given a positive outlook ahead (avg sales & EBITDA growth of 18-35% in 2020-2021), we believe the market should eventually pay attention to Iktinos healthy profit growth prospects, which warrant even higher multiples than the company's historical average, thus further convergence towards industry average is likely.

Iktinos | Share Price Valuation (EV/EBITDA)

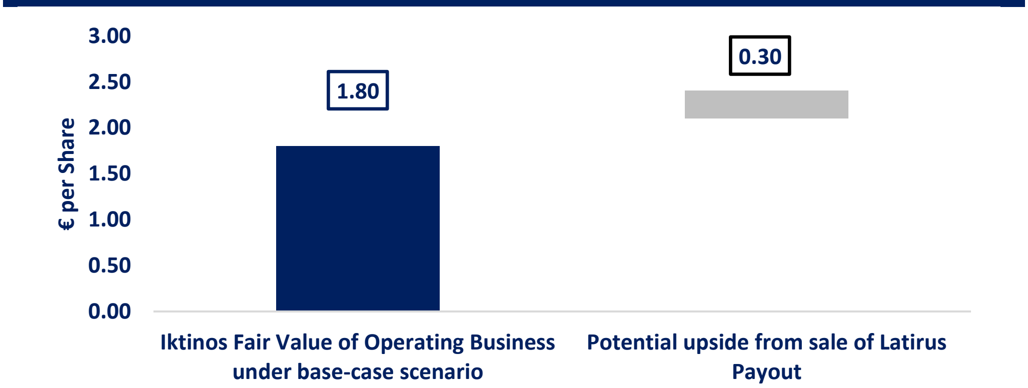


Source: Bloomberg, Eurobank Equities Research

The aforementioned dynamics are further supported by a fair value assessment on the back of a peer multiple and DCF valuation, resulting in a €190-203 fair value (€1.70-1.80 per share, excluding treasury shares).

Further upside potential from sale of real estate asset

The Greek hospitality sector in Greece has witnessed substantial growth in the past three years and prospects remain positive, with further growth expected going forward. Meanwhile, tourism-related asset valuations are on the rise, led by declining GGB yields (10-yr GGB at an all-time low of 1.6% in September), and expectations for increased profit generation in Greek hospitality due to higher occupancy factors as efforts to make Greece an all-year-round rather than seasonal destination pay out. Against this backdrop, Iktinos, may reach an agreement to dispose of its real estate asset in Crete at a fair pricing, rather than commit additional funds for its development. We estimate that the 2,800-acre coastal fully-permitted land plot in Crete could be sold for as much as €30mn implying an additional c. €0.30 per share.



Source: Eurobank Equities Research

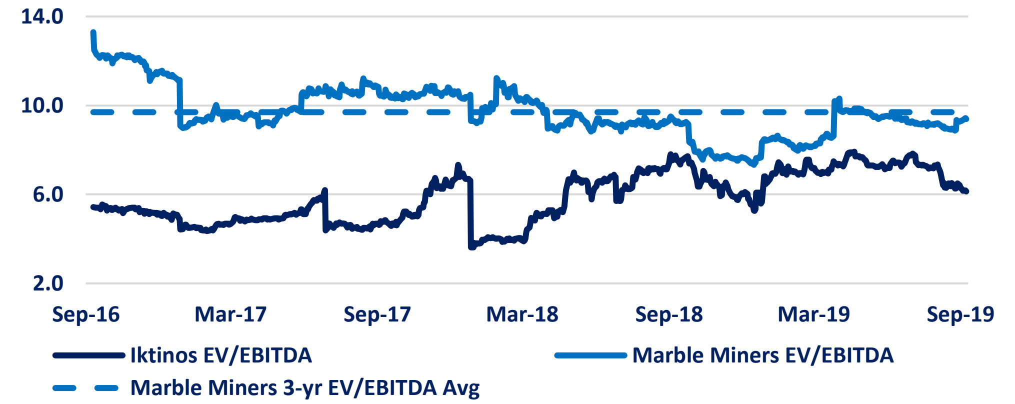
Valuation

Marble mining companies enjoy high valuation multiples

To put Iktinos' valuation in context with that of other marble quarrying and mining companies, we compare EV/EBITDA valuations to the respective companies' historical average. Global peers have historically traded between 8.0x and 13x EV/EBITDA, reflective of high earnings growth and strong balance sheets as well as structural factors underpinning these characteristics, such as high barriers to entry. Peer valuation has been hovering near the 10x mark over the last 3 years.

As shown in the chart below, Iktinos has re-rated somewhat in the last year, however valuation multiples remain well below its peers. Given the positive outlook ahead, we believe the market should eventually pay attention to its healthy profit growth prospects, which warrant even higher multiples than the company's historical average, thus further convergence towards industry average is likely.

Iktinos | Share Price Valuation (EV/EBITDA)



Source: Bloomberg, Eurobank Equities Research

Marble miners' 2020e EV/EBITDA multiple implies a €190mn fair value

As explained earlier, Iktinos trades at a discount to other marble mining companies on all valuation metrics. Global marble mining companies currently trade at a c. 10x EV/EBITDA on 2020e numbers, which implies a c. €189.6mn value for Iktinos.

Iktinos | Fair Multiple

€ mn	2020e
Peer Group EV/EBITDA	10.0x
Premium / (Discount) to Peers	0%
Iktinos Fair EV/EBITDA	**10.0x**
EBITDA	22.0
Fair Enterprise Value	**220.0**
Net Cash / (Debt) 2019e	-30.4
Fair Equity Value	**189.6**
Fair Value per Share (€)	**1.70**

Source: Eurobank Equities Research

** adjusted for treasury stock*

DCF-based methodology results in a c. €203mn fair value

Using a DCF-based methodology under a base-case growth scenario, which takes into account sales growth on the back of healthy demand/supply dynamics and gradual shift of part of the company's marble extraction to underground facilities, Iktinos' implied fair value stands at c. €202.8mn, implying a €1.80 fair value per share (adjusted for treasury stock). The main assumptions are summarised below.

- WACC of 8.2%
- Average sales growth of c. 18% in 2020-2021 (2019e -17%) and long-term CAGR of 5.4% over the 2020 to 2025 period, along with average EBITDA growth of c. 35% in 2020-2021 and long-term CAGR of 2.6% in 2019-2025
- Underground mining at 50% of total production in the Dramas quarries by 2021

These result in free cash flow conversion at c. 55% of EBITDA on average over the next 5-10 years, broadly in-line with the 2016-2017 historical figures (2018 excluded from the calculation on increased capital investments relating to the acquisition and development of the new processing facility in Dramas).

Iktinos | DCF Valuation (base-case scenario)

€ mn	2019e	2020e	2021e	2022e	2023e	2024e	2025e
Sales	**50.3**	**61.0**	**70.5**	**71.6**	**72.0**	**72.4**	**72.8**
EBITDA	**15.2**	**22.0**	**27.6**	**28.7**	**29.0**	**29.4**	**29.7**
EBITDA Margin	*30.2%*	*36.1%*	*39.2%*	*40.1%*	*40.3%*	*40.6%*	*40.8%*
Unlevered Free Cash Flow (UNFCF)	**8.4**	**9.7**	**14.3**	**14.9**	**17.2**	**17.0**	**16.3**
PV of UNFCF	8.4	9.0	12.2	11.7	12.6	11.5	10.2
Sum of PV of UNFCF	75.6						
PV of Terminal Value	164.8						
Fair Enterprise Value	**240.4**						
Less: Net Cash / (Debt)	-31.8						
Less: Dividends	-5.7						
Fair Equity Value	**202.8**						
Shares outstanding (x-treasury stock)	*113.8*						
Fair Value Per Share (€)	**1.80**						

Source: Eurobank Equities Research

Sale of Real Estate asset may further enhance value

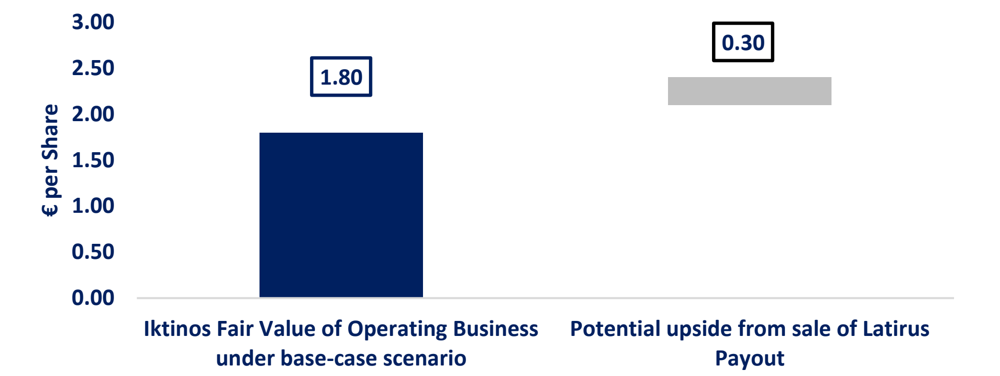
Over the past three years, the hospitality market in Greece has witnessed substantial growth driven by increasing recognition of Greece as one of Europe's leading and safest tourism destinations, retrofitting and upgrading of existing hospitality assets and State investments for the improvement of transport infrastructure.

