

8th February 2016

Construction & Building Materials

**Vicat**

Price EUR49.61

**New forecasts. Stay Neutral for now.**

**Fair Value EUR56 vs. EUR64 (+13%)**

**NEUTRAL**

Bloomberg	VCT FP
Reuters	VCT.PA
12-month High / Low (EUR)	68.4 / 46.6
Market Cap (EUR)	2,227
Ev (BG Estimates) (EUR)	3,406
Avg. 6m daily volume (000)	20.80
3y EPS CAGR	13.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.8%	-13.3%	-26.1%	-10.4%
Cons & Mat	-6.3%	-8.6%	-12.7%	-8.3%
DJ Stoxx 600	-9.2%	-14.0%	-19.3%	-10.9%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	2,423	2,458	2,457	2,595
% change		1.4%	0.0%	5.6%
EBITDA	442	442	456	519
EBIT	263.1	255.3	275.3	338.2
% change		-3.0%	7.8%	22.9%
Net income	133.2	132.5	151.1	193.6
% change		-0.5%	14.0%	28.1%

	2014	2015e	2016e	2017e
Operating margin	10.9	10.4	11.2	13.0
Net margin	5.9	6.0	6.9	8.3
ROE	6.1	5.9	6.6	8.0
ROCE	5.6	5.4	5.9	7.2
Gearing	41.6	38.2	33.4	27.0

(EUR)	2014	2015e	2016e	2017e
EPS	3.03	3.01	3.44	4.40
% change	-	-0.5%	14.0%	28.1%
P/E	16.4x	16.5x	14.4x	11.3x
FCF yield (%)	6.8%	6.3%	8.0%	9.7%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	3.0%	3.0%	3.0%	3.0%
EV/Sales	1.4x	1.4x	1.4x	1.2x
EV/EBITDA	7.8x	7.7x	7.3x	6.2x
EV/EBIT	13.1x	13.3x	12.1x	9.4x

We see some positive trends in Vicat's 2015 sales publication: France is likely to recover gradually, the US is still strong as is Turkey. But competition looks dense in West Africa, we are not that comfortable with visibility in India so far, while Kazakhstan's currency devaluation will take a toll in 2016. In addition, we struggle to estimate Egypt margin rebound trends. Finally, Switzerland currently looks subdued. For the 2015-2017 period, we have downgraded our estimates by 3% on average for revenues and by 7% for EBITDA. New FV at EUR56 vs EUR64. The FY results release on 14th March might provide a better view on the 2016 outlook. In the meantime, we remain at Neutral.

Admittedly, we see some promising trends in some countries for Vicat in 2016. French cement volumes are likely to be flat or up and prices stables, as volumes and prices should be positive in the US and strong in Turkey. But visibility looks pretty low in some other markets, in particular EM. Pressure from Dangote in Senegal will not disappear in 2016, the Egypt margin recovery is likely but the extent of it is very difficult to predict, in our view. Finally, visibility is not strong in India, although we believe it is a promising mid-and-long term country for cement consumption.

We have mostly adjusted revenue figures for Egypt, which was below our expectations in 2015 and Kazakhstan, due to a negative currency effect (a negative CHF effect is also on the cards for 2016). We have lowered our EBITDA estimates for West Africa, due to lower price increase assumptions.

We estimate flat revenues for 2016 but a 5.6% increase in 2017 while our EBITDA margin improvement remains steady. In particularly, in Egypt, the two colas grinders will be fully operational in 2016 and should underpin the profitability.

**New forecasts vs previous**

EURm	New		vs previous %			
REVENUES	2015	2016	2017	2015	2016	2017
France	777	785	817	2	3	3
Europe (Italy, Swiss)	425	409	411	-2	-5	-7
US	342	371	398	0	0	0
Turkey, India & Kazakhstan	568	543	590	-1	-5	-7
Africa & Middle-East	346	350	379	-5	-10	-11
Total	2458	2457	2595	-1	-3	-4

EURm	New		vs previous (%)			
EBITDA	2015	2016	2017	2015	2016	2017
France	109	110	126	2	5	4
Europe (Italy, Swiss)	105	101	102	-6	-10	-14
US	46	63	77	0	0	0
Turkey, India & Kazakhstan	135	130	146	-1	-6	-9
Africa & Middle-East	48	53	69	-11	-26	-27
Total	442	456	519	-3	-7	-9

Source : Vicat, Bryan, Garnier & co

**ANALYSIS**

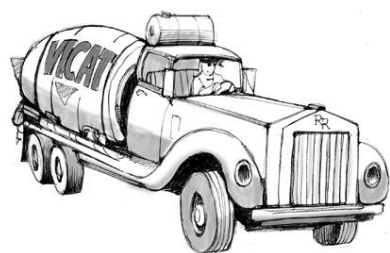
- Vicat is due to publish FY 2015 results on 14th March and we have decided to remain cautious in the meantime. Our new forecasts reflect our cautious view, especially as we think investors might be reluctant to invest in a cyclical exposed to EM today.
- Note that while more than 60% of revenues stem from mature countries, 70% of cement capacities are located in EM, the first one being India, which houses a quarter of them.

**VALUATION**

- Our new FV stands at EUR55. 7.5x historical EV/EBITDA applied to our 2017 estimates, disc. back.

**NEXT CATALYSTS**

- 2015 FY results on 14th March, post market. [Click here to download](#)



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