



# Cementir Holding

Cement &amp; Aggregates / Italy

## Q1 23: Pricing boosts profitability

Earnings/sales releases - 10/05/2023

Cementir Holding announced a good set of results, in line with our expectations. Despite a decline in volume, the company managed to increase revenue in most segments due to higher average selling prices, while maintaining its margins thanks to its hedging policy and a presence in niche markets. EBITDA increased by 41% and the margin increased by 290bps.

The results and guidance for FY23 are in line with our expectations so we won't be making significant changes to our model.

### Fact

\*Revenue: €414.8m (vs €362.3m in Q1 22)

\*EBITDA: €81.2m (vs €60.7m in Q1 22)

\*PBT: €63.9m (vs €42.4m in Q1 22)

\*Outlook for the full year re-iterated

### Analysis

Cementir Holding has reported a good set of Q1 results, with a significant increase in revenue and EBITDA. Despite a decrease in volumes of cement, RMC and aggregates, the company managed to achieve a 14.5% increase in revenue and a 33.8% increase in EBITDA due to its successful implementation of price increases.

The higher EBITDA was primarily seen in key markets such as the Nordics and Baltics, as well as Belgium, which together accounted for 73% of the group's EBITDA. This was due to the company's careful management of energy costs, supported by a strong hedging policy. As a result, Cementir Holding reported an increase of 290 bps.

While energy costs have reached their peak in the last year, they have now stabilized at a level that is still higher than the average for the previous years. Consequently, we anticipate that prices will drop following the decline in energy costs. However, it is important to note that inflation might cause labor and financial costs to continue to rise this year.

### Performance by division

The Nordic and Baltic region, which accounted for 40% of the total revenue, saw flat growth of 1.3% as a slight fall in volume was offset by price increases. Denmark experienced a mid-single digit drop in volumes, while Norway and Sweden both saw double-digit decreases in volume, driven by high inflation and increased interest rates affecting the residential sector and investments in public works. Despite these challenges, revenue in Denmark increased by 13.2% and EBITDA by 62%, while Norway and Sweden were more affected, with revenue decreasing by 20% and EBITDA by 84% YoY. Nevertheless, the margin still increased by 74 bps.

The Belgium and France segment posted a robust performance, with a 19% increase in revenue and a 33% increase in EBITDA, despite a decline in volume. This was mainly due to successful price increases that offset the volume decline.



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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: 47.0%

Target Price (6 months) € 11.6

Share Price € 7.90

Market Cap. €M 1,257

Price Momentum **STRONG**

Extremes 12Months 5.25 ▶ 8.25

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	2.73%	1.41%	-0.38%	25.1%
Building Prod. & Materials	2.76%	6.95%	2.70%	14.8%
STOXX 600	0.94%	1.41%	0.67%	11.5%

Last updated: 18/04/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	6.11	9.25	8.44	7.87
Dividend yield (%)	3.37	2.28	2.53	2.78
EV/EBITDA(R) (x)	3.11	3.64	3.27	2.91
Adjusted EPS (€)	1.07	0.85	0.94	1.00
Growth in EPS (%)	47.3	-20.0	9.56	7.33
Dividend (€)	0.22	0.18	0.20	0.22
Sales (€M)	1,723	1,790	1,899	1,992
EBITDA/R margin (%)	19.5	18.8	18.9	18.9
Attributable net profit (€M)	162	133	145	156
ROE (after tax) (%)	13.2	9.58	10.1	10.1
Gearing (%)	-2.01	-9.63	-13.5	-16.9

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

The EBITDA margin also saw a significant increase of 240 bps, thanks to the company's efficient management of energy costs.

In North America, the US market experienced lower demand for volume in Texas and California due to competitive pressure from imports. Despite this, revenue increased by 2.7% thanks to price increases and a positive FX impact of 4.4%. However, EBITDA decreased by 18% due to higher operating costs, resulting in a decrease of 320 bps in the EBITDA margin.

In the Asia Pacific region, Cementir Holding experienced mixed results. In China, there was a 6% decline in revenue due to lower prices, despite a 3% increase in volumes, resulting in a 31% drop in EBITDA due to increased production costs. Meanwhile, in Malaysia, revenue decreased by 3.4% due to a significant decrease in exports, which was offset by positive demand in the local market. EBITDA increased by 19.5% due to higher selling prices and lower freight costs, which compensated for lower volumes and increased production costs.

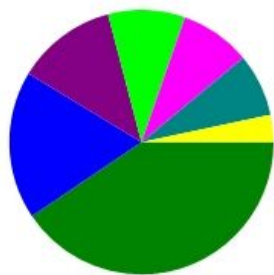
Despite a decrease in export volume from Turkey, the company managed to achieve an impressive 82% increase in sales. This growth was driven by successful price increases and an increase in demand in the domestic market. EBITDA also saw a significant improvement, standing at €7.8m compared to €1.6m previously, resulting in a 640bp increase in the EBITDA margin.

In Egypt, revenue decreased by 12.8% primarily due to the negative impact of FX (79%). However, EBITDA increased by 34% due to the efficient management of production costs and an increase in selling prices, resulting in a 940bp increase in the margin.

## ■ Impact

Despite a very strong quarter, the management has taken a conservative stance due to uncertainty around the potential risks associated with upcoming elections in Turkey and a slowdown in demand in the Nordics. Nonetheless, it has confirmed its full-year revenue guidance of over €1.8bn, EBITDA in the range of €335-345m and a net cash position of ~€200m. We too have a similar view and, hence, we will stick to our current estimates with no upward revisions to our numbers.

