



# Cementir Holding

Cement &amp; Aggregates / Italy

## FY 23: A conservative look to the future

Earnings/sales releases - 13/02/2024

Cementir Holding reported mixed results for 2023, with sales 2% below but EBITDA 3% above our expectations. For 2024, the group has guided for a conservative outlook due to an uncertain macroeconomic scenario and has revised its Industrial Plan, placing greater emphasis on decarbonization. Ongoing projects targeting carbon emission reduction include clinker content reduction and the adoption of Carbon Capture and Storage (CCS) technologies.

### Fact

- Revenue: €1,694m, down 1.7%
- EBITDA: €411.1m, up 22.6%
- EBIT: €278.3m, up 36.2%
- Guidance for 2024: Revenue of around €1.8bn, EBITDA around €385m, net cash position at €300m, capex ~€135m.
- Industrial Plan 2024-2026 announced.

### Analysis

Cementir Holding has released mixed financial results for FY23, with sales 2% below and EBITDA 3% above our projections. These outcomes were primarily influenced by price hikes across all regions, despite a decline in sales volumes across all segments. Cement sales decreased by 1.6%, Ready-Mix Concrete (RMC) by 11.1%, and Aggregates by 10.1%. While there was a slight slowdown in the decline of cement volumes, while RMC and aggregates saw further drops in 2023, mainly due to challenges in the Nordics & Baltics regions. Turkey stood out as the only country where the Italian company recorded positive volume growth in cement, aggregates and RMC. This was driven by higher demand in the domestic market following recent earthquakes.

The decrease in sales volumes exerted downward pressure, resulting in a 1.5% yoy decrease in sales to €1,694 million. Despite the overall market slowdown, the company managed to boost non-GAAP EBITDA to €421.9 million, a notable increase of 25.4%. This included a one-time positive impact of €11.8 million from the sale of assets. Even excluding this one-time event, the actual non-GAAP EBITDA of €410.3 million exceeded our expectations by 3%. Consequently, the EBITDA margin expanded by 470 basis points, reaching 24.2%.

### Conservative forecast in 2024

Cementir Holding is entering the current year with a cautious outlook, which could potentially prompt a downward adjustment by the market consensus. This cautious approach stems from uncertainties in the macroeconomic landscape, particularly in the construction markets. While the company is not concerned about an increase in energy costs due to its hedging strategy, inflationary pressures on wages are expected to continue to exert downward pressure on margins.

However, in terms of volume, Turkey is anticipated to contribute to further growth.



Loco DOUZA

buildingmaterials@alphavalue.eu

+33 (0) 1 70 61 10 50

corporate.alphavalue.com

This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy	Upside: 39.2%
Target Price (6 months)	€ 12.7
Share Price	€ 9.12
Market Cap. €M	1,451
Price Momentum	<b>STRONG</b>
Extremes 12Months	7.05 ▶ 10.0
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	-5.49%	-4.50%	7.29%	17.8%
Building Prod. & Materials	2.33%	3.74%	16.3%	24.0%
STOXX 600	0.78%	2.24%	9.96%	6.46%

Last updated: 13/02/2024	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	6.11	7.31	9.24	10.5
Dividend yield (%)	3.37	3.06	2.85	3.07
EV/EBITDA(R) (x)	3.11	2.86	3.47	3.23
Adjusted EPS (€)	1.07	1.07	0.99	0.87
Growth in EPS (%)	47.3	0.53	-7.96	-12.2
Dividend (€)	0.22	0.24	0.26	0.28
Sales (€M)	1,723	1,694	1,793	1,905
EBITDA/R margin (%)	19.5	24.3	21.3	20.4
Attributable net profit (€M)	162	167	154	135
ROE (after tax) (%)	13.2	11.9	10.3	8.58
Gearing (%)	-2.01	-10.7	-15.8	-18.6

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

Municipal elections and reconstruction efforts following earthquakes are projected to bolster demand in the domestic market. Additionally, the company is well positioned to capitalize on demand from neighboring countries through exports. Consequently, Cementir Holding expects consolidated revenues of approximately €1.8 billion, representing a 6% increase, while expecting a 6% decline in EBITDA. In relation to our estimates for FY24, the revenue is in line with the company's guidance, but our EBITDA falls 4% short.

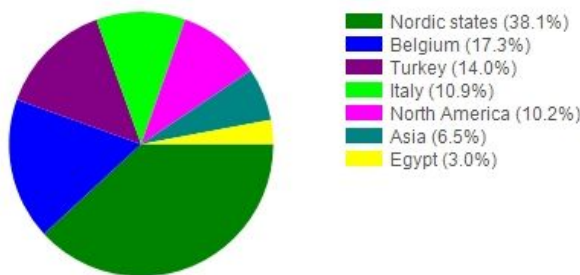
### **Industrial Plan 2024-2026**

The group has revised its Industrial Plan, maintaining its core pillars while placing greater emphasis on decarbonization. The financial targets for revenue have been slightly raised (CAGR of 5.7% compared to 5.1% previously), but the outlook for EBITDA has been narrowed (CAGR of 1.2% versus 5.9% previously). With an additional cumulative green capital expenditure of €100 million, the company is concentrating on initiatives aimed at reducing carbon emissions. From our perspective, the two primary strategies to meet the EU's Fit to 55 targets are (i) reducing clinker content and (ii) implementing Carbon Capture and Storage (CCS) technologies. Cementir currently has two pilot projects underway for CCS and aims to achieve a clinker ratio of 64% for grey cement and 78% for white cement by 2030.

