

November 10, 2024

## **Piraeus Port Authority S.A. (ATSE:PPA)**

**Research & Presentation Materials – Investment Committee**

The Complutense Finance Society Investment Fund

- Mauro Cancino (Secretary General)
- Rodrigo Ruiz (Vice-President)

# Executive Summary

## Investment Thesis



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Key terms	Description
<ul style="list-style-type: none"> <li>Business Model</li> </ul>	<ul style="list-style-type: none"> <li>One of the fastest growing terminals globally with gateway to the East Mediterranean</li> <li>Serves the largest shipping companies and has robust infrastructure capable of serving the largest container carriers</li> <li>Hub for transshipment in the Mediterranean and Black Sea</li> </ul>
<ul style="list-style-type: none"> <li>Industry Opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated player within an industry with high entry barriers (geography, high initial investment) and expected to grow 5% annually</li> </ul>
<ul style="list-style-type: none"> <li>Financial Performance</li> </ul>	<ul style="list-style-type: none"> <li>Margins Expansion, NWC Efficiency improvements, higher growth rate than peers with superior return on incremental capital and strong and predictable cash flow generation</li> </ul>
<ul style="list-style-type: none"> <li>Relative &amp; Intrinsic Valuation</li> </ul>	<ul style="list-style-type: none"> <li>Lower EV/EBITDA than average and median of industry (4.9x vs 11x), therefore showing a high upside potential</li> <li>Lower EV/FCF than average and median of industry (8.5x vs 17X), therefore showing a high upside potential</li> </ul>
<ul style="list-style-type: none"> <li>Recent Transactions</li> </ul>	<ul style="list-style-type: none"> <li>Recent transactions show strategic buyers are paying a median of 11x EV/EBITDA for peers with worse financial performance and with similar EV and geography</li> </ul>

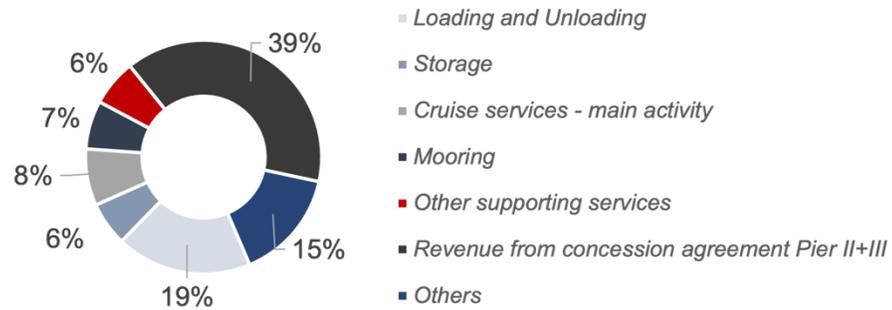
Source:

