

Sector View

Construction & Materials

Further steady sales growth for Nexity in H1 2016

| | 1 M | 3 M | 6 M | 31/12/15 |
|-----------------------|-------|-------|------|----------|
| Cons & Mat | -0.2% | -2.0% | 7.9% | -1.7% |
| DJ Stoxx 600 | 0.2% | -2.6% | 3.7% | -6.9% |
| *Stoxx Sector Indices | | | | |

Companies covered

| | | |
|------------------|---------|-------|
| CRH | BUY | EUR30 |
| EIFFAGE | BUY | EUR73 |
| HEIDELBERGCEMENT | BUY | EUR86 |
| IMERYS | BUY | EUR72 |
| LAFARGEHOLCIM | BUY | CHF50 |
| SAINT GOBAIN | BUY | EUR46 |
| VICAT | NEUTRAL | EUR56 |
| VINCI | BUY | EUR72 |

Nexity reported H1 2016 revenues last night. Sales for the new residential segment remained very strong (up 38% in volume), underpinned by very low loan rates in France. Growth was healthy too: home-buyers' sales up 51%, representing 29% of total sales in volume. Positive read-across for the sector, in particular for Saint-Gobain, Eiffage or to a lesser extent Vinci.

ANALYSIS

- Nexity sales ("réservations") for the residential segment rose 38% in H1 2016 in volume terms. This was pretty similar to the very good performance of Q1 2016 (+35%) and still much stronger than 2015 (+13%), suggesting the French new residential market remained very strong, as Nexity (the market leader) is presumably a decent proxy.
- In addition, growth is healthy, as home-buyers represent 29% of Nexity sales in H1 (+51% y/y, similar to Q1, while it was declining by -9% last year). Very low loan rates and better household confidence mostly explain this performance.
- Individual investors continue to represent most of the volumes, though (49% in H2 2016), thanks to the success of the Pinel buy-to-let scheme (recently extended until end 2017).
- Nexity's guidance of 120,000 sales (15% to 20% y/y) for the French market as a whole in 2016 has been reiterated.
- In all, this is positive for Saint-Gobain, as the new French residential market represents approx. 6% of consolidated sales. It is positive for Contractors too: this segment accounts for approx. 10% of Eiffage sales and 4% for Vinci.

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| | |
|---------|---|
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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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