



Cementir Holding

Cement & Aggregates / Italy

H1 20: in for a Danish treat

Earnings/sales releases - 29/07/2020

Cementir Holding announced its H1 results. Revenue was down by only 3.6% due to the good performance in the Nordics, Egypt and Turkey. EBITDA was impacted by non-recurring items of €5.6m, in the absence of which the group would have maintained an almost flat EBITDA margin. The group has provided guidance which is in line with our assumptions and, hence, we will not make any significant changes to our model.

Fact

Key information

- Cement volumes sold up by 6.3% due to higher consumption in Turkey
- Revenue: €570.4m, down by 3.6% yoy (-2.1% at constant FX)
- EBITDA: €97.8m, down by 11.2% yoy
- Net profit: €20m, down by 26.9% yoy
- FY20 outlook of €1.2bn revenues, €230-240m EBITDA, net financial position of €180m and capex of €60m given by the management

Analysis

Well managed margins which may remain flat in H2

The group's sales were down by just 3.6% despite being severely impacted by the pandemic in Belgium, France, Malaysia and China. The EBITDA margin was down by 150bp yoy but, if €5.6m of non-recurring costs linked to the disposal of some equipment in Turkey and the execution of a settlement agreement are excluded, the margin was almost flat, down by just 50bp.

For H2, we expect the group's EBITDA margin to stay flat or even slightly decrease because a possible sales increase could be offset by rebounding input costs and lower margins in the white cement markets (mainly North America and Malaysia), which have not demonstrated a positive trend in demand yet, and have higher maintenance costs (which is a general feature of white cement production).

Performance and outlook by region

- The Nordics and Baltics (revenue: €271.7m, down by 2.7%): Denmark, which contributes about 60% to EBITDA, showed a strong performance despite lower exports due to significant infrastructure projects and favourable weather conditions, but the same cannot be said for Norway, which has an oil-dependent economy and saw delays in some infrastructure projects too. In Sweden, strong volume sales were observed but the average price suffered due to the mix. In H2, we believe that Denmark will continue to show a strong performance and the Norwegian market may show a slight improvement due to rebounding oil prices.
- Belgium and France (revenue: €120.2m, down by 10.6%): This region was severely hit by the lockdowns, but a positive trend has been observed in June (cement sales up by 7% and RMC sales up by 9%). While the management expects a good recovery in this region in H2, we remain a bit cautious as a second wave is already rumoured in France.
- North America (revenue: €57.2m, down by 1.9%): The region saw white



Sejal VARSHNEY

buildingmaterials@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.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: 50.3%
Target Price (6 months)	€ 8.87
Share Price	€ 5.90
Market Cap. €M	939
Price Momentum	GOOD
Extremes 12Months	4.25 ▶ 6.81
Bloomberg	CEM IM Equity
Reuters	CEMI.MI


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PERF	1w	1m	3m	12m
Cementir Holding	-1.50%	-5.14%	6.00%	-7.59%
Building Prod. & Materials	-1.06%	9.25%	24.5%	2.77%
STOXX 600	-2.39%	2.61%	7.80%	-5.90%

Last updated: 27/07/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	11.3	13.1	10.5	9.03
Dividend yield (%)	2.29	2.37	2.37	2.37
EV/EBITDA(R) (x)	5.06	5.37	4.62	4.07
Adjusted EPS (€)	0.54	0.45	0.56	0.65
Growth in EPS (%)	-22.5	-17.3	24.7	16.6
Dividend (€)	0.14	0.14	0.14	0.14
Sales (€M)	1,212	1,173	1,228	1,264
EBITDA/R margin (%)	21.8	19.7	21.1	22.0
Attributable net profit (€M)	82.3	71.5	89.2	104
ROE (after tax) (%)	8.06	6.63	7.80	8.57
Gearing (%)	23.7	19.3	14.3	8.98

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

cement sales decline by 4.7% and, given the group's presence in weak pockets like Florida and the southern belt, accompanied by higher maintenance costs, we expect this market to show a weaker recovery in H2.

- Turkey (revenue: €26.7m, up by 7.5%): Even though the Turkish market observed a strong demand with grey cement sales up by as much as 40%, fierce competition and the de-valuation of the lira impacted its overall performance. We expect the EBITDA to be negative this year as well, but to a lesser extent.
- Egypt (revenue: €19.8m, up by 14.7%): Egypt continued to be a strong market with higher volume sales, lower fuel costs and the revaluation of EGP against the euro. We maintain our strongly positive outlook for this region.
- Asia Pacific (revenue: €37.8m, down by 13.4%): APAC had a mixed result which should remain in H2 as well, in our opinion. While China saw a sharp recovery with EBITDA up by 11%, despite revenues being down by 5%, Malaysia continues to be a weak market. The Malaysian plant was closed for a month and, even after reopening, it did not see a sharp recovery as in Belgium/France. This is largely because of the exports to the weak pacific market (which is about 80% of its activity).
- Italy (revenue: €45.2m, up by 39.5%): EBITDA in Italy stood at €-5.9m (vs €3.4m in 2019), impacted by a one-off settlement of €2.5m (announced in Q1 20) and due to some restructuring costs, which doesn't come as a surprise.

