



Cementir Holding

Cement & Aggregates / Italy

Q1 24: a rebound is expected in the H2

Earnings/sales releases - 13/05/2024

Cementir Holding released its Q1 results, indicating a positive group volume performance, primarily driven by robust demand in Turkey. Despite the ongoing low volumes in many markets, the company has reiterated its FY24 guidance, anticipating a rebound in volume during the second half of the year. Since the guidance aligns with our expectations, we do not intend to make significant adjustments to our model.

Fact

- Revenue: €368.3m (vs €414.8m in Q1 23)
- EBITDA: €66.5m (vs €81.2m in Q1 23)
- PBT: €58.7m (vs €63.9m in Q1 23)
- Outlook for the full year re-iterated

Analysis

Cementir Holding has released its Q1 results, revealing growth in group volumes. Cement and clinker volumes increased by 2.3%, RMC by 3.7%, and Aggregates by 8.9%. This growth was primarily driven by strong demand in Turkey, which offset the decline in volumes in other regions. However, despite this positive trend, sales decreased by 11.2% and EBITDA by 18.1%, leading to a 1.6pps decrease in the company's margin. The decrease in sales was mainly due to low volumes in Europe, caused by fewer working days, adverse weather conditions and a sluggish residential market. Additionally, sales were also impacted by a negative currency effect of €50m, mainly due to the devaluation of the Turkish lira, which partially offset the positive operational results from Turkey.

The cost of raw materials, which accounts for half of total operating costs, decreased by 18% due to a reduction in certain production inputs. This reduction is expected to continue throughout the year. However, the company may still experience wage inflation, as personnel costs increased by 2.4% this quarter despite a decrease in the number of employees.

Performance by division

The Nordic and Baltic region, which contributed 39% of the group's EBITDA, experienced low volumes across all countries, leading to a decline in sales (down 16%) and EBITDA (down 35%). In Denmark, volumes were affected by a reduction in the number of working days, severe weather conditions and a sluggish residential market. Norway faced challenges due to poor weather conditions and delays in certain infrastructure projects, impacting volume sales. In Sweden, there was a mixed performance with a 13% increase in RMC sales but a 12% decrease in aggregates volumes.

The Belgium and France segment demonstrated resilience, with a 2% increase in EBITDA despite lower volumes leading to a 12% decrease in sales in that region. This performance was attributed to the effective management of energy costs and selling prices.

Turkey experienced the strongest demand of all the regions, with domestic cement volumes increasing by 22%, cement exports up by 8% and RMC by 31%, along



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| | |
|-------------------------|----------------------|
| Buy | Upside: 34.0% |
| Target Price (6 months) | € 13.9 |
| Share Price | € 10.4 |
| Market Cap. €M | 1,648 |
| Price Momentum | STRONG |
| Extremes 12Months | 7.05 ▶ 10.5 |
| Sustainability score | 2.2 /10 |
| Credit Risk | BBB → |
| Bloomberg | CEM IM Equity |
| Reuters | CEMI.MI |


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| PERF | 1w | 1m | 3m | 12m |
|----------------------------|-------|-------|-------|-------|
| Cementir Holding | 4.33% | 1.97% | 13.3% | 36.4% |
| Building Prod. & Materials | 5.05% | 5.63% | 19.1% | 41.1% |
| STOXX 600 | 3.01% | 2.80% | 7.41% | 12.3% |

| Last updated: 29/04/2024 | 12/23A | 12/24E | 12/25E | 12/26E |
|------------------------------|--------|--------|--------|--------|
| Adjusted P/E (x) | 6.04 | 9.55 | 10.3 | 9.81 |
| Dividend yield (%) | 3.57 | 2.70 | 2.70 | 2.70 |
| EV/EBITDA(R) (x) | 2.69 | 3.79 | 3.47 | 3.11 |
| Adjusted EPS (€) | 1.30 | 1.08 | 1.00 | 1.06 |
| Growth in EPS (%) | 21.6 | -16.4 | -7.39 | 5.10 |
| Dividend (€) | 0.28 | 0.28 | 0.28 | 0.28 |
| Sales (€M) | 1,694 | 1,794 | 1,902 | 2,005 |
| EBITDA/R margin (%) | 24.3 | 21.3 | 20.7 | 20.6 |
| Attributable net profit (€M) | 202 | 169 | 156 | 164 |
| ROE (after tax) (%) | 14.0 | 10.9 | 9.45 | 9.23 |
| Gearing (%) | -10.4 | -15.5 | -18.7 | -22.1 |

[Company Valuation](#) - [Company Financials](#)

with positive dynamics in aggregates demand. Despite this strong performance, sales were down by 2.6% due to the 65.8% devaluation of the Turkish lira. However, EBITDA increased by 19% due to higher volumes and pricing, despite the devaluation.

