



Cementir Holding

Cement & Aggregates / Italy

FY 21: EBITDA at all-time high level

Earnings/sales releases - 09/02/2022

Cementir Holding has published better than expected preliminary FY21 results with EBITDA 5% above our expectations and at an all-time high level of €311m. However, for FY22, the group has guided for a conservative EBITDA, leaving some room for the end customers to absorb the hike in prices driven by energy cost inflation and rising CO2 costs.

Fact

- Cement volumes up by 4.1%, with RMC and aggregates volume up by 14.8% and 8.1% respectively
- Revenue up by 11% at €1,360m
- EBITDA up by 17.9% yoy at €311m (€300m excluding one-offs)
- EBIT up by 25.8% to €198m
- Guidance for 2022: revenue of more than €1.5bn, EBITDA at €305-315m, net cash position of €60m, capex at ~€95m
- Industrial Plan 2022-24 announced

Analysis

Cementir Holding published better than expected FY21 results with revenues up by 11.1% to €1,360m, and growth observed across all geographies. EBITDA stood at a record high level of €311m, including a one-off positive impact of €11.1m related to real estate. Even after excluding this one-off event, actual EBITDA is slightly above our expectations with the EBITDA margin 50bp above 2020's level.

Flat profitability expected in 2022

Cementir Holding has a strong sales outlook for 2022. It expects to achieve consolidated revenues of over €1.5bn (est. €1.41bn). However, the guidance of a €150m increase in revenues yoy is accompanied by a guidance of a €5-10m increase in EBITDA. This is because the group expects a low double-digit hike in the selling prices, which will be passed on to the suppliers and the government as 70% of the hike will be mainly to cover higher electricity and energy prices, 25% for CO2 and 5% due to wage inflation. Hence, in 2022, profitability is guided to be more or less flat.

Denmark will not be a negative surprise this year

In 2021, profitability in Denmark was hit by the skyrocketing energy prices because, due to its significant market share in this area, Cementir Holding could not conduct multiple price hikes to pass on the inflation-induced additional costs to its customers. So for the major part of the year, the group had to absorb these costs. However, for this year, the group has hedged most of its energy, electricity and coal prices so, even if the prices continue to soar, the group will not be hit with a significant divergence in terms of costs.

Increasing carbon price becoming less worrisome

The price of carbon has almost tripled over the last year. So, like some of its peers, Cementir Holding has introduced a variable pricing mechanism in which at the end of every month the prices will be adjusted according to the movement of carbon prices. Cementir Holding can also leverage on its industrial portfolio by importing from Turkey and Egypt, where it will pay only an additional freight cost



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Buy **Upside: 38.3%**

Target Price (6 months) € 10.6

Share Price € 7.66

Market Cap. €M 1,219

Price Momentum **NEGATIVE**

Extremes 12Months 7.64 ▶ 9.74

Sustainability score 2.6 /10

Credit Risk **BBB** →

Bloomberg **CEM IM Equity**

Reuters **CEMI.MI**


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| PERF | 1w | 1m | 3m | 12m |
|----------------------------|--------|--------|--------|--------|
| Cementir Holding | -3.16% | -7.60% | -16.2% | -7.23% |
| Building Prod. & Materials | -2.20% | -6.03% | -0.65% | 19.5% |
| STOXX 600 | -2.00% | -4.30% | -3.78% | 13.3% |

| Last updated: 09/02/2022 | 12/20A | 12/21E | 12/22E | 12/23E |
|------------------------------|--------|--------|--------|--------|
| Adjusted P/E (x) | 9.22 | 11.4 | 8.99 | 8.51 |
| Dividend yield (%) | 2.34 | 1.61 | 1.83 | 1.83 |
| EV/EBITDA(R) (x) | 4.49 | 5.09 | 3.82 | 3.34 |
| Adjusted EPS (€) | 0.65 | 0.76 | 0.85 | 0.90 |
| Growth in EPS (%) | 16.2 | 17.3 | 11.8 | 5.71 |
| Dividend (€) | 0.14 | 0.14 | 0.14 | 0.14 |
| Sales (€M) | 1,225 | 1,360 | 1,411 | 1,474 |
| EBITDA/R margin (%) | 21.5 | 22.1 | 22.5 | 22.4 |
| Attributable net profit (€M) | 102 | 126 | 136 | 143 |
| ROE (after tax) (%) | 9.71 | 11.3 | 10.9 | 10.4 |
| Gearing (%) | 17.1 | 6.92 | -2.43 | -10.9 |

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

of \$30-35 vs nearly €100 for carbon credits. Lastly, FUTURECEM is currently competitively priced compared to the widely available cement and, in case of a further increase in carbon prices, the cost parity will further shrink, boosting the sale of more profitable FUTURECEM (provided there is sufficient capacity to fulfill the demand).

