



Cementir Holding

Cement & Aggregates / Italy

Q1 20: lower result but good shareholder remuneration ahead

Earnings/sales releases - 14/05/2020

Cementir Holding announced its Q1 results. Revenue was almost flat due to the good performance in the Nordics and Turkey. EBITDA was impacted by a one-off payment of €2.5m, otherwise it would have been above the Q1 19 level. The group has delayed all unnecessary expenditures to prioritise a strong balance sheet. It has also called an EGM in July to initiate a share buy-back programme.

Fact

Key information

- Revenue: €266.9m (vs €264.4m in Q1 19)
- EBITDA: €32.2m (vs €33.7m in Q1 19)
- PBT: €-5m (vs €-0.3m in Q1 19)
- Non-necessary capex of €30m postponed
- The Board to call an EGM to authorise share buy-backs up to €60m

Analysis

Reported figures

Revenue stood at €266.9m, up 0.9% mainly due to the good performance in Turkey, Denmark, and Egypt. EBITDA stood at €32.2m, which was impacted by previous transactions' final settlements. In the absence of these settlements, EBITDA would have been +3% compared to last year. PBT stood at €-5m vs €-0.3m in Q1 19.

Performance and outlook by division

- Nordic and Baltic (revenue: €127.9m): Domestic markets were good but white cement exports to the US were down due to the cancellation of one shipment, yet the products are available in the US market. There was a negative effect of FX overall.
- Belgium and France (revenue: €56.7m): Revenue was down by 4.9% and EBITDA down by 44.7%. The major reason being the closed borders. France represents 1/3rd of the market, and with the borders closed, this segment took a big hit. The borders are still closed but may probably open in a week or two.
- North America (revenue: €36.4m): EBITDA increased significantly (32.9%) with LWCC recording an EBITDA of €4.9m (vs €3.7m in Q1 19) due to better pricing and tailwinds from lower raw material costs.
- Turkey (revenue: €26.7m): Revenue in Turkey was up by 22.2% and EBITDA, though it remained in negative territory, was up by 27%. Business in Turkey saw a very good start to the year, continuing the momentum from the last few months of 2019, but then COVID-19 hit the activities and the devaluation of the lira gained pace (lira devaluated 20% against the euro). Management does not expect much recovery from this region, even if the activities are almost back to normal.



Sejal VARSHNEY

buildingmaterials@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

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: 67.2%
Target Price (6 months)	€ 9.03
Share Price	€ 5.40
Market Cap. €M	859
Price Momentum	GOOD
Extremes 12Months	4.36 ▶ 6.99
Bloomberg	CEM IM Equity
Reuters	CEMI.MI


[Download Full Analysis](#)
[Company Page](#)


PERF	1w	1m	3m	12m
Cementir Holding	1.89%	4.25%	-18.8%	-8.82%
Building Prod. & Materials	-1.07%	-3.33%	-25.3%	-16.1%
STOXX 600	-0.11%	0.65%	-22.5%	-10.4%

Last updated: 24/03/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	6.08	9.65	8.80	7.88
Dividend yield (%)	2.29	2.59	2.59	2.59
EV/EBITDA(R) (x)	5.06	4.34	3.93	3.49
Adjusted EPS (€)	1.01	0.56	0.61	0.69
Growth in EPS (%)	43.6	-44.4	9.62	11.7
Dividend (€)	0.14	0.14	0.14	0.14
Sales (€M)	1,212	1,259	1,298	1,332
EBITDA/R margin (%)	21.8	21.0	21.4	21.9
Attributable net profit (€M)	156	89.1	97.6	109
ROE (after tax) (%)	15.3	8.19	8.36	8.74
Gearing (%)	23.7	18.3	12.2	6.31

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

- Egypt (revenue: €10.2m): While the domestic white cement volumes sold were down, overall sales held up due to higher export volumes. This was accompanied by the revaluation of the Egyptian pound versus the euro by 13.5%. These justified a 20.7% increase in revenue and a 48.6% increase in EBITDA to €2m.
- Asia Pacific (revenue: €14.7m): Revenue was down by 17.4% (China: -29.7%, Malaysia: -3.3%) and EBITDA was down by 20.3% (China: -15.8%, Malaysia: -28.6%). In China, sales have recovered 90% of the budgeted sales and, if it sees no more waves of the pandemic, the market in the second half will recover to its previous pace. Malaysian plants export significantly to Australia and, while the plants were temporarily closed, Cementir's products were still available in the Australian market. Hence, there was a modest impact to the Malaysian revenues.
- Italy (revenue: €21.2m): This segment includes the parent company, the trading company, and other minor companies. Revenue was up by 50% due to higher trading volumes but EBITDA was down to €-3.6m. EBITDA was impacted by a €2.5m payment of a final settlement and management believes that by the end of the year the trading results will be positive due to a recovery in oil, electricity, and freight prices.

