

CEMENTIR

Sector: Industrials

OUTPERFORM

Price: Eu10.20 - Target: Eu13.50

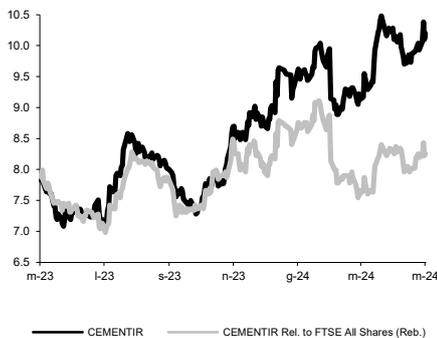
Soft Start as Expected, but April Hints at Pick-Up in Demand

 Carlo Maritano +39-02-77115.358
 carlo.maritano@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.6%	-2.5%	-2.5%

CEMENTIR - 12M Performance



Stock Data

Reuters code:	CEMI.MI
Bloomberg code:	CEM IM

Performance	1M	3M	12M
Absolute	1.0%	11.6%	29.1%
Relative	-0.2%	1.7%	5.3%
12M (H/L)	10.48/7.05		
3M Average Volume (th):	120.03		

Shareholder Data

No. of Ord shares (mn):	159
Total no. of shares (mn):	159
Mkt Cap Ord (Eu mn):	1,623
Total Mkt Cap (Eu mn):	1,623
Mkt Float - Ord (Eu mn):	464
Mkt Float (in %):	28.6%
Main Shareholder:	
F. Gaetano Caltagirone	66.0%

Balance Sheet Data

Book Value (Eu mn):	1,652
BVPS (Eu):	9.91
P/BV:	1.0
Net Financial Position (Eu mn):	327
Enterprise Value (Eu mn):	1,341

- Good volumes and healthy pricing, but ForEx taking its toll:** CEM reported results that were not far short of our estimates, with a notable decrease in volumes in Northern/Central Europe (fewer working days, harsh weather and weak residential segment) offset by good trends in the Turkish market, which mainly benefitted from post-earthquake reconstruction activities, leading to a 2.3% increase in Group volumes. Revenue (non-GAAP) was down 11.3% in 1Q, reaching Eu367.1mn, as the positive volumes and still-healthy pricing were more than offset by a negative ForEx effect, which drained Eu50.1mn (at constant ForEx revenues would have been up 0.8% YoY).
- Margin impacted by geographical mix:** As for profitability, EBITDA (non-GAAP) came to Eu69.3mn (our estimate Eu71.8mn), a 19% YoY decrease, due primarily to lower results in Denmark and Norway, and to a lesser extent USA and APAC, as well as a negative ForEx effect of Eu9.7mn (net of this EBITDA would have been down just 7.7% YoY). The EBITDA margin was 18.9% vs. 20.7% in 1Q23, penalised by lower sales and the less favourable mix (less Nordics, more Turkey). Down the line, net ForEx income and the valuation of derivatives brought pre-tax profit to Eu58.7mn, much higher than our Eu38.8mn estimate. Finally, net cash stood at Eu76.6mn (we were expecting some Eu20mn more), with a Eu141mn reduction QoQ primarily attributable to seasonal NWC patterns in 1Q and the annual maintenance cycle.
- Reassuring trading update:** During the conference call management provided more colour on recent trends, clarifying that while 1Q was more or less in line with budget, April was a bit ahead of expectations with some signs of an upturn across geographical areas, and especially in Scandinavia. As for pricing, there are no signs of pressure in any market, with the slight exception of North America, especially Florida and Texas, due to imports.
- 2024 guidance reaffirmed, minor modifications to our estimates:** management reaffirmed 2024 guidance, indicating ~Eu1.8bn in revenue, ~Eu385mn in EBITDA (consensus in line), and a net cash position of ~Eu300mn, following ~Eu135mn of investments. We are making minor adjustments to our estimates mainly to update exchange rates based on movements since our last report, thus incorporating a further devaluation of TRY and EGP, while leaving our assumptions for volumes and prices broadly unchanged. Our estimates are now only a tad higher than guidance.
- OUTPERFORM reaffirmed; target still Eu13.50:** we confirm our positive view on Cementir on the back of confidence that the company will be able to hit the targets provided to the market. 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, to accelerate decarbonisation, and to continue to remunerate shareholders. According to our estimates, over the next 3 years the company will generate average annual FCF of Eu203mn, leaving it with approximately Eu660mn of net cash in 2026, or >40% of the current market cap. Valuing the company at its historical multiple of 4.5x EV/EBITDA (10Y), our TP remains at Eu13.50.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	1,723	1,694	1,724	1,814	1,902
EBITDA Adj (Eu mn)	317	400	389	408	426
Net Profit Adj (Eu mn)	149	193	192	196	206
EPS New Adj (Eu)	0.934	1.211	1.206	1.232	1.296
EPS Old Adj (Eu)	0.934	1.157	1.199	1.264	1.330
DPS (Eu)	0.220	0.280	0.271	0.277	0.292
EV/EBITDA Adj	3.1	2.6	3.4	2.9	2.4
EV/EBIT Adj	5.3	4.0	5.2	4.4	3.7
P/E Adj	10.9	8.4	8.5	8.3	7.9
Div. Yield	2.2%	2.7%	2.7%	2.7%	2.9%
Net Debt/EBITDA Adj	-0.3	-0.5	-0.8	-1.2	-1.5

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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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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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 (50 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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Emitente	%	Long/Short
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