



# Cementir Holding

Cement &amp; Aggregates / Italy

## Q1 21: growth momentum continues

Earnings/sales releases - 06/05/2021

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 weak base and a favourable macro-economic backdrop, except for in the US where, even though it had flat volume sales, revenues were impacted by softer pricing and unfavourable FX. EBITDA was up by 49.4% due to a recovery in the Belgium, Denmark and Turkey.

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: €300.5m (vs €266.9m in Q1 20)
- Increase in revenue observed in all markets except for North America.
- EBITDA: €48.1m (vs €32.2m in Q1 20)
- PBT: €15.6m (vs €-0.5m in Q1 20)
- Outlook for the full year re-iterated

### Analysis

#### Performance by division

- Nordic and Baltic (revenue: €138.4m): Denmark reported good results with both grey and white cement volumes up due to increased market activity in the domestic markets but exports were slightly down. EBITDA was up 8%, driven mainly by the ready-mix business. Norway saw a decline in the construction activities and the postponement of some infrastructure projects, thus registering a sales volume decline of 3%. In Sweden, there was favourable weather and a robust construction market resulting in 20% growth in RMX and 8% in aggregates. There was a positive effect of FX overall.
- Belgium and France (revenue: €63m): This segment demonstrated a strong performance with 89% growth in EBITDA, thanks to the rebound in the French market and some important projects getting underway.
- North America (revenue: €34.9m): The US saw sustained volume demand but, due to currency translation and softer pricing, revenues for the group were down by 4.2%. Due to higher distribution and energy costs, there was an over-proportional decline in the EBITDA of 15%.
- Asia Pacific (revenue: €21m): APAC observed a sharp recovery in demand and export volumes, resulting in a 43% increase in revenues and 46% increase in EBITDA.
- Turkey (revenue: €35.6m): Turkey continues to see recovery in its domestic market. Revenue reached €35.6m, up by 35.1% yoy despite the negative FX effect (-32% compared with the average exchange rate in Q1 20). EBITDA stood at €1.1m, up from €-3.4m in Q1 20, due to higher sales which were partly offset by higher input costs.



Sejal VARSHNEY

buildingmaterials@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

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Add	Upside: 14.7%
Target Price (6 months)	€ 11.0
Share Price	€ 9.59
Market Cap. €M	1,526
Price Momentum	<b>STRONG</b>
Extremes 12Months	5.13 ▶ 9.59
Sustainability score	3.8 /10
Credit Risk	BBB →
Bloomberg	CEM IM Equity
Reuters	CEMI.MI

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PERF	1w	1m	3m	12m
Cementir Holding	4.47%	7.27%	21.4%	78.6%
Building Prod. & Materials	2.77%	5.69%	19.7%	77.0%
STOXX 600	0.37%	2.16%	7.82%	31.6%

Last updated: 16/03/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	9.22	13.9	12.2	11.2
Dividend yield (%)	2.34	1.46	1.46	1.46
EV/EBITDA(R) (x)	4.49	5.95	5.19	4.62
Adjusted EPS (€)	0.65	0.69	0.79	0.86
Growth in EPS (%)	16.2	6.40	13.8	9.08
Dividend (€)	0.14	0.14	0.14	0.14
Sales (€M)	1,225	1,311	1,389	1,464
EBITDA/R margin (%)	21.5	21.5	21.8	21.9
Attributable net profit (€M)	102	110	125	137
ROE (after tax) (%)	9.71	9.93	10.3	10.3
Gearing (%)	17.1	7.48	-0.14	-7.20

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

- Egypt (revenue: €12.9m): Egypt benefited from a significant increase in export volumes (+30%), which were impacted last year due to COVID-19 restrictions. The EBITDA margin increased by 360bp due to higher sales prices because of product-mix and energy cost savings, which were partly offset by higher raw material costs.

#### **Price increase momentum most likely to be sustainable**

In China, with the government's recent move to curb emissions, many of Cementir Holding's less efficient competitors are suffering and there is a constraint in cement supply which may remain. In Europe as well, the increasing carbon prices and the introduction of a border tax in the medium term are discouraging cement players from expanding their capacity, which could again have an impact on the supply of cement. Along with cost inflation, these factors could result in increasing prices. It will then depend on the individual players on how good their pricing power is, and how well they manage their price-cost mix. Given Cementir Holding has a significant presence in the niche white cement market, it should continue to have good pricing power.

