

Vicat

Price EUR56.05

Q3 revenues in line. Negative FX impact likely to continue next year with the EGP.

Fair Value EUR61 vs. EUR56 (+9%)

NEUTRAL

Bloomberg	VCT.FP
Reuters	VCT.PA
12-month High / Low (EUR)	61.1 / 46.2
Market Cap (EUR)	2,517
Ev (BG Estimates) (EUR)	3,639
Avg. 6m daily volume (000)	29.50
3y EPS CAGR	17.4%

Reported last night, Q3 revenues were in line with our forecast, up 1.7% on a l-f-l basis at EUR629m but down 1.7% (reported) due to a negative forex effect. Switzerland was tepid but Egypt strong. Guidance would have been attractive without the negative FX impact this year, in particular the Egyptian pound, devalued by -c48% yesterday. New FV at EUR61 (EUR56). Some upside, but short-term momentum is not that great, although some markets are more promising over the mid-term. Neutral rating.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.3%	6.2%	-5.4%	1.3%
Cons & Mat	-4.1%	2.7%	2.8%	1.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,458	2,446	2,526	2,664
% change		-0.5%	3.3%	5.5%
EBITDA	448	454	493	543
EBIT	250.5	265.6	307.1	357.1
% change		6.0%	15.6%	16.3%
Net income	122.0	138.0	165.3	197.5
% change		13.1%	19.8%	19.5%

	2015	2016e	2017e	2018e
Operating margin	10.2	10.9	12.2	13.4
Net margin	5.8	6.6	7.7	8.7
ROE	5.4	6.0	6.9	7.8
ROCE	5.1	5.6	6.5	7.6
Gearing	40.0	34.2	28.3	21.9

(EUR)	2015	2016e	2017e	2018e
EPS	2.78	3.14	3.76	4.49
% change	-	13.1%	19.8%	19.5%
P/E	20.2x	17.9x	14.9x	12.5x
FCF yield (%)	5.4%	8.1%	8.2%	8.9%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	2.7%	2.7%	2.7%	2.7%
EV/Sales	1.5x	1.5x	1.4x	1.3x
EV/EBITDA	8.4x	8.0x	7.2x	6.3x
EV/EBIT	14.9x	13.7x	11.5x	9.5x

Vicat's 9M revenues rose 3.4% on a like-for-like basis to EUR1867m, down 0.9% on a reported basis, due to negative forex effects (Kazakh tengue, Turkish pound and Egyptian pound). By region, note the decent performance for France (cement volumes up by 5% in Q3, with some from exports) and the steady performance of Egypt (sales up +36% lfl in Q3, with volumes up +27%) and West Africa (sales +6.3% lfl). Switzerland was penalised by the end of deliveries of large projects (sales down -6.4% lfl in Q3), Turkey was penalised by political events (sales down -6.9%) and India was still impacted by pricing pressure (sales down -1.9% lfl in Q3), although sequential prices are increasing. In the US, trends were still well-oriented (sales at +3.1% lfl in Q3), but less dynamic than in H1, due to some negative weather impact.

Guidance is for a "tangible improvement in EBITDA" in 2016 at constant FX rate. On reported basis, EBITDA "should improve slightly".

Revenue quarterly trends

EURm	Q1 y/y*	Q2 y/y*	Q3 y/y*	9M y/y*	Q3 rep.	Q3 est.	vs est.	Split
France	8.9	0.9	3.1	4.0	199	195	2	32%
Europe (Italy, Suisse)	3.6	-3.3	-6.5	-2.8	112	120	-7	18%
US	7.1	8.1	3.1	6.0	100	104	-4	16%
Turkey, India & Kazakhstan	10.8	7.1	-1.4	5.1	139	141	-1	22%
Africa & Middle-East	-0.7	1.2	16.7	4.6	80	72	11	13%
Total	6.5	2.6	1.7	3.4	629	632	-1	100%

*like-for-like y/y growth (%)

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

ANALYSIS

- Q3 revenues were roughly in line with our expectations, with better trends in Africa and the Middle East but worse in Switzerland and the US. We are positive on mid-term trends in France, India (good Mooson impact in Q4 2016 and 2017) and West Africa (presumably less pressure from Dangote).
- But there are some *short-term* uncertainties, in particular Turkey (further impact from political turmoil?), Egypt (what impact of the devaluation on the day to day business ?) and India (prices are probably more under pressure where Vicat is located, although we are optimistic on volumes) but, apart from the EGP devaluation, we think it is well priced-in and known by the market.
- At 7.2x EV/EBITDA 2017e, we don't see the current share price as a very attractive opportunity and stick with our Neutral rating.

VALUATION

- FV EUR61 (vs EUR56) derived from the application of historical multiples (EV/EBITDA at 7.5x) to our new 2018 (vs 2017) estimates, discounted back. The roll-over adds ~EUR10 per share, but our new estimates are more conservative (-5% on average on EBITDA in the 2016-2018 period).

NEXT CATALYSTS

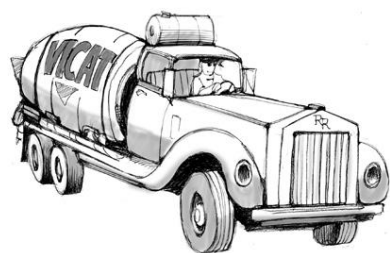
- FY 2016 results to be published on 27th February 2017, after market.

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