



# Cementir Holding

Cement &amp; Aggregates / Italy

## FY20 results - a Turkish Delight

Earnings/sales releases - 10/03/2021

Cementir Holding has published its detailed FY20 results. Denmark observed a significant margin improvement due to a favourable price-cost mix, and the effects of investments in sustainability and digitalisation. Turkey and Egypt saw a sharp increase in activities, with Turkey even reporting a positive EBITDA this year. While EBIT was in line with our expectations, profits were up by 17% due to lower taxes and the higher valuation of derivatives. The group has re-iterated its guidance and proposed a dividend of €0.14/share.

### Fact

- Revenue: €1,225m, up 1.1%.
- EBITDA: €263.7m, unchanged from 2019.
- EBIT at €157.2m, up by 3.6%.
- Profit attributable to the owners of the parent up by 22.1% at €102m (€83.6m in 2019).
- Net financial halved to €122.2m (€239.6m at 31 December 2019).
- Proposed dividend: €0.14 per share (in line with the previous year).
- The group reiterated its FY21 guidance announced during the preliminary results.

### Analysis

Cementir Holding announced its FY20 full results with EBIT in line with our expectations, but net income up by 17% due to lower taxes and lower net financial expenses, impacted by the valuation of some derivatives. Compared to FY19, the group managed to show a good performance on a recurring basis, with EBITDA up by 2.2%, EBIT up by 3.6% and group net profit up by 22.1%.

### Significant improvement in the Turkish business

Cementir Holding's good set of results, despite the pandemic, can be attributed primarily to the Turkish business, where the cement and clinker sales volumes were up by 39%, and that of RMX by 47%. The local market benefited from various infrastructure projects, residential projects stimulated by the disbursement of subsidised rate loans, and the launch of numerous reconstruction projects in the Elazig area, hit by an earthquake in January 2020. Exports of cement and clinker also more than doubled compared to the previous year due to opportunities in new markets in MEA. It is also worth mentioning that EBITDA was in positive territory in 2020, even if we exclude the impact of one-offs (a positive impact of €3.6m on EBITDA of €6.8m).

### Denmark – major contributor to the EBITDA

Sales revenues in FY20 were up by ~3.9%, mainly due to the increase in sales on the domestic market, both of grey and white cement. The domestic market benefited from various infrastructure projects and favourable weather in H1. Exports of white cement were up by 5% compared to 2019 with a different mix of countries: higher deliveries to Poland, Germany, Finland, and France compared to lower volumes to other countries also due to the pandemic.

It is worth noting that Denmark, which contributed about 50% to EBITDA, saw a



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**Buy** **Upside: 18.8%**

Target Price (6 months) € 10.0

Share Price € 8.43

Market Cap. €M 1,341

Price Momentum **STRONG**

Extremes 12Months 4.25 ▶ 8.66

Sustainability score 2.8 /10

Credit Risk **BBB** →

Bloomberg **CEM IM Equity**

Reuters **CEMI.MI**


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PERF	1w	1m	3m	12m
Cementir Holding	2.55%	6.71%	24.9%	76.4%
Building Prod. & Materials	4.06%	8.89%	16.5%	52.8%
STOXX 600	1.74%	2.65%	6.46%	23.8%

Last updated: 08/02/2021	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	11.3	11.0	13.1	11.8
Dividend yield (%)	2.27	2.34	1.66	1.66
EV/EBITDA(R) (x)	4.86	4.50	5.16	4.57
Adjusted EPS (€)	0.54	0.55	0.64	0.72
Growth in EPS (%)	-22.5	0.38	17.9	11.5
Dividend (€)	0.14	0.14	0.14	0.14
Sales (€M)	1,212	1,225	1,307	1,355
EBITDA/R margin (%)	21.8	21.5	22.0	22.6
Attributable net profit (€M)	82.3	86.8	102	114
ROE (after tax) (%)	8.06	7.80	8.32	8.61
Gearing (%)	23.7	15.3	6.06	-0.86

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significant margin development (+390bp), largely attributable to the cement sector, which benefited from higher volumes and pricing, along with lower fuel and electricity costs, plant production efficiencies and the effects of investments in sustainability and digitalisation.

### **Performance in other regions**

Norway recorded a contraction in activities, in both the residential and commercial sectors, linked to the trend in oil prices, as well as the effects of COVID-19. It was also impacted by the devaluation of Norwegian krone. Sweden saw robust market trends with favourable weather conditions. Belgium saw a 3.2% decline in revenues and a 10.1% decline in EBITDA mainly due to lower exports to France and the Netherlands. In the US, white cement sales volume increased by 3% despite a sharp contraction in April and May. The rebound in H2 was especially noticed in the residential and prefabricated sectors, also due to better weather conditions. Egypt saw a sharp recovery in H2, and also benefited from the revaluation of the Egyptian pound against the Euro by around 4.5%. In APAC, China saw resilient demand with a positive price-cost mix resulting in a 9.6% increase in EBITDA. On the other hand, Malaysia suffered from a weak local market that saw a 24% decline in cement volume and a 9% contraction in exports.