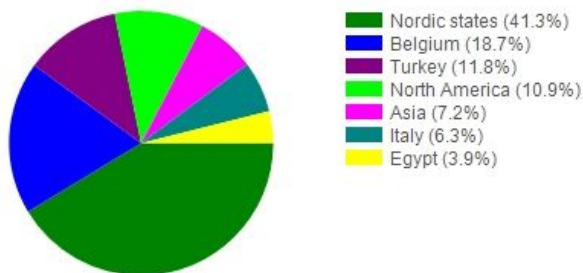
Industrial plan 2022-24

The group has updated its Industrial Plan, which revolves around the same pillars as before, but with less aggressive financial targets. It now expects a top-line CAGR of 6.7% (inflated due to carbon costs) and EBITDA CAGR of 5.3% over 2022-24 instead of 6.3% and 8.8% respectively for 2020-23. The green capex has been lowered from €107m to €97m (however, ordinary capex is higher than the previous industrial plan), and will represent 7% of sales and 30% of the cumulative capex until 2024.

■ Impact

We have revised our model with the preliminary figures of FY21, which had no significant impact on our target price.

Sales by Geography



Consolidated P&L Accounts

| | | 12/20A | 12/21E | 12/22E |
|---|-----------|-------------|-------------|-------------|
| Sales | €M | 1,225 | 1,360 | 1,411 |
| Change in sales | % | 1.07 | 11.0 | 3.78 |
| Change in staff costs | % | 1.91 | 12.5 | 4.56 |
| EBITDA | €M | 264 | 300 | 317 |
| EBITDA(R) margin | % | 21.5 | 22.1 | 22.5 |
| Depreciation | €M | -86.8 | -87.9 | -89.0 |
| Underlying operating profit | €M | 159 | 193 | 209 |
| Operating profit (EBIT) | €M | 157 | 198 | 209 |
| Net financial expense | €M | -15.2 | -15.3 | -11.1 |
| of which related to pensions | €M | | -0.37 | -0.41 |
| Exceptional items & other | €M | | | |
| Corporate tax | €M | -33.2 | -47.6 | -51.5 |
| Equity associates | €M | 0.57 | 0.29 | 0.31 |
| Minority interests | €M | -7.36 | -9.55 | -11.5 |
| Adjusted attributable net profit | €M | 103 | 121 | 136 |
| NOPAT | €M | 112 | 136 | 147 |

Cashflow Statement

| | | 12/20A | 12/21E | 12/22E |
|---|-----------|------------|------------|------------|
| EBITDA | €M | 264 | 300 | 317 |
| Change in WCR | €M | 38.4 | -5.77 | 20.6 |
| Actual div. received from equity holdi... | €M | 0.00 | 0.00 | 0.00 |
| Paid taxes | €M | -37.9 | -47.6 | -51.5 |
| Exceptional items | €M | | | |
| Other operating cash flows | €M | -20.7 | | |
| Total operating cash flows | €M | 243 | 247 | 286 |
| Capital expenditure | €M | -58.5 | -69.0 | -67.0 |
| Total investment flows | €M | -60.2 | -104 | -110 |
| Net interest expense | €M | -15.2 | -15.3 | -11.1 |
| Dividends (parent company) | €M | -30.9 | -22.3 | -22.3 |
| Dividends to minorities interests | €M | 0.00 | 0.00 | 0.00 |
| New shareholders' equity | €M | -4.54 | -23.0 | |
| Total financial flows | €M | -88.8 | -98.6 | -143 |
| Change in cash position | €M | 82.6 | 43.9 | 33.4 |
| Free cash flow (pre div.) | €M | 170 | 162 | 208 |

Per Share Data

| | | 12/20A | 12/21E | 12/22E |
|---|----------|-------------|-------------|-------------|
| No. of shares net of treas. stock (year...) | Mio | 159 | 159 | 159 |
| Number of diluted shares (average) | Mio | 159 | 159 | 159 |
| Benchmark EPS | € | 0.65 | 0.76 | 0.85 |
| Restated NAV per share | € | | | |
| Net dividend per share | € | 0.14 | 0.14 | 0.14 |

