

15th January 2016

Construction & Building Materials

Saint Gobain

Price EUR35.92

Stabilisation expected for building in France (CAPEB) in 2016

Fair Value EUR42 (+17%)

NEUTRAL

ANALYSIS

- The CAPEB (*Confédération de l'Artisanat et des Petites Entreprises*, representing French craftsmen in construction, which account for roughly two thirds of the French building sector in residential & non-res.), estimates that 2015 construction was down 1% in Q4 and down 2% for the full year.
- New building was down 2.5% in Q4 and down 4.5% for the FY, impacted by a still difficult market, with housing starts gradually improving over the course of the year but not that strong, yet. On a 12-months basis, housing starts were flat y/y vs a double-digit decline in January 2015. Renovation was slightly better in Q4 as well (flat) and -0.5% for the full year (but +1% for energy-related works). Renovation has certainly benefited from the acceleration of existing homes sales after the summer, with 792,000 transactions (12m rolling) at end November (+12.5% y/y).
- The CAPEB did not mention any proper recovery, but expects a stabilisation in the French building sector in 2016. Overall, volumes are expected to increase between 0% and +1%. New construction might still be under pressure (-1.5% / -0.5%) but renovation might be better (+0.5%/+1.5%).
- Overall, this looks somewhat positive for Saint-Gobain (as SIG figures were yesterday) France represents 25% of 2015e SGO sales. New residential represents 6% of sales and renovation c13% (excluding infrastructures). The distribution business, for which craftsmen are the main customers, accounts for roughly 20% of Saint-Gobain consolidated sales.

VALUATION

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

NEXT CATALYSTS

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

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Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 33.4
Market Cap (EURm)	20,149
Avg. 6m daily volume (000)	2,110

	1 M	3 M	6 M	31/12/14
Absolute perf.	-5.7%	-6.9%	-14.5%	2.0%
Cons & Mat	-3.6%	-1.1%	-9.5%	8.2%
DJ Stoxx 600	-2.9%	-4.6%	-14.8%	-0.9%

	2014	2015e	2016e	2017e
P/E	18.2x	16.5x	13.3x	10.7x
Div yield (%)	3.5%	3.5%	3.6%	3.9%

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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