In 2018, international passenger arrivals (including cruise passengers) reached 33mn from 32mn in 2017, with tourist-related revenue grossing €16.0bn from €14.7mn in 2017. Despite macroeconomic headwinds in some source markets, the upward trajectory in tourism revenues continued in H1'19 (+15%), underpinned by a c4% increase in air traffic and higher spending per tourist. Going forward, prospects remain positive and further growth is expected, with efforts focusing on making Greece an all-year-round rather than seasonal destination.

Valuation-wise, declining GGB yields led by de-risking (10-yr GGB at an all-time low of 1.6% in September), combined with increasing profit generation due to occupancy factors, drive asset valuations higher.

Against this backdrop, Iktinos, may reach an agreement to dispose of its real estate asset in Crete at a fair pricing, rather than commit additional funds for its development. We estimate that the 2,800-acre coastal fully-permitted land plot in Crete could be sold for as much as €30mn implying an additional c. €0.30 per share.

Iktinos | Upside from potential sale of Latirus



Source: Eurobank Equities Research

DCF Sensitivity

Our base-case DCF exercise reflects long-term (2019-2025) EBITDA CAGR of 2.6%, while our fair value is derived on the back of an 8.2% WACC. Nevertheless, the table below exhibits our fair value assessment sensitivity to a 2% shift to our EBITDA CAGR along with a ±1% WACC assumption.

Iktinos | Base-Case DCF Sensitivity to WACC & EBITDA LT CAGR

		WACC				
		10.2%	9.2%	8.2%	7.2%	6.2%
	-1.4%	0.70	0.80	1.00	1.20	1.60
	0.6%	0.90	1.10	1.30	1.70	2.10
Long-Term EBITDA CAGR	2.6%	1.30	1.50	**1.80**	2.20	2.80
	4.6%	1.60	1.90	2.30	2.70	3.50
	6.6%	2.10	2.40	2.80	3.40	4.30

Source: Eurobank Equities Research

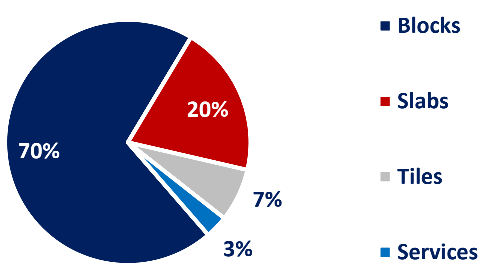
Company Overview

Iktinos is a vertically integrated marble mining and quarrying company, founded in 1974 and listed on the Athens Stock Exchange since 2000. The company is active in the extraction, cutting, processing and marketing of marble, granites and related materials, operating 10 quarries and 3 cutting and processing facilities in Greece. It maintains a global sales network, exporting to over 90 countries across the world. The company generates annual revenue in the range of c. €70mn and EBITDA of c. €30mn (Sales CAGR +11% since 2010, EBITDA CAGR +20%) and generates the majority of its revenue (c. 85%) outside Greece. Its product portfolio is highly skewed towards marble, but also includes granites, decorative rocks, inert materials and related by-products.

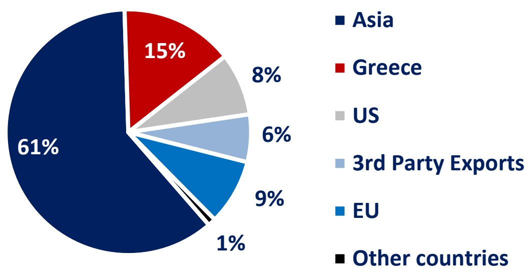
In terms of the product mix, Iktinos generates most of its revenue through the sale of marble in its raw form (blocks), which accounts for c. 70% of total revenue. Further processed products such as slabs and tiles contribute another 27% while the remaining 3% refers to service-related revenue (e.g. made-to-order products).

Iktinos | Revenue Breakdown

Iktinos | Revenue Mix per Product Category (2018)



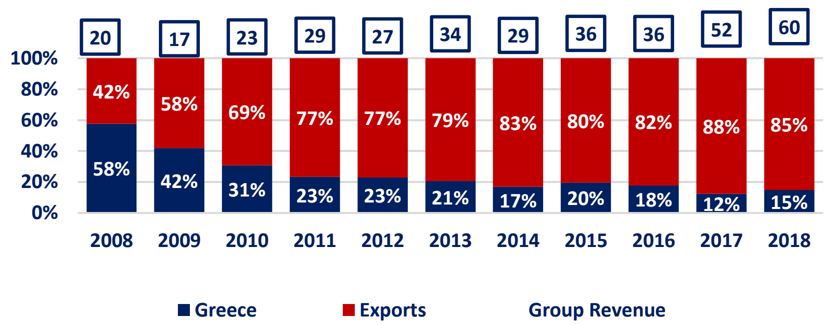
Revenue Mix per Geography (2018)



Source: Company, Eurobank Equities Research

With regard to a geographic breakdown, over the past decade Iktinos gradually shifted its focus outside Greece, adapting to the collapse of the domestic construction market. Today, Iktinos exports the majority of its production (c. 95%), mostly servicing the blocks market. China, where Iktinos exports the majority of its blocks production, accounts for c. 57% of total revenue, another c. 5% of revenue is generated in the United Arab Emirates, while Greece represents c. 15% of total.

Iktinos | Evolution of Geographic Mix



Source: Company, Eurobank Equities Research

The recent investment in the new processing unit in Dramas (see page 17), facilitates increased production of finished goods and will enable Iktinos to focus on direct sales rather than the unprocessed marble market. This implies better margins as well as a wider geographic reach, since the company will now be in a position to service markets that tend to trade in finished products, such as the US, rather than commodities, such as China.

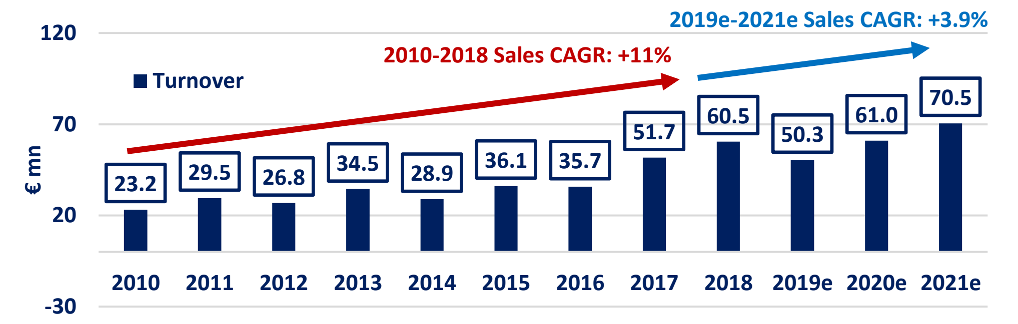
Financial Overview | Growth drivers

Organic sales growth

Operating vast high-quality marble reserves, Iktinos is well positioned to compete across international marble markets. Quality and consistency of product is a critical factor in the marble industry and consequently, established players that possess strong brand equity and solid track record in terms of shipment quality have a competitive advantage over newer players and therefore enjoy premium prices.

Through continuous efforts to modernise its processing lines and maintain high product quality, Iktinos ensures less dependence on the local construction market and enjoys long-term international customer relationships and industry recognition through references. According to the Global Marble Market 2019 Industry Research Report, the global marble market is estimated to grow at a CAGR of c. 3.0% over the next 5 years, reaching $62mn by 2024 and Iktinos is expected to post superior sales growth relative to the industry, in the range of 5.4% CAGR in 2020-2025 (+3.9% CAGR in 2019e-2021e).

Iktinos | Evolution of Turnover



Source: Company, Eurobank Equities Research

Underground Mining

On top of organic sales growth attributed to healthy demand and tight supply of white marble across the world, Iktinos' new business decision to introduce tunnel excavation in its Volakas quarries ensures all-year-round excavation periods for at least part of its production capacity (c. 50% of Dramas production by 2021). Meanwhile, targeted mining combined with the fact that underground blocks are protected from weather conditions implies higher overall product quality, hence improved pricing.

Contrary to extremely accommodative weather conditions in H1 2018, which led Iktinos' Sales to an all-time high, adverse weather conditions in the beginning of 2019 affected open-pit production leading to a decline in the overall production volumes for the first half of 2019, as shown in H1 2019 results (Revenue -28% yoy, EBITDA -52% yoy in H1 2019). Meanwhile, the introduction of underground excavation was delayed owing to a delay in licensing as well as late delivery of machinery, which affected training schedules. As a result, the contribution of underground excavation was lower than initially anticipated.

