

17th March 2016

Construction & Building Materials

# Heidelbergcement

Price EUR71.91

Strong dividend per share increase: +73% at EUR1.30

Fair Value EUR86 (+20%)

BUY-Top Picks

Bloomberg	HEI GY
Reuters	HEIG.F
12-month High / Low (EUR)	77.0 / 60.1
Market Cap (EUR)	13,513
Ev (BG Estimates) (EUR)	20,366
Avg. 6m daily volume (000)	651.8
3y EPS CAGR	38.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.3%	0.4%	7.2%	-4.9%
Cons & Mat	7.9%	-1.3%	-2.0%	-3.2%
DJ Stoxx 600	6.4%	-5.4%	-5.8%	-6.8%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	12,614	13,373	17,703	19,110
% change		6.0%	32.4%	8.0%
EBITDA	2,117	2,371	3,356	3,884
EBIT	1,424	1,621	2,206	2,734
% change		13.9%	36.1%	23.9%
Net income	498.4	689.8	960.2	1,392
% change		38.4%	39.2%	45.0%

	2014	2015e	2016e	2017e
Operating margin	11.3	12.1	12.5	14.3
Net margin	5.5	6.9	6.5	8.6
ROE	3.8	5.1	6.5	8.9
ROCE	6.4	5.3	5.9	7.4
Gearing	48.6	35.2	51.9	43.7

(EUR)	2014	2015e	2016e	2017e
EPS	2.66	3.68	4.85	7.03
% change	-	38.4%	31.8%	45.0%
P/E	27.1x	19.5x	14.8x	10.2x
FCF yield (%)	4.9%	5.3%	8.6%	9.4%
Dividends (EUR)	0.75	1.10	1.50	2.80
Div yield (%)	1.0%	1.5%	2.1%	3.9%
EV/Sales	1.8x	1.5x	1.4x	1.2x
EV/EBITDA	10.6x	8.6x	7.2x	6.0x
EV/EBIT	15.7x	12.6x	11.0x	8.5x

The German cement company already reported preliminary figures on 16th of February. 2015 revenues rose 6.7% y/y (flat like-for-like) to EUR13,465m and EBITDA 14.2% (8.2% like-for-like) to EUR2,613m, equivalent to a 19.4% margin (up 151 bps). Net profit group share was in line at EUR800m vs EUR809m for the consensus. Dividend at EUR1.30 (vs EUR0.75 last year and vs EUR1.18 for the consensus). Conference call at 3.00pm.

A trading statement was published mid-February, with most of the operational figures reported. The rest of the figures were reported this morning. In particular group share net income stood at EUR800m, up 65% y/y in line with the consensus (and significantly above our own but conservative estimates). As previously announced, net debt was EUR5.3bn, equivalent to 2.0x leverage.

The Italcementi transaction is expected to be finalised in H2 2016.

Guidance for 2016 was provided: HEI anticipates an increase in sales volumes, combined with slight to moderate growth in energy costs, a moderate rise in raw materials and staff costs and a significant decrease in financing costs (excluding Italcementi deal). All in all, HEI expects a moderate increase in revenues and operating income before forex and scope.

### Key figures

EURm	Reported	Consensus (corporate)	% vs Cons.
Operating income (already reported)	1846	1807	2%
Net income group share	800	809	-100%

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

### ANALYSIS

- Confirmation of healthy 2015 figures
- Positive outlook with the combination of positive sales volumes and moderate cost inflation.
- Very strong (+73%) dividend increase reflects management's confidence.

### 2015 Revenues and EBITDA by zone

EURm	Revenues	y/y% I-f-I	Split%	EBITDA*	Split%	Mrgn %	Delta bps
Western & Northern Europe	4196	0.1	30	672	25	16.0	201
Eastern Europe-Central Asia	1097	1.1	8	207	8	18.9	-59
North America	3746	6.7	27	829	31	22.1	213
Asia-Pacific	2775	-5.6	20	719	27	25.9	-45
Africa-Mediterranean Basin	1008	11.4	7	260	10	25.8	244
Group Services	1060	-17.8	8	25	1	2.4	-16
Reconciliation	-417	0.2	-	-99	-	23.7	155
<b>Total</b>	<b>13465</b>	<b>-0.2</b>	<b>100</b>	<b>2613</b>	<b>100</b>	<b>19.4</b>	<b>127</b>

\* included JVs

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

### VALUATION

- EUR86 FV derived from the application of historical multiples to our 2017 figures. Current EV/EBITDA at 7.2x 2016s vs 7.9x for the sector (under coverage).

### NEXT CATALYSTS

- AGM and Q1 2016 results on 4th May 2015

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