Valuation Summary

| Benchmarks | Value | Weight | Largest comparables |
|---------------------|---------------|-------------|---------------------|
| DCF | € 13.6 | 35% | ● Buzzi |
| NAV/SOTP per share | € 9.74 | 20% | ● Heidelbergcement |
| EV/Ebitda | € 11.1 | 20% | ● Holcim |
| P/E | € 8.60 | 10% | ● Vicat |
| Dividend Yield | € 3.85 | 10% | |
| P/Book | € 8.20 | 5% | |
| TARGET PRICE | € 10.6 | 100% | |

NAV/SOTP Calculation

Balance Sheet

| | | 12/20A | 12/21E | 12/22E |
|--|-----------|--------------|--------------|--------------|
| Goodwill | €M | 330 | 330 | 330 |
| Total intangible | €M | 526 | 528 | 530 |
| Tangible fixed assets | €M | 691 | 705 | 719 |
| Financial fixed assets | €M | 83.6 | 84.4 | 85.2 |
| WCR | €M | 20.0 | 25.7 | 5.13 |
| Other assets | €M | 83.0 | 83.0 | 83.0 |
| Total assets (net of short term liab.) | €M | 1,531 | 1,553 | 1,550 |
| Ordinary shareholders' equity | €M | 1,057 | 1,171 | 1,311 |
| Quasi Equity & Preferred | €M | | | |
| Minority interests | €M | 126 | 125 | 124 |
| Provisions for pensions | €M | 36.8 | 28.4 | 29.1 |
| Other provisions for risks and liabilities | €M | 30.4 | 30.4 | 30.4 |
| Total provisions for risks and liabilities | €M | 67.3 | 58.8 | 59.5 |
| Tax liabilities | €M | 155 | 155 | 155 |
| Other liabilities | €M | 2.93 | 2.93 | 2.93 |
| Net debt (cash) | €M | 122 | 39.9 | -104 |
| Total liab. and shareholders' equity | €M | 1,531 | 1,553 | 1,550 |

Capital Employed

| | | 12/20A | 12/21E | 12/22E |
|-------------------------------------|----|--------|--------|--------|
| Capital employed after depreciation | €M | 1,447 | 1,469 | 1,466 |

Profits & Risks Ratios

| | | 12/20A | 12/21E | 12/22E |
|--------------------------------|----------|-------------|-------------|--------------|
| ROE (after tax) | % | 9.71 | 11.3 | 10.9 |
| ROCE | % | 7.71 | 9.25 | 10.0 |
| Gearing (at book value) | % | 17.1 | 6.92 | -2.43 |
| Adj. Net debt/EBITDA(R) | x | 0.94 | 0.56 | 0.07 |
| Interest cover (x) | x | 10.4 | 12.9 | 19.6 |

Valuation Ratios

| | | 12/20A | 12/21E | 12/22E |
|----------------------------------|----------|-------------|-------------|-------------|
| Reference P/E (benchmark) | x | 9.22 | 11.4 | 8.99 |
| Free cash flow yield | % | 17.8 | 11.7 | 17.1 |
| P/Book | x | 0.90 | 1.18 | 0.93 |
| Dividend yield | % | 2.34 | 1.61 | 1.83 |

EV Calculation

| | | 12/20A | 12/21E | 12/22E |
|---|----------|-------------|-------------|-------------|
| Market cap | €M | 953 | 1,387 | 1,219 |
| + Provisions | €M | 67.3 | 58.8 | 59.5 |
| + Unrecognised actuarial losses/(gains) | €M | 0.00 | 0.00 | 0.00 |
| + Net debt at year end | €M | -4.78 | -87.1 | -230 |
| + Leases debt equivalent | €M | 127 | 127 | 127 |
| - Financial fixed assets (fair value) | €M | 83.6 | 84.4 | 85.2 |
| + Minority interests (fair value) | €M | 126 | 125 | 124 |
| = EV | €M | 1,185 | 1,526 | 1,213 |
| EV/EBITDA(R) | x | 4.49 | 5.09 | 3.82 |
| EV/Sales | x | 0.97 | 1.12 | 0.86 |

Analyst : Sejal Varshney, Changes to Forecasts : 09/02/2022.