

2nd August 2016

Construction & Building Materials

Heidelbergcement

Price EUR75.05

Poor Italcementi H1 figures

Fair Value EUR86 (+15%)

BUY

Bloomberg	HEI GY
Reuters	HEIG.F
12-month High / Low (EUR)	79.9 / 60.1
Market Cap (EURm)	14,891
Avg. 6m daily volume (000)	616.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.8%	-3.3%	12.4%	-0.8%
Cons & Mat	5.0%	-0.1%	3.6%	0.1%
DJ Stoxx 600	2.3%	-0.5%	-0.5%	-7.1%

	2015	2016e	2017e	2018e
P/E	17.6x	15.9x	10.0x	8.4x
Div yield (%)	1.7%	2.3%	4.0%	5.3%

ANALYSIS

- Italcementi has reported modest results at end June: On a like-for-like basis, cement volumes were down 0.1% in H1 2016 and revenues flat (+0.4%) at EUR2,123m. Recurring EBITDA down 7.6% (apparent) at EUR300m (vs EUR325m last year). Q2 performance is not disclosed as Q1 2016 was not released this year.
- By zone, it is worth underlying the only zone positively oriented is North America, with 14.4% apparent growth in revenues in H1 at EUR276m, while recurring EBITDA stood at EUR16.4m (EUR1.9m last year).
- The outlook is mixed, with further positive trends expected in North America, lower growth in some Emerging markets and uncertainty in the Eurozone. Guidance is an increase y/y of the operating results in H2, which doesn't look very challenging.
- In all, not a very strong performance in H1 and we would not be surprised by a negative impact on the HeidelbergCement share price in the short term.
- Note that Heidelberg has recently acquired 45% of Italcementi and announced an offer for the remaining 55% at EUR10.6 per share (the acceptance offer begins at the end of August).

VALUATION

- EUR86 derived from the application of historical multiples to our estimates.

NEXT CATALYSTS

- Q3 2016 results on 9th November 2016

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BUY ratings 72%

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