

14th January 2016

Construction & Building Materials

Saint Gobain

Price EUR36.62

Positive read across from SIG Plc's Q4 performance in France

Fair Value EUR42 (+15%)

NEUTRAL

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 33.4
Market Cap (EURm)	20,542
Avg. 6m daily volume (000)	2,101

	1 M	3 M	6 M	31/12/14
Absolute perf.	-5.0%	-6.3%	-12.9%	3.9%
Cons & Mat	-2.7%	0.0%	-7.2%	10.5%
DJ Stoxx 600	-3.1%	-3.9%	-13.1%	0.6%

	2014	2015e	2016e	2017e
P/E	18.6x	16.8x	13.5x	10.9x
Div yield (%)	3.4%	3.4%	3.5%	3.8%

ANALYSIS

- European building products distributor SIG plc has reported its trading update for 2015. Sales increased by 0.2% I-f-I at GBP2565m, with +1.2% for UK/Ireland and -0.9% for Mainland Europe
- Q4 trends were particularly interesting, with a confirmation of a gradual fading of the UK renovation market, which remains "challenging". Hence UK/Ireland sales declined by -1% I-f-I in Q4. The good news, however, was the positive top line growth in the Mainland Europe zone, with a +1.8% increase I-f-I in Q4. In France in particular, sales increased by a healthy +2.5% I-f-I in Q4, following a very difficult -6.6% I-f-I in Q3 2015. Germany is still struggling, though, with a -3.1% decline in Q4.
- This sounds positive for Saint-Gobain, which suffered in France in Q3 from a subdued renovation market for the residential segment. This market represents ~13% of SGO sales. Western Europe renovation (residential) represents ~19% of SGO sales (e.g. Germany, the UK, and Nordics). Note that Germany reported a decent performance for Saint-Gobain in Q3.
- While Saint-Gobain will not be immune to a UK market slowdown, France remains the key market for the group (a quarter of consolidated sales 2015e), in particular for the distribution business directly comparable with SIG's business. 40% to 45% of the distribution business of SGO is generated in France.

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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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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