

Saint Gobain

Price EUR35.54

FY 2015 in line for sales and operating income. Contrasting trends.

Fair Value EUR42 (+18%)

BUY

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 32.1
Market Cap (EURm)	19,933
Ev (BG Estimates) (EURm)	26,624
Avg. 6m daily volume (000)	2,191
3y EPS CAGR	19.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.9%	-12.6%	-9.8%	-10.8%
Cons & Mat	-0.9%	-9.1%	-1.4%	-6.7%
DJ Stoxx 600	-2.9%	-14.3%	-8.4%	-10.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	41,054	39,429	39,575	40,996
% change		-4.0%	0.4%	3.6%
EBITDA	4,151	3,987	4,104	4,628
EBIT	2,797	2,648	2,904	3,378
% change		-5.3%	9.7%	16.3%
Net income	1,103	1,282	1,502	1,875
% change		16.2%	17.2%	24.8%

	2014	2015e	2016e	2017e
Operating margin	6.8	6.7	7.3	8.2
Net margin	2.4	2.6	3.2	4.0
ROE	6.1	7.2	8.2	9.8
ROCE	6.3	6.5	7.0	8.0
Gearing	39.2	27.5	24.7	19.6

(EUR)	2014	2015e	2016e	2017e
EPS	1.97	2.27	2.68	3.34
% change	-	14.9%	18.2%	24.8%
P/E	18.0x	15.7x	13.3x	10.6x
FCF yield (%)	NM	4.3%	5.6%	7.7%
Dividends (EUR)	1.24	1.24	1.30	1.40
Div yield (%)	3.5%	3.5%	3.7%	3.9%
EV/Sales	0.7x	0.7x	0.7x	0.6x
EV/EBITDA	6.9x	6.7x	6.4x	5.5x
EV/EBIT	10.3x	10.1x	9.1x	7.6x

2015 figures were in line with our expectations. Sales were roughly flat (0.4% l-f-l) at EUR39,623m while operating income rose 2.2% l-f-l to EUR2,636m, thanks notably to good weather conditions at the end of 2015. Flat glass was strong but pipes were under pressure. France looked better at the end of 2015, which is promising. Unsurprising outlook for a "like-for-like improvement in operating income". More colour should be provided at the 8.30am analyst meeting today.

Saint-Gobain has reported unsurprising figures for 2015. Revenues increased by 3.3% to EUR39,623m thanks to a positive FX impact (3% for the FY, 1.4% in H2), while EBIT rose 4.5% to EUR2,636m. Attributable net profit increased by 36% to EUR1,295m, thanks in particular to much lower income tax (-38%) and lower financial expenses (-5%), despite further significant asset write-downs (-EUR933m following -EUR802m in 2014) impacting the Lapeyre, flat glass, pipes and proppants divisions. By business, Flat Glass continue to perform very strongly, with a 215bps operating margin improvement to 8.1%, thanks to better volumes, underpinned by decent automotive figures in Europe and good trends in EM and Asia, except Brazil. Note the poor performance from the Exterior solutions divisions, penalised by the pipe business which has negatively impacted by the macro environment in Brazil, the subdued infrastructures market in Europe and fewer contracts from Middle-Eastern countries (oil). HPM was resilient despite the proppant business. By region, operating margin in France fell 145bps to just 2.9%. North America was affected by the difficult situation in proppants, "sluggish" US industrial markets, the Canadian market decline and, surprisingly in our view, unfavourable roofing prices. In contrast, Europe was well-oriented, with improving trends in Germany, Spain and Netherland especially. Emerging & Asian sales growth remained positive, despite the slowdown in Brazil and China, although growth was admittedly lower in Q4 at 1.3% lfl.

Key figures

2015 - EURm	Revenues	FY l-f-l %	Q4 l-f-l %	EBIT	Split%	Margin %	y/y bps FY	y/y bps H2
Flat glass	5127	5.1	3.3	413	16	8.1	215	220
HPM	4502	-1.0	-1.0	602	23	13.4	2	-20
Interior	6485	1.9	2.3	576	22	8.9	8	-30
Exterior	5599	-1.0	-3.5	446	17	8.0	-110	-110
B. distribution	18849	-0.6	0.7	603	23	3.2	-32	-40
Total	39623	0.4	0.4	2636	100	6.7	-16	0
France	10326	-4.1	-3.1	297	11	2.9	-145	-172
Other Europe	17414	2.1	3.5	984	37	5.7	75	79
NAM	5366	-2.0	-2.4	490	19	9.1	-101	-64
EM&Asia	8375	4.1	1.3	865	33	10.3	90	71

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

ANALYSIS

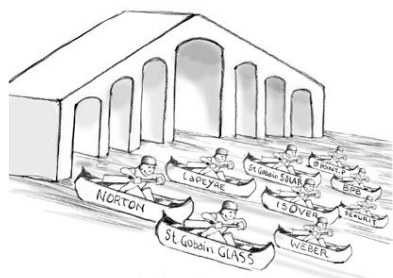
- Despite contrasting trends, overall figures were bang in line with our estimates. The Brazilian slowdown is not a surprise and even combined with the decline in China, the Emerging Markets contribution was still positive, both in terms of top line organic growth or operating margin improvement. Asset write-downs remained significant, as in 2014, although it was lower than the EUR500m seen in 2013.
- Guidance is not very precise, but Saint-Gobain has released a new cost cutting target (EUR800m cumulated for the 2016-18 period, of which EUR250m for 2016 and vs. EUR360m in 2015). Flat dividend at EUR1.24 (as expected by the consensus) but to be 100% paid in cash.
- Overall an unsurprising publication combined with a cautious outlook, although France's outlook is admittedly improving. Hopefully the 8.30am analyst meeting today will provide more information.

VALUATION

- Our EUR42 FV is based on historical EV/EBIT applied to our 2017 estimates, discounted back.

NEXT CATALYSTS

- Q1 sales on 27th of April



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