

11th February 2016

Construction & Building Materials

## Saint Gobain

Price EUR33.23

Decent Q4 performance for Owens Corning Roofing and Insulation

Fair Value EUR42 (+26%)

BUY

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 32.4
Market Cap (EUR)	18,637
Avg. 6m daily volume (000)	2,200

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.0%	-15.4%	-24.8%	-16.6%
Cons & Mat	-6.1%	-12.3%	-16.4%	-12.1%
DJ Stoxx 600	-7.7%	-16.2%	-21.2%	-13.8%

  

	2014	2015e	2016e	2017e
P/E	16.8x	14.7x	12.4x	9.9x
Div yield (%)	3.7%	3.7%	3.9%	4.2%

### ANALYSIS

- Owens Corning Q4 2015 roofing performance has been strong as expected, with a 8% y/y sales growth in Q4, in line with the rebound observed since Q2. EBIT margin improvement is strong as well, with c.500bps improvement in Q4 to 14.4%. Insulation business is doing well too, with a 6% growth in Q4 and a c.400bps improvement of the EBIT margin.
- For the full year, Owens Corning has reported a 1% sales increase in roofing and a 6% in insulation. EBIT margin increase by c.180bps to 15% for roofing and by c.245bps to 8.6% for insulation.
- Outlook is all right. Regarding roofing, Owens Corning expects a modest market growth in 2016, but further asphalt cost deflation is expected due to the modest oil price. Insulation top line growth is expected to be "slightly weaker" than 2015, but it will be combined with margin expansion, although "below that experienced in 2015".
- All in all, Q4 is strong but outlook looks somewhat cautious, although margins are not at risk, thanks, in particular, to a favourable energy costs environment.
- Saint-Gobain roofing business is part of the External Solutions Division of SGO (14% of consolidated sales & 17% of EBIT). According to our calculations, roofing represents no more than approx. 4 to 5% of SGO consolidated Sales and no more than approx. 5% to 7% of EBIT.

### VALUATION

- Our EUR42 FV is derived from the application of historical EV/EBIT multiples on 2017 estimates, discounted.

### NEXT CATALYSTS

- FY 2015 results will be released on 25th of February.

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## Distribution of stock ratings

BUY ratings 61.9%

NEUTRAL ratings 29.1%

SELL ratings 9%

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