

CEMENTIR

Sector: Industrials

OUTPERFORM

Price: Eu8.32 - Target: Eu12.60

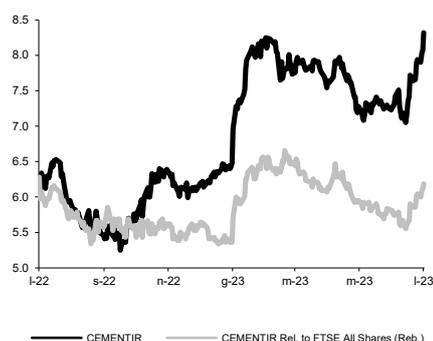
Strong 2Q Leads to Higher FY Expectations

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 10.60 to 12.60		
	2023E	2024E	2025E
Chg in Adj EPS	21.4%	18.7%	17.2%

CEMENTIR - 12M Performance



Stock Data

Reuters code:	CEMI.MI		
Bloomberg code:	CEM IM		
Performance	1M	3M	12M
Absolute	14.4%	8.9%	32.5%
Relative	7.0%	1.1%	-1.7%
12M (H/L)	8.32/5.25		
3M Average Volume (th):	58.04		

Shareholder Data

No. of Ord shares (mn):	159
Total no. of shares (mn):	159
Mkt Cap Ord (Eu mn):	1,324
Total Mkt Cap (Eu mn):	1,324
Mkt Float - Ord (Eu mn):	392
Mkt Float (in %):	29.6%
Main Shareholder:	
F. Gaetano Caltagirone	65.9%

Balance Sheet Data

Book Value (Eu mn):	1,693
BVPS (Eu):	10.64
P/BV:	0.8
Net Financial Position (Eu mn):	206
Enterprise Value (Eu mn):	1,197

■ **2Q23 EBITDA better than expected:** the company reported revenues of €463mn, down 7%, with cement, ready-mix concrete and aggregates volumes down 6.8%, 12.7% and 12.6% respectively. Costs also decreased by 9.4%, however, thanks to the decrease in production and transport costs and other cost control efforts. Interestingly, costs had actually increased by 2.8% in 1Q23. EBITDA came in at €117mn, compared to our €101mn estimate, with a margin of 25.7% (up from 18% in 2Q22). By geography:

- in **Nordic & Baltic**, volumes fell significantly due to lower demand (partly linked to a slowdown in residential and commercial), but with higher prices and lower costs, leading to greater profitability in Denmark which more than offset lower EBITDA in the other countries;
- in **Belgium and France**, volumes were down 10% in 1H, with revenues and EBITDA up driven by pricing and tight cost control;
- in the **US** white cement volumes declined 14%, with lower EBITDA as well;
- in **Asia Pacific** volumes grew in China and declined in Malaysia, with opposite trends on EBITDA due to declining prices in China and reduced costs in Malaysia;
- in **Turkey**, revenues were up double-digit in 2Q (although at a lower growth rate than in 1Q), with an active domestic market. Rising prices more than offset cost increases and currency devaluation;
- in **Egypt**, volumes increased but revenues were penalised by currency devaluation, with EBITDA increasing thanks to higher prices.

■ **EBITDA guidance raised:** the company confirmed guidance on revenues (~€1.8bn) and net cash (>€200mn), but lifted its EBITDA guidance from a €335-345mn range to ~€365mn. Still, this figure seems very cautious, considering it implies a 14% EBITDA decline in 2H. During the conference call management said it expects the broad decline in volumes to stabilise and prices not to decline, therefore providing no real strong argument for such wary expectations.

■ **Change in estimates:** we are raising our 2023 EBITDA projection to €385mn, above company guidance, but still implying a small decline in 2H23 vs. 2H22, due to a degree of caution on the fading price carry-over effect and potential deterioration in ForEx rates in countries such as Turkey and Egypt. We are therefore raising EPS by >20%.

■ **OUTPERFORM, target raised from €10.6 to €12.6.** 2Q23 confirmed positive trends on pricing and the price/cost spread, with better-than-expected results, although some uncertainty remains over the resilience of demand. We expect consensus estimates to edge higher vs. company guidance. We are lifting our target price to €12.6 due to the increase in estimates. At target, the stock would trade at 4.8x/4.2x EV/EBITDA and 9.9x/9.1x PE for 2023/24, compared to the current 3.0x/2.5x and 6.6x/6.0x.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,360	1,723	1,804	1,911	1,972
EBITDA Adj (Eu mn)	311	335	385	402	419
Net Profit Adj (Eu mn)	113	149	201	221	244
EPS New Adj (Eu)	0.712	0.936	1.266	1.389	1.532
EPS Old Adj (Eu)	0.712	0.936	1.043	1.170	1.307
DPS (Eu)	0.180	0.220	0.260	0.290	0.320
EV/EBITDA Adj	4.8	3.0	3.1	2.3	1.7
EV/EBIT Adj	7.5	4.9	4.4	3.3	2.3
P/E Adj	11.7	8.9	6.6	6.0	5.4
Div. Yield	2.2%	2.6%	3.1%	3.5%	3.8%
Net Debt/EBITDA Adj	0.1	-0.3	-0.5	-0.9	-1.4