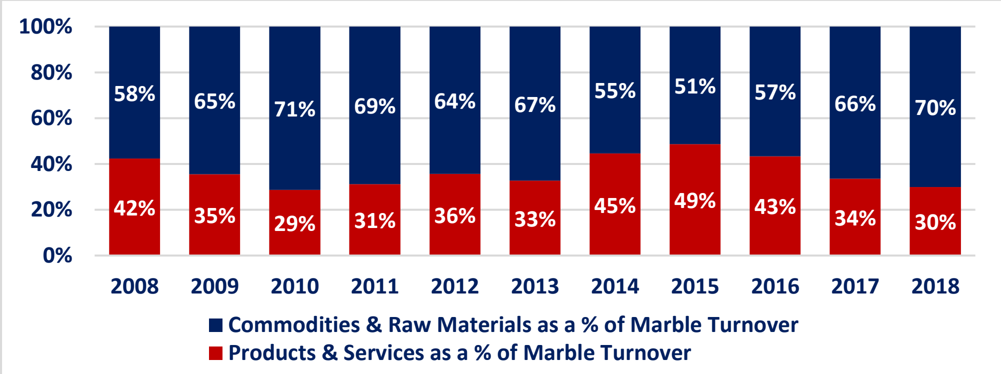
These trends will continue through the second half of the year, albeit at a milder pace as per mgt guidance, bringing FY 2019 figures close to 2017 levels. Underground production is expected to increase in the second half of the year, as two underground excavation machines are already in place and operating and another two are expected to be delivered by year-end, making H1 2019 trends a temporary setback in our view, since production volumes will gradually increase once underground mining is in full capacity, with Sales and EBITDA generation returning to growth from 2020 onwards.

Moving up the value chain

Over the 2016 to 2018 period, Iktinos gradually shifted away from finished goods and towards the unprocessed marble market (70% of total marble turnover in 2018 vs. 50% in 2015), driven by strong demand in China, which trades mostly in marble blocks. Unprocessed marble exported to China served two purposes: it covered the needs of the local construction market, which was booming in recent years but predominately, unprocessed marble imported by China was processed locally and re-exported, mostly to the US.

Amidst the US-China trade war saga (implications from tariffs on Chinese imports by the US) and Chinese economic growth slowing down, impacting the country's construction sector, and in an effort to improve operating margins, Iktinos shifts its focus overseas, aiming at increased exports of processed marble to the US, which will bring superior margins. Construction in the US had a good year in 2018 and further growth is expected to be incurred in 2019, most prominently in metropolitan areas.
The Architecture Billings Index, an index that typically leads construction activity by 9-12 months, paints an upbeat picture, with the lodging and office sectors (which tend to use marble products the most) being among the largest contributors to growth. Against this backdrop, the new processing facility in Dramas has increased Iktinos' production capacity of finished goods and along with adjacent port facilities, leaves ample room to serve increasing demand from the US market, which typically trades in value-accretive processed goods such as slabs and tiles. Iktinos expects the new plant will lead to incremental revenue of c. €10mn per annum and up to €20mn in the long run.

Iktinos | Turnover breakdown per product category



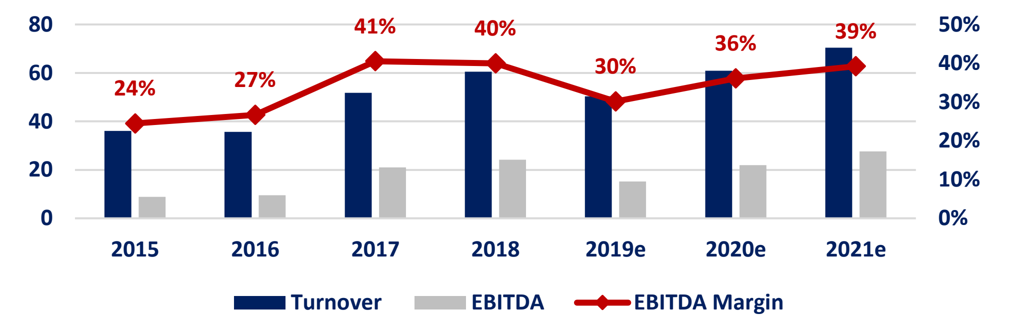
Source: Company, Eurobank Equities Research

Resilience to global economic slowdown

Trade tensions, political uncertainty (e.g. the Brexit saga), geopolitics in the Middle East and the waning effects of fiscal stimulus measures in the US continue to affect global growth prospects. Following an expansion by 3.0% in 2018, the IMF projects sluggish global growth in 2019 (+3.2%) and moderate pick up in 2020 (+3.5%), with risk on the downside (IMF June forecasts for 2019/2020 -0.1% vs. its April report). Combined with soft inflation, global economic activity appears to be weaker than anticipated, with subdued investment and demand for consumer durables across advanced and emerging market economies and sluggish global trade.

Against this backdrop, the pace of global construction output is likely to slow down, affecting demand/supply dynamics and ultimately prices. Such a development could pose risk for Iktinos' profitability margins, had it not been for its strategic decisions to shift part of its production to underground facilities, which tend to produce higher value products overall, and focus on margin-accretive processed goods rather than block exports. For this reason, we see limited downside risk for Iktinos' profitability margins, given that any impact from a decline in volumes on the back of a global slowdown in construction activity will be more than offset by sales of higher value products.

Iktinos | Turnover & Profitability



Source: Company, Eurobank Equities Research

Company Description

Quarries

Iktinos currently operates 10 marble quarries, most of which located in Northern Greece. Three are located in Dramas (Volakas quarries), two in Nestos, two in Kavala, another two on the island of Thasos and one in the Peloponnese. The company maintains licenses for another two quarries in Kavala, which are currently active (i.e. licensed) but non-operating (see appendix for Greek licensing system for Mining & Quarrying). With the exception of the quarry in the Peloponnese, all other quarries are close to the Thessaloniki and Kavala ports, ensuring direct and cost-effective shipment to international markets.

Volakas Marble, Dramas

The bulk of Iktinos' marble is extracted from the Volakas quarries in Dramas (73% of total revenue). Volakas produces dolomite marble. The stones are white/grey coloured, with grey or beige/brown diagonal or cloudy veins. Volakas' excellent colouring and technical characteristics have made this marble quite popular worldwide, maintaining strong demand. The company operates three quarries in the area, with total confirmed exploitable deposits well above 1mn cubic meters.

Iktinos | Overview of Volakas Quarries

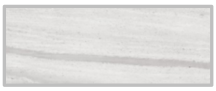
Quarry	Dramas White	Kalliston-Pirgon	Marvellous White
Status	Active	Active	Active
Lease Expiration	2026	2028	2035
Extension Potential	Until 2054	Until 2083	Until 2085
Total Surface Area	68.4 acres	68.4 acres	99.9 acres
Verified Exploitable Reserves	750,000 m^3	375,000 m^3	150,000 m^3
Annual Production	30,000 m^3	15,000 m^3	10,000 m^3
Indicative Marble Sample			

Source: Eurobank Equities Research, Company

Nestos Marble, Dramas

Nestos' quarries account for c. 14.5% of Iktinos' marble. Nestos marble is also dolomitic. The stones are white, grey or pink coloured, with cream, beige or grey veins. The company operates two quarries in the Nestos area, with total confirmed exploitable deposits well above 1mn m^3.

Iktinos | Overview of Nestos Quarries

Quarry	1st Quarry		2nd Quarry
Status	Active		Active
Lease Expiration	2024		2024
Extension Potential	Until 2054		Until 2044
Total Surface Area	97.3 acres		98.1 acres
Verified Exploitable Reserves		1,000,000 m^3	
Annual Production		12,000 m^3	
Indicative Marble Sample			

Source: Eurobank Equities Research, Company

Thasos Marble, Thasos

Thasos' quarries account for c. 4.5% of Iktinos' marble. Thasos stone is pure white with a distinct 'glow' that gives it a mirror-like polished look. Marble extracted from the Thasos quarries is crystallic dolomite and provides a higher reflection of sunlight compared to other white marble varieties, making it resistant to temperature, hence suitable for layering buildings in warmer regions. Iktinos operates two quarries on the island of Thasos, with total confirmed exploitable deposits of 300,000 cubic meters.

Iktinos | Overview of Thasos Quarries

Quarry	Marvellous White	Treis Gremoi
Status	**Active**	**Active**
Lease Expiration	**2023**	**2035**
Extension Potential	**Until 2053**	**Until 2085**
Total Surface Area	**99.9 acres**	**41 acres**
Verified Exploitable Reserves	**150,000 m^3**	**150,000 m^3**
Annual Production	**6,000 m^3**	**10,000 m^3**
Indicative Marble Sample		

Source: Eurobank Equities Research, Company

Golden Spider Marble, Kavala

Marble extracted from the Golden Spider quarry accounts for c4.5% of Iktinos' annual sales. The Kavala quarry produces marble with a white, cream or honey background and very distinctive pink to gold veining that looks like spiderwebs. Iktinos operates two quarries in Kavala, with c. 600,000 verified exploitable reserves. Two more are active quarries but currently non-operating, given that current pricing of the white/grey marble found there is not enough to cover extraction cost (roadwork in the area would help bring costs down).

Iktinos | Overview of Kavala Quarries

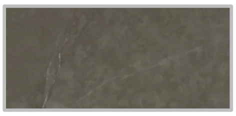
Quarry	1st Quarry	2nd Quarry	1st Ag. Kosmas	2nd Ag. Kosmas
Status	**Active**	**Active**	**Non-Operating**	**Non-Operating**
Lease Expiration	**2027**	**2025**	**2030**	**2030**
Extension Potential	**Until 2057**	**Until 2075**	**2080**	**2080**
Total Surface Area	**42.3 acres**	**46.3 acres**	**25.9 acres**	**24.7 acres**
Verified Exploitable Reserves	**600,000 m^3**			
Annual Production	**24,000 m^3**			
Indicative Marble Sample				

Source: Eurobank Equities Research, Company

Apia Grey – Brown Marble, Peloponnese

Finally, the quarry near Arkadia in the Peloponnese is the newest addition to Iktinos' portfolio. This particular quarry was licensed in 2018 and production is gradually commencing so for the time being, contribution to group revenue is minimal. The quarry produces grey-brown marble.

