



Cementir Holding

Cement & Aggregates / Italy

9M 22: competitive pricing but lower cost supports profitability

Earnings/sales releases - 04/11/2022

Cementir Holding announced good 9M 22 results, with revenue at €1,258m (+24% yoy), and EBITDA at €238m (+11% yoy). All regions posted sharp increases in revenues which helped partially to offset input cost inflation. It has hedged its fuel requirement for Q4 and has re-iterated its guidance mainly because of the uncertainties brought by the application of IAS 29 in Turkey, in the absence of which the top-line guidance could have been upgraded by 10% at least.

Fact

- Revenue: €1,257.7m, up 24%.
- EBITDA: €238.3m, up 10.8%.
- EBIT: €145.1m, up by 8.8%.
- Net financial debt at €29.9m (including €28m of dividend distribution).
- FY22 guidance re-iterated with revenues and EBITDA expected at >€1.5bn and €305-315m respectively.

Analysis

Performance by segment

- The Nordics and Baltics (revenue: €531.1m, up by 15.3%): Denmark saw a sharp increase in cement demand (+14%) due to increased market activities but the other countries registered a decline in demand. Norway's sales were supported by new infrastructure projects, while there was a slight contraction in residential and commercial demand. Volume sales were significantly down in Sweden due to the completion of major infrastructure projects. EBITDA was up by 4.6% to €115m, thanks to the highly profitable cement business in Denmark. The outlook for this region remains strong as it is significantly exposed to the white cement business which is less exposed to the economic cycle.
- Belgium and France (revenue: €238.7m, up by 16.4%): This region delivered a strong performance with volume sales broadly flat but with an average price hike. EBITDA increased by 18%, benefiting from higher prices, despite the sharp rise in fuel and electricity costs, raw materials and fixed costs.
- North America (revenue: €151.3m, up by 30.7%): North America demonstrated the strongest performance with a 2% increase in cement volumes, positive FX effect of 12% and 31% increase in EBITDA. Being the only white cement producer in this region, the company will be able to manage its profitability going forward too.
- Asia Pacific (revenue: €91.7m, up by 19.7%): In China, volumes were down by 8% but revenue was up by 11.5%, driven by higher cement prices. However, price over cost was still negative and hence EBITDA declined by 9%. Malaysia too suffered from a negative price over cost and, hence, saw an 11% decline in EBITDA.



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Buy	Upside: 70.1%
Target Price (6 months)	€ 10.0
Share Price	€ 5.90
Market Cap. €M	939
Price Momentum	UNFAVORABLE
Extremes 12Months	5.25 ▶ 9.05
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	4.06%	4.42%	-6.20%	-33.0%
Building Prod. & Materials	-1.49%	2.37%	-5.85%	-24.7%
STOXX 600	-0.16%	1.62%	-6.56%	-14.9%

Last updated: 04/11/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	12.0	7.24	6.78	6.23
Dividend yield (%)	2.07	3.22	3.56	3.90
EV/EBITDA(R) (x)	4.93	3.11	2.85	2.26
Adjusted EPS (€)	0.72	0.81	0.87	0.95
Growth in EPS (%)	11.2	12.5	6.85	8.81
Dividend (€)	0.18	0.19	0.21	0.23
Sales (€M)	1,371	1,527	1,600	1,672
EBITDA/R margin (%)	22.7	20.8	19.9	20.2
Attributable net profit (€M)	113	127	135	147
ROE (after tax) (%)	10.6	11.2	10.9	10.6
Gearing (%)	7.47	-1.14	-8.13	-15.0

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

- Turkey (revenue: €187m, up by 44.7%): There was an overall drop in domestic cement due to weak economic conditions, the end of infrastructure projects related to the January 2020 earthquake and unfavourable weather conditions in the Kars area. However, cement exports increased by 10% and aggregate volumes increased by 70% yoy due to a perimeter change as the quarry acquired in H2 21 ramped up its operations. EBITDA increased by 123.2% (including the one-off of a €10.7m non-industrial properties revaluation). Note that we have a conservative outlook for this region because the worsening economic situation may lead to the cancellation of new projects and delays to existing ones.
- Egypt (revenue: €44m, up by 16.5%): Egypt suffered from weak domestic demand as well as lower exports due to the decline in deliveries to Saudi Arabia. Nonetheless, EBITDA increased by 24.1%, supported by a margin increase of 120bp.

Very well managed margins

Unlike other cement players which saw significant collapses in their margins for traditional businesses, Cementir Holding saw an EBITDA margin decline of just 100bp (excluding the impact of IAS29 in Turkey), thanks to its competitive product pricing accompanied by limited blows from energy price inflation due to its hedging policy.