Outlook for the group

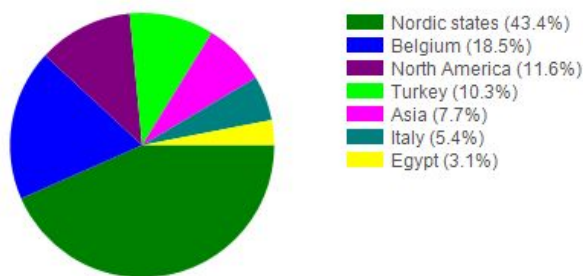
The group has provided with a guidance of €1.2bn in revenues and €230-240m in EBITDA, which is in line with our current assumption. Since we believe that the margins would stay flat or slightly decrease in H2, we expect EBITDA to stay in the lower range at about €230-232m.

The group has also reduced its capex guidance to €60m, which is €30m below the previously communicated level and, hence, confirmed that the investments are mostly postponed and not cancelled, especially the investments related to green capex.

■ Impact

The result and the outlook given by the group are mostly in line with our assumptions, hence, we will be making only minor tweaks which will have no impact on our BUY recommendation.

Sales by Geography



Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€M	1,212	1,173	1,228
Change in sales	%	1.31	-3.17	4.64
Change in staff costs	%	4.86	-2.70	6.27
EBITDA	€M	264	231	259
EBITDA(R) margin	%	21.8	19.7	21.1
Depreciation	€M	-88.0	-87.3	-91.3
Underlying operating profit	€M	156	124	147
Operating profit (EBIT)	€M	152	124	147
Net financial expense	€M	-25.4	-21.4	-18.4
of which related to pensions	€M		-0.08	-0.08
Exceptional items & other	€M			
Corporate tax	€M	-37.5	-25.7	-32.1
Equity associates	€M	0.31	0.19	0.22
Minority interests	€M	-6.86	-5.86	-7.30
Adjusted attributable net profit	€M	86.5	71.5	89.2
NOPAT	€M	109	87.3	103

Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€M	264	231	259
Change in WCR	€M	12.4	0.75	-5.90
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-32.4	-25.7	-32.1
Exceptional items	€M			
Other operating cash flows	€M	-19.9	-29.9	-29.9
Total operating cash flows	€M	224	176	191
Capital expenditure	€M	-63.3	-78.0	-105
Total investment flows	€M	-57.1	-83.0	-105
Net interest expense	€M	-25.4	-21.4	-18.4
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	-55.4	-55.6
Change in cash position	€M	98.3	37.7	30.3
Free cash flow (pre div.)	€M	135	76.6	67.5

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
Benchmark EPS	€	0.54	0.45	0.56
Restated NAV per share	€			
Net dividend per share	€	0.14	0.14	0.14

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 10.1	35%	■ Buzzi
NAV/SOTP per share	€ 9.25	20%	■ Heidelbergcement
EV/Ebitda	€ 9.46	20%	■ LafargeHolcim
P/E	€ 7.72	10%	■ Vicat
Dividend Yield	€ 4.99	10%	
P/Book	€ 6.34	5%	
TARGET PRICE	€ 8.87	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	860	869	878
Financial fixed assets	€M	94.5	95.4	96.4
WCR	€M	54.3	53.6	59.5
Other assets	€M	90.9	91.8	92.7
Total assets (net of short term liab.)	€M	1,665	1,677	1,696
Ordinary shareholders' equity	€M	1,045	1,113	1,174
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
Net debt (cash)	€M	240	190	145
Total liab. and shareholders' equity	€M	1,665	1,677	1,696

Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€M	1,573	1,584	1,601

Profits & Risks Ratios

		12/19A	12/20E	12/21E
ROE (after tax)	%	8.06	6.63	7.80
ROCE	%	6.96	5.51	6.43
Gearing (at book value)	%	23.7	19.3	14.3
Adj. Net debt/EBITDA(R)	x	0.91	0.82	0.56
Interest cover (x)	x	6.14	5.83	8.02

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	11.3	13.1	10.5
Free cash flow yield	%	13.9	8.16	7.19
P/Book	x	0.93	0.84	0.80
Dividend yield	%	2.29	2.37	2.37

EV Calculation

		12/19A	12/20E	12/21E
Market cap	€M	974	939	939
+ 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	240	190	145
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M	94.5	95.4	96.4
+ Minority interests (fair value)	€M	137	138	140
= EV	€M	1,335	1,241	1,196
EV/EBITDA(R)	x	5.06	5.37	4.62
EV/Sales	x	1.10	1.06	0.97

Analyst : Sejal Varshney, Changes to Forecasts : 27/07/2020.