

Vicat

Price EUR48.10

Sales close to our estimates. 2015 EBITDA guidance 3% lower than our estimates.

Fair Value Under Review

NEUTRAL

Bloomberg	VCT.FP
Reuters	VCT.PA
12-month High / Low (EUR)	68.4 / 46.6
Market Cap (EURm)	2,159
Ev (BG Estimates) (EURm)	3,333
Avg. 6m daily volume (000)	20.70
3y EPS CAGR	19.0%

2015 revenues were in line with our expectations, showing a 4.4% I-f-I decline to EUR2458m, with performances slightly better-than-expected in France, worse in Switzerland, steady in the US and mixed in emerging markets. Cement volumes fell 3.6%. Guidance for flat EBITDA in 2015 and no further guidance regarding 2016. We would remain cautious on a cement company with 70% of capacity exposed to EM, although performances in some countries like Turkey or India were satisfying. Fair Value under review, as a conference call is scheduled for 3.00pm today. Neutral reiterated.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-11.8%	-16.4%	-29.7%	-13.1%
Cons & Mat	-5.7%	-8.0%	-11.4%	-7.9%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	2,423	2,475	2,527	2,694
% change		2.1%	2.1%	6.6%
EBITDA	442	454	489	570
EBIT	263.1	267.1	306.5	387.4
% change		1.5%	14.8%	26.4%
Net income	133.2	139.9	170.7	224.6
% change		5.0%	22.0%	31.5%

	2014	2015e	2016e	2017e
Operating margin	10.9	10.8	12.1	14.4
Net margin	5.9	6.3	7.5	9.3
ROE	6.1	6.3	7.3	9.1
ROCE	5.6	5.7	6.5	8.3
Gearing	41.6	37.9	32.4	24.9

(EUR)	2014	2015e	2016e	2017e
EPS	3.03	3.18	3.88	5.11
% change	-	5.0%	22.0%	31.5%
P/E	15.9x	15.1x	12.4x	9.4x
FCF yield (%)	7.0%	6.7%	8.8%	11.3%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	3.1%	3.1%	3.1%	3.1%
EV/Sales	1.4x	1.3x	1.3x	1.1x
EV/EBITDA	7.6x	7.3x	6.6x	5.4x
EV/EBIT	12.8x	12.5x	10.6x	7.9x

Q4 trends in France were promising, with a 13% increase in cement volumes for Vicat suggesting that the French market trough might be behind us. Overall in 2015, France revenues fell 6.5% I-f-I however, to EUR777m. US sales were strong, as expected (+15.9% I-f-I at EUR342n), as were those in Turkey (+6.4% I-f-I at EUR234m). Switzerland's top line was down 9.4% I-f-I, while volumes suffered from the end to certain large projects, combined with competitive pressure. India was resilient (+2.3%), thanks notably to good pricing trends for Vicat following an efficient selective policy for prices. Sales in Egypt fell 18.5% I-f-I, penalised by a combination of lower volumes and lower prices (Q4 suffered from some negative one-off effects). Finally, West Africa (-15.6% I-f-I) was penalised by fiercer competition, which put pressure on volumes (-12% for Vicat) and prices.

In this very mixed environment, 2015 EBITDA should be flat, according to Vicat's guidance, vs a 3% increase on our estimates.

ANALYSIS

- Very mixed trends by country for Vicat in 2015. Performances were definitely good in the US and Turkey, and were promising in France. The Indian performance was surprisingly strong, despite 11% lower volumes, thanks to a successful pricing policy. However, uncertainties remain in Egypt (although the group will benefit in 2016 from the set up of two coal grinders, which should lower the production cost) and West Africa (we suspect competition versus Dangote can last in 2016).
- In addition, since 70% of cement capacities are located in EM, we suspect investors will be unlikely to buy the stock in the short term, but will wait to obtain better visibility on the rest of the year.
- On the contrary, with more than 45% of revenues exposed to France and the US, we do not consider downside risk as significant, especially as the outlook look fine. Hence our Neutral rating on the stock today.
- However, visibility on some geographical zones (i.e. Middle-East-Africa) remains low and we might get a better picture at the 3.00pm conference call today. Fair Value under review.

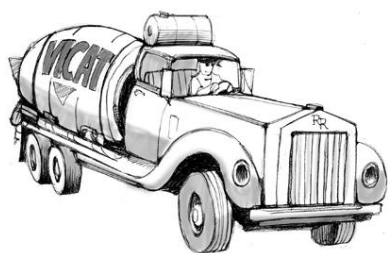
VALUATION

- FV under review. Previous FV of EUR64 derived from the application of historical multiples (7.5x EV/EBITDA) on our 2017 estimates, then discounted back.

NEXT CATALYSTS

- Conference call at 3.00pm today (+ 33 1 76 77 22 20).

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