# Business Model

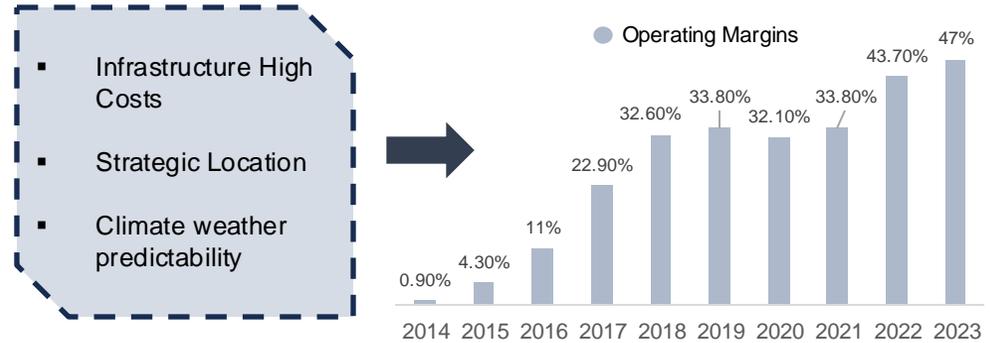
## Piraeus at a glance I



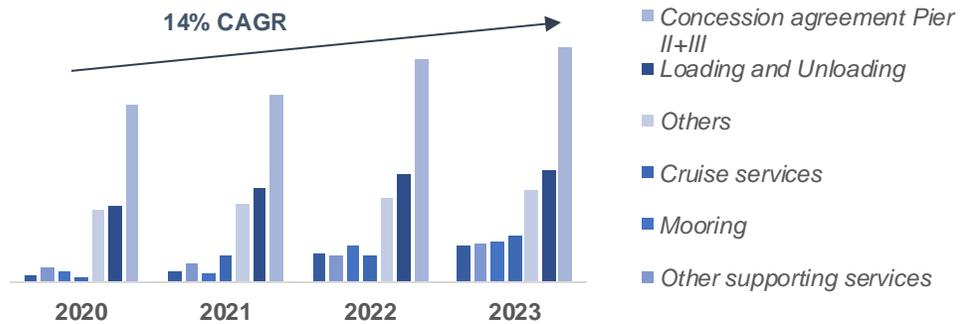
### Revenue Breakdown



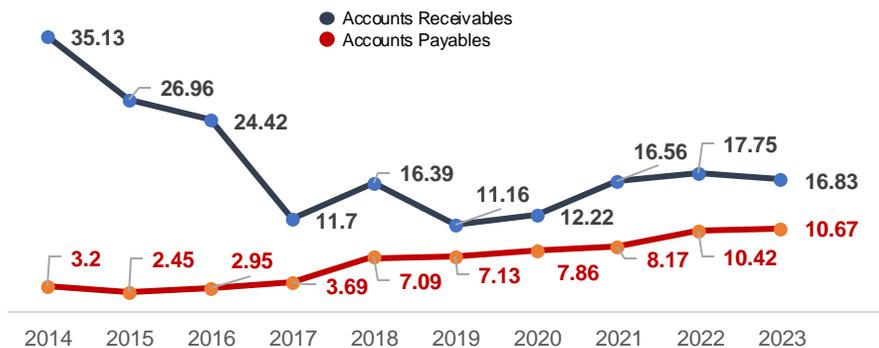
### Moats & Margins Expansion



### Revenue Performance



### NWC Efficiency Improvements



Source: Annual Report & Tikr

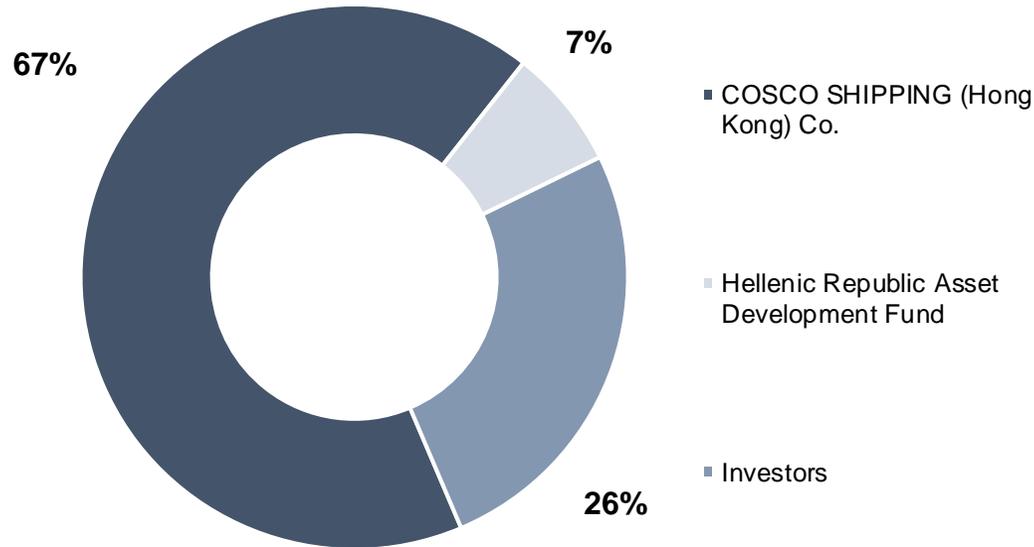
# Business Model

## Piraeus Shareholders and Management



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### Major Shareholders



- **COSCO SHIPPING Co.:** A wholly owned subsidiary and an important overseas regional headquarters and conglomerate of China COSCO SHIPPING Corporation Limited. It is investing in Greece's Port of Piraeus, Hainan Harbor and Shipping Holding, and a marine equipment leasing platform in North America.
- **Hellenic Republic Asset Development Fund:** The Hellenic Republic Asset Development Fund S.A. (HRADF) develops and leverages the state private property assigned to it by the Hellenic Republic, according to the country's international obligations and the Medium-Term Fiscal Strategy.