Iktinos | Overview of Peloponnese Quarry

Quarry	Apia Grey - Brown
Status	**Active**
Lease Expiration	**2038**
Extension Potential	**2088**
Total Surface Area	**99.6 acres**
Verified Exploitable Reserves	**150,000 m³**
Annual Production	**10,000 m³**
Indicative Marble Sample	

Source: Eurobank Equities Research, Company

Exploration

On top of its operating quarries, Iktinos commits resources for continuous research of potential new sites that may prove to be commercially exploitable. The company has been granted exploration licenses and is currently looking into several locations across Greece, which are summarised below.

Iktinos | Exploration sites

Location	Municipality	Total No of Sites	Total Area (m^2)
Agios Petros	Nevrokopi	5	497,697
Leptokaries	Nevrokopi	4	317,819
Kripsones	Dramas	4	297,828
Timpano	Nestos	6	576,884
Mpirmpili	Paggaiou	5	466,750
Kallipoli	Prosotsani	2	149,069
Saliara	Thassos	2	80,225
Papagouva	Tripoli	9	879,633
Papagouva	Sikyonion	11	1,091,231
Mantria	Prosotsani	7	598,756
Vasiliko Vouno	Nevrokopi	2	125,823

Source: Eurobank Equities Research, Company

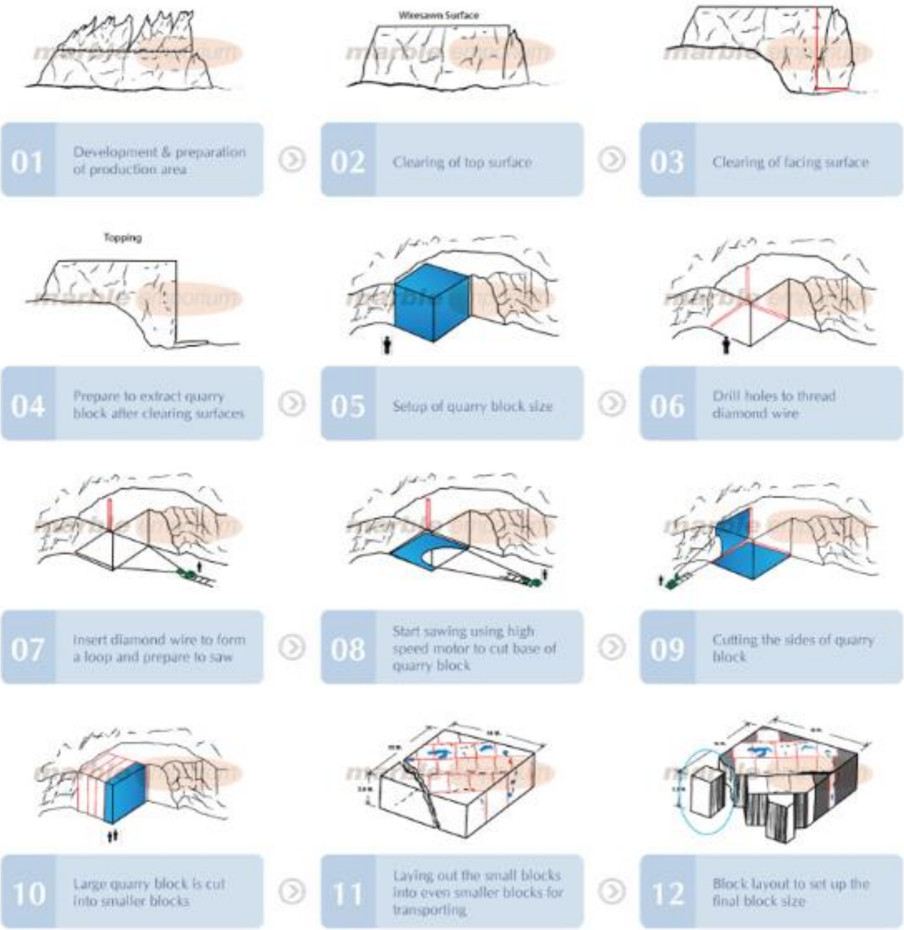
Extraction

Open Cast Quarrying

In terms of the extraction process, once marble has been located in one of Iktinos' exploration sites and an exploitation license has been granted, the company locates the best location for digging the quarry, to ensure good quality and purity of marble. It also decides how block cutting will take place, given that marble mined along the veins has a different look in comparison to stone that is cross-cut. Then, the first few months are spent to clear the area of overburden, dirt on top of the ore, start forming the bench walls and at the same time, dig roads that will ensure vehicle access.

After the quarry has been formed, equipment such as diamond chains and drills are brought and the extraction commences by cutting large blocks (typically around 20 to 25 tons in terms of weight) through the use of dynamite which loosens the bench wall from the side of the quarry, and the chain saws.

Indicative Marble Extraction Process



Source: Marble Emporium Sdn Bhd

Underground Mining

On top of open cast marble extraction, Iktinos is introducing tunnel excavation in its Volakas quarries, ensuring higher overall product quality and longer excavation periods. Cost per ton for underground mining is c. 40% higher than typical open-pit quarrying as per our understanding, but on the other hand, targeted mining combined with the fact that blocks are protected from weather conditions (rainfall, humidity) yield better product quality, hence improved operating margins.

On top of high-quality product, underground mining offers all-year-round operations, given that activities are less affected by adverse weather conditions such as snowfall during the winter, which often results in the shutting down of open-pit work. Finally, the surrounding environment is not as affected, minimising restoration costs.

Processing

With regards to processed goods, Iktinos also operates three cutting and processing facilities; two are located in Athens and one in Dramas, closer to the quarries.

The main processing facility in Athens is adjacent to the company's headquarters in Lykovrisi and includes a cutting & processing area, a showroom/exhibition centre, logistics and warehouse facilities spread over a 11,000 m^2 area. The majority of processing, cutting and polishing takes place in this facility. The artistic department, where Iktinos custom-makes built-to-order end products, is also located in this facility.

Iktinos owns a second factory (4,000 m^2), operating under the Fidias Hellas subsidiary, which is also located in the northern suburbs of Athens. Blocks are processed and cut in slabs in this facility and then transferred to the Lykovrisi plant for further processing into final products.

In October 2017, Iktinos acquired an old factory in Dramas, relatively close to the quarries, which was converted into a modern cutting and processing facility that can serve all needs in the production line, from cutting to processing, polishing and storage. It is spread over 35 acres (factory is 11 acres) and will also include an exhibition area. Total cost for the premises amounted to €1.6mn and the company has since invested another c. €6mn into new machinery (expects to receive c. €2.5mn in subsidies). The new unit effectively increases Iktinos' processing capacity and enables the company to serve increasing demand at improved margins. Iktinos expects the new plant will lead to incremental revenue of c. €10mn per annum and up to €20mn in the long run.

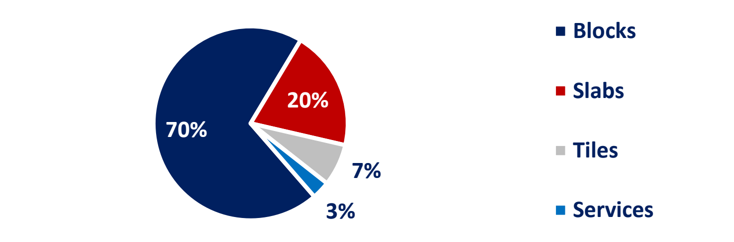
Once quarry blocks are extracted, they are sent to one of the processing facilities for assessment and classification, based on specific aesthetic and qualitative criteria, which include appearance (colour and/or the number of streaks/veins in the marble) and the existence of cracks, fissures or other imperfections. Upon assessment, the blocks are clad in wooden pallets and then cut into slabs or strips that are subsequently processed in diamond saws to create tiles. Thickness (1 to 3 cm) may vary depending on the type of product and/or the geographic destination (e.g. Chinese projects require thicker slabs compared to the US market).

During the next step, slabs/tiles are reinforced with a binding agent, usually epoxy or resin, and if needed, they are also treated for natural defects such as hairline and minor cracks. During the resin treatment, marble is dried off, dressed in resin, vacuumed to remove air bubbles and finally polymerised for the resin to settle. The final step is optional and includes sanding and polishing, which produces a smooth and shiny surface. Once the corresponding finish has been applied, marble products are ready for display or packaging and shipping.

Products & Pricing

Iktinos' marble product range is wide. The majority of the company's production volume is sold in blocks of unprocessed marble, however its' product portfolio also includes slabs, either polished or in their raw form, tiles and made-to-order products.

