



Cementir Holding

Cement & Aggregates / Italy

Q3 24: Volumes appear to have passed the trough

Earnings/sales releases - 12/11/2024

Cementir Holding's 9M results showed positive volume growth, driven by strong demand in Turkey, which offset the decline in some other regions. Sales and EBITDA declined due to lower volumes in some regions and a negative one-off impact. The company secured an EU grant for a CCS project in Denmark to reduce CO emissions. Based on these positive results, we have raised our FY24 EBITDA estimates and maintain a positive outlook on the stock.

Fact

- Revenue: €1,235.6m (vs €1,295.6m in 9M 23)
- EBITDA: €296.0m (vs €326.2m in 9M 23)
- PBT: €210.4m (vs €241.3m in 9M 23)
- Outlook for the full year reiterated

Analysis

Cementir Holding's 9M results were marked by an operational improvement as volumes showed positive momentum in the Q3. Cement and clinker volumes rose by 1.2%, ready-mix concrete (RMC) volumes increased by 5.7% and aggregates grew by 2.6%. This growth was largely fuelled by robust demand in Turkey and other regions, except Belgium and China. Adverse weather, delays in infrastructure projects and a broader slowdown in construction activity weighed on the European performance, with the exception of Denmark where cement volumes increased thanks to the contribution of the undersea tunnel Fehmarn Belt. On the whole, the volume trends remained positive, with sales up by 0.8%. However, EBITDA fell by 9.7%, largely due to a €6m one-off related to the sale of land and machinery in 2023. Excluding this non-recurring income, EBITDA would have dropped by 4.6%.

Sales and EBITDA declined in the first nine months, due to lower volumes in some regions and the impact of the 45.5% devaluation of the Turkish lira and the 44.3% devaluation of the Egyptian pound, which partially offset the positive operational results from Turkey and Egypt. The cost of raw materials decreased by 12.6%, driven by lower volumes and a favourable foreign exchange impact from currency devaluations. However, the company may still face wage inflation, as personnel costs rose by 4.4% despite a modest increase in the number of employees (+0.7%).

Overall, the company's performance showed signs of an improvement, with stable pricing across all markets. The pricing mechanism in Turkey, which allows for weekly adjustments to counter inflation, has proven effective. Year-over-year volume growth is now positive, with regions such as Turkey, the USA and Malaysia showing a recovery. However, the European market remains challenged, particularly in Belgium and France, where the recovery is slow. China also continues to struggle, with volumes still being impacted by the real estate crisis. On a positive note, the other regions are expected to improve in the coming



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| | |
|-------------------------|----------------------|
| Buy | Upside: 44.0% |
| Target Price (6 months) | € 15.2 |
| Share Price | € 10.5 |
| Market Cap. €M | 1,674 |
| Price Momentum | STRONG |
| Extremes 12 Months | 8.25 ▶ 10.5 |
| Sustainability score | 3.5 /10 |
| Credit Risk | BBB → |
| Bloomberg | CEM IM Equity |
| Reuters | CEMI.MI |

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| PERF | 1w | 1m | 3m | 12m |
|----------------------------|-------|--------|-------|------|
| Cementir Holding | 11.6% | 10.6% | 12.4% | 27.2 |
| Building Prod. & Materials | 6.57% | 8.10% | 16.4% | 49.2 |
| STOXX 600 | 0.62% | -1.84% | 2.64% | 15.6 |

| Last updated: 12/11/2024 | 12/23A | 12/24E | 12/25E | 12/26E |
|------------------------------|--------|--------|--------|--------|
| Adjusted P/E (x) | 6.04 | 8.93 | 8.88 | 8.66 |
| Dividend yield (%) | 3.57 | 2.66 | 2.66 | 2.66 |
| EV/EBITDA(R) (x) | 2.69 | 3.71 | 3.38 | 3.07 |
| 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 |

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

quarters. As a result, the company has maintained its guidance, projecting revenues of €1.7bn and EBITDA of €385m, with net cash and capex at €300m and €135m, respectively.

