



Cementir Holding

Cement & Aggregates / Italy

FY19: stability despite the Turkish burden

Earnings/sales releases - 18/02/2020

Poor macro-economic conditions reduced the company's sales and profit but the impact is tiny when compared to the group's exposure to Erdoğan's Turkey which went to rack and ruin in 2019. The poor performance in Turkey was partly offset by the good performance in Belgium and Denmark and the group's overall health remained stable due to management's strategic geographical diversification and laudable cash flow management. The result was in line with our estimates and, hence, we reiterate our Buy recommendation.

Fact

- Revenue: €1,211m, up by 1.3% (lfl -1.4%) compared to 2018.
- EBITDA: €263.8m, up by 10.6%. Pre-IFRS 16 EBITDA remained flat.
- EBIT: €151.7m compared to €153.2m in 2018. It includes the effect from an additional €24.5m in D&A due to IFRS 16, €-3m of impairments and €1.4m in provisions for risk.
- Net financial debt down to €239.6m (€255.4m as at 31 December 2018).

Analysis

Cementir Holding announced preliminary figures in line with its guidance. As announced, after the line-by-line consolidation of the US company Lehigh White Cement Company, the company's revenues reached €1,211m, up 1.3% compared to €1,196m in 2018. On a like-for-like basis, revenue fell 1.4% resulting from a significant drop in revenue in Turkey (due to the recession and the devaluation of the lira), which was largely offset by the performance in other regions. Volumes were significantly down as anticipated, with cement volumes down by 3.4%, aggregates by 2.4% and RMC by 16.4% mainly due to Turkey as it was the biggest RMC market in 2018.

EBITDA reached €263.8m, up 10.6% on €238.5m in 2018. The pre IFRS 16 EBITDA was at the same level as in 2018 but, if we reduce the scope effect as well, EBITDA reduced by 1.6%. EBIT at €151.7m was down by 1%. Pre IFRS 16 EBIT stood at €176.2m, 15% above the previous year level.

Geographical diversification paid-off

Like any other cement company with a presence in Turkey, Cementir was hit hard by the recession and the depreciation of the lira. However, diversification into other geographies has paid off well. While the lira depreciated, other currencies, specially US dollar appreciated, reducing the fluctuations in revenues and margins. This can be confirmed by the fact that at constant 2018 exchange rates, revenue would have reached €1,219.7m, up 2% on the previous year, and EBITDA would remain at the same level of €263.8m despite a €25.5m drop due to Turkey.

Exemplary cash generation

Net debt was affected by an additional €84.3m due to lease liabilities. Without this, net debt would have been down by €100m (post dividend payment and capex). Based on our rough calculations, the company has a free cash flow (pre div) of ~€120m. Give kudos to the management who continued to generate large positive



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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: 32.9%
Target Price (6 months)	€ 9.22
Share Price	€ 6.94
Market Cap. €M	1,104
Price Momentum	GOOD
Extremes 12Months	5.76 ▶ 6.99
Bloomberg	CEM IM Equity
Reuters	CEMI.MI

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PERF	1w	1m	3m	12m
Cementir Holding	6.25%	4.28%	8.88%	13.4%
Building Prod. & Materials	1.31%	0.16%	0.92%	20.6%
STOXX 600	1.73%	1.75%	6.39%	17.1%

Last updated: 13/01/2020	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	7.79	12.2	11.0	9.65
Dividend yield (%)	2.56	2.29	2.02	2.02
EV/EBITDA(R) (x)	5.19	5.15	4.97	4.35
Adjusted EPS (€)	0.70	0.50	0.63	0.72
Growth in EPS (%)	8.63	-28.1	24.8	14.4
Dividend (€)	0.14	0.14	0.14	0.14
Sales (€M)	1,196	1,241	1,276	1,311
EBITDA/R margin (%)	19.9	20.7	21.5	22.2
Attributable net profit (€M)	127	80.1	100	114
ROE (after tax) (%)	14.4	7.90	9.24	9.60
Gearing (%)	40.0	24.3	17.7	8.39

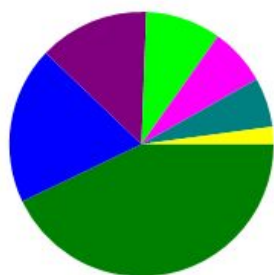
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free cash flow despite unfavourable macro-economic conditions.

■ **Impact**

The preliminary result announced by the company is largely in line with our estimates. We will make some minor tweaks that will have no major impact on the target price.