Source: Annual Report

# Industry Overview

## Port Services Industry



### Drivers

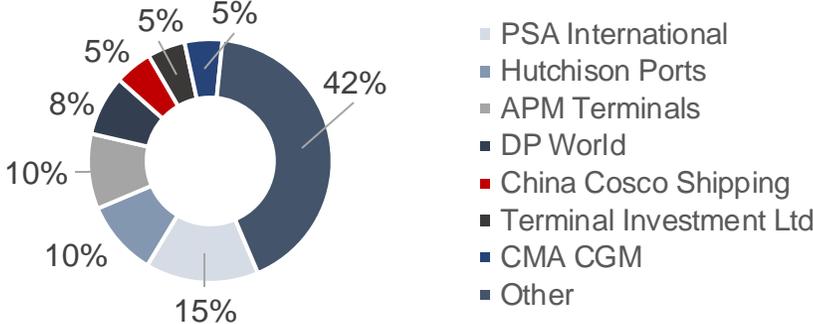
- **Global Trade Expansion:** As international commerce & e-commerce continues to increase, there is a growing demand for efficient port services to handle the movement of goods between countries. Approximately 80% of the world's trade volume is transported by sea and managed in ports globally
- **Technological Advancements:** Automation and digitalization are transforming port operations, enabling faster and more cost-effective services. Technologies like automated cranes, smart ports, IoT devices, artificial intelligence, and blockchain for supply chain transparency enhance port efficiency and competitiveness.

### Projections (\$Bn)



Source: Mordor Intelligence

### Top Players in Europe



### Key Risks

Risk	Mitigants
<b>Global Trade Volatility:</b> Port services industry is highly dependent on global trade volumes, which can be impacted by economic downturns, geopolitical tensions, changes in trade policies...	<b>Diversification of services:</b> Ports can offer a broader range of services beyond cargo handling, such as value-added logistics, warehousing, and intermodal transport options to diversify revenue
<b>Infrastructure Capacity and Congestion:</b> Port congestion and inadequate infrastructure can lead to delays, increased costs, and a loss of competitiveness	<b>Operational efficiency:</b> Use technology like Terminal Operating Systems (TOS), IoT sensors, and predictive analytics to optimize cargo flow