Iktinos | Revenue Mix per Product Category (2018)

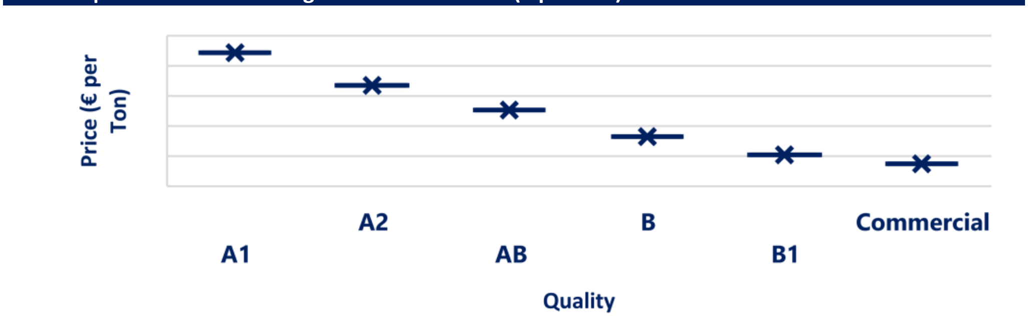


Source: Company, Eurobank Equities Research

As is the case globally, pricing of Iktinos' marble varies depending on stone quality, type of product as well as aesthetic criteria. A single block may produce a variety of differently priced slabs, depending on appearance alone.

For this reason, a universal scoring system is in place and used across the world to determine stone pricing. Typically, AA/A type products are considered top quality, A/A1 are mid-range and BB/B1/Commercial are on the lower end of the price range. We present an indicative price range for Iktinos' marble blocks below.

Iktinos | Indicative Price Range for Marble Blocks (€ per Ton)



Source: Company, Eurobank Equities Research

Meanwhile, pricing is also dependent on the type of product, size and the work that has gone into it. Choosing a unique cut or a specific decorative edge in a countertop design (e.g. a hexagonal edge rather than the typical rectangular shape), opting for a customised specialty finish other than the typical polished finish on commoditised products, would drive price per square meter higher due to a service-related premium on top of the marble price. Thickness of the marble slab is yet another factor to take into account when calculating prices.

Major Projects

Typically, the marble market operates with tenders. The project commissioners (Governments, Municipalities or Corporate entities) issue an invitation for the submission of offers through a bidding process and under certain specifications in terms of volume, quality and procurement timeline.

Having already completed a number of large-scale projects across the world, Iktinos has gained industry recognition and showcases solid track record in terms of projects' undertaking. The company has supplied marble for a number of major large-scale real estate development projects across the world, including the Dubai Mall, the Emirates Palace in Abu Dhabi, the Capital Square office building in Singapore, Grosvenor House Hotel in Dubai, the Hilton Samara Hotel in Mexico City, and the Wynn Encore and Le Reve Hotels in Las Vegas.

Iktinos | Indicative portfolio of large-scale projects

Volakas Marble: KIC Hyundai Offices, Seoul

Volakas Marble: D.G.A.C. , Paris

Nestos Marble: Capital Square: Singapore

Nestos Marble: Hilton Samara, Mexico City

Thasos Marble: Dubai Mall, Dubai

Golden Spider Marble: Emirates Palace, Abu Dhabi

Source: Eurobank Equities Research, Company

Other Activities

Real Estate Development

Apart from the core marble business, Iktinos owns real estate. Through Latirus Ltd, Iktinos is the owner of a 2,800 acres coastal land plot in Crete. The plot is fully permitted and there are plans to be developed into a large-scale tourist project (Sitia Bay Resort) that will include a 5-star hotel and SPA centre with conference and golf facilities, an 85-berth yacht marina and 2 residential areas for over 150 luxury villas. Total development cost is estimated at €150-200mn, subject to plans of the final investor scheme that will undertake the project.

The project was conceptualised by Dolphin Capital Investors (controlled by Mr. Miltos Kambouridis), which along with Iktinos, initially intended to develop the project in cooperation with Waldorf Astoria. Dolphin capital initially controlled 79.7% of Latirus Ltd, while Iktinos held 20.3%.

In 2018, Dolphin Capital started disposing of Greek real estate assets in an effort to improve liquidity and return capital to its shareholders. Within that context, Iktinos entered into an agreement with Dolphin for the acquisition of the latter's 79.7% stake in Latirus. The transaction was completed within 2018 and the pricing was set at €14mn. It is our understanding that Iktinos intends to disengage from the asset rather than commit additional funds for the development. In order to facilitate the selling process, the company has invested limited funds for licensing & infrastructure works.

RES generation

in electricity generation from renewable energy sources. The company operates (under the ID.E.I. S.A. subsidiary) a 22 MW wind farm since 2010, which generates annual revenue of €2.1mn (3% of group revenue).

The company maintains production licenses for the development of another 83 MW across Greece but as per our understanding, has no immediate plans for additional capacity installations.

Iktinos | Overview of RES assets

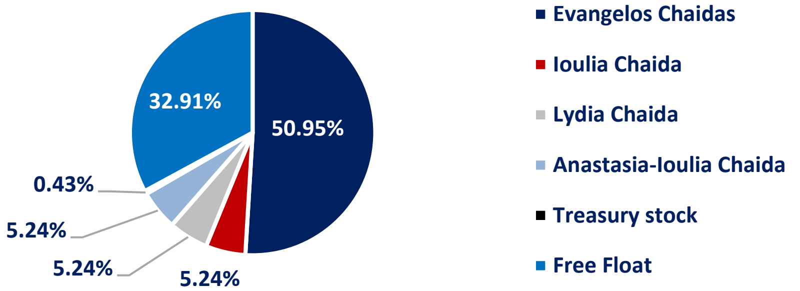
Location	Installed Capacity (MW)	Status	Annual Revenue
Megalovouni, Dramas	22	Operating	€2.1mn
Synora, Dramas	8	Production License Received	-
Lykofolia, Dramas	9	Production License Received	-
Mega Isoma, Fthiotida	24	Production License Received	-
Mavrolitharo, Grevena	18	Production License Received	-
Mavrolitharo; Larisa/ Kozani	10	Production License Received	-

Source: Eurobank Equities Research, Company

Shareholding structure

With regard to the shareholder structure, founder Evangelos Chaidas is the major shareholder, owning a 50.95% stake while other members of the Chaidas family control an additional 15.7%. Foreign institutional investors hold c. 9% of capital. Note that c. 0.4% of the share count is treasury stock.

Iktinos | Shareholding Structure



Source: AthEx, Company, Eurobank Equities Research

Marble | Timeless authenticity

Marble is undeniably a classic architectural material that stands the test of time. Since first becoming popular well before 400 BC in ancient Greece and Rome, where white and off-white marble was used to construct a variety of monuments, structures and art, it has captivated artists and architects throughout history.

Never really waning in popularity but having faced muted periods in terms of being the material of choice for tiling, flooring, and countertops, marble is seeing a resurgence in popularity and is being widely used in both classic and as well as modern design. Its huge range of colours and wide variety of patterns offer unlimited aesthetic possibilities, making it a great fit for all kinds of design, from contemporary styling to classic architecture and from monochrome, minimalist designs to busier ornamental looks.

According to data from the Market Reports World ("Global Marble Market 2019 Industry Research Report"), the global marble market is estimated at c. $52 bn in terms of value and is expected to grow at a CAGR of c. 3.0% over the next 5 years, reaching $62bn by 2024. The industry is highly fragmented both in terms of production (marble mining/quarrying) as well as supply (processing/finished goods supply), with the top ten producers accounting for just 4% of the total market. There are ample reserves globally and based on current consumption trends, there is enough marble to cater the construction sector for the foreseeable future. Having said that, we note that certain highly popular varieties, such as Italian Carrara, Calacatta and Statuario, are gradually becoming scarcer and with their demand/supply dynamics becoming unbalanced there are pricing implications as well as opportunities for similar style marbles.

Pricing varies depending on stone quality, type of product as well as aesthetic criteria. Crystalline marble stones tend to be purer and more durable and command a higher price point compared to dolomitic products. At the same time, aesthetics (i.e. color and pattern consistency) appear to be equally as important. As a result, a single block may produce a variety of differently priced slabs, depending on appearance alone. For this reason, a universal scoring system is in place and used across the world to determine stone pricing. Typically, AA/A type products are considered top quality, A/A1 are mid-range and BB/B1/Commercial are on the lower end of the price range.

Typically, the most sought-after marble is pure white marble and white/cream marble with pale veining therefore this kind has always been on top of the price range. Demand for darker colors depends on architectural styles than are in fashion over the years, but even if not in fashion, demand for such colors is almost never minimal, given that they are widely used as decorative accents to provide contrast against mostly white backgrounds.

At the same time, pricing is also dependent on processing (i.e. technology used to give it a special shape, polish, size & thickness), which results in a range of different products and sizes; commoditised product (blocks) sits at a lower price point, 2cm thickness polished tiles are more expensive than 1cm, and a service premium brings custom-made products at the higher end of the range. One could argue that the production of marble can be both highly differentiated and strongly dependent on technology/processing.

In terms of selecting the stone, as per our understanding once marble has been chosen as the preferred material in a project, the architects in charge will provide guidelines and a tender will be held to select the preferred supplier. The latter will hold a sampling/exhibit session and if chosen, offer a batch of marble that is within the preferred color palette; in most cases it will a wide range of qualities, from AA to Commercial.

