

31st October 2016

Construction & Building Materials

Saint Gobain

Price EUR40.81

SWH appeals against unfavourable Court decision on voting rights restriction.

Fair Value EUR46 (+13%)

BUY

ANALYSIS

- The Cantonal Court of Zug has rejected the request of family holding SWH to repeal the resolutions of the AGM of 14/04/15, where the holding voting rights have been restricted. The Court decision says the Article 4 (of Sika's article of association) is applicable to the deal between the Burkard family and Saint-Gobain. This article stipulates a transfer of more than 5% of the registered shares requires the approval of the Board. Although no shares of Sika are actually transferred directly, the Court considers the article applies in the case of an indirect transfer. SWH has already announced its intention to appeal the decision to the High Court of Zug.
- Of course, we have no legal view here, but the Court decision suggests the legal issue is not that straightforward: Saint-Gobain might, or might not, take control of Sika, eventually. Both issues look possible now. The most likely scenario is unchanged, however: a legal battle until end 2018 (we knew that both parties were likely to appeal the decision anyway). This period of uncertainty is not positive news for SGO share price, but it is finally something well known by the market.
- Finally, the Swiss daily *Le Temps* said yesterday the Chairman of Sika Paul Hälg suggests that Sika buys back the family shares. No details have been provided. According to the newspaper, Urs Burkard is open and ready to discuss, but stresses that a deal already exists with Saint-Gobain.

VALUATION

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

NEXT CATALYSTS

- FY 2016 results 23rd February, after market close

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Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	41.8 / 32.1
Market Cap (EURm)	22,648
Avg. 6m daily volume (000)	1,667

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.1%	9.5%	0.3%	2.4%
Cons & Mat	-1.7%	4.2%	2.0%	3.9%
DJ Stoxx 600	-0.5%	0.4%	-2.3%	-6.8%

	2015	2016e	2017e	2018e
P/E	19.8x	19.1x	14.9x	12.4x
Div yield (%)	3.0%	3.2%	3.2%	3.2%



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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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