

14th October 2016

Construction & Building Materials

LafargeHolcim

Price CHF49.70

Ahead of the Capital Market Day (18 November)

Fair Value CHF60 (+21%)

BUY-Top Picks

ANALYSIS

- CEO Eric Oslen gave an interview in the French Daily *Les Echos*. Numerous subjects have been raised. In particular, the group wants to optimise its logistic networks in the Emerging Markets, which represents more than 60% of LHN EBITDA, according to our calculations. This focus is explained by the distribution structure of EM, where cement players are mostly selling cement in bags, while in mature countries it is more sold in bulk and directly to final customers, i.e. contractors. Hence the importance of wholesalers in EM, as well as brands. But this distribution system has a cost, and Eric Olsen explains that he wants to better control the distribution in order to reintegrate the margin lost through wholesalers. We understand the group is likely to set up some franchise networks for instance and develop digital distribution. More on 18 November.
- As was suggested by the Chairman Beat Hess last September in the Swiss press, we understand the name of the company might change. In our view, this could be a way to help to get over the recent difficulties of the company and perhaps strengthen the brand, a key issue in EM.
- Finally, Mr Olsen said details regarding the new cost cutting plan recently announced, as well as the strategy to manage energy prices increase, will be disclosed on the 18 Nov. Market Day. While higher energy costs will impact 2017 figures, a bit of inflation might be welcome to increase prices.

VALUATION

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

NEXT CATALYSTS

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

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Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	57.7 / 34.1
Market Cap (CHFm)	30,163
Avg. 6m daily volume (000)	1,717

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	14.1%	2.5%	-1.2%
Cons & Mat	0.4%	5.5%	3.2%	2.8%
DJ Stoxx 600	-0.9%	-0.1%	-2.2%	-8.3%

	2015	2016e	2017e	2018e
P/E	38.2x	21.4x	15.0x	10.9x
Div yield (%)	3.0%	3.3%	3.6%	3.9%



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Distribution of stock ratings

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