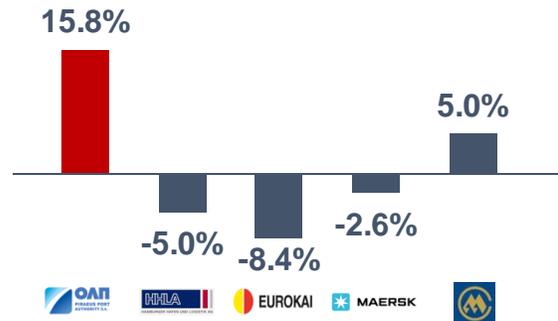
# Financial Analysis

## KPIs benchmark

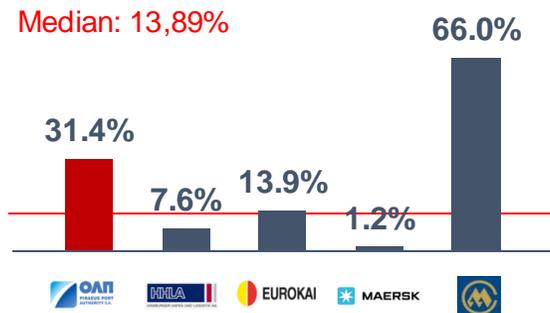


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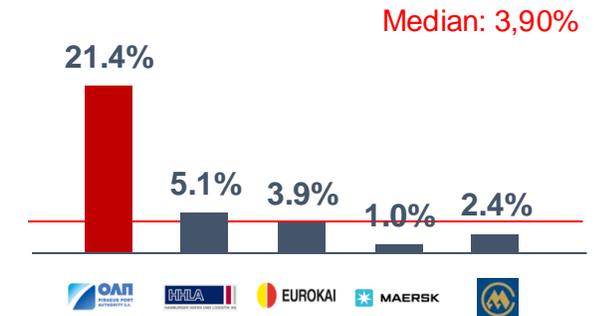
### EBITDA CAGR 2018A-2023A



