

16th February 2016

Construction & Building Materials

**Heidelbergcement**

Price EUR66.26

**Q4 2015 EBITDA 7% above consensus. Positive outlook in key zones. ITC deal on track.**

**Fair Value EUR86 (+30%)**

**BUY-Top Picks**

Bloomberg	HEI.GY
Reuters	HEIG.F
12-month High / Low (EUR)	77.0 / 60.1
Market Cap (EURm)	12,451
Ev (BG Estimates) (EURm)	19,304
Avg. 6m daily volume (000)	671.9
3y EPS CAGR	38.3%

**HeidelbergCement has published 2015 revenues at EUR13.465bn, in line with the consensus, up 6.7% (-0.2% I-f-I), with cement volumes almost flat (-0.9% o/w -0.3% in Q4). 2015 EBITDA stood at EUR2.613bn (2% above consensus but 7% above Q4 2015 estimates only), up 14.2% (8.2% I-f-I). Margin was 19.4%, up 130bp y/y. Positive outlook for key markets (US, Western Europe, Indonesia). EUR400m Italcementi deal synergies confirmed. Ongoing anti-trust discussions in the US and Europe.**

**ANALYSIS**

- Most of the geographical zones were in line with or slightly above expectations, except Asia-Pacific (27% of EBITDA), where revenues were down 5.6% I-f-I and EBITDA margin down 50bps at 25.9%.
- North America (31% of EBITDA) remained very strong, with good momentum in Q4. Revenues increased by 6.7% for the FY and by 9.6% in Q4, with ongoing EBITDA margin improvement (+210bps for the FY). Cement volumes were healthy with a 4.6% increase in Q4 and 1.9% for the FY).
- Europe was resilient, both in western Europe (thanks positive trends in the UK) and in eastern Europe thanks to Poland, Czech Republic and Romania, whereas Russia and Ukraine were difficult. EBITDA margin improved by 200bps to 16% in western Europe whereas it fell by 60bp to 18.9% in eastern Europe. However, eastern European EBITDA only accounts for 8% of consolidated EBITDA, vs 25% for western Europe.
- Outlook: North America is expected to perform well in 2016, thanks to dynamism in the construction sector. Positive comments concerned western Europe as well, thanks to a solid UK sector in particular. Eastern Europe countries are set to benefit from the EU infra programme. Heidelberg expects good trends in Indonesia thanks to higher infrastructure investments.

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.2%	-6.5%	-5.6%	-12.4%
Cons & Mat	-0.6%	-8.9%	-11.9%	-10.1%
DJ Stoxx 600	-2.4%	-12.9%	-16.7%	-12.0%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	12,614	13,373	17,703	19,110
% change		6.0%	32.4%	8.0%
EBITDA	2,117	2,371	3,356	3,884
EBIT	1,424	1,621	2,206	2,734
% change		13.9%	36.1%	23.9%
Net income	498.4	689.8	960.2	1,392
% change		38.4%	39.2%	45.0%

	2014	2015e	2016e	2017e
Operating margin	11.3	12.1	12.5	14.3
Net margin	5.5	6.9	6.5	8.6
ROE	3.8	5.1	6.5	8.9
ROCE	6.4	5.3	5.9	7.4
Gearing	48.6	35.2	51.9	43.7

(EUR)	2014	2015e	2016e	2017e
EPS	2.66	3.68	4.85	7.03
% change	-	38.4%	31.8%	45.0%
P/E	24.9x	18.0x	13.7x	9.4x
FCF yield (%)	5.3%	5.8%	9.4%	10.2%
Dividends (EUR)	0.75	1.10	1.50	2.80
Div yield (%)	1.1%	1.7%	2.3%	4.2%
EV/Sales	1.7x	1.4x	1.3x	1.2x
EV/EBITDA	10.1x	8.1x	6.9x	5.7x
EV/EBIT	15.0x	11.9x	10.5x	8.1x

**Preliminary figures**

EURm	Q4 15	FY 15	I-f-I % Q4 15	I-f-I % FY 15
<b>Revenues</b>				
Western & Northern Europe	1074	4196	-0.6	0.1
Eastern Europe-Central Asia	248	1097	1.8	1.1
North America	943	3746	9.6	6.7
Asia-Pacific	716	2775	-8.9	-5.6
Africa-Mediterranean Basin	244	1008	5.6	11.4
Group Services	270	1060	-	-
Reconciliation	-106	-417	-	-
<b>Total</b>	<b>3389</b>	<b>13465</b>	<b>-2.0</b>	<b>-0.2</b>
<b>EBITDA</b>				
Western & Northern Europe	192	672	25.8	17.3
Eastern Europe-Central Asia	49	207	25.9	-4.4
North America	214	829	25.0	19.5
Asia-Pacific	188	719	-16.1	-8.1
Africa-Mediterranean Basin	68	260	29.9	23.9
Group Services	7	25	-	-
Eliminations	-22	-99	-	-
<b>Total</b>	<b>696</b>	<b>2613</b>	<b>10.5</b>	<b>8.2</b>

Source : Company Data; Bryan Garnier & Co. ests.

**VALUATION**

- EUR86 FV derived from the application of historical multiples to our 2017 figures.

**NEXT CATALYSTS**

- Conference call at 1.30pm today
- Complete consolidated results to be published on 17th March 2016.

[Click here to download document](#)

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BUY ratings 62.7%

NEUTRAL ratings 28.4%

SELL ratings 9%

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