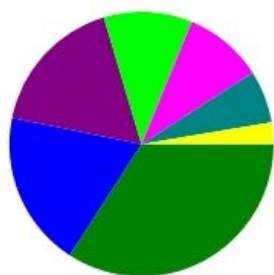
In Egypt, domestic white cement volumes dropped by 16%, while export volumes rose. Despite a 17% increase in revenues in local currency, driven by higher selling prices, this growth was entirely offset by the devaluation of the Egyptian pound. Consequently, sales declined by 1.7%, and EBITDA decreased by 1.8%, attributable to lower volumes and higher costs.

In China, a 17% decrease in revenue resulted from both lower volumes and prices, leading to a 12.9% decline in EBITDA. In Malaysia, although volumes increased by 6%, sales and EBITDA dropped by 10% and 17%, respectively. This decline was attributed to currency devaluation and a less favourable sales mix, with domestic volumes down by 9%.

■ Impact

Despite the decline in sales and EBITDA, the results were in line with the company's expectations. There is anticipation of a volume recovery in the second half of the year across most markets, driven by the commencement of significant infrastructure projects that were previously delayed. Consequently, the company has reaffirmed its guidance for fiscal year 2024, with sales projected to be around €1.8 billion, EBITDA around €385 million, and maintaining a net cash position of approximately €300 million. We too have a similar view and, hence, we will stick to our current estimates with no upward revisions to our numbers.

Sales by Geography



| | |
|---------------|---------|
| Nordic states | (34.1%) |
| Belgium | (19.1%) |
| Turkey | (17.2%) |
| Italy | (10.8%) |
| North America | (9.7%) |
| Asia | (6.4%) |
| Egypt | (2.7%) |

Consolidated P&L Accounts

| | | 12/23A | 12/24E | 12/25E |
|---|-----------|-------------|-------------|-------------|
| Sales | €M | 1,694 | 1,794 | 1,902 |
| Change in sales | % | -1.67 | 5.87 | 6.03 |
| Change in staff costs | % | 2.49 | 6.06 | 2.32 |
| EBITDA | €M | 411 | 382 | 394 |
| EBITDA(R) margin | % | 24.3 | 21.3 | 20.7 |
| Depreciation | €M | -115 | -116 | -133 |
| Underlying operating profit | €M | 279 | 243 | 236 |
| Operating profit (EBIT) | €M | 279 | 243 | 236 |
| Net financial expense | €M | 11.6 | 5.15 | 2.09 |
| of which related to pensions | €M | | -0.42 | -0.84 |
| Exceptional items & other | €M | | | |
| Corporate tax | €M | -75.2 | -65.5 | -66.7 |
| Equity associates | €M | 0.77 | 1.00 | 1.00 |
| Minority interests | €M | -14.1 | -15.0 | -15.9 |
| Adjusted attributable net profit | €M | 202 | 169 | 156 |
| NOPAT | €M | 210 | 184 | 178 |

Cashflow Statement

| | | 12/23A | 12/24E | 12/25E |
|---|-----------|------------|------------|------------|
| EBITDA | €M | 411 | 382 | 394 |
| Change in WCR | €M | -13.4 | -25.0 | -22.7 |
| Actual div. received from equity holdi... | €M | 0.11 | 0.00 | 0.00 |
| Paid taxes | €M | -61.3 | -65.5 | -66.7 |
| Exceptional items | €M | | | |
| Other operating cash flows | €M | -34.5 | -30.0 | -40.0 |
| Total operating cash flows | €M | 302 | 262 | 264 |
| Capital expenditure | €M | -107 | -135 | -96.0 |
| Total investment flows | €M | -91.8 | -165 | -136 |
| Net interest expense | €M | 11.6 | 5.15 | 2.09 |
| Dividends (parent company) | €M | -37.5 | -43.5 | -43.5 |
| Dividends to minorities interests | €M | 0.20 | 0.00 | 0.00 |
| New shareholders' equity | €M | | | |
| Total financial flows | €M | -141 | -68.1 | -0.61 |
| Change in cash position | €M | 56.8 | 28.9 | 128 |
| Free cash flow (pre div.) | €M | 207 | 132 | 170 |