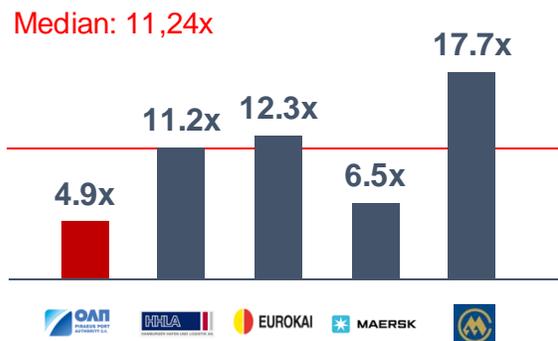
### FCF Margin LTM



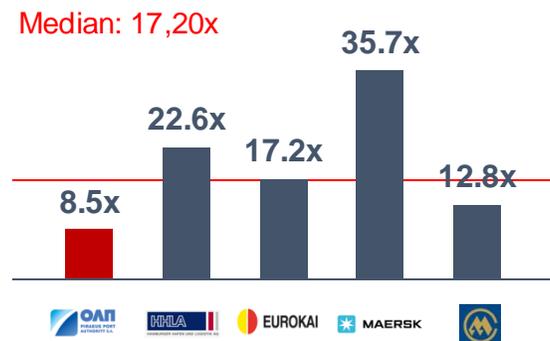
### ROIC LTM



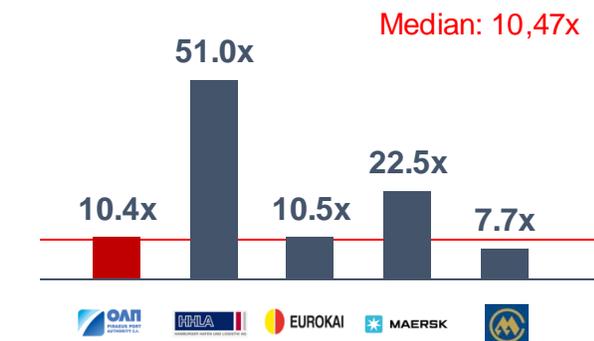
### LTM EV/EBITDA



### LTM EV/FCF



### LTM P/E



Source: Own Research, TIKR

# Valuation

## Discounted Cash Flow



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DCF																	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	104,32	99,88	103,5	111,53	132,93	149,22	132,9	154,19	194,57	219,82	235,21	251,67	269,29	288,14	308,31	329,89	352,98
% growth		-4,26%	3,62%	7,76%	19,19%	12,25%	-10,94%	16,02%	26,19%	12,98%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%
EBITDA	15,94	18,21	25,13	36,42	55,46	70,98	57,80	70,20	102,56	118,64	119,34	124,04	135,85	148,19	157,78	166,98	178,58
% margin	15,28%	18,23%	24,28%	32,65%	41,72%	47,57%	43,49%	45,53%	52,71%	53,97%	50,74%	49,29%	50,45%	51,43%	51,17%	50,62%	50,59%
<b>EBIT</b>	<b>0,99</b>	<b>3,25</b>	<b>10,27</b>	<b>21,61</b>	<b>40,45</b>	<b>52,99</b>	<b>39,44</b>	<b>52,07</b>	<b>84,13</b>	<b>99,66</b>	<b>98,17</b>	<b>101,39</b>	<b>111,61</b>	<b>122,26</b>	<b>130,03</b>	<b>137,29</b>	<b>146,81</b>
% margin	0,95%	3,25%	9,92%	19,38%	30,43%	35,51%	29,68%	33,77%	43,24%	45,34%	41,74%	40,29%	41,45%	42,43%	42,17%	41,62%	41,59%
(-) Taxes	-2,13	-1,40	-4,34	-9,90	-14,45	-12,16	-10,64	-12,45	-29,58	-37,17	-33,31	-34,44	-38,01	-41,74	-44,46	-47,00	-50,33
% tax rate		-43,08%	-42,26%	-45,81%	-35,72%	-22,95%	-26,98%	-23,91%	-35,16%	-37,30%	-33,93%	-33,96%	-34,06%	-34,14%	-34,19%	-34,24%	-34,28%
<b>Unlevered Net Income</b>	<b>-1,14</b>	<b>1,85</b>	<b>5,93</b>	<b>11,71</b>	<b>26,00</b>	<b>40,83</b>	<b>28,80</b>	<b>39,62</b>	<b>54,55</b>	<b>62,49</b>	<b>64,86</b>	<b>66,96</b>	<b>73,60</b>	<b>80,52</b>	<b>85,57</b>	<b>90,29</b>	<b>96,48</b>
(+) D&A	14,95	14,96	14,86	14,31	15,01	17,99	18,36	18,13	18,43	18,98	25,68	25,66	26,41	28,49	31,46	33,07	35,23
(-) Capex	(1,6)	(2,7)	(10,2)	(6,5)	(25,7)	(9,0)	(20,7)	(42,6)	(37,8)	(27,3)	(37,5)	(40,1)	(39,7)	(44,8)	(47,5)	(50,2)	(54,3)
(+/-) Changes in NWC		7,36	3,04	13,35	-1,61	4,7	-0,83	-3,66	0,87	0,67	-3,86	-0,92	0,07	-1,01	-1,80	-1,05	-1,08
<b>Unlevered Free Cash Flow</b>	<b>12,22</b>	<b>21,45</b>	<b>13,67</b>	<b>32,91</b>	<b>13,75</b>	<b>54,57</b>	<b>25,63</b>	<b>11,51</b>	<b>36,06</b>	<b>54,83</b>	<b>49,23</b>	<b>51,62</b>	<b>60,33</b>	<b>63,24</b>	<b>67,73</b>	<b>72,05</b>	<b>76,30</b>

		Growth Rate			
		2%	2,25%	2,50%	2,75%
Discount Rate	6%	145,25%	157,83%	172,21%	188,80%
	7%	97,88%	<b>105,39%</b>	<b>113,74%</b>	123,07%
	8%	66,35%	<b>71,24%</b>	<b>76,58%</b>	82,42%
	9%	43,87%	47,25%	50,89%	54,82%

		EV/EBITDA Exit Multiple			
		8x	9x	10x	11x
Discount Rate	6%	97,00%	113,67%	130,34%	147,00%
	7%	86,71%	<b>102,32%</b>	<b>117,92%</b>	133,53%
	8%	77,13%	<b>91,75%</b>	<b>106,38%</b>	121,00%
	9%	68,20%	81,91%	95,62%	109,33%
	15%	25,82%	35,24%	44,66%	54,09%

Source: Own Research. TIKR

# Valuation

## LBO Model



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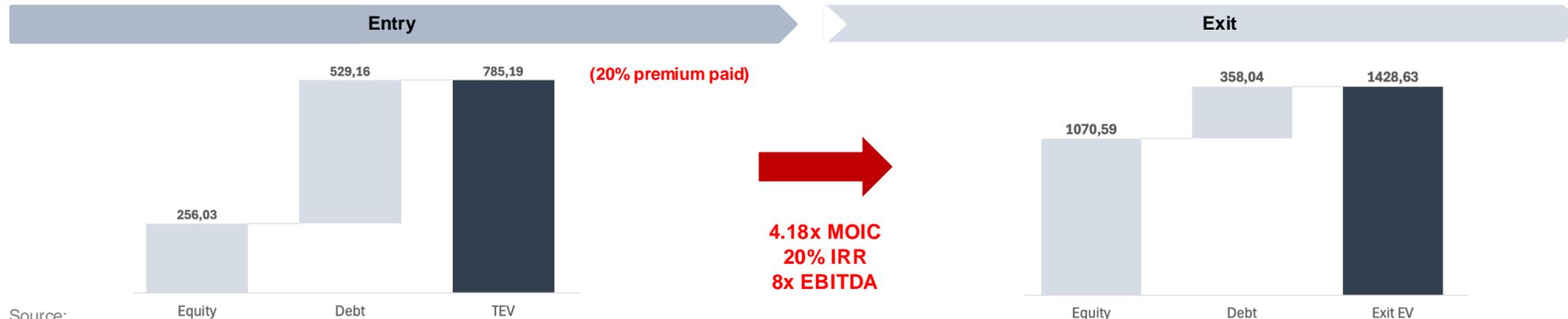
### Assumptions

