

29th January 2016

Construction & Building Materials

## Saint Gobain

Price EUR37.10

Healthy existing home transactions in 2015

Fair Value EUR42 (+13%)

BUY

|                            |             |
|----------------------------|-------------|
| Bloomberg                  | SGO FP      |
| Reuters                    | SGOB.PA     |
| 12-month High / Low (EUR)  | 44.5 / 35.5 |
| Market Cap (EURm)          | 20,811      |
| Avg. 6m daily volume (000) | 2,174       |

|                | 1 M   | 3 M    | 6 M    | 31/12/15 |
|----------------|-------|--------|--------|----------|
| Absolute perf. | -6.1% | -5.9%  | -11.5% | -6.9%    |
| Cons & Mat     | -4.2% | -4.2%  | -6.1%  | -5.2%    |
| DJ Stoxx 600   | -8.1% | -10.9% | -14.1% | -8.5%    |

|               | 2014  | 2015e | 2016e | 2017e |
|---------------|-------|-------|-------|-------|
| P/E           | 18.8x | 16.4x | 13.9x | 11.1x |
| Div yield (%) | 3.3%  | 3.3%  | 3.5%  | 3.8%  |

### ANALYSIS

- Existing home transactions in France were buoyant in 2015, with a 16% y/y increase.
- While early 2015 was subdued, the trend has picked up strongly since last summer, with a 0.7% increase on a 12 month basis in August, +4.1% in September, +7.1% in October and +12.5% in November.
- This is very likely to be positive for Saint-Gobain, as existing home transactions are usually linked to renovation. 13% of Saint-Gobain's consolidated sales are exposed to French residential renovation, according to our calculations.
- In addition, yesterday the French government released unsurprising figures for the new residential market at end December, with a further improvement in permits with a +1.8% y/y increase on a 12-month basis but still flattish housing starts figures at +0.3%. New residential, which represents 6% of Saint-Gobain sales, continued to improve then, even if this was very gradual.

### 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 25th February 2016.

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|         |   |
|---------|---|
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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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