## Sales by Geography



Nordic states	(40.6%)
Belgium	(18.1%)
Turkey	(12.2%)
Italy	(9.4%)
North America	(8.6%)
Asia	(7.7%)
Egypt	(3.3%)

## Consolidated P&L Accounts

	12/22A	12/23E	12/24E
Sales	€M 1,723	1,790	1,899
Change in sales	% 26.7	3.85	6.13
Change in staff costs	% 9.25	4.64	5.57
EBITDA	€M 335	336	359
<b>EBITDA(R) margin</b>	<b>% 19.5</b>	<b>18.8</b>	<b>18.9</b>
Depreciation	€M -108	-105	-109
Underlying operating profit	€M 208	209	227
<b>Operating profit (EBIT)</b>	<b>€M 204</b>	<b>209</b>	<b>227</b>
Net financial expense	€M 31.0	-20.9	-20.4
of which related to pensions	€M	-1.54	-1.57
Exceptional items & other	€M		
Corporate tax	€M -54.9	-45.7	-50.1
Equity associates	€M 0.97	1.00	1.00
Minority interests	€M -19.3	-11.0	-12.0
<b>Adjusted attributable net profit</b>	<b>€M 166</b>	<b>133</b>	<b>145</b>
NOPAT	€M 157	159	172

## Cashflow Statement

	12/22A	12/23E	12/24E
EBITDA	€M 335	336	359
Change in WCR	€M 18.2	-4.64	-26.1
Actual div. received from equity holdi...	€M 0.19	0.00	0.00
Paid taxes	€M -47.7	-45.7	-50.1
Exceptional items	€M		
Other operating cash flows	€M -17.1	-10.0	-30.0
Total operating cash flows	€M 289	276	253
Capital expenditure	€M -105	-113	-124
Total investment flows	€M -139	-143	-154
Net interest expense	€M 31.0	-20.9	-20.4
Dividends (parent company)	€M -30.8	-34.2	-28.0
Dividends to minorities interests	€M 0.08	0.00	0.00
New shareholders' equity	€M		
Total financial flows	€M -77.8	-58.7	-52.8
Change in cash position	€M 73.3	74.4	45.9
<b>Free cash flow (pre div.)</b>	<b>€M 215</b>	<b>142</b>	<b>108</b>

## Per Share Data

		12/22A	12/23E	12/24E
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>1.07</b>	<b>0.85</b>	<b>0.94</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.22</b>	<b>0.18</b>	<b>0.20</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 13.7	35%	● Holcim
NAV/SOTP per share	€ 11.0	20%	● Heidelberg Materials
EV/Ebitda	€ 13.6	20%	● Buzzi
P/E	€ 9.55	10%	● Vicat
Dividend Yield	€ 4.50	10%	
P/Book	€ 9.71	5%	
TARGET PRICE	€ 11.6	100%	

### NAV/SOTP Calculation

## Balance Sheet

	12/22A	12/23E	12/24E
Goodwill	€M 407	411	415
Total intangible	€M 611	617	624
Tangible fixed assets	€M 745	745	745
Financial fixed assets	€M 91.8	69.3	69.3
WCR	€M -8.51	-3.87	22.3
Other assets	€M 72.0	78.7	78.7
Total assets (net of short term liab.)	€M 1,666	1,647	1,679
<b>Ordinary shareholders' equity</b>	<b>€M 1,368</b>	<b>1,405</b>	<b>1,488</b>
Quasi Equity & Preferred	€M		
Minority interests	€M 155	158	161
Provisions for pensions	€M 26.3	47.2	45.2
Other provisions for risks and liabilities	€M 36.8	36.8	36.8
Total provisions for risks and liabilities	€M 63.1	84.0	82.0
Tax liabilities	€M 174	174	174
Other liabilities	€M 1.11	1.11	1.11
<b>Net debt (cash)</b>	<b>€M -95.5</b>	<b>-175</b>	<b>-227</b>
Total liab. and shareholders' equity	€M 1,666	1,647	1,679

## Capital Employed

	12/22A	12/23E	12/24E
Capital employed after depreciation	€M 1,593	1,568	1,600

## Profits & Risks Ratios

		12/22A	12/23E	12/24E
<b>ROE (after tax)</b>	<b>%</b>	<b>13.2</b>	<b>9.58</b>	<b>10.1</b>
ROCE	%	9.86	10.2	10.8
<b>Gearing (at book value)</b>	<b>%</b>	<b>-2.01</b>	<b>-9.63</b>	<b>-13.5</b>
Adj. Net debt/EBITDA(R)	x	0.17	-0.11	-0.24
Interest cover (x)	x	-6.71	10.8	12.1

## Valuation Ratios

		12/22A	12/23E	12/24E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>6.11</b>	<b>9.25</b>	<b>8.44</b>
Free cash flow yield	%	21.2	11.6	8.82
P/Book	x	0.74	0.87	0.83
<b>Dividend yield</b>	<b>%</b>	<b>3.37</b>	<b>2.28</b>	<b>2.53</b>

## EV Calculation

	12/22A	12/23E	12/24E	
Market cap	€M 1,014	1,229	1,229	
+ Provisions	€M 63.1	84.0	82.0	
+ Unrecognised actuarial losses/(gains)	€M 0.00	0.00	0.00	
+ Net debt at year end	€M -248	-314	-366	
+ Leases debt equivalent	€M 153	139	139	
- Financial fixed assets (fair value)	€M 91.8	69.3	69.3	
+ Minority interests (fair value)	€M 155	158	161	
= EV	€M 1,044	1,226	1,175	
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>3.11</b>	<b>3.64</b>	<b>3.27</b>
EV/Sales	x	0.61	0.69	0.62

Analyst : Loco Douza, Changes to Forecasts : 18/04/2023.