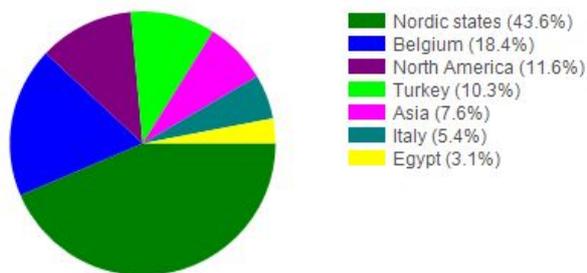
### **Guidance for 2021**

The group has re-iterated its FY21 guidance announced during the preliminary results. It expects to achieve consolidated revenues of c.€1.3bn and EBITDA of €285-295m, growth supported largely by the Turkish market, which under the positive macro-economic backdrop, continues to see cement demand underserved despite imports from Africa. New aggregate business in Turkey will contribute further. Additionally, the group expects financial debt to be c.€30m, including investments of c.€95m. A significant M&A is unlikely as the group is focusing more on organic growth. It is, however, still open for white cement greenfield opportunities in China.

### **■ Impact**

We will update our model to incorporate the results announced by the group. Higher than expected net profit generated by the group will have a positive impact on our model, which may lead to a 5-10% increase in our target price.

## Sales by Geography



## Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€M	1,212	1,225	1,307
Change in sales	%	1.31	1.10	6.65
Change in staff costs	%	4.86	-2.38	5.81
EBITDA	€M	264	264	288
<b>EBITDA(R) margin</b>	%	<b>22.8</b>	<b>21.5</b>	<b>22.0</b>
Depreciation	€M	-88.0	-87.6	-91.2
Underlying operating profit	€M	156	157	176
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>152</b>	<b>157</b>	<b>176</b>
Net financial expense	€M	-25.4	-24.8	-24.8
of which related to pensions	€M		-0.08	-0.08
Exceptional items & other	€M			
Corporate tax	€M	-37.5	-38.3	-40.8
Equity associates	€M	0.31	0.24	0.26
Minority interests	€M	-6.86	-7.11	-8.38
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>86.5</b>	<b>86.8</b>	<b>102</b>
NOPAT	€M	109	110	124

## Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€M	264	264	288
Change in WCR	€M	12.4	0.57	-5.66
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-32.4	-38.3	-40.8
Exceptional items	€M			
Other operating cash flows	€M	-19.9	-10.0	0.00
Total operating cash flows	€M	224	216	241
Capital expenditure	€M	-63.3	-56.0	-96.0
Total investment flows	€M	-57.1	-61.0	-96.0
Net interest expense	€M	-25.4	-24.8	-24.8
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	-68.8	-67.0
Change in cash position	€M	98.3	86.2	78.5
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>135</b>	<b>135</b>	<b>121</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>0.54</b>	<b>0.55</b>	<b>0.64</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	€ 10.8	35%	● Buzzi
NAV/SOTP per share	€ 9.68	20%	● Heidelbergcement
EV/Ebitda	€ 12.4	20%	● LafargeHolcim
P/E	€ 9.24	10%	● Vicat
Dividend Yield	€ 4.35	10%	
P/Book	€ 9.13	5%	
TARGET PRICE	€ 10.0	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	758	766	766
Financial fixed assets	€M	94.5	95.4	96.4
WCR	€M	54.3	53.8	59.4
Other assets	€M	90.9	91.8	92.7
Total assets (net of short term liab.)	€M	1,665	1,677	1,687
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>1,045</b>	<b>1,182</b>	<b>1,277</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>122</b>	<b>33.2</b>
Total liab. and shareholders' equity	€M	1,665	1,677	1,687

## Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€M	1,573	1,584	1,593

## Profits & Risks Ratios

		12/19A	12/20E	12/21E
<b>ROE (after tax)</b>	%	<b>8.06</b>	<b>7.80</b>	<b>8.32</b>
ROCE	%	7.50	6.95	7.76
<b>Gearing (at book value)</b>	%	<b>23.7</b>	<b>15.3</b>	<b>6.06</b>
Adj. Net debt/EBITDA(R)	x	1.24	0.85	0.47
Interest cover (x)	x	5.49	6.33	7.13

## Valuation Ratios

		12/19A	12/20E	12/21E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>11.3</b>	<b>11.0</b>	<b>13.1</b>
Free cash flow yield	%	13.8	14.2	9.00
P/Book	x	0.94	0.81	1.05
<b>Dividend yield</b>	%	<b>2.27</b>	<b>2.34</b>	<b>1.66</b>

## EV Calculation

		12/19A	12/20E	12/21E
Market cap	€M	981	953	1,341
+ 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	137	18.5	-70.0
+ Leases debt equivalent	€M	102	103	103
- Financial fixed assets (fair value)	€M	94.5	95.4	96.4
+ Minority interests (fair value)	€M	137	138	140
= EV	€M	1,342	1,187	1,487
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>4.86</b>	<b>4.50</b>	<b>5.16</b>
EV/Sales	x	1.11	0.97	1.14

Analyst : Sejal Varshney, Changes to Forecasts : 08/02/2021.