

Sector View

Materials

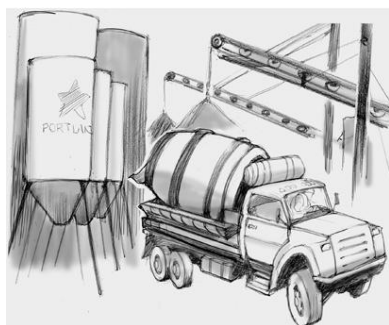
Imerys 2015 operating results in line with consensus; margin resilience, but modest visibility

	1 M	3 M	6 M	31/12/15
Cons & Mat	-9.4%	-16.1%	-18.7%	-15.2%
DJ Stoxx 600	-10.8%	-19.8%	-22.9%	-17.0%

*Stoxx Sector Indices

Companies covered

Company	Recommendation	Target Price
CRH	BUY	EUR30
Last Price	EUR21.15	Market
HEIDELBERGCEMENT	BUY	EUR86
Last Price	EUR60.62	Market
LAFARGEHOLCIM	SELL	CHF60
Last Price	CHF34.06	Market
SAINT GOBAIN	BUY	EUR42
Last Price	EUR32.07	Market
VICAT	NEUTRAL	EUR56
Last Price	EUR48.045	Market



Imerys reported unsurprising figures last night. Sales are up 10.8% at EUR4087m, in line with consensus (IBES). Like-for-like growth continue to be modest at -4.6%, mostly penalized by a -5.9% volumes decline, with no recovery in Q4 (-5.1%) despite reasonable comp base. Current EBIT increase by 8.8% at EUR538m, and margin is rather resilient at 13.2%, down 20bps only. Visibility remains modest for 2016, however. EUR1.75 dividend proposed. Analyst meeting at 11.00 today.

Revenues increased by +10.8% (-4.6% like-for-like) at EUR4087m. Q4 revenues are down -5.1%, despite relatively easy comparison basis (0.1% organic growth in Q4 2014). Current operating margin remains under some pressure, at 13.2% for the FY (-20bps), with Q4 profitability at 12.9% (-30bps). Current net profit increased by 8% at EUR342m, 3% above IBES consensus.

Imerys has been penalized by a very difficult environment in 2015. Oil&Gas, steel, construction (in France) or paper markets have been difficult, but automotive or consumer goods have been well oriented or resilient, for instance. These two market segments explain the good performance of the Performance Additives and Filtration division, which is the only division with positive organic growth in Q4 (+2.7%).

A EUR209m impairment charge has been recorded on Oilsfield Solution division (part of Energy Solutions & Specialties) due to the difficulties related to the ceramic proppants. This amount can be compared with the approx. USD500m (~EUR450m) assets in the balance sheet related to proppants at end September.

Key figures in 2015 by division

EURm	Revenues	organic growth	Current EBIT	Margin %	Change bps
Energy Solutions & Specialties	1253	-6.6	120	9.6	-210
Filtrations & Performance	1082	2.2	178	16.5	-70
Ceramic Materials	1172	-4.2	210	17.9	-30
High Resistance Minerals	629	-8.0	82	13.0	170
Total	4087	-4.6	538	13.2	-20

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

ANALYSIS

- Decent performance for Imerys in 2015, despite numerous headwinds. In particular, the group current operating margin decline is limited, despite significant volumes decline.
- 2016 will benefit from easy comparison basis (proppants business in particular), the ramp-up of S&B, acquired end February 2015 (as well as other acquisitions concluded in Q4 last year for approx. EUR140m of additional sales impact) and presumably better construction trends in France. Unfortunately, global macro environment is likely to remain difficult, in particular in Emerging markets (27% of revenues in 2015).

Performance in 2015 by quarter

%	Q115	Q215	Q315	Q415	FY15
I-f-I sales growth	-4.5	-3.3	-5.6	-5.1	-4.6
o/w volumes	-5.9	-4.8	-6.5	-6.2	-5.9
o/w prices	1.3	1.5	0.9	1.1	1.3
EBIT margin	12.7	13.9	13.1	12.9	13.2
change in bps	-30	-10	-40	-30	-20

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

VALUATION

- Current traded at 7.2x EV/EBITDA 2016e and 6.5x 2017e, according to IBES.

NEXT CATALYSTS

- Q1 2015 results on 29th April

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SELL ratings 9.7%

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