

8th August 2016

Construction & Building Materials

LafargeHolcim

Price CHF47.99

Conference call feedback: focus on prices

Fair Value CHF50 (+4%)

BUY

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	66.3 / 34.1
Market Cap (CHF)	29,126
Avg. 6m daily volume (000)	2,167

	1 M	3 M	6 M	31/12/15
Absolute perf.	21.0%	8.1%	23.0%	-4.6%
Cons & Mat	9.2%	3.2%	9.7%	0.6%
DJ Stoxx 600	5.3%	2.6%	4.7%	-6.7%

	2015	2016e	2017e	2018e
P/E	36.9x	20.0x	13.2x	11.1x
Div yield (%)	3.1%	3.4%	3.8%	4.1%

ANALYSIS

- **All in all a positive conference call in our view. A lot of self-help measures, with priority given to cost and prices, should help LHN to manage a (still) complicated environment, although some comments are promising on some markets (in particular India or even China).**
- Clear focus on prices. Without any further price increase, the management indicates that the FY 2016 price impact on EBITDA would stand between CHF170m and CHF190m. Actually the group will continue to increase prices. Besides, comparison basis will ease in H2, as some countries experienced price pressure in the second half of 2015 like China and Nigeria for instance.
- This pricing policy had a negative impact on volumes for some countries, like in India for instance where the group has lost market share. But this is not a sustainable trend.
- In Nigeria, where the gas shortage has been painful in Q2, the switch from gas to coal and petcoke will impact profitability during Q4 this year. Proper impact early 2017, as obviously it takes time to do the conversion. In any case, the market is buoyant in this country according to CEO Eric Olsen.
- The management is very confident in reaching the synergies target, included in India and despite the disposal of Lafarge India assets.
- Change in scope impact of CHF140m this year and FX negative impact around CHF210m. Combined with a 9% ("at least high single digit" is the guidance) organic growth and based on 2015 CHF5751m EBITDA, this means 2016 EBITDA should be close to CHF5.9bn, vs CHF6.0bn for our current forecast and CHF5.7bn for the consensus (combined recently by the company), according to our calculations and understanding.

NEXT CATALYSTS

- Q3 results on 4th November. Capital Markets Day on 18th November.

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