

15th September 2016

Construction & Building Materials

**Saint Gobain**

Price EUR37.50

**A EUR1bn bond at 0% coupon**

**Fair Value EUR46 (+23%)**

**BUY**

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	41.8 / 32.1
Market Cap (EUR)	20,808
Avg. 6m daily volume (000)	1,717

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.0%	2.2%	-1.4%	-5.9%
Cons & Mat	-1.8%	9.6%	4.9%	2.8%
DJ Stoxx 600	-2.2%	5.6%	-1.8%	-7.5%

  

	2015	2016e	2017e	2018e
P/E	18.2x	17.7x	13.9x	11.6x
Div yield (%)	3.3%	3.5%	3.5%	3.5%

**ANALYSIS**

- Last night, Saint-Gobain announced that it is issuing a EUR1bn 3.5-year bond with a 0% coupon. The order book stood at EUR2.6bn. S&P rating stands at BBB (for the long-term senior debt).
- EUR1bn represents approx. 10% of the gross debt at end June 2016 (EUR6.6bn net debt includes EUR9.5bn of gross debt and EUR2.9bn of cash). Saint-Gobain repays EUR0.5bn of debt in September 2016, EUR0.4bn in December 2016 and EUR1.3bn (two tranches) in April 2017.
- Impact is obviously positive on our interest cost estimates, by approx. EUR15m in 2016 (to ~EUR385m), EUR50m in 2017 (to EUR325m) and EUR55m in 2018 (to ~EUR295), pre-tax. According to our calculation, cost of the gross debt in 2017 falls by c50bps to 3.4% vs 3.9% previously.
- EPS enhancement is modest in 2016 and north of 2% in 2017 and 2018. Impact is not that significant then, but this is of course positive for market sentiment. After all, Saint-Gobain is still a cyclical company.

**VALUATION**

- EUR46 derived from the application of historical EV/EBIT to our 2018 forecast, discounted back

**NEXT CATALYSTS**

- 9 month revenues on 27th October 2016, after market.

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BUY ratings 55.8%

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