

LafargeHolcim

Price CHF50.75

Another quarter of strong EBITDA

Fair Value CHF60 (+18%)

BUY-Top Picks

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	57.7 / 34.1
Market Cap (CHF)	30,801
Ev (BG Estimates) (CHF)	45,813
Avg. 6m daily volume (000)	1,656
3y EPS CAGR	52.0%

LHN has reported strong adj. EBITDA for Q3, up 10.5% on a l-f-l basis at CHF1685m (vs CHF1662m for the consensus), after -17% in Q1 and +6% in Q2. Adj. EBITDA margin stood at 23.9% in Q3, up 290 bps y/y, after -280bps in Q1 and +210bps in Q2. This was due to a combination of price increases (+2.1% y/y in Q3), synergies (annual target already achieved, additional CHF100m scheduled for 2016), cost control, despite lower-than-expected revenues in Q3 (-3.1%). Guidance reiterated.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.3%	13.7%	13.6%	0.9%
Cons & Mat	-4.1%	2.7%	2.8%	1.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

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	39.0x	21.8x	15.4x	11.1x
FCF yield (%)	0.4%	6.0%	9.4%	11.4%
Dividends (CHF)	1.50	1.65	1.80	1.95
Div yield (%)	3.0%	3.3%	3.5%	3.8%
EV/Sales	1.7x	1.6x	1.6x	1.4x
EV/EBITDA	8.6x	8.1x	7.1x	5.8x
EV/EBIT	14.7x	14.4x	11.7x	8.7x

Q3 figures

CHFm	- REVENUES -		- EBITDA -		Q1 lfl	Q2 lfl
	Sales Q3	vs cons.%	EBITDA Q3	vs cons.%		
Asia Pacific	1894	-4	338	-6	-15.5%	18.4%
Europe	1890	1	418	6	-28.0%	8.3%
LatAm	716	-15	234	-2	-9.2%	16.6%
M.E. Africa	882	-5	240	-1	-25.6%	-17.6%
NAM	1801	-5	574	3	-	6.6%
Elim.	-147	-	-119	-	17.4%	6.6%
Group	7036	-4	1685	1	-17.0%	6.0%

Source : Company Data; Bryan Garnier & Co. ests.

ANALYSIS

- Q3 revenues fell 3.1% on a like-for-like basis to CHF7036m, penalised by various difficult markets like Brazil, Indonesia and Malaysia. We suspect India was penalised by a very good monsoon, which is usually negative for the business in the short term. On the contrary, the US, the Philippines, Algeria and Egypt were dynamic. Group cement volumes were actually down by 4% in Q3 (+1.4% in Q1 and -3% in Q2).
- EBITDA improvement was steady in Q3. The CHF450m synergies target for 2016 has been achieved already and a further CHF100m should be generated this year. The gradual improvement in prices was confirmed, with a 2.1% y/y increase in Q3 and 0.3% sequentially. Nigeria remained impacted by some supply issues and the measures put in place only had an impact at the end of the quarter. Without Nigeria, EBITDA would have increased by 15%.
- Outlook is unchanged. EBITDA is likely to increase by "at least a high single digit growth". Some key markets should continue to gradually recover in our view: China showed further signs of recovery, India will benefit from the monsoon and measures will be taken to manage problems in difficult markets like Indonesia, Malaysia and Brazil. Finally, the negative impact from Nigeria should ease.
- Cement demand in LHN markets is expected to grow between 1% and 3%, unchanged.

VALUATION

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

NEXT CATALYSTS

- Capital Market Day on 18th November 2016, London.

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