



Cementir Holding

Cement & Aggregates / Italy

Q1 22: profitability outpacing cost inflation

Earnings/sales releases - 06/05/2022

Cementir Holding announced a good set of results, in line with our expectations. It recorded an increase in revenues in all segments due to a higher average selling price and has been able to manage its margins well, thanks to its hedging policy and presence in niche markets. EBITDA was up by 26%, notably without margin dilution.

Since the results and the guidance for the full year are in line with our expectations, we will not make any significant changes to our model.

Fact

- Revenue: €362.3m (vs €300.5m in Q1 21)
- Increase in revenue observed in all markets, largely supported by the increase in prices
- EBITDA: €60.7m (vs €48.1m in Q1 21)
- PBT: €42.4m (vs €15.6m in Q1 21)
- Outlook for the full year re-iterated

Analysis

Performance by division

Nordic and Baltic (revenue: €162m): Denmark and Norway saw good demand along with price increases. As a result, EBITDA in these regions were positively impacted. Sweden on the other hand saw the completion of major infrastructure projects and a slowdown in the residential sector, which led to a significant volume decline in this country (RMC -20% and Agg -28%). However, the higher revenue generated in the domestic markets was partially offset by a 19% decline in white cement exports, not because of lower demand, but because of the group's reorganisation of its distribution network (white cement to the US now exported from the group's trading company Spartan Hive).

Belgium and France (revenue: €76m): This segment demonstrated a strong performance with 63% growth in EBITDA, thanks to a 5% increase in cement volumes, 18% in RMC and 16% in aggregates. The EBITDA margin was up by 540bp, benefiting from higher volumes and prices, despite higher raw materials, transport and electricity costs in cement.

North America (revenue: €44.6m): The US saw sustained volume demand (+3.5%) driven by Texas and California, along with an increase in the average price. The EBITDA margin was up by 380bp due to higher sales volumes and prices accompanied by well-managed costs. The 7% USD revaluation vs the EUR also helped improve the numbers.

Asia Pacific (revenue: €25.3m): In China, revenue was up by 23% driven by cement price increases while volumes were down by 3% (limited impact from partial lockdown). EBITDA was up by 17% due to higher prices, significant government grants and favourable FX. In Malaysia, revenue was up 18% driven by good pricing, a 2% increase in volumes and 7% increase in exports. The price increase was able to offset the impact of higher fuel and transport costs.

Turkey (revenue: €41.3m): Even though the domestic market was weak in Turkey



Sejal VARSHNEY

buildingmaterials@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

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Buy	Upside: 53.4%
Target Price (6 months)	€ 10.3
Share Price	€ 6.73
Market Cap. €M	1,071
Price Momentum	NEGATIVE
Extremes 12Months	6.48 ▶ 9.74
Sustainability score	2.5 /10
Credit Risk	BBB →
Bloomberg	CEM IM Equity
Reuters	CEMI.MI


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PERF	1w	1m	3m	12m
Cementir Holding	1.97%	-1.17%	-12.7%	-28.8%
Building Prod. & Materials	-1.47%	1.24%	-9.01%	-7.99%
STOXX 600	-1.97%	-5.36%	-5.17%	-0.75%

Last updated: 22/03/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	12.0	8.17	7.63	7.11
Dividend yield (%)	2.07	2.82	3.12	3.42
EV/EBITDA(R) (x)	4.93	3.68	3.29	2.71
Adjusted EPS (€)	0.72	0.82	0.88	0.95
Growth in EPS (%)	11.2	13.7	7.14	7.25
Dividend (€)	0.18	0.19	0.21	0.23
Sales (€M)	1,371	1,502	1,585	1,649
EBITDA/R margin (%)	22.7	20.3	20.0	20.1
Attributable net profit (€M)	113	128	137	147
ROE (after tax) (%)	10.6	11.3	11.1	10.6
Gearing (%)	7.47	-0.60	-7.42	-14.5

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

(high inflation and bad weather), sales increased by 108% in local currency driven by price increases and a 4% increase in exports, overshadowing the impact of the 9% decline in domestic cement volumes. EBITDA stood at €1.6m, up 55%, with a 90bp improvement in the EBITDA margin.

Egypt (revenue: €14.3m): Egypt saw a decline in domestic as well as export cement volumes due to inventory build-up by Egyptian customers in Q4 21. However, price increases and the 4.7% revaluation of EGP vs the EUR helped increase revenue by 11%.

