

27th October 2016

Construction & Building Materials

Saint Gobain

Price EUR38.84

Further steady growth for Sika in Q3

Fair Value EUR46 (+18%)

BUY

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	41.8 / 32.1
Market Cap (EURm)	21,555
Avg. 6m daily volume (000)	1,643

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.2%	5.2%	-4.0%	-2.5%
Cons & Mat	0.2%	5.6%	4.6%	4.9%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

	2015	2016e	2017e	2018e
P/E	18.9x	18.2x	14.1x	11.8x
Div yield (%)	3.2%	3.3%	3.3%	3.3%

ANALYSIS

- 9-month sales of Sika are up 6.3% in local currencies at end September at CHF4.3bn. This is still steady, although a bit less strong than in H1 (+7.6% in local currencies). 9-month EBIT increases by 21% at CHF291m, i.e. 13.6% of margin vs 12% in 9M 2015. The profitability in Q3 has been particularly good, with a 15.6% EBIT margin (+190bps y/y).
- By geographical zone, the trends have been very strong in North America (+9.9% in local currencies). Every zone has reported positive sales growth in local currencies.
- It worths underlying Sika continues to be dynamic on the growth capex side, with four additional national subsidiaries and eight new factories implemented in 2016.
- Outlook is confirmed, with sales expected at approx. CHF5.8bn (IBES consensus at CHF5.85bn) and EBIT between CHF780m and CHF800m (vs consensus at CHF778m).
- Regarding the Saint-Gobain acquisition project of the Burkard family SWH, the next step is the decision of the Zug Court regarding the limitation to 5% of the SWH voting rights at the last general meetings. This decision, which is a first instance, is expected in Q4 2016.

VALUATION

- EUR46 FV with the application of historical multiples to our 2018 forecast, discounted back.

NEXT CATALYSTS

- Saint-Gobain 9-month sales today after market close.

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