

CEMENTIR

Sector: Industrials

OUTPERFORM

Price: Eu7.81 - Target: Eu10.60

Better Outlook Entering 2023, Priority on Energy Efficiency

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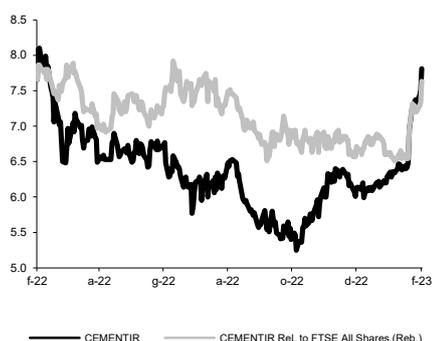
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 9.80 to 10.60		
	2022E	2023E	2024E
Chg in Adj EPS	8.9%	5.2%	4.0%

Next Event

 FY22 Results Out March 9th

CEMENTIR - 12M Performance



Stock Data

Reuters code:	CEMI.MI		
Bloomberg code:	CEM IM		
Performance	1M	3M	12M
Absolute	24.4%	30.2%	2.0%
Relative	16.4%	15.5%	-0.3%
12M (H/L)	8.10/5.25		
3M Average Volume (th):	72.03		

Shareholder Data

No. of Ord shares (mn):	159
Total no. of shares (mn):	159
Mkt Cap Ord (Eu mn):	1,243
Total Mkt Cap (Eu mn):	1,243
Mkt Float - Ord (Eu mn):	368
Mkt Float (in %):	29.6%
Main Shareholder:	
F. Gaetano Caltagirone	65.9%

Balance Sheet Data

Book Value (Eu mn):	1,665
BVPS (Eu):	10.46
P/BV:	0.7
Net Financial Position (Eu mn):	203
Enterprise Value (Eu mn):	1,110

■ **4Q results stronger than expected:** the company closed the year with results that exceeded our expectations. Including IAS 29, CEM reported EBITDA of €97mn in 4Q (€90mn adjusting for one-offs), higher than our estimate. Consensus was also positioned for a result at the lower end of the guidance range (€78mn adjusted). Pre-tax profit was €78mn in the quarter vs. our estimate of €54mn (net income will be released on 9 March). The net cash position reached €95.5mn, higher than our estimate /consensus and above company guidance (~€60mn).

■ **2023 guidance above estimates:** the company expects revenues to exceed €1.8bn and EBITDA in the €335-345mn range, with net cash above €200mn (embedding more than €110mn CapEx). This guidance compares with our €330mn estimate and consensus at €314mn (with significantly lower revenues and a YoY deterioration in the margin). Management expects a soft landing of the economy in 2023, with lower volumes but prices still offsetting potential increases in CO₂/electricity costs. Energy costs are under control, with almost 80% already hedged, and labour inflation has also been factored into guidance.

■ **2025 targets:** the company is targeting ~€2.0bn of revenues by 2025 (with volumes declining in 2023 and then bouncing back in 2024/25), EBITDA of ~€400mn and a net cash position of over €500mn. Profitability is expected to remain broadly stable (below 20%), with fuels and electricity forecast to rise faster than inflation. The company should be able to offset higher costs through investments in energy efficiency projects (like gas-coal substitution), which should allow for less CO₂ emissions and lower related costs. In fact, management stressed that net cash generated in the period is more likely to be used for investments in the energy sector, rather than for M&A. Also, excess cash could be used to increase remuneration to shareholders, via higher dividends, with a payout ratio between 20% and 25%. Indeed, the CEO stated that the dividend on 2022 will probably be 20% higher than on 2021. Also, sustainability targets have been updated, with the company now targeting emissions of 460kg CO₂/grey cement ton (previously “under 500”) and 738kg CO₂/white cement ton (previously “under 800”) by 2030.

■ **OUTPERFORM confirmed; target from €9.8 to €10.6.** We are raising our 2023/24 estimates by 5.2%/4.0% on the back of a more positive outlook compared to previous expectations. Consensus is probably going to make high-single digit adjustments. Consequently, and including the progressive rollover of the valuation, we are lifting our target price to €10.6. At current valuation levels, we believe it is still worth buying the stock, as management demonstrated its ability to control price/cost mix effectively and engaged in self-help measures to improve cost efficiency in the medium/long term. Moreover, cash flow generation remains healthy (enabling higher shareholder returns) and the company is well placed to improve its sustainability profile considerably. At this stage, visibility on 2023 estimates has increased despite some uncertainty regarding demand resilience. At target, the stock would trade at 4.5x/3.9x and 10.2x/9.1x EV/EBITDA and P/E for 2023/24, compared to the current 3.2x/2.7x and 7.5x/6.7x.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	1,225	1,360	1,723	1,804	1,887
EBITDA Adj (Eu mn)	264	311	335	339	358
Net Profit Adj (Eu mn)	102	113	157	166	186
EPS New Adj (Eu)	0.641	0.712	0.988	1.043	1.170
EPS Old Adj (Eu)	0.641	0.712	0.907	0.991	1.125
DPS (Eu)	0.140	0.180	0.220	0.260	0.290
EV/EBITDA Adj	4.3	4.8	3.0	3.3	2.6
EV/EBIT Adj	7.2	7.5	4.9	4.9	3.7
P/E Adj	12.2	11.0	7.9	7.5	6.7
Div. Yield	1.8%	2.3%	2.8%	3.3%	3.7%
Net Debt/EBITDA Adj	0.5	0.1	-0.3	-0.6	-0.9