

4th May 2016

Construction & Building Materials

Heidelbergcement

Price EUR77.40

Q1 16 EBITDA slightly better than expectations

Fair Value EUR86 (+11%)

BUY-Top Picks

Bloomberg	HEI GY
Reuters	HEIG.F
12-month High / Low (EUR)	79.9 / 60.1
Market Cap (EUR)	14,545
Ev (BG Estimates) (EUR)	25,651
Avg. 6m daily volume (000)	652.2
3y EPS CAGR	26.1%

HeidelbergCement has published Q1 2016 revenues at EU2832m (similar to the EUR2845m expected by the consensus) up 1% y/y l-f-l. EBITDA stood at EUR321m (5% above consensus expectations of EUR307m) up 7% (+13% l-f-l). Margin stands at 11.3 up 70bps y/y. Promising outlook : HeidelbergCement expects an moderate increase in revenues and a double-digit increase in operating income (vs c7% expected by the consensus). Italcementi deal on track.

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.3%	19.0%	13.8%	2.4%
Cons & Mat	-0.1%	6.3%	-1.6%	-1.4%
DJ Stoxx 600	0.7%	1.9%	-11.3%	-8.3%

Key figures in Q1 2016

Quarterly trends	Q115	Q215	Q315	Q415	Q116
Cement volumes y/y change %	-1.0	1.0	-3.0	-0.3	5.0
Like-for-like revenues growth %	4.0	0.0	-2.0	-2.0	1.0
EBITDA y/y change %	29.0	6.0	3.0	10.0	13.0
EBITDA margin %	10.5	20.7	24.0	20.6	11.3
EBITDA margin change bps	242	81	98	168	70

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

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	13,465	17,720	19,129	20,282
% change		31.6%	8.0%	6.0%
EBITDA	2,412	3,388	3,918	4,371
EBIT	1,645	2,221	2,751	3,204
% change		35.0%	23.8%	16.5%
Net income	800.2	974.8	1,369	1,695
% change		21.8%	40.5%	23.8%

ANALYSIS

- Positive comments for several key geographical zones, with volumes increase in most of the Region, except Africa. North America was apparently buyoant, with a double-digit volumes increase, while HeidelbergCement is mentioning a “trend reversal in Asia, particularly in Indonesia”
- Profitability is improving, with a 70bps improvement of the EBITDA margin, thanks efforts on cost, prices increase and lower fuel costs
- Outlook is promising, as the management is mentioning doble-digit increase in operating income.
- Italcementi deal is on track. On the anti-trust side, HEI has formally contacted the European Commission at the start of April, while discussions with American authorities have started. Decisions on the anti-trust issues expected by the end of May / beginning of June.

	2015	2016e	2017e	2018e
Operating margin	12.2	12.5	14.4	15.8
Net margin	7.3	7.1	8.7	10.2
ROE	5.4	6.0	8.0	9.4
ROCE	5.6	5.9	6.8	7.9
Gearing	33.1	49.2	40.8	34.8

VALUATION

- EUR86 derived from the application of historical EV/EBITDA multiples(7.5x) to our 2018 estimates, discounted back. We have roll-out from 2017 to 2018.

(EUR)	2015	2016e	2017e	2018e
EPS	4.27	4.92	6.92	8.56
% change	-	15.4%	40.5%	23.8%
P/E	18.1x	15.7x	11.2x	9.0x
FCF yield (%)	4.8%	7.8%	9.5%	10.4%
Dividends (EUR)	1.30	1.50	2.80	3.90
Div yield (%)	1.7%	1.9%	3.6%	5.0%
EV/Sales	1.6x	1.4x	1.3x	1.1x
EV/EBITDA	9.0x	7.6x	6.3x	5.3x
EV/EBIT	13.2x	11.5x	8.9x	7.2x

NEXT CATALYSTS

- H1 results at end June to be released on 29th July 216

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