



# Cementir Holding

Cement &amp; Aggregates / Italy

## 9m 20: results in line with 9m19 but cautious guidance for FY20

Earnings/sales releases - 10/11/2020

Just like other cement players, Cementir benefited from higher cement volume sales (+11%) despite the pandemic, bringing the 9m sales and EBITDA almost to 9m FY19's levels.

Revenue and EBITDA were 1% and 2.1% down respectively, while profit was down by 2.9% to €81.2m. Denmark, China, Egypt and Turkey were the main EBITDA growth drivers.

The results are in line with our expectations, hence no material changes to be made in our model.

### Fact

- Cement volumes up by 11.3%, thanks to a 44% increase in Turkey
- Revenue down by 1% mainly due to the COVID-19 impact in Q2
- EBITDA decreased by 2.1% to €178.1m, including a one-off of €5.6m
- EBITDA margin was almost at the same level
- EBIT down by 5.6%
- PBT decreased by 2.9%

### Analysis

#### Reported figures

Despite the pandemic, Cementir Holding was able to maintain almost flat revenues and EBITDA compared to last year, thanks to high cement sale (+11%), especially in Turkey (+44%). EBITDA declined by 2.1% to €178.1m, including a €5.6m one-off impact from the settlement of previous transactions and some equipment disposals, in the absence of which EBITDA would have been up by 1%. EBITDA was supported by higher cement volumes in Denmark, higher sales prices and lower costs in China, but the highest percentage growth was registered in Egypt and Turkey. In Egypt, EBITDA was up by 40% due to higher exports and the revaluation of the Egyptian pound. In Turkey, domestic sales were up 27%, driven by infrastructural projects near Elazig and new projects in Trakya and Kars, also supported by subsidised rate loans. Exports nearly doubled due to the sharp devaluation of the Turkish lira.

#### Guidance and outlook

Cementir has reiterated its guidance of c.€1.2bn in revenues and €230-240m in EBITDA with no substantial changes to the workforce. It has only improved its net debt guidance from €180m to €160m. It was already looking forward to having a greenfield site in South-East Asia for a white plant, but does not intend to engage in M&A activities currently (especially in developed markets) due to high multiples and, ergo, is instead improving its capability at present to make future investments.

#### 9M results in line, yet cautious outlook given

The 9M 20 result announced by the company was in line with that of last year, yet the company provided a lower EBITDA guidance of €230-240m, which translates into a decline of 7-11% yoy. The company is cautious because the second wave



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<b>Buy</b>	<b>Upside: 39.5%</b>
Target Price (6 months)	€ 8.41
Share Price	€ 6.03
Market Cap. €M	959
Price Momentum	<b>UNFAVORABLE</b>
Extremes 12Months	4.25 ▶ 6.81
Bloomberg	CEM IM Equity
Reuters	CEMI.MI


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PERF	1w	1m	3m	12m
Cementir Holding	7.10%	2.90%	-2.43%	-1.58%
Building Prod. & Materials	6.46%	0.56%	7.14%	3.28%
STOXX 600	9.52%	2.87%	4.80%	-6.03%

Last updated: 21/10/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	11.3	14.1	11.0	9.38
Dividend yield (%)	2.29	2.32	2.32	2.32
EV/EBITDA(R) (x)	5.06	5.38	4.68	4.18
Adjusted EPS (€)	0.54	0.43	0.55	0.64
Growth in EPS (%)	-22.5	-21.3	28.4	17.2
Dividend (€)	0.14	0.14	0.14	0.14
Sales (€M)	1,212	1,177	1,227	1,255
EBITDA/R margin (%)	21.8	19.7	20.9	21.8
Attributable net profit (€M)	82.3	68.0	87.3	102
ROE (after tax) (%)	8.06	6.26	7.53	8.35
Gearing (%)	23.7	18.4	12.7	7.91

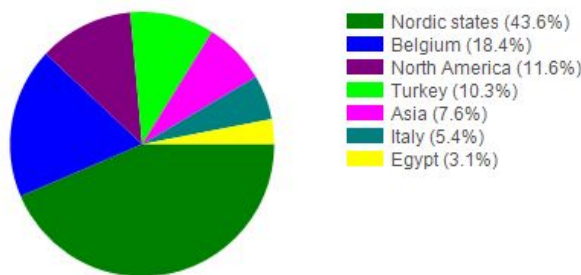
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of the pandemic is quite big and may result in further lockdowns in addition to the countries of France and Belgium, which are already seeing an impact from the second wave. Since the guided cautious EBITDA is in line with our estimates, we can only expect a positive result if the pandemic has no further impact on the company's activities.

#### ■ Impact

Since the result was in line with our expectations, we will not make significant changes to our model. Hence, we are leaving our Buy recommendation unchanged.

## Sales by Geography



## Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€M	1,212	1,177	1,227
Change in sales	%	1.31	-2.85	4.18
Change in staff costs	%	4.86	-2.38	5.81
EBITDA	€M	264	232	256
<b>EBITDA(R) margin</b>	%	<b>21.8</b>	<b>19.7</b>	<b>20.9</b>
Depreciation	€M	-88.0	-87.6	-91.2
Underlying operating profit	€M	156	125	144
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>152</b>	<b>125</b>	<b>144</b>
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	-30.0	-31.4
Equity associates	€M	0.31	0.19	0.22
Minority interests	€M	-6.86	-5.57	-7.15
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>86.5</b>	<b>68.0</b>	<b>87.3</b>
NOPAT	€M	109	87.6	101

## Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€M	264	232	256
Change in WCR	€M	12.4	0.57	-5.66
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-32.4	-30.0	-31.4
Exceptional items	€M			
Other operating cash flows	€M	-19.9	-29.9	-29.9
Total operating cash flows	€M	224	172	189
Capital expenditure	€M	-63.3	-60.0	-100
Total investment flows	€M	-57.1	-65.0	-100
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	52.0	33.4
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>135</b>	<b>91.0</b>	<b>70.6</b>

## 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
<b>Benchmark EPS</b>	<b>€</b>	<b>0.54</b>	<b>0.43</b>	<b>0.55</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	€ 9.34	35%	■ Buzzi
NAV/SOTP per share	€ 9.34	20%	■ Heidelbergcement
EV/Ebitda	€ 8.77	20%	■ LafargeHolcim
P/E	€ 6.74	10%	■ Vicat
Dividend Yield	€ 5.11	10%	
P/Book	€ 6.70	5%	
TARGET PRICE	€ 8.41	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	53.8	59.4
Other assets	€M	90.9	91.8	92.7
Total assets (net of short term liab.)	€M	1,665	1,677	1,696
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>1,045</b>	<b>1,127</b>	<b>1,191</b>
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
<b>Net debt (cash)</b>	<b>€M</b>	<b>240</b>	<b>176</b>	<b>127</b>
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
<b>ROE (after tax)</b>	%	<b>8.06</b>	<b>6.26</b>	<b>7.53</b>
ROCE	%	6.96	5.53	6.31
<b>Gearing (at book value)</b>	%	<b>23.7</b>	<b>18.4</b>	<b>12.7</b>
Adj. Net debt/EBITDA(R)	x	0.91	0.76	0.50
Interest cover (x)	x	6.14	5.85	7.87

## Valuation Ratios

		12/19A	12/20E	12/21E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>11.3</b>	<b>14.1</b>	<b>11.0</b>
Free cash flow yield	%	13.9	9.48	7.36
P/Book	x	0.93	0.85	0.81
<b>Dividend yield</b>	%	<b>2.29</b>	<b>2.32</b>	<b>2.32</b>

## EV Calculation

		12/19A	12/20E	12/21E
Market cap	€M	974	959	959
+ 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	176	127
+ 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	1,247	1,199
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>5.06</b>	<b>5.38</b>	<b>4.68</b>
EV/Sales	x	1.10	1.06	0.98

Analyst : Sejal Varshney, Changes to Forecasts : 21/10/2020.