Sales by Geography



Nordic states	(42.9%)
Belgium	(19.2%)
Turkey	(13.5%)
North America	(9.2%)
Asia	(7.0%)
Italy	(6.0%)
Egypt	(2.1%)

Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	€M	1,196	1,241	1,276
Change in sales	%	4.93	3.72	2.82
Change in staff costs	%	0.90	4.77	2.79
EBITDA	€M	239	257	275
EBITDA(R) margin	%	19.9	20.7	21.5
Depreciation	€M	-61.5	-79.5	-81.3
Underlying operating profit	€M	156	152	167
Operating profit (EBIT)	€M	153	153	169
Net financial expense	€M	30.4	-28.5	-17.5
of which related to pensions	€M		-0.06	-0.08
Exceptional items & other	€M			
Corporate tax	€M	-35.9	-32.9	-38.3
Equity associates	€M	1.05	0.00	0.00
Minority interests	€M	-8.47	-11.1	-12.9
Adjusted attributable net profit	€M	112	80.1	100
NOPAT	€M	110	107	118

Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	€M	239	257	275
Change in WCR	€M	-3.68	-6.14	-5.75
Actual div. received from equity holdi...	€M	1.23	0.00	0.00
Paid taxes	€M	-42.3	-32.9	-38.3
Exceptional items	€M			
Other operating cash flows	€M	-27.2	-6.00	-30.0
Total operating cash flows	€M	167	212	201
Capital expenditure	€M	-66.6	-71.6	-73.2
Total investment flows	€M	155	-71.6	-73.2
Net interest expense	€M	30.4	-28.5	-17.5
Dividends (parent company)	€M	-21.0	-22.3	-22.3
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M			
Total financial flows	€M	-328	-50.7	-39.7
Change in cash position	€M	-7.86	10.6	87.9
Free cash flow (pre div.)	€M	130	112	110

Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Mio	159	159	159
Number of diluted shares (average)	Mio	159	159	159
Benchmark EPS	€	0.70	0.50	0.63
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	€ 8.95	20%	● Heidelbergcement
EV/Ebitda	€ 10.1	20%	● LafargeHolcim
P/E	€ 7.30	10%	● Vicat
Dividend Yield	€ 4.70	10%	
P/Book	€ 6.84	5%	
TARGET PRICE	€ 9.22	100%	

NAV/SOTP Calculation

Balance Sheet

		12/18A	12/19E	12/20E
Goodwill	€M	354	354	354
Total intangible	€M	577	580	582
Tangible fixed assets	€M	790	797	805
Financial fixed assets	€M	93.8	94.7	95.6
WCR	€M	72.3	78.4	84.1
Other assets	€M	88.0	88.9	89.8
Total assets (net of short term liab.)	€M	1,623	1,641	1,659
Ordinary shareholders' equity	€M	997	1,031	1,133
Quasi Equity & Preferred	€M			
Minority interests	€M	131	133	134
Provisions for pensions	€M	31.8	23.2	23.3
Other provisions for risks and liabilities	€M	43.3	43.8	44.2
Total provisions for risks and liabilities	€M	75.1	67.0	67.5
Tax liabilities	€M	159	161	162
Other liabilities	€M	4.77	4.82	4.86
Net debt (cash)	€M	255	245	157
Total liab. and shareholders' equity	€M	1,623	1,641	1,659

Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	€M	1,533	1,550	1,567

Profits & Risks Ratios

		12/18A	12/19E	12/20E
ROE (after tax)	%	14.4	7.90	9.24
ROCE	%	7.21	6.89	7.54
Gearing (at book value)	%	40.0	24.3	17.7
Adj. Net debt/EBITDA(R)	x	1.07	0.95	0.57
Interest cover (x)	x	-5.19	5.33	9.61

Valuation Ratios

		12/18A	12/19E	12/20E
Reference P/E (benchmark)	x	7.79	12.2	11.0
Free cash flow yield	%	15.0	11.5	9.97
P/Book	x	0.87	0.94	0.97
Dividend yield	%	2.56	2.29	2.02

EV Calculation

		12/18A	12/19E	12/20E
Market cap	€M	869	974	1,104
+ Provisions	€M	75.1	67.0	67.5
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	255	245	157
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M	93.8	94.7	95.6
+ Minority interests (fair value)	€M	131	133	134
= EV	€M	1,237	1,324	1,367
EV/EBITDA(R)	x	5.19	5.15	4.97
EV/Sales	x	1.03	1.07	1.07

Analyst : Sejal Varshney, Changes to Forecasts : 13/01/2020.