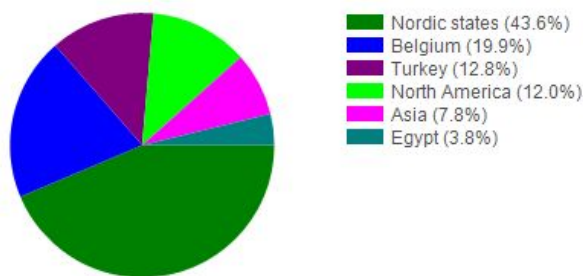
#### **Cautious on M&A despite nearly zero net-debt position**

By the end of this year, Cementir Holding will have a nearly zero net debt position and, hence, it is capable of carrying out a big acquisition. However, management is unwilling to do this because of less visibility on allowances under the Phase IV of the ETS scheme. Hence, for a year or two, the group is unlikely to go for anything big, especially in Europe. But it will not come as a surprise to us if the group goes ahead with a big acquisition in countries that are not impacted by EU-ETS or similar, given a favourable macro-economic backdrop on top of the strong balance sheet.

#### **■ Impact**

Cementir Holding posted a good set of results, and we expect this momentum to continue in Q2 as well. However, we are a bit cautious about H2 when EBITDA might be negatively impacted by increasing energy and raw material costs, and due to the fading catch-up effect that was observed in Q1. Hence, we will stick to our current estimates without making any upward revisions to our numbers.

## Sales by Geography



## Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	€M	1,225	1,311	1,389
Change in sales	%	1.07	7.06	5.89
Change in staff costs	%	1.91	9.42	5.81
EBITDA	€M	264	282	302
<b>EBITDA(R) margin</b>	%	<b>21.5</b>	<b>21.5</b>	<b>21.8</b>
Depreciation	€M	-86.8	-87.9	-89.0
Underlying operating profit	€M	159	175	194
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>157</b>	<b>175</b>	<b>194</b>
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	-41.6	-47.6
Equity associates	€M	0.57	0.26	0.29
Minority interests	€M	-7.36	-8.62	-10.6
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>103</b>	<b>110</b>	<b>125</b>
NOPAT	€M	112	123	137

## Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	€M	264	282	302
Change in WCR	€M	38.4	-5.05	14.5
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-37.9	-41.6	-47.6
Exceptional items	€M			
Other operating cash flows	€M	-20.7	-20.0	-20.0
Total operating cash flows	€M	243	215	249
Capital expenditure	€M	-58.5	-69.0	-67.0
Total investment flows	€M	-60.2	-96.0	-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	-11.0	
Total financial flows	€M	-88.8	-86.6	-143
Change in cash position	€M	82.6	32.5	-3.84
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>170</b>	<b>131</b>	<b>171</b>

## 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
<b>Benchmark EPS</b>	<b>€</b>	<b>0.65</b>	<b>0.69</b>	<b>0.79</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	€ 13.6	35%	● Vicat
NAV/SOTP per share	€ 9.67	20%	● LafargeHolcim
EV/Ebitda	€ 12.0	20%	● Heidelbergcement
P/E	€ 10.1	10%	● Buzzi
Dividend Yield	€ 4.53	10%	
P/Book	€ 9.04	5%	
TARGET PRICE	€ 11.0	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	25.0	10.5
Other assets	€M	83.0	83.0	83.0
Total assets (net of short term liab.)	€M	1,531	1,552	1,555
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>1,057</b>	<b>1,159</b>	<b>1,268</b>
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
<b>Net debt (cash)</b>	<b>€M</b>	<b>122</b>	<b>51.3</b>	<b>-54.9</b>
Total liab. and shareholders' equity	€M	1,531	1,552	1,555

## Capital Employed

		12/20A	12/21E	12/22E
Capital employed after depreciation	€M	1,447	1,469	1,471

## Profits & Risks Ratios

		12/20A	12/21E	12/22E
<b>ROE (after tax)</b>	%	<b>9.71</b>	<b>9.93</b>	<b>10.3</b>
ROCE	%	7.71	8.39	9.28
<b>Gearing (at book value)</b>	%	<b>17.1</b>	<b>7.48</b>	<b>-0.14</b>
Adj. Net debt/EBITDA(R)	x	0.94	0.63	0.24
Interest cover (x)	x	10.4	11.7	18.2

## Valuation Ratios

		12/20A	12/21E	12/22E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>9.22</b>	<b>13.9</b>	<b>12.2</b>
Free cash flow yield	%	17.8	8.57	11.2
P/Book	x	0.90	1.32	1.20
<b>Dividend yield</b>	%	<b>2.34</b>	<b>1.46</b>	<b>1.46</b>

## EV Calculation

		12/20A	12/21E	12/22E
Market cap	€M	953	1,526	1,526
+ 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	-75.7	-182
+ 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	1,677	1,569
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>4.49</b>	<b>5.95</b>	<b>5.19</b>
EV/Sales	x	0.97	1.28	1.13

Analyst : Sejal Varshney, Changes to Forecasts : 16/03/2021.