

27th May 2016

Construction & Building Materials

Heidelbergcement

Price EUR77.32

EU anti-trust clearance: another step towards Italcementi acquisition

Fair Value EUR86 (+11%)

BUY-Top Picks

Bloomberg	HEI GY
Reuters	HEIG.F
12-month High / Low (EUR)	79.9 / 60.1
Market Cap (EURm)	14,530
Avg. 6m daily volume (000)	644.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.2%	15.5%	3.0%	2.2%
Cons & Mat	1.2%	8.2%	-2.1%	1.5%
DJ Stoxx 600	0.5%	5.2%	-9.2%	-4.6%

	2015	2016e	2017e	2018e
P/E	18.1x	16.4x	10.3x	8.6x
Div yield (%)	1.7%	2.2%	3.9%	5.2%

ANALYSIS

- HeidelbergCement has received the green light from the European Commission for the Italcementi deal. The ITC subsidiary in Belgium CCB will be sold, as initially proposed by HEI. The US FTC decision is still expected (in June presumably) and apart from that there are no other anti-trust issues pending. The disposal of US and Belgian assets are part of the plan to sell off EUR1bn in assets to finance the deal (o/w EUR240m already secured with Italmobiliare).
- Hence this is another step toward the acquisition of Italcementi, especially as Heidelberg has almost fully pre-financed the operation now. At end 2015, refinancing needs related to the ITC deal stood at EUR1.9bn. With two Eurobonds recently issued (EUR1bn in March at c2.3% and EUR750m in May at c2.4%), the needs are almost covered now.
- Note that the deal is expected to close in H2 2016 and amounts to EUR6.7bn (o/w EUR3.7bn in equity). First, HEI will acquire 45% of ITC from Italmobiliare at EUR10.6 per share, i.e. EUR1.67bn, of which a maximum of EUR760m financed through a capital increase reserved for Italmobiliare. HEI will then launch an offer in cash at EUR10.6 for the remaining shares (EUR2.2bn).

VALUATION

- EUR86 derived from the application of the historical EV/EBITDA multiple (7.5x) to our 2018 estimates, discounted back. EV/EBITDA at 7.7x2016e and 6.2x2017e.

NEXT CATALYSTS

- US Federal Trade Decision on Italcementi deal expected in June. HEI H1 2016 results on 29th July

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Distribution of stock ratings

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NEUTRAL ratings 0%

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