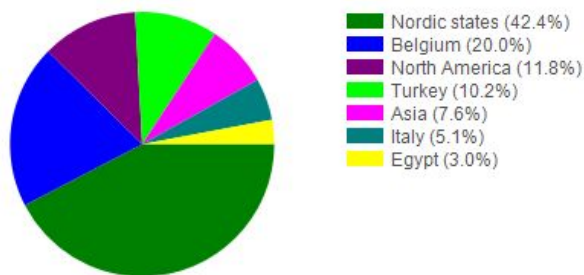
Strengthening financial position and high shareholder remunerations

The group is taking many steps to improve its financial position. It has postponed all its non-essential expenditures. It is delaying non-necessary capex worth €30m, which represents about 30% of its total expenditure planned for 2020 earlier. The group is unlikely to conduct any M&A activity for the next 12-18 months. If Cementir manages to keep up with its budget, it will proceed with its share buy-back programme (to be proposed at the extraordinary shareholders' meeting on 4 July) which will be capped at €60m and will last until the end of 2021. (The free float is currently of 29% which may reduce to 22% after the share buy-back.) It is worth noting that this remuneration is on top of the dividend of €0.14/share to be paid in a week. A great return for shareholders.

■ Impact

Our numbers are under review.

Sales by Geography



Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€M	1,212	1,259	1,298
Change in sales	%	1.31	3.92	3.08
Change in staff costs	%	4.86	4.39	4.70
EBITDA	€M	264	264	277
EBITDA(R) margin	%	21.8	21.0	21.4
Depreciation	€M	-88.0	-93.7	-96.6
Underlying operating profit	€M	156	150	159
Operating profit (EBIT)	€M	152	150	159
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	36.2	-32.0	-35.1
Equity associates	€M	0.31	0.22	0.24
Minority interests	€M	-6.86	-7.29	-7.99
Adjusted attributable net profit	€M	160	89.1	97.6
NOPAT	€M	109	105	112

Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€M	264	264	277
Change in WCR	€M	12.4	-3.17	-5.38
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-32.4	-32.0	-35.1
Exceptional items	€M			
Other operating cash flows	€M	-19.9	-29.9	-29.9
Total operating cash flows	€M	224	199	207
Capital expenditure	€M	-63.3	-86.0	-109
Total investment flows	€M	-57.1	-91.0	-109
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	-55.3	-55.6
Change in cash position	€M	98.3	52.4	42.6
Free cash flow (pre div.)	€M	135	91.4	79.8

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
Benchmark EPS	€	1.01	0.56	0.61
Restated NAV per share	€			
Net dividend per share	€	0.14	0.14	0.14

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 11.0	35%	■ Buzzi
NAV/SOTP per share	€ 9.34	20%	■ Heidelbergcement
EV/Ebitda	€ 9.55	20%	■ LafargeHolcim
P/E	€ 7.42	10%	■ Vicat
Dividend Yield	€ 4.14	10%	
P/Book	€ 5.07	5%	
TARGET PRICE	€ 9.03	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	57.5	62.9
Other assets	€M	90.9	91.8	92.7
Total assets (net of short term liab.)	€M	1,665	1,681	1,699
Ordinary shareholders' equity	€M	1,045	1,132	1,205
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
Net debt (cash)	€M	240	175	118
Total liab. and shareholders' equity	€M	1,665	1,681	1,699

Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€M	1,573	1,588	1,605

Profits & Risks Ratios

		12/19A	12/20E	12/21E
ROE (after tax)	%	15.3	8.19	8.36
ROCE	%	6.96	6.61	6.95
Gearing (at book value)	%	23.7	18.3	12.2
Adj. Net debt/EBITDA(R)	x	0.91	0.66	0.43
Interest cover (x)	x	6.14	7.02	8.69

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	6.08	9.65	8.80
Free cash flow yield	%	13.9	10.6	9.29
P/Book	x	0.93	0.76	0.71
Dividend yield	%	2.29	2.59	2.59

EV Calculation

		12/19A	12/20E	12/21E
Market cap	€M	974	859	859
+ 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	175	118
+ 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	1,147	1,089
EV/EBITDA(R)	x	5.06	4.34	3.93
EV/Sales	x	1.10	0.91	0.84

Analyst : Sejal Varshney, Changes to Forecasts : 24/03/2020.