

BUZZI-UNICEM

Sector: Industrials

OUTPERFORM

Price: Eu21.41 - Target: Eu25.40

Better Price/Cost Mix Pushes EBITDA Well Above Estimates

Mario Coppola +39-02-77115.322

mario.coppola@intermonte.it

Stock Rating

Rating: Unchanged

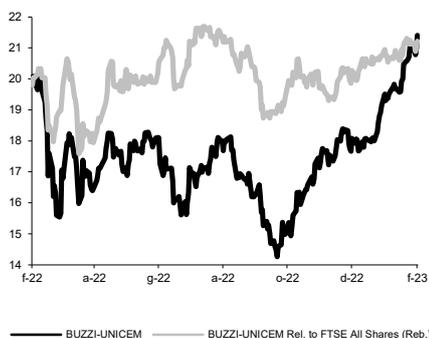
Target Price (Eu): from 23.70 to 25.40

	2022E	2023E	2024E
Chg in Adj EPS	10.5%	11.9%	9.5%

Next Event

 FY22 Results Out March 29th

BUZZI-UNICEM - 12M Performance



Stock Data

Reuters code: BZU.MI

Bloomberg code: BZU IM

Performance	1M	3M	12M
Absolute	9.7%	23.9%	8.1%
Relative	1.5%	8.3%	7.3%
12M (H/L)	21.41/14.26		
3M Average Volume (th):	286.31		

Shareholder Data

No. of Ord shares (mn): 193

Total no. of shares (mn): 193

Mkt Cap Ord (Eu mn): 4,124

Total Mkt Cap (Eu mn): 4,124

Mkt Float - Ord (Eu mn): 1,971

Mkt Float (in %): 47.8%

Main Shareholder:

Presa+Fimedi 52.2%

Balance Sheet Data

Book Value (Eu mn): 5,317

BVPS (Eu): 27.60

P/BV: 0.8

Net Financial Position (Eu mn): 716

Enterprise Value (Eu mn): 2,667

■ **2022 EBITDA guidance well above expectations:** the company upgraded its 2022 EBITDA guidance to €880mn (previously it was expecting a similar level to 2021, €796mn), much higher than our estimates and consensus at €808mn and €823mn respectively. This was due to the extension of tax credits in Italy dedicated to energy-intensive companies and to the price-cost effect on the inventory valuation, as well as higher prices in the US (continuing from 4Q) more than offsetting the drop in volumes. YE22 net cash reached €288mn, up from YE21 (€236mn), but down QoQ (from €328mn) due to the devaluation of dollar- and rouble-denominated financial assets in 4Q, as well as CO₂ emissions rights purchases being brought forward to cover the expected 2023 deficit.

■ **4Q sales trends:** 4Q group revenues (€994mn) were in line with expectations, with growth decelerating (+9.8% YoY vs. +17.2%/16.6%/20.3% in 1Q/2Q/3Q) due to lower volumes (cement sales -18% YoY in 4Q vs. +2.9%/-9.0%/-9.9% in 1Q/2Q/3Q), but this was more than offset by continued higher pricing (we estimate up >20% YoY in the quarter) and a still-positive ForEx effect. By geographical area, 4Q revenues were up +21.8% in Italy, driven by prices, with volumes suffering from the tough situation on the domestic market. Revenues in Germany (+6.7%) and Luxembourg (+7.3%) suffered the drop in volumes, with prices remaining solid. In the US (revenues +8.9%), 4Q volumes were penalised by logistical problems along the Mississippi river, but prices strengthened further. In Eastern Europe (+2.9%) there was a sharp, widespread decline in volumes, with a clear increase in prices. In Russia, the drop in volumes was less pronounced than initially expected, with favourable selling prices.

■ **Change in estimates:** we are lifting our 2022, 2023 and 2024 EPS estimates by 10.5%, 11.9% and 9.5% respectively. These increases are driven by better price/cost dynamics and therefore higher profitability, as we were anticipating a more severe impact from higher inflation/energy costs in 2022 but also going forward. In 2023 we now estimate EBITDA of €844mn, 4% lower than in 2022, as we are not including further potential tax credits in Italy dedicated to energy-intensive companies. We believe consensus estimates could also enjoy significant upward revisions, as current expectations were similarly embedding a much worse price/cost impact in both 2022 and 2023.

■ **OUTPERFORM confirmed; target raised from €23.7 to €25.4:** we are raising the target price on the stock in line with the change in estimates and rollover of our valuation models to 2023/24. Earnings momentum might start to turn positive following the sharp cut to estimates that began with the energy crises. In a soft-landing scenario, volume weakness should not represent a significant risk to the P&L, given the better operating margin and improving price/cost dynamics. Moreover, cash generation and the balance sheet remain strong and could offer further optionality to improve shareholder returns. The stock is trading at 3.1x EV/EBITDA and 7.7x P/E 2023, at target it would trade at 4.0x and 9.2x respectively, still below historical averages.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	3,222	3,446	3,996	4,008	4,132
EBITDA Adj (Eu mn)	785	796	880	844	879
Net Profit Adj (Eu mn)	560	542	543	533	566
EPS New Adj (Eu)	2.719	2.812	2.821	2.768	2.937
EPS Old Adj (Eu)	2.719	2.812	2.552	2.474	2.682
DPS (Eu)	0.250	0.400	0.400	0.400	0.400
EV/EBITDA Adj	3.5	3.9	2.6	3.2	2.6
EV/EBIT Adj	5.2	5.8	3.7	4.6	3.7
P/E Adj	7.9	7.6	7.6	7.7	7.3
Div. Yield	1.2%	1.9%	1.9%	1.9%	1.9%
Net Debt/EBITDA Adj	0.3	-0.3	-0.3	-0.8	-1.2