

24th May 2016

Construction & Building Materials

LafargeHolcim

Price CHF43.96

New low-cost plant line inaugurated in Brazil

Fair Value CHF50 (+14%)

BUY

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	72.3 / 34.1
Market Cap (CHFm)	26,680
Avg. 6m daily volume (000)	2,376

	1 M	3 M	6 M	31/12/15
Absolute perf.	-9.8%	16.9%	-20.0%	-12.6%
Cons & Mat	-1.0%	6.6%	-3.4%	-0.9%
DJ Stoxx 600	-3.4%	2.7%	-11.5%	-8.0%

	2015	2016e	2017e	2018e
P/E	25.4x	18.2x	12.0x	10.2x
Div yield (%)	3.4%	3.8%	4.1%	4.4%

ANALYSIS

- As previously announced by LHN CEO Eric Olsen, a new plant line is opening in Brazil, at the existing Barroso site. The plant's total capacity is 3.6 million tonnes of cement per year, on a site located in the South-Eastern region of Brazil, in the state of Minas Gerais, between Belo Horizonte and Rio de Janeiro.
- The new line strengthens LHN's exposure to Brazil (cement capacity to increase to 12mt vs 9mt) and LatAm (new capacity to 43mt vs 40mt), compared with approx. 375 mt at the group level.
- According to LafargeHolcim, *"the new line will allow the reduction of total costs per tonne of cement by around 25% from 2014 to 2017"*. This is necessary of course, as 2016 is likely to be a difficult year in Brazil, even if the Olympic Games are providing some business for cement players. The market is likely to decline by 8-10% this year, said LHN.

VALUATION

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

NEXT CATALYSTS

- Q2 2016 to be released on 5th August 2016

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