

10th May 2016

Construction & Building Materials

**LafargeHolcim**

Price CHF43.09

**Lafarge India disposal no longer suspended**

**Fair Value CHF50 (+16%)**

**BUY**

|                            |             |
|----------------------------|-------------|
| Bloomberg                  | LHN VX      |
| Reuters                    | LHN.VX      |
| 12-month High / Low (CHF)  | 72.3 / 34.1 |
| Market Cap (CHF)           | 26,152      |
| Avg. 6m daily volume (000) | 2,325       |

|                | 1 M   | 3 M   | 6 M    | 31/12/15 |
|----------------|-------|-------|--------|----------|
| Absolute perf. | -4.5% | 26.2% | -24.8% | -14.3%   |
| Cons & Mat     | -0.2% | 13.5% | -3.7%  | -2.7%    |
| DJ Stoxx 600   | 0.4%  | 7.7%  | -11.3% | -8.9%    |

  

|               | 2014  | 2015e | 2016e | 2017e |
|---------------|-------|-------|-------|-------|
| P/E           | 26.4x | 24.9x | 18.6x | 11.7x |
| Div yield (%) | 3.0%  | 3.5%  | 4.1%  | 4.6%  |

#### ANALYSIS

- As we mentioned on 14th April, the Compat (Competition Appellate Tribunal) had suspended the CCI approval of the merger, following a complaint from Dalmia Cements.
- On Monday 9th April, the local press reported that Dalmia Cement had finally withdrawn its complaint and that the Compat had accepted it. We do not know the reasons behind this decision, although it could be related to recent changes in the Mines and Minerals Act.
- In any case, this clears the path for the disposal of Lafarge India, which is mandatory in order to comply with local anti-trust authorities (CCI). This is positive news for the LHN share price.
- Note that press reports have mentioned interest from various players for the assets to be sold. A price of USD1.6bn, i.e. USD150 per ton, has also been cited in the press. CEO Eric Olsen recently said he was optimistic that the deal could close around mid-2016.
- After the disposal of this 11mt in cement capacities, LHN will remain a key player in India with 62mt of capacity (17% of total group capacities). With the US, India is the only country to represent more than 10% of LHN's revenues.

#### VALUATION

- CHF50 derived from the application of historical EV/EBITDA of 7.5x to our 2017 estimates, then discounted back.

#### NEXT CATALYSTS

- Q1 2016 results to be released on Thursday 12th May

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## Distribution of stock ratings

BUY ratings 57.9%

NEUTRAL ratings 33.6%

SELL ratings 8.6%

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