



# Cementir Holding

Cement &amp; Aggregates / Italy

## H1 22: IAS 29 lowers profitability

Earnings/sales releases - 28/07/2022

Cementir Holding announced good H1 22 results, with revenue at €811m (+22% yoy), EBITDA at €143.8m (+7.7% yoy) and NI at €66.6m (+39.1% yoy). All the regions posted sharp increases in revenues which helped to partially offset input cost inflation. However, Belgium and Turkey were the key growth drivers with sharp increase in volumes as well (export volume for the latter). Net financial income and equity-accounted income of €17.7m further helped to support profits. FY22 guidance re-iterated.

### Fact

- Revenue: €811m, up 22%.
- EBITDA: €144m, up 7.7%.
- EBIT: €82m, up by 4.1%.
- Net financial debt at €79.5m (including €6.3m of share buy-backs).
- FY22 guidance re-iterated with revenues and EBITDA expected at >€1.5bn and €305-315m respectively.

### Analysis

#### Application of IAS 29 in Turkey

As of June 2022, the Turkish economy is considered hyperinflationary according to the criteria set out in "IAS 29 – Financial Reporting in Hyperinflationary Economies". This led to the revaluation of all the balance sheet and P&L items and application of final FX rate (i.e. as on 30th June 2022) instead of the average exchange rate for the entire period. As a result, the EBITDA margin dropped by a further 150bps, EBIT by €15.7m and net profit by €4.4m.

#### Performance by segment

- The Nordics and Baltics (revenue: €345.7m, up by 13.1%): Denmark saw a sharp increase in cement demand (+14%) due to increased market activities but the other products and regions registered a decline in demand. It is worth noting that white cement exports were down by 26% mainly due to the redistribution of sales in the US to other group companies (to better manage CO2 costs). EBITDA was down by 8% to €63.7m due to negative price over cost effect.
- Belgium and France (revenue: €162.5m, up by 16.2%): This region delivered the strongest performance. EBITDA increased by 26.7% and EBITDA margin by 190bp to 22.7%, benefiting from higher volumes as well as prices.
- North America (revenue: €96.7m, up by 26.9%): Like Belgium, North America too benefitted from increased volume and prices but, in addition, a 10% USD revaluation vs EUR helped bolster the growth. We continue to have a positive outlook for the US, especially in the residential and bagged cement sectors.
- Turkey (revenue: €115.4m, up by 39.8%): There was an overall drop in domestic cement due to weak economic conditions, the end of infrastructure projects related to the January 2020 earthquake and



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<b>Buy</b>	<b>Upside: 58.0%</b>
Target Price (6 months)	€ 9.92
Share Price	€ 6.28
Market Cap. €M	999
Price Momentum	<b>UNFAVORABLE</b>
Extremes 12Months	5.77 ▶ 9.47
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	4.67%	2.28%	-1.73%	-28.4%
Building Prod. & Materials	-1.26%	1.23%	-14.4%	-23.9%
STOXX 600	1.33%	3.14%	-3.64%	-6.66%

Last updated: 28/07/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	12.0	7.85	7.22	6.63
Dividend yield (%)	2.07	3.03	3.34	3.66
EV/EBITDA(R) (x)	4.93	3.44	3.05	2.46
Adjusted EPS (€)	0.72	0.80	0.87	0.95
Growth in EPS (%)	11.2	10.5	8.78	8.81
Dividend (€)	0.18	0.19	0.21	0.23
Sales (€M)	1,371	1,533	1,592	1,664
EBITDA/R margin (%)	22.7	19.9	20.0	20.3
Attributable net profit (€M)	113	124	135	147
ROE (after tax) (%)	10.6	11.0	10.9	10.6
Gearing (%)	7.47	-0.85	-7.59	-14.5

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unfavourable weather conditions in the Kars area. However, aggregate volumes increased by 155% yoy due to a perimeter change as the quarry acquired in H2 2021 ramped up its operations. EBITDA increased by 65.5% (excluding the one-off of a €11.1m non-industrial properties revaluation. Note that we have a conservative outlook for this region because the worsening economic situation may lead to the cancellation of new projects and delays to existing ones.

- Egypt (revenue: €27.6m, up by 17.1%): Egypt suffered from weak domestic demand but white cement export volumes continued to increase (+2% yoy), limiting the overall volume decline to 2%. EBITDA was slightly down by 1.2%, with higher sales prices offsetting higher fuel procurement costs.
- Asia Pacific (revenue: €58.0m, up by 19.4%): In China volumes were down by 10.5% but revenue was up by 11%, driven by higher cement prices. However, price over cost was still negative and hence EBITDA declined by 4%. China too suffered from a negative price over cost and hence saw a 6% decline in EBITDA.

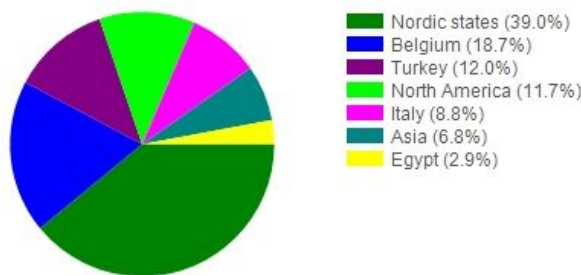
#### **Guidance for 2022 maintained**

The group maintained its FY22 guidance of revenue >€1.5bn, EBITDA of €305-315m, net cash position of €60m and capex of €95m despite the strong H1 result. This is largely owing to volatile input costs as well as the added uncertainties from the implication of IAS 29 (since the final FX rate is used instead of average rate).

#### **■ Impact**

Following this release we have made some tweaks to our model with no significant impact on our target price.

## Sales by Geography



## Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€M	1,371	1,533	1,592
Change in sales	%	11.9	11.9	3.80
Change in staff costs	%	-3.73	15.0	3.74
EBITDA	€M	311	305	319
<b>EBITDA(R) margin</b>	<b>%</b>	<b>22.7</b>	<b>19.9</b>	<b>20.0</b>
Depreciation	€M	-93.0	-94.9	-95.7
Underlying operating profit	€M	198	192	205
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>198</b>	<b>192</b>	<b>205</b>
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	-47.1	-51.1
Equity associates	€M	0.82	0.79	0.84
Minority interests	€M	-9.68	-11.0	-11.0
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>114</b>	<b>124</b>	<b>135</b>
NOPAT	€M	140	135	145

## Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	€M	311	305	319
Change in WCR	€M	-7.28	41.3	-62.5
Actual div. received from equity holdi...	€M	0.15	0.00	0.00
Paid taxes	€M	-47.1	-47.1	-51.1
Exceptional items	€M			
Other operating cash flows	€M	-31.1	-31.1	20.0
Total operating cash flows	€M	226	268	225
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	63.2	37.8
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>117</b>	<b>186</b>	<b>146</b>

## 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
<b>Benchmark EPS</b>	<b>€</b>	<b>0.72</b>	<b>0.80</b>	<b>0.87</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.18</b>	<b>0.19</b>	<b>0.21</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 13.1	35%	● Buzzi
NAV/SOTP per share	€ 9.82	20%	● Heidelbergcement
EV/Ebitda	€ 9.75	20%	● Holcim
P/E	€ 7.13	10%	● Vicat
Dividend Yield	€ 4.08	10%	
P/Book	€ 5.99	5%	
TARGET PRICE	€ 9.92	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	-23.3	39.2
Other assets	€M	78.7	78.7	78.7
Total assets (net of short term liab.)	€M	1,492	1,466	1,531
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>1,088</b>	<b>1,168</b>	<b>1,306</b>
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
<b>Net debt (cash)</b>	<b>€M</b>	<b>40.4</b>	<b>-60.2</b>	<b>-138</b>
Total liab. and shareholders' equity	€M	1,492	1,466	1,531

## Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	€M	1,412	1,387	1,452

## Profits & Risks Ratios

		12/21A	12/22E	12/23E
<b>ROE (after tax)</b>	<b>%</b>	<b>10.6</b>	<b>11.0</b>	<b>10.9</b>
ROCE	%	9.88	9.77	9.96
<b>Gearing (at book value)</b>	<b>%</b>	<b>7.47</b>	<b>-0.85</b>	<b>-7.59</b>
Adj. Net debt/EBITDA(R)	x	0.58	0.26	0.00
Interest cover (x)	x	7.45	19.0	25.4

## Valuation Ratios

		12/21A	12/22E	12/23E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>12.0</b>	<b>7.85</b>	<b>7.22</b>
Free cash flow yield	%	8.65	19.0	15.0
P/Book	x	1.25	0.84	0.75
<b>Dividend yield</b>	<b>%</b>	<b>2.07</b>	<b>3.03</b>	<b>3.34</b>

## EV Calculation

		12/21A	12/22E	12/23E
Market cap	€M	1,356	977	977
+ 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	-199	-277
+ 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	1,048	974
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>4.93</b>	<b>3.44</b>	<b>3.05</b>
EV/Sales	x	1.12	0.68	0.61

Analyst : Sejal Varshney, Changes to Forecasts : 28/07/2022.