

10th October 2016

Construction & Building Materials

LafargeHolcim

Price CHF51.90

Another step in the divestment process

Fair Value CHF60 (+16%)

BUY-Top Picks

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	57.7 / 34.1
Market Cap (CHFm)	31,499
Avg. 6m daily volume (000)	1,730

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.9%	31.2%	14.5%	3.2%
Cons & Mat	-2.9%	12.8%	8.0%	3.9%
DJ Stoxx 600	-3.1%	5.4%	3.5%	-7.2%

	2015	2016e	2017e	2018e
P/E	39.9x	22.3x	15.7x	11.4x
Div yield (%)	2.9%	3.2%	3.5%	3.8%

ANALYSIS

- LafargeHolcim has signed an agreement with a company from the Hurtado Vicuna Group, for the divestment of its 54.3% stake in the Chilean company Cementos Polpaico (2.3 mt of cement capacity) for a EV of ~CHF120m. This is equivalent to CHF220m for 100%, i.e. ~100 USD per ton
- The deal is structured through a public tender offer to all shareholders of Cemento Polpaico. We understand the operation is likely to be completed in 2017. Once the deal is completed, LafargeHolcim will not be exposed to Chili anymore.
- The size of the deal is modest for a group like LafargeHolcim. It is nevertheless another step in the right direction. The group has already exceeded its CHF3.5bn disposal target for 2016 and has extended it to CHF5bn by the end of next year.
- Besides, exiting Chile is unlikely to be perceived as negative. Indeed, Chili is not especially a dynamic country currently. According to the International Cement Review, the top three players have reported a 3.7% y/y increase in Sales in H1 2016, the lowest growth rate in three years.

VALUATION

- CHF60 FV derived from the application of historical multiples to of 2018 estimates, discounted back

NEXT CATALYSTS

- Q3 results on 4 November 2016. Capital Market Day on 18 November 2016

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BUY ratings 72%

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