



# Cementir Holding

Cement &amp; Aggregates / Italy

## White knight with green armour

24/03/2020

### Change in EPS

2020 : € 0.56 vs 0.65	-14.3%
2021 : € 0.61 vs 0.77	-20.1%

We have updated our model with the FY19 results. The company performed better than we had anticipated, especially in Turkey, where we priced in the impact of the country's economic strains and devaluation of lira too conservatively. Despite the company's great performance in 2019, we have narrowed our estimates for 2020 and 2021, due to the COVID-19 pandemic. We have only marginally reduced the EPS for 2020 and 2021 because they were already low as compared to the updated 2019 level. However, the company has not communicated anything about the impact of COVID-19, except for the fact that the operations in China are already regaining momentum. Thus, for the moment, our current assumptions are based on a wet finger approach and we will make further changes once the company communicates on the impact and possibly a fresh set of targets during Q1 20 results.

### Change in DCF

€ 10.2 vs 12.0	-14.9%
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Along with the change in earnings, we have increased the debt spread to 300bp. We have also changed the EBITDA growth to 1.5% from 2% in the out years because COVID-19 has added an extra layer of uncertainty to the earnings growth, on the already existent ETS Phase IV (Emission Trading Scheme) apprehension.



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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

### Buy Upside : 76.1%

Target Price (6 months)	€ 7.78
Share Price	€ 4.42
Market Cap. €M	703
Price Momentum	<b>NEGATIVE</b>
Extremes 12Months	4.36 ▶ 6.99
Bloomberg	CEM IM Equity
Reuters	CEMI.MI

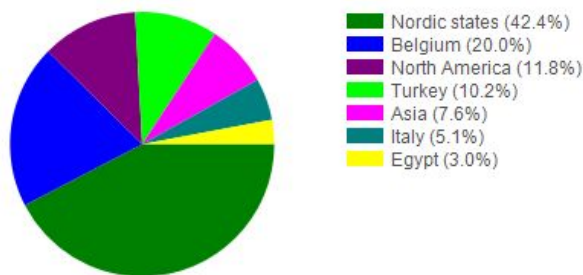

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PERF	1w	1m	3m	12m
Cementir Holding	-3.95%	-33.0%	-33.3%	-29.2%
Building Prod. & Materials	-4.53%	-40.8%	-42.4%	-30.3%
SXXR Index	-1.39%	-34.3%	-32.6%	-23.2%

Last updated: 24/03/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	6.08	7.89	7.20	6.45
Dividend yield (%)	2.29	3.17	3.17	3.17
EV/EBITDA(R) (x)	5.06	3.75	3.37	2.95
Adjusted EPS (€)	1.01	0.56	0.61	0.69
Growth in EPS (%)	43.6	-44.4	9.62	11.7
Dividend (€)	0.14	0.14	0.14	0.14
Sales (€M)	1,212	1,259	1,298	1,332
EBITDA/R margin (%)	21.8	21.0	21.4	21.9
Attributable net profit (€M)	156	89.1	97.6	109
ROE (after tax) (%)	15.3	8.19	8.36	8.74
Gearing (%)	23.7	18.3	12.2	6.31

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## Sales by Geography



## Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€M	1,212	1,259	1,298
Change in sales	%	1.31	3.92	3.08
Change in staff costs	%	4.86	4.39	4.70
EBITDA	€M	264	264	277
<b>EBITDA(R) margin</b>	%	<b>21.8</b>	<b>21.0</b>	<b>21.4</b>
Depreciation	€M	-88.0	-93.7	-96.6
Underlying operating profit	€M	156	150	159
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>152</b>	<b>150</b>	<b>159</b>
Net financial expense	€M	-25.4	-21.4	-18.4
of which related to pensions	€M		-0.08	-0.08
Exceptional items & other	€M			
Corporate tax	€M	36.2	-32.0	-35.1
Equity associates	€M	0.31	0.22	0.24
Minority interests	€M	-6.86	-7.29	-7.99
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>160</b>	<b>89.1</b>	<b>97.6</b>
NOPAT	€M	109	105	112

## Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€M	264	264	277
Change in WCR	€M	12.4	-3.17	-5.38
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-32.4	-32.0	-35.1
Exceptional items	€M			
Other operating cash flows	€M	-19.9	-29.9	-29.9
Total operating cash flows	€M	224	199	207
Capital expenditure	€M	-63.3	-86.0	-109
Total investment flows	€M	-57.1	-91.0	-109
Net interest expense	€M	-25.4	-21.4	-18.4
Dividends (parent company)	€M	-27.2	-22.3	-22.3
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M			
Total financial flows	€M	-69.1	-55.3	-55.6
Change in cash position	€M	98.3	52.4	42.6
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>135</b>	<b>91.4</b>	<b>79.8</b>

## Per Share Data

		12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...	Mio	159	159	159
Number of diluted shares (average)	Mio	159	159	159
<b>Benchmark EPS</b>	<b>€</b>	<b>1.01</b>	<b>0.56</b>	<b>0.61</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 10.2	35%	■ Buzzi
NAV/SOTP per share	€ 9.34	20%	■ Heidelbergcement
EV/Ebitda	€ 7.13	20%	■ LafargeHolcim
P/E	€ 4.28	10%	■ Vicat
Dividend Yield	€ 2.85	10%	
P/Book	€ 3.88	5%	
TARGET PRICE	€ 7.78	100%	

### NAV/SOTP Calculation

## Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	€M	349	349	349
Total intangible	€M	563	566	568
Tangible fixed assets	€M	860	869	878
Financial fixed assets	€M	94.5	95.4	96.4
WCR	€M	54.3	57.5	62.9
Other assets	€M	90.9	91.8	92.7
Total assets (net of short term liab.)	€M	1,665	1,681	1,699
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>1,045</b>	<b>1,132</b>	<b>1,205</b>
Quasi Equity & Preferred	€M			
Minority interests	€M	137	138	140
Provisions for pensions	€M	35.7	25.3	24.6
Other provisions for risks and liabilities	€M	43.3	43.7	44.1
Total provisions for risks and liabilities	€M	79.0	69.0	68.7
Tax liabilities	€M	161	163	165
Other liabilities	€M	3.83	3.87	3.91
<b>Net debt (cash)</b>	<b>€M</b>	<b>240</b>	<b>175</b>	<b>118</b>
Total liab. and shareholders' equity	€M	1,665	1,681	1,699

## Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€M	1,573	1,588	1,605

## Profits & Risks Ratios

		12/19A	12/20E	12/21E
<b>ROE (after tax)</b>	%	<b>15.3</b>	<b>8.19</b>	<b>8.36</b>
ROCE	%	6.96	6.61	6.95
<b>Gearing (at book value)</b>	%	<b>23.7</b>	<b>18.3</b>	<b>12.2</b>
Adj. Net debt/EBITDA(R)	x	0.91	0.66	0.43
Interest cover (x)	x	6.14	7.02	8.69

## Valuation Ratios

		12/19A	12/20E	12/21E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>6.08</b>	<b>7.89</b>	<b>7.20</b>
Free cash flow yield	%	13.9	13.0	11.4
P/Book	x	0.93	0.62	0.58
<b>Dividend yield</b>	%	<b>2.29</b>	<b>3.17</b>	<b>3.17</b>

## EV Calculation

		12/19A	12/20E	12/21E
Market cap	€M	974	703	703
+ Provisions	€M	79.0	69.0	68.7
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	240	175	118
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M	94.5	95.4	96.4
+ Minority interests (fair value)	€M	137	138	140
= EV	€M	1,335	990	933
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>5.06</b>	<b>3.75</b>	<b>3.37</b>
EV/Sales	x	1.10	0.79	0.72

Analyst : Sejal Varshney, Changes to Forecasts : 24/03/2020.