The Greek Marble Mining Market

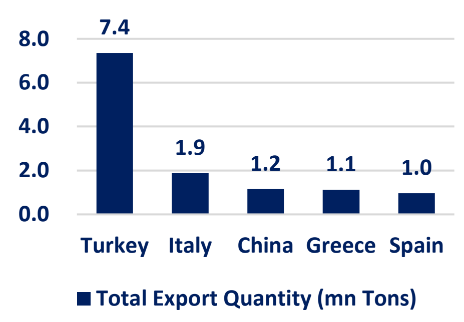
As is the case globally, the Greek Marble Market is also highly fragmented, given that deposits are dispersed across the country, in both the mainland as well as the islands. Marble quarries are typically small in size; there are currently over 1,000 quarries in the country, of which the majority (>75%) employs less than 10 employees. Having said that, we note that due to ample reserves of high-quality product, Greece has grown into one of the world's largest exporters of marble, according to data from the International Trade Centre.

Worldwide, the EU appears to be the dominant producer and exporter of marble, with main exporters being Italy, Greece and Spain, while Asia is seeing substantial growth in the past couple of years, also gaining in popularity (especially China, Pakistan and India). On the consumption side, main importers are China, the US and the Arab World, with different preferences in terms of the end-product amongst them; China prefers to trade in unprocessed marble while the US mainly trades in relatively thin tiles (c. 1cm thickness).

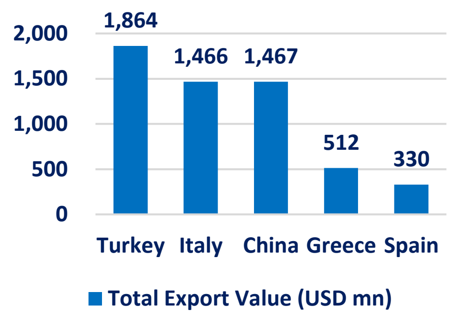
In terms of market share, Greece ranks 3rd in international exports of unprocessed marble, with a total share of 11.3%. With regard to international exports of finished products, Greece ranks 6th at a 3.8% market share, implying that there's room for significant margin improvement across Greek producers that are willing to shift away from commoditised marble and towards finished goods. [1]

Greek Marble Mining Market | Total Marble Exports (2017)

Total Export Quantity



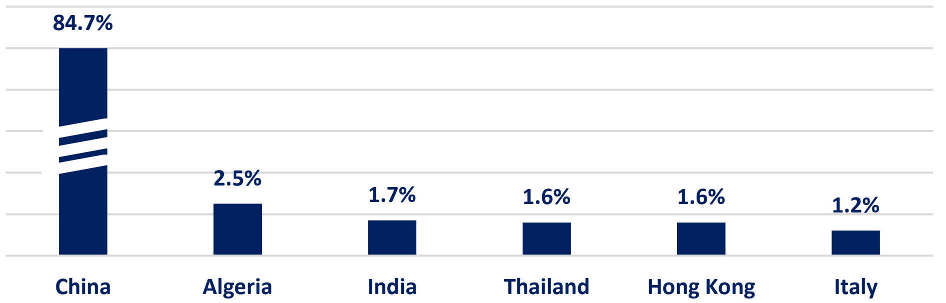
Total Export Value



Source: International Trade Centre

In terms of the destination, Greece exports the bulk of its unprocessed marble to China, which accounts for almost 85% of total exports.

Greek Marble Mining Market | Top Greek Marble Importers - Unprocessed Goods (2017)

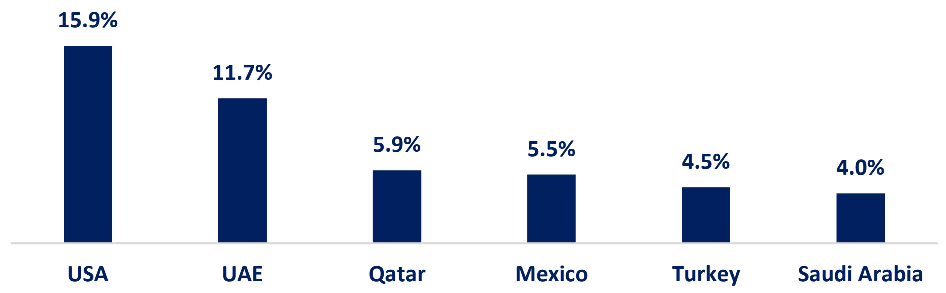


Source: Company

[1] Source: Iktinos (2017 Data)

In terms of finished products, the US is the largest importer of Greek marble, holding a 15.9% market share, with the United Arab Emirates and Saudi Arabia following at 11.6% and 4.0% respectively.

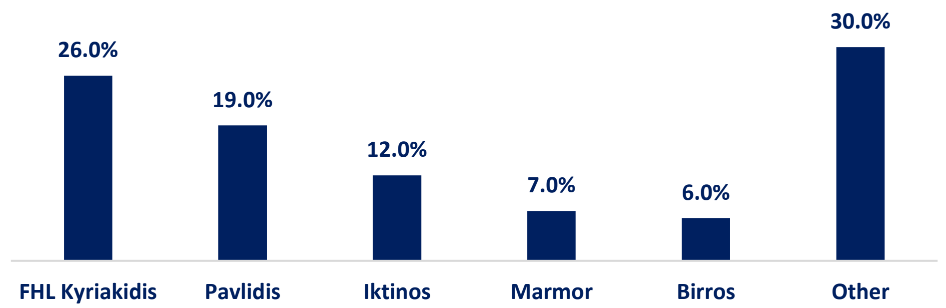
Greek Marble Mining Market | Top Greek Marble Importers - Finished Goods (2017)



Source: Company

Iktinos ranks 3rd among Greek marble producers, maintaining a c. 12% market share in terms of total marble exports. FHL Kyriakidis is the largest exporter and is followed by Pavlidis (former Mermeren Combinat) which maintain a 26% and 19% market share respectively. Marmor (Stone Group International) and Birros complete the top 5. Operating in a highly fragmented market, smaller producers export c. 30% of total marble product (from >40% in 2016).

Greek Marble Mining Market | Top Greek Marble Exporters – Market Share (2017)

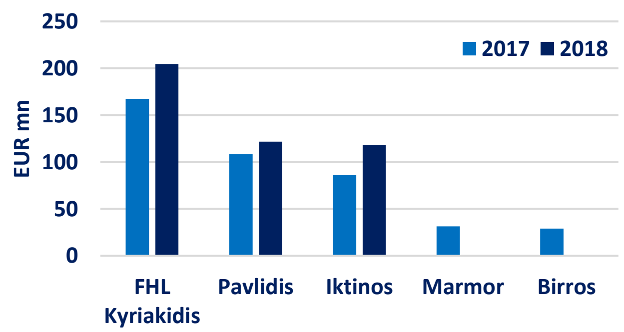


Source: Company

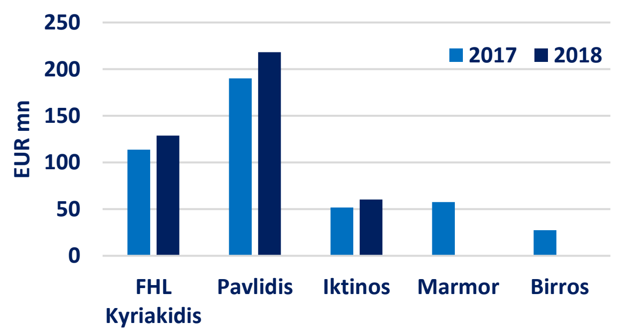
In terms of Total Assets, FHL Kyriakidis is the largest active Greek marble producer, maintaining an asset base close to €205mn (2018) and is followed by Pavlidis and Iktinos, which control total assets worth c. €120mn each. Having said that, Pavlidis is the largest in terms of Revenue generation, having reported total sales of c. €220mn in 2018. FHL and Iktinos follow, at c. €130mn and €60mn respectively.

Greek Marble Mining Market | Top Greek Marble Exporters

Total Assets



Total Sales



Source: Eurobank Equities Research, Companies

A glimpse into corporate governance

With the issue of corporate governance gaining increasing traction among investors, we have sought to supplement our analysis of Iktinos' fundamentals with an evaluation of the group's compliance with corporate governance best-practices, as laid out in the Code of Corporate Governance of the Athens Exchange. We have focused our study on key metrics of governance which we believe are closely watched by investors, including board structure and independence, executive compensation, monitoring through independent committees etc.