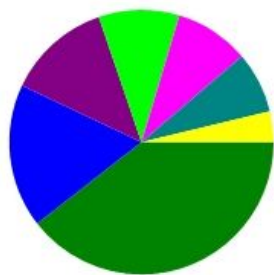
Margins maintained despite cost inflation

Cementir Holding's performance was commendable under such an inflationary environment. Its hedging strategy and presence in niche markets helped it in managing costs as well as prices. Even though it hedged just about 75% of its fuel and electricity needs (which is below the 85-90% hedged by some of its peers), it has a better cost management because it hedged well in advance, far earlier than six months or a year, which is the usual norm in this industry. Additionally, the constantly increasing carbon prices (now standing at €90) is closing the cost (and hence pricing) gap between the normal cement and FutureCEM®. This will lead to increased sale of latter, which will in turn contribute to extra profitability.

■ Impact

Despite a very strong quarter, management has taken a conservative stance due to uncertainty around the pandemic and the impact of Ukraine war. Nonetheless, it has confirmed its full-year guidance of revenue over €1.5bn, EBITDA in the range of €305-315m and a net cash position of ~€60m. We too have a similar view and, hence, we will stick to our current estimates without making any upward revisions to our numbers.

Sales by Geography



Nordic states	(39.5%)
Belgium	(17.6%)
Turkey	(12.7%)
North America	(9.9%)
Italy	(9.1%)
Asia	(7.5%)
Egypt	(3.8%)

Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€M	1,371	1,502	1,585
Change in sales	%	11.9	9.55	5.53
Change in staff costs	%	-3.73	12.7	5.44
EBITDA	€M	311	306	317
EBITDA(R) margin	%	22.7	20.3	20.0
Depreciation	€M	-93.0	-93.2	-94.0
Underlying operating profit	€M	198	195	205
Operating profit (EBIT)	€M	198	195	205
Net financial expense	€M	-26.6	-10.4	-8.40
of which related to pensions	€M		-0.30	-0.34
Exceptional items & other	€M			
Corporate tax	€M	-49.0	-45.9	-49.1
Equity associates	€M	0.82	0.80	0.84
Minority interests	€M	-9.68	-11.0	-11.0
Adjusted attributable net profit	€M	114	128	137
NOPAT	€M	140	137	144

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	€M	311	306	317
Change in WCR	€M	-7.28	34.0	-55.0
Actual div. received from equity holdi...	€M	0.15	0.00	0.00
Paid taxes	€M	-47.1	-45.9	-49.1
Exceptional items	€M			
Other operating cash flows	€M	-31.1	-31.1	20.0
Total operating cash flows	€M	226	262	233
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	-77.6
Change in cash position	€M	-131	57.5	45.1
Free cash flow (pre div.)	€M	117	180	153

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	0.82	0.88
Restated NAV per share	€			
Net dividend per share	€	0.18	0.19	0.21

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 13.5	35%	● Holcim
NAV/SOTP per share	€ 9.82	20%	● Heidelbergcement
EV/Ebitda	€ 10.4	20%	● Buzzi
P/E	€ 7.98	10%	● Vicat
Dividend Yield	€ 4.49	10%	
P/Book	€ 6.57	5%	
TARGET PRICE	€ 10.3	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	-16.0	39.0
Other assets	€M	78.7	78.7	78.7
Total assets (net of short term liab.)	€M	1,492	1,474	1,531
Ordinary shareholders' equity	€M	1,088	1,169	1,307
Quasi Equity & Preferred	€M			
Minority interests	€M	139	142	145
Provisions for pensions	€M	32.5	25.5	26.6
Other provisions for risks and liabilities	€M	33.3	33.3	33.3
Total provisions for risks and liabilities	€M	65.8	58.9	60.0
Tax liabilities	€M	156	156	156
Other liabilities	€M	2.04	2.04	2.04
Net debt (cash)	€M	40.4	-54.4	-140
Total liab. and shareholders' equity	€M	1,492	1,474	1,531

Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	€M	1,412	1,395	1,452

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	10.6	11.3	11.1
ROCE	%	9.88	9.84	9.95
Gearing (at book value)	%	7.47	-0.60	-7.42
Adj. Net debt/EBITDA(R)	x	0.58	0.28	0.00
Interest cover (x)	x	7.45	19.2	25.4

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	12.0	8.17	7.63
Free cash flow yield	%	8.65	17.2	14.7
P/Book	x	1.25	0.90	0.80
Dividend yield	%	2.07	2.82	3.12

EV Calculation

		12/21A	12/22E	12/23E
Market cap	€M	1,356	1,047	1,047
+ Provisions	€M	65.8	58.9	60.0
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-98.9	-194	-279
+ 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	1,124	1,043
EV/EBITDA(R)	x	4.93	3.68	3.29
EV/Sales	x	1.12	0.75	0.66

Analyst : Sejal Varshney, Changes to Forecasts : 22/03/2022.