

14th March 2016

Construction & Building Materials

**Saint Gobain**

Price EUR37.90

**Deal with the Burkard family extended**

Fair Value EUR42 (+11%)

**BUY**

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 32.1
Market Cap (EURm)	21,257
Ev (BG Estimates) (EURm)	27,818
Avg. 6m daily volume (000)	2,168
3y EPS CAGR	19.4%

Over the week-end, Saint-Gobain announced the extension of its deal with the Burkard family. The validity date of the agreement is now the 30th of June 2017. Furthermore, Saint-Gobain has an option for another extension until the 31th of December 2018. According to Saint-Gobain, "the amendment to the agreement covers the longest of timelines to resolve related disputes, allowing SWH to regain its property rights". We continue to be buyers of the stock, but the ongoing Sika uncertainties might dampen the share price, until resolved.

	1 M	3 M	6 M	31/12/15
Absolute perf.	18.2%	-1.7%	-7.2%	-4.9%
Cons & Mat	15.1%	0.0%	-0.3%	-2.4%
DJ Stoxx 600	12.7%	-3.8%	-3.8%	-6.4%

**ANALYSIS**

- A decision regarding the extension was necessary. The Court of Zug decision (first instance) regarding the voting rights of SWH (the family holding of the Burkards) is expected this summer and the deal with the family was initially not valid beyond end of June 2016. In that sense, the decision to extend the deal is not a surprise.
- We can add that any alternative scenario for the family, like a sale to another buyer for instance, has been clearly dismissed with this extension. Moreover, it confirms Saint-Gobain has no plan B other than to take the control of Sika, eventually.
- We suppose the deal price remains unchanged (approx. EUR2.3bn), but it is worth stressing that no price has been mentioned in the press release last Saturday.
- We are buyers of Saint-Gobain at the current share price (France new residential to recover, much better existing-home transactions, well spread EM exposure) and worse-case scenarios regarding the Sika deal have clearly disappeared (no risk to make another offer to the Sika minorities representing 84% of the capital, no risk to acquired the Swiss group without the 52% voting rights). However, it is legitimate to assume the Sika uncertainties, which could last until end 2018 apparently, is likely to handicap the share price, until fully resolved.

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	41,054	39,623	39,785	41,213
% change		-3.5%	0.4%	3.6%
EBITDA	4,151	3,844	4,110	4,650
EBIT	2,797	2,636	2,910	3,400
% change		-5.8%	10.4%	16.9%
Net income	1,103	1,165	1,503	1,885
% change		5.6%	29.0%	25.4%

	2014	2015e	2016e	2017e
Operating margin	6.8	6.7	7.3	8.3
Net margin	2.4	1.1	3.2	4.1
ROE	6.1	6.1	7.7	9.3
ROCE	6.3	6.2	7.1	8.2
Gearing	39.2	24.8	22.3	17.7

(EUR)	2014	2015e	2016e	2017e
EPS	1.97	2.06	2.68	3.36
% change	-	4.4%	30.1%	25.4%
P/E	19.2x	18.4x	14.1x	11.3x
FCF yield (%)	NM	5.8%	5.1%	7.2%
Dividends (EUR)	1.24	1.24	1.30	1.40
Div yield (%)	3.3%	3.3%	3.4%	3.7%
EV/Sales	0.7x	0.7x	0.7x	0.7x
EV/EBITDA	7.3x	7.2x	6.7x	5.8x
EV/EBIT	10.8x	10.6x	9.5x	7.9x

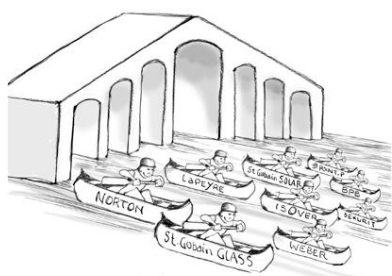
**VALUATION**

- EUR42 FV from the application of historical EV/EBIT to our 2017 estimates, discounted back

**NEXT CATALYSTS**

- SIKA AGM on 12<sup>th</sup> April 2016
- Q1 revenues on 27<sup>th</sup> April 2016, after trading

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