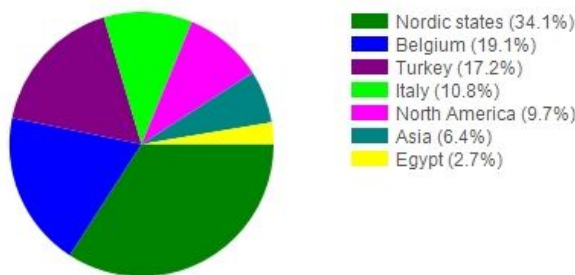
Carbon capture

The project has been selected to receive a non-refundable grant of EUR 220 million from the EU Innovation Fund to support the development of one of Europe's first fully onshore carbon capture and storage (CCS) systems. This initiative, a collaboration between Aalborg Portland (a subsidiary of Cementir Holding) and Air Liquide, will be located at the Aalborg plant in Denmark and is set to become operational by 2029. The CCS facility aims to reduce CO emissions by approximately 1.5 million tons annually. Onshore CCS is expected to be more cost-effective in terms of opex compared to offshore solutions. The total project cost is estimated at EUR 500–530 million, which would be primarily funded by Air Liquide, whereas Cementir's portion of the capital expenditure is expected to be around €90 million, allocated as €30 million per year starting in 2027. The company is also in discussions with the Danish Carbon Fund to potentially secure coverage for the opex of this technology over a 20-year period.

■ Impact

In light of the company's positive results, we have raised our FY24 EBITDA estimates by 2.3%, improving the margin by 100 bps. Volumes are expected to improve across most markets, with pricing remaining stable. While the construction sector still faces challenges, with weak volumes in some European countries and China, we maintain our BUY recommendation on the stock.

Sales by Geography



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 |
| EBITDA(R) margin | % | 24.3 | 23.6 | 22.8 |
| Depreciation | €M | -115 | -118 | -116 |
| Underlying operating profit | €M | 279 | 254 | 258 |
| Operating profit (EBIT) | €M | 279 | 254 | 258 |
| 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 |
| Adjusted attributable net profit | €M | 202 | 183 | 184 |
| 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 |
| Free cash flow (pre div.) | €M | 207 | 148 | 185 |

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 |
| Benchmark EPS | € | 1.30 | 1.18 | 1.18 |
| Restated NAV per share | € | | | |
| Net dividend per share | € | 0.28 | 0.28 | 0.28 |

Valuation Summary

| Benchmarks | Value | Weight | Largest comparables |
|--------------------|--------|--------|------------------------|
| DCF | € 15.6 | 35% | ● Holcim |
| NAV/SOTP per share | € 11.9 | 20% | ● Heidelberg Materials |
| EV/Ebitda | € 20.9 | 20% | ● Buzzi |
| P/E | € 14.1 | 10% | ● Vicat |
| Dividend Yield | € 8.82 | 10% | |
| P/Book | € 16.4 | 5% | |
| TARGET PRICE | € 15.2 | 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 |
| Ordinary shareholders' equity | €M | 1,503 | 1,606 | 1,741 |
| 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 |
| Net debt (cash) | €M | -218 | -292 | -394 |
| 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 |
|--------------------------------|---|--------------|--------------|--------------|
| ROE (after tax) | % | 14.0 | 11.8 | 11.0 |
| ROCE | % | 13.1 | 11.7 | 11.7 |
| Gearing (at book value) | % | -10.4 | -15.9 | -19.7 |
| 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 |
|----------------------------------|----------|-------------|-------------|-------------|
| Reference P/E (benchmark) | x | 6.04 | 8.93 | 8.88 |
| Free cash flow yield | % | 17.0 | 9.02 | 11.3 |
| P/Book | x | 0.81 | 1.02 | 0.94 |
| Dividend yield | % | 3.57 | 2.66 | 2.66 |

EV Calculation

| | | 12/23A | 12/24E | 12/25E |
|---|----------|-------------|-------------|-------------|
| Market cap | €M | 1,219 | 1,636 | 1,636 |
| + 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 | 1,460 | 1,361 |
| EV/EBITDA(R) | x | 2.69 | 3.71 | 3.38 |
| EV/Sales | x | 0.65 | 0.88 | 0.77 |

Analyst : Loco Douza, Changes to Forecasts : 12/11/2024.