### **■ Impact**

Following these results, we have updated upwards our model and maintain our positive recommendation. Our target price has been increased by 2% supported by an increase in our EPS forecasts for 2023 (+0.03€) and 2024 (+0.04€), and a higher DCF-derived valuation (+0.3€).

## Sales by Geography



## Consolidated P&L Accounts

		12/22A	12/23E	12/24E
Sales	€M	1,723	1,694	1,793
Change in sales	%	26.7	-1.68	5.84
Change in staff costs	%	9.25	4.64	5.57
EBITDA	€M	335	411	381
<b>EBITDA(R) margin</b>	%	<b>19.5</b>	<b>24.3</b>	<b>21.3</b>
Depreciation	€M	-108	-107	-109
Underlying operating profit	€M	208	280	249
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>204</b>	<b>280</b>	<b>249</b>
Net financial expense	€M	31.0	-32.9	-29.4
of which related to pensions	€M		-1.54	-1.57
Exceptional items & other	€M			
Corporate tax	€M	-54.9	-68.4	-55.5
Equity associates	€M	0.97	1.00	1.00
Minority interests	€M	-19.3	-13.0	-12.0
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>166</b>	<b>167</b>	<b>154</b>
NOPAT	€M	157	212	189

## Cashflow Statement

		12/22A	12/23E	12/24E
EBITDA	€M	335	411	381
Change in WCR	€M	18.2	-4.85	-24.7
Actual div. received from equity holdi...	€M	0.19	0.00	0.00
Paid taxes	€M	-47.7	-68.4	-55.5
Exceptional items	€M			
Other operating cash flows	€M	-17.1	-10.0	-30.0
Total operating cash flows	€M	289	328	271
Capital expenditure	€M	-105	-113	-124
Total investment flows	€M	-139	-143	-154
Net interest expense	€M	31.0	-32.9	-29.4
Dividends (parent company)	€M	-30.8	-34.2	-37.3
Dividends to minorities interests	€M	0.08	0.00	0.00
New shareholders' equity	€M			
Total financial flows	€M	-77.8	-70.7	-71.1
Change in cash position	€M	73.3	114	46.1
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>215</b>	<b>182</b>	<b>118</b>

## Per Share Data

		12/22A	12/23E	12/24E
No. of shares net of treas. stock (year...	Mio	156	156	156
Number of diluted shares (average)	Mio	156	156	156
<b>Benchmark EPS</b>	<b>€</b>	<b>1.07</b>	<b>1.07</b>	<b>0.99</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.22</b>	<b>0.24</b>	<b>0.26</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 14.0	35%	● Holcim
NAV/SOTP per share	€ 11.2	20%	● Heidelberg Materials
EV/Ebitda	€ 16.5	20%	● Buzzi
P/E	€ 10.3	10%	● Vicat
Dividend Yield	€ 6.75	10%	
P/Book	€ 10.8	5%	
TARGET PRICE	€ 12.7	100%	

### NAV/SOTP Calculation

## Balance Sheet

		12/22A	12/23E	12/24E
Goodwill	€M	407	411	415
Total intangible	€M	611	617	624
Tangible fixed assets	€M	745	745	745
Financial fixed assets	€M	91.8	69.3	69.3
WCR	€M	-8.51	-3.66	21.0
Other assets	€M	72.0	78.7	78.7
Total assets (net of short term liab.)	€M	1,666	1,647	1,678
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>1,368</b>	<b>1,445</b>	<b>1,527</b>
Quasi Equity & Preferred	€M			
Minority interests	€M	155	158	161
Provisions for pensions	€M	26.3	47.2	45.2
Other provisions for risks and liabilities	€M	36.8	36.8	36.8
Total provisions for risks and liabilities	€M	63.1	84.0	82.0
Tax liabilities	€M	174	174	174
Other liabilities	€M	1.11	1.11	1.11
<b>Net debt (cash)</b>	<b>€M</b>	<b>-95.5</b>	<b>-215</b>	<b>-267</b>
Total liab. and shareholders' equity	€M	1,666	1,647	1,678

## Capital Employed

		12/22A	12/23E	12/24E
Capital employed after depreciation	€M	1,593	1,568	1,599

## Profits & Risks Ratios

		12/22A	12/23E	12/24E
<b>ROE (after tax)</b>	%	<b>13.2</b>	<b>11.9</b>	<b>10.3</b>
ROCE	%	9.86	13.5	11.8
<b>Gearing (at book value)</b>	%	<b>-2.01</b>	<b>-10.7</b>	<b>-15.8</b>
Adj. Net debt/EBITDA(R)	x	0.17	-0.18	-0.33
Interest cover (x)	x	-6.71	8.94	8.97

## Valuation Ratios

		12/22A	12/23E	12/24E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>6.11</b>	<b>7.31</b>	<b>9.24</b>
Free cash flow yield	%	21.2	14.9	8.31
P/Book	x	0.74	0.84	0.93
<b>Dividend yield</b>	%	<b>3.37</b>	<b>3.06</b>	<b>2.85</b>

## EV Calculation

		12/22A	12/23E	12/24E
Market cap	€M	1,014	1,219	1,418
+ Provisions	€M	63.1	84.0	82.0
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-248	-354	-406
+ Leases debt equivalent	€M	153	139	139
- Financial fixed assets (fair value)	€M	91.8	69.3	69.3
+ Minority interests (fair value)	€M	155	158	161
= EV	€M	1,044	1,176	1,325
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>3.11</b>	<b>2.86</b>	<b>3.47</b>
EV/Sales	x	0.61	0.69	0.74

Analyst : Loco Douza, Changes to Forecasts : 13/02/2024.