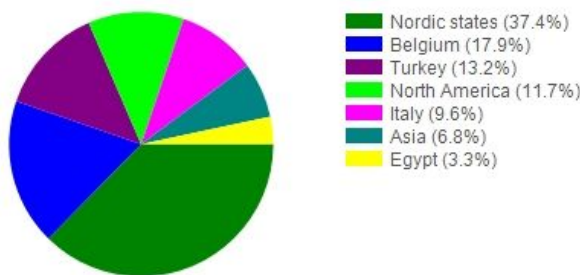
Guidance for 2022 maintained

The group maintained its FY22 guidance of revenue of >€1.5bn, EBITDA of €305-315m, net cash position of €60m and capex of €95m, despite the strong 9M result. Based on the current trends and FX, management believes that revenue could even be around €1.65bn and EBITDA beyond the guided range but, because of the added uncertainties from the implication of IAS 29 (since the final FX rate is used instead of average rate), management decided to stick with the current guidance.

■ Impact

Following this release, we have made some tweaks to our model with no significant impact on our target price.

Sales by Geography



Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€M	1,371	1,527	1,600
Change in sales	%	11.9	11.4	4.75
Change in staff costs	%	-3.73	14.4	4.68
EBITDA	€M	311	317	319
EBITDA(R) margin	%	22.7	20.8	19.9
Depreciation	€M	-93.0	-100.0	-95.7
Underlying operating profit	€M	198	198	205
Operating profit (EBIT)	€M	198	198	205
Net financial expense	€M	-26.6	-10.4	-8.40
of which related to pensions	€M		-0.44	-0.51
Exceptional items & other	€M			
Corporate tax	€M	-49.0	-50.6	-51.1
Equity associates	€M	0.82	0.81	0.84
Minority interests	€M	-9.68	-11.0	-11.0
Adjusted attributable net profit	€M	114	127	135
NOPAT	€M	149	150	155

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	€M	311	317	319
Change in WCR	€M	-7.28	39.9	-61.2
Actual div. received from equity holdi...	€M	0.15	0.00	0.00
Paid taxes	€M	-47.1	-50.6	-51.1
Exceptional items	€M			
Other operating cash flows	€M	-31.1	-31.1	20.0
Total operating cash flows	€M	226	275	227
Capital expenditure	€M	-81.7	-72.0	-71.0
Total investment flows	€M	-72.7	-95.0	-110
Net interest expense	€M	-26.6	-10.4	-8.40
Dividends (parent company)	€M	-24.7	-28.0	-29.5
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	-4.54	-4.54	
Total financial flows	€M	-291	-110	-77.4
Change in cash position	€M	-131	70.1	39.2
Free cash flow (pre div.)	€M	117	193	147

Per Share Data

		12/21A	12/22E	12/23E
No. of shares net of treas. stock (year...	Mio	156	156	156
Number of diluted shares (average)	Mio	157	156	156
Benchmark EPS	€	0.72	0.81	0.87
Restated NAV per share	€			
Net dividend per share	€	0.18	0.19	0.21

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 13.0	35%	● Holcim
NAV/SOTP per share	€ 9.82	20%	● Heidelberg Materials
EV/Ebitda	€ 10.0	20%	● Buzzi
P/E	€ 7.63	10%	● Vicat
Dividend Yield	€ 4.32	10%	
P/Book	€ 6.15	5%	
TARGET PRICE	€ 10.0	100%	

NAV/SOTP Calculation

Balance Sheet

		12/21A	12/22E	12/23E
Goodwill	€M	317	317	317
Total intangible	€M	512	514	515
Tangible fixed assets	€M	675	688	688
Financial fixed assets	€M	68.6	69.3	69.3
WCR	€M	18.0	-21.8	39.4
Other assets	€M	78.7	78.7	78.7
Total assets (net of short term liab.)	€M	1,492	1,468	1,531
Ordinary shareholders' equity	€M	1,088	1,174	1,313
Quasi Equity & Preferred	€M			
Minority interests	€M	139	142	145
Provisions for pensions	€M	32.5	27.5	28.5
Other provisions for risks and liabilities	€M	33.3	33.3	33.3
Total provisions for risks and liabilities	€M	65.8	60.8	61.8
Tax liabilities	€M	156	156	156
Other liabilities	€M	2.04	2.04	2.04
Net debt (cash)	€M	40.4	-67.1	-146
Total liab. and shareholders' equity	€M	1,492	1,468	1,531

Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	€M	1,412	1,389	1,452

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	10.6	11.2	10.9
ROCE	%	10.6	10.8	10.7
Gearing (at book value)	%	7.47	-1.14	-8.13
Adj. Net debt/EBITDA(R)	x	0.58	0.23	-0.02
Interest cover (x)	x	7.45	19.9	26.0

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	12.0	7.24	6.78
Free cash flow yield	%	8.65	21.0	16.1
P/Book	x	1.25	0.78	0.70
Dividend yield	%	2.07	3.22	3.56

EV Calculation

		12/21A	12/22E	12/23E
Market cap	€M	1,356	918	918
+ Provisions	€M	65.8	60.8	61.8
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-98.9	-206	-286
+ Leases debt equivalent	€M	139	139	139
- Financial fixed assets (fair value)	€M	68.6	69.3	69.3
+ Minority interests (fair value)	€M	139	142	145
= EV	€M	1,533	984	909
EV/EBITDA(R)	x	4.93	3.11	2.85
EV/Sales	x	1.12	0.64	0.57

Analyst : Sejal Varshney, Changes to Forecasts : 04/11/2022.