

## LafargeHolcim

Price CHF52.50

This is still a Buy

Fair Value CHF60 vs. CHF50 (+14%)

BUY

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	57.7 / 34.1
Market Cap (CHFm)	31,863
Ev (BG Estimates) (CHFm)	46,875
Avg. 6m daily volume (000)	1,805
3y EPS CAGR	52.0%

We briefly revisit our investment case before the Capital Markets Day (18/11). LafargeHolcim is our preferred play in the cement sector: the improved macro sentiment in the Emerging Markets, the Q2 earnings trend reversal, and ongoing simplification will support the share price. Besides, while we start to question the strength of US construction trends, LafargeHolcim's diversification is a clear advantage.

## ANALYSIS

- The Emerging Markets outlook is improving and confidence is gradually coming back. Since last February, USD25bn has been invested in the Emerging Markets' equities markets, compared with a USD150bn outflow between October 2013 and February 2016. This is of course positive for LafargeHolcim, which is the European cement player most exposed to the Emerging Markets today. Confidence is driven by a slightly better macro sentiment. OECD has maintained its 2016 and 2017 GDP growth for China or India and improved by 1% its forecasts for Brazil, while it has downgraded them for most of the key mature countries.
- LHN has been busy this year. The Q2 results are much better than in Q1 (and Nigeria's negative impact is likely to lessen from now on); the group has dramatically accelerated its divestments, with more than CHF3.5bn achieved and a new target of CHF5bn by December 2017 – and synergies generated are in line with guidance. Sequential prices are up, too.
- While there might be some question marks regarding US construction dynamism, LafargeHolcim is much less exposed to North America than CRH or to a lesser extent HeidelbergCement. In this context, some investors might be tempted to prefer LafargeHolcim.

## VALUATION

- New Fair Value at CHF60 (vs CHF50), thanks to the roll-over to 2018 and more optimistic assumptions on synergies and new figures. Our new estimates include the announced recent disposals, pending further details at the Capital Markets Day on 18 November.
- 2017e EV/EBITDA at 7.2x vs 6.8x for HeidelbergCement (Buy, FV EUR86), 8.7x CRH (Buy, FV EUR30) and Vicat at 6.9x (Neutral, FV EUR56).

## NEXT CATALYSTS

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

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	1 M	3 M	6 M	31/12/15
Absolute perf.	0.7%	29.5%	16.1%	4.4%
Cons & Mat	0.6%	12.3%	6.8%	5.7%
DJ Stoxx 600	-0.2%	4.0%	1.6%	-6.3%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	29,483	28,501	28,623	30,365
% change		-3.3%	0.4%	6.1%
EBITDA	5,751	5,681	6,315	7,403
EBIT	3,371	3,181	3,815	4,903
% change		-5.6%	19.9%	28.5%
Net income	787.5	1,407	2,002	2,766
% change		78.7%	42.2%	38.2%

	2015	2016e	2017e	2018e
Operating margin	11.4	11.2	13.3	16.1
Net margin	-6.9	4.3	7.1	9.8
ROE	2.5	4.5	6.2	8.2
ROCE	4.4	4.3	5.3	6.8
Gearing	48.3	37.2	32.2	25.6

(CHF)	2015	2016e	2017e	2018e
EPS	1.30	2.32	3.30	4.57
% change	-	78.7%	42.2%	38.2%
P/E	40.4x	22.6x	15.9x	11.5x
FCF yield (%)	0.4%	5.8%	9.1%	11.0%
Dividends (CHF)	1.50	1.65	1.80	1.95
Div yield (%)	2.9%	3.1%	3.4%	3.7%
EV/Sales	1.7x	1.6x	1.6x	1.4x
EV/EBITDA	8.8x	8.3x	7.2x	5.9x
EV/EBIT	15.0x	14.7x	11.9x	8.9x



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BUY ratings 72%

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