

6th April 2016

Construction & Building Materials

**LafargeHolcim**

Price CHF46.66

Interest in Lafarge India assets confirmed by the press

Fair Value CHF50 (+7%)

**BUY**

Bloomberg	LHN.VX
Reuters	LHN.VX
12-month High / Low (CHF)	72.9 / 34.1
Market Cap (CHF)	28,318
Avg. 6m daily volume (000)	2,193

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.8%	-3.1%	-13.1%	-7.2%
Cons & Mat	-0.4%	-1.2%	1.3%	-3.2%
DJ Stoxx 600	-4.0%	-8.6%	-8.4%	-10.3%

	2014	2015e	2016e	2017e
P/E	28.6x	27.0x	20.2x	12.7x
Div yield (%)	2.8%	3.2%	3.8%	4.3%

#### ANALYSIS

- According to the local press, advisors to the sale of Lafarge India (11mt of cement capacity) expect to receive seven/eight offers before the end of next week.
- Numerous companies are “evaluating the deal” or “have expressed interest”, local newspaper Mint says. The names of Blackstone, GIC, Barings Asia Private Equity or even CRH, have been mentioned, amongst others.
- CemNet.com writes: “sources say that the assets could be worth more than USD1.6bn”, which would correspond to roughly USD150 per ton, above recent transactions: Birla Corp acquired 5.5mt from Reliance at USD129 per ton and UltraTech 22.4mt from Jaypees at USD109 per ton. Besides, the initial deal on the sale of 5.5 mt between LHN and Birla was based on USD144/t
- Of course, if strong interest in Lafarge's Indian assets as well as the price is confirmed, this would reflect confidence in the Indian cement market. This would be positive for LafargeHolcim as India and the US are the only two countries generating more than 10% of consolidated sales for the group. Note that with 62mt of cement capacity in the country, post-disposal, LHN will remain a key player in India.

#### VALUATION

- CHF50 derived from the application of historical multiples to our 2017 estimates, discounted back. 2016e EV/EBITDA at 7.7x vs 7.9x for the European Cement sector (under coverage).

#### NEXT CATALYSTS

- Q1 2016 results on 12th May 2016

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## Distribution of stock ratings

BUY ratings 59.6%

NEUTRAL ratings 32.4%

SELL ratings 8.1%

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