

4th August 2016

Construction & Building Materials

Vicat

Price EUR52.77

Decent H1 performance. Guidance roughly unchanged

Fair Value EUR56 (+6%)

NEUTRAL

Bloomberg	VCT.FP
Reuters	VCT.PA
12-month High / Low (EUR)	68.4 / 46.2
Market Cap (EUR)	2,369
Ev (BG Estimates) (EUR)	3,506
Avg. 6m daily volume (000)	29.10
3y EPS CAGR	21.2%

Fine performance for Vicat in H1, with a 4.3% l-f-l revenues growth at EUR1.2bn and a 7.7% l-f-l increase of EBITDA at EUR208m (margin is up 50bps at 16.8%). Volume are up 12%, with good performance in the US, India, Egypt, Turkey and France. Prices effect is negative though, notably in India. FCF is very strong (EUR92m before WCR vs. EUR53m). Guidance roughly unchanged.

Vicat has reported H1 revenues at EUR1237m, down -0.4% (+4.3% organic, -4.7% forex), EBITDA at EUR208m (+7.7% organic), EBIT at EUR103m (+16.5% organic) and a net profit group share at EUR49m (+51% organic). Cash Flow (before WCR) stands at EUR153m (+15% organic). After EUR61m of industrial capex, FCF stand at EUR92m vs. EUR53m in H1 2015. Net debt / EBITDA at 2.3x (2.7x in H1 2015).

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.0%	-10.9%	9.3%	-4.6%
Cons & Mat	3.5%	0.1%	6.4%	-1.3%
DJ Stoxx 600	1.0%	0.0%	1.9%	-8.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,458	2,466	2,598	2,751
% change		0.3%	5.3%	5.9%
EBITDA	448	462	521	586
EBIT	250.5	272.1	331.5	396.4
% change		8.6%	21.8%	19.6%
Net income	122.0	141.9	180.2	217.2
% change		16.3%	27.0%	20.6%

	2015	2016e	2017e	2018e
Operating margin	10.2	11.0	12.8	14.4
Net margin	5.8	6.8	8.1	9.3
ROE	5.4	6.1	7.5	8.5
ROCE	5.1	5.7	7.0	8.4
Gearing	40.0	34.1	27.5	20.0

(EUR)	2015	2016e	2017e	2018e
EPS	2.78	3.23	4.10	4.94
% change	-	16.3%	27.0%	20.6%
P/E	19.0x	16.4x	12.9x	10.7x
FCF yield (%)	5.7%	8.6%	9.3%	10.9%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	2.8%	2.8%	2.8%	2.8%
EV/Sales	1.5x	1.4x	1.3x	1.2x
EV/EBITDA	8.1x	7.6x	6.5x	5.5x
EV/EBIT	14.4x	12.9x	10.2x	8.1x

Key figures

EURm	H1 sales	Split %	Q1% lfl	Q2% lfl	H1% lfl	EBITDA	H1 mg %	Δbps
France	405	33	8.9	0.9	4.4	51.0	12.6	-4
Europe (Italy, Swiss)	198	16	3.6	-3.3	-0.6	45.0	22.7	-106
US	176	14	7.1	8.1	7.7	22.0	12.5	452
Turkey, India&Kazakh.	268	22	10.8	7.1	8.7	52.0	19.4	-228
o/w Turkey	109	9	23.0	5.2	11.7	21.0	19.3	44
o/w India	140	11	4.8	12.7	8.7	27.7	19.8	-226
o/w Kazakhstan	20	2	1.5	-1.1	-0.5	3.6	17.8	-1109
Africa & Middle-East	190	15	-0.7	1.2	0.3	38.0	20.0	492
o/w Egypte	67	5	14.5	9.2	11.6	12.0	17.9	-
o/w West Africa	123	10	-7.4	-3.5	-5.5	26.1	21.2	-151
Total	1237	100	6.5	2.5	4.3	208.0	16.8	47

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

ANALYSIS

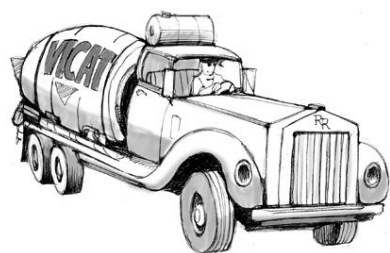
- Double-digit growth for cement volumes in H1 (12.1% vs. 13.8% in Q1), with in particular an acceleration in India (+38% vs. +19% in Q1) and Turkey (not disclosed), a good resilience in France (6% in Q2 vs. 15% in Q1) despite a more complicated environnement in Q2 (strikes, weather) and a further steady performance in the US (+10% in H1). Switzerland is difficult, though, due to the lack of major projects currently (-4% in H1). Price effect is negative, except in the US. Two countries have reported double-digit organic growth in H1 : Turkey (+11.7%) and Egypt (11.6%).
- EBITDA margin is particularly strong in the US (+450bps est. at 12.5%) and in Egypt (17.9% vs. breakeven), thanks to the start-up of two coal grinders (positive impact on energy costs) and good volumes. Unfortunate, due to pricing pressure, margin is down in India (-225bps est. at 19.8%).
- Guidance are roughly unchanged ("further improvement in its performance" expected). We have nevertheless noticed slightly better prices environment expected in France (possible improvement) and West Africa (possible stabilisation). Comments look more cautious on prices in India, though.
- All in all, this is a decent performance for Vicat and outlook is not bad actually. We believe better volumes in India will eventually be translated into stronger prices and better margins. In West Africa, comments on prices are more positive (while we suspect Dangote is likely to be less aggressive, after a poor publication in H1). Finally, Egypt is benefited from a lower cost base and France should gradually continue to recover. On contrary, Switzerland is unlikely to be very strong this year, while Turkey recent political turmoil could penalise the business climate. But overall, we see more positives than negatives for Vicat.
- Forecast and Fair value unchanged. We stay Neutral, mostly due to a lack of upside.

VALUATION

- EUR56 FV derived from the application of historical multiples to our 2017 estimates, disc'td. back.

NEXT CATALYSTS

- Q3 sales on 3rd November 2016



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