Per Share Data

| | | 12/23A | 12/24E | 12/25E |
|--|----------|-------------|-------------|-------------|
| No. of shares net of treas. stock (year... | Mio | 156 | 156 | 156 |
| Number of diluted shares (average) | Mio | 156 | 156 | 156 |
| Benchmark EPS | € | 1.30 | 1.08 | 1.00 |
| Restated NAV per share | € | | | |
| Net dividend per share | € | 0.28 | 0.28 | 0.28 |

Valuation Summary

| Benchmarks | Value | Weight | Largest comparables |
|--------------------|--------|--------|------------------------|
| DCF | € 14.3 | 35% | ● Holcim |
| NAV/SOTP per share | € 11.8 | 20% | ● Heidelberg Materials |
| EV/Ebitda | € 18.8 | 20% | ● Buzzi |
| P/E | € 12.3 | 10% | ● Vicat |
| Dividend Yield | € 8.33 | 10% | |
| P/Book | € 13.9 | 5% | |
| TARGET PRICE | € 13.9 | 100% | |

NAV/SOTP Calculation

Balance Sheet

| | | 12/23A | 12/24E | 12/25E |
|--|-----------|--------------|--------------|--------------|
| Goodwill | €M | 405 | 409 | 413 |
| Total intangible | €M | 593 | 599 | 605 |
| Tangible fixed assets | €M | 732 | 739 | 747 |
| Financial fixed assets | €M | 94.1 | 95.1 | 96.0 |
| WCR | €M | 0.81 | 25.8 | 48.5 |
| Other assets | €M | 72.3 | 72.3 | 72.3 |
| Total assets (net of short term liab.) | €M | 1,670 | 1,711 | 1,749 |
| Ordinary shareholders' equity | €M | 1,503 | 1,592 | 1,714 |
| Quasi Equity & Preferred | €M | | | |
| Minority interests | €M | 148 | 151 | 154 |
| Provisions for pensions | €M | 22.8 | 30.8 | 32.2 |
| Other provisions for risks and liabilities | €M | 29.3 | 29.3 | 29.3 |
| Total provisions for risks and liabilities | €M | 52.1 | 60.1 | 61.5 |
| Tax liabilities | €M | 184 | 184 | 184 |
| Other liabilities | €M | 0.25 | 0.25 | 0.25 |
| Net debt (cash) | €M | -218 | -277 | -364 |
| Total liab. and shareholders' equity | €M | 1,670 | 1,711 | 1,749 |

Capital Employed

| | | 12/23A | 12/24E | 12/25E |
|-------------------------------------|----|--------|--------|--------|
| Capital employed after depreciation | €M | 1,597 | 1,638 | 1,677 |

Profits & Risks Ratios

| | | 12/23A | 12/24E | 12/25E |
|--------------------------------|---|--------------|--------------|--------------|
| ROE (after tax) | % | 14.0 | 10.9 | 9.45 |
| ROCE | % | 13.1 | 11.2 | 10.6 |
| Gearing (at book value) | % | -10.4 | -15.5 | -18.7 |
| Adj. Net debt/EBITDA(R) | x | -0.53 | -0.72 | -0.93 |
| Interest cover (x) | x | -24.0 | -43.6 | -80.4 |

Valuation Ratios

| | | 12/23A | 12/24E | 12/25E |
|----------------------------------|----------|-------------|-------------|-------------|
| Reference P/E (benchmark) | x | 6.04 | 9.55 | 10.3 |
| Free cash flow yield | % | 17.0 | 8.20 | 10.6 |
| P/Book | x | 0.81 | 1.01 | 0.94 |
| Dividend yield | % | 3.57 | 2.70 | 2.70 |

EV Calculation

| | | 12/23A | 12/24E | 12/25E |
|---|----------|-------------|-------------|-------------|
| Market cap | €M | 1,219 | 1,611 | 1,611 |
| + Provisions | €M | 52.1 | 60.1 | 61.5 |
| + Unrecognised actuarial losses/(gains) | €M | 0.00 | 0.00 | 0.00 |
| + Net debt at year end | €M | -395 | -455 | -545 |
| + Leases debt equivalent | €M | 177 | 179 | 180 |
| - Financial fixed assets (fair value) | €M | 94.1 | 95.1 | 96.0 |
| + Minority interests (fair value) | €M | 148 | 151 | 154 |
| = EV | €M | 1,107 | 1,450 | 1,366 |
| EV/EBITDA(R) | x | 2.69 | 3.79 | 3.47 |
| EV/Sales | x | 0.65 | 0.81 | 0.72 |

Analyst : Loco Douza, Changes to Forecasts : 29/04/2024.