

Saint Gobain

Price EUR38.64

Q3 revenues in line...guidance unchanged : this is probably a non-event.

Fair Value EUR46 (+19%)

BUY

Q3 revenues is up 2.1% on a like-for-like basis at EUR9,757m, close to expectations. Price effect is positive (+0.5%) for the first time in 2016, France organic growth is almost at breakeven (-0.5%), despite unfavourable calendar effect, volumes are down in the US Industry segment while Asia/EMs organic growth is accelerating. Outlook is unchanged, as well as guidance. The comments regarding renovation in France are still cautious, but look to us *very slightly* more positive.

Q3 revenues by division and geographical zone

EURm	Q1 y/y%*	Q2 y/y%*	Q3 y/y%*	Q3 cons	Q3 BG	Q3 rep.	vs cons.%	vs BG %
Flat Glass	4.9	8.0	5.9	1325	1309	1331	0.5	1.7
HPM	3.6	0.0	2.2	1105	1057	1111	0.5	5.1
Interior solutions	5.8	4.8	2.5	1655	1657	1640	-0.9	-1.0
Exterior solutions	-4.4	0.1	0.6	1415	1372	1407	-0.6	2.5
Distribution	1.4	4.6	1.6	4555	4654	4519	-0.8	-2.9
Total	1.8	3.8	2.1	9790	9818	9757	-0.3	-0.6
France	-0.2	1.3	-0.5	-	-	2390	-	-
Western Europe	2.0	6.3	3.2	-	-	4392	-	-
North America	3.2	4.3	-1.0	-	-	1300	-	-
EM/Asia	4.5	3.9	6.1	-	-	2135	-	-

Source : Company Data; Bryan Garnier & Co. ests. * on a like-for-like basis

Q3 revenues stand at EUR9,757m, very close to consensus (EUR9,790m) and not far from our own estimate (EUR9,818m). Organic growth stands at 2.1% (2.9% in H1), with volume effect at +1.6%, lower than H1 (3.5%), but calendar effect was not favourable in Q3 (slightly less than -1%) - and with better price dynamics (+0.5% vs -0.6% in H1). Forex effect is negative -2.6% and scope effect stands at -1.1%. Flat Glass is strong, with very positive prices effect (+4.4% in Q3 after +2.9% in H1), in particular thanks to a good mix, but not only. HPM are still growing despite difficult US industrials markets. Roofing in the US has not benefited from similar weather effects that in Q2 actually and the footprint of SGO has not been an advantage in Q3, which is a disappointment in our view. Volumes in distribution are quite good, considering the unfavourable calendar effect. France is actually slightly positive in distribution in Q3 adjusted from the calendar effect (thanks in particular to the new-built), there is no sign of deterioration in the UK and Nordics are still well oriented. Asia and EM trends are overall positive, with Brazil still difficult, but China better in Q3. North America reports a poor performance in Q3.

ANALYSIS

- Better trends in prices are good news, but is not really a surprise and one third of the pricing turnaround is explained by distribution where price is essentially a pass-through. Saint-Gobain roofing performance has been apparently positive, but less dynamic than some peers, due to a less favourable footprint, but actually prices increase sequentially. Emerging markets and Asia performance is still very impressive, but North America's was not.
- We can't say that Saint-Gobain is *significantly* more optimistic regarding renovation market in France ("renovation is not yet showing any signs of improvement"). Besides, while October is likely to be better, the end of 2016 will depend on weather conditions. But the CEO said during the call : "Trading in France will continue to benefit from the rally in new-build, while renovation is very progressively showing some signs of improvement". This sounds *very slightly* more optimistic to us.
- We would not expect a strong price reaction today, as revenues were very close to market expectations. Guidance absolutely unchanged (I-f-I growth in op. income in H2 y/y). Some specific trends might have been a bit surprising for the market (US) but overall it is in line.

VALUATION

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

NEXT CATALYSTS

- FY 2016 revenues on 29 February after closing

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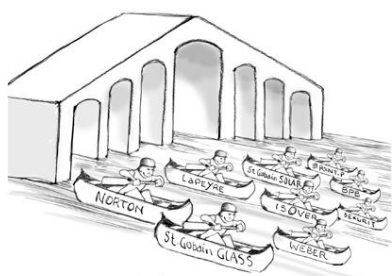
	SGO FP
Bloomberg	SGOB.PA
Reuters	41.8 / 32.1
12-month High / Low (EUR)	21,444
Market Cap (EUR)	27,781
Ev (BG Estimates) (EUR)	1,645
Avg. 6m daily volume (000)	16.8%
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.7%	3.1%	-5.9%	-3.0%
Cons & Mat	-0.7%	3.6%	2.4%	3.9%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	39,623	39,343	40,661	42,120
% change		-0.7%	3.4%	3.6%
EBITDA	3,844	4,027	4,533	4,959
EBIT	2,636	2,827	3,283	3,709
% change		7.2%	16.2%	13.0%
Net income	1,165	1,189	1,520	1,817
% change		2.0%	27.9%	19.5%

	2015	2016e	2017e	2018e
Operating margin	6.7	7.2	8.1	8.8
Net margin	1.1	3.2	3.9	4.5
ROE	6.1	6.2	7.6	8.7
ROCE	5.9	6.7	7.6	8.4
Gearing	24.8	24.7	21.7	17.6

(EUR)	2015	2016e	2017e	2018e
EPS	2.06	2.13	2.75	3.28
% change	-	3.7%	28.6%	19.5%
P/E	18.8x	18.1x	14.1x	11.8x
FCF yield (%)	5.7%	4.9%	6.1%	7.2%
Dividends (EUR)	1.24	1.30	1.30	1.30
Div yield (%)	3.2%	3.4%	3.4%	3.4%
EV/Sales	0.7x	0.7x	0.7x	0.6x
EV/EBITDA	7.3x	6.9x	6.0x	5.3x
EV/EBIT	10.6x	9.8x	8.3x	7.1x



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