Sources				Uses			
	Amount	xEBITDA	% Capital		Amount	xEBITDA	% Capital
Bank Debt	529,16	4,00x	67,39%	Debt Retirement	0	0,0x	0,00%
Senior Notes	0	0,00x	0,00%	Equity Payment	763,40	5,77x	97,22%
<b>Total Debt</b>	<b>529,16</b>	<b>4,00x</b>	<b>67,39%</b>				
Sponsor Equity	256,03	1,94x	32,61%	Fees & Expenses	21,79	0,16x	2,78%
<b>Total Sources</b>	<b>785,19</b>	<b>5,94x</b>	<b>100,00%</b>	<b>Total Uses</b>	<b>785,19</b>	<b>5,94x</b>	<b>100,00%</b>

### IRR Sensitivity Analysis

		Exit EV/EBITDA Multiple			
		7x	8x	9x	10x
Premium paid	15%	17,26%	20,36%	23,04%	25,41%
	20%	16,55%	<b>19,63%</b>	<b>22,29%</b>	24,65%
	25%	15,87%	<b>18,93%</b>	<b>21,58%</b>	23,92%
	30%	15,22%	<b>18,27%</b>	<b>20,90%</b>	23,23%
	35%	14,60%	17,63%	20,25%	22,57%

### Base Case Scenario



Source:

# Precedent Transactions

## Multiples benchmark



Private Transactions & Median Premia Paid				
Deal Description	Implied EV	EBITDA	Implied EV/EBITDA	Premium (%)
▪ Grimaldi acquires 67% stake in Heraklion Port Authority S.A. for €80 million	€119 million	€4.19 million	28x	-
▪ CMA CGM acquires 47.6% stake in Santos Brazil Participações S/A for 1.1\$bn	\$2.3 billion	€230 million	10x	12%
▪ MSC acquires 49.9% stake in HHLA for 1.28\$bn	\$2.56 billion	€229 million	11.1x	35%
▪ MSC acquires 42% of Clasquin at 142€/share	€351 million	€25.04 million	14x	13%
▪ DP World acquires 100% stake in Puertos y Logística S/A for €502 million	€502 million	€44 million	11.4x	156%

Source: Own Research, TIKR

**Median: 11.1x**

**Median: 25%**

# Illustrative Valuation for PPA

## Valuation Summary



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	Illustrative Share Price		Comments
Financial Analyses	<p><b>Current Share Price: 27€</b></p> <p>Discounted Cash Flows</p> <p>48€  56€</p>	<p><b>Fair Share Price: 42€</b></p> <p>52€  70€</p>	<ul style="list-style-type: none"> <li>7% Revenue Growth, 7-8% Discount Rate, 2-2,25% Perpetual Growth Rate</li> <li>EBITDA Margin 50%</li> </ul>
	<p>Precedent Transactions</p> <p>22,7€  34€</p>	<p>Public Comps</p> <p>42€  56€</p>	<ul style="list-style-type: none"> <li>10-14x EV/EBITDA Industry Median</li> <li>8-11x EV/EBITDA</li> <li>8-12x P/E</li> </ul>
Reference Info.	<p>52 Week Trading Range</p> <p>20,9€  29,1€</p>		<ul style="list-style-type: none"> <li>Min: 20,95€</li> <li>Max: 29,10€</li> </ul>

Source: