



# Cementir Holding

Cement &amp; Aggregates / Italy

## Cementir speaks excellent turkish, too

Latest - 17/01/2025

AlphaValue is closely monitoring Turkey's impact on Cementir Holding, which accounts for a significant portion of the company's valuation and earnings growth. With Turkey's cement market flooded with excess capacity, Cementir's strategic assets, including Çimentas İzmir, position the company well to capitalise on reconstruction demand from Syria and Ukraine. Despite risks such as competition and political uncertainty, Cementir's growth potential in Turkey, driven by historical export opportunities and regional reconstruction efforts, could significantly boost its near-term prospects.

### Analysis

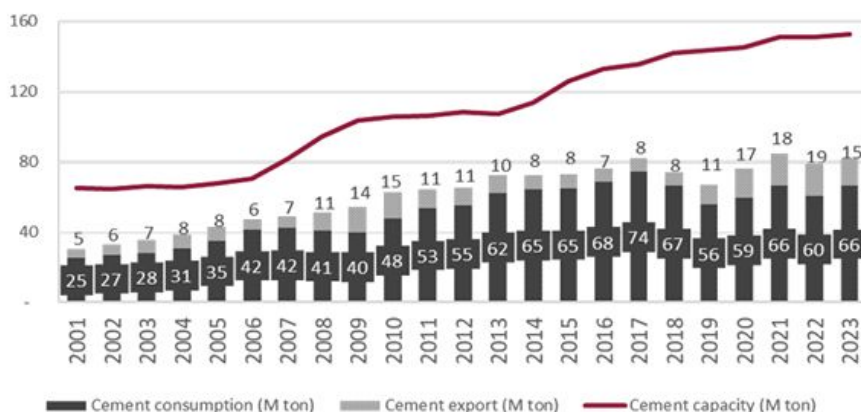
AlphaValue has no coverage of Turkish equities but keeps a keen eye on this regional power. We anticipate the end of the Ukraine war to have positive developments for the Turkish industry at large. Then Syria suddenly popped up on the screen as a reconstruction market with a likely strong impact on Turkey, its neighbour.

Cementir, known for its white cement domination but somewhat less identified with Turkey. It happens that its listed Turkish grey cement unit is worth at pixel time €1bn or c. 2/3rd of Cementir's market cap.

Simply put, Turkey accounts for 2/3rd of the valuation, 43% of the assets, c. 20% of sales, impacted by devaluation of TRY, and about 60% of expected 2025 earnings growth as per AlphaValue forecasts. Indeed, among the markets in which the company operates, we believe Turkey will be a key driver of growth, and AlphaValue's strong conviction is that investors should pay attention. All the more so because Cementir's float is tiny at 25% or so.

The Turkish cement market is singular in that it offers strong growth but is swamped by excess capacity.

### TÜRKİYE - CEMENT MARKET (MT) (\*)



Source: Cementir

Why capacity continues to grow year after year is hard to decipher. One explanation could be that cement assets are expensive but also safe real industrial



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Buy	Upside: 43.5%
Target Price (6 months)	€ 15.8
Share Price	€ 11.0
Market Cap. €M	1,757
Price Momentum	<b>STRONG</b>
Extremes 12 Months	8.65 ▶ 11.3
Sustainability score	3.8 /10
Credit Risk	BBB →
Bloomberg	CEM IM Equity
Reuters	CEMI.MI

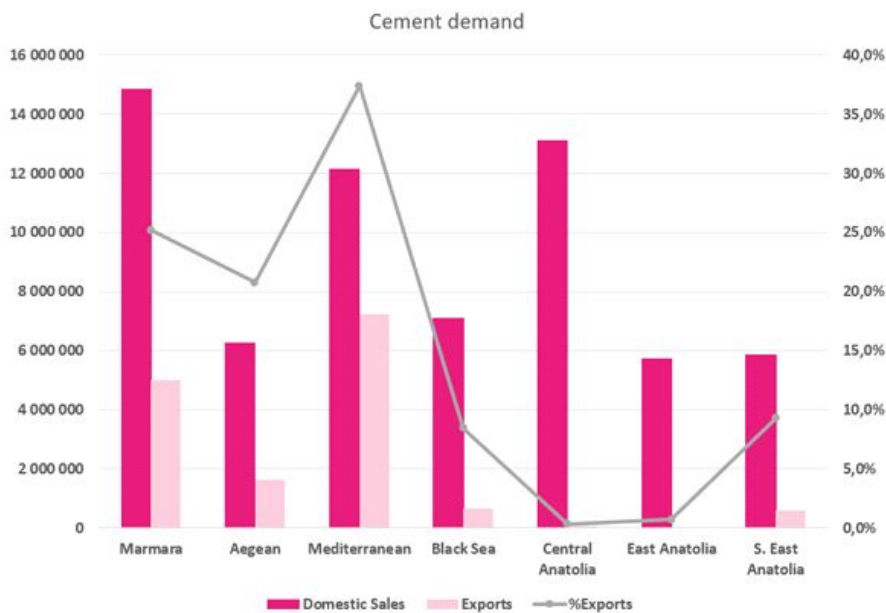
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PERF	1w	1m	3m	12m
Cementir Holding	2.99%	1.28%	16.2%	18.7
Building Prod. & Materials	-0.07%	-0.99%	3.01%	28.9
STOXX 600	0.82%	1.24%	0.09%	9.93

Last updated: 15/01/2025	12/23A	12/24E	12/25E	12/26E
Adjusted P/E (x)	6.04	8.40	9.32	9.09
Dividend yield (%)	3.57	2.83	2.54	2.54
EV/EBITDA(R) (x)	2.69	3.47	3.58	3.26
Adjusted EPS (€)	1.30	1.18	1.18	1.21
Growth in EPS (%)	21.6	-9.13	0.48	2.58
Dividend (€)	0.28	0.28	0.28	0.28
Sales (€M)	1,694	1,667	1,761	1,851
EBITDA/R margin (%)	24.3	23.6	22.8	22.3
Attributable net profit (€M)	202	183	184	189
ROE (after tax) (%)	14.0	11.8	11.0	10.5
Gearing (%)	-10.4	-15.9	-19.7	-23.5

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assets that will always find a market to cover cash costs. Turkey has a breed of successful family entrepreneurs possibly recycling excess cash from other businesses. One other dimension is that 20% to 25% of Turkish cement is shipped at low cost to distant markets. Italy's cement industry (where incidentally Cementir retains NO assets) was a victim of these cheap imports.

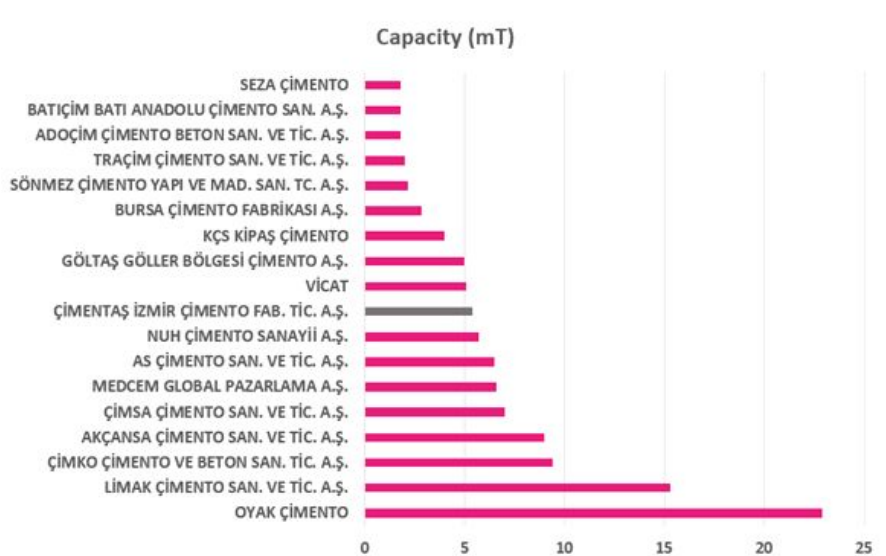


Source: TCMA (Turkish Cement Manufacturers' Association)

Most of the cement is shipped from the Marmara, Aegean, and Mediterranean regions. Consequently, companies operating in these areas are the primary beneficiaries of exports.

### Turkish cement

The main players in this critical market, with a population of 87 million and a GDP of \$1.1 trillion, are as follows, with Cimentas Izmir being the prime Cementir asset



Source: TCMA (Turkish Cement Manufacturers' Association)

The cement market in the country appears highly fragmented, with numerous small players. However, two companies stand out: OYAK ÇİMENTO and LİMAK ÇİMENTO, which together account for 33% of the country's total capacity. While both companies have well-positioned assets across the country, OYAK holds a stronger position. In addition to sharing key regions with Limak—such as Marmara, Aegean (northwest) and Southeast Anatolia—OYAK also operates in the Black Sea region in the south and the Mediterranean in the north. As a result,

alongside being located in areas affected by the recent earthquakes, these two groups, particularly OYAK, may benefit more than others from cement exports.

### **Cementir's current Turkish assets**

Cementir owns 97.3% of ÇİMENTAŞ İZMİR ÇİMENTO, a listed company with a current €1bn market cap. ÇİMENTAŞ İZMİR ÇİMENTO also holds 50.3% of listed CİMBETON HAZİR BETON, a ready-mix business with a much smaller market cap (€130m).

Obviously, market valuations are skewed by the scarcity of available shares. But that goes both ways. So far so happy as the current PE is a stretched one at 27.8x for the main business. AlphaValue relies on the listed value of ÇİMENTAŞ İZMİR ÇİMENTO when it comes to assessing Cementir's NAV which contributes a lot to the upside potential on Cementir.

ÇİMENTAŞ İZMİR ÇİMENTO's industrial set up is attractive on the face of it with 2 plants on the western board (Izmir and Edirne) of Turkey matching the strong western demand and export markets. They should benefit from the reconstruction of Eastern Ukraine. Another 2 plants are well located near the eastern border with the southeastern one a near perfect location to serve the Syrian market. It may be a lucky strike as was already the case of the reconstruction after the deadly earthquake that destroyed the region back in February 2023. The second eastern plant is presumably too distant from Syria to truck cement there at an acceptable price.

Of course, Cementir's competitors in Turkey will not be sleeping. Of course, Syria may well turn out to be forever poor and unable to rebuild its housing inventory in a decent way. Of course, the new government might shift back to religious priorities and kill growth. But Syria and most likely Ukraine should boost Turkish exports of cement. Of note, only Lafarge/Holcim had significant cement capacity (excluding government owned) in Syria embroiled in a scandal for accepting business from Daesh. As the case is ongoing in western courts, it may not be ready to pick up the domestic opportunity.

Turkish producers already supplied around 1mt/year to Syria despite the turmoil in the country. If Cementir can ship cement from Turkey to Syria it can just as well freight more to South Lebanon and Gaza (when ports are rebuilt if ever).

### **Scenario modelling**

Here are back of the envelope figures for a rosy scenario

**Syria:** prior to the civil war, Syria was producing c.5mt a year. The housing stock has been destroyed by 20%. S&P Global has assumed that demand for the rebuilding process would be 60mt over 10 years. Assuming Cementir Holding captures 5% would add 0.3mt to its Turkish plants. With utilisation rates at approximately 60% on average in Turkey, we believe the company could serve this demand without needing to expand its capacity.

Reconstruction may cost \$250 to \$400bn

**Ukraine:** the country's pre-war peak consumption was 10.6mt per year. We assumed that annual demand would be pre-war consumption +50%, totalling c.16mt a year. With the 8 currently operating plants in Ukraine having a combined capacity of 13mt, this leaves a shortfall of around 3mt that would need to be imported—assuming these plants operate at 100% capacity. If Cementir Holding captures 5% of this gap, it would add at least 0.15mt to its Turkish plants.

Reconstruction may cost c.\$500bn

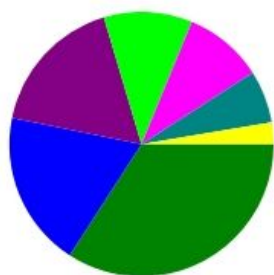
A back of the envelope computation is that 0.5mt extra demand could reach the

Cementir Turkish assets or around 10% of their capacity. That sounds small but extra volumes have a disproportional impact on the bottom line.

## ■ Impact

We do not change our forecast for now as the above review is very speculative indeed. There is little benefit for cementir shareholders to try and buy into ÇİMENTAŞ İZMİR. There is a big benefit however to see a degree of market price (due to small float) for those most important assets. Cementir has a big life beyond white cement.

## Sales by Geography



Nordic states	(34.1%)
Belgium	(19.1%)
Turkey	(17.2%)
Italy	(10.8%)
North America	(9.7%)
Asia	(6.4%)
Egypt	(2.7%)

## Consolidated P&L Accounts

		12/23A	12/24E	12/25E
Sales	€M	1,694	1,667	1,761
Change in sales	%	-1.67	-1.61	5.65
Change in staff costs	%	2.49	6.06	2.32
EBITDA	€M	411	393	402
<b>EBITDA(R) margin</b>	<b>%</b>	<b>24.3</b>	<b>23.6</b>	<b>22.8</b>
Depreciation	€M	-115	-118	-116
Underlying operating profit	€M	279	254	258
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>279</b>	<b>254</b>	<b>258</b>
Net financial expense	€M	11.6	5.15	2.09
of which related to pensions	€M		-0.43	-0.85
Exceptional items & other	€M			
Corporate tax	€M	-75.2	-62.5	-62.6
Equity associates	€M	0.77	1.00	1.00
Minority interests	€M	-14.1	-13.9	-14.7
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>202</b>	<b>183</b>	<b>184</b>
NOPAT	€M	210	191	195

## Cashflow Statement

		12/23A	12/24E	12/25E
EBITDA	€M	411	393	402
Change in WCR	€M	-13.4	-23.1	-20.9
Actual div. received from equity holdi...	€M	0.11	0.00	0.00
Paid taxes	€M	-61.3	-62.5	-62.6
Exceptional items	€M			
Other operating cash flows	€M	-34.5	-30.0	-40.0
Total operating cash flows	€M	302	277	279
Capital expenditure	€M	-107	-135	-96.0
Total investment flows	€M	-91.8	-165	-136
Net interest expense	€M	11.6	5.15	2.09
Dividends (parent company)	€M	-37.5	-43.5	-43.5
Dividends to minorities interests	€M	-215	0.00	0.00
New shareholders' equity	€M			
Total financial flows	€M	-356	-68.1	-0.61
Change in cash position	€M	-159	44.3	142
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>207</b>	<b>148</b>	<b>185</b>

## Per Share Data

		12/23A	12/24E	12/25E
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>1.30</b>	<b>1.18</b>	<b>1.18</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.28</b>	<b>0.28</b>	<b>0.28</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 16.9	35%	● Holcim
NAV/SOTP per share	€ 14.7	20%	● Heidelberg Materials
EV/Ebitda	€ 20.2	20%	● Buzzi
P/E	€ 13.3	10%	● Vicat
Dividend Yield	€ 8.27	10%	
P/Book	€ 15.7	5%	
TARGET PRICE	€ 15.8	100%	

### NAV/SOTP Calculation

## Balance Sheet

		12/23A	12/24E	12/25E
Goodwill	€M	405	409	413
Total intangible	€M	593	599	605
Tangible fixed assets	€M	732	739	747
Financial fixed assets	€M	94.1	95.1	96.0
WCR	€M	0.81	24.0	44.9
Other assets	€M	72.3	72.3	72.3
Total assets (net of short term liab.)	€M	1,670	1,709	1,746
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>1,503</b>	<b>1,606</b>	<b>1,741</b>
Quasi Equity & Preferred	€M			
Minority interests	€M	148	151	154
Provisions for pensions	€M	22.8	30.8	32.1
Other provisions for risks and liabilities	€M	29.3	29.3	29.3
Total provisions for risks and liabilities	€M	52.1	60.1	61.4
Tax liabilities	€M	184	184	184
Other liabilities	€M	0.25	0.25	0.25
<b>Net debt (cash)</b>	<b>€M</b>	<b>-218</b>	<b>-292</b>	<b>-394</b>
Total liab. and shareholders' equity	€M	1,670	1,709	1,746

## Capital Employed

		12/23A	12/24E	12/25E
Capital employed after depreciation	€M	1,597	1,636	1,673

## Profits & Risks Ratios

		12/23A	12/24E	12/25E
<b>ROE (after tax)</b>	<b>%</b>	<b>14.0</b>	<b>11.8</b>	<b>11.0</b>
ROCE	%	13.1	11.7	11.7
<b>Gearing (at book value)</b>	<b>%</b>	<b>-10.4</b>	<b>-15.9</b>	<b>-19.7</b>
Adj. Net debt/EBITDA(R)	x	-0.40	-0.59	-0.83
Interest cover (x)	x	-24.0	-45.4	-88.0

## Valuation Ratios

		12/23A	12/24E	12/25E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>6.04</b>	<b>8.40</b>	<b>9.32</b>
Free cash flow yield	%	17.0	9.59	10.8
P/Book	x	0.81	0.96	0.99
<b>Dividend yield</b>	<b>%</b>	<b>3.57</b>	<b>2.83</b>	<b>2.54</b>

## EV Calculation

		12/23A	12/24E	12/25E
Market cap	€M	1,219	1,539	1,717
+ Provisions	€M	52.1	60.1	61.4
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-395	-471	-575
+ Leases debt equivalent	€M	177	179	180
- Financial fixed assets (fair value)	€M	94.1	95.1	96.0
+ Minority interests (fair value)	€M	148	151	154
= EV	€M	1,107	1,363	1,442
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>2.69</b>	<b>3.47</b>	<b>3.58</b>
EV/Sales	x	0.65	0.82	0.82

Analyst : Loco Douza, Changes to Forecasts : 15/01/2025.