

# CEMENTIR

Sector: Industrials

# OUTPERFORM

Price: Eu9.82 - Target: Eu13.50

## Beyond 2023: Net Cash Expected at ~Eu720mn in 2026

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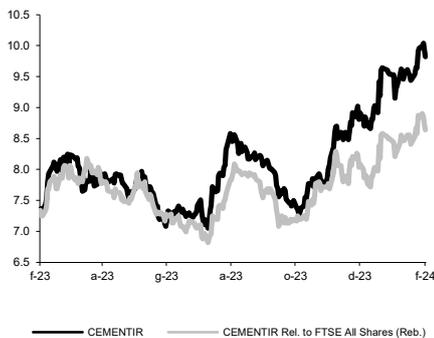
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 12.60 to 13.50		
	2023E	2024E	2025E
Chg in Adj EPS	-4.8%	-11.8%	-14.6%

### Next Event

 Results Out February 8<sup>th</sup>

### CEMENTIR - 12M Performance



### Stock Data

Reuters code:	CEMI.MI
Bloomberg code:	CEM IM

Performance	1M	3M	12M
Absolute	2.9%	22.6%	33.8%
Relative	1.8%	12.3%	20.3%
12M (H/L)	10.04/7.05		
3M Average Volume (th):	108.70		

### Shareholder Data

No. of Ord shares (mn):	159
Total no. of shares (mn):	159
Mkt Cap Ord (Eu mn):	1,563
Total Mkt Cap (Eu mn):	1,563
Mkt Float - Ord (Eu mn):	446
Mkt Float (in %):	28.6%
Main Shareholder:	
F. Gaetano Caltagirone	66.0%

### Balance Sheet Data

Book Value (Eu mn):	1,677
BVPS (Eu):	10.06
P/BV:	1.0
Net Financial Position (Eu mn):	351
Enterprise Value (Eu mn):	1,291

- FY23 expected to beat company guidance:** we expect the company to report 4Q trends broadly in line with those of the first 9 months of the year, with declining cement volumes but still-healthy prices, leading to FY net revenues of Eu1,734mn (company target ~Eu1.8bn), up 0.6% YoY. This should push FY EBITDA above guidance, updated in November, of Eu380mn excluding IAS29 and non-recurring elements; we estimate it could reach Eu409mn. Furthermore, the last quarter should have seen significant cash generation, allowing the company to achieve guidance for a positive NFP of over Eu200mn (our estimate Eu208mn).
- Beyond 2023: a glimpse into Cementir's next three years.** For 2024 we expect cement volumes to be broadly at the same level as 2023 with prices increasing slightly, driving net sales growth up 1.3% YoY to Eu1,757mn. As for profitability, we expect a slightly decreasing margin to 23.4% (-30bp YoY), bringing adj. EBITDA practically to the same level as in 2023 (Eu411mn). Finally, we expect that after a transitional 2024 the company could resume a more sustained growth trajectory, with expected 2023-26 CAGRs of 3.9% for revenues and 3.2% for adj. EBITDA. More interestingly, according to our estimates the company should hold a positive NFP of ~Eu720mn at the end of 2026, leaving ample space for i) increasing the CapEx for decarbonisation (Eu110mn per year in the old plan, with 2024 representing a peak at Eu124mn) thus accelerating the pace of emission reductions, ii) pursue new M&A transactions, maintaining a healthy balance between mature and emerging markets (ideal split 80% mature/20% emerging), paying reasonable multiples and with potential diversification into adjacent markets. We note that the last significant acquisition completed by the company was the acquisition of a 39% stake in Lehigh White Cement in the United States, back in 2018.
- Change in estimates:** we are revising the estimates in our model by updating our growth and profitability assumptions in light of the most recent trends. At operating level, we are raising our 2023-25 adj. EBITDA estimates by 4% on average, while we are cutting our bottom line estimate, more than three-quarters of which is due to non-cash elements (mainly D&A).
- OUTPERFORM confirmed; target from €12.6 to €13.5.** We confirm our positive recommendation on Cementir in light of good operating trends which should allow it to achieve its expected 2025 EBITDA target two years ahead of schedule. The significant net cash position guarantees the company's solidity in times of macroeconomic uncertainty, while providing resources for potential new M&A, an area in which management has an excellent track record, and to accelerate decarbonisation. According to our estimates, over the next 3 years the company will generate FCF of Eu215mn on average, leaving it with approximately Eu720mn of net cash in 2026, or approximately 45% of the current market cap. Valuing the company at its historical multiple of 4.5x EV/EBITDA (10Y), our TP moves from Eu12.6 to Eu13.5 after rolling the valuation over from 2023/24 to 2024/25.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,360	1,723	1,734	1,757	1,853
EBITDA Adj (Eu mn)	300	317	411	411	432
Net Profit Adj (Eu mn)	105	149	192	195	208
EPS New Adj (Eu)	0.662	0.934	1.206	1.226	1.308
EPS Old Adj (Eu)	0.712	0.936	1.266	1.389	1.532
DPS (Eu)	0.180	0.220	0.287	0.276	0.294
EV/EBITDA Adj	4.9	3.1	2.7	3.1	2.6
EV/EBIT Adj	7.9	5.3	3.8	4.5	3.7
P/E Adj	14.8	10.5	8.1	8.0	7.5
Div. Yield	1.8%	2.2%	2.9%	2.8%	3.0%
Net Debt/EBITDA Adj	0.1	-0.3	-0.5	-0.9	-1.2