

20th June 2016

Construction & Building Materials

## Heidelbergcement

Price EUR71.09

All competition approvals now obtained

Fair Value EUR86 (+21%)

BUY-Top Picks

Bloomberg	HEI GY
Reuters	HEIG.F
12-month High / Low (EUR)	79.9 / 60.1
Market Cap (EURm)	13,359
Avg. 6m daily volume (000)	634.8

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.6%	-3.6%	-1.8%	-6.0%
Cons & Mat	-3.4%	-2.6%	-4.8%	-5.5%
DJ Stoxx 600	-2.7%	-4.4%	-10.7%	-10.9%

  

	2015	2016e	2017e	2018e
P/E	16.7x	15.1x	9.5x	7.9x
Div yield (%)	1.8%	2.4%	4.2%	5.6%

### ANALYSIS

- An agreement has been reached with the US Federal Trade Commission to allow the merger. As proposed by Italcementi and HeidelbergCement, the Italcementi Martinsburg Cement plant, located in West Virginia, and up to eleven terminals, will be divested. A decent price should be obtained, as the US Cement market is still buoyant (shipments up +5.1% on a 12-month basis at end March, +8.6% for the South Atlantic district). This disposal is part of the plan to sell EUR1bn of assets to finance the deal (o/w EUR240m already secured with Italmobiliare).
- Combined with – in particular – the European Commission green light already obtained, all competition approvals have now been obtained and the merger process can begin properly. The first step, i.e. the acquisition of the 45% Italcementi stake from Italmobiliare (at EUR10.6 per share or EUR1.7bn), should be closed by the beginning of July. Then the German group will launch a mandatory offer in cash at the same price (EUR2bn). Deal is expected to be completed in H2. Note that financial needs are now largely covered (e.g. 2 Eurobonds issued in 2016).
- Markets should react positively, as the deal is attractive for Heidelberg: good geographical mix with limited overlap (US, Belgium); EUR400m synergies, timing and multiples (8x EBITDA) sound right; some countries close to their trough (France, Italy, Morocco); no Latam exposure.

### VALUATION

- EUR86 derived from the application of historical multiple (7.5x) to our 2018 estimates, discounted back. EV/EVITDA at 7.3x 2016e and 5.9x 2017e, based on proforma figures.

### NEXT CATALYSTS

- Interim results to be published on 29<sup>th</sup> July

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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