



Cementir Holding

Cement & Aggregates / Italy

FY 22: Price hikes to manage inflation.

Earnings/sales releases - 13/02/2023

Cementir has published better than expected preliminary FY22 results with revenue 13% and EBITDA 6% above our expectations. However, for FY23, the group has guided for a conservative outlook due to an uncertain macroeconomic scenario and announced a new industrial Plan to highlight its commitment to decarbonization.

Fact

- Revenue: €1,723.1m, up 27%
- EBITDA: €335.2m, up 7.8% (€337.2m excluding one-offs)
- EBIT: €206.3m, up 4.3%
- Guidance for 2023: Revenue of more than €1.8bn, EBITDA at €335-345m, net cash position above €200m, capex ~€113m.
- Industrial Plan 2023-2025 announced.

Analysis

Cementir Holding has published better than expected FY22 results with revenues up by 27% to €1,723m, driven by price increases across all geographies despite a decrease in volumes sales in all segments. Cement sales decreased by 2.7%, RMC by 5.8% and Aggregates by 5.3%. The general slowdown in the market did not prevent the company from achieving a record EBITDA of €335m (+14.2%), including a one-off positive impact of €17.8m related to real estate. Even after excluding this one-off event, the actual EBITDA is slightly above our expectations. However, the EBITDA margin decreased by 200bp to reach 20.6%.

Conservative forecast in 2023

The uncertainty of the macroeconomic scenario is forcing the company to be prudent on their outlook for the year 2023. Cementir Holding expects to achieve consolidated revenues of roughly €1.8bn (+4%) with flat growth in EBITDA. Indeed, the company expects a decline in demand resulting in a drop in volume sales, and Cementir would not be able to hike its prices as it did in 2022 unless there is a skyrocketing increase in the carbon price and electricity as the price mechanism of the company is correlated to these costs. However, the company has succeeded in managing its costs and maintaining its margins in 2022 thanks to its strong cost management. We expect Cementir will maintain this efficient cost management in 2023.

Industrial Plan 2023-2025

The group has updated its Industrial Plan, which revolves around the same pillars as before, but with a further commitment to the decarbonization, less aggressive financial targets for the revenue (CAGR of 5.1% vs 6.7% previously) and a better outlook for EBITDA (CAGR of 5.9% vs 5.3% previously). With additional cumulative green capex of €86m, the company is focusing on projects enabling a reduction in carbon emissions. In our sense, the two key levers to achieve the fit to 55 targets set by EU are (i) clinker content reduction and (ii) Carbon capture and storage (CCS) technologies. Cementir has started a pilot project for CCS partly financed by the Danish Innovation Fund and plans to have a clinker ratio of 64% for the grey cement as well as 78% for the white cement by 2030. This puts the company in an advantageous position to address carbon emissions issues.



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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy	Upside: 41.1%
Target Price (6 months)	€ 11.2
Share Price	€ 7.97
Market Cap. €M	1,268
Price Momentum	STRONG
Extremes 12Months	5.25 ▶ 7.97
Sustainability score	2.3 /10
Credit Risk	BBB →
Bloomberg	CEM IM Equity
Reuters	CEMI.MI

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PERF	1w	1m	3m	12m
Cementir Holding	8.73%	25.7%	29.8%	1.16%
Building Prod. & Materials	-3.76%	4.61%	10.5%	-7.81%
STOXX 600	-0.63%	2.34%	6.02%	-3.06%

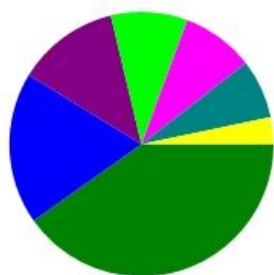
Last updated: 13/02/2023	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	12.0	7.23	8.38	7.68
Dividend yield (%)	2.07	2.91	2.63	2.89
EV/EBITDA(R) (x)	4.93	3.05	3.60	2.95
Adjusted EPS (€)	0.72	0.90	0.95	1.04
Growth in EPS (%)	11.2	24.4	5.58	9.16
Dividend (€)	0.18	0.19	0.21	0.23
Sales (€M)	1,371	1,723	1,790	1,899
EBITDA/R margin (%)	22.7	19.5	18.8	18.8
Attributable net profit (€M)	113	140	148	161
ROE (after tax) (%)	10.6	12.3	11.7	11.3
Gearing (%)	7.47	-3.61	-11.0	-16.4

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

■ Impact

Following these results, we have updated upwards our model and maintain our positive recommendation. Our target price has been increased by 5% supported by an increase in 2022 EPS (+0.09€), 2023 EPS (+0.08€) and a higher DCF valuation (+0.93€).

