

12th May 2016

Construction & Building Materials

Saint Gobain

Price EUR38.50

SIG trading statement: poor performance in France at end-April

Fair Value EUR46 (+19%)

BUY

ANALYSIS

- In its trading statement this morning, SIG reports a 3.1% y/y decline for sales in France, for the period January to April. SIG says the *“trajectory of the recovery in this construction market continues to be uncertain”*, although it states that leading indicators are positive in France.
- SIG Plc is exposed to the French building materials distribution, through subsidiaries like Larivière, Litt or Ouest isol. It is a decent peer to Saint-Gobain distribution, although SIG market share is modest at presumably less than 5% compared to 25-30% for the French Group.

Sales y/y change (l-f-l) %	2014	H1 15	Jan. to April 2015	Q3 15	Q415	Jan. to April 2016
Mainland Europe	-1.0	-1.5	-3.0	-2.3	1.8	-1.0
o/w France	-2.1	-3.4	-5.3	-6.6	2.5	-3.1

Source: Company Data; Bryan Garnier & Co. ests.

- This is not a positive read-across for Saint-Gobain. 75% of SGO revenues in France come from distribution and generated EUR7.4bn last year, i.e. 19% of consolidated sales (cEUR40bn). Hence, 13% of SGO sales are exposed to the French renovation segment and 6% to the new residential one. Note that SGO's distribution business (c40% generated in France) was up 1.4% l-f-l in Q1, while France as a whole was flat.

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 (EUR)	21,596
Avg. 6m daily volume (000)	1,916

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.3%	20.0%	-2.8%	-3.4%
Cons & Mat	0.4%	15.4%	-3.2%	-2.1%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

	2015	2016e	2017e	2018e
P/E	18.7x	18.0x	14.1x	11.7x
Div yield (%)	3.2%	3.4%	3.4%	3.4%

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