

## Vicat

Price EUR54.69

## Reverse Roadshow feedback

Fair Value EUR61 (+12%)

NEUTRAL

Bloomberg	VCT.FP
Reuters	VCT.PA
12-month High / Low (EUR)	61.1 / 46.2
Market Cap (EUR)	2,456
Ev (BG Estimates) (EUR)	3,578
Avg. 6m daily volume (000)	29.30
3y EPS CAGR	17.4%

We met with Vicat CFO Jean-Pierre Souchet last Monday on our reverse roadshow. While Mr Souchet seemed pretty confident overall (US is strong, competition is stabilizing in markets like Switzerland or Senegal, France is gradually recovering...), Vicat is dealing with numerous difficulties like currency devaluations (Turkey, Kazakhstan, Egypt), demonetisation in India (26% of cement capacities) or security woes (curfew in Egypt). Some positives then, but short-term uncertainties reinforce our Neutral view on the stock.

## ANALYSIS

- India is a key country for Vicat. In 2015, this country weighed 11% of Vicat consolidated sales and 14% of EBITDA. 26% of Vicat cement capacities are located in India (17% excluded minorities). On 8th November 2016, President Modi has announced the demonetisation of INR500 and INR1000 notes, which represented more than 85% of cash in circulation. This might impact the economy and the cement market, but it is too early to quantify it. Besides, this demonetisation will mostly impact the cement market exposed to the private residential segment, which equals to 60% to 65% of the cement market as a whole. With roughly one third of the transactions in cash (totally or partially), this means 20% of the cement market might be directly impacted. Plus, the very good volume performance for Vicat in the first 9 months (+21%) was underpinned by infrastructure-related projects (irrigation, sanitary networks...), which are not directly affected by the demonetisation. Finally, the negative impact of demonetisation is not supposed to stay for very long. Eventually, the outcome is supposed to be positive, with less black market activity.
- Some other countries face some uncertainties too. Egypt (5% of 2015 sales) is still dependant on the level of security (the curfew is still in place and obviously this is not favourable for day-to-day business); Turkey (10% of sales) recent political turmoil doesn't help. Currency devaluations (Egypt, Turkey, Kazakhstan) don't help, either. Some other countries have benefited from a slightly better competition landscape though, like Switzerland for instance (c16% of sales), where competition pressure should ease; or Senegal (9% of sales including Mali and Mauritanie), where market share is stabilizing. France (32% of sales) is better oriented. Ready-mix concrete, where prices have been under strong pressure, should start to benefit from a better environment. RMX prices should recover and positively impact cement prices. Finally, the US (14% of sales) is very well oriented (9M revenues up 6% on a like-for-like basis at end September).
- Vicat is guiding for gearing around 35% to 40% (34% estimated) and leverage at 2.0x (similar) for 2016e. The target is a 35% gearing and 1.5x leverage (we got 28% and 1.6x in 2017e). In that context, Vicat will start to be in a position to make some acquisitions again - nothing is expected in the short term (i.e. in the next couple of years) however. Anyway, the group is keen to reinforce its geographical diversification and is not interested in greenfield projects any more (at least in the near future). The group has strongly invested in greenfield projects since 2006 to reach 30mt of capacity (vs 14 mt) but it was justified by excessive M&A prices. Before 2006, Vicat actually used to make significant deals every 3-4 years. In future, as it takes up to 4 years to generate sufficient CF with a greenfield, acquisitions should be the preferred way to grow again.
- As far as we are concerned, we can see some reasons to be more positive on the share price here (Jean-Pierre Souchet seemed pretty confident on the future on various key markets, some M&A deals are possible in the mid term) but timing doesn't look good in the short term (currencies devaluation, India demonetisation). Our Neutral rating seems to us pretty well balanced then.

## VALUATION

- EUR61 FV is derived from the application of historical multiples to our 2018 estimates, disc. back.

## NEXT CATALYSTS

- FY 2016 results due to be released on 27th February 2017.

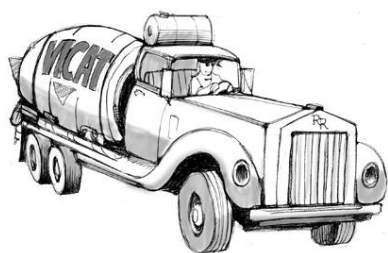
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	1 M	3 M	6 M	31/12/15
Absolute perf.	1.2%	-5.7%	-2.4%	-1.2%
Cons & Mat	4.2%	-1.4%	5.2%	4.9%
DJ Stoxx 600	4.8%	-1.4%	0.6%	-5.8%

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	19.7x	17.4x	14.5x	12.2x
FCF yield (%)	5.5%	8.3%	8.4%	9.1%
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	8.2x	7.9x	7.0x	6.2x
EV/EBIT	14.7x	13.5x	11.3x	9.4x



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NEUTRAL ratings 33,5%

SELL ratings 10,8%

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