

14th April 2016

Construction & Building Materials

**LafargeHolcim**

Price CHF48.50

**Delays to Indian asset disposals likely**

**Fair Value CHF50 (+3%)**

**BUY**

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	72.9 / 34.1
Market Cap (CHFm)	29,435
Avg. 6m daily volume (000)	2,223

	1 M	3 M	6 M	31/12/15
Absolute perf.	14.1%	7.0%	-9.8%	-3.6%
Cons & Mat	2.1%	4.9%	4.9%	-0.3%
DJ Stoxx 600	0.2%	-0.5%	-4.3%	-6.2%

  

	2014	2015e	2016e	2017e
P/E	29.7x	28.1x	21.0x	13.2x
Div yield (%)	2.7%	3.1%	3.6%	4.1%

#### ANALYSIS

- According to the local newspaper website Business Standard, the Competition Appellate Tribunal (Compat) “*stayed*” the merger in India “*until the next hearing on May 9*”. Advisors of Dalmia Cements, which has complained to the Compat, explain that “*CCI's second order is invalid as there is no provision under the Act which gives CCI the power to pass the second order when the first had not been followed*”. Remember that LafargeHolcim was not able to implement the first order (5.5mt to be divested) for legal reasons (related to mining transfer) and CCI gave a second approval for the sale of 11mt. Eric Olsen was optimistic to close this last deal around mid-2016.
- We understand this is basically technical and just a matter of time before the disposal process can resume – but of course this deteriorates the sale process visibility and these Indian legal woes are not a positive support for LHN share price. This is especially frustrating as it is the last anti-trust hurdle to be completed. Furthermore, numerous companies have expressed interest and the press was mentioning a possible price of USD1.6bn, i.e. USD150 per ton (above recent deal prices).
- But, considering the recent rebound of the share price, negative market would not be a surprise in our view, if this news is properly noticed by the market. Otherwise, we have contacted the IR team yesterday but no comments were made on this specific Indian legal issue.

#### VALUATION

- CHF50 FV derived from the application of historical multiples to our 2017 estimate, discounted back. 2016e EV/EBITDA at vs 7.9x vs 8.2x for the European Cement Sector (under coverage).

#### NEXT CATALYSTS

- Q1 2016 results on 12 May 2016

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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