Sales by Geography



Nordic states	(40.2%)
Belgium	(18.6%)
Turkey	(12.5%)
Italy	(9.4%)
North America	(8.9%)
Asia	(7.2%)
Egypt	(3.3%)

Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€M	1,371	1,723	1,790
Change in sales	%	11.9	25.7	3.86
Change in staff costs	%	-3.73	28.9	3.81
EBITDA	€M	311	335	336
EBITDA(R) margin	%	22.7	19.5	18.8
Depreciation	€M	-93.0	-100.0	-95.7
Underlying operating profit	€M	198	216	222
Operating profit (EBIT)	€M	198	216	222
Net financial expense	€M	-26.6	-10.4	-8.40
of which related to pensions	€M		-0.44	-0.51
Exceptional items & other	€M			
Corporate tax	€M	-49.0	-55.6	-55.7
Equity associates	€M	0.82	0.89	0.91
Minority interests	€M	-9.68	-11.0	-11.0
Adjusted attributable net profit	€M	114	140	148
NOPAT	€M	149	163	168

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	€M	311	335	336
Change in WCR	€M	-7.28	85.5	-112
Actual div. received from equity holdi...	€M	0.15	0.00	0.00
Paid taxes	€M	-47.1	-55.6	-55.7
Exceptional items	€M			
Other operating cash flows	€M	-31.1	-31.1	20.0
Total operating cash flows	€M	226	334	189
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	-77.4
Change in cash position	€M	-131	129	1.47
Free cash flow (pre div.)	€M	117	252	110

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
Benchmark EPS	€	0.72	0.90	0.95
Restated NAV per share	€			
Net dividend per share	€	0.18	0.19	0.21

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 13.7	35%	● Buzzi
NAV/SOTP per share	€ 9.82	20%	● Heidelberg Materials
EV/Ebitda	€ 12.6	20%	● Holcim
P/E	€ 10.1	10%	● Vicat
Dividend Yield	€ 5.48	10%	
P/Book	€ 7.93	5%	
TARGET PRICE	€ 11.2	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	-67.5	44.1
Other assets	€M	78.7	78.7	78.7
Total assets (net of short term liab.)	€M	1,492	1,422	1,536
Ordinary shareholders' equity	€M	1,088	1,187	1,339
Quasi Equity & Preferred	€M			
Minority interests	€M	139	142	145
Provisions for pensions	€M	32.5	27.5	28.5
Other provisions for risks and liabilities	€M	33.3	33.3	33.3
Total provisions for risks and liabilities	€M	65.8	60.8	61.8
Tax liabilities	€M	156	156	156
Other liabilities	€M	2.04	2.04	2.04
Net debt (cash)	€M	40.4	-126	-168
Total liab. and shareholders' equity	€M	1,492	1,422	1,536

Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	€M	1,412	1,343	1,457

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	10.6	12.3	11.7
ROCE	%	10.6	12.2	11.5
Gearing (at book value)	%	7.47	-3.61	-11.0
Adj. Net debt/EBITDA(R)	x	0.58	0.04	-0.08
Interest cover (x)	x	7.45	21.7	28.2

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	12.0	7.23	8.38
Free cash flow yield	%	8.65	24.8	8.83
P/Book	x	1.25	0.85	0.93
Dividend yield	%	2.07	2.91	2.63

EV Calculation

		12/21A	12/22E	12/23E
Market cap	€M	1,356	1,014	1,239
+ Provisions	€M	65.8	60.8	61.8
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-98.9	-265	-307
+ 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	1,021	1,210
EV/EBITDA(R)	x	4.93	3.05	3.60
EV/Sales	x	1.12	0.59	0.68

Analyst : Loco Douza, Changes to Forecasts : 13/02/2023.