

12th January 2016

Construction & Building Materials

## Saint Gobain

Price EUR36.15

### Steady sales growth for Sika in Q4 2015

Fair Value EUR42 (+16%)

NEUTRAL

#### ANALYSIS

- Mortar specialist Sika has published this morning steady top-line growth. In local currencies, Q4 sales increased by 8.3% and FY15 revenues increased by 6.2% at CHF5.5bn. By region, EMEA (half of sales) revenues were pretty resilient at +5.6%; LatAm impressive at +9.5% despite the macro; growth unsurprisingly good in North America (+8.4%) and Asia /Pacific more subdued of course at 2.1%, with Chinese sales declining. Sika's 2018 guidance has been raised, in particular an EBIT margin of 12-14% vs >10% previously. The 2015 EBIT margin is expected to stand close to 11.5-12.0%.
- We expect SGO 2015 consolidated sales to increase by 0.6% l-f-l and to generate a 6.5% EBIT margin. For the mortar business only, we expect a ~10% margin (our estimate as it is not reported) combined with flat sales growth. This good publication of Sika confirms the Swiss group is more dynamic and more profitable than Saint-Gobain. Hence the rationale of the deal for SGO.
- The SGO/Sika deal is still pending. As a reminder, the French group has offered EUR2.3bn to the Burkard family for the SWH holding which controls 16% of the equity and 52% of the voting rights of Sika - but the family has been prevented to fully use its voting rights so far. We expect a decision on this matter (i.e. the voting rights) from the Zug Court in the course of H1 2016. Appeals are possible and could extend legal process by up to two years. The current deal between SGO and the Burkard family is valid until June 2016 but can be extended once by the French group.

#### VALUATION

- EUR42 FV, derived from the application of historical EBIT multiples to FY17 est., discounted back.

#### NEXT CATALYSTS

- Saint-Gobain to publish FY results on 27 February 2016.

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Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 33.4
Market Cap (EURm)	20,275
Avg. 6m daily volume (000)	2,106

	1 M	3 M	6 M	31/12/14
Absolute perf.	-6.2%	-8.8%	-12.3%	2.6%
Cons & Mat	-4.1%	-2.9%	-6.9%	8.9%
DJ Stoxx 600	-4.4%	-6.2%	-12.5%	-0.7%

	2014	2015e	2016e	2017e
P/E	18.3x	16.6x	13.4x	10.8x
Div yield (%)	3.4%	3.4%	3.6%	3.9%

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## Distribution of stock ratings

BUY ratings 58.5%

NEUTRAL ratings 32.3%

SELL ratings 9.2%

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