

# BUZZI-UNICEM

Sector: Industrials

## OUTPERFORM

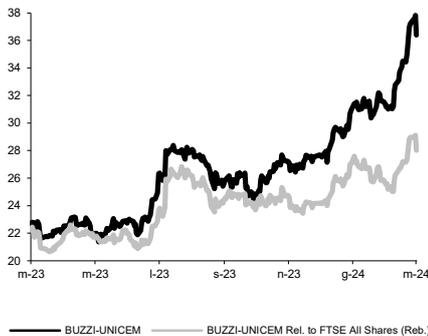
Price: Eu36.40 - Target: Eu45.80

### Strong end to the year, 2024 EBITDA seen in line with 2023

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 35.10 to 45.80		
	2024E	2025E	2026E
Chg in Adj EPS	4.9%	6.9%	

#### BUZZI-UNICEM - 12M Performance



Stock Data			
Reuters code:	BZU.MI		
Bloomberg code:	BZU IM		
Performance	1M	3M	12M
Absolute	17.3%	32.2%	62.8%
Relative	11.9%	18.4%	36.7%
12M (H/L)	37.82/21.36		
3M Average Volume (th):	273.45		

Shareholder Data	
No. of Ord shares (mn):	193
Total no. of shares (mn):	193
Mkt Cap Ord (Eu mn):	7,012
Total Mkt Cap (Eu mn):	7,012
Mkt Float - Ord (Eu mn):	3,026
Mkt Float (in %):	43.2%
Main Shareholder:	
Presa+Fimedi	53.0%

Balance Sheet Data	
Book Value (Eu mn):	6,379
BVPS (Eu):	31.16
P/BV:	1.2
Net Financial Position (Eu mn):	1,345
Enterprise Value (Eu mn):	4,516

- **FY23 bottom line higher than expected thanks to a positive fiscal one-off:** BZU's complete FY23 statement showed recurring EBITDA in line with that trailed in February, at €1,238mn (vs. €1,240mn previously indicated). Net income came in at €967mn, higher than consensus estimates (€880mn), mainly due to a positive fiscal one-off, which amounted to ~€75mn. Net of this, net income would have been slightly above consensus in any case, thanks to a stronger contribution from the Mexican JV. The proposed DPS was also higher than we expected at €0.60 (+€0.15 YoY) vs. our forecast (€0.50) and consensus at €0.70, offering limited yield at the current price (~1.7%).
- **2024 guidance broadly aligned to consensus:** the company expects 2024 rec. EBITDA to consolidate 2023 levels, an indication broadly in line with consensus, which sees 2024 EBITDA at Eu1,215mn, ~2% below 2023. As usual, we note a certain degree of caution in the guidance provided at the beginning of the year. Broadly speaking, the residential market is expected to remain weak across geographies (mainly interest rate related); the infrastructure segment is expected to support volumes, especially in the US and Italy; while re-shoring in the industrial segment should provide a boost to activity in Mexico and the US. Central and Eastern Europe expected to remain the weak part of the story in 2024. As for pricing, minor price increases are expected, but not to the extent of the recent past (broadly in line with inflation to protect margins).
- **Proposal to increase voting rights, future combinations in sight?** The BoD announced the proposal to introduce increased voting rights (2x for shares held for at least 24 months), seen as a tool to grant flexibility in case of potential future acquisitions/combinations. This should allow the family, which remains committed for the long term, to keep the majority stake of the company even in the event of new shares issued/mergers. This decision matches our feeling that starting from 2026, when changes in regulation will really start to kick in, the sector will face a new wave of consolidation, with companies that have healthy balance sheets, such as Buzzi, taking the lion's share.
- **Minor adjustments at operating level:** we are making only minor changes to our estimates at EBITDA level, while our EPS rises by 6% on average in '24/'25 also reflecting the healthy trends of the Mexican business (also supported by favourable ForEx) and the expected rebound in profitability in Brazil.
- **OUTPERFORM confirmed; target to €45.8:** While macro continues to offer some volatility in predicting evolution of volumes, we remain convinced that the cement sector is slowly moving from a cyclical business to a somewhat semi-regulated business, where emission reduction targets imposed by the regulator, especially in the EU, are more likely to drive pricing than volumes, thus improving visibility on pricing stickiness. Moreover, cash generation and the balance sheet remain strong and could enable the company to pursue external growth opportunities (in the short term taking control of Brazil JV) and to improve shareholder returns. Despite the recent strong performance, the stock is still trading at very attractive multiples (3.7x EV/EBITDA and 8.0x P/E 2024); at target it would trade at 5.1x and 10.1x respectively, still below historical averages.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	3,996	4,318	4,357	4,480	4,574
EBITDA Adj (Eu mn)	893	1,238	1,232	1,261	1,283
Net Profit Adj (Eu mn)	567	887	873	897	899
EPS New Adj (Eu)	2.941	4.604	4.533	4.656	4.667
EPS Old Adj (Eu)	3.019	4.382	4.323	4.356	
DPS (Eu)	0.450	0.600	0.650	0.700	0.750
EV/EBITDA Adj	3.1	2.8	3.7	3.1	2.6
EV/EBIT Adj	4.3	3.5	4.7	4.1	3.5
P/E Adj	12.4	7.9	8.0	7.8	7.8
Div. Yield	1.2%	1.6%	1.8%	1.9%	2.1%
Net Debt/EBITDA Adj	-0.3	-0.6	-1.1	-1.5	-1.9

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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Frequency of research: quarterly.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (51 in total) is as follows:

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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