

4th May 2016

Construction & Building Materials

**Saint Gobain**

Price EUR39.50

**Wendel to sell 5.3% of SGO shares**

**Fair Value EUR46 (+16%)**

**BUY**

**ANALYSIS**

- Yesterday Wendel announced its intention to sell 30 million SGO shares, representing roughly 5.3% of the capital of Saint-Gobain. Wendel's stake will fall from 11.7% to 6.4% after the placement. Additionally, Wendel is issuing a EUR500m zero coupon bond exchangeable into SGO shares (1 for 1 ratio). Maturity date is 31<sup>st</sup> of July, 2019; with a 35% to 40% exchange premium.
- Wendel has agreed for a 12-month lock-up period for the remaining shares.
- It worth saying the placement of 30 million shares of Saint-Gobain corresponds to a EUR220m of accounting loss for Wendel.
- On its side, Saint-Gobain has announced its commitment to buy 10 million shares (c1.8% of the capital) out of the total 30 million. These shares will be cancelled and should help Saint-Gobain close the gap between the current number of shares of 561 million and the midterm objective of 531 million.
- This is of course not a positive news for SGO share price. Considering the good resilience YTD (-1% vs -5.7% for the CAC40), it is likely to come under some pressure in the short term.

**VALUATION**

- EUR46 derived from the application of historical EV/EBIT of 10x to our 2018 estimates, then discounted back.

**NEXT CATALYSTS**

- AGM on 2nd June. Interim results on 28th July.

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 32.1
Market Cap (EURm)	22,154
Avg. 6m daily volume (000)	1,920

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.9%	10.8%	0.9%	-0.9%
Cons & Mat	-0.1%	6.3%	-1.6%	-1.4%
DJ Stoxx 600	0.7%	1.9%	-11.3%	-8.3%

	2015	2016e	2017e	2018e
P/E	19.2x	18.5x	14.5x	12.0x
Div yield (%)	3.1%	3.3%	3.3%	3.3%

Eric Lemarié, [elemarie@bryangarnier.com](mailto:elemarie@bryangarnier.com)



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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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<b>London</b>	<b>Paris</b>	<b>New York</b>	<b>Munich</b>	<b>New Delhi</b>
Beaufort House 15 St. Botolph Street London EC3A 7BB Tel: +44 (0) 207 332 2500 Fax: +44 (0) 207 332 2559 Authorised and regulated by the Financial Conduct Authority (FCA)	26 Avenue des Champs Elysées 75008 Paris Tel: +33 (0) 1 56 68 75 00 Fax: +33 (0) 1 56 68 75 01 Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudentiel et de résolution (ACPR)	750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member	Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11	The Imperial Hotel Janpath New Delhi 110 001 Tel +91 11 4132 6062 +91 98 1111 5119 Fax +91 11 2621 9062 <b>Geneva</b> rue de Grenus 7 CP 2113 Genève 1, CH 1211 Tel +4122 731 3263 Fax+4122731 3243 Regulated by the FINMA

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