1. **BoD Structure**
    a. **BoD size:** Best practice suggests that the BoD should be made up of 7-15 members.
    b. **Chairman/CEO separation:** We consider best practice the separation of the two roles, in line with the corporate governance framework in the vast majority of OECD jurisdictions.
    c. **Term of BoD members (period of election):** We consider best practice cases where BoD members are submitted for election every 4 years or less (in sync with the Code).
    d. **Average tenure of BoD members:** We score more highly companies where directors serve on the board for an average period of 3 years or less. Although shorter average tenure may not be directly linked to operational performance, it does reinforce internal discipline and control while also minimising the likelihood of director misconduct.
2. **BoD Independence**
    a. **% of non-executive members in the BoD:** A board of directors in which non-executive members are the majority is the best practice principle we assess.
    b. **% of independent directors in the BoD:** The Code's recommendation is for independent directors to account for at least 1/3 of the members of the board. We consider best-practice a 30% representation of independent directors. Note that similar frameworks in other jurisdictions are stricter, calling for a minimum of 50% independent directors (e.g. Australia, UK, Sweden, Austria, France, Denmark, Netherlands, Portugal).
    c. **Independent vice-chairman in case of CEO/Chairman duality:** In cases where the roles of the CEO/Chairman are not separated, we give credit to companies having an independent vice-Chairman who safeguards the independence of the board.
3. **System of internal controls**
    a. **Establishment of Remuneration Committee:** We believe the existence of a Remuneration Committee is a good way of introducing a mechanism for normative controls on management's pay.
    b. **Independence of Audit Committee:** The Greek Law prescribes that a listed company must have an Audit Committee. We check for compliance with the Code's recommendation that Audit Committees be composed in their majority of independent non-executive board members.
    c. **Independence of Remuneration Committee:** Best practice suggests that the majority of the Remuneration Committee members should be independent. This inhibits entrenched management from securing excessive remuneration packages.
4. **Alignment of incentives**
    a. **Granularity on executive remuneration:** alignment of the various stakeholders' incentives is facilitated through a good level of disclosure regarding executive pay, e.g. how remuneration of executive directors is determined, balance between fixed and variable components, KPIs for executive bonus, other contractual arrangements (pensions, stock options, long-term incentive schemes etc.).

The snapshot of our findings for Iktinos is laid out in the table below. Overall, we observe compliance with legal requirements.

Corporate Governance Overview - Iktinos	
Board Structure	
Board Size	7 members
CEO/Chairman separation	No separation
Executive director board duration	6 years
Tenure of the CEO	Since founding
Average Tenure of BoD	Long-term
Board Independence	
% of Non-executive directors on the BoD	14%
% of Independent directors on the BoD	29%
Audit Committee Independence	
% of Audit Committee Members that are Independent	67%
% of Audit Committee Members that are Non-Executive	33%
Remuneration	
Remuneration Committee	NA *
Audit	
External Auditor	Grant Thornton
Source: Company, Eurobank Equities Research	

** Remuneration Report issued by BoD and approved by General Meeting, as per legal requirement introduced by new Greek legislation (L.4548/2018)*

Company Description

Iktinos is a vertically integrated mining and quarrying company, mainly active in the extraction, cutting, processing and marketing of marble. The company operates 9 marble quarries and 3 cutting and processing facilities in Greece and maintains a global sales network, exporting to over 90 countries across the world (exports >95% of group turnover). It is listed in the Athens Stock Exchange since 2000.

Risks

- **Macroeconomic conditions:** Being exposed to the construction sector, Iktinos is dependent on the macroeconomic environment of its areas of operation (exports account for >90% of group revenue. Any significant decline in local economic activity would affect appetite for new construction projects, impacting demand for Iktinos' products, thus weighing on group performance.

- **Heightened competition:** Iktinos effectively competes against other established marble companies in a highly fragmented market. Competitive activity may at times be intense, as participants strive to expand their client base, thereby putting pressure on market shares and/or margins.

- **Weather conditions:** Open-pit marble extraction is highly dependent on weather conditions. Prolonged periods of adverse weather conditions (heavy rainfall, snow) may result in a temporary shutdown of operations, affecting production volumes.

- **Demand/Supply:** Marble pricing is highly dependent on demand/supply dynamics. Potential discovery of new and ample reserves of high in demand but relatively scarce white marble may lead to oversupply of the product, affecting prices. Similarly, a change in architectural trends (i.e. a particular colour falling out of fashion or coming on trend) is likely to affect demand/supply and ultimately pricing per ton.

- **Regulatory risk:** Iktinos business is regulated under Greece's mining and quarrying legislation (Mining Code legislated by L. 210/1973 and amended by L. 274/1976 and L. 4512/2018), which distinguishes marble as a 'quarry mineral', allowing for its long-term exploitation through 20-year license permits that may be extended for another 20 years and are also subject to additional 10-year renewals for up to 70 years in total. Regulatory changes to the scope or license duration or modifications of Greek mining and quarrying policies may affect Iktinos' business.

Appendix

Greek Mining & Quarrying Regulation

Given the nature of the business, Mining and Quarrying is a regulated activity in Greece. The State acknowledges that mineral deposits are scarce and can be depleted if overworked and often, there are historical and archaeological findings in the areas of interest, therefore miners need to operate within a strict production framework. Environmental implications also mean that a restoration regime must be in place to safeguard that any given project will not compromise the integrity of the area concerned.

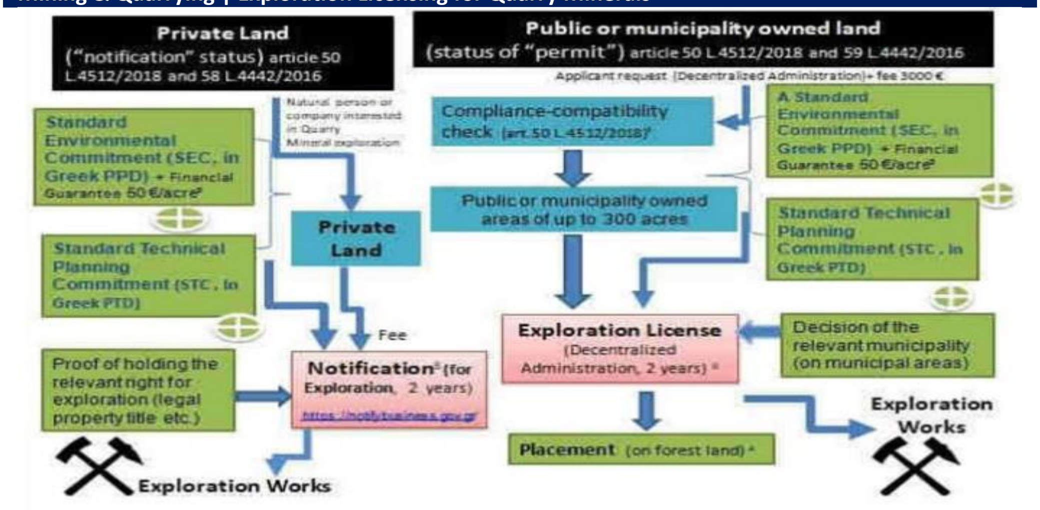
Mining and Quarrying is regulated by Law 210/1973 ("The Mining Code") and its amendments in 1976 (L. 274/1976) and 2018 (L. 4512/2018). Under Greek legislation, minerals are categorised into Metallic and Quarry. Exploitation rights of Metallic Minerals, either surface or underground, belong to the State and are leased or conceded to interested parties via a Presidential Decree.

The law distinguishes between the mine ownership right and the metallic minerals extracted from it. In terms of materials' classification, Metallic Minerals include metals and metallic compounds, precious stones, radioactive and energy minerals, talc, fluoride, asbestos, dolomites with a magnesium oxide (MgO) content greater than 21%, feldspars, mineral salt, organic sediments, and quarry minerals that may be processed into metallic ones.

On the other hand, Quarry Minerals belong to the landowner of the area in which they reside, and exploitation rights are conceded by the landowner. They are categorised into aggregates, marbles & ornamental rocks and industrial minerals (except feldspars and magnesite, which are metallic minerals).

In terms of licensing, in both cases the regulator takes into account four main risk categories, namely risk to health and safety, cultural heritage, environmental implications and deposit sustainability. For a license to be issued, the owner of any mining or quarrying project must conduct an Environmental Impact Study (EIS) and issue an Environmental Impact Assessment (EIA) in order to be granted Environmental Terms Approval (ETA) and ultimately an exploration and exploitation permit.

