

16th September 2016

Construction & Building Materials

LafargeHolcim

Price CHF50.35

Another reorganisation announced

Fair Value CHF50 (-1%)

BUY

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	58.4 / 34.1
Market Cap (CHF)	30,558
Avg. 6m daily volume (000)	1,891

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.4%	24.4%	19.5%	0.1%
Cons & Mat	-1.1%	9.2%	6.3%	3.5%
DJ Stoxx 600	-1.7%	5.2%	-0.2%	-7.0%

	2015	2016e	2017e	2018e
P/E	38.7x	21.0x	13.8x	11.7x
Div yield (%)	3.0%	3.3%	3.6%	3.9%

ANALYSIS

- The corporate structure will be reshaped, LafargeHolcim announced yesterday. The key idea is to (further) simplify the organisation. The central functions will mostly focus on “*strategy, governance and transformation*” and we understand the operational sites should be more responsive to local industrial issues (through the “*reshaping of the technical support organization*”). All in all, this will translate into 250 job-cuts by end of next year (from approx. 100.000 employees today).
- This reorganisation will further streamline LafargeHolcim. This makes sense, as cement remains mostly a local business.
- In its press release, LafargeHolcim stressed that this reorganisation of central functions “*reflects the end of the integration phase and the fact that the Group is now entering a new phase of its development*”. We suspect this can be viewed as another step in the right direction.

VALUATION

- CHF50 FV derived from the application of historical multiples to our 2017 estimates, discounted.

NEXT CATALYSTS

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

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BUY ratings 55.8%

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