

CEMENTIR

Sector: Industrials

OUTPERFORM

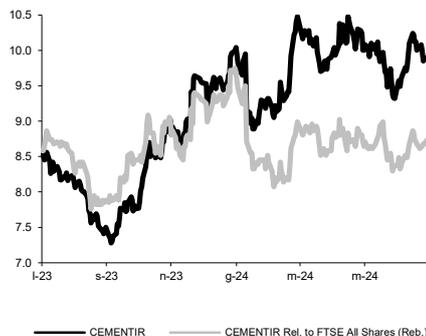
Price: Eu9.90 - Target: Eu13.50

EBITDA Outpaces Expectations, 2024 Guidance More Visible

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	2.7%	-0.2%	0.0%

CEMENTIR - 12M Performance



Stock Data			
Reuters code:	CEMI.MI		
Bloomberg code:	CEM IM		
Performance	1M	3M	12M
Absolute	6.2%	0.0%	18.3%
Relative	4.8%	1.8%	4.6%
12M (H/L)	10.48/7.28		
3M Average Volume (th):	124.62		

Shareholder Data	
No. of Ord shares (mn):	159
Total no. of shares (mn):	159
Mkt Cap Ord (Eu mn):	1,575
Total Mkt Cap (Eu mn):	1,575
Mkt Float - Ord (Eu mn):	450
Mkt Float (in %):	28.6%
Main Shareholder:	
F. Gaetano Caltagirone	66.0%

Balance Sheet Data	
Book Value (Eu mn):	1,655
BVPS (Eu):	9.92
P/BV:	1.0
Net Financial Position (Eu mn):	305
Enterprise Value (Eu mn):	1,315

- 2Q EBITDA above estimates, net cash lower due to extra investments.** In line with our expectations, 2Q24 cement and clinker volumes declined by 1.4% YoY as sales slowed in all regions except for Turkey and the US as a consequence of a mix of unfavourable weather conditions, weak residential markets, and delays to infrastructure programmes. Therefore, all in all, net revenues totalled Eu436.2mn, a 4.0% decrease YoY, which in any case amounts to a sequential improvement compared to -11.3% for 1Q, hinting at volumes bottoming out in some of the most affected regions. The main surprise vs market expectations were EBITDA (non-GAAP), which came to Eu112.5mn, better than our / consensus expectations (which pointed to ~Eu104mn) due to a 5.2% reduction in operating costs (mainly raw materials and transport). Moreover, if we were to adjust for non-recurring items (Eu2mn negative in 2024 vs Eu7.5mn positive in 2023), adj. EBITDA (non-GAAP) would have even been above last year's level. We point out that most of the beat is to be attributed to the Nordics and Belgium, which despite not particularly brilliant volumes were strong on profitability. Net cash at Eu55.4mn was below our estimate of Eu94mn (cons. Eu84mn), mainly due to a small acquisition completed in Denmark (Eu18mn).
- Encouraging messages on current trading.** Messages provided during the conference call were reassuring as management indicated that volumes seem to have bottomed out in some regions and at the same time the company sees more or less stable pricing, with no downward pressure expected going forward. In our view, this should lead to potentially strong profitability in the second part of the year, bearing in mind the favourable trend for most input costs (apart from wages, rising in line with inflation). On current trading, management stated that July data show a sequential improvement vs 2Q, leaving us with the feeling that as things stand there is some room for a positive surprise on guidance alongside the release of 3Q results.
- EBITDA guidance confirmed, we remain slightly above.** Only one change was made to 2024 guidance, namely revenues were revised down from ~Eu1.8bn to ~Eu1.7bn, a change that we deem not particularly price sensitive as both our / consensus estimates were already positioned at ~Eu1.7bn. We note that 2024 adj. EBITDA (non-GAAP) is seen at ~Eu385mn, while our estimate remains slightly higher at Eu389mn. NFP confirmed at ~Eu300mn. Estimates merely fine-tuned.
- 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 at least hit the targets provided to the market, with some upside existing on the back of messages provided on 3Q. 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 ~Eu200mn, leaving it with approximately Eu640mn 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	1,688	1,768	1,853
EBITDA Adj (Eu mn)	317	400	400	408	426
Net Profit Adj (Eu mn)	149	193	197	196	206
EPS New Adj (Eu)	0.934	1.211	1.239	1.230	1.295
EPS Old Adj (Eu)	0.934	1.211	1.206	1.232	1.296
DPS (Eu)	0.220	0.280	0.277	0.277	0.291
EV/EBITDA Adj	3.1	2.6	3.3	2.9	2.4
EV/EBIT Adj	5.3	4.0	5.0	4.3	3.6
P/E Adj	10.6	8.2	8.0	8.1	7.6
Div. Yield	2.2%	2.8%	2.8%	2.8%	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.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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.

Explanation of our ratings system:

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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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