Mining & Quarrying | Exploration Licensing for Quarry Minerals

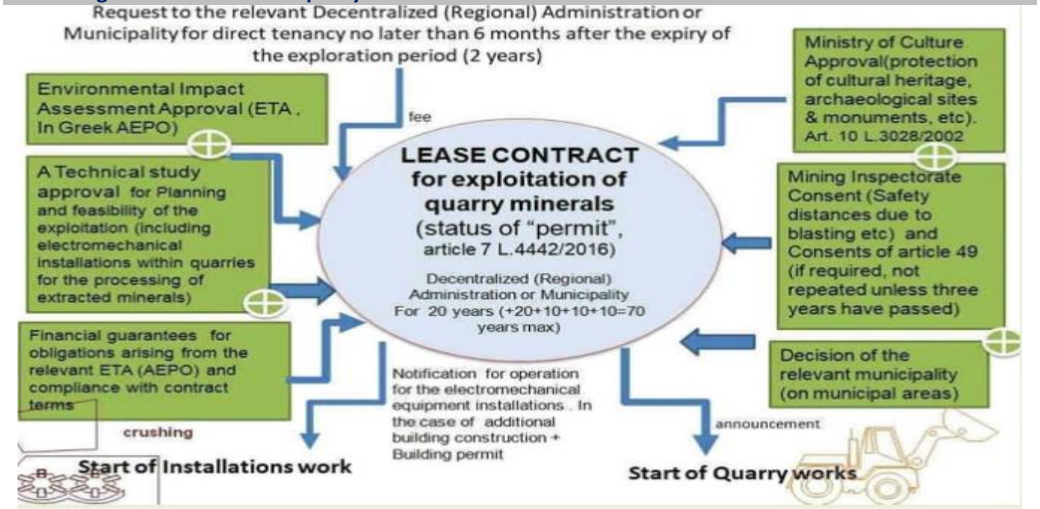


Source: Stonenews.eu

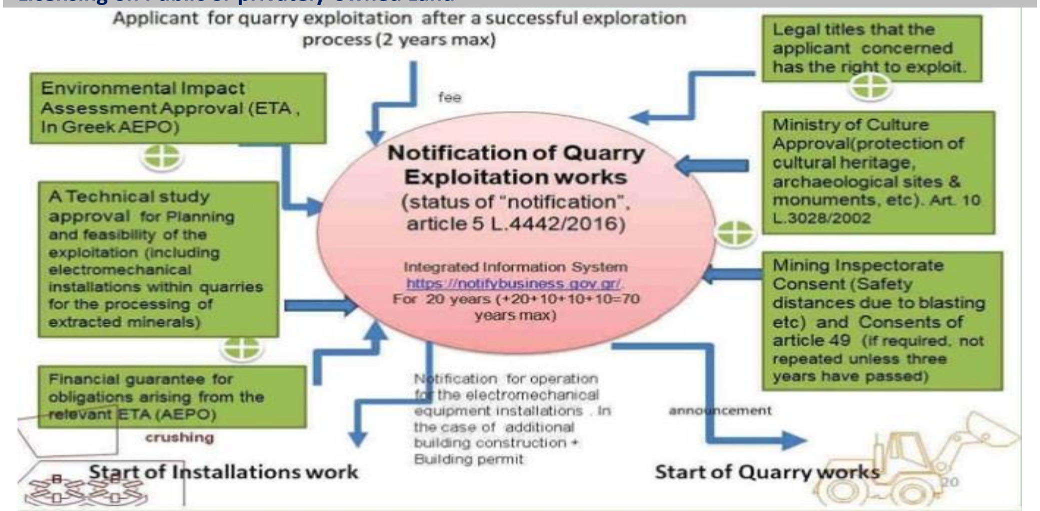
Exploration work may be carried out in a single area of up to 300 acres and the permit is valid for a period of 20 years, which can be extended for an additional 20 years and then 10-year intervals for up to a total of 70 years.

Mining & Quarrying | Exploitation Licensing for Quarry Minerals

Licensing on Public or Municipality-owned Land



Licensing on Public or privately-owned Land



Source: Stonenews.eu

Group Financial Statements

Balance Sheet					
€ mn	2017a	2018a	2019e	2020e	2021e
Property, Plant & Equipment (net)	41.5	44.9	46.1	47.1	47.9
Intangible Assets	0.5	7.4	8.1	8.6	9.2
Other Non-Current Assets	7.1	30.0	30.0	30.0	30.0
Total Non-current Assets	**49.1**	**82.3**	**84.2**	**85.8**	**87.1**
Inventory	18.0	19.7	16.4	19.8	22.9
Receivables	8.9	7.3	6.0	7.3	8.5
Other Current Assets	4.1	7.1	5.9	7.2	8.3
Cash & Cash Equivalents	5.7	1.9	1.6	1.9	2.2
Total Current assets	**36.8**	**36.0**	**29.9**	**36.3**	**41.9**
Total Assets	**85.9**	**118.3**	**114.1**	**122.0**	**129.1**
Share Capital & Premium	11.9	11.9	11.9	11.9	11.9
Reserves	24.1	34.8	36.1	44.1	55.0
Non-Controlling Interest	0.0	0.5	0.5	0.5	0.5
Total Equity	**36.0**	**47.3**	**48.5**	**56.5**	**67.4**
Long-Term Loans	7.6	19.3	19.3	19.3	19.3
Other Long-Term Liabilities	10.6	14.8	14.8	14.8	14.8
Total Long-Term Liabilities	**18.2**	**34.1**	**34.1**	**34.1**	**34.1**
Short-Term Loans	9.8	14.4	12.7	8.7	1.3
Payables	11.0	10.7	8.9	10.8	12.5
Other Short-Term Liabilities	10.9	11.8	9.8	11.9	13.8
Total Short-Term Liabilities	**31.7**	**36.9**	**31.4**	**31.4**	**27.5**
Total Equity and Liabilities	**85.9**	**118.3**	**114.1**	**122.0**	**129.1**

Source: Company, Eurobank Equities Research

P&L					
€ mn	**2017a**	**2018a**	**2019e**	**2020e**	**2021e**
Turnover	**51.7**	**60.5**	**50.3**	**61.0**	**70.5**
change	*44.9%*	*16.9%*	*-16.8%*	*21.2%*	*15.6%*
Gross Profit (excl. depreciation)	**31.4**	**36.0**	**26.5**	**34.7**	**41.8**
Gross margin	*60.8%*	*59.6%*	*52.7%*	*57.0%*	*59.3%*
Selling, Administrative & R&D Expenses	-10.2	-12.5	-12.2	-13.5	-14.9
Other Income/(Expense)	-0.3	0.6	0.9	0.8	0.8
EBITDA	**21.0**	**24.2**	**15.2**	**22.0**	**27.6**
change	*120.2%*	*15.4%*	*-37.3%*	*45.1%*	*25.6%*
EBITDA margin	*40.5%*	*40.0%*	*30.2%*	*36.1%*	*39.2%*
Depreciation	-3.3	-3.7	-4.2	-4.4	-4.6
EBIT	**17.7**	**20.4**	**11.0**	**17.6**	**23.0**
change	*180.9%*	*15.4%*	*-46.1%*	*59.9%*	*30.6%*
EBIT margin	*34.2%*	*33.8%*	*21.9%*	*28.9%*	*32.6%*
Financial Income/(Expense), net	-2.7	-1.7	-1.8	-1.4	-1.0
Extraordinary Income	-0.4	3.5	0.0	0.0	0.0
Earnings Before Tax	**14.6**	**22.2**	**9.2**	**16.2**	**21.9**
change	*295.3%*	*52.1%*	*-58.5%*	*75.8%*	*35.5%*
EBT margin	*28.2%*	*36.7%*	*18.3%*	*26.6%*	*31.1%*
Income Tax	-5.6	-5.6	-2.2	-3.9	-5.3
Effective Tax Rate	*38%*	*25%*	*24%*	*24%*	*24%*
Non-Controlling Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	**9.0**	**16.6**	**7.0**	**12.3**	**16.7**
change	*1037.2%*	*84.6%*	*-57.9%*	*75.8%*	*35.5%*
Net Profit margin	*17.4%*	*27.5%*	*13.9%*	*20.2%*	*23.7%*
EPS	**0.08**	**0.15**	**0.06**	**0.11**	**0.15**
DPS	**0.02**	**0.04**	**0.05**	**0.04**	**0.05**

Source: Company, Eurobank Equities Research

Cash Flow Statement					
€ mn	2017a	2018a	2019e	2020e	2021e
Net Profit	**9.0**	**16.6**	**7.0**	**12.3**	**16.7**
Depreciation	3.3	3.7	4.2	4.4	4.6
Changes in Working Capital	1.6	-2.4	1.9	-2.0	-1.8
Other Adjustments	0.9	-5.4	0.0	0.0	0.0
Net Inflows (Outflows) from Operating Activities	**14.8**	**12.6**	**13.1**	**14.7**	**19.5**
Capex	3.2	14.1	6.0	6.0	6.0
Other Adjustments	-0.7	12.4	0.0	0.0	0.0
Net Inflows (Outflows) from Investing Activities	**2.5**	**26.5**	**6.0**	**6.0**	**6.0**
Free Cash Flow	**12.3**	**-14.0**	**7.1**	**8.7**	**13.5**
Dividends	**2.0**	**4.3**	**5.7**	**4.3**	**5.8**
Net Debt	**11.6**	**31.8**	**30.4**	**26.1**	**18.4**

Source: Company, Eurobank Equities Research

Ratios					
	2017a	2018a	2019e	2020e	2021e
P/E	12.4	6.7	15.9	9.0	6.7
P/BV	3.1	2.4	2.3	2.0	1.7
P/Sales	2.1	1.8	2.2	1.8	1.6
EV/EBITDA	5.8	5.9	9.3	6.2	4.7
EV/Sales	2.4	2.4	2.8	2.2	1.8
EBIT/Interest Expense	6.6	12.2	6.1	12.5	22.1
Net Debt/EBITDA	0.6	1.3	2.0	1.2	0.7
Dividend Yield	1.8%	3.9%	5.1%	3.9%	5.2%
ROE	25.0%	35.6%	14.6%	22.0%	24.9%
Cash Flow Yield	13.4%	11.3%	11.8%	13.2%	17.6%
Payout Ratio	22.1%	25.8%	81.6%	35.0%	35.0%

Source: Company, Eurobank Equities Research

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12-month Rating History of Iktinos Hellas S.A.

Date	Rating	Stock price	Target price
13/09/2019	Not Rated	€ 0.974	-

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	14	61%	1	7%
Hold	6	26%	0	0%
Sell	0	0%	0	0%
Restricted	1	4%	0	0%
Under Review	0	0%	0	0%
Not Rated	2	9%	0	0%
Total	**23**	**100%**		

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
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