

18th March 2016

Construction & Building Materials

LafargeHolcim

Price CHF42.00

FY 2015 Analyst meeting feedback

Fair Value CHF50 (+19%)

BUY

ANALYSIS

- LH has reported flat 2015 sales at CH29.5bn and EBITDA at CHF5.75bn, down 4.6% lfl. Q4 cement volumes improved (+4.8% vs -1.3% over 9M). Outlook is fine with 2-4% volume growth expected in the markets where LH is exposed vs initial (implicit) guidance of 2%. Additionally, 2016 should benefit from a decent cost environment. We are not in a global recession scenario. Problems exist but are specific to a limited number of countries like Brazil, China or Russia and are actually addressed: restructuring is ongoing (plants closed or mothballed) – while a large number of EMs are actually well oriented, such as Colombia, the Philippines and Algeria. The CHF3.5bn divestment programme is well on track: LH has received interests for its Indian assets (announcement likely mid-year) and otherwise three deals have been announced (S. Korea, Saudi Arabia and Morocco) for an equivalent of CHF140m of EBITDA to be deconsolidated. The CHF3bn in impairment charges and other charges regards goodwill (CHF1.0bn) and PP&E (CHF1.6bn). This corresponds to CHF5 per share. The LH share price has lost CHF27 since early July and we tend to believe this has already been priced in. In all a reassuring meeting with a decent outlook for 2016.
- Otherwise, today, French financial daily, Les Echos, mentions a dispute with CRH, which may be requesting a price reduction (CRH paid EUR6.5bn for some LH assets generating cEUR850m of EBITDA). This has never been mentioned either by LH or by CRH in the past but we did notice that CRH had said 2015 sales and EBITDA from the LH assets were ahead of expectations.

VALUATION

- CHF50 FV derived from the application of historical multiples to our 2017 est., discounted back.

NEXT CATALYSTS

- Q1 results will be released in May

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Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	72.9 / 34.1
Market Cap (CHF)	25,490
Avg. 6m daily volume (000)	2,151

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.0%	-15.3%	-28.0%	-16.5%
Cons & Mat	4.6%	-2.2%	-1.7%	-2.9%
DJ Stoxx 600	3.6%	-6.6%	-5.7%	-6.9%

	2014	2015e	2016e	2017e
P/E	20.4x	25.3x	17.6x	12.0x
Div yield (%)	3.1%	3.6%	4.2%	4.8%

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