

9th February 2016

Construction & Building Materials

LafargeHolcim

Price CHF35.91

Departure of Wolfgang Reitzle confirmed. New anti-trust divestment order received.

Fair Value CHF60 (+67%)

SELL

ANALYSIS

- LafargeHolcim confirmed yesterday that Mr Reitzle, currently co-Chairman of the Board, will leave the company after the AGM this year. He will become the Chairman of Linde. Wolfgang Reitzle, who joined the Holcim board in 2012, was appointed chairman in April 2014, just after the merger was announced. He replaced Rolf Soiron, who was a key player in the merger. Current Vice-Chairman Beat Hess will be proposed as new Chairman. On one hand, the departure of a Chairman in place for less than 2 years – especially in turbulent times – is certainly not positive news. On the other hand, this change will simplify the board organisation, which included two co-chairmen (the other one being ex-Lafarge CEO Bruno Lafont) and a Vice-Chairman (Mr Hess).
- Additionally, LafargeHolcim has confirmed yesterday the Indian anti-trust authority has sent a new divestment order, following the new proposal from the group to sell its shares in Lafarge India. This includes 3 cement plants with 11m tons of capacity. The initial 5.15mt was supposed to be sold to Birla for CHF750m (EV). The new disposal is part of the CHF3.5bn divestment target of LH, which will remain a strong player in India with 63mt of capacity. Of course, the question regarding the synergies (CHF1.1bn) to be allocated to India will need to be address by the management. India represents ~10% of total LH revenues and ~17% of LH Cement capacities. Lafarge India disposal process will now be launched.

VALUATION

- CHF60 derived from the application of historical EV/EBITDA multiples on our 2017 estimates.

NEXT CATALYSTS

- 2017 full year results on 17 March 2016

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Bloomberg	HOLN.VX
Reuters	HOLZn.VX
12-month High / Low (CHF)	72.9 / 35.9
Market Cap (CHF)	21,794
Avg. 6m daily volume (000)	1,932

	1 M	3 M	6 M	31/12/15
Absolute perf.	-21.9%	-37.8%	-45.1%	-28.6%
Cons & Mat	-7.5%	-15.2%	-16.6%	-13.4%
DJ Stoxx 600	-7.9%	-17.3%	-20.8%	-14.1%

	2014	2015e	2016e	2017e
P/E	17.4x	17.4x	11.0x	7.9x
Div yield (%)	3.6%	3.6%	3.6%	3.6%

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Distribution of stock ratings

BUY ratings 61.2%

NEUTRAL ratings 29.9%

SELL ratings 9%

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