

Sector View

Construction & Materials

Healthy growth in Nexity sales in Q1 2016

| | 1 M | 3 M | 6 M | 31/12/15 |
|--------------|------|------|-------|----------|
| Cons & Mat | 3.2% | 6.0% | 1.3% | 0.3% |
| DJ Stoxx 600 | 3.6% | 2.4% | -7.6% | -5.1% |

*Stoxx Sector Indices

Companies covered

| | | |
|------------------|---------|-------|
| CRH | BUY | EUR30 |
| EIFFAGE | BUY | EUR73 |
| HEIDELBERGCEMENT | BUY | EUR86 |
| LAFARGEHOLCIM | BUY | CHF50 |
| SAINT GOBAIN | BUY | EUR46 |
| VICAT | NEUTRAL | EUR56 |
| VINCI | BUY | EUR72 |

Nexity has reported very strong sales (reservations) in Q1, with a 35% y/y increase in volumes, an acceleration compared with the 13% growth reported for FY 2015. All market segments were robust, whether home buyers (+50%) or individual investors (+28%). Nexity expects the French market to increase by more than 7% in 2016 vs its previous guidance for 5-10%. Positive read-across for SGO (6% of sales exposed to new residential), FGR (c10%) and DG (c4%).

The key reasons for this very good start were the combination of low interest rates, the Buy-to-let Pinel scheme and the success of the new zero-interest loan. The 0%-interest loan, which has been recently improved, explains the very good trends for sales to home-buyers, in particular first-time home buyers (+39% in Q1 vs a 11% decline in 2015).

Besides, Nexity has slightly updated its guidance for French residential sales in 2016, and now expects growth closer to the upper end of the 5-10% range, with 110,000 in sales expected (+7.3% y/y).

ANALYSIS

- This is obviously a very good start for Nexity and a promising one for the sector as a whole. However, the French property developer group underlined that Q1 cannot be extrapolated to the full year and that Q1 growth reflects a catch-up from the end of 2015.
- While 2015 was clearly underpinned by the Pinel law with strong sales from individual investors, home buyers are back apparently in 2016, thanks to the success of the “new” zero-interest loan.
- The recent extension of the Buy-to-Let Pinel scheme until the end of 2017 (vs end 2016), recently announced by the French President, is also positive news and should further support individual investor sales.

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| | |
|---------|---|
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SELL ratings 8.6%

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