

3rd October 2016

Construction & Building Materials

HeidelbergCement

Price EUR84.09

Success of offer for Italcementi shares

Fair Value EUR86 (+2%)

BUY

Bloomberg	HEI GY
Reuters	HEIG.F
12-month High / Low (EUR)	84.7 / 60.1
Market Cap (EURm)	16,685
Avg. 6m daily volume (000)	558.8

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.0%	24.6%	11.7%	11.2%
Cons & Mat	0.6%	12.3%	6.8%	5.7%
DJ Stoxx 600	-0.2%	4.0%	1.6%	-6.3%

	2015	2016e	2017e	2018e
P/E	19.7x	17.9x	11.2x	9.4x
Div yield (%)	1.5%	2.0%	3.6%	4.8%

ANALYSIS

- HeidelbergCement announced yesterday that it has acquired a total of 96.356% of the share capital and voting rights of Italcementi (349 millions for 100%). Because HeidelbergCement holds more than 95%, it has the right to launch a mandatory offer on the remaining shares, on the same conditions (EUR10.6 per cash). The transaction should be completed in October 2016.
- Note that Heidelberg firstly acquired 45% from Italmobiliare for EUR1.7bn, then launched an offer at EUR10.6 for the shares listed. The German group also bought 14 million shares directly on the market (outside this offer). This EUR4.8bn deal is mostly financed by debt (3bn) and disposals (EUR1bn, fully completed today). Finally, Italmobiliare has subscribed to a EUR790m reserved capital increase by HeidelbergCement, representing 5.3% of the capital of the German group.
- This is clearly another step in the right direction, although the success of the offer was expected. Further details regarding the integration of Italcementi will be provided at the next Capital Market Day, on 10th November.

VALUATION

- EUR86 derived from the application of historical multiples to our 2017 forecast, discounted back.

NEXT CATALYSTS

- Q3 2016 to be reported on 9th November and Capital Market Day on 10th November.

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Distribution of stock ratings

BUY ratings 72%

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