

29th March 2016

Construction & Building Materials

LafargeHolcim

Price CHF42.73

Interview with Eric Olsen on Bloomberg

Fair Value CHF50 (+17%)

BUY

ANALYSIS

- In an interview on Bloomberg LH CEO Eric Olsen recalls the three aspects of the investment case.
- Firstly, the slowdown in certain emerging markets like China has been offset by robust growth in other emerging countries such as India, Indonesia, the Philippines and Vietnam and actually Eric Olsen stated "Our volumes in emerging markets are fantastic". The unique geographical diversification through 90 countries is of course a key strength in an uncertain environment.
- Eric Olsen also confirmed that the Chinese slowdown has not affected LH business in Africa/Middle East, LatAm or North America, although this was certainly a concern for investors.
- Finally, Mr Olsen stated that the pending disposal of certain Indian Assets (c11mt of capacity), mandatory in order to comply with anti-trust demand, "will be sealed in three to four months", i.e. in mid-2016, similar to what was communicated at the 2015 results presentation. An attractive price would reinforce the Indian cement market outlook.
- In all nothing new but this confirms **1)** LH business is headed in the right direction; **2)** Chinese global risk has apparently been overplayed by the market; **3)** The Indian disposal could turn out to be a positive catalyst after all (according to the local website Business Standard on 22nd March 2016, the assets are valued at USD1.647bn, i.e. USD153 per ton but no official valuation has been released).

VALUATION

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

NEXT CATALYSTS

- Q1 2016 results on 12th May 2016

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Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	72.9 / 34.1
Market Cap (CHFm)	25,933
Avg. 6m daily volume (000)	2,171

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.6%	-14.2%	-13.5%	-15.0%
Cons & Mat	3.5%	-1.9%	6.0%	-2.9%
DJ Stoxx 600	1.1%	-8.1%	-1.9%	-8.4%

	2014	2015e	2016e	2017e
P/E	20.7x	25.7x	17.9x	12.2x
Div yield (%)	3.0%	3.5%	4.1%	4.7%

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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