

# Equity Morning Note

## Summary

### – What's new?

- **HOLCIM (Buy, 75.0 (NEW))**: Carbon control pushing cement prices in Europe - Recovery of US residential construction - Hope for China stimulus - Buy Holcim with an updated price target of CHF 75 (old. CHF 68)

### – Event Calendar

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## WHAT'S NEW?

## HOLCIM

Analyst:	bernd.pomrehn@vontobel.com
Bloomberg: HOLN SE	Price: CHF 62.9
Enterprise value (mns)	CHF 45,906
Market cap (mns)	CHF 36,038
Reporting Currency	CHF

**Buy** **PT: CHF 75.0 (NEW)**

Income Stat. (mns)	2022A	2023E	2024E	2025E
Revenues	29189	27143	27922	28953
EBITDA	5022	6123	6438	6483
EBIT	3221	4467	4737	4772
Net profit	3308	2851	2976	3012
Growth (%)	2022A	2023E	2024E	2025E
Revenues	8.8	-7.0	2.9	3.7
Net profit	44.0	-13.8	4.4	1.2
EPS (rep.)	46.9	-10.3	5.72	1.23
Margin analysis (%)	2022A	2023E	2024E	2025E
Gross margin	39.8	43.0	43.3	42.6
EBITDA margin	17.2	22.6	23.1	22.4
EBIT margin	11.0	16.5	17.0	16.5
Balance sheet (%)	2022A	2023E	2024E	2025E
NWC/Revenues	8.0	8.2	8.0	7.9
Net debt (mns)	6188	8188	6845	5604
Equity to tot. assets	51.4	51.1	52.4	53.7
Gearing	20.9	28.3	22.9	18.2
Net debt/EBITDA	1.2	1.3	1.1	0.9
CF statement (mns)	2022A	2023E	2024E	2025E
Capex	-1549	-1611	-1692	-1776
Operating FCF	3013	2788	3070	3025
Inc(+)/Dec(-) in cash	3142	-2157	573	471
CF analysis (%)	2022A	2023E	2024E	2025E
Op. CF margin	15.6	16.2	17.1	16.6
Capex/Revenues	5.3	5.9	6.1	6.1
Capex/Depreciation	54.6	67.8	68.2	71.6
Per-share data (CHF)	2022A	2023E	2024E	2025E
EPS (rep.)	5.48	4.92	5.20	5.26
EPS (adj.)	4.96	5.01	5.30	5.39
Net cash	-10.5	-14.3	-12.0	-9.8
Dividend	2.50	2.60	2.70	2.80
Payout ratio (%)	45.1	52.9	52.0	53.2
Valuation (X)	2022A	2023E	2024E	2025E
P/E	8.7	12.8	12.1	12.0
P/E (adj.)	9.7	12.6	11.9	11.7
P/B	0.98	1.28	1.24	1.20
EV/EBITDA	7.6	7.5	6.9	6.7
FCF yield %	10.7	7.7	8.5	8.4
Dividend yield %	5.2	4.1	4.3	4.4
Profit. ratios (%)	2022A	2023E	2024E	2025E
ROIC	6.4	9.6	10.4	10.7
ROE	11.7	10.1	10.4	10.2
ROA	6.0	5.2	5.5	5.5
BB Consensus (mns)	2022A	2023E	2024E	2025E
Revenues	29346	27166	28137	29472
EBITDA	6684	6491	6761	7100
EBIT	4756	4709	4941	5230
Net profit	2660	3006	3131	3374
EPS	4.45	5.17	5.48	5.94

## Conference call/analyst meeting

No conference call or analyst meeting scheduled

## Carbon control pushing cement prices in Europe - Recovery of US residential construction - Hope for China stimulus - Buy Holcim with an updated price target of CHF 75 (old. CHF 68)

## FACTS &amp; COMMENT:

**Europe has become Holcim's earnings driver:** Somewhat surprisingly, Europe emerged as Holcim's strongest earnings driver in 9M23. In October and November, cement prices further improved in Europe, driven mainly by the shortage of free carbon dioxide emission allowances and higher gas prices and despite somewhat lower prices for carbon credits. We consequently expect cement prices in 2024 to remain above the 2023 level even in a weaker demand environment.

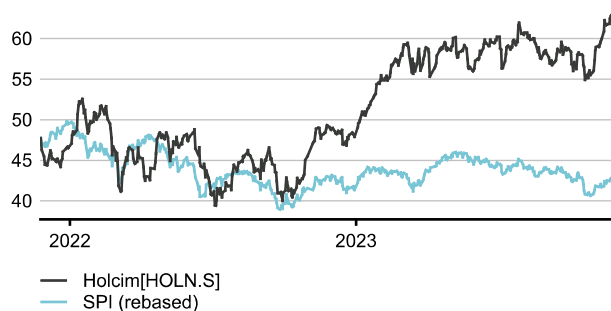
**Recovery of US residential market:** Following a decline in housing starts by 25.2% yoy in April 2023 to a three-year low, new US home construction again picked up since September, indicating that builders continue to benefit from a limited supply in the resale market, while demand is growing with an increasing population.

**Hope for China stimulus:** This year, China has been Holcim's only real weak spot. However, it seems that the Chinese government is now willing to financially support the leading 50 developers in order to deliver millions of unfinished homes, to stabilize the industry, and to restore peoples' trust in the government and banks.

## OUR CONCLUSION:

The latest increase in cement prices in Europe is making us confident that prices will remain above the average 2023 level. In the US, we have seen a pick-up in home construction since September and a decline in mortgage rates since October, giving hope for a recovery of residential construction. Regarding China, investors have been waiting for a sign. stimulus announcement, which is probably soon to come. Holcim is perfectly positioned to benefit from these trends. Buy with a new PT of CHF 75.

## Performance



Source: Bloomberg, Vontobel Equity Research

**EVENT CALENDAR**

<b>DATE</b>	<b>COMPANY</b>	<b>TOPIC</b>
27-11-23	ARYZTA	Aug-Oct 2023 sales
28-11-23	Novartis	R&D day
01-12-23	Swiss Re	Investor Day
06-12-23	Barry Callebaut	AGM

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Holcim[HOLN.S] was last changed from Hold to Buy on 30-06-16

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	No.	As %		As %
Buy	40	41		43
Hold	57	59		35
Reduce	0	0		0

The table above is revised at the beginning of each quarter, i.e. it currently reflects the status as of 30 September 2023 .

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Rating	Definition
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Buy	Price target (when set) implies 10% or more upside on a 12-month horizon
Hold	Price target (when set) implies 0-10% up/downside on a 12-month horizon
Reduce	Price target (when set) implies 10% downside on a 12-month horizon
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Hold	Price target (when set) implies 0-15% up/downside on a 12-month horizon
Reduce	Price target (when set) implies 10% downside on a 12-month horizon
Other	All other Swiss stocks
Buy	Price target (when set) implies 20% or more upside on a 12-month horizon
Hold	Price target (when set) implies 0-20% up/downside on a 12-month horizon
Reduce	Price target (when set) implies 15% downside on a 12-month horizon
Restricted	Coverage is temporarily restricted (no price target)
Suspended Coverage	Coverage is temporarily suspended (no price target)

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